

Public Finance and Public Debt Report, May 2005

The public finances and public debt results for May 2005 were released today.

It is worth highlighting the following results from this report:

- The public sector posted a Ps. 20.4 billion surplus, which is in line with the fiscal deficit authorized by Congress for 2005 as a whole.
- The primary balance, defined as total revenues minus non-interest expenditures posted a Ps. 30.9 billion surplus.
- The public sector's budgetary revenues grew 11.7 per cent in real annual terms. The increase was due mainly to oil-related revenues (16.6 per cent), to the real revenue growth from public companies under direct budgetary control other than PEMEX (7.0 per cent), and to non-oil tax revenues (5.7 per cent).
- Public sector net budgetary expenditures were 4.2 per cent higher in real terms than in the same month of 2004. This is mainly due to relatively higher health, social security, and energy expenses than a year earlier.
- The net balance of the Federal Government's domestic debt was Ps. 0.6 billion higher than in April 2005, while the net balance of the external debt fell US\$ 1.6 billion in the same period.

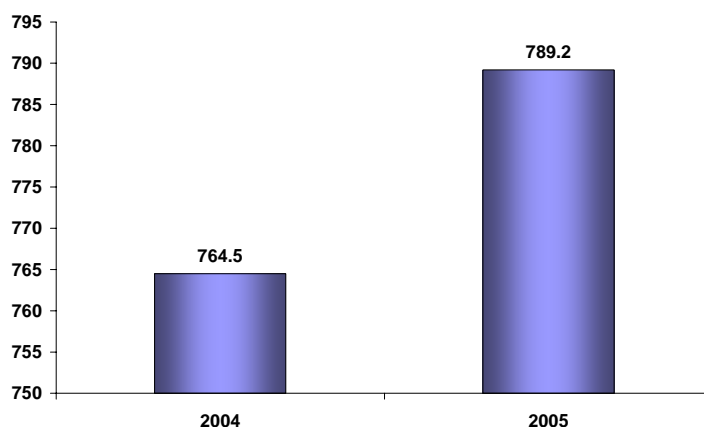
1. Public Sector Balance in January-May 2005

- The public sector surplus in the January-May period was Ps. 72.9 billion, Ps. 8.9 billion lower than that registered in the same period a year earlier.
- The primary balance posted a surplus of Ps. 154.6 billion in May; this is 9.3 per cent lower in real terms to that posted in January-May of 2004.

1.1 Public Sector Budgetary Revenues in January-May 2005

- The public sector's budgetary revenues accumulated in this period were Ps. 789.2 billion. This figure is 3.2 per cent higher in real terms than in the same period of 2004 and is explained by the following:
 - Non-oil tax revenues amounted to Ps. 355.8 billion, which is 3.7 per cent higher in real terms than in the same period of the prior year. In January-May 2005, VAT and income tax collection exceeded the figures observed a year earlier by 5.9 and 2.7 per cent respectively, in real terms.
 - Oil related revenues, which include PEMEX's own revenues, oil related royalties and fees, and the excise tax collection on gasoline and diesel totaled Ps. 270.1 billion, 8.0 per cent higher in real terms to that registered a year earlier.
 - Non-tax non-oil related revenues were Ps. 24.5 billion. This figure is 51.5 per cent lower than in the same period of 2004. The reduction is due to the extraordinary income derived in 2004 from the Brady bond's collateral (Ps. 13.9 billion) and Banxico's operational surplus (Ps. 15.0 billion).

Budgetary Revenues
January-May
 (Billions of 2005 pesos)

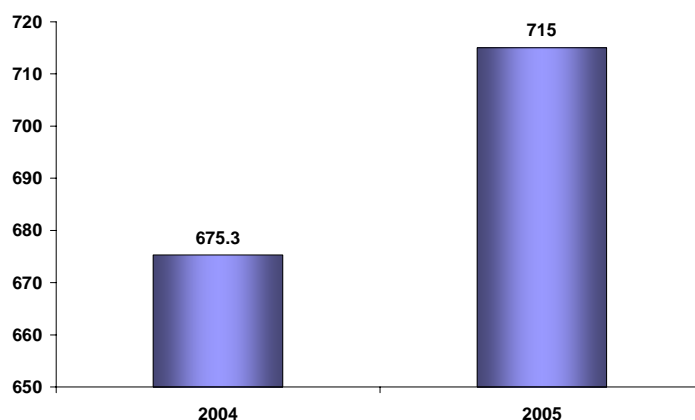


- Revenues of public companies under direct budgetary control other than PEMEX were Ps. 138.7 billion up to the end of May 2005, 14.8 per cent higher in real annual terms with respect to a year earlier.

1.2. Net Budgetary Public Sector Expenditures during January-May 2005

- Net budgetary expenditures of the public sector totaled Ps. 715.0 billion in the first five months of the year. This amount is 5.9 per cent higher in real terms than that observed a year earlier.
- Paid programmable expenditures in January-May of 2005 amounted to Ps. 505.9 billion, 10.3 per cent higher in real annual terms than that registered in the same five months a year earlier. This increase is the result of the higher social security and energy sector expenses with respect to the same period of 2004.

Net Budgetary Expenditures January-May (Billions of 2005 pesos)



- Federalized expenditures, which include revenue sharing to States and Municipalities, as well as resources transferred to States and Municipalities (Ramo 33), provisions for basic, traditional, technical and adult education (Ramo 25), and the resources directed towards the financial strengthening of States through PAFEF (Ramo 39), registered an increase of 9.8 per cent in real annual terms.
 - Revenue sharing to States and Municipalities was Ps. 125.9 billion, and increased 10.1 per cent in real annual terms.
 - Total resources through Ramo 25, Ramo 33 and Ramo 39 increased 9.6 per cent in real terms.
- The Public Sector's financing costs during January-May 2005 totaled Ps. 76.7 billion. The financing cost was 0.8 per cent lower in real terms than that registered in the same period a year earlier.

2. Public Debt Update

- The net balance of the Federal Government's domestic debt was Ps. 1,019.5 billion at the end of May 2005. Domestic debt was Ps. 10.5 billion lower than the balance registered at the end of 2004. The reduction in net domestic debt is due to net borrowings of Ps. 37.9 billion, adjustments to the inflation-indexed debt for Ps. 1.9 billion, and an increase in the Federal Government's financial assets of Ps. 50.3 billion.
- At the end of May 2005 the external debt net balance was US\$ 75.0 billion, US\$ 3.0 billion lower than in December 31st 2004. The increase is due to net indebtedness of US\$ 2.6 billion, downward accounting adjustments for US\$ 0.9 billion, and a reduction in the financial assets abroad of US\$ 0.5 billion.
- The net external debt has evolved according to the financing program established for 2005 and the target of reducing indebtedness by US\$500 million which was approved by Congress.

More details on Public Finance and Public Debt statistics can be obtained in the Ministry of Finance's web page at:

www.shcp.gob.mx/eofp/index.html.

ANNEX A. PUBLIC FINANCES

PUBLIC SECTOR OVERALL BALANCE, JANUARY-MAY					
(Millions of pesos)					
Concept	January-May		Real % Growth	Composition %	
	2004	2005 p./		2004	2005 p./
OVERALL PUBLIC BALANCE (I+II)	81,780.7	72,872.5	-14.7		
I. Budgetary Balance (a-b)	85,397.3	74,129.1	-16.9		
a) Budgetary Revenues	731,714.4	789,177.3	3.2	100.0	100.0
Federal Government	547,310.0	577,092.7	0.9	74.8	73.1
Tax	360,338.4	368,505.1	-2.1	49.2	46.7
Non-tax	186,971.6	208,587.6	6.8	25.6	26.4
PEDBC	184,404.4	212,084.6	10.1	25.2	26.9
PEMEX	68,718.5	73,364.4	2.2	9.4	9.3
Others	115,686.0	138,720.2	14.8	15.8	17.6
b) Net Budgetary Expenditures	646,317.1	715,048.1	5.9	100.0	100.0
Programmable	438,879.3	505,888.1	10.3	67.9	70.7
Non programmable	207,437.8	209,160.1	-3.5	32.1	29.3
II. PEIBC	-3,616.6	-1,256.6	-66.7		
Primary Balance	163,078.1	154,564.1	-9.3		

Note: Figures may not add up due to rounding

p./ Preliminary figures

Source: Ministry of Finance and Public Credit

Mexico, June 30, 2005.

A. PUBLIC FINANCES (Cont)

PUBLIC SECTOR REVENUES, JANUARY-MAY					
(Millions of pesos)					
Concept	January-May		Real % Growth	Composition %	
	2004	2005 p./		2004	2005 p./
TOTAL (I+II)	731,714.4	789,177.3	3.2	100.0	100.0
I. Oil related(a+b)	239,324.1	270,118.2	8.0	32.7	34.2
a) PEMEX	68,718.5	73,364.4	2.2	9.4	9.3
b) Federal Government	170,605.7	196,753.8	10.4	23.3	24.9
Rights and royalties on oil products	138,583.4	184,058.8	27.1	18.9	23.3
Excise taxes	32,022.2	12,695.0	-62.1	4.4	1.6
II. Non-oil related(c+d)	492,390.3	519,059.0	0.9	67.3	65.8
c) Federal Government	376,704.3	380,338.9	-3.4	51.5	48.2
Tax	328,316.2	355,810.1	3.7	44.9	45.1
Income tax	170,849.7	183,335.2	2.7	23.3	23.2
VAT	118,335.5	130,983.7	5.9	16.2	16.6
Excise taxes	13,210.3	13,922.0	0.9	1.8	1.8
Import taxes	10,495.2	10,247.1	-6.6	1.4	1.3
Others ^{1/}	15,425.5	17,322.1	7.5	2.1	2.2
Non-tax	48,388.1	24,528.8	-51.5	6.6	3.1
Rights	7,466.1	8,884.1	13.9	1.0	1.1
Fees	38,706.9	12,684.1	-68.6	5.3	1.6
Others	2,215.2	2,960.6	27.9	0.3	0.4
d) PEDBC ^{2/}	115,686.0	138,720.2	14.8	15.8	17.6
Memorandum items:					
Total tax related	360,338.4	368,505.1	-2.1	49.2	46.7
Total non-tax related	371,376.0	420,672.2	8.4	50.8	53.3

Note: Figures may not add up due to rounding

p./ Preliminary figures

1./ Includes new vehicle, vehicle ownership, luxury goods and services and accessory taxes.

2./ Public entities under direct budget control. Excludes Federal Government transfers to the ISSSTE.

Source: Ministry of Finance and Public Credit

ANNEX A. PUBLIC FINANCES (Cont)

PUBLIC SECTOR EXPENDITURES, JANUARY-MAY					
(Millions of pesos)					
Concept	January-May		Real % Growth	Composition %	
	2004	2005 p_/		2004	2005 p_/
TOTAL (I+II)	646,317.1	715,048.1	5.9	100.0	100.0
I. Primary expenditures (a+b)	572,327.4	638,333.1	6.8	88.6	89.3
a) Programmable	438,879.3	505,888.1	10.3	67.9	70.7
b) Non-programmable	133,448.1	132,445.0	-5.0	20.6	18.5
II. Financing costs ^{1/}	73,989.7	76,715.1	-0.8	11.4	10.7

Note: Figures may not add up due to rounding

p_/ Preliminary figures

^{1/} Includes interests, commissions and other public debt expenditures associated to debtor support programs.

Source: Ministry of Finance and Public Credit

ANNEX B. PUBLIC DEBT

FEDERAL GOVERNMENT DOMESTIC DEBT, JANUARY-MAY ^{*_j}						
(Millions of pesos)						
Concept	Outstanding	Indebtedness			Adjustments	Outstanding
	As of Dec-2004	Originations	Amort.	Net	^{1_}	As of May 2005 ^{p_}
Net domestic debt balance	1,029,964.9					1,019,469.0
Creditor accounts ^{2_}	-69,241.4					-119,593.0
Gross domestic debt stock	1,099,206.3	439,119.3	401,203.7	37,915.6	1,940.1	1,139,062.0
Government Securities	1,039,314.1	406,111.7	369,423.5	36,688.2	911.9	1,076,914.2
Cetes	241,533.6	325,398.3	301,009.3	24,389.0	0.0	265,922.6
Bondes	310,519.6	10,600.0	25,796.6	-15,196.6	0.0	295,323.0
Fixed rate bonds	402,702.3	61,410.0	26,844.1	34,565.9	0.0	437,268.2
Udibonos	84,558.6	8,703.4	15,773.5	-7,070.1	911.9	78,400.4
<i>Udibonos udi's</i>	23,922.3	2,453.0	4,460.9	-2,007.9	0.0	21,914.4
S.A.R.	46,607.3	32,980.5	30,937.8	2,042.7	888.9	49,538.9
Siefores (pesos)	0.2	0.0	0.0	0.0	0.0	0.2
<i>Siefores udi's</i>	0.1	0.0	0.0	0.0	0.0	0.1
Others	13,284.7	27.1	842.4	-815.3	139.3	12,608.7

Note: Figures may not add up due to rounding

*_j Figures subject to revisions and methodological changes.

p_ Preliminary figures

1_ refers to adjustment for inflation.

2_ Represents the balance, denominated in pesos, of the General Account of the Federal Treasury and deposits in the national banking system since December 2002.

Source: Ministry of Finance and Public Credit

ANNEX B. PUBLIC DEBT (Cont)

PUBLIC SECTOR EXTERNAL DEBT, JANUARY-MAY ^{*/}						
(Millions de dolares)						
Concepto	Outstanding	Indebtedness			Fx. Adjustments	Outstanding
	As of Dec-2004	Originations	Amort.	Net		As of May 2005 ^{p/}
Net external debt	77,990.2					74,961.1
Financial assets abroad ^{1/}	-1,235.6					-695.5
Gross external debt	79,225.8	6,885.3	9,516.2	-2,630.9	-938.3	75,656.6
Term structure	79,225.8	6,885.3	9,516.2	-2,630.9	-938.3	75,656.6
Long term	77,149.1	2,156.9	5,963.9	-3,807.0	-935.4	72,406.7
Short term	2,076.7	4,728.4	3,552.3	1,176.1	-2.9	3,249.9
Structure by user	79,225.8	6,885.3	9,516.2	-2,630.9	-938.3	75,656.6
Federal Government ^{2/}	60,084.2	1,170.5	2,393.9	-1,223.4	-247.0	58,613.8
PEDBC ^{3/}	11,003.4	3,183.7	4,084.5	-900.8	-646.3	9,456.3
Development banks	8,138.2	2,531.1	3,037.8	-506.7	-45.0	7,586.5
Gross external debt						
By financing source	79,225.8	6,885.3	9,516.2	-2,630.9	-938.3	75,656.6
Restructured 1989 – 1990	232.3	0.0	29.3	-29.3	-0.1	202.9
Spanish bank bonds	76.5	0.0	0.0	0.0	0.0	76.5
New Money 1990 – 1992	155.8	0.0	29.3	-29.3	-0.1	126.4
Non-restructured	2,681.9	1,872.7	1,853.2	19.5	-7.9	2,693.5
Bilateral credit	5,113.6	754.4	1,404.0	-649.6	-94.7	4,369.3
Publicly placed bonds	51,106.6	1,000.0	3,922.8	-2,922.8	-70.5	48,113.3
IFIS	17,053.2	192.1	898.5	-706.4	-55.8	16,291.0
Others ^{4/}	3,038.2	3,066.1	1,408.4	1,657.7	-709.3	3,986.6

Note: Figures may not add up due to rounding

^{*/} Figures subject to revisions.

^{p/} Preliminary figures.

^{1/} Collateral is valued at market prices; includes 18 months of interest payments for Brady Bonds and FAFEXT availabilities.

^{2/} Includes, debt from item XXIV and FAFEXT.

^{3/} Public entities under direct budgetary control.

^{4/} Refers to PIDIREGAS debt.

Source: Ministry of Finance and Public Credit