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MEXICO

MINISTRY OF FINANCE

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Quarterly Report on Public Finances and Public Debt Second Quarter of 2004

- **During the second quarter of 2004, the recovery of economic activity and domestic production continued to strengthen. Estimates indicate that real annual GDP growth during the period approached 4.0 percent.**
- **Formal employment recovered substantially during the second quarter of the year. In particular, workers registered with the Mexican Institute of Social Security increased by 94,999. This resulted in an accumulated increase of 224,022 formal jobs during the first half of the year.**
- **During the second quarter of 2004, the public sector registered a surplus of Ps. 56.8 billion, and a primary surplus of Ps. 154.3 billion.**
- **Fiscal discipline has contributed to contain inflation, as well as to the gradual and orderly adjustment of interest and exchange rates, in response to higher international interest rates.**
- **According to information available up to June, and estimates of revenues for the year, Ps. 8.2 billion pesos will be directed towards programs and infrastructure programs in states, as dictated by the Expenditure Decree for 2004.**
- **During the month of April, a Global Bond exchange offer was carried out, which succeeded in exchanging 3,050 million dollars of bonds maturing in 2019, 2022 and 2026 for bonds that mature in 2014 and 2033. This transaction reduces the Federal Government's interest payments and helps to further develop the dollar denominated yield curve.**
- **The Federal Government's increased the average maturity of its domestic debt by 72 days, up to 979 days at the end of June 2004.**

1. *Macroeconomic Update*

1.1. *Economic Activity*

- During the second quarter of 2004 the economic recovery continued to gain momentum, and domestic production strengthened. Additionally, the performance of all three sectors of the economy improved. Furthermore, domestic demand became more balanced and robust; in particular, it is important to highlight the upturn in private sector gross fixed capital investment. The favorable performance of domestic and external demand had a positive effect of the expectations of economic agents and thus resulted in stronger job creation.

- The recovery of the economy was aided by the stable macroeconomic conditions as well as by the prudence with which macroeconomic policy was managed. Fiscal discipline reduced the pressure derived from public indebtedness on domestic demand; thus containing inflationary pressures and contributing to the orderly adjustment of interest and exchange rates.

- Due to the external shocks resulting from high energy and commodity prices, as well as a less accommodative monetary policy by industrialized countries, there has been an increase in interest rates. These factors have emphasized the importance of sound fiscal policies.

- Macroeconomic conditions in Mexico are favorable to investment and conductive to employment generation. However, economic growth in the short term will be adversely affected by the lack of advances in structural reforms, and will depend heavily on US manufacturing activity.

- Recent indicators suggest that economic activity had a strong performance during the second quarter. In particular, both domestic and external trade, fixed capital investment, and formal employment creation showed positive results. Recent macroeconomic indicators suggest an annual GDP growth rate of nearly 4 percent in the second quarter.

- Some of the elements that support this prediction are:
    - The strength of foreign trade was sustained during the second quarter. Manufacturing exports expanded at an annual rate of 15.2 percent. Oil-related exports grew 33.5 percent due to the 31.5 percent increase in oil prices, which passed from 22.97 to 30.21 dollars per barrel. Furthermore, intermediate and capital good imports increased 13.3 and 8.1 percent, respectively.
    - Gross fixed capital formation is another indicator that has performed favorably. Specifically, seasonally adjusted figures show a 2.3 percent growth in April, an annualized growth rate of 31.3 percent. This increase is mainly driven by machinery and equipment investment which expanded at a 3.5 percent monthly rate, amounting to a 51.4 percent annualized growth rate.
    - In the period April-May, agriculture increased 4.2 percent in annual terms, due to the favorable climatic conditions on fruit and vegetable production. Meanwhile, service sector activity was favorably affected

by communications, financial services, and real estate activity, which resulted in an annual growth rate of 3.9 percent. Finally, industrial sector value added increased 3.0 percent. The above resulted in an overall 3.5 percent expansion in the Global Economic Activity Indicator (IGAE, a monthly GDP proxy indicator).

- Notwithstanding the deterioration of the seasonally adjusted figures for May, manufacturing production continued to show a strong improvement. The slowdown is mainly explained by the 14.6 percent annual decline in automobile production. Excluding the automobile sector, manufacturing output increased 4.2 percent in real annual terms instead of 2.2 percent. During the April-May period, manufacturing activity increased 1.0 percent on a two-month basis, implying a 5.96 percent increase in real annual terms.
- Construction sector activity continued to strengthen. Due to new residential and infrastructure projects in the main urban areas, construction was the most dynamic industrial activity. During the April-May period, construction increased 4.8 percent in real annual terms. Seasonally adjusted figures show that production in the construction sector increased 2.3 percent during the first five months of the year, a 5.7 percent annualized expansion.
- Formal employment creation maintained its dynamism. Seasonally adjusted figures for the end of the first semester of the year show that job creation has been positive in nine of the last ten months. Furthermore, permanent worker hiring accumulated ten months of positive changes. In the second quarter of the year 94,999 jobs were created, leading to an accumulated 224,022 in the first half of the year.
- Domestic sales were aided by the balanced economic recovery. According to ANCTAD (National Association of Retail Stores) figures, retail sales during the second quarter of the year increased 8.8 percent in annual terms. (2.2 percent higher than the equivalent figure for 2003). In the same period, wholesale and retail sales increased 6.7 and 3.4 percent respectively. Consumption has been aided by positive growth in consumer lending.

- The economic dynamism has not created important imbalances, as external accounts remain within comfortable levels. Between April and June, the trade deficit was US $950.2 million, a 32.5 percent decline over the same period of 2003.
- In the period reported, total exports reached US $47.6 billion; the

highest level ever recorded which implies a 17.5 percent annual increase. This result is mainly explained by oil-related exports and by manufactured goods exports which grew at 33.5 and 15.2 percent annual rates. In the same period, total imports were US $ 48.5 billion, a 15.8 percent annual increase. It is worth highlighting the annual increase of 16.1 and 8.1 percent in intermediate and capital good imports, respectively.

1.2. Inflation and financial markets

- The current expansion period has been characterized by a relative domestic price stability, which has had a favorable effect on domestic interest rate dynamics as well as on the exchange rate adjustment process. In particular, during the second quarter of 2004, annual price inflation measured by the National Consumer Price Index was 4.37 percent, 0.14 percent higher than in March (4.23 percent).
- In the same period, the average interest rate paid by 28-day Cetes went from 5.6 to 6.3 percent, and the average exchange rate depreciated 3.66 percent in nominal terms between the first and second quarters of 2004.
- Domestic financial markets have shown stability and order throughout the economic recovery period. During the second quarter of 2004, financial markets underwent, with order and stability, the increase in the "corto", the recovery of the domestic economy, lower appetite for emerging markets sovereign debt, and the expected tightening of US monetary policy.
- Interest rates, sovereign spreads, and the exchange rate were subject to pressure from higher interest rates abroad. However, the impact on sovereign spreads and the exchange rate were transitory in nature, while interest movements are considered to be permanent. The financial market volatility that was observed during the period can be attributed to the expected changes in the monetary stance of the Federal Reserve and tighter monetary policy by Banco de México.
- International financial market volatility had a temporary negative impact on the performance of the Mexican stock exchange. However, favorable indicators on domestic production and expenditure, and good financial results of Mexican firms reduced their negative impact on the stock market.
- Hence, at the end of the first half of 2004, the Mexican stock exchange had among the best results among international stock markets, recording returns of 16.9 and 15.1 percent in pesos and dollars, respectively.
- Bank credit to the private sector continued to perform favorably during the second quarter of the year. In particular, direct bank credit, which excludes past due loans as well as restructured loans, increased 14.3 percent in real annual terms. It is important to highlight that consumer credit recorded its third consecutive

quarter with growth rates above 40 percent.

- In the second quarter of 2004, consumer credit increased 46.9 percent. Mortgage credit expanded at a real 15.2 percent rate, which represents its 12 consecutive month of expansion in real terms. In a similar manner, commercial loans, those granted to firms, increased 1.4 percent up to the month of June.

2. *Public Finances*

- During the first half of the year, the public sector surplus was Ps. 56.8 billion pesos, 13.5 percent lower in real terms than that recorded during the same period of 2003.
- For the same period, the primary surplus was Ps. 154.3 billion, which is 9.5 percent lower than that obtained in the same period of the previous year. The smaller surpluses are the result of wage advances to teachers and education personnel, due to the holiday period. In 2003 these payments were carried out in July. If these advance payments are excluded, the public sector and primary balances increased 23.6 and 4.8 percent in real terms, respectively.

2.1 Public sector revenues

- Budgetary revenues of the public sector were Ps. 879.4 billion, 4.5 percent higher in real terms than those registered in the first six months of 2003. Accordingly, public sector budgetary revenues exceeded the target set for the first half of the year in the Calendar published in the Official Gazette by Ps. 53.7 billion. Out of this total, Ps. 46.9 million were oil-related revenues, Ps. 7.1 billion were non-oil tax revenues, and Ps. 3.8 billion were revenues of public entities under direct budgetary control other than PEMEX. The former were partially offset by a decrease in non-tax revenues of the Federal Government of Ps. 4.2 billion.
- According to information available up to June and estimates of revenues for the year, Ps. 8.2 billion pesos will be directed towards programs and infrastructure programs in states, as dictated by the Expenditure Decree for 2004. Out of this total Ps. 5.0 billion were distributed through the infrastructure trust fund for states (FIES) in June, and the remaining 3.2 billion will be deposited in the fund during the coming days.
- Oil-related revenues increased 13.9 percent in real terms, due to favorable conditions in international oil prices and the greater oil export platform. Non-oil tax revenues increased 2.4 percent in real annual terms, highlighting the 5.4 and 2.3 percent real annual increases in VAT and income tax collection, respectively.

2.2. Public sector expenditures

- During the first half of the year, public expenditures focused on domestic priorities, such as: social development and stimulating productive sectors. Furthermore, using expenditure rationalization and efficiency principles, the guidelines set in the Expenditures Decree for the year have been followed.

- In accordance with Article 30 of the Expenditure Decree for 2004, a series of measures to generate savings and budget austerity were established. Additionally, according to Article 31 of the Expenditure Decree savings on press and media were implemented.
- Furthermore, the Special Program for Cost Reduction and Administrative Structure Reduction generated savings of Ps. 3.5 billion, which represents 76.1 percent of the target for the year which is Ps. 4.6 billion. Press and media related expenditures decreased by Ps. 419 million, which is 17.4 percent of the budget allocated to social communication for the year.
- It is important to highlight that savings will not affect priority sectors such as: education, healthcare, social security, infrastructure and law enforcement.
- Total public sector expenditures at the end of June 2004 amounted to Ps. 817.8 billion, 5.4 percent higher in real terms than those carried out in the same period of 2003. Primary expenditures, defined as total expenditures minus financing costs, were Ps. 728.9 billion; this represents a real annual increase of 8.2 percent. Excluding the previously mentioned advanced wage payments, total expenditures increased 2.2 percent and primary expenditures increased 4.6 percent, both in real annual terms.
- Regarding primary spending, it is worth to highlight the 13.9 percent real increase in the resources channeled to states and municipalities through transfers (items 25 and 33), decentralized expenditure agreements (item 39), and the Program to Support the Strengthening of Federal Entities (PAFEF), which includes the State Infrastructure Trust Fund (FIES). Similarly, within programmable expenditures it is important to highlight the 15.8 percent real increase of expenses on social development.
- At the end of the semester, budgetary fixed capital investment increased 13.7 percent in real annual terms. During the same period, investments financed by the private sector, which include the PIDIREGAS projects, increased 12.5 percent, also in real annual terms.
- During the same period, social investment increased 11.8 percent in real annual terms. This indicator comprises expenditures which increase physical and human capital, as well as expenditures that directly improve the population’s well-being.
- In the period between January and June 2004, personal services expenditures increased 11.8 percent with respect to the same period of 2003. Excluding the wage advance granted to teachers and education personnel, these expenditures increased by 1.8 percent. This resulted from higher

expenditures in health-care, education, social security, energy generation and national defense; given that personnel expenditures in other areas declined by 12.0 percent.

- Finally, public sector financing costs fell by 13.4 percent in real annual terms. This resulted primarily from the decline of interest rates, as compared to the same period of 2003.

3. ***Public Debt***

- At the end of the second quarter of 2004, net public sector debt represented 24.8 percent of GDP, 0.4 percentage points less than at the end of 2003. The change is explained by: a) a transitory increase in the net external debt to GDP ratio of 0.2 percent with respect to the end of 2003. It is important to highlight that this ratio will gradually decline in the coming months, as the resources obtained are used to cover debt amortizations programmed for the fiscal year, in accordance with the net external debt reduction of US $ 500 million approved by Congress for the current year. b) A decrease in the net domestic debt of the Federal Government to GDP ratio of 0.6 percentage points with respect to the end of 2003.

- At the end of the second quarter, net external public sector debt was US $80.5 billion, US $3.4 billion higher than the amount recorded at the end of 2003. This results from net indebtedness of 452 million dollars, upward accounting adjustments of US $1.4 billion, and a decline in financial assets abroad of the Federal Government of US $1.6 billion. As previously stated, this ratio will gradually decline in the coming months, as the resources obtained are used to cover the debt amortizations programmed for the fiscal year.

- Net domestic debt of the Federal Government at the end of June stood at Ps. 916.1 billion pesos, Ps. 11.0 billion lower than that recorded at the end of 2003 (Ps. 927.1 billion). This decline is the result of: a) net indebtedness of Ps. 64.2 billion, b) an increase in the Federal Government's domestic financial assets of Ps. 78.0 billion, and c) upward accounting adjustments to inflation indexed debt of Ps. 2.8 billion. It is important to mention that in accordance to the Revenues Law approved by Congress for 2004 all of the Federal Government's financing needs will be covered in the domestic market.

- Among the external liability operations carried out during the second quarter, it is worth to highlight the Global Bond exchange offer carried out in April, which succeeded in exchanging bonds maturing in 2019, 2022 and 2026 for instruments maturing in 2014 and 2033. The transaction successfully exchanged US $3.05 billion at market value, which represents 37 percent of the total amount in circulation. This favorably compares with similar transactions carried out by other issuers.

- This transaction allowed the Federal Government to generate important present value savings, and to increase the efficiency of its yield curve in dollars. The transaction will also help to reduce the cost of future issuances in dollars by the Federal Government. The transaction also increased the average maturity of the public sector's external debt exchanged by close to 4 years.

- During the first half of 2004, the Federal Government issued a total of US $4.8 billion dollars in international capital markets, this amount is equivalent to 74.7 percent of the issues completed during the same period of 2003 (US $6.4 billion). The weighted average cost of these issues, expressed as its spread over US Treasuries was 174 basis points, 62 basis points lower than that achieved during the same period of 2003.

- The Federal Government's domestic debt strategy will continue to focus on developing the domestic market by issuing securities with fixed medium and long term interest rates. The share of these securities within the Federal Government's domestic debt went from 14.5 percent in 2000 to 42.9 percent at the end of June 2004. Accordingly, the average maturity of the Federal Government's domestic debt increased by 72 days, from 907 days at the end of 2003 to 979 days at the end of June 2004.

- The Federal Government announced its securities issuance calendar for the third quarter of the year. This calendar is consistent with the domestic debt management strategy for 2004, established at the beginning of the year. The main objectives of this strategy are to increase the average maturity of domestic debt, to reduce the public sector's financing costs and to increase the time period between the government debt's interest rate revisions.

- It is important to highlight that, beginning in the second quarter of the year; the format of the government's securities issuance announcement was modified. The former format included minimum amounts of each security to be auctioned each week, and maximum amounts to be issued during the quarter. The new format contains the target amount to be issued. This action promotes certainty and increases the transparency of the Government's liability management.

- Regarding the Mexico City Government debt, during the second quarter of the year a net decline in indebtedness of Ps. 972.0 million took place, the indebtedness ceiling authorized for the year is Ps. 500 million.

For more details on public finance and public debt statistics, please refer to the Ministry of Finance's web page:
http://shcp.gob.mx/english/index.html

Annex A. Public Finances

Public Sector Overall Balance **Millions of pesos**

	January-June 2003	January-June 2004 p_/	Real % growth	Composition % 2003	Composition % 2004 p_/
Overall Public Balance (I+II)	**62,900.2**	**56,757.1**	**-13.5**		
I. Budgetary Balance (a-b)	62,681.7	61,628.0	-5.7		
a) Revenues	806,733.6	879,386.4	4.5	100.0	100.0
Oil related	251,916.7	299,322.8	13.9	31.2	34.0
Federal Government	181,549.6	200,507.6	5.9	22.5	22.8
Pemex	70,367.1	98,815.2	34.6	8.7	11.2
Non-oil related	554,816.9	580,063.7	0.2	68.8	66.0
Federal Government	416,936.3	438,770.9	0.9	51.7	49.9
Tax	360,370.2	384,926.3	2.4	44.7	43.8
Non-tax	56,566.1	53,844.6	-8.7	7.0	6.1
PEDBC 1_/	137,880.7	141,292.8	-1.8	17.1	16.1
b) Expenditures	744,052.0	817,758.5	5.4	100.0	100.0
Programmable	509,814.8	567,426.7	6.7	68.5	69.4
Non programmable	234,237.2	250,331.7	2.5	31.5	30.6
II. PEIBC 2_/	218.6	-4,870.8	n.a.		
Primary Balance	163,479.1	154,320.5	-9.5		

Note: Figures may not add up due to rounding.
p_/ Preliminary figures.
Source: Ministry of Finance and Public Credit.

Annex A. Public Finances (cont.)

Public Sector Revenues **Millions of pesos**

	January-June 2003	January-June 2004 p_/	Real % growth	Composition % 2003	Composition % 2004 p_/
Total (I+II)	**806,733.6**	**879,386.4**	**4.5**	**100.0**	**100.0**
I. Oil related	251,916.7	299,322.8	13.9	31.2	34.0
a) PEMEX	70,367.1	98,815.2	34.6	8.7	11.2
b) Federal Government	181,549.6	200,507.6	5.9	22.5	22.8
Rights and Royalties on oil related products	139,141.8	164,786.3	13.5	17.2	18.7
Excise taxes	42,407.8	35,721.3	-19.2	5.3	4.1
II. Non oil related	554,816.9	580,063.7	0.2	68.8	66.0
c) Federal Government	416,936.3	438,770.9	0.9	51.7	49.9
Tax	360,370.2	384,926.3	2.4	44.7	43.8
Income tax	184,371.0	196,660.4	2.3	22.9	22.4
VAT	129,246.7	142,045.5	5.4	16.0	16.2
Excise taxes	15,225.7	16,090.1	1.3	1.9	1.8
Import taxes	12,587.3	12,847.6	-2.1	1.6	1.5
Others 1_/	18,939.4	17,282.6	-12.5	2.3	2.0
Non-tax	56,566.1	53,844.6	-8.7	7.0	6.1
Rights	9,473.8	8,555.6	-13.4	1.2	1.0
Fees	44,600.3	42,713.7	-8.2	5.5	4.9
Others	2,492.0	2,575.3	-0.9	0.3	0.3
d) PEDBC 2_/	137,880.7	141,292.8	-1.8	17.1	16.1
Memorandum items:					
Total tax related	402,778.0	420,647.5	0.1	49.9	47.8
Total non-tax related	403,955.6	458,738.9	8.9	50.1	52.2

Note: Figures may not add up due to rounding.

p_/ Preliminary figures.

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

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

Source: Ministry of Finance and Public Credit.

Annex A. Public Finances (cont.)

Budgetary Revenues, January-June **Millions of pesos**

	Programmed	Observed p_/	Difference
Total (I+II)	**825,705.9**	**879,386.4**	**53,680.5**
I. Oil related	252,386.6	299,322.8	46,936.2
a) PEMEX	71,615.4	98,815.2	27,199.8
b) Federal Government	180,771.2	200,507.6	19,736.4
Rights and Royalties on oil related products	129,060.8	164,786.3	35,725.5
Excise taxes	51,710.4	35,721.3	-15,989.1
II. Non oil related	573,319.3	580,063.7	6,744.4
c) Federal Government	435,828.9	438,770.9	2,942.0
Tax	377,786.3	384,926.3	7,140.0
Income tax	194,930.1	196,660.4	1,730.3
VAT	139,050.0	142,045.5	2,995.5
Excise taxes	15,284.7	16,090.1	805.4
Import taxes	11,218.5	12,847.6	1,629.1
Others 1_/	17,303.0	17,282.6	-20.4
Non-tax	58,042.6	53,844.6	-4,198.0
Rights	7,137.9	8,555.6	1,417.7
Fees	47,902.2	42,713.7	-5,188.5
Others	3,002.5	2,575.3	-427.3
d) PEDBC 2_/	137,490.4	141,292.8	3,802.4
Memorandum items:			
Total tax related	429,496.7	420,647.5	-8,849.2
Total non-tax related	396,209.2	458,738.9	62,529.7

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 budgetary control. Excludes Federal Government transfers to the ISSSTE.

Source: Ministry of Finance and Public Credit.

Annex A. Public Finances (cont.)

Public Sector Expenditures **Millions of pesos**

	January-June		Real %	Composition %	
	2003	2004 p_/	growth	2003	2004 p_/
TOTAL (I+II)	**744,052.0**	**817,758.5**	**5.4**	**100.0**	**100.0**
I. Primary Expenditures (a+b)	645,664.9	728,914.3	8.2	86.8	89.1
a) Programmable	509,814.8	567,426.7	6.7	68.5	69.4
b) Non-programmable	135,850.1	161,487.6	14.0	18.3	19.7
II. Financing Costs 1_/	98,387.1	88,844.1	-13.4	13.2	10.9

Note: Figures may not add up due to rounding.

p_/ Preliminary figures.

1_/ Includes interest, comissions, and other public debt expenditures associated with debtor support programs.

Source: Ministry of Finance and Public Credit.

Annex B. Public Sector Debt

Public Sector External Debt, January-June *_/ **Millions of dollars**

	Outstanding as of Dec-03	Indebtedness			Fx Adjustments	Outstanding as of Jun-04 p_/
		Originations	Amort.	Net		
Net external debt	77,052.4					80,462.4
Financial assets abroad 1_/	-1,971.1					-377.8
Gross external debt	79,023.5	13,202.6	12,750.6	452.0	1,364.7	80,840.2
Term structure	79,023.5	13,202.6	12,750.6	452.0	1,364.7	80,840.2
Long term	77,335.7	8,152.0	9,882.0	-1,730.0	1,365.6	76,971.3
Short term	1,687.8	5,050.6	2,868.6	2,182.0	-0.9	3,868.9
Structure by user	79,023.5	13,202.6	12,750.6	452.0	1,364.7	80,840.2
Federal Government 2_/	58,358.3	5,382.3	4,908.8	473.5	683.4	59,515.2
PEDBC 3_/	12,157.7	2,994.2	2,865.2	129.0	727.7	13,014.4
Development banks	8,507.5	4,826.1	4,976.6	-150.5	-46.4	8,310.6
Gross external debt						
By financing source	79,023.5	13,202.6	12,750.6	452.0	1,364.7	80,840.2
Restructured 1989 – 1990	387.7	0.0	77.8	-77.8	-0.1	309.8
Spanish bank bonds	76.5	0.0	0.0	0.0	0.0	76.5
New money 1990 – 1992	311.2	0.0	77.8	-77.8	-0.1	233.3
Non-restructured	4,310.2	3,064.7	4,483.6	-1,418.9	1.7	2,893.0
Bilateral credit	5,283.6	1,561.6	1,583.9	-22.3	-35.1	5,226.2
Publicly placed bonds	48,806.2	5,178.5	4,575.2	603.3	687.1	50,096.6
IFIS	17,948.0	645.9	1,215.2	-569.3	-31.2	17,347.5
Supplier credits to public sector entities	2.3	0.0	2.3	-2.3	0.0	0.0
Others 4_/	2,285.5	2,751.9	812.6	1,939.3	742.3	4,967.1

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 worth 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.

Annex B. Public Sector Debt (cont.)

Federal Government Domestic Debt, January-June *_/ **Millions of pesos**

	Outstanding December 2003 p_/	Indebtedness			Adjustments 1_/	Outstanding June 2004 p_/
		Originations	Amort.	Net		
Net domestic debt balance	927,097.1					916,147.0
Creditor accounts 2_/	-84,792.1					-162,749.1
Gross domestic debt stock	1,011,889.2	509,149.2	444,926.2	64,223.0	2,783.9	1,078,896.1
Government Securities	956,657.0	471,017.1	407,395.9	63,621.2	1,292.3	1,021,570.5
Cetes	206,416.3	365,737.6	323,401.5	42,336.1	0.0	248,752.4
Bondes	354,720.4	25,500.0	50,918.7	-25,418.7	0.0	329,301.7
Fixed rate bonds	311,664.1	72,990.0	14,997.1	57,992.9	0.0	369,657.0
Udibonos	83,856.2	6,789.5	18,078.6	-11,289.1	1,292.3	73,859.4
Udibonos udi's	25,016.7	2,000.0	5,367.4	-3,367.4	0.0	21,649.3
S.A.R.	40,655.3	33,027.8	31,517.0	1,510.8	1,260.2	43,426.3
Siefores (pesos)	0.3	0.0	0.0	0.0	0.0	0.3
Siefores udi´s	0.1	0.0	0.0	0.0	0.0	0.1
Others	14,576.6	5,104.3	6,013.3	-909.0	231.4	13,899.0

Note: Figures may not add up due to rounding.
*_/ Figures subject to revisions.
p_/ Preliminary figures.
1_/ Refers to adjustments 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 C. Public Sector Borrowing Requirements

PUBLIC SECTOR BORROWING REQUIREMENTS BY INSTITUTIONAL SECTOR
January-June p_/

Millions of pesos

	PSBR			
	2002	2003	2004 *_/	
			without interchange of Fobaproa promissory note	with interchange of Fobaproa promissory note
Public sector total excluding non-recurrent revenu	-42,224.9	-26,142.7	-10,236.6	-10,236.6
I. Non-recurrent revenues	28,247.1	33,257.1	31,102.6	94,865.1
II. Public sector total (A+B)	-13,977.8	7,114.4	20,866.0	84,628.5
A. Non- financial public sector	-6,242.3	27,751.3	15,143.1	15,143.1
Federal Government	-36,714.7	17,301.0	-3,828.2	-3,828.2
Budgetary	-30,992.0	18,707.0	-3,956.1	-3,956.1
Adjustments to Budgetary Recordings	-5,722.8	-1,406.0	127.9	127.9
Bodies and Enterprises	33,495.5	11,531.7	19,368.2	19,368.2
Budgetary	54,937.0	44,193.2	60,713.2	60,713.2
PIDIREGAS	-21,441.5	-32,661.5	-41,345.0	-41,345.0
FARAC	-3,023.0	-1,081.5	-396.9	-396.9
B. Financial public sector	-7,735.5	-20,636.9	5,722.9	69,485.4
Development Banks and Public Funds	-743.6	-9,793.6	4,621.9	4,621.9
IPAB	-11,571.2	-12,053.4	-3,342.1	60,420.4
Debtors Support Programs	4,579.3	1,210.1	4,443.1	4,443.1

Note: Partial sums may differ due to the round of figures

p_/ Preliminary figures.

*_/ On July 15th, 2004 the new program that transitory article 5 of the Law of Protection to Banking Saving talks about was formalized. Under this program, Fobaproa promissory note (PCCC) will be replaced by a new obligation under IPAB responsability, whose net value is minor compared to that amount as of March 31st 2004. In this figure, numbers with and without the impact of the mentioned program in the PSBR appear. Preliminary figures subject to revision.

Note: In the PSBR and the balance the negative sign (-) indicate a deficit and the positive sign (+) indicate a surplus.

Source: Ministry of Finance and Public Credit

Annex D. Public Debt Amortization Calendar

EXTERNAL PUBLIC SECTOR
DEBT AMORTIZATION SCHEDULE p_/

Millions of dollars at the end of period*

	2004	2005	2006	2007	2008-2033
TOTAL	7,483.6	10,075.8	6,685.5	5,863.6	50,731.7
CAPITAL MARKET	2135.6	3027.6	2999.9	3113.6	38819.9
Bonds	1,378.3	504.8	1,046.6	2,813.5	11,420.2
Notes	757.3	2,522.8	1,953.3	300.1	27,399.7
COMMERCIAL BANKS	385.1	661.2	862.6	542.5	277.7
Banks	312.4	296.8	169.0	227.9	103.1
Syndicated	72.7	364.4	693.6	314.6	174.6
RESTRUCTURED	261.1	355.6	326.0	54.6	76.5
Spanish bank bonds	0.0	0.0	0.0	0.0	76.5
New money	77.7	77.8	77.8	0.0	0.0
World Bank Guarantees	73.8	147.5	147.6	54.6	0.0
Eximbank Guarantees	50.3	100.6	100.6	0.0	0.0
Others	59.3	29.7	0.0	0.0	0.0
EXTERNAL TRADE	1,812.4	1,015.9	425.0	263.4	1,532.9
Eximbank	194.8	285.1	219.8	133.2	1,105.6
Bilateral Loans	1,617.6	655.9	205.2	130.2	427.3
INTERNATIONAL FINANCIAL INSTITUTIONS	951.2	1,986.6	2,072.0	1,889.5	10,024.7
IBD	272.6	614.2	683.1	682.9	4,908.6
World Bank	678.6	1,372.4	1,388.9	1,206.6	5,116.1
OTHERS 1_/	1,938.2	3,028.9	0.0	0.0	0.0

Note: The figures with relation to the contractual balances as of June 30, 2004.

p_/ Preliminar figures.

1_/ Refers to movements in direct debt, related to Long Term Productive Infrastructure projects (PIDIREGAS).

*_/ Figures subject to revision due to changes and methodological adjustments..

Source: Ministry of Finance and Public Credit.

Annex D. Public Debt Amortization Calendar

Public Sector Domestic Debt Amortizations Calendar **Millions of pesos**

	2004	2005	2006	2007	2008-2030
Total	332,716.2	162,788.0	134,484.9	141,431.1	307,475.9
Securities	302,415.9	146,956.3	132,692.7	139,638.9	299,866.7
Cetes	222,758.9	25,993.5	0.0	0.0	0.0
28 days	16,276.8	0.0	0.0	0.0	0.0
3 months	67,685.3	0.0	0.0	0.0	0.0
6 months	96,300.0	0.0	0.0	0.0	0.0
1 year	42,496.8	25,993.5	0.0	0.0	0.0
Bondes	31,782.1	44,559.8	72,737.8	77,312.9	102,909.1
3 years	31,782.1	20,460.8	0.0	0.0	0.0
5 years	0.0	24,099.0	72,737.8	77,312.9	102,909.1
Fixed Rate Bonds	45,394.7	61,184.1	59,954.9	62,326.0	140,797.3
3 years	45,394.7	34,340.0	18,850.0	0.0	0.0
5 years	0.0	26,844.1	41,104.9	62,326.0	16,500.0
7 years	0.0	0.0	0.0	0.0	50,907.9
10 years	0.0	0.0	0.0	0.0	66,339.4
20 years	0.0	0.0	0.0	0.0	7,050.0
Udibonos	2,480.2	15,218.9	0.0	0.0	56,160.3
5 years	2,480.2	15,218.9	0.0	0.0	0.0
10 years	0.0	0.0	0.0	0.0	56,160.3
SAR	29,400.0	14,026.3	0.0	0.0	0.0
Others	900.3	1,805.4	1,792.2	1,792.2	7,609.2

Note: Figures based on the outstanding balance as of June 30 2004, using the value of the Udi at the end of March 2004 for the conversion of Udibonos into pesos. The calendar is constructed based on contracts. In case there is not a preestablished calendar in the contracts, as in the case of the SAR account, the figures included in the calendar are estimates.

Source: Ministry of Finance and Public Credit.

Annex E. Public Finance Publication Calendar

Public Finance Publications Calendar

Coverage Period:	Release Date
July, 2004	September 3, 2004
August, 2004	September 30, 2004
September, 2004	November 4, 2004
October, 2004	November 30, 2004
November, 2004	December 30, 2004
December, 2004	February 4, 2005
January, 2005	March 4, 2004
February, 2005	April 1, 2005
March, 2005	May 4, 2005
April, 2005	May 31, 2005
May, 2005	June 30, 2005
June, 2005	August 4, 2005