

PUBLIC FINANCE AND PUBLIC DEBT RESULTS FOR THE FOURTH QUARTER OF 2004

- ✓ *The estimated GDP real annual growth for 2004 exceeds 4.0 percent.*
 - ✓ *In 2004 public finances were strengthened.*
- ✓ *Public investment and social expenditures registered substantial increases.*
- ✓ *Federal resources channeled to states increased substantially.*
- ✓ *Public debt declined as a percentage of GDP in 2004, and the net external debt to GDP ratio reached a 32 year low.*

Today, the Quarterly Public Finances and Public Debt results for the fourth quarter of 2004 were submitted to Congress. It is worth highlighting the following:

- **During the fourth quarter of 2004 economic activity continued to expand at a vigorous pace. The expected annual GDP real growth rate for the fourth quarter exceeds 4.5 percent. Therefore, the expected average annual real growth of GDP for 2004 is higher than 4.0 per cent. As a result of higher growth, 318,634 formal sector jobs were created.**
- **Investment had a significant rebound. Gross fixed capital formation grew 6.5 percent in real annual terms in October. Exports and private consumption also posted high growth rates in the last quarter of the year. In this quarter, the nominal dollar value of exports increased 14.1 percent in annual terms. Additionally, in October-November retail sales increased at an annual 6.6 percent rate in real terms.**
- **In the first two months of the fourth quarter, industrial production increased 3.7 percent in real annual terms. By sector, manufacturing and construction expanded at annual 3.4 and 5.9 percent rates, respectively in real terms. Furthermore, labor productivity per hour worked in manufacturing increased 3.9 percent with respect to a year earlier.**
- **Domestic financial markets adjusted in an orderly manner to monetary tightening, both within and outside the country, while global financial market conditions were favorable for emerging markets in the last quarter of the year. In this context, domestic financing to the private sector continued to increase. Outstanding banking credit to the non bank private sector increased at a real annual rate of 25.3 percent in December.**

- During 2004, the public sector deficit was Ps. 19.7 billion, and the public sector borrowing requirements (PSBR) were Ps. 133.4 billion (0.26 and 1.78 percent of GDP, respectively). Not considering expenditures related to the voluntary retirement program (VRP), the public sector deficit was Ps. 12.4 billion and the PSBR 126.0 billion (equivalent to 0.17 and 1.68 percent of GDP, respectively). In this manner, during the current Administration, the public sector deficit has declined by 0.93 percentage points of GDP.
- Budgetary revenues increased 5.9 percent in real annual terms with respect to 2003, mainly due to higher oil related and non-recurrent revenues.
- Within non-oil related tax revenues of the Federal Government, it is important to highlight the 7.1 percent increase in value added tax collection. VAT collection in 2004 was the highest amount as a percent of GDP, since this tax was created in 1980.
- Income tax revenues declined 2.2 percent in real annual terms, mainly due to a 20.3 percent increase in tax compensations and refunds. The growth of tax compensations and refunds was the result of the Tax Administration Service's (SAT) instrumentation of an automatic system to reduce refund time lags. The decline in income tax collection is also the result of judiciary rulings related to the substitutive tax on the salary credit. Gross income tax collection (before tax compensations and refunds) increased 1.6 percent in real annual terms in 2004.
- As established by Article 23 "j" of the Federation's Expenditure Decree for 2004, Ps. 23.2 billion were channeled to infrastructure works and programs in States, and Ps. 11.5 billion to the Oil Stabilization Fund.
- Physical budgetary investment and total capital expenditures related to the public sector increased 16.2 and 13.6 percent in real annual terms, respectively, in 2004.
- Programmable expenditures destined to social development increased 7.7 percent in real annual terms. In contrast, personnel services related expenses declined 0.2 percent with respect to a year earlier. Personnel services increased in real annual terms in the following sectors: education, 2.5 percent; healthcare, 5.3 percent; energy, 3.5 percent; public security 1.7 percent; and social security, 1.2 percent. These increases were offset by a decline in personnel services in all other public sector functions of 5.1 percent in real annual terms.
- Net public debt, expressed as a percentage of GDP was 23.9 percent at the end of 2004. This figure is 1.3 percentage points lower than that recorded at the end of 2003. Net external public debt at the end of the year represented 11.1 percent of GDP, the lowest level recorded in the last 32 years. The historical balance of the PSBR, which represents the broad definition of public sector obligations, stood at 39.4 percent of GDP, 3.8 percent lower than that recorded at the end of 2003, and the lowest reading since 1997.
- The average maturity of domestic debt increased 164 days, from 907 days at the end of 2003 to 1,071 days at the end of 2004.

Economic Situation

During the fourth quarter of 2004 economic activity, continued to expand. According to the monthly GDP proxy (the IGAE index) in the October-November period economic activity expanded 5.1 percent in real annual terms, the highest yearly increase during a similar period since 2000.

The upturn in the economy was accompanied by an expansion of various components of aggregate demand, particularly exports, private investment and consumption. The generalized increase in production and demand was reflected in the formal labor market.

The ongoing expansion is based on stable macroeconomic conditions, evident in the gradual adjustment of interest rates and the exchange rate, given an increase in the general price level. The orderly adjustment of macro-financial variables has allowed domestic credit to expand. Sound economic policy, based on fiscal discipline, timely monetary policy actions, and the healthy development of financial markets have created the conditions for domestic credit growth and the resilience of domestic demand.

The current expansionary phase of the economy is evident in a growing portion of its industrial and service related components.

- In the October-November period, industrial production grew 3.7 percent in real annual terms. It is important to highlight the evolution of its manufacturing and construction components:
 - Manufacturing output increased 3.4 percent in real annual terms, as a result of transformation and maquiladora industry real expansions of 3.2 and 6.0 percent respectively, in annual terms.
 - Furthermore, within the manufacturing sector, productivity per hour worked increased 3.9 percent, while unit labor costs declined 5.0 percent with respect to the same bi-monthly period of 2003.
 - Construction expanded at a real annual 5.9 percent pace, its highest growth rate in 7 years. This increase is due to the favorable impact of mortgage credit growth, and investment projects in the petrochemical sector.
 - Electricity generation, gas and water grew at a 2.7 percent annual rate in real terms during the October-November period as a result of higher energy demand by large corporations.
 - Mining sector production increased 2.2 percent in real annual terms, given the impulse from non-metallic mineral extraction.
- Services increased 5.6 percent in real annual terms in the first two months of the fourth quarter. This growth reflected the strong activity in the commercial, communication services, transportation, storage and financial services sub-sectors. Seasonally adjusted figures show that during the October-November period service sector activity increased 8.7 percent in annualized terms.

The recovery in production led to a rebound in capital expenditures. In October, gross fixed capital formation increased 6.5 percent, in annual terms.

Similarly, private sector consumption expenditures continued to expand rapidly. In the October-November period, retail sales increased 6.6 percent. Additionally, during the final quarter of 2004 the National Retailers Association's (ANTAD) sales index increased 10.8 percent in annual terms.

The expansive phase of the economic cycle had a positive influence on formal payroll gains. During 2004, 318,634 formal sector jobs were created, which implies a 2.6 percent increase with respect to a year earlier.

The economic expansion has also been accompanied by intense foreign trade. In particular, during the fourth quarter exports posted a record of US\$50.1 billion, 14.1 percent higher in dollar terms than those registered during the same period of 2003. Manufacturing sector exports increased 10.4 percent, while oil related exports grew 37.0 percent. Similarly, extraction and agricultural sector exports increased 86.5 and 27.1 percent, respectively. Total imports amounted to US\$54.8 billion, which implies a 17.9 percent rise. This result is due to intermediate goods imports, as well as increases of 17.5 and 22.7 percent in capital and consumer goods imports, respectively.

Consequently, during the final quarter of the year the trade balance registered a deficit of US\$4.8 billion. For 2004 as a whole, the accumulated trade deficit amounted to US\$8.1 billion, which is equivalent to 1.2 percent of GDP.

The recent indicators suggest that during the final quarter of 2004, GDP increased at a real annual rate of more than 4.5 percent. If this estimate is correct, GDP will have grown at a real annual average rate in excess of 4.0 percent during 2004.

Mexican financial markets reacted to monetary tightening, within and outside the country in an orderly manner. The positive perception regarding public finances and of the economy as a whole, combined with favorable financial conditions for emerging markets resulted in a reduction of country risk and an increase of the Mexican Stock Exchange Index. The spread between Mexican dollar bonds and US Treasury bonds declined from 188 basis points at the end of September to 166 points at the end of December. During 2004, the returns of the Mexican Stock Exchange were among the highest in the World, with a 46.9 percent rise in the Mexican Stock Exchange Index.

Ongoing macroeconomic stability, and the changes made to the financial system's legal framework have fostered the expansion of domestic financial savings. During 2004, domestic financial savings increased 6.7 percent in real annual terms. As a result, domestic financial savings reached 51 percent of GDP. This raise is largely the result of higher institutional savings, mostly from the pension system.

Higher domestic financial savings flows and the development of domestic financial markets have eased credit access for both households and firms. In this regard, private sector financing from domestic sources continued to expand. Outstanding banking credit to the non bank private sector increased 25.3 percent in real annual terms. As a result, the average level of outstanding bank credit to the private sector increased 14.6 percent in real annual terms in 2004.

Public Finances

During 2004, the public sector balance posted a deficit of Ps. 19.7 billion, 55.6 percent lower in real terms, than that registered in 2003. This deficit includes Ps. 7.4 billion which was the cost of the Voluntary Retirement Program (VRP) in the year. The retirement program reduced 12,387 employees from the public sector's payroll during 2004.

If the cost of the Voluntary Retirement Program is excluded from the fiscal balance calculations the resulting public sector deficit for 2004 is Ps. 12.4 billion, equivalent to 0.17 percentage points of GDP. This figure matches the target for the year given that 25 percent of net excess revenues as defined in Article 23 "j" of the expenditure decree was used to improve the public balance for the year. When 25 percent of net excess revenues as defined in that article (Ps. 11.7 billion) are deducted from the deficit target for the year (Ps. 24.1 billion), the result is the applicable public sector deficit target for 2004 (Ps. 12.4 billion).

Public Deficit, 2004 (Millions of pesos)	
I. Approved deficit	24,093.0
II. 25% of net excess oil related revenues ("j")	11,648.8
III. Public deficit target (I-II)	12,444.2
IV. Observed public deficit excluding VRP	12,367.6
V. Difference (IV-III)	-76.6

The primary balance posted a surplus of PS. 189.9 billion, 26.1 percent higher in real terms than that registered in 2003, and 17.7 percent higher in real terms if VRP related expenses are excluded from the calculations.

In 2004, the PSBR amounted to PS. 69.6 billion pesos. This figure is Ps. 124.6 billion lower than the originally programmed number for the year and 61.2 percent lower in real terms than the result for 2003. The reduction of the PSBR in 2004 includes the effect of the exchange of the PCCC Fobaproa notes which was carried out in June of 2004.¹ If the effect of the note exchange transaction is excluded from the calculations the 2004 PSBR totaled Ps. 133.4 billion, an amount that represents 1.78 percent of GDP, the lowest as a percentage of GDP since 1996.

In 2004, budgetary revenues were 5.9 percent higher in real terms than those registered in 2003 and amounted to Ps. 1,774.2 billion. Budgetary revenues exceeded the target established in the Federation's Revenues Law for 2004 by Ps. 166.2 billion. Out of these total excess budgetary revenues Ps. 136.6 are oil related revenues, Ps. 23.1 billion come from public entities under direct budgetary control other than Pemex, Ps. 4.0 billion to non-tax related revenues of the Federal Government, and Ps. 2.4 billion to non-oil related tax revenues.

¹ The exchange generates savings of PS. 115.8 billion for the public sector, of which Ps. 63.8 billion are reflected in the PSBR, because they reflect asset recoveries (inflows) and Ps. 52.0 billion are not included in the PSBR because they correspond to accounting adjustments which reduce the debt stock, but do not impact the IPAB's flow of funds.

Excess Revenues in 2004			
(Millions of pesos)			
	Revenues Law	Observed	Difference
Total	1,608,012.1	1,774,176.4	166,164.3
Oil-related	502,988.7	639,627.6	136,638.9
Tax	714,492.6	716,867.9	2,375.3
Non -tax	103,007.6	107,024.4	4,016.8
PEDBC	287,523.2	310,656.5	23,133.3

Oil related revenues increased 14.5 percent in real annual terms, as a result of international oil prices and the larger oil export platform. Non-oil tax revenues increased 0.8 percent in real annual terms, due to 7.1 and 4.7 percent real annual increases in VAT and import tax collections, respectively. In contrast, income tax revenues declined 2.2 percent in real annual terms, mainly due to a 20.3 percent increase in tax compensations and refunds due to the Tax Administration Service's (SAT) instrumentation of an automatic system to reduce tax refund lags. The decline in income tax collection in 2004 also reflected the effect of judiciary sentences related to the substitutive tax on the salary credit. Excluding tax compensations and refunds, gross income tax collection increased 1.6 percent in real annual terms in 2004.

Public expenditure that directly benefits the population through healthcare, education, security, and that is channeled to state and municipal governments, as well as to vulnerable groups of the population were given priority in 2004. Furthermore, a fraction of net excess revenues resources were destined to public programs and infrastructure works in States (FIES) for a total of Ps. 23.2 billion, and Ps. 11.5 billion were deposited in the Oil Stabilization Fund (OSF). These actions were in strict adherence to the article 23 "j" of the Expenditures Decree for 2004. Similarly, PEMEX created an investment fund with the Ps. 32.6 billion obtained from Royalties for Infrastructure Works (AOI) in 2004.

Austerity and budgetary discipline measures implemented in 2004, according to article 30 of the Expenditure Decree for 2004, generated savings for Ps. 4.2 billion. These savings amount to 15.6 percent of the administrative expenses approved for 2003 and were achieved through the Special Program for Reducing Costs and Administrative Structures. The application of these measures did not have adverse effects on the provision of education, healthcare, social security, social and physical infrastructure, national security and security services, as well as justice procurement and administration.

Communication related expenses were reduced as required by Article 31 of the Expenditure Decree for 2004, and savings totaling Ps. 444 million were achieved. This savings amount is 1.3 million pesos higher than the original proposal. The public expenses destined to inform the population about those programs which are included in the Expenditure Decree for 2004 were protected from spending cuts.

In 2004, total public sector budgetary expenditures amounted to Ps. 1,797.5 billion, 4.2 percent higher in real terms than those carried out in 2003. Primary expenses, defined as total expenditures excluding financing costs, amounted to Ps. 1,590.5 billion, 4.2 percent

higher in real terms than those registered in the previous year. The following public expenditure items from 2004 are worth pointing out:

- Fixed budgetary investment and total capital expenditure related to the public sector increased 16.2 and 13.6 percent in real annual terms, respectively.
- Social development related expenses increased 7.7 per cent in real annual terms and represented 57.9 percent of programmable expenditures. Social investment increased 9.5 percent in real annual terms in 2004.²
- Agricultural and forestry development expenses increased 1.4 percent in real annual terms.
- Resources channeled to the States increased 5.8 percent, and represent 50.4 percent of primary Federal Government expenditures. It is important to highlight that if the advance payments through the Revenue Sharing Advances Program for 2003 and 2004 are excluded, this item increased 6.4 percent in real annual terms.
- Personnel services related expenditures declined 0.2 percent in real annual terms in 2004. This is the result of higher expenses in healthcare (5.3 percent), energy (3.5 percent), education (2.5 percent), public security (1.7 percent) and social security (1.2 percent). On the other hand, savings were achieved in all other government functions (5.1 percent) and in the VRP (56.5 percent).

² This concept includes programmable expenses which benefit the creation of physical and human capital. It also includes expenses that improve public services provision, including wages of employees that work in social development, social security, teachers, medics, nurses, policemen and the armed forces.

Personnel Services Expenditures of the Budgetary Public Sector, 2004 (Millions of pesos)		
Concept	Structure % 2004	Real % annual growth 2003
Total	100.0	-0.2
VRP	1.4	-56.5
Total without VRP	98.6	1.7
Autonomous powers and entities	4.5	-0.2
Federal Public Administration	94.2	1.8
Education	42.7	2.5
Federalized	32.5	2.4
Direct	4.6	4.2
Indirect	5.1	1.6
Conacyt	0.5	2.8
Social Security	18.3	1.2
Energy	13.6	3.5
Pemex	8.3	2.6
LFC	1.4	6.7
CFE	3.8	4.4
Healthcare	7.6	5.3
Federalized	5.6	7.1
Direct	0.6	-7.6
Indirect	1.5	4.2
National Security	4.6	-2.7
Justice Procurement	1.2	-1.4
Public Security	0.7	1.7
Others	9.3	-5.1
(-) Social Security Contributions	-3.9	-3.7

- The public sector's financing costs increased 3.6 percent in real annual terms, due to the maturity and advance payments of various trusts derived from UDI program restructuring, as established by the Expenditure Decree for 2004, and to payments associated to the conclusion of PIDIREGAS projects.

Public Debt

Net public sector debt represented 23.9 percent of GDP at the close of 2004. This figure is 1.3 percentage points of GDP lower than at the end of 2003. The reduction of public debt as a percentage of GDP results from declines of 0.2 and 1.1 percentage points of GDP in domestic and external debt, respectively.

The net domestic debt balance of the Federal Government was Ps. 1,030 billion at the end of 2004 (12.8 per cent of GDP). The evolution of domestic debt was influenced by the following factors: a) net borrowings of Ps. 80.2 billion, b) a decline in the Federal Governments domestic financial assets of Ps. 15.6 billion, c) upward accounting adjustments to inflation indexed debt of Ps. 7.1 billion.

The domestic debt issuance strategy pursued the following objectives in 2004: i) strengthening the reference value of 6 month Cetes, by issuing them on a weekly basis and reopening them in a bi-weekly manner in order to increase their amount in circulation, ii) gradually increasing the issuance of fixed nominal rate bonds in their different maturities, in order to further develop the yield curve, particularly focusing on the 20 year reference rate, iii) Adjusting the supply of 10 year Udibonos with the purpose of refinancing these liabilities without generating net indebtedness in this type of instruments, iv) reducing the relative importance of floating nominal rate instruments in the domestic debt portfolio, by reducing their issuance.

In this manner, 6 month Cetes went from representing 25.1 percent of the outstanding Cetes balance at the end of 2003, to 38.3 percent at the end of 2004. Meanwhile, the share of fixed nominal rate bonds went from representing 32.6 percent of government securities at the end of 2003, to 38.8 percent at the end of 2004. As a result of the issuance of fixed nominal rate bonds the average maturity of domestic debt increased 164 days, from 907 days at the outset of 2003 to 1,071 days at the end of 2004.

The net external public debt balance was US\$78.9 billion at the end of 2004 (11.1 percent of GDP). This percentage of net foreign debt as a percentage of GDP is the lowest registered in the last 32 years. In 2004 the change in the foreign debt resulted from a reduction in net indebtedness of US\$1.7 billion, and upward accounting adjustments of US\$1.9 billion.

The external debt management actions taken in 2004 were issuances to obtain the resources needed to refinance market debt amortizations, and liability management operations. Specifically, the Federal Government issued debt in international capital markets with an average yield differential with respect to US Treasuries 47 basis points lower than in 2003, in spite of an average maturity 7.6 years longer than that of the placements a year earlier. Furthermore, a Global Bond exchange offer was carried out which netted US\$3.0 billion as part of the liability management strategy, and US\$ 782 million of credits from international financial organizations were prepaid.

Regarding public sector external debt management in the fourth quarter of 2004, the following transactions are worth highlighting:

- The issuance of a euro denominated global bond of 750 million euros, with a 15.25 year maturity, and a euro denominated interest rate of 5.5 percent. This transaction marks the first time an emerging economy taps the euro market with a maturity greater than 12 years, and allowed the Federal Government to take advantage of favorable market conditions, to broaden its investor base, and to diversify its external financing sources. At the same time, it helped the government to continue developing its euro denominated yield curve.
- Receiving 3 loans from the World Bank, that totaled US\$475.5 million, and which provided resources destined for investment in education, housing, and rural financing. The projects have a weighted average amortization period of 14.9 years, including a 5 year grace period. The loans pay interests of 50 basis points over the LIBOR rate which is adjusted every six months.
- Obtaining an 18 year loan from the International Agricultural Development Fund for US\$18 million, that includes a 3 year grace period.

At the end of the fourth quarter of 2004, the historical balance of the PSBR, the broadest definition of the public sector's liabilities, amounted to Ps. 3,157.4 billion (39.4 percent of GDP). This amount is 3.8 percentage points of GDP lower than that recorded at the end of 2003, the lowest level of PSBR as a percentage of GDP registered since 1997. The positive result derives from both the domestic historical balance of PSBR and the external historical balance of the PSBR, which declined 2.7 and 1.1 percentage points of GDP, respectively from the end of 2003.

During 2004 Mexico City's debt increased Ps. 483.2 million in net terms. The annual debt allowance approved by Congress for the City was Ps. 500 million.

Annex I: Public Finances**Public Sector Overall Balance****Millions of pesos**

	January-December		Real % growth	Composition %	
	2003	2004 ^{p/}		2003	2004 ^{p/}
Overall Public Balance (I+II)	-42,465.4	-19,740.7	-55.6		
I. Budgetary Balance (a-b)	-47,956.7	-23,300.5	-53.6		
a) Revenues	1,600,286.3	1,774,176.4	5.9	100.0	100.0
Oil related	533,420.7	639,627.6	14.5	33.3	36.1
Federal Government	357,644.1	446,250.2	19.2	22.3	25.2
Pemex	175,776.6	193,377.4	5.1	11.0	10.9
Non-oil related	1,066,865.6	1,134,548.8	1.6	66.7	63.9
Federal Government	775,340.9	823,892.3	1.5	48.5	46.4
Tax	679,002.9	716,867.9	0.8	42.4	40.4
Non-tax	96,338.0	107,024.4	6.1	6.0	6.0
PEDBC ^{1/}	291,524.7	310,656.5	1.8	18.2	17.5
b) Expenditures	1,648,243.1	1,797,476.9	4.2	100.0	100.0
Programmable	1,216,023.2	1,322,160.7	3.9	73.8	73.6
Non programmable	432,219.9	475,316.2	5.0	26.2	26.4
II. PEIBC ^{2/}	5,491.4	3,559.8	-38.1		
Primary Balance	143,849.9	189,865.7	26.1		

Note: Figures may not add up due to rounding.

n.a. not applicable

p_/ Preliminary figures.

Source: Ministry of Finance and Public Credit.

México, City., February 4, 2005

Public Sector Revenues**Millions of pesos**

	January-December		Real % growth	Composition %	
	2003	2004 ^{p./}		2003	2004 ^{p./}
Total (I+II)	1,600,286.3	1,774,176.4	5.9	100.0	100.0
I. Oil related	533,420.7	639,627.6	14.5	33.3	36.1
a) PEMEX	175,776.6	193,377.4	5.1	11.0	10.9
b) Federal Government	357,644.1	446,250.2	19.2	22.3	25.2
Rights and Royalties on oil related products	270,064.7	393,253.8	39.1	16.9	22.2
Excise taxes	87,579.4	52,996.4	-42.2	5.5	3.0
II. Non oil related	1,066,865.6	1,134,548.8	1.6	66.7	63.9
c) Federal Government	775,340.9	823,892.3	1.5	48.5	46.4
Tax	679,002.9	716,867.9	0.8	42.4	40.4
Income tax	337,015.5	345,155.6	-2.2	21.1	19.5
VAT	254,433.4	285,353.8	7.1	15.9	16.1
Excise taxes	30,178.8	31,911.5	1.0	1.9	1.8
Import taxes	26,897.8	29,469.5	4.7	1.7	1.7
Others ^{1./}	30,477.5	24,977.5	-21.7	1.9	1.4
Non-tax	96,338.0	107,024.4	6.1	6.0	6.0
Rights	19,238.5	16,477.5	-18.2	1.2	0.9
Fees	71,917.3	84,836.3	12.7	4.5	4.8
Others	5,182.3	5,710.6	5.3	0.3	0.3
d) PEDBC ^{2./}	291,524.7	310,656.5	1.8	18.2	17.5
Memorandum items:					
Total tax related	766,582.3	769,864.3	-4.1	47.9	43.4
Total non-tax related	833,704.0	1,004,312.1	15.1	52.1	56.6

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.

México, City., February 4, 2005

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

	Programmed	Observed^{p/_}	Difference
Total (I+II)	1,608,012.1	1,774,176.4	166,164.3
I. Oil related	502,988.7	639,627.6	136,638.9
a) PEMEX	152,987.2	193,377.4	40,390.2
b) Federal Government	350,001.5	446,250.2	96,248.7
Rights and Royalties on oil related products	243,246.8	393,253.8	150,007.0
Excise taxes	106,754.7	52,996.4	-53,758.3
II. Non oil related	1,105,023.4	1,134,548.8	29,525.4
c) Federal Government	817,500.2	823,892.3	6,392.1
Tax	714,492.6	716,867.9	2,375.3
Income tax	361,533.7	345,155.6	-16,378.1
VAT	271,614.9	285,353.8	13,738.9
Excise taxes	31,048.3	31,911.5	863.2
Import taxes	24,076.3	29,469.5	5,393.2
Others ^{1/_}	26,219.4	24,977.5	-1,241.9
Non-tax	103,007.6	107,024.4	4,016.8
Rights	13,958.8	16,477.5	2,518.7
Fees	82,618.1	84,836.3	2,218.2
Others	6,430.7	5,710.6	-720.1
d) PEDBC ^{2/_}	287,523.2	310,656.5	23,133.3
Memorandum items:			
Total tax related	821,247.3	769,864.3	-51,383.0
Total non-tax related	786,764.8	1,004,312.1	217,547.3

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 budgetary control. Excludes Federal Government transfers to the ISSSTE.

Source: Ministry of Finance and Public Credit.

México, City., February 4, 2005

Public Sector Expenditures**Millions of pesos**

	January-December		Real % growth	Composition %	
	2003	2004 ^{p/}		2003	2004 ^{p/}
TOTAL (I+II)	1,648,243.1	1,797,476.9	4.2	100.0	100.0
I. Primary Expenditures (a+b)	1,457,380.0	1,590,547.5	4.2	88.4	88.5
a) Programmable	1,216,023.2	1,322,160.7	3.9	73.8	73.6
b) Non-programmable	241,356.8	268,386.7	6.2	14.6	14.9
II. Financing Costs ^{1/}	190,863.1	206,929.5	3.6	11.6	11.5

Note: Figures may not add up due to rounding.

p_/ Preliminary figures.

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

Source: Ministry of Finance and Public Credit.

México, City., February 4, 2005

PUBLIC SECTOR BORROWING REQUIREMENTS BY INSTITUTIONAL SECTOR
January-December ^{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 revenues (II-I)	-207,654.80	-218,158.50	-184,656.00	-184,656.00
I. Non-recurrent revenues	43,699.50	46,763.80	51,247.40	115,009.90
II. Public sector total (A+B)	-163,955.30	-171,394.70	-133,408.60	-69,646.10
A. Non- financial public sector	-166,623.10	-125,775.30	-127,570.10	-127,570.10
Federal Government	-150,290.70	-107,485.20	-111,116.40	-111,116.40
Budgetary	-135,098.00	-99,957.10	-103,150.90	-103,150.90
Adjustments to Budgetary Recordings	-15,192.70	-7,528.20	-7,965.50	-7,965.50
Bodies and Enterprises	10,223.70	-15,184.90	-1,513.90	-1,513.90
Budgetary	59,491.40	57,491.70	83,410.20	83,410.20
PIDIREGAS	-49,267.70	-72,676.60	-84,924.10	-84,924.10
FARAC	-26,556.10	-3,105.20	-14,939.80	-14,939.80
B. Financial public sector	2,667.80	-45,619.40	-5,838.50	57,924.00
Development Banks and Public Funds	25,921.80	-26,077.30	-13,692.80	-13,692.80
IPAB	-28,445.40	-20,068.10	-7,198.70	56,563.80
Debtors Support Programs	5,191.40	526	15,053.00	15,053.00

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 responsibility, 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 II: Public Debt**Public Sector External Debt, January-December ^{*/}****Millions of dollars**

	Outstanding as of Dec-03	Indebtedness			Fx Adjustments	Outstanding as of Dec-04 ^{p/}
		Originations	Amort.	Net		
Net external debt	77,052.4					78,852.3
Financial assets abroad ^{1/}	-1,971.1					-373.5
Gross external debt	79,023.5	20,915.2	22,601.7	-1,686.5	1,888.8	79,225.8
Term structure	79,023.5	20,915.2	22,601.7	-1,686.5	1,888.8	79,225.8
Long term	77,335.7	13,350.5	15,425.5	-2,075.0	1,888.4	77,149.1
Short term	1,687.8	7,564.7	7,176.2	388.5	0.4	2,076.7
Structure by user	79,023.5	20,915.2	22,601.7	-1,686.5	1,888.8	79,225.8
Federal Government ^{2/}	58,358.3	9,424.3	8,757.1	667.2	1,058.7	60,084.2
PEDBC ^{3/}	12,157.7	3,349.0	5,318.7	-1,969.7	815.4	11,003.4
Development banks	8,507.5	8,141.9	8,525.9	-384.0	14.7	8,138.2
Gross external debt						
By financing source	79,023.5	20,915.2	22,601.7	-1,686.5	1,888.8	79,225.8
Restructured 1989 – 1990	387.7	0.0	155.5	-155.5	0.1	232.3
Spanish bank bonds	76.5	0.0	0.0	0.0	0.0	76.5
New money 1990 – 1992	311.2	0.0	155.5	-155.5	0.1	155.8
Non-restructured	4,310.2	4,707.1	6,345.7	-1,638.6	10.3	2,681.9
Bilateral credit	5,283.6	3,533.1	3,789.9	-256.8	86.8	5,113.6
Publicly placed bonds	48,806.2	8,175.1	6,828.4	1,346.7	953.7	51,106.6
IFIS	17,948.0	1,746.9	2,726.9	-980.0	85.2	17,053.2
Supplier credits to public sector entities	2.3	0.0	2.3	-2.3	0.0	0.0
Others ^{4/}	2,285.5	2,753.0	2,753.0	0.0	752.7	3,038.2

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.

México, City., February 4, 2005

Federal Government Domestic Debt, January-December ^{*_/}**Millions of pesos**

	Outstanding December 2003 ^{p_/}	Indebtedness			Adjustments ^{1_/}	Outstanding Dec. 2004 ^{p_/}
		Originations	Amort.	Net		
Net domestic debt balance	927,097.1					1,029,964.9
Creditor accounts ^{2_/}	-84,792.1					-69,241.4
Gross domestic debt stock	1,011,889.2	1,034,809.7	954,574.7	80,235.0	7,082.1	1,099,206.3
Government Securities	956,657.0	961,455.6	882,881.8	78,573.8	4,083.3	1,039,314.1
Cetes	206,416.3	754,342.4	719,225.1	35,117.3	0.0	241,533.6
Bondes	354,720.4	38,500.0	82,700.8	-44,200.8	0.0	310,519.6
Fixed rate bonds	311,664.1	151,430.0	60,391.8	91,038.2	0.0	402,702.3
Udibonos	83,856.2	17,183.2	20,564.1	-3,380.9	4,083.3	84,558.6
Udibonos udi's	25,016.7	5,000.0	6,094.4	-1,094.4	0.0	23,922.3
S.A.R.	40,655.3	68,198.7	64,587.5	3,611.2	2,340.8	46,607.3
Siefores (pesos)	0.3	0.0	0.1	-0.1	0.0	0.2
Siefores udi's	0.1	0.0	0.0	0.0	0.0	0.1
Others	14,576.6	5,155.4	7,105.3	-1,949.9	658.0	13,284.7

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.

México, City., February 4, 2005

EXTERNAL PUBLIC SECTOR**DEBT AMORTIZATION SCHEDULE ^{p_/}****Millions of dollars at the end of period***

	2005	2006	2007	2008	2009-2034
TOTAL	11,767.8	6,690.4	5,716.5	7,363.0	47,688.1
CAPITAL MARKET	3,058.0	3,067.2	3,113.6	5,147.0	36,720.8
Bonds	535.3	1,113.1	2,813.5	2,044.2	9,403.7
Notes	2,522.7	1,954.1	300.1	3,102.8	27,317.1
COMMERCIAL BANKS	1,002.3	759.7	349.7	148.5	142.6
Banks	758.7	204.2	233.1	52.0	61.6
Syndicated	243.6	555.5	116.6	96.5	81.0
RESTRUCTURED	362.7	332.7	54.7	0.0	76.5
Spanish bank bonds	0.0	0.0	0.0	0.0	76.5
New money	77.9	77.9	0.0	0.0	0.0
World Bank Guarantees	147.6	147.5	54.7	0.0	0.0
Eximbank Guarantees	107.4	107.3	0.0	0.0	0.0
Others	29.8	0.0	0.0	0.0	0.0
EXTERNAL TRADE	2,393.5	506.5	347.5	360.5	1,540.2
Eximbank	315.2	225.1	136.7	170.6	1,031.3
Bilateral Loans	1,829.0	281.4	210.8	189.9	508.9
Guaranteed Comercial Paper	249.3	0.0	0.0	0.0	0.0
INTERNATIONAL FINANCIAL INSTITUTIONS	1,913.1	2,024.3	1,851.0	1,707.0	9,208.0
IBD	650.8	723.6	723.6	723.6	4,651.7
World Bank	1,262.3	1,300.7	1,127.4	983.4	4,556.3
OTHERS ^{1_/}	3,038.2	0.0	0.0	0.0	0.0

Note: The figures with relation to the contractual balances as of September 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.

México, City., February 4, 2005

**Public Sector Domestic Debt
Amortizations Calendar**

Millions of pesos

	2005	2006	2007	2008	2009-2030
Total	366,134.7	154,321.7	142,727.9	117,438.1	318,583.9
Securities	363,045.5	151,232.7	139,638.9	114,349.1	271,047.9
Cetes	241,533.6	0.0	0.0	0.0	0.0
28 days	15,894.5	0.0	0.0	0.0	0.0
3 months	71,467.3	0.0	0.0	0.0	0.0
6 months	92,445.0	0.0	0.0	0.0	0.0
1 year	61,726.8	0.0	0.0	0.0	0.0
Bondes	44,559.8	72,737.8	77,312.9	79,509.1	36,400.0
3 years	20,460.8	0.0	0.0	0.0	0.0
5 years	24,099.0	72,737.8	77,312.9	79,509.1	36,400.0
Fixed Rate Bonds	61,184.1	78,494.9	62,326.0	34,840.0	165,857.3
3 years	34,340.0	37,390.0	0.0	0.0	0.0
5 years	26,844.1	41,104.9	62,326.0	34,840.0	0.0
7 years	0.0	0.0	0.0	0.0	67,927.9
10 years	0.0	0.0	0.0	0.0	80,979.4
20 years	0.0	0.0	0.0	0.0	16,950.0
Udibonos	15,768.0	0.0	0.0	0.0	68,790.6
5 years	15,768.0	0.0	0.0	0.0	0.0
10 years	0.0	0.0	0.0	0.0	68,790.6
SAR	1,200.0	1,200.0	1,200.0	1,200.0	41,807.3
Others	1,889.2	1,889.0	1,889.0	1,889.0	5,728.7

Note: Figures based on the outstanding balance as of September 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 III: Publication Calendar**Public Finance Publications Calendar**

Coverage Period:	Release Date
January, 2005	March 2, 2005
February, 2005	March 30, 2005
March, 2005	May 2, 2005
April, 2005	May 30, 2005
May, 2005	June 30, 2005
June, 2005	August 1, 2005
July, 2005	August 30, 2005
August, 2005	September 30, 2005
September, 2005	October 31, 2005
October, 2005	November 30, 2005
November, 2005	December 30, 2005
December, 2005	January 30, 2006