

MINISTRY OF FINANCE

June 30, 2004

Public Finances and Public Debt Report May, 2004

The Federal Government released preliminary information on public finances and public debt for May 2004.

- Public finances registered a surplus of 6.8 billion pesos, this amount is 339.3 percent higher in real terms than that registered in May of the previous year and consistent with the target deficit for the year as a whole.
- The primary balance, defined as total revenues minus expenditures other than financing costs, recorded a surplus of 20.2 billion pesos.
- Budgetary revenues declined at a real annual rate of 0.2 percent in May. The result is partially explained by a real reduction in non-oil related tax revenues of 5.3 percent, and by revenues of public entities other than Pemex declining 2.2 percent, also in real annual terms. The real decline in non-oil related revenues is due to the different dates in which Pemex carried out its payments to the Federal Government during the period February-May in 2003 and 2004. These impacts were partially offset by the increase in oil related revenues of 9.0 percent in real terms.
- Net budgetary expenditures declined 3.8 percent in real annual terms.
- The net external debt stock of the public sector declined by U.S \$ 0.6 billion, while the net domestic debt stock of the Federal Government increased by 0.2 billion pesos; both with respect to April 2004.

1. Public sector balance in January-May 2004

- In the period January-May, the public sector balance registered a surplus of 81.8 billion pesos, which compares favorably with the 61.9 billion pesos surplus registered in the same interval a year earlier.
- The primary balance posted a surplus of 164.9 billion pesos, 6.1 percent

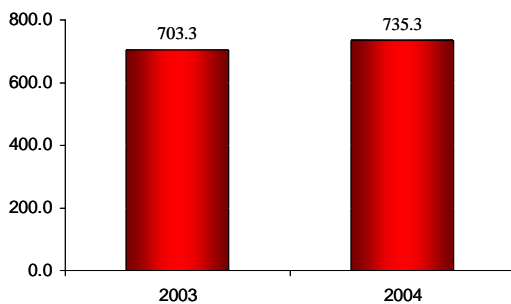
higher in real terms than that posted in the same period of the previous year.

1.1 Public Sector Budgetary Revenues in January-May 2004

- Budgetary revenues of the public sector in the reference period were 735.3 billion pesos, 4.6 percent higher in real terms than that recorded in the previous year.

- Non-oil tax revenues were 328.5 billion pesos, 3.7 percent higher in real terms than that registered in the same period a year earlier. It is important to highlight the 5.4 and 4.8 percent real increases in Value Added Tax and Income Tax collections, respectively.
- Oil related revenues, comprising Pemex's own revenues, oil related royalties and fees and excise tax collection on gasoline and diesel, totaled 240.6 billion pesos, 11.7 percent higher in real terms than that recorded in the same period of 2003.

**BUDGETARY REVENUES,
JANUARY- MAY
(Billions of 2004 pesos)**



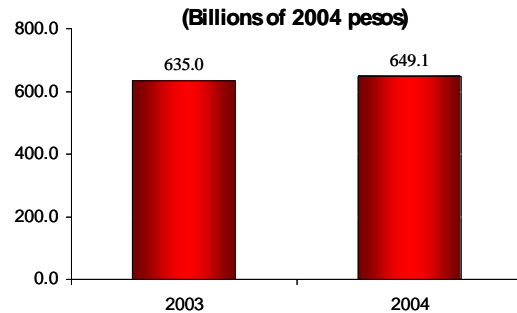
- Non-oil non-tax revenues were 49.1 billion pesos, 7.1 percent lower in real terms than registered in the same period of the previous year. The decline was mainly due to the fees paid by Banobras to the Federal Government on the previous year.
- Revenues of entities other than Pemex were 117.1 billion pesos, which represents a 0.8 percent decline over the same period of 2003, in real terms.

1.2. Net Public Sector Expenditures during January-May 2004

- Net budgetary public sector expenditures for the period January-May were 649.1 billion pesos, which is 2.2 percent higher in real terms than

that observed in the same period a year earlier.

**NET BUDGETARY EXPENDITURES,
JANUARY - MAY**



- Programmable expenditures carried out during the first five months of the year were 440.4 billion pesos, representing a 2.4 percent real annual increase.
- Federalized expenditures increased by 2.8 percent in real terms. Within them, it is worth highlighting the following:
 - Revenue sharing to states and municipalities amounted to 109.4 billion pesos, which is 6.2 percent higher in real terms than that registered in the same period of the previous year.
 - The sum of transfers to States and Municipalities (Ramo 33), provisions for basic, traditional, technical and adult education (Ramo 25), and resources directed towards strengthening of states through PAFEF (Ramo 39) amounted to 123.5 billion pesos, declining 0.1 percent in real annual terms.
 - It is important to highlight that in 2003 the advance payments for infrastructure in States were granted in May. In 2004 this payments were carried out in June. The above factor distorted the annual growth rate of federalized

expenditures as well as that of transfers to states and municipalities. Excluding this effect, these resources increased 3.9 percent and 1.9 percent, respectively.

- Public sector financing costs were 74.0 billion pesos, which is 13.4 lower in real terms than that recorded a year earlier.

2. Public Debt Update

- At the end of May the net external public debt balance was US \$79.5 billion, which is US \$2.4 billion higher than that recorded in December 31, 2003. The result is partially explained by net indebtedness of US \$ 0.1 billion and upward accounting adjustments of US \$0.7 billion. Furthermore, financial assets abroad declined by US \$1.6 billion.
- It is important to highlight that the increase in external indebtedness is transitory. Net indebtedness will decline as amortizations due in the

coming months are paid. This will be in accordance with the financing program for the year and consistent with the target of reducing net external debt by US \$ 500 million during 2004 as approved by Congress.

- The net domestic debt balance of the Federal Government at the end of May stood at 878.9 billion pesos, which is 48.2 billion pesos lower than that recorded at the end of 2003. The difference is explained by net indebtedness of 57.5 billion pesos, upward accounting adjustments to inflation indexed debt of 2.9 billion pesos, and to an increase of 108.6 billion pesos in the Federal Government's financial assets.

For more details on Public Finance and Public Debt statistics, please visit the Ministry of Finance's web page at:

<http://shcp.gob.mx/english/index.html>

Annex A. Public Finances

Public Sector Overall Balance **Millions of pesos**

	January-May		Real % growth	Composition %	
	2003	2004 ^{p/}		2003	2004 ^{p/}
Overall Public Balance (I+II)	61,947.4	81,780.7	26.6		
I. Budgetary Balance (a-b)	65,430.7	86,256.5	26.4		
a) Revenues	674,329.4	735,318.7	4.6	100.0	100.0
Federal Government	505,559.0	548,122.5	4.0	75.0	74.5
Tax	338,789.9	358,914.0	1.6	50.2	48.8
Non-tax	166,769.1	189,208.5	8.8	24.7	25.7
PEDBC ^{1/}	168,770.5	187,196.2	6.4	25.0	25.5
Pemex	55,542.3	70,111.0	21.0	8.2	9.5
Others	113,228.2	117,085.2	-0.8	16.8	15.9
b) Expenditures	608,898.7	649,062.2	2.2	100.0	100.0
Programmable	412,248.4	440,378.7	2.4	67.7	67.8
Non programmable	196,650.4	208,683.6	1.8	32.3	32.2
II. PEIBC ^{2/}	-3,483.3	-4,475.8	23.2		
Primary Balance	149,001.8	164,928.1	6.1		

Note: Figures may not add up due to rounding.

n.a. not available

1_/ Public entities under direct budgetary control.

2_/ Public entities under indirect budgetary control.

p_/ Preliminary figures.

Source: Ministry of Finance and Public Credit.

Annex A. Public Finances (Cont.)

	January-May		Real % growth	Composition %	
	2003	2004 ^{p/}		2003	2004 ^{p/}
Total (I+II)	674,329.4	735,318.7	4.6	100.0	100.0
I. Oil related	206,556.1	240,555.4	11.7	30.6	32.7
a) PEMEX	55,542.3	70,111.0	21.0	8.2	9.5
b) Federal Government	151,013.8	170,444.3	8.2	22.4	23.2
Rights and Royalties on oil related products	116,054.2	140,074.3	15.7	17.2	19.0
Excise taxes	34,959.6	30,370.0	-16.7	5.2	4.1
II. Non oil related	467,773.3	494,763.4	1.4	69.4	67.3
c) Federal Government	354,545.1	377,678.2	2.1	52.6	51.4
Tax	303,830.3	328,544.0	3.7	45.1	44.7
Income tax	156,045.0	170,613.8	4.8	23.1	23.2
VAT	108,007.8	118,701.1	5.4	16.0	16.1
Excise taxes	12,650.2	13,216.8	0.2	1.9	1.8
Import taxes	10,656.8	10,523.3	-5.3	1.6	1.4
Others ^{1/}	16,470.5	15,489.0	-9.8	2.4	2.1
Non-tax	50,714.9	49,134.1	-7.1	7.5	6.7
Rights	8,261.2	7,834.3	-9.1	1.2	1.1
Fees	40,251.4	38,831.7	-7.5	6.0	5.3
Others	2,202.3	2,468.1	7.5	0.3	0.3
d) PEDBC ^{2/}	113,228.2	117,085.2	-0.8	16.8	15.9
Memorandum items:					
Total tax related	338,789.9	358,914.0	1.6	50.2	48.8
Total non-tax related	335,539.6	376,404.7	7.6	49.8	51.2

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
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	January-May		Real % growth	Composition %	
	2003	2004 ^{p/}		2003	2004 ^{p/}
TOTAL (I+II)	608,898.7	649,062.2	2.2	100.0	100.0
I. Primary Expenditures (a+b)	527,010.4	575,089.7	4.6	86.6	88.6
a) Programmable	412,248.4	440,378.7	2.4	67.7	67.8
b) Non-programmable	114,762.1	134,711.0	12.6	18.8	20.8
II. Financing Costs ^{1/}	81,888.3	73,972.6	-13.4	13.4	11.4

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.

Annex B. Public Debt

Public Sector External Debt, January-May ^{*_/}

Millions of dollars

	Outstanding as of Dec-03	Indebtedness			Fx Adjustments	Outstanding as of May-04 ^{p_/}
		Originations	Amort.	Net		
Net external debt	77,052.4					79,493.2
Financial assets abroad ^{1_/}	-1,971.1					-384.2
Gross external debt	79,023.5	11,619.1	11,502.4	116.7	737.2	79,877.4
Term structure	79,023.5	11,619.1	11,502.4	116.7	737.2	79,877.4
Long term	77,335.7	7,363.8	9,026.7	-1,662.9	738.0	76,410.8
Short term	1,687.8	4,255.3	2,475.7	1,779.6	-0.8	3,466.6
Structure by user	79,023.5	11,619.1	11,502.4	116.7	737.2	79,877.4
Federal Government ^{2_/}	58,358.3	5,061.5	4,757.1	304.4	665.6	59,328.3
PEDBC ^{3_/}	12,157.7	2,394.0	2,366.8	27.2	121.9	12,306.8
Development banks	8,507.5	4,163.6	4,378.5	-214.9	-50.3	8,242.3
Gross external debt						
By financing source	79,023.5	11,619.1	11,502.4	116.7	737.2	79,877.4
Restructured 1989 – 1990	387.7	0.0	58.8	-58.8	-0.1	328.8
Spanish bank bonds	76.5	0.0	0.0	0.0	0.0	76.5
New money 1990 – 1992	311.2	0.0	58.8	-58.8	-0.1	252.3
Non-restructured	4,310.2	2,376.5	3,878.1	-1,501.6	1.2	2,809.8
Bilateral credit	5,283.6	1,446.7	1,346.0	100.7	-37.3	5,347.0
Publicly placed bonds	48,806.2	5,178.5	4,575.2	603.3	680.4	50,089.9
IFIS	17,948.0	323.2	1,086.1	-762.9	-43.9	17,141.2
Supplier credits to public sector entities	2.3	0.0	0.0	0.0	0.0	2.3
Others ^{4_/}	2,285.5	2,294.2	558.2	1,736.0	136.9	4,158.4

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 Debt (Cont.)

Federal Government Domestic Debt, January-May ^{*_/}

Millions of pesos

	Outstanding December 2003	Indebtedness			Adjustments ^{1_/}	Outstanding May 2004 ^{p_/}
		Originations	Amort.	Net		
Net domestic debt balance	927,097.1					878,884.7
Creditor accounts ^{2_/}	-84,792.1					-193,355.6
Gross domestic debt stock	1,011,889.2	431,172.9	373,698.6	57,474.3	2,876.8	1,072,240.3
Government Securities	956,657.0	398,941.5	342,238.5	56,703.0	1,429.6	1,014,789.6
Cetes	206,416.3	309,042.0	275,560.9	33,481.1	0.0	239,897.4
Bondes	354,720.4	21,900.0	33,601.9	-11,701.9	0.0	343,018.5
Fixed rate bonds	311,664.1	61,210.0	14,997.1	46,212.9	0.0	357,877.0
Udibonos	83,856.2	6,789.5	18,078.6	-11,289.1	1,429.6	73,996.7
<i>Udibonos udi's</i>	25,016.7	2,000.0	5,367.4	-3,367.4	0.0	21,649.3
S.A.R.	40,655.3	32,199.7	30,520.0	1,679.7	1,192.8	43,527.8
Siefores m/n	0.3	0.0	0.0	0.0	0.0	0.3
<i>Siefores udi's</i>	0.1	0.0	0.0	0.0	0.0	0.1
Others	14,576.6	31.7	940.1	-908.4	254.4	13,922.6

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 Finance Indicators Calendar

Public Finance Publications Calendar

Coverage Period:	Release Date
June, 2004	August 4, 2004
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, 2005
February, 2005	April 1, 2005
March, 2005	May 4, 2005
April, 2005	May 31, 2005
May, 2005	June 30, 2005