

## MINISTRY OF FINANCE

February 4, 2004

### Quarterly Report on Public Finances and Public Debt Fourth Quarter of 2003

- Fiscal discipline was strengthened in 2003: The overall public sector deficit and the Public Sector Borrowing Requirements were lower than the targets approved by Congress for the year as well as the figures observed in 2002 in real terms.
- During 2003, public social investment, expenditure which is directly focused on individuals, increased 9.6 percent in real annual terms. Expenditures channeled towards social development increased 8.6 percent in real terms. It is worth highlighting the spending increases of 23.8 percent in Health, and 7.0 percent in Housing. Expenditures in Agriculture and Technology and Scientific Development posted increases of 40.3 and 21.9 percent, respectively. In a similar fashion, overall fixed capital investment increased 20.3 percent in real terms.
- Non-oil tax revenues of the Federal Government increased by 5.3 percent in real annual terms. A positive development given that it was more vigorous than economic activity in 2003. It is worth highlighting the favorable evolution of value added tax collection, which posted an improvement of 11.4 percent, resulting in the highest level of VAT collection, measured as a percentage of GDP, since the tax was implemented. This provides further evidence of the achievements made in improving tax collection efficiency.
- The public sector reduced its net external indebtedness and increased the average maturity of domestic debt.
- A 20-year fixed rate peso bond was issued in domestic markets for the first time in October 2003.
- The macroeconomic indicators for the fourth quarter of 2003 clearly show that the Mexican economy has entered a stage of higher

**growth. The pickup in economic activity is associated with the industrial activity rebound in the United States.**

- **Annual consumer price inflation reached the lowest level in the last 34 years.**
- **Prudent and responsible macroeconomic policies and the compliance with the fiscal and monetary policy targets have strengthened the fundamentals of the economy. These actions allowed interest rates to decrease during 2003. The financial stability attained increased credit availability and allowed domestic demand to be resilient.**

## 1. Macroeconomic Update

### 1.1. *Economic Activity*

- Industrialized economies' GDP growth rates rebounded in the second half of 2003. The expansion in global manufacturing gained momentum in the fourth quarter of the year, and increased global GDP growth expectations for 2004.
- The rebound of global manufacturing had a positive effect on the Mexican economy's outlook. The main macroeconomic statistical releases that support this improvement are the following:
  - Manufacturing exports posted a 10.2 per cent annual growth in December, which was the 4<sup>th</sup> month of positive annual growth as well as the 5<sup>th</sup> consecutive month of positive seasonally adjusted monthly growth.
  - Intermediate goods imports grew 5.7 per cent with respect to a year earlier in the fourth quarter of 2003. The annual growth rate in December was 11.9 per cent, and the month-month seasonally adjusted growth rates of the last 4 months have been positive. The surge in these imports is a favorable sign for manufacturing and maquiladoras' future production.
  - Industrial production increased in October and November, 1.5 and 0.8 per cent, respectively, in seasonally adjusted monthly terms. Therefore, in annualized terms the Mexican industrial sector was growing 19.5 and 10.0 per cent in October and November, respectively.
  - The Global Economic Activity Indicator (IGAE), which includes industrial activity, agriculture and services and is a monthly proxy of GDP, has posted positive annual and monthly growth rates in the last three months.
- The Global Activity Indicator grew 1.4 per cent in annual terms in the period October-November 2003. Services have maintained an upward trend and the annual growth rate was 2.3 per cent in the period mentioned. The

expansion in services was related to the communications and financial services sectors. Furthermore, the agricultural sector increased its output 2.7 per cent in annual terms. In contrast, industrial output contracted 0.6 per cent in annual terms, in spite of the positive monthly growth rates in both months that were mentioned before.

- Annual growth was uneven within industrial sectors in the period October-November. Mining, construction, and utilities increased 6.4, 3.5 and 1.1 per cent, respectively, in annual terms during the period. In contrast, manufacturing contracted 2.0 per cent. However, it should be pointed out that the monthly seasonally-adjusted growth rates of manufacturing activity were high, 1.5 and 0.9 per cent in October and November.
- The rebound of the Mexican economy's output growth had a positive effect on the number of urban workers registered at the Mexican Institute of Social Security (IMSS), our definition of non-farm payrolls. Seasonally adjusted employment grew in the fourth quarter of 2003. Therefore, the seasonal reduction in payrolls observed in the period was lower than that typically observed.
- The reduction in workers registered at IMSS during the fourth quarter of 2003 was 49,137 with respect to the level observed at the end of the previous quarter, a number which is significantly lower than the 79,004 jobs lost in the last quarter of 2002. Notwithstanding the improvement observed in the

last quarter of the year, the weakness in labor demand during the first nine months of 2003 resulted in a reduction of 34,790 workers registered at IMSS with respect to the level observed at the end of 2002.

### *1.2. External sector*

- Regarding foreign trade, it should be noted that nominal exports in dollars had a positive response to the manufacturing rebound in the US. In the fourth quarter of 2003 total exports grew 6.3 per cent in annual terms. Oil exports increased 24.0 per cent while manufacturing exports increased 4.0 per cent in annual terms. Furthermore, the merchandise imports increased 4.1 per cent in annual terms. Within these, intermediate goods and consumer goods imports increased 5.7 and 0.9 per cent, respectively. In contrast, capital goods imports fell 1.3 per cent in annual terms.
- As a result of the above, the trade deficit in the fourth quarter of 2003 was US \$2.6 billion, a 22.8 per cent reduction in annual terms. The trade balance for 2003 as a whole was US \$5.6 billion; 29.0 per cent lower than a year earlier.

### *1.3. Inflation and interest rates*

- Inflation ended the year at a 34-year low, and within Banco de Mexico's target range. The reduction observed in consumer price inflation was the result of both a timely and responsible conduction of monetary policy, and a prudent and disciplined

fiscal policy. Annual December-December inflation was 3.98 per cent; 172 basis points lower than that observed in 2002. The inflationary abatement achieved and fiscal discipline allowed for historically-low interest rates and for banking and non-banking credit to the private sector to expand.

- Falling inflation allowed real wages to increase in most productive activities. Real average total wages per man hour in manufacturing rose 1.8 per cent in annual terms in the first eleven months of the year.
- Domestic financial markets reflected the perception of strength that markets perceive from the Mexican economy. As a result, domestic financial conditions continued to be favorable for economic growth in the fourth quarter of the year. Both external and domestic factors influenced financial markets in the last quarter of 2003. The main external factors with an impact on financial asset prices were the following: the anticipation of higher global growth rates, the orderly adjustment of the US dollar notwithstanding geo-political uncertainty, and the improvement in the risk perception of some of the main Latin American emerging economies. On the domestic front prudent and responsible macroeconomic policies improved the country's macroeconomic fundamentals.
- As a result, medium and long term domestic debt interest rates were resilient in the fourth quarter of

2003 and even fell with respect to the level observed in July-September. The stability observed in the long-end of the yield curve reflected both the solid macroeconomic fundamentals of the Mexican economy and the low external interest rates abroad.

- The Mexico country risk spread reached a new historical low in November 17, 2003 at 187 basis points. This spread increased marginally in December to end the year at 199 basis points; 13 basis points lower than the level posted quarter earlier<sup>1</sup>.
- Mexican stock prices continued to increase in the fourth quarter of the year as a result of investor's confidence, as well as of expectations of higher GDP growth and their positive effect on corporate earnings. The index of the Bolsa Mexicana de Valores increased 43.6 per cent in 2003. During the final quarter of the year the exchange rate depreciated, although it recovered during the month of December. Notwithstanding the rally experienced at the end of the year, during 2003, the peso depreciated 8.1 percent with respect to the dollar.
- The resilience of domestic interest rates, the reduction in the country-risk spread and the increase in stock prices generated financial conditions favorable for the expansion of private demand. Domestic financial savings continued to increase as a result of the macroeconomic stability attained, and the legal reforms to

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<sup>1</sup> Measured according to JP Morgan's EMBI+ sovereign spread index.

the financial sector's framework approved during the last years. The growth of the private sector's debt issuance and the expansion of outstanding banking credit to the private sector stand out in 2003. In this respect, *Certificados Bursátiles*, a fixed income bond for private sector debt issuance has been widely used by corporations. The outstanding amount of this type of bonds in November 2003 exceeded 95 billion pesos.

## 2. *Public Finances*

- The public sector registered a deficit of 41.7 billion pesos in 2003; an amount 47.2 percent lower, in real terms, to that registered at the end of 2002. This result includes the gross expenditure of 16.2 billion pesos, related to the Voluntary Retirement Program (PSV) which was carried out during the year.
- The Voluntary Retirement Program eliminated more than 49 thousand positions within the public sector; and generated savings of 1 billion pesos in personnel related expenditures. Congress approved in the Budget for 2003 that the fiscal deficit for the year could exceed the original program by an amount equivalent to the expenditures related to the PSV.
- Excluding the gross expenditures related to the PSV, the public deficit for 2003 was 25.5 billion pesos, amount which is equivalent to 0.39 percent of the estimated GDP for 2003. Once the expenditures related to the PSV are excluded from the calculation, the public deficit target approved by Congress for

2003 was undershot by 7.3 billion pesos. This amount represents 48.2 percent of the net cost of the PSV.

- Furthermore, Article 21 of the Expenditure Decree for 2003 (PEF2003), established that the target public deficit applicable to the year 2003 is 26.6 billion pesos. This figure is obtained by subtracting 25 percent of the excess revenues established in article 21 of the PEF2003 to improve the public balance (6.2 billion pesos), from the deficit target approved by Congress (32.9 billion pesos). As a result, for the 2003 fiscal exercise, excluding the cost of the PSV, the public deficit was 1.1 billion pesos lower than the target established for the year; this result is mainly explained by the savings in the wage bill that resulted from the PSV.
- The primary surplus, defined as total public sector revenues less expenditures other than interest payments on public debt, was 148.8 billion pesos; this figure is 31.8 percent higher in real terms to that recorded at the end of 2002 (46.2 percent higher in real annual terms if the expenditures associated with the PSV are excluded).
- In 2003, the public sector borrowing requirements were 170.0 billion pesos (equivalent to 2.6 percent of the estimated GDP for 2003), amount which is lower by 25.3 billion pesos to that estimated at the beginning of the year, and 8.8 percent lesser in real terms than that recorded in 2002<sup>2</sup>.

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<sup>2</sup> Excluding expenditures related to the PSV, the PSBR were 10 billion pesos lower than those registered in 2002.

### 2.1 Public sector revenues

- Budgetary revenues amounted to 1,599.8 billion pesos during 2003, 126.2 billion pesos higher than the amount estimated in the Revenues Law for 2003. Out of the total excess revenues, 69.9 billion pesos were explained by oil related revenues, 31.0 billion correspond to public entities under direct budgetary control other than Pemex's own revenues, 9.2 billion to non-oil tax revenues and the remaining resources are explained by non-tax revenues.
- Compared with 2002, budgetary revenues increased 10.3 percent in real terms, mainly due to the real increase of 24.6 percent in oil related revenues. Non-oil tax revenues of the Federal Government increased by 5.3 percent in real annual terms. A favorable development given that it was more vigorous than economic activity in 2003.
- It is worth highlighting the favorable evolution of value added tax (VAT) collection, which posted an improvement of 11.4 percent, resulting in the highest VAT collection as a percentage of GDP since the tax was implemented. The positive behavior of VAT collection provides further evidence of the achievements made in improving tax collection efficiency. Additionally, public entities under direct budgetary control other than Pemex's own revenues increased at a real 12.1 percent rate.

### 2.2. Public sector expenditures

- Public sector expenditures were 1,643.8 billion pesos during 2003. This amount exceeds those carried out in the previous year by 7.7 percent in real terms; and by 6.6 percent also in real terms if expenditures associated to the PSV are excluded. This increase was made possible by higher budgetary revenues.
- During 2003, public social investment, the expenditure which is directly focused on individuals, increased 9.6 percent in real annual terms<sup>3</sup>. In a similar fashion, overall public sector fixed capital investment increased 20.3 percent in real terms.
- Programmable expenditures increased 9.3 percent, reaching 1,211.6 billion pesos. Excluding expenditures related to the PSV, programmable expenditures posted a 7.8 percent increase. It is important to note that expenditures channeled towards social development increased 8.6 percent in real terms. Within these it is worth highlighting the increases of 23.8 percent in Health, and 7.0 percent in Housing expenditures. Expenditures in Agriculture and Technology and Scientific Development posted increases of 40.3 and 21.9 percent, respectively.
- Furthermore, besides expenditures related to the PSV, programmable

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<sup>3</sup> Public social investment refers to programmable expenditures of the Executive Branch that increase the human or physical capital of the population, as well as those expenditures that improve public services and goods provision. In particular, it includes infrastructure expenditure and subsidies that directly benefit the population.

expenditures in 2003 include 8.7 billion pesos used for the capitalization of BANOBRAS, 5.7 billion pesos destined to the Infrastructure Investment Fund (FINFRA), 12.4 billion pesos for the Trust for Infrastructure in States (FIES), and 6.2 billion pesos for the Oil Stabilization Fund (FEIP). These expenditures were generated by excess revenues, and allowed the government to increase its investment allocation, which posted a 29.9 real gain, once the resources channeled or the capitalization of the Banrural system and the creation of the Financiera Rural in 2002 are excluded from the calculation.

- Furthermore, resources directed to the states and municipalities through revenue sharing, transfers (items 25 and 33), decentralized expenditure agreements, and the Program to Support the Strengthening of Federal Entities (PAFEF), which represent 50.8 percent of primary expenditures of the Federal Government, increased 3.8 percent in real annual terms. If the advances granted to states in 2002 and 2003 are not included in the calculation, the rate of growth of the resources directed to them increased 8.0 percent. Measured as a percentage of GDP, federal transfers reached their highest amount in recent years during 2003.
- Non-programmable expenditures increased 3.6 percent in real annual terms in 2003, resulting primarily from the increase in payments related to liabilities from previous fiscal exercises (Adefas).

### 3. Public Debt

- At the end of 2003, Mexico's total net public sector debt amounted to 26.0 percent of GDP, a 1.6 percent increase over the amount recorded at the end of 2002. This increase is explained by an additional 0.7 percent in the net external public sector debt to GDP ratio resulting from the peso's depreciation with respect to the dollar. Adjusting for the exchange rate movement, the net external debt to GDP ratio decreased by 0.4 percentage points of GDP. On the other hand, net domestic public sector debt increased by 0.9 percentage points of GDP with respect to the end of 2002, as a result of the government's strategy of tapping domestic financial markets to cover all of its financing requirements, as in the previous two years.
- At the end of 2003, the public sector registered a net decline in external indebtedness of US \$2.5 billion dollars. However, net public sector external debt was US \$1.4 billion dollars greater than the stock at the end of 2002, reaching US \$77.3 billion. The change was the result of a decline of US \$0.9 billion in the value of net external assets of the Federal Government associated with external debt; as well as upward accounting adjustments of US \$2.9 billion which result from the depreciation of the dollar with respect to other currencies in which the debt is denominated, and the registry of liabilities related to the Pidiregas projects.

- Net domestic debt of the Federal Government at the end of 2003 stood at 927.1 billion pesos, 105.8 billion pesos higher than its balance at the end of 2002 (821.3 billion pesos). The increase in domestic debt is explained by: a) net borrowings of 99.4 billion pesos, b) a decrease in the Federal Government's domestic financial assets of 1.3 billion pesos, and c) upward accounting adjustments of 5.1 billion pesos to inflation indexed debt.
- The most important external debt management transaction carried out by the Federal Government in the fourth quarter of 2003, was the successful issuance of a Global Bond worth US \$1 billion with a 10.25 year maturity, that will pay a fixed dollar denominated interest rate of 5.875. The resources obtained through this transaction were used to refinance an important part of the Federal Government's obligations due in on 2004.
- On the domestic debt front, the main objectives were to increase the average maturity of the public debt, to reduce the vulnerability of public finance to interest rate shocks, and to promote the development of domestic financial markets. In order to achieve these objectives, the government modified its issuance calendar to include longer term fixed rate securities.
- Beginning with the fourth quarter of 2003, the government began to issue 20 year fixed nominal rate bonds; the first such issuance took place in October and was accompanied by a fixed 8.39 percent interest rate. This transaction marked the first time a security with such characteristics was issued on domestic financial markets.
- The successful issuance of the security highlights the confidence on the soundness of the Mexico's fundamentals that permeates financial markets and the confidence that stability will be maintained in the medium and long terms. In this respect, the *International Financing Review* granted two recognitions to Mexico: *Best Latin-American Issuer* and *Best Sovereign Issuer* in international capital markets during 2003. These prizes recognize the Federal Government's foreign issuance strategy and its implementation.
- The active liability management strategy has focused on improving debt conditions, thus liberating resources to be used to satisfy the country's needs in terms of health, education, employment, infrastructure and poverty alleviation.
- Regarding the Federal District's debt, net borrowings of 3 billion pesos were reported, the amount was consistent with the city's indebtedness ceiling of 3 billion pesos for the year.

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-December			Real %		Composition %	
	2002	2003 <sup>P/J</sup>		growth		2002	2003 <sup>P/J</sup>
		w/PSV	w/o PSV	w/PSV	w/o PSV		
<b>Overall Public Balance (I+II)</b>	<b>-75,606.6</b>	<b>-41,737.2</b>	<b>-25,549.5</b>	<b>-47.2</b>	<b>-67.7</b>		
I. Budgetary Balance (a-b)	-72,715.6	-44,032.1	-27,844.4	-42.1	-63.4		
a) Revenues	1,387,235.5	1,599,797.2	1,599,797.2	10.3	10.3	100.0	100.0
Oil related	410,037.6	534,079.6	534,079.6	24.6	24.6	29.6	33.4
Federal Government	260,006.1	357,928.4	357,928.4	31.7	31.7	18.7	22.4
Pemex	150,031.6	176,151.2	176,151.2	12.3	12.3	10.8	11.0
Non-oil related	977,197.8	1,065,717.6	1,065,717.6	4.3	4.3	70.4	66.6
Federal Government	729,347.4	775,255.8	775,255.8	1.7	1.7	52.6	48.5
Tax	616,062.4	678,539.5	678,539.5	5.3	5.3	44.4	42.4
Non-tax	113,285.0	96,716.2	96,716.2	-18.3	-18.3	8.2	6.0
PEDBC <sup>1/J</sup>	247,850.5	290,461.9	290,461.9	12.1	12.1	17.9	18.2
b) Expenditures	1,459,951.1	1,643,829.3	1,627,641.6	7.7	6.6	100.0	100.0
Programmable	1,060,771.8	1,211,647.0	1,195,459.3	9.3	7.8	72.7	73.7
Non programmable	399,179.3	432,182.3	432,182.3	3.6	3.6	27.3	26.3
II. PEIBC <sup>2/J</sup>	-2,891.0	2,294.9	2,294.9	n.a.	n.a.		
Primary Balance	107,995.4	148,843.2	165,030.9	31.8	46.2		

Note: Figures may not add up due to rounding.

p\_/ Preliminary figures.

w/ PSV refers to figures including the Voluntary Retirement Program.

w/o PSV refers to figures that exclude the PSV.

Source: Ministry of Finance and Public Credit.

## Annex A. Public Finances (cont.)

### Public Sector Revenues

Millions of pesos

	January-December		Real % growth	Composition %	
	2002	2003 <sup>p./</sup>		2002	2003 <sup>p./</sup>
<b>Total (I+II)</b>	<b>1,387,235.5</b>	<b>1,599,797.2</b>	<b>10.3</b>	<b>100.0</b>	<b>100.0</b>
I. Oil related	410,037.6	534,079.6	24.6	29.6	33.4
a) PEMEX	150,031.6	176,151.2	12.3	10.8	11.0
b) Federal Government	260,006.1	357,928.4	31.7	18.7	22.4
Rights and Royalties on oil related products	147,784.7	270,345.0	75.0	10.7	16.9
Excise taxes	112,221.4	87,583.4	-25.4	8.1	5.5
II. Non oil related	977,197.8	1,065,717.6	4.3	70.4	66.6
c) Federal Government	729,347.4	775,255.8	1.7	52.6	48.5
Tax	616,062.4	678,539.5	5.3	44.4	42.4
Income tax	318,380.3	336,546.4	1.1	23.0	21.0
VAT	218,441.7	254,437.4	11.4	15.7	15.9
Excise taxes	24,035.8	30,178.6	20.1	1.7	1.9
Import taxes	27,233.0	26,975.0	-5.3	2.0	1.7
Others <sup>1./</sup>	27,971.6	30,402.1	4.0	2.0	1.9
Non-tax	113,285.0	96,716.2	-18.3	8.2	6.0
Rights	18,601.6	19,001.4	-2.3	1.3	1.2
Fees	89,417.4	72,482.7	-22.5	6.4	4.5
Others	5,266.0	5,232.1	-5.0	0.4	0.3
d) PEDBC <sup>2./</sup>	247,850.5	290,461.9	12.1	17.9	18.2
Memorandum items:					
Total tax related	728,283.8	766,122.9	0.6	52.5	47.9
Total non-tax related	658,951.70	833,674.30	21	47.5	52.1

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.)

### Budgetary Revenues, January-December

Millions of pesos

	Programmed	Observed <sup>p_/</sup>	Difference
<b>Total (I+II)</b>	<b>1,473,556.9</b>	<b>1,599,797.2</b>	<b>126,240.3</b>
I. Oil related	464,160.4	534,079.6	69,919.2
a) PEMEX	152,127.0	176,151.2	24,024.2
b) Federal Government	312,033.4	357,928.4	45,895.0
Rights and Royalties on oil related products	191,053.2	270,345.0	79,291.8
Excise taxes	120,980.2	87,583.4	-33,396.8
II. Non oil related	1,009,396.5	1,065,717.6	56,321.1
c) Federal Government	749,968.0	775,255.8	25,287.7
Tax	669,329.3	678,539.5	9,210.2
Income tax	364,447.3	336,546.4	-27,900.9
VAT	225,154.3	254,437.4	29,283.1
Excise taxes	27,432.0	30,178.6	2,746.6
Import taxes	25,538.7	26,975.0	1,436.3
Others <sup>1_/</sup>	26,757.0	30,402.1	3,645.1
Non-tax	80,638.7	96,716.2	16,077.5
Rights	13,852.9	19,001.4	5,148.5
Fees	61,499.2	72,482.7	10,983.5
Others	5,286.6	5,232.1	-54.5
d) PEDBC <sup>2_/</sup>	259,428.5	290,461.9	31,033.4
Memorandum items:			
Total tax related	790,309.5	766,122.9	-24,186.6
Total non-tax related	683,247.4	833,674.3	150,426.8

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-December			Real %		Composition %		
	2002	2003 <sup>p./</sup>		growth		2002	2003 <sup>p./</sup>	
		w/ PSV	w/o PSV	w/ PSV	w/o PSV		w/ PSV	w/o PSV
TOTAL (I+II)	1,459,951.1	1,643,829.3	1,627,641.6	7.7	6.6	100.0	100.0	100.0
I. Primary Expenditures (a+b)	1,281,576.2	1,452,916.9	1,436,729.2	8.4	7.2	87.8	88.4	88.3
a) Programmable	1,060,771.8	1,211,647.0	1,195,459.3	9.3	7.8	72.7	73.7	73.4
b) Non-programmable	220,804.4	241,269.9	241,269.9	4.5	4.5	15.1	14.7	14.8
II. Financing Costs <sup>1./</sup>	178,374.9	190,912.4	190,912.4	2.4	2.4	12.2	11.6	11.7

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.

w/ PSV refers to figures including the Voluntary Retirement Program.

w/o PSV refers to figures that exclude the PSV.

Source: Ministry of Finance and Public Credit.

## Annex B. Public Sector Debt

Public Sector External Debt, January-December <sup>1/</sup>

Millions of dollars

	Outstanding as of Dec-02	Indebtedness			Fx Adjustments	Outstanding as of Dec-03 <sup>p/</sup>
		Originations	Amort.	Net		
Net external debt	75,934.8					77,303.4
Financial assets abroad <sup>1/</sup>	-2,883.3					-1,971.1
Gross external debt	78,818.1	21,368.9	23,828.5	-2,459.6	2,916.0	79,274.5
Term structure	78,818.1	21,368.9	23,828.5	-2,459.6	2,916.0	79,274.5
Long term	76,028.6	15,613.6	15,604.7	8.9	1,549.2	77,586.7
Short term	2,789.5	5,755.3	8,223.8	-2,468.5	1,366.8	1,687.8
Structure by user	78,818.1	21,368.9	23,828.5	-2,459.6	2,916.0	79,274.5
Federal Government <sup>2/</sup>	57,879.1	10,408.8	11,504.4	-1,095.6	1,574.8	58,358.3
PEDBC <sup>3/</sup>	12,338.3	4,450.2	5,612.9	-1,162.7	1,233.1	12,408.7
Development banks	8,600.7	6,509.9	6,711.2	-201.3	108.1	8,507.5
Gross external debt						
By financing source	78,818.1	21,368.9	23,828.5	-2,459.6	2,916.0	79,274.5
Restructured 1989 – 1990	6,107.8	0.0	5,755.2	-5,755.2	35.1	387.7
Par bonds (Brady)	5,573.2	0.0	5,607.6	-5,607.6	34.4	0.0
Spanish bank bonds	76.5	0.0	0.0	0.0	0.0	76.5
New money 1990 – 1992	458.1	0.0	147.6	-147.6	0.7	311.2
Non-restructured	4,811.6	7,054.6	7,565.0	-510.4	9.0	4,310.2
Bilateral credit	6,259.6	2,405.2	3,634.3	-1,229.1	253.1	5,283.6
Publicly placed bonds	42,668.3	7,701.9	2,857.1	4,844.8	1,293.1	48,806.2
IFIS	17,542.9	2,330.3	2,132.5	197.8	207.3	17,948.0
Supplier credits to public sector entities	9.8	0.0	7.5	-7.5	0.0	2.3
Others <sup>4/</sup>	1,418.1	1,876.9	1,876.9	0.0	1,118.4	2,536.5

Note: Figures may not add up due to rounding.

<sup>1/</sup> Figures subject to revisions.<sup>p/</sup> Preliminary figures.<sup>1/</sup> Collateral is valued at market prices; includes 18 months worth of interest payments for Brady Bonds and FAFEXT availabilities.<sup>2/</sup> Includes debt from item XXIV and FAFEXT.<sup>3/</sup> Public entities under direct budgetary control.<sup>4/</sup> Refers to PIDIREGAS debt.

Source: Ministry of Finance and Public Credit.

## Annex B. Public Sector Debt (cont.)

Federal Government Domestic Debt, January-December <sup>\*\_/</sup>

Millions of pesos

	Outstanding December 2002 <sup>p_/</sup>	Indebtedness			Adjustments <sup>1_/</sup>	Outstanding December 2003 <sup>p_/</sup>
		Originations	Amort.	Net		
Net domestic debt balance	821,272.2					927,097.1
Creditor accounts <sup>2_/</sup>	-86,135.5					-84,792.1
Gross domestic debt stock	907,407.7	966,055.6	866,704.5	99,351.1	5,130.4	1,011,889.2
Government Securities	793,760.7	897,679.6	737,897.7	159,781.9	3,114.4	956,657.0
Cetes	192,144.5	686,915.1	672,643.3	14,271.8	0.0	206,416.3
Bondes	305,295.6	77,409.1	27,984.3	49,424.8	0.0	354,720.4
Fixed rate bonds	203,669.0	123,190.0	15,194.9	107,995.1	0.0	311,664.1
Udibonos	92,651.6	10,165.4	22,075.2	-11,909.8	3,114.4	83,856.2
Udibonos udi's	28,722.3	3,100.0	6,805.6	-3,705.6	0.0	25,016.7
S.A.R.	35,496.2	62,883.4	59,220.4	3,663.0	1,496.1	40,655.3
Siefores (pesos)	72.3	0.5	73.1	-72.6	0.6	0.3
Siefores udi's	22.4	0.1	22.4	-22.3	0.0	0.1
Others	78,078.5	5,492.1	69,513.3	-64,021.2	519.3	14,576.6

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 Sector Borrowing Requirements

### Public Sector Borrowing Requirements by Institutional Sector, January-December <sup>p\_/</sup>

Millions of pesos

	PSBR	
	2002	2003
Public sector total excluding non-recurrent revenues (II-I)	-207,503.1	-216,752.0
I. Non-recurrent revenues	43,699.5	46,758.6
II. Public sector total (A+B)	-163,803.6	-169,993.4
A. Non- financial public sector	-166,471.4	-123,336.7
Federal Government	-150,139.0	-106,313.1
Budgetary	-135,098.0	-99,957.1
Adjustments to Budgetary Recordings	-15,041.0	-6,356.1
Bodies and Enterprises	10,223.7	-14,456.7
Budgetary	59,491.4	58,219.9
PIDIREGAS	-49,267.7	-72,676.6
FARAC	-26,556.1	-2,566.8
B. Financial public sector	2,667.8	-46,656.7
Development Banks and Public Funds	25,921.8	-27,114.6
IPAB	-28,445.4	-20,068.1
Debtors Support Programs	5,191.4	526.0

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

p\_/ Preliminary figures.

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

Source: Ministry of Finance and Public Credit.

## Annex D. Public Debt Amortization Calendar

### Public Sector External Debt Amortizations Calendar

Millions of dollars

	2004	2005	2006	2007	2008-2033
<b>TOTAL</b>	11,889.7	7,752.6	6,664.8	5,653.3	47,314.1
CAPITAL MARKETS	3,667.1	3,036.1	3,015.9	3,113.6	35,973.5
Bonds	2,909.8	513.3	1,062.4	2,813.5	13,279.4
IOU's	757.3	2,522.8	1,953.5	300.1	22,694.1
COMMERCIAL BANKS	1,017.6	1,049.7	810.4	330.4	198.8
Direct	838.4	131.4	108.3	11.2	30.7
Syndicated	179.2	918.3	702.1	319.2	168.1
RESTRUCTURED DEBT	551.7	386.0	356.6	57.6	101.5
Spanish Bonds	0.0	0.0	0.0	0.0	76.5
New Money	155.5	77.9	77.8	0.0	0.0
IBRD Guaranties	147.6	147.5	147.5	54.6	0.0
Eximbank Guaranties	102.5	102.5	102.5	0.0	0.0
Others	146.1	58.1	28.8	3.0	25.0
EXTERNAL TRADE	2,188.5	1,261.4	397.3	262.7	1,510.8
Eximbank	448.3	286.5	234.7	146.1	1,122.4
Bilateral	1,740.2	218.2	162.6	116.6	388.4
Guaranteed Commercial Paper	0.0	756.7	0.0	0.0	0.0
IFIs	1,928.3	2,019.4	2,084.6	1,889.0	9,529.5
IDB	597.6	658.8	706.9	693.0	4,561.0
IBRD	1,330.7	1,360.6	1,377.7	1,196.0	4,968.5
Others <sup>1/</sup>	2,536.5	0.0	0.0	0.0	0.0

Nota: Figures based on the outstanding balance as of December 31, 2003.

1\_/ Direct Debt acquired through PIDIREGAS projects.

Source: Ministry of Finance and Public Credit.



## Annex D. Public Debt Amortization Calendar

### Public Sector Domestic Debt Amortizations Calendar

Millions of pesos

Plazo	2004	2005	2006	2007	2008-2030
<b>Total</b>	372,935.3	123,707.6	119,600.3	142,636.5	253,009.5
Securities	369,937.4	120,696.8	116,602.7	139,638.9	209,781.2
Cetes	206,416.3	0.0	0.0	0.0	0.0
28 days	16,023.9	0.0	0.0	0.0	0.0
3 months	71,392.8	0.0	0.0	0.0	0.0
6 months	51,783.1	0.0	0.0	0.0	0.0
1 year	67,216.5	0.0	0.0	0.0	0.0
Bondes	82,700.8	44,559.8	72,737.8	77,312.9	77,409.1
3 years	82,700.8	20,460.8	0.0	0.0	0.0
5 years	0.0	24,099.0	72,737.8	77,312.9	77,409.1
Fixed Rate Bonds	60,391.8	61,184.1	43,864.9	62,326.0	83,897.3
3 years	60,391.8	34,340.0	2,760.0	0.0	0.0
5 years	0.0	26,844.1	41,104.9	62,326.0	0.0
7 years	0.0	0.0	0.0	0.0	34,867.9
10 years	0.0	0.0	0.0	0.0	47,839.4
20 years	0.0	0.0	0.0	0.0	1,190.0
Udibonos	20,428.5	14,952.9	0.0	0.0	48,474.8
5 years	20,428.5	14,952.9	0.0	0.0	0.0
10 years	0.0	0.0	0.0	0.0	48,474.8
SAR	1,200.0	1,200.0	1,200.0	1,200.0	35,855.3
Others	1,797.9	1,810.8	1,797.6	1,797.6	7,373.0

Note: Figures based on the outstanding balance as of December 31 2003, using the value of the Udi at the end of September for the conversion of Udibonos into pesos.

Source: Ministry of Finance and Public Credit.

## Annex E. Public Finance Publication Calendar

### Public Finance Publications Calendar

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Coverage Period:	Release Date
January, 2004	March 4, 2004
February, 2004	April 1, 2004
March, 2004	May 4, 2004
April, 2004	June 1, 2004
May, 2004	June 30, 2004
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