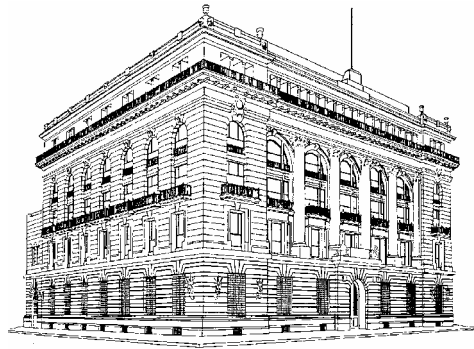


Annual Report

2003



BANCO DE MEXICO

APRIL 2004

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The Annual Report
Submitted to the President and the Mexican Congress
in accordance with Article 51, section III of Banco de México's Law

FOREWARNING

Banco de México has always given the utmost importance to the publication of information that aids decision-making and allows the public to assess its policies. This text is provided for the readers convenience only, and discrepancies may eventually arise from the translation of the original document into English. The original and unabridged Annual Report in Spanish is the only official document.

Figures for 2003 are preliminary and subject to change. Although data is consistent within each section, comparing figures drawn from different sections may differ because they have been estimated on the basis of different sources and methodologies.

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I. Introduction

Mexico exhibited limited growth in 2003. GDP growth was 1.3 percent, figure lower than that anticipated at the beginning of the year by both government authorities and private sector economic analysts. Annual CPI inflation was 3.98 percent at the end of the year, thus falling within the variability interval of plus/minus one percentage point around the 3 percent target determined for the end of 2003.

In the first half of 2003, the Mexican economy was affected by a particularly complex international environment. During that period, the world economy was driven by the political uncertainty resulting from the war in Iraq. Lack of clarity regarding the length, costs and consequences of such war led to a loss of confidence among consumers and investors throughout the world. The latter was reflected in financial markets and translated into a fall in the main stock market indexes. Under this setting, the advanced economies faced unfavorable conditions for the recovery of demand. Consequently, during the first half of 2003, aggregate demand in Mexico remained weak due, partly, to the sluggish external demand. External conditions improved during the second half of the year, especially in the fourth quarter. Economic activity in the main economies of the world strengthened, especially in the United States. U.S. industrial production began to recover, a development of particular significance for the Mexican economy.

The lower interest rates in the U.S. fostered better external financing conditions for developing countries. Moreover, the economic policy implemented in some of these countries had a favorable influence on capital flows and allowed a decline in country risk indicators. Despite the fall in oil prices after the war in Iraq, these remained at levels relatively favorable for oil-producing countries.

The external environment, together with other factors such as the fiscal and monetary discipline of the last years and the different financial reforms, which have allowed for a reduction in interest rates, an expansion in domestic financing, and the improvement in some components of domestic demand, fostered the recovery of the Mexican economy in the second half of the year.

Thus, in 2003, private consumption grew more rapidly, while investment expenditure in construction rose. Nonetheless, the weakness of private sector investment in machinery and equipment in the last years is a cause of real concern. This is partly attributed to the lack of structural reforms and other measures to promote the economy's efficiency and flexibility, which usually fosters the higher profitability of investment projects. It is important to point out that as investment declines in a country, this loses competitiveness. This is clearly the case of Mexico, whose exports have lost share in the U.S. market against those from China and other countries.

Consumption contributed largely to real GDP growth in 2003, while investment declined further (compared with its level in 2002), and external demand remained weak. In fact, consumption grew above GDP, therefore making domestic saving fall below its level in 2002.

Lower growth in 2003 led to a fall in formal employment. Nonetheless, by the end of the year this began to show some improvement, in line with Mexico's cyclical recovery during the fourth quarter of the year. The unemployment rate followed an upward trend throughout the year, thus indicating that neither underemployment and informal employment were not able to compensate the fall in formal sector jobs. Under this setting, one of the main challenges for Mexico in the future is to create jobs with a double purpose: to reinstate workers that had previously lost their jobs and to hire new entrants to the labor force.

At the end of 2003, annual CPI inflation was 3.98 percent, 1.72 percentage points below its level in December 2002. As for annual core inflation, which is an indicator that allows to identify medium-term inflationary pressures more accurately, it was 3.66 percent; 0.11 percentage points below its level in the previous year.

The non-core index, which dropped 5.39 percentage points, contributed the most to the reduction in annual CPI inflation. According to their incidence on CPI inflation, non-core components exhibited the following results: i) the price subindex for fruits and vegetables rose sharply in 2002 (22.23 percent). This, together with good harvests in 2003, led to a significant decline in its annual rate of growth (-2.36 percent); ii) annual inflation goods and services with prices administered by the public sector also fell markedly in the following items: electricity (from 34.97 percent in December 2002 to 7.04 percent in the same month of 2003), and gas (from

25.93 percent to 7.75 percent in the same period); and iii) price increases in goods and services concerted with the public sector were also adjusted downward considerably (from 6.12 to 1.90 percent).

Monetary policy faced important challenges, particularly at the beginning of the year. By the end of 2002, some supply shocks, especially to agricultural goods' prices, arose, thus making non-core inflation increase. Although the effect of this type of inflation phenomena is usually transitory, inflation expectations were revised upward, thus creating uncertainty over the future path of inflation not being able to comply with the target. In light of these developments, Banco de México adopted a restrictive monetary policy stance in September and December of 2002.

During the first months of 2003, the peso/US dollar parity depreciated due to the uncertainty related with the war in Iraq. This, together with the supply shocks that affected non-core inflation at the beginning of the year, kept inflation expectations continuously up, despite the restrictive monetary actions adopted at the end of 2002. Under such circumstances, and in order to revert such trend, Banco de México decided to increase the *corto* (short position) on January 10th, February 7th and March 28th 2003.

As supply shocks at the end of 2002 and at the beginning of 2003 were absorbed, non-core inflation began to converge more rapidly to core inflation. The latter, together with an absence of significant inflation pressures from aggregate demand, allowed to anticipate that in the medium term CPI inflation would continue its convergence to the target. Accordingly, Banco de México maintained the *corto* unchanged for the remainder of the year.

Banco de México's main challenge in the long run is to consolidate price stability. Although the gradual convergence to an environment of low and stable inflation, together with different financial reforms, has raised the availability of credit, it is just a step in a long process. The attainment of price stability entails further benefits. First, in the absence of inflation pressures both firms and households welfare will not be jeopardized, thus creating more certainty so they can undertake long-term projects. This, in turn, would lead to an expansion in saving and investment. Second, by abating inflation, prices would truly reflect the relative shortage conditions in resource allocation and, thus, prevent the negative effect of inflation on Mexicans' welfare.

II. International Environment

International economic conditions, albeit complex, improved throughout 2003. After a hesitant recovery due to the war in Iraq and a disease outbreak in Asia, the world economy began to grow more steadily. Nonetheless, U.S. industrial production, the most important variable for Mexico's economy due to its impact on exports, despite expanding in the last quarter of the year, recorded low annual growth in 2003. Given the low capacity utilization and the favorable evolution of productivity, inflation pressures in the U.S. were insignificant. The low level of interest rates in the country, despite the fiscal and external imbalances, created more favorable financing conditions for developing nations. In addition, an adequate management of economic policy in some of these countries fostered the recovery of capital flows and led to a reduction in country risk indicators. Finally, notwithstanding the fall in oil prices after the war in Iraq, these remained at levels relatively favorable for oil-producing countries.

Table 1 **GDP and World Trade**
Annual percentage change

	1998	1999	2000	2001	2002	2003
World GDP	2.8	3.7	4.7	2.4	3.0	3.9
Advanced Economies	2.7	3.5	3.8	1.1	1.7	2.1
Main Advanced Economies ^{1/}	2.7	3.1	3.5	0.9	1.4	2.2
United States	4.2	4.5	3.7	0.5	2.2	3.1
European Union	2.9	2.8	3.5	1.6	0.9	0.4
Japan	-1.2	0.2	2.8	0.4	-0.3	2.7
Asian RIE ^{2/}	-2.2	7.2	7.9	1.1	5.1	3.0
Developing Countries	3.0	4.0	5.9	4.1	4.6	6.1
Africa	3.2	2.7	3.0	3.8	3.5	4.1
Asia	4.1	6.2	6.7	5.6	6.4	7.8
Middle East and Turkey	4.0	2.1	5.9	4.3	4.2	5.4
Latin America and the Caribbean	2.3	0.4	3.9	0.4	-0.1	1.7
World Trade in Goods	4.4	5.9	12.5	0.1	3.1	4.5
Memo:						
Main contributors to World GDP growth						
Euro area	0.5	0.5	0.6	0.3	0.1	0.1
United States	0.9	1.0	0.8	0.1	0.5	0.7
China	0.8	0.7	0.8	0.8	0.9	1.1

1/ Including the United States, Japan, Germany, France, Italy, United Kingdom and Canada.

2/ Including China, Hong Kong, South Korea, Singapore and Taiwan.

Source: IMF, World Economic Outlook, April 2003. U.S. data drawn from the Bureau of Economic Analysis (BEA); European Union data drawn from Eurostat; and Japan data drawn from the Cabinet Office.

The recovery of the U.S. economy, although being the strongest among advanced economies, was not uniform across sectors and did not become firmly established until mid-2003. The

weak performance of the U.S. economy since Autumn of 2002 continued until the first quarter of 2003 due to the war in Iraq. Once geopolitical uncertainties were overcome, economic activity gained strength. The unusually high growth reported in the third quarter of 2003 (8.2 percent at an annualized quarterly rate) dissipated lingering uncertainties about the recovery of the U.S. economy.

Although the U.S. economy presumably entered its cyclical recovery, the expansion was largely driven by the stance of fiscal and monetary policies. The government's primary balance as a percentage of GDP decreased from 1.6 percent in 2000 to -3.3 percent in 2002, and to -4.9 percent in 2003. Fiscal policy for 2003 included higher military expenditure and tax cuts. As a result, Congressional Budget Office's projections for the fiscal deficit in 2004 rose to unprecedented levels (477 billion US dollars). The estimate for cumulative deficit over the next decade rose to 1.9 trillion US dollars.

Monetary policy continued being accommodative not only because of low resource utilization but also because of the perceived risk of deflation. Such concerns resulted from the low level of core inflation, which ended 2003 at 1.5 percent (2.3 percent for CPI inflation), and from the uncertainty regarding the recovery of the U.S. economy. This sentiment was reflected with greater recurrence in the Federal Reserve Board's press releases of the first half of the year, and lasted until data confirmed the upturn of economic activity. The federal funds rate stood at 1.25 percent until June, when it fell 25 basis points due to the lack of signs of a strengthening in production and employment.

As for financial markets, once confidence on the recovery of the U.S. economy and on corporations consolidated, stock market indexes improved. The Dow Jones Index rose 25.3 percent (December/December) while the NASDAQ did so by 50 percent. Bond markets were volatile due to the difficulty in assessing deflation risks, the uncertainty surrounding the recovery of economic activity, and the large public deficit. Nonetheless, the stance of monetary policy brought about a decline in interest rates over the entire yield curve. Long-term rates began to increase in the second half of the year due partly to both the better outlook for economic activity and the fiscal deficit.

The high current account deficit together with lower interest rates entailed a sharper depreciation of the U.S. dollar vis-à-vis the main currencies. Thus, the U.S. dollar fell to historically low

levels against the euro. In 2003, the US dollar depreciated 19.5 percent on average against the euro and 7.3 percent vis-à-vis the yen. Overall, the US dollar real effective exchange rate with respect to the major currencies depreciated 11.7 percent.

In 2003, U.S. GDP grew 3.1 percent, above the figures projected in the different surveys on economic expectations (Table 2). Although investment contributed significantly to growth, private consumption continued to be the main engine for growth for a second year in a row. This is explained by the stance adopted by both fiscal and monetary policies. Tax rebates fostered consumption expenditures. Furthermore, the low level of long-term interest rates led to a boom in mortgage refinancing that lasted until the second half of the year and also boosted consumption. The strengthening of the stock market provided an additional stimulus to this type of expenditure.

Although investment did not replace consumption as the main engine of domestic demand during 2003, its contribution to the latter increased throughout the year. This was due to the improvement in firms' cash flow and to higher business confidence on the soundness of the recovery. Conditions were favorable for investment in both high-tech equipment and software, which rose significantly from the second quarter onward. Investment in industrial and transport equipment did not grow as markedly, while that in non-residential construction declined less than in 2002.

Table 2 **U.S. Aggregate Supply and Demand**
Annual and annualized quarterly percentage change

	2001	2002	2003	2003			
				I	II	III	IV
GDP	0.5	2.2	3.1	2.0	3.1	8.2	4.1
Domestic Absorption ^{1/}	1.6	2.4	3.4	1.9	4.5	7.3	3.7
Private Consumption	2.5	3.4	3.1	2.5	3.3	6.9	3.2
Private Fixed Investment	-3.2	-3.7	4.4	1.1	6.1	15.7	9.9
Nonresidential	-4.5	-7.2	3.0	-0.6	7.0	12.8	10.9
Government Expenditure	2.8	3.8	3.3	-0.4	7.4	1.8	-0.1
Exports of Goods and Services	-5.2	-2.4	2.0	-2.0	-1.1	9.9	20.5
Imports of Goods and Services	-2.6	3.3	4.0	-6.8	9.1	0.8	16.4

1/ Excluding inventories.
Source: Bureau of Economic Analysis, (BEA).

The negative contribution of net exports to GDP growth was mitigated in 2003, due partly to the depreciation of the US dollar. The current account deficit as a percentage of GDP reached a record high above 5 percent during the first quarter. However, it ended the year at 4.5 percent.

Employment indicators began to improve only towards the end of 2003, lagging significantly in relation to GDP growth. Employment, as measured by total nonfarm payrolls, fell by 61 thousand jobs in 2003 and began to recover only in the third quarter of the year. On balance, employment has increased more sluggishly in 2003 than in other recovery periods. The most affected sector was manufacturing, with 575 thousand job losses.

Industrial production contracted in 2002 in line with expectations at the beginning of that year. During 2003, expectations regarding growth of industrial production were continually revised downward, in contrast with GDP forecasts. As a result, industrial production growth was far below projections at the beginning of the year. U.S. industrial production and GDP tend to grow in parallel in the medium and long terms. However, during the last two years industrial production has lagged behind GDP significantly. It should be noted that industrial production started to recover since July 2003. Furthermore, the diffusion index, which measures the share of industries recording growth, has followed an upward trend since June (from 18.7 percent in that month to 69.2 percent at the end of 2003).

Despite the fact that U.S. GDP has grown robustly in the last two years, the Mexican economy exhibited a weak performance in 2003. The main reason is that Mexico's exports are strongly linked with U.S. industrial production. However, although U.S. industrial production expanded swiftly in the last quarter of 2003, it appears that the lag with which its effects are sometimes transmitted to the Mexican economy explains why the latter did not exhibit a similar rebound.

The other advanced economies exhibited some improvement in 2003, due, partly, to the U.S. recovery but also to some positive domestic results. At the beginning of 2003, expectations of GDP growth for the Euro area stood at 1.4 percent for the entire year; nonetheless, these deteriorated due to the economic stagnation observed during the first half of the year. The weak performance of domestic demand, which was affected by the low levels of consumer and producer confidence, and by the

unfavorable conditions in the labor markets, contributed to such results. The external sector also remained weak during the first half of 2003 due to the sluggish world economic conditions and the appreciation of the euro. Nonetheless, it recovered slightly in the second half of the year. Inflation pressures diminished gradually in 2003, allowing the European Central Bank to reduce its reference interest rates on two occasions (a total of 75 basis points). Euro area GDP grew 0.4 percent in 2003. The German economy, the region's main economy, contracted 0.1 percent due to the relatively high real interest rates, while the French and Italian economies grew less than one percent.

Japan's economic conditions improved significantly by the end of 2003. At the beginning of the year, economic analysts anticipated that GDP would grow barely 0.4 percent in 2003. Despite signs of an improvement during the second quarter, the Bank of Japan increased its monetary stimulus. Furthermore, during the year, the financial authorities channeled an unprecedented amount of resources (the equivalent of 190 billion US dollars) to exchange market intervention in order to curb the appreciation of the yen. Although deflation pressures began to ease at the beginning of the year, the central bank reiterated that the expansive monetary policy stance would continue until the inflation rate remained consistently positive. Despite the appreciation of the yen, exports kept increasing. Moreover, private investment gained strength due to corporate restructuring. In this context, GDP grew 2.7 percent in 2003.

After recording the highest growth rate among the G7 economies during 2002, Canada grew far below its potential rate in 2003. Nevertheless, domestic demand remained robust. The lower growth exhibited by the Canadian economy can be attributed to the weakness of its external sector, partly due to the appreciation of the Canadian dollar and to some unexpected shocks that affected the country, such as the Severe Acute Respiratory Syndrome (SARS) and the mad cows disease, and a severe blackout in August.

Economic conditions in emerging economies showed a positive trend. Nonetheless, there were significant contrasts among regions. The East Asian economies grew the most, despite the effect of the SARS disease at the beginning of the year. This outcome reflects China's robust growth, which contributed significantly to the world economy's expansion.

Latin America recorded modest growth in 2003 (only 1.7 percent). External financing conditions for the region were favorable due to both the low level of interest rates in advanced economies and a lower perception of risk. This brought about an increase in capital flows, in contrast with the sharp contraction observed in 2002, thus reducing sovereign spreads significantly. Furthermore, Latin American exports benefited from both the higher demand for and the higher prices of different commodities.

The Argentine economy hit bottom in the last quarter of 2002 and since then a continuous improvement in economic indicators has been observed. Argentina's GDP growth in 2003 was the highest in the region (8.7 percent), partly compensating the contraction observed in 2002 (10.9 percent). However, the country faces serious problems as negotiations with its creditors have come to a standstill. As for Brazil, efforts to maintain economic stability and foster tax and social security reforms continued in 2003. Nonetheless, in light of the rebound in inflation, the central bank was compelled to raise the Selic interest rate significantly. As inflation pressures diminished, interest rates began to decline. Economic activity remained stagnant and GDP fell 0.2 percent. The Chilean economy recovered during the year and grew 3.3 percent, due mainly to the positive performance of exports, which have been favored by the higher prices and a greater demand for copper. As for Venezuela, its economy fell sharply (9.2 percent) due, among other factors, to the strikes that affected several sectors of the economy, including the oil industry.

III. Developments in the Mexican Economy: General Overview

III.1. Economic Activity

In 2003, the Mexican economy grew only 1.3 percent, below government authorities and private sector economic analysts' forecasts at the beginning of the year. During the year, economic activity exhibited mixed results. In the first half of the year, the Mexican economy was negatively affected by a complex international scenario. During such period, the world economy was influenced by the uncertainty regarding the war in Iraq. Uncertainty over the conflict's duration, as well as its costs and consequences, led to a loss of confidence among consumers and investors throughout the world. The latter was reflected in financial markets, as advanced economies' stock indexes plummeted. The external conditions were not favorable for the recovery of demand. During the first half of 2003, aggregate demand in Mexico remained weak due partly to the slack in external demand. During the second half of 2003 and, particularly, in the fourth quarter of the year, external conditions improved as the main world economies, especially the United States, exhibited better results. U.S. industrial production began to increase, therefore boosting Mexico's external demand.

Despite the external conditions, some domestic factors helped to strengthen Mexico's economic activity. Among those, the fiscal and monetary discipline of the last years, together with the financial reforms that have allowed more domestic financing and the reduction in interest rates, fostered the recovery of some components of domestic demand. Such factors fostered the expansion of private consumption as well as higher investment in construction. Nonetheless, the weakness of firms' investment in machinery and equipment during 2001-2003 is a cause of concern. This partly stems from the lack of advance in implementing structural reforms, as well as the postponement of other measures to foster economic certainty and efficiency in order to ensure investment profits. Under the current global setting, weak investment translates into a loss of competitiveness, as evidenced by the performance of Mexican exports, which have lost

competitiveness against those from China and other countries in the U.S. market.

Given the performance of investment (which declined in 2003) and external demand (which remained weak in the first half of the year), consumer expenditure was the item that mostly contributed to real GDP in 2003, growing at a rate even higher than that of GDP. Consequently, the domestic saving rate fell as compared with the previous year.

The reduced growth exhibited by the Mexican economy in 2003 led to a fall in formal employment, despite the cyclical recovery observed in the fourth quarter of the year. Under this setting, the unemployment rate followed an upward trend. Such results confirm that neither underemployment or informal employment could compensate the weak demand for formal labor. Thus, one of the main challenges for Mexico in the future is to create the necessary jobs to both replace those previously lost and provide new ones for the new entrants to the labor force.

In 2003, the performance of the Mexican economy was mainly characterized by the following aspects:

- a) Despite exhibiting an important increase in the fourth quarter, real GDP grew by a mere 1.3 percent during the entire year.
- b) Aggregate demand grew barely due to the significant expansion of consumption expenditure and the slight increase in exports of goods and services.
- c) The expansion in consumption expenditure fostered GDP growth. In fact, consumption expenditure's annual contribution to GDP exceeded that of the previous two years. In particular, private consumption –aggregate demand's main component according to its share– contributed again to the expansion of economic activity. Consumption expenditure was favored by different factors such as the availability of financing, the lower interest rates, and the increase in real average earnings in different sectors.
- d) Investment fell at an annual rate for a third year in a row. Thus, its contribution to GDP was negative.

- e) Total public expenditure increased due to an expansion in government consumption expenditure and higher investment expenditure.
- f) Exports of goods and services exhibited modest growth during the year. Nonetheless, during the fourth quarter they increased due to the higher external demand.
- g) Domestic saving measured as a proportion of GDP decreased compared with the previous year.
- h) During the last months of the year, Banco de México's Manufacturing Business Climate Index exhibited an upward correction. As for Private Sector Economic Analysts' Confidence Index, also prepared by Banco de México, increased from August to October and then decreased in the last two months of the year.
- i) Agriculture and services contributed most to GDP growth, while industrial activity contracted.

According to the National Statistics Bureau (*Instituto Nacional de Estadística, Geografía e Informática, INEGI*), GDP rose 1.3 percent in 2003 (at constant prices), above its figure in 2002 (0.7 percent), as a result of annual variations during the first, second, third, and fourth quarters of 2.5, 0.1, 0.6 and 2 percent, respectively (Graph 1).

GDP growth in 2003 was below that originally forecasted by both financial authorities and private sector economic analysts. In particular, economic analysts revised downward their monthly forecasts, from 3.1 percent in January to 1.2 percent in December.

GDP growth exhibited significant variations during the year. These are more evident when analyzing quarterly changes, seasonally adjusted. In the first quarter of 2003, GDP fell 0.1 percent, after having already decreased at a quarterly rate during the fourth quarter of 2002 (Graph 1). In the second, third and fourth quarters of 2003, GDP exhibited quarterly changes of 0.8, 0.1 and 1.2 percent, respectively, which finally led to higher growth by the end of the year.

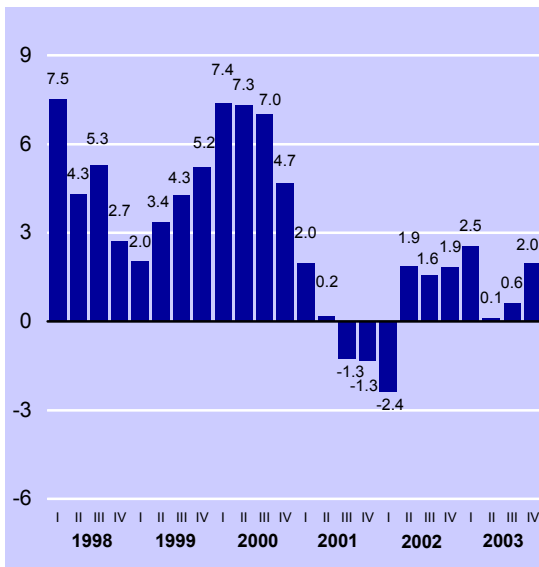
In 2003, aggregate supply and demand rose 0.7 percent. On the supply side, such result stemmed from GDP's modest growth, which was partially compensated by the fall in imports of merchandise and services (1 percent). On the demand side, such

results originated from the positive growth exhibited by both consumption (2.9 percent) and exports of good and services (1.1 percent). Such increases were partially compensated by the fall in investment expenditure and by a negative change in inventories (Graph 2 and Table 3).

Graph 1 GDP Quarterly Growth

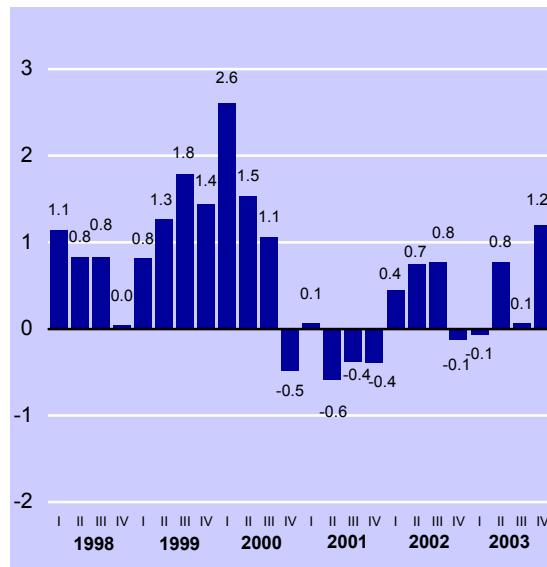
a) Original Data

Annual percentage change



b) Seasonally Adjusted Data

Quarterly percentage change



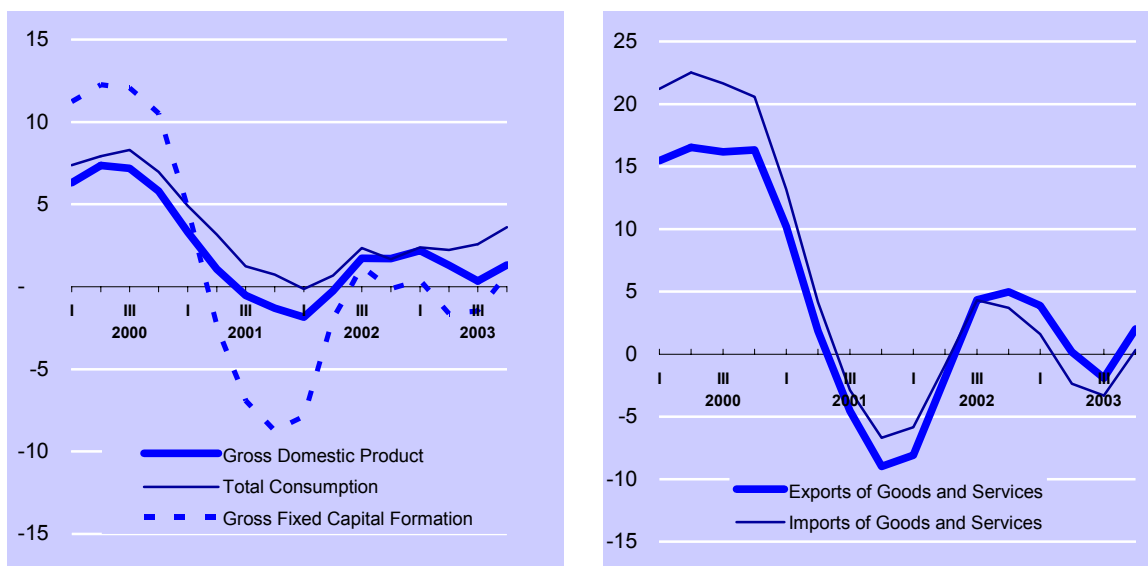
Source: INEGI.

Consumption expenditure grew 2.9 percent in 2003 (above its previous years' figures). This component measured as a proportion of GDP at constant prices reached 82.2 percent, 1.3 percentage points above its level in 2002. Thus, in 2003, and for a sixth year in a row, consumption grew at a higher rate than GDP. The boost in consumption came mainly from the private sector. Private sector consumption rose 3 percent, figure higher than that observed in the two previous years. In 2003, private consumption increased once more as a proportion of GDP (Graph 3).

Graph 2 Aggregate Supply and Demand Components

Annual change in constant pesos

Moving average of two quarters



Source: Prepared by Banco de México with data from INEGI.

Table 3 Aggregate Supply and Demand

Annual percentage change in relation to the same period of the previous year

	2000	2001	2002	2003				Annual
	Annual	Annual	Annual	I	II	III	IV	
Aggregate Supply	10.3	-0.5	0.9	2.1	-1.3	0.0	2.0	0.7
GDP	6.6	-0.1	0.7	2.5	0.1	0.6	2.0	1.3
Imports	21.5	-1.6	1.4	0.8	-5.2	-1.4	2.0	-1.0
Aggregate Demand	10.3	-0.5	0.9	2.1	-1.3	0.0	2.0	0.7
Total Consumption	7.4	1.9	1.2	3.5	1.1	4.1	3.1	2.9
Private	8.2	2.5	1.3	3.7	0.8	4.3	3.2	3.0
Public	2.4	-2.0	0.1	1.4	3.1	2.6	2.8	2.5
Total Investment	11.4	-5.6	-1.0	0.5	-3.6	0.8	0.8	-0.4
Private	9.0	-5.9	-4.0	-2.1	-8.1	-4.4	-8.6	-5.7
Public	25.2	-4.2	14.2	16.8	22.1	26.8	22.7	22.4
Exports	16.4	-3.8	1.5	3.9	-3.1	-0.7	4.6	1.1

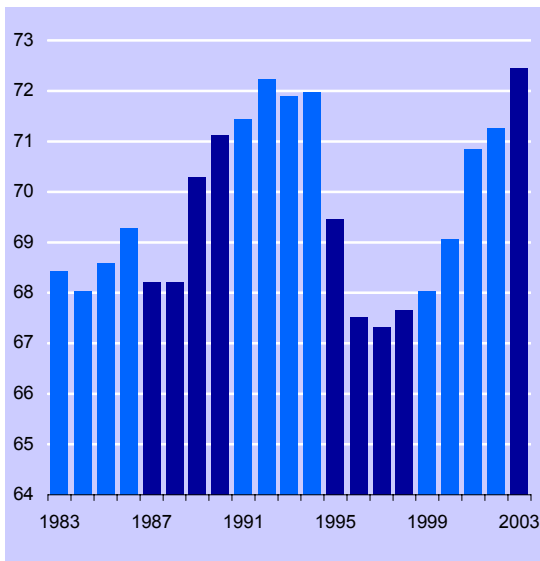
Source: Mexico's National Accounts System (*Sistema de Cuentas Nacionales de México*), INEGI.

The increase in real average earnings in different sectors, together with lower interest rates and a greater availability of credit from banks, non-bank financial intermediaries and commercial chain stores, fostered private consumption growth in 2003. The latter continued offering sales with interest-free credit and payment by installments. An additional factor that also contributed to private

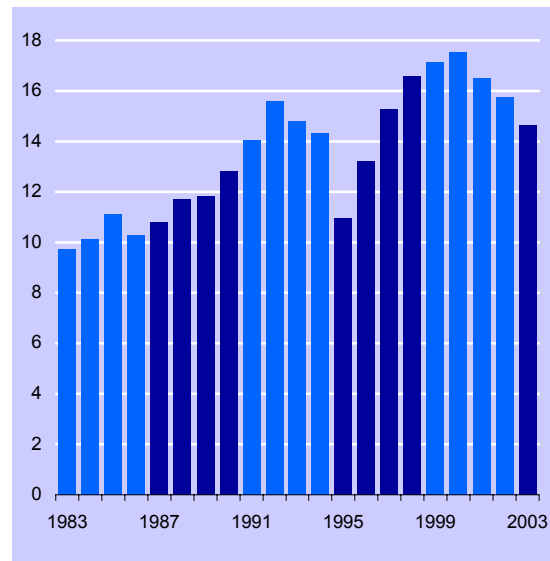
consumption growth was the significant amount of resources from remittances from Mexicans abroad. In 2003, purchases of nondurable goods and services rose 3.5 percent (nondurable goods accounted for 4.9 percent while services, 2.2 percent), while consumption of durable goods fell 0.6 percent.

Graph 3 **Private Consumption and Investment**
GDP percentage at constant prices

a) Private Consumption



b) Private Investment



Source: Prepared by Banco de México with data from INEGI.

In 2003, gross fixed capital formation, measured at constant prices, contracted 0.4 percent, thus accumulating three consecutive years with negative growth. Such results were due to the fall in investment in machinery and equipment (3.8 percent) and the increase in construction investment (3.4 percent). In regards to the former, investment in imported machinery and equipment fell 2.9 percent while that in domestic machinery did so by 5.1 percent.

Private sector investment accounted for total investment's weak performance in 2003, as it contracted 5.7 percent while public sector investment rose 22.4 percent. In 2003, private investment equaled 14.6 percentage points of real GDP (Graph 3). Private investment's weak results were partly due to the following factors: i) the deterioration of manufacturing business climate indicators through most of the year; and ii) the lack of advance in implementing structural change, which has reduced the number of profitable investments in the country. It is important to mention that

gains in productivity in many manufacturing firms helped to mitigate the fall in investment. Nonetheless, such developments were of a cyclical nature and responded more to labor cuts than to gains in productivity. Firms in different sectors exhibited higher sales, thus increasing their net and operating profits and also allowing more of their investments to be financed with own resources.

During 2003, public expenditure in goods and services rose 8 percent at constant prices. Such variation resulted from higher expenditure in investment and consumption (22.4 and 2.5 percent, respectively). The former was channeled to energy, communication and transports, water services, sewer system and health infrastructure.

The lower expansion of external demand, especially U.S. demand, brought about a slight 1.1 percent increase in exports of goods and services (at constant prices), lower than that registered in the previous year (1.5 percent). Exports exhibited quarterly positive variations in the last two quarters of the year, especially in the fourth, with seasonally adjusted data. Exports measured as a proportion of GDP at constant prices was 34.1 percent, figure similar to that of the previous year (34.2 percent). The small increase in exports was accompanied by a greater purchasing power for those products due to an improvement in Mexico's terms of trade. Such improvement was mainly due to an increase in the Mexican crude oil export mix price. In 2003, Mexico's total foreign trade, at constant prices, equaled 71 percent of GDP.

Financing of gross fixed capital formation, measured as a proportion of GDP at current prices was 19.8 percent in 2003 (Table 4). Given that domestic saving equaled 18.3 percent of GDP in the same year, the difference necessary to finance gross capital formation was covered with external savings, equaling 1.5 percentage points of GDP (the same figure as that for the current account deficit in 2003). Consequently, in 2003, financing of gross fixed capital formation fell due to a reduction in both external and domestic saving. Such reduction is attributed to the behavior of consumption, which grew at a higher rate than GDP.

Banco de México's Manufacturing Business Climate and Economic Analysts' Business Confidence Indicators exhibited weak results in the first eight months of 2003 and then improved during the rest of the year. Such results included both export and non-export firms. The Business Confidence Index ended the year above

its level in 2002 (Graph 4), while the Private Sector Economic Analysts' Business Confidence Index exhibited mixed results throughout the year: an upward correction in August-October and a downward correction in November-December. At the end of 2003, such index fell 4.7 points compared to its level in December of 2002.

Table 4**Saving and Investment**

Percentage of GDP at current prices

Item	1998	1999	2000	2001	2002*	2003*
Financing of Gross Capital Formation ^{1/}	24.3	23.5	23.8	20.9	20.8	19.8
External Saving	3.8	3.0	3.1	2.9	2.2	1.5
Domestic Saving	20.5	20.5	20.7	18.0	18.6	18.3

* Preliminary figures.

^{1/} Including gross fixed capital formation plus changes in inventories.Source: Mexico's National Accounts (*Sistema de Cuentas Nacionales de México*), INEGI, except for external saving data, which is drawn from the balance of payments' current account measured in current pesos.

The agriculture and services sectors were the main engines for Mexico's modest growth in 2003, while industrial production fell as compared with the previous year (Table 5). Agriculture GDP grew significantly in the second and fourth quarters, 5.7 and 4.8 percent, respectively, at an annual rate. In Autumn-Winter, significant crop production was registered in palay rice, oats, broccoli, and zucchini and barley, among others; and in Spring-Summer, in sesame, cotton, oats, cauliflower, green *chile*, and lettuce. Heavy rainfall in September affected harvests only marginally and contributed to raise both the levels of water storage in dams and the humidity of harvested land. This raised farm profits per hectare. Moreover, the recovery of external demand led to higher exports of vegetables, legumes and fresh fruits. The livestock sector also exhibited higher production in poultry, beef and fresh milk.

Graph 4 Manufacturing Firms and Private Sector Economic Analysts' Business Confidence Indicators
1998=100

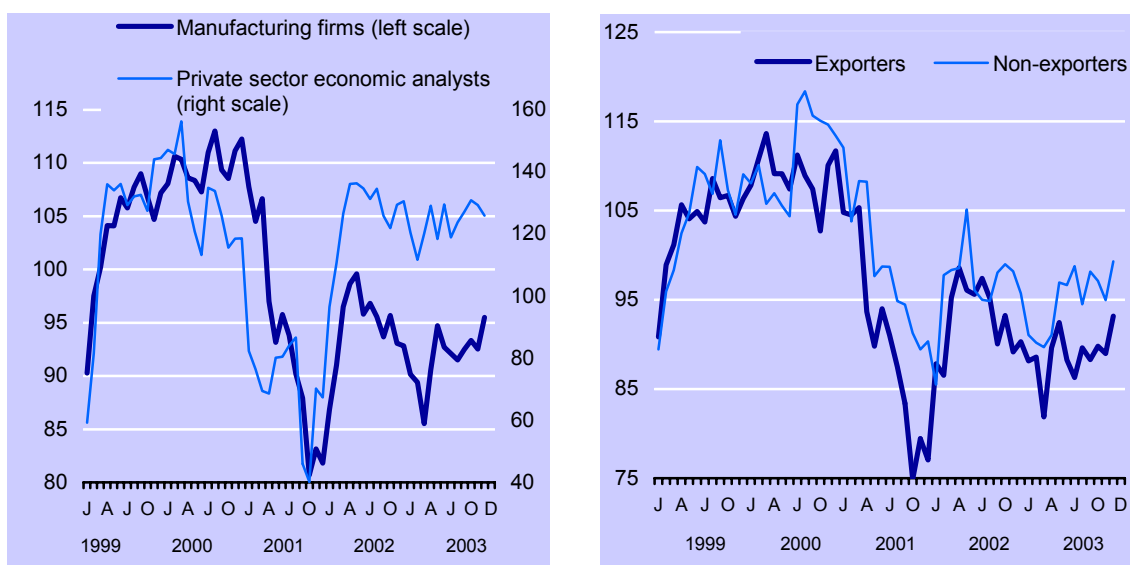


Table 5 Gross Domestic Product

Annual percentage change compared with the same period of the previous year

	2000	2001	2002	2003				Annual
	Annual	Annual	Annual	I	II	III	IV	
Total	6.6	-0.1	0.7	2.5	0.1	0.6	2.0	1.3
Agriculture, Forestry and Fishing	0.6	3.5	0.3	1.2	5.7	3.4	4.8	3.9
Industrial Sector	6.0	-3.4	-0.3	1.9	-3.1	-1.8	0.3	-0.8
Mining	3.8	1.5	0.4	3.0	2.8	3.6	5.3	3.7
Manufacturing	6.9	-3.8	-0.7	0.9	-4.6	-3.4	-0.6	-2.0
Construction	4.2	-5.7	1.3	5.8	1.3	3.1	3.5	3.4
Electricity, Gas and Water	1.0	4.7	0.4	3.7	0.9	0.3	-0.1	1.1
Services Sector	7.3	1.2	1.5	3.0	1.2	1.7	2.6	2.1
Commerce, Hotels and Restaurants	12.2	-1.2	0.0	2.6	-0.3	0.7	2.5	1.3
Transport and Communications	9.1	3.8	1.9	4.0	1.4	3.2	4.7	3.3
Financial, Insurance and Real Estate	5.5	4.5	4.3	4.2	3.9	4.2	4.7	4.3
Community, Social and Personal Services	2.9	-0.3	0.5	2.0	0.4	-0.5	-0.1	0.5

Source: Mexico's National Accounts (*Sistema de Cuentas Nacionales de México*), INEGI.

Industrial GDP fell in 2003 due to the decline in manufacturing activity (2 percent), which, in turn, offset the positive results exhibited by the other industrial sectors: construction (3.4 percent), electricity, gas and water generation (1.1 percent), and mining (3.7 percent). Mining rose due to an expansion in both of its components: oil mining (5.4 percent) and non-oil mining (1.4 percent). The positive results in construction were due mainly to a

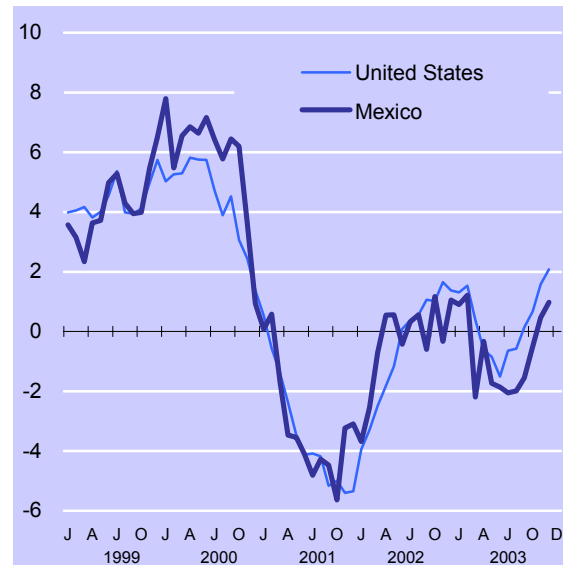
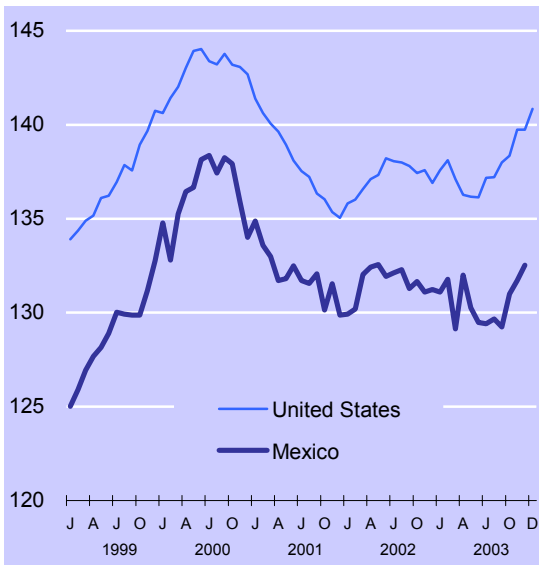
greater number of construction works for the oil, petrochemical, electricity and transport industries, and the higher number of housing projects.

The fall in manufacturing GDP stemmed from lower production in both *maquiladora* (-1 percent) and non-*maquiladora* (-2.1 percent) industries. The *maquiladora* industry has exhibited zero growth for three years in a row, due mainly to the lesser U.S. demand for Mexican products. This behavior confirms the significant link between Mexican and U.S. manufacturing production (Graph 5).

Graph 5 Industrial Production in Mexico and the United States

a) Seasonally adjusted data, 1993=100

b) Annual percentage change

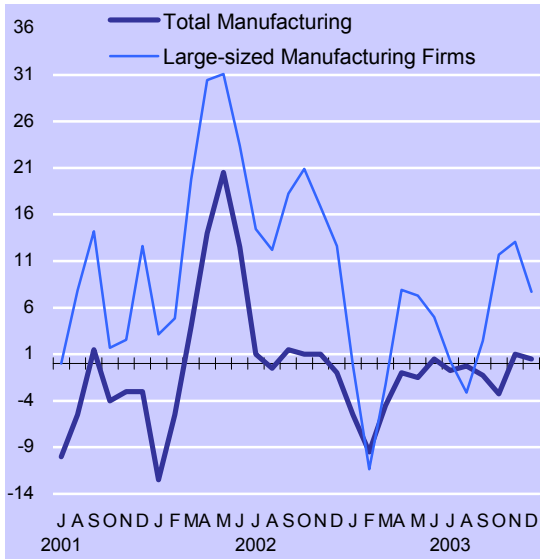


Source: INEGI and Federal Reserve Board.

During the initial stage of recovery only certain business units exhibited positive results. According to Banco de México's indicators for manufacturing orders, of all enterprises, large-sized enterprises recovered the most during the fourth quarter of 2003. During such period, domestic purchase orders of large enterprises followed a positive trend, unlike medium and small-sized ones. Manufacturing firms' export expectations also followed a similar trend (Graph 6).

Graph 6 **Development of Manufacturing Purchasing Orders and Export Expectations for the Following Three Months**
 Balance of responses

a) Number of Purchase Orders ^{1/}



b) Export Expectations ^{2/}



1/ The balance of responses (2-month moving average) refers to the percentage of firms with a higher number of sales orders placed than in the previous month minus the percentage of those that recorded less manufacturing orders than in the previous month.

2/ The balance of responses equals the percentage of firms that expect to raise their volume of exports in the next three months minus those that expect a reduction in relation to the previous quarter.

Manufacturing production increased in only 21 of its 49 divisions and declined in the other 28 divisions. The automotive industry (key for the Mexican economy due to its output value, the jobs it creates, and its contribution to total exports) contracted. The number of automotive vehicles manufactured in Mexico fell by 12.7 percent in 2003, after having declined 2.1 percent in 2002 and 2 percent in 2001. Weak automotive production was reflected in the fall in both the number of export units (-11.3 percent) and those for the domestic market (-16.3 percent). As for car retail sales, these grew only 0.3 percent due to the higher sales of imported units (10 percent) as compared with the fall in those manufactured domestically (-11.9 percent). In 2003, vehicle exports accounted for 74.8 percent of domestic production and 60.9 percent of domestic demand was fulfilled with imported units.

In 2003, services GDP rose 2.1 percent due to increases in its four components: transport, warehousing and communications (3.3. percent); financial, insurance and real estate services, (4.3 percent); community, social and personal services (0.5 percent); and commerce, restaurants and hotels (1.3 percent).

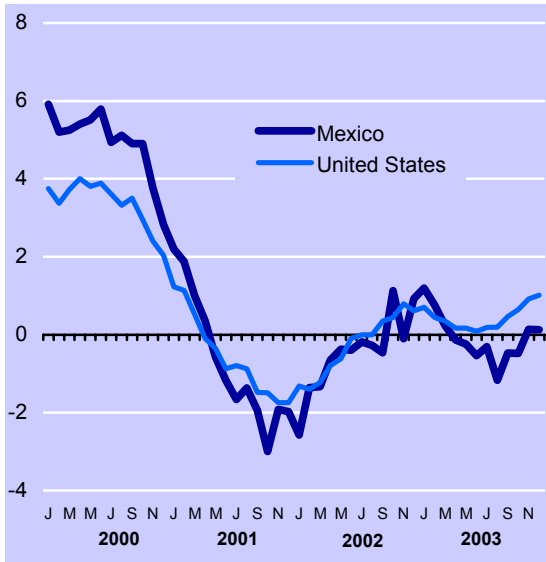
Commerce, restaurants and hotels GDP rose due to the higher sales in the domestic market. According to INEGI, retail sales rose, after having exhibited zero growth in 2002. According to the National Retailers Association (*Asociación Nacional de Tiendas de Autoservicio y Departamentales, ANTAD*), consumer sales rose 6.3 percent, after having increased only 1.5 percent in 2002. Hotel occupancy, especially in beach resorts, also increased in 2003.

Transport and communications expanded during the reference period mainly due to the increase in cellular and satellite phone services, as well as in railroad and sea transportation, and land passenger transportation. Community, social and personal services GDP grew 0.5 percent due to the increase in education and entertainment services. Financial, insurance, real estate and leasing services' GDP rose 4.3 percent.

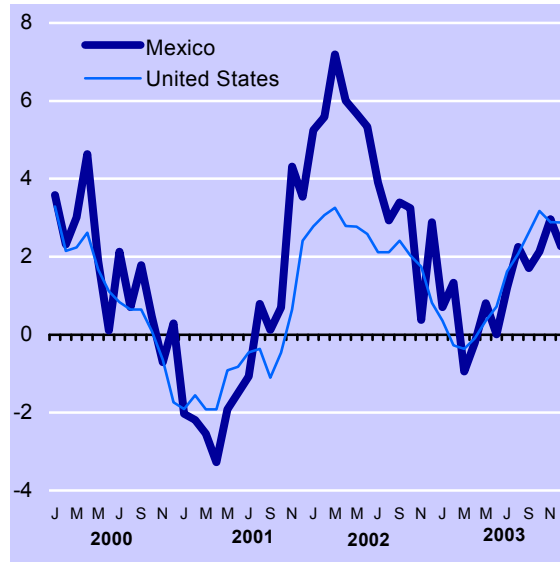
Banco de México, INEGI and The Conference Board prepare cyclical indicators for the Mexican economy (coincident and leading indicators). Banco de México's coincident indicator exhibited weak results during the first three quarters of 2003 and then recovered by the end of the year (Graph 7). The leading indicator began to exhibit better results since the second quarter of 2003, signaling the anticipated recovery for the end of the year (Graph 8). Overall, the leading indicators for Mexico prepared by the three institutions exhibited better results since the second quarter of 2003. In the last years, the correlation between U.S. and Mexico's coincident and leading indicators has increased as both economies have become more integrated (Graph 7).

Graph 7 Mexico and U.S. Coincident and Leading Indicators
Annual percentage change

a) Coincident Indicators



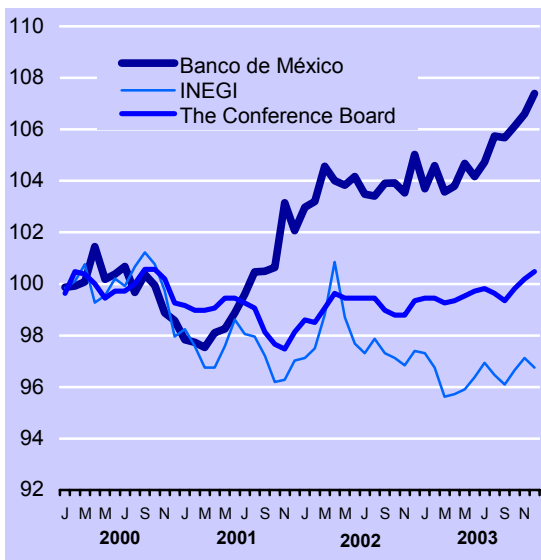
b) Leading Indicators



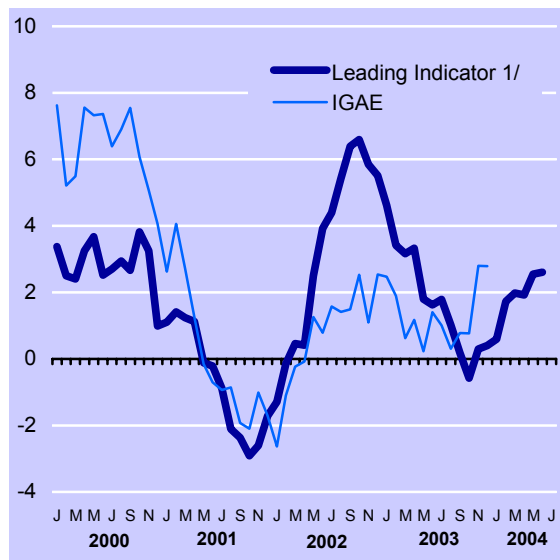
Source: Banco de México and The Conference Board.

Graph 8 Mexico's Leading Indicators and IGAE

a) Leading Indicators
Index 2000 = 100



b) Leading Indicator and IGAE
Annual percentage change



Source: INEGI, The Conference Board and Banco de México.

1/ Prepared by Banco de México. Annual change of the 2-month average of the leading indicator with a 6-month lag.
Source: INEGI and Banco de México.

III.2. Employment, Wages and Productivity

Mexico's labor market was characterized by a weak demand for formal labor. Nonetheless, as economic activity recovered in the fourth quarter, such demand began to show signs of improvement.

The most relevant aspects of the labor market in 2003 were the following:

- a) Formal employment fell due to the low economic activity and, particularly, to the decline in manufacturing at an annual rate.
- b) Formal employment fell more sharply in the country's northern and midland states. The fall in employment in northern states was mostly attributed to the decline in the *maquiladora* industry and other export-related activities.
- c) The open unemployment rate in urban areas followed an upward trend.
- d) Lower increases in contractual wages.
- e) Gains in labor productivity in the non-*maquiladora* industry. However, since such results were due to cyclical factors, they reflect a decline in employment rather than an increase in production.
- f) Reduction in non-*maquiladora* unit labor costs throughout the year due to gains in labor productivity, which were above real average wage increases.

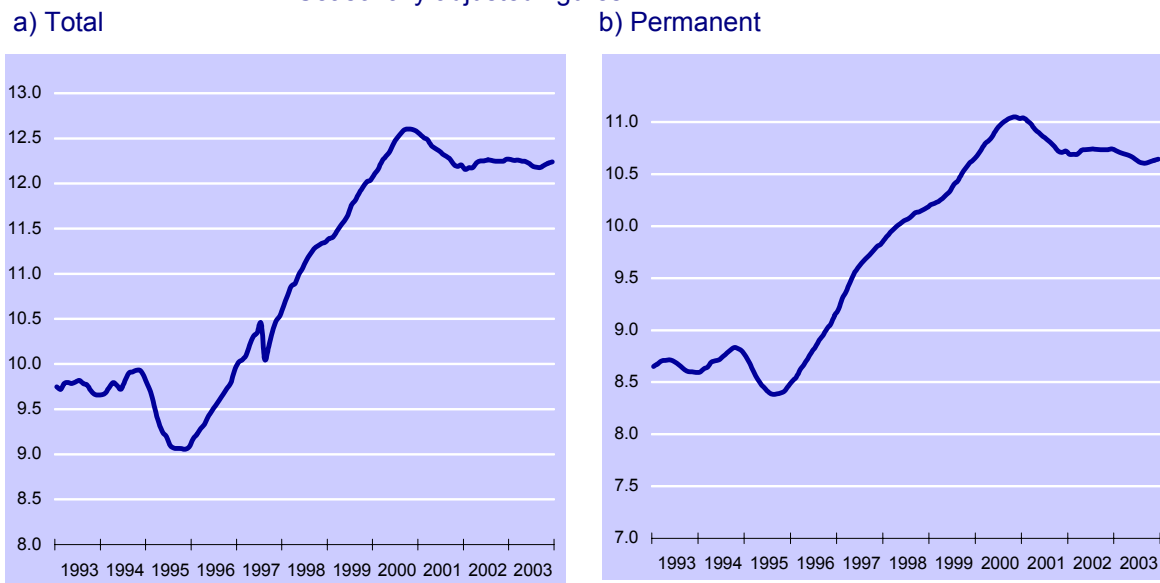
The weakness of economic activity prevailed through most of 2003, thus reducing the demand for labor. This led to a decline in the number of workers insured by the Social Security Institute (*Instituto Mexicano del Seguro Social, IMSS*). At the end of December 2003, such number fell by 34,790 (0.3 percent) compared with December 2002. The fall in formal employment was due to the reduction in permanent jobs, which outnumbered the temporary jobs created in urban areas (Graph 9). From the end of 2002 to the end of 2003, the number of permanent workers fell by 97,189, while that of temporary workers rose by 62,399.

According to data from the IMSS, employment fell in the agriculture and industrial sectors, especially in manufacturing. From

December 2002 to December 2003, the number of manufacturing workers insured by the IMSS dropped 4.5 percent (Table 6). In contrast, formal employment rose in the tertiary sector and in some industrial activities, such as commerce, transport, social and community services, financial services, electricity, construction, and in the extractive industry.

Graph 9 Workers Insured by the Social Security Institute (*Instituto Mexicano del Seguro Social, IMSS*)

Millions insured
Seasonally adjusted figures ^{1/}



^{1/} Seasonal adjustments by Banco de México.
Source: IMSS.

At the end of 2003, formal employment fell in 15 states (Graph 10) compared to its previous 12 month-level. In such states the number of workers insured by the IMSS fell by nearly 106 thousand compared to December 2002. In contrast, employment rose in 17 states by an average of 71 thousand workers. The reduction of formal employment in northern cities reflected the weakness of both the *maquiladora* industry and other export activities.

Prior to 2000 the *maquiladora* industry contributed significantly to formal employment. From December 1993 to December 2000, 763 thousand new jobs were created in such industry. Such results are largely associated with the long phase of expansion undergone by the U.S. economy. However, during 2001-2003, when the U.S. economy contracted significantly, *maquiladora*

production and employment fell. Nearly 260 thousand jobs were lost in this industry from December 2000 to December 2003.

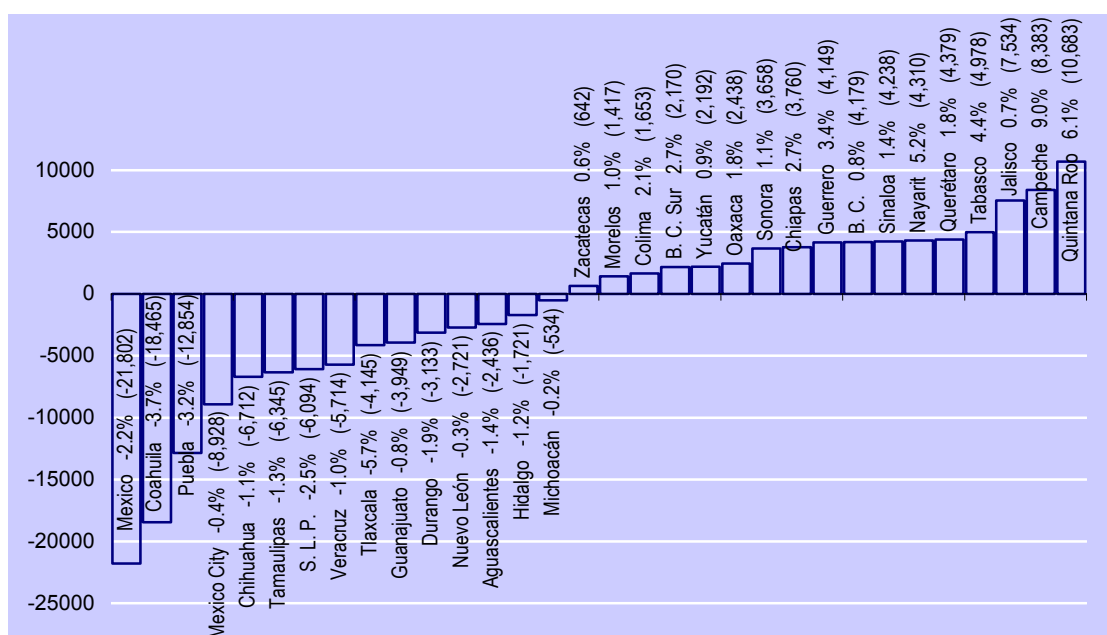
Table 6 Employment Indicators

	2000	2001	2002	2003						
	Annual	Annual	Annual	I	II	III	IV	Nov.	Dec.	Annual
Workers Insured by the IMSS										
Annual percentage change										
Total	6.1	-0.6	-1.0	0.7	0.0	-0.6	-0.3	-0.2	-0.3	0.0
Permanent	5.0	-0.5	-1.2	0.2	-0.6	-1.2	-1.0	-1.0	-0.9	-0.7
Temporary in Urban Areas	14.5	-1.0	0.7	4.8	4.1	3.8	4.8	5.4	4.2	4.4
Manufacturing	6.5	-5.7	-5.9	-2.3	-4.3	-5.3	-4.6	-4.4	-4.5	-4.1
Agriculture	-4.9	-1.9	2.9	-1.9	-14.2	-12.9	-15.6	-16.4	-12.5	-10.9
Extractive Industry	0.1	-3.2	-2.8	0.9	3.6	3.0	2.3	3.1	2.6	2.4
Construction	6.0	-3.5	-1.7	2.0	1.7	1.9	3.7	4.4	3.1	2.4
Workers employed in the maquiladora industry										
	12.9	-7.1	-10.7	1.6	-0.7	-2.5	-1.7	-1.8	-1.7	-0.8
Percentage of the Economically Active Population										
Open unemployment rate in urban areas										
	2.2	2.5	2.7	2.8	3.0	3.8	3.5	3.8	3.0	3.2
Mexico City	2.7	3.0	3.0	2.6	3.5	4.2	4.2	5.0	3.5	3.6
Guadalajara	1.9	2.0	2.7	3.0	2.7	3.2	2.8	2.1	2.3	2.9
Monterrey	2.1	2.7	3.4	3.4	2.9	4.4	3.8	4.1	3.4	3.6

Source: IMSS; Maquiladora Export Industry Statistics and National Survey on Urban Employment (*Estadísticas de la Industria Maquiladora de Exportación y Encuesta Nacional de Empleo Urbano*), INEGI.

Graph 10 Workers Insured by the IMSS by State

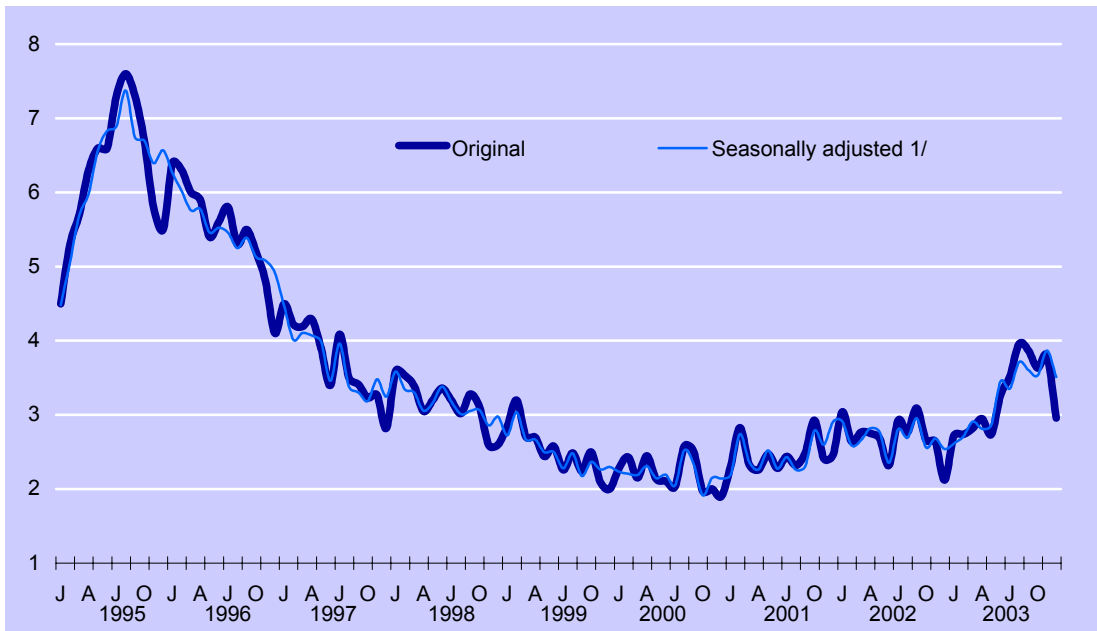
Absolute and relative annual variation in 2003



Source: IMSS.

The weak demand for labor raised the open unemployment rate in urban areas¹, from an average 2.70 percent in 2002 to 3.25 percent in 2003 (Graph 11). In such period, the unemployment rate for men increased 0.45 percentage points, while that for women did so by 0.71 points. Just as in 2002, in 2003, job dismissal and job dissatisfaction were the two main reasons for leaving employment (Table 7). Dismissal is an unemployment condition usually linked to the business cycle. According to the level of education, the most affected sector was that of high school and higher education. This group is made up of workers (mostly from the industrial sector) which after having lost their job are most likely to remain unemployed for the entire period of low economic activity.

Graph 11 **Open Unemployment Rate in Urban Areas**
Percentage of Economic Active Population



1/ Seasonal adjustments by Banco de México.
Source: INEGI.

¹ The Open Unemployment Rate is defined according to the International Labor Organization (ILO) criteria. This indicator measures the percentage of the Economically Active Population 12 years of age or older that during the reference period did not work at least one hour per week, after having continually searched for paid employment or tried to engage in self employment.

Table 7

Unemployment Characteristics

Openly Unemployed Population (Percentage Distribution)

	2002	2003
Reasons for leaving employment		
Dismissal	41.2	37.8
Temporary job completed	15.4	16.6
Job dissatisfaction	35.6	38.6
Other	7.8	7.1
By level of education		
No education	1.0	1.1
Incomplete Grade School	4.3	5.0
Grade School	12.6	10.9
Junior High School	36.3	34.9
High School and Higher Education	45.9	48.2

Source: Urban Employment Survey, INEGI.

The performance of the economy usually affects the unemployment rate with some lag. During 2002, the average unemployment rate grew only 0.24 percentage points (as compared with 2001), while in 2003 it did so by 0.55 percentage points (as compared with 2002), despite the recovery in economic activity in the last quarter of 2002. During this year, some workers that had lost their jobs in the formal sector began working in the informal economy. However, in 2003, underemployment and the informal sector lost strength and were not able to absorb the unemployed workers from the formal sector.

Given the contraction of employment, firms were able to hire highly skilled labor more easily. This was clearly reflected in labor shortage indicators (prepared with data from Banco de México's Manufacturing Tendency Survey), which reveal that manufacturing firms did not have hardly any difficulties in hiring skilled labor for their production, sales and management areas in 2003.

The IMSS average reference wage for 2003 was 168.36 pesos per day, 10.32 pesos above its previous year level (a real average increase of 1.9 percent). The highest wage increases were granted to workers from social service entities (6.1 percent in real annual terms), the construction sector (4.7 percent in real terms), and the electric industry and drinking water supply services (4.6 percent in real terms). The only sector that exhibited a wage reduction in real terms was the extractive industry (-0.1 percent) [Table 8].

Table 8 **IMSS Average Reference Wage**
Annual percentage change

Activity	2002					2003				
	I	II	III	IV	Average	I	II	III	IV	Average
Total	5.6	2.6	2.7	1.0	2.9	0.1	1.8	2.9	2.7	1.9
By economic activity										
Agriculture, Forestry, and Hunting and Fishing	4.3	2.2	4.7	2.6	3.5	1.9	3.1	3.6	4.3	3.2
Extractive Industries	6.7	-0.4	0.7	-0.3	1.6	-2.6	-0.5	0.8	2.0	-0.1
Manufacturing	7.2	3.1	3.8	1.5	3.9	0.5	2.4	3.0	2.1	2.0
Construction	5.0	2.8	3.2	2.9	3.5	2.1	3.5	5.8	7.5	4.7
Electricity, and Drinking Water Supply Services	10.6	8.3	4.6	4.3	6.9	6.1	3.1	4.5	5.0	4.6
Commerce	5.2	1.4	2.4	1.0	2.5	-1.2	1.3	2.5	1.6	1.0
Transportation and Communications	4.6	1.5	0.6	-0.6	1.5	-0.8	1.2	4.4	4.6	2.3
Services provided to Businesses and Individuals	3.1	1.9	0.8	-1.0	1.2	-1.0	0.2	0.9	1.4	0.4
Social and Community Services	6.6	6.1	5.4	4.3	5.6	3.9	5.4	7.7	7.4	6.1

Source: Minimum Wages Commission (Comisión Nacional de los Salarios Mínimos, CONASAMI) and Banco de México.

In 2003, real average earnings (which include wages, salaries and fringe benefits) exhibited a positive annual variation in both the commerce sector and non-*maquiladora* manufacturing industries, while the *maquiladora* export industry recorded no variation at all. Such variations were below those observed in 2002 for all sectors with available information (Table 9).

Table 9 **Average Earnings per Worker**
Nominal and real annual percentage change

Activity	2002					2003				
	I	II	III	IV	Average	I	II	III	IV	Average
Nominal variation										
Manufacturing ^{1/}	8.7	7.9	6.3	5.3	7.0	6.5	5.7	6.4	4.7	5.8
<i>Maquiladora</i>	12.4	12.0	10.5	8.9	10.9	5.3	3.8	3.3	5.6	4.5
Commerce	7.7	8.7	8.0	10.2	8.7	10.8	8.5	7.4	3.7	7.3
Real variation										
Manufacturing ^{1/}	3.8	3.0	1.0	0.0	1.9	1.0	0.9	2.2	0.7	1.2
<i>Maquiladora</i>	7.3	6.9	5.0	3.4	5.6	-0.1	-0.9	-0.7	1.6	0.0
Commerce	2.8	3.7	2.6	4.6	3.5	5.1	3.6	3.2	-0.2	2.7

1/ Non-*maquiladora*.

Source: INEGI and Banco de México.

During 2003, average productivity increased in both the commerce sector and non-*maquiladora* manufacturing industry (3.8 and 1.8 percent, respectively), while slightly falling in the *maquiladora* industry (-0.1 percent) [Table 10]. Commerce productivity gains were due to the higher sales in this sector, which, in turn, brought about a reduction in the number of employees. In contrast, both production and employment in the non-*maquiladora* industry contracted (employment fell more sharply than production). *Maquiladora* production and employment have apparently fallen

less sharply in 2003, by exhibiting annual variations of -1.0 and -0.8 percent, respectively, as compared with 2002 (-9.1 and -10.7 percent, respectively).

Table 10 Labor Productivity and Unit Labor Costs

Annual percentage change

Activity	2002					2003				
	I	II	III	IV	Average	I	II	III	IV	Average
Labor Productivity										
Manufacturing ^{1/}	2.5	9.0	5.0	4.4	5.2	4.0	-0.9	1.0	3.5	1.8
Maquiladora	0.7	2.8	2.4	0.9	1.7	0.2	-1.4	-1.0	1.8	-0.1
Commerce	-4.1	-1.0	-2.0	-2.1	-2.3	1.0	0.3	6.2	7.4	3.8
Unit Labor Costs										
Manufacturing ^{1/}	1.2	-5.6	-3.8	-4.4	-3.2	-2.9	1.9	1.2	-3.2	-0.9
Maquiladora	6.5	4.1	2.5	2.5	3.9	-0.3	0.5	0.3	-0.4	0.0
Commerce	7.2	4.8	4.8	7.0	6.0	4.0	3.2	-2.9	-6.8	-0.8

1/ Non-*maquiladora*.

Source: Prepared by Banco de México with data from INEGI.

Given the abovementioned results in earnings and productivity, in 2003, unit labor costs in both the non-*maquiladora* manufacturing industry and commerce sectors dropped slightly, while remaining unchanged in the *maquiladora* industry. Such results contrast with the significant unit labor cost increases exhibited by the commerce sector and the *maquiladora* industry in 2002.

The average wage increase for workers in enterprises and entities under federal jurisdiction in 2003 was 4.7 percent, 1.1 percentage points below that in the previous year (Table 11). During the year, 5,337 contractual wage revisions were carried out, benefiting 1,763,486 workers (figure slightly above that of 2002).

Table 11 Contractual Wages in Enterprises and Entities under Federal Jurisdiction

Average percentage change

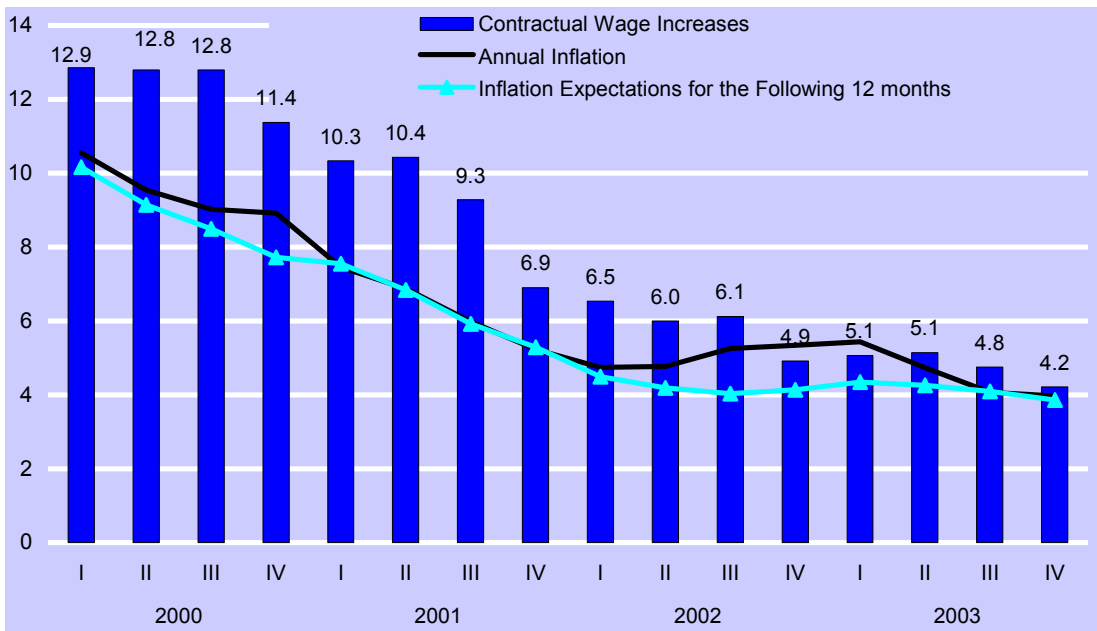
	2002					2003				
	I	II	III	IV	Annual	I	II	III	IV	Annual
Total	6.5	6.0	6.1	4.9	5.8	5.1	5.1	4.8	4.2	4.7
Public	5.4	5.4	5.5	4.5	4.9	4.3	4.3	4.3	4.0	4.1
Private	6.8	6.2	6.6	5.6	6.4	5.2	5.4	5.2	4.6	5.2
Manufacturing	6.7	6.5	6.1	5.5	6.2	5.3	5.5	4.7	4.5	5.0
Other sectors	6.3	5.8	6.4	4.7	5.5	4.9	5.0	4.8	4.2	4.6
Inflation										
Expectations ^{1/}	4.5	4.2	4.0	4.1	4.2	4.3	4.3	4.1	3.9	4.1

1/ Inflation expectations for the following 12 months.

Source: Ministry of Labor and Banco de México.

Wage negotiations in 2003 have followed the same pattern of the previous three years, in which wage increases decline markedly during the last quarter. Such trend is influenced by the wage increase granted by public enterprises, which have a high number of employees. Thus, during October-December 2003, average wage increases fell 0.6 percentage points compared with the previous quarter. During the same period of 2002, these fell 1.2 percentage points.

Graph12 Contractual Wages and Inflation
Percentage, quarterly average



Source: Ministry of Labor and Banco de México.

Wage revisions by type of enterprises/institutions under federal jurisdiction exhibited different results. On the one hand, annual wage increases have declined more in private enterprises than in public enterprises (a reduction of 1.2 and 0.8 percentage points, respectively), as compared with 2002. On the other, and for a fifth year in a row, wage increases in 2003 were higher in private enterprises than in public entities.

Wage revisions by sectors of economic activity exhibited the following results: manufacturing wage increases were, on average, above those granted in other sectors. Nonetheless, in all sectors of the economy, wage increases were above inflation

expectations. Thus, in 2003, *ex-ante* contractual wages rose, on average, at an annual rate of 0.6 percent.²

Although the rate of growth of nominal wage increases declined in 2003, 84 percent of enterprises granted increases above or equal to 4 percent, benefiting slightly over 90 percent of the total number of workers (Table 12). Unlike previous years, some participants in recent negotiations were more concerned with maintaining their current jobs than with obtaining higher wage increases, as evidenced by wage revisions in the aviation and in some automotive companies. At the end of 2003, more than 200 wage revisions remained unchanged. In contrast, in 2002, only 61 remained in that condition.

Table 12 **Contractual Wage Revisions by Interval**
Percentage distribution

Increase Interval	2002					2003				
	I	II	III	IV	Average	I	II	III	IV	Average
According to number of wage revisions										
0.0-3.9%	1.5	2.7	3.4	4.0	2.9	10.9	12.1	21.0	19.9	16.0
4.0-5.9%	20.0	32.7	29.3	41.8	31.0	53.1	58.7	53.3	60.6	56.4
6.0-7.9%	44.1	45.7	46.2	39.8	43.9	26.9	21.8	18.1	12.1	19.7
8.0-9.9%	20.7	8.7	9.4	4.4	10.8	4.0	1.8	1.2	3.0	2.5
10.0% and over	13.7	10.3	11.6	10.0	11.4	5.1	5.6	6.3	4.4	5.4
According to number of benefited workers										
0.0-3.9%	1.5	0.8	1.4	0.5	1.0	5.5	5.8	7.9	18.9	9.5
4.0-5.9%	49.0	64.5	60.7	85.0	64.8	79.4	74.0	83.9	77.1	78.6
6.0-7.9%	35.6	28.1	29.2	12.8	26.4	12.9	16.0	6.5	2.3	9.4
8.0-9.9%	8.1	3.5	5.0	0.8	4.3	1.1	1.6	0.2	0.2	0.8
10.0% and over	5.8	3.1	3.7	0.9	3.4	1.0	2.6	1.5	1.4	1.6

Source: Ministry of Labor.

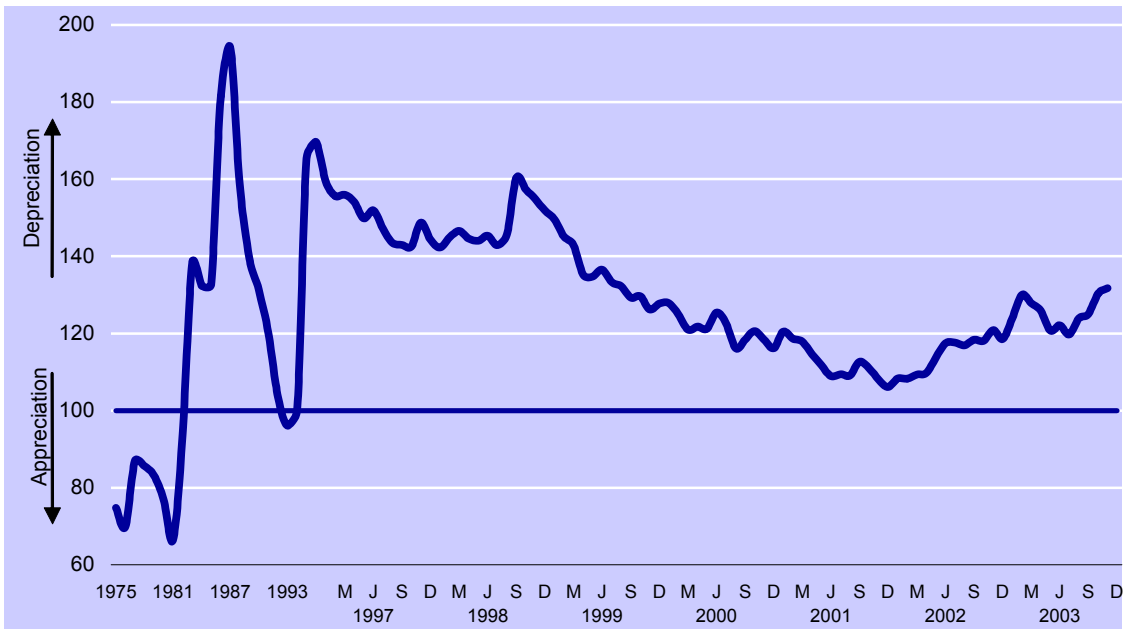
The manufacturing unit labor costs real exchange rate index is an indicator used frequently to monitor the country's labor costs against its competitors. In 2003, such indicator depreciated in real terms (Graph 13).

² *Ex-ante* variations in real contractual wages are calculated based on nominal contractual wage increases deflated by inflation expectations for the following 12 months. *Ex-post* variations are defined as contractual wage nominal increases granted in the previous 12 months, deflated by annual inflation observed during the period in which wage increases were granted.

Graph 13

Manufacturing Unit Labor Costs Real Exchange Rate Index ^{1/}

Index: 1994=100



1/ Based on data from Mexico's main trading partners of manufactured goods (United States, United Kingdom, France, Italy, Spain, Germany, Japan and Canada).

III.3. External Sector

During 2003, Mexico's external sector was affected by the following factors: the weakness of external demand in the first half of the year, particularly that from the United States; the country's loss of competitiveness due to the absence of structural change measures, which at the same time have limited foreign direct investment inflows; the rise of oil's reference prices; slower growth in domestic production and demand, which, in turn, reduced the demand for imports and, thus, narrowed the trade and current account deficits; and the country's financial authorities' policies to reduce Mexico's foreign indebtedness. Under such setting, Mexico's external accounts did not exhibit significant imbalances in 2003.

The low growth in Mexican non-oil exports in 2003 largely reflects the degree of synchronization between U.S. and Mexican industrial production. Although the recovery of the U.S. economy (which began at the end of 2001) gained strength in 2003, industrial production fell during the second and third quarters of the year at an annual rate. This weakened the demand for Mexican exports. Nonetheless, in the last quarter, U.S. industrial production recovered, hence boosting Mexican exports. The meager expansion

of economic activity and domestic demand in Mexico in 2003, together with the lack of strength in manufacturing exports -which require imported inputs for their production- led to a modest increase in merchandise imports.

Oil reference prices in 2003 were above its previous year's levels, thus contributing to reduce Mexico's trade and current account deficits. Several factors affected oil prices throughout the year. During the first quarter, the complex geopolitical scenario surrounding the war in Iraq, together with uncertainty regarding the length, costs and consequences of such conflict, pushed oil prices up; in fact, during that period oil prices reached their highest level in the year. In the second quarter, and once the war in Iraq ended, oil prices fell significantly and oil production in Venezuela (which was affected by political turmoil in that country) resumed. During the second half of the year, oil prices rose due to the following factors: lower crude oil inventories throughout the world; lower world availability of crude oil due to labor problems in Nigeria; reduction in the Organization of Petroleum Exporting Countries' (OPEC) oil production quotas since November; a greater demand for crude oil due to Asia's robust growth and to the U.S. recovery; and finally, a harsh winter season.

During 2003, the Mexican economy benefited from significant Foreign Direct Investment (FDI) inflows and from a reduction in Mexican assets abroad. Nonetheless, FDI ended below its previous year's levels due to the nil advance in structural change measures. Such condition has negatively affected Mexico's business climate and investment profits. FDI levels in 2003 were the lowest in the last seven years. Specifically, FDI's item New Investments reached its lowest level in thirteen years.

In 2003, the external sector was characterized by the following aspects:

- a) Reduced growth in both merchandise exports and imports;
- b) Lack of strength of non-oil exports due to two factors: meager external demand during the first half of the year, particularly that from the United States; and Mexico's loss of competitiveness due to the lack of structural change measures, which have already been implemented by other countries which are Mexico's competitors in the international markets.

- c) Significant increase in oil exports due to the higher volume and prices of crude oil.
- d) Loss of share of Mexican exports in U.S. imports. In 2003, Mexico's non-oil exports to the U.S. grew at a significantly lower rate than U.S. total imports, thus confirming that exports of other countries to the U.S. increased during the reference period. Such is the case of China, who outranked Mexico as a second supplier to the United States.
- e) Slight increase in merchandise imports due to both the lower growth in both domestic production and aggregate expenditure during the year, and the fall in manufactured exports that use imported inputs for their production.
- f) While total imports increased meagerly, those from China boosted. In fact, such country became Mexico's second merchandise supplier in 2003.
- g) Smaller total trade deficit due to the higher value of oil exports. Nonetheless, the trade deficit with China increased significantly, thus representing Mexico's highest bilateral deficit in 2003.
- h) Significant inflow of resources from workers' remittances.
- i) Reduction in the current account deficit of the balance of payments, measured both in US dollars and in relation to GDP. As in previous years, such deficit was mainly financed with long-term financial resources.
- j) Reduced FDI. Its level was the lowest in the last seven years.
- k) Capital account surplus due mainly to inflows from non-bank private sector, FDI resources and a reduction in Mexican assets abroad.
- l) Significant decline in public and private foreign indebtedness. Regarding the former, the early redemption of the last outstanding series of Mexican Brady bonds issued after the debt restructuring program in 1990 deserves mention.
- m) Significant increase in net international reserves.

The trade deficit was 5.690 billion US dollars, 28.1 percent below that in 2002 (7.916 billion). Such reduction is mainly attributed to the higher oil exports.

Merchandise exports rose 2.5 percent in 2003 (Table 13 and Graph 14). Non-oil exports dropped slightly by 0.1 percent due to the fall in manufacturing exports (0.7 percent). *Maquiladora* and non-*maquiladora* manufacturing exports fell 0.9 and 0.5 percent, respectively.

Table 13 **Trade Balance**
Million US dollars

Item	2001 (1)	2002 (2)	2003 (3)	Absolute Variation in 2003 (3)-(2)	Percentage change	
					2002 (2)/(1)	2003 (3)/(2)
Exports	158,443	160,763	164,860	4,098	1.5	2.5
Oil	12,799	14,476	18,654	4,178	13.1	28.9
Non-oil	145,644	146,287	146,207	-81	0.4	-0.1
Agriculture	3,903	3,866	4,664	798	-0.9	20.6
Mining	388	389	517	128	0.2	32.8
Manufacturing	141,353	142,031	141,025	-1,006	0.5	-0.7
<i>Maquiladora</i>	76,881	78,098	77,405	-693	1.6	-0.9
Other	64,472	63,933	63,620	-313	-0.8	-0.5
Imports	168,396	168,679	170,551	1,872	0.2	1.1
Consumer Goods	19,752	21,178	21,509	331	7.2	1.6
Intermediate Goods	126,149	126,508	128,832	2,324	0.3	1.8
<i>Maquiladora</i>	57,599	59,296	59,058	-238	2.9	-0.4
Other	68,550	67,212	69,774	2,562	-2.0	3.8
Capital Goods	22,496	20,992	20,210	-783	-6.7	-3.7
Total Trade Balance	-9,954	-7,916	-5,690	2,226	-20.5	-28.1
Trade Balance Excluding Oil Exports	-22,752	-22,392	-24,344	-1,952	-1.6	8.7

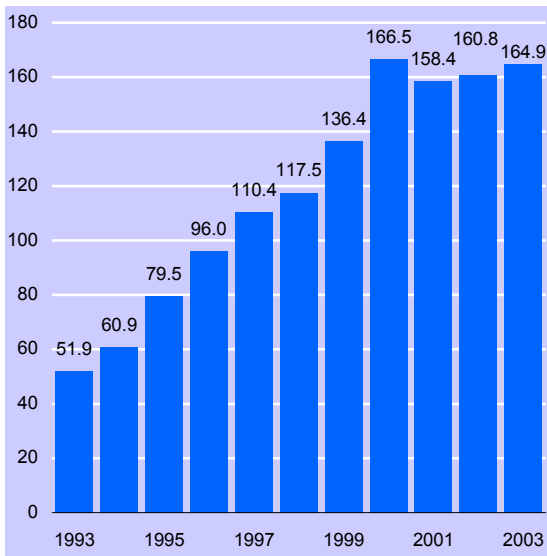
Note: Figures may not add up due to rounding.

Oil exports rose at an annual rate of 28.9 percent due to increases in both the volume and price of the Mexican export crude oil. In 2003, the average price of the Mexican crude oil export mix was 24.79 US dollars per barrel, 3.21 US dollars above that in 2002.

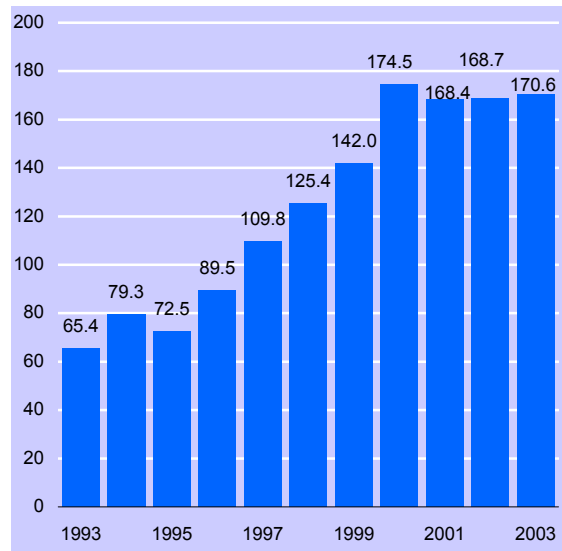
Agricultural exports rose 20.6 percent due to the higher exports of tomato, cantaloupe, watermelon, other fresh fruits and cattle. In contrast, exports of corn and beans decreased.

Graph 14 Mexico's Trade Balance by Region

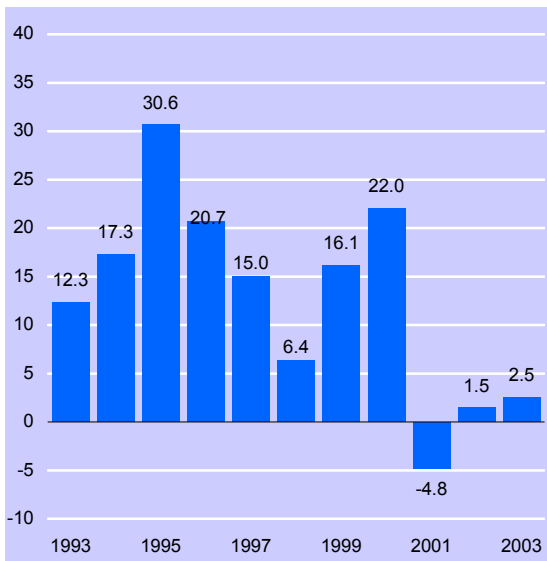
a) Exports
Billion US dollars



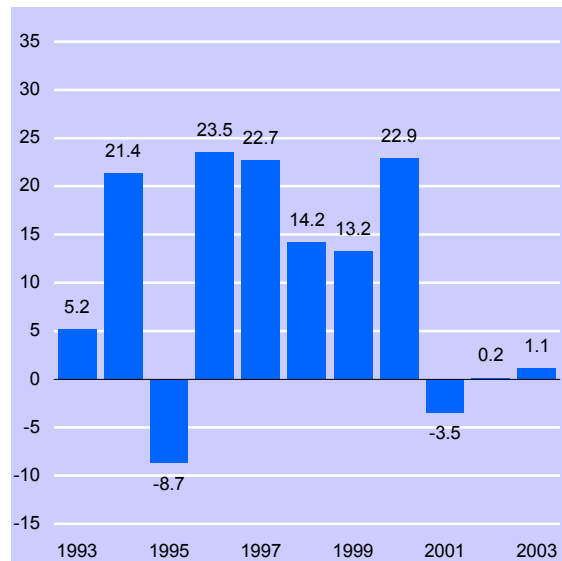
b) Imports
Billion US dollars



c) Exports
Annual percentage change



d) Imports
Annual percentage change



Merchandise imports increased 1.1 percent in 2003 (Table 13), due mainly to the following factors: on the one hand, the meager growth in both domestic demand and production; and, on the other, the decline in manufacturing exports, many of which are made with imported inputs. Imports of intermediate goods rose 1.8 percent due to an increase in non-*maquiladora* purchases (3.8 percent) and the fall in those of the *maquiladora* industry (0.4

percent). Imports of capital goods dropped 3.7 percent in the year due to the fall in private sector investment expenditure. Imports of capital goods have fallen for three years in a row, an unprecedented case in Mexico's trade balance statistics.

Consumer good imports grew slightly by 1.6 percent. Imports of textiles, electric and electronic appliances, and of butane and propane gas exhibited the most significant growth rates. In contrast, gasoline and automobile imports fell.

From a regional perspective, Mexico's foreign trade in 2003 was characterized by two aspects: i) a surplus with NAFTA trading partners; and ii) a deficit with the rest of the countries in America, and with Europe and Asia. Mexico's total trade deficit in 2003 narrowed due to the fact that the higher surplus with the NAFTA region had a larger impact than the higher deficit with the other mentioned areas (Table 14).

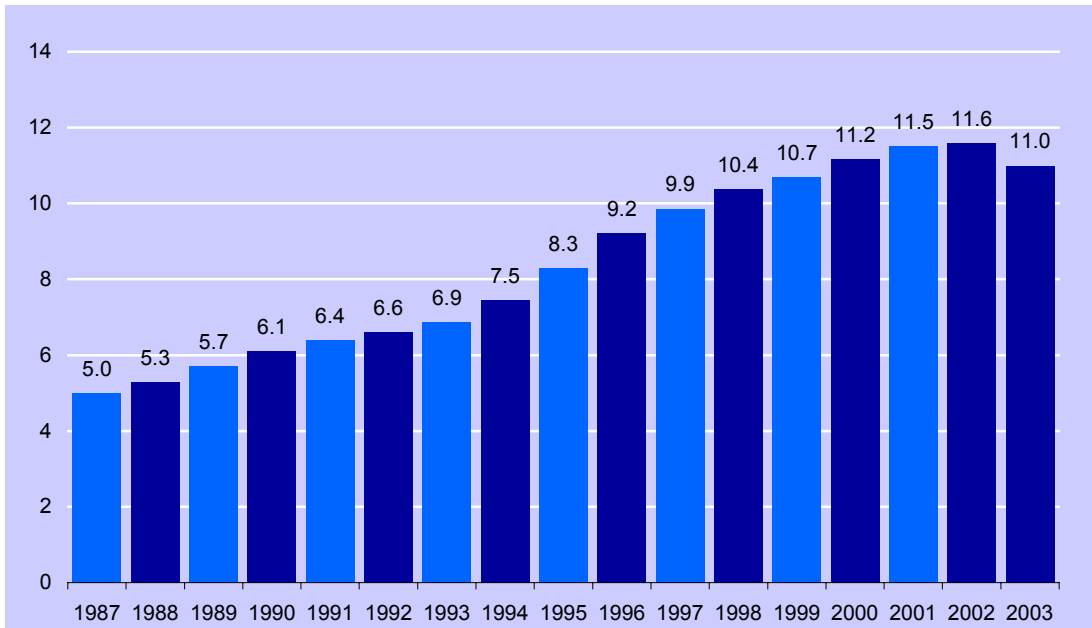
Table 14 **Trade Balance**
Million US dollars

	2001 (A)	2002 (B)	2003 (C)	Absolute Variation (C)-(B)	Percentage Change			
					Exports		Imports	
					2002	2003	2002	2003
TOTAL	-9,954	-7,916	-5,690	2,226	1.5	2.5	0.2	1.1
NAFTA	25,364	34,817	39,679	4,862	1.7	2.3	-5.9	-1.4
United States	26,530	36,491	40,973	4,481	2.0	2.3	-6.3	-1.1
Canada	-1,165	-1,674	-1,294	381	-8.6	0.8	5.8	-8.0
REST OF THE WORLD	-35,318	-42,733	-45,369	-2,636	-1.1	5.3	14.4	5.9
Rest of America	1,165	-195	-1,367	-1,172	-3.1	1.8	20.7	19.1
Europa	-12,340	-12,780	-13,657	-877	-2.4	11.3	1.6	8.2
Asia	-23,122	-28,930	-29,439	-509	9.3	-0.6	23.7	1.6
Other	-1,021	-828	-906	-79	-12.3	19.3	-17.8	11.2

Note: Figures may not add up due to rounding.

Data on U.S. foreign trade in 2003 shows a significant increase in total merchandise imports, higher than the one shown for imports coming from Mexico. While the former rose 8.4 percent, the latter only did so by 2.6 percent (Table 15). The results are even poorer when analyzing U.S. non-oil imports, as these increased 7 percent, while Mexican non-oil exports to that country only did so by 0.4 percent. In 2003, exports from China, Brazil, Germany, Canada and Malaysia had a better export performance in the U.S. market than Mexico.

Graph 15 **Share of Mexican Exports in U.S. Imports**
Percent



Source: Prepared by Banco de México with data from the U.S. Census Bureau.

Thus, Mexican exports reduced their share in U.S. imports, from 11.6 percent in 2002 to 11 percent in 2003 (Graph 15). Furthermore, China outranked Mexico as second supplier to the United States (Table 15). The Mexican economy has been losing competitiveness over the years due to the lack of progress in implementing structural change, unlike other countries that are Mexico's competitors in the international markets and have already implemented it.

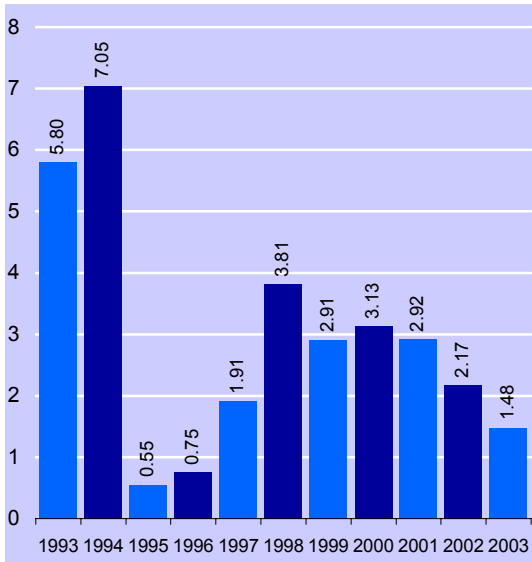
Table 15 **U.S. Imports**
Percentage structure and annual percentage change

	Percentage Structure			Total 2003	Total excluding oil 2003	Auto industry 2003	Total excluding oil and auto industries 2003
	2001	2002	2003				
Total	100.00	100.00	100.00	8.44	7.04	2.45	8.10
Total excluding Mexico	88.49	88.41	89.04	9.21	7.89	3.86	8.71
1 Canada	18.95	18.00	17.80	7.21	6.11	0.91	8.34
2 China	8.96	10.78	12.10	21.72	21.80	--	21.80
3 Mexico	11.51	11.59	10.96	2.57	0.39	-3.19	2.16
4 Japan	11.08	10.46	9.37	-2.80	-2.80	-5.45	-0.99
5 Germany	5.18	5.38	5.40	8.87	8.87	13.22	6.45
6 United Kingdom	3.63	3.51	3.39	4.72	4.72	18.49	2.58
7 France	2.67	2.43	2.32	3.47	3.47	--	3.47
8 Malaysia	1.96	2.07	2.02	5.95	5.54	--	5.54

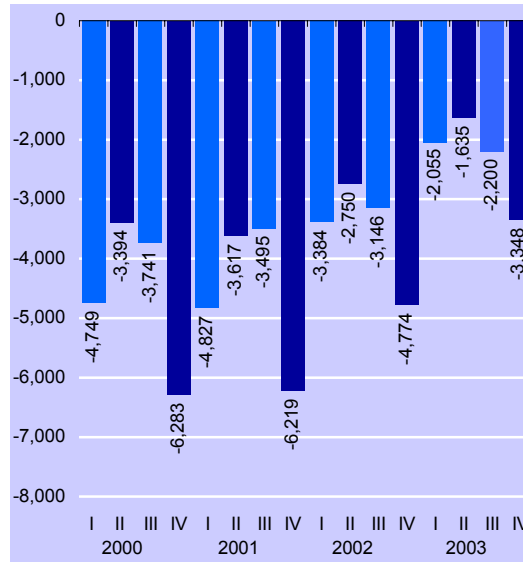
Source: U.S. Census Bureau.

Graph 16 Balance of Payments Current Account

a) Current Account Deficit
GDP percentage



b) Current Account Balance
Million US dollars



In 2003, the current account deficit of the balance of payments totaled 9.238 billion US dollars, equal to 1.5 percent of GDP. Thus, it narrowed as compared with 2001 and 2002, which totaled 18.158 and 14.053 billion US dollars and equaled 2.9 and 2.2 percent of GDP, respectively (Table 16 and Graph 16). As in previous years, the current account deficit in 2003 was financed mainly with long-term financial resources.

Such reduction was due basically to the smaller trade deficit (resulting from higher oil exports value), and a higher surplus in the transfers account (Table 16) due to the significant revenues from remittances from Mexican workers abroad. The modest growth in both domestic expenditure and production also contributed to such reduction.

Table 16

Balance of Payments Current Account

Million US dollars

Item	2002 (A)	2003 (B)	Absolute variation (B - A)
Current Account	-14,053	-9,238	4,816
Trade Balance	-7,916	-5,690	2,226
Exports	160,763	164,860	4,098
Imports	168,679	170,551	1,872
Nonfactor services	-4,048	-4,467	-419
Factor services	-12,357	-12,808	-450
Transfers	10,268	13,727	3,459

Note: Figures may not add up due to rounding.

The non-factor services balance had a deficit of 4.467 billion US dollars. The international travelers item recorded a surplus of 3.204 billion US dollars, 14.5 percent above that in 2002. The other items exhibited an overall deficit of 7.671 billion US dollars mainly from outlays from activities and operations associated with foreign trade of merchandise.

The factor services deficit was 12.808 billion US dollars. Net interest paid (expenditures less revenues) was 9.388 billion US dollars, 2 percent above that in 2002. The other items from the factor services balance accumulated a net deficit of 3.420 billion US dollars, coming mainly from expenditures from privately-owned firms' profits (transferred and reinvested). In 2003, such profits amounted to 3.695 billion US dollars, figure above that in 2002 (3.499 billion).

In 2003, the transfers account exhibited a surplus of 13.727 billion US dollars. Its main component, remittances from Mexican workers abroad, accumulated 13.266 billion US dollars (an annual increase of 35.2 percent). Such results reflect, on the one hand, an improvement in the accounting records of these transactions and, on the other, the higher number of remittances from Mexican workers abroad. Revenues from remittances equaled 78.8 percent of the value of crude oil exports and 2.1 percentage points of GDP. In 2003, 41.3 million transactions from remittances were carried out, for an average 321 US dollars each. As for their destination, the following states received more than 1 billion US dollars in remittances: Michoacán (1.685 billion), Jalisco (1.275), Guanajuato

(1.211), and Estado de México (1.024 billion). Such states received 39 percent of total remittances.³

The capital account of the balance of payments exhibited a surplus of 17.528 billion US dollars, coming mainly from private FDI inflows and from a reduction in Mexican assets abroad. In 2003, both the commercial banks and the public sector reduced their foreign indebtedness. (Table 17). Regarding the latter, federal government's early redemption of the remaining outstanding series of Mexican Brady bonds deserves mention.

Table 17

Balance of Payments

Million US dollars

Item	2002	2003
Current Account	-14,053	-9,238
Capital Account	22,231	17,528
Liabilities	10,426	10,562
Indebtedness	-4,055	-949
Development Banks	-1,244	-1,641
Commercial Banks	-2,961	-234
Banco de México	0	0
Non-bank public sector	-3,220	-2,691
Non-bank private sector	3,370	3,618
Foreign Investment	14,481	11,510
Direct	14,435	10,731
Portfolio	46	779
Equity Market	-104	-123
Money Market	150	902
Assets	11,805	6,967
Errors and Omissions	-1,088	1,147
Change in Net International Reserves	7,104	9,451
Valuation Adjustments	-14	-13

Note: Figures may not add up due to rounding.

In 2003, FDI amounted to 10.731 billion US dollars, its lowest level in the last seven years (Graph 17). Such figure included new investments (2.651 billion); profit reinvestments (2.322 billion); an increase in net liabilities of firms with headquarters abroad (3.797 billion); and *maquiladora's* fixed asset imports (1.961 billion). As for its sectorial distribution, FDI was mostly channeled to manufacturing (48.1 percent), financial services (19.4 percent), transport and communications (16.2 percent) and commerce (8.6

³ For a detailed description of these figures, see Banco de México's press release of February 3rd 2004 "Revenues from Remittances from Mexican Workers Abroad in 2003" (available only in Spanish).

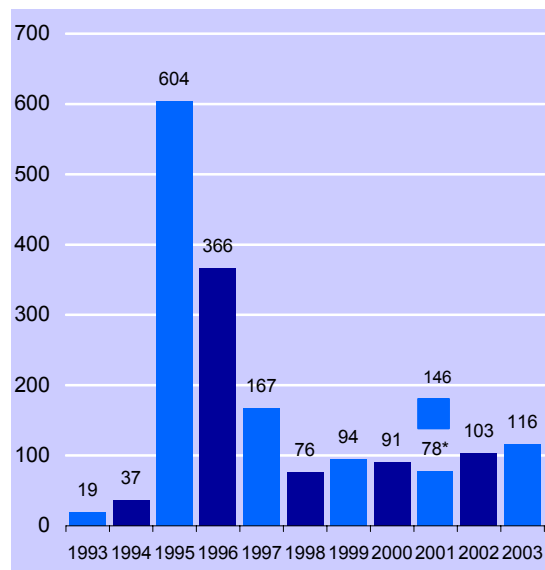
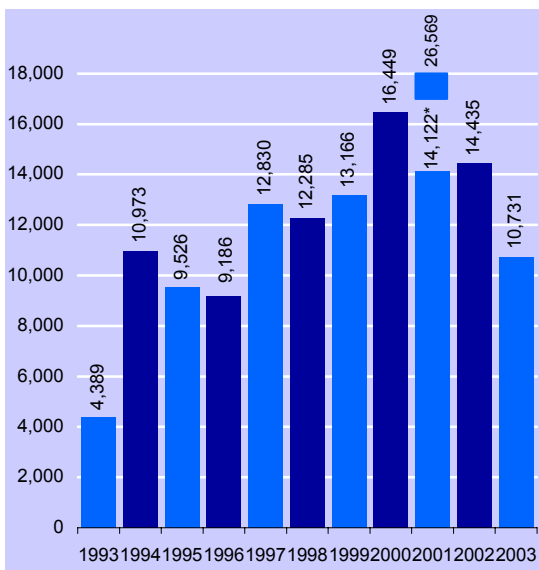
percent). Its breakdown by country of origin is as follows: U.S. (54.1 percent), Spain (14.6 percent), United Kingdom (9 percent), Netherlands (5 percent), Switzerland (3.4 percent) and France (3.2 percent). Net foreign portfolio investment totaled 779 million US dollars, mainly from money market inflows (902 million) and stock market outflows (123 million). Thus, foreign investment flows in 2003 totaled 11.510 billion US dollars.

Graph 17

Foreign Direct Investment

a) Million US dollars deficit

b) As a percentage of the current account deficit



* Excluding the sale of BANAMEX.

In 2003, public sector's transactions to reduce its foreign indebtedness totaled 4.332 billion US dollars, 19.492 billion in disbursements and 23.824 billion in amortizations.⁴ The reduction in public sector's indebtedness included net amortizations from non-financial public enterprises (2.920 billion) and development banks (1.641 billion), and federal government's external debt net payments (229 million). During the year, the federal government issued seven bonds and notes in the international markets for a total of 7.702

⁴ Data on public sector's foreign indebtedness as reported in Banco de México's balance of payments differs from that reported by the Ministry of Finance. The main differences deal with the different criteria for entering Brady bonds redeemed. While the Ministry of Finance considers such redemptions at face value and for the period in which Brady bonds are redeemed with the U.S. Treasury, the balance of payments considers them at market value and for the period in which the federal government acquires such bonds abroad. Furthermore, the balance of payments excludes certain public sector external debt transactions that are not considered as effective flow of resources.

billion US dollars. These placements have an average maturity of 15.4 years. Part of the resources from such placements was channeled by the federal government to redeeming the last outstanding series of Mexican Brady bonds (5.608 billion US dollars) issued as part of the debt-restructuring program of 1990.

Private sector's foreign indebtedness rose by 3.384 billion US dollars in 2003 as a result of non-banks net indebtedness (3.618 billion) and commercial bank's net amortizations (234 million).⁵ During the year, non-bank private enterprises made ten security placements in the international markets totaling 2.470 billion US dollars, with an average maturity of 7.3 years.

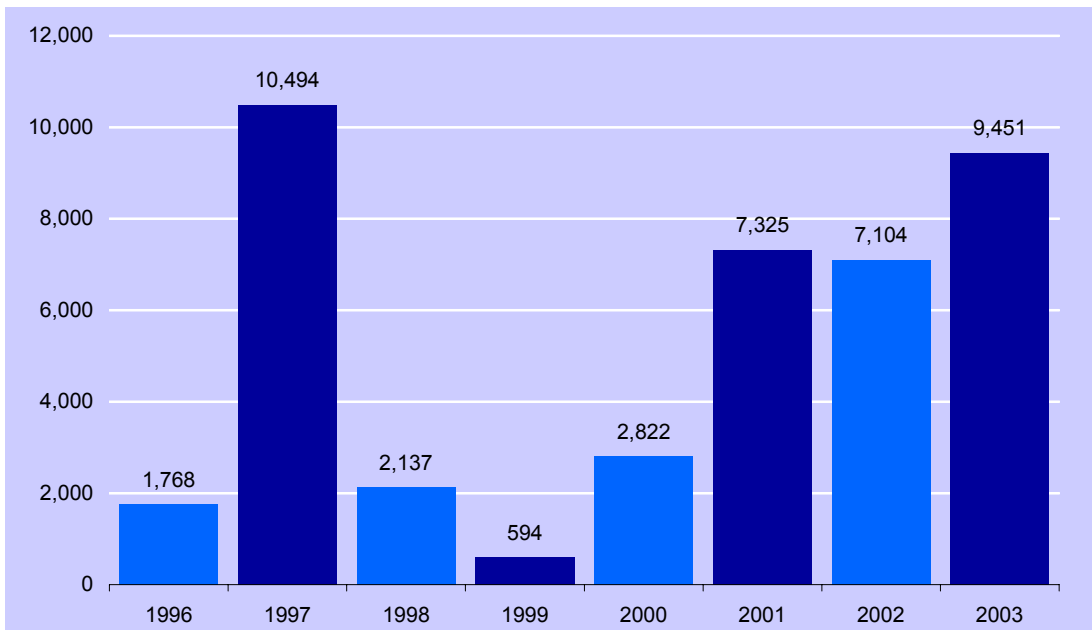
Mexican assets abroad decreased considerably in 2003, due mainly to a reduction in commercial bank and non-bank's (public and private) deposits. This fostered a significant inflow of resources to the country (6.967 billion US dollars).

Summing up, Mexico's balance of payments results in 2003 were as follows: a 9.238 billion US dollar current account deficit, a 17.528 billion US dollar capital account surplus, a 1.147 billion US dollar net positive flow in errors and omissions, and a 9.451 billion US dollar increase in international reserves. Thus, such reserves totaled 57.435 billion US dollars at December 31st 2003 [Graph 18].⁶

⁵ Foreign financing of Long-term Productive Infrastructure Projects (*Proyectos de Infraestructura Productiva de Largo Plazo, PIDIREGAS*) is included in the item non-bank external indebtedness. In 2003, foreign financing of PIDIREGAS totaled 6.203 billion US dollars. As a result, during that year, the non-bank private sector (excluding PIDIREGAS) reduced its foreign indebtedness by 2.585 billion US dollars.

⁶ For Banco de México's definition of international reserves, see Banco de México's Law. Variation in net international reserves is estimated as the total balance of the current and capital accounts, the errors and omissions item, plus a 13 million US dollar valuation adjustment in net international reserves.

Graph 18 **Variation in Net International Reserves**
Million US dollars



III.4. Public Finances

III.4.1. Economic Balance

Fiscal results in 2003 were determined by higher than budgeted revenues, which were used to finance higher expenditures. The non-financial public sector deficit amounted to 41.7 thousand million pesos, equal to 0.62 percent of GDP (Table 18).⁷ Excluding outlays from the Voluntary Retirement Program for Public Employees (*Programa de Separación Voluntaria, PSV*), the economic deficit totaled 25.5 thousand million pesos (0.38 percent of GDP).⁸ The primary surplus, defined as revenues less expenditures other than financial costs, was 148.8 thousand million pesos (2.20 percent of GDP, 2.44 percent excluding the *PSV*).

⁷ The economic deficit is an indicator for evaluating federal government's budget obligations.

⁸ According to the Federal Budget, the PSV could be financed by increasing the indebtedness ceiling.

Table 18 Public Balance in 2001, 2002 and 2003 ^{1/}

	Million pesos of 2003			Percentage of GDP		
	2001	2002 ^{2/}	2003	2001	2002 ^{2/}	2003
Economic Balance	-46,333.2	-79,044.4	-41,737.2	-0.73	-1.21	-0.62
Budgetary Balance	-44,244.5	-76,021.9	-44,032.1	-0.69	-1.16	-0.65
Federal Government (1-2)	-63,507.7	-141,240.8	-99,957.1	-0.99	-2.16	-1.48
1 Excluding PSV	-63,507.7	-141,240.8	-83,769.4	-0.99	-2.16	-1.24
2 PSV Cost	0.0	0.0	16,187.7	0.00	0.00	0.24
Public Enterprises and Institutions (3+4)	19,263.2	65,218.9	55,925.0	0.30	1.00	0.83
3 PEMEX	-3,271.0	33,261.7	27,359.0	-0.05	0.51	0.41
4 Other	22,534.2	31,957.2	28,566.0	0.35	0.49	0.42
Non-budgetary balance	-2,088.7	-3,022.5	2,294.9	-0.03	-0.05	0.03
Primary Balance	163,313.0	112,905.8	148,843.2	2.56	1.72	2.20
Economic Balance Excluding PSV	-46,333.2	-79,044.4	-25,549.5	-0.73	-1.21	-0.38
Primary Balance Excluding PSV	163,313.0	112,905.8	165,030.9	2.56	1.72	2.44

1/ Deficit (-), Surplus (+).

2/ Includes the net costs of both the National Farm Credit Bank's (*Banco Nacional de Crédito Rural SNC, BANRURAL*) liquidation and the creation of the Rural Finance Institution (*Financiera Rural*).

PSV = Voluntary Retirement Program for Public Employees (*Programa de Separación Voluntaria*).

Note: Figures may not add up due to rounding.

Source: Ministry of Finance.

In 2003, budgetary revenues totaled 1,599.8 thousand million pesos, 126.2 thousand million above federal budget figures. Such surplus was due to higher revenues from oil (which equaled 55.4 percent of surplus revenues), to non-oil taxes (especially from the Value Added Tax, VAT), an increase in non-tax revenues associated with the transfer of Banco de México's operational surplus at the end of the year, and higher revenues from public enterprises and institutions other than PEMEX.

In 2003, budgetary revenues increased 10.3 percent in real terms as compared with 2002 (23.7 percent of GDP) [Graph 19]. The oil component rose 24.6 percent in real terms due to the higher volume of export crude oil in pesos (a combination of oil price effects, volume and exchange rate), the higher domestic sales of oil-related products, and the higher financial revenues from PEMEX.⁹ The non-oil component rose 4.3 percent due to an increase in tax revenues and to higher revenues from public enterprises other than PEMEX.

⁹ The oil component consists of PEMEX revenues, oil duties and benefits, plus IEPS on gasoline and diesel.

Table 19 Public Balance in 2002 and 2003 ^{1/}

	Million pesos				Real Growth (3/1)
	2002	2003		Difference (3-2)	
	Observed (1)	Approved (2)	Observed (3)		
Economic Balance	-75,606.6	-32,867.5	-41,737.2	-8,869.7	-47.2
Non-budgetary balance	-2,891.0	0.0	2,294.9	2,294.9	d.n.a.
Budgetary balance	-72,715.6	-32,867.5	-44,032.1	-11,164.6	-42.1
Fiscal Revenues	1,387,235.5	1,473,556.9	1,599,797.2	126,240.3	10.3
Oil	410,037.7	464,160.4	534,079.6	69,919.2	24.6
Federal Government	260,006.1	312,033.4	357,928.4	45,895.0	31.7
PEMEX	150,031.6	152,127.0	176,151.2	24,024.2	12.3
Non-oil	977,197.8	1,009,396.5	1,065,717.6	56,321.1	4.3
Federal Government	729,347.4	749,968.0	775,255.7	25,287.7	1.7
Tax revenues	616,062.4	669,329.3	678,539.5	9,210.2	5.4
Income Tax (ISR)	318,380.3	364,447.3	336,546.4	-27,900.9	1.1
VAT (IVA)	218,441.7	225,154.3	254,437.4	29,283.1	11.4
Special Tax on Production and Services (IEPS)	24,035.8	27,432.0	30,178.6	2,746.6	20.1
Imports	27,233.0	25,538.7	26,975.0	1,436.3	-5.3
Other	27,971.6	26,757.0	30,402.1	3,645.1	4.0
Non-tax revenues	113,285.0	80,638.7	96,716.2	16,077.5	-18.3
Duties	18,601.6	13,852.9	19,001.4	5,148.5	-2.3
Proceeds	5,237.1	5,270.6	5,203.6	-67.0	-5.0
Benefits	89,446.3	61,515.2	72,511.2	10,996.0	-22.5
Public Enterprises and Institutions	247,850.4	259,428.5	290,461.9	31,033.4	12.1
Net Paid Expenditures	1,459,951.1	1,506,424.4	1,643,829.3	137,404.9	7.7
Programmable	1,060,771.8	1,087,827.9	1,211,647.0	123,819.1	9.3
Deferred Payments	0.0	-18,421.3	0.0	d.n.a.	d.n.a.
Programmable Accrued Expenditures	1,060,771.8	1,106,249.2	1,211,647.0	105,397.8	9.3
Current Expenditures	862,713.9	955,614.0	1,009,000.3	53,386.3	11.9
Personal Services	478,171.6	487,635.2	533,402.6	45,767.4	6.7
Other	384,542.3	467,978.8	475,597.7	7,618.9	18.3
Capital Expenditures	198,057.9	150,635.2	202,646.7	52,011.5	-2.1
Fixed Investment	146,276.1	147,936.6	177,366.9	29,430.3	16.0
Financial Investment	51,781.8	2,698.6	25,279.8	22,581.2	-53.3
Non-programmable	399,179.3	418,596.5	432,182.3	13,585.8	3.6
Financial Cost	178,374.9	184,882.5	190,912.4	6,029.9	2.4
Federal Government	114,561.0	128,235.4	129,245.5	1,010.1	7.9
Public Enterprises and Institutions	19,831.4	26,408.4	31,255.8	4,847.4	50.8
Debtor and Savings Support Programs	43,982.5	30,238.7	30,411.1	172.4	-33.9
Revenue Sharing	214,909.8	226,676.8	225,379.9	-1,296.9	0.3
Debit Entries from Previous Fiscal Years (ADEFAS) and Other	5,894.6	7,037.2	15,890.0	8,852.8	157.8
Economic Balance Excluding PSV	-75,606.6	-32,867.5	-25,549.5	7,318.0	-67.7
Primary Balance	107,995.4	152,844.6	148,843.2	-4,001.4	31.8

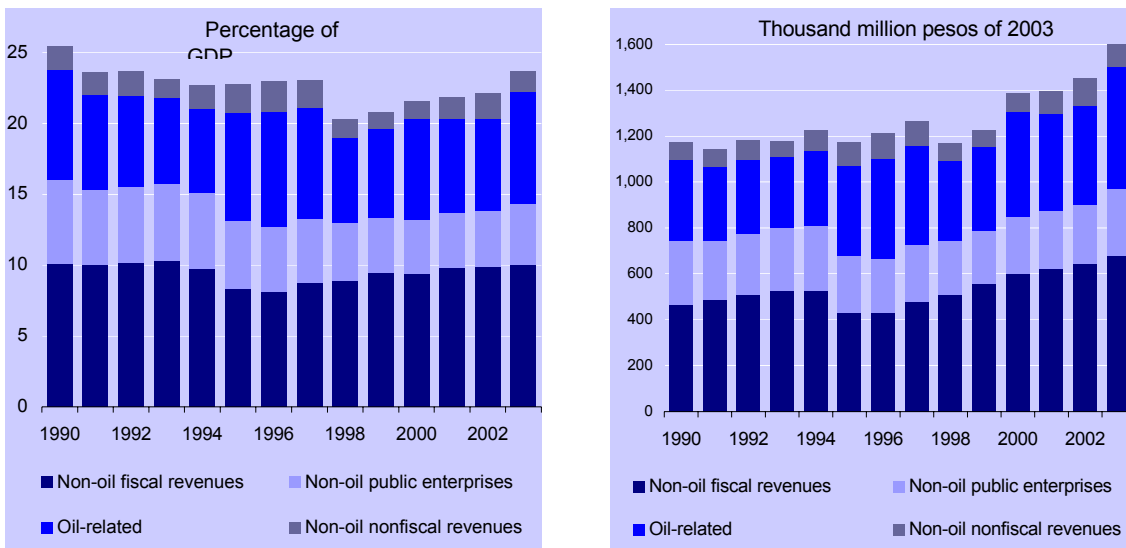
1/ Deficit (-), Surplus (+).

d.n.a/ does not apply.

Note: Figures may not add up due to rounding. Real growth is estimated according to average inflation per year.

Source: Ministry of Finance.

Graph 19 Federal Government Fiscal Revenues



Source: Ministry of Finance.

In 2003, non-oil tax revenues rose 5.4 percent in real terms, due mainly to higher tax revenues from the VAT, which increased at a real annual rate of 11.4 percent. This, in turn, is explained by higher private consumption and the change in VAT's tax base since March 2002 (from accrued to cash flow basis). Despite the increase in non-oil tax revenues in relation to GDP, these have not exceeded the levels in 1990-1994 (Graph 19).

Non-oil nontax revenues decreased 18.3 percent at constant prices due mainly to the reduction in non-recurrent revenues (only 46.8 thousand million pesos were obtained in 2003 compared with 63.5 thousand million in 2002). The most important sources of non-recurrent revenues in 2003 were the following: the second disposal of the SAR-IMSS 92 accounts, the benefits paid on federal government guaranteed liabilities from the National Bank of Public Building Works and Services (*Banco Nacional de Obras y Servicios Públicos, BANOBRAS*) [8,676 million pesos], Banco de México's operational surplus (15,921 million pesos), and the guarantees associated with the early redemption of Brady bonds (4,767 million pesos).¹⁰

In 2003, revenues from non-oil public enterprises under direct budgetary control rose 12.1 percent at constant prices due mainly to higher electricity sales from the Federal Electricity

¹⁰ BANOBRAS payment to the federal government does not affect the economic balance because such resources were reimbursed to the bank for their own capitalization.

Commission (*Comisión Federal de Electricidad, CFE*) and higher revenues from social security contributions to the IMSS and the Public Employees' Social Security Institute (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado, ISSSTE*). CFE's revenues rose due to an increase in the number of electricity users and higher industrial and residential consumption electricity rates. In both cases, the increase affected the costs of fuels for energy generation. IMSS resources increased as a result of the IMSS Technical Board's decision to register both contributions made by the Institute as an employer and those made by the workers to the pensions fund as revenues and expenditures in the Institute's accounts.¹¹ ISSSTE's contributions rose due to the wage increase granted to public school teachers by mid-2003 and to the securing of a greater amount of financial products.

Budgetary expenditures totaled 1,643.8 thousand million pesos in 2003 (24.3 percent of GDP), an annual increase of 7.7 percent at constant prices. Public expenditure ended 137.4 thousand million pesos above Federal Budget approved figures. Notwithstanding the latter, the public balance was not affected significantly due to the considerable amount of surplus revenues during the year.

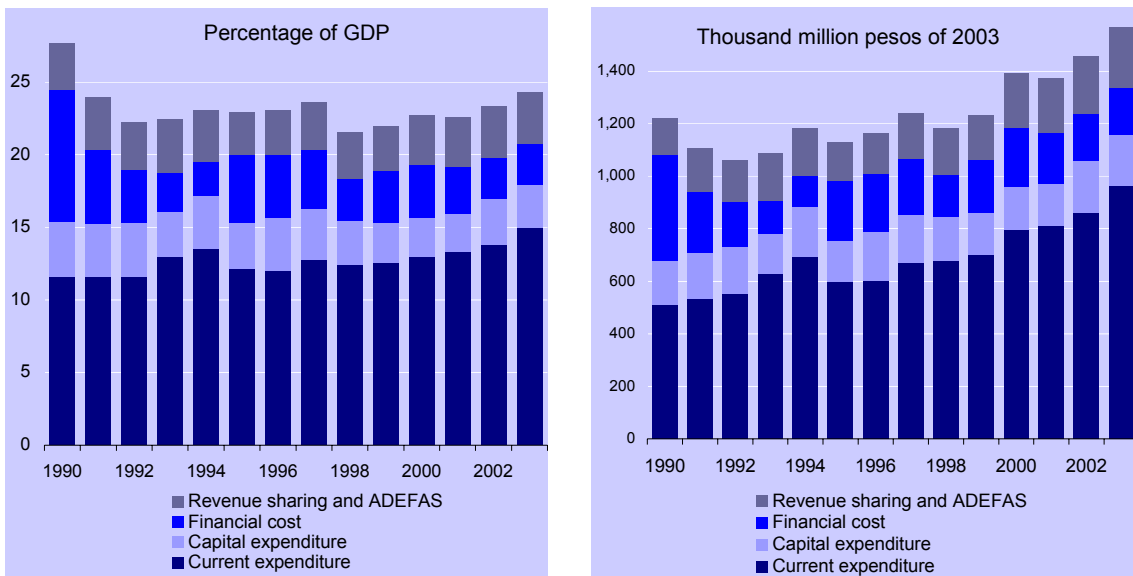
In 2003, nearly 95 percent of surplus revenues were channeled to outlays through the mechanisms to distribute surplus revenues.¹² Current expenditure in 2003 reached its highest level in the last thirteen years, both in real terms and as a percentage of GDP (Graph 20).

¹¹ Such measure does not affect the economic balance. However, it does affect public revenues and expenditures.

¹² Article 21 of the Federal Budget 2003 stated that in case of surplus revenues, these were to be channeled as follows: a) public enterprises can use their own surplus revenues, prior authorization from the Ministry of Finance; b) any increase in non-programmable expenditure must be covered; c) any programmable expenditure that could affect revenues-expenditures must be compensated; and d) once all of the above have been met, surplus revenues (24.8 thousand million pesos in 2003) would be channeled to state infrastructure (50 percent), the Oil Revenues Stabilization Fund (*Fondo de Estabilización de los Ingresos Petroleros, FEIP*) [25 percent], and to reorganizing the public balance (25 percent).

Graph 20

Federal Government Fiscal Expenditures



Source: Ministry of Finance.

Programmable expenditure rose 9.3 percent at a real annual rate due to an increase in both current expenditure (11.9 percent) and fixed investment (16 percent). The increase in the former resulted mainly from: a) greater outlays in personal services of public enterprises under direct budgetary control and in government contributions to states to finance both state education and health employees' payrolls and the PSV cost; b) higher operation costs from the following: cost increases in fuels for electricity generation; the higher rates in IMSS medical care basic services; higher expenditures related to PEMEX's inputs and maintenance services as well as contributions to PEMEX's Labor Fund and to the Federal Electoral Institute's (*Instituto Federal Electoral, IFE*) election process; c) higher subsidies and transfers (excluding payroll payments) mostly to the National Water Commission (*Comisión Nacional del Agua, CNA*), the Science and Technology Board (*Consejo Nacional de Ciencia y Tecnología, CONACYT*), the Ministry of Social Development's Distribution and Trade Promoting Subsidiary for Basic Food DICONSA, the Ministry of Agriculture, Rural Development and Fishing's Agency for the Marketing of Agriculture Products ASERCA (*Apoyo y Servicio a la Comercialización Agropecuaria*); and d) higher pension payments.

In 2003, fixed investment rose significantly by 16.0 percent (annual rate) due to PEMEX and CFE's repayment of long-term investment projects known as PIDIREGAS (*Proyectos de Infraestructura Productiva de Largo Plazo*), and to higher resources

channeled to communications and transport, potable water, sewer system and health services. Fixed investment includes federal government transfers to state infrastructure through the Trust for State Infrastructure (*Fideicomiso para la Infraestructura de los Estados, FIES*), the Fund for Infrastructure Investment (*Fondo para la Inversión en Infraestructura, FINFRA*), and the Program to Support the Strengthening of Federal Entities (*Programa de Apoyo para el Fortalecimiento de las Entidades Federativas, PAFEF*). Investment supported by the public sector, which includes fixed investment and PIDIREGAS, totaled 258.6 thousand million pesos (an annual increase of 20.3 percent in real terms), from which 141.2 thousand million (54.6 percent) were channeled to the energy sector.

Although financial investment included off-budget expenditures for the capitalization of both the Oil Revenues Stabilization Fund (*Fondo de Estabilización de los Ingresos Petroleros, FEIP*) and BANOBRAS, amounting to 14,874 million pesos, its level was 53.3 percent below, in real terms, to that observed in 2002. However, such comparison considers 48.9 thousand million pesos that were used to cover the gross cost of the liquidation of the National Farm Credit Bank (*Banco Nacional de Crédito Rural SNC, BANRURAL*) and the creation of the Rural Finance Agency (*Financiera Rural*) in 2002.

In 2003, non-programmable expenditure was 3.6 percent above 2002 figures. Such results were due to an increase in public debt's financial cost (2.4 percent at constant prices), which stemmed from both the effect of exchange rate depreciation on the external debt and from the reclassification of other expenditures from PEMEX's hedges and derivatives.¹³

In 2003, share federal revenues increased 8.6 percent in real terms. Nonetheless, revenue sharing to states and municipalities remained practically unchanged as compared with the previous year due to the federal government's decision to advance 2003 revenue sharing to states and municipalities at the end of 2002. Nonetheless, total transfers to states and municipalities (contributions, revenue sharing, PAFEF, and decentralized expenditure agreements) amounted to 545.6 thousand million pesos, thus increasing by 3.8 percent in real terms as compared with the previous year.

¹³ Such outlays are reported as financial costs since 2003. Prior to this year they were deducted from PEMEX's financial revenues.

III.5. Monetary And Credit Aggregates

III.5.1. Monetary Base, Net Domestic Credit and Net International Assets

At the end of 2003, the monetary base was 303.6 thousand million pesos, thus exhibiting an annual variation of 15 percent (16.4 percent considering average daily stocks during the year), and following a very similar pattern as that mentioned in the Monetary Program for 2003 (Graph 21a). The monetary base expands at a higher annual rate than that of nominal GDP; thus, its ratio to GDP continued to increase in 2003 (Graph 21b). Such process, known as remonetization, is due mainly to the significant reduction in the opportunity cost of holding money balances (interest rates). The reduction of interest rates is partly due to inflation abatement.

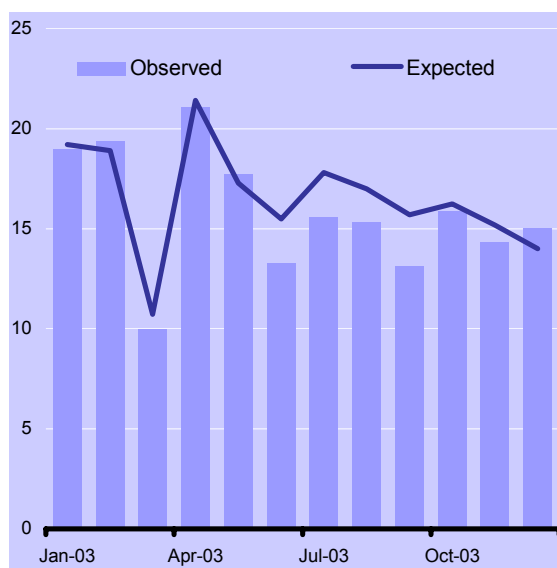
International evidence confirms that shocks to interest rates have a stronger and more persistent effect in low-inflation economies. Thus, the significant increase in the monetary base in 2002 and in early 2003 was due mainly to the considerable reduction in interest rates in 2001.¹⁴ By mid-2003 interest rates fell again, albeit not as markedly. Such trend leads to believe that the remonetization process is likely to continue in 2004, although at a slower pace.

In 2003, Banco de México's net international assets rose by 8.337 billion US dollars. This, together with the increase in the monetary base, brought about a contraction in net domestic credit of 52,972 million pesos (Table 20). International reserves increased by 9.451 billion US dollars during the year. The main source of international reserves was the purchasing of US dollars from PEMEX (15.380 billion). As for its uses, the federal government demanded 5.823 billion US dollars, while Banco de México sold 3.218 billion US dollars through the mechanism to slow the pace of international reserve accumulation established by the Exchange Commission (see section IV.2).

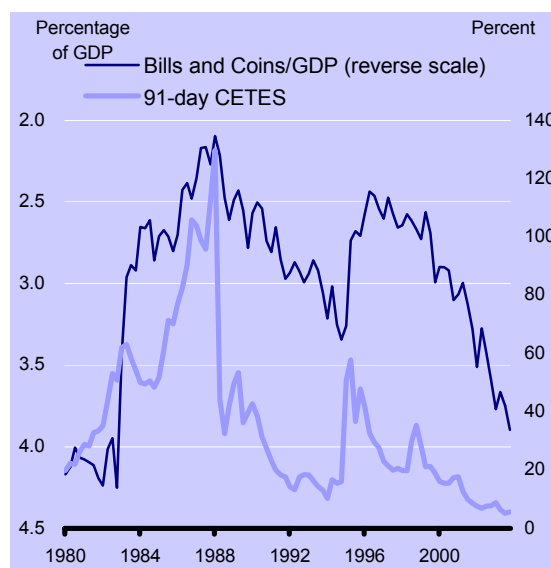
¹⁴ In 2002, the monetary base grew on average by 16.1 percent. During the first two months of 2003 it grew 18.3 percent and then fell to 14.5 percent in the last quarter of the year. Interest rates on 28-day CETES dropped from a monthly average of 17.89 percent in January 2001 to 6.29 percent in December of that year.

Graph 21 Monetary Base

a) Annual Variation of End of Period Stocks Percent



b) Remonetization^{1/} and Interest Rates



1/ Calculated as the ratio of bills and coins in circulation to GDP.

Table 20 Monetary Base, International Assets and Net Domestic Credit
Millions

	Stock		Flows in 2003				Accumulated at Dec. 31 st 2003
	At Dec 31 st 2002	At Dec 31 st 2003	Quarter				
			I	II	III	IV	
(A) Monetary Base (Pesos)	263,937	303,614	-26,087	2,168	-1,315	64,912	39,677
(B) Net International Assets (Pesos) ^{1/ 2/}	529,503	663,657	35,442	13,649	-3,978	47,537	92,650
Net International Assets (US dollars) ^{2/}	50,722	59,059	3,280	1,312	-420	4,164	8,337
(C) Net Domestic Credit (Pesos) [(A)-(B)] ^{1/}	-265,566	-360,043	-61,529	-11,481	2,663	17,375	-52,972
(D) International Reserves (US dollars) [(E)-(F)] ^{3/}	47,984	57,435	4,004	1,409	-1,280	5,317	9,451
(E) Gross Reserves (US dollars)	50,674	59,028	3,279	1,313	-405	4,167	8,354
PEMEX			2,901	3,522	4,331	4,626	15,380
Federal Government			-78	-1,684	-3,525	-536	-5,823
Sale of US dollars to banks ^{4/}				-1,280	-1,360	-578	-3,218
Other ^{5/}			456	755	149	656	2,015
(F) Liabilities with less than six months to maturity (US dollars)	2,690	1,593	-726	-96	875	-1,150	-1,097

1/ Net international assets' cash flows in pesos are estimated considering the exchange rate applied to each transaction.

2/ Net international assets are defined as gross reserves plus credit agreements with foreign central banks with more than six months to maturity, minus total liabilities payable to the IMF and credit agreements with foreign central banks with less than six months to maturity.

3/ As defined by Banco de México's Law.

4/ Daily sales of US dollars according to the mechanism to slow the pace of international reserve accumulation (see Exchange Commission's press bulletin of March 20th 2003).

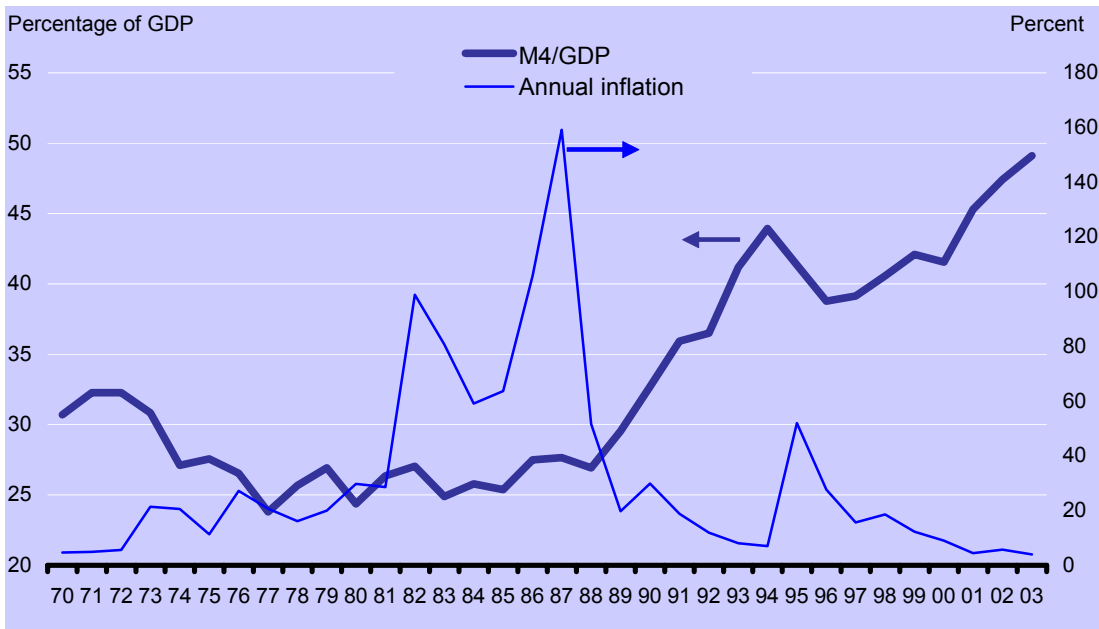
5/ Includes yields on international reserves and other transactions.

III.5.2. Monetary Aggregates and Financing to the Private Sector

Inflation affects economic activity negatively through different processes. One of them involves financial intermediation. Therefore, as inflation decreases and remains low, credit allocation becomes more efficient because risks associated with the process of granting and contracting of credit diminish.

The disinflation process undergone by Mexico in the last years has allowed for a greater deepening of the country's financial system. As a result, in 2003, the broad monetary aggregate M4 reached 49 percent of GDP, its highest level in the last thirty years.¹⁵

Graph 22 Monetary Aggregate M4 ^{1/} and Inflation
Percent



^{1/} Average stocks.

The recent stable financial conditions, together with the recovery of economic activity by the end of the year, enabled the broad monetary aggregates (M2 and M4) to grow even further (Table 21). As for broad monetary aggregates' components, public and private security holdings have expanded significantly while

¹⁵ Average monthly stocks.

bank term deposits have increased. The pattern followed by the former confirms the major development in debt markets in the last years (see section III.5.4). Nonetheless, small and medium corporations have limited access to debt markets and, therefore, commercial banks continue to be their main source of financing. Regarding the latter component, bank term deposits through checking and debit accounts grew at an average real annual rate of 5.2 percent in 2003, thus accounting for 41 percent of total bank term deposits.

Table 21 **Monetary Aggregates**
Annual real percentage change of average stocks

	2002 ^{1/}	2003			
		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
M1	12.91	6.65	6.73	6.62	7.94
M2	8.45	5.90	6.00	7.13	8.79
M4	7.37	5.87	5.94	7.25	8.54
Bank Term Deposits	-7.16	5.52	4.35	6.32	4.70
Public Securities ^{2/}	22.19	3.85	5.19	5.60	9.80
Private Securities	28.29	26.55	23.88	32.81	33.17
Retirement Savings Funds (excluding SIEFORES) ^{3/}	11.08	4.15	5.48	5.86	7.06

1/ Yearly average.

2/ Federal government securities, IPAB Banco de México, Toll Road Rescue Program (*Fideicomiso de Apoyo para el Rescate de Autopistas Concesionadas, FARAC*) and state and municipal governments.

3/ Housing and retirement funds held by Banco de México.

The Retirement Savings System (*Sistema de Ahorro para el Retiro, SAR*), which grew at an annual real rate of 15.5 percent in December 2003, has become the most dynamic source of domestic financial saving over the last years. In 2003, it accounted for 21 percent of the total stock of financial savings, thus explaining 30 percent of its expansion. During the same year, financial savings linked to the pension funds system remained vigorous because the decline in the number of workers insured by the IMSS was more than compensated by the increase in the IMSS average wage rate.¹⁶

The reduction of uncertainty, characterized by the attainment of both lower inflation and interest rates, has brought additional benefits to both public and private sectors as they have been able to substitute external for domestic debt and extend the

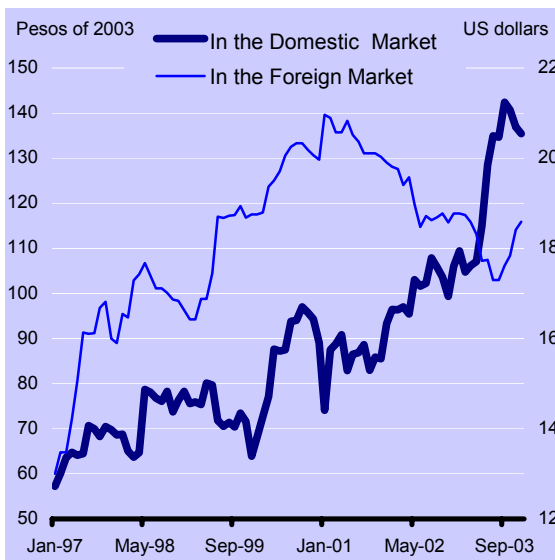
¹⁶ The number of workers insured by the IMSS at December 2003 fell by 90,431 compared with the same month of the previous year (annual variation of -0.7 percent). In contrast, the IMSS average wage rate increased from 159.9 to 170.5 pesos per day from December 2002 to December 2003 (annual variation of 6.6 percent).

terms of their liabilities denominated in pesos. This has lessened financial intermediation vulnerability to domestic and external shocks. Under this setting, in 2003, non-financial private sector borrowing originated mainly from domestic sources, through non-bank financial intermediaries and the issuance of debt instruments, which at December exhibited annual real variations of 13.9 and 33.2 percent, respectively (Table 22 and Graph 23a).

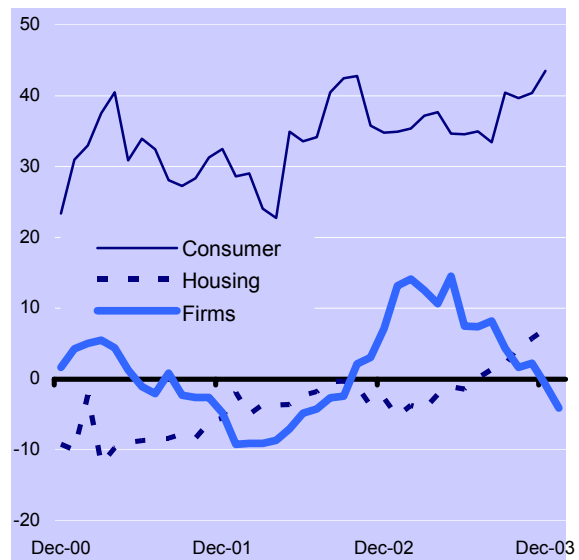
In 2003, total financing to households gained strength while that to firms contracted (Table 22). Such condition particularly involved bank financing, as consumption credit remained robust, while housing credit, for the first time in almost a decade, began to increase (7.1 percent at an annual rate, in December).¹⁷ Nevertheless, after having grown by 7.1 percent in December 2002, financing to firms remained practically unchanged in 2003 (Graph 23b).

Graph 23 Securities Issued by the Non-financial Private Sector and Financing to the Private Sector

a) Securities Issued in Domestic and Foreign Markets
Stocks in thousand million



b) Bank Financing ^{1/}
Annual percentage change in real terms



^{1/} Performing credit granted by commercial banks excluding portfolio related with debt-restructuring programs.

The disparity in the performance of financing to firms and households in Mexico partly reflects the economy's current cyclical

¹⁷ Performing loans excluding portfolio related with debt-restructuring programs.

position in which consumption has increased while investment remains stagnant. Nonetheless, firms have improved their financial positions due to the lower interest rates, and therefore are in better condition to raise their investments once the demand for their products picks up. The results of Banco de México's survey of credit market conditions confirm such behavior. Firms agreed that credit demand factors have gained relative importance against credit supply conditions as the main cause limiting bank credit (Graph 24).¹⁸

Table 22 Financing to the Private Sector

	Stocks in thousand million pesos			Annual real growth rate (%)	
	Dec.01	Dec.02	Dec.03	Dec.02	Dec.03
Total financing	1,563.8	1,699.6	1,771.9	2.8	0.3
Foreign	517.2	558.6	578.8	2.2	-0.4
Foreign direct financing ^{1/2/}	332.7	359.8	367.6	2.3	-1.7
Foreign debt issuance ^{3/}	184.5	198.9	211.2	2.0	2.1
Domestic	1,046.6	1,140.9	1,193.1	3.1	0.6
Commercial banks ^{4/}	671.6	676.8	681.1	-4.7	-3.2
Development banks ^{4/}	89.0	112.8	95.4	19.9	-18.6
Non-financial intermediaries ^{5/}	116.9	151.2	179.1	22.3	13.9
Debt issuance	87.2	105.3	145.8	14.2	33.2
Suppliers credit ^{6/}	81.9	94.9	91.7	9.6	-7.1
Memo:					
Households	325.2	356.0	394.9	3.6	6.7
Firms ^{7/}	1,238.6	1,343.6	1,377.0	2.6	-1.4
Foreign financing in US dollars ^{8/}	56.4	53.5	51.5	-5.1	-3.7

1/ Including firms' foreign suppliers.

2/ Including credit granted by foreign banks, and other creditors. Source: Balance of Payments, excluding PIDIREGAS-PEMEX.

3/ Commercial paper, bonds and emissions placed abroad. Source: Balance of Payments, excluding PIDIREGAS-PEMEX.

4/ Including total credit portfolio and accrued interests, and portfolio related with debt-restructuring programs (UDIs and IPAB-Fobaproa).

5/ Limited purpose financial companies (*Sociedades Financieras de Objeto Limitado, SOFOLES*), savings and loan companies, financial leasing companies, financial factoring companies, and credit unions.

6/ Refers only to suppliers of firms listed in the Mexican Stock Exchange (*Bolsa Mexicana de Valores, BMV*). Preliminary figures (up to date not all firms have reported their balance sheets to the BMV).

7/ Including individuals with business activity.

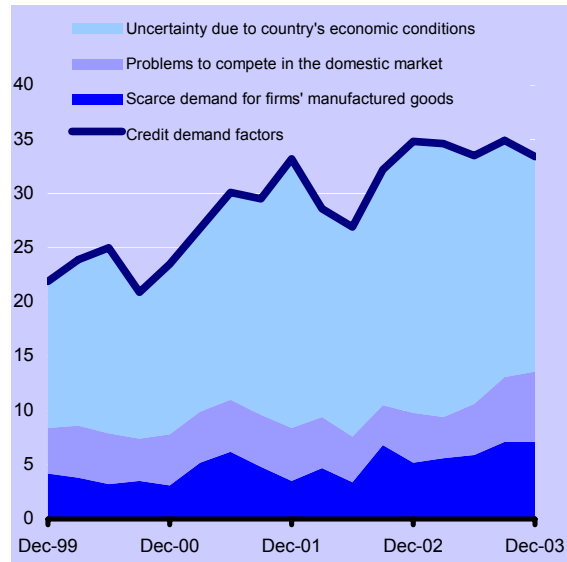
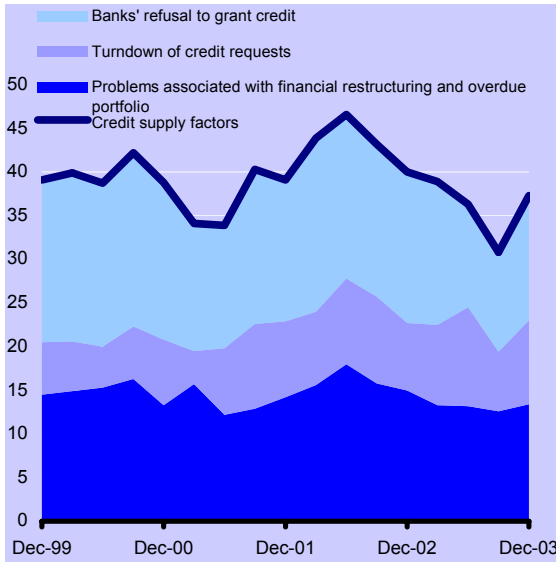
8/ Billion US dollars. Nominal variation. Does not include PIDIREGAS-PEMEX.

¹⁸ Supply factors are those related with banks' refusal to grant credit, with the turndown of credit requests, and with financial-restructuring and overdue portfolio. Demand factors are those pertaining to the uncertainty over the country's economic conditions, the problems to compete in the domestic market, and the scarce demand for firms' manufactured goods. Surveys' results are reported in the Statistical Appendix of this Report.

Graph 24 **Factors Limiting Bank Lending**^{1/}
 Percentage of total responses

a) Factors Limiting the Supply of Bank Credit

b) Factors Limiting the Demand for Bank Credit



1/ Source: Banco de México's Survey of Credit Market Conditions.

III.5.3. Flow of Funds

The flow of funds exercise presents, in condensed format, the financial flows among the different sectors of the economy (public, private, bank and foreign), identifying them as net suppliers or net users of resources during the year.¹⁹ Flows equal net positions. A positive sign means a sector received financing while a negative sign implies a creditor position, i.e., a sector granted financing.²⁰ In order to identify the total demand for public sector's financial resources, a broader definition, the Public Sector Borrowing Requirements (PSBR), is considered.²¹

In 2003, the financial market was characterized by private sector's net savings in financial domestic instruments. The public sector continued being the main borrower of domestic financial resources through the placement of securities. For a third year in a row, the use of external resources diminished as compared with the

¹⁹ For a detailed description of the methodology for preparing the flow of funds matrix, see Banco de México's Annual Report 1998, Appendix 6, p. 243.

²⁰ For a detailed matrix of financial sources and uses for 2003 refer to the Statistical Appendix of this Report.

²¹ For a detailed description of PSBR, see Appendix 2 of this Report. The flow of funds matrix uses the PSBR version that includes non-recurrent revenues.

previous year. This was due partly to the contraction in foreign investment and to a higher accumulation of international reserves.

In 2003, the private sector exhibited a total net creditor position of 1.2 percent of GDP (item 17), a significant surplus compared with the balanced position observed in 2002. Private sector's higher creditor position was due to an increase in net savings in domestic financial instruments and the significant reduction in net foreign financing to this sector, which dropped from 3.1 percent of GDP in 2002 to 2.2 percent in 2003. Such results stemmed from the fall in foreign direct investment and capital inflows from residents. Thus, investment remained weak in 2003.

Regarding private sector's domestic financial savings (3.4 percent of GDP), bank term deposits recovered significantly due to households' higher contribution (1.4 percent of GDP). Financing to the private sector was practically nil, ending below its level of 2002 (0.1 percent of GDP). This was due to two factors. On the one hand, a contraction in financing to firms and other institutions (0.5 percent of GDP) and, on the other, an increase in financing to households, from 0.2 percent of GDP in 2002 to 0.5 percent in 2003.²²

In 2003, PSBR were 2.7 percent of GDP, 0.5 percentage points higher than in 2002. PSBR were largely financed with domestic resources (81 percent), mainly through the placement of securities. In addition, net external financing to the public sector was 0.5 percent of GDP, resources mostly related with PIDIREGAS.

Overall, external financing equaled 1.5 percent of GDP, figure significantly lower than that observed in 2002 (2.2 percent of GDP). The main components of external financing were foreign direct investment (1.7 percent of GDP) and lesser financial assets of Mexicans abroad. The significant accumulation of Banco de México's international reserves over the last years (from 1.1 percent of GDP in 2002 to 1.5 percent in 2003) has reduced net external financing.²³

²²Also includes financing to credit unions, savings and loan companies, investment funds, financial leasing companies, financial factoring companies, limited purpose financial companies (*SOFOL*ES), insurance companies, investment funds specialized in retirement savings (*SIEFORE*S), bonding companies, deposit warehouses, public funds and trusts, and brokerage houses. This item includes financing to states and municipalities and securities associated with debt-restructuring programs.

²³ In 2003, the sale of US dollars through the mechanism to slow international reserve accumulation adopted by the Exchange Commission equaled 0.5 percent of GDP. Half of international reserves accumulated in the last months of 2003 will be sold between February and April 2004.

Table 23 **Flow of Funds of Mexico's Financial System^{1/}**

Net financing received by sector
(Positive sign=debtor position, negative sign=creditor position)
Flows revalued as a percentage of GDP^{2/}

	Private ^{3/}	Public ^{4/}	Bank ^{5/}	External	Private ^{3/}	Public ^{4/}	Bank ^{5/}	External
	2002				2003			
1. Change in domestic financial instruments (2 + 7 + 8 + 9)	-3.2	2.1	0.9	0.2	-3.4	2.2	1.1	0.1
2. Financial instruments	-3.8	2.8	0.7	0.2	-4.2	2.9	1.2	0.1
3. Bills and coins	-0.5		0.5		-0.5		0.5	
4. Checkable, time and savings deposits	0.1	-0.3	-0.1	0.2	-2.0	-0.3	2.1	0.2
4.1 Nonfinancial enterprises and other institutions	0.3	-0.3	-0.3	0.3	-0.6	-0.3	0.7	0.2
4.2 Households	-0.1		0.2	-0.1	-1.4		1.4	0.0
5. Securities issued ^{6/}	-3.6	3.4	0.2	0.0	-1.6	3.1	-1.4	-0.1
6. Retirement and housing funds ^{7/}	0.2	-0.2			-0.1	0.1		
7. Loans	0.4	0.0	-0.4		0.1	-0.7	0.7	
7.1 Nonfinancial enterprises and other institutions ^{8/}	0.1	0.0	-0.1		-0.5	-0.7	1.2	
7.2 Households	0.2		-0.2		0.5		-0.5	
8. Shares and other equity	-0.1		0.1	0.0	-0.1		0.0	0.0
9. Other financial system items ^{9/}	0.3	-0.8	0.4		0.7	0.1	-0.8	
10. Change in external financial instruments (11 + 12 + 13 + 14 + 15)	3.1	0.1	-0.9	-2.4	2.2	0.5	-1.1	-1.6
11. Foreign direct investment	2.2			-2.2	1.7			-1.7
12. External financing	-0.3	0.3	-0.4	0.4	-0.6	0.7	0.0	-0.1
13. Financial assets held abroad	1.3	-0.1	0.7	-1.8	0.8	-0.2	0.5	-1.1
14. Banco de México's International Reserves			-1.1	1.1			-1.5	1.5
15. Errors and omissions (balance of payments)	-0.1			0.1	0.2			-0.2
16. Statistical discrepancy^{10/}	0.0			0.0	0.0			0.0
17. Total change in financial instruments (1+ 10 +16)	0.0	2.2	0.0	-2.2 ^{11/}	-1.2	2.7	0.0	-1.5 ^{11/}

1/ Preliminary figures. Figures may not add up due to rounding.

2/ Excludes the effect of Mexican peso's exchange rate fluctuations vis-à-vis other currencies.

3/ Private sector includes firms, households and non-bank financial intermediaries.

4/ Public sector measured as Public Sector Borrowing Requirements (*Recursos Financieros del Sector Público, RFSP*), including non-recurrent revenues.

5/ Banking sector includes Banco de México, development and commercial banks (including the latter's agencies abroad). Given their condition as financial intermediaries, this sector has a total net position of zero (item 17). Consolidated financial flows from the banking sector were estimated using statistics on assets and liabilities from commercial and development banks, and Banco de México.

6/ Includes government securities, bonds issued by the IPAB (BPAs and BPATs), Banco de México's monetary regulation bonds (BREMs), private securities, and securities from states and municipalities. As for the private sector, it includes securities held by SIEFORES.

7/ Includes retirement funds from the Public Employees Social Security Institute (*Instituto de Seguridad y Servicios Sociales para los Trabajadores del Estado, ISSSTE*) and from the IMSS held by Banco de México, and housing funds.

8/ Private sector includes firms, credit unions, savings and loan companies, investment funds, financial leasing companies, financial factoring companies, limited purpose financial companies (*Sociedades Financieras de Objeto Limitado, SOFOLES*), insurance companies, investment funds specialized in retirement savings (*Sociedades de Inversión Especializadas en Fondos para el Retiro, SIEFORES*), bonding companies, deposit warehouses, public funds and trusts, brokerage houses, states and municipalities, and securities associated with debt-restructuring programs. The public sector includes entities as defined by PSBR.

9/ Includes items such as non-classified assets, real estate assets and others, and banking sector's equity and profit and loss accounts.

10/ Difference between financial data and that obtained from the balance of payments.

11/ Drawn from the current account of the balance of payments. A negative figure means the domestic economy received foreign financing (external sector surplus), which equals Mexico's current account deficit.

The total financial position (item 17) confirms that PSBR (2.7 percent of GDP) were met with both external (1.5 percent of GDP) and private sector (1.2 percent of GDP) surpluses in 2003.

Thus, the private sector became both a net saver in the domestic market (3.4 percent of GDP) and a net borrower of foreign resources (2.2 percent of GDP). In contrast, the public sector was mostly a borrower of domestic financial resources.

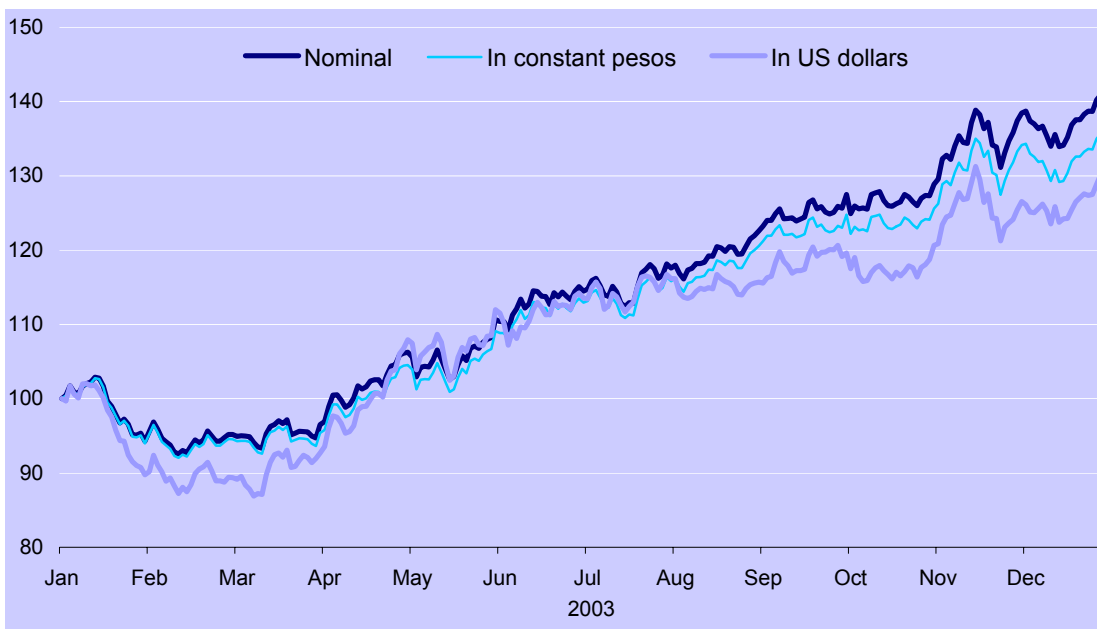
III.5.4. Stock and Derivatives Markets

Despite the uncertain environment surrounding both the Mexican economy and the international financial markets, Mexico's Stock Exchange (*Bolsa Mexicana de Valores, BMV*) gained strength in 2003. Mexico's Stock Exchange Price and Quotations Index (*Índice the Precios y Cotizaciones, IPC*) ended the year at historically high levels (Graph 25), with an annual nominal yield of 43.5 percent (38.1 percent in real terms and 31.7 percent measured in US dollars).²⁴

Graph 25

Mexican Stock Market

2 January 2003 = 100



Source: Prepared by Banco de México with data from the Mexican Stock Exchange (*Bolsa Mexicana de Valores, BMV*).

Furthermore, in May 2003, the BMV implemented a new mechanism to carry out transactions in foreign stock exchanges through Mexican brokerage firms. The new mechanism, the Global

²⁴ At the end of 2003, the IPC in US dollars was 12.6 percent below its historically highest level of January 1994.

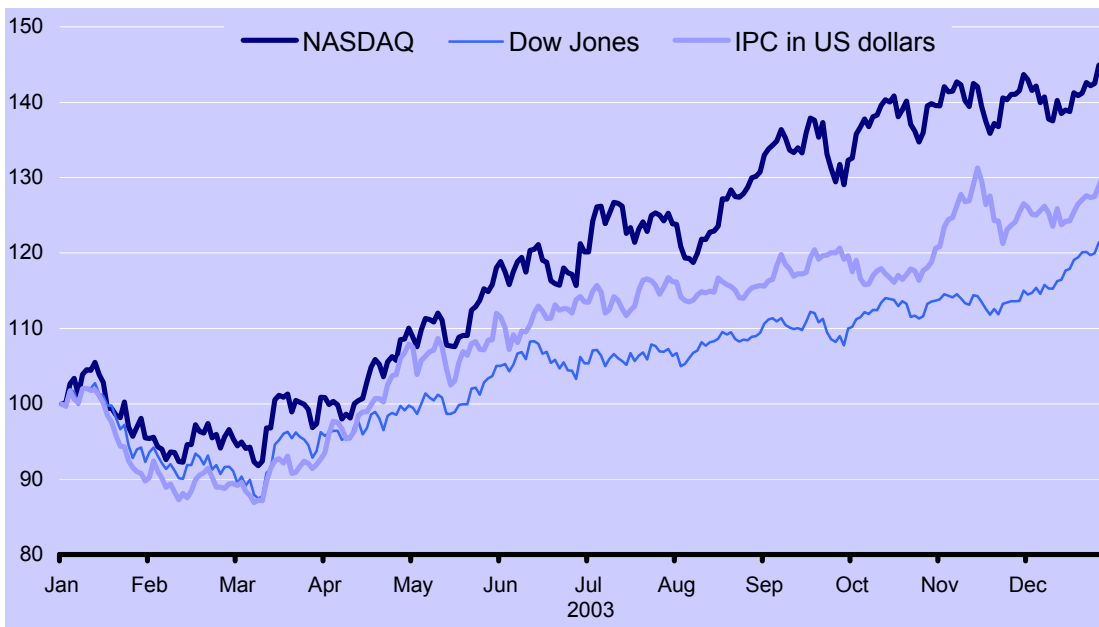
Market BMV, offers new investment possibilities in capital and securities markets.

During the first quarter of the year, the IPC fell significantly due to the uncertainty in international financial markets at the onset of the war in Iraq. Once this risk was overcome, the stock market began to follow an upward trend. A more optimistic outlook on the performance of the U.S. economy also added to such results. In turn, the IPC behaved similarly to the Dow Jones and NASDAQ Indexes (Graph 26).

Graph 26

Mexican Stock Exchange's Price and Quotations Index (*Índice de Precios y Cotizaciones, IPC*) in US dollars, Dow Jones and NASDAQ Indexes

2 January 2003=100



Source: Prepared by Banco de México with data from the Mexican Stock Exchange and Reuters.

The debt market that is negotiated through the Mexican Stock Exchange rallied in 2003 due to the higher issuance of stock certificates. At the end of the year, such certificates exhibited an annual variation of 97.7 percent in real terms, accounting for 59.8 percent of the total stock of private securities in circulation (Graph 27). Stock certificates have fostered the development of Mexico's debt market through the securitization of firms' assets. The most noteworthy case has been that of mortgage SOFOLES, which

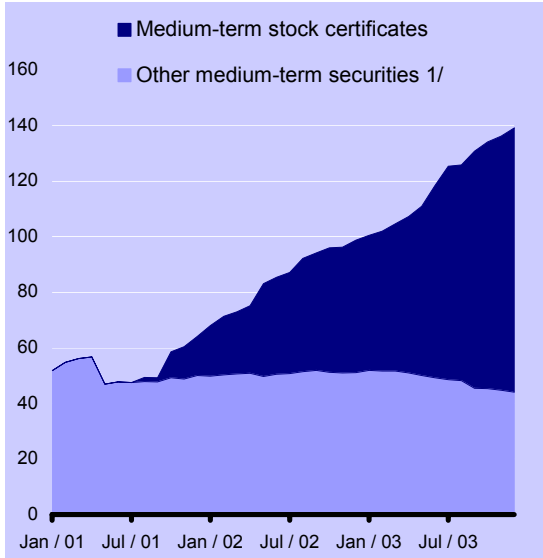
securitized mortgage portfolio and bridge financing through the placement of 14 securities. At the end of 2003, such securitization amounted to 5,971 million pesos.

Graph 27

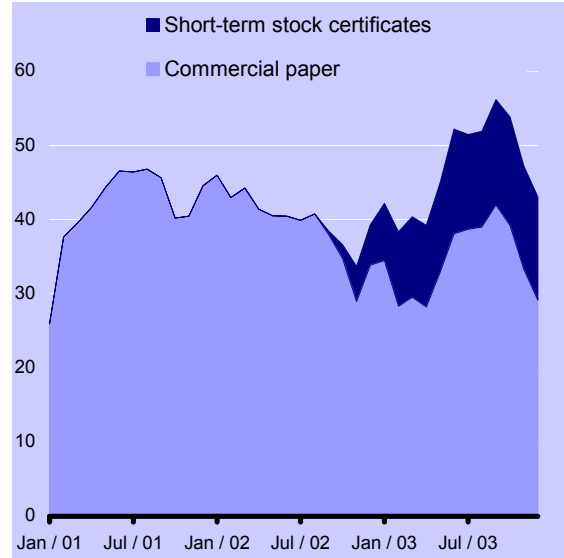
Private Securities

Stocks in circulation in thousand million pesos

a) Medium-term Private Securities



b) Short-term Private Securities



1/ Including debentures, participation certificates, and medium-term promissory notes.

Stock certificates issued by América Móvil, CEMEX, Coca-Cola FEMSA, TELMEX and Bimbo (Graph 28a), which amounted to 45,371 million pesos, equaled 47.7 percent of total medium-term private securities issued. Public enterprises, states and municipalities have also issued medium-term stock certificates to diversify their sources of financing. At the end of 2003, total emissions from such enterprises were 24,616 million pesos. Among the most relevant were those by PEMEX and CFE for 6,500 and 6,000 million pesos, respectively.²⁵ As for placements made by states and municipalities, the most important were those done through management and payment trusts to securitize their income from both local taxes and federal revenues.

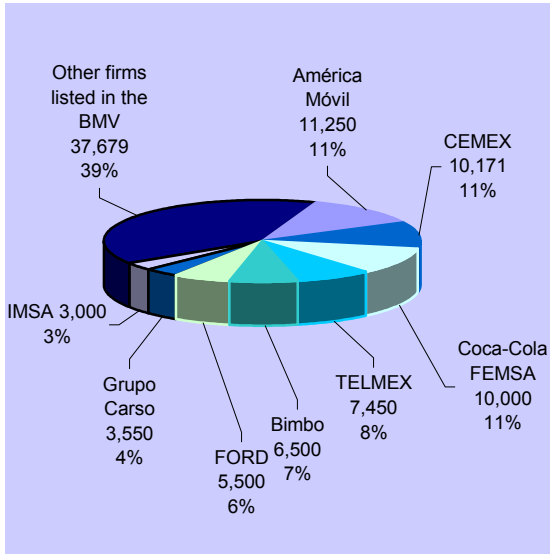
²⁵ PEMEX issued three stock certificates: one for 3,000 million pesos with 1,455 days maturity, paying a quarterly coupon of 91-day CETES plus 67 basis points; another one for 2,500 million pesos with 2,176 days maturity, paying a half-yearly coupon of 182-day CETES plus 65 basis points; and one for 1,000 million pesos with 2,547 days maturity, paying a half-yearly fixed rate coupon of 8.38 percent per year. CFE issued one stock certificate of 6,000 million pesos with 3,640 days maturity, paying a 182-day CETES interest rate plus 85 basis points.

Graph 28

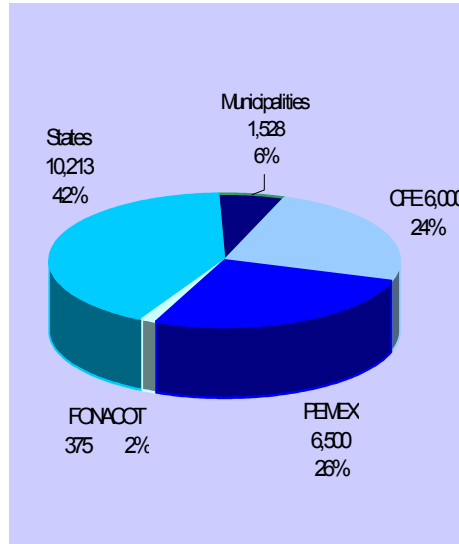
Medium-term Stock Certificates, December 2003

Percentage structure and stocks in circulation in million pesos

a) Private sector



b) Public Sector



In 2003, the Mexican Derivatives Market (MexDer) rose in trading volume (from 335,757 contracts in 2002 to 692,514 in 2003). Nonetheless, although there is a wide range of products traded in this market such as interest rate futures, stock market index futures, US dollar-peso futures, and stock futures, the 28-day interbank interest rate futures account for most of the market's trading volume (93.2 percent in 2003).

III.6. Inflation

Annual CPI inflation was 3.98 percent in December 2003, 1.72 percentage points below its level in December 2002. Annual CPI inflation thus remained within the variability interval of plus/minus one percentage point set around the 3 percent inflation target for the end of the year. Annual core inflation, which is an indicator that allows to identify medium-term inflation pressures more accurately, was 3.66 percent, 0.11 percentage points below 2002 figures.

The reduction in annual CPI inflation is mainly attributed to the following factors: a) a monetary policy geared to abating inflation pressures (which, in turn, has helped to ease inflation expectations); b) the continued weakness of external demand; and c)

the absence of significant supply shocks since the second quarter of the year.

III.6.1. Consumer Prices in 2003

The fall in annual CPI inflation concentrated in the last three quarters of the year (Table 24) mainly due to the lower rate of growth in CPI's non-core prices in those months. In contrast, during the first quarter of the year, agricultural prices moved upward due to the inflation pressures that arose at the end of 2002.

Table 24

Consumer Price Index

Percentage change

Month	2003		
	Monthly ^{1/}	Accumulated ^{2/}	Annual ^{3/}
January	0.40	0.40	5.16
February	0.28	0.68	5.52
March	0.63	1.32	5.64
April	0.17	1.49	5.25
May	-0.32	1.16	4.70
June	0.08	1.25	4.27
July	0.14	1.39	4.13
August	0.30	1.70	4.04
September	0.60	2.30	4.04
October	0.37	2.68	3.96
November	0.83	3.53	3.98
December	0.43	3.98	3.98

1/ Compared with the previous month.

2/ Compared with December of the previous year.

3/ Compared with the same month of the previous year.

CPI's non-core component contributed the most to the reduction in annual CPI inflation by falling 5.39 percentage points, from an annual rate of 10.05 percent in December 2002 to 4.66 percent at the end of 2003. Such results confirm that the supply shocks that affected the disinflation process at the end of 2002 and in early 2003 had practically assimilated by the end of 2003.

According to their incidence on CPI inflation, non-core items exhibited the following results: i) the significant price increases in the subindex of fruits and vegetables in 2002 (22.23 percent), together with good harvests in 2003, fostered the significant reduction in the annual rate of growth of such subindex (-2.36 percent at the end of 2003); ii) annual inflation of the

different goods and services with prices administered by the public sector fell significantly in items such as electricity (from 34.97 percent in December 2002 to 7.04 percent in the same month of 2003) and gas LP (from 25.93 percent to 7.75 percent in the same period); iii) goods and services with concerted prices also fell markedly (4.22 percentage points) at an annual rate of 1.90 percent in December 2003; and iv) annual inflation of education services, despite remaining high (8.59 percent at the end of 2003), decreased 1.45 percentage points throughout the year.

Annual core inflation fell 0.11 percentage points in 2003 as compared with 1.31 percentage points in 2002 (Graph 29). The slow decline in annual core inflation was due to two opposite factors: the slower rate of growth of the core services subindex, and the higher rate of growth of core merchandise inflation.

Core merchandise inflation jumped from 1.95 percent in December 2002 to 2.62 percent in 2003. During the same period, food prices (which were affected by price increases in food commodities and the peso depreciation) rose sharply at an annual rate, from 3.77 percent to 4.70 percent. Price variations in the item other merchandises (mainly affected by the exchange rate depreciation) also rose from 0.58 percent to 1.24 percent during the same period.

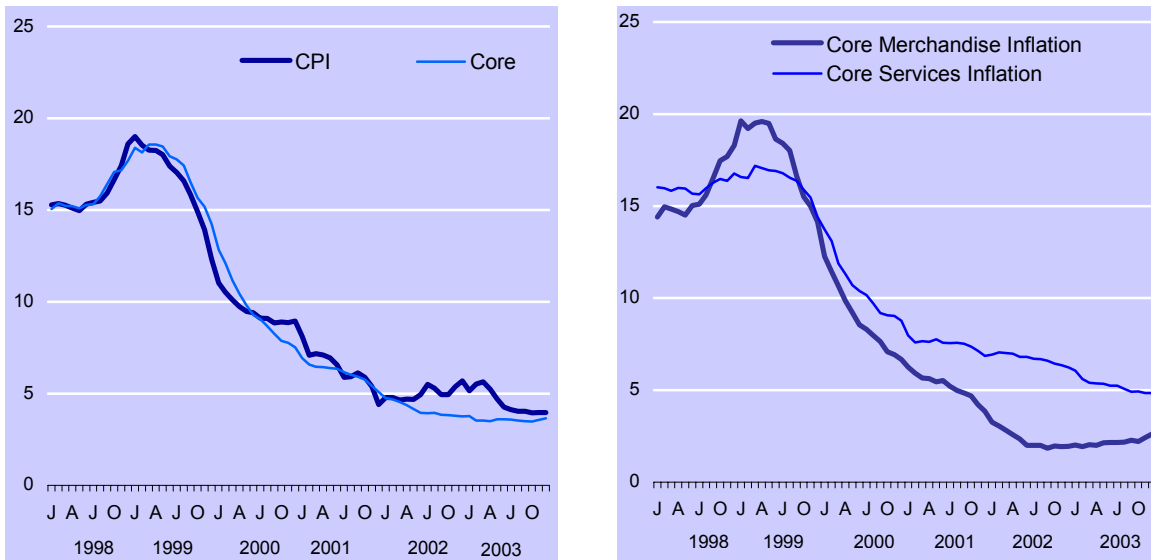
In contrast, annual core services inflation dropped 1.39 percentage points. As for its components, prices of housing (rented housing and user cost of owner-occupied housing) fell significantly at an annual rate (1.91 percentage points). Other services inflation dropped 0.71 percentage points. Annual core services inflation fell in 2003 despite the fact that wage increases were not consistent with the slack prevailing in the labor market.

Inflation of both rented housing and owner-occupied housing fell due to: a) lower interest rates; b) a greater availability of housing credit; and c) higher public expenditure in housing. Such conditions have brought about a greater supply of housing.

Graph 29

Inflation (CPI and Core)

Annual percentage change



III.6.2. Main Determinants of Inflation

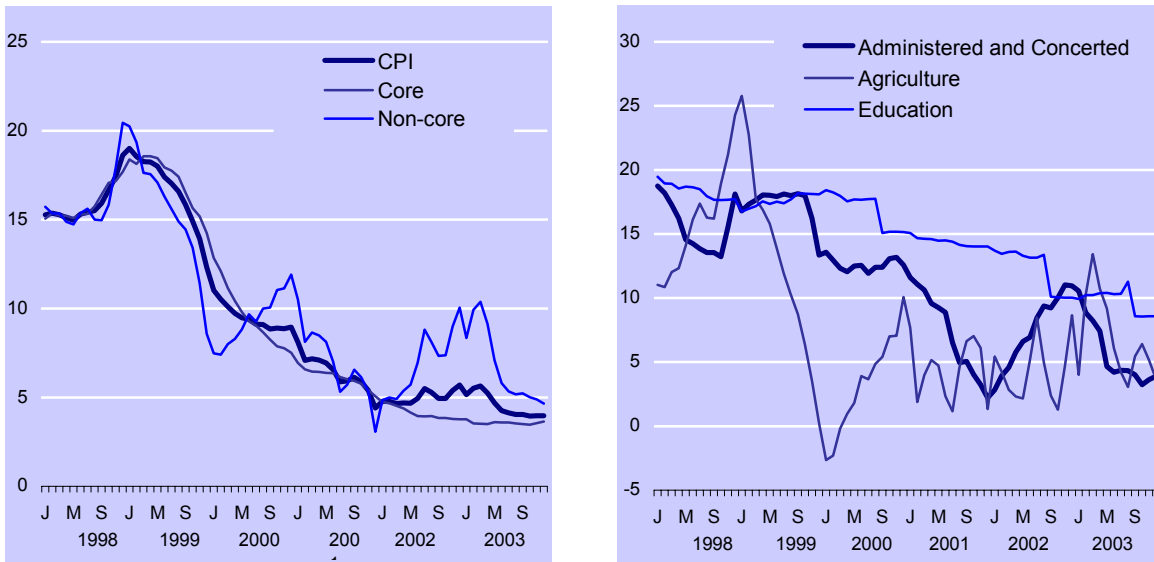
The gap between annual CPI inflation and annual core inflation narrowed during the year. The difference between both indicators diminished from 1.93 percentage points in December 2002 to 0.32 percentage points at the end of 2003. This was due to the slower growth rate in CPI's non-core price subindexes, which include the price subindexes of goods and services administered and concerted, education, and agriculture goods (Graph 30).

During 2003, prices of gas and electricity, both included in the price subindex of goods and services administered by the public sector, were revised. In the last five months of 2003, an average reduction of 0.43 percent was authorized for gas prices, making them slip from 25.93 percent (annual rate) in December 2002 to 7.75 percent in the same month of 2003. Regarding electricity prices, a 0.469 percent monthly increase and a new range for summer subsidies was approved. Such measures benefited certain northwestern cities. In contrast, higher consumption residential electricity tariffs (unsubsidized) were adjusted at a variable rate using energy goods' prices as a reference. As a result, in 2003, electricity prices exhibited an annual variation of 7.04 percent.

Graph 30

Inflation (CPI, Core and Non-core)

Annual percentage change



In December 2002, low-octane gasoline prices in northern cities were adjusted to their price references in the U.S. Consequently, prices of this fuel fell significantly during that month. Nonetheless, at the end of December 2003, these moved up due to the increase in gasoline's price references. As a result, annual inflation of gasoline prices in northern cities was 12.89 percent and 4.43 percent the country as a whole.

Summing up, given the reduction in the annual variations of electricity and gas prices, and the slight increase in gasoline prices, the growth rate in the price subindex of goods and services with prices administered by the public sector dropped 10.73 percentage points. Nonetheless, it still remained high (6.11 percent at the end of the year).

Annual inflation of agriculture goods' prices was affected by two opposite factors. On the one hand, good harvests in 2003 and the arithmetical effect of a higher base of comparison had a positive effect on fruits and vegetables' prices. As a result, the annual inflation of this component fell 24.59 percentage points. On the other, prices of other agricultural goods were affected by agriculture commodities' sharp price increases (particularly beef and eggs). Thus, the annual growth rate of prices of other agriculture goods rose 8.44 percentage points. The net effect was a reduction in agriculture price subindex's annual inflation (5 percentage points).

As for education prices, their growth rate has declined in the last four years. Nonetheless, since they have adjusted slowly, they still remain way above CPI inflation. The annual growth rate of education prices in 2003 dropped 1.45 percentage points as compared with December 2002, thus ending the year at 8.59 percent.

Table 25**CPI**

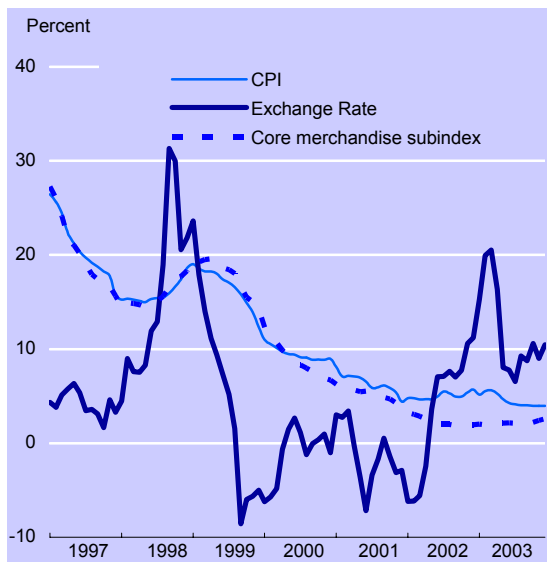
Percentage changes

Month	2003									
	CPI		Core		Prices Administered and Concerted		Agriculture		Education	
	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual
January	0.40	5.16	0.47	3.78	1.16	10.55	-1.64	4.01	0.36	9.92
February	0.28	5.52	0.51	3.54	0.30	8.86	-1.97	10.29	0.64	10.24
March	0.63	5.64	0.44	3.53	0.46	8.22	2.92	13.42	0.16	10.24
April	0.17	5.25	0.36	3.51	-0.09	7.42	-0.88	10.74	0.15	10.39
May	-0.32	4.70	0.30	3.61	-2.78	4.65	-0.48	9.18	0.04	10.41
June	0.08	4.27	0.12	3.60	0.07	4.21	-0.18	6.09	0.06	10.31
July	0.14	4.13	0.14	3.59	0.04	4.36	0.43	4.21	0.12	10.34
August	0.30	4.04	0.23	3.54	0.35	4.34	-0.47	3.06	2.15	11.28
September	0.60	4.04	0.17	3.51	0.49	4.02	1.68	5.47	4.66	8.57
October	0.37	3.96	0.24	3.48	0.70	3.24	0.96	6.40	-0.01	8.56
November	0.83	3.98	0.30	3.57	3.01	3.63	1.29	5.13	0.03	8.59
December	0.43	3.98	0.32	3.66	0.22	3.91	2.07	3.65	0.00	8.59

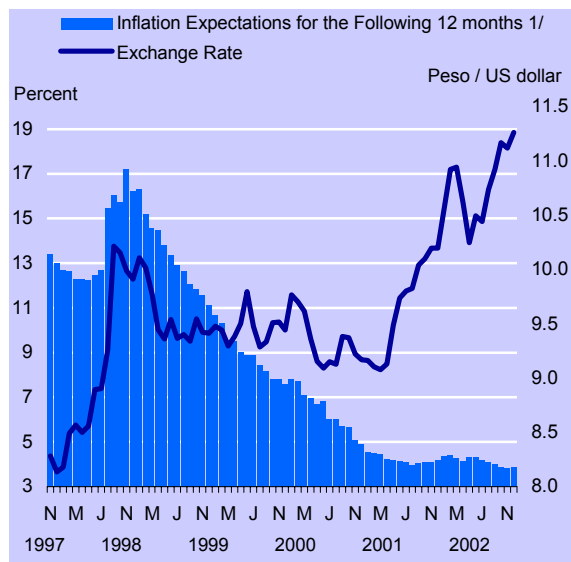
The exchange rate has historically affected prices in Mexico (Graph 31), either directly (merchandise prices) or indirectly (inflation expectations). In the last years, exchange rate's passthrough coefficient has fallen significantly. Nonetheless, the sharp depreciation of the exchange rate since mid-2002, despite the reduction in its passthrough coefficient, affected, albeit moderately, the development of core merchandise prices.

Graph 31

a) CPI and Exchange Rate
Annual percentage change



b) Inflation Expectations and Exchange Rate
Annual percentage change and peso/US dollar exchange rate



1/ According to Banco de México's Survey on Private Sector Economic Analysts' Expectations.

Table 26 CPI Inflation, Core Inflation and Complementary Subindexes Inflation
Percentage change

Item	Dec. 2002	Dec. 2003	CPI's variation structure	
	Dec. 2001	Dec. 2002	Contribution in Percentage Points	Percentage Structure
CPI Inflation	5.70	3.98	3.98	100.00
Core	3.77	3.66	2.51	63.07
Merchandise	1.95	2.62	0.95	23.87
Services	6.23	4.84	1.56	39.20
Administered by/ Concerted with the Public Sector	10.96	3.91	0.69	17.33
Administered	16.84	6.11	0.51	12.81
Concerted	6.12	1.90	0.18	4.52
Agriculture	8.65	3.65	0.31	7.79
Fruits and vegetables	22.23	-2.36	-0.09	-2.26
Other agriculture	-0.10	8.34	0.40	10.05
Education	10.04	8.59	0.47	11.81

III.6.3. Producer Price Index (PPI)

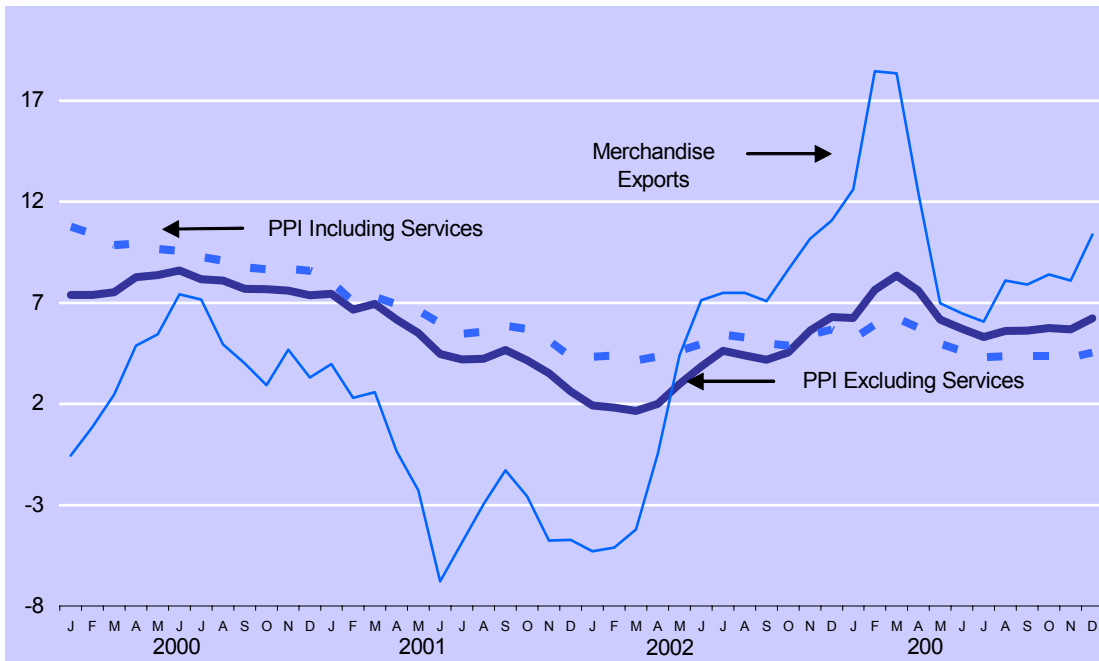
Final Goods

The Producer Price Index (PPI) excluding oil and services rose at an annual rate of 6.24 percent in December 2003, figure similar to that in 2002 (6.29 percent). Nonetheless, annual PPI inflation exhibited a mixed behavior during the year. The upward trend observed since April 2002 continued during the first quarter of 2003. Thus, in March 2003, the PPI grew at annual rate of 8.34 percent. In the second quarter, annual inflation of PPI excluding oil and services fell and then increased during the rest of the year, although at a slower rate than that observed in the first quarter. This was due mainly to the behavior of export prices, which are largely affected by exchange rate fluctuations.

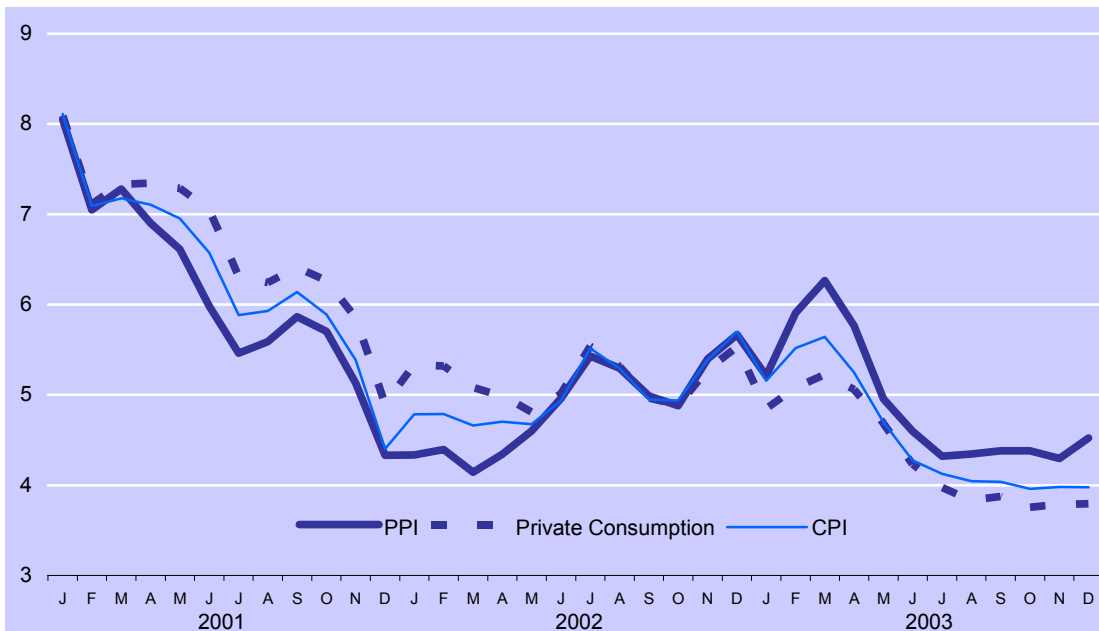
Annual inflation of PPI excluding oil and including services was 4.52 percent, a reduction of 1.15 percentage points as compared to December 2002. Such result was due to a 2.06 percentage point reduction in PPI services prices' annual rate of growth during the year.

In order to accurately determine the effects of the PPI on CPI inflation, the private consumption price subindex (obtained by subtracting exports, investment, and government consumption from the PPI) must be analyzed. The private consumption price subindex includes a basket of goods and services similar to that of the CPI. The difference between both indexes stems from the variations in transport costs, mark-ups and taxes. When comparing the results of both indexes, a small gap, similar in magnitude in both 2002 and 2003 (0.17 and 0.19 percentage points, respectively), is observed (Graph 33). The private consumption subindex of PPI including services grew at an annual rate of 5.53 percent in 2002 and 3.79 percent in 2003. During the same years, the CPI did so by 5.70 and 3.98 percent.

Graph 32 **Producer Price Index Excluding Oil**
Annual percentage change



Graph 33 **Producer Price Index Excluding Oil and Including Services**
Annual percentage change



Non-private consumption PPI components affect other sectors directly (government and businesses) and indirectly (household consumption).

Table 27**Producer Price Index Excluding Oil**

Classified by destination of goods

Annual percentage change

Item	Excluding Services		Services		Including Services	
	2002	2003	2002	2003	2002	2003
Final Goods	6.29	6.24	5.19	3.13	5.67	4.52
Domestic Demand	5.81	5.79	4.91	2.73	5.31	4.11
Private Consumption	6.26	5.25	5.04	2.80	5.53	3.79
Government Consumption	4.19	5.71	5.61	4.33	5.53	4.41
Investment	4.93	6.92	1.99	-1.44	4.35	5.30
Exports	11.07	10.38	8.12	7.28	9.27	8.56
Intermediate Goods	9.11	10.60	5.83	4.22	7.84	8.15

Intermediate Goods

Prices of intermediate goods included in the PPI excluding oil and including services, exhibited the following results in 2003:

- a) Just as in 2002, price increases in intermediate goods were, on average, above those in final goods. Intermediate goods rose 8.15 percent (7.84 percent in 2002), while final goods, 4.52 percent (5.67 percent in 2002).
- b) Price increases in crude oil (14.87 percent) and natural gas (41.29 percent), affected the prices of other intermediate goods such as chemical, oil, and plastics and rubber products.
- c) The higher prices of industrialized fuels (fuel oil, liquefied petroleum gas and petrochemicals) affected the prices of electricity (generation and distribution) for industrial and commercial use, and of residue gas (distribution).
- d) Prices of construction materials rose significantly, especially those of wire, copper and PVC piping, cement, ready-mixed concrete, and glass.

- e) Higher production costs were also observed in the food, beverages and tobacco industry due to price increases in the following intermediate goods: cattle and hog meat, sugar cane, corn, poultry, eggs, and non-pasteurized milk.

Table 28 **Producer Price Index Excluding Oil and Including Services**
Annual percentage change

I T E M	Intermediate Goods		Final Goods	
	2002	2003	2002	2003
GENERAL INDEX	7.84	8.15	5.67	4.52
Primary sector	8.39	9.94	11.04	3.20
Agriculture, forestry and fishing	3.28	5.83	10.40	1.75
Mining	23.78	20.27	24.13	29.72
Secondary sector	6.82	8.97	5.03	6.48
Manufacturing Industry	6.82	8.97	5.00	6.21
Food, beverages and tobacco	6.58	5.29	4.06	6.30
Textiles, apparel and leather	6.08	11.03	3.87	4.12
Timber and wood-based products	0.25	4.72	1.37	4.77
Paper and paper by-products, printing and publishing	4.89	4.80	3.65	3.85
Chemicals, oil, and rubber and plastics	11.99	11.63	6.77	7.12
Non-metal minerals	1.52	6.07	2.55	5.07
Basic metal industries	4.08	14.49	9.66	15.71
Metal products, machinery and equipment	2.82	7.02	5.33	6.07
Other	4.66	2.35	7.37	4.38
Construction ^{1/}			5.11	7.27
Tertiary sector	8.56	6.39	5.76	3.23
Electricity and gas	47.72	22.88	33.64	7.87
Commerce, restaurants and hotels	8.55	8.62	3.41	0.73
Transport and communications	2.38	4.60	4.95	3.96
Real estate rental	6.50	4.70	6.58	4.44
Community, social and personal services	6.70	2.92	7.17	5.30

1/ This sector does not generate intermediate goods.

III.6.1. Social Housing Cost Index

The Social Housing Cost Index (*Índice Nacional del Costo de Edificación de Vivienda de Interés Social, INCEVIS*) rose 6.92 percent in 2003, nearly as double as that observed in 2002, and above that of PPI of final goods. Two factors contributed to such results. First, the higher world demand for some materials, particularly copper and steel, which led to an increase in their price references. Second, the higher domestic demand for construction materials due to housing's robust growth. Prices of masonry

materials also rose: iron bar and mesh (19.9 percent), wire rod (17.7 percent), flat brick (11.0 percent), and ready-mixed concrete (8.2 percent).

Table 29 **Social Housing Cost Index**
Annual percentage change

I T E M	Dec. 2002	Dec. 2003	Contribution ^{1/} in Percentage Points
	Dec. 2001	Dec. 2002	
Construction Cost Index	3.50	6.92	6.92
Construction Materials Subindex	2.66	7.24	5.96
I. Masonry	2.42	8.89	3.84
II. Iron work	4.16	3.98	0.21
III. Carpentry	0.75	-0.15	0.00
IV. Plumbing	2.02	6.78	0.56
V. Electric installation	6.40	9.44	0.34
VI. Plaster	3.16	0.87	0.04
VII. Paint	1.28	4.79	0.11
VIII. Floors and Coverings	3.30	2.82	0.11
IX. Other	2.50	8.40	0.75
Labor Construction Cost Subindex	7.58	5.44	0.97

^{1/} Based on items' relative importance in the Index.

In 2003, INCEVIS components exhibited the following results:

- a) Prices of construction materials accounted for 86 percent of the Index's increase. Higher labor construction costs only accounted for 14 percent.
- b) Of the nine items that make up the construction materials subindex, five (masonry, plumbing, electric installation, paint and other) exhibited higher price increases in 2003 than in 2002.
- c) Prices of PVC pipes for plumbing and PVC conduits for electric installation rose significantly for a second year in a row.

IV. Monetary and Exchange Rate Policy

IV.1. Monetary Policy

IV.1.1. General Aspects

Banco de México adopted inflation targeting as its framework for monetary policy in 2001. Inflation targeting is mainly characterized by a) the announcement of multiannual CPI inflation targets; b) the systematic approach for identifying the origin and characteristics of inflation pressures; c) a description of the Central Bank's monetary policy instruments to attain its inflation objectives; and d) a communication policy that fosters the accountability and credibility on Central Bank's monetary policy, which facilitates economic agents' decision-making.

In the Inflation Report of April-June 2002, Banco de México's Board of Governors announced that from that moment onward monetary policy's objective would be to attain by December 2003 an annual CPI inflation of 3 percent, with a variability interval of plus/minus one percentage point, and maintain it permanently at that level.

During 2003, monetary policy experienced two technical modifications regarding its instrumentation:

- a) Banco de México's framework of bank's accumulated balances at the Central Bank was substituted by one of daily balances on April 10th. Prior to this date the accumulated balances' objective for 28 days (*corto*) was set at 700 million pesos. As of April 10th, the new daily balances' objective was set at 25 million pesos (700 million pesos ÷ 28 days = 25 million pesos per day). Such measure was adopted mainly for two reasons. First, as new operational improvements have made financial programming more accurate, banks accumulated balances' scheme of compensating positive and negative bank balances during a certain period became obsolete (no longer offered the same advantages). Second, to make it more transparent.

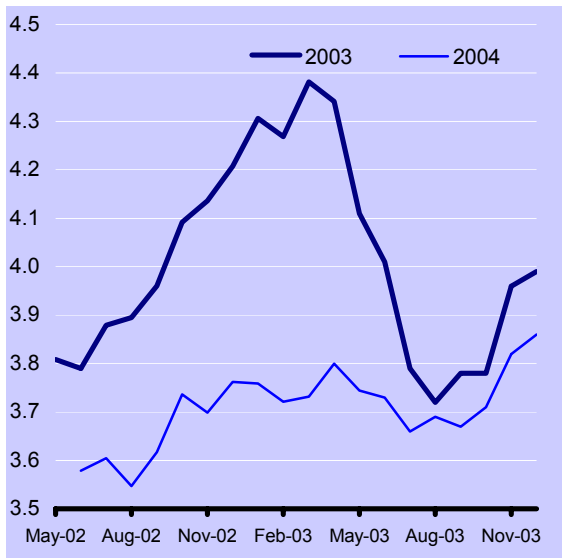
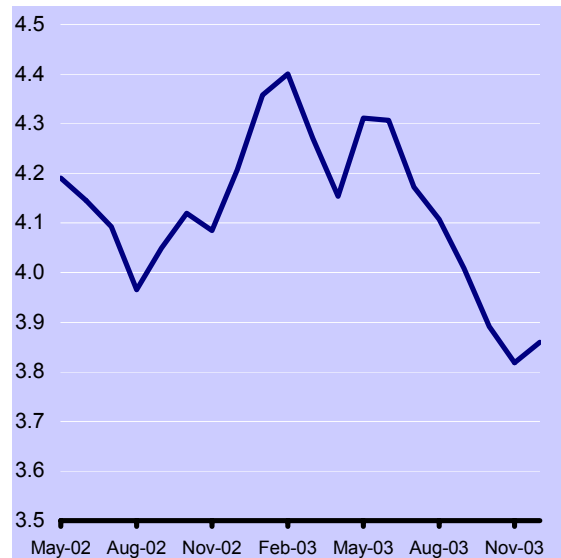
- b) The setting-up of a 30 thousand million peso monetary-regulating deposit at the Central Bank by Mexico's credit institutions to guarantee Central Bank's liquid creditor position with banks. Such measure increases monetary policy effectiveness in affecting the level of short-term interest rates.

None of the above measures modified the financial system's liquidity.

IV.1.2. Monetary Policy Actions

The supply shocks that appeared by the end of 2002 affected agriculture products' prices which, in turn, led to higher non-core inflation. Despite the fact that this type of inflation pressures is usually temporary, economic agents' inflation expectations were revised upward, thus jeopardizing the convergence of inflation to the target. Consequently, Banco de México tightened the monetary policy stance in September and December of 2002.

During the first months of 2003, the peso-US dollar parity depreciated due to the uncertainty regarding the war in Iraq. This, together with the supply shocks that affected inflation's non-core component, kept inflation expectations upward (Graph 34) despite the restrictive monetary policy stance adopted at the end of 2002. In light of such developments, Banco de México decided to raise the *corto* once more on January 10th, February 7th and March 28th 2003, from 475 to 550, 625, and 700 million pesos, respectively.

Graph 34 Inflation Expectations*a) End of the year
Annual percentageb) Following Twelve Months
Annual percentage

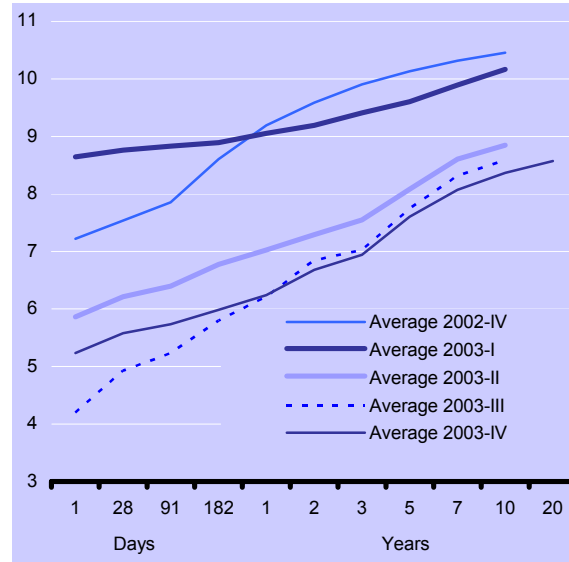
*/ Drawn from Banco de México's Survey on Private Sector Economic Analysts' Expectations.

The restrictive monetary conditions observed since the end of 2002, which intensified in the first months of 2003, brought interest rates upward, especially short-term ones (Graph 35). This, together with the initial reduction in non-core inflation, led to a downward revision in inflation expectations for the end of 2003 and for longer time spans (following 12 months and end of 2004) since the second quarter of the year.

International interest rates remained at historically low levels in 2003. This, together with the less uncertainty that began to prevail in the international financial markets by mid-year, led to a significant reduction in emerging markets' risk premia (Graph 36). Under such setting, and given the downward revision on inflation expectations, the entire yield curve (all terms) in pesos began to shift down significantly (Graph 35).

Graph 35 Government Securities Yield Curve
Annual percentage

a) Government Securities Yield Curve in the Secondary Market and *Corto*^{1/} b) Average Yield Curve



1/ Vertical lines indicate dates in which the *corto* was modified.

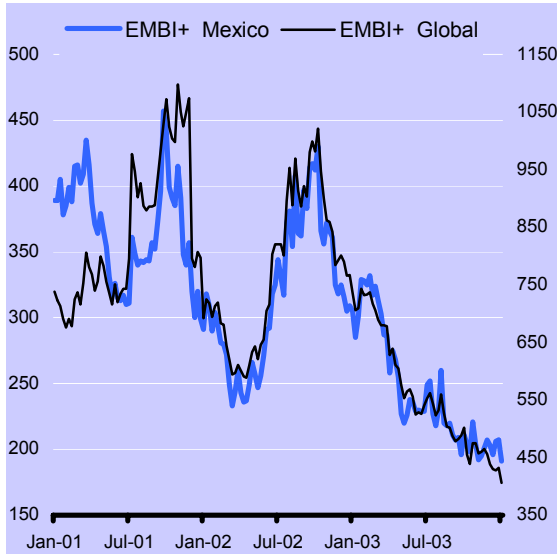
During the second half of 2003, interest rates in Mexico reached historically low levels due to both temporary and structural economic factors. Regarding the former, the level of interest rates mirrored the economic conditions of the downward phase of the cycle, in which lower gains in the marginal product of capital seem to reduce the demand for funds. As for structural factors, one of the most important is the lower inflation risk associated with the progress in attaining low and stable inflation, which tends to reduce nominal interest rates permanently. In balance, the reduction in interest rates is mainly attributed to the second factor. In light of these developments, the behavior of interest rates in Mexico has been consistent with the disinflation process and with the economy’s cyclical position. Furthermore, the lower interest rates fostered the recovery of some expenditure components, without creating any inflation pressures.

As supply shocks at the end of 2002 and early 2003 were assimilated, non-core inflation began to converge more rapidly with core inflation. This, together with the fact that no inflation pressures arose from aggregate demand, anticipated that CPI inflation would continue its convergence to the target. Accordingly, the monetary authority decided to keep the *corto* unchanged at 25 million for the remainder of the year. Nonetheless, towards the end of the year

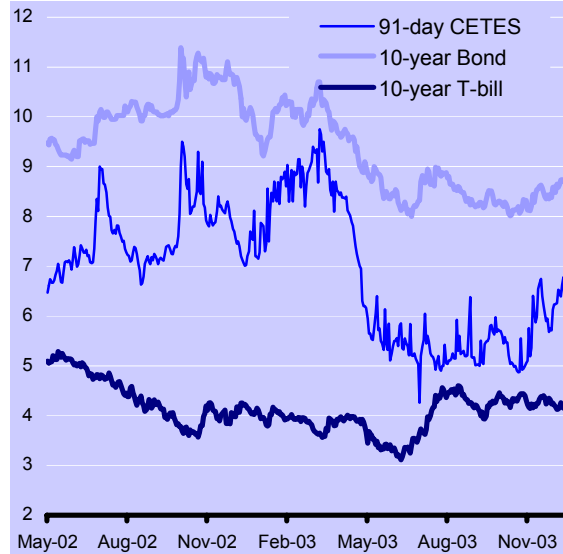
inflation expectations (Graph 34) were revised upward slightly due to an increase in CPI inflation, largely associated with the end of the summer season, when higher electricity rates are charged.

Graph 36 Domestic and Foreign Interest Rates

a) Sovereign Risk Spreads (EMBI+ Global and EMBI+ Mexico)
Basis points



b) Interest rates on 91-day CETES, 10-year Bond, and 10-year T-bill
Annual percentage



IV.2. Exchange Rate Policy

The Exchange Commission is solely responsible for conducting Mexico's exchange rate policy.²⁶ In late 1994, the Commission adopted a floating exchange rate regime, in which the exchange rate is determined freely by market forces. A floating regime simplifies monetary policy management because the exchange rate is liable to adjust more rapidly to domestic and external shocks, such as changes in international interest rates and in the terms of trade. This, in turn, allows the economy to adjust more easily to such shocks.

On March 2003, the Exchange Commission announced the implementation of a mechanism to slow Banco de México's international reserve accumulation,²⁷ given the significant amount of

²⁶ The Exchange Commission is made up of officials from both the Ministry of Finance and Banco de México.

²⁷ See Exchange Commission's press releases of March 7th and March 20th 2003 and Banco de México's Telefax 18/2003. For a detailed description of the mechanism to slow

international reserves accumulated in the previous years. Although the accumulation of this type of asset entails significant benefits, such as improving the country's conditions for access to international financial markets, it also generates a carrying cost for the Central Bank. Such cost results from the difference between the yield on foreign currency reserves and the interest rate paid for the liabilities issued to finance the holding of such reserves. In fact, at the margin, the net benefits of continuing accumulating international reserves are smaller compared with their cost. Therefore, the mechanism to slow international reserve accumulation allows the Central Bank to channel half of the currency flows to the market so reserves do not build up. Furthermore, its operation is not determined by the exchange rate's level or trend.

IV.2.1. Exchange Rate

Since the second quarter of 2002, the peso-US dollar parity followed a depreciating trend. This has been due to several factors, such as the slack in Mexican exports, which have been affected by the cyclical position of the U.S. economy. The latter has been reflected in a weakening of the US dollar against other currencies (Graph 37). The depreciation of the peso might have also been influenced by structural conditions associated with the loss of competitiveness of Mexican exports against other manufacturing suppliers like China. The country's loss of competitiveness has stemmed from the lack of progress in implementing structural reforms to make the Mexican economy more flexible and efficient.

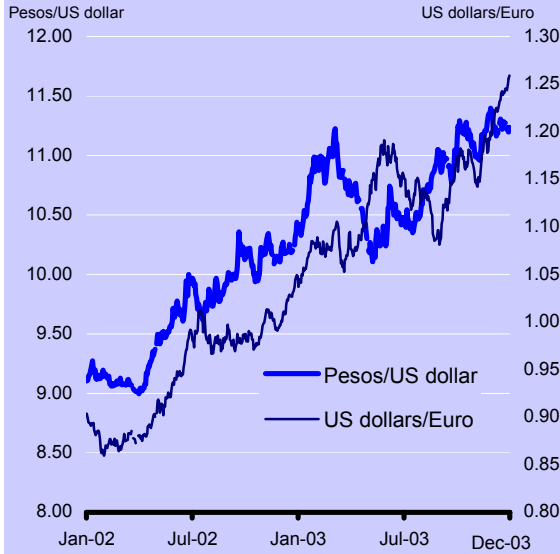
Different domestic and external events during 2003 created higher exchange rate volatility. At the beginning of the year, the peso depreciated rapidly at the same time volatility in exchange rate options increased (Graph 37). Such behavior was mainly due to the geopolitical conditions surrounding the war in Iraq, which led to lower appetite for risk.

international reserve accumulation see also Banco de México's Inflation Report January-March 2003, p.43-44.

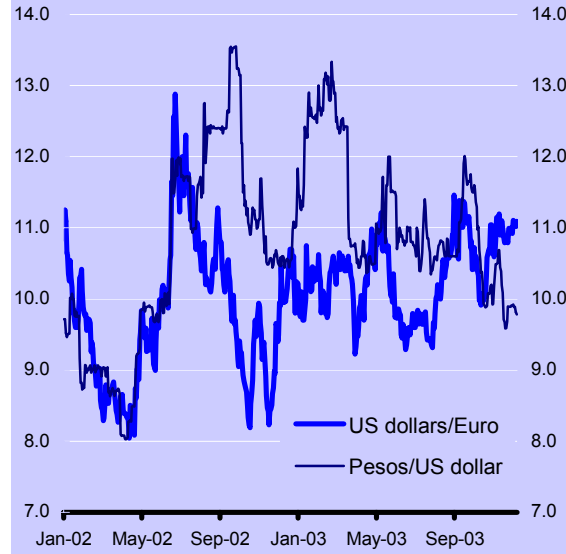
Graph 37

Exchange Rates and Volatility in Exchange Rate Options

a) Pesos-US dollar and US dollars-Euro Exchange Rate



b) Volatility in 3-month Exchange Rate Options Percent

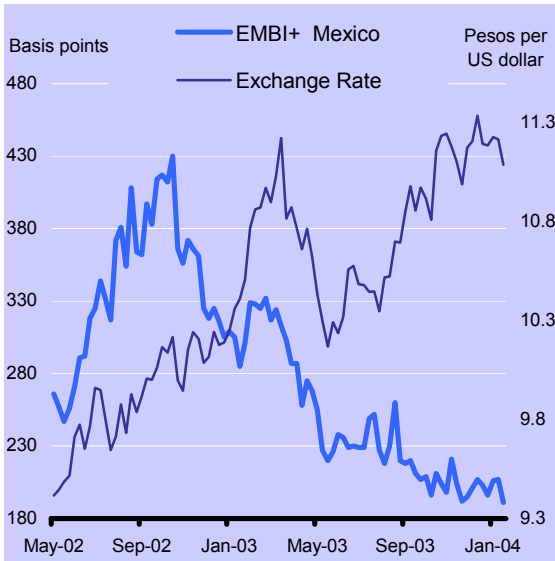


Source: UBS.

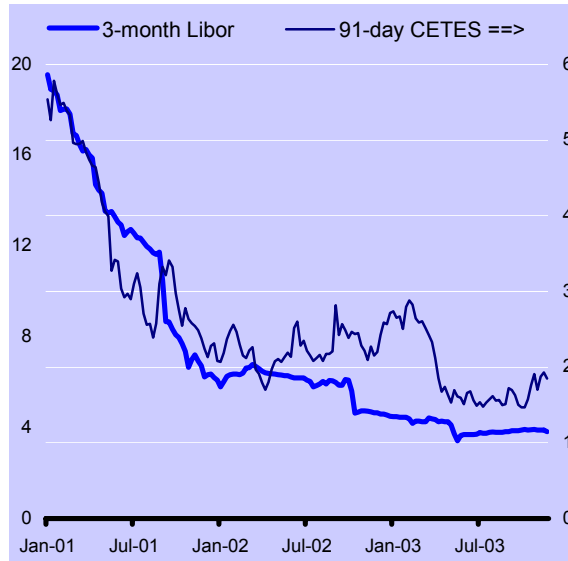
Once geopolitical uncertainty was overcome, risk premia began to diminish. This, together with lower foreign interest rates, enabled Mexican sovereign bond spreads to narrow as compared with U.S. Treasury bills, while allowing exchange rate pressures to decrease (Graph 38). Nonetheless, uncertainty associated with the likely weakening in Mexican and U.S. manufacturing made the peso depreciate once more against the US dollar by the end of the year and short-term domestic interest rates rise.

Graph 38 Exchange Rate, Sovereign Risk Spread Measured by EMBI+ and Interest Rates

a) EMBI+ Mexico and Exchange Rate



b) Interest rate on 91-day CETES and 3-month Libor Annual percentage



Since the exchange rate passthrough did not increase in 2003, inflation was not affected significantly by exchange rate fluctuations.

V. Final Remarks

Significant progress in disinflation has been made in recent years. At the end of 2003, annual CPI inflation was 3.98 percent. Nonetheless, efforts in attaining the 3 percent target must continue. Banco de México's main challenge in the coming years is to consolidate price stability around the target. Mexico's stronger macroeconomic fundamentals have brought about significant benefits that could be reinforced once price stability is attained. Further reduction in inflation would lead to lower interest rates. Lower and more stable interest rates diminish the risks associated with both lending and borrowing. As price stability consolidates, financial deepening increases, therefore guaranteeing sustained higher growth in the long term. Thus, an historical restriction once faced by the Mexican economy could significantly diminish in the future.

In the last three years, the Mexican economy has grown below its potential. As a result, measures to reduce poverty, to strengthen the country's infrastructure, to create jobs, to foster investment in basic capacities, and prepare new generations, have taken place less rapidly than expected.

Mexico's reduced growth should be analyzed in light of two phenomena that have been present in the last years. On the one hand, it is clear that the Mexican economy has been losing competitiveness in world markets, as confirmed by the reduced share of U.S. imports from Mexico. While other countries have inserted themselves in the global economy, Mexico has lagged in the modernization of its economy. On the other, manufacturing firms are continuously searching for more profitable locations throughout the world to base their production. Manufacturing processes that use labor more intensively have migrated from countries with higher labor costs and bottlenecks in the main sectors of the economy to countries with lower labor costs and more flexible and efficient economic frameworks. Thus, manufacturing production in different sectors (textiles and electronic equipment, among others) has migrated from industrial countries to emerging economies with higher competitiveness, especially in Asia.

Consequently, investment returns in Mexico have fallen compared with other countries. Mexico has become less attractive to domestic and foreign investors, as confirmed by the behavior of both gross fixed investment and foreign direct investment. Thus, it is unfortunate that given the current economic conditions in which, for the first time in the last decade, credit supply does not seem to be a limiting factor for the expansion of the economy, the country's lack of growth comes from lower levels of investment.

In order to materialize and consolidate Mexico's growth potential, its competitiveness must be raised. The Mexican economy needs more flexibility to adapt to the world's changing conditions. For this to occur, progress must be done in different areas. First of all, the government needs more resources to invest in infrastructure and human capital, and to extend the coverage of social welfare. In addition, the productivity and efficiency of the Mexican energy sector must be raised, providing it with the proper legal framework that meets the standards of a highly integrated world. At the same time, the country needs to strengthen its rule of law, consolidate economic stability, and have more efficient and active markets. Therefore, as in previous reports, Banco de México reiterates the importance of reaching the agreements to both implement the structural reforms and strengthen Mexico's institutions.

Appendices

Appendix 1

Mexico's Relationship with International Financial Organizations

International Monetary Fund (IMF)

Mexico is a member of the International Monetary Fund since its foundation in 1944. Currently, Mexico's quota in the organization is 2,585.8 million Special Drawing Rights (SDR), accounting for 1.22 percent of IMF's total quotas.²⁸ Quotas determine each country's access to IMF resources as well as its voting power in the institution's governing bodies.

Two issues in Mexico's relationship with the IMF were particularly relevant in 2003: the consultation in accordance with Article IV of the IMF's Articles of Agreement, and the preparation of a Report on the Observance of Standards and Codes (ROSC) regarding the quality of Mexico's economic and financial statistics.

Consultations based on Article IV of the IMF's Articles of Agreement is a procedure set up by the IMF to monitor and evaluate the economy of each of its members, whether or not these are currently under economic or technical assistance programs. A mission from the IMF visits the country, gathers and analyzes its economic and financial information, and then meets with the authorities to discuss the country's economic conditions, its outlook, and the economic policy measures implemented. Based on such consultations, the IMF's technical staff prepares a report on the country, which is then discussed by the Institution's Executive Board. Afterwards, the IMF informs the country's authorities of its conclusions and recommendations.

The last Article IV consultation for Mexico ended on October 15th 2003. On October 30th, the Mexican authorities

²⁸ On December 31st 2003, one SDR equaled 1.48597 US dollars.

released a press bulletin with a summary of the consultation's results.²⁹

During the discussion of Mexico's report, the IMF's Executive Board underlined the significant strengthening of government policies, which has aided in consolidating both macroeconomic stability and confidence among investors. The Board was particularly satisfied with the financial sector's continuous modernization, the solid structure of public debt, the attainment of low inflation, and progress made in abating poverty. Special mention was also made of the prudent and farsighted management of monetary policy, in the context of severe world and regional conditions, which has strengthened markets' confidence and fostered financial stability in the country.

The IMF's Executive Board also pointed out that Mexico should rapidly approve and implement structural reforms in the fiscal and energy sectors, as well as in the labor market and the legal system, to foster private investment and employment, and to support the country's competitiveness in an environment of greater competition worldwide. It also mentioned that it would be useful to intensify efforts to make the public opinion more aware of the significance of these reforms.

On June 3rd 2003, the IMF published the results of the Report on the Observance of Standards and Codes Data Module. This report evaluates to what extent the country abides by internationally accepted standards and codes for preparing and publishing timely and reliable statistics on macroeconomic, monetary, and public financial data. The report concludes that the Mexican authorities have fully met the standards set for the scope, periodicity and timeliness of data, as well as for the advance release of calendars for the publication of macroeconomic statistics. It is also noted that in several covers the standards required in the IMF's Special Data Dissemination Standard are exceeded.

According to the IMF, the quality of Mexican statistics is, overall, acceptable. The Mexican authorities have shown a very favorable disposition to follow an open disclosure policy by publishing ample information, both in written format and through the web pages of the institutions that generate the country's statistics. Nonetheless, many improvements still need to be made.

²⁹ The press bulletin on IMF's Article IV consultation for Mexico can be found at the following sites: <http://www.shcp.gob.mx>; <http://www.banxico.org.mx>; and <http://www.imf.org/external/index.htm>

The Mexican authorities are aware of this situation and continue their efforts to improve the quality of such statistics.

Mexico's Role in the IMF's Special Data Dissemination Standard (SDDS)

Mexico subscribed to the IMF's Special Data Dissemination Standard (SDDS) in August 1996. The SDDS are a set of international guidelines on the scope, periodicity, timeliness, and quality of economic and financial statistics. The SDDS encourage immediate and fair access to information, help users of economic and financial statistics to assess data quality, and contribute to ensure the objectivity and integrity in compiling and publishing them. Currently, 57 countries participating actively in the international capital markets have subscribed voluntarily to the SDDS.

In order to include indicators that help to identify the sources of external vulnerability, the IMF has included new variables into the SDDS, such as the external debt position. The deadline for publishing this category, following international standards, was September 30th 2003. From that date onward, Mexico has published the country's total gross external debt position broken down by maturity (short and long term) and covering four sectors (federal government, monetary authority, banking sector, and other sectors). Information is published on a quarterly basis with a one-quarter lag. Parallel to releasing data on this statistical category, Mexico published its methodology on the IMF's web site.³⁰

Bank for International Settlements (BIS)

Founded in 1930, the Bank for International Settlements (BIS) is the oldest global financial institution and the main forum for central bank international cooperation. It is currently constituted by 55 central banks. Banco de México has been a member of the BIS since November 1996. On that year, it subscribed 3,000 shares of the organization's third tranche of capital, which, by December 31st 2003, equaled 0.54 percent of the total representative shares issued by the BIS. Since then, Banco de México has actively participated in the meetings of the member countries' central bank governors and senior officials, and in different committees and working parties within the organization. The outlook for both the world economy and international financial markets is analyzed in these meetings and

³⁰ All documents regarding Mexico's role in the SDDS are available at the following web site: <http://www.banxico.org.mx/eInfoFinanciera/infcarteleraelectronica/fmi.html>

views on other relevant topics are also exchanged. Among the topics discussed in the 2003 central bank governors meetings were the degree of independence in the framework of monetary policy; the link between financial integration and domestic markets and institutions; efforts to avoid exchange rate appreciation and international reserve accumulation; the implications for domestic financial systems; the success of formal inflation targeting frameworks; challenges for central banks under the current conditions in capital markets; policy options to overcome external financial pressures; and risks surrounding deflation, among others.

The Mexico City-based BIS Office for the Americas, whose objective is to coordinate BIS activities in the American Continent, has operated since November 2002. This is the second Representative Office established by the BIS. The first one was set up in 1998 in Hong Kong, China, to cover the Asia-Pacific region.

Appendix 2

Public Sector Borrowing Requirements (PSBR)

The Public Sector Borrowing Requirements (PSBR) are an indicator of the public sector's financing needs, which include a) the traditional public sector (federal government and public enterprises); b) financial intermediation of development banks and public funds and trusts; and, c) additional liabilities representing obligations guaranteed by the federal government.³¹

Additional liabilities included in the calculation of PSBR are the following: a) IPAB's net liabilities; b) long-term investment projects (*Proyectos de Infraestructura Productiva de Largo Plazo, PIDIREGAS*), which, despite being associated with assets that in the long term will be part of public investment, nowadays are an indirect financial liability for the public sector; c) guaranteed liabilities from the toll road rescue program (*Fideicomiso de Apoyo para el Rescate de Autopistas Concesionadas, FARAC*); d) the interest rate swapping cost implied in programs for restructuring bank credits denominated in UDIs; and e) liabilities associated with debtor support programs.

At the end of 2003, total PSBR, including additional liabilities and public sector non-recurrent revenues, accumulated a deficit of 181.3 thousand million pesos (2.68 percent of GDP). In 2003, non-recurrent revenues totaled 46.8 thousand million pesos, resulting mainly from Banco de México's operational surplus (15.9 thousand million pesos), the benefits paid on federal government guaranteed liabilities from the National Bank of Public Building Works and Services (*Banco Nacional de Obras y Servicios Públicos, BANOBRAS*) [8.7 thousand million pesos], the recovery of guarantees associated with the early redemption of Brady bonds (4.8

³¹ The methodology for calculating the PSBR presented in this section is based on sources of financing (accrued deficit) and differs from that of the Ministry of Finance which is based on public sector's revenues and expenditures (cash flow deficit).

thousand million pesos), and from other benefits such as surplus revenues from the transfer of the SAR-IMSS 92 accounts.³²

In 2003, PSBR excluding non-recurrent revenues accumulated a deficit of 228.1 thousand million pesos (3.38 percent of GDP), which included the cost of the Voluntary Retirement Program for Public Employees (*Programa de Separación Voluntaria, PSV*), implemented by the federal government in 2003 and totaling 16.2 thousand million pesos. Excluding this cost, PSBR less non-recurrent revenues would have been 211.9 thousand million pesos (3.14 percent of GDP).

Government debt management policy has focused on obtaining higher funding from the domestic market. Accordingly, PSBR domestic financing including non-recurrent revenues totaled 149.3 thousand million pesos, while foreign indebtedness reached 32.1 thousand million pesos (such amount was channeled to investment associated with PIDIREGAS). Net domestic financing included accumulated net financial assets at Banco de México (6.6 thousand million pesos); commercial bank net financing (94.5 thousand million pesos); private sector financing through government securities (67.6 thousand million pesos); and a reduction in net indebtedness through other liabilities with the private sector (6.3 thousand million pesos).

The breakdown of PSBR according to its uses by government entities was as follows: on the one hand, the financial balance (integrated by the economic balance and financial intermediation by development banks and public funds and trusts) exhibited a deficit of 95.0 thousand million US dollars (1.41 percent of GDP). On the other hand, public sector's additional liabilities recorded a total net indebtedness of 86.4 thousand million pesos (1.28 percent of GDP), due to PIDIREGAS net indebtedness (72.7 thousand million pesos); an increase in IPAB's net liabilities (14.8 thousand million pesos); accumulated liabilities from FARAC (1.3 thousand million pesos); and a reduction in net liabilities associated with UDI restructuring programs and debtor support programs of 0.2 and 2.1 thousand million pesos, respectively (Table 30).

³² The decree of December 24th 2002, published in Mexico's Official Newsletter (*Diario Oficial de la Federación*), which amends the Retirement Savings Systems Law, stated that resources from the SAR IMSS-92 accounts would be transferred in 2002 and 2003.

Table 30

Public Sector Borrowing Requirements in 2003 ^{1/}

Thousand million pesos

Item	Including Non-recurrent Revenues	% GDP
Sources:		
PSBR ^{2/}	-181.3	-2.68
Net External Financing ^{3/}	-32.1	-0.48
(Billion US dollars) ^{4/}	-3.0	
Net Domestic Financing	-149.3	-2.21
Banco de México	6.6	0.10
Commercial Banks	-94.5	-1.40
Government Securities ^{5/}	-67.6	-1.00
Other Private Sector Financing	6.3	0.09
Uses:		
PSBR	-181.3	-2.68
Financial Balance ^{6/}	-95.0	-1.41
Additional liabilities	-86.4	-1.28
IPAB ^{7/}	-14.8	-0.22
FARAC ^{8/}	-1.3	-0.02
UDI Restructuring Programs	0.2	0.00
PIDIREGAS ^{9/}	-72.7	-1.08
Debtor Support Programs ^{10/}	2.1	0.03
Memo:		
Non-recurrent Revenues	46.8	0.69
PSBR excluding Non-recurrent revenues	-228.1	-3.38

1/ Deficit (-), Surplus (+).

2/ Excludes the effect of exchange rate fluctuations (peso/US dollar and US dollar versus other currencies).

3/ Net foreign financing is calculated by subtracting redemptions and changes in financial assets' balances from total outlays.

4/ Includes both public sector's debt as well as the use of other foreign resources granted by Mexican banks' agencies abroad.

5/ Includes only private sector securities. Federal government securities held by banks are included in the item Net Financing by Commercial Banks. Government securities are registered at market value in the item Financing to the Public Sector, according to IMF's Government Finance Statistics Manual (2001).

6/ Public sector's financial balance includes the economic balance (federal government and public enterprises), and financial intermediation by development banks and public funds and trusts.

7/ Estimates based on the change in IPAB's net liabilities as published in the Ministry of Finance's Public Debt Reports.

8/ Estimates based on the changes in federal government guaranteed liabilities from the toll road rescue program (FARAC).

9/ Net investment in direct PIDIREGAS.

10/ This figure is reported by commercial banks as credit granted to the federal government under these programs.

Source: Ministry of Finance (SHCP) and Banco de México.

Net Public Sector Debt ³³

At December 31st 2003, public sector's total net indebtedness equaled 40.79 percent of GDP, 1.25 percentage points above its level at the end of 2002. Such results were due to an increase in the net broad economic debt and in debt associated with contingent items (Table 31).

Regarding contingent items, direct PIDIREGAS increased as a percentage of GDP, compensating the reduction in the other contingent items (IPAB, FARAC, UDI Restructuring Programs, and Debtor Support Programs).

At the end of 2003, the net broad economic debt equaled 23.05 percent of GDP, 0.64 percentage points above that in 2002. The external net broad economic debt was 0.27 percentage points of GDP above that registered in 2002. Such result is explained mainly by the change in its valuation in pesos due to the peso/US dollar depreciation in 2003. Significant actions were taken regarding federal government's external debt management, such as the early redemption of Brady Bonds for 5,607.6 million US dollars, which clears the credit line originally requested for these bonds. In addition, in February, Collective Action Clauses (CAC) were included in sovereign debt instruments.

³³ The broad net economic debt includes net liabilities of both the federal government and non-financial public enterprises, as well as indebtedness and financial assets of official financial intermediaries (development banks and public funds and trusts). The net debt consolidated with Banco de México also includes Central Bank's financial assets and liabilities with the private sector, commercial banks and the external sector. The latter definition allows to offset the net financing granted by the Central Bank to the public sector. Total net debt adds to the broad net economic debt, net liabilities from IPAB, FARAC, UDI restructuring programs, PIDIREGAS, and debtor support programs. Since financing to the private sector is considered an asset and given that the methodology for calculating public debt is also different from that of the Ministry of Finance, public debt definitions are not the same as those used by the Ministry of Finance in its Quarterly Reports on Public Finances and Public Debt to the Mexican Congress.

Table 31 Total Net Public Sector Debt Consolidated with Banco de México
End of period stocks

	Thousand million pesos			Percent of GDP		
	2002	2003 ^{*/}	Variation	2002	2003 ^{*/}	Variation
a. Net Broad Economic Debt ^{1/}	1,403.0	1,556.8	153.80	22.41	23.05	0.64
1. External	766.5	845.0	78.50	12.24	12.51	0.27
2. Domestic	636.5	711.8	75.30	10.16	10.54	0.38
b. Other Items	1,073.2	1,198.3	125.10	17.13	17.74	0.61
1. IPAB ^{2/}	640.8	655.6	14.80	10.23	9.71	-0.52
2. FARAC ^{3/}	141.2	146.7	5.50	2.25	2.17	-0.08
3. UDI Restructuring Programs ^{4/}	41.8	41.6	-0.20	0.67	0.62	-0.05
4. Direct PIDIREGAS ^{5/}	242.3	349.5	107.20	3.87	5.17	1.30
5. Debtor Support Programs ^{6/}	7.1	4.9	-2.20	0.11	0.07	-0.04
c. Public Sector's Total Debt (a+b)	2,476.2	2,755.1	278.90	39.54	40.79	1.25

^{*/} Preliminary figures.

1/ The difference between the increase in the net broad economic debt and PSBR is due to 1) the revaluation of debt flows in foreign currency; 2) the exclusion of liquid assets held by public enterprises in investment funds; and 3) the fact that credit granted to the private sector is considered an asset and not a liability as with "financial intermediation".

2/ Corresponds to the difference between IPAB's gross liabilities and total assets as reported in Appendix III of the Ministry of Finance's Quarterly Report on Public Finances and Public Debt Fourth Quarter of 2003.

3/ FARAC liabilities guaranteed by the federal government.

4/ The difference between liabilities associated with special CETES (issued by the federal government and banks) and debt restructured in UDIs.

5/ The debt balance for direct PIDIREGAS is based on investment flows.

6/ Credit granted by commercial banks to the federal government under the mentioned programs.

Source: Ministry of Finance and Banco de México.

The domestic net broad economic debt rose by 0.38 percentage points of GDP as compared with 2002, in line with the Economic Policy Guidelines for fiscal year 2003, which established that the public sector deficit was to be financed through domestic market resources. Most of net domestic financing was done through BONDES and fixed nominal rate bonds issued at different terms. Furthermore, in October, the federal government carried out its first successful placement of 20-year fixed nominal interest rate peso denominated bonds. This measure allowed to lengthen the average maturity of government securities. At the end of 2003, these amounted to 907 days, 48 days above the average maturity registered at the end of 2002.

At December 2003, net debt consolidated with Banco de México equaled 22.28 percent of GDP, 0.56 percentage points above that in 2002 (Table 32). Foreign debt consolidated with Banco de México equaled 2.66 percent of GDP, 1.16 percentage points below that registered in 2002. Such reduction was due to Banco de México's international reserve accumulation. In 2003, domestic debt consolidated with Banco de México rose 1.71 percentage points due partly to the sterilization of accumulated international reserves via placement of bonds and other monetary regulation instruments. In 2003, total public sector debt consolidated

with Banco de México equaled 40.02 percent of GDP, 1.17 percentage points above that in 2002.

Table 32 **Total Public Sector Debt Consolidated with Banco de México**
End of period stocks

	Thousand Million Pesos			Percentage of GDP		
	2002	2003 ^{a/}	Variation	2002	2003 ^{a/}	Variation
a. Net Debt Consolidated with Banco de México ^{a/}	1,360.2	1,504.8	144.60	21.72	22.28	0.56
1. Foreign	239.1	180.0	-59.10	3.82	2.66	-1.16
2. Domestic	1,121.0	1,324.8	203.80	17.90	19.61	1.71
b. Additional liabilities	1,073.2	1,198.3	125.10	17.13	17.74	0.61
1. IPAB ^{2/}	640.8	655.6	14.80	10.23	9.71	-0.52
2. FARAC ^{3/}	141.2	146.7	5.50	2.25	2.17	-0.08
3. UDI Restructuring Programs ^{4/}	41.8	41.6	-0.20	0.67	0.62	-0.05
4. Direct PIDIREGAS ^{5/}	242.3	349.5	107.20	3.87	5.17	1.30
5. Debtor Support Programs ^{6/}	7.1	4.9	-2.20	0.11	0.07	-0.04
c. Total Public Sector Debt Consolidated with Banco de México (a+b)	2,433.4	2,703.1	269.70	38.85	40.02	1.17

^{a/} Preliminary figures.

1/ The difference between the increase in the net debt consolidated with Banco de México and PSBR is due to 1) the revaluation of debt flows in foreign currency; 2) the exclusion of public enterprises' liquid assets held by investment funds; and 3) the fact that credit granted to the private sector is considered an asset and not a liability as with "financial intermediation".

2/ Corresponds to the difference between IPAB's gross liabilities and total assets as reported in Appendix III of the Ministry of Finance's Quarterly Report on Public Finances and Public Debt Fourth Quarter of 2003.

3/ FARAC liabilities guaranteed by the federal government.

4/ The difference between liabilities associated with special CETES (issued by the federal government and by banks) and debt restructured in UDIs.

5/ The debt balance for direct PIDIREGAS is based on investment flows.

6/ Credit granted by commercial banks to the federal government under the mentioned programs.

Source: Ministry of Finance and Banco de México.

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Basic Information

Table A 1 Summary of Selected Indicators

			2002	2003	
Social and Demographic Indicators					
Area (sq km)			1,964,375	1,964,375	
Population (millions) ^{1/}			103	104.2	
Population annual growth rate ^{1/}			1.2	1.1	
Life expectancy at birth ^{1/}			75	75	
	1999	2000	2001	2002	2003 ^{p/}
Production and Prices					
Gross Domestic Product (GDP in thousand million pesos)	4,599	5,497	5,813	6,262	6,755
	Annual percentage change				
GDP at constant prices	3.7	6.6	-0.1	0.7	1.3
Consumer Price Index (Dec-Dec)	12.32	8.96	4.40	5.70	3.98
Money and Finances					
Monetary Aggregates	Annual percentage change				
Monetary Base	8.4	14.7	5.4	11.4	10.7
M1	2.9	11.1	8.2	12.9	7.0
M4	6.3	7.8	8.4	7.4	6.9
Interest Rates ^{2/}	Annual percentage change				
28-day CETES	21.41	15.24	11.31	7.09	6.23
28-day Interbank Interest Rate (TIIE)	24.10	16.96	12.89	8.17	6.83
	Pesos per US dollar				
Exchange Rate (end of period) ^{3/}	9.5143	9.5722	9.1423	10.3125	11.2360
Public Finances					
	GDP Percentage				
Economic Balance (cash flow) ^{4/}	-1.1	-1.1	-0.7	-1.2	-0.6
Primary Balance ^{4/}	2.5	2.6	2.6	1.7	2.2
Net Public Debt ^{5/}	21.9	20.7	20.1	22.4	23.1
External Sector					
	GDP Percentage				
Trade Balance including <i>Maquiladora</i>	-1.2	-1.4	-1.6	-1.2	-0.9
Current Account Balance	-2.9	-3.1	-2.9	-2.2	-1.5
Capital Account Balance	2.9	3.2	4.1	3.5	2.9
Total External Debt	34.5	27.3	25.2	24.4	25.8
Interest Paid	2.7	2.4	2.0	1.9	1.9
	Thousand million pesos				
Net International Reserves (end of period) ^{6/}	30.7	33.6	40.9	48.0	57.4

1/ Estimates for 2003.

2/ Period average.

3/ Used for settling liabilities in foreign currency.

4/ Based on the revenue-expenses methodology.

5/ Broad economic debt, including net liabilities from the federal government, and from public enterprises, and official financial intermediaries (development banks and public funds and trusts). End of period stocks. Estimates by Banco de México.

6/ As defined in Article 19 of Banco de México's Law.

p/ Preliminary figures.

Source: Banco de México, Ministry of Finance (SHCP), INEGI, and National Population Council (Consejo Nacional de Población, CONAPO).

Table A 2 **Socio-demographic Indicators**

	1990	1997	1998	1999	2000	2001	2002	2003 ^p
Population (millions)	85.4	96.5	97.9	99.3	100.6	101.8	103.0	104.2
Urban Population ^{1/}	71.3	74.2	74.6	75.0	74.7	75.0	75.2	75.3
Rural Population ^{1/}	28.7	25.8	25.4	25.0	25.3	25.0	24.8	24.7
Population per sq.km	43.4	49.1	49.8	50.5	51.1	51.8	52.4	53.0
Population annual growth rate	2.0	1.5	1.4	1.3	1.3	1.2	1.2	1.1
Economically Active Population (millions)	34.1	38.3	39.6	39.6	40.2	40.1	41.1	41.5
Open unemployment rate	2.7	3.7	3.2	2.5	2.2	2.5	2.7	3.2
Life expectancy at birth (years)	71.2	73.1	73.4	73.7	74.0	74.3	74.6	74.9
Fertility rate ^{2/}	3.4	2.6	2.6	2.5	2.4	2.3	2.3	2.2
Mortality rate (per thousand)	5.2	4.7	4.7	4.6	4.5	4.5	4.5	4.5
Infant mortality rate (per thousand live births)	26.6	19.7	19.0	18.5	18.2	17.2	17.4	16.0
Number of physicians (per 100,000 inhabitants) ^{3/}	107.1	127.5	131.3	131.4	136.7	136.8	136.2	134.6
Number of hospital beds (per 100,000 inhabitants) ^{3/}	75.3	74.0	75.4	75.1	74.8	74.7	74.3	73.4
Illiteracy rate (population 15 ages and over)	12.1	10.0	9.8	9.5	9.2	9.0	8.8	8.5
Number of students per teacher (grade school)	30.5	27.6	27.2	27.2	27.0	26.9	26.7	26.6
Population with access to drinking water ^{1/}	77.7	85.7	86.4	87.4	88.5	89.0	89.0	89.2

1/ Ratio of urban population to total population.

2/ At the end of women's reproductive life.

3/ National Health System only.

p/ Preliminary figures.

n.a. Not available.

Source: Annual Government Report 2003 (Presidency of the Republic-Mexico), INEGI and CONAPO.

Table A 3 Infrastructure and Natural Resources

	1990	1997	1998	1999	2000	2001	2002	2003 ^{p/}
Roads (km)	239,235	313,604	319,792	329,533	333,912	340,457	348,303	348,529
Federal toll roads (km)	1,761	6,394	6,388	6,430	6,598	6,759	6,987	6,987
Federal non-toll roads (km)	45,743	41,411	41,653	41,765	41,866	41,645	41,534	41,682
Paved roads (km)	83,925	102,250	104,023	108,087	108,488	110,910	113,415	113,590
Railroad transportation								
Total railway network (km)	26,361	26,622	26,622	26,622	26,655	26,655	26,655	26,655
Passengers (million passengers/km)	5,336	1,508	460	254	82	67	69	67
Commercial cargo (million tons/km)	36,417	42,442	46,873	47,274	48,333	46,615	52,431	54,813
Air transportation								
International airports	42	54	55	55	57	57	57	57
Passengers (thousands)	20,449	28,896	30,922	32,662	33,974	33,673	33,190	33,854
Cargo (thousand tons)	164	335	388	407	379	351	389	407
Maritime transportation								
Number of ports (sea and river)	85	107	107	108	108	108	108	107
Shipping (thousand tons loaded and unloaded)	169,140	219,653	237,380	231,440	244,252	244,431	249,797	257,286
Communications								
Phones (thousand lines in service)	5,355	9,254	9,927	10,927	12,332	13,774	14,942	16,100
Cellular phones (thousand subscribers)	63.9	1,741	3,350	7,732	14,078	21,757	25,928	28,000
Telegraph services (number of offices)	2,604	1,813	1,868	1,878	1,819	1,609	1,589	1,568
Postal services (locations served)	22,000	31,167	31,515	32,015	32,127	29,216	16,029	16,833
Radio stations ^{1/}	1,045	1,342	1,351	1,349	1,371	1,410	1,413	1,413
T.V. stations ^{1/}	540	580	584	582	579	642	652	652
Lodging (number of rooms)	333,547	382,364	396,968	419,608	421,850	458,123	469,488	476,980
Electric generation (gigawatts/hour) ^{2/}	122,757	170,519	180,491	192,234	205,540	213,678	234,332	263,488
Oil reserves (millions of barrels)	66,450	60,900	60,160	57,741	58,204	56,154	52,951	50,032

1/ Including broadcasting, concessions and licenses.

2/ Including Federal Electricity Commission (*Comisión Federal de Electricidad, CFE*) and Central Light and Power (*Luz y Fuerza del Centro, LFC*).

p/ Preliminary figures.

n.a. Not available.

Source: Annual Government Report 2003, Presidency of the Republic-Mexico.

Table A 4 Structure of Mexico's Financial System

REGULATORY ENTITIES

MINISTRY OF FINANCE (SHCP)	BANCO DE MÉXICO
NATIONAL BANKING AND SECURITIES COMMISSION (CNBV)	NATIONAL INSURANCE AND BONDING COMMISSION (CNSF)
NATIONAL COMMISSION FOR THE PROTECTION AND DEFENSE OF FINANCIAL SERVICE USERS (CONDUSEF)	NATIONAL COMMISSION FOR THE RETIREMENT SAVINGS SYSTEM (CONSAR)

FINANCIAL INSTITUTIONS

FINANCIAL GROUPS	CREDIT INSTITUTIONS	SECURITIES INSTITUTIONS	OTHER FINANCIAL INTERMEDIARIES AND CREDIT INFORMATION COMPANIES	
25 Holding Companies ^{1/}	45 Commercial banks ^{2/} (20 of which are branch offices)	Mexican Stock Exchange	64 Insurance companies	163 Credit unions
	9 Development banks	28 Brokerage houses ^{3/}	23 Deposit warehouses ^{3/}	14 Bonding companies
	3 Development trust funds ^{4/}	339 Investment funds	35 Financial leasing companies ^{5/}	23 Foreign exchange firms
		11 Investment funds specialized in retirement savings (SIEFORES)	9 Savings and loan companies	23 Financial factoring companies ^{6/}
			33 Limited purpose financial companies (SOFOLÉS)	1 Credit bureau

1/ Source: National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores, CNBV*).

2/ Does not include banks in the process of being liquidated.

3/ One is in the process of being liquidated.

4/ Three are intervened by the National Banking and Securities Commission (according to available information up to December 2003).

Production and Employment

Table A 5 Production Indicators

	Annual percentage change					
	1998	1999	2000	2001	2002	2003
Gross Domestic Product	4.9	3.7	6.6	-0.1	0.7	1.3
Private Consumption	5.4	4.3	8.2	2.5	1.3	3.0
Public Consumption	2.3	4.7	2.4	-2.0	0.1	2.5
Private Investment	13.8	7.2	9.0	-5.9	-4.0	-5.7
Public Investment	-7.5	10.7	25.2	-4.2	14.2	22.4
Exports (Merchandise and Services)	12.1	12.4	16.4	-3.8	1.5	1.1
Imports (Merchandise and Services)	16.6	14.1	21.5	-1.6	1.4	-1.0

Source: Mexico's National Accounts System (*Sistema de Cuentas Nacionales de México*), INEGI.

Table A 6 Gross Domestic Product

	Current Prices	Exchange rate	Million US dollars
1993	1,256,196.0	3.115	403,273
1994	1,420,159.5	3.375	420,788
1995	1,837,019.1	6.419	286,185
1996	2,525,575.0	7.599	332,356
1997	3,174,275.2	7.918	400,894
1998	3,846,349.9	9.135	421,056
1999	4,593,685.2	9.560	480,511
2000	5,491,372.8	9.455	580,790
2001	5,828,590.6	9.342	623,913
2002	6,261,511.1	9.654	648,592
2003	6,754,773.4	10.788	626,138

Source: Mexico's National Accounts System (*Sistema de Cuentas Nacionales de México*), INEGI.

Table A 7 Aggregate Supply and Demand
1993 Prices

	Annual percentage change						GDP percentage	
	1998	1999	2000	2001	2002	2003	1994	2003
Aggregate Supply	7.4	6.1	10.3	-0.5	0.9	0.7	122.3	136.6
GDP	4.9	3.7	6.6	-0.1	0.7	1.3	100.0	100.0
Imports of merchandise and services	16.6	14.1	21.5	-1.6	1.4	-1.0	22.3	36.6
Aggregate Demand	7.4	6.1	10.3	-0.5	0.9	0.7	122.3	136.6
Total Consumption	5.0	4.4	7.4	1.9	1.2	2.9	82.8	82.1
Private	5.4	4.3	8.2	2.5	1.3	3.0	72.0	72.4
Public	2.3	4.7	2.4	-2.0	0.1	2.5	10.8	9.7
Total Investment	10.3	7.7	11.4	-5.6	-1.0	-0.4	19.3	19.0
Private	13.8	7.2	9.0	-5.9	-4.0	-5.7	14.3	14.6
Public	-7.5	10.7	25.2	-4.2	14.2	22.4	5.0	4.4
Exports of merchandise and services	12.1	12.4	16.4	-3.8	1.5	1.1	17.2	34.1

Source: Mexico's National Accounts System (*Sistema de Cuentas Nacionales de México*), INEGI.

Table A 8 Domestic Saving and Investment
Percentage of GDP at current prices

Item	1997	1998	1999	2000	2001	2002 ^{p/}	2003 ^{p/}
Gross Capital Formation ^{1/}	25.9	24.3	23.5	23.8	20.9	20.8	19.8
Financed with External Saving	1.9	3.8	3.0	3.1	2.9	2.2	1.5
Financed with Domestic Saving	24.0	20.5	20.5	20.7	18.0	18.6	18.3

p/* Preliminary figures.

^{1/} Includes gross fixed investment plus change in inventories.

Source: Mexico's National Accounts System (*Sistema de Cuentas Nacionales de México*), INEGI, except for external saving figures, which are drawn from the current account balance measured in current pesos.

Table A 9 Gross Domestic Product by Sectors
1993 Prices

	Annual percentage change										Percentage of GDP	
	1994	1995	1996	1997	1998	1999	2000	2001	2002 /p	2003 /p	1997	2003 /p
Gross Domestic Product	4.5	-6.2	5.1	6.8	4.9	3.7	6.6	-0.1	0.7	1.3	100.0	100.0
Agriculture, forestry and fishery	0.9	0.9	3.6	0.2	0.8	3.6	0.6	3.5	0.3	3.9	5.5	5.3
Industrial sector	4.8	-7.8	10.1	9.3	6.3	4.2	6.0	-3.4	-0.3	-0.8	26.1	24.8
Mining	2.5	-2.7	8.1	4.5	2.7	-2.1	3.8	1.5	0.4	3.7	1.3	1.2
Manufacturing Industry	4.1	-4.9	10.8	9.9	7.4	4.2	6.9	-3.8	-0.7	-2.0	19.2	18.2
Construction	8.4	-23.5	9.8	9.3	4.2	5.0	4.2	-5.7	1.3	3.4	4.0	3.8
Electricity, Gas and Water	4.8	2.2	4.6	5.2	1.9	7.9	1.0	4.7	0.4	1.1	1.6	1.6
Services	4.9	-6.4	3.0	6.6	4.7	3.6	7.3	1.2	1.5	2.1	62.9	65.0
Commerce, Restaurants and Hotels	6.8	-15.5	4.8	10.7	5.6	3.1	12.2	-1.2	0.0	1.3	19.1	19.7
Transport, Warehousing and Communications	8.7	-4.9	8.0	9.9	6.7	7.8	9.1	3.8	1.9	3.3	9.5	11.1
Financial Services, Insurance and Real Estate	5.4	-0.3	0.6	3.7	4.6	3.6	5.5	4.5	4.3	4.3	14.6	16.0
Social, Community and Personal Services	1.3	-2.3	1.0	3.3	2.9	2.1	2.9	-0.3	0.5	0.5	19.7	18.2
Banking services	11.1	-10.7	-5.1	10.6	5.6	5.9	6.8	6.5	7.6	6.5	-2.5	-3.1

p/ Preliminary figures.

Source: Mexico's National Accounts System (*Sistema de Cuentas Nacionales de México*), INEGI.

Table A 10 Manufacturing Growth Rates
1993 Prices

	Annual percentage change										Percentage of GDP	
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 /p	1997	2003 /p
Total	4.1	-4.9	10.8	9.9	7.4	4.2	6.9	-3.8	-0.7	-2.0	19.2	18.2
Food, beverages and tobacco	3.3	0.0	3.3	3.2	6.6	4.0	3.9	2.3	1.8	1.2	4.7	4.9
Textile, apparel and leather industry	1.1	-6.3	15.7	10.5	3.9	3.1	5.4	-8.6	-5.8	-8.9	1.7	1.3
Timber and wood by-products	1.9	-7.8	6.9	6.7	4.4	0.5	3.9	-6.7	-4.9	0.2	0.6	0.5
Paper, printing and publishing	2.9	-7.6	1.3	12.7	5.9	5.0	2.7	-4.3	-1.8	-1.7	0.9	0.8
Chemical, plastic, and oil by-products	3.4	-0.9	6.6	6.8	6.1	2.4	3.3	-3.8	-0.2	1.8	3.0	2.7
Non-metal minerals	4.6	-11.7	8.1	5.9	5.2	1.8	4.1	-1.7	3.8	0.7	1.3	1.3
Basic metal industries	6.2	4.1	18.8	11.1	4.0	0.4	3.0	-7.1	1.3	3.4	1.0	0.9
Metal products, machinery and equipment	6.7	-10.3	22.3	19.1	11.5	6.9	13.6	-6.9	-2.2	-5.9	5.4	5.3
Other	2.2	-10.2	14.4	10.5	7.9	5.8	8.2	-2.1	-3.2	-8.3	0.6	0.5

p/ Preliminary figures.

Source: Mexico's National Accounts System (*Sistema de Cuentas Nacionales de México*), INEGI.

Table A 11 Crude Oil / Gas Production and Crude Oil Reserves

Año	Crude oil (Million barrels per day)		Natural gas (Million cubic feet per day)	Total oil reserves (Thousand million barrels at end-period)
	Total	Daily average	Total	Total
1985	960.3	2.631	3,604	70.9
1986	886.2	2.428	3,431	70.0
1987	927.5	2.541	3,498	69.0
1988	917.2	2.506	3,478	67.6
1989	917.2	2.513	3,572	66.5
1990	930.0	2.548	3,651	65.5
1991	976.7	2.676	3,634	65.0
1992	976.5	2.668	3,584	65.1
1993	975.6	2.673	3,576	64.5
1994	980.0	2.685	3,625	63.2
1995	955.2	2.617	3,759	62.1
1996	1,046.0	2.858	4,195	60.9
1997	1,103.0	3.022	4,467	60.2
1998	1,120.9	3.071	4,791	58.7
1999	1,060.7	2.906	4,791	57.7
2000	1,102.4	3.012	4,679	58.2
2001	1,141.4	3.127	4,511	56.2
2002	1,159.6	3.177	4,423	52.9
2003	1,230.4	3.371	4,498	50.0

Source: PEMEX Activities Report 1989-2003 (*Memorias de Labores 1989-2003*), and crude oil indicators (*Indicadores Petroleros*), vol. XIV, Num.3, PEMEX.

Table A 12

Total Number of Workers Insured by the IMSS
Thousands

Year	Permanent	Temporary Urban Workers	Total
1993	8,633	1,072	9,704
1994	8,818	1,083	9,901
1995	8,502	630	9,132
1996	9,163	794	9,957
1997	9,837	714	10,551
1998	10,141	1,170	11,311
1999	10,629	1,388	12,017
2000	11,026	1,520	12,546
2001	10,713	1,450	12,164
2002 Jan	10,607	1,427	12,034
Feb	10,637	1,458	12,096
Mar	10,664	1,465	12,129
Apr	10,708	1,489	12,197
May	10,713	1,499	12,212
Jun	10,727	1,506	12,233
Jul	10,738	1,532	12,270
Aug	10,736	1,539	12,274
Sep	10,770	1,535	12,305
Oct	10,821	1,563	12,383
Nov	10,848	1,563	12,411
Dec	10,733	1,493	12,226
2003 Jan	10,642	1,503	12,144
Feb	10,652	1,521	12,174
Mar	10,670	1,537	12,207
Apr	10,666	1,549	12,215
May	10,651	1,559	12,210
Jun	10,634	1,572	12,205
Jul	10,612	1,585	12,198
Aug	10,607	1,594	12,201
Sep	10,640	1,599	12,240
Oct	10,706	1,638	12,344
Nov	10,742	1,647	12,389
Dec	10,636	1,555	12,191

Source: Social Security Institute (*Instituto Mexicano del Seguro Social, IMSS*).

Table A 13

Urban Unemployment Rates

		Open ^{1/}	Broad Open ^{2/}	Labor Market Pressures ^{3/}	Unemployment and Underemployment ^{4/}	Insufficient Income ^{5/}
1991		2.7	4.4	3.6	20.5	14.6
1992		2.8	4.2	3.5	20.8	11.7
1993		3.4	4.8	4.0	21.6	10.9
1994		3.6	6.0	4.6	22.3	11.2
1995		6.3	8.6	7.7	25.7	16.2
1996		5.5	6.3	6.8	25.3	17.2
1997		3.7	4.5	4.8	23.3	16.3
1998		3.2	4.1	4.0	21.8	14.7
1999		2.5	3.4	3.1	19.1	12.8
2000		2.2	2.9	2.8	18.9	10.2
2001		2.5	3.1	3.0	18.8	9.7
2002	I	2.8	3.4	3.6	21.3	9.3
	II	2.6	3.1	3.2	17.8	8.2
	III	2.9	3.6	3.5	17.1	8.6
	IV	2.5	3.0	3.0	17.6	8.0
2003	I	2.8	3.4	3.3	20.4	9.2
	II	3.0	3.5	3.5	21.6	9.5
	III	3.8	4.5	4.6	19.5	10.2
	IV	3.5	4.1	4.4	20.8	10.3

1/ Ratio of openly unemployed population to economically active population. Openly unemployed population includes individuals 12 years and over who did not work even one hour a week during the reference period but were searching for remunerated employment or attempted to work self-employed.

2/ Ratio of economically active population and available economically inactive population (available for work despite having ceased looking for employment or might start working in the near future) to openly unemployed population during the reference period. The broader definition of unemployed population used in this section includes not only the openly unemployed, but also the economically inactive population who ceased looking for employment to dedicate themselves to domestic activities or schooling, but nevertheless were available for employment. This item also includes individuals who expect to begin working in the four weeks following the reference period.

3/ Ratio of openly unemployed population and/or employed population seeking for additional employment to economically active population.

4/ Ratio of openly unemployed population and less-than-35 hours a week employed population to economically active population.

5/ Ratio of openly unemployed population and employed population earning below minimum wage to economically active population.

p/ Preliminary figures.

Source: National Urban Employment Survey (*Encuesta Nacional de Empleo Urbano*), INEGI.

Table A 14

Real Exchange Rate ^{1/}

1990 = 100

Year	Based on Manufacturing Non- <i>maquiladora</i> Industry Unit Labor Costs ^{2/}	Annual percentage change	
1979	63.5	-2.8	
1980	58.6	-7.7	
1981	50.7	-13.5	
1982	71.3	40.6	
1983	105.6	48.1	
1984	101.0	-4.4	
1985	101.2	0.2	
1986	138.6	37.0	
1987	148.4	7.1	
1988	120.8	-18.6	
1989	105.9	-12.3	
1990	100.0	-5.6	
1991	91.1	-8.9	
1992	78.6	-13.7	
1993	73.4	-6.7	
1994	76.1	3.7	
1995	126.3	66.1	
1996	129.4	2.4	
1997	114.0	-11.9	
1998	113.1	-0.8	
1999	102.9	-9.0	
2000	92.3	-10.3	
2001	85.3	-7.6	
2002	I	83.0	-8.2
	II	86.6	1.5
	III	89.3	6.5
	IV	90.0	10.4
2003	I	96.4	16.1
	II	94.4	9.1
	III	93.5	4.7
	IV	100.8	12.1

1/ Rate increases reflect a depreciation of the peso.

2/ Real effective exchange rate estimated on the basis of hourly wages adjusted by hourly output per hour worked in Mexico and its eight major trading partners. Estimates based on seasonally adjusted series.

Source: Banco de México, International Monetary Fund and INEGI.

Prices, Wages and Productivity

Table A 15 Price Indicators

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Prices	Annual percentage change									
Consumer prices										
End-period	7.05	51.97	27.70	15.72	18.61	12.32	8.96	4.40	5.70	3.98
Annual average	6.97	35.00	34.38	20.63	15.93	16.59	9.49	6.37	5.03	4.55
Producer prices excluding oil and services										
End-period	7.09	56.90	24.76	13.66	19.41	8.66	7.38	2.61	6.29	6.24
Annual average	6.11	38.64	33.88	17.55	15.98	14.24	7.84	5.02	3.66	6.31
Producer prices excluding oil and including services										
End-period	n.a.	51.01	26.55	15.18	18.59	11.94	8.58	4.33	5.67	4.52
Annual average	n.a.	36.01	32.32	19.88	16.01	15.98	9.42	6.14	4.87	4.90
Producer prices including oil and services										
End-period	n.a.	52.60	26.68	13.51	17.60	13.71	8.06	3.67	7.05	4.83
Annual average	n.a.	37.62	32.56	18.97	14.89	16.62	10.40	5.28	5.19	5.51
Social housing construction										
End-period	4.65	45.59	25.38	15.88	19.14	14.37	7.59	3.47	3.50	6.92
Annual average	4.45	31.85	29.09	17.91	18.11	17.62	11.21	5.29	2.27	6.48

Table A 16

Consumer Price Index (CPI)

	Month	CPI 2Q. Jun 2002	Percentage change		
			Annual	Annual 12-month moving average	Monthly
1989	Dec	14.319	19.70	20.01	
1990	Dec	18.605	29.93	26.65	
1991	Dec	22.101	18.79	22.66	
1992	Dec	24.740	11.94	15.51	
1993	Dec	26.721	8.01	9.75	
1994	Dec	28.605	7.05	6.97	
1995	Dec	43.471	51.97	35.00	
1996	Dec	55.514	27.70	34.38	
1997	Dec	64.240	15.72	20.63	
1998	Dec	76.195	18.61	15.93	
1999	Dec	85.581	12.32	16.59	
2000	Dec	93.248	8.96	9.49	
2001	Dec	97.354	4.40	6.37	
2002	Jan	98.253	4.79	6.09	0.92
	Feb	98.190	4.79	5.90	-0.06
	Mar	98.692	4.66	5.69	0.51
	Apr	99.231	4.70	5.49	0.55
	May	99.432	4.68	5.31	0.20
	Jun	99.917	4.94	5.17	0.49
	Jul	100.204	5.51	5.14	0.29
	Aug	100.585	5.29	5.09	0.38
	Sep	101.190	4.95	5.00	0.60
	Oct	101.636	4.94	4.92	0.44
	Nov	102.458	5.39	4.92	0.81
	Dec	102.904	5.70	5.03	0.44
2003	Jan	103.320	5.16	5.06	0.40
	Feb	103.607	5.52	5.12	0.28
	Mar	104.261	5.64	5.20	0.63
	Apr	104.439	5.25	5.25	0.17
	May	104.102	4.70	5.25	-0.32
	Jun	104.188	4.27	5.19	0.08
	Jul	104.339	4.13	5.07	0.14
	Aug	104.652	4.04	4.97	0.30
	Sep	105.275	4.04	4.89	0.60
	Oct	105.661	3.96	4.81	0.37
	Nov	106.538	3.98	4.69	0.83
	Dec	106.996	3.98	4.55	0.43

Table A 17

Consumer Price Index (CPI) by Type of Goods
Annual percentage change

Month	CPI	Food, beverages and tobacco	Apparel, footwear and accessories	Housing	Furniture and household goods	Medical and personal care	Transport	Education and entertainment	Other goods and services
1991 Dec	18.79	15.51	11.72	23.88	11.91	16.74	29.83	24.07	13.65
1992 Dec	11.94	8.58	13.16	13.55	10.94	16.82	10.09	21.75	14.18
1993 Dec	8.01	4.74	6.65	10.22	5.94	9.28	8.53	15.80	10.37
1994 Dec	7.05	6.94	4.76	8.04	5.69	9.78	6.94	8.64	5.12
1995 Dec	51.97	61.73	44.85	41.77	62.54	58.01	55.84	40.51	39.58
1996 Dec	27.70	29.12	28.65	26.00	26.77	24.68	33.48	20.19	24.46
1997 Dec	15.72	13.30	18.38	17.69	15.61	17.56	15.87	15.18	16.73
1998 Dec	18.61	22.02	16.56	14.10	16.37	20.18	19.86	17.13	18.27
1999 Dec	12.32	7.85	13.88	13.11	14.67	19.14	12.27	15.95	16.75
2000 Dec	8.96	8.06	8.46	10.50	4.69	9.03	8.08	12.78	10.65
2001 Dec	4.40	3.75	4.04	2.68	0.49	5.97	3.83	10.47	9.79
2002 Jan	4.79	5.12	3.16	1.78	0.10	5.51	5.53	10.41	9.92
Feb	4.79	4.45	3.35	2.91	-0.20	4.87	5.69	10.17	9.95
Mar	4.66	3.85	3.53	3.55	-0.75	4.10	5.77	10.22	9.54
Apr	4.70	3.39	3.44	4.60	-0.84	4.17	5.81	9.86	9.20
May	4.68	3.13	3.16	5.69	-1.30	4.23	5.75	9.61	7.31
Jun	4.94	4.09	2.97	6.18	-1.79	3.93	5.49	9.35	7.37
Jul	5.51	5.27	2.93	7.61	-1.94	4.11	5.36	9.33	6.93
Aug	5.29	3.96	2.96	8.54	-1.38	3.70	5.12	9.14	6.99
Sep	4.95	2.94	2.82	8.21	-1.89	3.82	4.95	7.57	7.33
Oct	4.94	2.61	2.70	8.64	-1.67	3.86	4.87	7.32	7.20
Nov	5.39	3.94	2.46	8.93	-1.73	3.79	4.87	7.21	6.94
Dec	5.70	5.45	2.19	9.54	-2.08	3.72	3.95	7.25	6.47
2003 Jan	5.16	3.75	2.25	10.41	-2.15	4.01	2.27	7.02	6.04
Feb	5.52	6.27	1.79	8.71	-1.85	3.74	2.21	6.81	5.57
Mar	5.64	7.36	1.55	7.93	-1.24	3.94	2.31	6.64	5.51
Apr	5.25	6.39	1.38	7.30	-1.69	3.92	1.99	7.54	5.06
May	4.70	5.88	1.37	5.76	-0.93	4.14	1.51	7.47	5.29
Jun	4.27	4.81	0.54	5.35	-0.74	4.57	1.37	7.20	5.23
Jul	4.13	4.14	0.27	5.32	-0.67	4.71	1.34	7.16	5.62
Aug	4.04	3.71	0.16	5.12	-0.63	4.78	1.62	7.25	5.85
Sep	4.04	4.56	-0.05	4.71	-0.20	4.65	2.00	5.99	5.80
Oct	3.96	4.80	0.10	4.20	-0.16	4.39	1.90	6.32	5.62
Nov	3.98	4.56	0.22	4.46	-0.02	4.54	1.74	6.23	5.80
Dec	3.98	4.31	0.32	4.20	0.16	4.35	2.47	6.35	5.88

Table A 18

CPI, Core Inflation and Complementary Subindexes

Annual percentage change

Year	Month	Core Inflation	Goods and Services	Agriculture	Education	CPI	Basic Consumer Basket
			Administered by/Concerted with the Public Sector				
1996	Dec	25.63	35.69	30.21	20.52	27.70	33.30
1997	Dec	15.93	17.35	11.80	19.09	15.72	14.89
1998	Dec	17.68	18.13	24.29	17.71	18.61	18.95
1999	Dec	14.24	13.36	0.25	18.10	12.32	13.15
2000	Dec	7.52	12.58	10.07	15.16	8.96	8.74
2001	Dec	5.08	2.21	1.35	14.02	4.40	3.83
2002	Jan	4.75	2.85	5.43	13.69	4.79	3.69
	Feb	4.68	3.93	4.23	13.44	4.79	3.94
	Mar	4.54	4.58	2.85	13.61	4.66	3.94
	Apr	4.38	5.78	2.31	13.62	4.70	4.11
	May	4.16	6.60	2.17	13.30	4.68	4.25
	Jun	3.96	6.93	5.15	13.16	4.94	4.18
	Jul	3.94	8.45	8.47	13.15	5.51	4.81
	Aug	3.95	9.38	4.98	13.37	5.29	5.11
	Sep	3.85	9.23	2.38	10.10	4.95	4.88
	Oct	3.84	10.03	1.29	10.05	4.94	5.41
	Nov	3.80	11.02	4.71	10.04	5.39	6.07
	Dec	3.77	10.96	8.65	10.04	5.70	6.06
2003	Jan	3.78	10.55	4.01	9.92	5.16	6.08
	Feb	3.54	8.86	10.29	10.24	5.52	5.51
	Mar	3.53	8.22	13.42	10.24	5.64	5.55
	Apr	3.51	7.42	10.74	10.39	5.25	5.30
	May	3.61	4.65	9.18	10.41	4.70	4.13
	Jun	3.60	4.21	6.09	10.31	4.27	4.00
	Jul	3.59	4.36	4.21	10.34	4.13	4.05
	Aug	3.54	4.34	3.06	11.28	4.04	4.01
	Sep	3.51	4.02	5.47	8.57	4.04	4.02
	Oct	3.48	3.24	6.40	8.56	3.96	3.75
	Nov	3.57	3.63	5.13	8.59	3.98	4.30
	Dec	3.66	3.91	3.65	8.59	3.98	4.71

Table A 19 **Producer Price Index (PPI) Excluding Oil**
1994 = 100

Period	Excluding Services			Services			Including Services		
	Index	Percentage change		Index	Percentage change		Index	Percentage change	
		Annual	Monthly		Annual	Monthly		Annual	Monthly
1994 Dec	103.478	7.09	1.05	103.518	n.a.	0.84	103.691	n.a.	1.09
1995 Dec	162.355	56.90	3.83	150.255	45.15	2.62	156.586	51.01	3.24
1996 Dec	202.549	24.76	2.58	192.386	28.04	3.59	198.153	26.55	3.11
1997 Dec	230.208	13.66	1.08	224.093	16.48	1.08	228.227	15.18	1.09
1998 Dec	274.892	19.41	1.61	263.860	17.75	2.51	270.662	18.59	2.08
1999 Dec	298.707	8.66	0.78	303.102	14.87	1.07	302.980	11.94	0.93
2000 Dec	320.749	7.38	0.57	332.203	9.60	1.03	328.970	8.58	0.82
2001 Dec	329.112	2.61	-0.32	351.385	5.77	0.37	343.225	4.33	0.06
2002 Jan	330.775	1.91	0.51	354.982	6.37	1.02	345.936	4.33	0.79
Feb	330.458	1.81	-0.10	355.402	6.57	0.12	346.015	4.39	0.02
Mar	332.645	1.66	0.66	356.305	6.26	0.25	347.529	4.15	0.44
Apr	334.019	1.99	0.41	358.437	6.34	0.60	349.315	4.34	0.51
May	336.468	2.98	0.73	359.665	5.98	0.34	351.104	4.60	0.51
Jun	339.055	3.85	0.77	361.137	5.91	0.41	353.095	4.96	0.57
Jul	340.820	4.63	0.52	361.764	6.13	0.17	354.257	5.43	0.33
Aug	341.384	4.39	0.17	363.431	6.08	0.46	355.415	5.30	0.33
Sep	342.974	4.19	0.47	365.639	5.68	0.61	357.334	4.99	0.54
Oct	345.119	4.55	0.63	366.811	5.19	0.32	358.967	4.88	0.46
Nov	348.724	5.62	1.04	368.467	5.25	0.45	361.543	5.40	0.72
Dec	349.820	6.29	0.31	369.615	5.19	0.31	362.675	5.67	0.31
2003 Jan	351.421	6.24	0.46	370.644	4.41	0.28	363.958	5.21	0.35
Feb	355.694	7.64	1.22	371.608	4.56	0.26	366.462	5.91	0.69
Mar	360.386	8.34	1.32	372.791	4.63	0.32	369.300	6.26	0.77
Apr	359.399	7.60	-0.27	373.913	4.32	0.30	369.456	5.77	0.04
May	357.193	6.16	-0.61	374.035	4.00	0.03	368.506	4.96	-0.26
Jun	358.423	5.71	0.34	374.523	3.71	0.13	369.332	4.60	0.22
Jul	358.888	5.30	0.13	374.545	3.53	0.01	369.565	4.32	0.06
Aug	360.489	5.60	0.45	375.610	3.35	0.28	370.867	4.35	0.35
Sep	362.244	5.62	0.49	378.036	3.39	0.65	372.987	4.38	0.57
Oct	364.967	5.75	0.75	378.851	3.28	0.22	374.690	4.38	0.46
Nov	368.525	5.68	0.97	380.189	3.18	0.35	377.082	4.30	0.64
Dec	371.644	6.24	0.85	381.202	3.13	0.27	379.083	4.52	0.53

n.a. not available.

Table A 20

Producer Price Index (PPI) Excluding Oil

Classified by goods' end-use

Annual percentage change at December

ITEM	1995	1996	1997	1998	1999	2000	2001	2002	2003
PPI including services	51.01	26.55	15.18	18.59	11.94	8.58	4.33	5.67	4.52
Domestic demand	48.37	27.77	15.86	18.84	12.88	8.96	4.89	5.31	4.11
Private consumption	49.54	28.47	16.05	18.87	12.78	9.01	4.90	5.53	3.79
Government consumption	22.28	22.93	20.33	18.80	14.61	11.70	9.02	5.53	4.41
Investment	55.94	26.87	13.55	18.77	12.59	7.68	3.19	4.35	5.30
Exports	73.61	17.61	9.75	16.50	3.94	5.07	-0.99	9.27	8.56
PPI excluding services	56.90	24.76	13.66	19.41	8.66	7.38	2.61	6.29	6.24
Domestic demand	55.26	25.56	13.60	19.76	9.71	7.85	3.42	5.81	5.79
Private consumption	55.46	26.62	14.27	20.25	9.05	8.15	3.61	6.26	5.25
Government consumption	67.01	18.57	13.44	16.53	9.78	8.35	2.59	4.19	5.71
Investment	53.95	23.72	12.28	18.89	11.07	7.22	3.06	4.93	6.92
Exports	78.25	18.88	14.06	16.68	0.36	3.31	-4.73	11.07	10.38
PPI services	45.15	28.04	16.48	17.75	14.87	9.60	5.77	5.19	3.13
Domestic demand	41.60	29.87	17.94	18.03	15.72	9.90	6.11	4.91	2.73
Private consumption	44.53	29.89	17.37	17.87	15.54	9.61	5.79	5.04	2.80
Government consumption	19.67	23.28	20.86	18.96	14.95	11.92	9.44	5.61	4.33
Investment	61.29	44.33	19.56	18.24	19.42	9.60	3.75	1.99	-1.44
Exports	76.34	15.10	4.88	15.20	7.08	6.64	2.30	8.12	7.28

Table A 21

Producer Price Index (PPI) Excluding Oil and Including Services
 Classified by origin of goods
 Annual percentage change at December

ITEM	1996	1997	1998	1999	2000	2001	2002	2003
PPI including Services	26.55	15.18	18.59	11.94	8.58	4.33	5.67	4.52
Primary Sector	26.67	11.01	31.82	-7.06	7.71	4.89	11.04	3.20
Agriculture, forestry and fishery	29.67	11.24	33.34	-7.61	8.35	5.78	10.40	1.75
Mining	-4.11	7.72	9.92	2.56	-2.24	-10.60	24.13	29.72
Secondary Sector	24.54	13.91	18.34	10.26	7.19	2.33	5.03	6.48
Manufacturing industry	24.07	14.59	18.15	9.55	6.57	1.80	5.00	6.21
Food, beverages and tobacco	26.34	15.33	18.91	11.01	6.51	4.76	4.06	6.30
Textiles, apparel and leather	28.24	14.06	16.20	8.05	6.37	1.47	3.87	4.12
Timber and wood by-products	19.44	16.29	11.29	9.56	6.66	6.45	1.37	4.77
Paper, printing and publishing	4.62	5.60	15.77	12.92	11.11	1.91	3.65	3.85
Chemical, oil and plastic industries	30.95	14.41	17.48	15.57	11.80	-0.83	6.77	7.12
Non-metal minerals	25.84	21.40	21.47	7.80	6.70	1.36	2.55	5.07
Basic metal industries	7.10	9.99	22.63	-2.23	8.66	0.69	9.66	15.71
Metal products, machinery and equipment	19.12	14.27	18.39	3.97	1.81	-0.46	5.33	6.07
Other	21.83	12.90	20.30	4.66	4.25	2.47	7.37	4.38
Construction	26.05	11.75	18.95	12.53	9.14	3.97	5.11	7.27
Tertiary Sector	28.19	16.53	17.79	14.88	9.69	5.77	5.76	3.23
Electricity and gas	25.81	14.06	14.68	12.37	13.09	4.90	33.64	7.87
Commerce, restaurants and hotels	33.30	16.77	17.33	16.54	9.80	3.44	3.41	0.73
Transport and communications	32.26	15.69	20.34	11.75	8.04	3.90	4.95	3.96
Real estate leasing	22.68	16.10	15.97	12.11	6.62	5.81	6.58	4.44
Community, social and personal services	21.24	17.19	17.95	16.14	11.90	10.70	7.17	5.30

Table A 22

Social Housing Construction Cost Index (*Indice Nacional del Costo de Edificación de la Vivienda Social, INCEVIS*)

Annual percentage change

	National			Mexico City		
	Global	Materials	Labor	Global	Materials	Labor
1994 Dec	4.65	4.01	7.37	4.11	3.49	7.03
1995 Dec	45.59	49.00	31.37	45.44	48.63	30.99
1996 Dec	25.38	24.12	31.34	26.38	25.48	31.00
1997 Dec	15.88	19.21	0.99	16.06	19.12	0.98
1998 Dec	19.14	18.61	21.90	18.51	18.01	21.40
1999 Dec	14.37	15.45	8.85	12.92	13.87	7.52
2000 Dec	7.59	6.92	11.22	6.34	5.68	10.30
2001 Dec	3.47	2.20	10.08	2.65	1.46	9.47
2002 Jan	2.03	1.15	6.33	0.81	0.23	3.87
Feb	2.16	0.83	8.71	0.93	0.02	5.78
Mar	1.87	0.55	8.36	0.98	0.08	5.78
Apr	1.55	0.41	7.12	1.17	0.31	5.78
May	1.48	0.34	7.07	1.20	0.34	5.78
Jun	1.72	0.63	7.00	1.70	0.94	5.78
Jul	2.02	1.01	6.99	1.77	1.03	5.78
Aug	2.48	1.59	6.86	2.53	1.93	5.78
Sep	2.50	1.62	6.82	2.67	2.09	5.78
Oct	2.75	1.84	7.17	3.19	2.53	6.71
Nov	3.18	2.28	7.58	3.75	3.02	7.64
Dec	3.5	2.66	7.58	4.12	3.46	7.64
2003 Jan	3.48	2.89	6.26	3.76	3.58	4.67
Feb	4.51	4.27	5.60	4.86	5.17	3.31
Mar	6.81	6.95	6.18	7.31	7.99	3.84
Apr	7.13	7.34	6.18	7.27	7.94	3.84
May	7.49	7.78	6.18	7.66	8.42	3.84
Jun	7.56	7.84	6.26	7.52	8.25	3.84
Jul	6.95	7.11	6.24	7.02	7.64	3.84
Aug	6.61	6.70	6.22	6.74	7.30	3.84
Sep	6.59	6.66	6.22	6.78	7.35	3.84
Oct	6.73	6.93	5.81	6.87	7.63	2.93
Nov	6.92	7.24	5.44	7.01	7.99	2.05
Dec	6.92	7.24	5.44	7.06	8.05	2.05

Table A 23

Contractual Wages

	Total			Manufacturing		
	Annual Percentage Increase	Number of Workers (Thousands)	Number of Companies	Annual Percentage Increase	Number of Workers (Thousands)	Number of Companies
1995 Average	12.3	1,491	3,633	n.a.	n.a.	n.a.
1996 Average	21.0	1,491	3,686	20.8	580	1,810
1997 Average	19.5	1,495	4,074	20.1	552	1,973
1998 Average	17.7	1,568	4,525	18.0	629	2,168
1999 Average	16.5	1,568	4,671	17.3	624	2,107
2000 Average	12.4	1,819	5,358	13.0	763	2,355
2001 Average	9.1	1,732	5,679	9.7	712	2,349
2002 Average	5.8	1,757	5,487	6.2	706	2,451
2003 Average	4.7	1,763	5,337	5.0	681	2,297
2001 Jan	10.4	159	584	11.1	60	312
Feb	10.3	155	671	10.7	86	299
Mar	10.3	199	781	10.8	88	381
Apr	10.4	209	500	10.9	52	248
May	10.7	78	527	10.9	39	201
Jun	10.2	69	486	10.2	41	195
Jul	9.0	183	433	9.0	164	118
Aug	9.9	45	437	10.1	18	155
Sep	9.7	63	326	10.1	41	143
Oct	6.9	435	445	9.1	41	125
Nov	6.7	100	270	6.3	55	94
Dec	7.4	36	219	6.8	26	78
2002 Jan	6.6	148	402	7.0	45	203
Feb	6.9	126	469	7.0	74	239
Mar	6.1	128	436	6.2	51	221
Apr	5.8	215	546	6.6	45	201
May	6.5	87	533	6.4	43	253
Jun	6.0	66	533	6.5	27	220
Jul	6.8	92	658	7.1	58	338
Aug	6.6	69	583	6.8	33	243
Sep	5.7	227	447	5.7	200	179
Oct	4.8	465	451	6.1	52	178
Nov	5.2	110	276	5.0	64	113
Dec	5.8	25	153	5.9	15	63
2003 Jan	5.2	155	507	5.4	45	238
Feb	5.0	151	594	5.0	87	315
Mar	5.0	170	603	5.5	78	344
Apr	5.0	206	564	5.7	42	238
May	4.9	72	536	5.3	30	192
Jun	5.7	82	539	5.6	27	201
Jul	4.5	218	425	4.5	187	145
Aug	5.4	61	500	5.4	31	169
Sep	5.0	69	335	5.4	45	162
Oct	4.2	466	336	4.9	34	135
Nov	4.3	77	231	4.1	55	87
Dec	4.2	36	167	4.6	19	71

Note: Annual percentage wage increase figures correspond to weighted averages of monthly figures. Annual figures for number of workers and number of companies correspond to total monthly figures. All figures are based on wage revisions in enterprises under federal jurisdiction.

n.a. not available.

Source: Ministry of Labor.

Table A 24

Labor Productivity and Unit Labor Costs by Economic Sectors

Annual percentage change

Period	Labor Productivity					Unit Labor Costs				
	Manufacturing	Maquiladora	Wholesale	Retail	Commerce	Manufacturing	Maquiladora	Wholesale	Retail	Commerce
1996 Average	7.7	3.1	-0.3	-0.9	0.4	-16.4	-8.3	-12.1	-9.3	-12.1
1997 Average	4.7	-5.1	0.8	-3.2	-3.6	-5.0	7.2	4.0	5.3	8.1
1998 Average	3.3	-0.7	2.4	0.7	0.8	-0.4	4.7	-0.3	3.0	1.5
1999 Average	2.9	-0.4	-1.4	3.4	1.7	-1.4	2.6	-0.1	-1.5	-2.4
2000 Average	5.3	0.8	2.6	5.5	3.6	0.9	3.7	4.4	0.9	3.1
2001 Average	1.2	-2.6	-8.1	-4.4	-7.7	5.4	11.9	8.1	4.1	7.6
2002 Average	5.2	1.7	-6.1	0.9	-2.3	-3.2	3.9	10.4	1.6	6.0
2003 Average	1.8	-0.1	0.8	5.6	3.8	-0.9	0.0	2.0	-2.3	-0.8
2001 Jan	3.1	-0.8	-0.4	3.5	1.2	4.3	9.2	0.4	-2.1	-0.9
Feb	-2.3	-5.2	-9.6	-3.5	-8.1	7.9	12.1	8.2	4.4	7.3
Mar	0.3	-5.7	-8.4	1.1	-5.2	5.1	13.5	8.0	-2.4	4.3
Apr	0.4	-2.8	-3.9	-3.3	-5.2	3.4	10.6	-0.8	3.1	1.7
May	1.6	0.8	-7.5	-4.4	-7.6	4.2	9.2	4.7	2.8	5.2
Jun	0.3	-3.8	-11.1	-5.3	-9.4	5.9	12.6	9.5	5.0	8.0
Jul	0.6	-4.7	-8.2	-9.0	-10.7	7.3	15.4	9.4	10.5	12.5
Aug	1.3	-1.2	-7.9	-9.4	-10.6	3.1	12.7	10.4	11.1	13.5
Sep	0.5	-4.4	-13.1	-7.5	-11.8	5.9	14.2	13.4	7.3	11.9
Oct	2.4	-2.2	-9.5	-7.2	-10.1	4.7	13.7	10.9	5.8	11.1
Nov	3.1	-1.5	-10.3	-5.7	-9.7	4.8	10.9	11.5	4.0	10.2
Dec	3.0	0.5	-6.7	-1.6	-4.8	7.6	9.3	11.6	1.1	8.3
2002 Jan	4.1	2.1	-7.6	-0.1	-4.2	1.5	7.4	12.4	2.0	7.9
Feb	5.1	2.2	-5.5	0.8	-2.1	-1.4	5.5	11.6	0.3	6.6
Mar	-1.4	-1.8	-11.5	-0.8	-6.0	3.7	6.7	13.0	4.4	7.2
Apr	17.6	4.4	1.0	5.7	3.7	-11.1	4.3	10.0	-3.6	5.0
May	6.1	3.1	-5.3	2.6	-1.3	-1.7	3.4	5.5	6.0	3.3
Jun	4.0	0.9	-9.5	-0.8	-5.1	-3.5	4.5	12.2	-0.4	6.3
Jul	7.1	5.4	-4.4	3.4	0.0	-5.5	0.2	8.3	-1.6	3.1
Aug	4.1	0.1	-8.3	2.3	-2.6	-3.3	4.5	12.3	-0.4	5.4
Sep	3.9	2.0	-6.0	-1.6	-3.6	-2.6	2.9	8.6	3.5	5.9
Oct	5.4	4.6	-5.1	1.4	-1.4	-2.5	0.4	13.0	2.6	8.0
Nov	2.7	-2.1	-6.7	-0.7	-3.1	-4.7	4.3	14.4	1.5	8.7
Dec	5.2	0.3	-3.8	-0.7	-2.0	-5.4	2.8	6.6	4.9	5.0
2003 Jan	2.5	-2.0	-0.3	1.0	-0.2	-1.2	1.7	7.8	5.5	7.5
Feb	3.6	0.7	-1.2	2.2	0.1	-2.9	-0.6	5.3	2.9	4.2
Mar	6.0	1.9	4.7	2.6	3.2	-4.5	-2.0	-0.5	-0.9	0.4
Apr	-3.8	-1.7	-3.9	0.3	-2.0	4.4	0.9	5.3	3.5	3.9
May	0.2	-2.4	-4.1	2.0	-0.6	0.1	0.9	10.5	-2.3	5.1
Jun	0.9	-0.1	-2.2	7.4	3.8	1.1	-0.2	6.8	-3.3	0.5
Jul	0.8	-0.5	-0.8	9.8	6.3	2.6	1.1	7.0	-4.7	-0.5
Aug	-0.7	-3.4	-1.0	9.2	5.9	1.7	1.1	2.3	-7.4	-4.4
Sep	2.9	0.9	2.9	7.8	6.4	-0.6	-1.3	-0.4	-4.8	-3.6
Oct	1.8	-0.9	5.2	9.0	8.1	-0.5	3.2	-2.5	-6.0	-5.1
Nov	2.0	2.3	4.1	8.4	7.0	-1.3	-1.2	-3.5	-6.3	-5.9
Dec	6.8	4.2	6.0	7.2	7.1	-6.2	-2.8	-9.9	-3.1	-9.0

Source: Bureau of Statistics (*Instituto Nacional de Estadística, Geografía e Informática, INEGI*).

Table A 25 **Nominal and Real Wages per Worker by Economic Sectors**
Annual percentage change

Period	Nominal Wages					Real Wages				
	Manufacturing	Maquiladora	Wholesale	Retail	Commerce	Manufacturing	Maquiladora	Wholesale	Retail	Commerce
1996 Average	21.6	27.5	18.7	21.3	19.3	-9.9	-5.5	-12.1	-10.2	-11.6
1997 Average	19.9	22.7	26.4	22.7	25.5	-0.6	1.8	4.9	1.8	4.2
1998 Average	19.3	20.7	18.4	20.8	19.0	2.8	4.0	2.1	4.1	2.6
1999 Average	18.3	19.1	14.7	18.3	15.5	1.5	2.2	-1.5	1.6	-0.8
2000 Average	16.0	14.3	17.3	17.0	17.2	6.0	4.4	7.1	6.8	7.1
2001 Average	13.5	16.0	5.7	5.7	5.7	6.7	9.0	-0.5	-0.5	-0.5
2002 Average	7.0	10.9	9.0	7.9	8.7	1.9	5.6	3.8	2.7	3.5
2003 Average	5.8	4.5	7.2	7.7	7.3	1.2	0.0	2.6	3.0	2.7
2001 Jan	16.2	17.1	8.1	9.5	8.5	7.4	8.3	0.0	1.3	0.3
Feb	12.9	13.9	4.8	7.9	5.5	5.4	6.4	-2.2	0.7	-1.5
Mar	13.0	14.7	6.0	5.7	5.9	5.4	7.0	-1.1	-1.4	-1.1
Apr	11.1	15.2	2.1	6.7	3.2	3.7	7.5	-4.7	-0.4	-3.7
May	13.2	17.6	3.6	5.2	4.0	5.9	10.0	-3.2	-1.7	-2.8
Jun	13.2	15.5	3.7	6.0	4.3	6.2	8.4	-2.7	-0.6	-2.2
Jul	14.3	16.5	6.4	6.5	6.4	8.0	10.0	0.5	0.6	0.5
Aug	10.7	17.9	7.7	6.5	7.4	4.5	11.3	1.7	0.6	1.4
Sep	13.0	15.9	4.6	5.4	4.8	6.4	9.2	-1.5	-0.7	-1.3
Oct	13.6	17.8	6.3	4.0	5.7	7.3	11.2	0.4	-1.7	-0.1
Nov	13.9	15.2	5.4	3.4	4.9	8.1	9.3	0.0	-1.9	-0.5
Dec	15.7	14.7	8.8	3.8	7.6	10.8	9.9	4.2	-0.5	3.1
2002 Jan	10.7	14.9	8.8	6.7	8.3	5.7	9.7	3.8	1.9	3.3
Feb	8.6	13.0	10.5	5.9	9.4	3.6	7.8	5.5	1.1	4.4
Mar	7.0	9.6	4.7	8.4	5.6	2.3	4.7	0.0	3.6	0.9
Apr	9.5	14.0	16.4	6.7	14.0	4.6	8.9	11.1	1.9	8.9
May	9.1	11.6	4.6	13.8	6.8	4.3	6.6	-0.1	8.7	2.0
Jun	5.3	10.6	6.6	3.6	5.9	0.3	5.4	1.6	-1.2	0.9
Jul	6.7	11.4	9.2	7.3	8.8	1.2	5.5	3.5	1.7	3.1
Aug	6.0	10.2	8.4	7.3	8.1	0.6	4.6	3.0	1.9	2.7
Sep	6.2	10.1	7.2	6.9	7.1	1.2	4.9	2.1	1.9	2.0
Oct	7.8	10.2	12.6	9.1	11.7	2.8	5.0	7.3	4.0	6.5
Nov	3.1	7.6	12.5	6.2	11.0	-2.2	2.1	6.8	0.8	5.3
Dec	5.2	9.0	8.4	10.1	8.8	-0.4	3.1	2.5	4.2	2.9
2003 Jan	6.5	4.8	13.0	12.0	12.8	1.3	-0.3	7.5	6.5	7.3
Feb	6.2	5.6	9.8	11.0	10.1	0.7	0.1	4.1	5.2	4.4
Mar	6.9	5.4	10.1	7.4	9.5	1.2	-0.2	4.2	1.7	3.6
Apr	5.7	4.4	6.6	9.3	7.2	0.4	-0.8	1.3	3.8	1.8
May	5.0	3.1	11.0	4.3	9.3	0.3	-1.5	6.0	-0.4	4.4
Jun	6.4	4.0	8.9	8.3	8.8	2.0	-0.3	4.5	3.9	4.3
Jul	7.7	4.7	10.5	9.0	10.1	3.4	0.6	6.1	4.6	5.8
Aug	5.0	1.6	5.4	5.2	5.3	0.9	-2.3	1.3	1.1	1.2
Sep	6.5	3.7	6.7	6.7	6.7	2.4	-0.3	2.5	2.5	2.5
Oct	5.4	6.4	6.7	6.6	6.7	1.3	2.3	2.6	2.5	2.6
Nov	4.6	5.1	4.5	5.5	4.7	0.6	1.1	0.5	1.5	0.7
Dec	4.2	5.4	-0.7	7.9	1.3	0.2	1.3	-4.5	3.8	-2.6

Source: Bureau of Statistics (*Instituto Nacional de Estadística, Geografía e Informática, INEGI*).

Table A 26

Ex-ante and Ex-post Real Contractual Wages
Annual percentage change

Period	Ex-post ^{1/}	Ex-ante ^{2/}	Expected inflation ^{3/}
1996 Average	-16.64	n.a.	n.a.
1997 Average	-0.10	5.12 ^{4/}	14.09 ^{4/}
1998 Average	3.20	3.47	14.00
1999 Average	0.75	2.58	13.32
2000 Average	6.25	3.13	8.88
2001 Average	5.47	2.41	6.40
2002 Average	3.90	1.51	4.21
2003 Average	1.20	0.59	4.15
2001 Jan	4.42	2.44	7.81
Feb	5.46	2.33	7.74
Mar	5.18	3.02	7.09
Apr	5.30	3.22	6.98
May	5.36	3.74	6.70
Jun	6.23	3.14	6.84
Jul	6.33	2.77	6.04
Aug	6.85	3.71	6.01
Sep	6.48	3.76	5.72
Oct	5.15	1.14	5.69
Nov	6.07	1.52	5.10
Dec	6.62	2.21	5.08
2002 Jan	5.40	1.98	4.53
Feb	5.21	2.30	4.50
Mar	5.41	1.59	4.44
Apr	5.46	1.50	4.24
May	5.74	2.22	4.19
Jun	5.00	1.78	4.15
Jul	3.28	2.60	4.09
Aug	4.41	2.53	3.97
Sep	4.53	1.59	4.05
Oct	1.87	0.65	4.12
Nov	1.24	1.08	4.08
Dec	1.61	1.53	4.21
2003 Jan	1.37	0.80	4.36
Feb	1.31	0.57	4.40
Mar	0.43	0.70	4.27
Apr	0.52	0.82	4.15
May	1.72	0.57	4.31
Jun	1.65	1.33	4.31
Jul	2.57	0.32	4.17
Aug	2.46	1.24	4.11
Sep	1.60	0.95	4.01
Oct	0.81	0.30	3.89
Nov	1.17	0.46	3.82
Dec	1.75	0.33	3.86

n.a. not available.

1/ Ex-post real wage changes are defined as nominal wage increases granted in the previous 12 months deflated by annual inflation observed during the analyzed month.

2/ Real ex-ante wages are calculated according to inflation expectations for the following 12 months.

3/ Banco de México's Survey of Private Sector Economic Analysts' Forecasts.

4/ May-December 1997.

Source: Prepared by Banco de México with data from the Ministry of Labor and Banco de México.

Table A 27 **Minimum Wage**
Pesos per day

Period	National average ^{1/}	Geographic regions ^{2/}		
		A	B	C
1987 January 1	2.7608	3.0500	2.8200	2.5350
1987 April 1	3.3148	3.6600	3.3850	3.0450
1987 July 1	4.0801	4.5000	4.1650	3.7500
1987 October 1	5.1020	5.6250	5.2100	4.6900
1987 December 16	5.8672	6.4700	5.9900	5.3950
1988 January 1	7.0407	7.7650	7.1900	6.4750
1988 March 1	7.2529	8.0000	7.4050	6.6700
1989 January 1	7.8337	8.6400	7.9950	7.2050
1989 July 1	8.3060	9.1600	8.4750	7.6400
1989 December 4	9.1389	10.0800	9.3250	8.4050
1990 November 16	10.7866	11.9000	11.0000	9.9200
1991 November 11	12.0840	13.3300	12.3200	11.1150
1993 January 1	13.0600	14.2700	13.2600	12.0500
1994 January 1	13.9700	15.2700	14.1900	12.8900
1995 January 1	14.9500	16.3400	15.1800	13.7900
1995 April 1	16.7400	18.3000	17.0000	15.4400
1995 December 4	18.4300	20.1500	18.7000	17.0000
1996 April 1	20.6600	22.6000	20.9500	19.0500
1996 December 3	24.3000	26.4500	24.5000	22.5000
1998 January 1	27.9900	30.2000	28.0000	26.0500
1998 December 3	31.9100	34.4500	31.9000	29.7000
2000 January 1	35.1200	37.9000	35.1000	32.7000
2001 January 1	37.5700	40.3500	37.9500	35.8500
2002 January 1	39.7400	42.1500	40.1000	38.3000
2003 January 1	41.5300	43.6500	41.8500	40.3000
2004 January 1	43.2970	45.2400	43.7300	42.1100

1/ Country's average weighted by number of wage earners in each region.

2/ States and municipalities are classified by regions to show country's differing costs of living. For details on classification methodology see "Minimum Wages", Minimum Wage Commission (*Comisión Nacional de Salarios Mínimos*).

Monetary and Financial Indicators

Table A 28

Monetary and Financial Indicators

	2000	2001	2002	2003
Monetary Aggregates ^{1/}				
	Real annual percentage change			
Monetary Base	14.68	5.41	11.41	10.71
M1	11.11	8.21	12.91	7.00
M4	7.77	8.42	7.37	6.91
	Percentage of GDP			
Monetary Base	2.99	3.16	3.50	3.69
M1	8.74	9.48	10.64	10.85
M4	41.58	45.17	48.25	49.12
Nominal Interest Rates ^{1/}				
	Annual percentage rates			
28-day TIE	16.96	12.89	8.17	6.83
28-day CETES	15.24	11.31	7.09	6.23
CPP	13.69	10.12	5.36	4.45
CCP	14.59	10.95	6.17	5.15
Exchange Rate ^{2/}				
	Pesos per US dollar			
To settle liabilities denominated in foreign currency	9.5722	9.1423	10.3125	11.236
Mexican Stock Exchange ^{2/}				
	Index base October 1978=100			
Stock Exchange Index (<i>IPC</i>)	5,652	6,372	6,127	8,795

^{1/} Average of end-month observations.

^{2/} End of period.

Source: Banco de México, and Mexican Stock Exchange (*Bolsa Mexicana de Valores, BMV*).

Table A 29

Monetary Aggregates

Stocks in thousand million pesos

End-period	Monetary Base	M 1	M 2	M 3	M 4
Nominal stocks					
1990	30.1	510	2712	277.8	293.7
1991	38.6	13.6	339.1	358.0	386.7
1992	44.0	1317	380.5	426.9	458.4
1993	47.2	157.0	469.5	540.6	580.1
1994	56.9	163.8	554.8	657.0	724.1
1995	66.8	1716	754.4	784.5	869.2
1996	84.0	245.3	995.2	1025.8	1116.1
1997	108.9	325.4	1286.5	1317.0	1396.9
1998	131.5	387.9	1658.9	1685.4	1771.3
1999	188.7	489.1	2,024.2	2,041.0	2,114.7
2000	208.9	564.2	2,363.0	2,391.4	2,447.8
2001	225.6	679.7	2,766.0	2,794.4	2,843.2
2002	263.9	765.2	3,082.2	3,107.5	3,151.3
2003					
Jan	246.1	718.7	3,104.4	3,141.3	3,180.0
Feb	241.5	706.4	3,111.3	3,142.2	3,180.7
Mar	237.8	713.3	3,136.6	3,172.2	3,208.9
Apr	243.7	701.9	3,130.0	3,162.3	3,198.5
May	246.4	710.9	3,209.0	3,240.2	3,275.4
Jun	240.0	726.5	3,217.8	3,250.3	3,287.6
Jul	242.5	721.5	3,252.2	3,291.4	3,328.8
Aug	242.4	719.2	3,257.7	3,299.9	3,334.8
Sep	238.7	722.3	3,300.4	3,340.1	3,373.7
Oct	247.9	730.2	3,334.1	3,371.2	3,405.4
Nov	260.0	764.6	3,414.7	3,451.1	3,484.3
Dec	303.6	856.2	3,494.4	3,528.2	3,559.6
Average stocks as a percentage of GDP ^{1/}					
1990	2.91	4.66	30.73	30.98	32.51
1991	3.10	6.85	31.64	33.32	35.78
1992	3.10	9.85	30.97	33.97	36.46
1993	2.96	10.51	33.12	38.25	41.19
1994	3.17	10.46	35.09	40.79	44.03
1995	2.73	7.52	34.08	37.56	41.41
1996	2.50	7.52	34.49	35.43	38.85
1997	2.63	8.41	35.68	36.66	39.20
1998	2.69	8.55	37.58	38.37	40.60
1999	2.85	8.59	40.03	40.44	42.13
2000	2.99	8.74	40.03	40.38	41.58
2001	3.16	9.48	43.74	44.17	45.17
2002	3.50	10.64	47.19	47.60	48.25
2003	3.69	10.85	48.07	48.60	49.12

The monetary base includes bills and coins in circulation plus the net creditor balance of commercial and development banks' current accounts at Banco de México.

M1 includes bills and coins held by the public plus domestic private sector deposits in checking accounts and in current accounts where funds can be withdrawn through debit cards.

M2 equals M1 plus domestic private sector bank deposits (other than deposits in checking and current accounts) plus federal government and private sector securities held by the resident private sector, and retirement savings funds.

M3 includes M2 plus non-residents' demand and term deposits in banks, plus federal government securities held by non-residents.

M4 equals M3 plus deposits in Mexican banks' agencies abroad.

1/ Based on average end-month stocks.

Table A 30

Monetary Base

Stocks in thousand million pesos

End of period	Monetary Base	Liabilities		Assets	
		Bills and Coins in Circulation ^{1/}	Bank Deposits	Net Domestic Credit	Net International Assets ^{2/}
1990	30.121	27.078	3.044	17.850	12.271
1991	38.581	36.172	2.409	3.514	35.067
1992	43.972	42.015	1.957	2.046	41.926
1993	47.193	47.193	0.000	-17.247	64.440
1994	56.935	56.920	0.015	41.896	15.040
1995	66.809	66.809	0.000	55.649	11.160
1996	83.991	83.991	0.000	34.307	49.684
1997	108.891	108.736	0.156	-51.049	159.940
1998	131.528	131.109	0.419	-100.836	232.364
1999	188.718	188.718	0.000	-71.350	260.068
2000	208.943	208.880	0.063	-133.443	342.386
2001	225.580	225.223	0.358	-185.735	411.315
2002					
Jan	206.862	206.862	0.000	-226.066	432.928
Feb	202.264	202.220	0.045	-228.420	430.685
Mar	216.309	215.889	0.420	-201.223	417.532
Apr	201.289	201.136	0.152	-222.260	423.549
May	209.329	209.329	0.000	-225.464	434.793
Jun	211.893	211.830	0.062	-242.432	454.325
Jul	209.825	209.417	0.408	-241.905	451.730
Aug	210.266	210.266	0.000	-251.555	461.821
Sep	210.994	210.994	0.000	-267.121	478.115
Oct	213.942	213.942	0.000	-255.165	469.107
Nov	227.457	227.457	0.000	-248.383	475.840
Dec	263.937	263.937	0.000	-265.566	529.503
2003					
Jan	246.102	246.102	0.000	-317.041	563.143
Feb	241.470	241.402	0.068	-333.077	574.547
Mar	237.850	237.850	0.000	-344.778	582.628
Apr	243.731	243.731	0.000	-324.303	568.034
May	246.356	246.356	0.000	-330.514	576.870
Jun	240.017	240.017	0.000	-337.303	577.320
Jul	242.514	242.514	0.000	-328.442	570.956
Aug	242.435	242.435	0.000	-354.769	597.204
Sep	238.703	238.703	0.000	-365.873	604.576
Oct	247.926	247.926	0.000	-374.111	622.037
Nov	260.002	260.002	0.000	-393.825	653.827
Dec	303.614	303.614	0.000	-360.043	663.657

1/ Bills and coins held by the public and in banks' vaults.

2/ Defined as gross reserves plus credit agreements with central banks with more than six months to maturity, minus total liabilities with the IMF and with foreign central banks with less than six months to maturity.

Table A 31

Monetary Aggregates M1, M2, M3 and M4

Stocks in thousand million pesos

	December					
	1998	1999	2000	2001	2002	2003
1. Bills and Coins held by the Public	115.9	164.2	182.0	198.9	232.2	263.6
2. Checking Accounts (Pesos)	193.8	233.1	266.9	316.2	352.3	396.0
3. Checking Accounts (Foreign Currency)	37.2	43.1	48.9	84.2	84.3	74.0
4. Current Account Deposits	40.9	48.7	66.3	80.3	96.4	122.6
5. M1 (1+2+3+4)	387.9	489.1	564.2	679.7	765.2	856.2
6. Resident Bank Term Deposits	761.9	779.4	690.1	689.2	640.1	724.6
7. Public Securities held by Residents (including SIEFORES)	314.5	527.1	802.2	1,037.0	1,255.7	1,403.8
Federal Government Securities	297.9	501.5	665.0	681.3	812.1	871.6
Banco de México Securities (BREMs)			21.0	143.7	160.5	151.6
IPAB Securities			70.8	149.3	209.0	263.4
Other Public Securities	16.6	25.6	45.3	62.7	74.2	117.2
8. Private Securities (including SIEFORES)	58.6	55.0	85.8	96.3	133.1	175.6
9. Retirement Savings Funds (excluding SIEFORES)	135.9	173.6	220.8	263.8	288.1	334.1
10. M2=(5+6+7+8+9)	1,658.9	2,024.2	2,363.0	2,766.0	3,082.2	3,494.4
11. Non-resident Bank Term Deposits	4.3	6.8	19.6	11.2	7.7	9.1
12. Public Securities held by Non-residents	22.3	10.1	8.8	17.2	17.6	24.8
13. M3=(10+11+12)	1,685.4	2,041.0	2,391.4	2,794.4	3,107.5	3,528.2
14. Resident Deposits in Mexican Banks' Agencies Abroad	41.6	33.9	35.7	33.0	30.3	17.8
15. Non-resident Deposits in Mexican Banks' Agencies Abroad	44.3	39.8	20.7	15.9	13.5	13.5
16. M4=(13+14+15)	1,771.3	2,114.7	2,447.8	2,843.2	3,151.3	3,559.6

Table A 32 Results of Credit Market Conditions Survey

Up to fourth quarter of 2003 ^{1/}

Percentage of responses

CONCEPT	2002				2003						
	IV	I	II	III	4th quarter						
	Total	Total	Total	Total	Total	By company size ^{2/}			By type of company ^{3/}		
					S	M	L	AAA	Export	Non-export	
Sources of financing	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Suppliers	55.9	56.3	56.6	58.8	56.8	62.5	58.5	48.7	32.4	55.8	58.0
Commercial banks	20.3	18.8	19.1	19.7	20.3	18.6	19.0	22.4	35.3	19.7	21.0
Foreign-owned banks	5.0	3.7	4.0	2.7	3.3	1.7	2.4	6.4	8.8	3.8	2.7
Other firms from the same Corporate Group	12.1	13.6	13.5	10.9	12.9	12.0	16.5	9.0	11.8	12.1	13.9
Development banks	1.9	2.7	2.1	2.3	2.2	2.4	1.6	2.6	2.9	3.3	0.9
Headquarters	3.7	3.4	2.9	4.0	3.3	2.1	2.0	8.3	0.0	4.5	1.8
Other liabilities	1.1	1.5	1.8	1.6	1.2	0.7	0.0	2.6	8.8	0.8	1.7
Firms that used bank credit	30.9	26.9	30.4	29.6	31.0	25.2	30.8	37.2	59.1	29.8	32.2
Destined for:											
Working capital	61.9	61.9	61.9	63.4	70.5	77.8	77.3	56.3	71.4	68.1	73.4
Liability Restructuring	17.3	13.4	10.4	11.1	10.1	12.7	1.5	15.6	14.3	9.7	10.6
Foreign trade transactions	8.0	7.9	7.4	7.9	7.2	3.2	3.0	15.6	7.1	8.8	5.3
Investment	11.9	12.4	12.6	11.1	10.1	4.8	15.2	10.9	7.1	12.4	7.4
Other purposes	0.9	4.5	7.8	6.5	1.9	1.6	3.0	1.6	0.0	0.9	3.2
Firms that did not use bank credit	69.1	73.1	69.6	70.4	69.0	74.8	69.2	62.8	40.9	70.2	67.8
Reason:											
High interest rates	24.8	22.8	23.6	20.6	22.2	22.3	25.9	17.2	20.0	19.9	24.6
Low demand for their products	5.2	5.6	5.9	6.4	7.0	7.9	4.3	8.6	5.0	7.9	6.0
Bank refusal to lend	17.3	16.4	11.8	10.6	13.7	14.4	14.7	8.6	15.0	15.3	12.1
Uncertainty regarding the country's economic conditions	25.0	25.2	22.9	21.8	19.8	19.7	19.8	20.7	20.0	18.1	21.6
Financial restructuring problems	10.9	10.5	9.7	8.9	10.1	9.2	10.3	12.1	15.0	11.1	9.0
Credit application not approved	7.7	9.2	11.3	6.7	9.6	11.8	8.6	3.4	5.0	9.3	10.1
Overdue loan portfolio	4.1	2.8	3.5	3.9	3.9	3.5	4.3	3.4	5.0	4.2	3.5
Market competition problems	4.6	3.8	4.7	5.7	6.3	7.4	2.6	8.6	10.0	6.9	5.5
Other	0.5	3.6	6.6	15.4	7.5	3.9	9.5	17.2	5.0	7.4	7.5
Firms that granted financing	77.3	80.3	81.1	79.6	79.1	82.1	80.3	76.0	54.5	84.9	72.8
Destined for:											
Clients	76.2	79.4	76.9	76.5	77.2	84.2	72.3	71.9	85.7	75.1	80.2
Suppliers	10.3	8.1	10.0	10.9	10.0	6.8	13.6	10.7	0.0	12.3	6.8
Other firms in corporation	13.5	12.3	13.0	12.3	12.8	9.0	14.1	17.4	14.3	12.6	13.1
Other	0.0	0.2	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average maturity of financing granted (days)											
Clients	56	48	62	57	56	53	48	70	94	52	61
Suppliers	54	48	57	44	71	42	73	100	0	58	105
Other firms in corporation	67	79	81	68	58	70	42	74	19	54	64
Firms requesting credit in the following 3 months	63.4	63.2	66.0	63.0	65.7	66.2	64.6	64.5	77.3	66.2	65.2

1/ Nationwide sample of at least 500 firms. Responses are voluntary and confidential.

2/ Firms' size was determined based on total sales of 1997:

Size	Total sales value (1997):
Small =	1-100 million pesos
Medium =	101-500 million pesos
Large =	501-5000 million pesos
AAA =	More than 5000 million pesos

Given the size of the sample of AAA firms, the item reasons for not using bank credit includes total responses of firms, whether these received or not credit.

3/ Non-exporters are companies that only import goods and services and/or have no foreign trade activity.

Table A 33 Total Financing to the Private Sector

Quartely data

Stocks in million pesos

	External Financing			Domestic Financing				
	Total Financing	Foreign Direct ^{1/}	Debt Instruments Placed Abroad ^{2/}	Commercial Banks ^{3/}	Developments banks ^{3/}	Non-bank Intermediaries ^{4/}	Debt Instruments Issued	Issuers ^{5/}
2000								
Mar	1,525,004	281,352	185,059	746,121	70,171	97,729	65,133	79,440
Jun	1,586,650	313,998	201,575	741,553	75,265	105,789	75,044	73,425
Sep	1,582,662	309,111	199,016	727,490	76,279	111,741	84,574	74,451
Dec	1,607,979	320,020	198,452	750,366	77,807	94,415	79,738	87,182
2001								
Mar	1,562,261	316,672	200,802	732,138	82,600	95,255	80,337	54,457
Jun	1,531,282	299,828	190,387	705,754	83,145	100,110	79,104	72,954
Sep	1,553,749	324,248	194,276	693,029	85,680	105,976	76,815	73,725
Dec	1,563,690	332,708	184,463	671,488	89,011	116,912	87,229	81,880
2002								
Mar	1,517,084	318,182	177,390	639,087	90,157	120,911	91,904	79,454
Jun	1,586,117	350,592	187,845	646,113	94,515	132,762	97,482	76,808
Sep	1,630,552	355,509	195,412	655,056	102,660	141,015	102,890	78,010
Dec	1,700,179	359,775	198,858	676,810	112,800	151,791	105,261	94,883
2003								
Mar	1,703,383	368,333	202,518	671,565	115,154	159,331	109,098	77,383
Jun	1,687,671	352,021	186,050	658,813	113,827	163,962	134,643	78,356
Sep	1,731,940	366,578	195,211	666,593	102,476	166,211	150,799	84,074
Dec	1,769,860	367,591	211,192	681,138	95,437	179,109	145,751	89,641

1/ Includes financing from foreign suppliers, and from foreign banks and other creditors.

2/ Commercial paper, bonds and securities placed abroad. Source: Balance of Payments excluding PIDIREGAS-PEMEX.

3/ Includes total loan portfolio, accrued interests, and portfolio associated with debt-restructuring programs (UDIs and IPAB-FOBAPROA).

4/ Limited purpose financial companies (*Sociedades Financieras de Objeto Limitado, SOFOLES*), savings and loan companies, financial leasing companies, financial factoring companies, and credit unions.

5/ Information drawn from balance sheets of firms listed in the Mexican Stock Exchange (*Bolsa Mexicana de Valores, BMV*).

Source: Balance of Payments excluding PIDIREGAS-PEMEX.

Table A 34

Financial System Flow of Funds Matrix (January–December 2003) ^{1/}
 Flows revalued as a percentage of GDP ^{2/}

	Resident private sector ^{3/}			Public sector ^{4/}			Banking sector ^{5/}			External sector		
	Use of funds (Assets)	Source of funds (Liabilities)	Net financing received	Use of funds (Assets)	Source of funds (Liabilities)	Net financing received	Use of funds (Assets)	Source of funds (Liabilities)	Net financing received	Use of funds (Assets)	Source of funds (Liabilities)	Net financing received
	a	b	c = b - a	d	e	f = e - d	g	h	i = h - g	j	k	l = k - j
1. Change in Domestic Financial Instruments (2 + 7 + 8 + 9)	6.0	2.6	-3.4	0.7	2.9	2.2	2.1	3.2	1.1	-0.1		0.1
2. Financial instruments	6.0	1.9	-4.2	0.3	3.2	2.9	1.3	2.4	1.2	-0.1		0.1
3. Bills and coins	0.5		-0.5					0.5	0.5			
4. Checkable, time and savings deposits	2.0		-2.0	0.3		-0.3		2.1	2.1	-0.2		0.2
4.1 Nonfinancial enterprises and other institutions	0.6		-0.6	0.3		-0.3		0.7	0.7	-0.2		0.2
4.2 Households	1.4		-1.4					1.4	1.4	0.0		0.0
5. Securities issued ^{6/}	2.8	1.3	-1.6		3.1	3.1	1.3	-0.1	-1.4	0.1		-0.1
6. Retirement and housing funds ^{7/}	0.7	0.6	-0.1		0.1	0.1						
7. Loans		0.1	0.1	0.7	0.0	-0.7	0.1	0.7	0.7			
7.1 Nonfinancial enterprises and other institutions		-0.5	-0.5	0.7	0.0	-0.7	-0.5	0.7	1.2			
7.2 Households												
8. Shares and other equity		-0.1	-0.1				0.0		0.0	0.0		0.0
9. Other financial system items ^{8/}		0.7	0.7	-0.3	-0.2	0.1	0.8		-0.8			
10. Change in External Financial Instruments (11+ 12 + 13 + 14+15)	-0.8	1.4	2.2	0.2	0.7	0.5	1.1	0.0	-1.1	2.1	0.5	-1.6
11. Foreign direct investment		1.7	1.7							1.7		-1.7
12. External financing		-0.6	-0.6		0.7	0.7		0.0	0.0	0.1		-0.1
13. Financial assets held abroad	-0.8		0.8	0.2		-0.2	-0.5		0.5		-1.1	-1.1
14. Banco de México's International Reserves							1.5		-1.5		1.5	1.5
15. Errors and omissions (balance of payments)		0.2	0.2							0.2		-0.2
16. Statistical discrepancy ^{10/}		0.0	0.0							0.0		0.0
17. Total change in financial instruments (1+ 10 +16)	5.2	4.0	-1.2	0.9	3.6	2.7	3.2	3.2	0.0	1.9	0.5	-1.5 ^{11/}

1/ Preliminary figures. Figures may not add up due to rounding.

2/ Excludes the effect of exchange rate fluctuations (peso vs. other currencies).

3/ Private sector includes firms, households and non-bank financial intermediaries.

4/ Public sector involves Public Sector Borrowing Requirements (*Recursos Financieros del Sector Público, RFSP*) including non-recurrent revenues.

5/ Banking sector includes Banco de México, development and commercial banks (including the latter's agencies abroad). Regarding financial intermediaries, this sector has a total net position of zero (line item 17). Statistics on assets and liabilities from commercial banks, development banks and from Banco de México were used to consolidate banking sector's financial flows.

6/ Includes government securities, BPAs, BPATs, BREMs and private securities, and securities held by the SIEFORES.

7/ Includes retirement saving funds from both the Public Employees' Social Service Institute (*Instituto de Seguridad y Servicios Sociales para los Trabajadores del Estado, ISSSTE*) and the IMSS held by Banco de México, and housing funds.

8/ The private sector column includes firms, credit unions, savings and loan companies, investment funds, financial leasing companies, financial factoring companies, limited purpose financial companies (*Sociedades Financieras de Objeto Limitado, SOFOLES*), insurance companies, investment funds specialized in retirement savings, bonding companies, deposit warehouses, public funds and trusts, brokerage houses, states and municipalities, and securities related with debt-restructuring programs. The public sector column includes institutions as defined in Public Sector Borrowing Requirements (*Requerimientos Financieros del Sector Público, RFSP*).

9/ Includes non-classified assets, real estate assets and others, as well as banking sector's capital accounts and balance sheets.

10/ Difference between financial data and that drawn from the balance of payments.

11/ Corresponds to the balance of payments' current account. A negative figure implies external financing to the economy (external sector surplus), equal to Mexico's current account deficit.

Table A 35

Banco de México's One-year Bonds (*Bonos de Regulación Monetaria, BREMs*) ^{1/}

Weekly auction results

Maturity (days)	Amount in million pesos			Price			
	Offered	Alloted	Tendered	Weighted placement	Bid	Alloted	Bid
02/01/2003	363	1,250	1,250	1,250	99.77500	99.77500	99.77500
09/01/2003	356	1,250	1,250	5,150	99.71332	99.71332	99.66562
16/01/2003	349	1,250	1,250	5,550	99.68908	99.69000	99.68823
23/01/2003	342	1,250	1,250	1,250	99.63443	99.63443	99.63443
30/01/2003	335	1,250	1,250	6,400	99.64384	99.67000	99.64157
06/02/2003	363	1,250	1,250	10,278	99.63000	99.63000	99.63000
13/02/2003	356	1,250	1,250	7,740	99.62800	99.62800	99.62800
20/02/2003	349	1,250	1,250	6,100	99.65000	99.65000	99.65000
27/02/2003	342	1,250	1,250	5,650	99.66806	99.67400	99.66657
06/03/2003	364	1,250	1,250	7,000	99.63000	99.63000	99.63000
13/03/2003	357	1,250	1,250	8,650	99.64726	99.65000	99.64239
20/03/2003	350	1,250	1,250	3,610	99.65889	99.66440	99.65509
27/03/2003	343	1,250	1,250	6,500	99.69000	99.69000	99.69000
03/04/2003	336	1,500	1,500	3,700	99.69744	99.70352	99.69700
10/04/2003	363	1,500	1,500	2,600	99.67105	99.68387	99.66826
16/04/2003	357	1,500	1,500	3,252	99.69549	99.70406	99.69453
24/04/2003	349	1,500	1,500	4,150	99.70909	99.70909	99.70908
30/04/2003	343	1,500	1,500	4,900	99.71229	99.71229	99.71229
08/05/2003	364	1,500	1,500	3,500	99.60941	99.61660	99.60679
15/05/2003	357	1,500	1,500	48,570	99.61278	99.62000	99.61232
22/05/2003	350	1,500	1,500	7,410	99.66825	99.66825	99.66825
29/05/2003	343	1,500	1,500	59,700	99.69273	99.69300	99.69271
05/06/2003	336	1,500	1,500	3,100	99.69847	99.69847	99.69847
12/06/2003	364	1,500	1,500	4,050	99.67574	99.67575	99.67574
19/06/2003	357	1,500	1,500	4,900	99.68176	99.68176	99.68176
26/06/2003	350	1,500	1,500	4,550	99.67676	99.69330	99.66900
03/07/2003	343	1,500	1,500	45,100	99.62471	99.63000	99.61687
10/07/2003	364	1,500	1,500	9,440	99.58590	99.58594	99.58010
17/07/2003	357	1,500	1,500	8,900	99.71000	99.71000	99.71000
24/07/2003	350	1,500	1,500	1,500	99.66681	99.66681	99.66681
31/07/2003	343	1,500	1,500	5,490	99.70298	99.70300	99.70000
07/08/2003	336	1,500	1,500	2,000	99.70725	99.70735	99.70720
14/08/2003	364	1,500	1,500	1,800	99.66342	99.66342	99.66342
21/08/2003	357	1,500	1,500	3,300	99.67283	99.67283	99.67283
28/08/2003	350	1,500	1,500	16,900	99.68433	99.68433	99.68433
04/09/2003	343	1,500	1,500	11,600	99.69155	99.69155	99.69155
11/09/2003	364	1,500	1,500	15,100	99.64822	99.64822	99.64822
18/09/2003	357	1,500	1,500	20,650	99.65811	99.65811	99.65534
25/09/2003	350	1,500	1,500	17,400	99.66807	99.66807	99.66807
02/10/2003	343	1,500	1,500	8,400	99.65729	99.65729	99.65729
09/10/2003	336	1,500	1,500	5,500	99.66003	99.66003	99.66003
16/10/2003	364	1,500	1,500	9,000	99.62534	99.62534	99.62534
23/10/2003	357	1,500	1,500	13,400	99.66206	99.66300	99.66183
30/10/2003	350	1,500	1,500	9,999	99.67980	99.67980	99.67980
06/11/2003	343	1,500	1,500	13,100	99.69449	99.69449	99.69449
13/11/2003	364	1,500	1,500	13,300	99.66603	99.66603	99.66603
19/11/2003	358	1,500	1,500	10,500	99.66588	99.66588	99.66588
27/11/2003	350	1,500	1,500	1,700	99.66895	99.66895	99.66895
04/12/2003	343	1,500	1,500	15,390	99.68820	99.68820	99.68820
11/12/2003	336	1,500	1,500	10,300	99.70298	99.70298	99.70298
18/12/2003	364	1,500	1,500	4,800	99.66100	99.66100	99.66100
24/12/2003	358	1,500	1,500	9,200	99.67476	99.67476	99.67476
31/12/2003	351	1,500	1,500	9,700	99.68980	99.68980	99.68980

1/ In accordance with article 7 section VI of Banco de México's Law, the Central Bank started to issue bonds (BREMs) to facilitate the conduction of monetary policy and its liquidity management in the money market.

Table A 36

Banco de México's Three-year Bonds (Bonos de Regulación Monetaria, BREMs) ^{1/}

Weekly auction results

	Maturity (days)	Amount in million pesos			Weighted placement	Price			
		Offered	Alloted	Tendered		Bid	Alloted	Bid	
	02/01/2003	1092	750	750	2,550	99.01600	99.02000	99.01000	80.00000
	09/01/2003	1085	750	750	1,650	98.92883	98.92883	98.92883	80.00000
	16/01/2003	1078	750	750	750	98.77299	98.77299	98.77299	98.77299
	23/01/2003	1071	750	750	4,400	98.61438	98.70195	98.57319	80.00000
	30/01/2003	1064	750	750	5,490	98.60628	98.61000	98.60571	50.00000
	06/02/2003	1057	750	750	3,250	98.69314	98.69910	98.68916	98.50000
	13/02/2003	1050	750	750	5,075	98.68990	98.68990	98.68990	50.00000
	20/02/2003	1043	750	750	7,300	98.80710	98.80710	98.80710	98.20000
	27/02/2003	1036	750	750	4,750	98.81690	98.81690	98.81690	80.00000
	06/03/2003	1029	750	750	7,200	98.78025	98.78038	98.78000	80.00000
	13/03/2003	1092	750	750	3,950	98.75704	98.77090	98.75560	98.10000
	20/03/2003	1085	750	750	4,500	98.79211	98.80010	98.78030	85.00000
	27/03/2003	1078	750	750	3,600	98.81407	98.82000	98.80100	80.00000
	03/04/2003	1071	1,000	1,000	5,300	98.80764	98.82940	98.80200	80.00000
	10/04/2003	1064	1,000	1,000	6,300	98.79159	98.80060	98.78153	95.00000
	16/04/2003	1058	1,000	1,000	3,300	98.85373	98.86190	98.85050	98.69486
	24/04/2003	1050	1,000	1,000	5,500	98.85171	98.85950	98.83196	95.00000
	30/04/2003	1093	1,000	1,000	13,098	98.81118	98.82100	98.80417	98.50000
	08/05/2003	1085	1,000	1,000	6,400	98.71004	98.71200	98.70400	98.30000
	15/05/2003	1078	1,000	1,000	6,450	98.69155	98.69300	98.69010	98.52800
	22/05/2003	1071	1,000	1,000	4,904	98.76772	98.76930	98.76000	98.63000
	29/05/2003	1064	1,000	1,000	4,355	98.79750	98.84898	98.79450	98.60415
	05/06/2003	1057	1,000	1,000	14,400	98.74714	98.76160	98.73330	75.00000
	12/06/2003	1050	1,000	1,000	5,100	98.78767	98.86000	98.78386	98.66445
	19/06/2003	1043	1,000	1,000	10,750	98.83001	98.83001	98.83001	98.00000
	26/06/2003	1036	1,000	1,000	4,730	98.79420	98.80400	98.79000	98.72360
	03/07/2003	1092	1,000	1,000	3,000	98.66094	98.66254	98.66054	98.30764
	10/07/2003	1085	1,000	1,000	5,200	98.66481	98.67120	98.66410	98.63499
	17/07/2003	1078	1,000	1,000	13,250	98.70569	98.73000	98.69910	75.00000
	24/07/2003	1071	1,000	1,000	100,300	98.68110	98.68110	98.68110	85.00000
	31/07/2003	1064	1,000	1,000	5,501	98.75601	98.75601	98.75601	98.67064
	07/08/2003	1057	1,000	1,000	4,300	98.75254	98.76721	98.75091	98.62000
	14/08/2003	1050	1,000	1,000	2,300	98.67057	98.68720	98.64940	98.63437
	21/08/2003	1043	1,000	1,000	6,850	98.76526	98.76526	98.76526	90.00000
	28/08/2003	1092	1,000	1,000	7,750	98.72000	98.72000	98.72000	98.59000
	04/09/2003	1085	1,000	1,000	5,600	98.90163	99.65409	98.69000	98.59842
	11/09/2003	1078	1,000	1,000	7,850	98.76182	98.76182	98.76182	98.60402
	18/09/2003	1071	1,000	1,000	6,700	98.76224	98.76224	98.76224	98.60000
	25/09/2003	1064	1,000	1,000	11,300	98.77613	98.77613	98.77613	80.00000
	02/10/2003	1057	1,000	1,000	4,900	98.70549	98.76780	98.68250	80.00000
	09/10/2003	1050	1,000	1,000	5,200	98.69774	98.73727	98.68400	80.00000
	16/10/2003	1043	1,000	1,000	6,050	98.69468	98.69900	98.69360	98.66674
	23/10/2003	1036	1,000	1,000	7,300	98.82300	98.82300	98.82300	98.75500
	30/10/2003	1092	1,000	1,000	18,298	98.78934	98.78934	98.78934	98.10000
	06/11/2003	1085	1,000	1,000	16,100	98.82070	98.82070	98.82070	97.00000
	13/11/2003	1078	1,000	1,000	4,000	98.76296	98.77880	98.75900	97.00000
	19/11/2003	1072	1,000	1,000	6,600	98.77100	98.77100	98.77100	80.00000
	27/11/2003	1064	1,000	1,000	12,200	98.75321	98.75568	98.73100	98.00000
	04/12/2003	1057	1,000	1,000	7,110	98.85250	98.85250	98.85250	80.00000
	11/12/2003	1050	1,000	1,000	3,600	98.86071	98.86635	98.85507	98.63886
	18/12/2003	1043	1,000	1,000	10,100	98.83471	98.83471	98.83471	80.00000
	24/12/2003	1093	1,000	1,000	12,399	98.78672	98.78672	98.78672	98.62000
	31/12/2003	1086	1,000	1,000	12,010	98.80917	98.81195	98.80639	98.46616

^{1/} In accordance with article 7 section VI of Banco de México's Law, the Central Bank started to issue bonds (BREMs) to facilitate the conduction of monetary policy and its liquidity management in the money market.

Table A 37 **Representative Interest Rates**
Yields on Public Securities
Annual percentage rates ^{1/}

	Treasury Certificates (CETES) ^{2/}				Fixed-rate bonds				
	28 days	91 days	182 days	364 days	3 years (1092 days)	5 years (1820 days)	7 years (2520 days)	10 years (3640 days)	20 years (7280 days)
1993	14.99	15.50	15.56	15.55					
1994	14.10	14.62	14.07	13.83					
1995	48.44	48.24	43.07	38.56					
1996	31.39	32.91	33.67	34.38					
1997	19.80	21.26	21.88	22.45					
1998	24.76	26.18	21.55	22.38					
1999	21.41	22.38	23.31	24.13					
2000	15.24	16.15	16.56	16.94	15.81	15.37			
2001	11.31	12.24	13.10	13.79	13.14	12.98		10.76	
2002	7.09	7.46	8.08	8.54	9.51	9.84	10.19	10.13	
2003	6.23	6.51	6.93	7.37	7.83	8.18	8.80	8.98	8.39
2001									
Jan	17.89	18.50	17.57	17.89		16.20			
Feb	17.34	18.07	18.05	18.05	15.95	15.57			
Mar	15.80	16.47	16.96	16.68	15.29	14.48			
Apr	14.96	15.40	15.91	15.52	14.07	13.67			
May	11.95	12.61	13.55	14.24	12.50	13.20			
Jun	9.43	10.27	11.04	11.99	12.01	12.62			
Jul	9.39	10.25	11.57	12.82	13.25	12.07		10.90	
Aug	7.51	8.54	9.64	11.49	12.39	12.08			
Sep	9.32	10.88	11.76	12.49		13.03			
Oct	8.36	9.68	11.46	12.84	12.59	11.19		11.09	
Nov	7.43	8.69	10.36	11.43	12.28	11.31			
Dec	6.29	7.53	9.31	10.08	11.02	10.30		10.28	
2002									
Jan	6.97	7.35	8.31	9.10	10.29	9.75		9.98	
Feb	7.91	8.17	8.67	9.11	9.55	9.63		9.93	
Mar	7.23	7.31	7.73	8.02	9.23	9.62		9.72	
Apr	5.76	6.40	6.85	7.34	8.35	9.48		9.85	
May	6.61	6.69	7.14	7.73	8.63	9.58		9.20	
Jun	7.30	7.49	8.33	8.12	8.72	9.50		9.95	
Jul	7.38	7.88	8.30	8.79	9.74	9.95	9.90	10.17	
Aug	6.68	7.07	7.80	8.56	9.56	9.84	9.93	10.23	
Sep	7.34	7.82	7.87	8.51	9.48	10.94	9.81	10.22	
Oct	7.66	8.23	9.05	9.67	10.85	10.46	11.08	11.17	
Nov	7.30	7.83	8.71	9.17	10.27	10.23	10.67	10.96	
Dec	6.88	7.27	8.14	8.41	9.47	9.10	9.77	10.12	
2003									
Jan	8.27	8.69	9.18	9.84	9.62	9.81	9.95	10.12	
Feb	9.04	8.86	9.04	9.19	9.80	9.55	10.25	10.09	
Mar	9.17	9.12	9.23	9.12	9.30	9.70	9.69	10.58	
Apr	7.86	8.00	8.10	8.33	8.64	9.13	9.45	9.53	
May	5.25	5.75	6.21	6.60	7.30	8.15	8.63	8.49	
Jun	5.20	5.37	6.03	6.51	6.85	7.35	7.87	8.07	
Jul	4.57	5.27	5.96	6.59	7.67	7.55	8.82	8.74	
Aug	4.45	5.11	5.90	6.63	7.06	7.51	8.57	8.88	
Sep	4.73	5.20	5.78	6.31	6.78	7.16	7.99	8.37	
Oct	5.11	5.38	5.59	5.92	7.05	7.32	8.18	8.24	8.39
Nov	4.99	5.23	5.74	6.42	6.50	7.25	7.77	8.35	
Dec	6.06	6.18	6.34	6.95	7.39	7.72	8.44	8.32	

1/ Tax free interest rates. Simple average.

2/ Primary auction placement rate for 28, 91, 182 and 364 days, respectively.

Continues

Continues

Representative Interest Rates
Yields on Public Securities
Annual percentage rates ^{1/}

	BONDES		UDIBONOS ^{4/}		BPAs ^{5/ 6/}		BPATs ^{5/ 7/}
	3 years ^{2/} (1092 days)	5 years ^{3/} (1820 days)	5 years (1820 days)	10 years (3640 days)	3 years (1092 days)	5 years (1820 days)	5 years (1820 days)
1993							
1994							
1995							
1996							
1997	0.57		6.32				
1998	0.97		6.95				
1999	1.21		7.95	6.93			
2000	0.75	0.94	6.93	6.74	1.11	1.21	
2001	0.74	0.67		6.63	0.82	0.90	
2002	0.44	0.40		5.52	0.73	0.88	0.84
2003		0.42		4.59	0.60		0.69
2001							
Jan	1.10	1.16		7.47	1.07	1.15	
Feb	0.92	1.06			0.97	1.04	
Mar	0.79	0.92		7.68	0.90	0.95	
Apr	0.61	0.72		7.26	0.71	0.72	
May	0.53	0.52		6.34	0.60	0.63	
Jun	0.50	0.42			0.57	0.62	
Jul	0.72	0.57		6.05	0.72	0.73	
Aug	0.62	0.46		6.25	0.66	0.74	
Sep	0.91	0.70		6.56	0.93	1.13	
Oct	0.73	0.55			0.87	1.03	
Nov	0.80	0.48		6.26	0.98	1.14	
Dec	0.64	0.47		5.78	0.82	0.96	
2002							
Jan	0.54	0.32		5.29	0.84	0.97	
Feb	0.47	0.30			0.84	0.96	
Mar	0.42	0.29		5.11	0.75	0.86	
Apr	0.42	0.25		4.89	0.69	0.81	
May	0.43	0.38			0.71	0.83	
Jun	0.38	0.42		5.32	0.71	0.82	
Jul		0.40		5.92	0.72		0.68
Aug		0.40		5.80	0.72		0.79
Sep		0.43			0.72		0.89
Oct		0.55		6.06	0.69		0.92
Nov		0.52		5.75	0.68		0.89
Dec		0.48			0.68		0.85
2003							
Jan		0.52		5.50	0.70		0.90
Feb		0.48		5.44	0.68		0.87
Mar		0.46		5.13	0.67		0.83
Apr		0.39			0.58		0.67
May		0.33		4.71	0.59		0.63
Jun		0.36		4.19	0.60		0.66
Jul		0.45		4.34	0.61		0.69
Aug		0.49			0.62		0.71
Sep		0.48			0.57		0.61
Oct		0.35		3.89	0.55		0.58
Nov		0.38			0.53		0.54
Dec		0.40		4.00	0.51		0.54

1/ Tax free interest rates. Simple average.

2/ Spread in percentage points over the coupon paying the 91-day CETE primary auction interest rate.

3/ Spread in percentage points over the coupon paying the 182-day CETE primary auction interest rate.

4/ Federal government development bonds denominated in fixed interest rate UDIs.

5/ Savings protection bonds issued by the Institute for the Protection of Bank Savings (*Instituto de Protección al Ahorro Bancario, IPAB*).

6/ Spread in percentage points over the coupon paying the 28-day CETE primary auction interest rate.

7/ Spread in percentage points over the coupon paying the 91-day CETE primary auction interest rate.

Table A 38

Representative Interest Rates

Cost of Bank Term Deposits, Interbank Interest Rates, Bank Funding Rates and Commercial Paper Annual percentage rates ^{1/}

	Cost of Bank Term Deposits					Interbank Interest Rates			Weighted Average Funding Rate		Commercial Paper Weighted Average Rate ^{2/}
	CCP	CCP-US dollars	CCP-Utds	CCP Development banks	CCP	28-day TIIE	91-day TIIE	91-day MEXIBOR	Bank	Government	
1993					18.56						17.98
1994					15.50						19.30
1995			6.81	45.12		55.21			52.56	48.00	59.43
1996	30.92	7.19	7.92	30.71		33.61			32.15	30.53	36.39
1997	20.04	6.63	6.59	19.12		21.91	22.29		20.98	19.88	22.14
1998	22.39	6.41	5.77	21.09		26.89	27.14		24.93	23.70	26.36
1999	20.89	6.32	4.07	19.73		24.10	24.63		22.45	20.80	23.74
2000	14.59	6.77	4.06	13.69	17.69	16.96	17.23		16.16	15.34	16.93
2001	10.95	5.33	5.26	10.12	12.75	12.89	13.43	10.42	11.95	11.13	12.80
2002	6.17	3.30	5.82	5.36	7.72	8.17	8.45	8.09	7.15	7.00	8.20
2003	5.15	2.95	5.75	4.45	6.61	6.83	7.15	6.81	6.15	5.96	6.91
2001											
Jan	15.96	6.61	4.49	14.66	17.73	18.62	18.86		17.70	17.57	18.50
Feb	15.82	6.49	4.76	14.63	17.40	18.12	18.36		17.45	16.68	18.28
Mar	15.12	6.34	4.68	14.08	16.74	17.28	17.22		16.68	15.98	17.41
Apr	14.33	6.17	4.69	13.32	16.21	16.36	16.31		15.81	14.80	16.43
May	12.65	5.82	4.78	11.79	14.78	14.09	14.22		13.20	12.15	13.74
Jun	10.15	5.50	4.96	9.47	12.23	11.64	11.90		10.87	9.37	11.47
Jul	8.97	5.16	5.47	8.24	11.11	11.10	11.60	11.34	9.87	9.37	10.92
Aug	8.04	4.76	5.60	7.45	9.65	9.29	10.22	10.14	8.59	7.43	9.34
Sep	8.16	4.61	5.77	7.52	9.98	10.95	12.19	11.74	9.53	8.50	10.48
Oct	8.53	4.48	5.89	7.89	10.23	10.34	11.16	10.89	9.20	7.98	10.19
Nbv	7.22	4.17	5.96	6.58	8.93	8.90	10.21	9.80	7.71	7.31	9.05
Dec	6.49	3.88	6.03	5.81	7.99	7.94	8.87	8.58	6.74	6.38	7.73
2002											
Jan	6.19	3.66	6.17	5.52	7.73	7.97	8.44	7.89	7.20	7.00	7.68
Feb	6.76	3.58	6.19	6.01	8.49	8.99	9.06	8.61	8.15	7.99	8.74
Mar	6.54	3.37	6.46	5.82	8.33	8.47	8.61	8.11	7.59	7.49	8.57
Apr	5.46	3.34	5.81	4.86	7.09	6.85	7.12	6.80	5.42	5.38	6.80
May	5.71	3.33	5.78	5.02	7.32	7.73	7.63	7.35	7.09	7.00	7.68
Jun	6.15	3.32	5.74	5.37	7.77	8.42	8.65	8.12	7.26	7.21	8.62
Jul	6.37	3.26	5.73	5.56	7.87	8.34	8.73	8.29	6.92	6.86	8.38
Aug	5.81	3.21	5.72	5.05	7.06	7.61	7.95	7.62	6.53	6.48	7.47
Sep	5.97	3.24	5.59	5.17	7.40	8.37	8.74	8.54	7.08	6.99	8.49
Oct	6.47	3.12	5.54	5.48	8.05	8.67	9.10	8.79	7.73	7.36	8.87
Nbv	6.38	3.09	5.50	5.37	7.77	8.33	8.73	8.50	7.34	7.08	8.61
Dec	6.21	3.10	5.56	5.13	7.71	8.26	8.64	8.43	7.50	7.16	8.47
2003											
Jan	6.42	3.17	5.51	5.37	8.31	9.14	9.38	8.95	8.29	8.09	9.49
Feb	7.16	3.21	5.40	6.26	9.15	9.91	9.85	9.37	9.12	8.84	9.83
Mar	7.24	3.12	5.44	6.38	9.36	9.96	10.04	9.43	9.08	8.84	9.99
Apr	6.71	2.91	5.45	5.89	8.42	8.58	8.55	8.63	7.71	7.56	8.81
May	5.03	2.89	5.50	4.37	6.41	5.92	6.74	6.99	5.15	4.95	5.85
Jun	4.50	3.07	5.59	3.91	5.64	5.79	6.19	5.93	5.25	5.05	5.89
Jul	4.14	2.88	5.70	3.59	5.25	5.30	5.70	5.36	4.50	4.31	5.29
Aug	3.83	2.92	5.79	3.33	4.90	4.97	5.54	5.08	4.22	4.05	4.96
Sep	3.87	2.86	6.14	3.34	5.02	5.05	5.50	5.08	4.32	4.18	5.13
Oct	4.16	2.82	6.25	3.59	5.40	5.60	5.93	5.38	5.13	4.96	5.78
Nbv	4.07	2.76	6.26	3.48	5.37	5.35	5.83	5.35	4.99	4.82	5.21
Dec	4.66	2.79	5.95	3.91	6.11	6.40	6.57	6.22	6.08	5.92	6.63

1/ Simple average.

2/ 28-day interest rate.

Table A 39 **Representative Exchange Rates**
Pesos per US dollar

	Exchange Rate for Settling Liabilities Denominated in Foreign Currency Payable in Mexico ^{1/}		48-Hours Interbank Exchange Rate Closing References ^{2/}			
	End-period	Period average	Buy		Sell	
			End-period	Period average	End-period	Period average
1999	9.5143	9.5605	9.4900	9.5516	9.5000	9.5592
2000	9.5722	9.4556	9.6200	9.4557	9.6500	9.4610
2001	9.1423	9.3425	9.1350	9.3350	9.1600	9.3399
2002	10.3125	9.6560	10.3800	9.6658	10.3950	9.6704
2003	11.2360	10.7890	11.2285	10.7972	11.2320	10.8023
2000						
Jan	9.5123	9.4793	9.5900	9.4867	9.6000	9.4940
Feb	9.3748	9.4456	9.3700	9.4188	9.3730	9.4243
Mar	9.2331	9.2959	9.2550	9.2821	9.2600	9.2866
Apr	9.4073	9.3748	9.3930	9.3854	9.3970	9.3919
May	9.5326	9.5081	9.5040	9.5144	9.5100	9.5201
Jun	9.9538	9.7978	9.8300	9.8384	9.8400	9.8446
Jul	9.3610	9.4688	9.3500	9.4183	9.3550	9.4238
Aug	9.2317	9.2846	9.1960	9.2702	9.1980	9.2742
Sep	9.4088	9.3319	9.4350	9.3529	9.4400	9.3566
Oct	9.6443	9.5182	9.5590	9.5314	9.5640	9.5350
Nov	9.4058	9.5179	9.4325	9.4966	9.4500	9.5018
Dec	9.5722	9.4439	9.6200	9.4731	9.6500	9.4788
2001						
Jan	9.6687	9.7701	9.6800	9.7699	9.6840	9.7757
Feb	9.6618	9.7027	9.6875	9.7021	9.6930	9.7072
Mar	9.5380	9.6182	9.4670	9.5885	9.4700	9.5923
Apr	9.2671	9.3508	9.2420	9.3215	9.2470	9.3270
May	9.0851	9.1467	9.1635	9.1355	9.1700	9.1400
Jun	9.0608	9.0957	9.0300	9.0791	9.0400	9.0834
Jul	9.1920	9.1560	9.1670	9.1655	9.1700	9.1702
Aug	9.1438	9.1272	9.2075	9.1298	9.2100	9.1334
Sep	9.5258	9.3841	9.5125	9.4195	9.5175	9.4255
Oct	9.2421	9.3685	9.2580	9.3351	9.2610	9.3399
Nov	9.2762	9.2223	9.2210	9.2198	9.2300	9.2236
Dec	9.1423	9.1672	9.1350	9.1539	9.1600	9.1609
2002						
Jan	9.1714	9.1614	9.1560	9.1637	9.1600	9.1674
Feb	9.0815	9.1062	9.1230	9.0975	9.1270	9.1011
Mar	9.0298	9.0809	9.0125	9.0690	9.0150	9.0712
Apr	9.3196	9.1317	9.3910	9.1664	9.3940	9.1701
May	9.6134	9.4899	9.6450	9.5202	9.6500	9.5243
Jun	9.9998	9.7378	9.9600	9.7646	9.9650	9.7699
Jul	9.6944	9.7978	9.8710	9.7847	9.8750	9.7890
Aug	9.8990	9.8258	9.9400	9.8407	9.9480	9.8467
Sep	10.1667	10.0425	10.2100	10.0718	10.2140	10.0768
Oct	10.1593	10.0961	10.1800	10.0890	10.1910	10.0948
Nov	10.1496	10.2032	10.1420	10.1928	10.1490	10.1975
Dec	10.3125	10.1982	10.3800	10.2293	10.3950	10.2359
2003						
Jan	10.9863	10.5762	10.9055	10.6416	10.9130	10.6471
Feb	11.0329	10.9216	11.0170	10.9354	11.0220	10.9405
Mar	10.7671	10.9427	10.7560	10.9032	10.7600	10.9084
Apr	10.4304	10.6324	10.2570	10.5791	10.2700	10.5847
May	10.4063	10.2506	10.3150	10.2570	10.3230	10.2617
Jun	10.4808	10.4953	10.4400	10.5038	10.4500	10.5103
Jul	10.4878	10.4434	10.5800	10.4588	10.5875	10.4644
Aug	10.9337	10.7327	11.0470	10.7956	11.0500	10.8006
Sep	10.9272	10.9255	10.9975	10.9288	11.0025	10.9326
Oct	11.1078	11.1704	11.0300	11.1703	11.0340	11.1758
Nov	11.3522	11.1145	11.3700	11.1449	11.3800	11.1492
Dec	11.2360	11.2629	11.2285	11.2480	11.2320	11.2527

1/ The FIX exchange rate is determined by Banco de México as an average of wholesale foreign exchange references for transactions payable in 48 hours. Published in Mexico's Official Newsletter (*Diario Oficial de la Federación*) one banking business day after its determination date. It is used to settle liabilities denominated in foreign currency payable in Mexico on the next day.

2/ Representative exchange rate for wholesale transactions (between banks, securities firms, foreign exchange firms and other major financial and non-financial companies). Payable in two banking business days.

Table A 40

Dollar Auction Via the Mechanism to Reduce International Reserve Accumulation

Millions

	Daily amount to be auctioned (US dollars)	Amount auctioned during the month ^{1/}		Alloted weighted exchange rate ^{2/}
		US dollars	Pesos	
2003				
May	32	672	6,891	10.2546
Jun	32	672	7,063	10.5098
Jul	32	736	7,689	10.4476
Aug	14	294	3,170	10.7817
Sep	14	294	3,213	10.9287
Oct	14	322	3,598	11.1738
Nov	6	114	1,271	11.1471
Dec	6	126	1,417	11.2472

1/ According to the day of auction.

2/ According to total amount of US dollars to be sold on the day of auction.

Table A 41 Mexican Stock Exchange Market Capitalization
 Million pesos, according to last listed prices

	Overall Total	Mining	Manufacturing	Construction	Retail and Commerce	Transport and Communications	Services	Other 1/
1998	907,366	29,991	246,698	83,441	144,178	220,528	96,653	85,876
1999	1,460,336	41,128	283,474	114,008	202,002	522,492	164,040	133,193
2000	1,203,021	21,090	221,051	80,229	176,895	430,977	203,729	69,049
2001	1,157,600	9,565	211,339	103,222	181,424	427,960	154,211	69,879
2002	1,079,221	15,145	214,150	106,035	170,182	370,522	128,310	74,877
2003	1,376,927	45,134	197,027	161,935	226,695	500,344	144,949	100,843
2000								
Jan	1,351,897	43,644	246,952	95,739	180,698	497,872	167,451	119,541
Feb	1,461,391	39,877	243,875	91,725	208,023	590,227	174,277	113,387
Mar	1,493,349	36,742	249,748	95,741	219,913	588,054	190,110	113,040
Apr	1,344,342	32,306	234,953	92,645	202,509	522,045	160,677	99,208
May	1,251,133	29,317	228,134	89,407	185,526	474,483	151,843	92,424
Jun	1,420,003	24,002	243,225	100,386	206,241	575,436	173,733	96,980
Jul	1,350,286	28,113	237,257	100,350	196,426	512,310	180,919	94,910
Aug	1,379,897	31,729	237,576	97,795	203,899	513,125	201,328	94,445
Sep	1,321,570	27,796	228,879	88,749	189,007	497,424	204,338	85,379
Oct	1,332,834	46,788	227,016	90,353	189,809	487,986	205,256	85,627
Nov	1,202,922	39,226	214,401	85,065	176,384	423,176	189,689	75,003
Dec	1,203,021	21,090	221,051	80,229	176,895	430,977	203,729	69,049
2001								
Jan	1,325,309	23,084	229,770	92,315	184,742	487,777	231,538	76,084
Feb	1,332,614	21,811	219,893	91,639	177,288	531,068	223,854	67,062
Mar	1,275,497	22,847	217,469	92,448	183,142	480,085	213,275	66,231
Apr	1,321,904	19,541	216,953	93,544	181,922	524,251	221,859	63,835
May	1,403,574	21,772	206,723	102,180	192,884	538,871	270,598	70,545
Jun	1,407,703	19,036	210,442	106,545	194,788	522,858	283,525	71,608
Jul	1,367,613	15,927	205,558	106,844	187,572	510,638	274,253	68,822
Aug	1,310,334	15,587	206,785	102,018	181,523	493,153	242,683	68,586
Sep	1,076,160	12,289	189,530	86,057	161,087	438,728	135,657	52,813
Oct	1,082,690	10,675	186,981	91,833	161,796	441,280	137,486	52,640
Nov	1,113,082	10,146	186,465	99,495	162,767	462,115	133,533	58,561
Dec	1,157,600	9,565	211,339	103,222	181,424	427,960	154,211	69,879
2002								
Jan	1,236,159	14,215	219,501	109,304	186,485	457,255	171,098	78,300
Feb	1,175,488	13,555	223,872	101,754	189,898	404,000	166,751	75,658
Mar	1,269,236	16,041	247,085	119,722	206,368	420,910	177,016	82,093
Apr	1,298,654	18,669	254,860	130,626	217,325	418,623	173,065	85,486
May	1,235,665	21,176	253,023	127,275	200,860	391,581	159,391	82,358
Jun	1,144,051	17,209	243,093	120,030	190,900	344,959	151,923	75,935
Jul	1,036,179	16,410	228,966	111,833	185,664	310,644	107,451	75,210
Aug	1,061,708	14,365	232,897	113,963	186,448	326,671	113,044	74,319
Sep	988,806	6,373	226,254	104,419	170,749	305,512	106,237	69,263
Oct	1,026,787	6,058	230,533	103,054	174,028	330,533	113,236	69,344
Nov	1,075,547	13,903	221,606	110,727	174,062	371,059	111,205	72,986
Dec	1,079,221	15,145	214,150	106,035	170,182	370,522	128,310	74,877
2003								
Jan	996,585	17,309	168,747	100,913	170,915	343,994	131,246	63,463
Feb	977,946	16,086	166,714	97,591	172,127	338,538	121,349	65,540
Mar	969,031	15,059	166,254	97,481	175,943	328,795	119,953	65,545
Apr	1,052,761	16,203	176,119	116,175	190,763	352,204	129,635	71,661
May	1,083,676	17,486	181,677	116,323	196,653	366,225	130,588	74,722
Jun	1,139,769	17,100	188,271	126,221	205,664	391,797	134,574	76,143
Jul	1,163,955	18,853	182,110	135,067	209,227	416,149	123,958	78,591
Aug	1,188,071	18,935	179,223	145,239	203,169	436,453	123,902	81,151
Sep	1,221,454	22,916	181,365	146,629	213,098	441,482	131,871	84,093
Oct	1,265,979	29,297	179,194	147,293	216,164	461,487	142,061	90,483
Nov	1,343,781	30,464	189,000	158,865	227,845	494,610	148,151	94,845
Dec	1,376,927	45,134	197,027	161,935	226,695	500,344	144,949	100,843

1/ Including other sectors and holding companies.
 Source: Mexican Stock Exchange (Bolsa Mexicana de Valores, BMV).

Table A 42

Mexican Stock Exchange Index (*Indice de Precios y Cotizaciones de la Bolsa Mexicana de Valores, IPC*)

End of period, October 1978

	IPC	Mining	Manufacturing	Construction	Retail and Commerce	Transport and Communications	Services	Other 1/
1998	3,960	6,985	2,874	5,744	7,696	13,875	272	2,752
1999	7,130	9,894	3,281	10,890	11,728	31,176	587	3,847
2000	5,652	5,324	2,549	7,428	10,677	25,655	684	1,955
2001	6,372	2,455	2,303	9,919	12,322	27,237	872	2,081
2002	6,127	3,919	2,489	10,265	11,286	24,652	836	2,186
2003	8,795	10,390	2,948	14,635	15,325	36,721	1,103	3,198
2001								
Jan	6,497	5,828	2,655	8,650	11,773	30,324	792	2,154
Feb	6,032	5,563	2,545	8,583	11,456	26,931	778	1,883
Mar	5,728	5,824	2,571	8,685	11,499	24,269	741	1,869
Apr	5,987	4,989	2,527	8,797	11,465	26,835	773	1,806
May	6,595	5,574	2,416	10,100	12,302	28,056	966	2,000
Jun	6,666	4,881	2,461	10,062	12,523	28,185	991	2,030
Jul	6,474	4,093	2,408	10,259	12,090	27,641	955	1,902
Aug	6,311	3,923	2,534	9,801	11,619	26,671	831	1,967
Sep	5,404	3,093	2,263	8,222	10,117	23,972	715	1,506
Oct	5,537	2,687	2,210	8,798	10,841	24,000	718	1,560
Nov	5,833	2,604	2,216	9,546	10,954	25,257	764	1,740
Dec	6,372	2,455	2,303	9,919	12,322	27,237	872	2,081
2002								
Jan	6,928	3,648	2,419	10,526	12,777	29,329	972	2,339
Feb	6,734	3,478	2,476	9,810	12,967	28,145	944	2,272
Mar	7,362	4,116	2,744	11,548	14,233	30,141	998	2,468
Apr	7,481	4,791	2,841	12,612	15,072	29,680	964	2,578
May	7,032	5,480	2,840	12,366	13,788	27,622	883	2,491
Jun	6,461	4,453	2,735	11,326	13,123	24,464	838	2,295
Jul	6,022	4,247	2,535	10,569	12,797	21,912	817	2,277
Aug	6,216	3,717	2,569	10,494	12,797	23,138	845	2,311
Sep	5,728	3,373	2,443	9,638	11,764	21,369	777	2,149
Oct	5,968	3,249	2,488	9,526	11,940	23,220	814	2,157
Nov	6,157	3,598	2,492	10,507	11,644	24,605	811	2,144
Dec	6,127	3,919	2,489	10,265	11,286	24,652	836	2,186
2003								
Jan	5,954	4,479	2,319	9,600	11,295	24,369	859	1,985
Feb	5,927	4,163	2,308	9,451	11,470	24,083	863	2,061
Mar	5,914	3,897	2,284	9,292	11,891	23,806	854	2,052
Apr	6,510	4,193	2,428	11,064	12,988	25,404	917	2,246
May	6,699	4,525	2,511	11,094	13,392	26,290	927	2,353
Jun	7,055	4,425	2,604	11,588	14,055	28,267	955	2,394
Jul	7,355	4,879	2,563	12,377	14,341	30,081	957	2,470
Aug	7,591	4,900	2,618	13,305	13,887	31,587	975	2,561
Sep	7,822	5,930	2,670	13,421	14,549	32,055	1,038	2,657
Oct	8,065	6,745	2,654	13,491	14,666	33,563	1,070	2,871
Nov	8,554	7,013	2,803	14,313	15,410	36,057	1,115	3,002
Dec	8,795	10,390	2,948	14,635	15,325	36,721	1,103	3,198

1/ Including other sectors and holding companies.

Source: Mexican Stock Exchange (*Bolsa Mexicana de Valores, BMV*).

Public Finances

Table A 43 **Public Finance Indicators (1993-2003)**
 Percentage of GDP

ITEM	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Budgetary Revenues	23.1	22.7	22.8	23.0	23.0	20.3	20.8	21.6	21.9	22.1	23.7
Budgetary Expenditures	22.5	23.1	22.9	23.1	23.6	21.6	21.9	22.7	22.6	23.3	24.3
Budgetary Balance	0.7	-0.3	-0.2	-0.1	-0.6	-1.2	-1.1	-1.1	-0.7	-1.2	-0.7
Non-Budgetary Balance ^{1/}	0.0	0.2	0.2	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Economic Balance on a Cash Basis	0.7	-0.1	0.0	0.0	-0.7	-1.2	-1.1	-1.1	-0.7	-1.2	-0.6
Primary Balance on a Cash Basis ^{2/}	3.3	2.1	4.7	4.3	3.5	1.7	2.5	2.6	2.6	1.7	2.2
Accrued Operational Balance ^{3/}	1.0	-0.1	0.8	-0.4	0.2	-0.5	-1.2	-1.1	-1.6	-1.0	-0.9
Public Sector Total Net Debt ^{4/}	21.3	21.1	30.3	26.8	20.8	21.4	20.7	18.9	19.2	20.5	20.9
Financial Cost ^{5/}	2.7	2.3	4.6	4.4	4.1	2.9	3.6	3.7	3.2	2.8	2.8

1/ Includes statistical difference with the sources of financing methodology.

2/ Defined as public sector balance less the financial cost of budgetary and non-budgetary sectors. Measured by Banco de México.

3/ Defined as public sector accrued balance less loss in value due to financial cost inflation. Measured by Banco de México.

4/ Includes net liabilities of both the federal government, and public enterprises and official financial intermediaries (development banks and public funds and trusts). Average balances. Measured by Banco de México.

5/ Excludes the financial cost of public entities under indirect budgetary control.

Note: Figures may not add up due to rounding.

Source: Ministry of Finance (SHCP).

Table A 44 Public Sector Revenues, Expenditures and Balances in 2002 and 2003

ITEM	2002		2003				Real growth 2003-2002
	Observed		Programmed		Observed		
	Thousand million pesos	GDP Percentage	Thousand million pesos	GDP Percentage	Thousand million pesos	GDP Percentage	
Budgetary Revenues	1,387.2	22.1	1,473.6	22.4	1,599.8	23.7	10.3
Federal Government	989.4	15.8	1,062.0	16.2	1,133.2	16.8	9.6
Tax revenues	728.3	11.6	790.3	12.0	766.1	11.3	0.6
Income Tax (ISR)	318.4	5.1	364.4	5.5	336.5	5.0	1.1
Value Added Tax (IVA)	218.4	3.5	225.2	3.4	254.4	3.8	11.4
Special Tax on Production and Services (IEPS)	136.3	2.2	148.4	2.3	117.8	1.7	-17.3
Import Taxes	27.2	0.4	25.5	0.4	27.0	0.4	-5.3
Other	28.0	0.4	26.8	0.4	30.4	0.4	4.0
Non-tax revenues	261.1	4.2	271.7	4.1	367.1	5.4	34.5
Public Enterprises^{1/}	397.9	6.4	411.6	6.3	466.6	6.9	12.2
PEMEX	150.0	2.4	152.1	2.3	176.2	2.6	12.3
Other	247.9	4.0	259.4	3.9	290.5	4.3	12.1
Paid Budgetary Expenditures	1,460.0	23.3	1,506.4	22.9	1,643.8	24.3	7.7
Programmable	1,060.8	16.9	1,087.8	16.5	1,211.6	17.9	9.3
Deferred Payments	n.a.	n.a.	-18.4	-0.3	d.n.a.	d.n.a.	d.n.a.
Programmable Accrued	1,060.8	16.9	1,106.2	16.8	1,211.6	17.9	9.3
Current Expenditures	862.7	13.8	955.6	14.5	1,009.0	14.9	11.9
Wages and Salaries	478.2	7.6	487.6	7.4	533.4	7.9	6.7
Other Current Expenditures	384.5	6.1	468.0	7.1	475.6	7.0	18.3
Capital Expenditures	198.1	3.2	150.6	2.3	202.6	3.0	-2.1
Fixed Investment	146.3	2.3	147.9	2.3	177.4	2.6	16.0
Financial Investment	51.8	0.8	2.7	0.0	25.3	0.4	-53.3
Non-programmable	399.2	6.4	418.6	6.4	432.2	6.4	3.6
Financial Cost	178.4	2.8	184.9	2.8	190.9	2.8	2.4
Domestic	116.7	1.9	n.a.	n.a.	117.0	1.7	-4.1
Interests	72.7	1.2	n.a.	n.a.	86.6	1.3	13.9
Financial Enhancing Program	44.0	0.7	30.2	0.5	30.4	0.5	-33.9
External	61.7	1.0	n.a.	n.a.	73.9	1.1	14.7
State and Municipal Sharing	214.9	3.4	226.7	3.4	225.4	3.3	0.3
ADEFAS and other	5.9	0.1	7.0	0.1	15.9	0.2	157.8
Budgetary Balance	-72.7	-1.2	-32.9	-0.5	-44.0	-0.7	-42.1
Non-budgetary Balance	-2.9	0.0	0.0	0.0	2.3	0.0	d.n.a.
Direct Balance	2.1	0.0	0.0	0.0	1.6	0.0	-25.4
Difference with Sources of Financing Methodology ^{2/}	-4.9	-0.1	0.0	0.0	0.7	0.0	d.n.a.
Public Balance in a Cash Basis	-75.6	-1.2	-32.9	-0.5	-41.7	-0.6	-47.2
Primary Balance on a Cash Basis^{3/}	108.0	1.7	152.8	2.3	148.8	2.2	31.8

1/ Excludes contributions to the Government Employees' Social Security Institute (*Instituto de Seguridad y Servicios Sociales para los Trabajadores del Estado, ISSSTE*).

2/ Difference between the public balance calculated with the revenue-expenditure methodology and that calculated according to the sources of financing methodology.

3/ Defined as public sector balance less interest paid by the budgetary and non-budgetary sectors.

n.a. Not available.

d.n.a. Does not apply.

Note: Figures may not add up due to rounding.

Source: Ministry of Finance (SHCP).

Table A 45 Public Sector Revenues, Expenditures and Balances (1993-2003)
Percentage of GDP

ITEM	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Budgetary Revenues	23.1	22.7	22.8	23.0	23.0	20.3	20.8	21.6	21.9	22.1	23.7
Federal Government	15.5	15.1	15.2	15.5	15.8	14.2	14.7	15.8	16.2	15.8	16.8
Tax revenues	11.4	11.3	9.3	8.9	9.8	10.5	11.3	10.6	11.3	11.6	11.3
Non-tax revenues	4.1	3.9	6.0	6.6	6.0	3.7	3.3	5.2	4.9	4.2	5.4
Public enterprises and institutions ^{1/}	7.6	7.6	7.5	7.4	7.2	6.2	6.1	5.8	5.7	6.4	6.9
PEMEX	2.2	2.3	2.7	2.9	2.7	2.1	2.2	2.0	1.8	2.4	2.6
Other	5.4	5.3	4.9	4.5	4.5	4.0	3.9	3.8	3.9	4.0	4.3
Budgetary Expenditure	22.5	23.1	22.9	23.1	23.6	21.6	21.9	22.7	22.6	23.3	24.3
Programmable expenditures	16.1	17.2	15.4	15.7	16.2	15.5	15.3	15.7	15.9	16.9	17.9
Current expenditures	13.0	13.5	12.1	12.0	12.8	12.4	12.5	13.0	13.3	13.8	14.9
Capital expenditures	3.1	3.7	3.2	3.7	3.5	3.1	2.8	2.7	2.6	3.2	3.0
Non-programmable expenditures	6.4	5.9	7.6	7.4	7.4	6.1	6.6	7.0	6.6	6.4	6.4
Financial Cost	2.7	2.3	4.6	4.4	4.1	2.9	3.6	3.7	3.2	2.8	2.8
State and Municipal Sharing	3.0	2.9	2.7	2.8	3.0	3.0	3.1	3.2	3.4	3.4	3.3
ADEFAS and Other ^{2/}	0.7	0.6	0.3	0.3	0.3	0.3	0.0	0.1	0.0	0.1	0.2
Budgetary Balance	0.7	-0.3	-0.2	-0.1	-0.6	-1.2	-1.1	-1.1	-0.7	-1.2	-0.7
Non-budgetary Balance	0.0	0.2	0.2	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Public Sector Balance on a Cash Basis	0.7	-0.1	0.0	0.0	-0.7	-1.2	-1.1	-1.1	-0.7	-1.2	-0.6
Primary Balance on a Cash Basis ^{3/}	3.3	2.1	4.7	4.3	3.5	1.7	2.5	2.6	2.6	1.7	2.2

1/ Excludes contributions made to the Government Employees' Social Services Institute (*Instituto de Seguridad y Servicios Sociales para los Trabajadores del Estado, ISSSTE*).

2/ Includes federal government's third party operations.

3/ Defined as public sector balance less the financial cost of budgetary and non-budgetary sectors.

Note: Figures may not add up due to rounding.

Source: Ministry of Finance (SHCP).

Table A 46 Public Sector Budgetary Revenues (1993-2003)
Percentage of GDP

I T E M	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
BUDGETARY REVENUES	23.1	22.7	22.8	23.0	23.0	20.3	20.8	21.6	21.9	22.1	23.7
CLASSIFICATION I											
FEDERAL GOVERNMENT	15.5	15.1	15.2	15.5	15.8	14.2	14.7	15.8	16.2	15.8	16.8
Tax revenues	11.4	11.3	9.3	8.9	9.8	10.5	11.3	10.6	11.3	11.6	11.3
Income tax (ISR)	5.5	5.1	4.0	3.8	4.2	4.4	4.7	4.7	4.9	5.1	5.0
Value added tax (IVA)	2.6	2.7	2.8	2.9	3.1	3.1	3.3	3.4	3.6	3.5	3.8
Special Tax on Products and Services (IEPS)	1.5	2.0	1.3	1.2	1.4	2.0	2.3	1.5	1.9	2.2	1.7
Other	1.7	1.5	1.1	1.1	1.1	1.0	1.0	0.9	0.9	0.9	0.8
Non-tax revenues	4.1	3.9	6.0	6.6	6.0	3.7	3.3	5.2	4.9	4.2	5.4
Duties	3.2	2.5	4.2	4.7	4.4	2.7	2.5	3.8	3.5	2.5	4.0
Proceeds	0.1	0.2	0.5	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.1
Benefits	0.8	1.1	1.3	1.6	1.4	0.6	0.7	1.2	1.3	1.5	1.3
PUBLIC ENTERPRISES AND INSTITUTIONS	7.6	7.6	7.5	7.4	7.2	6.2	6.1	5.8	5.7	6.4	6.9
PEMEX	2.2	2.3	2.7	2.9	2.7	2.1	2.2	2.0	1.8	2.4	2.6
Other ^{1/}	5.4	5.3	4.9	4.5	4.5	4.0	3.9	3.8	3.9	4.0	4.3
CLASSIFICATION II											
OIL REVENUES	6.1	6.0	7.6	8.2	7.8	6.1	6.2	7.2	6.6	6.5	7.9
PEMEX	2.2	2.3	2.7	2.9	2.7	2.1	2.2	2.0	1.8	2.4	2.6
Exports	1.5	1.4	2.4	2.9	2.2	1.2	1.4	1.9	1.4	1.6	2.1
Domestic sales ^{2/}	3.6	3.1	4.2	4.5	4.6	3.3	3.0	4.1	3.8	3.2	4.5
(-) Taxes ^{3/}	2.9	2.2	4.0	4.6	4.1	2.4	2.2	4.0	3.4	2.4	4.1
Federal Government ^{4/}	3.8	3.7	4.9	5.3	5.2	3.9	4.0	5.2	4.9	4.2	5.3
NON-OIL REVENUES	15.7	16.8	15.2	14.8	15.2	14.3	14.6	14.5	15.2	15.6	15.8
Federal Government	10.3	11.4	10.3	10.3	10.7	10.2	10.6	10.6	11.3	11.6	11.5
Tax revenues	10.3	9.7	8.3	8.1	8.7	8.9	9.4	9.4	9.8	9.8	10.0
Income tax (ISR)	5.5	5.1	4.0	3.8	4.2	4.4	4.7	4.7	4.9	5.1	5.0
Value added tax (IVA)	2.6	2.7	2.8	2.9	3.1	3.1	3.3	3.4	3.6	3.5	3.8
Special Tax on Products and Services (IEPS)	0.5	0.4	0.4	0.4	0.3	0.4	0.4	0.3	0.4	0.4	0.4
Other	1.7	1.5	1.1	1.1	1.1	1.0	1.0	0.9	0.9	0.9	0.8
Non-tax revenues	0.0	1.7	2.0	2.1	1.9	1.3	1.2	1.2	1.5	1.8	1.4
Duties		0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3
Proceeds		0.2	0.5	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.1
Benefits		1.1	1.3	1.6	1.4	0.6	0.7	0.8	1.1	1.4	1.1
Public enterprises ^{1/}	5.4	5.3	4.9	4.5	4.5	4.0	3.9	3.8	3.9	4.0	4.3

1/ Excludes contributions made to the Government Employees' Social Security Institute (*Instituto de Seguridad y Servicios Sociales para los Trabajadores del Estado, ISSSTE*).

2/ Includes other revenues and third party revenues.

3/ Excludes taxes paid on behalf of third parties (IVA and IEPS).

4/ Includes duties and benefits from oil extraction and IEPS on gasoline and diesel.

Note: Figures may not add up due to rounding.

Source: Ministry of Finance (SHCP).

Table A 47

Public Sector Budgetary Expenditures (1993-2003)

Percentage of GDP

ITEM	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
BUDGETARY EXPENDITURES	22.5	23.1	23.0	23.1	23.6	21.0	21.9	22.7	22.6	23.3	24.3
PROGRAMMABLE	16.1	17.2	15.4	15.7	16.2	14.9	15.3	15.6	15.9	16.9	17.9
Current expenditures	13.0	13.5	12.2	12.0	12.7	11.8	12.5	13.0	13.3	13.7	14.9
Wages and salaries	5.7	6.0	6.4	6.2	6.8	6.3	7.3	7.1	7.3	7.6	7.9
Direct	4.0	4.0	3.6	3.5	3.7	3.4	3.7	3.5	3.7	3.9	4.2
Indirect ^{1/}	1.7	2.0	2.7	2.7	3.2	3.5	3.7	3.7	3.6	3.7	3.7
Acquisitions	1.8	1.7	1.6	1.7	1.6	1.6	1.2	1.5	1.5	1.3	1.8
Other ^{2/}	3.1	3.2	2.9	2.7	2.7	2.3	2.2	2.7	2.4	2.6	2.8
Subsidies and transfers ^{3/}	2.4	2.6	1.3	1.5	1.6	1.6	1.7	1.8	2.1	2.2	2.5
Capital expenditures	3.1	3.7	3.2	3.7	3.5	3.1	2.8	2.7	2.6	3.2	3.0
Fixed Investment	2.9	3.4	2.8	3.0	3.2	2.9	2.6	2.5	2.4	2.3	2.6
Direct	2.5	2.6	2.2	2.3	2.4	1.8	1.5	1.4	1.2	1.2	1.3
Indirect ^{4/}	0.4	0.7	0.6	0.7	0.8	1.2	1.0	1.1	1.3	1.2	1.4
Financial investment and other ^{5/}	0.2	0.3	0.4	0.7	0.3	0.2	0.3	0.1	0.2	0.8	0.4
NON-PROGRAMMABLE	6.4	5.9	7.6	7.4	7.4	6.1	6.6	7.0	6.6	6.4	6.4
Financial cost	2.7	2.3	4.6	4.4	4.1	2.9	3.6	3.7	3.2	2.8	2.8
Domestic	1.5	1.1	2.6	2.3	2.5	1.5	2.2	2.3	2.1	1.9	1.7
Interests	1.4	1.1	1.8	1.4	1.3	1.2	1.7	1.2	1.4	1.2	1.3
Financial enhancing program	0.0	0.0	0.9	0.9	1.3	0.3	0.5	1.1	0.7	0.7	0.5
External	1.2	1.2	2.0	2.1	1.6	1.4	1.4	1.3	1.1	1.0	1.1
State and municipal sharing	3.0	2.9	2.7	2.8	3.0	3.0	3.1	3.2	3.4	3.4	3.3
ADEFAS and other ^{6/}	0.7	0.6	0.3	0.3	0.3	0.3	0.0	0.1	0.0	0.1	0.2

1/ Includes contributions to state governments for basic education and transfers for wages and salaries, paid by non-budgetary entities.

2/ Expenditures by budgetary entities on behalf of third parties.

3/ Includes subsidies and transfers other than those paid for wages and salaries, and for capital expenditure. Transfers are included in the corresponding items (see notes 1/, 4/ and 5/).

4/ Includes transfers for non-budgetary entities' fixed investment.

5/ Includes recoverable expenditures and transfers for non-budgetary entities' debt amortization and financial investment.

6/ Includes other net flows from the federal government.

Note: Figures may not add up due to rounding.

Source: Ministry of Finance (SHCP).

Table A 48

Public Sector Total Net Debt ^{1/}

Average stocks

Years	Broad Net Economic Debt ^{2/}				Debt Consolidated with Banco de México ^{3/}			
	Domestic	External		Total	Domestic	External		Total
	Thousand million pesos	Million dollars	US Thousand Million pesos	percentage of GDP	Million pesos	Million dollars	US Thousand Million pesos	percentage of GDP
1980	0.4	33,334.0	0.8	26.5	0.5	28,977.0	0.7	25.4
1981	0.7	43,782.0	1.1	29.1	0.8	39,529.0	1.0	28.4
1982	1.6	60,849.0	3.5	51.5	1.6	59,623.0	3.4	50.6
1983	3.0	64,166.0	7.8	59.5	3.0	62,358.0	7.6	58.0
1984	5.0	70,833.0	12.0	56.3	5.6	65,135.0	11.1	55.0
1985	7.6	74,711.0	19.8	56.2	8.0	70,443.0	18.7	54.7
1986	14.8	76,463.0	48.3	76.5	14.4	75,447.0	47.7	75.2
1987	29.0	81,922.0	116.8	71.8	37.1	74,880.0	106.2	70.6
1988	65.4	84,097.0	191.3	61.7	73.0	76,410.0	173.9	59.3
1989	97.7	81,967.0	202.8	54.8	87.6	80,089.0	198.2	52.1
1990	125.9	74,598.0	210.5	45.5	113.3	73,235.0	206.6	43.3
1991	127.9	68,915.0	208.3	35.4	133.1	59,888.0	180.9	33.1
1992	85.4	68,072.0	211.0	26.3	100.4	55,198.0	171.1	24.1
1993	54.8	68,522.0	213.1	21.3	78.3	50,914.0	158.3	18.8
1994	43.2	73,080.0	256.5	21.1	63.8	58,469.0	207.6	19.1
1995	24.7	81,864.0	533.1	30.3	-24.2	84,101.0	547.1	28.4
1996	30.4	85,376.0	648.3	26.8	5.9	82,289.0	624.6	24.9
1997	47.2	77,569.0	614.6	20.8	112.9	62,596.0	495.7	19.1
1998	103.7	77,805.0	718.7	21.4	239.9	56,173.0	518.8	19.7
1999	199.1	78,621.0	752.2	20.7	391.6	53,461.0	511.7	19.6
2000	315.7	76,466.0	724.1	18.9	584.5	44,256.0	419.1	18.3
2001	406.8	75,746.0	706.5	19.2	779.0	34,588.0	322.8	19.0
2002	Jan	484.2	77,159.0	705.7	925.9	30,104.0	275.3	
	Feb	496.9	77,048.0	704.1	938.4	30,062.0	274.7	
	Mar	510.0	76,795.0	698.7	949.0	30,108.0	273.9	20.7
	Apr	518.9	76,124.0	697.6	954.2	29,905.0	274.1	
	May	529.8	75,473.0	698.8	962.5	29,574.0	273.8	
	Jun	534.0	74,989.0	702.8	966.2	29,172.0	273.2	19.7
	Jul	542.8	74,534.0	702.8	975.8	28,656.0	270.0	
	Aug	550.0	74,147.0	703.4	983.7	28,218.0	267.4	
	Sep	554.2	73,958.0	707.6	988.9	27,940.0	266.9	20.4
	Oct	556.5	73,714.0	709.5	991.7	27,667.0	265.8	
	Nov	561.4	73,569.0	711.5	997.9	27,435.0	264.8	
	Dec	567.7	73,557.0	716.1	1,008.2	27,057.0	262.7	20.3
2003(p)	Jan	570.9	76,192.0	831.0	1,069.8	24,498.0	267.2	
	Feb	566.0	75,882.0	832.4	1,067.9	23,933.0	262.5	
	Mar	561.9	76,181.0	831.0	1,074.5	23,508.0	256.5	20.1
	Apr	555.0	76,140.0	819.0	1,079.9	22,817.0	245.8	
	May	561.5	75,957.0	810.7	1,093.6	22,114.0	236.5	
	Jun	564.3	75,859.0	806.7	1,101.3	21,750.0	231.8	19.7
	Jul	569.6	75,605.0	802.9	1,109.2	21,457.0	228.3	
	Aug	573.8	75,292.0	803.5	1,116.1	21,123.0	225.7	
	Sep	578.4	75,092.0	804.1	1,123.0	20,836.0	223.3	20.7
	Oct	584.0	75,022.0	805.9	1,132.2	20,551.0	220.9	
	Nov	591.3	74,941.0	809.5	1,143.7	20,197.0	218.0	
	Dec	601.3	74,962.0	812.4	1,158.8	19,848.0	214.9	20.3

1/ Present data may not match those previously published due to a methodological revision resulting from including new items such as assets and liabilities from both Banco de México and commercial and development banks.

2/ The broad net economic debt includes net liabilities from the federal government and non-financial public enterprises, as well as indebtedness and financial assets of official intermediaries (development banks and public funds and trusts).

3/ Also includes Central Bank's financial assets and liabilities with the private sector, commercial banks and the external sector. This definition allows to offset the financing granted by the central bank to the public sector.

(-) Means financial assets' stocks are larger than gross debt stocks.

p/ Preliminary figures.

Source: Banco de México and Ministry of Finance (SHCP).

Table A 49

Public Sector Total Net Debt ^{1/}

End of period outstanding stocks

Years	Broad Debt ^{2/}				Debt Consolidated with Banco de México ^{3/}			
	Domestic	External		Total percentage of GDP	Domestic	External		Total percentage of GDP
	Thousand million pesos	Million US dollars	Thousand million pesos		Thousand million pesos	Million US dollars	Thousand million pesos	
1980	0.6	36,178.0	0.8	31.5	0.6	30,933.0	0.7	30.3
1981	0.9	55,987.0	1.5	38.0	1.0	50,857.0	1.3	37.1
1982	2.6	63,171.0	6.1	87.4	2.4	62,558.0	6.0	84.7
1983	4.1	67,166.0	9.6	75.0	4.3	62,733.0	9.0	73.1
1984	5.7	74,214.0	14.2	66.0	6.6	66,871.0	12.8	64.2
1985	9.7	76,283.0	28.1	77.3	10.0	72,695.0	26.8	75.3
1986	21.2	80,093.0	73.3	114.5	22.2	76,751.0	70.2	112.0
1987	41.2	85,391.0	188.7	113.3	52.3	76,254.0	168.5	108.8
1988	83.0	84,814.0	193.5	66.4	76.6	82,643.0	188.5	63.7
1989	108.8	80,562.0	212.8	58.6	97.3	79,421.0	209.7	55.9
1990	138.1	72,629.0	213.9	47.6	131.7	68,512.0	201.8	45.1
1991	117.5	69,181.0	212.5	34.8	130.7	57,494.0	176.6	32.4
1992	64.0	66,407.0	206.9	24.1	79.8	53,169.0	165.6	21.8
1993	50.9	68,515.0	212.8	21.0	87.4	47,937.0	148.9	18.8
1994	59.8	75,131.0	400.1	32.3	59.8	72,086.0	383.9	31.2
1995	11.2	87,639.0	669.8	37.0	-12.5	87,685.0	670.1	35.7
1996	70.0	79,849.0	626.9	27.6	73.6	73,628.0	578.0	25.8
1997	83.0	76,555.0	618.8	22.1	199.6	56,739.0	458.6	20.7
1998	149.9	80,465.0	793.8	24.5	307.3	56,970.0	562.0	22.6
1999	262.3	78,146.0	743.5	21.9	482.8	50,777.0	483.1	21.0
2000	430.6	73,817.0	709.4	20.7	731.2	38,701.0	371.9	20.1
2001	483.7	74,747.0	685.4	20.1	901.5	30,099.0	276.0	20.3
2002	Jan	484.2	77,159.0	705.7	925.9	30,104.0	275.3	
	Feb	509.6	76,937.0	702.5	950.9	30,020.0	274.1	
	Mar	536.2	76,287.0	687.8	970.4	30,198.0	272.3	21.1
	Apr	545.6	74,113.0	694.6	969.5	29,296.0	274.6	
	May	573.3	72,867.0	703.6	995.7	28,251.0	272.8	
	Jun	554.9	72,571.0	722.6	984.6	27,161.0	270.4	19.9
	Jul	595.6	71,800.0	702.6	1,033.4	25,562.0	250.2	
	Aug	600.3	71,441.0	708.0	1,038.9	25,149.0	249.3	
	Sep	588.5	72,441.0	741.1	1,030.9	25,720.0	263.1	21.0
	Oct	576.6	71,521.0	726.3	1,016.9	25,211.0	256.0	
	Nov	610.8	72,116.0	731.7	1,060.2	25,108.0	254.8	
	Dec	636.5	73,427.0	766.5	1,121.0	22,907.0	239.1	21.7
2003(p)	Jan	570.9	76,192.0	831.0	1,069.8	24,498.0	267.2	
	Feb	561.1	75,572.0	833.7	1,066.0	23,368.0	257.8	
	Mar	553.6	76,780.0	828.4	1,087.8	22,658.0	244.5	20.1
	Apr	534.2	76,016.0	783.0	1,096.1	20,745.0	213.7	
	May	587.6	75,223.0	777.6	1,148.1	19,302.0	199.5	
	Jun	578.5	75,372.0	786.7	1,140.0	19,929.0	208.0	19.9
	Jul	601.4	74,079.0	779.6	1,156.9	19,698.0	207.3	
	Aug	603.0	73,105.0	807.6	1,163.8	18,786.0	207.5	
	Sep	615.3	73,489.0	809.4	1,178.1	18,538.0	204.2	21.2
	Oct	634.2	74,390.0	822.2	1,215.6	17,989.0	198.8	
	Nov	664.3	74,131.0	845.0	1,258.7	16,651.0	189.8	
	Dec	711.8	75,199.0	845.0	1,324.8	16,016.0	180.0	22.3

1/ Present data may not match those previously published due to a methodological revision resulting from including new items such as assets and liabilities from both Banco de México and commercial and development banks.

2/ The broad net economic debt includes net liabilities from the federal government and non-financial public enterprises, as well as indebtedness and financial assets of official intermediaries (development banks and public funds and trusts).

3/ Also includes Central Bank's financial assets and liabilities with the private sector, commercial banks and the external sector. This definition allows to offset central bank's financing to the public sector.

(-) Means financial assets' stocks are larger than gross debt stocks.

p/ Preliminary figures.

Source: Banco de México and Ministry of Finance (SHCP).

Table A 50

Non-Financial Public Sector Net Debt ^{1/}

Traditional methodology

End of period outstanding stocks

	Net Debt of the Non-financial Public Sector			Total Net Debt Percentage of GDP
	Domestic	External	External	
	Thousand million pesos	Million US dollars	Thousand million pesos	
1982	4.9	37,826	3.6	81.8
1983	7.7	44,517	6.4	62.7
1984	10.9	46,054	8.8	63.7
1985	20.0	48,155	17.7	75.2
1986	48.5	49,802	45.6	114.3
1987	111.1	52,747	116.6	112.0
1988	156.1	54,341	124.0	67.8
1989	195.3	53,184	140.5	61.6
1990	207.7	48,905	144.0	47.9
1991	205.9	48,368	148.5	37.5
1992	170.0	45,805	142.7	27.8
1993	172.3	41,441	128.7	24.0
1994	257.9	41,033	218.5	33.5
1995	278.2	51,637	394.6	36.6
1996	319.7	53,921	466.7	31.1
1997	336.2	52,855	427.2	24.0
1998	443.8	52,424	517.2	25.0
1999	544.4	57,244	543.7	23.7
2000	686.3	51,506	495.0	21.5
2001	770.3	53,253	488.3	21.6
2002 p/				
Jan	763.1	55,511	507.7	
Feb	778.0	55,331	505.2	
Mar	802.0	54,943	495.4	22.0
Apr	808.6	52,708	494.0	
May	820.0	51,503	497.3	
Jun	837.1	51,096	508.8	21.3
Jul	852.6	50,656	495.7	
Aug	861.6	50,260	498.1	
Sep	856.4	50,997	521.7	22.4
Oct	854.5	50,361	511.4	
Nov	892.0	51,120	518.7	
Dec	923.1	51,487	537.5	23.3
2003 p/				
Jan	934.7	55,264	602.8	
Feb	943.5	55,265	609.7	
Mar	923.0	55,606	599.9	23.0
Apr	883.6	57,438	591.6	
May	914.7	54,560	564.0	
Jun	916.8	53,993	563.5	21.9
Jul	922.5	53,343	561.4	
Aug	937.0	52,473	579.7	
Sep	951.3	52,160	574.5	23.4
Oct	965.1	52,502	580.3	
Nov	975.3	52,309	596.2	
Dec	1024.6	52,728	592.5	23.9

1/ Non-financial public sector net indebtedness is computed on an accrued basis with data available from the banking sector. Federal government domestic securities are reported at market value and external debt is classified by debtor. Data on net indebtedness differs from that published by the Ministry of Finance because the former uses preliminary figures from the banking system, which are subject to revisions.

p/ preliminary figures.

Source: Banco de México.

Table A 51 Public Sector Placement of Domestic Debt Securities

Total circulation per instrument ^{1/}

Current stocks in million pesos at market value

End of period stocks	Total Securities in Circulation	CETES	BONDES	UDIBONOS	Fixed rate Bonds	Other securities ^{2/}
1986	10,528	8,185	0	0		2,343
1987	32,679	28,006	359	0		4,315
1988	74,945	42,878	20,186	0		11,882
1989	122,127	54,353	55,677	0		12,097
1990	161,433	72,001	64,513	0		24,919
1991	171,654	72,658	57,979	0		41,017
1992	134,755	59,338	36,848	0		38,570
1993	138,318	81,431	17,036	0		39,852
1994	228,885	40,689	8,316	0		179,881
1995	136,000	48,590	44,970	0		42,440
1996	161,572	62,114	67,849	5,357		26,252
1997	272,210	137,813	81,768	36,678		15,951
1998	353,240	127,600	151,836	62,833		10,971
1999	546,324	129,045	337,271	80,008		1
2000	716,840	175,069	420,256	86,645	34,870	0
2001	762,839	196,674	348,988	94,847	122,330	0
2002 ^{p/}						
Jan	774,021	195,021	346,849	96,062	136,090	0
Feb	795,602	205,519	353,553	94,236	142,295	0
Mar	804,295	203,178	357,190	97,061	146,868	0
Apr	826,033	207,256	361,113	99,580	158,084	0
May	834,819	200,651	366,125	97,383	170,660	0
Jun	850,267	202,816	366,596	98,271	182,584	0
Jul	845,815	199,466	364,979	98,794	182,576	0
Aug	859,690	204,242	363,051	96,872	195,526	0
Sep	846,157	197,068	355,651	95,312	198,126	0
Oct	861,298	198,786	355,175	96,189	211,148	0
Nov	876,072	208,282	351,174	96,502	220,113	0
Dec	875,640	197,439	343,345	99,768	235,089	0
2003 ^{p/}						
Jan	857,643	206,101	341,402	81,105	229,035	0
Feb	862,483	200,242	342,232	81,874	238,135	0
Mar	871,314	206,771	338,866	81,836	243,842	0
Apr	880,932	201,361	339,492	81,897	258,181	0
May	907,307	209,385	336,091	84,437	277,395	0
Jun	923,790	205,622	342,513	86,839	288,816	0
Jul	951,126	211,446	344,248	86,460	308,973	0
Aug	955,500	206,959	351,475	86,751	310,316	0
Sep	984,880	216,029	358,623	89,990	320,239	0
Oct	1,007,819	218,467	359,674	91,646	338,032	0
Nov	1,018,104	210,001	363,585	92,234	352,284	0
Dec	1,024,457	212,913	355,994	94,651	360,899	0

^{1/} Total circulation includes federal government securities and placements of monetary regulation bonds.

^{2/} Includes instruments that have gradually ceased to be placed such as public debt bonds, PETROBONOS, bank indemnity bonds, Treasury promissory notes (*Pagarés de la Tesorería de la Federación, PAGAFES*), urban reconstruction bonds, TESOBONOS and AJUSTABONOS.

^{p/} Preliminary figures.

Source: Banco de México.

Table A 52

Public Sector Placement of Domestic Debt Securities

Total circulation per holding sector ^{1/}

Current stocks in million pesos at market value

End of Period Stocks	Total Securities in Circulation	Private Firms and Individuals ^{2/}	Non-bank Public Sector	Banco de México	Development Banks	Commercial Banks	Other Intermediaries	REPOS
1986	10,528	3,710	146	6,209	132	331	0	0
1987	32,679	14,347	531	14,131	815	2,856	0	0
1988	74,945	34,687	734	24,096	851	14,562	0	15
1989	122,127	56,317	986	33,746	1,274	27,737	0	2,066
1990	161,433	81,898	1,776	37,990	609	36,517	653	1,989
1991	171,654	75,855	2,602	31,814	808	55,450	931	4,193
1992	134,755	75,593	4,680	26,251	174	21,604	1,229	5,225
1993	138,318	117,005	4,999	4,286	51	2,461	1,231	8,286
1994	228,885	141,603	6,501	2,525	2,232	6,115	0	69,910
1995	136,000	93,455	8,956	13,991	2,886	16,712	0	0
1996	161,572	130,211	14,158	11,301	1,890	4,012	0	0
1997	272,210	212,538	39,560	0	2,505	17,607	0	0
1998	353,240	320,167	24,630	0	231	8,212	0	0
1999	546,324	511,580	27,080	0	2,701	4,963	0	0
2000	716,840	673,842	19,438	0	8,942	14,618	0	0
2001	762,839	697,340	13,908	0	10,068	41,523	0	0
2002 ^{p/}								
Jan	774,021	708,047	11,650	0	4,349	49,975	0	0
Feb	795,602	740,057	12,979	0	10,337	32,230	0	0
Mar	804,295	752,475	10,941	0	4,524	36,355	0	0
Apr	826,033	785,748	11,426	0	6,187	22,672	0	0
May	834,819	768,623	12,863	0	14,525	38,808	0	0
Jun	850,267	765,987	16,680	0	23,794	43,806	0	0
Jul	845,815	785,579	14,042	0	5,442	40,751	0	0
Aug	859,690	789,192	12,497	0	4,281	53,720	0	0
Sep	846,157	777,608	15,043	0	9,229	44,278	0	0
Oct	861,298	775,135	27,198	0	15,232	43,733	0	0
Nov	876,072	792,831	8,136	0	11,803	63,303	0	0
Dec	875,640	828,290	5,711	0	5,729	35,910	0	0
2003 ^{p/}								
Jan	857,643	787,467	7,461	0	3,886	58,828	0	0
Feb	862,483	778,279	8,709	0	16,109	59,386	0	0
Mar	871,314	760,340	9,653	0	15,398	85,924	0	0
Apr	880,932	808,292	17,156	0	7,277	48,207	0	0
May	907,307	836,216	6,116	0	20,824	44,151	0	0
Jun	923,790	844,219	6,446	0	22,411	50,714	0	0
Jul	951,126	849,985	38,915	0	14,652	47,574	0	0
Aug	955,500	848,768	36,989	0	5,227	64,517	0	0
Sep	984,880	865,547	30,758	0	9,062	79,514	0	0
Oct	1,007,819	897,432	27,411	0	5,146	77,830	0	0
Nov	1,018,104	909,662	26,566	0	4,762	77,115	0	0
Dec	1,024,457	895,883	36,943	0	13,488	78,143	0	0

1/ Total circulation includes federal government securities and placement of monetary regulation bonds.

2/ Including securities held by SIEFORES since 1997.

p/ Preliminary figures.

Fuente: Banco de México.

Table A 53 Mexican Brady Bonds

End-period	Bid prices ^{1/}			Stripped Yield ^{2/}			TB Yield ^{3/ 4/}	Spread		
	(Cents per US dollar)			(Percent)			(Percent)	(Percent)		
	Par	Discount	Global	Par	Discount	Global	30-year	Par	Discount	Global
Dec 1991	60.3	77.8		12.6	13.6		7.7	4.9	5.9	
Dec 1992	65.3	81.1		11.5	12.7		7.4	4.1	5.3	
Dec 1993	83.4	95.8		8.3	8.6		6.3	2.1	2.4	
Dec 1994	53.0	77.4		16.3	15.8		7.9	8.4	7.9	
Dec 1995	65.9	71.7		14.8	14.6		6.1	8.7	8.5	
Dec 1996	74.0	86.1	105.9	11.9	11.9	10.8	6.6	5.4	5.4	4.3
Dec 1997	83.3	92.4	118.0	10.4	10.3	9.6	6.0	4.4	4.3	3.6
Dec 1998	77.9	81.5	106.6	11.7	14.2	10.7	5.1	6.7	9.1	5.7
Dec 1999	78.9	93.5	119.2	10.8	11.3	9.5	6.4	4.5	4.9	3.1
Dec 2000	90.9	99.4	121.4	9.5	9.5	9.3	5.5	4.0	4.0	3.8
Dec 2001	92.6	n.a.	127.1	8.4	n.a.	8.8	5.5	3.0	n.a.	3.3
Dec 2002	98.7	n.a.	136.8	9.1	n.a.	8.0	5.1	4.0	n.a.	2.9
2001										
Jan	91.5	100.7	122.6	9.2	8.6	9.2	5.5	3.7	3.1	3.6
Feb	89.6	97.2	119.9	10.2	9.7	9.4	5.5	4.8	4.2	3.9
Mar	89.1	96.7	119.9	10.0	9.8	9.4	5.3	4.7	4.4	4.1
Apr	86.9	95.3	121.1	10.0	10.2	9.3	5.7	4.3	4.6	3.6
May	89.7	98.5	124.5	9.1	9.3	9.0	5.8	3.3	3.5	3.2
Jun	91.9	99.2	125.8	8.9	9.4	8.9	5.7	3.2	3.7	3.2
Jul	91.8	98.5	123.8	9.2	9.3	9.1	5.6	3.6	3.6	3.5
Aug	93.0	98.3	125.3	9.2	9.1	8.9	5.5	3.8	3.6	3.4
Sep	90.7	99.4	118.0	9.9	8.0	9.6	5.5	4.4	2.6	4.1
Oct	93.4	98.9	124.9	9.2	8.5	9.0	5.3	3.9	3.2	3.6
Nov	n.a.	n.a.	125.4	9.9	n.a.	8.9	5.1	4.8	n.a.	3.8
Dec	92.6	n.a.	127.1	8.4	n.a.	8.8	5.5	3.0	n.a.	3.3
2002										
Jan	93.2	n.a.	128.8	8.6	n.a.	8.6	5.5	3.1	n.a.	3.2
Feb	95.5	n.a.	132.9	8.1	n.a.	8.3	5.4	2.7	n.a.	2.9
Mar	93.6	n.a.	129.8	7.9	n.a.	8.5	5.9	2.0	n.a.	2.7
Apr	96.1	n.a.	132.9	7.8	n.a.	8.3	5.8	2.0	n.a.	2.5
May	95.7	n.a.	130.8	7.8	n.a.	8.5	5.8	2.0	n.a.	2.7
Jun	94.3	n.a.	126.5	8.6	n.a.	8.8	5.7	2.9	n.a.	3.1
Jul	93.1	n.a.	123.1	9.0	n.a.	9.1	5.5	3.5	n.a.	3.6
Aug	97.3	n.a.	129.2	9.0	n.a.	8.6	5.2	3.7	n.a.	3.3
Sep	96.8	n.a.	125.8	9.9	n.a.	8.9	4.9	5.0	n.a.	3.9
Oct	96.7	n.a.	129.3	9.1	n.a.	8.6	5.1	4.0	n.a.	3.5
Nov	97.3	n.a.	133.1	8.6	n.a.	8.3	5.1	3.5	n.a.	3.1
Dec	98.7	n.a.	136.8	9.1	n.a.	8.0	5.1	4.0	n.a.	2.9
2003										
Jan	98.8	n.a.	132.4	8.6	n.a.	8.3	5.1	3.5	n.a.	3.2
Feb	99.6	n.a.	137.3	9.2	n.a.	7.9	5.0	4.3	n.a.	3.0
Mar	99.9	n.a.	139.0	8.8	n.a.	7.8	4.9	3.8	n.a.	2.9
Apr	100.2	n.a.	146.3	n.a.	n.a.	7.3	5.0	n.a.	n.a.	2.3
May	100.0	n.a.	152.9	n.a.	n.a.	6.9	4.7	n.a.	n.a.	2.2
Jun	100.0	n.a.	149.3	n.a.	n.a.	7.1	4.5	n.a.	n.a.	2.6
Jul	100.0	n.a.	135.6	n.a.	n.a.	8.1	5.1	n.a.	n.a.	3.0
Aug	100.0	n.a.	139.6	n.a.	n.a.	7.7	5.4	n.a.	n.a.	2.3
Sep	100.0	n.a.	146.7	n.a.	n.a.	7.3	5.3	n.a.	n.a.	2.0
Oct	100.0	n.a.	143.7	n.a.	n.a.	7.5	5.3	n.a.	n.a.	2.2
Nov	100.0	n.a.	142.7	n.a.	n.a.	7.5	5.2	n.a.	n.a.	2.3
Dec	100.0	n.a.	145.0	n.a.	n.a.	7.4	5.2	n.a.	n.a.	2.2

1/ Prices listed in the secondary market for Brady Bonds Par W-A and Discount A, and for 30-year Global UMS bonds.

2/ Yield attributed to uncovered or pure country risk. This measurement "strips out" the effect of credit enhancement incorporated in the bonds.

3/ Yield on Mexican bond less yield on 30-year U.S. Treasury bill.

4/ TB: U.S. Treasury bill.

n.a. Not available.

Source: Bloomberg.

External Sector

Table A 54 External Sector Indicators

	1997	1998	1999	2000	2001	2002	2003 ^{p/}
BALANCE OF PAYMENTS							
Thousand million US dollars							
Current account	-7.7	-16.0	-14.0	-18.2	-18.0	-14.1	-9.2
Trade balance ^{1/}	0.6	-7.9	-5.6	-8.0	-10.0	-8.0	-5.7
Capital account	16.6	18.7	13.9	18.3	25.4	22.2	17.5
Foreign Direct Investment	12.8	12.3	13.2	16.5	26.6	14.4	10.7
Change in net international reserves	10.5	2.1	0.6	2.8	7.3	7.1	9.4
Net international reserves (stocks at end-period)	28.0	30.1	30.7	33.6	40.9	48.0	57.4
Percentage of GDP							
Current account	-1.9	-3.8	-2.9	-3.1	-2.9	-2.2	-1.5
Capital account	4.2	4.4	2.9	3.1	4.1	3.5	2.9
Foreign Trade							
Annual percentage change							
Exports	15.0	6.4	16.1	22.0	-4.8	1.5	2.6
Oil	-2.8	-37.0	39.2	65.0	-21.9	13.1	28.9
Non-oil	17.5	11.3	14.6	18.7	-3.0	0.4	-0.1
Manufacturing ^{1/}	18.1	11.9	15.1	19.0	-2.7	0.5	-0.7
Other	6.6	-1.0	2.7	8.2	-9.4	-0.8	21.8
Imports	22.7	14.2	13.2	22.9	-3.5	0.2	1.1
Consumer goods	40.1	19.1	9.6	37.1	18.3	7.2	1.6
Intermediate goods ^{1/}	18.7	13.6	12.7	22.3	-5.6	0.3	1.8
Capital goods	38.4	14.6	18.5	17.5	-6.8	-6.7	-3.7
Gross External Debt and Interest Paid							
Percent of current account revenues							
Total external debt	117.6	116.9	104.5	82.2	84.8	82.7	81.1
Public sector ^{2/}	74.2	71.9	60.9	43.8	43.3	41.9	40.7
Private sector	43.4	45.0	43.6	38.4	41.4	40.8	40.5
Interest paid ^{3/}	9.4	8.9	8.1	7.1	6.8	6.4	6.0
Percentage of GDP							
Total external debt	38.5	38.8	34.5	27.3	25.2	24.4	25.8
Public sector ^{2/}	24.3	23.9	20.1	14.6	12.9	12.4	12.9
Private sector	14.2	14.9	14.4	12.8	12.3	12.0	12.9
Interest paid ^{3/}	3.1	3.0	2.7	2.4	2.0	1.9	1.9

1/ Includes *maquiladora* industry.

2/ Includes Banco de México.

3/ Includes public and private sectors.

p/ Preliminary figures.

Note: Figures may not add up due to rounding.

Source: Banco de México and Ministry of Finance (SHCP).

Table A 55

Balance of Payments

Traditional format

Million US dollars

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 /p
Current Account	-29,662.0	-1,576.7	-2,507.6	-7,665.0	-16,072.4	-14,000.6	-18,167.0	-18,157.9	-14,053.3	-9,237.6
Revenues	78,371.8	97,029.3	115,316.1	131,318.2	140,068.8	158,939.9	193,280.9	185,601.7	187,856.5	195,009.0
Merchandise Exports	60,882.2	79,541.6	95,999.7	110,431.4	117,459.6	136,391.1	166,454.8	158,442.9	160,762.7	164,860.3
Non-Factor Services	10,301.4	9,665.1	10,601.6	11,053.5	11,522.6	11,692.0	13,712.3	12,660.3	12,691.6	12,658.3
Tourists	4,854.5	4,688.0	5,110.2	5,531.0	5,633.3	5,505.7	6,435.4	6,538.4	6,724.7	7,251.7
One-day visitors	1,508.9	1,490.8	1,646.0	1,845.0	1,859.8	1,717.2	1,858.8	1,862.2	2,133.3	2,205.4
Other	3,937.9	3,486.3	3,845.4	3,677.5	4,029.5	4,469.1	5,418.1	4,259.6	3,833.6	3,201.2
Factor Services	3,366.5	3,827.7	4,153.7	4,560.4	5,047.1	4,516.8	6,090.7	5,138.6	4,098.5	3,725.8
Interest paid	2,699.6	3,017.9	3,306.7	3,749.6	4,034.3	3,735.7	5,024.5	4,074.7	2,835.3	2,342.8
Other	666.9	809.8	847.0	810.8	1,012.8	781.1	1,066.2	1,063.9	1,263.2	1,383.0
Transfers	3,821.7	3,995.0	4,561.1	5,272.9	6,039.5	6,340.0	7,023.1	9,360.0	10,303.7	13,764.6
Expenditures	108,033.7	98,606.0	117,823.8	138,983.2	156,141.1	172,940.5	211,447.9	203,759.6	201,909.8	204,246.6
Merchandise Imports	79,345.9	72,453.1	89,468.8	109,807.8	125,373.1	141,974.8	174,457.8	168,396.5	168,678.9	170,550.6
Non-Factor Services	12,269.7	9,000.6	10,230.9	11,800.0	12,427.5	13,490.6	16,035.7	16,217.9	16,739.7	17,125.3
Insurance and Freight	2,639.8	1,974.5	2,510.0	3,312.4	3,699.1	4,109.2	5,006.4	4,643.1	4,407.8	4,492.9
Tourists	2,444.2	1,240.4	1,536.4	1,821.2	2,001.9	1,950.4	2,444.9	2,767.5	2,777.6	2,835.0
One-day visitors	2,893.5	1,930.1	1,850.8	2,070.7	2,207.2	2,590.9	3,054.2	2,934.4	3,282.0	3,418.3
Other	4,292.2	3,855.5	4,333.8	4,595.7	4,519.3	4,840.2	5,530.2	5,872.9	6,272.3	6,379.1
Factor Services	16,378.3	17,117.3	18,094.0	17,349.9	18,313.4	17,448.2	20,925.0	19,123.4	16,456.0	16,533.6
Interest paid	11,806.9	13,575.4	13,360.9	12,436.2	12,482.3	12,945.9	13,699.0	12,728.7	12,037.0	11,731.0
Other	4,571.4	3,542.0	4,733.1	4,913.7	5,831.1	4,502.3	7,226.0	6,394.6	4,418.9	4,802.6
Transfers	39.8	35.0	30.1	25.5	27.1	26.9	29.4	21.9	35.2	37.1
Capital Account	14,975.6	15,331.6	4,327.2	16,638.7	18,675.6	13,878.7	18,325.5	25,402.3	22,230.8	17,528.4
Liabilities	20,645.6	22,689.3	10,668.4	9,922.9	18,244.1	17,883.4	11,226.4	29,236.9	10,426.1	10,561.8
Indebtedness	7,814.7	26,503.4	-2,225.1	-6,706.7	6,570.9	1,865.5	-5,623.3	1,575.9	-4,055.3	-948.5
Development Banks	4,381.9	55.2	-2,148.8	-2,191.6	-724.9	-1,774.5	-185.7	-1,210.2	-1,244.2	-1,640.7
Commercial Banks	1,570.7	-4,108.0	-1,655.0	-1,869.4	-927.8	-1,723.2	-2,445.6	-3,133.4	-2,960.6	-234.0
Banco de México	-1,203.2	13,332.9	-3,523.8	-3,486.8	-1,071.6	-3,684.7	-4,285.6	0.0	0.0	0.0
Non-Bank Public Sector	-763.1	14,390.3	2,140.5	-5,523.9	2,433.0	1,707.1	-6,573.3	-83.9	-3,220.2	-2,691.3
Non-Bank Private Sector	3,828.4	2,833.0	2,962.0	6,365.0	6,862.2	7,340.8	7,866.9	6,003.4	3,369.7	3,617.5
Foreign Direct Investment	10,972.5	9,526.3	9,185.5	12,829.6	12,284.7	13,165.7	16,448.7	26,569.3	14,435.3	10,731.4
Equity Investments	4,083.7	519.2	2,800.6	3,215.3	-665.6	3,769.2	446.8	151.0	-103.6	-123.3
Money Market	-2,225.3	-13,859.6	907.5	584.8	54.1	-917.0	-45.8	940.8	149.6	902.2
Assets	-5,670.0	-7,357.7	-6,341.2	6,715.8	431.5	-4,004.7	7,099.0	-3,834.6	11,804.7	6,966.6
Held by Foreign Banks	-3,713.5	-3,163.5	-6,054.7	4,859.6	155.4	-3,037.0	3,549.7	-1,511.7	10,773.3	7,096.2
Mexican Direct Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4,404.0	-929.7	-1,390.2
Credits Granted Abroad	-40.8	-276.4	-624.7	-113.6	329.8	425.0	412.5	0.0	190.0	46.0
External Debt Guarantees	-615.1	-662.2	543.7	-707.7	-768.7	-835.8	1,289.8	3,856.6	1,133.8	90.8
Other	-1,300.6	-3,255.6	-205.5	2,677.4	715.0	-556.9	1,847.0	-1,775.6	637.3	1,123.8
Errors and Omissions	-3,705.0	-4,164.2	-46.0	1,537.8	-464.7	714.1	2,665.7	80.7	-1,087.8	1,146.9
Change in Net International Reserves	-18,389.3	9,592.8	1,768.2	10,493.7	2,136.9	593.6	2,821.5	7,325.0	7,104.1	9,450.9
Valuation Adjustments	-2.0	-2.1	5.4	17.8	1.5	-1.4	2.7	0.0	-14.4	-13.2

p/ Preliminary figures.

Note: Figures may not add up due to rounding.

Table A 56

Balance of Payments

IMF methodology ^{1/}

Million US dollars

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 p/
Current Account	-29,662.0	-1,576.7	-2,507.6	-7,665.0	-16,072.4	-14,000.6	-18,167.0	-18,157.9	-14,053.3	-9,237.6
Revenues	78,371.8	97,029.3	115,316.1	131,318.2	140,068.8	158,939.9	193,280.9	185,601.7	187,856.5	195,009.0
Merchandise Exports	60,882.2	79,541.6	95,999.7	110,431.4	117,459.6	136,391.1	166,454.8	158,442.9	160,762.7	164,860.3
Non-Factor Services	10,301.4	9,665.1	10,601.6	11,053.5	11,522.6	11,692.0	13,712.3	12,660.3	12,691.6	12,658.3
Tourists	4,854.5	4,688.0	5,110.2	5,531.0	5,633.3	5,505.7	6,435.4	6,538.4	6,724.7	7,251.7
One-day visitors	1,508.9	1,490.8	1,646.0	1,845.0	1,859.8	1,717.2	1,858.8	1,862.2	2,133.3	2,205.4
Other	3,937.9	3,486.3	3,845.4	3,677.5	4,029.5	4,469.1	5,418.1	4,259.6	3,833.6	3,201.2
Factor Services	3,366.5	3,827.7	4,153.7	4,560.4	5,047.1	4,516.8	6,090.7	5,138.6	4,098.5	3,725.8
Interests	2,699.6	3,017.9	3,306.7	3,749.6	4,034.3	3,735.7	5,024.5	4,074.7	2,835.3	2,342.8
Other	666.9	809.8	847.0	810.8	1,012.8	781.1	1,066.2	1,063.9	1,263.2	1,383.0
Transfers	3,821.7	3,995.0	4,561.1	5,272.9	6,039.5	6,340.0	7,023.1	9,360.0	10,303.7	13,764.6
Outlays	108,033.7	98,606.0	117,823.8	138,983.2	156,141.1	172,940.5	211,447.9	203,759.6	201,909.8	204,246.6
Merchandise Imports	79,345.9	72,453.1	89,468.8	109,807.8	125,373.1	141,974.8	174,457.8	168,396.5	168,678.9	170,550.6
Non-Factor Services	12,269.7	9,000.6	10,230.9	11,800.0	12,427.5	13,490.6	16,035.7	16,217.9	16,739.7	17,125.3
Insurance and Freight	2,639.8	1,974.5	2,510.0	3,312.4	3,699.1	4,109.2	5,006.4	4,643.1	4,407.8	4,492.9
Tourists	2,444.2	1,240.4	1,536.4	1,821.2	2,001.9	1,950.4	2,444.9	2,767.5	2,777.6	2,835.0
One-day visitors	2,893.5	1,930.1	1,850.8	2,070.7	2,207.2	2,590.9	3,054.2	2,934.4	3,282.0	3,418.3
Other	4,292.2	3,855.5	4,333.8	4,595.7	4,519.3	4,840.2	5,530.2	5,872.9	6,272.3	6,379.1
Factor Services	16,378.3	17,117.3	18,094.0	17,349.9	18,313.4	17,448.2	20,925.0	19,123.4	16,456.0	16,533.6
Interest	11,806.9	13,575.4	13,360.9	12,436.2	12,482.3	12,945.9	13,699.0	12,728.7	12,037.0	11,731.0
Other	4,571.4	3,542.0	4,733.1	4,913.7	5,831.1	4,502.3	7,226.0	6,394.6	4,418.9	4,802.6
Transfers	39.8	35.0	30.1	25.5	27.1	26.9	29.4	21.9	35.2	37.1
Capital Account	14,975.6	15,331.6	4,327.2	16,638.7	18,675.6	13,878.7	18,325.5	25,402.3	22,230.8	17,528.4
Liabilities	20,645.6	22,689.3	10,668.4	9,922.9	18,244.1	17,883.4	11,226.4	29,236.9	10,426.1	10,561.8
Loans and Deposits	1,125.9	22,877.7	-12,085.5	-7,943.7	4,932.4	-7,287.2	-4,088.0	-1,214.4	-3,377.3	-4,033.5
Development Banks	1,329.3	958.6	-1,246.0	-1,020.9	239.6	-765.4	919.6	-1,288.8	-545.0	-1,416.8
Commercial Banks	1,470.7	-4,982.0	-1,720.0	-1,978.4	-142.8	-1,546.2	-1,802.6	-2,933.4	-2,315.6	567.0
Banco de México	-1,203.2	13,332.9	-3,523.8	-3,486.8	-1,071.6	-3,684.7	-4,285.6	0.0	0.0	0.0
Non-Bank Public Sector	-1,690.3	10,493.2	-7,671.7	-5,035.6	1,270.2	-4,027.4	-3,527.6	-1,279.6	-1,619.5	-2,132.5
Non-Bank Private Sector	1,219.4	3,075.0	2,076.0	3,578.0	4,637.0	2,736.5	4,608.2	4,287.4	1,102.8	-1,051.2
Foreign Investment	19,519.7	-188.4	22,753.9	17,866.6	13,311.7	25,170.6	15,314.4	30,451.3	13,803.4	14,595.3
Direct	10,972.5	9,526.3	9,185.5	12,829.6	12,284.7	13,165.7	16,448.7	26,569.3	14,435.3	10,731.4
Portfolio	8,547.2	-9,714.7	13,568.5	5,037.1	1,027.0	12,004.9	-1,134.3	3,882.1	-632.0	3,863.9
Equity	4,083.7	519.2	2,800.6	3,215.3	-665.6	3,769.2	446.8	151.0	-103.6	-123.3
Money Market	-2,225.3	-13,859.6	907.5	584.8	54.1	-917.0	-45.8	940.8	149.6	902.2
Public Sector	-1,942.3	-13,790.6	948.5	490.1	130.2	-942.0	-25.1	940.8	149.6	902.2
Private Sector	-283.0	-69.0	-41.0	94.7	-76.1	25.0	-20.7	0.0	0.0	0.0
Foreign Currency Securities	6,688.8	3,625.7	9,860.4	1,237.0	1,638.5	9,152.7	-1,535.3	2,790.3	-678.0	3,085.0
Public Sector	3,979.8	2,993.7	8,909.4	-1,659.0	198.3	4,725.4	-4,151.0	1,274.3	-2,299.9	-782.7
Private Sector	2,709.0	632.0	951.0	2,896.0	1,440.2	4,427.3	2,615.7	1,516.0	1,621.9	3,867.7
Assets	-5,670.0	-7,357.7	-6,341.2	6,715.8	431.5	-4,004.7	7,099.0	-3,834.6	11,804.7	6,966.6
Held by Foreign Banks	-3,713.5	-3,163.5	-6,054.7	4,859.6	155.4	-3,037.0	3,549.7	-1,511.7	10,773.3	7,096.2
Mexican Direct Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4,404.0	-929.7	-1,390.2
Credits Granted Abroad	-40.8	-276.4	-624.7	-113.6	329.8	425.0	412.5	0.0	190.0	46.0
External Debt Guarantees	-615.1	-662.2	543.7	-707.7	-768.7	-835.8	1,289.8	3,856.6	1,133.8	90.8
Other	-1,300.6	-3,255.6	-205.5	2,677.4	715.0	-556.9	1,847.0	-1,775.6	637.3	1,123.8
Errors and Omissions	-3,705.0	-4,164.2	-46.0	1,537.8	-464.7	714.1	2,665.7	80.7	-1,087.8	1,146.9
Change in Net International Reserves	-18,389.3	9,592.8	1,768.2	10,493.7	2,136.9	593.6	2,821.5	7,325.0	7,104.1	9,450.9
Valuation Adjustments	-2.0	-2.1	5.4	17.8	1.5	-1.4	2.7	0.0	-14.4	-13.2

1/ 1994 Format.

p/ preliminary figures.

This format differs from the traditional one (Table A 55) in the criteria for classifying securities placed abroad (bonds and promissory notes). The traditional format classifies them as external indebtedness while this format reports them as portfolio investment. The present format (used by Mexico since 1994) is consistent with the balance of payments methodology recommended by the International Monetary Fund.

Note: Figures may not add up due to rounding.

Table A 57

Foreign Trade

Million US dollars

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Exports	60,882.2	79,541.6	95,999.7	110,431.4	117,459.6	136,391.1	166,454.8	158,442.9	160,762.7	164,860.3
<i>Maquiladora</i> industry	26,269.2	31,103.3	36,920.3	45,165.6	53,083.1	63,853.6	79,467.4	76,880.9	78,098.1	77,405.2
Non- <i>maquiladora</i> industry	34,613.0	48,438.3	59,079.4	65,265.8	64,376.4	72,537.5	86,987.4	81,562.0	82,664.6	87,455.1
Oil	7,445.0	8,422.6	11,653.7	11,323.2	7,134.3	9,928.2	16,382.8	12,798.7	14,475.6	18,653.8
Crude oil	6,624.1	7,419.6	10,705.3	10,333.8	6,367.9	8,858.8	14,887.0	11,590.8	13,108.9	16,832.1
Other	820.9	1,003.0	948.4	989.4	766.4	1,069.4	1,495.8	1,207.9	1,366.7	1,821.7
Non-oil	53,437.2	71,119.0	84,346.0	99,108.2	110,325.2	126,462.9	150,072.1	145,644.1	146,287.1	146,206.5
Agriculture	2,678.4	4,016.2	3,592.3	3,828.1	3,796.7	3,925.9	4,217.2	3,902.7	3,866.3	4,664.4
Mining	356.7	545.0	449.2	477.9	466.2	452.5	520.7	388.5	389.3	517.0
Manufacturing	50,402.1	66,557.9	80,304.6	94,802.2	106,062.3	122,084.5	145,334.2	141,353.0	142,031.4	141,025.1
<i>Maquiladora</i>	26,269.2	31,103.3	36,920.3	45,165.6	53,083.1	63,853.6	79,467.4	76,880.9	78,098.1	77,405.2
Non- <i>maquiladora</i>	24,132.8	35,454.6	43,384.3	49,636.6	52,979.2	58,231.0	65,866.8	64,472.0	63,933.3	63,619.9
Imports	79,345.9	72,453.1	89,468.8	109,807.8	125,373.1	141,974.8	174,457.8	168,396.5	168,678.9	170,550.6
<i>Maquiladora</i> industry	20,466.2	26,178.8	30,504.7	36,332.1	42,556.7	50,409.3	61,708.8	57,598.5	59,296.0	59,057.5
Non- <i>maquiladora</i> industry	58,879.7	46,274.3	58,964.1	73,475.7	82,816.3	91,565.5	112,749.0	110,797.9	109,382.9	111,493.1
Consumer goods	9,510.4	5,334.7	6,656.8	9,326.0	11,108.5	12,175.0	16,690.6	19,752.0	21,178.4	21,509.0
Intermediate goods	56,513.7	58,421.1	71,889.6	85,365.7	96,935.2	109,269.6	133,637.3	126,148.8	126,508.0	128,831.8
<i>Maquiladora</i> industry	20,466.2	26,178.8	30,504.7	36,332.1	42,556.7	50,409.3	61,708.8	57,598.5	59,296.0	59,057.5
Non- <i>maquiladora</i> industry	36,047.6	32,242.3	41,384.9	49,033.6	54,378.5	58,860.3	71,928.5	68,550.2	67,212.0	69,774.3
Capital goods	13,321.7	8,697.3	10,922.4	15,116.1	17,329.4	20,530.1	24,129.9	22,495.7	20,992.5	20,209.8
Trade balance	-18,463.7	7,088.5	6,531.0	623.6	-7,913.5	-5,583.7	-8,003.0	-9,953.6	-7,916.2	-5,690.3
<i>Maquiladora</i> industry	5,803.1	4,924.5	6,415.6	8,833.5	10,526.4	13,444.3	17,758.6	19,282.4	18,802.1	18,347.7
Non- <i>maquiladora</i> industry	-24,266.8	2,164.0	115.4	-8,209.9	-18,439.9	-19,027.9	-25,761.6	-29,236.0	-26,718.3	-24,038.0
Excluding oil exports	-25,908.7	-1,334.1	-5,122.7	-10,699.6	-15,047.8	-15,511.9	-24,385.8	-22,752.3	-22,391.8	-24,344.1

p/ preliminary figures

Note: Figures may not add up due to rounding.

Source: Working group integrated by officials from Banco de México, INEGI, the Ministry of Finance's Tax Collection System (*Servicio de Administración Tributaria*, SAT), and the Ministry of the Economy.

Table A 58

Exports by Sector of Origin
 Million US dollars

ITEM	Maquiladora Industry			Non-maquiladora Industry			Total		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
Total	76,880.9	78,098.1	77,405.2	81,562.0	82,664.6	87,455.1	158,442.9	160,762.7	164,860.3
I. Land Farming and Forestry	0.0	0.0	0.0	3,325.8	3,259.8	3,911.2	3,325.8	3,259.8	3,911.2
II. Livestock and Fishing	0.0	0.0	0.0	576.9	606.5	753.2	576.9	606.5	753.2
III. Extractive Industries	0.0	0.0	0.0	12,055.1	13,509.6	17,350.4	12,055.1	13,509.6	17,350.4
Crude Oil	0.0	0.0	0.0	11,590.8	13,108.9	16,832.1	11,590.8	13,108.9	16,832.1
Other	0.0	0.0	0.0	464.3	400.7	518.3	464.3	400.7	518.3
IV. Manufacturing	76,759.8	78,079.2	77,380.5	65,355.5	65,124.0	65,265.9	142,115.4	143,203.1	142,646.4
A. Food, Beverages and Tobacco	335.0	370.6	384.7	3,893.8	4,078.6	4,235.7	4,228.8	4,449.2	4,620.4
B. Textiles, Apparel and Leather products	6,920.8	6,841.2	6,609.8	4,250.4	4,187.6	3,828.4	11,171.3	11,028.8	10,438.2
C. Timber Products	466.1	474.3	474.3	432.5	374.3	334.1	898.6	848.6	808.4
D. Paper, Printing and Publishing	583.9	551.7	613.5	697.9	721.5	668.9	1,281.8	1,273.2	1,282.4
E. Oil by-products	0.0	0.0	0.0	960.5	1,177.6	1,612.4	960.5	1,177.6	1,612.4
F. Petrochemical products	0.0	0.0	0.0	171.5	177.7	207.9	171.5	177.7	207.9
G. Chemical products	843.1	692.6	605.5	4,918.1	4,982.4	5,140.0	5,761.2	5,675.0	5,745.4
H. Plastic and Rubber products	1,476.2	1,488.4	1,536.3	860.0	1,025.2	1,229.4	2,336.2	2,513.6	2,765.8
I. Non-metal mineral products	1,222.3	1,160.4	1,380.2	1,767.7	1,719.6	1,647.4	2,990.0	2,880.0	3,027.6
J. Iron and Steel	732.1	581.6	538.9	1,822.6	2,354.8	2,562.4	2,554.8	2,936.4	3,101.3
K. Mining and Metallurgy	199.5	188.8	195.4	1,386.1	1,168.8	1,143.1	1,585.6	1,357.6	1,338.5
L. Metallic products, machinery and equipment	62,808.3	63,943.5	63,976.6	43,826.5	42,659.7	42,014.0	106,634.8	106,603.1	105,990.6
1. For agriculture	85.5	80.6	128.6	24.9	32.1	37.1	110.4	112.7	165.7
2. For railroads	317.9	363.8	39.1	193.7	114.9	169.3	511.5	478.7	208.4
3. For other transport & communications	4,129.6	4,671.8	5,156.4	27,656.1	27,221.1	26,142.1	31,785.6	31,892.9	31,298.5
Automotive industry	3,375.4	3,929.5	4,219.9	26,286.9	25,760.6	24,586.1	29,662.3	29,690.0	28,806.0
4. Industry machinery and equipment	16,143.2	16,470.8	18,011.1	9,203.3	8,897.2	8,613.4	25,346.4	25,368.0	26,624.4
5. Professional and scientific equipment	2,292.4	3,131.9	3,610.8	341.1	634.6	876.1	2,633.5	3,766.4	4,486.9
6. Electric and electronic equipment	39,449.1	38,834.1	36,637.2	5,823.7	5,358.0	5,806.7	45,272.7	44,192.1	42,443.9
7. Photographic & optical equipment, and watchmaking	390.7	390.4	393.4	583.9	401.8	369.3	974.6	792.3	762.7
M. Other industries	1,172.3	1,786.0	1,065.3	367.9	496.1	642.3	1,540.2	2,282.2	1,707.6
V. Other	121.1	18.9	24.7	248.6	164.8	174.3	369.7	183.7	199.0

p/ Preliminary figures.

Note: Figures may not add up due to rounding.

Source: Working party integrated by officials from Banco de México, INEGI, the Ministry of Finance's Tax Collection System (*Servicio de Administración Tributaria, SAT*), and the Ministry of the Economy.

Table A 59

Imports by Sector of Origin

Million US dollars

ITEM	Maquiladora Industry			Non-maquiladora Industry			Total		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
TOTAL	57,598.5	59,296.0	59,057.5	110,797.9	109,382.9	111,493.1	168,396.5	168,678.9	170,550.6
I. Land Farming and Forestry	22.6	20.4	21.9	4,632.4	4,851.5	5,443.0	4,655.0	4,871.9	5,464.9
II. Livestock and Fishing	12.2	21.3	7.3	464.8	482.2	390.3	477.0	503.5	397.6
III. Extractive Industries	126.1	130.9	175.0	1,454.7	1,836.0	2,949.3	1,580.8	1,967.0	3,124.2
IV. Manufacturing	56,665.9	59,069.3	58,838.3	102,742.5	101,553.5	102,141.8	159,408.5	160,622.8	160,980.2
A. Food, Beverages and Tobacco	60.2	70.4	101.8	5,885.2	6,254.6	6,901.8	5,945.4	6,325.0	7,003.6
B. Textiles, Apparel and Leather products	5,499.9	5,597.2	5,352.0	4,239.9	4,698.2	4,716.7	9,739.9	10,295.3	10,068.7
C. Timber products	260.4	318.8	325.2	661.3	808.6	904.3	921.8	1,127.4	1,229.5
D. Paper, Printing and Publishing	1,425.4	1,496.7	1,503.6	2,960.1	3,066.2	3,173.5	4,385.5	4,563.0	4,677.1
E. Oil by-products	37.6	32.0	47.5	4,305.3	3,241.6	3,402.5	4,343.0	3,273.6	3,450.0
F. Petrochemical products	56.0	91.6	117.4	1,814.6	2,094.5	2,588.4	1,870.6	2,186.1	2,705.8
G. Chemical products	1,839.1	2,126.4	2,247.1	10,170.2	10,467.0	11,299.5	12,009.3	12,593.4	13,546.6
H. Plastic and rubber products	4,772.7	5,071.1	5,372.9	4,081.9	4,296.1	4,659.4	8,854.6	9,367.2	10,032.3
I. Non-metal mineral products	774.9	837.7	842.9	1,129.6	1,316.7	1,297.2	1,904.5	2,154.4	2,140.1
J. Iron and Steel	2,350.6	2,315.0	2,352.1	4,436.3	4,848.0	5,094.6	6,786.9	7,163.0	7,446.7
K. Mining and Metallurgy	944.0	960.0	999.6	1,735.7	1,651.8	1,719.6	2,679.8	2,611.7	2,719.2
L. Metal products, machinery and equipment	38,196.3	39,630.7	39,213.2	59,950.5	57,419.7	54,940.9	98,146.8	97,050.4	94,154.1
1. For agriculture	5.4	19.1	20.0	431.2	468.4	425.3	436.5	487.4	445.3
2. For railroads	111.7	111.3	9.4	195.2	122.3	252.9	306.9	233.6	262.2
3. For other transport & communications	2,303.6	1,811.6	1,682.6	21,294.7	21,842.8	20,108.0	23,598.3	23,654.4	21,790.6
4. Industry machinery and equipment	7,440.5	9,121.1	10,895.4	20,408.9	18,657.7	17,923.3	27,849.5	27,778.8	28,818.7
5. Professional and scientific equipment	748.6	967.6	1,188.9	2,458.8	2,439.7	2,469.1	3,207.4	3,407.3	3,658.0
6. Electric and electronic equipment	27,019.9	26,809.1	24,670.3	14,313.3	13,221.8	13,119.9	41,333.2	40,030.9	37,790.2
7. Photographic & optical equipment, and watchmaking	566.7	790.9	746.7	848.4	666.9	642.4	1,415.0	1,457.9	1,389.1
M. Other industries	448.7	521.9	363.1	1,371.8	1,390.5	1,443.4	1,820.6	1,912.3	1,806.4
V. Other	771.4	54.0	15.0	1,497.6	658.1	568.7	2,269.0	712.1	583.7
VI. Unclassified products	0.3	0.1	0.0	5.9	1.6	0.0	6.2	1.6	0.0

p/ Preliminary figures.

Note: Figures may not add up due to rounding.

Source: Working party integrated by officials from Banco de México, INEGI, the Ministry of Finance's Tax Collection System (*Servicio de Administración Tributaria, SAT*), and the Ministry of the Economy.

Table A 60 **Regional Trade Balance**
Million US dollars

	Exports				Imports			
	2000	2001	2002	2003	2000	2001	2002	2003
Total	166,455	158,443	160,763	164,860	174,458	168,396	168,679	170,551
America	157,715	150,098	152,377	155,800	136,467	123,569	117,755	117,488
North America	151,039	143,366	145,854	149,162	131,551	118,002	111,037	109,483
United States	147,686	140,296	143,048	146,335	127,534	113,767	106,557	105,363
Canada	3,353	3,070	2,806	2,827	4,017	4,235	4,480	4,121
Central America	1,694	1,727	1,800	1,859	454	418	659	905
Costa Rica	286	338	344	331	180	184	416	584
El Salvador	246	274	265	261	20	30	36	44
Guatemala	535	560	514	537	91	95	117	151
Panama	283	247	316	355	120	45	35	38
Other	345	308	361	375	43	64	54	88
South America	2,685	2,858	2,484	2,255	4,002	4,723	5,450	6,509
Argentina	289	244	112	192	247	441	687	867
Brazil	517	585	481	419	1,803	2,101	2,565	3,268
Colombia	462	506	556	520	273	344	352	406
Chile	431	374	259	323	894	975	1,010	1,082
Peru	210	173	196	166	177	141	152	131
Venezuela	519	697	586	329	422	503	532	566
Other	256	279	295	308	185	216	150	189
Antilles	2,297	2,146	2,238	2,523	461	426	609	590
Europe	6,429	5,918	5,777	6,431	16,730	18,258	18,558	20,089
European Union	5,610	5,334	5,218	5,575	15,033	16,314	16,628	18,007
Germany	1,544	1,504	1,236	1,750	5,758	6,080	6,066	6,218
Belgium	227	318	296	136	466	630	557	573
Denmark	45	44	38	38	142	169	177	199
Spain	1,520	1,254	1,431	1,464	1,430	1,827	2,224	2,288
France	375	373	349	318	1,467	1,577	1,807	2,016
Netherlands	439	508	630	590	363	471	547	556
Italy	222	240	174	266	1,849	2,100	2,171	2,474
Portugal	194	149	133	184	51	101	94	127
United Kingdom	870	673	625	560	1,091	1,344	1,350	1,242
Other EU countries	175	272	306	269	2,415	2,014	1,635	2,314
Other European countries	819	584	560	856	1,697	1,944	1,930	2,082
Asia	2,158	2,223	2,430	2,416	20,271	25,345	31,360	31,854
China	204	282	456	463	2,880	4,027	6,274	9,401
South Korea	189	310	206	100	3,855	3,632	3,948	4,137
Philippines	11	16	13	14	587	818	925	784
Hong Kong	187	120	195	257	456	442	509	517
India	60	160	310	474	288	392	459	564
Indonesia	12	14	9	10	475	457	527	448
Israel	55	39	51	56	297	258	250	313
Japan	931	621	465	600	6,466	8,086	9,349	7,595
Malaysia	57	67	73	43	1,354	2,006	1,993	2,761
Singapore	196	242	298	183	606	1,147	1,555	1,338
Thailand	46	63	44	21	508	615	839	987
Taiwan	144	172	214	106	1,994	3,015	4,250	2,509
Other Asian countries	68	117	95	88	506	449	481	500
Africa	42	87	53	75	504	608	401	391
Oceania	102	108	107	129	485	613	600	711
Australia	84	88	100	122	306	348	351	429
New Zealand	18	19	6	7	166	261	246	278
Other	0	1	0	0	13	5	3	3
Unidentified	8	9	19	10	1	3	6	17

p/ Preliminary figures.

Note: Figures may not add up due to rounding. For export figures for 2000 and 2001, country attribution follows the criteria of country of buyer. Starting in 2002, the criteria changes to country of destination. Import attribution is made according to country of origin.

Source: Working party integrated by officials from Banco de México, INEGI, the Ministry of Finance's Tax Collection System (*Servicio de Administración Tributaria, SAT*), and the Ministry of the Economy.

Table A 61

Non-maquiladora Foreign Trade

	Exports			Imports			
	1993	2002	2003 ^{p/}	1993	2002	2003 ^{p/}	
Total (Million US dollars)	30,033	82,665	87,455	48,924	109,383	111,493	
	(Percentage of total)			(Percentage of total)			
Crude Oil ^{1/}	21.6	15.9	19.2	Spare parts for automobiles and trucks	2.3	8.4	6.8
Automobiles	14.2	16.7	14.1	Automobiles	0.8	5.6	5.2
Trucks and cargo vehicles	2.2	8.4	8.4	Information processing machinery and spare parts	3.4	3.7	3.2
Spare parts for automobiles	1.7	3.6	3.5	Motors and spare parts for automobiles	0.7	3.1	3.2
Computers and spare parts	2.0	3.6	2.9	Parts for electrical instalations	2.7	2.2	2.2
Spare parts for machinery	1.7	2.9	2.8	Synthetic resin products	1.0	1.7	2.1
Automobile motors	4.3	2.1	1.9	Electric valve lamps and spare parts	0.5	1.8	1.7
Other electrical instruments	1.3	1.6	1.7	Natural gas	0.2	0.8	1.6
Fresh legumes and vegetables	2.2	1.6	1.6	Radio and TV devices	1.8	1.6	1.6
Textile products made up of cotton and vegetable fibers	0.4	2.0	1.6	Fresh and refrigerated meat	1.1	1.6	1.5
Beer	0.7	1.4	1.4	Loading trucks	0.1	1.3	1.3
Iron (bars and pigs)	1.6	1.0	1.3	Generators, transformers and electric motors	0.6	1.5	1.3
Spare parts for motors	0.6	1.1	1.3	Measurement and analysis instruments	1.1	1.4	1.3
Other pharmaceutical products	0.3	1.2	1.1	Industrial use mixtures and preparations	1.1	1.1	1.2
Tomato	1.3	0.7	1.0	Paper and prepared cardboard	1.0	1.1	1.2
Textile products made up of silk, synthetic fibers and wool	0.4	1.0	0.9	Medications and medical items	0.4	1.0	1.1
Plastics and synthetic resins	0.8	0.8	0.9	Natural or synthetic resins	0.7	1.1	1.1
Iron and steel manufactures	0.8	1.0	0.9	Radio and telegraphic equipment	1.4	1.2	1.1
Other fresh fruits	1.1	0.6	0.8	Soy seed	1.1	0.8	1.0
Insulated electric cables	2.0	0.8	0.8	Gasoline	1.3	1.1	1.0
Glass and glassware	1.5	0.9	0.8	Corn	0.1	0.8	1.0
Electric motors	0.2	0.5	0.7	Spare parts and machinery for unspecified industries	0.9	1.0	1.0
Plastics and synthetic resin manufactures	0.5	0.7	0.7	Special food preparations	0.5	0.8	0.9
Spare parts for electric instalations	0.3	0.6	0.7	Pumps, engines and turbopumps	0.9	0.9	0.9
Tequila and other spirits	0.5	0.7	0.7	Wheels and tires	0.5	0.9	0.8
Precision instruments	0.0	0.1	0.6	Artificial and synthetic fiber threads	0.9	0.8	0.8
Silver bars	0.6	0.6	0.6	Butane and propane gas	0.3	0.6	0.8
Bovine cattle	1.5	0.4	0.5	Bearings, shafts and pulleys	0.7	0.7	0.7
Valves and metal parts	0.2	0.5	0.5	Spare parts for radio and TV sets	0.5	0.5	0.7
Artificial or synthetic textile fibers	1.0	0.5	0.4	Metal-working machinery	1.3	0.8	0.7
Preserved legumes and fruits	0.7	0.4	0.4	Iron and steel plates	1.0	0.7	0.7
Policarboxilic acids	0.8	0.3	0.4	Polyethylene	0.2	0.5	0.7
Iron or steel tubing and piping	0.7	0.4	0.4	Hand tools	0.5	0.6	0.6
Photographic and film equipment	0.7	0.4	0.4	Service elevator machinery	0.7	0.6	0.6
Refrigerators and spare parts	0.4	0.5	0.4	Sound system equipment (radio and CD)	0.2	0.5	0.6

p/ Preliminary figures.

Note: Figures may not add up due to rounding.

Source: Working party integrated by officials from Banco de México, INEGI, the Ministry of Finance's Tax Collection System (*Servicio de Administración Tributaria, SAT*), and the Ministry of the Economy.

Table A 62 International Travelers

ITEM	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 ^{p/}
Balance (million US dollars)	1,025.8	3,008.3	3,369.0	3,484.1	3,284.0	2,681.6	2,795.1	2,698.7	2,798.3	3,203.8	
INBOUND											
Revenues (million US dollars)	6,167.0	6,363.5	6,178.8	6,756.2	7,376.0	7,493.1	7,222.9	8,294.2	8,400.6	8,858.0	9,457.1
Tourists	4,019.3	4,254.4	4,051.0	4,470.0	5,086.0	5,134.5	5,061.7	5,816.2	5,941.4	6,083.7	6,680.1
In border areas	2,059.2	2,024.7	2,020.4	2,172.8	2,167.5	2,236.7	1,995.7	2,277.0	2,243.9	2,491.8	2,393.1
Overnight visitors	544.8	600.1	636.9	640.2	445.0	498.8	444.0	619.2	597.0	640.9	571.6
One-day visitors	1,514.4	1,424.6	1,383.4	1,532.6	1,722.5	1,737.8	1,551.7	1,657.7	1,646.9	1,850.9	1,821.5
Cruises	88.5	84.3	107.4	113.4	122.5	121.9	165.4	201.1	215.3	282.5	383.9
Number of travelers (thousands)	83,016	83,144	85,446	90,394	92,915	95,214	99,869	105,673	100,719	100,153	93,975
Tourists	6,625	7,135	7,784	8,982	9,794	9,775	10,214	10,591	10,151	9,883	10,353
In border areas	74,904	74,439	75,965	79,270	80,868	83,193	86,607	91,615	86,762	85,135	77,002
Overnight visitors	9,815	10,047	12,457	12,413	9,557	9,617	8,829	10,050	9,659	9,784	8,312
One-day visitors	65,089	64,392	63,508	66,857	71,311	73,576	77,778	81,565	77,103	75,352	68,690
Cruises	1,487	1,570	1,697	2,142	2,253	2,246	3,048	3,467	3,805	5,136	6,619
Average spending (US dollars)	74.3	76.5	72.3	74.7	79.4	78.7	72.3	78.5	83.4	88.4	100.6
Tourists	606.7	596.3	520.4	497.7	519.3	525.3	495.6	549.1	585.3	615.6	645.2
In border areas	27.5	27.2	26.6	27.4	26.8	26.9	23.0	24.9	25.9	29.3	31.1
Overnight visitors	55.5	59.7	51.1	51.6	46.6	51.9	50.3	61.6	61.8	65.5	68.8
One-day visitors	23.3	22.1	21.8	22.9	24.2	23.6	20.0	20.3	21.4	24.6	26.5
Cruises	59.5	53.7	63.3	52.9	54.4	54.3	54.3	58.0	56.6	55.0	58.0
OUTBOUND											
Expenditures (million US dollars)	5,561.8	5,337.7	3,170.5	3,387.2	3,891.9	4,209.1	4,541.3	5,499.1	5,701.9	6,059.7	6,253.3
Tourists	2,071.9	1,949.6	1,023.3	1,320.1	1,592.8	1,720.6	1,690.8	2,163.9	2,399.5	2,429.1	2,565.3
In border areas	3,489.9	3,388.1	2,147.2	2,067.1	2,299.1	2,488.6	2,850.5	3,335.3	3,302.4	3,630.6	3,688.0
Overnight visitors	344.7	494.6	217.1	216.3	228.4	281.4	259.6	281.1	368.0	348.5	269.7
One-day visitors	3,145.2	2,893.5	1,930.1	1,850.8	2,070.7	2,207.2	2,590.9	3,054.2	2,934.4	3,282.0	3,418.3
Number of travelers (thousands)	115,179	114,097	103,161	103,442	107,242	107,927	117,383	127,268	123,737	124,633	123,014
Tourists	4,778	5,047	3,703	4,437	4,838	5,177	5,543	6,200	6,423	6,492	6,603
In border areas	110,401	109,050	99,458	99,005	102,404	102,750	111,840	121,068	117,309	118,141	116,411
Overnight visitors	5,407	6,982	4,748	4,564	4,072	4,460	4,809	4,879	5,652	5,456	4,441
One-day visitors	104,994	102,068	94,710	94,441	98,332	98,290	107,031	116,189	111,657	112,685	111,970
Average spending (US dollars)	48.3	46.8	30.7	32.7	36.3	39.0	38.7	43.2	46.1	48.6	50.8
Tourists	433.6	386.3	276.3	297.5	329.2	332.3	305.0	349.0	373.6	374.1	388.5
In border areas	31.6	31.1	21.6	20.9	22.5	24.2	25.5	27.5	28.2	30.7	31.7
Overnight visitors	63.8	70.8	45.7	47.4	56.1	63.1	54.0	57.6	65.1	63.9	60.7
One-day visitors	30.0	28.3	20.4	19.6	21.1	22.5	24.2	26.3	26.3	29.1	30.5

p/ Preliminary figures.

Note: Figures may not add up due to rounding.

Source: National Institute of Migration (*Instituto Nacional de Migración*) and Banco de México.

Table A 63 Revenues from Remittances from Mexicans Abroad

	1999	2000	2001	2002	2003 ^{p/}
Total remittances (million US dollars)	5,909.5	6,572.8	8,895.3	9,814.4	13,265.5
Money orders	1,448.4	1,434.4	803.2	686.4	1,623.1
Checks	51.2	8.5	10.2	10.1	6.4
Electronic transfers	3,935.1	4,642.1	7,783.6	8,798.1	11,381.4
Cash and kind	474.9	487.8	298.3	319.8	254.6
Number of remittances (thousands)	20,937.3	17,999.0	27,744.3	29,953.8	41,313.5
Money orders	3,679.6	3,602.5	1,903.5	1,780.0	4,408.1
Checks	58.9	15.3	10.2	10.5	6.9
Electronic transfers	16,578.5	13,737.1	25,246.5	27,704.0	36,550.2
Cash and kind	620.3	644.2	584.1	459.4	348.3
Average remittances (US dollars)	282	365	321	328	321
Money orders	394	398	422	386	368
Checks	870	555	997	966	933
Electronic transfers	237	338	308	318	311
Cash and kind	766	757	511	696	731

p/ Preliminary figures.

Note: Figures may not add up due to rounding.

Table A 64 Revenues from Remittances from Mexicans Abroad
By state and country of origin

State	Distribution by States						International Comparison: Selected countries (2002)		
	Ranking			Percentage share			Country	Million US dollars	Percentage of GDP
	1995	2001	2003	1995	2001	2003			
Michoacán	1	1	1	16.25	11.69	12.41	Mexico 1/	13,266	1.9
Jalisco	2	3	2	12.70	7.89	8.90	India	8,317	1.8
Guanajuato	3	2	3	10.25	8.31	8.60	Spain	3,958	0.5
Estado de México	7	4	4	4.39	7.16	8.28	Pakistan	3,554	5.7
Mexico City	5	7	5	5.34	5.67	6.22	Morocco 2/	3,261	9.6
Veracruz	15	6	6	2.07	5.99	6.17	Portugal	3,224	2.4
Puebla	6	9	7	4.84	3.97	5.77	Egypt	2,893	3.4
Guerrero	4	5	8	6.11	6.27	5.35	Bangladesh	2,848	6.0
Oaxaca	8	8	9	4.34	4.03	4.83	Colombia	2,351	2.9
Hidalgo	16	10	10	1.95	3.89	3.66	Dominican Republic	1,939	9.1
Zacatecas	11	17	11	3.12	2.10	3.13	Turkey	1,936	1.1
Chiapas	27	15	12	0.54	2.51	2.97	El Salvador	1,935	13.5
Morelos	9	11	13	3.56	2.82	2.62	Brazil	1,711	0.4
San Luis Potosí	10	12	14	3.26	2.82	2.27	China	1,679	0.1
Aguascalientes	12	25	15	3.11	1.24	1.91	Guatemala	1,579	6.8
Sinaloa	13	14	16	2.99	2.62	1.89	Ecuador	1,432	5.9
Querétaro	17	20	17	1.93	1.79	1.81	Greece	1,181	2.3
Durango	14	16	18	2.08	2.11	1.64	Tunisia	1,071	5.1
Nuevo León	22	24	19	1.05	1.56	1.60	Indonesia 2/	1,046	0.7
Nayarit	20	19	20	1.57	1.91	1.45	Peru	705	1.3
Tamaulipas	21	13	21	1.27	2.69	1.32	Honduras	705	10.7
Chihuahua	19	18	22	1.75	2.05	1.26	Croatia	666	3.0
Tlaxcala	26	27	23	0.60	0.75	1.05	Nicaragua	377	14.9
Coahuila	18	21	24	1.84	1.69	0.84	Costa Rica	212	1.3
Baja California	23	23	25	0.85	1.64	0.80	Philippines	192	0.2
Sonora	24	22	26	0.76	1.67	0.75			
Colima	25	26	27	0.75	1.15	0.73			
Tabasco	32	28	28	0.09	0.70	0.56			
Yucatán	28	29	29	0.31	0.42	0.43			
Quintana Roo	29	30	30	0.13	0.37	0.42			
Campeche	31	31	31	0.10	0.28	0.24			
Baja California Sur	30	32	32	0.12	0.21	0.12			
TOTAL				100.00	100.00	100.00			

1/ Data from 2003.

2/ Data from 2001.

Source: Balance of Payments Statistics Yearbook (IMF), International Financial Statistics (IMF) and Banco de México.

Table A 65 Foreign Investment Flows
Million US dollars

	1997	1998	1999	2000	2001	2002	2003 p/
TOTAL	16,629.6	11,673.2	16,017.9	16,849.7	27,661.0	14,481.4	11,510.3
Direct Investment	12,829.6	12,284.7	13,165.7	16,448.7	26,569.3	14,435.3	10,731.4
New investment	9,115.3	6,131.5	5,717.5	7,284.8	19,765.1	7,342.5	2,651.1
Reinvested earnings	2,150.0	2,864.0	2,304.3	3,785.8	3,767.7	2,138.9	2,322.0
Intercompany operations	1,564.2	3,289.1	5,143.8	5,378.1	3,036.5	4,953.9	5,758.4
Portfolio Investment	3,800.1	-611.5	2,852.2	401.0	1,091.8	46.0	778.9
Equity market	3,215.3	-665.6	3,769.2	446.8	151.0	-103.6	-123.3
Money market	584.8	54.1	-917.0	-45.8	940.8	149.6	902.2

p/ Preliminary figures.

Note: Figures may not add up due to rounding.

Table A 66 Foreign Investment in Government Securities

End of period outstanding stocks at face value

Billion US dollars

		CETES		BONDES		TESOBONOS		AJUSTABONOS		Development bonds ^{1/}		Total ^{2/}	
		Stock	%	Stock	%	Stock	%	Stock	%	Stock	%	Stock	%
1992	Dec	9.2	64.3	1.2	8.7	0.2	1.4	3.6	25.6	n.a.	n.a.	14.2	100.0
1993	Dec	15.4	70.2	0.8	3.9	1.3	5.9	4.4	20.1	n.a.	n.a.	21.9	100.0
1994	Dec	2.5	12.3	*	0.1	17.4	85.0	0.5	2.6	n.a.	n.a.	20.5	100.0
1995	Dec	2.8	82.0	0.1	3.3	0.2	5.6	0.3	9.1	n.a.	n.a.	3.4	100.0
1996	Dec	3.0	89.2	0.3	9.6	0.0	0.0	*	1.1	n.a.	n.a.	3.4	100.0
1997	Dec	3.0	90.3	0.3	7.7	0.0	0.0	*	0.2	n.a.	n.a.	3.3	100.0
1998	Dec	2.1	91.5	0.2	0.1	0.0	0.0	*	0.0	n.a.	n.a.	2.3	100.0
1999	Dec	1.0	88.7	0.1	9.5	0.0	0.0	*	0.0	n.a.	n.a.	1.1	100.0
2000	Dec	0.7	72.0	0.1	9.7	0.0	0.0	0.0	0.0	0.2	18.1	0.9	100.0
2001	Dec	0.7	37.0	0.0	0.9	0.0	0.0	0.0	0.0	0.9	52.4	1.8	100.0
2002	Dec	0.3	17.4	0.1	3.3	0.0	0.0	0.0	0.0	1.1	70.9	1.6	100.0
2003	Dec	0.4	18.0	0.5	21.9	0.0	0.0	0.0	0.0	1.1	57.5	2.1	100.0
2001	Jan	1.0	71.3	0.1	9.2	0.0	0.0	0.0	0.0	0.3	19.3	1.4	100.0
	Feb	0.9	66.2	0.1	9.7	0.0	0.0	0.0	0.0	0.3	23.9	1.3	100.0
	Mar	0.7	58.5	0.1	5.9	0.0	0.0	0.0	0.0	0.4	33.7	1.2	100.0
	Apr	0.7	54.9	0.1	7.0	0.0	0.0	0.0	0.0	0.5	37.9	1.3	100.0
	May	0.6	49.9	0.0	4.2	0.0	0.0	0.0	0.0	0.5	44.4	1.1	100.0
	Jun	0.6	47.7	0.1	4.9	0.0	0.0	0.0	0.0	0.5	44.6	1.2	100.0
	Jul	0.5	33.1	0.1	6.8	0.0	0.0	0.0	0.0	0.5	33.4	1.5	100.0
	Aug	0.4	34.8	0.1	4.1	0.0	0.0	0.0	0.0	0.6	51.6	1.2	100.0
	Sep	0.4	36.9	0.0	1.8	0.0	0.0	0.0	0.0	0.6	49.6	1.2	100.0
	Oct	0.4	35.2	0.0	2.1	0.0	0.0	0.0	0.0	0.7	57.5	1.2	100.0
	Nov	0.3	27.8	0.0	1.9	0.0	0.0	0.0	0.0	0.7	59.6	1.2	100.0
	Dec	0.7	37.0	0.0	0.9	0.0	0.0	0.0	0.0	0.9	52.4	1.8	100.0
2002	Jan	0.4	25.5	0.0	1.5	0.0	0.0	0.0	0.0	1.0	64.5	1.5	100.0
	Feb	0.4	26.3	0.0	1.7	0.0	0.0	0.0	0.0	1.0	65.6	1.5	100.0
	Mar	0.4	25.1	0.0	1.1	0.0	0.0	0.0	0.0	1.0	65.5	1.6	100.0
	Apr	0.4	24.8	0.0	1.6	0.0	0.0	0.0	0.0	1.1	65.6	1.6	100.0
	May	0.4	27.4	0.0	1.3	0.0	0.0	0.0	0.0	1.0	68.0	1.5	100.0
	Jun	0.3	23.8	0.0	1.0	0.0	0.0	0.0	0.0	0.9	68.8	1.3	100.0
	Jul	0.4	26.2	0.0	2.5	0.0	0.0	0.0	0.0	0.9	66.3	1.4	100.0
	Aug	0.3	25.1	0.0	1.5	0.0	0.0	0.0	0.0	0.9	69.7	1.3	100.0
	Sep	0.3	18.7	0.1	10.0	0.0	0.0	0.0	0.0	0.9	62.5	1.5	100.0
	Oct	0.4	28.1	0.0	3.0	0.0	0.0	0.0	0.0	1.0	64.9	1.6	100.0
	Nov	0.3	16.3	0.1	3.6	0.0	0.0	0.0	0.0	1.1	72.4	1.5	100.0
	Dec	0.3	17.4	0.1	3.3	0.0	0.0	0.0	0.0	1.1	70.9	1.6	100.0
2003	Jan	1.3	51.5	0.0	0.5	0.0	0.0	0.0	0.0	1.0	43.6	2.5	100.0
	Feb	0.6	36.1	0.0	0.5	0.0	0.0	0.0	0.0	1.0	57.4	1.7	100.0
	Mar	1.0	43.2	0.2	7.7	0.0	0.0	0.0	0.0	1.0	46.9	2.3	100.0
	Apr	0.4	19.0	0.0	1.0	0.0	0.0	0.0	0.0	1.1	69.3	1.9	100.0
	May	0.5	23.7	0.0	0.7	0.0	0.0	0.0	0.0	1.0	71.7	1.9	100.0
	Jun	0.4	19.4	0.0	0.6	0.0	0.0	0.0	0.0	0.9	77.0	1.9	100.0
	Jul	0.6	26.1	0.0	1.8	0.0	0.0	0.0	0.0	0.9	68.2	2.3	100.0
	Aug	0.7	28.1	0.2	9.7	0.0	0.0	0.0	0.0	0.9	57.5	2.4	100.0
	Sep	0.5	22.0	0.2	7.9	0.0	0.0	0.0	0.0	0.9	65.7	2.3	100.0
	Oct	0.4	17.5	0.4	17.5	0.0	0.0	0.0	0.0	1.0	59.0	2.3	100.0
	Nov	0.5	21.0	0.4	19.1	0.0	0.0	0.0	0.0	1.1	55.5	2.3	100.0
	Dec	0.4	18.0	0.5	21.9	0.0	0.0	0.0	0.0	1.1	57.5	2.1	100.0

1/ Placement of this type of bonds began in January 2000.

2/ Includes UDIBONOS (August 1996 up to date); and BREMS and IPAB bonds (July 2001 up to date).

*/ Less than 50 million US dollars.

n.a. Not available.

Note: External sector securities' figures have been adjusted according to revised data on government securities held by sectors since 1998, as described in Banco de México's press release No. 105.

Table A 67

Foreign Investment in the Stock Market

End of period outstanding stocks at market value

Billion US dollars

	ADRs ^{1/}		Free Subscription		Neutral Fund		Mexico Fund		Total ^{2/}	
	Stock	%	Stock	%	Stock	%	Stock	%	Stock	%
1991 Dec	13.7	73.9	3.0	16.2	1.3	7.2	0.5	2.6	18.6	100.0
1992 Dec	21.2	73.8	5.1	17.8	1.8	6.2	0.6	2.2	28.7	100.0
1993 Dec	34.0	62.2	12.9	23.6	6.4	11.7	1.4	2.5	54.6	100.0
1994 Dec	21.2	61.6	8.1	23.6	4.3	12.6	0.8	2.2	34.4	100.0
1995 Dec	15.2	62.1	5.9	24.0	2.6	10.7	0.8	3.1	24.5	100.0
1996 Dec	15.1	48.8	11.4	36.9	3.5	11.3	0.9	3.0	31.0	100.0
1997 Dec	23.1	47.2	19.5	39.8	4.9	10.0	1.3	2.7	49.0	100.0
1998 Dec	18.6	57.1	10.3	31.3	2.9	8.9	0.8	2.4	32.6	100.0
1999 Dec	41.5	62.3	19.7	29.5	4.5	6.7	0.9	1.4	66.7	100.0
2000 Dec	32.1	61.8	16.8	32.3	2.2	4.2	0.9	1.7	51.9	100.0
2001 Dec	33.4	60.8	18.6	33.9	2.2	4.0	0.8	1.5	54.9	100.0
2002 Dec	28.0	62.8	14.7	33.0	1.6	3.6	0.3	0.7	44.6	100.0
2003 Dec	34.6	61.2	19.9	35.2	1.7	3.0	0.3	0.5	56.5	100.0
2001 Jan	37.5	62.8	18.9	31.7	2.2	3.7	1.0	1.7	59.7	100.0
Feb	34.1	61.6	18.5	33.4	1.9	3.4	0.9	1.6	55.4	100.0
Mar	31.8	59.6	18.8	35.2	2.0	3.7	0.8	1.5	53.4	100.0
Apr	35.1	59.7	20.9	35.5	1.9	3.2	0.9	1.5	58.8	100.0
May	36.8	57.8	23.9	37.5	2.0	3.1	1.0	1.6	63.7	100.0
Jun	35.8	56.3	24.7	38.8	2.2	3.5	1.0	1.6	63.6	100.0
Jul	34.6	58.3	21.7	36.6	2.0	3.4	1.0	1.7	59.3	100.0
Aug	32.9	49.9	29.9	45.4	2.2	3.3	0.9	1.4	65.9	100.0
Sep	27.7	57.3	18.0	37.3	1.8	3.7	0.7	1.4	48.3	100.0
Oct	29.7	57.8	19.1	37.2	1.8	3.5	0.8	1.6	51.4	100.0
Nov	31.0	58.1	19.6	36.7	2.0	3.7	0.8	1.5	53.4	100.0
Dec	33.4	60.8	18.6	33.9	2.2	4.0	0.8	1.5	54.9	100.0
2002 Jan	36.1	57.5	23.6	37.6	2.3	3.7	0.8	1.3	62.8	100.0
Feb	34.6	56.6	23.2	38.0	2.4	3.9	0.9	1.5	61.1	100.0
Mar	38.0	56.8	24.0	35.9	2.6	3.9	2.3	3.4	66.9	100.0
Apr	37.5	58.5	23.2	36.2	2.5	3.9	0.9	1.4	64.1	100.0
May	34.5	58.5	21.5	36.4	2.2	3.7	0.8	1.4	59.0	100.0
Jun	30.8	57.1	20.5	38.0	1.8	3.4	0.7	1.4	53.9	100.0
Jul	28.3	60.2	16.3	34.7	1.8	3.7	0.7	1.5	47.0	100.0
Aug	29.0	60.6	16.5	34.4	1.7	3.6	0.7	1.4	47.8	100.0
Sep	25.6	59.5	15.2	35.3	1.6	3.7	0.7	1.5	43.0	100.0
Oct	27.6	60.9	15.7	34.7	1.7	3.8	0.3	0.7	45.3	100.0
Nov	29.4	62.3	15.8	33.5	1.7	3.6	0.3	0.6	47.2	100.0
Dec	28.0	62.8	14.7	33.0	1.6	3.6	0.3	0.7	44.6	100.0
2003 Jan	26.3	62.3	14.2	33.6	1.5	3.6	0.2	0.5	42.2	100.0
Feb	25.4	60.7	14.8	35.3	1.4	3.4	0.2	0.5	41.9	100.0
Mar	25.4	60.0	15.2	35.9	1.5	3.5	0.2	0.5	42.3	100.0
Apr	28.7	60.2	17.3	36.4	1.4	2.9	0.2	0.4	47.7	100.0
May	29.1	59.9	17.5	36.1	1.7	3.4	0.3	0.6	48.5	100.0
Jun	30.6	61.0	17.5	34.9	1.8	3.6	0.3	0.6	50.2	100.0
Jul	32.0	61.9	17.7	34.2	1.7	3.3	0.3	0.6	51.7	100.0
Aug	31.8	62.6	17.0	33.5	1.7	3.3	0.3	0.6	50.8	100.0
Sep	31.8	61.6	17.8	34.5	1.8	3.4	0.3	0.6	51.6	100.0
Oct	32.3	61.5	18	34.3	1.9	3.6	0.3	0.6	52.5	100.0
Nov	33.8	61.6	18.9	34.4	1.9	3.5	0.3	0.5	54.9	100.0
Dec	34.6	61.2	19.9	35.2	1.7	3.0	0.3	0.5	56.5	100.0

1/ Includes Global Depository Receipts (GDR's).

2/ Since 1993, total foreign investment in the stock market includes warrants and investments in the intermediate market.

Source: Mexican Stock Exchange.

Table A 68

Gross External Debt Position

By residence criteria ^{1/}

End of period outstanding stocks

	Million US dollars			Percentage of GDP		
	2002	2003 ^{*/}	Change	2002	2003 ^{*/}	Change
TOTAL (I + II + III + IV)	135,274.9	132,846.8	-2,428.1	21.14	21.01	-0.13
TOTAL ADJUSTED (I + II + III + IV + V)	162,112.5	162,609.2	496.7	25.33	25.71	0.38
PUBLIC SECTOR (I + 3.3 + 4.2.1)	78,818.1	79,274.5	456.4	12.32	12.54	0.22
I. Federal government ^{2/}	57,879.1	58,358.3	479.2	9.04	9.23	0.18
II. Monetary authority	0.0	0.0	0.0	0.00	0.00	0.00
III. Banking sector	11,488.8	11,296.8	-192.0	1.80	1.79	-0.01
3.1 Commercial banks ^{3/}	2,228.9	1,990.6	-238.3	0.35	0.31	-0.03
3.2 Other depository enterprises ^{4/}	659.2	798.7	139.5	0.10	0.13	0.02
3.3 Development banks ^{2/}	8,600.7	8,507.5	-93.2	1.34	1.35	0.00
IV. Other sectors	65,907.0	63,191.7	-2,715.3	10.30	9.99	-0.31
4.1 Nonbank financial enterprises ^{5/}	0.0	0.0	0.0	0.00	0.00	0.00
4.2 Nonfinancial enterprises	65,907.0	63,191.7	-2,715.3	10.30	9.99	-0.31
4.2.1 Public enterprises and institutions ^{2/}	12,338.3	12,408.7	70.4	1.93	1.96	0.03
4.2.2 Private sector ^{6/}	53,568.7	50,783.0	-2,785.7	8.37	8.03	-0.34
4.2.3 Deposit insurance corporation ^{7/}	0.0	0.0	0.0	0.00	0.00	0.00
V. Adjustments (5.1-5.2+5.3+5.4+5.5)	26,837.6	29,762.4	2,924.8	4.19	4.71	0.51
5.1 Nonresidents' holdings of peso-denominated debt ^{8/}	1,575.7	2,107.2	531.5	0.25	0.33	0.09
5.2 Residents' holdings of foreign currency-denominated debt ^{9/}	983.1	1,359.4	376.3	0.15	0.21	0.06
5.3 Agencies' claims on Mexican residents ^{10/}	8,264.1	6,025.6	-2,238.5	1.29	0.95	-0.34
5.4 PIDIREGAS-PEMEX ^{11/}	17,812.0	22,836.2	5,024.2	2.78	3.61	0.83
5.5 Other debt liabilities with nonresidents ^{12/}	169.0	152.8	-16.2	0.03	0.02	0.00

*/ Preliminary figures. Calculations based on GDP of the last quarter of the year and end of period FIX exchange rate.

NOTE: Table A-68 and Table A-69 exhibit differences. While Table A-68 is based on IMF criteria, which present data in a more international comparable format, Table A-69 is based on the criteria used for integrating the balance of payments for several years, which allows for temporal comparisons. For further details on such differences, see footnotes of both tables.

1/ Gross external debt statistics are compiled by Banco de México and the Ministry of Finance (SHCP). In order to comply with IMF's "External Debt Statistics: Guide for Compilers and Users" (2003) and, at the same time, facilitate its comparison with official figures published by the Ministry of Finance (available at www.shcp.gob.mx), both official statistics on Mexico's public external debt and its corresponding adjustments are presented following IMF's Special Data Dissemination Standard (SDSS) for residence criteria.

2/ Public sector data (federal government, development banks and public enterprises and institutions) is classified according to "user" criteria.

3/ Unlike official statistics, the present figures do not include debt with other nonresident entities of Mexican commercial bank agencies' located abroad. The reason for such exclusion is that IMF's "External Debt Statistics: Guide for Compilers and Users" considers agencies as nonresidents. Figures include accrued interests.

4/ Includes financial leasing companies, financial factoring companies, limited purpose financial companies (*Sociedades Financieras de Objeto Limitado, SOFOLES*), savings and loan companies, credit unions, and investment funds.

5/ Includes insurance companies, deposit warehouses, brokerage houses and bonding companies. Since official statistics do not include this item, it is reported as zero. However, liabilities of these financial auxiliaries with non-residents are considered in the adjustments section.

6/ Data on short and long-term loans is drawn from Banco de México's Survey "Outstanding Consolidated Claims on Mexico" on foreign creditor banks. Since official statistics for private sector's debt are based on debtor data, figures may not coincide with those published by the Ministry of Finance.

7/ Institute for the Protection of Bank's Savings (Instituto para la Protección al Ahorro Bancario, IPAB). Since official statistics do not include this item, it is reported as zero. However, IPAB's liabilities with non-residents are considered in the adjustments section.

8/ Defined as nonresidents' holdings of Treasury bills (CETES), federal government development bonds (BONDES); fixed-rate federal government development bonds (BONOS), federal government bonds denominated in investment units (UDIBONOS), monetary regulation bonds (BREM) and savings protection bonds (BPAs and BPATs).

9/ Federal government bonds denominated in foreign currency held by Mexican residents.

10/ Corresponds to Mexican residents' liabilities with Mexican commercial banks' agencies abroad. Includes both agencies' direct loans to Mexican residents and agencies' holdings of bonds issued by Mexican residents. When such bonds are held to be negotiated, their stocks are accounted at market value.

11/ PIDIREGAS is a mechanism used since 1995 for financing strategic long-term investment projects for the oil, gas and energy industries. According to the applicable accounting procedures such debt is assumed by the public sector two years prior to its due date and once the investment project has been concluded. This item does not include debt related with PIDIREGAS-CFE because such debt is assumed as part of the private sector. If such assumption were incorrect, the Gross External Debt associated with PIDIREGAS would be underestimated.

12/ Includes deposits of both multilateral creditors and foreign central banks at Banco de México.

Source: Ministry of Finance and Banco de México.

Table A 69

Gross External Debt and Debt Service

Billion US dollars at end of period

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 ^{p/}
TOTAL EXTERNAL DEBT	131.2	142.5	169.8	164.0	154.4	163.7	166.1	158.8	157.4	155.4	158.2
Public debt ^{1/}	78.7	85.4	100.9	98.3	88.3	92.3	92.3	84.6	80.3	78.8	79.3
Federal government	41.0	41.2	56.4	55.6	49.0	52.3	53.0	46.1	44.1	43.6	44.9
Public enterprises	8.2	10.0	9.7	11.3	10.9	11.7	12.7	12.5	11.9	11.6	11.8
Development banks	29.5	34.2	34.8	31.4	28.4	28.3	26.6	26.0	24.3	23.6	22.6
Commercial banks ^{2/}	23.4	25.0	20.6	18.5	16.7	15.8	14.8	12.4	9.3	6.3	6.1
Banco de México	4.8	3.9	17.3	13.3	9.1	8.4	4.5	0.0	0.0	0.0	0.0
Non-bank private sector ^{3/}	24.3	28.2	31.0	33.9	40.3	47.2	54.5	61.8	67.6	70.3	72.8
EXTERNAL DEBT SERVICE^{4/}	17.0	20.8	23.0	33.8	34.3	24.2	24.0	34.7	30.2	25.2	27.3
Amortizations	6.1	9.0	9.4	20.4	21.9	11.7	11.1	21.0	17.5	13.2	15.6
Current amortizations ^{5/}	6.1	9.0	9.4	10.6	12.4	11.7	11.1	10.6	11.7	11.0	10.0
Other ^{6/}	0.0	0.0	0.0	9.8	9.5	0.0	0.0	10.4	5.8	2.2	5.6
Interest paid	10.9	11.8	13.6	13.4	12.4	12.5	12.9	13.7	12.7	12.0	11.7
Public sector	7.9	7.8	8.5	8.0	7.0	6.7	6.8	7.4	7.1	6.6	6.8
Commercial banks	1.1	1.6	1.7	1.7	1.5	1.5	1.3	1.2	0.8	0.4	0.3
Banco de México	0.4	0.2	0.7	0.7	0.5	0.4	0.3	0.1	0.0	0.0	0.0
Non-bank private sector	1.5	2.2	2.7	3.0	3.4	3.9	4.5	5.0	4.8	5.0	4.6

NOTE: Table A-68 and Table A-69 exhibit differences. While Table A-69 is based on the criteria for integrating the balance of payments for several years, which allows for temporal comparisons, Table A-68 is based on IMF criteria, which present data in a more international comparable format. For further details on such differences, see footnotes of both tables. 1/ Public sector data is classified according to "external debtor" criteria.

2/ Commercial banks' debt includes external liabilities of its agencies and branches abroad.

3/ Includes debt not recognized by the Ministry of Finance, associated with long-term infrastructure investment projects (PIDIREGAS).

4/ Current amortizations including interest paid.

5/ Amortizations of long-term government liabilities. Excludes amortizations of TESOBONOS and payments to the IMF.

6/ Includes early redemption of Brady Bonds and other prepayments of federal government debt.

p/ Preliminary figures.

Source: Banco de México and Ministry of Finance.

Balance Sheet



BANCO DE MEXICO

S DE MAYO NUM.1 MEXICO 66659, D. F.

BALANCE SHEET AT DECEMBER 31, 2003

MILLION PESOS

ASSETS		LIABILITIES AND EQUITY	
INTERNATIONAL RESERVES	\$ 645,407	INTERNATIONAL MONETARY FUND	\$ 0
INTERNATIONAL ASSETS	663,311	MONETARY BASE	303,614
LIABILITIES TO BE DEDUCTED	-17,904	BILLS AND COINS IN CIRCULATION	303,614
		BANK CURRENT ACCOUNT DEPOSITS	0
CREDIT GRANTED TO THE FEDERAL GOVERNMENT	0	MONETARY REGULATION BONDS	231,806
GOVERNMENT SECURITIES	0	FEDERAL GOVERNMENT CURRENT ACCOUNT DEPOSITS	92,378
		OTHER FEDERAL GOVERNMENT DEPOSITS	19,343
CREDIT GRANTED TO FINANCIAL INTERMEDIARIES AND DEBTORS FROM REPO OPERATIONS	114,613	OTHER BANK DEPOSITS AND DEBTORS FROM REPO OPERATIONS	183,281
CREDIT GRANTED TO PUBLIC ENTITIES	67,006	OFFICIAL TRUST FUNDS DEPOSITS	0
		SPECIAL DRAWING RIGHTS	4,843
SHARES IN INTERNATIONAL FINANCIAL ORGANIZATIONS	8,259	OTHER LIABILITIES	40,249
		TOTAL LIABILITIES	\$ 875,514
FIXED ASSETS, FURNISHINGS AND EQUIPMENT	3,264	CAPITAL	4,869
OTHER ASSETS	56,834	OPERATIONAL SURPLUS OF FISCAL YEAR TO BE APPLIED	15,000
TOTAL ASSETS	\$ 895,383	FISCAL YEAR EARNINGS	32,439
		AMORTIZATION FROM CREDIT TO IPAB	-2,680
		CAPITAL RESERVES APPLIED	-14,759
		TOTAL EQUITY	19,869
		TOTAL LIABILITIES AND EQUITY	\$ 895,383

MEMORANDUM ACCOUNT \$ 8,832,250

The present Balance Sheet was prepared according to the rules and regulations set by Banco de México's Law and Internal Bylaw, the specific guidelines set by its Board of Governors, the Bank's financial information standards which comply with adequate international Central Bank practices, and to the accounting principles commonly accepted in Mexico, applicable to its case. In accordance with article 38 of the referred Bylaw, International Reserves are defined as mentioned in article 19 of Banco de México's Law; Government Securities are presented as net holdings from these securities and after monetary regulation deposits, not including any securities acquired or transmitted via repo operations or deposits, and in case of creditor position, listed under line item Monetary Regulation Deposits; Credit granted to Financial Intermediaries and Debtors via Repo operations includes Commercial Banks, Development Banks and Official Trust Funds, as well as the net debtor balance from accounts included in line item Bank Current Account Deposits; Credit to Public Entities and Enterprises includes that granted to the Institute for the Protection of Bank Savings (*Instituto de Protección al Ahorro Bancario, IPAB*); and line item Other Assets is presented as Net from Capital Reserves for Exchange Rate Fluctuations and from Net Revalued Assets, which, as a whole, sum \$30,724. Balances denominated in foreign currency were valued at the daily exchange rate, and Equity reflects a surplus of \$3,501 due to the revaluation of Fixed Assets and Inventories.

DR. GUILLERMO ORTIZ MARTINEZ
GOVERNOR

LIC. ALEJANDRO GARAY ESPINOSA
GENERAL DIRECTOR OF INTERNAL ADMINISTRATION

C.P. GERARDO ZUÑIGA VILLARCE
DIRECTOR OF ACCOUNTING

We have reviewed the Balance Sheet of Banco de México at December 31, 2003, its Profit and Loss Statement as well as the corresponding Statements of Equity Variations and Changes in the Financial Position for the year ending on the aforementioned date. Banco de México's Administration is solely responsible for the referred Financial Statements. Our responsibility is to express an opinion of the above based on our audit.

Our audit was carried out following the commonly accepted auditing standards applicable to Mexico, which require a planned and prepared audit to reasonably ensure financial statements do not reflect significant errors and are prepared in accordance with Banco de México's Law and Internal Bylaw. Such audit consists of an assessment, based on selected tests, of evidence supporting all figures and financial statements; furthermore, it includes an evaluation of the accounting practices used, the foremost estimations made by Banco de México's Administration, and the presentation of the Institution's financial statements. We believe this assessment provides sufficient evidence to support our opinion.

Financial statements have been prepared following the requirements for providing financial information set out by Banco de México's Law and Internal Bylaw, as well as by the specific guidelines agreed by its Board of Governors, and the applicable accounting principles commonly accepted in Mexico.

In our opinion, these financial statements provide a reasonable depiction of Banco de México's financial position at December 31, 2003, its income statement, the variations in equity, and the changes in its financial position for the year ending on said date, according to the accounting requirements described above.

RUIZ, URQUIZA Y CIA., S.C.
CPC Carlos A. García Cardoso