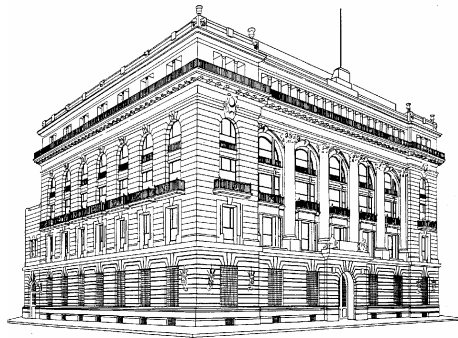


Annual Report

2002



BANCO^{DE}MEXICO

APRIL 2003

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

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 the execution of 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 Inflation Report in Spanish is the only official document.

Figures for 2002 are preliminary and subject to change. Although data is consistent within each section, comparing figures drawn from various sections may result in discrepancies because they have been estimated according to different sources and methodologies.

Index

I.	Introduction	1
II.	International Environment	4
III.	Evolution of the Economy: General Overview	9
	III.1. Economic Activity	9
	III.2. Employment, Wages and Productivity	23
	III.3. External Sector	34
	III.4. Public Finances	47
	III.5. Monetary and Credit Aggregates	53
	III.6. Inflation	71
IV.	Monetary and Exchange Rate Policy	87
	IV.1. Monetary Policy	87
	IV.2. Exchange Rate Policy	94
V.	Final Remarks	98
	Annex 1 Mexico's Relationship with International Financial Organizations	103
	Annex 2 Public Sector Borrowing Requirements (PSBR)	106
	Statistical Appendix	113
	Balance Sheet	195

I. Introduction

In 2002, the Mexican economy performed less favorable than expected at the onset of the year: output grew at a slower rate while annual CPI inflation increased compared to the previous year and was above the set target.

Mexico's GDP grew only 0.9 percent in 2002. This modest increase responded mainly to the weakness of industrial output in the United States, which affected Mexico due to the close linkages through trade between industrial production of both countries. Although industrial output in the United States contracted less than in 2001, it was still below the expected level. As a consequence, Mexican exports registered only a modest recovery.

The lack of strength of industrial output during 2002 was also reflected in scant job creation. Thus, at the end of the year the number of workers affiliated to the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social*, IMSS) rose by only 51,018 individuals. This mainly stemmed from increased formal employment in the services sector given that the number of workers in the agricultural and industrial sectors contracted. Meanwhile, job creation focused on temporary urban workers rather than permanent workers. The weakness of the labor market caused the average open unemployment rate (*Tasa de Desempleo Abierto*, TDA) in urban areas to go up from 2.5 percent in 2001 to 2.7 percent in 2002. The increase in open unemployment indicates that underemployment, informal employment and the number of workers leaving the labor market were not sufficient to offset the low level of employment created in the formal sector. Thus, job creation, which should attain the dual objective of replacing job losses and provide the necessary positions for the new entrants to the labor market, remains one of the most important challenges for Mexico in the next few years.

Although salary and contractual wage increases eased throughout the year they remained above expected inflation and were an additional factor that curbed job creation. Furthermore, the behavior of labor productivity was influenced by cyclical factors. As a

result, unit labor costs rose substantially in all sectors except the non in-bond manufacturing sector.

During 2002, investment was the weakest component of aggregate demand. In fact, the year covered by this Report was the second in a row in which this item declined compared to the previous year. This is cause for concern as it hampers the future growth and modernization of productive infrastructure. One factor that contributed to reduced investment in 2002 was the uncertainty generated by several events abroad. The most noteworthy of these were Middle East tensions and the likelihood of war in this region, as well as an adverse environment caused by the political crises in Venezuela and Brazil. Moreover, although consumption continued to make a significant contribution to GDP growth, in the second half of the year the annual expansion of this aggregate declined substantially. The virtual stagnation of employment during the year affected significantly the behavior of consumption.

In 2002, for the first time in four years, annual headline inflation was above the target (4.5 percent). Annual CPI inflation rose from 4.4 percent at year-end 2001 to 5.7 percent in December 2002. The difference between annual inflation and the target mainly responds to the substantial increases during the year of prices administered or regulated by the public sector and agricultural prices. The aforementioned can be seen by comparing the performance of headline and core inflation. The latter continued on the downward path it has shown since April 1999, falling from 5.08 percent in December 2001 to 3.77 percent in December 2002.

It is important to point out that annual core inflation of goods decreased considerably during the year and was not affected by the depreciation of the exchange rate. Annual core inflation of services also declined, but at a slower rate than that of goods due to the rebound in annual inflation of housing services and the downward rigidity shown by contractual wage increases throughout most of the year.

In 2002, monetary policy focused on curbing the contagion effect of headline inflation on inflation expectations and on core inflation. It is worth mentioning that efforts in both the inflation and the fiscal fronts implemented over the last few years have meant real interest rates are currently at historically low levels. This has had a significant influence on the recovery of consumer credit and, thereby,

on consumer spending. During the past two years economic growth has mainly been sustained by this type of expenditure.

II. International Environment

Since early 2002, a cyclical rebound in the world economy brought to an end a brief period of output contraction in the main industrialized economies¹ (Table 1). However, the pace of recovery has been hesitant and uneven among countries. For Mexico, this implied a weak recovery of its export markets, which lost steam in the second half of the year.

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

	1997	1998	1999	2000	2001	2002 ^{e/}
World GDP	4.3	2.8	3.6	4.7	2.3	3.0
Advanced Economies	3.4	2.7	3.4	3.8	0.9	1.8
Main Advanced Economies 1/	3.2	2.8	2.9	3.5	0.7	1.6
United States	4.4	4.3	4.1	3.8	0.3	2.4
European Union	2.5	2.9	2.8	3.5	1.5	1.0
Japan	1.8	-1.1	0.1	2.8	0.4	0.3
Asian RIE 2/	5.8	-2.4	8.0	8.4	0.8	4.6
Developing Countries	5.9	3.5	3.9	5.7	3.9	4.6
Africa	3.0	3.3	2.6	2.8	3.6	3.4
Asia	6.6	4.0	6.1	6.8	5.7	6.5
Middle East and Turkey	6.6	3.8	0.8	5.8	1.4	4.5
Latin America and the Caribbean	5.2	2.3	0.2	4.0	0.6	-0.1
Transition Economies	2.0	-0.8	3.6	6.6	5.1	4.1
World Trade in Goods	10.8	4.6	5.9	12.9	-0.5	3.1

e/ Estimated.

1/ Including 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. For the United States: Bureau of Economic Analysis (BEA); European Union: Eurostat; and Japan: Cabinet Office.

In the United States, the end of the inventory correction process boosted output growth whereas there were no signs of final demand having entered a new period of sustained expansion. Thus, by year-end, the recovery was not yet well established. The Federal Reserve's monetary stimulus and substantial fiscal incentives helped to

¹ Despite the rebound in the United States economy, at the end of the year the National Bureau of Economic Research had still not put a date to the end of the recession, which began in March 2001. This partly responded to newer signs of weakness that appeared during the last few months 2002.

sustain the expansion of consumption expenditures while the pace of decline in investment spending abated throughout the year and, in the last quarter, investment expanded. The strength of the real estate market helped to sustain final demand, both through its direct contribution to investment, and due to the positive effect that declining mortgage financing costs had on household disposable income. The latter partially offset the negative wealth effect of falling stock prices on consumption.

The pace of recovery in the US economy was uneven throughout the year. During the first quarter, GDP growth in the US was reflected in a rebound of world trade and of the manufacturing sector, thus nurturing expectations of a quick upturn of the global economy. However, this optimism was tempered by the poor results in some of the most important indicators during the second quarter and by a wave of corporate bankruptcies of unprecedented scale. The upsurge of corporate accounting scandals led to a new period of uncertainty, causing a further decline in the stock market and an increase in the risk premium on corporate debt. The political turmoil in the Middle East aggravated the ongoing uncertainty and contributed to keep oil prices at high levels. The latter became an additional factor restraining economic recovery. The worsening of financial conditions due to this climate of uncertainty was partially alleviated by the fall in long-run interest rates which, by the end of the third quarter, reached their lowest levels in the last 35 years. Such decline was brought about by growing expectations of a slower pace of economic growth in the second half of the year and of a further loosening in the US monetary policy stance. The spurt of GDP growth during the third quarter was linked to transitory factors such as the increase in automobile sales in response to attractive financing conditions offered by manufacturers and dealers. By the end of the year, new signs of weakness led the Federal Reserve to ease its monetary policy even further, taking its federal funds rate to its lowest level in 41 years.

Contrasting with the synchronization observed during the downward phase of the world economic cycle, the pace of recovery was unequal among countries and regions. The US economy was the main engine of the global rebound and this was reflected in a further widening of its current account deficit, which reached its highest historical level (4.8 percent of GDP). Among other advanced economies, the recovery in Japan and in the euro zone continued to depend to a large extent on the strengthening of external demand in

contrast with the strength shown by the Canadian economy, which registered the highest growth rate among all G-10 countries.

Persistent deflation in Japan was a result of both conjunctural and structural factors. Problems in the Japanese financial sector undermined once more the prospects of recovery. Moreover, the high levels of private and public sector indebtedness are particularly worrisome given the aging of Japan's population. Furthermore, companies continued with their restructuring plans, reducing excess labor and scaling back their investment plans. Domestic demand was also curbed by the deterioration of household income while the incipient recovery of the manufacturing sector was interrupted by the stagnation of exports during the last months of the year.

The modest recovery during the first semester among members of the European Monetary Union was restrained by three factors: the appreciation of the euro, the persistence of high oil prices, and the loss of momentum of growth in the United States. Consequently, the European Central Bank (ECB) loosened its monetary policy stance in December amidst expectations that meager domestic demand would eventually bring about a decline in the region's inflation to below 2 percent, the level set by the ECB as the upper limit consistent with price stability. Although the deterioration of the fiscal position in the euro zone helped to mitigate a weak domestic demand it also created additional difficulties for some countries to comply with their obligations under the Stability and Growth Pact.

For Latin American countries, 2002 was a difficult year due both to the weakness of the world economy and to domestic factors. The region's GDP contracted during the year, albeit showing a more favorable performance in the last few months (Table 2). Furthermore, during the last quarter the deterioration of financial markets was contained, after the EMBI+ Latin spreads had reached their highest levels since 1998 in the previous quarter. This outcome was due, to a large extent, to the high levels of the subindex for Argentina and to the rise in that for Brazil. Chile's economy, like that of Mexico, managed to decouple from the financial volatility that swept the region, despite being also affected by the feeble world economy and experiencing a downturn in GDP growth with respect to the previous year.

Table 2 Latin America: GDP, Inflation and Trade Balance

	GDP Growth (percent)		Consumer Prices (percent)		Trade Balance (Billion US dollars)	
	2001	2002 ^{p/}	2001	2002 ^{p/}	2001	2002 ^{p/}
Latin America	0.6	-0.1	6.4	8.7	-20.2	11.1
Argentina	-4.4	-11.0	-1.1	25.9	3.5	15.6
Brazil	1.4	1.5	6.8	8.4	-5.1	7.4
Chile	2.8	2.0	3.6	2.5	1.1	1.6
Venezuela	2.8	-8.9	12.5	22.4	6.5	12.1
Uruguay	-3.1	-10.8	4.4	14.0	-0.4	0.2

1/ Annual percentage change.

p/ Preliminary figures.

Source: IMF, World Economic Outlook, April 2003, except for the trade balance item, which was drawn from the Preliminary Overview of the Economies of Latin America and the Caribbean, 2003, ECLAC (*Comisión Económica para América Latina y el Caribe, CEPAL*).

Argentina faced particularly complex economic conditions in 2002. The country's financial markets were very unstable during the first half of that year, leading to the maintenance of the restrictions on bank deposit withdrawals (the so called "corralito") and to the abandonment of the currency board. Nonetheless, restrictions on bank deposits were gradually relaxed throughout the year as financial conditions tended to stabilize. The environment of instability severely affected the real sector but some signs of recovery began to appear during the fourth quarter.

As for Brazil, the difficult external environment, structural weaknesses (mainly the high level of public debt, which is highly sensitive to variations in the exchange rate and in short-term interest rates) and uncertainties surrounding the presidential election all converged, leading to a period of instability. The strong depreciation of the real during this period and increased country risk perceptions aggravated the perils associated with the public debt and created inflationary pressures. The Brazilian authorities responded by implementing adjustment measures, among which the raising of the primary fiscal surplus objective and the progressive tightening of monetary policy are noteworthy. These actions undoubtedly helped to stabilize the economy. Therefore, market perceptions for Brazil improved towards the end of the year as electoral uncertainty dissipated and expectations on the continuity of prudent macroeconomic policies were reinforced.

In Uruguay, the banks endured massive withdrawals as a consequence of the instability in Argentina. The banking crisis was

followed by a severe economic recession. In Venezuela, political problems negatively affected the country's economic conditions.

The main South American economies experienced a sharp external adjustment stemming from both strong exchange rate depreciations and the substantial weakness of domestic demand. In particular, the volume of imports shrank significantly in Argentina and Brazil because of lack of external financing. In this context, it is not surprising that interregional trade suffered a severe contraction, further hampering economic recovery in the region.

The Monetary Program for 2002 anticipated a slightly more adverse international environment than that which eventually materialized. In particular, GDP growth in the United States ended the year at 2.4 percent (the initial forecast was 0.7 percent) while industrial output contracted more than initially expected. As for oil markets, prices were above original expectations due to three factors: increased international tensions in the Middle East, the interruption of Venezuelan oil exports due to domestic political problems, and a particularly cold northern winter. Thus, the average price of the Mexican oil export mix during the year was 21.56 US dollars per barrel, nearly 5 dollars higher than the level forecasted in January 2002.

III. Evolution of the Economy: General Overview

III.1. Economic Activity

The evolution of the economy during 2002 was less favorable than both the authorities and private sector analysts had anticipated at the onset of the year. Economic growth in Mexico was in general influenced by the behavior of output and demand in the United States. Although GDP in that country expanded during 2002 at a faster pace than anticipated at the beginning of the year (2.4 vs. 0.7 percent), industrial output contracted more than originally anticipated (-0.7 vs. -0.4 percent). The latter partly responded to uncertainty generated by the wave of corporate bankruptcies during the year. The Mexican economy was adversely affected by reduced industrial output in the United States due to the fact that its main link with economic activity in the United States is given by industrial output via trade. Other factors that had a negative effect on the Mexican economy, particularly in the second quarter, were the uncertainty and instability caused by some external events such as turmoil in the Middle East and the possibility of war in this region. Likewise, the unfavorable conditions brought about by the political events in Venezuela and in Brazil also had a negative impact. All this uncertainty discouraged private investment in Mexico, a result which might have also responded to the lack of progress in the agenda of structural reforms and in the modernization of the economy. Thus, of all the components of aggregate demand, private investment was the weakest during 2002, making a negative contribution to economic growth. This is cause for concern as it hampers the growth and modernization of productive infrastructure in the country.

Reduced investment in 2002 compared to the previous year, together with the lack of strength in external markets, which adversely affected the demand for Mexican exports, meant consumer spending was the item that made the greatest contribution to real GDP. Nonetheless, the expansion of this component also slowed substantially towards the end of the year. Thus, consumption grew at the same pace as GDP in 2002, therefore causing the expansion of domestic saving to remain unchanged.

The sluggish growth of the Mexican economy in 2002 translated into modest job creation in the formal sector. The unemployment rate rose, hence meaning that underemployment, informal employment and the number of workers leaving the labor market could not offset meager job creation in the formal sector. Thus, not enough jobs were created during the year to satisfy the dual objective of replacing job losses and taking new entrants into the workforce. This will be one of the main challenges for the Mexican economy in the near future.

The main aspects that characterized the evolution of economic activity in 2002 were as follows:

- a) After having fallen during 2001, real GDP rose 0.9 percent;
- b) Aggregate demand also went up slightly due to increases in consumer spending and in exports of merchandise and services;
- c) Consumption continued to contribute positively to GDP growth (despite registering its lowest level since 1996);
- d) Private consumption, the main component of aggregate demand, contributed once more to the expansion of economic activity throughout the year. However, seasonally adjusted figures show this type of expenditure declined in the second half of the year. The behavior of private consumption was influenced by the greater availability of financing, longer credit terms, lower interest rates, and higher average real wages in several sectors. Notwithstanding the above, private consumption slowed compared to previous years.
- e) For the second consecutive year, investment contracted in relation to 2001, thus making a negative contribution to economic growth;
- f) Total public expenditure went up in 2002 as reduced consumption was offset by the expansion of investment;
- g) Despite the weakness of external markets, Mexico's exports of merchandise and services increased slightly, after having declined in the preceding year;

- h) Domestic saving as a proportion of GDP remained unchanged compared to 2001;
- i) The monthly business climate and confidence indicators from Banco de México's surveys of private sector analysts and manufacturing companies lost strength in the second half of the year;
- j) The only sector that made a considerable contribution to modest GDP growth was that of services as industrial activity remained unchanged and the agricultural sector contracted; and
- k) For the second consecutive year, both the level of GDP and its annual percentage change were lower in real terms than potential GDP figures for that year.

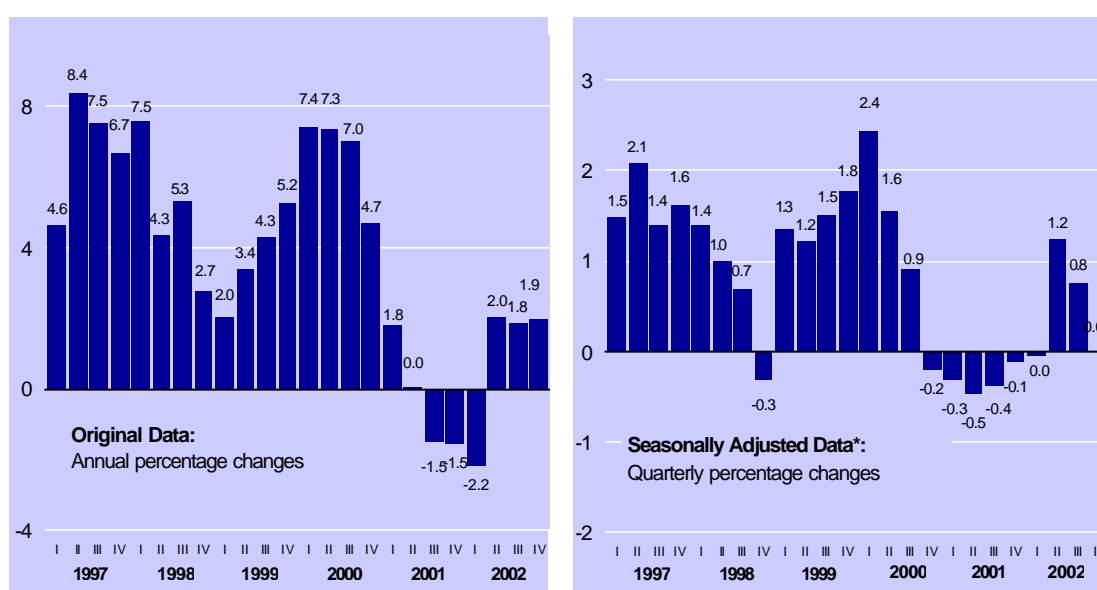
According to the National Institute of Statistics, Geography and Informatics (*Instituto Nacional de Estadística, Geografía e Informática, INEGI*), in 2002, Mexico's GDP rose 0.9 percent at constant prices, after having declined 0.3 percent in the previous year. GDP expanded as a result of quarterly annual variations in this aggregate of -2.2, 2, 1.8 and 1.9 percent, respectively (Graph 1).

GDP growth was lower than originally foreseen by the authorities and by private sector analysts. In particular, during the last five months of the year forecasts were revised downward every month, from 1.68 percent in August to 1.1 percent in December.

Seasonally adjusted quarterly figures for GDP show its behavior varied considerably throughout the year. Thus, in the first quarter GDP decreased 0.05 percent (Graph 1), after having declined at quarterly rates since the fourth quarter of 2000. Meanwhile, in the second, third and fourth quarters of 2002 GDP rose 1.2, 0.8 and 0.01 percent, respectively. As a result, Mexican output was at minimum levels during the first quarter of 2002; however, at the end of the aforementioned period signs of recovery began to appear and actually strengthened in the second and third quarters. The economic rebound during the second quarter derived from the higher levels of consumption and investment while in the third quarter it was driven by higher exports of merchandise and services, as investment weakened and even contracted. The better performance of output during the second and third quarters of 2002 continued during the fourth quarter despite the

fact that consumer spending contributed but slightly to demand. Nonetheless, this outcome was offset by feeble exports of merchandise goods and services and by a further quarterly decrease in investment spending. During the fourth quarter of 2002, private spending, both consumer and investment, contracted compared to its level in the preceding quarter while public spending for the same items rose. Furthermore, there was a substantial accumulation of unwanted inventories, as aggregate demand declined at a faster rate than GDP.

Graph 1 GDP Quarterly Growth



* Seasonal adjustments by Banco de México.
Source: INEGI.

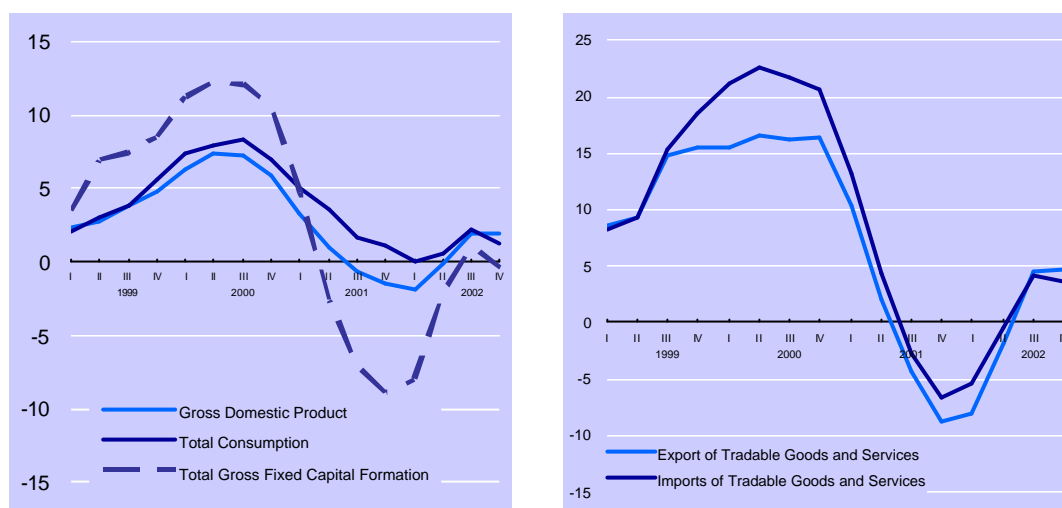
In 2002, aggregate supply and demand rose 1.1 percent. On the supply side, this result derived from GDP growth (0.9 percent) and from the expansion of imports of merchandise and services (1.6 percent). Meanwhile, on the demand side, it stemmed from the positive variations in consumption (0.9 percent), exports of merchandise and services (1.4 percent) and the accumulation of inventories (19.9 percent). These increases were partly offset by the fall in investment spending (1.3 percent) [Graph 2 and Table 3].

Graph 2

Components of Aggregate Demand and Supply

Annual change in constant pesos

3-month moving average



Source: Prepared with data from INEGI.

Table 3

Aggregate Supply and Demand

Annual percentage change

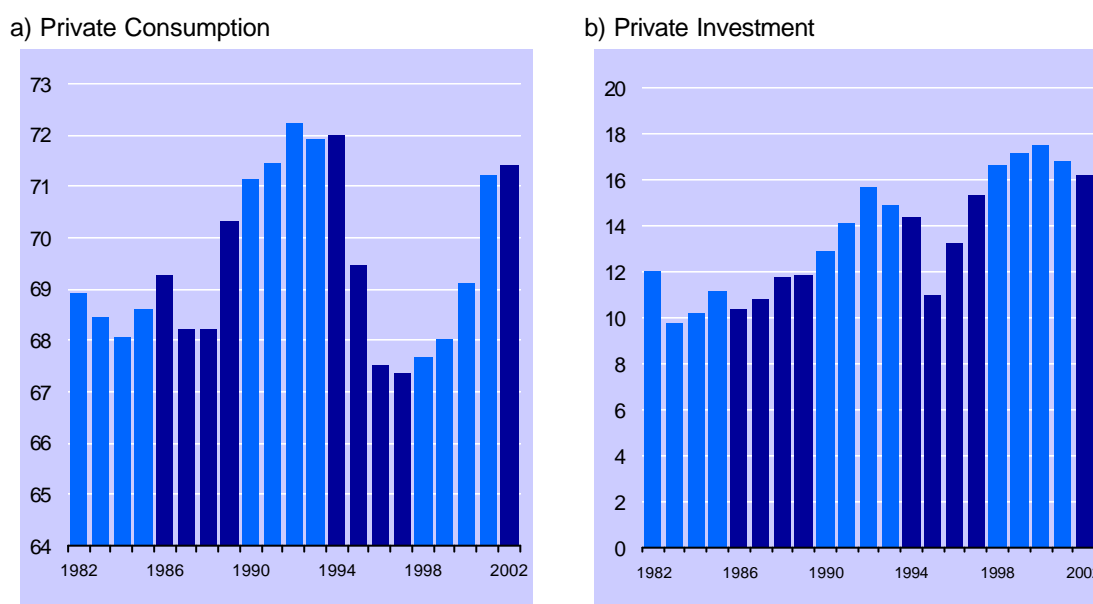
	1999	2000	2001		2002			Annual
	Annual	Annual	Annual	I	II	III	IV	
Aggregate Supply	6.1	10.3	-0.6	-2.8	2.4	2.6	2.1	1.1
GDP	3.7	6.6	-0.3	-2.2	2.0	1.8	1.9	0.9
Imports	14.1	21.5	-1.5	-4.5	3.5	4.8	2.5	1.6
Aggregate Demand	6.1	10.3	-0.6	-2.8	2.4	2.6	2.1	1.1
Total Consumption	4.4	7.4	2.2	-1.5	2.5	1.7	0.8	0.9
Private	4.3	8.2	2.7	-1.6	3.1	2.0	1.2	1.2
Public	4.7	2.0	-1.2	-1.1	-1.7	-0.8	-1.3	-1.3
Total Investment	7.7	11.4	-5.8	-6.9	2.8	-0.8	0.0	-1.3
Private	7.2	8.7	-4.4	-5.9	1.3	-1.5	-5.2	-2.8
Public	10.7	27.2	-13.0	-13.2	13.8	3.6	18.6	7.3
Exports	12.4	16.4	-3.6	-6.7	3.1	6.0	3.4	1.4

Source: National Accounts (Sistema de Cuentas Nacionales), INEGI.

In 2002, total consumption went up 0.9 percent, its lowest annual increase in seven years. This item began to slowdown in 2001 (when it grew only 2.2 percent) after having registered average annual increases of 5.7 percent during the past five years (1997-2000). As a proportion of GDP measured at constant prices, this component of aggregate demand reached 80.9 percent, the same level as in 2001. Thus, in 2002, annual consumption grew at the same rate as GDP, after

having outpaced it for four consecutive years. The increase in consumption during the year was driven by that of the private sector, which rose 1.2 percent, below the 2.7 percent figure observed in 2001. During 2002, private consumption continued to increase as a proportion of GDP (Graph 3a).

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



Source: Prepared with data from INEGI.

During the same year, the slower expansion of private consumption was influenced by meager formal and informal employment. In fact, the open unemployment rate in urban areas actually went up during the year. Rising unemployment and evidence of a slower pace of economic activity weaken people's perceptions regarding job security, thus leading them to moderate their spending. However, there were also other factors that curbed the fall in consumption, among which, private consumption benefited from lower interest rates and the greater availability of consumer credit granted by both commercial banks and the main chain stores. The latter continued having frequent sale offers with interest-free credit or deferred payments. In 2002, private consumption of durable goods rose 3.9 percent while that of non-durable goods and services increased 0.3 and 1.6 percent, respectively.

Gross capital formation, measured as a proportion of GDP at constant prices, declined 1.3 percent, its second consecutive annual negative variation. This result stemmed from the fall in expenditures on machinery and equipment (3.7 percent) while spending on construction increased (1.7 percent). Regarding the first of these items, machinery and equipment manufactured in Mexico decreased 0.6 percent while that imported declined 5.5 percent. Seasonally adjusted figures regarding the evolution of investment expenditure show that this item weakened most in the second half of 2002, given the fact that it registered two negative quarterly variations after showing positive growth in the first two quarters of the year.

During the year covered by this Report, the contraction of real investment during mainly stemmed from the fall in private sector expenditure. The latter declined 2.8 percent while that of the public sector went up 7.3 percent. Private investment accounted for only 16.1 percent of real GDP in 2002 (Graph 3b). The weakness of this type of expenditures responded to i) the prevailing pessimism shown by business climate and business confidence indicators throughout most of the year, especially during the second quarter; and ii) lackluster firm's operating profits as a result of higher sales costs and other operating costs being very similar to modest gains in sales. The latter, coupled with diminished net profits, reduced firms' ability to finance investment with firms' own resources obtained through profits, as in previous years. However, there were other factors that moderated the fall in investment, among which, the greater availability of financing via the stock market is noteworthy. Moreover, there were also productivity gains (an element that tends to promote investment) in several sectors of the economy for which information is available. Nevertheless, as has been shown, this favorable behavior was cyclical and stemmed more from cuts in the labor force than from increased output. Furthermore, except in the non in-bond manufacturing sector, gains in productivity were not sufficient to offset the increase in average real wages which, consequently, also raised unit labor costs.

During the period analyzed, public spending on tradable goods and services included in the aggregate demand and in the national accounts increased 0.7 percent at constant prices. This result stemmed from the rise in investment, as its consumer component declined 1.3 percent. Public sector investment was destined to infrastructure in the energy, road, education and drinking water supply sectors.

The slowdown of external demand, especially in the United States, induced a meager 1.4 percent increase in exports of merchandise and services measured at constant prices, after having contracted in 2001. Seasonally adjusted figures for exports grew at positive rates in the first three quarters of the year, nonetheless, these lost strength in the fourth quarter, thus registering a quarterly reduction. Such behavior meant that exports measured as a proportion of GDP at constant prices increased from 34 percent in 2001 to 34.2 percent in 2002. The rise in exports was accompanied by greater international purchasing power as Mexico's terms of trade improved as a result of higher prices for the Mexican oil export mix. Thus, in 2002, the total trade of Mexican goods and services accounted for 72 percent of GDP.

Gross fixed capital formation, measured as a proportion of GDP at current prices, was 20.2 percent (Table 4). Domestic saving's share in the financing of gross fixed capital formation represented 18 percent of GDP while external saving (the deficit of the balance of payments' current account), 2.2 percent. Thus, both gross fixed capital formation and domestic saving measured as a proportion of GDP declined. Meanwhile, domestic saving remained unchanged as a result of consumption having expanded at the same rate as GDP.

Table 4 **Saving and Investment**
GDP percentage at current prices

Item	1997	1998	1999	2000	2001	2002*
Gross Capital Formation Financing 1/	25.9	24.3	23.5	23.7	20.9	20.2
External Saving	1.9	3.8	3.0	3.1	2.9	2.2
Domestic Saving	24.0	20.5	20.5	20.6	18.0	18.0

* Preliminary figures.

1/ Including Gross Fixed Capital Formation plus changes in inventories.

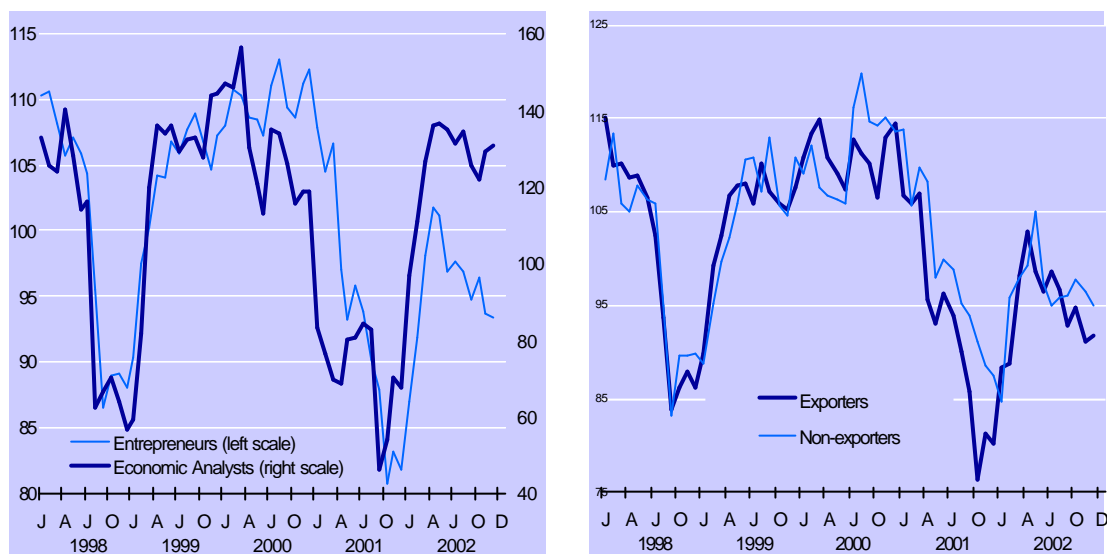
Source: National Accounts (*Sistema de Cuentas Nacionales*), INEGI, except for External Saving data, which is drawn from the balance of payments' current account measured in current pesos.

In general, the different indicators for business climate and confidence levels were stronger in 2002 than in the previous year. However, they began to weaken in June. These results were obtained from the monthly surveys of expectations of private sector economic analysts and manufacturing companies undertaken by Banco de México (Graph 4). In November-December, the economic analysts' Confidence Index fell 4.2 percent compared to 2002 (its highest level) while that of the manufacturing companies declined 8.2 percent

compared to its maximum level registered in April 2002. It is important to mention that growing pessimism in this sector was shared by both exporting and non-exporting companies.

Graph 4 Business (Manufacturing Sector) Confidence and Private Sector Economic Analysts' Indicators

1998=100



The modest increase of GDP in 2002 was based on the expansion of the services sector as industrial sector output remained at the same level of the previous year while the agricultural sector contracted 0.4 percent (Table 5). The fall in agricultural output was particularly noteworthy in the fourth quarter (4.5 percent at an annual rate). This result was due, among other factors, to adverse weather conditions such as the hurricanes that affected, on the one hand, sown and harvested land of a large number of agricultural crops, and on the other, the fishing sector. During the mentioned year, Mexico suffered crop losses in products such as corn, rice, soy, avocado, sugar cane, apple and orange, among others.

Table 5 **Gross Domestic Product**
Annual percentage change

	1999	2000	2001	2002				Annual
	Annual	Annual	Annual	I	II	III	IV	
Total	3.7	6.6	-0.3	-2.2	2.0	1.8	1.9	0.9
Agriculture, Forestry and Fishing	3.6	0.6	3.3	2.9	0.0	1.0	-4.5	-0.4
Industrial Sector	4.2	6.0	-3.5	-4.3	2.7	0.6	0.9	0.0
Mining	-2.1	3.8	0.8	-2.7	-0.3	-0.4	2.2	-0.3
Manufacturing	4.2	6.9	-3.7	-5.4	2.3	0.1	0.5	-0.6
Construction	5.0	4.1	-5.3	-1.5	5.1	1.6	1.6	1.7
Electricity, Gas and Water	7.9	1.0	1.3	2.2	4.8	4.6	3.7	3.8
Services Sector	3.6	7.3	1.0	-1.3	2.2	2.6	3.1	1.6
Commerce, Hotels and Restaurants	3.1	12.2	-1.9	-7.2	0.3	1.8	3.3	-0.4
Transportation and Communications	7.8	9.1	3.8	-1.8	2.9	3.3	4.4	2.2
Financial, Insurance and Real Estate	3.6	5.5	4.6	4.7	4.9	4.2	3.7	4.4
Community, Social and Personal Services	2.1	2.9	-0.3	0.6	1.6	1.5	1.6	1.3

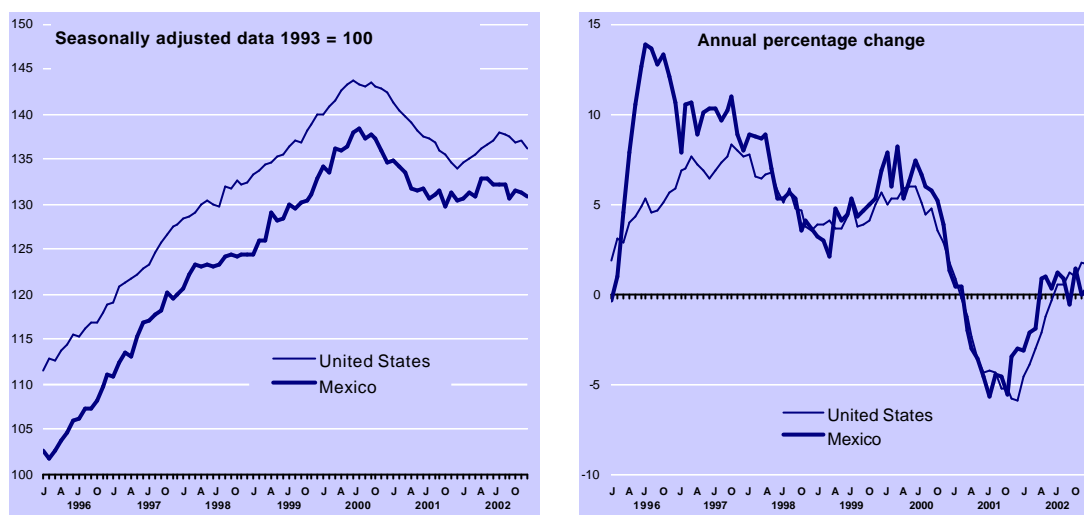
Source: National Accounts (*Sistema de Cuentas Nacionales*), INEGI.

The stagnation of industrial GDP resulted from the fall in the manufacturing (0.6 percent) and mining (0.3 percent) industries, which offset increases in the construction industry (1.7 percent) and in the electricity, gas and water industries (3.8 percent). The decline of the mining industry stemmed from increased oil industry output (0.9 percent) which was more than compensated by the decrease in the non-oil mining sector (1.9 percent). The only component of investment spending that expanded in real terms during 2002 was construction. This upgrade mainly responded to the greater number of infrastructure projects in the oil, petrochemical and communications sectors.

The contraction in manufacturing GDP was caused by reduced in-bond industry output, which declined 8.7 percent while growth in the non in-bond manufacturing industry remained the same as in 2001. The number of companies in the in-bond industry decreased substantially during 2001-2002 as a consequence of the sharp drop in external demand fueled by the considerable slowdown of the United States economy, particularly in its manufacturing sector. Thus, at year-end 2002, the total number of in-bond companies was 3,248 units, 515 less than the maximum reached in June 2001. The improvement of in-bond output during the last few months of 2002 was accompanied by the growing number of companies in that sector. This evolution of the manufacturing sector was influenced by poor external demand, particularly from the United States. This can be seen in the marked

correlation between Mexico and the United States' manufacturing outputs (Graph 5).

Graph 5 Manufacturing Output in Mexico and the United States



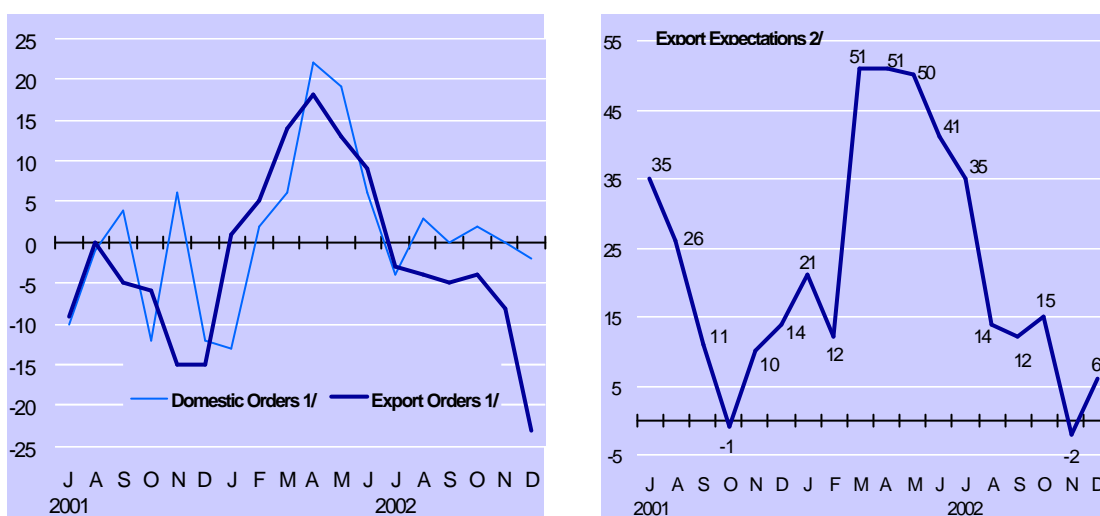
Source: INEGI and U.S. Federal Reserve Board.

The gradual slowdown of economic activity in the second half of 2002 (despite the initial recovery observed towards the end of the first quarter of that year) was particularly noticeable in the indicators for manufacturing orders prepared by Banco de México. Thus, during the first half of the year, the number of domestic and external purchase orders behaved positively; nonetheless, both lost strength in the second semester, orders from abroad being particularly feeble during the fourth quarter. The latter was also reflected in manufacturing companies' expectations regarding the likely behavior of exports (Graph 6).

The weakness of Mexico's manufacturing sector in 2002 affected almost all of its components. Of the 49 branches that make up this sector, 23 registered annual GDP increases while 26 posted reductions. One of the branches that contracted was the automotive sector. This sector is of crucial importance for the Mexican economy due to its output value, the jobs it creates and its contribution to total exports. The number of automobiles manufactured in Mexico dropped 1.9 percent in 2002, after having fallen 2 percent in the previous year. The reduction in the automotive branch was due to a 4.6 percent fall in the number of units exported. However, domestic car sales rose 6.3 percent, mainly because of higher sales of imported vehicles

(12 percent) and of those manufactured in Mexico (0.3 percent). In 2002 vehicle exports accounted for 73 percent of domestic output and 54 percent of domestic demand was satisfied via imported vehicles.

Graph 6 Evolution of Manufacturing Orders and Export Expectations for the Following 12 Months
Balance of responses



1/ The balance of responses refers to the percentage of businesses that had more sales orders placed than in the previous month minus the percentage of those that had less manufacturing orders than in the previous month.
2/ The balance of responses equals the percentage of businesses that expect to increase their volume of exports in the next three months minus those that anticipate a reduction in their exports in relation to previous quarters.

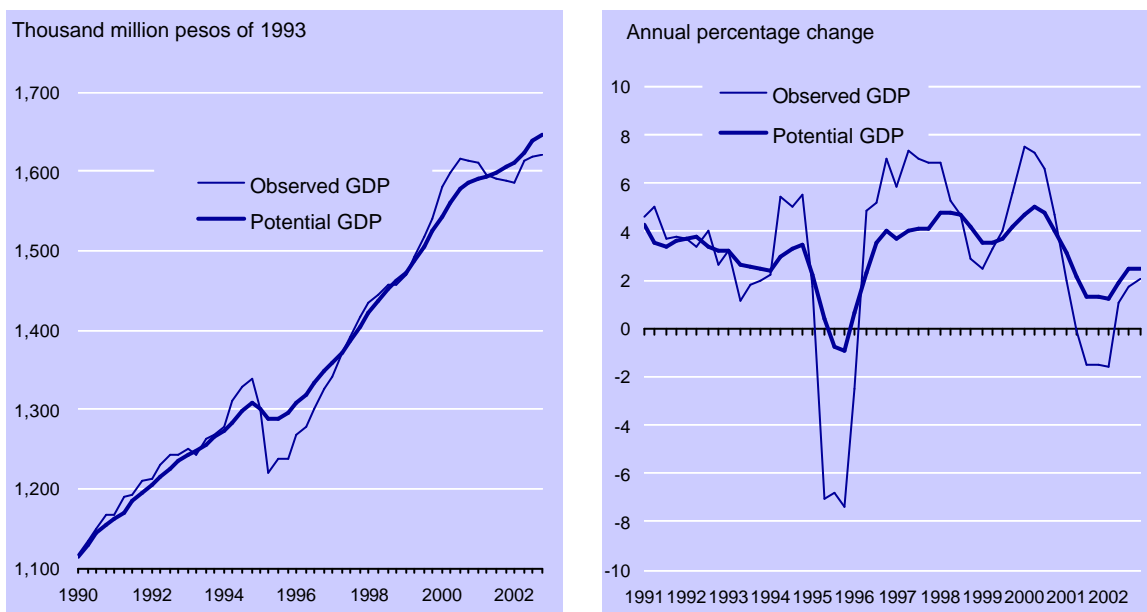
GDP in the services sector grew 1.6 percent due to increases in transport, warehousing and communications (2.2 percent); financial, insurance and real estate (4.4 percent); and community, social and personal services (1.3 percent). The positive evolution of these activities offset the fall in the commerce, restaurant and hotel sectors (0.4 percent).

The contraction of GDP in commerce, restaurants and hotels responded to the lower volume of sales of intermediate and capital goods, as well as to the lackluster behavior of hotel activities. Meanwhile, final consumer sales by the National Association of Self-service and Department Stores (*Asociación Nacional de Tiendas de Autoservicio y Departamentales, ANTAD*) slowed. These sales rose 1.5 percent in 2002 after having increased 10.5 and 5.3 percent in 2000 and 2001, respectively. Sales of all three types of goods in these stores rose as follows: general goods (household appliances, furniture,

electronic goods and other), 1.6 percent; apparel goods, 1.9 percent; and supermarket goods (groceries and non-durable goods), 1.4 percent. Growth in transport, warehousing and communications stemmed from robust demand for both traditional and cellular phone services as well as for railway, sea, and passenger bus transport. GDP of community, social and personal services increased 1.3 percent due to the expansion in leisure, education and medical services. Likewise, GDP of financial, real estate and rental services grew 4.4 percent in response to increased financial intermediation and housing insurance and rentals (imputed rent).

In 2002, the level of GDP and its annual percentage change were lower than the figures of the different indicators for potential GDP calculated by Banco de México. Six potential GDP measurements averaged an annual growth of 2.7 percent in 2002 (Graph 7). Moreover, unlike previous years, there was a negative output gap for two consecutive years. It should be mentioned that potential GDP is not a directly observable variable and Banco de México's measurements are updated once new data becomes available.

Graph 7 Observed* and Expected GDP: 1990-2001

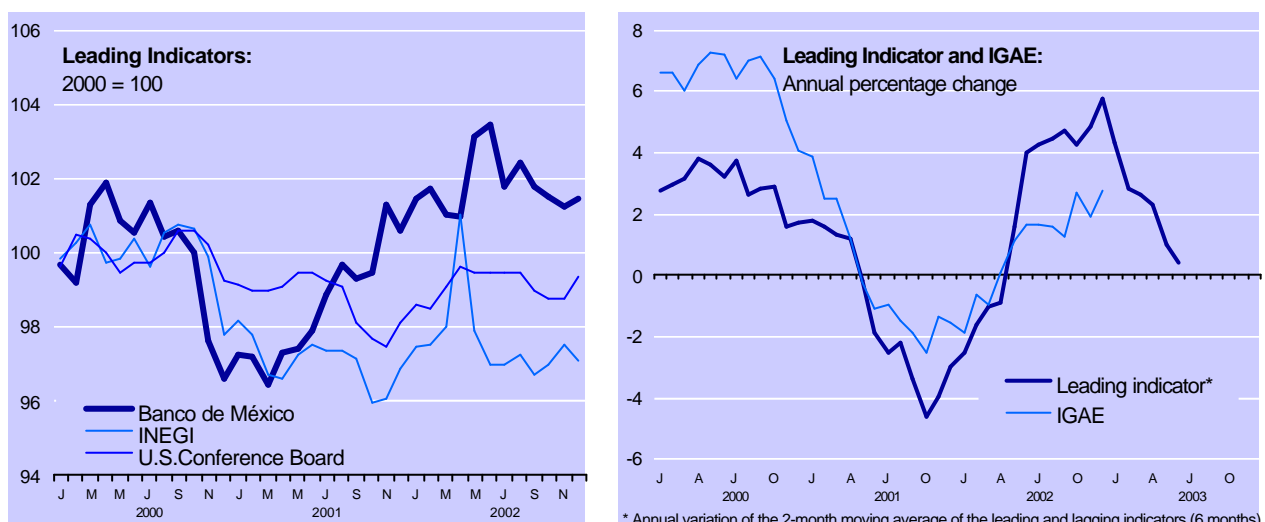


* Seasonally adjusted figures.
Source: Prepared by Banco de México with data from INEGI.

Banco de México, along with other institutions (INEGI, U.S. Conference Board and OECD), has developed a system of cyclical indicators for the Mexican economy (leading and coincident indicators). The leading indicators rebounded during the first half of 2002 but lost strength in the second semester, registering a modest recovery only in the last two months (Graph 8). The leading indicator is useful for forecasting the behavior of the economy in the short-term (next few months). Moreover, the correlation between coincident and leading indicators for the United States and Mexico has increased in recent years as the economies of the two countries have become more integrated (Graph 9). As mentioned previously in this Report, the correlation between both countries' economic indicators can also be seen in the evolution of industrial and manufacturing outputs.

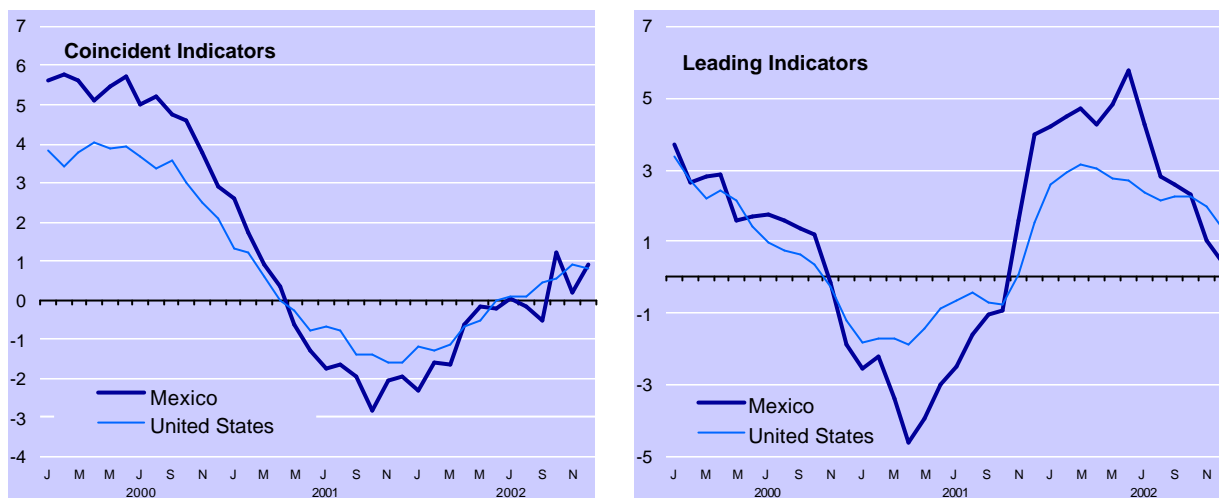
Graph 8 **Coincident and Leading Indicators for Mexico**

Annual percentage change



Source: Banco de México, INEGI and U.S. Conference Board. The leading indicator is prepared by Banco de México.

Graph 9 **Coincident and Leading Indicators for Mexico and the United States**
Annual percentage change



Source: Banco de México and U.S. Conference Board.

III.2. Employment, Wages and Productivity

The slow expansion of the Mexican economy was accompanied by a modest recovery in the demand for labor. Although increases in compensations and wages eased during the year, they were still above target inflation. Moreover, labor productivity was influenced by cyclical factors. Increases in real wages per worker outpaced labor productivity gains in most sectors, leading to higher unit labor costs in all of them, except in the non in-bond manufacturing sector.

The following were the most outstanding aspects of Mexico's labor market in 2002:

- (a) The modest recovery of employment (after its substantial reduction in 2001), notwithstanding the falls registered in a significant number of sectors;
- (b) Regional differences in formal job creation, with cuts in the number of workers in northern frontier states and in the center region. The contraction of employment in the northern states stemmed from the loss of strength in the in-bond industry and other export-related activities;

- (c) The rise in open unemployment in urban areas. In fact, this increase turned out to be lower than expected because some displaced workers took informal jobs;
- (d) Moderate increases in nominal contractual wages, although these remained above expected and observed inflation. The spread between both indicators narrowed towards the end of the year;
- (e) The reduced growth of average real wages in the manufacturing sector, including in-bond activity;
- (f) Gains in labor productivity in the non in-bond and in-bond industry. These results mostly stemmed from cyclical factors and reflected a decline in employment more than a recovery of output;
- (g) The upgrading of productivity in the non in-bond manufacturing sector due to the fact that labor productivity gains were higher than average real wage increases; and
- (h) Higher unit labor costs in the in-bond industry, thus leading to a loss of competitiveness in that sector against other countries.

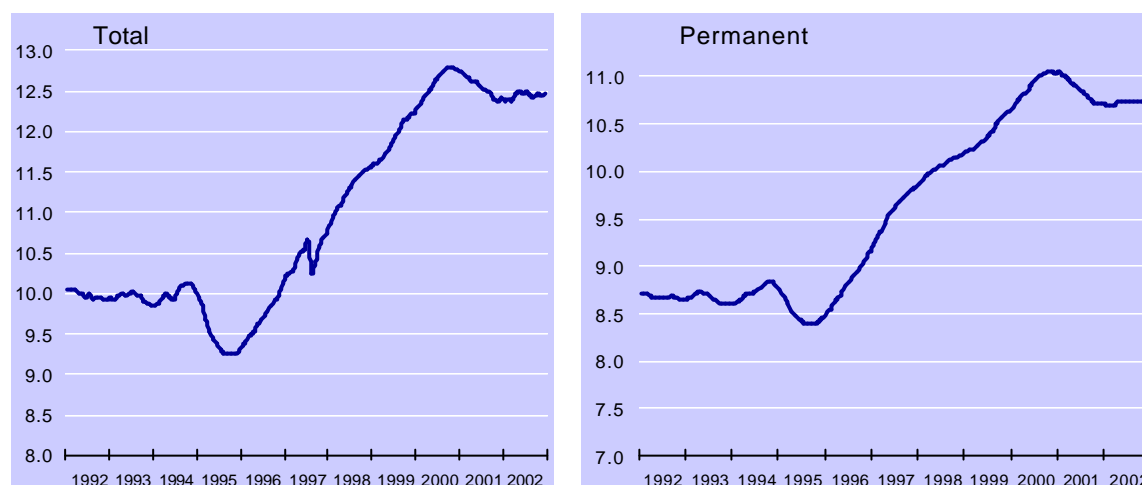
Sluggish economic activity during several months of 2002 coupled with higher unit labor costs meant that the demand for labor recovered only slightly during the year. This was attested by a modest increase in the total number of workers affiliated to the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social, IMSS*), which rose by only 51,018 individuals (0.4 percent) compared to December 2001. The growth of formal employment in 2002 concentrated more in temporary rather than permanent employment (Graph 10). Thus, from year-end 2001 to year-end 2002 the number of permanent and temporary employees rose by 19,732 and 31,286 individuals, respectively.

According to data provided by the IMSS, employment fell in the agricultural and industrial sectors. From December 2001 to December 2002 the number of affiliated workers in the agricultural sector declined 3.1 percent. The drop in the number of affiliated workers in mining and extractive industries, manufacturing, construction, financial services and real estate is also noteworthy (Table

6). However, this indicator did post increases in the electricity, commerce, transport, and social and community services' sectors.

Graph 10 **Workers Affiliated to the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social, IMSS*)**

Millions affiliated
Seasonally adjusted figures



Seasonal adjustments by Banco de México.
Source: IMSS.

Table 6 **Employment Indicators**

	1999	2000	2001	2002						
	Annual	Annual	Annual	I	II	III	IV	Nov.	Dec.	Annual
Workers Affiliated to the IMSS										
	Annual percentage change									
Total	7.8	5.7	5.9	2.6	0.3	-1.9	-3.0	-3.2	-2.8	-0.5
Permanent	4.9	3.5	5.0	2.6	0.2	-1.8	-2.9	-3.1	-2.8	-0.5
Temporary	40.1	24.6	12.1	2.8	0.9	-2.3	-3.4	-4.0	-2.7	-0.6
Manufacturing	12.1	7.1	6.5	0.8	-4.1	-8.4	-10.8	-11.0	-10.8	-5.7
Agriculture	0.4	2.1	-4.9	-6.2	-1.6	-1.4	2.0	0.2	6.7	-1.9
Extractive Industry	-0.1	-1.3	0.1	0.3	-0.5	-6.5	-5.6	-5.8	-4.0	-3.2
Construction	5.9	10.3	6.0	-0.7	-2.8	-4.8	-5.6	-5.8	-5.4	-3.5
Individuals employed in the in-bond industry	12.2	12.7	12.4	5.6	-2.4	-11.3	-16.8	-0.4	0.3	-10.0
	Percentage of the Economically Active Population									
Open unemployment rate in urban areas	3.2	2.5	2.2	2.5	2.3	2.4	2.6	2.4	2.5	2.5
Mexico City	4.0	3.2	2.7	3.2	2.9	2.8	3.2	2.7	3.2	3.0
Guadalajara	2.8	2.1	1.9	2.1	2.2	2.1	2.0	2.2	1.6	2.1
Monterrey	3.1	2.2	2.1	2.6	2.4	3.0	2.9	3.1	2.2	2.7

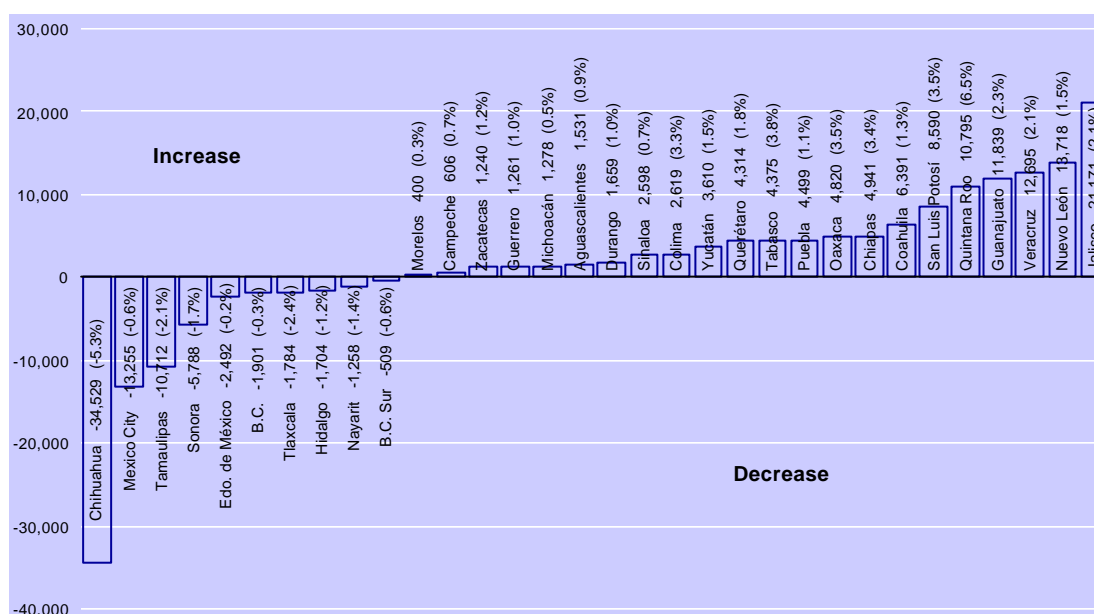
Source: IMSS; In-bond Export Industry Statistics and National Survey on Urban Employment (*Estadísticas de la Industria Maquiladora de Exportación y Encuesta Nacional de Empleo Urbano*), INEGI.

At year-end 2002, formal employment declined in 10 Mexican states (Graph 11), registering a total fall of 74 thousand workers compared to December 2001. In contrast, employment expanded in 22 states, with a total increase of 125 thousand workers. The deterioration of job opportunities in northern Mexico responded to the contraction experienced by the in-bond export industry as well as by the rest of the export sector.

Graph 11

Workers Affiliated to the IMSS by State

Absolute and relative annual variation in 2002



Source: IMSS.

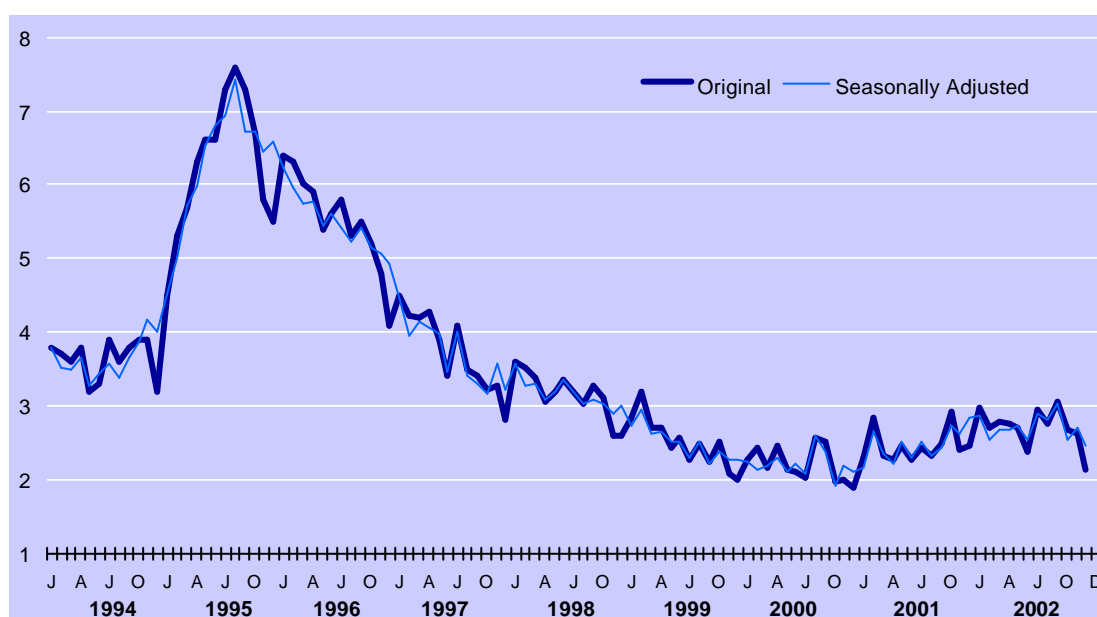
It should be pointed out that in the last few years and up to 2000, the in-bond industry had a major influence on job creation. Between December 1993 and December 2000 this sector generated 763 thousand new jobs due to the continuing economic boom in the United States. The strong correlation between the Mexican in-bond industry and the United States' business cycle, especially regarding industrial output, created a substantial reduction of in-bond output and employment in 2001 and 2002. Consequently, from December 2000 to December 2002, 225 thousand jobs were lost in that industry.

The slack demand for labor in 2002 brought about an increase in the open unemployment rate² (*Tasa de Desempleo Abierto, TDA*) in urban areas, from an average of 2.5 percent in 2001 to 2.7 percent in 2002 (Graph 12). During this period, unemployment for men went up 0.28 percentage points while that for women, 0.2 percentage points. Job dismissal was the main reason for leaving employment (Table 7). Dismissal is the manifestation of unemployment that is most directly linked to the business cycle and to the structural changes in the economy. By level of education, people with medium-high and higher education were the most affected. This group is made up of workers (primarily 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 12

Open Unemployment Rate in Urban Areas

Percentage of Economic Active Population



Source: INEGI. Trend adjustment by Banco de México.

² The Open Unemployment Rate is defined according to the criteria used by the International Labor Organization (ILO). This indicator measures the percentage of the Economically Active Population 12 years of age or older that during the reference period have not worked at least one hour per week, after having actively searched for remunerated employment or tried to engage in self employment.

Table 7

Unemployment Characteristics

Openly Unemployed Population (Percentage Distribution)

	2001	2002
Reasons for leaving employment		
Dismissal	37.2	40.9
Temporary job completed	16.4	15.5
Not satisfied with job	37.9	35.4
Other	8.5	8.1
Level of education		
No education	1.1	1.1
Incomplete Grade School	4.4	4.3
Grade School	13.6	12.9
Junior High School	35.3	36.2
High School and Higher Education	45.7	45.5

Source: Urban Employment Survey, INEGI.

Open unemployment in urban areas grew at a lower than expected rate due to weak economic activity and demand for labor. This lower than expected increase responded to two factors. First, Open Unemployment Rate calculations consider part-time urban employees as employed persons and it is likely that some workers who lost their jobs in the formal market might have continued to work in informal activities. Second, the economically inactive population rose from 44.4 percent in 2001 to 44.9 percent in 2002 as a proportion of the Economic Population. Thus, part of the workers that lost their jobs left the labor market temporarily and, consequently, were not registered as unemployed in the EAP (Economically Active Population) figures.

The contraction of employment in 2002 was mostly reflected in wane labor shortage indicators, which are prepared with data from the Monthly Business Tendency Survey in the Manufacturing Sector undertaken by Banco de México. These indicators reveal that manufacturing firms did not find any difficulty in recruiting and hiring qualified labor for their production, sales and administrative areas. Labor turnover among firms also fell substantially during the year, mainly because of worker's greater uncertainty regarding the possibility for finding alternative, better-paid and more satisfactory jobs. The latter was also apparent in INEGI's data referring to the reasons for leaving work, in which case the "job satisfaction" indicator was recorded less frequently than in the previous year (Table 7).

In December 2002, the daily average of the base salary calculated by the IMSS was 159 pesos, 4 times the minimum wage.

The daily base salary average is the average salary of those individuals employed in the formal sector. However, it should be pointed out that this indicator varies among the different sectors of the economy. As it is, it was higher in the electricity (324 pesos per day), and transport and communications (208 pesos per day) industries. Moreover, from December 2001 to December 2002 it rose 6.1 percent, above inflation in that period. The most substantial increases were in the social and community services sector, and in the construction and electricity industries (Table 8).

Table 8 **Daily Base Salary Average by Economic Activity**
Annual percentage change

	2002							
	I	II	III	IV	Oct.	Nov.	Dec.	Annual
Total	10.6	7.6	8.1	6.5	6.4	7.1	6.1	8.2
Agriculture, Forestry and Fishing	9.3	7.1	10.2	8.1	8.1	8.4	7.8	8.7
Extractive Industries	11.7	4.5	6.1	5.2	4.0	6.5	5.0	6.7
Manufacturing	12.2	7.9	9.2	6.9	6.1	7.8	6.9	9.0
Construction	9.7	7.0	8.3	8.3	6.4	9.1	9.3	8.3
Electricity	15.8	13.3	10.1	9.9	9.8	12.0	8.0	12.2
Commerce	10.2	6.7	7.8	6.4	6.4	7.3	5.6	7.8
Transportation and Communications	9.5	6.4	5.9	4.7	4.1	5.5	4.4	6.6
Services provided to Businesses, Individuals and Households	8.1	6.8	6.1	4.3	4.4	4.5	3.8	6.3
Social and Community Services	11.6	11.2	11.0	9.9	9.9	10.1	9.7	10.9

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

In general, the annual average variation of nominal compensations per worker –including wages, salaries and benefits– outpaced observed inflation throughout 2002 in all sectors of the economy for which information is available (Table 9). Nevertheless, the spread between the growth of nominal wages and inflation narrowed during the year, especially in the manufacturing and in-bond sectors.

Despite the slack in the labor market, real wages continued rising in 2002. The annual growth of real wages in the manufacturing sector was 1.5 percent (its lowest increase since 1999) while in the in-bond industry, 4.2 percent. It is likely that the substantial increase in real wages in the latter sector was influenced by severance payments to workers who lost their jobs in the in-bond industry. For statistical purposes, these payments are considered as wages and are included in the benefits component. Likewise, the upward movement in this indicator also responded to the fact that those workers who remained employed worked, on average, more hours in 2002 than in the

previous year. Finally, average real wages in the commerce sector rose 3.5 percent compared to their negative growth in 2001.

Table 9 **Nominal and Real Wages per Worker**
Annual percentage change

Sector	2001					2002				
	I	II	III	IV	Average	I	II	III	IV	Average
Nominal change										
Manufacturing	14.0	12.5	12.7	14.6	13.5	8.6	7.4	5.8	5.1	6.6
In-bond	14.6	16.1	16.1	15.1	15.5	11.7	10.3	9.4	6.6	9.4
Commerce	6.6	3.8	6.2	6.3	5.7	7.7	8.7	8.0	10.2	8.7
Real change										
Manufacturing	6.1	5.3	6.3	9.0	6.7	3.7	2.5	0.5	-0.3	1.5
In-bond	6.6	8.7	9.6	9.4	8.6	6.6	5.3	4.0	1.2	4.2
Commerce	-0.8	-2.9	0.2	1.2	-0.5	2.8	3.7	2.6	4.6	3.5

Source: INEGI and Banco de México.

Given the scant job creation in 2002 it is important to reiterate the need for nominal wage increases to be consistent with the prevailing economic conditions. By this meaning that they should become a variable of adjustment in the labor market in order to foster employment and offset job losses during periods of low economic activity.

Average labor productivity posted mixed results in 2002 (Table 10). Output per worker in the manufacturing industry rose 5.4 percent, comparing favorably with the 1.3 percent increase registered the previous year. Although productivity rose 1.4 percent in the in-bond export industry, such behavior should be analyzed in the context of the evolution of employment and output in that industry. Finally, sales in the commerce sector fell at a faster rate than employment, leading to a 2.3 percent downturn in productivity.

An analysis of unit labor costs by economic sector reveals this indicator declined in the manufacturing industry as a result of the favorable behavior of productivity and of moderate real wage increases. Nonetheless, these costs escalated in the in-bond and commerce sectors. In the case of the former, this responded to the fact that real wage increases outpaced productivity gains whereas in the latter it was caused by a combination of real wage increases and lower labor productivity.

Table 10 Labor Productivity and Unit Labor Costs
Annual percentage change

Activity	2001					2002				
	I	II	III	IV	Average	I	II	III	IV	Average
Labor Productivity										
Manufacturing	0.4	0.8	0.9	3.0	1.3	2.6	9.2	5.1	4.4	5.4
In-bond	-3.7	-2.2	-3.4	-1.2	-2.6	-0.8	2.9	1.8	1.6	1.4
Commerce	-4.1	-7.5	-11.0	-8.0	-7.7	-4.1	-1.0	-2.0	-2.1	-2.3
Unit Labor Costs										
Manufacturing	5.7	4.4	5.4	5.8	5.3	1.0	-6.3	-4.4	-4.7	-3.6
In-bond	10.7	11.1	13.5	10.5	11.4	7.5	2.3	2.0	-0.4	2.8
Commerce	3.5	4.9	12.6	9.7	7.6	7.2	4.8	4.8	7.0	6.0

Source: INEGI and Banco de México.

Labor productivity improved considerably in the non in-bond manufacturing sector, thus increasing its competitiveness. Such gain partly responded to cyclical factors. When a country experiences an economic downturn, output falls faster than employment causing average productivity to decline (this cycle was particularly noticeable in 2001). Subsequently, employment tends to fall at a faster pace than output, generating a more intensive use of labor and, therefore, improving productivity, as seen in the second quarter of 2002. Forecasts are that once recovery begins to strengthen employment in this industry will rebound, a fact which has already been seen in the moderation of job losses throughout 2002. Lower production costs together with foreseeable developments in the economies of Mexico's main trading partners and in its domestic market are expected to boost the recovery of the non in-bond manufacturing sector.

In contrast, in 2002, the in-bond industry experienced a sharp fall in employment (10 percent) and output (8.7 percent). The modest increase in average labor productivity in this sector is not representative of its behavior prior to 2001 when it was a significant source of employment. Furthermore, higher unit labor costs in this industry reduced Mexico's competitiveness against other countries with significant in-bond sectors.

The average increase of nominal contractual wages³ ended 3.3 percentage points below that observed in 2001. The total number of workers that benefited from this increase was 1,757,422

³ Determined through collective contract negotiations in companies under federal jurisdiction.

individuals, 1.5 percent lower than in 2001. Contractual wage increases were higher in the private sector than in its public counterpart. Meanwhile, an analysis of the different sectors of the economy reveals that the highest wage revisions were in the manufacturing sector. It is important to mention that wages remained above inflation expectations in all of the aforementioned (Table 11).

Table 11 Wage Revisions in Corporations under Federal Jurisdiction
Average percentage change

	2001					2002				
	I	II	III	IV	Annual	I	II	III	IV	Annual
Total	10.3	10.4	9.3	6.9	9.1	6.5	6.0	6.1	4.9	5.8
Public	10.2	10.0	8.5	6.5	7.7	5.4	5.4	5.5	4.5	4.9
Private	10.4	10.5	10.0	7.9	10.0	6.8	6.2	6.6	5.6	6.4
Manufacturing	10.8	10.7	9.3	7.3	9.7	6.7	6.5	6.1	5.5	6.2
Other sectors	9.9	10.3	9.3	6.8	8.6	6.3	5.8	6.4	4.7	5.5
Inflation Expectations *	7.5	6.8	5.9	5.3	6.4	4.5	4.2	4.0	4.1	4.2

* Inflation expectations for the following 12 months.
Source: Ministry of Labor and Banco de México.

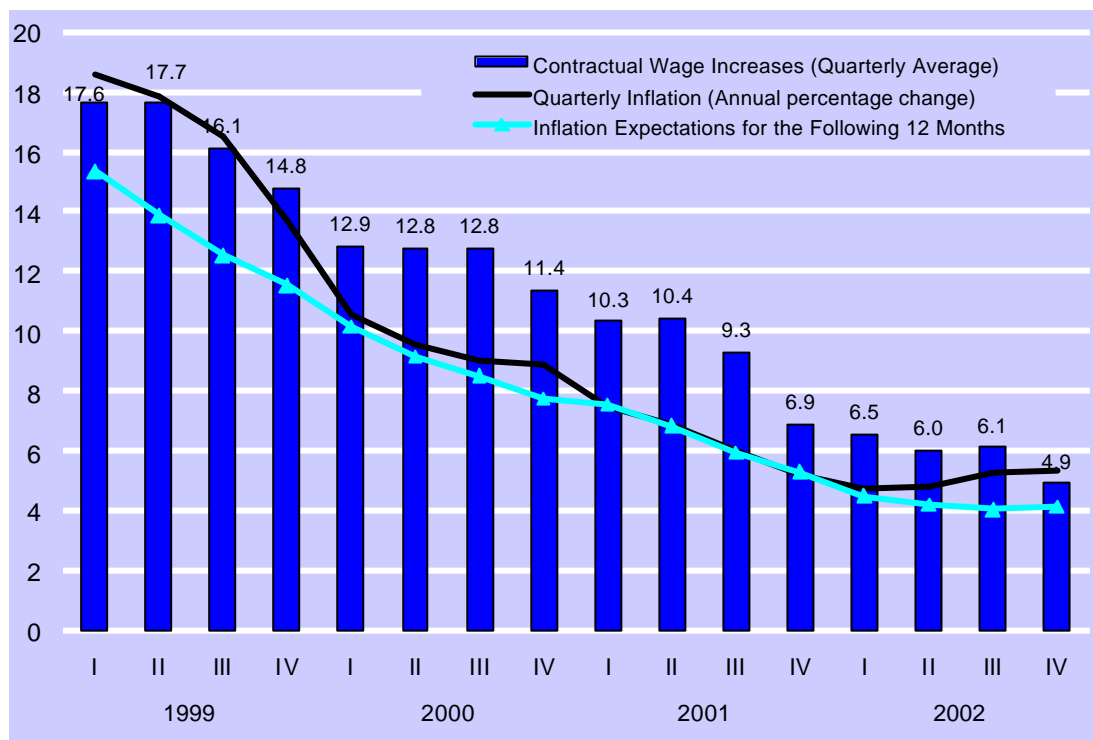
Reviewing the behavior of contractual wages is important inasmuch as any granted increases remain binding for twelve months, period in which they influence the determination of other wages, which also affects current and expected inflation. Considering the above, it is important to emphasize the downward rigidity of wage increases during the first three quarters of 2002, when average contractual wages rose 6 percent or more (Graph 13). Moreover, this behavior coincided with a rebound in inflation and the deterioration of inflation expectations among private sector economic analysts. The latter helps to explain workers rigidity to negotiate lower settlements of nominal contractual wages. This situation was more evident in the private sector.

Wage revisions that are not in line with the inflation target or with sustainable gains in labor productivity not only affect firms' competitiveness but also hinder the entrance of the young and unemployed to the labor market.

In light of the above, the Mexican Congress's review of a series of measures intended to modify the framework of labor legislation represents the first step in the discussion and possible authorization of changes to this law which will improve the conditions for hiring labor and increase flexibility in such market. The passing of

these proposals by Congress could help to significantly bolster economic competitiveness and improve job opportunities in Mexico.

Graph 13 **Contractual Wages and Inflation**
Annual percentage change



Source: Ministry of Labor and Banco de México.

In 2002, ex-ante real contractual wages⁴ posted an annual average increase of 1.5 percent (Table 12) while ex-post contractual wages, 3.9 percent, 1.6 percentage points below their level in 2001.

One of the most useful indicators for reviewing the manufacturing sector's international competitiveness is the real exchange rate index based on unit labor costs. This indicator depreciated in real terms during the year (Graph 14).

⁴ Variations in ex-ante contractual wages are calculated using wage increases during the current year, deflated with inflation expectations for the following 12 months. Ex-post variations refer to nominal wage increases granted in the previous 12 months, deflated by observed inflation during the period in which the referred increases were binding.

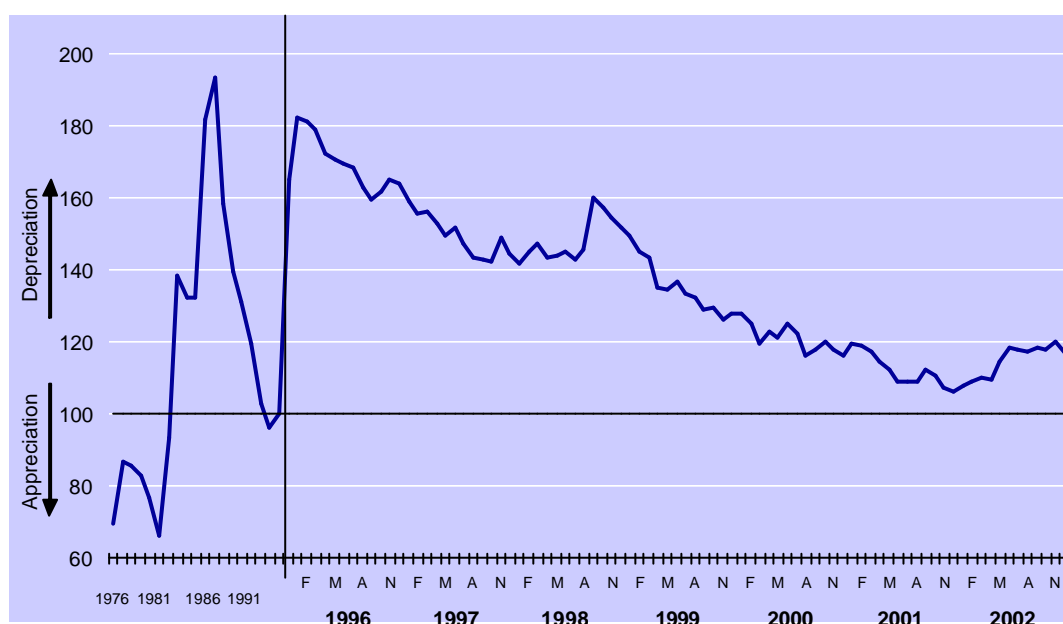
Table 12 **Real Contractual Wages**
Annual percentage change

	2001					2002				
	I	II	III	IV	Annual	I	II	III	IV	Annual
Ex ante	2.6	3.3	3.1	1.3	2.4	2.0	1.7	2.0	0.8	1.5
Ex post	5.0	5.5	6.5	5.4	5.5	5.3	5.4	3.7	1.7	3.9

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

Graph 14 **Real Exchange Rate Index Based on Unit Labor Costs (Manufacturing Sector)***

Index: 1994=100



* Calculated with 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

The evolution of Mexico's external sector during 2002 was influenced by the following factors: the weakness of external demand (particularly that of the United States); rising international oil prices; modest increases in domestic output and demand (which reduced demand for imports and, thereby, narrowed the current account deficit); and large capital inflows.

The meager expansion of Mexico's non-oil exports in 2002 reflected the close link between the Mexican and the United States

economies. Although GDP rebounded in the United States during the year, industrial output, which has a direct influence on the demand for Mexican exports, contracted. Meanwhile, the modest increase in domestic demand coupled with feeble non-oil exports –an important component of imported inputs– brought about a slight rise in merchandise imports.

Rising international oil prices throughout 2002 contributed to reduce Mexico's trade and current account deficits. Several factors influenced the behavior of oil prices: ongoing uncertainty regarding the political situation in the Middle East; growing concerns about war in Iraq; OPEC's decision in mid- September not to raise oil production; and the troublesome political events in Venezuela that ended in a national oil industry strike in December. Furthermore, the particularly cold winter in 2002 added to the aforementioned factors.

The climate of uncertainty that characterized financial markets during 2002 led to higher risk aversion, particularly, regarding country risk perceptions for Latin American countries. Nevertheless, Mexico had a significant inflow of external resources during the year, especially via foreign direct investment (FDI), which allowed the current account deficit to be financed easily. The aforementioned allowed the Mexican economy to follow an orderly adjustment despite external disturbances, preventing unsustainable imbalances in its external accounts.

The most outstanding features of Mexico's external sector in 2002 were as follows:

- a) A slight increase in the value of both exports and imports of goods compared to the previous year;
- b) Exports of non-oil goods fell slightly due to the weakness of the world economy, particularly that of the United States. Moreover, the reduction in this type of exports can also be attributed to the loss of competitiveness of the Mexican economy due to the lack of structural changes, while other economies that compete in the same external markets as Mexico have made progress in this field;
- c) A substantial increase in oil exports due to rising international oil prices throughout the year;

- d) A slightly higher share of Mexican products in United States' imports, albeit having declined in the second half of 2002. This mainly responded to the slower expansion of non-oil exports. Furthermore, there were other countries whose exports performed better in that market;
- e) A modest rise in merchandise imports set off by slight increases in output, domestic demand and manufacturing exports (which use imported inputs);
- f) A narrower trade balance deficit due to the higher value of oil exports and the modest rise in merchandise imports;
- g) A large inflow of resources from remittances of Mexican residents abroad;
- h) A contraction in the balance of payments' current account deficit, which was mostly financed with long-term external resources;
- i) A considerable amount of foreign direct investment accounting for 97 percent of the current account deficit;
- j) A surplus in the balance of payments' capital account, mainly due to inflows of long-term FDI from the private sector and to a reduction of Mexican residents' assets held abroad;
- k) A reduction in public sector and commercial banks' external debt; and
- l) A significant increase in net international reserves.

Total trade deficit in 2002 was 7.997 billion US dollars, 19.7 percent less than the 9.954 billion US dollar figure of the previous year. This result originated mostly from increased oil exports.

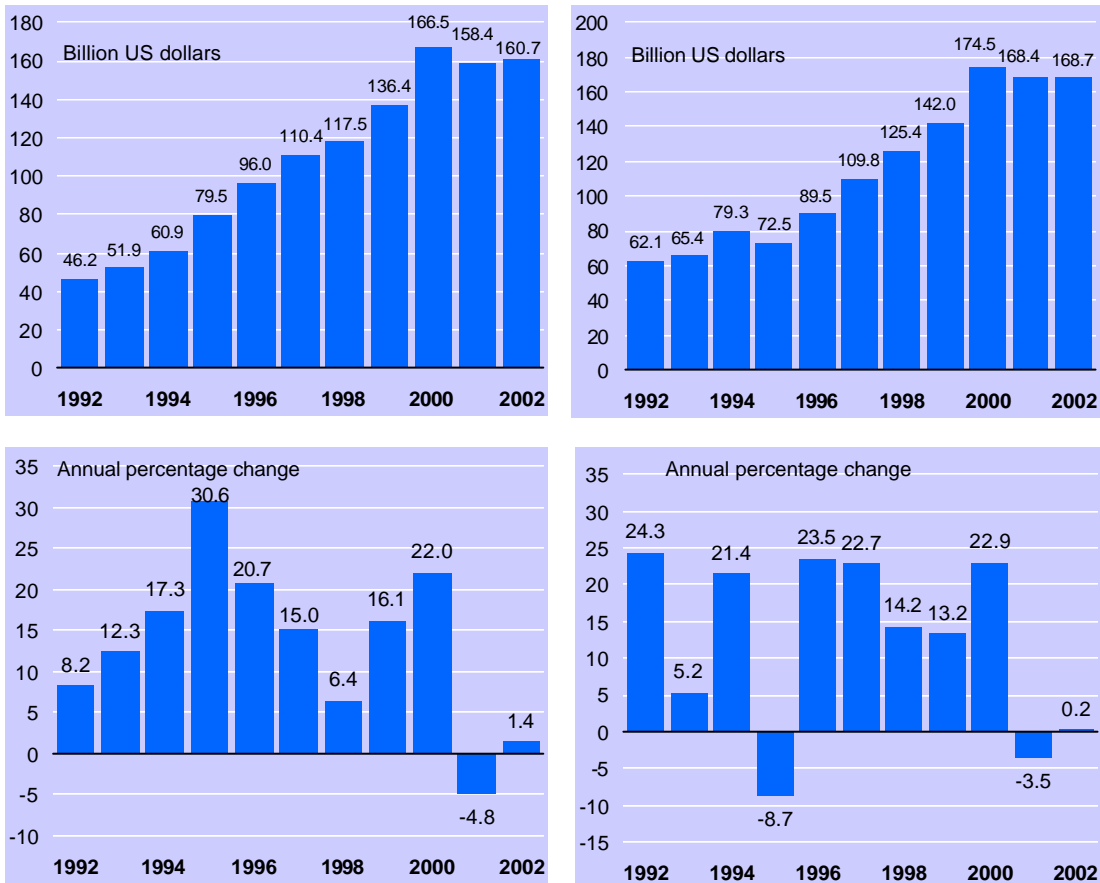
During the same year, the value of merchandise exports rose 1.4 percent (Graph 15 and Table 13). The increase in exports during the second half of the year (5.9 percent) more than offset the contraction they had experienced in the first semester. Non-oil exports expanded by a mere 0.4 percent, the same rate as manufactured goods exports. Exports in the non in-bond and in-bond manufacturing sectors

recorded positive variations of 0.8 percent and 1.5 percent, respectively.

Graph 15 Foreign Trade in Goods

Exports

Imports



The average price of the Mexican crude oil-export mix was 21.58 US dollars per barrel, 3.01 dollars higher than in 2001. As a result, the total value of oil exports went up 13.1 percent.

Exports of agricultural products went down 1.9 percent, mainly due to the downslide of exports of legumes and vegetables, coffee, chickpeas, melon and watermelon, cotton and cattle. However, exports of tomatoes, corn and some fresh fruits increased.

The total value of imported goods rose 0.2 percent (Table 13) due to the modest expansion of domestic output and aggregate spending as well as the modest growth of exports that use imported inputs. Although imports declined 3.9 percent in the first half of the year, they expanded 4.3 percent in the second semester. Imports of intermediate goods rose only 0.3 percent in response to both a 2.9 percent increase in the in-bond sector and a 2 percent drop in the non in-bond sector. Meanwhile, imports of capital goods diminished 6.7 percent due to reduced private sector investment.

Table 13 **Trade Balance**
Million US dollars

Item	2000 (1)	2001 (2)	2002 (3)	Absolute	Percentage change	
				change in 2002 (3)-(2)	2001 (2)/(1)	2002 (3)/(2)
Exports	166,455	158,443	160,682	2,239	-4.8	1.4
Oil	16,383	12,799	14,477	1,678	-21.9	13.1
Non-oil	150,072	145,644	146,205	561	-3.0	0.4
Agriculture	4,217	3,903	3,827	-76	-7.5	-1.9
Extractive	521	388	389	1	-25.4	0.2
Manufacturing	145,334	141,353	141,989	636	-2.7	0.4
In-bond	79,467	76,881	78,041	1,160	-3.3	1.5
Other	65,867	64,472	63,948	-524	-2.1	-0.8
Imports	174,458	168,396	168,679	282	-3.5	0.2
Consumer Goods	16,691	19,752	21,178	1,426	18.3	7.2
Intermediate Goods	133,637	126,149	126,508	359	-5.6	0.3
In-bond	61,709	57,599	59,296	1,697	-6.7	2.9
Other	71,929	68,550	67,212	-1,338	-4.7	-2.0
Related to exports	96,096	86,778	85,928	-850	-9.7	-1.0
Not related to exports	37,541	39,371	40,580	1,209	4.9	3.1
Capital Goods	24,130	22,496	20,992	-1,503	-6.8	-6.7
Total Trade Balance	-8,003	-9,954	-7,997	1,957	24.4	-19.7
Non-oil Trade Balance	-24,386	-22,752	-22,474	279	-6.7	-1.2

Note: Partial figures may not add up due to rounding.

Imports of consumer goods rose 7.2 percent, the most noteworthy increases being in electrical and electronic equipment and appliances, textile products, and automobiles. In fact, if external purchases of these products are subtracted, imports of other consumer goods declined 0.7 percent.

The following regional aspects of Mexico's foreign trade in 2002 are worth mentioning: i) an overall trade surplus with NAFTA trading partners; and ii) a deficit with other countries in the American continent as well as with Europe and Asia. The narrowing of Mexico's total trade deficit stemmed from the combination of a larger surplus

with the members of the NAFTA region, a change from surplus to a slight deficit with other countries in the American continent, and a higher deficit with Europe and Asia. Thus, Mexico's rising trade surplus with the NAFTA members more than compensated the larger deficits with other regions (Table 14).

Table 14 **Mexico's Trade Balance by Region**
Million US dollars

	2000 (A)	2001 (B)	2002 (C)	Absolute Change (C)-(B)	Percentage change			
					Exports		Imports	
					2001	2002	2001	2002
TOTAL	-8.003	-9.954	-7.997	1.957	-4.8	1.4	-3.5	0.2
NAFTA REGION	19.488	25.364	34.726	9.361	-5.1	1.7	-10.3	-5.9
United States	20.151	26.530	36.397	9.868	-5.0	1.9	-10.8	-6.3
Canada	-663	-1,165	-1,671	-506	-8.5	-8.5	5.4	5.8
REST OF THE WORLD	-27.491	-35.318	-42.723	-7.405	-2.2	-1.0	17.5	14.4
Rest of America	1,760	1,165	-193	-1,358	0.8	-3.1	13.2	20.7
Europe	-10,301	-12,340	-12,778	-438	-7.9	-2.3	9.1	1.6
Asia	-18,113	-23,122	-28,925	-5,803	3.0	9.5	25.0	23.7
Other	-837	-1,021	-826	194	33.9	-11.6	23.8	-17.8

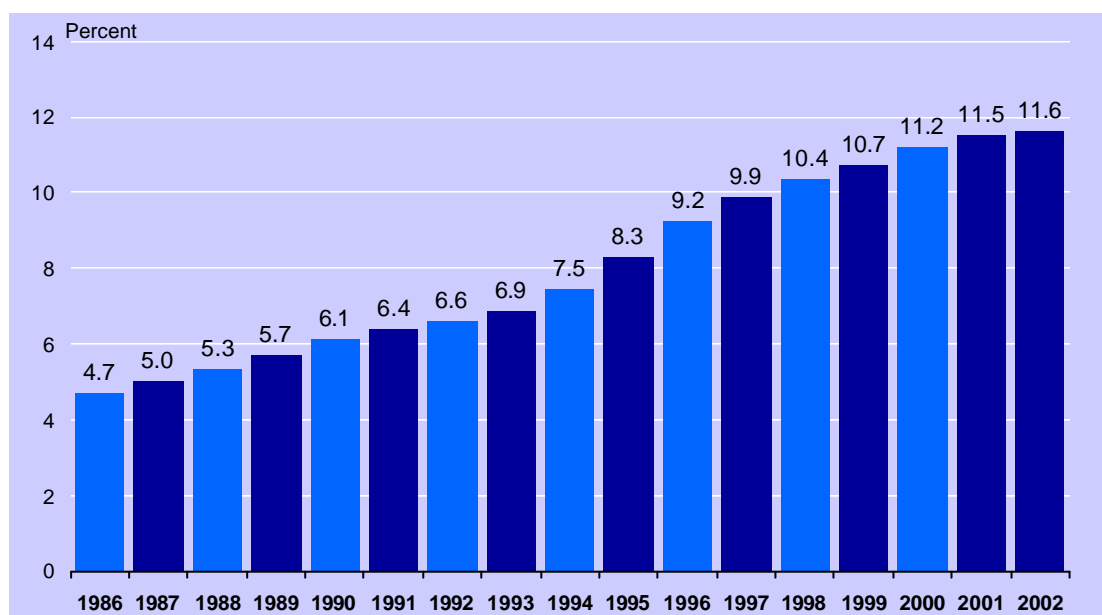
Note: Partial figures may not add up due to rounding.

Data on United States' foreign trade reveals that there was a marginal increase in imports of goods during 2002, although purchases of Mexican products rose at a higher rate. Thus, while U.S. imports of goods grew 2 percent, those from Mexico did so at 2.6 percent (Table 15). However, in the second half of the year non-oil imports went up 9.1 percent while purchases of Mexican products rose only 3.9 percent. During the year covered by this Report there were other countries whose exports performed better than Mexico's in the U.S. market (China, Germany, Spain and Malaysia, for example).

The evolution of Mexico's exports to the United States meant Mexican products slightly increased their share in United States' imports, from 11.5 percent in 2001 to 11.6 percent in 2002 (Graph 16). Furthermore, Mexico maintained its position as the second most important exporter of goods to the United States behind Canada and ahead of Japan. Nonetheless, although the value of Mexican exports to the United States surpassed those of China throughout the year (Table 15), this trend reverted in the second semester. Thus, although China and Mexico's share in total U.S. imports during the first half of the year

was 9.7 and 11.9 percent, respectively, in the second half of the year China's share went up to 11.8 percent while that of Mexico fell to 11.3 percent. The substantial gains of Chinese exports in world markets, particularly in that of the United States, are due to the significant structural changes undertaken by that country, greater spending on infrastructure and, in general, permanent investment and a plentiful supply of low cost qualified labor. It is therefore not surprising that China has attracted large inflows of foreign direct investment.

Graph 16 Share of Mexican Exports in U.S. Imports



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

Table 15 U.S. Imports
Annual percentage change

	Percentage Structure			Total 2002	Total excluding oil 2002	Auto industry 2002	Total excluding oil and auto industries 2002
	2000	2001	2002				
Total	100.00	100.00	100.00	1.98	1.84	6.74	0.77
Total excluding Mexico	88.84	88.49	88.42	1.90	1.92	8.17	0.74
1 Canada	18.90	18.95	18.10	-2.63	-3.25	2.74	-5.59
2 Mexico	11.16	11.51	11.58	2.58	1.20	1.37	1.11
3 China	8.21	8.96	10.76	22.38	22.35	0.00	22.35
4 Japan	12.03	11.08	10.44	-3.94	-3.94	9.86	-11.54
5 Germany	4.82	5.18	5.37	5.76	5.76	17.87	0.07
6 United Kingdom	3.57	3.63	3.51	-1.21	-1.21	35.40	-5.17
7 France	2.45	2.67	2.44	-6.58	-6.58	0.00	-6.58
8 Malaysia	2.10	1.96	2.06	7.47	7.67	0.00	7.67

Source: U.S. Census Bureau.

United States' merchandise imports are made up of 1,250 generic products or items, and a total of 1,235 items excluding oil products. Of the latter group, Mexico sells 1,078 items to the United States (Table 16). In 2002, Mexico was the main supplier of 109 non-oil products whose total export value in the year amounted to 42.506 billion US dollars. This figure accounts for 34.4 percent of United States' total non-oil imports from Mexico. Among these products are: electric cables and conductors, T.V. sets, automobile seats, suits and formal wear, and electrical transformers.

Table 16

United States' Non-oil Imports from Mexico according to the Latter's Level of Importance as a Supplier in 2002

Ranking of Mexican products supplied to the U.S.	Number of Products	Value of Mexican Exports to the U.S. (millions of US dollars)
1°	109	42,506
2°	143	36,910
3°	493 } 115	115,766 } 19,491
4°	62	15,338
5°	64	1,521
Rest	585	7,678
Total	1,078	123,444

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

Mexico ranks first among the top five suppliers of 493 non-oil products to the United States. In 2002, these products represented 93.8 percent of Mexican non-oil exports to that country. From the aforementioned, United States imports of Mexican goods such as cars, car parts, trucks, computers and their parts, video recorders, telephones and radios were noteworthy.

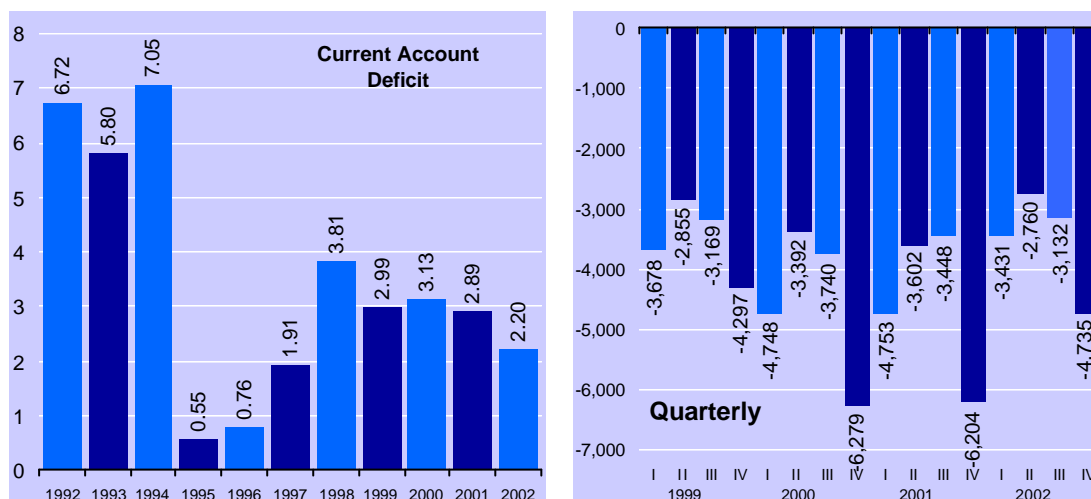
The current account deficit (both in U.S. dollars and as a proportion of GDP) contracted to 14.058 billion US dollars (2.2 percent of GDP). These figures compare favorably with those observed in 2000 and 2001, when the deficit reached 18.159 and 18.008 billion US dollars, and 3.1 and 2.9 percent as a proportion of GDP, respectively. The current account deficit was financed primarily with long-term external resources (Graph 17).

Graph 17

Current Account Balance

GDP percentage

Million US dollars



The narrowing of the current account deficit compared to its level in 2001 responded to the following factors: a reduced trade deficit –which stemmed from the increased value of oil exports– a narrower factor services’ deficit, and a surplus in the transfers account. The reduction in the factor services’ balance was due for the most part to falling profits in companies with foreign direct investment while the larger surplus in the transfers account resulted from increased remittances from Mexican workers abroad (Table 17).

Table 17

Balance of Payments’ Current Account

Million US dollars

Item	2001 (A)	2002 (B)	Absolute change (B - A)
Current Account	-18,008	-14,058	3,950
Trade Balance	-9,954	-7,997	1,957
Exports	158,443	160,682	2,239
Imports	168,396	168,679	282
Non-factor services	-3,558	-4,048	-491
Factor services	-13,835	-12,282	1,553
Transfers	9,338	10,268	930

Note: Figures may not add up due to rounding.

The balance of non-factor services registered a deficit of 4.048 billion US dollars. The international travelers component had a surplus of 2.798 billion US dollars, 3.7 percent higher than in 2001. The other components of this balance recorded a total deficit of 6.846 billion US dollars that mainly derived from expenditures related to foreign trade.

In 2002, the balance of factor services totaled 12.282 billion US dollars, below the 13.835 billion figure registered in the previous year. Net interest payments (expenditures less revenues) was 9.16 billion US dollars, 6.5 percent higher than in 2001. The remaining components of this balance registered a total deficit of 3.122 billion US dollars, which was mostly composed of profit payments (remitted and reinvested) by companies with foreign capital investment. These profits amounted to 3.465 billion US dollars in 2002, below the 5.32 billion figure observed in 2001.

The surplus in the transfers account reached 10.268 billion US dollars in 2002. The major component of this item was workers' remittances, which is made up of resources sent by Mexicans living abroad to their families in Mexico. In the year covered by this Report these reached 9.815 billion US dollars, equivalent to 75 percent of oil exports and 1.54 percentage points of GDP for the year. During the year, 29.9 million remittance transactions were carried out (average amount per remittance: 328 US dollars).

The capital account registered a surplus of 20.377 billion US dollars in 2002. This figure resulted from the combination of inflows of long-term resources from the private sector via FDI, and a reduction of foreign assets held by Mexican residents. There was also a modest inflow of portfolio investment as well as net debt amortization by commercial banks and the public sector (Table 18).

Table 18

Balance of Payments

Million US dollars

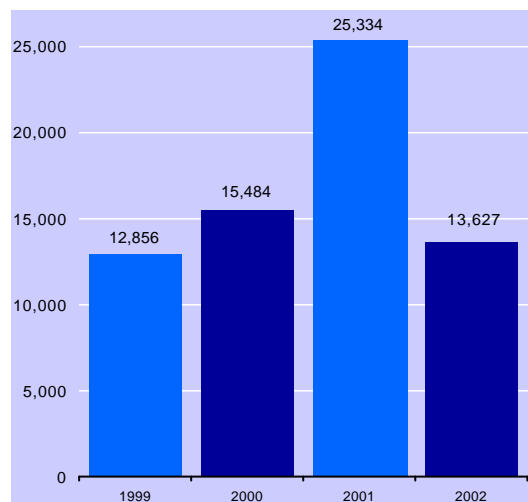
Item	2001	2002
Current Account	-18,008	-14,058
Capital Account	24,407	20,377
Liabilities	28,241	8,612
Indebtedness	1,815	-5,060
Development Banks	-1,210	-1,244
Commercial Banks	-2,894	-3,144
Banco de México	0	0
Non-bank public sector	-84	-3,220
Non-bank private sector	6,003	2,548
Foreign Investment	26,426	13,673
Direct	25,334	13,627
Portfolio	1,092	46
Equity Market	151	-104
Money Market	941	150
Assets	-3,835	11,765
Errors and Omissions	926	770
Variation in Net International Reserves	7,325	7,104
Adjustments	0	-14

Note: Figures may not add up due to rounding.

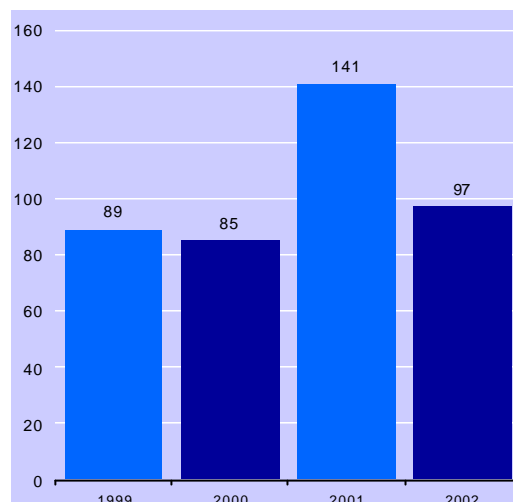
During the year covered by this Report Mexico received an inflow of foreign direct investment of 13.627 billion US dollars (Graph 18). Considering the prevailing uncertainty in the world economy during the year this is a significant figure. The breakdown of FDI was as follows: 6.611 billion in new investment; 2.23 billion in re-invested profits; 2.044 billion in imports of fixed assets by in-bond manufacturers; and a 2.742 billion US dollar net increase in liabilities of companies with headquarters abroad. By sectors, FDI was mainly channeled to manufacturing (42.2 percent), financial services (30.3 percent), commerce (11.6 percent), and transportation and communications (7.7 percent). As for investment by country, the most important flows came from the United States (72.9 percent), the Netherlands (5 percent), Germany (4.9 percent), Switzerland (2.7 percent), and Spain (2.5 percent). There was also a net inflow of portfolio investment of 46 million US dollars during the year, coming from an inflow of 150 million US dollars in the money market and an outflow of 104 million in the stock market. As a result, total foreign investment, both direct and portfolio investment, was 13.673 billion US dollars for the year.

Graph 18 Foreign Direct Investment

Million US dollars



As a percentage of the current account deficit



Source: Banco de México and Ministry of the Economy (*Secretaría de Economía, SE*).

The public sector's net external indebtedness totaled 4.464 billion US dollars, 15.031 billion in new liabilities and 19.495 billion in principal repayments.⁵ This resulted from net principal repayments by the Federal Government of 1.11 billion US dollars, by the non-financial public sector of 2.11 billion and by development banks of 1.244 billion. During the year covered by this Report, the public sector made five bond placements abroad for 4.367 billion US dollars, at an average maturity of 18.4 years. The Federal Government channeled part of these funds to the repurchasing of Brady bonds.

In 2002, private sector's net external indebtedness decreased by 596 million US dollars. This was due to a combination of non-bank private sector indebtedness of 2.548 billion US dollars and a

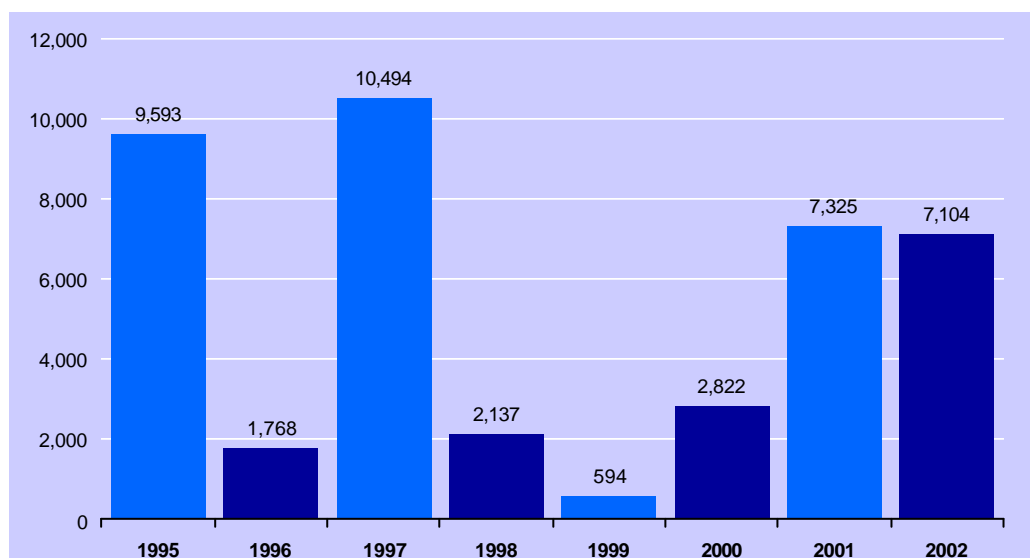
⁵ Data for the public sector's external debt reported in the balance of payments are slightly different than those published by the Ministry of Finance (SHCP). The former obeys to the different criteria used for registering Brady Bond amortizations. While the Ministry of Finance considers these amortizations at their nominal value during the period in which such bonds are canceled before the United States Treasury Department, the balance of payments reports this movement at market value and during the period in which the Federal Government acquires these bonds in the external market. Furthermore, the balance of payments excludes some external debt operations from the public sector that do not generate cash flow.

net external debt repayment by the commercial banking sector worth 3.144 billion.

The amount of foreign assets held by Mexican residents declined substantially, thus implying a net inflow of 11.765 billion US dollars. This result mainly stemmed from reductions in the public sector and commercial banks' assets. The public sector used these funds to pay off external liabilities while commercial banks employed them for both external and domestic liability repayments.

In short, Mexico's balance of payments in 2002 was characterized by the following results: a current account deficit of 14.058 billion US dollars; a 20.377 billion US dollar capital account surplus; a 770 million US dollar positive flow in the errors and omissions line item; and an accumulation of Banco de México's net international reserves⁶ of 7.104 billion US dollars. Thus, by December 31st 2002 the stock of net international reserves totaled 47.984 billion US dollars (Graph 19).

Graph 19 Variation in Net International Reserves
Million US dollars



⁶ As defined by Banco de México's Law. In order for the total current account and capital account balances, and the errors and omissions line item to add up and obtain the variation of Banco de México's net international reserves, a 14 million US dollar adjustment in the value of net international reserves must be made.

III.4. Public Finances

III.4.1. Economic Balance

According to information provided by the Ministry of Finance (SHCP), the non-financial public sector deficit totaled 75.6 thousand million pesos in 2002, accounting for 1.23 percent of GDP⁷ (Table 19). The primary surplus, defined as the difference between revenues and expenditures excluding public sector's financial costs, was 108.9 thousand million pesos.

Table 19 Public Balance in 2002 ^{1/}

	Million pesos	GDP %
I Public Balance	-75,606.6	-1.23
II Net Cost (1-2)	-37,934.0	-0.62
1 Partial Use from SAR-IMSS 92 accounts*	10,944.0	0.18
2 Cost stemming from Banrural's Liquidation and from the Creation of the Rural Financial Agency	48,878.0	0.79
III Adjusted Public Balance (I-II)	-37,672.6	-0.61
IV Primary Balance	108,965.1	1.77
V Adjusted Primary Balance (IV-II)	146,899.1	2.39

*/ Total SAR-IMSS 92 accounts were nearly 20 thousand million pesos. However, only 11.9 thousand million pesos were applied in fiscal 2002.

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

Source: Ministry of Finance (SHCP).

The above results include 37.9 thousand million pesos from the net cost⁸ of the winding up of BANRURAL (*Sistema BANRURAL*) and the creation of the Rural Finance Agency (*Financiera Rural, FR*), authorized by Congress in December of 2002. If this expenditure is excluded, the public sector registered a deficit of 37.7 thousand million pesos and a primary surplus of 146.9 thousand million pesos.

⁷ The public sector deficit is the relevant indicator to assess the Public Administration's compliance with budget commitments.

⁸ Made up of a) expenditures totaling 48.9 thousand million pesos destined for the winding up of BANRURAL and the creation of the Rural Finance Agency, as well as b) the use of 10.9 thousand million pesos derived from the SAR-IMSS 92 account under the terms authorized by Congress.

Budgetary public revenues totaled 1,388.2 thousand million pesos in 2002 (equivalent to 22.6 percent of GDP). This figure was 16.7 thousand million pesos below that set by the Federal Revenue Law (Table 20). Lower than expected economic growth and an overestimation of the impact the fiscal reform approved by Congress in December 2001 are among the main factors that explain this result.

Although the objective for public revenues was not met in 2002, these did increase 4 percent in real terms compared to their level in the previous year. This result was due to the fact that increased tax revenues and revenues from public sector entities and enterprises were partly offset by a reduction in non-tax revenues (mainly oil duties). The non-oil and oil⁹ components of total revenues rose, in real terms, 5.3 and 0.8 percent, respectively (Graph 20).

Tax revenues increased 6.1 percent in real terms, which is a very favorable result considering the meager economic growth during 2002. The revenue items that increased in 2002 were as follows: i) income tax, as a result of Law reforms and fiscal and administrative simplification measures¹⁰ adopted; ii) the Special Tax on Production and Services (*Impuesto Especial sobre la Producción y Servicios, IEPS*) due to higher tax rates on gasoline and diesel in order to maintain domestic prices in line with those budgeted in the midst of reduced international prices¹¹; and iii) “other taxes”, as a result of new taxes coming into force such as that substituting the wage credit, and that on luxury goods and services.

⁹ Defined as PEMEX revenues, oil duties and benefits, as well as IEPS on gasoline and diesel.

¹⁰ The Ministry of Finance reported that the number of taxpayers bound to present some tax returns increased by 408,892 individuals in 2002 (34,309 firms and 374,583 individuals).

¹¹ The international prices of the referred fuels were lower in 2002 than in the previous year.

Table 20 Observed and Approved Public Balance in 2002 ^{1/}

	Million pesos				Real growth
	2001	2002		Difference	
	Observed	Approved	Observed including		
			Winding-up of BANRURAL		
(1)	(2)	(3)	(3-2)	(3/1)	
Public Balance	-42,195.5	-40,194.1	-75,606.6	-35,412.5	70.6
Non-budgetary balance	-1,902.3	0.0	-3,520.5	-3,520.5	76.2
Budgetary balance	-40,293.2	-40,194.1	-72,086.1	-31,892.0	70.3
Fiscal Revenues	1,271,376.5	1,404,863.8	1,388,166.7	-16,697.1	4.0
Federal Government	939,114.4	1,026,235.5	989,281.9	-36,953.6	0.3
Tax revenues	654,870.3	806,300.0	729,429.6	-76,870.4	6.1
Income tax (ISR)	285,523.1	367,734.5	319,316.9	-48,417.6	6.5
VAT (IVA)	208,408.1	223,738.1	218,260.5	-5,477.6	-0.3
Special Tax on Production and Services (IEPS)	110,688.8	155,075.1	136,493.0	-18,582.1	17.4
Imports	28,902.1	28,899.8	27,431.7	-1,468.1	-9.6
Other	21,348.2	30,852.5	27,927.5	-2,925.0	24.6
Non-tax revenues	284,244.1	219,935.5	259,852.3	39,916.8	-13.0
Rights	203,751.6	140,994.8	158,507.1	17,512.3	-25.9
Proceeds	6,620.6	5,988.8	5,255.6	-733.2	-24.4
Benefits	73,871.9	72,951.9	96,089.6	23,137.7	23.8
Public entities	332,262.1	378,628.3	398,884.8	20,256.5	14.3
PEMEX	103,523.9	144,042.7	149,846.8	5,804.1	37.8
Other	228,738.2	234,585.6	249,038.0	14,452.4	3.7
Net Paid Expenditures	1,311,669.7	1,445,057.9	1,460,252.8	15,194.9	6.0
Programmable	925,257.1	1,008,274.4	1,060,895.8	52,621.4	9.2
Non-programmable	386,412.6	436,783.5	399,357.0	-37,426.5	-1.6
Financial cost	188,062.1	206,411.3	178,358.5	-28,052.8	-9.7
Interests	148,211.9	161,033.2	134,376.0	-26,657.2	-13.7
Debtor and saver support programs	39,850.2	45,378.1	43,982.5	-1,395.6	5.1
Revenue sharing	196,931.2	219,192.9	214,890.9	-4,302.0	3.9
ADEFAS and other ^{2/}	1,419.3	11,179.3	6,107.6	-5,071.7	309.7
Primary Balance	148,728.2	167,046.8	108,965.1	-58,081.7	-30.2
Informative items					
Oil-related revenues	386,579.0	395,607.7	409,200.9	13,593.2	0.8
Non-oil related revenues	884,797.6	1,009,256.1	978,965.9	-30,290.2	5.3

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

2/ Includes Debts of Previous Fiscal Years (*Adeudos de Ejercicios Fiscales Anteriores*, ADEFAS) and net expenditure made by the Federal Government on behalf of public entities.

Source: Ministry of Finance (SHCP).

In contrast, revenues from the value added (VAT) and import taxes declined in real terms. The former diminished due to a lower pace of growth of domestic sales of merchandises subject to this tax. Meanwhile, revenues from import taxes decreased because of lower customs duties resulting from the free trade agreements signed by Mexico and lame purchases from abroad.

Graph 20 **Oil-export Mix Price**
US dollars per barrel



Source: Bloomberg and PEMEX.

Reduced revenues from oil rights contributed notably to the decline in the Federal Government's non-tax revenues with respect to their level in 2001 (13 percent in real terms). This responded to three factors: a lower volume of oil exports; a decline in the international price of some oil derivatives; and a drop in PEMEX's domestic sales.

Benefits, measured at constant prices, increased basically as a result of higher non-recurrent revenues such as i) the use of resources from the Oil Revenue Stabilization Fund (*Fondo de Estabilización de los Ingresos Petroleros*); ii) the sale of shares of BBVA-Bancomer¹²; iii) the sale of AHISA capital¹³; iv) income from external public debt repurchase operations; v) a payment from the Trust for the Support and Rescue of Concessioned Highways (*Fideicomiso de Apoyo para*

¹² For 7.1 thousand million pesos. The total sale amount was 8.2 thousand million pesos, of which 1.1 thousand million corresponded to the IPAB.

¹³ For 6.1 thousand million pesos. The amount of the operation was 9.2 thousand million pesos, of which 2.1 thousand million pesos corresponded to PEMEX and one thousand million were deposited in the Public Entity Winding Up Fund (*Fondo de Desincorporación de Entidades*). The latter decision was taken to pay commissions on the sale of public assets and contingencies derived from possible claims by purchasers of the aforementioned assets.

el Rescate de Autopistas Concesionadas, FARAC) to manage some sections of highways previously run by the public entity Federal Roads and Bridges (*Caminos y Puentes Federales, CAPUFE*); and vi) payments amounting to 10.9 thousand million pesos from the SAR-IMSS 92 contributions, which were destined for the creation of the Rural Finance Agency.

PEMEX's own revenues were higher in 2002 in real terms than those obtained in 2001 because of less paid taxes and imports. The reduction in tax payments came from refunds received by PEMEX that were due from the previous year. Furthermore, PEMEX's revenues also increased because of the recovery of social capital from AHISA.

In 2002, revenues from non-oil public entities and enterprises grew 3.7 percent at constant prices compared to those observed in 2001. This result was due mainly to revenues obtained by the Federal Electricity Commission (*Comisión Federal de Electricidad, CFE*) as a result of the following: higher average prices due to the reduction of the subsidy on electricity charges for residential use, improvements on collection, an increase in the number of users, and a higher volume of sales.

Total budgetary expenditure was 1,460.3 thousand million pesos (23.7 percent of GDP) in 2002. This surpassed the programmable expenditure set out in the Federal Budget (*Presupuesto de Egresos de la Federación, PEF*) by 15.2 thousand million pesos, thus implying public expenditure grew 6 percent in real terms. If the cost of winding up BANRURAL and the creation of the Rural Finance Agency are excluded from this figure, expenditure expanded 2.4 percent in real terms. The latter cost was registered as a capital transfer.

The expansion of public expenditure in 2002 was mostly a result of a 6.1 percent real increase in current expenditure (particularly those for personal services) and higher revenue shares. This trend was partially offset by reductions in capital spending and interest payments.

The rise in current expenditure obeyed to the following: i) higher outlays for personal services destined to the education, health, communications and transportation sectors, and to public and national security, including payments granted to states (7.6 percent at constant

prices); ii) increased transfers and subsidies (other than payroll payments) given to local governments via revenue shares (9.1 percent), particularly those destined to education; and iii) the growth of pension payments (4.1 percent) due to a rise in the number of pensioners.

In 2002, capital expenditure measured at constant prices contracted 5.8 percent¹⁴ due to the decline in budgetary fixed investment. This reduction was higher than the increase registered by net investment via Long-term Productive Infrastructure Projects with Differed Expenditure Impact (*Programas de Impacto Diferido en el Gasto, PIDIREGAS*). As a result, public sector investment decreased 2 percent during the year.

Non-programmable expenditure fell 1.6 percent in real terms compared to 2001. This stemmed exclusively from the reduced financial cost, since expenses related to revenue sharing and ADEFAS increased. Interest payments diminished due to lower domestic and external interest rates.

Revenue sharing by the Federal Government to states and municipalities rose 3.9 percent in real terms in spite of a reduction of 0.7 percent with respect to 2001 in share federal receipts. This discrepancy responds to the decision taken in December 2002 by the Federal Government to advance states and municipalities a total of 14.8 thousand million pesos¹⁵ to enable them to solve the liquidity problems they were facing at the end of the year as a result of less shared revenues. Federal Government outlays to states and municipalities would have declined if this support were not taken into account. Meanwhile, total funds transferred by the Federal Government to states and municipalities (grants, revenue sharing, *PAFEF- Programa de Apoyo para el Fortalecimiento de las Entidades Federativas* and other collaboration agreements) grew 3.9 percent compared to 2001.

¹⁴ Corresponds to the percentage change excluding the cost of winding up BANRURAL and the creation of the Rural Finance Agency, which was registered as a capital transfer. If this cost is included, capital expenditures would have increased 25 percent.

¹⁵ The advanced payment of contributions was requested by the states and will be repaid in 2003 with twelve equal instalments with interest payments at 28-day CETES rates.

III.5. Monetary and Credit Aggregates

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

The use of bills and coins is likely to decline in the long run in all modern economies due to increasingly efficient ways to manage liquidity and the introduction of alternative means of payment. However, there are also other factors that could generate increased demand for cash, among which are the changes in the production structure, lower inflation and the expansion of the informal economy.

In periods of inflation the demand for bills and coins reduces substantially as people try to avoid the high cost of maintaining liquid assets (Graph 21). At the same time, as inflation falls the demand for liquidity increases. The stabilization process of the last few years has contributed to the abatement of inflation and to lower interest rates, which has created a rebound in the demand for means of payment and, thereby, contributed to the remonetization process.

At year-end 2002, the stock of the monetary base (mostly made up of bills and coins in circulation) was 263.9 thousand million pesos, hence implying an annual increase of 17 percent. This figure represents a 6.4 percent deviation from the forecast set out in the Monetary Program for 2002 (an average rate of 4.5 percent during the year).

In 2002, the monetary base grew at a rate higher than that compatible with the evolution of the main macroeconomic variables, mainly interest rates and economic activity. The monetary base rose as a proportion of GDP, thus continuing the remonetization process that began in 1997 (Graph 21).

In 2002, remonetization was bolstered by microeconomic factors. The main cause of these was a change in credit institutions' revenue strategies destined to establish higher charges for the financial services offered by these entities (Graph 22a). This banking policy led to an increased use of bills and coins by the public in order to reduce the costs of withdrawing cash from banks (Graph 22b). Should this phenomenon persist or other similar factors appear, there will likely be further changes in the demand for base money that cannot be explained by the macroeconomic variables. In this regard, the expansion of the

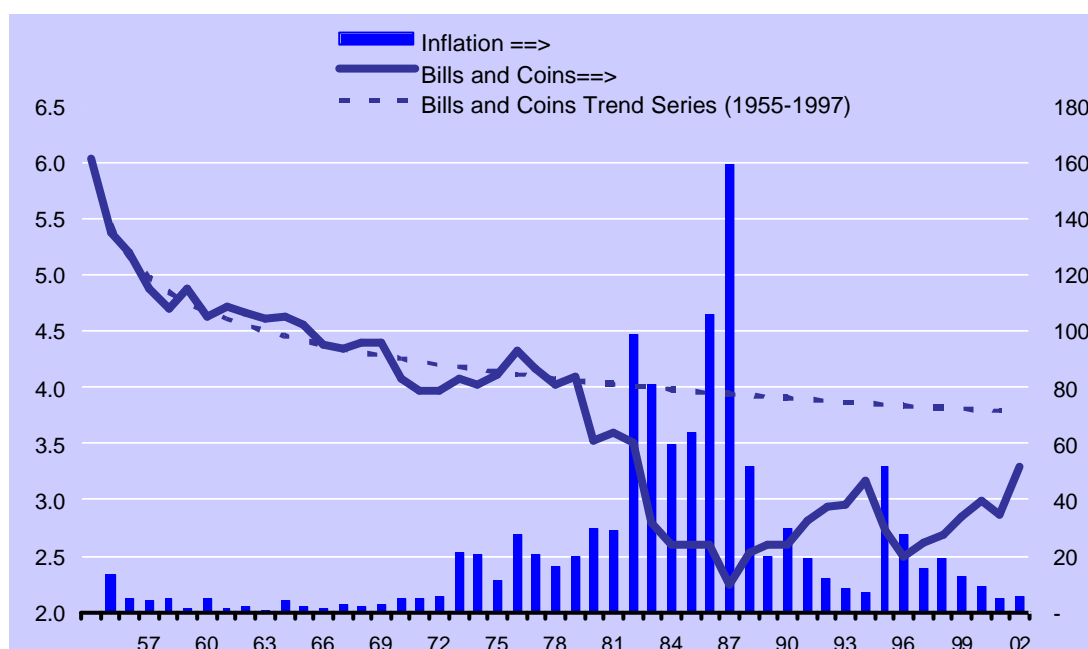
informal economy might be another element that has brought about the unanticipated increase in the demand for base money.

In 2002, total accumulated net international assets were 5.865 billion US dollars. As in previous years the main source of this buildup was purchases of 8.189 billion US dollars from PEMEX. These revenues resulted from oil exports and operations linked to PIDIREGAS. Additionally, the Federal Government demanded 4.437 billion US dollars from Banco de México.

Graph 21

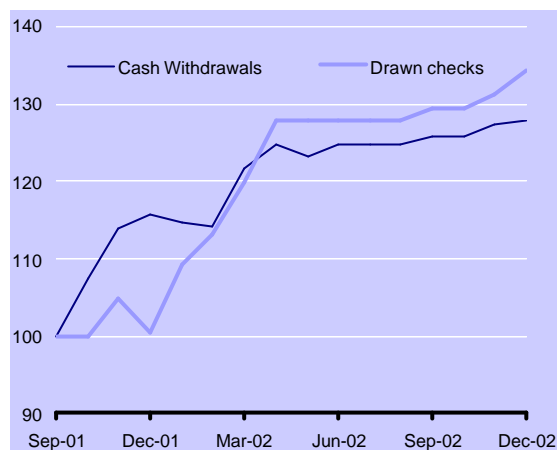
Bills and Coins

Stocks as a percentage of GDP



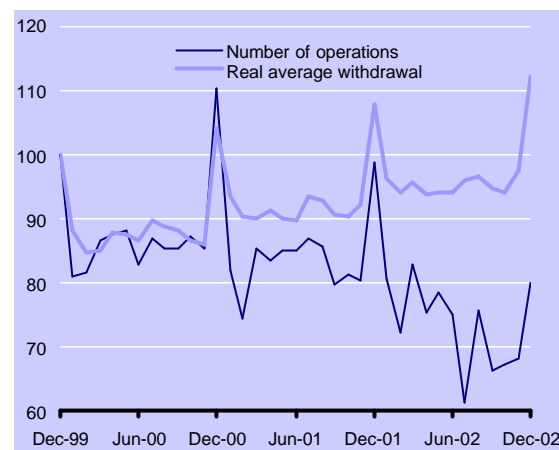
Graph 22 Cost of Financial Services Indicators

a) Cash Withdrawal Charges
Index September 2001 = 100



Source: estimated with data from CONDUSEF.

b) Automatic Teller Machine Operations
Index December 1999 = 100



Source: estimated with data from CONDUSEF.

Net domestic credit contracted by 20,893 million pesos in 2002. This resulted from operations to sterilize the impact of the accumulation of international assets via the placement of monetary control securities (Table 21).

Table 21 Monetary Base, Net International Assets and Net Domestic Credit

	Stocks		Effective flows			
	To Dec. 31st 2001	To Dec. 31st 2002	1999	2000	2001	2002
(A) Monetary Base (Pesos)	225,580	263,937	57,191	20,225	16,637	38,356
(B) Net International Assets (pesos) ^{2/}	411,315	529,503	37,008	77,377	88,154	59,249
Net International Assets (US dollars) ^{2/}	44,857	50,722	3,900	8,249	9,228	5,865
Variation of Net International Assets (US dollars)			3,900	8,249	9,228	5,865
PEMEX			7,553	11,173	8,910	8,189
Federal Government			-6,497	-6,932	-2,449	-4,437
Other			2,844	4,009	2,767	2,113
(C) Net Domestic Credit (pesos) [(A)-(B)] ^{1/}	-185,735	-265,566	20,182	-57,152	-71,517	-20,893
Memorandum:						
(D) International Reserves ^{3/} (US dollars)	40,880	47,984	594	2,822	7,325	7,104

1/ In the estimation of cash flows of net international assets in pesos, the exchange rate applied to the transaction of each flow is considered.

2/ Net international assets are defined as gross reserves plus credit agreements with the central banks with more than six months to maturity, minus total liabilities payable to the IMF, and minus credit agreements with central banks with less than six months to maturity. Includes mainly transactions related to sales of US dollars and interests earned on international assets.

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

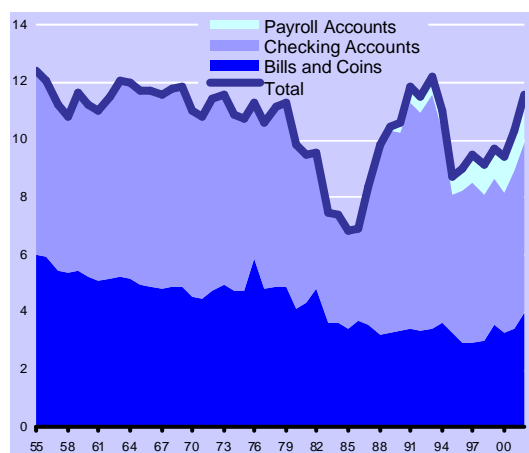
III.5.2. Monetary Aggregates

The evolution of the narrow monetary aggregate (M1) has traditionally been affected by periods of macroeconomic instability (Graph 23a). In particular, the current levels of this aggregate, measured as a proportion of GDP, are lower than those observed during the first half of the last decade. Furthermore, the growing importance of so-called payroll accounts is also noteworthy¹⁶.

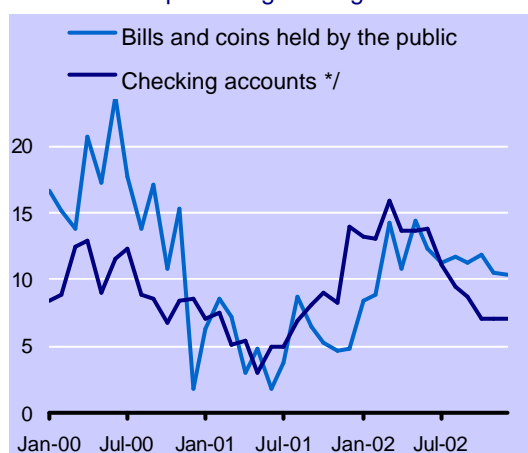
Although the annual variation of bills and coins remained practically constant throughout 2002, this was not the case for the other components of M1. In particular, the expansion of checking accounts denominated in domestic currency slowed considerably. The real annual variation of these accounts declined from 14 percent in December 2001 to 7 percent at year-end 2002 (Graph 23b). This could also stem from the impact of higher charges for drawn checks and cash withdrawals on the demand for liquid assets.

Graph 23 Monetary Aggregate M1

a) Stocks as a percentage of GDP



b) Main components in pesos
Real annual percentage change



*/ Including checking accounts and current account deposits.

The stock of the M2 monetary aggregate represents the financial savings¹⁷ of the country's residents (Table 22). The stock of this

¹⁶ Payroll accounts or current account deposits are used to pay employees. This type of accounts do not include a checkbook and withdrawals can only be made through a debit card.

¹⁷ Includes Mexican residents' holdings of bills and coins, bank deposits and different funds associated with SAR, as well as private and public securities.

aggregate has grown at a real average annual rate above 8 percent between 1998 and 2002. Obligatory saving collected via the Retirement Savings System (*Sistema de Ahorro para el Retiro, SAR*) accounted for most of the vigorous expansion of M2. In fact, at year-end 2002, Retirement Savings System's funds, including those for retirement and housing, represented nearly 20 percent of the stock of M2 and one third of the increase in saving during the year. Furthermore, at year-end 2002, SIEFORES¹⁸ held 32 percent of all securities issued by the public sector and 30 percent of private securities.

The growth of M2 slowed considerably throughout 2002, moving from a real annual expansion of 12.2 percent in December 2001 to 5.6 percent at year-end 2002. This basically responded to the falling yields on domestic financial instruments (Graph 24a).

Table 22 **Monetary Aggregate M2**

	Stocks in t.m.p.		Flows in	Real annual change
	Dec.01	Dec.02	t.m.p.	(%)
	Dec.01	Dec.02	Dec.01-Dec.02	Dec.02
M2	2,769.0	3,089.8	320.7	5.6
SAR	507.7	607.5	99.8	13.2
Housing Funds	213.0	252.6	39.6	12.2
Retirement Funds	294.7	354.9	60.2	13.9
SIEFORES	243.9	319.4	75.5	23.9
Rest	50.8	35.5	-15.3	-33.9
Other	2,261.3	2,482.2	220.9	3.9

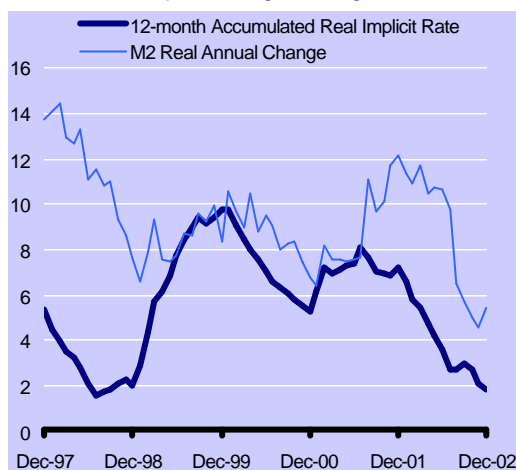
t.m.p.: thousand million pesos.

¹⁸ Investment Companies specialized in retirement funds.

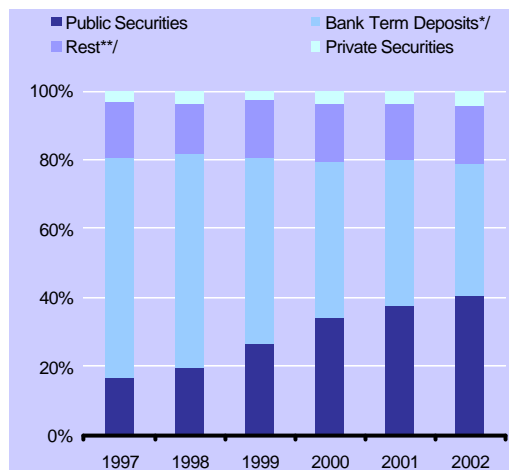
Graph 24 Monetary Aggregate M2

a) M2 and Implicit Rate^{1/}

Real annual percentage change



b) Percentage structure



1/ Weighted average of the Average Percentage Cost of Bank Term Deposits (*Costo Porcentual Promedio de Captación, CPP*) and of the implicit interest rate of government securities.

*/ Bank term deposits of resident banks including checking and current account deposits.

**/Bills and coins held by the public and SAR resources other than investment of public and private securities by SIEFORES.

During the mentioned year, financial saving grew at a slower pace and also underwent different structural changes (Graph 24b). Particularly noteworthy is the increased participation of saving destined for the purchase of securities (public¹⁹ and private) and the resulting decline in bank deposits.

In December 2002, total bank deposits registered a real annual contraction of 4.7 percent. However, not all components of bank deposits decreased. Commercial banks have sought to increase demand deposits due to the fact that these imply the least cost²⁰, while at the same time they have channeled other deposits to financial investment funds. It is important to point out that the banking sector not only intermediates resources through traditional bank deposit instruments but also through a significant amount of security repurchase operations.

¹⁹ 67 percent of the increase in financial saving in 2002 was channeled to public securities, including those issued by the Federal Government, Banco de México, IPAB, States and Municipalities, and by the FARAC.

²⁰ In 2002, counter deposits accounted for 67 percent of total bank deposits while in 1999 they represented only 46 percent.

III.5.3. Financing to the Private Sector

The stock of bank financing to the private sector²¹ began to recover in 2002. Nonetheless, as a percentage of GDP, this type of credit is at its lowest level during the last decade²².

The monetary and fiscal stabilization efforts of the last few years have brought interest rates down to historic minimum levels (Table 23). This has had a significant influence in the recovery of consumer credit granted by the banking and non-banking sectors²³ (Graph 25). In December 2002, credit from these two sources registered annual real variations of 28 percent and 17 percent, respectively. As stated in other sections of this document, this has strengthened private consumption as well as its contribution to economic growth.

During the last few years there has been a large imbalance in the mortgage market. Thus, while the portfolio of limited financial loan institutions (*Sociedades Financieras de Objeto Limitado, SOFOLES*) has considerably increased (registering real annual growth of 43.1 percent at year-end 2002), that of commercial banks has remained practically constant. Nevertheless, changes in the law²⁴ and fiscal incentives²⁵ approved by Congress for 2003 are expected to have a positive impact on mortgage financing granted by commercial banks.

²¹ Includes portfolio associated with restructuring programs.

²² If the portfolio associated with restructuring programs is excluded, bank financing to the private sector accounted for 8.9 percent of GDP in 2002, a level similar to that observed in the mid-eighties.

²³ Measured via the automobile sector's SOFOLES portfolio as well as credit granted by department stores and American Express.

²⁴ The recently approved Transparency and Promotion of Competition in Guaranteed Credit Law (*Ley de Transparencia y de Fomento a la Competencia en el Crédito Garantizado*). Moreover, should the revisions to the General Law of Credit Instruments and Transactions and Commerce Code (*Ley General de Títulos y Operaciones de Crédito y Código de Comercio*), among others, be passed it will expedite the granting of credit.

²⁵ The referred to changes in the Income Tax Law consist of deducting real interest rates on mortgages for housing accommodation and that were contracted in a credit institution or an organisation that grants credit.

Table 23

Average Interest Rates

Annual percentage

	2000	2001	2002
Lending rates			
Credit Cards	43.81	41.28	35.29
Fixed-rate mortgage	n.a.	18.66	16.99
Commercial Paper	16.95	12.80	8.20
MXA-1 Rating	18.22	12.82	8.03
MXA-2 and 3 Rating	19.35	13.95	10.06
28-day CETES	15.24	11.31	7.09
Borrowing rates			
CCP (Pesos)	14.59	10.95	6.17
28-day Promissory Note	8.62	5.99	3.21
Checking Accounts	5.66	4.13	2.33

n.a. Not available.

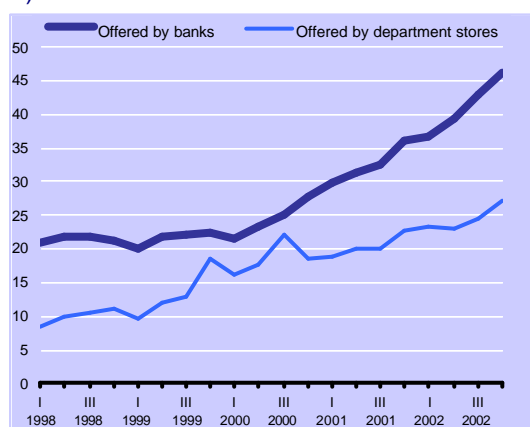
Source: Banco de México and INFOSEL.

Graph 25

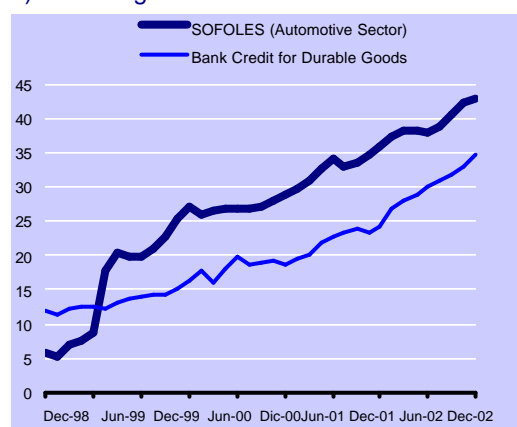
Consumption Credit

Stocks in thousand million pesos

a) Credit cards



b) Durable goods



Source: Banco de México and AMSOFOL.

Credit granted by commercial banks to firms²⁶ rebounded in the second half of 2002 (Table 24). It is also important to mention that there was a change in the structure of financing obtained by companies, with a preference for domestic financing, especially via the placement of securities²⁷. This behavior responded to lower inflation and domestic

²⁶ Performing credit held by commercial banks excluding that related to restructuring programs.

²⁷ Stock Certificates are noteworthy among these due to their flexibility as instruments for obtaining resources from the debt market. These instruments registered an increase of 33.5 thousand million pesos between January-December of 2002.

interest rates, differing from that of recent years when firms' main source of financing was external savings (Table 25).

Table 24 **Commercial Banks' Performing Credit to the Private Sector**
Own portfolio^{1/}

	Real annual percentage change							
	Mar-01	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02
Total	7.1	2.0	1.9	0.8	-3.4	1.0	2.8	7.8
Consumption	37.5	33.9	27.2	32.5	24.1	33.6	42.5	34.8
Housing	-12.0	-8.7	-7.8	-5.6	-4.3	-3.1	-1.1	-3.5
Corporations	5.6	-1.0	-2.2	-4.8	-9.1	-4.8	-2.4	7.2
Non-bank Financial Intermediaries	39.8	21.7	51.6	28.3	17.5	16.8	-9.5	-19.9

1/ Does not include portfolio transferred to UDI trusts and portfolio rights transferred to the IPAB-FOBAPROA. Includes commercial banks intervened and classified adversely ("special condition" status).

Table 25 **Domestic and External Financing to the Private Sector**
Flows in thousand million pesos

	1999	2000	2001	2002
Domestic	-35.1	57.5	17.4	65.6
Performing Credit	-31.6	26.0	-1.5	35.3
Securities	-3.5	31.5	18.9	30.2
External	68.5	68.3	54.2	18.4
Liabilities over Loans and Deposits	26.2	43.6	40.0	7.5
Securities Issued Abroad	42.3	24.7	14.2	10.9
Total	33.4	125.9	71.6	84.0

One of several factors that encouraged the placement of private bonds in 2002 was the versatility of the recently created stock certificates (*certificados bursátiles*), which already account for one third of the market (Graph 26). However, it should be pointed out that although the corporate debt market has become an important source of financing for the private sector, it has been concentrated in a relatively small number of large companies.

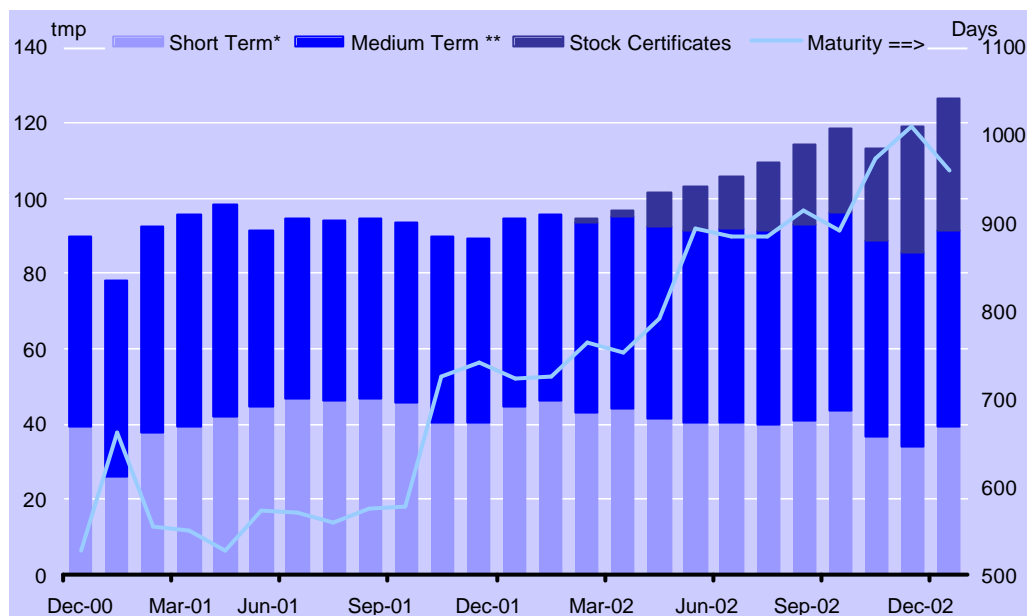
In emerging economies it is common that firms choose between issuing short-term liabilities in local currency or longer-term liabilities in foreign currency. In this respect, there can be no doubt that increased macroeconomic stability in Mexico has allowed companies to place debt instruments in domestic currency at longer terms²⁸.

²⁸ The average maturity of both public and private placements has doubled in the last two years.

Graph 26

Private Securities

Stocks in thousand million pesos



*/ Including commercial paper, short-term stock certificates and short-term promissory notes.

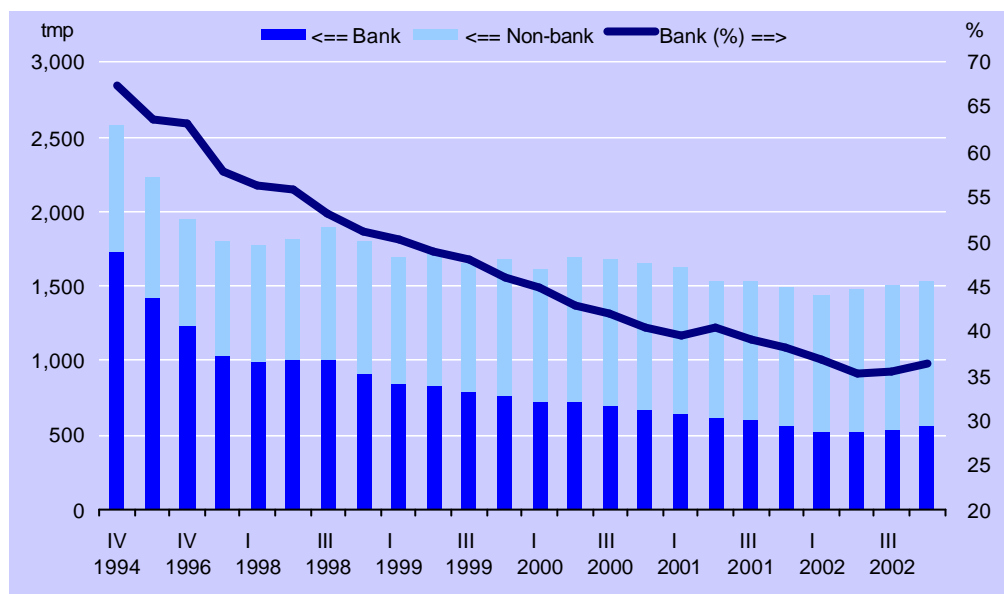
**/ Including certificates issued without voting rights backed with stocks (*Certificados de Participación Ordinaria, CPO's*), mortgage bonds, non-collateralized bonds, and medium-term promissory notes.

The modest improvement in financing to firms is reflected in the wider statistical measurements for both bank credit and alternative sources of financing. Thus, while a decade ago 65 percent of financing to firms was granted by the banking sector, today this represents only 35 percent. Nonetheless, in the second half of 2002 this trend began to change (Graph 27).

Graph 27

Bank and Non-bank Financing to Businesses

Real stocks in thousand million pesos and total percentage of bank financing



The most significant results from Banco de México's Survey of Credit Market Conditions (Table 26) carried out among a sample of firms that use credit, confirmed the improvement of financing granted by commercial banks. The following results from the survey are noteworthy:

- a) The main sources of financing in 2002 were suppliers (55.9 percent of responses) and bank credit (20.3 percent of responses). These two sources have remained approximately constant over the last two years. Nonetheless, in the last quarter of 2002 there was an upgrade in the availability of bank credit, particularly among larger companies.
- b) The decline and stability of interest rates, as well as the appearance of several bank credit programs, have generally made "economic uncertainty" marginally more important as a reason among firms for not having relied on bank financing than that of "high interest rates" (Graph 28).

Table 26 Results of the Survey of Credit Market Conditions
Fourth Quarter of 2002 ^{1/}
Percentage of Responses

Item	2001				2002						
	4th	1st	2nd	3rd	4th Quarter						
	Total	Total	Total	Total	By company size				By type of company ^{3/}		
	100.0	100.0	100.0	100.0	100.0	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	52.3	56.4	54.9	57.1	55.9	63.3	60.1	43.6	36.0	54.8	57.2
Commercial banks	21.4	19.7	19.9	18.9	20.3	18.6	18.6	22.1	32.0	19.9	20.8
Foreign-owned banks	5.3	3.8	3.6	5.1	5.0	1.9	3.5	10.4	12.0	6.2	3.6
Other companies from the same Corporate Group	12.8	12.2	14.7	13.2	12.1	11.7	13.6	12.3	6.0	10.7	13.9
Development banks	2.7	3.2	2.1	1.9	1.9	2.3	1.2	2.5	2.0	2.7	0.9
Headquarters	3.3	3.3	3.3	2.9	3.7	1.5	2.3	8.0	8.0	5.2	1.8
Other liabilities	2.2	1.4	1.5	0.9	1.1	0.7	0.7	1.1	4.0	0.5	1.8
Companies that used bank credit	33.0	27.5	28.5	28.2	30.9	25.6	30.1	36.2	54.8	34.4	27.3
Destined for:											
Working capital	64.9	68.7	61.0	62.4	61.9	70.3	61.6	55.2	59.1	56.8	69.1
Restructuring of liabilities	10.8	11.8	13.3	14.0	17.3	18.8	16.4	16.4	18.2	20.5	12.8
Foreign trade operations	6.1	7.2	7.6	7.7	8.0	4.7	8.2	11.9	4.5	9.8	5.3
Investment	13.9	9.7	14.3	12.7	11.9	6.3	12.3	16.4	13.6	12.1	11.7
Other purposes	4.3	2.6	3.8	3.2	0.9	0.0	1.4	0.0	4.5	0.8	1.1
Companies that did not use bank credit	67.0	72.5	71.5	71.8	69.1	74.4	69.9	63.8	45.2	65.6	72.7
Reason:											
High interest rates	25.8	28.6	25.7	23.9	24.8	23.0	25.0	28.3	26.9	22.6	27.3
Problems with demand for their products	3.5	4.7	3.4	6.8	5.2	4.7	6.4	3.8	7.7	5.6	4.6
Bank refusal	16.2	19.9	18.8	17.5	17.3	18.7	15.7	18.9	7.7	18.6	15.8
Uncertainty regarding the country's economic conditions	24.8	19.2	19.3	21.7	25.0	25.3	24.4	24.5	26.9	23.6	26.5
Financial restructuring problems	9.8	11.1	13.4	11.5	10.9	9.3	10.5	14.2	15.4	12.0	9.6
Credit application not approved	8.7	8.4	9.8	9.9	7.7	10.5	7.0	1.9	7.7	7.0	8.5
Overdue loan portfolio	4.4	4.5	4.6	4.3	4.1	3.9	5.2	2.8	3.8	5.3	2.7
Market competition problems	4.9	4.7	4.2	3.7	4.6	4.7	5.2	4.7	0.0	4.3	5.0
Other	1.9	0.9	0.8	0.7	0.5	0.0	0.6	0.9	3.8	1.0	0.0
Firms that granted financing	72.7	74.3	73.2	78.5	77.3	80.6	78.9	71.5	64.5	86.4	68.1
Destined for:											
Clients	78.6	80.4	79.1	77.3	76.2	81.7	73.6	72.5	66.7	74.8	78.3
Suppliers	11.3	9.1	9.3	9.2	10.3	10.0	11.3	8.3	12.5	12.6	7.0
Group companies	10.1	10.5	11.6	13.5	13.5	8.3	15.1	19.2	20.8	12.6	14.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average maturity of financing (days)											
Clients	59	55	61	50	56	55	51	65	72	49	65
Suppliers	41	40	39	47	54	36	80	37	34	62	34
Group companies	56	69	58	67	67	50	45	97	133	83	48
Companies that will apply for credit in the next 3 months	59.5	61.0	58.8	61.2	63.4	66.1	61.2	59.2	74.2	65.3	61.5

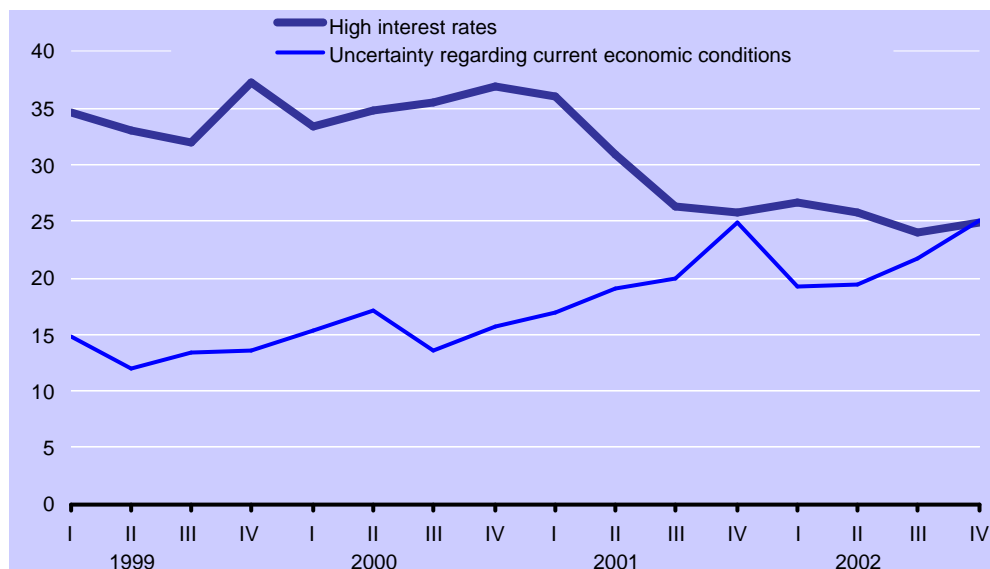
1/ National sample includes at least 500 companies. Responses are voluntary and confidential.

2/ Companies' size was determined based on total sales in 1997:

	Total Sales in 1997	Percentage
Small=	1-100 million pesos	38.2
Medium=	101-500 million pesos	35.4
Large=	501-5000 million pesos	22.5
AAA=	More than 5000 million pesos	3.9

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

Graph 28 **Factors Restraining Financing**
Percentage of responses



III.5.4. Flow of Funds

The flow of funds matrix summarizes financial resource flows among the different sectors of the economy, identifying which were net suppliers or net users of resources during the year²⁹. Those considered are: i) the private sector, composed of firms, individuals and non-bank financial institutions; ii) the public sector; iii) the banking sector, made up of commercial banks (including their agencies abroad), development banks³⁰ and Banco de México; and iv) the external sector, composed of all agents residing abroad that carry out financial transactions with Mexico.

A broad definition of the public sector's demand for financial resources is used in the matrix. This includes the Federal Government, official financial intermediaries (development banks and official trust funds) as well as public corporations and entities. Other public sector obligations such as net liabilities of the IPAB, net direct investment associated with PIDIREGAS, guaranteed obligations of the Trust for the Support and Rescue of Concessioned Highways (*Fideicomiso de*

²⁹ For a detailed explanation of the methodology used to prepare the flow of funds matrix, see Banco de México's 1998 Annual Report, Appendix 6, page 243.

³⁰ Net of financial intermediation.

Apoyo para el Rescate de Autopistas Concesionadas, FARAC), interest rate “swaps” offered in the schemes for restructuring bank credits denominated in UDIs, and bank debtor support programs have also been included.³¹

In order to carry out a comparative analysis of the flow of funds matrix, the previous year’s flows have also been included. Flows correspond to net positions where a plus sign means the sector in question received financing and negative flows imply a creditor position, i.e. the sector granted financing³².

In 2002, activity in the domestic financial market was lower than in the previous year. Thus, the private sector’s net savings in domestic financial instruments was substantially lower than in 2001. This partly responded to reduced interest rates on the expansion of the broad monetary aggregates (see section Monetary and Financial Aggregates). The public sector continued to be the main user of domestic financial resources despite the reduction of its deficit in 2002. The latter was partly due to lower financing costs which enabled financing to the private sector to increase slightly.

Reduced availability of credit from external markets in 2002 was partly offset by the inflow of financial assets held abroad by Mexican residents.

The private sector maintained a net creditor position equivalent to 0.4 percent of GDP in 2002 (Table 27), a figure lower than that registered in 2001 (one percent of GDP). The latter was due to the fact that net savings in domestic financial instruments contracted more than the external financing received by this sector. In particular, net savings in domestic financial instruments accounted for 3.3 percent of GDP, lower than its level in 2001. Unlike previous years the bank financing to the private sector (line item 7) was positive. Meanwhile, external financing to the private sector was equivalent to 2.9 percent of GDP (4.1 percent of GDP in 2001). This, owing to the fact that although there was a large inflow of foreign direct investment throughout the year (2.2 percent of GDP), it was lower than in 2001,

³¹ This definition of PSBR is the same as that used in Appendix II of this Report. Includes revenues from privatisations of non-financial assets.

³² A breakdown of the matrix by uses and sources of capital for 2002 is included in the statistical appendix.

when the sale of BANAMEX took place³³. Furthermore, in 2002 assets held abroad decreased by one percent of GDP.

Table 27 **Flow of Funds of the Institutional Financial System^{1/}**
 Net financing obtained or granted by sector
 (Positive sign=debtor position, negative sign=creditor position)
 Revalued flows as a percentage of GDP^{2/}

	Private ^{3/}	Public ^{4/}	Bank ^{5/}	External	Private ^{3/}	Public ^{4/}	Bank ^{5/}	External
	2001				2002			
1. Change in domestic financial instruments (2 + 7 + 8 + 9)	-5.1	2.9	2.1	0.1	-3.3	2.2	0.9	0.2
2. Domestic financial instruments	-6.0	3.8	2.1	0.1	-3.9	3.0	0.7	0.2
3. Bills and coins	-0.3		0.3		-0.5		0.5	
4. Bank term deposit instruments	-1.7	-0.3	1.8	0.2	0.1	-0.2	-0.1	0.2
5. Securities issued ^{6/}	-4.0	4.1	0.0	-0.1	-3.7	3.4	0.2	0.0
6. Retirement and housing funds ^{7/}	0.1	-0.1			0.2	-0.2		
7. Financing	-0.2	-1.3	1.5		0.4	0.0	-0.3	
8. Stock market	-0.2		0.2	0.0	-0.1		0.1	0.0
9. Other financial system items ^{8/}	1.3	0.4	-1.7		0.4	-0.8	0.4	
10. Change in external financial instruments (11 + 12 + 13 + 14 + 15)	4.1	1.0	-2.1	-2.9	2.9	0.4	-0.9	-2.5
11. Foreign direct investment				-4.0	2.2			-2.2
12. External financing	0.8	0.3	-0.6	-0.6	-0.4	0.3	-0.4	0.5
13. Financial assets held abroad	-0.9	0.7	-0.4	0.6	1.0	0.1	0.7	-1.8
14. International Reserves held by Banco de México			-1.2	1.2			-1.1	1.1
15. Errors and omissions (Balance of Payments)	0.1			-0.1	0.1			-0.1
16. Statistical discrepancy^{9/}	0.0			0.0	0.0			0.0
17. Total change in financial instruments (1+ 10 +16)	-1.0	3.9	0.0	-2.9 ^{10/}	-0.4	2.6	0.0	-2.2 ^{10/}

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

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

3/ The private sector includes firms, individuals and non-bank financial intermediaries.

4/ The public sector involves Government's Financial Resources (*Recursos Financieros del Sector Público, RFSP*), including earnings on privatization of non-financial assets.

5/ The banking sector includes Banco de México, development and commercial banks (including the latter's agencies abroad).

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

7/ Includes retirement funds from the Government 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/ Includes items such as non-classified assets, real estate assets and others, and equity and profit and loss accounts of the banking sector.

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

10/ Drawn from the current account reported in the balance of payments. A negative figure implies external financing granted to the domestic economy (external surplus), which is equivalent to Mexico's current account deficit.

The consolidated banking sector maintained a debtor position in domestic financial instruments equivalent to 0.9 percent of GDP, a significantly lower figure than that registered in the previous year. From

³³ Foreign Direct Investment in 2001 includes 12.447 billion US dollars (2 percent of GDP) from Citigroup's purchase of BANAMEX. Total foreign direct investment accounted for 4 percent of GDP. See Banco de México's Press Bulletin No. 128, November 28th 2001.

this result, the contraction of bank deposits (0.1 percent of GDP) is outstanding and can mainly be explained by the fall in time deposits³⁴. Similar to the private sector, the banking sector reduced its holdings of external assets³⁵. Moreover, although bank financing channeled to the public and private sectors eased during the year (0.3 percent of GDP), this variable recovered compared to the contraction observed in 2001 (1.5 percent of GDP).

Public Sector Borrowing Requirements represented 2.6 percent of GDP³⁶, 1.3 percentage points less than in 2001. Of this figure, 85 percent was financed domestically mainly via the placement of government securities, BPAs and PICs (3.4 percent of GDP). The public sector obtained funds from external markets amounting to 0.4 percent of GDP. This mostly obeyed to the recovery of guarantees associated with Brady Bond repurchases, and to financing of PIDIREGAS, which are considered as public indebtedness.

Total external financing to Mexico represented 2.2 percent of GDP (line item 17), figure lower than in 2001 (2.9 percent of GDP). This was mainly composed of foreign direct investment (2.2 percent of GDP) and a reduction of Mexican residents' assets held abroad. In contrast, portfolio investment by foreigners remained practically nil during the year. Thus, in 2002, the structure of external indebtedness was oriented to long-term investments. It is important to mention that Banco de México's substantial level of accumulated international reserves (1.1 percent of GDP) reduced total net financing from abroad.

The flow of funds matrix identifies both the sector granting financing and that receiving it so that the deficit in one sector can be related to surpluses in one or more other sectors. Thus, Public Sector Borrowing Requirements in 2002 (2.6 percent of GDP) were financed by external (2.2 percent of GDP) and private sector (0.4 percent of GDP) surpluses. The private sector was a net saver in the domestic market (3.3 percent of GDP) and a net borrower of external resources (2.9 percent of GDP). It is important to point out that both positions

³⁴ Part of total bank deposits were channeled to investment funds run by financial groups. See section on Monetary Aggregates in this Report and the Inflation Report for the third quarter of 2002.

³⁵ These assets (line item 13) do not include Banco de México's international reserves, which are reported on line item 14.

³⁶ Corresponds to the measurement for Public Sector Borrowing Requirements which includes non-recurrent revenues.

were below levels observed in 2001. In contrast, the public sector funded its large financing requirements mainly through the domestic market. Therefore, savings generated in the domestic financial system were channeled to the public sector, leaving limited resources for the private sector.

III.5.4. Stock Market

The Mexican stock market faced a highly uncertain international environment during 2002. The performance of the stock market was influenced by economic stagnation in the most important developed economies, in particular the United States, as well as the tension generated in emerging markets by the change of administration in Brazil. Furthermore, there was increased stock market pessimism due to the discovery of fraudulent corporate accounting practices in the United States and uncertainty concerning war in Iraq and its possible impact on world economic growth.

During the first five months of the year the performance of the Mexican Stock Exchange Index (*Indice de Precios y Cotizaciones de la Bolsa Mexicana de Valores, IPC*) was relatively favorable³⁷. However, this trend reverted in June and the exchange's behavior was similar to that of the Dow Jones and NASDAQ stock market indexes (Graph 29 and Graph 30). Thus, at year-end 2002, the IPC accumulated a nominal fall of 3.8 percent compared to its level at year-end 2001. This implied a reduction of 9 percent in real terms and 14.8 percent in US dollars.

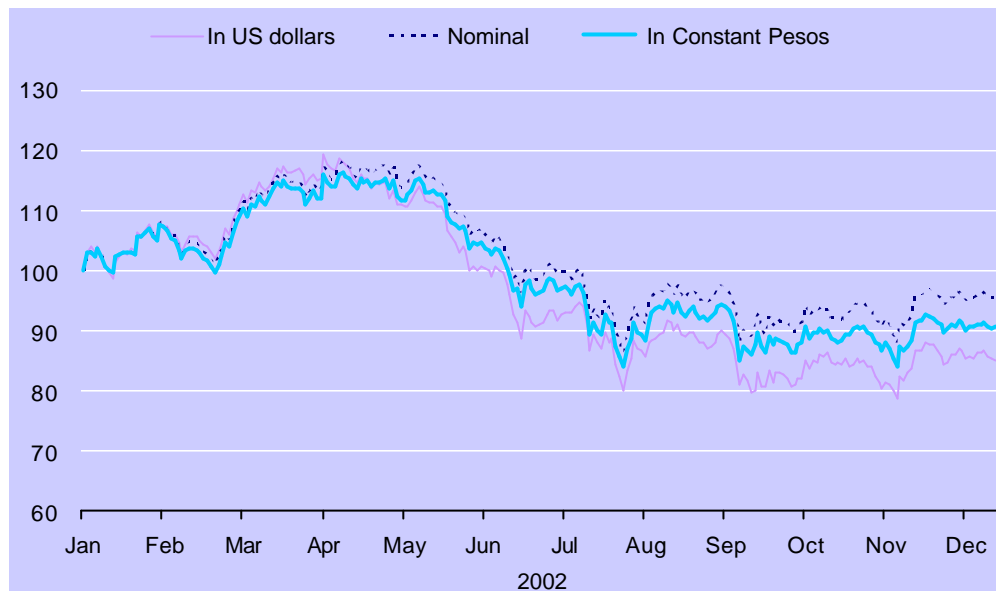
Notwithstanding the lackluster behavior of the stock market during 2002, the fall in the Mexican stock market index was less pronounced than in the main indexes of the United States, Europe and Latin America, thus implying that investors remained positive about the performance of the Mexican economy (Table 28).

³⁷ In mid- May, the IPC rose 18 percent compared to its level at the start of the year.

Graph 29

Evolution of the Mexican Stock Market

January 2, 2002=100

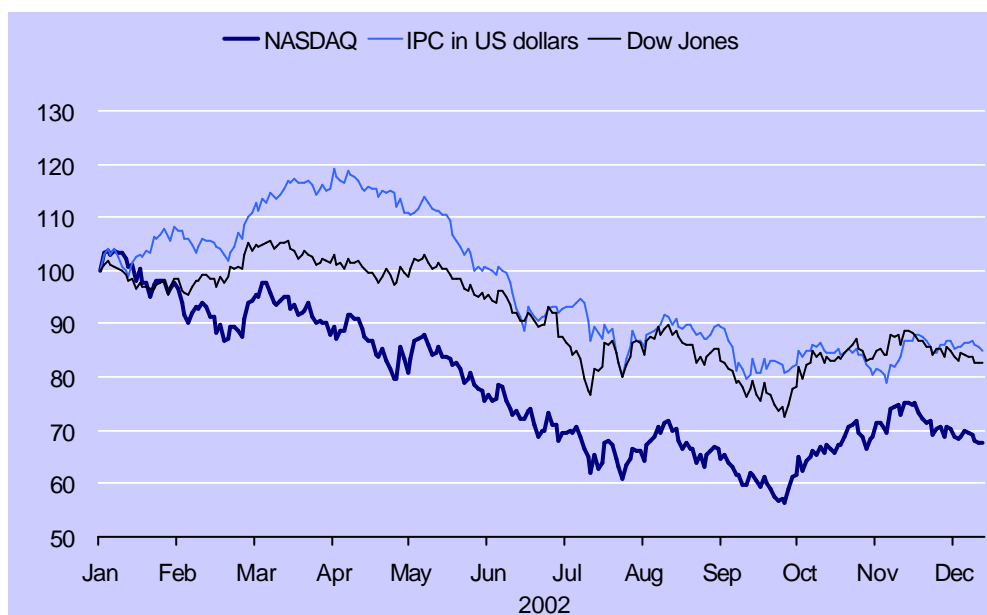


Source: Mexican Stock Exchange (*Bolsa Mexicana de Valores, BMV*).

Graph 30

Mexican Stock Exchange's Price and Quotations Index (*Indice de Precios y Cotizaciones, IPC*) in US dollars, DOW JONES and NASDAQ Indexes

January 2, 2002=100



Source: Mexican Stock Exchange (*BMV*) and Reuters.

Table 28 International Stock Market Indexes

Country	Index	Stock Indexes 1998=100 */				Yield (US dollars)			
		1999	2000	2001	2002	1999	2000	2001	2002
United States	DOW	125	117	109	91	24.7	-5.8	-7.1	-16.8
	NASDAQ	184	113	89	61	84.1	-38.8	-21.1	-31.5
	SP 500	120	107	93	72	19.5	-10.1	-13.0	-23.4
United Kingdom	FTSE-100	118	106	89	67	21.2	-2.9	-14.0	-31.8
Germany	DAX	139	129	103	58	19.8	-13.6	-24.2	-34.0
France	CAC-40	151	150	117	78	30.0	-7.0	-26.2	-22.0
Canada	TSE-300	130	138	119	102	36.4	3.1	-18.9	-12.9
Japan	NIKKEI-225	137	100	76	62	51.1	-34.8	-33.5	-9.8
South Korea	KOSPI	168	82	113	102	78.7	-55.6	31.1	0.2
Mexico	IPC	180	143	161	155	86.7	-21.2	18.0	-14.8
Chile	IGPA GENERAL	144	135	150	140	28.3	-12.9	-3.8	-14.6
Singapore	SS1	178	138	117	96	76.5	-25.3	-20.9	-12.1
Hong Kong	HANG SENG	169	150	113	93	68.2	-11.3	-24.5	-18.2
Brazil	BOVESPA	252	225	200	166	68.6	-17.4	-24.9	-45.9
Argentina	MERVAL	128	97	69	122	27.9	-24.2	-29.2	-47.3

*/ Year-end data.

Source: BMV and Reuters.

III.6. Inflation

After having attained the inflation target set forth in the monetary programs for three consecutive years, the inflation target for 2002 was not met. In December 2002, annual CPI growth was 5.7 percent, 1.2 percentage points above the 4.5 percent target. Meanwhile, annual core inflation, which is a more accurate indicator of medium-term inflationary pressures, recorded 3.77 percent at year-end, 1.31 percentage points lower than in 2001.

Among the factors that explain why the inflation target was not attained in 2002, the following are noteworthy: i) prices of electricity for residential use and domestic gas rose substantially above levels consistent with the annual inflation target; and, ii) the considerable increases in prices of fruits and vegetables. In 2001, the evolution of these prices benefited from the statistical effect of having ended the year 2000 at high levels, which coupled with favorable agricultural production redounded in an annual inflation of -5.97 percent. In contrast, in 2002 the aforementioned factors suffered a backslide, causing annual inflation of fruits and vegetables to increase up to 22.23 percent.

It is important to emphasize that inflation did not suffer an even greater deviation from the target due to the following factors: i) the application of a monetary policy compatible with the abatement of

inflationary pressures and, therefore, with the objective of attaining an inflation similar to Mexico's main trading partners; ii) the significant decline in aggregate demand; iii) the favorable behavior of merchandise prices despite the depreciation of the exchange rate; and, iv) the meager impact of the tax on luxury goods and services on inflation.

III.6.1. Evolution of Consumer Prices in 2002

At the onset of 2002, the international economic outlook was once again not overly favorable to advance in the abatement of inflation. The downturn in the United States economy still had not fully reverted, there was a likelihood that this might have had a less than expected impact on the recovery of the Mexican economy, and there was uncertainty about war due to Middle East political tensions. In contrast, the positive results of Mexico's economy instilled greater confidence in both Mexican and foreign investors, there were no demand pressures, and private sector analysts' expectations were increasingly optimistic about the attainment of the inflation objective.

Under this scenario, in each of the first six months of 2002, CPI recorded an annual variation below that of the previous year. Nonetheless, variations during this period were not completely in line with the inflation target. Annual inflation in June was 4.94 percent, 0.44 percentage points above target while in January it had been 4.79 percent. At the close of the first half of 2002, CPI had an accumulated increase of 2.63 percent compared to December 2001, i.e., more than 58 percent of expected inflation.

At the beginning of 2002, headline inflation experienced upward pressure from prices administered or regulated by the public sector. During the first quarter of 2002, price increases in the following goods and services were particularly noteworthy: Mexico City's subway, urban bus fares in some cities, residential electricity (reduction in the subsidy for this service), and fees for licenses/permits and other official documents (Table 29). In the second quarter, prices of fruits and vegetables and of gas for domestic use rose 16.34 and 13.75 percent, respectively. As a result, inflation turned out to be higher in the first half of 2002 than during the same period of 2001.

In contrast, during the second half of 2002 inflation was relatively stable (Table 29), considering that warm weather electricity price subsidies cease to apply in that period. Increases in the prices of

the following goods and services during the second semester are noteworthy: i) private education (notwithstanding its year-on-year decline, growth of private education prices is still above headline inflation); ii) agricultural products (which mostly obeyed to the statistical effect of price variations of fruits and vegetables above mentioned); and iii) the incidence of household spending on housing (in both “imputed rent” and “owner-occupied homes”). As a consequence, inflation reached 2.99 percent in the second half of the year, 0.36 percentage points higher than in the first six months. Thus, annual headline inflation ended the year at 5.7 percent, 1.2 percentage points above the target.

Table 29

Consumer Price Index (*Indice Nacional de Precios al Consumidor, INPC*)

Percentage change

Month	2002		
	Monthly ^{1/}	Accumulated ^{2/}	Annual ^{3/}
January	0.92	0.92	4.79
February	-0.06	0.86	4.79
March	0.51	1.37	4.66
April	0.55	1.93	4.70
May	0.20	2.13	4.68
June	0.49	2.63	4.94
July	0.29	2.93	5.51
August	0.38	3.32	5.29
September	0.60	3.94	4.95
October	0.44	4.40	4.94
November	0.81	5.24	5.39
December	0.44	5.70	5.70

1/ Change compared to the previous month.

2/ Change compared to December of the previous year.

3/ Change compared to the same month of the previous year.

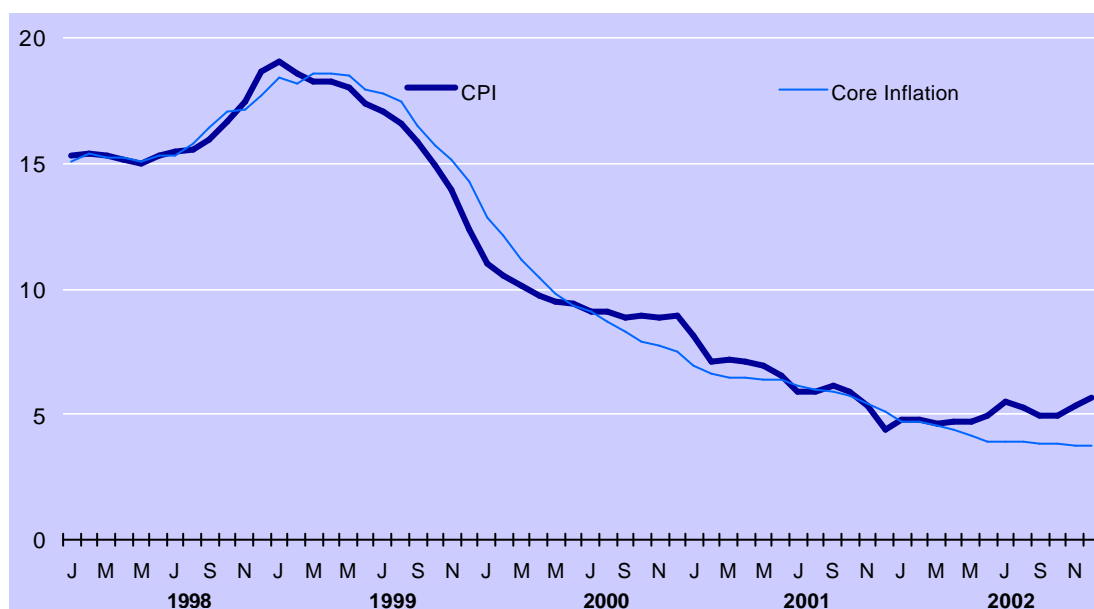
During the referred period, the subindex for prices of goods and services included in the basic consumer basket went up 6.06 percent, 0.36 percentage points above annual CPI inflation. The items that had a greater impact on this subindex were electricity for residential use, domestic gas and urban bus fares.

III.6.2. Evolution of Core Inflation

During 2002, annual core inflation remained on the clear downward path it has followed since 1999. Nonetheless, prices

decreased at a slower rate than in 2001 (Graph 31), mainly driven by the unfavorable evolution of the core price subindex for services. In the first half of the year, annual core inflation remained below CPI inflation. During the following six months this behavior changed and a gap between both indexes emerged. Thus, it is not surprising that headline inflation ended December 1.93 percentage points above core inflation. Compared to the previous year, the annual growth rate of the core prices' subindex in 2002 went down 1.31 percentage points.

Graph 31 **CPI and Core Inflation**
Annual percentage change



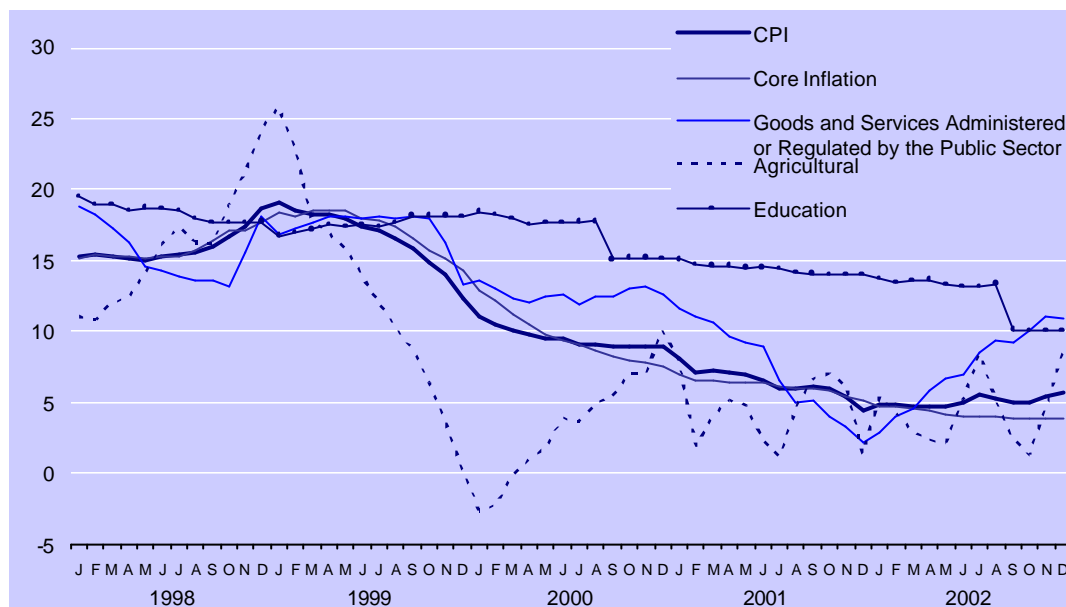
III.6.3. Variables that Affected the Behavior of Inflation

The difference between CPI and core inflation can be explained by the behavior of price indexes that are excluded from the latter. In particular, the price subindexes that are excluded from core inflation calculations –administered or regulated prices, education and agricultural products– registered higher annual growth than those that are included (Graph 32). Thus, at year-end 2002, annual headline inflation was much higher than core inflation.

Graph 32

CPI Inflation, Core Inflation and Complementary Subindexes

Annual percentage change



Monthly increases of prices of goods and services administered or regulated by the public sector were adversely affected by the following two factors: the price of domestic-use gas and, as of February, the partial removal of the subsidy on residential electricity prices. It is important to remember that the price of gas is determined using a formula that includes, among other elements, international prices for this fuel in the previous period. Prices of oil products rose sharply throughout the year, therefore creating upward pressure on domestic prices. Thus, the subindex of prices administered or regulated by the public sector registered an annual variation of 16.84 percent, 18.1 percentage points higher than in 2001 (-1.26 percent).

Unlike in 2001, the growth of prices of fruits and vegetables in 2002 was adversely influenced by the statistical effect of using a higher base rate of comparison. Consequently, when making annual rate comparisons there was an increase of 22.23 percent, significantly different from the -5.97 percent variation observed in the previous year.

As for education services' prices, their behavior continued to be a cause for concern. Although the annual rate of growth of the

subindex for these prices dropped in relation to the previous year, it still remained high. Thus, school fees and other charges related to education rose 10.04 percent, compared to 14.02 percent in 2001 (Table 30). Specifically, increases of this subindex in January, February, August and September stemmed from the adjustment in school fees and registration charges related to the start of the new school year.

Table 30 **Consumer Price Index (*Indice Nacional de Precios al Consumidor, INPC*)**
Percentage change

Month	2002									
	CPI		Core Inflation		Administered or Regulated		Agricultural		Education	
	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual
January	0.92	4.79	0.46	4.75	1.53	2.85	2.74	5.43	0.48	13.69
February	-0.06	4.79	0.75	4.68	1.86	3.93	-7.55	4.23	0.35	13.44
March	0.51	4.66	0.46	4.54	1.05	4.58	0.08	2.85	0.15	13.61
April	0.55	4.70	0.38	4.38	0.66	5.78	1.52	2.31	0.02	13.62
May	0.20	4.68	0.20	4.16	-0.21	6.60	0.95	2.17	0.03	13.30
June	0.49	4.94	0.13	3.96	0.50	6.93	2.72	5.15	0.15	13.16
July	0.29	5.51	0.14	3.94	-0.11	8.45	2.24	8.47	0.09	13.15
August	0.38	5.29	0.28	3.95	0.37	9.38	0.64	4.98	1.29	13.37
September	0.60	4.95	0.20	3.85	0.80	9.23	-0.65	2.38	7.27	10.10
October	0.44	4.94	0.27	3.84	1.46	10.03	0.08	1.29	0.00	10.05
November	0.81	5.39	0.22	3.80	2.63	11.02	2.52	4.71	0.00	10.04
December	0.44	5.70	0.23	3.77	-0.05	10.96	3.53	8.65	0.00	10.04

The lackluster recovery of the world economy in 2002, increased fuel consumption due to climate factors, and the likelihood of war between the United States and Iraq led to a higher demand for oil and oil derivatives. This, coupled with OPEC's agreement to cut oil exports at the onset of the year, brought about a significant rebound in fuel prices. The latter created sharp increases in the price of domestic gas in the Mexican market. As a result, the subindex for prices administered by the public sector had an upward effect on headline inflation in 2002 (Table 31).

Table 31 **CPI Inflation, Core Inflation and Complementary Subindexes**
Percentage change

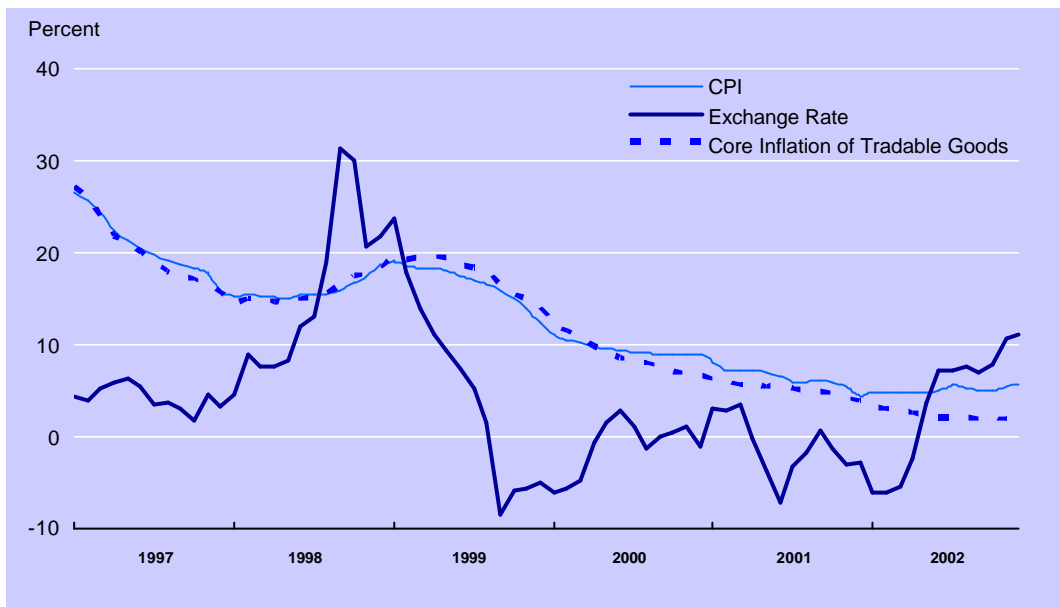
Item	Dec. 2002	Structure of CPI Variations	
	Dec. 2001	Contribution in Percentage Points	Structure in Percent
CPI Inflation	5.70	5.70	100.00
Core Inflation	3.77	2.52	44.21
Goods	1.95	0.66	11.61
Services	6.23	1.86	32.60
Goods and Services			
Administered or Regulated	10.96	1.81	31.72
Administered	16.84	1.26	22.04
Regulated	6.12	0.55	9.68
Agricultural	8.65	0.67	11.77
Fruits and vegetables	22.23	0.68	11.86
Other products	-0.10	-0.01	-0.09
Education	10.04	0.70	12.30

Exchange rate is another factor that significantly influences the evolution of prices in Mexico (Graph 33). This normally occurs directly via its impact on goods' prices while indirectly through its effect on inflation expectations, which in turn influence thousands of contracts (wages, credit terms, leasing, etc.) and, thereby, the prices of services. Nonetheless, despite the depreciation of the exchange rate in 2002, annual core inflation of goods was reduced substantially.

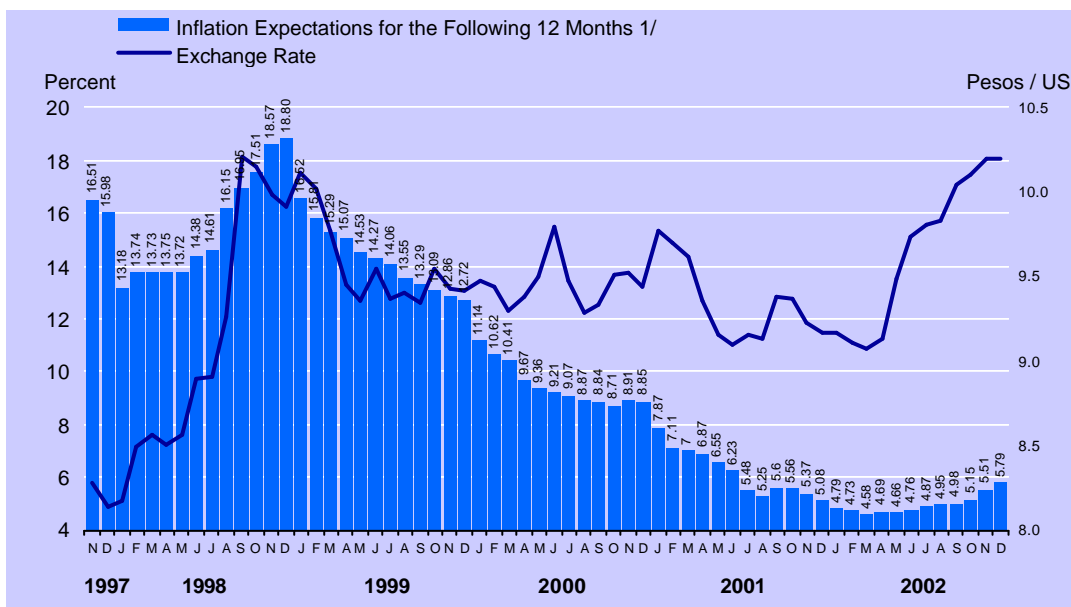
The decline of core inflation of goods was a major reason for CPI headline inflation not registering a greater deviation from the inflation target. Nonetheless, inflation expectations began to rise from April onward and not necessarily because of the increase in the exchange rate during that period (Graph 34).

Analysts' monthly inflation expectations did not coincide with observed inflation. In fact, the latter began to outpace forecasts in March and, as already mentioned, inflation expectations were modified upward. During the second half of the year, this situation worsened as estimates for annual inflation at year-end 2002 rose more than one percentage point (Graph 35).

Graph 33 CPI and Exchange Rate
Annual percentage change

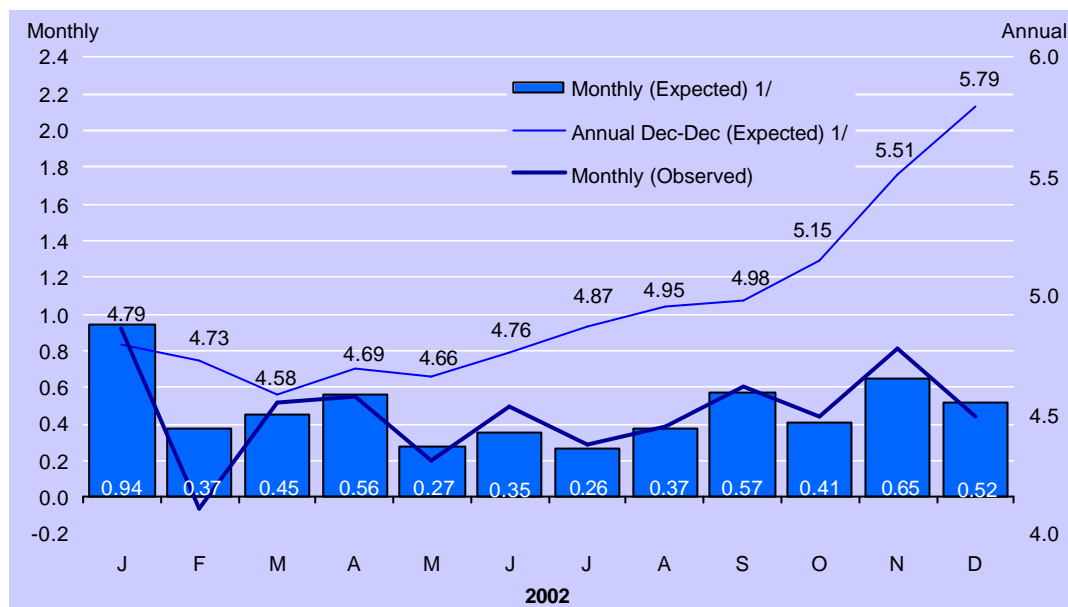


Graph 34 Inflation Expectations and Exchange Rate
Annual percentage change and pesos per US dollar



1/ According to the Survey of Private Sector Economic Analysts' Expectations undertaken by Banco de México.

Graph 35 **Observed and Expected Inflation**
Percentage change

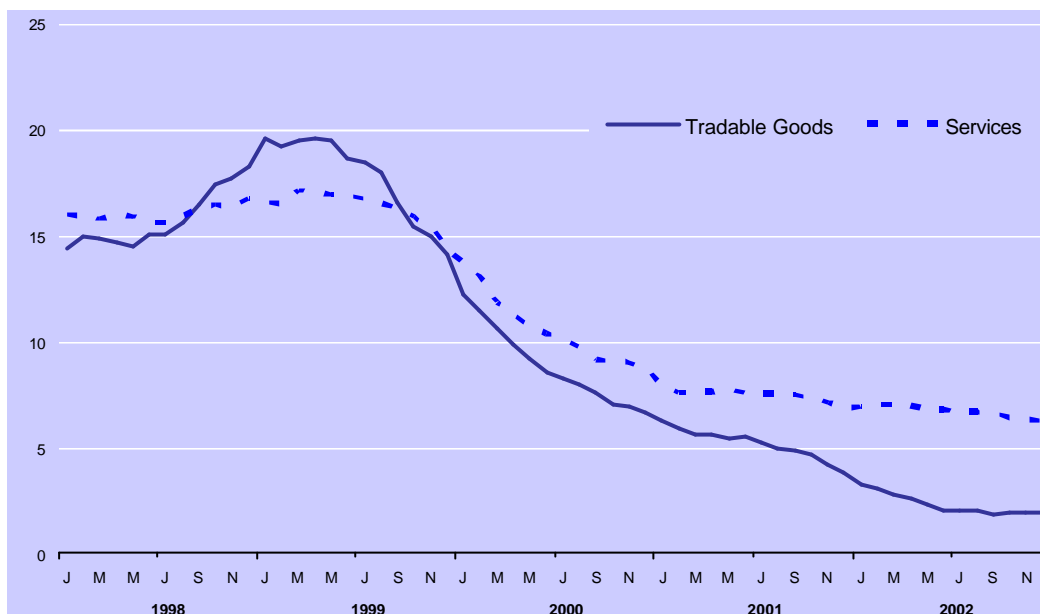


1/ According to the Survey of Private Sector Economic Analysts' Expectations undertaken by Banco de México.

To identify the main causes that affected inflation during the period covered by this Report, the core inflation index must be divided into two categories: merchandise and services. Merchandise are basically internationally-traded goods, which means that their prices are subject to exchange rate fluctuations. Services, on the other hand, can be considered as non-tradable goods and, therefore, their prices are mainly determined by labor costs and inflation expectations.

Just as in previous years, the rate of price increases for goods declined more than that for services (Graph 36). This result was obtained despite the depreciation of the exchange rate. The rate of growth of prices for services decreased less due to the slower adjustment of nominal wage increases. Thus, while core inflation for goods fell 1.9 percentage points in 2002, that for services dropped only 0.64 points.

Graph 36 **Core Inflation Subindexes (Tradable Goods and Services)**
Annual percentage change



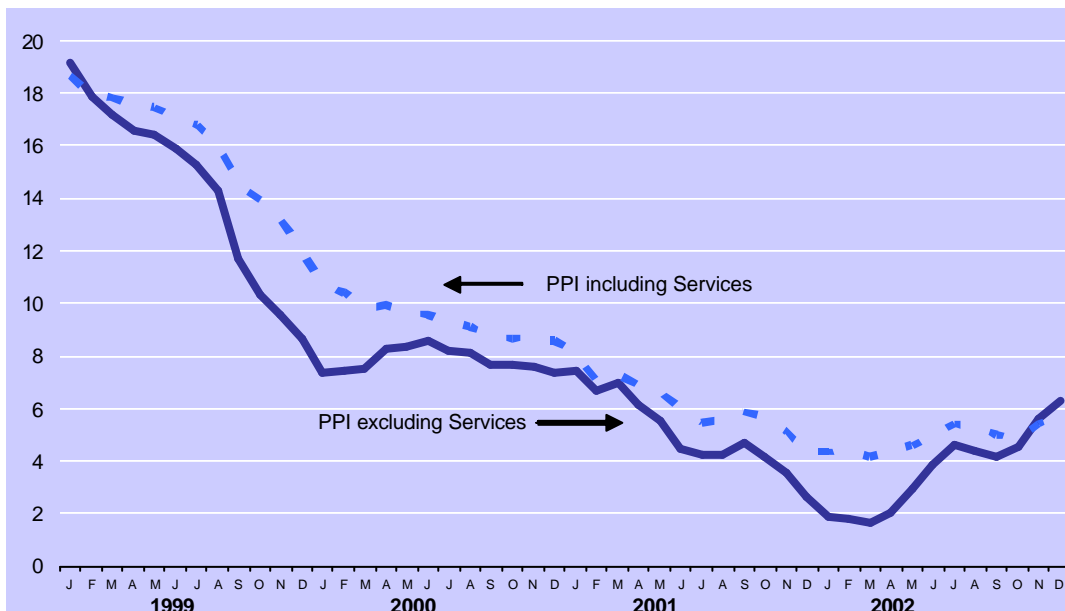
III.6.4. Producer Price Index

In 2002, the annual growth rate of the Producer Price Index (PPI) excluding oil and services increased from 1.66 percent in March (the lowest annual growth rate for this indicator since it was first calculated in 1981) to 6.29 percent in December, 3.68 percentage points higher than at year-end 2001 (Graph 37). Regarding PPI excluding oil and including services, its annual growth rate was 5.67 percent, remaining at an interval between 4.15 and 5.67 percent throughout the year. PPI inflation was 1.34 percentage points higher than in 2001.

The PPI can be used to study the pass-through effect of inflationary pressures on consumer prices. Movements in the PPI are considered when estimating future inflation in the retail markets. In general, this effect does not take place between the indexes at an aggregate level, but between corresponding items and subindexes of the PPI and the CPI. The following shows how movements in producer prices affected consumer prices during 2002:

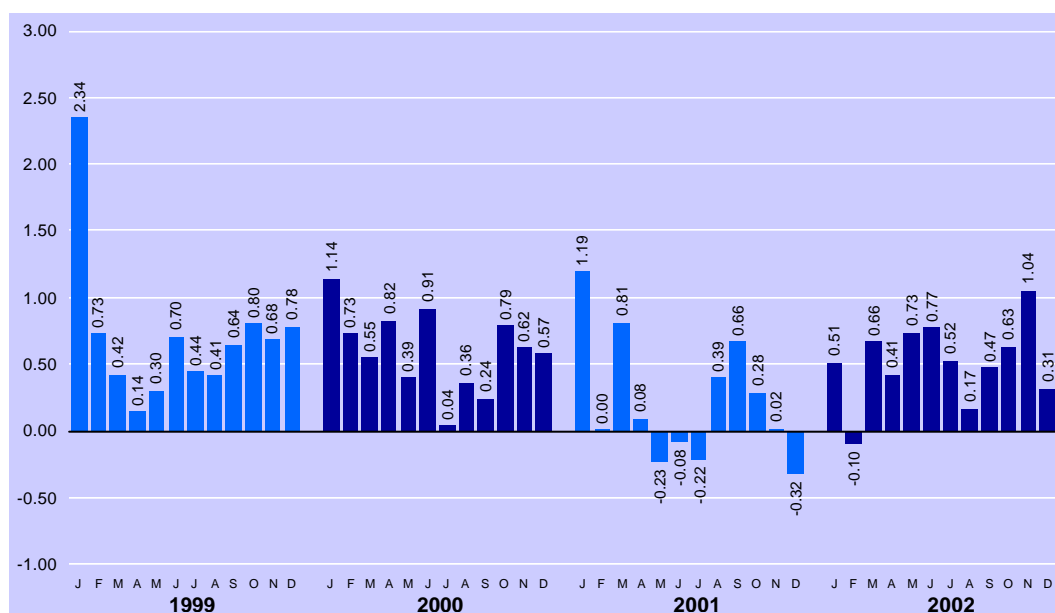
- (a) The daily prices of fruits and vegetables used to calculate the PPI anticipate the behavior of prices that are later collected to prepare the CPI;
- (b) The growth of grain prices that are collected for the PPI were reflected in the prices of flours that, together with increases in sugar quotes, affect the prices of bread and cookies included in the CPI ;
- (c) Increases in the price of airplane fuel reported in the PPI created an upward effect on prices of passenger air travel;
- (d) Rises in tobacco prices registered in the PPI led to increases in the price of cigarettes;
- (e) The growth of prices for some construction materials (particularly copper and steel) influenced prices of owner occupied homes included in the CPI ; and
- (f) The behavior of cattle prices explains the stability of meat prices at the retail level.

Graph 37 **Producer Price Index Excluding Oil**
Annual percentage change



At the end of December 2002, the annual growth rate of the PPI excluding oil and services was higher than that of the PPI including services. Average monthly PPI inflation in 2002 was 0.51 percent compared to 0.21 percent in 2001 (Graph 38). The aforementioned responded to the following factors: the depreciation of the exchange rate during the year (11.9 percent); the considerable impact of increases in fuel prices on production costs (33.64 percent in the branches of electricity and natural gas); and rises in prices of agricultural, forestry, and fishing products (10.4 percent).

Graph 38 **Producer Price Index Excluding Oil and Services**
Monthly percentage change



Regarding the behavior of annual PPI inflation excluding oil, according to its different components (excluding and including services) [Table 32], the following observations are noteworthy:

- a) In contrast to 2001, during 2002 the highest increases were in prices of goods' exports excluding oil and including services (9.27 percent at an annual rate); and
- b) Rises in prices of natural gas, oil derivatives and electricity had a significant impact on both final and intermediate goods' prices.

Table 32

Producer Price Index Excluding Oil
Classified by destination of goods
Annual percentage change

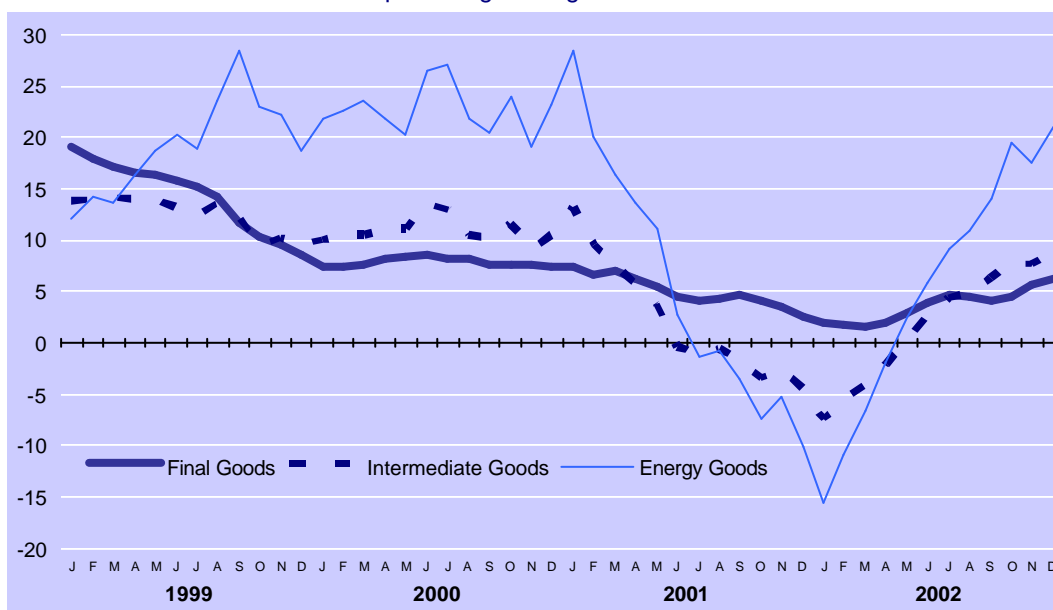
Item	Excluding Services		Services		Including Services	
	2001	2002	2001	2002	2001	2002
Final Goods	2.61	6.29	5.77	5.19	4.33	5.67
Domestic Demand	3.42	5.81	6.11	4.91	4.89	5.31
Private Consumption	3.61	6.26	5.79	5.04	4.90	5.53
Government Consumption	2.59	4.19	9.44	5.61	9.02	5.53
Investment	3.06	4.93	3.75	1.99	3.19	4.35
Exports	-4.73	11.07	2.30	8.12	-0.99	9.27
Intermediate Goods	-4.49	9.11	6.13	5.86	-0.61	7.84

If the origin of both final and intermediate goods in PPI calculations excluding oil and including services (Table 33) is taken into account, the following conclusions can be drawn regarding their behavior in 2002:

- (a) Annual growth of prices for final and intermediate goods was higher than in 2001. This was due to the inflationary pressure stemming from production costs throughout the year (Graph 39). Meanwhile, export prices were influenced by the depreciation of the exchange rate; and

Graph 39

Producer Price Index Excluding Oil and Services
Annual percentage change



- (b) The upward behavior of intermediate goods and services mainly originated from increases in the prices of natural gas (104.88 percent), airplane fuel (60.64), non-metal minerals (48.07), liquid gas (46.64), bleach (45.34), petrochemical products (39.64), cellulose (29.34), fuel oil (26.01), and non-ferrous metal minerals (18.59).

Table 33 **Producer Price Index Excluding Oil and Including Services**
Classified by origin of final goods and branch group level
Annual percentage change

Item	Intermediate Goods		Final Goods	
	2001	2002	2001	2002
GENERAL INDEX	-0.61	7.84	4.33	5.67
Primary economic sector	-7.17	8.39	4.89	11.04
Agricultural and livestock, forestry and fishing	0.04	3.28	5.78	10.40
Mining	-23.74	23.78	-10.60	24.13
Secondary economic sector	<u>0.12</u>	<u>6.82</u>	<u>2.33</u>	<u>5.03</u>
Manufacturing Industry	0.12	6.82	1.80	5.00
Foods, beverages and tobacco	3.72	6.58	4.76	4.06
Textiles, apparel and leather	-2.15	6.08	1.47	3.87
Wood and wood products	4.75	0.25	6.45	1.37
Paper and paper products, printing and publishing	0.97	4.89	1.91	3.65
Chemicals, oil, rubber and plastic	-1.76	11.99	-0.83	6.77
Non-metallic minerals	1.84	1.52	1.36	2.55
Basic metal Industries	-4.21	4.08	0.69	9.66
Metal products, machinery and equipment	2.00	2.82	-0.46	5.33
Other manufacturing industries	5.36	4.66	2.47	7.37
Construction /1			3.97	5.11
Tertiary economic sector	<u>1.27</u>	<u>8.56</u>	<u>5.77</u>	<u>5.76</u>
Electricity and gas	-34.71	47.72	4.90	33.64
Commerce, restaurants and hotels	-0.90	8.55	3.44	3.41
Transportation and communications	3.39	2.38	3.89	4.95
Real estate rental	6.23	6.50	5.81	6.58
Community, social and personal services	9.37	6.70	10.70	7.17

1/ This sector does not generate intermediate goods.

III.6.5. National Index of Social-Interest Housing Construction Cost

The National Index of Construction Cost for Social-Interest Housing (*Indice Nacional del Costo de Edificación de la Vivienda de Interés Social, INCEVIS*) posted a 3.5 percent annual increase, practically the same rate as that observed in 2001. The cost of construction materials rose 0.46 percentage points compared to 2001 while labor costs grew 2.5 percentage points less than in the previous year (Table 34).

Table 34 **Index of Social-Interest Housing Cost**
Annual percentage change

Item	Dec. 2001	Dec. 2002	Contribution ^{1/} in Percentage Points
Construction Cost Index	3.47	3.50	3.50
Construction Materials Sub-index	2.20	2.66	2.20
I. Masonry	0.94	2.42	1.06
II. Metal work	3.19	4.16	0.22
III. Carpentry	5.98	0.75	0.02
IV. Hydraulic, sanitary equipment	0.56	2.02	0.17
V. Electrical equipment	1.34	6.40	0.23
VI. Plaster	7.89	3.16	0.13
VII. Paint	2.54	1.28	0.03
VIII. Floors and Coverings	3.61	3.30	0.13
IX. Various	5.64	2.50	0.22
Labor Cost Sub-index	10.08	7.58	1.29

1/ Based on each groups' relative importance in the Overall Index.

The following conclusions can be drawn from the behavior of the various components of the INCEVIS during 2002:

- a) A decline in the annual growth rates of five of its subindexes (carpentry, plaster, paint, floors and coverings and various);
- b) Regarding hydraulic and sanitary equipment, the pricing of PVC pipeline registered the highest increase in 2002 (10.9 percent), while being the product with the lowest price growth in 2001 (9.59 percent);
- c) Inflation in the subindex for masonry, the most important in the INCEVIS, accounted for almost half the increase in the prices of construction materials. However, this was strongly influenced by the substantial rise in prices of steel reinforcements and iron mesh (8.90 percent, Table 35); and
- d) The three groups of materials that posted the highest price increases in 2002 were: electric installations (6.4 percent); ironwork (4.16); and floors and coverings (3.30).

From the 23 cities where information is collected to calculate the INCEVIS, the most noticeable price increases were registered in Villahermosa, Tab. (5.96 percent); Chihuahua, Chih. (5.67 percent); Iguala, Gro. (4.63 percent); Tapachula, Chis. (4.41 percent); and León, Gto. (4.14 percent).

Table 35

Index of Social-Interest Housing Construction

Products with highest and lowest variations in 2002

Annual percentage change

Upward Price Products	% Change	Downward Price Products	% Change
PVC plumbing pipeline	10.90	Gas heater	-5.02
Light switch	9.94	Copper pipe (tubing)	-3.74
Iron Door	9.79	Water tank	-0.20
PVC conduit pipeline	9.75	Slaked lime	0.68
Iron bar and mesh (fabric)	8.90	Wooden door	0.75

IV. Monetary and Exchange Rate Policy

IV.1. Monetary Policy

During the last few years, Banco de México's monetary policy regime has been adjusted to changing circumstances in Mexico's economy. This gradual process has led to a more efficient and transparent monetary policy.

As part of the inflation-targeting scheme, the Board of Governors of Banco de México made four important decisions in 2002: i) a long-term inflation objective was established for the CPI; ii) the adoption of a 3 percent target for 2003 and subsequent years; iii) a variability interval of plus/minus one percentage point was set around the inflation target; and iv) the announcement on predetermined dates of monetary policy decisions, accompanied by press bulletins explaining, should this be the case, the reasons for any changes to the monetary policy.

Based on careful analysis of its own and other countries' experiences, the Board of Governors of Banco de México considered that since inflation and uncertainty on the evolution of the economy were significantly reduced, it was therefore convenient to announce monetary policy decisions on predetermined dates.

Among the advantages of adopting a calendar are the following:

- a) It provides more certainty to the public regarding the monetary policy stance and the desirable path of interest rates in the short term;
- b) It emphasizes the Board of Governor's medium-term outlook for monetary policy decisions; and
- c) It allows the monetary authority to inform the public in a regular and timely manner on the balance of risks behind the monetary policy stance.

Based on the above, the Board of Governors of Banco de México determined that as from January 2003 all announcements regarding monetary policy decisions would be made on pre-established dates. At the same time, the monetary authority decided to reserve to itself the right to alter the monetary policy stance on dates different from those set in the calendar, in the event of exceptional circumstances that might require the Central Bank's intervention.

As a result, twenty-three dates during the year were established to announce decisions regarding the monetary policy stance. Thus, the following types of announcements will be made on a monthly basis:

- a) End-month announcement: An announcement on whether or not the monetary policy stance is modified, to be made on the Friday preceding the last Monday of every month, except in December, when it will be made ahead of time; and
- b) Mid-month announcement: Eleven additional dates were established for intermediate announcements, to be made on the Fridays at the mid-point of the interval between end-month announcements. No intermediate announcements were programmed for December.

Meanwhile, the reasons behind the Board of Governors decision to adopt the CPI as its variable for evaluating the inflation objective were as follows:

- a) It is the best known and most widely used price indicator;
- b) It is used as a reference in countless contracts and negotiations; and
- c) It is published in a timely and regular basis and is not subject to revisions.

The main elements considered by the Board of Governors of Banco de México in determining the 3 percent level for the long-term inflation objective are listed next:

- a) Research indicates that because of measuring biases price indexes tend to overestimate inflation;

- b) The adoption of a very low long-term inflation target could also imply deflation;
- c) An overly ambitious low inflation target could narrow the margin for monetary policy decisions in a scenario of deflation; and
- d) Inflation targets in almost all developing countries are set around 3 percent.

It should be emphasized that even when monetary policy is continually oriented towards the attainment of the inflation objectives, occasional deviations from the targets must be expected. Thus, the Board of Governors decided to establish a variability interval of plus/minus one percentage point around the inflation target. This decision is based on the following considerations:

- a) Monetary policy influences price behavior through different indirect channels known as monetary policy transmission mechanisms, which are subject to considerable lags and indeterminacy;
- b) Some prices are highly volatile and typically undergo unpredictable changes; and
- c) Unanticipated changes in wages and in the exchange rate also affect inflation. Given the lags under which the transmission mechanism operates, monetary policy can only revert these effects after a relatively long period.

The above interval was determined based on historical experience regarding the atypical behavior of core index inflation and those CPI subindexes excluded from core index calculations.

Finally, as of December 2003 Banco de México will periodically evaluate the attainment of the long-term inflation objective. This will strengthen the Central Bank's commitment to ensure overall price stability, offer society a useful reference regarding the future path of inflation, and contribute to more uniformly distributed price and wage adjustments throughout the year.

IV.1.1. Elements of the Monetary Program

The following factors were considered in the Monetary Program for 2002:

- a) Inflation targets;
- b) The framework for monetary policy implementation;
- c) The framework for assessing economic conditions and inflationary pressures; and
- d) The policy for communicating with the public.

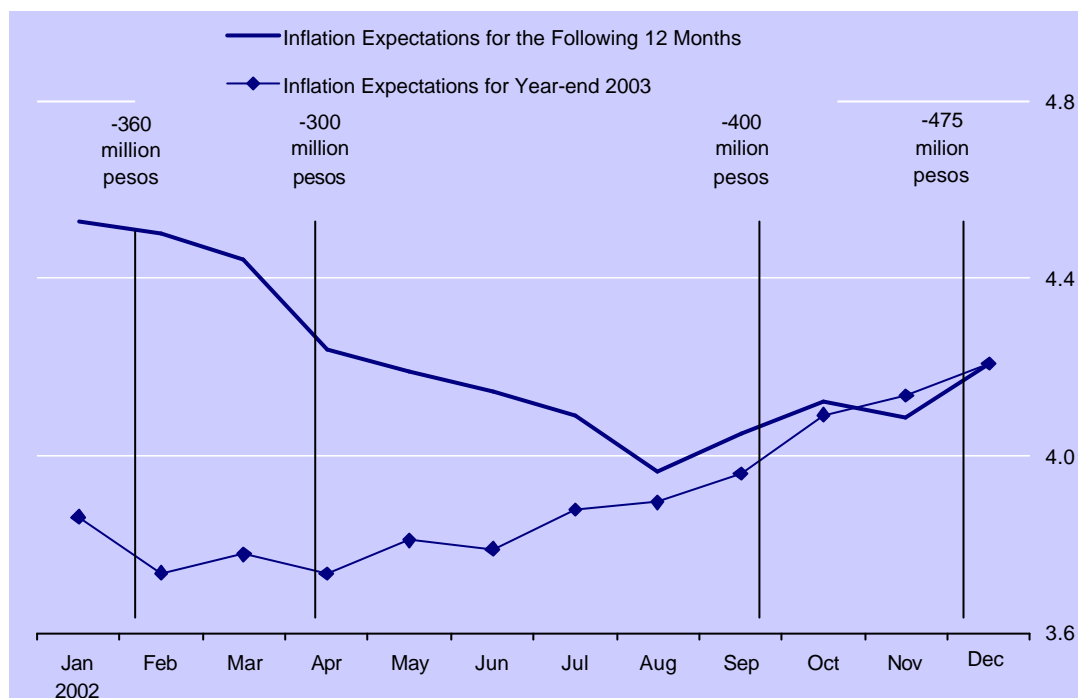
IV.1.2. Monetary Program Implementation

Banco de México modified its monetary policy stance on three occasions in 2002. On February 8th the “short” was increased from 300 to 360 million pesos; on April 12th it was reduced back to 300 million pesos; on September 23rd it was widened to 400 million pesos and, finally, on September 16th it was raised to 475 million pesos.

The restrictive stance of monetary policy was tightened in February in order to forestall the deterioration of inflation expectations and its consequent contagion on prices due to the inflationary impact stemming from the partial elimination of the electricity subsidy, announced by the Federal Government on January 29th and which went into effect on February 8th. Unlike other factors that could have caused a rebound in inflation and which had been anticipated in the Monetary Program for 2002, the aforementioned measure was unexpected.

Monetary policy actions implemented in February, coupled with other factors, had the desired effect on the expectations’ formation process (Graph 40). Meanwhile, annual core inflation went down in February and March. Although annual inflation of services had not declined significantly in the first few months of the year, there were factors which pointed to its decrease. Among these were the moderation in contractual wage increases, lackluster economic activity, and the slack in the labor market.

Graph 40 Inflation Expectations and Accumulated Balances Objective (“Short”)



Source: Survey of Private Sector Economic Analysts' Expectations conducted by Banco de México.

In this context, on April 12th the Board of Governors of Banco de México decided to reduce the “short” to 300 million pesos. Nevertheless, during the period following the implementation of this measure several negative external events arose. In fact, throughout the third quarter emerging markets faced an adverse international environment as well as increased pessimism regarding the recovery of the United States economy. This had a negative impact on growth expectations for the Mexican economy. Furthermore, risk premiums on developing countries' sovereign bond issues rose considerably while the main stock market indexes in the United States continued to fall.

The adverse international environment influenced the behavior of the exchange rate and yields on Mexican sovereign bonds. The latter led to a significant rise in domestic interest rates in September. Moreover, the market began to show concern about the possible incidence of an exchange rate depreciation on domestic inflation, while doubts regarding the attainment of the annual inflation objective due to the evolution of those prices that are not included in core inflation calculations began to emerge.

The above factors, together with the rigidity of inflation expectations during the year, suggested that a more restrictive monetary policy was needed to reach the inflation target for 2003 as well as to send a clear message to the market of Banco de México's intentions to act in an appropriate manner by creating monetary conditions consistent with the aforementioned objective. Thus, on December 23rd the Board of Governors of Banco de México decided to raise the level of the "short" from 300 to 400 million pesos.

Inflation expectations continued on an upward trend during October and November 2002. Thus, on December 6th the level of the "short" was raised from 400 to 475 million pesos. The decision to tighten the monetary policy responded to the need to induce a downward movement in inflation expectations in the medium run and foster the monetary conditions necessary so that annual increases in consumer prices can converge with the 3 percent inflation target for 2003.

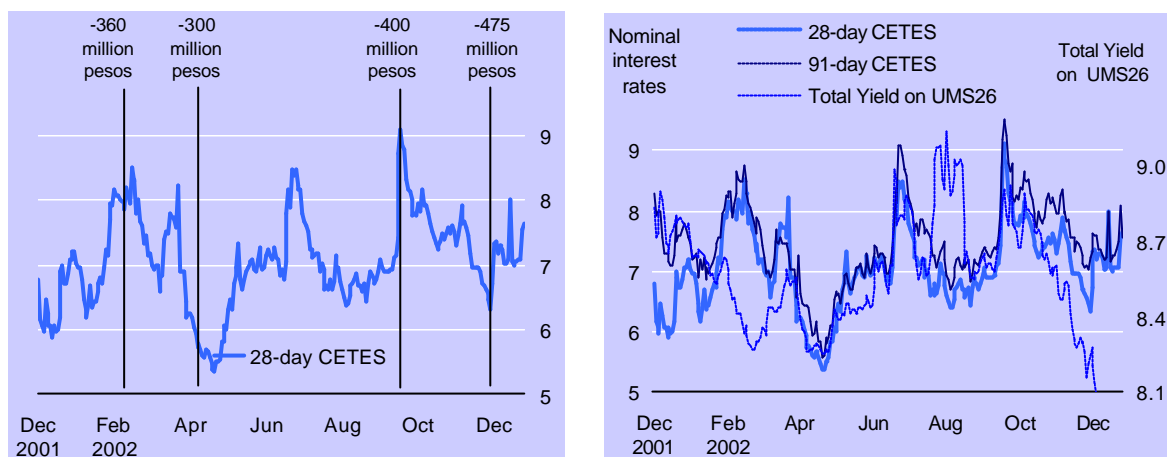
Domestic interest rates fluctuated between a minimum of nearly 5 percent and a maximum of 9 percent (yields on 28-day CETES) in response to both domestic and external factors (Graph 41). In particular, during the first quarter of 2002 domestic interest rates behaved differently from external rates as they registered a significant increase in January in anticipation of foreseeable inflationary effects from the partial removal of the electricity subsidy. The timely implementation of monetary policy influenced inflation expectations, bringing interest rates down.

For most of 2002, especially in the third quarter, there was a negative environment prevailing in international capital markets. Nonetheless, risk aversion decreased throughout the fourth quarter and tensions in Latin American markets eased once the new Brazilian administration made commitments to reduce inflation, maintain a prudent fiscal policy and meet its financial obligations. The positive influence of these factors was reflected in the substantial decline in country risk indicators for Mexico and Latin America (Graph 41 and Table 36).

Graph 41

Nominal Interest Rates^{1/}, Total Yield on UMS26 Bonds, and Accumulated Balances Objective ("Short")

Percent



Source: Reuters and Banco de México.

Table 36

Country Risk Indicators for Latin America (Global EMBI)

Basis points

	2001				2002			
	I	II	III	IV	I	II	III	IV
Latin America	757	787	1,069	888	688	1,034	1,316	981
Argentina	967	1,050	1,615	5,363	5,030	7,078	6,475	6,342
Brazil	805	844	1,163	864	716	1,560	2,412	1,460
Chile	189	169	220	175	120	209	218	176
Colombia	645	528	615	508	511	592	1,066	633
Ecuador	1,366	1,303	1,516	1,233	1,037	1,262	1,975	1,801
Mexico	408	307	427	306	249	323	435	329
Panama	n.a.	n.a.	n.a.	n.a.	347	466	561	446
Peru	650	632	669	521	409	628	880	609
Dom. Republic	n.a.	n.a.	n.a.	446	313	383	521	499
Uruguay	n.a.	251	299	284	525	869	1,643	1,228
Venezuela	877	847	997	1,130	898	1,113	1,166	1,131

n.a. Not available.

Source: JP Morgan. End-quarter Index.

Although nominal interest rates declined in line with improved country risk perceptions during the last quarter of 2002, the fall was lower than expected considering the past relationship between both variables. The latter can partly be explained by the intensification of restrictive monetary policy measures during the last few months of the year.

In 2002, the Board of Governors of Banco de México considered necessary for credit institutions to make a new mandatory deposit at the Central Bank amounting to 150,000 million pesos as from September 26th. This deposit replaced the one then existing for 95,396 million pesos. This action was based on the fact that financial programming pointed to an expansion of liquidity in the next few months stemming from Central Bank operations with the Federal Government sector and from the amortization of monetary regulation bonds. The characteristics of the new deposit were as follows:

- a) The term would be indefinite and the amount would be determined according to each bank's liabilities; and
- b) The interest rate would be linked to the bank funding rates published by Banco de México on a daily basis, capitalized daily and paid every 28 days.

It should be emphasized that this new deposit did not modify the monetary policy stance of Banco de México³⁸.

IV.2. Exchange Rate Policy

Mexico's exchange rate policy is conducted as per the guidelines established by the Foreign Exchange Commission³⁹. Since 1995 Mexico has operated under a floating exchange rate regime which has proved to be very effective in partially absorbing the impact from external and domestic shocks.

The exchange rate appreciated during the first three months of the year, reaching 9.01 pesos per US dollar on April 1. From that date onwards it began to depreciate until it leveled at 10.40 pesos per US dollar at year-end 2002, thus accumulating a depreciation of 13.5 percent compared to its level at year-end.

The trajectory of the exchange rate from March to September was consistent with increased country risk perceptions during the period. However, in the last quarter of 2002 the net yield on

³⁸ Banco de México's press release of August 28th 2002.

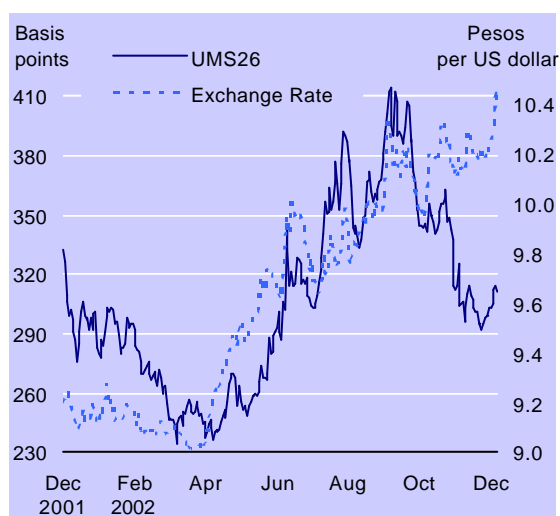
³⁹ Made up of officials from the Ministry of Finance (*Secretaría de Hacienda y Crédito Público*, SHCP) and Banco de México. It is in charge of determining the country's exchange rate policy.

Mexico's sovereign debt dropped around 96 basis points (UMS26 bonds), while the Mexican peso depreciated 1.8 percent vis-à-vis the US dollar. This contrasted with the positive correlation between peso exchange rates and country risk indicators for Mexico during previous quarters (Graph 42a).

Among the factors that might explain the difference between exchange rate fluctuations and country risk indicators is the positive correlation between peso/US dollar and US dollar/euro exchange rates. The latter correlation continued until June and ceased in the third quarter of 2002. In this regard, the depreciation of the peso vis-à-vis the US dollar during the last quarter of 2002 was accompanied by a 6.3 percent depreciation of the US dollar against the euro (Graph 42b). The correlation between the peso/US dollar and US dollar/euro rates could be associated with reduced capital flows from the United States to Mexico due to the economic slowdown in that country.

Graph 42 Country Risk Indicators for Mexico and Exchange Rates

a) Basis points and pesos/US dollar



b) Pesos/US dollar and US dollars/euro



Source: Bloomberg, Reuters and Banco de México.

Note: The net yield on the UMS26 bond is the difference between its gross yield and the yield on a U.S. government bond with similar maturity.

Nevertheless, the correlation between the Mexican peso and different financial variables has been unstable or short lived. Moreover, it could have also been sustained by speculative behavior, above all when there is reduced liquidity in the exchange market as occurred in

the last few weeks of December 2002. Fluctuations in the peso/dollar exchange rate might have also responded to fundamental factors that affect the behavior of real variables, which in the long run, determine the equilibrium level of the real exchange rate. The most important of these factors are the following:

- a) Uncertainty concerning the recovery of the United States economy in 2003;
- b) The faltering belief among investors that the pending structural reforms needed by the Mexican economy to reach higher levels of productivity and economic growth will be implemented;
- c) The disparity between productivity in the Mexican manufacturing exports sector and productivity in the United States' manufacturing sector in 2002; and
- d) The more intense competition faced by Mexican exports in the United States.

During 2002, there was no evidence suggesting that exchange rate fluctuations might have caused an upward pressure on prices and, therefore, hampered the attainment of the inflation objective. However, Banco de México always remained cautious and ready to counter such pressures.

The weakening of the pass-through effect from exchange rate fluctuations to domestic prices may have responded to the following factors:

- a) Economic agents are more prudent today when modifying their prices, as the exchange rate usually undergoes unpredictable downward and upward movements;
- b) Feeble aggregate demand does not contribute to an environment suited to pass on fluctuations from the exchange rate to consumers;
- c) At the onset of the year thousands of contracts and prices were determined based on a higher rate of depreciation. Thus, the latter seems to have already been included in a large number of prices; and

- d) Interest rates have increased in tandem with the depreciation of the exchange rate.

V. Final Remarks

In 2002, the international environment continued to influence the behavior of the Mexican economy. Although the international situation was not completely unfavorable during the year, the contraction of industrial output in the United States led to lackluster growth in output and employment in Mexico, especially in those sectors that are most closely linked to the export sector. Thus, annual GDP increased only 0.9 percent in 2002. Moreover, the sluggish expansion of output resulted in equally modest job creation and the total number of workers affiliated to the IMSS rose by 51 thousand individuals.

Real wages continued to improve in 2002. However, average nominal contractual wage increases remained above inflation expectations throughout the year and constituted an obstacle for the creation of employment and a source of inflationary pressures. The latter underlines the need for a labor reform which strengthens firms' ability to generate job opportunities for all the population.

Annual CPI inflation was 5.7 percent in 2002, meaning that the inflation target was not met for the first time in four years. This result was due to substantial increases in the subindexes of prices administered or regulated by the public sector and of agricultural products. Meanwhile, core inflation, an indicator of the medium-term trend, continued on the downward path it has shown over recent years. In this respect the fact that the exchange rate depreciation did not forestall the decline in annual inflation of the merchandise subindex is noteworthy.

It should be emphasized that inflation did not deviate further from the target because monetary policy centered on staving off any possible contagion from medium-term inflation expectations, and on bringing down inflation in the subindex of services. Among the other factors that offset inflationary pressures during 2002 were: i) weak domestic demand; ii) the absence of a pass-through effect from depreciations of the exchange rate to tradable goods prices; and, iii) the modest impact of the tax on luxury goods and services on inflation.

The various strengths of Mexico's economy allowed orderly conditions in the country's financial markets and helped avoid

contagion from other economies in the region that experienced periods of high volatility. As a result, the effects of the global economic downturn on Mexico's economy have been less intense than in other countries.

Perseverance in monetary and fiscal discipline is crucial to return to the path of high and sustainable growth. In this regard, Banco de México reiterates its commitment to continue its implementation of firm and timely monetary policy in order to ensure an environment of low and stable inflation –3 percent within an interval of plus/minus one percent by 2003- in the context of today's inflation-targeting scheme. One feature of this regime is its emphasis on the transparency and communication of monetary policy actions. As a result, in 2002 the Board of Governors of Banco de México decided to implement additional communication mechanisms to improve the frequency and timeliness of information released to the public. Thus, as of 2003 monetary policy decisions are published on predetermined dates. This new element will help make monetary policy more effective and strengthen the achievements of the last few years in the abatement of inflation.

The lack of political consensus regarding pending structural reforms continued to represent a serious obstacle to the country's modernization process and constitutes an additional element of uncertainty in the midst of a particularly complex international environment. Under such a scenario, there is a risk that interest rates and the exchange rate could become more volatile. This could hamper domestic and external capital flows, thus worsening current and future possibilities for the growth and modernization of the country's productive structure necessary to create the permanent and well paid jobs the country requires.

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. On December 31st 2002 Mexico's quota in the organization was 2,585.8 million Special Drawing Rights (SDR)⁴⁰, accounting for 1.22 percent of the IMF's total quotas. Quotas determine each country's access to IMF resources as well as its voting power in the institution's governing bodies.

During 2002, three important issues in Mexico's relationship with the IMF should be highlighted: the country's inclusion in the Financial Transactions Plan (FTP), the conclusion of the Article IV consultation in accordance with the IMF's Articles of Agreement, and the preparation of a Report on the Observance of Standards and Codes of Fiscal Transparency.

The IMF adopts a quarterly Financial Transactions Plan which selects the currencies and amounts that will be used for granting loans as well as for loan repayments. Among the criteria employed by the IMF in deciding the currencies it will use are: 1) the strength of each country's balance of payments and international reserves; 2) developments of the exchange markets; 3) external competitiveness; 4) indicators of debt service burden; and 5) indicators of short-term liquidity.

In June 2002, and for the first time, the IMF included the Mexican peso in its Financial Transactions Plan. The latter could be interpreted as IMF recognition of Mexico's strong external position. Thus, with its participation in the FTP, Mexico became a creditor of this international organization⁴¹. In 2002, the Mexican peso was used three times in the FTP for an amount equivalent to 226 million SDR. As a reference, it should also be mentioned that the only Latin American

⁴⁰ On December 31st 2002, one SDR was equivalent to 1.35952 US dollars.

⁴¹ It is worth remembering that Mexico's last Stand-By Agreement with the IMF ended on November 30th 2000 and since August that year, when México prepaid its outstanding debt. Accordingly, Mexico currently does not have any debt with the IMF.

countries that also participate in the FTP besides Mexico are Chile and Trinidad and Tobago.

The Article IV⁴² consultation for Mexico ended on September 23, 2002. The results of the consultation were announced on September 26th and soon after, on October 30th, the Mexican authorities released the IMF documents to the public as part of their transparency policy⁴³.

In their report for Mexico, the IMF's staff made special mention of the prudent management of fiscal and monetary policies in the context of weaker economic activity. The progress made in the abatement of inflation, the strengthening of international reserves, and the moderation of the current account deficit were also pointed out. Furthermore, the IMF set forth the importance of implementing the actions included in its medium-term economic program (PRONAFIDE), and stressed the need to carry out pending structural reforms focused on strengthening fiscal conditions, fostering competitiveness and increasing productivity.

The results of the Report on the Observance of Standards and Codes of Fiscal Transparency were announced on September 16th. The document underlined the Mexican government's achievements in improving transparency and compliance with international standards in this field, specifically pointing to the reform of the budgeting process, the timely communication of fiscal data and the strengthening of internal controls⁴⁴.

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

Mexico subscribed to the IMF's Special Data Dissemination Standard (SDDS) since August 1996. The SDDS is a set of international guidelines on the scope, frequency, timeliness and quality of economic and financial information. The SDDS encourages immediate and fair

⁴² A detailed explanation of the objectives and scope of the IMF consultation for México can be found in Banco de México's Annual Report for 2001: <http://www.banxico.org.mx>

⁴³ Documents related to the IMF consultation for Mexico can be found on the following web pages:

<http://www.shcp.gob.mx/>

<http://www.banxico.org.mx>

<http://www.imf.org/external/pubs/ft/scr/2002/cr02237.pdf>

<http://www.imf.org/external/pubs/ft/scr/2002/cr02238.pdf>

⁴⁴ The Report on the Observance of Codes and Standards of Fiscal Transparency can be found on the following web page:

<http://www.imf.org/external/pubs/ft/scr/2002/cr02200.pdf>

access to information, helps users of economic and financial statistics to assess data quality, and guarantees the objectivity and integrity in compiling and publishing them.

At the end of June 2002, in line with the SDDS, Mexico began to publish International Investment Position statistics. These statistics show the evolution, during a certain period, of the stocks of different components that make up the balance of payments' capital account. At the same time as this information was released, the corresponding methodology pages were posted on the IMF's web page ⁴⁵.

Bank for International Settlements (BIS)

Banco de México has been a member of the BIS since November 1996, having subscribed 3,000 shares of that organization's third tranche of capital. On December 31st 2002 these shares were equivalent to 0.57 percent of the total representative shares issued by the BIS. Since then, Banco de México has participated actively in bimonthly meetings of central bank governors of member countries and in various committees and working parties within the organization. An analysis of the world economy and of the evolution of international financial markets is undertaken in these meetings as well as an interchange of opinions concerning topics related to the world economic conjuncture.

The BIS inaugurated its Representative Office for the Americas in Mexico City during the meeting of central bank governors on November 10th and 11th, 2002. This office will run as a regional center for BIS activities in the American Continent and has three main objectives: 1) to strengthen the links and cooperation between central banks and monetary authorities in the region; 2) to improve the interchange of data and information; and 3) to facilitate the organization of meetings and seminars. It is worth mentioning that the office in Mexico is the second Representative Office established by the BIS. The first representative office was set up in 1998 in Hong Kong, China, to cover the Asia-Pacific region.

⁴⁵ Documents related to Mexico's participation in the SDDS can be found on the following web page: <http://www.banxico.org.mx/sitebanxico/INGLES/elInfoFinanciera/infcarteleraelectronica/fmi.html>

Appendix 2

Public Sector Borrowing Requirements (PSBR)

The “Public Sector Borrowing Requirements” are a relevant indicator of the fiscal stance. Such indicator shows the structure of the public sector’s financing necessary to fulfill economic policy goals, classifying the sources of financing according to their origin either as domestic or foreign. The Federal Government and public sector enterprises as well as official financial intermediaries (development banks and official trust funds) are considered as main users of financial resources. Contingent liabilities associated with the public sector are also included in the PSBR. The most relevant are the following: a) net liabilities associated with the IPAB; b) direct investment net of redemption payments of Long-term Projects for Productive Infrastructure with Deferred Expenditure Impact (*Programas de Impacto Diferido en el Gasto*, PIDIREGAS); c) guaranteed liabilities from the Trust for the Support and Rescue of Concessioned Highways (*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) costs derived from debtors support programs⁴⁶.

It is important to mention that PSBR measurements referred to in this section differ from those reported by the Ministry of Finance on a quarterly basis, which are calculated on a cash flow basis. In contrast, the presented figures are measured on an accrued basis employing a source of financing methodology.

In 2002, total PSBR, including contingent programs and non-recurrent revenues accumulated a deficit of 159.8 thousand million pesos, a figure equivalent to 2.6 percent of GDP. This deficit was lower than that registered in 2001 when it reached 3.92 percent of GDP. Meanwhile, non-recurrent revenues totaled 36.2 thousand million pesos⁴⁷. Thus, at

⁴⁶ Since 2001 the Ministry of Finance has reported these figures on a quarterly basis in a document entitled “Report on the Economic Situation, Public Finances and Public Debt” (*Informes sobre la Situación Económica, las Finanzas Públicas y la Deuda Pública*).

⁴⁷ These revenues were obtained from the sale of Aseguradora Hidalgo, S.A. (9.2 thousand million pesos), from the placement of a share package from the BBVA-Bancomer Financial Group (7.1 thousand million pesos), from profits derived from debt repurchases (8.9 thousand million pesos), and from the use of deposits in the SAR IMSS 92 account (10.9 thousand million pesos applied in 2002).

year-end 2002 PSBR excluding non-recurrent revenues posted a deficit of 196 thousand million pesos (3.19 percent of GDP).

In 2002, the PSBR including non-recurrent revenues were financed using more resources from the domestic market (135.1 thousand million pesos). In contrast, net external indebtedness, which was associated with Productive Infrastructure with Deferred Expenditure Impact (PIDIREGAS), amounted to 24.7 thousand million pesos. Net domestic financing in 2002 was composed of: a) net assets deposited in Banco de México worth 9.8 thousand million pesos; b) net financing by commercial banks totaling 32.2 thousand million pesos; c) the holding of government securities by the private sector (131.1 thousand million pesos); and d) the contraction of the private sector's deposits in development banks for 37.9 thousand million pesos due to the winding up of BANRURAL.

At year-end 2002, the public sector's economic deficit on an accrued basis, estimated via its sources of financing and including non-recurrent revenues, was 98.2 thousand million pesos, equivalent to 1.6 percent of GDP. This result was higher than original estimates due to the decision to wind up BANRURAL and substitute it with the Rural Finance Agency.

As a result of the above operation, the non-financial public sector's deficit ended 37.9 thousand million pesos higher than originally forecasted (0.6 percent of GDP). However, the PSBR were not affected by the winding up of BANRURAL, which represented a substitution of liabilities between public sector entities, i.e. an increase in the Federal Government's deficit and a reduction of development banks' liabilities.

The non-financial public sector's deficit resulted from the Federal Government's negative balance of 144.8 thousand million pesos and the accumulation of financial assets by public sector entities amounting to 46.6 thousand million pesos. In 2002, financial intermediation by development banks and official development trusts measured on an accrued basis registered a surplus of 12.3 thousand million pesos (0.2 percent of GDP).

At year-end 2002, contingent programs of the public sector accumulated a net indebtedness of 74 thousand million pesos, representing 1.2 percent of GDP. This figure was lower than the one registered the previous year when it accounted for 1.97 percent of GDP.

Among those programs were IPAB's net liabilities worth 16.7 thousand million pesos and PIDIREGAS, which implied a net indebtedness of 49.3 thousand million pesos. Meanwhile, liabilities from the FARAC reached 19.3 thousand million pesos while those derived from the restructuring of bank credits denominated in UDIs contracted by 0.4 thousand million pesos. Finally, accumulated liabilities associated with debtor support programs from banks decreased 10.8 thousand million pesos (Table 37).

Table 37 **Total Public Sector Borrowing Requirements in 2002** ^{1/}
Thousand million pesos

Item	Excluding Non- recurrent Revenues	GDP %	Including Non- recurrent Revenues	GDP %
Sources:				
PSBR ^{2/}	-196.0	-3.19	-159.8	-2.60
Net External Financing ^{3/}	-24.7	-0.40	-24.7	-0.40
(Billion US dollars) ^{4/}	-2.5		-2.5	
Net Domestic Financing	-171.4	-2.79	-135.1	-2.20
Banco de México	-46.0	-0.75	-9.8	-0.16
Commercial Banks	-32.2	-0.52	-32.2	-0.52
Government Securities ^{5/}	-131.1	-2.13	-131.1	-2.13
Other Private Sector Financing	37.9	0.62	37.9	0.62
Uses:				
PSBR	-196.0	-3.19	-159.8	-2.6
PSBR Including Contingent Programs ^{2/}	-122.1	-1.98	-85.8	-1.39
Public Balance	-134.4	-2.18	-98.2	-1.60
Federal Government	-181.0	-2.94	-144.8	-2.35
Public Sector Entities	46.6	0.76	46.6	0.76
Financial Intermediation	12.3	0.20	12.3	0.20
Contingent Programs	-74.0	-1.20	-74.0	-1.20
PIDIREGAS ^{6/}	-49.3	-0.80	-49.3	-0.80
FARAC ^{7/}	-19.3	-0.31	-19.3	-0.31
UDIs Restructuring Programs	0.4	0.01	0.4	0.01
IPAB ^{8/}	-16.7	-0.27	-16.7	-0.27
Debtor Support Programs ^{9/}	10.8	0.18	10.8	0.18

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

2/ Excludes the impact of changes in the peso/US dollar exchange rate as well as changes in the US dollar versus other currencies.

3/ Net external financing is calculated by subtracting amortizations and changes in financial assets' stocks from total disbursements.

4/ This figure includes both public sector's debt as well as the use of other external resources originally obtained by Mexican banks' agencies abroad, among others. This definition is different from the one used in the balance of payments and external debt sections of this Report. In these sections, the debt of commercial banks' agencies abroad is classified as commercial banks' liabilities.

5/ Includes only securities held by the private sector. Federal government securities held by banks are included in the Net Financing Granted by the Banking System.

6/ Figures estimated based on the difference between investment and amortization of public sector projects related to investment in infrastructure.

7/ This figure is estimated on the basis of changes in federal-government-guaranteed obligations of the Trust for the Support and Rescue of Concessioned Highways (FARAC).

8/ Estimates based on the change of IPAB's net liabilities as published in the Ministry of Finance's (SHCP) "Report on the Economic Situation, Public Finances and Public Debt."

9/ 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 ⁴⁸

By year-end 2002, the total net public sector debt, which includes contingent liabilities, accounted for 40.21 percent of GDP, 3.62 percentage points higher than at the end of December 2001. This variation was the result of increases in both contingent items and the net broad economic debt (Table 38).

Table 38 **Total Net Public Sector Debt**
End-period stocks

	Thousand million pesos			GDP percentage		
	2001	2002 ^{1/}	Variation	2001	2002	Variation
a. Net Broad Economic Debt ^{1/}	1,169.1	1,401.4	232.3	20.05	22.78	2.73
1. External	685.4	766.2	80.8	11.76	12.45	0.69
2. Domestic	483.7	635.2	151.5	8.30	10.32	2.02
b. Contingent Items	964.4	1,072.8	108.4	16.54	17.43	0.89
1. IPAB ^{2/}	623.8	640.4	16.6	10.70	10.41	-0.29
2. FARAC ^{3/}	121.9	141.2	19.3	2.09	2.29	0.20
3. UDIs Restructuring Programs ^{4/}	42.3	41.8	-0.5	0.72	0.68	-0.04
4. Direct PIDIREGAS ^{5/}	158.5	242.3	83.8	2.72	3.94	1.22
5. Debtor Support Programs ^{6/}	17.9	7.1	-10.8	0.31	0.11	-0.20
c. Total Net Public Sector Debt (a+b)	2,133.5	2,474.2	340.7	36.59	40.21	3.62

^{*/} Preliminary figures.

1/ The difference between the growth of this stock and PSBRs is due to 1) the revaluation of debt flows in foreign currency; 2) the exclusion of liquid assets held by public institutions and enterprises in Investment Funds; and 3) the fact that credit granted to the private sector is considered an asset and not a deficit as with "financial intermediation".

2/ Corresponds to the difference between IPAB's gross liabilities and total assets as reported in the Annex III of the Country's Public Finances Report for the fourth quarter of 2002.

3/ FARAC obligations guaranteed by the Federal Government.

4/ The difference between Special CETES issued by the Federal Government and its assets denominated in UDIs.

5/ The stock of debt in Long-term Productive Infrastructure Projects with Deferred Expenditure Impact (PIDIREGAS) is calculated based on investment flows.

6/ Corresponds to credit granted by commercial banks to the Federal Government under the mentioned programs.

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

⁴⁸ The Broad Net Economic Debt includes net liabilities from the Federal Government and non-financial public entities and enterprises, as well as debt, financial assets and profits or losses of official financial intermediaries (development banks and official development trusts). Likewise, the net debt consolidated with Banco de México also includes financial assets and liabilities of the Central Bank vis-à-vis the private sector, commercial banks and the external sector. The latter definition allows to cancel the net financing granted by the Central Bank to the rest of the public sector. It is worth pointing out that due to the fact that credit granted to the private sector is considered an asset and because of methodological reasons similar to those highlighted for PSBRs, the definitions of public debt explained herein are not directly comparable with those presented in the Ministry of Finance's regular quarterly reports to the Mexican Congress. Calculations presented in this section add the net liabilities of contingent programs (IPAB, Debtor Support Programs, PIDIREGAS, FARAC and UDIs restructuring programs) to the broad economic debt.

Among contingent items, the increases associated with direct PIDIREGAS and FARAC were noteworthy. These were partially offset by reductions in obligations from IPAB, restructuring programs in UDIS, and debtor support programs.

At year-end 2002, the broad net economic debt was 22.78 percent of GDP, 2.73 percentage points higher than its level at year-end 2001. Meanwhile, the broad external economic debt rose 0.69 percent as a proportion of GDP compared to 2001, mainly as a result of the change in its value in domestic currency due to the depreciation of the peso vis-à-vis the US dollar during the period reported. Among the relevant actions concerning the management of external debt in 2002, the early redemption of Brady Bonds is noteworthy. The latter meant that the balance of these instruments at year-end 2002 represented only 15.1 percent of the total issued in 1990.

The net domestic component of the broad economic debt rose 2.02 percentage points of GDP compared to its level in the previous year. This variation responded to the Federal Government's strategy of obtaining financing basically from the domestic market as established in the economic program for fiscal year 2002. In this regard, it is important to mention the issuing of a new bond in July 2002 at a fixed interest rate and with 7 years to maturity, as well as the decision to stop issuing BONDES with 3 years to maturity (Bondes T). These measures led to an improvement in the average maturity of the Federal Government's debt portfolio, which was 859 days at year-end 2002, 114 days higher than the average maturity at the end of 2001.

As of December 31st 2002 the net economic debt consolidated with Banco de México accounted for 22.09 percent of GDP, 1.89 percentage points higher than at year-end 2001 (Table 39). External indebtedness consolidated with the Central Bank represented 3.88 percent of GDP in 2002, thus implying a decline of 0.85 percentage points compared to 2001. This reduction responded to Banco de México's accumulation of international reserves. Meanwhile, the domestic component of the net consolidated debt rose 2.74 percent as a proportion of GDP compared to its level in 2001 due to the increase in bonds issued for monetary regulation purposes (BREMS). The total public sector debt consolidated with Banco de México reached 39.52 percent of GDP, 2.78 percentage points above that registered in 2001.

Table 39 **Total Net Public Sector Debt Consolidated with Banco de México**
End-period stocks

	Thousand million pesos			GDP percentage		
	2001	2002 ^{*/}	Variation	2001	2002	Variation
a. Net Economic Debt Consolidated with Banco de México ^v	1,177.5	1,359.0	181.5	20.20	22.09	1.89
1. External	276.0	238.8	-37.2	4.73	3.88	-0.85
2. Domestic	901.5	1,120.2	218.7	15.46	18.21	2.75
b. Contingent Items	964.4	1,072.8	108.4	16.54	17.43	0.89
1. IPAB ^{2/}	623.8	640.4	16.6	10.70	10.41	-0.29
2. FARAC ^{3/}	121.9	141.2	19.3	2.09	2.29	0.20
3. UDIs Restructuring Programs ^{4/}	42.3	41.8	-0.5	0.72	0.68	-0.04
4. Direct PIDIREGAS ^{5/}	158.5	242.3	83.8	2.72	3.94	1.22
5. Debtor Support Programs ^{6/}	17.9	7.1	-10.8	0.31	0.11	-0.20
c. Consolidated Total Net Public Sector Debt (a+b)	2,141.9	2,431.8	289.9	36.74	39.52	2.78

* / Preliminary figures.

1/ The difference between the growth of this stock and PSBRs is due to 1) the revaluation of debt flows in foreign currency; 2) the exclusion of liquid assets held by public institutions and entities in Investment Funds; and 3) the fact that credit granted to the private sector is considered an asset and not a deficit as with "financial intermediation".

2/ Corresponds to the difference between IPAB's gross liabilities and total assets as reported in Annex III of the Report on the Economic Situation, Public Finances and Public Debt (*Informe sobre la Situación Económica, las Finanzas Públicas y la Deuda Pública*), fourth quarter of 2002.

3/ Obligations guaranteed by the Federal Government from the Trust for the Support and Rescue of Concessioned Highways (*Fideicomiso de Apoyo para el Rescate de Autopistas Concesionadas, FARAC*).

4/ The difference between liabilities associated to special CETES (issued by the Federal Government and by banks) and debt restructured in UDIs.

5/ The stock of debt in Long-term Productive Infrastructure Projects with Deferred Expenditure Impact (PIDIREGAS) is calculated based on investment flows.

6/ Corresponds to credit granted by commercial banks to the Federal Government under the mentioned programs.

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

Statistical Appendix

Index

Basic Information	119
Table A 1 Summary of Selected Indicators	121
Table A 2 Socio-demographic Indicators	122
Table A 3 Infrastructure and Natural Resources	123
Table A 4 Structure of the Mexican Financial System	124
Production and Employment	125
Table A 5 Main Indicators of Production	127
Table A 6 Gross Domestic Product	127
Table A 7 Aggregate Supply and Demand	127
Table A 8 Domestic Saving and Investment	128
Table A 9 Gross Domestic Product by Sectors	128
Table A 10 Growth Rates of Manufacturing Industries	128
Table A 11 Crude Oil and Gas Production and Crude Oil Reserves	129
Table A 12 Total Number of Workers Affiliated to the IMSS	130
Table A 13 Urban Unemployment Rates	131
	113

Table A 14	Real Exchange Rate Index	132
Prices, Wages and Productivity		133
Table A 15	Main Indicators of Prices	135
Table A 16	Consumer Price Index (CPI)	136
Table A 17	Consumer Price Index (CPI) by Type of Goods	137
Table A 18	CPI, Core Inflation and Complementary Subindexes	138
Table A 19	Producer Price Index (PPI) Excluding Oil	139
Table A 20	Producer Price Index (PPI) Excluding Oil	140
Table A 21	Producer Price Index (PPI) Excluding Oil and Including Services	141
Table A 22	National Index of Social-Interest Housing Construction Cost (<i>Indice Nacional del Costo de Edificación de la Vivienda Social, INCEVIS</i>)	142
Table A 23	Contractual Wages	143
Table A 24	Labor Productivity and Unit Labor Costs by Economic Sectors	144
Table A 25	Nominal and Real Wages per Worker by Economic Sectors	145
Table A 26	Ex-ante and Ex-post Real Contractual Wages	146
Table A 27	Minimum Wage	147

Monetary and Financial Indicators	149
Table A 28 Main Monetary and Financial Indicators	151
Table A 29 Monetary Aggregates	152
Table A 30 Monetary Base	153
Table A 31 Monetary Aggregates M1, M2, M3 and M4	154
Table A 32 Financing to the Private Sector: Banks and Additional Funding Sources	155
Table A 33 Financial System Flow of Funds Matrix (January–December 2002)	156
Table A 34 One-year Monetary Regulation Bonds (<i>Bonos de Regulación Monetaria</i> , BREMs)	157
Table A 35 Three-year Monetary Regulation Bonds (<i>Bonos de Regulación Monetaria</i> , BREMs)	158
Table A 36 Representative Interest Rates	159
Representative Interest Rates (cont.)	160
Table A 37 Representative Interest Rates	161
Table A 38 Representative Exchange Rates	162
Table A 39 Market Capitalization of the Mexican Stock Exchange	163
Table A 40 Mexican Stock Market Index (<i>Indice de Precios y Cotizaciones de la Bolsa Mexicana de Valores, IPC</i>)	164

Public Finances		165
Table A 41	Main Public Finance Indicators (1992-2002)	167
Table A 42	Revenues, Expenditures and Balances of the Public Sector in 2001 and 2002	168
Table A 43	Revenues, Expenditures and Balances of the Public Sector (1992-2002)	169
Table A 44	Budgetary Revenues of the Public Sector (1992-2002)	170
Table A 45	Budgetary Expenditures of the Public Sector (1992-2002)	171
Table A 46	Total Net Debt of the Public Sector	172
Table A 47	Total Net Debt of the Public Sector	173
Table A 48	Net Debt of the Non-Financial Public Sector	174
Table A 49	Placement of Public Sector Domestic Debt via Securities	175
Table A 50	Placement of Public Sector Domestic Debt via Securities	176
Table A 51	Mexican Brady Bonds	177
External Sector		179
Table A 52	Main Indicators of the External Sector	181
Table A 53	Balance of Payments	182
Table A 54	Balance of Payments	183

Table A 55	Foreign Trade	184
Table A 56	Exports by Sector of Origin	185
Table A 57	Imports by Sector of Origin	186
Table A 58	Regional Trade Balance	187
Table A 59	Main Products Traded by the Non In-Bond Industry	188
Table A 60	International Travelers	189
Table A 61	Revenues from Household Remittances	190
Table A 62	Foreign Investment Flows	190
Table A 63	Foreign Investment in Government Securities	191
Table A 64	Foreign Investment in the Stock Market	192
Table A 65	Gross External Debt and Debt Service	193
Table A 66	Mexican Residents' Claims on U.S. Financial Institutions	194

Basic Information

Table A 1 Summary of Selected Indicators

			2001	2002	
Social and Demographic Indicators					
Area (sq km)			1,964,375	1,964,375	
Population (millions) ^{1/}			98.8	100	
Annual rate of population growth ^{1/}			1.4	1.3	
Life expectancy at birth ^{1/}			75.7	76	
	1998	1999	2000	2001	2002 ^{p/}
Production and Prices					
Gross Domestic Product (GDP in thousand million pesos)	3,846	4,594	5,491	5,828	6,153
	Annual percentage change				
GDP at constant prices	4.9	3.7	6.6	-0.3	0.9
Consumer Price Index (Dec-Dec)	18.61	12.32	8.96	4.40	5.70
Money and Finances					
Monetary Aggregates ^{2/}	Real annual percentage change				
Monetary Base	1.8	27.7	1.6	3.4	10.7
M1	0.5	12.3	5.9	15.4	6.5
M4	6.1	6.0	5.9	11.3	5.0
Interest Rates ^{3/}	Annual rates in percentage				
28-day CETES	24.76	21.41	15.24	11.31	7.09
28-day Interbank Interest Rate (TIIE)	26.89	24.10	16.96	12.89	8.17
	Pesos per US dollar				
Exchange Rate (end-period) ^{4/}	9.8650	9.5143	9.5722	9.1423	10.3125
Public Finances					
	GDP Percentage				
Economic Balance (cash flow) ^{5/}	-1.2	-1.1	-1.1	-0.7	-1.2
Primary Balance ^{5/}	1.7	2.5	2.6	2.6	1.8
Net Public Debt ^{6/}	24.5	21.9	20.7	20.1	22.8
External Sector					
	GDP Percentage				
Trade Balance including in-bond sector	-1.9	-1.2	-1.4	-1.6	-1.3
Current Account Balance	-3.8	-2.9	-3.1	-2.9	-2.2
Capital Account Balance	4.4	2.8	3.0	3.9	3.2
Total External Debt	38.8	34.4	27.3	25.2	24.3
Interest Payments	3.0	2.7	2.4	2.0	1.9
	Thousand million US dollars				
Net International Reserves (end-period) ^{7/}	30.1	30.7	33.6	40.9	48.0

1/ Estimates for 2002.

2/ End-period.

3/ Period average.

4/ Used for settling liabilities in foreign currency.

5/ Based on the revenue-expenses methodology.

6/ Refers to the broad economic debt, which includes net liabilities of the Federal Government, public firms and enterprises, and official financial intermediaries (development banks and trust funds). Stocks at end-period. Estimates by Banco de México.

7/ 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	1995	1997	1998	1999	2000	2001	2002 ^p
Population (millions)	81.2	91.2	93.7	94.9	96.1	97.4	98.8	100.0
Urban Population ^{1/}	71.3	73.5	74.2	74.6	75.0	74.7	75.0	75.2
Rural Population ^{1/}	28.7	26.5	25.8	25.4	25.0	25.3	25.0	24.8
Population per sq.km	42.6	46.8	48.4	49.1	49.9	50.6	51.3	52.0
Annual growth rate of population	2.0	1.7	1.6	1.6	1.5	1.4	1.4	1.3
Economically Active Population (millions)	34.1	35.6	38.3	39.5	39.8	39.6	40.4	n.a
Open unemployment rate	2.7	6.3	3.7	3.2	2.5	2.2	2.5	2.7
Life expectancy at birth (years)	71.4	73.6	74.3	74.7	75.0	75.3	75.7	76.0
Fertility rate ^{2/}	3.4	2.8	2.6	2.6	2.5	2.4	2.3	2.3
Mortality rate (per thousand)	5.2	4.6	4.4	4.4	4.3	4.3	4.2	4.2
Infant mortality rate (per thousand live births)	27.4	20.8	19.6	19.0	18.4	17.9	16.6	16.0
Number of physicians (per 100,000 inhabitants) ^{3/}	107.1	120.5	127.5	131.3	131.4	136.7	136.8	135.2
Number of hospital beds (per 100,000 inhabitants) ^{3/}	75.3	73.4	74.0	75.4	75.1	74.8	74.4	73.9
Illiteracy rate (population aged 15 and over)	12.1	10.6	10.0	9.8	9.5	9.2	9.0	8.8
Number of students per teacher (grade school)	30.5	28.3	27.6	27.2	27.2	27.0	26.9	26.9
Population with access to drinking water ^{1/}	77.7	84.2	85.7	86.4	87.4	88.5	89.0	89.3

1/ Percentage of 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 2002 (Presidency of the Republic-Mexico), INEGI and CONAPO.

Table A 3 Infrastructure and Natural Resources

	1990	1996	1997	1998	1999	2000	2001	2002 ^{1/}
Roads (km)	239,235	310,591	313,604	319,792	329,532	333,840	340,277	340,973
Federal toll roads (km)	1,761	6,356	6,394	6,388	6,429	6,526	6,582	6,667
Federal non-toll roads (km)	45,743	41,014	41,411	41,653	41,765	41,866	41,645	41,621
Paved roads (km)	83,925	98,717	102,250	104,023	108,086	108,416	110,730	111,086
Railroad transportation								
Railway network (km)	26,361	26,622	26,622	26,622	26,622	26,655	26,655	26,690
Passengers (millions of passengers/km)	5,336	1,799	1,508	460	254	82	67	66
Commercial cargo (millions of tons/km)	36,417	41,723	42,442	46,873	42,274	48,333	47,336	47,809
Air transportation								
International airports (number)	42	53	54	55	55	57	57	57
Passengers (thousands)	20,449	26,493	28,896	30,922	32,662	33,974	33,673	34,131
Cargo transported (thousands of tons)	164	285	335	388	407	379	351	352
Maritime transportation								
Number of ports (sea and river)	85	85	107	107	108	108	108	108
Passengers (millions)	3.8	6.4	6.2	7.2	7.9	8.9	n.a.	n.a.
Shipping (thousands of tons loaded and unloaded)	169,140	208,581	219,653	237,380	231,440	244,252	244,431	248,695
Communications								
Phones (thousands of lines in service)	5,353	8,826	9,254	9,927	10,927	12,332	13,773	15,032
Cellular phones (thousands of subscribers)	63.9	1,022	1,741	3,350	7,732	14,078	21,757	25,762
Telegraph services (number of offices)	2,604	1,771	1,813	1,868	1,878	1,819	1,609	1,609
Postal services (locations served)	22,000	30,828	31,167	31,515	32,015	32,127	29,216	29,216
Radio stations ^{1/}	1,045	1,325	1,342	1,351	1,349	1,371	1,410	1,412
T.V. stations ^{1/}	540	545	580	584	582	579	642	638
TELEX service (installed lines)	24,718	19,625	18,915	18,765	12,280	11,536	n.a.	n.a.
Hotel capacity (number of rooms)	333,547	381,522	382,364	396,968	419,608	421,850	452,116	452,116
Gross generation of electric power (gigawatts/hour) ^{2/}	122,757	160,494	170,519	184,049	192,234	204,336	209,642	217,413
Oil reserves (millions of barrels)	65,500	62,058	60,900	60,160	57,741	58,204	56,154	52,951

1/ Includes broadcasting, concessions and licenses.

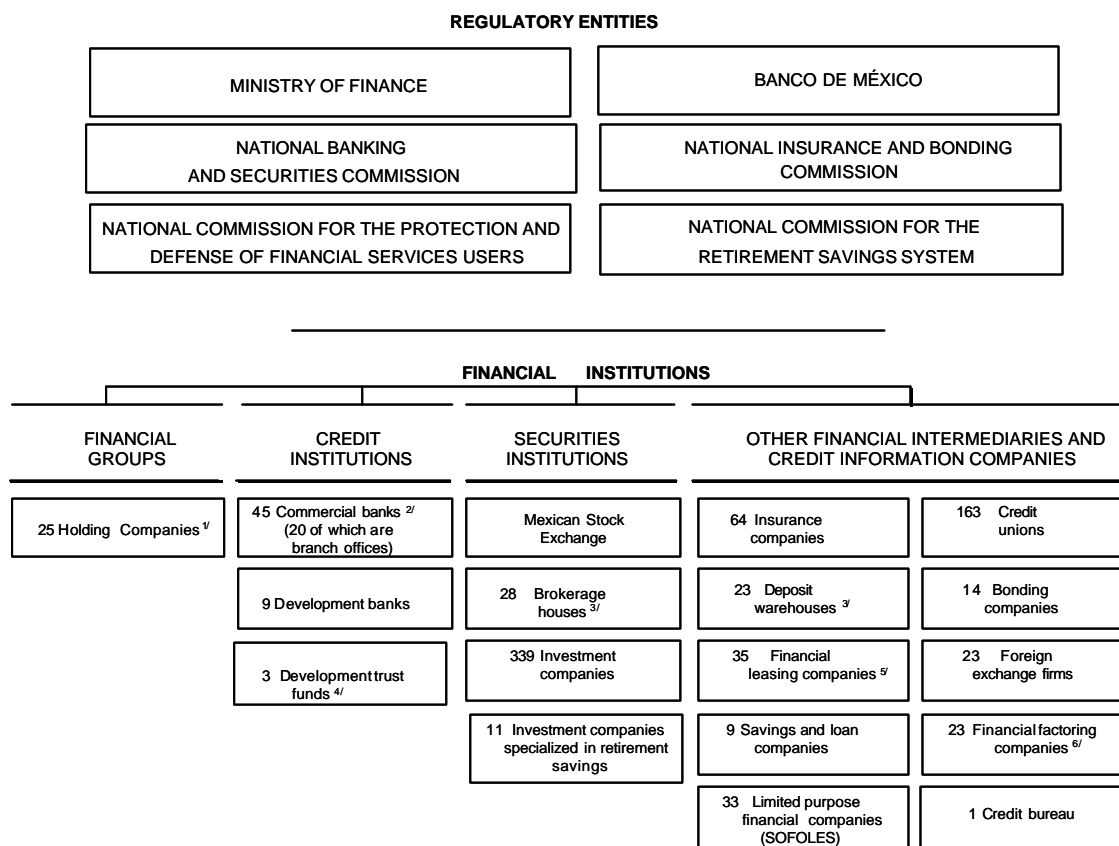
2/ Includes Federal Electricity Commission (*Comisión Federal de Electricidad, CFE*) and Central Light and Power (*Luz y Fuerza del Centro, LFC*).

p/ Preliminary figures.

n.a. Not available.

Source: Annual Government Report 2002, Presidency of the Republic-Mexico.

Table A 4 Structure of the Mexican Financial System



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

2/ Of which 11 are intervened by the National Banking and Securities Commission.

3/ Of which 1 is intervened by the National Banking and Securities Commission.

4/ FIDEC merged with FOVI in December 2000.

5/ Of which 3 are intervened by the National Banking and Securities Commission.

6/ Of which 3 are intervened by the National Banking and Securities Commission.

Information as of December 2002.

Production and Employment

Table A 5 Main Indicators of Production

	1997	1998	1999	2000	2001	2002 ^{p/}
	Annual percentage change					
Gross Domestic Product	6.8	4.9	3.7	6.6	-0.3	0.9
Private Consumption	6.5	5.4	4.3	8.2	2.7	1.2
Public Consumption	2.9	2.3	4.7	2.0	-1.2	-1.3
Private Investment	23.5	13.8	7.2	8.7	-4.4	-2.8
Public Investment	10.1	-7.5	10.7	27.2	-13.0	7.3
Exports (Merchandise and Services)	10.7	12.1	12.4	16.4	-3.6	1.4
Imports (Merchandise and Services)	22.7	16.6	14.1	21.5	-1.5	1.6

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

p/ Preliminary figures.

Table A 6 Gross Domestic Product

	Million pesos	Exchange rate	Million US dollars
1992	1,125,334.3	3.094	363,715
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	6,152,828.8	9.655	637,269

Source: National Accounts System (*Sistema de Cuentas Nacionales*), INEGI; and Banco de México.

Table A 7 Aggregate Supply and Demand

1993 Prices

	Annual percentage change						Percentage of GDP	
	1997	1998	1999	2000	2001	2002	1994	2002
Aggregate Supply	9.8	7.4	6.1	10.3	-0.6	1.1	122.3	137.5
GDP	6.8	4.9	3.7	6.6	-0.3	0.9	100.0	100.0
Imports of merchandise and services	22.7	16.6	14.1	21.5	-1.5	1.6	22.3	37.5
Aggregate Demand	9.8	7.4	6.1	10.3	-0.6	1.1	122.3	137.5
Total Consumption	6.0	5.0	4.4	7.4	2.2	0.9	82.8	80.9
Private	6.5	5.4	4.3	8.2	2.7	1.2	72.0	71.4
Public	2.9	2.3	4.7	2.0	-1.2	-1.3	10.8	9.5
Total Investment	21.0	10.3	7.7	11.4	-5.8	-1.3	19.3	19.3
Private	23.5	13.8	7.2	8.7	-4.4	-2.8	14.3	16.2
Public	10.1	-7.5	10.7	27.2	-13.0	7.3	4.9	3.1
Exports of merchandise and services	10.7	12.1	12.4	16.4	-3.6	1.4	17.2	34.2

Source: National Accounts System (*Sistema de Cuentas Nacionales*), INEGI.

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

Item	1996	1997	1998	1999	2000	2001	2002 ^{p/}
Gross Capital Formation ^{1/}	17.9	25.9	24.3	23.5	23.7	20.9	20.2
Financed with External Saving	0.7	1.9	3.8	3.0	3.1	2.9	2.2
Financed with Domestic Saving	17.2	24.0	20.5	20.5	20.6	18.0	18.0

p/* Preliminary figures.

1/ Includes gross fixed capital formation plus the change in inventories.

Source: National Accounts System (Sistema de Cuentas Nacionales), INEGI, except for External Saving figures, which correspond to the current account balance in pesos.

Table A 9 Gross Domestic Product by Sectors
1993 Prices

	Annual percentage change										Percentage of GDP	
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 /p	1996	2002 /p
Gross Domestic Product	1.9	4.5	-6.2	5.1	6.8	4.9	3.7	6.6	-0.3	0.9	100.0	100.0
Agriculture, forestry and fishery	2.9	0.9	0.9	3.6	0.2	0.8	3.6	0.6	3.3	-0.4	5.9	5.1
Industrial sector	0.3	4.8	-7.8	10.1	9.3	6.3	4.2	6.0	-3.5	0.0	25.5	25.3
Mining	1.8	2.5	-2.7	8.1	4.5	2.7	-2.1	3.8	0.8	-0.3	1.4	1.2
Manufacturing Industry	-0.7	4.1	-4.9	10.8	9.9	7.4	4.2	6.9	-3.7	-0.6	18.6	18.8
Construction	3.0	8.4	-23.5	9.8	9.3	4.2	5.0	4.1	-5.3	1.7	3.9	3.8
Electricity, Gas and Water	2.6	4.8	2.2	4.6	5.2	1.9	7.9	1.0	1.3	3.8	1.6	1.6
Services	2.8	4.9	-6.4	3.0	6.6	4.7	3.6	7.3	1.0	1.6	63.0	64.4
Commerce, Restaurants and Hotels	0.1	6.8	-15.5	4.8	10.7	5.6	3.1	12.2	-1.9	-0.4	18.4	19.5
Transportation, Warehousing and Communications	4.0	8.7	-4.9	8.0	9.9	6.7	7.8	9.1	3.8	2.2	9.3	10.9
Financial Services, Insurance and Real Estate	5.4	5.4	-0.3	0.6	3.7	4.6	3.6	5.5	4.6	4.4	15.0	15.6
Social, Community and Personal Services	3.3	1.3	-2.3	1.0	3.3	2.9	2.1	2.9	-0.3	1.3	20.4	18.5
Imputed banking services	10.8	11.1	-10.7	-5.1	10.6	5.6	5.9	6.8	6.5	7.1	-2.5	-3.0
Taxes on products	1.9	4.4	-6.2	5.2	6.7	5.1	3.6	6.6	-0.2	0.9	8.0	8.1
Net of Subsidies												

p/ Preliminary figures.

Source: National Accounts System (Sistema de Cuentas Nacionales), INEGI.

Table A 10 Growth Rates of Manufacturing Industries
1993 Prices

	Annual percentage change										Percentage of GDP	
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 /p	1996	2002 /p
Total	-0.7	4.1	-4.9	10.8	9.9	7.4	4.2	6.9	-3.7	-0.6	18.6	18.8
Food, beverages and tobacco	3.1	3.3	0.0	3.3	3.2	6.6	4.0	3.9	2.6	1.2	4.9	4.9
Textile, apparel and leather industry	-2.7	1.1	-6.3	15.7	10.5	3.9	3.1	5.4	-8.1	-6.2	1.6	1.4
Timber and timber products	-2.5	1.9	-7.8	6.9	6.7	4.4	0.5	3.9	-6.8	-1.3	0.6	0.5
Paper, printing and publishing	-2.0	2.9	-7.6	1.3	12.7	5.9	5.0	2.7	-4.3	-0.1	0.8	0.8
Chemical, oil derivatives and plastic	-1.7	3.4	-0.9	6.6	6.8	6.1	2.4	3.3	-3.8	-0.6	3.0	2.7
Non-metallic minerals	2.7	4.6	-11.7	8.1	5.9	5.2	1.8	4.1	-1.7	3.5	1.4	1.3
Basic metal industries	3.2	6.2	4.1	18.8	11.1	4.0	0.4	3.0	-7.1	0.7	1.0	0.9
Metal products, machinery and equipment	-4.1	6.7	-10.3	22.3	19.1	11.5	6.9	13.6	-6.9	-1.7	4.9	5.8
Other	-2.5	2.2	-10.2	14.4	10.5	7.9	5.8	8.2	-2.1	-2.0	0.5	0.6

p/ Preliminary figures.

Source: National Accounts System (Sistema de Cuentas Nacionales), INEGI.

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

Year	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
1984	982.7	2.685	3,753	71.8
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	955.6	2.618	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	1,120.6	3.070	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 ^{p/}	1,159.6	3.177	4,423	53.0

p/ Preliminary figures.

Source: Activities Report 1989-2001 (*Memorias de Labores 1989-2001*), and Crude Oil Indicators (*Indicadores Petroleros*), vol. XIV, Num.1, PEMEX.

Table A 12

Total Number of Workers Affiliated to the IMSS

Thousands

Year	Permanent	Temporary	Total
1992	8,748	1,264	10,012
1993	8,633	1,269	9,902
1994	8,818	1,268	10,086
1995	8,502	820	9,322
1996	9,163	979	10,142
1997	9,837	916	10,753
1998	10,141	1,366	11,507
1999	10,629	1,578	12,207
2000	11,026	1,706	12,732
2001 Jan	10,948	1,661	12,609
Feb	10,957	1,668	12,625
Mar	10,957	1,671	12,629
Apr	10,907	1,661	12,568
May	10,876	1,694	12,570
Jun	10,855	1,685	12,539
Jul	10,830	1,678	12,508
Aug	10,805	1,695	12,499
Sep	10,806	1,693	12,499
Oct	10,809	1,717	12,526
Nov	10,821	1,726	12,547
Dec	10,713	1,661	12,374
2002 Jan	10,607	1,648	12,255
Feb	10,637	1,682	12,319
Mar	10,664	1,685	12,349
Apr	10,708	1,717	12,425
May	10,713	1,723	12,436
Jun	10,727	1,713	12,441
Jul	10,738	1,727	12,466
Aug	10,736	1,709	12,445
Sep	10,770	1,703	12,473
Oct	10,821	1,762	12,583
Nov	10,848	1,764	12,612
Dec	10,733	1,692	12,425

Source: Mexican 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/}	
1990	2.7	4.4	4.1	21.0	18.3	
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	
<hr/>						
2001 p/	I	2.5	3.2	3.0	19.5	10.6
	II	2.3	2.9	2.9	21.6	9.8
	III	2.4	3.0	3.0	15.6	9.2
	IV	2.6	3.2	3.1	18.7	9.3
<hr/>						
2002 p/	I	2.8	3.5	3.5	20.7	9.2
	II	2.6	3.2	3.2	17.5	8.2
	III	2.9	3.6	3.5	16.6	8.5
	IV	2.5	3.0	3.0	17.2	7.9

1/ Measures the proportion of Economically Active Population that is openly unemployed. Figures for Open Unemployment include individuals aged 12 and over who did not work more than one hour a week during the reference period but were looking for remunerated employment or attempted to carry out some remunerated activity by themselves.

2/ Equals the proportion of Economically Active Population and Available Economically Inactive Population that were openly unemployed during the reference period and are available for work, albeit having ceased looking for employment, or who might start working in the near future. The broad concept of unemployed population used in this definition includes not only the openly unemployed, but also the Economically Inactive Population who ceased looking for work to dedicate themselves to domestic activities or schooling, but were nevertheless available for employment. This item also includes individuals who expect to start working in the four weeks following the reference period.

3/ Represents the proportion of the Economically Active Population that is openly unemployed or is employed but seeking additional employment.

4/ Measures the proportion of the Economically Active Population that is openly unemployed or is employed for less than 35 hours a week.

5/ Measures the proportion of the Economically Active Population that is openly unemployed or is employed but earns an income below the minimum wage.

p/ Preliminary figures.

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

Table A 14

Real Exchange Rate Index ^{1/}

1990 = 100

Year	Based on Unit Labor Costs in the Non In-bond Manufacturing Industry ^{2/}	Annual Percentage Change
1978	65.2	-1.5
1979	63.4	-2.8
1980	58.6	-7.7
1981	50.6	-13.5
1982	71.2	40.6
1983	105.4	48.1
1984	100.8	-4.4
1985	101.0	0.2
1986	138.4	37.0
1987	147.5	6.6
1988	120.9	-18.1
1989	106.2	-12.1
1990	100.0	-5.8
1991	91.2	-8.8
1992	78.6	-13.8
1993	73.2	-6.9
1994	76.3	4.2
1995	125.9	65.1
1996	129.3	2.7
1997	113.9	-11.9
1998	113.0	-0.8
1999	103.0	-8.8
2000	92.3	-10.4
2001		
I	90.3	-4.6
II	85.3	-9.1
III	83.9	-7.4
IV	82.3	-8.5
2002		
I	83.1	-8.0
II	87.1	2.2
III	89.9	7.1
IV	90.2	9.5

1/ Increases in the Index reflect a depreciation of the peso.

2/ Real effective exchange rate estimated on the basis of hourly wages adjusted by hourly output per man-hour 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 **Main Indicators of Prices**

	1994	1995	1996	1997	1998	1999	2000	2001	2002
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
Annual average	6.97	35.00	34.38	20.63	15.93	16.59	9.49	6.37	5.03
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
Annual average	6.11	38.64	33.88	17.55	15.98	14.24	7.84	5.02	3.66
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
Annual average	n.a.	36.01	32.32	19.88	16.01	15.98	9.42	6.14	4.87
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
Annual average	n.a.	37.62	32.56	18.97	14.89	16.62	10.40	5.28	5.19
Social interest housing construction									
End-period	4.65	45.59	25.38	15.88	19.14	14.37	7.59	3.47	3.50
Annual average	4.45	31.85	29.09	17.91	18.11	17.62	11.21	5.29	2.27

n.a. Not available.

Table A 16

Consumer Price Index (CPI)

	Month	CPI II Q Jun 2002	Annual 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	Jan	93.765	8.11	9.25	0.55
	Feb	93.703	7.09	8.96	-0.07
	Mar	94.297	7.17	8.71	0.63
	Apr	94.772	7.11	8.49	0.50
	May	94.990	6.95	8.28	0.23
	Jun	95.215	6.57	8.04	0.24
	Jul	94.967	5.88	7.77	-0.26
	Aug	95.530	5.93	7.51	0.59
	Sep	96.419	6.14	7.28	0.93
	Oct	96.855	5.89	7.03	0.45
	Nov	97.220	5.39	6.75	0.38
	Dec	97.354	4.40	6.37	0.14
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

Table A 17 **Consumer Price Index (CPI) by Type of Goods**
Annual percentage change

	Month	CPI	Food, beverages and tobacco	Apparel	Housing	Furniture and household goods	Health and personal care	Transportation	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	Jan	8.11	6.76	7.90	10.32	4.37	8.65	6.72	12.10	9.50
	Feb	7.09	4.33	7.34	10.03	3.42	8.84	5.82	12.06	9.28
	Mar	7.17	5.13	6.80	9.74	2.78	8.73	5.40	12.31	9.93
	Apr	7.11	5.75	6.42	8.80	2.47	8.40	5.30	12.36	10.33
	May	6.95	5.69	6.04	8.09	2.37	7.92	5.19	12.29	12.10
	Jun	6.57	4.83	5.82	7.57	2.42	7.93	5.27	12.35	11.73
	Jul	5.88	4.26	5.40	5.62	2.23	7.27	5.16	12.32	11.42
	Aug	5.93	5.51	5.25	4.47	1.70	7.52	4.94	12.10	11.13
	Sep	6.14	6.18	5.19	4.81	1.76	7.44	4.85	11.74	10.58
	Oct	5.89	6.38	4.88	4.03	1.32	7.14	4.69	11.26	10.37
	Nov	5.39	5.86	4.39	3.63	0.79	6.57	4.05	10.85	10.05
	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

Table A 18 CPI, Core Inflation and Complementary Subindexes
Annual percentage change

Year	Month	Core Inflation	Goods and Services			CPI	Basic Consumer Basket
			Administered or Regulated by the Public Sector	Agriculture	Education		
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	Jan	6.94	11.59	7.69	15.07	8.11	8.14
	Feb	6.59	11.07	1.89	14.67	7.09	7.80
	Mar	6.46	10.62	3.98	14.63	7.17	7.63
	Apr	6.44	9.59	5.15	14.60	7.11	7.55
	May	6.39	9.26	4.73	14.48	6.95	7.31
	Jun	6.36	8.87	2.35	14.49	6.57	7.26
	Jul	6.16	6.53	1.16	14.39	5.88	6.14
	Aug	6.03	4.97	4.60	14.15	5.93	5.62
	Sep	5.93	5.06	6.63	14.06	6.14	5.77
	Oct	5.77	4.04	7.03	14.02	5.89	5.30
	Nov	5.41	3.23	6.12	14.02	5.39	4.58
	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

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 Jan	281.328	19.13	2.34	270.175	18.15	2.39	277.062	18.66	2.36
Feb	283.373	17.85	0.73	274.705	17.99	1.68	280.459	17.96	1.23
Mar	284.551	17.14	0.42	278.673	18.32	1.44	283.179	17.81	0.97
Apr	284.950	16.57	0.14	281.477	18.27	1.01	284.900	17.52	0.61
May	285.794	16.38	0.30	284.874	18.31	1.21	287.125	17.45	0.78
Jun	287.795	15.85	0.70	287.948	18.05	1.08	289.703	17.05	0.90
Jul	289.051	15.26	0.44	290.322	18.06	0.82	291.591	16.79	0.65
Aug	290.222	14.29	0.41	291.947	17.42	0.56	293.011	15.99	0.49
Sep	292.075	11.69	0.64	295.142	17.15	1.09	295.599	14.59	0.88
Oct	294.413	10.35	0.80	297.552	17.15	0.82	297.978	13.92	0.80
Nov	296.408	9.56	0.68	299.892	16.50	0.79	300.177	13.21	0.74
Dec	298.707	8.66	0.78	303.102	14.87	1.07	302.980	11.94	0.93
2000 Jan	302.112	7.39	1.14	307.357	13.76	1.40	306.858	10.75	1.28
Feb	304.311	7.39	0.73	310.581	13.06	1.05	309.623	10.40	0.90
Mar	305.972	7.53	0.55	311.790	11.88	0.39	311.060	9.85	0.46
Apr	308.482	8.26	0.82	313.516	11.38	0.55	313.160	9.92	0.68
May	309.696	8.36	0.39	315.588	10.78	0.66	314.836	9.65	0.54
Jun	312.522	8.59	0.91	317.956	10.42	0.75	317.417	9.57	0.82
Jul	312.633	8.16	0.04	320.055	10.24	0.66	318.613	9.27	0.38
Aug	313.749	8.11	0.36	321.030	9.96	0.30	319.671	9.10	0.33
Sep	314.501	7.68	0.24	323.814	9.71	0.87	321.504	8.76	0.57
Oct	316.970	7.66	0.79	325.874	9.52	0.64	323.795	8.66	0.71
Nov	318.930	7.60	0.62	328.803	9.64	0.90	326.287	8.70	0.77
Dec	320.749	7.38	0.57	332.203	9.60	1.03	328.970	8.58	0.82
2001 Jan	324.567	7.43	1.19	333.729	8.58	0.46	331.565	8.05	0.79
Feb	324.581	6.66	0.00	333.496	7.38	-0.07	331.450	7.05	-0.03
Mar	327.215	6.94	0.81	335.326	7.55	0.55	333.696	7.28	0.68
Apr	327.488	6.16	0.08	337.067	7.51	0.52	334.772	6.90	0.32
May	326.742	5.50	-0.23	339.355	7.53	0.68	335.660	6.61	0.27
Jun	326.470	4.46	-0.08	340.973	7.24	0.48	336.403	5.98	0.22
Jul	325.750	4.20	-0.22	340.881	6.51	-0.03	336.013	5.46	-0.12
Aug	327.024	4.23	0.39	342.613	6.72	0.51	337.541	5.59	0.45
Sep	329.185	4.67	0.66	346.002	6.85	0.99	340.360	5.86	0.84
Oct	330.115	4.15	0.28	348.727	7.01	0.79	342.259	5.70	0.56
Nov	330.166	3.52	0.02	350.103	6.48	0.39	343.030	5.13	0.23
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

n.a. Not available.

Table A 20 **Producer Price Index (PPI) Excluding Oil**
 Classified by end-use of goods
 Annual percentage change for December

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

Table A 21 **Producer Price Index (PPI) Excluding Oil and Including Services**
 Classified by origin of goods
 Annual percentage change for December

ITEM	1995	1996	1997	1998	1999	2000	2001	2002
PPI including Services	51.01	26.55	15.18	18.59	11.94	8.58	4.33	5.67
Primary Economic Sector	46.71	26.67	11.01	31.82	-7.06	7.71	4.89	11.04
Agriculture, forestry and fishery	40.01	29.67	11.24	33.34	-7.61	8.35	5.78	10.40
Mining	146.20	-4.11	7.72	9.92	2.56	-2.24	-10.60	24.13
Secondary Economic Sector	59.53	24.54	13.91	18.34	10.26	7.19	2.33	5.03
Manufacturing industry	62.97	24.07	14.59	18.15	9.55	6.57	1.80	5.00
Food, beverages and tobacco	58.96	26.34	15.33	18.91	11.01	6.51	4.76	4.06
Textiles, apparel and leather	54.02	28.24	14.06	16.20	8.05	6.37	1.47	3.87
Timber and timber products	52.83	19.44	16.29	11.29	9.56	6.66	6.45	1.37
Paper, printing and publishing	71.52	4.62	5.60	15.77	12.92	11.11	1.91	3.65
Chemical, oil and plastic industries	67.74	30.95	14.41	17.48	15.57	11.80	-0.83	6.77
Non-metallic minerals	37.28	25.84	21.40	21.47	7.80	6.70	1.36	2.55
Basic metal industries	113.77	7.10	9.99	22.63	-2.23	8.66	0.69	9.66
Metal products, machinery and equipment	74.17	19.12	14.27	18.39	3.97	1.81	-0.46	5.33
Other	86.14	21.83	12.90	20.30	4.66	4.25	2.47	7.37
Construction	45.41	26.05	11.75	18.95	12.53	9.14	3.97	5.11
Tertiary Economic Sector	44.65	28.19	16.53	17.79	14.88	9.69	5.77	5.76
Electricity and gas	48.23	25.81	14.06	14.68	12.37	13.09	4.90	33.64
Commerce, restaurants and hotels	59.53	33.30	16.77	17.33	16.54	9.80	3.44	3.41
Transportation and communications	48.28	32.26	15.69	20.34	11.75	8.04	3.90	4.95
Real estate leasing	42.57	22.68	16.10	15.97	12.11	6.62	5.81	6.58
Community, social and personal services	26.74	21.24	17.19	17.95	16.14	11.90	10.70	7.17

Table A 22 National Index of Social-Interest Housing Construction Cost (Índice 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 Jan	16.97	18.10	11.66	16.57	17.48	11.85
Feb	17.69	18.62	13.26	17.56	18.18	14.32
Mar	19.96	21.30	13.55	19.51	20.49	14.32
Apr	18.83	19.86	13.81	18.71	19.53	14.32
May	18.58	19.51	13.99	18.79	19.62	14.32
Jun	18.94	19.82	14.60	19.20	20.11	14.32
Jul	19.27	20.00	15.61	19.54	20.51	14.32
Aug	19.18	19.87	15.70	19.36	20.28	14.32
Sep	17.65	18.02	15.72	17.64	18.23	14.32
Oct	15.80	15.81	15.74	15.30	15.46	14.32
Nov	14.82	14.64	15.75	13.82	13.74	14.32
Dec	14.37	15.45	8.85	12.92	13.87	7.52
2000 Jan	14.57	15.37	10.60	13.34	13.80	10.83
Feb	14.61	14.86	13.33	13.09	13.61	10.30
Mar	12.13	11.93	13.16	10.96	11.08	10.30
Apr	12.48	12.39	12.91	11.54	11.76	10.30
May	12.31	12.21	12.81	11.58	11.81	10.30
Jun	11.91	11.85	12.21	11.20	11.36	10.30
Jul	10.92	10.87	11.22	10.01	9.96	10.30
Aug	10.31	10.15	11.16	9.14	8.94	10.30
Sep	9.51	9.19	11.21	8.02	7.63	10.30
Oct	9.51	9.19	11.21	8.06	7.67	10.30
Nov	9.46	9.13	11.21	8.14	7.77	10.30
Dec	7.59	6.92	11.22	6.34	5.68	10.30
2001 Jan	7.64	6.86	11.64	6.79	5.97	11.35
Feb	6.46	6.09	8.33	5.88	5.24	9.47
Mar	6.23	5.75	8.64	5.59	4.89	9.47
Apr	5.70	4.88	9.90	4.64	3.79	9.47
May	5.43	4.56	9.87	4.37	3.46	9.47
Jun	4.87	3.89	9.94	3.78	2.77	9.47
Jul	5.23	4.31	9.97	4.62	3.76	9.47
Aug	5.03	4.05	10.11	4.30	3.39	9.47
Sep	5.07	4.10	10.09	4.36	3.45	9.47
Oct	4.61	3.55	10.13	3.96	3.00	9.47
Nov	3.98	2.81	10.12	3.14	2.04	9.47
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	3.50	2.66	7.58	4.12	3.46	7.64

Table A 23 Contractual Wages

		Total			Manufacturing Industries		
		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
2000	Jan	12.9	212	507	13.4	103	239
	Feb	12.9	171	690	13.6	93	342
	Mar	12.7	177	715	13.3	74	365
	Apr	12.8	151	487	14.0	45	231
	May	12.7	157	531	13.8	52	243
	Jun	13.2	49	394	13.9	25	171
	Jul	12.6	187	397	12.5	168	153
	Aug	13.2	66	403	13.9	34	180
	Sep	13.0	53	382	13.1	35	132
	Oct	11.3	463	347	12.7	59	137
	Nov	11.8	53	253	13.3	11	80
	Dec	11.3	81	252	10.8	62	82
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

Note: Annual percentage wage increase figures refer to weighted averages of monthly figures. Annual figures for number of workers and number of companies correspond to the sum of monthly figures. All figures correspond to wage settlements in companies 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 ^{1/}					Unit Labor Costs				
	Manufacturing	In-bond	Wholesale	Retail sale	Commerce	Manufacturing	In-bond	Wholesale	Retail sale	Commerce
1996 Average	7.7	3.1	-0.3	-0.9	0.4	-16.4	-8.4	-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	4.6	-0.3	3.0	1.5
1999 Average	2.9	-0.4	-1.4	3.4	1.7	-1.4	2.7	-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	1.3	-2.6	-8.1	-4.4	-7.7	5.3	11.4	8.1	4.1	7.6
2002 Average	5.4	1.4	-6.1	0.9	-2.3	-3.6	2.8	10.4	1.6	6.0
2000 Jan	6.5	1.5	4.3	7.3	5.3	-2.3	2.0	0.8	-2.7	-0.4
Feb	8.5	3.8	8.7	14.2	11.4	-2.9	1.2	-0.8	-6.2	-3.4
Mar	6.8	3.9	2.2	-0.4	1.0	-2.5	1.0	5.1	6.8	6.1
Apr	1.4	-2.3	-1.1	8.4	3.5	5.2	4.4	9.0	-2.2	3.7
May	7.5	2.6	9.3	9.7	9.5	-1.1	3.9	-1.9	-4.1	-2.5
Jun	4.8	-0.4	4.0	1.6	1.9	1.7	5.1	5.1	7.8	7.3
Jul	4.6	-2.4	1.7	5.9	3.3	-0.2	6.0	1.5	-1.2	0.3
Aug	6.9	5.3	5.5	9.4	6.8	3.3	2.5	3.0	0.9	2.1
Sep	5.1	-2.9	2.9	7.2	4.1	0.1	6.2	4.9	-1.1	3.3
Oct	7.7	1.5	4.7	5.2	4.1	-2.0	3.4	-0.4	3.2	1.1
Nov	4.8	3.3	-0.8	2.6	0.1	2.4	4.3	9.3	7.0	8.7
Dec	-1.0	-4.7	-7.0	-0.4	-4.2	6.7	4.4	16.0	5.7	11.9
2001 Jan	3.1	-0.7	-0.4	3.5	1.2	4.2	9.0	0.4	-2.1	-0.9
Feb	-2.2	-4.1	-9.6	-3.5	-8.1	7.7	10.6	8.2	4.4	7.3
Mar	0.3	-6.0	-8.4	1.1	-5.2	5.1	12.6	8.0	-2.4	4.3
Apr	0.4	-2.6	-3.9	-3.3	-5.2	3.3	10.8	-0.8	3.1	1.7
May	1.7	0.7	-7.5	-4.4	-7.6	4.1	9.7	4.7	2.8	5.2
Jun	0.3	-4.6	-11.1	-5.3	-9.4	5.9	12.8	9.5	5.0	8.0
Jul	0.8	-5.5	-8.2	-9.0	-10.7	7.2	15.4	9.4	10.5	12.5
Aug	1.4	-0.8	-7.9	-9.4	-10.6	3.1	11.8	10.4	11.1	13.5
Sep	0.6	-3.9	-13.1	-7.5	-11.8	5.9	13.2	13.4	7.3	11.9
Oct	2.6	-2.7	-9.5	-7.2	-10.1	4.6	13.5	10.9	5.8	11.1
Nov	3.3	-1.9	-10.3	-5.7	-9.7	4.6	10.1	11.5	4.0	10.2
Dec	3.1	1.2	-6.7	-1.6	-4.8	7.5	8.4	11.6	1.1	8.3
2002 Jan	4.1	-0.5	-7.6	-0.1	-4.2	1.3	9.9	12.4	2.0	7.9
Feb	5.6	0.5	-5.5	0.8	-2.1	-2.0	6.4	11.6	0.3	6.6
Mar	-1.6	-2.3	-11.5	-0.8	-5.9	3.8	6.3	13.0	4.4	7.2
Apr	17.0	3.3	1.0	5.7	3.7	-11.1	3.1	10.0	-3.6	5.0
May	6.7	2.7	-5.3	2.6	-1.3	-2.8	2.5	5.5	6.0	3.3
Jun	4.7	2.8	-9.5	-0.8	-5.1	-4.7	1.4	12.2	-0.4	6.3
Jul	7.0	5.7	-4.4	3.4	0.0	-6.1	-0.9	8.3	-1.6	3.1
Aug	4.6	-1.1	-8.3	2.3	-2.6	-4.0	4.7	12.3	-0.4	5.4
Sep	3.8	1.2	-6.0	-1.6	-3.6	-3.1	2.5	8.6	3.5	5.9
Oct	5.0	4.2	-5.1	1.4	-1.4	-2.2	-1.4	13.0	2.6	8.0
Nov	3.0	-0.9	-6.7	-0.7	-3.1	-5.0	1.6	14.4	1.5	8.7
Dec	5.4	1.6	-3.8	-0.7	-2.0	-6.0	-1.3	6.6	4.9	5.0

1/ Calculated on the basis of total number of remunerated jobs.

Source: National Institute of Statistics, Geography and Informatics (*Instituto Nacional de Estadística, Geografía e Informática, INEGI*).

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

Period	Nominal Wages					Real Wages				
	Manufacturing	In-bond	Wholesale	Retail sale	Commerce	Manufacturing	In-bond	Wholesale	Retail sale	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	15.5	5.7	5.7	5.7	6.7	8.6	-0.5	-0.5	-0.5
2002 Average	6.6	9.4	9.0	7.9	8.7	1.5	4.2	3.8	2.7	3.5
2000										
Jan	15.5	15.0	16.7	15.9	16.5	4.1	3.6	5.1	4.4	4.9
Feb	16.5	16.1	19.2	18.3	19.0	5.4	5.1	7.9	7.1	7.7
Mar	14.7	15.5	18.3	17.1	18.0	4.1	4.9	7.4	6.4	7.2
Apr	17.0	12.0	18.3	16.3	17.8	6.6	2.0	7.8	6.0	7.4
May	16.4	16.7	17.3	15.2	16.8	6.3	6.6	7.2	5.2	6.7
Jun	16.6	14.6	19.6	19.9	19.7	6.6	4.7	9.3	9.5	9.4
Jul	13.9	12.9	12.7	14.1	13.0	4.4	3.4	3.3	4.6	3.6
Aug	20.6	17.9	18.5	20.5	19.0	10.5	8.0	8.7	10.4	9.1
Sep	14.5	12.3	17.6	15.4	17.1	5.2	3.1	8.0	6.1	7.5
Oct	14.9	14.3	13.5	18.2	14.6	5.5	5.0	4.3	8.6	5.3
Nov	16.9	17.4	18.1	19.5	18.5	7.3	7.8	8.5	9.8	8.8
Dec	15.0	8.5	17.5	14.7	16.8	5.6	-0.5	7.8	5.3	7.2
2001										
Ene	16.2	17.0	8.1	9.5	8.5	7.4	8.2	0.0	1.3	0.3
Feb	12.9	13.6	4.8	7.9	5.5	5.4	6.1	-2.2	0.7	-1.5
Mar	13.0	13.3	6.0	5.7	5.9	5.4	5.8	-1.1	-1.4	-1.1
Abr	11.1	15.5	2.1	6.7	3.2	3.7	7.9	-4.7	-0.4	-3.7
May	13.2	18.1	3.6	5.2	4.0	5.9	10.5	-3.2	-1.7	-2.8
Jun	13.2	14.7	3.7	6.0	4.3	6.2	7.6	-2.7	-0.6	-2.2
Jul	14.3	15.4	6.4	6.5	6.4	8.0	9.0	0.5	0.6	0.5
Ago	10.7	17.5	7.7	6.5	7.4	4.5	10.9	1.7	0.6	1.4
Sep	13.0	15.4	4.6	5.4	4.8	6.4	8.8	-1.5	-0.7	-1.3
Oct	13.6	16.9	6.3	4.0	5.7	7.3	10.4	0.4	-1.7	-0.1
Nov	13.9	13.9	5.4	3.4	4.9	8.1	8.0	0.0	-1.9	-0.5
Dic	15.7	14.6	8.8	3.8	7.6	10.8	9.7	4.2	-0.5	3.1
2002										
Jan	10.5	14.7	8.8	6.7	8.3	5.4	9.4	3.8	1.9	3.3
Feb	8.5	12.0	10.5	5.9	9.4	3.5	6.9	5.5	1.1	4.4
Mar	6.9	8.7	4.7	8.4	5.6	2.1	3.9	0.0	3.6	0.9
Apr	8.9	11.4	16.4	6.7	14.0	4.0	6.4	11.1	1.9	8.9
May	8.6	10.2	4.6	13.8	6.7	3.7	5.3	-0.1	8.7	2.0
Jun	4.7	9.4	6.6	3.6	5.9	-0.2	4.3	1.6	-1.2	0.9
Jul	6.0	10.5	9.2	7.3	8.8	0.4	4.7	3.5	1.7	3.1
Aug	5.7	8.9	8.4	7.3	8.2	0.4	3.5	3.0	1.9	2.7
Sep	5.6	9.0	7.2	6.9	7.1	0.6	3.8	2.1	1.9	2.0
Oct	7.7	7.7	12.6	9.1	11.7	2.7	2.7	7.3	4.0	6.5
Nov	3.1	6.1	12.5	6.2	11.0	-2.2	0.7	6.8	0.8	5.3
Dec	4.7	6.0	8.4	10.1	8.8	-1.0	0.3	2.5	4.2	2.9

Source: National Institute of Statistics, Geography and Informatics (*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
2000 Jan	6.04	2.02	10.66
Feb	6.61	2.37	10.33
Mar	6.60	2.94	9.51
Apr	7.13	2.98	9.52
May	7.13	3.37	9.01
Jun	8.27	3.97	8.89
Jul	6.02	3.40	8.89
Aug	6.74	4.39	8.43
Sep	7.79	4.49	8.16
Oct	5.24	3.29	7.79
Nov	6.36	3.69	7.80
Dec	6.57	3.48	7.58
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

1/ Ex-post real wage changes are calculated by deflating nominal wage increases granted in the previous 12 months by annual inflation observed during the month under analysis.

2/ Real ex-ante wage calculations are based on inflation expectations for the following 12 months.

3/ Survey of Private Sector Economic Analysts' Expectations undertaken by Banco de México.

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

^{1/} Country's average weighted by the number of workers in each region.

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

Monetary and Financial Indicators

Table A 28

Main Monetary and Financial Indicators

	1999	2000	2001	2002
Monetary Aggregates				
	Real annual percentage change ^{1/}			
Monetary Base	27.74	1.61	3.41	10.69
M1	12.27	5.87	15.42	6.47
M4	6.02	5.85	11.29	4.99
	Percentage of GDP ^{2/}			
Monetary Base	2.85	2.99	3.19	3.50
M1	8.59	8.75	9.57	10.65
M4	42.37	41.70	45.66	48.31
Nominal Interest Rates				
	Annual percentage rates			
28-day TIIE	24.10	16.96	12.89	8.17
28-day CETES	21.41	15.24	11.31	7.09
CPP	19.73	13.69	10.12	5.36
CCP	20.89	14.59	10.95	6.17
Exchange Rate ^{1/}				
	Pesos per US dollar			
To settle liabilities denominated in foreign currency	9.5143	9.5722	9.1423	10.3125
Mexican Stock Exchange				
	Index base October 1978			
Stock Market Index (IPC) ^{1/}	7,130	5,652	6,372	6,127

1/ End-period.

2/ Average stocks at end-month.

3/ Simple average.

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	51.0	271.2	277.8	293.7
1991	38.6	113.6	339.1	358.0	386.7
1992	44.0	131.7	380.5	426.9	458.4
1993	47.2	157.0	469.7	540.8	580.3
1994	56.9	163.8	554.9	657.1	724.2
1995	66.8	171.6	754.4	784.5	869.2
1996	84.0	245.3	995.2	1,025.8	1,116.1
1997	108.9	325.4	1,309.4	1,339.8	1,419.7
1998	131.5	387.9	1,671.3	1,697.8	1,783.7
1999	188.7	489.1	2,033.4	2,050.3	2,124.0
2000	208.9	564.2	2,364.9	2,393.3	2,449.6
2001	225.6	679.9	2,769.0	2,797.5	2,846.3
2002					
Jan	206.9	633.5	2,752.4	2,779.3	2,825.2
Feb	202.3	626.8	2,791.3	2,817.0	2,853.5
Mar	216.3	642.1	2,841.6	2,868.3	2,903.2
Apr	201.3	629.3	2,839.4	2,867.6	2,901.3
May	209.3	632.6	2,871.3	2,897.4	2,931.2
Jun	211.9	653.1	2,907.8	2,933.6	2,975.6
Jul	209.8	649.7	2,936.3	2,962.9	3,002.1
Aug	210.3	646.9	2,935.3	2,956.6	2,997.8
Sep	211.0	653.3	2,939.4	2,962.6	3,005.3
Oct	213.9	651.2	2,954.1	2,979.8	3,022.1
Nov	227.5	678.9	3,023.3	3,047.3	3,089.7
Dec	263.9	765.1	3,089.8	3,115.0	3,158.8
Average Stocks as Percentages of GDP^{*/}					
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	10.47	35.10	40.80	44.04
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	35.74	36.72	39.26
1998	2.69	8.55	38.06	38.85	41.08
1999	2.85	8.59	40.27	40.68	42.37
2000	2.99	8.75	40.15	40.50	41.70
2001	3.19	9.57	44.22	44.65	45.66
2002	3.50	10.65	47.24	47.66	48.31

The **monetary base** includes bills and coins in circulation plus net creditor balance of commercial and development banks' current accounts in 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.

^{*/} Estimates based on end-month average stocks.

Table A 30

Monetary Base

Stocks in thousand million pesos

End-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					
Jan	181.949	181.719	0.230	-200.855	382.804
Feb	176.274	175.896	0.378	-204.269	380.543
Mar	176.110	176.028	0.082	-206.892	383.002
Apr	174.571	174.571	0.000	-199.426	373.997
May	178.270	178.270	0.000	-195.179	373.449
Jun	180.734	180.703	0.031	-189.952	370.686
Jul	178.340	178.256	0.084	-195.738	374.078
Aug	178.964	178.960	0.004	-200.729	379.693
Sep	182.188	182.151	0.037	-225.901	408.089
Oct	181.392	181.039	0.354	-220.905	402.298
Nov	193.892	193.892	0.000	-213.689	407.581
Dec	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

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 liabilities from credit agreements with 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					
	1997	1998	1999	2000	2001	2002
1. Bills and Coins held by the Public	94.2	115.9	164.2	182.1	199.2	232.4
2. Checking Accounts (Pesos)	175.5	193.8	233.1	266.9	316.2	352.1
3. Checking Accounts (Foreign Currency)	24.5	37.2	43.1	48.9	84.2	84.3
4. Current Account Deposits	31.2	40.9	48.7	66.3	80.3	96.4
5. M1 (1+2+3+4)	325.4	387.9	489.1	564.2	679.9	765.1
6. Residents' Term Deposits	604.0	761.9	779.4	690.1	689.2	646.3
7. Public Securities held by Residents (including SIEFORES)	215.8	326.9	536.3	804.9	1,039.8	1,256.2
Federal Government Securities	187.2	297.9	501.5	665.0	681.3	812.2
Securities issued by Banco de México (BREMS)				21.0	143.7	160.5
Securities issued by the IPAB				70.8	149.3	208.9
Other Public Securities	28.6	29.0	34.8	48.1	65.5	74.6
8. Private Securities (including SIEFORES)	43.0	58.6	55.0	84.8	96.3	134.0
9. Retirement Savings Funds (excluding SIEFORES)	121.2	135.9	173.6	220.8	263.8	288.1
10. M2=(5+6+7+8+9)	1,309.4	1,671.3	2,033.4	2,364.9	2,769.0	3,089.8
11. Non-resident Term Deposits	5.1	4.3	6.8	19.6	11.2	7.7
12. Public Securities held by Non-residents	25.3	22.3	10.1	8.8	17.2	17.6
13. M3=(10+11+12)	1,339.8	1,697.8	2,050.3	2,393.3	2,797.5	3,115.0
14. Residents' Deposits in Branches and Agencies of Mexican Banks Abroad	41.4	41.6	33.9	35.7	33.0	30.3
15. Non-resident Deposits in Branches and Agencies of Mexican Banks Abroad	38.4	44.3	39.8	20.7	15.9	13.5
16. M4=(13+14+15)	1,419.7	1,783.7	2,124.0	2,449.6	2,846.3	3,158.8

Table A 32 Financing to the Private Sector: Banks and Additional Funding Sources

Stocks in million pesos of 2002, total percentage and annual percentage change

	Total Financing			Consumer Credit			Housing Credit			Financing to firms and individuals with business activities			
	Total	Bank	Non-bank	Total	Bank ^{1/}	Non-bank ^{2/}	Total	Bank ^{1/}	Non-bank ^{3/}	Total	Bank ^{4/}	Non-bank ^{4/}	Memorandum
													Foreign financing ^{5/}
Dec. 1994													
Real Stock	3,111.2	2,266.7	844.6	178.1	170.8	7.3	363.7	363.7	0.0	2,569.4	1,732.2	837.2	505.7
Total %	100.0	72.9	27.1	100.0	95.9	4.1	100.0	100.0	0.0	100.0	67.4	32.6	19.7
Dec. 2000													
Real Stock	2,016.9	945.0	1,071.9	108.5	52.3	56.2	259.8	227.8	32.0	1,648.6	664.8	983.8	611.9
Total %	100.0	46.9	53.1	100.0	48.2	51.8	100.0	87.7	12.3	100.0	40.3	59.7	37.1
Real Annual Change	-3.6	-15.2	9.6	14.0	16.1	12.1	-19.6	-23.8	33.9	-1.5	-13.7	8.8	8.8
Dec. 2001													
Real Stock	1,859.2	823.4	1,035.7	133.5	66.8	66.7	232.1	188.1	44.0	1,493.6	568.6	925.0	608.1
Total %	100.0	44.3	55.7	100.0	50.0	50.0	100.0	81.0	19.0	100.0	38.1	61.9	40.7
Real Annual Change	-7.8	-12.9	-3.4	23.1	27.6	18.8	-10.7	-17.5	37.7	-9.4	-14.5	-6.0	-0.6
Mar. 2002													
Real Stock	1,796.4	777.3	1,019.1	135.6	67.8	67.8	229.4	182.5	46.9	1,431.3	527.0	904.4	607.7
Total %	100.0	43.3	56.7	100.0	50.0	50.0	100.0	79.5	20.5	100.0	36.8	63.2	42.5
Real Annual Change	-9.9	-15.4	-5.2	19.4	18.4	20.4	-9.4	-16.4	34.3	-12.0	-18.0	-8.1	-2.1
Jun. 2002													
Real Stock	1,848.8	770.6	1,078.2	145.5	74.3	71.1	229.0	177.2	51.8	1,474.4	519.1	955.3	659.0
Total %	100.0	41.7	58.3	100.0	51.1	48.9	100.0	77.4	22.6	100.0	35.2	64.8	44.7
Real Annual Change	-1.8	-12.1	7.1	24.4	25.1	23.6	-4.3	-11.8	34.8	-3.5	-15.8	4.9	11.9
Sep. 2002													
Real Stock	1,882.9	781.8	1,101.1	153.0	80.0	73.0	228.5	171.6	56.9	1,501.4	530.2	971.2	662.7
Total %	100.0	41.5	58.5	100.0	52.3	47.7	100.0	75.1	24.9	100.0	35.3	64.7	44.1
Real Annual Change	-0.4	-8.3	6.1	26.8	31.7	21.9	-2.9	-11.6	38.6	-2.2	-11.3	3.6	7.0
Dec. 2002													
Real Stock	1,922.2	807.1	1,115.1	163.8	85.4	78.3	225.7	166.3	59.4	1,532.8	555.4	977.4	662.8
Total %	100.0	42.0	58.0	100.0	52.2	47.8	100.0	73.7	26.3	100.0	36.2	63.8	43.2
Real Annual Change	3.4	-2.0	7.7	22.7	28.0	17.4	-2.8	-11.6	34.9	2.6	-2.3	5.7	9.0

1/ Data obtained from statistics on commercial and development banks' funds and liabilities, especially the items of securities and financing to the country's private sector. The latter includes performing, non-performing, discounted, UDIs-restructured and FOBAPROA-IPAB related portfolios, and accrued interests.

2/ Corresponds to credit granted by American Express Co. and department stores (including their branches) via their own credit cards, and automobile credit granted by Limited Purpose Financial Companies (*Sociedades Financieras de Objeto Limitado, SOFOLES*). Department stores considered: Elektra, El Palacio de Hierro, Liverpool, Salinas y Rocha, Sanborns, Sears and Soriana.

3/ Data obtained from statistics on funds and liabilities of Savings and Loan Companies (*Sociedades de Ahorro y Préstamo, SAPS*), and of *SOFOLES*.

4/ Information drawn from consolidated balance sheets of companies (including their branches) listed in the Mexican Stock Exchange, particularly from the following items: liabilities with domestic and foreign suppliers and commercial paper; assets and liabilities of Limited Purpose Financial Companies (*Sociedades Financieras de Objeto Limitado, SOFOLES*), of financial leasing companies, of financial factoring companies, and of insurance companies and credit unions; and foreign financing.

5/ Data obtained from the survey of country's non-financial firms' liabilities entered with foreign banks, as well as the placing of private debt instruments via securities.

Table A 33 Financial System Flow of Funds Matrix (January–December 2002) ^{1/}
Flows revalued as a percentage of GDP ^{2/}

	Country's resident private sector ^{3/}			Public sector ^{4/}			Banking sector ^{5/}			External sector		
	Use of funds (Assets)	Funding sources (Liabilities)	Net financing received	Use of funds (Assets)	Funding sources (Liabilities)	Net financing received	Use of funds (Assets)	Funding sources (Liabilities)	Net financing received	Use of funds (Assets)	Funding sources (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 + 7 + 8 + 9)	5.3	2.0	-3.3	-0.3	1.9	2.2	-1.1	-0.3	0.9	-0.2		0.2
2. Domestic financial instruments	5.3	1.4	-3.9	0.2	3.2	3.0	0.0	0.7	0.7	-0.2		0.2
3. Bills and coins	0.5		-0.5					0.5	0.5			
4. Bank term instruments	-0.1		0.1	0.2		-0.2		-0.1	-0.1	-0.2		0.2
5. Securities issued ^{6/}	4.4	0.7	-3.7		3.4	3.4	0.0	0.3	0.2	0.0		0.0
6. Retirement and housing funds ^{7/}	0.4	0.6	0.2		-0.2	-0.2						
7. Financing		0.4	0.4	-1.0	-1.0	0.0		-0.7	-1.0	-0.3		
8. Stock market		-0.1	-0.1					-0.1	0.1	0.0		0.0
9. Other financial system items ^{8/}		0.4	0.4	0.5	-0.3	-0.8	-0.4		0.4			
10. Change in external financial instruments (11 + 12 + 13 + 14 + 15)	-1.0	1.9	2.9	-0.1	0.3	0.4	0.5	-0.4	-0.9	1.8	-0.7	-2.5
11. Foreign direct investment		2.2	2.2							2.2		-2.2
12. External financing		-0.4	-0.4		0.3	0.3		-0.4	-0.4	-0.5		0.5
13. Financial assets held abroad	-1.0		1.0	-0.1		0.1	-0.7		0.7		-1.8	-1.8
14. International Reserves held by Banco de México							1.1		-1.1		1.1	1.1
15. Errors and Omissions (Balance of Payments)		0.1	0.1							0.1		-0.1
16. Statistical discrepancy ^{9/}		0.0	0.0							0.0		0.0
17. Total change in financial instruments (1+ 10 +16)	4.3	3.9	-0.4	-0.4	2.2	2.6	-0.7	-0.7	0.0	1.5	-0.7	-2.2

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 companies, individuals and non-bank financial intermediaries.

4/ Public sector involves Government's Financial Resources (*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). For the consolidation of banking sector's financial flows, statistics on funds and liabilities from commercial banks, development banks and from Banco de México were used.

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

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

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

9/ Difference between financial information and that drawn from the balance of payments.

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

Table A 34

One-year Monetary Regulation Bonds (Bonos de Regulación Monetaria, BREMs) ^{1/}

Weekly auction results

	Maturity (days)	Amount in million pesos			Price			
		Offered	Placed	Demanded	Weighted placement	Maximum	Minimum assigned	Minimum
03/Jan/2002	350	1,500	1,500	6,554	99.63047	99.64000	99.62555	75.00000
10/Jan/2002	343	2,000	2,000	41,169	99.66911	99.69517	99.65100	90.02000
17/Jan/2002	336	2,000	2,000	8,161	99.67116	99.68240	99.66790	98.42000
24/Jan/2002	364	2,000	2,000	14,431	99.61707	99.62938	99.61000	80.00000
31/Jan/2002	357	2,000	2,000	42,050	99.59100	99.60000	99.58000	71.00000
07/Feb/2002	350	2,000	2,000	22,300	99.58127	99.59227	99.57000	70.00000
14/Feb/2002	343	2,000	2,000	28,330	99.55971	99.56000	99.55952	50.00000
21/Feb/2002	364	2,000	2,000	16,940	99.53520	99.56660	99.52473	75.00000
28/Feb/2002	357	2,000	2,000	28,578	99.50114	99.52225	99.49366	50.00000
07/Mar/2002	350	2,000	2,000	18,200	99.59605	99.60010	99.59000	75.00000
14/Mar/2002	343	2,000	2,000	14,495	99.57559	99.58361	99.56000	50.00000
20/Mar/2002	337	2,000	2,000	21,990	99.56532	99.59063	99.56000	49.99000
27/Mar/2002	365	2,000	2,000	7,450	99.57522	99.59619	99.57000	9.53457
04/Apr/2002	357	2,000	2,000	12,180	99.58085	99.61460	99.57000	75.00000
11/Apr/2002	350	2,000	2,000	15,990	99.61000	99.61000	99.61000	50.00000
18/Apr/2002	343	2,000	2,000	16,600	99.61031	99.61120	99.61001	49.99000
25/Apr/2002	364	2,000	2,000	24,950	99.57666	99.57666	99.57666	75.00000
02/May/2002	357	2,000	2,000	9,200	99.59462	99.59462	99.59462	50.00000
09/May/2002	350	2,000	2,000	7,400	99.52880	99.57150	99.51000	20.00000
16/May/2002	343	2,000	2,000	22,600	99.60020	99.60400	99.60000	75.00000
23/May/2002	336	2,000	2,000	10,600	99.61161	99.61161	99.61161	50.00000
30/May/2002	364	2,000	2,000	6,450	99.57000	99.57001	99.57000	70.00000
06/Jun/2002	357	2,000	2,000	7,500	99.54776	99.54776	99.54776	75.00000
13/Jun/2002	350	2,000	2,000	15,200	99.58136	99.59000	99.57701	75.00000
20/Jun/2002	343	2,000	2,000	11,800	99.63020	99.63060	99.63000	75.00000
27/Jun/2002	364	2,000	2,000	9,350	99.59273	99.59273	99.59273	75.00000
04/Jul/2002	357	2,000	2,000	51,080	99.61260	99.69000	99.56791	75.00000
11/Jul/2002	350	2,000	2,000	8,000	99.61737	99.62440	99.61503	75.00000
18/Jul/2002	343	2,000	2,000	13,700	99.63170	99.63999	99.63078	75.00000
25/Jul/2002	336	2,000	2,000	6,450	99.63083	99.64000	99.62865	75.00000
01/Aug/2002	364	2,000	2,000	4,250	99.59000	99.59001	99.59000	75.00000
08/Aug/2002	357	2,000	2,000	8,600	99.60851	99.61800	99.60603	75.00000
15/Aug/2002	350	2,000	2,000	6,800	99.60000	99.60000	99.60000	75.00000
22/Aug/2002	343	2,000	2,000	9,200	99.60521	99.61195	99.60273	75.00000
29/Aug/2002	364	2,000	2,000	19,944	99.75200	99.75200	99.75000	75.00000
05/Sep/2002	357	2,000	2,000	5,100	99.75000	99.75000	99.75000	75.00000
12/Sep/2002	350	2,000	2,000	6,615	99.75011	99.76428	99.75000	75.00000
19/Sep/2002	343	2,000	2,000	2,650	99.73000	99.73000	99.73000	99.66770
26/Sep/2002	336	2,000	2,000	6,030	99.73682	99.73680	99.73682	70.00000
03/Oct/2002	364	1,250	1,250	8,000	99.77710	99.80550	99.77300	80.00000
10/Oct/2002	357	1,250	1,250	2,352	99.77076	99.77077	99.77076	99.76122
17/Oct/2002	350	1,250	1,250	4,060	99.77564	99.78433	99.77497	80.00000
24/Oct/2002	343	1,250	1,250	2,710	99.78930	99.79840	99.77770	99.77768
31/Oct/2002	364	1,250	1,250	5,300	99.80027	99.80530	99.79100	99.71781
07/Nov/2002	357	1,250	1,250	4,400	99.79050	99.79050	99.79050	80.00000
14/Nov/2002	350	1,250	1,250	5,500	99.79500	99.79500	99.79500	99.70000
21/Nov/2002	343	1,250	1,250	24,950	99.79736	99.80010	99.79600	95.00000
28/Nov/2002	336	1,250	1,250	2,650	99.79187	99.79187	99.79187	75.00000
05/Dec/2002	364	1,250	1,250	1,350	99.75564	99.75565	99.75564	99.75564
11/Dec/2002	358	1,250	1,250	1,800	99.75073	99.75074	99.75073	99.72201
19/Dec/2002	350	1,250	1,250	1,700	99.76406	99.76406	99.76406	75.00000
26/Dec/2002	343	1,250	1,250	2,050	99.76989	99.76989	99.76989	80.00000

^{1/} In accordance with articles 7° section VI of its Law, Banco de México issues Monetary Regulation Bonds to regulate money market liquidity.

Table A 35 Three-year Monetary Regulation Bonds (Bonos de Regulación Monetaria, BREMs) ^{1/}

Weekly auction results

	Maturity (Days)	Amount in million pesos			Price			
		Offered	Placed	Demanded	Weighted placement	Maximum	Minimum assigned	Minimum
03/Jan/2002	1050	1,500	1,500	8,705	98.69013	98.69039	98.69000	75.00000
10/Jan/2002	1043	1,000	1,000	5,900	98.81002	98.82003	98.80000	97.91000
17/Jan/2002	1092	1,000	1,000	13,518	98.78857	98.84301	98.76091	98.09865
24/Jan/2002	1085	1,000	1,000	11,000	98.68010	98.68600	98.67000	75.00000
31/Jan/2002	1078	1,000	1,000	38,880	98.56682	98.56780	98.47000	75.00000
07/Feb/2002	1071	1,000	1,000	13,500	98.57335	98.62779	98.54920	75.00000
14/Feb/2002	1064	1,000	1,000	11,129	98.56099	98.56099	98.56099	50.00000
21/Feb/2002	1057	1,000	1,000	9,500	98.53351	98.57554	98.50800	97.00000
28/Feb/2002	1050	1,000	1,000	18,300	98.40667	98.43943	98.40000	80.00000
07/Mar/2002	1043	1,000	1,000	11,289	98.66028	98.73180	98.65152	95.00000
14/Mar/2002	1036	1,000	1,000	5,350	98.57325	98.59110	98.55000	9.86754
20/Mar/2002	1093	1,000	1,000	17,500	98.56885	98.62970	98.50500	50.00000
27/Mar/2002	1086	1,000	1,000	8,450	98.60203	98.64460	98.58316	75.00000
04/Apr/2002	1078	1,000	1,000	14,094	98.57500	98.60824	98.55501	75.00000
11/Apr/2002	1071	1,000	1,000	16,600	98.56130	98.57000	98.55600	75.00000
18/Apr/2002	1064	1,000	1,000	13,800	98.59225	98.59550	98.58500	50.00000
25/Apr/2002	1057	1,000	1,000	11,397	98.59089	98.59091	98.57100	75.00000
02/May/2002	1050	1,000	1,000	5,400	98.51923	98.57905	98.49000	75.00000
09/May/2002	1043	1,000	1,000	4,500	98.55005	98.55010	98.55000	98.29870
16/May/2002	1092	1,000	1,000	9,100	98.56368	98.56990	98.56101	75.00000
23/May/2002	1085	1,000	1,000	5,949	98.54490	98.54490	98.54490	98.38000
30/May/2002	1078	1,000	1,000	4,499	98.55208	98.55211	98.52620	98.36600
06/Jun/2002	1071	1,000	1,000	4,700	98.50598	98.55497	98.49001	75.00000
13/Jun/2002	1064	1,000	1,000	3,350	98.59329	98.59400	98.59325	98.56689
20/Jun/2002	1057	1,000	1,000	4,250	98.65000	98.65000	98.65000	75.00000
27/Jun/2002	1050	1,000	1,000	3,800	98.66285	98.66285	98.66285	98.48000
04/Jul/2002	1043	1,000	1,000	6,200	98.68735	98.68735	98.68734	75.00000
11/Jul/2002	1036	1,000	1,000	4,700	98.65753	98.65753	98.65753	75.00000
18/Jul/2002	1029	1,000	1,000	5,000	98.63655	98.63655	98.63655	98.40000
25/Jul/2002	1085	1,000	1,000	4,500	98.63954	98.63954	98.63954	80.00000
01/Aug/2002	1078	1,000	1,000	3,800	98.62000	98.62000	98.62000	75.00000
08/Aug/2002	1071	1,000	1,000	5,600	98.67000	98.67000	98.67000	75.00000
15/Aug/2002	1064	1,000	1,000	6,800	98.71000	98.71000	98.71000	75.00000
22/Aug/2002	1057	1,000	1,000	10,599	98.69800	98.69900	98.69775	75.00000
29/Aug/2002	1050	1,000	1,000	26,475	99.11302	99.13010	99.11000	75.00000
05/Sep/2002	1043	1,000	1,000	4,000	99.11491	99.13371	99.11000	75.00000
12/Sep/2002	1092	1,000	1,000	2,700	99.02799	99.04021	99.01294	75.00000
19/Sep/2002	1085	1,000	1,000	2,000	98.92634	98.93985	98.91282	75.00000
26/Sep/2002	1078	1,000	1,000	5,900	98.88402	98.91131	98.83000	70.00000
03/Oct/2002	1071	750	750	1,500	99.09900	99.09900	99.09900	99.09900
10/Oct/2002	1064	750	750	950	99.08173	99.08570	99.08028	99.08028
17/Oct/2002	1057	750	750	3,450	99.08430	99.08430	99.08430	85.00000
24/Oct/2002	1050	750	750	3,035	99.06858	99.09487	99.06820	99.04190
31/Oct/2002	1043	750	750	2,817	99.10456	99.11000	99.10000	99.09570
07/Nov/2002	1036	750	750	8,050	99.09904	99.10001	99.09710	95.00000
14/Nov/2002	1029	750	750	4,800	99.08587	99.08587	99.08587	98.87179
21/Nov/2002	1085	750	750	1,555	99.07703	99.08000	99.07500	80.00000
28/Nov/2002	1078	750	750	4,150	99.09689	99.09689	99.09689	98.95000
05/Dec/2002	1071	750	750	1,825	99.03937	99.04120	99.03570	99.03555
11/Dec/2002	1065	750	750	1,950	99.05087	99.05088	99.05087	98.97220
19/Dec/2002	1057	750	750	750	98.98582	98.98582	98.98582	98.98582
26/Dec/2002	1050	750	750	1,750	99.03576	99.03576	99.03576	99.03495

^{1/} In accordance with articles 7° section VI of its Law, Banco de México issues Monetary Regulation Bonds to regulate money market liquidity.

Table A 36 **Representative Interest Rates**
 Yields on Public Securities
 Annual percentage rates ^{1/}

	CETES ^{2/}				Fixed-rate Bonds			
	28-day	91-day	182-day	364-day	3 years (1092 days)	5 years (1820 days)	7 years (2520 days)	10 years (3640 days)
1992	15.62	15.89	15.93	16.11				
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
2000								
Jan	16.19	17.43	17.89	18.82	17.70			
Feb	15.81	16.44	16.61	17.27	15.95			
Mar	13.66	14.46	15.09	15.89	14.94			
Apr	12.93	14.37	15.49	17.04	15.95			
May	14.18	15.58	16.21	17.61	16.90	17.40		
Jun	15.65	16.61	17.26	16.88	16.10			
Jul	13.73	14.62	15.27	15.84	14.95			
Aug	15.23	15.71	16.46	16.95	15.70	14.85		
Sep	15.06	16.15	16.67	16.11	15.15	15.15		
Oct	15.88	17.06	17.19	16.66	15.69	15.44		
Nov	17.56	18.01	17.44	17.12	15.38	14.74		
Dec	17.05	17.41	17.11	17.12	15.30	14.63		
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

^{1/}Simple average.

^{2/} Placement rate in primary auction curve for 28, 91, 182 and 364 days, respectively.

Continues

Continuation

Representative Interest Rates

Yields on Public Securities

Annual percentage rates 1/

	BONDES Surtax		UDIBONOS 4/		BPAs Surtax 5/6/		BPATs Surtax 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)
1992							
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
2000							
Jan	0.68		6.64	6.58			
Feb	0.55		6.23	6.04			
Mar	0.59		6.01	5.91	0.52		
Apr		1.02			0.84		
May		0.89	7.48	7.52	1.34		
Jun		0.90	8.10	7.64	1.41		
Jul		0.74			1.21		
Aug		0.84	7.04	6.81	1.12	1.09	
Sep		1.00	7.03	6.48	1.02	1.10	
Oct	0.96	1.08		6.91	1.22	1.22	
Nov	0.91	1.02			1.34	1.50	
Dec	0.82	0.93		6.78	1.04	1.12	
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

1/ Simple average.

2/ Surtax on primary market yields on 91-day CETES.

3/ Surtax on primary market yields on 182-day CETES.

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/ Surtax on primary market yields on 28-day CETES.

7/ Surtax on primary market yields on 91-day CETES.

Table A 37

Representative Interest Rates

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

	Cost of Bank Term Deposits				Interbank Interest Rates			Weighted Average Funding Rate		Commercial Paper
	CCP	CCP-US dollars	CCP-UDIs	CCP- Development Banks	28-day TIIE	91 day-TIIE	91-day Mexibor	Banks	Government	Weighted Average Rate ^{2/}
1992				18.78						
1993				18.56						19.78
1994				15.50						19.30
1995			6.81	45.12	55.21			52.56	48.00	59.37
1996	30.92	7.19	7.92	30.71	33.61			32.15	30.53	36.48
1997	20.04	6.63	6.59	19.12	21.91	22.29		20.98	19.88	22.15
1998	22.39	6.41	5.77	21.09	26.89	27.14		24.93	23.70	26.38
1999	20.89	6.32	4.07	19.73	24.10	24.63		22.45	20.80	23.66
2000	14.59	6.77	4.06	13.69	17.69	16.96	17.23	16.16	15.34	16.95
2001	10.95	5.33	5.26	10.12	12.75	12.89	13.43	10.42	11.95	11.13
2002	6.17	3.30	5.82	5.36	7.72	8.17	8.45	8.09	7.15	7.00
2000										
Jan	16.28	6.60	4.35	15.29	18.55	18.69		17.70	15.92	18.58
Feb	16.07	6.68	4.28	15.18	18.15	18.12		17.34	15.60	18.19
Mar	14.42	6.71	3.91	13.67	15.77	15.86		14.89	13.71	15.65
Apr	13.12	6.75	3.78	12.48	14.74	15.10		14.08	12.96	14.48
May	13.29	6.80	3.81	12.51	15.92	16.77		14.95	14.23	15.71
Jun	14.42	6.88	3.89	13.53	17.44	17.73		16.58	16.06	17.59
Jul	13.84	6.86	3.87	12.98	15.13	15.40		14.11	13.67	14.92
Aug	13.98	6.83	4.03	13.05	16.62	16.84		16.30	15.35	16.72
Sep	14.16	6.76	4.11	13.29	16.77	17.13		15.96	15.30	16.92
Oct	14.44	6.84	4.07	13.51	17.38	17.99		16.45	16.20	17.84
Nov	15.56	6.78	4.31	14.44	18.64	18.76		17.92	17.53	18.51
Dec	15.55	6.77	4.27	14.39	17.69	18.39		17.66	17.56	18.26
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	13.77
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	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
Sep	8.16	4.61	5.77	7.52	9.98	10.95	12.19	11.74	9.53	8.50
Oct	8.53	4.48	5.89	7.89	10.23	10.34	11.16	10.89	9.20	7.98
Nov	7.22	4.17	5.96	6.58	8.93	8.90	10.21	9.80	7.71	7.31
Dec	6.49	3.88	6.03	5.81	7.99	7.94	8.87	8.58	6.74	6.38
2002										
Jan	6.19	3.66	6.17	5.52	7.73	7.97	8.44	7.89	7.20	7.00
Feb	6.76	3.58	6.19	6.01	8.49	8.99	9.06	8.61	8.15	7.99
Mar	6.54	3.37	6.46	5.82	8.33	8.47	8.61	8.11	7.59	7.49
Apr	5.46	3.34	5.81	4.86	7.09	6.85	7.12	6.80	5.42	5.38
May	5.71	3.33	5.78	5.02	7.32	7.73	7.63	7.35	7.09	7.00
Jun	6.15	3.32	5.74	5.37	7.77	8.42	8.65	8.12	7.26	7.21
Jul	6.37	3.26	5.73	5.56	7.87	8.34	8.73	8.29	6.92	6.86
Aug	5.81	3.21	5.72	5.05	7.06	7.61	7.95	7.62	6.53	6.48
Sep	5.97	3.24	5.59	5.17	7.40	8.37	8.74	8.54	7.08	6.99
Oct	6.47	3.12	5.54	5.48	8.05	8.67	9.10	8.79	7.73	7.36
Nov	6.38	3.09	5.50	5.37	7.77	8.33	8.73	8.50	7.34	7.08
Dec	6.21	3.10	5.56	5.13	7.71	8.26	8.64	8.43	7.50	7.16

1/ Simple average.

2/ Interest rate expressed as a 28-day yield curve.

BANCO DE MÉXICO

Table A 38 **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 Quotes ^{2/}			
	End-period	Period average	Buy		Sell	
			End-period	Period average	End-period	Period average
1998	9.8650	9.1357	9.9030	9.1441	9.9080	9.1527
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
1999						
Jan	10.1745	10.1104	10.1650	10.1233	10.1730	10.1378
Feb	9.9357	10.0150	9.9020	9.9820	9.9100	9.9877
Mar	9.5158	9.7694	9.5160	9.7233	9.5210	9.7301
Apr	9.2871	9.4461	9.2950	9.4142	9.3050	9.4207
May	9.7498	9.3623	9.7300	9.4127	9.7400	9.4217
Jun	9.4875	9.5418	9.3600	9.5011	9.3700	9.5096
Jul	9.3827	9.3671	9.4060	9.3625	9.4100	9.3691
Aug	9.3819	9.3981	9.3600	9.3856	9.3700	9.3926
Sep	9.3582	9.3403	9.3600	9.3303	9.3650	9.3358
Oct	9.6504	9.5403	9.6245	9.5719	9.6330	9.5783
Nov	9.3550	9.4205	9.4130	9.3945	9.4180	9.4010
Dec	9.5143	9.4151	9.4900	9.4181	9.5000	9.4263
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

1/ The FIX exchange rate is determined by Banco de México as an average of wholesale foreign exchange market's quotes for transactions payable in 48 hours. It is published in Mexico's Daily Official Gazette (*Diario Oficial de la Federación*) one banking business day after its determination date, and 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.

Source: Banco de México.

Table A 39 Market Capitalization of the Mexican Stock Exchange
 Million pesos, according to last quotes registered

	Total	Extractive industry	Manufacturing industry	Construction	Commerce	Communications and Transportation	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
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

1/ Holding companies mainly.

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

Table A 40

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

End-period, October 1978 = 100

	IPC	Extractive industry	Manufacturing sector	Construction	Commerce	Communications and Transportation	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
2000								
Jan	6,586	10,529	2,848	9,190	10,415	30,279	601	3,401
Feb	7,369	9,620	2,861	8,794	12,817	37,096	627	3,227
Mar	7,473	8,864	2,940	9,141	13,359	37,016	678	3,246
Apr	6,641	7,794	2,756	8,876	12,358	32,514	561	2,827
May	5,961	7,154	2,693	8,572	11,224	27,767	526	2,616
Jun	6,948	5,857	2,825	9,479	13,191	34,575	613	2,755
Jul	6,514	6,881	2,768	9,463	12,304	30,450	627	2,708
Aug	6,665	7,766	2,764	9,201	12,990	30,570	670	2,727
Sep	6,335	6,844	2,692	8,279	11,529	30,129	670	2,420
Oct	6,394	6,243	2,638	8,460	12,170	29,926	677	2,417
Nov	5,653	5,074	2,493	7,914	11,045	25,867	619	2,107
Dec	5,652	5,324	2,549	7,428	10,677	25,655	684	1,955
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

1/ Holding companies mainly.

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

Public Finances

Table A 41 Main Public Finance Indicators (1992-2002)
Percentage of GDP

I T E M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Budgetary Revenues 1/	23.7	23.1	22.7	22.8	23.0	23.0	20.3	20.8	21.6	21.8	22.5
Budgetary Expenditures	22.3	22.5	23.1	22.9	23.1	23.6	21.6	21.9	22.7	22.5	23.7
Budgetary Balance	1.4	0.7	-0.3	-0.2	-0.1	-0.6	-1.2	-1.1	-1.1	-0.7	-1.2
Non-Budgetary Balance 2/	0.0	0.0	0.2	0.2	0.1	-0.1	0.0	0.0	0.0	0.0	-0.1
Economic Balance on a Cash Basis	1.5	0.7	-0.1	0.0	0.0	-0.7	-1.2	-1.1	-1.1	-0.7	-1.2
Primary Balance on a Cash Basis 3/	5.2	3.3	2.1	4.7	4.3	3.5	1.7	2.5	2.6	2.6	1.8
Operational Accumulated Balance 4/	6.2	1.0	-0.1	0.8	-0.4	0.2	-0.5	-1.2	-1.1	-1.6	-1.0
Total Net Public Sector Debt 5/	26.3	21.3	21.1	30.3	26.8	20.8	21.4	20.7	18.9	19.1	20.9
Budgetary Interest Payments 6/	3.6	2.7	2.3	4.6	4.4	4.1	2.9	3.6	3.7	3.2	2.9

1/ Data for 1992 exclude non-recurrent revenues from privatizations accounting for 2.7 percent of GDP.

2/ Includes statistical discrepancy vis-à-vis the sources of financing methodology.

3/ Obtained by subtracting interest payments of the budgetary and non-budgetary sectors from the public sector balance. Measured by Banco de México.

4/ Obtained by subtracting the loss in value of domestic public debt due to inflation from the accumulated public sector balance. Measured by Banco de México.

5/ Refers to the broad net economic debt, which includes Federal Government, public enterprises and official financial intermediaries' (development banks and official trust funds) net liabilities. Average balances. Measured by Banco de México.

6/ Excludes interest payments by public entities under indirect budgetary control.

Note: Figures may not add up due to rounding off.

Source: Ministry of Finance (SHCP), except where Banco de México is mentioned.

Table A 42 Revenues, Expenditures and Balances of the Public Sector in 2001 and 2002

ITEM	2001		Programmed		2002				Observed		Observed	
	Observed		Thousand million pesos	GDP Percentage	Thousand million pesos		GDP percentage		Thousand million pesos		real percentage growth 2002-2001	
	Thousand million pesos	GDP Percentage			Including winding up of BANRRURAL	Including winding up of BANRRURAL	Including winding up of BANRRURAL	Including winding up of BANRRURAL	Including winding up of BANRRURAL	Including winding up of BANRRURAL		
Budgetary Revenues	1,271.4	21.8	1,404.9	22.7	1,388.2	1,377.2	22.5	22.4	4.0	3.1		
Federal Government	939.1	16.1	1,026.2	16.6	989.3	978.3	16.0	15.9	0.3	-0.8		
Tax Revenues	654.9	11.2	806.3	13.0	729.4	729.4	11.8	11.9	6.1	6.1		
Income Tax (ISR)	285.5	4.9	367.7	5.9	319.3	319.3	5.2	5.2	6.5	6.5		
Value-Added Tax	208.4	3.6	223.7	3.8	218.3	218.3	3.5	3.5	-0.3	-0.3		
Special Tax on Production and Services (IEPS)	110.7	1.9	155.1	2.5	136.5	136.5	2.2	2.2	17.4	17.4		
Import taxes	28.9	0.5	28.9	0.5	27.4	27.4	0.4	0.4	-9.6	-9.6		
Other	21.3	0.4	30.9	0.5	27.9	27.9	0.4	0.5	24.6	24.6		
Non-Tax Revenues	284.2	4.9	219.9	3.6	259.9	248.9	4.2	4.0	-13.0	-16.6		
Public Entities 1/	332.3	5.7	378.6	6.1	398.9	398.9	6.5	6.5	14.3	14.3		
PEMEX	103.5	1.8	144.0	2.3	149.8	149.8	2.4	2.4	37.8	37.8		
Other	228.7	3.9	234.6	3.8	249.0	249.0	4.0	4.0	3.7	3.7		
Paid Budgetary Expenditure	1,311.7	22.5	1,445.1	23.4	1,460.3	1,411.4	23.7	22.9	6.0	2.4		
Programmable	925.3	15.9	1,008.3	16.3	1,060.9	1,012.0	17.2	16.4	9.2	4.1		
Deferred Payments (2)	0.0	0.0	-18.3	-0.3	0.0	0.0	0.0	0.0	d.n.a.	d.n.a.		
Programmable Accrued	925.3	15.9	1,026.6	16.6	1,060.9	1,012.0	17.2	16.4	9.2	4.1		
Wages and Salaries	423.0	7.3	n.a.	n.a.	478.0	478.0	7.8	7.8	7.6	7.6		
Acquisitions	87.6	1.5	n.a.	n.a.	83.2	83.2	1.4	1.4	-9.6	-9.6		
Other Current Expenditures	141.4	2.4	n.a.	n.a.	161.4	161.4	2.6	2.6	8.7	8.7		
Capital Expenditures	150.9	2.6	n.a.	n.a.	198.1	149.3	3.2	2.4	25.0	-5.8		
Fixed Investment	141.3	2.4	n.a.	n.a.	146.0	146.0	2.4	2.4	-1.6	-1.6		
Financial Investment	9.6	0.2	n.a.	n.a.	52.1	3.3	0.8	0.1	d.n.a.	-67.7		
Aids, Subsidies and Transfers	122.4	2.1	n.a.	n.a.	140.2	140.2	2.3	2.3	9.1	9.1		
Non-Programmable	386.4	6.6	436.8	7.1	399.4	399.4	6.5	6.5	-1.6	-1.6		
Financial Cost	188.1	3.2	206.4	3.3	178.4	178.4	2.9	2.9	-9.7	-9.7		
Domestic	121.6	2.1	n.a.	n.a.	116.7	116.7	1.9	1.9	-8.6	-8.6		
Interests	81.7	1.4	n.a.	n.a.	72.7	72.7	1.2	1.2	-15.3	-15.3		
Financial enhancing program	39.9	0.7	45.4	0.7	44.0	44.0	0.7	0.7	5.1	5.1		
External	86.5	1.1	n.a.	n.a.	81.7	81.7	1.0	1.0	-11.7	-11.7		
State and Municipal Sharing	196.9	3.4	219.2	3.5	214.9	214.9	3.5	3.5	3.9	3.9		
ADEFAS and Other	1.4	0.0	11.2	0.2	6.1	6.1	0.1	0.1	d.n.a.	d.n.a.		
Budgetary Balance	-40.3	-0.7	-40.2	-0.7	-72.1	-34.2	-1.2	-0.6	70.3	-19.3		
Non-Budgetary Balance	-1.9	0.0	0.0	0.0	-3.5	-3.5	-0.1	-0.1	76.2	76.2		
Direct Balance	0.0	0.0	0.0	0.0	2.4	2.4	0.0	0.0	d.n.a.	d.n.a.		
Discrepancy with Financing Sources	-1.9	0.0	0.0	0.0	-5.9	-5.9	-0.1	-0.1	d.n.a.	d.n.a.		
Public Balance on Cash Basis	-42.2	-0.7	-40.2	-0.7	-75.6	-37.7	-1.2	-0.6	70.6	-15.0		
Primary Balance on a Cash Basis	148.7	2.6	167.0	2.7	109.0	146.9	1.8	2.4	-30.2	-6.0		

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

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

3/ Obtained by subtracting interest payments made by the budgetary and non-budgetary sectors from the public sector balance.

n.a. Not available.

d.n.a. Does not apply.

Note: Figures may not add up due to rounding off.

Source: Ministry of Finance (SHCP).

Table A 43 Revenues, Expenditures and Balances of the Public Sector (1992-2002)
Percentage of GDP

ITEM	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Budgetary Revenues	23.7	23.1	22.7	22.8	23.0	23.0	20.3	20.8	21.6	21.8	22.5
Federal Government	16.0	15.5	15.1	15.2	15.5	15.8	14.2	14.7	15.8	16.1	16.0
Tax revenues	11.3	11.4	11.3	9.3	8.9	9.8	10.5	11.3	10.6	11.2	11.8
Non-tax revenues	4.8	4.1	3.9	6.0	6.6	6.0	3.7	3.3	5.2	4.9	4.2
Public entities 1/	7.7	7.6	7.6	7.5	7.4	7.2	6.2	6.1	5.8	5.7	6.5
PEMEX	2.3	2.2	2.3	2.7	2.9	2.7	2.1	2.2	2.0	1.8	2.4
Other	5.4	5.4	5.3	4.9	4.5	4.5	4.0	3.9	3.8	3.9	4.0
Budgetary Expenditure	22.3	22.5	23.1	22.9	23.1	23.6	21.6	21.9	22.7	22.5	23.7
Programmable expenditures	15.3	16.1	17.2	15.4	15.7	16.2	15.5	15.3	15.7	15.9	17.2
Current expenditures	11.6	13.0	13.5	12.1	12.0	12.8	12.4	12.5	13.0	13.3	14.0
Capital expenditures	3.7	3.1	3.7	3.2	3.7	3.5	3.1	2.8	2.7	2.6	3.2
Non-programmable expenditures	6.9	6.4	5.9	7.6	7.4	7.4	6.1	6.6	7.0	6.6	6.5
Financial Cost	3.6	2.7	2.3	4.6	4.4	4.1	2.9	3.6	3.7	3.2	2.9
State and Municipal Sharing	2.9	3.0	2.9	2.7	2.8	3.0	3.0	3.1	3.2	3.4	3.5
ADEFAS and Other 2/	0.4	0.7	0.6	0.3	0.3	0.3	0.3	0.0	0.1	0.0	0.1
Budgetary Balance	1.4	0.7	-0.3	-0.2	-0.1	-0.6	-1.2	-1.1	-1.1	-0.7	-1.2
Non-budgetary balance	0.0	0.0	0.2	0.2	0.1	-0.1	0.0	0.0	0.0	0.0	-0.1
Public Sector Balance on a Cash Basis	1.5	0.7	-0.1	0.0	0.0	-0.7	-1.2	-1.1	-1.1	-0.7	-1.2
Primary Balance on a Cash Basis 3/	5.2	3.3	2.1	4.7	4.3	3.5	1.7	2.5	2.6	2.6	1.8

1/ Excludes contributions 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/ Obtained by subtracting interest payments made by budgetary and non-budgetary sectors from the public sector balance.

Note: Figures may not add up due to rounding off.

Source: Ministry of Finance (SH CP), except where Banco de México is mentioned.

Table A 44 **Budgetary Revenues of the Public Sector (1992-2002)**
Percentage of GDP

ITEM	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
BUDGETARY REVENUES	23.7	23.1	22.7	22.8	23.0	23.0	20.3	20.8	21.6	21.8	22.5
CLASSIFICATION I											
FEDERAL GOVERNMENT	16.0	15.5	15.1	15.2	15.5	15.8	14.2	14.7	15.8	16.1	16.0
Tax revenues	11.3	11.4	11.3	9.3	8.9	9.8	10.5	11.3	10.6	11.2	11.8
Income tax (ISR)	5.2	5.5	5.1	4.0	3.8	4.2	4.4	4.7	4.7	4.9	5.2
Value added tax (IVA)	2.7	2.6	2.7	2.8	2.9	3.1	3.1	3.3	3.4	3.6	3.5
Special Tax on Products and Services (IEPS)	1.6	1.5	2.0	1.3	1.2	1.4	2.0	2.3	1.5	1.9	2.2
Other	1.8	1.7	1.5	1.1	1.1	1.1	1.0	1.0	0.9	0.9	0.9
Non-tax revenues	4.8	4.1	3.9	6.0	6.6	6.0	3.7	3.3	5.2	4.9	4.2
Fees and charges	3.5	3.2	2.5	4.2	4.7	4.4	2.7	2.5	3.8	3.5	2.6
Rents	0.3	0.1	0.2	0.5	0.3	0.3	0.3	0.2	0.1	0.1	0.1
Contributions	1.0	0.8	1.1	1.3	1.6	1.4	0.6	0.7	1.2	1.3	1.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PUBLIC ENTITIES	7.7	7.6	7.6	7.5	7.4	7.2	6.2	6.1	5.8	5.7	6.5
PEMEX	2.3	2.2	2.3	2.7	2.9	2.7	2.1	2.2	2.0	1.8	2.4
Other 1/	5.4	5.4	5.3	4.9	4.5	4.5	4.0	3.9	3.8	3.9	4.0
CLASSIFICATION II											
OIL REVENUES	6.5	6.1	6.0	7.6	8.2	7.8	6.1	6.2	7.2	6.6	6.7
PEMEX	2.3	2.2	2.3	2.7	2.9	2.7	2.1	2.2	2.0	1.8	2.4
Exports	1.9	1.5	1.4	2.4	2.9	2.2	1.2	1.4	1.9	1.4	1.7
Domestic sales 2/	3.5	3.6	3.1	4.2	4.5	4.6	3.3	3.0	4.1	3.8	3.2
(-) Taxes 3/	3.1	2.9	2.2	4.0	4.6	4.1	2.4	2.2	4.0	3.4	2.4
Federal Government 4/	4.2	3.8	3.7	4.9	5.3	5.2	3.9	4.0	5.2	4.9	4.2
NON-OIL REVENUES	17.2	17.1	16.8	15.2	14.8	15.2	14.3	14.6	14.5	15.2	15.9
Federal Government	11.9	11.7	11.4	10.3	10.3	10.7	10.2	10.6	10.6	11.3	11.9
Tax revenues	10.2	10.3	9.7	8.3	8.1	8.7	8.9	9.4	9.4	9.7	10.0
Income tax (ISR)	5.2	5.5	5.1	4.0	3.8	4.2	4.4	4.7	4.7	4.9	5.2
Value added tax (IVA)	2.7	2.6	2.7	2.8	2.9	3.1	3.1	3.3	3.4	3.6	3.5
Special Tax on Products and Services (IEPS)	0.5	0.5	0.4	0.4	0.4	0.3	0.4	0.4	0.3	0.4	0.4
Other 5/	1.8	1.7	1.5	1.1	1.1	1.1	1.0	1.0	0.9	0.9	0.9
Non-tax revenues	1.7	1.3	1.7	2.0	2.1	1.9	1.3	1.2	1.2	1.5	1.8
Fees and charges	0.4	0.4	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3
Rents	0.3	0.1	0.2	0.5	0.3	0.3	0.3	0.2	0.1	0.1	0.1
Contributions 1/	1.0	0.8	1.1	1.3	1.6	1.4	0.6	0.7	0.8	1.1	1.4
Public entities 1/	5.4	5.4	5.3	4.9	4.5	4.5	4.0	3.9	3.8	3.9	4.0

1/ Excludes contributions to the Government Employees' Social Services 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 (Value Added Tax-IVA and IEPS).

4/ From 2000, the Ministry of Finance only includes rights and royalties to oil extraction and excise taxes to gasoline and diesel. Up to 1999 it also included oil VAT.

5/ Includes import taxes and other taxes.

Note: Figures may not add up due to rounding off.

Source: Ministry of Finance (SHCP).

Table A 45 Budgetary Expenditures of the Public Sector (1992-2002)
Percentage of GDP

I T E M	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
BUDGETARY EXPENDITURES	22.3	22.5	23.1	22.9	23.1	23.6	21.6	21.9	22.7	22.5	23.7
Programmable expenditures	15.3	16.1	17.2	15.4	15.7	16.2	15.5	15.3	15.7	15.9	17.2
Current expenditures	11.6	13.0	13.5	12.1	12.0	12.8	12.4	12.5	13.0	13.3	14.0
Wages and salaries	5.0	5.7	6.0	6.4	6.2	6.8	6.9	7.3	7.1	7.3	7.8
Direct	3.8	4.0	4.0	3.6	3.5	3.7	3.4	3.7	3.5	3.7	4.0
Indirect ^{1/}	1.2	1.7	2.0	2.7	2.7	3.2	3.5	3.7	3.7	3.6	3.8
Acquisitions	1.8	1.8	1.7	1.6	1.7	1.6	1.6	1.2	1.5	1.5	1.4
Other disbursements ^{2/}	3.1	3.1	3.2	2.9	2.7	2.7	2.3	2.2	2.7	2.4	2.6
Aids, subsidies and transfers ^{3/}	1.7	2.4	2.6	1.3	1.5	1.6	1.6	1.7	1.8	2.1	2.3
Capital expenditures	3.7	3.1	3.7	3.2	3.7	3.5	3.1	2.8	2.7	2.6	3.2
Fixed Investment	3.4	2.9	3.4	2.8	3.0	3.2	2.9	2.6	2.5	2.4	2.4
Direct	2.6	2.5	2.6	2.2	2.3	2.4	1.8	1.5	1.4	1.2	1.2
Indirect ^{4/}	0.8	0.4	0.7	0.6	0.7	0.8	1.2	1.0	1.1	1.2	1.2
Financial investment and Other ^{5/}	0.4	0.2	0.3	0.4	0.7	0.3	0.2	0.3	0.1	0.2	0.8
NON-PROGRAMMABLE EXPENDITURES	6.9	6.4	5.9	7.6	7.4	7.4	6.1	6.6	7.0	6.6	6.5
Financial cost	3.6	2.7	2.3	4.6	4.4	4.1	2.9	3.6	3.7	3.2	2.9
Domestic	2.2	1.5	1.1	2.6	2.3	2.5	1.5	2.2	2.3	2.1	1.9
Interests	2.1	1.4	1.1	1.8	1.4	1.3	1.2	1.7	1.2	1.4	1.2
Financial enhancing program	0.1	0.0	0.0	0.9	0.9	1.3	0.3	0.5	1.1	0.7	0.7
External	1.5	1.2	1.2	2.0	2.1	1.6	1.4	1.4	1.3	1.1	1.0
State and municipal sharing	2.9	3.0	2.9	2.7	2.8	3.0	3.0	3.1	3.2	3.4	3.5
ADEFAS and Other ^{6/}	0.4	0.7	0.6	0.3	0.3	0.3	0.3	0.0	0.1	0.0	0.1

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

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

3/ It basically includes aids, subsidies and transfers other than those paid for wages and salaries and capital expenditure, as the latter are included in their corresponding items (see notes 1, 4 and 5).

4/ Includes transfers for non-budgetary entities' capital expenditures.

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 off.

Source: Ministry of Finance (SHCP).

Table A 46 Total Net Debt of the Public Sector ^{1/}
Average stocks

Years	Broad Economic Debt 2/				Debt Consolidated with Banco de México 3/			
	Domestic		External		Domestic		External	
	Thousand million pesos	Million US dollars	Thousand million pesos	Total Percentage of GDP	Thousand million pesos	Million US dollars	Thousand million pesos	Total Percentage of GDP
1980	0.4	33,334	0.8	26.5	0.5	28,977	0.7	25.4
1981	0.7	43,782	1.1	29.1	0.8	39,529	1.0	28.4
1982	1.6	60,849	3.5	51.5	1.6	59,623	3.4	50.6
1983	3.0	64,166	7.8	59.5	3.0	62,358	7.6	58.0
1984	5.0	70,833	12.0	56.3	5.6	65,135	11.1	55.0
1985	7.6	74,711	19.8	56.2	8.0	70,443	18.7	54.7
1986	14.8	76,463	48.3	76.5	14.4	75,447	47.7	75.2
1987	29.0	81,922	116.8	71.8	37.1	74,880	106.2	70.6
1988	65.4	84,097	191.3	61.7	73.0	76,410	173.9	59.3
1989	97.7	81,967	202.8	54.8	87.6	80,089	198.2	52.1
1990	125.9	74,598	210.5	45.5	113.3	73,235	206.6	43.3
1991	127.9	68,915	208.3	35.4	133.1	59,888	180.9	33.1
1992	85.4	68,072	211.0	26.3	100.4	55,198	171.1	24.1
1993	54.8	68,522	213.1	21.3	78.3	50,914	158.3	18.8
1994	43.2	73,080	256.5	21.1	63.8	58,469	207.6	19.1
1995	24.7	81,864	533.1	30.3	-24.2	84,101	547.1	28.4
1996	30.4	85,376	648.3	26.8	5.9	82,289	624.6	24.9
1997	47.2	77,569	614.6	20.8	112.9	62,596	495.7	19.1
1998	103.7	77,805	718.7	21.4	239.9	56,173	518.8	19.7
1999	199.1	78,621	752.2	20.7	391.6	53,461	511.7	19.6
2000	315.7	76,466	724.1	18.9	584.5	44,256	419.1	18.3
2001	359.7	75,715	733.1		701.8	36,351	352.0	
Feb	370.9	75,154	728.4		709.8	36,285	351.7	
Mar	370.7	76,380	735.1	19.0	711.7	37,289	358.8	18.4
Apr	365.9	77,077	734.5		710.1	37,818	360.3	
May	366.5	76,964	728.1		713.9	37,495	354.7	
Jun	373.1	76,771	721.4	18.9	722.6	37,160	349.2	18.5
Jul	379.4	76,495	716.0		730.7	36,745	344.1	
Aug	383.9	76,422	713.8		739.0	36,486	340.9	
Sep	387.9	76,291	714.0	19.4	748.0	36,023	337.2	19.1
Oct	394.5	76,063	711.1		759.0	35,470	331.7	
Nov	399.8	75,837	708.5		767.8	34,996	327.0	
Dec	406.8	75,746	706.5	19.1	779.0	34,588	322.8	18.9
2002(p)	484.2	77,159	705.7		925.9	30,104	275.3	
Feb	496.9	77,048	704.1		938.4	30,062	274.7	
Mar	510.0	76,795	698.7	20.8	949.0	30,108	273.9	21.1
Apr	518.9	76,124	697.6		954.2	29,905	274.1	
May	529.8	75,473	698.8		962.5	29,574	273.8	
Jun	534.0	74,989	702.8	19.9	966.2	29,172	273.2	20.0
Jul	542.8	74,534	702.8		975.8	28,656	270.0	
Aug	550.0	74,147	703.4		983.7	28,218	267.4	
Sep	554.2	73,958	707.6	20.9	988.9	27,940	266.9	20.8
Oct	556.5	73,714	709.5		991.7	27,667	265.8	
Nov	561.4	73,569	711.5		997.9	27,435	264.8	
Dec	567.5	73,554	716.1	20.9	1008.1	27,055	262.6	20.7

1/ The present data may not match those previously published due to a methodological revision resulting from the inclusion of new items such as funds and liabilities of Banco de México, and of commercial and development banks.

2/ The broad net economic debt includes net liabilities of the Federal Government as well as of public entities, and official financial intermediaries (development banks and official trust funds).

3/ Debt consolidated with Banco de México includes, besides Public Sector entities Debt, net indebtedness of the Central Bank with commercial banks and with the external and private sectors.

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

p/ Preliminary figures.

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

Table A 47 **Total Net Debt of the Public Sector ^{1/}**
Stocks outstanding at end-period

Years	Broad Economic Debt 2/				Debt Consolidated with Banco de México 3/				
	Domestic		External		Domestic		External		
	Thousand million pesos	Million US dollars	Thousand million pesos	Total Percentage of GDP	Thousand million pesos	Million US dollars	Thousand million pesos	Total Percentage of GDP	
1980	0.6	36,178	0.8	31.5	0.6	30,933	0.7	30.3	
1981	0.9	55,987	1.5	38.0	1.0	50,857	1.3	37.1	
1982	2.6	63,171	6.1	87.4	2.4	62,558	6.0	84.7	
1983	4.1	67,166	9.6	75.0	4.3	62,733	9.0	73.1	
1984	5.7	74,214	14.2	66.0	6.6	66,871	12.8	64.2	
1985	9.7	76,283	28.1	77.3	10.0	72,695	26.8	75.3	
1986	21.2	80,093	73.3	114.5	22.2	76,751	70.2	112.0	
1987	41.2	85,391	188.7	113.3	52.3	76,254	168.5	108.8	
1988	83.0	84,814	193.5	66.4	76.6	82,643	188.5	63.7	
1989	108.8	80,562	212.8	58.6	97.3	79,421	209.7	55.9	
1990	138.1	72,629	213.9	47.6	131.7	68,512	201.8	45.1	
1991	117.5	69,181	212.5	34.8	130.7	57,494	176.6	32.4	
1992	64.0	66,407	206.9	24.1	79.8	53,169	165.6	21.8	
1993	50.9	68,515	212.8	21.0	87.4	47,937	148.9	18.8	
1994	59.8	75,131	400.1	32.3	59.8	72,086	383.9	31.2	
1995	11.2	87,639	669.8	37.0	-12.5	87,685	670.1	35.7	
1996	70.0	79,849	626.9	27.6	73.6	73,628	578.0	25.8	
1997	83.0	76,555	618.8	22.1	199.6	56,739	458.6	20.7	
1998	149.9	80,465	793.8	24.5	307.3	56,970	562.0	22.6	
1999	262.3	78,146	743.5	21.9	482.8	50,777	483.1	21.0	
2000	430.6	73,817	709.4	20.7	731.2	38,701	371.9	20.1	
2001	Jan	359.7	75,715	733.1		701.8	36,351	352.0	
	Feb	382.1	74,593	723.7		717.7	36,219	351.4	
	Mar	370.1	78,832	748.4	19.2	715.6	39,297	373.1	18.7
	Apr	351.7	79,170	732.6		705.2	39,407	364.7	
	May	369.0	76,508	702.6		729.3	36,202	332.5	
	Jun	405.6	75,809	687.7	18.8	765.7	35,484	321.9	18.7
	Jul	417.1	74,836	684.1		779.6	34,254	313.1	
	Aug	415.4	75,914	698.4		797.2	34,677	319.0	
	Sep	420.6	75,244	715.6	20.0	819.5	32,316	307.3	19.9
	Oct	453.3	74,011	684.9		857.8	30,494	282.2	
	Nov	452.6	73,578	681.9		856.5	30,255	280.4	
	Dec	483.7	74,747	685.4	20.1	901.5	30,099	276.0	20.2
2002(p)	Jan	484.2	77,159	705.7		925.9	30,104	275.3	
	Feb	509.6	76,937	702.5		950.9	30,020	274.1	
	Mar	536.3	76,287	687.8	21.1	970.4	30,198	272.3	21.4
	Apr	545.6	74,113	694.6		969.5	29,296	274.6	
	May	573.3	72,867	703.6		995.7	28,251	272.8	
	Jun	554.9	72,571	722.6	20.6	984.6	27,161	270.4	20.2
	Jul	595.6	71,800	702.6		1033.4	25,562	250.2	
	Aug	600.3	71,441	708.0		1038.9	25,149	249.3	
	Sep	588.3	72,441	741.1	22.0	1030.7	25,720	263.1	21.4
	Oct	576.6	71,521	726.3		1016.9	25,211	256.0	
	Nov	610.7	72,116	731.7		1060.1	25,108	254.8	
	Dec	635.2	73,396	766.2	22.8	1120.2	22,876	238.8	22.1

1/ The present data may not match those previously published due to a methodological revision resulting from the inclusion of new items such as funds and liabilities of Banco de México, and of commercial and development banks.

2/ The broad net economic debt includes net liabilities of the Federal Government as well as of public entities, and official financial intermediaries (development banks and official trust funds).

3/ Debt consolidated with Banco de México includes, besides Public Sector entities Debt, net indebtedness of the Central Bank with commercial banks and with the external and private sectors.

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

p/ Preliminary figures.

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

Table A 48

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

Conventional methodology

Stocks outstanding at end-period

Net Debt of the Non-Financial Public Sector					
	Domestic		External		Total Net Debt Percentage of GDP
	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 p/	Jan	643.2	52,875	512.0	
	Feb	666.2	51,891	503.5	
	Mar	659.5	56,406	535.5	20.5
	Apr	635.5	56,643	524.2	
	May	657.7	53,931	495.3	
	Jun	683.4	53,519	485.5	20.1
	Jul	696.5	53,021	484.7	
	Aug	701.1	53,787	494.8	
	Sep	708.8	52,629	500.5	21.3
	Oct	727.9	52,216	483.2	
	Nov	738.0	52,332	485.0	
	Dec	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	22.4
	Apr	808.6	52,708	494.0	
	May	820.0	51,503	497.3	
	Jun	837.1	51,096	508.8	21.7
	Jul	852.6	50,656	495.7	
	Aug	861.6	50,260	498.1	
	Sep	856.4	50,997	521.7	22.8
	Oct	854.5	50,361	511.4	
	Nov	892.0	51,120	518.7	
	Dec	929.4	51,510	537.5	23.8

1/ Net debt of the non-financial public sector 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 credit debtor. Besides these factors, data on net debt differs from that published by the Ministry of Finance because the latter uses preliminary figures from the banking system, which are subject to revisions.

p/ preliminary figures.

Source: Banco de México.

Table A 49 Placement of Public Sector Domestic Debt via Securities

Total circulation per instrument ^{1/}

Current stocks in million pesos, at market value

Stocks at End- period	Total Securities in Circulation	CETES	BONDES	UDIBONOS	3-year and 5- year 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 p/						
Jan	716,981	176,734	416,871	88,199	35,177	0
Feb	719,344	178,155	415,849	84,554	40,786	0
Mar	720,053	178,431	408,152	83,594	49,876	0
Apr	721,828	177,845	399,918	85,900	58,165	0
May	720,567	181,213	386,894	85,264	67,196	0
Jun	725,480	184,956	380,928	85,993	73,603	0
Jul	731,987	186,520	377,777	87,729	79,960	0
Aug	748,796	191,503	378,019	86,982	92,292	0
Sep	728,300	190,670	357,559	88,366	91,705	0
Oct	752,632	192,105	364,442	90,825	105,259	0
Nov	748,550	190,554	353,205	92,296	112,495	0
Dec	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

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, and TESOBONOS.

p/ Preliminary figures.

Source: Banco de México.

Table A 50 Placement of Public Sector Domestic Debt via Securities

Total circulation per holding sector ^{1/}

Current stocks in million pesos, at market value

Stocks at End-period	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 p/	Jan	716,981	683,310	20,384	0	1,459	11,828	0	0
	Feb	719,344	685,364	18,475	0	626	14,880	0	0
	Mar	720,053	673,458	26,112	0	501	19,983	0	0
	Apr	721,828	662,763	29,716	0	503	28,846	0	0
	May	720,567	665,804	23,371	0	410	30,983	0	0
	Jun	725,480	665,726	25,107	0	747	33,901	0	0
	Jul	731,987	673,443	21,542	0	324	36,677	0	0
	Aug	748,796	695,300	22,004	0	322	31,170	0	0
	Sep	728,300	679,006	19,680	0	353	29,261	0	0
	Oct	752,632	694,990	16,801	0	357	40,484	0	0
	Nov	748,550	710,669	16,465	0	441	20,974	0	0
	Dec	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	4,624	36,365	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	775,179	27,198	0	15,232	43,689	0	0
	Nov	876,072	792,936	8,136	0	11,803	63,198	0	0
	Dec	875,640	828,443	5,711	0	5,718	35,769	0	0

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

2/ Including securities held by SIEFORES since 1997.

p/ Preliminary figures.

Fuente: Banco de México.

ANNUAL REPORT 2002

Table A 51 Mexican Brady Bonds

End-period	Bid prices 1/			Stripped Yield 2/			TB Yield 3/	Spread 4/			
	(Cents per US dollar)			(Percent)			(Percent)	(Percent)			
	Par	Discount	Global	Par	Discount	Global	30 years	Par	Discount	Global	
Dec 1991	60.3	77.8		12.6	13.8		7.7	4.3	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	16.8		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	
2000	Jan	77.7	92.7	112.9	11.6	12.4	10.1	6.63	5.0	5.8	3.5
	Feb	80.9	95.3	124.7	11.1	11.9	9.0	6.23	4.8	5.7	2.8
	Mar	85.0	98.4	123.9	10.2	11.1	9.1	6.05	4.2	5.1	3.0
	Apr	82.3	97.7	118.2	10.9	11.3	9.6	5.85	5.0	5.5	3.7
	May	79.6	97.7	111.8	11.7	11.6	10.2	6.15	5.5	5.5	4.0
	Jun	83.3	98.1	120.5	10.7	11.0	9.4	5.93	4.7	5.0	3.4
	Jul	85.7	99.3	122.1	10.2	10.9	9.2	5.95	4.3	5.0	3.4
	Aug	89.5	102.9	124.0	9.3	9.5	9.1	5.72	3.6	3.8	3.3
	Sep	89.1	103.2	121.2	9.0	9.2	9.3	5.83	3.2	3.3	3.5
	Oct	87.9	101.5	117.8	9.7	9.7	9.6	5.80	3.9	3.9	3.8
	Nov	89.3	102.2	118.5	9.6	9.4	9.5	5.78	3.8	3.6	3.8
	Dec	90.9	99.4	121.4	9.5	9.5	9.3	5.49	4.0	4.0	3.8
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

1/ Indicative prices quoted in the secondary market for Brady Bonds Par W-A and Discount A as well as 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/ Calculated by subtracting the yield on United States' 30-year Treasury Bonds from the yield on the Mexican bond.
 4/ TB: United States' Treasury Bond.
 n.a. Not available.
 Source: Bloomberg.

External Sector

Table A 52 Main Indicators of the External Sector

	1996	1997	1998	1999	2000	2001	2002 ^{p/}
BALANCE OF PAYMENTS							
Billion US dollars							
Current account	-2.5	-7.7	-16.0	-14.0	-18.2	-18.0	-14.1
Trade balance 1/	6.5	0.6	-7.9	-5.6	-8.0	-10.0	-8.0
Capital account	4.3	16.6	18.6	13.6	17.4	24.4	20.4
Foreign Direct Investment	9.2	12.8	12.2	12.9	15.5	25.3	13.6
Change in net international reserves	1.8	10.5	2.1	0.6	2.8	7.3	7.1
Net international reserves (stock at end-period)	17.5	28.0	30.1	30.7	33.6	40.9	48.0
Percentage of GDP							
Current account	-0.8	-1.9	-3.8	-2.9	-3.1	-2.9	-2.2
Capital account	1.3	4.2	4.4	2.8	3.0	3.9	3.2
FOREIGN TRADE							
Annual percentage change							
Exports	20.7	15.0	6.4	16.1	22.0	-4.8	1.4
Oil	38.4	-2.8	-37.0	39.2	65.0	-21.9	13.1
Non-oil	18.6	17.5	11.3	14.6	18.7	-3.0	0.4
Manufacturing 1/	20.7	18.1	11.9	15.1	19.0	-2.7	0.4
Rest	-11.4	6.5	-1.0	2.7	8.2	-9.4	-1.7
Imports	23.5	22.7	14.2	13.2	22.9	-3.5	0.2
Consumer goods	24.8	40.1	19.1	9.6	37.1	18.3	7.2
Intermediate goods 1/	23.1	18.7	13.6	12.7	22.3	-5.6	0.3
Capital goods	25.6	38.4	14.6	18.5	17.5	-6.8	-6.7
GROSS EXTERNAL DEBT AND INTEREST PAYMENTS							
Percent of current account revenues							
Total external debt	142.2	117.6	116.9	104.5	82.2	84.8	82.5
Public sector 2/	96.8	74.2	71.9	60.9	43.8	43.3	42.0
Private sector	45.4	43.4	45.0	43.6	38.4	41.5	40.6
Interest payments 3/	11.6	9.4	8.9	8.1	7.1	6.8	6.4
Percentage of GDP							
Total external debt	49.4	38.5	38.8	34.5	27.3	25.2	24.3
Public sector 2/	33.6	24.3	23.9	20.1	14.6	12.9	12.4
Private sector	15.8	14.2	14.9	14.4	12.8	12.4	12.0
Interest payments 3/	4.0	3.1	3.0	2.7	2.4	2.0	1.9

1/ Includes in-bond industry.

2/ Includes Banco de México.

3/ Includes public and private sectors.

p/ Preliminary figures.

Note: Totals may not add up due to rounding off.

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

BANCO DE MÉXICO

Table A 53 **Balance of Payments**
 Traditional format
 Million US dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002/p
Current Account	-23,399.2	-29,662.0	-1,576.7	-2,507.6	-7,665.0	-16,072.4	-13,999.5	-18,160.1	-18,007.7	-14,058.0
Revenues	67,752.1	78,371.8	97,029.3	115,316.1	131,318.2	140,068.8	158,939.9	193,280.9	185,601.7	187,775.8
Merchandise Exports	51,886.0	60,882.2	79,541.6	95,999.7	110,431.4	117,459.6	136,391.1	166,454.8	158,442.9	160,682.0
Non-Factor Services	9,419.2	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
Tourists	4,564.1	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
One-day visitors	1,602.9	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
Other	3,252.2	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
Factor Services	2,790.0	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
Interests	2,048.0	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
Other	742.0	666.9	809.8	847.0	810.8	1,012.8	781.1	1,066.2	1,063.9	1,263.2
Transfers	3,656.9	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
Outlays	91,151.3	108,033.7	98,606.0	117,823.8	138,983.2	156,141.1	172,939.4	211,441.0	203,609.3	201,833.8
Merchandise Imports	65,366.5	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
Non-Factor Services	11,549.1	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
Insurance and Freight	2,180.7	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
Tourists	2,416.6	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
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
Other	3,806.7	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
Factor Services	14,219.1	16,378.3	17,117.3	18,094.0	17,349.9	18,313.4	17,447.1	20,918.1	18,973.1	16,380.0
Interest	10,934.4	11,806.9	13,575.4	13,360.9	12,436.2	12,482.3	12,945.9	13,699.0	12,677.4	11,994.9
Other	3,284.7	4,571.4	3,542.0	4,733.1	4,913.7	5,831.1	4,501.2	7,219.1	6,295.7	4,385.1
Transfers	16.5	39.8	35.0	30.1	25.5	27.1	26.9	29.4	21.9	35.2
Capital Account	32,341.3	14,975.6	15,331.6	4,327.2	16,638.7	18,560.4	13,569.1	17,361.2	24,406.6	20,377.5
Liabilities	35,943.8	20,645.6	22,689.3	10,668.4	9,922.9	18,128.9	17,573.8	10,262.1	28,241.2	8,612.2
Indebtedness	13,432.7	7,814.7	26,503.4	-2,225.1	-6,706.7	6,570.9	1,865.5	-5,623.3	1,815.0	-5,060.4
Development Banks	3,834.4	4,381.9	55.2	-2,148.8	-2,191.6	-724.9	-1,774.5	-185.7	-1,210.2	-1,244.2
Commercial Banks	4,673.0	1,570.7	-4,108.0	-1,655.0	-1,869.4	-927.8	-1,723.2	-2,445.6	-2,894.3	-3,143.7
Banco de México	-1,174.9	-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
Non-Bank Public Sector	-1,170.9	-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
Non-Bank Private Sector	7,271.1	3,828.4	2,833.0	2,962.0	6,365.0	6,862.2	7,340.8	7,866.9	6,003.4	2,547.7
Foreign Direct Investment	4,388.8	10,972.5	9,526.3	9,185.5	12,829.6	12,169.5	12,856.1	15,484.4	25,334.5	13,626.5
Equity Investments	10,716.6	4,083.7	519.2	2,800.6	3,215.3	-665.6	3,769.2	446.8	151.0	-103.6
Money Market	7,405.7	-2,225.3	-13,859.6	907.5	584.8	54.1	-917.0	-45.8	940.8	149.6
Assets	-3,602.5	-5,670.0	-7,357.7	-6,341.2	6,715.8	431.5	-4,004.7	7,099.0	-3,834.6	11,765.3
Held by Foreign Banks	-1,280.4	-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
Mexican Direct Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4,404.0	-969.1
Credits Granted Abroad	-281.1	-40.8	-276.4	-624.7	-113.6	329.8	425.0	412.5	0.0	190.0
External Debt Guarantees	-564.3	-615.1	-662.2	543.7	-707.7	-768.7	-835.8	1,289.8	3,856.6	1,133.8
Other	-1,476.8	-1,300.6	-3,255.6	-205.5	2,677.4	715.0	-556.9	1,847.0	-1,775.6	637.3
Errors and Omissions	-3,001.4	-3,705.0	-4,164.2	-46.0	1,537.8	-349.6	1,022.6	3,623.1	926.1	770.3
Change in Net International Reserves	5,983.3	-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
Valuation Adjustments	-42.6	-2.0	-2.1	5.4	17.8	1.5	-1.4	2.7	0.0	-14.4

p/ Preliminary figures.

Note: Figures may not add up due to rounding off.

Table A 54 **Balance of Payments**
IMF methodology 1/
Million US dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 p/
Current Account	-23,399.2	-29,662.0	-1,576.7	-2,507.6	-7,665.0	-16,072.4	-13,999.5	-18,160.1	-18,007.7	-14,058.0
Revenues	67,752.1	78,371.8	97,029.3	115,316.1	131,318.2	140,068.8	158,939.9	193,280.9	185,601.7	187,775.8
Merchandise Exports	51,886.0	60,882.2	79,541.6	95,999.7	110,431.4	117,459.6	136,391.1	166,454.8	158,442.9	160,682.0
Non-Factor Services	9,419.2	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
Tourists	4,564.1	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
One-day visitors	1,602.9	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
Other	3,252.2	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
Factor Services	2,790.0	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
Interests	2,048.0	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
Other	742.0	666.9	809.8	847.0	810.8	1,012.8	781.1	1,066.2	1,063.9	1,263.2
Transfers	3,656.9	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
Outlays	91,151.3	108,033.7	98,606.0	117,823.8	138,983.2	156,141.1	172,939.4	211,441.0	203,609.3	201,833.8
Merchandise Imports	65,366.5	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
Non-Factor Services	11,549.1	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
Insurance and Freight	2,180.7	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
Tourists	2,416.6	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
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
Other	3,806.7	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
Factor Services	14,219.1	16,378.3	17,117.3	18,094.0	17,349.9	18,313.4	17,447.1	20,918.1	18,973.1	16,380.0
Interest	10,934.4	11,806.9	13,575.4	13,360.9	12,436.2	12,482.3	12,945.9	13,699.0	12,677.4	11,994.9
Other	3,284.7	4,571.4	3,542.0	4,733.1	4,913.7	5,831.1	4,501.2	7,219.1	6,295.7	4,385.1
Transfers	16.5	39.8	35.0	30.1	25.5	27.1	26.9	29.4	21.9	35.2
Capital Account	32,341.3	14,975.6	15,331.6	4,327.2	16,638.7	18,560.4	13,569.1	17,361.2	24,406.6	20,377.5
Liabilities	35,943.8	20,645.6	22,689.3	10,668.4	9,922.9	18,128.9	17,573.8	10,262.1	28,241.2	8,612.2
Loans and Deposits	2,735.7	1,125.9	22,877.7	-12,085.5	-7,943.7	4,932.4	-7,287.2	-4,088.0	-975.3	-3,883.6
Development Banks	193.6	1,329.3	958.6	-1,246.0	-1,020.9	239.6	-765.4	919.6	-1,288.8	-545.0
Commercial Banks	3,328.0	1,470.7	-4,982.0	-1,720.0	-1,978.4	-142.8	-1,546.2	-1,802.6	-2,694.3	-2,498.7
Banco de México	-1,174.9	-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
Non-Bank Public Sector	-2,402.1	-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
Non-Bank Private Sector	2,791.1	1,219.4	3,075.0	2,076.0	3,578.0	4,637.0	2,736.5	4,608.2	4,287.4	779.6
Foreign Investment	33,208.1	19,519.7	-188.4	22,753.9	17,866.6	13,196.5	24,861.0	14,350.1	29,216.5	12,495.8
Direct	4,388.8	10,972.5	9,526.3	9,185.5	12,829.6	12,169.5	12,856.1	15,484.4	25,334.5	13,626.5
Portfolio	28,819.3	8,547.2	-9,714.7	13,568.5	5,037.1	1,027.0	12,004.9	-1,134.3	3,882.1	-1,130.8
Equity	10,716.6	4,083.7	519.2	2,800.6	3,215.3	-665.6	3,769.2	446.8	151.0	-103.6
Money Market	7,405.7	-2,225.3	-13,859.6	907.5	584.8	54.1	-917.0	-45.8	940.8	149.6
Public Sector	7,012.7	-1,942.3	-13,790.6	948.5	490.1	130.2	-942.0	-25.1	940.8	149.6
Private Sector	393.0	-283.0	-69.0	-41.0	94.7	-76.1	25.0	-20.7	0.0	0.0
Foreign Currency Securities	10,697.0	6,688.8	3,625.7	9,860.4	1,237.0	1,638.5	9,152.7	-1,535.3	2,790.3	-1,176.8
Public Sector	4,872.0	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
Private Sector	5,825.0	2,709.0	632.0	951.0	2,896.0	1,440.2	4,427.3	2,615.7	1,516.0	1,123.1
Assets	-3,602.5	-5,670.0	-7,357.7	-6,341.2	6,715.8	431.5	-4,004.7	7,099.0	-3,834.6	11,765.3
Held by Foreign Banks	-1,280.4	-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
Mexican Direct Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4,404.0	-969.1
Credits Granted Abroad	-281.1	-40.8	-276.4	-624.7	-113.6	329.8	425.0	412.5	0.0	190.0
External Debt Guarantees	-564.3	-615.1	-662.2	543.7	-707.7	-768.7	-835.8	1,289.8	3,856.6	1,133.8
Other	-1,476.8	-1,300.6	-3,255.6	-205.5	2,677.4	715.0	-556.9	1,847.0	-1,775.6	637.3
Errors and Omissions	-3,001.4	-3,705.0	-4,164.2	-46.0	1,537.8	-349.6	1,022.6	3,623.1	926.1	770.3
Change in Net International Reserves	5,983.3	-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
Valuation Adjustments	-42.6	-2.0	-2.1	5.4	17.8	1.5	-1.4	2.7	0.0	-14.4

1/ 1994 Format.

p/ Preliminary figures.

The present balance of payments format differs from the traditional one (Table A 53) in the criteria used for classifying the issuance of securities placed abroad such as bonds and promissory notes.

In the traditional format, transactions are classified as external indebtedness whereas in this format they are recorded 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 off.

BANCO DE MÉXICO

Table A 55

Foreign Trade

Million US dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 p/
Exports	51,886.0	60,882.2	79,541.6	95,999.7	110,431.4	117,459.6	136,391.1	166,454.8	158,442.9	160,682.0
In-bond industry	21,853.0	26,269.2	31,103.3	36,920.3	45,165.6	53,083.1	63,853.6	79,467.4	76,880.9	78,040.8
Other	30,032.9	34,613.0	48,438.3	59,079.4	65,265.8	64,376.4	72,537.5	86,987.4	81,562.0	82,641.2
Oil	7,418.4	7,445.0	8,422.6	11,653.7	11,323.2	7,134.3	9,928.2	16,382.8	12,798.7	14,476.9
Crude oil	6,485.3	6,624.1	7,419.6	10,705.3	10,333.8	6,367.9	8,858.8	14,887.0	11,590.8	13,110.2
Other	933.1	820.9	1,003.0	948.4	989.4	766.4	1,069.4	1,495.8	1,207.9	1,366.7
Non-oil	44,467.6	53,437.2	71,119.0	84,346.0	99,108.2	110,325.2	126,462.9	150,072.1	145,644.1	146,205.1
Agriculture	2,504.2	2,678.4	4,016.2	3,592.3	3,828.1	3,796.7	3,925.9	4,217.2	3,902.7	3,827.1
Extractive	278.3	356.7	545.0	449.2	477.9	466.2	452.5	520.7	388.5	389.3
Manufacturing	41,685.1	50,402.1	66,557.9	80,304.6	94,802.2	106,062.3	122,084.5	145,334.2	141,353.0	141,988.8
In-bond industry	21,853.0	26,269.2	31,103.3	36,920.3	45,165.6	53,083.1	63,853.6	79,467.4	76,880.9	78,040.8
Other	19,832.1	24,132.8	35,454.6	43,384.3	49,636.6	52,979.2	58,231.0	65,866.8	64,472.0	63,947.9
Imports	65,366.5	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
In-bond industry	16,443.0	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
Other	48,923.6	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
Consumer goods	7,842.4	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
Intermediate goods	46,468.3	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
In-bond industry	16,443.0	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
Other	30,025.3	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
Export-related	24,388.3	31,299.0	40,752.7	49,675.2	59,402.7	67,830.0	78,358.4	96,096.0	86,778.0	85,927.8
Non-export related	22,079.9	25,214.8	17,668.4	22,214.5	25,962.8	29,105.2	30,911.2	37,541.3	39,370.8	40,580.2
Capital goods	11,055.9	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
Trade balance	-13,480.6	-18,463.7	7,088.5	6,531.0	623.6	-7,913.5	-5,583.7	-8,003.0	-9,953.6	-7,996.8
In-bond industry	5,410.1	5,803.1	4,924.5	6,415.6	8,833.5	10,526.4	13,444.3	17,758.6	19,282.4	18,744.8
Other	-18,890.6	-24,266.8	2,164.0	115.4	-8,209.9	-18,439.9	-19,027.9	-25,761.6	-29,236.0	-26,741.7
Excluding oil exports	-20,899.0	-25,908.7	-1,334.1	-5,122.7	-10,699.6	-15,047.8	-15,511.9	-24,385.8	-22,752.3	-22,473.7

p/ Preliminary figures.

Note: Figures may not add up due to rounding off.

Source: Working party made up 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 56 Exports by Sector of Origin

Million US dollars

I t e m	In-bond Industry			Non In-bond Industry			Total		
	2000	2001	2002 p/	2000	2001	2002 p/	2000	2001	2002 p/
T o t a l	79,467.4	76,880.9	78,040.8	86,987.4	81,562.0	82,641.2	166,454.8	158,442.9	160,682.0
I. Crops and Forestry	0.0	0.0	0.0	3,615.5	3,325.8	3,263.5	3,615.5	3,325.8	3,263.5
II. Livestock, Beekeeping and Fishing	0.0	0.0	0.0	601.8	576.9	563.5	601.8	576.9	563.5
III. Extractive Industries	0.0	0.0	0.0	15,427.3	12,055.1	13,510.8	15,427.3	12,055.1	13,510.8
Crude Oil	0.0	0.0	0.0	14,887.0	11,590.8	13,110.2	14,887.0	11,590.8	13,110.2
Other	0.0	0.0	0.0	540.3	464.3	400.7	540.3	464.3	400.7
IV. Manufacturing Industries	79,376.5	76,759.8	78,021.9	67,120.9	65,355.5	65,138.5	146,497.4	142,115.4	143,160.4
A. Food, Beverages and Tobacco	386.0	335.0	370.3	3,757.9	3,893.8	4,093.2	4,143.8	4,228.8	4,463.5
B. Textiles, Apparel and Leather products	7,703.9	6,920.8	6,835.2	4,815.9	4,250.4	4,187.6	12,519.8	11,171.3	11,022.8
C. Timber Products	612.7	466.1	473.9	526.7	432.5	374.3	1,139.4	898.6	848.2
D. Paper, Printing and Publishing	674.5	583.9	551.3	675.0	697.9	721.5	1,349.5	1,281.8	1,272.8
E. Oil Derivatives	0.0	0.0	0.0	1,165.9	960.5	1,177.6	1,165.9	960.5	1,177.6
F. Petrochemical products	0.0	0.0	0.0	310.2	171.5	177.7	310.2	171.5	177.7
G. Chemical products	867.9	843.1	692.2	4,793.4	4,918.1	4,982.4	5,661.4	5,761.2	5,674.6
H. Plastic and Rubber products	1,730.7	1,476.2	1,487.2	895.9	860.0	1,025.2	2,626.5	2,336.2	2,512.3
I. Non-metallic mineral products	1,145.9	1,222.3	1,159.5	1,740.2	1,767.7	1,719.6	2,886.1	2,990.0	2,879.1
J. Iron and Steel	806.3	732.1	581.1	2,177.4	1,822.6	2,354.8	2,983.7	2,554.8	2,935.9
K. Mining and Metallurgy	203.2	199.5	188.7	1,499.7	1,386.1	1,168.8	1,703.0	1,585.6	1,357.5
L. Metallic products, machinery and equipment	64,148.7	62,808.3	63,898.2	44,368.0	43,826.5	42,659.7	108,516.8	106,634.8	106,557.9
1. For agriculture	117.9	85.5	80.6	31.3	24.9	32.1	149.2	110.4	112.7
2. For railroads	276.9	317.9	363.6	268.3	193.7	114.9	545.2	511.5	478.5
3. For other transportation & communications	4,533.1	4,129.6	4,668.2	27,805.9	27,656.1	27,221.1	32,339.0	31,785.6	31,889.3
Automotive industry	3,546.0	3,375.4	3,926.5	26,243.3	26,286.9	25,760.6	29,789.3	29,662.3	29,687.1
4. Special machinery and equipment for various industries	13,934.8	16,143.2	16,461.0	9,153.3	9,203.3	8,897.2	23,088.1	25,346.4	25,358.2
5. Professional and scientific equipment	2,083.2	2,292.4	3,129.3	218.1	341.1	634.6	2,301.3	2,633.5	3,763.9
6. Electric and electronic equipment	42,931.3	39,449.1	38,805.4	6,269.8	5,823.7	5,358.0	49,201.0	45,272.7	44,163.4
7. Photographic & optical equipment and watchmaking	271.5	390.7	390.1	621.3	583.9	401.8	892.8	974.6	792.0
M. Other industries	1,096.7	1,172.3	1,784.4	394.7	367.9	496.1	1,491.3	1,540.2	2,280.5
V. Other	90.9	121.1	18.9	222.0	248.6	164.8	312.9	369.7	183.7

p/ Preliminary figures.

Note: Figures may not add up due to rounding off.

Source: Working party made up 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 57 Imports by Sector of Origin

Million US dollars

Item	In-bond Industry			Non In-bond Industry			Total		
	2000	2001	2002 p/	2000	2001	2002 p/	2000	2001	2002 p/
TOTAL	61,708.8	57,598.5	59,296.0	112,749.0	110,797.9	109,382.9	174,457.8	168,396.5	168,678.9
I. Crops and Forestry	60.2	22.6	20.4	4,244.7	4,632.4	4,851.5	4,304.9	4,655.0	4,871.9
II. Livestock, Beekeeping and Fishing	15.4	12.2	21.3	478.4	464.8	482.2	493.8	477.0	503.5
III. Extractive Industries	108.2	126.1	130.9	1,217.5	1,454.7	1,836.0	1,325.7	1,580.8	1,967.0
IV. Manufacturing Industries	59,956.2	56,665.9	59,069.3	105,179.5	102,742.5	101,553.5	165,135.7	159,408.5	160,622.8
A. Food, Beverages and Tobacco	55.8	60.2	70.4	4,979.9	5,885.2	6,254.6	5,035.7	5,945.4	6,325.0
B. Textiles, Apparel and Leather products	5,849.8	5,499.9	5,597.2	4,180.8	4,239.9	4,698.2	10,030.6	9,739.9	10,295.3
C. Timber products	315.2	260.4	318.8	568.6	661.3	808.6	883.8	921.8	1,127.4
D. Paper, Printing and Publishing	1,675.8	1,425.4	1,496.7	2,902.7	2,960.1	3,066.2	4,578.5	4,385.5	4,563.0
E. Oil derivatives	40.5	37.6	32.0	4,604.2	4,305.3	3,241.6	4,644.7	4,343.0	3,273.6
F. Petrochemical products	55.7	56.0	91.6	2,112.6	1,814.6	2,094.5	2,168.2	1,870.6	2,186.1
G. Chemical products	1,985.1	1,839.1	2,126.4	9,436.5	10,170.2	10,467.0	11,421.6	12,009.3	12,593.4
H. Plastic and rubber products	5,308.7	4,772.7	5,071.1	3,968.6	4,081.9	4,296.1	9,277.3	8,854.6	9,367.2
I. Non-metallic mineral products	1,003.8	774.9	837.7	1,158.0	1,129.6	1,316.7	2,161.8	1,904.5	2,154.4
J. Iron and Steel	2,830.0	2,350.6	2,315.0	4,822.3	4,436.3	4,848.0	7,652.3	6,786.9	7,163.0
K. Mining and Metallurgy	1,045.2	944.0	960.0	1,887.8	1,735.7	1,651.8	2,933.0	2,679.8	2,611.7
L. Metallic products, machinery and equipment	39,272.9	38,196.3	39,630.7	63,211.7	59,950.5	57,419.7	102,484.6	98,146.8	97,050.4
1. For agriculture	3.2	5.4	19.1	387.9	431.2	468.4	391.1	436.5	487.4
2. For railroads	103.0	111.7	111.3	336.5	195.2	122.3	439.6	306.9	233.6
3. For other transportation & communications	1,720.3	2,303.6	1,811.6	22,038.9	21,294.7	21,842.8	23,759.2	23,598.3	23,654.4
4. Special machinery and equipment for various industries	6,621.4	7,440.5	9,121.1	22,075.4	20,408.9	18,657.7	28,696.8	27,849.5	27,778.8
5. Professional and scientific equipment	614.7	748.6	967.6	2,535.3	2,458.8	2,439.7	3,149.9	3,207.4	3,407.3
6. Electric and electronic equipment	29,747.3	27,019.9	26,809.1	14,996.2	14,313.3	13,221.8	44,743.6	41,333.2	40,030.9
7. Photographic & optical equipment and watchmaking	463.0	566.7	790.9	841.4	848.4	666.9	1,304.5	1,415.0	1,457.9
M. Other industries	517.7	448.7	521.9	1,345.8	1,371.8	1,390.5	1,863.5	1,820.6	1,912.3
V. Other	1,568.2	771.4	54.0	1,624.8	1,497.6	658.1	3,193.0	2,269.0	712.1
VI. Unclassified products	0.5	0.3	0.1	4.2	5.9	1.6	4.7	6.2	1.6

p/ Preliminary figures.

Note: Figures may not add up due to rounding off.

Source: Working party made up 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 Regional Trade Balance
Million US dollars

	Exports				Imports			
	1999	2000	2001	2002 p/	1999	2000	2001	2002 p/
Total	136,391	166,455	158,443	160,682	141,975	174,458	168,396	168,679
America	128,214	157,715	150,098	152,288	111,704	136,467	123,569	117,755
North America	122,784	151,039	143,366	145,763	108,216	131,551	118,002	111,037
United States	120,393	147,686	140,296	142,954	105,267	127,534	113,767	106,557
Canada	2,391	3,353	3,070	2,809	2,949	4,017	4,235	4,480
Central America	1,601	1,694	1,727	1,801	342	454	418	659
Costa Rica	250	286	338	344	191	180	184	416
El Salvador	244	246	274	265	18	20	30	36
Guatemala	544	535	560	514	83	91	95	117
Panama	303	283	247	316	26	120	45	35
Other Central American Countries	259	345	308	361	25	43	64	54
South America	2,178	2,685	2,858	2,484	2,835	4,002	4,723	5,450
Argentina	256	289	244	112	212	247	441	687
Brazil	399	517	585	481	1,129	1,803	2,101	2,565
Colombia	368	462	506	556	220	273	344	352
Chile	366	431	374	259	683	894	975	1,010
Perú	178	210	173	196	181	177	141	152
Venezuela	436	519	697	586	297	422	503	532
Other South American countries	174	256	279	295	113	185	216	150
Antilles	1,651	2,297	2,146	2,240	310	461	426	609
Europe	5,851	6,429	5,918	5,780	14,292	16,730	18,258	18,558
European Union	5,203	5,610	5,334	5,219	12,951	15,033	16,314	16,628
Germany	2,093	1,544	1,504	1,237	5,032	5,758	6,080	6,066
Belgium	241	227	318	296	305	466	630	557
Denmark	49	45	44	38	126	142	169	177
Spain	822	1,520	1,254	1,433	1,322	1,430	1,827	2,224
France	289	375	373	350	1,394	1,467	1,577	1,807
Netherlands	488	439	508	631	326	363	471	547
Italy	170	222	240	174	1,649	1,849	2,100	2,171
Portugal	180	194	149	129	52	51	101	94
United Kingdom	747	870	673	625	1,135	1,091	1,344	1,350
Other EU countries	123	175	272	306	1,609	2,415	2,014	1,635
Other European countries	648	819	584	561	1,341	1,697	1,944	1,930
Asia	2,124	2,158	2,223	2,434	15,129	20,271	25,345	31,360
China	126	204	282	456	1,921	2,880	4,027	6,274
South Korea	154	189	310	206	2,964	3,855	3,632	3,948
Philippines	19	11	16	13	378	587	818	925
Hong Kong	178	187	120	194	253	456	442	509
India	20	60	160	312	232	288	392	459
Indonesia	9	12	14	9	329	475	457	527
Israel	38	55	39	51	173	297	258	250
Japan	776	931	621	469	5,083	6,466	8,086	9,349
Malaysia	17	57	67	73	1,017	1,354	2,006	1,993
Singapore	480	196	242	298	540	606	1,147	1,555
Tailand	98	46	63	44	379	508	615	839
Taiwan	91	144	172	214	1,557	1,994	3,015	4,250
Other Asian countries	118	68	117	95	302	506	449	481
Africa	66	42	87	54	412	504	608	401
Oceania	133	102	108	107	426	485	613	600
Australia	122	84	88	101	274	306	348	351
New Zealand	9	18	19	6	147	166	261	246
Other countries	2	0	1	0	5	13	5	3
Unidentified countries	4	8	9	19	12	1	3	6

p/ Preliminary figures.

Note: Figures may not add up due to rounding off.

Source: Working party made up 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 Main Products Traded by the Non In-Bond Industry

	Exports				Imports		
	1993	2001	2002 p/		1993	2001	2002 p/
Total (Million US dollars)	30,033	81,562	82,641	Total (Million US dollars)	48,924	110,798	109,383
	(Percentage of Total)				(Percentage of Total)		
Automobiles	14.2	18.6	16.7	Spare parts for automobiles and trucks	2.3	9.5	8.4
Crude Oil	21.6	14.2	15.9	Automobiles	0.8	4.6	5.6
Trucks and cargo vehicles	2.2	7.9	8.4	Information processing machinery and spare parts	3.4	4.3	3.7
Computers and spare parts	2.0	4.0	3.6	Motors and spare parts for automobiles	0.7	2.7	3.1
Spare parts for machinery	1.7	3.0	3.6	Parts for electrical instalations	2.7	2.2	2.2
Spare parts for automobiles	1.7	3.0	2.9	Lamps of electric valves and spare parts	0.5	2.0	1.8
Automobile motors	4.3	2.3	2.1	Articles made of synthetic resin	1.0	1.2	1.7
Textile products made out of cotton and vegetable fibers	0.4	1.9	2.0	Fresh and refrigerated meat	1.1	1.5	1.6
Other electrical instruments	1.3	1.5	1.6	Radio and TV devices	1.8	1.9	1.6
Fresh legumes and vegetables	2.2	1.7	1.6	Pulleys and ball bearings	0.6	0.7	1.5
Beer	0.7	1.2	1.4	Measurement and analysis instruments	1.1	1.4	1.4
Other pharmaceutical products	0.3	1.0	1.2	Loading trucks	0.1	0.9	1.3
Spare parts for motors	0.6	1.0	1.1	Radio and telegraphic equipment	1.4	1.7	1.2
Iron and steel manufactures	0.8	0.8	1.0	Gasoline	1.3	1.6	1.1
Iron in bars and pigs	1.6	0.8	1.0	Mixtures and preparations for industrial use	1.1	1.0	1.1
Textile products made out of silk, synthetic fibers and wool	0.4	1.0	1.0	Paper and prepared cardboard	1.0	0.9	1.1
Glass and glassware	1.5	1.0	0.9	Natural or synthetic resins	0.7	1.1	1.1
Insulated electric cables	2.0	0.9	0.8	Spare parts and machinery for unspecified industries	0.9	1.1	1.0
Plastics and synthetic resins	0.8	1.0	0.8	Medications and medical items	0.4	0.8	1.0
Tomato	1.3	0.7	0.7	Pumps, engines and turbopumps	0.9	1.0	0.9
Tequila and other spirits	0.5	0.6	0.7	Wheels and tires	0.5	0.8	0.9
Plastics and synthetic resin manufactures	0.5	0.7	0.7	Threads of artificial and synthetic fibers	0.9	0.6	0.8
Spare parts for electric instalations	0.3	0.6	0.6	Metal-working machinery	1.3	1.1	0.8
Other fresh fruits	1.1	0.6	0.6	Soy seed	1.1	0.8	0.8
Silver bars	0.6	0.4	0.6	Natural gas	0.2	0.6	0.8
Electric motors	0.2	0.4	0.5	Special food preparations	0.5	0.6	0.8
Artificial or synthetic textile fibers	1.0	0.6	0.5	Corn	0.1	0.6	0.8
Refrigerators and spare parts	0.4	0.5	0.5	Iron and steel plates	1.0	0.7	0.7
Valves and metal parts	0.2	0.4	0.5	Drill steel, bearings, shafts and pulleys	0.7	0.7	0.7
Electronic communications equipment	0.1	0.5	0.5	Hand tools	0.5	0.6	0.6
Preserved legumes and fruits	0.7	0.4	0.4	Fuel-oil	0.3	0.5	0.6
Photographic and film equipment	0.7	0.7	0.4	Service elevator machinery	0.7	0.5	0.6
Iron or steel tubing and piping	0.7	0.4	0.4	Spare parts for radio and TV sets	0.5	0.7	0.5
Bovine cattle	1.5	0.5	0.4	Sound system equipment (radio and CD)	0.2	0.3	0.5
Policarboxilic acids	0.8	0.3	0.3	Filtering equipment and its parts	0.4	0.9	0.5
Other	29.3	24.8	23.9	Other	67.1	47.9	47.0

p/ Preliminary figures.

Note: Figures may not add up due to rounding off.

Source: Working party made up 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.

ANNUAL REPORT 2002

Table A 60 International Travelers

ITEM	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 p/
Balance (million US dollars)	605.2	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
INCOMING										
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
Tourists	4,564.1	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
In-bound	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
In border areas	544.8	600.1	636.9	640.2	445.0	498.8	444.0	619.2	597.0	640.9
One-day visitors	1,602.9	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
In border areas	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
Cruises	88.5	84.3	107.4	113.4	122.5	121.9	165.4	201.1	215.3	282.5
Number of travelers (thousands)	83,016	83,144	85,446	90,394	92,915	95,214	99,869	105,673	100,719	100,153
Tourists	16,440	17,182	20,241	21,395	19,351	19,392	19,043	20,641	19,810	19,668
In-bound	6,625	7,135	7,784	8,982	9,794	9,775	10,214	10,591	10,151	9,883
In border areas	9,815	10,047	12,457	12,413	9,557	9,617	8,829	10,050	9,659	9,785
One-day visitors	66,576	65,962	65,205	68,999	73,564	75,822	80,826	85,032	80,908	80,486
In border areas	65,089	64,392	63,508	66,857	71,311	73,576	77,778	81,565	77,103	75,350
Cruises	1,487	1,570	1,697	2,142	2,253	2,246	3,048	3,467	3,805	5,136
Average expenditure (US dollars)	74.3	76.5	72.3	74.7	79.4	78.7	72.3	78.5	83.4	88.4
Tourists	277.6	282.5	231.6	238.8	285.8	290.5	289.1	311.8	330.0	341.9
In-bound	606.7	596.3	520.4	497.6	519.3	525.3	495.6	549.1	585.3	615.6
In border areas	55.5	59.7	51.1	51.6	46.6	51.9	50.3	61.6	61.8	65.5
One-day visitors	24.1	22.9	22.9	23.9	25.1	24.5	21.2	21.9	23.0	26.5
In border areas	23.3	22.1	21.8	22.9	24.2	23.6	20.0	20.3	21.4	24.6
Cruises	59.5	53.7	63.3	52.9	54.4	54.3	54.3	58.0	56.6	55.0
O U T G O I N G										
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
Tourists	2,416.6	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
In-bound	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
In border areas	344.7	494.6	217.1	216.3	228.4	281.4	259.6	281.1	368.0	348.5
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
In border areas	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
Number of travelers (thousands)	115,179	114,097	103,161	103,442	107,242	107,927	117,383	127,268	123,737	124,633
Tourists	10,185	12,029	8,451	9,001	8,910	9,637	10,352	11,079	12,075	11,948
In-bound	4,778	5,047	3,703	4,437	4,838	5,177	5,543	6,200	6,423	6,492
In border areas	5,407	6,982	4,748	4,564	4,072	4,460	4,809	4,879	5,652	5,456
One-day visitors	104,994	102,068	94,710	94,441	98,332	98,290	107,031	116,189	111,657	112,685
In border areas	104,994	102,068	94,710	94,441	98,332	98,290	107,031	116,189	111,657	112,685
Average expenditure (US dollars)	48.3	46.8	30.7	32.7	36.3	39.0	38.7	43.2	46.1	48.6
Tourists	237.3	203.2	146.8	170.7	204.4	207.7	188.4	220.7	229.2	232.5
In-bound	433.6	386.3	276.3	297.5	329.2	332.3	305.0	349.0	373.6	374.1
In border areas	63.8	70.8	45.7	47.4	56.1	63.1	54.0	57.6	65.1	63.9
One-day visitors	30.0	28.3	20.4	19.6	21.1	22.5	24.2	26.3	26.3	29.1
In border areas	30.0	28.3	20.4	19.6	21.1	22.5	24.2	26.3	26.3	29.1

p/ Preliminary figures.

Note: Totals may not add up due to rounding off.

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

Table A 61 Revenues from Household Remittances

	1998	1999	2000	2001	2002 p/
Total remittances (million US dollars)	5,626.8	5,909.5	6,572.8	8,895.3	9,814.5
Money orders	1,870.7	1,448.4	1,434.4	803.2	686.4
Checks	61.5	51.2	8.5	10.2	10.1
Wire transfers	3,250.2	3,935.1	4,642.1	7,783.6	8,798.2
Cash and kind	444.4	474.9	487.8	298.3	319.8
Number of remittances (thousands)	19,419.5	20,937.3	17,999.0	27,744.3	29,953.8
Money orders	5,656.2	3,679.6	3,602.5	1,903.5	1,780.0
Checks	81.7	58.9	15.3	10.2	10.5
Wire transfers	13,060.2	16,578.5	13,737.1	25,246.5	27,704.0
Cash and kind	621.5	620.3	644.2	584.1	459.4
Average remittances (US dollars)	290	282	365	321	328
Money orders	331	394	398	422	386
Checks	753	870	555	997	966
Wire transfers	249	237	338	308	318
Cash and kind	715	766	757	511	696

p/ Preliminary figures.

Note: Figures may not add up due to rounding off.

Table A 62 Foreign Investment Flows

Million US dollars

	1996	1997	1998	1999	2000	2001	2002 p/
TOTAL	12,893.5	16,629.6	11,558.0	15,708.3	15,885.4	26,426.2	13,672.6
Direct Investment	9,185.5	12,829.6	12,169.5	12,856.1	15,484.4	25,334.5	13,626.5
New investment	5,529.4	9,115.3	6,016.4	5,348.9	6,538.9	18,667.3	6,611.2
Reinvested earnings	2,589.7	2,150.0	2,864.0	2,303.2	3,783.4	3,673.4	2,229.6
Intercompany operations	1,066.3	1,564.2	3,289.1	5,204.0	5,162.2	2,993.8	4,785.7
Portfolio Investment	3,708.1	3,800.1	-611.5	2,852.2	401.0	1,091.8	46.0
Equity market	2,800.6	3,215.3	-665.6	3,769.2	446.8	151.0	-103.6
Money market	907.5	584.8	54.1	-917.0	-45.8	940.8	149.6

p/ Preliminary figures.

Note: Figures may not add up due to rounding off.

Table A 63 Foreign Investment in Government Securities
 Stocks outstanding at end-period 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
2000												
Jan	1.0	89.8	0.1	5.2	0.0	0.0	0.0	0.0	0.0	2.4	1.1	100.0
Feb	0.9	78.3	0.1	7.4	0.0	0.0	0.0	0.0	0.1	5.8	1.2	100.0
Mar	0.8	74.5	0.1	9.3	0.0	0.0	0.0	0.0	0.1	8.7	1.1	100.0
Apr	0.7	71.6	0.0	4.5	0.0	0.0	0.0	0.0	0.1	9.9	0.9	100.0
May	0.6	67.1	0.1	15.4	0.0	0.0	0.0	0.0	0.1	10.1	0.9	100.0
Jun	0.7	76.7	0.1	7.1	0.0	0.0	0.0	0.0	0.1	10.4	0.9	100.0
Jul	0.7	77.6	0.1	7.4	0.0	0.0	0.0	0.0	0.1	11.9	0.9	100.0
Aug	0.7	75.1	0.1	5.9	0.0	0.0	0.0	0.0	0.2	16.2	1.0	100.0
Sep	0.6	69.4	0.1	11.8	0.0	0.0	0.0	0.0	0.2	16.8	0.9	100.0
Oct	0.7	73.3	0.1	8.3	0.0	0.0	0.0	0.0	0.2	17.8	0.9	100.0
Nov	0.6	64.7	0.1	10.7	0.0	0.0	0.0	0.0	0.2	24.4	1.0	100.0
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												
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

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

2/ Includes PAGAFES from January to December 1991; UDIBONOS since August 1996; and BREMS and BONOS IPAB since July 2001.

*/ Less than 50 million US dollars.

n.a. Not available.

Note: Figures for external sector 's holding of securities have been adjusted to revised data on sector holdings of government securities since 1998, published in Banco de México's Press Bulletin No. 105.

Table A 64 Foreign Investment in the Stock Market
 Stocks outstanding at market value at end-period
 Billion US dollars

	ADR's 1/ Stock		Free Subscription Stock		Neutral Fund Stock		Mexico Fund Stock		Total 2/ 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
2000 Jan	40.3	64.5	17.3	27.7	3.9	6.3	0.9	1.4	62.5	100.0
Feb	48.0	66.1	19.4	26.7	4.1	5.7	1.1	1.5	72.6	100.0
Mar	47.9	66.1	19.2	26.5	4.2	5.8	1.1	1.5	72.4	100.0
Apr	42.5	62.9	20.3	30.1	3.6	5.4	1.1	1.6	67.5	100.0
May	36.6	61.9	18.2	30.8	3.3	5.5	1.0	1.7	59.1	100.0
Jun	44.8	67.3	17.3	26.0	3.4	5.1	1.0	1.5	66.6	100.0
Jul	41.5	65.3	17.7	27.9	3.3	5.2	1.0	1.6	63.6	100.0
Aug	42.8	63.7	19.9	29.6	3.4	5.0	1.1	1.7	67.2	100.0
Sep	40.7	64.7	18.3	29.1	2.8	4.5	1.1	1.7	62.8	100.0
Oct	40.1	65.0	18.1	29.3	2.5	4.0	1.0	1.7	61.7	100.0
Nov	35.1	63.7	16.8	30.6	2.2	4.0	0.9	1.6	55.0	100.0
Dec	32.1	61.8	16.8	32.3	2.2	4.2	0.9	1.7	51.9	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

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

2/ Since 1993, this total includes warrants and investment in the intermediate market.

Source: Mexican Stock Exchange.

Table A 65 **Gross External Debt and Debt Service**

Billion US dollars at end-period

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 ^{p/}
GROSS EXTERNAL DEBT OUTSTANDING	117.6	131.2	142.5	169.8	164.0	154.4	163.7	166.1	158.8	157.4	155.0
Public debt	75.8	78.7	85.4	100.9	98.3	88.3	92.3	92.3	84.6	80.3	78.8
Federal Government	41.8	41.0	41.2	56.4	55.6	49.0	52.3	53.0	46.1	44.1	43.6
Public entities	8.4	8.2	10.0	9.7	11.3	10.9	11.7	12.7	12.5	11.9	11.6
Development banks	25.6	29.5	34.2	34.8	31.4	28.4	28.3	26.6	26.0	24.3	23.6
Commercial banks ^{1/2/}	18.7	23.4	25.0	20.6	18.5	16.7	15.8	14.8	12.4	9.5	6.4
Banco de México	6.0	4.8	3.9	17.3	13.3	9.1	8.4	4.5	0.0	0.0	0.0
Non-bank private sector ^{1/7}	17.1	24.3	28.2	31.0	33.9	40.3	47.2	54.5	61.8	67.6	69.8
EXTERNAL DEBT SERVICE	20.8	17.0	20.8	23.0	33.8	34.3	24.2	24.0	34.7	30.2	25.2
Amortizations	11.2	6.1	9.0	9.4	20.4	21.9	11.7	11.1	21.0	17.5	13.2
Current amortizations ^{4/}	5.5	6.1	9.0	9.4	10.6	12.4	11.7	11.1	10.6	11.7	11.0
Other amortizations ^{5/}	5.7	0.0	0.0	0.0	9.8	9.5	0.0	0.0	10.4	5.8	2.2
Interest payments	9.6	10.9	11.8	13.6	13.4	12.4	12.5	12.9	13.7	12.7	12.0
Public sector	7.2	7.9	7.8	8.5	8.0	7.0	6.7	6.8	7.4	7.1	6.6
Commercial banks	0.9	1.1	1.6	1.7	1.7	1.5	1.5	1.3	1.2	0.8	0.4
Banco de México	0.5	0.4	0.2	0.7	0.7	0.5	0.4	0.3	0.1	0.0	0.0
Non-bank private sector	1.0	1.5	2.2	2.7	3.0	3.4	3.9	4.5	5.0	4.8	5.0

1/ Banco de México data.

2/ Includes Mexican banks as well as their agencies and branches abroad. Excludes domestic currency securities issued abroad.

3/ Excludes debt recognized by the Ministry of Finance (SHCP) as Long-term Productive Infrastructure Projects with Differed Expenditure Impact (PIDIREGAS).

4/ Current amortizations plus interest payments.

5/ Including amortizations of long-term government liabilities and excluding amortizations of TESOBONOS and payments to the International Monetary Fund (IMF).

6/ Refers to advance payments of Brady Bonds and other advance payments of Federal Government debt.

p/ Preliminary figures.

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

Table A 66

Mexican Residents' Claims on U.S. Financial Institutions

Billion US dollars at end-period

		TOTAL	Official institutions and banks	Other residents
1988		15.1	1.7	13.4
1989		15.4	2.4	13.0
1990		16.6	6.0	10.6
1991		19.9	11.0	8.9
1992		19.5	11.1	8.4
1993		28.0	20.2	7.8
1994		12.2	3.9	8.3
1995		24.5	15.5	9.0
1996		31.3	21.0	10.3
1997		34.0	21.7	12.3
1998		37.1	23.8	13.3
1999		30.7	15.3	15.4
2000		33.0	15.8	17.2
2001		40.5	23.5	17.0
1999	Mar	36.6	22.7	13.9
	Jun	37.9	24.0	13.9
	Sep	35.0	21.0	14.0
	Dec	30.7	15.3	15.4
2000	Mar	31.4	16.0	15.4
	Jun	33.9	17.9	16.0
	Sep	33.9	17.0	16.9
	Dic	33.0	15.8	17.2
2001	Mar	34.5	19.4	15.1
	Jun	34.4	18.5	15.9
	Sep	38.3	22.1	16.2
	Dec	40.5	23.5	17.0
2002	Mar	36.4	19.5	16.9
	Jun	33.9	18.2	15.7
	Sep	33.6	17.5	16.1
	Dec	37.3	21.8	15.5

Source: Board of Governors of the U.S. Federal Reserve.

Balance Sheet



BANCO DE MEXICO

S DE MAYO NUM. 2 MEXICO 6689, D. F.

BALANCE SHEET AT DECEMBER 31, 2002

MILLION PESOS

<u>ASSETS</u>		<u>LIABILITIES AND EQUITY</u>	
INTERNATIONAL RESERVES	\$ 500,920	INTERNATIONAL MONETARY FUND	\$ 0
INTERNATIONAL ASSETS	529,000	MONETARY BASE	263,937
LIABILITIES TO BE DEDUCTED	(28,080)	BILLS AND COINS IN CIRCULATION	263,937
		BANK CURRENT ACCOUNT DEPOSITS	0
CREDIT GRANTED TO THE FEDERAL GOVERNMENT	0	MONETARY REGULATION BONDS	225,051
GOVERNMENT SECURITIES	0	FEDERAL GOVERNMENT CURRENT ACCOUNT DEPOSITS	48,013
		OTHER FEDERAL GOVERNMENT DEPOSITS	5,662
CREDIT GRANTED TO FINANCIAL INTERMEDIARIES AND DEBTORS FROM REPO OPERATIONS	137,687	MONETARY REGULATION DEPOSITS	35,295
CREDIT GRANTED TO PUBLIC ENTITIES	69,642	OTHER BANK DEPOSITS AND DEBTORS FROM REPO OPERATIONS	151,831
SHARES IN INTERNATIONAL FINANCIAL ORGANIZATIONS	7,670	SUPPORT FUNDS DEPOSITS FOR FINANCIAL INTERMEDIARIES	6
		OFFICIAL TRUST FUNDS DEPOSITS	0
FIXED ASSETS, FURNISHINGS AND EQUIPMENT	2,877	SPECIAL DRAWING RIGHTS	4,116
OTHER ASSETS	75,252	OTHER LIABILITIES	39,783
TOTAL ASSETS	\$ <u>794,048</u>	TOTAL LIABILITIES	\$ <u>773,694</u>
		CAPITAL	4,433
		OPERATIONAL SURPLUS OF FISCAL YEAR TO BE APPLIED	15,921
		FISCAL YEAR EARNINGS	51,486
		AMORTIZATION LOSS FROM FISCAL 2001	(11,906)
		AMORTIZATION FROM CREDIT TO IPAB	(7,738)
		CAPITAL RESERVES APPLIED	(15,921)
		TOTAL EQUITY	20,354
		TOTAL LIABILITIES AND EQUITY	\$ <u>794,048</u>

MEMORANDUM ACCOUNT \$ 8,104,040

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 \$15,921. Balances denominated in foreign currency were valued at the daily exchange rate, and Equity reflects a surplus of \$3,065 due to the revaluation of Fixed Assets and Inventories.

DR. GUILLERMO ORTIZ MARTINEZ
GOVERNORLIC. ALEJANDRO GARAY ESPINOSA
GENERAL DIRECTOR OF INTERNAL ADMINISTRATIONC. P. GERARDO ZUÑIGA VILLARCE
DIRECTOR OF ACCOUNTING

We have reviewed the Balance Sheet of Banco de México at December 31, 2002, 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, 2002, 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.
Carlos A. García, CPA