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The recovery in global oil prices during the second and third quarters of this year has helped the state-run oil company PEMEX to increase oil-export revenues by about US$1.38 billion above earlier projections. PEMEX's increased revenues this year are mostly the result of an agreement in March by the Organization of Petroleum Exporting Countries (OPEC) and other producers including Mexico to significantly reduce global oil supplies (see SourceMex, 1999-03-24). Some estimates indicate that oil exporters have reduced production by 7% since mid-1998. The higher global oil prices have allowed PEMEX to obtain US$4.93 billion in oil-export revenues during January-August, just US$621 million below the target for all of 1999.

Energy Secretary Luis Tellez told reporters the revenues for the eight-month period exceed the government's original projections of US$3.54 billion for January-August. In his 1999 budget proposal submitted to Congress in late 1998, President Ernesto Zedillo had requested 1 trillion pesos (US $107 billion) in public expenditures, based on a projected oil-export price of US$9.50 to US$10.00 per barrel (see SourceMex, 1998-12-09).

Oil-export prices remained depressed in the first three months of this year, but a gradual recovery in the second quarter and into the third quarter brought Mexico's average oil-export price for January-August to US$13.50 per barrel. On Sept. 7, the average Mexican crude- oil price was US$19.45 per barrel. Tellez said he was confident prices would not decline significantly even if OPEC and non-OPEC members increase production. "The recovery in prices has not just been about a reduction in supply, but we have also seen a recovery in demand," said Tellez.

The energy secretary said the administration is considering basing its budget proposal for 2000 on an average oil-export price of US$12 to US$14 per barrel. Government has no plans to boost spending this year Tellez said the recovery in oil-export prices will allow the Zedillo administration to hold the federal budget deficit to 1.25% of GDP, but will not leave room to significantly boost spending on social programs and infrastructure beyond what was already allocated for the year.

Sources at the Secretaria de Hacienda y Credito Publico (SHCP) said the oil-export revenues will help compensate for a slowdown in anticipated revenues from other sources, particularly privatizations. In particular, the SHCP said, the concessions of Mexico's major airports are behind schedule. The government has awarded management concessions for the southeast and northwest clusters of airports, but has yet to complete privatization of the north-central cluster of air terminals and the Mexico City airport.

But the major opposition parties have raised concerns that the Zedillo administration plans to use the revenues for unauthorized purposes. Ricardo Garcia Sainz of the center- left Partido de la

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Revolucion Democratica (PRD), who chairs the budget committee (Comision de Programacion y Presupuesto), said Congress will be watching the administration very carefully to ensure that the increased oil-export revenues are not spent on shoring up the unpopular bank-rescue program managed by the Instituto Bancario de Proteccion al Ahorro (IPAB) or on channeling funds to candidates for the governing Partido Revolucionario Institucional (PRI). [Note: Peso- dollar conversions in this article are based on the Interbank rate in effect on Sept. 8, reported at 9.34 pesos per US$1.00] (Sources: Reuters, Bloomberg news service, 08/31/99; The News, The New York Times, El Universal, 09/01/99; Excelsior, 09/01/99, 09/03/99; La Jornada, 09/03/99; El Economista, 09/01/99, 09/08/99; Novedades, 09/08/99)

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