

15

October 2010

Business
Barometer Survey
The business
pulse survey

Introduction

Results from our Barometer 15th edition continue to suggest that economic conditions are improving. September 2010 survey was carried out at a moment of historical significance amid important events, such as:

Some light and shade with regard to security and the rise of violence escalation in certain parts of Mexico.

The submission of President Felipe Calderon fourth State of the Union addressed to Congress, presenting the actions taken and results obtained by his administration in the previous year. Of special importance were the relevant measures taken for the fostering of economic competitiveness and job creation along with economic and regulatory reforms, and the capture of some alleged top members of drug cartels.

Likely this situation influenced the opinion of the executives participants to the survey, which improved, although slightly, their outlook with regard to the government's effectiveness to solve this structural problem that lessen economic growth. The celebration of Bicentennial of Mexican Independence and the Centennial of the Mexican Revolution, a second to none opportunity to turn into an exercise of reflection over what we have achieved and also what we still need; not only to commemorate the past, but especially, to transform the future.

A special section was included to gather the executives' views around some measures that could impact the future of tax collection in our country.

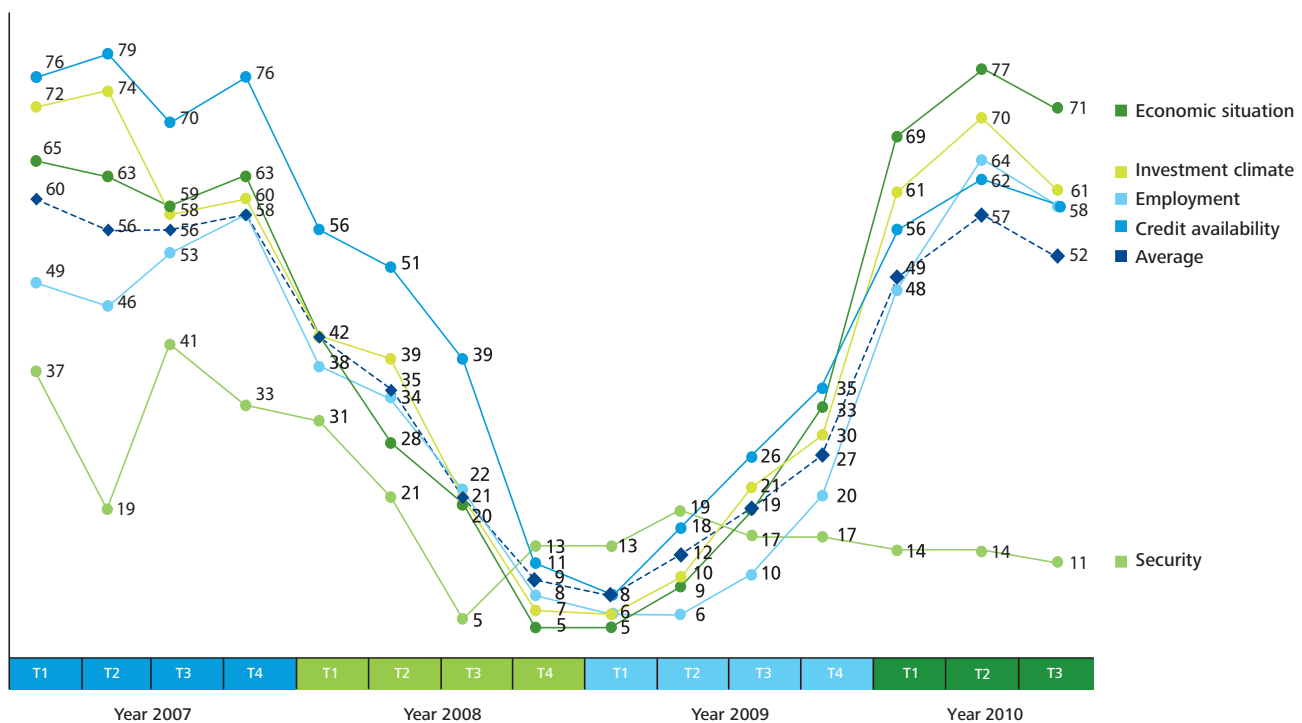
I Business environment

Current

Executives' prospects with respect to economic situation, investment climate, employment and credit availability, highly improved from September 2009 to September 2010.

According to the panelists' view, a contrary trend can be observed with regard to security.

Current situation compared with one previous year (Average scores in a 01-100 basis*)

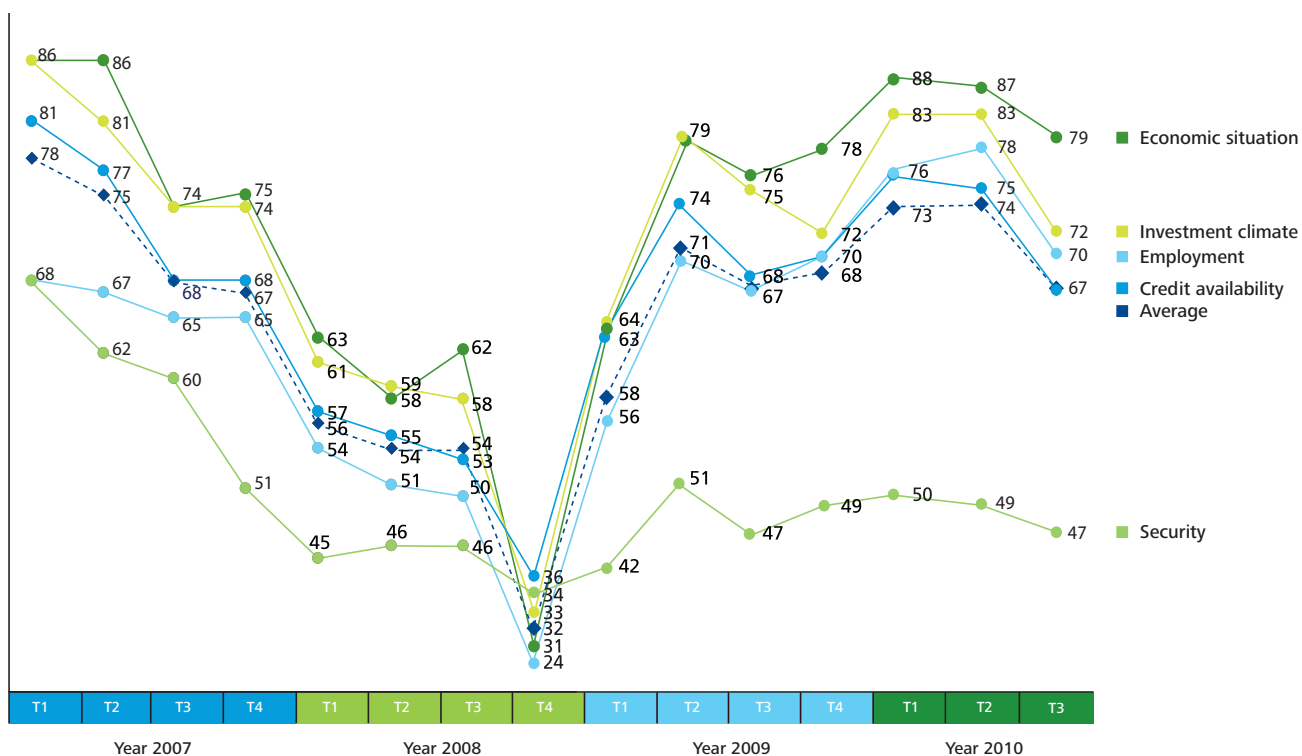


* Figures were computed by weighing percentages of responses better, the same or worse by 1, 0.5 and 0.

Future

In September 2010, executives' expectations regarding the business environment within a year remained practically unchanged compared with 2009. However, responses to the survey appear to have taken a retrograde step compared to previous June.

Future situation within one year (Average scores in a 01-100 basis*)



* Figures were computed by weighing percentages of responses better, the same or worse by 1, 0.5 and 0

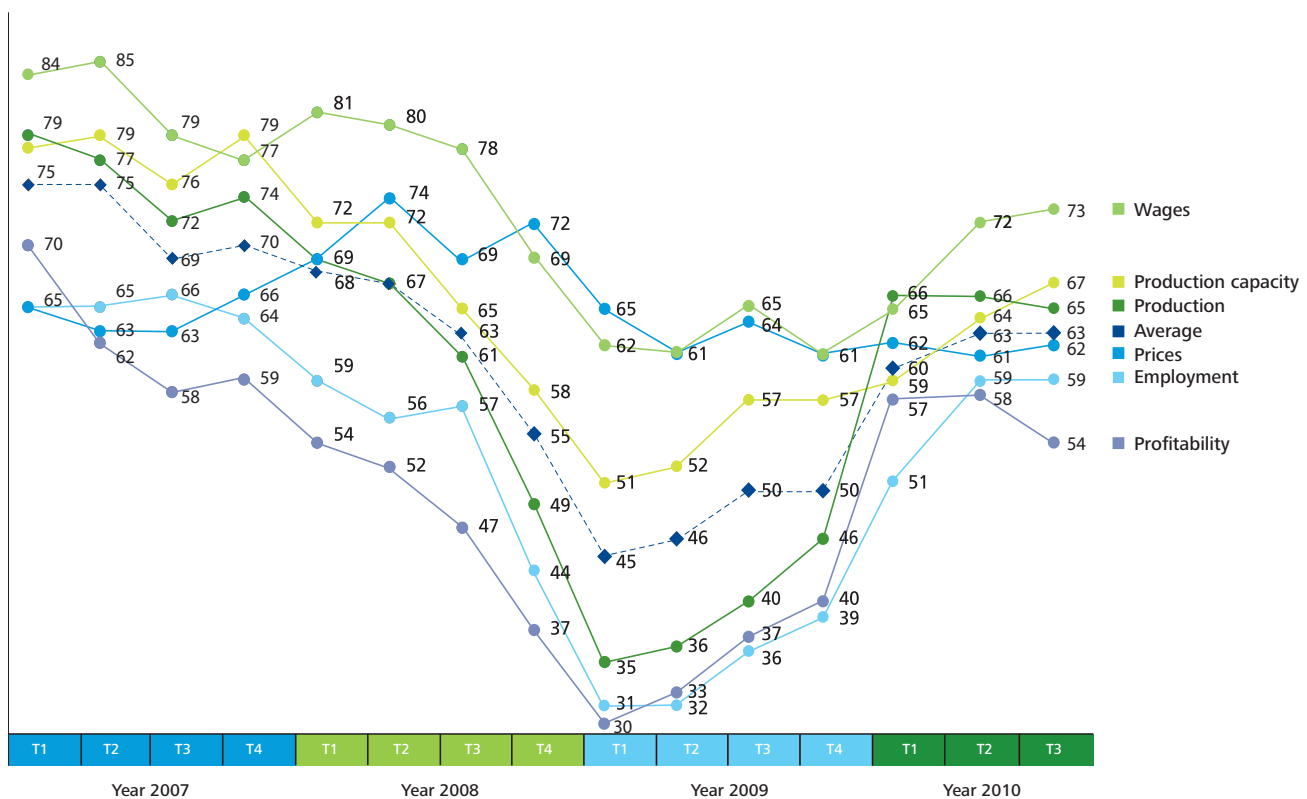
II Company situation

Current

Participants to the survey forecast a more encouraging view for their firms. In September 2010, the average score about the companies' general situation was 67 on a scale 0 (worse) to 100 (better), compared with one previous year (42); although this figure is lower than earlier June (71).

Panelists' responses about the companies' indicators improved throughout the course of a year (September 2009-September 2010). Nevertheless, the executives' prospects regarding production, production capacity, prices, wages and employment showed no progress between June and September, while profitability actually decreased.

Current Company Situation compared with one previous year (Average scores in a 0-100 scale basis)



*Figures were computed by weighing percentages of responses higher, the same and lower by 1, 0.5 and 0.

Production, profitability, prices and demand

A sizable 43% of survey panelists said production in their companies was higher and 35% reported profitability as better now compared with one previous year; moreover, 36% considered to increase prices.

Whereas one-third of respondents believe their companies' demand will remain low (27%), the share is significantly lower compared with a sizable 51% in September 2009.

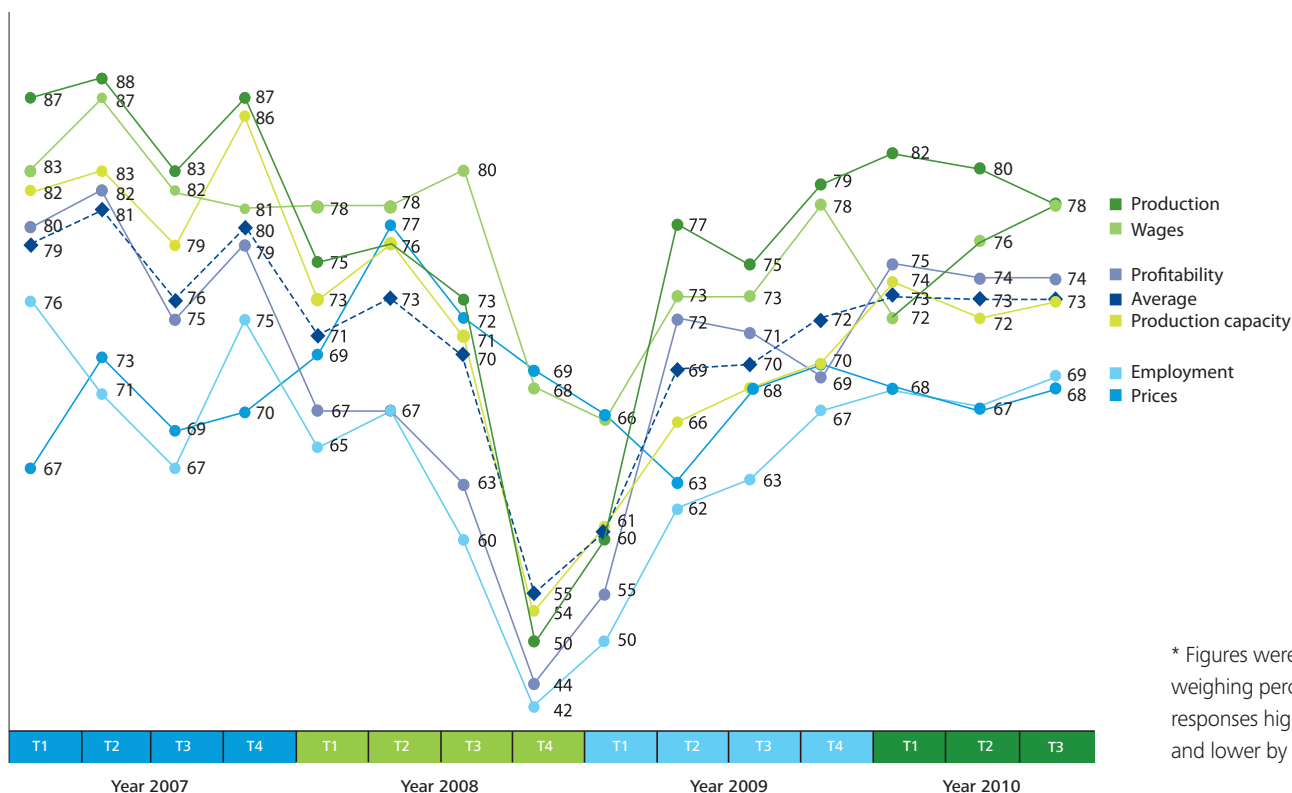
Executive' responses about their companies' general situation within a year confirm increased optimism, particularly with reference to September 2009 figures: 84 versus 78 in a 0-100 scale.

Six indicators

The executives' average evaluation with regard to wages, production, profitability, production capacity, employment and prices remained practically unchanged compared to previous June figures, and therefore showing wariness.

Future situation (within a year) of the companies with regard to the date of the surveys

(Average scores in the 0-100 scale*)



* Figures were computed by weighing percentages of responses higher, the same and lower by 1, 0.5 and 0.

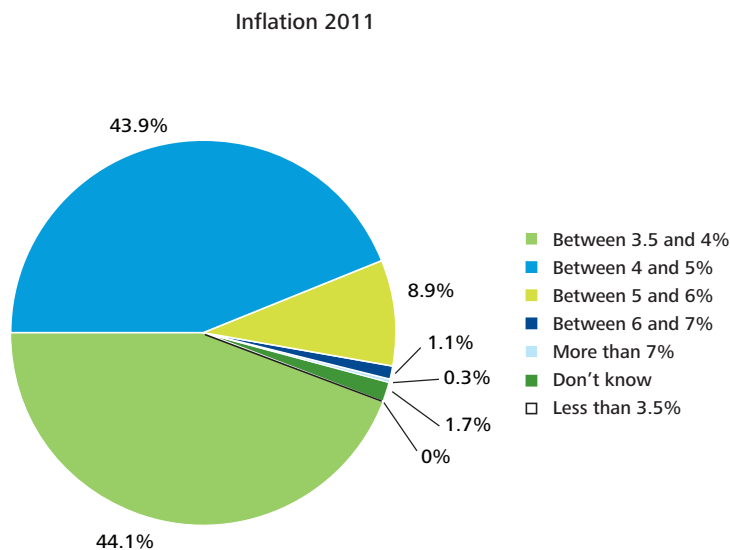
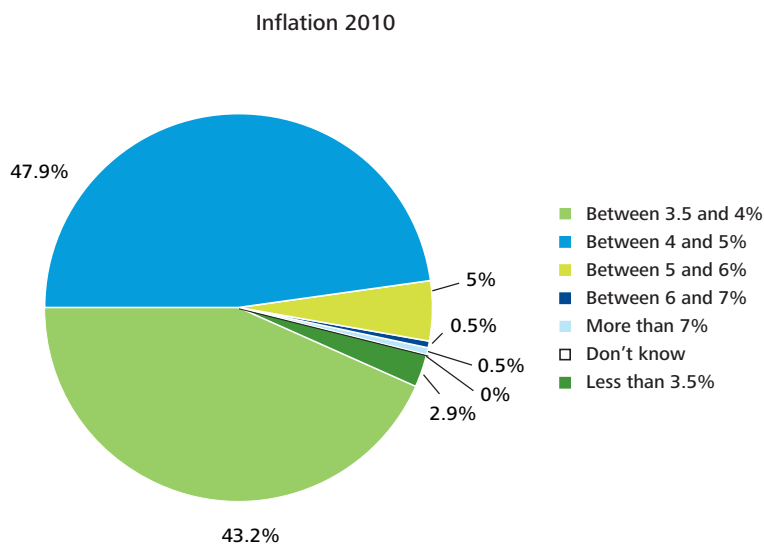
Results from the survey reflect a persisting sense of caution among executives. Fifty seven percent of those surveyed say they expect their companies' production will grow, yet only 44% forecast to increase hiring. Likewise, 56% of participants to the survey believe their companies' profitability will grow and 40% anticipate price increases within their company.

III Inflation and Exchange rate

Results from September survey suggest inflation is not a serious downward risk to economic prosperity in Mexico. A reduced 6% of panelists expect annual inflation to close over 5% at the end of 2010, an important decrease from the 13.1 percent in previous quarter.

Although 9.9% of executives expect annual inflation to close over 5% in 2011, the proportion is lower compared to figures in June (13.9%)

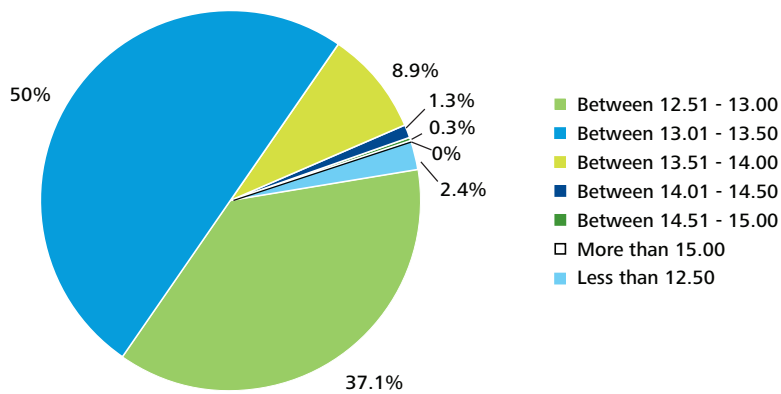
Annual expected inflation (percentage of responses)



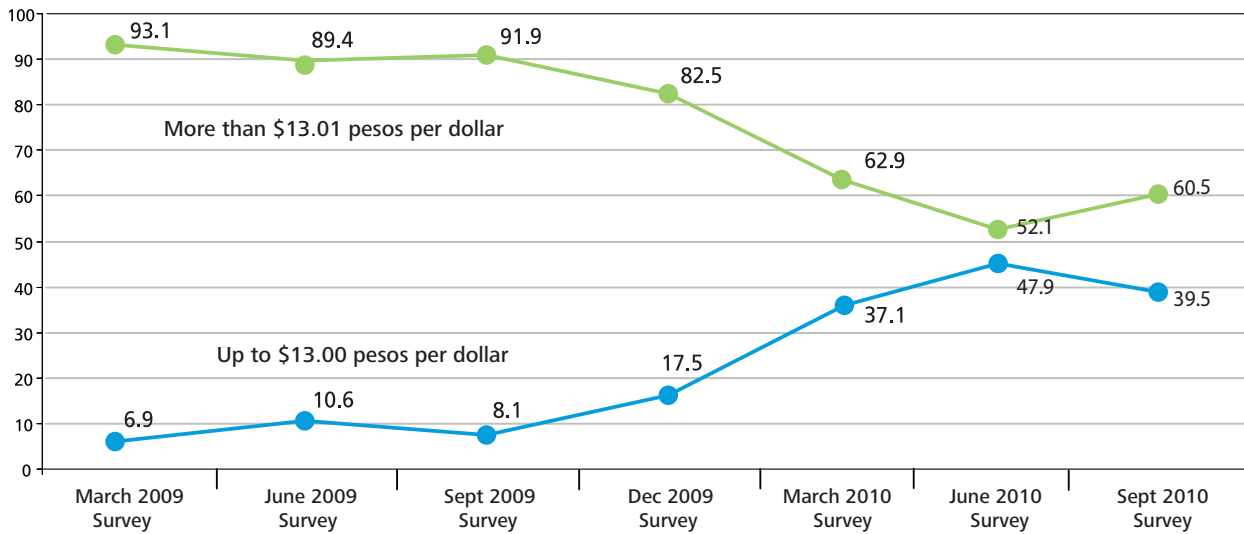
Exchange rate

Executives have revised their expectations regarding the exchange rate. Whereas in December 2009, a plurality (82.5%) expected the exchange rate to be at ranges over 13 pesos per dollar within a year, the share of respondents with this outlook has markedly reduced (60.5%)

Exchange rate 2011



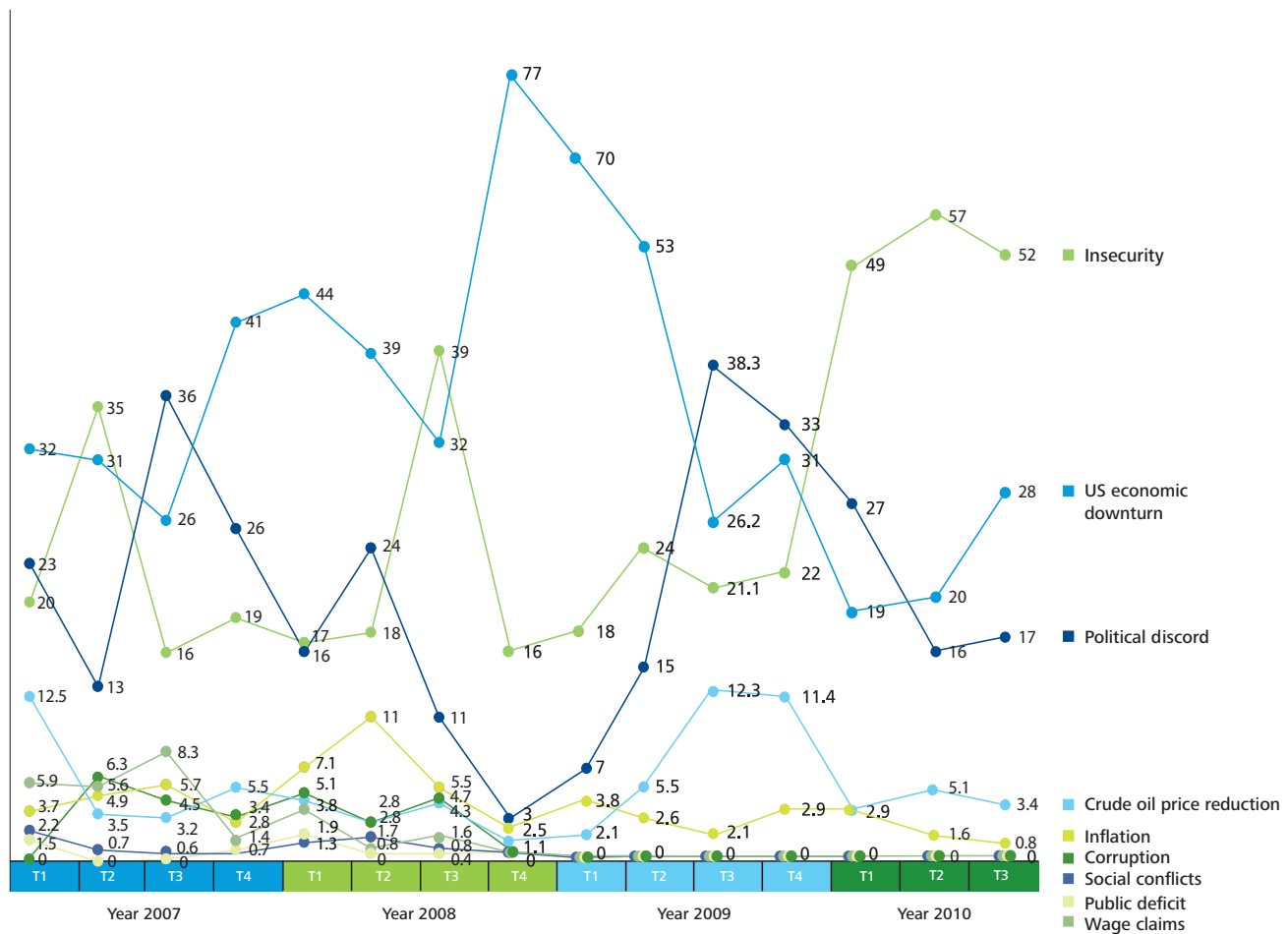
Exchange rate within one year (percentage of responses)



IV Threats to the economy

Although insecurity (internal and structural weakness) remains as the leading hurdle to economic expansion in the view of executives, opinions in this regard are slightly lower compared to previous quarter (51.7% versus 57.4%). On the other hand, the U.S. economic situation (external and cyclic factor) rises as crucial deterrent for economic prosperity (27.5% versus 20.0%).

Threats to the Mexican economy within the incoming months (percentage of responses)

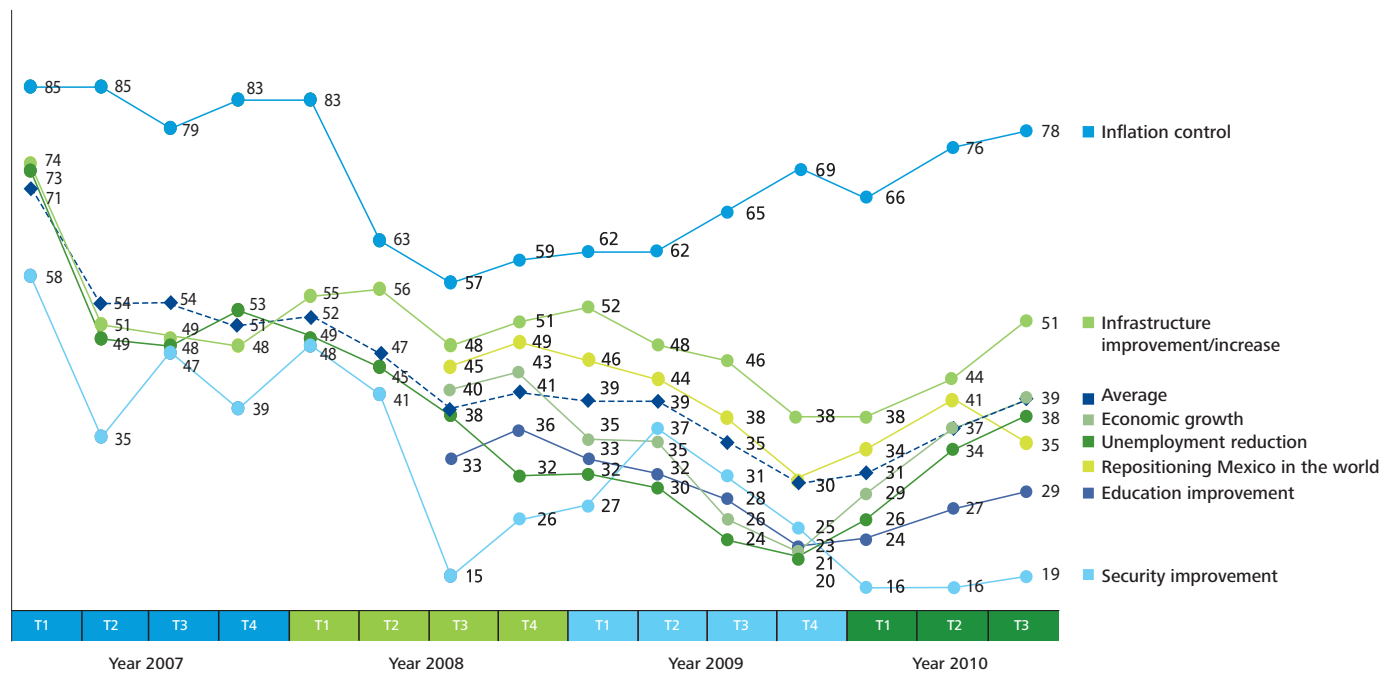


Government administration

Although at a slow pace, executives continue to improve their outlook regarding the government's effectiveness to solve structural problems that hinder economic growth, and therefore rated seven out of eight aspects as better now than previous quarter. However, overall score remains under-average.

Respondents to the survey valued the government's ability to control inflation highly.

Opinions on government performance (average scores in a 0-100 scale*)



* Figures were computed by weighing percentages of responses better, the same and worse by 1, 0.5 and 0.

Special section

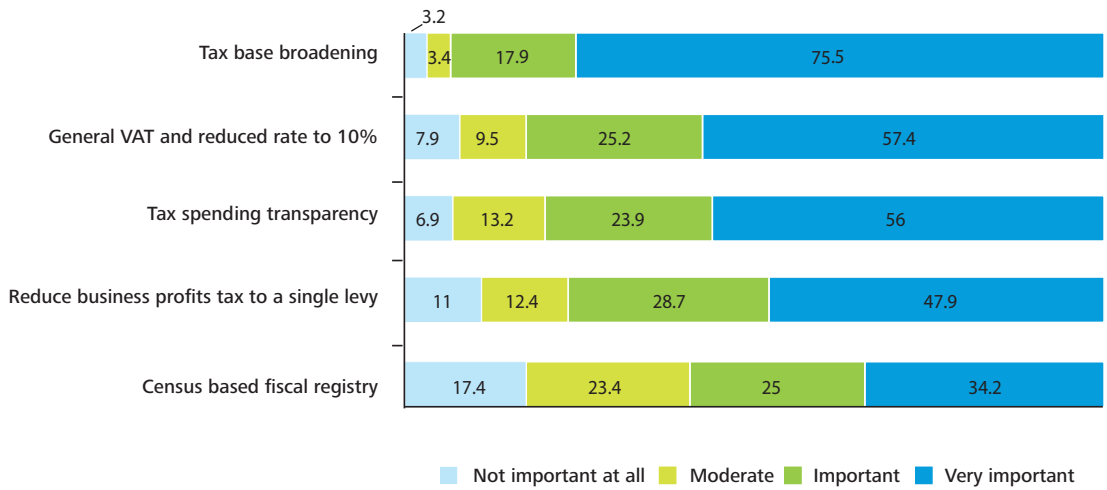
Tax reform

Executives shared their views on some fiscal measures that might be discussed at the Mexican Congress. Responses to the survey reveal there is a major consensus about the need to increase revenues by broadening the tax base, but less agreement was shown regarding a simple way to accomplish the task: to develop a fiscal registry based on a census of households, formal and informal businesses.

Contrary to what might be expected, transparency about tax spending is not important for 20% of those surveyed.

The proportion of respondents supporting the adoption of widespread VAT at a lower 10% rate was higher than the share of executives that agree to reduce business profits tax to a single levy.

Importance of some fiscal measures for 2011 (percentage of responses)



V Conclusions

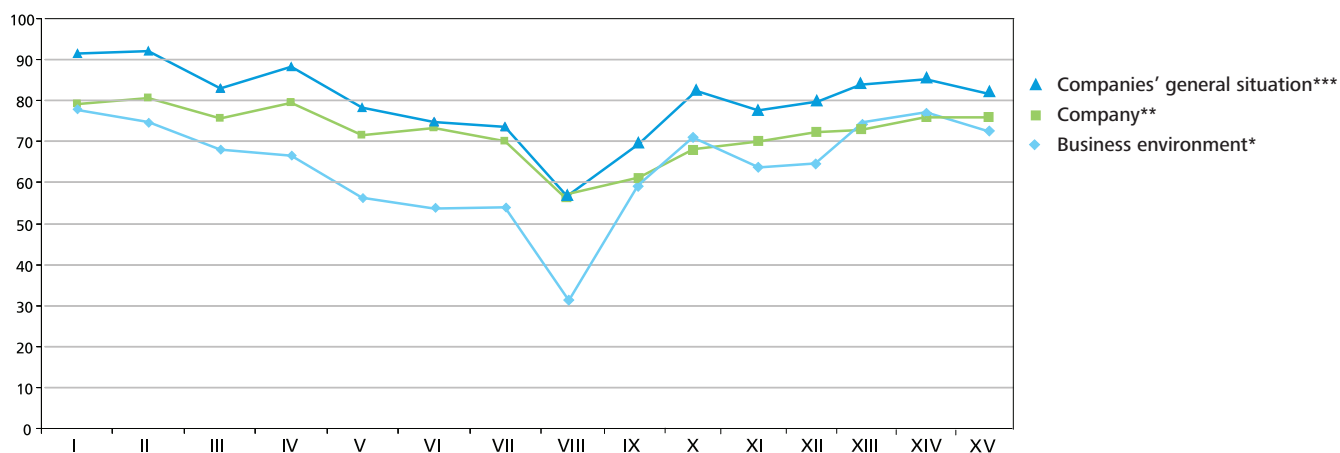
Executives' responses evince that their outlook continues to improve. Expected results for their companies are similar to those on previous survey. While some progress was reported regarding indicators, caution and a slight decline in profitability in previous quarter, compared with the same time last year, are also in evidence.

Executives expect inflation to remain moderate and do not anticipate financial instability within the next 12 months. Although both insecurity and the economic situation in the U.S. remain the executives' primary concerns, the last one raised as crucial deterrent for economic growth.

Notwithstanding executives have been improving their outlook with regard to the government's effectiveness to solve structural problems that hinder economic growth, this time Repositioning Mexico in the world fell back 6 points from a revised reading of 41 in June to 35 in September.

Participants to the survey strongly recognize the government's ability to control inflation.

General situation (0: pessimistic; 100: optimistic)



* Business environment: Five indicators (Investment climate, credit availability, employment, security and economic situation).

** Company: Six indicators (Production capacity, employment, prices, production, profitability and wages).

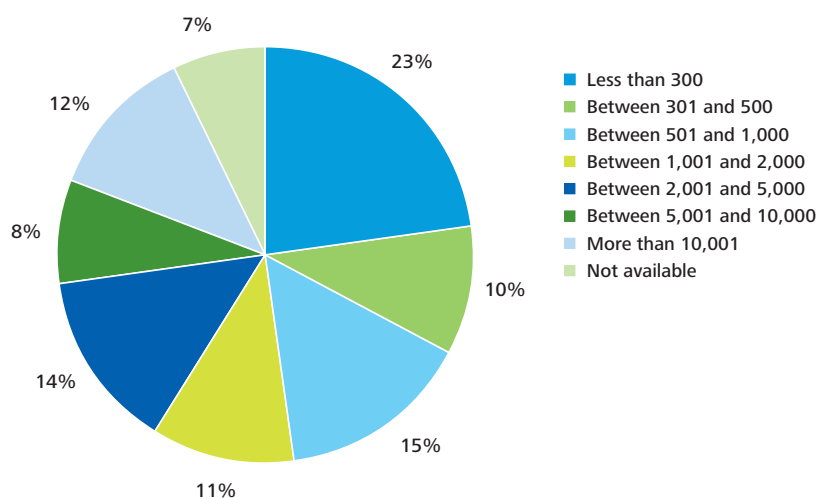
*** Companies' general situation.

VI About the survey

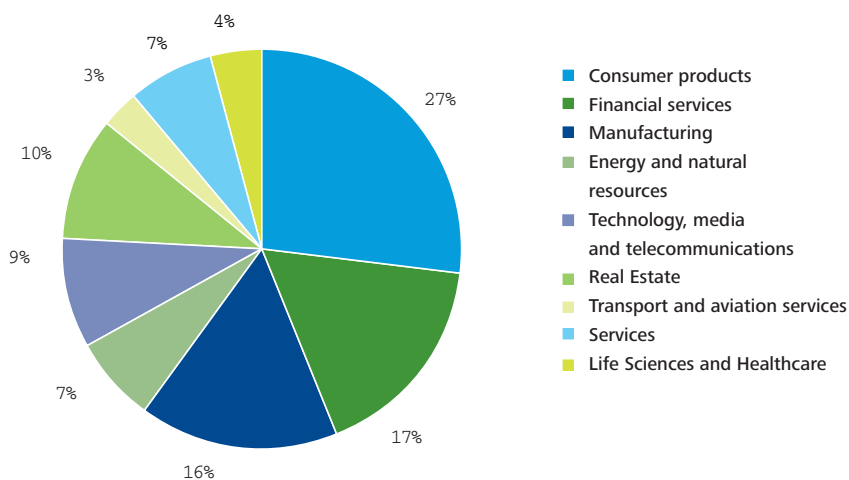
Deloitte's 15th Business Barometer Survey was conducted between September 1 and August 29, 2010 and collected the opinion of 380 executives of the most prominent companies located in Mexico.

Considered among the most valuable, the companies' overall income rose to \$362,585 million dollars, according to the last reported period.

Average annual income of companies



Industry participation



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