

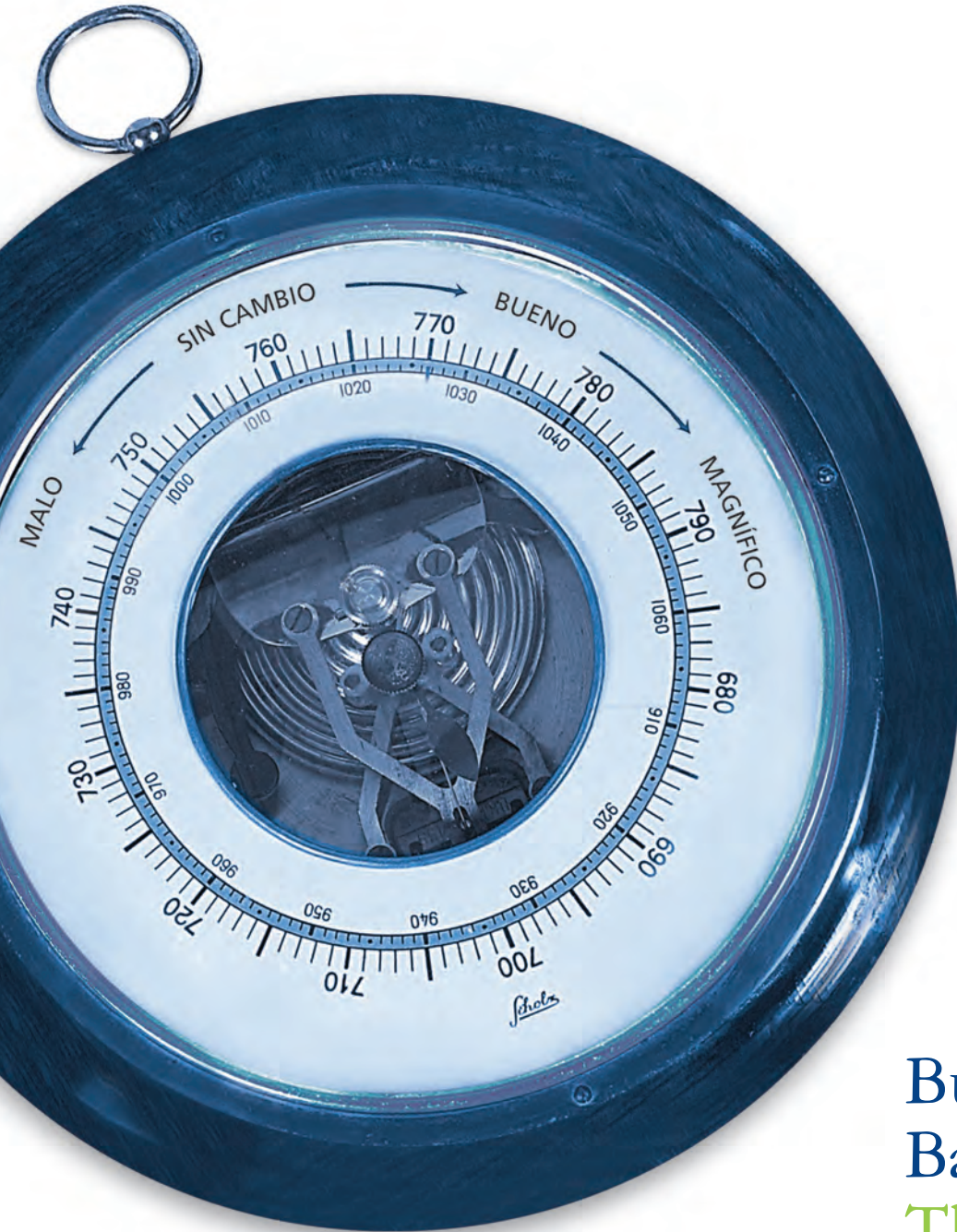
**Deloitte.**



**Barómetro**  
de empresas

**4** years  
Continuous

March 2007  
to  
March 2011



**17**

April 2011

Business  
Barometer Survey  
**The business  
pulse survey**

# Introduction

With the current edition of the Business Barometer Survey, we commemorate the fourth anniversary of the launch of this quarterly survey which, due to its timeliness and consistency over time, has become a benchmark in the business community in Mexico.

Since day one the survey has provided a forward looking approach that can be used to identify and understand the needs and concerns of organizations, as well as those controversial issues that threaten the economic development of the Mexican economy. It has also served as a tool to assist companies for a better understanding of their markets and support its decision-making.

Deloitte's objective is that the survey results reflect the plurality of the executives' expectations and perspectives in each organization. Therefore the panel of respondents is composed of CEOs, CFOs and General managers, among other officials, representing a variety of industries nationwide including: Consumption, Financial services, Manufacturing, Energy and Natural Resources, Technology, media and telecommunications, Services, Life sciences and health care, Real estate and Aviation services and transport.

With the delivery of this edition we celebrate 17 consecutive quarters sharing the expectations of more than 5,000 executives that have filled out our Business Barometer survey since 2007.

We sincerely thank our survey respondents for their confidence and support.

## **Results that underpin optimism**

In Q1 2011, the executives improved their appreciation about the government's performance in all aspects, although some remain below average.

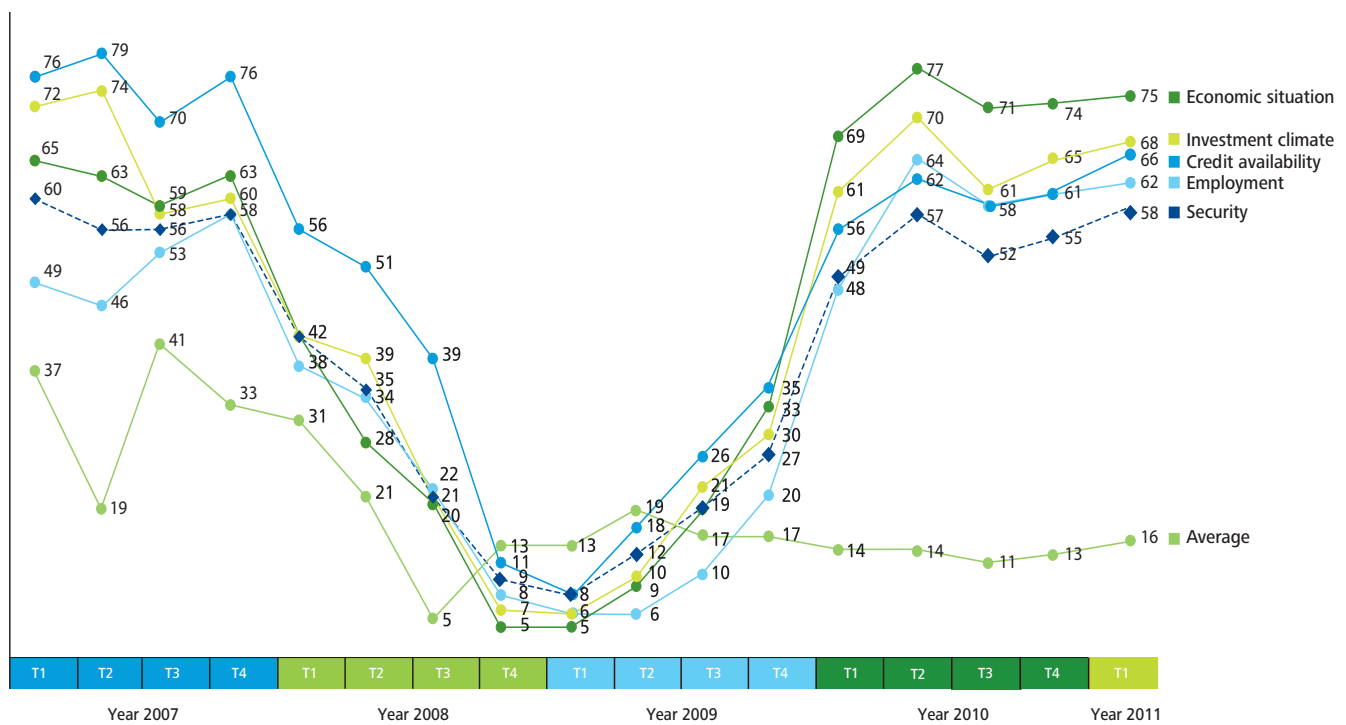
Participants to the survey still consider insecurity as the main threat to the economic activity in Mexico; however their companies have improved and their expectations have not declined. This does not mean that companies are immune to the external environment, yet they usually adapt to the ever-changing business climate.

# I Business environment

## Current

Respondents to the survey have noticed positive changes within the business environment. The panelists' current outlook has markedly improved, especially compared to their view in March 2009.

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

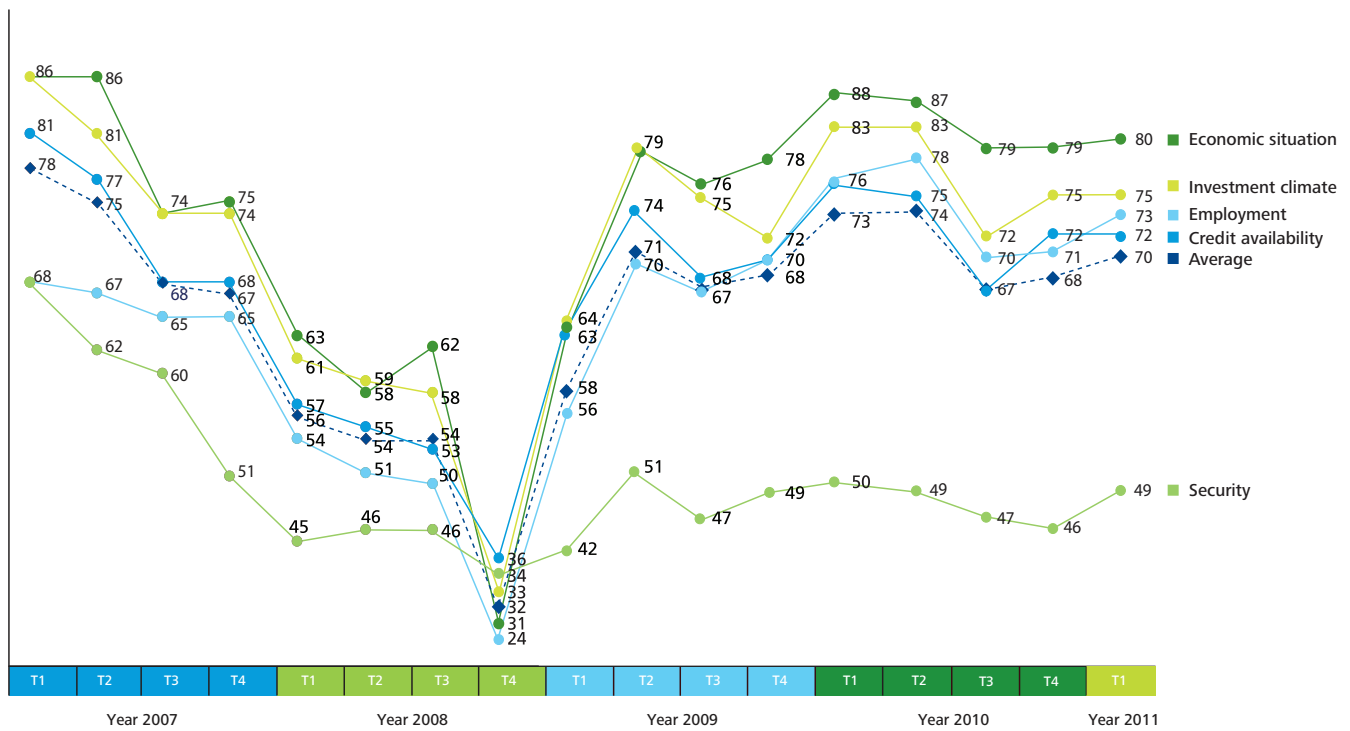


\* Figures were computed by weighing percentages of responses better, the same or worse by 1, 0.5 and 0.

## Future

By contrast, whether the panelists' expectations concerning the economic environment within a year improved, it showed no spectacular progress, particularly compared with previous quarter. Caution is still observed, likely as a consequence of the executives' perception about insecurity.

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

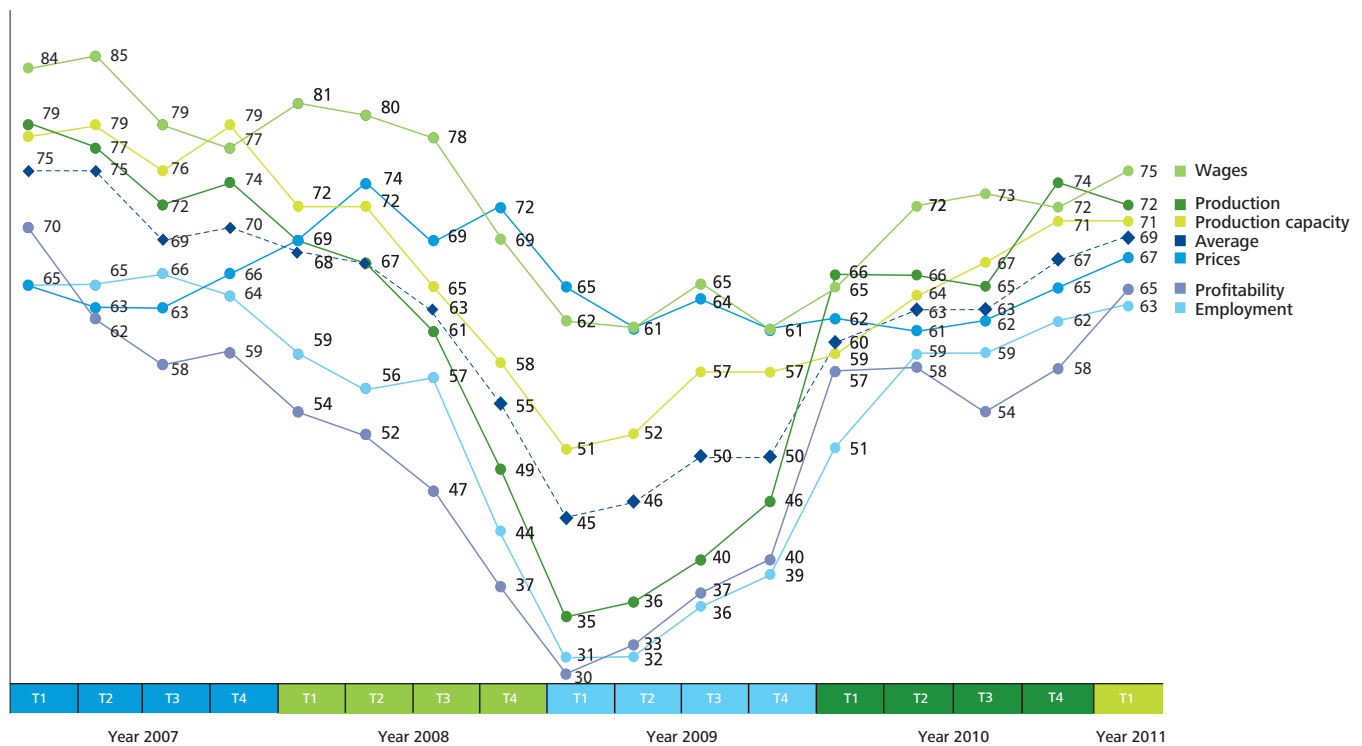
# II Company situation

## Current

Responses referring to the companies' track record within twelve months previous to the survey show the recovery of the Mexican economy in 2010.

The executives' opinion reveals a more encouraging view compared with one previous year. Except for production (actually decreasing from 74 to 71 in December 2010), the panelists' prospects on wages, production, production capacity, average, prices, profitability and employment, highly improved in March.

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.

### Indicators evolution

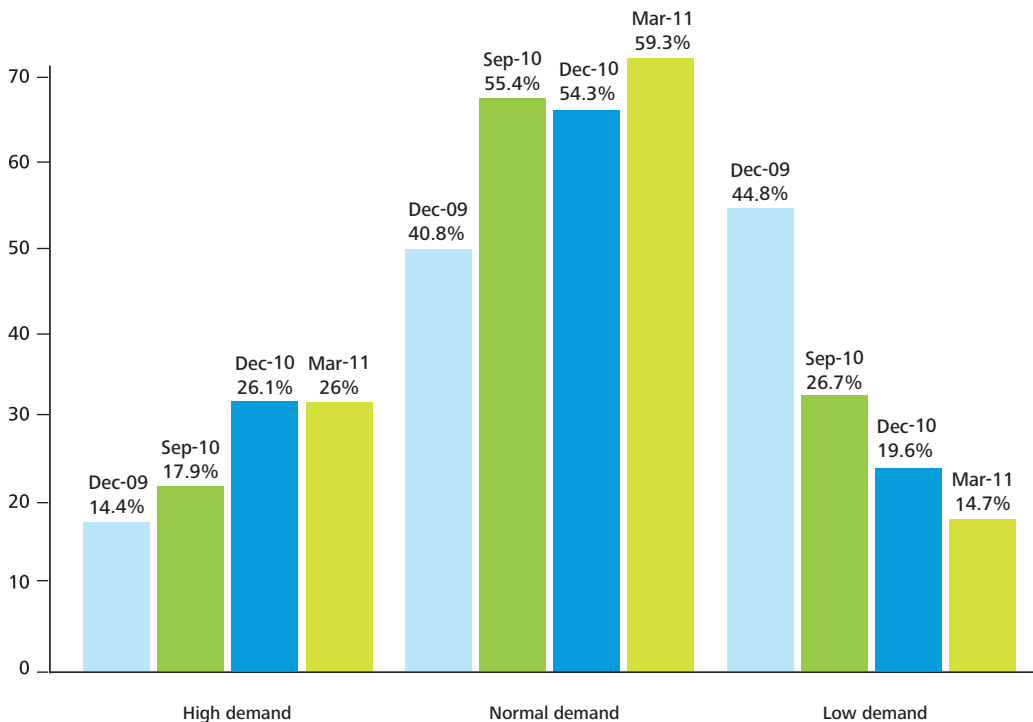
Survey panelists forecast a brighter picture for their firms. In March 2011, the average score with regard to the companies' general situation was 78 on a scale 0 (worse) to 100 (better) compared with one previous year, higher than March 2010 (66). Similarly, their prospects on their companies' general situation within 12 months reflected increased optimism as well (87 on a scale 0 to 100).

March survey confirms that executives have more positive perceptions about their companies' current general situation. Fifty three percent of panelists reported production as better now compared with one previous year (43%).

Remarkable progress was also registered regarding wages (52% vs. 37%), profitability (47% vs. 35%), production capacity (46% vs. 33%), prices (42% vs. 33%) and employment (36% vs. 21%).

Just 14.7% of survey respondents report low demand, which is half the figure registered in March 2010 when twice as many executives said so (30.2%).

### Current company demand (percentage distribution of responses)



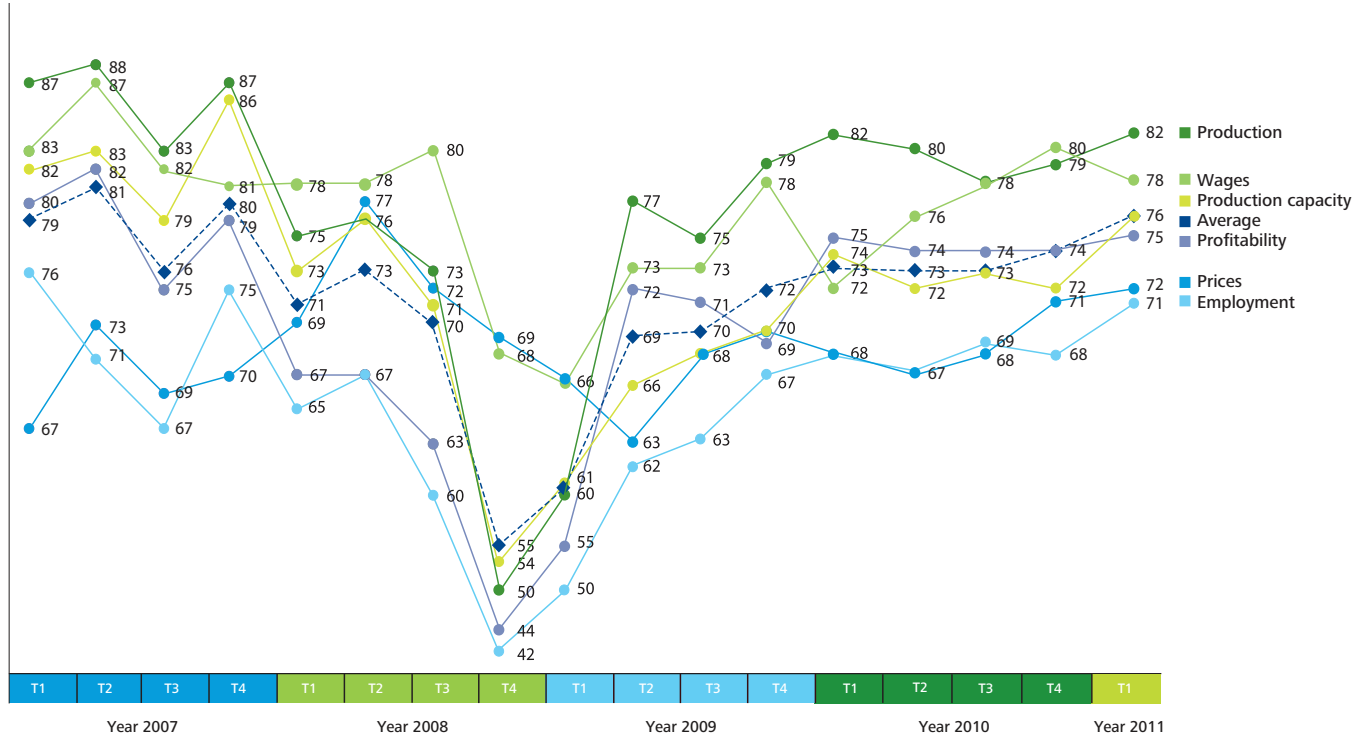
### Future

The panelists' average assessment regarding six indicators improved compared both with one previous year and December 2010. However, the one exception is wages, which slightly regressed likely waiting for clear perspectives about the country's general situation.

Even though, it is worth noting that the level recorded four years ago, in March 2007, was even higher than the current level.

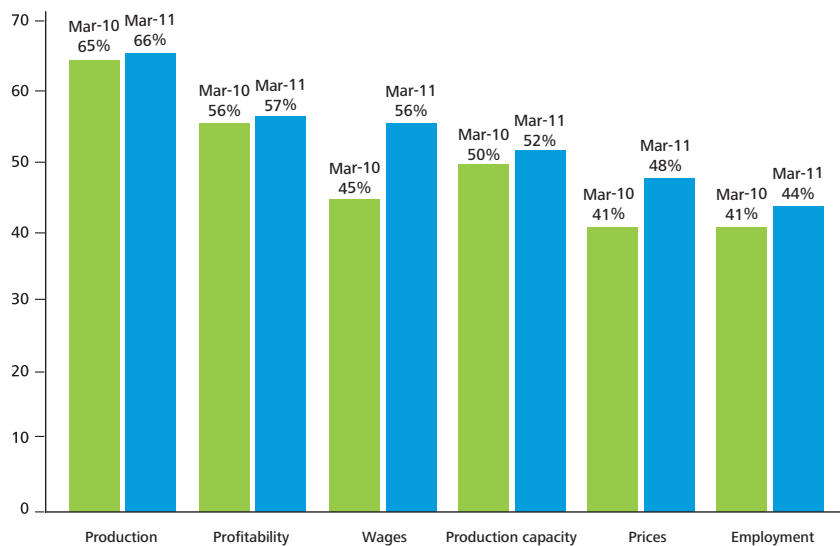
### Future situation (within a year) of the companies with regard to the date of the surveys

(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.

### Percentage of companies expecting an increase of selected indicators with regard to the date of the surveys

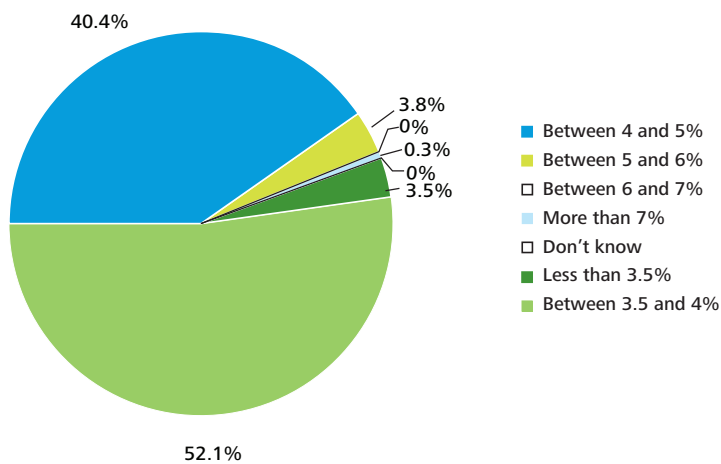


# III Inflation and exchange rate expectations

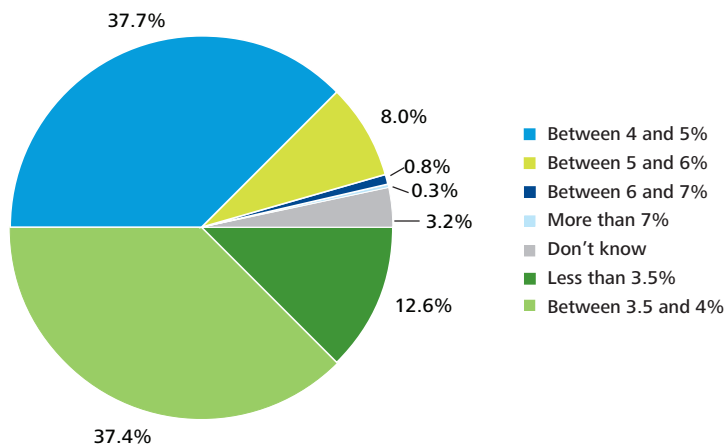
Participants to the survey suggest inflation is not a serious downward risk to economic prosperity, as their expectations in this regard have changed. In March 2011 a reduced 4.0% of panelists expected annual inflation to close over 5% by year-end.

Expected inflation (percentage of responses)

Inflation by year-end 2011



Inflation by year-end 2012

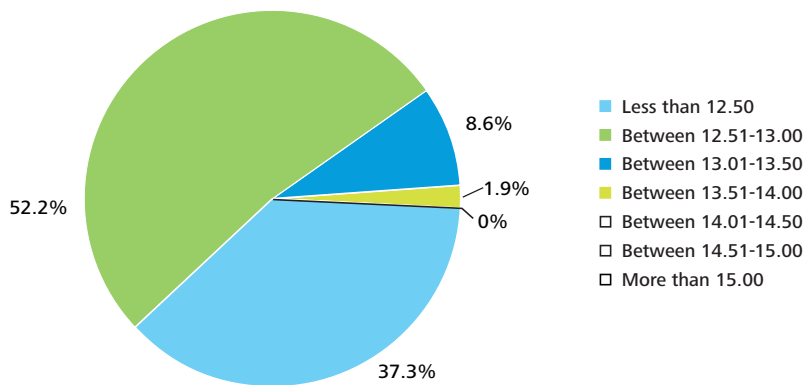




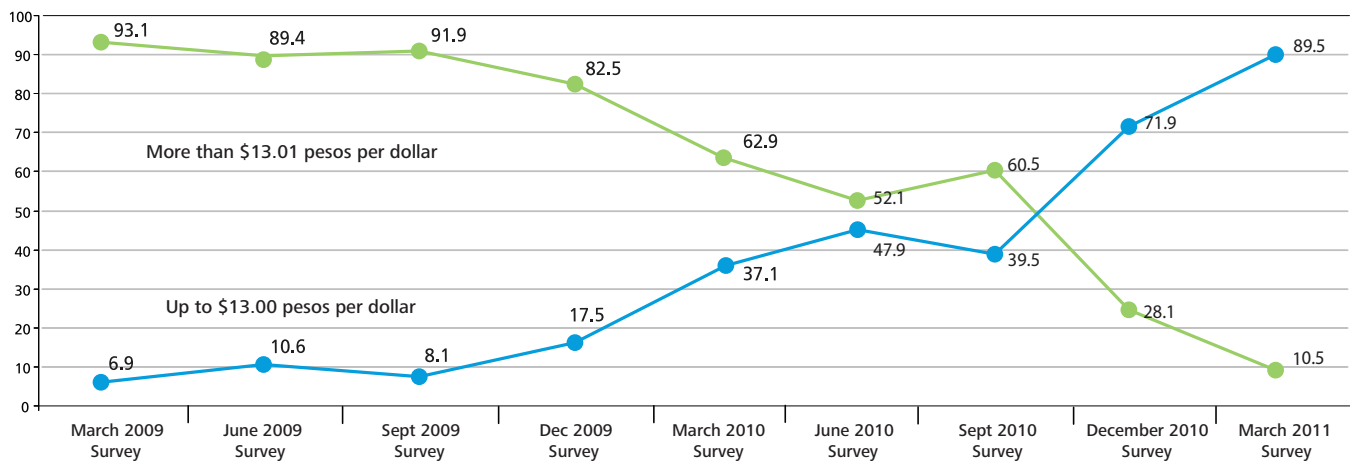
### Exchange rate expectations

Likely the exchange rate performance persuaded the executives to revise their expectations downward. Thence while in September 2010, a significant portion of respondents (60.5%) still expected the exchange rate to be at ranges over 13 pesos per dollar within a year, in March 2011 the share of panelists with this view has markedly reduced (10.5%).

Exchange rate March 2012



Exchange rate within a year (percentage of responses)

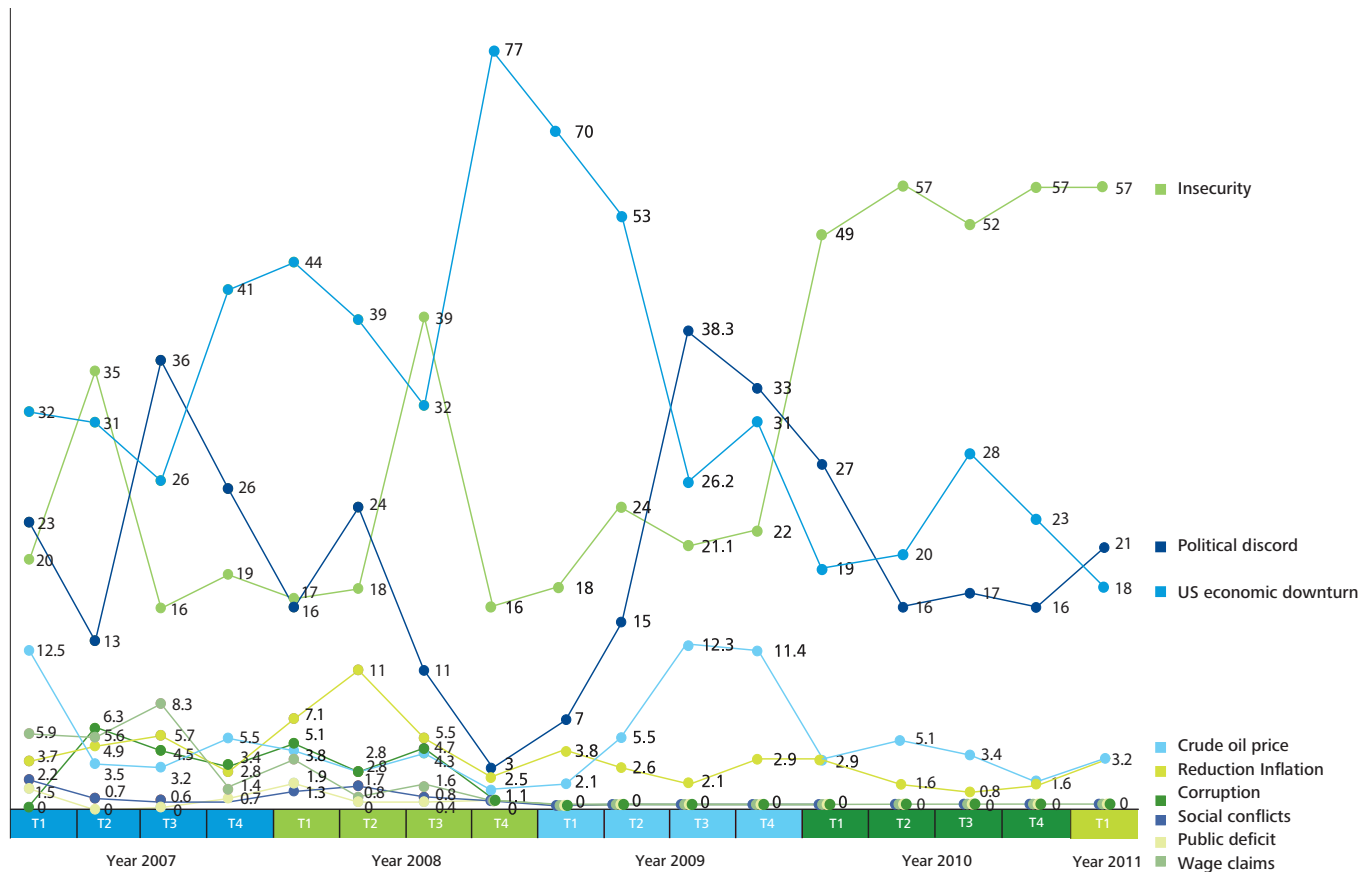


# IV Threats to the economy

Executives still show widespread concern regarding insecurity as the leading hurdle to economic expansion. Similar results are revealed by Banco de Mexico's monthly survey and Mexico's National Statistics and Geography Institute (INEGI) Continuous Survey on the Perception of Public Safety (Ecosep). In February 2011 a low 17.7% of participants to this survey expected that 12 months from now public security will be better or much better, so that a significantly higher proportion feels fragile in terms of security.

Responses to our survey reveal that political discord now provide reason for concern, posing second threat to hinder Mexico's growth pace, likely influenced by disagreements facing eventual alliances among political parties for the elections in the State of Mexico (16 in December 2010 versus 21 in March 2011).

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



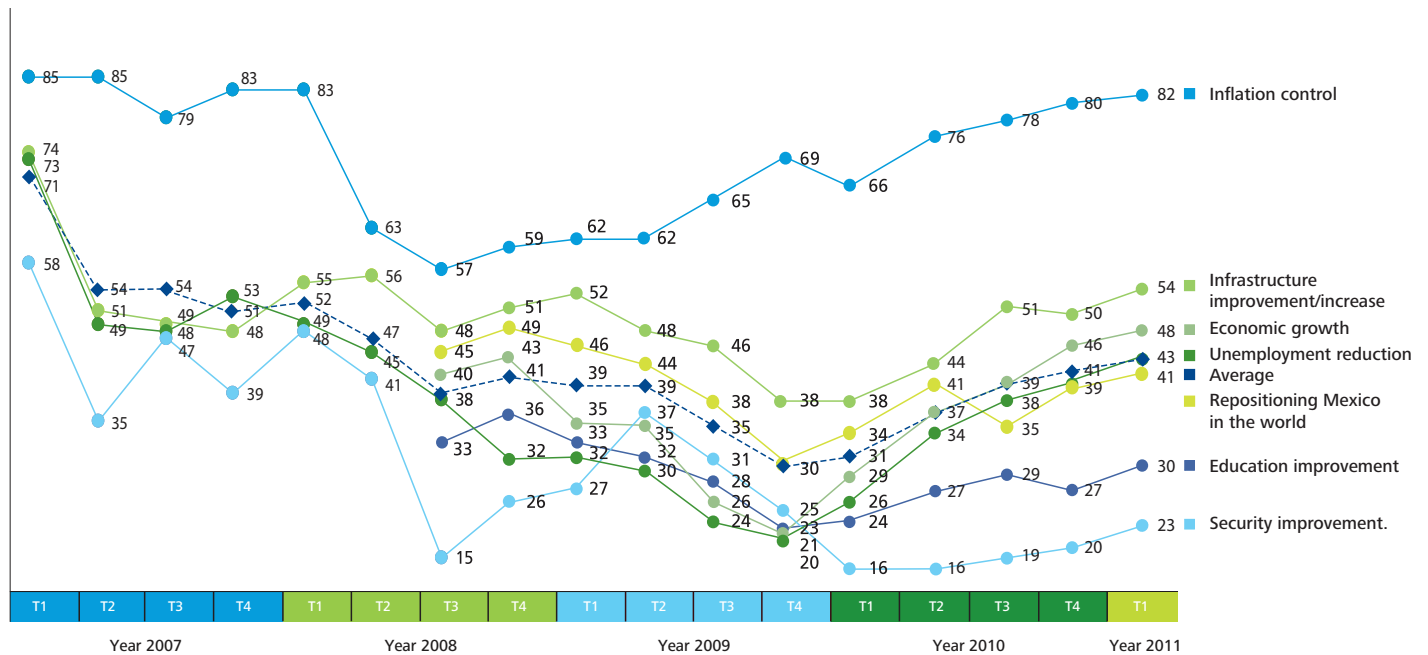
### Government administration

For the first time, after a long period, executives assessed positively all aspects of the government administration, rising 2.5 percentage points overall compared with previous quarter.

Participants to the survey strongly recognize the government's ability to control inflation, posting its fifth consecutive quarterly gain. The executives' assessment on this regard rose to 82 in a 0-100 scale, the highest level since the launch of the Business Barometer Survey.

Although there is still a long way to go and substantial room for improvement, it is encouraging to observe the favorable changes that March 2011 survey brought along.

### 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

### Values and company performance

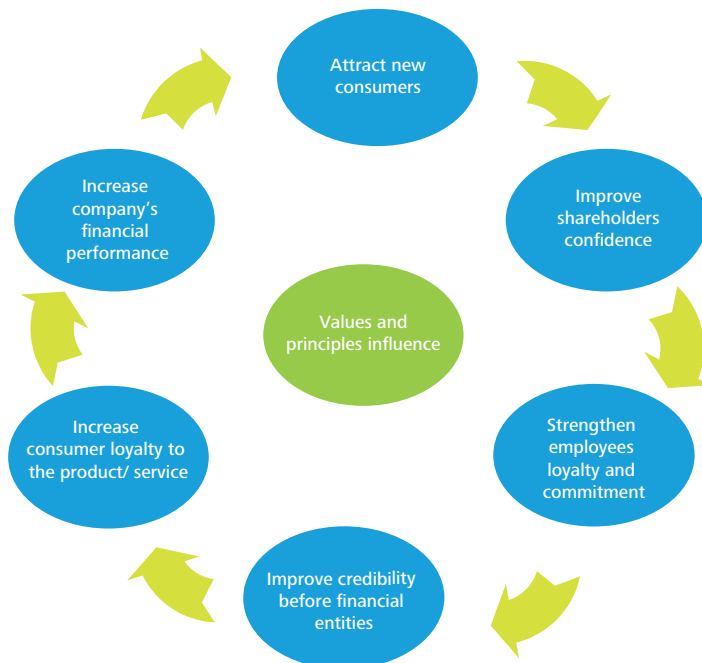
As in many recent business management forums, papers, books and journals, developing, adopting, and implementing values has been identified as perhaps the single key in the success of many high growth, high profit companies, we asked the executives their opinion in this regard.

#### Are principles and values mentioned in your Mission/Vision statement?

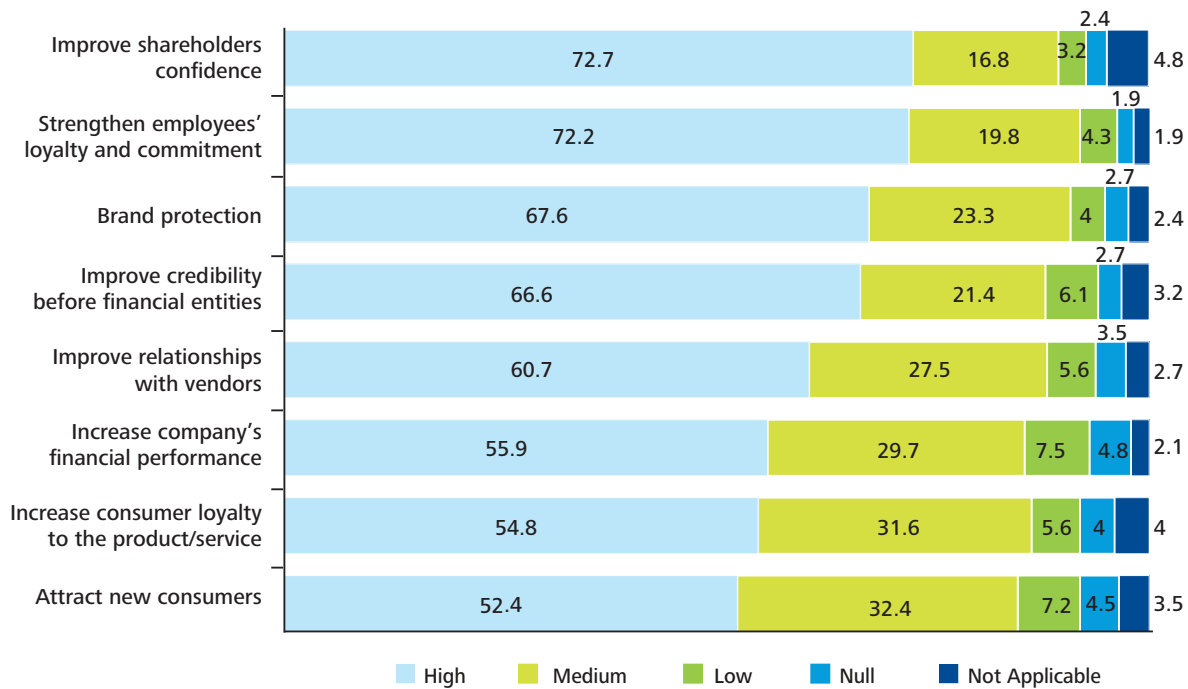
Yes	97.3%
No	1.6%
Don't know	0.8%
Have no Mission/Vision	0.3%

A values-based organization is a culture shaped by a clear set of ground rules establishing a foundation and guiding principles for decision-making, actions and a sense of community. Strongly held value-systems rarely change yet remain flexible to handle changes in strategy or outside influences such as competition or the economy. A strongly held values-based culture or purpose will remain more stable over time characterized by productivity and employee commitment.

In this spirit organizational culture is understood as the critical foundation which shapes the way organization's business runs and capacity gets utilized. According to innovative widespread enterprise theories, aligning organizational culture with business vision and goals is, presumably, the critical path for gaining competitive advantage to attain industry and sector leadership.



Survey results show that executives embrace the idea that values and ethics are central to organizations and contribute to build a high performing, collaborative and open culture.



Our first finding highlights that executives rank shareholders confidence and employees' loyalty and commitment as the leading drivers for competitiveness.

Secondly, they believe their values guide the organization in how they do business and thus influence positively brand protection, credibility before financial entities and improve relationships with vendors.

Finally, only half of respondents acknowledge some influence of values on the company's financial performance, increased consumer loyalty to the product/ service and the attraction of new consumers.

# V Conclusions

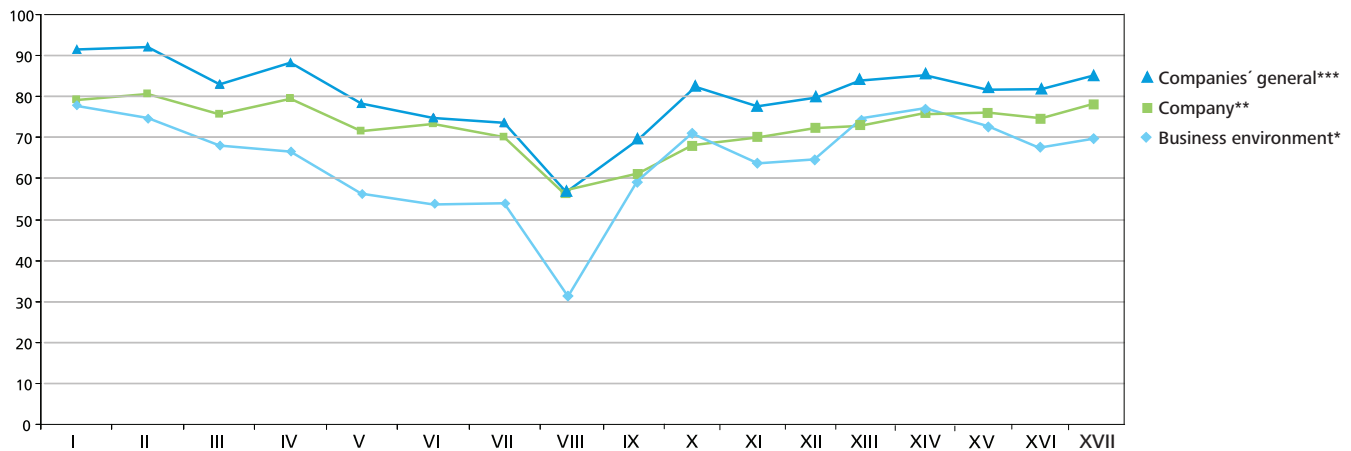
March survey results reflect the executives' frame of mind change with regard to the business climate. The companies' situation has markedly changed from 2009 recession to date and so have the executives' prospects.

Although they are more positive about the current economic conditions, their expectations looking ahead twelve months are not higher enough to reverse the trend.

Panelists to the survey have improved the appreciation on the government's performance although some aspects remain below average.

Executives' optimism is encouraging since they foresee financial stability and anticipate moderate inflation within the next 12 months. Yet their views with regard to insecurity -still providing major reason for concern- will likely continue influencing their economic prospects.

**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).

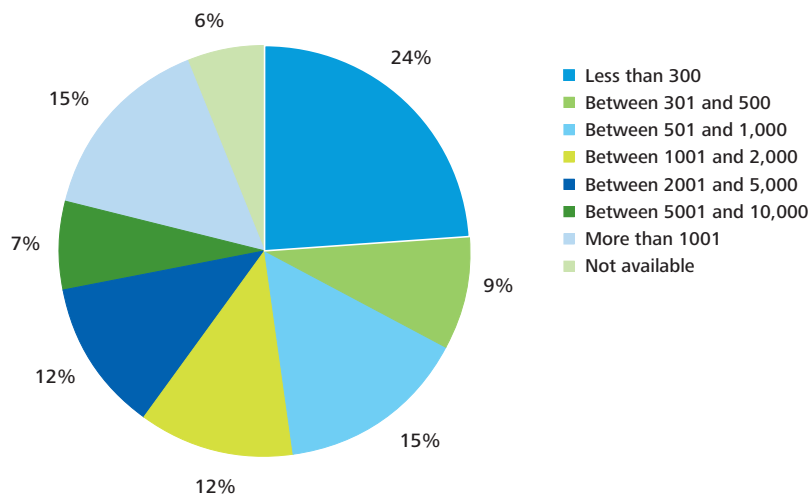
\*\*\* Companies' general situation.

# VI About the Survey

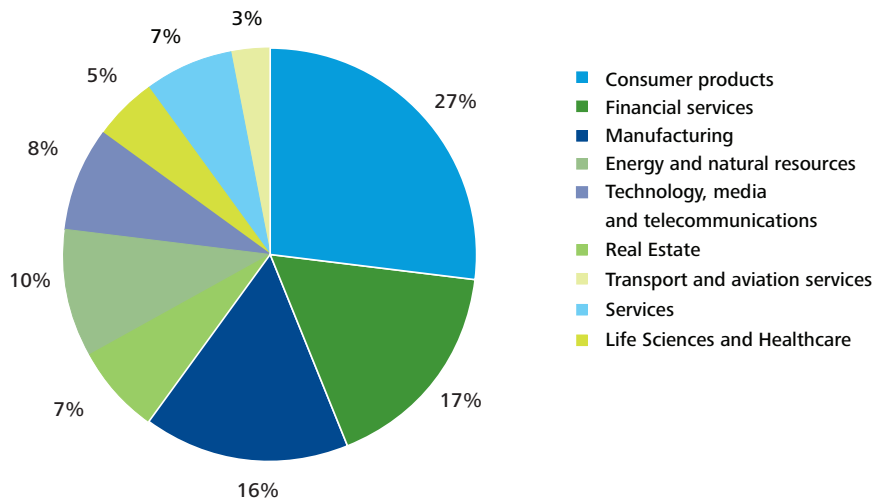
Deloitte's 17th Business Barometer Survey was conducted between February 28 and March 25, 2011 and collected the opinion of 374 executives of the most prominent companies located in Mexico.

Considered among the most valuable companies, its overall income rose to US \$ 534,388.6 million dollars, according to the last reported period.

Average annual income



Industry participation



For more information, please contact us at.

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