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 **Barómetro**  
de empresas



9

April 2009

Business  
Barometer Survey  
The business  
pulse survey

# Introduction

Along with our ninth edition we are celebrating the second year of our Business Barometer Survey, sharing useful information for proactive decision making and thus evolving as the meeting point of the business community outlook in Mexico.

Along Deloitte's nine surveys so far, executives have raised their expectations with regard to the business environment in Mexico, contributing to monitor the heartbeat of the entrepreneurial sector with their opinions.

The Business Barometer Survey has become a primary source to understand how companies dimension the impacts of the economic situation, embrace opportunities to amend affairs from the past, reorient and solve current challenges, and embrace the future as well.

The participants' view and perspectives have been of great use to the Barometer's audience in order to muse upon their strategies and embrace opportunities to assess their current situation within turbulent times and economic hardship, take appropriate action steps and make efficient changes.

In times of economic growth companies face less pressure, but difficult times increase the urgency of accurate decision making and demand, as well, more creativity and effectiveness along the process.

In this survey we have included special sections collecting the executives' opinion in order to understand and assess diverse aspects derived from economic turmoil, such as the impact in the business environment in Mexico, the implications for companies' performance expectations, the different action steps undertaken to face the current economic crisis, and therefore to exploit the diverse opportunities that come along.

We deeply appreciate the participation of more than a thousand executives thus far, sharing their insights and expectations with regard to this ever challenging and defying business environment.

This is only the beginning of a journey that we want to traverse with an ever-widening group of executives from the most important companies in Mexico.

We are certain that there is nothing more powerful than ideas whose time has come to become a reality. This is the case of Deloitte's Business Barometer Survey, a communication platform aimed to welcome and spread the entrepreneurial viewpoint in Mexico.

# I Business environment

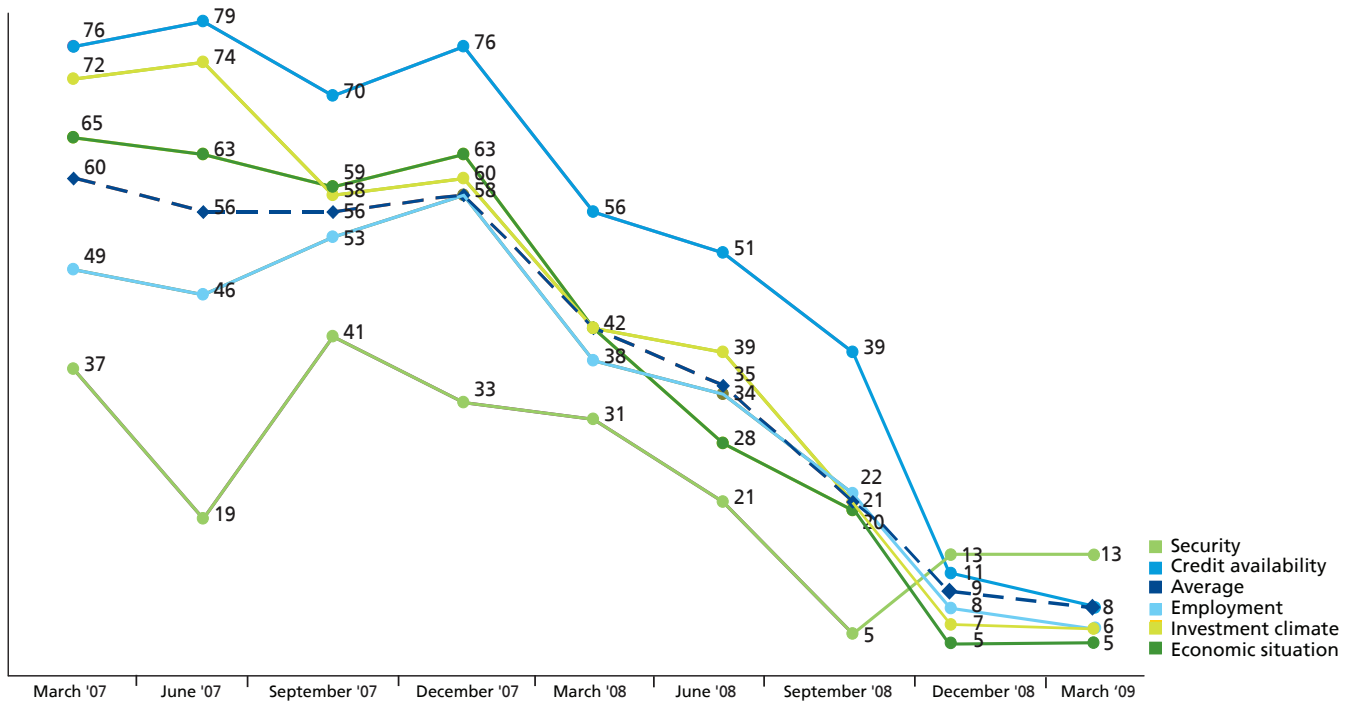
## Current

### The business environment deterioration still persists

The ninth survey's results keep evincing increased negative sentiments with regard to the business environment compared to one previous year.

The executives' evaluations of security, credit availability, employment, investment climate and economic situation, show that security was the only one that kept the highest score, just as it did before in December 2008, while all the rest continued decreasing.

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



\* These figures were computed by weighing percentages of responses Better, the Same or Worse by 1, 0.5 and 0.

## Future

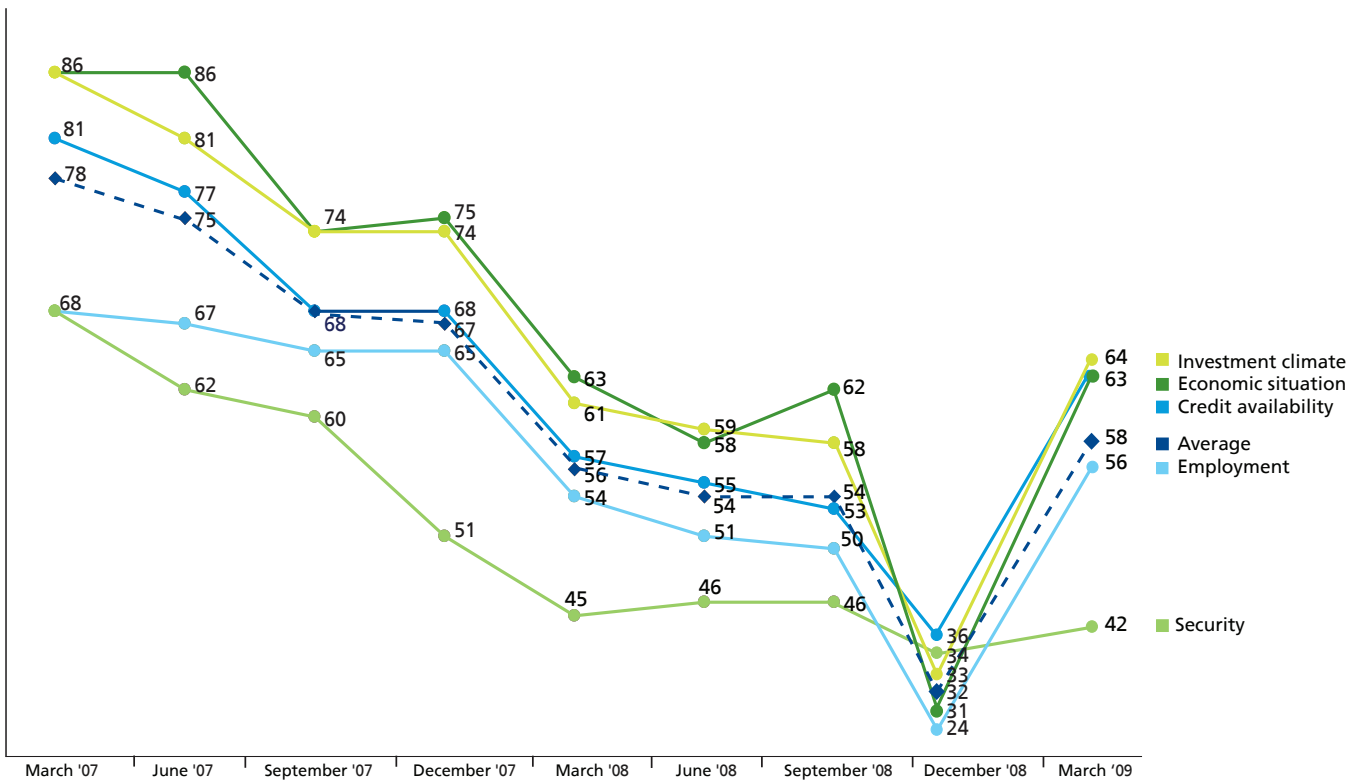
### Positive swift of expectations

According to the ninth Barometer Survey results the executives' expectations show an important and positive change, even though three months before their view regarding the companies' future environment within a year, was the most pessimistic since the first survey was carried out two years ago.

In December 2008, considering a scale 0 (worse) to 100 (better), the average score of five aspects (investment climate, credit availability, employment, security and economic situation) was lower than 50 for the first time. It raised to 58 in March 2009.

Responses to this survey suggest that optimism could likely begin to be backed up again, since the five aspects mentioned above will rebound within a year, according to the executive's opinion.

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



\* These figures were computed by weighing percentages of responses Better, the Same or Worse by 1, 0.5 and 0

# II The recovery of the Mexican economy

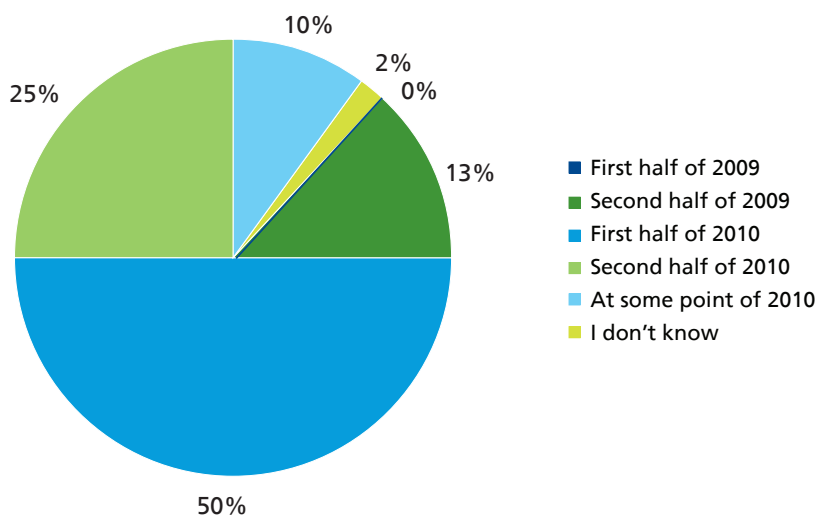
In the face of economic uncertainty, different prevention or adjustment mechanisms arise and needful decision making is redefined.

Even though the current turbulent environment will impact the economy, the scope and duration of the economic crisis cannot yet be reliably assessed. Hence, and with the aim to know our country's entrepreneurs views, in March 2009 executives were asked about their prospects with regard to the recovery of the Mexican economy.

Half of the respondents (50.7%) say they expect the Mexican economy to be in better shape by 2010, while 24.5% expect the upturn to begin by the end of that same year.

Only 13.1% of the executives believe there will be promising signals of recovery within the second half of 2009.

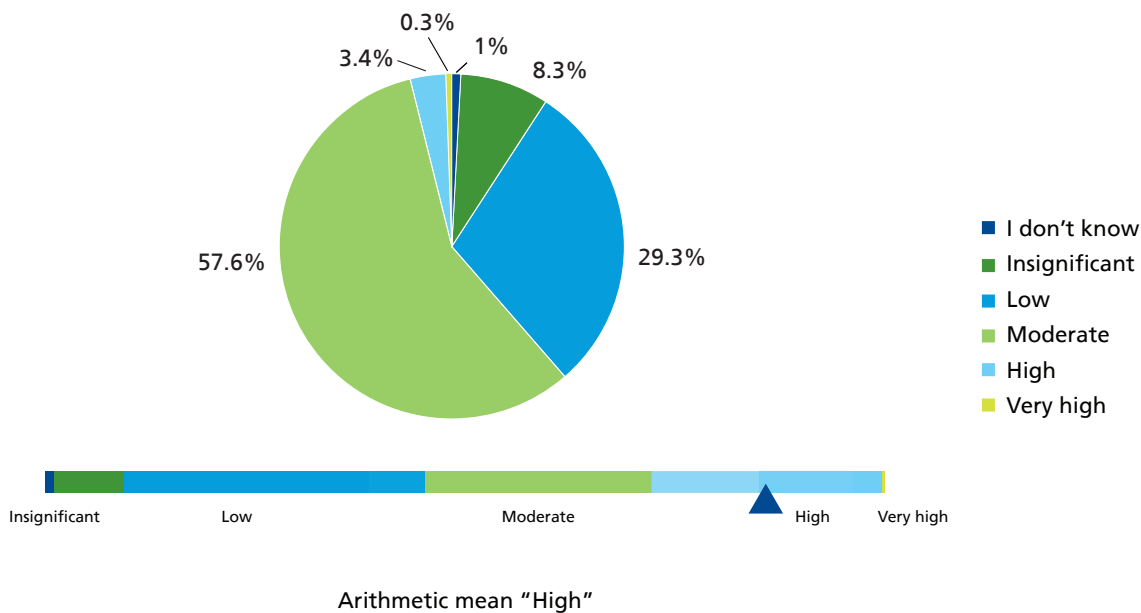
The recovery of the Mexican economy (% of responses)



# III Effectiveness of the economic recovery plan

The executives were asked about their views with regard to the effectiveness of the recovery plan implemented by the Mexican government to confront the economic crisis.

More than half of the respondents (57.6%) say government's actions effectiveness will be moderate, and 29.3% foresee they will be low.



# IV Company situation

## Current

### The lowest average score

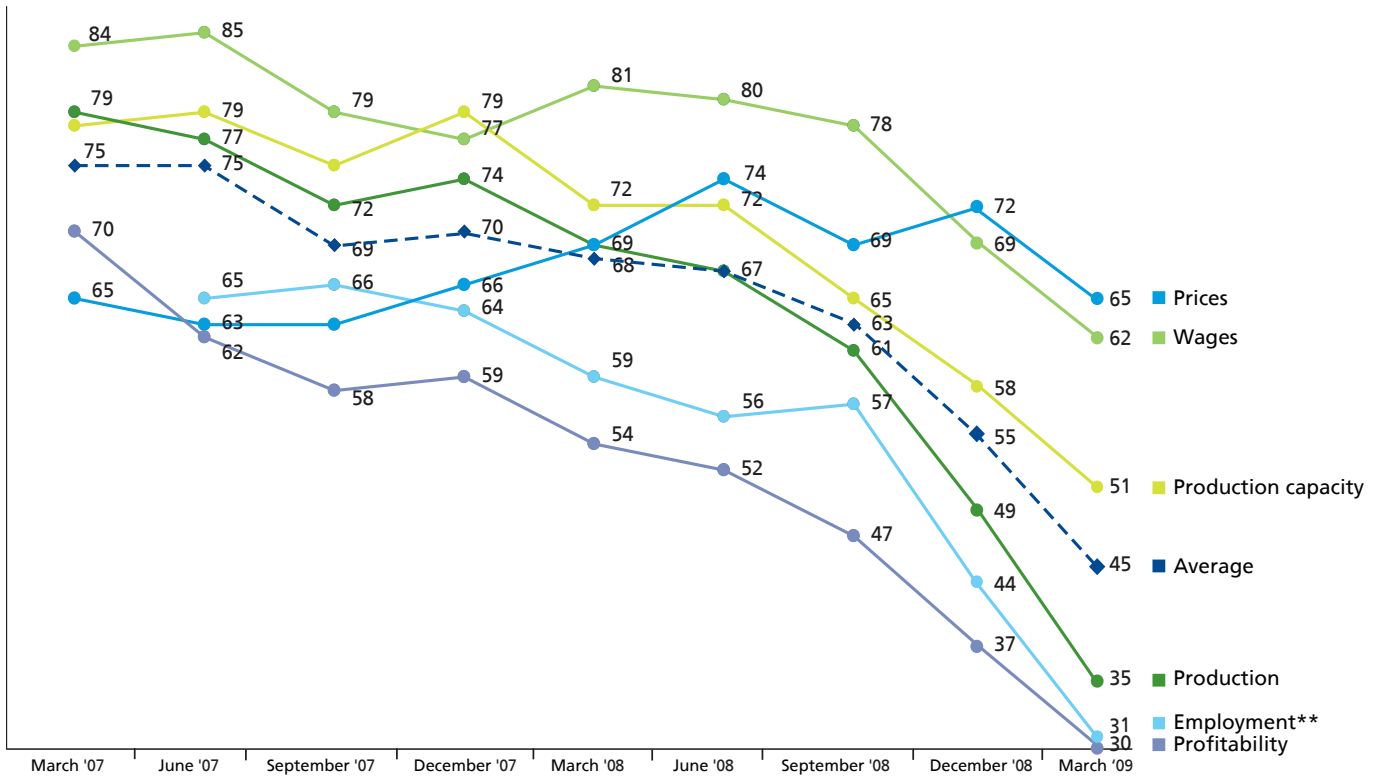
On a scale 0 (worse) to 100 (better), the average score with regard to the companies' general situation was 32 by March 2009; the lowest of the nine surveys carried out to date.

According to 18.5% of the respondents, production in their companies was higher than one previous year and only 13.5% reported increased profitability. Yet considering six enterprise indicators (production capacity, employment,

prices, production, profitability and wages) the perception regarding their current situation by March 2009 was the least optimistic since March 2007.

Survey responses suggest that price experienced the biggest drop of all enterprise indicators, after being the only one that rebounded in December 2008.

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



\* These figures were computed by weighing percentages of responses Higher, the Same and Lower by 1, 0.5 and 0.

\*\* This indicator was not included.

The survey reveals that the loss of dynamism of the aggregate demand in Mexico has been gradual and 27.3 of the companies reported high inventories versus 36.3%

in December 2008, the biggest number registered since March 2007. Only 8.6% of the executives expected high demand for their companies' products or services. The lowest share so far.

**Future**

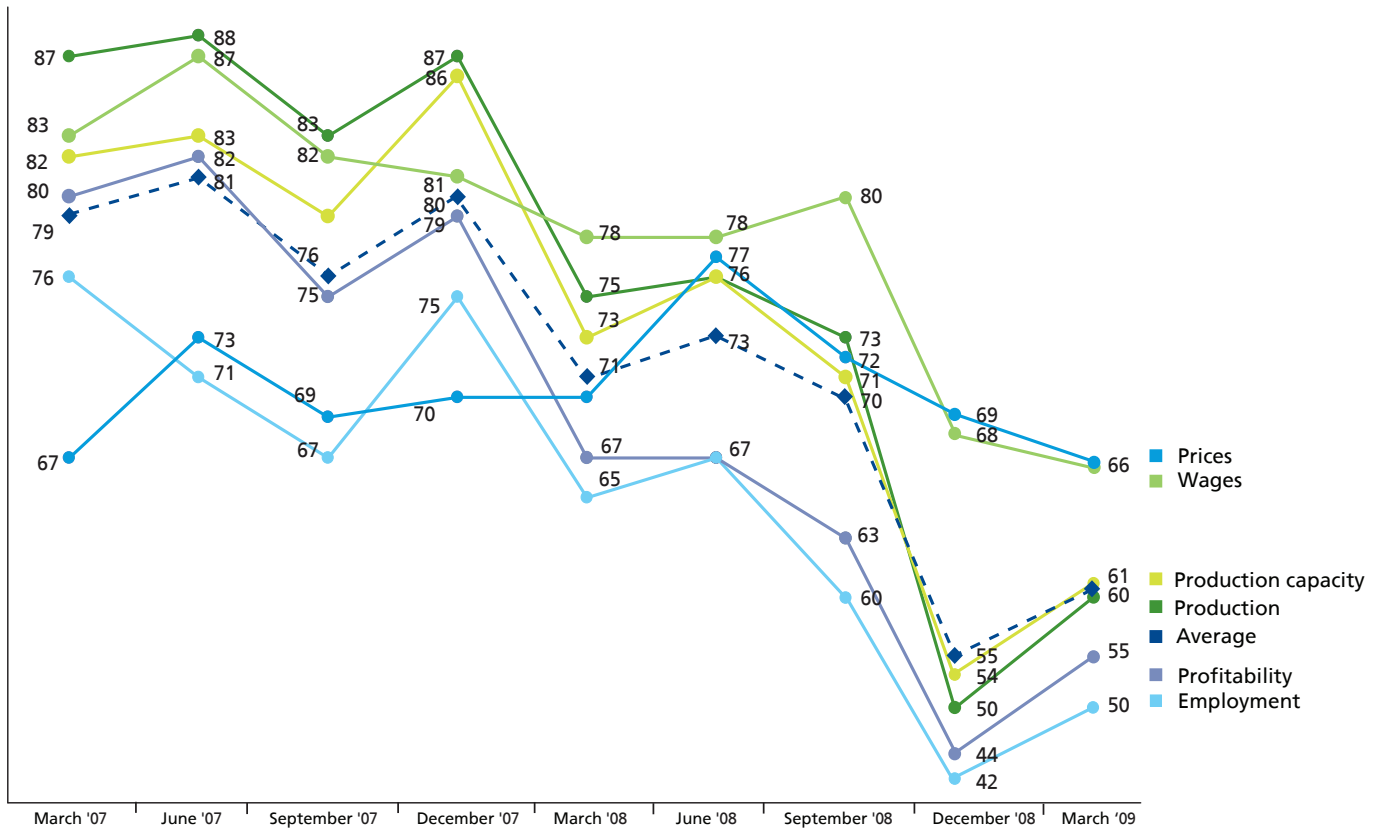
**Optimism improve**

By March 2009, optimism regarding the companies' general situation within a year improved: it was 60 in a 0-100 scale basis.

According to the executives' opinion, 36.9% of the companies expected production to rise over the next 12 months and 19.2% would increase the size of their workforce. These percentages are substantially higher than those of three months previous to the survey

(24.2% and 13.0%, respectively). Expectations regarding price increase of goods and services declined (three months before 46.2% of the companies' would raise them; currently, 43.2% would do so). The executives' estimations regarding the improvement of their companies' profitability within a year increased from 22.3% in December 2008 to 32.5% in March 2009.

Future situation (within a year) of the companies with regard to the date of the surveys (average scores in the 0-100 scale\*)



\* These figures were computed by weighing percentages of responses Better, the Same or Worse by 1, 0.5 and 0



# V Companies' actions

## Facing the challenges of the current economic situation

Owing to the difficult situation in the economic activity, the executives were asked about the main actions they are putting in place within 2009 to cope with economic turmoil.

Survey results unveil that companies are taking little bold actions aimed to face the economic hardship. The most frequent are related with human resources, followed by those regarding finance, sales and marketing, operations and information systems. The least mentioned actions were plant and equipment investment, mergers or acquisitions, partnerships and divestitures and R&D.

## Companies' actions in 2009 aimed to face current economic conditions

More frequent	Less frequent
<b>Human resources</b>	
<ul style="list-style-type: none"> <li>• Staffing cut, technical shutdown, diminution of working hours, hiring cancellation, selective hiring</li> <li>• Freeze or increase wages selectively, stimulus and benefits reduction</li> <li>• Training</li> </ul>	<ul style="list-style-type: none"> <li>• Communication and information</li> <li>• Internal reorganization</li> </ul>
<b>Sales and marketing</b>	
<ul style="list-style-type: none"> <li>• Increase promotion and advertising</li> <li>• Pursuit of new markets and generate clients</li> <li>• Strengthen commercial structure</li> <li>• Focus on customer care and service</li> <li>• Focus on major clients</li> </ul>	<ul style="list-style-type: none"> <li>• Price decrease</li> <li>• Focus on most profitable products or clients</li> <li>• Increase communication with clients</li> <li>• Partnerships with clients and vendors</li> <li>• Exports increase</li> <li>• Sales improvement roadmap</li> </ul>
<b>Finance</b>	
<ul style="list-style-type: none"> <li>• Reduction of expenditure and cost</li> <li>• Look after better funding</li> <li>• Company's liquidity sustainment</li> <li>• Safe investments</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of billing, payment and collecting period</li> <li>• Collecting flexibility</li> <li>• Prompt payment discount</li> <li>• Granting loans to clients</li> <li>• Liability reduction</li> <li>• Financial and market risks minimization</li> <li>• Look after hedges</li> <li>• Profitability continuous assessment</li> </ul>
<b>Operations</b>	
<ul style="list-style-type: none"> <li>• Process improvement to increase efficiency or productivity</li> <li>• Inventory reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Process automation</li> <li>• Waste reduction</li> <li>• Outsourcing</li> </ul>
<b>Information systems</b>	
<ul style="list-style-type: none"> <li>• Technologies improvement, introduction of new systems, systems update</li> <li>• Investment restraint, increase existing systems efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Outsourcing</li> <li>• Renegotiation of vendors' terms</li> <li>• Use of Internet</li> <li>• Self development</li> <li>• Increase the use of information, generate reports</li> </ul>
<b>Investment in plant and equipment, mergers or acquisitions, alliances and divestitures</b>	
<ul style="list-style-type: none"> <li>• Investments minimization or deferment</li> <li>• Investment in plant and equipment</li> <li>• Alliances</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and repair</li> <li>• Facilities reduction</li> </ul>
<b>Research and development</b>	
<ul style="list-style-type: none"> <li>• Redesign or development of new products</li> </ul>	<ul style="list-style-type: none"> <li>• Budget increase</li> </ul>

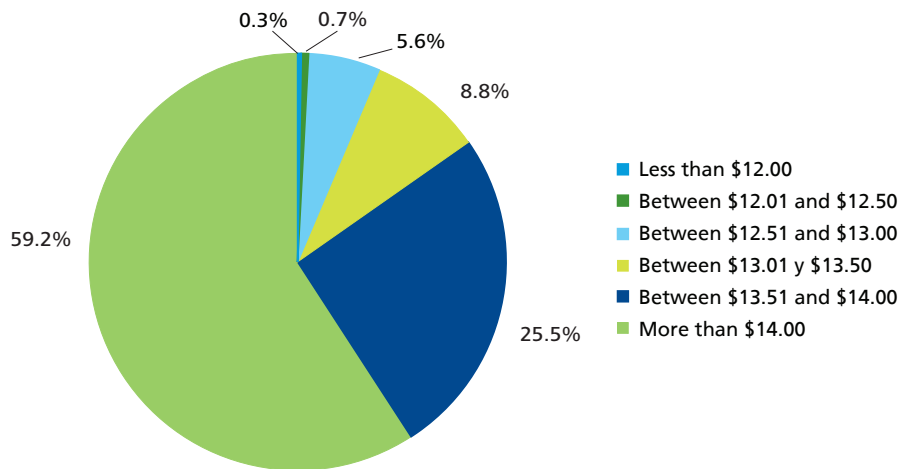
# VI Exchange rate and inflation

## Mexican peso devaluation

Another result evincing substantial adjustment refers to the Mexican currency. Along the first three surveys in 2008, executives revised their expectations downwards with regard to the exchange rate. While in September 2008 a full 58.7% of respondents forecasted the exchange rate would be less than 11.20 pesos to the dollar within a year, in December 2008 and March 2009, respondents to the survey revised their expectations upwards.

Survey results unveil a significant change with regard to the executives' outlook. More than half of the respondents (59.2%) forecasted an average exchange rate of more than 14.00 pesos to the dollar by 2010.

Exchange rate within a year (% of responses)



The executives' prospects are more pessimistic than those of economic analysts in the private sector obtained by the Bank of Mexico: \$13.99 by the end of 2010.

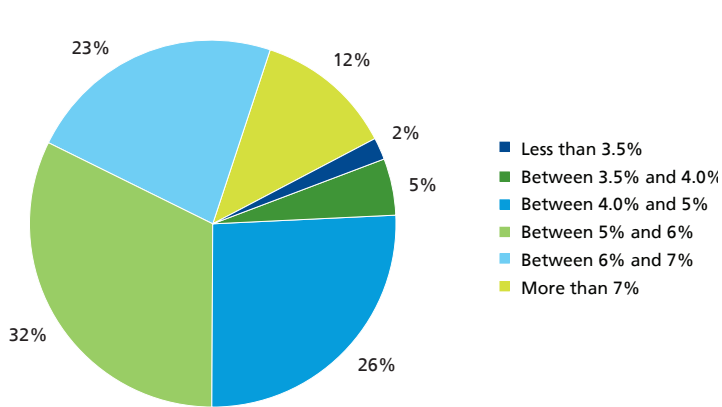
## Inflation

Notwithstanding inflation forecasts for 2009 are still negative and 67.0% of executives expect inflation to be above 5%, this is a lower proportion compared to a full 73.4% of respondents who said the same in December 2008.

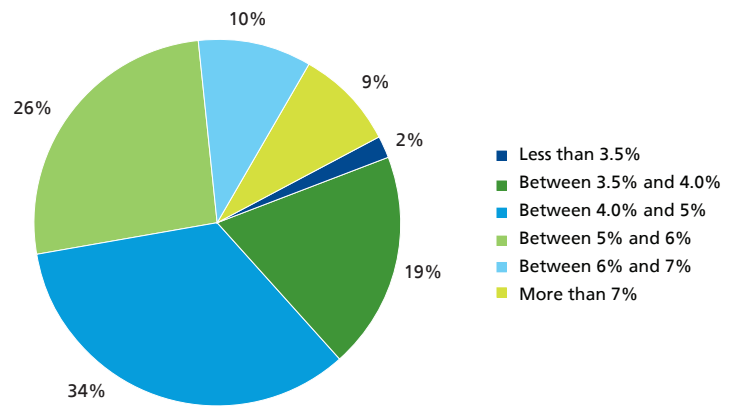
Whereas executives have revised their expectations downwards, the share of respondents who expect inflation to be above 5% by the end of 2010, has decreased notably (43%)

An increased number of participants (34.3%) foresee inflation rate could slacken and set up between 4% and 5%. Finally, 19.6% believe it could likely remain between 3.5% and 4.0%.

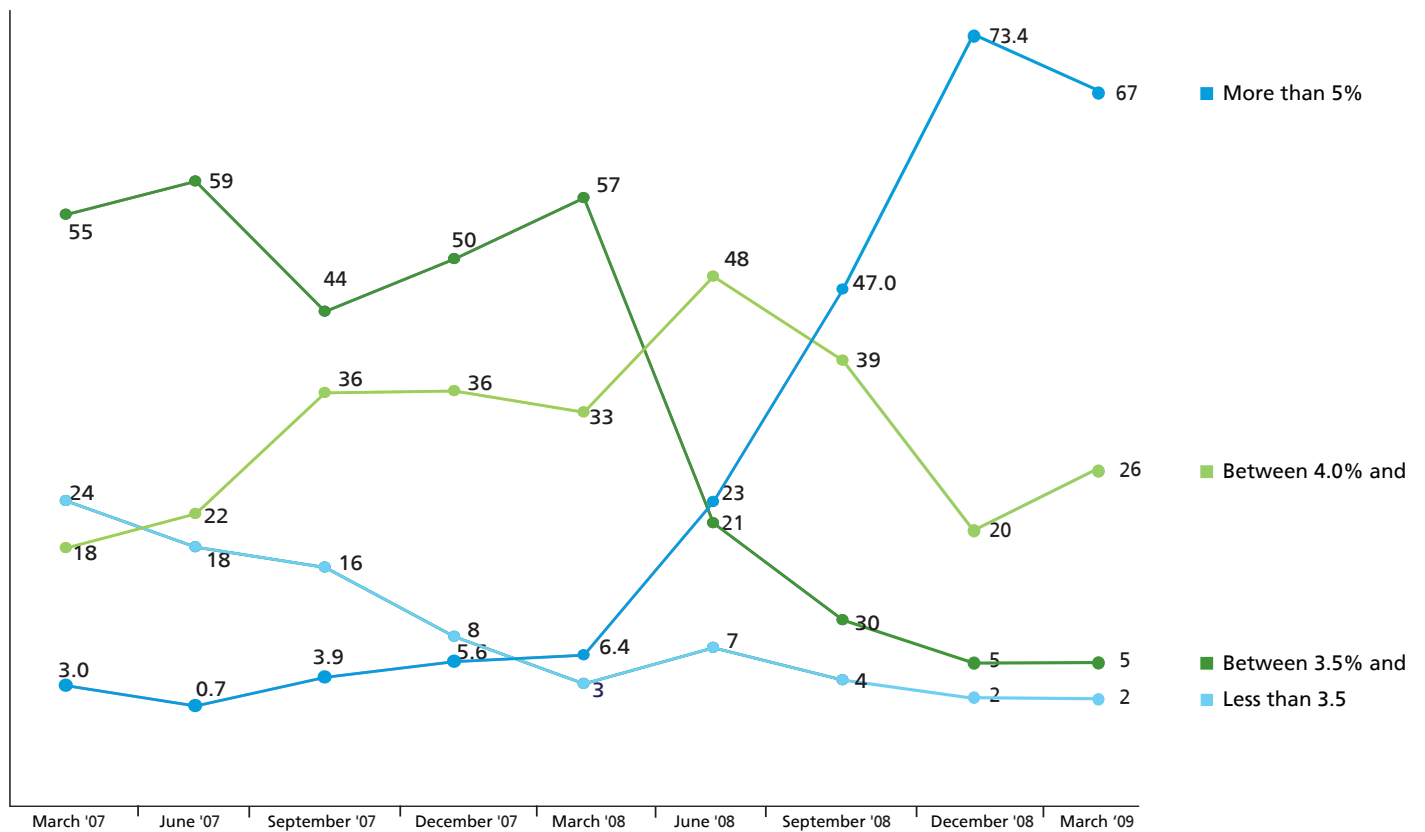
Annual inflation forecast for 2009  
(% of responses)



Annual inflation forecast for 2010  
(% of responses)



Annual trends Expected inflation for 2009



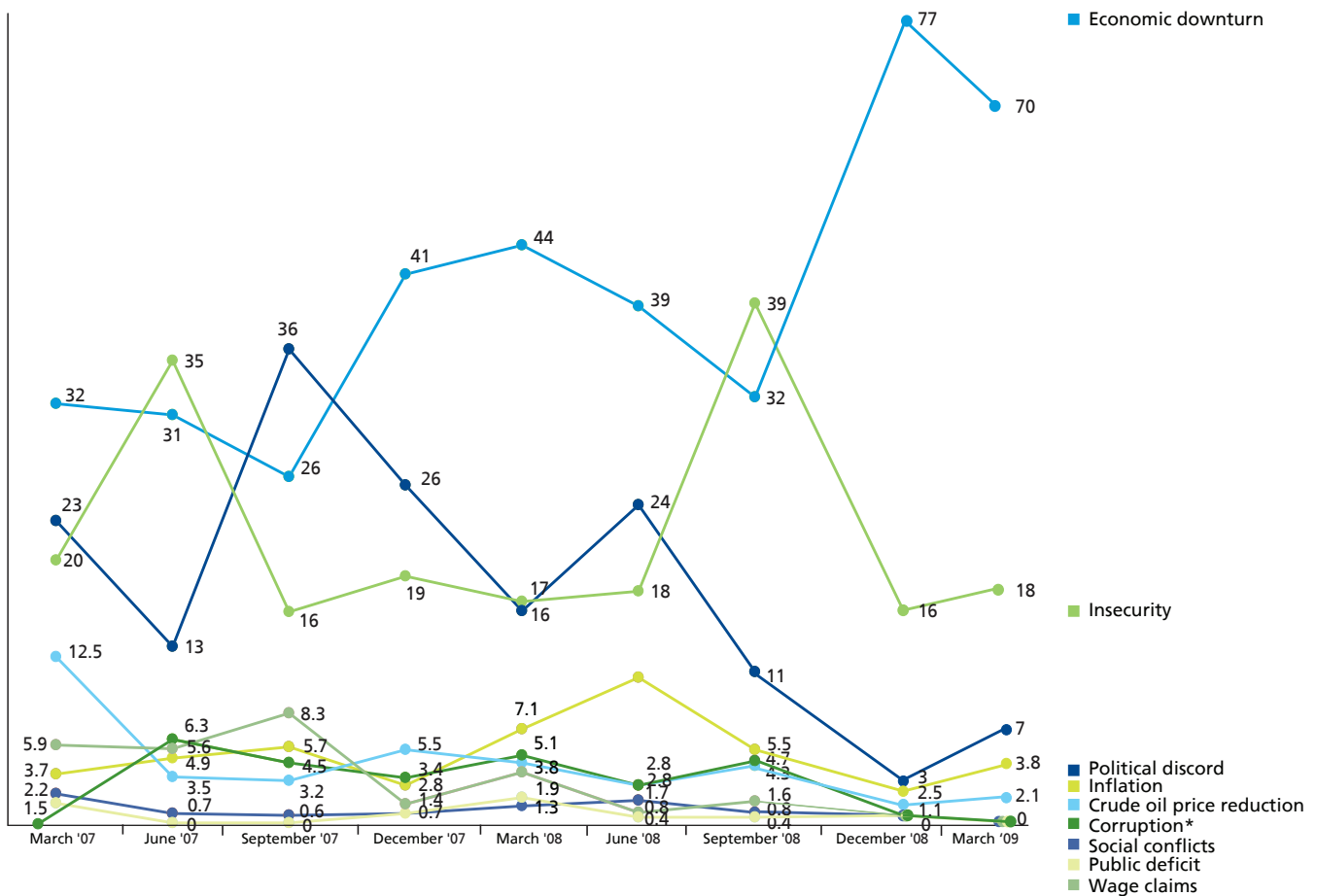
# VII Threats to the Mexican economy

## The importance of economic downturn in the United States

Although the survey results evinced a negative outlook of the business environment, two aspects stand out significantly within the executives' opinion: the economic downturn in the United States and the depreciation of Mexican peso.

Yet according to the surveyed executives the economic downturn in the United States still ranks as the main hurdle to the Mexican economy, in March 2009 the share of responses regarding this factor as the major reason for concern was considerably lower (69.8%) than the figure registered in December 2008 (77.4%)

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



\* "Corruption" was not included in the March 2007 survey

# VIII Government Administration

## Assessment variations

March 2009 survey results sign a noticeable and positive change within the executives' evaluations regarding two particular aspects.

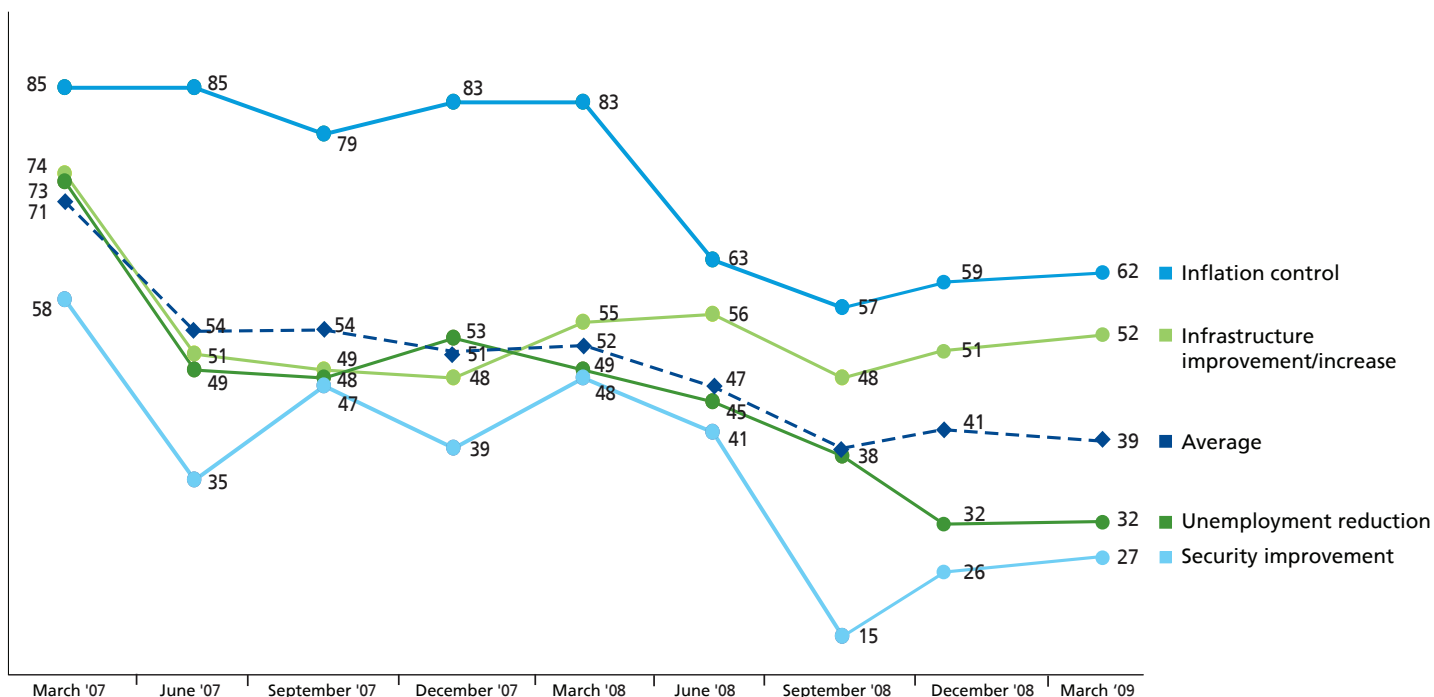
The first significant change refers to inflation control, which happens to be once more the best evaluated issue regarding the effectiveness of the government's performance. The executive's favorable opinion outnumbered that of December 2008 and thus resulted in a considerable rebound.

The second positive evaluation refers to infrastructure improvement, although rebounding to a lesser extent.

However, the executives' unconformity regarding the government's capability to solve other structural issues that hinder Mexico's economic development (unemployment reduction and security improvement), still persist.

After September's 2008, this is the second lowest score since the first survey was carried out.

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



\* These figures were computed by weighing percentages of responses Better, the Same and Worse by 1, 0.5 and 0.

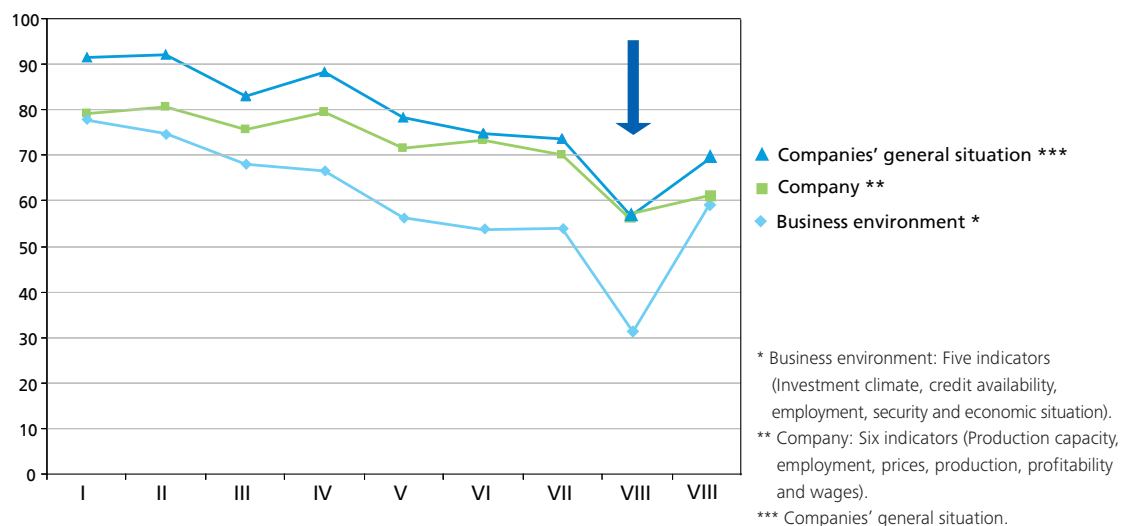
# IX Conclusions

A sizable majority of the surveyed executives believe that economic recovery will not happen in 2009. This may help explain why companies are extensively directing efforts regarding more efficient use of resources.

The executives' prospects are influenced by their insights regarding both the economic downturn in the United States and the evolution of the exchange rate since Q3 2008.

The surveyed executives predict positive changes in the business environment within 12 months. According to our ninth Business Barometer Survey, expected results will be more favorable in the majority of companies compared to the prevailing opinions three months ago.

**General situation** (0: pessimistic; 100: optimistic)



Survey responses indicate signals of optimism among the executives and thus forecast a better future for the overall Mexican economy and for the companies in particular, within the next 12 months.

Wait and see is no longer an option for companies in volatile times. It is fundamental to acknowledge the fact that higher uncertainty does not mean that critical

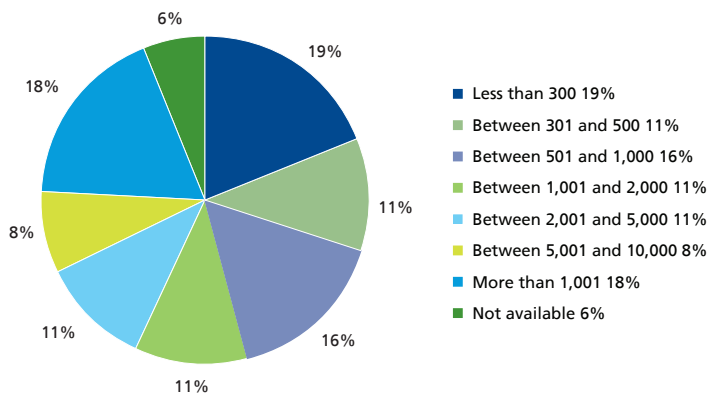
business decisions must necessarily defer. In the midst of increased uncertainty, companies face the risk to focus only on situational urgencies, and thus defer fundamental strategic decisions.

Vision, patience and perseverance are key points to remain and thrive, even in turbulent times, within the business environment.

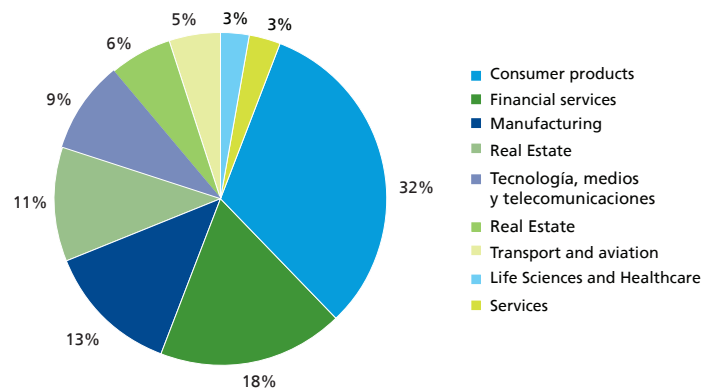
# X About the survey

Deloitte's ninth Business Barometer Survey was carried out in March (2-23) 2009, and included 290 executives of the most prominent companies located in Mexico. Considered among the most important companies in Mexico, their added income rose to \$230.292 billion dollars, according to the last reported period.

Average annual income of companies



Industry participation



For more information, please contact us at.

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