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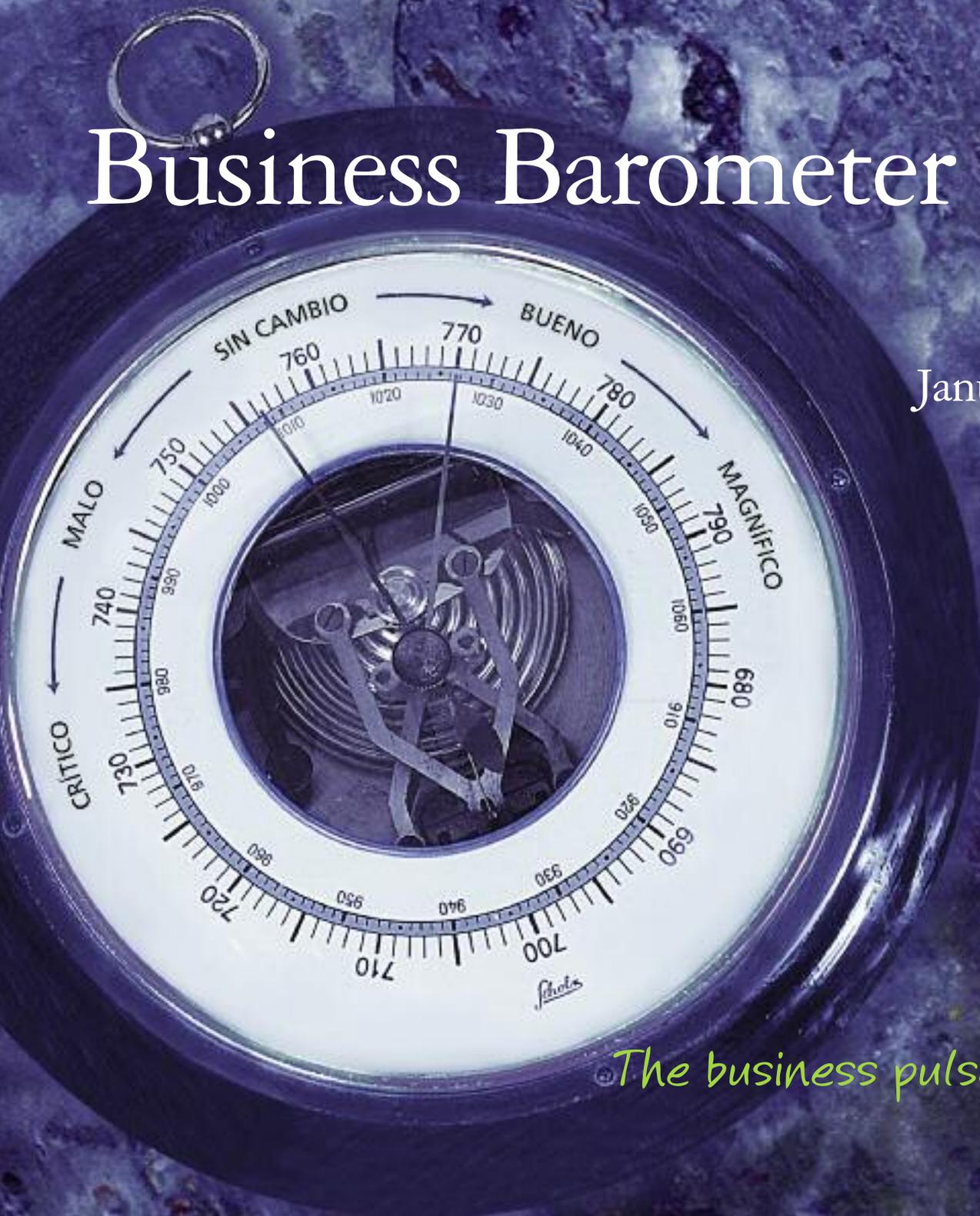


Barómetro
de empresas

Business Barometer

4

January 2008



The business pulse survey



Contents

- Introduction 2
- Executive Summary..... 2
- I. Business Environment..... 4
- II. Company Situation..... 4
- III. Exchange Rate and Inflation..... 6
- IV. Threats to the Economy..... 7
- V. Government Administration..... 8
- VI. Conclusions..... 9
- VII. About the Survey..... 9

Introduction

Had executives' expectations with regard to the business environment experienced changes at the end of 2007? How did domestic and external issues influenced their perception of the Mexican future within 12 months?

The survey's fourth edition results show changes in the executives' expectations regarding the main risk for the stability of the Mexican Economy.

In December 2007 the respondents' main concern was the economic slowdown in the US, particularly due to the deepening of their subprime mortgage crisis, credit aftermaths and increasing oil prices - and thus became the leading threat for the Mexican economic growth.

However, a higher number of respondents remained optimistic regarding financial stability, the effectiveness of the government's actions in order to control inflation, as well as the environment and their companies' results. They expect to increase their production within a year, expand their workforce and upgrade wages.

Executive Summary

Business Environment

According to the fourth survey carried out in December 2007, the executives' opinion with regard to the business environment within a year was similar to that on the previous survey. The evaluation of five issues (economic situation, business climate, credit availability, employment and safety) lowered their average score from 68 in September to 67 in December on a 0 to 100 scale basis. The steepest decline impacted the safety issue during the last three months, falling from 60 in September 2007 down to 51 by December 2007.

As a matter of fact the executives rated the government's actions regarding unsafety lower than three months before, falling from 47 in September to 39 in December.

Company Situation

A. Current

On a scale 0 (worse) to 100 (better), the average score with regard to the company's general situation was 72 by December 2007; the numbers for September, March and June surveys were 70, 75 and 72 respectively.

Considering six enterprise indicators (production capacity, employment, prices, production, profitability and wages), by December 2007 the perception regarding their current situation was similar to that of September.

B. Future

According to the survey's results in December 2007, the expectations with regard to the general situation of the companies within twelve months were more optimistic than they did in September; the average rate was 88; and 83 in the previous survey.

- In September 2007, 69.8% of companies expected production to increase during the next 12 months, but less than a half would increase hiring (40.8%); similarly, 66.2% of them would raise wages, even though only 47.4% was planning to increase their products and services' prices
- In December 2007, 77.3% of companies expected to increase their production within a year, but only 54.9% would expand their workforce (40.8% in September); furthermore, 62.5% would upgrade wages, but only 48.3% foresee to increase their prices
- In December 2007, 66% planned to improve their profitability within a year compared to 59.9% in September

Exchange Rate and Inflation

According to the surveys conducted in March, June, September and December 2007, the executives expect financial stability to continue. The most frequent opinion regarding the exchange rate within a year valued the dollar between 11.20 and 11.40 pesos. And the expected average in 2008 is 11.28 pesos to the dollar.

This last expectation is more pessimistic than those of economic analysts in the private sector obtained by the Bank of Mexico: 11.13 towards the end of 2008 and 11.35 within a year.

Likewise, the executives expect low inflation for 2007 and 2008: 4.0%, but above than that expected of the economic analysts in the private sector obtained by the Bank of Mexico in December 2007: 3.84% in 2007 and 3.86% in 2008.

Threats to the Economy

The economic slowdown in the US is the leading threat for the Mexican economy according to the respondents' opinion (it was second in September survey), followed by political discords (first in September survey). Unsafety, a permanent domestic weakness, was ranked third among leading threats for the Mexican Economy.

Government Administration

Inflation was not observed as a major deterrent for economic growth once more. As a matter of fact, the control of this phenomenon continues to be the best evaluated issue on government performance.

On the other hand, low scores were given to the effectiveness of the government's actions aimed at reducing unsafety which is as well a leading threat for the Mexican economy.

However, according to the executive's opinion, the government's capability to promote economy growth and infrastructure improvement – in other words, to remove the obstacles that inhibit the increase of productivity- is not big enough, and consequently it is limited to reduce unemployment and poverty.

Conclusions

Based on the information from our fourth survey, we can point out that business executives' view with regard the environment between September and December 2007 did not change significantly.

The economic slowdown in the US now is a major spread concern among the executives -particularly due to the deepening of their subprime mortgage crisis, credit aftermaths and increasing oil prices - and thus becoming the leading threat for the Mexican economic growth.

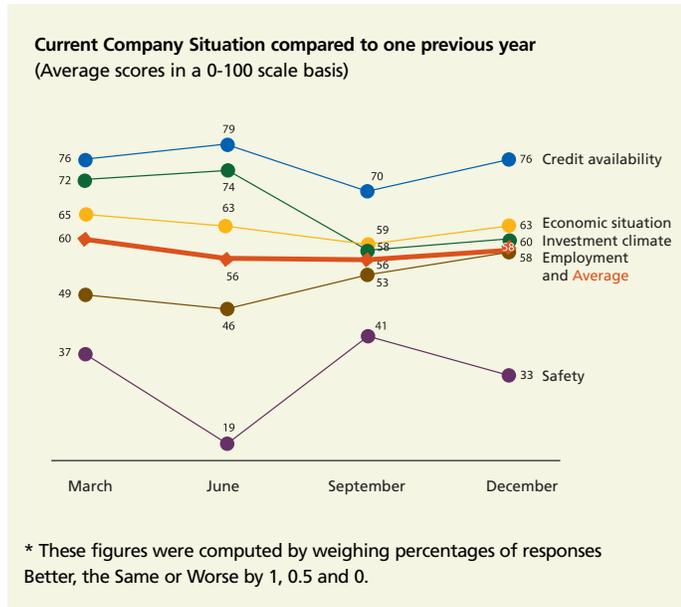
Even though, optimism with regard to the environment and their companies' results has increased: in December 2007, 77.3% of companies expected to increase their production within a year, but only 54.9% would expand their workforce (40.8% in September); furthermore, 62.5% would upgrade wages, but only 48.3% foresee to increase their prices.

On the other hand, unsafety, poverty and unemployment continue to be crucial deterrents and challenges for economic growth.

I. Business Environment

A. Current

In December 2007 the executives' expectations regard to the business environment within twelve months were better than their expectations for the twelve months prior to the surveys.

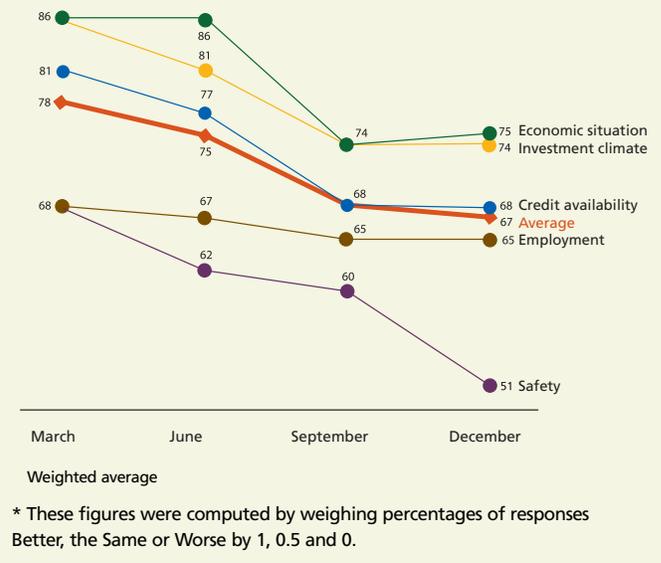


B. Future

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Future Situation with regard to the date of the survey
(Average scores in a 0-100 scale basis*)

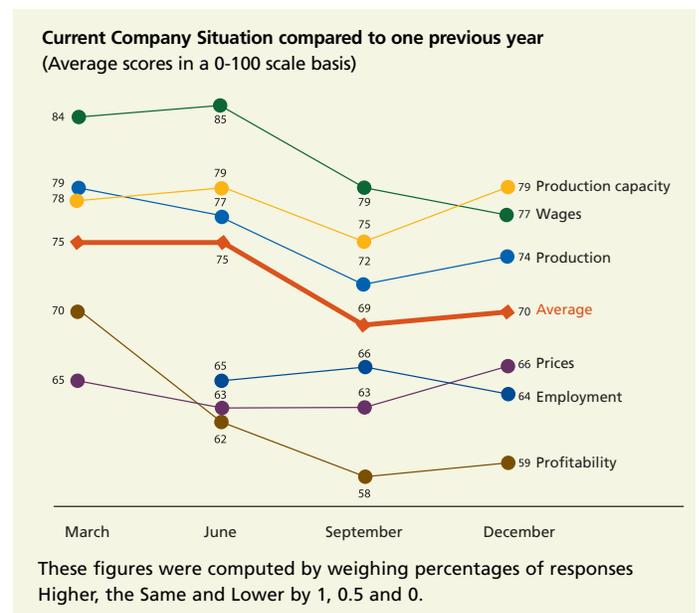


II. Company Situation

A. Current

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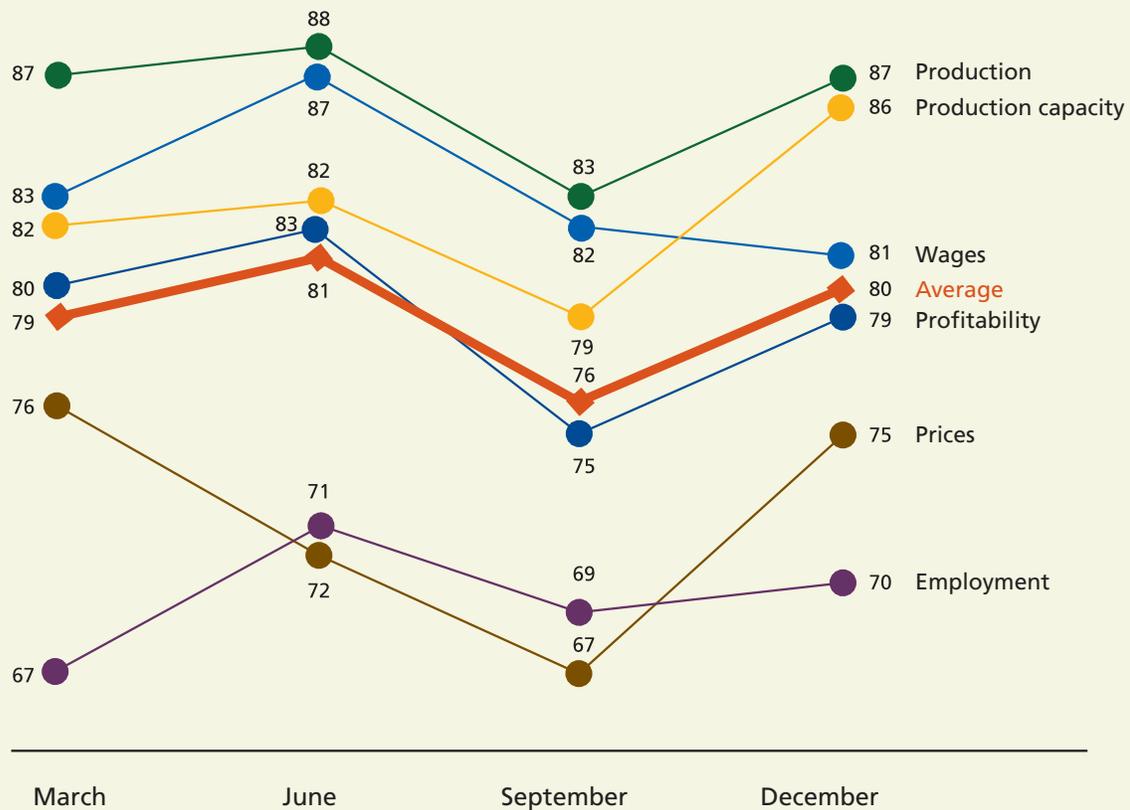


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Future Company Situation with regard to the date of the surveys

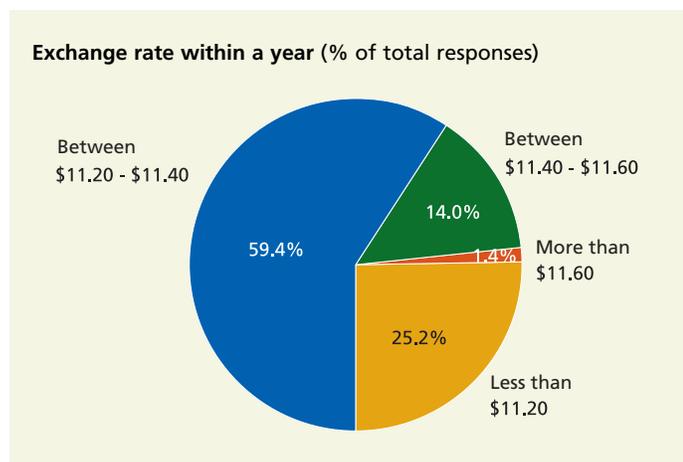


*These figures were computed by weighing percentages of responses Higher, the Same and Lower by 1, 0.5 and 0.

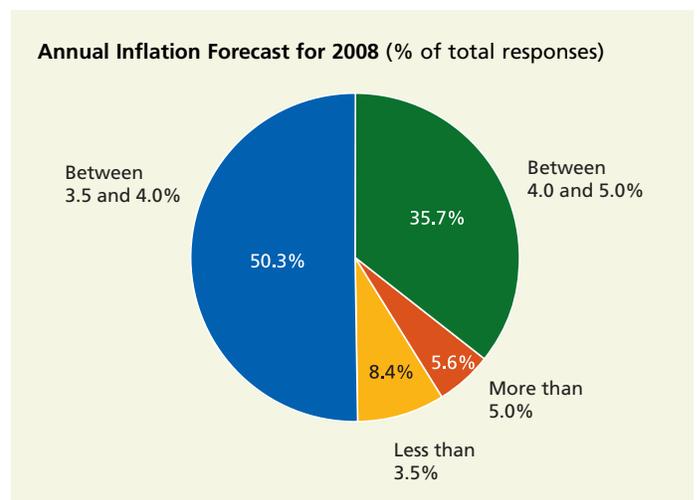
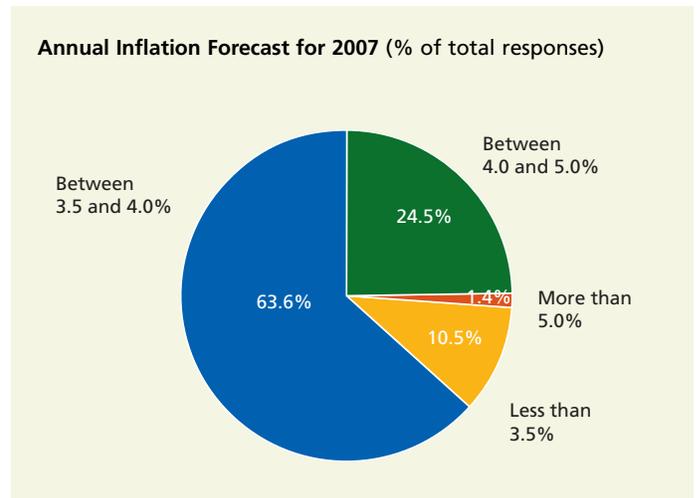
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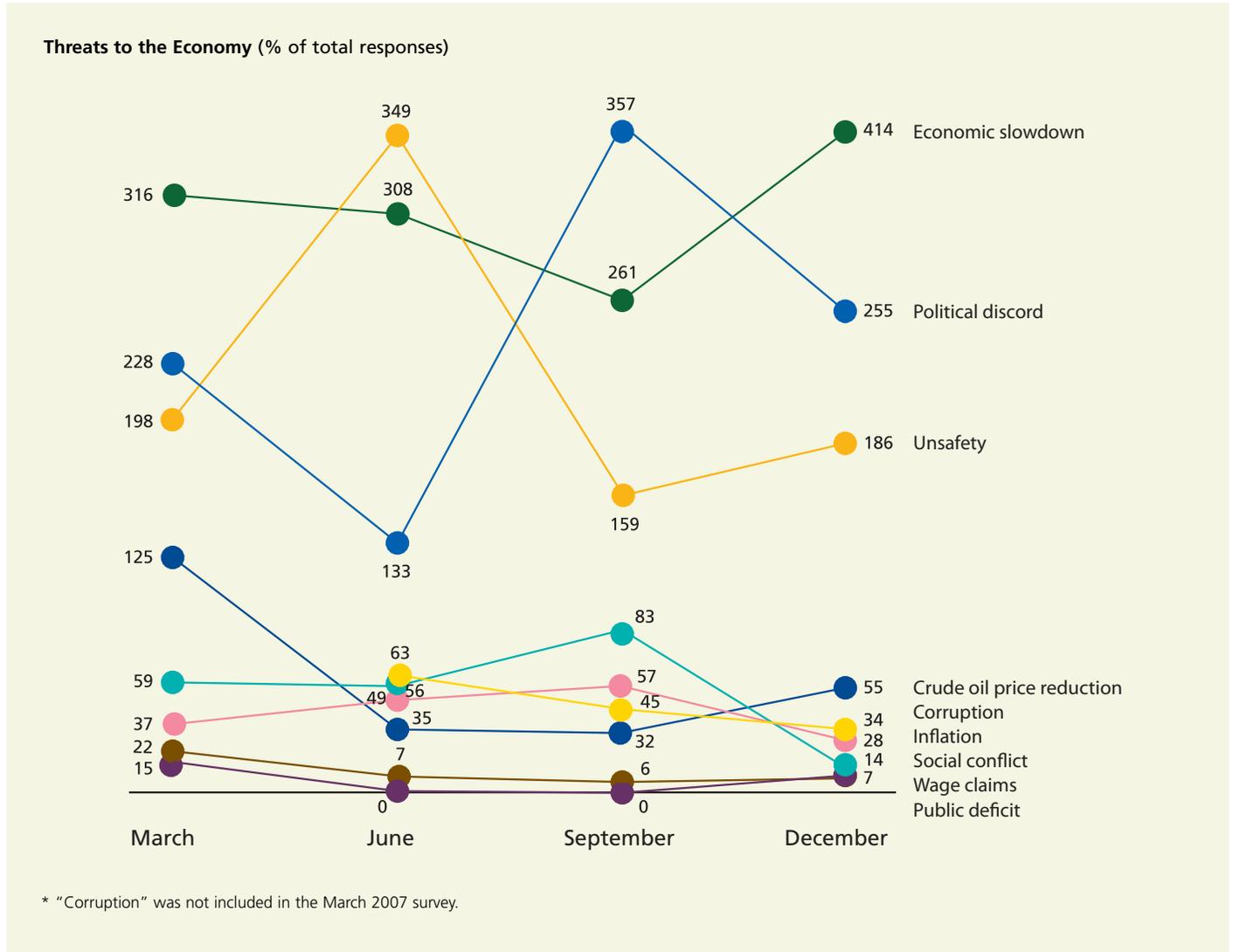


Likewise, the executives expect low inflation for 2007 and 2008: 4.0%, but above than that expected of the economic analysts in the private sector obtained by the Bank of Mexico in December 2007: 3.84% in 2007 and 3.86% in 2008.



IV. Threats to the Economy

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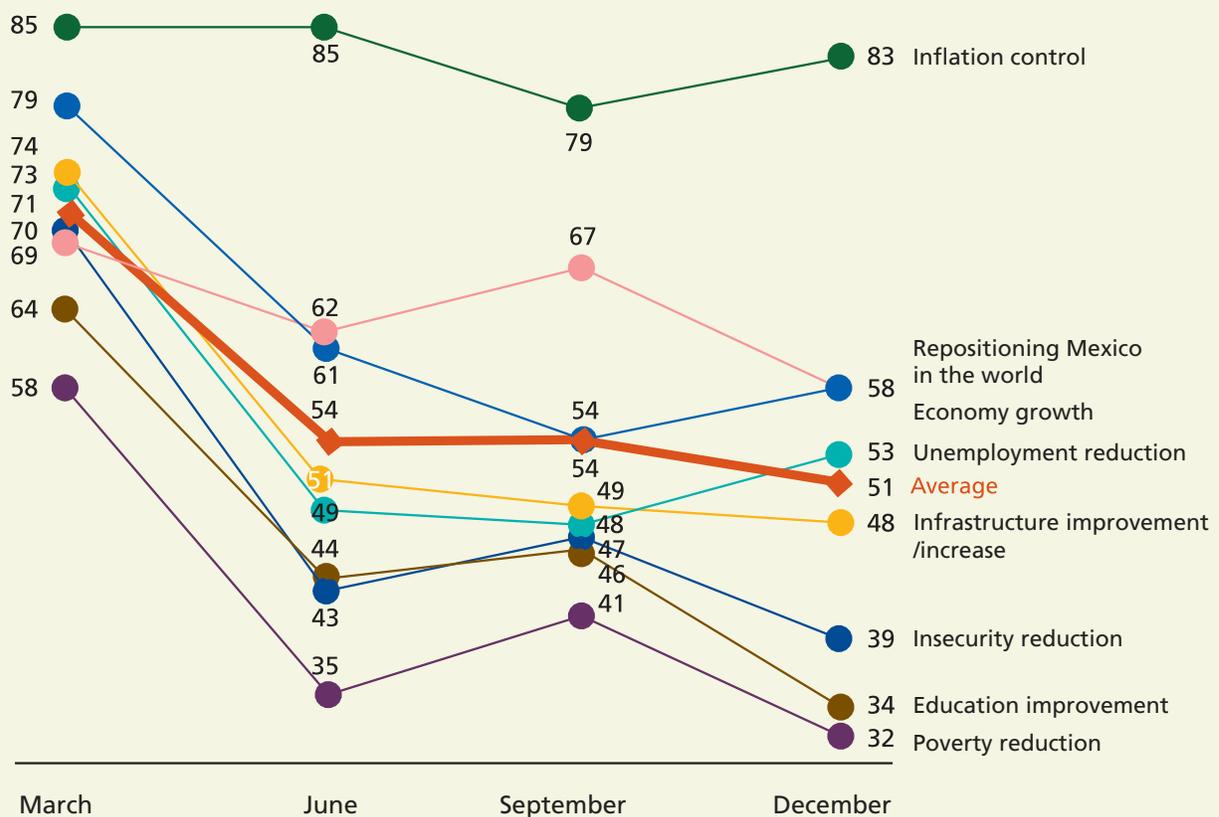


V. Government Administration

Inflation was not observed as a major deterrent for economic growth once more. As a matter of fact, the control of this phenomenon continues to be the best evaluated issue on government performance. On the other hand, low scores were given to the effectiveness of the government's actions aimed at reducing unsafety which is as well a leading threat for the Mexican economy.

However, according to the executive's opinion, the government's capability to promote economy growth and infrastructure improvement – in other words, to remove the obstacles that inhibit the increase of productivity- is not big enough, and consequently it is limited to reduce unemployment and poverty.

Opinions on Government Performance (Average scores in the 0-100 scale basis) *



* These figures were computed by weighing percentages of responses Good, Fair and Poor by 1, 0.5 and 0.

VI. Conclusions

Based on the information from our fourth survey, we can point out that business executives' view with regard the environment between September and December 2007 did not change significantly.

The economic slowdown in the US now is a major spread concern among the executives -particularly due to the deepening of their subprime mortgage crisis, credit aftermaths and increasing oil prices- and thus becoming the leading threat for the Mexican economic growth.

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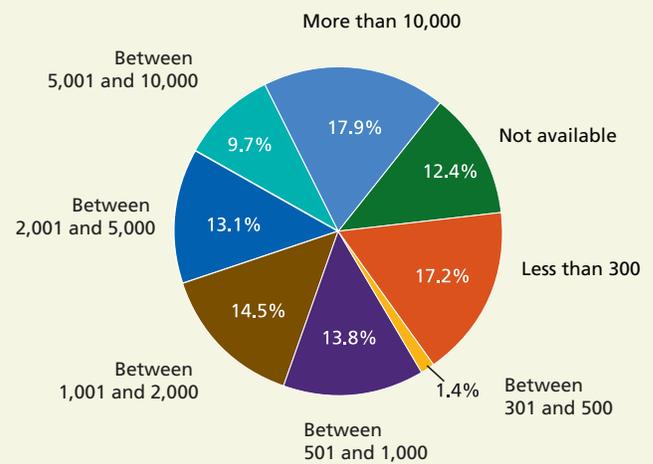
VII. About the Survey

Deloitte's fourth Business Barometer survey included 144 executives of the most important companies in the country.

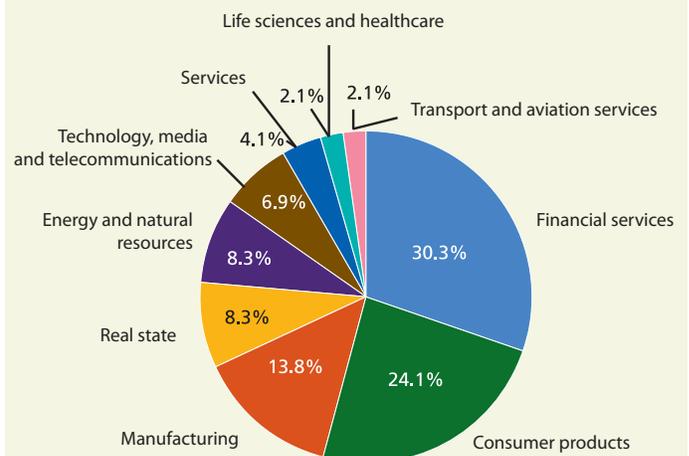
*Average annual income of companies:
between 300 million and 10,000 million pesos*

Considered among the most important companies in Mexico, their added income rose above a 1.5 trillion pesos in the last reported period.

Range of income reported



Industry Participation



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