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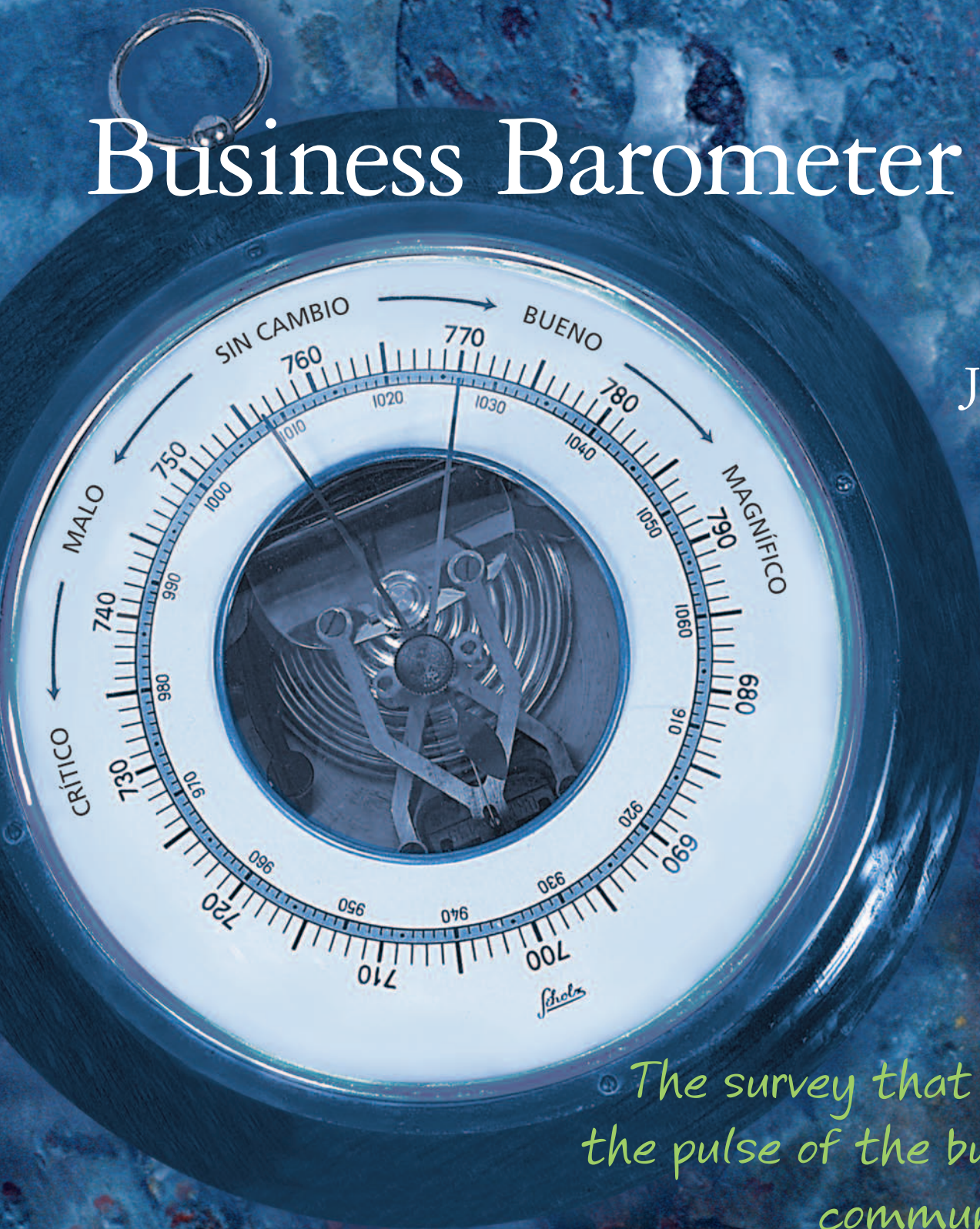


Barómetro
de empresas

Business Barometer

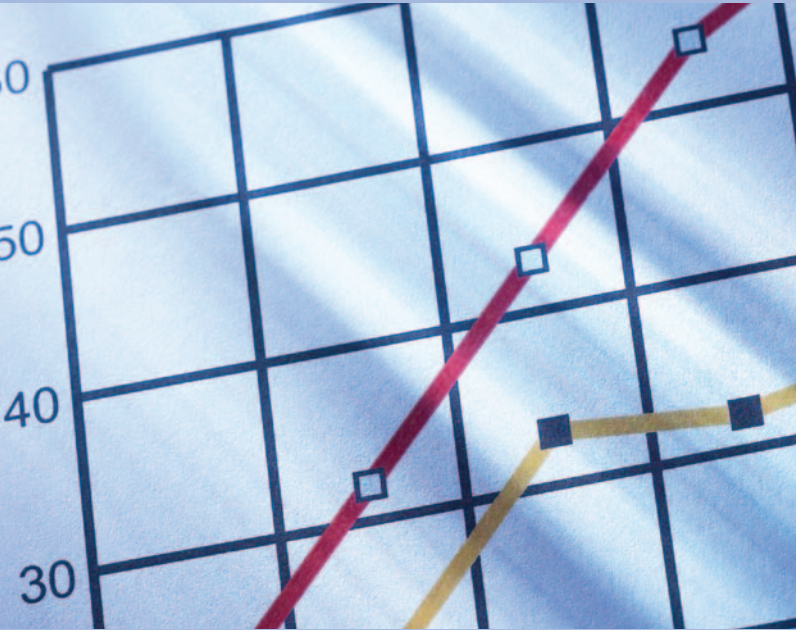
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July 2007



*The survey that checks
the pulse of the business
community*

Audit • Tax & Legal • Consulting • Financial Advisory.



Introduction

When change is a constant, monitoring it is crucial for companies that are productive, innovative, competitive and interested in building better paths for development and sustained growth.

This second edition of the Mexico's Business Barometer is part of Deloitte's commitment to provide the business community with useful indicators that help them with their decision-making process. The Barometer is a quarterly review of business expectations and trends, as well as the impact of current events.

Designed for high-level executives from the most important companies in Mexico, the survey examines the fundamental issues for businesses and their general environment, the main threats to the stability of the Mexican economy, and governmental performance in selected fields.

Compared to the first edition, results show changes in expectations, including executives' less favorable opinion regarding the business environment, and unsafety seen as the major threat to economic activity.

We are confident that this document will help you to understand the development of the examined variables during the first six months of Mexico's new administration.

Contents

- Introduction..... 1
- Executive Summary..... 2
- I. Current Situation..... 4
- II. Business Expectations..... 6
- III. Conclusion..... 8
- IV. Appendices..... 9

Executive Summary

Business Environment

The first finding in the second edition of the Business Barometer, carried out in June 2007, is that there is a less favorable opinion about the business environment for the coming year compared to the first quarter result.

There was a decline in opinions on the economic situation, credit availability, unsafety, and unemployment. The most outstanding change came out with regard to improvements in public safety, which showed a steep decline in this second survey.

A higher number of respondents foresee no change in most variables during the third quarter of 2007, while there was a heavy decline in the number of executives (17.5%) who believe that safety will improve in the third quarter, as compared to 33.8% that forecast a better situation for the second quarter of the year.

Company Situation: Current and Future

According to executives, in June 2007, production levels were higher than a year before, and demand and inventory levels were within normal ranges. Despite the fact that there was a decline in the number of positive responses about the general situation of their company, compared to the March survey, most executives evaluated the second quarter of 2007 as better than previous year, though they believed Q2 remained the same as the first quarter in 2007.

This improved evaluation of the general situation in the second quarter was particularly due to production, wages, and production capacity. Nevertheless, this perception switches when the current situation is compared with the first quarter of the year, as a high percentage of executives perceived no change in production, profitability, production capacity, employment, wages, and prices.

For Q2 2007, 87.2% of respondents estimated that the general situation of businesses would be better within a year.

- 78.0% of companies expected production to increase in the next 12 months, but less than half is planning to increase hiring.
- 73.2% of companies would increase wages, but only 56% would raise their products or services prices.

These June forecasts were better than those of the first quarter. And if more companies believe it is possible that profitability can be increased, they will surely be making efforts to enhance productivity.

The evaluation of the general situation of companies within a year remained optimistic. Nevertheless, in the short term the situation is expected to remain the same.

Exchange Rate, Inflation, and Threats to Economic Activity

Despite growing concern about unsafety, executives expect that financial variables will evolve better than those in the last survey. Executives did not forecast major exchange rate variations. Most estimate that the dollar value will be between 11.00 and 11.10 pesos in the third quarter of 2007, and between 11.20 and 11.40 pesos in the second quarter of 2008. The average expected in these two periods is 11.01 and 11.27 pesos to the dollar, respectively.

With regard to inflation, executives expect it to be above the goal set by the Bank of Mexico (3%): the average for 2007 is 3.9%, and for 2008 it is 3.8%.

Survey results show a negative view regarding safety in Mexico. In the view of the executives surveyed, in the second quarter the prevailing unsafety rose above all other variables and became the crucial deterrent for economic growth in the next months. Those surveyed ranked unsafety to be the primary threat to the Mexican economy (it was third in the March survey). Political discord and the fall in the price of crude oil lost relative importance.

Government Administration

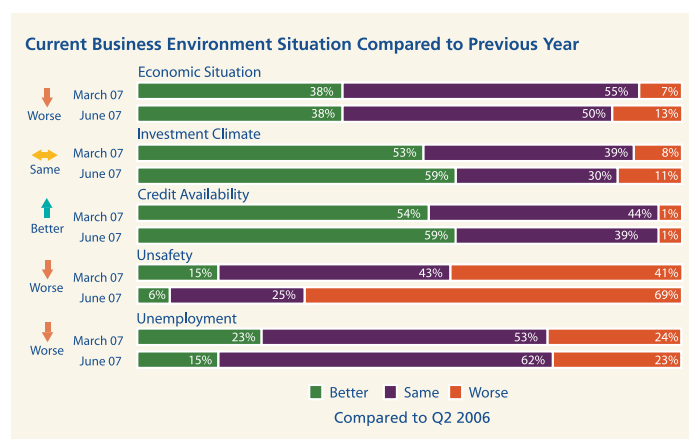
Executives' perception of certain threats to the Mexican economy is related to their evaluation of the Mexican government. Compared with the first quarter, there are signs of deterioration in all areas. The low score given by executives to each of the eight issues (inflation control, economic growth, infrastructure improvement/increase, unemployment reduction, safety improvement, repositioning Mexico in the world, education improvement, and poverty reduction) reflects concern in the business environment, particularly related to the effectiveness of the authorities' actions aimed at reducing unsafety and unemployment.

Nevertheless, a cautious optimism is still perceived in some variables, such as keeping inflation under control, which continues to be the best-evaluated field by executives.

I. Current Situation

A. Business Environment

On a scale of 0 to 100, the evaluation of five aspects (economic situation, investment climate, credit availability, unemployment, and unsafety) fell from 78 to 75¹. The most notable change was related to safety improvement, with a steep decline in positive responses and a substantial increase in negative responses. In the opinion of the executives surveyed, there has been little headway in terms of safety. They did not perceive sufficient change to confirm that this situation had improved in June 2007 compared to the previous year.



Next quarter expectations showed a similar trend to that mentioned previously, although the low percentage that foresees an improvement in safety (17.5% of executives) is notable compared to the 33.8% that expect no change at all.

Similarly, the evaluation compared to the previous three months also shows a decrease in positive responses in all areas.

The most significant decrease was seen in safety improvement, which showed a drop in the percentage of positive responses from 18% to 6% in the second survey.

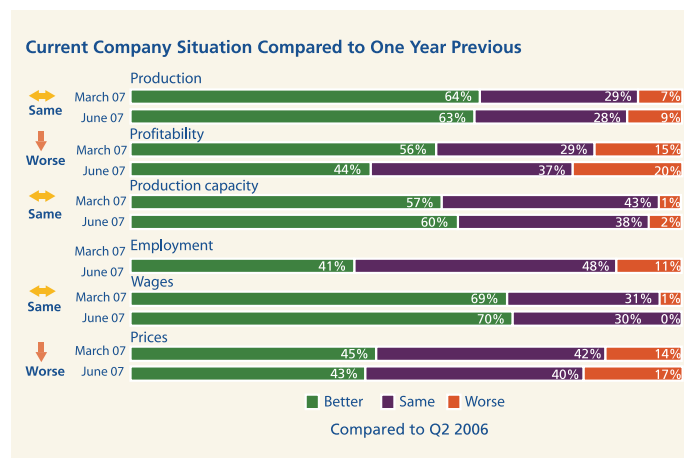
B. Company Situation

In June 2007, more than half of companies reported higher production levels than the previous year, and most of the executives rated both demand and inventories as normal.

Despite the fact that there was a decline in the percentage of positive responses compared to Q1, most executives (62.2%) rated the general situation of companies as better in Q2 2007 compared to the previous year, though they believed that the situation remained the same as in Q1 (61.5%), and stated that there would be no change within three months (53.5%).

Executives ranked the state of companies as better in the second quarter compared to the previous year, particularly in terms of production, wages, and production capacity.

In the short term, the majority of executives did not expect improvements in production, profitability, production capacity, employment, wages, and prices.

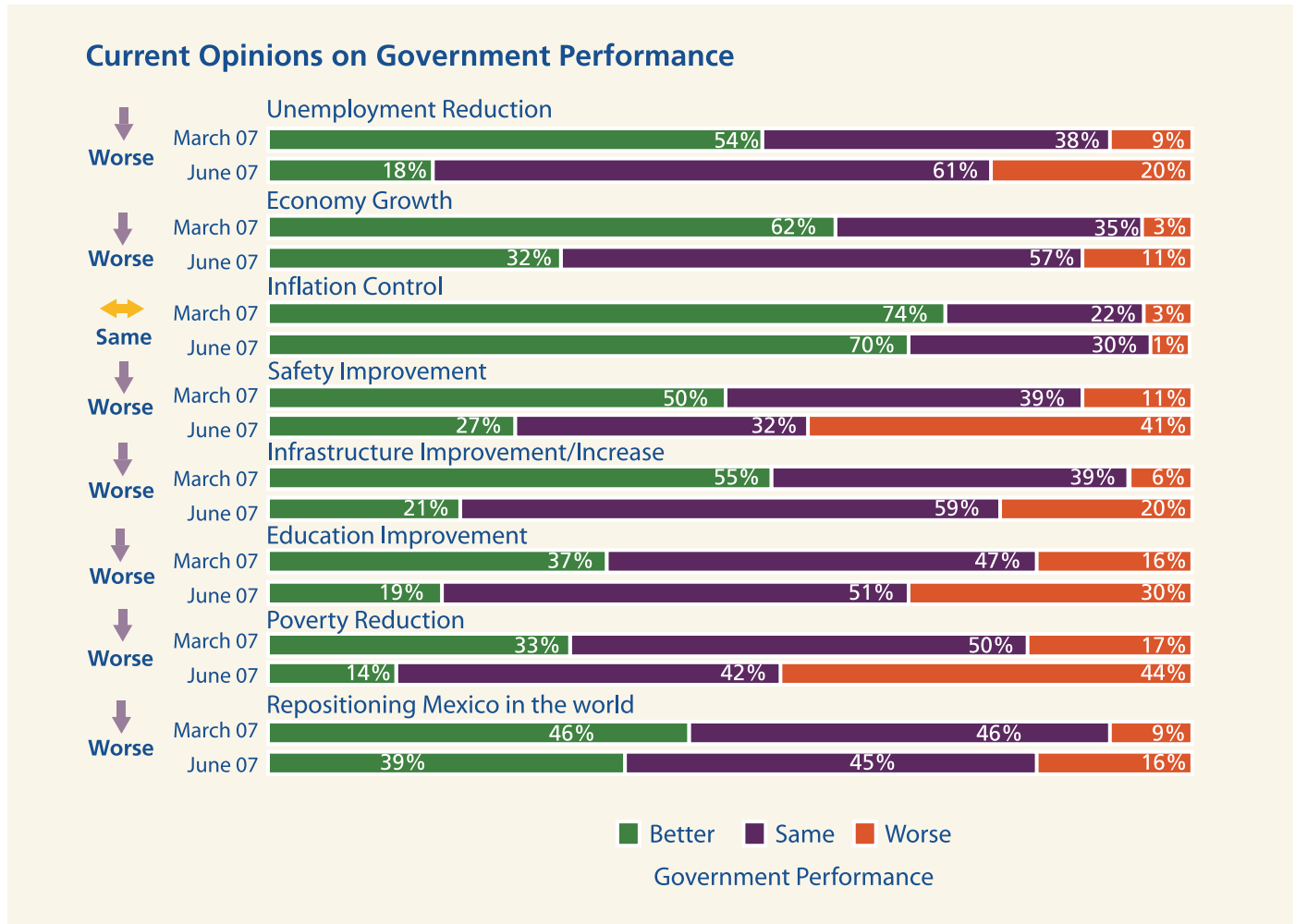


¹These figures were computed by weighing percentages of responses Better, the Same, and Worse, by 1, 0.5, and 0.

C. Government Administration

The low ranking awarded by executives to each of the eight issues examined reflects concerns in the business environment, particularly those related to the effectiveness of government actions aimed at improving safety.

Nevertheless there is still cautious optimism related to certain variables such as inflation control, which continues to be the best-evaluated issue. On a scale of 0 to 100, the joint evaluation of the eight issues of government performance fell from 71 to 54².



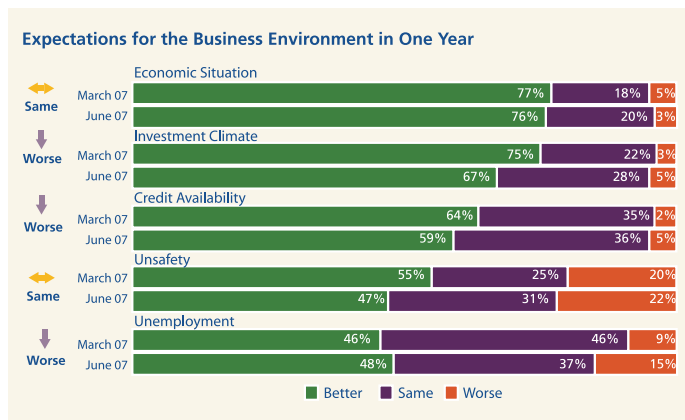
² These figures were computed by weighing percentages of responses Better, the Same, and Worse, by 1, 0.5, and 0.

II. Business Expectations

A. Business Environment

A less favorable opinion predominates among executives regarding the business environment within a year compared to that in the first Barometer.

In particular, there was a decrease in the number of executives that forecast an improvement in terms of safety and investment climate, and a rise in the number of responses about unemployment worsening in the future.



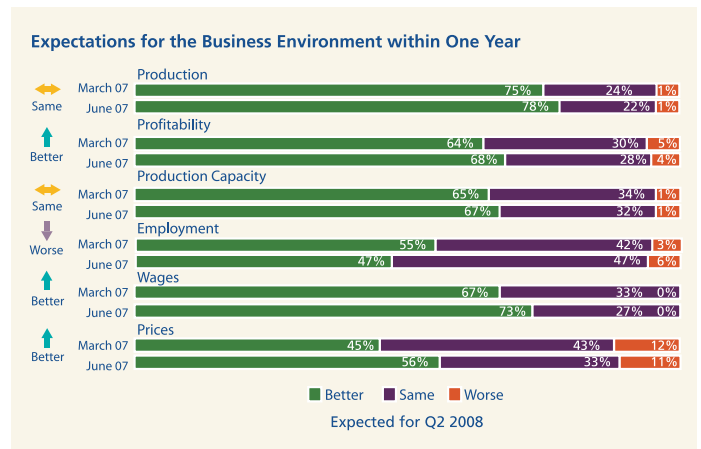
B. Company Situation

For Q2 2007, 87.2% of the responders estimated that the business environment would be better within a year.

- 78.0% of companies expected production to increase in the next 12 months, but less than half planned to increase hiring.
- 73.2% of companies would increase wages, but only 56% would increase their products or services prices.

These June forecasts were better than those from Q1. And if more companies believe it is possible to increase profitability, they will surely strive to increase productivity.

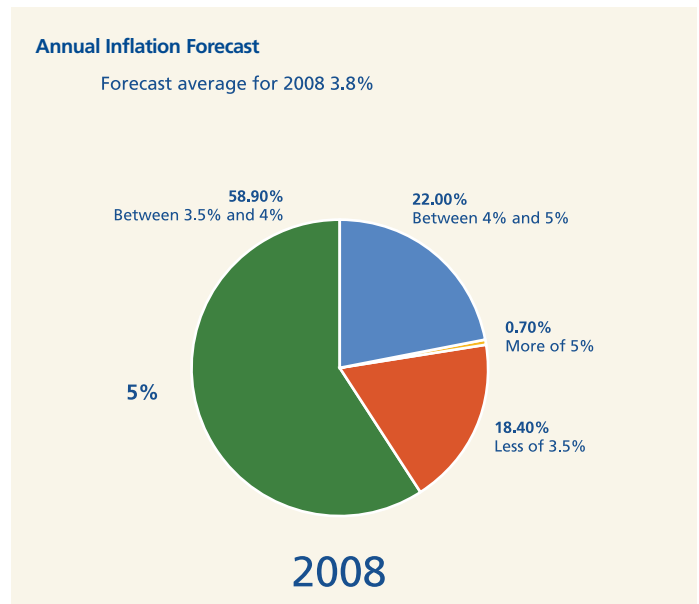
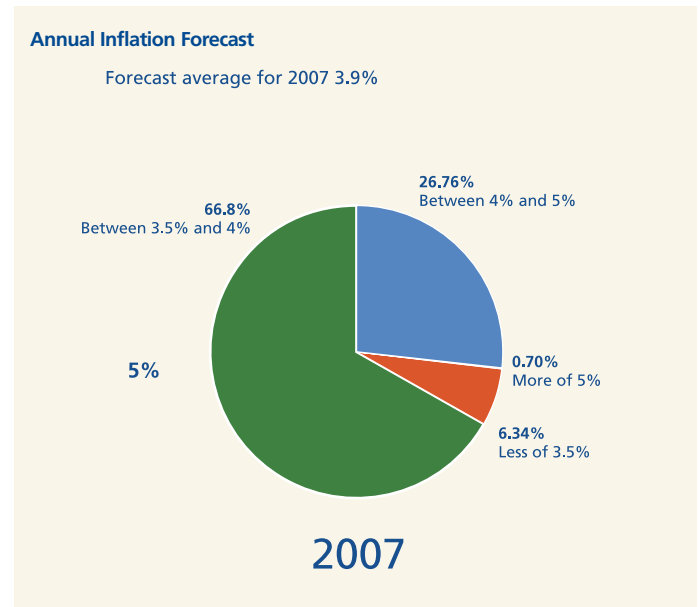
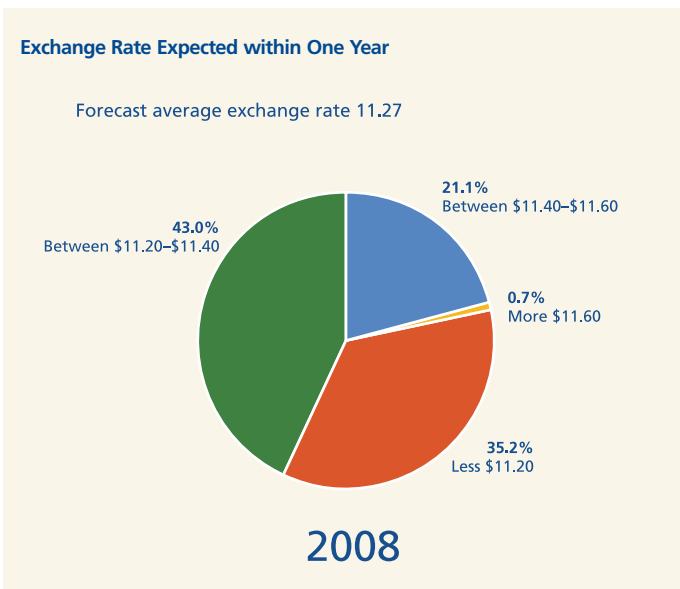
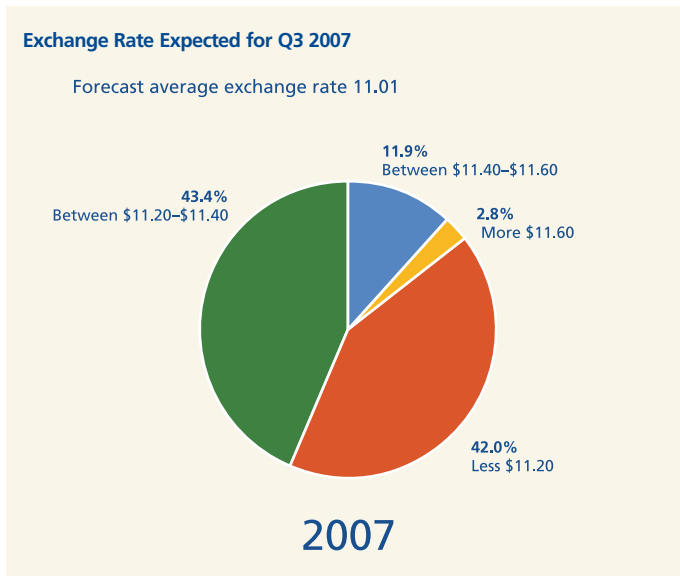
The assessment of the general business environment within a year remained optimistic.



C. Exchange Rate and Inflation

Despite a growing concern about unsafety, business executives expected financial variables to develop better than in March 2007. They reduced their expectations and do not forecast major changes in the exchange rate. Most estimates valued the dollar between 11.00 and 11.10 pesos for Q3 2007, and between 11.20 and 11.40 pesos in Q2 2008. The average expected in these two periods is 11.01 and 11.27 pesos to the dollar, respectively.³

Regarding inflation, executives expect it to be above the goal set by the Bank of Mexico (3%): the average for 2007 is 3.9%, and for 2008 it is 3.8%.⁴



³This expectation is more optimistic than those of economic analysts in the private sector obtained in May 2007 by the Bank of Mexico of 11.10 pesos towards the end of 2007, and 11.36 pesos in December 2008.

⁴This expectation is more pessimistic than that of economists in the private sector obtained in May 2007: 3.51% in 2007 and 3.55% in 2008.

D. Threats to the Economy

The survey reveals a negative view regarding public safety in Mexico. According to the executives, in Q2 2007 the prevailing unsafety in Mexico rose above the other variables and became the crucial deterrent for economic growth over the next months. Respondents ranked unsafety as the leading threat

for the Mexican economy (it was third in the March survey), followed by the economic slowdown in the US (first in March survey). Political discord (14.2%) and the fall in crude oil price (3.7%) lost relative importance.

Threats to the Mexican Economy Over the Next Months

Threats	% of Total responses		
	March 2007	June 2007 (excluding corruption)	June 2007
Unsafety	19.9	37.3	35.0
Slowdown in the USA	31.6	32.8	30.8
Political discord	22.8	14.2	13.3
Corruption	*		6.3
Social conflict	5.9	6.0	5.6
Inflation	3.7	5.2	4.9
Crude oil price reduction	12.5	3.7	3.5
Public deficit	2.2	0.8	0.7
Wage claims	1.5	0.0	0.0
Total	100.0	100.0	100.0

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

III. Conclusion

Although there was a downturn in the perception of the economic environment in June from that of the first quarter, business executives' optimism was maintained.

Even though unsafety is still considered the main risk and that along with unemployment continue to be a pending task for the Mexican government, business executives expect financial stability over the next 12 months.

With the exception of inflation control, the rating of the Mexican government performance declined notably in the last three months. Inflation control was the best evaluated variable by executives because they believe that the government continues to manage it effectively.

To overcome the obstacles affecting both the country's economic development and the business environment, the Mexican government must intensify its efforts, as well as implement, consolidate, and spread highly effective actions in a timely manner.

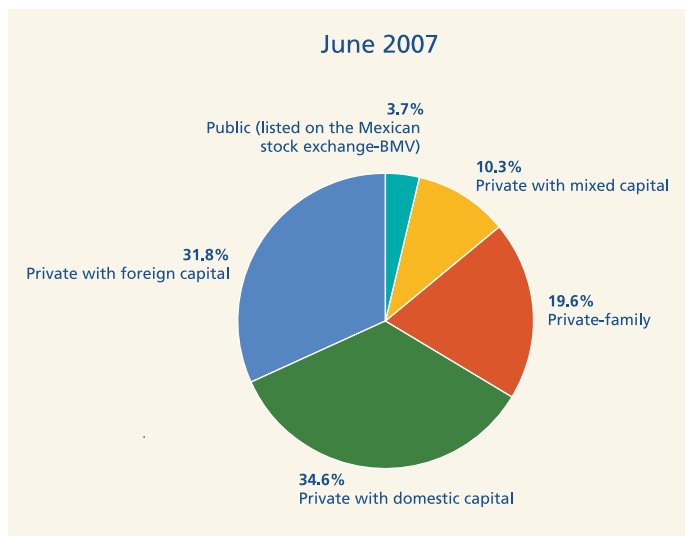
IV. Appendices

A. About the Survey

Deloitte's second "Mexico Business Barometer" survey included 143 executives from the most important companies in the country, who answered via Internet (33%) and/or by phone (67%).

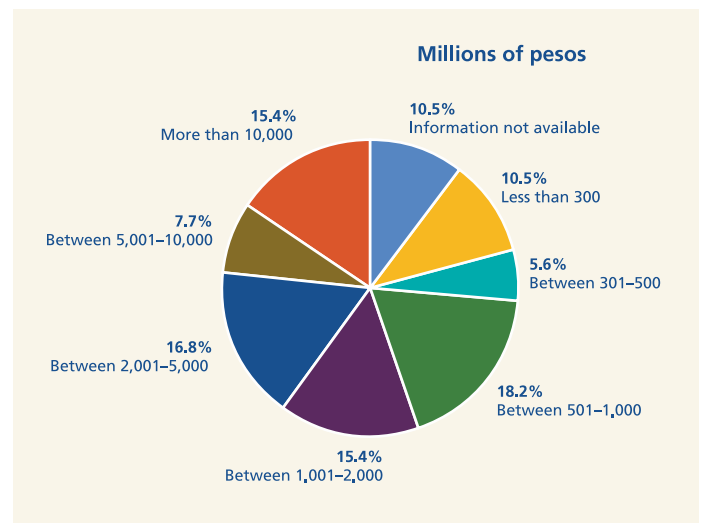
Company Profiles

Distribution of companies in terms of capital is as follows:



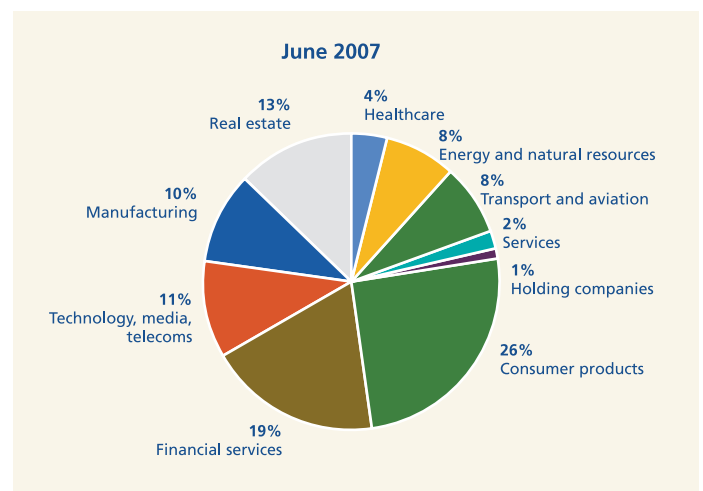
Average annual income of companies: between 300 million and 10,000 million pesos

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



Industry Participation

Respondents represent a wide range of industries, as shown in the following chart:



B. Participating Companies

The following companies have authorized the publication of their names in the list of participants:

BBA Nonwovens de México, S.A. de C.V.
Aceites, Grasas y Derivados, S.A. de C.V.
Administración Portuaria Integral de Veracruz, S.A. de C.V.
Aeropuerto Internacional de la ciudad de México, S.A. de C.V.
Alimentos Capullo, S. de R.L. de C.V.
Almacenadora Mercader, S.A.
Almidones Mexicanos, S.A. de C.V.
American Industries International, S.A. de C.V.
Andrea Plus, S.A. de C.V.
Areva T&D, S.A. de C.V.
Atlas Copco, S.A. de C.V.
Audi de México, S.A. de C.V.
Autobuses del Noreste, S.A. de C.V.
Autobuses México Puebla Estrella Roja, S.A. de C.V.
Avaya Communication de México, S.A. de C.V.
Baker Hughes de México, S. de R.L. de C.V.
Banco Nacional de Comercio Exterior, S.N.C.
Banco ve Por más, S.A., Institución de Banca Múltiple
Banregio Grupo Financiero, S.A. de C.V.
BCBA Impulse Ingeniería Inmobiliaria, S.A. de C.V.
BDF México, S.A. de C.V.
Bioenergía de Nuevo León, S.A. de C.V.
Brasa Desarrollos, S.A. de C.V.
Bristol-Myers Squibb de México, S. de R.L. de C.V.
Café del Pacífico, S.A. de C.V.
Casa Marzam, S.A. de C.V.
Church & Dwight Servicios, S. de R. de C.V.
Clariant Productos Químicos, S.A. de C.V.
Combustión Industrial y Control, S.A. de C.V. (CICSA)
Compañía Embotelladora Herdomo, S.A. de C.V.
Copachisa, S.A. de C.V.
Corporativo La Moderna, S.A. de C.V.
Cyva, Calefacción y Ventilación, S.A. de C.V.
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Fábrica de Papel San Francisco, S.A. de C.V.
Farmacias Benavides, S.A.B. de C.V.
Farmacias de Similares, S.A. de C.V.
Femsa Cerveza, S.A. de C.V.
Ficen, S.A. de C.V.
Finarmex, S.A. de C.V. SOFOL
Finter, S.A.
Firmenich, S.A. de C.V.
Grupo Acción, S.A. de C.V.
GE Seguros, S.A. de C.V.
General de Seguros, S.A.B.
Grupo Azucarero México, S.A. de C.V.
Grupo Embotelladoras Unidas, S.A. de C.V.
Grupo Empresarial Kaluz, S.A. de C.V.
Grupo Emyco, S.A. de C.V.
Grupo Fila Dixon, S.A. de C.V.
Grupo Financiero Interacciones, S.A.
Grupo Gayosso, S.A. de C.V.
Grupo Gigante, S.A. de C.V.
Grupo Helvex, S.A. de C.V.
Grupo Industrial Trébol, S.A. de C.V.
Grupo México, S.A.B. de C.V.
Grupo Presidente Hoteles y Restaurantes
Grupo Primex, S.A. de C.V.
Grupo Profuturo, S.A.B. de C.V.
Grupo Radio Centro, S.A. de C.V.
Grupo Willis México
Hipotecaria Crédito y Casa, S.A. de C.V.
Hitchiner, S.A. de C.V.
HYLSA, S.A. de C.V.
Industrias Vinícolas Pedro Domecq, S.A. de C.V.
Ingenio Presidente Benito Juárez, S.A. de C.V.
Inmobiliaria Ruba, S.A. de C.V.
Intermec Technologies México, S.A.
Ixe Afore, S.A. de C.V.
KUO Automotriz, S.A. de C.V.
Laboratorio Médico del Chopo, S.A. de C.V.
Laboratorios Virbac México, S.A. de C.V.
Mapfre Tepeyac, S.A.
Mecalux México, S.A. de C.V.
Nec de México, S.A. de C.V.
NextiraOne México, S.A. de C.V.
Office Depot de México, S.A. de C.V.
Panasonic de México, S.A. de C.V.
Patrimonio, S.A. de C.V. Sociedad Financiera de Objeto Limitado
Porcelanite, S.A. de C.V.
Protexa, S.A. de C.V.
Reaseguradora Patria, S.A. de C.V.
Restaurantes California, S.A. de C.V.
San Luis Rassini Frenos, S.A. de C.V.
Schneider Electric México, S.A. de C.V.
Seguros Atlas, S.A. de C.V.
SKF de México, S.A. de C.V.
Transportación Marítima Mexicana, S.A. de C.V.
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