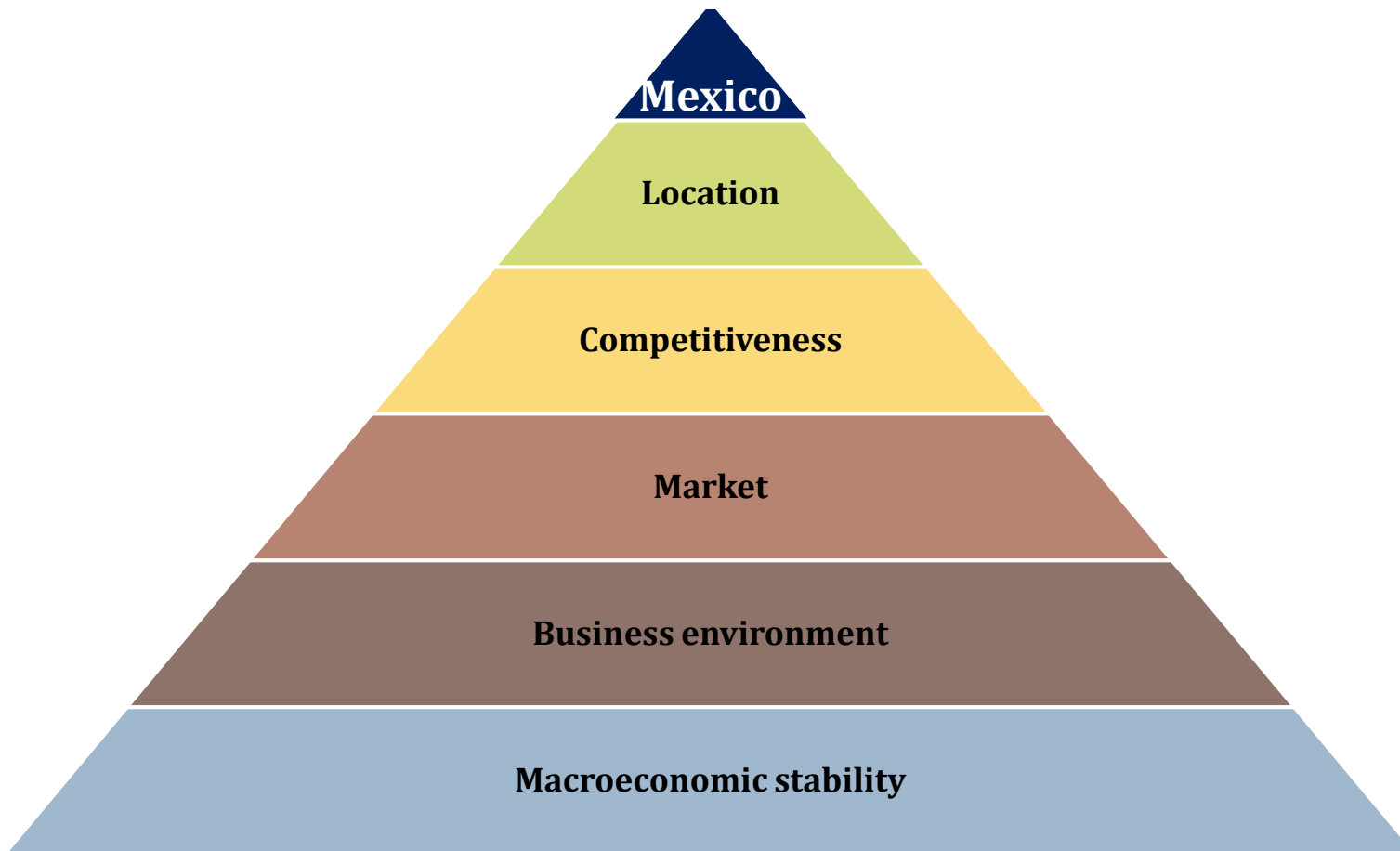




**México**  
MEANS OPPORTUNITY

Febrero 14 2012

# ¿WHY IS MEXICO ATTRACTIVE?



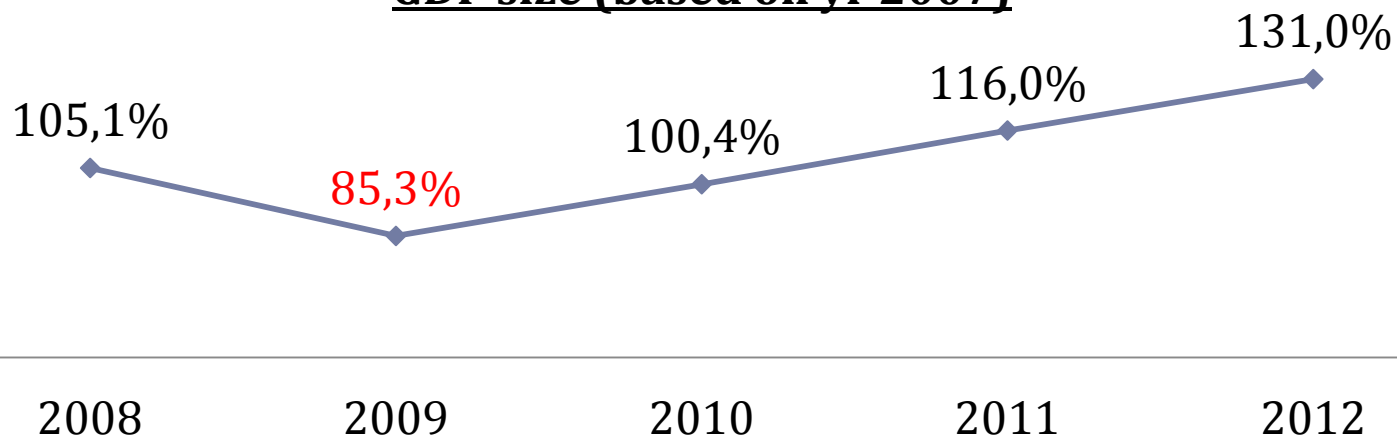
# Because of our macroeconomic stability...

**Mexico has reached the pre-crisis economic levels without solvency issues**

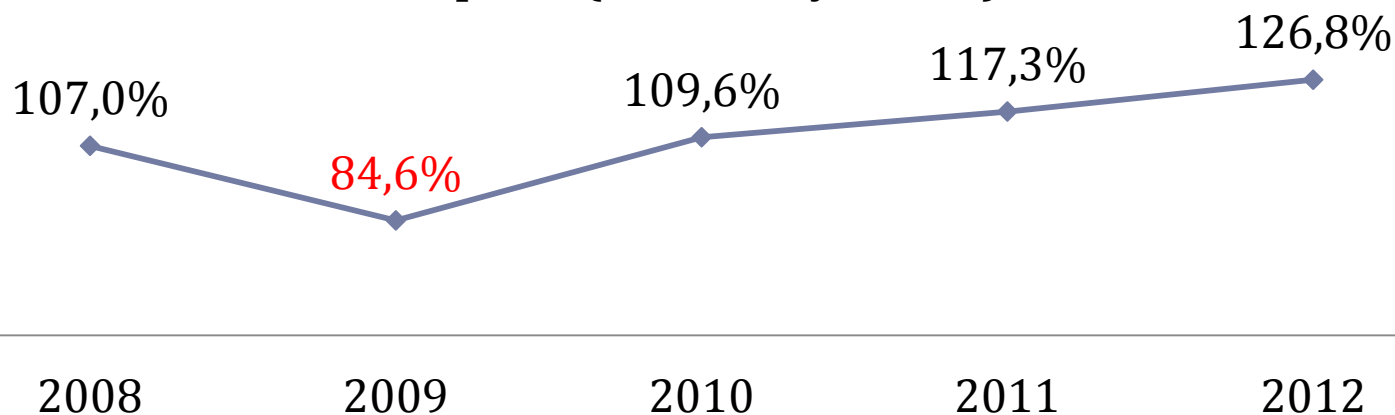
- ⊙ IMF estimates bigger economic growth for Mexico in 2011 than for the US and Canada
- ⊙ Non petrol exports have positive growth rates, since 2009 those export have grown about 57%
- ⊙ Manufacture production has grown too, since 2009 a 55% growth has been shown.

# the numbers prove it,

## GDP size (based on yr 2007)

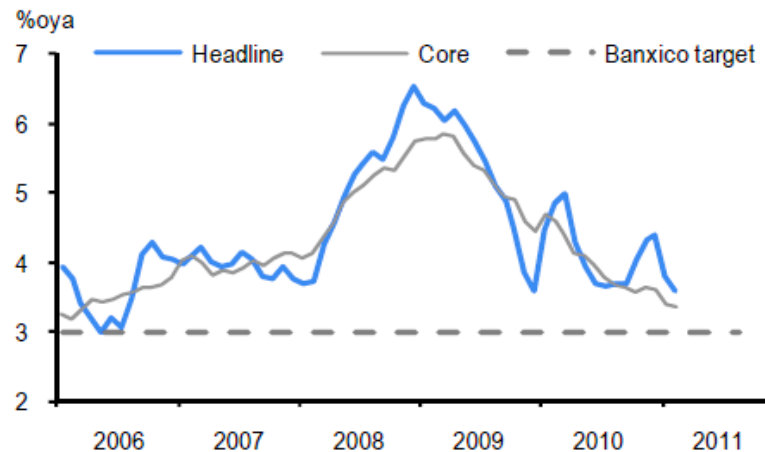


## Exports (based on yr 2007)



# and our central bank policy is working...

Figure 59: CPI inflation



Source: Banco de México.

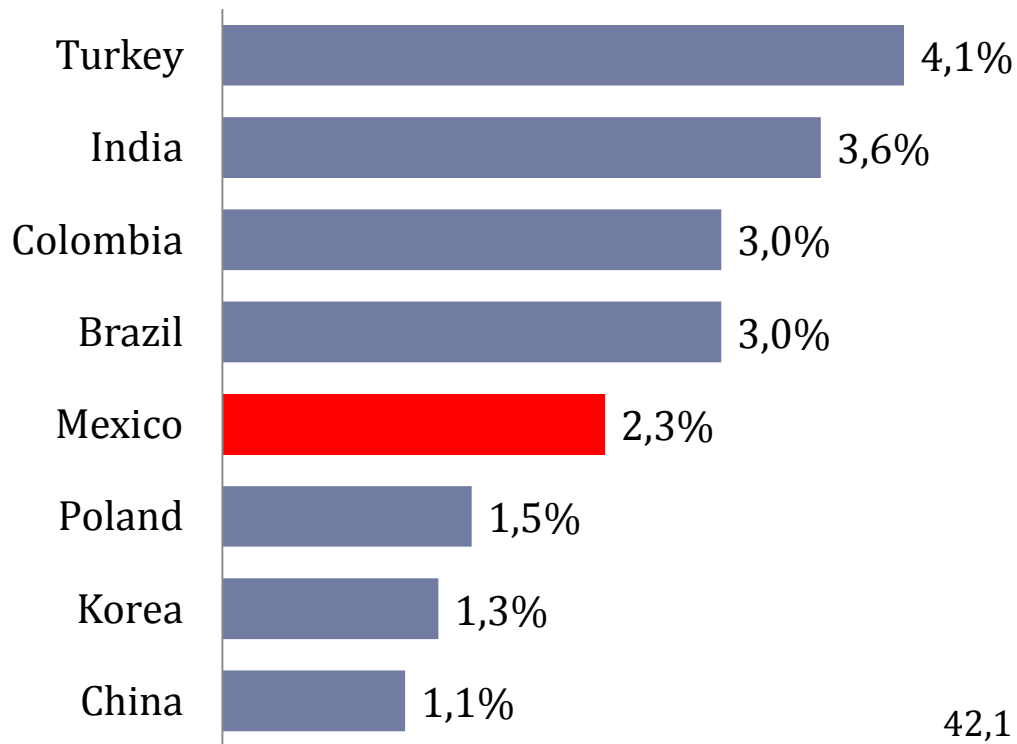
Table 29: Goods and services weight reversal

%

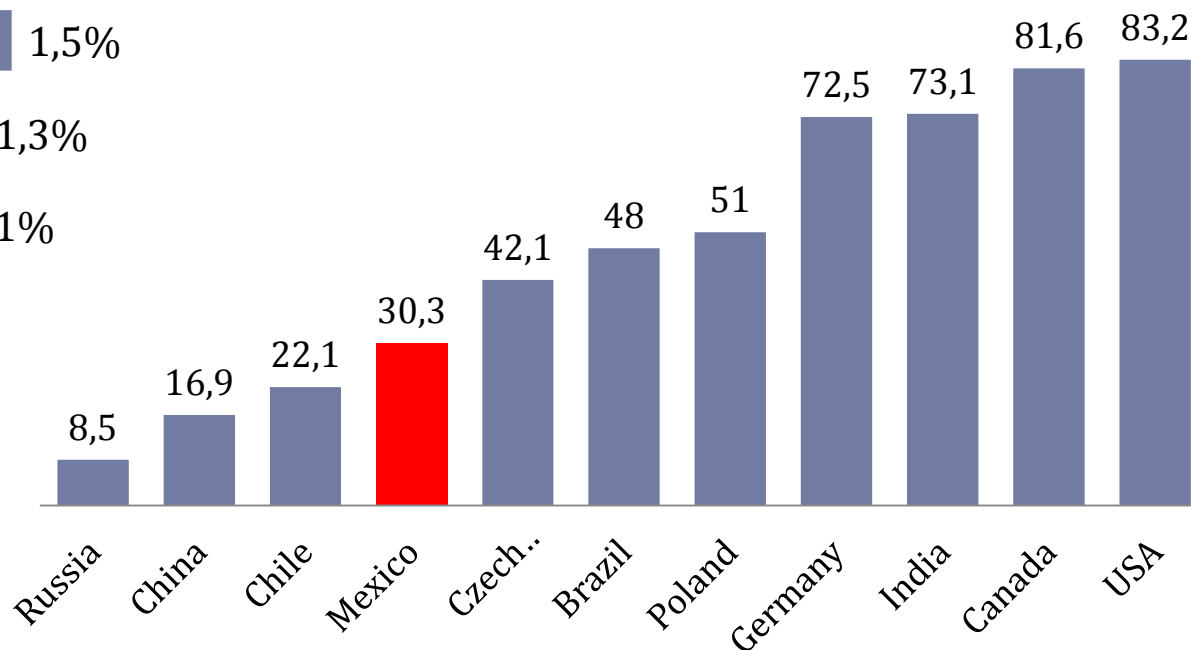
	New	Previous	Chg
<b>Headline</b>	<b>100.0</b>	<b>100.0</b>	<b>--</b>
<b>Core</b>	<b>76.7</b>	<b>74.8</b>	<b>2.0</b>
Goods	34.5	37.0	-2.5
Processed foods	14.8	14.7	0.1
Other goods	19.7	22.4	-2.6
Services	42.2	32.5	9.7
Housing	18.7	17.9	0.9
Rent	14.3	12.0	2.4
Other housing services	4.4	5.9	-1.5
Other services	18.4	14.7	3.7
Education	5.1	5.2	-0.1
<b>Non-core</b>	<b>23.3</b>	<b>25.2</b>	<b>-2.0</b>
Agriculture	8.5	8.1	0.4
Fresh fruits and vegetables	3.7	3.3	0.4
Metal and egg	4.8	4.8	0.0
Energy and govt. regulated <sup>1</sup>	14.8	17.2	-2.4
Energy	9.5	7.8	1.7
Electricity	3.6	2.3	1.3
Gasoline <sup>2</sup>	4.2	3.7	0.5
Heating gas <sup>3</sup>	1.7	1.8	-0.1
Govt. regulated	5.3	9.4	-4.1

Source: J.P. Morgan with data from Banco de México. 1. Previously known as 'Administered and negotiated'. 2. Includes low and high-octane gasoline. 3. Includes natural and LP domestic heating gas.

**Country risk 2011**



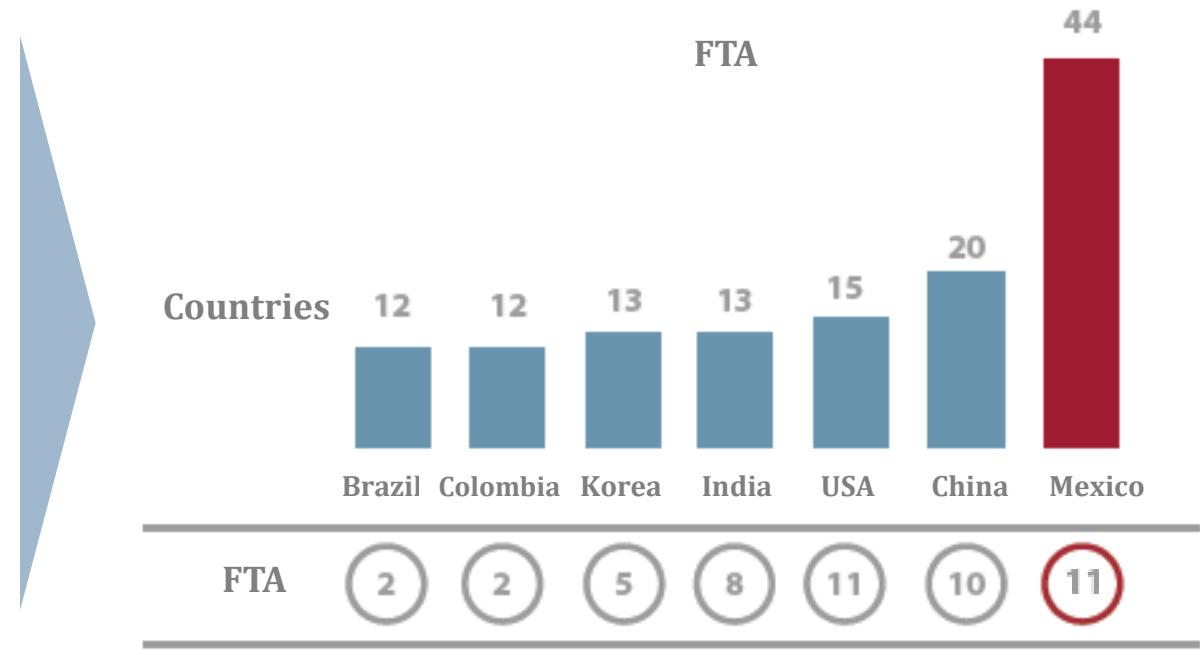
**Public Debt as % of GDP**



# Because we are leaders in FTA...

2<sup>th</sup> place in the world

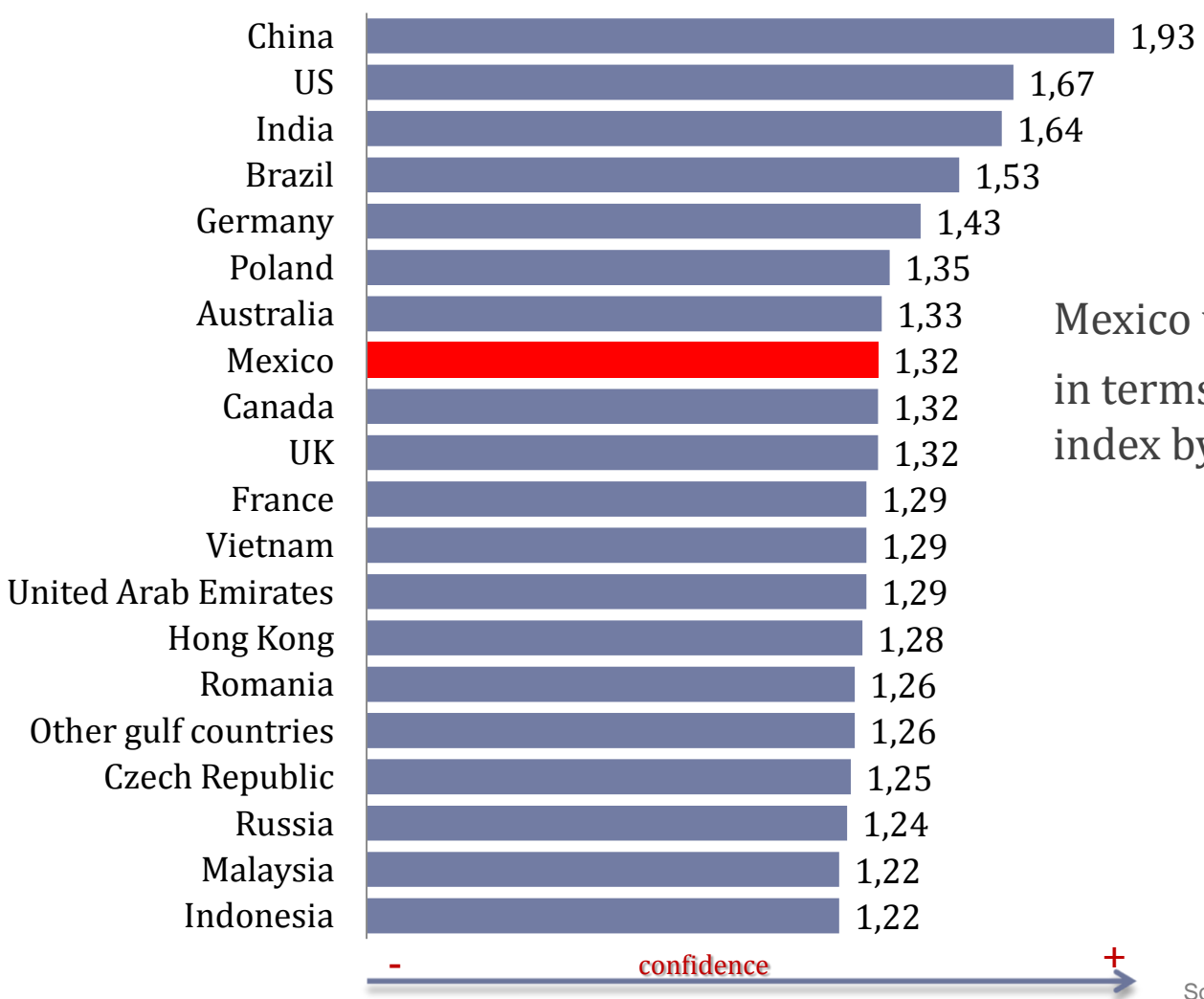
27 APRIS  
11 FTA  
6 ACE



Mexico has 11 FTA with 44 countries, representing 67% of the world GDP.

# And an important destination for FDI...

Confidence Index 2010



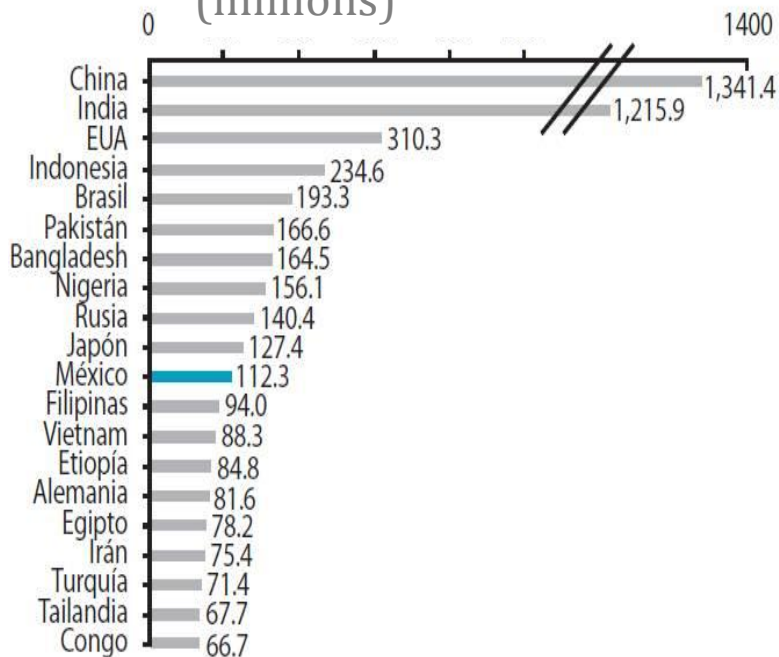
Mexico was ranked **8<sup>th</sup>** in terms of FDI confidence index by AT Kearney.

Source: FDI Investing Index, AT Kearney

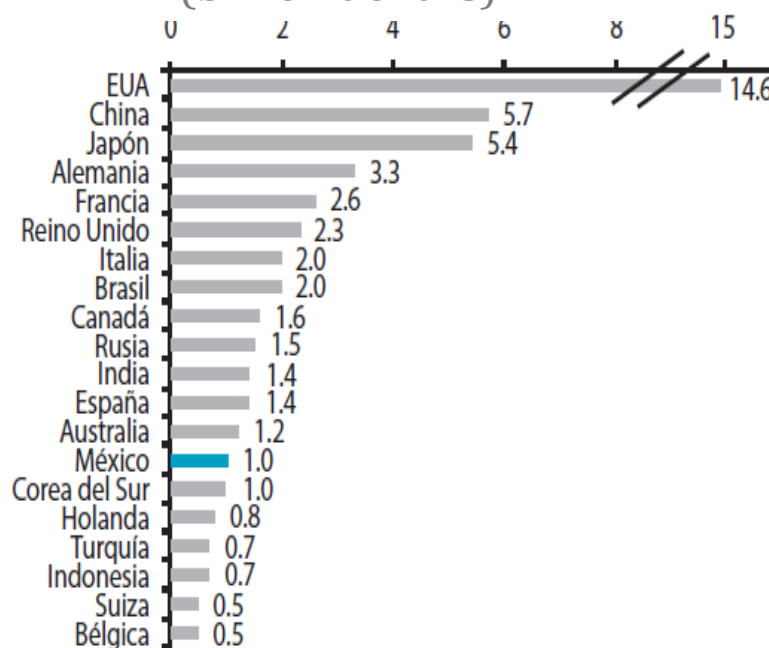


# We are a BIG country, in population and economy

Population 2010 (millions)

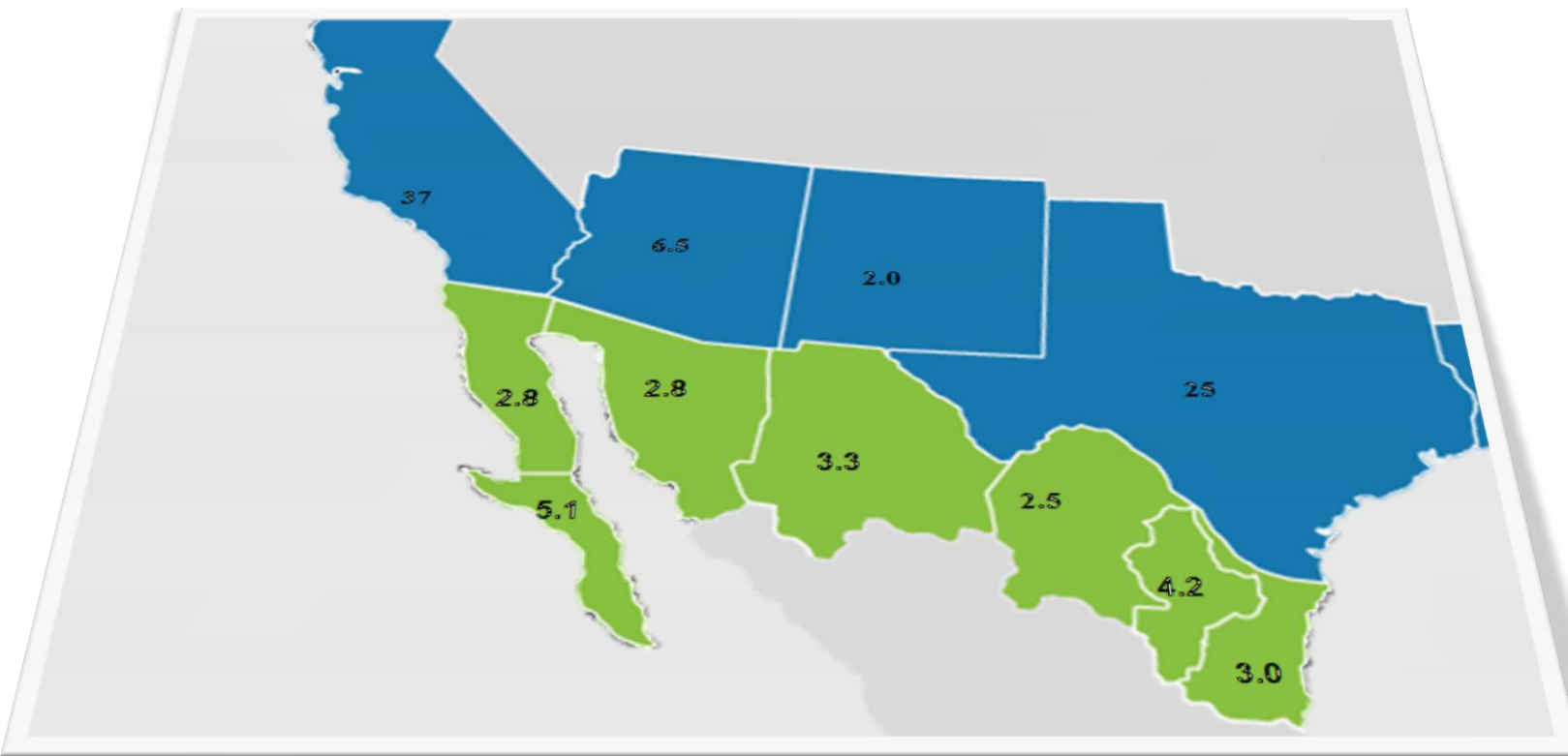


GDP 2010 (billion dollars)



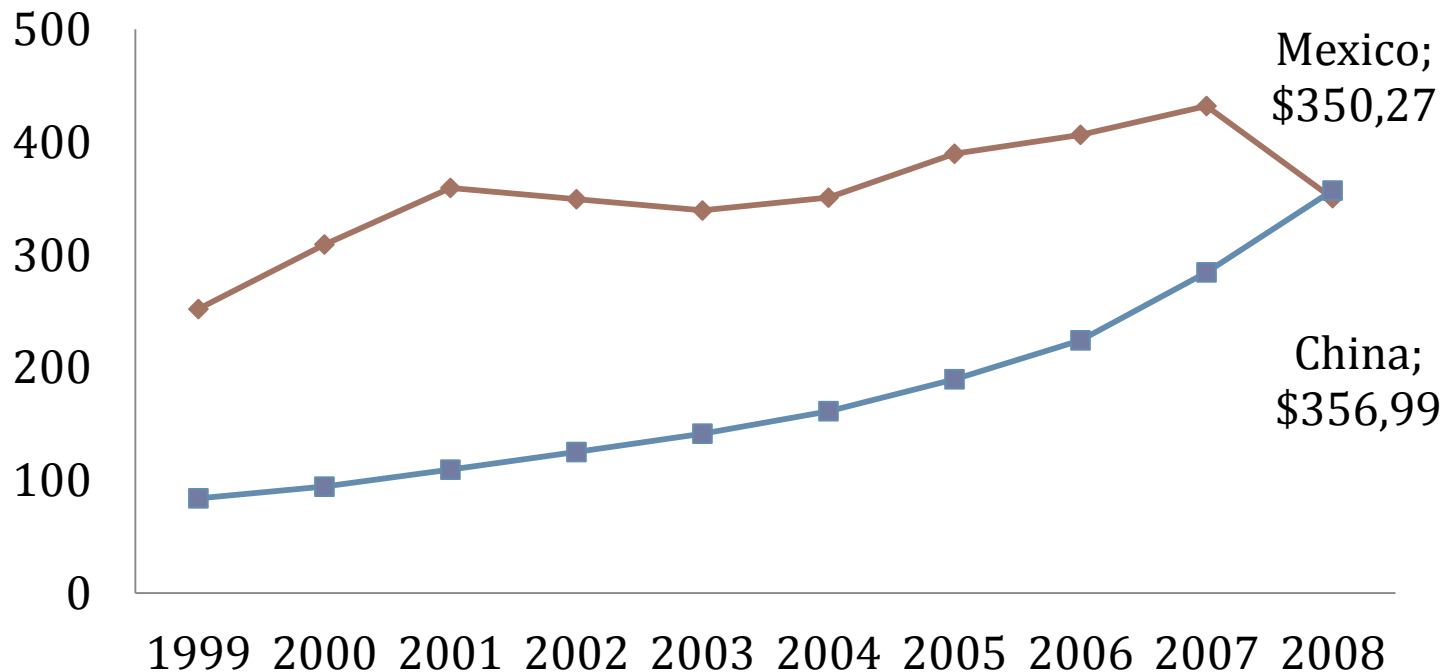
# ... with big opportunities in regional markets.

Just the south of USA and the north of Mexico hold a population of 84 million



# We have competitive labor costs...

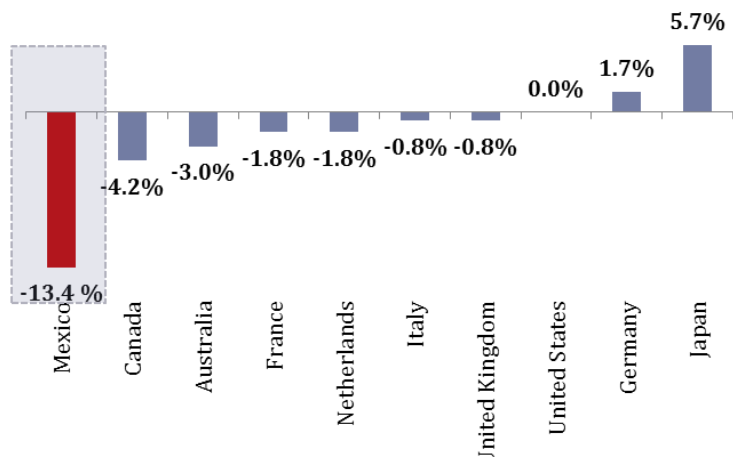
## Wages (per month in USD)



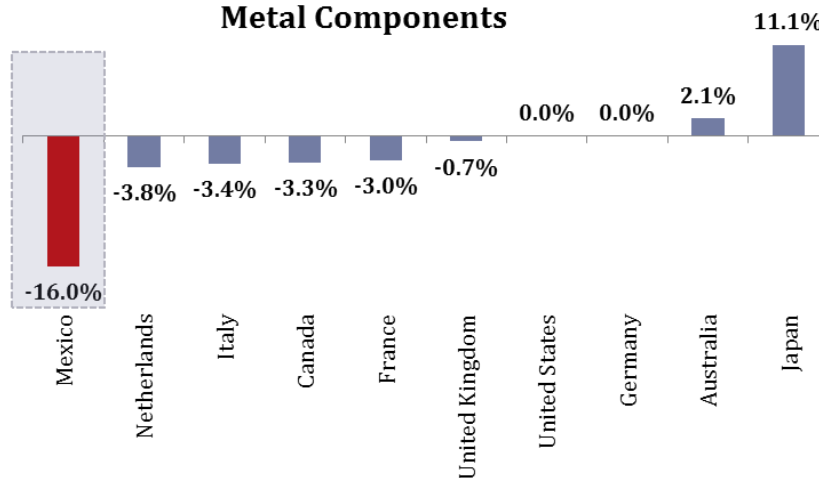
# ... and manufacturing costs too

Compared to the US

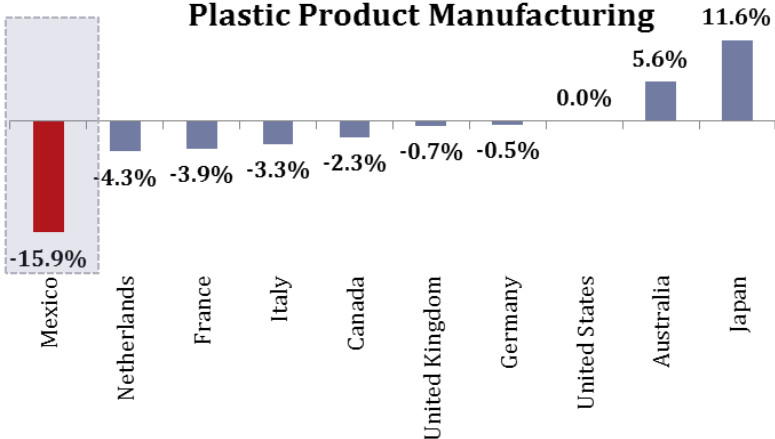
**Electronics Assembly**



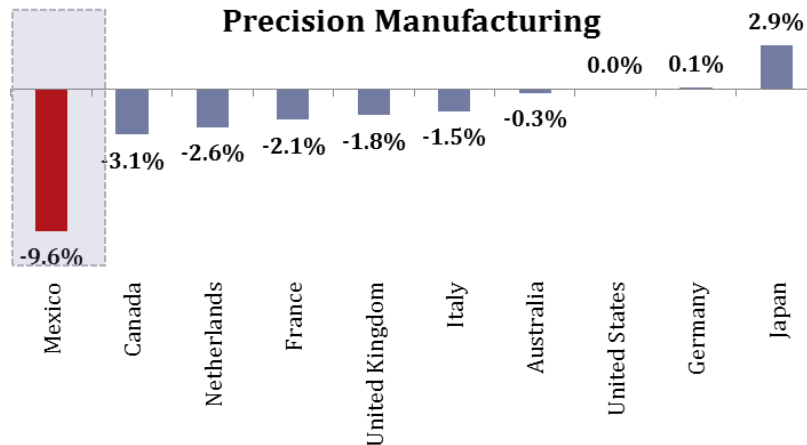
**Metal Components**



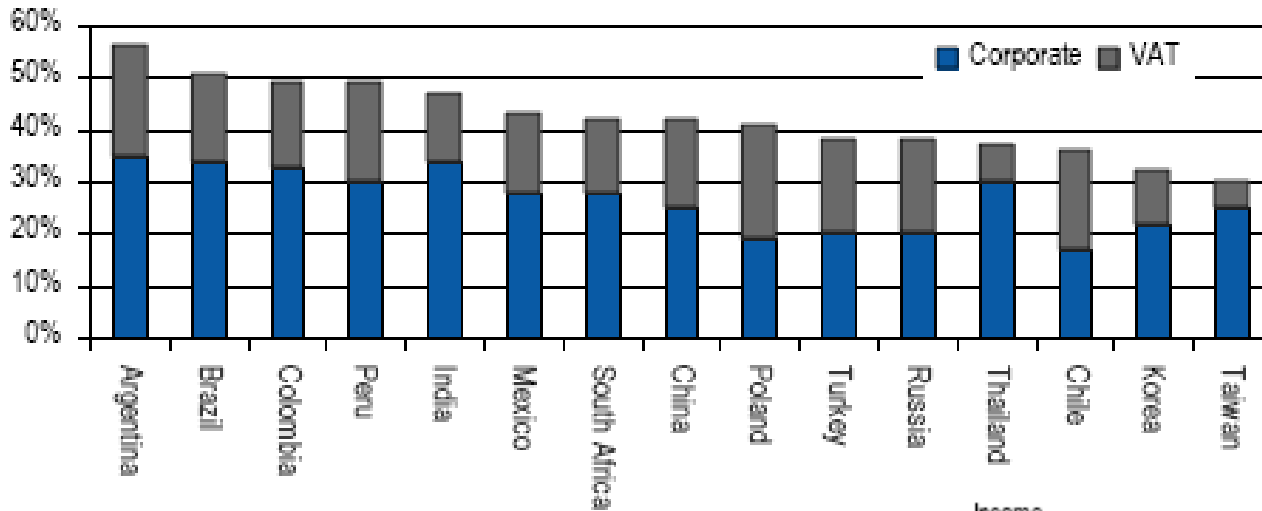
**Plastic Product Manufacturing**



**Precision Manufacturing**



# COMPARATIVE TAX RATES: A SMALL TAXPAYER BASE EXPLAINS WHY MEXICO HAS SUCH A LOW TAX COLLECTION-TO-GDP RATIO, DESPITE COMPARATIVELY SIMILAR TAX RATES VERSUS EMERGING MARKET PEERS.



Mexico's Tax structure evolve to match developed countries

# AT BBB BY S&P, MEXICO IS RATED ONE NOTCH ABOVE INVESTMENT GRADE

Table 21: Mexico Historical Long-Term Sovereign Debt Credit Ratings<sup>1</sup>

S&P	Rate Chg. Date	Moody's	Rate Chg. Date	Fitch	Rate Chg. Date
BBB (Stable)	14-Dec-09	Baa1 (Stable) <sup>3</sup>	5-Aug-09	BBB (Stable)	23-Nov-09
BBB+ (Neg)	11-May-09	Baa1 (Stable)	6-Jan-05	BBB+ (Neg)	11-Nov-08
BBB+	8-Oct-07	Baa2	6-Feb-02	BBB+	19-Sep-07
BBB	31-Jan-05	Baa3	7-Mar-00	BBB	7-Dec-05
BBB- <sup>2</sup>	7-Feb-02	Ba1	10-Aug-99	BBB-	15-Jan-02
BB+	13-Mar-00	Ba2	20-Feb-91	BB+	3-May-00
BB	10-Feb-95			BB	30-Aug-95
BB+	29-Jul-92				

Source: S&P, Moody's, and Fitch Ratings. 1. Outlook between parentheses. 2.

'Investment Grade' is considered to be achieved at a rating of BBB- (Baa3 for Moody's) or above. 3. Moody's Investors Service ratified México's sovereign rating at Baa1 on August 5, 2009.

**WITH AN ESTIMATED DAILY TURNOVER OF MORE THAN US\$20 BILLION (US\$20 BILLION IN THE SPOT MARKET) THE PESO IS THE MOST LIQUID CURRENCY IN LATIN AMERICA AND ONE OF THE MOST LIQUID GLOBALLY, JUST AFTER HKD, NOK, AND NZD.**

**Table 22: Mexico's Exchange Rate Regimes (1932-2010)**

1932-1944	Free floating
1944-1948	Fixed exchange rate <sup>1</sup>
1948	Free floating
1949-1976	Fixed exchange rate
1976-1977	Free floating
1977-1982	Fixed exchange rate
1982-1991	'Dual' exchange rate
1991-1994	Crawling peg with the US dollar
1994-2008	Free floating with some FX interventions
1998-2008	Free floating
2008-2010	Free floating with some FX interventions <sup>2</sup>

1. Mexico was part of the Bretton-Woods agreement.

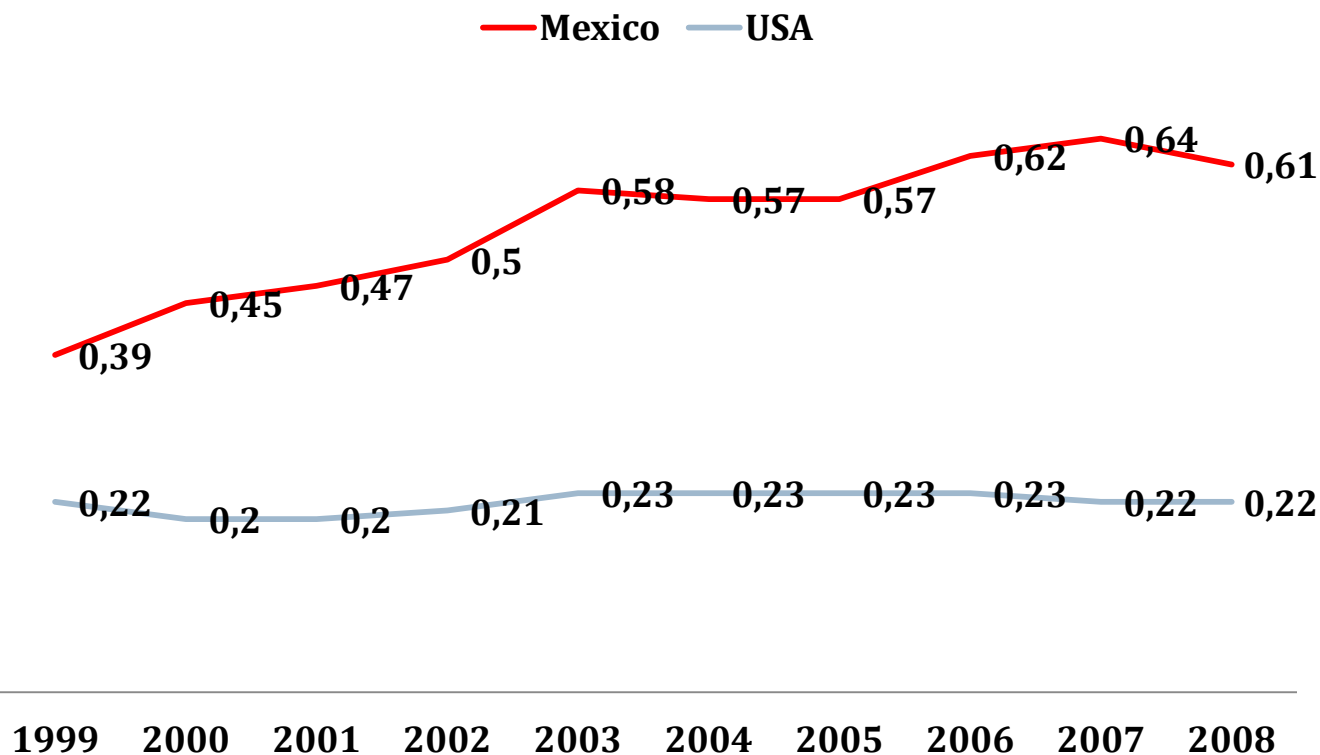
2. The Foreign Exchange Commission (FEC) decided to intervene in the FX market to stabilize the exchange rate amidst the Global Crisis that started in the US subprime housing market.

Source: Banco de México, Ortiz, Guillermo, and Leopoldo Solís 'Estructura Financiera y Experiencia Cambiaria: México 1954-1977', Documento de Investigación, 1978-01, Banco de México, 1978.

# We are a highly skilled country

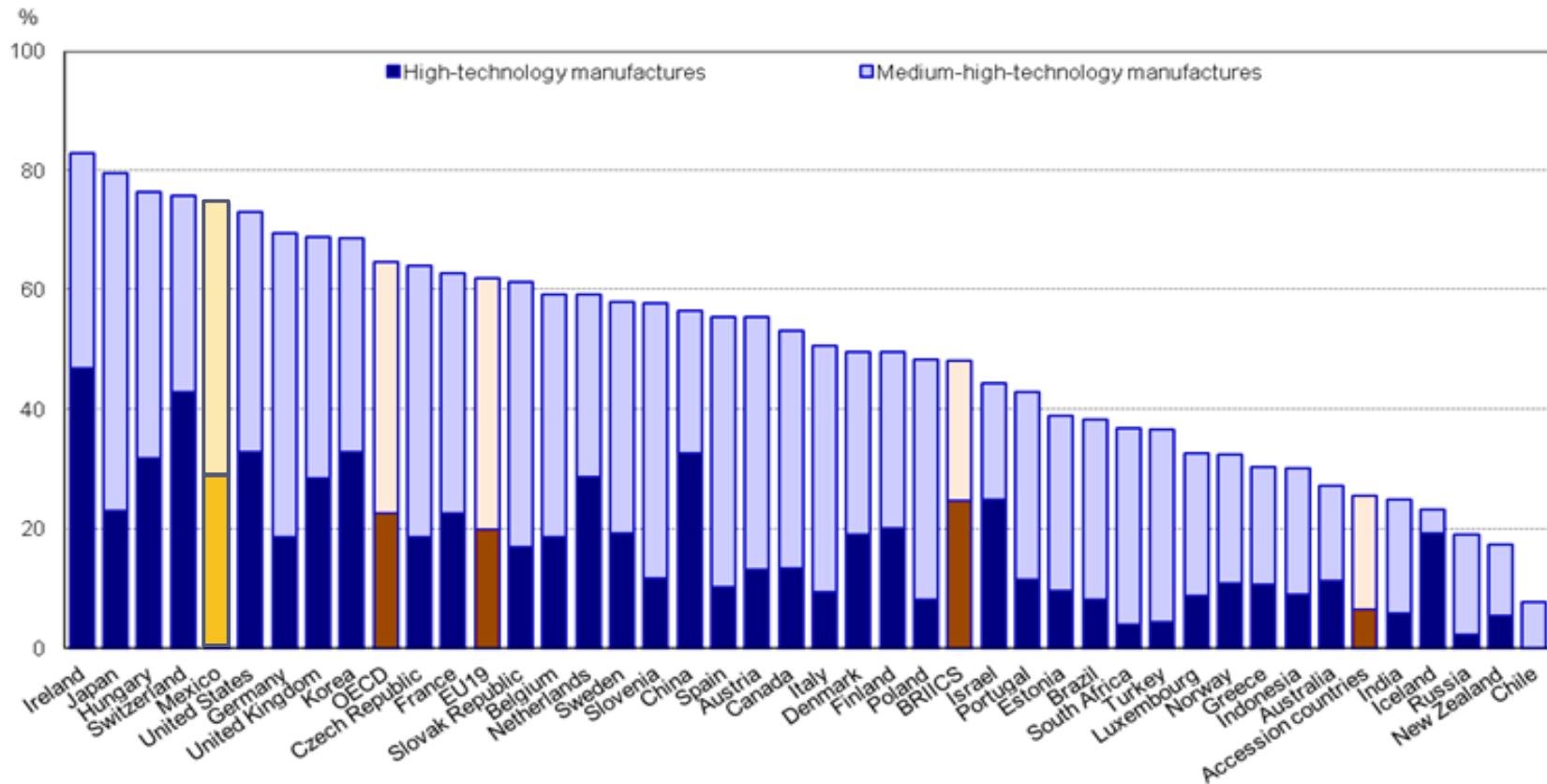
More than **90,000** engineers and technicians graduate every year from science and technology programs.

engineers graduated per 1,000 inhabitants





# With highly skilled companies



# ...at the center of the world

No other country is closer to the primary ports in the world

Days port to port										
Target	Germany	Brazil	China	Colombia	Korea	USA	India	Mexico	Poland	Turkey
New York	11.0	15.0	32.0	6.0	21.0	-	25.0	5.0	12.0	16.0
L.A	25.0	23.0	18.0	10.0	17.0	-	31.0	4.0	26.0	28.0
Rotterdam	-	17.0	32.0	15.0	33.0	11.0	20.0	16.0	1.0	10.0
Yokohama	35.0	35.0	4.0	24.0	3.0	15.0	17.0	19.0	36.0	27.0
Rio de Janeiro	17.0	-	31.0	12.0	34.0	15.0	24.0	15.0	18.0	19.0
Average	22.0	22.5	23.4	13.4	21.6	13.7	23.4	11.8	18.6	20.0

# With competitive sectors

High competitiveness and deep impact sectors	Professional and Entrepreneurial Program	Domestic Market Development
<ol style="list-style-type: none"> <li>1. Transport equipment manufacturing.</li> <li>2. Machinery and Equipment manufacturing.</li> <li>3. Electric and Electronic equipment manufacturing.</li> <li>4. Mining (excluding oil &amp; gas)</li> <li>5. Business Consultancy Services.</li> <li>6. Food Industry</li> <li>7. Health Services</li> <li>8. Tourism</li> </ol>	<ol style="list-style-type: none"> <li>1. Vegetables, fruits and flowers.</li> <li>2. Software</li> <li>3. Research and Development</li> <li>4. Architecture, Engineering and design services.</li> <li>5. Music, film industry, radio y television.</li> </ol>	<ol style="list-style-type: none"> <li>1. Housing</li> <li>2. Retail</li> <li>3. Financial Services</li> </ol>
<b>Development Platform</b>		
1. Infrastructure	2. Telecommunications	3. Academic Services

# And global leaders in key industries

## Aerospace



**Highest** investment attraction in aerospace manufacturing during the last decade

**6<sup>th</sup>** destination in the world for engineering and development investment

More than **240** companies are settled in the Mexican aerospace industry, **270%** more than those established in the country in 2005.

Mexico is **top 10** provider to the American Aerospace Industry, better than all BRIC countries.

... again...

## Automotive



**7<sup>th</sup>** largest exporter of motor vehicles in the world (in value)

**Twice** as big as Brazil and India combined

Key supplier to the **US automobile market:**

**11%** of all cars and light trucks sold in the US are built in Mexico

**30%** of all imported automobiles and light trucks (2010)

**85%** of all commercial vehicles (2009) (includes US brands manufactured outside the US)

**31.7%** of auto parts imported

# ... and again...

## Electric – Electronics



**Largest** exporter of Flat Screen TV sets in the world in US Dollars

**Second** largest exporter of refrigerators and freezers

We are the **Third** exporter of mobile telephones, with exports valued at \$9,860 million dollars in 2010

Mexico exports more manufactured products than the rest of LATAM combined

# ... and again...

## Energy

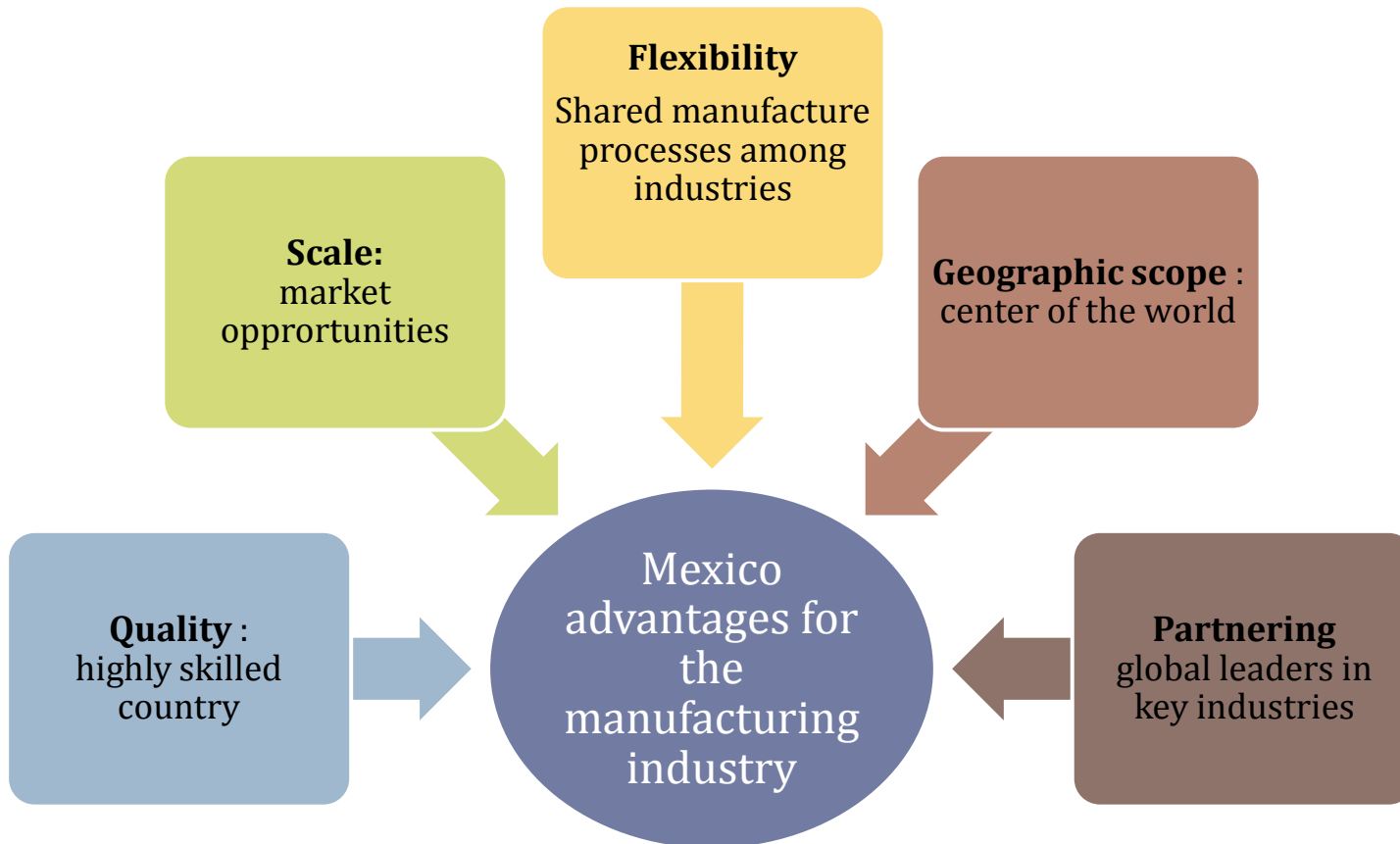


**24.1%** of the total installed capacity of electrical power generation is through renewable energies

Mexico's potential by energy type:

- ✓ **Wind Power:** estimated potential of **71,000 MW**
- ✓ **Solar Power:** daily solar irradiance between **5 - 6 KW/h/m<sup>2</sup>** , **25 km<sup>2</sup>** in Sonora or Chihuahua are enough for generating the whole country's energy requirement
- ✓ **Hydraulic Power:** estimated potential of **39 GW**
- ✓ **Geothermal Power:** among the **top five** leaders in the world

# ¿Why is Mexico attractive for the any manufacturing industry?





# And of course you have ProMéxico

Investor



- ProMéxico **coordinates** the relations between the investor and other government dependencies **to facilitate the success of the investment project**

**MEXICO IS THE  
OPPORTUNITY**