

Secretaría de Hacienda y Crédito Público



Economic Outlook for Mexico

LSE Mexico Conference 2011

March, 2011

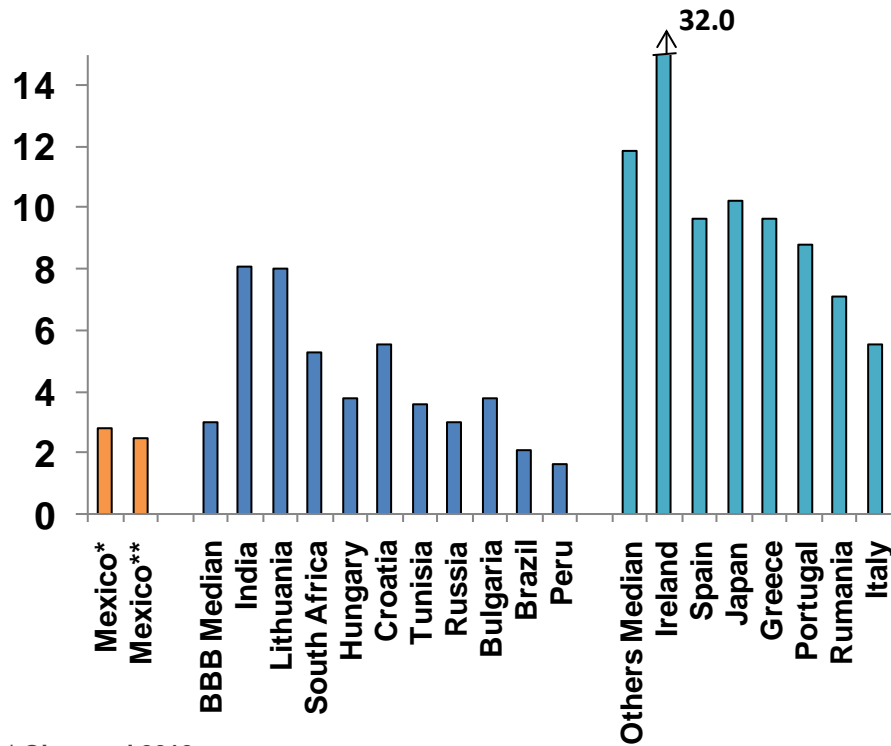
Discipline in Public Finances



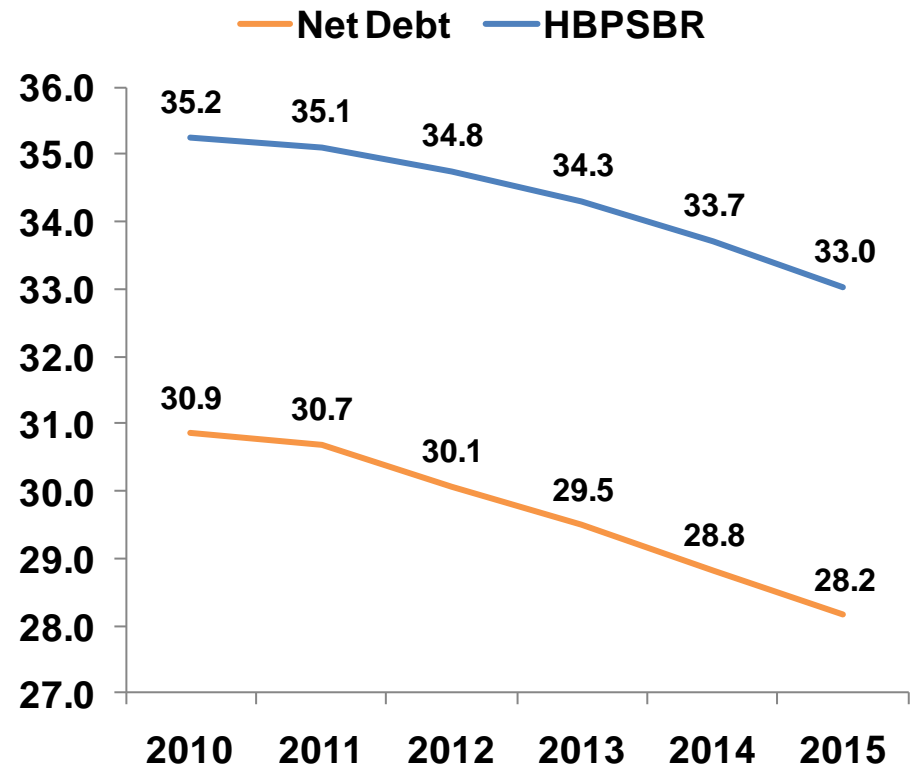
SHCP

- Discipline has led to a declining trend in public debt and a moderate deficit.

General Gov. Financial Deficit 2010 (% of GDP)



Public Sector Debt (% of GDP)

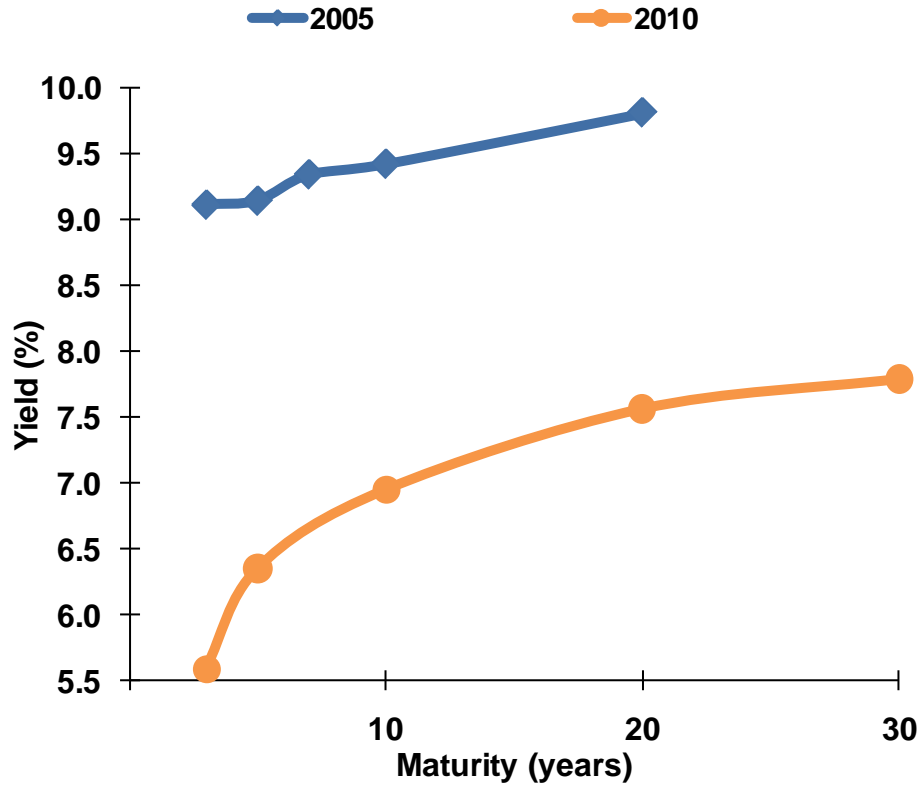


* Observed 2010

** Approved 2011

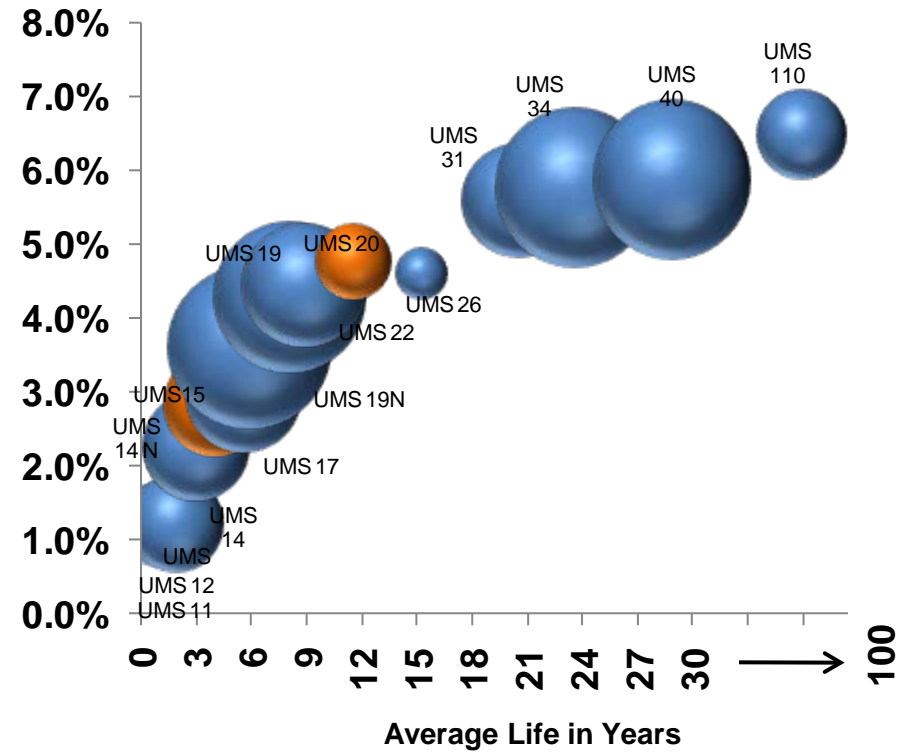
Source: SHCP, S&P (December 2010) for the rest.

Domestic Debt (pesos)



Source: SHCP

External Debt (dollars)

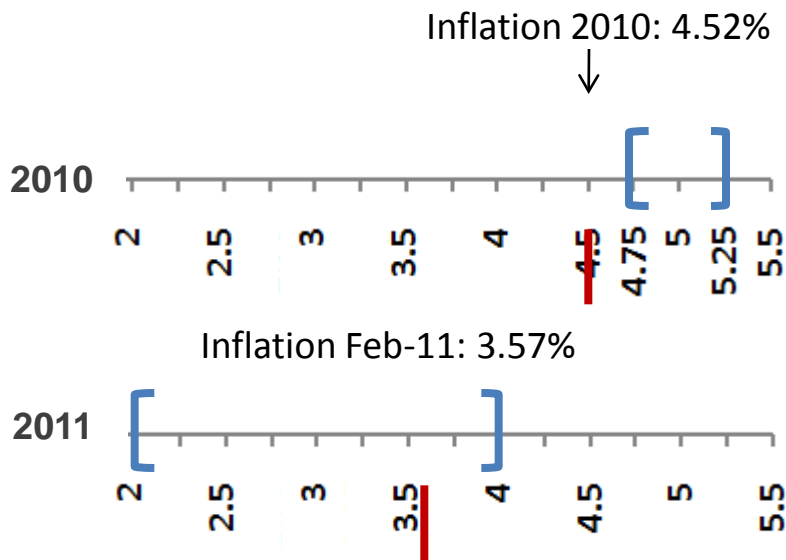


Source: SHCP

Inflation and Interest Rates

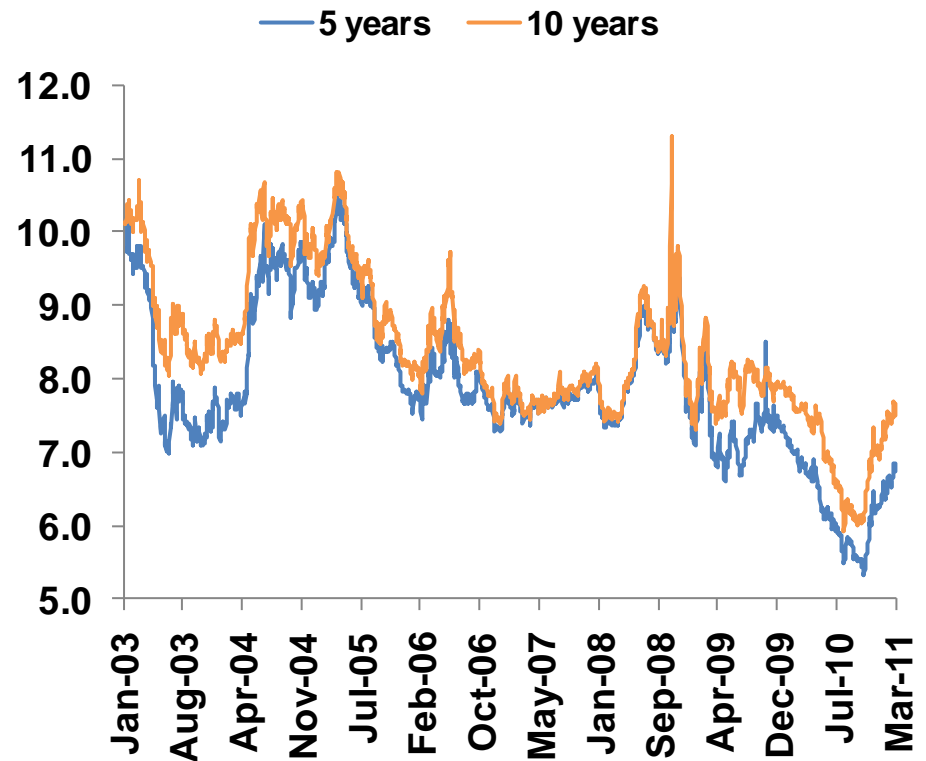
- Inflation has come down from 4.5% at the end of 2010 to 3.6% last month.
- Domestic interest rates remain at low levels.

Inflation Forecast (%)



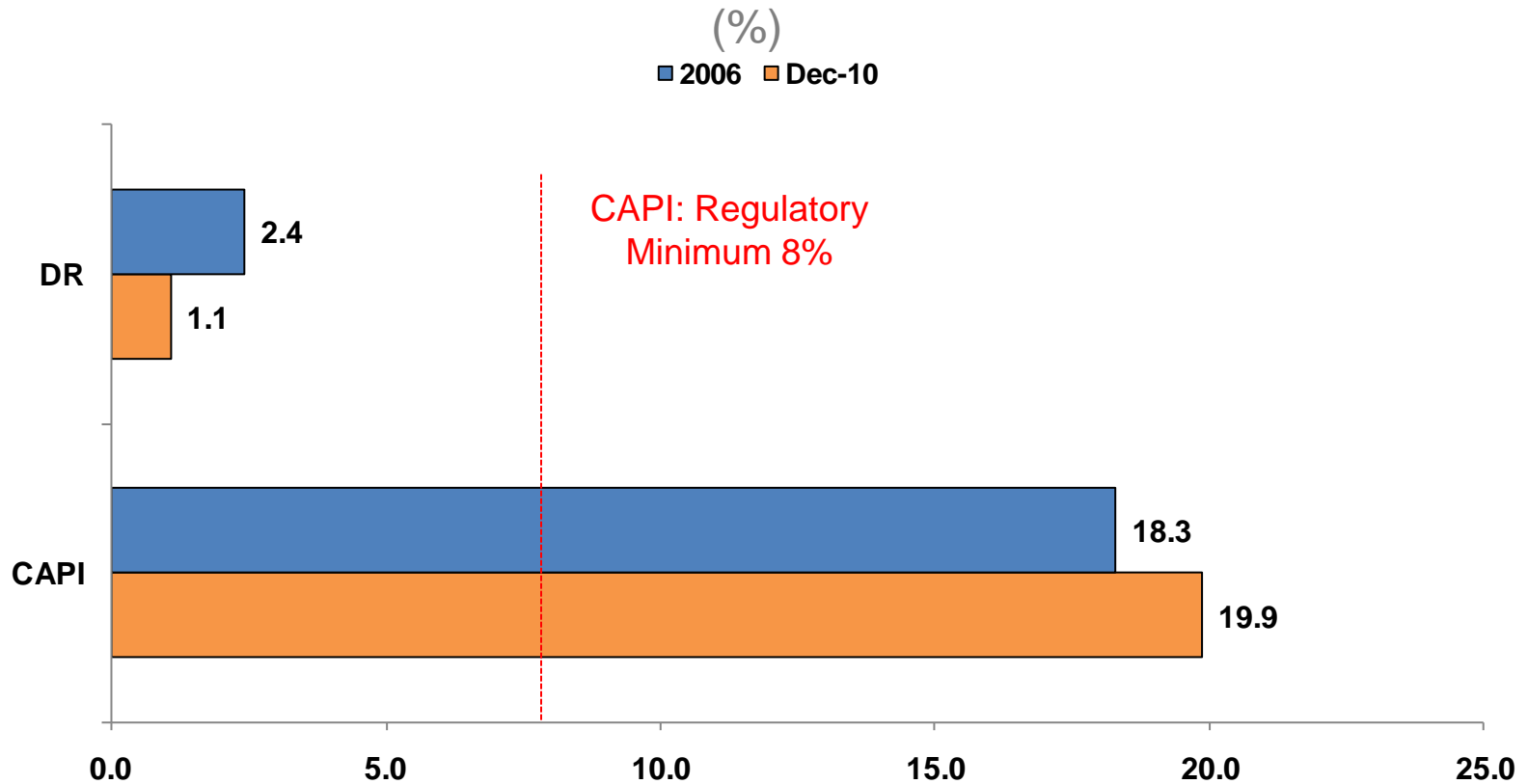
Source: Banxico and SHCP

Government Bonds (%)



- Capital level that is twice the regulatory minimum and a healthy portfolio

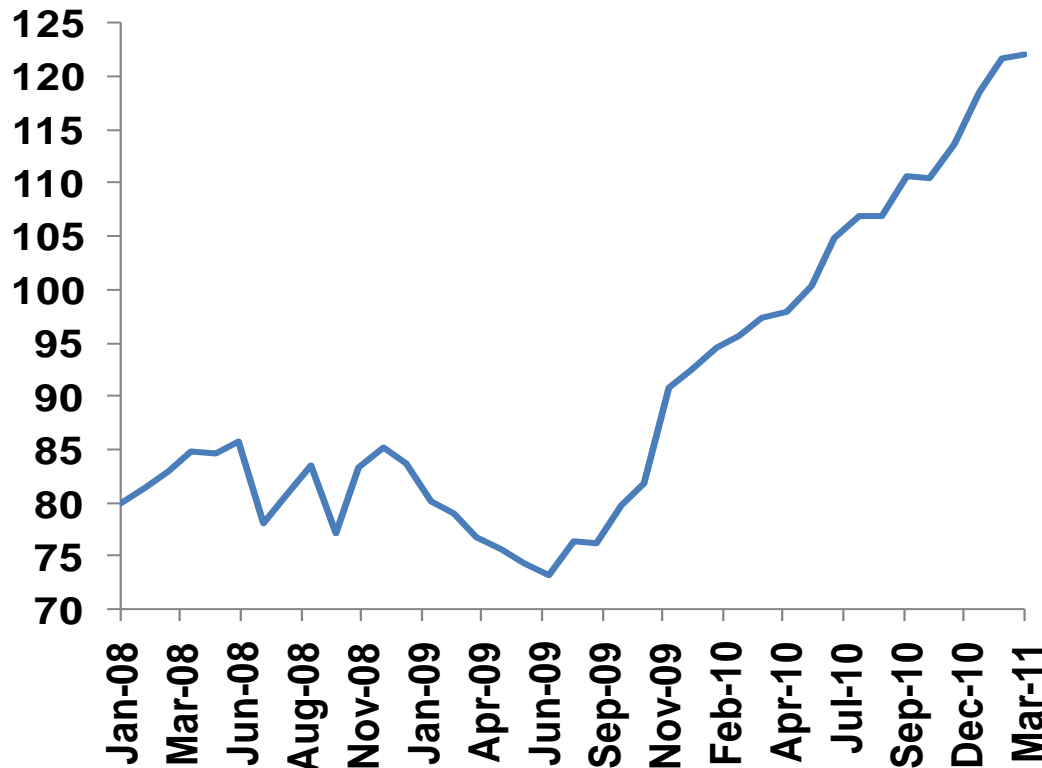
Delinquency Rate and Capitalization Index of Development Banks



Source: Banxico

- International reserves amount to 122 thousand million dollars
- Mexico's Flexible Credit Line with the IMF: 72 thousand million dollars.

International Reserves
(thousand million dollars)

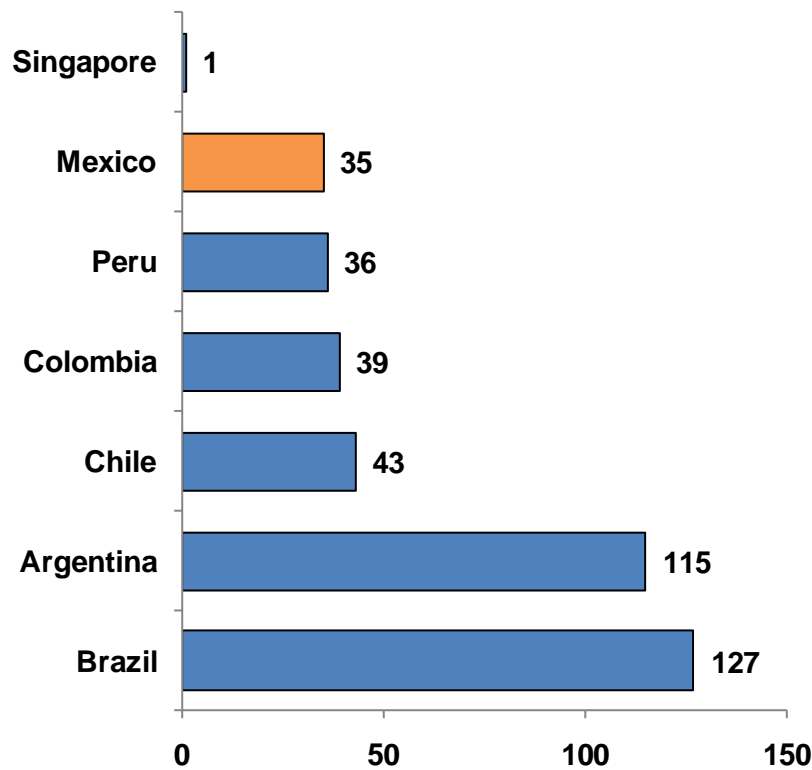


- Oil price hedge for 2011.
- Budgetary and financial capacity to respond to natural disasters for up to 50 thousand million pesos.

Source: Banxico

Mexico = ranked as best country to do business in Latin America

Ranking 2011 Doing Business



Source: World Bank.

Doing Business measures the behavior in 183 countries of the following variables:

1. Starting a business
2. Dealing with construction permits
3. Registering property
4. Getting credit
5. Protecting investors
6. Paying taxes
7. Trading across borders
8. Enforcing contracts
9. Closing a business

Economic Growth

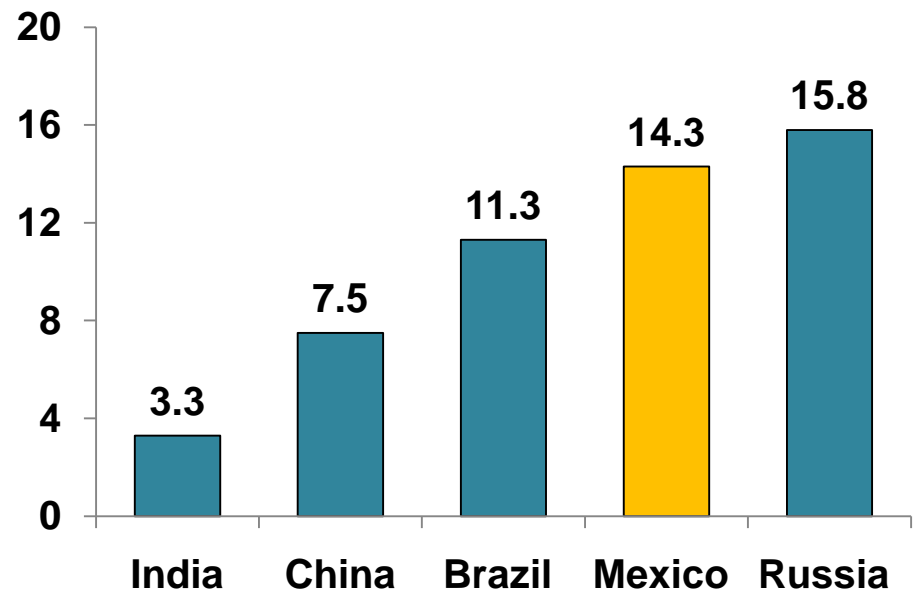
- High GDP growth was observed in 2010 and private sector growth forecasts for 2011 have been revised upwards.
- Income per capita is higher than in other emerging markets.

GDP 2010
5.5%

GDP 2011
[4 - 5%]

Source: SHCP

GDP per capita*
(thousand dollars)



Source: IMF.

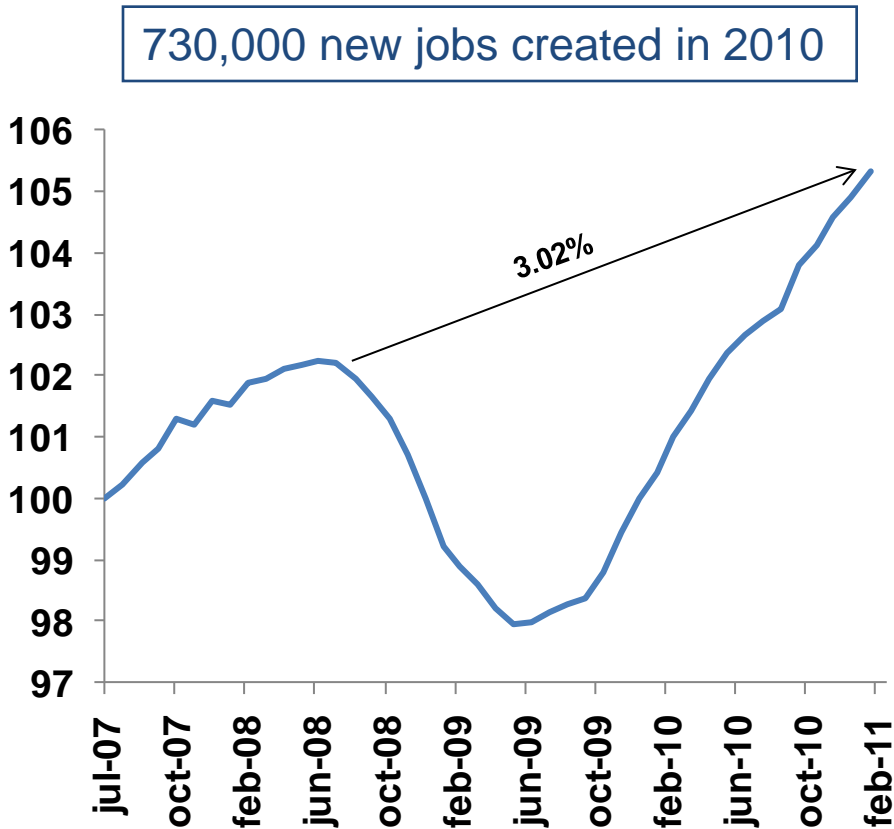
*Based on purchasing power parity (PPP), 2010.

Domestic Driver

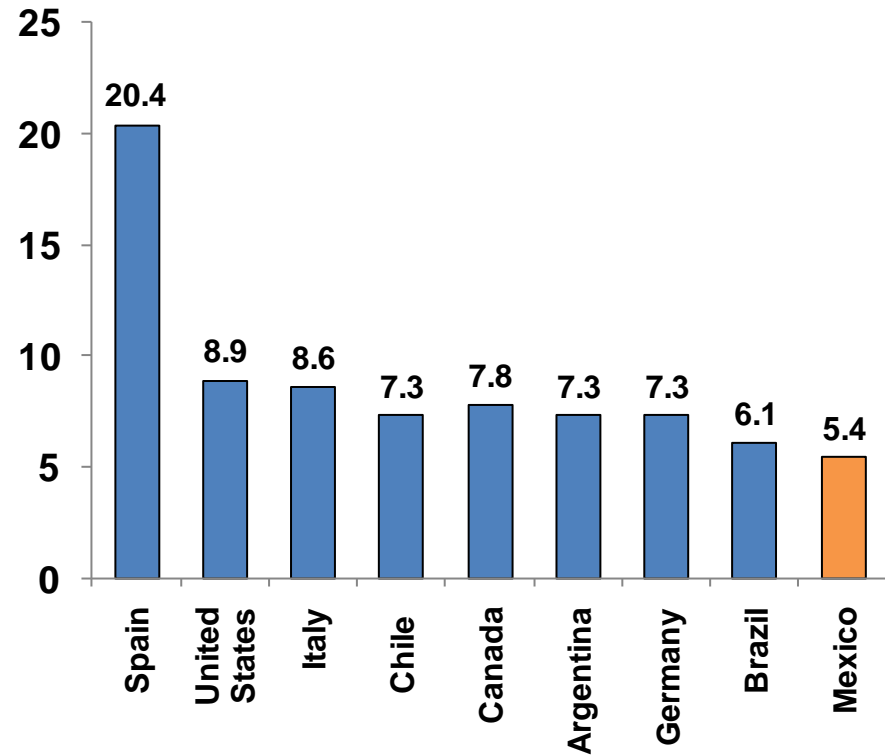


- Expansion in employment has continued at a fast pace, and employment is currently 3% higher than the maximum level observed before the crisis.

Employment
(index, jul-07=100, adjusted)



Unemployment Rate, 2010
(%)



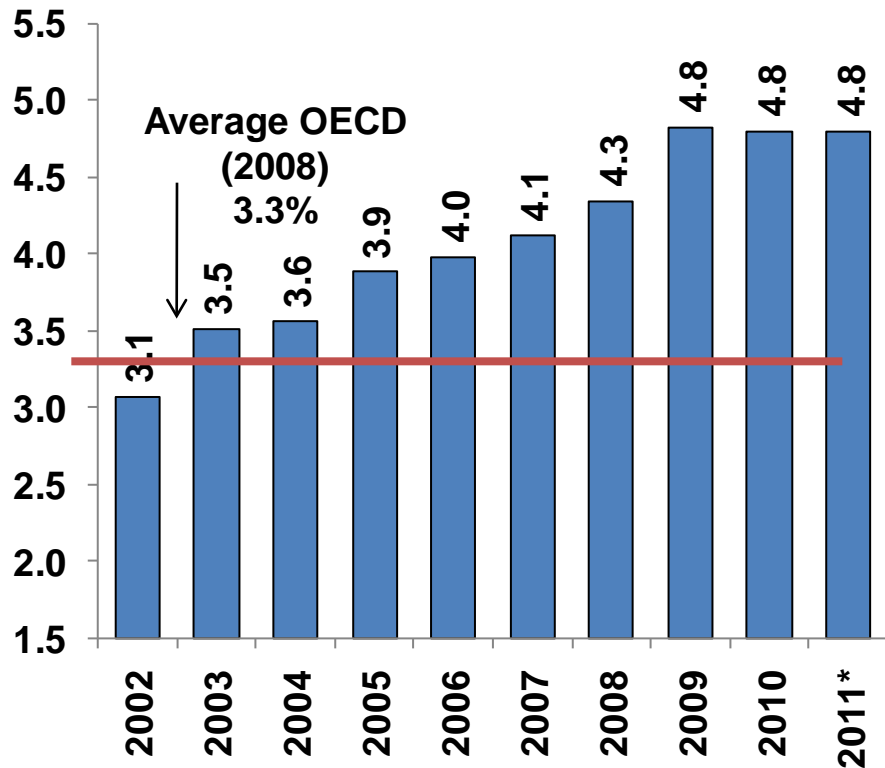
Domestic Driver



SHCP

- From 2000 to 2006 average annual budgetary investment in infrastructure was 3.5% of GDP, from 2007 to 2011 it will be 4.6% of GDP.

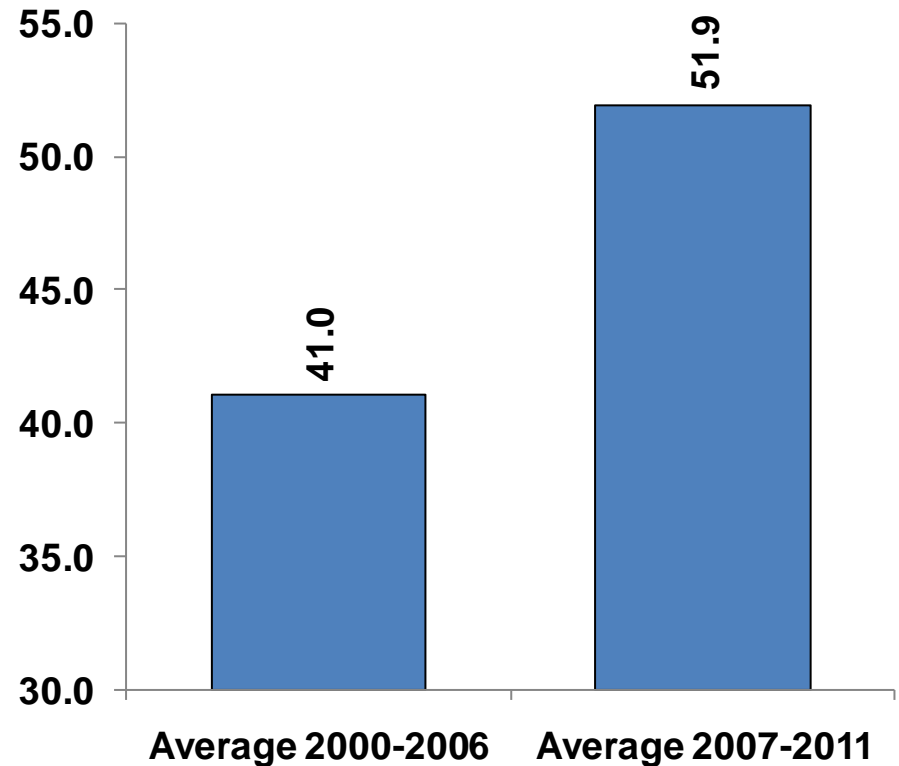
Fostered Investment in Infrastructure 2002 – 2011 (% of GDP)



* Approved 2011

Source: SHCP

Fostered Investment in Infrastructure 2000 – 2011 (2011 thousand million dollars)

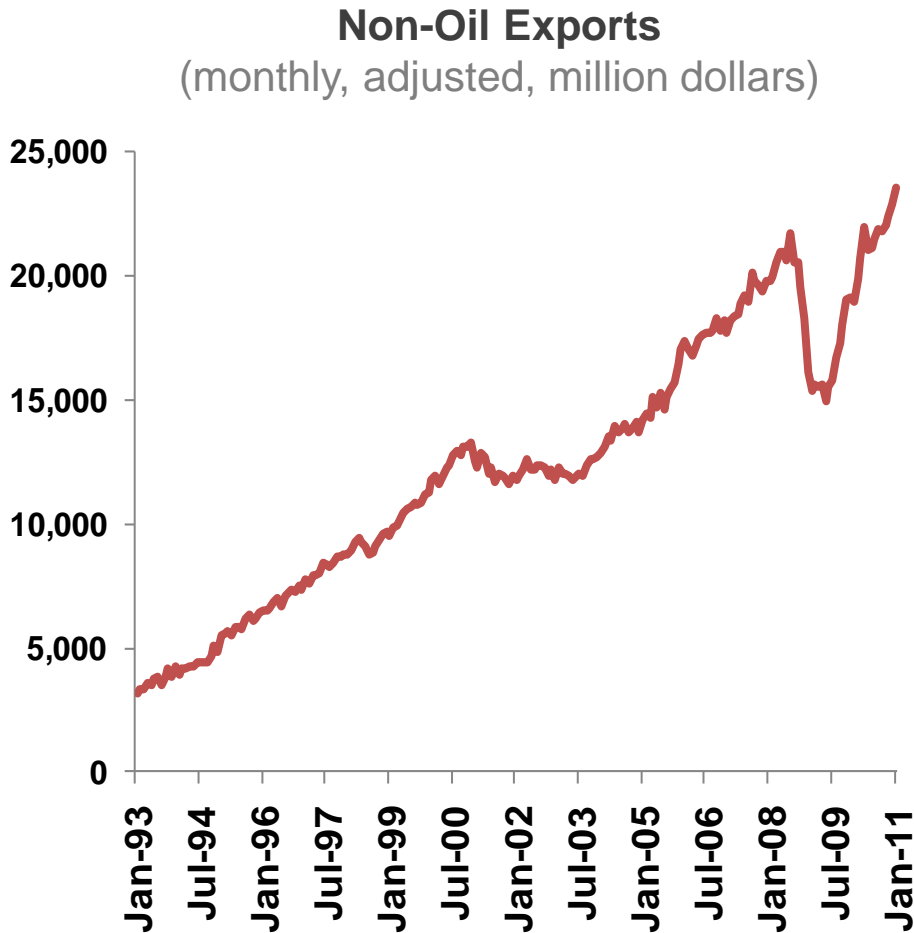


Source: SHCP

External Driver



- Non-oil exports have increased since 1993.
- Non-oil exports are 8.6% higher than the maximum before the crisis.



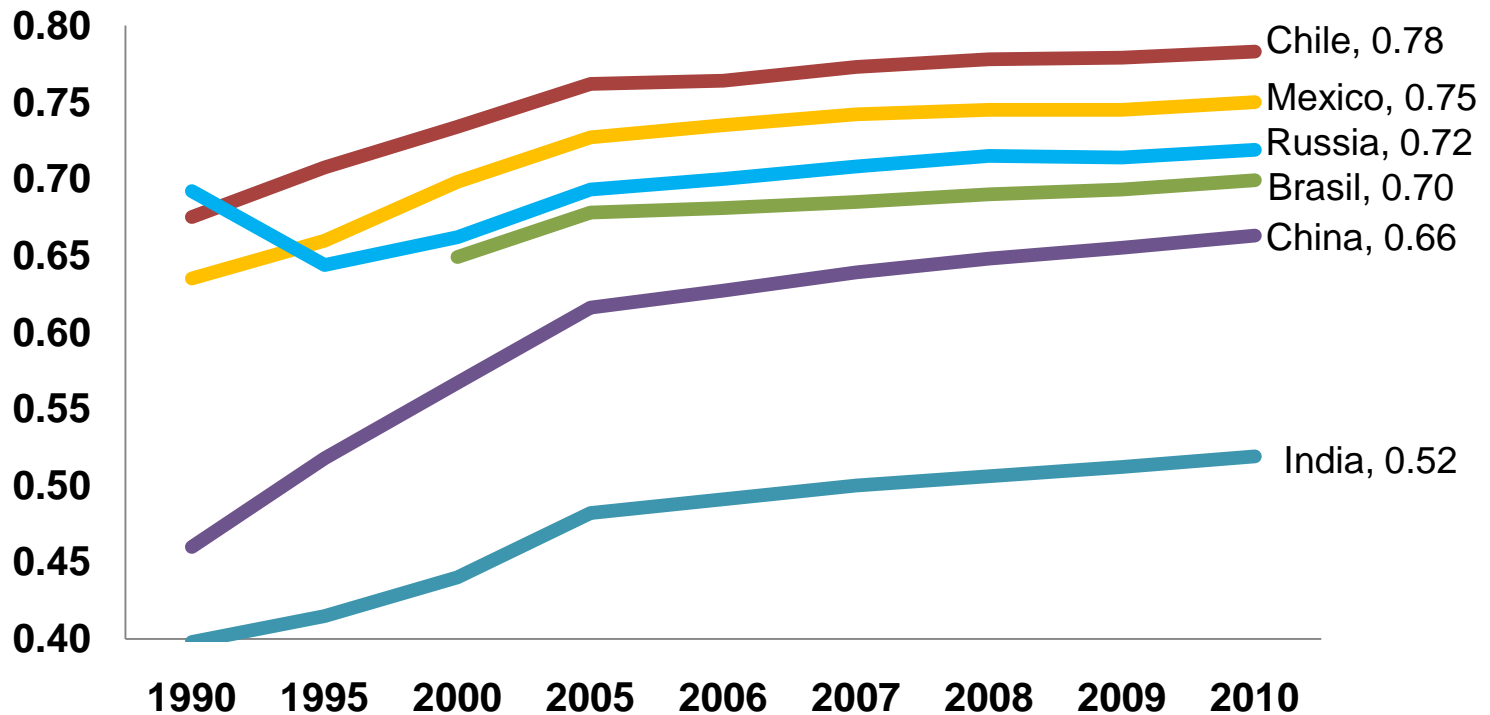
Mexico is the most competitive country in auto parts manufacturing (KPMG). One of every 7 cars circulating in the U.S. is manufactured in Mexico.

The Mexican aerospace industry occupies the first place in manufacturing investment in the world (Deloitte).

Mexico is the biggest producer of smart phones in the world and the second greatest exporter of television sets.

- Living standards of the Mexican population have improved.
- The index measures education, health and per capita income.

Human Development Index



Source: United Nations Development Program (UNDP)

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