

Ministry of Finance

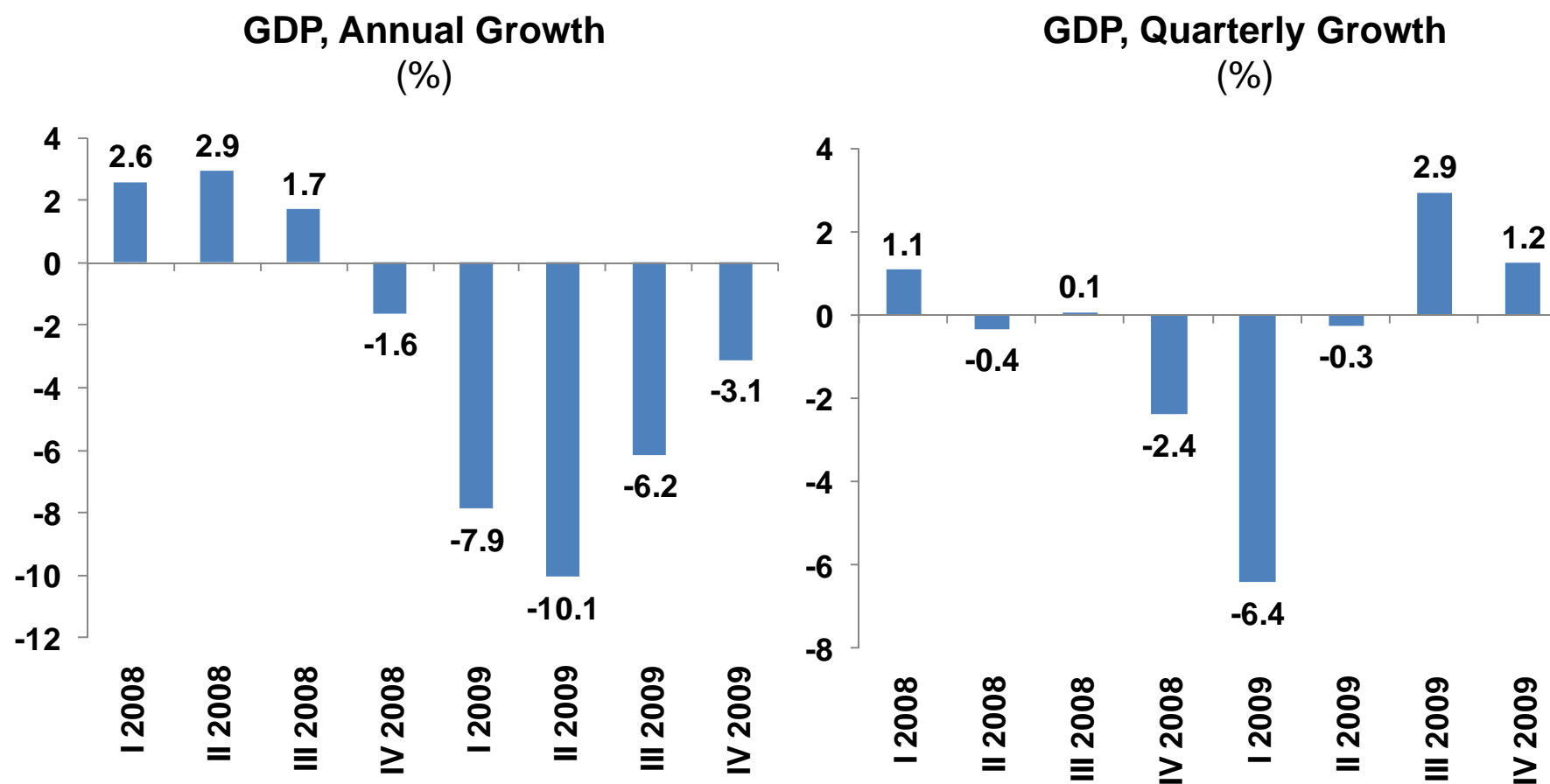


Economic Outlook

Mexico 2010

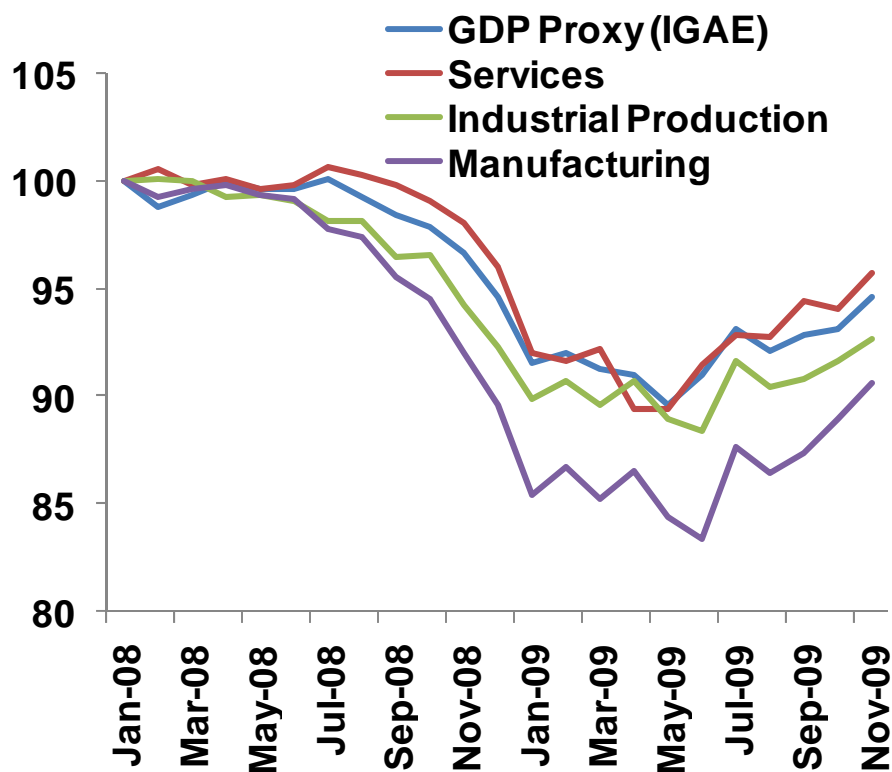
February 2010

An annual contraction of 3.1% and quarterly growth of 1.2% are expected for Q4 2009.



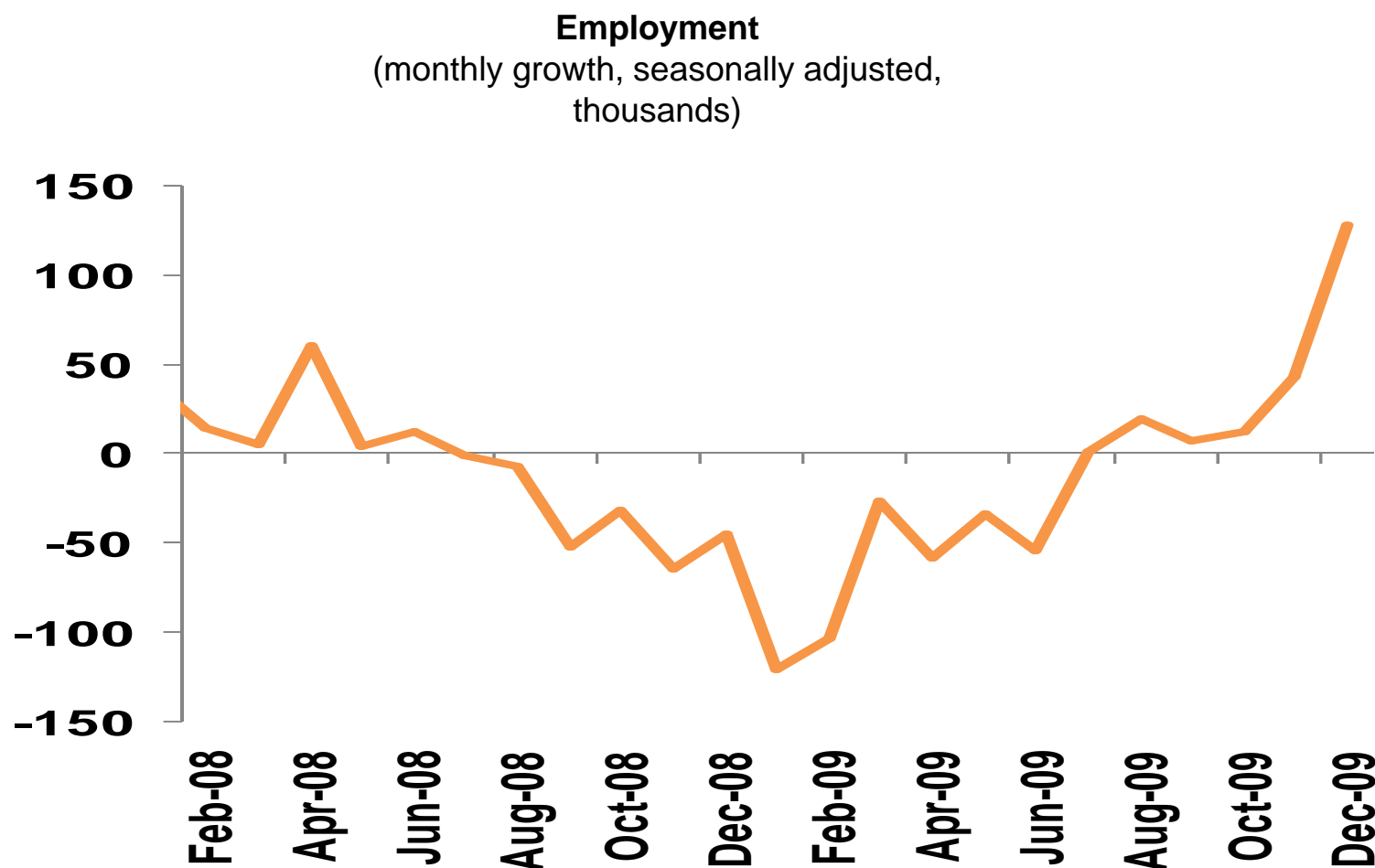
The recovery in production began last June.

IGAE and Industrial Production
(Index, Jan-08=100)



Growth in Production		
		Period
GDP Proxy (IGAE)	5.6%	May-Nov
Industrial Production	4.8%	Jun-Nov
Manufacturing Production	8.7%	Jun-Nov
Automotive Production	86.6%	Jun-Dic
Services	7.0%	May-Nov

December was the sixth month in a row of employment growth. The unemployment rate stabilized since October.



Growth GDP: 4%

Growth Industrial Production: 5.8%

Inflation: 5%

Fiscal Deficit : 0.7%



Exports

Global Recovery
Competitiveness

Aggregate Demand

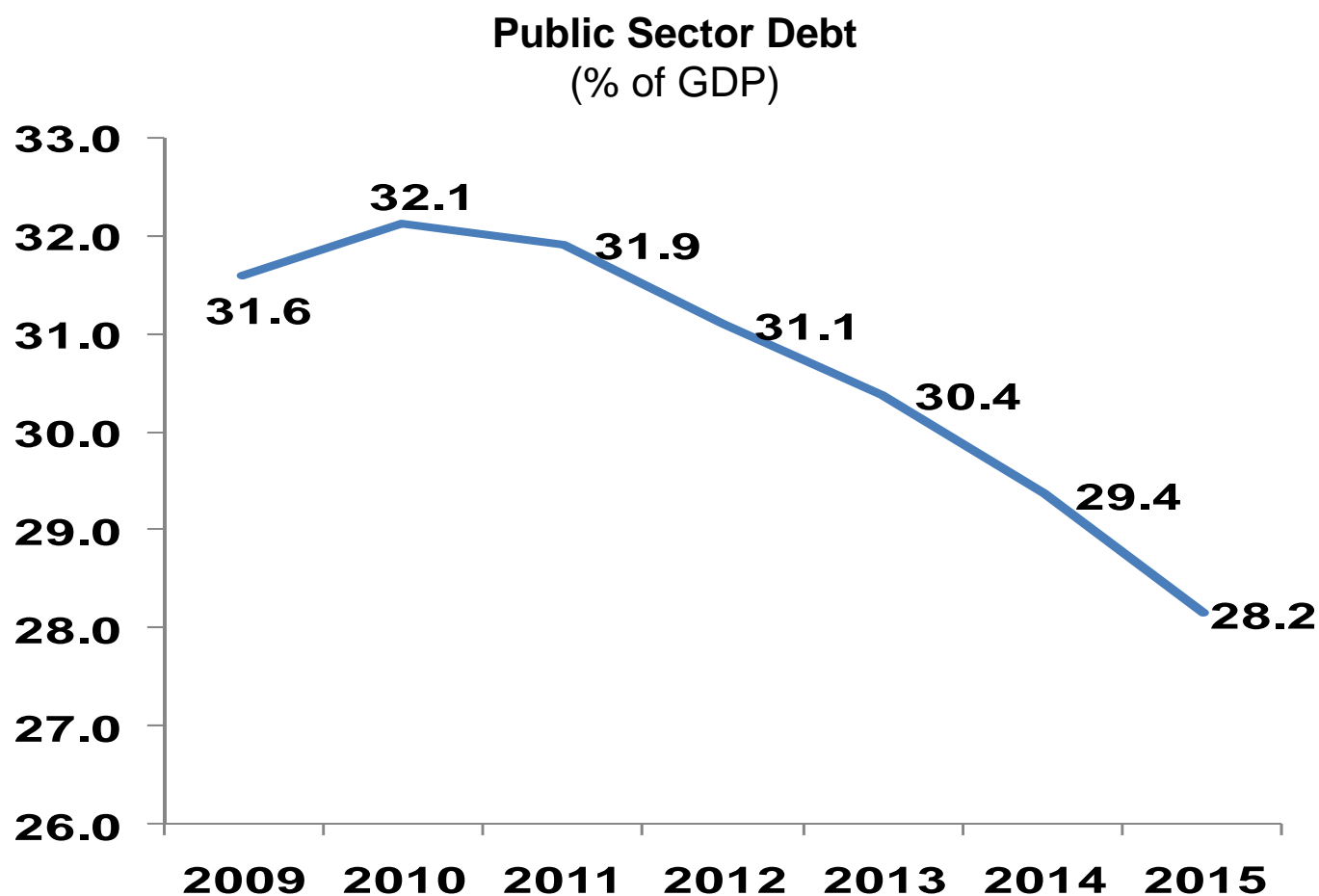
Confidence
Credit Expansion
Infrastructure
Reforms

Strong Public Finances and Economic Solvency

In recent years Mexico has strength its public finances:

- Two fiscal reforms that will generate additional 3% of GDP in non oil revenues.
- A reform in the pension system of public servants that represents more than 30% in GDP in present value.
- Hedge contracts on the oil price.
- There are 5 billion dollars in the stabilization funds and is very likely to increase them given current oil prices and the possibility of higher growth.

The Fiscal Reform approved in 2009 implies a declining trend in the ratio of debt to GDP from 2011 onwards.



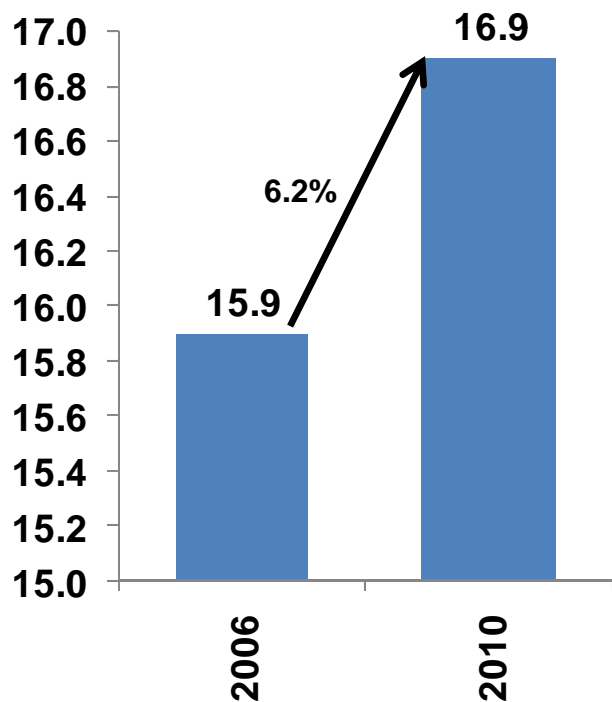
Strong Public Finances and Economic Solvency



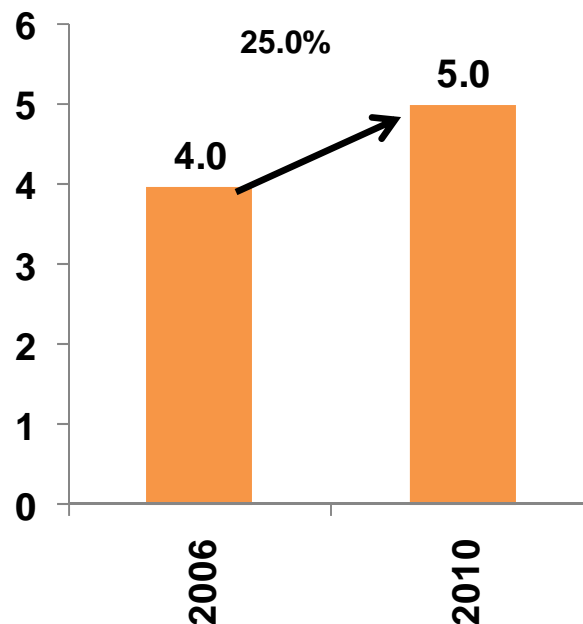
SHCP

Mexico has been able to face its challenges maintaining a balance budget

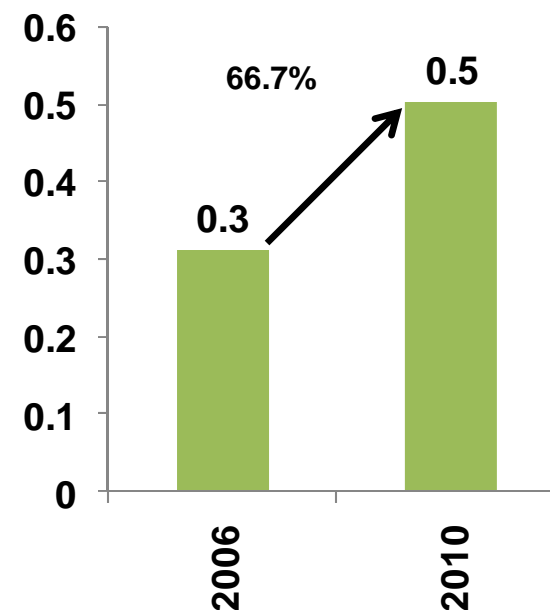
Programmable Expenditure
(% of GDP)



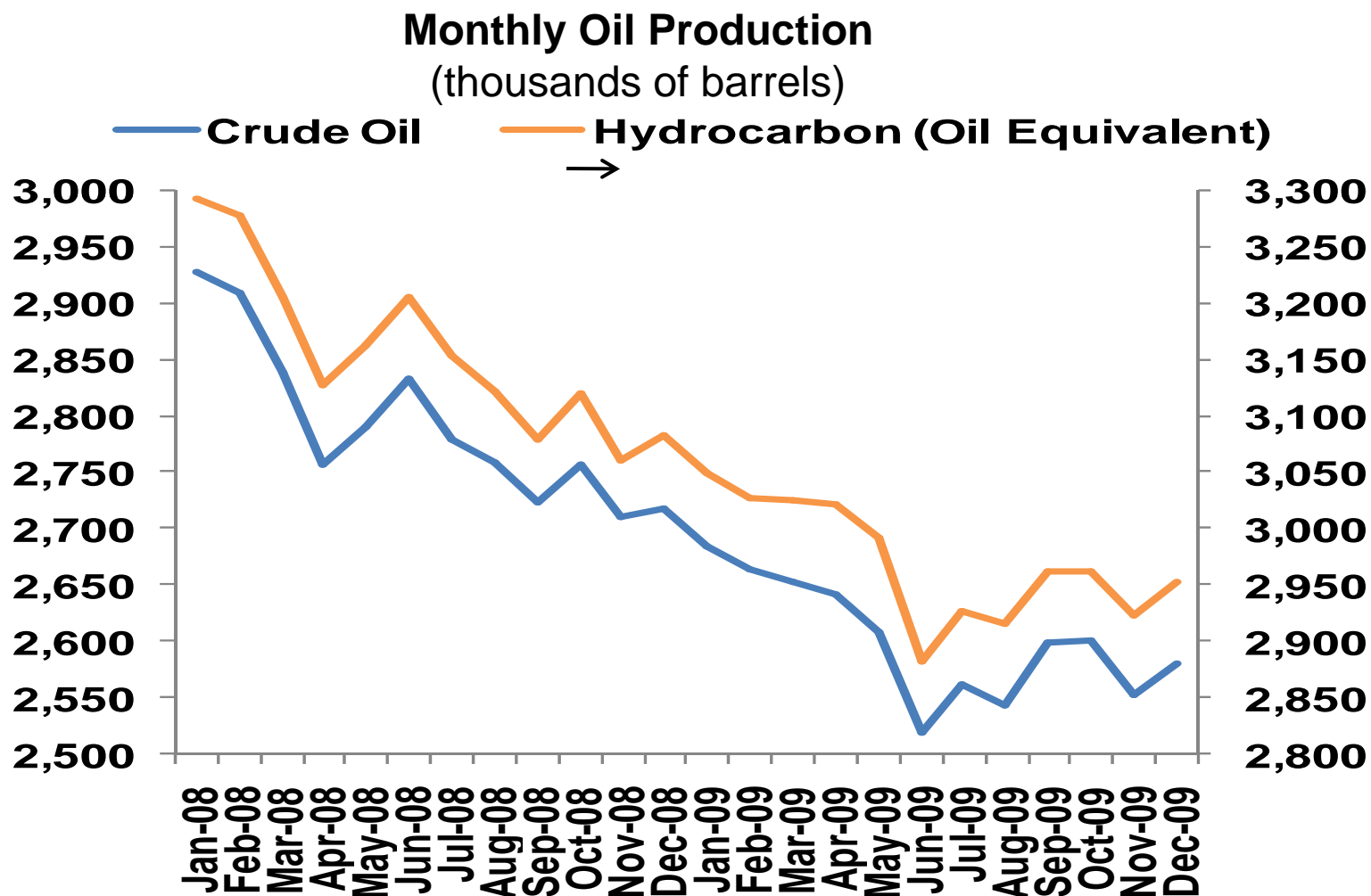
Fostered Investment
(% of GDP)



Resources to Alleviate Poverty
(% of GDP)



Oil production by PEMEX stabilized in the second half of 2009 and finished the year at 2,615 thousand barrels per day.



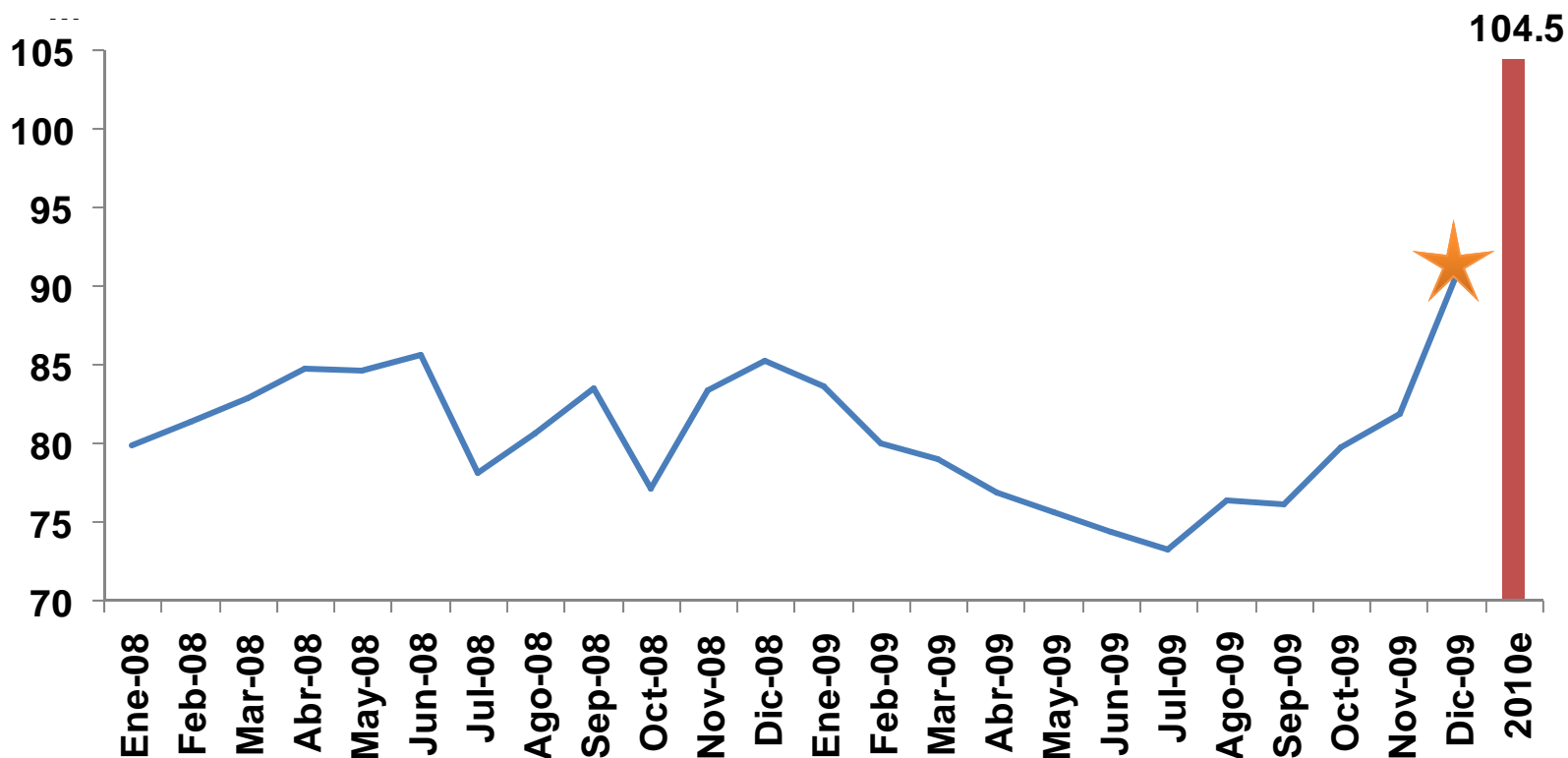
Strong Public Finances and Economic Solvency



SHCP

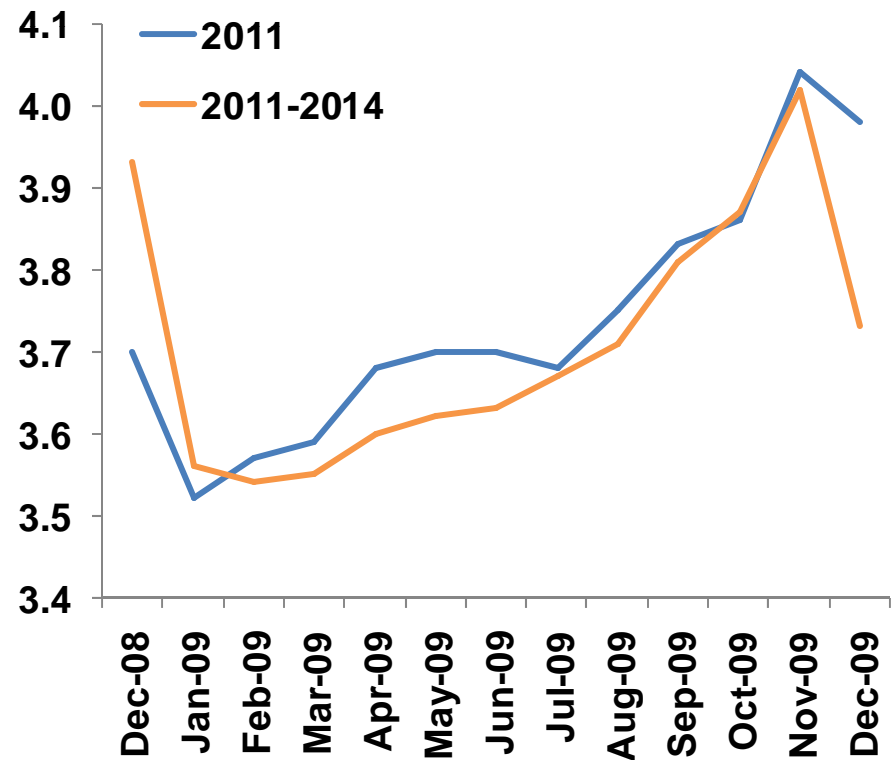
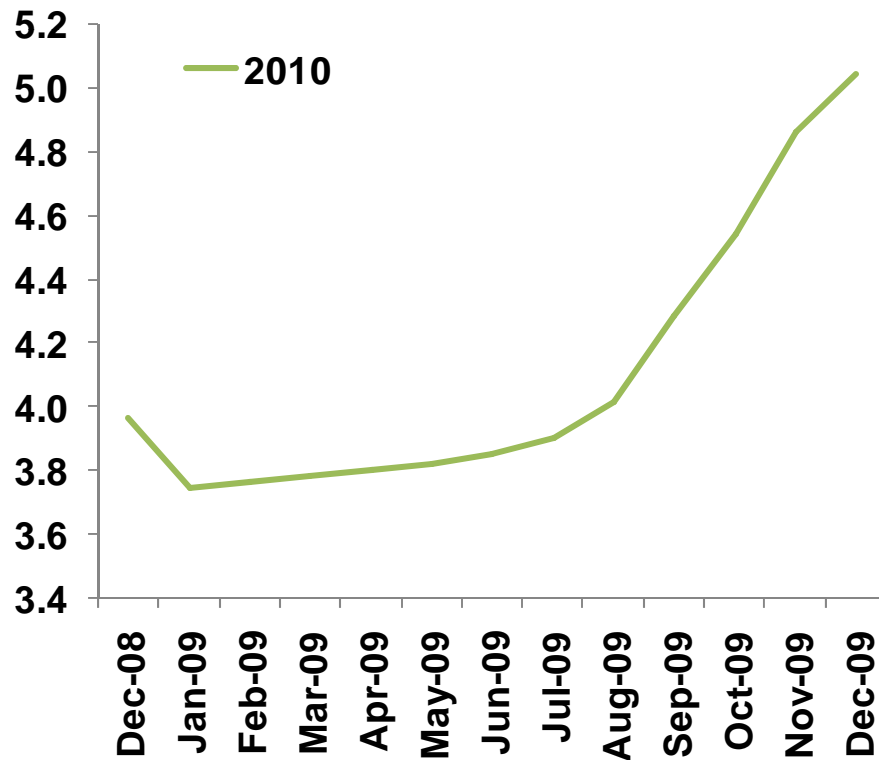
Regarding the external accounts, the level of international reserves is now higher than before the crisis started and is expected to increase further in 2010.

International Reserves
(billion dollars)

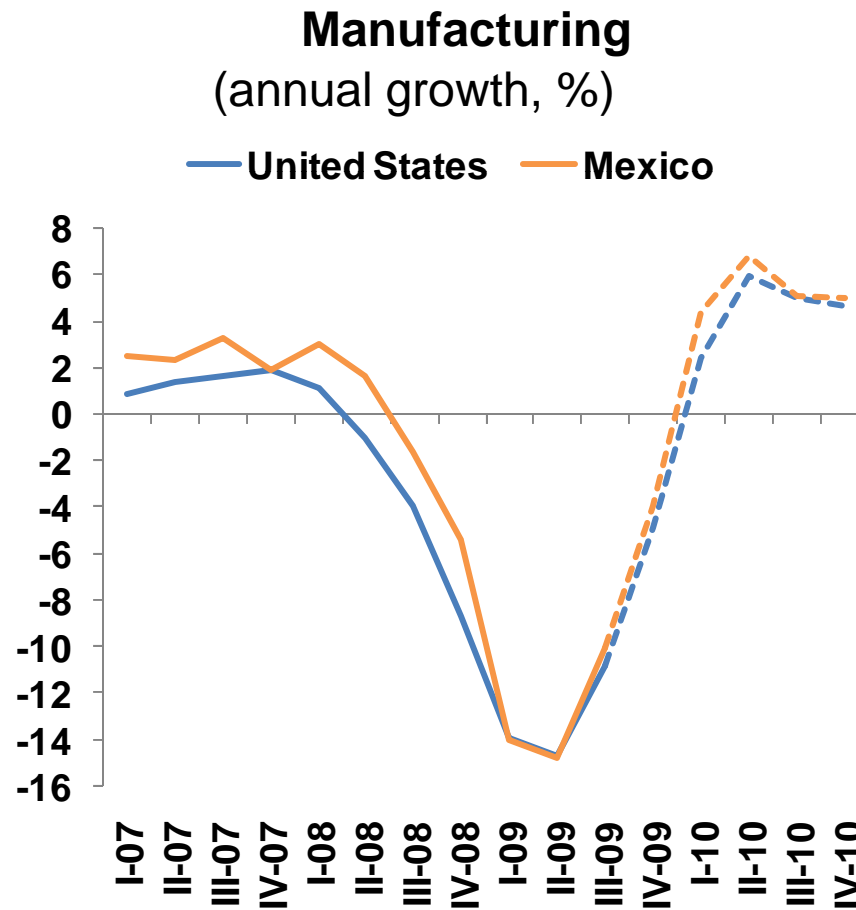


Although a temporary increase in inflation is expected for 2010, higher stability associated with the Fiscal Reform translated into lower medium term inflation expectations.

Inflation Expectations (%)



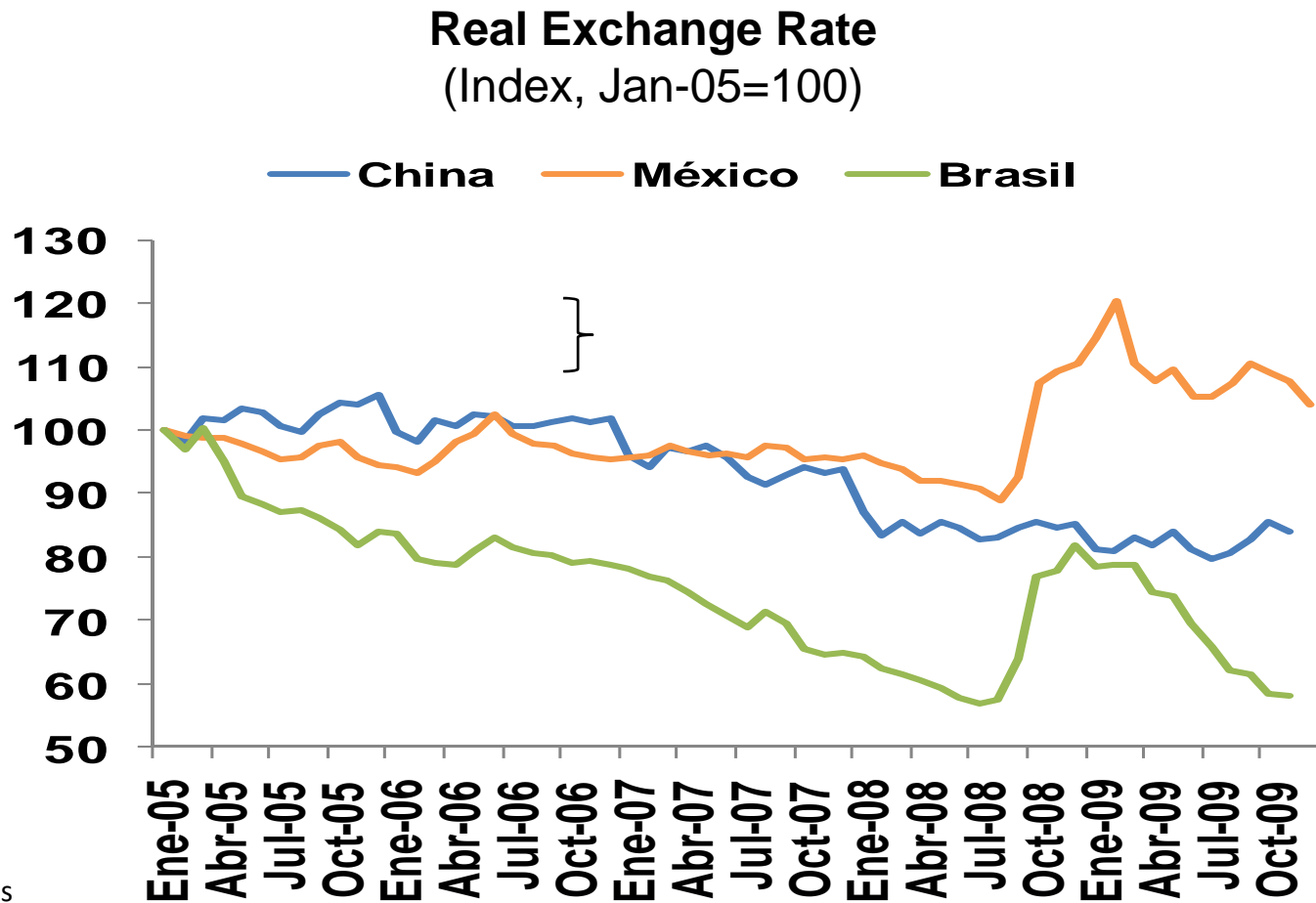
Higher global demand and higher competitiveness are expected to make the manufacturing sector to grow by 5.8% in 2010.



Source: Blue Chip for USA, SHCP for Mexico



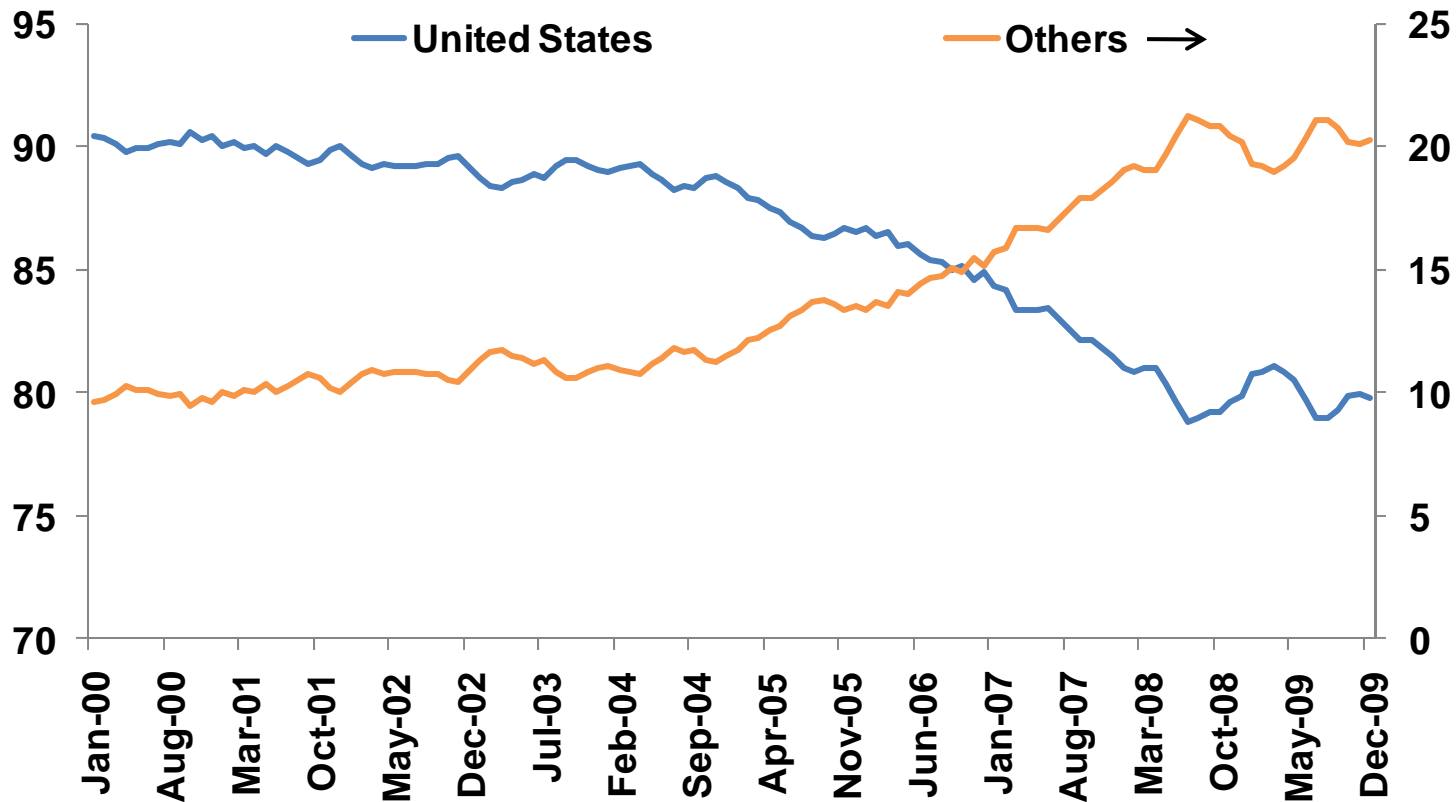
The increase in costs in China, the appreciation of the yuan and the depreciation of the peso have lead to a strong convergence in competitiveness.



Source: own estimates

Mexico's trade diversification process is ongoing.

Non-Oil Exports (% of total non-oil exports)



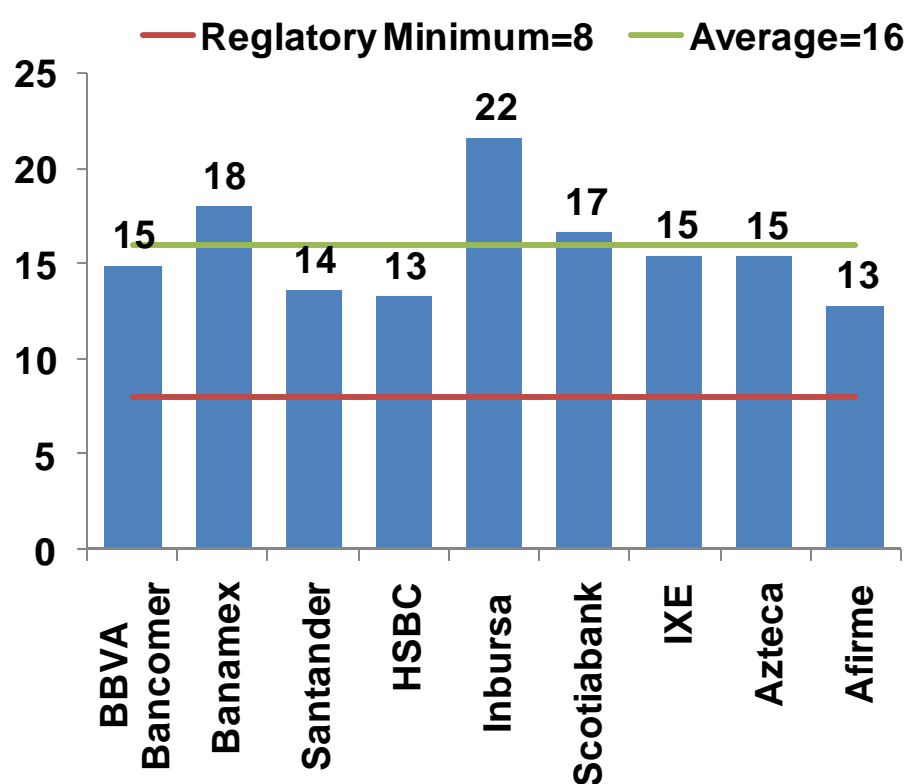
Internal Driver: Aggregate Demand



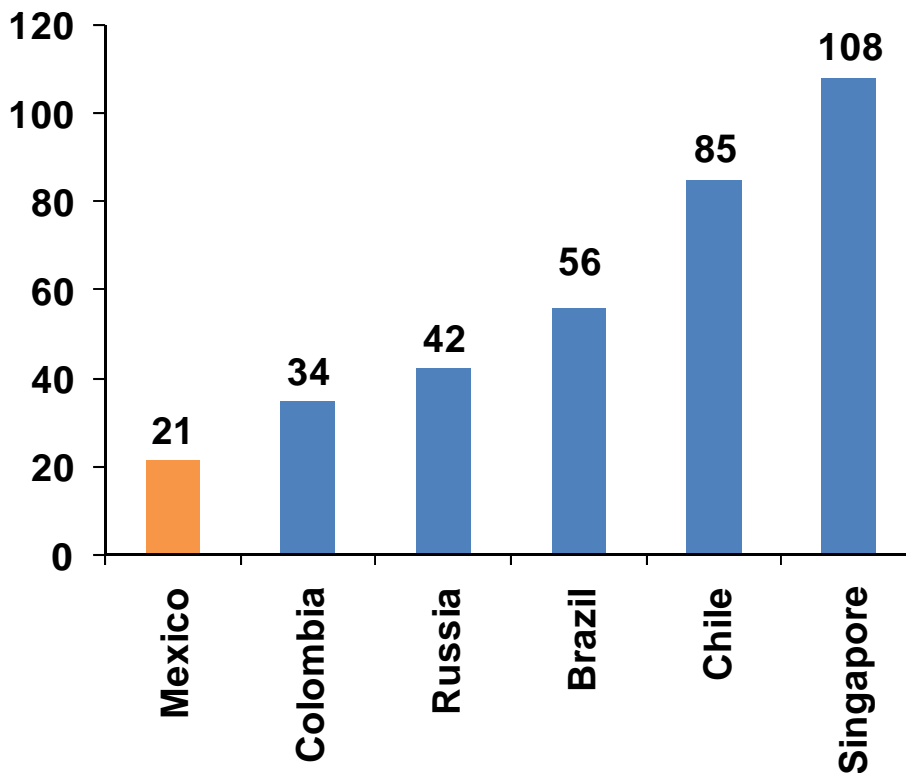
SHCP

The banking sector was not affected by the crisis and has a large margin to increase credit.

Banks' Capitalization Index Sep-09 (%)



Credit to Private Sector (% of GDP)



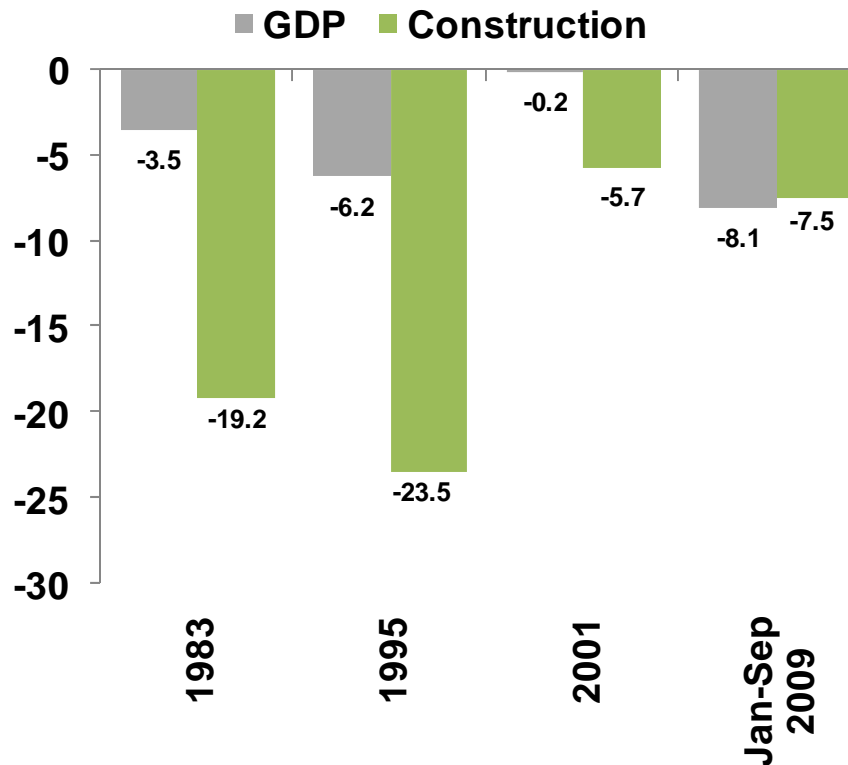
Internal Driver: Aggregate Demand



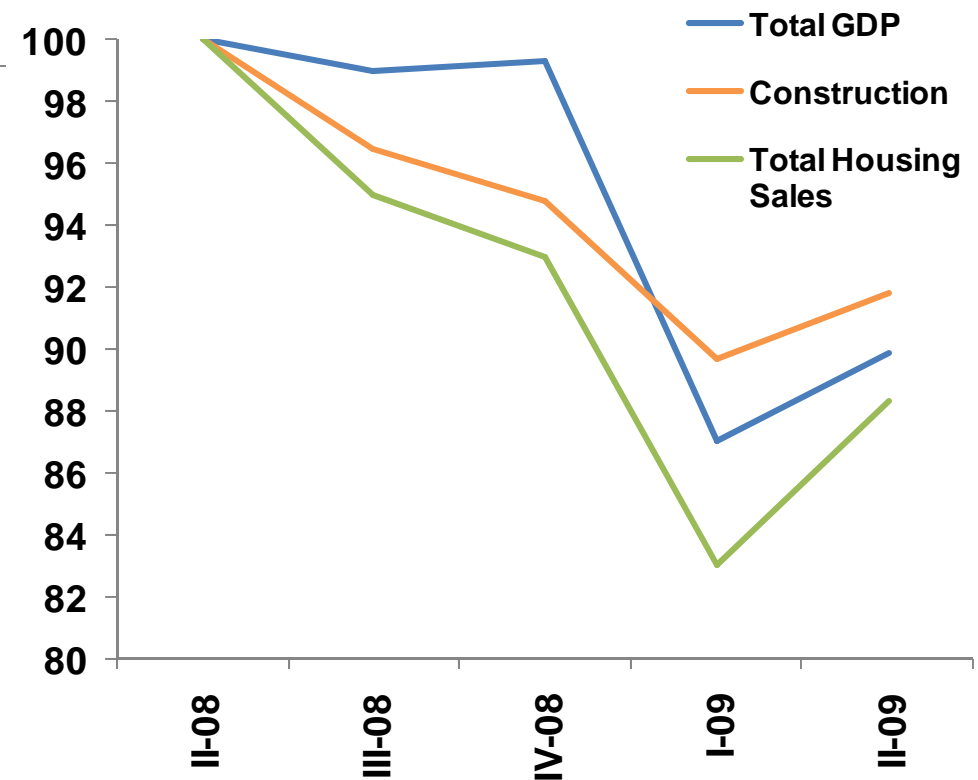
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The construction sector was not as affected as in previous crisis and a recovery in the housing sector is being observed.

GDP and Construction (annual change, %)



GDP and Housing (Index, II-08=100)

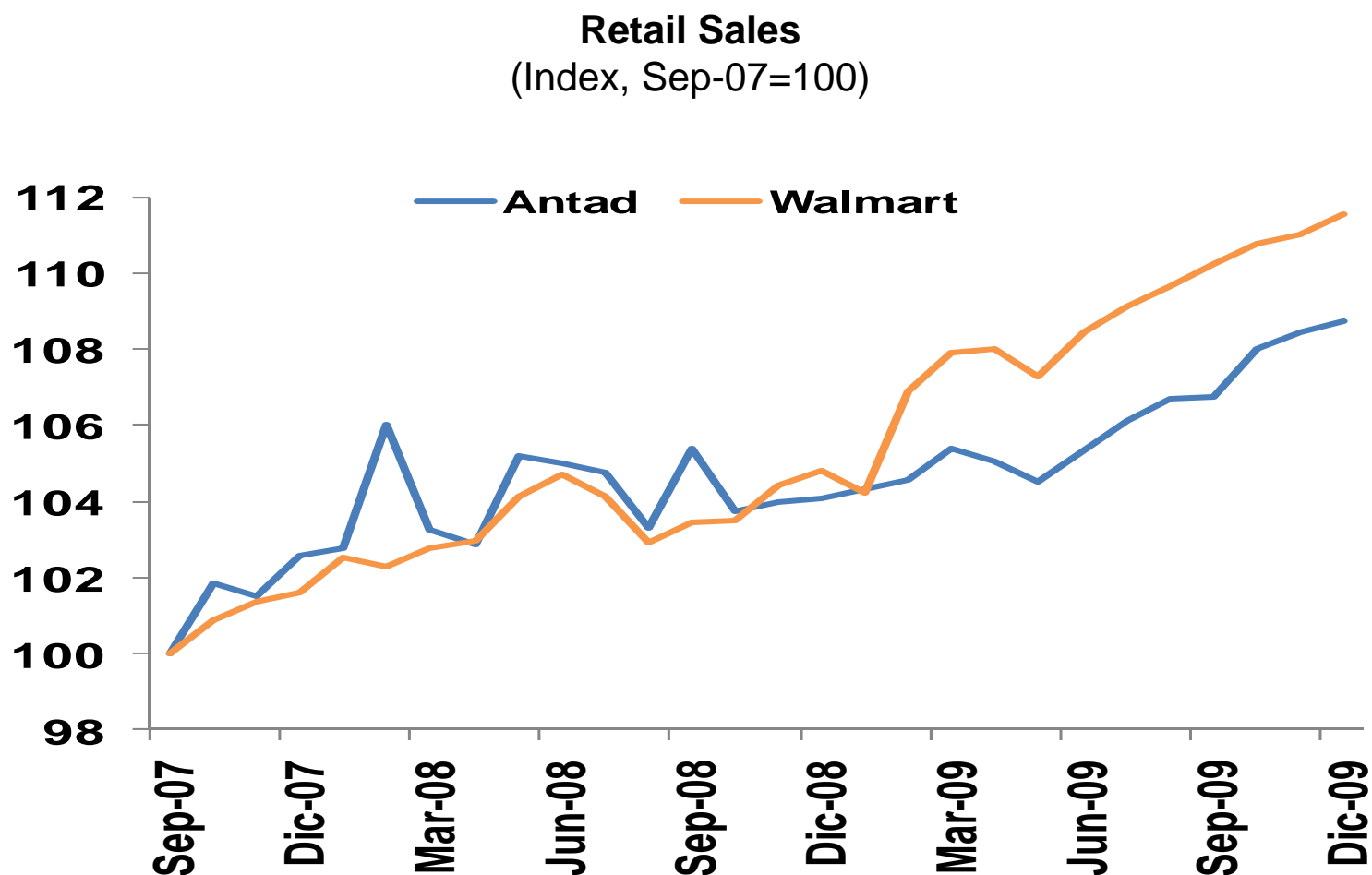


Internal Driver: Aggregate Demand



SHCP

Recent indicators regarding aggregate demand have improved significantly.



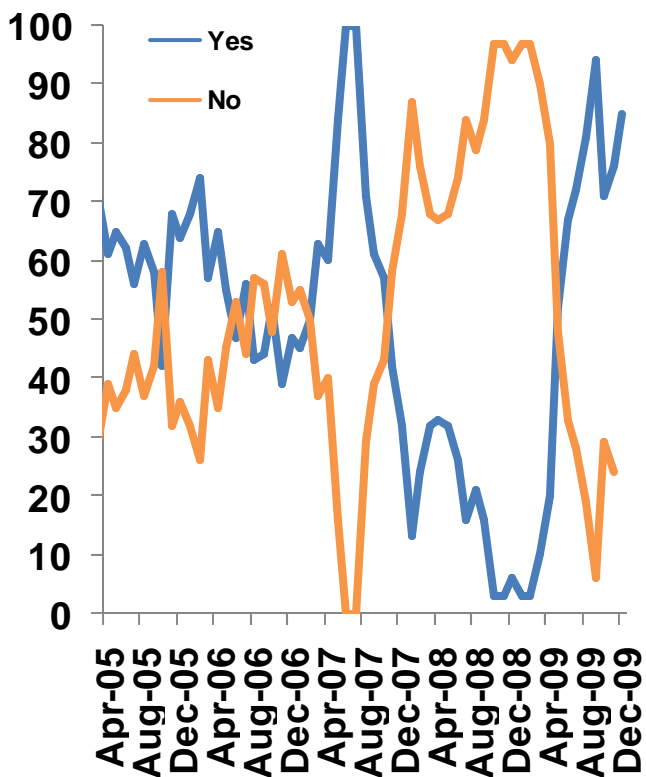
Internal Driver: Aggregate Demand



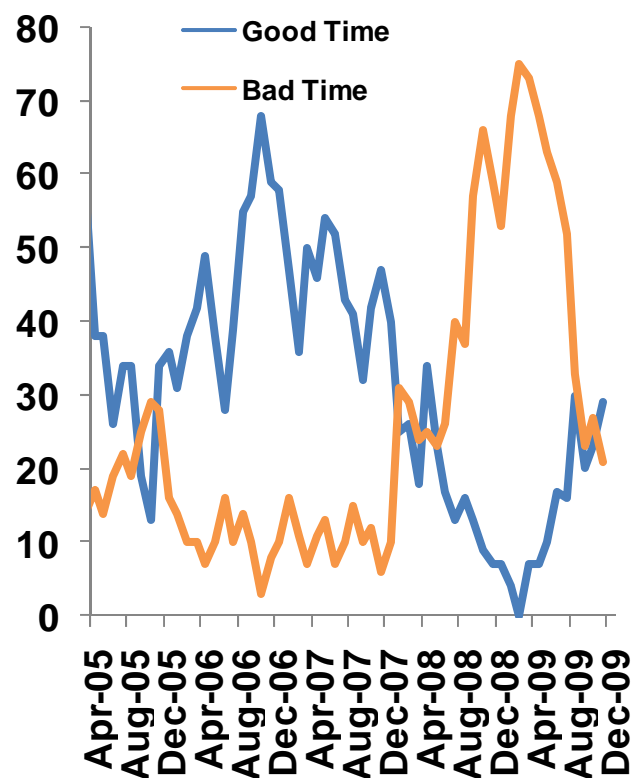
SHCP

Producer and Consumer confidence have staged a rebound.

Confidence Indicator: Will the economic evolution be favorable in the next six months?
(percentage of answers)



Confidence Indicator: Given the current economic situation, is it a good or bad time to invest?
(percentage of answers)



Recent reforms and decisions that will translate into higher competitiveness and growth are the following:

1. The closing down of Luz y Fuerza del Centro.
2. The Energy Reform and new contracts in PEMEX.
3. Allocation of pension funds in long term projects of infrastructure.
4. The auction of additional spectrum frequencies in telecommunications.
5. The auction of part of the fiber optic network of CFE.

Private and government projections for 2010 are favorable.

GDP: 4%

Industrial Production: 5.8%

Private Investment: 9%

Consumption Durables: 11%

Inflation: 5%

Fiscal Deficit: 0.7%

Current Account Deficit: 1.2%