



Economic Environment June 2012

expectation is for growth to be at very high levels in the emerging economies in Asia, especially in China and India.

Latin America neither Brazil nor Mexico will take off at the same rate as those nations albeit some growth has been seen

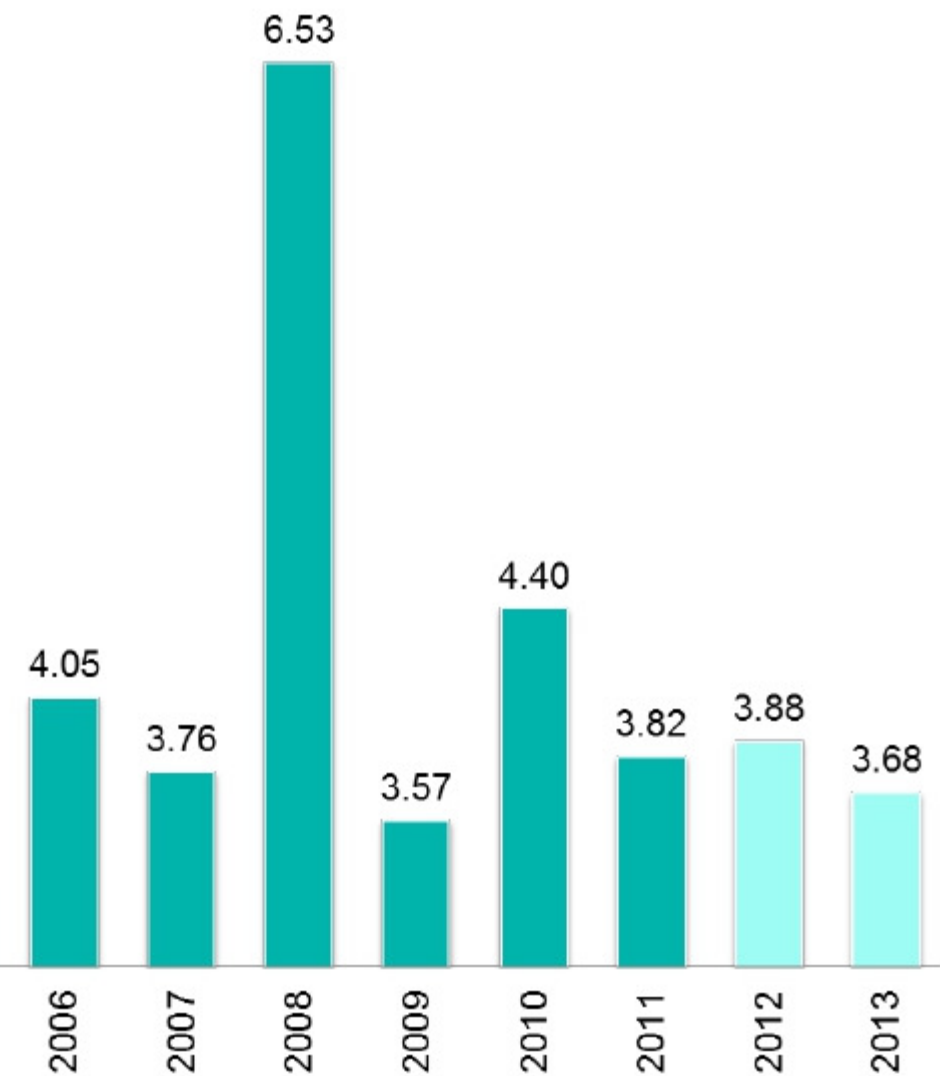
actually the world recovery is in the air.

Actual GDP Growth Annual % Variation

	2010	2011	2012	2013
World	5.2	3.8	3.3	
Advanced	3.2	1.6	1.2	
United States	3.0	1.8	1.8	
Euro Countries	1.9	1.6	-0.5	
Germany	3.6	3.0	0.3	
Japan	4.4	-0.9	1.7	
United Kingdom	2.1	0.9	0.6	
Canada	3.2	2.3	1.7	
Emerging	7.3	6.2	5.4	
Russia	4.0	4.1	3.3	
China	10.4	9.2	8.2	
India	9.9	7.4	7.0	
Brazil	7.5	2.9	3.0	
Mexico	5.4	3.9	3.5	

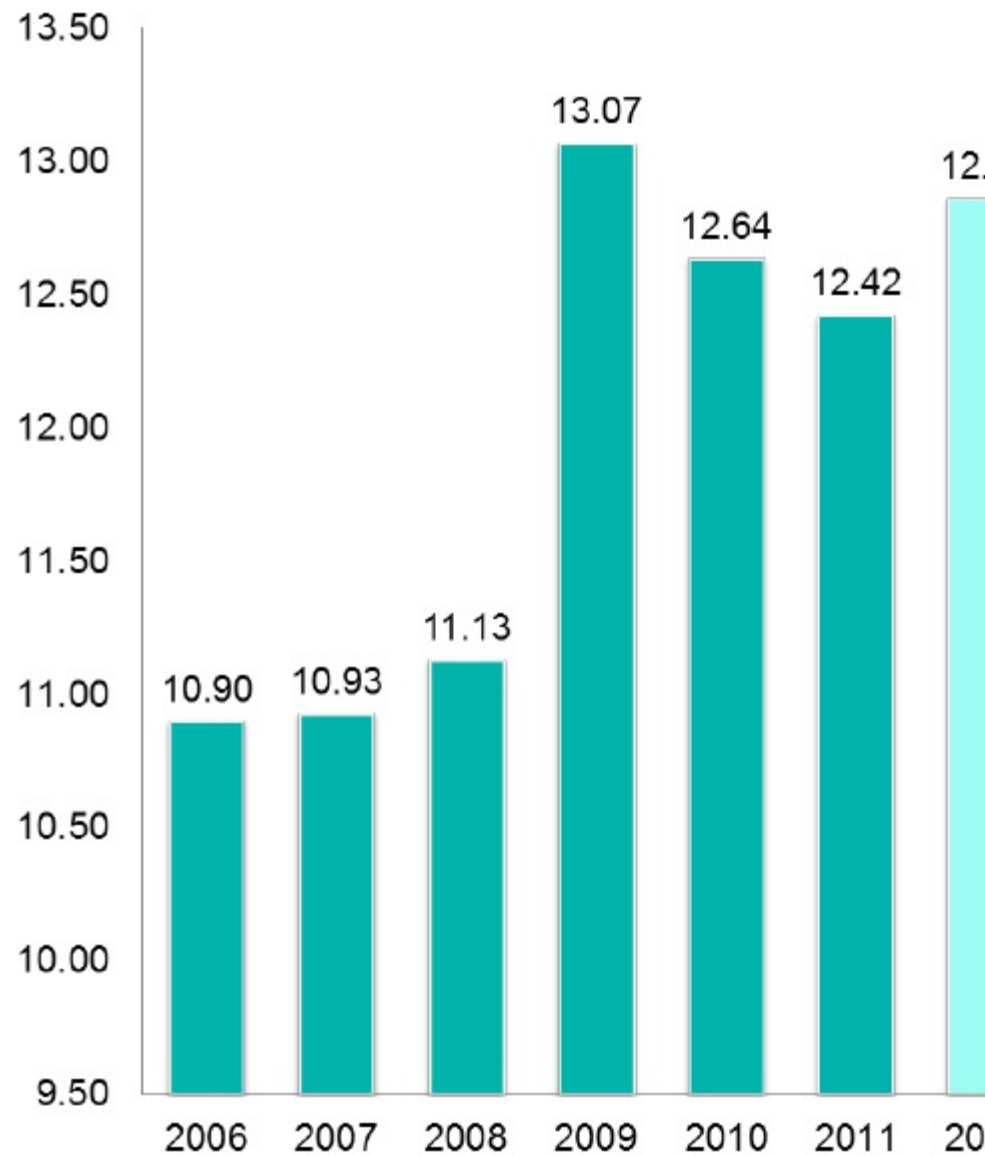
Annual Inflation Expectations

Annualized Percentage



Average Rate of Exchange

(\$/Dollar) at close



tion in Mexico

s competitive)



Source: 2011-2012 Global

Mexico in the 2011-2012 Global Competitiveness Report

Ranking in
142
economies

Global Index	58
Basic Requirements	67
1st. pillar: Institutions	103
2nd pillar: Infrastructure	66
3rd pillar: Macroeconomic Stabilidad	39
4th pillar: Health and Grammar Schooling	69
Efficiency Improvers	53
5th pillar: Higher Education and Training	72
6th pillar: Efficiency in the Goods Marketplace	84
7th pillar: Efficiency in the labor market	114
8th pillar: Developing the financial market	83
9th pillar: Technology Education	63
10th pillar: Market Size	12
Innovation and Sophistication Factors	55

ver, for significant
 – such as taxes –
 is still a very long way

Comparative Reports 2010 and 2011

Category Classification	2011	2010	C
Ease to do business	35	41	
Opening a New Business	67	90	
Managing Construction Permits	22	35	
Registration of Real Property	105	99	
Getting Loans	46	44	
Protecting Investors	44	41	
Paying Taxes	107	106	
Trade Accross Borders	58	69	
Cumpliance with Agreement Terms	81	82	
Closing a Company	23	24	



Challenges and Strengths of Mexico

IXPartners Analysis

63% operations outside the United States & 83% by outsourcing
outside

63% of outsourcing operations in countries on the same time zone.

Of these, 63% have selected Mexico as their first choice VS 19% who
use USA

to establish in Mexico:

Lower transportation costs

Proximity of access to the marketplace

Supporting lower inventory costs

Proximity of administrative coordination

Similar American type business culture

Partners Analysis

The main concerns when deciding on whether to set in Mexico

Security, 38%; 45% of surveyed people feel there will be an improvement over the next 5 years; 29% think it will be similar to the current situation; and 14% believe the situation may deteriorate.

Extending the supply chain, 17%

Mexico into the main 20 receiving countries.

In 2011 investments amounted to 19.435 billion dollars, i.e, 9% more than in 2010.

By country of origin, 55% of investments in 2011 came from the U.S., 5% from Spain; 6.7% from the Netherlands; 6.3% from Switzerland and 3.4% from Canada.

2% of investments were posted in Mexico City (Corporate Headquarters), the State of Mexico....

More than 100.000 billion dollars in the 2007-2011 period.

need each other?

The maquila platform in Mexico is building the competitiveness of US industrial goods.

Both countries are natural trade partners to compete as a region in the global economy.

In spite of safety and security problems, Mexico continues to be the destination of preference to stay close to the objective market.

Challenge: Extending the supply chain

Mastering CENADEP: National Center for Developing IMMEX Suppliers.

Incorporated into our Ciudad Juárez Association

Mission: to reinforce incubation and acceleration of domestic suppliers.

Objectives:

To be an axis in public policy for industrial and economic development

to awaken domestic competitiveness

to identify ad hoc markets for Mexican inputs.

Progress over the last few weeks has been made on the following integrating actions:

- > Executing agreements with academic institutions
- > a macro project with Home Depot (15 maquila companies in Ciudad Juarez)
- > business meeting for Electrolux

In the short run, links are put together with:

- > Secretariat of the Economy
- > ProMéxico
- > Canieti
- > Cadelec
- > Concamin

42 new suppliers

Agreement with CONALEP

Incubation process of nanotechnology

Promoter for Home Depot & Continental

Index/Cenadep Juárez & Index/Cenadep Occidente



Why address these important challenges / opportunities ?

Quana Generations

Assembled in Mexico

- Increasing labor
- Intensive work
- Simple assembly

Made in Mexico

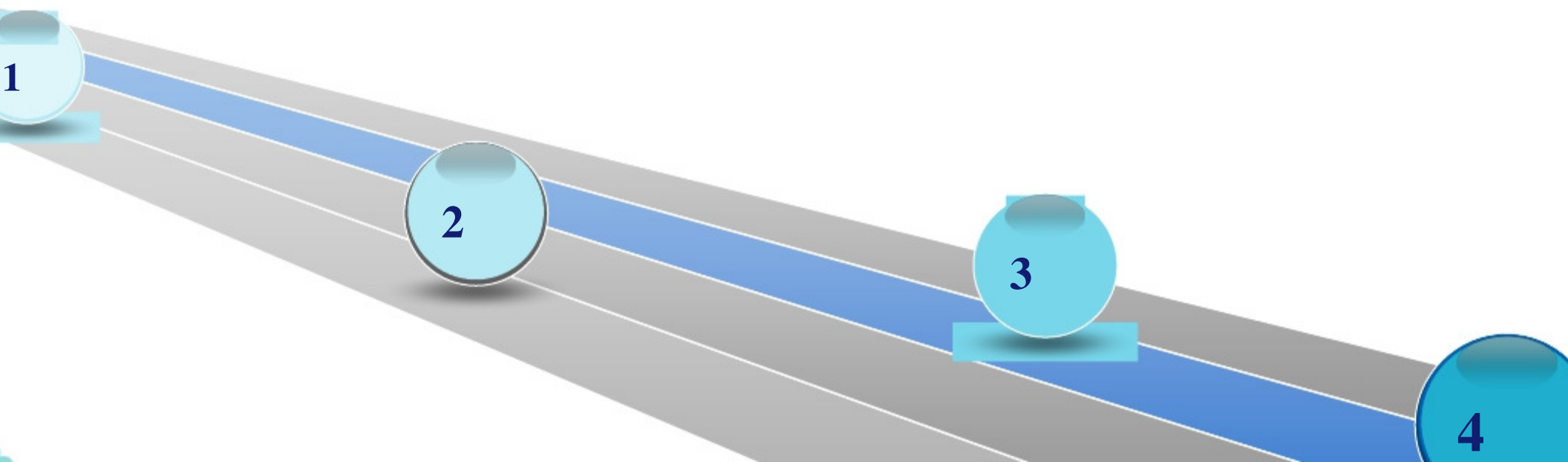
- Rationalization of labor
- Manufacturing
- Adopting new technologies.

Created in Mexico

- Increasing knowledge
- Research
- Development and design

Coordinated in Mexico

- Centralized coordination
- Logistics
- Autonomy
- Local suppliers



to grow together ...

COMPETITIVE

- The best location near the largest aviation marketplace
- Solid intellectual property protection
- NAFTA import – export facilities
- Manufacturing facilities for aeronautics company competitiveness

GEOGRAPHY

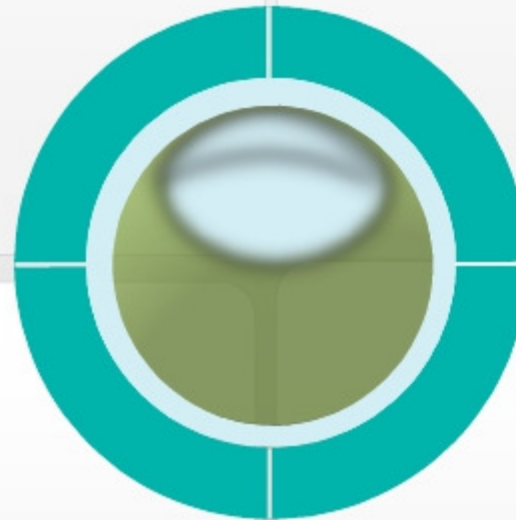
- Settled logistics
- Aeroclusters
- Build supply chains into regional clusters: maintenance, repair, engineering, manufacturing, R&D, etc.

INTERNAL BASIS

- To create global competitive government incentives
- Weak academic curricula
- Not strong technical training resources
- To develop a special processes of supply base: OEMs and domestic suppliers

STRUCTURAL NECESSITIES

- Energy: lower costs
- Better telecommunications
- Labor reform
- Reinforce multi transportation model



With Mexican authority, to establish regional verification offices.

To promote the uses of the single fraction for aerospace companies, for import - exports

Develop laboratories for non destructive testing (NDT) and consolidate a network of qualified laboratories