

Mexico in Brief

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MEXICAN CONGRESS APPROVES NEW TAX SCHEME.

The long-debated tax reform proposed by Mexican President Calderon has been approved. The main goal of this reform is to provide the government with funding to more effectively fight poverty. The most significant change involved is the creation of a new flat corporate tax known as *IETU*, as a result of which companies' tax results will need to be calculated under the new *IETU* formula and under the previous income tax formula, of which the higher resulting figure will be paid. The tax reform is scheduled to become effective on January 1, 2008, and the Mexican Treasury expects that the new taxes will amount for approximately 3.7% of 2008's Mexican GDP.

NUEVO LEON CONTINUES PROMOTION IN ASIA.

The Ministry of Economic Development of the State of Nuevo Leon recently opened a business representation office in Beijing, with the main purpose of seeking business opportunities for exports from the State. The office, however, also serves as a link for Chinese and general Asian investment in Mexico and particularly in Nuevo Leon. Recent announcements have been made regarding considerable investments in the State by companies such as *Nippon Kayaku*, *Sanyo* and *Takata*, together with a number of suppliers of *LG*.

POSITIVE INDICATORS IN THE MEXICAN ECONOMY.

The Mexican Ministry of Tourism recently informed that Mexico received a cash flow of approximately U.S.\$7.9 billion from tourism-related business during the first seven months of 2007, 8.2% higher than the figures for the same period of 2006. On the other hand, the gross fixed investment registered a growth of 5% during the first six months of this year, in contrast with the same period of 2006. Direct foreign investment during 2007 is expected to reach a record, estimated to increase in approximately U.S.\$1.4 billion.

AEROMEXICO IN ONGOING BIDDING PROCESS.

As expected, the bidding process for the control of Mexican airline *Aeromexico* started last September. The pricing started with an offer made by Mexican entrepreneur Alberto Saba, involving a U.S.\$100 million bid; a group led by shareholders of *Banamex* and *Grupo Modelo* followed, and involved approximately U.S.\$151 million, and was quickly met by a close offer made by a group of Mexican businessmen led by Jose Barraza. The original bid from the Saba family expired and a new one has been placed, also in the U.S.\$151 million level. The bidding process is still open and has lately raised interest among the Mexican business community.

ICA INTERESTED IN PANAMA CANAL'S EXPANSION PROJECT.

Mexican leading construction company ICA aims to participate in Panama's U.S.\$5.25 billion project to expand the Panama Canal and is seeking to do so in conjunction with an international consortium. ICA has also recently expressed interest in continue its international construction business, participating in projects located in Colombia, the Dominican Republic, Guatemala, Spain, Portugal and the North of Africa.

CENTRAL MEXICO CONTINUES TO ATTRACT INVESTMENT.

Aernnova Aerospace recently announced that it will invest approximately U.S.\$134 million in the construction of a plant to be located in the Mexican state of Queretaro and which will manufacture certain aeronautic components, generating approximately 1,624 employment positions. Queretaro will also house an automobile shock absorber manufacturing facility by *ArvinMeritor Inc.*, who announced the construction of the new plant as part of its global restructuring plan. *Procter & Gamble*, who is already established in the Queretaro area, has announced that it will invest approximately U.S.\$150 million in the upgrading of its *Mariscala* plant.

Business Summary for September 2007

Stock Exchange Index (BMV)

30,296.19

0.17% ▼

Exchange Rate (Fix)

MxP 10.9315- U.S.\$1

0.96% ▼

Inflation-August/Cummulative/12 Months

0.41% / 1.42% / 4.03%

TIIE 28 / 91

7.70% / 7.77%

0.13% ▼ / 0.26% ▼

CETE 28 / 91 / 364

7.21% / 7.36% / 7.70

0.14% ▲ / 0.27% ▼ / 0.92% ▲

UDI

MxP 3.867087

0.52% ▲

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