SHCP
SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO

PRESS RELEASE Mexico City, May 27th, 2008.

THE FEDERAL GOVERNMENT ANNOUNCED THE NATIONAL PROGRAM FOR FINANCING DEVELOPMENT 2008-2012

- **TODAY THE FEDERAL GOVERNMENT ANNOUNCED THE NATIONAL PROGRAM FOR FINANCING DEVELOPMENT 2008-2012 (PRONAFIDE).**

- **THE PROGRAM'S OBJECTIVE IS TO ENSURE THE AVAILABILITY OF THE FISCAL AND FINANCIAL RESOURCES NEEDED TO ACHIEVE A HIGHER AND SUSTAINABLE LEVEL OF HUMAN DEVELOPMENT IN 2012 THROUGH, AMONG OTHER THINGS, A SUSTAINED GROWTH RATE ABOVE 5 PERCENT, THE CREATION OF MORE THAN 800 THOUSAND JOBS PER YEAR AND A REDUCTION OF 30% IN THE POPULATION LIVING IN FOOD POVERTY.**

- **THE GROWTH AND JOB CREATION STRATEGY ESTABLISHED IN THE NATIONAL DEVELOPMENT PLAN, AND OUTLINED IN GREATER DETAIL IN THE PROGRAM, IS BASED ON TWO PILLARS:**

  - **IMPROVING THE BROAD DETERMINANTS OF THE COMPETITIVENESS OF THE MEXICAN ECONOMY, SUCH AS THE RULE OF LAW, MACROECONOMIC STABILITY AND THE LEVEL OF TECHNOLOGICAL DEVELOPMENT.**
  - **ELIMINATING THE RESTRICTIONS TO GROWTH OF SPECIFIC ECONOMIC SECTORS CAUSED BY INADEQUATE LEGAL, REGULATORY OR COMPETITION FRAMEWORKS, OR BY INSUFFICIENT AVAILABILITY OF RESOURCES.**

- **THE STRATEGY WILL LEAD TO AN INCREASE IN THE RATE OF PRODUCTIVITY GROWTH FROM 0.5% IN 2007 TO 1.9% IN 2012, AS WELL AS AN EXPANSION IN INVESTMENT FROM 22.5% OF GDP IN 2007 TO 25.5% IN 2012.**

- **THE HIGHER INVESTMENT WILL BE MAINLY FINANCED BY DOMESTIC SAVINGS. IN PARTICULAR:**

  - **DOMESTIC SAVINGS WILL RISE FROM 21.7% OF GDP IN 2007 TO 23.8% IN 2012. PUBLIC SAVINGS WILL GROW FROM 3.3% OF GDP IN 2007 TO 4.2% IN 2012 AND PRIVATE SAVINGS FROM 18.4% OF GDP TO 19.6% DURING THE SAME PERIOD.**
  - **EXTERNAL SAVINGS WILL REMAIN BELOW 2.0% OF GDP DURING 2008-2012, LEVEL WHICH CAN BE EASILY FINANCED WITH THE EXPECTED FLOWS OF FOREIGN DIRECT INVESTMENT.**

- **ON THE PUBLIC FINANCE SIDE, NON-OIL TAX REVENUES ARE EXPECTED TO INCREASE FROM 9% OF GDP[1] IN 2007 TO 11% IN 2012. THIS WILL ALLOW PUBLIC EXPENDITURE TO INCREASE FROM 20.4% OF GDP IN 2007 TO 22.1% IN 2012. WITHIN,**

[1] The level of Gross Domestic Product used is the one published in May 2008 by the National Institute of Statistics, Geography and Informatics (INEGI). Due to the higher GDP figures observed in the new series, some tax, financial and investment in infrastructure ratios as proportion of GDP are lower than those reported in previous documents.

PUBLIC INVESTMENT WILL BE HIGHER THAN 5.0% OF GDP IN 2012, COMPARED WITH 4.3% IN 2007.

- **THE OBJECTIVES FOR PUBLIC FINANCES WILL BE ATTAINED THROUGH A FISCAL POLICY THAT STRENGTHENS PUBLIC FINANCES, A SIMPLER TAX SCHEME THAT STRENGTHENS TAX COLLECTION BY WIDENING THE TAX BASE AND AT THE SAME TIME FAVORS INVESTMENT, FACILITATING COMPLIANCE WITH TAX OBLIGATIONS, CHANNELING HIGHER RESOURCES TO SOCIAL DEVELOPMENT AND INFRASTRUCTURE, AND IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF PUBLIC EXPENDITURE.**

- **ON THE FINANCIAL SYSTEM SIDE, FINANCIAL SAVINGS ARE EXPECTED TO GROW FROM 51.9% TO 64.8% OF GDP BETWEEN 2007 AND 2012. TOGETHER WITH THE EXPECTED REDUCTION OF THE HISTORICAL BALANCE OF THE PUBLIC SECTOR'S BORROWING REQUIREMENTS AS A PROPORTION OF GDP, THIS WILL ALLOW FINANCING TO THE PRIVATE SECTOR TO GROW FROM 23.3% TO 39.6% OF GDP OVER THE SAME PERIOD. THIS WILL ENABLE PRIVATE SECTOR INVESTMENT TO REACH 20.5% OF GDP IN 2012, FROM 18.2% NOWADAYS.**

- **TO ACHIEVE THIS, FINANCIAL SECTOR POLICIES WILL FOCUS ON:**

  - **ENCOURAGING HIGHER SAVINGS AND INTERMEDIATION OF THESE THROUGH THE FINANCIAL SYSTEM,**
  - **INCREASING THE PENETRATION OF THE FINANCIAL SYSTEM BY PROMOTING ACCESS TO FINANCIAL SERVICES FOR A HIGHER PROPORTION OF THE POPULATION,**
  - **CONTINUING TO INCREASE COMPETITION AMONG INTERMEDIARIES,**
  - **STRENGTHENING THE DEBT AND EQUITY MARKETS' ROLE IN FINANCING THE PRIVATE SECTOR,**
  - **ENSURING THE SAFETY, SOUNDNESS AND STABILITY OF THE SYSTEM,**
  - **DEVELOPING A FINANCIAL AND CONSUMER PROTECTION CULTURE,**
  - **CONSOLIDATING THE NATIONAL PENSION SYSTEM,**
  - **STRENGTHENING AND FOSTERING DEVELOPMENT BANKS.**

PRESS RELEASE Mexico City, May 27th, 2008.

The President of the United Mexican States, Felipe Calderon Hinojosa, announced today in the National Palace the National Program for Financing Development 2008-2012 (PRONAFIDE). The main objective of the Program is to ensure the availability of fiscal and financial resources so that all Mexicans can live better through - among others - achieving the goals set in the National Development Plan of growing more than 5%, the creation of more than 800 thousand jobs per year and a 30% decrease in the population living in food poverty, all of these by 2012.

MAIN ELEMENTS:

Growth Strategy

To accelerate the dynamism of the Mexican economy, create more jobs and reduce poverty in a permanent manner, through higher productivity growth, investment and people's capabilities, a strategy based on two aspects will be followed:

1. Strengthening the broad determinants of competitiveness, understood as those elements that establish the productive conditions of all sectors of the economy.

2. Promoting the adequate conditions to accelerate growth in each sector of the economy, particularly in those sectors that have a high potential for doing so, that are important job creators, that will reduce regional disparity and whose development has been limited due to lack of investment or to legal and regulatory restrictions.

Among the broad determinants of competitiveness the following stand out: the Rule of Law and security; macroeconomic stability, the level of competition and the quality of norms and regulatory practices; people's capabilities; appropriate conditions for research and the adoption of new technologies; the quality of infrastructure, and the supply of goods provided by the public sector, in particular the ones related to energy. The last two elements are also sectors of the economy; therefore, they are also part of the sector-specific strategy of growth given their high potential of development.

The sector-specific strategy will be based on establishing the right conditions for higher development of the infrastructure, the energy, manufacturing, housing, tourism and primary sectors. It will seek to carry out the needed regulatory and legal modifications - along with Congress - as well as administrative actions, which facilitate the development of these sectors.

The combined impact of these strategies is estimated to yield an increase in economic growth from 3.2 percent in 2007 and 2.8 percent in 2008 to 5.2 percent in 2012.

SHCP

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IMPACT OF TRANSVERSAL AND SECTOR SPECIFIC STRATEGIES ON GROWTH

Factor	Incremental Growth Estimated (%)
Infrastructure and Finance System	1.30
Additional Transversal Factors: Rule of Law, Education, Health, Competition and Regulatory Framework	0.39
Additional Sectors: Housing, Primary and Tourism	0.31
Total Incremental Growth of Transversal Factors and Sector Specific Strategies	**2.00**
Mexico's Growth 2007	**3.20**
Mexico 2012	**5.20**

Source: World Bank, CONAPO, World Economic Forum, Fraser Institute, INEGI, OECD, Pronafide, National Program of Infrastructure 2007-2012, Program of the Sector of Communications and Transports, Program of the Ministry of Government, Program of the Sector of Education, Ministry of Energy, Program of the Sector of Tourism, National Housing Plan 2007-2012, Program of the Sector of Agriculture, Livestock, Rural Development, Fishing and Feeding, and Ministry of Finance.

The cross-sector and the sector-specific strategies will translate into improved competitiveness which in turn will lead to higher productivity and investment growth. This is because the actions related to these strategies will strengthen the profitability of adopting new technologies and processes, at the same time as creating more and better investment opportunities. This in turn will translate into higher economic growth and job creation.

GDP GROWTH

Year	GDP Growth	TFP Growth	Investment Growth	Growth of the Economically Active Population	Jobs Created (Thousands of Persons)	Investment (% GDP	GDP Growth in USA
2007	3.2	0.5	6.7	2.1	525	22.5	2.2
2008	2.8	0.4	6.9	2.1	496	23.4	1.4
2009	4.0	0.8	6.2	2.0	585	23.9	2.3
2010	4.3	1.1	6.6	2.0	676	24.5	3.0
2011	4.6	1.5	6.8	1.9	769	25.0	2.9
2012	5.2	1.9	7.0	1.8	859	25.5	2.9

Source: SHCP, CONAPO, INEGI and Blue Chip

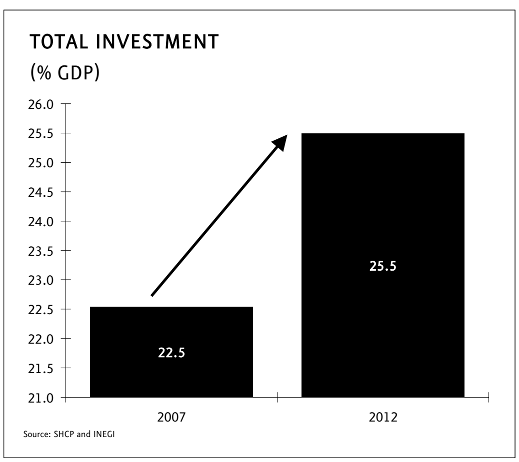
Financing Needs

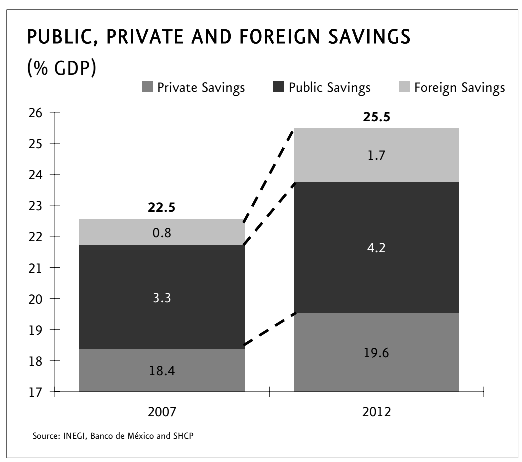
According to a conservative scenario, which considers achieving a 5.2 percent growth rate in 2012, subject to the U.S. economy growing at close to its long-term growth rate, the following is required to occur between 2007 and 2012:

- Productivity growth should increase from 0.5 percent in 2007 to 1.9 percent in 2012.
- Public investment should grow from 4.3 percent of GDP to 5.0 percent of GDP.
- Private investment should grow from 18.2 percent of GDP to 20.5 percent of GDP.
- With the above, total investment would increase from 22.5 to 25.5 percent of GDP.

On the financing side it is necessary that between 2007 and 2012:

- Domestic savings should increase from 21.7 to 23.8 percent of GDP and within, private savings grow from 18.4 to 19.6 percent of GDP and public savings do so from 3.3 to 4.2 percent of GDP.
- The use of external savings should increase from 0.8 percent of GDP to 1.7 percent of GDP. It is expected that throughout the period external savings will be maintained below 2 per cent of GDP, level which is easily financed with capital flows from stable sources, particularly foreign direct investment.





Fiscal Policy

Fiscal policy will aim to ensure a higher availability of fiscal resources for social and economic development, as well as higher investment in infrastructure, while maintaining a context of stability and responsibility of Public Finances. Such objectives derive into the following specific objectives:

1) **Strengthening the framework of Fiscal Responsibility to ensure a responsible and efficient fiscal policy, that maintains a balanced budget and an adequate management of debt, core components of the development strategy; that in turn reduces the Historical**

Balance of the Public Sector's Borrowing Requirements; and strengthens the mechanisms to carry out counter-cyclical policies.

The strengthening of the Fiscal Responsibility framework, the higher availability of public resources, and their efficient use will contribute to increase the potential growth rate of the economy as well as job creation. Additionally, reducing public sector debt frees up resources for private investment, which increases productivity and hence growth.

The lines of action of this objective are twofold:

- Ensuring the compliance with the fiscal responsibility norms established in the Federal Budget and Fiscal Responsibility Law, as well as the policy guidelines contained in this Program.
- Continuing with the development of schemes that allow the adoption of counter-cyclical fiscal policies.

2) **Continue with tax simplification, seek additional mechanisms to facilitate compliance with tax obligations, and strengthen measures to reduce tax elusion and evasion to strengthen tax collection.**

The tax administration must act so that tax collection grows above the GDP growth rate, meaning that its effectiveness and efficiency must be continuously improved.

The lines of action in this area are:

- Reducing the cost of compliance with tax obligations.
- Improving and making more transparent the procedures, requirements and service levels to the taxpayer in a systematic, didactic and friendly way.
- Developing an electronic map of the SAT offices available through online consultation including expected waiting times for services.
- Raising customs efficiency in order to increase the average recognition of each customs office, simplifying, improving and upgrading customs procedures, and implementing the proposed cost reduction in customs offices.
- Leveraging the programs between the different levels of government in order to standardize procedures to simplify as well as facilitate accountability in activities associated with taxpayers' registration, taxing groups selection, taxation processes and defense of fiscal interest in the different taxes.
- Developing programs aimed to rearrange the informal economy.
- Promoting the culture of compliance with tax obligations through the implementation of the following programs: (i) Fiscal Civic, (ii) Education and Follow through to Enhance Voluntary Compliance of New Contributors, and (iii) Transparency and Accountability of Federal Public Expenditures.

3) **Ensuring the proper implementation of the Public Finance Reform, in particular the Unique Rate Corporate Tax (IETU), in order to increase non-oil tax revenues and reduce**

the volatility of total government revenue.

The proper implementation of the Public Finance Reform is an essential step to increase the availability and stability of public resources and obtain the greatest amount of non-oil tax revenues in history, leading to a higher certainty in the Government's expenditure capacity in the long term.

This raises the following lines of action:

- Strengthening the fight against tax elusion and evasion through a better design of the tax administration in order to achieve a more equitable distribution of the tax burden among taxpayers.
- Strengthening and widening the tax base of different taxes, taking advantage of each tax-specific potential revenue.

4) Improving the allocation and use of expenditures by evaluating its results, higher transparency and accountability, including the implementation of the expenditure programs evaluation system, ensuring convergence of Government accounting systems between the three levels of government, and giving priority in the allocation of expenditure to sectors and programs with better results.

Higher expenditure will be the result of higher revenues within a framework of responsibility and healthy and balanced public finances. The following guidelines will be implemented:

- Focusing support to the population with the greatest needs through targeted instruments that directly influence their welfare.
- Improving planning and resource allocation to investment projects of high social and economic profitability.
- Favoring public expenditures, rather than the tax system, as the instrument for providing support to different groups of the population and economic sectors.
- Strengthening regional expenditure through the performance evaluation system, better agreements between the federal entities and the Federation, as well as applying the new criteria for the allocation and distribution of contributions to the federal entities and municipalities.
- Reducing operating and administrative expenses of the Federal Government.
- Favoring an expenditure allocation, with the assistance of Congress, focused on higher investment in people's capabilities and productive infrastructure, fighting poverty, strengthening the Rule of Law and security, protecting the environment and natural resources, and regional development.
- Successfully implementing mechanisms for evaluating the expenditure programs through a Results-Based Budget, making them transparent through performance evaluations and implementing the convergence in Government accounting systems between the three levels of government.

5) Promoting the development of local financial markets and achieve savings in the financial costs of the Public Sector through the active management of public debt, maintaining a level of risk consistent with the healthy evolution of public finances and

the development of local financial markets.

In line with this objective, the Public Debt strategy will be based in two main aspects:

- Continuing to favor the use of long term debt in pesos to finance the Federal Government's deficit.
- Implementing a liabilities policy focused on improving the cost and term structure of external debt.

In terms of domestic debt, the specific guidelines are:

- Strengthening the liquidity of government securities in their various terms and rates.
- Developing the real rates bonds market in all its segments.
- Improving access of small investors to the primary market of government securities.

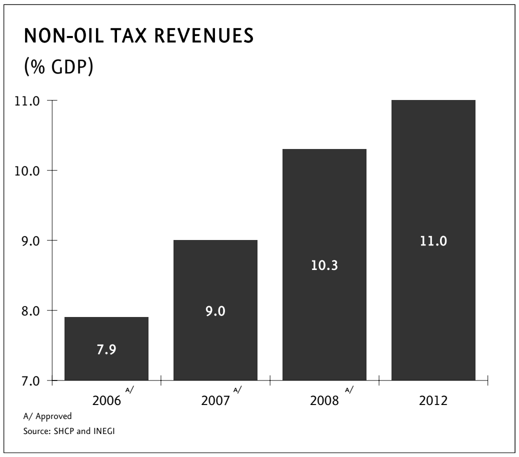
The external debt strategy will seek to maintain a regular presence of Mexican sovereign debt in the international markets through three action lines:

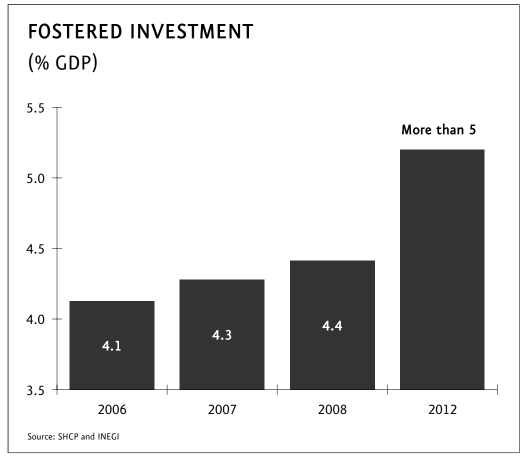
- Continuing to improve the terms and conditions of external debt.
- Developing and strengthening references for the private sector.
- Widening the investor's base for external bonds.

The fiscal policy strategy will have the following results:

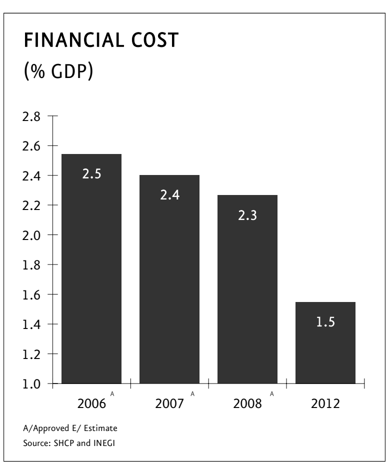
- Budgetary revenues of 22.1 per cent of GDP[2] in 2012 compared to 20.4 and 21.8 percent of GDP approved in 2007 and 2008. This is mainly due to higher non-oil tax revenues, which will increase from 9.0 and 10.3 percent of GDP observed in the approved budgets for 2007 and 2008, respectively; to 11.0 percent of GDP in 2012.
- A total expenditure increase from 20.4 and 21.8 percent of GDP approved in the 2007 and 2008 budgets to 22.1 percent of GDP in 2012. Within, programmable expenditures would grow from 15 and 16 percent of GDP approved in the 2007 and 2008 budgets to 16.6 percent of GDP in 2012. This increase will be reflected in a fostered investment higher than 5.0 percent of GDP in 2012 compared with 4.3 and 4.4 percent of GDP observed in 2007 and 2008, respectively.

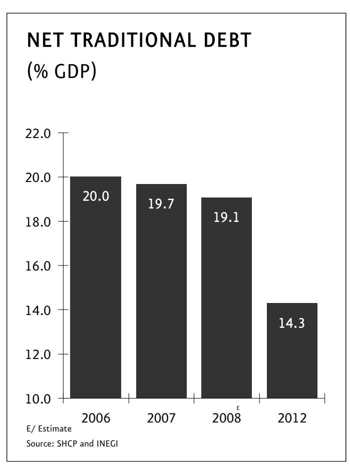
[2] The level of Gross Domestic Product used is the one published in May 2008 by the National Institute of Statistics, Geography and Informatics (INEGI). Due to the higher GDP figures observed in the new series, some tax, financial and investment in infrastructure ratios as proportion of GDP are lower than those reported in previous documents.

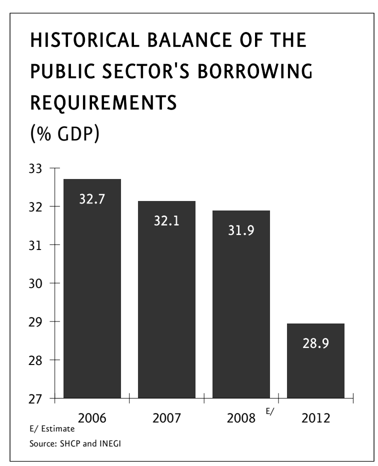




- Within non-programmable expenditure, the financial cost is expected to be reduced from 2.4 and 2.3 percent of GDP approved in the 2007 and 2008 budgets to 1.5 percent of GDP in 2012. Shareable revenues are estimated to increase from 3.0 and 4.0 percent of GDP approved in 2007 and 2008 to 3.8 percent of GDP in 2012.
- Expenditures channeled to social development will increase their level as a proportion of GDP from 9.2 and 9.6 percent in the 2007 and 2008 approved budgets to 9.9 percentage points of GDP in 2012 due to higher resources channeled to programs for overcoming poverty and other social expenditure, for example, “Oportunidades” and “Seguro Popular”, with resources derived from the Public Finance Reform.
- Public debt as a proportion of GDP will decrease from 19.7 and 19.1 percent in 2007 and 2008 to 14.3 percent in 2012. On the other hand, the Historical Balance of the Public Sector’s Borrowing Requirements will decrease from 32.1 and 31.9 percent of GDP in 2007 and 2008, respectively, to 28.9 percent of GDP in 2012.







Financial Policy

To achieve the proposed objectives for economic growth and job creation, a deeper and more efficient financial system is needed. In addition, this should lead to higher returns on families' savings and help guarantee the availability of financial resources for households and enterprises at improved conditions. Furthermore, an efficient financial system reduces the costs of transaction in an economy and allows the allocation of resources to the most profitable projects.

Therefore, financial policy will be focused on:

1) **Fostering higher savings and intermediation of these through the financial system, as well as efficiently channeling resources to the most profitable investment projects.**

2) **Increasing the penetration of the financial system, so a larger proportion of the population has access to financial services.**

3) **Continuing to increase competition among intermediaries.**

4) **Strengthening the role of debt and equity markets as a means of financing to the private sector, promoting the development of new savings, investment and risk management vehicles.**

5) **Guaranteeing the security, soundness and stability of the financial system.**

6) **Developing a financial and consumer protection culture.**

7) **Consolidating the National Pension System.**

8) **Strengthening and fostering development banks.**

Actions that apply to all types of intermediaries and market segments as well as sector specific actions are established to achieve these general objectives

The five lines of action that apply to all intermediaries are:

- **Implementing a National Strategy for Financial Culture and promoting higher consumer protection.**

  This strategy seeks to help people to develop the knowledge, skills and attitudes that enable them to:

  - Understand basic financial concepts, as well as the benefits and costs of using the financial system.
  - Understand the risks and costs of using products and services offered in the informal financial system.

- Conduct a financial planning that allows individuals to conceive themselves as subjects capable of saving and meeting credit obligations.

- **Continuing to promote disclosure of information in a more accessible manner to the public, contributing to higher transparency of financial products and vehicles.**

  The providers of financial products and services should inform the public in an accessible to manner the characteristics and conditions of these products. This will provide consumers with more and better information so that they can choose the product or service that best suits their needs. This, in turn, will promote higher competition in the sector.

- **Encouraging the continuous entry of new participants.**

  Reducing the costs of regulation and allow the creation of specialized or niche intermediaries to undertake specific activities and only have to comply with the particular prerequisites for their activities.

- **Increasing the efficiency of the payments systems, while promoting higher use of electronic means.**

  Increasing the use of electronic means of payment will allow higher accessibility to the financial system because it reduces costs in time and money to make transactions, as well as the risks inherent in the operations.

- **Strengthening financial regulation and applying it properly.**

  Regulatory authorities will comply with their efforts to monitor that the increase in financial savings and increased flow of financing take place in a sustainable context. In this regard, improvements in regulation are aimed at achieving the right balance between solvency, growth and profitability in the financial system.

The lines of action specific to each sector are directed at the following:

- **Strengthening the System of Retirement Savings, contributing to the transformation of the pay-as-you-go public pension systems and encouraging the incorporation of independent workers to a National Pension System**

  The consolidation of the National Pension System through the previous three strategies will consider the following elements:

  - Strengthening the scheme of competition between Pension Fund Administrators (AFORES) through an emphasis on net yield.
  - Ensuring that the resources of workers are not only safe but that they receive the best return possible, through a permanent monitoring of the system, and in particular of the investment regime.
  - Promoting an increase in voluntary savings made by workers.
  - Taking advantage of the complementarities between schemes for retirement savings and

investment in housing.
- Transforming the pension systems of the Federal Entities, public enterprises and public universities.
- Completing the implementation of the Law of ISSSTE.

- **Promoting innovation in savings, investment and risk management instruments.**

  Alternatives for channeling the increasingly available resources to finance medium-sized enterprises with growth potential and priority sectors are required, as well as mechanisms by which the resources or collateral of the public sector can complement private sector participation.

  On the other hand, it is necessary to generate new vehicles that contribute to increasing penetration of the use of insurance, more effective risk sharing between public and private sectors and optimally managing the risks to which the Federal Government is exposed.

  Examples of vehicles to develop are the Real Estate Trusts (FIBRAS), venture capital and private equity funds and sub-indices of the stock market and of the securitization of various types of assets.

- **Making the investment regimes of institutional investors more flexible.**

  It is necessary to relax the investment regimes of AFORES and insurers and transit towards a scheme based on risks. This will allow:

  - To channel more resources to finance profitable projects.
  - To achieve better diversification of portfolios and higher yields.
  - To provide new options for hedging diverse risks.

- **Reducing the costs of financing.**

  The actions to undertake include:

  - Reducing the costs of regulation for the issuance of shares and debt.
  - Facilitating the mass offering of microinsurance, encouraging the development of alternative distribution mechanisms leading to a high coverage at a low cost.
  - Strengthening the collateral system through the revision of legislation and the creation of a single registry of housing collateral to provide legal certainty to creditors in an efficient and competitive manner.

- **Fostering development banks**

  The development banks will resume their role as promoters of growth focusing their attention on the population without access to credit. They will take advantage of on the financial strength accumulated in recent years, the use of budgetary resources aimed at the establishment of guarantee funds and other supports to financing and the collaboration with other financial intermediaries.

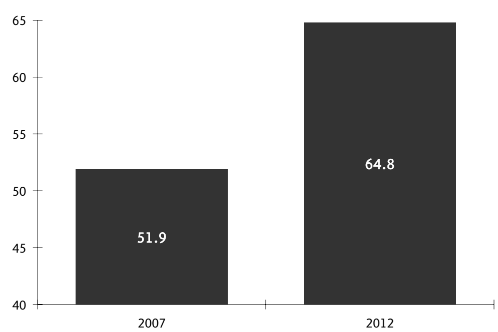
Development banks will focus on four sectors that are strategic due to their contribution to economic growth and employment: Micro, Small and Medium Enterprises, small and medium rural producers, infrastructure and housing for low-income families.

The guidelines for reorienting their actions are:

- Focusing on the target population.
- Promoting closer coordination with private financial intermediaries.
- Improving coordination between development banks and different state ministries.
- Fostering long term credit.

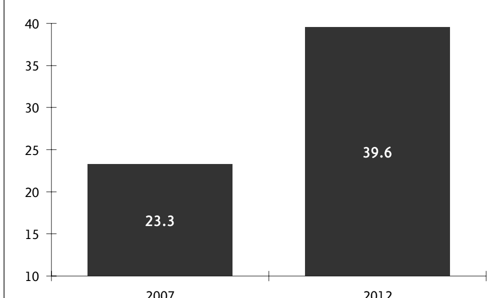
These actions will lead to higher intermediation of resources through the financial system. Financial savings are expected to increase to a level of 64.8 percent of GDP[3] in 2012, compared with 51.9 percent in 2007. This will contribute to an increase in the total financing to the private sector from 23.3 percent to 39.6 percent of GDP between 2007 and 2012. This implies an increase in financing to the private sector of 3.3 percent of GDP per year, which if channeled efficiently will allow the forecasted expansion in private investment.

FINANCIAL SAVINGS*
(% of GDP)



* Financial savings are defind as the broad aggregate monetary supply M4A minus cash in circulation.
Source: SHCP with information from Banxico.

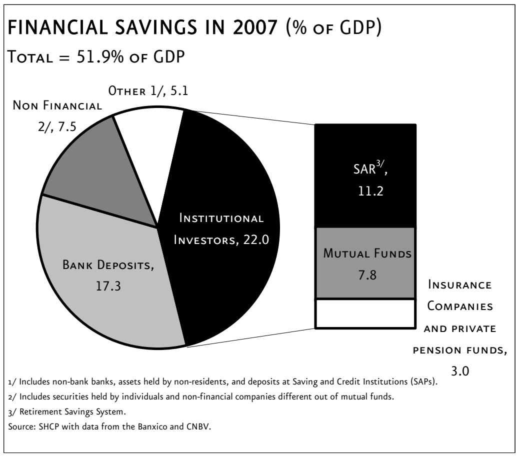
FINANCING TO THE PRIVATE SECTOR*
(% of GDP)

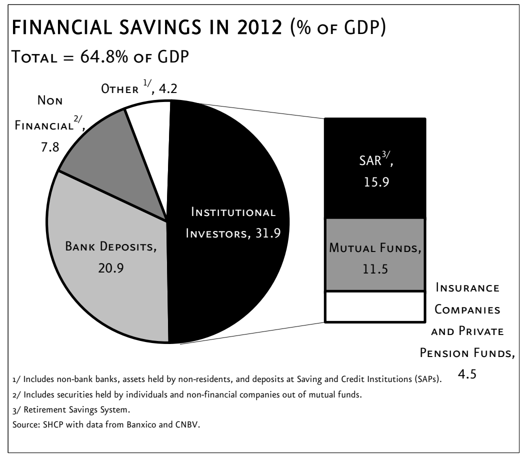


*Includes credit granted through the financial system with internal resources to the commercial, consumer and housing sectors, without considering loans between financial institutions.
Source: SHCP with information from Banco de México and INEGI.

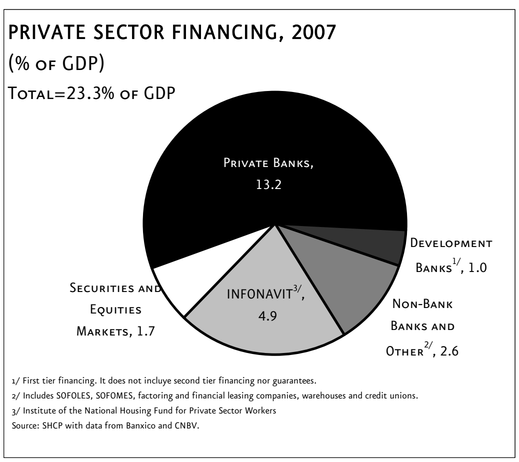
The reforms to the Law of ISSTE, the Law of the Savings for Retirement System and the other actions undertaken to consolidate the National Pension System will contribute to making the institutional investor segment the most dynamic in financial savings.

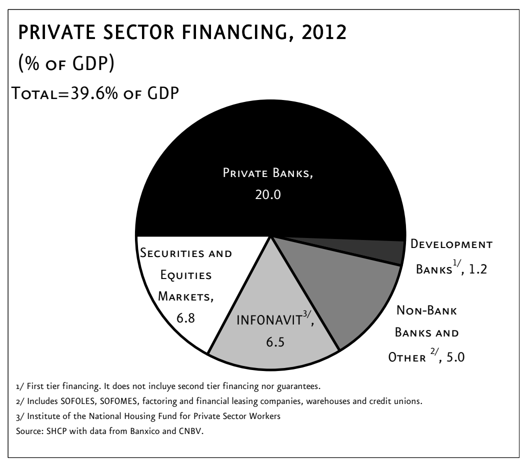
[3] The level of Gross Domestic Product used is the one published in May 2008 by the National Institute of Statistics, Geography and Informatics (INEGI). Due to the higher GDP figures observed in the new series, some tax, financial and investment in infrastructure ratios as proportion of GDP are lower than those reported in previous documents.



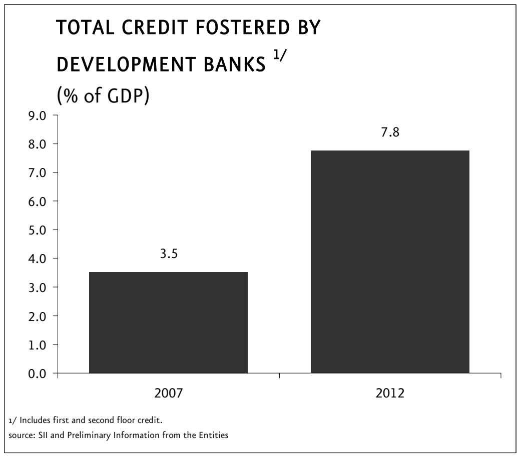


Even though credit by private banks will still be the main source of financing for the private sector, the growing importance of institutional investors will require more depth of equities and securities markets.





The strategy followed by development banks will allow them to increase credit induced by them, which includes direct credit and credit supported with guarantees, from 3.5 percent of GDP in 2007 to 7.8 percent in 2012.

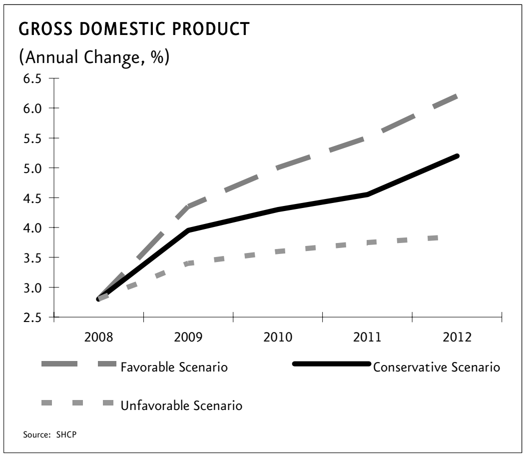


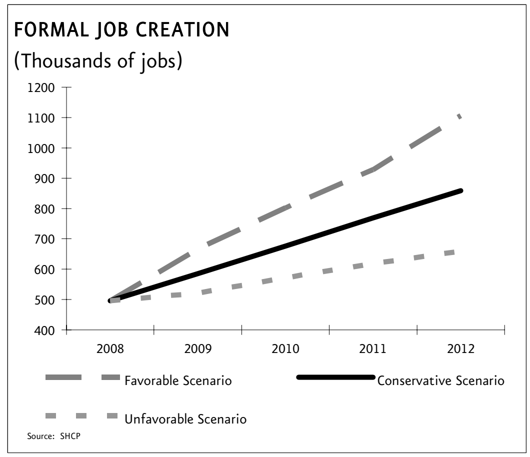
Growth Scenarios

In the Program, three alternative scenarios were analyzed:

- Conservative scenario: estimated with the intermediate impact that the fulfillment of the cross-sector and sector-specific goals would have and an international scenario where the industrialized economies return to their level of potential growth in a relatively short period of time;
- Favorable scenario: the sector specific goals are fulfilled and these have a higher impact than expected, similar to the one observed in economies of accelerate growth, like Chile, South Korea and Ireland. Also, there is additional progress in the reform agenda in comparison to the conservative scenario;
- Unfavorable scenario: a prolonged period of limited growth in industrialized economies due to a slower than expected recovery and resolution of problems associated with the mortgage and financial crisis, along with a context of high prices in fuel and commodities.

It is possible that the actions undertaken by the Federal Government programs have a higher impact than the one predicted, taking us to a growth rate of 6.2 percent in 2012 in the favorable scenario. On the other hand, in case of an unfavorable external environment there would be growth of 3.9 percent, which makes evident the necessity of following an ambitious agenda of reforms. In this manner, the established scenarios in the National Program for Financing Development are indicative of the potential growth rate of our country in case the necessary agreements to attain higher levels of growth are achieved, but also of the need to achieve them if we face a less favorable external environment.





Final Considerations

Considering the other actions established in the National Development Plan and the sector specific programs, and trusting in the renewed capacity of different political and social groups to attain substantial agreements, we have all the necessary conditions to improve conditions in Mexico and to construct a better future where we can all live better.