



THE FEDERAL GOVERNMENT ANNOUNCED THE PROGRAM TO SUPPORT THE ECONOMY: 10 ACTIONS TO PROMOTE ECONOMIC ACTIVITY, INVESTMENT AND JOB CREATION

- **The Program to Support the Economy consists of:**
 - **Discounts on corporate income tax and Unique Rate Corporate Tax (IETU) payments and credits for tax filings using electronic means.**
 - **Simplification on trade tariffs and customs procedures.**
 - **Discounts on employers' social security contributions to IMSS.**
 - **Higher public expenditure to foster employment and in PEMEX.**
 - **Stimuli for the development of productive centers in the poorest regions of the country.**
 - **Timely financing from the Development Banks.**
- **With the Program there will be an environment of greater confidence for economic activity, investment and employment, strengthening the economy in a more volatile and uncertain external environment.**
- **The implications in terms of resources are the following:**
 - **Ps. 27 billion in discounts on employers' social security contributions to IMSS; discounts on tariffs; fiscal stimuli and higher expenditures.**
 - **Ps. 33 billion in fiscal financing and credit availability, including direct and induced credit, by the Development Banks.**
- **With the Program, the Federal Government establishes a strategy to strengthen the Mexican economy based on three pillars: 1. the public spending increase in the Federation's Expenditure Budget for 2008, 2. the National Infrastructure Fund, and 3. the Program to Support the Economy.**

The President of the Mexican United States, Felipe Calderon Hinojosa, announced today in the National Palace the launching of the Program to Support the Economy. This program consists of 10 measures regarding taxes, social security contributions, job creation, simplification of tariffs and customs procedures, public spending, development of less developed regions, electricity tariffs and financing from development banks in order to boost economic activity, investment and employment. With this program, the Federal Government strengthens domestic economic activity in the context of a less favorable and more volatile international environment than the one observed in recent years.



MAIN ELEMENTS

The Program to Support the Economy includes the following initiatives:

Taxes and Contributions to Social Security

1. A 3% discount to provisional payments on the corporate income tax and on the unique rate corporate tax (IETU) will be established from February to June 2008. This should help companies to continue with their expansion plans, investment and employment. The amount of financing will be close to Ps. 6 billion.
2. A fiscal stimulus of Ps. 1,000 will be provided for each definitive 2007 tax declaration made electronically by individuals with entrepreneurial activities which use the advanced electronic signature (FIEL). At the same time that a fiscal stimulus is given, this measure strengthens the process of modernizing the Tax Administration System. The total amount of fiscal stimuli will sum Ps.1.1 billion.
3. There will be a process of customs and trade tariffs simplification, reducing transaction costs in the economy and fostering foreign trade. The main measures on customs simplification are:
 - I. The elimination of the requirement to register in the “Specific Sector Importer Record”;
 - II. A reduction in the number of goods that are required to be imported in specific (exclusive) customs;
 - III. The elimination of the use of estimated prices on imports -except for automobiles- and;
 - IV. The elimination of the mandatory use of guarantees for the domestic transit of goods.
4. There will be a 5% discount on employers’ contributions to the IMSS during 2008. This will directly contribute to increase jobs creation by reducing payroll costs by Ps. 6 billion.

Employment

5. An additional Ps. 650 million will be given to the National Employment System, an increase of close to 80% in the resources assigned to the System. This in order to provide more training in and outside work, as well as to facilitate the incorporation of the unemployed and sub-employed population into the labor market.



6. An employment website free of charge will be established which will concentrate all the country's labor supply, in order to make it easier for workers to find jobs and firms to offer them. Also, it will allow those who already have a job to find a better one, and students to identify the professional areas with the best options.

Expenditure

7. PEMEX will increase its expenditure by Ps. 10 billion, channeling these resources to maintenance and to the expansion and improvement of the National Pipeline System. This will not only contribute to higher job creation but will also allow the company to attend to important backlogs that will allow it to improve its production and the safety of its employees and of the communities where PEMEX operates.

Least Developed Areas

8. The development of productive centers in the poorest communities will be fostered. This will be achieved through reducing production costs, providing fiscal stimuli and facilitating the access to credit for medium size firms that are located in the least developed areas, which will contribute to reduce the regional inequalities of the country. The set of stimuli could reduce production costs in these regions by up to 22.2%.

Electrical Tariffs

9. The peak and commercial tariffs will be reduced by 20% and 10%, respectively. This will translate into higher competitiveness for domestic producers. With this measure, the electricity bill will be reduced by almost Ps. 7 billion in addition to the Ps. 7.8 billion reduction associated with the approval of the Public Finance Reform.

Financing by Development Banks

10. The delivery of Ps. 3 billion that were assigned in the Federal Budget to Development Banks will be accelerated in order to create guarantee funds, so that these are available in March and contribute immediately to promote economic activity. Furthermore, a more efficient use of capital will take place by channeling Ps. 1 billion in surplus capital from Banobras to Nafin in order to increase credit to small and medium enterprises. In addition, new programs will be established for industrial equipment, equipment substitution to save energy, and the modernization of freight and passenger transport. Through these actions, an amount of Ps. 27 billion in credit is expect to be granted or induced in 2008.



PRESS RELEASE

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The program to Support the Economy implies: i) fiscal stimuli, discounts in public tariffs and in social security contributions by Ps. 27 billion, ii) fiscal and financial credit from the discount on the Income Tax and the Unique Rate Corporate Tax and from financing, direct and induced, by development banks in the order of Ps. 33 billion. These resources will be added to the initial available resources in the National Infrastructure Fund worth Ps. 40 billion in 2008, channeled to stimulate economic activity, investment and employment.

ADDITIONAL REMARKS

The Program to Support the Economy promptly meets the demands from Congress, from State Governments, Business Organizations, Labor Unions and from society as a whole to implement a set of measures that will mitigate the effects of an adverse external context on the economy and domestic production. In that sense, the Program has a direct and immediate effect on economic activity, investment and employment, but also contributes to higher economic dynamism in the medium term by establishing solid fundamentals in terms of competitiveness and economic stimuli.

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