

WEEKLY ECONOMIC REPORT

OCTOBER 2, 2020.

Positive data on remittances and trade balance in September, and the peso appreciates

Mexican Stock Exchange

Mexbol closed on October 2nd at 36,642 points, practically flat compared to the previous week (0.21% pesos); however, the peso's weekly appreciation against the US dollar allowed a 3.97% advance in USD, leaving the year-to-date (YTD) loss at (-)15.84% (pesos) or (-) 25.61% (dollars). The index reached 37,658 points on September 30th (+2.9%); however, towards the end of the week, Mexbol reversed its upward trend due to the increase in systemic risk derived as the President of the United States tested positive on COVID-19.

Unlike the US indexes, Mexbol closed 3Q20 with a slight decline (-0.15%), although in September, the performance was positive (1.73%). The evolution of the index in 4Q20 could be favored if the S&P 500 resumes its upward trend. Besides, the beginning of the 3Q earnings season, which could potentially show good results since there are already signs of an economic recovery.

Exchange Rate

The spot exchange rate closed on October 2nd at MX\$21.62 per dollar, a 3.02% weekly appreciation of the Mexican peso, decreasing the YTD depreciation to (-)4.25%. The Mexican currency continues to be supported by its fundamentals, specifically its external accounts. YTD remittances until August reached a new historical maximum of US\$26.39 billion, 9.35% more than in the same period of 2019. Also, the trade balance in the first eight months of the year is a surplus of US\$14.83 billion, the highest in at least the last ten years, which in turn is 6.65 times greater than that observed in the same period of 2019.

Trust Closures

The Budget Commission of the Chamber of Deputies approved the initiative that cancels or modifies 109 trusts, which, in sum, are worth MX\$68 billion. Despite the above, the opposition deputies did not attend the October 1st session when the initiative would be voted so that there would be no quorum. According to the MORENA leader in congress, the closure of the trusts represents a movement in their administration and not a closure of the activity. It is unknown if there will be operating rules for the administration of resources or if their management will be discretionary. Some of the most noticeable funds that would be closed are:

1. The National Science Council (CONACYT) – Department of Energy – Hydrocarbons trust which has MX\$12.99 billion.
2. The Rural Bank trust with a total of MX\$12.56 billion.
3. The trust for the Development of Mining Production Zones with a total of MX\$7.46 billion.
4. The Natural Disasters Fund with a total of MX\$6.86 billion.

Economic Indicators

Unemployment Rate

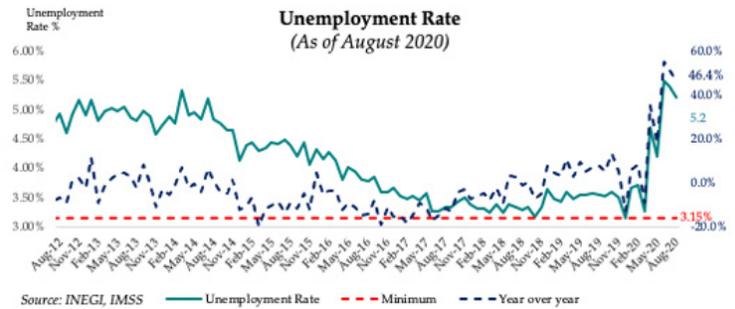
After five months of directing the survey through telephone calls, August's National Survey of Occupation and Employment (ENOE) was carried out again in person. The most outstanding results were the following:

1. A total of 608 thousand people joined the Economically Active Population (PEA). The above implies that 65% (7.8 million people) of the 12 million people who left the PEA due to COVID-19 have rejoined.
2. Within the PEA, the employed population increased by approximately 600,000 people, and the unemployed population, which refers to people who actively searched for a job during the week but did not find it, remained practically unchanged compared to July (2.8 million people).
3. The unemployment rate, which peaked for the year in June when it stood at 5.5%, fell to 5.2% of the PEA.

Despite the improvement data, noteworthy that, considering March, the last month before the closure of activities due to COVID-19, the PEA still has a loss of 4.2 million people. The above implies that a more robust and sustained recovery is still needed for the PEA to reach levels similar to those of last year.

Noteworthy, the Non-Economically Active Available Population (PNEAD) status, which is the people without employment in the week in which the survey was carried out, but actively sought to join an economic activity at some point in the last month. In our opinion, this group is the one that best reflects unemployment in the country, since while in March they totaled 5.9 million people, now there are 10.7 million, that is, there has been an

increase of 4.8 million people in this area.



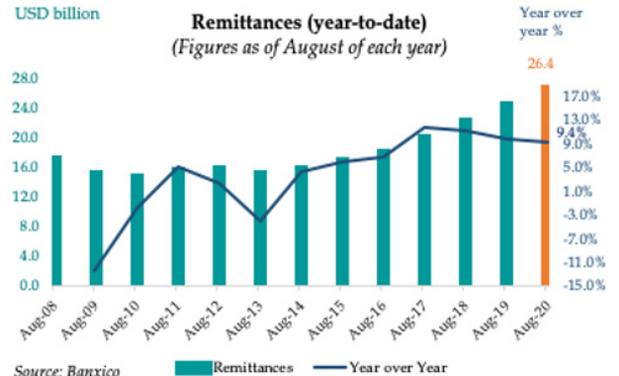
Trade Balance

Trade balance in August recorded a US\$6.49 billion surplus. Therefore, the YTD surplus stands at US\$14.83 billion, which is practically three times higher than the observed in 2019 (US\$5.38 billion). Although the manufacturing industry was almost closed for two months due to isolation measures, YTD manufacturing exports (US\$227 billion and 88.9% of total exports) only display a (-)16.5% annual drop. The above, due to the economic reactivation in the United States, which has caused an unusual

	2019			2020 YTD			Aug-20		
	Value	% of Total	Annual Change	Value	% of Total	Annual Change	Value	% of Total	Annual Change
Exports									
Total Exports	460,704	100.0%	2.2%	255,695	100.0%	-16.6%	36,979	100%	-7.7%
Oil	25,842	5.6%	-15.63%	11,144	4.4%	-37.9%	1,696	4.6%	-11.4%
Crude Oil	22,409	4.9%	-15.57%	9,325	3.6%	-40.5%	1,459	3.9%	-12.1%
Others	3,433	0.7%	-16.65%	1,820	0.7%	-20.1%	236	0.6%	-6.6%
Non-Oil	434,862	94.4%	3.52%	244,550	95.6%	-15.3%	35,283	95.4%	-7.5%
Agricultural	17,940	3.9%	8.07%	12,628	4.9%	4.1%	1,010	2.7%	-5.0%
Mining	6,189	1.3%	-0.69%	4,501	1.8%	10.1%	733	2.0%	41.7%
Manufacturing	410,834	89.2%	-3.39%	227,421	88.9%	-16.5%	33,539	90.7%	-8.3%
Automotive Industry	147,757	32.1%	3.92%	71,183	27.8%	-28.0%	12,145	32.8%	-11.9%
Others	263,077	57.1%	3.10%	156,238	61.1%	-10.0%	21,394	57.9%	-6.1%
Imports									
Total Imports	455,295	100.0%	-1.9%	241,121	100%	-20.7%	30,863	100%	-22.2%
Oil	47,207	10.4%	-12.0%	20,375	8.4%	-37.1%	2,376	7.7%	-38.0%
Non-Oil	408,088	89.6%	-2.7%	220,747	91.6%	-18.8%	28,487	92.3%	-20.5%
Consumption Goods	43,852	8.6%	0.5%	21,025	8.7%	-24.8%	2,629	8.5%	-31.3%
Intermediate Goods	322,449	70.8%	0.4%	177,616	73.7%	-17.9%	22,967	74.4%	-19.1%
Capital Goods	41,787	9.2%	-8.9%	22,106	9.2%	-19.7%	2,891	9.4%	-19.8%
Trade Balance									
Trade Balance	5,409		-17.1%	14,573		520.8%	6,116		1420.7%

Remittances

Banxico announced that in August, the flow of remittances to our country totaled US\$3.57 billion. Therefore, the YTD flow totals a historical record of US\$26.39 billion, which represents a 9.25% annual increase. The monthly average of remittances in 2020 amounts to US\$3.29 billion. If this arrival rate continues, it will only take three more months (September, October, and November) for remittances in 2020 to be practically the same as in 2019 (US\$26.42 billion).



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Definitions

Banco de México (Banxico): Is the central bank of Mexico. Its main function is to provide domestic currency to the Mexican economy and its main priority is to ensure the stability of the domestic currency's purchasing power.

COVID-19: The disease caused by the coronavirus, a family of viruses that were discovered in the 60s but whose origin is still unknown. Its different types cause different diseases, from a cold to a severe respiratory syndrome.

Economically Active Population (PEA): Is the sum of employed and unemployed persons. Inactive persons are those who, during the reference week, were neither employed nor unemployed.

Mexbol: The S&P/BMV IPyC seeks to measure the performance of the largest and most liquid stocks listed on the Bolsa Mexicana de Valores. It is not possible to invest in an index.

National Survey of Occupation and Employment (ENOE): It is a demographic instrument that allows to know the employment and unemployment profiles of the Mexican population.

Non-Economically Active Available Population (PNEAD): People aged 12 years and over who during the reference period did not have or perform an economic activity, nor did they seek to perform one in the last month prior to the day of the interview.

Spot Exchange Rate: Is the current price level in the market to directly exchange one currency for another, for delivery on the earliest possible value date.

Standard & Poor's 500 (S&P 500): Is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value. It is a market value or market-capitalization-weighted index and one of the most common benchmarks for the broader U.S. equity markets.

The National Science Council (CONACYT): It is a decentralized public body of the Mexican federal government dedicated to promoting and stimulating the development of science and technology in that country.

Year to Date: (YTD): Refers to the period of time beginning the first day of the current calendar year or fiscal year up to the current date.

Disclosures

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the fund's portfolio and there is no assurance that the fund will achieve its investment objective.

To read about The Mexico Equity and Income Fund, Inc, please access the Annual Report by calling (414) 765-4255 to receive a copy, or access the Annual Report on the Fund's website, "www.mxefund.com", under the section captioned investor reports. Investors should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. An investment in the Fund should not constitute a complete investment program.

Past performance is not a guarantee of future results. Index performance is not illustrative of fund performance. One cannot invest directly in an index. Please call (414) 765-4255 for fund performance.

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