

Highlights of the Mexican Economy

April 30, 2024



Front View of Mexico's Central Bank, "BANXICO", Mexico City; Mexico. Source: Public Domain



Pichardo Asset Management
Asesores de Portafolios de Inversión

Performance of the Mexican Economy

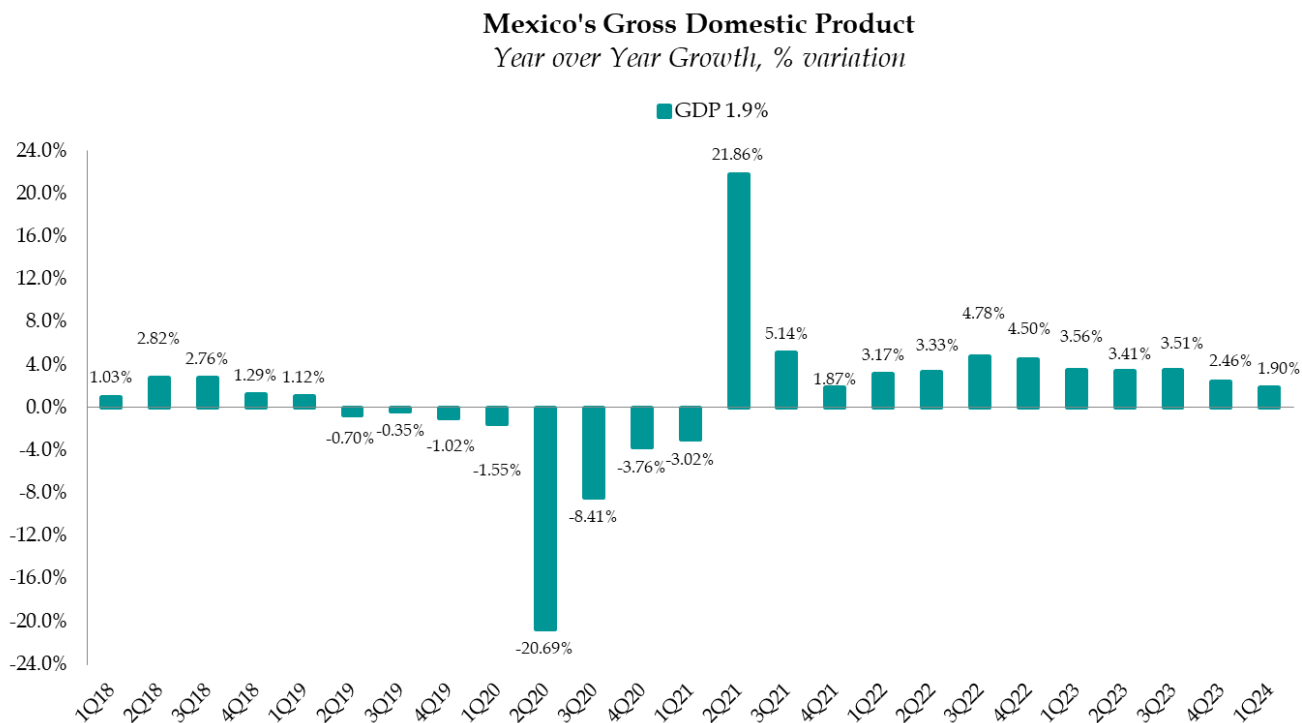
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Economic Activity

exhibit 1

The 1Q preliminary print showed signs of deceleration with a 1.9% growth.

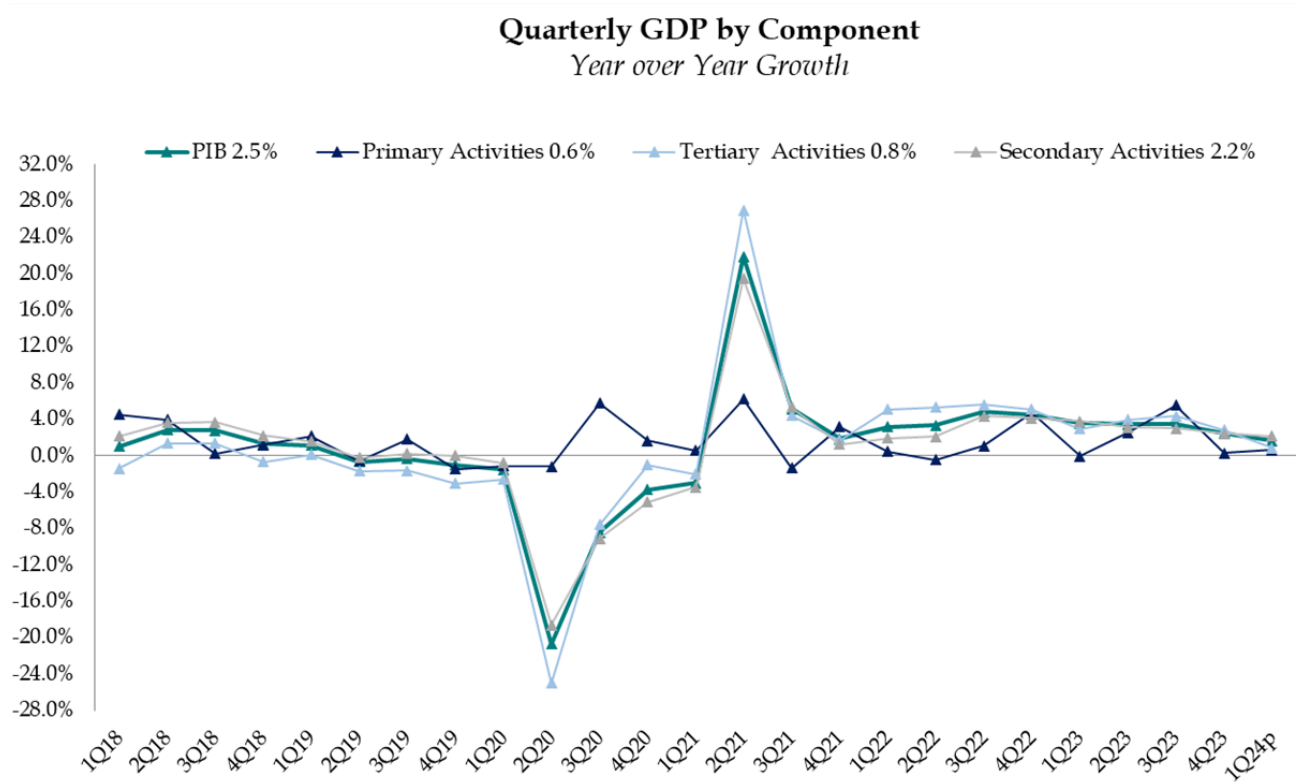


Source: INEGI

Economic Activity

exhibit 2

The preliminary figures for the 1Q, secondary activities took the lead on GDP growth, followed by tertiary activities, and lastly by primary activities.

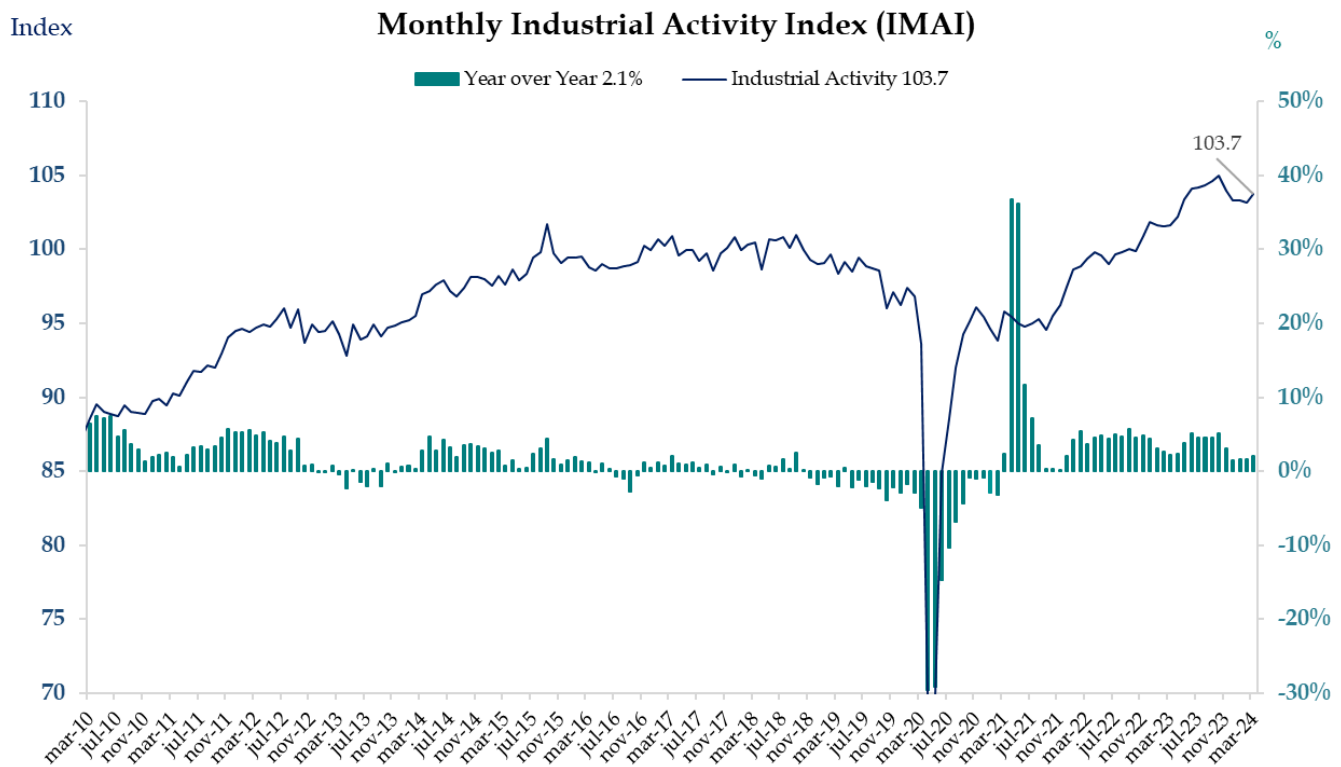


Source: INEGI

Economic Activity

exhibit 3

Mexico's industrial production bounced back in March after slipping the previous month.



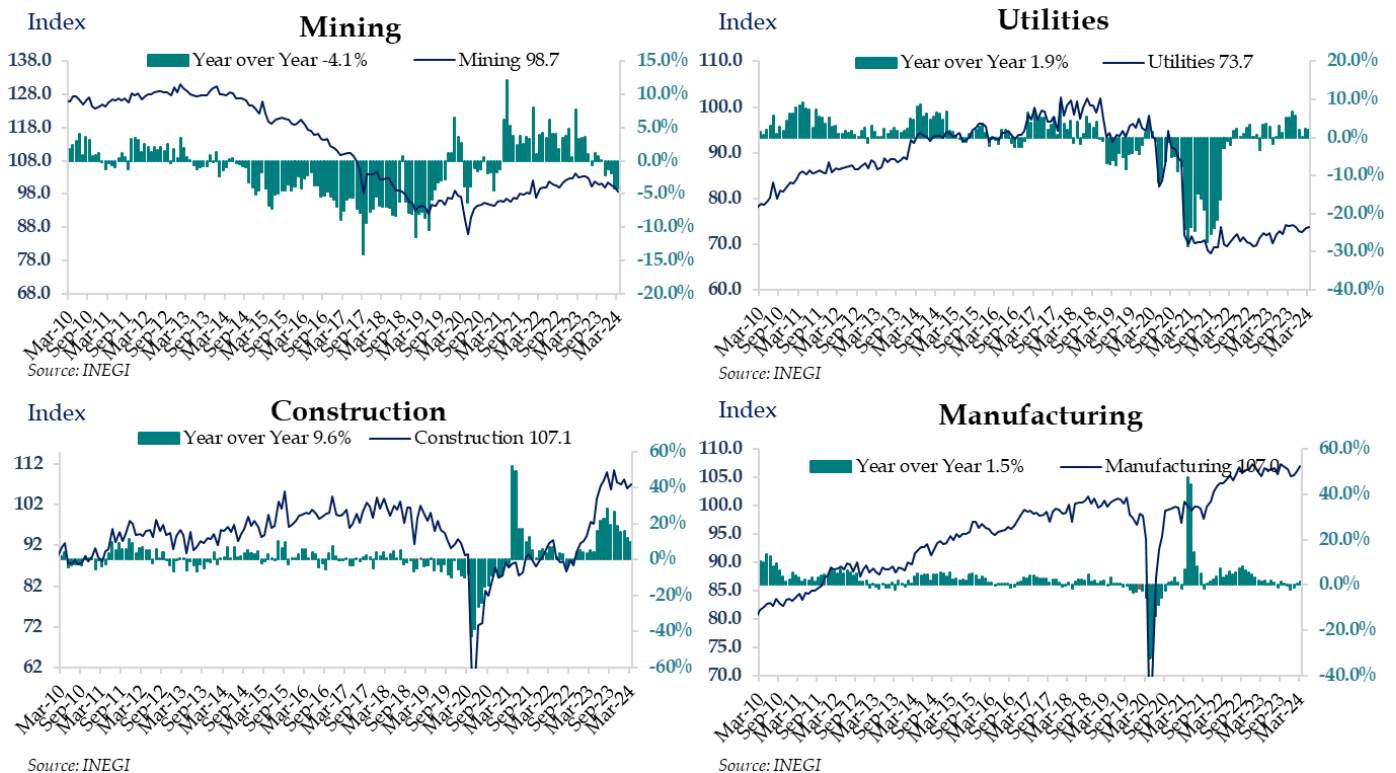
Source: INEGI

Economic Activity

exhibit 4

Construction led with a 9.6% surge; Utilities kept their upward trend, rising by 1.9% y/y.

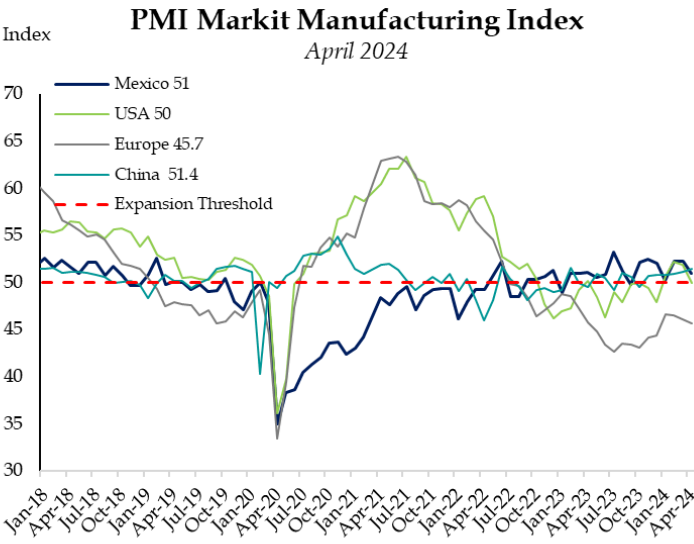
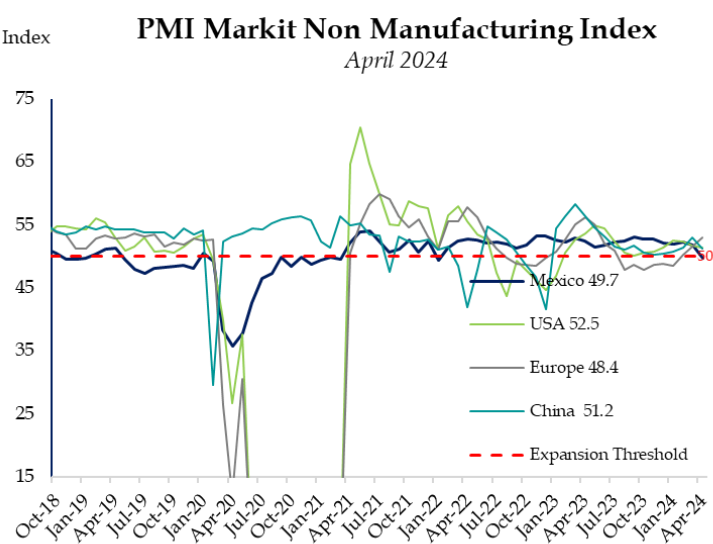
Manufacturing rose by 1.5%, accelerating its pace of expansion, while Mining contracted by 4.1%.



Economic Activity

exhibit 5

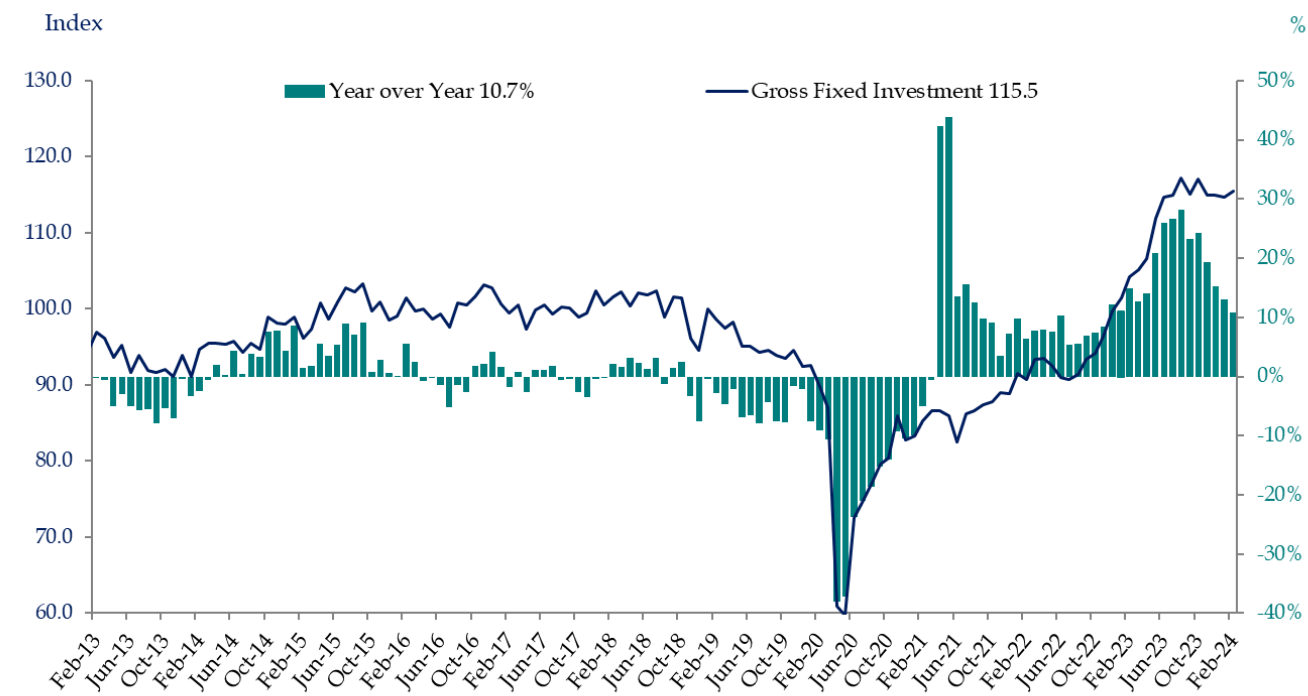
For the four months of 2024, Mexico's PMI Manufacturing Index has remained above the expansion threshold. However, the Non-Manufacturing Index, dipped 0.3 points below the expansion threshold in April



Economic Activity

exhibit 6

On February, gross fixed investment (GFI) increased 10.7% year over year

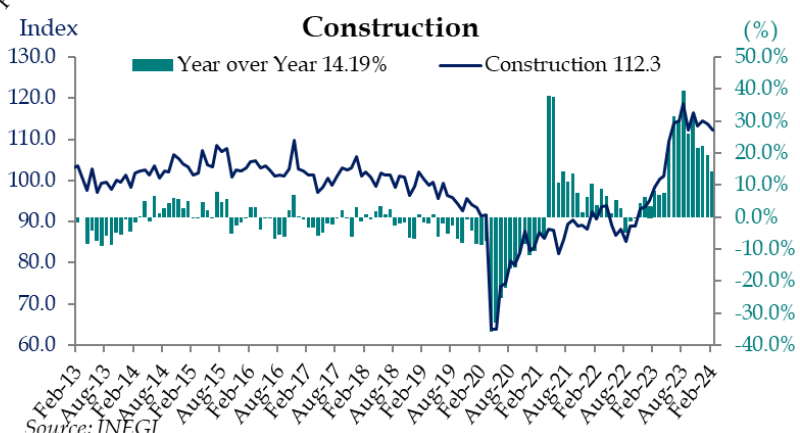
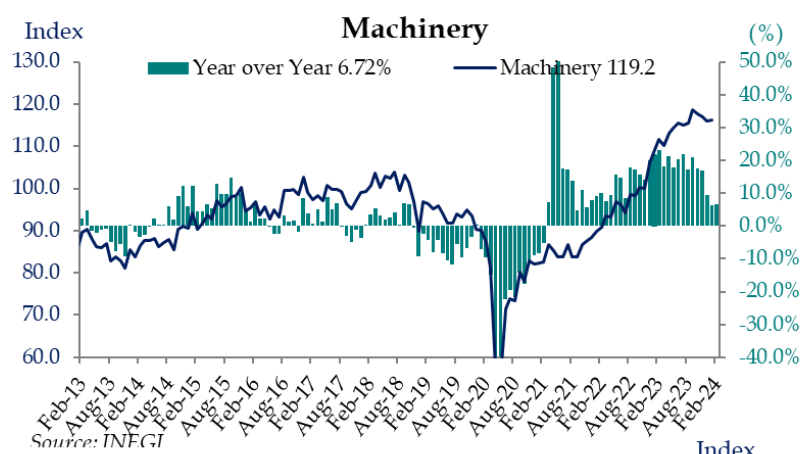


Source: INEGI

Economic Activity

exhibit 7

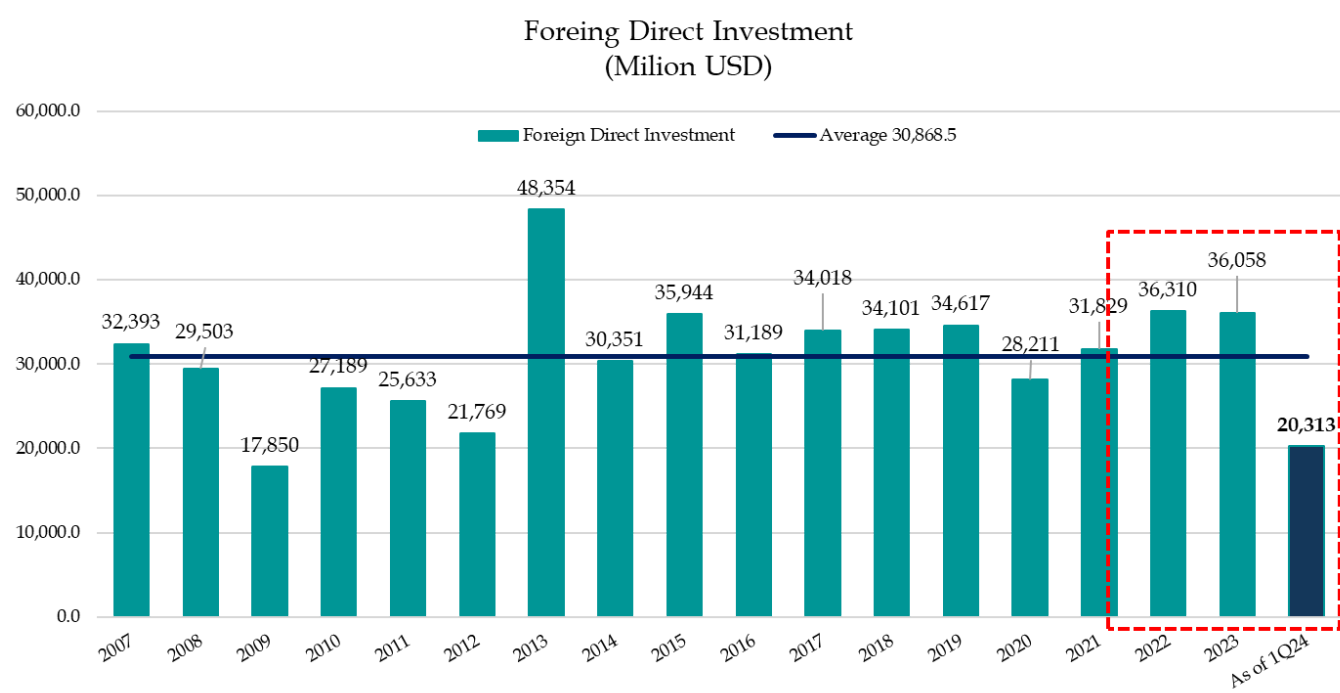
Investment in construction and machinery both benefited from GFI, increasing 14.2% and 6.7% year over year



Economic Activity

exhibit 8

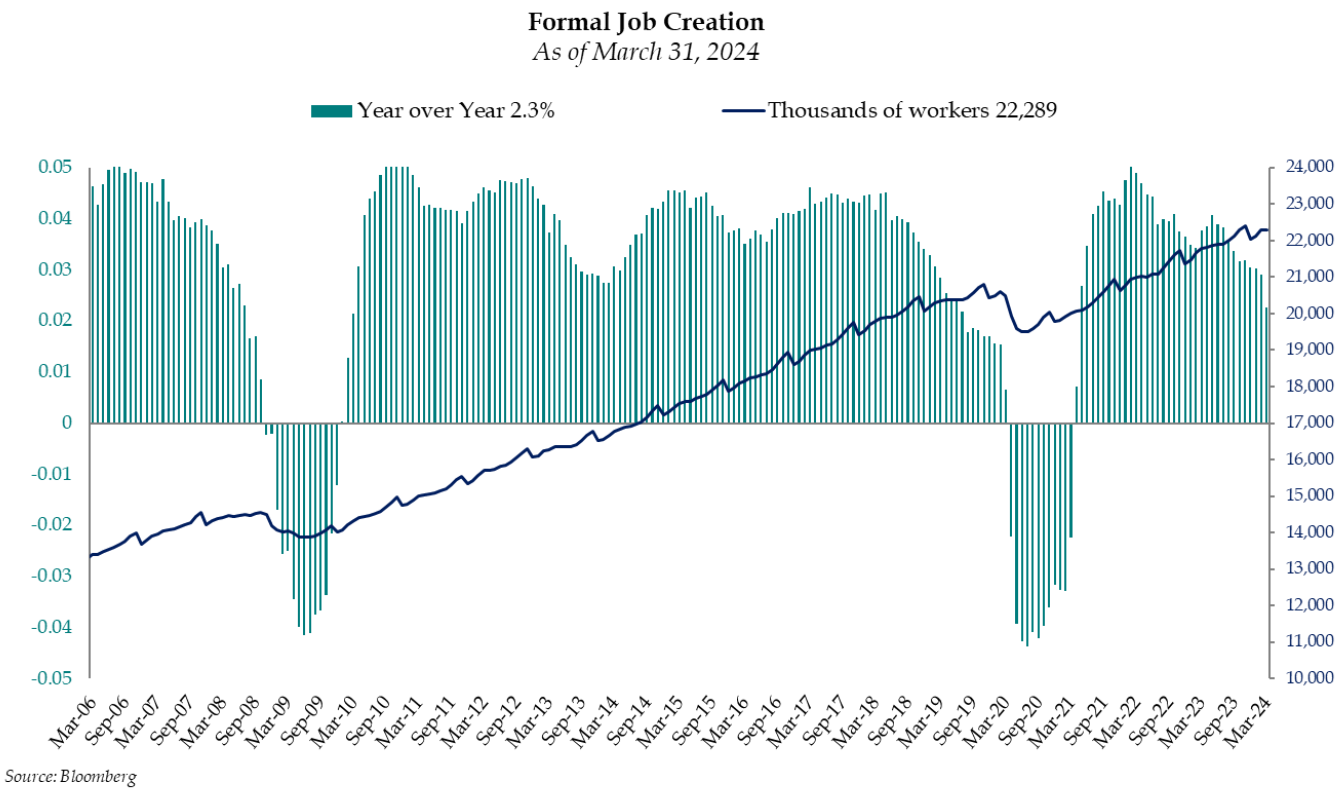
Foreign Direct Investment (FDI) for 2023, has surpassed the historic average since 2007, registering \$36,058 million dls.



Economic Activity

exhibit 9

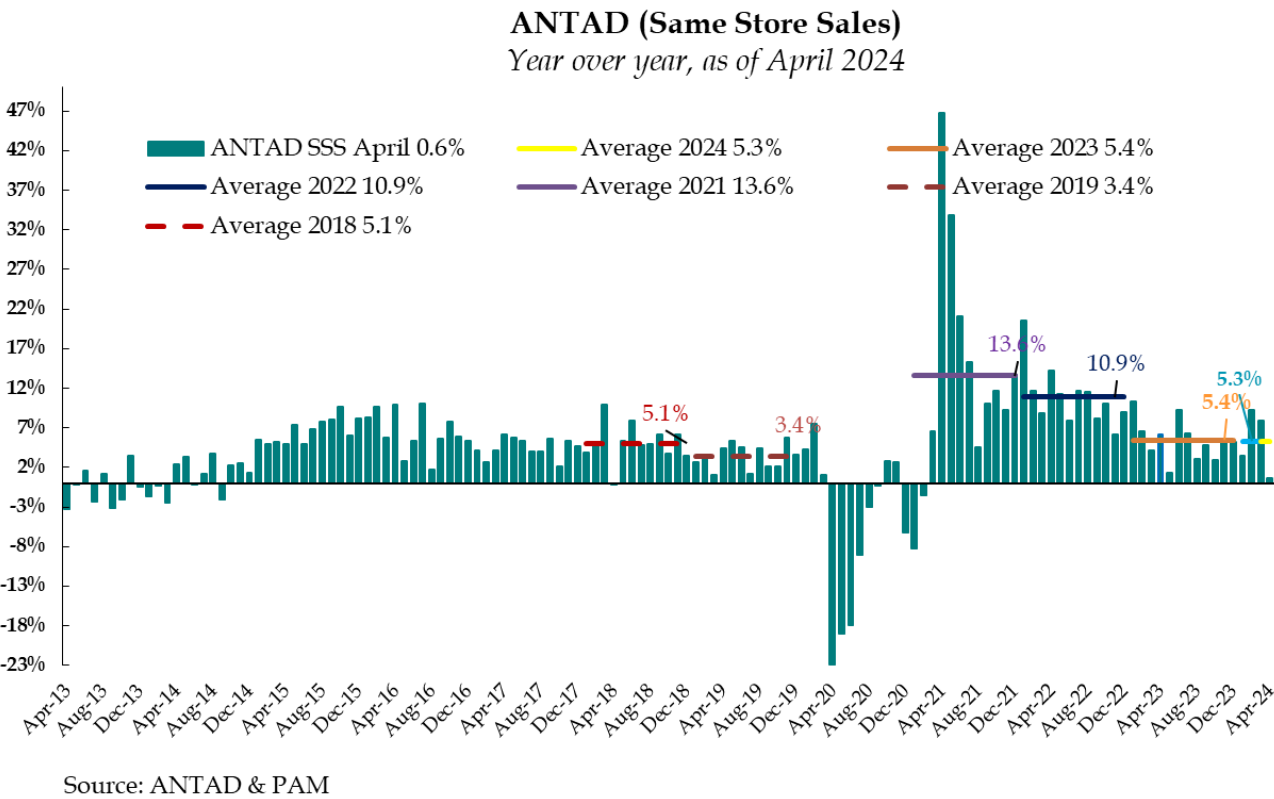
New jobs created during the first three months of they year were 265k, a decrease compared to the same period in 2023.



Economic Activity

exhibit 10

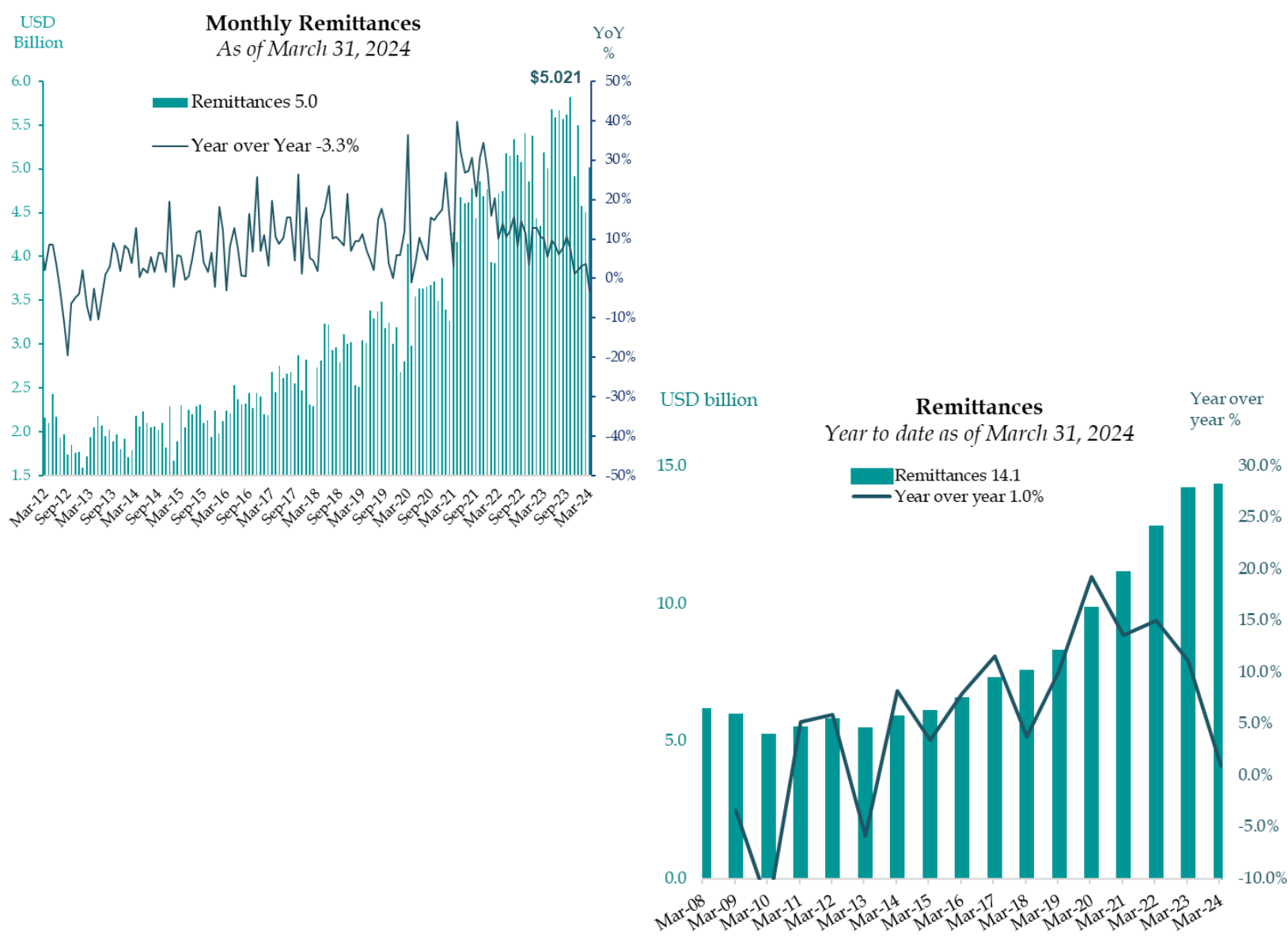
ANTAD Same Store Sales (SSS) growth in April slowed to 0.6% compared to 7.9% in March, amid a challenging annual comparison base.



Economic Activity

exhibit 11

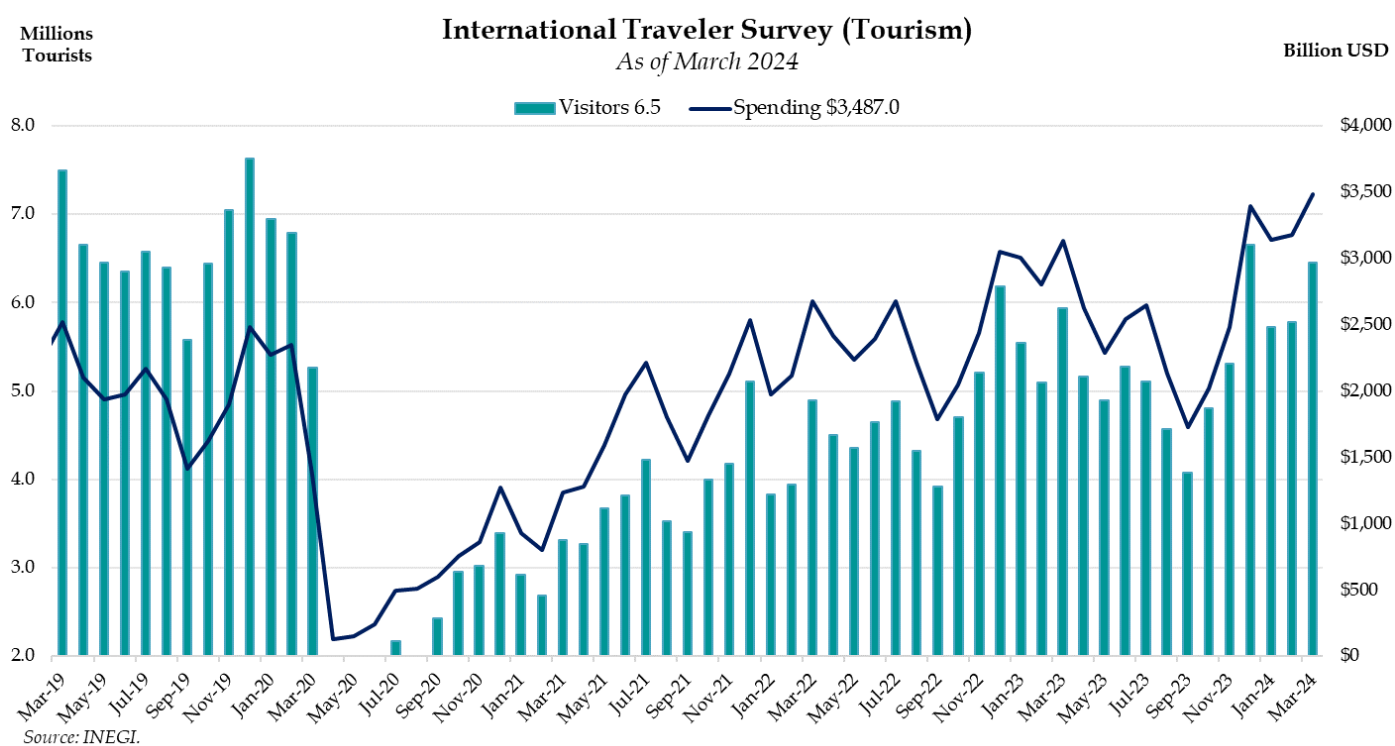
In March, remittances surprised on the downside, with a contraction of 3.3%, this was their first annual contraction since April 2020.



Economic Activity

exhibit 12

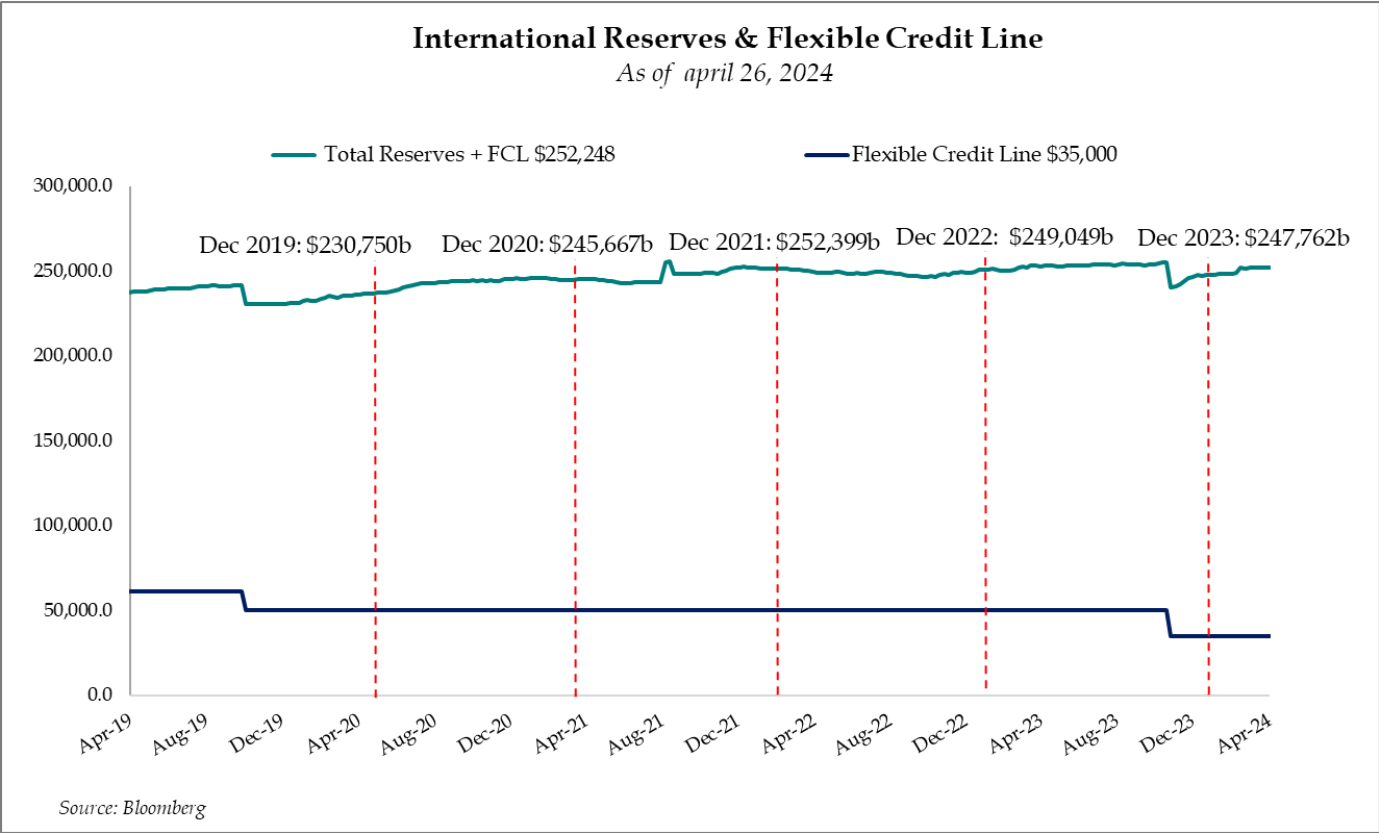
Tourism Income from international visitors for the first three months to March 2024, reached USD \$9.8 billion, a 9.7% increase compared to same period of 2023. Visitors for the first three month of the year amounted to 17.9 million, an 8.4% increase compared to March 2023.



Economic Activity

exhibit 13

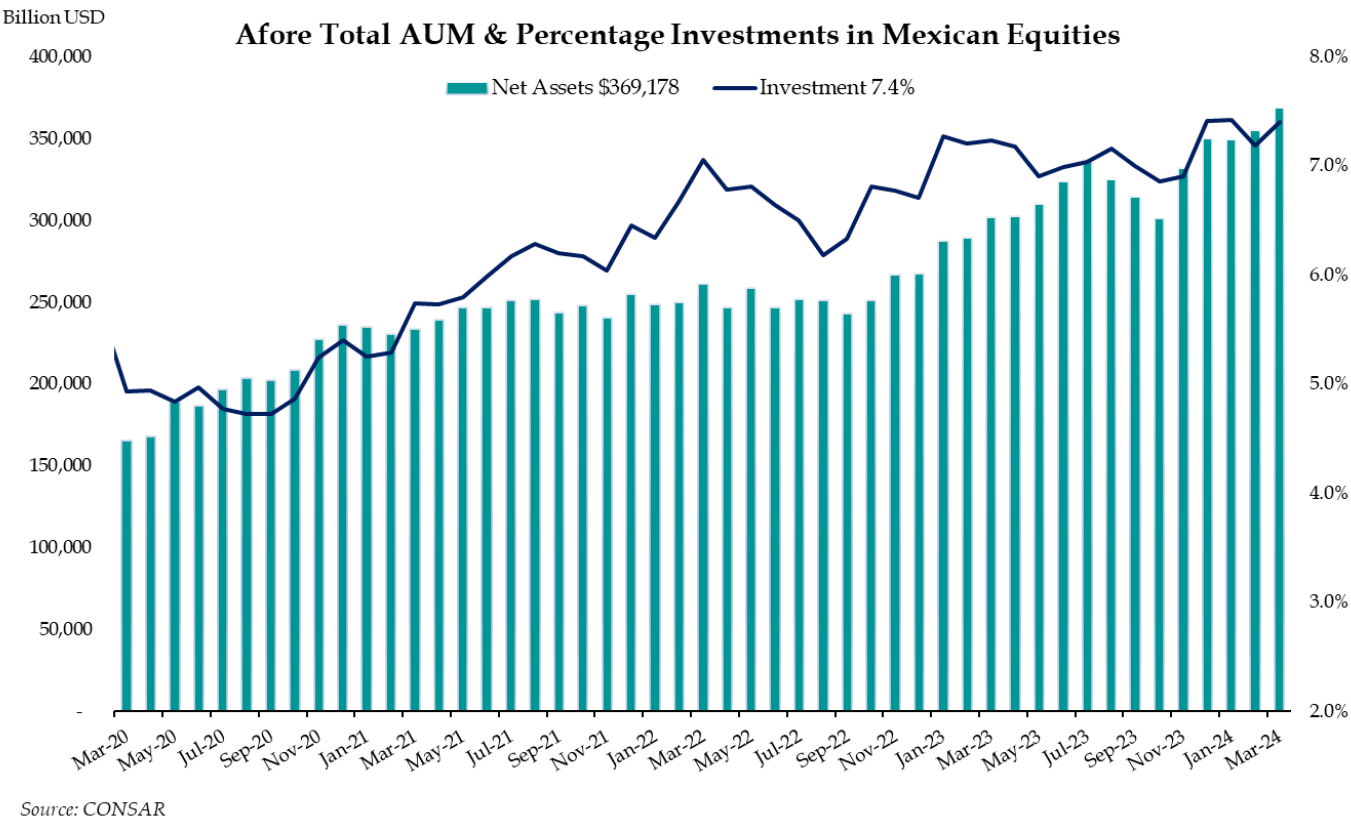
Year to date, total international reserves have decreased 0.17%, registering \$252,248 billion dls.



Economic Activity

exhibit 14

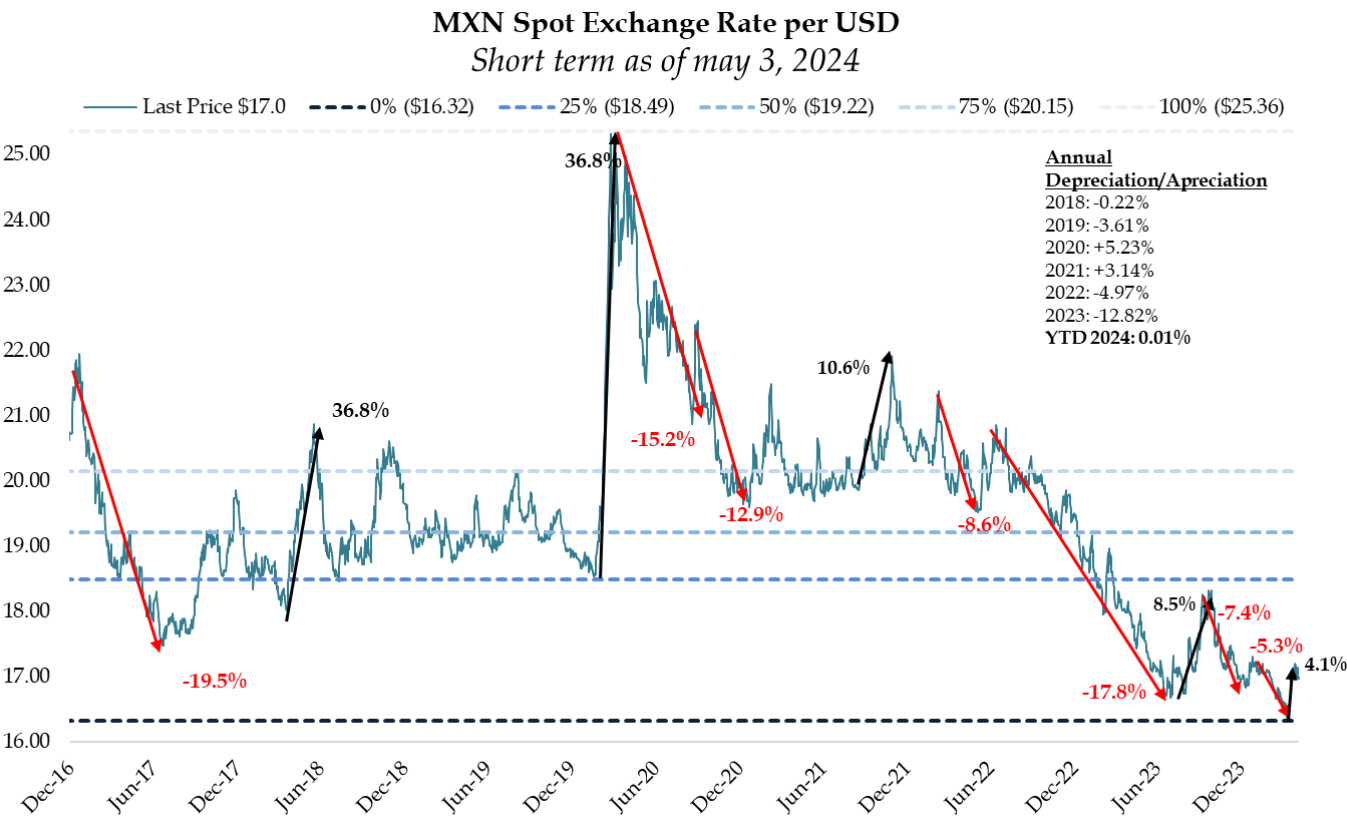
As of march, the total assets under management increased 12.2% year over year, totaling \$369 USD billion



Exchange Rate & External Accounts

exhibit 15

Disciplined & Committed Monetary and Fiscal Policies , plus strong External Accounts have benefited the peso exchange rate.



Exchange Rate & External Accounts

exhibit 16

Total exports have decreased 5.3% year over year, mainly due to a decrease in oil exports -21.4% and a decrease of 4.5% in non-oil exports. Total imports have declined 7.1%, mainly because of oil imports -40% but slightly offset by consumption goods.

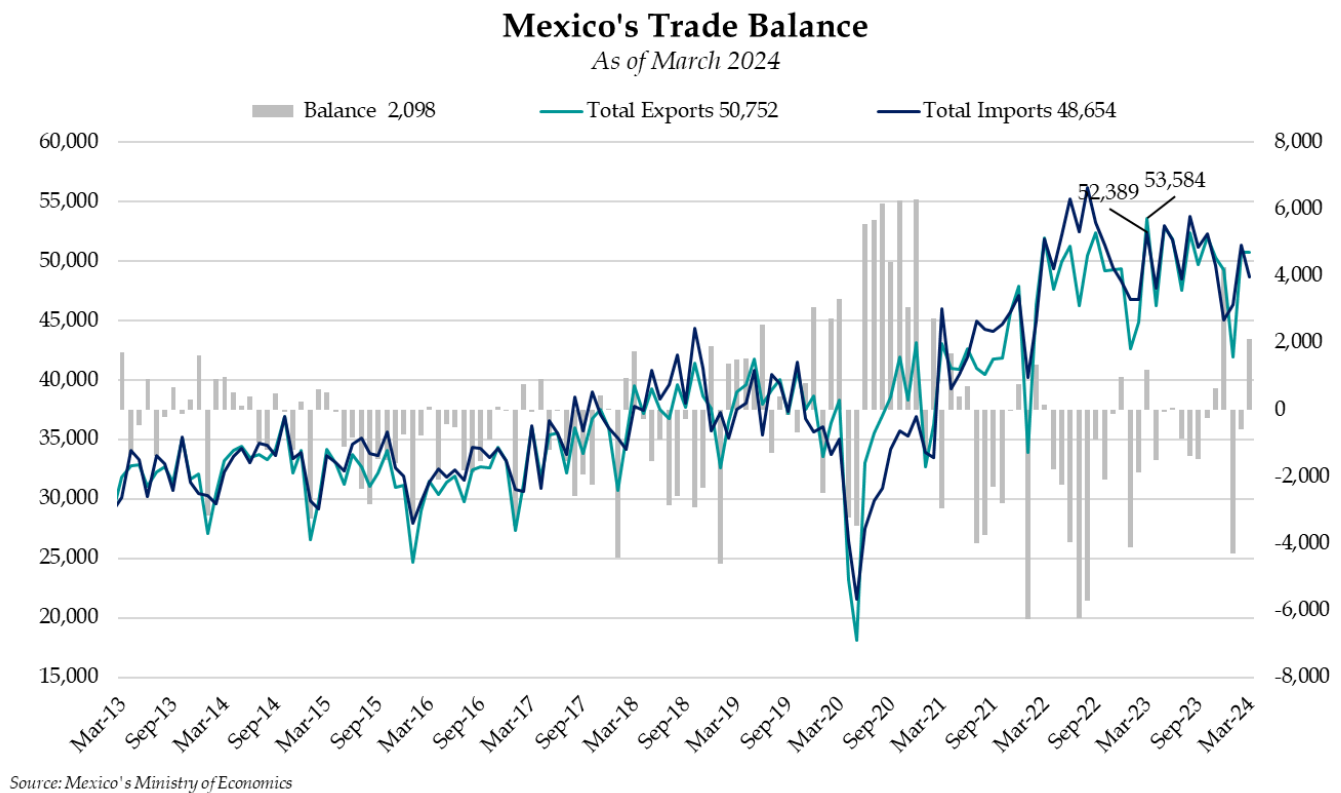
Mexico's Trade Balance - As of March 2024									
Exports									
	mar-24	% of Total	Annual Change	mar-23	% of Total	Annual Change	1Q24	% of Total	Annual Change
Total Exports	50,752	100.0%	-5.3%	53,584	100.0%	3.1%	141,084	100%	6.8%
Oil	2,028	4.0%	-21.4%	2,581	4.8%	-27.7%	7,565	5.4%	-14.9%
Crude Oil	1,617	3.2%	-18.0%	1,972	3.7%	-29.9%	5,923	4.2%	-33.4%
Others	412	0.8%	-32.4%	609	1.1%	-19.2%	1,642	1.2%	-7.7%
Non-Oil	48,724	96.0%	-4.5%	51,003	95.2%	5.4%	133,519	94.6%	8.3%
Agricultural	2,451	4.8%	6.0%	2,312	4.3%	2.8%	6,290	4.5%	6.3%
Mining	794	1.6%	-25.2%	1,061	2.0%	15.5%	2,519	1.8%	3.9%
Manufacturing	45,480	89.6%	-4.5%	47,630	88.9%	5.3%	124,710	88.4%	8.5%
Automotive Industry	16,036	31.6%	-2.4%	16,428	30.7%	15.6%	43,154	30.6%	17.5%
Others	29,443	58.0%	-5.6%	31,202	58.2%	0.7%	81,556	57.8%	4.3%
Imports									
	mar-24	% of Total	Annual Change	mar-23	% of Total	Annual Change	1Q24	% of Total	Annual Change
Total Imports	48,654	100.0%	-7.1%	52,389	100%	1.1%	145,883	100%	6.5%
Oil	3,178	6.5%	-40.1%	5,209	9.9%	55.9%	15,641	10.7%	-56.3%
Non-Oil	45,476	93.5%	-0.5%	47,179	90.1%	27.9%	130,242	89.3%	3.2%
Consumption Goods	6,154	12.6%	8.2%	5,685	10.9%	19.2%	15,492	10.6%	-11.5%
Intermediate Goods	34,616	71.1%	-5.3%	36,572	69.8%	-2.0%	101,537	69.6%	-8.4%
Capital Goods	4,706	9.7%	-4.4%	4,923	9.4%	21.9%	13,212	9.1%	23.2%
Trade Balance									
	mar-24	Annual Change		mar-23	Annual Change		1Q24	Annual Change	
Trade Balance	2,098	75.5%		1,195	-119.1%		-4,799	-82.14%	

Source: Mexico's Ministry of Economics
Amounts in Millions of Dollars

Exchange Rate & External Accounts

exhibit 17

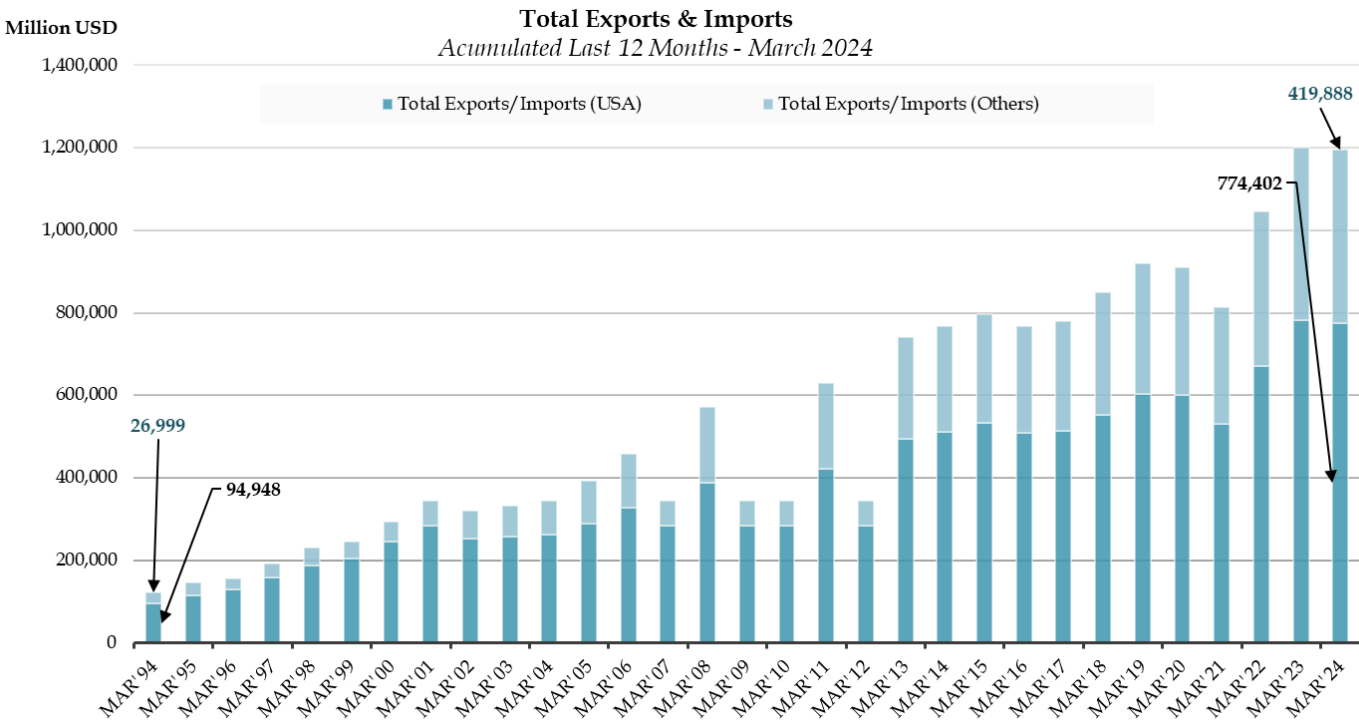
In March total exports and imports decreased 5.3% and 7%, respectively, year over year.



Exchange Rate & External Accounts

exhibit 18

As of March, of Mexico's total trade, the U.S. represents 64.8% & total exports/imports to the U.S decreased -1.0%, meanwhile total export/imports with other countries increased 0.5%



Exchange Rate & External Accounts

exhibit 19

Year to date, Mexico represented 15.8% of USA's total commercial trade balance; meanwhile, Canada and China represented 14.8% and 10.6% respectively

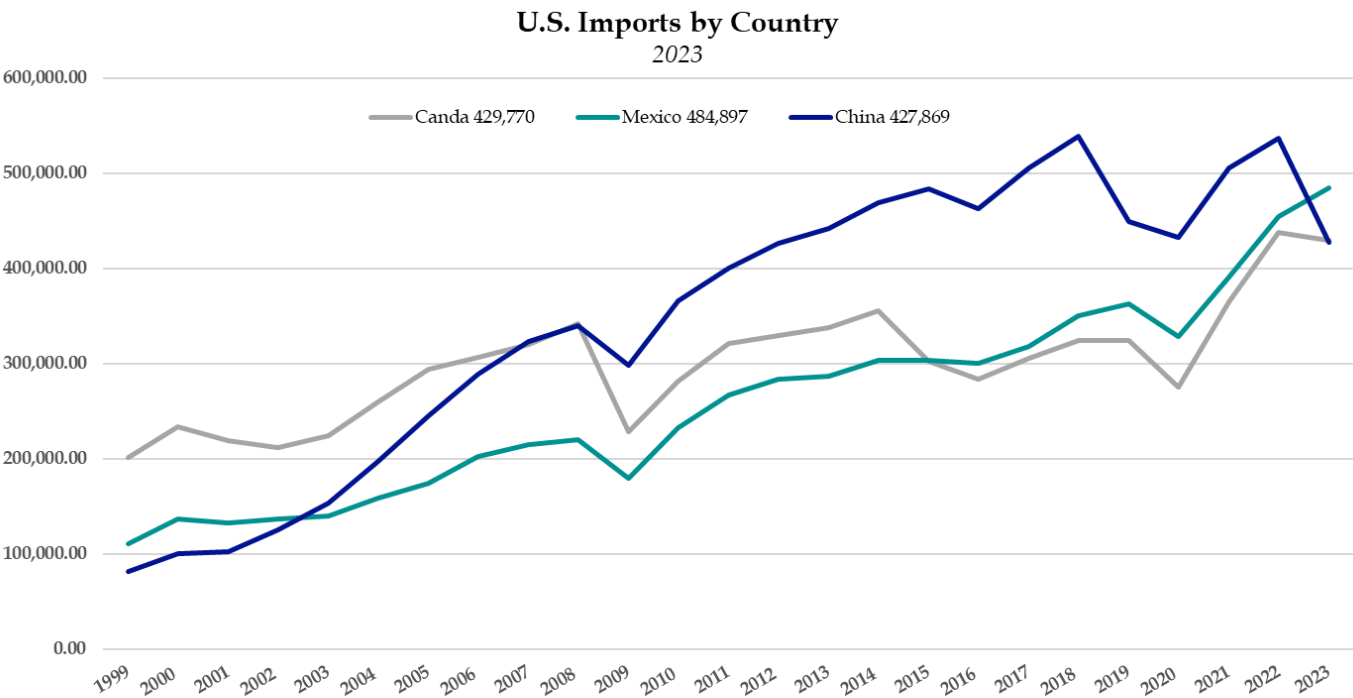
United States International Trade - Year to Date as of March 2024									
Country	Exports	Imports	Total Trade	Balance	Country	Exports	Imports	Total Trade	Balance
Mexico	80,164	119,850	200,014	-39,686	Taiwan	9,527	22,884	32,411	-13,357
% of Total	15.8%	15.9%	15.8%		% of Total	1.9%	3.0%	2.6%	
Canada	85,662	100,922	186,584	-15,260	France	11,250	14,474	25,724	-3,224
% of Total	16.9%	13.4%	14.8%		% of Total	2.2%	1.9%	2.0%	
China	36,856	97,629	134,485	-60,773	Italy	8,531	18,370	26,901	-9,839
% of Total	7.3%	12.9%	10.6%		% of Total	1.7%	2.4%	2.1%	
Germany	18,973	39,012	57,985	-20,039	Brazil	11,294	10,088	21,382	1,206
% of Total	3.7%	5.2%	4.6%		% of Total	2.2%	1.3%	1.7%	
Japan	18,740	36,552	55,292	-17,812	Singapore	11,715	10,050	21,765	1,665
% of Total	3.7%	4.8%	4.4%		% of Total	2.3%	1.3%	1.7%	
Korea, South	16,680	32,236	48,916	-15,556	Hong Kong	7,943	1,086	9,029	6,857
% of Total	3.3%	4.3%	3.9%		% of Total	1.6%	0.1%	0.7%	
United Kingdom	19,825	16,159	35,984	3,666	Saudi Arabia	3,233	3,289	6,522	-56
% of Total	3.9%	2.1%	2.8%		% of Total	0.6%	0.4%	0.5%	
India	9,848	21,298	31,146	-11,450	All other countries	157,052	211,674	368,726	-54,622
% of Total	1.9%	2.8%	2.5%		% of Total	31.0%	28.0%	29.2%	
					TOTAL 2024 YTD	507,076	755,556	1,262,866	-248,280
					TOTAL 2023	2,019,542	3,084,092	5,103,634	-1,064,550
					TOTAL 2022	2,064,787	3,246,681	5,311,468	-1,181,894

Source: U.S. Census Bureau
Millions USD

Exchange Rate & External Accounts

exhibit 20

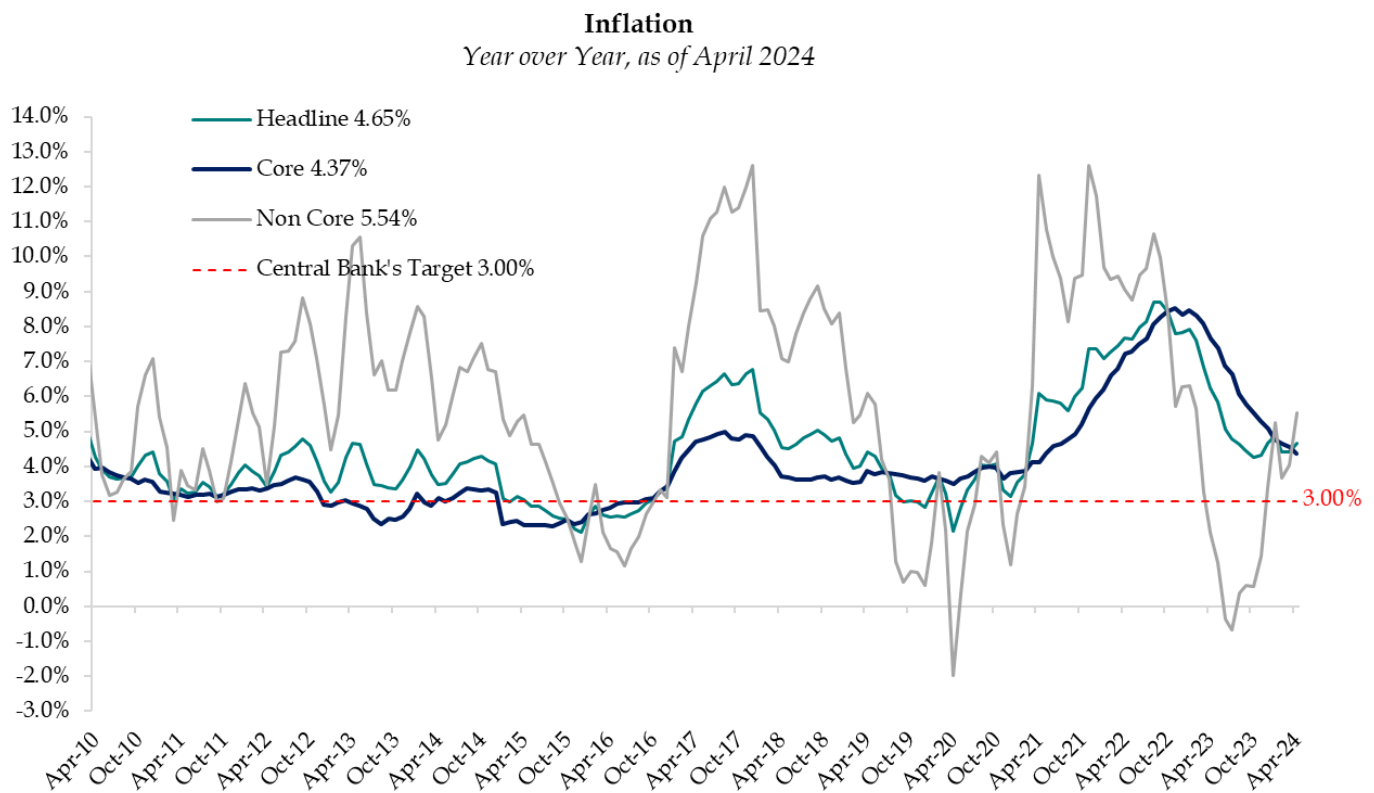
Mexico and Canada gaining market share in U.S. Imports since 2020



Monetary Policy & Sovereign Risk

exhibit 21

Mexico's Headline CPI accelerated in April, on the back of a higher non-core CPI, to an annual inflation rate of 4.65%, accelerating from 4.42% in March.

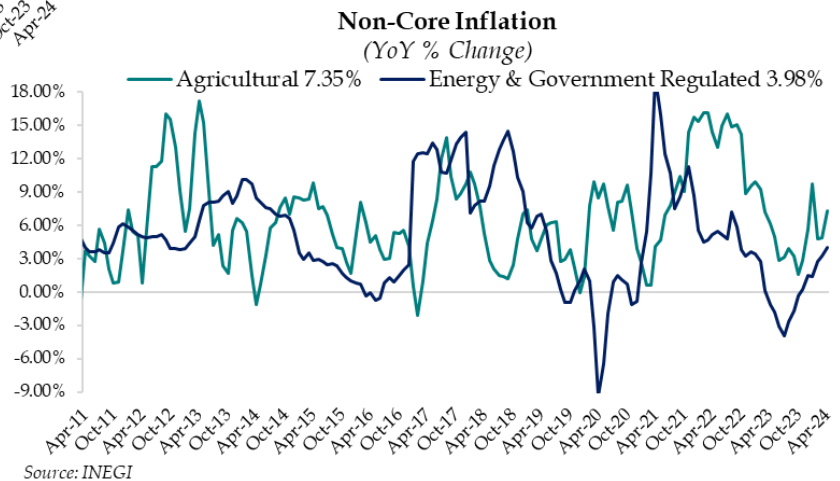
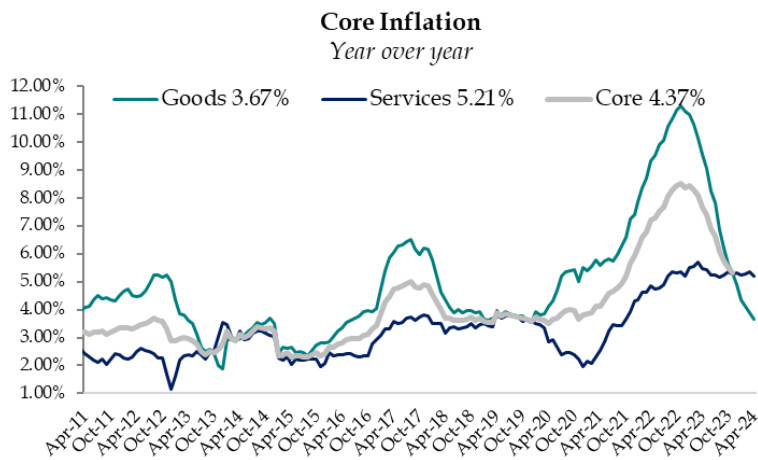


Source: INEGI

Monetary Policy & Sovereign Risk

exhibit 22

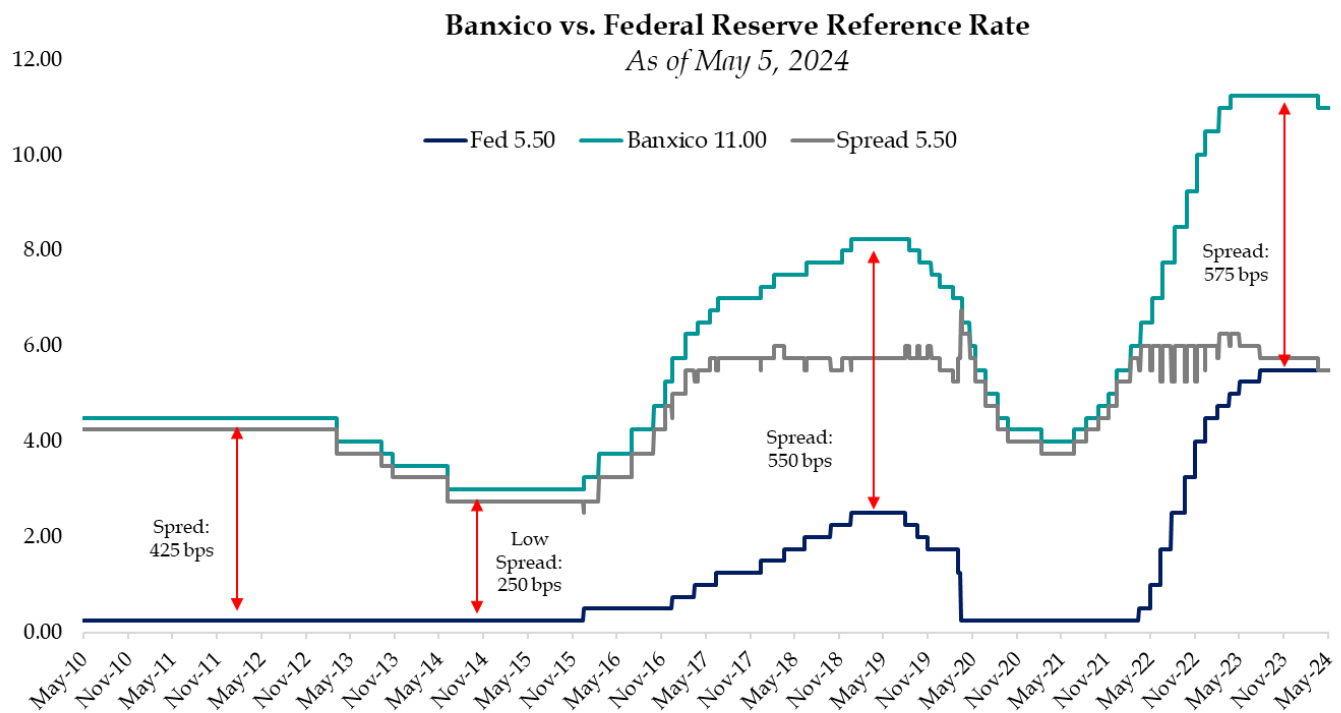
Core inflation slipped for the sixteenth consecutive month in April to 4.4%, while non-core inflation expanded by 5.5% (vs. +4.0% YOY in March), mainly driven by fruits and vegetables and energy prices.



Monetary Policy & Sovereign Risk

exhibit 23

Mexico's Central Bank (Banxico) lowered the interest rate to 11% by 25bps in their latest meeting on March 21st. Meanwhile, the Fed has maintained the interest in the 5.25%-5.50% range



Source: Bloomberg

Monetary Policy & Sovereign Risk

exhibit 24

Healthy Public Finances lead to adequate spreads compared to U.S. debt.

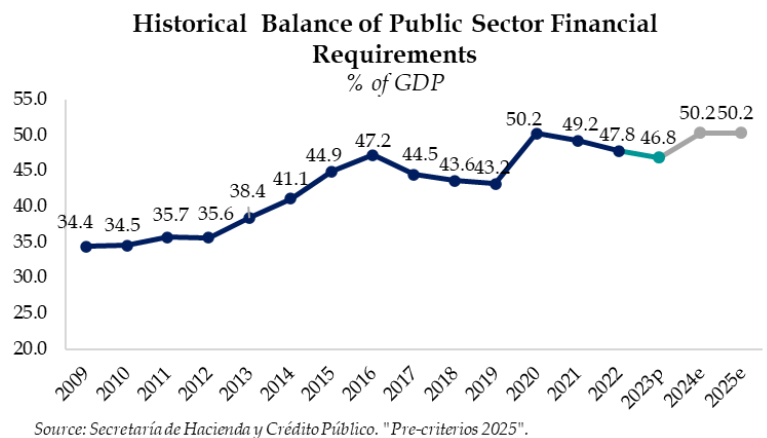
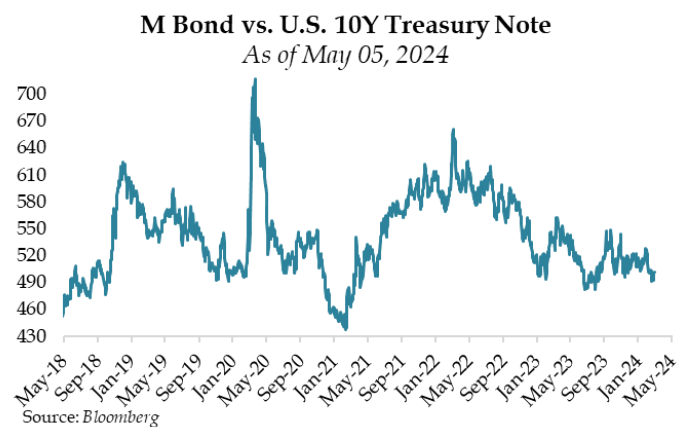
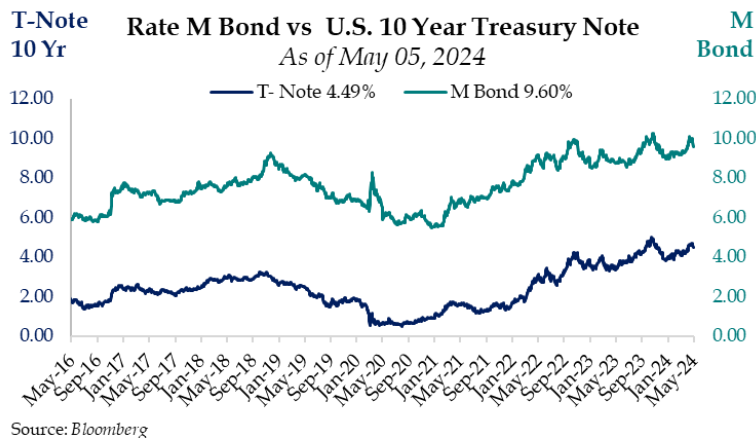
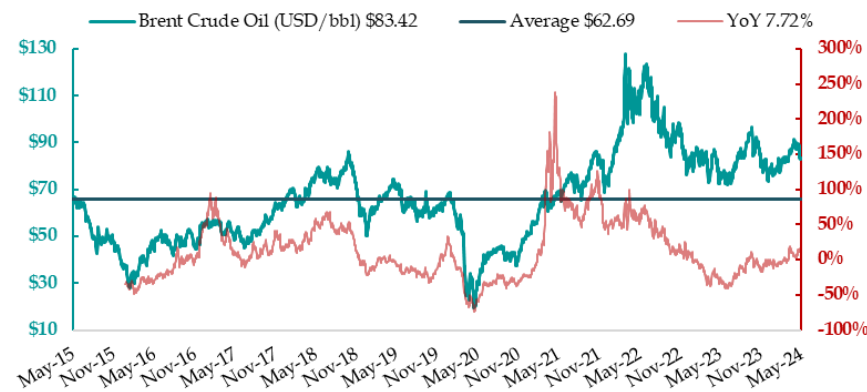


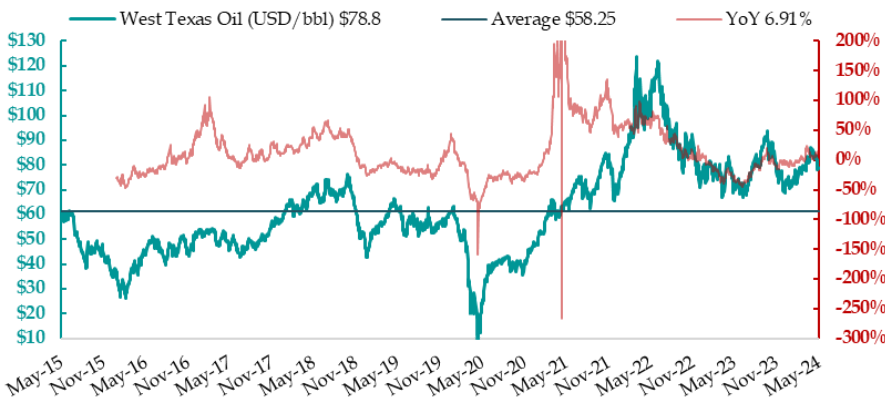
exhibit 25

During April, the Brent and the WTI increased primarily on geopolitical tensions in the Middle East. Both have remained below USD 100/bbl since 2022

Brent Crude Oil (USD/bbl)



West Texas Oil (USD/bbl)



Commodities

exhibit 26

Pet Coke experiencing low demand and ample supply. Jet Fuel prices have increased 3.3% since December to the recovery for travel, and several outlets expect it to rise due to the summer Olympics in France.

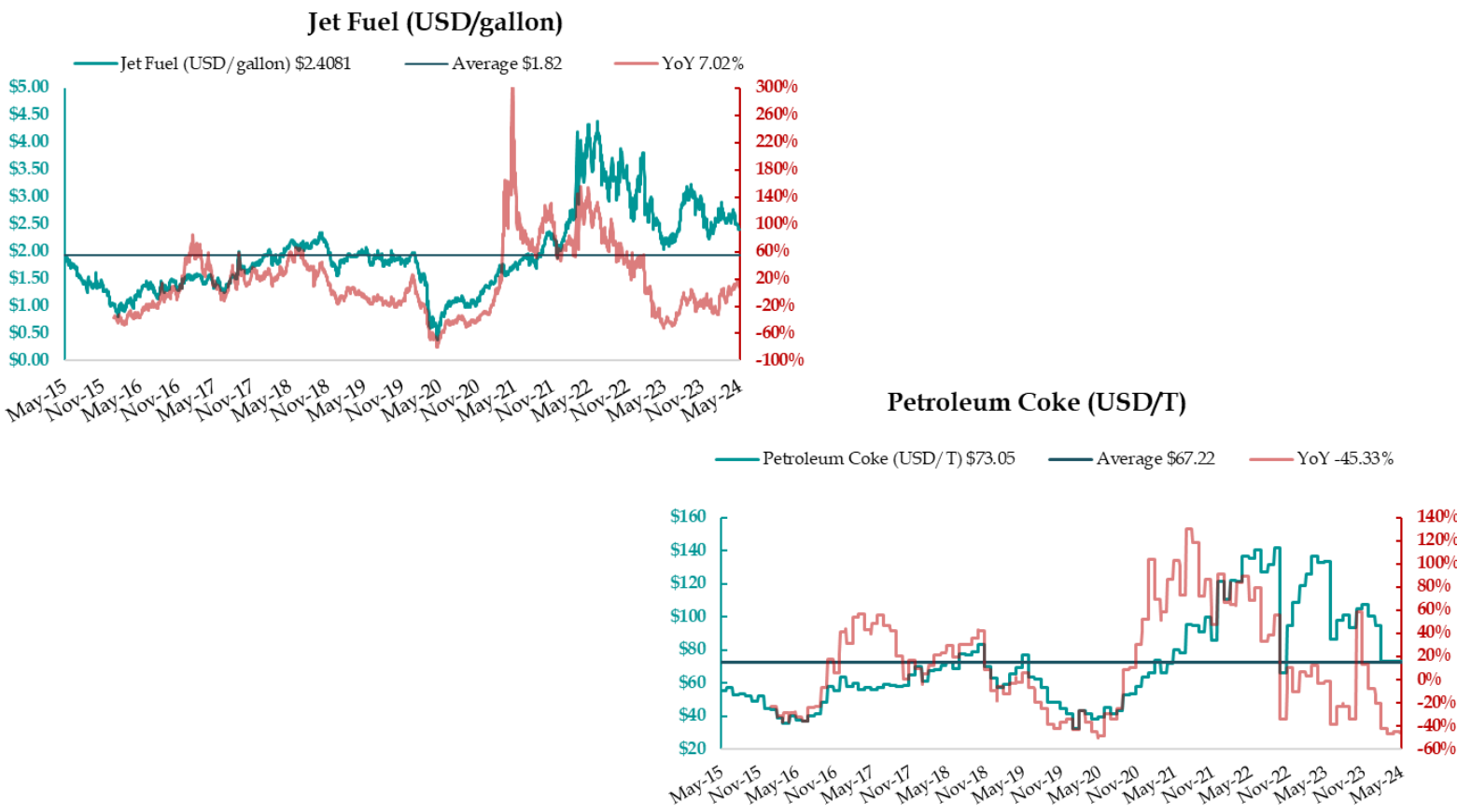
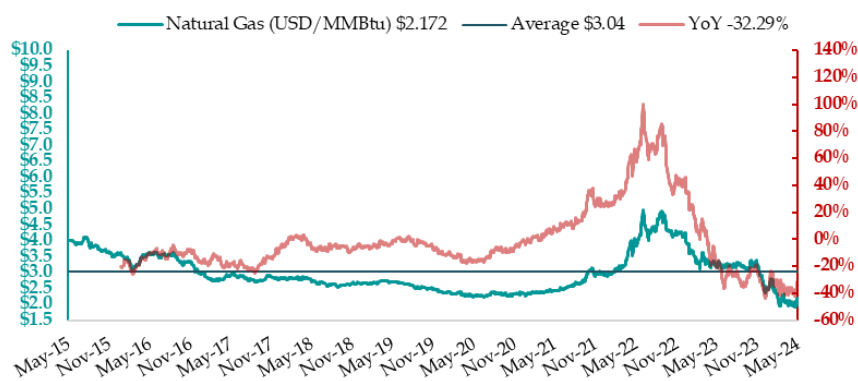


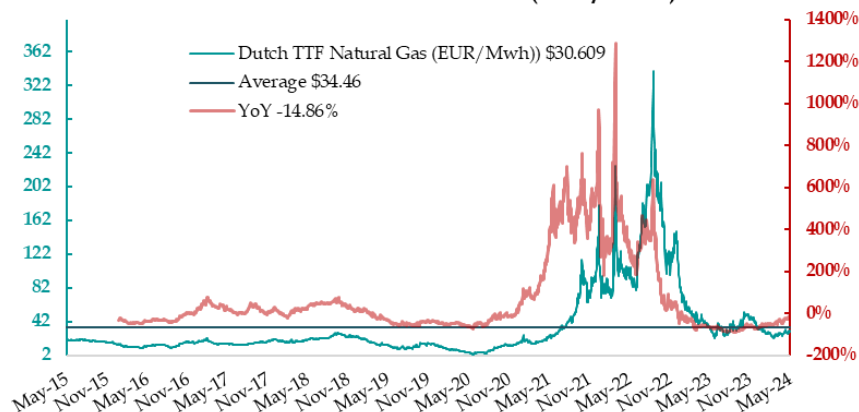
exhibit 27

Natural gas prices are reaching lower levels than in 2021. During October, Dutch Natural Gas has had a slight price increase due to the Israel-Palestine conflict, but has eased since

Natural Gas (USD/MMBtu)



Dutch TTF Natural Gas (EUR/Mwh)

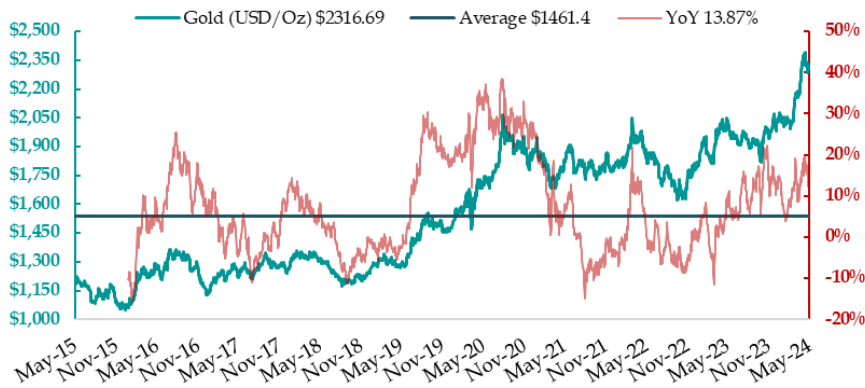


Commodities

exhibit 28

With the ongoing geopolitical uncertainties amid the Israel-Palestine war, gold prices have firmed up and reached higher price points than 2020. Silver has also seeing a price rebound

Gold (USD/oz)



Silver (USD/oz)

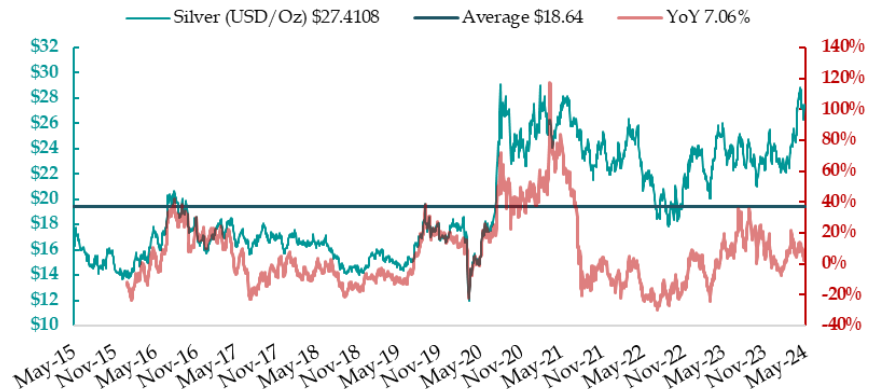
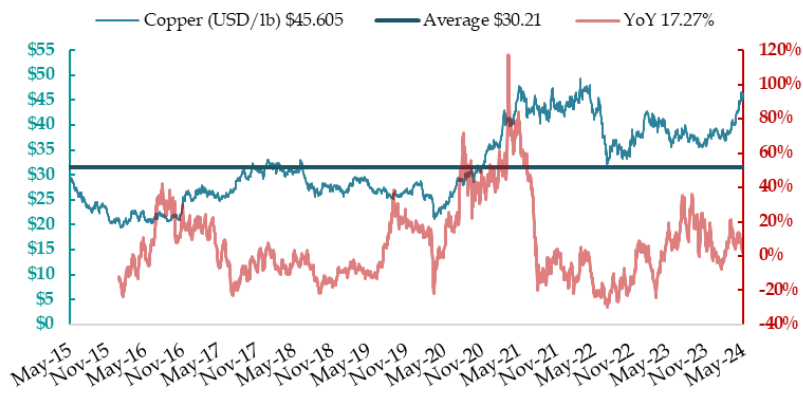


exhibit 29

China's copper demand started the year strongly, with apparent consumption for Jan/Feb combined materially up, and total copper unit imports are also up strongly YoY. As for Zinc, the market will maintain an excess of supply in 2024-28, peaking in 2025, with 257Kt, and inventory levels have stabilized.

Copper USD/oz)



Zinc (USD/MT)

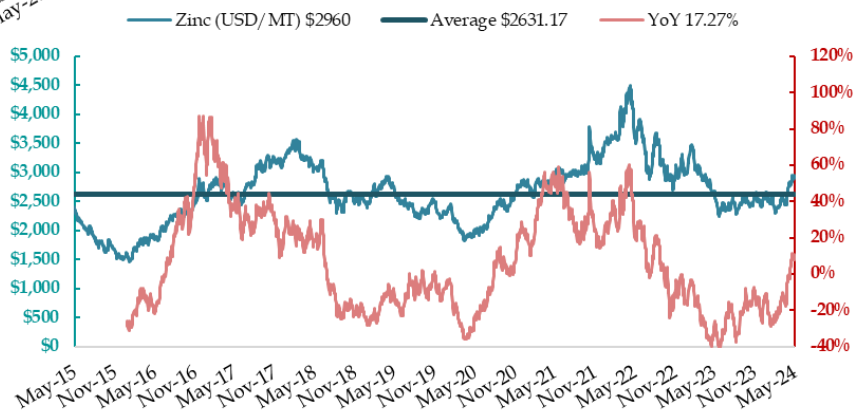
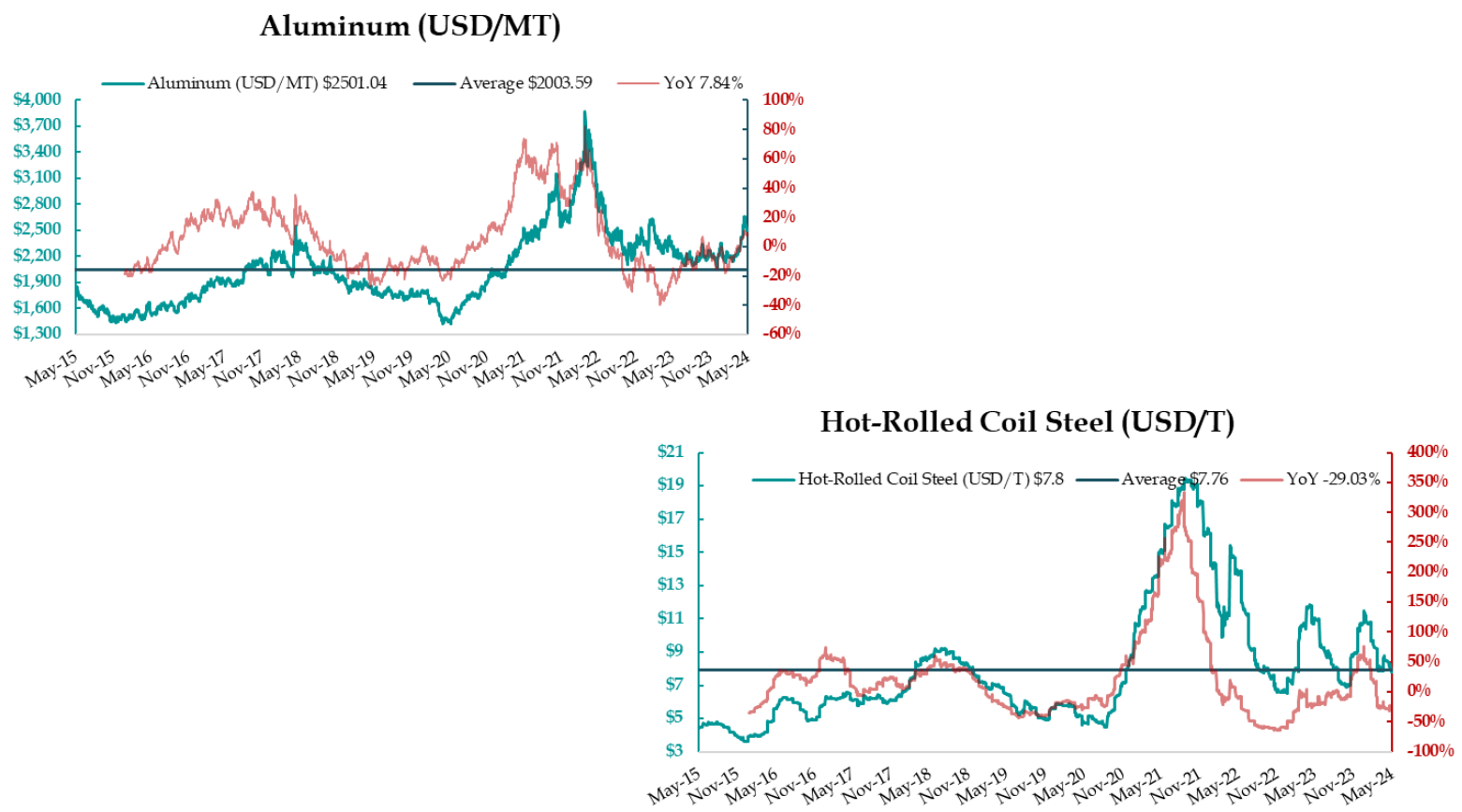


exhibit 30

Aluminum prices have maintained a steady price since August 2023, due to China’s slow recovery. The Hot Rolled Coil Steel price began to pick up at the beginning of November, but has decreased 29% y-o-y.



Commodities

exhibit 31

PVC lower prices due to discount offered by the largest US PVC producer in April, there is an increase in offer and lower demand. Polyester recovering price due to a higher demand.

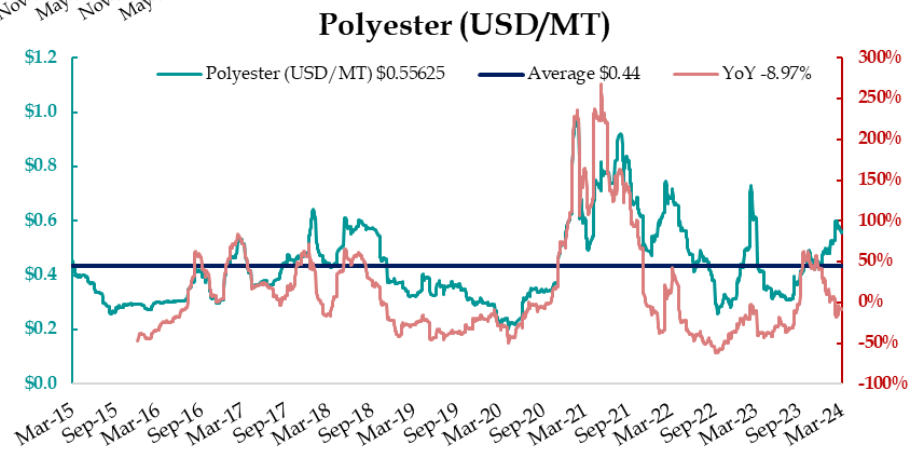
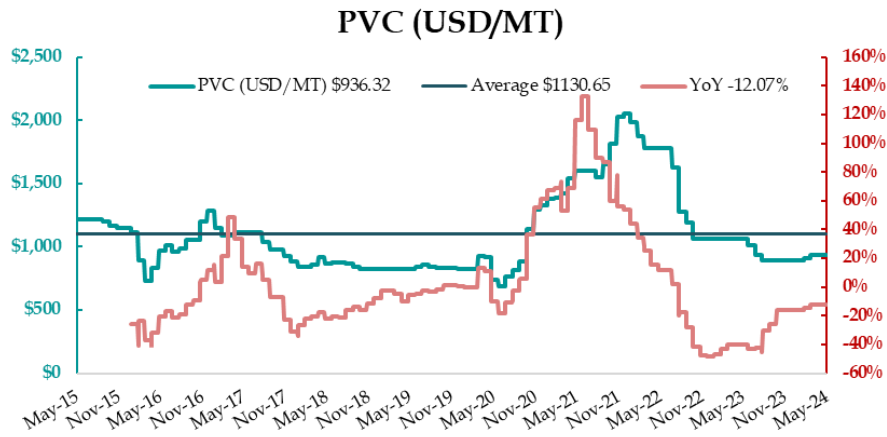
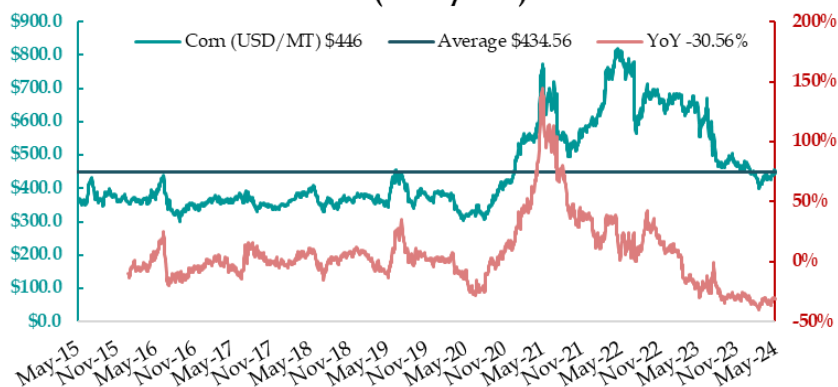


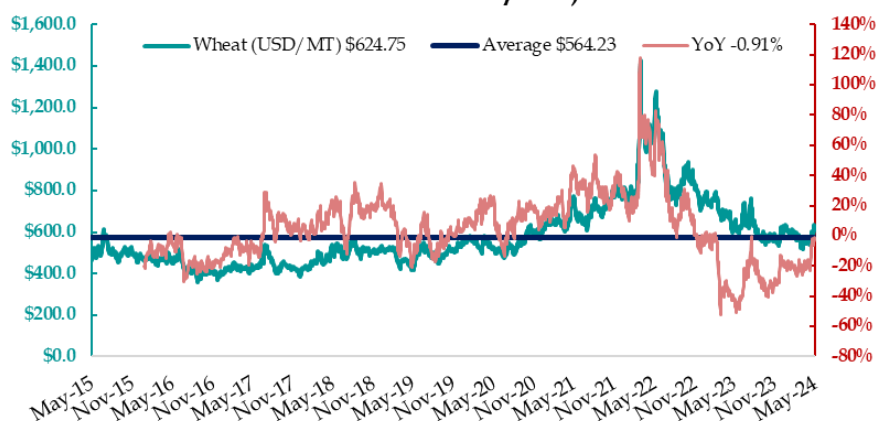
exhibit 32

According to new data from the March 2024 Farm Futures grower survey, total corn acreage is anticipated to vary minimally from last year's high of 94.1 million acres. However, weather conditions from key producers are of concern for the upcoming crop season. Recent attacks on port infrastructure in Ukraine lent some support, offsetting the weight of the past week's lackluster export sales

Corn (USD/MT)



Wheat USD/MT)



Definitions

Primary Activities: These are deeply connected to the earth's natural resources and occur where people stay close or are in touch with any of the earth's natural resources, such as land or water. E.g., Agriculture, fishing, mining, etc.

Secondary Activities: All activities involved in the conversion of raw materials extracted from the primary activities into finished products to be used by consumers are secondary economic activities. E.g., Production and manufacturing.

Tertiary Activities: All activities involved in the transfer and distribution of tangible and intangible goods are tertiary economic activities. E.g., Services.

Monthly Indicator of Industrial Activity (IMAI): the IMAI gauges the actual progression of economic activity. It is designed to furnish statistical information for a comprehensive and timely understanding of the industrial sector's behavior.

Monthly Indicator of Gross Fixed Capital Formation (IMFBCF): offers insights into the monthly patterns of gross fixed investment. This category encompasses durable goods utilized in the production process for over a year and is subject to proprietary duties. The IMFBCF reveals the allocation of a portion of the gross value added in the economy towards investment, distinguishing it from consumption.

PMI Markit Mexico Manufacturing Index: Each national PMI dataset is compiled from questionnaire responses from a survey panel of senior purchasing executives (or similar) at around 400 companies. The survey panels are carefully recruited to accurately represent the true structure of the monitored sector: manufacturing, services, construction, or the entire private sector economy. The survey questionnaire covers the following economic variables for manufacturing: Output, New orders, New export orders, Backlogs of work, Output prices, Input prices, Suppliers' delivery times, Stocks of finished goods, and Quantity of purchases, among others

PMI Mexico Non-Manufacturing Index: Each national PMI dataset is compiled from questionnaire responses from a survey panel of senior purchasing executives (or similar) at around 400 companies. The survey panels are carefully recruited to accurately represent the true structure of the monitored sector: manufacturing, services, construction or the entire private sector economy. The survey questionnaire covers the following economic variables for services: Business activity, New business, New export business, Outstanding business, Prices charged, Input prices, Employment, Future activity.

ANTAD: National Association of Self-Service and Departmental Stores (ANTAD): Entity responsible for promoting the development of retail and its suppliers within the Mexican market.

MEXBOL Index: or the IPC (Indice de Precios y Cotizaciones), is a capitalization-weighted index of the Mexican stock exchange's leading stocks.

Price-to-earnings ratio (P/E ratio): The ratio for valuing a company, measuring its current share price relative to its earnings per share (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

Standard Deviation: A statistic that measures the dispersion of a dataset relative to its mean and is calculated as the square root of the variance. The standard deviation is calculated as the square root of variance by determining each data point's deviation relative to the mean.

United Mexican States Sovereign Bonds (UMS): are fixed income instruments issued by the federal government in international capital markets. Each issuance has specific characteristics (term, currency coupons, etc). UMS bonds are preferred by foreign investors over other LatAm issuers due to their investment grade status and liquidity.

Credit Default Swap (CDS): Is a financial derivative or contract that allows an investor to offset his or her credit risk with that of another investor.

Disclaimers

The Mexico Equity and Income Fund, Inc. ("the Fund") maintains a long-term capital appreciation investment objective through investments in securities, primarily equity, listed on the Mexican Stock Exchange. The Fund provides a vehicle to investors who wish to invest in Mexican companies through a managed non-diversified portfolio as part of their overall investment program.

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Please see the Schedule of Investments in this report for a complete list of fund holdings. The information and views provided herein represent the opinion of Pichardo Asset Management, not the Fund's Board of Directors, and it does not intend to be a forecast of future events, a guarantee of future results, or investment advice. This report contains certain forward-looking statements about factors that may affect the performance of the Fund in the future.

Management believes these forward-looking statements to be reasonable, although they are inherently uncertain and difficult to predict.

Investment involves risk. Past performance is not necessarily indicative, nor a guarantee of current or future results. The value of investments and the income from them, if any, may fall as well as rise and is not guaranteed, and investors may not get back the full amount invested. Future market conditions are unpredictable and may vary significantly from current and past conditions.

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