



Mexico's Economic Review

August 31st, 2025

Mexico's Economic Review ended August 31st, 2025



Index

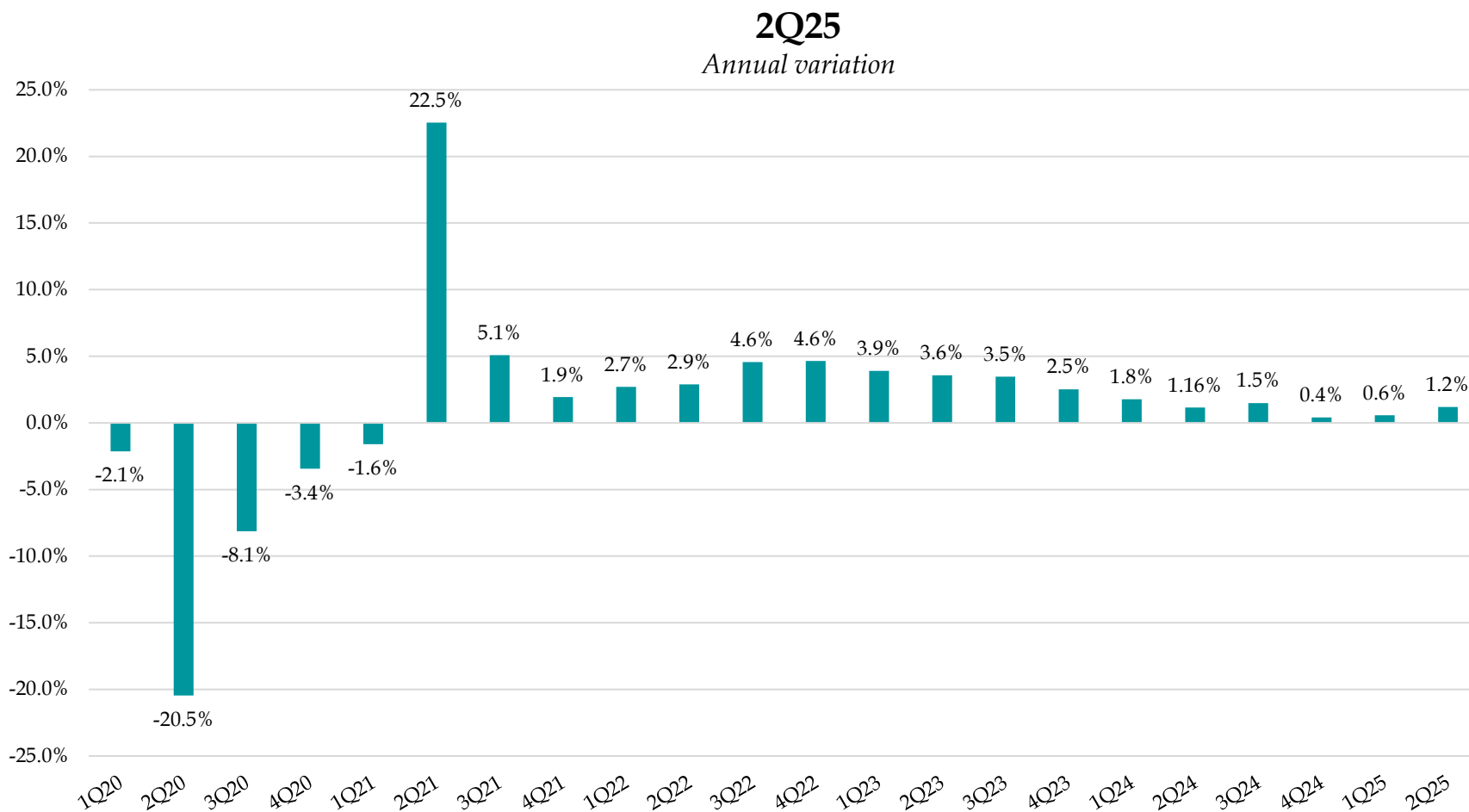
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- **June 25:** The U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) designated three Mexican financial institutions – CIBanco, Intercam Banco, and Vector Casa de Bolsa – as “primary money-laundering concerns” under the new FEND Off Fentanyl Act, accusing them of facilitating money transfers tied to drug cartels and fentanyl precursor purchases. Effective July 21, U.S. banks are barred from transmitting funds to or from these institutions' operations in Mexico. *Source: Financial Times.*
- **June 26:** The National Banking and Securities Commission (CNBV) temporarily took control of CIBanco, Intercam, and Vector to protect clients and investors. The Finance Ministry transferred government trust funds from CIBanco and Intercam to state development banks like Nafin. CNBV imposed administrative fines totaling around 134 million pesos for prior compliance failures. The Mexican government requested concrete evidence from the U.S., arguing that some flagged transactions were legal. *Source: Bloomberg.*
- **July 1:** Following the FinCEN designation, companies like Visa have cut ties with the sanctioned banks, further limiting their access to international financial systems. Other firms are expected to follow, as the sanctions isolate these institutions from global markets and increase pressure on them to comply with anti-money laundering standards. *Source: Bloomberg.*
- **July 31:** A 30% tariff on imports from Mexico (and the European Union) was scheduled to take effect, citing the fentanyl crisis and a large trade deficit as justifications. This move expanded upon the earlier 25% tariffs but explicitly excluded goods compliant with the USMCA. However, a 90-day suspension was agreed upon just before the above tariff was to take effect. Instead of raising the tariff to 30%, the tariff for Mexican imports remained at 25%. As part of the deal, Mexico agreed to remove non-tariff barriers and begin new trade negotiations within the 90-day window. *Source: Truth Social.*
- **August 7:** Country-specific "reciprocal tariffs" officially went live, contributing to a higher U.S. overall tariff level. For many nations – including Mexico – the rates under these reciprocal tariffs took effect on this date. 29 – The U.S. formally ended the "de minimis" exemption, which previously allowed duty-free entry for packages under \$800. This removal affected shipments from Mexico (along with other countries), prompting disruptions in postal services. *Source: The White House Govt.*

Economic Activity

Gross Domestic Product Indicators

In 2Q25 Mexico's economy grew 1.2% year over year, exceeding expectations; however overall economic momentum remains subdued

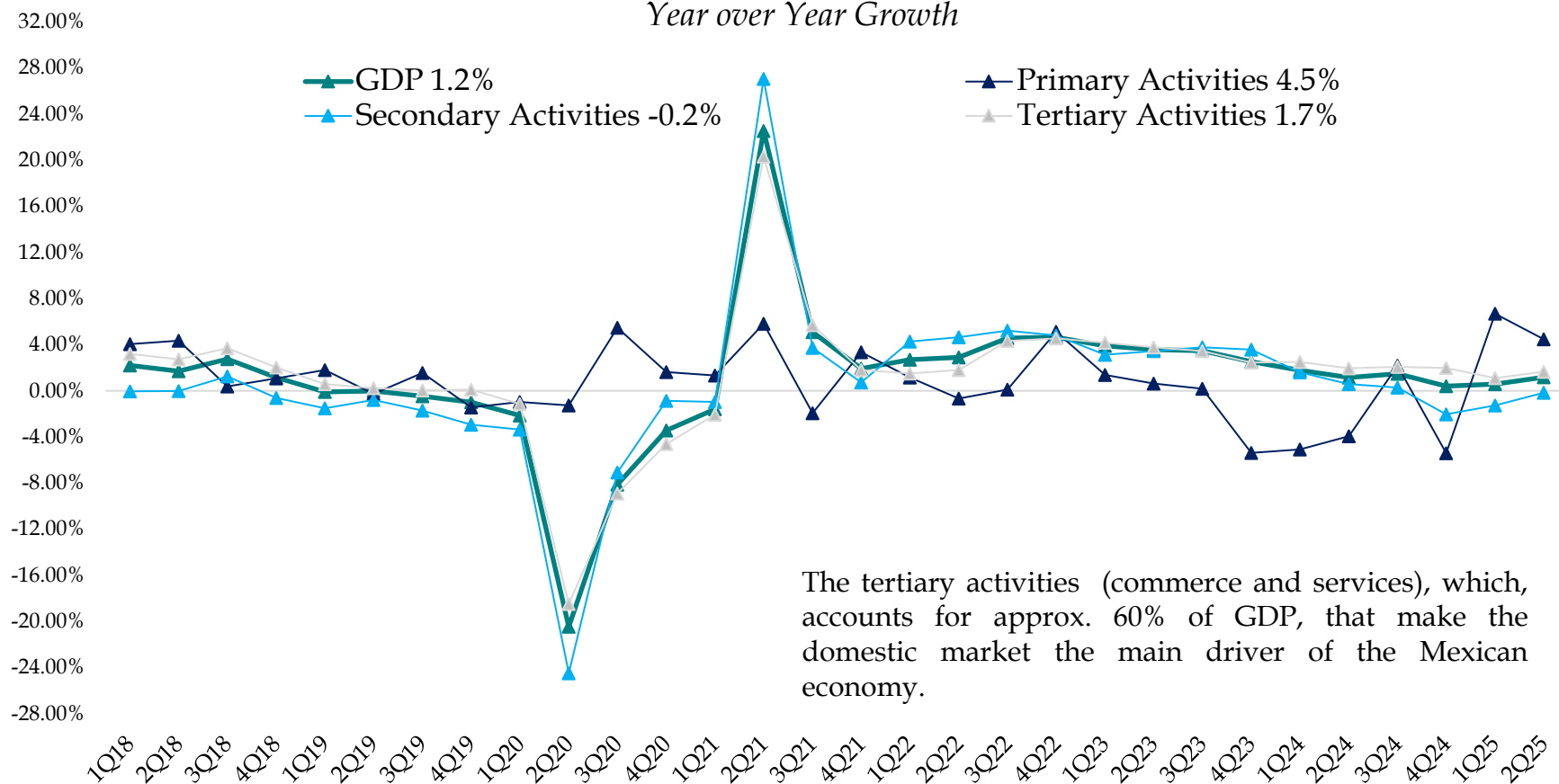


Source: INEGI

Primary activities contracted on a quarter-over-quarter basis. However, on a year-over-year comparison they showed solid growth, mainly driven by stronger agricultural output. Secondary activities remain in negative territory, although they show signs of gradual improvement, supported by manufacturing and a moderate recovery in construction. Tertiary activities continued to be resilient, expanding 1.7% year over year

Quarterly GDP by Component

Year over Year Growth



The tertiary activities (commerce and services), which, accounts for approx. 60% of GDP, that make the domestic market the main driver of the Mexican economy.

Source: INEGI

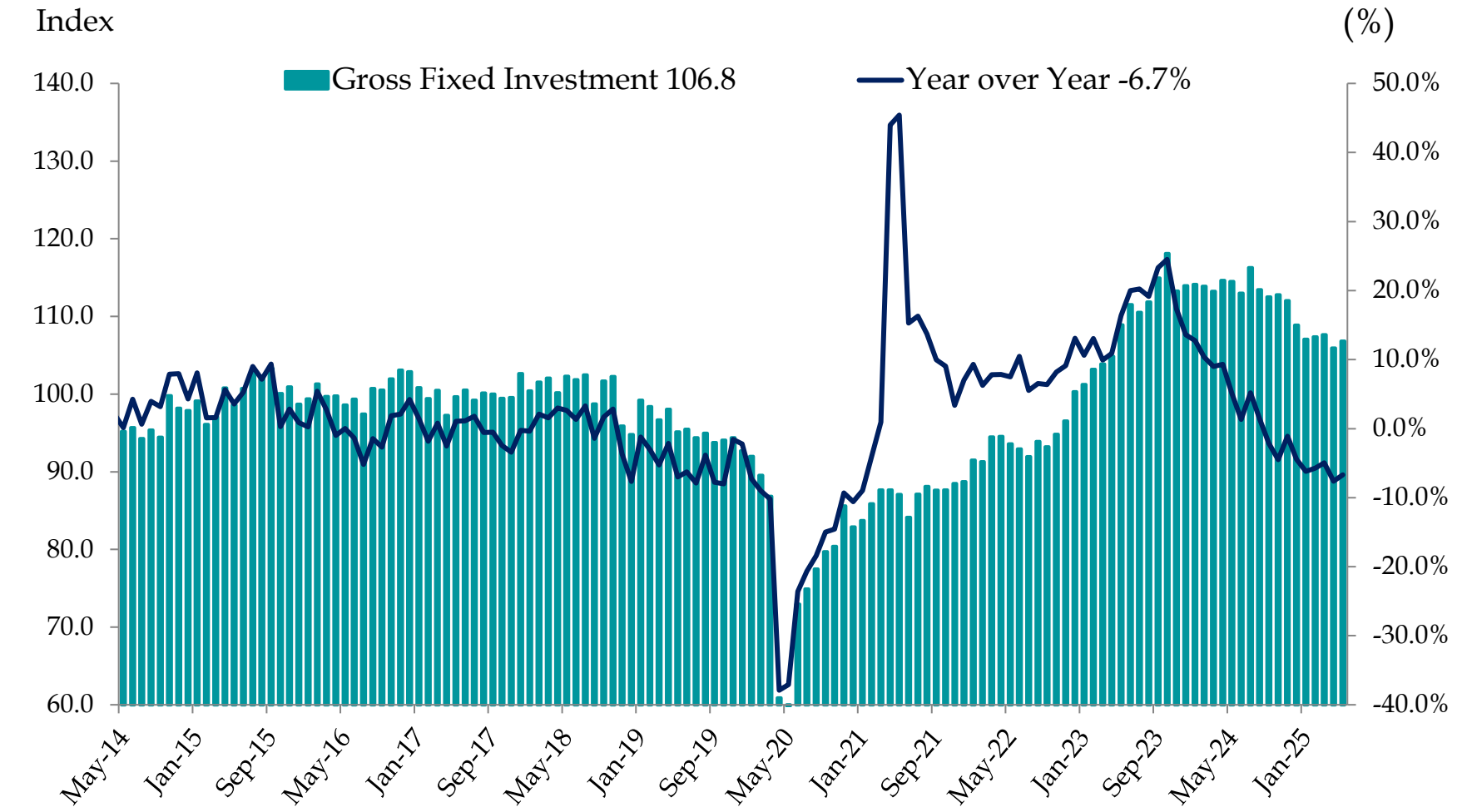
Economic Activity

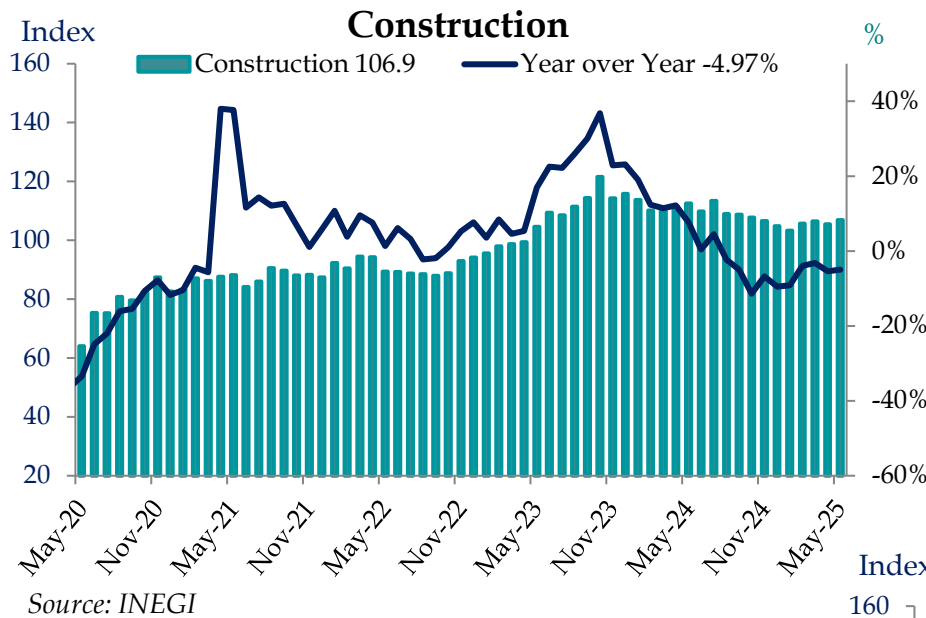
Local and Foreign Investment

Gross Fixed Investment Index: Local Private and Government Investment



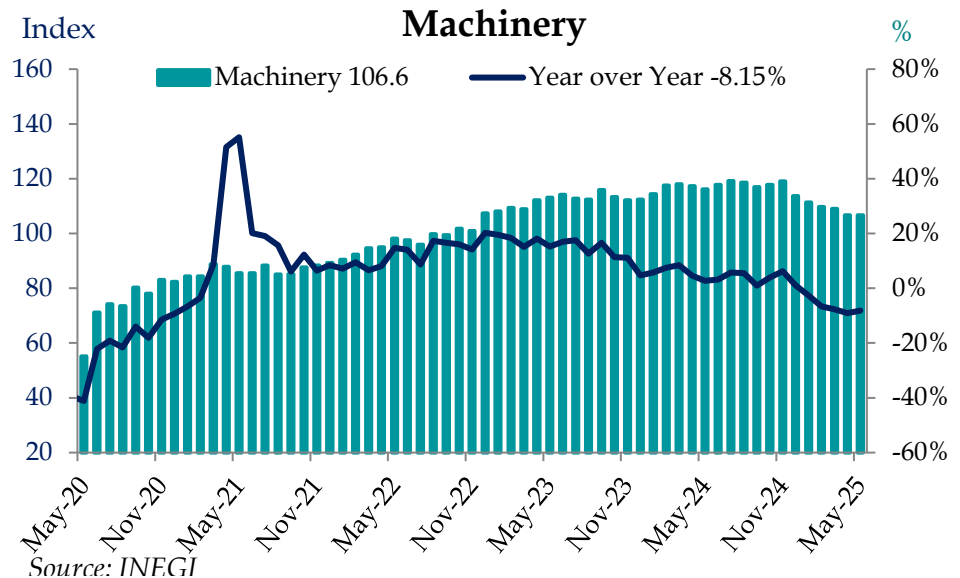
This indicator reflects spending on machinery and equipment by the private sector, construction by businesses, and infrastructure investment by the government. It shows a slowdown since 4Q24, coinciding with the end of former President Andrés M. Lopez’s term, during which several large infrastructure projects were completed.





The decline in construction investment reflects reduced public spending in infrastructure projects, as the government seeks to narrow the fiscal deficit.

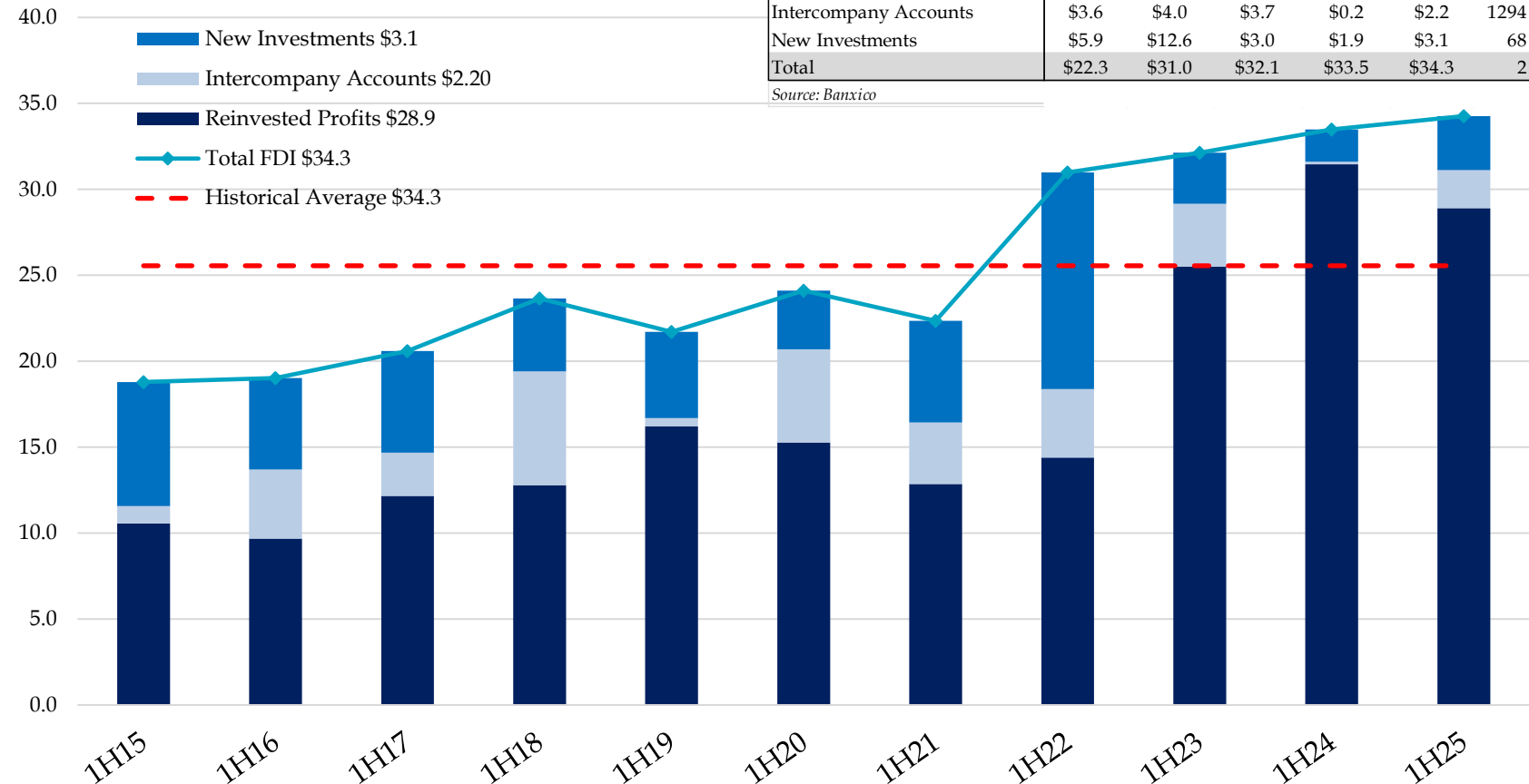
Investment in machinery and equipment is closely tied to manufacturing exports, which have slowed since 2023. This trend worsened in the last quarter of 2024 amid uncertainty surrounding President Trump's protectionist trade policies, and it remained in the first quarter of 2025.



Foreign Direct Investment (FDI)

In the second half of 2025, Mexico recorded a record of US\$34 billion in foreign direct investment. While reinvested earnings declined, both new investments and intercompany accounts surged by 68% and 1294%, respectively, compared to 1H24. These figures highlight Mexico's key differentiators, supported by its trade and investment agreements, which continue to position the country as a global investment destination.

Million USD



Foreign Direct Investment	1H21	1H22	1H23	1H24	1H25	Y-o-Y
Reinvested Profits	\$12.9	\$14.4	\$25.5	\$31.5	\$28.9	-8%
Intercompany Accounts	\$3.6	\$4.0	\$3.7	\$0.2	\$2.2	1294%
New Investments	\$5.9	\$12.6	\$3.0	\$1.9	\$3.1	68%
Total	\$22.3	\$31.0	\$32.1	\$33.5	\$34.3	2%

Source: Banxico

Source: BANXICO

Economic Activity

Employment Salaries & Consumption

Employment

Unemployment Rate

As of July 2025



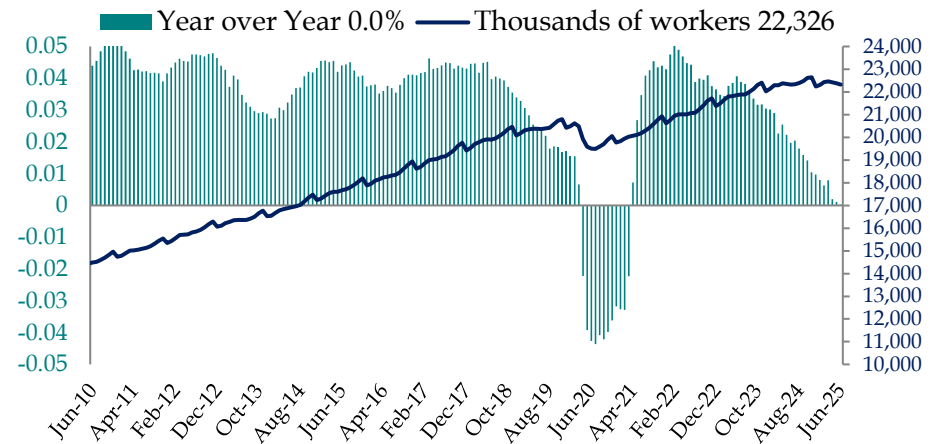
Source: INEGI

In the formal component of labor market, the number of total new employees stood at 22.3 million workers. However formal job creation has slowed *pari passu* the deceleration in line with weaker industrial activity (manufacturing and construction)

In July, the unemployment rate stood at 2.6% – a decrease of 87 basis points from the previous month. The unemployment rate remains well below its historical average of 3.40%

Formal Job Creation

Figures



Source: Bloomberg

Remittances

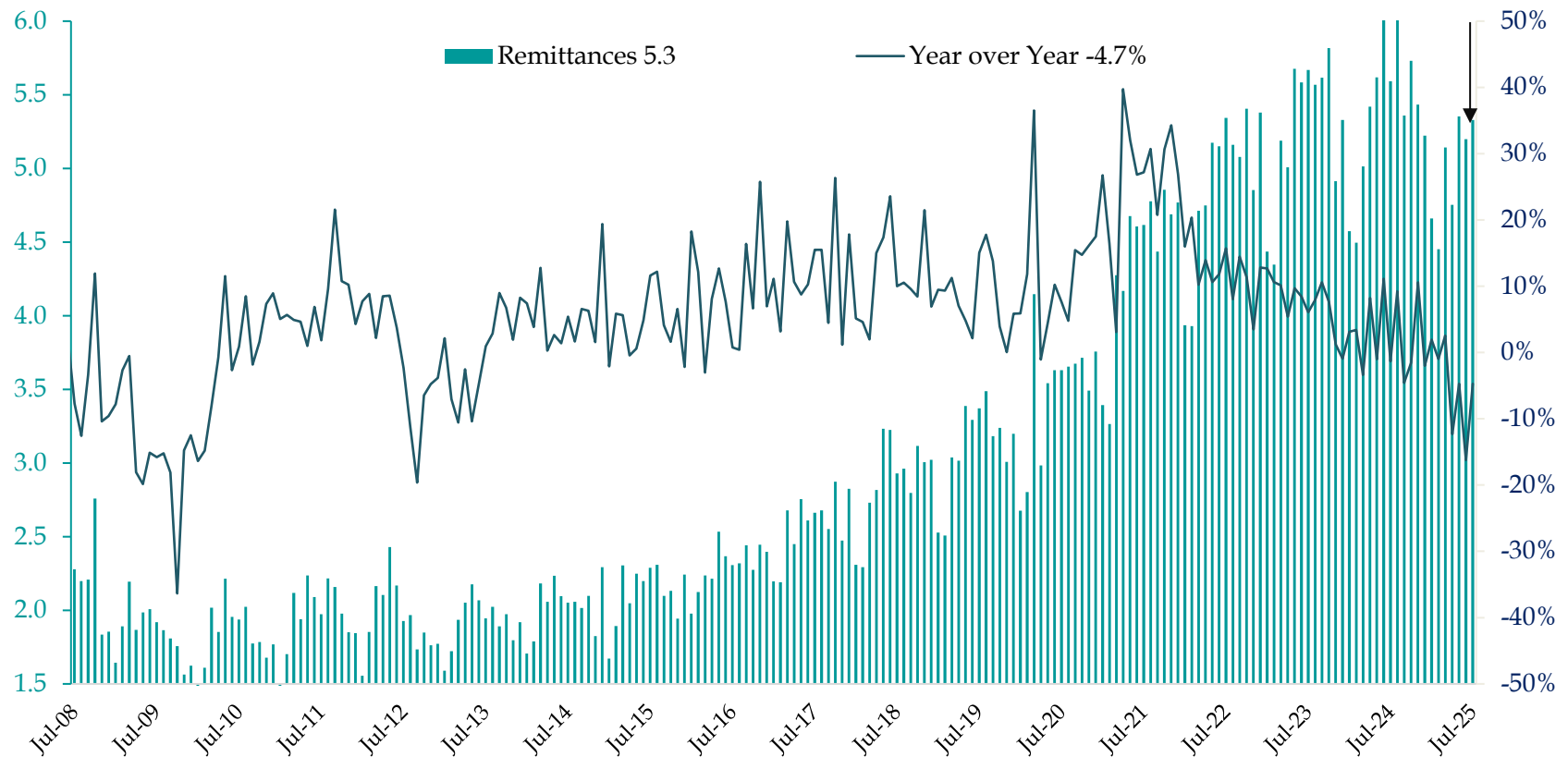
Remittances reached \$5.3 billion in June, marking a moderation compared with the strong inflow recorded earlier in the year. The decline comes amid rising policy uncertainty in the U.S., with stricter immigration measures raising concerns among migrants.

Monthly Remittances

As of July 2025

USD Billion

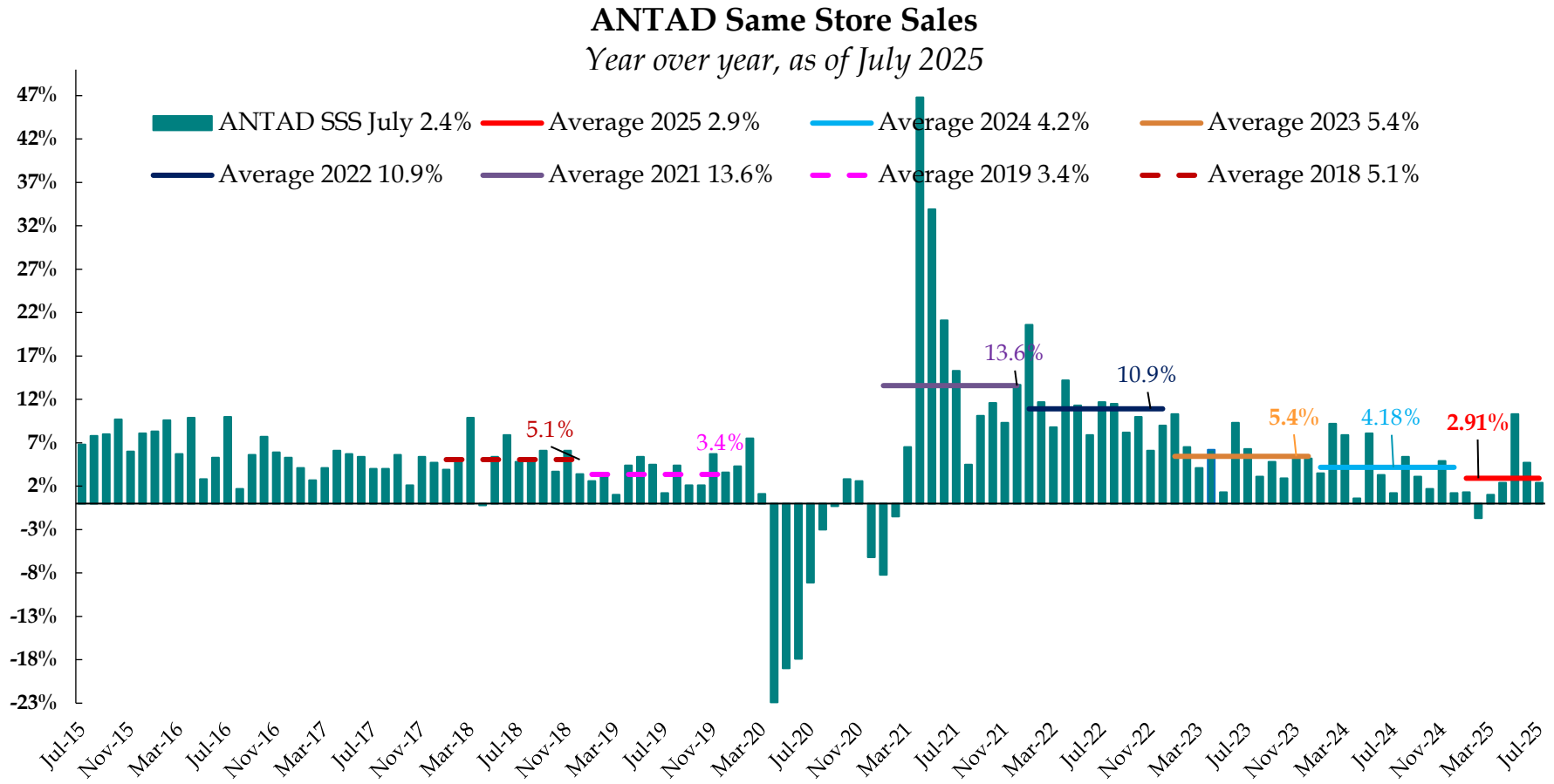
Equivalent: \$275.7 billion MXN
FX: 18.87



Source: Banxico

National Retailers Association "ANTAD"

In July, ANTAD same-store sales increased 2.4% year over year, a modest increase, below the 12-month average of 2.9%. Consumption has demonstrated to be more resilient than expected given high interest rates and uncertain macroeconomic environment.



Source: ANTAD & PAM

Tourism remains resilient, for the first half of 2025 total visitors increased 14% year over year and total spending also increased 6.3%. Mexico remains in the top ten destinations for tourists.



Source: INEGI.

Exchange Rate & External Accounts

MXN peso annual variation against USD

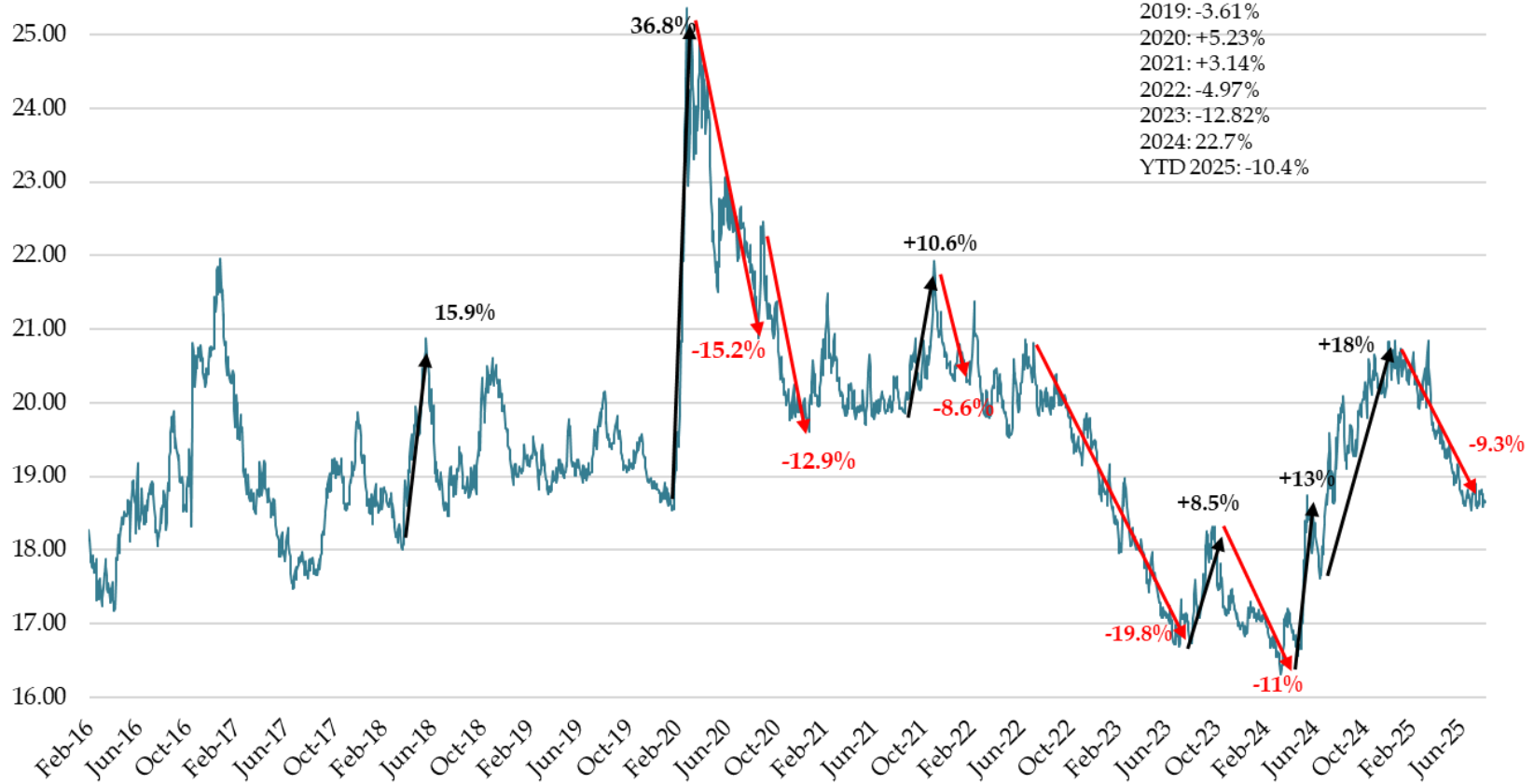
The peso experienced volatility at the beginning of the year, driven by political uncertainty and potential tariff measures. It has since appreciated, partly due to a weaker dollar.

MXN Spot Exchange Rate per USD

Short term as of August 29st, 2025

Annual Depreciation/Appreciation

2018: -0.22%
 2019: -3.61%
 2020: +5.23%
 2021: +3.14%
 2022: -4.97%
 2023: -12.82%
 2024: 22.7%
 YTD 2025: -10.4%



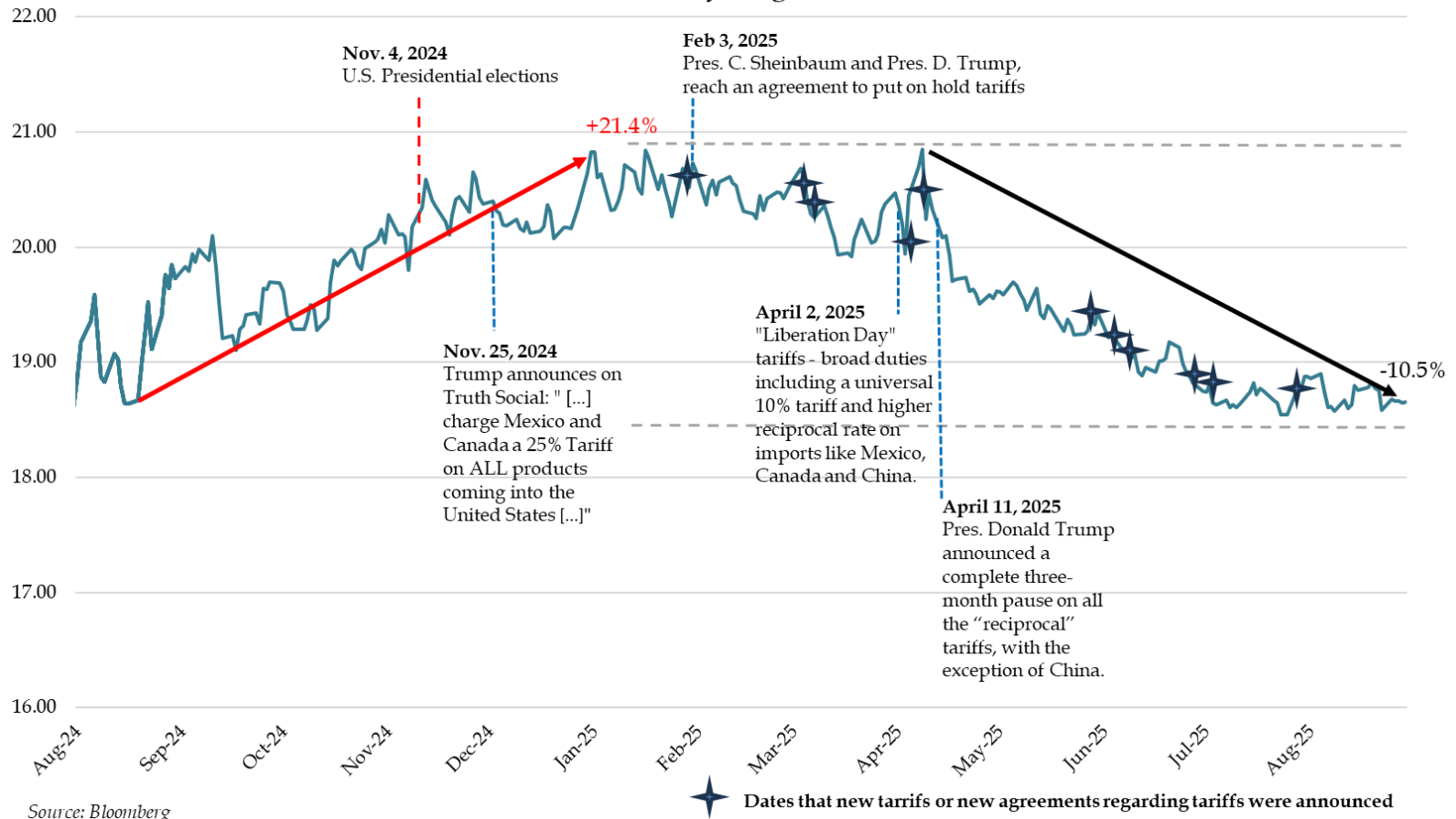
Source: Bloomberg

MXN peso annual variation against USD

Year-to-date, the peso has strengthened approx. 10.5% against the dollar, one of the most significant gains among emerging-market currencies. In USD terms, the USD/MXN rate has dropped from 20.63 in early January to around 18.70-18.66 by August 29. Among the factors that explain the appreciation of the Mexican peso are: (i) inflows driven by a strong carry trade due to the high interest rate differential in favor of Mexico; (ii) periods of optimism, especially between March and June, stemming from exemptions to tariffs on steel and aluminum, and the postponement of tariffs on automotive exports under the USMCA, lifting the peso ~1-2% on each news wave

MXN Spot Exchange Rate per USD

Short term as of August 31, 2025

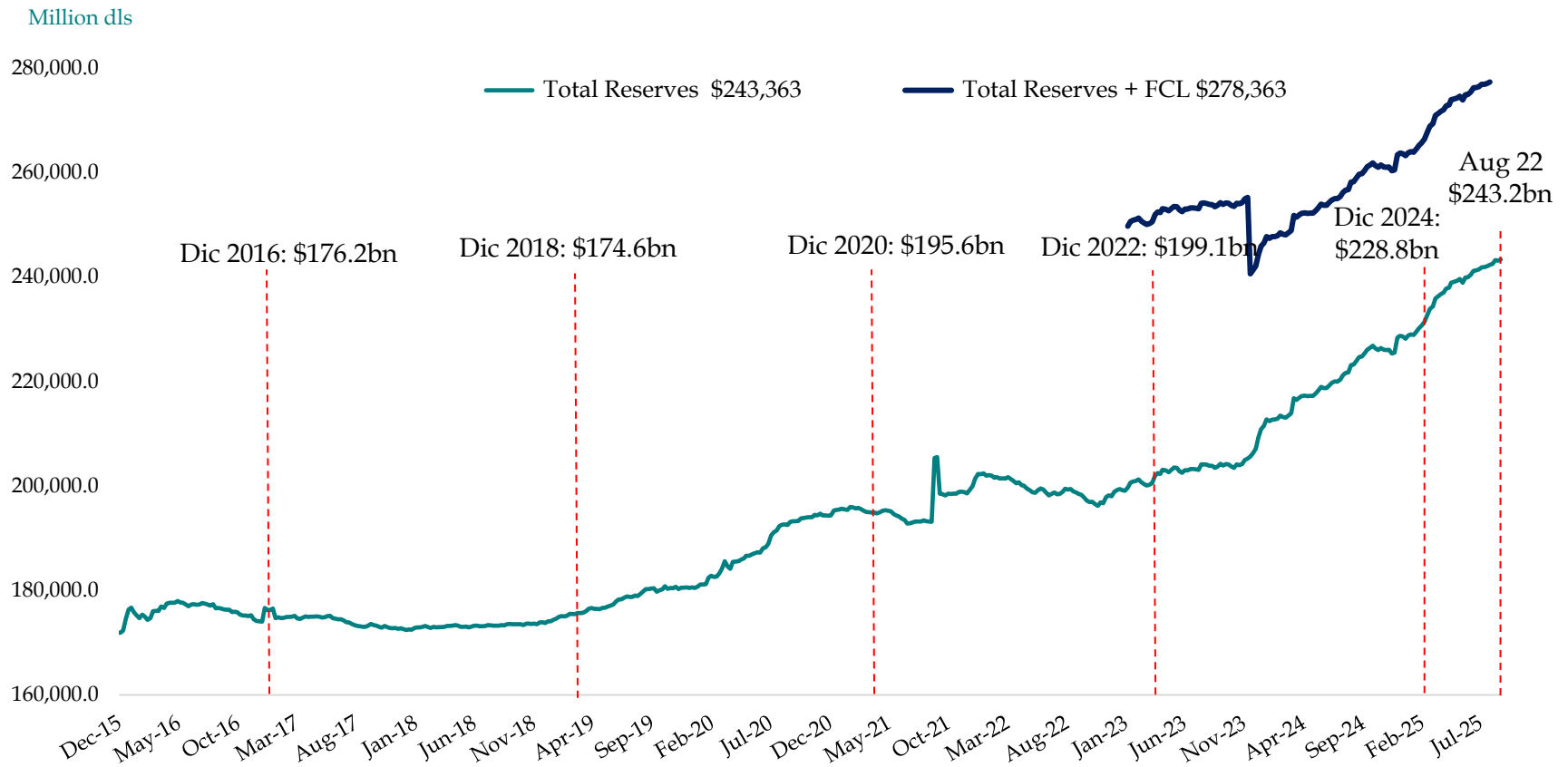


International Reserves

International reserves stood at \$243 billion as of August 22th 2025, this represents an increase by 6.4% year to date. Additionally, the support of \$35 billion the flexible credit line from the International Monetary Fund (IMF).

International Reserves & Flexible Credit Line

As of August 22, 2025

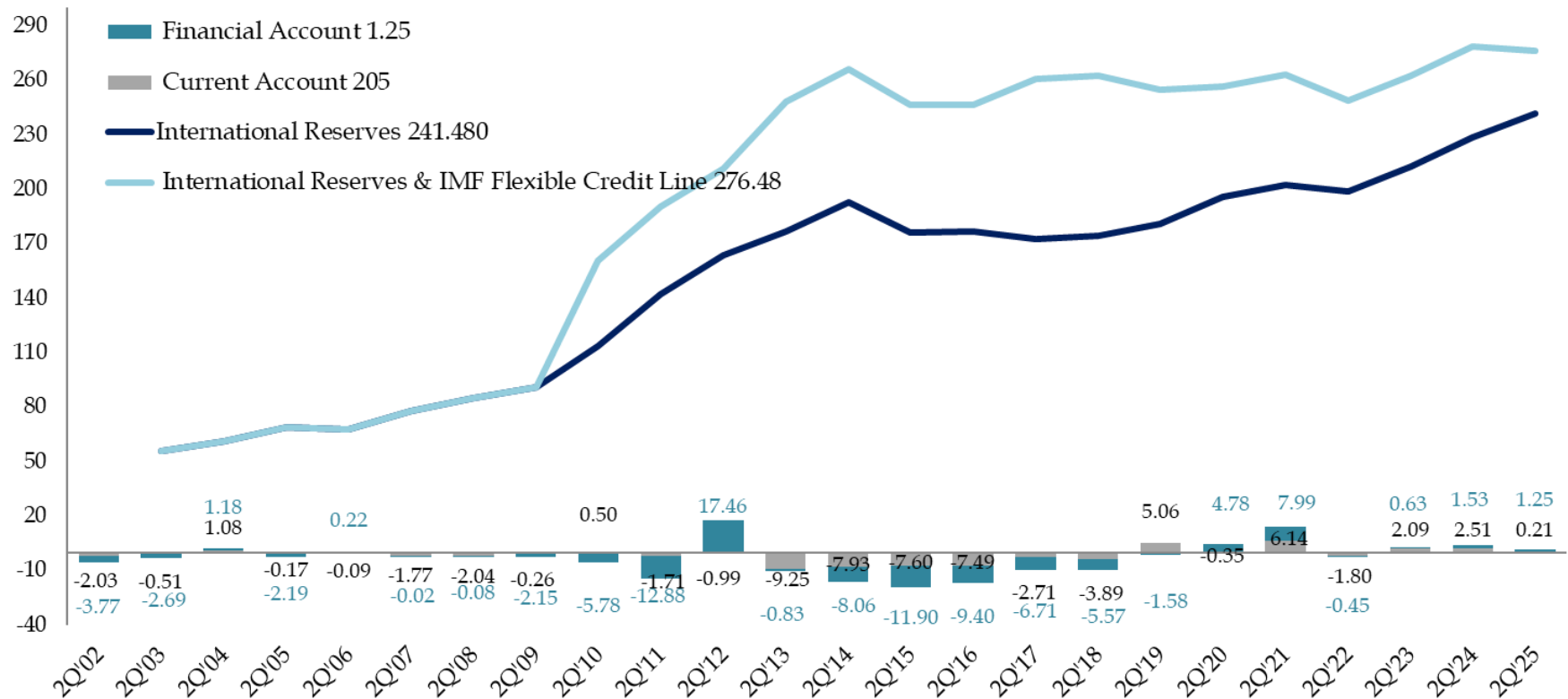


Source: Bloomberg

Balance of Payments

In the 2Q25 Mexico's current account posted a surplus of USD 205 billion in Q2 2025 (around 1.8% of GDP), supported by an improved non-oil trade surplus and lower primary income outflows from interest and dividends. The financial account posted a modest surplus, primarily driven by strong net FDI inflows (around USD 10.8 billion) and nearly USD 241 billion in international reserves, partially offset by balanced portfolio flows and moderate resident capital outflows.

USD Billion



Source: Banxico

Mexico's Trade Balance

July recorded a deficit for Mexico's trade balance of 17 billion, however during the first half of the year Mexico recorded a trade surplus of 15.7 billion. Despite the imposition of new U.S. tariffs on Mexican imports at the beginning of the year. Exports increased by 9.1%, driven by non oil exports, specifically manufacturing exports (not automotive), which increased 12% year over year. Meanwhile imports only increased 0.2% for the first half of the year.

Mexico's Trade Balance - As of July 2025

Exports

	Jul-24	% of Total	Annual Change	Jul-25	% of Total	Annual Change	1H25	% of Total	Annual Change
Total Exports	54,446	100.0%	13.9%	56,708	100.0%	4.2%	327,037	100%	9.1%
Oil	2,319	4.3%	-16.7%	1,866	3.3%	-19.5%	25,496	7.8%	71.5%
Crude Oil	1,715	3.2%	-28.5%	1,355	2.4%	-21.0%	22,219	6.8%	49.4%
Others	604	1.1%	56.9%	511	0.9%	-15.3%	3,277	1.0%	-8.6%
Non-Oil	52,127	95.7%	15.8%	54,842	96.7%	5.2%	301,541	92.2%	5.9%
Agricultural	1,593	2.9%	6.2%	1,504	2.7%	-5.6%	12,238	3.7%	-7.7%
Mining	790	1.5%	33.7%	965	1.7%	22.1%	6,277	1.9%	22.0%
Manufacturing	49,743	91.4%	15.9%	52,373	92.4%	5.3%	283,026	86.5%	6.2%
Automotive Industry	17,107	31.4%	7.2%	15,909	28.1%	-7.0%	91,368	27.9%	-4.0%
Others	32,637	59.9%	21.1%	36,464	64.3%	11.7%	191,658	58.6%	12.0%

Imports

	Jul-24	% of Total	Annual Change	Jul-25	% of Total	Annual Change	1H25	% of Total	Annual Change
Total Imports	55,771	100%	14.7%	56,724	100.0%	1.7%	311,296	100%	0.2%
Oil	4,315	7.7%	1.7%	4,007	7.1%	-8.7%	23,377	7.5%	-11.5%
Non-Oil	51,457	92.3%	22.5%	47,616	83.9%	3.2%	260,559	83.7%	-0.8%
Consumption Goods	7,129	12.8%	23.8%	7,375	13.0%	3.4%	37,083	11.9%	-8.8%
Intermediate Goods	39,114	70.1%	13.7%	40,241	70.9%	2.9%	223,475	71.8%	3.6%
Capital Goods	5,213	9.3%	8.7%	5,101	9.0%	-2.1%	27,360	8.8%	-11.0%

Trade Balance

	Jul-24	Annual Change	Jul-25	Annual Change	1H25	Annual Change
Trade Balance	-1,326	57.7%	-17	98.7%	15,741	244.21%

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

Inflation, Monetary Policy & Sovereign Risk

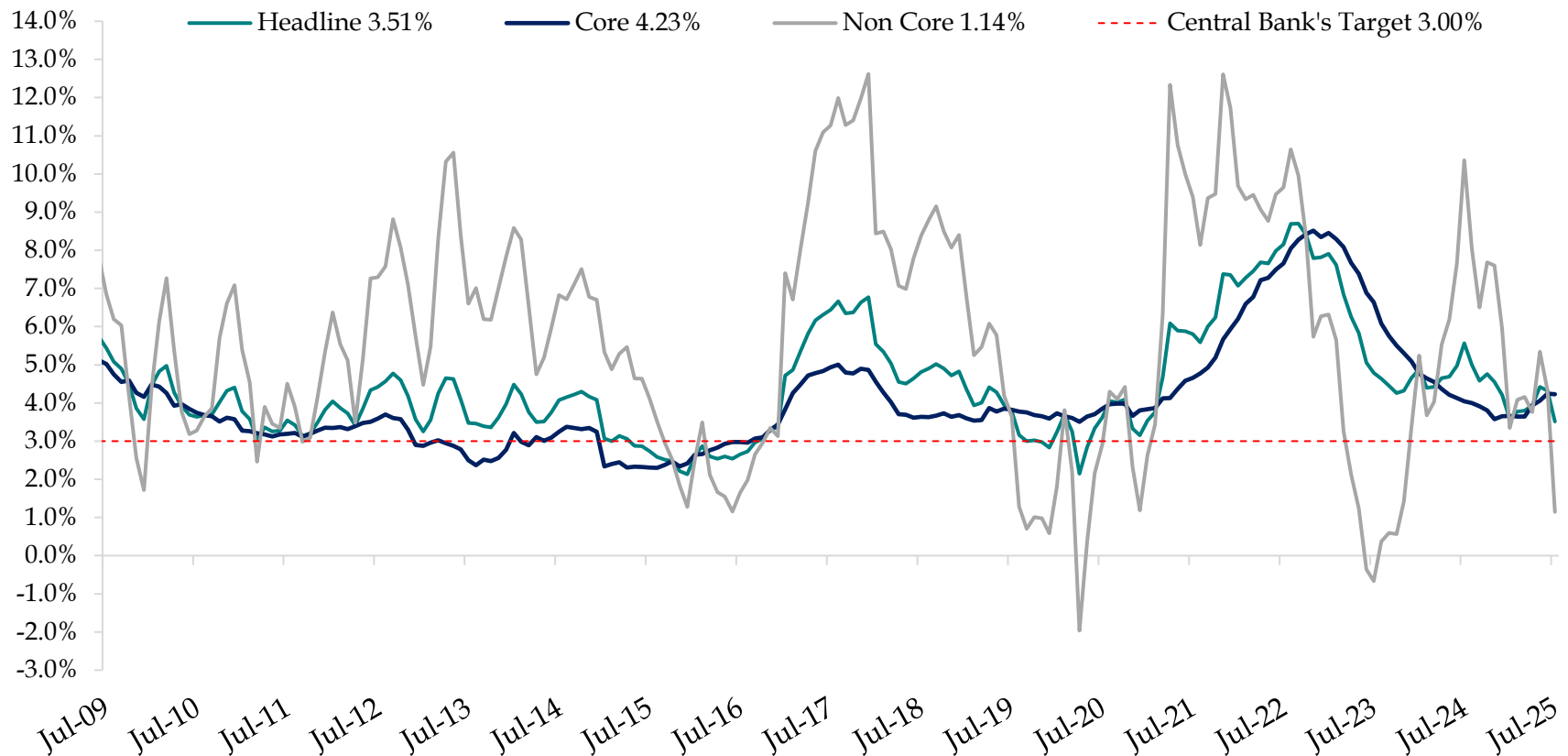
Mexico Consumer Price Index (CPI)



The National Consumer Price Index (INPC), which measures the price variation of a basket of goods and services representative of Mexican household consumption, decelerated to 3.51 percent annually in July.

Inflation

Year over Year, as of July 2025

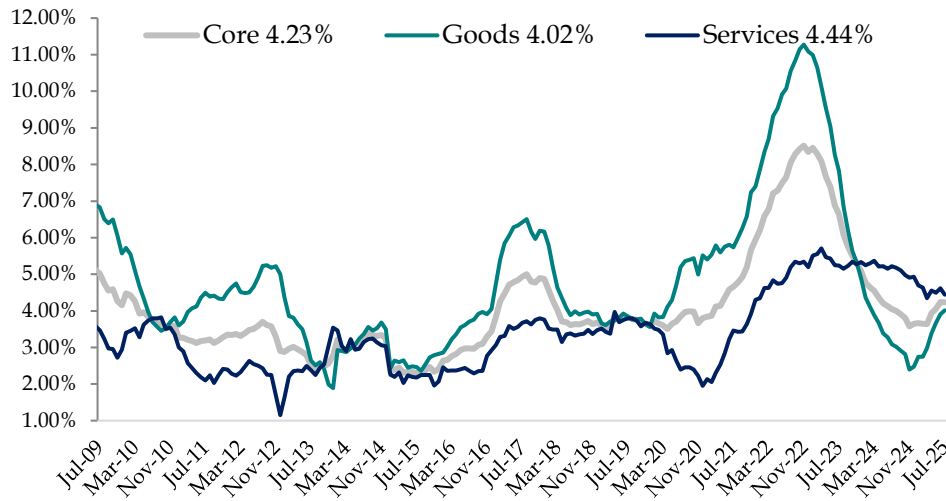


Source: INEGI

Mexico Consumer Price Index (CPI)



Core Inflation
Year over year

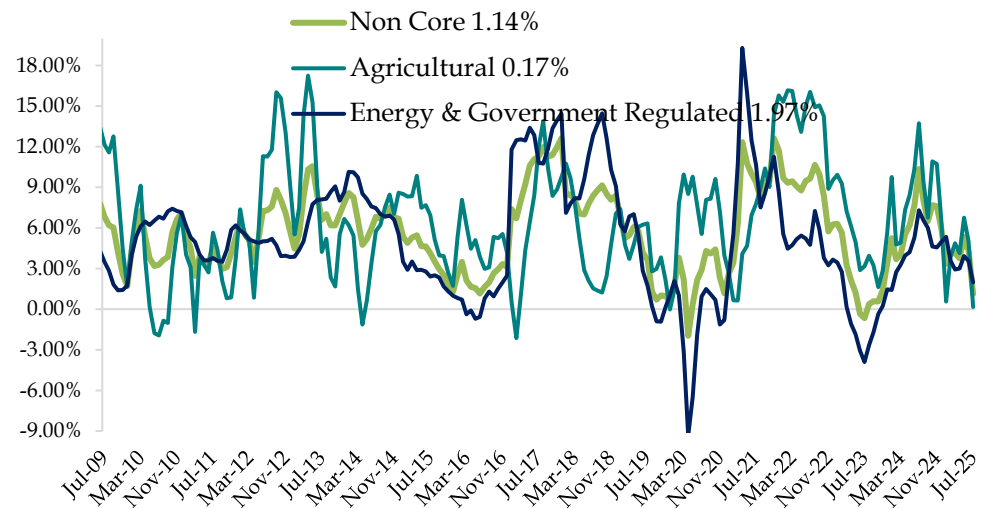


Core inflation held steady at 4.23% in July versus 4.24% in June. The stability masked mixed trends, with services inflation easing by 17 bps and goods prices gaining 11 bps, highlighting persistent pressures on merchandise despite softer services.

Source: INEGI

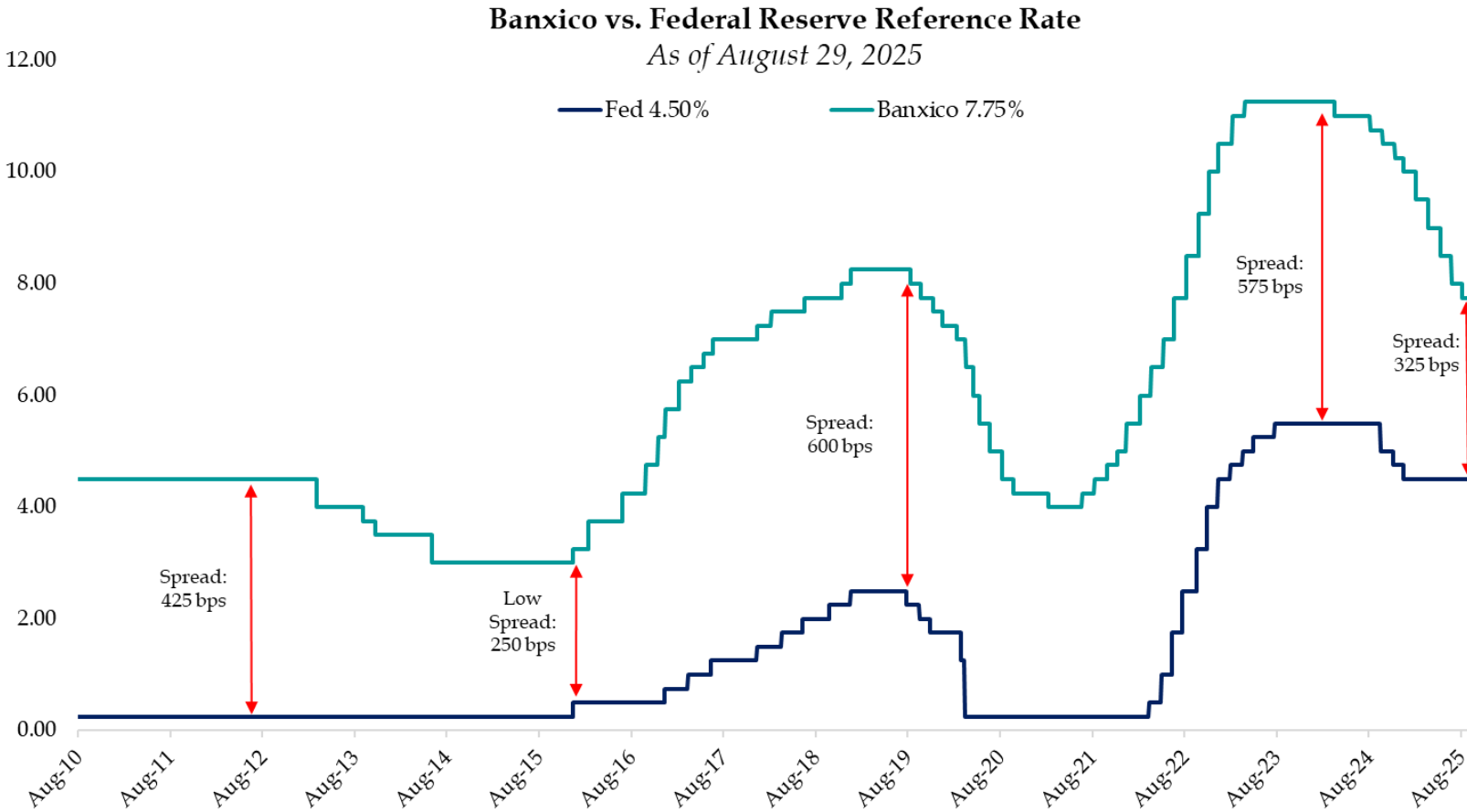
The non-core inflation, which includes volatile items like food and energy, decreased to 1.14% from 4.33% in June, driven mainly by the decrease in agriculture. Agricultural prices decreased to 0.17%, and energy and government-regulated also decreased to 1.97%

Non-Core Inflation
(YoY % Change)



Source: INEGI

At its fifth meeting of 2025, Mexico's Central Bank (BANXICO) reduced the interest rate by 25 basis points reaching 7.75%, they consider that this current rate is restrictive if compared to its historical data. In PAM's opinion the Governing Board will continue to decrease the rate but at a slower pace, by 25 basis points per meeting. Since annual inflation has displayed mixed signals.

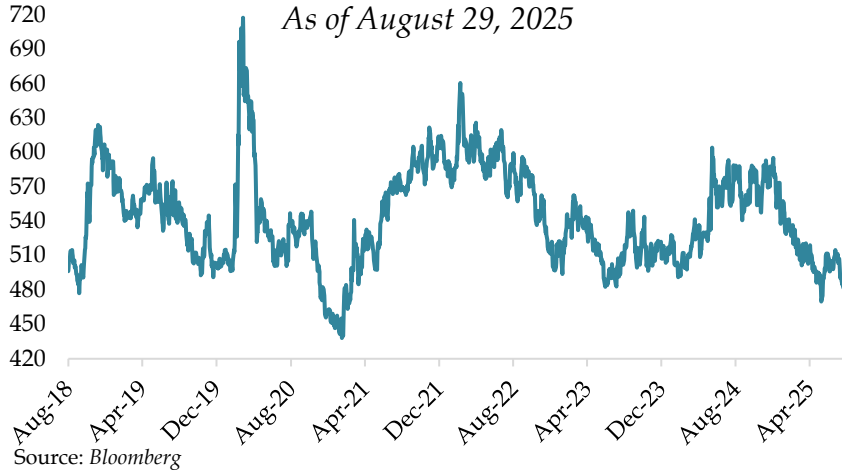


Source: Bloomberg

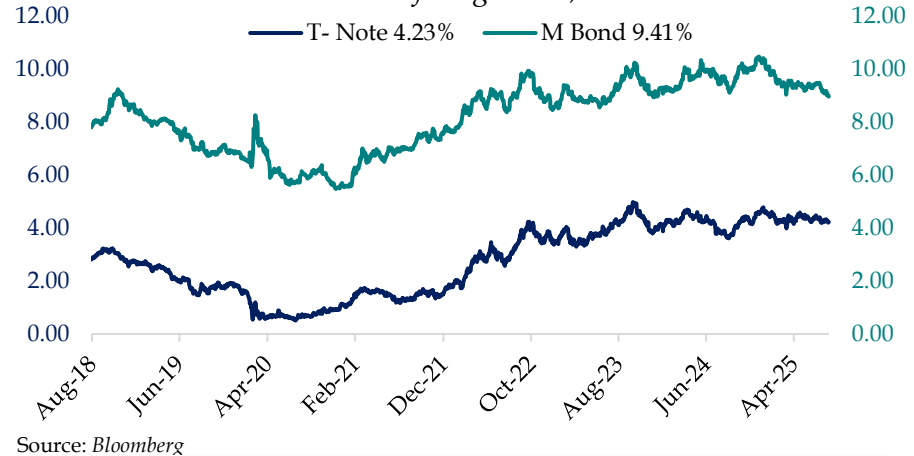
Healthy Public Finances lead to adequate spreads compared to U.S. debt Treasury notes benchmark

M Bond vs. U.S. 10Y Treasury Note

As of August 29, 2025



Rate M Bond vs. U.S. 10 Year Treasury Note
As of August 29, 2025

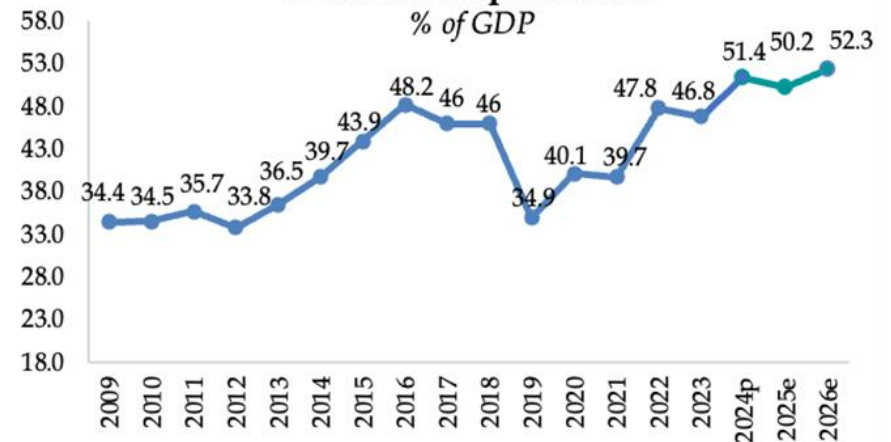


UMS vs. U.S 10Y Treasury Note

As of August 29, 2025



**Historical Balance of Public Sector
Financial Requirements**
% of GDP

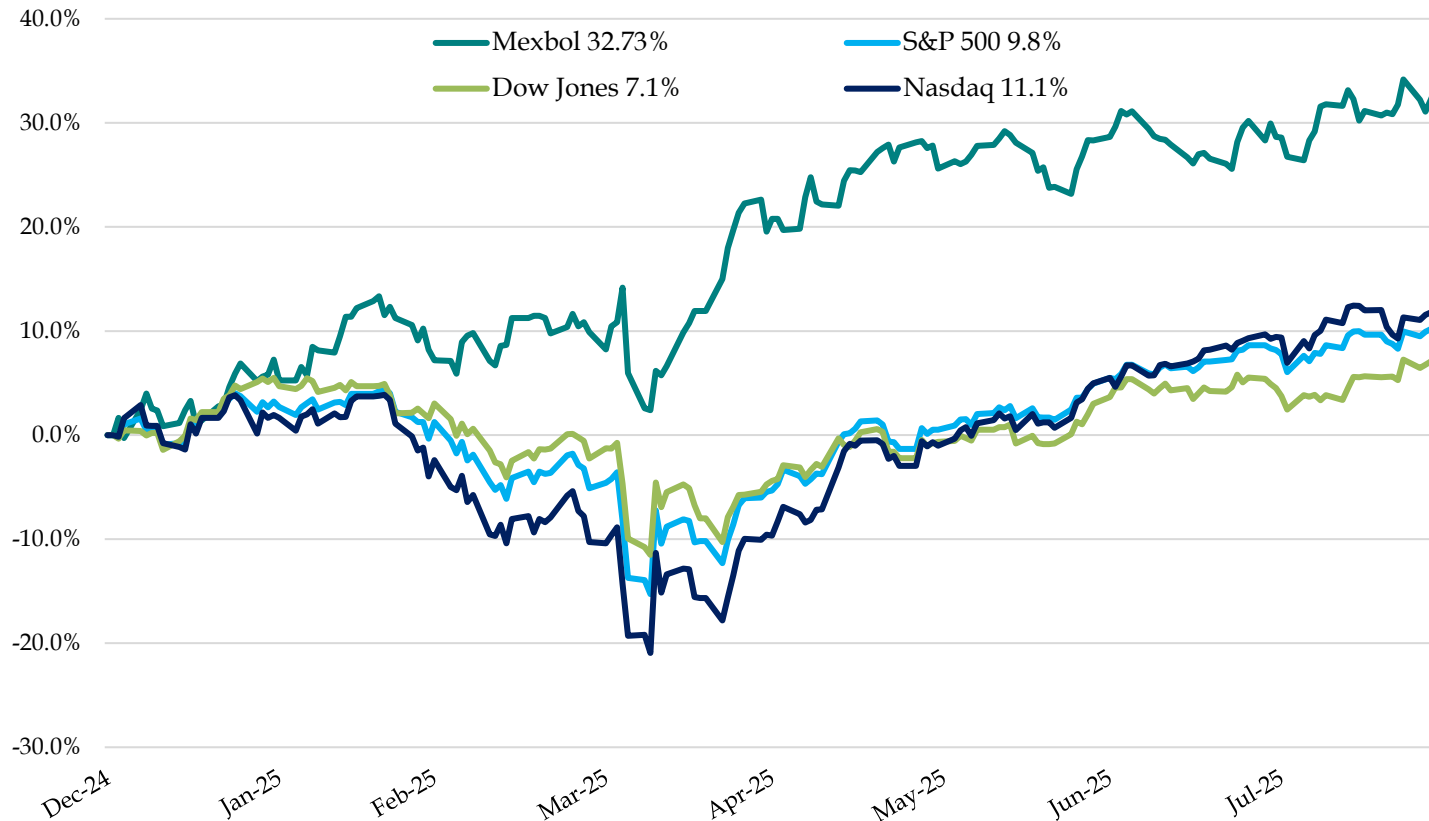


Stock Markets

The S&P/BMV IPC delivered a strong return of 32.3% in USD, outperforming most global equity markets, despite external headwinds such as U.S protectionist measures.

Stock Index Performance YTD in USD

As of August 29, 2025



Key Risks

- Mexican equity prices can be highly volatile and less liquid than large capitalization U.S. shares; currency movements between the peso and the U.S dollar can materially affect returns; political and trade policy shifts (including U.S. tariff decisions) can cause sudden market losses; emerging-market accounting, regulatory and taxation frameworks may differ from U.S. standards.

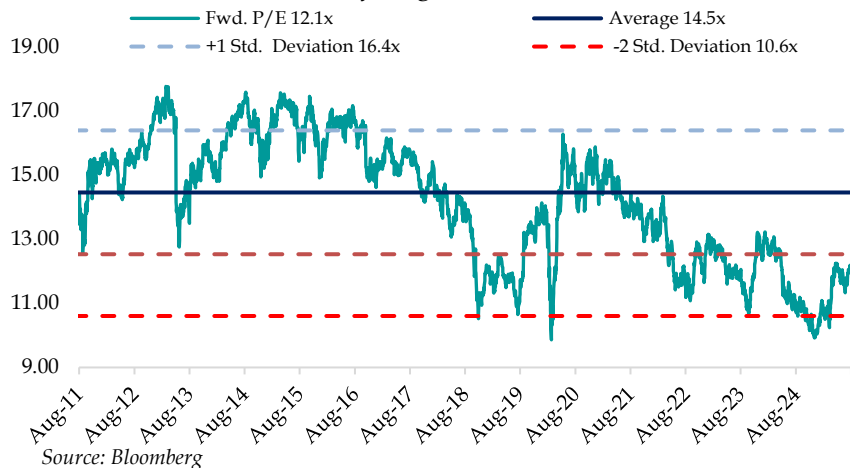
Source: Bloomberg, Base 0 = December

		Mexbol vs.US Stock Markets											
		Dividends reinvested											
		Local						USD					
US	INDEX	2023	2024	2025 YTD*	6M	2Q'25	August '25	2023	2024	2025 YTD*	6M	2Q'25	August '25
	Dow Jones	16.18%	14.99%	8.30%	4.82%	9.25%	3.42%	16.18%	14.99%	8.30%	4.82%	9.25%	3.42%
	S&P 500	26.26%	25.00%	10.78%	9.21%	15.73%	2.03%	26.26%	25.00%	10.78%	9.21%	15.73%	2.03%
	NASDAQ	44.70%	29.60%	11.62%	14.26%	24.39%	1.65%	44.70%	29.60%	11.62%	14.26%	24.39%	1.65%
Mexico	Mexbol	22.36%	-11.03%	21.63%	14.87%	14.48%	2.41%	40.87%	-27.77%	36.15%	26.78%	25.52%	3.35%
Mexbol vs. LATAM Stock Markets													
Dividends reinvested													
		Local						USD					
	INDEX	2023	2024	2025 YTD*	6M	2Q'25	August '25	2023	2024	2025 YTD*	6M	2Q'25	August '25
Argentina	Merval	360.06%	172.52%	-21.66%	-10.02%	-15.13%	-14.43%	0.80%	113.77%	-39.44%	-28.21%	-31.69%	-12.74%
Brazil	Bovespa	22.28%	-10.36%	17.57%	15.17%	8.57%	6.28%	33.09%	-29.55%	33.82%	24.87%	14.46%	9.44%
Chile	Ipsa	17.79%	8.27%	32.64%	21.38%	16.36%	8.72%	13.42%	-3.92%	36.31%	27.74%	22.89%	3.35%
Peru	S&P/BVL	21.70%	11.56%	20.64%	22.39%	16.11%	4.48%	25.19%	10.00%	28.43%	27.74%	22.89%	3.35%
Colombia	COLCAP	4.99%	25.49%	42.44%	21.95%	18.05%	4.17%	32.23%	9.77%	55.84%	25.84%	22.89%	3.35%
Mexico	Mexbol	22.36%	-11.03%	21.63%	14.87%	14.48%	2.41%	40.87%	-27.77%	36.15%	26.78%	25.52%	3.35%
Mexbol vs. Europe Stock Markets													
Dividends reinvested													
		Local						USD					
	INDEX	2023	2024	2025 YTD*	6M	2Q'25	August '25	2023	2024	2025 YTD*	6M	2Q'25	August '25
Germany	DAX	20.31%	18.85%	20.06%	5.99%	7.84%	-0.68%	24.28%	11.65%	35.16%	19.29%	16.72%	1.75%
Spain	IBEX	28.06%	20.02%	32.76%	14.76%	16.50%	3.81%	32.28%	12.26%	50.12%	29.17%	26.09%	6.35%
France	CAC	20.10%	0.92%	7.44%	-2.36%	1.56%	-0.88%	24.05%	-5.61%	21.48%	9.89%	9.92%	1.55%
Italy	FTSE MIB	34.35%	18.93%	28.09%	12.87%	14.55%	2.95%	38.78%	11.73%	44.21%	27.04%	23.97%	5.46%
UK	FTSE 100	7.68%	9.59%	15.56%	6.69%	8.90%	1.21%	13.60%	7.50%	24.69%	14.47%	13.98%	3.39%
Switzerland	SMI	7.06%	7.54%	8.27%	-3.41%	-1.56%	2.97%	17.61%	-0.29%	22.60%	8.98%	8.92%	4.66%
Russia	IMOEX	53.15%	-11.03%	-	-	-	-	25.30%	-	-	-	-	-
Mexico	Mexbol	22.36%	-11.03%	21.63%	14.87%	14.48%	2.41%	40.87%	-27.77%	36.15%	26.78%	25.52%	3.35%
Mexbol vs. Asia Stock Markets													
Dividends reinvested													
		Local						USD					
	INDEX	2023	2024	2025 YTD*	6M	2Q'25	August '25	2018	2019	2025 YTD*	6M	2Q'25	August '25
China (Hong Kong)	Hang Seng	-10.46%	22.90%	28.37%	11.83%	10.58%	1.34%	-10.56%	23.58%	27.93%	11.59%	10.38%	2.07%
China (Shanghai)	SSE Composite	-1.04%	16.17%	17.57%	18.28%	17.76%	8.09%	-3.86%	13.02%	20.35%	20.69%	19.85%	9.14%
India	SENSEX	20.34%	9.57%	3.31%	10.03%	4.04%	-1.55%	19.59%	6.55%	0.24%	9.07%	0.91%	-2.26%
Indonesia	IDX	10.61%	1.33%	14.31%	29.06%	23.97%	4.64%	11.43%	-3.66%	12.60%	29.83%	25.13%	5.08%
Japan	Nikkei 225	31.01%	21.30%	8.30%	16.20%	20.16%	4.08%	21.86%	8.71%	15.85%	18.93%	22.61%	6.76%
South Korea	KRX100	24.75%	-9.29%	35.10%	27.31%	28.96%	-1.68%	22.31%	-20.69%	43.19%	33.69%	36.79%	-1.52%
Mexico	Mexbol	22.36%	-11.03%	21.63%	14.87%	14.48%	2.41%	40.87%	-27.77%	36.15%	26.78%	25.52%	3.35%

Source: Bloomberg. *Year-to-date figures through August 29, 2025.

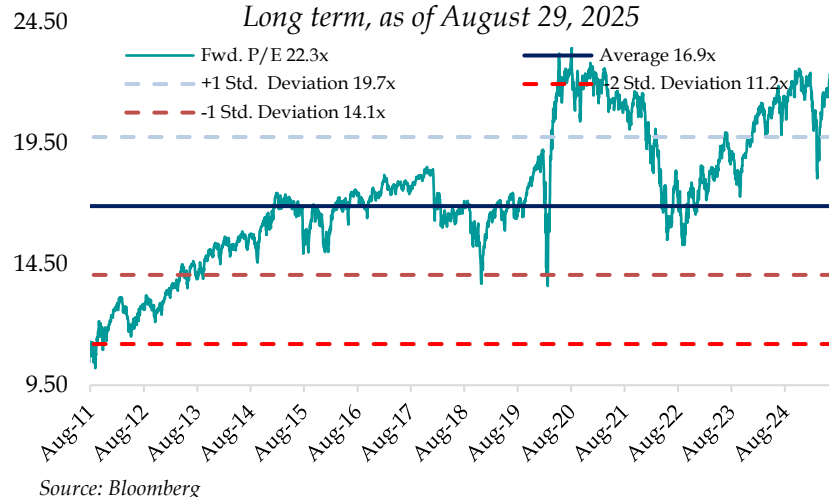
Mexbol Index Fwd P/E Multiple

As of August 29, 2025



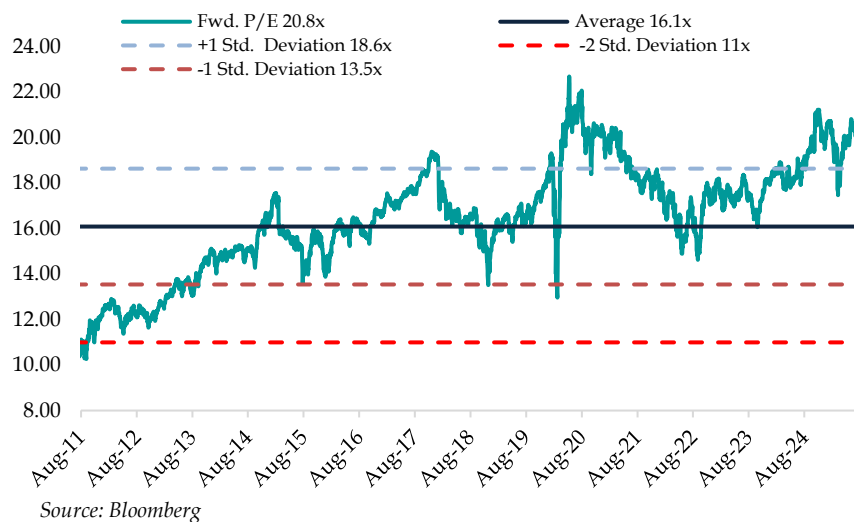
Index S&P 500 Fwd P/E Multiple

Long term, as of August 29, 2025



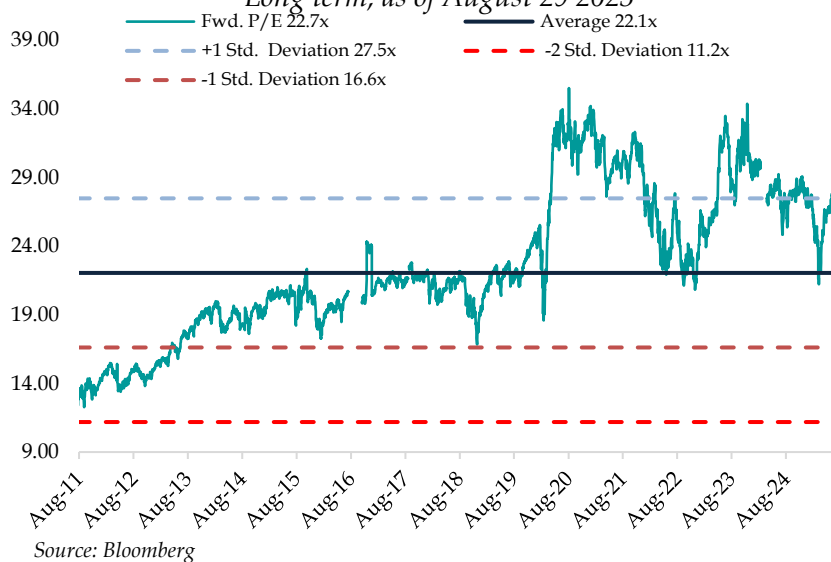
Dow Jones Index Fwd P/E Multiple

Long term, as of August 29, 2025



Nasdaq Index Fwd P/E Multiple

Long term, as of August 29, 2025



Definitions

Primary Activities: These are deeply connected to the earth's natural resources and occurs 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.

Gross Fixed Investment (GFI): published by Mexico's National Institute of Statistics and Geography (INEGI), is an index that measures the monthly evolution of investment in fixed assets within the Mexican economy. It reflects the expenditures made on construction, as well as on machinery and equipment of both domestic and imported origin, which are used in the production of goods and services. This indicator is expressed as an index based on a fixed reference year (currently 2013 = 100), allowing for the analysis of real changes over time by eliminating the effects of inflation.

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 IPyC (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.

Disclaimer

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.

Investors must carefully consider the Fund's investment objectives, risks, charges, expenses and restrictions. The prospectus contains this and other important information about the investment company, which may be obtained by calling U.S. Bancorp Fund Services, LLC, (414) 765-4255. Read it carefully before investing.

All investments involve risk. Principal loss is possible. Investing in equities in Emerging markets involves additional risks such as currency fluctuations, currency devaluations, price volatility, social and economic instability, differing securities regulations and accounting standards, limited publicly available information, changes in taxation, periods of illiquidity, and other factors. These risks are more significant in emerging markets. Stocks of small-and-mid-capitalization companies involve greater volatility and less liquidity than larger-capitalization companies.

Investing in Foreign Securities

Investment in Mexican securities involves special considerations and risks that are not generally associated with investments in U.S. securities, including (1) relatively higher price volatility, lower liquidity, and the small market capitalization of Mexican securities markets; (2) currency fluctuations and the cost of converting Mexican pesos into U.S. dollars; (3) restrictions on foreign investment; (4) political, economic and social risks and uncertainties (5) higher rates of inflation and interest rates than in the United States. In addition, Mexican equity investments are in Mexican pesos. As a result, the Portfolio Securities must increase in market value at a rate over the rate of any decline in the peso's value against the U.S. dollar to avoid a reduction in their equivalent U.S. dollar value.

The Fund may have a higher turnover rate, resulting in higher transaction costs and higher tax liability, which may affect returns.

Fund distributor: ACA Group; FINRA member.

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