

MONTHLY ECONOMIC REPORT

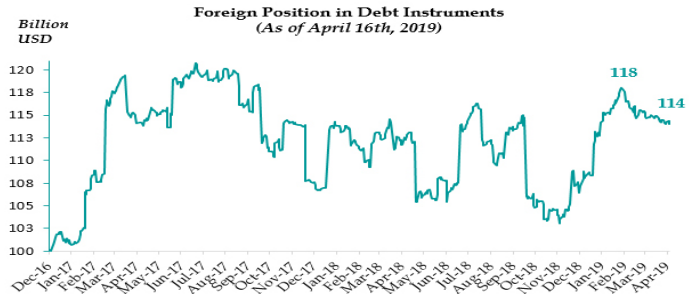
April 2019

April: significant rally in the stock market and the 10-year M bond rate

In the first quarter of 2019 the highlight of the Mexican economy were the external accounts. Remittances amounted to a record high of 7.69 billion dollars and trade deficit fell to (-) 2.16 billion. Noteworthy that in January and February Mexico became the top commercial partner of the United States (US) as imports and exports amounted to 102.54 billion dollars. This figure is higher than the total amount of trade that the US held with Canada (97.48 billion dollars) and with China (96.7 billion dollars) in the same timeframe. The US-Mexico trade amount was also higher than the total trade that the US had with Japan, Germany and South Korea worth 91.93 billion dollars altogether. Furthermore, in a context of high interest rate, the position of foreigners in Mexican debt raised 5.2% between December 2018 and April 16th to 114 billion dollars.

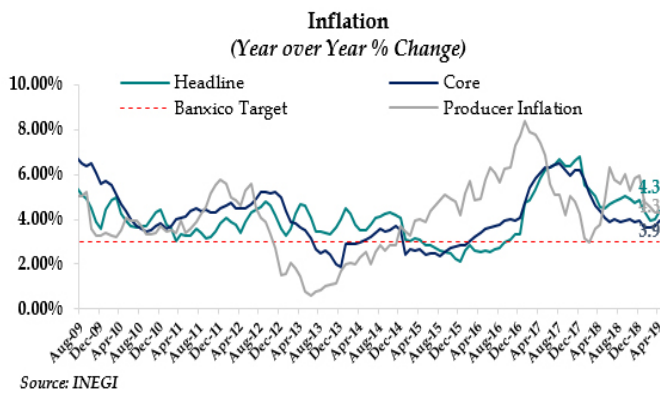
In contrast to the excellent external accounts the Gross Domestic Product (GDP) registered a 1.3% year-over-year growth in real terms (original series) in the first quarter of the year. This figure represents a significant drop compared to the annual growth of the third (2.0%) and fourth quarter (1.7%) of last year. As for its components, the primary activities —mostly agricultural— registered the most significant annual increase in 5 years (+ 5.9%) and the tertiary activities —services— the lowest in 5 years (+1.9%). On the other hand, secondary activities —which include industrial activities such as construction and mining— decelerated for the second consecutive quarter (-0.7%).

this position decreased in the last two months, it has remained between 114 and 117 billion dollars. These totals are as high as those of mid-2017 —before the electoral period in Mexico and within the negotiation period of the Free Trade Agreement between Mexico, the United States and Canada—.

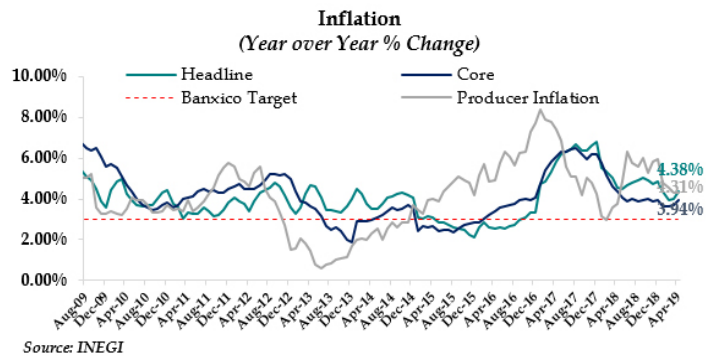


Source: Banxico
 Monthly Fix Exchange Rate

In March, annual inflation increased for the first time in the year to reach 4.0%, the upper limit of Banco de Mexico (Banxico) reference rate target (3% +/- 1%). This hike came after two consecutive months in which inflation finally gave in to reach a two-year minimum in February of 3.94%.



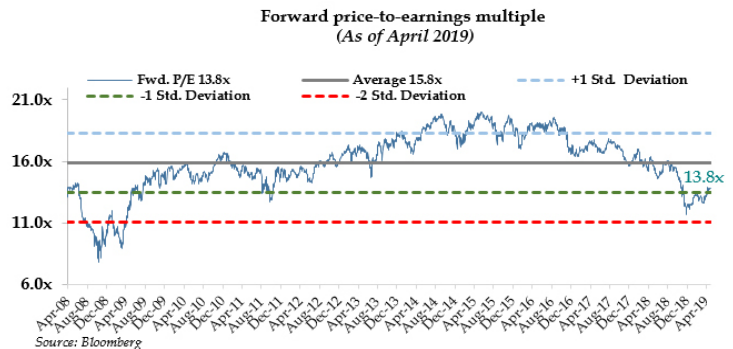
Core inflation —which does not include the price of energy or agricultural products— increased from 3.61% in February to 3.71% in March and non-core inflation, which stood at 5.25% in February, rose to 5.47% in March. As for producer inflation, it decreased for the third consecutive month to 4.31%. Although inflation hiked again in the first fortnight of April (+4.38%) this could be due to the seasonal effect of higher prices in hospitality services in the context of Easter Holidays.



The spot exchange rate closed at 18.94 pesos per dollar in April for a 2.54% month-to-date appreciation and a 3.72% year-to-date gain. Its relevant to notice that the Mexican currency has remained within a narrow fluctuation range between 18.90 and 19.50 pesos per dollar; which denotes the stability of the Mexican forex market after two years (2017-2018) that were characterized by high volatility. Likewise, the Mexican peso is the currency that has appreciated the most against the U.S. dollar in April (Ruble + 1.54%, Yuan -0.34%, Brazilian Real -0.01%, South African Rand + 1.42%). Some of the factors that have favored this behavior are:

- The growing position of foreigners in Mexican debt instruments motivated by high-interest rates.
- The announcement of the federal government on its fiscal policy: a primary surplus of 1.0% of the Gross Domestic Product (GDP) in 2019 and of 1.3% in 2020 to guarantee the payment commitments of the external debt.
- The significant trade volume between Mexico and the United States, which in the first two months of the year (102.54 billion dollars) was even higher than that of Canada and China.
- The stable flow of remittances from the United States, which in 2018 reached a record high of 33.47 billion dollars.

The Mexbol Index closed at 44,597 on Tuesday April 30th ; which represent 3.19% month-to-date gains and year-to-date profits of 7.55%. The outstanding performance of the stock market in April is due to low valuations and in spite of weak quarterly reports. Despite this 3.19% month-to-date advance, the stock market index has not been able to surpass the 45,000 resistance consistently.



The 10-year M bond yield at the beginning of the year was 8.66%, it fell as low as 7.86% on March 25th and rose to 8.10% at the end of April. The decrease in interest rates in the first quarter of the year could be explained by a higher foreign position in Mexican debt instruments of 118 billion dollars in February; that represents an 8.9% raise compared to December. Although

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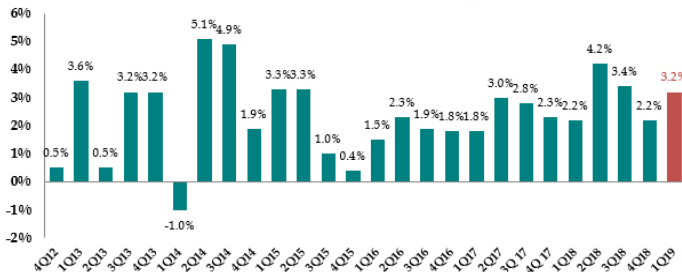
The main stock indices in the United States closed in positive territory. The Dow Jones, the S&P 500 and the Nasdaq monthly gains were 2.66%, 4.05%, and 4.78% respectively. Thus, year-to-date profits were 14.41%, 18.26%, and 23.43% respectively. This positive performance was supported by the remarkable growth of the Gross Domestic Product in the United States of 3.2%.

Economic Indicators

Gross Domestic Product in the United States

In the first quarter of the year the US Gross Domestic Product annualized growth was 3.2%, one percentage point above the first quarter of 2018 and 0.9 percentage points above market consensus median estimates. This figure reflects solid consumption, a rise in inventories investment and non-residential fixed investment, as well as an increase in exports and government spending. Moreover, this figure interrupts the downward trend of the US GDP and reflects the strength of its economy, which in turn favors Mexico due to the close link between its industrial sector and the US Economy.

United States Gross Domestic Product (Quarter over Quarter % change)



Source: U.S. Bureau of Economic

In February, the balance of Mexico trade surplus with the United States (US) was 14.96 billion dollars; 25% more compared to the same period of last year. Exports amounted to 58.75 billion dollars and imports to 43.79 billion dollars. Thus, the total trade between both countries was 102.54 billion dollars. This is higher than the total trade between the US and Canada (97.48 billion dollars) and between the US and China (96.70 billion dollars).

United States International Trade Balance

United States International Trade (As of February 2019)				
Country	Exports	Imports	Total Trade	Balance
Mexico	43,788	58,752	102,540	-14,964
% of Total	15.7%	14.1%	14.0%	
Canada	49,016	47,967	97,483	1,749
% of Total	17.0%	11.5%	14.0%	
China	16,681	80,026	96,707	-63,345
% of Total	6.0%	19.2%	13.9%	
Japan	12,558	24,572	37,130	-12,014
% of Total	4.5%	5.9%	5.3%	
Germany	10,377	21,873	32,250	-11,496
% of Total	3.7%	5.3%	4.6%	
United Kingdom	12,897	9,947	22,844	2,950
% of Total	4.6%	2.4%	3.3%	
Korea, South	8,910	13,703	22,613	-4,793
% of Total	3.2%	3.3%	3.3%	
France	6,693	10,095	16,758	-3,432
% of Total	2.4%	2.4%	2.4%	
India	6,070	10,148	16,218	-4,078
% of Total	2.2%	2.4%	2.3%	
Taiwan	5,192	9,103	14,295	-3,911
% of Total	1.9%	2.2%	2.1%	
Italy	3,994	9,714	13,708	-5,720
% of Total	1.4%	2.3%	2.0%	
Brazil	6,951	5,188	12,139	1,763
% of Total	2.5%	1.2%	1.7%	
Singapore	4,876	4,466	9,342	410
% of Total	1.8%	1.1%	1.3%	
Hong Kong	5,452	793	6,245	4,659
% of Total	2.0%	0.2%	0.8%	
Saudi Arabia	2,490	2,861	5,300	-302
% of Total	0.9%	0.7%	0.8%	
All other countries	81,702	107,196	188,898	-25,494
% of Total	29.4%	25.7%	27.2%	
TOTAL 2019 YTD	278,226	416,304	694,530	-138,078
TOTAL 2018	1,664,064	2,542,735	4,206,799	-878,671
TOTAL 2017	1,546,654	2,342,905	3,889,559	-796,251

Source: U.S. Census Bureau
Amounts in millions of dollars

Mexico Gross Domestic Product (GDP)

During the first quarter of 2019 the Gross Domestic Product (GDP) had an annual growth of 1.3% in real terms (original series). This figure represents a significant drop compared to the annual growth of the third (2.0%) and fourth quarter (1.7%) of last year. As for its components, the primary activities —mostly agricultural— registered the largest annual increase in 5 years (+ 5.9%) and the tertiary activities —services— the lowest in 5 years (+ 1.9%). On the other hand, secondary activities —including industrial activities— decelerated for the second consecutive quarter (-0.7%). Noteworthy that quarter-over-quarter growth was negative in (-) 0.17%, which represents the worst performance since 1995.

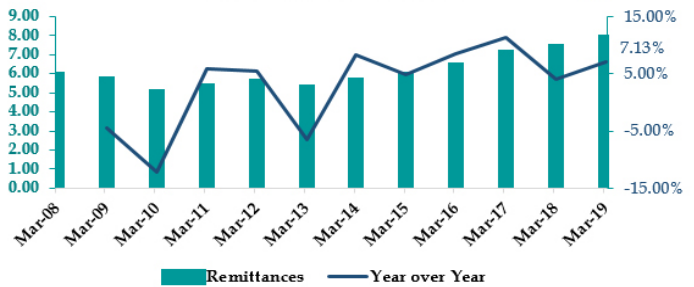
Gross Domestic Product (Quarter-over-Quarter %)



Remittances

In the first quarter of the year 24.4 million remittance transactions were registered in Mexico. Accumulated remittances in the first three months of the year amounted 7.70 billion dollars; 7.1% more compared to the same period of 2018 and a historical high. Most transactions were made by wire transfers (98%), almost 2% were in cash or in-kind and less than 1% were Money Orders. The average amount of transactions was 315 dollars per transaction.

Accumulated Remittances (year-to-date as of March 2019)



Source: Banxico

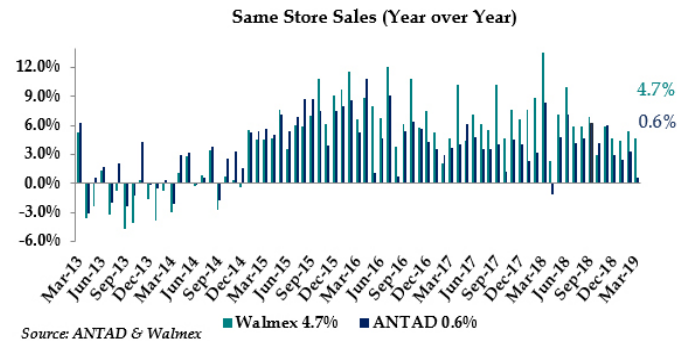
Trade Balance

In March Mexico trade balance surplus was 1.43 billion dollars. This reduces the year-to-date deficit to (-) 2,158.48 million dollars. Noteworthy, this is the second consecutive month of a trade surplus, possibly due to the effect of tariffs faced by exports from China to the United States

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Exports									
	2018	% of Total	Annual Change	2019 YTD	% of Total	Annual Change	Mar-19	% of Total	Annual Change
Total Exports	450,572	100.0%	10.1%	107,710	100.0%	2.3%	38,961	100%	-1.2%
Oil	30,572	6.8%	28.99%	6,934	6.4%	-4.8%	2,341	6.0%	-2.0%
Crude Oil	26,483	5.9%	32.26%	6,125	5.7%	-2.6%	2,101	5.4%	3.9%
Others	4,089	0.9%	11.18%	809	0.8%	-19.1%	240	0.6%	-34.4%
Non-Oil	420,000	93.2%	8.89%	100,776	93.6%	2.9%	36,620	94.0%	-1.2%
Agricultural	16,255	3.6%	2.70%	4,694	4.4%	-3.8%	1,682	4.3%	-5.6%
Mining	6,232	1.4%	14.83%	1,469	1.4%	-9.1%	592	1.5%	-4.6%
Manufacturing	397,514	88.2%	9.07%	94,614	87.8%	3.4%	34,346	88.2%	-0.9%
Automotive Industry	142,177	31.6%	12.24%	34,237	31.8%	2.6%	13,291	34.1%	0.3%
Others	255,336	56.7%	7.39%	60,377	56.1%	3.9%	21,055	54.0%	-1.6%
Imports									
	2018	% of Total	Annual Change	2019 YTD	% of Total	Annual Change	Mar-19	% of Total	Annual Change
Total Imports	464,277	100.0%	10.4%	109,868	100%	2.7%	37,531	100%	-0.5%
Oil	53,761	11.6%	28.4%	11,749	10.7%	-6.1%	4,048	10.8%	-5.0%
Non-Oil	410,515	88.4%	7.9%	96,281	87.6%	0.6%	33,483	89.2%	-1.3%
Consumption Goods	43,610	9.4%	3.1%	10,102	9.2%	-1.5%	3,354	8.9%	-4.6%
Intermediate Goods	321,020	69.1%	8.8%	75,591	68.8%	4.9%	26,737	71.2%	0.7%
Capital Goods	45,885	9.9%	11.9%	10,588	9.6%	-1.4%	3,393	9.0%	0.2%
Trade Balance									
	2018	2019 YTD	Mar-19	Annual Change					
Trade Balance	-13,704	-17.1%	-2,158	2.8%	1,429	31.4%			

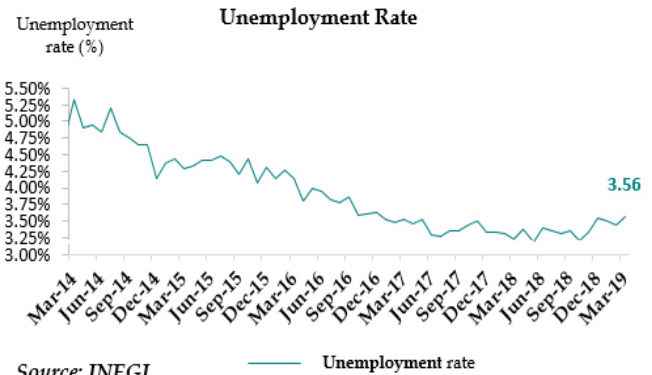
Source: Mexico's Ministry of Economics
Amounts in Millions of Dollars



Source: ANTAD & Walmex

Unemployment rate

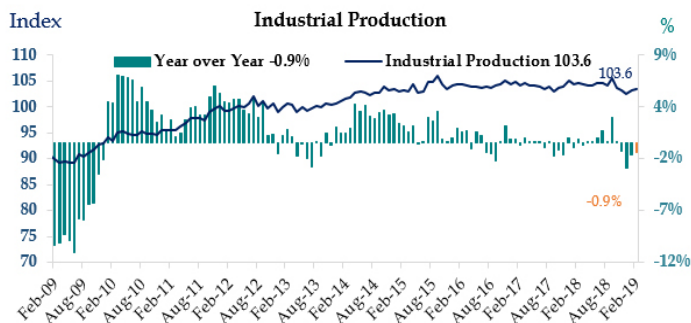
The unemployment rate in March reached 3.56% which represents a 13 basis points increase compared to February; its highest level since December 2016. Nonetheless, the underemployment rate —which includes people who already have a job but who continue to look for an additional source of income— also increased, going from 6.73% in February to 7.14% in March. This upsurge is partly explained by the fact that the amount of people over 14 years old that are actually considered within the workforce increased to 60.3%; the highest labor market participation rate since 2015 (60.3%).



Source: INEGI

Industrial Production

In February the industrial production fell (-) 0.8% year-over-year, in line with market consensus estimates. The mining and construction sectors declined (-) 6.4% and (-) 1.1% respectively. The most pronounced decreases were in specialized construction work and civil engineering works which decreased (-) 7.1% and (-) 3.6% respectively. On the other hand, manufacturing activity grew 1.1% due to higher production of petroleum and coal derivatives (+11.1%) as well as an increase in machinery and equipment (+ 3.5%).



Source: INEGI

Same Store Sales

In March, the National Retailers Association of Mexico (ANTAD) Same-Store Sales (SSS) indicator, excluding Walmart de Mexico, grew 0.6% year-over-year; its lowest growth in at least four years. Walmex SSS year-over-year growth was 4.7%, which is also lower than SSS growth in the previous month of 5.40%. Both indicators have shown a downward trend since June 2018.

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Compliance

Definitions

Banco de Mexico (Banxico): Mexico Central Bank, lender authority and lender of last resort.

Basis point: One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001.

Cash flow: the difference in amount of cash available at the beginning of a period (opening balance) and the amount at the end of that period (closing balance).

Dow Jones - is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. It is not possible to invest in an index.

Federal Reserve (FED) is the central bank system of the United States that includes the Board of Governors in Washington, D.C., and 12 independent regional Reserve banks.

Gross Domestic Product: a monetary measure of the market value of all the final goods and services produced in a period of time, often annually.

M-Bond: Mexico Federal Government fixed-rate development bonds that are issued and placed at terms of over one year, pay interest every six months and their interest rate is determined at issue date and remains fixed all along the life of the bond.

MEXBOL : The S&P/BMV IPC Index measures the performance of the largest and most liquid stocks listed on the Bolsa Mexicana de Valores. The index is designed to provide a broad and representative index covering the Mexican equities market. It is not possible to invest directly in an index.

Nasdaq: is a stock market index of the common stocks and similar securities (e.g. ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market. It is not possible to invest in an index.

P/E: The Price-to-Earnings Ratio or P/E ratio is a ratio that measures a company share price relative to its per-share earnings.

Primary Balance: government net borrowing or net lending, excluding interest payments on consolidated government liabilities.

Remittances: A transfer of money by a foreign worker to an individual in their home country.

Standard & Poor's 500 – The Standard & Poor's 500 Index is an index of 505 stocks issued by 500 large companies with market capitalizations of at least \$6.1 billion. It is seen as a leading indicator of U.S. equities and a reflection of the performance of the large-cap universe.

Treasury Bills: It is a government debt instrument issued by the United States Department of the Treasury to finance government spending as an alternative to taxation.

United States - Mexico - Canada Agreement (USMCA) - On November 30, 2018, United States, Mexico and Canada signed a new trade agreement on the margins of the G20 Leaders' Summit in Buenos Aires. Parties are within the process towards its ratification and implementation.

United States International Trade Commission: an independent, bipartisan, quasi-judicial, federal agency of the United States that provides trade expertise to both the legislative and executive branches.

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..

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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