



Mexico's Economic Review ended
August 31, 2023



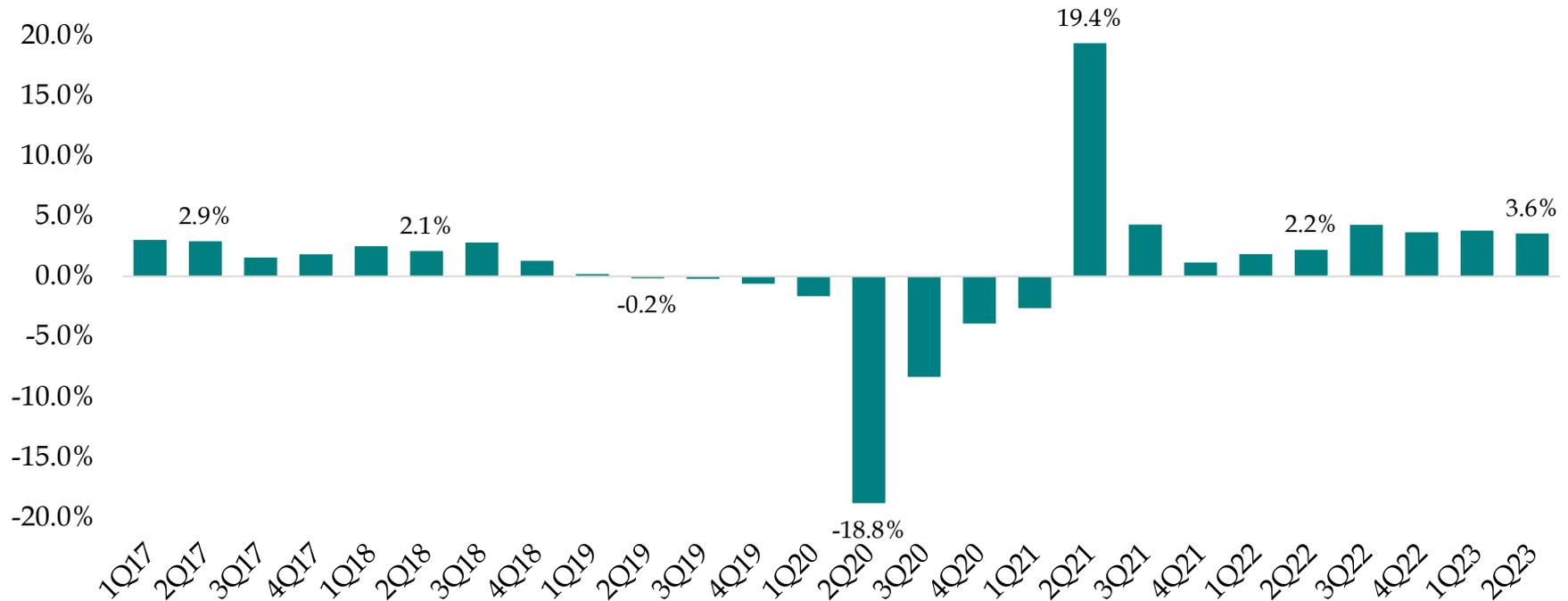
Index

I. Economic Activity.....	2-16
II. Exchange Rate & External Accounts	17-22
III. Monetary Policy & Sovereign Risk	23-26
IV. Commodities	27-34

I. Gross Domestic Product (GDP)

Economic activity has remained resilient in the first half of 2023, showing better-than-expected economic growth of 3.7% in 1Q'23 and 3.6% in 2Q'23.

Mexico's Gross Domestic Product (Year over year %)

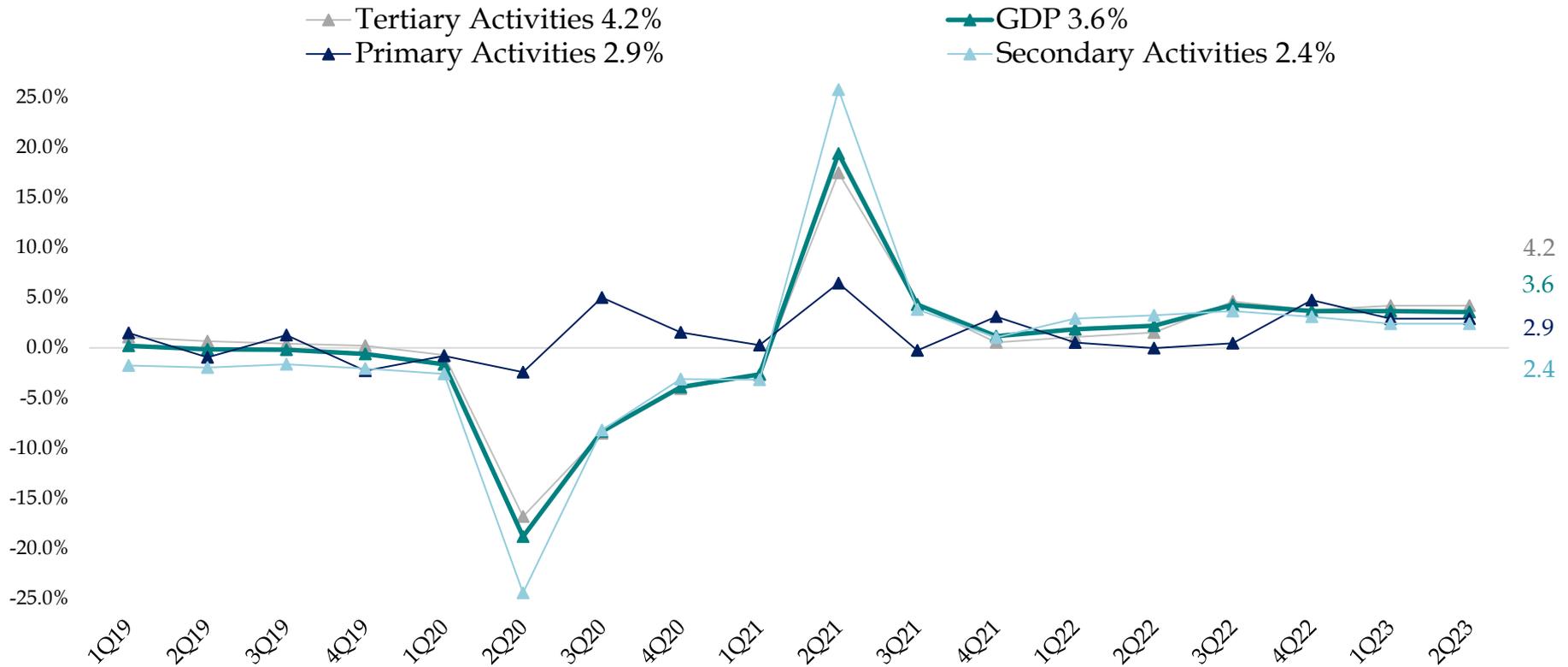


Source : INEGI

I. Gross Domestic Product (GDP)

Since the beginning of the year, GDP growth has continued to be led mainly by tertiary activities

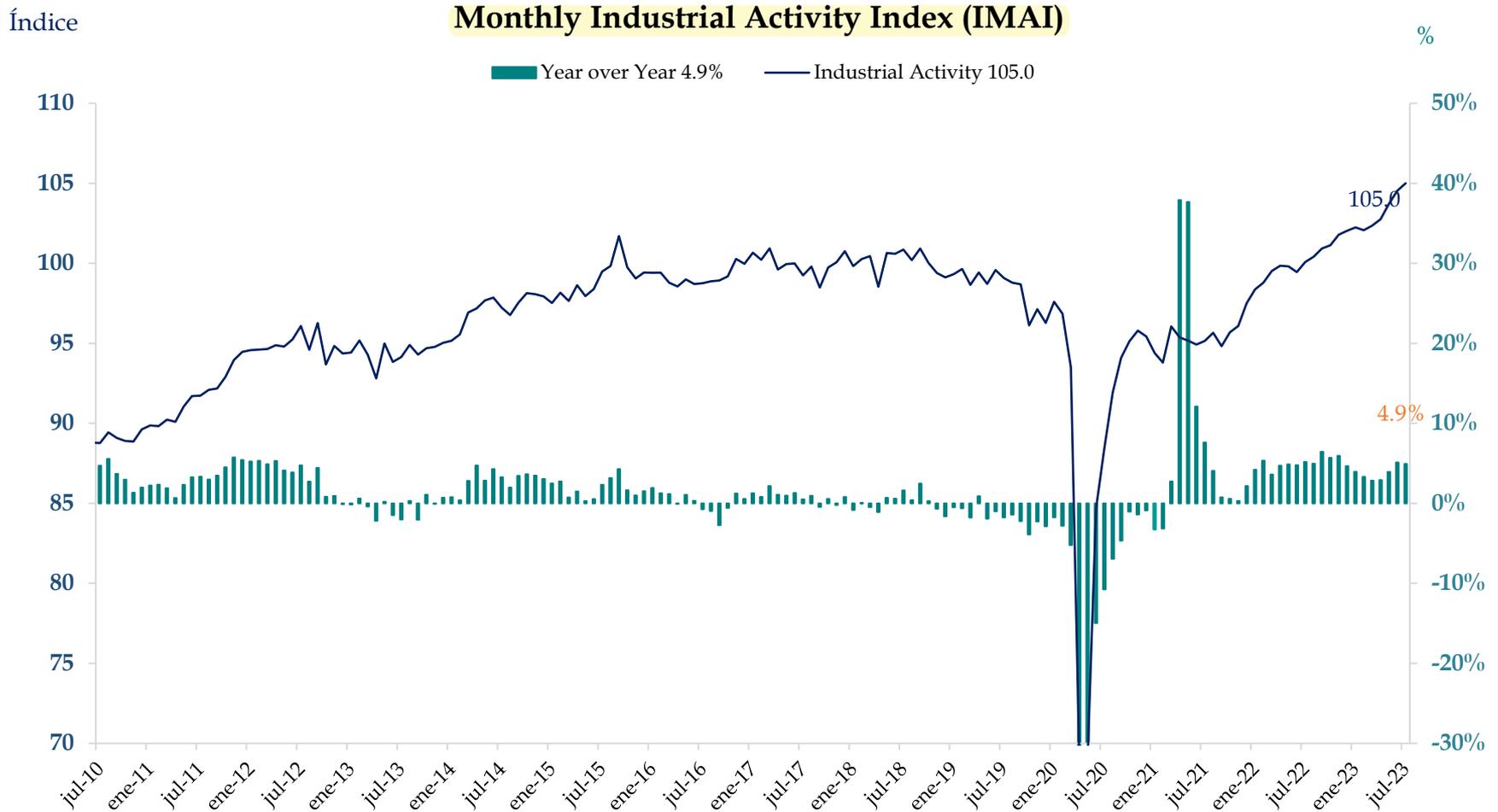
Quarterly GDP by Component
Year over Year Growth



Source: INEGI

I. Industrial Production

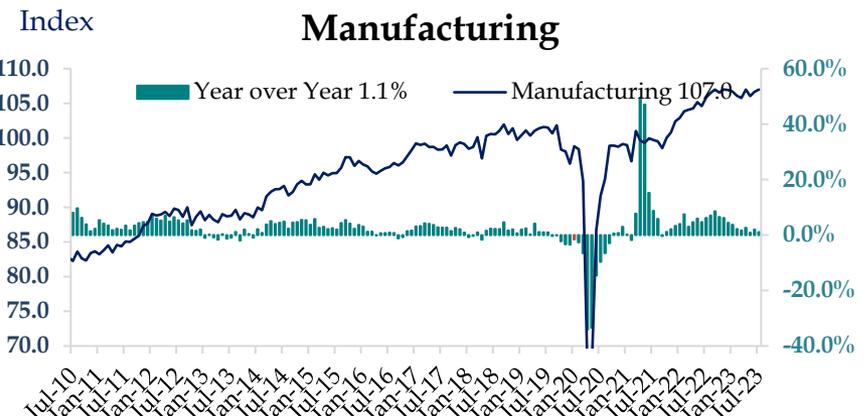
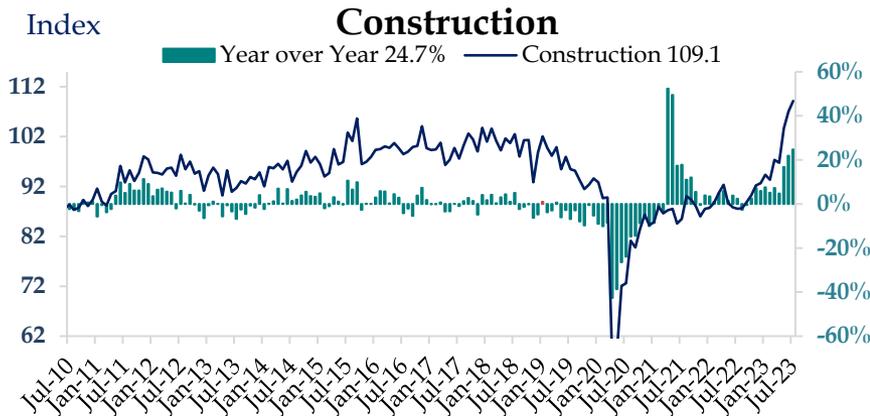
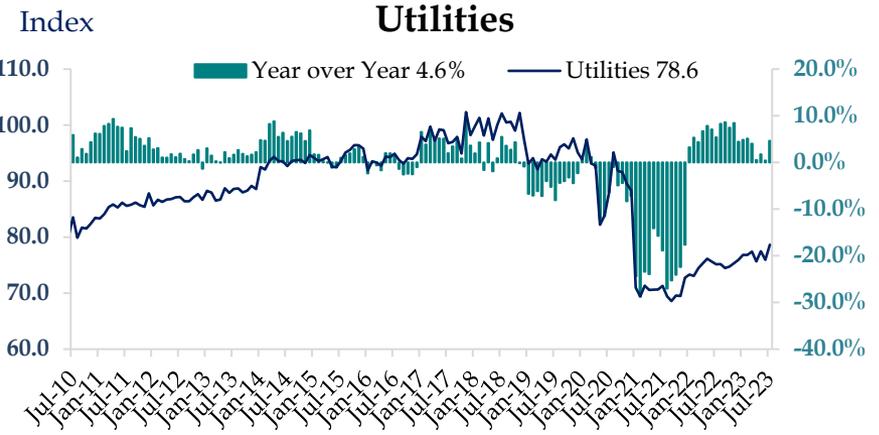
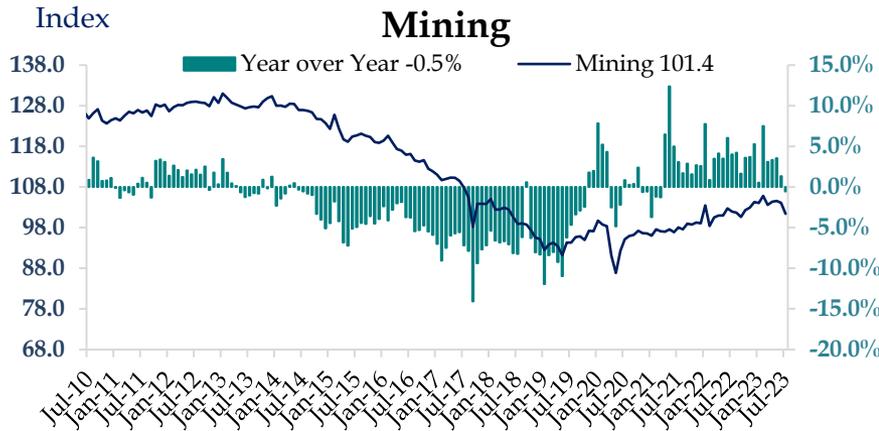
Industrial activity maintained its growth trend in July...



Source: INEGI

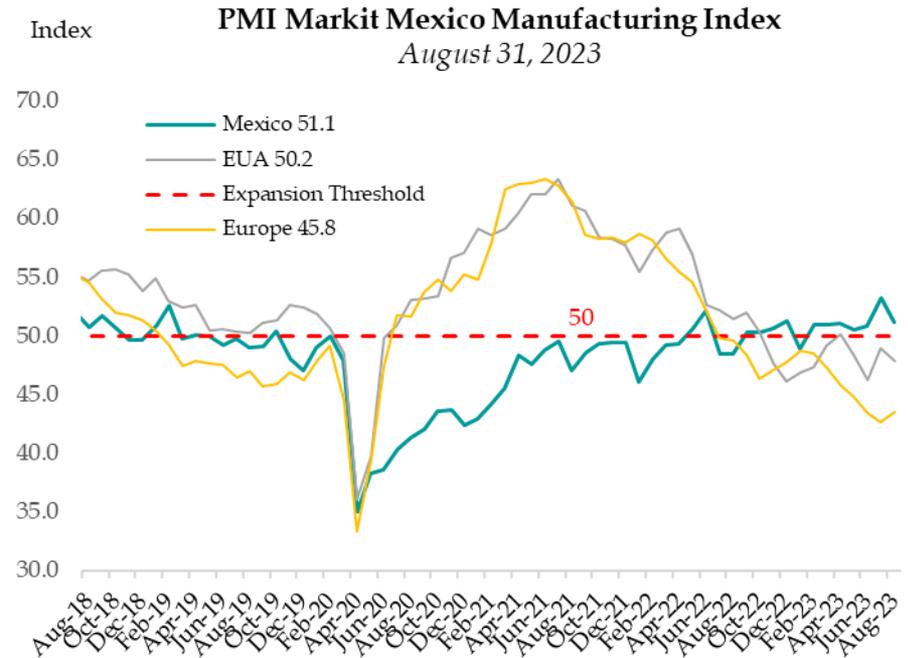
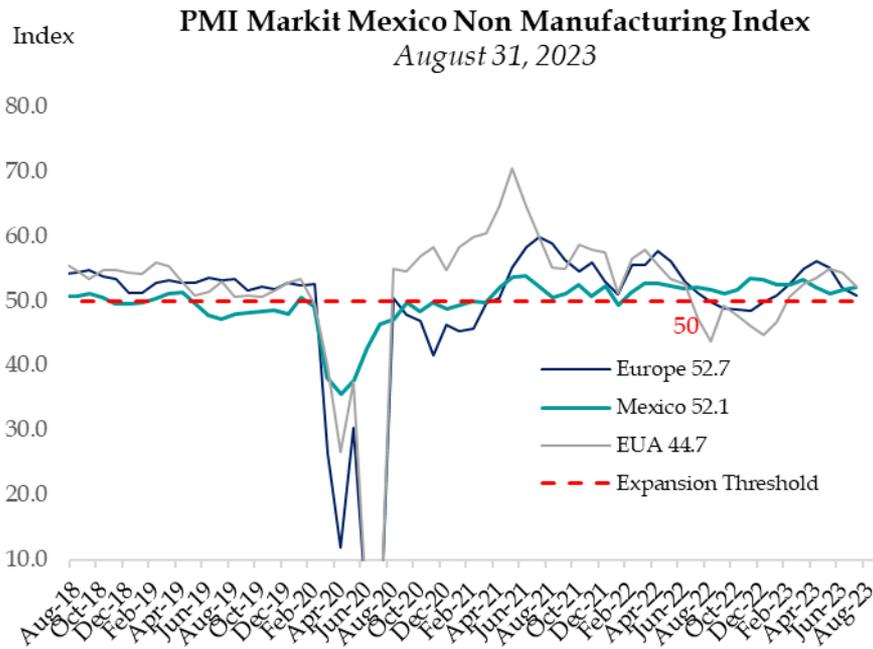
I. Secondary Component

...driven again by the expansion in construction.



I. PMI Markit

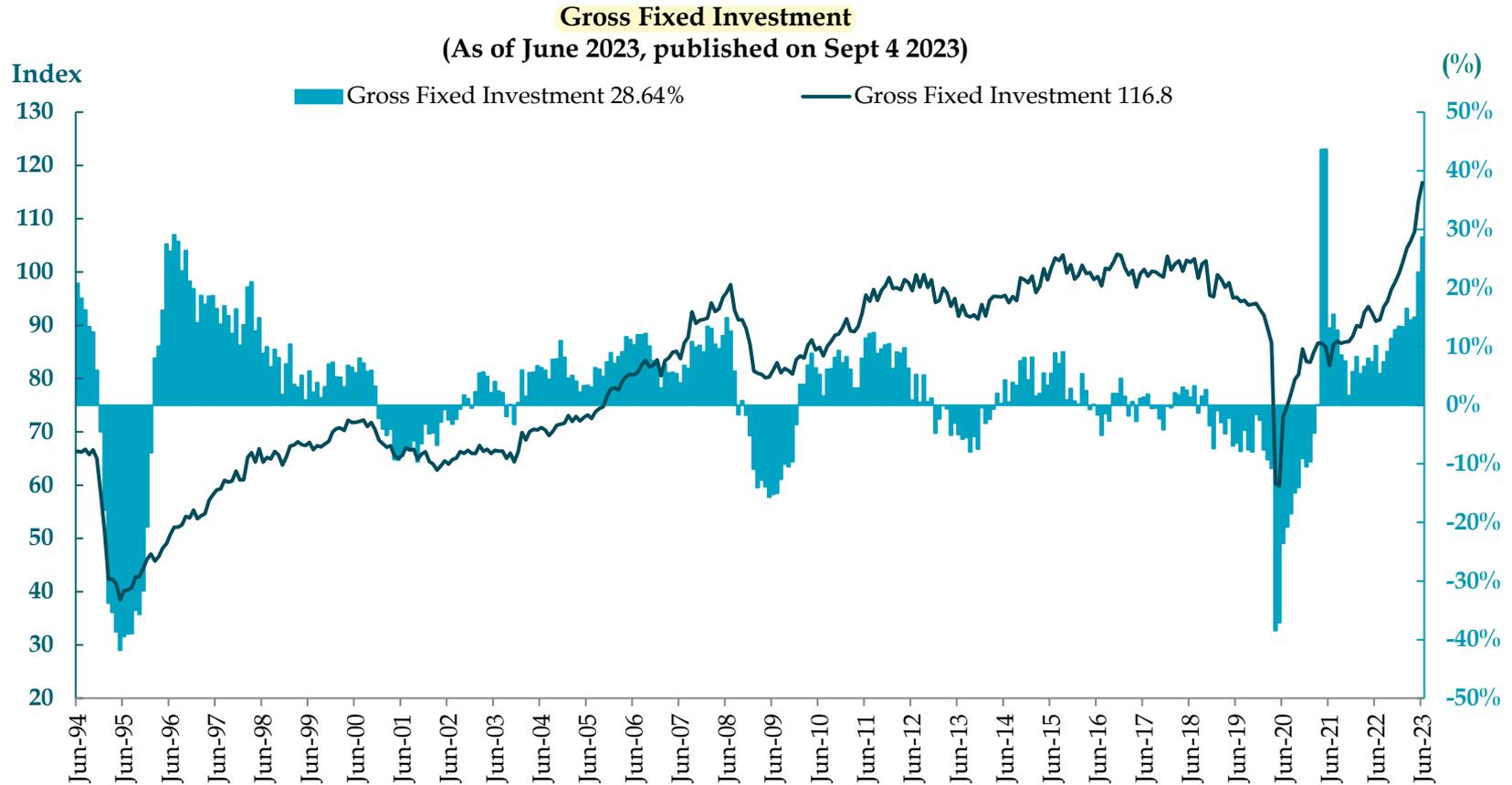
Non-manufacturing activity was still resilient in August, and manufacturing activity was relatively stable above expansion levels.



Source: IHS Markit, Bloomberg

I. Gross Fixed Investment

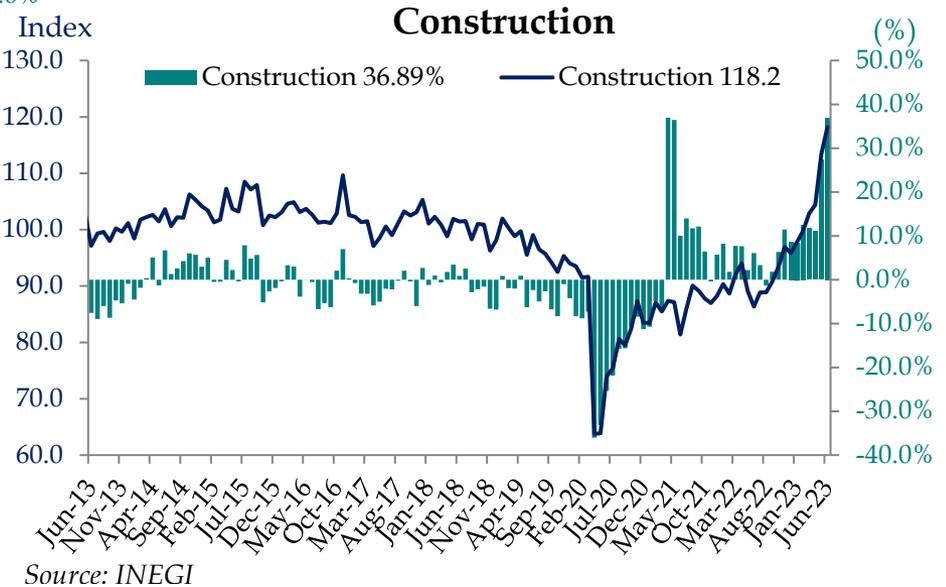
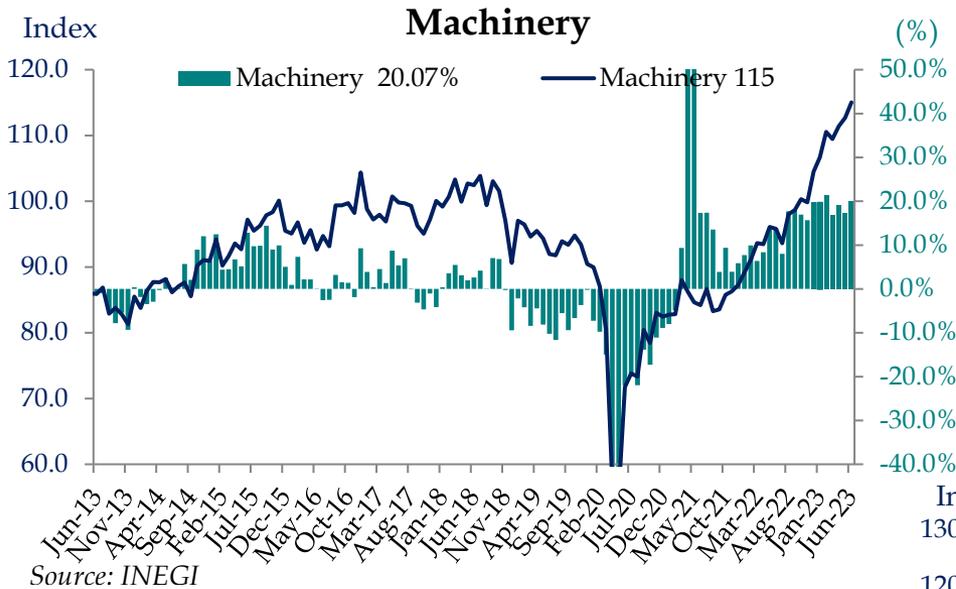
Gross Fixed Investment registered 12 consecutive monthly advances in June and an 18.8% growth for the first half of 2023.



Source: INEGI

I. Gross Fixed Investment

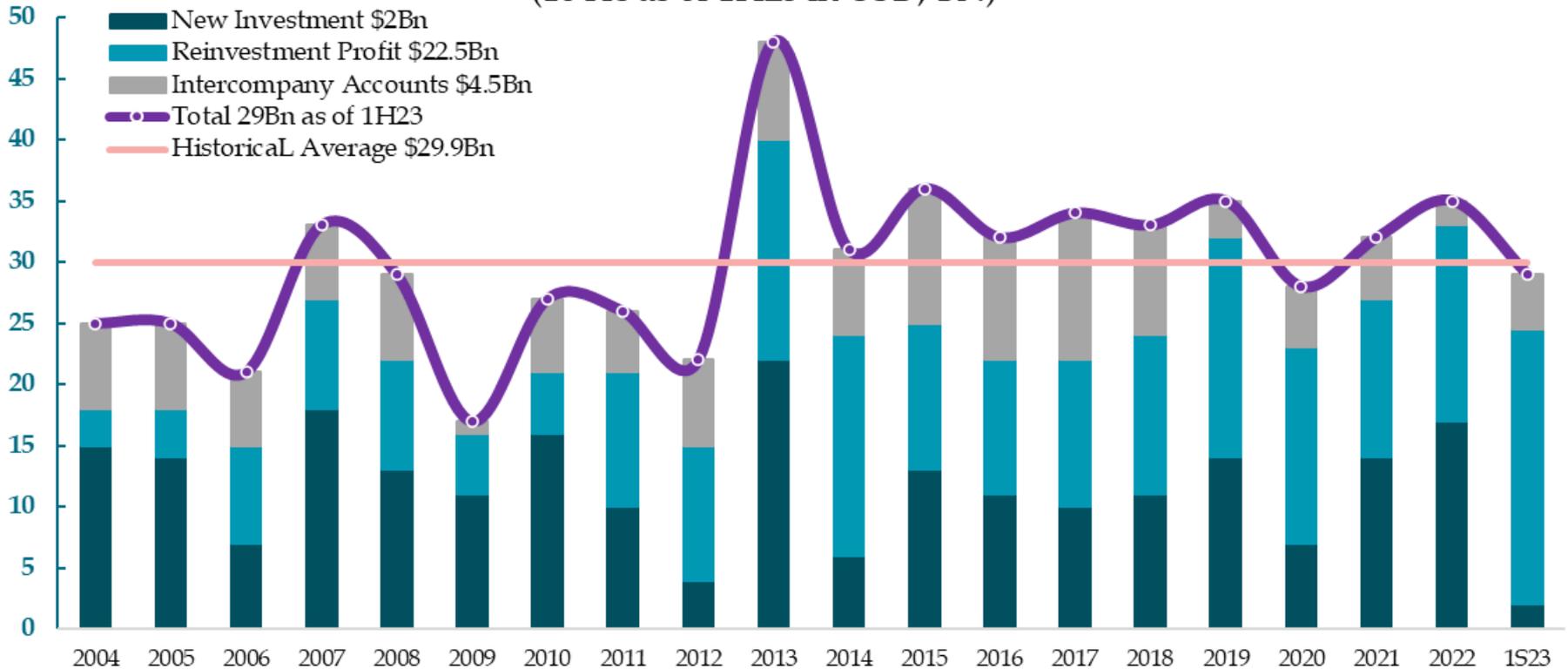
Investment in machinery & equipment and investment in construction support the performance of the Gross Fixed Investment index.



I. Foreign Direct Investment

During the first half of 2023, Foreign Direct Investment (FDI) was \$29.0 billion, 41% higher than the first half of 2022.

Mexico FDI by Composition
(18Yrs as of 1H23 in USD, BN)

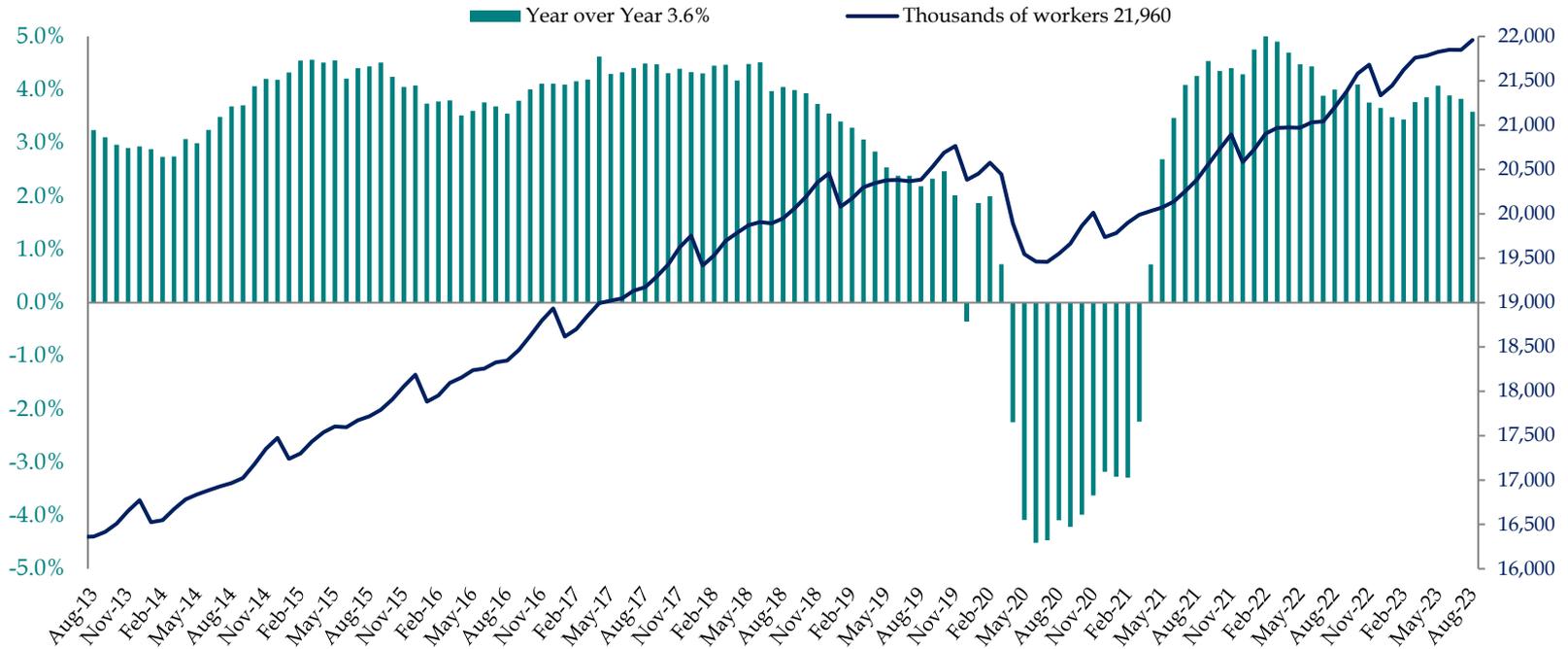


Source: Ministry of Economy.

I. Employment

Jobs year to date were 624k, a 1.2% increase compared to the same period in 2022.
 On average, 78,000 new jobs have been created monthly during this year.

Formal Job Creation
 Figures as of August 31, 2023

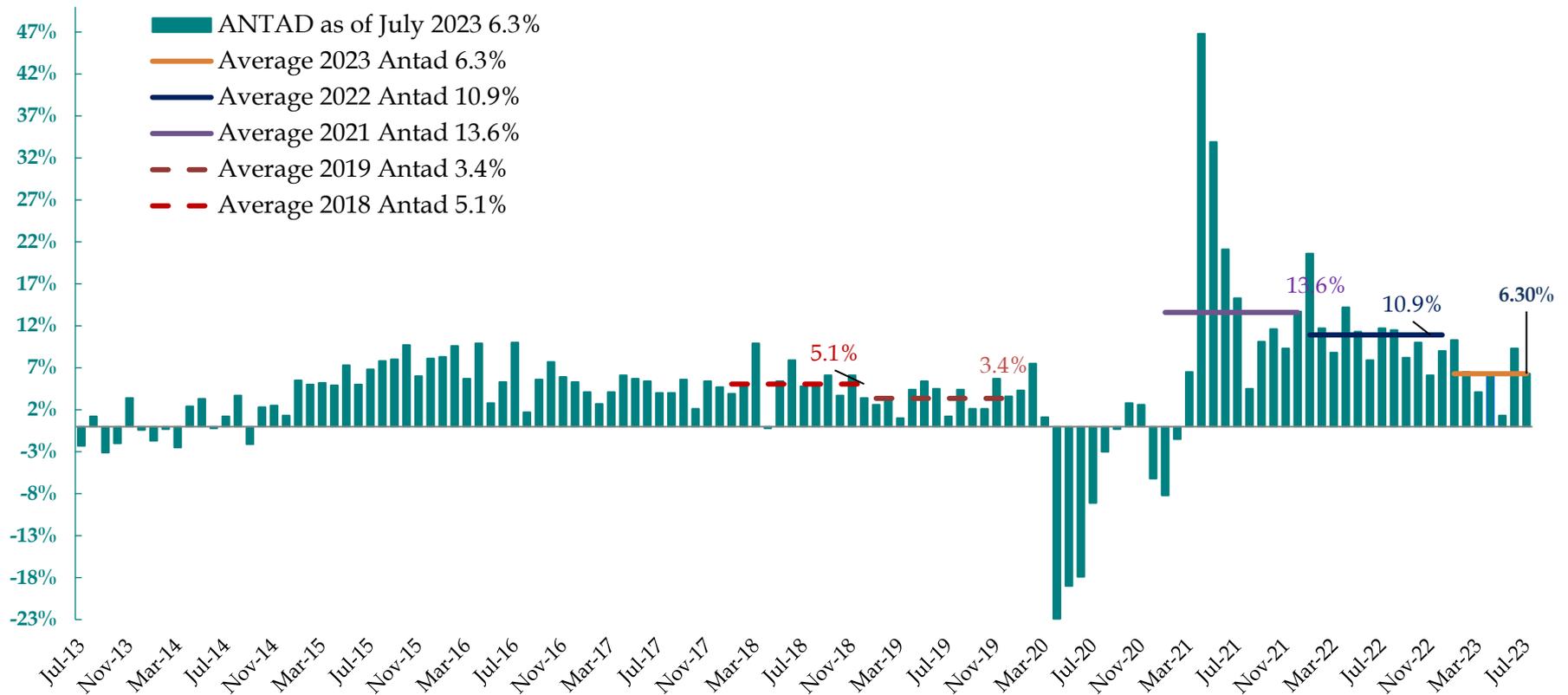


Source: Bloomberg

I. National Retailers Association "ANTAD"

Same-store sales grew 6.3% in July, slightly lower than the strong performance in June 2023.

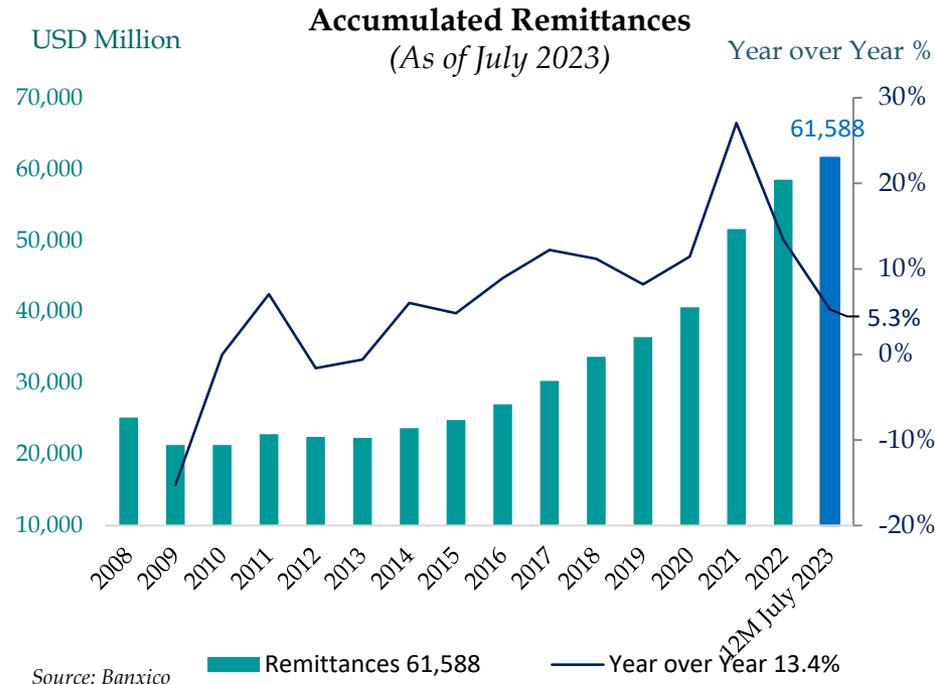
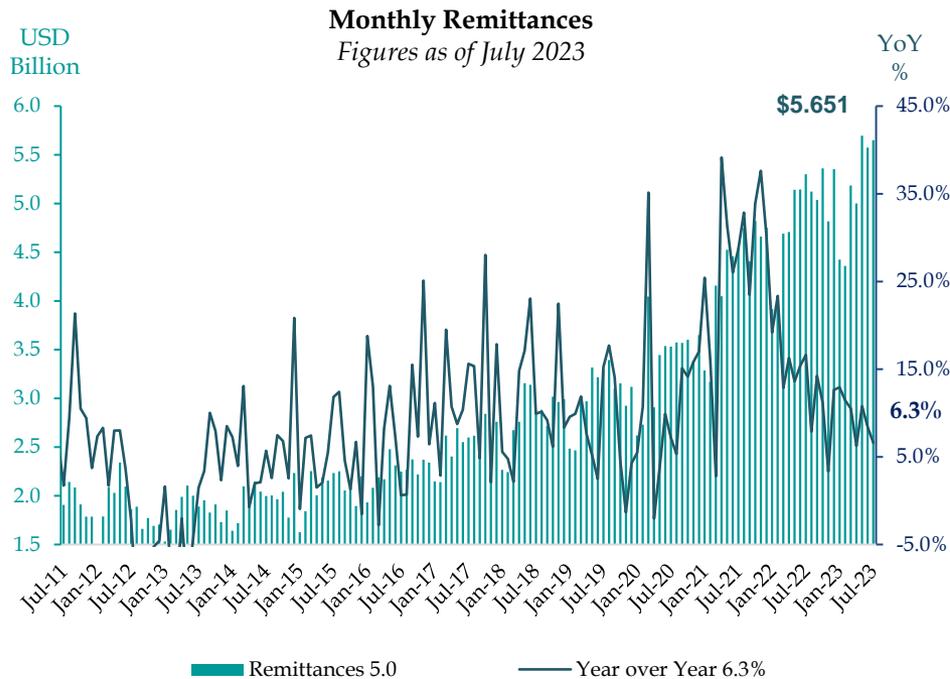
ANTAD (Same Store Sales)
Year over year, as of July 31 2023



Source: ANTAD & PAM

II. Remittances

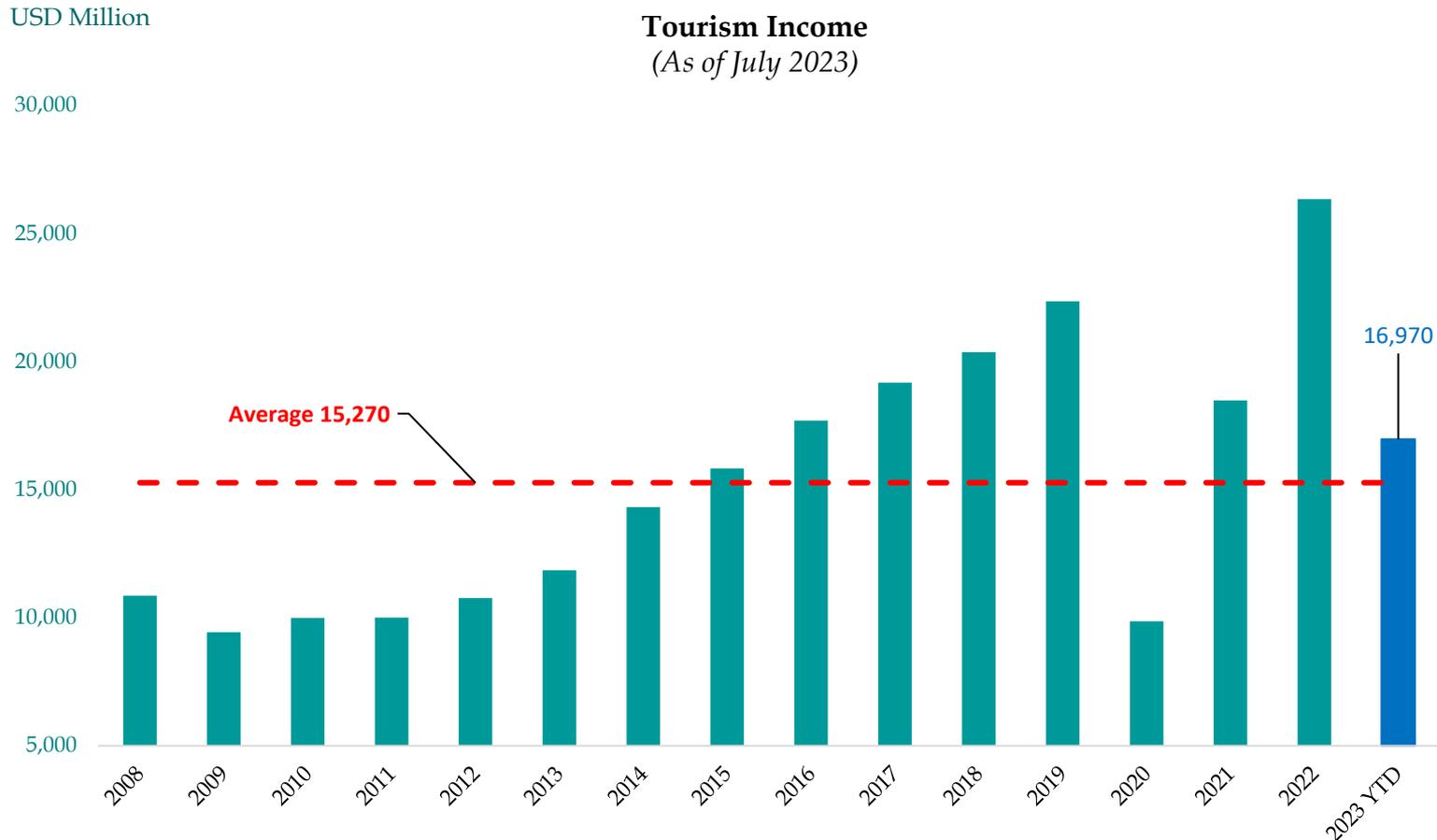
Structural Economic Strength Inflow is growing at a 4-Year Annual Compound rate of 14%.
Remittances registered a monthly average of 5.1 billion US Dollars for the past seven months.



Source: Banco de Mexico

II. Tourism Income

The flow of international tourism exceeded US \$16 billion for the first seven months of 2023, an increase of 8.9% vs. the same period in 2022 and 22% higher than 2019.



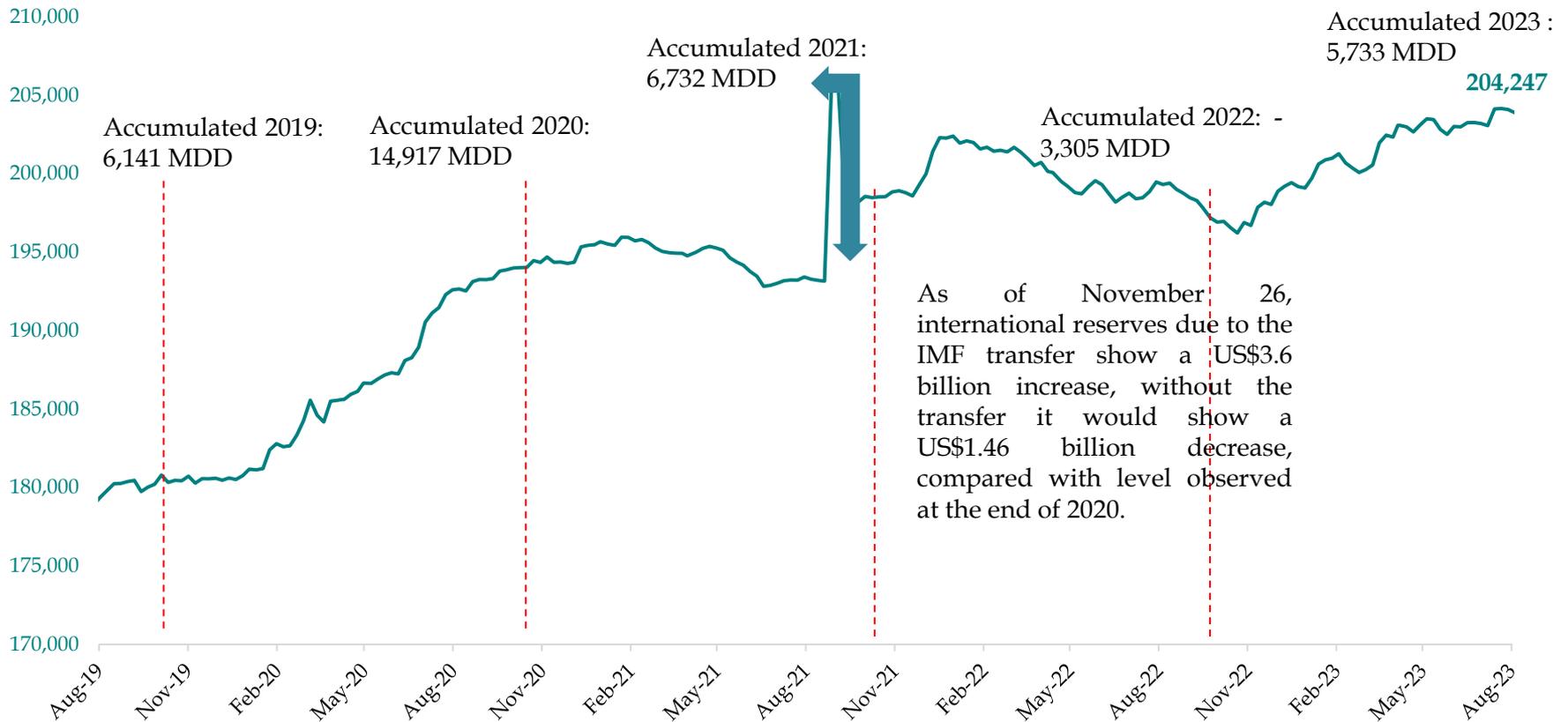
Source: Banco de Mexico

II. International Reserves

International Reserves reached its second-highest record since September 3rd, 2021.
 Rating agencies see the International Reserves level as a financial strength factor.

Million Dollars

International Reserves
 (Short term, as of July 21, 2023)

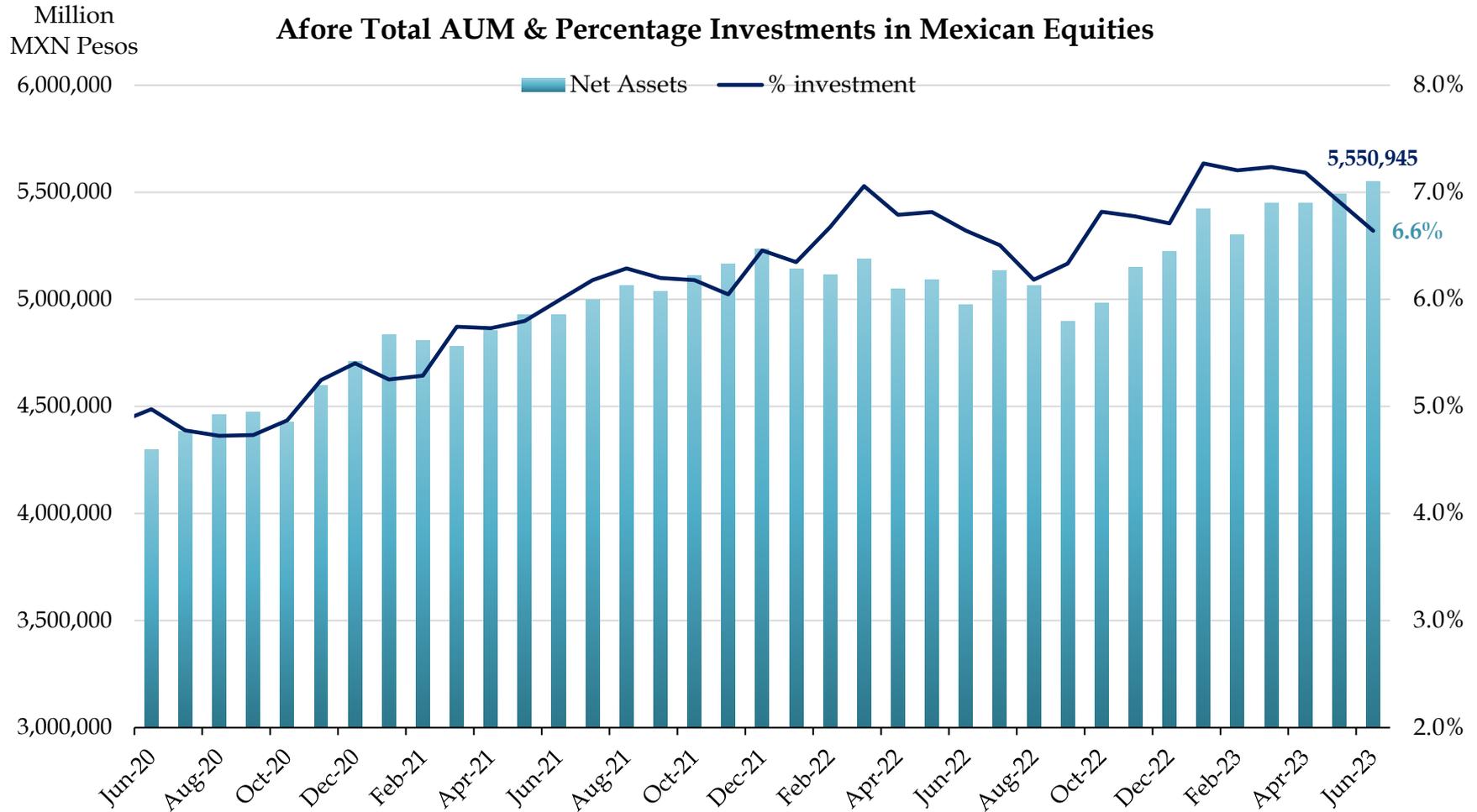


As of November 26, international reserves due to the IMF transfer show a US\$3.6 billion increase, without the transfer it would show a US\$1.46 billion decrease, compared with level observed at the end of 2020.

Source: Bloomberg.

II. Investment in Equity Markets

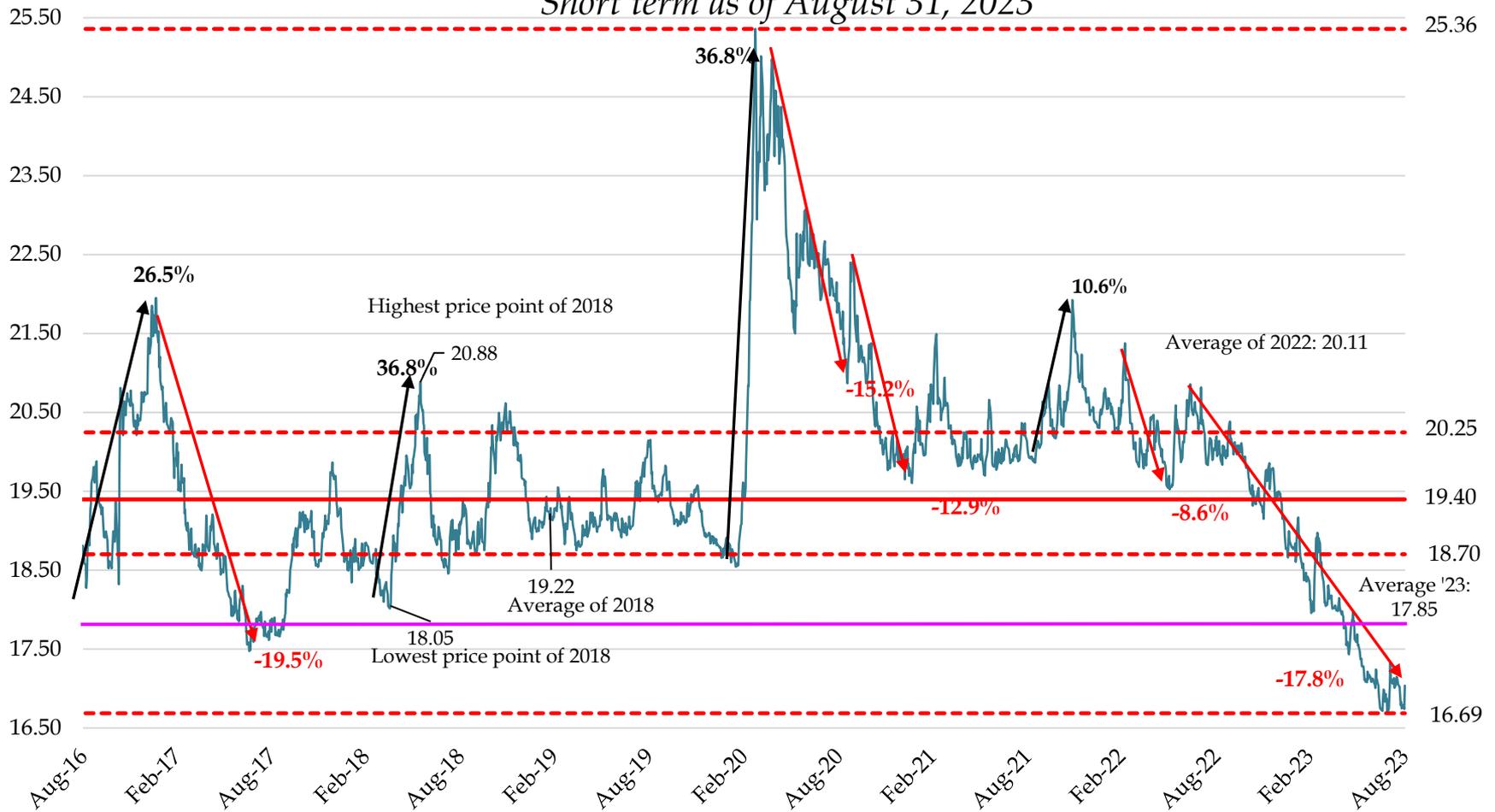
Afores resources under management increased 11.6% in June 2023 compared to June 2022.
 Mexican equity investments represent 6.6% vs. 6.5 % in the same month in 2022.



Source: CONSAR

II. Exchange Rate and External Accounts

MXN Spot Exchange Rate per USD
Short term as of August 31, 2023



Source: Bloomberg.

II. Trade Balance

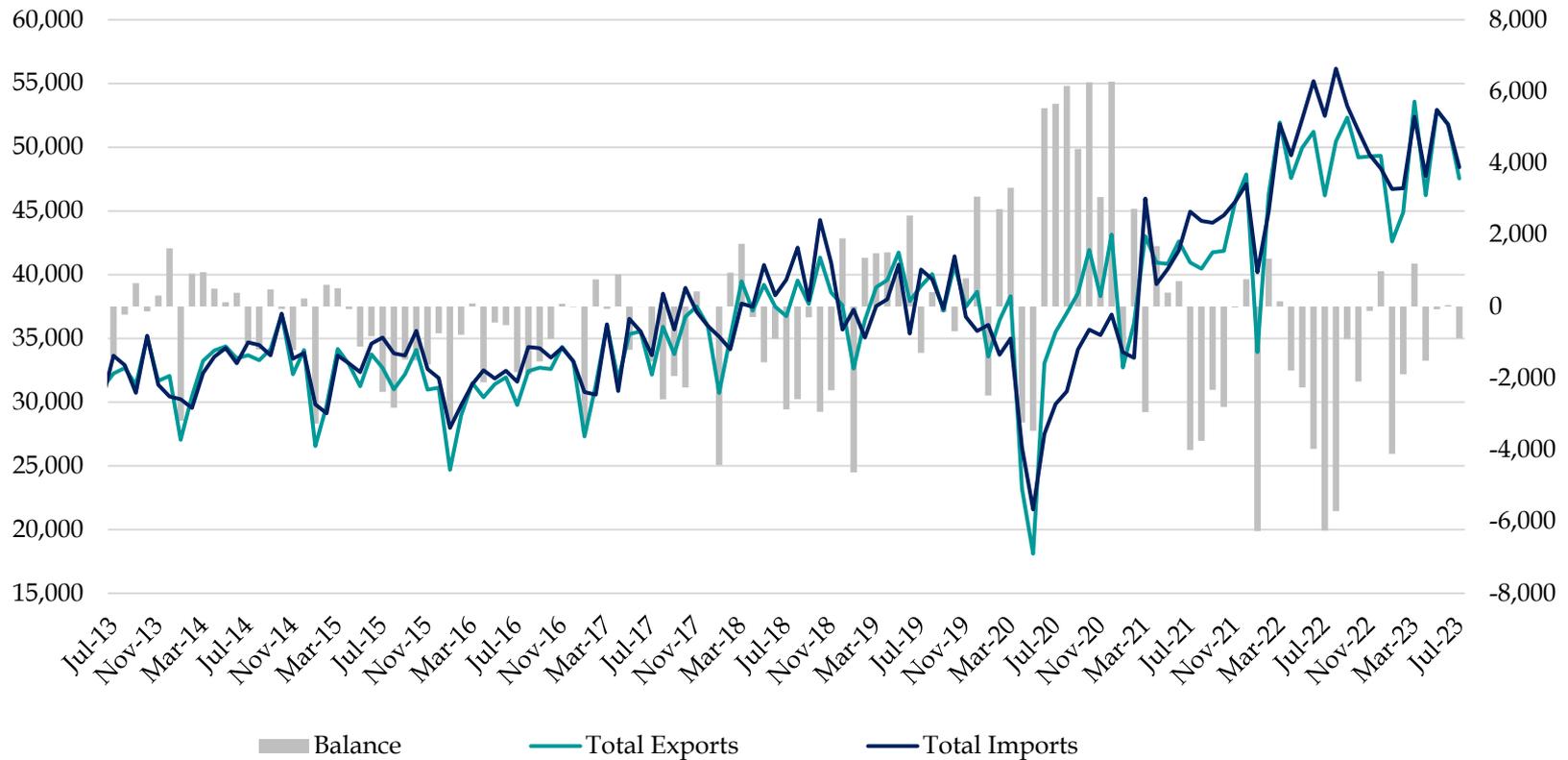
Total exports have increased 1.1% year over year in June. Oil exports decreased -by 28.8%, while non-oil exports increased by 3.7%, mainly driven by the manufacturing segment, which accounts for 89% of total exports.

Mexico's Trade Balance (As of June 2023)									
Exports									
	Jun-23	% of Total	Annual Change	Jun-22	% of Total	Annual Change	1H 2023	% of Total	Annual Change
Total Exports	51,800	100.0%	1.1%	51,220	100.0%	19.0%	149,281	100%	3.9%
Oil	2,851	5.5%	-28.8%	4,006	7.8%	87.5%	15,762	10.6%	-23.4%
Crude Oil	2,401	4.6%	-28.0%	3,335	6.5%	93.9%	12,729	8.5%	-24.3%
Others	449	0.9%	-33.1%	671	1.3%	61.4%	3,032	2.0%	-19.5%
Non-Oil	48,950	94.5%	3.7%	47,214	92.2%	15.5%	133,519	89.4%	6.1%
Agricultural	1,865	3.6%	5.1%	1,775	3.5%	-19.7%	6,290	4.2%	4.3%
Mining	1,060	2.0%	66.0%	639	1.2%	-34.4%	2,519	1.7%	9.1%
Manufacturing	46,025	88.9%	2.7%	44,801	87.5%	18.8%	124,710	83.5%	6.1%
Automotive Industry	15,828	30.6%	9.5%	14,450	28.2%	20.8%	43,154	28.9%	14.2%
Others	30,197	58.3%	-0.5%	30,350	59.3%	17.9%	81,556	54.6%	2.3%
Imports									
	Jun-23	% of Total	Annual Change	Jun-22	% of Total	Annual Change	1H 2023	% of Total	Annual Change
Total Imports	51,762	100.0%	-6.2%	55,191	100%	20.0%	145,883	100%	1.6%
Oil	3,829	7.4%	-57.2%	8,766	15.9%	55.9%	15,641	10.7%	-56.3%
Non-Oil	47,933	92.6%	16.1%	46,425	84.1%	27.9%	130,242	89.3%	3.2%
Consumption Goods	5,779	11.2%	22.1%	4,733	8.6%	22.3%	15,492	10.6%	-11.5%
Intermediate Goods	37,020	71.5%	-1.8%	37,682	68.3%	17.9%	101,537	69.6%	-8.4%
Capital Goods	5,133	9.9%	28.0%	4,009	7.3%	12.4%	13,212	9.1%	23.2%
Trade Balance									
	Jun-23		Annual Change	Jun-22		Annual Change	1H 2023		Annual Change
Trade Balance	38		-1.0%	-3,971		34.9%	3,397		32.7%

II. Trade Balance

In the first seven months of 2023, the trade balance presented a 7,225 million dollars deficit. In the same period of 2022, the deficit was 19,037 million dollars.

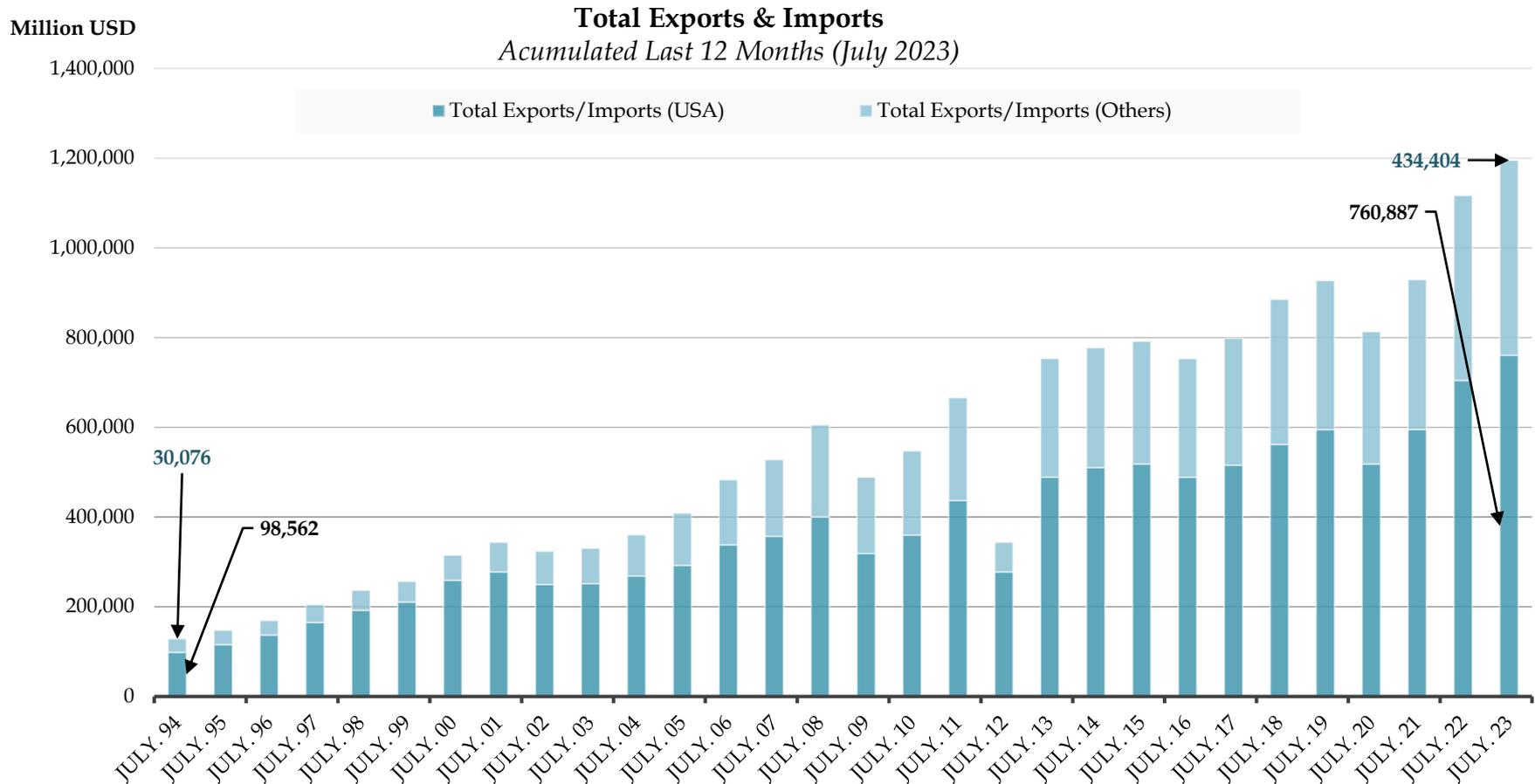
Mexico's Trade Balance



Source: Mexico's Ministry of Economics

II. Mexico's Trade Balance

Data from July 2023 shows that total exports to the US continue to increase, reaching new historic levels. The increase year over year was 8.0% vs. July 2022, and a 29% increase compared to the same month in 2019.



Source: PAM, Banxico

II. International Trade (U.S.)

Mexico became the leading trade partner to the USA in March 2023 and has since alternated with Canada in the top two positions.

United States International Trade (YTD as of July 2023)

Country	Exports	Imports	Total Trade	Balance	Country	Exports	Imports	Total Trade	Balance
Mexico	186,958	274,950	461,908	-87,992	Taiwan	23,042	48,197	71,239	-25,155
% of Total	16.0%	15.5%	15.7%		% of Total	2.0%	2.7%	2.4%	
Canada	206,537	243,703	450,240	-37,166	France	25,506	33,174	58,680	-7,668
% of Total	17.7%	13.7%	15.3%		% of Total	2.2%	1.9%	2.0%	
China	83,248	239,065	322,313	-155,817	Italy	15,613	42,450	58,063	-26,837
% of Total	7.1%	13.5%	11.0%		% of Total	1.3%	2.4%	2.0%	
Germany	44,566	93,275	137,841	-48,709	Brazil	26,310	21,469	47,779	4,841
% of Total	3.8%	5.3%	4.7%		% of Total	2.3%	1.2%	1.6%	
Japan	43,686	83,826	127,512	-40,140	Singapore	23,565	23,286	46,851	279
% of Total	3.8%	4.7%	4.3%		% of Total	2.0%	1.3%	1.6%	
Korea, South	35,901	66,252	102,153	-30,351	Hong Kong	15,297	2,415	17,712	12,882
% of Total	3.1%	3.7%	3.5%		% of Total	1.3%	0.1%	0.6%	
United Kingdom	43,867	37,107	80,974	6,760	Saudi Arabia	7,395	9,789	17,184	-2,394
% of Total	3.8%	2.1%	2.8%		% of Total	0.6%	0.6%	0.6%	
India	23,088	48,842	71,930	-25,754	All other countries	360,351	508,751	869,102	-148,400
% of Total	2.0%	2.7%	2.4%		% of Total	30.9%	28.6%	29.5%	
					TOTAL 2023 YTD	1,164,930	1,776,551	2,941,481	-611,621
					TOTAL 2022	2,064,787	3,246,681	5,311,468	-1,181,894
					TOTAL 2021	1,754,578	2,832,946	4,587,524	-1,078,368

II. International Trade (U.S.)

Mexico and Canada have been gaining US import market share since 2020.

Annual U.S. Imports by Country

Million USD

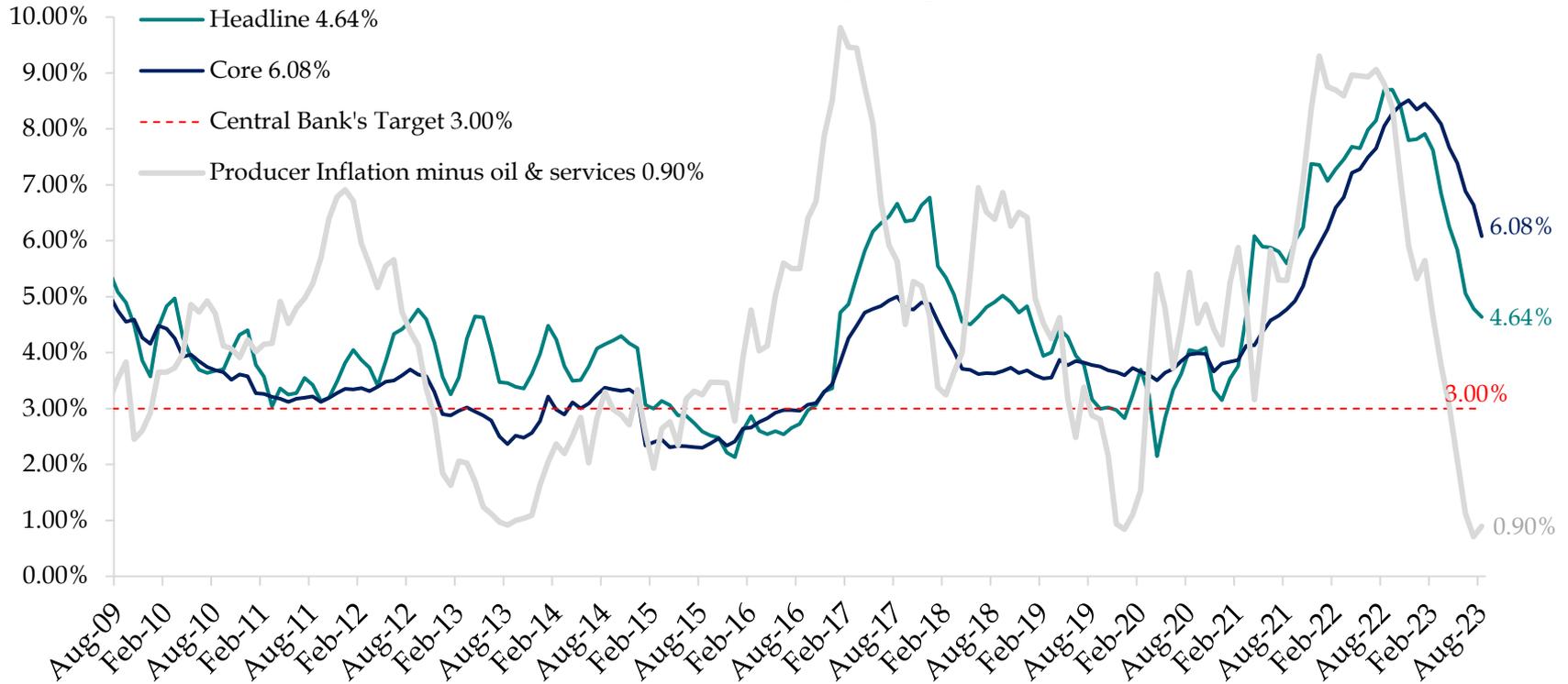


Source: U.S. Bureau of Economic Analysis

III. Mexico Consumer Price Index (CPI)

Inflation continued its downtrend in August 2023, +4.6% vs. +4.8% in July 2023.

Inflation
Year over Year, as of August 2023

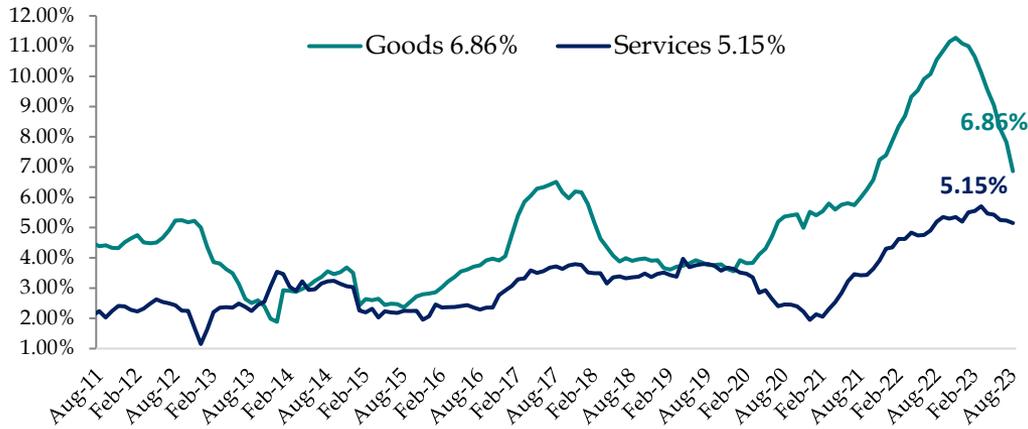


Source: INEGI

III. Mexico Consumer Price Index (CPI)

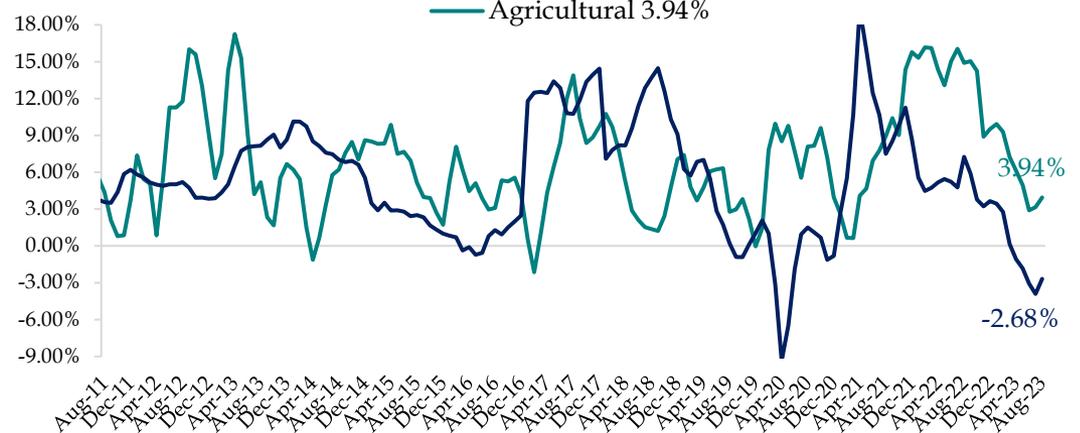
The core component slipped for the seventh consecutive month in August (+6.1% vs. +6.6% in July).
 In contrast, Non-Core inflation climbed by 1.4% MoM.

Core Inflation
 (YoY % Change)



Source: INEGI

Non-Core Inflation
 (YoY % Change)



Source: INEGI

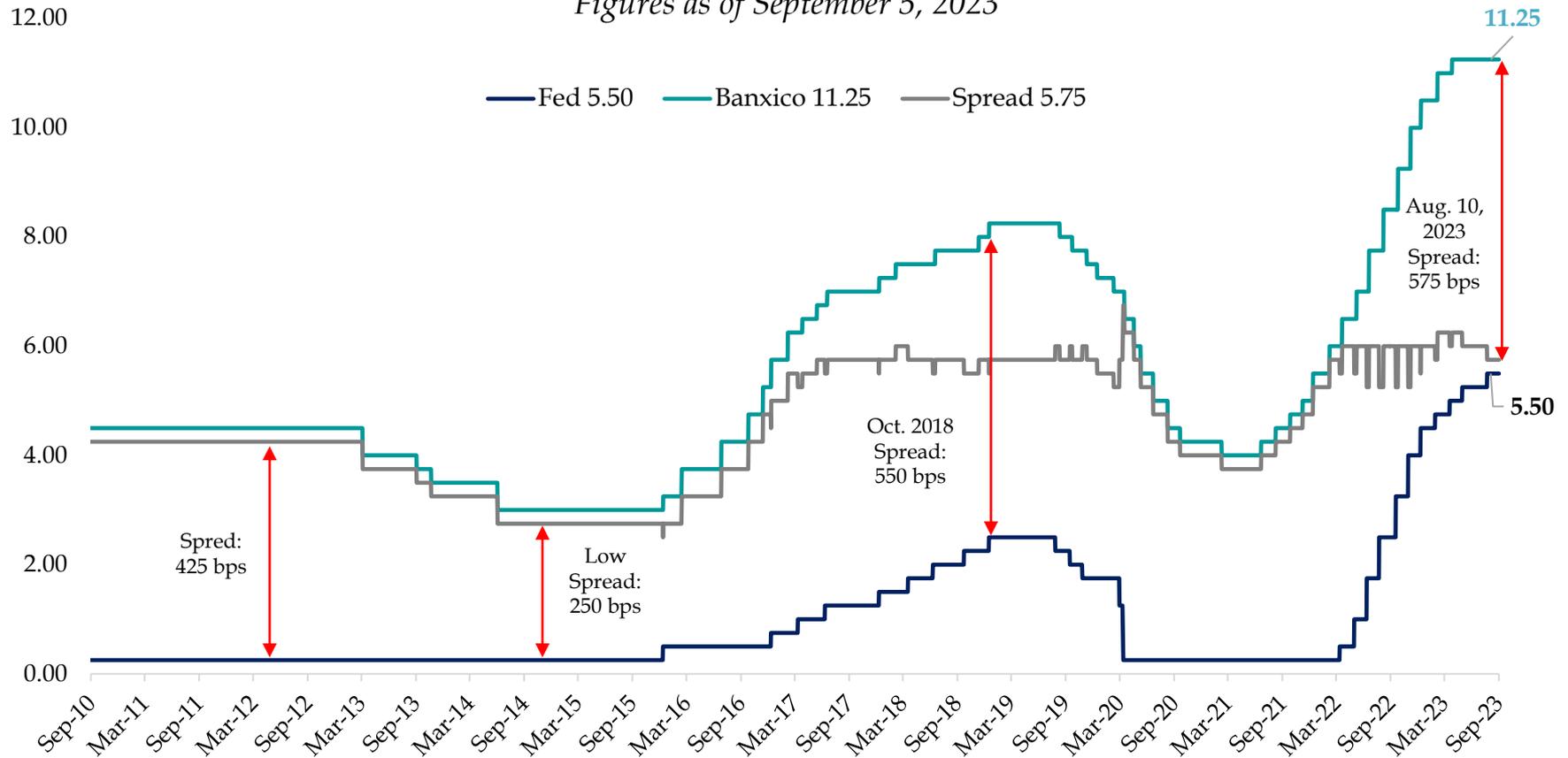
Source: INEGI

III. Monetary Policy & Sovereign Risk

A possible peak in reference rate at 11.25% - Banxico left the reference rate unchanged on August 10th, with the possibility of maintaining this level for an extended period.

Banxico vs. Federal Reserve Reference Rate

Figures as of September 5, 2023



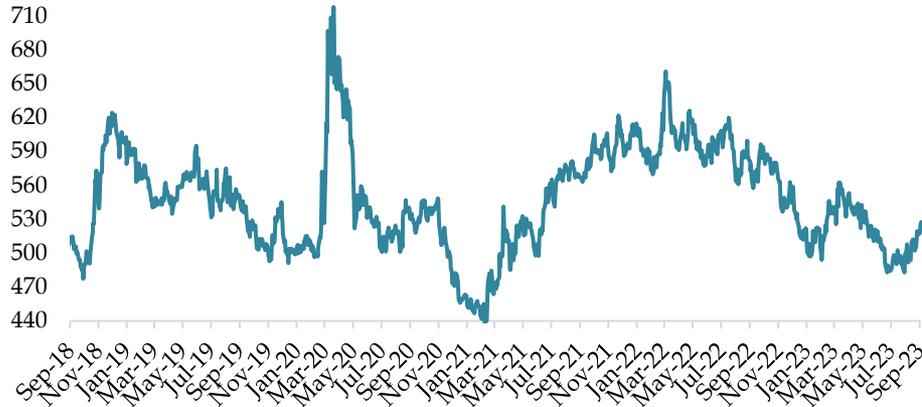
Source: Bloomberg

III. Public Finance & Sovereign Risk Premium

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

M Bond vs. T-Note (10 year)

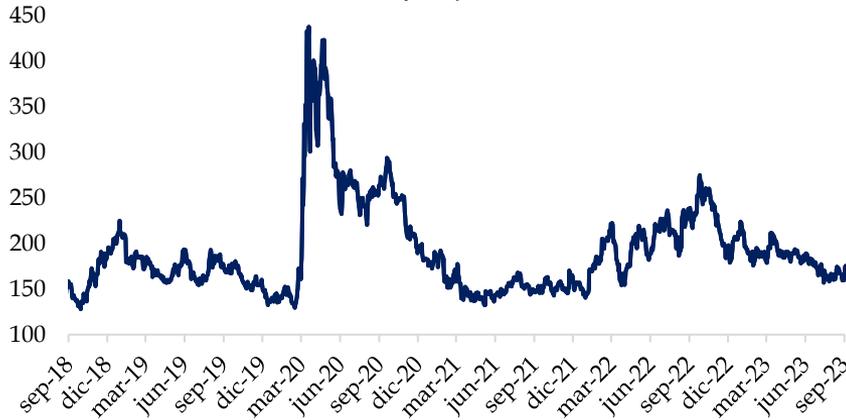
As of September 5, , 2023



Source: Bloomberg

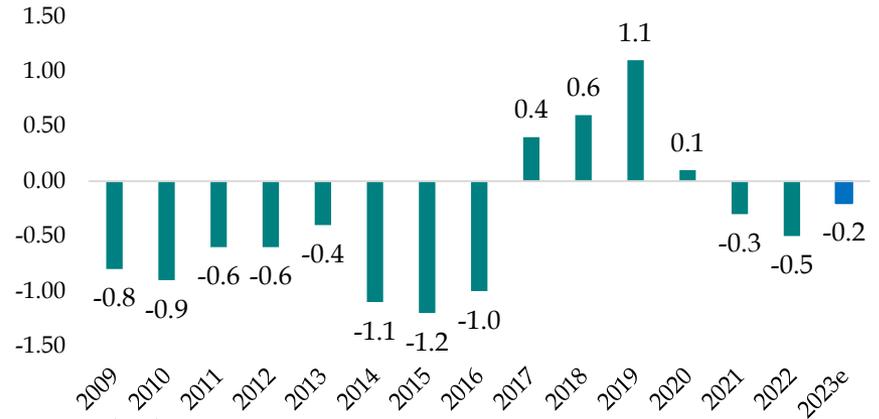
UMS vs. T-Note (10 years)

As of September 5, 2023



Source: Bloomberg

Primary Balance % of GDP

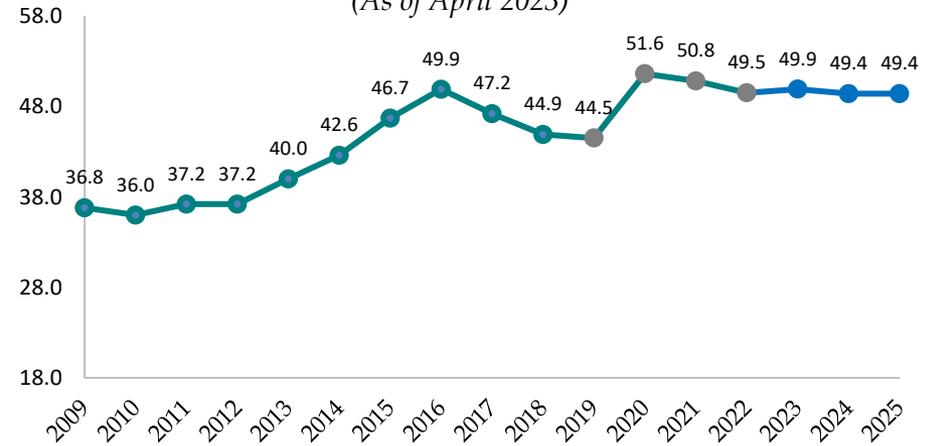


Source: Bloomberg

Historical Balance of Public Sector Financial

Requirements, % of GDP

(As of April 2023)

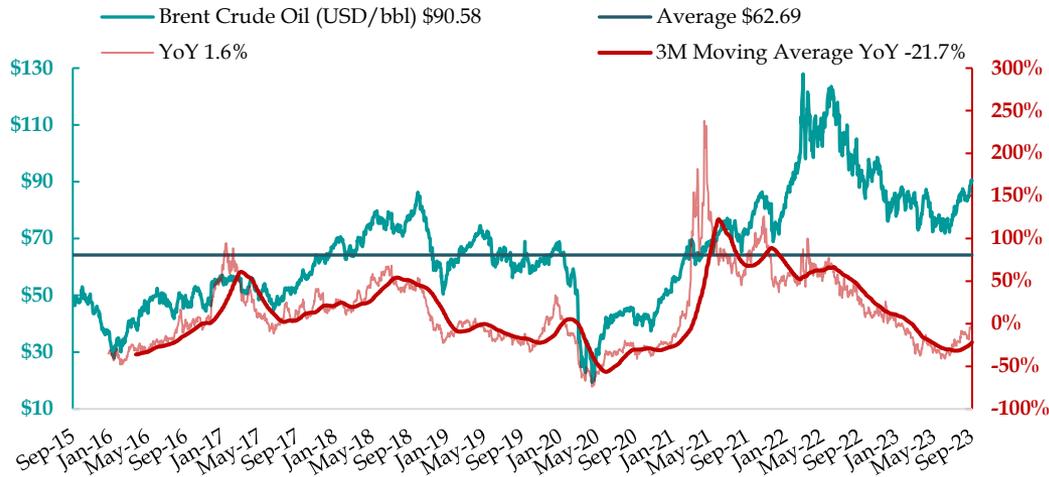


Source: Secretaría de Hacienda y Crédito Público. Data from 2023 and beyond are estimates.

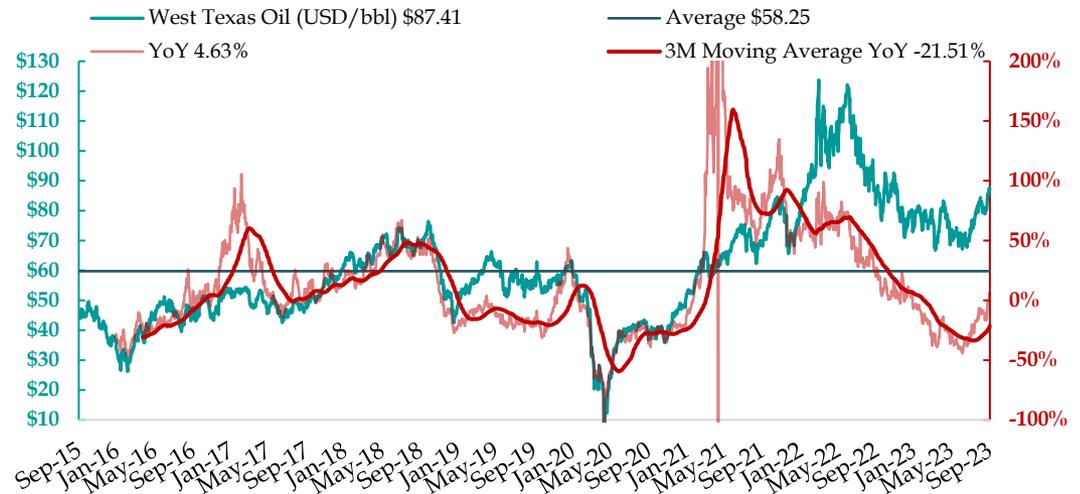
IV. Commodities

Oil prices rose due to supply shortage forecasts by the International Energy Agency (IEA). Extensions in production cuts by Saudi Arabia and Russia supported the increase in oil prices.

Brent Crude Oil (USD/bbl)



West Texas Oil (USD/bbl)

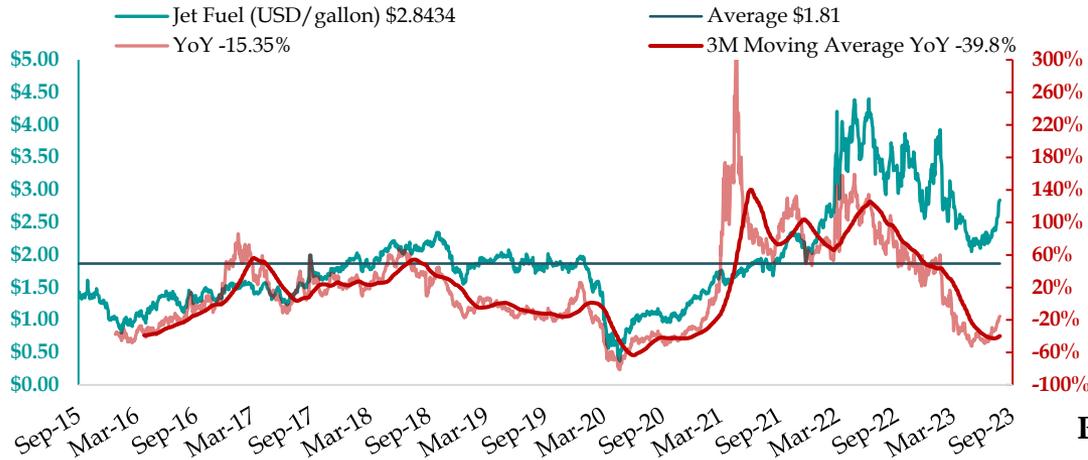


Source: Bloomberg

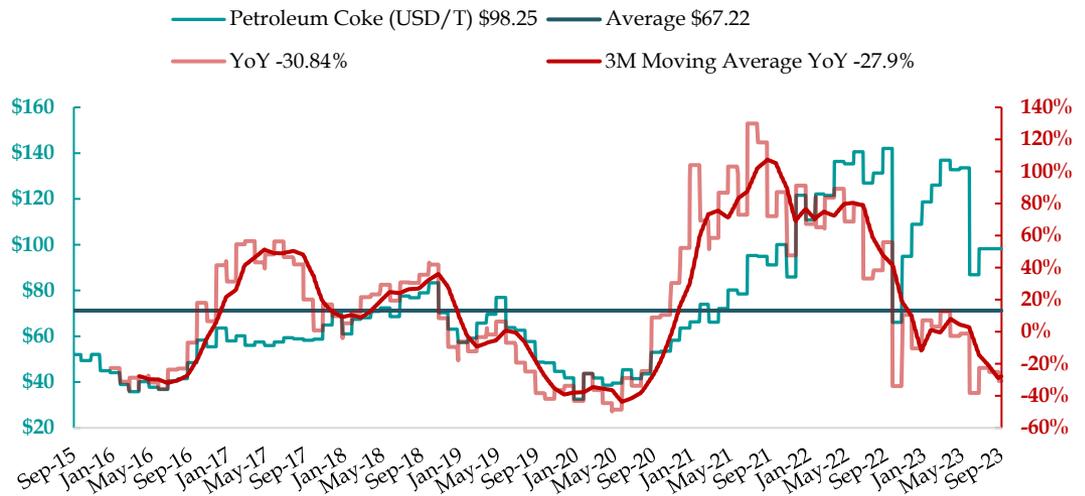
IV. Commodities

Pet Coke has experienced pressure in 2023, impacted by China's reopening.

Jet Fuel (USD/gallon)



Petroleum Coke (USD/T)

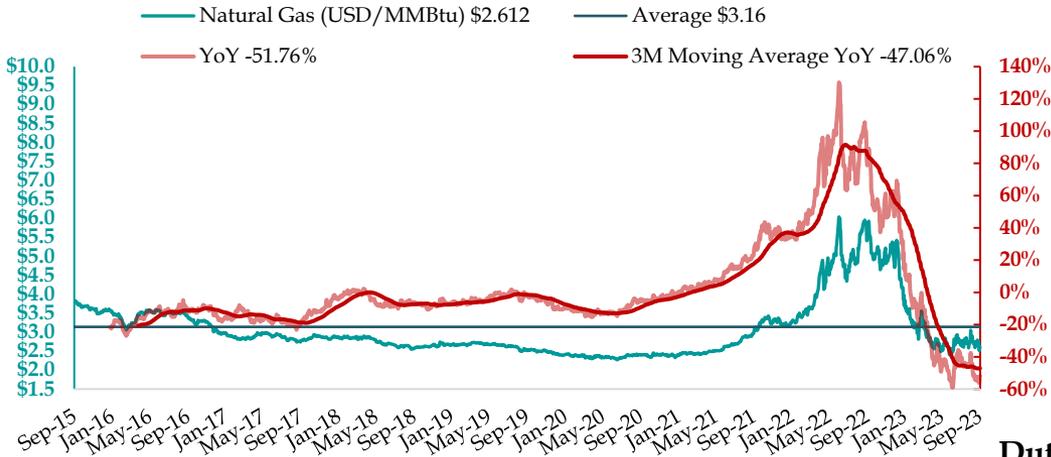


Source: Bloomberg

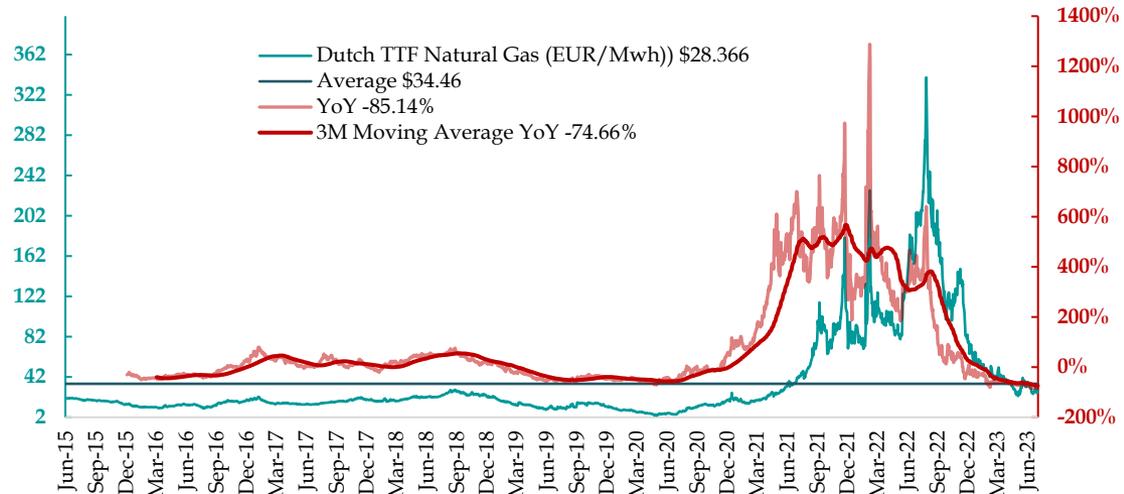
IV. Commodities

Natural gas prices in the US reaching lower levels registered in 2021. Pressures have eased In Europe; Natural Gas is below its historical average of \$34.46.

Natural Gas (USD/Mmbtu)



Dutch TTF Natural Gas (EUR/Mwh)



Source: Bloomberg

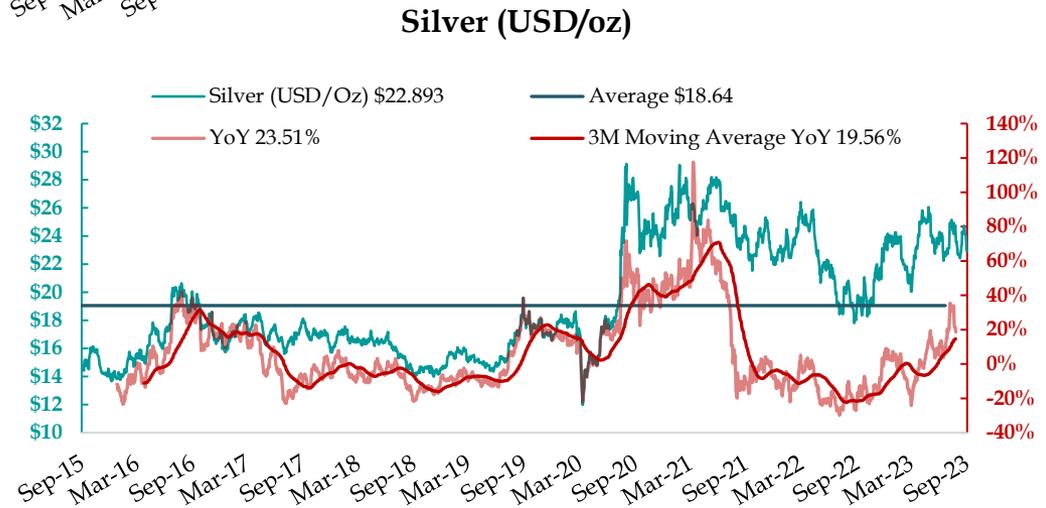
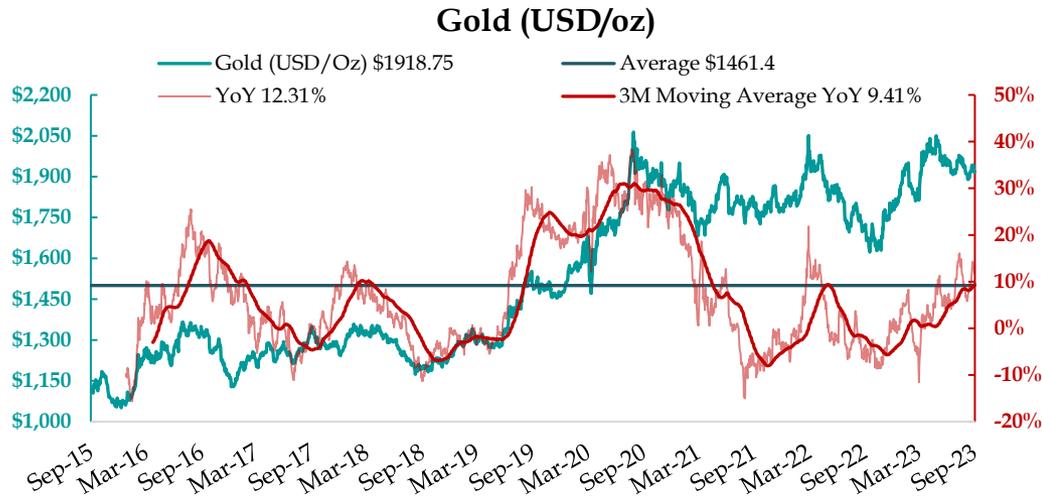
Experience

Consistency

Vision

IV. Commodities

Gold continues its upward trend, reaching levels seen in 2020, concerns regarding the financial sector and global economic uncertainties, and increased demand from China CB & Households. Silver is continuing the upward trend that began last September.



Source: Bloomberg

Experience

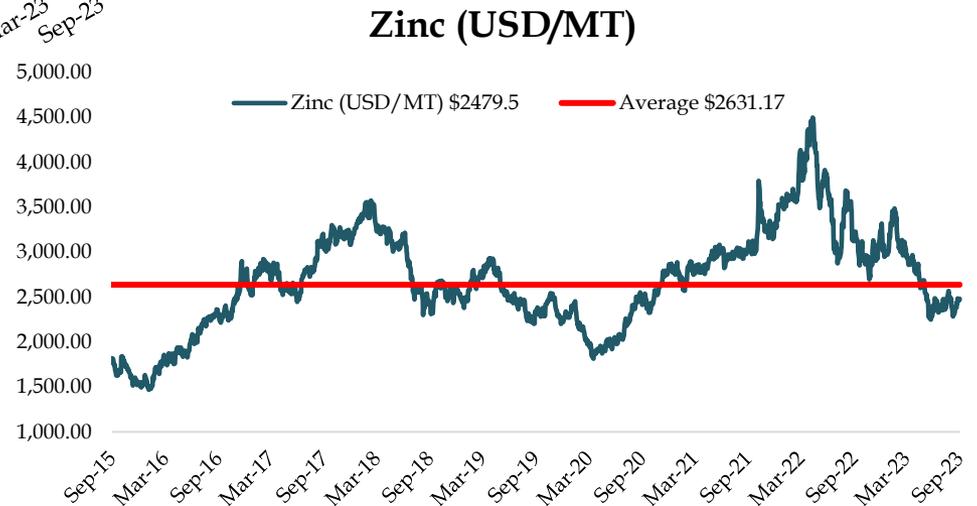
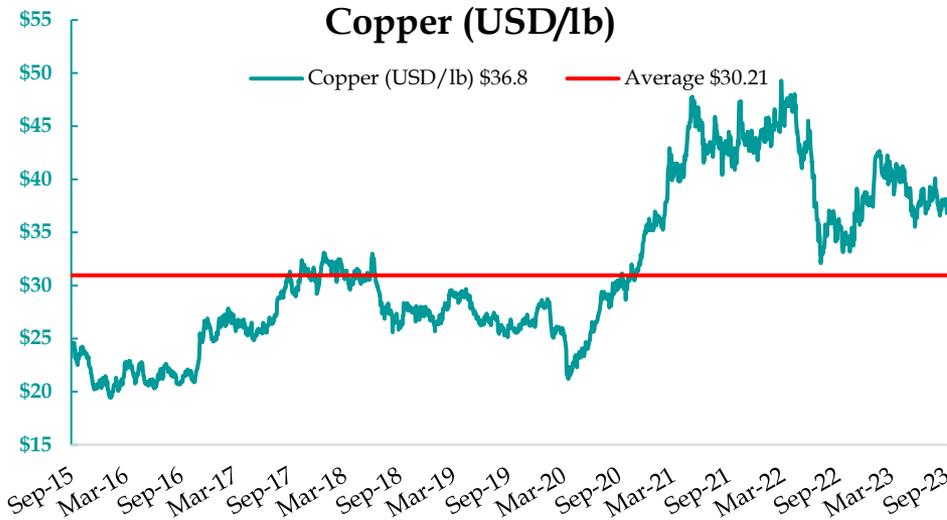
Consistency

Vision

IV. Commodities

China's commodities imports surged last month, ahead of a seasonal pickup in economic activity and as government stimulus begins to filter through into raw materials markets.

Copper ore shipments soared to all-time highs. Prices in copper remain elevated; meanwhile, zinc remains below its historical average since June.



Source: Bloomberg

Experience

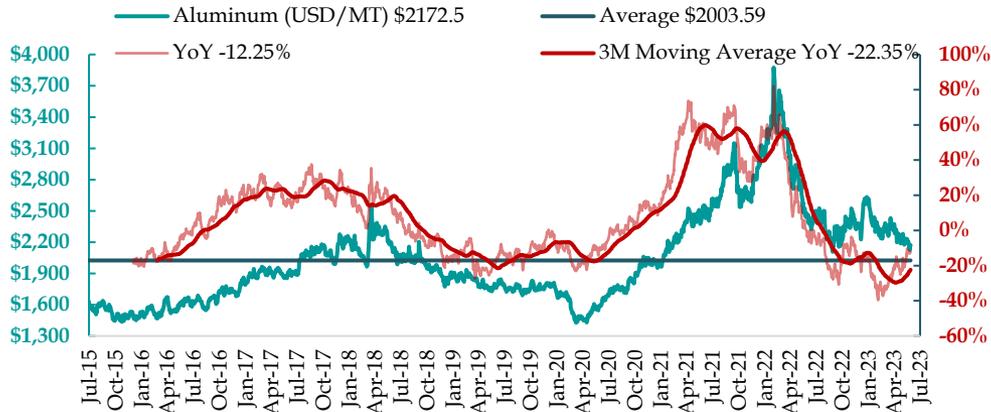
Consistency

Vision

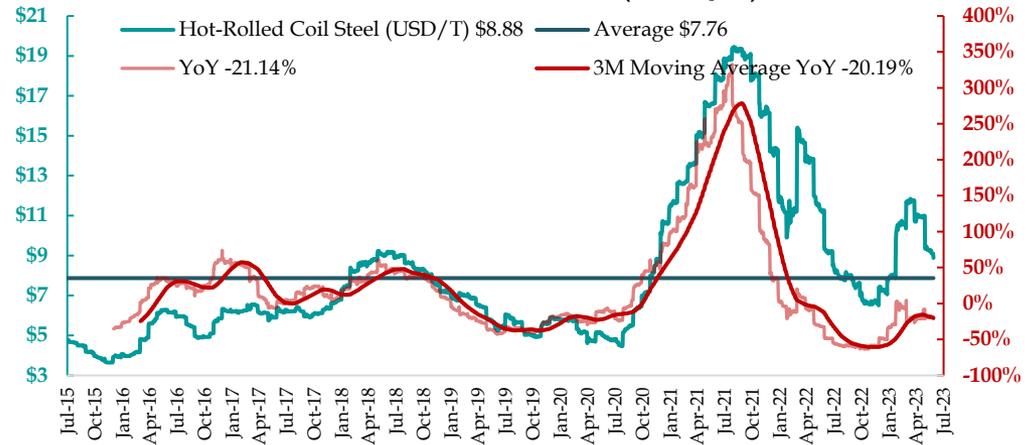
IV. Commodities

Aluminum prices have declined due to increased production in China and lower demand. Steel prices have declined since April 2023 because of China's slow recovery.

Aluminum (USD/MT)



Hot-Rolled Coil Steel (USD/T)



Source: Bloomberg

Experience

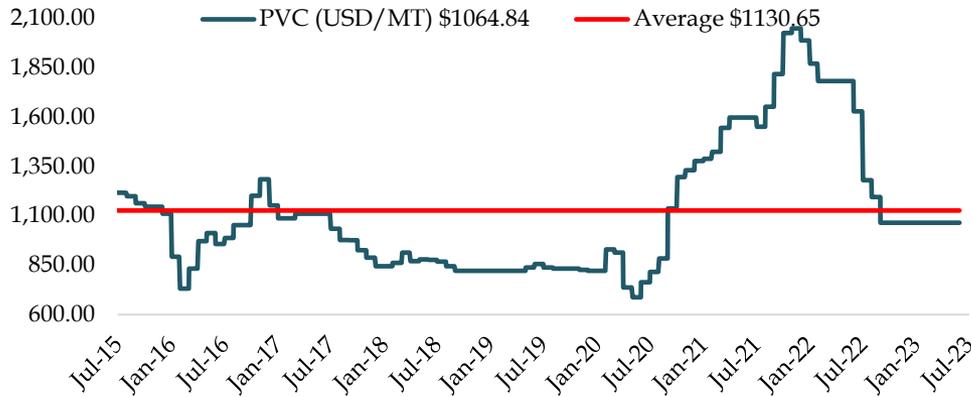
Consistency

Vision

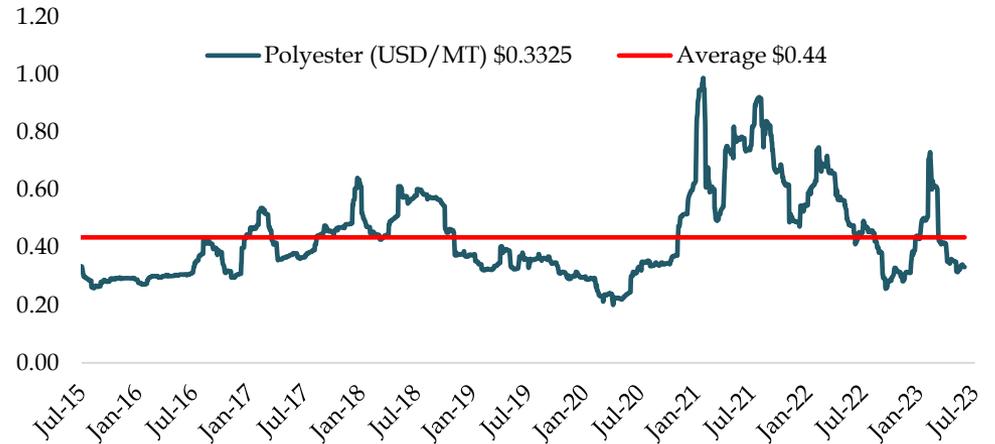
IV. Commodities

PVC lower prices due to a discount offered by the most significant US PVC producer in March; there is an increase in offer and lower demand. Polyester lower prices are related to the decline in demand.

PVC (USD/MT)



Polyester (USD/MT)

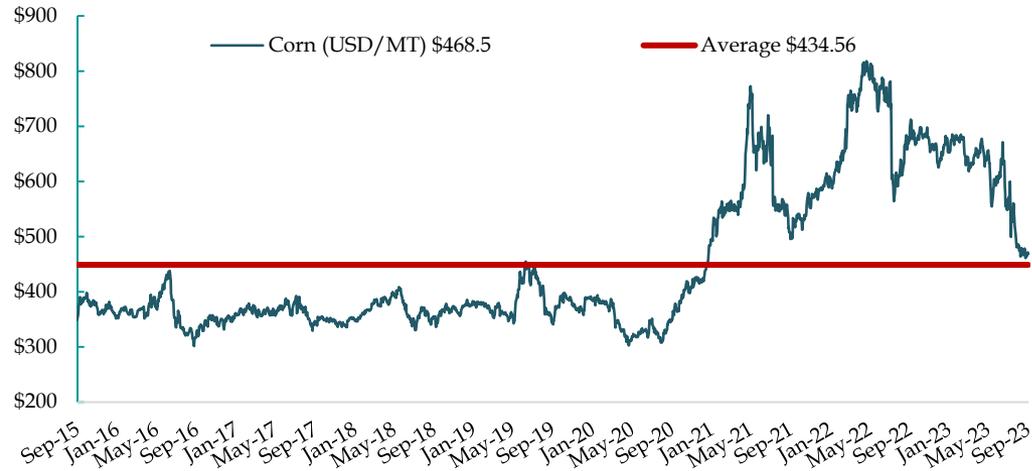


Source: Bloomberg

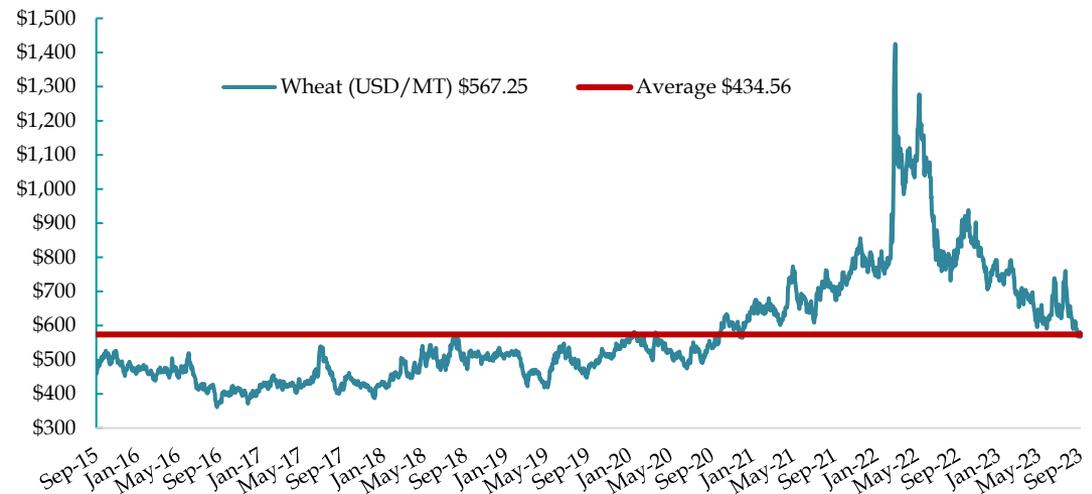
IV. Commodities

Corn and wheat have lowered towards their historic average despite Russia retreating from the Black Sea grain agreement with Ukraine, and the critical Ukrainian ports on the Danube have continued working despite another Russian strike overnight on infrastructure and grain storage facilities.

Corn (USD/MT)



Wheat (USD/MT)



Source: Bloomberg

Experience

Consistency

Vision

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.*

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, 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.*

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.



Pichardo Asset Management, SA de CV
Independent Advisors

www.paminversion.com.mx

Central Office Andres Bello 45, Piso 22,
Polanco, 11560 CDMX, México Teléfono: + 52 (55) 5261 4600 /04/21/16

Contingency Office

Lomas Verdes 68, Cuernavaca 62158, Morelos, Mexico

Tel. 52 777 2021367 / 2021366 / 3802090

epichardo@paminversion.com

Principal, Sr. PM

destevez@paminversion.com

Analyst, Portfolio Manager

luis.calzada@paminversion.com

Client Service

eestevez@paminversion.com

Corporate Risk Manager