

Highlights of the Mexican Economy

Semi-annual Report
January 31, 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

Semi-annual ended January 31, 2024

INDICE

Economic Activity	1 - 15
Exchange Rate & External Accounts	16 - 20
Monetary Policy and Sovereign Risk	21 - 24
Commodities	25 - 32



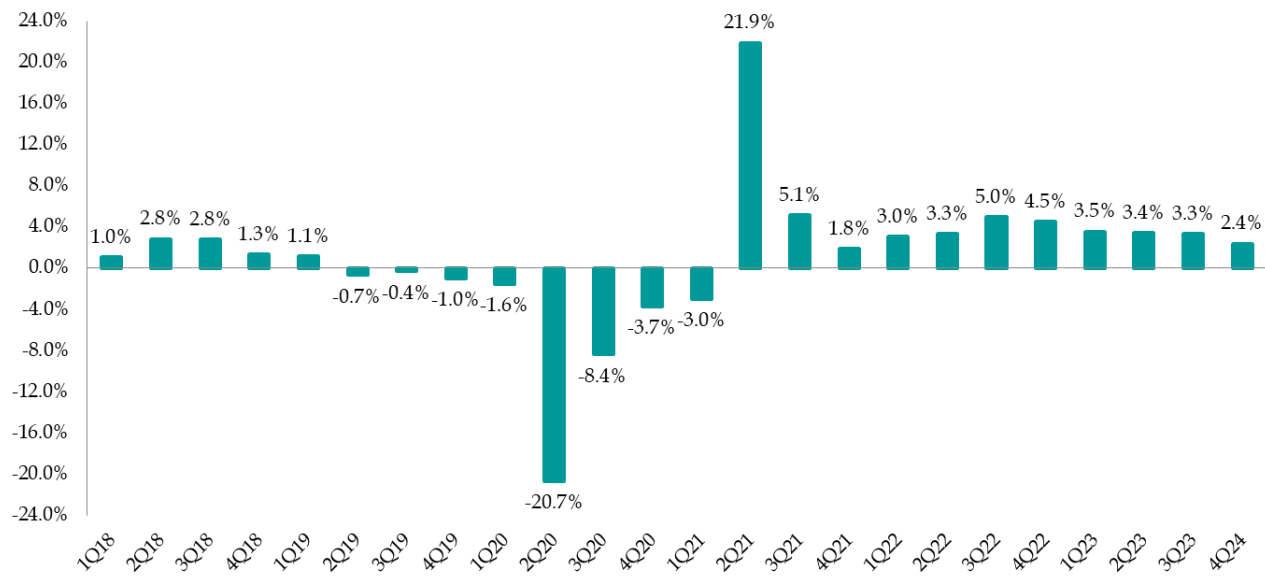
Pichardo Asset Management
Asesores de Portafolios de Inversión

Economic Activity

exhibit 1

The 4Q showed signs of deceleration with 2.4% growth. Estimates for Mexico's growth for 2024 have continued to improve.

Mexico's Gross Domestic Product
Year over Year growth

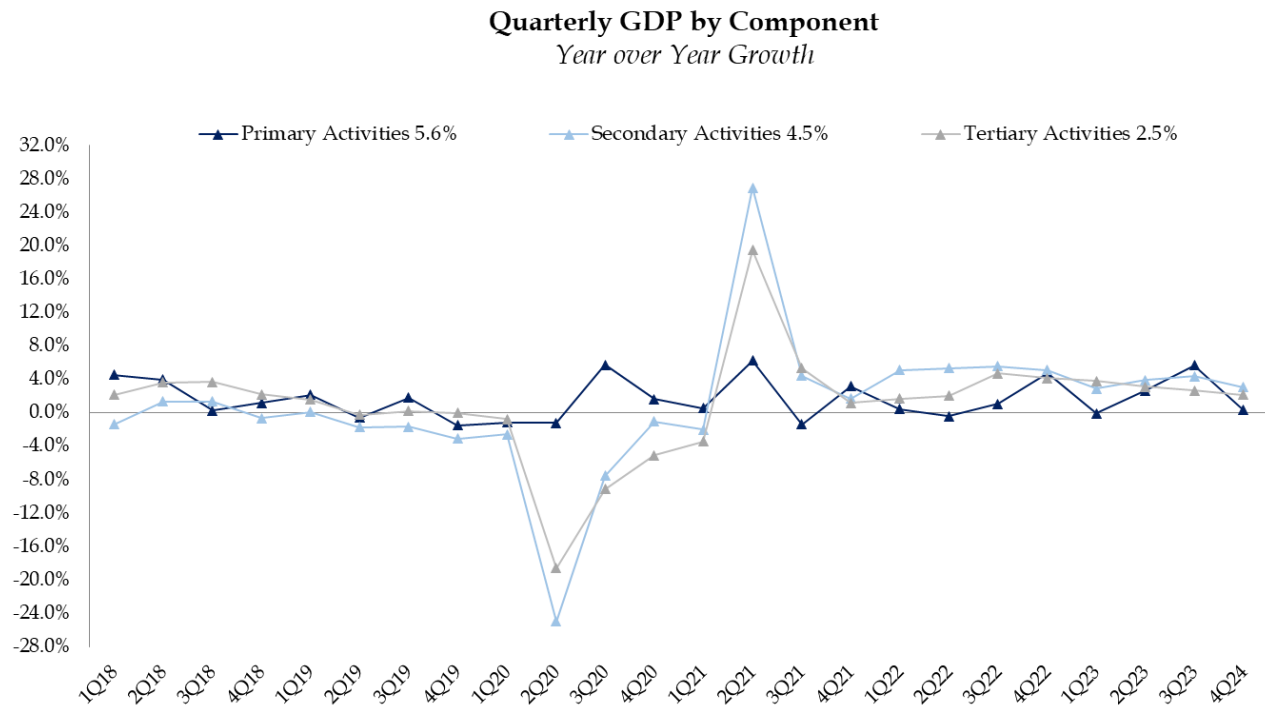


Source: INEGI

Economic Activity

exhibit 2

During the 4Q, secondary activities took the lead on GDP growth, followed by tertiary activities, and lastly by primary activities.

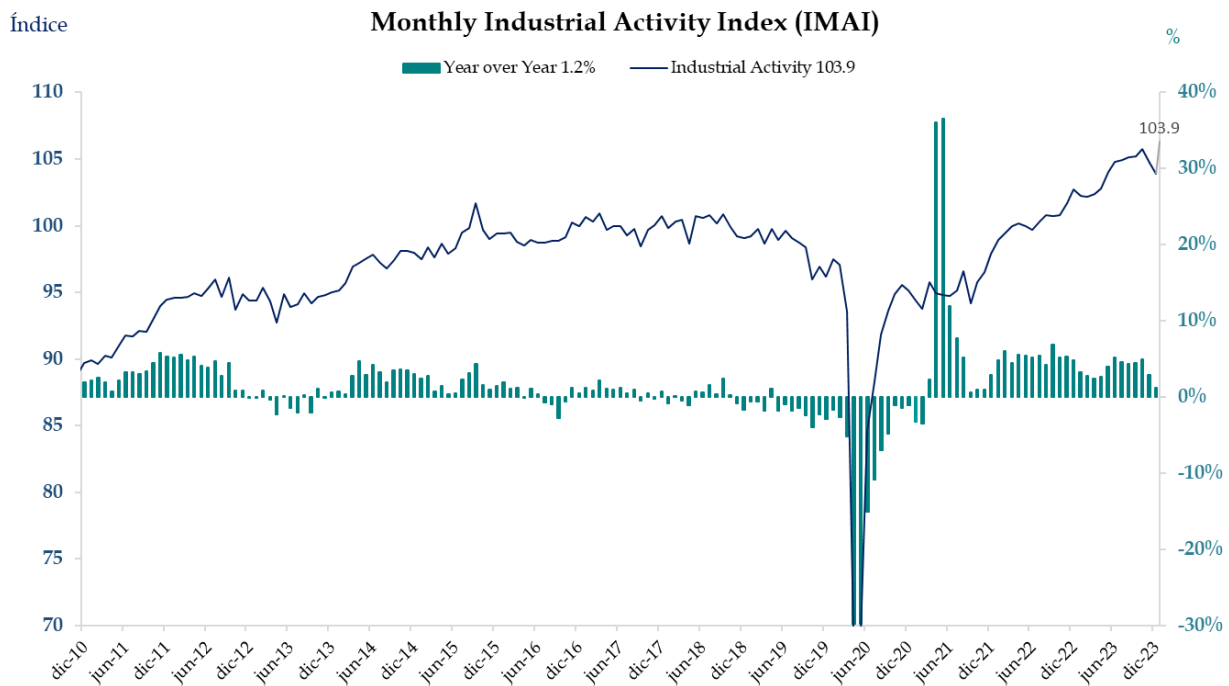


Source: INEGI

Economic Activity

exhibit 3

The Monthly Industrial Activity Index slowed down at the end of the year, growing 1.2% during December after a great performance in 2023.

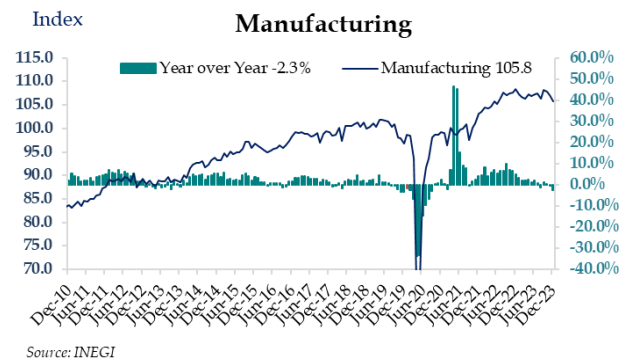
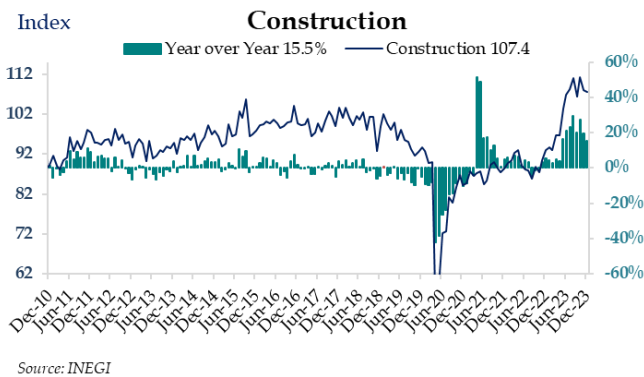
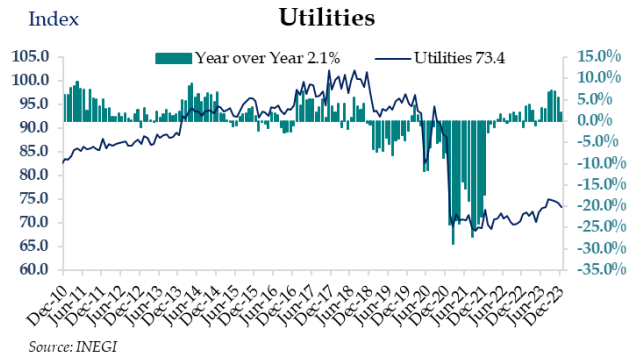
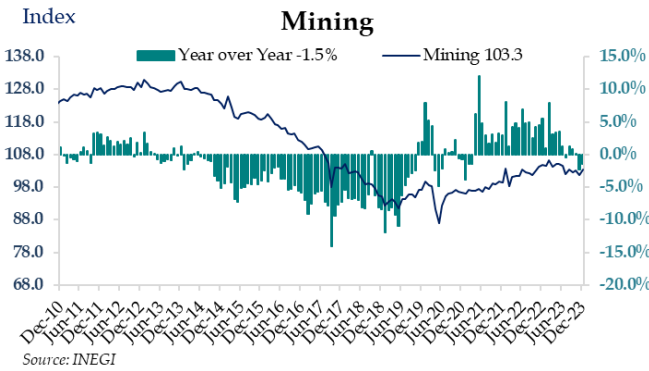


Source: INEGI

Economic Activity

exhibit 4

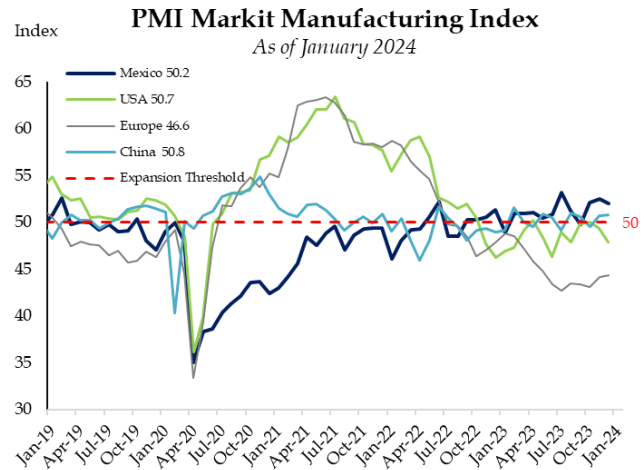
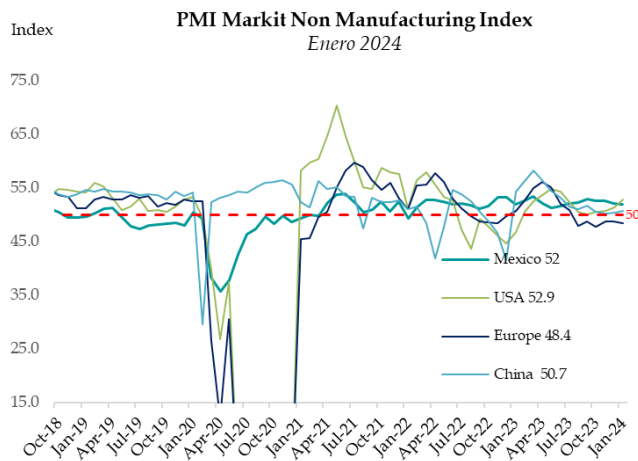
At the year's end, construction +15.5%, had the strongest performance year over year, utilities +2.1 %, followed by mining 1.5%, which fell slightly, and manufacturing also dropping 2.3%.



Economic Activity

exhibit 5

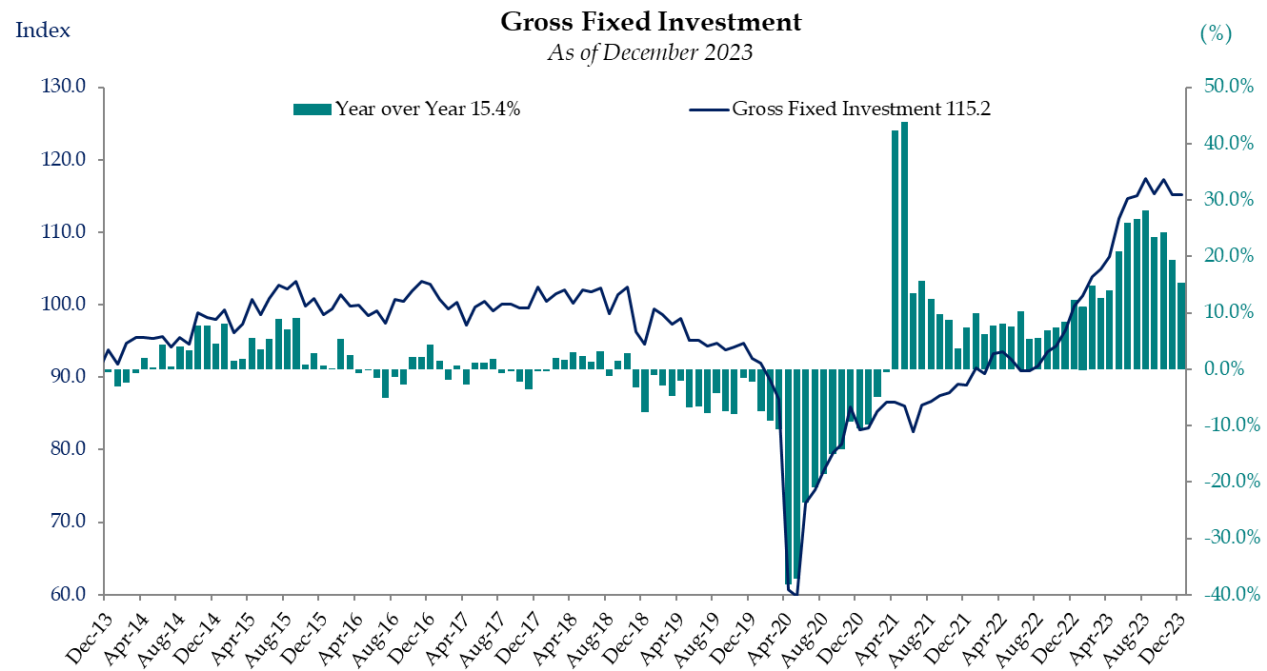
During 2023, Mexico's PMI Non-Manufacturing grew above the expansion threshold, and for the manufacturing index, it only dipped below the expansion threshold in January 48.9 and September 49.8.



Economic Activity

exhibit 6

Year over year, Gross Fixed Investment continues to grow 15.4%, reaching pre-pandemic levels.

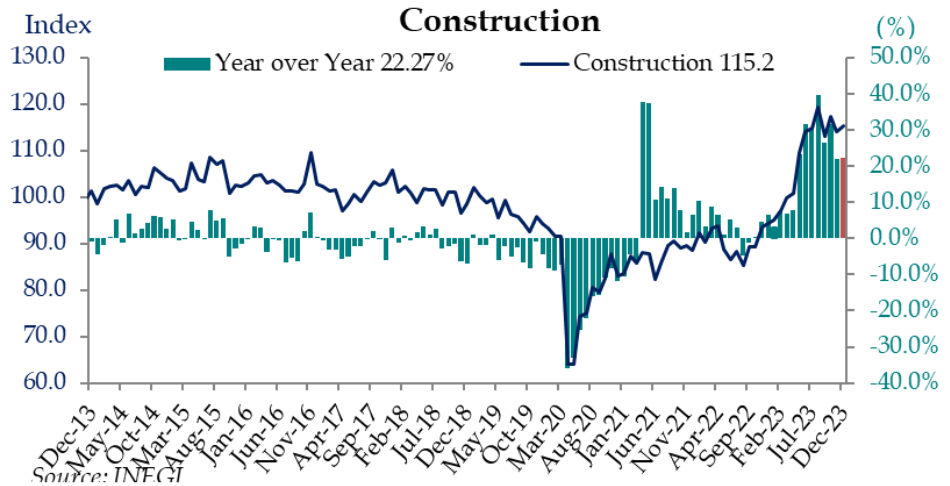
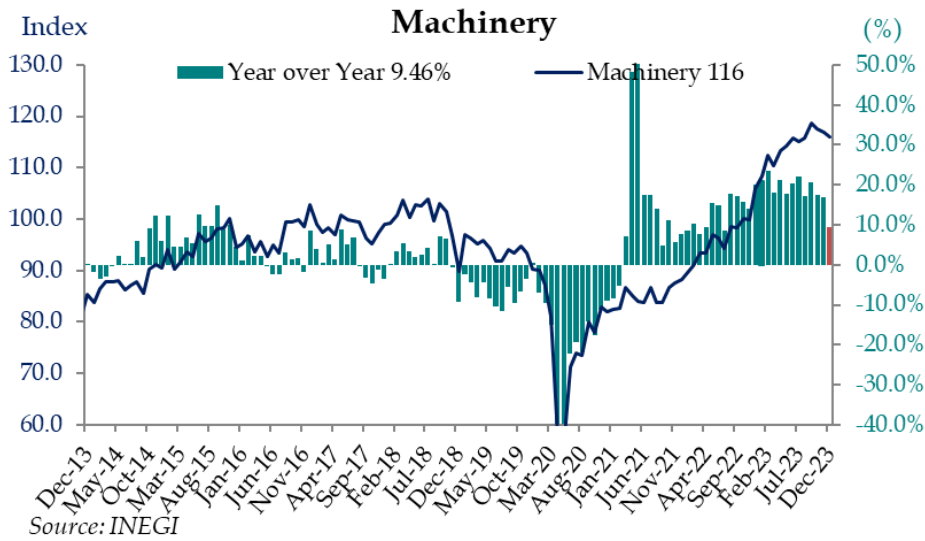


Source: INEGI

Economic Activity

exhibit 7

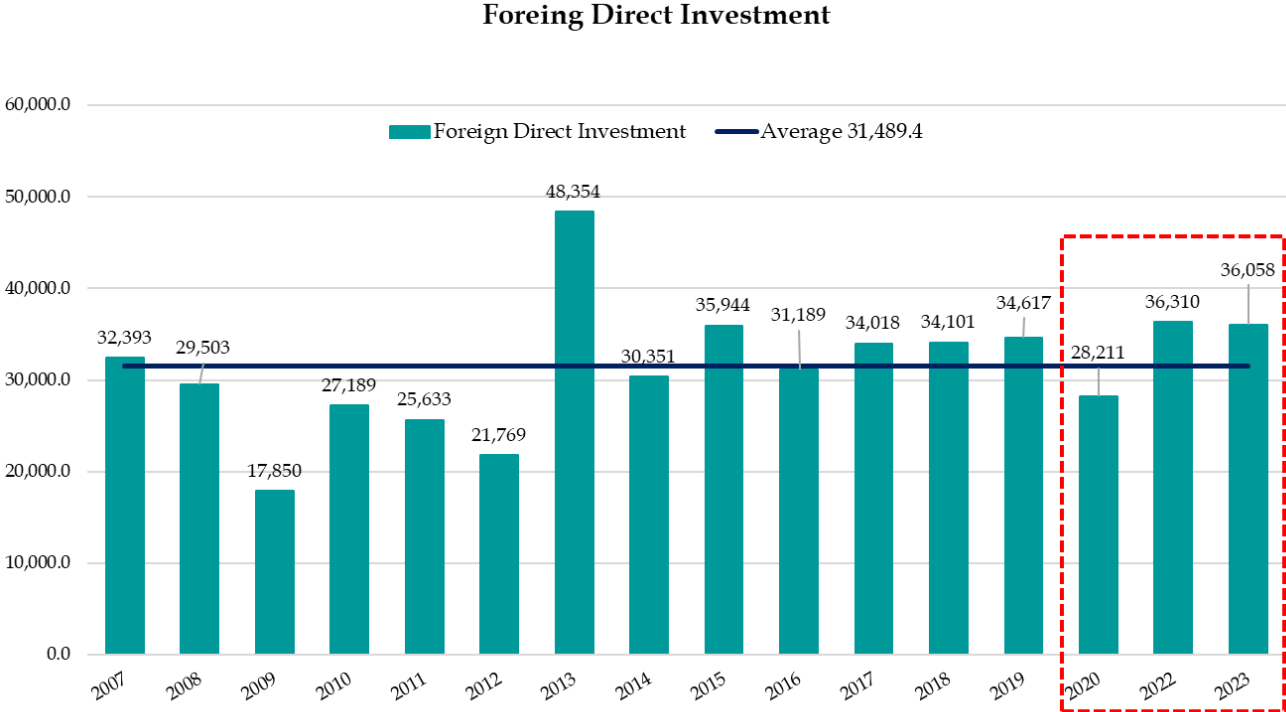
Investment in Construction and Machinery both benefiting from GFI.



Economic Activity

exhibit 8

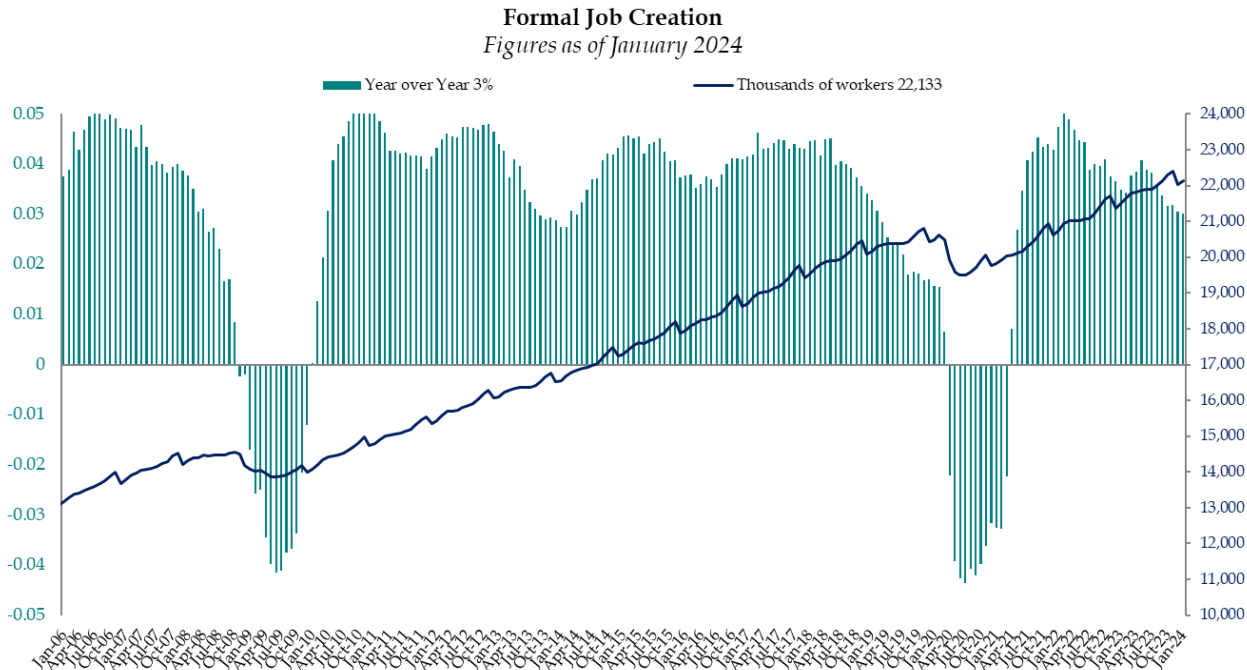
Foreign Direct Investment (FDI) for this year, has surpassed the historic average since 2007, registering \$36,058 million dls.



Economic Activity

exhibit 9

New jobs created during 2023 were 652k, a 13.5% decrease compared to 2022. However, during December, formal job creation increased by 3%. On average, 54,300 new jobs were created monthly last year.

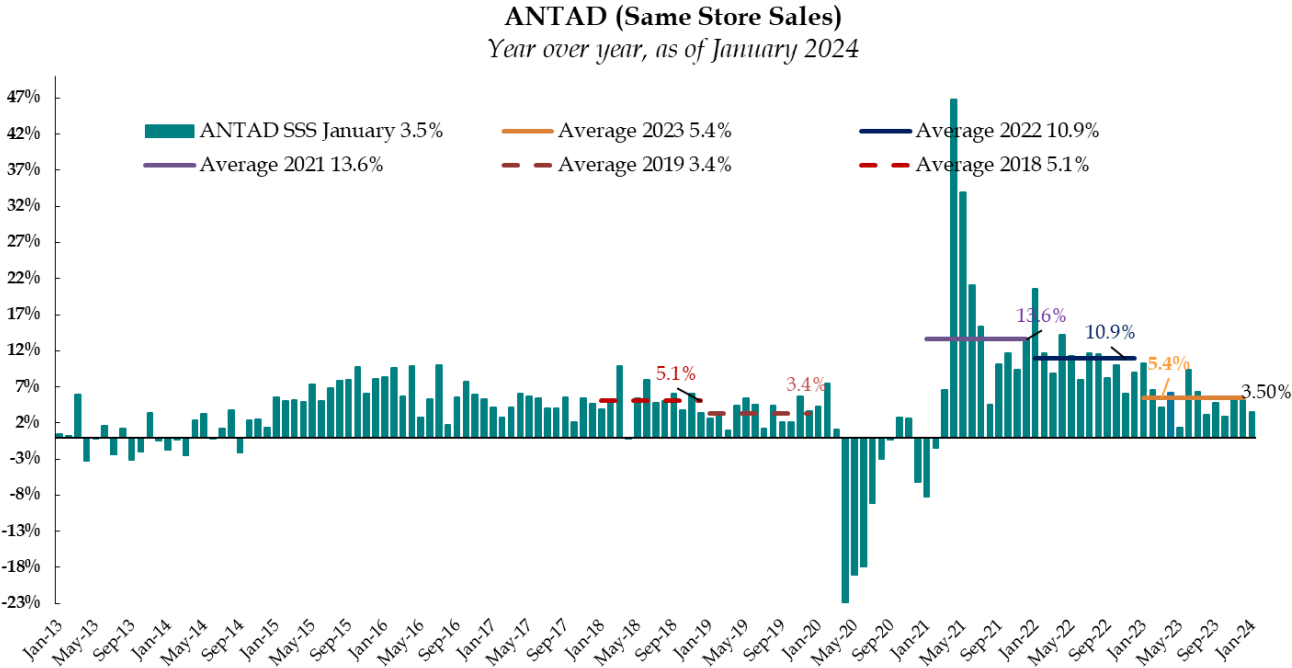


Source: Bloomberg

Economic Activity

exhibit 10

ANTAD Same Store Sales (SSS) for 2023 averaged 5.4%, stabilizing after two years of solid performance.

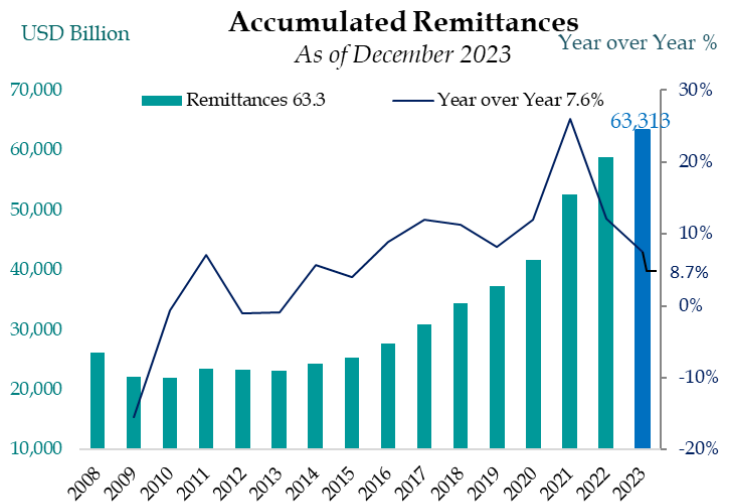
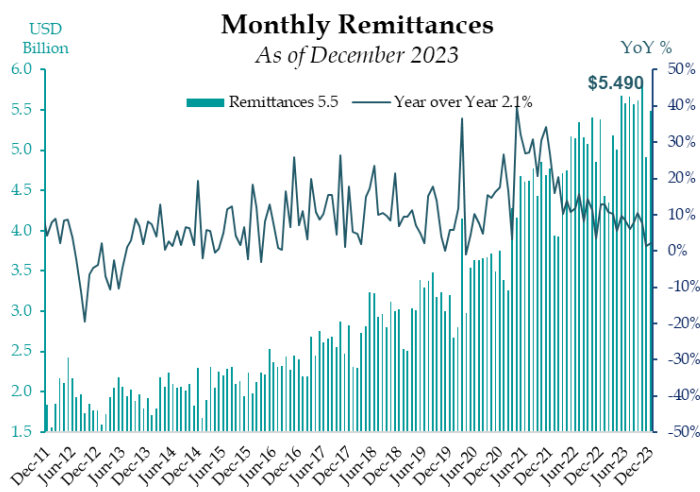


Source: ANTAD & PAM

Economic Activity

exhibit 11

Structural Economic Strength Inflow growing at a 4-Year Annual Compound rate of 14.2%. At the end of the year the total annual remittances registered 63.3 billion a 7.6% increase year over year.

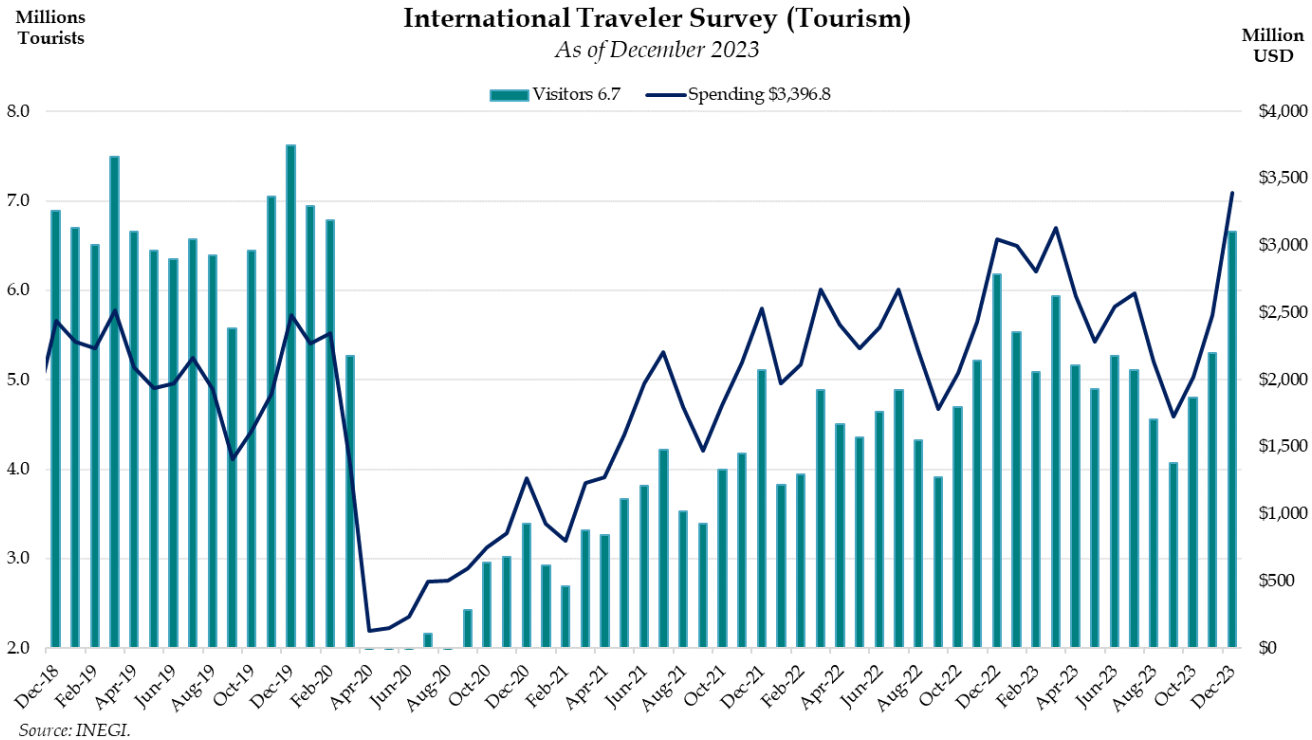


Source: Banxico

Economic Activity

exhibit 12

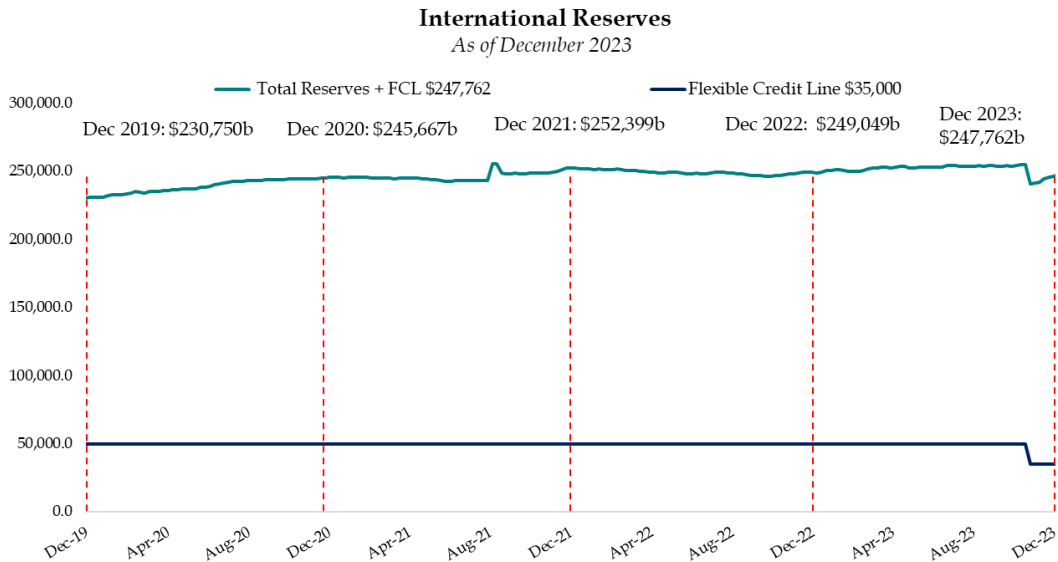
Tourism Income from international visitors for the last twelve months to December 2023, reached US \$30.8 billion, a 10% increase compared to the same period of 2022.



Economic Activity

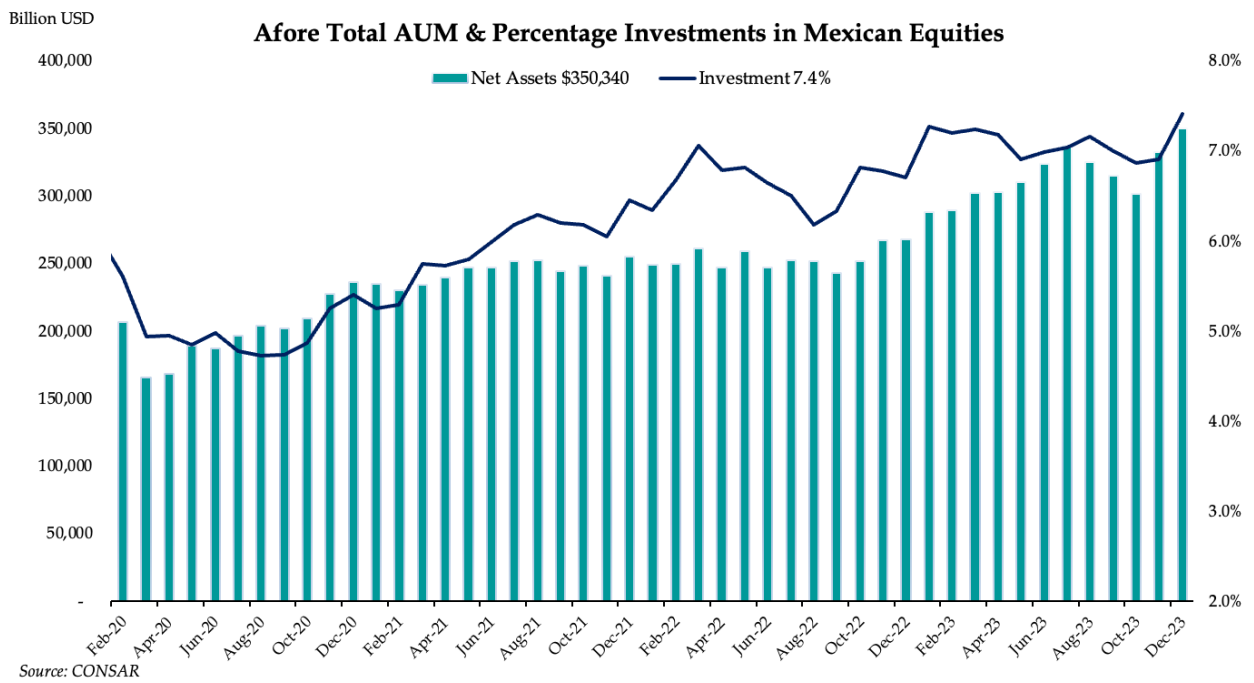
exhibit 13

International Reserves at high levels boosted by remittances and tourism income. Year to date, total international reserves have decreased 0.53% vs the end of fiscal year 2022, mainly due to the decrease in the credit line of the International Monetary Fund, from USD \$50,000 to \$35,000 billion dls.



Economic Activity

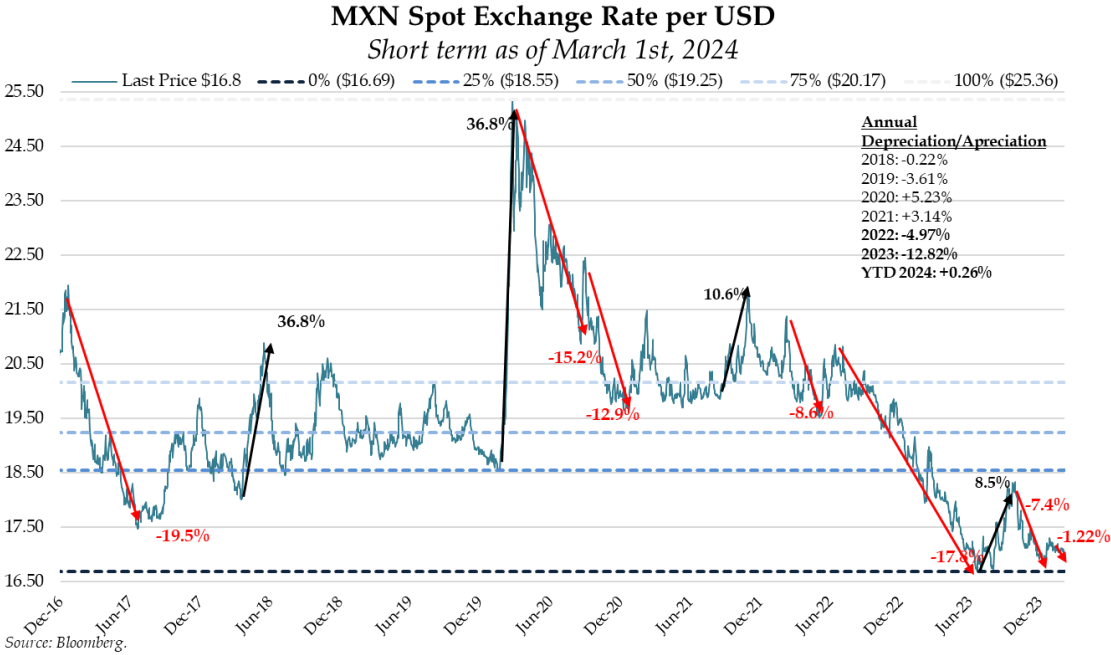
exhibit 14



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 1.5% year over year, mainly due to a decrease in non-oil exports (-1.6%), of manufacturing has dropped 2% year over year. Total imports have declined 1%, mainly because of oil imports (-43.8%) but slightly offset by consumption goods, and capital goods.

Mexico's Trade Balance - As of January 2024									
Exports									
	Jan-24	% of Total	Annual Change	Jan-23	% of Total	Annual Change	2023	% of Total	Annual Change
Total Exports	41,957	100.0%	-1.5%	42,610	100.0%	-11.0%	593,012	100%	2.6%
Oil	2,721	6.5%	0.2%	2,716	6.4%	-8.0%	33,219	5.6%	-14.8%
Crude Oil	2,096	5.0%	0.3%	2,090	4.9%	-10.0%	27,604	4.7%	-29.2%
Others	625	1.5%	-0.2%	626	1.5%	-0.5%	5,614	0.9%	-23.6%
Non-Oil	39,236	93.5%	-1.6%	39,894	93.6%	-11.2%	559,793	94.4%	3.9%
Agricultural	1,931	4.6%	0.7%	1,917	4.5%	1.6%	21,784	3.7%	2.8%
Mining	734	1.7%	12.1%	655	1.5%	-18.0%	9,171	1.5%	0.2%
Manufacturing	36,571	87.2%	-2.0%	37,321	87.6%	-11.6%	528,838	89.2%	4.0%
Automotive Industry	12,721	30.3%	-6.5%	13,604	31.9%	8.0%	188,903	31.9%	14.3%
Others	23,850	56.8%	0.6%	23,718	55.7%	-20.0%	339,934	57.3%	-0.9%
Imports									
	Jan-24	% of Total	Annual Change	Jan-23	% of Total	Annual Change	2023	% of Total	Annual Change
Total Imports	46,272	100.0%	-1.0%	46,716	100%	-0.8%	598,475	100%	-1.0%
Oil	3,444	7.4%	-43.8%	5,551	11.9%	55.9%	51,755	8.6%	-56.3%
Non-Oil	42,828	92.6%	14.8%	41,165	88.1%	27.9%	546,720	91.4%	3.2%
Consumption Goods	6,429	13.9%	24.4%	5,166	11.1%	15.5%	70,685	11.8%	-11.5%
Intermediate Goods	31,395	67.8%	-1.5%	31,885	68.3%	-4.3%	418,184	69.9%	-8.4%
Capital Goods	5,004	10.8%	21.6%	4,114	8.8%	2.5%	57,852	9.7%	20.0%
Trade Balance									
	Jan-24	Annual Change	Jan-23	Annual Change	2023	Annual Change			
Trade Balance	-4,315	5.1%	-4,106	-34.4%	-5,464	-79.67%			

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

Exchange Rate & External Accounts

exhibit 17

In January total exports decreased 1.5% and total imports decreased 0.95% year over year.

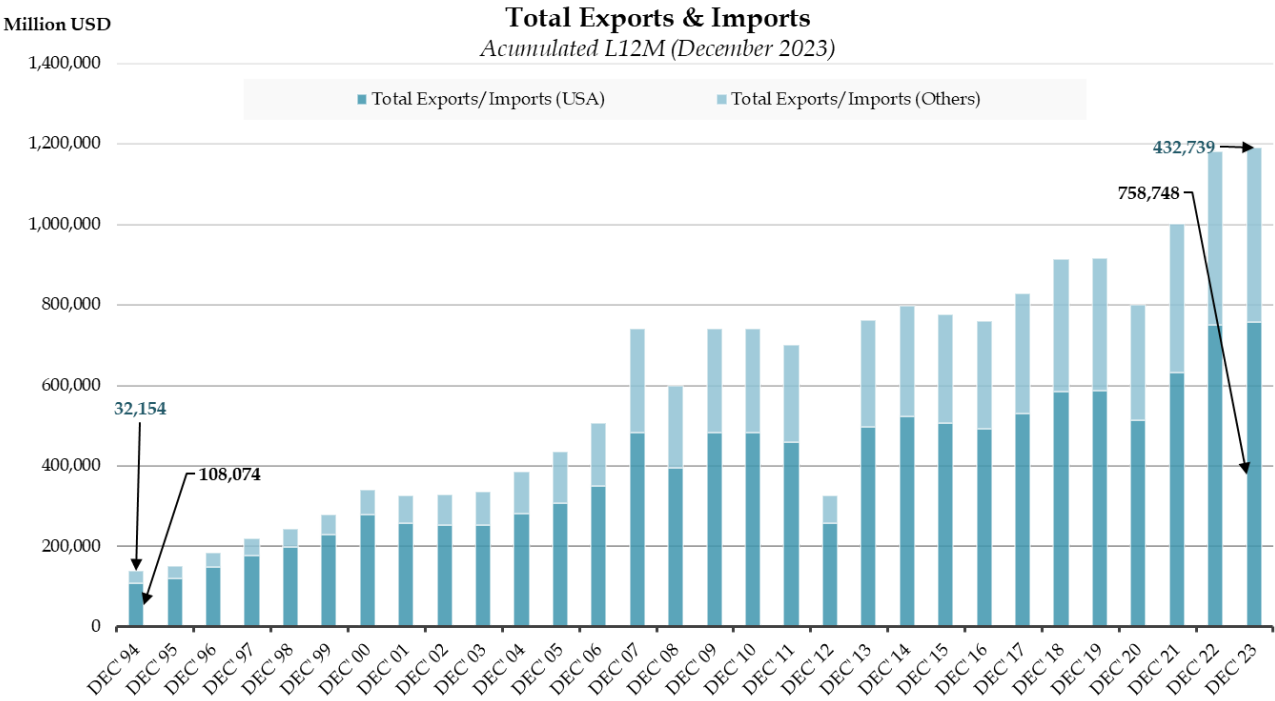


Source: Mexico's Ministry of Economics

Exchange Rate & External Accounts

exhibit 18

Data from December '23, shows that total exports to the U.S. are stable. Representing a slight increase year over year of 1.1% vs Dec. 2022, and a 20.2% increase vs Dec. 2021.



Exchange Rate & External Accounts

exhibit 19

Mexico became the main trade partner to the U.S.A. in March 2023, and has since alternated with Canada in the top two positions. Year to date, December 2023, Mexico represented 15.7% of USA's total imports meanwhile China represented 11.3%.

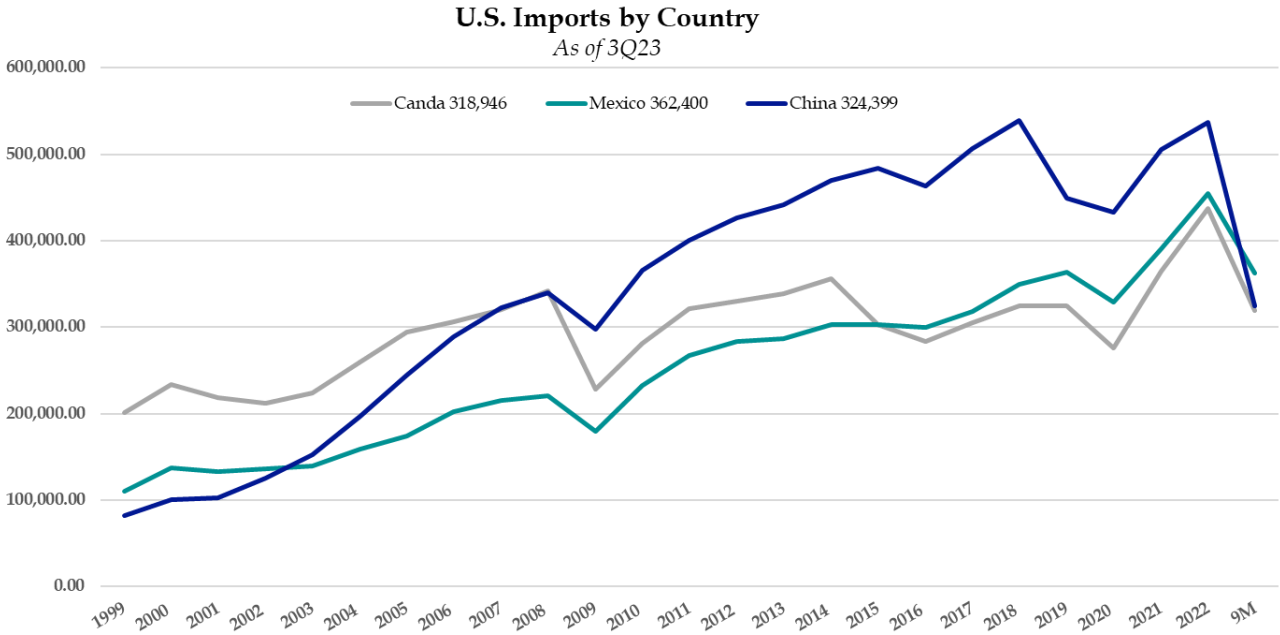
United States International Trade - YTD as of December 2023									
Country	Exports	Imports	Total Trade	Balance	Country	Exports	Imports	Total Trade	Balance
Mexico	323,228	475,607	798,835	-152,379	Taiwan	39,776	87,752	127,528	-47,976
% of Total	16.0%	15.4%	15.7%		% of Total	2.0%	2.8%	2.5%	
Canada	353,235	421,096	774,331	-67,861	France	44,257	57,649	101,906	-13,392
% of Total	17.5%	13.7%	15.2%		% of Total	2.2%	1.9%	2.0%	
China	147,806	427,229	575,035	-279,423	Italy	28,930	72,942	101,872	-44,012
% of Total	7.3%	13.9%	11.3%		% of Total	1.4%	2.4%	2.0%	
Germany	76,699	159,720	236,419	-83,021	Brazil	44,808	39,122	83,930	5,686
% of Total	3.8%	5.2%	4.6%		% of Total	2.2%	1.3%	1.6%	
Japan	76,165	147,340	223,505	-71,175	Singapore	42,447	40,340	82,787	2,107
% of Total	3.8%	4.8%	4.4%		% of Total	2.1%	1.3%	1.6%	
Korea, South	64,836	116,235	181,071	-51,399	Hong Kong	27,768	4,184	31,952	23,584
% of Total	3.2%	3.8%	3.5%		% of Total	1.4%	0.1%	0.6%	
United Kingdom	74,090	64,285	138,375	9,805	Saudi Arabia	13,873	15,877	29,750	-2,004
% of Total	3.7%	2.1%	2.7%		% of Total	0.7%	0.5%	0.6%	
India	40,117	83,768	123,885	-43,651	All other countries	621,507	870,946	1,492,453	-249,439
% of Total	2.0%	2.7%	2.4%		% of Total	30.8%	28.2%	29.2%	
					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
					TOTAL 2021	1,754,578	2,832,946	4,587,524	-1,078,368

Source: U.S. Census Bureau
Millions USD

Exchange Rate & External Accounts

exhibit 20

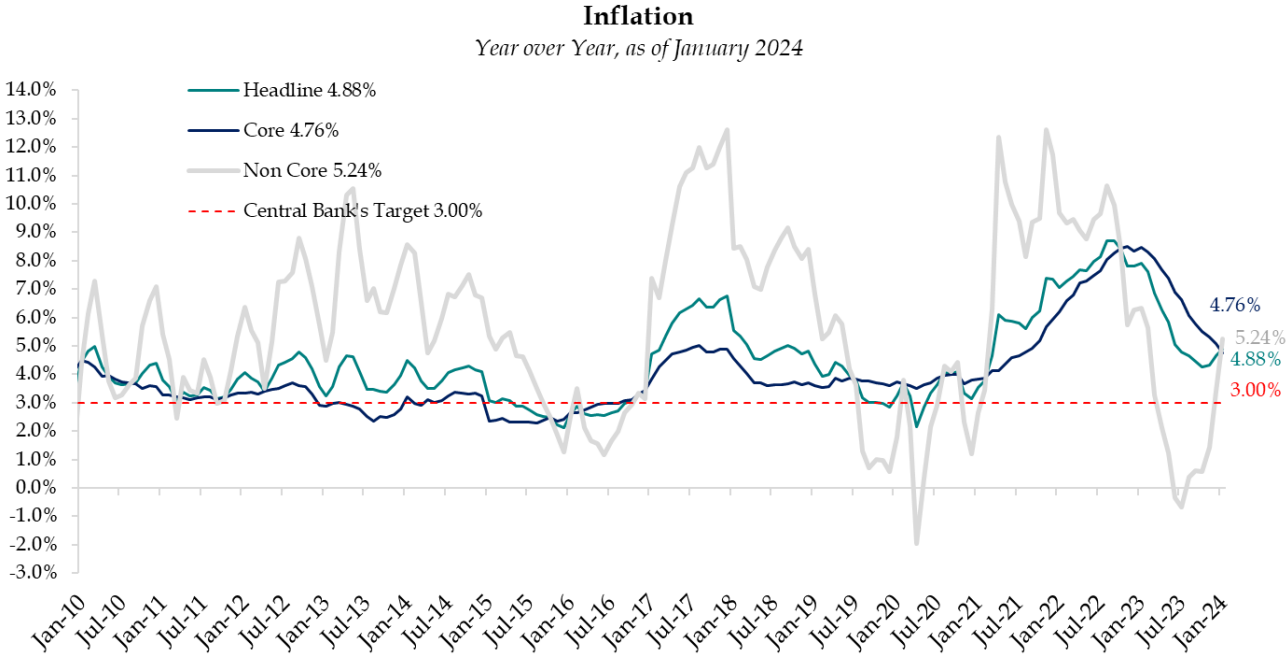
At the end of the 3Q23, Mexico surpassed China and Canada in terms of U.S imports.



Monetary Policy & Sovereign Risk

exhibit 21

Core inflation remains elevated but has decelerated from its peak of 8.7% in September 2022. Since the beginning of the year, headline and core mark a clear descent and start to show signs of stabilization.

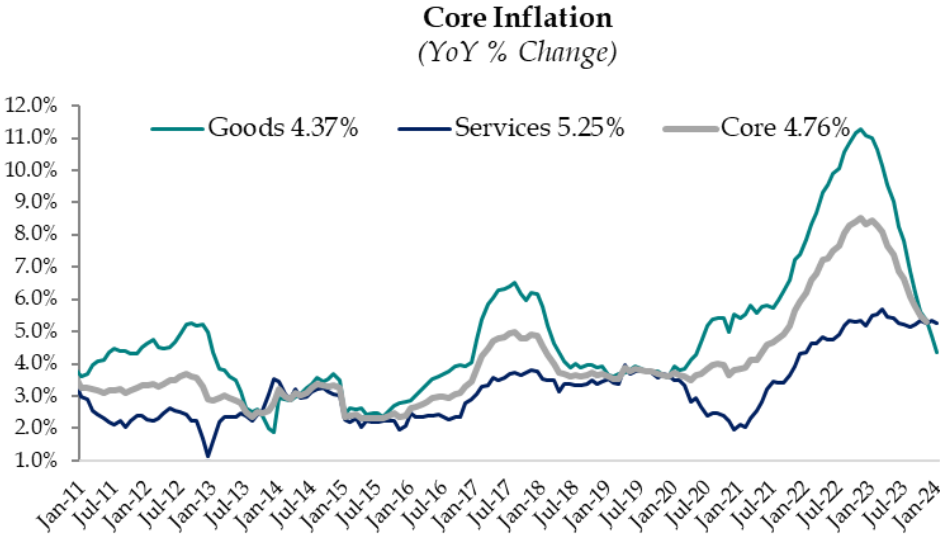


Source: INEGI

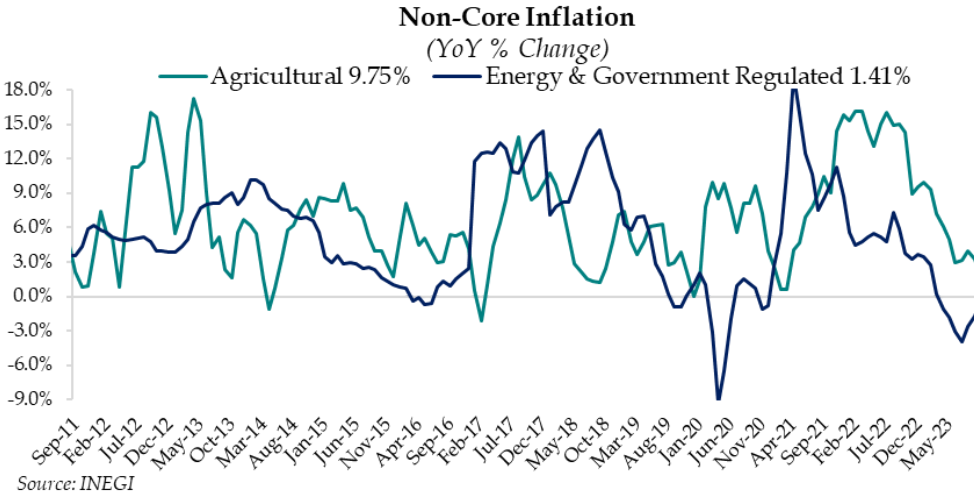
Monetary Policy & Sovereign Risk

exhibit 22

Lower CPI related mainly to non-core inflation. Core inflation has passed the peak in October 2022 due to a deceleration in goods prices. However, services inflation proves to remain sticky.



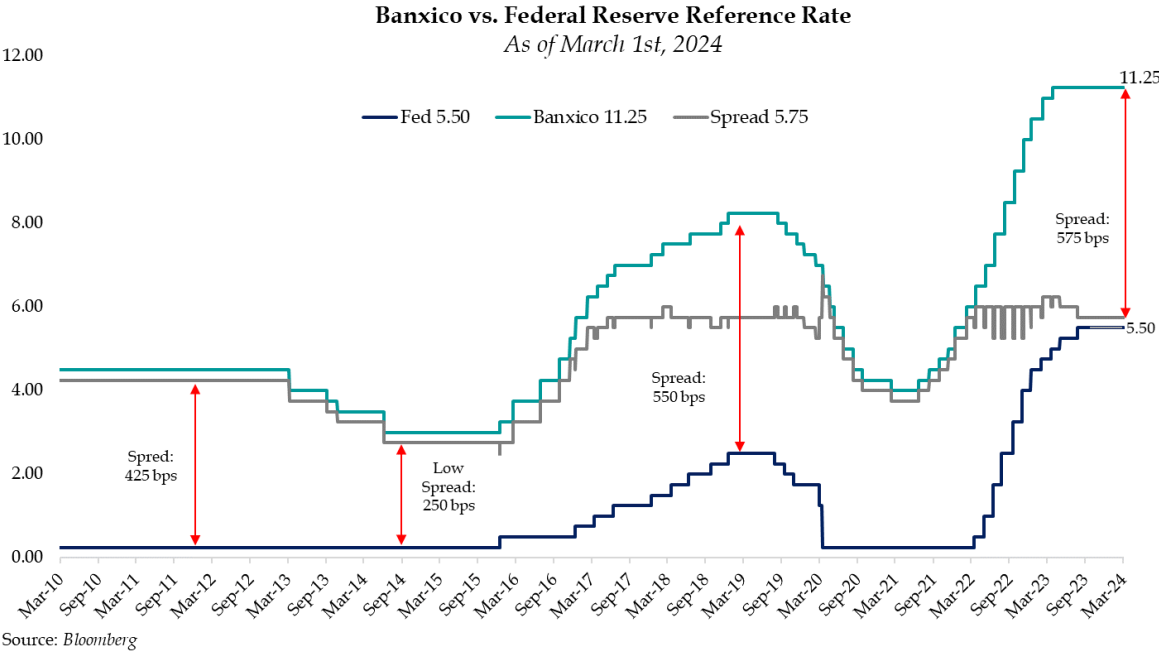
Source: INEGI



Source: INEGI

Monetary Policy & Sovereign Risk

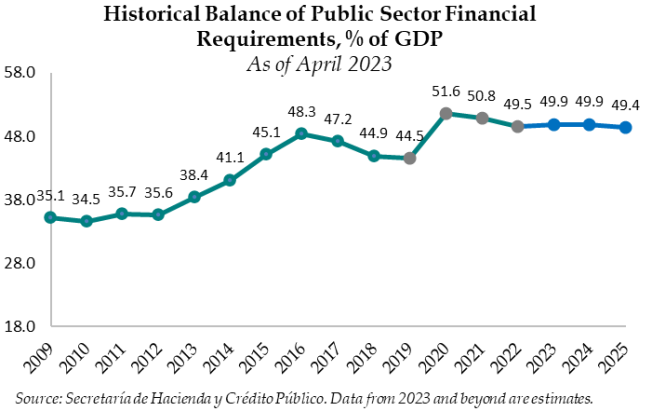
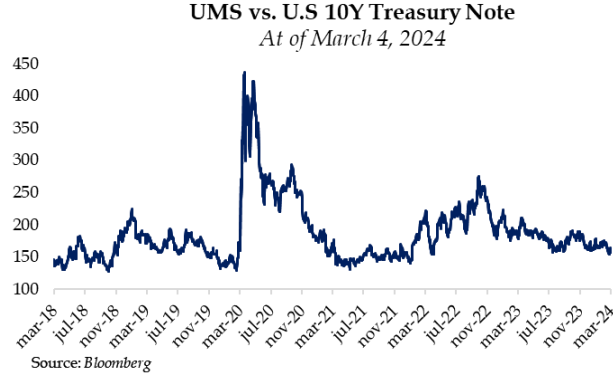
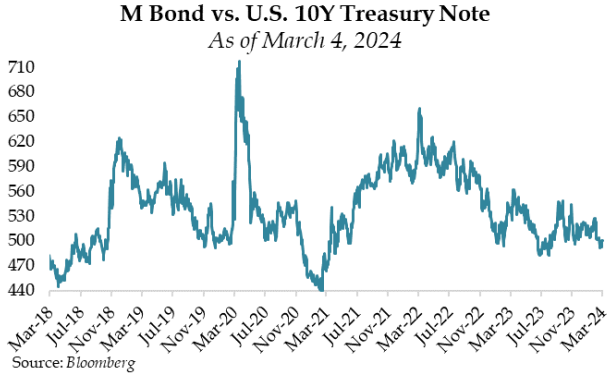
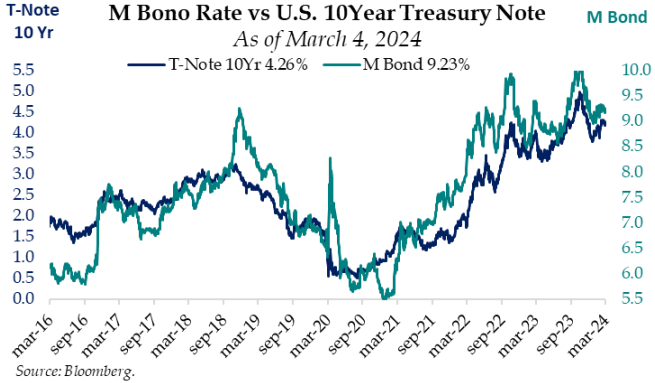
exhibit 23



Monetary Policy & Sovereign Risk

exhibit 24

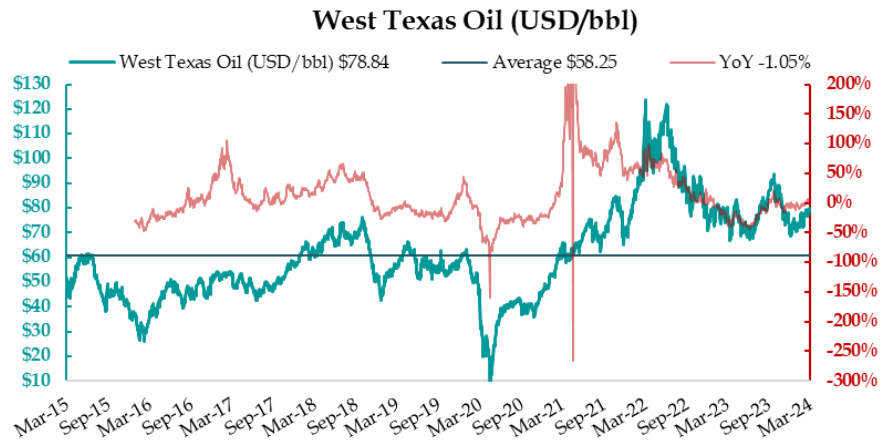
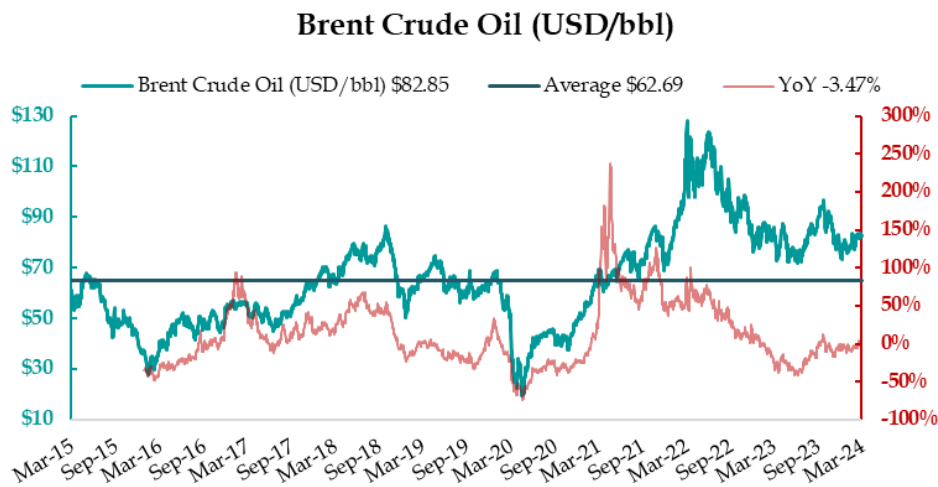
Healthy Public Finances lead to adequate spreads compared to U.S. debt.



Commodities

exhibit 25

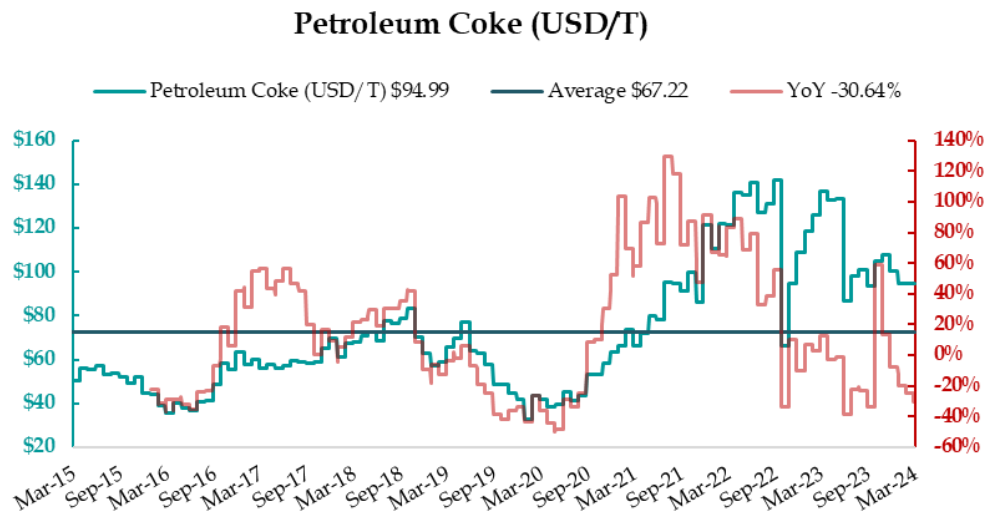
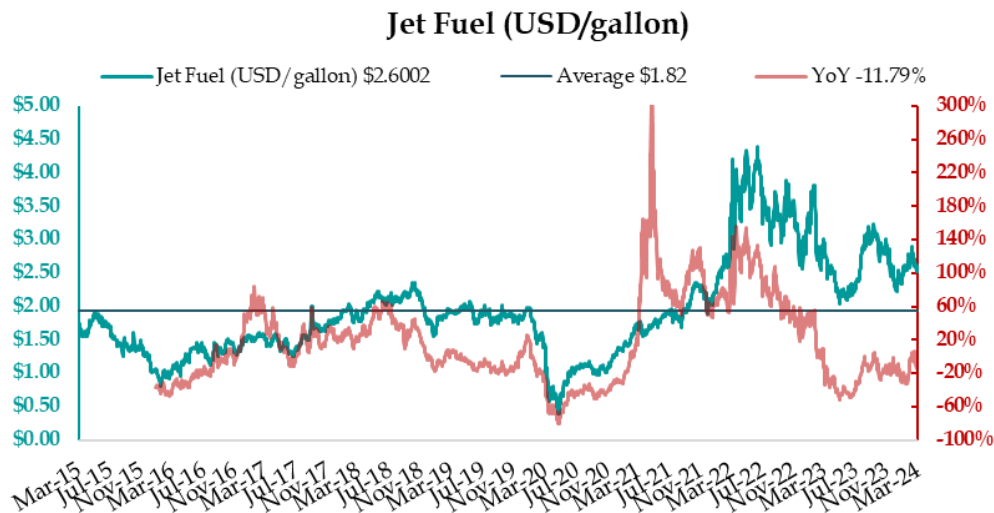
Oil prices have declined steadily since April 2022. Since June, oil prices began to rebound after the OPEC announcement to cut production, and both remained below \$100 USD/bbl.



Commodities

exhibit 26

Pet Coke have experienced pressure in 2023 impacted by China's reopening & Jet Fuel prices have increased due to the strong travel demand.

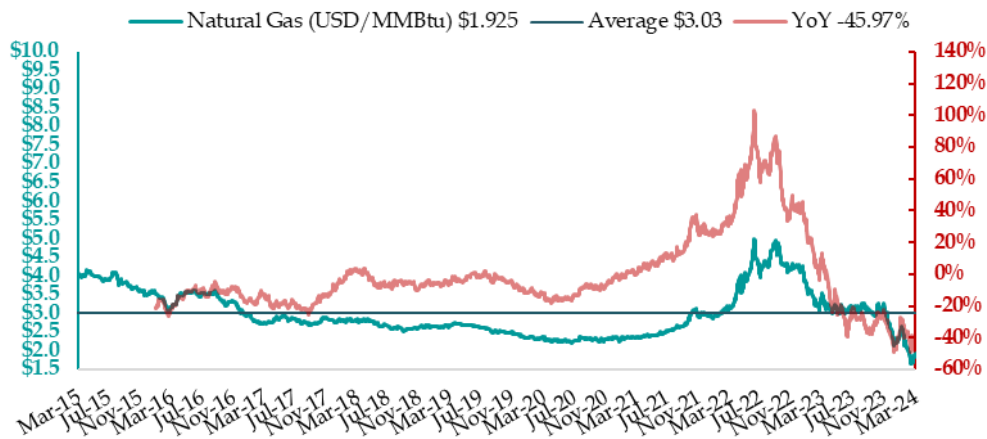


Commodities

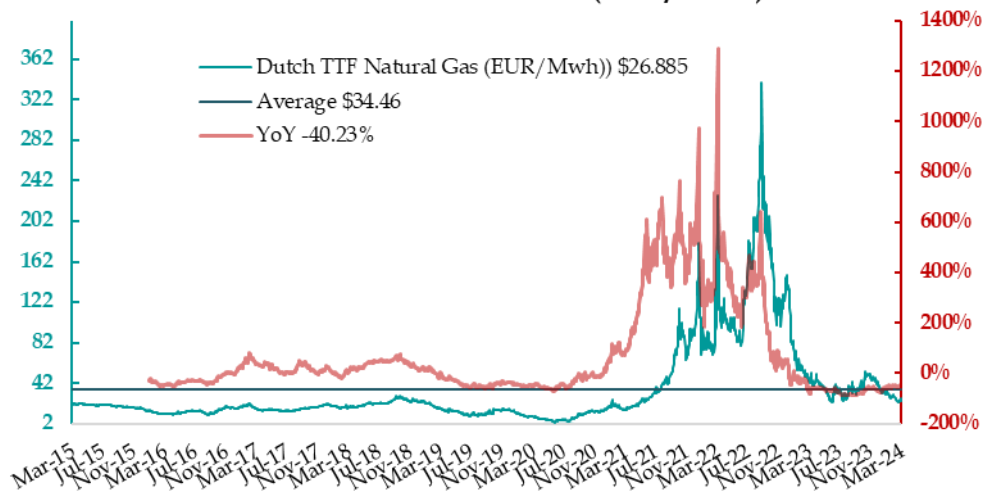
exhibit 27

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

Natural Gas (USD/Mmbtu)



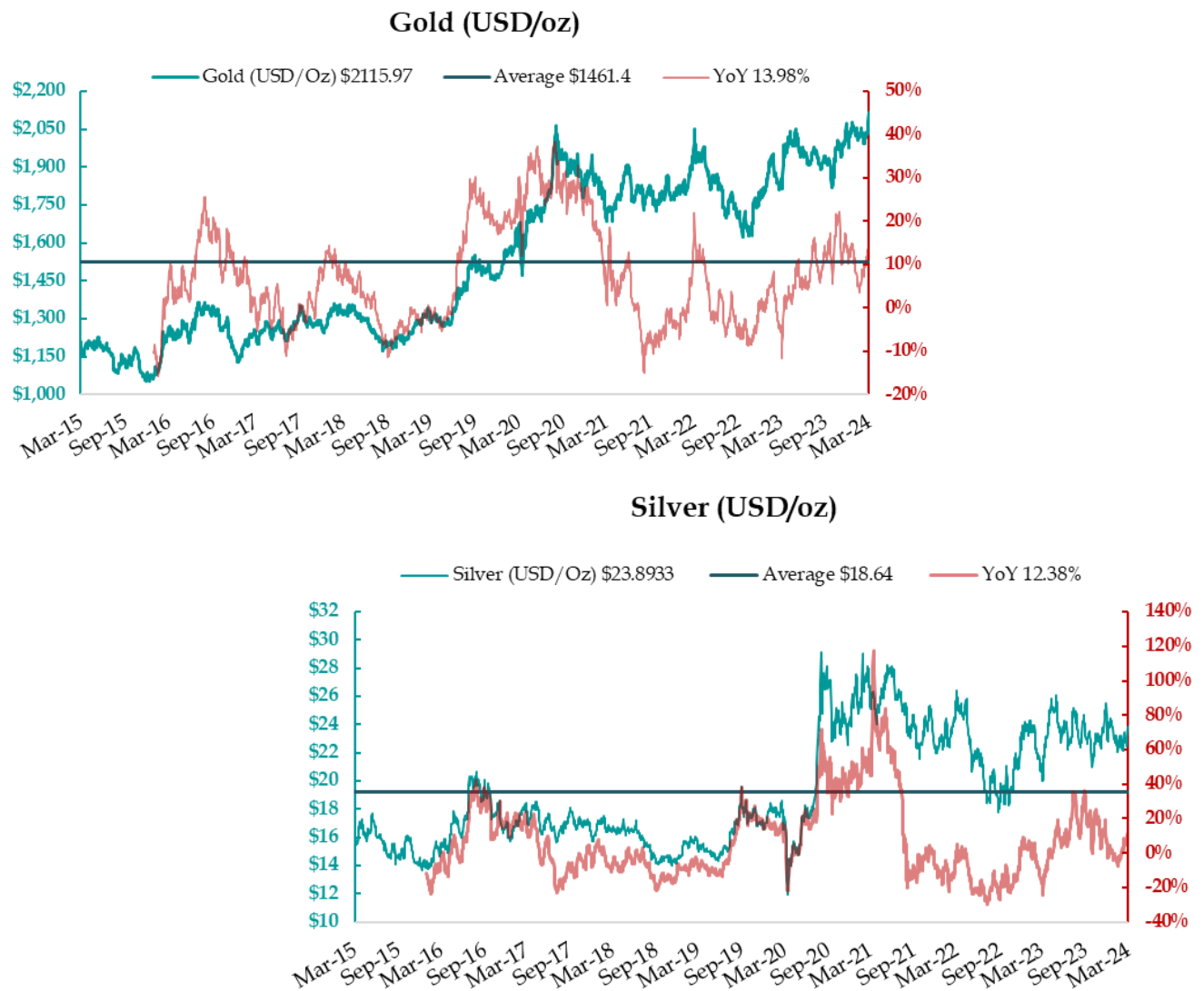
Dutch TTF Natural Gas (EUR/Mwh)



Commodities

exhibit 28

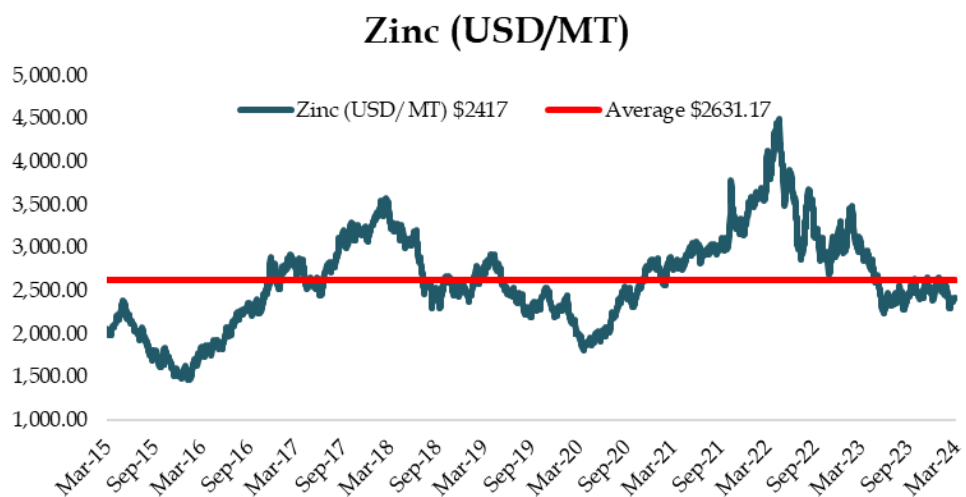
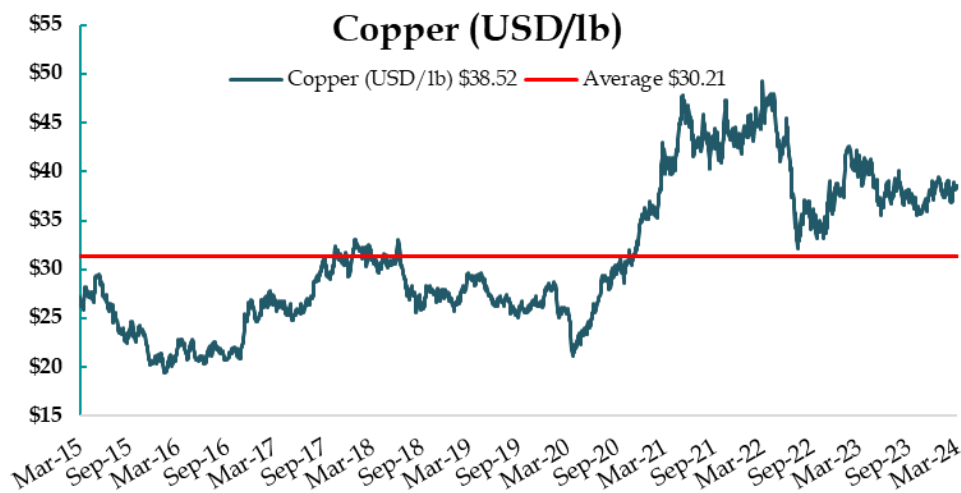
With the ongoing geopolitical uncertainties amid the Israel-Palestine war, gold prices have firmed up and are set to touch higher price points even during 2020. Silver has also seen a rebound, consequence.



Commodities

exhibit 29

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 have increased during the month of November. Prices in copper remain elevated, meanwhile zinc remains below its historic average since June 2023.

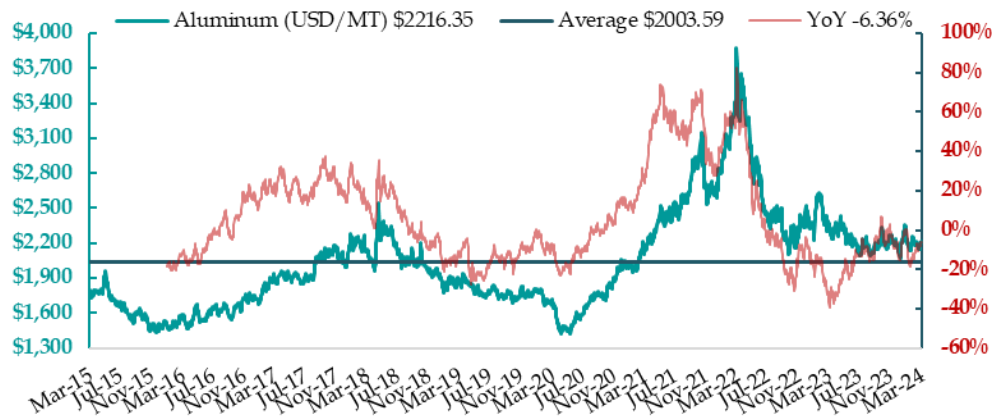


Commodities

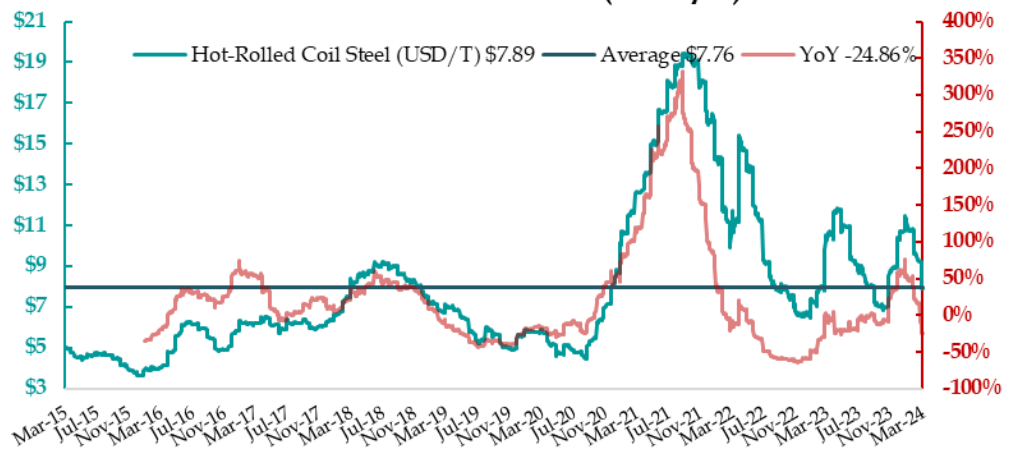
exhibit 30

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 25% y-o-y.

Aluminum (USD/MT)



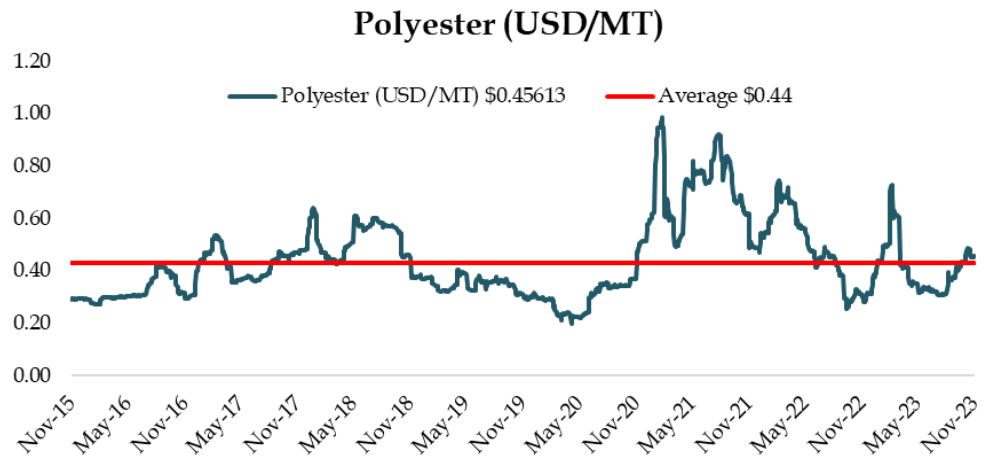
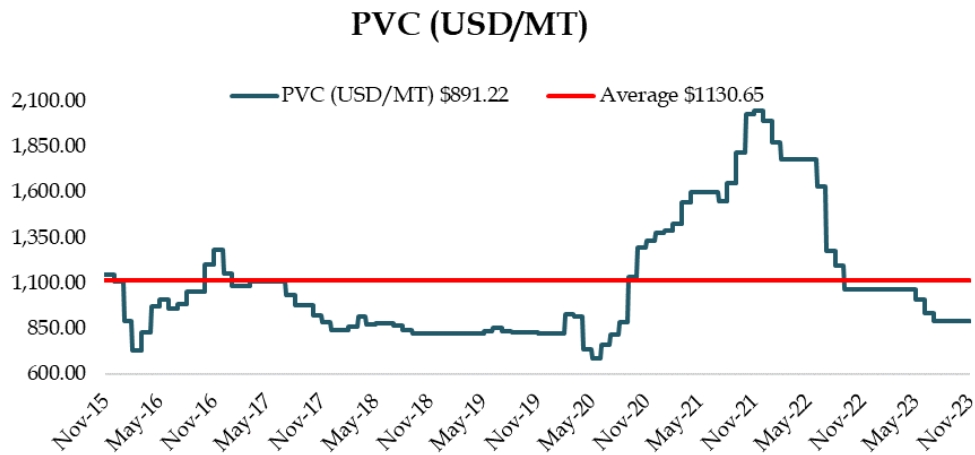
Hot-Rolled Coil Steel (USD/T)



Commodities

exhibit 31

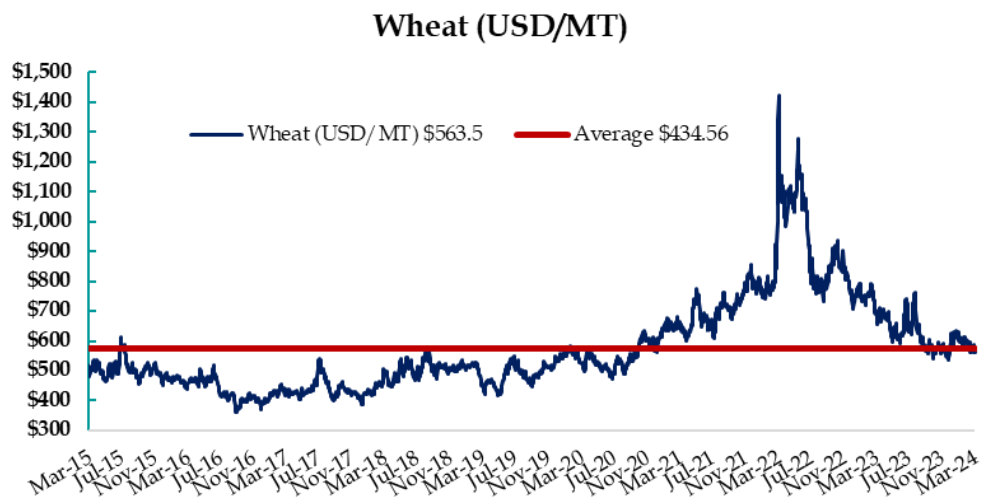
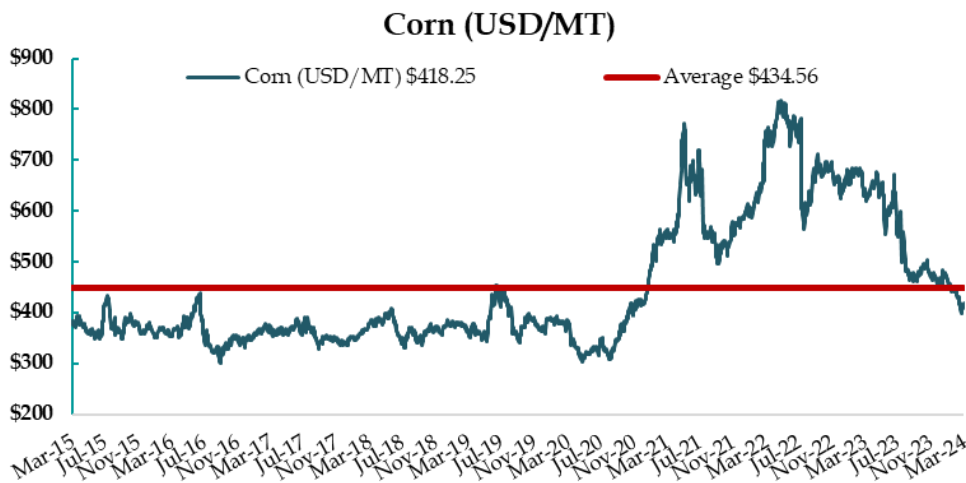
PVC lower prices due to discount offered by the largest US PVC producer in March, there is an increase in offer and lower demand. Polyester recovering price due to a higher demand.



Commodities

exhibit 32

Corn has lowered below their historic average, and wheat remains near its average, despite Russia retreating from the Black Sea grain agreement with Ukraine, and the key Ukrainian ports on the Danube have continued working despite another Russian strike overnight on infrastructure and grain storage facilities in August 2023.



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.

Pichardo Asset Management, S.A. de C.V., Asesores en Inversiones Independientes (the Advisor), is registered in the Registry of Investment Advisors (the Registry) of Mexico's National Banking and Securities Commission (the Commission) as an independent investment advisor, under registration number 30018-001-(5365)-18/12/2015, dated December 18, 2015. The Commission exclusively supervises the provision of portfolio management services when investment decisions are made in the name and on behalf of third parties, as well as services consisting of providing investment advice on securities, analysis, and issuance of investment recommendations on an individualized basis, and therefore lacks the authority to supervise or regulate any other service provided by the Advisor. Such registration does not imply adherence to the provisions applicable in the services rendered, nor the accuracy or truthfulness of the information provided.

Pichardo Asset Management, S.A. de C.V. is a registered investment adviser in the United States under the Investment Advisers Act of 1940, registration number 801-62108, dated June 4, 2003. Such registration does not imply a certain level of skill or training.