

Limited Economic Stimulus in Mexico

Mexico remains vulnerable to the COVID-19 pandemic and the oil prices drop. On March 30th, the Ministry of Health declared a state of sanitary emergency, which implies the suspension of non-essential activities in the public and private sectors, and the closure of schools. The Ministry of Health expects that the highest number of contagions could materialize in early August.

On April 5th, the federal government announced a fiscal stimulus package without specific measures to support medium and large businesses. According to the plan, more than 50% of the poor households in the country will receive support from the federal government. The Mexican business councils declared the announcement as insufficient.

Pre-Criteria Macroeconomic 2021

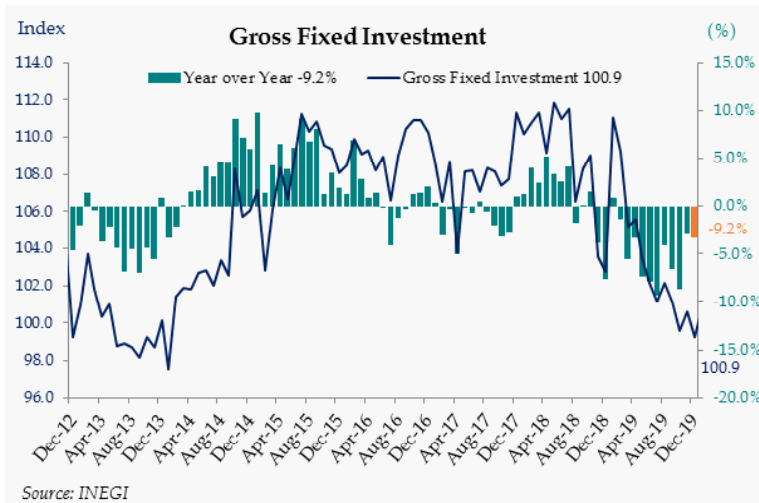
The Ministry of Finance (SHCP) sent the 2021 General Pre-Criteria to the Congress. This document is part of the planning process for the 2021 budget, although it also allows the SHCP to make adjustments in the 2020 budget. Due to the negative impact of the coronavirus pandemic and the drop in oil prices, the changes expected for 2020 were substantial:

1. The ministry recognizes that Mexico could suffer a recession. The new economic growth estimation ranges between (-)3.9% and 0.1%; considerably lower than the previous one, between 1.5% and 2.5%.
2. To mitigate the effect of this recession, the ministry abandoned the objective of a primary surplus of 0.7% of GDP. The SHCP now anticipates a (-) 0.4% of GDP deficit.
3. Due to the modification from a primary surplus to a primary deficit, the financial deficit widens from 2.1% to 3.3% of GDP.
4. Regarding Pemex, the new estimated price of the Mexican oil mix is \$24 dollars per barrel (dpb), less than the \$49 dpb, initially budgeted. Besides, the production platform that they hope to reach is 1.85 million barrels per day (mbd), a decline of 100 thousand barrels per day from the previous estimate, but still 130 thousand above the current production of 1.72 mbd.
5. The ministry anticipates an average exchange rate of MX\$22.00 per dollar; previously, the estimate was US\$19.90.
6. The new macroeconomic forecasts seem realistic regarding the estimates of a sturdy economic recession and the need to incur a fiscal deficit, the exchange rate could also be within what is reasonably expected. However, they seem too optimistic in the oil price and production forecasts.

Economic Indicators

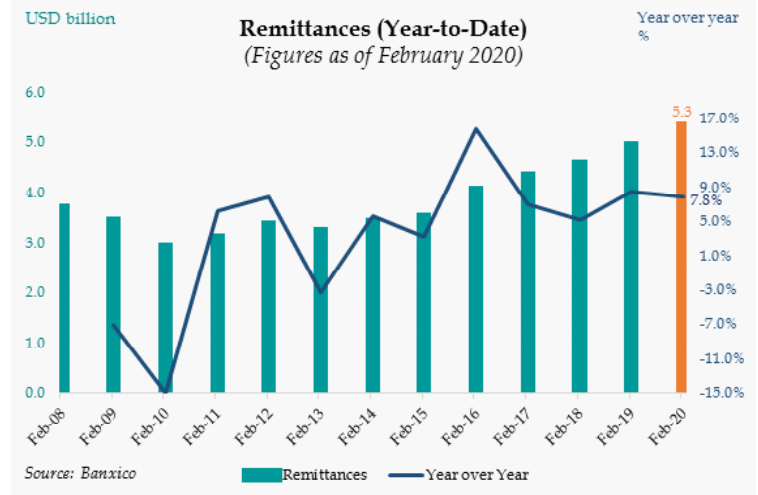
Gross Fixed Investment

Gross Fixed Investment in January suffered its fifteen consecutive annual decline. The (-)9.2% decline was due to decreases in machinery (-10.7%) and construction (-7.6%) respectively. Private sector investment remains weak and the outlook is bleak.



Remittances

In February, remittances reached US\$2.69 billion, an historical maximum. Therefore, the year to date sum amounts to US\$5.27 billion, 7.82% higher than in 2019. The good start of the remittances in the year could be backlashed due to the considerable increase in unemployment in the United States as a consequence of the COVID-19.



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Definitions

Banco de México (Banxico): Is the central bank of Mexico. Its main function is to provide domestic currency to the Mexican economy and its main priority is to ensure the stability of the domestic currency's purchasing power.

COVID-19: The disease caused by the coronavirus, a family of viruses that were discovered in the 60s but whose origin is still unknown. Its different types cause different diseases, from a cold to a severe respiratory syndrome.

Gross Domestic Product (GDP): Is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Gross Fixed Investment (IFB): Describes the net capital accumulation during an accounting period for a country. The term refers to additions of capital stock, such as equipment, tools, transportation assets and electricity.

Petróleos Mexicanos (PEMEX): Is the Mexican state-owned petroleum company, created in 1938 by nationalization or expropriation of all private, foreign, and domestic oil companies at that time. As of March 31, 2020 the security is not included in the Fund Top 10 Portfolio Holdings. For a list of full securities please visit: http://www.mxefund.com/portfolio_holdings.html.

Remittances: Funds an expatriate sends to his/her country of origin via wire, mail, or online transfer. These peer-to-peer transfers of funds across borders are economically significant for many of the countries that receive them.

The Ministry of Finance and Public Credit (SHCP): Is the government entity responsible for proposing and controlling the economic policy of the Mexican Federal Government regarding the financial, fiscal, expenditure, income and public debt sector.

The National Institute of Statistics and Geography (INEGI): Is a public body with technical and managerial autonomy, its own legal personality and assets, responsible for regulating and coordinating the National System of Statistical and Geographic Information.

Year to Date (YTD): Refers to the period of time beginning the first day of the current calendar year or fiscal year up to the current date.

Year over Year (YoY): Indicates the change from the comparable amount reported in the same period one year earlier.

Disclosures

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