

FOR IMMEDIATE RELEASE

**The Mexico Equity and Income Fund, Inc.
Makes Various Announcements**

Business Editors

New York--(BUSINESS WIRE)—Dec. 19, 2006-- The Mexico Equity and Income Fund, Inc. (the “Fund”) (NYSE: MXE; MXEPR) today announced that its Board of Directors has declared a dividend of \$3.03306 per share to both its common and preferred stockholders payable on January 26, 2007 to stockholders of record on December 29, 2006. The Board of Directors has further declared that the dividend on both classes of stock will be paid in new shares of common stock valued at the greater of net asset value or 95% of the market price per share on January 22, 2007. The Fund will not issue fractional shares, but instead will pay cash in lieu of fractional shares. The dividend consists of \$0.13187 net investment income, \$1.71038 short-term capital gain, and \$1.19081 long-term capital gain.

Registered stockholders that wish to receive cash in lieu of the stock dividend must notify the Fund prior to January 19, 2007. Stockholders who hold their shares through a third party intermediary such as a bank or brokerage firm and that wish to receive cash in lieu of the stock dividend must notify their broker or other financial institution prior to January 19, 2007.

The Board of Directors also announced that the Fund expects to commence its initial in kind tender offer to the Fund’s preferred shareholders upon receipt of an order from the Securities and Exchange Commission permitting holders of 5% or more of the Fund’s shares to participate in the tender offer. Additionally, the Board of Directors announced progress with the Securities and Exchange Commission with respect to the proposed issuance of Put Warrants to common shareholders. A holder of a Put Warrant would be able to “put” (sell) one share of common stock to the Fund (along with one Put Warrant) for cash equal to the current net asset value on a quarterly basis. The Board is hopeful that the Put Warrants can be issued early in 2007 in which case the initial in kind tender offer to preferred stockholders will not be conducted and the preferred shares will be converted to common shares together with Put Warrants on a one-for- one basis.

The Fund also announced the results of the Annual Meeting of Stockholders of the Fund, which was held on December 6, 2006. At the Annual Meeting of Stockholders, the common stockholders elected Mr. Andrew Dakos as a Class II Director of the Fund to serve until the 2009 Annual Meeting of Stockholders and ratified the Fund's prior issuance of the preferred stock. Additionally, the preferred stockholders elected Mr. Rajeev Das as a Class II Director of the Fund to serve until the 2009 Annual Meeting of Stockholders and ratified the issuance of the preferred stock.

The Fund also announced that its Board of Directors is considering a managed distribution policy for the Fund and has authorized the Fund's management to file an application with the Securities and Exchange Commission for the necessary exemptive relief. If implemented, the managed distribution policy would provide a regular monthly distribution to stockholders which is not dependent on the amount of income earned or capital gains realized by the Fund. Any particular distribution may consist of net investment income, long-term capital gains or return of capital, but the exact tax characteristics of the distributions will not be known until the Fund's fiscal year-end. Stockholders should not confuse a distribution that may include a return of capital with "dividend yield" and should understand that a "return of capital" represents a return of their original investment in the Fund's shares.

The Fund also announced that on October 31, 2006, total net assets of the Fund were \$103,570,253 and the net asset value ("NAV") for the common and preferred stock was \$26.54 per share, based on 2,473,504 and 1,429,336 shares outstanding, respectively. The Fund's common stock closed at \$24.35 per share and its preferred stock closed at \$23.20 per share on the New York Stock Exchange on October 31, 2006.

For the three months ended October 31, 2006, the Fund's net realized and unrealized gains totaled \$17,198,635 and the Fund's net investment loss was \$208,705.

On October 31, 2006, the Fund's investments in equity securities of Mexican companies totaled \$103,013,786 (or 99.5% of the Fund's net assets) and investments in debt instruments totaled \$633,248 (or 0.6% of the Fund's net assets), while cash and cash equivalents (including foreign currency) totaled \$145,338

(or 0.1 % of net assets) and other liabilities in excess of assets totaled \$222,119 (or 0.2% of the Fund's net assets). Additional information regarding the Fund's investments may be obtained by calling the Fund's Administrator at (414) 765-4499.

As of October 31, 2006, the Fund's 10 largest investments in common stocks represented 58.2% of the Fund's net assets and are listed below in descending order:

1. America Telecom, S.A. de C.V. - Class A1	10.1%
2. Promotora y Operadora de Infraestructura, S.A. de C.V.	8.2%
3. Wal-Mart de Mexico, S.A. de C.V. - Class V	7.5%
4. Empresas ICA Sociedad Conroladora, S.A. de C.V.	5.6%
5. Industrias CH, S.A. - Class B	5.0%
6. Corporacion GEO, S.A. de C.V. - Class B	4.8%
7. Grupo Financiero Banorte, S.A. de C.V. - Class O	4.7%
8. Urbi, Desarrollos Urbanos, S.A. de C.V.	4.5%
9. Alsea, S.A. de C.V. - Class A	4.0%
10. Cemex, S.A. de C.V. - CPO	3.8%

The Mexico Equity and Income Fund, Inc. common stock is traded on the New York Stock Exchange, Inc. under the trading symbol "MXE". The Mexico Equity and Income Fund, Inc. preferred stock is traded on the New York Stock Exchange, Inc. under the trading symbol "MXEPR".

Periodically updated information on the Fund can be obtained by calling the Fund's dedicated telephone line. Information provided includes a recorded update reviewing the Fund's net asset value and other information. The Fund's toll free number is (866) 700-6104. Inquiries regarding change of address, transfer of shares, lost certificates, and non-receipt of dividend checks or reinvestment statements should be directed to Computershare Investor Services, P.O. Box A35014, Chicago, IL 60690-3504; (888) 294-8217.

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