

Fitch affirms Mexico rating on fiscal stance since the pandemic, albeit with lingering risks

- Fitch Ratings affirmed today Mexico's long-term sovereign rating, both in foreign and local currency, at 'BBB-', maintaining a stable outlook
- The rating agency upgraded its assessment of the current public finance stance, with austerity helping maintain low deficits and contain higher debt levels, limiting macroeconomic imbalances
- Nevertheless, they flagged risks mainly from low potential growth, governance factors, and expectations of ongoing support for Pemex that could negatively impact public finances
- We reiterate our view that Mexico will remain an investment grade issuer in the short- and medium-term despite important challenges ahead, with risks of a rating downgrade in the rest of the year declining substantially

Fitch Ratings maintains Mexico's sovereign rating at 'BBB-' with a stable outlook. Fitch Ratings reaffirmed today Mexico's long-term sovereign rating, both in foreign and local currency, at 'BBB-' with a stable outlook. Its previous release was on November 11th, 2020, also reaffirming the rating. The agency acknowledges the credibility, consistency and prudence of macroeconomic policies (saying that Mexico was unusual in adhering to its fiscal rules during the pandemic), relatively stable and robust external finances, as well as better projected debt/GDP than the median 'BBB' rated country. They also mention possible tax changes in 2022 that could increase revenues. However, they warn of challenges associated with governance ("*...a pattern of intervention by the government in markets and some regulatory bodies, coupled with controversial reform proposals...*"), low potential growth (with the need for investment to pick up for better prospects) and its possible implications for the government's financial position given the strategy to alleviate Pemex's tax burden (they assume support of 0.5% of GDP per year, on top of recent tax cuts that may be made permanent). This decision is consistent with the most recent ratifications by [Moody's Investors Service](#) on April 29th, 2021, and [S&P Global](#) on December 3rd, 2020. We maintain our view that Mexico will remain an investment grade issuer in the short- and medium-term despite relevant challenges ahead. Moreover, we believe the risk of a downgrade in the rest of the year has declined substantially after recent actions by all other major agencies.

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Mexico and Pemex credit rating

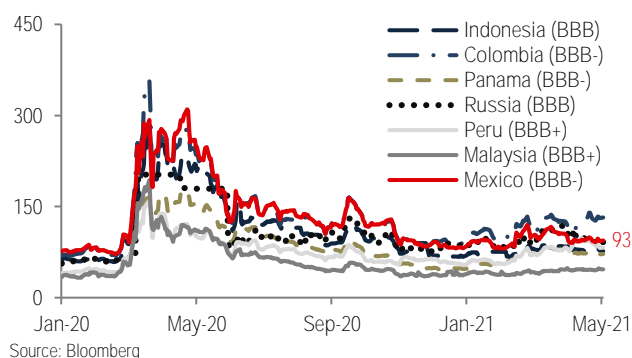
FitchRatings	S&P Global	MOODY'S
A-	A-	A3
BBB+	BBB+	Baa1
BBB	BBB	Baa2
BBB-	BBB-	Baa3
BB+	BB+	Ba1
BB	BB	Ba2
BB-	BB-	Ba3

Investment grade threshold

1 notch, 2 notches, 3 notches

Source: Banorte with data from Fitch, S&P Global and Moody's

5-year CDS of selected countries and Fitch sovereign ratings
Basis points, rating in parenthesis



Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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