

Fitch affirms Mexico 'BBB-' rating, with a stable outlook

- **Fitch Ratings** ratified Mexico's sovereign long-term foreign and local currency credit rating at 'BBB-', with a stable outlook
- A prudent macroeconomic stance, robust external finances and a relatively favorable debt/GDP ratio support the rating
- On the contrary, the agency identifies mid-term growth, Pemex's fiscal burden and governance factors among the main medium-term challenges and risks
- With this action, the three main agencies have ratified the country's credit rating this year. We reiterate our view that Mexico will remain an investment grade issuer in the short- and medium-term

Fitch Ratings ratifies Mexico's sovereign rating at 'BBB-'. Today, the agency ratified Mexico's long-term sovereign rating in foreign- and local- currency at 'BBB-', with a stable outlook. The last time they made an announcement was very similar, [last May](#). The agency reiterated the support provided by a prudent macroeconomic stance, robust external finances, and a stronger projected debt/GDP ratio than for the median of 'BBB' countries. They argue that the *2022 Budget*, [approved on Sunday](#), maintains a modest fiscal impulse, with a small primary deficit of 0.3% of GDP. The agency expects financial support for Pemex to continue, highlighting a lower fiscal burden next year, among other possible measures. Meanwhile, challenges in the medium-term remain, such as mid-term growth (estimated at 2% post-pandemic), low productivity growth and other governance factors. On the latter, the agency stated that *"A pattern of microeconomic policy intervention in markets and distrust in autonomous regulatory entities continues to affect Mexico's investment climate and governance quality..."*. After ratifications made a couple of months ago by [S&P Global Ratings](#) and [Moody's Investors Service](#), we reiterate our view that Mexico will remain an investment-grade country in the short- and medium-term. This would be anchored by responsible macroeconomic management despite some remaining challenges. Specifically, we do not see a substantial risk of a downgrade, as confirmed by the latest actions from the main rating agencies.

Mexico and Pemex credit rating

FitchRatings	S&P Global	Moody's
A-	A-	A3
BBB+	BBB+	Baa1 Sovereign
BBB	BBB PEMEX	Baa2
BBB- Sovereign	BBB- Sovereign	Baa3
BB+	BB+	Ba1
BB	BB	Ba2 PEMEX
BB- PEMEX	BB-	Ba3

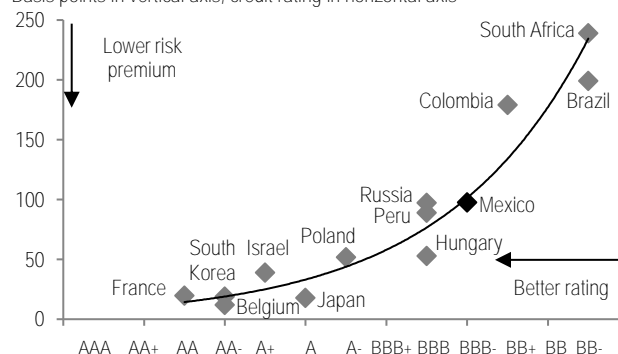
Investment grade threshold

1 notch, 2 notches, 3 notches

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

5-year CDS and Fitch's credit rating

Basis points in vertical axis, credit rating in horizontal axis



Source: Banorte with data from Bloomberg and Fitch Ratings

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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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