

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

- **Fitch Ratings** affirmed 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 stable trajectory of debt/GDP keep supporting the rating
- On the contrary, the agency identifies long-term growth, Pemex's fiscal burden, and governance factors among the main challenges and risks
- With this action, the revision cycle begins for this year, awaiting announcements from the two other big agencies soon. 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, [back in November](#). The agency reiterated the support from a prudent macroeconomic stance, robust external finances, and a stronger projected debt/GDP ratio than for the median of 'BBB' countries. On the recent increase in oil prices, they do not expect an impact on the fiscal balance if the price of the Mexican oil mix remains below 100 US\$/bbl, with higher revenues spent on stabilizing gasoline prices. This would also result in a lower need to support Pemex in the short-term. Among the risks, they keep warning about the path of economic activity in the medium- and long-term. Specifically, they estimate GDP growth at 2.0% for both 2022 and 2023 (Banorte: 2.1% and 2.0%, respectively). Pre-pandemic activity levels would be reached until next year. They reiterated that high contingent liabilities from Pemex are a risk, as well as some governance factors. With this move, the revisions from the big rating agencies begins this year, expecting other updates soon. In this backdrop, we reiterate our view that Mexico will remain an investment-grade country in the short- and medium-term. This should be anchored by responsible macroeconomic policies, a conservative fiscal stance, and stable debt/GDP levels, despite some remaining challenges.

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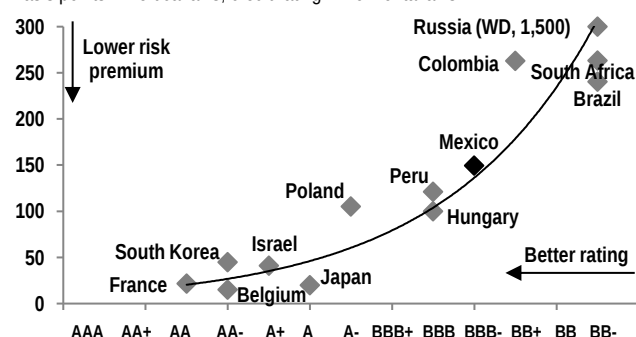
Mexico and Pemex credit rating

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

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.
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