

S&P affirms Mexico 'BBB' rating, upgrading the outlook to stable

- **S&P Global Ratings** ratified today Mexico's sovereign long-term foreign currency credit rating at 'BBB', upgrading the outlook from negative to stable
- The main drivers include the agency's view that Mexico's cautious fiscal and monetary execution will continue, resulting in a stable net government debt ratio in coming years
- On the contrary, the rating is limited by challenges related to contingent liabilities of Pemex and CFE, as well more modest GDP relative to peers
- With this, Moody's is the only agency with a negative outlook, from which we expect an update soon. The decision gives us more confidence that the country will remain as 'investment grade' in the short- and mid-term

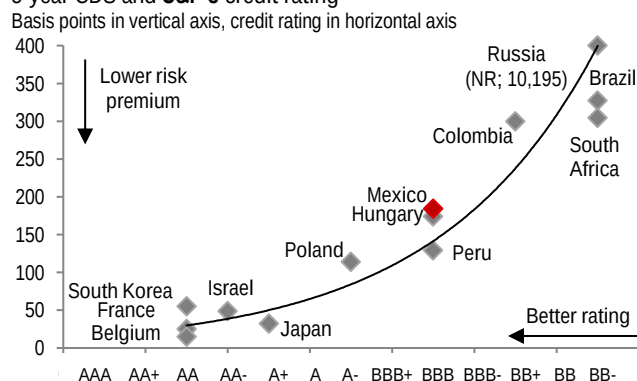
S&P Global Ratings changes Mexico's outlook to stable. Today, the agency affirmed the long-term sovereign rating in foreign- and local-currency at 'BBB' and 'BBB+' respectively. More positively though, they changed the outlook from negative to stable, after [reaffirming the former back in December 2021](#). The adjustment is explained by the expectation that a careful execution of monetary and fiscal policies will continue, achieving stability in net public debt around 47% of GDP in coming years. They added as a strength the possibility of higher investment due to nearshoring and lower uncertainty in the energy front. On this, the statement highlighted pragmatic dialogue between the government and US businesses to generate investments and bilateral financing in the sector. They also estimate slightly higher deficits (2.9% of GDP in 2022-2025) due to gasoline subsidies, but a constant control on spending will continue, even with social programs and flagship investments. Among the risks, the agency keeps noting contingent liabilities from Pemex and CFE –with a nearly certain probability of additional, extraordinary support– and the lag in the economic recovery, especially on low private investment. All in all, the decision reinforces our conviction that Mexico will maintain its investment-grade status in the short- and medium-term. We now expect *Moody's* update, currently [with a rating of 'Baa1' and a negative outlook](#).

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 S&P's credit rating



Source: Banorte with data from Bloomberg and S&P Global Ratings

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