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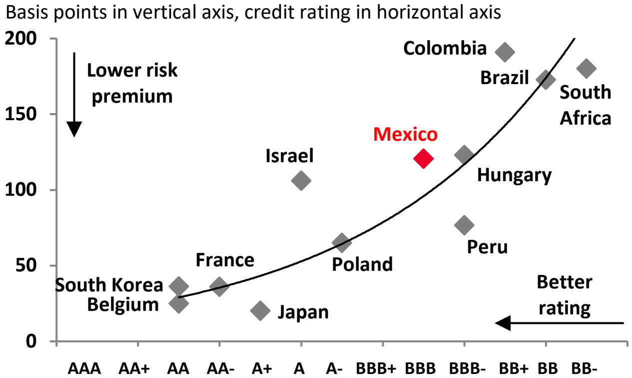
S&P Global Ratings reaffirms Mexico 'BBB' sovereign rating, maintaining a stable outlook

- **S&P Global Ratings affirmed today Mexico's sovereign long-term foreign currency credit rating at 'BBB', and in local currency at 'BBB+', with a stable outlook for both**
- **The agency stated that the ratification is explained by several factors, including the commitment from the new administration to reduce fiscal deficits and stabilizing public finances, on top of expecting a pragmatic approach to possible disputes with the US across several fronts**
- **They mentioned that the stable outlook considers their expectation of a prudent monetary policy, the return to low fiscal deficits, and a solid external position**
- **With this, the agency reaffirms its last action –carried out in February–, with a more constructive narrative than some of its peers**

S&P Global Ratings ratified Mexico's sovereign rating. Today, the agency ratified Mexico's foreign currency long-term sovereign rating at 'BBB', and in local currency at 'BBB+', in both cases maintaining a stable outlook. The rating is supported by several factors. Among them, we highlight the current institutional framework, characterized by cautious policies on the fiscal and monetary fronts and a solid external position. This also reflects a moderate debt burden and low growth of GDP per capita. In addition, they think contingent liabilities are limited, despite their view of almost certain extraordinary support to Pemex and/or CFE if needed. The latter is key given that it is the reason why they give the same rating to the companies as they do to the country. More importantly in this update, S&P noted the new administration's commitment to reduce fiscal deficits and stabilize public finances. Meanwhile, they expect a pragmatic approach to possible disputes which can arise with the US in trade, migration, and other issues, sustaining economic stability. Nevertheless, they also talked about recent constitutional changes, arguing that "*…the long-term implications of these changes are not clear, but they risk weakening the confidence of investors and potentially the transparency and predictability of government policies…*". Among the factors that could lift the rating higher, they noted those related to higher economic growth (*e.g.* more investment, nearshoring) and increased fiscal flexibility. On the contrary, to the downside they highlighted "*…weaker public finances, combined with the risk of extraordinary support to state-owned companies…*", as well as structural changes in the relationship with the US or in other fronts.

5-year CDS and *S&P Global Ratings* credit rating
Basis points in vertical axis, credit rating in horizontal axis



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

Mexico and Pemex credit rating

Source: Banorte with information from the rating agencies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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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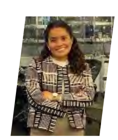

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