Fitch affirms Mexico ‘BBB-’ sovereign rating, maintaining a stable outlook

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Winners of the 2023 award for best Mexico economic forecasters, granted by *Focus Economics*

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#1 OVERALL FORECASTER - MEXICO

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- ***Fitch Ratings*** **affirmed Mexico’s sovereign long-term foreign and local currency credit rating at ‘BBB-’, with a stable outlook**
- **The rating remains supported by a prudent macroeconomic stance, robust external finances, and a stable path of debt/GDP**
- **On the contrary, among the main challenges the rating agency notes long-term growth and Pemex’s fiscal burden**
- **With this, Fitch endorses its last statement on November 18th, maintaining a very similar tone. The announcement is in line with our view that the country will remain as ‘investment grade’ in the short- and mid-term**

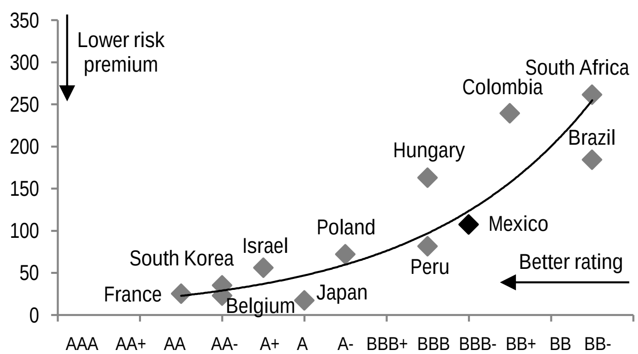
Fitch Ratings **ratifies Mexico's sovereign rating at ‘BBB-’.** Today, the agency ratified Mexico's long-term sovereign rating in foreign- and local-currency at 'BBB-', with a stable outlook. The last time they made an announcement was in November, with a similar tone. The agency reiterated the support from a prudent macroeconomic stance, robust external finances, and a better projection for the debt/GDP ratio than for the median of ‘BBB’ countries. Once again, they emphasized the favorable spillover effect from nearshoring, while the inflation outlook seems to be improving. However, the rating remains constrained by “*…weak governance indicators, muted long-term growth performance, micro policy intervention affecting investment prospects […] and potential contingent liabilities from Pemex…*”. They elaborated on a more challenging fiscal context, anticipating a decline in both revenues and expenditures this year, with the former impacted by oil income –on lower prices–, albeit with resilient tax collections. Meanwhile, they noted pressures on spending given higher inflation and increased financing costs. Also important, they revised their estimates for Mexico’s GDP, anticipating 2.5% growth in 2023 and 1.8% in 2024, with the former adjusted higher. In this backdrop, we reiterate our view that Mexico will remain an investment-grade country in the short- and medium-term, with responsible macroeconomic policies and a conservative fiscal stance, despite some challenges on the horizon.

Mexico and Pemex credit rating

FitchRatings	S&P Global	Moody's	
A-	A-	A3	
BBB+	BBB+	Baa1	
BBB	BBB Sovereign PEMEX	Baa2 Sovereign	
BBB- Sovereign	BBB-	Baa3	Investment grade threshold
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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