

# S&P joins Fitch in ratifying Mexico's credit rating

- S&P Global Ratings affirmed Mexico's 'BBB' long-term foreign currency rating, leaving its negative outlook, despite headwinds for the economy steered by the COVID-19 pandemic
- This decision, in tandem with Fitch Ratings announcement on November 11<sup>th</sup>, supports our view that Mexico will remain an investment grade country in the post-pandemic recovery phase
- Nevertheless, we acknowledge the risks that credit rating agencies have stressed out in terms of fiscal pressures given a low-growth environment and the complex financial situation of Pemex
- S&P Global Ratings welcomes cautious countercyclical fiscal and monetary policies that should be beneficial for a stable macroeconomic framework, in addition to Mexico's external position and ample liquidity, which the agency sees as credit strengths

**Credit rating unchanged.** S&P Global Ratings affirmed Mexico's 'BBB' long-term foreign currency rating, leaving its negative outlook. It is important to bear in mind that today's decision takes place after the agency reduced Mexico's sovereign rating [one notch on March 26<sup>th</sup>, 2020](#). The negative outlook implies the possibility of a downgrade in a 12- to 18-month horizon. This decision, in tandem with Fitch Ratings' announcement on November 11<sup>th</sup> of no credit action, supports our view that Mexico will remain an investment grade country in the post-pandemic recovery. This is similar to what the market is pricing in. The agency recognized: (1) Prudent fiscal and monetary policies, with cost controls helping sovereign debt to stabilize; (2) high external liquidity, including the [IMF's FCL](#), and a robust macro framework; and (3) longer-term benefits of USMCA. They stated that a fiscal reform after the mid-term elections in 2021 and measures to contain contingent liabilities would help the outlook return to stable. On the flip side, the agency warned about risks of low GDP growth due to the lack of investment, warning that some government initiatives continue weighing on business confidence. Lastly, they stress the need to address Pemex's heightened financial challenges given the risks it poses to the sovereign.

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Winners of the award for best economic forecasters for Mexico in 2019, given by *Refinitiv*



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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, PEMEX	Baa2
BBB- Sovereign	BBB- Sovereign	Baa3
BB+	BB+	Ba1
BB	BB	Ba2 PEMEX
BB- PEMEX	BB-	Ba3

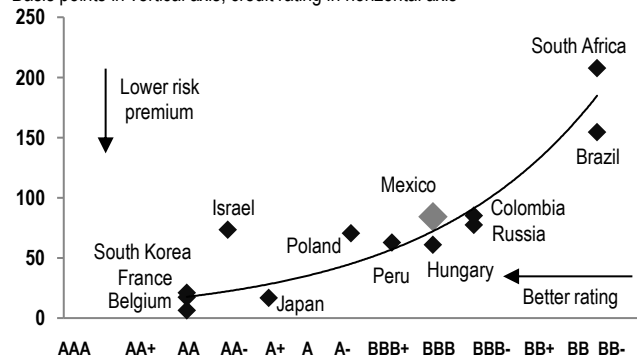
Investment grade threshold is indicated between BBB and BB+.

Notches: 1 notch (BBB to BB+), 2 notches (BBB to BB), 3 notches (BBB to BB-).

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

## 5-year CDS and S&P Global credit rating

Basis points in vertical axis, credit rating in horizontal axis



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

## Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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	Reference
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<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	When the share expected performance is lower than the MEXBOL estimated performance.

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