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DBRS Morningstar Confirms Mexico at BBB, Stable Trend

Industry Group: Public Finance – Sovereigns
Region: Americas

DBRS Inc. (DBRS Morningstar) confirmed the United Mexican States' (Mexico) Long-Term Foreign and Local Currency – Issuer Ratings at BBB. At the same time, DBRS Morningstar confirmed the United Mexican States' Short-Term Foreign and Local Currency – Issuer Ratings at R-2 (high). The trend on all ratings is Stable.

KEY RATING CONSIDERATIONS

The Stable trend reflects DBRS Morningstar's view that the Mexican government's commitment to sustainable public finances will continue to support macroeconomic stability amid a challenging global backdrop. While we remain concerned about the quality of public spending, tight fiscal policy is expected to keep public debt-to-GDP on a stable trajectory over the next five years. The Mexican economy performed relatively well in 2022. Output expanded by 3.1%, supported by strong demand from the U.S., a robust jobs market, a record high level of remittances, and pent-up demand for services. Growth momentum continued into the first quarter of 2023. Nevertheless, the economy is set to slow on account of weaker external demand and tighter financing conditions. The IMF forecasts GDP growth of 1.8% in 2023 and 1.6% in 2024.

The BBB ratings balance Mexico's track record of sound macroeconomic policymaking with the country's deep governance and growth challenges. The economy has maintained solid macroeconomic fundamentals through a series of shocks, due in large part to its strong policy framework – comprised of exchange rate flexibility, prudent fiscal management, and a credible inflation-targeting regime. The financial system has demonstrated resilience through the pandemic, and the country's external position appears broadly consistent with economic fundamentals. However, significant structural challenges weigh on the credit profile. Poor education outcomes, widespread informality, and far-reaching governance problems have led to decades of weak economic growth. Given the policy orientation of the López Obrador (AMLO) administration, we do not expect the country's growth potential to improve.

RATING DRIVERS

The rating could be upgraded if (1) the government reorients economic policy or strengthens governance in a manner that materially improves Mexico's investment outlook, and (2) public debt dynamics are put on a firm downward trajectory over the medium term.

The rating could be downgraded if there is (1) a material deterioration in Mexico's medium-term growth prospects, or (2) a weakening in the country's macroeconomic policy framework.

RATING RATIONALE

Mexico's Fiscal Strategy Allays Sustainability Concerns But Raises Allocation Concerns

The government continues to run a relatively austere fiscal policy. The AMLO administration provided comparatively little budgetary support to firms and households during the pandemic while stepping up its tax collection efforts. Even as the economy entered a deep recession, the deficit (public sector borrowing requirement) only widened from 2.3% of GDP in 2019 to 3.9% in 2020 and 2021. Last year, the deficit widened slightly to 4.5% of GDP, largely due to higher financing costs (including costs from inflation-linked bonds) and unexpected cost increases on infrastructure projects. Higher global oil prices in the aftermath of Russia's invasion of Ukraine led to a significant increase in oil-related revenues (1.4pp of GDP above budget expectations), but the windfall was completely offset by fuel subsidies, in line with the government's promise to keep the domestic fuel prices stable in real terms. Looking ahead, the government plans to maintain a broadly neutral fiscal stance by adjusting current spending in order to prioritize social transfers and infrastructure projects. The government forecasts the deficit to narrow to 4.2% of GDP in 2023 and 3.2% in 2024. DBRS Morningstar thinks the government's commitment to fiscal sustainability should help preserve stable macroeconomic conditions, even as the global environment becomes more challenging.

The government's fiscal strategy should put the government debt ratio on a stable trajectory, albeit at a slightly higher level than before the pandemic. According to the IMF, general government debt increased from 53% of GDP in 2019 to 60% in 2020. The increase was largely due to the recession, although exchange rate depreciation also contributed. As the economy recovered and the currency strengthened, the ratio declined to 59% in 2021 and 56% in 2022. Assuming moderate economic growth and small primary surpluses, the debt ratio will likely remain close to current levels over the next five years. In addition, the composition of the public debt mitigates risks stemming from global market volatility. The long average maturity of the debt softens the impact of rising borrowing rates, and the high share of debt denominated in local currency reduces risks stemming from currency depreciation.

However, low and poorly-targeted public investment, in DBRS Morningstar's view, raises concerns about future economic growth. Of key concern is Pemex's business strategy, which in DBRS Morningstar's view, is unlikely to improve operational efficiency or rebuild its reserve portfolio. Consequently, Pemex could increasingly weigh on public finances, either by crowding out other higher-yielding investment or contributing to higher deficits.

Strong Policy Frameworks Support The Economy's Resiliency Amid Shocks

Global food and energy price shocks, supply disruptions, and the reopening of hard-hit services have contributed to high and broad-based inflation. Year-over-year inflation peaked at 8.7% in August 2022 and then declined to 6.2% in mid-April 2023. Going forward, moderating food and energy prices and easing global supply bottlenecks should support further disinflation, but the strength of core services will likely slow the convergence back to the central bank's target. The central bank has responded by raising the policy rate 725 basis points since June 2021, taking the target rate to 11.25% in March 2023. The market expects the Bank of Mexico to hike another 25bps in May and then keep the policy rate at 11.5% through yearend. Policy tightening has clearly shifted monetary policy into restrictive territory (the real ex-ante policy was 6.4% in March 2023). In DBRS Morningstar's view, the outlook for monetary policy will largely depend on the behavior of inflation expectations. According to the median forecast in the Bank of Mexico's Survey of Expectations of Private Sector Economists (April 2023), expected year-over-year inflation in December 2024 was 4.1%, which is above the central bank's target of 3%, plus or minus 1 percent. If expectations rise, the central bank may tighten policy further or maintain a restrictive stance for longer than expected.

Mexico's financial system has weathered the recent bank turmoil in the U.S. and Europe without any disruptions, and is well-positioned to supply credit to the real economy. Mexican banks' exposure to troubled lenders abroad was limited. The banking system also has high liquidity and capital buffers, and non-performing loans accounted for 2.1% of gross loans in February 2023, which is slightly lower than before the pandemic. In addition, exchange rate fluctuations have not adversely affected banks' balance sheets nor do they appear to have affected asset quality in the corporate sector. Household leverage is also low, with limited foreign exchange exposure.

Mexico's sound policy framework has also helped the economy adjust to a series of international shocks, including tighter global financing conditions. External accounts do not present any clear imbalances. The current account deficit widened marginally from 0.6% of GDP in 2021 to 0.9% in 2022, mostly due to rising imports as the economy continued to recover. External debt levels are moderate and primarily long-term in tenor. Exchange rate flexibility enhances the economy's resilience to episodes of market turbulence. The central bank also holds $202 billion in net reserves and has a $48 billion Flexible Credit Line from the IMF, which provide some protection against global tail risks. Notwithstanding these buffers, the large stock of foreign portfolio liabilities leaves the economy exposed to capital flow volatility.

Mexico's Lackluster Growth Record Is Unlikely To Improve With The Current Policy Mix

Mexico's growth performance over the last three decades has been poor. From 1989 to 2019, the economy grew at an average rate of 2.5 percent. Given the current administration's policies and the backtracking on prior economic reforms, we think Mexico's growth trajectory is unlikely to improve. The government's decisions to cancel energy auctions, limit cooperation between Pemex and private firms, scrap a partially-built airport in Mexico City, and renegotiate private contracts related to several natural gas pipelines damaged business confidence early in the AMLO administration, although it has recovered somewhat recently. In addition, government efforts to overhaul the electricity sector and strengthen the market power of state-owned energy companies will likely discourage private investment and lead to more expensive and carbon-intensive energy production. All of this points to lower and poorer-quality investment, which will adversely impact medium-term growth prospects. The IMF estimates potential growth at 1.8 percent.

Notwithstanding the weak growth outlook, there is upside risk if Mexico can materially improve the investment climate. Mexico appears well-positioned to take advantage of potential shifts in global supply chains, especially with the passage of the United States-Mexico-Canada trade agreement in 2020: Mexico is located next to the U.S. market, connected to the U.S. with well-developed transport infrastructure, open to international trade and investment, and cost competitive. Geopolitical tensions between the U.S. and China, along with pandemic-related supply disruptions, could also push firms to shift production from Asia to Mexico. However, in order to attract greater investment as supply chains reorganize, Mexico may need to upgrade worker skills and training, increase competition in network industries, and strengthen the rule of law.

Strengthening The Rule Of Law Is A Critical Challenge

The most significant challenge facing Mexico's credit profile relates to governance. According to the Worldwide Governance Indicators, Mexico scores poorly on the rule of law relative to emerging market peers. Corruption, which are perceived to be entrenched and widespread, constrain economic growth by encouraging rent-seeking behavior and misallocating resources. Elevated levels of criminality, combined with perceived deficiencies in the judicial system and law enforcement, also weaken the investment climate. Efforts by the AMLO administration to address corruption and improve public security have focused on poverty alleviation schemes, budgetary cuts for programs perceived to be subject to graft, an expansion of the use of the armed forces for domestic security, and the creation of a National Guard to replace the Federal Police. In DBRS Morningstar's view, it is not clear that the strategy has yielded any benefits in terms of strengthening the rule of law or improving the country's institutional quality.

Elections will be held in July 2024 for the presidency, all 500 seats in the lower house, and all 128 seats in the Senate. AMLO remains very popular with the public, but the constitution limits Mexican presidents to a single 6-year term, and as such, AMLO cannot run for reelection. This raises the question of who will be the presidential candidate for AMLO's party, Morena, and if AMLO's popularity can be transferred to his successor and the party's congressional candidates. Potential presidential candidates for Morena include Mexico City mayor Claudia Sheinbaum, Foreign Affairs Minister Marcelo Ebrard, and Interior Minister Adán Augusto López Hernández. The opposition parties do not have clear set of candidates yet, but it is very early in the election process. One source of credit strength, in DBRS Morningstar's view, has been the broad political support through the electoral cycle for Mexico's sound fiscal and monetary policy frameworks. This has enhanced the economy's resilience to shocks and influences positively our "Political Environment" building block assessment.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

Environmental (E) Factors

The Resource and Energy Management factor is considered relevant to the ratings assigned to Mexico. Petroleum products account for a low share of export receipts (5-10% of goods exports), but have greater relevance for public finances (10-20% of public sector fiscal revenues). However, the importance of oil-related revenue has generally decreased over the last decade.

Social (S) Factors

The factor Human Capital & Human Rights affects the ratings assigned. Similar to other emerging market economies and many of its regional peers, Mexico's per capita GDP is relatively low, at US$10.9k (US$22.7k on a PPP basis). This reflects the relatively low level of labor productivity. In addition, criminal organizations continue to commit human rights abuses, especially attacks against journalists and human rights activists.

Governance (G) Factors

The three governance factors affect the ratings assigned. First, the Bribery, Corruption and Political Risks factor affects the ratings. According to World Bank Governance Indicators, Mexico ranks in the 16th percentile for Control of Corruption and in the 23rd percentile for Rule of Law. Second, Institutional Strength, Governance, and Transparency affects the ratings. According to World Bank Governance Indicators, Mexico ranks in the 43rd percentile for Voice & Accountability and in the 39th percentile for Government Effectiveness. Concerns of a gradual and generalized deterioration in the quality of the country's governing institutions have increased in recent years. The third factor, Peace and Security, also affects the ratings. Elevated levels of violence and criminality weaken the investment climate. Mexico is trying to address violence and criminality issues through reform, but still ranks low (23rd percentile) on Political Stability and the Absence of Violence/Terrorism.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings (May 17, 2022).

For more information on the Rating Committee decision, please see the Scorecard Indicators and Building Block Assessments at: https://www.dbrsmorningstar.com/research/413633.

Notes:

All figures are in U.S. dollars unless otherwise noted. Public finance statistics reported on a public sector basis; this excludes state and local governments but includes state-owned enterprises and public development banks. The fiscal balance is the Public Sector Borrowing Requirement.

The principal methodology is the Global Methodology for Rating Sovereign Governments https://www.dbrsmorningstar.com/research/401817/global-methodology-for-rating-sovereign-governments (August 29, 2022). In addition DBRS Morningstar uses the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: https://www.dbrsmorningstar.com/about/methodologies.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. DBRS Morningstar's outlooks and ratings are monitored.

The primary sources of information used for this rating include Secretária de Hacienda y Crédito Público, Banco de México, INEGI, BIS, OECD, IMF, World Bank, NRGI, Brookings, Tullet Prebon Information, and Haver Analytics. DBRS Morningstar considers the information available to it for the purposes of providing this rating was of satisfactory quality.

The rating was not initiated at the request of the rated entity.
The rated entity or its related entities did participate in the rating process for this rating action.
DBRS Morningstar did not have access to the accounts, management and other relevant internal documents of the rated entity or its related entities in connection with this rating action.
This is a solicited credit rating.

For more information on this credit or on this industry, visit www.dbrsmorningstar.com.

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Issuer	Debt Rated	Rating Action	Rating	Trend
United Mexican States	Long-Term Foreign Currency - Issuer Rating	Confirmed	BBB	Stable
United Mexican States	Long-Term Local Currency - Issuer Rating	Confirmed	BBB	Stable
United Mexican States	Short-Term Foreign Currency - Issuer Rating	Confirmed	R-2 (high)	Stable
United Mexican States	Short-Term Local Currency - Issuer Rating	Confirmed	R-2 (high)	Stable

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Mexico

Scorecard Indicators

Fiscal Management and Policy	2017	2018	2019	2020	2021	2022	2023	2024	2025	Source	Current Scorecard Input	
Overall Fiscal Balance (% of GDP)	-1.1%	-2.2%	-2.3%	-4.4%	-3.9%	-4.4%	-4.1%	-2.7%	-2.7%	IMF WEO	13 year average	-3.3%
Government Effectiveness (Percentile Rank)	51.4	42.8	39.9	43.3	39.9	-	-	-	-	World Bank	5 year average	43.5
Debt and Liquidity	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**			
General Government Gross Debt (% of GDP)	54.0%	53.6%	53.3%	60.1%	58.7%	56.0%	55.6%	55.8%	56.3%	IMF WEO	5 year projection	57.5%
Interest Costs (% of GDP)	3.7%	3.8%	3.7%	3.9%	3.9%	4.4%	4.3%	4.4%	4.5%	IMF WEO	5 year average	4.2%
Economic Structure and Performance	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**			
GDP per Capita (USD thousands)	9.3	9.8	10.0	8.5	9.9	10.9	12.7	13.1	13.5	IMF WEO	10 year average	9.9
Output Volatility (%)	3.1%	3.1%	3.1%	3.0%	3.0%	3.0%	3.0%	2.9%	2.9%	IMF WEO	Latest	3.0%
Economic Size (USD billions)	1,159	1,222	1,269	1,091	1,273	1,414	1,663	1,733	1,797	IMF WEO	5 year average	1,254
Monetary Policy and Financial Stability	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**			
Rate of Inflation (%, EOP)	6.8%	4.8%	2.8%	3.2%	7.4%	7.8%	5.0%	3.5%	3.2%	IMF WEO	13 year average	4.5%
Total Domestic Savings (% of GDP)	106%	96%	100%	117%	124%	121%	-	-	-	BdM/IMF	Latest[1]	121%
Change in Domestic Credit (% of GDP)	-0.2%	-0.8%	-0.6%	3.0%	-2.4%	-1.5%	-	-	-	BIS/IMF	7 year average[1]	0.1%
Net Non-Performing Loans (% of Capital)	-6.2%	-5.9%	-5.2%	-6.8%	-5.3%	-5.7%	-	-	-	IMF IFS	Latest[1]	-5.7%
Change in Property Price/GDP Index (%)	-1.0%	1.5%	4.5%	10.4%	-2.1%	-1.3%	-	-	-	OECD/IMF	7 year average[1]	1.6%
Balance of Payments	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**			
Current Account Balance (% of GDP)	-1.9%	-2.1%	-0.4%	2.1%	-0.6%	-0.9%	-1.0%	-1.0%	-1.0%	IMF WEO	8 year average	-0.6%
International Investment Position (% of GDP)	-48.4%	-47.1%	-48.5%	-46.8%	-44.5%	-40.4%	-	-	-	IMF	5 year average[1]	-45.4%
Share of Global Foreign Exchange Turnover (Ratio)	130.4%	134.7%	117.3%	121.4%	124.4%	113.6%	-	-	-	BIS/IMF	Latest	113.6%
Exchange Rate Classification (see footnote)	1	1	1	1	1	1	-	-	-	IMF	Latest	1
Political Environment	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**			
Voice and Accountability (Percentile Rank)	42.9	45.4	45.9	44.9	44.0	-	-	-	-	World Bank	5 year average	44.6
Rule of Law (Percentile Rank)	31.7	28.8	27.4	28.4	23.1	-	-	-	-	World Bank	5 year average	27.9

See DBRS Morningstar's Global Methodology for Rating Sovereign Governments for additional details on the methodology behind the scorecard indicators and associated scoring thresholds. Exchange Rate Classifications: Freely floating exchange rate = 1; Float = 2; Crawls, banded pegs, and other managed = 3; Stabilized = 4; Pegs, currency unions and dollarized arrangements = 5.

[1] *Scores for 2022 have been computed using the most recent data when year-end data is not available.*

Rating Committee Date: 4-May-2023

Mexico

Building Block Assessments and Rating Committee Summary

4-May-2023

Building Blocks	Scorecard Result	Quantitative Assessment	Net Impact of Qualitative Factors	Building Block Assessment
Fiscal Management and Policy	8.96	Poor/Moderate	N/A	Poor/Moderate
Debt and Liquidity	9.77	Moderate	N/A	Moderate
Economic Structure and Performance	10.01	Moderate	N/A	Moderate
Monetary Policy and Financial Stability	16.57	Strong/Good	N/A	Strong/Good
Balance of Payments	13.54	Good	N/A	Good
Political Environment	3.75	Weak/Poor	+ 2 Categories	Poor/Moderate

Overall Assessment	Composite Scorecard Result	Scorecard Rating Range	Composite Building Block Assessment	Indicative Rating Range
	52.2	BBB - BB (high)	55.5	BBB (high) - BBB (low)

Mexico's Long-Term Foreign Currency - Issuer Rating BBB

Main topics discussed in the Rating Committee include: medium-term growth prospects, fiscal performance, and the political environment ahead of the 2024 general elections. For additional details on DBRS Morningstar analysis and opinions, please see the accompanying rating report.

DBRS Morningstar Scorecard: Scoring Ranges and Associated Assessment Categories

Lower Bound	0.00	1.00	3.00	5.00	7.00	9.00	11.00	13.00	15.00	17.00	19.00
Upper Bound	0.99	2.99	4.99	6.99	8.99	10.99	12.99	14.99	16.99	18.99	20.00
Assessment Category	Very Weak	Weak	Weak/ Poor	Poor	Poor/ Moderate	Moderate	Good/ Moderate	Good	Strong/ Good	Strong	Very Strong

United Mexican States

ESG Checklist

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		Overall:	Y	R
	Emissions, Effluents, and Waste	Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk?	N	N
	Carbon and GHG Costs	Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk?	N	N
		Will recent regulatory changes have an impact on economic resilience or public finances?	N	N
		Carbon and GHG Costs	N	N
	Resource and Energy Management	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?	N	N
		Is the economy reliant on industries that are vulnerable to import or export price shocks?	Y	R
		Resource and Energy Management	Y	R
	Land Impact and Biodiversity	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?	N	N
	Climate and Weather Risks	Will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy?	N	N
	Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social		Overall:	Y	S
	Human Capital and Human Rights	Compared with regional or global peers, is the domestic labour force more or less competitive, flexible, and productive?	Y	S
		Are labour or social conflicts a key source of economic volatility?	N	N
		Are individual and human rights insufficiently respected or failing to meet the population's expectations?	Y	S
		Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	N	N
		Human Capital and Human Rights	Y	S
	Access to Basic Services	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?	N	N
	Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance		Overall:	Y	S
	Bribery, Corruption, and Political Risks	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?	Y	S
	Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	Y	S
		Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	Y	R
		Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N
		Institutional Strength, Governance, and Transparency	Y	S
	Peace and Security	Is the government likely to initiate or respond to hostilities with neighboring governments?	N	N
		Is the government's authority over certain regions contested by domestic or foreign militias?	N	N
		Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	Y	S
		Peace and Security	Y	S
	Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
		Consolidated ESG Criteria Output:	Y	S

* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

United Mexican States: ESG Considerations

May 8, 2022

Environmental

The factor Resource and Energy Management is considered relevant to the ratings assigned to Mexico. Petroleum products account for a low share of export receipts (5-10% of goods exports), but have greater relevance for public finances (15-20% of public sector fiscal revenues). However, the importance of oil-related revenue has generally decreased over the last decade. The factor Carbon and Greenhouse Gas Costs does not affect the rating. Under the 2015 Paris Agreement, Mexico seeks to reduce its greenhouse gas (GHG) emissions by 35% by 2030 when compared to projected 2030 emissions under a "business-as-usual" scenario. Mexico's ability to meet its Paris commitments could be inconsistent with the current government's preference for fossil fuel generation over renewables. DBRS Morningstar will continue to assess the impact on public finances and the economy if the government decides to more rapidly transition toward a less carbon-intensive economy.

Social

The factor Human Capital & Human Rights affects the ratings assigned. Similar to other emerging market economies and many of its regional peers, Mexico's per capita GDP is relatively low, at US$10.9k (US$22.7k on a PPP basis). This reflects the relatively low level of labor productivity. In addition, criminal organizations continue to commit human rights abuses, especially attacks against journalists and human rights activists. The factor Access to Basic Services does not affect the ratings. Mexico has universal healthcare coverage. The overall quality of service is good, although it varies across the country.

Governance

The three governance factors affect the ratings assigned. First, the Bribery, Corruption and Political Risks factor affects the ratings. According to World Bank Governance Indicators, Mexico ranks in the 16th percentile for Control of Corruption and in the 23rd percentile for Rule of Law. Second, Institutional Strength, Governance, and Transparency affects the ratings. According to World Bank Governance Indicators, Mexico ranks in the 43rd percentile for Voice & Accountability and in the 39th percentile for Government Effectiveness. Concerns of a gradual and generalized deterioration in the quality of the country's governing institutions have increased in recent years. The third factor, Peace and Security, also affects the ratings. Elevated levels of violence and criminality weaken the investment climate. Mexico is trying to address violence and criminality issues through reform, but still ranks low (23rd percentile) on Political Stability and the Absence of Violence/Terrorism.