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Mexico Outlook Revised To Stable On Cautious Policy Execution; 'BBB' Foreign Currency Rating Affirmed

Overview

- Despite pressures on inflation and growth, amid global price shocks and increased risk of a U.S. recession, we expect Mexico's cautious fiscal and monetary policy execution to continue during the remainder of the López Obrador administration and the net general government debt ratio to hold fairly steady.
- Given the stage of the political cycle and polarization in Congress, we don't expect passage of constitutional initiatives that could weigh on the business climate.
- We therefore revised our outlook to stable from negative and affirmed our 'BBB' long-term foreign currency and 'BBB+' long-term local currency sovereign credit ratings on Mexico.
- The stable outlook incorporates the complex fiscal challenges at Petróleos Mexicanos and Comisión Federal de Electricidad, cautious sovereign fiscal execution, less uncertainty about energy policy, and advances in trade-related private-sector investment.

Rating Action

On July 6, 2022, S&P Global Ratings revised the outlook on its long-term ratings on Mexico to stable from negative. At the same time, we affirmed our 'BBB' long-term foreign currency and 'BBB+' long-term local currency sovereign credit ratings on Mexico. We also affirmed our short-term ratings at 'A-2'. Our transfer

and convertibility (T&C) assessment remains 'A'.

Outlook

The stable outlook reflects our expectation that cautious macroeconomic management will prevail over the next two years, notwithstanding a more complex global backdrop. We expect the administration of President Andrés Manuel López Obrador will pursue economic policies that will result in stable fiscal and debt dynamics.

Unexpected setbacks in macroeconomic management or in discussions between U.S.-Mexico-Canada Agreement (USMCA) partners on strengthening supply-chain resilience and cross-border linkages would likely weaken investor sentiment and investment, and could lead to a downgrade over the next two years. Higher general government debt and deficits would heighten fiscal risks associated with any needed extraordinary support for state-owned companies PEMEX (Petróleos Mexicanos) and CFE (Comisión Federal de Electricidad) and could also lead to a downgrade.

Effective political and economic management that bolsters Mexico's subpar growth trajectory, such as with a more dynamic investment outlook, could lead to an upgrade. Similarly, initiatives that bolster budgetary flexibility, fiscal buffers, and broaden the non-oil tax base to mitigate the potential contingent liability posed by state-owned companies in the energy sector would improve creditworthiness.

Rationale

The ratings on Mexico are based on the strengths and weaknesses in its democracy and institutional framework, which have brought political stability and regular changes of government over the last two decades. Political support has underpinned cautious fiscal and monetary policies and a floating exchange-rate regime. These are key to our view of sovereign creditworthiness and have maintained investor confidence and access to global capital markets even in times of adverse global trends. The credibility of Mexico's independent central bank (Banxico) and its ability to pursue an inflation-targeting monetary policy in the face of challenging circumstances plays a prominent role in our analysis. We assume an ongoing commitment to sound, independent, and timely monetary policy decisions amid the current uptick in local and global inflation, and as the U.S. Federal Reserve adjusts its policy course with some knock-on effects for emerging market volatility.

Despite cautious macroeconomic management in recent decades, Mexico has not enjoyed economic dynamism compared with other emerging markets. This has led to increased polarization in Mexico between traditional political parties and more antiestablishment coalitions or movements. Changes in some domestic policies, especially in the energy sector, in recent years have hurt business confidence, and along with public insecurity, likely limits the upside to GDP growth. We expect real per capita GDP growth to remain below that of peers with a similar level of economic development in 2022-2025.

In addition, we expect generally moderate fiscal deficits to keep the net general government debt burden steady over the next couple of years. We assess contingent liabilities as limited despite our expectation of almost certain extraordinary sovereign support, as needed, for PEMEX and CFE (both with a stand-alone credit profile much weaker than the sovereign).

The Mexican peso is a floating currency and, by our definition, actively traded. This eases external financing constraints and, coupled with narrow net external debt averaging 25% of current account receipts (CAR), supports a solid external position. In addition, Mexico has access to a two-year IMF flexible contingent credit line for up to \$50 billion, boosting the sovereign's external liquidity and reflecting long-standing prudent macroeconomic management.

Institutional and economic profile: Macroeconomic policy is cautious amid weak private investment and subpar trend growth prospects

- President López Obrador aims to close his term in office inaugurating flagship projects and maintaining a stable economy.
- We assume execution of fiscal, monetary, exchange rate, and trade policies will continue to be cautious during the administration.
- The economy has yet to reach pre-pandemic levels given subdued private-investor sentiment regarding some domestic policies, and we expect growth will remain lower than peers.

For nearly two decades, successive administrations from different ideological backgrounds have maintained generally stable public finances, low inflation, and moderate economic growth. This track record, and cautious macroeconomic policy under the current administration, supports our institutional

assessment. Mexico's democracy, close structural economic integration with the U.S., and economic institutions will support stability and predictability.

We expect the López Obrador administration to continue to prioritize macroeconomic and financial stability through the end of its term. This is not withstanding a more subdued growth outlook and higher inflation given headwinds from the U.S. and global economy. For example, we expect the administration to balance trade-offs between providing local gasoline subsidies (to limit the effect of energy price inflation on the population) and containing fiscal slippage. This follows a track record of conservative policy execution amid the global pandemic that left macroeconomic indicators in a stronger position than in other peers.

Greater centralization of political decision-making and mixed political signals under the current administration have reduced the independence of several agencies, essentially within the executive branch. However, we continue to see important checks and balances across branches of government. While the president's party, MORENA, garners a simple majority in Congress, it needs support from opposition parties to pass constitutional amendments that require a two-thirds majority. This limits space to advance controversial constitutional amendments.

Indeed, the administration's proposed constitutional electricity reform was rejected by Congress in April. The Supreme Court, a majority of whose members were appointed by the current administration, has also made decisions on sensitive energy policies that reinforce perceptions of its autonomy. Banxico continues to act proactively, notwithstanding changes in its board, retaining long-standing credibility backed by a solid constitutional mandate. This includes operational changes in 2021 to provide additional transparency to aspects of its decision-making.

The next presidential election is in two years, but political maneuvering has already begun. We don't expect major policy initiatives to be passed between now and the elections, especially any that would require cross-party negotiation given electoral politicking. The president's approval rating of around 60% and MORENA's performance in the June local elections (where it won four of six states) underscore the strength and prospects of MORENA heading into the 2024 election. Meanwhile, it appears the National Action Party (PAN), the Institutional Revolutionary Party (PRI), and the Democratic Revolution Party (PRD) will run together and back a single candidate. However, Movimiento Ciudadano plans to present a candidate on its own, wanting to remain insulated from "the establishment" candidate of PAN/PRI/PRD.

Mexico's per capita GDP should rise above US\$10,000 in 2022, but the economy has yet to reach pre-pandemic levels and has a 4% of GDP output gap, according to Banxico. Years of moderate to low private-sector investment, low public-sector investment in infrastructure, relatively poor quality of education, high crime, and judicial uncertainty constrain Mexico's long-term growth prospects. Over the past two decades, growth has averaged 1.7%.

We expect real GDP growth of 1.7% this year and 1.9% next, and then 2.1% in 2024 and 2025. U.S. demand has driven export-led growth, and record remittances from workers abroad support consumption at the low end of the income segment during and after the pandemic. Slowing U.S. economic activity and tighter monetary policy should weigh on growth this year and next, though recovery in tourism and local services from pandemic effects should provide support.

Key to strengthening growth is more robust investment, in particular private, and reforms aimed at increasing productivity across the economy. Some of the administration's policy initiatives weigh on private-sector confidence, and relations with the private sector have been strained. In our view, this is a result of private-sector skepticism about the administration's growth strategy, which includes an enlarged role for PEMEX and CFE in the energy and electricity sector. However, private-sector representatives continue to discuss with the government infrastructure-related packages, including some projects in energy, as well as pension reform and the outsourcing reform over the past two years. FDI, primarily aimed at Mexico's manufacturing sector, has remained solid over the past five years with little change in composition of greenfield, reinvestment, and intercompany loans.

USMCA should position Mexico to benefit from the trade tensions between the U.S. and China and a shift to nearshoring following the pandemic as companies reconfigure global supply chains. In 2021, Mexican and U.S. officials rebooted high-level economic discussions to foster resilience in the region's supply chains. Pragmatic dialogue and negotiations between the administration and U.S. officials and companies look set to generate important investments in the energy sector, including unlocking bilateral financing, with an eye to facilitating Mexico meeting its Paris Climate goals.

Flexibility and performance profile: We expect net general government debt to stay below 50% of GDP and the nation's external position to remain a credit strength

- Mexico has a strong external profile, as indicated by its history of modest current account deficits and a swing to surpluses amid the pandemic.

- A flexible exchange rate and inflation-targeting regime underpin solid monetary policy credibility and flexibility.
- We expect net general government debt to remain steady, averaging 47% of GDP over the next couple of years, while weaknesses in PEMEX and CFE could present difficult trade-offs in fiscal and energy policies.

Mexico's solid external position, a ratings strength, is based on the peso's status as an actively traded currency and the country's moderate external debt. The peso accounts for one side of almost 2% of global currency transactions, according to Bank for International Settlements' data, among the highest share for any emerging market country.

Mexico's current account has a track record of adjusting to contain external vulnerability amid swings in oil prices and economic activity, as demonstrated again in 2020-2022. In 2022, we expect manufactured exports to slow, and with them imports as well, but the oil-trade deficit to widen further as higher-cost imported refined products more than offset higher value of energy exports. Remittances reached record levels of over US\$50 billion (almost 4% of GDP) in 2021, far exceeding income from oil and related exports, and are still running at a similar pace this year. We expect the current account to post an average deficit of 0.7% of GDP from 2022-2025. With net foreign direct investment more than financing the current account, international reserves have continued to rise, and we expect reserves to increase over the next several years as well.

Our estimates of narrow net external debt (gross debt net of liquid external assets) are about 25% of CAR in the next couple of years. We include nonresident holdings of locally issued debt in our estimates of external debt because our methodology calculates external debt on a residency basis.

Nonresident holdings of Mexico's locally issued central government debt continued to decline in 2021 and have remained steady in 2022 at about \$80 billion. The decline reflects global market volatility, a structural rebalancing of emerging market portfolios toward China as it entered the world government bond index in 2021, and negative perceptions of some domestic policies. We incorporate some increase of nonresident holdings over the coming years. Persistent outflows of nonresident holdings of central government local currency debt could create volatility in the local market. However, the combination of moderate macroeconomic policies, ample international reserves (around US\$200 billion), and access to the IMF's flexible contingent credit line for up to \$50 billion provides flexibility to manage this vulnerability.

The rating incorporates cautious fiscal management that contains fiscal deficits, keeping the sovereign and PEMEX and CFE's combined debt burden stable. We expect net general government debt to hold steady, around 47% of GDP in 2022-2025. We expect that interest payments will account for an average of 11.5% of general government revenues over the same period. We assume the general government deficit will average 2.9% of GDP for 2022-2025. Slightly higher deficits reflect policy to insulate local fuel prices from the run-up in global oil prices via adjustments in the excise tax on gasoline (IEPS) and gasoline subsidy. We also assume continued control over spending in our projections, despite ambitious social programs and flagship investments.

The administration continues to rely on concerted collection of taxes from existing taxpayers and reduced tax evasion. While the impact of one-off gains associated with past-due taxes dissipates, the tax base appears to benefit modestly from taxpayers paying more regularly. The simplification of paying income taxes for individuals, the self-employed, and small and midsize enterprises approved in the 2022 budget doesn't aim to generate additional income at this time. Fiscal performance to date in 2022 reflects still fairly solid non-oil tax revenue and above-budget oil revenues (due to higher prices), but below-budget collections from the oil excise tax (IEPS).

Funds in the various stabilization funds rose marginally in 2021 and early 2022, but funds in the federal revenue stabilization fund (FEIP) of Mexican peso (MXN) 24.6 billion as of March 2022 remain less than 0.1% of GDP. The small cushion it provides is supplemented by some other assets, from consolidated trust funds for autonomous bodies.

The composition of Mexico's sovereign debt limits market and interest-rate risk. Nearly 80% of central government debt is issued in local currency, and about 55% of that debt is at fixed interest rates. The average life of central government external debt is about 21 years, and domestic debt is about seven. Nonresidents hold around 30% of total commercial sovereign debt. While the central government relies mainly on the domestic market to fund its debt, it remains active in global capital markets. It issued the first global sovereign sustainability bond linked to the U.N.'s sustainable development goals (SDG) in September 2020 and its first 50-year Formosa bond in February 2021. It issued its first SDG bond in the local peso market in May 2022.

Our analysis of fiscal policy in Mexico encompasses the public sector, given the role of PEMEX and CFE. The administration has largely halted the energy reform of 2013. The government continues to honor existing contracts with private firms, but it has canceled future bidding rounds until further notice. The

government has limited the scope for private firms, largely confining them to service contracts, and limited bidding for specific projects.

Risks to the sovereign's fiscal performance stem from the weak financial profile of these government-owned energy companies, although the sovereign does not guarantee their debt. We continue to view the likelihood of the sovereign providing extraordinary support to PEMEX and CFE as almost certain, as reinforced by the recent support provided. As such, we rate PEMEX and CFE at the same level as the sovereign, despite their weak stand-alone credit profiles. We currently assess the contingent liabilities from these nonfinancial companies as limited.

Contingent liabilities from the financial sector are also limited. We score Mexico in Banking Industry Country Risk Assessment (BICRA) group '5' ('1' is the lowest-risk category and '10' the highest). Mexico's financial system is well-capitalized and highly liquid, and it weathered the pandemic. Credit growth slowed amid the pandemic, and we expect credit to the private sector to GDP to remain low in 2022, around 30%.

Mexico's central bank has a single mandate: to maintain stable, low rates of inflation. We assume the legal independence of the central bank and public support for the institution should result in continuity in prudent monetary policy. Inflation has remained in the single digits since 1999. Since January 2008, the central bank's operational target has been the overnight interbank rate. There has been limited pass-through of prices from currency depreciation into inflation, but this is an important channel of monetary transmission that Banxico monitors. Mexican monetary policy operates in the context of the risk that a sharp movement in the exchange rate could undermine the confidence of foreign portfolio investors who hold a substantial share of locally issued Mexican sovereign debt. The strength of the credit channel as a tool of monetary transmission is affected by the low level of credit to GDP.

The bank initiated a tightening cycle in June 2021 as inflation accelerated, notwithstanding a still-wide output gap. Through June 2022, it raised rates a total of 375 basis points to 7.75% from its pandemic low. The increase in global energy and commodity prices and the local drought pressure noncore inflation, while the shifts in goods and services demand during and after the pandemic and supply chain issues have hit core inflation. We expect average annual inflation of 7.4% for 2022, before it falls back toward the target range of 3% plus/minus 1% toward the end of 2023. We project inflation of 4.1% and 3.2% in 2023 and 2024, respectively.

Key Statistics

Table 1

Mexico--Selected Indicators

	2016	2017	2018	2019	2020	2021	2022F	2023F	2024F	2025F
ECONOMIC INDICATORS (%)										
Nominal GDP (bil. LC)	20,129	21,934	23,524	24,446	23,416	26,274	28,777	30,492	32,134	33,847
Nominal GDP (bil. \$)	1,077	1,160	1,223	1,270	1,089	1,295	1,428	1,469	1,512	1,555
GDP per capita (000s \$)	8.7	9.3	9.7	9.9	8.4	9.9	10.8	11.0	11.3	11.6
Real GDP growth	2.4	2.3	2.2	(0.2)	(8.3)	5.0	1.7	1.9	2.1	2.3
Real GDP per capita growth	1.2	1.2	1.0	(1.3)	(9.2)	3.9	0.7	0.9	1.1	1.3
Real investment growth	0.8	(1.1)	0.8	(4.7)	(17.9)	10.1	3.4	2.5	1.9	2.1
Investment/GDP	23.6	22.9	22.7	21.2	19.1	20.2	20.3	20.6	20.8	21.0
Savings/GDP	21.4	21.1	20.7	20.9	21.6	19.8	19.7	19.5	19.9	20.1

Exports/GDP	37.0	37.7	39.3	38.8	39.5	40.3	39.3	39.6	40.5	4
Real exports growth	3.6	4.1	5.9	1.5	(7.2)	6.8	6.1	1.7	2.5	;
Unemployment rate	3.9	3.4	3.3	3.5	4.6	4.1	3.6	3.7	3.6	;
EXTERNAL INDICATORS (%)										
Current account balance/GDP	(2.3)	(1.8)	(2.0)	(0.2)	2.5	(0.4)	(0.6)	(1.1)	(0.8)	(
Current account balance/CARs	(5.6)	(4.3)	(4.7)	(0.6)	5.6	(0.9)	(1.4)	(2.5)	(1.9)	(
CARs/GDP	40.3	41.3	43.1	42.8	44.6	45.1	43.6	43.5	44.4	4
Trade balance/GDP	(1.2)	(0.9)	(1.1)	0.4	3.1	(0.8)	(1.1)	(1.2)	(1.0)	(
Net FDI/GDP	2.9	2.6	2.1	1.9	2.3	2.5	2.0	1.9	1.9	'
Net portfolio equity inflow/GDP	1.9	1.2	0.6	0.8	0.5	0.5	0.0	0.0	0.0	(

Gross external financing needs/CARs plus usable reserves	87.4	85.4	86.5	84.6	77.9	83.8	83.4	83.6	84.5	8
Narrow net external debt/CARs	40.4	40.2	36.9	37.2	37.4	25.4	23.8	24.6	24.5	1
Narrow net external debt/CAPs	38.3	38.6	35.2	37.0	39.6	25.2	23.5	24.0	24.0	1
Net external liabilities/CARs	101.2	106.1	101.3	105.2	98.6	84.6	83.6	87.2	88.2	9
Net external liabilities/CAPs	95.8	101.7	96.8	104.6	104.5	83.9	82.5	85.1	86.6	8
Short-term external debt by remaining maturity/CARs	17.5	12.9	10.5	11.4	12.9	11.5	9.9	8.9	9.8	9
Usable reserves/CAPs (months)	4.6	4.3	3.8	3.9	4.8	4.1	4.0	3.9	3.8	1

Usable reserves (mil. \$)	177,980	175,494	176,394	183,034	199,097	207,835	211,709	214,939	218,168	:
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FISCAL INDICATORS (GENERAL GOVERNMENT; %)

Balance/GDP	(2.8)	(0.8)	(1.8)	(1.8)	(2.3)	(3.0)	(3.2)	(3.0)	(2.7)	:
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Change in net debt/GDP	4.9	1.7	2.8	1.8	3.4	4.2	3.9	3.6	3.2	:
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Primary balance/GDP	(1.0)	1.1	0.2	0.3	0.1	(1.0)	(1.2)	(0.9)	(0.6)	:
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Revenue/GDP	19.4	19.1	18.2	18.1	19.4	18.2	17.7	18.0	18.3	:
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Expenditures/GDP	22.2	19.9	20.0	19.9	21.7	21.2	20.9	21.0	21.0	:
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Interest/revenues	9.5	9.8	10.9	11.9	12.5	11.0	11.4	11.6	11.4	:
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Debt/GDP	44.5	42.3	42.2	42.7	48.3	47.2	47.2	48.2	49.0	:
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Debt/revenues	229.8	220.8	232.6	235.6	249.2	259.3	267.5	268.0	268.0	:
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Net debt/GDP	43.1	41.3	41.2	41.5	46.7	45.9	45.8	46.9	47.7	:
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Liquid assets/GDP	1.4	1.0	1.0	1.2	1.5	1.3	1.4	1.3	1.3	:
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MONETARY INDICATORS (%)

CPI growth	2.8	6.0	4.9	3.6	3.4	5.7	7.4	4.1	3.2	3.2
GDP deflator growth	5.8	6.5	5.0	4.1	4.4	6.9	7.7	4.0	3.2	3.2
Exchange rate, year-end (LC/\$)	20.73	19.67	19.65	18.93	19.95	20.50	20.50	21.00	21.50	21.50
Banks' claims on resident non-gov't sector growth	17.1	5.9	5.2	8.9	(3.9)	4.3	5.7	5.3	5.2	5.2
Banks' claims on resident non-gov't sector/GDP	33.7	32.8	32.1	33.7	33.8	31.4	30.3	30.1	30.1	30.1
Foreign currency share of claims by banks on residents	7.7	8.8	8.3	7.1	8.7	9.3	9.7	9.7	9.7	9.7
Foreign currency share of residents' bank deposits	16.3	17.0	15.9	14.4	15.4	16.2	16.2	16.2	16.2	16.2

Real effective exchange rate	(12.9)	2.3	0.1	3.3	(7.6)	5.9	2.8	N/A	N/A	I
growth										

Sources: Mexico's Ministry of Finance & Public Credit, Central Bank of Mexico, National Statistical Institute (INEGI), International Monetary Fund, S&P Global Ratings.

Adjustments: NA

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. f--Forecast. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Mexico--Ratings Score Snapshot

KEY RATING FACTORS	SCORE	EXPLANATION
Institutional assessment	3	A track record of generally effective policymaking has promoted sustainable public finances and balanced economic growth. Mexico has good transparency in fiscal and monetary policy and timely/reliable economic data. Stable and regular changes of government have occurred under its democracy. However, these strengths have not translated into economic dynamism. And, Mexico continues to face long-standing challenges regarding rule of law and insecurity.
Economic assessment	5	Based on GDP per capita (\$) as per Selected Indicators in table 1.
		Weighted average real GDP per capita trend growth over a 10-year period is at 0.49%, which is well below sovereigns in the same GDP category.
External assessment	2	Based on the Mexican peso as an actively traded currency and narrow net external debt as per Selected Indicators in table 1.
Fiscal assessment: flexibility and performance	3	Based on the change in net general government debt (% of GDP) as per Selected Indicators in table 1.

Fiscal assessment: debt burden	4	Based on net general government debt (% of GDP) and general government interest expenditures (% of general government revenues) as per Selected Indicators in table 1.
Monetary assessment	3	The peso is a free-floating currency.
		The constitutionally independent central bank also has a track record of operational independence and the ability to act as a lender of last resort for the financial system. CPI is as per Selected Indicators in table 1.
Indicative rating	bbb-	As per table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	1	Solid macroeconomic fundamentals and a track record of policy adjustment support access to external capital markets and official financing, which is not fully captured in our assessments. Key strengths in monetary policy credibility are not fully captured in the monetary assessment, with credit and capital markets deepening slowly.
Final rating		
Foreign currency	BBB	

Notches of uplift	1	Default risks apply differently to foreign and local currency-denominated debt. The sovereign has an independent monetary policy and floating exchange rate regime, and active local currency fixed-income and money market, which accounts for almost 50% of GDP.
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Local currency	BBB+
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S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Methodology For National And Regional Scale Credit Ratings](#), June 25, 2018
- [Criteria | Governments | Sovereigns: Sovereign Rating Methodology](#), Dec. 18, 2017
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

- [General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments](#), May 18, 2009

Related Research

- [Sovereign Ratings History](#), June 7, 2022
- [Sovereign Ratings List](#), June 7, 2022
- Sovereign Risk Indicators tool at www.spratings.com/sri
- [Sovereign Ratings Score Snapshot](#), June 2, 2022
- [Institutional Framework Assessment: Mexican Municipalities](#), May 26, 2022
- [Institutional Framework Assessment: Mexican States](#), May 23, 2022
- [Mexico 'BBB' Foreign Currency And 'BBB+' Local Currency Long-Term Ratings Affirmed; Outlook Remains Negative](#), Dec. 7, 2021
- [Banking Industry Country Risk Assessment: Mexico](#), Jan. 13, 2021

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of

all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

RATINGS AFFIRMED

Transfer & Convertibility Assessment	A
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MEXICO

Senior Unsecured	BBB
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Senior Unsecured	BBB+
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Short-Term Debt	A-2
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RATINGS AFFIRMED; CREDITWATCH/OUTLOOK ACTION

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MEXICO

Sovereign Credit Rating		
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Foreign Currency	BBB/Stable/A-2	BBB/Negative/A-2
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Local Currency

BBB+/Stable/A-2

BBB+/Negative/A-2

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