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Mexico 'BBB' Foreign Currency And 'BBB+' Local Currency Long-Term Ratings Affirmed; Outlook Remains Negative

Overview

- Mexico's nationwide midterm elections on June 6 showed solid support for President Lopez Obrador and his allies, who, with a simple majority in Congress, remain well-placed to drive the policy agenda in the second half of the president's six-year term.
- We assume ongoing cautious macroeconomic management, with net general government debt holding steady at about 48% of GDP over the next three years, while growth decelerates after a 5.8% rebound in 2021 as pressures on the business climate--some long-standing and some associated with recent policy steps--weigh on investment.
- We affirmed our 'BBB' long-term foreign currency and 'BBB+' long-term local currency sovereign credit ratings on Mexico.
- The outlook remains negative, indicating the risk of a downgrade over the coming 12 months due to either weakening public finances, likely arising from managing complex fiscal challenges related to PEMEX, or the possibility that some government initiatives could further weigh on the business climate.

Rating Action

NEW YORK (S&P Global Ratings) June 15, 2021--, S&P Global Ratings affirmed its 'BBB' long-term foreign currency and 'BBB+' long-term local currency sovereign credit ratings on Mexico. The outlook on the long-term ratings remains negative. At the same time, we affirmed our short-term ratings at 'A-2'. Our transfer and convertibility (T&C) assessment remains 'A'.

Outlook

The negative outlook indicates the possibility of a downgrade over the coming year due to a potentially weaker fiscal profile, given off-budget risks mostly from Petróleos Mexicanos (PEMEX) in the context of a comparatively low non-oil tax base and fewer fiscal buffers.

Weak economic performance could complicate policy execution, in our view. Reversal of some policies and renegotiation of some contracts, particularly in the energy sector, and uncertainties about the autonomy of regulatory bodies and the judiciary that weigh on policy stability and depress investment further could lead to a downgrade.

Conversely, effective economic management that raises investor confidence and encourages private investment could mitigate structural weakness in GDP growth prospects, helping to reinforce sound public finances. Greater political initiative to reform Mexico's fiscal regime could bolster budgetary flexibility and broaden the non-oil tax base. That, along with steps to contain the potential contingent liability posed by state-owned companies in the energy sector, could avoid an erosion of the sovereign's financial profile. We could revise the outlook to stable within the coming year in such a scenario.

Rationale

The ratings on Mexico are based on the strengths and weaknesses in its democracy, which has brought political stability and regular changes of government over the last two decades. Indeed, the independent electoral institute just oversaw generally smooth and uncontested elections for around 20,000 positions, the largest in recent history.

However, Mexico has not enjoyed economic dynamism compared with other emerging markets or improved public security. This has led to increased polarization in Mexico between traditional parties and more antiestablishment coalitions or movements. The pandemic, in our view, weighed on Mexico's growth that was already under pressure, and we expect real per capita GDP growth to remain below that of peers with a similar level of economic development in 2021-2024.

Years of cautious fiscal and monetary policies and a floating exchange rate regime have maintained investor confidence and access to global capital markets even in times of adverse global trends. This includes credible inflation-targeting monetary policy by Mexico's independent central bank. However, changes in some other domestic policies in recent years are hurting business confidence, potentially limiting the upside to GDP growth, notwithstanding the benefits of USMCA and nearshoring trends that should benefit Mexico.

We assume the administration's commitment to generally moderate deficits will keep the net general government debt burden steady around 48% of GDP over the next couple of years. The ratings also currently incorporate limited contingent liabilities despite our expectation of almost certain extraordinary support, as needed, for PEMEX (with a stand-alone credit profile in the 'ccc' category).

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 33% of current account receipts (CAR), supports a solid external position. In addition, Mexico has access to the IMF's Flexible Contingent Credit Line for up to $61 billion (up for renewal in November 2021), boosting the sovereign's external liquidity and reflecting long-standing prudent macro management.

Institutional and economic profile: Cautious macroeconomic policy amid weak private investment and subpar trend growth prospects

— The June 6 elections at the national and local levels underscore support for President Lopez Obrador and his ability to advance policy in the remainder of his six-year term.

— We assume execution of fiscal, monetary, exchange rate, and trade policies will remain cautious following the elections and amid recent changes in the economic team.

— We expect growth to remain lower than peers, and the post-pandemic rebound appears to be affected by weak private investor sentiment as the business climate has deteriorated.

The nationwide elections for the entire 500-member Lower Chamber, 15 of 32 state governors, and almost 2,000 municipalities marked the largest election in Mexico's history. The ruling MORENA party and its coalition members won a solid majority in the Lower House of Congress and 12 governorships. At the same time, inroads by the National Action Party (PAN), the Institutional Revolutionary Party (PRI), and the Democratic Revolution Party (PRD) stripped the MORENA coalition of its supermajority in the Lower House, providing a greater check on policy. While the administration remains generally in control of the legislative agenda, it will need support from opposition parties to pass any constitutional amendments. This informs the ease with which the president can advance more controversial policy in the second half of his term.

We expect broad continuity in fiscal and monetary policies in coming years, in the context of the recently announced changes in the positions of minister of finance and governor of the Bank of Mexico.

Notwithstanding a rise in poverty (as measured by labor income) last year to around 40% amid the pandemic and one of the highest mortality rates (about 9%) globally associated with the pandemic, all signs are that the administration remains committed to a stable fiscal policy that includes austerity across the public sector. There is a commitment to support PEMEX with capital injections, tax relief, and via debt management operations. In our view, such supportive measures may worsen the sovereign's public finances absent policy adjustments. The administration had signaled a possible reconfiguration of the tax base after the midterm elections. How and whether policies strengthen the non-oil tax base remain an open question, as does any revision of energy policy.

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 macro policy signals under the current administration, supports our current institutional assessment. Mexico's democracy, close structural economic integration with the U.S., and economic institutions will continue to provide stability and predictability. Mixed political signals and greater centralization of political decision-making under the current administration have, however, undermined private investor sentiment and, with it, trend growth prospects, in our view.

Despite severe recession amid the pandemic, the administration prioritized macroeconomic and financial stability. While containing fiscal slippage, the administration continues to pursue an ambitious social, economic, and political agenda--including bolstering PEMEX.

We project the country's per capita GDP will be about US$9,600 in 2021. Many 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, in our view. Over the past two decades, growth has averaged 1.5%. On top of a slight decline in 2019, real GDP contracted 8.2% in 2020 as Mexico was hit hard by the pandemic.

In 2021, we expect real GDP growth around 5.8%, driven by robust U.S. demand. Record remittances from workers abroad support consumption at the low end of the income segment. U.S. economic recovery should continue to bolster external demand, including a recovery in tourism as vaccines are more widely available. For 2022-2024, we expect growth to decelerate toward trend rates based on low private investment, high levels of informality, and limited access to credit.

Key to strengthening growth is more robust private investment. 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 Comision Federal de Electricidad (CFE) in the energy and electricity sectors, and concern about the independence of various regulatory bodies. However, private-sector representatives have continued to work with the government on infrastructure-related packages, including some projects in energy, as well as pension reform and outsourcing reform.

Longer term, USMCA (the United States-Mexico-Canada Agreement) should position Mexico to benefit from the combination of trade tensions between the U.S. and China and a shift to nearshoring following the pandemic as companies reconfigure global supply chains. Bolstering private-sector confidence remains a key challenge for the administration.

Flexibility and performance profile: Moderate fiscal imbalances could be pressured by PEMEX while the nation's external position remains 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, around 48% of GDP over the next couple of years, but risks stem from PEMEX and potential 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. Remittances continue to grow, to a record $41 billion (3.8% of GDP), far exceeding income from oil and related exports. We expect the current account to slowly move back toward a deficit over the forecast period (the next two years). With net foreign direct investment over 2% of GDP in 2020, international reserves rose, 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) hover around 33% 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.

After declining amid increased global market volatility (with heightened uncertainty about the timing of Federal Reserve monetary policy normalization), nonresident holdings of Mexico's locally issued central government debt have stabilized, and we expect them to increase over the coming years. Persistent outflows of nonresident holdings of central government local currency debt could create volatility in the local market. 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 $61 billion provides flexibility to manage this vulnerability.

The rating incorporates cautious fiscal management that contains fiscal deficits via spending and revenue measures, keeping the sovereign and PEMEX's combined debt burden stable. We expect net general government debt to hold steady, around 48% of GDP in 2021-2024. We expect that interest payments will account for an average of 12% of general government revenues over the same period. We assume the general government deficit will average 2.2% of GDP for 2021-2024. We also assume continued control over spending in our projections, despite ambitious social programs.

Non-oil tax revenues surprised on the upside in 2020 despite the sharp decline in GDP as the government worked to reduce evasion and collect past-due taxes. Over the forecast, we assume some buoyancy as one-off gains should dissipate, but the tax base should benefit amid the economic recovery on the margin from the ongoing regularization of some taxpayers.

We think reliance on nonrecurring nontax revenue, which supported fiscal execution in 2020, could become more difficult over the forecast period. By year-end 2020, there was a drawdown on money in the federal revenue stabilization fund (FEIP) of Mexican peso (MXN) 9 billion, less than 0.1% of GDP. The small cushion it provides is supplemented by some other assets, from consolidated trust funds or autonomous bodies. Reliance on other funds and potentially Banxico profit transfers doesn't provide permanent revenue solutions--hence the importance of the potential debate on the tax regime post the 2021 midyear elections. The administration had indicated that it may seek to strengthen the tax base in the second half of its term.

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 60% of that debt is at fixed interest rates. The average life of central government external debt is more than 18 years, and domestic debt is eight years. Nonresidents hold less than 35% 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 SDG (sustainable development goals) in September 2020 and its first five-year Formosa bond in February 2021.

Our analysis of fiscal policy in Mexico encompasses the public sector, given the large role of PEMEX and, to a lesser extent, 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.

Increased risks to the sovereign's fiscal performance stem from the weakened financial profile of government-owned energy company PEMEX. We continue to view the likelihood of the sovereign providing extraordinary support to PEMEX as almost certain, and the track record of recent support reinforces this assessment. As such, we rate PEMEX at the same level as the sovereign, despite its weak stand-alone credit profile. The heightened vulnerabilities at PEMEX--amid poor operational and financial performance and technical capacity constraints--could pose a more material contingent liability for sovereign creditworthiness depending on the robustness of Mexico's fiscal outturn coming out of the pandemic as some budgetary buffers have eroded.

We currently assess the contingent liabilities from these nonfinancial companies as limited. However, PEMEX's enlarged role could pose risks, as its weakened finances could erode the sovereign's finances amid PEMEX's mandate to boost investment and output and to build new refineries. PEMEX's debt is almost 10% of GDP. Although the sovereign does not guarantee PEMEX's debt, we view the likelihood of the sovereign providing extraordinary support, in case of financial distress, as almost certain.

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 to date has weathered the pressures of the pandemic. Liquid assets accounted for around 31% of total assets in April 2021. The banking system's reported regulatory capital adequacy was 18.3% as of March 31, 2021, versus the minimum regulatory requirement of 10.5%. Nonperforming loans (NPLs) were 2.5% of total loans as of April 30, 2021, and loan loss provisions fully cover NPLs. Credit growth slowed amid the pandemic, and we expect credit to the private sector to GDP to remain low in 2021, at less than 35%.

Mexico's central bank has a single mandate: to maintain stable, low rates of inflation. 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. The legal independence of the central bank, and public support for the institution, should result in continuity in prudent monetary policy despite the change in administrations.

The bank took a cautious stance during the pandemic, cutting rates in 2020-2021 by 325 basis points to 4.00%. It provided peso and dollar liquidity to ensure smooth functioning of the financial markets. 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.

Average annual consumer price inflation during 2020 was 3.4%. With the pickup so far in 2021, we expect higher (average annual) inflation of 5.0% this year. The increase in global energy and commodity prices and the local drought are pushing up non-core inflation this year. For 2022-2025, we expect yearly inflation of around 3.2%.

Key Statistics

Table 1

Mexico--Selected Indicators

	2014	2015	2016	2017	2018	2019	2020	2021F	2022F
ECONOMIC INDICATORS (%)									
Nominal GDP (bil. LC)	17,484	18,572	20,129	21,934	23,523	24,443	23,122	25,342	27,217
Nominal GDP (bil. $)	1,313	1,170	1,077	1,160	1,223	1,270	1,076	1,258	1,312
GDP per capita ($000s)	11.0	9.6	8.8	9.4	9.7	9.9	8.3	9.6	10.0
Real GDP growth	2.8	3.3	2.6	2.1	2.2	(0.1)	(8.2)	5.8	2.9
Real GDP per capita growth	1.6	2.1	1.5	1.0	0.3	(1.1)	(9.2)	4.7	1.9
Real investment growth	1.5	4.5	0.5	(1.2)	0.5	(5.7)	(18.0)	14.8	6.0
Investment/GDP	21.9	23.3	23.6	22.9	22.7	21.1	19.2	20.1	19.9
Savings/GDP	19.9	20.7	21.4	21.1	20.7	20.8	21.7	21.0	20.1
Exports/GDP	31.9	34.5	37.0	37.7	39.3	38.8	40.1	38.0	38.4

Real exports growth	7.0	8.4	3.6	4.2	6.0	1.5	(7.3)	12.1	4.1
Unemployment rate	4.8	4.4	3.9	3.4	3.3	3.5	4.6	4.3	4.2
EXTERNAL INDICATORS (%)									
Current account balance/GDP	(2.0)	(2.7)	(2.3)	(1.8)	(2.1)	(0.3)	2.5	0.8	0.2
Current account balance/CARs	(5.7)	(7.1)	(5.6)	(4.3)	(4.8)	(0.7)	5.5	2.0	0.5
CARs/GDP	34.5	37.3	40.3	41.3	43.1	42.8	45.0	42.0	42.2
Trade balance/GDP	(0.2)	(1.3)	(1.2)	(0.9)	(1.1)	0.4	3.2	1.4	0.8
Net FDI/GDP	1.7	2.1	2.9	2.6	2.1	1.8	2.1	1.8	1.7
Net portfolio equity inflow/GDP	0.4	0.3	0.9	0.9	0.2	(0.0)	0.0	0.0	0.0
Gross external financing needs/CARs plus usable reserves	91.7	90.2	87.4	85.4	87.3	83.1	76.4	78.4	79.8

Narrow net external debt/CARs	43.0	46.8	40.4	40.5	37.1	35.5	36.4	33.1	32.7
Narrow net external debt/CAPs	40.7	43.7	38.3	38.9	35.4	35.3	38.5	33.8	32.8
Net external liabilities/CARs	137.2	129.3	118.7	125.6	112.6	119.0	134.9	127.6	126.9
Net external liabilities/CAPs	129.9	120.7	112.4	120.5	107.5	118.1	142.7	130.2	127.5
Short-term external debt by remaining maturity/CARs	22.4	23.6	17.5	12.9	11.6	9.3	10.8	10.0	9.5
Usable reserves/CAPs (months)	4.5	5.0	4.6	4.3	3.8	3.9	4.8	4.6	4.4
Usable reserves (mil. $)	195,655	177,601	177,980	175,494	176,394	183,034	199,097	202,332	205,559

FISCAL INDICATORS (GENERAL GOVERNMENT; %)

Balance/GDP	(2.5)	(2.7)	(2.8)	(0.8)	(1.8)	(1.8)	(2.4)	(2.2)	(2.2)
Change in net debt/GDP	4.1	4.4	4.9	1.7	2.7	1.9	3.6	3.9	3.0
Primary balance/GDP	(0.9)	(1.0)	(1.0)	1.1	0.2	0.3	0.1	0.2	0.1
Revenue/GDP	18.2	18.8	19.4	19.1	18.2	18.1	19.6	19.1	19.1
Expenditures/GDP	20.8	21.5	22.2	19.9	20.0	19.9	22.0	21.3	21.2
Interest/revenues	9.2	9.2	9.5	9.8	10.9	11.9	12.5	12.2	12.0
Debt/GDP	40.8	42.9	44.5	42.3	42.1	42.8	49.1	48.5	48.1
Debt/revenues	223.8	227.9	229.8	220.8	232.1	235.8	250.3	253.2	252.4
Net debt/GDP	39.3	41.4	43.1	41.3	41.1	41.5	47.6	47.3	47.0
Liquid assets/GDP	1.5	1.4	1.4	1.0	1.0	1.2	1.5	1.2	1.1
MONETARY INDICATORS (%)									
CPI growth	4.0	2.7	2.8	6.0	4.9	3.6	3.4	5.0	3.5

GDP deflator growth	4.4	2.8	5.6	6.7	4.9	4.0	3.1	3.6	4.4
Exchange rate, year-end (LC/$)	14.72	17.21	20.73	19.67	19.65	18.93	19.95	20.50	21.00
Banks' claims on resident non-gov't sector growth	7.7	15.7	17.1	5.9	5.2	8.9	(0.6)	4.1	3.8
Banks' claims on resident non-gov't sector/GDP	28.6	31.2	33.7	32.8	32.1	33.7	35.4	33.6	32.5
Foreign currency share of claims by banks on residents	5.6	6.4	7.7	8.8	8.3	7.1	8.4	8.8	9.1
Foreign currency share of residents' bank deposits	12.5	13.9	16.3	17.0	15.9	14.4	15.4	15.4	15.4
Real effective exchange rate growth	(1.0)	(10.4)	(12.9)	2.4	0.1	3.3	(7.6)	N/A	N/A

Adjustments: N/A

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. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. f--Forecast. 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 -0.54%, 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 central bank has a track record of operational independence and the ability to act as lender of last resort for the financial system; CPI 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	Strengths in monetary policy credibility are not fully captured in the monetary assessment as capital markets are deepening; access to a $61 billion two-year Flexible Contingent Credit Line with the IMF (and US$60 billion SWAP line with the U.S. Federal Reserve in the past) underscores solid fundamentals and track record of policy adjustment and access to financing, which is not fully captured in our assessments.
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 about 50% of GDP.
Local currency	BBB+	

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: 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

- Mexican Local Governments' Economic Recovery Prospects After Largest-Ever Election, June 9, 2021
- Sovereign Ratings History, June 9, 2021
- Sovereign Ratings List, June 9, 2021
- Sovereign Ratings Score Snapshot, June 2, 2021

- Sovereign Risk Indicators tool at spratings.com/sri
- Banking Industry Country Risk Assessment: Mexico, Jan. 13, 2021
- Mexico 'BBB' Foreign Currency And 'BBB+' Local Currency Long-Term Ratings Affirmed; Outlook Remains Negative, Dec. 3, 2020
- Hit To Mexican Nonbank Financial Institutions' Asset Quality Will Depend On Loan Portfolio Exposure By Sector Nov. 18, 2020
- Mexican Banks Brace For Widening Credit Losses, Oct. 26, 2020
- LatAm Financial Institutions Monitor 3Q2020: Climbing Out Of A Deep Plunge, Oct. 21, 2020
- Mexico Foreign Currency Rating Lowered To 'BBB' And Local Currency To 'BBB+' On Hit To Trend Growth; Outlook Negative, March 26, 2020

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	
MEXICO	
Sovereign Credit Rating	
Foreign Currency	BBB/Negative/A-2
Local Currency	BBB+/Negative/A-2
Transfer & Convertibility Assessment	
Local Currency	A
MEXICO	
Senior Unsecured	BBB
Senior Unsecured	BBB+
Short-Term Debt	A-2

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

European Endorsement Status

Global-scale credit rating(s) have been endorsed in Europe in accordance with the relevant CRA regulations. Note: Endorsements for U.S. Public Finance global-scale credit ratings are done per request. To review the endorsement status by credit rating, visit the spglobal.com/ratings website and search for the rated entity.

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