

Mexico City, April 29th, 2021

### **Moody's Rating Agency affirms Mexico's credit rating**

- **Moody's affirmed Mexico's Baa1 rating with a negative outlook to reflect solid fiscal strength supported by the prudent management of public finances.**
- **The Agency has maintained Mexico's long-term foreign-currency issuer ratings at Baa1, 3 notches above the investment grade category**
- **The expectation that medium-term growth will resume its pre-crisis trend also underpins the affirmation.**

Moody's has affirmed Mexico's Baa1 rating with a negative outlook, enabling ongoing access to international financial markets under favorable conditions, for the public and private sectors. The affirmation has taken place in a still uncertain credit environment, with Moody's having taken negative actions on over 10 countries year to date.

The decision to maintain the rating is in line with Fitch and S&P affirmations at the end of 2020. All Agencies continue to acknowledge Mexico's robust track record of macroeconomic policy effectiveness that has continued during the pandemic.

Moody's expects that the fiscal strength of our country will remain a positive feature of Mexico's credit profile. They also anticipate that the debt burden will remain below the median of its peers.

To this end, the Agency has highlighted that revenue resilience – on the back of enhancements to the current tax framework -, reduction in operating expenses and the use of financial measures to support Pemex, have allowed Mexico to contain its deficit and debt accumulation in 2020.

Moody's emphasizes that their expectation that economic growth will return to its pre-pandemic potential has supported the affirmation. Furthermore, they have acknowledged upside potential from USMCA on the development of integrated production chains in the North American region. These will greatly benefit Mexico.



The Agency considers the possibility that Pemex will require more financial support than currently expected as a downside risk. To this end, the Ministry of Finance and Public Credit reaffirms its confidence in the strategy launched in 2019 to strengthen the company. This strategy has successfully resulted in oil production stabilization and increased reserves during 2019 and 2020, following 14 years of consecutive declines. As a result, in 2020, Pemex contributed with nearly 600 billion pesos to the Federal Government during the worst year for the oil industry since 1933.

The government remains fully committed to supporting Pemex, as demonstrated by multiple strategic measures taken to date. Pemex remains integral to the Mexican economy, and the government will continue to provide support as the company enhances efficiencies and increases its production capacity.

The Agency also highlights downside risks to growth prospects in the coming years, in particular due to possible weakness in private investment. In order to mitigate this risk, the government has launched strategic initiatives together with the private sector since the beginning of the administration. These include the approval of the USMCA, the labor reform in 2019, the pension reform in 2020 and, recently, the reform to regulate outsourcing.

Additionally, the public and private sectors have come together to reactivate investment, through 67 infrastructure projects worth 2.3% of GDP. The strategy has started to bear fruits, with private investment seeing growth of 30% between the second and fourth quarters of 2020.

The Ministry of Finance and Public Credit remains fully committed to macroeconomic stability and prudent fiscal policymaking, being the key pillars for sustainable economic recovery and equitable development in the medium and long term.

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