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About the credit ratings changes on Mexico and Pemex

On June 5, 2019, Fitch credit rating agency has changed the sovereign rating of Mexico, downgrading its Long-Term Foreign Currency and Local Currency Issuer Default Ratings from BBB+ to BBB and revising the outlook to stable. This change is based on a qualitative adjustment that mainly weighs the financial contingency that Pemex represents for the Mexican Government and its public finances. On June 6, 2019, Fitch also changed Pemex's sovereign rating to BB+ with a negative outlook.

It is unfortunate that Fitch penalizes the financial balance of the country twofold. On the sovereign side, it argues that the risks to the public finances have been increased mainly because Pemex's debt represents contingent liabilities to the Federal Government and therefore undertakes an imminent support to the company. At the same time, Fitch penalizes Pemex for considering the Government's support moderate and insufficient. The Government of Mexico strongly disagrees with the approach used by this rating agency.

The action regarding the sovereign rating for Mexico and Pemex is done despite the full support of the Federal Government towards Pemex and it is working to address Pemex's structural and financial problems. In this respect, the Government of Mexico reaffirms its commitment to the company and will continue its support for consolidating Pemex as an efficient and profitable company in the medium and long term, through structural and liquidity measures. Pemex is a crucial part of the national economy. It is worth noting that Fitch stabilizes the sovereign rating outlook from negative to stable. With this action, the agency sets a floor on the rating adjustment and further actions on the sovereign rating are not expected.

Moreover, Moody's reaffirmed the sovereign rating of Mexico (A3, 2 ratings above Fitch). At the same time, the outlook was modified from stable to negative, setting





an 18-month time frame for a potential revision of the rating. Regarding Pemex, Moody´s changed the outlook from stable to negative.

Both agencies recognize as strengths Mexico´s broad and diversified economy, a sound fiscal stance and macroeconomic stability, caution in formulating macroeconomic policies, as well as a sound banking system, among others.

It is important to point out that despite Fitch´s revision of the sovereign rating, Mexico´s debt continues to be investment grade.

The Secretariat of Finance and Public Credit confirm its commitment to fiscal discipline and macroeconomic stability. It is through sound public finances that is possible to acquire resilience and margins of maneuver to deal with the effects of adverse external conditions.

