Highlights of the Sovereign Rating on the United States of Mexico

Updated Rating
Long-term Local Currency: AA*i*-
Long-term Foreign Currency: AA*i*-
Outlook： Stable
Previous Rating
Long-term Local Currency: AA*i*-
Long-term Foreign Currency: AA*i* -
Outlook: Stable

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Rating Opinions

United Ratings has decided to maintain the long-term local and foreign currency ratings of the United States of Mexico (hereinafter, "Mexico") at AAi-, with Stable outlook. Mexico's political landscape has generally stayed calm in spite of the increased administration challenges, and the government stays committed to rolling out structural reform. The Mexican economy demonstrates signs of a slow recovery in the near term and structural reform is expected to boost long-term economic growth potential across many industries. Monetary policy continues to tighten, which could help stem the depreciation trends of the Mexican peso. Fiscal deficit keeps declining and government debts will remain at a controllable level. The size of current account deficit is likely to reduce and foreign debt servicing abilities will remain stable. As such, no visible changes are detected in the Mexican government's local and foreign currency debt servicing abilities.

Reasons for Maintaining Ratings

- Mexico's political landscape remains stable in general and the government continues to roll out structural reform.
- Sluggish oil price and increase in private investment have driven the economy to stabilize and edge back up in the short term. From a medium to long-term perspective, structural reform efforts are likely to enhance the country's long-term economic growth potential across a range of industries.
- Fiscal income will continue to decline, in parallel with new record highs in fiscal deficit. However, government liabilities will remain under control.
- Current account deficit is likely to decrease in scale, with foreign debt servicing ability stabilizing.

Outlook

In the near term, Mexico's structural reform efforts will slowly progress, specific effects of which are yet to be observed. The country is likely to keep up its mild economic recovery and continue its pace of fiscal reinforcement. The government's local and foreign currency debt servicing abilities will stay within the scope of its current sovereign ratings. As such, United Ratings maintains Stable outlook on Mexico's local and foreign currency ratings for the coming 1-2 years.

Key Indicators of the Sovereign Rating on the United States of Mexico

	2011	2012	2013	2014	2015	2016[f]
Nominal GDP （billion USD）	1,170.80	1,186.50	1,261.70	1,297.90	1,143.70	1,107.00
GDP per capita （USD）	9,726.90	9,719.40	10,196.40	10,351.20	9,003.90	8,715.00
Real GDP growth （%）	4.0	3.8	1.6	2.2	2.5	2.6
Inflation rate (%)	3.4	4.1	3.8	4.0	2.7	2.9
Total lending/GDP (%)	58.2	60.6	64.1	66.1	73.0	74.4
Domestic credit growth (%)	8.8	4.6	9.0	6.0	12.9	7.7
M2 growth (%)	11.9	8.4	8.8	10.9	7.2	7.0
Budget balance of governments/GDP (%)	-2.5	-2.6	-2.3	-3.2	-3.5	-3.0
Primary balance of governments/GDP (%)	-0.6	-0.6	-0.3	-1.2	-1.2	-0.8
Public debt/GDP (%)	34.9	35.2	38.0	41.9	46.5	48.6
Current-account balance/GDP (%)	-1.1	-1.4	-2.4	-1.9	-2.8	-2.6
Total foreign debt/GDP (%)	24.9	29.4	32.2	33.3	38.6	40.2
Total external debt/Current-account credit (%)	73.1	82.4	93.4	95.2	101.0	102.1
Short-term foreign debt/Total foreign debt (%)	18.0	21.7	22.8	21.1	18.9	17.1
International reserves/Total foreign debt (%)	51.2	47.9	44.6	45.3	40.3	43.5
Gross external financing requirement/GDP (%)	7.3	8.8	10.0	11.3	13.7	13.5

Source: Sovereign Rating Database of United Ratings.
Note: "f" stands for forecasts.