

CareEdge Global assigns 'Stable' outlook to the rating of the United Mexican States

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge BBB-' (Unsolicited)

Issuer rating

CareEdge BBB-/Stable (Unsolicited)

Rating Action

CareEdge Global has assigned a 'Stable' outlook to the rating of the United Mexican States (Mexico), while reaffirming the Long-Term Foreign Currency rating of **'CareEdge BBB- (Unsolicited)'**.

Rationale

The stable outlook is underpinned by limited risks to Mexico's medium-term growth outlook and a moderate public debt burden. While Mexico remains highly exposed to changes in US trade policy, available tariff exemptions for United States-Mexico-Canada Agreement (USMCA) compliant goods shield much of its export base. The country's external position is supported by a moderate external debt, a manageable current account deficit, and adequate reserves that provide buffers against external shocks.

The upcoming 2026 USMCA agreement review, and potential US policy shifts remain key risks, though we expect the Sheinbaum administration to manage bilateral issues effectively.

Mexico's credit profile is supported by its large economy and its strategic geographic location, which offers significant advantages for nearshoring. The monetary policy framework remains prudent. However, a sizable interest burden, Pemex-related contingent liabilities, and weak governance constrain its credit profile.

Upside Scenario

Mexico's credit outlook could be revised to positive if there is a sustained reduction in the interest-to-revenue ratio and a decline in contingent liability risks associated with Pemex. Higher-than-expected growth and an improvement in institutional factors could also support a positive outlook revision.

Downside Scenario

A sharp deterioration in economic growth or external sector performance due to US policy uncertainties could result in a revision in the outlook to negative. A material increase in debt ratios and contingent liability risks beyond current expectations, as well as any deterioration in the institutional factors, could also weigh on the outlook.

Key Rating Drivers

Economic Structure & Resilience

Mexico's large economy (GDP: USD 1.9 trillion in 2024) is transitioning from reliance on oil exports to a balanced mix of industry, manufacturing, and services. The economy relies heavily on exports, which accounted for 36.8% of GDP in 2024. Key exports include electronics, automotive, and crude oil. With over 80% of exports directed to the US, Mexico is highly exposed to US trade policy. The tariff hikes announced in early 2025 initially fuelled uncertainty, with the IMF in April projecting a 0.3% contraction for 2025. However, Mexico has shown resilience. Around 80% of its US bound exports are exempt from tariffs as they comply with the USMCA's rules of origin. Although a 25% duty applies to non-compliant goods, plans to raise this to 30% have been delayed until at least late October or early November 2025.

Recent forecasts have been revised marginally upward, with the IMF now projecting a growth of 1.0% for 2025, and 1.5% in 2026, underscoring Mexico's ability to weather tariff pressures under the USMCA framework. That said, uncertainty lingers, particularly with the scheduled mid-2026 review of USMCA.

Fiscal Strength

Mexico's gross general government debt has risen to 58.4% of GDP in 2024 from 44.1% in 2013, though remains moderate. The IMF projects government debt to average about 61% of GDP over 2025–2029.

Debt affordability remains a concern, reflected by an elevated interest-to-revenue ratio. Contingent liability risks also persist from Pemex, the state-owned petroleum company, which carries a significant debt burden of nearly USD 99 billion as of Q2 CY25. The government aims to improve Pemex's financial performance by 2027. Effective management of Pemex debt will be important for the stability of Mexico's public finances in the coming years.

External Position & Linkages

Mexico's comfortable external position is supported by moderate external debt, a manageable current account deficit, and adequate foreign exchange reserves.

External debt declined to 31.9% of GDP in 2024, from 33.1% in 2023. Meanwhile, the current account deficit remained stable at 0.3% of GDP and is projected to average around 1% of GDP during 2025–2029. FDI net inflows, averaging 2.5% of GDP over 2020-2024, help mitigate the current account deficit. The IMF's USD 35 billion Flexible Credit Line (FCL) provides an additional buffer against external shocks.

Exemptions for USMCA-compliant goods, along with the US decision to delay tariff hikes for 90 days have supported Mexico's exports. Nevertheless, US policies remain a key monitorable due to their potential impact on Mexico's external position.

Monetary & Financial Stability

The Bank of Mexico (Banxico) plays a critical role in preserving monetary stability, supported by its independence and proactive approach. The peso is actively traded and free-floating.

Banxico's inflation target remains within a range of 2-4%. CPI inflation stood at 3.6% in August 2025 and is projected to decline to 3% by 2026. Over the course of the current year, the central bank has reduced policy rates by a cumulative 250 bps, bringing the benchmark rate to 7.5%. This includes the most recent 25 bps cut implemented in September 2025.

Banxico's regulatory oversight has ensured a stable banking sector, with adequate capitalisation and liquidity buffers. Asset quality remains sound, with non-performing loan ratio remaining low at around 2% in 2024.

Institutions & Quality of Governance

Mexico faces significant governance challenges, including a weak rule of law and high levels of corruption, which continue to undermine institutional quality and public trust.

President Claudia Sheinbaum, elected in June 2024, leads the Morena party, and her administration is expected to manage US issues effectively.

Mexico – Select Indicators									
	Unit	2019	2020	2021	2022	2023	2024	2025 F	2026 F
Economic Indicators									
Nominal GDP	USD Billion	1,304	1,121	1,317	1,466	1,794	1,853	1,693	1,775
GDP Per Capita (Constant-PPP)	USD	21,714	19,745	20,814	21,424	21,932	22,059	21,821	21,949
Real GDP Growth	%	-0.4	-8.4	6.0	3.7	3.3	1.5	1.0	1.5
GFCF/GDP	%	21.7	20.1	21.3	22.5	24.3	24.2	-	-
Gross Domestic Savings/GDP	%	21.8	21.7	20.3	18.3	19.1	18.5	-	-
Exports (G&S)/GDP	%	38.5	39.2	40.6	42.9	36.2	36.8	-	-
Working-Age (15-64) Population (% Share in Total)	%	66.3	66.5	66.8	66.9	67.1	67.2	67.4	67.5
Old-Age (65+) Population (% Share in Total)	%	7.3	7.5	7.6	7.7	8.0	8.2	8.5	8.8
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-2.3	-4.3	-3.8	-4.3	-4.3	-5.7	-4.0	-3.3
Revenue/GDP	%	23.0	23.5	22.9	24.2	24.3	24.6	25.0	24.3
Expenditure/GDP	%	25.3	27.8	26.7	28.5	28.6	30.4	29.0	27.6
GG Gross Debt/GDP	%	51.9	58.5	56.7	53.8	52.8	58.4	60.7	61.1
GG External Debt (by Creditor)/GG Gross Debt	%	44.2	42.6	35.7	31.4	27.7	-	-	-
Interest/Revenue	%	14.1	15.4	15.8	17.2	18.5	-	-	-
External Indicators									
Current Account Balance/GDP	%	-0.3	2.4	-0.3	-1.2	-0.3	-0.3	-0.5	-1.1
FDI, Net Inflows/GDP	%	2.3	2.8	2.7	2.7	1.7	2.5	-	-
Outstanding FII Liabilities/GDP	%	40.4	47.3	39.0	32.8	30.1	25.3	-	-
NIIP/GDP	%	-48.3	-49.2	-42.1	-41.9	-42.3	-32.0	-	-
Foreign Exchange Reserves	USD Billions	183.1	199.1	207.8	201.1	214.3	232.0	-	-
Import Cover	Months	4.3	5.6	4.4	3.6	3.8	4.6	-	-
External Debt/GDP	%	47.7	55.6	45.7	39.8	33.1	31.9	-	-
Monetary and Financial Indicators									
CPI Inflation	%	3.6	3.4	5.7	7.9	5.5	4.7	3.5	3.2
Exchange Rate (Average)	LC per USD	19.3	21.5	20.3	20.1	17.8	18.3	-	-
Non-Performing Loans/Total Gross Loans	%	2.2	2.6	2.1	2.1	2.1	2.0	-	-
Private debt, loans and debt securities/GDP	%	40.1	42.8	40.3	38.7	37.1	39.0	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2024

Solicitation Status

The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BBB-/Stable	September 29, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BBB-	October 03, 2024

Criteria Applied

[CareEdge Sovereign Rating Methodology](#)

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