

## **FITCH REVISES THE OUTLOOKS ON VARIOUS MEXICAN CORPORATES TO NEGATIVE**

Fitch Ratings-Chicago-09 December 2016: Fitch Ratings has revised the Rating Outlooks for various Mexican corporates to Negative from Stable. A full list of rating actions follows at the end of this release.

The Outlook revisions follows Fitch's revision of Mexico's Rating Outlook to Negative from Stable on Friday Dec. 9, 2016. The revision of Mexico's Outlook reflects increased downside risks to Mexico's growth outlook and the challenges this could pose for stabilization of public debt burden. Mexico's growth has been underperforming its rating peers and the general government debt burden has been increasing steadily in recent years. Mexico's modest growth profile is a rating weakness. Its five-year growth average of 2.4% is weaker than the 'BBB' median of 3.1%. Fitch has cut its growth forecast for Mexico to below 2% for 2017, and downside risks continue to persist. Furthermore, public finances have been facing pressure from the decline in oil income, although the expansion of the non-oil revenue base from the 2013 revenue-enhancing reform and spending adjustments have helped absorb this shock.

### **RATING SENSITIVITIES**

The foreign currency ratings of the following companies could be negatively impacted by a negative rating action on the sovereign rating of Mexico and/or a downgrade of its country ceiling.

The main factors that could, individually or collectively, lead to a downgrade of Mexico's ratings are:

- A deterioration in the economic, trade, and financial links of Mexico with the U.S. that dampen Mexico's investment and growth prospects;
- Weak economic growth performance and/or fiscal deterioration leading to a worsening of government debt dynamics;
- Materialization of contingent liabilities that undermine the sovereign's balance sheet;
- A deterioration in the consistency, flexibility and credibility of the macroeconomic policy framework.

The Rating Outlook is Negative. Consequently, Fitch's sensitivity analysis does not currently anticipate developments with a high likelihood of leading to a positive rating change. Future developments that could individually, or collectively, result in a stabilization of the Outlook include:

- Reduced risks of disruption to trade and financial (including foreign direct investment) flows to Mexico;
- Improved growth performance and successful fiscal; consolidation that improves the outlook for the public debt trajectory;
- Sustained credibility and flexibility of the macroeconomic policy framework that supports the country's ability to confront economic challenges.

Fitch has affirmed following corporates:

Arca Continental, S.A.B. DE C.V.

--Long-term Foreign Currency Issuer Default Rating (IDR) at 'A'; Outlook Stable.

Fitch has affirmed following corporates and revised their Rating Outlook to Negative from Stable:

Kimberly Clark de Mexico, S.A.B. de C.V. (KCM)

--Long-term Foreign Currency IDR at 'A'; Outlook Revised to Negative from Stable.

Comision Federal de Electricidad (CFE)

--Long-term Foreign Currency IDR at 'BBB+'; Outlook Revised to Negative from Stable;

--Long-term Local Currency IDR at 'BBB+'; Outlook Revised to Negative from Stable.

Petroleos Mexicanos (Pemex)

--Long-term Foreign Currency IDR at 'BBB+'; Outlook Revised to Negative from Stable;

--Long-term Local Currency IDR at 'BBB+'; Outlook Revised to Negative from Stable.

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Date of Relevant Rating Committee: [9, December, 2016.]

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria

Criteria for Rating Non-Financial Corporates (pub. 27 Sep 2016)

<https://www.fitchratings.com/site/re/885629>

Parent and Subsidiary Rating Linkage (pub. 31 Aug 2016)

<https://www.fitchratings.com/site/re/886557>

Rating Non-Financial Corporates Above the Country Ceiling (pub. 21 Jun 2016)

<https://www.fitchratings.com/site/re/882817>

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