2027 Economic Package

Higher revenue to finance growing spending

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Against a backdrop of growing spending, a series of fiscal measures are being implemented to increase revenue collection. This year, unlike the previous one, the changes will mainly affect companies rather than consumers.

Although the Public Sector Borrowing Requirements (PSBR) are expected to decline from -4.1% to -3.9% of GDP by 2027, the fiscal consolidation previously expected for 2028, when the Ministry of Finance estimated that the PSBR would fall to 3.0% of GDP, has now been postponed until 2032.

If the expected path for public finances materializes, we believe the probability of Mexico losing its investment-grade rating will remain low over the next two years. However, since fiscal stability depends on the success of revenue collection, there is little room for error in the event of an external shock.

2026 year-end: The slower pace of economic activity will translate into lower revenues. Spending remains unchanged. Debt increases. With economic growth falling short of expectations this year and Pemex production declining, revenues will come in MXN 190bn below budget. In response, spending will be MXN 248bn below programmed levels. The good news is that most of the spending reduction is explained by lower financial costs (MXN 214bn below expectations), thanks to the appreciation of the exchange rate and lower short-term interest rates.

This will allow programmable spending to be executed as planned, which is why the Primary Balance (excluding savings from financial costs) will amount to only 0.1% of GDP (0.5% expected). Since there is no fiscal effort to reduce programmable spending, the Historical Balance of the Public Sector Borrowing Requirements (the broadest measure of debt) will reach 54% of GDP, rather than the 52.3% previously expected.

2027 Package: The target of a primary surplus of 0.6% of GDP returns as a result of a greater revenue-raising effort, rather than spending cuts.

Realistic macro assumptions, although the expectation of Banxico rate cuts next year is surprising. GDP growth is expected to range between 1.5% and 2.5% (consensus: 1.8%), inflation at 3.0% (consensus: 3.8%), the policy rate at 6.00% by year-end (consensus: 6.50%), and the exchange rate at MXN 18.00 per dollar (consensus: MXN 18.10). The bias is slightly more benign in favor of the Ministry of Finance, since, if market forecasts materialize, the deficit could increase by MXN 65bn.

Budget Revenues would increase by MXN 344.4bn (3.9% in real terms) relative to the estimated 2026 year-end level, supported by 5.9% real growth in tax revenues —income tax +7.2%, excise taxes +10.5%— despite a 14.4% real decline in oil revenues. The 24.6% real increase in non-tax revenues (an additional MXN 103bn) stands out: the 2027 Federal Fees Law explains part of this increase through updated fees related to railway infrastructure, health procedures, environmental protection, and the use of airspace. However, these adjustments do not explain the magnitude of the increase. A review of Article 1 of the Revenue Law shows that more than half of total non-tax revenues in 2027 —MXN 266bn out of MXN 521.8bn— corresponds to a single undisclosed item classified as "Other" within miscellaneous revenues; this is not Banco de México's operating surplus transfer, which is budgeted at MXN 0.0 for 2027.

This year, the Tax Miscellaneous Resolution focuses on broadening the corporate income tax base, marking a shift from last year's emphasis on excise taxes:

- Deduction control mechanism: for companies with taxable profits whose deductions already reach or exceed 96.67% of taxable revenues, the deduction cap is set at 96.67%; 99% for the rest.
- The period to deduct tax losses is extended from 10 to 20 years, with a cap of 50% of taxable profit.
- Net interest deduction: the limit is reduced from 30% to 20% of adjusted taxable profit.
- For banks, the non-deductibility of three-quarters of IPAB (FOBAPROA) contributions remains in place, along with the alignment of the tax treatment of bad debts with that of other taxpayers —the same provision as in the previous fiscal year, renewed for 2027 under Article 25 of the Revenue Law.
- Capital repatriation: income tax rate of 7.5% on the repatriated amount, compared with 15.0% in the previous year.

- Interest withholding tax rate: declines from 0.90% (2026) to 0.68% (2027).
- The 2027 Federal Fees Law, meanwhile, introduces specific sectoral adjustments that are worth separating from the Tax Miscellaneous Resolution:
    - Railways: the fee for the use of railway tracks increases from 1.25% to 3.0% of gross revenues, applicable only to concessionaires with more than 15 years of operations.
    - CNBV: securities registration and inspection and supervision fees for issuers increase by 16%, the first adjustment in a decade.
    - Airspace: the fee for its use increases by 10%, payable by airlines.
    - National Waters: the transfer of water rights between private parties is eliminated.

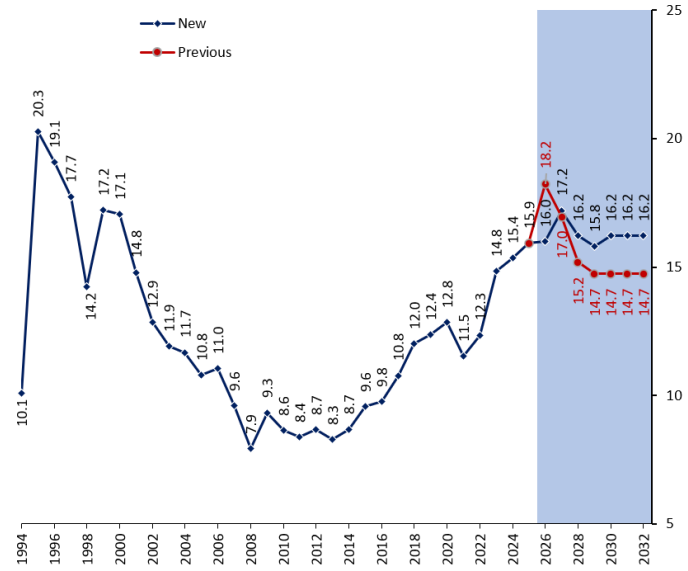
Spending would increase by MXN 322.4bn (3.2% in real terms), including an additional MXN 79.9bn in programmable spending and MXN 242.5bn in non-programmable spending —of which MXN 166.5bn corresponds to higher financial costs, the fastest-growing component of non-programmable spending (+11.8% in real terms), representing 17.2% of budget revenues. This is explained by the expectation of exchange-rate depreciation and by the MXN 958bn increase in debt relative to the previous year.

Deficit. Since revenues are expected to grow faster than spending, the PSBR deficit would decline from 4.1% to 3.9%. “Reducing the deficit” in this package means slowing the pace of borrowing, not reversing it.

Debt. The broadest measure of debt (Historical Balance of the PSBR) would rise to 55% of GDP. According to the Ministry of Finance's own medium-term projections, this indicator would continue rising before stabilizing at around 56.5% of GDP by 2031-2032.

Financial Costs. Our preferred measure of fiscal discipline shows a better-than-estimated performance in 2026, thanks to the factors already discussed. This is positive within our credit-rating model in the short term. However, since borrowing continues to increase, Financial Costs will not return to pandemic-era levels, raising fiscal risks over the medium term (see next section).

Financial Costs
(% Public Sector Revenues)



Source: Actinver with data from the Ministry of Finance and Public Credit.

Mexico's Credit Rating
September 2026

Moody's	S&P	Fitch	Description
A1	A+	A+	
A2	A	A	Upper Middle Grade
A3	A-	A-	
Baa1	BBB+	BBB+	
Baa2	**BBB (Outlook Neg, May-26)**	BBB	Lower Middle Grade
Baa3 (Outlook Stb, May-26)	BBB-	**BBB- (Outlook Stb, Apr-26)**	
Ba1	BB+	**BB+ (Outlook Stb, Oct-25)**	No Investment Grade Speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1 (Outlook Stb, May-26)	B+	B+	No Investment Grade Highly Speculative
B2	B	B	
B3	B-	B-	
Ba1	BB+	BB+	No Investment Grade Speculative
Ba2	BB	BB	
Ba3	BB-	BB-	

Credit Rating

To assess the impact of the 2027 Package, we built a model aimed at rigorously estimating the probability that Mexico loses its sovereign investment-grade rating from S&P, Moody's and Fitch. To do so, we deliberately separate two questions that are often conflated in this type of analysis:

- **Why one country has a better or worse rating than another similar country?** A cross-country comparison at a given point in time, addressed using a machine-learning algorithm that imposes no prior theory, allowing the data to reveal which factors matter most.
- **What causes the rating of a specific country to change over time?** A different question addressed using a regularized regression technique that, through hundreds of resamples, identifies which factors consistently explain year-to-year movements, and is additionally validated with a dynamic panel econometric model.

The central methodological finding is that these two questions have different answers: what distinguishes one country from another at a given point in time is not the same as what drives its rating over time. This distinction is not usually made explicit in the sovereign-rating literature and represents one of the contributions of this exercise.

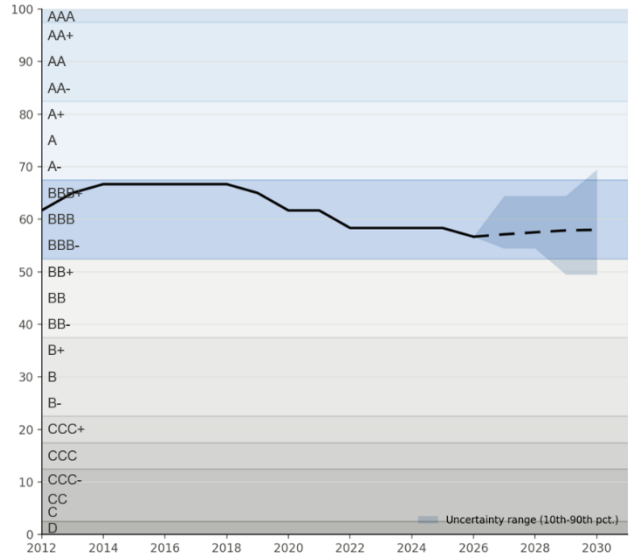
Using these findings, we built an integrated model: a regression that estimates the probability of a rating downgrade each year, combined with a matrix that replicates how the ratings of approximately 140 countries have actually moved over nearly four decades, adjusted by that probability. From this, we derive both the probability of being below investment grade in a specific year and the cumulative probability of having fallen below investment grade at least once, as well as the joint probability when two of the three agencies agree.

Main conclusions

Mexico reaches this point with little room for error. Two of the three agencies that rate the country already place it at the lowest possible investment-grade notch —a single move in the wrong direction, regardless of magnitude, would be enough to push it below investment grade. The third agency maintains a somewhat larger cushion, although not enough to suggest meaningful headroom.

Under the baseline scenario, the risk that Mexico loses its investment-grade rating from at least two of the three agencies is low over the immediate horizon, but increases steadily and becomes non-negligible as the horizon extends toward 2030. It is not an imminent risk, but neither is it remote or hypothetical.

Mexico's Credit Rating under 2027 Package Assumptions



Source: Actinver with data from the Ministry of Finance and Public Credit.

Probability of Losing Investment Grade

Point-in-time

	2026	2027	2028	2029	2030
S&P	1.04%	2.25%	3.48%	4.66%	6.19%
Moody's	5.50%	9.68%	12.81%	15.23%	18.80%
Fitch	5.59%	9.11%	11.30%	12.72%	15.54%
Joint (≥2 of 3)	**1.50%**	**4.55%**	**7.87%**	**11.01%**	**16.87%**

Cumulative

	2026	2027	2028	2029	2030
S&P	1.04%	2.41%	3.95%	5.54%	7.57%
Moody's	5.50%	9.99%	13.67%	16.79%	21.12%
Fitch	5.59%	10.08%	13.71%	16.73%	21.04%
Joint (≥2 of 3)	**1.50%**	**5.19%**	**10.10%**	**15.68%**	**25.06%**

Public Finances in 2026-2027

	MXN billion at 2026 prices			Real Growth %		Change $		Share of GDP %		
	2025 Approved (1)	2025 Estimated (2)	2026 Initiative (3)	(3 vs. 1)	(3 vs. 2)	(3 vs. 1)	(3 vs. 2)	(1)	(2)	(3)
Budget Revenues	9,003	8,813	9,157	-2.1	**3.9**	-190	**344**	22.5	23.0	23.2
Oil Revenues	1,243	1,150	985	-7.5	**-14.4**	-93	**-165**	3.1	3.0	2.5
Non-Oil Revenues	7,759	7,663	8,172	-1.2	**6.6**	-96	**509**	19.4	20.0	20.7
Federal Government	6,416	6,334	6,786	-1.3	**7.1**	-82	**452**	16.0	16.5	17.2
Tax	6,027	5,916	6,264	-1.8	**5.9**	-111	**348**	15.1	15.4	15.9
Income Tax	3,169	3,070	3,289	-3.1	**7.2**	-100	**220**	7.9	8.0	8.3
VAT	1,640	1,724	1,768	5.1	**2.6**	84	**44**	4.1	4.5	4.5
Gasoline Tax	786	750	828	-4.6	**10.5**	-36	**79**	2.0	2.0	2.1
Others	432	373	379	-13.6	**1.6**	-59	**6**	1.1	1.0	1.0
Non-Tax	389	419	522	7.6		29		1.0	1.1	1.3
Public Organizations	1,343	1,328	1,386	-1.1	**4.4**	-15	**58**	3.4	3.5	3.5
Net Spending	10,440	10,193	10,515	-2.4	**3.2**	-248	**322**	26.1	26.6	26.7
Programmable Spending	7,242	7,231	7,311	-0.1	**1.1**	-11	**80**	18.1	18.9	18.5
Non Programmable Spending	3,199	2,962	3,204	-7.4	**8.2**	-237	**242**	8.0	7.7	8.1
Financial Costs	1,623	1,408	1,575	-13.2	**11.8**	-214	**167**	4.1	3.7	4.0
Transfers to Local Governments	1,503	1,482	1,548	-1.4	**4.4**	-21	**66**	3.8	3.9	3.9
Other expenses	73	71	81	-2.6	**14.3**	-2	**10**	0.2	0.2	0.2
Primary Balance	185	28	217	-85	**664**	-156	**189**	0.5	0.1	0.6
Public Balance	-1,439	-1,381	-1,359	-4.0	**-1.6**	58	**22**	-3.6	-3.6	-3.4
Public Sector Financial Requirments	-1,638	-1,572	-1,556	-4	**-1**	66	**17**	-4.1	-4.1	-3.9
Public Sector Financial Requirments Balance	20,912	20,708	21,666	-1.0	**4.6**	-204	**958**	52.3	54.0	55.0
Financial Cost (% Revenues)	18.0%	16.0%	17.2%	-	-	-	-	-	-	-

Source: Actinver with data from the Ministry of Finance and Public Credit.

Macro Framework and Budget Sensitivity

	Estimated 2025	Estimated 2026
GDP		
Real Growth (%)	0.5 - 1.5	1.8 - 2.8
Nominal (billion pesos, point estimate)	36,126	38,716
GDP Deflator (annual variation, %)	5.2	4.8
Exchange Rate		
Average	19.60	19.30
Year-end (pesos per dollar)	19.90	18.90
Inflation		
Dec/Dec (%)	3.8	3.0
Interest Rate		
Average (%)	8.4	6.6
Year-end (%)	7.3	6.0
Current Account		
% of GDP*/	-0.3	-0.6
Supporting Variables		
U.S. GDP (annual real variation)	1.6	1.9
Oil price (USD/barrel)	62.00	54.90
Total crude oil production platform (mbd)	1,714	1,794
Crude oil export platform (mbd)	616	521

SHCP
Surveys

Net effect SHCP vs. Surveys		
Revenues	-46	
Spending	19	
Net effect	**-65**	**MXN billion**

GDP (SHCP = 2.5%)	0.80	1.30	1.80	2.00	2.50	3.00	3.50	4.00
Tax Revenues (MXN billion)	-112	-79	-46	-33	0.0	32.9	65.7	99

Reference Rate (SHCP = 6.00%)	5.25	5.50	5.75	6.00	6.25	6.50	6.75	7.00
Financial Cost (MXN billion)	-21	-14	-7	0	7.0	14	21.0	28

FX - pesos per dollar (SHCP = 18.00)	16.00	16.50	17.00	17.50	18.00	18.20	18.50	19.00
Oil Revenues (MXN billion)	-89	-67	-45	-22	0	9	22	45
Financial Cost (MXN billion)	-40	-30	-20	-10	0	4	10	20

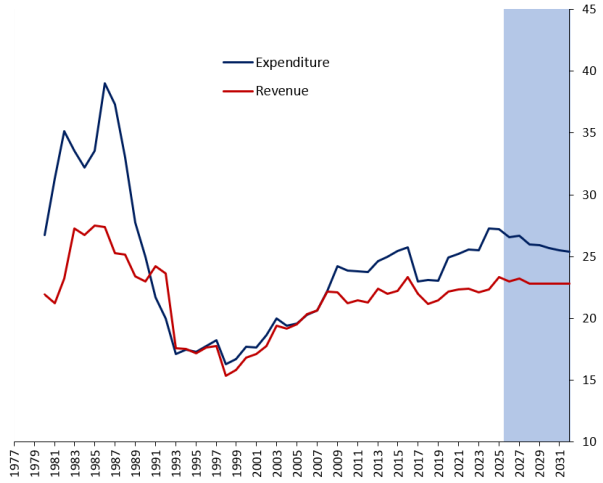
Mexican Oil (SHCP = 61.8)	58.80	59.80	60.80	61.80	62.80	63.80	64.80	65.80
Oil Revenues (MXN billion)	-29	-19	-10	0	10	19	29	38

Inflation (SHCP = 3.0%)	2.70	2.80	2.90	3.00	3.80	4.00	4.20	4.40
Financial Cost (MXN billion)	-0.4	-0.3	-0.1	0.0	1.1	1.4	1.7	2.0

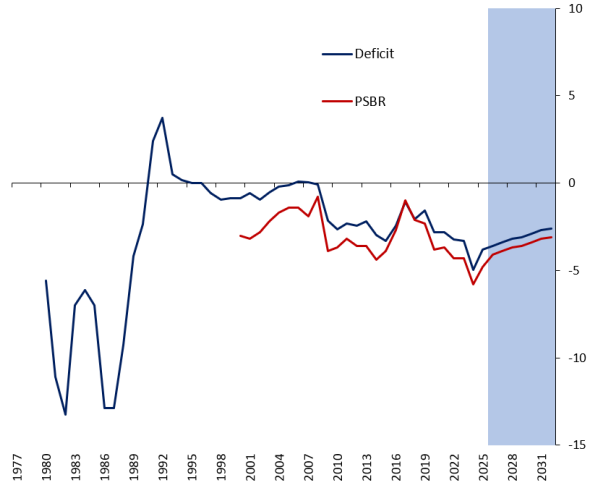
Oil Production (SHCP = 1,800 mbd)	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100
Oil Revenues (MXN billion)	-180	-135	-90	-45	0	45	90	135

Source: Actinver with data from the Ministry of Finance and Public Credit.

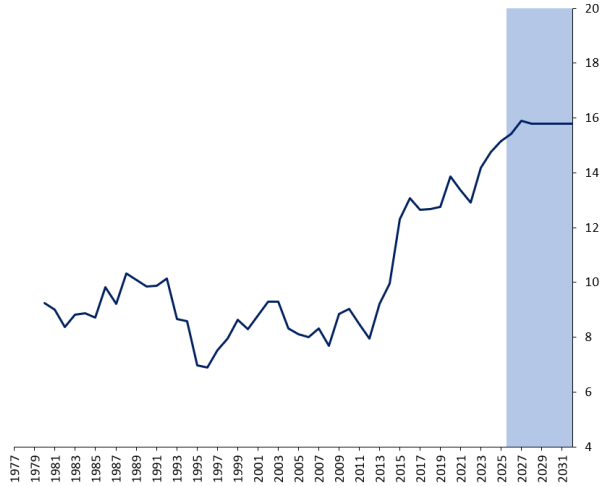
Public Sector Revenue and Expenditure
(% GDP)



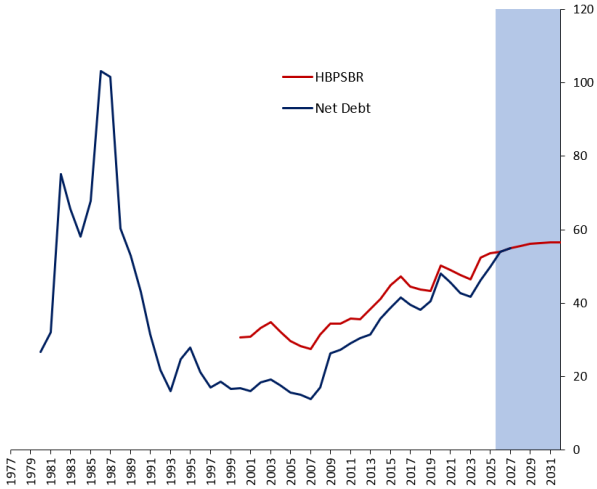
Public Deficit and PSBR
(% GDP)



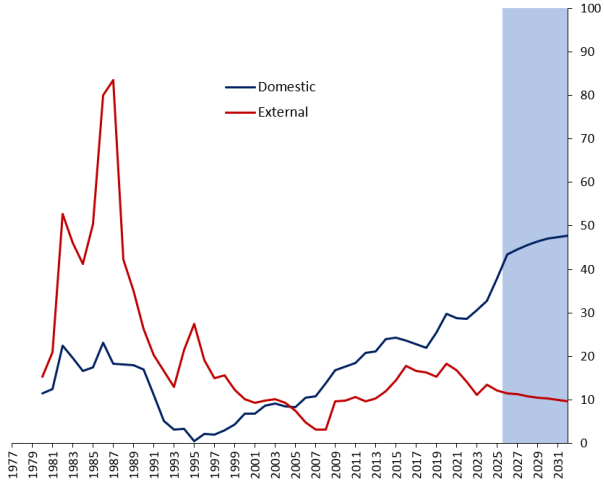
Tax Revenues
(% GDP)



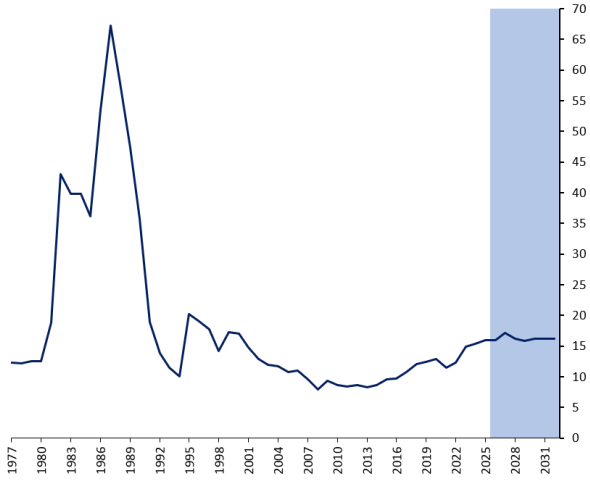
Net Debt and HBPSBR
(% GDP)



Net Debt
(% GDP)



Financial Costs
(% Public Sector Revenues)



Source: Actinver with data from INEGI, Banco de México and the Ministry of Finance and Public Credit.

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June 30, 2026 | Update

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