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Rating agency Moody's said on Wednesday that it would raise Mexico's rating if growth-oriented policies were implemented.

Moody's could bump Mexico

Rating agency to look for growth-oriented reforms

THE NEWS

MEXICO CITY - Credit-rating agency Moody's would raise Mexico from its current Baa1 rating to an A3 if growth-oriented structural reforms were approved, said the director of sovereign risk at the agency, Mauro Leos.

"Whenever a new six-year term begins there is new hope" that structural changes will be achieved, particularly in the labor, fiscal and energy areas, he said.

While at the 13th Annual "Mexico and the New Global Reality" conference, he explained that Moody's ratings are based on a methodological approach, which includes economic, institutional, financial and governmental factors, as well as resistance to change and deterioration. He said these factors were important as they have the potential to impact long-term economic growth trends.

Mauro Leos said that credit rating improvements depend on factors such as the availability of bank credit, adding that Mexico passed the "litmus test" when it escaped the 2009 financial crisis virtually unharmed.

He said there was a renewed economic vigor in the growth of Mexican gross domestic product (GDP) and a very positive perception of Mexico despite the violence and insecurity. "If Mexico is reinforced with innovative policies, it will strengthen the possibility of a rating change," he said.

Factors that must be addressed, he said, are its high dependence on the U.S. and petroleum, low economic growth and the consequences of a possible left rise to power. The positive factors are its predictable fiscal, monetary and exchange policies, he said.

In related news, Moody's analyst

Phillip Carvalho, while speaking at the "Mexican Bank Ratings: Recent Events and Expectations" conference said that the high growth in the number of individuals who have taken out pay day loans is worrying, as some already have a high level of debt. He said that banks give credit to workers who receive their salaries via direct deposit without evaluating their credit history or ability to pay them back.

In 2012 Mexico's bank credit availability will grow between 10 and 15 percent, while the economy is expected to grow at a lower rate, between 3 and 4 percent, he said.

Moody's Senior Credit Officer David Olivares pointed out that some of the subsidiaries of large transnational credit firms operating in Mexico may be negatively affected as a result of overall losses in the financial market.