



## **Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of Queretaro, State of**

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20 May 2025

New York, May 20, 2025 -- Moody's Ratings (Moody's) has completed a periodic review of the ratings of Queretaro, State of and other ratings that are associated with this issuer.

The review was conducted through a rating committee held on 13 May 2025 in which we reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), and recent developments.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Please see the Issuer page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

Key Rating considerations and rationale are summarized below.

Queretaro's Baa2 rating, including its baa2 baseline credit assessment (BCA), with negative outlook, remain unchanged. Despite the state's large capital spending program to support infrastructure and social needs, the credit profile remains resilient due to its balanced or positive operating results, low debt levels and strong liquidity position. This credit profile benefits from Queretaro's track record of relatively strong governance and disciplined budgetary practices with close monitoring of revenue and expenditure. It also benefits from the perceived increase in own source revenue collection through increases in payroll tax rates, renewal of vehicle plates and the creation of new taxes. The main challenges for the state relate to the lack of a formal pension system, since it needs to cover pension expenses with its current budget, and the exposure to physical climate risk in the form of heat and water scarcity, as well as adaptation measures to reduce pollution.

Queretaro's Baa2 rating reflects the combination of its standalone credit profile, as reflected in its BCA of baa2, and our assumption of a low likelihood of extraordinary support from the Mexican government (Baa2 negative) in the event that the entity faces acute liquidity stress and very high default dependence assumption. The negative outlook is driven by the negative outlook of the Government of Mexico given Queretaro's high dependence on federal transfers which represented 81% of total revenue in 2024.

This document summarizes our view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Regional and Local Governments published in May 2024. Please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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