Pemex's 2025 Results

Mexico

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Pemex reported positive results in its operating cash flow before tax payments. Operational challenges persist in crude production and payments to suppliers

During 2025, Pemex recorded a significant improvement in its operating cash flow, reaching its highest level since 2022. In 2025, the company managed again to generate sufficient cash to cover capex and interest payments on its debt, although it was not enough to fully cover the taxes it must transfer to the Federal Government.

The improvement in operating performance was mainly due to a significant reduction in operating costs and expenses. Additionally, Pemex continues to increase the operational capacity of its National Refining System (NRS), resulting in an increase in the production of petroleum products (especially gasoline and diesel), which has permitted a reduction in petroleum product imports over the past two years. Although total revenue declined as a consequence of lower export levels, this was offset by the contraction in operating expenses.

Perhaps the most noteworthy development last year was the reduction in Pemex's debt, which declined from P$1,978.8 billion (bn) at year-end 2024 to P$1,531.6bn in 2025, a reduction of P$466.5bn. The decline was due to a net cash amortization of P$271.3bn, while a stronger peso took off another P$195.2bn from its mostly dollar denominated debt. We expect that as a consequence interest costs, at least in peso terms, will decline in 2026 assuming that there is no sharp depreciation of the peso which thus far has not occurred. In fact, as of writing, the peso has strengthened even further.

On the negative side, and in operational terms, the company continues to face worrisome structural problems related to the decline in its crude oil production and the high level of accounts payable with its suppliers, which at year-end 2025 reached P$434.5bn. These two factors could produce significant cash outflows in the future (through higher capex and payments to suppliers), which would reverse the benefit observed in its operating cash flow in the past year. In the opinion of HR Ratings, it is very likely that, at least this year, Pemex will continue to need support from the Federal Government. This comes at the same time in which Mexico's Finance Ministry faces pressures from tax revenues as a consequence of the reduction of its Special Tax on Fuels (IEPS) in order to limit fuel price increases resulting from the conflict in the Middle East.

In Figure 1 below we show Pemex's the annual cash flow evolution beginning with its operating cash flow and how different components (capex, interest, taxes net of government transfers) affect its need to increase debt or permit debt amortization.

Figure 1. Pemex's cash flow evolution

ulative	2021	2022	2023	2024	2025
	Billions of pesos				
Flow generated before investments, interest and taxes	**437.4**	**712.7**	**436.7**	**505.4**	**520.4**
Investment activities	-262.7	-375.0	-272.4	-279.5	-250.1
Interest paid	-156.8	-151.9	-138.6	-141.2	-131.0
Flow after investments and interest and before taxes	**17.9**	**185.8**	**25.7**	**84.7**	**139.4**
Taxes paid	-259.4	-366.7	-132.6	-190.9	-189.4
Contributions from the Federal Government	339.3	218.8	220.5	189.5	411.5
Net transfers from the Federal Government to Pemex	**79.8**	**-147.9**	**87.9**	**-1.5**	**222.1**
Subtotal: Flow generated after taxes and net contributions	**97.7**	**37.9**	**113.7**	**83.2**	**361.5**
Net Debt Drawdowns	-71.4	-43.0	-97.5	-92.3	-271.3
Cash flow after net debt drawdowns	**26.4**	**-5.1**	**16.2**	**-9.1**	**90.2**
Effects of changes in the value of cash	10.1	-7.0	-11.9	29.2	-16.5
Net Change in Cash	**36.5**	**-12.1**	**4.3**	**20.1**	**73.7**

Source: HR Ratings with information on Pemex's Cash Flow Balance Sheet.

Regarding its cash flow, for the second consecutive year, Pemex's operating cash flow increased and was sufficient to cover capital expenditures and interest payments on debt, reaching a level of P$520.4bn vs. P$505.4bn in the same period of 2024. According to our analysis, what the company cannot cover is the taxes it must pay to the Federal Government. Consequently, it needs transfers from the Federal Government to, in effect, reimburse Pemex for the taxes it pays. However, in recent years the transfers have been even larger, for the purpose of reducing Pemex's debt. This reverses the trends in previous years when Pemex had to assume debt in order to finance its tax payments (see Figure 4). In 2025 the transition from a Shared Profit Duty (DUC) tax to the Petroleum Wellbeing Duty (DPB) did not produce a positive effect on the state-owned oil company's finances. The total amount paid in taxes in 2025 was practically the same as in 2024, and even higher than what was paid in 2023.

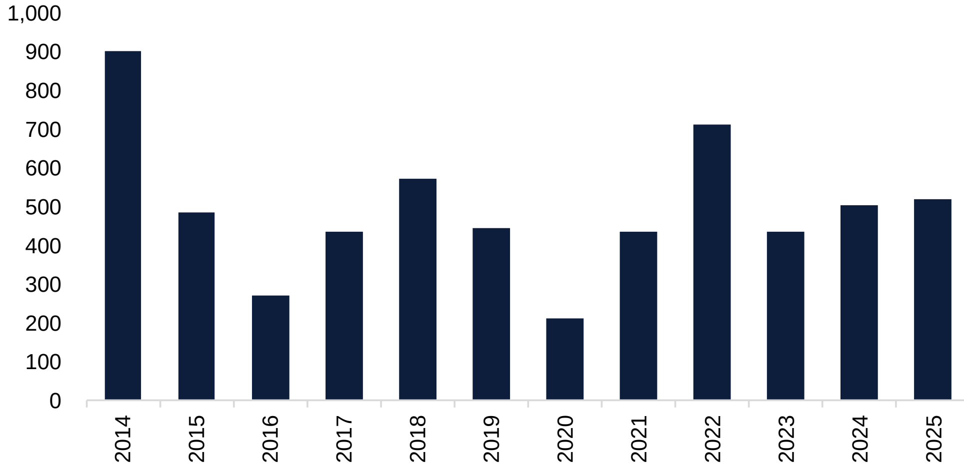
The improvement in operating cash flow in 2025 vs. 2024 occurred despite weak sales performance. In nominal terms, Pemex's total revenues from sales and services fell approximately 8.6% in 2025, reaching P$1,528.5bn. Domestic market sales grew modestly by 1.1% (+P$10.3bn), while foreign sales recorded a sharp decline of 22.3% (-P$154bn). This reduction was mainly explained by the 28.0% decrease in crude oil exports.

The reduction in crude oil exports is due to two main factors. First, the decline in crude oil production fell 7.0% in 2025. Since 2022, production has fallen an alarming 19%. Second, the smaller proportion of crude oil destined for export, in line with the strategy to increase domestic production of petroleum products by allocating more crude production to the domestic market. This change responds to the strategy of reducing dependence on imported fuels and the negative effects related to the high volatility in commodity prices. As a result, Pemex reports that petroleum product imports fell by 15.7% in 2025, while production increased by 9.2%, including a combined increase in gasoline and diesel of 24.3%.

On the other hand, Pemex reported a 13.2% decrease in operating costs and expenses, which helped generate an increase in operating cash flow and offset the decline in total sales. Within this decrease in costs and expenses, perhaps the most relevant was the 15.5% reduction in the purchase of products for resale (including refined production products). The decline in both exports and the purchase of products for resale reflects very important changes in Pemex's operational structure.

In Figure 2 we show the evolution of Pemex's operating cash flow over a longer period of time. It remains at relatively stable levels at least in nominal peso terms.

Figure 2. Cash flow before investments, interest, and taxes

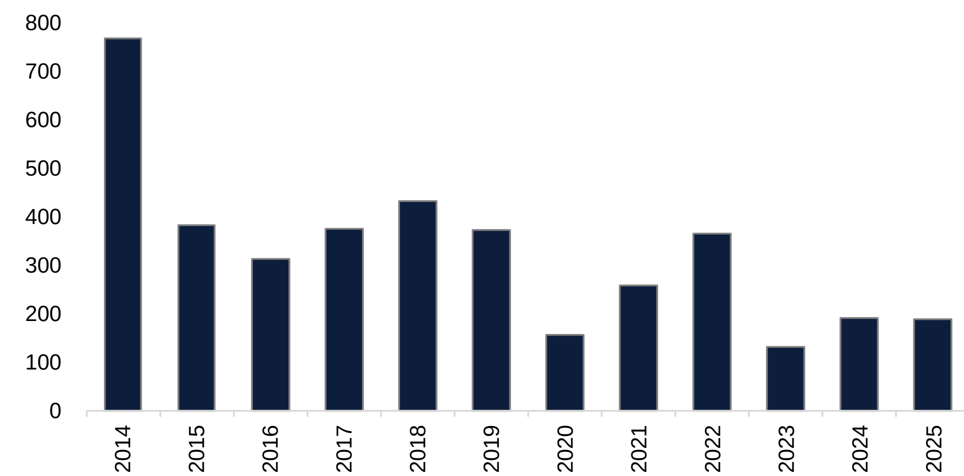


Source: HR Ratings, based on information from Pemex.
Figures in billions of pesos.

In retrospect, the big question for Pemex is whether the substantial investments made in the NRS was the most appropriate strategy or whether Pemex should have directed its efforts toward exploration and extraction in order to avoid the production decline it faces today. This issue has become even more relevant currently given reports of accidents occurring at the new Olmeca refinery which was the emblematic investment project of the previous administration of President López Obrador. What we do know is that, according to Pemex's reports, the industrial transformation segment, where refining activities are consolidated, experienced a notable improvement in its operating results during 2025, while the exploration segment suffered a significant decline in its profitability, reflecting the drop in crude oil production.

Figure 3 shows the significant levels of taxes paid to the Federal Government, especially before the pandemic.

Figure 3. Taxes paid to the federal government

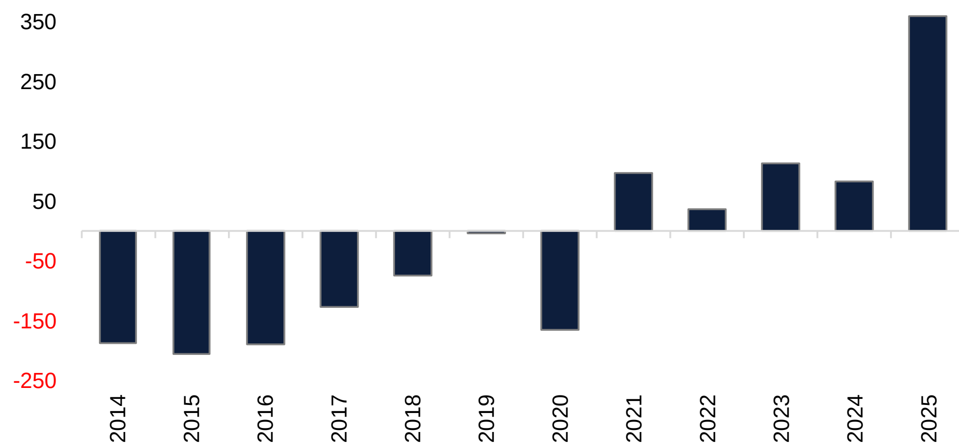


Source: HR Ratings, based on information from Pemex.
Figures in billions of pesos.

In 2024, according to data from Pemex's consolidated cash flow statement, the exploration and extraction segment had a positive operating result of P$311.1bn, while industrial transformation suffered a loss of P$280.1bn. The remaining segments had a combined loss of P$46.9bn, resulting in a consolidated operating loss of P$16.0bn. In 2025, in contrast, the company achieved an operating income of P$59.9bn, but its composition underwent a radical change. The exploration and production segment recorded a decline in its operating profit, reaching a positive balance of P$20bn, while the industrial transformation segment had a profit of P$56.5bn. The remaining segments suffered a combined loss of P$16.6bn.

In Figure 4 we present the cash flow generated after operations, investments, interest, and the net of taxes to the Federal Government and contributions to Pemex from the Federal Government. The change from negative to positive cash flow is noteworthy with the negative balances before the pandemic having had the effect of increasing Pemex's debt. In contrast, the positive post pandemic balances, especially in 2025, are significant. The 2025 surplus, together with last year's peso appreciation, resulted in a strong reduction in Pemex's net debt. Based on the annual cash flow statements reported by Pemex, we estimate that during the years 2014 to 2018, the company had to make net drawdowns (debt contracting minus amortizations) of P$752bn, while between 2021 and 2025, net amortizations reached P$576.4bn.

Figure 4. Cashflow generated after taxes and net contributions

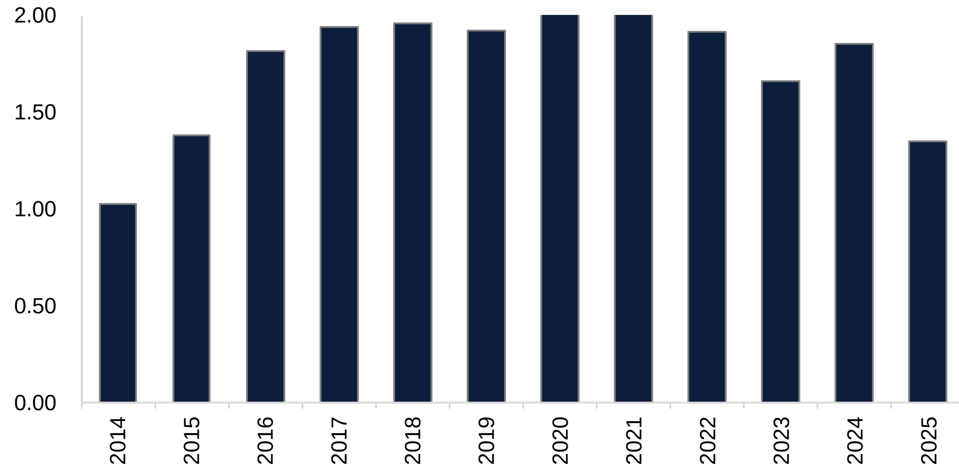


Source: HR Ratings, based on information from Pemex.
Figures in billions of pesos.

The decline in Pemex's debt in 2025 was largely thanks to Federal Government transfers. Thers transfers were also used to bolster Pemex's liquidity position, further reducing net debt. Cash at year-end 2025 reached P$162.6bn vs. P$88.8bn in 2024. The result reported by Pemex is a reduction in its net financial debt of P$506bn, equivalent to a 27% reduction in pesos or US$16.6bn or 18.2% in dollar terms. The difference in percentages is explained by the revaluation experienced by the peso at year-end 2025.

In Figure 5, we show the evolution of Pemex's net debt in nominal peso terms. The relative improvement in this indicator stands out compared to the levels observed for the period from 2016 to 2021. The increase in 2024 is due to the peso depreciation at year-end of that year.

Figure 5. Evolution of Pemex Net Financial Debt



Source: HR Ratings, based on information from Pemex.
Figures in billions of pesos.

HR Ratings estimates that approximately 42% of the 2025 debt reduction is due to the peso appreciation, which reduces dollar-denominated debt in peso terms. We estimate that Pemex's net debt measured in dollars closed 2025 at US$74.9bn vs. US$91.5bn at year-end 2024. This debt reduction should help Pemex decrease its interest expense on debt, which could allow for greater capital expenditures with the aim of stopping the decline in crude oil extraction.

Figure 6 shows the evolution of several important Pemex indicators. Among these, the decline in crude oil production stands out, as well as the increase in the percentage of produced crude that is not exported, reaching 58% in 2025 vs. 38% in 2021. Other indicators include the increases over the past two years, particularly in petroleum product production and the reduction in imports. This produces a significant increase in the ratio between gasoline and diesel production on one hand and their domestic sales on the other. Finally, it is worth noting the decline, starting in 2022, in domestic sales of these two products.

For their part, accounts payable to suppliers remain very high, adding pressures on the company's cash flow in 2026 and beyond. On the positive side, the balance decreased by 14.1% vs. year-end 2024, probably partly due to the peso appreciation. In terms of the dollar, the amount fell marginally from US$25bn to US$24.1bn, or barely 3.3%. However, the amount remains elevated and is double what it was in 2019.

Despite some positive developments the pressures on Pemex remain. Although interest expense is likely to decline capex pressures are strong especially if Pemex is to stop the decline in crude production. Furthermore, we expect that maintenance expense for the refining segment will also remain high. Additionally, The Federal Government hopes to stop transfer payments to Pemex in 2027 (possible but not likely in our opinion) while tax revenue from Pemex is a major income source which it cannot do without if it wants to continue finance personal transfers.

In response to these pressures the government hopes to increase private investment in mixed public-private joint ventures. This would reduce capex pressures on Pemex although it remains to be seen how much interest there is on the part of the private sector especially given the increase in the company's accounts payable.

A possible danger is peso depreciation given that more than 80% of its debt is in foreign currency and that its trade balance is strongly negative, almost reaching US$2bn. This implies that in order to generate sufficient cash flow it would have to increase its domestic sale while volume sales have been stagnant.

Figure 6. Pemex Operating Indicators- Annual Cumulative

Cumulative	2021	2022	2023	2024	2025
Crude oil production (mbd) 1_/	1,641	1,565	1,588	1,485	1,376
Crude oil exports (mbd)	1,018	953	1,032	807	581
Petroleum product imports (mbd)	555	742	737	686	578
Gasoline	340	421	419	392	338
Diesel	101	175	174	137	81
Other imports of petroleum products	113	146	144	157	159
Crude oil exports price (dpb)	66	89	71	70	61
Import price. Gasoline & Diesels (DPB)	80	129	107	96	80
Spread	15	40	36	25	19
WTI Price (dpb)	68	95	78	77	65
WTI Spread / Mix	2	6	7	6	4
Non-exported crude oil production (mbd)	623	612	556	679	795
Percentage of prod. non-exported crude oil	38.0%	39.1%	35.0%	45.7%	57.8%
Gasoline & Diesel Production (mbd)	350	418	387	470	584
Elaboration. of petroleum products (mbd)**	806	915	897	997	1,089
Volume of domestic sales of petroleum products	1,105	1,323	1,312	1,315	1,304
Vol. Sales of gasoline & diesel	780	974	940	957	949
Gasoline	575	670	653	668	674
Diesel	206	304	287	289	276
Gasoline & diesel production for sales	44.9%	42.9%	41.2%	49.1%	61.5%

Source: HR Ratings with information from Pemex in the Oil Indicators.

TBD = thousands of barils per day. dpb = dollars per baril.

1_/ With partners.

In terms of operating cash flow and in terms of its debt, the 2025 results showed positive elements. However, we consider there are important challenges such as the decline in crude oil production, the need for greater spending and investments to reverse this decline, the high accounts payable to suppliers, the vulnerability to a peso depreciation and its effect on debt, and the trade deficit.

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