S&P Global
Ratings

RatingsDirect®

Argentina

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Argentina

This report does not constitute a rating action.

Key Rating Factors

Sovereign Credit Rating
CCC+/Stable/C
Argentina National Scale
raBBB-/Stable/--

Institutional and economic profile

Argentina's post-pandemic economy will likely remain under pressure as national midterm elections later this year constrain policy initiatives.

- A history of economic instability and sharp changes in economic policies underpin the low credibility and predictability of Argentina's governing institutions.
- The successful commercial debt restructuring in 2020 afforded significant cash flow relief over the coming decade, and the focus is now on negotiating with official creditors and a new IMF program.
- We expect a 6% recovery in real GDP this year but subpar growth thereafter amid ongoing economic imbalances and weaknesses.

Flexibility and performance profile

Despite commercial debt relief, significant external, fiscal, and monetary policy challenges remain.

- A still-weak fiscal profile reflects high financing needs with deficits that are expected to improve only slowly amid budgetary rigidities and policy preferences, as well as a large, vulnerable debt burden.
- The long-standing lack of confidence in the peso as a store of value has undermined monetary policy flexibility and price stability for decades.
- External debt remains high, while large gross external financing metrics would benefit from cash flow relief associated with the pending smoothing of payments to the IMF.

Outlook

The stable outlook on our 'CCC+' ratings reflects the challenges facing the Argentine authorities in strengthening weak fundamentals and imbalances in the economy--including still-large fiscal financing needs--notwithstanding the fiscal space provided by last year's commercial debt restructuring. Given the pressures of the pandemic, the government has yet to formalize a broad approach to initiatives to bolster growth, lower inflation, manage exchange-rate pressures, and tackle various prevailing macroeconomic distortions.

To that end, investment sentiment is constrained by the pace of negotiations with the IMF for a revised Stand-By Arrangement (or other program) to consolidate a macroeconomic agenda and secure funding for important payments coming due later this year and in 2022-2023. The upcoming midterm elections have slowed progress on this dialogue, which provides the opportunity to devise an overall economic strategy and move closer to clearing arrears with the

Paris Club of bilateral creditors as well.

Downside scenario

We could lower the ratings over the next 12 months if unexpected negative political developments undermine prospects for economic recovery, the reversal of some fiscal deterioration seen in 2020, or progress on discussions with the IMF. This scenario would likely further damage already fragile local investor confidence in particular and hamper access to peso-denominated debt markets. It could also exacerbate the need for recourse to central bank financing amid already high and challenging inflation dynamics and lead to a downgrade. Setbacks in discussions with the IMF would complicate extending the repayment of $44 billion due to the institution, potentially impair access to external financing from other multilateral institutions, and complicate clearing arrears with the Paris Club. Heightened pressure in local financial markets, including the banking system's deposit base, or difficulties in managing central bank debt (LELIQs) could also lead to a downgrade.

Upside scenario

We could raise the ratings over the next 12 months following the successful negotiation of a new IMF program. A program with the IMF is key to smoothing the heavy repayment schedule to the institution, as well as to providing the opportunity to outline specifics on an overarching policy agenda to bolster debt sustainability and growth. This includes fiscal and monetary policy articulation to stabilize inflation and exchange-rate dynamics. We could also raise the rating if there is a more pronounced economic recovery that supports stronger fiscal outcomes that take pressure off the government's financing needs. Implementation of structural fiscal measures to reverse the deterioration in Argentina's fiscal profile could likewise support a higher rating. It could also open access to broader market-based funding by local and external private creditors.

Rationale

The ratings on Argentina reflect ongoing near-term challenges posed by its weak fiscal and external profiles, monetary inflexibility, and limited financing options given its small local capital markets. Its debt burden remains high, notwithstanding various debt restructurings over the past two decades. More than 75% of central government debt is in foreign currency--a vulnerability that the current administration aims to slowly reduce, though about 40% is held by public-sector creditors, mitigating rollover risk.

Argentina has a record of persistently high inflation, coupled with limited monetary flexibility given the absence of a credible local currency as a store of value. This underpins its small domestic capital markets and heightens financing vulnerabilities for the government and corporate entities. Such shortcomings have contributed to the nation's weak external position, and Argentina has relied heavily on external funding to finance persistent and high fiscal deficits.

The ratings also reflect a poor record of growth, even before the significant hit to the economy from the COVID-19 pandemic. In addition, they reflect our assessment of weak institutional and governance effectiveness, as well as a weak payment culture given the series of sovereign defaults over the past two decades.

Institutional and economic profile: The economy remains under pressure amid the pandemic, and national midterm elections later this year constrain policy initiatives.

One of the weaknesses in Argentina's institutional assessment is its history of major changes in economic policy following shifts in political leadership, along with a history of political polarization that limits the government's ability to implement its economic agenda. This polarization does not stem from an ethnic, religious, or racial divide, as in some similarly rated sovereigns, but rather a socioeconomic and ideological divide.

In addition, even within long-standing political parties, there are diverse views on economic policy. This generates more volatile policy outcomes, especially considering the politicization of governing public institutions, and reduces checks and balances. This is in contrast to sovereigns with stronger institutional assessments. The volatility and lack of predictability of policies have led to swings in exchange rate regimes, approaches to monetary policy, the size of the state, and its influence on investment and growth--all contributing to structurally low growth prospects. This has also impaired sovereign debt payment capacity and undermines the payment culture. Since coming to office, the Alberto Fernandez Administration's policy goals have been to place Argentina's debt on a sustainable footing and restore social well-being amid stronger growth, led by public-sector involvement and direction in the economy.

Following last year's successful commercial debt restructuring, the authorities' focus should have shifted to renegotiating terms and conditions for the $44 billion in outstanding debt with the IMF. The government aims to render its repayment more compatible with the economy's ability to pay, avoiding fiscal consolidation that dampens growth. A new program--be it a Stand-By Arrangement or Extended Fund Facility—-is key to facilitating the repayment due over the coming four years, which, in our view, Argentina cannot meet without access to funding under a renewed program. However, another important benefit of a new program is the accompanying specific, measurable, and consistent policy steps, goals, and benchmarks embedded in it to support better growth, fiscal, and inflation outcomes.

In negotiating a fund program, the government will need to further articulate a comprehensive medium-term agenda--the perceived absence of which, as the pandemic has dominated policy actions, has held back private-sector expectations and investment prospects. Securing IMF refinancing will likely entail espousing a more comprehensive policy agenda that not only supports repayment to the IMF but overall debt sustainability. This would contribute to improved credit ratings.

The upcoming midterm elections, now scheduled for November 2021 (delayed a month given the pandemic), have slowed the pace of negotiations with the IMF on a revised program, in our view. Mixed signals from constituents within the governing Frente de Todos limit pragmatism ahead of these elections. While any IMF agreement must be "owned" by the administration and needs buy-in from Argentina's politicians, the fact that Congress must formally approve the program (a stipulation added by the Fernandez government) complicates negotiations ahead of the midterms, given the traditional anti-IMF view from key members of Frente de Todos.

We don't expect any major change in the contour of policy after the midterm elections. Such change would likely depend on the next national election, in 2023. However, we would expect the government to speed up dialogue with the IMF after the midterms should a program not be finalized by then. This owes to the fact that repayments accelerate in 2022. The outcome of these elections will likely inform the balance of power within the various factions in both the governing and opposition coalitions. It will set the stage for candidacies for national elections in 2023.

After the midterms, with expected progress on the pandemic front, a possible IMF program in place, and two years until the national elections, the government should have scope to focus more directly on measures to enhance structural trend growth beyond the short-term measures associated with mitigating the pandemic's hit to the economy. Raising medium-term trend GDP growth has been elusive for multiple Argentine governments and requires both redressing macroeconomic imbalances and alleviating microeconomic obstacles. Bolstering low investment and exports, which have trended lower since the global commodity boom in the early 2000s, is key. It remains to be seen whether the Fernandez Administration has the internal political backing and willingness to promote this agenda.

On the macro side, this entails lowering the structurally large fiscal primary (noninterest) deficit. Given the small local market and lack of access or plans to tap global capital markets, still-high government financing needs complicate monetary and exchange rate policy. Meanwhile, reliance on central bank financing sustains high inflation and peso depreciation.

On the micro side, increased spending at the federal, provincial, and municipal levels over the past two decades has led to higher and more distortionary taxation. General government revenue to GDP rose 10 percentage points of GDP to 35% in 2015. As of 2020, there were 165 taxes, some overlapping, to pay across all three levels of government, which have weighed on private investment and evasion and informality.

Myriad complicated foreign exchange restrictions also contribute to dampened local and foreign investor sentiment. Foreign exchange controls tightened sequentially beginning in 2019 for imports and dividends. Since late 2020, low levels of international reserves have led policymakers to limit full access to foreign exchange at the official rate for payment of debt service, prompting various restructurings of nonsovereign debt. This is a notable departure from full access to foreign exchange for debt service since the early 2000s. In an effort to attract much-needed private investment, an April 7 decree aims to provide scope for new investment projects in some export sectors to maintain 20% of foreign exchange earnings abroad for debt service, dividend payments, etc.

However, the economy remains relatively closed, with exports averaging only 15% of GDP over the last decade and both globally and regionally high tariffs. A competitive exchange rate, as well as prospects for growth in agribusiness and energy production, could support exports and investment. The innovative agricultural and agribusiness sector is currently subject to high taxation and registration requirements for exports. Successful development of Argentina's nonconventional energy resources could improve GDP growth and balance-of-payments dynamics over time, but it requires both policy predictability and infrastructure development. Notwithstanding the worsening in social indicators in recent years, Argentina's educated workforce (compared with regional peers) could support the development of a more buoyant service export sector, including information technology.

Other disincentives for the private sector include limits on its ability to set prices freely, with restrictions on some 200 goods (current programs include Precios Cuidados and Precios Maximos); a long-standing labor code that makes it costly to dismiss formal workers, further complicated by recurrent and extended decrees that prohibit layoffs amid the pandemic; and long-standing regulatory barriers to entry and competition in the local market.

The government has yet to outline an explicit road map for how it expects to address these material economic challenges in an overarching manner amid diverging views among important representatives of the Peronist coalition.

A new program with the IMF could provide the opportunity to detail a comprehensive strategy.

Argentina's long-term growth performance remains worse than that of other countries at a similar level of wealth and development. We calculate a 10-year real per capita GDP contraction of 0.6% as of 2021 (based on a combination of past and forecast growth). We estimate GDP per capita of about $8,800 in 2021, down from about $14,600 in 2017 (reflecting a combination of real contraction and depreciation of the currency). Argentina's record of low, volatile growth--distinct from the effects of the pandemic--weighs on our economic assessment.

In the meantime, our economic growth forecasts for 2021 and 2022 incorporate recovery from the almost 10% contraction in real GDP in 2020. Following the strict national lockdown from mid-March to September 2020, we expect a pickup of 6.1% this year to slow toward 2.5% in 2022. The pace of vaccination and the severity of the second wave of COVID-19 create uncertainties for our near-term economic projections. A comparatively subdued recovery in 2022 would reflect the need to restore investor confidence to bolster investment beyond the construction sector.

Flexibility and performance profile: Significant lingering external, fiscal, and monetary policy challenges require financing support from official and multilateral creditors.

Argentina's high external debt burden, with limited ability to issue debt in the local markets and currently no access to external capital markets, is a pronounced vulnerability. Gross international reserves are less than $40 billion. Debt service to official and multilateral creditors totals $10.5 billion this year (with payments due to the Paris Club in May and the IMF in September and December totaling almost $7.0 billion). In 2022-2023, debt service jumps to $19 billion to $20 billion for the IMF. This year, somewhat more favorable agricultural export prices, monies from an increased special drawing right allocation from the IMF, and some likely negotiation or management of the Paris Club's $2.5 billion payment due in May offer space to muddle through. But securing refinancing under a new IMF program ahead of the 2022 repayments is crucial.

Principal payments for commercial debt held by nonresidents (mostly restructured in 2020) are $1.6 billion on average during 2021-2024, before rising to almost $4 billion in 2025 (given payments for local and foreign law 2030 step-up bonds and discount bonds). Regaining global market access would be an important step to help support refinancing. These totals exclude rollover needs in the local market.

In light of the external debt service profile, we assume a continuation of the Fernandez Administration's policy of tight foreign exchange restrictions to access dollars from the central bank at the official market rate for the private sector. Myriad restrictions aim to contain slippage in international reserves and limit depreciation of the peso and leakage across the various segmented parallel markets. This is amid weak confidence and policy uncertainties, while the stock of international reserves is low in a historical context and negotiations with the IMF are pending.

We project narrow net external debt to average over 250% of current account receipts (CARs) from 2021 to 2023. We estimate gross external financing needs to usable reserves and CARs to average over 150% in the next several years. However, a smoother repayment schedule with the IMF in 2022-2023 would lower these needs. The forecasts assume some decline in international reserves after 2021, given moderation in the favorable trade and current account balances as the economy posts positive growth, amid potential pressure on capital outflows and a recovery in Argentina's exports of goods and services following the COVID-19-related hit.

Argentina's poor record of containing inflation, which averaged over 30% during the past 10 years, is a significant credit weakness. Failure to establish a consistent monetary and exchange-rate policy framework with an independent central bank has undermined the peso as a meaningful store of value for local residents over past decades. Similarly, it has limited the breadth and depth of local capital markets. The current administration shifted away from a formal rules-based approach to monetary policy; it follows neither a formal inflation- nor monetary-base-targeting regime. The government aims to contain inflation by using monetary policy along with some guidance or controls on prices, which have been expanded under the pandemic. Its more discretionary approach has focused on lowering the LELIQ overnight policy interest rate to 38% from higher nominal levels.

Consumer prices have risen in recent months, and the Fernandez Administration aims to mitigate this rise ahead of the midterms. Inflation was 36% at year-end 2020 and averaged 42% during the year; we expect annual average inflation to rise to 47% in 2021. Monetary financing of the government's large deficit in 2020 contributed to a rapid expansion of money supply last year, with the monetary base up 64% at the end of the year. We expect some moderation in 2021 as the deficit falls, but the limited local debt market will force the government to fund its fiscal deficit at least partially from the central bank, keeping pressure on money supply and inflation dynamics. Combining this with peso depreciation that affects price-setting behavior, we expect inflation to average almost 42% during 2021-2023.

Sizable financing needs, fiscal rigidities, and still-high debt contribute to Argentina's weak fiscal position. We expect net general government debt to decline to 94% this year from 96% in 2020 amid some economic recovery, fluctuation in the peso, and the still-high general government deficit. The commercial debt restructurings produced a limited reduction in face value. The projected decline in debt to GDP over the next three years reflects some deficit reduction but assumes real appreciation of the peso, particularly in 2022-2023.

The still-high share of foreign currency debt (over 75%) renders the debt burden vulnerable to sharp swings in the currency. The impact of the debt restructurings is more apparent in the projected decline in the general government interest burden. Interest to revenue has dropped to an average 7%, given the reduction in coupons on the $100 billion in restructured debt.

Amid the pandemic, we expect a general government deficit (on an accrued basis) of 5.9% of GDP in 2021, from 7.7% in 2020. This year's fiscal results to date have been supported by erosion in the real value of some expenditures and higher tax revenue amid a resumption of local activity. But a slow decline over the forecast horizon reflects an expected subpar economic recovery and signals from the government that it's planning a moderate consolidation amid weak social conditions.

In addition, our projection of an almost 5% average deficit in 2022-2023 is subject to the pace of recovery and the adjustment path to be negotiated with the IMF. Interest rigidities in the budget received important relief from the 2020 restructuring. But adjusting other spending--for payroll, pensions, transfers and subsidies, and other social spending--entails complex political trade-offs. On the revenue side, Argentina's formal economy is already subject to high and distortionary taxes at the federal and local levels. How the government aims to bolster revenue and still provide space for private investment and economic recovery remains another complex policy challenge.

We estimate the change in net general government debt will average 25% of GDP in 2021-2023. Compared with the lower accrued general government deficit, this largely reflects the composition of the debt--namely, exposure to foreign currency and indexation to inflation.

The sovereign still faces high financing needs in the local market. The slow pace of fiscal consolidation assumed in our base case implies new financing on top of locally issued debt maturities of about $35 billion this year (including T-bills) and $21 billion next year. With 40% of the central government debt stock held by creditors in the public sector (the largest share is with the central bank), domestic rollover risk is somewhat mitigated. We exclude sovereign debt held by the pension system (ANSES), which accounts for about 9% of central government debt. Because we don't expect external market funding to be available for Argentina and we do not assume any new IMF money at this time, closing the financing gap will rely on more than local peso, dollar, or dollar-linked debt issuance. It also implies the need for ongoing central bank financing.

We view contingent liabilities to Argentina's debt assessment, including those posed by the banking system, as limited. We classify the banking sector of Argentina in group '9' according to our Banking Industry Country Risk Assessment (BICRA), with '1' being the lowest risk category and '10' the highest. Argentina has a small financial system, with domestic credit to the private sector at about 11% of GDP in 2020 (among the lowest in Latin America). We estimate the gross assets of the financial system will be 30% of GDP in 2020--low relative to peers.

Key Statistics

Table 1

Selected Indicators

	2014	2015	2016	2017	2018	2019	2020	2021f	2022f	2023f
Economic indicators (%)										
Nominal GDP (bil. LC)	4,579	5,955	8,228	10,645	14,606	21,650	27,021	42,138	61,350	85,119
Nominal GDP (bil. $)	567.1	644.9	557.2	642.7	519.9	451.4	383.1	401.3	415.9	460.1
GDP per capita (000s $)	13.3	15.0	12.8	14.6	11.7	10.1	8.5	8.8	9.0	9.9
Real GDP growth	(2.5)	2.7	(2.1)	2.7	(2.5)	(2.2)	(9.8)	6.1	2.5	2.0
Real GDP per capita growth	(3.5)	1.7	(3.0)	1.7	(3.4)	(3.1)	(10.6)	5.1	1.6	1.1
Real investment growth	(6.8)	3.5	(5.8)	12.2	(5.7)	(15.9)	(12.5)	8.2	2.8	1.8
Investment/GDP	17.3	17.1	17.7	16.2	15.9	14.2	13.8	13.9	13.9	13.8
Savings/GDP	15.6	14.3	15.0	11.3	10.7	13.3	14.6	13.9	12.3	11.9
Exports/GDP	14.4	10.7	12.5	11.2	14.3	17.3	16.6	16.6	16.8	16.9
Real exports growth	(7.0)	(2.8)	5.3	1.7	(0.7)	9.4	(16.4)	6.3	3.7	2.6
Unemployment rate	7.3	6.7	8.4	8.4	9.2	9.8	11.9	11.0	10.0	9.7
External indicators (%)										
Current account balance/GDP	(1.6)	(2.7)	(2.7)	(4.9)	(5.3)	(0.9)	0.8	0.0	(1.5)	(1.9)
Current account balance/CARs	(10.5)	(23.5)	(19.6)	(39.5)	(31.9)	(4.5)	4.2	0.1	(8.5)	(11.1)
CARs/GDP	15.4	11.6	13.8	12.4	16.5	19.5	18.4	18.9	18.1	17.0
Trade balance/GDP	1.0	(0.1)	0.8	(0.8)	(0.1)	4.0	3.8	3.0	1.0	1.0
Net FDI/GDP	0.6	1.7	0.3	1.6	1.9	1.1	0.8	0.7	1.0	0.9

Table 1

Selected Indicators (cont.)

	2014	2015	2016	2017	2018	2019	2020	2021f	2022f	2023f
Net portfolio equity inflow/GDP	0.1	0.1	0.4	0.4	(2.5)	(1.7)	(0.4)	0.0	0.0	0.0
Gross external financing needs/CARs plus usable reserves	113.0	130.1	130.5	151.5	127.4	113.8	124.7	147.4	154.9	158.8
Narrow net external debt/CARs	112.4	148.5	148.4	186.6	209.4	232.1	275.3	256.9	262.6	256.2
Narrow net external debt/CAPs	101.7	120.2	124.1	133.8	158.8	222.1	287.4	257.2	242.0	230.6
Net external liabilities/CARs	(40.7)	(55.8)	(60.0)	(25.2)	(46.6)	(26.1)	(99.4)	(87.0)	(79.3)	(68.3)
Net external liabilities/CAPs	(36.8)	(45.2)	(50.2)	(18.1)	(35.3)	(24.9)	(103.8)	(87.1)	(73.1)	(61.5)
Short-term external debt by remaining maturity/CARs	40.3	53.2	46.7	74.3	67.6	85.3	99.9	115.7	116.1	111.1
Usable reserves/CAPs (months)	3.6	3.5	2.8	3.5	5.1	7.7	7.1	5.6	5.0	4.3
Usable reserves (mil. $)	26,826	21,155	32,913	48,505	58,882	40,114	35,159	33,905	31,194	27,941
Fiscal indicators (general government; %)										
Balance/GDP	(4.3)	(4.7)	(6.9)	(6.7)	(5.8)	(4.9)	(7.7)	(5.9)	(4.9)	(4.7)
Change in net debt/GDP	9.0	19.9	14.1	14.2	39.6	34.9	27.0	32.9	26.3	16.2
Primary balance/GDP	(2.2)	(2.7)	(3.6)	(4.0)	(2.2)	(0.6)	(5.2)	(3.3)	(2.8)	(2.5)
Revenue/GDP	35.3	35.3	34.3	33.0	30.7	30.9	31.5	32.9	33.2	33.2
Expenditures/GDP	39.6	40.0	41.2	39.7	36.5	35.9	39.3	38.9	38.1	37.9
Interest/revenues	6.0	5.9	9.8	8.2	11.8	13.9	8.0	8.0	6.4	6.5
Debt/GDP	37.2	48.5	50.8	54.8	85.5	88.5	101.6	98.0	93.6	83.7
Debt/revenues	105.5	137.5	148.2	166.1	278.3	286.3	322.2	297.6	282.2	251.9
Net debt/GDP	30.7	43.5	45.6	49.4	75.5	85.9	95.8	94.3	91.0	81.8
Liquid assets/GDP	6.5	5.0	5.2	5.4	9.9	2.6	5.8	3.7	2.6	1.8
Monetary indicators (%)										
CPI growth (annual average)	42.1	26.4	39.1	24.6	47.7	53.8	42.0	47.0	42.0	36.0
GDP deflator growth	40.3	26.6	41.1	26.0	40.7	51.5	38.3	47.0	42.0	36.0
Exchange rate, year-end (LC/$)	8.51	13.10	15.89	18.65	37.60	59.89	84.15	125.00	170.00	200.00
Banks' claims on resident non-gov't sector growth	20.2	36.7	31.4	51.3	33.1	15.7	33.8	55.8	45.6	38.7
Banks' claims on resident non-gov't sector/GDP	12.9	13.6	12.9	15.1	14.7	11.4	12.3	12.3	12.3	12.3
Foreign currency share of claims by banks on residents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	8.0	11.8	20.6	23.8	31.4	28.0	24.1	24.1	24.1	24.1

Table 1

Selected Indicators (cont.)										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021f**	**2022f**	**2023f**
Real effective exchange rate growth	5.3	(21.7)	13.5	(6.5)	35.9	3.8	0.1	N/A	N/A	N/A

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private-sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. f--Forecast. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	6	Policy choices likely weaken capability and willingness to maintain sustainable public finances and balanced economic growth, and thus debt service. Future policy responses are difficult to predict because of a polarized political landscape and established track record of pronounced swings in policy that accompany changes in administrations. Perceived weaknesses in rule of law and changes in rules of the game; judiciary not considered independent of influence from governing party.
		Debt payment culture is weak following series of debt restructurings in recent decades.
Economic assessment	5	Based on GDP per capita ($) as per Selected Indicators in table 1.
		Weighted average real GDP per capita trend growth over a 10-year period is -0.6%, which is below sovereigns' in the same GDP category.
External assessment	6	Based on narrow net external debt and gross external financing needs as per Selected Indicators in table 1.
		Debt issuance constraints in markets following rescheduling and arrears with official creditors.
Fiscal assessment: flexibility and performance	6	Based on the change in net general government debt (% of GDP) as per Selected Indicators in table 1.
Fiscal assessment: debt burden	5	Based on net general government debt (% of GDP) and general government interest expenditures (% of general government revenues) as per Selected Indicators in table 1.
		Over 75% of gross government debt is denominated in foreign currency.
Monetary assessment	6	There is heavy intervention in the official foreign exchange rate market and active parallel exchange rates.
		Persistently high inflation, as per Selected Indicators in table 1. The central bank has limited independence; Argentina has a small domestic capital market and a low level of credit to GDP.
		Extensive foreign exchange restrictions
Indicative rating	b-	As per table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	0	The rating would be capped at 'B+' given institutional assessment of '6' and debt assessment of '5'.
Final rating		
Foreign currency	CCC+	We apply our "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings given vulnerabilities associated various macro-imbalances, a pace of fiscal consolidation that implies still high financing needs that rely on the small local capital market given lack of global capital market access, ongoing arrears with the Paris Club, and the early stages of discussions with the IMF on a new program to manage large payments in 2022-2023.

Table 2

Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	CCC+	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating, the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
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Ratings Detail (As Of May 3, 2021)*		
Argentina		
Sovereign Credit Rating		CCC+/Stable/C
Argentina National Scale		raBBB-/Stable/--
Transfer & Convertibility Assessment		CCC+
Senior Unsecured		CCC+
Sovereign Credit Ratings History		
07-Sep-2020	*Foreign Currency*	CCC+/Stable/C
07-Apr-2020		SD/--/SD

Ratings Detail (As Of May 3, 2021)*(cont.)		
07-Jan-2020		CCC-/Negative/C
30-Dec-2019		CC/Negative/C
20-Dec-2019		SD/--/D
30-Aug-2019		CCC-/Negative/C
29-Aug-2019		SD/--/D
16-Aug-2019		B-/Negative/B
12-Nov-2018		B/Stable/B
31-Aug-2018		B+/Watch Neg/B
30-Oct-2017		B+/Stable/B
04-Apr-2017		B/Stable/B
06-May-2016		B-/Stable/B
07-Sep-2020	*Local Currency*	CCC+/Stable/C
21-Jan-2020		SD/--/SD
07-Jan-2020		CCC-/Negative/C
20-Dec-2019		CC/Negative/C
30-Aug-2019		CCC-/Negative/C
29-Aug-2019		SD/--/D
16-Aug-2019		B-/Negative/B
12-Nov-2018		B/Stable/B
31-Aug-2018		B+/Watch Neg/B
30-Oct-2017		B+/Stable/B
04-Apr-2017		B/Stable/B
07-Sep-2020	*Argentina National Scale*	raBBB-/Stable/--
21-Jan-2020		SD/--/--
07-Jan-2020		raCCC-/Negative/--
30-Dec-2019		raCC/Negative/--
20-Dec-2019		SD/--/--
30-Aug-2019		raCCC-/Negative/--
29-Aug-2019		SD/--/--
16-Aug-2019		raAA-/Watch Neg/--
12-Nov-2018		raAA-/Stable/--
31-Aug-2018		raAA/Watch Neg/--
30-Oct-2017		raAA/Stable/--
04-Apr-2017		raA+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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