

CareEdge Global Upgraded Rating of the Argentine Republic to 'CareEdge CCC+ (Unsolicited)'

Issuer rating

CareEdge CCC+ (Unsolicited)

Rating Action

CareEdge Global has upgraded the Long-Term Foreign Currency rating of the Argentine Republic (Argentina) to '**CareEdge CCC+ (Unsolicited)**' from 'CareEdge CCC (Unsolicited)'.

Rationale

The rating upgrade reflects CareEdge Global's expectations that the reforms introduced over the past 18 months will help improve Argentina's government finances over the medium term. The government has taken steps to restore fiscal discipline, normalise monetary policy, remove capital control and implement trade liberalisation. These actions are expected to support a strong economic recovery, with GDP projected to grow by 5.5% in 2025, following a contraction of 1.7% in 2024. Gross general government debt is expected to decline from a peak of 155% of GDP in 2023 to 73% by 2025 and further to 55% by 2030, supported by tighter fiscal management. Inflation is also expected to drop sharply to 35.9% in 2025, from a peak of 219.9% in 2024.

While the upgrade acknowledges Argentina's progress, the 'CareEdge CCC+' rating still reflects elevated credit risk. The sovereign remains exposed to external shocks, limited market access, and a fragile social and political environment that could slow or reverse reforms.

A recent provincial election in Buenos Aires was a setback for President Javier Milei's party, with the opposition winning by a large margin. This unexpected result shook investor confidence, causing a sharp fall in Argentine stocks and bonds, and pushing the peso to a record low against the dollar. The upcoming 2025 midterm elections add more uncertainty and could affect the pace of reforms.

Argentina's credit profile remains weak, largely due to years of high inflation, unstable exchange rates, and a heavy dependence on agricultural exports, which are sensitive to climate conditions. Other long-term issues, such as poor infrastructure, low competitiveness, and limited budget flexibility due to high social spending, continue to harm economic stability. Although inflation has decreased and the government posted a fiscal surplus in 2024, these improvements are fragile and depend on continued fiscal austerity and political stability.

Nonetheless, Argentina's credit strengths include a large economy and relatively high income levels (i.e., GDP per capita), supported by abundant natural resources such as lithium, shale

oil, and agricultural products. The country also benefits from a well-educated labour force. These structural advantages provide a foundation for long-term growth, provided the country maintains economic stability and continues institutional reforms.

Upside Scenario

The rating could be upgraded further if Argentina continues with its reforms, achieves stronger economic growth and sees increased private sector activity that boosts investor confidence.

Downside Scenario

The rating could be downgraded if reforms slow or reverse, such as weaker fiscal discipline, higher interest rates, or a return of capital controls, leading to a weaker economic recovery and lower investor confidence.

Key Rating Drivers

Economic Structure & Resilience

Argentina's economic landscape is marked by pronounced growth volatility, persistent hyperinflation, and vulnerability to climate shocks, particularly droughts. Despite these challenges, the country maintains a moderately large economy valued at USD 632 billion in 2024, a high GDP per capita of USD 25,744 (in constant PPP terms), and abundant natural resources.

In response to its economic instability, Argentina has launched reforms aimed at restoring macroeconomic balance. Early signs of progress are emerging following a contraction of 1.7% in 2024. GDP is projected to rebound with a 5.5% expansion in 2025 and sustain an average annual growth rate of 3.5% from 2026 to 2030. Poverty, which surged to 52.9% in the first half of 2024, has since declined to 38.1%, driven by a moderation in inflation.

Argentina is well-positioned to benefit from the global energy transition. The country possesses the fourth-largest offshore wind potential worldwide and is home to 20% of the world's identified lithium resources, presenting considerable scope for expanding production. However, the realisation of these opportunities is contingent upon the establishment of adequate support infrastructure. Currently, the economy is still grappling with structural challenges, including limited competitiveness and relatively low levels of gross fixed capital formation, which accounted for just 15.8% of GDP in 2024.

Fiscal Strength

Argentina's fiscal landscape is shaped by the current administration's austerity-driven approach, which includes reductions in capital expenditure and transfers to provincial governments, downsizing of underperforming government entities, and a gradual rollback of subsidies. These measures have led to a notable decline in government spending from 37.8% of GDP in 2023 to 31.3% in 2024, resulting in a fiscal surplus of 0.8% of GDP in 2024, following a deficit of 5.3% recorded in 2023. General government gross debt has also declined

significantly, from 155% of GDP in 2023 to an expected 73% in 2025, with projections indicating a continued downward trend to 55% by 2030, supported by ongoing fiscal consolidation. The continuity of this consolidation process, however, remains dependent on the continued implementation of current government policies.

Also, Argentina's history of sovereign defaults has severely eroded investor confidence, limiting access to external financing on favourable terms. Elevated debt servicing costs, coupled with substantial expenditure on pensions, public sector wages, and subsidies, which together account for 58% of total government spending, constrain the fiscal space available for essential services and productive investment. In 2024, interest payments represented approximately 5.4% of total government revenue.

External Position & Linkages

Argentina's external sector remains vulnerable, primarily due to exchange rate volatility and a heavy reliance on agricultural exports, which heightens exposure to climate-related risks. Compounding these challenges is the critically low level of foreign exchange reserves, which are sufficient to cover only 3.6 months of imports (as of 2024).

In response, the current administration has pursued an ambitious deregulatory and liberalisation agenda. Tax burdens have been reduced, and import restrictions on various commodities have been eased to improve access to essential equipment for both businesses and consumers. Export taxes on industrial goods and key agricultural products have also been lowered to enhance the global competitiveness of domestic industries. As a result, in 2024, exports recorded growth of 19.4% Y-o-Y, while imports declined by 17.5% Y-o-Y, culminating in a trade surplus of USD 18.9 billion. Notably, Argentina became a net energy exporter in 2024, with energy exports continuing to strengthen in the first half of 2025.

Monetary & Financial Stability

Argentina has made substantial progress in addressing inflationary pressures. Y-o-Y inflation, which had reached 219.9% in 2024, declined to 36.6% by July 2025, due to the government's fiscal consolidation efforts, which helped reduce inflationary pressures. Complementing these efforts, the Central Bank of Argentina implemented a series of monetary policy rate reductions; the benchmark rate was cut nine times between December 2023 and January 2025, lowering it from 133% to 29%, where it has remained since.

In April 2025, the authorities enacted a significant shift in their exchange rate policy by lifting most currency and capital controls. The Central Bank replaced the crawling peg regime with a new exchange rate regime in which the Argentine peso is permitted to fluctuate within a band of 1,000 to 1,400 pesos per U.S. dollar. This band is programmed to widen by 1% per month, allowing for gradual exchange rate flexibility while maintaining a degree of stability.

These reforms were facilitated by an increase in international reserves, supported by the International Monetary Fund's Extended Fund Facility (EFF) program and additional financial assistance from the World Bank and the Inter-American Development Bank.

Institutions & Quality of Governance

Argentina's institutional framework and governance quality remain constrained by a long-standing legacy of political fragmentation and economic instability. The current administration has introduced an ambitious reform agenda aimed at restoring macroeconomic stability, enhancing competitiveness, and attracting investment. However, progress has been impeded by its limited legislative influence and growing public discontent. The implementation of austerity measures has sparked widespread social unrest, including strikes and protests across major urban cities. These tensions underscore the fragile political consensus surrounding the reform program and highlight the risks to its durability.

The upcoming midterm elections in October 2025 are therefore pivotal. Their outcome will not only determine the balance of power within the legislature but also shape the trajectory of Argentina's economic recovery and the momentum of its reform. A strengthened mandate could enable the government to advance its policy agenda more decisively, while a fragmented result may risk policy reversals or stagnation.

Argentina– Select Indicators									
	Unit	2019	2020	2021	2022	2023	2024	2025 F	2026 F
Economic Indicators									
Nominal GDP	USD Billion	447	385	486	632	646	632	684	715
GDP Per Capita (Constant-PPP)	USD	26,650	23,780	26,015	27,134	26,457	25,744	26,892	27,829
Real GDP Growth	%	-2.0	-9.9	10.4	5.3	-1.6	-1.7	5.5	4.5
GFCF/GDP	%	14.2	14.3	17.3	17.6	18.6	15.8	-	-
Gross Domestic Savings/GDP	%	17.4	17.4	21.1	18.7	17.7	16.9	-	-
Exports (G&S)/GDP	%	17.9	16.6	18.1	16.2	12.7	15.3	-	-
Working-Age (15-64) Population (% Share in Total)	%	64.5	64.6	64.8	65.0	65.2	65.4	-	-
Old-Age (65+) Population (% Share in Total)	%	11.6	11.7	11.8	11.9	12.1	12.2	-	-
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-4.5	-8.6	-4.3	-3.8	-5.3	0.8	0.4	1.4
Revenue/GDP	%	33.6	33.8	33.5	33.8	32.4	32.2	33.1	34.6
Expenditure/GDP	%	38.1	42.4	37.8	37.7	37.8	31.3	32.6	33.2
GG Gross Debt/GDP	%	89.8	103.8	81.0	84.5	155.4	85.3	73.1	68.2
GG External Debt (by Creditor)/GG Gross Debt	%	43.1	42.1	40.8	48.0	46.9	47.5	-	-
Interest/Revenue	%	18.6	11.1	7.8	10.1	7.7	5.4	-	-
External Indicators									
Current Account Balance/GDP	%	-0.8	0.7	1.4	-0.6	-3.2	1.0	-0.4	-0.3
FDI, Net Inflows/GDP	%	1.5	1.3	1.4	2.4	3.7	1.8	-	-
Outstanding FII Liabilities/GDP	%	16.1	15.3	12.8	7.7	8.0	12.7	-	-
NIIP/GDP	%	25.2	31.9	25.6	19.5	16.8	9.4	-	-
Foreign Exchange Reserves	USD Billion	44.8	39.4	39.7	44.6	23.1	29.6	-	-
Import Cover	Months	8.1	9.0	6.6	5.5	3.0	3.6	-	-
External Debt/GDP	%	62.3	70.5	54.8	43.7	44.6	43.7	-	-
Monetary and Financial Indicators									
CPI Inflation	%	53.5	42.0	48.4	72.4	133.5	219.9	35.9	14.5
Exchange Rate (Average)	LC per USD	48.1	70.3	95.1	130.8	302.8	911.7	-	-
Non-Performing Loans/Total Gross Loans	%	5.7	4.2	4.3	3.1	3.5	-	-	-
Private debt, loans and debt securities/GDP	%	28.0	29.7	22.9	22.3	34.9	23.3	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2024

Solicitation Status

The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge CCC+	September 26, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge CCC	October 03, 2024

Criteria Applied

[CareEdge Global Sovereign Rating Methodology](#)

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