

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings upgrades ratings of six Argentinean regional and local governments following the raise of country ceilings**

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14 Jan 2025

New York, January 14, 2025 -- Moody's Ratings (Moody's) has today taken rating actions on six Argentinean regional and local governments (RLGs), including the City of Buenos Aires, Province of Cordoba (Cordoba), Province of Mendoza (Mendoza), Province of Santa Fe (Santa Fe), Province of Chubut (Chubut) and the Province of Tierra del Fuego (Tierra del Fuego). All baseline credit assessment, long term issuer, senior unsecured and secured ratings assigned to these entities were upgraded. In turn, the ratings outlook for all these RLGs remains stable.

These rating actions were prompted by the raise of Argentina's country ceilings, to Caa1 from Caa3 in the case of foreign currency (FC) and to B3 from Caa1 in the case of local currency (LC). For further information on the ceilings change, please refer to our announcement dated 8 January 2025 ("Moody's Ratings raises Argentina's local and foreign currency ceilings to B3 and Caa1, respectively"; <https://ratings.moodys.com/ratings-news/435363>).

Please click on this link [https://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL500946](https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL500946) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

#### **RATINGS RATIONALE**

The recent decision to raise Argentina's LC and FC ceilings was based on our view of improved economic policy predictability and consistency, which have reduced monetary and fiscal imbalances. This improvement derives from the government easing restrictions on cross-border payments, thus increasing FC liquidity and reducing foreign exchange transfer and convertibility risks, despite the still low capital account openness. The new country ceilings indicate the highest rating level that generally can be assigned to the financially strongest obligations of issuers domiciled in a country supporting the rating upgrades for a selected group of RLGs for which we see lower chance of transfer and convertibility risks affecting their FC obligations

repayment capacity.

The upgrade of the baseline credit assessment (BCA), senior secured and unsecured debt and issuer ratings, where applicable, reflects the fact that these assessments and ratings are subject to transfer and convertibility risks, as captured in our FC ceiling, affecting their capacity to honor their FC obligations on time. The drivers of the ceilings change also apply to these assessments and ratings.

Although transfer and convertibility risks have now diminished, they remain significant as conveyed by the Ca Issuer Rating, with a stable outlook, for the Government of Argentina. Strong macroeconomic and financial linkages between Argentinean RLGs' and the sovereign imply that the two sets of ratings are connected and that the RLG ratings' cannot be much above the sovereign rating.

For the City of Buenos Aires, the two-notch upgrade to caa1 from caa3 on the BCA and to Caa1 from Caa3 on the senior unsecured debt ratings incorporate our expectations that the City will continue to exhibit an above average credit profile relative to its regional peers, as measured by its operating and financial results, low dependance on federal transfers and refinancing needs. In our view, the City of Buenos Aires is resilient to the prevailing capital market access restrictions because its funding needs are small and the exposure to foreign-currency debt is manageable given its cash generation and liquidity position. The rating also takes into account the issuer's track record of effective liability management during the recent and ongoing economic downturn.

For the Provinces of Cordoba, Mendoza and Santa Fe, the two-notch upgrade to caa2 from ca on the BCA and to Caa2 from Ca for the senior unsecured debt and issuer ratings, reflect their adequate revenue bases, strong economic fundamentals and track records of prudent fiscal policies, which have resulted in strong operating results. These provinces have historically shown a high degree of fiscal prudence, moderate debt levels and currently adequate liquidity reserves which help mitigate their upcoming refinancing needs. We further expect the Provinces of Cordoba, Mendoza and Santa Fe to keep relying on strong fiscal results and alternative financing channels to prudently manage the largest capital maturities coming due in the following years.

Finally, for the Provinces of Chubut and Tierra del Fuego, the one-notch upgrade to caa3 from ca on the BCA and to Caa3 from Ca on the senior secured debt and issuer ratings incorporate an anticipated improvement of hydrocarbon royalties which increase the provinces' revenue bases and secure their international notes balanced by Argentina's intervention over local oil and gas prices given a history of such intervention in Argentina. Unlike most of their Argentine peers, Chubut and Tierra del Fuego receive US dollar-linked revenues from hydrocarbon royalties providing a natural hedge to the provinces' US dollar-denominated debt. The risk differential with higher ratings assigned to regional peers is related to their track record of weaker fiscal policies, more volatile operating results and higher leverage.

## RATIONALE FOR THE STABLE OUTLOOKS

The stable outlooks for all entities is aligned with the stable outlook for the sovereign rating and it captures our expectation that economic and financial pressure faced by the six regional and local governments will not differ materially over the next 12-18 months. The outlook also incorporates our expectation that bondholders will not face losses exceeding those captured in the rating category.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward movement on these RLGs' ratings would require an upgrade of the Government of Argentina's Ca sovereign rating accompanied by a further change in the country ceilings. In addition, an upgrade of the RLGs' ratings would require the current macroeconomic stabilization process to consolidate and the RLGs to maintain sound financial performance, including ample liquidity buffers and adequate operating and cash financing balances.

Negative pressures on the RLGs' ratings could arise from a downgrade of the Argentinean sovereign ratings, by an unexpected deterioration in the country's operating environment for RLGs, or a deterioration of their financial fundamentals.

The principal methodology used in these ratings was Regional and Local Governments published in May 2024 and available at <https://ratings.moodys.com/rmc-documents/421891>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link [https://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL500946](https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL500946) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- EU Endorsement Status
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- Rating Solicitation
- Issuer Participation

- Participation: Access to Management
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- Lead Analyst
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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on <https://ratings.moodys.com> for additional regulatory disclosures for each credit rating.

Philipp Toculescu

Analyst

Cristiane Spercel  
Associate Managing Director

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A.  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

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