

# Explaining the Rating Gap Between Venezuela and Argentina

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The one-notch difference between Argentina's Long-Term Foreign-Currency IDR of 'B' and Venezuela's 'B+' is justified by Venezuela's better debt payment record and relatively stronger fiscal and external solvency indicators, lower financing needs and comparatively greater financing flexibility. A captive domestic market, the capacity to tap into substantial bilateral financing and the availability of liquid non-reserve FX financial assets support Venezuela's relatively ample financing flexibility compared with peers. With both ratings currently on Stable Outlook, the ratings gap is likely to remain in the near term. Argentina's relatively high government debt burden, its relatively weak recent debt repayment record and limited funding sources constrain the sovereign's credit profile. However, it should be noted that improved global conditions and reduced political volatility have benefited Argentina's external accounts and supported rapid economic growth, whereas Venezuela's economy remained in recession and external balances arguably weakened in 2010. Both countries' policy frameworks, though, are not conducive to sustainable improvements in terms of macroeconomic stability and both sovereigns' recent record demonstrates that their macroeconomic credit performance is highly sensitive to political developments, with presidential elections coming up in both countries (Argentina: 2011 and Venezuela: 2012). Additional information can be found on the Fitch Ratings web site, [www.fitchratings.com](http://www.fitchratings.com)