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# Bladex LatAm Insight

October 2026

Credit Ratings in Latin America:  
Strengths, Gaps, and Challenges

**BLADEX**



**Risk perception across Latin America has improved in recent years, despite highly heterogeneous sovereign credit profiles.** While Chile continues to hold the region's, strongest credit standing and several economies remain investment grade, others continue to operate within speculative categories or are undergoing gradual credit recovery processes.



**Risks remain concentrated primarily on the fiscal and institutional fronts.** Recent rating actions and agency statements do not point to a generalized regional deterioration, but rather to country-specific vulnerabilities related to fiscal sustainability, governance, and policy implementation capacity.



**The external sector continues to serve as one of the region's key credit shock absorbers.** Positive signals remain concentrated in this dimension, while growth, inflation, and economic policy indicators present a more balanced and neutral picture.



**Subregional trajectories also continue to diverge.** South America exhibits a persistent credit gap and higher volatility, while Central America and the Caribbean have shown a relatively more stable evolution, albeit with significant differences and still-relevant vulnerabilities.



**The outlook for 2026 and 2027 points to a more demanding and differentiated environment,** characterized by weaker growth prospects and rising fiscal pressures across several economies.



**The compression of EMBI spreads has validated the improvement in regional sovereign fundamentals in recent years.** However, with risk premiums now hovering near historical lows, further credit progress will increasingly depend on structural reforms rather than favorable financial conditions.

The region continues to exhibit significant heterogeneity in its **sovereign risk profile**. Nevertheless, **risk perception across Latin America has improved in recent years**.

Latin America's sovereign rating cycle has shown a notable improvement in recent years. As illustrated in Chart 1, after several years dominated by negative rating actions, the balance between upgrades and downgrades has returned to positive territory, driven by a growing number of rating upgrades reaching levels not seen in more than a decade. However, this improvement has not been uniform across the region.

Chart 2 highlights the diversity of sovereign credit profiles. Chile continues to stand out as the region's highest-rated sovereign, maintaining the strongest credit quality in Latin America. Meanwhile, Uruguay, Peru, Mexico, Paraguay, and Panama remain within investment-grade territory, although with meaningful differences in their macroeconomic fundamentals and credit outlooks.

Chart 1: Rating Actions  
(Number)

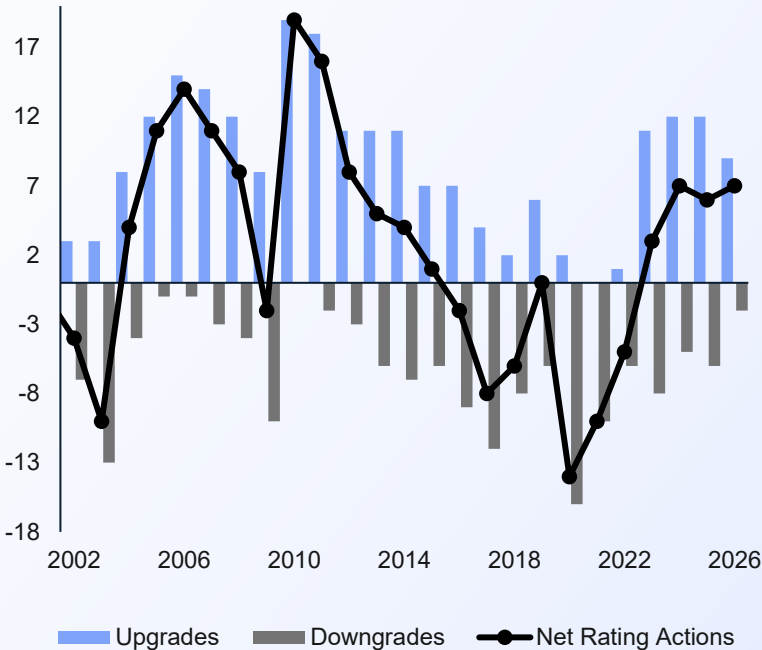
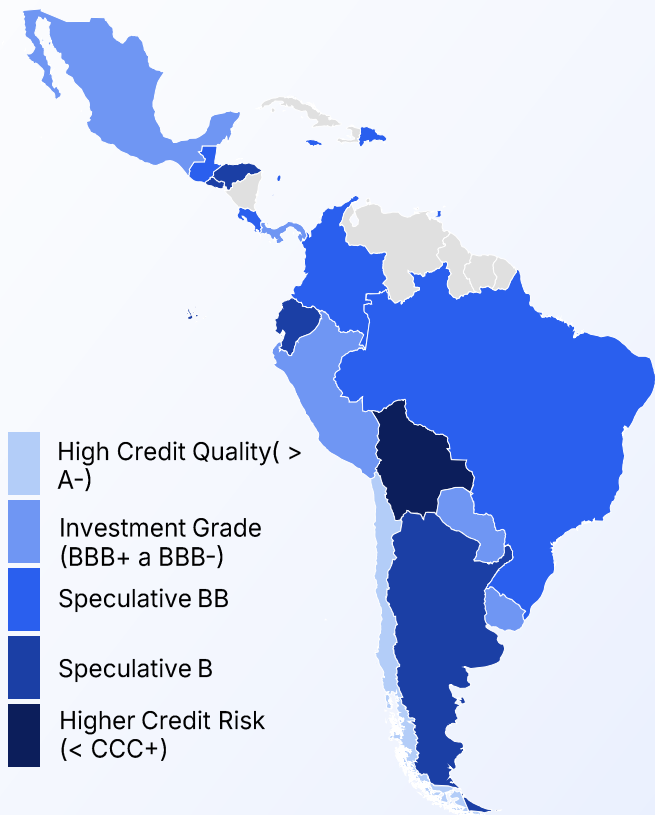


Chart 2: Composite Sovereign Rating Based on S&P, Moody's, and Fitch Ratings\*



For example, Panama continues to display relatively favorable dynamics, supported by stronger economic growth and progress on fiscal consolidation. Similarly, Paraguay stands out for its improving credit trajectory, underpinned by macroeconomic stability and a relatively sound fiscal position. Mexico, by contrast, faces a more cautious assessment amid weak growth, fiscal rigidities, and contingent liabilities.

Importantly, credit improvements are not limited to the region's highest-rated sovereigns. Progress is also beginning to emerge among lower-rated economies. Argentina represents one of the most notable cases, having moved from the CC category to B- within a three-year period, supported by reduced macroeconomic imbalances, improved fiscal outcomes, significant disinflation, and a more favorable external environment.

Overall, the regional landscape combines established credit strengths, economies that continue to preserve their investment-grade status, and ongoing recovery stories. At the same time, persistent structural vulnerabilities continue to constrain the pace and sustainability of further credit improvements.

\*Countries in gray were not included in the analysis  
Source: S&P, Moody's, Fitch Ratings - Bladex Economic Research.

# Sovereign risk across the region remains concentrated in fiscal and institutional factors.

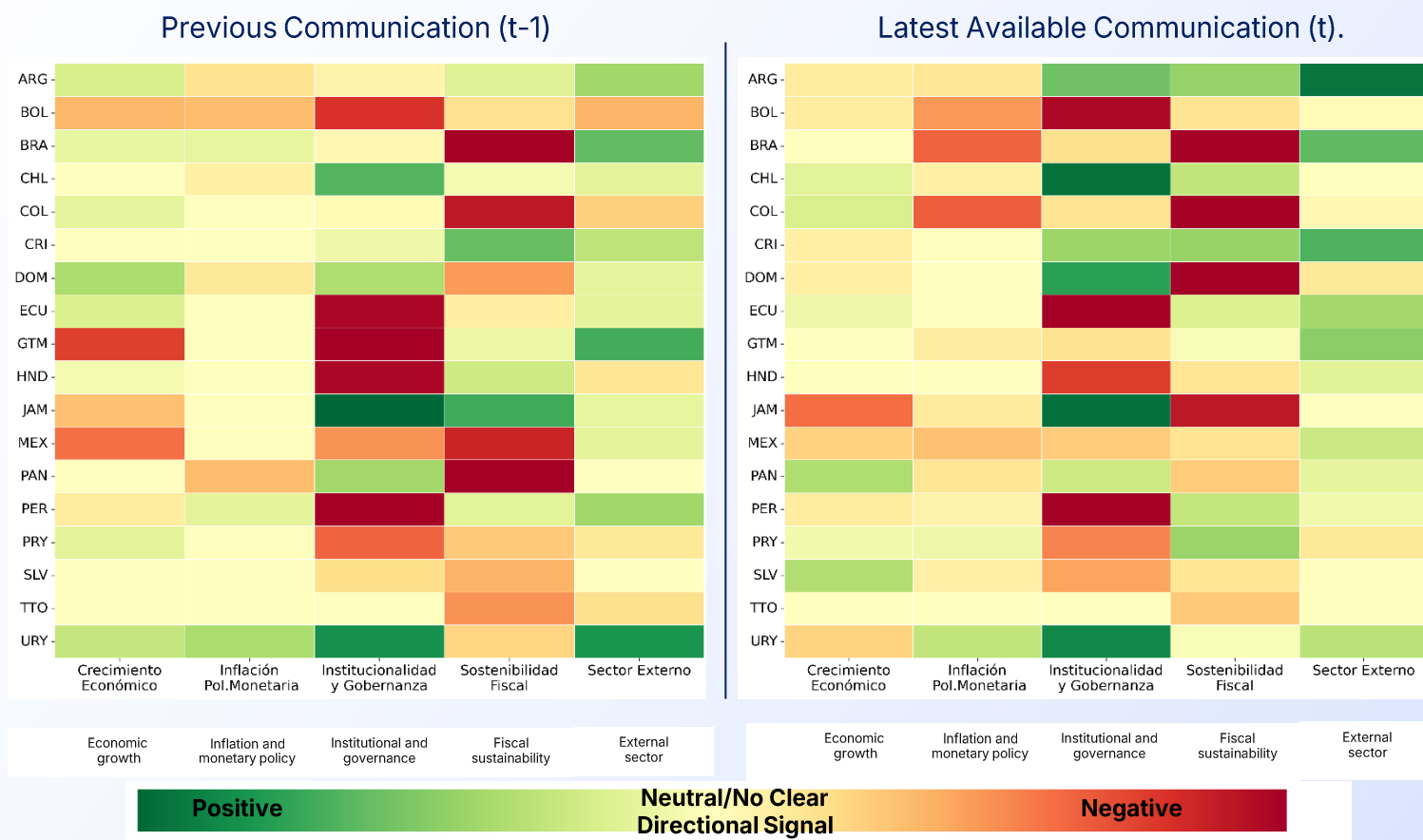
A comparison of the two most recent rating agency communications points to a gradual improvement in the regional credit narrative, reflected in a greater number of favorable signals across several sovereigns. However, this evolution remains uneven and continues to be driven by country-specific dynamics.

It is important to note that the methodology used in this report follows a country-specific approach. As such, each row in the matrix should be interpreted independently, assessing the evolution of a sovereign relative to its own previous period, rather than as a cross-country comparison of risk levels (see methodological appendix).

From this perspective, institutional and governance factors, together with fiscal issues, continue to account for a significant share of the less favorable signals within the credit trajectories of several sovereigns, suggesting that structural challenges remain firmly in place. By contrast, macroeconomic and external conditions present a more constructive picture, supported by greater stability in growth, inflation, and monetary policy, as well as the contribution of the external sector. Argentina stands out as one of the most notable examples, having recorded improvements across most indicators, a trend that has been reflected in the successive sovereign rating upgrades received over the past two years.

Taken together, the results point to a gradual strengthening of regional credit profiles, driven primarily by stronger macroeconomic and external fundamentals, while progress on institutional quality and fiscal sustainability continues to represent a key structural constraint on further credit improvement.

**Chart 3: Credit Signal Balance by Country and Sovereign Risk Factor**



\*Each cell represents the balance between favorable and unfavorable references identified in the communications issued by S&P, Moody's, and Fitch for each country and category. **Green:** predominance of positive signals; **Red:** predominance of negative signals; **Yellow:** neutral balance, mixed signals, or the absence of a sufficiently clear directional bias. **(t)** corresponds to the latest available communication from each agency, while **(t-1)** refers to the immediately preceding communication. Communication dates may differ across countries and rating agencies.

Source: S&P, Moody's, Fitch Ratings - Bladex Economic Research.

# South America's credit divide persists, with only a handful of countries preserving strong buffers while others remain focused on rebuilding credibility.

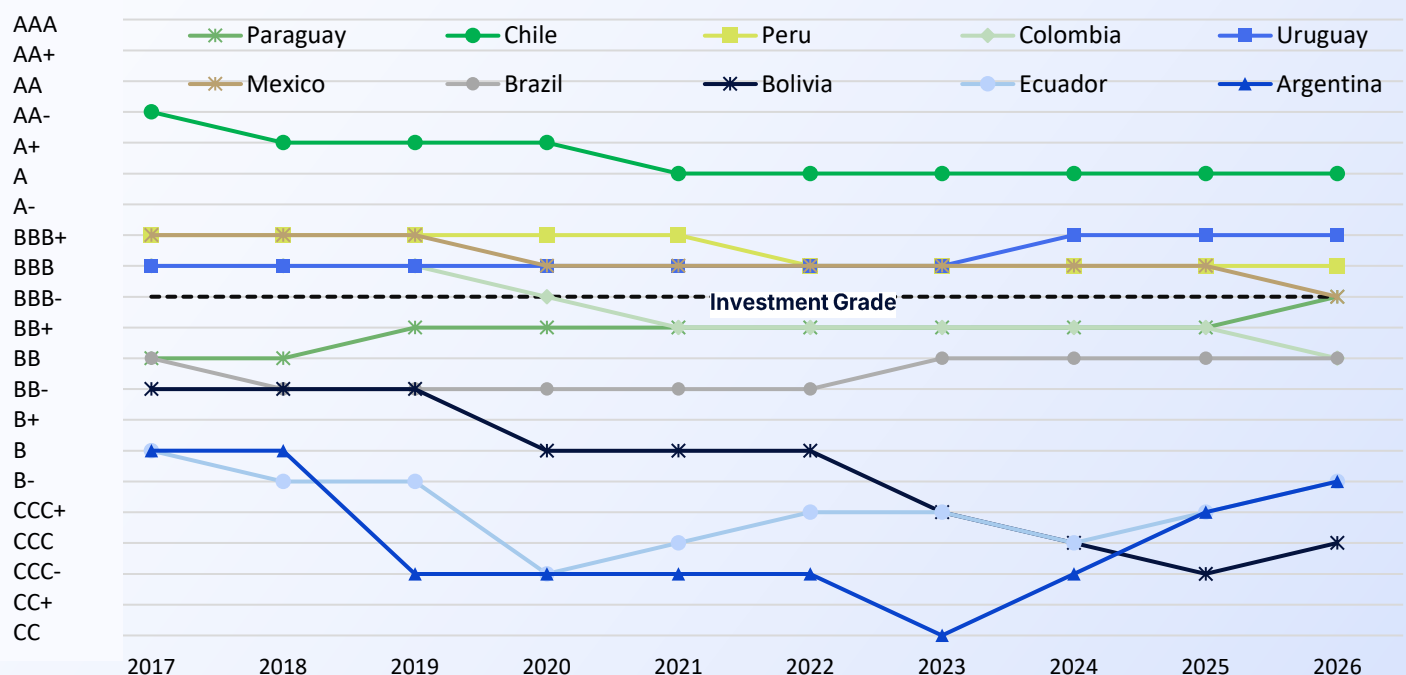
Over the past decade, sovereign credit performance across South America has followed markedly divergent paths (Chart 4). Chile has moved from an exceptionally strong fiscal position toward a gradual erosion of its credit buffers. Rising debt levels and weaker economic growth led to its first sovereign downgrade by Fitch in 25 years in 2017, with the deterioration deepening following the pandemic. Even so, the country's institutional strengths and remaining fiscal advantages continue to place it above its South American peers. Uruguay, meanwhile, has followed a considerably more stable trajectory.

Among sovereigns hovering around investment-grade territory, divergent stories are also evident. Peru has lost part of the cushion it maintained prior to the pandemic, largely due to political uncertainty and its impact on investment and economic growth, although low debt levels and solid macroeconomic fundamentals continue to provide support. Paraguay has followed the opposite path, undergoing a gradual strengthening process supported by recurring governance improvements and the implementation of structural reforms that ultimately allowed it to attain investment-grade status.

Within the non-investment-grade group, Brazil and Colombia hold similar credit ratings and face comparable fiscal vulnerabilities, but their credit trajectories have differed. In Colombia, the post-pandemic fiscal deterioration led to the loss of investment-grade status, while persistently high deficits and a heavier debt burden have continued to weigh on the sovereign rating. Brazil also faces significant fiscal pressures, which have interrupted its credit recovery path following the commodity-cycle shock.

Among the region's highest-risk sovereigns, Argentina, Ecuador, and Bolivia have experienced particularly volatile credit trajectories. Argentina stands out for the scale of its recovery from extremely distressed levels, having rebounded from a near-default position. Ecuador has gradually strengthened its credit profile through progress in fiscal consolidation, economic diversification, and a stronger external position. In both cases, support from IMF programs has helped anchor the adjustment process. By contrast, Bolivia remains constrained by significant fiscal and external vulnerabilities, with its recovery still in the early stages.

**Chart 4: Evolution of the Average Sovereign Rating Across S&P, Moody's, and Fitch - South America and Mexico**



# Central America and the Caribbean exhibit greater credit stability.

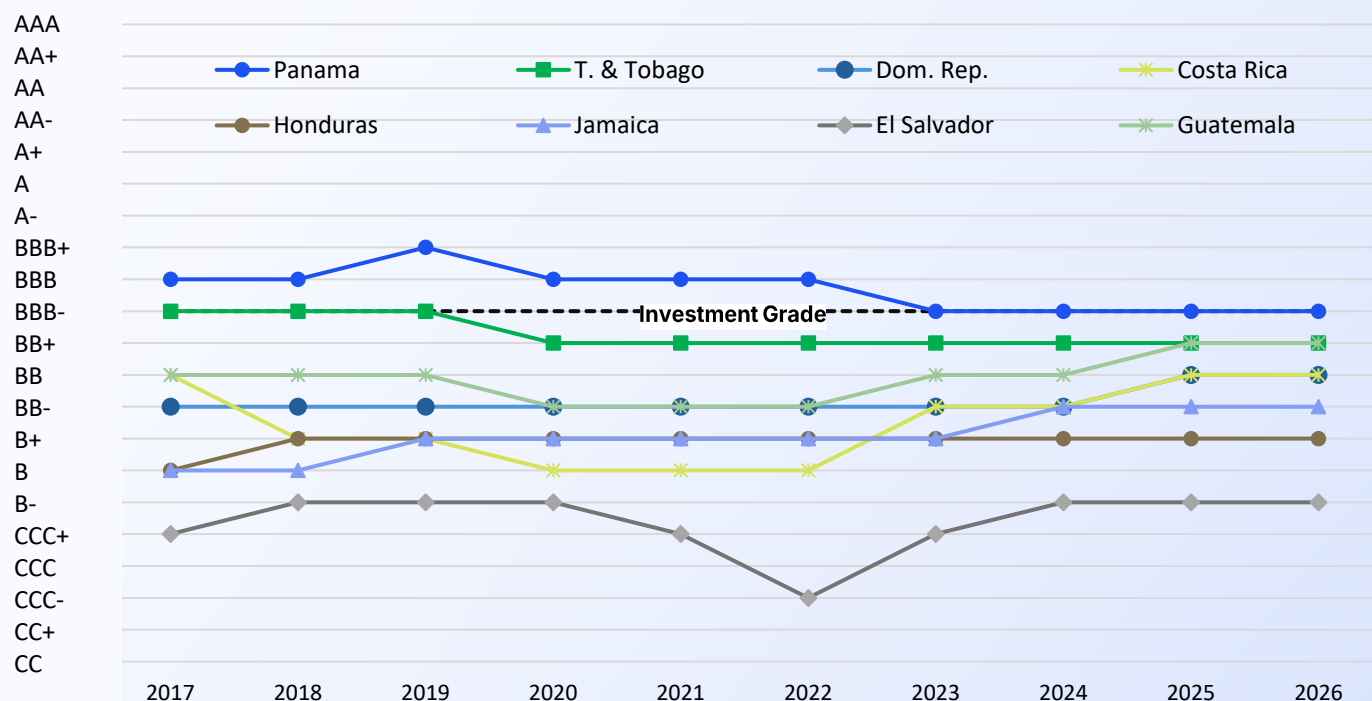
The credit trajectory of Central America and the Caribbean has generally been more stable than that observed in South America, although this apparent stability masks significant differences across sovereigns. Panama remains the highest-rated economy within the subregion. However, its recent trajectory reflects a narrowing of the credit cushion it enjoyed prior to the pandemic, against a backdrop of greater fiscal challenges and institutional deterioration.

By contrast, Costa Rica represents one of the most visible credit recovery stories in the subregion (Chart 5), having started from a particularly challenging position. In 2018, the country faced severe financing pressures, a rapid increase in public debt, and a series of sovereign downgrades, to the point where the central bank was required to provide temporary financing to the government. Since then, the implementation of the fiscal rule, gradual improvement in fiscal balances, and stabilization of the debt trajectory have helped restore confidence in economic policymaking.

Other sovereigns, such as the Dominican Republic and Honduras, have followed relatively stable credit paths throughout the period under review, albeit with important distinctions. While the Dominican Republic has sustained strong and diversified economic growth, Honduras continues to face low potential growth and persistent institutional weaknesses.

Overall, the subregion combines a high degree of credit stability with gradual recovery processes, although meaningful institutional vulnerabilities remain. The main challenge will be translating macroeconomic stability and fiscal progress into sustainable credit improvements while preserving fiscal discipline and maintaining external buffers against shocks related to growth, interest rates, and global financial conditions.

**Chart 5: Evolution of the Average Sovereign Rating Across S&P, Moody's, and Fitch  
Central America and the Caribbean**



Source: S&P, Moody's, Fitch Ratings - Bladex Economic Research.

# Macroeconomic expectations point to a **gradual adjustment** in sovereign credit profiles.

Revisions to macroeconomic forecasts for 2026 and 2027 suggest that the region is not facing a uniform shift in its outlook. Growth accounts for a significant share of downward revisions, particularly in economies such as Chile, Mexico, Colombia, Argentina, and Bolivia, while Panama, Guatemala, and El Salvador have seen more favorable revisions. Against this backdrop, only three of the countries analyzed are expected to experience an economic contraction in 2026, while none are projected to face a recession in 2027.

Inflation presents a more challenging picture, as the conflict in the Middle East continues to exert upward pressure on energy and transportation costs, adding to price risks associated with the El Niño phenomenon.

The fiscal outlook also appears more demanding, with less favorable budget balances and upward revisions to debt projections across several economies. Panama and El Salvador stand out for improvements in their fiscal outlooks, while other countries are facing higher projected fiscal deficits or debt burdens. Mexico, for example, combines weaker growth prospects with an upwardly revised debt trajectory.

Some of the most significant revisions are concentrated in the external sector, particularly in Chile, Peru, Panama, and Guatemala, although these improvements are not broad-based across the region. Overall, the revisions point to a gradual and differentiated adjustment of sovereign credit profiles rather than a generalized shift in regional fundamentals.

**Chart 6: S&P projections for 2026 and 2027 by country (latest report)\***

| Country and Rating | GDP Growth |      | Annual Inflation |      | Fiscal Balance (% of GDP) |      | Debt (% of GDP) |      | Current Account (% of GDP) |      |
|--------------------|------------|------|------------------|------|---------------------------|------|-----------------|------|----------------------------|------|
|                    | 2026       | 2027 | 2026             | 2027 | 2026                      | 2027 | 2026            | 2027 | 2026                       | 2027 |
| Chile (A)          | 0.7        | 2.9  | 3.8              | 3.5  | -2.1                      | -1.7 | 43.9            | 44.6 | -0.2                       | -1.6 |
| Uruguay (BBB+)     | 1.8        | 2.0  | 4.7              | 4.5  | -4.0                      | -3.4 | 59.8            | 61.3 | -0.6                       | -1.4 |
| Perú (BBB) **      | 2.9        | 2.7  | 2.0              | 2.0  | -2.8                      | -2.4 | 29.5            | 31.0 | 1.4                        | 1.0  |
| México (BBB-)      | 1.0        | 2.0  | 4.5              | 3.8  | -4.8                      | -4.4 | 56.3            | 57.5 | -1.2                       | -0.6 |
| Paraguay (BBB-)    | 4.0        | 4.0  | 3.7              | 3.5  | -1.5                      | -1.5 | 32.4            | 32.5 | -3.0                       | -2.4 |
| Panamá (BBB-)      | 4.6        | 3.9  | 2.0              | 1.5  | -3.3                      | -3.0 | 60.8            | 61.2 | -0.1                       | -0.2 |
| Guatemala (BB+)    | 3.5        | 3.5  | 3.0              | 4.0  | -2.1                      | -2.1 | 25.6            | 26.1 | 2.6                        | 1.2  |
| T. & Tobago (BB+)  | -2.0       | 1.3  | 2.8              | 2.4  | -4.4                      | -2.7 | 88.1            | 88.4 | 4.0                        | 4.6  |
| Rep. Dom. (BB) **  | 5.0        | 5.0  | 4.0              | 4.0  | -3.7                      | -3.4 | 59.8            | 59.3 | -3.0                       | -3.1 |
| Brasil (BB)        | 1.8        | 1.7  | 4.6              | 4.0  | -7.3                      | -7.2 | 82.1            | 85.8 | -2.2                       | -1.9 |
| Costa Rica (BB)    | 3.5        | 3.5  | 0.0              | 2.0  | -4.3                      | -4.0 | 62.7            | 63.8 | -1.5                       | -1.2 |
| Colombia (BB)      | 2.5        | 2.8  | 5.9              | 5.5  | -5.6                      | -5.0 | 67.3            | 68.8 | -2.6                       | -2.5 |
| Jamaica (BB-)      | -1.1       | 3.0  | 8.0              | 6.0  | -4.2                      | -2.5 | 62.1            | 60.5 | -2.3                       | -3.3 |
| Honduras (B+)      | 3.0        | 3.0  | 4.0              | 4.0  | -1.6                      | -1.1 | 50.2            | 49.7 | -1.7                       | -2.5 |
| Ecuador (B-)       | 1.5        | 3.0  | 2.3              | 2.0  | -1.6                      | -2.2 | 58.8            | 58.6 | 4.1                        | 3.9  |
| El Salvador (B-)   | 4.4        | 3.8  | 3.0              | 2.0  | -1.8                      | -3.9 | 84.4            | 85.6 | -4.1                       | -3.1 |
| Argentina (B-)     | 2.7        | 3.0  | 31.8             | 22.3 | -0.7                      | -1.0 | 66.9            | 60.9 | -0.2                       | 0.4  |
| Bolivia (CCC)      | -1.3       | 0.4  | 16.2             | 13.9 | -7.0                      | -6.3 | 92.3            | 93.7 | -2.6                       | -1.7 |

**Favorable Review**

**Unfavorable Review**

\*The colors represent the difference between the forecast published in the latest available report and the forecast contained in the immediately preceding report, for each country and year.

\*\* No prior forecasts were available for comparison; in the case of Peru, this applies only to 2027.

Source: S&P Global Ratings

## Credit improvements have been reflected in lower risk premiums. However, the compression appears to have reached its limits.

The EMBI, which measures the risk premium investors demand to hold emerging market sovereign debt relative to U.S. Treasury securities, provides a useful gauge of the region's risk perception. Its recent evolution suggests that the improvement observed in several sovereign credit profiles has also been recognized by financial markets and, in some cases, even anticipated before being reflected in formal rating actions. Following the period of heightened volatility between 2020 and 2024, sovereign spreads compressed steadily, reaching levels close to their lowest in the past 15 years. This trend is consistent with stronger capacity to absorb external shocks, healthier external balances, greater economic diversification, and gradual improvements in institutional quality and fiscal management, all of which have contributed to enhancing the region's credit resilience.

However, the compression of risk premiums is beginning to show signs of exhaustion, and the indicator has started to stabilize. The recent marginal widening in the EMBI (Chart 7) suggests that, from historically tight levels, markets are once again assigning greater weight to the region's idiosyncratic risks, limiting further spread compression. Importantly, this does not signal a deterioration in sovereign credit profiles. Rather, it points to an environment in which future credit improvements will depend increasingly on sustained progress in structural fundamentals rather than on support from favorable market conditions. As a result, while the region currently exhibits stronger macroeconomic and credit fundamentals, it also has less room for additional spread compression to continue substituting for the structural adjustments that remain outstanding.

**Chart 7: Latin America EMBI - Excluding Venezuela (pp).**



Source: Central Bank of the Dominican Republic- Bladex Economic Research.

# Methodological Appendix: Construction of Credit Signals and Forecast Revisions

## 1. Credit Signal Balance (Page 3)

The analysis incorporates the latest and second-latest available sovereign rating communications from S&P Global Ratings, Moody's Ratings, and Fitch Ratings for each country. When an agency did not publish a new rating action, the most recent periodic review available was used instead.

The communications were processed using a text-analysis model that:

- Divides the content into relevant sentences and clauses.
- Excludes legal disclaimers, contact information, and other standardized language.
- Separates the current assessment from forecasts, historical references, and rating upgrade or downgrade conditions.
- Classifies each reference as favorable, unfavorable, mixed, or neutral.
- Groups signals into five categories: economic growth; inflation and monetary policy; institutions and governance; fiscal sustainability; and the external sector.

For each country and category, a balance is calculated between the intensity of favorable and unfavorable references. Results from the available rating agencies are aggregated using equal weights, preventing longer reports from exerting a disproportionate influence.

Reading the heatmap: Green indicates a predominance of favorable signals; red indicates a predominance of unfavorable signals; and yellow reflects a neutral or mixed balance, or the absence of a clear directional bias. The lack of a thematic reference is not interpreted as either a favorable or an unfavorable signal.

## 2. Changes in S&P Forecasts (Page 7)

The table compares the macroeconomic forecasts published by S&P for 2026 and 2027 in the latest available report with those included in the immediately preceding report for each country.

The color coding reflects the following calculation:

**Change = Forecast in the latest report – Forecast in the previous report**

Five variables are evaluated: GDP growth, annual inflation, fiscal balance, public debt as a percentage of GDP, and the current account balance as a percentage of GDP.

The interpretation of a favorable or unfavorable change depends on the variable:

- **Growth:** an upward revision is considered favorable.
- **Inflation and debt:** a downward revision is considered favorable.
- **Fiscal balance and current account balance:** an upward revision, meaning a larger surplus or a smaller deficit, is considered favorable.
- **Blank cells:** the forecast remained unchanged, or no comparable previous forecast was identified to calculate a revision.

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**Note:** The credit signal balance summarizes the qualitative assessment contained in the reports of the three rating agencies, while the forecast table reflects only the quantitative changes identified in S&P communications. The two exercises are complementary but not directly comparable.

# Communications Included in the Analysis

| Country           | S&P (t)    | S&P (t-1)  | Fitch (t)  | Fitch (t-1) | Moody's (t) | Moody's (t-1) |
|-------------------|------------|------------|------------|-------------|-------------|---------------|
| Argentina         | 2026 06 10 | 2025 12 17 | 2026 05 05 | 2025 05 12  | 2026 07 21  | 2025 07 17    |
| Bolivia           | 2026 03 23 | 2025 06 25 | 2026 01 16 | 2025 01 24  | 2026 03 18  | 2025 04 17    |
| Brasil            | 2026 06 25 | 2025 06 05 | 2026 06 16 | 2025 06 25  | 2026 05 30  | 2025 05 30    |
| Chile             | 2026 09 24 | 2025 10 23 | 2026 09 18 | 2025 09 26  | 2026 04 10  | 2025 10 24    |
| Colombia          | 2026 04 08 | 2025 06 26 | 2025 12 16 | 2025 03 06  | 2026 06 11  | 2025 06 08    |
| Costa Rica        | 2026 07 16 | 2025 10 22 | 2025 12 17 | 2025 02 25  | 2026 03 20  | 2025 09 24    |
| Rep. Dominicana   | 2024 12 03 | 2022 12 19 | 2026 04 15 | 2025 11 07  | 2026 07 09  | 2025 08 01    |
| Ecuador           | 2026 08 13 | 2026 01 27 | 2026 02 25 | 2025 08 07  | 2026 01 26  | 2025 06 13    |
| Guatemala         | 2026 05 08 | 2025 05 23 | 2026 09 11 | 2025 10 14  | 2026 04 28  | 2025 11 12    |
| Honduras          | 2026 03 26 | 2025 09 11 | N/D        | N/D         | 2026 01 23  | 2025 07 18    |
| Jamaica           | 2026 09 21 | 2025 12 18 | 2026 02 05 | 2025 11 20  | 2026 06 29  | 2025 12 19    |
| México            | 2026 05 12 | 2025 09 08 | 2026 04 10 | 2025 04 16  | 2026 05 20  | 2025 05 22    |
| Panamá            | 2026 09 22 | 2024 11 26 | 2025 12 10 | 2024 12 17  | 2026 05 28  | 2025 11 12    |
| Perú              | 2025 12 11 | 2024 04 25 | 2025 10 30 | 2024 11 05  | 2026 09 22  | 2025 09 30    |
| Paraguay          | 2025 12 17 | 2025 01 08 | 2025 10 06 | 2024 10 22  | 2026 07 17  | 2025 07 24    |
| El Salvador       | 2026 08 27 | 2025 08 18 | 2026 04 23 | 2025 11 21  | 2026 02 06  | 2025 05 29    |
| Trinidad & Tobago | 2026 07 22 | 2025 09 25 | N/D        | N/D         | 2026 06 12  | 2025 12 12    |
| Uruguay           | 2025 11 26 | 2024 11 06 | 2026 09 10 | 2025 09 19  | 2026 01 27  | 2025 08 06    |

- Date format: yyyy mm dd.
- t: latest available communication used in the analysis.
- t-1: immediately preceding communication used as the benchmark period.
- N/A: no communication from the agency is available for the country.
- Moody's dates highlighted in blue: correspond to periodic reviews and do not necessarily represent a rating action.
- The dates correspond to the information compiled for this exercise and may differ across countries and rating agencies due to differences in publication schedules.

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