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Research Update:

Brazil Long-Term Ratings Lowered To 'BB-' On Less Timely And Effective Policymaking; Outlook Is Stable

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Research Update:

Brazil Long-Term Ratings Lowered To 'BB-' On Less Timely And Effective Policymaking; Outlook Is Stable

Ratings

Foreign Currency: BB-/Stable/B

Local Currency: BB-/Stable/B

For further details, see Ratings List.

Overview

- Despite various policy advances by the Temer Administration, Brazil has made slower-than-expected progress in putting in place meaningful legislation to correct structural fiscal slippage and rising debt levels on a timely basis.
- Delays in advancing corrective fiscal measures, critical to addressing one of Brazil's key rating weaknesses, along with uncertain policy prospects following the 2018 presidential elections, reflect weaker effectiveness in policymaking by Brazil's political class.
- As a result, we are lowering our long-term sovereign credit ratings on Brazil to 'BB-' from 'BB'. We are also affirming our 'B' short-term sovereign credit ratings.
- The stable outlook reflects our view that Brazil's comparatively solid external profile and the flexibility and credibility of its monetary and exchange rate policy help anchor the rating at 'BB-' over the next year, balancing economic and fiscal weaknesses and uncertainty about the 2018 presidential elections.

Rating Action

On Jan. 11, 2018, S&P Global Ratings lowered its long-term foreign and local currency sovereign credit ratings on the Federative Republic of Brazil to 'BB-' from 'BB'. The outlook on the ratings is stable. At the same time, we affirmed our 'B' short-term foreign and local currency ratings on Brazil. We also lowered the transfer and convertibility assessment to 'BB+' from 'BBB-'. In addition, we affirmed the 'brAA-' national scale rating and revised the outlook to stable.

Outlook

The stable outlook reflects our view that there is a less than one-in-three likelihood that we could raise or lower the ratings on Brazil over the coming year. This reflects Brazil's comparative external and monetary policy strengths that help offset significant fiscal weakness, an economy with growth prospects lower than peers, and our view that effectiveness of policymaking across branches of government has weakened.

We could lower the ratings over the coming year should unforeseen weakness in Brazil's balance of payments arise that either impairs market access or generates a sharp rise in external debt. Alternatively, a meaningful deterioration in recently improved monetary policy credibility under the current administration, marked by a persistent rise in inflation or weakened commitment to a floating exchange rate regime, would also weigh on the rating.

We could raise the ratings under multiple scenarios over the next several years. The first would be if the next administration following the 2018 elections articulates and implements a solid and sustainable fiscal correction backed by congressional support. Alternatively, broad-based policy correction--and fruits of recent microeconomic reforms--could support a higher rate of trend GDP growth, such that Brazil's growth trajectory is no longer weaker than that of its peers with a similar level of economic development. Or, the currently very high fiscal deficits could decline if the government runs a primary (non-interest) fiscal surplus, indicating that net general government debt to GDP has peaked and is set to fall, thanks to policy measures or better GDP growth prospects.

Rationale

The weakening of our institutional assessment of Brazil reflects slower-than-expected progress and lower support by the country's political class to put in place meaningful legislation to correct structural fiscal slippage on a timely basis. Recent political developments also foreshadow the risk of greater policy uncertainty after national elections later this year.

While the government has advanced many microeconomic reforms, it has been unsuccessful thus far in garnering broad congressional support to strengthen the fiscal trajectory in order to facilitate adherence to Brazil's constitutional spending cap. In addition, at times there have been mixed signals or actions that further complicate fiscal correction or policy execution, including measures for the 2018 budget, across branches of government. Taken together, this highlights our view that policy commitment and political responsiveness have diminished relative to our prior expectations.

Lack of substantial support across Brazil's political class for stronger and

swifter fiscal measures underscores how important it will be for the country's next president to start with significant political capital and to quickly pass corrective measures that have an impact sooner rather than later. However, such a scenario is not in our base case. In our view, the absence of cohesive political support for corrective economic measures that we have seen thus far diminishes the prospects for such a solid and prompt response following the 2018 elections.

Meanwhile, the mild improvement in the economy and low net external debt (compared with peers) may further limit political pressure on the government to act on fiscal shortcomings in the near term. While the economy has stabilized, we see slow growth and fiscal weaknesses as key credit constraints. The diversified economy has exited a steep multiyear contraction, but its growth is expected to remain below peers. High general government deficits persist with debt continuing to rise over the forecast period until 2020. Fiscal correction is a multiyear, multiadministration challenge, in our view. In contrast, Brazil's external position and monetary policy credibility, which, in our view, has improved, are relative credit strengths.

Institutional and economic profile: Brazil's political class has made slow progress in needed fiscal correction while growth moves back into positive territory

- Despite improvement in various policies under President Michel Temer's Administration, passage of legislation to structurally reduce the fiscal deficit remains elusive, creating difficult conditions for the next administration, given Brazil's high and rising government debt.
- Corruption investigations have discredited many politicians, increasing the likelihood of less experienced outsider candidates in the 2018 elections, which highlights risks for concerted coalition building and passage of difficult legislation.
- The economy is estimated to have grown 1% in 2017, following two years of contraction, but growth prospects remain constrained by a high debt burden and low level of investment.

The Temer Administration has articulated a comprehensive macroeconomic and microeconomic agenda to put in place conditions for stronger growth and fiscal performance in the coming years. The Federal Accounting Court (TCU) and Ministry of Finance are working more actively together to strengthen transparency in fiscal accounts. Congress passed part of the government's agenda:

- A constitutional cap on spending,
- Two phases of labor reform,
- Immigration law,
- Reopening of the oil and gas sector with lower domestic content rules,
- A fiscal recovery regime for highly indebted, cash-strapped states willing to undertake spending reform, and
- A revised scheme for subsidized credit at state-owned Banco Nacional do Desenvolvimento (BNDES) to remove subsidized lending over the coming five years.

However, progress passing legislation to streamline rigid fiscal expenditures and set the stage for adhering to the already legislated cap on primary expenditure growth in the coming years has stalled. One example is the second phase of the administration's back-loaded fiscal adjustment plan, a pension reform, which hit stumbling blocks throughout 2017. While this reform is scheduled for a vote this year, in our judgment, the continued delays reflect weaker political support in Congress to tackle structural fiscal rigidities--which require changes to Brazil's constitution--on a timely basis. Setbacks to even short-term fiscal measures have also occurred--such as an injunction to suspend postponement of civil servants' pay hikes and higher social security contributions of public-sector workers. These developments highlight the reluctance of segments of the country's political class to tackle difficult fiscal correction. In addition, current debate among politicians of potentially easing the so-called golden rule (which limits borrowing to investment spending), once it became binding, reinforces this issue.

Support for policy correction has frayed across and within party lines despite large fiscal imbalances. This weakened support--within and outside--the governing coalition highlights the challenges policymakers will face in the run-up to and following the 2018 presidential election. This adds to a complex election scenario. Extensive corruption scandals and economic contraction have raised disenchantment of the electorate and, with it, prospects for more outsider or antiestablishment candidates entering the race. That could mean greater policy uncertainty given lack of an established track record. In addition, an inexperienced outsider elected as president could face more difficulty in managing unwieldy multiparty coalitions--a challenge for even most experienced politicians. This, in turn, is key to passing any legislation in Brazil, let alone constitutional amendments.

Furthermore, the corruption scandals have created uncertainty for Brazil's largest established political parties. Former President Lula of the Partido dos Trabalhadores (PT)--still the most competitive candidate in public opinion polls despite high rejection rates among the population--may be prevented from running for office by court decisions, potentially forcing the PT to find an alternative presidential candidate. The Partido da Social Democracia Brasileira (PSDB) may find it difficult to choose a presidential candidate who can both unify the party and gain broad popular support.

The uncertainties surrounding the election outcome, in our view, make it less likely that a new president with solid political capital could be able to quickly pass constitutional changes to meaningfully alleviate spending and revenue bottlenecks. This reinforces our view of recent weaker political commitment to implement fiscal adjustment.

We view the ongoing investigations of corruption allegations against high-profile individuals and companies in both the private and public sectors and across political parties as an example of maturing checks and balances in Brazil. In addition, Brazil's institutions have held solid amid independent investigations and subsequent prosecutions of corrupt practices. This reflects

institutional strength, in contrast with some peers. At the same time, a side effect has been weaker policy outcomes and a somewhat more uncertain electoral scenario.

Our base-case expectation continues to be subdued GDP growth over the next several years and per capita GDP of US\$9,923 for 2018. This follows estimated real GDP growth of 1% in 2017, after negative GDP growth in 2015 and 2016. We expect growth to average 2.4% during 2019-2020. Brazil's growth prospects have been--and will continue to be--below those of other countries at a similar stage of development, in our view.

The high level of household, corporate, and government indebtedness constrains faster growth. Given the 2018 elections, and uncertainty about potentially competitive outsider candidates, we expect a muted pickup in investment in the nearer term. That said, the more pronounced easing of monetary policy, given favorable inflation dynamics, supports a pickup in growth this year. We expect net exports to support growth, though the small contribution of net exports in Brazil's GDP and the absence of a commodity boom mean they won't drive a robust economic rebound. Continued efforts to restore macroeconomic balance are critical, as is advancing microeconomic reforms, to support higher private investment and growth over the medium term.

Flexibility and performance profile: Comparative strength in Brazil's external position and monetary policy flexibility contrasts with its high and rising debt, large deficits, and spending rigidities

- Fiscal challenges remain significant given reduced revenue buoyancy and highly rigid expenditures that generate high primary and headline deficits with rising net general government debt.
- Brazil's current account deficit continues to decline and remain more than financed by net foreign direct investment (FDI), bolstering international reserves and a decline in narrow net external debt.
- Inflation came in just below the lower bound of the tolerance interval in 2017, and well-anchored inflation expectations have facilitated a deeper monetary easing cycle.

Besides subdued growth prospects, Brazil's fiscal position is its other key rating weakness. Its fiscal trajectory is one of continued primary (non-interest) deficits and rising debt through 2020. Despite the upward revision of the primary targets for 2017 and 2018 in August 2017, we believe the Temer government remains committed to lowering Brazil's primary deficit. The administration has systematically evaluated and streamlined numerous spending programs where it can--such as student loans, subsidies for housing (Minha Casa Minha Vida), and disability benefits--to generate budget savings. And fiscal performance in 2017 highlights spending compression in virtually all areas, except for payroll, pensions, and indexed components of mandatory spending.

The combination of extraordinary revenues and a better outturn at states and municipalities underpins our estimation that the government likely outperformed the revised primary target in 2017 (and likely will in 2018).

However, that does not change the fact that Brazil has one of the weakest fiscal stances among rated sovereigns and that tackling mandatory spending is a key policy challenge. Given Brazil's generous benefits and worsening demographics, pension-related expenditure has grown rapidly over the past several years and accounts for 34% of federal primary (non-interest) spending. The social security deficit for private workers in 2016 was 2.4% of GDP, almost as large as the general government primary deficit of 2.6% of GDP. This negatively affects our fiscal assessment.

Brazil's state and municipal governments face similar budgetary challenges to the federal government: high, rigid spending on payroll, pensions, and interest payments, as well as a revenue base hurt by the economic contraction. Despite some temporary relief on debt service due to the federal government, state and local governments' finances remain under pressure. In addition, unlike the sovereign, their financing is more constrained because they cannot issue debt. The federal government has also strengthened transparency and protocols for approving (and guaranteeing) borrowing by local governments. We view this positively from the sovereign perspective--in terms of institution building and containing fiscal slippage at the state and local levels. However, fragilities in Brazil's federal fiscal framework remain to be tackled. Just like pension and tax reform, further resolution of these weaknesses will remain pending until after the 2018 elections.

In 2018, we expect the general government deficit will be 7.8% of GDP before declining to 6% in 2020. This compares with 9% in 2016 and an estimated 8.3% in 2017. This is consistent with a slow reduction in the general government primary deficit that averages 1.5% in 2018-2020. Brazil's interest burden is high, and we expect it to moderate slowly over the forecast period given the decline in interest rates, though at a slower pace than the drop in 2016 associated with gains on real-denominated currency swaps. The slightly larger change in net general government debt to GDP vis-à-vis the headline deficit assumes some fluctuations in central bank repurchase operations and exchange and inflation rates, but no off-budget (below-the-line) spending.

We expect general government debt, net of liquid assets (not including international reserves), to rise to 72% of GDP by 2020 from 52% in 2016. We expect interest to revenues to average 16% during 2018-2020 with a slightly declining trend given a decline in interest rates amid monetary easing. We assess contingent liabilities from the financial sector and all Brazilian nonfinancial public enterprises (including Petrobras) as limited.

Brazil's external accounts continue to adjust, with the current account deficit now expected to be 0.9% of GDP in 2018, versus a 4.2% peak in 2014. We expect the current account deficit to widen and average 1.2% of GDP in 2018-2020 (versus its low in 2017) on higher imports and to be fully financed by net FDI. We expect narrow net external debt--estimated at -7% of current account receipts in 2017--to return to a debtor position by 2019-2020 as the private sector taps global markets, nonresident holdings of government securities increase, and reserve accumulation slows. We calculate our estimates of external debt on a residency basis. They include nonresident

holdings of locally issued real-denominated government debt estimated at about US\$130 billion as of December 2017 (almost 50% of current account receipts).

Our external debt data, however, do not include debt raised offshore by Petrobras and other Brazilian companies that is transferred in the form of FDI to head offices in Brazil. For Petrobras, this could be approximately 25% of current account receipts. This is captured in Brazil's net external liability position, estimated at 257% of current account receipts in 2017. This ratio is one of the largest among the sovereigns we rate, suggesting that there are greater risks to Brazil's external accounts--should market conditions deteriorate--than it would appear looking at debt indicators alone. The Brazilian real floats and is an actively traded currency, and Brazil has lower external financing needs compared with its current account receipts and high international reserves relative to some of its peers.

Inflation has declined significantly, consistently surprising markets on the downside over the last nine months. Consumer price inflation was 2.95% in December 2017, a record low since 1999 and just below the lower limit of the inflation tolerance interval. This compares with 6.3% at year-end 2016 and 10.7% at year-end 2015. A drop in agriculture prices and a large output gap reinforce the better dynamics associated with the waning of administered price increases and depreciation of the Brazilian real that hit inflation in 2015. In addition, improved credibility of the central bank has reanchored inflation expectations.

We expect inflation to pick up somewhat in 2017-2019 from current lows as the economy strengthens but to remain in line with the official targets. The central bank initiated an easing cycle in October 2016, cutting the overnight SELIC interest rate by a total of 725 basis points to 7% as of January 2018. In late June, the National Monetary Council established a lower inflation target of 4.25% and 4% plus/minus 1.5% for 2019 and 2020, respectively, from 4.5% plus/minus 1.5% for 2017 and 2018 in light of these positive developments and to guide longer-term inflation down further.

Key Statistics

Table 1

Brazil--Selected Indicators										
	2011	2012	2013	2014	2015	2016	2017f	2018f	2019f	2020f
ECONOMIC INDICATORS (%)										
Nominal GDP (bil. LC)	4,376.38	4,814.76	5,331.62	5,778.95	5,995.79	6,259.23	6,540.27	6,918.29	7,362.45	7,843.22
Nominal GDP (bil. \$)	2,616.16	2,464.05	2,472.82	2,456.04	1,802.21	1,792.80	2,049.02	2,077.57	2,178.24	2,306.83
GDP per capita (\$000s)	13.3	12.4	12.3	12.1	8.8	8.7	9.9	9.9	10.3	10.8
Real GDP growth	4.0	1.9	3.0	0.5	(3.5)	(3.5)	1.0	2.2	2.4	2.5
Real GDP per capita growth	3.0	1.0	2.1	(0.4)	(4.3)	(4.2)	0.2	1.4	1.6	1.7
Real investment growth	6.8	0.8	5.8	(4.2)	(13.9)	(10.3)	(2.8)	3.0	3.9	4.0

Table 1

Brazil--Selected Indicators (cont.)										
	2011	2012	2013	2014	2015	2016	2017f	2018f	2019f	2020f
Investment/GDP	21.8	21.4	21.7	20.5	17.4	15.4	15.7	16.1	16.6	16.8
Savings/GDP	18.9	18.4	18.7	16.3	14.1	14.1	15.3	15.2	15.4	15.2
Exports/GDP	11.5	11.7	11.6	11.0	12.9	12.5	12.4	12.1	11.7	11.3
Real exports growth	4.8	0.3	2.4	(1.1)	6.8	1.9	3.8	3.0	3.1	3.2
Unemployment rate	6.0	7.3	7.1	6.8	8.5	11.5	13.0	12.4	11.6	10.6
EXTERNAL INDICATORS (%)										
Current account balance/GDP	(2.9)	(3.0)	(3.0)	(4.2)	(3.3)	(1.3)	(0.4)	(0.9)	(1.2)	(1.6)
Current account balance/CARs	(24.1)	(25.2)	(25.2)	(37.0)	(24.7)	(10.0)	(2.9)	(6.5)	(9.3)	(12.3)
CARs/GDP	12.2	11.9	12.0	11.5	13.3	13.1	13.1	13.3	13.1	12.7
Trade balance/GDP	1.1	0.7	0.0	(0.3)	1.0	2.5	3.3	2.8	2.4	1.9
Net FDI/GDP	3.3	3.3	2.2	2.9	3.4	3.6	3.4	3.4	3.1	2.8
Net portfolio equity inflow/GDP	0.6	(0.1)	0.2	0.4	0.5	0.6	(0.3)	0.0	0.0	0.0
Gross external financing needs/CARs plus usable reserves	80.9	69.3	69.3	73.1	72.1	64.5	61.2	60.4	59.2	60.3
Narrow net external debt/CARs	(2.4)	(2.1)	3.3	30.5	9.6	(0.6)	(7.1)	(1.7)	3.6	8.2
Narrow net external debt/CAPs	2.1	1.7	(2.9)	(25.2)	(9.0)	0.5	7.1	1.6	(3.3)	(7.3)
Net external liabilities/CARs	256.2	270.3	243.3	250.5	156.4	257.2	257.4	264.8	269.5	273.1
Short-term external debt by remaining maturity/CARs	29.5	27.0	31.0	29.2	56.3	52.5	41.3	37.6	30.6	28.8
Usable reserves/CAPs (months)	8.7	11.5	12.0	11.2	14.5	16.6	15.8	15.6	15.0	14.3
Usable reserves (mil. \$)	352,057	373,161	358,810	363,556	356,470	364,987	382,704	387,704	392,704	397,704
FISCAL INDICATORS (% , General government)										
Balance/GDP	(2.5)	(2.3)	(3.0)	(6.0)	(10.2)	(9.0)	(8.3)	(7.8)	(6.9)	(6.0)
Change in net debt/GDP	3.5	3.9	2.2	9.7	6.7	4.8	9.4	8.5	7.8	7.0
Primary balance/GDP	2.9	2.1	1.7	(0.6)	(2.0)	(2.6)	(2.1)	(2.0)	(1.5)	(0.9)
Revenue/GDP	37.6	36.7	36.8	35.2	34.7	35.0	35.1	34.9	34.7	34.7
Expenditures/GDP	40.1	38.9	39.8	41.2	44.9	44.0	43.4	42.6	41.7	40.7
Interest /revenues	14.2	12.0	12.5	15.1	23.9	18.3	17.6	16.6	15.6	14.7
Debt/GDP	51.3	53.7	51.5	56.3	65.5	70.0	75.9	80.3	83.3	85.2
Debt/Revenue	136.3	146.4	140.0	159.9	189.0	199.9	216.6	230.4	239.9	245.3
Net debt/GDP	39.2	39.5	37.9	44.6	49.7	52.4	59.6	64.9	68.8	71.6
Liquid assets/GDP	12.1	14.2	13.6	11.7	15.8	17.5	16.3	15.4	14.5	13.6
MONETARY INDICATORS (%)										
CPI growth	6.6	5.4	6.2	6.3	9.0	8.7	3.4	3.6	4.0	4.0
GDP deflator growth	8.3	7.9	7.5	7.8	7.6	8.1	3.5	3.5	3.9	3.9

Table 1

Brazil--Selected Indicators (cont.)										
	2011	2012	2013	2014	2015	2016	2017f	2018f	2019f	2020f
Exchange rate, year-end (LC/\$)	1.86	2.04	2.35	2.66	3.90	3.26	3.31	3.35	3.40	3.40
Banks' claims on resident non-gov't sector growth	18.7	16.4	14.1	12.1	7.9	(3.7)	(0.7)	5.0	6.7	9.2
Banks' claims on resident non-gov't sector/GDP	55.2	58.4	60.2	62.3	64.8	59.8	56.8	56.4	56.5	58.0
Real effective exchange rate growth	3.5	(10.0)	(5.6)	(0.9)	(15.7)	6.8	N/A	N/A	N/A	N/A

Note: 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 other 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 assets held by nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. 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. f--Forecast. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments.

Ratings Score Snapshot

Table 2

Brazil--Ratings Score Snapshot	
Key rating factors	Assessments
Institutional assessment	4
Economic assessment	5
External assessment	3
Fiscal assessment: flexibility and performance	6
Fiscal assessment: debt burden	6
Monetary assessment	3

Note: 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

- Criteria - Governments - Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, Aug. 14, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017

- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Global Sovereign Rating Trends 2018, Jan. 10, 2018
- Sovereign Ratings History, Jan. 5, 2018
- Banking Industry Country Risk Assessment Update: January 2018, Jan. 4, 2018
- Brazil Ratings Removed From CreditWatch And Affirmed At 'BB/B'; Outlook Is Negative On Ongoing Policy Challenges, Aug. 15, 2017
- 2016 Sovereign Ratings Update: Outlook And CreditWatch Resolutions, April 18, 2017
- 2016 Annual Sovereign Default Study And Rating Transitions, April 3, 2017
- Sovereign Risk Indicators, found at www.spratings.com/sri
- Banking Industry Country Risk Assessment: Brazil, March 22, 2017
- Sovereign Debt 2017: Global Borrowing To Drop By 4% To US\$6.8 Trillion, Feb. 23, 2017

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee agreed that the institutional assessment had deteriorated. All other key rating factors were unchanged.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Downgraded; Ratings Affirmed

	To	From
Brazil (Federative Republic of)		
Sovereign Credit Rating	BB-/Stable/B	BB/Negative/B
Transfer & Convertibility Assessment	BB+	BBB-
Senior Unsecured	BB-	BB

Ratings Affirmed; Outlook Action

	To	From
Brazil (Federative Republic of)		
Sovereign Credit Rating		
Brazil National Scale	brAA-/Stable/--	brAA-/Negative/--

Ratings Affirmed

Brazil (Federative Republic of)	
Senior Unsecured	brAA-

Webcast

S&P Global Ratings will hold a live webcast to discuss its recent update on its sovereign ratings on Brazil. The webcast will take place on Friday, Jan. 12, 2018, at 10:00 a.m. U.S. EST.

Speakers on the conference call from S&P Global Ratings' Americas sovereign team include Lisa Schineller and Joydeep Mukherji.

Register for the complimentary webcast at:

https://event.on24.com/eventRegistration/EventLobbyServlet?target=reg20.jsp&mkt_tok=eyJpIjoiTkdGaUlqTTJNakZoWm1FMyIsInQiOiJMbnZtXC9wKzU5YkUwM0ZpN1wveDRUTmNhchRkM1NaVWVRYjZcL1A2cXRzODMwSTJ6RFwvZzBuNlFVVmc4QXBwOGFLNlRhcWhpcE9cLzd6TXV5YkgxOEV1aHVRPT0ifQ%3D%3D&eventid=1583299&sessionid=1&key=95E71FEA1E15F2158CD6B4662E1AB443®Tag=&sourcepage=register

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