

## Credit Rating Agency R&I Upgrades Brazilian Sovereign Rating to BBB

As of August 11<sup>th</sup> 2011, Brazilian credit rating was upgraded by *R&I Japan*, from BBB- to BBB, the second notch in investment grade level, with stable outlook.

In its report, the Japanese agency highlighted:

- Creation of a robust domestic market due to a rising middle-income households;
- Lower downside risks to the local economy during the external environment turmoil;
- Maintenance of fiscal commitment by the new administration and active management of the monetary policy by the Central Bank;
- Quick growth recovery from 2008's international crisis, with a significant GDP growth of 7.5% in 2010 and a perspective of convergence to its potential growth (4%) in 2012.

On the other hand, the agency also pointed out some challenges that the country needs to overcome in order to achieve further improvements in its creditworthiness. Among them, there are the necessity of rising domestic saving rate to allow the increase in investments and the maintenance of the efforts to mitigate inflationary pressures.

It's worth to mention that this upgrade occurred during another period of turbulence in external financial markets, which demonstrates the soundness of Brazilian policy management.

Finally, as a way to show the country's recent progresses in terms of macroeconomic conduction, the following table presents the historical evolution of the Brazilian credit ratings considering the main international agencies.

	Speculative Grade						Investment Grade						Outlook				
S&P	D	...	2004	BB-	2006	BB	2007	BB+	2008	BBB-	2008	BBB	2009	BBB+	...	AAA	(positive)
Fitch	D	...	2004	BB-	2006	BB	2007	BB+	2008	BBB-	2011	BBB	2011	BBB+	...	AAA	(stable)
Moody's	C	...	2005	Ba3	2006	Ba2	2007	Ba1	2009	Baa3	2011	Baa2	2011	Baa1	...	Aaa	(positive)
DBRS	D	...	...	BBL	...	BB	2007	BBH	2008	BBBL	...	BBB	2009	BBBH	...	AAA	(stable)
JCR	D	...	...	BB-	...	BB	...	BB+	2008	BBB-	2011	BBB	2011	BBB+	...	AAA	(stable)
R&I	D	...	2004	BB-	2006	BB	2006	BB+	2007	BBB-	2011	BBB	2011	BBB+	...	AAA	(stable)

The full R&I's press release can be found [here](#) .

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