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International

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Brazil's rating outlook lowered to *negative* by S&P

- Standard & Poor's lowered its credit rating outlook on Brazil from *stable* to *negative* on 28 July 2015.
- Brazil's long-term foreign currency rating of BBB- was, however, affirmed.
- The revision was based partly on the possible threat to Brazil's political stability stemming from the ongoing investigations of corruption allegations against high profile individuals and companies.
- This generates the prospect of somewhat less consistent support in Congress to approve needed fiscal adjustment measures.
- Furthermore, business sentiment had been damaged in recent years by policy decisions and currently is held back by the uncertainties and spillover effects associated with the corruption investigations.
- Additional factors affecting the pace of fiscal adjustment (and the rating outlook) include prolonged economic weakness with real GDP expected to contract 2.00% this year and zero growth in 2016.
- S&P expects the general government deficit of Brazil to rise to 7.5% of GDP from 6.1% in 2014 and slowly trend toward 5.2% in 2017. General government debt is forecast to rise to 53% of GDP this year from 47% in 2014 and average 58% of GDP in 2016-2017.
- Brazil is rated Baa2 (*negative*) by Moody's Investor Services and BBB (*negative*) by Fitch Ratings.

BRAZIL 5 year CDS vs. Comparable LATAM 5 year CDS



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