



# NEWS RELEASE

No.2008-C-334  
Apr 18, 2008

## R&I Upgrades to BBB-, Outlook Stable: Brazil

Rating and Investment Information, Inc. (R&I) has upgraded the following rating:

ISSUER: **The Federative Republic of Brazil**  
**Foreign Currency Issuer Rating**  
**R&I RATING: BBB- (Upgraded from BB+)**  
**RATING OUTLOOK: Stable**

### RATIONALE:

Brazil's economy is maintaining its growth momentum, and foreign economic indicators including the balance of payments and the level of external debt to gross domestic product (GDP) continue to improve. The government also is adhering to fiscal discipline. R&I judges that Brazil has strengthened its ability to sufficiently weather the global economic slowdown and confusion in financial markets, factors of concern that might affect economic management. Based on these circumstances, R&I has upgraded the Foreign Currency Issuer Rating to BBB-. The Rating Outlook is Stable.

Driven by vigorous domestic demand, including consumption and capital investment, the growth in real GDP for 2007 was 5.4%. This was the second highest rate in the past ten years, after the 5.7% expansion achieved in 2004. In US dollar terms, per capita GDP was US\$6,938. Despite the difficulty of sustaining robust conditions such as those enjoyed in 2007 because of weakening exports as the US economy slows and appreciation of the Real, the expansion of domestic demand shows no signs of faltering, and R&I has judged Brazil will continue its business uptrend for the foreseeable future.

Over the past few years, exports generally have been strong not only for primary commodities but for industrial products as well, and Brazil has continued to generate a large balance of trade surplus. The current account has been in surplus since 2003. As the sense that Brazil has achieved greater economic stability has spread, direct investment has accelerated, attracted by natural resources and the scale of Brazil's markets. Inflows of portfolio investment have been active as well. The overall balance of payments surplus in 2007 rose to US\$87.5 billion. Total foreign reserves amounted to US\$216.9 billion (Central Bank's estimate) in February 2008 and are likely to have exceeded the external debt. Despite the possibility of the current balance falling into a deficit after 2008, in light of Brazil's foreign position this probably will not become a matter of concern.

By making the maintenance of a fiscal surplus in the entire public sector a fiscal policy based on the Fiscal Responsibility Law, which prohibits deficits in the primary balance at local and central government-related agencies, Brazil was able to exceed its 3.8% target with a surplus of 3.86% in 2006 and 3.97% in 2007. By lowering the ratio of net public debt (after government assets are subtracted) to GDP (government debt ratio) to 42% in February 2008, Brazil has improved fiscal administration from both a flow and stock perspective. The Brazilian government will adhere to this 3.8% government debt ratio objective after 2008 as well. Given such conditions, which make it difficult to envision the government loosening fiscal discipline remarkably, R&I expects the government debt ratio to decline further.

---

**Rating and Investment Information, Inc.** Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan  
International Department TEL.03-3276-3426 FAX.03-3276-3427 <http://www.r-i.co.jp>

Ratings are statements of R&I's opinion shown in certain symbols regarding an Issuer's general capacity (credit quality) to repay its financial obligation and individual debts (bonds and loans, etc.) and it is not a statement of recommendations to buy, hold, or sell any securities. Information has been obtained by R&I from sources believed to be reliable, however, its accuracy, adequacy, or completeness is not guaranteed. Therefore, R&I is not responsible for any errors or omissions or the result obtained from the use of the rating. As a general rule, R&I provides the rating services for a rating fee paid by the Issuer.

©Rating and Investment Information, Inc.



---

# NEWS RELEASE

---

R&I RATINGS:

ISSUER: **The Federative Republic of Brazil**

**FOREIGN CURRENCY ISSUER RATING: BBB- (Upgraded from BB+)**

**RATING OUTLOOK: Stable**

Issuer Rating is R&I's opinion regarding an issuer's overall capacity to repay its entire financial obligation, and will be assigned to all issuers. The rating of individual obligations (i.e. bonds and loans etc.) includes the prospect of recovery and reflects the terms and conditions of the agreement and may be lower or higher than the Issuer Rating.

---

**Rating and Investment Information, Inc.** Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan  
International Department TEL.03-3276-3426 FAX.03-3276-3427 <http://www.r-i.co.jp>

Ratings are statements of R&I's opinion shown in certain symbols regarding an Issuer's general capacity (credit quality) to repay its financial obligation and individual debts (bonds and loans, etc.) and it is not a statement of recommendations to buy, hold, or sell any securities. Information has been obtained by R&I from sources believed to be reliable, however, its accuracy, adequacy, or completeness is not guaranteed. Therefore, R&I is not responsible for any errors or omissions or the result obtained from the use of the rating. As a general rule, R&I provides the rating services for a rating fee paid by the Issuer.

©Rating and Investment Information, Inc.