



R&I Reaffirms the Investment Grade and Grants Brazil with a Positive Outlook

The Japanese rating agency R&I¹ (*Ratings and Investment information, Inc*) reaffirmed today, 27th July, the Brazilian Sovereign rating BBB-, (Investment Grade) and moved the outlook from “Stable” to “Positive”, for the long-term foreign currency-denominated debt.

The classification of a credit agency typically reflects its opinion on the capability and willingness of a sovereign government to honor its debt obligations, completely and on time. An investment grade country is considered low risk regarding its assets.

It is the long-term foreign currency rating that is usually used as reference to define the Sovereign issuer risk. This is an important indicator that many investors consider to assess their investments in a given country.

Since the outbreak of the global crises, in late September, according to one of the largest rating agency, under its analysis², there were: 19 rating downgrades; 30 outlooks shifted to negative; and 5 outlooks shifted from positive to negative.

In this scenario, receiving a positive outlook reflects a number of factors, like the consolidation of good macroeconomic fundamentals, such as the maintenance of fiscal discipline and price stabilization, better debt profile and improvements in external accounts, evidencing the developed Brazilian institutions and the country’s political framework. The Rating Agency also highlights the quality and the potential growth for Brazil revamping both country's vast natural and human resources.

According to R&I, despite the crises and its innumerable impacts, *the probability of public debt to increase rapidly is low, however, and Brazil's position as a net creditor nation is unlikely to be disturbed.* In the Agency’s view, *if domestic demand beginning with consumption and investment recovers its vigor, the economic base should become even stronger, resulting in an improvement in creditworthiness.*

Bellow, follows a summary of the latest ratings received by Brazil granted by some of the largest rating agencies. It’s important to note that R&I was the first credit agency to upgrade Brazil to the investment grade status.

Historical - R&I

	Rating	Outlook
jul/09	BBB-	Positive
abr/08	BBB-	Stable
2007	BBB-	Stable
jul/06	BB+	Stable
set/05	BB-	Positive
dez/04	BB-	Positive
set/03	B+	Positive
2002	B+	Stable
nov/01	BB-	Negative
2000	BB-	Preliminary Rating
jan/99	BB-	Preliminary Rating

Source: R&I

Scale

Investment Grade
AAA
AA
A
BBB
Speculative Grade
BB
B
CCC
CC
C

Source: R&I

¹ http://www.r-i.co.jp/eng/news_topics/detail/200907/e09-c-665.pdf

² Out of 103 countries evaluated.



Debt Report

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Brazil	2001	2002	2003	2004	2005	2006	2007	2008	2009
Fitch	BB-	B	B+	BB-	BB-	BB	BB+	BBB-	BBB-
Moody's	B1	B2	B2	B1	Ba3	Ba2	Ba1	Ba1	Ba1
S & P	BB-	B+	B+	BB-	BB-	BB	BB+	BBB-	BBB-
DBRS	NA	NA	NA	NA	NA	BB	BBH	BBBL	BBBL
JCR	NA	NA	NA	NA	NA	BB+	BB+	BBB-	BBB-
R&I	BB-	B+	B+	BB-	BB-	BB+	BBB-	BBB-	BBB-

 Upgrade  Stable  Downgrade

Source: Rating Agencies

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