# REPUBLIC OF BRAZIL

*EJR Sen Rating(Curr/Prj) BB-/ NR

Rating Analysis - 8/30/22

After a strong recovery by 5% in 2021, despite backed by an improvement in the job market, an increase in private investments and strong foreign trade, OECD expects Brazil's GDP growth to slow significantly in 2022, to 0.6%, before picking up to 1.2% in 2023.

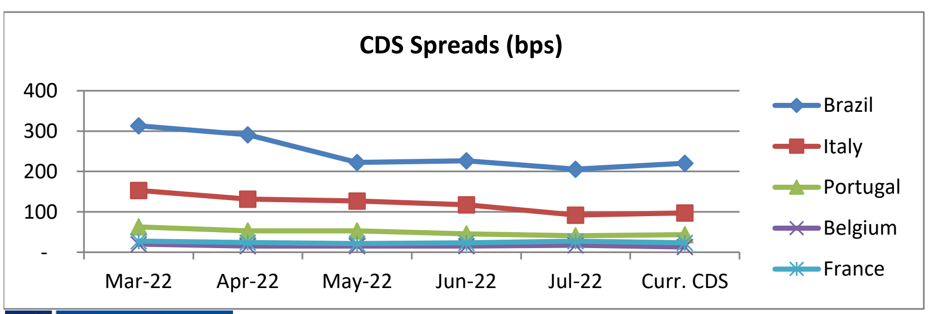
Rising inflation, the war in Ukraine, and tighter financial conditions have eroded economic sentiment and purchasing power, which is expected to strongly dent domestic demand in H1 2022. The 2022 presidential election is adding uncertainty, helping to keep investment subdued until 2023. Despite government proposals to lower fuel prices, policymakers have not seen a relevant change in the balance of risks for inflation, which are indicated were still not tilted to the upside. Increasing food, fuel and energy prices significantly eroded households' purchasing power. Weather conditions were particularly unfavourable until recently, affecting agriculture and hydro-electricity production, while shortages and higher production costs weighted on industrial production. The central bank should continue monetary policy tightening if pro-inflationary factors persist. Affirming with a developing watch.

Annual Ratios (source for past results: IMF)

| **CREDIT POSITION** | 2019 | 2020 | 2021 | P2022 | P2023 | P2024 |
|---|---|---|---|---|---|---|
| Debt/ GDP (%) | 90.0 | 97.1 | 93.0 | 96.4 | 97.8 | 97.6 |
| Govt. Sur/Def to GDP (%) | -5.3 | -12.3 | -2.4 | 0.5 | 2.7 | 4.3 |
| Adjusted Debt/GDP (%) | 90.0 | 97.1 | 93.0 | 96.4 | 97.8 | 97.6 |
| Interest Expense/ Taxes (%) | 30.1 | 25.3 | 27.4 | 26.6 | 25.8 | 25.1 |
| GDP Growth (%) | 5.5 | 1.1 | 16.2 | 5.8 | 5.2 | 5.2 |
| Foreign Reserves/Debt (%) | 19.8 | 22.8 | 23.3 | 26.0 | 27.6 | 30.7 |
| Implied Sen. Rating | BBB | BB+ | BBB | BBB | BBB | BBB |

| **INDICATIVE CREDIT RATIOS** | AA | A | BBB | BB | B | CCC |
|---|---|---|---|---|---|---|
| Debt/ GDP (%) | 100.0 | 115.0 | 130.0 | 145.0 | 170.0 | 200.0 |
| Govt. Sur/Def to GDP (%) | 2.5 | 0.5 | -2.0 | -5.0 | -8.0 | -10.0 |
| Adjusted Debt/GDP (%) | 95.0 | 110.0 | 125.0 | 140.0 | 160.0 | 190.0 |
| Interest Expense/ Taxes (%) | 9.0 | 12.0 | 15.0 | 22.0 | 26.0 | 35.0 |
| GDP Growth (%) | 3.5 | 3.0 | 2.0 | 1.0 | -1.0 | -5.0 |
| Foreign Reserves/Debt (%) | 3.0 | 2.5 | 2.0 | 1.5 | 1.0 | 0.5 |

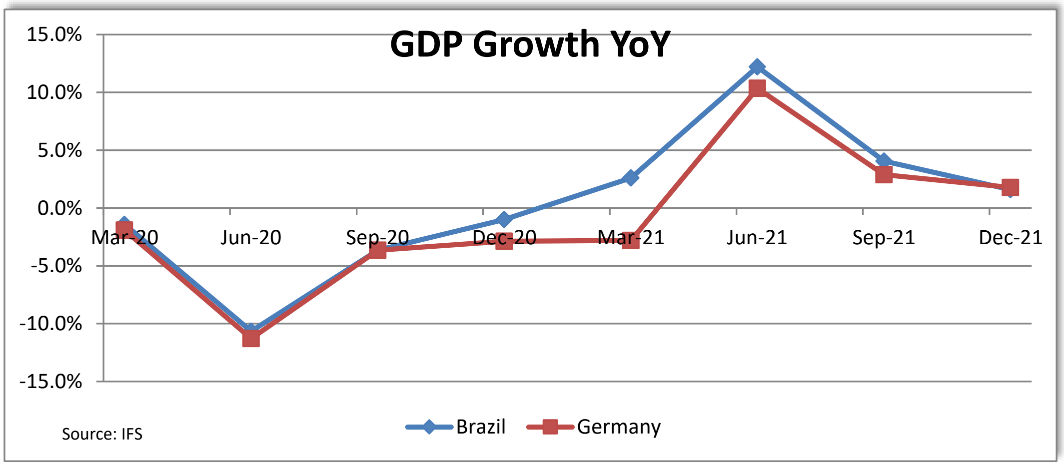
| **PEER RATIOS** | Other NRSRO Sen. | Debt as a % GDP | Govt. Surp. Def to GDP (%) | Adjusted Debt/ GDP | Interest Expense/ Taxes % | GDP Growth (%) | Ratio-Implied Rating* |
|---|---|---|---|---|---|---|---|
| Federal Republic Of Germany | AAA | 77.8 | -3.6 | 77.8 | 2.4 | 6.0 | AA+ |
| French Republic | AA | 137.3 | -6.0 | 137.3 | 4.6 | 8.2 | A- |
| Kingdom Of Belgium | AA | 128.0 | -5.0 | 128.0 | 5.6 | 10.8 | BBB |
| Republic Of Italy | BBB- | 173.7 | -7.2 | 173.7 | 11.9 | 7.2 | BB+ |
| Portugal Republic | BB+ | 145.5 | -3.1 | 145.5 | 9.8 | 5.6 | BBB- |




| Country | EJR Rtg. | CDS |
|---|---|---|
| Brazil | NR | 221 |
| Italy | BBB- | 98 |
| Portugal | BBB- | 43 |
| Belgium | BBB | 13 |
| France | A+ | 23 |

## Economic Growth

Due to deteriorating economic sentiment and the challenging domestic and global environment, growth prospects are limited in 2022 and 2023. GDP growth is expected to slow considerably this year, to 0.6%, before picking up to 1.2% in 2023. Inflation, tight financial conditions and uncertainty are restricting domestic and external demand. Brazil’s GDP rose 1% on the quarter in Q1 2022, extending the expansionary momentum from the upwardly revised 0.7% increase in the previous period but missing expectations of a 1.2% rise. Growth was driven by a 0.7% advance in household consumption, expanding at a constant rate from the previous period as pandemic related restrictions continued to relax. At the same time, government expenditure was 0.1% higher, easing from the 0.9% increase in the prior quarter. On a yearly basis, the economy grew by 1.7% during the period - a long way to go for a sustained improvement in the economy.




## Fisical Policy

Strong rate hikes in Brazil managed to moderate inflation, reflecting a 0.68% drop in consumer prices in July, and push the real higher. Brazil's government debt as a share of gross domestic product fell to 78.5% in March, the lowest level in almost two years, with improved revenues in states and municipalities leading to a new primary surplus for the month. That compares with a gross debt of 79.2% of GDP in February, to the best result since April 2020 (78.4%), when the country was beginning to be hit by the coronavirus pandemic.

| | Surplus-to-GDP (%) | Debt-to-GDP (%) | 5 Yr. CDS Spreads |
|---|---|---|---|
| Brazil | -2.38 | 93.00 | 220.67 |
| Germany | -3.62 | 77.80 | 10.21 |
| France | -5.97 | 137.28 | 23.02 |
| Belgium | -4.98 | 128.02 | 12.93 |
| Italy | -7.19 | 173.71 | 97.55 |
| Portugal | -3.09 | 145.47 | 43.34 |

Sources: Thomson Reuters and IFS

## Unemployment

Labour incomes are not recovering fast enough to compensate for the withdrawal of pandemic-related emergency support and rising inflation. Growth in the local economy, will likely to be driven by the strength of the labor market and the normalization of economic activities that have suffered during the pandemic, with an emphasis on the services sector.

| Unemployment (%) | 2020 | 2021 |
|---|---|---|
| Brazil | 13.49 | 13.50 |
| Germany | 3.83 | 3.58 |
| France | 8.03 | 7.88 |
| Belgium | 5.73 | 6.28 |
| Italy | 9.30 | 9.56 |
| Portugal | 7.12 | 6.60 |

Source: Intl. Finance Statistics

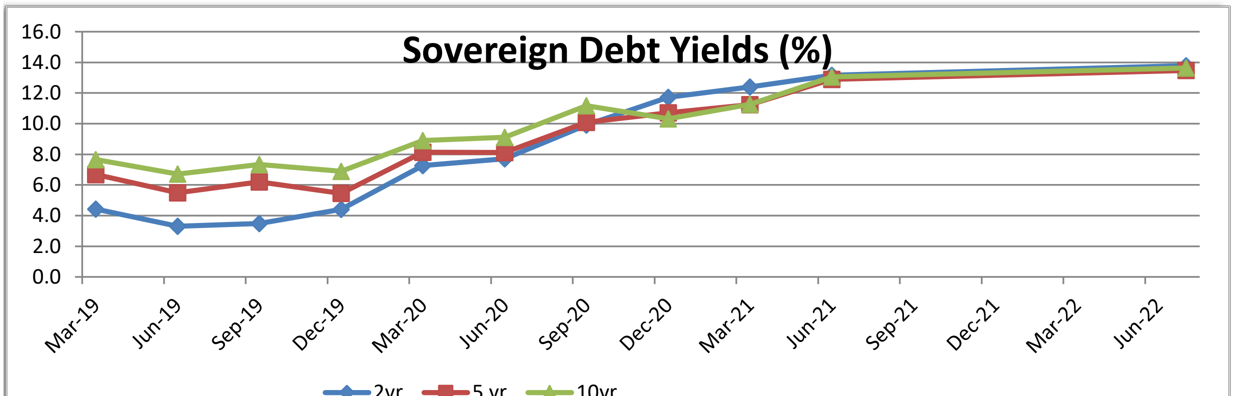
## Banking Sector

Brazil's central bank reported that Brazilian banks' profitability had returned to pre-pandemic levels in 2021, but opined that profits could grow more slowly going forward, mentioning higher loan defaults and funding costs. The central bank's Financial Stability Report states the banking system's return on equity (ROE) stood at 15.1% in 2021, up from 11.5% in 2020. Loan defaults, which were lower during the pandemic, are expected to "moderately" increase this year.

| Bank Assets (billions of local currency) | Assets | Mkt Cap/ Assets % |
|---|---|---|
| BANK OF BRAZIL | 1,932.5 | 5.12 |
| Total | 1,932.5 | |
| EJR's est. of cap shortfall at 10% of assets less market cap | | 94.4 |
| Brazil's GDP | | 8,679.5 |

## Funding Costs

The yield on Brazil's 10-year government bond fell to 12.2%, closing in on its lowest level since April, as global investors moved into riskier assets on expectations of less aggressive tightening by major central banks. The Brazil Government Bond 10Y is expected to trade at 12.39 percent by the end of this quarter, according to Trading Economics global macro models and market consensus expects this to trade at 13.20 percent in 12 months' time.




Source: Thomson Reuters

## Ease of Doing Business

Major factors for growing the economy are the ease of doing business and the economic freedom; although not the sole factor for determining economic growth, a country which makes it easy for businesses to operate and provides a reasonably free environment to conduct business has a good chance for growth. The chart on the right indicates that with an overall rank of 124 (1 is best, 189 worst)

| The World Bank's Doing Business Survey* | 2021 Rank | 2020 Rank | Change in Rank |
|---|---|---|---|
| **Overall Country Rank:** | **124** | **124** | **0** |
| **Scores:** | | | |
| Starting a Business | 138 | 138 | 0 |
| Construction Permits | 170 | 170 | 0 |
| Getting Electricity | 98 | 98 | 0 |
| Registering Property | 133 | 133 | 0 |
| Getting Credit | 104 | 104 | 0 |
| Protecting Investors | 61 | 61 | 0 |
| Paying Taxes | 184 | 184 | 0 |
| Trading Across Borders | 108 | 108 | 0 |
| Enforcing Contracts | 58 | 58 | 0 |
| Resolving Insolvency | 77 | 77 | 0 |

* Based on a scale of 1 to 189 with 1 being the highest ranking.

## Economic Freedom

As can be seen below, Brazil is mediocre in its overall rank of 53.4 for Economic Freedom with 100 being best.

**Heritage Foundation 2021 Index of Economic Freedom**
**World Rank 53.4***

| | 2021 Rank** | 2020 Rank | Change in Rank | World Avg. |
|---|---|---|---|---|
| Property Rights | 55.0 | 57.3 | -2.3 | 53.6 |
| Government Integrity | 45.5 | 45.6 | -0.1 | 45.9 |
| Judical Effectiveness | 47.5 | 46.7 | 0.8 | 45.4 |
| Tax Burden | 70.1 | 70.4 | -0.3 | 77.7 |
| Gov't Spending | 56.5 | 54.6 | 1.9 | 67.1 |
| Fiscal Health | 5.3 | 4.6 | 0.7 | 72.1 |
| Business Freedom | 58.0 | 60.5 | -2.5 | 63.2 |
| Labor Freedom | 50.7 | 49.5 | 1.2 | 59.5 |
| Monetary Freedom | 77.8 | 77.2 | 0.6 | 74.7 |
| Trade Freedom | 64.6 | 67.8 | -3.2 | 70.7 |

*Based on a scale of 1-100 with 100 being the highest ranking.
**The ten economic freedoms are based on a scale of 0 (least free) to 100 (most free).
Source: The Heritage Foundation

**Credit Quality Driver: Taxes Growth:**
REPUBLIC OF BRAZIL has grown its taxes of 28.3% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 3.0% per annum over the next couple of years and 3.0% per annum for the next couple of years thereafter.

**Credit Quality Driver: Total Revenue Growth:**
REPUBLIC OF BRAZIL's total revenue growth has been more than its peers and we assumed a 4.0% growth in total revenue over the next two years.

| | Peer | Issuer | Assumptions | |
|---|---|---|---|---|
| **Income Statement** | **Median** | **Avg.** | **Yr 1&2** | **Yr 3,4,5** |
| Taxes Growth% | 10.1 | 28.3 | **3.0** | **3.0** |
| Social Contributions Growth % | 6.0 | 11.2 | **11.0** | **11.0** |
| Grant Revenue Growth % | 0.0 | (95.4) | **0.5** | **0.5** |
| Other Revenue Growth % | 0.0 | 50.3 | **2.7** | **2.7** |
| Other Operating Income Growth% | 0.0 | (103.9) | **(10.0)** | **(10.0)** |
| Total Revenue Growth% | 9.1 | 26.4 | **4.0** | **3.6** |
| Compensation of Employees Growth% | 3.1 | 3.9 | **3.9** | **3.9** |
| Use of Goods & Services Growth% | 6.8 | 14.3 | **13.0** | **13.0** |
| Social Benefits Growth% | 2.8 | (15.7) | **(15.7)** | **(15.7)** |
| Subsidies Growth% | 9.3 | 4.7 | | |
| Other Expenses Growth% | 35.2 | 35.2 | **35.2** | **31.7** |
| Interest Expense | 1.8 | 0.0 | | |
| | | | | |
| Currency and Deposits (asset) Growth% | 1.3 | 0.0 | | |
| Securities other than Shares LT (asset) Growth% | 7.0 | 0.0 | | |
| Loans (asset) Growth% | (73.1) | 680.2 | **400.0** | **360.0** |
| Shares and Other Equity (asset) Growth% | (9.9) | 0.0 | | |
| Insurance Technical Reserves (asset) Growth% | 2.7 | 0.0 | | |
| Financial Derivatives (asset) Growth% | 0.0 | 0.0 | | |
| Other Accounts Receivable LT Growth% | 4.2 | 0.0 | | |
| Monetary Gold and SDR's Growth % | 0.0 | 0.0 | **5.0** | **5.0** |
| | | | | |
| Other Assets Growth% | 0.0 | 0.0 | | |
| Other Accounts Payable Growth% | 5.8 | | | |
| Currency & Deposits (liability) Growth% | 1.8 | 0.0 | | |
| Securities Other than Shares (liability) Growth% | (0.1) | 9.9 | **6.9** | **6.9** |
| | | | | |
| Loans (liability) Growth% | 2.8 | 6.7 | **6.7** | **6.7** |
| Insurance Technical Reserves (liability) Growth% | 6.1 | 0.0 | | |
| Financial Derivatives (liability) Growth% | (22.1) | 0.0 | | |
| | | | | |
| Additional ST debt (1st year)(billions BRL) | 0.0 | 0.0 | | |

## ANNUAL OPERATING STATEMENTS

Below are REPUBLIC OF BRAZIL's annual income statements with the projected years based on the assumptions listed on page 5.

**ANNUAL REVENUE AND EXPENSE STATEMENT**
**(BILLIONS BRL)**

| | 2018 | 2019 | 2020 | 2021 | P2022 | P2023 |
|---|---|---|---|---|---|---|
| Taxes | 1,658 | 1,749 | 1,717 | 2,201 | 2,268 | 2,336 |
| Social Contributions | 758 | 811 | 799 | 889 | 987 | 1,095 |
| Grant Revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Revenue | 420 | 527 | 371 | 557 | 572 | 587 |
| Other Operating Income | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 2,837 | 3,087 | 2,886 | 3,647 | 3,826 | 4,018 |
| Compensation of Employees | 910 | 964 | 980 | 1,018 | 1,057 | 1,098 |
| Use of Goods & Services | 357 | 382 | 392 | 448 | 507 | 572 |
| Social Benefits | 1,215 | 1,331 | 1,740 | 1,467 | 1,237 | 1,043 |
| Subsidies | 26 | 18 | 14 | 14 | 14 | 14 |
| Other Expenses | 104 | 142 | 120 | 162 | 218 | 295 |
| Grant Expense | 4 | 2 | 4 | 5 | 7 | 9 |
| Depreciation | 107 | 115 | 122 | 142 | 142 | 142 |
| Total Expenses excluding interest | 2,723 | 2,954 | 3,371 | 3,251 | 3,182 | 3,174 |
| Operating Surplus/Shortfall | 114 | 133 | -485 | 396 | 644 | 845 |
| Interest Expense | 613 | 526 | 434 | 603 | 603 | 603 |
| Net Operating Balance | -499 | -394 | -919 | -207 | 41 | 242 |

## ANNUAL BALANCE SHEETS

Below are REPUBLIC OF BRAZIL's balance sheets with the projected years based on the assumptions listed on page 5.

| Base Case | ANNUAL BALANCE SHEETS (BILLIONS BRL) | | | | | |
|---|---|---|---|---|---|---|
| **ASSETS** | 2018 | 2019 | 2020 | 2021 | P2022 | P2023 |
| Currency and Deposits (asset) | 1,755 | 1,978 | 2,110 | 2,504 | 3,361 | 5,441 |
| Securities other than Shares LT (asset) | | | | | | |
| Loans (asset) | -110 | -122 | -9 | -73 | -365 | -1,825 |
| Shares and Other Equity (asset) | | | | | | |
| Insurance Technical Reserves (asset) | | | | | 0 | 0 |
| Financial Derivatives (asset) | | | | | | |
| Other Accounts Receivable LT | | | | | 0 | 0 |
| Monetary Gold and SDR's | | | | | | |
| Other Assets | | | | | 224 | 224 |
| Additional Assets | 459 | 350 | 232 | 224 | | |
| Total Financial Assets | 2,105 | 2,205 | 2,333 | 2,655 | 3,220 | 3,840 |
| **LIABILITIES** | | | | | | |
| Other Accounts Payable | | | | | | |
| Currency & Deposits (liability) | | | | | 0 | 0 |
| Securities Other than Shares (liability) | 5,610 | 6,080 | 6,882 | 7,563 | 8,086 | 8,646 |
| Loans (liability) | 328 | 357 | 424 | 452 | 411 | 170 |
| Insurance Technical Reserves (liability) | | | | | | |
| Financial Derivatives (liability) | | | | | | |
| Other Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Liabilities | 5,938 | 6,437 | 7,306 | 8,015 | 8,538 | 8,917 |
| Net Financial Worth | -3,833 | -4,232 | -4,973 | -5,360 | -5,319 | -5,077 |
| Total Liabilities & Equity | 2,105 | 2,205 | 2,333 | 2,655 | 3,220 | 3,840 |

### Comments on the Difference between the Model and Assigned Rating

In this case, there has been little change in the recent results and therefore we have used our best judgement in making adjustmer which are reflected in the results for the projected ratings. We have assigned a rating of "BB-" whereas the ratio-implied rating for t most recent period is "BBB"; the median rating for the peers is significantly higher than the issuer's rating.

### Changes in Indicative Ratios

There were no prior Industry Ratios.

## SEC Rule 17g-7(a) Disclosure (Non-NRSRO)

Below are the disclosures as required by Paragraph (a) of Rule 17g-7.

***1. The symbol in the rating scale used to denote the credit rating categories and notches within categories and the identity of the obligor, security, or money market instrument as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:***
For the issuer REPUBLIC OF BRAZIL with the ticker of 1323Z BZ we have assigned the senior unsecured rating of BB-. There are three notches in our rating categories (e.g., A- A, and A+) except for AAA and those deep into speculative grade, i.e., CC, C, and D do not have notches.

***2. The version of the procedure or methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:***
We are using the Methodologies for Determining Credit Ratings (Main Methodology) version #15a available via egan-jones.com under the tab at the bottom of the page "Methodologies".

***3. The main assumptions and principles used in constructing the procedures and methodologies used to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7:***
The credit rating assigned reflects our judgement regarding the future credit quality of the issuer. Regarding the specific assumptions used, please refer to projections on pages 1, 6, and 7 of this Rating Analysis Report.

***4. The potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17g-7:***
Our rating pertains solely to our view of current and prospective credit quality. Our rating does not address pricing, liquidity, or other risks associated with holding investments in the issuer.

***5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17g-7:***
Our rating is dependent on numerous factors including the reliability, accuracy, and quality of the data relied used in determining the credit rating. The data is sourced from publicly available information from the IMF and other similar sources. In some cases, the information is limited because of issues such as the lack of reported data, a delay in reporting data, restatements, inaccurate accounting and other issues. Such issues are not always readily apparent. EJR aims to identify such shortcomings and make adjustments using its best judgement.

***6. Whether and to what extent third-party due diligence services have been used in taking the rating action as required by Paragraph (a)(1)(ii)(F) of Rule 17g-7:***
EJR does not utilize third-party due diligence services.

***7. How servicer or remittance reports were used, and with what frequency, to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17g-7:***
Servicer or remittance reports normally pertain to structured finance issuers; this report does not pertain to a structured finance issuer (EJR is not an NRSRO for structured finance or sovereigns/ municipal issuers). Regarding surveillance, the minimum time period for corporation issuers is normally one year.

***8. A description of the data that were relied upon for the purpose of determining the credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17g-7:***
EJR uses publicly available information from the IMF, governmental filings and other similar sources for ratings on sovereign issuers.

***9. A statement containing an overall assessment of the quality of information available and considered in the credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17g-7: The information is generally high quality and readily avail.***

***10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7:***
This rating is unsolicited.

***11. An explanation or measure of the potential volatility of the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule 17g-7:***
Our rating aims to assess the probability of the payment of obligations in full and on-time. Factors which affect such probability, and in turn our rating, include changes in the operating performance of the issuer, changes in capital structure, and merger and acquisition events.

***12. Information on the content of the credit rating as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7:***
Regarding the historical performance of the credit rating, our rating transition matrix is available in our Form NRSRO, exhibit 1. The expected probability of default and the expected loss in the event of default is listed on the first page of this report.

***13. Information on the sensitivity of the credit rating to assumptions as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7:***
Below is a summary of the impact of the 5 assumptions which independently would have the greatest impact on our "ratio-implied rating":

| | **Assumptions** | | | **Resulting Ratio-Implied Rating** | | |
|---|---|---|---|---|---|---|
| | Base | Optimistic | Pessimistic | Base | Optimistic | Pessimistic |
| Taxes Growth% | 3.0 | 7.0 | (1.0) | BBB | BBB+ | BBB |
| Social Contributions Growth % | 11.0 | 14.0 | 8.0 | BBB | BBB | BBB |
| Other Revenue Growth % | 2.7 | 5.7 | (0.3) | BBB | BBB | BBB |
| Total Revenue Growth% | 4.0 | 6.0 | 2.0 | BBB | BBB | BBB |
| Monetary Gold and SDR's Growth % | | 2.0 | (2.0) | BBB | BBB | BBB |

***14. If the credit rating is assigned to an asset-backed security, a description of: (i) the representations, warranties, and enforcement mechanisms available to investors; and (ii) how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities, as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7:***
This credit rating is not assigned to an asset-backed security.

**ATTESTATION FORM**
In compliance with the US Securities and Exchange Commission (SEC) Rule 17g-7(a), the Egan-Jones analyst who published the report is responsible for the rating action and to the best knowledge of the person:

1) No part of the credit rating was influenced by any other business activities,
2) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated, and
3) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

**Analyst Signature:** **Today's Date**

August 30, 2022

…………………………………………………………….. ………………………………………….
Subramanian NG
Senior Rating Analyst

**Reviewer Signature:** **Today's Date**

Steve Zhang

August 30, 2022

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Steve Zhang
Senior Rating Analyst

## Sovereign Rating Methodology (Non-NRSRO)

**Scope and Limitations: Sovereign Issuer Credit Quality Ratings (CQR) are a forward-**looking assessment of a sovereign's capacity and willingness to honor its existing and future obligations in full and on time. Sovereigns are assigned two CQRs: a Local-Currency CQR, which reflects the likelihood of default on debt issued and payable in the currency of the sovereign, and a Foreign-Currency CQR, which is an assessment of the credit risk associated with debt issued and payable in foreign currencies.

**Key Rating Drivers: EJR's approach to sovereign risk analysis is a synthesis of quantitative** and qualitative judgments. The quantitative factors EJR uses are:

- Debt in relation to GDP.
- Surplus or deficit in relation to GDP.
- Debt plus potential under-funding of major banks in relation to GDP.
- Interest expense in relation to taxes.
- GDP growth.
- Foreign reserves in relation to debt.

Debt levels for many sovereign issuers have increased at an accelerating rate over the past decade, affecting implied ratings. EJR also considers unemployment levels and funding costs. EJR recognizes that no model can fully capture all the relevant influences on sovereign creditworthiness, meaning that the its sovereign ratings can and do differ from those implied by the rating model. Some of the qualitative factors that impact its ultimate assessment of credit quality include the flexibility, stability and overall strength of the economy, efficiency of tax collection, acceptance of contract law, ease of doing business, trade balances, prospects for future growth and health and monetary policy, and economic freedom. These subjective and dynamic qualitative issues are not captured by the model but affect sovereign ratings

*For additional information, please see Exhibit 2: Methodologies in EJR's Form NRSRO.*