



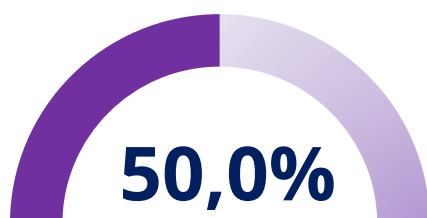
FEDERATIVE REPUBLIC OF BRAZIL

SOVEREIGN CREDIT RATING

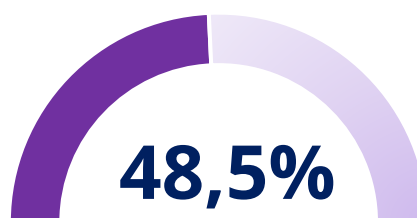
19 September 2025

RATING ACTION

SAR Sovereign Rating Model Creditworthiness Score



LCR Creditworthiness Score



FCR Creditworthiness Score

On 19 September 2025, Sovereign Africa Ratings (SAR) assigned the Federative Republic of Brazil's local currency long-term and short-term issuer credit ratings of BBB- and A3, and foreign currency long-term and short-term issuer credit ratings of BB+ and B1, respectively. The outlook on the ratings is stable.

Date	Rating Category	Rating	Outlook
Local Currency Ratings			
19 September 2025	Long-term	BBB-	Stable
19 September 2025	Short-term	A3	Stable
Foreign Currency Ratings			
19 September 2025	Long-term	BB+	Stable
19 September 2025	Short-term	B1	Stable



RATING RATIONALE

The ratings and outlooks are indicative of SAR's evaluation of the Federative Republic of Brazil's creditworthiness over the long and short term. Brazil's rating reflects a complex but resilient macroeconomic profile, underpinned by moderate growth prospects, robust fiscal revenue performance, and improving industrial depth. The country's GDP growth trajectory, averaging 3.58% over 2025–2026, signals a recovery from prior volatility, supported by private consumption, employment gains, and targeted fiscal interventions. Brazil's position as the largest economy among its peer group, with 24.39% of total GDP, reinforces its regional and global relevance.

The rating also incorporates Brazil's structural strengths, including a diversified export base, a floating exchange rate regime, and relatively low foreign currency exposure in public debt. Continued reindustrialisation momentum, particularly in agro-processing and green technologies, enhances the country's medium-term competitiveness and economic resilience.

However, the rating is constrained by persistent macroeconomic vulnerabilities. These include a widening current account deficit (3.42% of GDP as of mid-2025), elevated gross government debt (projected to reach 88.4% of GDP), and high interest payments relative to revenue (26.96%). Structural weaknesses in the services account and contingent liabilities, estimated at 4.5% of GDP, pose additional fiscal risks. Governance challenges within state-owned enterprises and uneven SOE reform further temper Brazil's credit profile.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects SAR's expectation that Brazil will maintain macroeconomic and fiscal stability over the medium term, despite external headwinds and structural challenges. GDP growth is projected to remain above 3% through 2026, supported by resilient domestic demand and gradual industrial transformation. Fiscal revenue performance remains strong, averaging nearly 38% of GDP, well above peer medians, providing a buffer against debt pressures.

While gross government debt levels are elevated, SAR expects them to stabilise in the near term, with no material deterioration in debt affordability. Brazil's external sector, although under pressure, is not expected to experience extreme imbalances, and foreign direct investment inflows continue to support the financial account.

The outlook also assumes that contingent liabilities will be managed prudently and that SOE governance reforms will progress incrementally. Risks related to inflation, interest rate volatility, and external demand are balanced by Brazil's institutional capacity, policy responsiveness, and diversified economic base.



RATING DISCUSSION

Economic Strength Pillar

GDP Growth

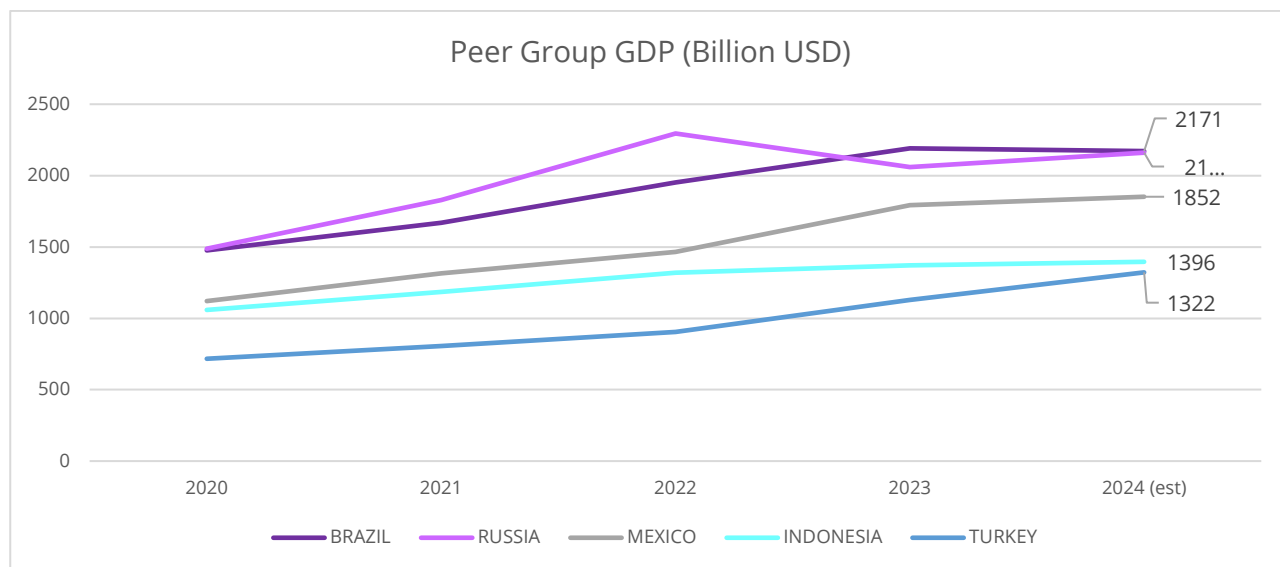
SAR projects that the country's GDP growth will average 3.58% from 2025 to 2026. This is an improvement from the previous three-year average of 3.11%. With a moderate inflation rate and stable interest rates during 2025, improved growth is expected over the medium term. In comparison to similar-sized economies, including Russia, Mexico, Indonesia, and Turkey, Brazil's 2024 growth rate of 3.4% made up 24.1% of the peer group's growth.

Figure 1: Share in 2024 Peer Group GDP Growth



Source: SAR's calculations – World Bank data

This growth was driven largely by robust private consumption, supported by government social transfers, increased household income, and improved employment figures. A significant contributor was agricultural output, with record soybean and corn harvests bolstering export earnings. However, in 2024 and early 2025, extreme weather events — including droughts and flash floods — disrupted farming patterns, undermining agricultural reliability. Nonetheless, GDP growth remained steady, reaching 3.4% in 2024, although forecasts for 2025 project a mild deceleration due to weaker global demand.

Figure 2: Peer Group GDP


Source: SAR's calculations – World Bank data

Brazil ranks first in terms of GDP size, comprising 24.39% of the peer group's total GDP, while Russia has the second largest share of 24.28%. The Brazilian economy exhibits a positive growth path, which peaked in 2023. Brazil's economic trajectory between 2023 and 2025 reflects a complex interplay of domestic reforms, international market dynamics, and long-standing structural challenges. Despite global economic uncertainty, Brazil demonstrated resilience through targeted fiscal and monetary interventions, though macroeconomic vulnerabilities persist. The country's performance during this period carries implications not only for local industries but also for trade relationships across Latin America and Africa, particularly for agribusiness integration.

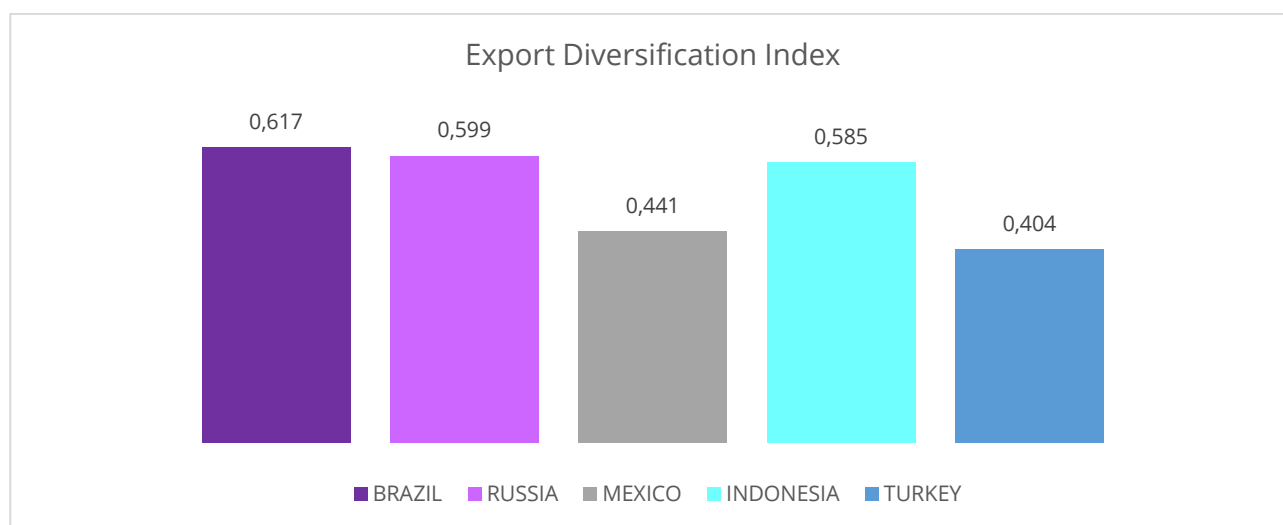
Export Diversification Index

Brazil has a well-diversified export base, which includes:

- **Minerals and Fuels:** crude petroleum, iron ore, gold, processed petroleum oils, ores, slag, and ash.
- **Machinery and Equipment:** industrial machinery, computers and electronics, gas turbines, and motor vehicle parts.
- **Agricultural Products:** soybeans and soybean oil, coffee (world's largest exporter), sugar and sugarcane products, corn and cotton, meat (beef, poultry, pork).
- **Manufactured Goods:** vehicles (cars, trucks, auto parts), iron and steel products, chemical wood pulp, textiles and footwear.

Brazil's export portfolio is deeply rooted in natural resources and agribusiness, but it also shows growing strength in industrial and processed goods, especially in the energy and food sectors.

Figure 3: Export Diversification Index



Source: SAR's calculations. IMF, UNCTADstat. The Export Diversification Index values are indicative of the extent to which each country's exports are diversified, with higher values indicating relatively lower diversification.

Current Account Balance

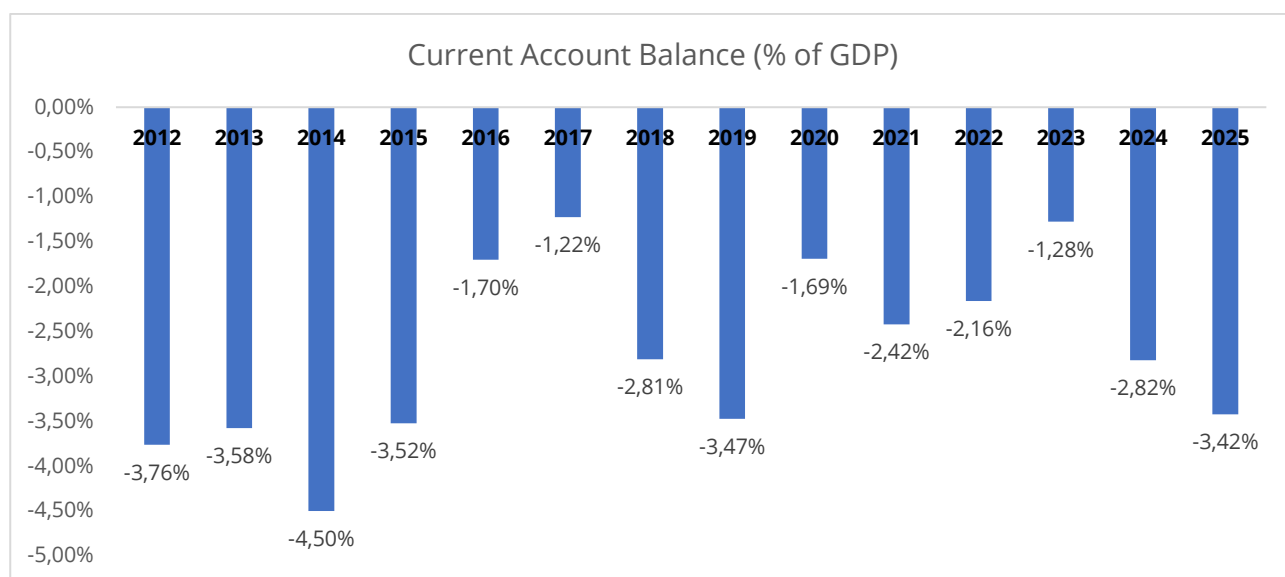
Brazil's current account balance has fluctuated significantly over the past four years, reflecting shifts in global trade, domestic demand, and capital flows. While the country has avoided extreme imbalances, persistent deficits underscore structural vulnerabilities in its external sector.

Brazil benefited from a post-pandemic rebound in commodity exports, especially soybeans, iron ore, and crude oil. The current account deficit narrowed due to strong terms of trade and subdued domestic demand. Foreign direct investment (FDI) inflows remained robust, supporting the financial account.

In 2022, the deficit widened amid rising global energy prices and inflation-driven import costs. Brazil's import bill surged as domestic consumption recovered and capital goods demand increased. The income account deteriorated due to higher profit repatriation and interest payments on external debt.

In 2023, a notable improvement occurred as the Central Bank of Brazil's aggressive monetary tightening curbed domestic demand and stabilised the Brazilian Real. Export performance remained resilient, supported by high agricultural output and favourable commodity prices. The services account remained in deficit, but net transfers and remittances provided a partial offset. However, for 2024, preliminary data suggest a renewed widening of the deficit, driven by sluggish global demand for Brazilian exports, continued deterioration in the primary income account, with rising outflows from foreign-owned enterprises, and a narrowing trade surplus due to weaker export volumes and rising imports of consumer goods.

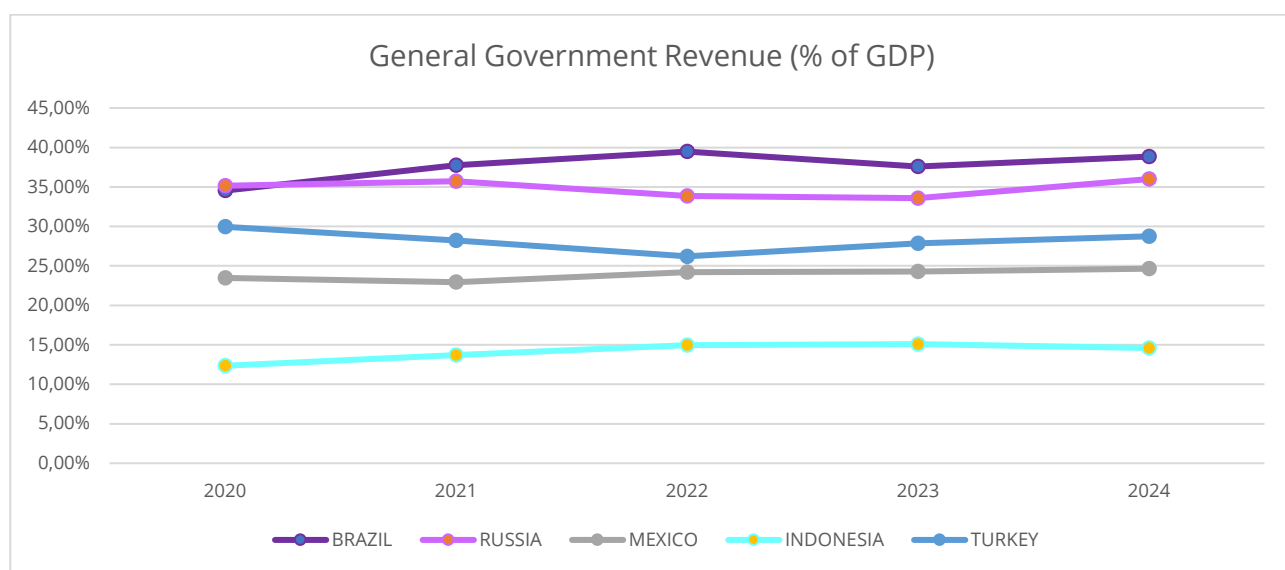
As of June 2025, the current account deficit reached USD 73.1 billion, or 3.42% of GDP. The trade surplus narrowed, while the primary income deficit widened sharply to USD 6.2 billion. The services account posted a USD 4.5 billion deficit, reflecting persistent structural weaknesses in tourism and business services.

Figure 4: Current Account Balance


Source: SAR's calculations – World Bank data

General Government Revenue

Brazil's general government revenue (% of GDP) has averaged 37.64% for the five years preceding 2024, with the 2024 figure being 38.83%, indicating stability in its variation. Brazil's general government revenue (% of GDP) is 8.89 percentage points higher than the peer group's median of 28.75%. SAR projects that Brazil's general government revenue (% of GDP) will remain stable for the medium term, decreasing by 0.1 percentage points in 2025.

Figure 5: General Government Revenue


Source: SAR's calculations – World Bank data

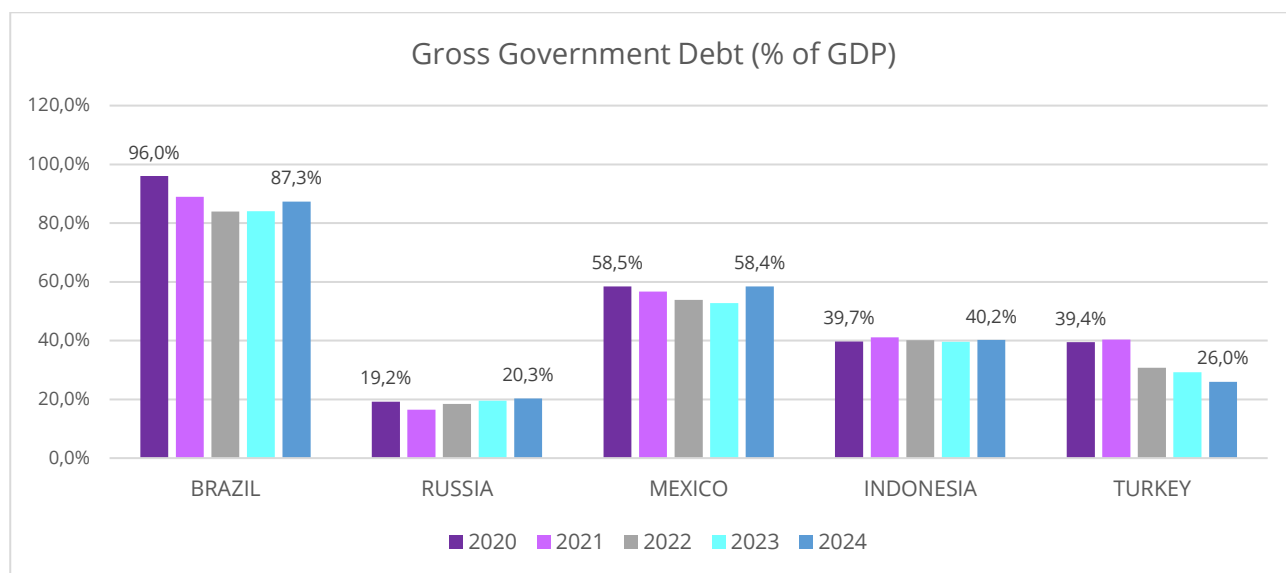
Financial Strength Pillar

The Fiscal Flexibility score provides an overall assessment of debt sustainability and affordability. The Financial Strength Pillar considers both short- and long-term dynamics concerning debt stocks and flows related to public finances, the sustainability of the current situation, and the projected path.

Gross Government Debt

Brazil's gross government debt has increased by an estimated 3.3 percentage points from 84% in 2023 to 87.3% in 2024. The country exhibits continual growth in the debt stock, which is cause for concern considering that it has surpassed the recommended maximum of 70–75% for a country of this size. Gross loan debt is expected to stabilise at 88.4% of GDP in 2025/26. Brazil's gross government debt ranks 1st compared to its four peers, with Russia ranking 5th.

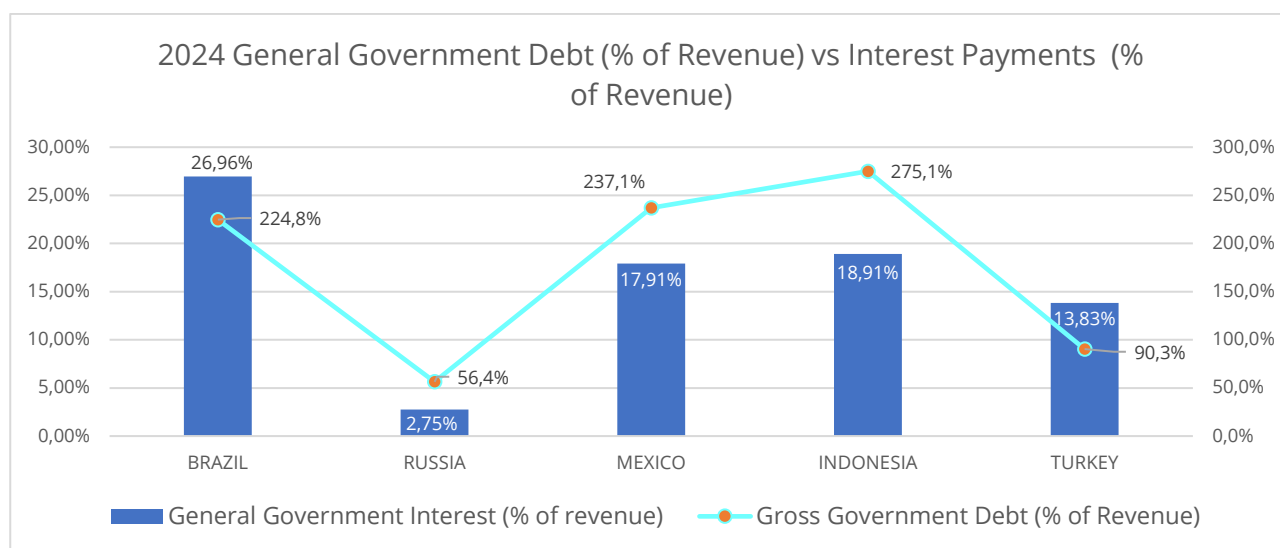
Figure 6: Gross Government Debt



Source: SAR's calculations – World Bank data

Debt to Revenue

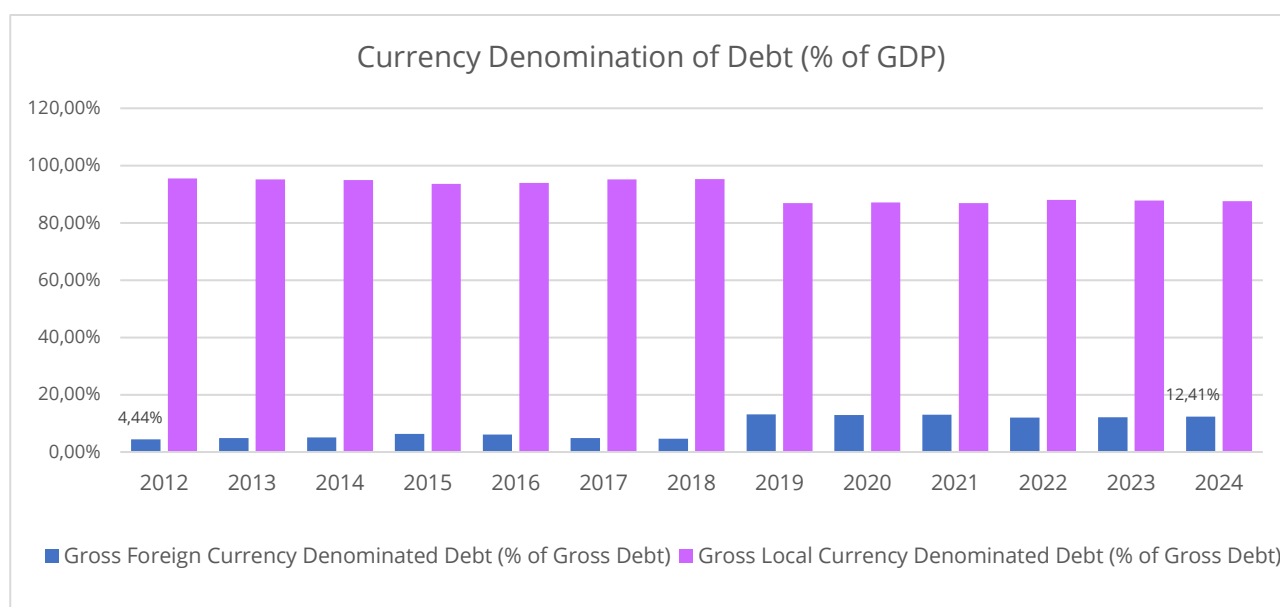
Brazil's general government debt to revenue has increased by 1.34 percentage points from the 2023 figure of 223.4% to 224.8%, with a 3.84 percentage point decrease in interest payments to revenue for the same period. Relative to the peer group, Brazil is under significant pressure. The growth trend in Brazil's gross debt figures requires intervention to stabilise the debt metrics and commence debt reduction operations. SAR views interest payments (% of revenue) of 15% and above as cause for concern. Brazil has been paying above this range for at least the past decade, currently at 26.96%.

Figure 7: Government Debt to Revenue vs Interest Payments to Revenue


Source: SAR's calculations - World Bank data

Currency Denomination of Debt

A relatively small share of Brazil's gross public debt, currently 12.41%, is denominated in foreign currency. This, combined with the country's floating exchange rate regime and relative exchange rate stability, helps mitigate exposure to foreign exchange risk. Nonetheless, a gradual upward trend in foreign currency-denominated debt has been observed, signalling a potential increase in external vulnerability over time. In comparative terms, however, Brazil maintains a favourable position relative to other developing economies, with lower exposure to foreign currency risk.

Figure 8: Currency Denomination of Debt


Source: SAR's calculations - World Bank data

Contingent Liabilities

Contingent liabilities are state obligations that will result in expenditure if a specific event occurs. The government closely monitors the status of these liabilities, which include guarantees to state-owned companies, independent power producers, and public-private partnerships, along with provisions for multilateral institutions and other fiscal obligations.

As of mid-2025, Brazil's contingent liabilities are estimated to exceed BRL 400 billion, representing approximately 4.5% of GDP. While not all of these liabilities will materialise, their scale underscores the importance of proactive risk management.

Table 1: Contingent Liabilities

Category	Estimated Exposure (2025)	Examples
State-Owned Enterprises (SOEs)	BRL 180 billion	Guarantees to Petrobras and Eletrobras for infrastructure and energy loans
Public-Private Partnerships	BRL 90 billion	São Paulo metro expansion, highway concessions with minimum revenue clauses
Independent Power Producers	BRL 60 billion	Energy auction guarantees via CCEE payment mechanisms
Legal and Tax Disputes	BRL 50 billion	ICMS and IPI tax litigation involving major corporations
Multilateral Institutions	BRL 20 billion	Callable capital and sovereign guarantees to the IMF and the World Bank

Source: Rolim Goulart Cardozo Advogados, Makreo Research, Valor

Brazil's Ministry of Finance has improved transparency by aligning with international reporting standards such as IAS 37. The 2025 fiscal risk report highlights that over 70% of contingent liabilities are linked to infrastructure and energy sectors, reflecting Brazil's development priorities.

Risk Implications

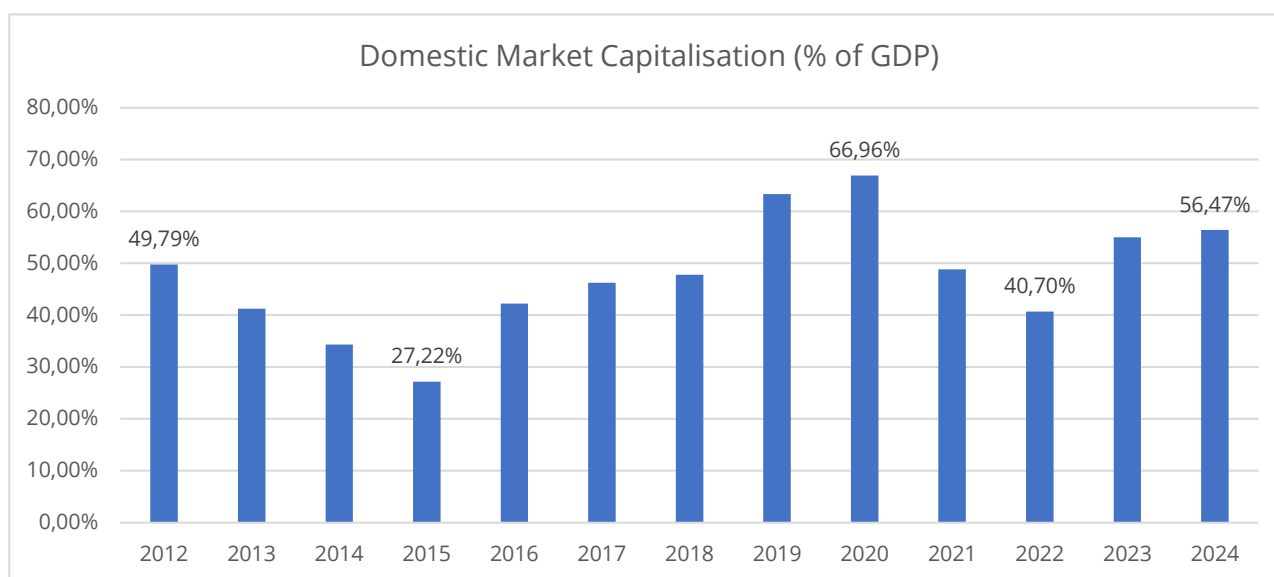
- **Macroeconomic Sensitivity:** Rising interest rates, projected to reach 15% Selic rate by mid-2025, could amplify the cost of triggered guarantees.
- **Legal Volatility:** Tax disputes, if resolved unfavourably, could result in payouts exceeding BRL 10 billion in a single fiscal year.
- **External Exposure:** Guarantees tied to foreign-denominated debt or international institutions may increase vulnerability during currency shocks.

Debt Repayment Record

Brazil's debt repayment record, measured in years since default or restructuring event, was at 42 years as of 2025. This metric is indicative of the country's commitment to prudent debt management operations.

Domestic Market Capitalisation

Figure 9: Domestic Market Capitalisation



Source: SAR's calculations – CEIC data

Brazil's domestic market capitalisation underscores the relative depth and maturity of Brazil's financial markets within the emerging economy cohort. The country's equity market is anchored by large-cap commodity firms such as Petrobras and Vale, alongside a growing presence of ESG-aligned companies and fintech-driven retail investor participation. Brazil's capital markets have shown resilience amid global volatility, supported by institutional reforms and increasing digital access.

When compared to peer economies, Brazil maintains a leading position in absolute market capitalisation, which stood at approximately USD 704.2 billion as of February 2025. This figure underscores Brazil's dominance in regional capital markets and reflects its deep investor base and diversified corporate landscape. Mexico, for instance, has a market capitalisation of roughly USD 508.5 billion, accounting for about 35.3% of its GDP. Mexico's equity market is buoyed by stable macroeconomic fundamentals and expanding sectors such as consumer goods and technology, although it remains smaller than Brazil's in both scale and investor depth.

Indonesia follows closely with a market capitalisation of USD 661.3 billion, or approximately 40.5% of GDP. Its market has benefited from rapid digitalisation, a robust retail investor base, and strong performance in the energy and tech sectors. While Indonesia's market is dynamic and increasingly attractive to foreign investors, Brazil still holds a comparative edge in terms of corporate diversity and institutional strength.

Turkey, with a market capitalisation of USD 366.8 billion, represents about 25.5% of its GDP. Despite notable growth in export-oriented industries and a vibrant entrepreneurial ecosystem, Turkey's equity market is constrained by persistent inflationary pressures and currency volatility, which have dampened investor confidence and limited capital inflows.

Russia, on the other hand, has seen a sharp contraction in market capitalisation, now estimated at USD 78.4 billion, or roughly 5.5% of GDP. This decline is largely attributed to international sanctions, restricted access to foreign capital, and geopolitical uncertainty. Russia's market remains isolated, with limited liquidity and a shrinking investor base.

In summary, Brazil's equity market stands out among its peers for its scale, sectoral diversity, and institutional robustness. While Mexico and Indonesia are emerging as competitive alternatives, Brazil continues to offer a relatively stable and mature platform for domestic and international investors. The country's ability to sustain investor confidence and deepen market participation will be critical to its long-term financial resilience.

Inflation and Interest Rates

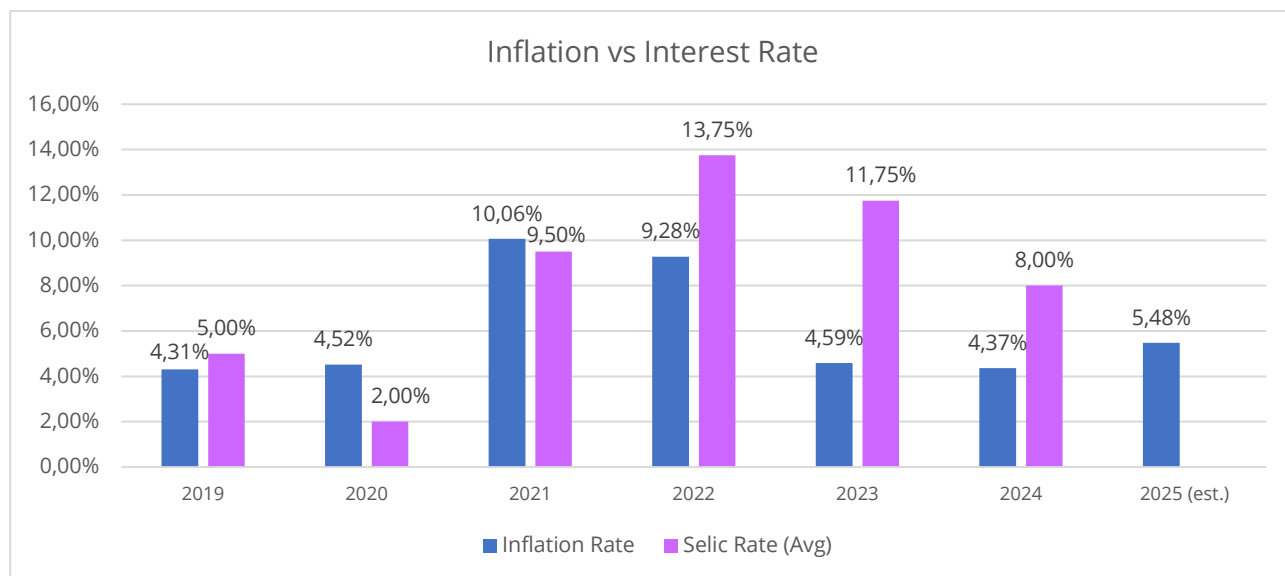
Brazil's monetary policy over the past decade has been shaped by efforts to balance inflation control with economic growth. The Central Bank's benchmark interest rate, the Selic rate, has fluctuated in response to inflationary pressures, fiscal dynamics, and global conditions.

Brazil's Central Bank has demonstrated agility in adjusting rates to inflationary cycles, although often with lagged effects. The real interest rate (nominal minus inflation) has fluctuated widely, impacting investment flows and credit conditions. The recent decline in inflation suggests improved policy credibility, although structural risks remain.

In response to the pandemic, rates were slashed to a historic low of 2.00% in 2020, even as inflation began to rise again. By 2021, inflation hit 10.06%, triggering a sharp reversal in policy. The Selic rate climbed back to 13.75% in 2022, then gradually declined to 8% in 2024, as inflation cooled from 9.28% in 2022 to 4.37% in 2024. The Central Bank maintained a cautious stance, balancing inflation control with growth recovery.



Figure 10: Inflation and Interest Rate

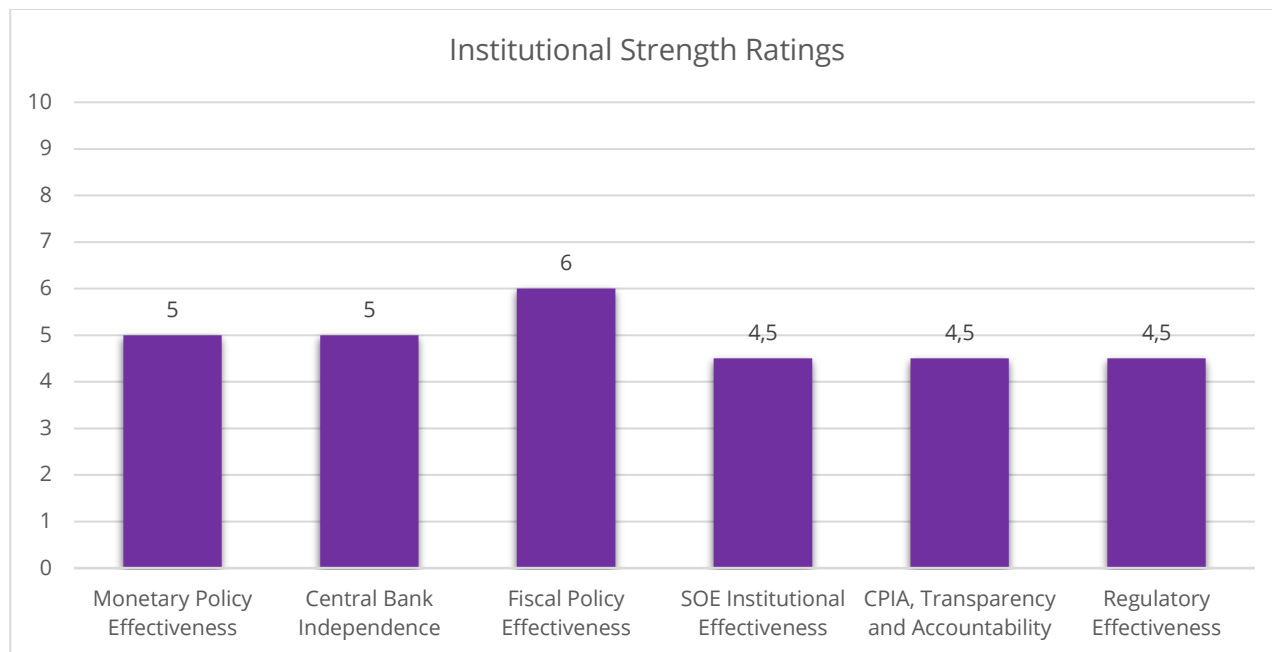


Source: SAR's calculations – Banco Central do Brasil



Institutional Strength Pillar

Figure 11: Institutional Strength Ratings



Source: SAR's calculations – World Bank data, OECD, IMF

Monetary Policy Effectiveness

Brazil's Central Bank has demonstrated credible inflation-targeting capacity, with a 70% pass-through rate from the Selic rate to market-based lending. The current Selic rate reflects a proactive stance to curb inflation, projected to decline to 3.6% by end-2026. However, the dual credit market (split between market-based and government-directed lending) limits full transmission, especially in subsidised sectors. Monetary policy remains a reliable anchor for macroeconomic stability, although structural credit segmentation tempers its reach.

Central Bank Independence

The Central Bank of Brazil enjoys strong institutional autonomy, reinforced by fixed-term leadership and legal safeguards. Despite political friction with the executive branch, the Bank has upheld its mandate, including oversight of fintechs and digital assets. Its independence is a cornerstone of Brazil's macroeconomic credibility. Central Bank independence is robust and underpins Brazil's inflation-targeting regime, enhancing policy predictability.

Fiscal Policy Effectiveness

Brazil targets a primary surplus of BRL 15 billion (USD 2.66 billion) in 2025, with spending growth capped at 2.5% above inflation. Tax reform, including VAT simplification, is progressing. However, public debt remains elevated at 76.5% of GDP, with structural rigidities in pensions and payroll posing long-term risks. Fiscal consolidation is underway, but medium-term sustainability hinges on deeper structural reforms.

SOE Institutional Effectiveness

Brazil's SOEs are transitioning toward mission-driven governance, with reforms in transparency and climate-aligned investment. Yet, challenges persist in board independence, strategic coherence, and shareholder dominance. Petrobras and Eletrobras remain central to Brazil's infrastructure and energy agenda. SOE reform is progressing but unevenly; governance risks remain in politically sensitive sectors.

Transparency and Accountability

Brazil has expanded civic engagement through platforms like Participa + Brasil, with over 1.5 million users contributing to policy design. However, its Corruption Perceptions Index score of 34/100 signals persistent governance challenges, particularly in procurement and political financing. Although Brazil is not scored under the World Bank's CPIA, its institutional quality aligns with upper-middle-income benchmarks. Progress in tax reform and digital public services is notable, but spending inefficiencies and debt dynamics constrain fiscal space. Brazil's policy framework is improving, but institutional bottlenecks limit full alignment with best-practice standards. Transparency initiatives are gaining traction, but corruption risks remain a key concern for institutional investors.

Regulatory Effectiveness

Brazil is advancing regulatory modernisation, including Open Finance, Basel III implementation, and digital asset oversight. However, enforcement capacity and regulatory agility remain constrained by bureaucratic inertia and fragmented oversight. Regulatory reform is active but uneven; long-term competitiveness depends on institutional streamlining.

Brazil's institutional landscape reflects a mix of resilience and reform momentum. While monetary and Central Bank governance are strong, fiscal and SOE frameworks require deeper restructuring. Transparency and regulatory modernisation are advancing, but corruption and enforcement gaps persist.

Environmental, Social, and Governance Pillar (ESG)

Environmental

Brazil's Environmental Performance Index (EPI) score for 2024 is 53, placing it in the mid-range globally among 180 countries. The EPI evaluates environmental health, ecosystem vitality, and climate change mitigation using 58 indicators across 11 categories. Brazil excels in biodiversity protection, particularly marine conservation, and shows promise in sustainable agriculture and waste management. Ecosystem services and fisheries are major concerns. Climate change metrics are mixed, with troubling trends in GHG intensity and black carbon emissions. Brazil could improve its EPI by investing in wastewater infrastructure, enhancing ozone air quality, and restoring degraded ecosystems.

Table 2: Environmental Performance

Category	Score	Notable Insights
Overall EPI Score	53	Moderate performance, with a 10-year improvement of +6.6 points
Air Quality	50	PM2.5 score is decent (56.6), but ozone levels are poor (38.6)
Sanitation & Drinking Water	46.1	Both sanitation and drinking water access remain challenges
Heavy Metals (Lead)	58.9	Moderate exposure risk
Waste Management	65.8	Solid waste handling is relatively strong
Biodiversity	78.1	High score, especially in marine protected areas (100)
Climate Change	51.7	Mixed results; strong on F-gas control (96.5), weak on GHG intensity trend (24.7)
Ecosystem Services	27.9	Low score due to tree cover and wetland loss
Fisheries	8.3	Poor performance, indicating overfishing or poor stock management
Agriculture	65	Sustainable nitrogen management is a relative strength
Water Resources	49.3	Wastewater treatment remains underdeveloped

Source: Yale, CIESIN



Brazil's environmental regulatory framework is grounded in Article 225 of its Federal Constitution, supported by key laws such as the National Environmental Policy (Law No. 6.938/1981), the Forest Code (Law No. 12.651/2012), and the National Solid Waste Policy. Enforcement is carried out through SISNAMA, a multi-tiered system involving federal agencies like IBAMA and ICMBio, alongside state and municipal bodies.

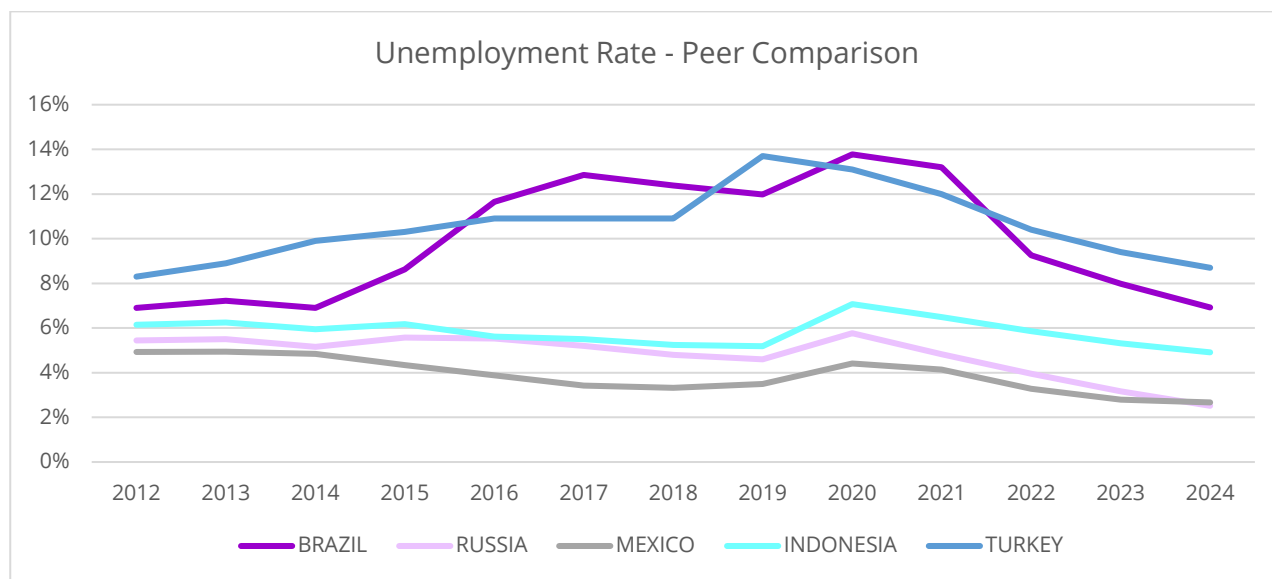
While the legal architecture is robust, particularly in areas like biodiversity protection and forest regulation, its effectiveness is uneven. Brazil performs well in biodiversity (EPI score: 78.1) due to strong conservation laws, but persistent deforestation and weak land tenure enforcement undermine these gains. Climate change regulation shows moderate strength, yet enforcement gaps are evident in poor GHG intensity trends and black carbon control. Water and sanitation laws exist, but infrastructure deficits lead to low EPI scores (46.1), especially in rural areas. Air quality and fisheries regulation suffer from limited monitoring and oversight, reflected in poor EPI outcomes.

Key challenges include decentralisation, judicial delays, and political volatility, which hinder consistent enforcement. For ESG-aligned ventures, strategic engagement with local agencies, rigorous due diligence, and leveraging biodiversity or carbon credits can mitigate regulatory risks and unlock sustainability-linked opportunities.

Social

The graph below highlights a decelerating trend of unemployment in Brazil since 2020. Brazil's labour market in 2025 shows signs of resilience, with unemployment falling to a record low of 5.8% in the second quarter. This decline reflects increased government spending and a rebound in formal employment, which now accounts for over 39 million workers. Real wages have also risen, reaching an average of R\$3,477 per month, the highest ever recorded. Despite these gains, informality remains high at nearly 38%, especially in less industrialised states, limiting access to social protections and perpetuating economic vulnerability.

Income inequality, while slightly improved, remains deeply entrenched. The richest 1% of Brazilians earn 36 times more than the poorest 40%, a disparity that has narrowed from previous years but still ranks among the highest globally. Brazil's Gini index for per capita household income fell to 0.506 in 2024, its lowest since records began, indicating modest progress. However, structural challenges persist: Brazil's tax system favours the wealthy, and social investments remain insufficient to close the gap. According to Oxfam, at the current pace, it would take 75 years for Brazil to reach the income equality levels of the UK. In sum, while Brazil's unemployment rate and wage growth suggest economic recovery, persistent inequality and informality highlight the need for deeper reforms in taxation and education.

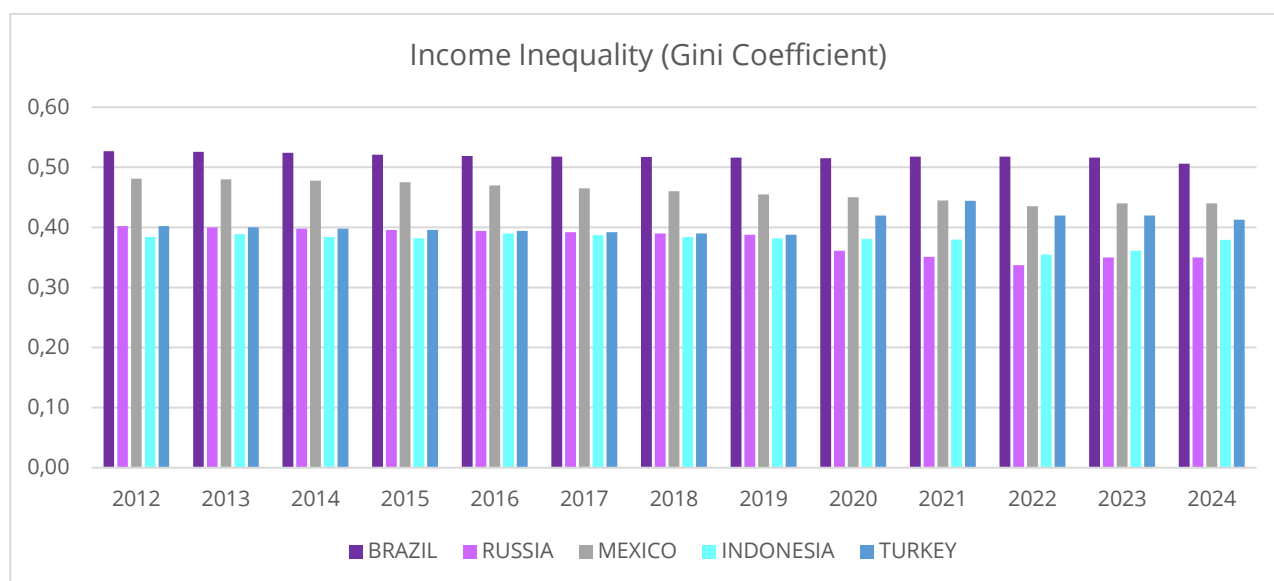
Figure 12: Unemployment Rate


Source: SAR's calculations – Valor Economico, Instituto Brasileiro de Geografia e Estatística, World Bank data

Brazil's persistently high Gini coefficient fell to 0.506 in 2024, the lowest since 2012. This was driven by strong income growth among the poor, particularly in poorer states, where income rose faster than in wealthier regions, social programs such as the Bolsa Família cash transfer program which played a major role in lifting household incomes and reducing poverty, minimum wage increases which resulted in real wage growth and helped narrow income gaps, and education and labour market inclusion which expanded access to schooling and formal employment.

These factors contributed to more equitable income distribution. However, Brazil's relatively high Gini coefficient contrasts with the considerably lower levels in peers, such as Russia (0.35) and Indonesia (0.38). This statistic underscores the country's entrenched income inequality, driven by historical socio-economic disparities, structural unemployment, and unequal access to quality education and healthcare.

Figure 13: Income Inequality (Gini Coefficient)



Source: SAR's calculations – World Bank, IMF

While the Gini coefficient dipped slightly to 0,506 in 2024, this modest improvement may reflect post-pandemic recovery and targeted policy efforts. However, without structural reforms (especially in taxation, education, and labour market formalisation) Brazil's inequality is likely to remain entrenched.

Brazil's National Compliance with Labour Rights scores are high in terms of the International Labour Organisation. The 2017 labour reform (Law No. 13,467/2017) introduced significant changes, including more flexible contracts and reduced union funding, which some analysts link to the slight deterioration in compliance scores from 2018 onward. Despite reforms, Brazil has not fallen into low-compliance territory, suggesting that core labour protections remain in place, although enforcement and union strength may have weakened.

Brazil has also consistently remained in the high human development category (HDI between 0.700 and 0.799) during the past decade. Despite a slight dip in 2020–2021, which reflects the socioeconomic impact of the COVID-19 pandemic, the 2023 value of 0.786 marks a notable improvement, nearing the very high development threshold of 0.800.

Governance

Over the past decade, Brazil's political landscape has been shaped by a series of institutional transitions, leadership changes, and evolving societal dynamics. These developments have tested the country's governance structures and contributed to fluctuations in its political stability indicators. According to the World Bank's Political Stability and Absence of Violence/Terrorism Index, Brazil's percentile rank has ranged between 27% and 34%, reflecting ongoing concerns related to civil unrest, political polarisation, and institutional robustness.

In 2022, Brazil's stability index stood at 33.96%, coinciding with a highly contested presidential election between former President Jair Bolsonaro and President Luiz Inácio Lula da Silva. The intensity of political discourse during this period raised questions about democratic cohesion. The events of January 2023, when government buildings in Brasília were stormed, drew international attention and underscored the challenges facing democratic governance. Following these events, Brazil's percentile rank declined to 28.44%, signalling heightened political tension.

Despite these challenges, Brazil demonstrated notable institutional resilience. The peaceful transfer of power and the judiciary's decisive response to anti-democratic actions reaffirmed the strength of its democratic architecture. As of mid-2024, while political polarisation remains a feature of the national discourse, key institutions — particularly the Supreme Federal Court and electoral authorities — have continued to play a stabilising role, safeguarding constitutional order and policy continuity.

Outlook

Brazil's political stability remains a work in progress, marked by both vulnerabilities and institutional strengths. The country's democratic institutions have withstood significant stress tests, offering a foundation for policy continuity, an essential factor for effective debt management and macroeconomic stability. Looking ahead, Brazil's ability to address structural challenges such as economic inequality, environmental governance, and political extremism will be critical in strengthening its stability profile and improving its international governance rankings.

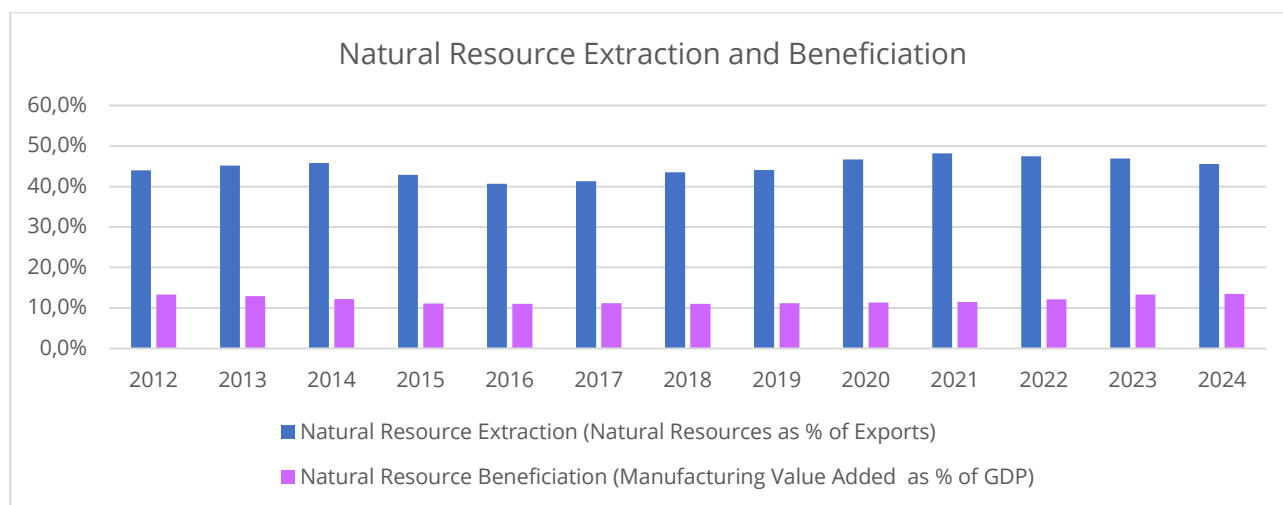
Natural Resource Pillar

Brazil's economic structure remains deeply intertwined with its commodity export profile, reflecting a persistent reliance on natural resources. This structural dependence is most evident in the dominance of iron ore, soybeans, crude oil, and sugar, products that consistently top the country's export charts. Iron ore alone has frequently accounted for over 15% of total exports, particularly during global price surges such as the 2021 boom, underscoring Brazil's vulnerability to external demand and pricing dynamics. Agricultural expansion has further entrenched this pattern. Driven by robust Chinese demand and Brazil's comparative advantages in land availability and climate, soybean production has surged. Brazil has emerged as the world's leading soybean exporter, with soy-related products (including oil and meal) forming a substantial portion of its agricultural export portfolio. This agro-export dominance has reinforced Brazil's role as a global food supplier but also exposed it to geopolitical and environmental pressures.

In the energy domain, the development of offshore pre-salt oil fields has significantly boosted crude oil exports since 2015. Yet, the sector's contribution has been volatile, shaped by global oil price cycles such as the 2015 crash and the COVID-induced shock of 2020. These fluctuations have periodically disrupted Brazil's export earnings and fiscal planning, revealing the fragility of commodity-led growth. Emerging trends in 2023–2024 suggest a gradual pivot. Brazil is increasingly exploring lithium and rare earth elements, aligning with global energy transition demands. This mineral diversification strategy, while nascent, signals a potential shift away from the traditional iron-soy axis, offering prospects for a more balanced and resilient export base.

Brazil's commodity wealth delivers clear economic advantages. Resource exports generate strong trade surpluses and reinforce Brazil's competitive positioning in agri-mineral sectors. However, these benefits are tempered by significant risks. The country remains highly exposed to commodity price shocks, which can destabilise fiscal accounts and growth trajectories. There is also the looming threat of Dutch disease, where resource booms crowd out investment in manufacturing and value-added industries. Moreover, environmental concerns — particularly deforestation linked to agricultural expansion and ecological degradation from mining — pose long-term sustainability challenges and reputational risks.

Figure 14: Extraction and Beneficiation



Source: SAR's calculations – Eximpedia, USDA

Beneficiation

Between 2017 and 2020, Brazil's manufacturing sector exhibited signs of stabilisation amid persistent structural headwinds. MVA hovered around 11% of GDP during this period, reflecting modest industrial policy support and limited progress in integrating domestic industries into global value chains. Despite a post-2016 recovery, growth remained tepid, and Brazil continued to export raw materials, such as crude oil, with minimal domestic transformation. This underutilisation of its resource base constrained productivity gains and reinforced Brazil's vulnerability to external demand shocks.

From 2021 to 2024, however, Brazil experienced a notable reindustrialisation momentum. The post-pandemic rebound, coupled with strong global commodity demand, stimulated industrial output. MVA rose to 13.3% in 2023 and is projected to reach 13.5% in 2024. This upward trend was driven by targeted investments in agro-processing, biofuels, and green technologies, alongside policy incentives promoting local content and industrial innovation. Domestic and export demand for semi-processed goods also supported this resurgence, indicating a gradual shift toward more value-added production.

The evolution of Brazil's MVA profile underscores a changing approach to natural resource beneficiation. Between 2012 and 2020, low MVA levels signalled a pattern of exporting raw commodities with minimal domestic processing. In contrast, the 2021–2024 period reflects improved downstream activity in sectors such as soy oil, ethanol, meat processing, steel, aluminium, lithium refining, and emerging energy segments like biofuels and green hydrogen. These developments suggest a more strategic utilisation of Brazil's resource endowment, with implications for industrial depth and economic resilience.

Brazil's reindustrialisation efforts contribute positively to economic diversification and structural resilience. However, sustaining this momentum will require continued policy coherence, infrastructure investment, and environmental safeguards. Analysts should monitor the durability of industrial gains, especially in light of Brazil's historical volatility and exposure to commodity cycles.

Table 3: Exports

Year	Natural Resource Exports (% of Total Exports)	Key Exported Resources
2018	43.5%	Soybeans, iron ore, and crude oil
2019	44.1%	Iron ore, crude oil, and soybeans
2020	46.7%	Iron ore and soybeans (COVID-19 demand shift)
2021	48.2%	Iron ore, crude oil, and soybeans
2022	47.5%	Iron ore, soybeans, and petroleum
2023	46.9%	Iron ore, soybeans, and crude oil
2024	45.6% (est.)	Iron ore, soybeans, lithium, and crude oil

Source: SAR's calculations - Observatory of Economic Complexity (OEC), World Bank data

Infrastructure Development Pillar

Brazil is undergoing a transformative wave of infrastructure development in 2025, with over USD 43 billion in projected investments across key sectors. The table below provides a breakdown of the most significant projects.

Table 4: Infrastructure Investment Snapshot (2023–2025)

Sector	Key Projects & Metrics	Investment Value	Strategic Implications
Highways	15 major concessions; Block 2 (RS): 414.9 km; PRVias Lot 4 (PR)	USD 1.29B (RS), USD 1.9B (PR)	Enhances logistics, regional integration, and trade corridors
Railways	~5,000 km planned; East-West: ~2,400 km; Ferrogrão: 933 km; Transnordestina: 600+ km	Not disclosed	Boosts agri-export efficiency and intermodal connectivity
Ports	21 concessions; Paranaguá channel upgrade; São Sebastião cargo terminal	USD 3.5B+ since 2023	Strengthens export infrastructure and maritime competitiveness
Airports	~50 regional airports in Amazon & Northeast under modernisation program	USD 871M (2025)	Improves regional mobility and tourism potential
Sanitation	Projects in 13 states; Pernambuco and Goiás leading with large-scale PPPs	USD 3.67B (PE), USD 1.05B (GO)	Expands basic services, supports ESG goals and public health
Renewable Energy	Arinos Solar Complex (611 MW); floating solar and wind farm expansion	Not disclosed	Accelerates energy transition and diversifies power generation

Source: Makreo Research, Rolim Goulart Cardoso Advogados

Brazil's infrastructure strategy reflects a multi-sectoral push to modernise logistics, expand public services, and advance its energy transition. Highway and railway investments are central to improving internal connectivity and export competitiveness, particularly for agribusiness. Port and airport upgrades enhance Brazil's integration into global supply chains, while sanitation projects (backed by new regulatory frameworks) signal growing private sector confidence in ESG-aligned infrastructure. Renewable energy developments, including solar and wind, reinforce Brazil's commitment to sustainable growth and energy diversification.

These initiatives reflect Brazil's push to modernise infrastructure through public-private partnerships (PPPs) and concessions, with the private sector contributing over 75% of total investment.

Investment Commitment

Infrastructure investment in Brazil is gaining momentum, and in 2025, it is projected to account for approximately 2.22% of the country's GDP, according to the Brazilian Association of Infrastructure and Basic Industries (ABDIB). That translates to around R\$288.2 billion in spending, marking the highest level since 2014 and reflecting a strong rebound driven by public-private partnerships and concession contracts. To put it in perspective:

- **2024 investment:** ~R\$259.3 billion (2.22% of GDP)
- **2025 projection:** ~R\$288.2 billion (expected to exceed 2.22% of GDP)
- **Private sector share:** Over 75% of total infrastructure investment

Despite high interest rates, Brazil's infrastructure push is being sustained by previously auctioned projects now entering the construction phase.

Project Implementation Rates

Table 5: Infrastructure Delivery (2021–2025)

Metric	Measurement
Total Infrastructure Investment (2025)	~R\$288.2 billion (~2.22% of GDP)
Private Sector Share	~75%
Completion Rate (Major Projects)	~46–50% (varies by sector)
Budget Adherence	30% of DNIT projects exceeded budgets by up to 25%; 18% exceeded further
Execution Efficiency	Inland waterway sector: 74% budget shortfalls; USD 43.2M unused
Project Management Challenges	Delays due to poor planning, fragmented supplier markets, and regulatory complexity
Governance Reforms	Adaptive management, risk-sharing in concessions, and legal certainty
Sector Highlights	Strong performance in renewable energy (611 MW solar, 519 MW wind)

Source: Brazilian Association of Infrastructure and Basic Industries (ABDIB)

Brazil excels in renewable energy execution but struggles with transport and water project delivery due to planning inefficiencies and fragmented governance. The country is leveraging public-private partnerships to close funding gaps, although strengthening the PPP framework is required to offer stronger investor confidence going forward.

Innovative Financing Models

Brazil has adopted a diverse set of financing models to support its expansive infrastructure agenda, with a strong emphasis on attracting private capital while managing risk. One of the most prominent approaches is the use of non-recourse project finance, where repayment is tied to the project's cash flow rather than the sponsor's balance sheet. A notable example is the Porto de Açu, which leveraged a blend of international and domestic funding sources to develop one of Latin America's largest port complexes, demonstrating Brazil's capacity to mobilise complex capital structures.

Public-private partnerships (PPPs) remain central to Brazil's infrastructure strategy, particularly in transport, sanitation, and energy. The São Paulo Metro Line 4, financed and operated through a PPP, exemplifies successful risk-sharing and operational efficiency. These models have enabled Brazil to accelerate project delivery while maintaining fiscal discipline.

A recent innovation is the introduction of Infrastructure Debentures under Law No. 14,801/2024, which offer tax incentives to private investors. These instruments have broadened access to capital markets and are increasingly used to finance sanitation networks, highway concessions, and energy infrastructure, making them a cornerstone of Brazil's long-term financing toolkit.

In the energy sector, Independent Power Transmission (IPT) auctions have emerged as a competitive and transparent model. By allowing bidders to compete on revenue caps, Brazil has reduced demand risk and attracted a wide range of investors. Since 2017, over 350 IPT projects have been successfully auctioned, underscoring the model's scalability and investor appeal.

Brazil is also advancing green and ESG-linked financing. The Brazilian Development Bank (BNDES) issued the country's first certified Green Loan for a 1,100 km transmission line, aligning infrastructure development with sustainability goals. ESG metrics are increasingly embedded in concession contracts, particularly in energy and sanitation, reflecting Brazil's commitment to responsible investment.

Regulatory Innovation and Risk Mitigation

Brazil's regulatory framework has evolved to support investor confidence and long-term project viability. Revenue regulation mechanisms adjust tariffs and returns every five years based on operational efficiency and weighted average cost of capital (WACC) benchmarks, ensuring financial sustainability. Enhanced legal certainty from regulatory agencies has reduced perceived risk, making Brazil more attractive to institutional investors.

Additionally, Brazil has introduced structured exit strategies to improve liquidity and investor flexibility. Projects such as the Maracanã Stadium renovation included clear mechanisms for asset sales and refinancing, allowing investors to manage exposure and redeploy capital efficiently.

Economic Impact Analysis

Brazil's infrastructure investment in 2025 is projected at R\$288.2 billion, accounting for ~2.22% of GDP, the highest since 2014. Projects entering the construction phase from past auctions are driving this surge.

Table 6: Economic Impact

Sector	Investment (2025)	GDP Impact
Transport (Highways, Rail)	~USD 28.05B	~1.2% of GDP
Sanitation	~USD 13.41B	~0.6% of GDP
Ports & Airports	~USD 4.5B	~0.2% of GDP
Renewable Energy	~USD 2.89B (AIIB-backed)	~0.1% of GDP

Source: Makreo Research

Job Creation

Major infrastructure projects are fuelling employment across Brazil:

- **Metro Line 6 (São Paulo):** ~9,000 direct jobs during construction.
- **Renewable Energy Projects:** Wind and solar farms are generating thousands of skilled and semi-skilled roles.
- **FecomercioSP Forecast:** Between 1.2M and 1.5M formal jobs created in 2025, with infrastructure among the top contributors.

Table 7: Job Impact

Sector	Job Impact
Urban Transit	High (Metro Line 6, BRTs)
Sanitation	Moderate (PPP rollout in 13 states)
Energy	High (solar, wind, grid expansion)
Ports & Airports	Moderate (regional connectivity projects)

Source: Makreo Research, Rolim Goulart Cardoso Advogados

Tax and Revenue Generation

Brazil's 2025 tax reform (Law 214/2025) and IOF adjustments are reshaping infrastructure-linked revenue streams:

- **Infrastructure Debentures:** Tax-exempt bonds used to fund long-term projects; potential reforms could raise R\$150B in revenue.
- **Split Payment Mechanism:** Ensures automatic tax collection at transaction points, improving fiscal efficiency.
- **Projected Revenue Gains:**
 - R\$10B in 2025, rising to R\$20B in 2026, from infrastructure-linked instruments.
 - Digital taxation and VAT reforms are boosting transparency and compliance.

Table 8: Tax Impact

Instrument	Tax Impact
Infrastructure Debentures	Tax-exempt for issuers/investors; under review
Green Bonds	Eligible for ESG-linked incentives
IOF Reform	3.5% on FX, 1.1% on investment remittances

Source: Brazil's New Tax Rules for Infrastructure Investments – Mayer Brown, Inter-American Development Bank



Maintenance and Upkeep Plans

Brazil's infrastructure maintenance in 2025 remains uneven and underperforming, with widespread deficiencies in asset upkeep that threaten long-term service quality and economic productivity. Preventive maintenance is notably lacking across key sectors such as transport and sanitation. The World Bank's Infrastructure Assessment highlights that only 12% of roads are paved, a figure that has stagnated since 2001, while 23% are classified as being in poor or very poor condition. Water infrastructure is similarly inefficient, with nearly 30% of produced water lost due to leaks and outdated systems. Although electricity access is nearly universal at 99.8%, the sector suffers from frequent outages and some of the highest tariffs in Latin America, pointing to underinvestment in grid modernisation.

Across sectors, the percentage of assets maintained to industry standards varies significantly. Roads fare moderately well, with approximately 77% in paved or fair condition, but the remaining 23% reflect serious degradation. Water and sanitation infrastructure meets standards in about 66% of cases, although high water loss and low sewage treatment rates persist. Electricity infrastructure boasts near-total access, yet reliability remains a concern. Railways are particularly underperforming, with less than 50% of assets meeting density and condition benchmarks. Ports and airports show better performance at major hubs (70–80%), but regional facilities lag.

Deterioration levels are especially pronounced in transport and logistics, which cost Brazil an estimated 1.4% of GDP annually due to inefficiencies. Waterways are underutilised and deteriorating, with density far below that of peer countries like China. Digital infrastructure also faces challenges, including high broadband costs relative to income and ageing fixed-line systems.

Key structural challenges compound these issues. Budget constraints have persisted since the 1990s, with infrastructure spending consistently falling below the recommended 3% maintenance threshold. Governance is fragmented, with poor coordination among federal, state, and municipal entities. Additionally, a prolonged investment drought has eroded technical capacity, resulting in a shortage of skilled professionals and weakened asset management practices.

Community Engagement and Impact

Brazil's major infrastructure projects in 2025 show growing — but uneven — community engagement, with social impacts that range from positive to contested, depending on the sector and region.

Community Engagement: Regularity and Collaboration

- **Improving but inconsistent:** Brazil's sixth Open Government Action Plan (2023–2027) includes commitments to transparency and citizen oversight in infrastructure planning and execution.
- **Co-creation workshops:** Over 16 workshops were held nationwide, with 60% female participation, to shape infrastructure priorities.
- **Local government partnerships:** The Green Resilient Model Cities Program engages 50 municipalities to co-design climate-resilient infrastructure actions, supported by C40 Cities and Global Covenant of Mayors for Climate & Energy.
- **Grievance mechanisms:** Projects like the AIIB-backed Rio Grande do Sul recovery program include formal grievance redress systems and gender-sensitive consultations.

However, engagement is less robust in rural and indigenous areas, where fast-tracked licensing and limited consultation have sparked criticism.

Social Impact: Positive, Negative, or Neutral

Positive Impacts

- **Healthcare and Education PPPs:** 33 advanced-stage social infrastructure projects (R\$15.4B) are improving access to hospitals and schools.
- **Sanitation Projects:** Expected to expand coverage to underserved areas, improving hygiene and reducing disease.
- **Digital Inclusion:** Infrastructure upgrades are closing connectivity gaps in rural regions.

Negative or Contested Impacts

- **School PPPs in São Paulo:** Faced protests from unions and student groups over privatisation concerns.
- **Fast-tracked licensing:** Bill 2159/2021 may allow up to 80% of projects to bypass full environmental and social impact assessments.
- **Indigenous land risks:** Projects near un-demarcated indigenous territories may proceed without full consultation.

Neutral or Mixed Outcomes

- **Urban mobility projects:** Metro expansions improve access but may displace informal settlements if not carefully managed.
- **Port and airport upgrades:** Boost trade and connectivity, but benefits may be unevenly distributed.

Table 9: Infrastructure Project Impact on Key Social Indicators

Indicator	Status	Infrastructure Influence
Access to Drinking Water	99.89% (2025 forecast)	Boosted by sanitation concessions
Access to Electricity	99.67%	Supported by grid expansion
Access to Basic Sanitation	91.98%	Driven by PPPs in 13 states
Formal Employment	1.2M–1.5M jobs created (2025)	Infrastructure among top contributors
Digital Connectivity	Expanding into rural areas	Telecom infrastructure upgrades underway

Source: UNESCO Water Resources in Brazil, World Bank, Brazil Barometer

RATING SENSITIVITIES

Factors That Could Lead to a Rating Upgrade

- **Sustained Economic Growth**
 - Continued GDP growth above 3.5% through 2026, supported by resilient private consumption and diversified export performance.
 - Structural reforms that enhance productivity and industrial depth, particularly in agro-processing, biofuels, and green technologies.
- **Improved External Balances**
 - Reduction in the current account deficit below 2.5% of GDP, driven by stronger export volumes and improved terms of trade.
 - Improvement in the primary income account and services balance.
- **Fiscal Consolidation and Debt Stabilisation**
 - Reduction in gross government debt toward the 75% of GDP threshold, supported by expenditure discipline and revenue enhancement.
 - Decline in interest payments to revenue below 20%, signalling improved debt affordability.
- **Strengthened Institutional and Governance Frameworks**
 - Continued SOE reform, with enhanced board independence, strategic coherence, and climate-aligned investment.
 - Effective management of contingent liabilities, with improved transparency and risk mitigation aligned with IAS 37 standards.
- **Industrial Transformation**
 - Sustained increase in Manufacturing Value Added (MVA) beyond 13.5% of GDP, reflecting deeper integration into global value chains and domestic beneficiation of natural resources.

Factors That Could Lead to a Rating Downgrade

- **Macroeconomic Vulnerabilities**
 - Sharp deceleration in GDP growth below 2.5%, particularly if driven by external shocks or domestic policy missteps.
 - Escalation of inflation or interest rates (e.g., Selic rate exceeding 15%) that undermines GDP growth, consumption and investment.

- **Worsening External Sector Metrics**

- Current account deficit exceeding 4% of GDP, with persistent deterioration in the trade and income accounts.
- Rising foreign currency-denominated debt beyond 15% of gross public debt, increasing exposure to exchange rate volatility.

- **Fiscal Deterioration**

- Gross government debt rising above 90% of GDP without a credible medium-term consolidation plan.
- Interest payments exceeding 30% of revenue, indicating unsustainable debt servicing costs.

- **Contingent Liability Realisation**

- Materialisation of large-scale guarantees (e.g., BRL 10 billion+ payouts from legal disputes or infrastructure failures), straining fiscal buffers.
- Weak oversight of SOEs leading to fiscal slippage or reputational risks, especially in politically sensitive sectors.

- **Industrial Regression**

- Decline in MVA below 12% of GDP, signalling a reversal of reindustrialisation gains and increased reliance on raw commodity exports.

KEY RATING INDICATORS

Table 2: Key Risk Indicators

Variable	2022	2023	2024	2025	2026
GDP Growth Rate (%)	3,02%	2,91%	3,40%	3,49%	3,68%
GDP per Capita (US\$)	9256,0	10350,0	10257	10955,3	11126,1
Share in Peer Group GDP	24,58%	25,64%	24,39%	23,13%	23,03%
Share in World GDP	2,1%	2,1%	2,0%	2,0%	1,9%
Export Diversification Index	0,61	0,63	0,62	0,63	0,63
Current Account Balance as Percentage of GDP (%)	-2,16%	-1,28%	-2,82%	-3,42%	-3,75%
General Government Revenue (% of GDP)	39,48%	37,60%	38,83%	37,99%	37,67%
Gross Government Debt (% of GDP)	83,94%	84,00%	87,28%	88,4%	90,1%
Gross Government Debt (% of Revenue)	212,61%	223,42%	224,77%	232,4%	238,5%
General Government Interest (% of Revenue)	25,90%	30,80%	35,70%	40,6%	45,5%
General Government Fiscal Balance (% of GDP) Fiscal Balance/GDP	-5,40%	-7,03%	-7,92%	-9,3%	-10,6%
Gross Foreign Currency Denominated Debt (% of Gross Debt)	11,98%	12,19%	12,41%	12,6%	12,8%
Gross Local Currency Denominated Debt (% of Gross Debt)	88,02%	87,81%	87,59%	87,4%	87,2%
Contingent Liabilities (% of GDP)	3,00%	3,00%	3,00%	3,0%	3,0%
Debt Repayment Record (Years Since Default or Restructuring Event)	39	40	41	42	43
Inflation Rate	9,28%	4,59%	4,37%	5,48%	4,71%
Exchange Rate Stability (GDP Based on Purchasing Power Parity)	2,41	2,44	2,46	2,49	2,51
Domestic Market Capitalisation (% of GDP)	40,70%	55,02%	56,47%	56,23%	56,74%
Broad Money Supply Growth Rate (%)	9,86%	0,42%	7,18%	6,95%	6,02%
Foreign Currency Reserves (% of Total External Debt)	56,03%	58,48%	55,90%	56,67%	56,60%
Independence Of Central Bank (Transparency and Independence Index)	5,00	5,00	5,00	5,00	5,00
Regulatory Effectiveness (Regulatory Quality Index)	4,00	3,50	3,50	3,17	3,06
Fiscal Policy Effectiveness	4,00	5,00	5,00	5,67	5,89

Monetary Policy Effectiveness (CPIA Financial Sector Rating)	4,00	4,00	4,00	4,00	4,00
SOE Institutional Effectiveness	5,00	5,00	5,00	5,00	5,00
Transparency And Accountability	3,00	3,00	3,00	3,00	3,00
Environmental Regulations and Enforcement (Environmental Protection Index)	4	4	5	5	6
Climate and Natural Disaster Risk Exposure (Climate Change Policy Index)	7	8	8	8,67	9,17
Unemployment Rate (%)	9,25%	7,98%	6,93%	5,73%	4,56%
Income Inequality (Gini Coefficient)	51,80%	51,60%	50,60%	50,13%	49,53%
Social and Environmental Impact of Natural Resource Extraction (Ecosystem Vitality Index)	43,60	48,30	53,00	57,70	62,40
Labour Rights and Standards	3,00	3,00	3,00	2,50	2,50
Human Development Index (HDI, 0 To 1)	0,76	0,776	0,771	0,78	0,79
Political Effectiveness (Political Stability Index)	33,96	28,44	29,21	25,79	23,41
Governance Practices (Government Effectiveness Index) (-2,5 To 2,5)	-0,59	-0,55	-0,54	-0,51	-0,48
Natural Resource Extraction (Natural Resources as % of Exports)	47,50%	46,90%	45,60%	44,77%	43,82%
Natural Resource Beneficiation (Manufacturing Value Added as % of GDP)	12,10%	13,30%	13,50%	14,37%	15,07%
Energy Generation & Availability (% of Population with Access to Electricity)	100,00%	99,80%	99,90%	100%	100%
Investment Commitment	7,00	7,00	7,00	7,00	7,00
Project Implementation Rate	4,50	4,50	4,50	4,60	4,80
Diversity And Scope of Projects	7,00	7,00	7,00	7,00	7,00
Innovative Financing Models	8,00	8,00	8,00	8,00	8,00
Sustainability and Environmental Consideration	3,00	3,00	3,00	3,50	3,50
Economic Impact Analysis	7,00	6,50	6,50	7,00	7,00
Maintenance and Upkeep Plans	3,00	3,00	3,00	3,00	3,50
Community Engagement and Impact	4,00	4,00	4,50	4,00	4,00

Rating Methodology

The principal methodology used in this rating methodology was published and is available at:

[Sovereign Rating Methodology](#)

Information and Data

SAR confirms that data and information adequacy was sufficient to conduct this credit rating.

Data and information from reputable sources were used during the credit rating process.

The quality of the data and information has been validated via cross-referencing against various data sources for consistency.

Issuer Participation

The rated entity did not participate in the rating process.

SAR confirms that the credit rating has been disclosed to the rated entity.

This is an unsolicited credit rating.

Rating Definitions

[SAR Rating Definitions](#)

Rating History

Initial Rating Date	19 September 2025	Current Rating Date	19 September 2025
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Glossary of Terms

Term	Definition
The African Continental Free Trade Area (AfCFTA)	The African Continental Free Trade Area (AfCFTA) is a landmark trade agreement among African countries aimed at promoting intra-African trade and economic integration. It was established to create a single market for goods and services on the continent, removing trade barriers and fostering economic cooperation among African nations.
AIIB	AIIB, the Asian Infrastructure Investment Bank, is partnering with Brazil to support sustainable infrastructure development and economic growth.
Arinos Solar Complex	The Arinos Solar Complex is a large solar photovoltaic (PV) farm located in Arinos, Minas Gerais, Brazil. It is one of the largest solar parks in Brazil.
CCEE	CCEE is the operator of the Brazilian electric energy market.
CIESIN	Columbia University's Center for International Earth Science Information Network
Credit Rating Action	Any of the following is a credit rating action: 1. The process through which a credit rating is given to a rated entity or obligation, including credit ratings given during a subsequent rating process. 2. When relevant conditions are thought to have been satisfied in the anticipated rating process, a provisional note is removed from a credit rating. 3. A change to a credit rating (i.e., upgrade or downgrade). 4. Placing a credit rating under review, reconfiguring an active review, or removing a credit rating from review (i.e., credit rating confirmation). The assignment of, or modification of, an outlook linked to a rated entity or several credit ratings. 5. A credit rating affirmation. 6. A credit rating withdrawal.
Current Account Balance	Exports of goods and services minus imports of the same, plus net factor income, plus official and private net transfers.
DNIT	DNIT projects primarily involve the management and development of Brazil's national road infrastructure, waterways, and railways, as well as related transportation initiatives. Specifically, DNIT, which stands for Departamento Nacional de Infraestrutura de Transportes, is the Brazilian National Department of Transport Infrastructure.
Employee(s)	An employee is any full-time or part-time employee of SAR or any of its subsidiaries and associated companies.
FecomercioSP	FecomercioSP is the abbreviation for the Federation of Commerce of Goods, Services and Tourism of the State of São Paulo (Federação do Comércio de Bens, Serviços e Turismo do Estado de São Paulo) in Brazil. It is a prominent organisation representing the interests of businesses in the trade, services, and tourism sectors within the state of São Paulo.
Ferrogrão	Ferrogrão, also known as EF-170, is a proposed 930km railway project in Brazil designed to transport agricultural goods, particularly soybeans and corn, from the state of Mato Grosso to the northern ports along the Amazon River.
Foreign Direct Investment (FDI)	Direct investment is conducted by non-residents.
Gross Domestic Product (GDP)	The total market value of goods and services produced by resident factors of production.
GDP per capita	GDP is divided by population.
GHG	Greenhouse Gas. Greenhouse gases are gases in the atmosphere that absorb and emit radiation within the thermal infrared range, causing the greenhouse effect.
Gini Coefficient	The Gini coefficient is a statistical measure used to assess income or wealth inequality within a population. It ranges from 0 to 1, where 0 represents perfect equality (everyone has the same income) and 1 represents perfect inequality (one person has all the income). A higher Gini coefficient indicates greater inequality.

IBAMA	IBAMA, the Brazilian Institute of Environment and Renewable Natural Resources, is a federal agency under Brazil's Ministry of the Environment.
ICMBio	The Chico Mendes Institute for Biodiversity Conservation is a government agency under the administration of the Brazilian Ministry of the Environment.
ICMS	Imposto sobre Circulação de Mercadorias e Serviços – a state tax that the government levies on purchasing and sales transactions in Brazil.
IOF Reform	The Brazilian IOF (Imposto sobre Operações Financeiras) Reform refers to changes in the Financial Transactions Tax, which is a federal tax levied on various financial operations in Brazil.
IPI	Imposto sobre Produtos Industrializados – the federal tax on manufactured goods.
Issuer	An issuer is any entity that issues debt, a credit commitment, debt-like obligations, or securities. Examples of such entities include special-purpose vehicles, companies, governments, and local governments.
Lead Rating Analyst (Lead Analyst)	Lead Rating Analyst is a term used to describe an analyst who is primarily responsible for providing details about a credit rating and/or for communicating with the issuer(s) regarding a specific credit rating or regarding the credit rating of a financial instrument issued by that issuer, as well as, when appropriate, for creating recommendations for the rating committee in relation to that credit rating.
Manager(s)	Manager(s) are employees who oversee personnel.
MVA	Manufacturing Value Added.
Net general government debt	General government debt minus general government liquid financial assets.
Net external liabilities	Total public and private sector liabilities to non-residents minus total external assets.
Outlook	An outlook is an opinion regarding the likely path an issuer's rating could take over the medium term.
PM Score	PM (Particulate Matter) scores related to air quality.
PPP	Public-private partnerships.
Prohibited Recommendation	Any proposals or recommendations made either formally or informally regarding the design of financial instruments on which a CRA is envisioned to issue a credit rating may be made by an employee to a rated entity or its agent to improve the rated entity's rating. This includes suggestions about the rated entity's corporate or legal structure, assets, liabilities, or activities.
PRVias	Concessionaria de Rodovias PRVias SA is a concession company in Brazil focused on service levels for the Parana Integrated Highways System (PRVias).
Rated Entity(ies)	A rated entity is any entity rated by a credit rating agency (CRA).
Review	A review is an indication that a rating may change in the not-too-distant future.
Selic	The Selic rate is the benchmark interest rate for the Brazilian economy.
SAR	Sovereign Africa Ratings (Pty) Ltd is authorised to conduct business as a credit rating agency as per the Credit Ratings Services Act of 2012 of the Republic of South Africa.
Special Drawing Rights (SDR)	The SDR is an international reserve asset that was created by the International Monetary Fund in 1969 to supplement its member countries' official reserves.
Security	Security refers to any type of financial instrument, including stocks, bonds, debentures, notes, options, equity securities, convertible securities, warrants, derivative securities (derivatives), and warrants.
Total Debt Service (TDS)	Total Debt Service (TDS, current US\$) refers to the total amount of money paid by a country to cover the principal and interest payments on its external debt. External debt includes loans and financial obligations owed to foreign creditors, such as other governments, international organisations, or private entities, by the country in question.
Transnordestina	The Transnordestina is a large-scale railway project in Brazil, specifically aimed at connecting the states of Pernambuco, Piauí, and Ceará in the country's Northeast region.



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