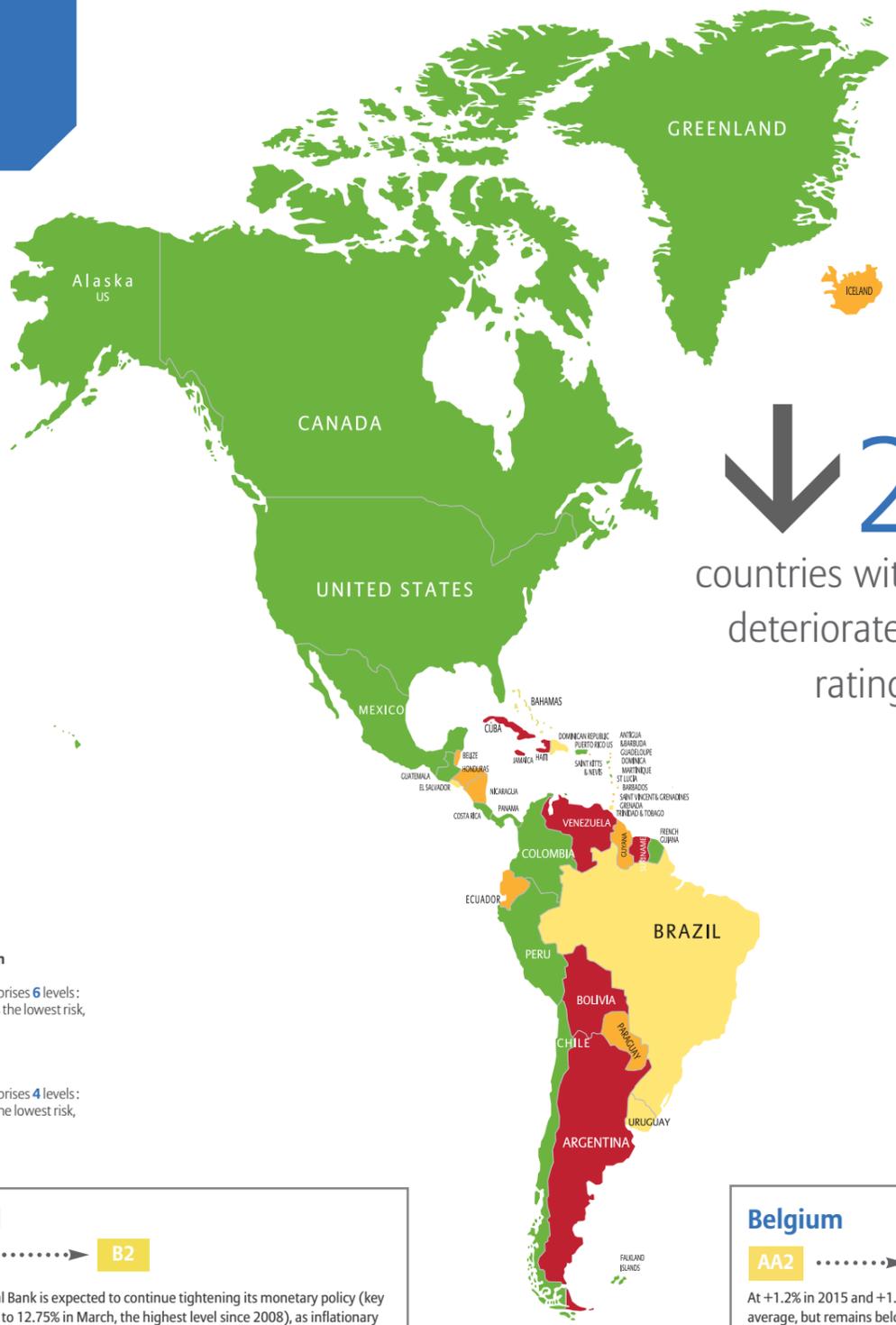


3 changes in country risk ratings 1st Quarter 2015

MACROECONOMIC RESEARCH AND COUNTRY RISK TEAM



↓ 2 countries with deteriorated ratings

↑ 1 country with improved rating

Medium term risk:
the scale comprises 6 levels: AA represents the lowest risk, D the highest.

Short term risk:
the scale comprises 4 levels: 1 represents the lowest risk, 4 the highest.

Brazil

BB2 → B2

The Central Bank is expected to continue tightening its monetary policy (key rate raised to 12.75% in March, the highest level since 2008), as inflationary pressures continue to strengthen (7.7% y/y in February, a 12-year high). Fiscal consolidation is a key target of the government for 2015. However, austerity measures are likely to be difficult to enact amid political tensions. Combined with restrictive economic policies, economic activity will be heavily impacted by the fragile outlook for investment plans of Petrobras (which accounts for around 10% of total Brazilian investment) as well as by water and electricity cuts. After stagnating in 2014, we expect Brazil to fall into recession in 2015, with real GDP contracting by -0.7%, at least. Consequently, we have changed the Medium-Term Rating to **B** from **BB**. The Short-Term Rating continues to be Medium (2).

Belgium

AA2 → AA1

At +1.2% in 2015 and +1.5% in 2016, GDP growth is in line with the eurozone average, but remains below the pre-crisis average of +2.2%. The private sector is recovering with firms' turnovers expected to stabilize in 2015 while profitability indicators entered a positive trend thanks to lower oil prices and lower cost of financing (firms margins expected to increase by +0.8pp in 2015 to 37% of value added vs 39% at the pre-crisis peak). Business insolvencies entered a declining trend in July 2014 and fell for the first time in 7 years in 2014 (-9%), but remain 40% above the 2007 level. In 2015, business insolvencies are expected to continue to fall (-5%). Consequently, we have changed the Short-Term Rating to **Low (1)** from Medium (2). The Medium-Term Rating continues to be AA.

Ghana

B1 → B2

At end-February 2015, agreement was reached with the IMF for a three-year Extended Credit Facility (ECF) financial support package of approximately USD940 mn. This showed (i) that fiscal and current account deficits and pressure on the cedi were difficult to manage and required support, but also (ii) the country's recent track record of good governance and generally sound economic management would enable assistance to be forthcoming. The ECF will support an economic reform programme that will include fiscal consolidation. GDP growth will be lower in the short term but remain around +4% in 2015 (ten-year annual average of +7.4%). Growth is forecast to rebound in 2016 but remain below that LT average. Consequently, we have changed the Short-Term Rating to **Medium (2)** from **Low (1)** and the Medium-Term Rating remains B.



Economic Research



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