2015 Mid-Year Sovereign Review and Outlook

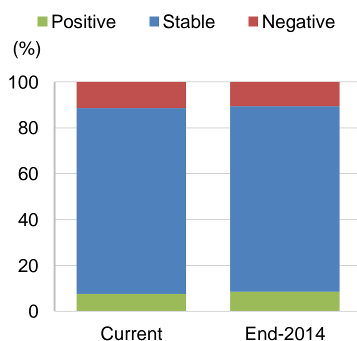
Global Macro Risks Put Emerging Market Ratings Under Downward Pressure

Outlook Report

Rating Outlook

STABLE

Rating Outlooks



Source: Fitch

Major Oil Price Shock: The sharp drop in oil prices to below USD60/b from USD115/b in mid-June 2014 has led Fitch Ratings to downgrade four major oil exporters since 4Q14, making the shock the most important current sovereign rating driver. We forecast Brent oil prices to rise to USD75/b in 2016 and USD80/b in 2017. But if oil prices fail to recover, more negative actions are likely. Countries most at risk would be those with high fiscal breakeven prices and limited buffers and those that fail to adjust policy adequately to lower fiscal and external receipts.

Heightened Bond Market Volatility: The sharp rise in eurozone sovereign bond yields, which has seen yields on 10-year Bunds rise to 0.8% from 0.1% in April, is credit positive in so far as it reflects lower deflation risk, and rising inflation and growth expectations, which would support public debt dynamics. However, the speed of the correction also reflected market liquidity conditions and may be a harbinger of global market volatility ahead, particularly as we see a growing divergence between monetary policy of the Fed and the ECB/Bank of Japan.

Fed Tightening Exacerbates Risks: Rising US interest rates – albeit well signposted, gradual and only to a low level – will exacerbate the macroeconomic and external financing pressures on EM countries and the risk of further negative rating actions. However, Fitch is not expecting a systemic EM crisis. The most vulnerable countries are those with large current account deficits and maturing external debts, low foreign reserve buffers, high or foreign currency-denominated debt burdens, fragile policy macroeconomic frameworks or weaker fundamentals.

Grexit Remains a Risk: A Greek exit from the eurozone is a material risk despite recent progress made towards the agreement of a third bailout programme. Assuming a final programme is agreed, implementation risk over the coming months will be very high. Grexit would likely trigger some financial market volatility but we do not think it would lead to a systemic crisis or another country's rapid exit.

Geopolitical Risks Prominent: Deterioration in relations between Russia and the West is a major shift in the political landscape. Sanctions on Russia and lower oil prices have led to recession, declining foreign exchange reserves, financial volatility and a rating downgrade. Fitch downgraded Ukraine to 'CC' in February 2015 ahead of sovereign debt restructuring talks starting in July. Other countries with high dependence on exports to and workers' remittances from Russia have been adversely affected, while instability could worsen in the Middle East.

Outlook Sensitivities

Small Negative Outlook Bias: The vast majority of sovereign ratings are on a Stable Outlook. However, Negative Outlooks outnumber Positive Outlooks by 12 to 8, signalling that sovereign creditworthiness is deteriorating and some net downgrades are likely in 2H15 and 2016. 1H15 witnessed nine foreign-currency rating downgrades, outnumbering the two upgrades by a factor of more than four to one, as well as a net negative change in rating Outlooks.

EMs Under More Pressure: Ten of the Negative Outlooks are on EM countries, signalling that they are under the greatest downward pressure, while for DM countries Positive Outlooks outweigh Negatives. EM sovereigns are facing a less favourable external financing environment, with lower commodity prices and the Fed forecast to raise rates in 2H15. In addition, structural growth challenges are evident in many EMs. For DM sovereigns, persistent budget deficits, rising government debt and subdued growth are the main downside risks.

Related Research

Oil: Fiscal Breakevens are a Key Guide to Exporters' Sovereign Credit Risk (November 2014)

'Grexit' Still Possible; Systemic Crisis Unlikely (March 2015)

US Rate Risks to Large Emerging Markets Have Shifted since the Taper Tantrum (April 2015)

Global Economic Outlook (July 2015)

Russia Slowdown Hits CIS Sovereigns (March 2015)

Analysts

Ed Parker
+44 20 3530 1176
ed.parker@fitchratings.com

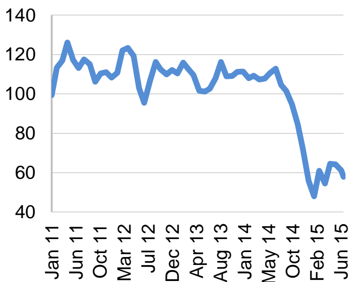
James McCormack
+44 20 3530 1286
james.mccormack@fitchratings.com

Drop in Oil Prices is Main Sovereign Rating Driver in 2015

Figure 1

Oil Price Shock

Brent, USD per barrel



Source: Datastream

The precipitous fall in oil prices since mid-2014 is currently the single most important driver of sovereign rating actions. Fitch has downgraded four major oil-exporting nations since 4Q14, representing 40% of total sovereign downgrades over the period. These were Venezuela to 'CCC' in December 2014, Russia to 'BBB−'/Negative in January 2015, Gabon to 'B+'/Stable in May 2015 and Bahrain to 'BBB−'/Stable in June 2015.

The drop in the price for benchmark Brent crude oil to below USD60/b from USD115/b in mid-June 2014, via a low of USD45/b in mid-January 2015, constitutes a substantial negative shock for energy exporters. The most exposed are those that rely heavily on oil and gas for export and fiscal revenues, have high fiscal breakeven oil prices (oil prices at which the budget would balance) combined with limited exchange rate flexibility, weak current account positions and only moderate buffers in the form of sovereign wealth funds (SWFs) or foreign exchange reserves (see *Oil: Fiscal Breakevens are a Key Guide to Exporters' Sovereign Credit Risk*, published 24 November 2014).

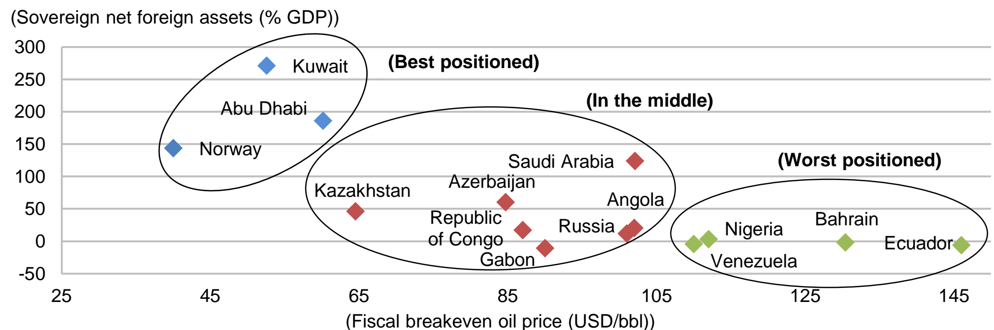
We see Ecuador (B/Stable) and Nigeria (BB−/Negative) as in the most vulnerable group, in addition to those already downgraded, as they have high breakeven oil prices and were already running large budget deficits prior to the drop in oil prices (Figure 2). The least vulnerable are Abu Dhabi (AA/Stable), Kuwait (AA/Stable) and Norway (AAA/Stable) as they have low breakeven prices and large SWFs.

Others lie in between. If oil prices fail to recover, then more negative actions are likely. Those countries at the weaker end of the credit spectrum (Figure 2) or that fail to implement an adequate policy response to lower fiscal and external receipts would be most at risk. In March 2015, Fitch placed Negative Outlooks the ratings of Angola (BB−) and Nigeria (BB−), signalling a risk of a downgrade.

Figure 2

Oil Price Vulnerability

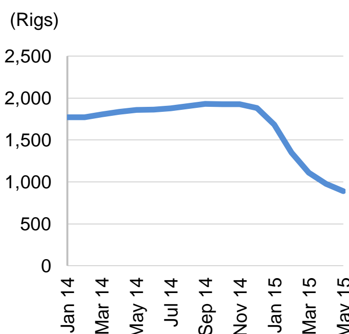
2014



Source: World Bank and Fitch

Figure 3

US Rig Count



Source: Baker Hughes

Lower energy prices are a net negative for sovereign creditworthiness and ratings because the impact of the shock is concentrated on the losers, while the benefits are more thinly dispersed. The main winners are major energy importers, including China, India and Turkey amongst the large emerging markets; and those with large fiscal energy subsidy bills, particularly if they are using the opportunity of lower oil prices to reduce subsidy rates, including Egypt (which we upgraded to 'B' in December 2014), India, Indonesia and Morocco. In addition, lower oil prices are a net positive for global growth as consumers in oil-importing countries have a greater propensity to spend their higher real incomes than did the oil-exporting countries where savings rates are typically higher.

Fitch forecasts Brent oil prices to increase gradually to an average USD65/b in 2015, USD75/b in 2016 and USD80/b in 2017, while recognising that there is substantial uncertainty around this baseline path. Saudi Arabia's strategy of not cutting back supply has managed to squeeze

higher-price producers, evident in the dramatic fall in the number of oil and gas rigs operating in the US (Figure 3) and announced retrenchment of development and production plans by major international oil companies. However, production in Iran could increase if a successful nuclear agreement is reached, representing a further risk to oil prices.

A recovery in prices would gradually ease the downward pressure on some oil producers, depending on their policy response, but leave them in a weaker position than in 2014.

Bond Market Volatility is Not All Bad News for Sovereigns

Fitch views the sharp rise in eurozone (and, to a lesser extent, global) sovereign bond yields since April as a positive signal for the eurozone economy, but it may be a harbinger of global market volatility ahead. Yields on 10-year Bunds have risen from 0.1% in April 2015 to 0.8% currently, while yields on 30-year Treasury bonds have increased by 90bp since February to 3.1% (Figure 4).

The proximate trigger for the bond market sell-off is unclear, but the underlying cause is probably some combination of rising inflation expectations (Figure 5), stronger growth expectations and market positioning. Nevertheless, the reversal in yields to date is modest in absolute terms, bond yields remain exceptionally low by historical standards, and pre-correction yields appeared hard to reconcile with credit fundamentals other than in the pricing-in of tail risks of a prolonged economic slump or entrenched deflation.

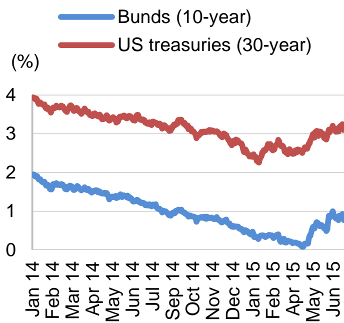
Higher European sovereign bond yields are positive signs for the global economy to the extent that they reflect market expectations of inflation moving closer to the ECB's target of close to but below 2% and a recovery in growth prospects. This was an objective of the ECB's quantitative easing (QE) – and may be an early indication that it is being effective – even though substantial ECB purchases of sovereign bonds were initially driving down yields as its portfolio effect initially dominated its macroeconomic one. In Fitch's view, the risk of entrenched eurozone deflation has diminished and the prospect of economic recovery has strengthened since 1Q15. However, it would be premature to conclude that the risk of deflation is over.

Stronger eurozone growth and inflation would be net credit positive for eurozone sovereigns. In this context, rising sovereign bond yields does not imply worsening credit risk. Fitch bases its rating assessments on credit fundamentals and aims to look past financial market volatility. Moreover, despite the market correction, interest rates on government debt remain exceptionally low.

Figure 4

Bond Market Correction

Benchmark bond yields

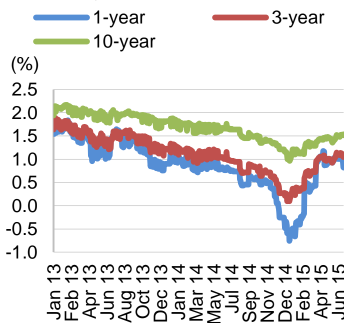


Source: Datastream

Figure 5

EZ Inflation Expectations

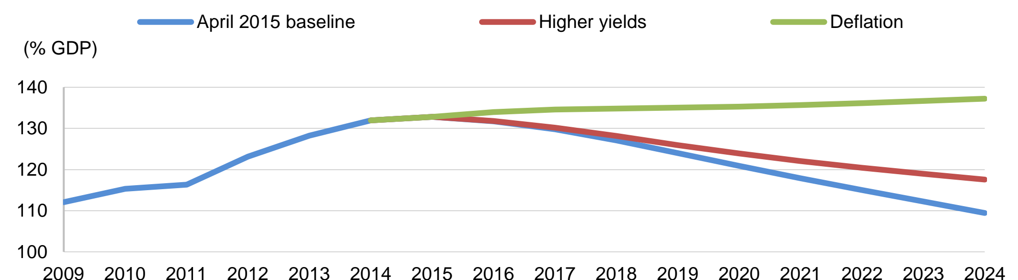
Implied by index-linked swaps



Source: Datastream

Figure 6

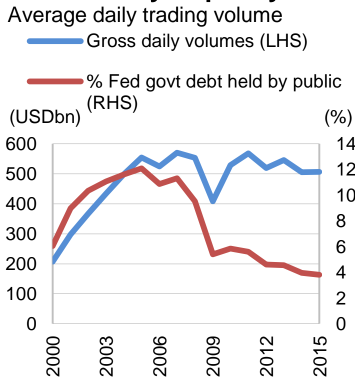
Italy: Illustrative Government Debt Sensitivity Analysis



Higher yields scenario: Marginal cost of funding jumps to 2% in 2015, then is 150bp above that in the base case, reaching 4.5% in 2020. Deflation scenario: The GDP deflator falls to 0% in 2016 and beyond, while real GDP growth falls to 0.5% (from 1% in the baseline)
Source: Fitch

Figure 7

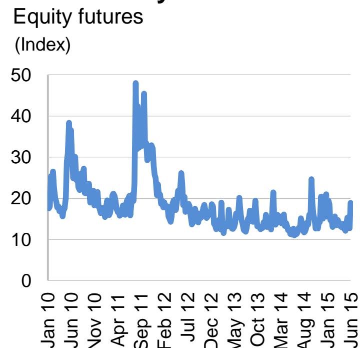
US Treasury Liquidity



Source: Sifma, US Treasury and Fitch

Figure 8

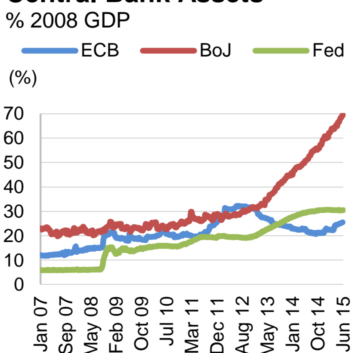
Vix Volatility Index



Source: CBOE

Figure 9

Central Bank Assets



Source: Datastream and Fitch

In Fitch's debt dynamics projections for public debt sustainability, it has assumed that eurozone sovereigns' marginal cost of financing would rise from recent lows. For example, in our rating review of Italy in April 2015, we assumed that the government's marginal cost of financing would increase from 1.5% in 2015 to 3% by 2020. Nevertheless, the average nominal effective interest rate would actually decline over this period from 3.2% to 2.5%, reflecting the six-year average maturity of its debt and as more expensive debt issued in earlier years matures. Higher inflation and real GDP growth would also be supportive of public debt dynamics as they boost government revenues and the denominator of government debt/GDP. Government debt dynamics are much more sensitive to adverse shocks from low inflation and growth than higher interest rates, partly reflecting this different speed of transmission (see Figure 6).

However, the speed of the shift in eurozone sovereign bond markets may signal that changes to market regulations since the global financial crisis are having some adverse side-effects on market liquidity, which could hamper the orderly rebalancing of investor portfolios at times of stress.

Regulations have raised the cost of capital and reduced the role of traditional market makers that play an important role in providing market liquidity. They have increased the incentives of some market participants such as insurance companies to hold 'safe assets' such as sovereign bonds, even at exceptionally low yields. And the growing weight of passive and exchange traded funds may have increased 'herding' behaviour of investors, leading to crowded positions that may be hard to exit. Market volatility tends to increase at turning points in monetary policy.

Central bank balance sheets have grown to unprecedented size relative to underlying economies (see Figure 9), largely reflecting acquisition of government debt by central banks funded by the creation of base money. In Japan's case this is now around 70% of GDP. The timing and strategy for the unwinding of these positions by central banks, as and when broader economic conditions warrant, remain unclear. The fact that central banks are operating in uncharted territory widens the scope for a policy mistake at some point that could have a disruptive impact on economic or financial stability, although this is not Fitch's base case.

Global Monetary Policy Divergence Creates Risks

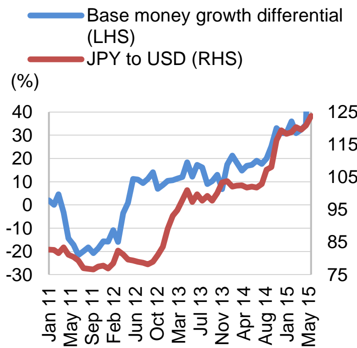
The divergent direction of monetary policy among the world's leading central banks and, in particular, the looming increase in interest rates by the US Federal Reserve heighten the risk of volatility in global bond markets and capital flows. Emerging markets with large external financing requirements and weak policy credibility are most vulnerable, in Fitch's view.

It is unusual for the central banks that control the world's main reserve currencies to be moving monetary policy in opposite directions (Figure 10). The ECB and the Bank of Japan are currently loosening monetary policy aggressively through QE, while the Fed is widely expected to start tightening policy by raising policy interest rates before the end of 2015 (see next section).

Such divergence in monetary policy can lead to significant shifts in global exchange rates, with potentially adverse consequences for different countries or segments of the credit markets. The US dollar has appreciated by 19% against the euro over the past 12 months and by 17% on a trade-weighted basis.

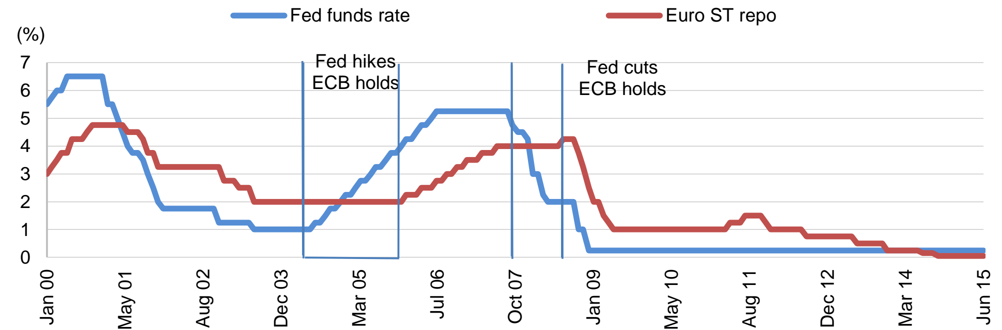
A strong US dollar can help global rebalancing by facilitating looser monetary conditions that support growth and reduce the risk of deflation in other advanced countries such as Japan and the eurozone, as well as allowing an improvement in competitiveness in EMs.

Figure 12
JPY and Monetary Growth



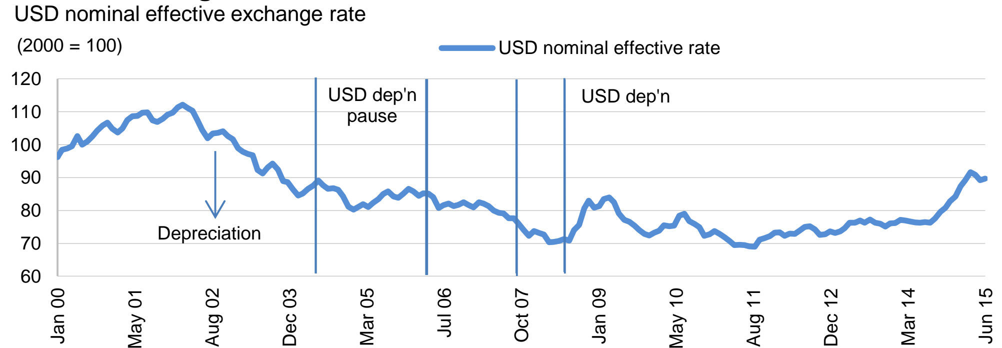
Source: Datastream

Figure 10
Monetary Policy Divergence Rare
Fed 2004 tightening coincided with pause in USD depreciation; 2008 cuts accelerated depreciation



Source: Datastream

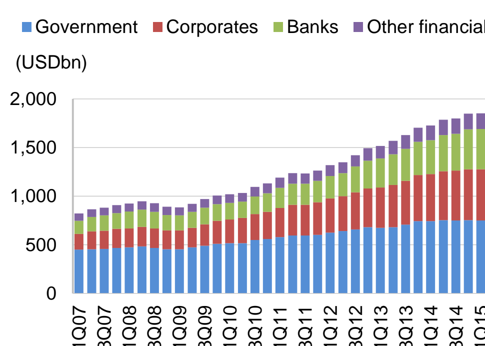
Figure 11
Drives Exchange Rate Movements
USD nominal effective exchange rate



Source: Datastream

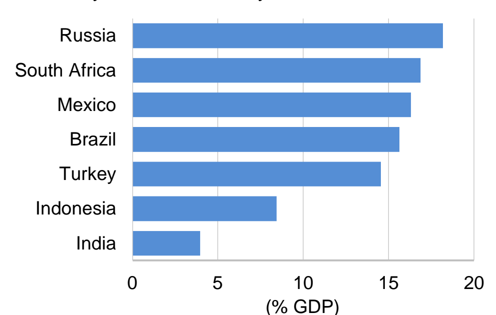
However, it raises the real debt burden of debt issued by EM borrowers in US dollars relative to their domestic GDP and earnings. EM foreign-currency debt securities outstanding have more than doubled since the beginning of 2007 to over USD1.8trn (Figure 13). The vast majority of this is denominated in USD. The increase in corporate sector leverage has outstripped that of sovereigns or banks, more than tripling in value. Latin American corporates have been the heaviest borrowers amongst EM regions in terms of both the increase and level of debt outstanding, led by Brazil. Of the large EM countries, Russia has the highest burden of external debt securities outstanding relative to 2015 GDP, following the sharp depreciation of the rouble, although some of this is related-party borrowing and denominated in roubles (Figure 14).

Figure 13
EM External Debt Securities



Source: BIS and Datastream

Figure 14
External DebtSecurities
1Q15, by issuer nationality, % 2015 GDP



Source: BIS and Fitch

Another risk is that other countries get caught out by the shifting tectonic plates of rising Fed interest rates/US dollar and ECB QE and the euro. Such effects may not be obvious and carry

the potential for surprises. One example was the decision by the Swiss National Bank (SNB) to abandon the euro/franc ceiling in January, which precipitated an intra-day exchange rate appreciation of 27% before the CHF ended the day up 14%. The SNB also lowered its interest rates on some sight deposit account balances to −0.75%, stretching the conventional assumption of the 'zero lower bound' for nominal interest rates. The extreme and surprise exchange rate adjustment in turn generated a sharp increase in the burden of CHF mortgages prevalent in emerging Europe[1].

The Danish Nationalbank was also forced into extraordinary measures to defend the peg of the krone against the euro by cutting its interest rate on certificates of deposit to −0.75% in February and increasing its purchases of foreign exchange in the market, while the Ministry of Finance suspended bond issuance. And the Swedish Riksbank has loosened monetary policy to prop up inflation expectations and offset upward pressure on the exchange rate of the krona against the euro. Sweden's repo rate is now at -0.35%, and the Riksbank has announced a government bond-buying programme amounting to SEK125-135bn (around 3%) of GDP.

In contrast, many countries in emerging Europe are enjoying boosts to GDP growth, current account positions and improved terms of financing owing to the spillover from eurozone QE.

The devaluation of the rouble has also put downward pressure on the exchange rates of other CIS countries for which it is a major trading partner and source of remittances and finance, including the Armenian dram and Georgian lari. This factor and lower oil prices led the Central Bank of Azerbaijan to abandon its longstanding fixed exchange rate policy in February, devaluing the manat by 34% against the US dollar, before re-pegging it to a dollar/euro basket.

Other countries that could be adversely affected by realignments in the world's major currencies are those whose foreign debts and imports (such as raw materials) are primarily denominated in currencies that have strengthened (such as the USD) but whose main export markets have seen currency depreciation (such as the eurozone). Turkey is one country that at least partly fits into this pattern. Dollarised countries such as El Salvador, which Fitch downgraded to 'B+'/Stable from 'BB-'/Negative in July 2015, and Panama are facing a tightening in monetary and macroeconomic conditions.

Fed Tightening Adds to Pressures Facing Emerging Markets

The beginning of the Fed's interest rate raising cycle, which Fitch expects to commence before the end of 2015, will exacerbate the macroeconomic and external financing pressures on EMs and increase the risk of further EM negative rating actions. However, Fitch aims to look through the normal economic cycle, thinks some of the concerns over EMs are overdone, and is not expecting a systemic EM crisis.

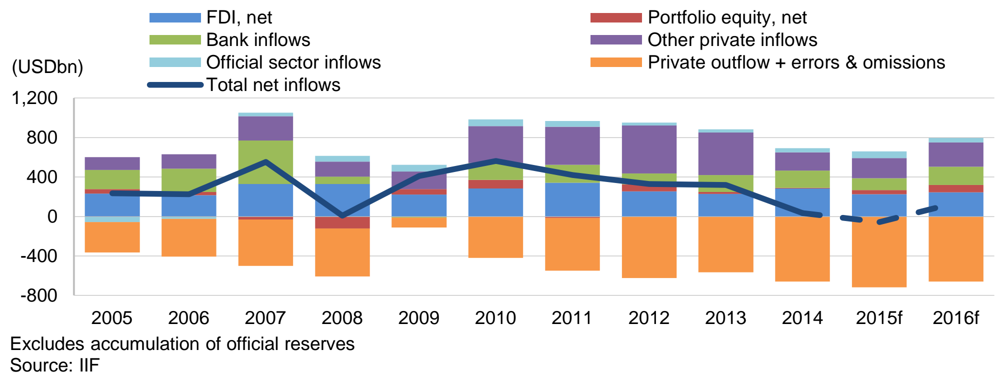
US monetary policy has the greatest impact on EM interest rates, capital inflows and currencies, and on global risk appetite, because of the role of the US dollar as the pre-eminent reserve currency and main denomination for foreign-currency borrowing, as well as the size of the US capital markets.

The 'lift-off' in Fed interest rates will be its first for nine years and will come after 78 months so far of the Fed Funds rate at 0%-0.25%, an unprecedentedly accommodative monetary policy setting. Unease is heightened by the impact of the 'taper tantrum' two years ago, when the Fed announced its roadmap for winding down its QE programme.

[1] These account for around 37% of mortgages (equivalent to 9% of GDP) in Poland and 51% (12% of GDP in Hungary) before the government's scheme to convert some into forints

Figure 15

Emerging Market Capital Flows

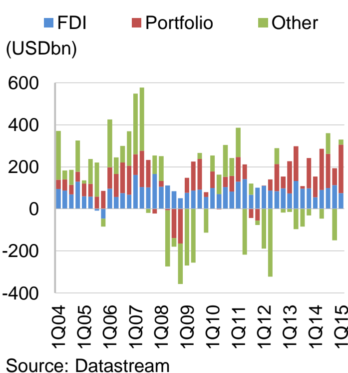


Excludes accumulation of official reserves
Source: IIF

However, the eventual increase in Fed interest rates is likely to be gradual and to only a moderate level by historical standards. At its June meeting, the Federal Open Market Committee's median projection for the Fed Funds rate embodied in its "dot plot" was only 1.625% at end-2016, 2.875 at end-2017 and 3.75% in the longer run. Rate expectations embodied in market prices are even lower. Furthermore, an increase in US interest rates has been long signalled by the Fed and widely expected by market participants and emerging-market policymakers, so that it should not come as a shock.

Figure 16

US Capital Outflows



Source: Datastream

Higher US interest rates will exert some negative influence on EM capital inflows, interest rates and growth as US investors' search for yield will find more attractive opportunities at home. However, the idea that US QE generated a "wall of money" of capital inflows to EMs, which could subsequently reverse, is not borne out by US balance-of-payments data showing average quarterly US outflows were USD184bn lower during the 2008-2014 QE period than in 2004-2007 (see *Emerging Markets' Fears of US Monetary Tightening Overdone*, published 25 June 2015; and Figure 16). Furthermore, US policy tightening will be partially offset by a strengthening in DM economic growth since 2014 and by continuing policy loosening by the ECB and the Bank of Japan (see *Global Monetary Policy Divergence Creates Risks*).

Overall, EM capital inflows and creditworthiness have stood up well under a period of exceptional global economic stress encompassing the global financial crisis, eurozone crisis and 'taper tantrum'. Many EMs have also undergone adjustments in policy rates, risk premiums and exchange rates since the 'taper tantrum', and have narrowed current account deficits and external financing vulnerabilities (see *US Rate Risks to Large Emerging Markets Have Shifted Since the Taper Tantrum*, published 29 April 2015). However, corporate sector external borrowing has continued to rise rapidly (see above), and EM foreign exchange reserves have fallen by an average of USD58bn a month since June 2014, albeit partly reflecting valuation effects and heavily influenced by China and Russia (see *Steep Emerging-Market FX Reserve Falls Likely to Continue*, published 28 May 2015).

Which EMs Are Most Vulnerable to Fed Tightening?

In Fitch's view, the most vulnerable EM countries will be: those with large external financing requirements (current account deficits and maturing external debts), low foreign reserve buffers, high levels of leverage, and vulnerable debt structures (foreign currency, short maturity and non-resident creditors); those that have seen strong inflows of hot money and recent bank credit growth; those with fragile policy macroeconomic frameworks or weaker fundamentals as signalled by low ratings; and those already weakened by lower commodity prices and geopolitical shocks.

There is no definitive set of indicators that capture the risks to EMs from Fed tightening. However, Figure 17 shows how the largest 15 and selected other top 65 emerging markets fare on 11 indicators, which capture some of the potential vulnerabilities related to external finances, public finances and banking sectors with an emphasis on liquidity and funding exposures from shocks to capital flows (rather than other shocks or general creditworthiness). For consistency, we have used the same indicators and thresholds as in a similar exercise just after the 'taper tantrum' in July 2013.

Countries with at least three indicators that show up as red on the heat-map signalling risky or stretched levels include: Armenia (6), Mongolia (5), Ukraine (4), Lebanon (4), Mozambique (4), Georgia (4), Turkey (3), Hungary (3), Sri Lanka (3) and El Salvador (3). This highlights that the so-called 'fragile five' large EMs are not necessarily the most vulnerable.

The following countries have seen an increase in vulnerability, as measured by more red indicators since the exercise in July 2013: Russia, Saudi Arabia, Venezuela, Ukraine, Sri Lanka, Serbia, Ghana, El Salvador, Mozambique, Georgia, Mongolia and Armenia.

In contrast, the following countries have seen one fewer red indicator: China, Brazil, India, Indonesia, Hungary, Jamaica, Romania and the Dominican Republic. However, in some cases other risk factors may have worsened so that the country's overall vulnerability to shocks may not have improved or may have worsened. For example, Indonesia has been adversely affected by lower commodity prices; while Brazil has experienced economic recession, wider macroeconomic imbalances and an increase in government indebtedness.

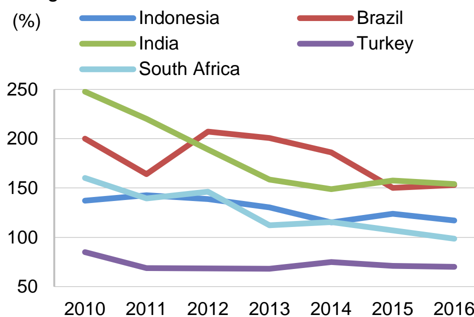
Fitch recognises that such an exercise is purely illustrative and not a substitute for country-specific credit analysis. The results can be sensitive to the selection of different indicators and threshold rates, and small change around threshold values; and there may be country-specific factors that mitigate risks related to some indicator levels. Fitch has used the same threshold levels for every country rather than trying to tailor them to account for special factors.

Fitch's liquidity ratio (column 3 of Figure 17) shows evidence of tighter external financing pressures and some erosion of buffers in recent years (Figures 18 and 19)[2].

Figure 22

Liquidity Ratio (1)

'Fragile Five'

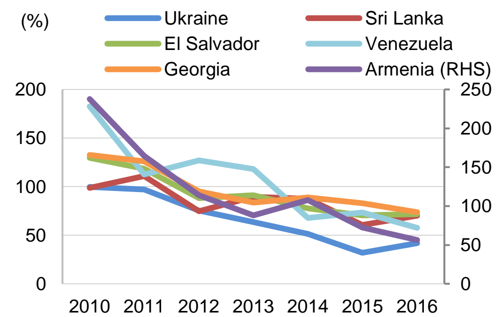


Source: Fitch

Figure 23

Liquidity Ratio (2)

Selected EM



Source: Fitch

[2] Fitch's liquidity ratio is the ratio of the stock of international reserves including gold plus banks' external assets at the previous end-year to liquid external liabilities, which are defined as scheduled external debt service in the current year, plus the stock of short-term external debt and all non-resident holdings of marketable medium- and long-term local-currency debt at previous end-year

Figure 17

Emerging-Market Heat-Map of Vulnerability to Drop in Capital Inflows

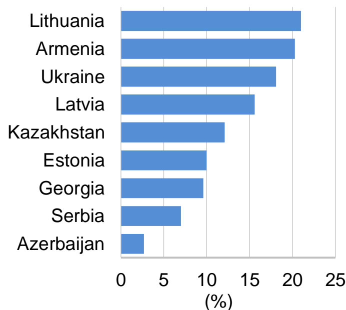
	External finances				Public finances				Banks		
	Current acc. + net FDI (% GDP)	Gross ext. financing needs (% FX reserves)	Liquidity ratio[b] (%)	Net external debt (% GDP)	Gen. govt balance (% of GDP)	Gen. govt debt maturities (% GDP)	Foreign currency gen. govt debt (% GDP)	Non-resident holdings of govt debt (% total)	Bank credit to priv. sector real growth (%)	Bank credit to priv. sector (% GDP)	Loan to deposit ratio (%)
	2015	2015	2015	2014	2015	2015	2014	2014	(2010-14)	2014	2014
China	2.7	-6.4	605.0	-42.9	-2.6	1.7	1.0		12.2	142.0	92.9
Brazil	-1.5	41.7	150.2	12.4	-6.0	7.6	3.3	16.6	10.0	74.3	106.8
India	-0.5	17.3	157.5	2.7	-6.9	5.5	2.4	6.6	8.9	56.5	76.9
Russia	4.2	6.6	298.6	-19.0	-3.9	1.1	2.1	14.8	8.4	59.3	125.9
Mexico	-0.9	28.4	111.8	1.3	-3.0	5.0	6.8	32.7	10.2	31.4	107.2
Indonesia	-0.8	45.6	124.0	13.0	-2.5	3.7	13.2	56.4	14.0	36.4	105.4
Turkey	-3.4	59.8	70.9	30.4	-1.8	6.3	9.7	32.9	18.7	68.0	130.1
Saudi Arabia	0.5	0.9	2047.9	-102.5	-13.0	1.2	0.0		7.8	61.4	81.7
Nigeria	-1.0	25.5	171.8	-11.8	-2.1	3.5	2.1		0.0	14.4	84.5
Poland	-2.0	60.4	70.1	35.5	-2.8	6.1	30.1	56.6	5.0	59.9	103.7
Venezuela	0.1	39.6	73.4	-29.0	-3.8	1.1	8.8		10.9	35.5	70.4
Colombia	-2.3	50.4	140.7	2.7	-2.3	2.8	11.9	25.1	11.6	52.7	111.7
Thailand	5.0	-3.6	255.3	-36.6	-2.7	1.4	0.6	12.4	9.8	158.8	104.9
South Africa	-3.8	39.2	106.8	13.5	-3.6	5.7	6.3	33.3	0.1	67.2	113.1
Malaysia	1.0	18.0	108.0	-34.6	-3.6	6.8	1.5	28.3	8.4	124.6	99.9
Egypt	0.0	77.7	284.8	4.1	-11.1	31.0	14.8	10.8	-2.3	25.4	50.0
Hungary	4.8	24.3	106.2	58.0	-2.5	15.2	27.3	60.8	-6.5	49.2	101.5
Ukraine	-1.0	318.8	32.0	8.9	-8.7	11.1	35.5	34.8	-6.4	60.6	158.8
Ecuador	-2.7	223.1	129.4	1.1	-5.9	3.4	1.0	42.3	9.6	27.4	93.5
Sri Lanka	-1.9	69.2	60.5	42.1	-4.7	20.7	33.9	44.0	11.6	28.0	85.7
Kenya	-6.1	93.1	135.6	11.3	-10.1	6.8	20.9		10.1	36.4	94.8
Lebanon	-13.9	29.6	162.3	-49.7	-8.3	18.5	51.3		8.7	90.9	39.8
Serbia	-2.9	91.9	111.0	36.2	-5.0	15.6	46.5		0.4	43.7	113.8
Ghana	0.2	75.3	121.1	40.4	-8.1	14.8	36.2		17.8	19.0	82.5
El Salvador	-3.1	139.3	70.5	29.3	-4.2	2.7	58.0		2.7	43.9	104.4
Mozambique	-17.0	238.2	211.4	51.9	-7.3	0.5	48.5		13.6	31.8	82.0
Georgia	-6.7	109.4	83.0	57.6	-3.5	3.3	28.4		15.1	47.2	143.4
Mongolia	-1.6	84.2	86.4	135.7	-9.8	6.5	41.2		25.5	59.3	130.1
Armenia	-9.4	135.2	72.3	48.2	-3.0	1.1	41.5		17.9	45.7	177.0

[a] Largest 15 and selected other emerging markets. Selection of indicators and red and amber thresholds levels is for illustration. See text for health warnings

[b] Fitch liquidity ratio is the ratio of the stock of international reserves including gold plus banks' external assets at the previous end-year to liquid external liabilities, which are defined as scheduled external debt service in the current year, plus the stock of short-term external debt and all non-resident holdings of marketable medium- and long-term local-currency debt at previous end-year

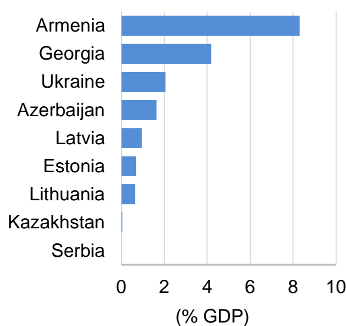
Source: IMF and Fitch

Figure 20
Exports to Russia
% total exports, 2014



Source: IMF

Figure 21
Remittances From Russia



Source: World Bank and Fitch

Geopolitics Adds to Downside Risks

The deterioration in relations between Russia and the West, triggered by events in Ukraine, represents a major and likely long-lasting shift in the political landscape, with repercussions for the economies and sovereign credit of Russia and some of its neighbours.

The impact of Western sanctions on Russia has been a key cause of recession, declining foreign exchange reserves and financial volatility in Russia, in conjunction with the steep fall in oil prices. These were the key rating drivers behind Fitch's downgrade of Russia to 'BBB−'/Negative Outlook in January 2015 (having placed the 'BBB' rating on Negative Outlook in March 2014). Nevertheless, Fitch maintained Russia's investment-grade rating (despite the severe economic and financial market volatility) owing to the strong starting point of its sovereign and country balance sheets, the authorities' largely coherent policy response to the shock, and our view that oil prices were unlikely to remain below USD50/b for long.

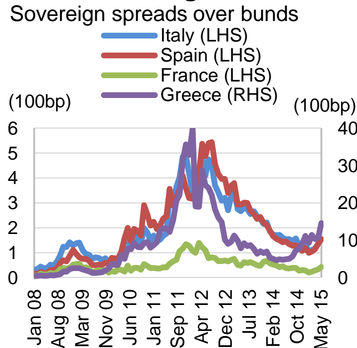
A resurgence of military action in eastern Ukraine would be met by further tightening in Western sanctions, and this remains a risk to the Outlook for Russia.

Ukraine has been the main casualty of heightened geopolitical risk as Russia's military intervention in the country has contributed to the collapse of its economy and financial crisis. Fitch downgraded Ukraine's sovereign rating to 'CC' in February 2015 (having downgraded it to 'CCC' from 'B−' in February 2014 in the lead-up to the ousting of former president Viktor Yanukovych) on the basis that a sovereign debt restructuring is increasingly probable.

The impact is also affecting some other Commonwealth of Independent States (CIS) countries and neighbours (see *Russia Slowdown Hits CIS Sovereigns*, published 5 March 2015). The main channels of spillover are through lower exports to and workers' remittances from Russia (Figures 20 and 21), reflecting not just recession but the sharp fall in Russian GDP in USD terms induced by the drop in the rouble, as well as lower FDI and other capital flows. Apart from Ukraine, Fitch judges Armenia to be the most exposed, and the impact of the shock led us to downgrade its rating to 'B+'/Stable in January 2015. We also revised the Outlook on Georgia's 'BB−' rating back to Stable from Positive. The Baltic states also have high trade exposures, although these are inflated by the transit trade.

An analysis of Middle East political stability is beyond the ambitions of this report. However, the multi-country and cross-border Sunni-Shia conflict, the rise of so-called Islamic State, and the risk of the emergence of failed states could generate adverse spillovers to other countries in the region. A potential agreement between the P5+1 (the five permanent members of the UN Security Council plus Germany) and Iran over the latter's nuclear programme could also give rise to negative regional shocks. Tensions in the Korean peninsula and South China Sea also bear watching.

Figure 22
Greece Contagion Limited
Sovereign spreads over bunds



Source: Datastream

Grexit: A Tail Risk for the Eurozone

Following a six-month political standoff, an agreement on prior actions required for European Stability Mechanism (ESM) support (Greece's third bailout programme) was reached on 12 July. This agreement has reduced the risk of Grexit, which peaked following the 5 July rejection by referendum of an earlier draft agreement. However, the standoff has taken a heavy toll on the Greek economy and financial system. Liquidity conditions became so tight that the government was unable to service its debts to the IMF and bank holidays and capital controls were imposed from end-June.

Fitch sees a significant risk that a third bailout programme could go "off track" in a similar fashion to the first two. The national authorities have demonstrated clear reluctance to agree to the conditionality involved, heightening the risk of delays to disbursements and further political disputes over the coming months. In addition, there is considerable uncertainty over the economic outlook in Greece, not least as significant up-front fiscal adjustment will probably be

a requirement of the programme. As such, we believe it is far too soon to claim that the risk of Grexit is off the table.

Grexit would likely trigger some increase in peripheral eurozone sovereign bond spreads and financial market volatility and dent economic confidence, with a potential adverse impact on growth. So far, contagion has been limited (Figure 22). No one can be fully confident about predicting all the effects of extreme events. However, we do not think Grexit would trigger a systemic crisis like that seen in 2012, or another country's rapid exit (see *'Grexit' Still Possible; Systemic Crisis Unlikely*, published 6 March 2015). This view is based on the improvement in fiscal positions, current accounts, growth performance and banking systems of countries in the eurozone periphery; the development of eurozone policy support mechanisms and architecture including the ECB's Outright Monetary Transactions (OMT) programme, the ESM inaugurated in October 2012 and progress towards banking union; and the current large-scale support to sovereign bond markets from the ECB's QE programme.

Nevertheless, Grexit would heighten long-term risks to the eurozone. By proving that membership of the currency bloc is not irreversible, it would increase the likelihood of future economic and financial crises metamorphosing into a euro exit through triggering a vicious circle of spiralling borrowing costs and bank deposit withdrawals. This would follow the earlier breaking of taboos: no bailouts, no defaults and no capital controls.

Policy tools such as the OMT and ESM would provide a strong line of defence. But as we have seen in the case of Greece, access to such support mechanisms depends on economic policy conditionality. Therefore, the advent to power of populist or anti-euro parties would represent a particular danger. Although Grexit may prove so disruptive for Greece that the electoral appeal of populist parties elsewhere falls and might spur the strengthening of eurozone institutions, it would not entirely eliminate the possibility of a further exit in the future. Spanish parliamentary elections, due by end-December 2015, will bear close watching in view of the strong showing in opinion polls of the left-wing populist party Podemos and new anti-establishment party Citizens.

Long-Term Growth Concerns

Near-Term Growth Prospects Improve…

Fitch forecasts global GDP growth to strengthen from 2.4% in 2015 to 2.9% in 2016 and 2.8% in 2017 (see *Global Economic Outlook*, published 2 July 2015). The pick-up in 2016 mainly reflects a recovery from recession in Brazil and Russia, albeit a weak one.

Figure 23

Global Forecast Summary

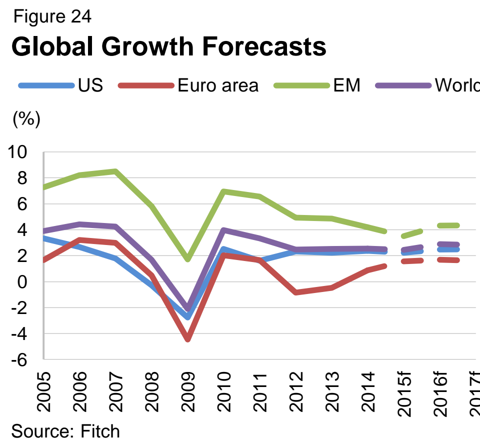
(%)	2014	2015f	2016f	2017f
GDP growth				
US	2.4	2.2	2.5	2.5
Eurozone	0.9	1.6	1.7	1.6
Japan	0.0	1.2	1.4	0.3
UK	2.8	2.5	2.3	2.1
Emerging markets	4.2	3.5	4.3	4.3
BRICs[a, b]	5.0	3.9	4.8	4.8
World[a]	2.6	2.4	2.9	2.8
Interest rates				
US	0.3	0.4	1.1	2.3
Eurozone	0.1	0.1	0.1	0.3
Japan	0.1	0.1	0.1	0.1
UK	0.5	0.5	1.0	2.2
Assumptions				
Oil (USD/barrel)	98.9	65.0	75.0	80.0

[a] Weighted by 2011 GDP at market exchange rates
[b] Brazil, Russia, India and China
Source: Fitch

Following an unexpectedly weak 1Q15 outturn, we expect the US economy to rebound to 2.2% growth in 2015 and 2.5% in 2016-2017. Our baseline forecast is for eurozone GDP growth to strengthen from 0.9% in 2014 to around 1.6% in 2015-2017, supported by a weaker exchange rate, low oil prices, strengthening confidence and QE. However, Grexit poses a tail risk.

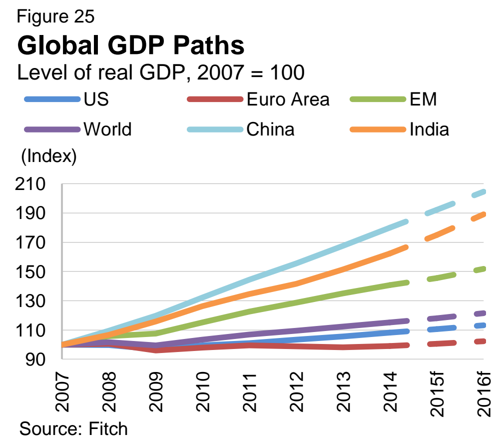
There is a stark divergence in growth prospects across EMs, reflecting differing exposures to commodity prices and other global macro trends, as well as country-specific factors. Among the BRICs, GDP growth will range from 7.8% in India to a contraction of 3.5% in Russia this year. We project Chinese growth to continue to slow gradually to 6.8% in 2015, 6.5% in 2016 and 6.0% in 2017. India's GDP growth will surpass China's in 2015 for the first time since 1999 and accelerate to 8% in 2016.

Figure 24
Global Growth Forecasts



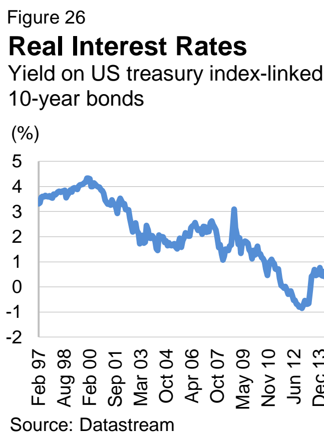
Source: Fitch

Figure 25
Global GDP Paths
Level of real GDP, 2007 = 100



Source: Fitch

Figure 26
Real Interest Rates
Yield on US treasury index-linked 10-year bonds



Source: Datastream

… But Long-Term Growth Prospects Weaken

However, Fitch is becoming more concerned that long-term growth potential has declined in both EM and DM countries. Real GDP growth feeds directly into Fitch's Sovereign Rating Model (SRM). Weaker growth would also exert negative pressure on ratings through tending to widen budget deficits, making it harder to reduce government debt/GDP ratios, increasing unemployment and potentially adding to pressures on political stability, policy frameworks and banking systems if loans have been issued on optimistic assumptions about rates of return.

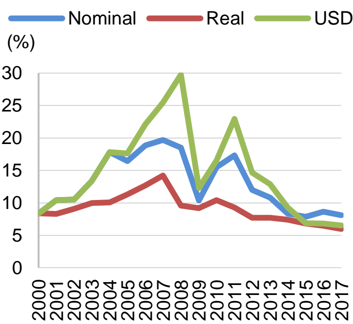
Concerns about long-term growth prospects reflect the lacklustre recovery and puzzlingly weak productivity growth in DMs since the global financial crisis; the persistent downward revisions to EM growth projections over the past couple of years under the weight of structural constraints and diminishing gains to GDP from credit growth; the subdued pace of world trade growth; demographic profiles in major economies; and the conjunction with other macroeconomic indicators such as low inflation, commodity prices and real interest rates.

There are various (not necessarily mutually exclusive) general theories (as well as country-specific factors) for the poor performance of global growth in recent years. Larry Summers revived the idea of 'secular stagnation' in which there is a persistent lack of demand that holds back growth stemming from a chronic excess of saving over investment at the prevailing real interest rate, which cannot be lowered sufficiently owing to the zero lower bound for nominal rates.

Kenneth Rogoff[3] argues that instead the best explanation of low growth since the global financial crisis is a 'debt super-cycle' that fits the historical pattern of subdued recoveries from financial busts as excess debt is gradually worked off balance sheets and weak banks impair the credit channel. Unlike with secular stagnation, economic growth will gradually revive as deleveraging runs its course.

[3] See, for example, *Debt supercycle, not secular stagnation*, Vox April 2015)

Figure 27
Chinese GDP Growth



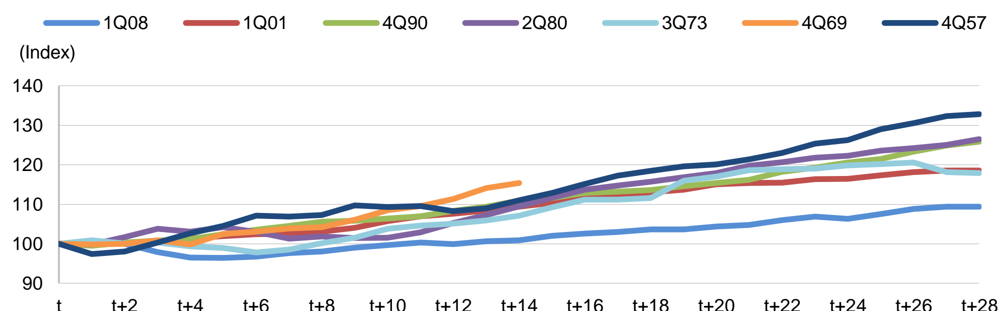
Source: National Bureau of Statistics and Fitch

The 'global savings glut', stemming from excess savings in Asia and a desire for perceived safe assets, identified by Ben Bernanke, can further explain why real interest rates have fallen so low and the build-up of global imbalances that contributed to the global financial crisis.

Another idea, pioneered by Robert Gordon, is that slow GDP is driven from the supply-side rather than inadequate demand and reflects a slowdown in the rate of growth-enhancing technological innovation[4]. He also highlights supply-side headwinds from demographics, plateauing educational attainment, inequality, and energy and environmental constraints, as well as high deficit and debt levels.

The recovery from the global financial crisis has been the fastest in the US of the major DM economies. Even there, however, annual GDP growth has averaged just 2.2% since the recovery began in 2010, with a peak of 2.5% in 2010. This is exceptionally slow by historical standards after the deep recession in 2008-2009. Weak productivity growth means that prior forecasts that the US would enjoy a period of 3% above-trend growth as it closes its output gap have persistently disappointed. Moreover, a fall in the unemployment rate to just 5.3% in June raises uncertainty about the amount of spare capacity left in the economy. Fitch expects the economy to grow at 2.5% through 2016-2017, rather than 3%, before converging with potential growth of around 2.2%.

Figure 28
US Recessions and Recoveries
Level of real GDP, start of recession 't' = 100, and following quarters



Source: BEA and Fitch

The gradual slowdown in China will also weigh on global growth, given its weight in the world economy. A hard landing (which is not Fitch's base case) would constitute a major shock to the world economy, trade, commodity prices and financial flows, which would likely have rating implications for a number of sovereigns.

1H15 Sovereign Rating Actions

The first half of 2015 witnessed a net deterioration in sovereign ratings as well as net negative changes to rating Outlooks. This reflected the drop in oil prices, spillovers from Russia to some countries in the CIS, and rising government indebtedness in some advanced countries, as well as idiosyncratic country-specific factors.

There were nine foreign-currency rating downgrades (by a total of 10 notches) in 1H15, outnumbering the two upgrades by a factor of more than four to one. There were eight negative changes to Outlooks (including from Positive to Stable) exceeding the five positive changes (including from Negative to Stable).

[4] See *Is US economic growth over? Faltering innovation confronts the six headwinds*, CEPR, September 2012

Figure 29

Sovereign Rating Actions in 1H15

	Positive			Negative		
	Rating upgrade	**Outlook to Positive**	**Outlook to Stable**	**Rating downgrade**	**Outlook to Negative**	**Outlook to Stable**
January	Paraguay	Iceland		Armenia, Russia	Costa Rica, Greece	
February	Uganda	Jamaica		Austria, Ukraine		
March			Tunisia	Greece	Angola, Finland, Nigeria	Zambia
April				Japan	Brazil	Georgia
May		Hungary		Bahrain, Gabon		
June			Malaysia	Greece		
Total	2	3	2	9	6	2

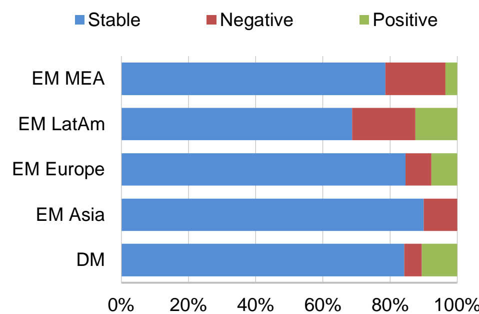
Source: Fitch

The vast majority of sovereign (foreign-currency) ratings are on a Stable Outlook (85). But Negative Outlooks/Watches outnumber Positive Outlooks/Watches by 12 to eight, signalling that sovereign creditworthiness is deteriorating and further downgrades are likely in 2H15 and 2016 (see Figures 30 and 31). Ten of the Negative Outlooks are on EM countries, signalling that they are under the greatest downward pressure, while for DM countries Positive Outlooks outweigh Negatives (Figures 30 and 31). In April 2015, the proportion of net negative Outlooks (Negative less Positive) was the highest since 2009.

Figure 30

Current Rating Outlooks

On foreign currency ratings

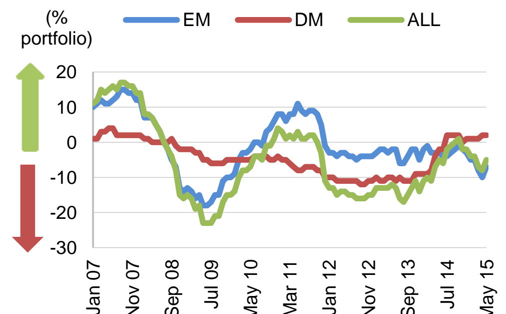


Source: Fitch

Figure 31

Rating Outlook Trends

Net positive (positive less negative)



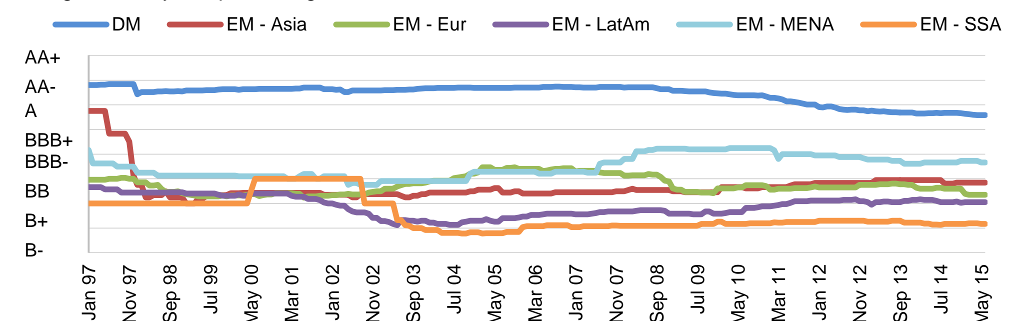
Source: Fitch

The negative rating actions in 1H15 were spread between DM and EM ratings. There were four DM downgrades (covering three countries and by a total of five notches), compared with five EM downgrades, whilst both the upgrades were EM countries. Most of the Outlook changes affected EM countries (six negative and four positive), whilst for DM countries there were two negative changes and one positive one.

Figure 32

Sovereign Ratings by Region

Foreign currency, simple average



Source: Fitch

Global Macro Trends Drive Majority of EM Rating Actions

The majority of EM rating and outlook changes were driven by external shocks and the policy response to them. The drop in oil prices contributed directly to three of the five EM downgrades in 1H15 (Russia, Gabon and Bahrain), as well as Negative Outlooks being placed on the ratings of Angola and Nigeria (see *Drop in Oil Prices is Main Sovereign Rating Driver in 2015*). The impact of geopolitical shocks precipitated the other two – Armenia and Ukraine – as well as contributing to that of Russia and a negative change to the Outlook of Georgia (see *Geopolitics Adds to Downside Risks*).

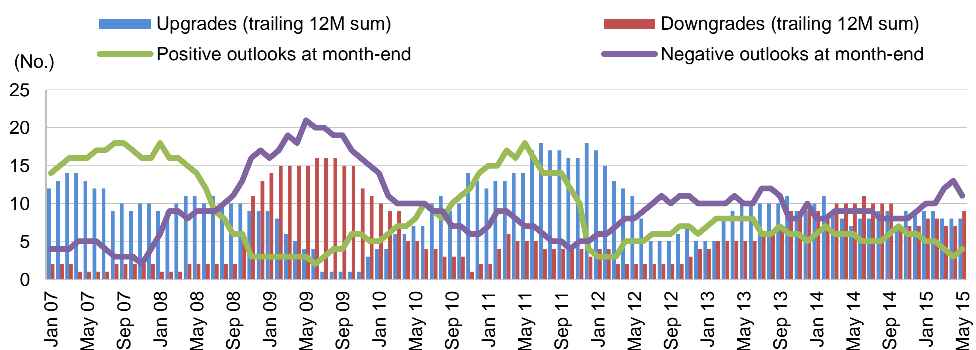
Fitch upgraded Paraguay to ‘BB’/Stable from ‘BB−’/Positive in January, reflecting its strong growth performance, rising income levels and increasing resilience to external shocks. The other upgrade was Uganda to ‘B+’/Stable from ‘B’/Positive in February owing to its track record of prudent macroeconomic policies, robust growth, reduced dependence on international aid and increased tax revenue generation.

In April, Fitch revised the Outlook on Brazil’s ‘BBB’ rating to Negative from Stable, reflecting its continued economic underperformance, increased macroeconomic imbalances, deterioration of fiscal accounts and a material increase in government indebtedness. Although the government has begun a macroeconomic adjustment process to boost policy credibility and confidence, downside risks related to its effective implementation and durability persist, especially in the context of a challenging economic and political environment.

Another notable Outlook change was placing Hungary’s ‘BB+’ rating on Positive Outlook in May, signalling that we see an upgrade as more likely than not over the next couple of years, which would see the country regaining the investment-grade status it lost in January 2012.

Figure 33

Sovereign Rating Trends - Emerging Markets



Source: Fitch

High Government Debt Weighs on DM Sovereigns

High and rising government debt was the main common factor behind DM sovereign downgrades in 1H15 (as well as France in December 2014) as the aftermath of the global financial crisis continues to take its toll.

In February 2015, Fitch downgraded Austria to ‘AA+’/Stable from ‘AAA’. We expect gross general government debt to peak at 89% of GDP this year, well above our forecast of a peak of 75% of GDP in 2013/2014 only 18 months earlier. The deterioration reflects a combination of further debt crystallising on the sovereign balance sheet from bank restructuring, a higher-than-projected impact from the ESA2010 accounting changes, wider fiscal deficits and weaker nominal GDP growth. The downgrade means that the only eurozone countries rated ‘AAA’/Stable by Fitch are Germany, Luxembourg and Netherlands.

The downgrade of Greece to ‘CCC’ from ‘B’ in March reflected our view that default to private-sector creditors had become a real possibility as lack of market access, uncertain prospects of

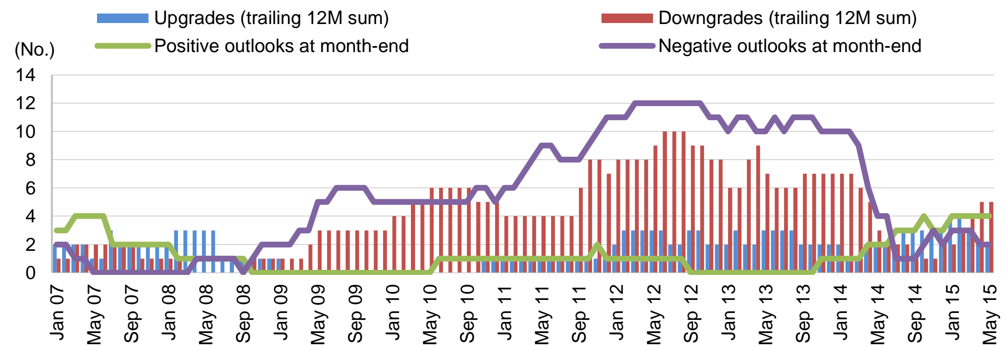
timely disbursement from official institutions, and tight liquidity conditions in the domestic banking sector added up to an extremely tight funding position for the government. Brinkmanship with official creditors over a new financial support programme has also damaged investor, consumer and depositor confidence and derailed Greece's incipient economic recovery.

The subsequent downgrade to 'CC' on 30 June followed the breakdown of the negotiations between the Greek government and its creditors and the calling of a Greek referendum, the default to the IMF and the imposition of capital controls. We now view a default on government debt held by private sector creditors as probable.

In April, Fitch downgraded Japan to 'A'/Stable from 'A+'/Rating Watch Negative, reflecting the fact that the Japanese government did not include sufficient structural fiscal measures in its budget for the fiscal year April 2015-March 2016 to replace a deferred consumption tax increase. Fitch projects the gross general government debt/GDP ratio to rise to 244% by end-2015, by far the highest of any rated sovereign.

Figure 34

Sovereign Rating Trends - Developed Markets



Source: Fitch

Appendix

Figure 35

Long-Term Issuer Default Ratings on 30 June 2015

	LT FC IDR	FC Outlook	LT LC IDR	LC Outlook	Country Ceiling
Western Europe & North America					
Austria	AA+	Stable	AA+	Stable	AAA
Belgium	AA	Negative	AA	Negative	AAA
Canada	AAA	Stable	AAA	Stable	AAA
Cyprus	B−	Positive	B−	Positive	B
Denmark	AAA	Stable	AAA	Stable	AAA
Finland	AAA	Negative	AAA	Negative	AAA
France	AA	Stable	AA	Stable	AAA
Germany	AAA	Stable	AAA	Stable	AAA
Greece	CC	-	CC	-	CCC
Iceland	BBB	Positive	BBB+	Positive	BBB
Ireland	A−	Stable	A−	Stable	AAA
Italy	BBB+	Stable	BBB+	Stable	AA+
Luxembourg	AAA	Stable	AAA	Stable	AAA
Malta	A	Stable	A	Stable	AAA
Netherlands	AAA	Stable	AAA	Stable	AAA
Norway	AAA	Stable	AAA	Stable	AAA
Portugal	BB+	Positive	BB+	Positive	A+
San Marino	BBB+	Stable	-	-	A+
Spain	BBB+	Stable	BBB+	Stable	AA+
Sweden	AAA	Stable	AAA	Stable	AAA
Switzerland	AAA	Stable	AAA	Stable	AAA
United Kingdom	AA+	Stable	AA+	Stable	AAA
United States	AAA	Stable	AAA	Stable	AAA
Emerging Europe					
Armenia	B+	Stable	B+	Stable	BB−
Azerbaijan	BBB−	Stable	BBB−	Stable	BBB−
Bulgaria	BBB−	Stable	BBB	Stable	BBB+
Croatia	BB	Stable	BB+	Stable	BBB−
Czech Republic	A+	Stable	AA−	Stable	AA+
Estonia	A+	Stable	A+	Stable	AAA
Georgia	BB−	Stable	BB−	Stable	BB
Hungary	BB+	Positive	BBB−	Positive	BBB
Kazakhstan	BBB+	Stable	A−	Stable	A−
Latvia	A−	Stable	A−	Stable	AAA
Lithuania	A−	Stable	A−	Stable	AAA
Macedonia	BB+	Stable	BB+	Stable	BBB−
Poland	A−	Stable	A	Stable	AA−
Romania	BBB−	Stable	BBB	Stable	BBB+
Russia	BBB−	Negative	BBB−	Negative	BBB−
Serbia	B+	Stable	B+	Stable	B+
Slovakia	A+	Stable	A+	Stable	AAA
Slovenia	BBB+	Stable	BBB+	Stable	AA+
Turkey	BBB−	Stable	BBB	Stable	BBB
Ukraine	CC	-	CCC	-	CCC
Asia Pacific					
Australia	AAA	Stable	AAA	Stable	AAA
Bangladesh	BB−	Stable	BB−	Stable	BB−
China	A+	Stable	A+	Stable	A+
Hong Kong	AA+	Stable	AA+	Stable	AAA
India	BBB−	Stable	BBB−	Stable	BBB−
Indonesia	BBB−	Stable	BBB−	Stable	BBB
Japan	A	Stable	A	Stable	AA
Korea	AA−	Stable	AA	Stable	AA+
Macao	AA−	Stable	AA−	Stable	AA+
Malaysia	A−	Stable	A	Stable	A
Mongolia	B+	Negative	B+	Negative	B+
New Zealand	AA	Positive	AA+	Positive	AAA
Philippines	BBB−	Stable	BBB	Stable	BBB
Singapore	AAA	Stable	AAA	Stable	AAA
Sri Lanka	BB−	Stable	BB−	Stable	BB−
Taiwan	A+	Stable	AA−	Stable	AA
Thailand	BBB+	Stable	A−	Stable	A−
Vietnam	BB−	Stable	BB−	Stable	BB−

Long-Term Issuer Default Ratings on 30 June 2015 (Cont.)

	LT FC IDR	FC Outlook	LT LC IDR	LC Outlook	Country Ceiling
Middle East and Africa					
Abu Dhabi	AA	Stable	AA	Stable	AA+
Angola	BB−	Negative	BB−	Negative	BB−
Bahrain	BBB−	Stable	BBB	Stable	BBB+
Cameroon	B	Stable	B	Stable	BBB−
Cape Verde	B	Stable	B	Stable	B+
Congo, Republic of	B+	Stable	B+	Stable	BBB−
Cote d'Ivoire	B	Positive	B	Positive	BBB−
Egypt	B	Stable	B	Stable	B
Ethiopia	B	Stable	B	Stable	B
Gabon	B+	Stable	B+	Stable	BBB−
Ghana	B	Negative	B	Negative	B
Israel	A	Stable	A+	Stable	AA−
Kenya	B+	Stable	BB−	Stable	BB−
Kuwait	AA	Stable	AA	Stable	AA+
Lebanon	B	Negative	B	Negative	B
Lesotho	BB−	Stable	BB	Stable	A−
Morocco	BBB−	Stable	BBB	Stable	BBB
Mozambique	B+	Stable	B+	Stable	B+
Namibia	BBB−	Stable	BBB	Stable	A−
Nigeria	BB−	Negative	BB	Negative	BB−
Qatar	AA	Stable	AA	Stable	AA+
Ras Al Khaimah	A	Stable	A	Stable	AA+
Rwanda	B+	Stable	B+	Stable	B+
Saudi Arabia	AA	Stable	AA	Stable	AA+
Seychelles	B+	Stable	BB−	Stable	B+
South Africa	BBB	Negative	BBB+	Negative	A−
Tunisia	BB−	Stable	BB	Stable	BB
Uganda	B+	Stable	B+	Stable	B+
Zambia	B	Stable	B	Stable	B+
Latin America and Caribbean					
Argentina	RD	-	CCC	-	CCC
Aruba	BBB−	Stable	BBB−	Stable	BBB
Bolivia	BB−	Positive	BB−	Positive	BB−
Brazil	BBB	Negative	BBB	Negative	BBB+
Chile	A+	Stable	AA−	Stable	AA+
Colombia	BBB	Stable	BBB+	Stable	BBB+
Costa Rica	BB+	Negative	BB+	Negative	BBB−
Dominican Republic	B+	Stable	B+	Stable	BB−
Ecuador	B	Stable	-	-	B
El Salvador	BB−	Negative	BB−	Negative	BB+
Guatemala	BB	Stable	BB	Stable	BB+
Jamaica	B−	Positive	B−	Positive	B
Mexico	BBB+	Stable	A−	Stable	A
Panama	BBB	Stable	BBB	Stable	A
Paraguay	BB	Stable	BB	Stable	BB+
Peru	BBB+	Stable	A−	Stable	A−
Suriname	BB−	Stable	BB−	Stable	BB−
Uruguay	BBB−	Stable	BBB	Stable	BBB+
Venezuela	CCC	-	CCC	-	CCC

Source: Fitch

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