Brazil
CRT-4
August 22, 2019

Region: Latin America

Country Risk Criteria Procedures
Guide to Best’s Country Risk Tiers


- Brazil is a CRT-4 country with a moderate level of economic risk and high levels of political and financial risk.

- The Brazilian economy—the largest in Latin America—expanded 1.1% in 2018. Medium-term growth is expected to range between 1.5% and 2.5% owing to a slowdown in global growth, a recession in Argentina, and a slowdown in the domestic manufacturing sector. The country is still recovering from a recession that ended in 2016. Jair Bolsonaro was elected president in the 2018 elections.

- The map depicts the countries AM Best evaluates in Central America, South America, and the Caribbean. Most of the Latin American countries are considered CRT-4 or CRT-5, with the exceptions of Chile CRT-2, Mexico CRT-3, and Peru CRT-3.

### Vital Statistics 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP</td>
<td>USD bn</td>
<td>1868.18</td>
</tr>
<tr>
<td>Population</td>
<td>mil</td>
<td>208.3</td>
</tr>
<tr>
<td>GDP Per Capita</td>
<td>USD</td>
<td>8,968</td>
</tr>
<tr>
<td>Real GDP Growth</td>
<td>%</td>
<td>1.1</td>
</tr>
<tr>
<td>Inflation Rate</td>
<td>%</td>
<td>3.7</td>
</tr>
</tbody>
</table>

### United Nations Estimates

- Literacy Rate: % 91.7
- Urbanization: % 86.3
- Dependency Ratio: % 43.5
- Life Expectancy: Years 75.7
- Median Age: Years 31.3

### Insurance Statistics

- Premiums Written (Life): USD mil 46,874
- Premiums Written (Non-Life): USD mil 36,477
- Premiums Growth: % 14.7

### Regional Comparison

- Brazil: CRT-4
- Argentina: CRT-5
- Chile: CRT-2
- Colombia: CRT-4
- Mexico: CRT-3
- Venezuela: CRT-5

Source: IMF, UN, Swiss Re, Aisco and AM Best

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**Economic Risk: Moderate**

- Brazil's main industries include agribusiness, oil, telecommunications, and automotive manufacturing. The government is attempting to become less reliant on external energy sources.
- Brazil benefits from significant hydrocarbon and oil reserves, a large and diversified economy, and the current government’s pro-business agenda.
- Weakening economic activity and consumer spending in the first half of 2019 indicates sluggish growth for the year. The labor market is still dealing with the effects of a major corruption scandal. Petrobras and Odebrecht have laid off over a 100,000 employees, which has exacerbated the country's high unemployment rate.
- Brazil's commodity exports—coffee, sugar, maze, minerals, and oil—are being threatened by the global slowdown. China's slowing growth is putting pressure on the country’s trade outlook as well, since China accounts for approximately 40% of Brazil’s trade. China is Brazil’s main trade partner.

**Political Risk: High**

- President Bolsonaro was sworn in on January 1, 2019, succeeding former President Michel Temer Lulia. He vowed to focus on deregulation and pension reform. Privatization will also be a priority with a focus on the divestment of non-essential state assets.
- Bolsonaro's approval rating declined in his first 100 days, amidst policy changes, including his plans for pension reform and cuts to government spending. Due to a highly fragmented Congress and Senate, forming coalitions to pass legislation will be difficult. Progress on major legislation is likely to be slow.
- Corruption scandals and investigations remain an issue, with multiple former presidents being arrested. Former President Temer was arrested early in 2019, in “Operation Car Wash.”

**Financial System Risk: High**

- The insurance industry is supervised and regulated by the National Council for Private Insurance (CNSP), and its executive arm, the Superintendency of Private Insurance (SUSEP).
- Monetary policy has been accommodative, with the Central Bank of Brazil cutting interest rates by 50 basis points in July 2019. The Selic rate is now set at 6.0%, a historic low. Inflation has been moderate and broadly in line with the Central Bank’s target, which is currently set at 4.25%, plus or minus 1.5%.
- The Pension Bill currently before Congress for review will help relieve pressure on unsustainable fiscal debt. The pension reform measure would save the government approximately USD 250 billion over the next ten years.