

Article Title: ARCHIVE | Guidance | Criteria | Governments | Sovereigns: Sovereign Rating Methodology Data: (EDITOR'S NOTE: —This article is no longer current. It has been superseded by "Guidance: Sovereign Rating Methodology," published Jan. 22, 2019.) Overview And Scope This document provides additional information and guidance related to the application of S&P; Global Ratings' "Sovereign Rating Methodology" (the sovereign criteria), published Dec. 18, 2017. It is intended to be read and applied in conjunction with those criteria. For further explanation of guidance documents, please see the description at the end of this document. This document also supercedes "GDP Per Capita Thresholds For Sovereign Rating Criteria," published Dec. 18, 2017. This guidance document provides the updated nominal GDP per capita thresholds that we use to determine the initial economic assessment in our sovereign criteria. This guidance also sets out the weighted-average 10-year real per capita GDP growth depending on the initial economic score. Key Publication Information Original publication date: Aug. 27, 2018 This article is related to "Sovereign Rating Methodology," published on Dec. 18, 2017. We revise the variables included in this guidance at least twice a year, but we may revise them more frequently if market dynamics warrant it. Guidance This document is updated twice per year to provide GDP per capita ranges we use to derive the initial economic assessments in line with our projections for global nominal U.S. dollar annual GDP per capita growth. GDP per capita has risen for many decades as the world has grown richer and because of inflation. The greater wealth has not led to a declining trend in sovereign default rates, so we adjust to preserve the relativities in our analysis. To determine the changes, we use data from the International Monetary Fund's World Economic Outlook (for global U.S. dollar GDP) and the United Nations Development Program (for global population figures). Based on these data, we calculate the expected nominal growth of the global GDP per capita and we then apply a similar growth rate to all threshold figures. In addition, our thresholds are rounded to the nearest US\$100. Our estimates are on average 2.8% higher than the previous ones, last published in December 2017. This increase is explained by expected strengthening of global growth compared with last year's forecasts, as well as positive exchange-rate effects due to a weaker U.S. dollar between August 2017 and March 2018. The last World Economic Outlook was published in April 2018; therefore it does not consider the dollar's appreciation since April. Table 1 S&P; Global Ratings GDP Per Capita Thresholds GDP PER CAPITA (US\$) MORE THAN 41,700 29,600-41,700 17,500-29,600 6,000-17,500 1,200-6,000 BELOW 1,200 Initial economic assessment 1 2 3 4 5 6 We will publish updates to these thresholds to keep pace with developments in global GDP per capita. The thresholds will serve as a useful reference for other S&P; Global Ratings criteria that use sovereign GDP per capita metrics in their analytical frameworks. We also publish the weighted average 10-year per capita growth rate for sovereigns depending on their initial economic assessment. This would help us assess whether an adjustment for GDP trend growth is usually warranted as per paragraph 34 of the sovereign criteria. Table 2 Weighted Average 10-Year Per capita Growth Rates INITIAL ECONOMIC ASSESSMENT WEIGHTED AVERAGE 10-YEAR REAL GDP PER CAPITA GROWTH (%) 1 and 2 0.9 3 1.6 4,5, and 6 2.3 Related Criteria Sovereign Rating Methodology, Dec. 18, 2017 Related Research Criteria And Guidance: Understanding The Difference, Dec. 15, 2017