

Methodology Announcement: Moody's updates its methodology for rating sovereigns

New York, November 22, 2022 - Moody's Investors Service has published an updated methodology for rating sovereigns, replacing the version published on November 25, 2019.

In this update, Moody's has made a number of specific changes, including the following: In the Economic Strength factor, for the assessment of a sovereign's volatility in real gross domestic product (GDP) growth, the median absolute deviation (MAD) has replaced standard deviation; the Institutions and Governance Strength factor describes additional data that may be used to inform our assessment, and the specific inflation thresholds in the Monetary and Macroeconomic Policy Effectiveness sub-sub-factor were eliminated; several adjustments to the Fiscal Strength factor were modified to better reflect our analytical thinking, including the adjustments for debt trend, general government foreign currency debt, and government financial assets; for HIPC/IDA countries, the use of scorecard weights was modified; in the Susceptibility to Event Risk factor, the four sub-factors were refined to promote consistency in our scoring; the revised methodology text describes the treatment of sovereigns that participate in official sector debt relief with and without private sector involvement and describes in more detail how environmental, social and governance (ESG) considerations are integrated into the credit analysis of sovereigns. Moody's has also reordered and has made editorial updates to various sections of the methodology.

As a result of the update, Moody's does not expect changes to outstanding ratings for sovereigns.

The methodology implements the approach proposed in a Request for Comment titled "Sovereign Ratings: Proposed Methodology Update" published on July 13, 2022, which can be accessed via this link: <https://ratings.moodys.com/api/rmc-documents/390684>.

Moody's received a total of 10 comments submitted through the Request for Comment page in response to this Request for Comment, for which seven respondents requested confidentiality. As a result, three of the comments are available for viewing as explained in the Results of Consultation titled "Sovereign Ratings: Proposed Methodology Update," which can be accessed at: https://ratings.moodys.com/documents/PBC_1321718.

This press release is not intended to provide a summary of the methodology. For a full explanation of the methodology, please consult the updated report titled "Rating Methodology: Sovereigns," now available on <https://ratings.moodys.com/> and accessible at: https://ratings.moodys.com/documents/PBC_1346995

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