Emerging Markets
Monthly Highlights
External Environment Is Becoming More Difficult

Credit Research
Jose Perez Gorozpe
Ekaterina Tolstova

Economic Research
Tatiana Lysenko
Elijah Oliveros-Rosen
Vishrut Rana
Valerijs Rezvijs

August 16, 2022

S&P Global
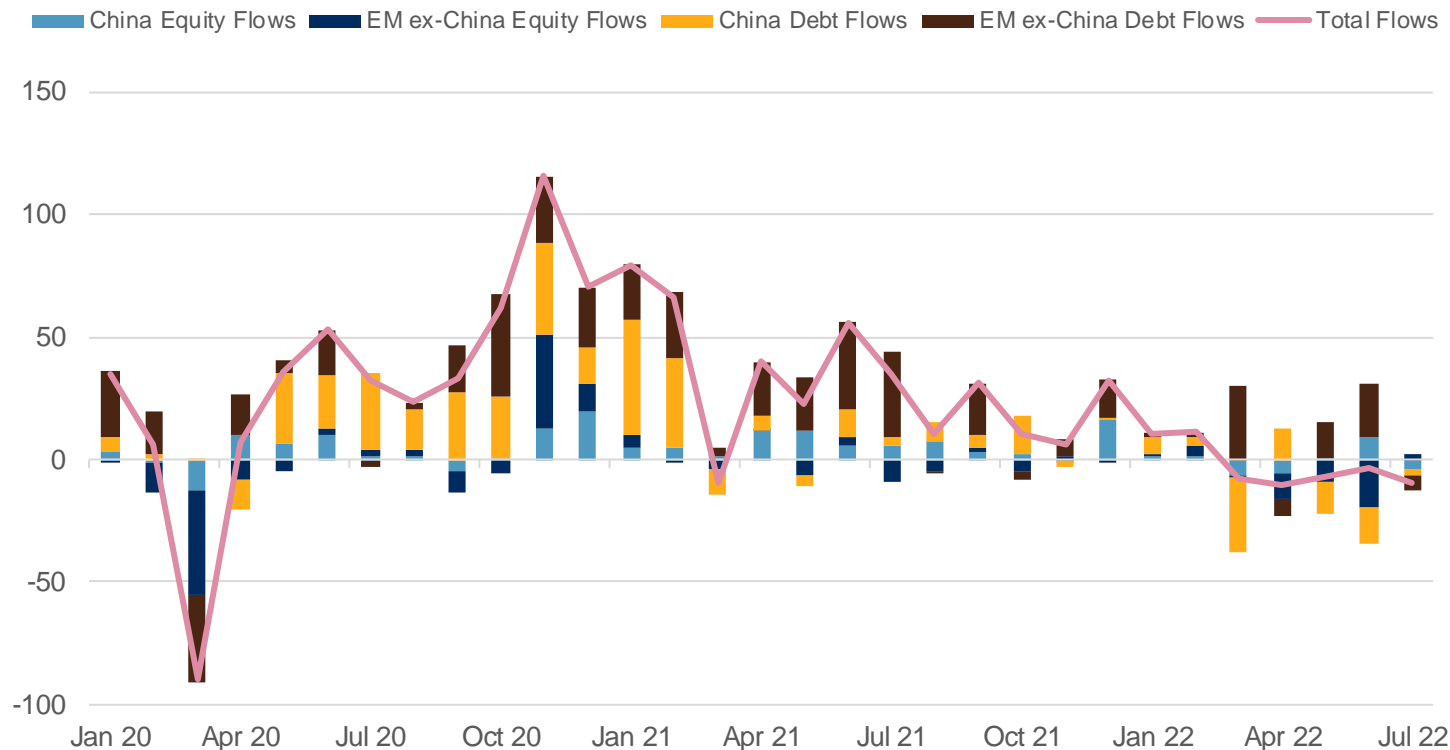# Ratings

Contents

S&P Global
Ratings

Key Takeaways

- **Emerging markets (EMs) have been experiencing significant net portfolio outflows over the past few months.** Tightening financing conditions, expectations of economic slowdown in developed economies, as well as geopolitics are all contributing to portfolio outflows from EMs, and particularly, from China. External environment for EMs is currently worsening, and we expect pressures on EM assets to remain. A more polarized political landscape in some EMs also magnifies uncertainty, potentially amplifying capital outflows.

- **With exception of energy and food, commodity prices have mostly returned to their pre-2022 values.** Expectations of global slowdown have lowered demand for most commodities, and particularly, industrial metals. Nevertheless, food and energy prices remain elevated. As a result, price trajectories across commodity markets have become less supportive for many EMs in terms of exports; however, they continue to fuel inflationary pressures, as energy and food prices remain above their pre-2022 levels.

- **Sharper-than-expected slowdown in the U.S. economy poses risks through trade and China-related knock-on effects.** From a trade perspective (directly or via secondary trade impact), Mexico, Thailand, and Malaysia seem to be the most affected. However, if disinflation ensues from a weaker-than-expected U.S. economy, the Federal Reserve will likely (at least) pause its tightening cycle--an outcome that should help cushion the impact on EM economies by improving financial conditions and encouraging capital flows back into EMs.

Portfolio Flows| Outflows From EMs, Particularly China, Are Picking Up
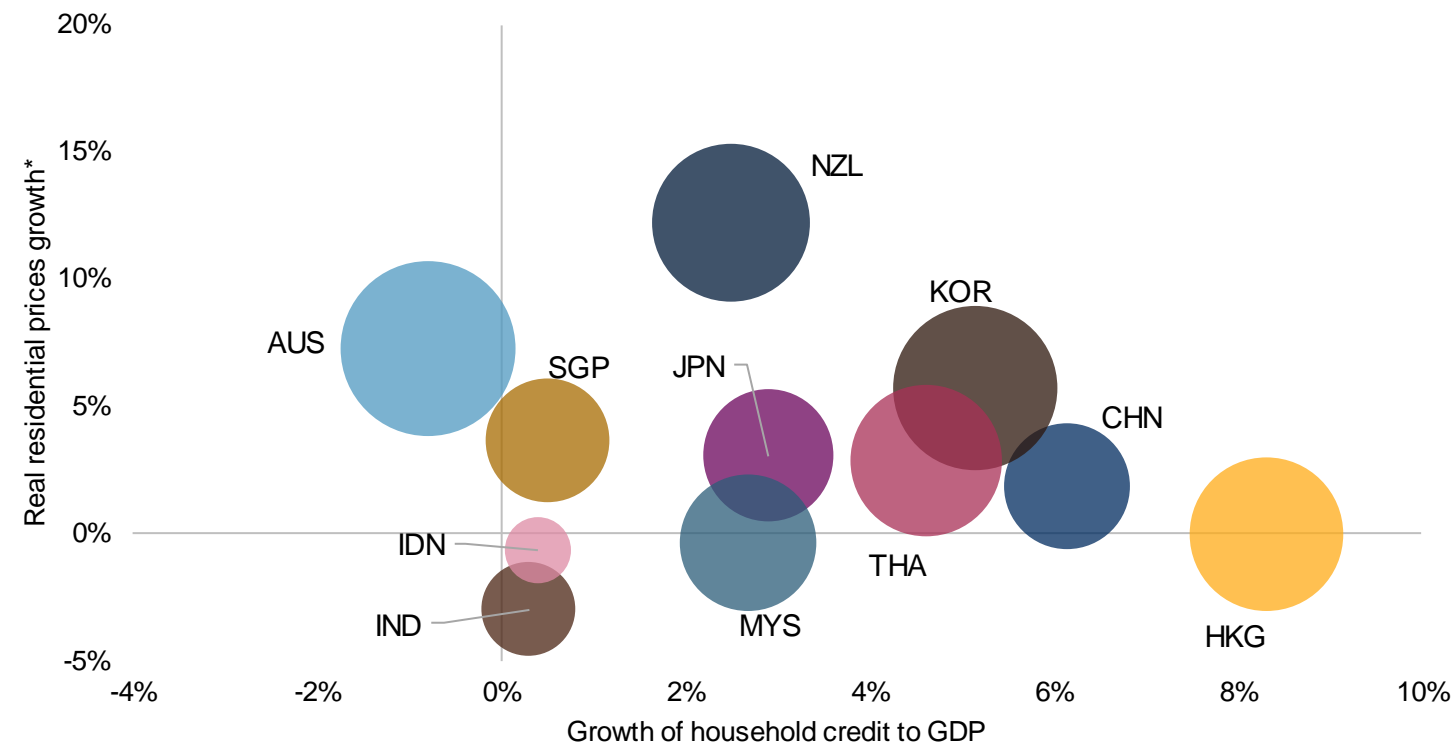
Total Portfolio Flows Into/From EMs

Legend: China Equity Flows — EM ex-China Equity Flows — China Debt Flows — EM ex-China Debt Flows — Total Flows

Source: IIF, National Sources, and Bloomberg,

S&P Global
Ratings

- **Portfolio outflows from EMs have been ongoing since March.** Monetary tightening in U.S., moderation of commodity prices, geopolitics, as well as worse-than-expected outlook for China's economic growth have all contributed to outflows. We expect financing conditions to remain tight in the coming months.

- **Outflows from EMs have been mostly concetrated in China's debt and equities.** Outflows have surged amid COVID-19 lockdowns, subsequently lower expectations of China's growth (In June S&P Global Ratings downgraded its China growth forecast to 3.3% from 4.9% in the March forecast) and geopolitical risks.

- **Some commodity-exporting EMs in LatAm and EMEA have actually experienced portfolio net inflows during the first half of 2022.** However, as situation across commodity markets became less favorable for commodity-exporting EMs, these inflows have decreased sharply in July.

EM Asia | Residential Markets Face Some Headwinds

Some EM Asia's Economies Have Higher Residential Market Risk

Note: Residential prices are adjusted for consumer price inflation. Data show compound annual growth rates over past three years. Bubble sizes reflect household credit to GDP ratios. AUS = Australia; CHN = China; HKG = Hong Kong; IND = India; IDN = Indonesia; JPN = Japan; MYS = Malaysia; NZL = New Zealand; SGP = Singapore; KOR = South Korea; and THA = Thailand. Source: CEIC, Bank for International Settlements and S&P Global Ratings.
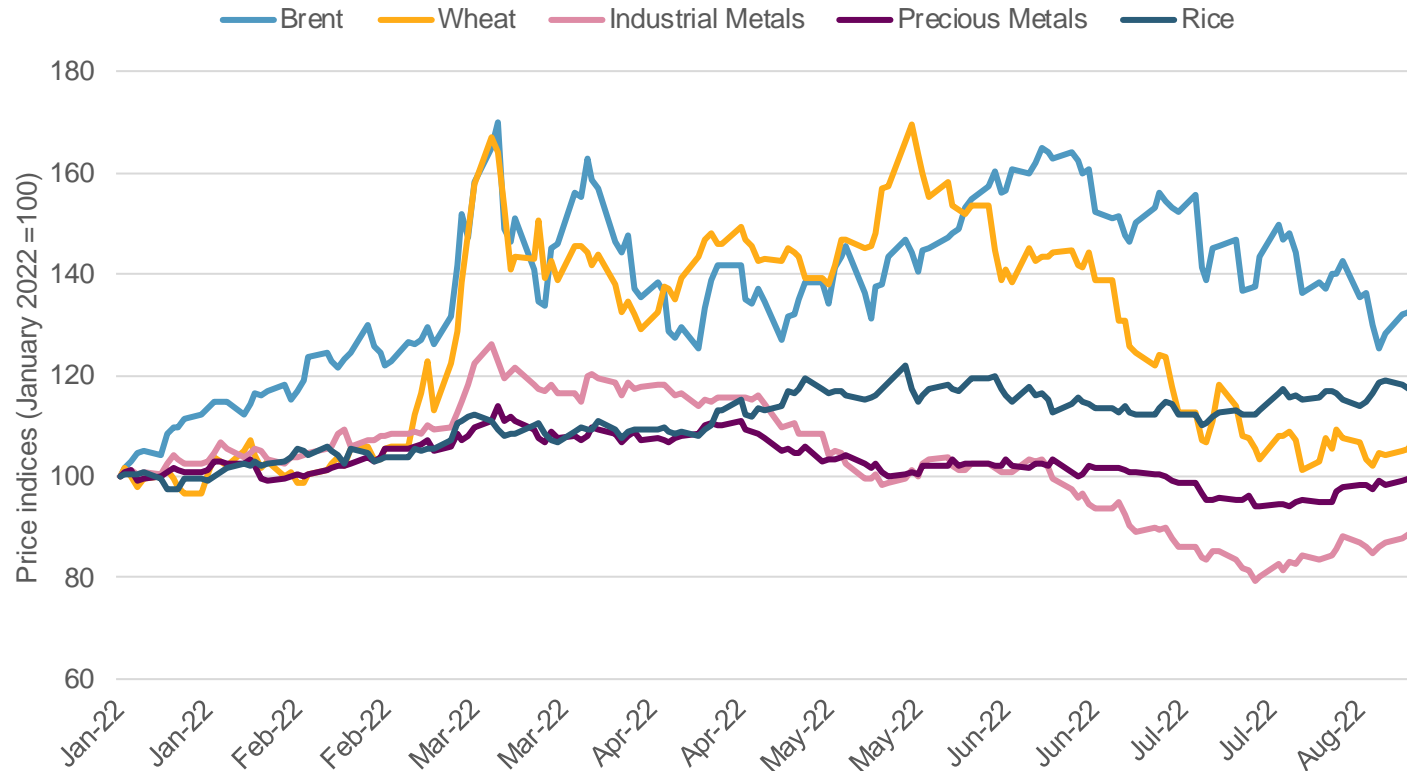
- In our recently published article, we note how **normalizing monetary policy in Asia will dampen residential markets** ("Higher Interest Rates Will Cool Some Red-Hot Residential Markets In Asia", published June 16) **.**

- **EM Asia's residential markets have lower responsiveness to interest rates** relative to high-income Asia, partly due to lower financial access for households.

- As a result, EM Asia residential markets are **less vulnerable.** However, **Malaysia and Thailand's residential markets are at risk,** given elevated household debt levels.

S&P Global
Ratings

Commodity Prices| Prices Have Mostly Moderated

Commodity Price Indices

Legend: Brent, Wheat, Industrial Metals, Precious Metals, Rice

Y-axis: Price indices (January 2022 =100), ranging from 60 to 180

X-axis: Jan-22 through Aug-22

Source: Datastream and S&P Global Ratings.

S&P Global
Ratings

- **Prices for many commodities have returned to their pre-2022 values**, which reflects the expected slowdown of global economy and a subsequent decrease in total demand.

- **Energy and food prices have moderated but remain high.** Following the EU/U.K. ban on coal exports from Russia, prices for thermal coal continue to soar, and some EMs can potentially benefit (especially Indonesia, Colombia, and South Africa). At the same time, the ongoing drought among some of the world's biggest wheat exporters, most notably France, is going to exert pressure on wheat prices over the nearest term. North Africa is the most affected region, because it largely relies on wheat exports from France.

- **Prices for most industrial and precious metals are now below their early 2022 values,** making situation less favorable for metal exporters, such as Chile, Peru, and South Africa. Nevertheless, the push for infrasutructure investments in China can support prices for iron and copper.

U.S. Growth| Weaker U.S. Demand Is A Key Risk To Growth In EMs

Goods Exports To The U.S., % of GDP

	Raw Material	Intermediate goods	Consumer goods	Capital goods	Total
Argentina	0.23	0.07	0.18	0.03	0.51
Brazil	0.39	0.81	0.39	0.35	1.93
Chile	1.42	2.83	0.39	0.07	4.71
Colombia	1.58	0.64	1.18	0.09	3.50
Mexico	1.55	2.02	8.72	15.51	27.80
China	0.02	0.24	1.54	1.41	3.20
India	0.12	0.68	1.16	0.37	2.32
Indonesia	0.21	0.20	1.14	0.20	1.75
Malaysia	0.03	0.79	3.40	4.98	9.21
Philippines	0.07	0.16	1.06	1.72	3.01
Thailand	0.14	0.46	2.86	3.40	6.87
Poland	0.04	0.28	0.43	0.54	1.28
South Africa	0.21	1.40	0.33	0.17	2.10
Turkey	0.06	0.45	0.96	0.31	1.79

Notes: data refers to 2021, with the exception of Argentina, Colombia, Indonesia, Thailand, and South Africa, which reflects 2020 - the most recent available. Source: WITS, S&P Global Ratings.
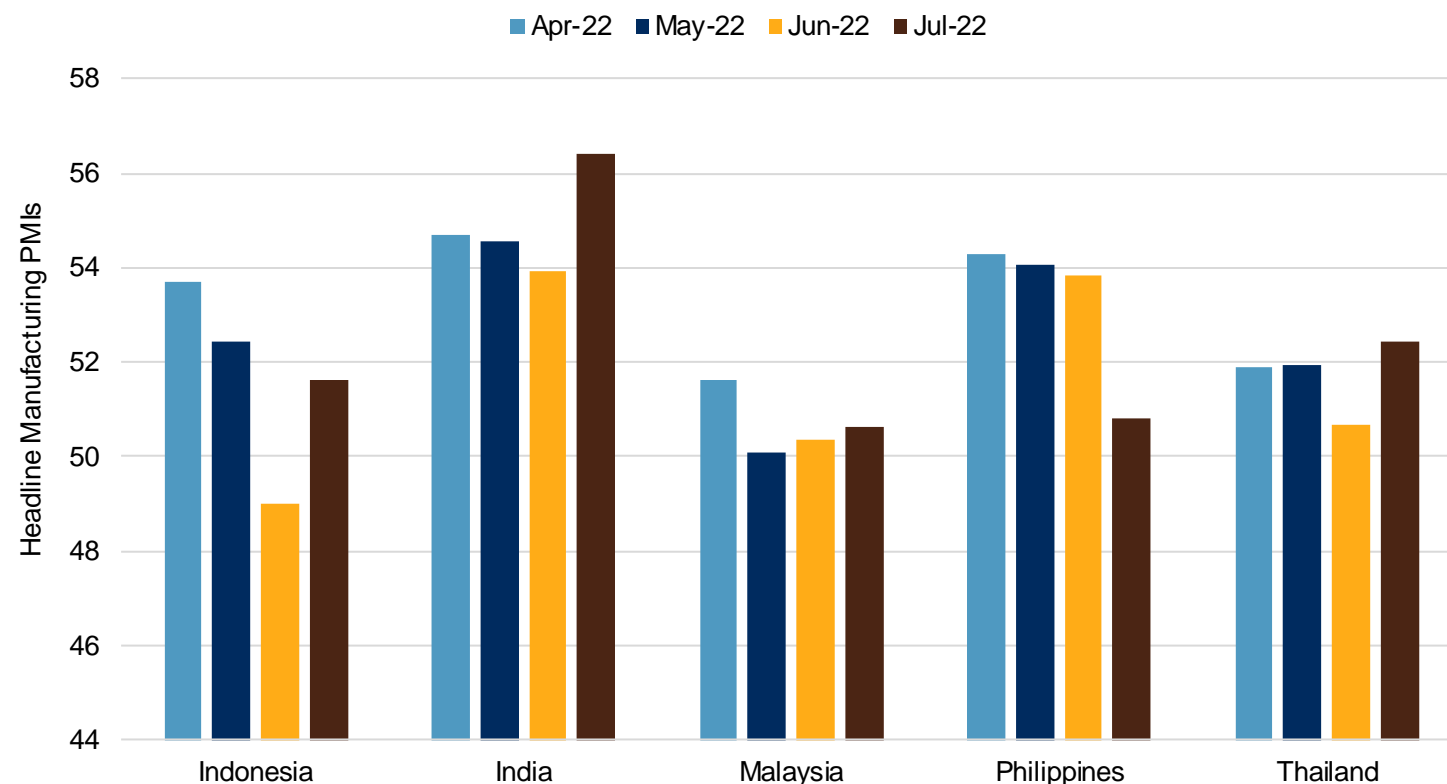Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

- **An incomplete recovery from the pandemic-induced downturn** and more challenging fiscal dynamics make several EMs more vulnerable to weaker U.S. growth than in previous such episodes (see "What A Hard Landing For The U.S. Economy Would Mean For Emerging Markets" published August 3).

- In addition, **a more polarized political landscape** in many EMs heightens uncertainty regarding the policy response to a weakening U.S. economy, potentially amplifying capital outflow pressures.

- **From a trade perspective, Mexico is the most vulnerable among major EMs**, although several Asian economies, such as Thailand and Malaysia also stand out due to China-related knock-on effects.

S&P Global
Ratings

Regional Economic
Highlights

S&P Global
Ratings

EM Asia Economics| Steady Economic Activity

Vishrut Rana, Singapore, +65-6216-1008, vishrut.rana@spglobal.com

Resilient Manufacturing Activity Across Much Of EM Asia

Legend: Apr-22, May-22, Jun-22, Jul-22

Y-axis: Headline Manufacturing PMIs

Categories: Indonesia, India, Malaysia, Philippines, Thailand

Source: S&P Global Intelligence and S&P Global Ratings.

- **Manufacturing activity is resilient across most of EM Asia.** Manufacturing Purchasing Managers Index (PMI) readings are above the 50-mark, indicating sequential expansion in activity. However, activity growth is moderating in the Philippines.

- **There are some signs of external demand weakening.** New orders slowed in the global electronics manufacturing bellwethers, Taiwan and South Korea. As a result, there's risk of moderation in external demand for EMs in the second half of 2022.

- **There's strong re-opening momentum in the region as well,** which is supporting domestic consumption and investment.

S&P Global
Ratings

EM EMEA Economics | External Demand Is Weakening

Tatiana Lysenko, Paris, +33-1-4420-6748, tatiana.lysenko@spglobal.com
Valerijs Rezvijs, London, +44-7929-651386, valerijs.rezvijs@spglobal.com

PMIs For New Export Orders
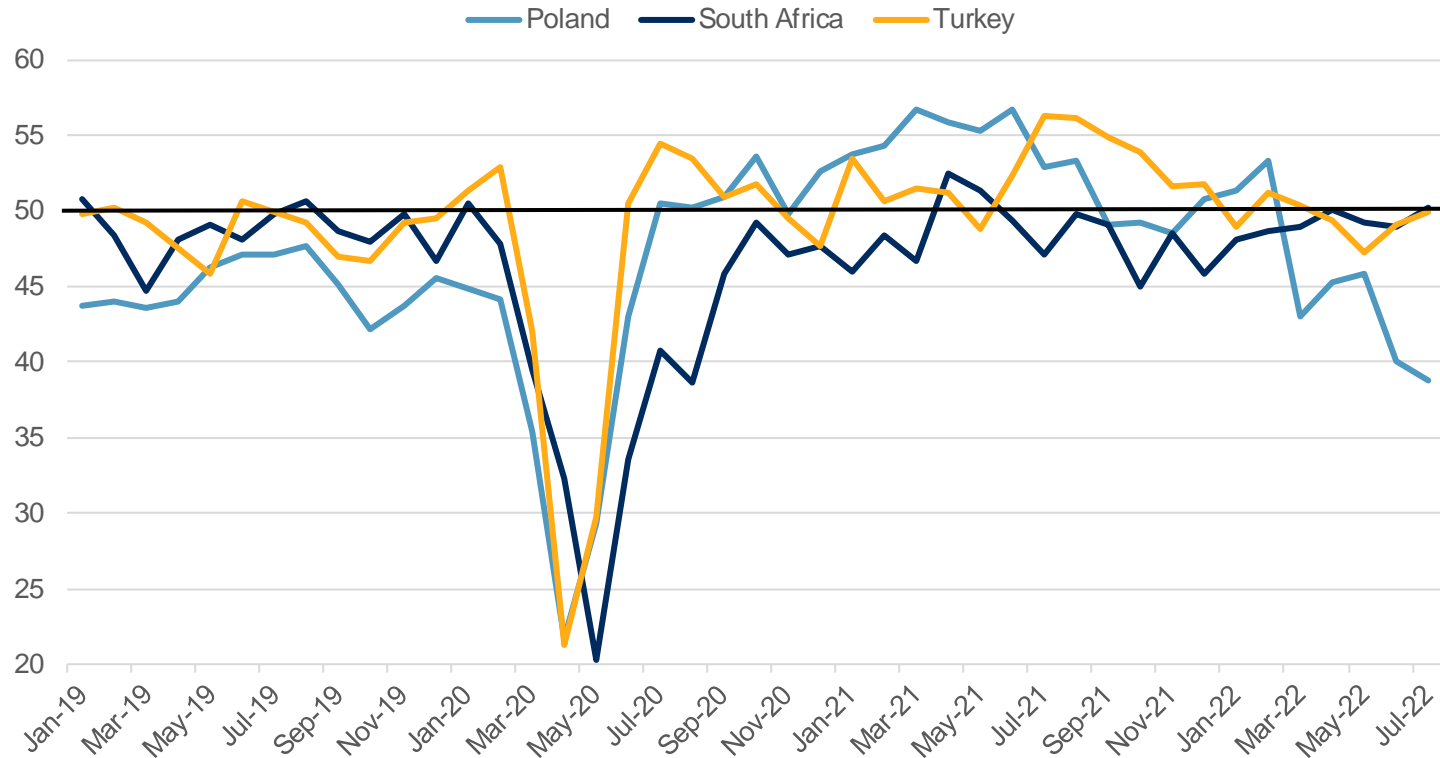
Source: *S&P Global Intelligence and S&P Global Ratings.*

- **PMIs for new export orders now are mostly below 50 in EM EMEA**, pointing to the slackening external demand.

- **Turkey and Poland are highly vulnerable to weakening of economic growth in Europe** through trade, financial linkages, and tourism. As of 2021, exports to the eurozone and U.K accounted for 19.7% and 7.2% of GDP for Poland and Turkey, respectively.

- **Downturn in prices for platinum and industrial metals is denting South Africa's exports.** Previously, South Africa have been benefiting from price rallies for platinum group metals (PGM) and iron ore. However, palladium and rhodium, which account for about two-thirds of South Africa's total PGM sales (and around 25% of total sales of minerals in 2021H2) are still traded above their end-2021 levels. At the same time, South Africa (world's fifth-largest exporter of coal in 2021) is likely to benefit from soaring prices of this commodity.

S&P Global
Ratings

LatAm Economics | H122 Resilience Will Face More Headwinds In H222

Elijah Oliveros-Rosen, New York, +1-212-438-2228, elijah.oliveros@spglobal.com

Mexico: Output Versus Pre-Pandemic Level (Q4-19)

Legend: ■ Manufacturing ■ Services ■ GDP
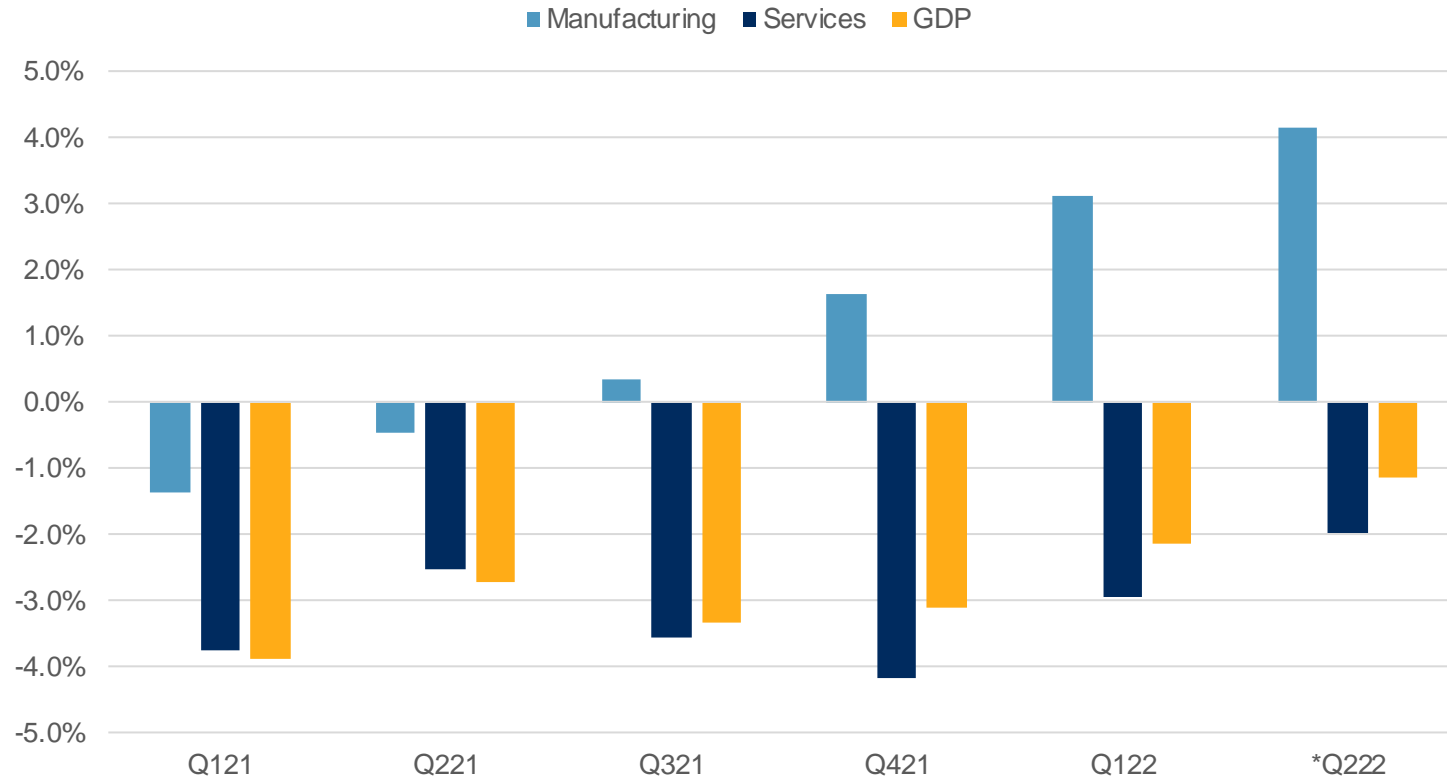
Note: Q222 are estimates based on a flash GDP report. Source: Haver Analytics and S&P Global Ratings.

- **Economic activity across most major LatAm economies held up relatively well in the first half of 2022,** despite growing pessimism towards global growth, especially as concerns over the deteriorating U.S. economy mount.

- **In Mexico, for example, quarterly GDP growth held steady in Q2,** matching the 1% growth in Q1, according to a flash estimate. Growth was driven by robust growth in manufacturing output, as well as an ongoing recovery in the services sector.

- **However, GDP is likely to weaken in the second half of 2022,** given that the recent erosion in business confidence softens activity, or in some cases, leads to an outright contraction. A leading indicator of activity, in Mexico, for example, points to a decline in GDP in July.

S&P Global
Ratings

11

Macro-Credit
Dashboards

S&P Global
Ratings

GDP Summary | Initial Q2 GDP Reports Showed Continued Resilience, Except In China

Country	Latest reading (y/y)	Period	Five-year Avg	2020	2021	2022f	2023f	2024f
Argentina	6.0	Q1	-0.2	-9.9	10.3	3.3	1.8	2.0
Brazil	1.7	Q1	-0.5	-4.2	4.9	1.2	1.4	2.0
Chile	7.2	Q1	2.0	-6.2	11.9	2.1	1.5	2.8
Colombia	8.5	Q1	2.4	-7.0	10.7	4.6	2.5	3.2
Mexico	2.1	Q2	2.0	-8.3	5.0	1.7	1.9	2.1
China	0.4	Q2	6.7	2.2	8.1	3.3	5.4	4.9
India	4.1	Q1	6.9	-6.6	8.7	7.3	6.5	6.7
Indonesia	5.4	Q2	5.0	-2.1	3.7	5.1	5.0	5.0
Malaysia	8.9	Q2	4.9	-5.5	3.1	6.1	5.0	4.6
Philippines	7.4	Q2	6.6	-9.5	5.7	6.5	6.6	6.9
Thailand	2.5	Q2	3.4	-6.2	1.5	3.2	4.2	3.8
Poland	9.4	Q1	4.4	-2.1	5.8	4.5	2.1	2.6
Saudi Arabia	11.8	Q2	1.6	-4.1	3.2	7.4	3.1	2.6
South Africa	3.0	Q1	1.0	-6.3	4.9	2.2	1.5	1.7
Turkey	7.3	Q1	4.2	1.6	11.2	3.5	1.7	3.4

Note: Red means GDP growth is below five-year average (2015-2019). Blue means the opposite. F—Forecast. Source: Haver Analytics and S&P Global Ratings.

Monetary Policy/FX | Some EMs Approaching The End Of Hiking Cycles

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	July exchange rate chg.	YTD exchange rate chg.
Argentina	69.50%	No target	64.0%	N/A	N/A	-4.6%	-20.0%
Brazil	13.75%	3.5% +/- 1.5%	11.9%	50 bps hike	Sept. 21	1.0%	3.3%
Chile	9.75%	3% +/- 1%	12.5%	75 bps hike	Sept. 7	0.9%	-11.1%
Colombia	9.00%	3% +/- 1%	9.7%	150 bps hike	Sept. 30	-5.7%	-9.0%
Mexico	8.50%	3% +/- 1%	8.0%	75 bps hike	Sept. 29	-0.9%	1.4%
China	1.10%	3%	2.4%	N/A	N/A	-0.5%	-5.5%
India	5.40%	4% +/- 2%	6.7%	50 bps hike	Sept. 30	-0.4%	-5.9%
Indonesia	3.50%	3.5% +/- 1%	4.9%	Hold	Aug. 23	0.4%	-3.0%
Malaysia	2.25%	No target	3.4%	25 bps hike	Sept. 7	-1.0%	-6.0%
Philippines	3.25%	3% +/- 1%	6.1%	75 bps hike	Sept. 22	-0.3%	-7.5%
Thailand	0.75%	2.5% +/- 1.5%	7.6%	Hold	Sept. 28	-4.0%	-9.5%
Poland	6.50%	2.5% +/- 1%	15.6%	50 bps hike	Sept. 7	-3.0%	-11.7%
Saudi Arabia	3.00%	3% +/- 1%	2.7%	75 bps hike	Sept. 22	0.0%	0.0%
South Africa	5.50%	3%-6%	7.4%	75 bps hike	Sept. 22	-1.7%	-7.1%
Turkey	14.00%	5% +/-2%	79.6%	Hold	Aug. 18	-6.8%	-25.1%

Note: Red means inflation is above the target range, policy is tightening, and exchange rate is weakening. Blue means the opposite. A positive number for the exchange-rate change means appreciation. Argentina's central bank no longer targets inflation, nor does it set the policy rate directly (it is set based on monetary aggregates targeting). For China, we use the PBOC's seven-day reverse repo. Source: Haver Analytics and S&P Global Ratings.

S&P Global
Ratings

# Real Effective Exchange Rates | All Major EM Currencies Weakened In June

Broad Real Effective Exchange Rates, % Change From 10-Year Average
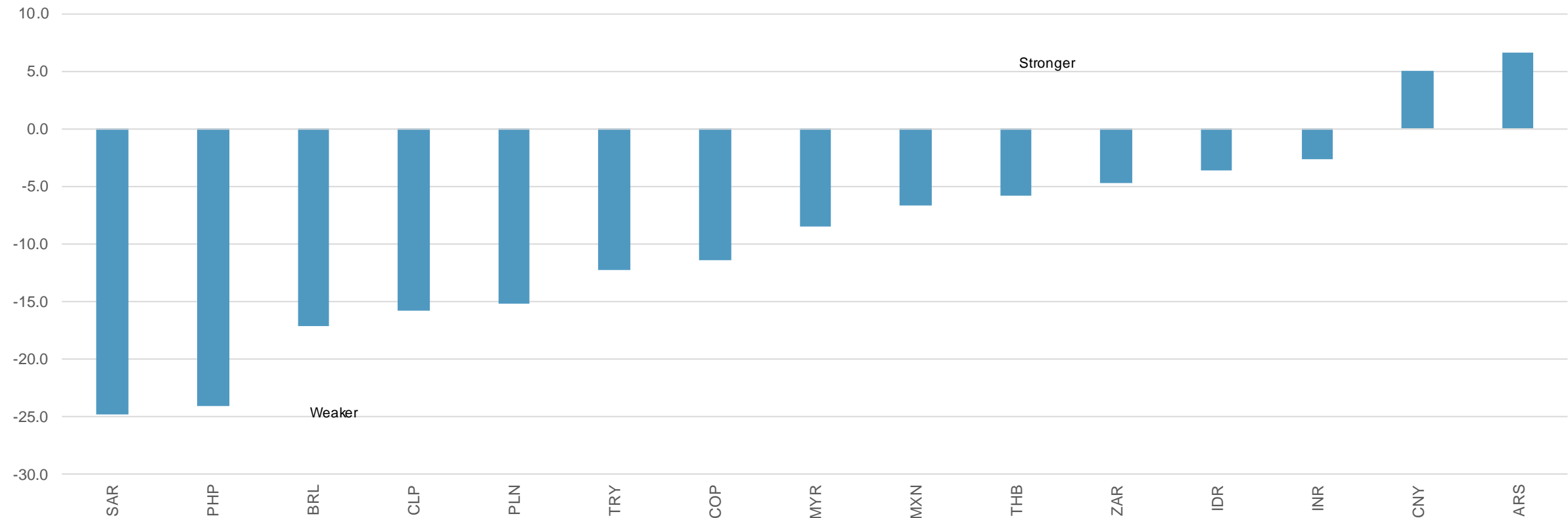
Note: Data is computed on 10 years of the monthly average data of the J.P. Morgan Real Broad Effective Exchange Rate Index (PPI-deflated). Data as of July 31, 2022. Source: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | Real Rates Increased In Several EMs

Deviation In Current Real Benchmark Interest Rates From 10-Year Average
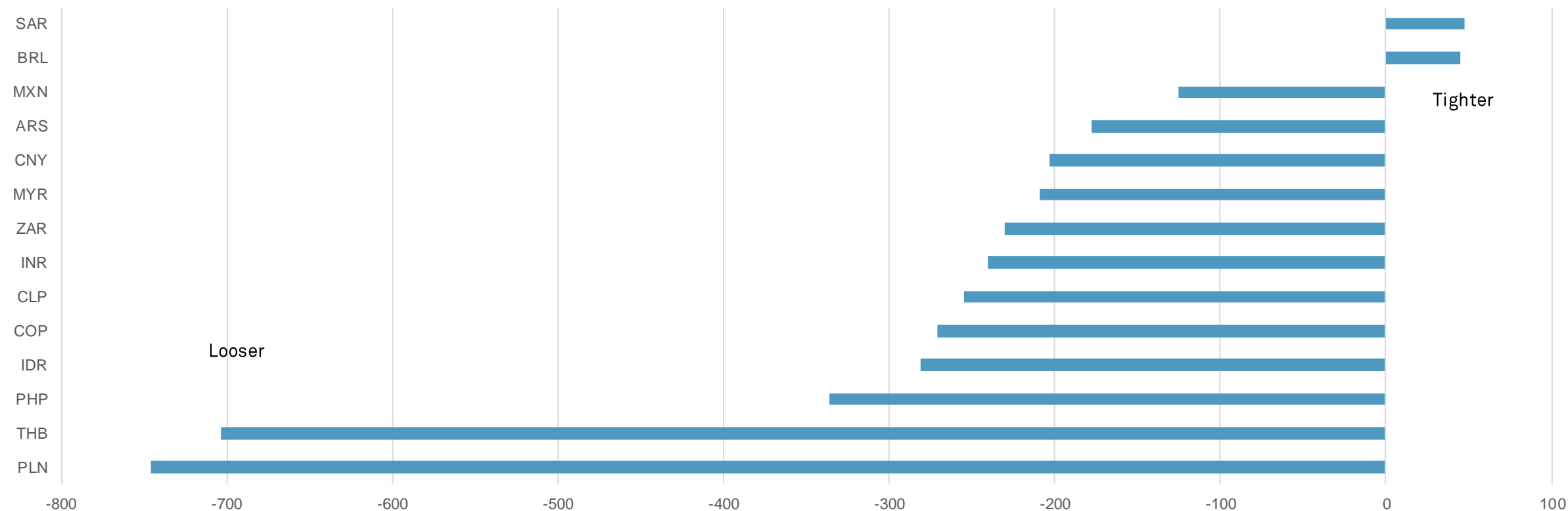
In basis points. Note: Real interest rates are deflated by CPI. In the cases where we didn't have 10 years of history, we used all the available data to calculate the average. We exclude Argentina. For China, we use the seven-day reverse repo rate. Data as of July 31. Source: Haver Analytics and S&P Global Ratings.

S&P Global
Ratings

16

EM **Heat Map**

S&P Global
Ratings

	Chile	Saudi Arabia	Poland	Peru	Malaysia	Mexico	China	Philippines	Indonesia	Thailand	India	Colombia	Brazil	South Africa	Vietnam	Turkey	Argentina
FC Sovereign Rating	A	A-	A-	BBB	A-	BBB	A+	BBB+	BBB	BBB+	BBB-	BB+	BB-	BB-	BB+	B+	CCC+
Sovereign Outlook	Stable	Positive	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Stable	Negative	Stable
Sovereigns																	
Institutional	2	4	4	4	3	3	3	4	3	4	3	3	4	4	4	5	6
Economic	4	4	4	4	3	5	3	4	4	4	4	4	5	5	4	4	5
External	4	1	2	3	2	2	1	1	3	1	1	6	2	2	2	6	6
Fiscal (BDGT)	3	3	4	2	4	3	4	3	3	3	6	4	6	6	4	4	6
Fiscal (DBT)	1	1	2	3	5	4	2	4	4	3	6	4	6	6	4	5	5
Monetary	2	4	2	3	2	3	3	3	3	2	3	3	3	2	4	5	6
Financial institutions BICRA																	
Economic Risk	4	5	4	6	5	6	7	6	6	7	7	7	7	7	9	9	10
Industry Risk	3	3	5	3	4	3	5	5	6	6	5	5	5	5	8	9	7
Institutional Framework	I	I	I	L	I	I	H	H	H	VH	H	H	I	I	EH	VH	H
Derived Anchor	bbb+	bbb	bbb	bbb-	bbb	bbb-	bb+	bbb-	bb+	bb	bb+	bb+	bb+	bb+	b+	b+	b+
Eco. Risk Trend	Negative	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Negative	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Eco. Imbalances	L	I	L	VL	L	L	H	L	L	H	I	H	I	H	H	VH	H
Credit Risk	I	I	I	VH	H	I	VH	H	VH	VH	VH	H	H	H	EH	VH	EH
Competitive Dynamics	L	L	VH	I	H	I	H	I	H	H	H	I	H	I	VH	VH	H
Funding	L	L	L	I	L	L	VL	I	I	L	L	I	I	H	I	VH	VH
Nonfinancial corporates																	
Median Rating (Jul. 31, 2022)	BBB	BBB+	BB	BB	BBB+	BBB-	BBB+	BBB+	BB-	BBB	BBB-	BB+	BB-	BB-	BB-	B	CCC+
Net Debt / EBITDA	3.1	2.6	1.6	2.2	2.1	3.1	2.8	3.4	2.8	2.5	2.2	2.2	2.1	2	3.1	2.3	1.7
ROC Adj.§	-2.8	1.3	-3.4	0.5	-0.5	-1.9	1.2	-1.4	1.4	1	-1.1	1.5	-5	0.2	1.6	-21	-28.3
EBITDA INT. COV.	7.7	11.3	19	8	13.1	4.9	7.6	6.5	5.2	13.9	6.4	7.1	3.4	6.9	6	4.4	3.7
FFO / Debt	29.4	24.9	46.3	38.5	27.7	34.1	19.8	22.4	30.9	29.1	35.7	38.1	51.2	45.6	27.8	34.7	48.1
NFC FC Debt % GDP*	34.6	12.9	13.8		14.4	17.1	5.4	6.2t	8.8	8.6	7.5	12.4	17.1	13.9		36.2	6.8
NFC Debt % of GDP*	103.4	63.8	43.2		70.6	23.7	154.8	32.6	25.5	54.9	54.5	32	55.1	33.3		73	17.8

Sovereign--Each of the factors is assessed on a continuum spanning from '1' (strongest) to '6' (weakest). Based on "Sovereign Rating Methodology." Dec. 18, 2017.

Financial Institutions BICRA--The overall assessment of economic risk and industry risk, which ultimately leads to the classification of banking systems into BICRA groups, is determined by the number of "points" assigned to each risk score on the six-grade scale. The points range from '1' to '10', with one point corresponding to "very low risk" and '10' points corresponding "extremely high risk," based on "Banking Industry Country Risk Assessment Methodology and Assumptions," Dec. 9, 2021, and "Financial Institutions Rating Methodology," Dec. 9, 2021. VL--Very low. L--Low. I--Intermediate. H--High. VH--Very high. EH--Extremely high.

Nonfinancial Corporates--Ratios are derived from the median of rated corporates in their respective countries. We then rank them according to our "Corporate Methodology," Nov. 19, 2013, by using table 17, with levels that go from minimal to highly leveraged. §We assess return on capital by using the median of our rated corporates in their respective countries, then we adjust for inflation, we then rank it based on our "Corporate Methodology," Nov. 19, 2013. *Nonfinancial corporates' debt and foreign currency denominated debt is based on IIF global debt monitor with data as of March 2022.
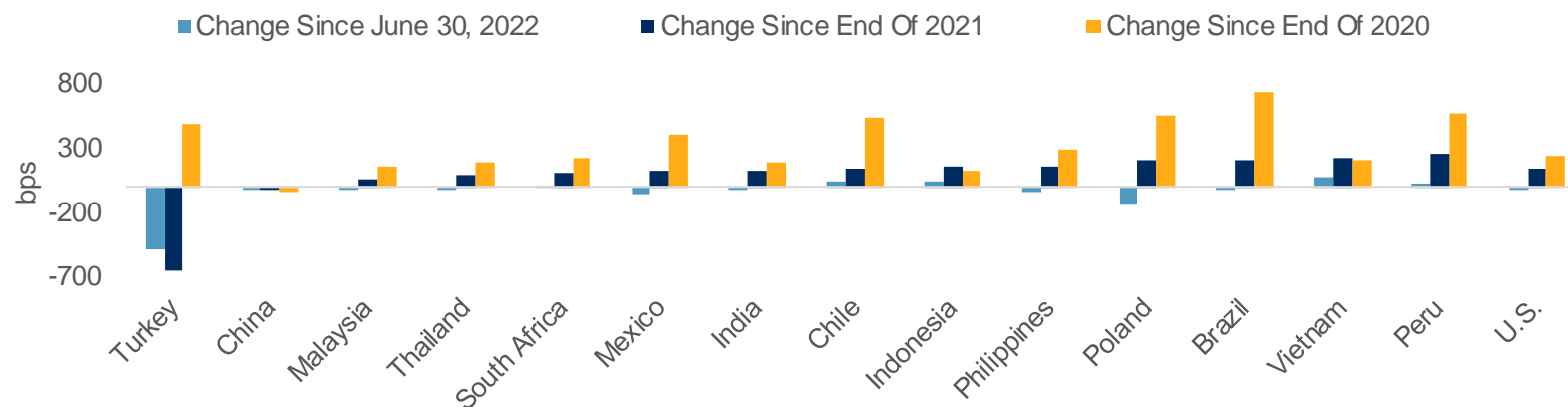
*IIF 1Q 2022. Sources: Bangko Sental NG Pilipinas; Corporate Variables Capital IQ 1Q 2022. S&P Global Ratings.

S&P Global
Ratings
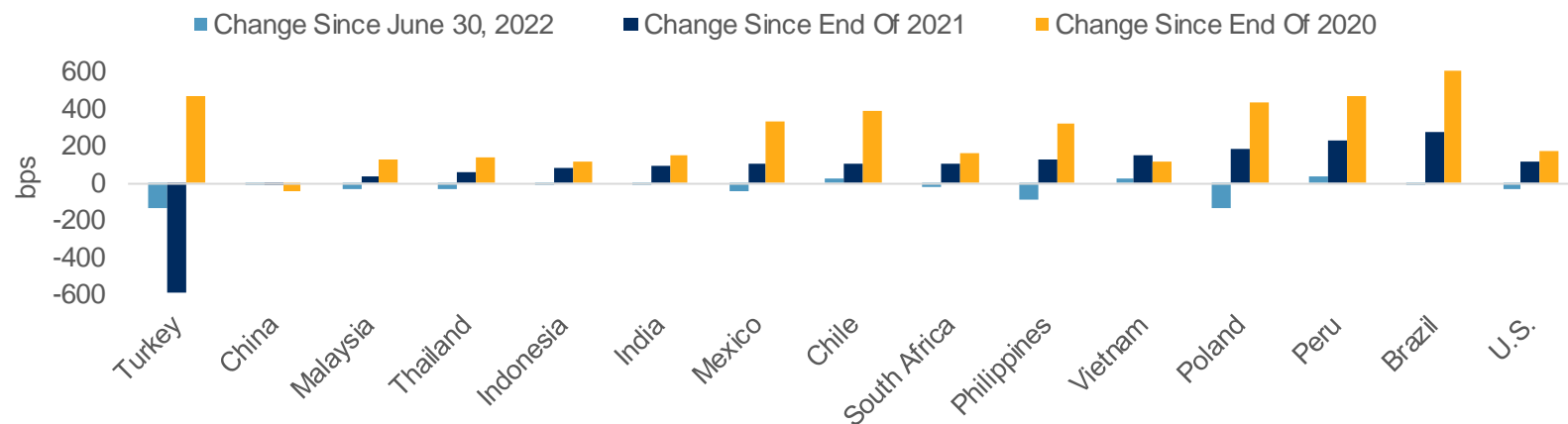
Financing Conditions
Highlights

S&P Global
Ratings

EM Yields | Benchmark Yields Narrowed On Average

Change In Local Currency Five-Year Government Bond Yield Versus U.S. Five-Year T-Note Yield

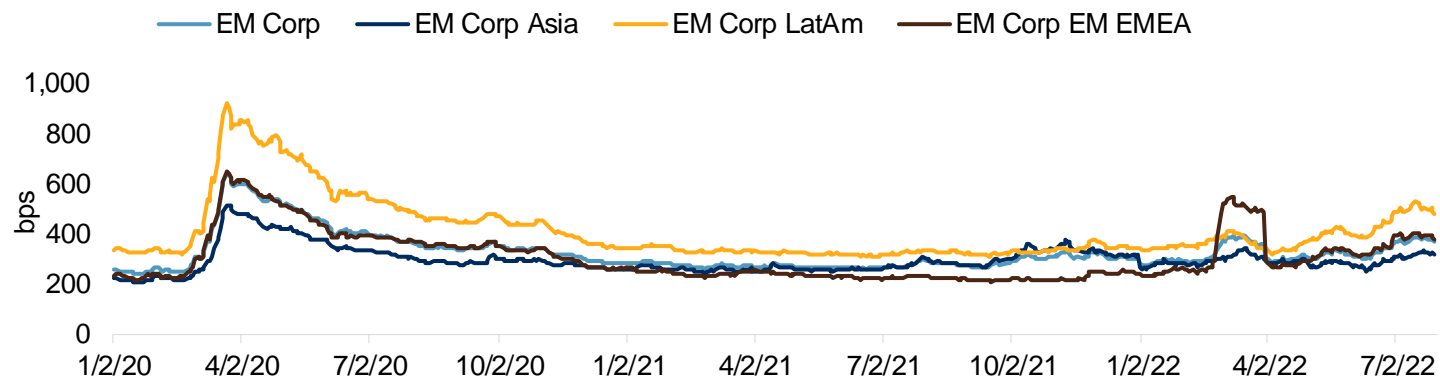**Change In Local Currency 10-Year Government Bond Yield Versus U.S. 10-Year T-Note Yield**

Data as of July 31, 2022. The selection of country is subject to data availability. Source: S&P Global Ratings, S&P Capital IQ Pro, and Datastream.
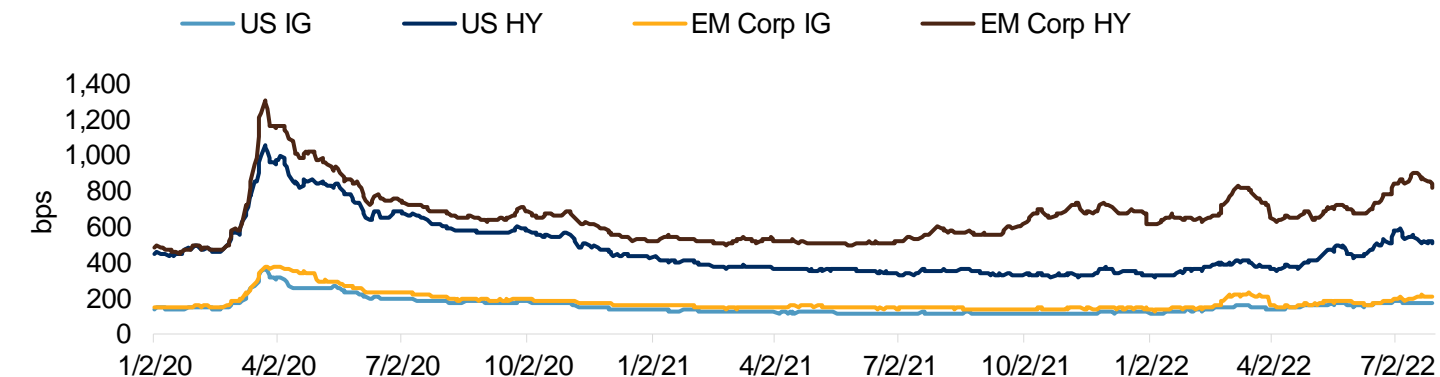
- **Credit conditions remain generally tight** in July. Despite a mixed picture on benchmark yields across EMs in July, **the average** for EMs has **declined** by 10 bps, but remained relatively high.

- **Moderation of commodity prices** led to **some tightening** in credit conditions among a **few commodity exporting** EMs. At the same time, this **abated pressure for commodity-importing EMs**, where we saw some decline in benchmark yields.

- In addition, **the outlook revision for sovereign ratings on Indonesia and Mexico** were credit positive, with 10-year government bond yields dropping below those of June.

- EMs will continue **facing challenging credit conditions** due to high inflationary pressures, tighter monetary policies, capital flow headwinds, and lingering recession risks.

S&P Global
Ratings

EM Credit Spreads| Risk Premia Remains Elevated And Volatile

EM Spreads By Region

Legend: EM Corp — EM Corp Asia — EM Corp LatAm — EM Corp EM EMEA

U.S. And EM Spreads

Legend: US IG — US HY — EM Corp IG — EM Corp HY

- EM spreads have changed **by a narrow margin** by the end of July. However, **in July, spreads fluctuated significantly** due to uncertainty over the speed of the Federal Reserve's tightening and worse outlook on China's economic growth.

- During July, risk premia in **EM Asia** increased and approached levels of late February - early March 2022 due to lower investor confidence in China's real estate sector.

- Moderation of commodity prices slightly reduced spreads in **LatAm** and **EM EMEA**.

- In the short term, spreads may continue to moderate in EEMEA and LatAm due to a slightly improved market sentiment. However, further **trends** will largely **depend on the macroeconomic trends** in EMs and **global financing conditions.**

- **Shifts in market sentiments, lower liquidity, and subdued primary** activity could continue to **pressure EM risk premia** in the following months.

Data as of July 29, 2022. HY – High Yield; IG – Investment Grade. Source: S&P Global Ratings, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

EM | Financial And Non-Financial Corporate Issuance

- **Access to external markets remains tight** since March for all borrowers, but particularly for those with speculative-grade ratings. **Refinancing risks persist** as market volatility continues, reflecting lower EM issuance trends amid higher costs and subdued demand.

- **Funding availability is narrowing** because of tight external conditions and cautious market sentiment to EMs. EM EMEA and LatAm are facing the weakest volumes since 2016. Despite the slower issuance pace in EM Asia (excluding China), the volumes are on a trend to surpass the 2018 levels. China is likely to exceed the 2019 issuance levels amid higher local government debt issuances.

- The risk for EM issuances is still on a negative side with the potential risk of further tightening financial conditions. **A drop in investor confidence or a further rise in risk premia** could result in greater headwinds and turbulent market conditions.

EM Cumulative Corporate Bond Issuance
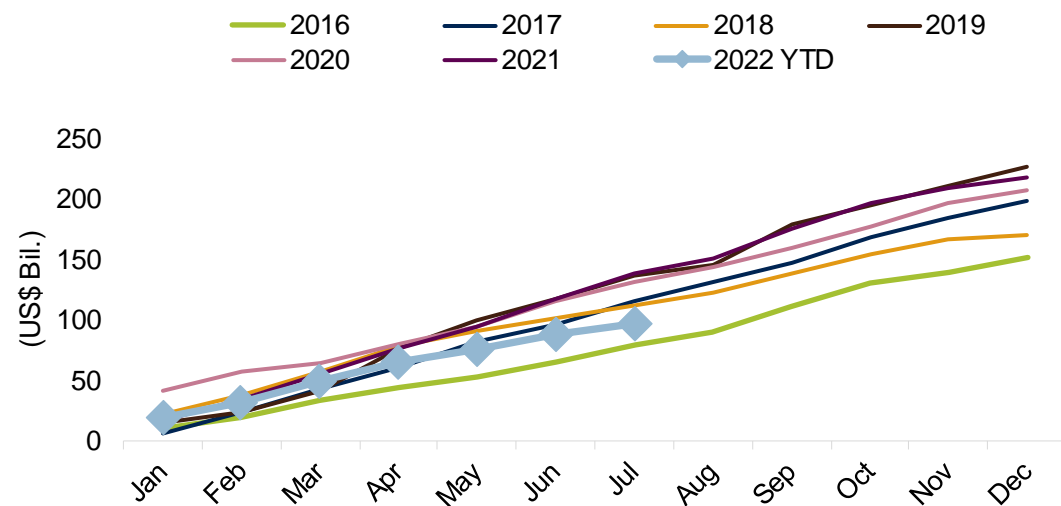
Excluding China. Data as of July 31, 2022. Data including not rated entities. Source: S&P Global Ratings Research and Refinitiv.

EM Regional Bond Issuance
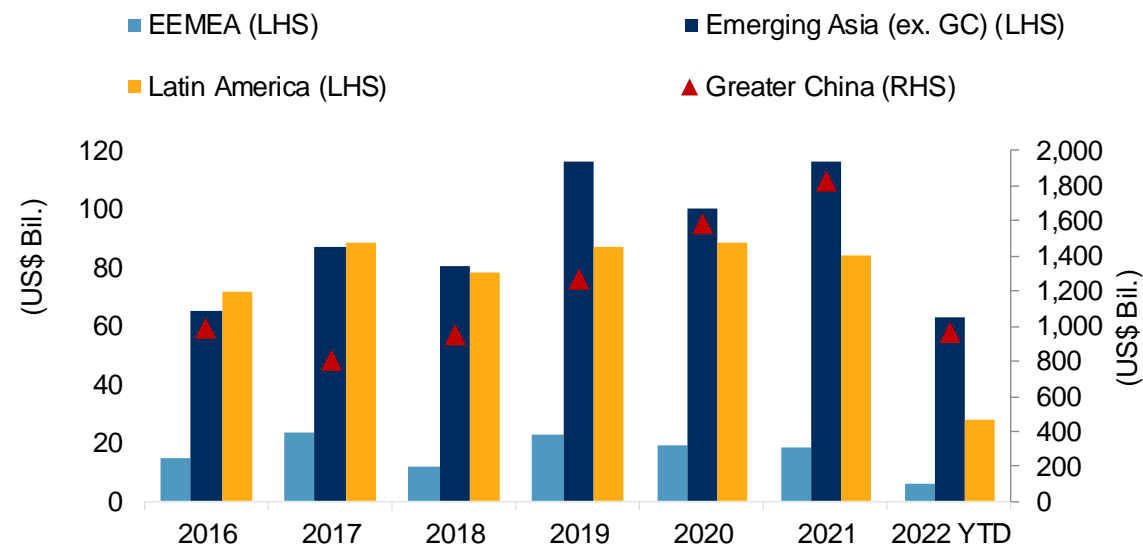
Data as of July 31, 2022. GC- Greater China. Source: S&P Global Ratings Research and Refinitiv.

Ratings
Summary

S&P Global
Ratings

Ratings Summary | Sovereign Ratings In EM17

— Sovereign ratings in selected EMs remained unchanged with most of the ratings on a stable outlook despite macroeconomic challenges, testing times ahead for EMs' resilience.

— On July 6, we revised the sovereign rating outlook on Mexico to stable from negative.

Economy	Rating	Outlook	Five-year CDS spread (July 31)	Five-year CDS spread (June 30)
Argentina	CCC+	Stable	4822	4816
Brazil	BB-	Stable	270	291
Chile	A	Stable	128	113
China	A+	Stable	72	86
Colombia	BB+	Stable	257	291
India	BBB-	Stable	149	147
Indonesia	BBB	Stable	115	143
Malaysia	A-	Stable	77	104
Mexico	BBB	Stable	156	174
Peru	BBB	Stable	128	124
Philippines	BBB+	Stable	104	129
Poland	A-	Stable	133	110
Saudi Arabia	A-	Positive	67	73
South Africa	BB-	Positive	297	314
Thailand	BBB+	Stable	64	65
Turkey	B+	Negative	828	855
Vietnam	BB+	Stable	138	159

Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, Taiwan. Data as of July 31, 2022. Source: S&P Global Ratings Research and S&P Capital IQ.

S&P Global
Ratings

EM Rating Actions | By Debt Amount In The Past 90 Days

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. $)
2-Jun-22	JBS S.A. (J&F Investimentos S.A.)	Brazil	Consumer products	BBB-	BB+	Upgrade	18,850
6-Jul-22	America Movil S.A.B. de C.V.	Mexico	Telecommunications	A-	BBB+	Upgrade	15,171
27-May-22	Sibanye Stillwater Ltd.	South Africa	Metals, mining, and steel	BB	BB-	Upgrade	1,200
6-Jul-22	Kimberly-Clark de Mexico S.A.B. de C.V.	Mexico	Consumer products	A-	BBB+	Upgrade	1,000
6-Jul-22	Coca-Cola Femsa, S.A.B. de C.V.	Mexico	Consumer products	A-	BBB+	Upgrade	600
11-Jul-22	Guacolda Energia S.A	Chile	Utilities	B-	B	Downgrade	500
26-May-22	Grupo KUO, S.A.B. de C.V.	Mexico	Diversified	BB	BB-	Upgrade	450

S&P Global
Ratings

EM | Total Rating Actions By Economy

Data includes sovereigns. Data from Feb. 3, 2020 to July 31, 2022. EMs consist of Argentina, Brazil, Chile, China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkey. Greater China --- China, Hong Kong, Macau, Taiwan and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings Research.

S&P Global
Ratings

Data includes sovereigns. Data from Feb. 3, 2020 to July 31, 2022. EMs consist of Argentina, Brazil, Chile, China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkey. Greater China --- China, Hong Kong, Macau, Taiwan and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings Research.

- **Three issuers were downgraded, bringing the total number of 2022 downgrades to 48.**

- Further headwinds in China's real estate sector led to a multiple-notch downgrade of a real estate developer on account of high execution risk and challenging industry conditions.

- A multiple-notch downgrade of a Chilean utility due to high commodity input prices.

- An Indonesian palm oil producer selectively defaulted due to completion of a below-par cash tender on one of its bonds.

- **Three issuers were upgraded, bringing the year-to-date tally to 30.** Ratings on three Mexican companies were raised following the sovereign outlook revision and resilient operations.

S&P Global
Ratings

EM Downgrade Potential | Regional Negative Bias

EEMEA Has The Highest Downgrade Potential

Legend: ■ 10-Year Average ■ 5-Year Average ■ June 30, 2022 ■ July 31, 2022

EM Asia (ex. China): 20%, 19%, 12%, 7%
EEMEA: 26%, 20%, 23%, 23%
Latin America: 30%, 31%, 19%, 12%
Greater China: 18%, 14%, 10%, 10%

Negative Bias By Sector

Legend: ■ Current Negative Bias (July 31, 2022) ■ Current Negative Bias (June 30, 2022) ■ 5-Year Averages (July 31, 2022)

Y-axis: Negative Bias (in %) — 0% to 70%

Sectors (x-axis): Home/RE, Media/entert, Consumer products, Health care, Telecommunications, Financial institutions, Transportation, Retail, Utilities, High technology, Capital goods, Insurance, Metals/mining/steel, Aerospace/defense, Automotive, CP&ES, Forest, Oil & Gas

Data as of July 31, 2022 and include sectors with more than five issuers only; excludes sovereigns. EMs in LatAm: Argentina, Brazil, Chile, Colombia, Peru, Mexico. EM Asia: India, Indonesia, Malaysia, Thailand, the Philippines, and Vietnam. EMEA: Poland, Saudi Arabia, South Africa, and Turkey. Greater China: China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Media/entert -- Media and entertainment, Retail -- Retail / restaurants, CP&ES -- Chemicals, packaging and environmental services, Home/RE -- Homebuilders/real estate companies, Forest -- Forest products and building materials, Metals/mining/steel -- Metals, mining, and steel. Source : S&P Global Ratings Research.

- **EM EMEA has the highest** downgrade potential, driven by Turkish corporations. The negative bias remains at 23%, as in June, higher than the five-year average, but lower than its 10-year average.

- **EM Asia (excluding China).** The July 2022 downgrade potential fell to 7% from 12%, and below the five-year and 10-year average. Outlooks on three Indonesian corporations were revised upwards due to companies' intrinsic factors.

- **LatAm.** The July 2022 downgrade potential (12%) fell on account of several positive rating actions on Mexican corporations. The downgrade potential stayed well below its five-year average (31%) and 10-year average (30%).

- **Greater China.** The July 2022 downgrade potential (10%) remained stable and is slightly below both of its historical averages.

S&P Global
Ratings

28

Rating Actions | Rating Changes From 'B-' To 'CCC' In 2022 YTD

Three rating changes in EMs from 'B-' to 'CCC' so far in 2022.

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
4-Feb-22	Credito Real, S.A.B. de C.V., SOFOM, E.N.R. (Futu Iem, S.A.P.I. de C.V.)	Mexico	Financial institutions	CCC-	B-	1,936
11-Mar-22	Logan Group Co. Ltd.	Cayman Islands	Homebuilders/real estate co.	CCC-	B-	1,280
30-May-22	Greenland Holding Group Company Ltd.	China	Homebuilders/real estate co.	CC	B-	600

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating. Data as of July 31, 2022; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in Greater China but are incorporated elsewhere). Source: S&P Global Ratings Research.

S&P Global
Ratings

Rating Actions | EM Fallen Angels And Rising Stars In 2022 YTD

One EM fallen angel so far in 2022.

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
15-Mar-22	Petroleos del Peru Petroperu S.A.	Peru	Oil and gas exploration and production	BB+	BBB-	2,000

Two EM rising stars so far in 2022.

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
2-Jun-22	JBS S.A. (J&F Investimentos S.A.)	Brazil	Consumer products	BBB-	BB+	18,850
28-Apr-22	Gold Fields Ltd.	South Africa	Metals, mining and steel	BBB-	BB+	1,000

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating and blue means investment-grade rating. Data as of July 31, 2022; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

S&P Global
Ratings

Rating Actions | List Of Defaulters In 2022 YTD

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
13-Jan-22	R&F Properties (HK) Co. Ltd. (Guangzhou R&F Properties Co. Ltd.)	Hong Kong	Homebuilders/real estate companies	SD	CC	-
1-Feb-22	Future Retail Ltd.	India	Consumer products	SD	CCC-	500
10-Feb-22	Credito Real, S.A.B. de C.V., SOFOM, E.N.R. (Futu lem, S.A.P.I. de C.V.)	Mexico	Financial institutions	SD	CCC-	1,941
8-Apr-22	Guangzhou R&F Properties Co. Ltd.	China	Homebuilders/real estate companies	SD	CC	-
12-Apr-22	Grupo Kaltex, S.A. de C.V.	Mexico	Consumer products	D	CCC-	320
21-Jun-22	Greenland Holding Group Co. Ltd.	China	Homebuilders/real estate companies	SD	CC	-
18-Jul-22	PT Sawit Sumbermas Sarana Tbk	Indonesia	Forest products and building materials	SD	CC	-

Data as of July 31, 2022. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Excludes eight confidential issuers in 2022 YTD. Red means speculative-grade rating, and grey means default (D) or selective default (SD). Source: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.

S&P Global
Ratings

Rating Actions | Fallen Angels And Potential Fallen Angels

One Fallen Angel So Far In 2022 (In Peru) While Potential Fallen Angels Continue To Trend Down

■ Fallen Angels   ■ Average Potential Fallen Angels
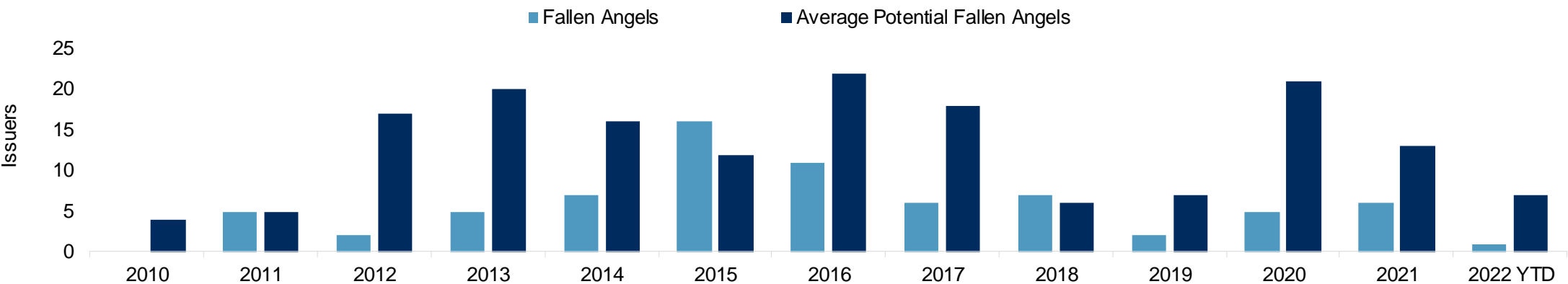
EM Potential Fallen Angels By Economy
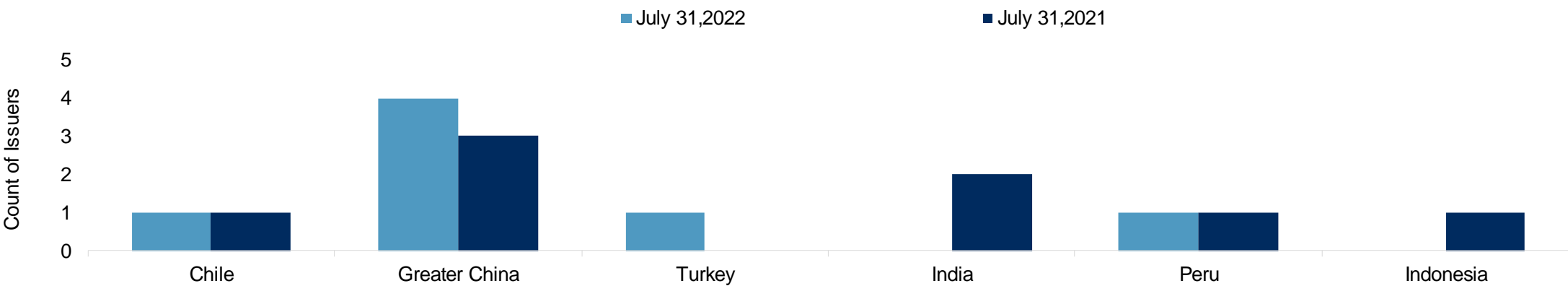
■ July 31,2022   ■ July 31,2021

Data as of July 31, 2022. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

S&P Global
Ratings

Rating Actions | Rising Stars And Potential Rising Stars

Two Rising Stars In 2022 YTD

Legend: ■ Rising Stars ■ Average Potential Rising Stars
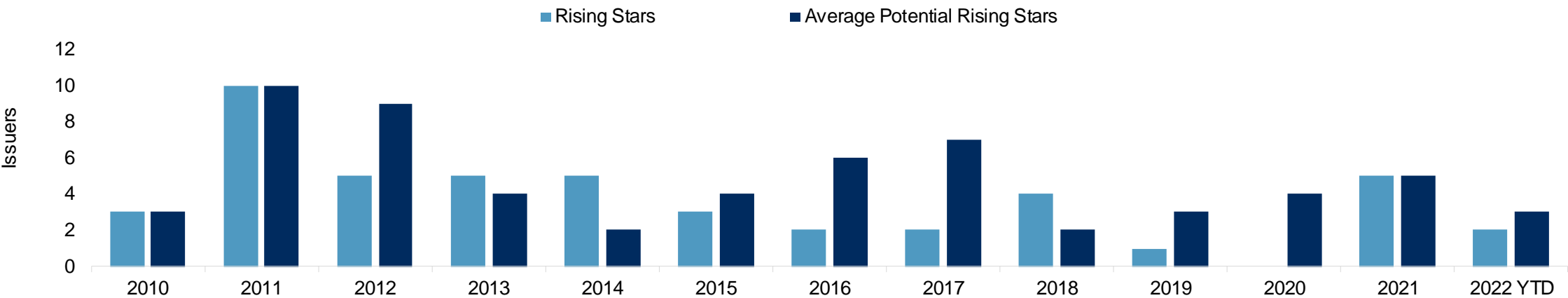
EM Potential Rising Stars By Economy
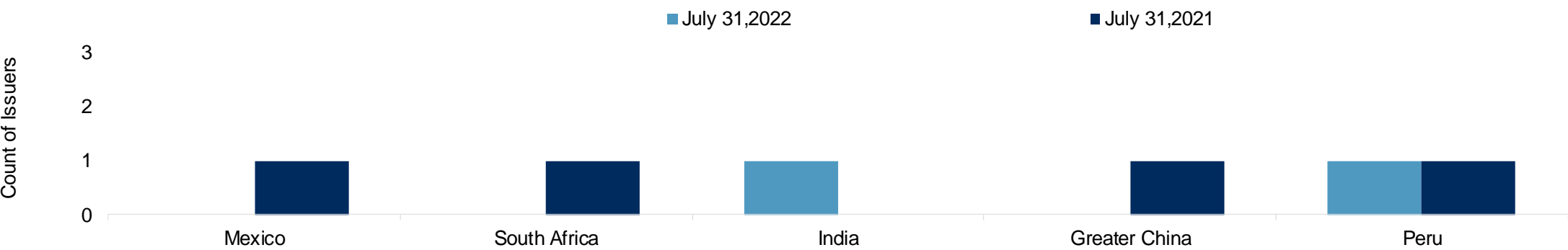
Legend: ■ July 31, 2022 ■ July 31, 2021

Data as of July 31, 2022. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies.(issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

S&P Global
Ratings

33

Rating Actions | Weakest Links And Defaults

EM Weakest Links At Seven In July
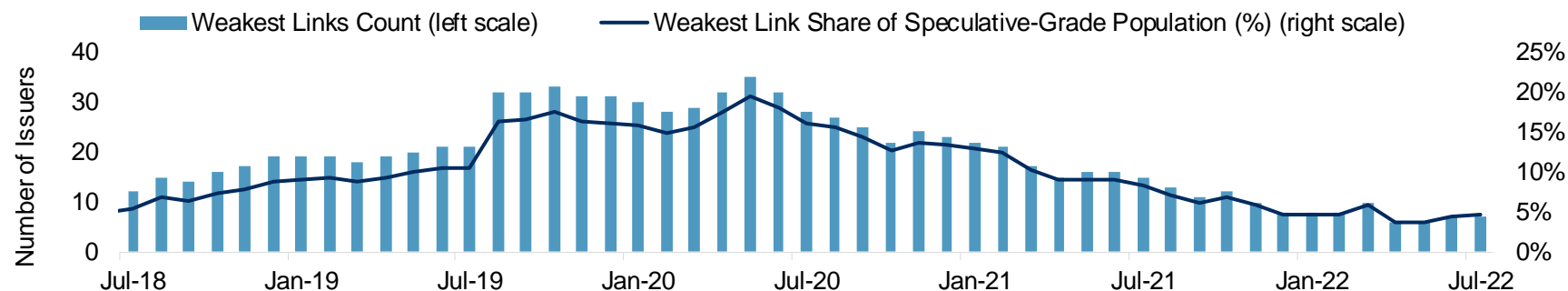
Data as of July 31, 2022. Parent only. Includes Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Weakest links are defined as issuers rated 'B−' or lower with negative outlooks or ratings on CreditWatch with negative implications. Source: S&P Global Ratings Research.

Default Rates Fell (as of June 2022)
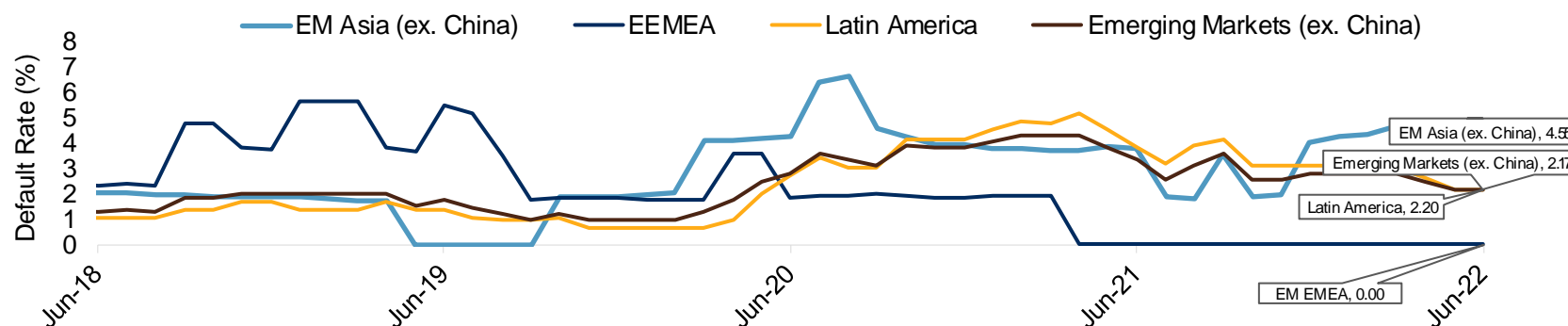
Excluding China. CreditPro data as of June 30, 2022. Default rates are trailing 12-month speculative-grade default rates. Source: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.

— **Weakest links.** EMs' weakest links remained low at seven issuers (5% of total speculative-grade issuers), maintaining the steady downtrend that began in late 2020.

— **Default rates.** The June default rates increased marginally for LatAm and slipped for EMs (excluding China) and EM Asia (excluding China) (see chart). The June default rate in EEMEA remained at 0% .

S&P Global
Ratings

34

Rating Actions | Defaults

Year-End Global Corporate Defaults By Reason
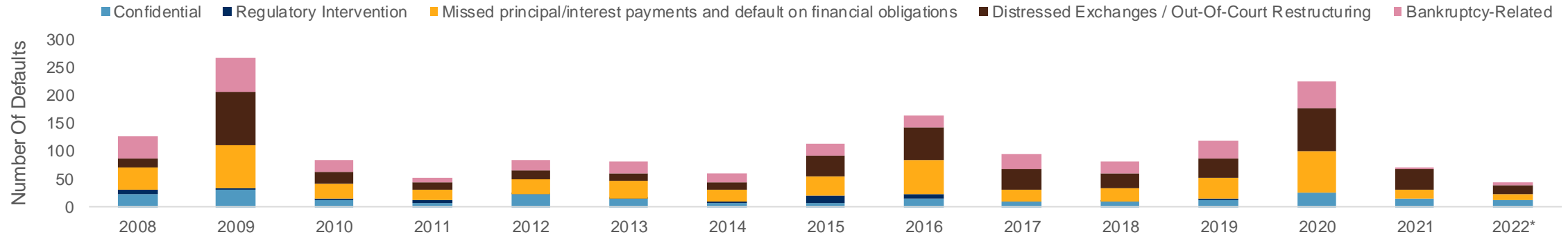
Year-End EM 17 Corporate Defaults By Reason
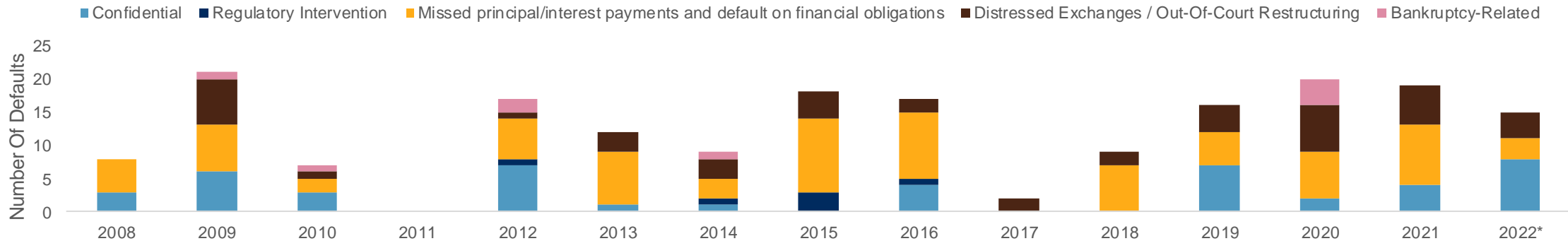
Data as of July 31, 2022. Data has been updated to reflect confidential issuers. Excludes sovereigns, includes Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Sources: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.

S&P Global
Ratings

35

Related **Research**

S&P Global
Ratings

EMs | Related Research

- Economic Research: What A Hard Landing For The U.S. Economy Would Mean For Emerging Markets, August 3, 2022

- Economic Research: Emerging Market Economies Are Vulnerable To A Downturn In Europe, July 19, 2022

- Rating Indicators Signal A Turn In Rating Momentum, July 29, 2022

- Global Financing Conditions: Bond Issuance Set To Contract 16% After Weak First-Half 2022, With Tough Path Ahead, July 28, 2022

- Economic Research: Asia-Pacific: Varying Core Inflation Paths Drive Monetary Policy Divergence, July 25, 2022

- Russia-Ukraine Military Conflict: Key Takeaways From Our Article, July 21, 2022

- Emerging Market Economies Are Vulnerable To A Downturn In Europe, July 19, 2022

- Global Debt Leverage If Stagflation Strikes, China Corporates Are Most Vulnerable, July 12, 2022

- Emerging Markets: Where Is The Growth Shortfall From Pre-Pandemic Trend?, July 7, 2022

- Global Credit Markets Update – Q3 2022 Market Stresses Begin To Weigh On Credit, July 6, 2022

- Russia-Ukraine Military Conflict: Key Takeaways From Our Article, July 1, 2022

- Credit Conditions Emerging Markets Q3 2022: Risks Accumulate As Conflict Lingers, June 28, 2022

- Credit Trends: 'BBB' Pulse: Pressures Mount, But The Positive Streak Continues, June 27, 2022

- Economic Outlook Emerging Markets Q3 2022: Testing Times Ahead For Emerging Market Resilience, June 27, 2022

- Economic Outlook Latin America Q3 2022: Resilient So Far This Year, With Tougher Conditions Ahead, June 27, 2022

- Economic Outlook Asia-Pacific Q3 2022: Overcoming Obstacles; June 27, 2022

S&P Global
Ratings

EMs | Related Research

- Economic Outlook EMEA Emerging Markets Q3 2022: Slower Growth Ahead Amid Mounting Risks, June 27, 2022

- Economic Research: Higher Interest Rates Will Cool Some Red-Hot Residential Markets In Asia, June 16, 2022

- Default, Transition, and Recovery: The Pace Of Defaults In 2022 Is Likely To Pick Up, June 15, 2022

- Economic Research: Food Price Shock Reverberates Through MENA Economies, May 26, 2022

- Default, Transition, and Recovery: European Weakest Links Fall But Remain Above The Five-Year Average, May 25, 2022

- Slower, But Continued Positive Momentum, Points To Lower Near-Term Downgrade Risk, May 5, 2022

- Turkey-Based Mersin International Port Downgraded To 'B+' After Similar Rating Action On Sovereign; Outlook Negative, April 28, 2022

- Which Emerging Markets Are Most At Risk From Slower-Than-Expected Growth In China?, April 26, 2022

- Economic Research: Which Emerging Markets Are Most Vulnerable To Rising Food And Energy Prices?, April 21, 2022

S&P Global
Ratings

EMs | Contacts

Economics	Global	Paul F Gruenwald, New York, +1-212-438-1710, paul.gruenwald@spglobal.com
	Emerging Markets	Satyam Panday, New York, +1-212-438-6009, satyam.panday@spglobal.com
	EM Asia	Vishrut Rana, Singapore, +65-6216-1008, vishrut.rana@spglobal.com
	EM Europe, Middle-East & Africa	Tatiana Lysenko, Paris, +33-14-420-6748, tatiana.lysenko@spglobal.com Valerijs Rezvijs, London, +44-7929-651386, valerijs.rezvijs@spglobal.com
	Latin America	Elijah Oliveros-Rosen, New York, +1-212-438-2228, elijah.oliveros@spglobal.com
Research	Global	Ruth Yang, New York, +1-570-352-2379, ruth.yang2@spglobal.com
	Emerging Markets	Jose Perez-Gorozpe, Madrid, +34-9142-33212, jose.perez-gorozpe@spglobal.com Ekaterina Tolstova, Dubai, +971-547923598, ekaterina.tolstova@spglobal.com
	Credit Market Research	Patrick Drury Byrne, Dublin, +353-1- 568-0605, patrick.drurybyrne@spglobal.com
	Ratings Performance Analytics	Nick Kraemer, New York, +1-212-438-1698, nick.kraemer@spglobal.com
	Research Support	Lyndon Fernandes, lyndon.fernandes@spglobal.com Nivritti Mishra, nivritti.mishra@spglobal.com

spglobal.com/ratings

S&P Global
Ratings