

Emerging Markets Monthly Highlights

Navigating Through Increasing Uncertainty

Credit Research
Jose Perez Gorozpe
Ekaterina Tolstova
Luca Rossi

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

October 19, 2022



S&P Global
Ratings

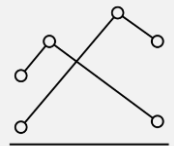
This report does not constitute a rating action.

Contents

- Key Takeaways
- Economic And Credit Conditions Highlights
- Macro-Credit Dashboards
 - GDP Summary
 - Monetary Policy/FX
- **Emerging Markets' Heat Map**
- Financing Conditions Highlights
- Ratings Summary

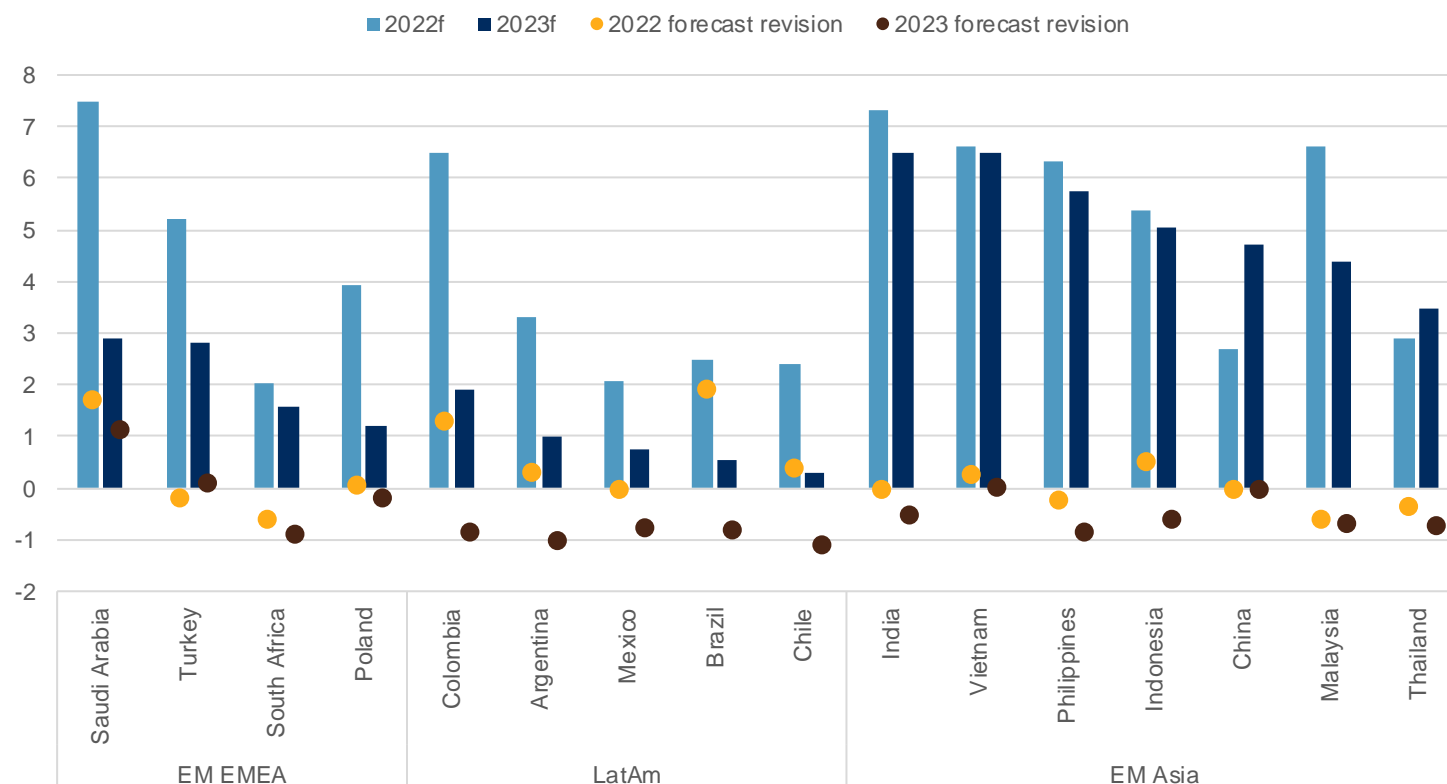
Key Takeaways

- Due to materialization of some of our previously outlined downside risks, we lowered our 2023 growth projections for key emerging market (EM) economies. We also slightly upgraded our 2022 growth projections on better-than-expected Q2 performance. However, growth has already started to decelerate, and we expect this trend to continue. We have also raised sharply our median inflation forecast for key EMs to 5.6% for 2023 from 4.1% in our June forecast.
- The balance of risks for EMs remains firmly on the downside. Resolution of the Russia-Ukraine conflict seems far off, while risks of the Fed's more aggressive tightening and China's slower growth are still in place. We estimated that the materialization of these risks (for example, a surge in energy prices and further monetary tightening in the U.S.) could cause several LatAm and EM EMEA economies to contract in 2023.
- Yields have notably increased. Despite some easing in August, both corporate and government yields have started increasing in September across most EMs in line with our expectations. Yields have increased across most of LatAm (following the recent U.S. monetary tightening) and EM EMEA (due to escalation of the Russia-Ukraine conflict and ongoing gas-supply disruptions). A strengthening dollar and tightening of global financing conditions remain key risks for EMs, and we expect challenging environment to remain in the nearest term.
- Exchange rates among some EMs appeared to be more resilient than those in developed markets (DMs), particularly among commodity exporters in LatAm and EM Asia. However, we expect pressure on EM currencies to intensify in the coming months, as external environment remains difficult, current accounts are currently deteriorating, and some EM economies seem to approach the end of their tightening cycles, particularly in LatAm.



EM Economic Outlook | Another Downward Revision For 2023 Growth

Real GDP Growth (%)








f--S&P Global Ratings' forecasts. Source: S&P Global Market Intelligence and S&P Global Ratings.

- Solid growth in the first half of 2022 triggered an upward revision to our 2022 GDP growth projections for most EM economies (see “[Economic Outlook Emerging Markets Q4 2022: Further Growth Slowdown Amid Gloomy Global Prospects](#)” published September 26).
- However, we expect a weaker second half, and even slower growth in 2023 across most EMs. Few exceptions aside (Brazil, Colombia, Indonesia, and Turkey), real GDP growth in EMs eased or even turned negative in the second quarter. We expect this trend to continue for most EMs.
- Some downside risks, outlined in our previous forecast, have materialized, prompting us to revise our projections downwards. China’s economic growth weakened again as new COVID-19 outbreaks and mobility restrictions took hold. In Europe, natural gas flows from Russia have been disrupted following the shutdown of the Nord Stream 1 gas pipeline for an unspecified period. Downside risks to the forecast remain substantial.

EM Credit Conditions | Clouds Are Gathering

Top EM Risks

		Risk Level	Risk Trend
	Further monetary tightening in the U.S. weakens financing conditions.	High	Worsening
	High inflation squeezes the finances of corporations, households, and banks.	High	Worsening
	Increasing geopolitical tensions and difficult domestic socio-political conditions erode credit fundamentals.	High	Worsening
	China's soft economic recovery from adherence to a prolonged zero-COVID policy or weak rebound in business and household confidence.	High	Worsening
Structural Risks			
	Climate change and rising adaptation costs.	Elevated	Worsening

Risk levels may be classified as very low, moderate, elevated, high, or very high. They are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one to two years. Typically, these risks are not factored into our base case rating assumptions unless the risk level is very high.

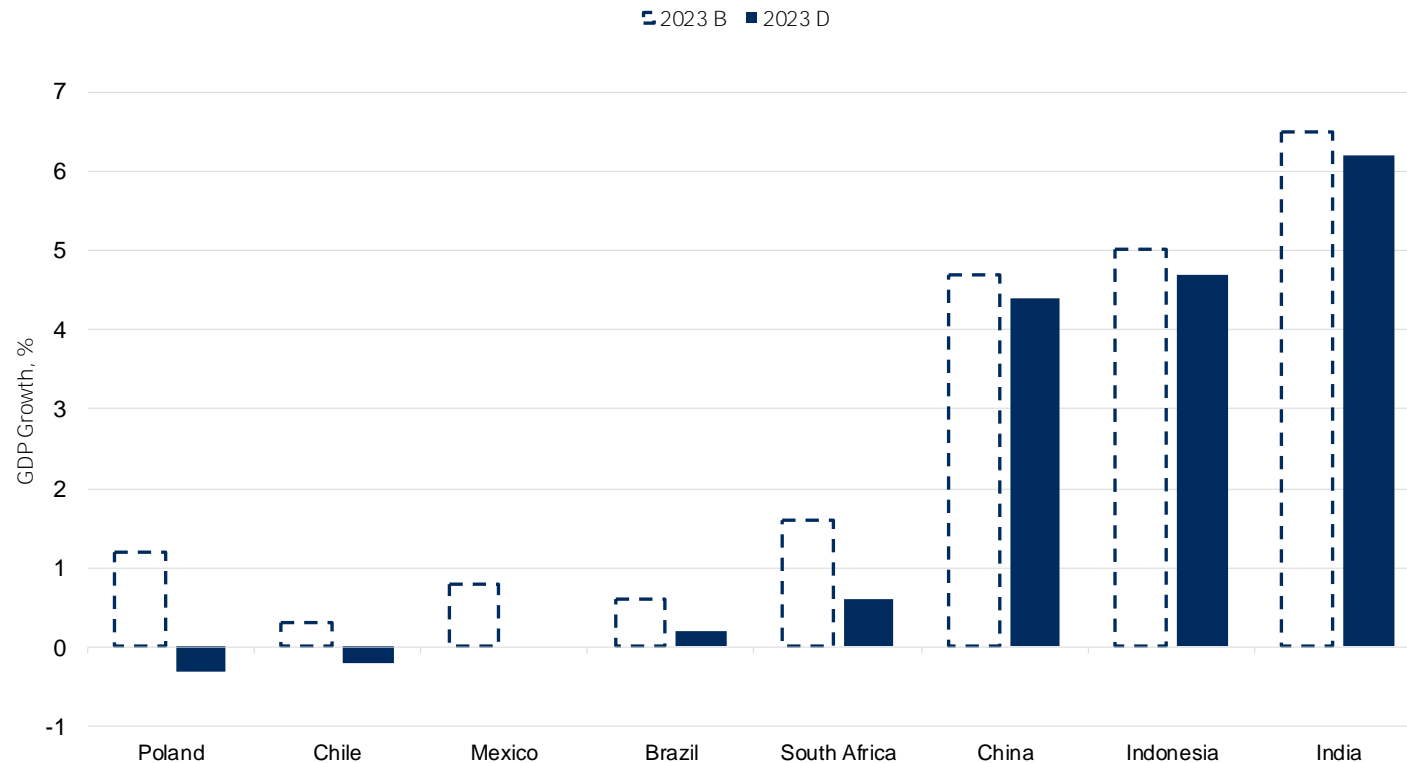
Risk trend reflects our current view about whether the risk level could increase or decrease over the next 12 months.

Source: [Credit Conditions Emerging Markets Q4 2022: Clouds Are Gathering](#), Sept. 27, 2022. S&P Global Ratings.

- We expect credit conditions to worsen for EMs, given the confluence of tightening financing conditions, slowing growth in China and Europe, and the potential for a steeper-than-expected recession in the U.S.
- The balance of risks for EMs is firmly on the downside. A resolution of the Russia-Ukraine conflict seems far off. This--in addition to sustained gas supply disruption in Europe, the Fed's more aggressive tightening, and lower growth momentum in China--could hurt EMs by dampening global economic and trade growth.
- We expect our negative outlook bias for rated issuers across EMs to widen. Rising interest rates, persistent inflation, and weakening demand could erode corporate profits, households' purchasing power, and banks' asset quality. Few issuers will continue to benefit from this complex panorama, mainly commodity exporters.

EM Downside Scenario| Some EMs Face Recession Risks

Real GDP Growth in 2023, Baseline Versus Downside (%)

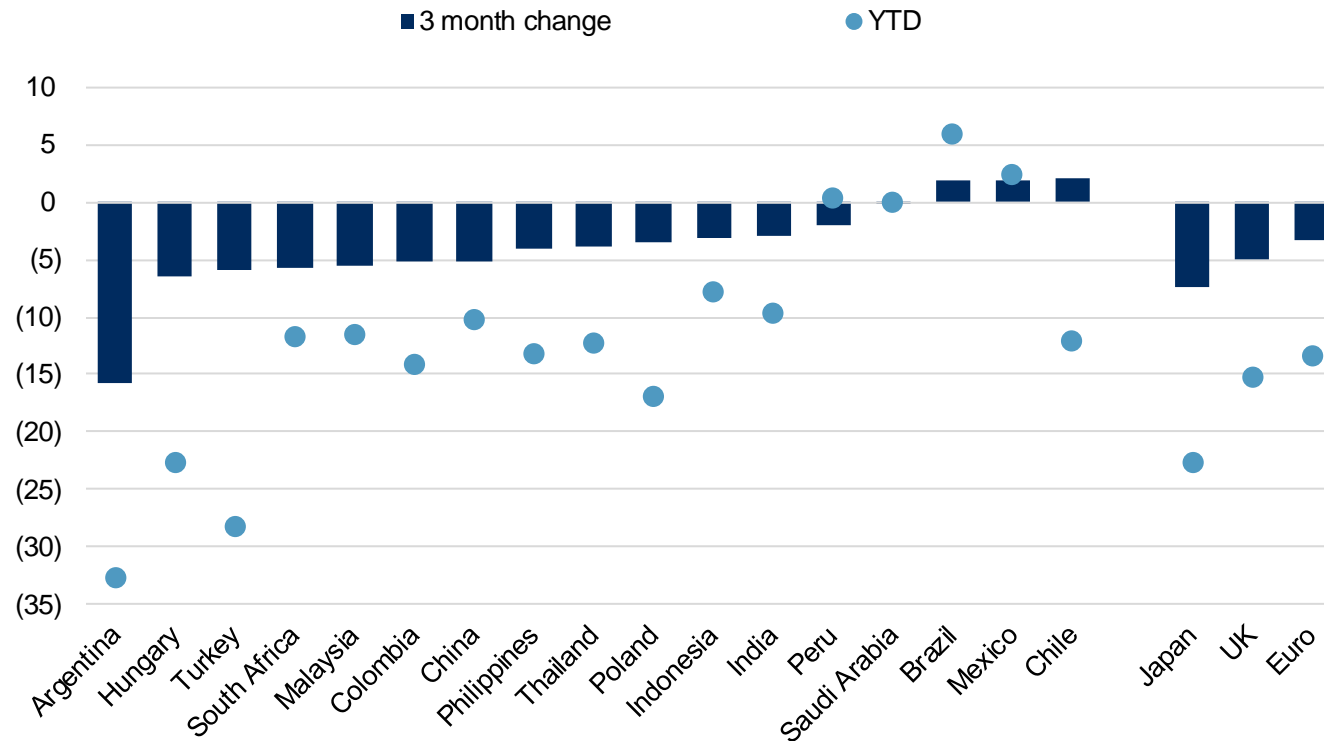


B--Baseline. D--Downside. Source: S&P Global Ratings.

- Considering increasing risks in the global economy, we have developed a downside scenario with a roughly one-in-three chance of occurring. Our downside scenario assumptions include a Russia-Ukraine conflict-induced surge in energy prices and tighter monetary policy in the U.S. (see [“Economic Research: Global Credit Conditions Downside Scenario: Recession Risks Deepen”](#) published October 12).
- We expect Mexico and Chile to bear the greatest impact in LatAm, while Poland would be the hardest hit in EM EMEA, given their economic ties with the U.S. and the eurozone (which is expected to get severely hit), respectively. In our downside scenario, these economies are likely to post no or negative growth in 2023.
- In EM Asia, the downside scenario would have less effect on growth, given that these economies are more domestically oriented. However, EM Asia could face higher inflation due to a stronger U.S. dollar, as well as high energy prices.

EM Exchange Rates| Resilience Among Some EMs

EM And DM Currencies Against The Dollar (% Change)



Note: Exchange rate against USD. A positive figure reflects appreciation and vice-versa. YTD change calculated from 31st Dec 2021. Data as of October 18th. Source: Haver Analytics and S&P Global Ratings.

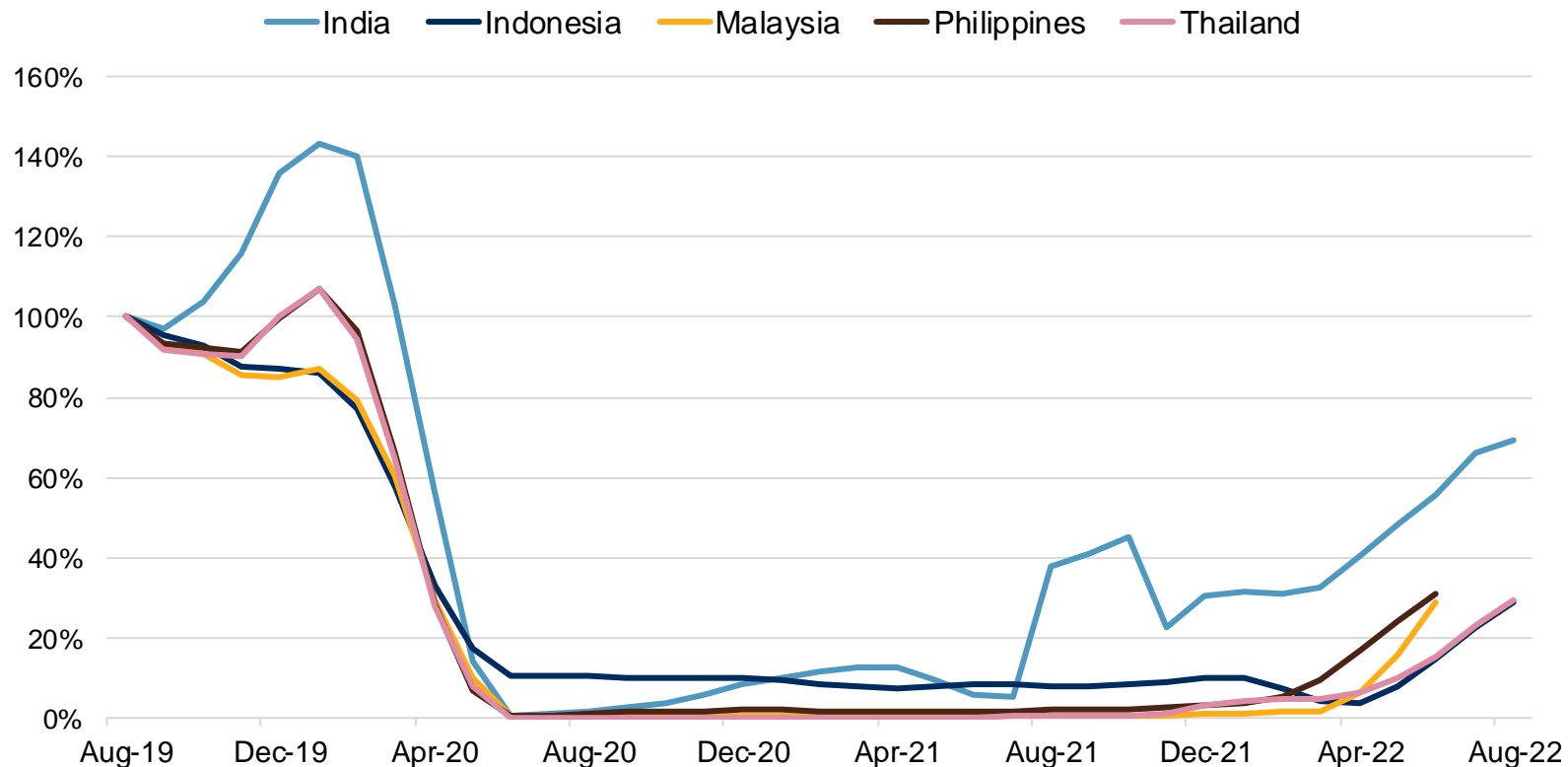
- Over the past few months, the U.S. dollar has been appreciating due to the Fed's stronger-than-expected tightening, fading global risk appetite, and deteriorating current accounts among commodity importers.
- However, currencies of some LatAm and Asian EMs have been more resilient than DM currencies. On a few occasions, currencies have even appreciated over the last months, as was the case with exporters in Mexico, Brazil, and Chile. However, developments across commodity markets are becoming less favorable for metals exporters (such as Brazil, Chile, Peru, and South Africa), and most of these economies seem to have either finished their tightening cycles or are close to doing so. Therefore, the pressure on exchange rates is likely to persist.
- Some EM Asia economies have also been more resilient. There has likely been some intervention from central banks to support currencies, while recovering economies, steady trade and recovering tourism are providing buffers.

Regional Economic Highlights

EM Asia Economics| Tourism Sectors Reopen, But Far From Normal

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

Visitor Arrivals (Three-Month Moving Average)



Percentage of August 2019 levels. Source: Ministry of Tourism India, Tourism Malaysia, Ministry of Tourism and Sports Thailand, Central Bureau of Statistics Indonesia and Department of Tourism Malaysia.

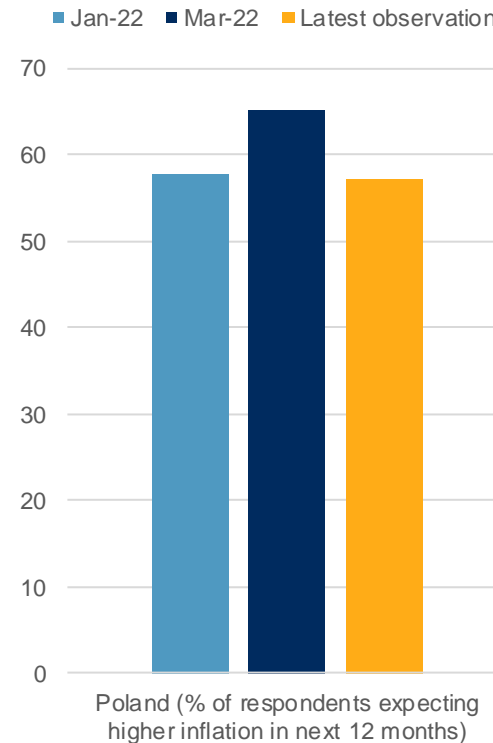
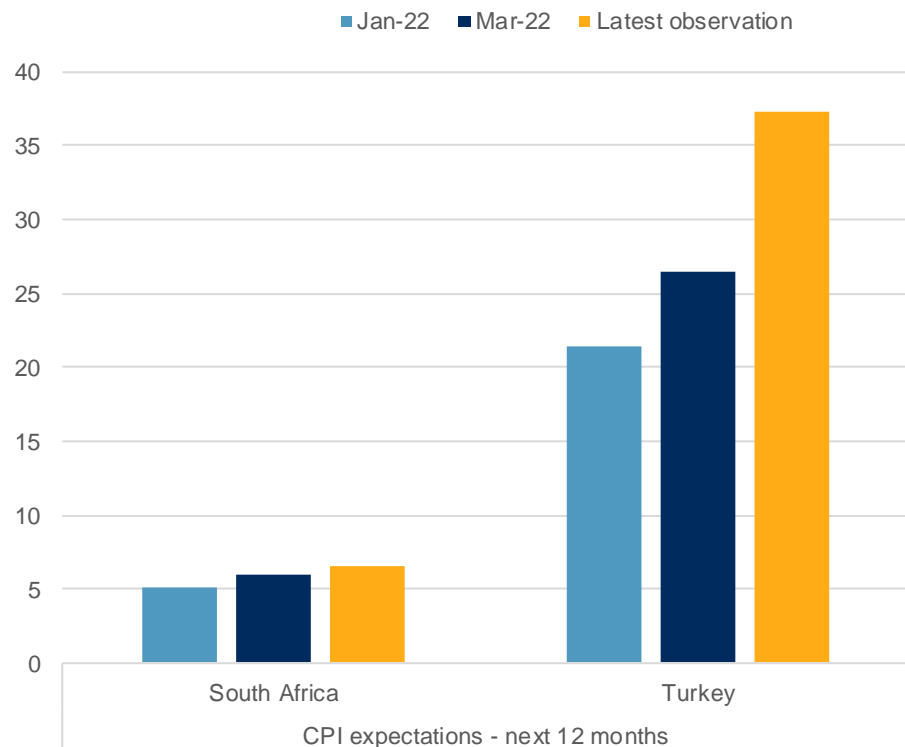
- While domestic economies have reopened, tourism sectors have been slower to recover.
- Visitor arrivals are now increasing, but the number of arrivals remains significantly below normal. In India, arrivals are about 70% of pre-pandemic levels, while around 30% in other Asian EMs. Malaysia stands out with a brisk pace of tourism recovery.
- The tourism industry is especially important for Thailand, accounting for about 11% of GDP.

EM EMEA Economics | Central Banks Face Policy Dilemma

Tatiana Lysenko, Paris, +33-1-4420-6748, tatiana.lysenko@spglobal.com

Valerijs Rezvijs, London, +44-7929-651386, valerijs.rezvijs@spglobal.com

Inflation Expectations



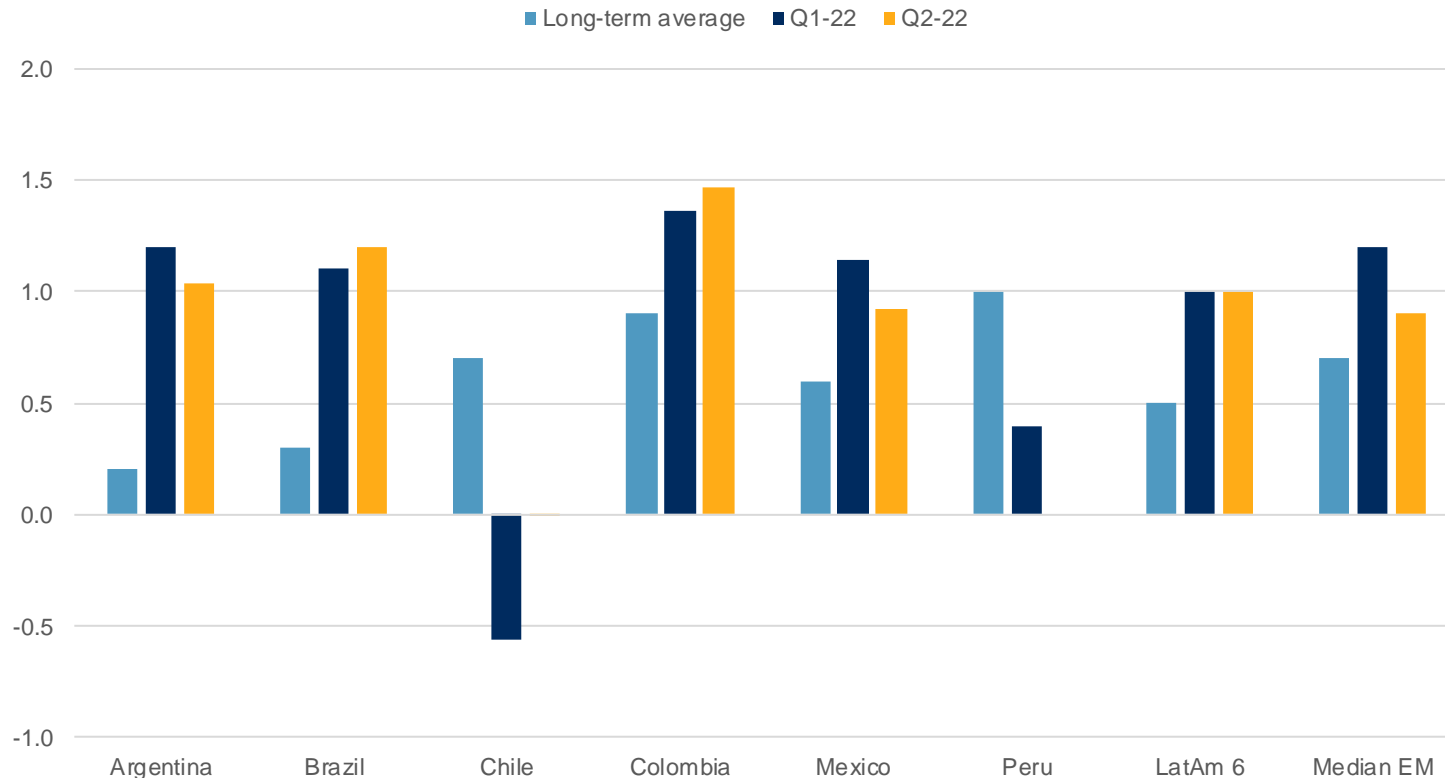
Note: South Africa's numbers are based on replies from financial analysts, firms, trade union officials, and households. In Turkey and Poland, numbers are based on replies from firms only. Source: Turkey's Central Bank, National Bank of Poland, and South Africa's Bureau for Economic Research.

- EM EMEA banks are charting a difficult course between supporting economic growth and anchoring inflation expectations. Prioritizing growth, Turkey's central bank has delivered another 100-basis point (bp) cut on September 22. However, South Africa has hiked its interest rate by 75 bps, where annual inflation has decelerated for the second month in a row.
- National Bank of Poland unexpectedly kept its interest rates unchanged at 6.75% on October 5, citing a deterioration of global economic conditions, as well as deceleration of domestic growth. Meanwhile, annual inflation increased to 17.2% in September amid rising food prices and core inflation. Government has announced several new measures to tackle energy inflation, such as price caps and tax decreases. However, taking into consideration the 15.9% minimum-wage increase in January, as well as expansionary fiscal policy, we expect headline inflation to remain high.

LatAm Economics | Shift To Below-Trend Growth

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

Real Quarter-On-Quarter GDP Growth (%)



Note: Long-term average is the 10-year pre-pandemic average. Source: Haver Analytics and S&P Global Ratings.

- Most of the largest LatAm economies performed better than expected so far this year, in many cases growing above the trend because of resilient domestic demand and an uptick in exports. As a result, we revised our 2022 GDP growth forecast for the region to 2.8% from 2.0% previously.
- However, we expect LatAm economies to shift into low-trend growth by the end of this year and into 2023, as more challenging external dynamics dent the region's export volumes, and waning confidence takes a toll on domestic demand. We now project LatAm to expand by 0.9% in 2023, compared with our previous 1.8% assumption.

Macro-Credit Dashboards

GDP Summary | In Most Cases We Expect GDP Growth To Weaken In The Coming Quarters

Country	Latest reading (y/y)	Period	5Y Avg	2020	2021	2022f	2023f	2024f
Argentina	6.9	Q2	-0.2	-9.9	10.4	3.3	1.0	2.3
Brazil	3.2	Q2	-0.5	-4.2	4.9	2.5	0.6	2.0
Chile	5.4	Q2	2.0	-6.2	11.9	2.4	0.3	2.9
Colombia	12.6	Q2	2.4	-7.0	10.7	6.5	1.9	3.0
Mexico	2.0	Q2	2.0	-8.2	5.0	2.1	0.8	2.0
Peru	3.3	Q2	3.2	-11.0	13.5	2.2	2.5	3.1
China	0.4	Q2	6.7	2.2	8.1	2.7	4.7	4.8
India	13.5	Q2	6.9	-6.6	8.7	7.3	6.5	6.7
Indonesia	5.4	Q2	5.0	-2.1	3.7	5.4	5.0	5.0
Malaysia	8.9	Q2	4.9	-5.7	3.2	6.6	4.4	4.6
Philippines	7.4	Q2	6.6	-9.5	5.7	6.3	5.7	6.4
Thailand	2.5	Q2	3.4	-6.2	1.5	2.9	3.5	3.5
Vietnam	13.7	Q3	6.7	2.9	2.5	6.6	6.5	6.8
Poland	4.9	Q2	4.4	-2.1	5.8	4.0	1.2	3.2
Saudi Arabia	12.2	Q2	1.6	-4.1	3.2	7.5	2.9	2.7
South Africa	0.2	Q2	1.0	-6.3	4.9	2.0	1.6	1.7
Turkey	7.6	Q2	4.2	1.8	11.6	5.2	2.8	3.4

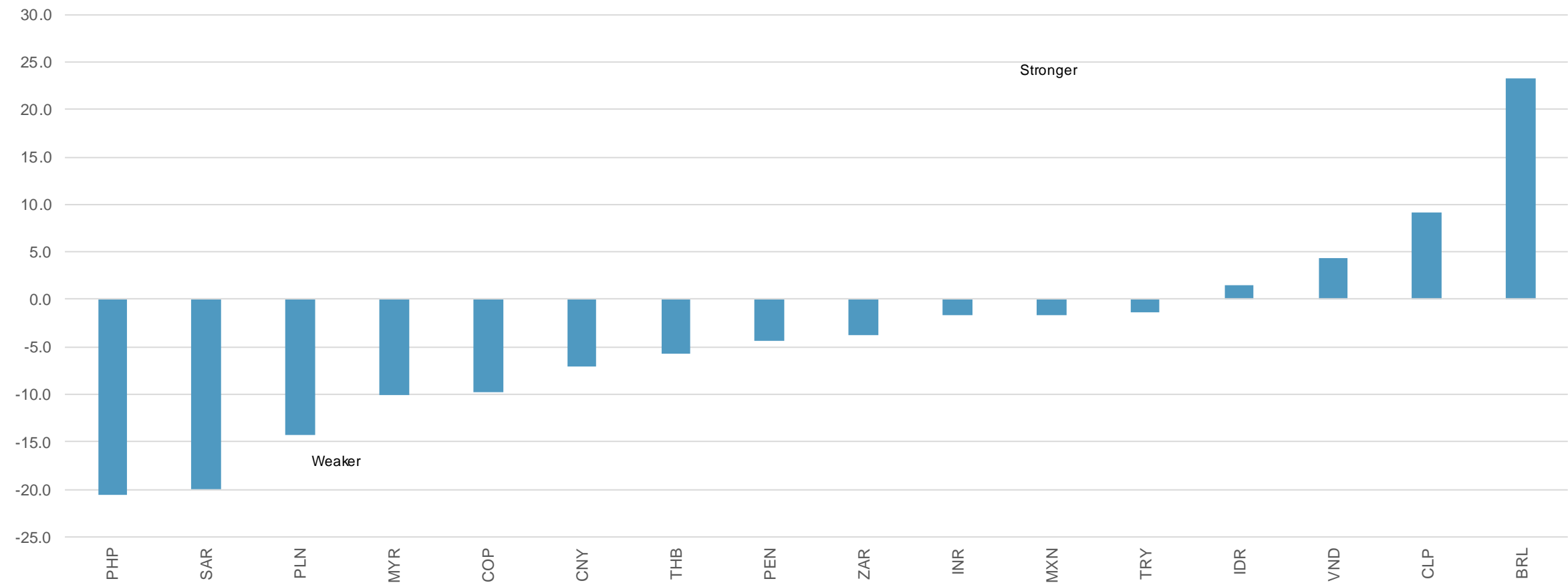
Monetary Policy/FX | **Chile's Central Bank Likely To Join Brazil In Ending Rate Hikes**

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	September exchange rate chg.	YTD exchange rate chg.
Argentina	75.00%	No target	78.5%	550 ps hike	N/A	-5.8%	-30.3%
Brazil	13.75%	3.5% +/- 1.5%	7.2%	Hold	Oct. 26	-4.2%	3.2%
Chile	11.25%	3% +/- 1%	13.7%	50 bps hike	Dec. 8	-8.7%	-12.0%
Colombia	10.00%	3% +/- 1%	11.4%	100 bps hike	Oct. 28	-2.9%	-12.2%
Mexico	9.25%	3% +/- 1%	8.7%	75 bps hike	Nov. 10	0.0%	1.8%
Peru	7.00%	2% +/- 1%	8.5%	25 bps hike	Nov. 10	-3.3%	0.3%
China	1.10%	3%	2.7%	N/A	N/A	-2.9%	-10.2%
India	5.90%	4% +/- 2%	7.0%	50 bps hike	Dec. 7	-2.3%	-8.6%
Indonesia	4.25%	3.5% +/- 1%	6.0%	50 bps hike	Oct. 20	-2.5%	-6.4%
Malaysia	2.50%	No target	4.7%	25 bps hike	Nov. 3	-3.5%	-10.2%
Philippines	4.25%	3% +/- 1%	6.9%	50 bps hike	Nov. 17	-4.2%	-13.0%
Thailand	1.00%	2.5% +/- 1.5%	6.4%	25 bps hike	Nov. 30	-3.3%	-11.4%
Vietnam	5.00%	0.04	3.9%	100 bps hike	N/A	-1.8%	-4.5%
Poland	6.75%	2.5% +/- 1%	16.2%	Hold	Nov. 9	-5.0%	-18.4%
Saudi Arabia	3.75%	3% +/- 1%	3.0%	75 bps hike	N/A	0.0%	0.0%
South Africa	6.25%	3%-6%	7.5%	75 bps hike	Nov. 22	-5.2%	-11.2%
Turkey	12.00%	5% +/- 2%	83.5%	100 bps cut	Oct. 20	-1.9%	-28.4%

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.

Real Effective Exchange Rates | Brazilian Currency Has Appreciated Sharply Against Those Of Trading Partners

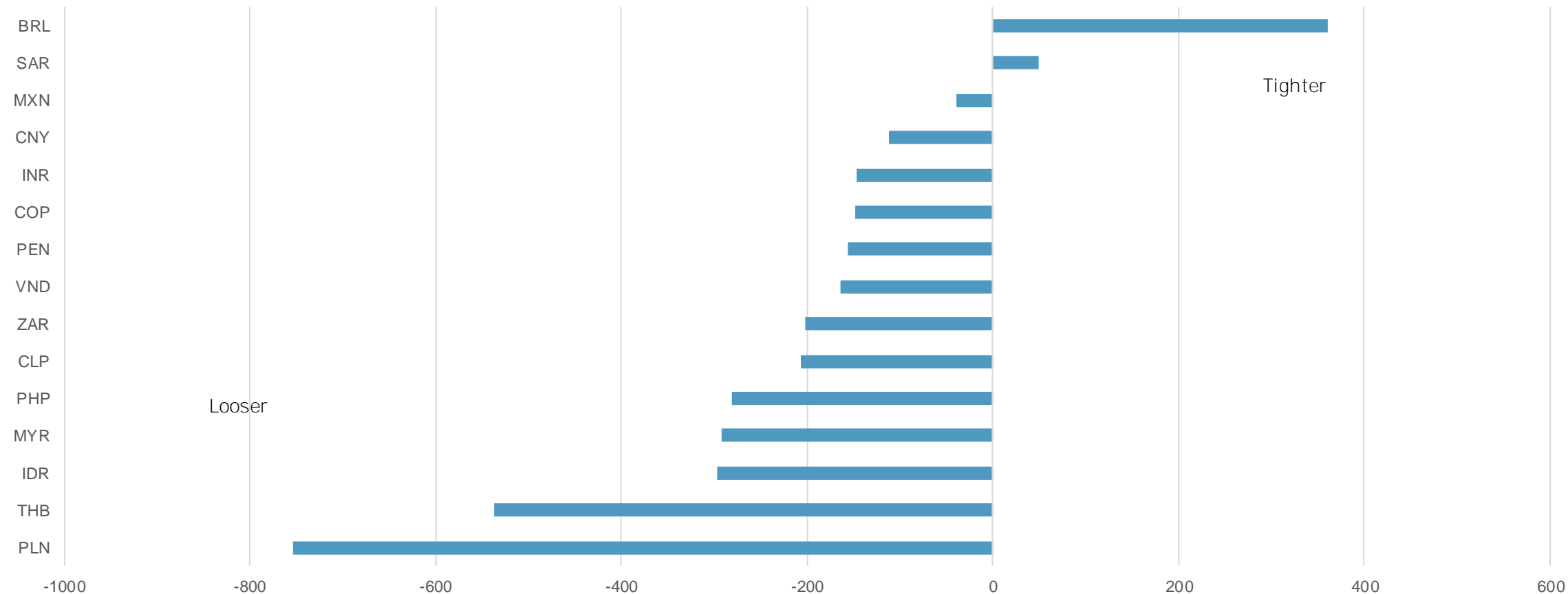
Broad Real Effective Exchange Rates (% Change From 10-Year Average)



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 Sept. 30, 2022. Source: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | Highly Restrictive In Brazil Compared With Other EMs

Deviation In Current Real Benchmark Interest Rates From 10-Year Average (bps)



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 Sept. 30, 2022. Source: Haver Analytics and S&P Global Ratings.

EM Heat Map

	Chile	Saudi Arabia	Poland	Peru	Malaysia	Mexico	China	Philippines	Indonesia	Thailand	India	Colombia	Brazil	South Africa	Vietnam	Turkey	Argentina
Sovereigns	FC Sovereign Rating	A	A-	A-	BBB	A-	BBB	A+	BBB+	BBB	BBB+	BBB-	BB+	BB-	BB-	BB+	CCC+
	Sovereign Outlook	Stable	Positive	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Stable	Stable	Stable
	Institutional	2	4	4	4	3	3	3	4	3	4	3	4	4	4	5	6
	Economic	4	4	4	4	3	5	3	4	4	4	4	5	5	4	4	5
	External	4	1	2	3	2	2	1	1	3	1	1	6	2	2	3	6
	Fiscal (BDGT)	3	2	4	2	4	3	4	3	3	3	6	4	6	6	4	5
	Fiscal (DBT)	1	1	2	3	5	4	2	4	4	3	6	4	6	6	4	5
	Monetary	2	4	2	3	2	3	3	3	3	2	3	3	3	2	4	5
Financial Institutions BICRA	Economic Risk	4	5	4	6	5	6	7	6	6	7	7	7	7	7	9	9
	Industry Risk	3	3	5	3	4	3	5	5	6	6	5	5	5	5	8	9
	Institutional Framework	I	I	I	L	I	I	H	H	H	VH	H	H	I	I	EH	VH
	Derived Anchor	bbb+	bbb	bbb	bbb-	bbb	bbb-	bb+	bbb-	bb+	bb	bb+	bb+	bb+	bb+	b+	b+
	Eco. Risk Trend	Negative	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Negative	Negative	Stable	Stable	Stable	Stable	Stable	Stable
	Eco. Imbalances	L	I	L	VL	L	I	H	L	L	H	I	H	I	I	H	VH
	Credit Risk	I	I	I	VH	H	I	VH	H	VH	VH	H	H	H	H	EH	VH
	Competitive Dynamics	L	I	VH	I	H	I	H	I	H	H	H	I	H	I	VH	VH
	Funding	L	L	L	I	L	L	VL	I	I	L	L	I	I	H	I	VH
Nonfinancial corporates	Median Rating (Sep.30, 2022)	BBB	BBB+	BB	BB	BBB+	BBB-	BBB+	BBB+	BB-	BBB	BBB-	BB+	BB-	BB-	BB-	CCC+
	Net Debt / EBITDA	3.34	2.75	1.56	2.31	2.12	2.97	2.99	3.47	2.68	2.84	2.31	2.1	2.06	1.93	2.97	1.36
	ROC Adj.\$	4.49	3.08	4.67	6.31	2.76	5.68	2.33	2.59	3.47	3.24	4.68	7.95	4.57	6.12	3.52	7.82
	EBITDA INT. COV.	7.72	10.89	15.09	8.12	12.97	4.92	7.92	7.15	5.74	12.39	6.12	6.61	3.36	6.68	6.56	3.7
	FFO / Debt	28.99	26.55	43.76	37.62	29.9	34.64	17.66	23.47	32.38	27.19	38.54	40.52	51.25	45.51	27.74	54.56
	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		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		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.

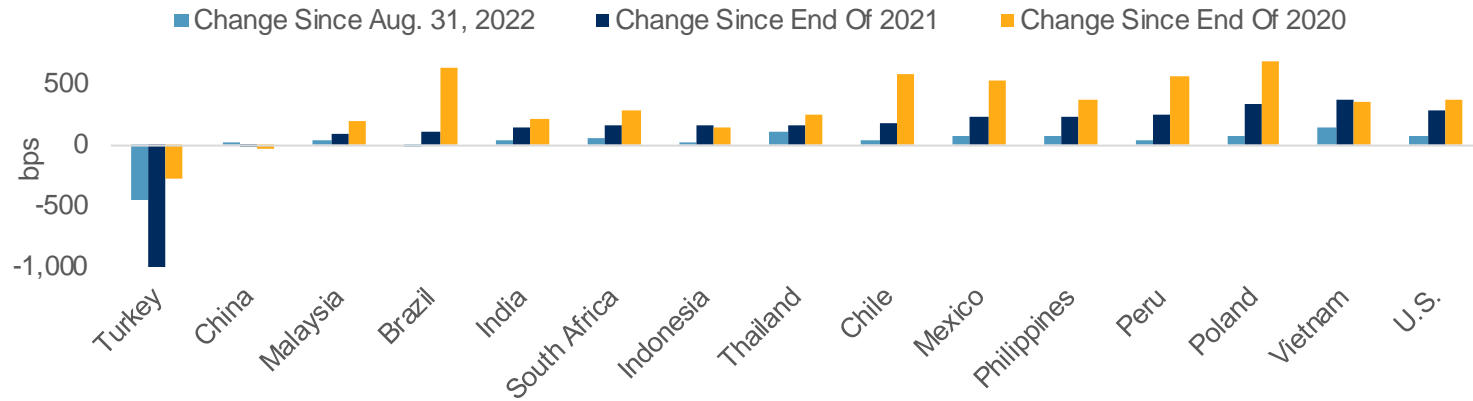
*IIF 1Q 2022. Source: Bangko Sentral NG Pilipinas, Corporate Variables Capital IQ 1Q 2022, and S&P Global Ratings. Data for sovereigns and financial institutions as of Oct. 14, 2022.

Financing Conditions

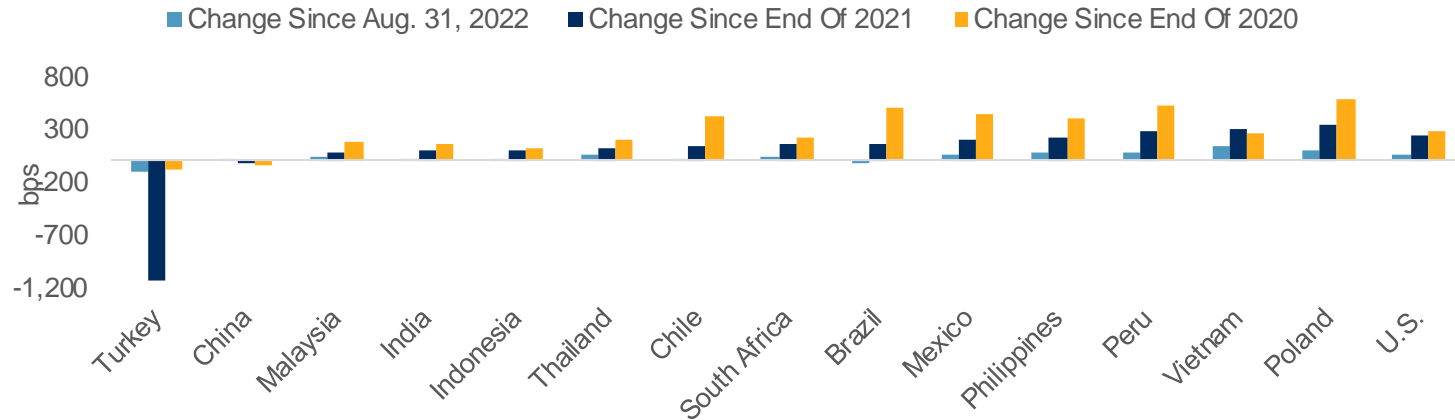
Highlights

EM Yields | Benchmark Yields Soar Across EMs

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

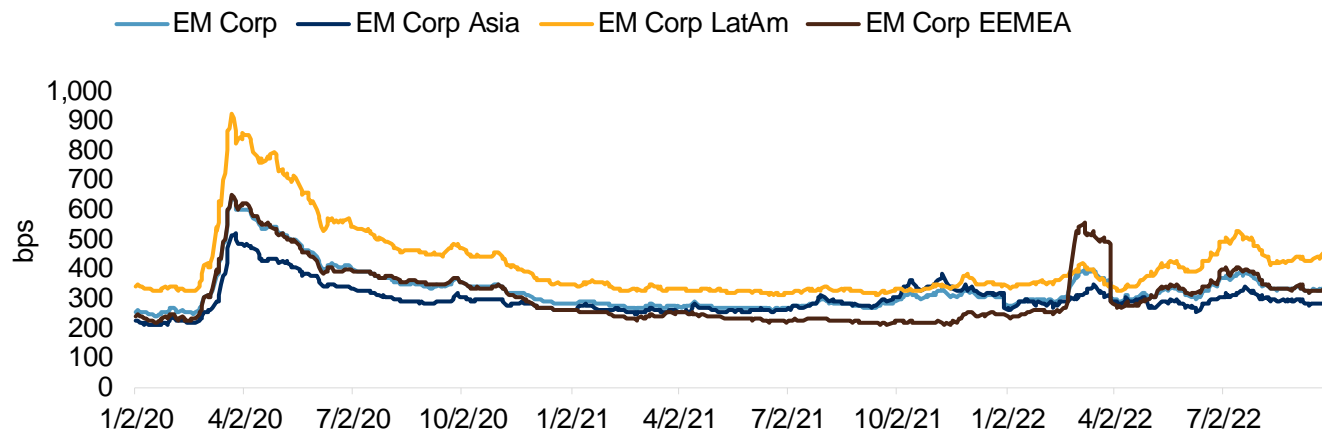


Data as of Sept. 30, 2022. The selection of country is subject to data availability. Source: S&P Global Ratings, S&P Capital IQ Pro and Datastream.

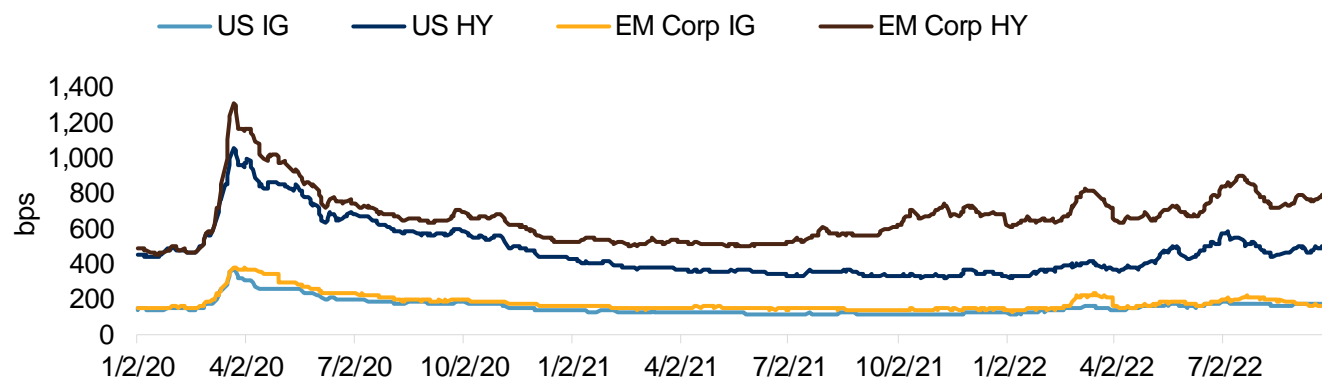
- Despite some spreads easing in August, yields have started widening in September across most EMs amid the Fed's more hawkish statements, as well as rising economic and credit risks.
- In the past few months, EM central banks have continued to raise interest rates in order to tame inflationary pressures. EMs balance the need to reduce inflation and protect capital flows amid rising global interest rates, while facing lower global and domestic growth prospects.
- The strengthening dollar remains one of the key risks to EMs. Weaker currencies have intensified upward pressure on EMs' external financing costs and inflation. A strong dollar increases the debt burden of borrowers with significant foreign currency liabilities.
- EMs will continue facing challenging financing conditions due to high inflationary pressures, tighter monetary policies, capital flow headwinds, and lingering recession risks.

EM Credit Spreads| Risk Premia On The Rise

EM Spreads By Region



U.S. And EM Spreads



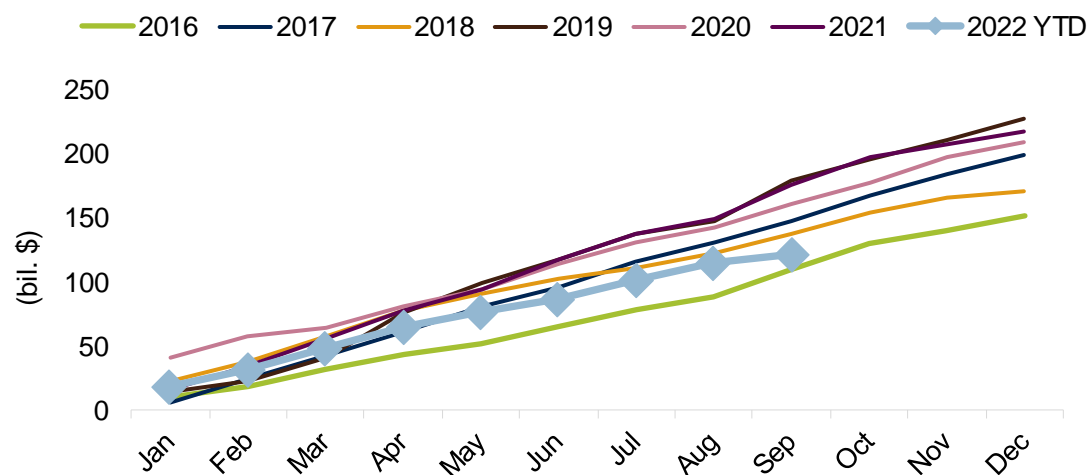
Data as of Sept. 30, 2022. HY – High Yield; IG – Investment Grade. Source: S&P Global Ratings, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- Risk premia widened across all EMs in September due to the Fed's pronounced tightening and worsening market sentiment towards EMs.
- The biggest impact was in LatAm, with a 59-bps increase compared with the end of August. This was driven by fears of spillover effects from the hawkish rise in U.S. rates. EM EMEA followed the trend with a 31-bps spread rise, reflecting uncertainty over economy in Europe.
- **EM Asia's spreads were relatively flat** in September. However, slowing growth prospects, inflation, and limited access to funding could heat up risk premia in months ahead.
- In the short term, spreads may remain volatile in EMs following the macroeconomic developments, global financing conditions, trends in the commodity prices, and the Russia-Ukraine conflict.
- Access to external markets has become difficult starting in March for all borrowers but particularly for those with speculative-grade ratings. Spreads rose across the global rating spectrum, but the investment grade versus speculative grade discrepancy was markedly higher for EMs.

EM | Financial And Non-Financial Corporate Issuance

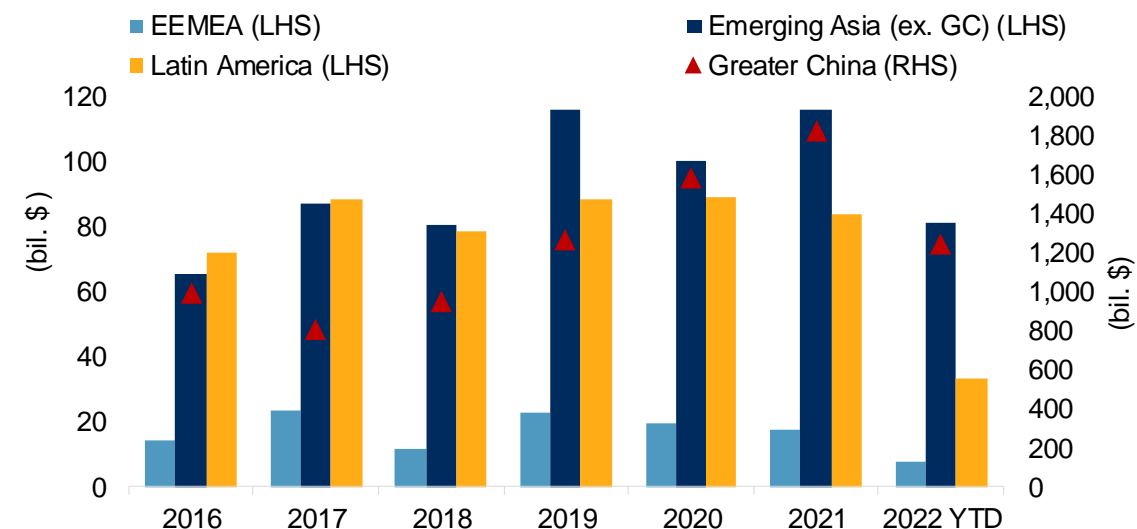
- Issuance in September 2022 was the lowest YTD, equivalent to about 30% of registered volume the same month a year ago. Cumulative bond issuance is now trending lower than 2016 levels.
- Despite higher issuance resilience in EM Asia (including Greater China), its pace slowed. Greater China's debt issuance dropped in September by 38% (on a monthly basis) to \$104 billion. EM EMEA's issuance level is at historically low levels. LatAm more than halved issuance volumes in September of those in previous months. If the current trend in LatAm continues, the annual issuance volumes will most likely be down by more than half of 2021 levels.
- A further drop in investor confidence, high risk premia, and a strong dollar could further increase already elevated refinancing risks and capital flow concerns in the following months. Volatile global market conditions raise the risk of persistent liquidity stress for EMs.

EM Cumulative Corporate Bond Issuance



Excluding Greater China. Data as of Sept. 30, 2022. Data including not rated entities. Source: S&P Global Ratings and Refinitiv.

EM Regional Bond Issuance



Data as of Sept. 30, 2022. LHS—left hand side. RHS—Right hand side. Source: S&P Global Ratings and Refinitiv.

Ratings Summary

Ratings Summary | Sovereign Ratings in EM17

- Most sovereign ratings in selected EMs remained unchanged despite macroeconomic difficulties.
- **The sovereign rating on Turkey was the only exception, with a downgrade from 'B+/Negative' to 'B/Stable' on Sept. 30, 2022 .** Loose monetary and fiscal policy settings, and low net foreign currency reserve levels underscore the Turkish lira's vulnerability to renewed volatility, with implications for financial stability and public finances.

Economy	Rating	Outlook	5 Year CDS spread (Sept. 30)	5 Year CDS spread (Aug. 31)
Argentina	CCC+	Stable	5,276	4,441
Brazil	BB-	Stable	307	261
Chile	A	Stable	169	152
China	A+	Stable	108	74
Colombia	BB+	Stable	330	274
India	BBB-	Stable	173	116
Indonesia	BBB	Stable	158	119
Malaysia	A-	Stable	121	81
Mexico	BBB	Stable	195	162
Peru	BBB	Stable	167	127
Philippines	BBB+	Stable	149	107
Poland	A-	Stable	143	148
Saudi Arabia	A-	Positive	61	49
South Africa	BB-	Positive	340	284
Thailand	BBB+	Stable	91	63
Turkey	B	Stable	775	776
Vietnam	BB+	Stable	180	142

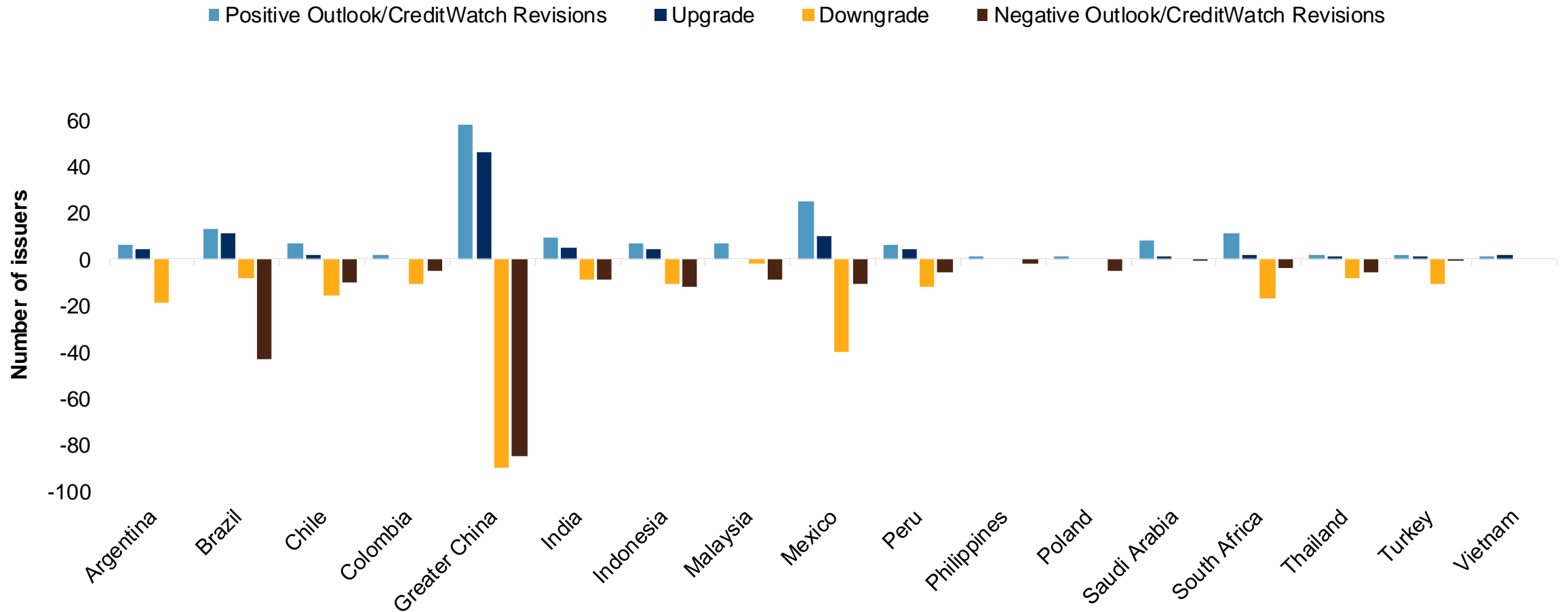
Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, and Taiwan. Data as of Sept. 30, 2022. Source: S&P Global Ratings and S&P Capital IQ.

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

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. \$)
6-Jul-22	America Movil S.A.B. de C.V.	Mexico	Telecommunications	A-	BBB+	Upgrade	15,171
26-Aug-22	Empresas Copec S.A. (E-Copec) (AntarChile S.A.)	Chile	Diversified	BBB	BBB-	Upgrade	3,400
9-Aug-22	Unifin Financiera S.A.B. de C.V.	Mexico	Financial institutions	D	B+	Downgrade	2,450
23-Sep-22	Anadolu Efes Biracilik ve Malt Sanayii A.S.	Turkey	Consumer products	BB+	BBB-	Downgrade	1,500
6-Jul-22	Kimberly-Clark de Mexico S.A.B. de C.V.	Mexico	Consumer products	A-	BBB+	Upgrade	1,000
15-Sep-22	Ulker Biskuvi Sanayi A.S.	Turkey	Consumer products	B-	B	Downgrade	650
6-Jul-22	Coca-Cola Femsa S.A.B. de C.V.	Mexico	Consumer products	A-	BBB+	Upgrade	600
24-Aug-22	Axtel S.A.B. de C.V. (Alfa S.A.B. de C.V.)	Mexico	Telecommunications	BB-	BB	Downgrade	500
16-Aug-22	Operadora de Servicios Mega S.A. de C.V. SOFOME.R.	Mexico	Financial institutions	B+	BB-	Downgrade	500
11-Jul-22	Guacolda Energia S.A.	Chile	Utility	B-	B	Downgrade	500
8-Sep-22	Mexarrend, S.A.P.I. de C.V.	Mexico	Financial institutions	CCC+	B-	Downgrade	450
16-Sep-22	Ratch Group Public Co. Ltd. (Electricity Generating Authority of Thailand)	Thailand	Utility	BBB-	BBB	Downgrade	405
19-Aug-22	PT Kawasan Industri Jababeka Tbk.	Indonesia	Homebuilders/real estate co.	CCC	B-	Downgrade	300
16-Aug-22	Financiera Independencia S.A.B. de C.V. SOFOME.N.R.	Mexico	Financial institutions	B	B+	Downgrade	250

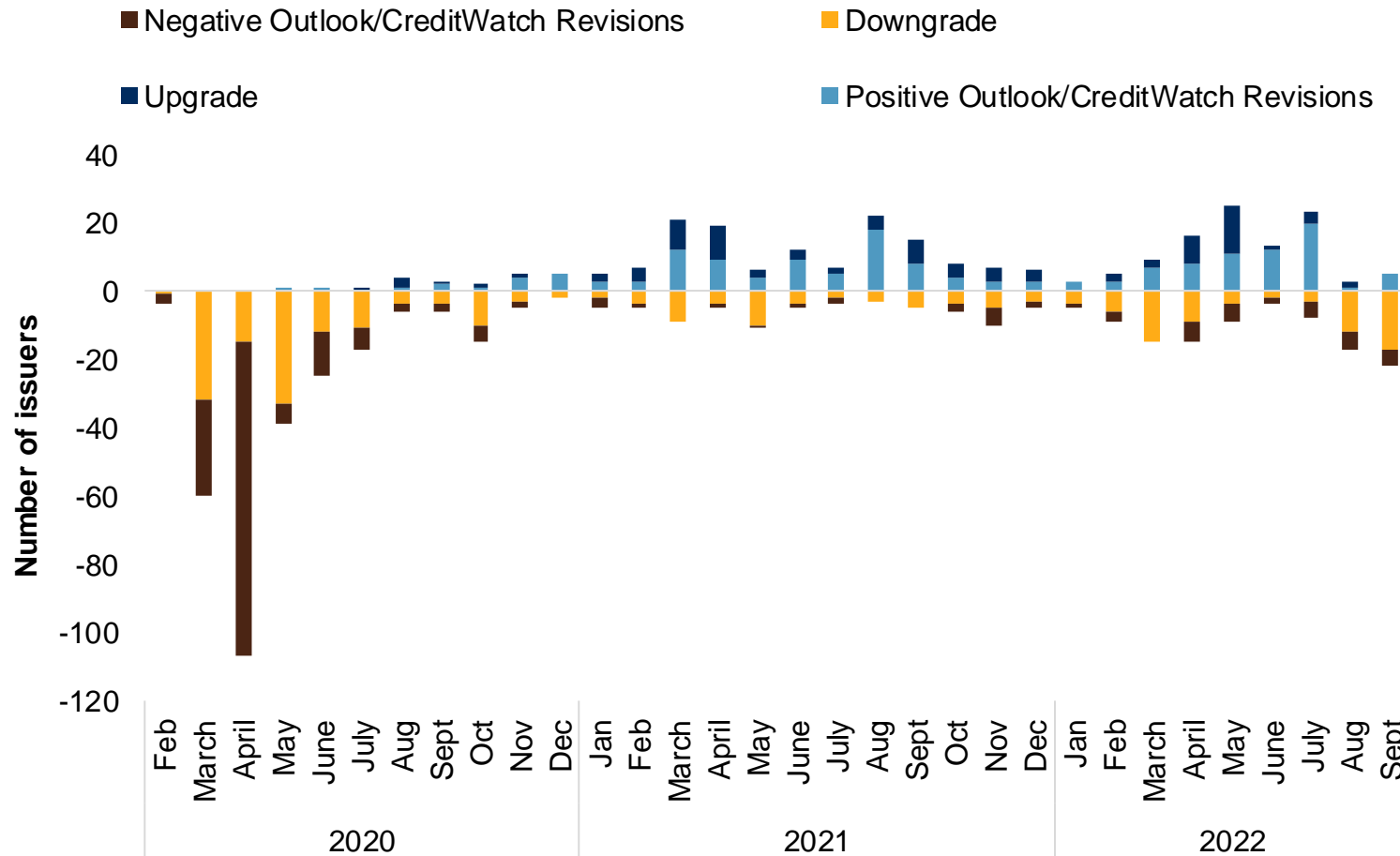
Data as of Sept. 30, 2022 (last 90 days), excludes sovereigns, Greater China and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and grey - default. Source: S&P Global Ratings.

EM | Total Rating Actions By Economy



Data includes sovereigns. Data from Feb. 3, 2020 to Sept. 30, 2022. EMs consist of Argentina, Brazil, Chile, Greater 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.

EM | Total Rating Actions By Month

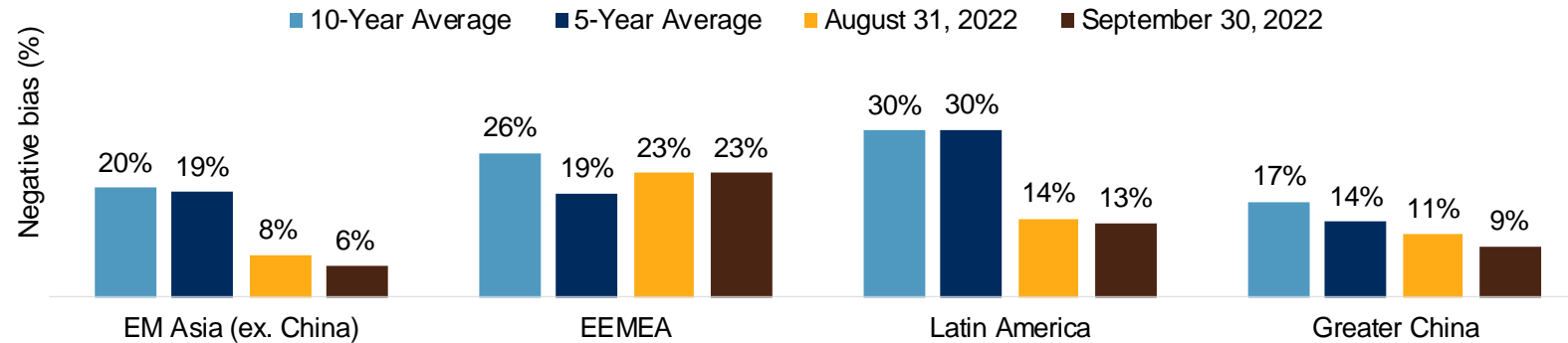


- Number of downgrades increased in September to 17, bringing the total number of 2022 downgrades to 72. Of the 17, 12 are in Greater China, three in Turkey, and one each in Thailand and Mexico.
- Downgrades in Greater China occurred across a few sectors due to macroeconomic woes, liquidity issues, or **companies' intrinsic factors**. Downgrades in Turkey included the sovereign downgrade and two consumer products companies facing tough operating conditions amid the Russia–Ukraine conflict and near-term refinancing risk. One Mexican issuer was downgraded as a result of tight liquidity and higher refinancing risk. An issuer in Thailand was downgraded on higher leverage.
- There were no upgrades in September, keeping year to date tally at 32.

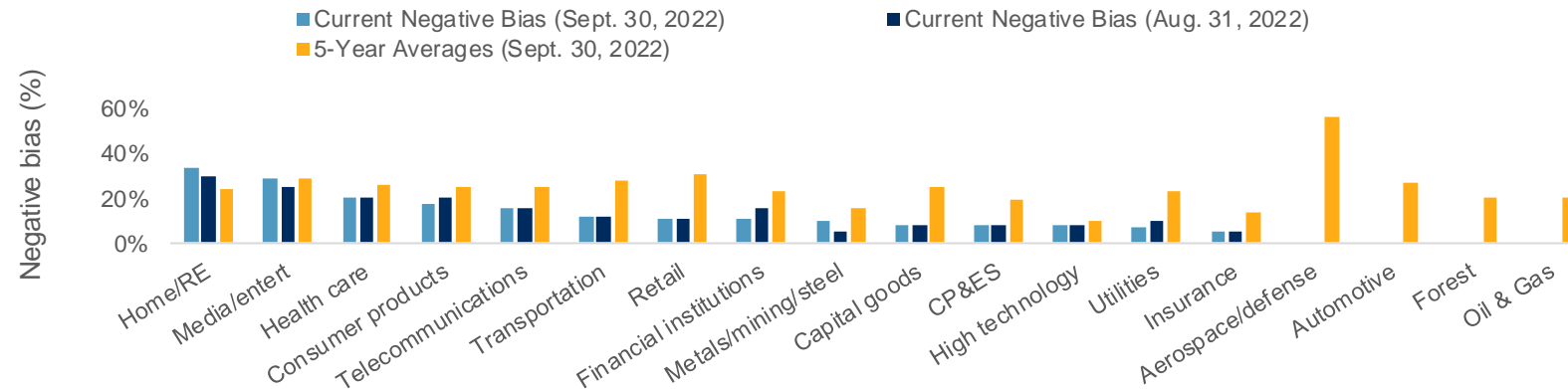
Data includes sovereigns. Data from Feb. 3, 2020 to Sept. 30, 2022. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkey. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings.

EM Downgrade Potential | Regional Negative Bias

EM EMEA Has The Highest Downgrade Potential



Negative Bias By Sector



- EM EMEA has the highest downgrade potential, driven by Turkish corporates (downgraded in the first half of 2022). The negative bias remains at 23%, as in August, higher than the five-year average, but lower than its 10-year average.
- EM Asia (excluding China). The downgrade potential decreased slightly as we revised the outlook on India-based issuer to stable from negative. Negative bias is well below the five- and 10-year average.
- LatAm. The downgrade potential decreased because of new issuers in Chile and Mexico rated by S&P Global. The downgrade potential remains well below historical averages.
- Greater China. The September 2022 downgrade potential (9%) was slightly lower than in August (11%) and below both of its historical averages.

Data as of Sept. 30, 2022 and include sectors with more than five issuers only; excludes sovereigns. EMs consist of Latin America: Argentina, Brazil, Chile, Colombia, Peru, and Mexico. EM Asia: India, Indonesia, Malaysia, Thailand, 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. Source: S&P Global Ratings.

Rating Actions | **Rating Changes From ‘B-’ To ‘CCC’ In 2022 YTD**

Five downgrades in EMs to the ‘CCC’ and ‘CC’ categories from ‘B-’ 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. (Futurlem 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 Co. Ltd.	China	Homebuilders/real estate co.	CC	B-	600
19-Aug-22	PT Kawasan Industri Jababeka Tbk.	Indonesia	Homebuilders/real estate co.	CCC	B-	300
8-Sep-22	Mexarrend S.A.P.I. de C.V.	Mexico	Financial institutions	CCC+	B-	450

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating. Data as of Sept. 30, 2022; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in Greater China but are incorporated elsewhere). Source: S&P Global Ratings.

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

Three EM fallen angels so far in 2022

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
23-Sep-22	Anadolu Efes Biracilik ve Malt Sanayii A.S.	Turkey	Consumer products	BB+	BBB-	1,500
2-Sep-22	Li & Fung Ltd.	Bermuda	Consumer products	BB+	BBB-	2,250
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 Sept. 30, 2022; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

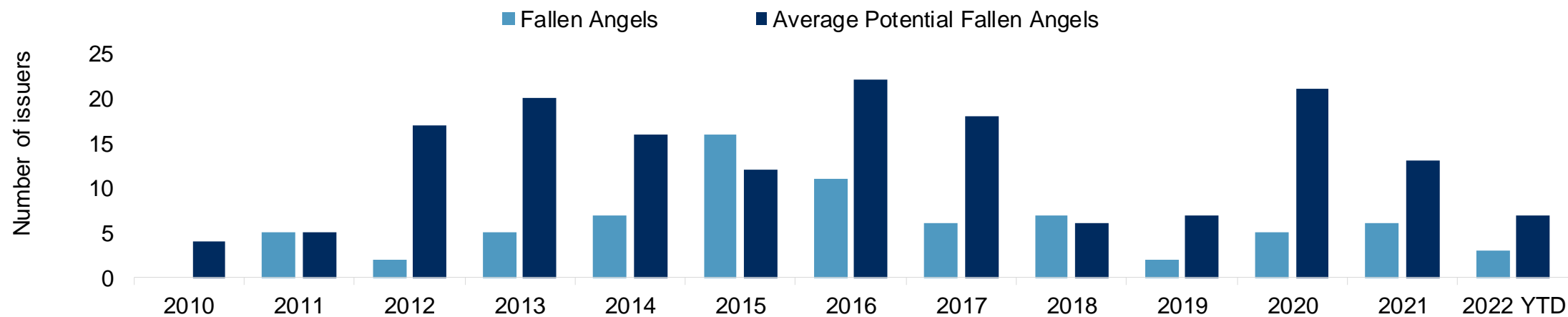
Rating Actions | List Of Defaulters In 2022 YTD

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. (Futur le m 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	-
9-Aug-22	Unifin Financiera S.A.B. de C.V.	Mexico	Financial institutions	D	B+	-

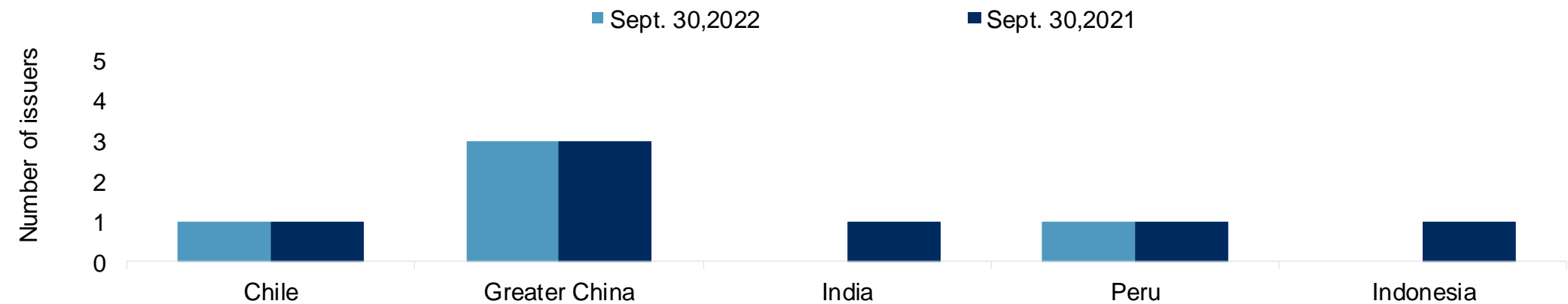
Data as of Sept. 30, 2022. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Excludes nine confidential issuers in 2022 YTD. Red means speculative-grade rating, and grey means default (D) or selective default (SD). Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Fallen Angels And Potential Fallen Angels

Three Fallen Angels So Far In 2022 While Potential Fallen Angels Continue To Trend Down



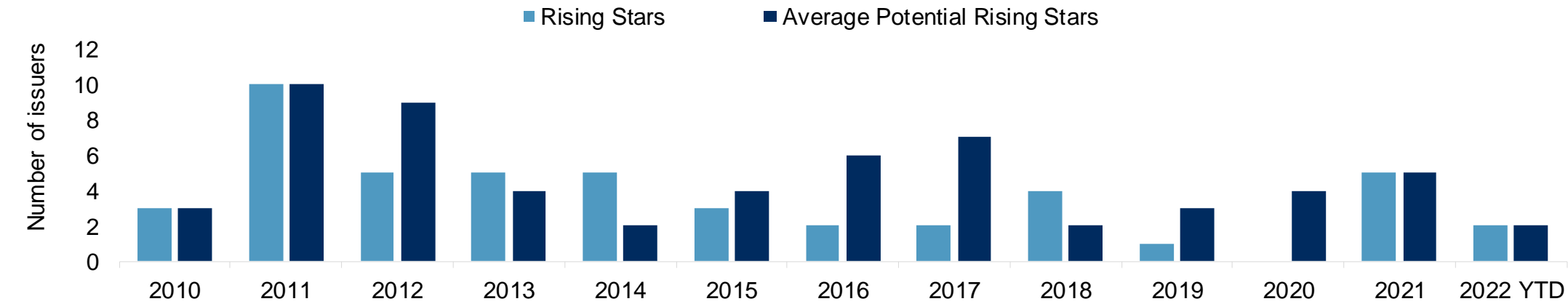
Number Of Potential Fallen Angels Remains Stable Across EMs



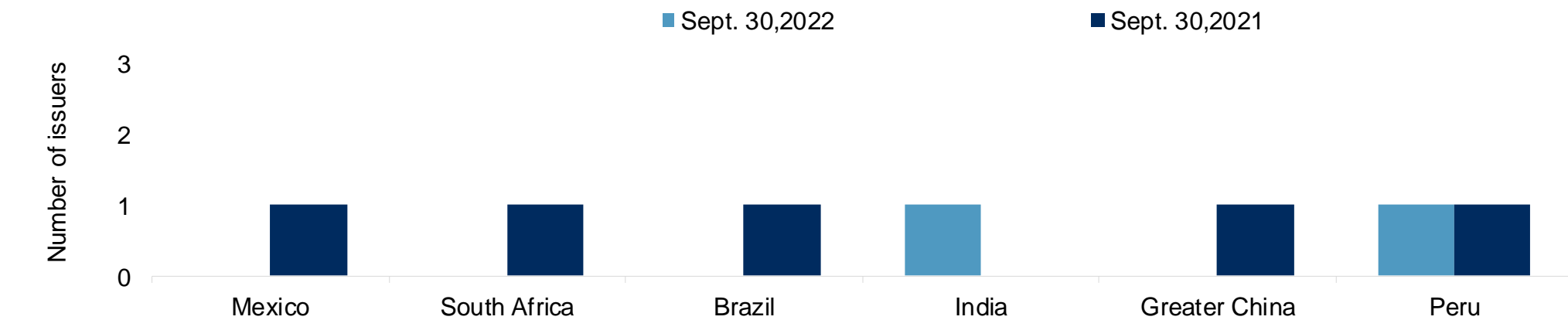
Data as of Sept. 30, 2022. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

Rating Actions | Rising Stars And Potential Rising Stars

Two Rising Stars In 2022 YTD



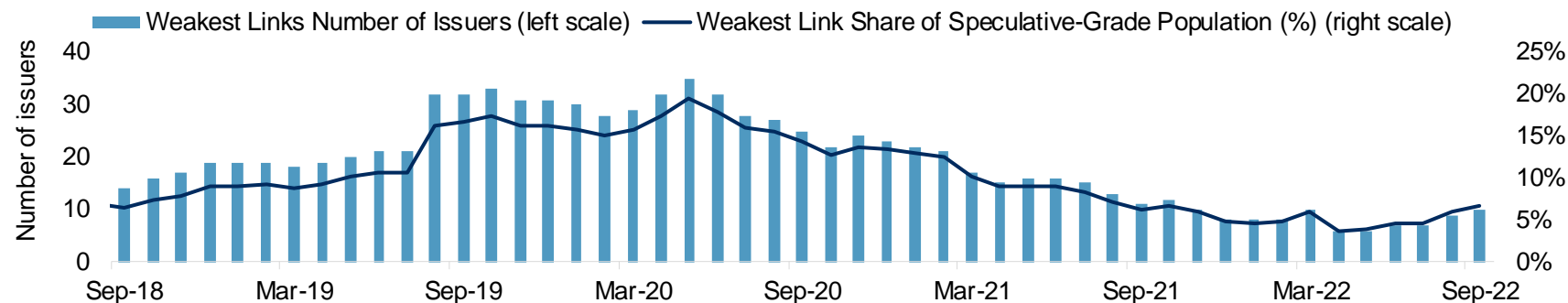
Number Of EM Potential Rising Stars Has So Far Declined In 2022



Data as of Sept. 30, 2022. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies.(issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

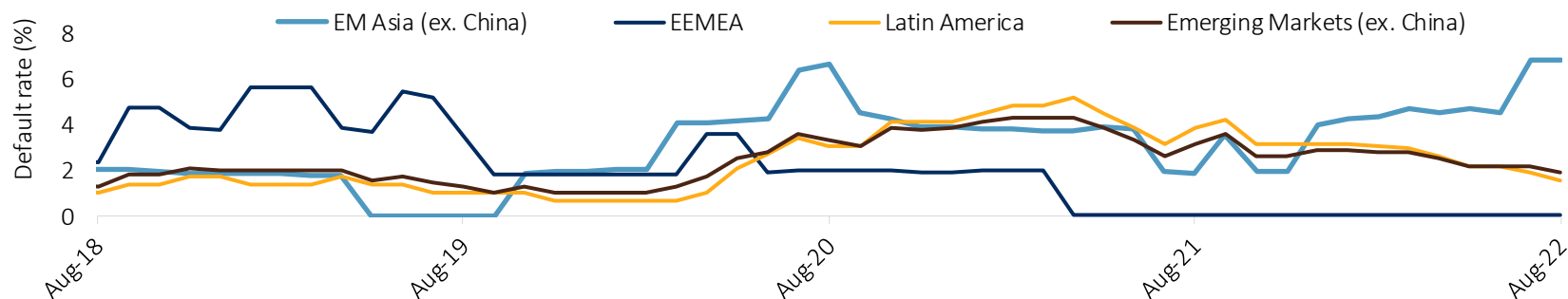
Rating Actions | Weakest Links And Defaults

EM Weakest Links At 10 In September



Data as of Sept. 30, 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 August 2022)



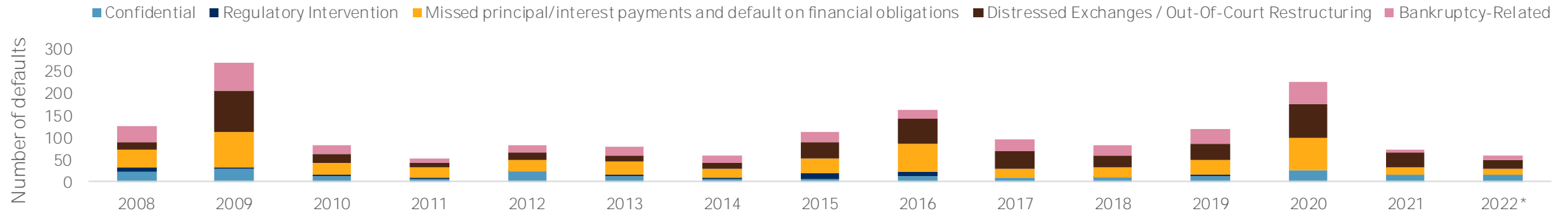
Excluding China. CreditPro data as of Sep 31, 2022. Default rates are trailing 12-month speculative-grade default rates. Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.

- Weakest links. EM weakest links increased to 10 issuers (7% of total speculative-grade issuers). The downward trend that began in late 2020 has been gradually reversing in the second half of 2022.

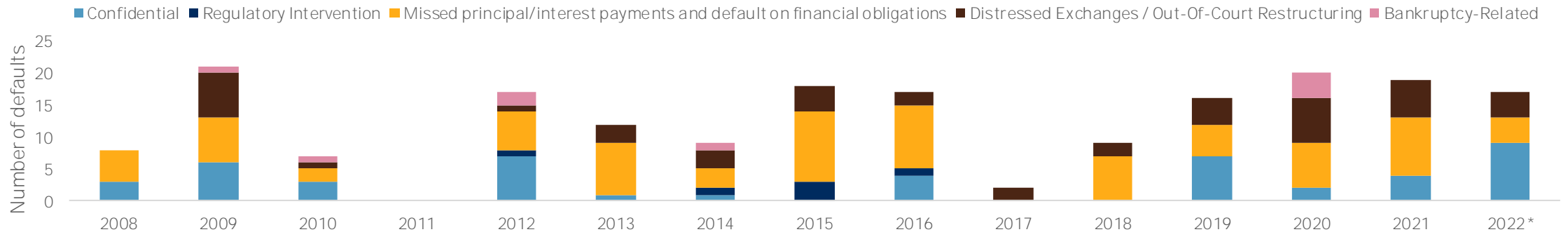
- Default rates. The August default rates decreased marginally for EMs (excluding China) primarily driven by LatAm and have been heading close to pre-COVID levels. The rates remained unchanged for EM Asia (excluding China) and EM EMEA compared with July figures.

Rating Actions | Defaults

Year-End Global Corporate Defaults By Reason



Year-End EM 17 Corporate Defaults By Reason



*Data as of Sept. 30, 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 and S&P Global Market Intelligence's CreditPro®.

Related Research

EMs | Related Research

- Global Credit Conditions Downside Scenario: Recession Risks Deepen, Oct. 12, 2022
- Credit Conditions Emerging Markets Q4 2022: Clouds Are Gathering, Sept. 27, 2022
- Economic Research: Economic Outlook EMEA Emerging Markets Q4 2022: Juggling Inflation, Interest Rates, And Growth, Sept. 27, 2022
- Economic Research: Economic Outlook Latin America Q4 2022: A Period Of Below-Trend Growth Ahead, Sept. 26, 2022
- Economic Research: Economic Outlook Asia-Pacific Q4 2022: Dealing With Higher Rates, Sept. 26, 2022
- Economic Outlook Emerging Markets Q4 2022: Further Growth Slowdown Amid Gloomy Global Prospects, Sept. 26, 2022
- Global Debt Leverage: China's SOEs Are Stuck In A Debt Trap, Sept. 20, 2022
- Russia-Ukraine Military Conflict: Key Takeaways From Our Article, Sept. 16, 2022
- Emerging Markets Monthly Highlights: Growth Is Decelerating, Sept. 14, 2022
- Emerging Markets Real-Time Data: Mixed Picture Amid Higher Prices And Tighter Financial Conditions, Sept. 9, 2022
- China's Summer Struggle: Drought, Food Inflation, And Shortages, Aug. 30, 2022
- Foreign Reserves In Asia's Emerging Markets Are Strained, Aug. 22, 2022
- What A Hard Landing For The U.S. Economy Would Mean For Emerging Markets, Aug. 3, 2022
- P/C Insurers In Emerging Markets: Risks Remain As The Economic Recovery Slows, Aug. 2, 2022

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 Luca Rossi, Paris, +33-6-5189258, luca.rossi@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

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com (free of charge), and www.ratingsdirect.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Australia: S&P Global Ratings Australia Pty Ltd holds Australian financial services license number 337565 under the Corporations Act 2001. S&P Global Ratings' credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.

spglobal.com/ratings