

Emerging Markets Monthly Highlights

Some Good News, Uncertainty Lingers

Credit Research
Luca Rossi
Jose Perez Gorozpe
Gregoire Rycx

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

Jan. 19, 2023



S&P Global
Ratings

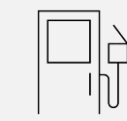
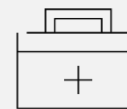
This report does not constitute a rating action.

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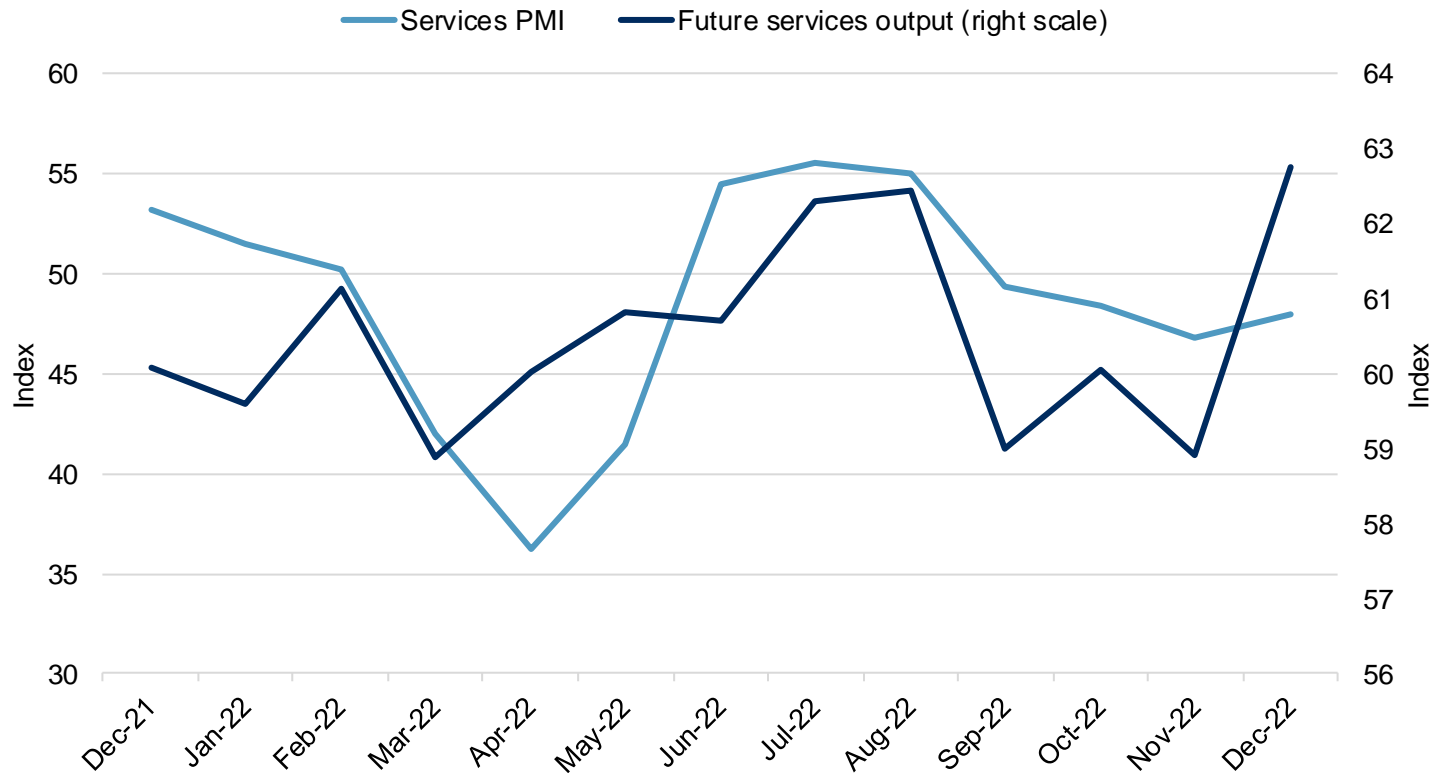
Key Takeaways

- **China has relaxed its “zero-COVID” stance.** Some high-frequency and forward-looking indicators point to moderate improvement in domestic activity in China; nevertheless, S&P Global Ratings expects consumer confidence to grow slowly due to increased incidence of COVID-19 cases. We expect that China’s reopening may potentially lift the prices for some commodities, in particular metals, and we also forecast an increase in tourism to nearby countries in EM Asia later this year.
- Some commodity prices are rebounding from their lows last year. Amid expectations of rising internal demand in China and subsequent recovery of its property sector, prices for metal commodities used in construction (such as iron ore, aluminium, zinc, and copper) have sharply increased this month. These developments are likely to benefit several EM metal exporters.
- Headline inflation across EMs has continued to decelerate as energy prices decrease. However, core inflation is still rising in EM Asia and Central and Eastern Europe, although in a few cases it has begun to slow on a sequential basis. We see some improvements to our 2023 inflation outlook following recent developments in energy markets (we’ve lowered our gas price assumptions for 2023).
- Financing conditions have improved over the last month. The better-than-expected situation in energy markets and China’s reopening have contributed to the easing of global financing conditions this month. Risk premiums decreased across all EM regions, but in the short term, we think spreads may be volatile. Downside risks such as dollar strength, uncertainty about energy markets, and potentially weak capital flows are still relevant.



China | Reopening Hit Q4 Activity, But 2023 Outlook Looks Stronger

China's Services PMI Was Weak In December, But Future Activity Expectations Jumped

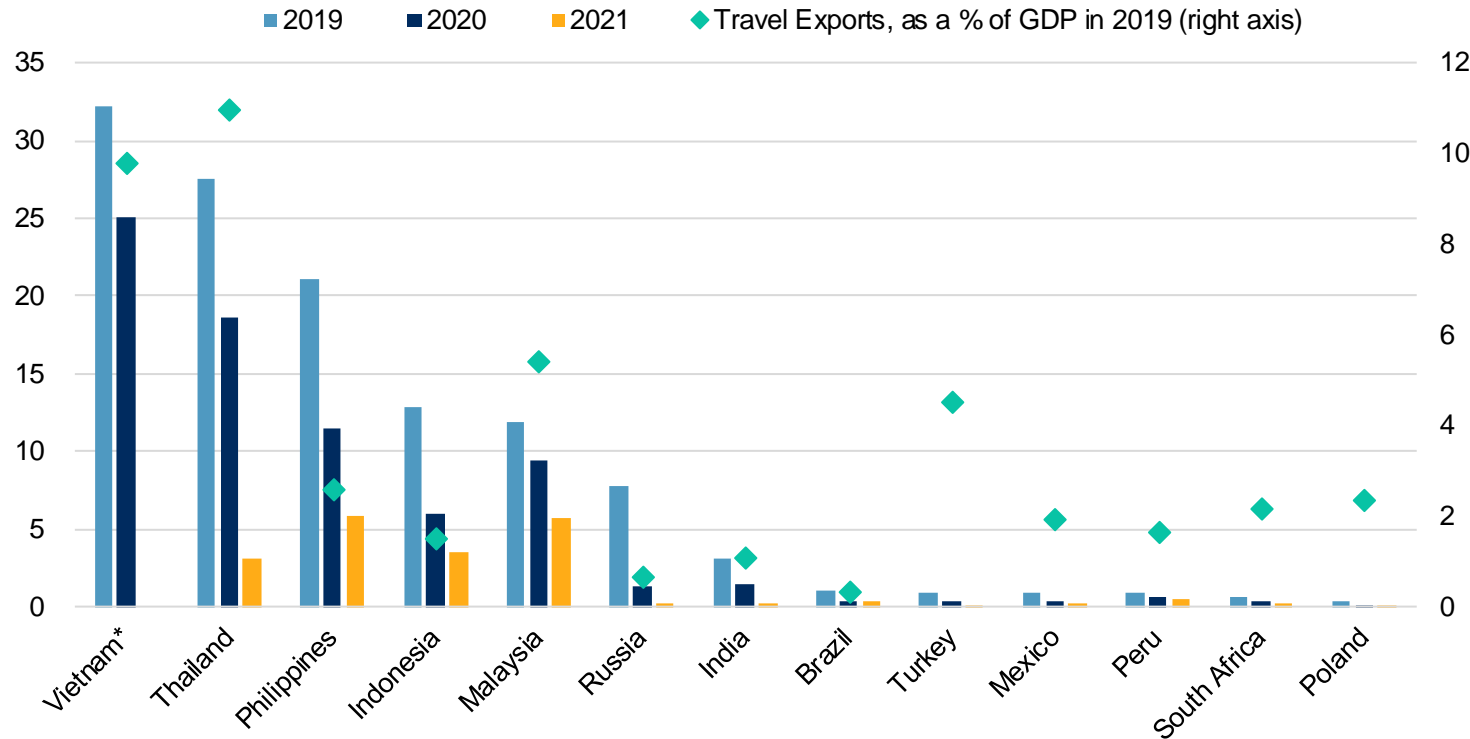


Source: S&P Global Market Intelligence.

- The major economic development in **December was China's quick relaxation of its "zero-COVID" stance.** Pandemic-related restrictions present before they were relaxed, followed by voluntary social distancing as COVID-19 spread rapidly across the country, caused economic activity in Q4 2022 to be much weaker than we anticipated. This is reflected in sub-50 values of purchasing managers' index (PMI) readings in October-November. China's tough Q4 amid COVID outbreaks implies unfavorable "carry over" for 2023 GDP growth.
- **However, China's new COVID-19 policy** suggests stronger economic activity in 2023. Despite unfavorable developments in Q4, we believe the economy remains on track for a 4.8% GDP growth in 2023, in line with our November baseline. (See "[China's Earlier Policy Shift Advances Its Recovery](#)" published Jan.18).

China | Positive Spill Over To Some EM Asia Economies

Tourists From China, As A Share Of Total Visitor Arrivals (%)

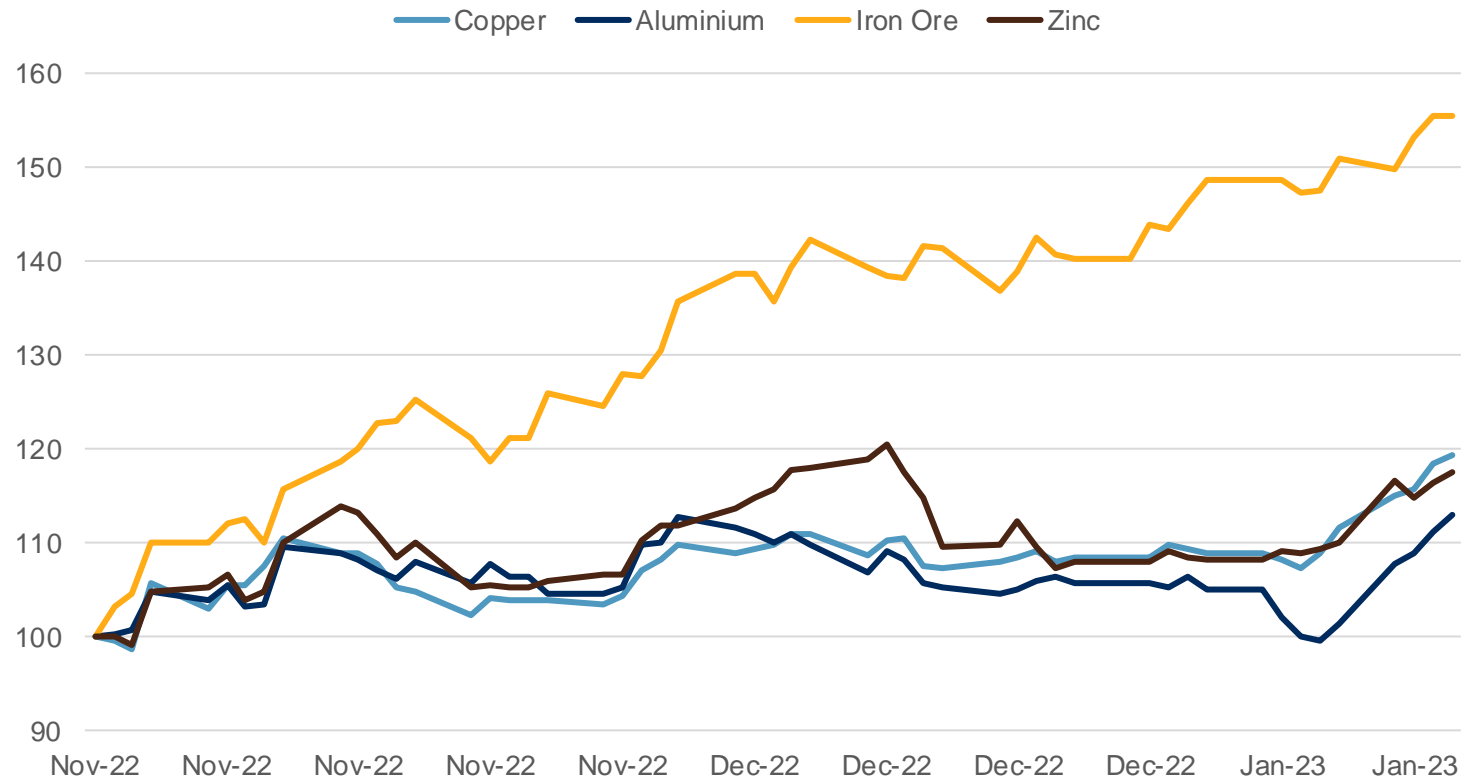


Note: Data on Vietnam is based on tourism receipts. Sources: IMF, CEIC and S&P Global Ratings.

- **We expect that China's reopening will** increase tourism in EM Asia. Before the COVID outbreak, several economies in EM Asia had been receiving significant inflows of tourists from China, in particular Vietnam, Thailand, the Philippines, Indonesia and Malaysia.
- Coincidentally, some of these economies also heavily rely on tourism revenues. For example, in Thailand and Vietnam tourism made up about 10% of GDP, before the pandemic began.
- In addition, **China's** reopening may ease supply chain issues in the medium term. Supply delivery times and container prices decreased notably during 2022 but remain above their pre-pandemic levels. China's reopening may further alleviate some of these supply chain pressures; however, the rising number of COVID cases may also amplify these pressures in the short term.

China | Prices For Some Metals Have Increased

Prices For Metal Commodities Since November 2022

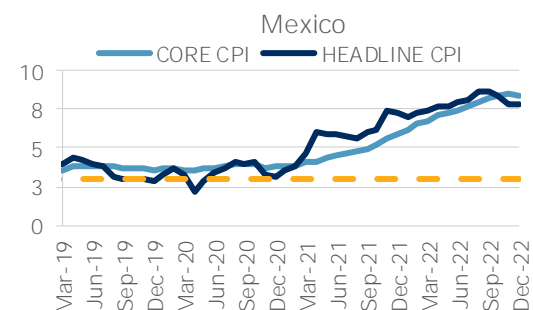
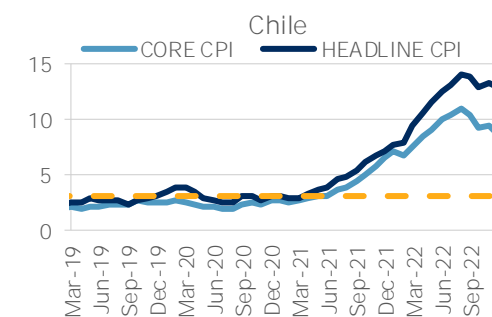
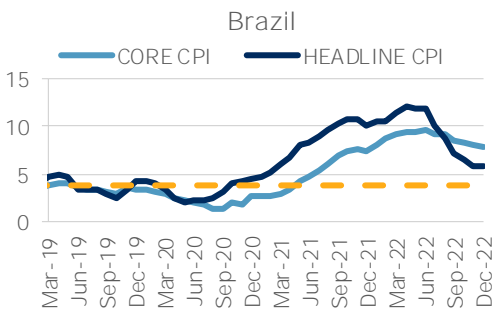
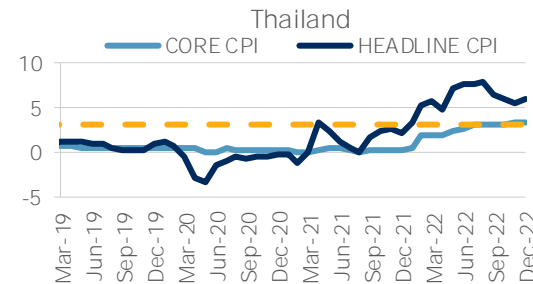
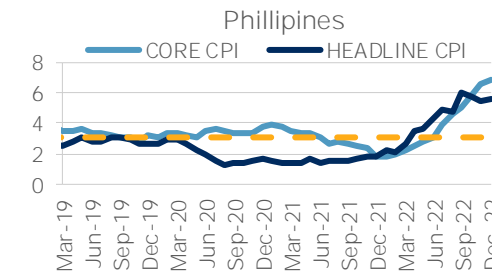
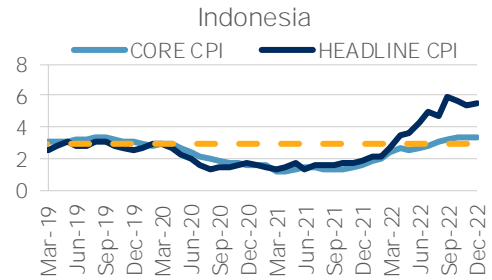
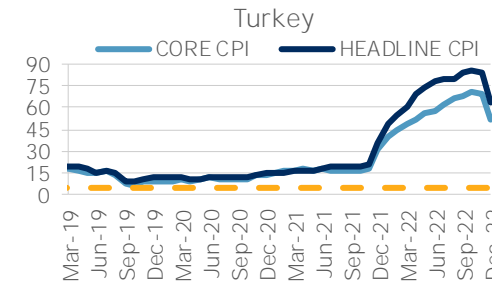
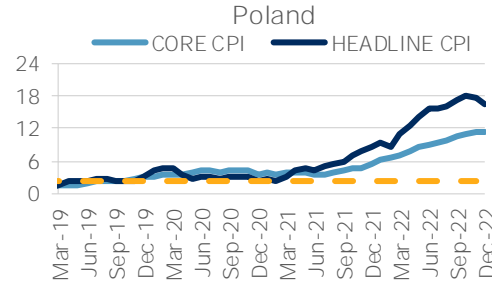
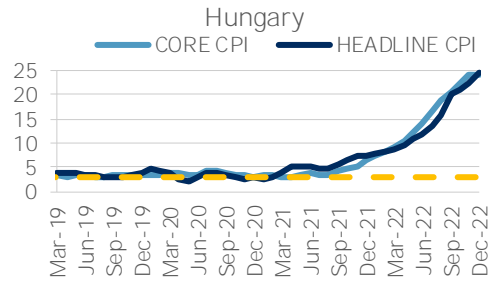


Note: Index equals 100 at the start of November. Sources: Datastream and S&P Global Ratings.

- Prices for some metals have recovered from their November lows, with recovery intensifying over the last few weeks.
- Metals prices have notably increased since **China relaxed its “zero-COVID” policy**. All these metals are widely used in construction, and the market expects some recovery in China’s property sector.
- Increasing metals prices could benefit several EM producers. Peru is the second largest producer of both copper and zinc*, while Chile is the world’s largest copper exporter (copper exports make up about 15% of the country’s GDP). India and Malaysia are major exporters of aluminium, while Brazil, India and South Africa are also major exporters of iron ore.

*Per data from U.S. Geological Survey and UN Comtrade. Data as of end-2021.

EM Inflation | Overall Inflation Outlook Is Improving



- Headline inflation has continued to moderate across most EMs, with a few exceptions in EM Asia and Central and Eastern Europe (CEE). In Poland and Hungary, we expect inflation to peak in Q1.
- **We've** lowered our 2023 gas price forecast. The downward price revision primarily reflects the steady reduction (above expectations) in Europe's demand for natural gas. We estimate the reduction exceeded 20% over August-December 2022. Nevertheless, we still expect prices to remain significantly above their pre-2022 levels. (See [“S&P Global Ratings Lowers 2023 European And U.S. Gas Price Assumptions On More Balanced Supply And Demand,”](#) published Jan. 10.)

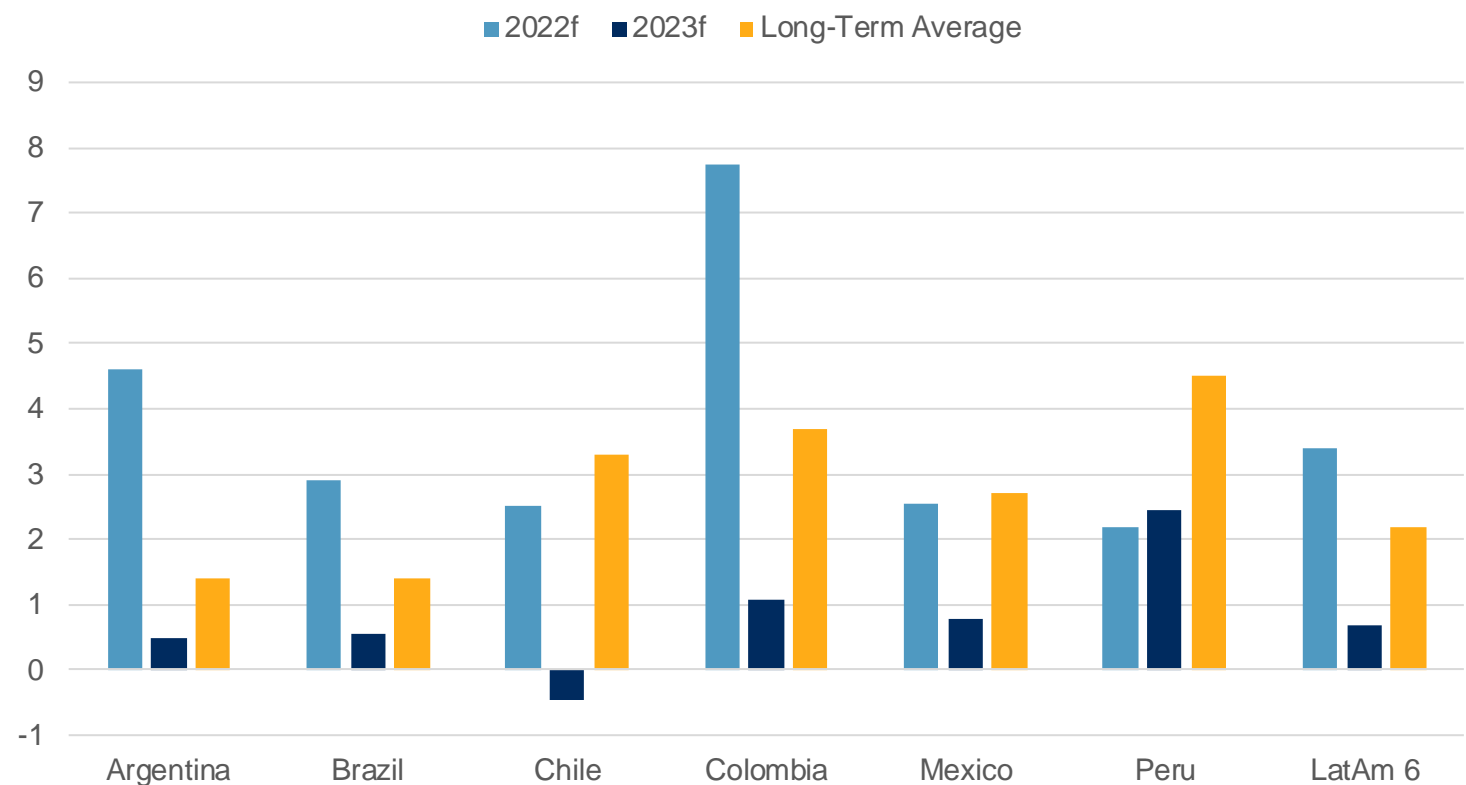
Note: Monthly inflation year-over-year change, %. Dotted lines show the country's central bank inflation target. In some cases, central banks have a tolerance range around the target, as follows: Brazil (+/- 1.5%), Chile (+/- 1%), Indonesia (+/- 1%), Hungary (+/- 1%), Mexico (+/- 1%), Philippines (+/- 1%), Poland (+/- 1%), and Turkey (+/- 2%). For more details, see slide 14. Sources: Refinitiv, national central banks, S&P Global Ratings

Regional Economic Highlights

LatAm Economics | Slower Growth Will Keep Political Uncertainty High

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

Real GDP Growth, % Year-Over-Year



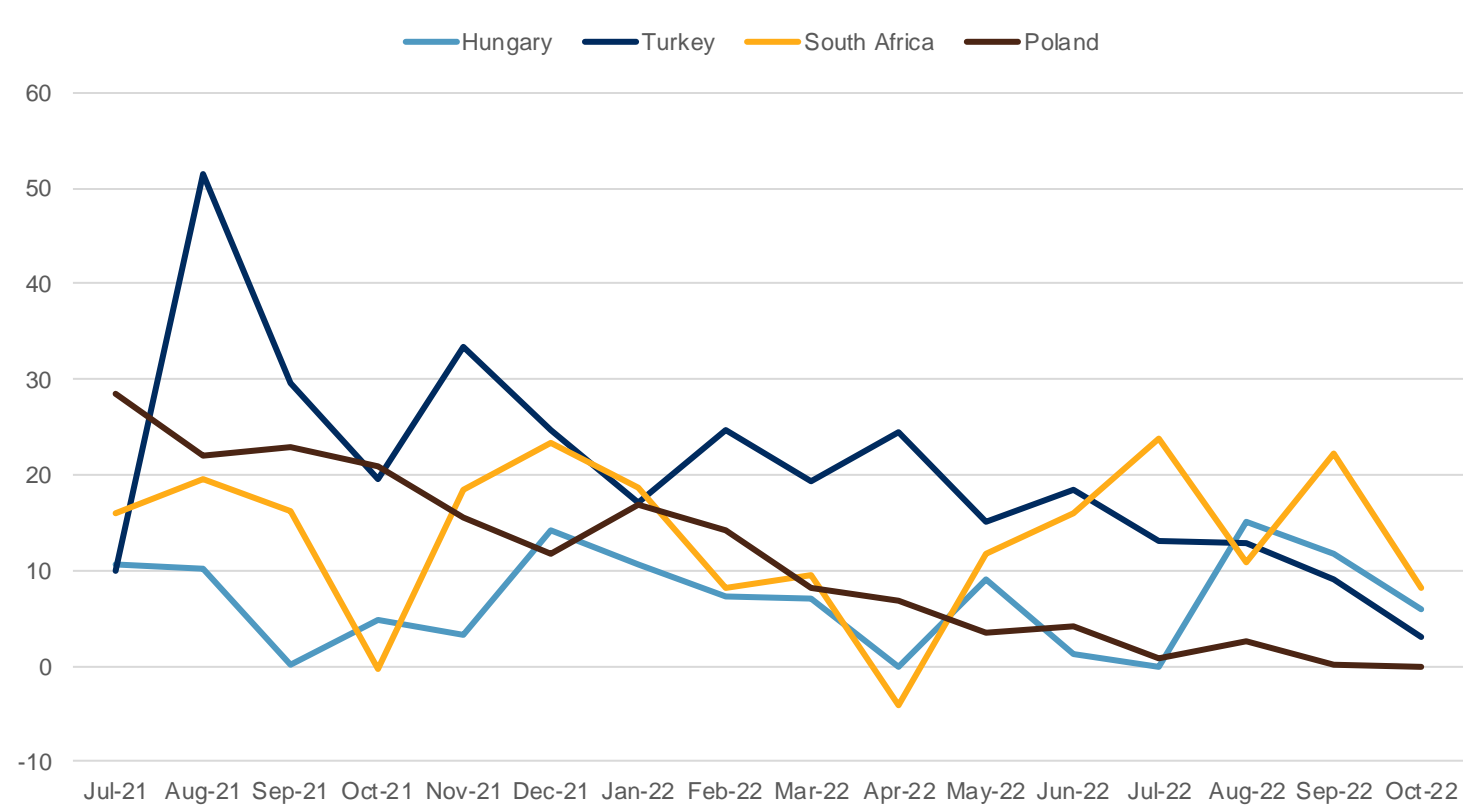
Note: LatAm 6 includes Argentina, Brazil, Chile, Colombia, Mexico, and Peru. Long-term average refers to 2010-2019. Forecasts refer to those from S&P Global Ratings. Source: Haver Analytics, S&P Global Ratings.

- The key policy announcements to watch in Brazil remain those related to fiscal policy, after the recent string of anti-government protests increased political uncertainty. For the time being, we don't expect any material changes to the fiscal announcements made by President Luiz Inacio Lula da Silva. A key indicator will be if an exemption on federal taxes on gasoline, which expires in March, is extended.
- Ongoing deadly protests in Peru will keep **President Dina Boluarte's future uncertain and** continue to delay new investments. Several dozen people have died in the anti-government protests and there is growing pressure to bring forward general elections (currently scheduled for April 2024).
- A backdrop of weaker growth in 2023 will keep social tensions high, increasing the likelihood of fiscal slippage. The evolution of energy prices will also be key because it could raise or lower pressure on governments to implement fiscal measures that keep a lid on gasoline prices.

EM EMEA Economics | Exports Are Moderating

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

Exports Of Goods In EM EMEA , % Year-Over-Year



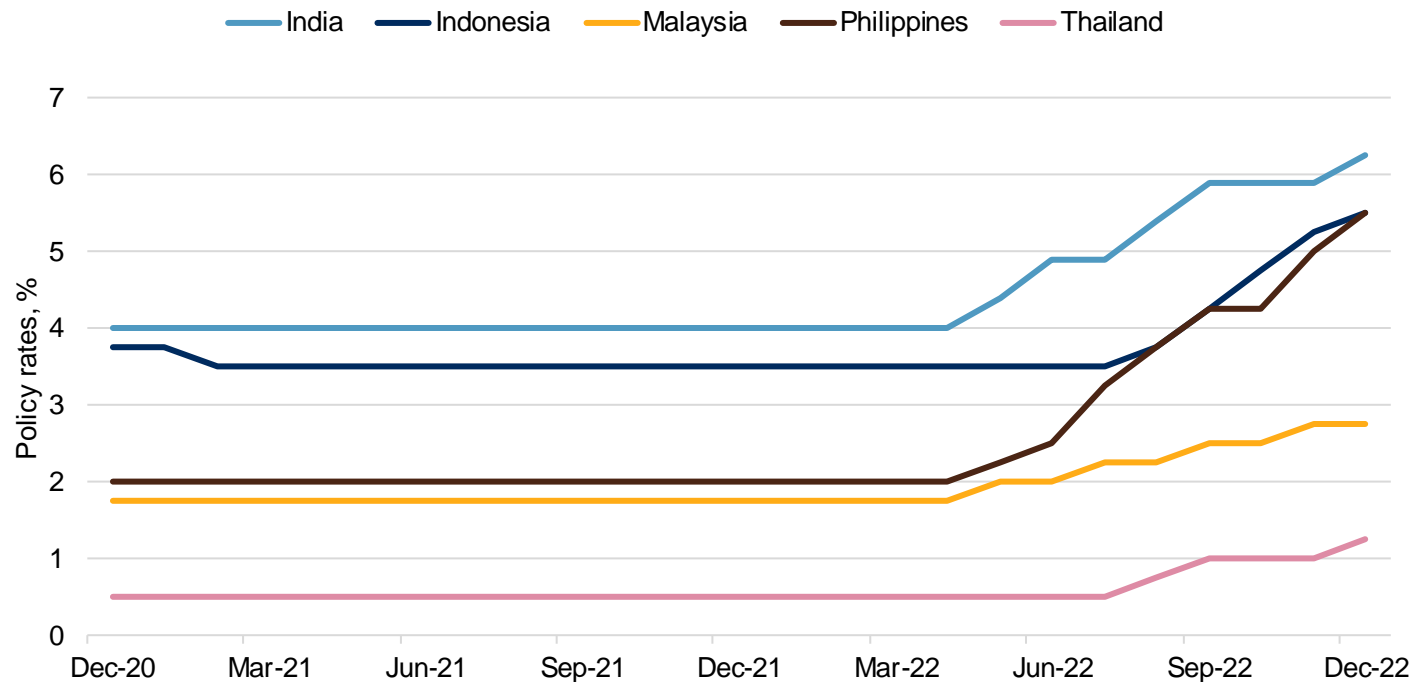
Note: Year-on-year growth in USD. Sources: Refinitiv and S&P Global Ratings.

- Following an economic slowdown across their main trading partners, growth in exports of goods had stalled or decreased across EM EMEA economies by the end of 2022. The eurozone is a key trading partner for many EM EMEA economies, and we expect near zero growth in the eurozone in 2023, including Germany. In South Africa, exports have also decreased due to falling prices for industrial and platinum group metals (PGMs) in the second half of the year.
- Nevertheless, we see some reasons for optimism. Recent pick up in metal prices may benefit South Africa, while Hungary's exports may benefit from China's reopening and the subsequent rise in demand for automotive goods.

EM Asia Economics | Central Banks Likely To Slow Tightening

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

EM Asia Monetary Policy Tightening Continued Into The Fourth Quarter



- Central banks in EM Asia maintained gradual monetary policy tightening as 2022 drew to a close.
- However, as global oil prices remained stable, energy and food price inflation in the region eased, taking some pressure off central banks.
- Core inflationary pressures are elevated, but not enough for central banks to tighten policy much further. We expect central banks to slow down interest rate hikes. However, cutting interest rates remains unlikely while the U.S. Fed continues to hike rates.

Sources: CEIC and S&P Global Ratings.

Macro-Credit Dashboards

GDP Summary | We Expect Slower Growth In 2023 With A Few Exceptions, Most Notably China

Country	Latest reading (y/y)	Period	Five-year average	2020	2021	2022f	2023f	2024f	2025f
Argentina	5.9	Q3	-0.2	-9.9	10.4	4.6	0.5	2.3	2.0
Brazil	3.6	Q3	-0.5	-4.2	4.9	2.9	0.5	2.0	2.2
Chile	0.3	Q3	2.0	-6.2	11.9	2.5	-0.4	2.9	2.8
Colombia	7.0	Q3	2.4	-7.0	10.7	7.7	1.1	3.0	3.3
Mexico	4.3	Q3	2.0	-8.2	5.0	2.6	0.8	2.0	2.3
Peru	1.7	Q3	3.2	-11.0	13.5	2.2	2.5	3.1	3.3
China	3.9	Q3	6.7	2.2	8.1	3.2	4.8	4.7	4.6
India	6.3	Q3	6.9	-6.6	8.7	7.0	6.0	6.9	6.9
Indonesia	5.7	Q3	5.0	-2.1	3.7	5.3	5.0	5.0	5.0
Malaysia	14.2	Q3	4.9	-5.7	3.1	8.9	3.2	4.7	4.5
Vietnam	5.9	Q4	7.1	2.9	2.5	8.3	6.3	6.9	6.7
Philippines	7.6	Q3	6.6	-9.5	5.7	7.1	5.2	6.6	6.3
Thailand	4.5	Q3	3.4	-6.2	1.5	2.9	3.5	3.5	3.1
Poland	4.5	Q3	4.4	-2.0	6.7	5.5	0.9	3.4	2.8
Saudi Arabia	8.8	Q3	1.6	-4.1	3.2	8.1	3.4	2.6	2.0
South Africa	4.1	Q3	1.0	-6.3	4.9	1.9	1.5	1.7	1.7
Turkiye	3.9	Q3	4.2	1.8	11.6	6.1	2.4	2.8	3.2

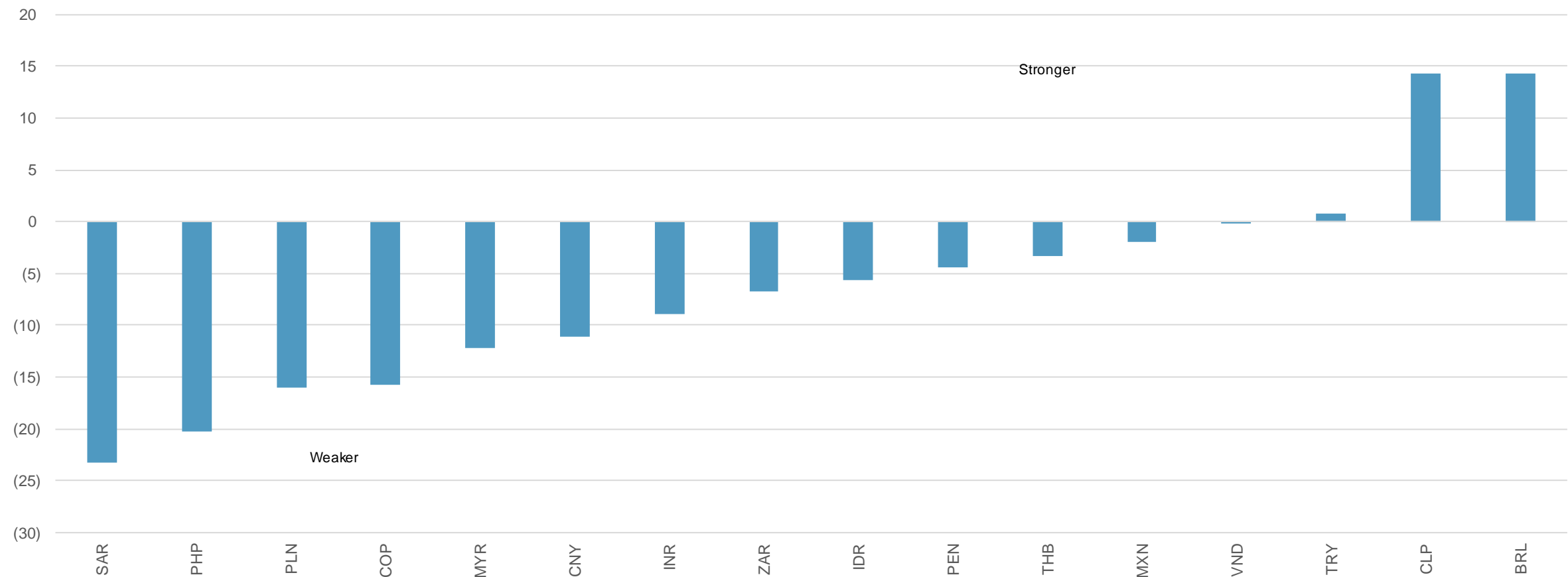
Monetary Policy/FX | Most EM Central Banks Hiked Rates In Their Latest Meetings

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	December exchangerate change	2022 exchange rate change
Argentina	75.00%	No target	92.4%	Hold	N/A	-5.6%	-42.0%
Brazil	13.75%	3.5% +/-1.5%	5.8%	Hold	Feb. 1	1.5%	7.0%
Chile	11.25%	3% +/-1%	12.8%	Hold	Jan. 26	5.8%	-0.7%
Colombia	12.00%	3% +/-1%	13.1%	100 bps hike	Jan. 27	-0.1%	-17.2%
Mexico	10.50%	3% +/-1%	7.8%	50 bps hike	Feb. 9	-0.6%	5.0%
Peru	7.75%	2% +/-1%	8.5%	25 bps hike	Feb. 9	0.8%	4.6%
China	2.00%	3%	1.8%	N/A	N/A	3.0%	-8.5%
India	6.25%	4% +/-2%	5.7%	35 bps hike	Feb. 08	-1.6%	-10.1%
Indonesia	5.50%	3.5% +/-1%	5.5%	25 bps hike	Jan. 19	1.1%	-8.4%
Malaysia	2.75%	No Target	4.0%	25 bps hike	Jan. 19	1.0%	-5.4%
Philippines	5.50%	3% +/-1%	8.1%	50 bps hike	Feb. 16	1.5%	-8.5%
Thailand	1.25%	2.5% +/-1.5%	5.9%	25 bps hike	Jan. 25	1.8%	-3.6%
Vietnam	4.50%	4%	4.5%	100 bps hike	N/A	4.5%	-3.3%
Poland	6.75%	2.5% +/-1%	16.6%	Hold	Feb. 8	3.5%	-8.1%
Saudi Arabia	5.00%	3% +/-1%	2.9%	50 bps hike	N/A	0.0%	0.0%
South Africa	7.00%	3%-6%	7.7%	75 bps hike	Jan. 26	-0.1%	-6.2%
Turkiye	9.00%	5% +/-2%	64.3%	Hold	Jan. 19	-0.7%	-29.1%

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.

Real Effective Exchange Rates | Currency Weakness Subsidied Last Month

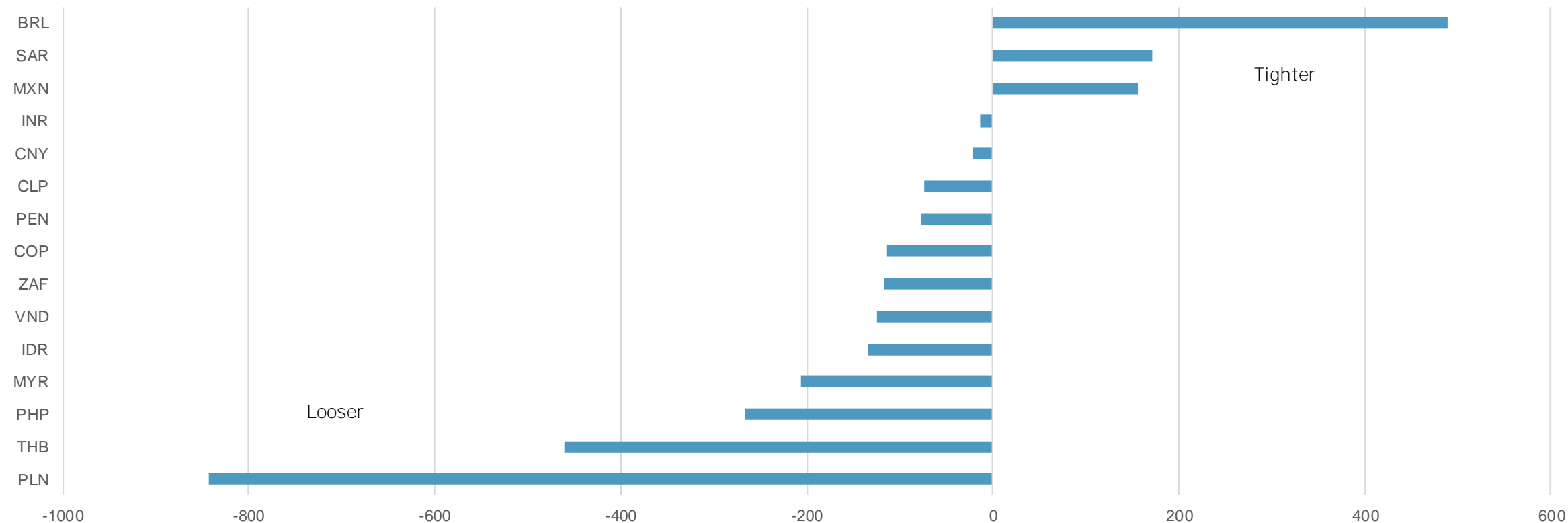
Broad Real Effective Exchange Rates, % Change From 10-Year Average



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 Dec. 31, 2022. Source: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | Restrictive Real Rates In Brazil Will Constrain Activity

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 Dec. 31, 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	Turkiye	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	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Stable	Stable	Negative
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	3	6	6
Fiscal (BDGT)	3	2	4	2	4	3	4	3	3	3	6	4	6	6	4	5	6
Fiscal (DBT)	2	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	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Negative	Stable
Eco. Imbalances	L	I	L	VL	L	I	H	L	L	H	I	H	I	I	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	I	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 (Dec. 31, 2022)	BBB	BBB+	BB	BB	BBB+	BBB-	BBB+	BBB+	BB-	BBB	BBB-	BB+	BB-	BB-	BB-	B	CCC+
Net Debt/EBITDA	2.99	3.10	1.52	2.15	2.03	2.80	3.11	3.34	2.49	2.73	2.40	2.06	2.01	2.01	2.75	1.90	1.43
ROC Adj.\$	-8.3	0.00	-10.3	-2.1	-1.6	-2.8	-0.3	-3.00	-1.2	-4.3	-2.3	-2.4	-3.8	-1.2	-0.1	-38.1	-39.8
EBITDA Int. Coverage	7.11	9.64	11.14	8.53	13.15	4.70	7.23	7.53	5.93	12.01	6.27	6.27	3.36	6.85	6.63	4.54	3.61
FFO/Debt	29.35	24.50	44.31	39.30	28.88	36.21	16.36	25.16	34.14	28.87	35.22	41.70	51.98	46.12	29.24	43.75	47.64
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.

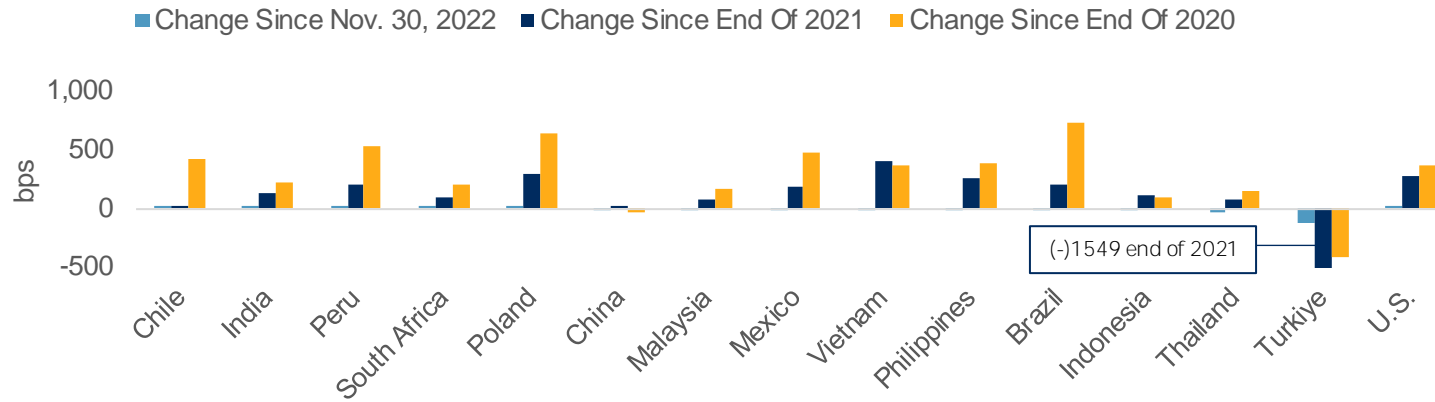
*IIF 1Q 2022. Sources: Bangko Sentral NG Pilipinas; Corporate Variables Capital IQ 1Q 2022. S&P Global Ratings. Data for Sovereigns and Financial Institutions as of Jan. 16, 2023.

Financing Conditions

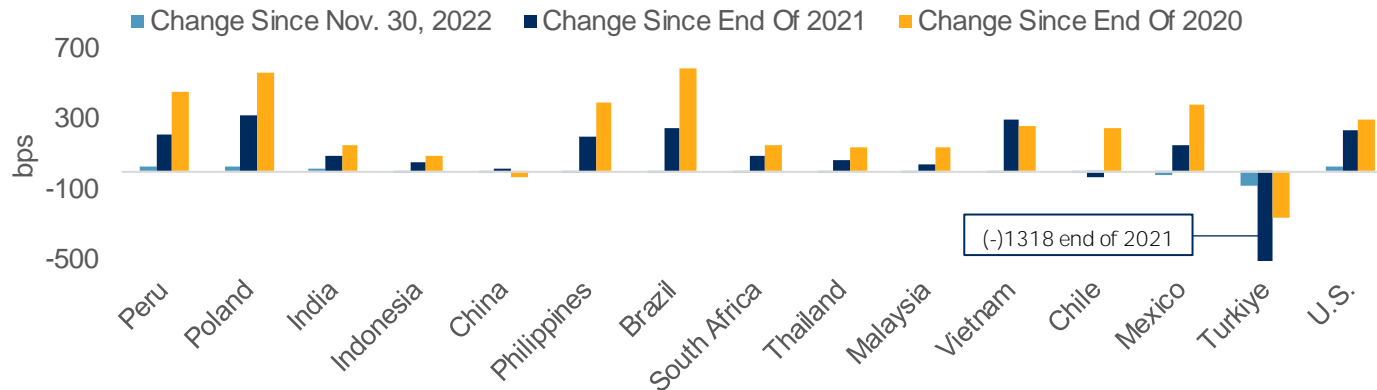
Highlights

EM Yields | Benchmark Yields Are Stabilizing

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

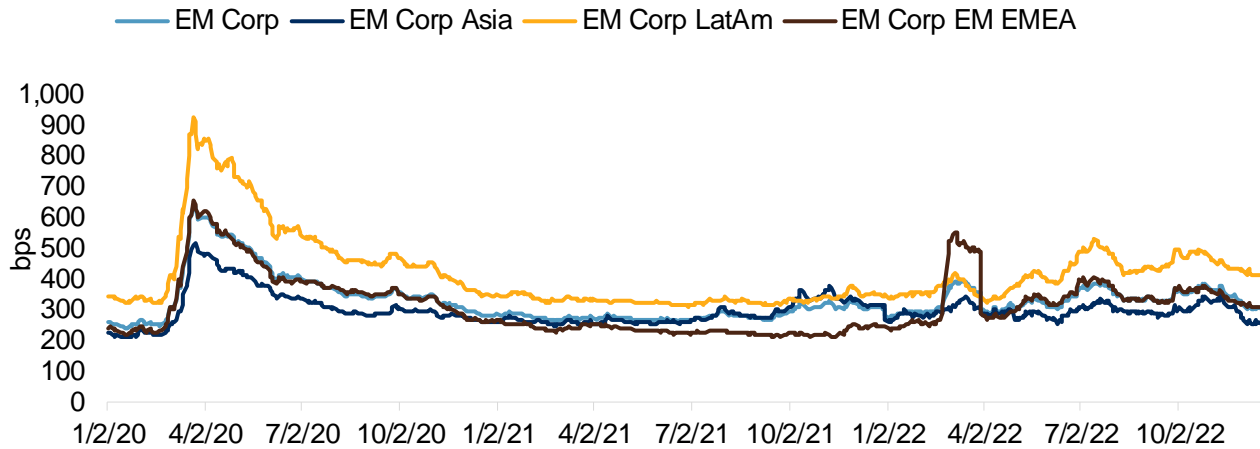


Data as of Dec. 31, 2022. The selection of country is subject to data availability. Source: S&P Global Ratings, S&P Capital IQ Pro and Datastream.

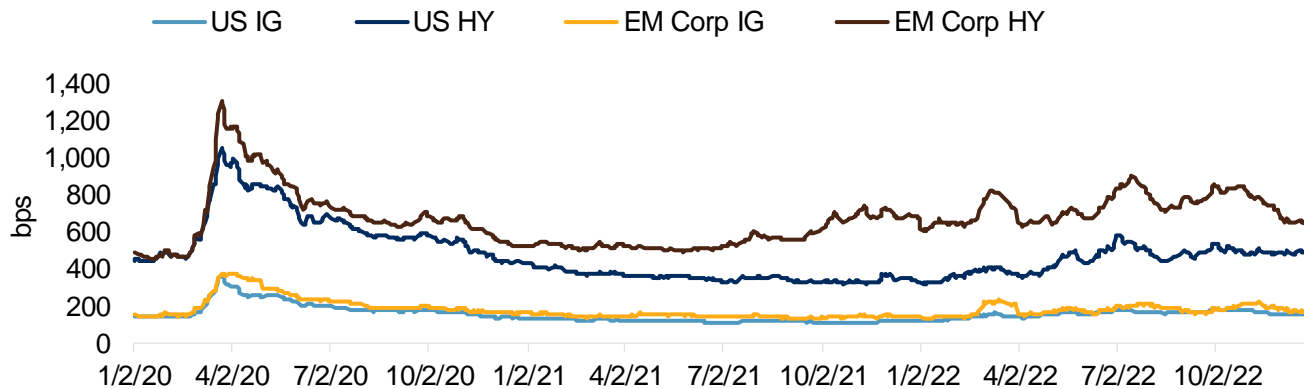
- EM 10-year yields stabilized across the board in December. Except for Turkiye, where monetary policy remained accommodative, 2022 registered a general increase in yield in EM countries, following the contractionary stance of central banks in order to tame rising inflation.
- EM inflation appears to have passed the peak. Even as we forecast inflation to ease in most EMs in 2023, driven primarily by decreasing pressure on food and fuel prices, inflation is still poised to remain above many EM central banks' targets. As such, we think monetary policy rates are likely to stay high.
- The forward path for financing conditions in EMs will mainly depend on how persistent inflation is, which could be exacerbated by the reopening of China's economy, the extent of growth deceleration, and the drag effect from the Fed and the European Central Bank tightening cycles. The direction of these factors will not necessarily be even across regions.

EM Credit Spreads| Risk Premiums Are Lowering

EM Spreads By Region



U.S. And EM Spreads



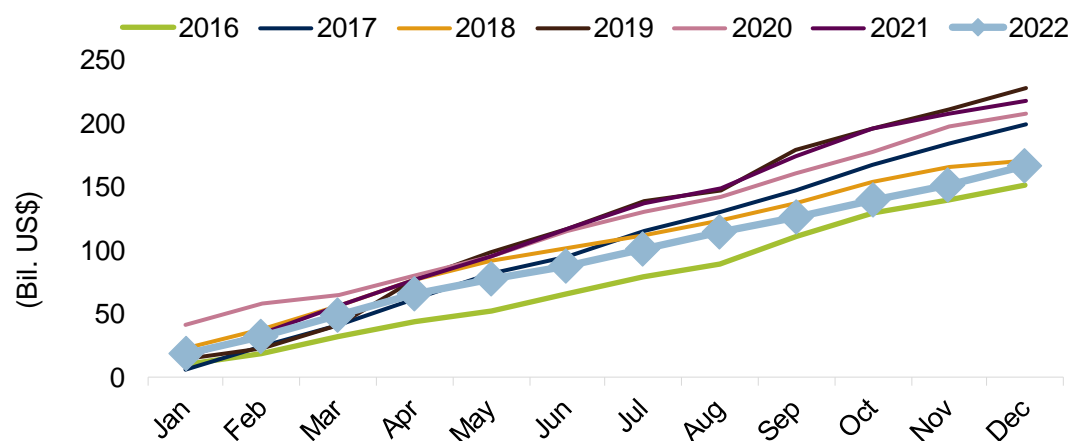
Data as of Dec. 30, 2022. HY – High yield; IG – Investment grade. Source: S&P Global Ratings, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- Risk premiums decreased across all EM regions.
- Spreads in EM regions fell by 28 bps on average, reflecting some resilience of EM EMEA to the effects of the Russia-Ukraine conflict, the relaxation of China’s “zero-COVID” policy, and stronger-than expected growth in LatAm.
- In the next few months, spreads may be volatile in EMs following macroeconomic developments, global financing conditions, trends in commodity prices, the path of Chinese economic activity, and geopolitical risks such as the ongoing Russia-Ukraine conflict and social tensions in LatAm.
- Since March 2022, access to external markets has remained challenging for all borrowers, particularly for those with speculative-grade ratings. The EM IG spread decreased 43 bps in December compared with November, amid a general stabilization of spreads.

EM | Financial And Nonfinancial Corporate Issuance

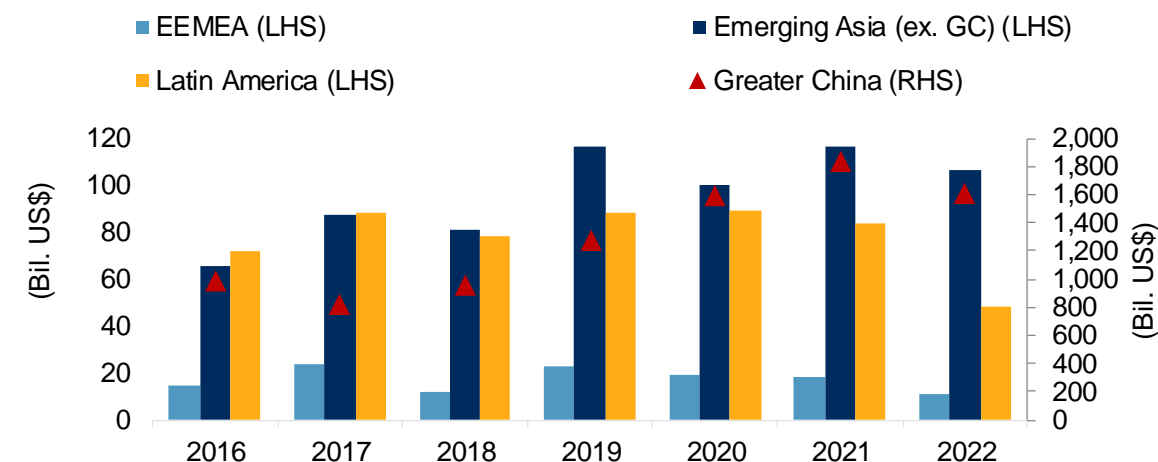
- Issuance in 2022 was on average 24% less than what was recorded during the last three years. The cumulative amount reached \$166 billion at the end of December after a solid \$16 billion increase that month, primarily led by EM Asia issuance.
- 2022 issuance was resilient only in EM Asia. Greater China's debt issuance was up 59% versus pre-pandemic levels (2017-2019 average), while EM Asia (excluding Greater China) was 13% higher. EM EMEA's and LatAm's issuance was only 57% of what was issued in 2017-2019. Foreign currency issuance was mainly responsible for this drop, while domestic markets were active in EMs.
- Financing conditions have slightly improved in recent weeks. However, we expect investors will remain vigilant about the trend of Chinese economic activity and the Fed's decisions as inflation eases. A more predictable path ahead, even considering a mild recession in the U.S., could lessen investor concerns and boost appetite for EMs. Downside risks such as dollar strength and capital flows are still relevant.

EM (excl. Greater China) Cumulative Corporate Bond Issuance



Data as of Dec. 31, 2022. Data including NR (not rated). Source: S&P Global Ratings and Refinitiv.

EM Regional Bond Issuance



Data as of Dec. 31, 2022. GC- Greater China. Source: S&P Global Ratings and Refinitiv.

Ratings Summary

Ratings Summary | Sovereign Ratings In EM17

- Most sovereign ratings in selected EMs remained unchanged.
- We revised the outlook on Peru to negative from stable on Dec. 12, 2022. The negative outlook indicates a one-in-three chance of a downgrade following our review of the country's political trajectory and its potential negative impact on economic policy and outcomes.

Economy	Rating	Outlook	Five-year CDS spread (Dec. 31)	Five-year CDS spread (Nov. 30)
Argentina	CCC+	Negative	4,115	3,733
Brazil	BB-	Stable	251	245
Chile	A	Stable	109	115
China	A+	Stable	75	78
Colombia	BB+	Stable	271	283
India	BBB-	Stable	110	102
Indonesia	BBB	Stable	104	92
Malaysia	A-	Stable	82	73
Mexico	BBB	Stable	130	127
Peru	BBB	Negative	120	114
Philippines	BBB+	Stable	101	91
Poland	A-	Stable	115	127
Saudi Arabia	A-	Positive	61	59
South Africa	BB-	Positive	248	242
Thailand	BBB+	Stable	66	60
Turkiye	B	Stable	507	523
Vietnam	BB+	Stable	135	138

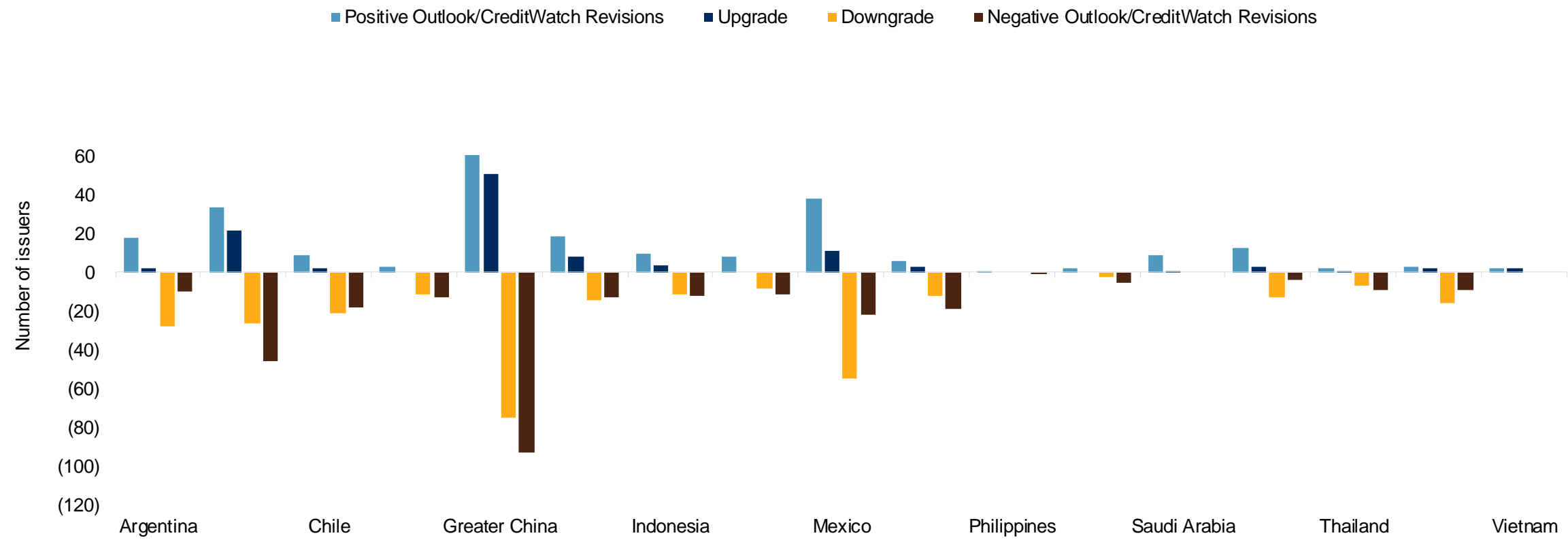
Foreign-currency ratings. Red means speculative-grade rating and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, Taiwan. Data as of Dec. 31, 2022. Source: S&P Global Ratings and S&P Capital IQ.

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

Rating date	Issuer	Economy	Sector	Rating to	Rating from	Action type	Debt amount (Mil. US\$)
8-Dec-22	CEMEX S.A.B. de C.V.	Mexico	Forest products & building materials	BB+	BB	Upgrade	\$ 5,170
18-Oct-22	Fomento Economico Mexicano S. A. B. de C. V.	Mexico	Retail/restaurants	BBB+	A-	Downgrade	\$ 4,669
25-Nov-22	Axiata Group Berhad	Malaysia	Telecommunications	BBB	BBB+	Downgrade	\$ 3,000
7-Dec-22	CANPACK S.A.	Poland	Chemicals, packaging, & environmental services	BB-	BB	Downgrade	\$ 2,863
7-Nov-22	Oi S.A.	Brazil	Telecommunications	CCC-	CCC+	Downgrade	\$ 2,534
15-Dec-22	BRF S.A.	Brazil	Consumer products	BB-	BB	Downgrade	\$ 1,750
20-Oct-22	Koc Holding A.S.	Turkiye	Financial institutions	B	B+	Downgrade	\$ 1,500
5-Oct-22	Turk Telekom (Ojer Telekomunikasyon A.S.)	Turkiye	Telecommunications	B	B+	Downgrade	\$ 1,000
5-Oct-22	Turkcell Iletisim Hizmetleri A.S.	Turkiye	Telecommunications	B	B+	Downgrade	\$ 1,000
19-Dec-22	Ulker Biskuvu Sanayi A.S.	Turkiye	Consumer products	B	B-	Upgrade	\$ 650
14-Oct-22	Operadora de Servicios Mega S.A. de C.V. SOFOME.R.	Mexico	Financial institutions	B	B+	Downgrade	\$ 500
29-Dec-22	PT Japfa Comfeed Indonesia Tbk. (Japfa Ltd.)	Indonesia	Consumer products	B+	BB-	Downgrade	\$ 350
8-Dec-22	PT Kawasan Industri Jababeka Tbk.	Indonesia	Homebuilders/real estate co.	SD	CC	Downgrade	\$ 300
14-Oct-22	AUNA S.A.A.	Peru	Health care	B	B+	Downgrade	\$ 300
21-Nov-22	Axis Bank Ltd.	India	Bank	BBB-	BB+	Upgrade	\$ 95

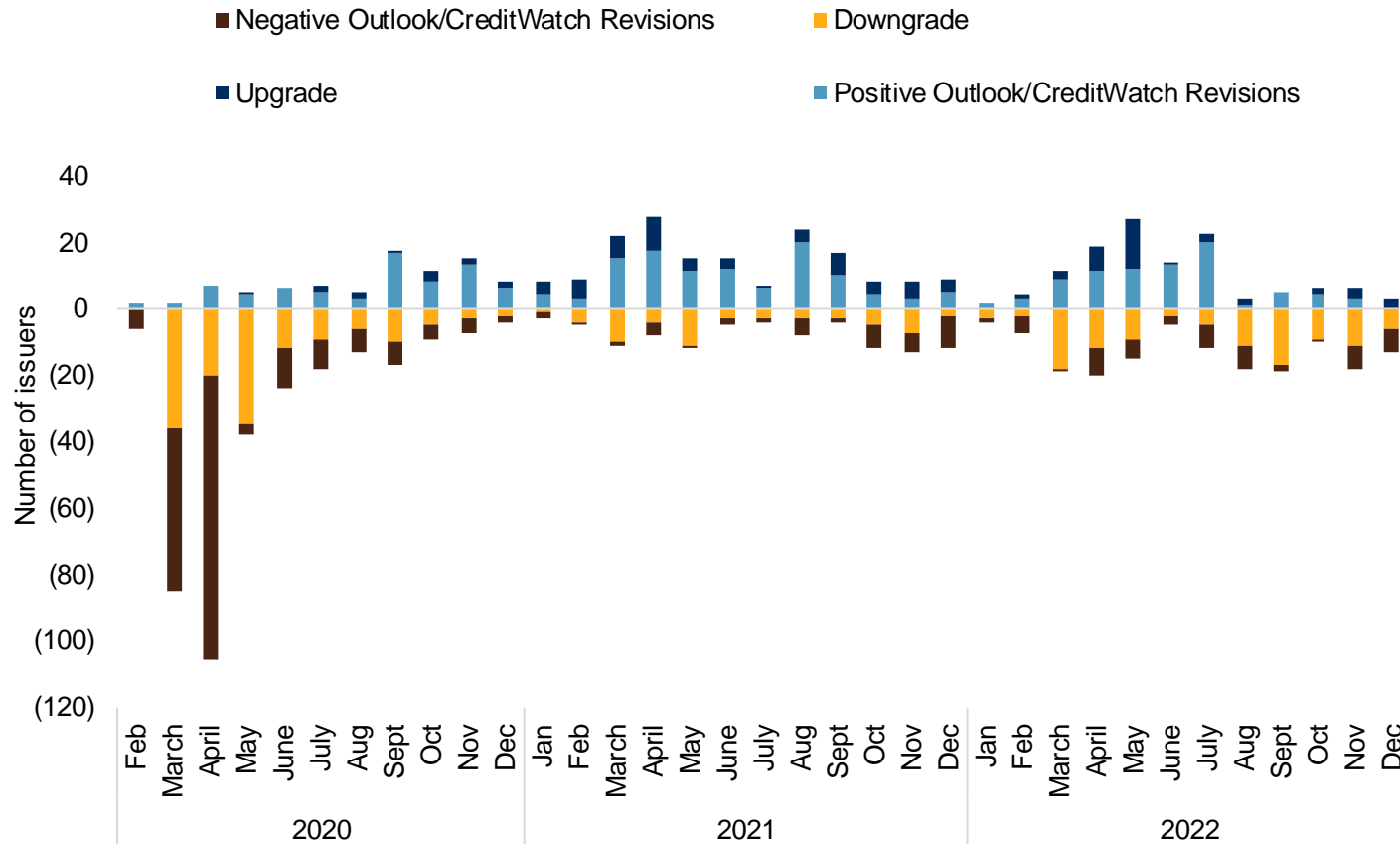
Data as of Dec. 31, 2022 (last 90 days), excludes sovereigns, Greater China, and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and grey means default. Source: S&P Global Ratings.

EM | Total Rating Actions By Economy



Data includes sovereigns. Data from Feb. 3, 2020, to Dec. 31, 2022. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. 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

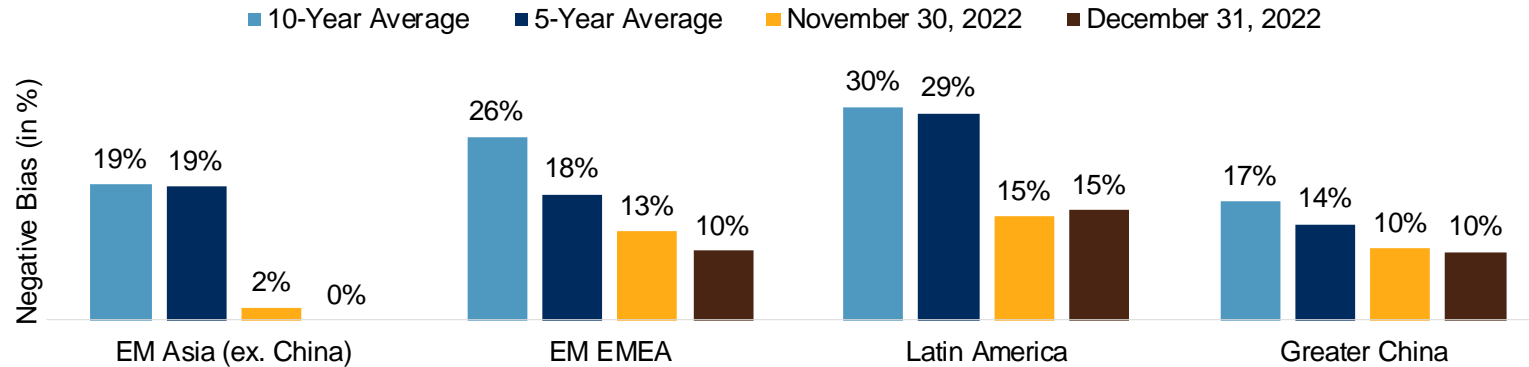


- Number of downgrades decreased in December to six from 11 in November, bringing the total number to 105 in 2022. December downgrades were equally distributed in Poland, Indonesia, and Brazil, with no specific sector concentration. Most of 2022 downgrades were of real estate issuers (31%), nonbank financial institutions (14%), and consumer products (10%). The highest number of 2022 downgrades were in Greater China (44%), Turkiye (13%), and Mexico (12%).
- There were three upgrades in December, ending the 2022 tally at 40. We upgraded a Turkiye-based confectionary producer on a stronger liquidity profile, a Mexican cement producer on lower leverage and more financial flexibility, and a Greater China-based online retailer on solid operating performance. More than 25% of 2022 upgrades were in the banking sector and nearly half of 2022 upgrades were of Greater China issuers.

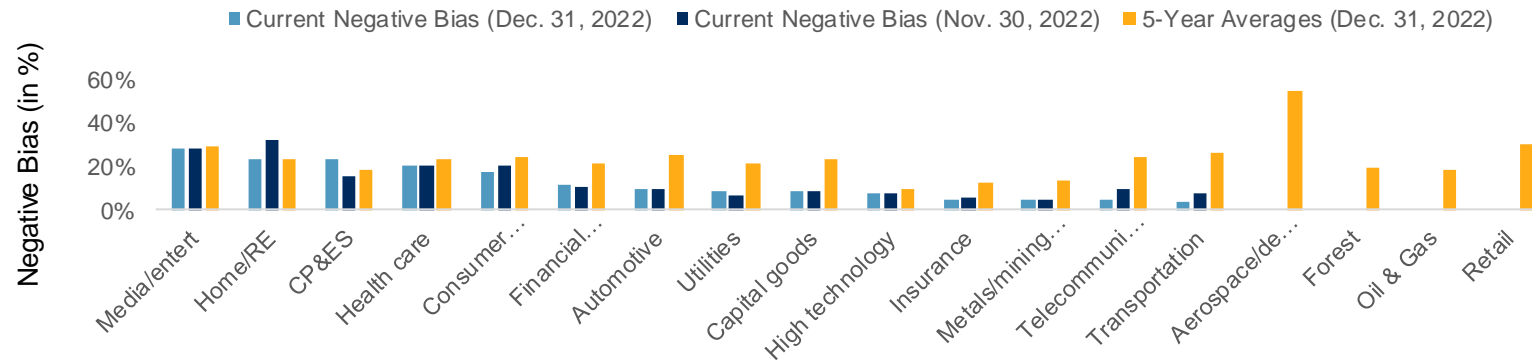
Data includes sovereigns. Data from Feb. 3, 2020, to Dec. 31, 2022. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. Greater China --- China, Hong Kong, Macau, Taiwan, 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



- LatAm has the highest downgrade potential, with negative bias at 15% in December, stable compared to November. Downgrade potential remains well below historical averages.
- EM EMEA. The negative bias fell to 10% in December from 13% in November as we revised outlooks on two issuers to stable from negative for individual reasons. We also downgraded one Polish consumer services issuer that had a negative outlook (on weak performance and elevated leverage).
- EM Asia (excluding China). The downgrade potential fell to 0% as we placed one Indonesian issuer on selective default.
- Greater China. December downgrade potential was 10%, the same as November and below historical averages.

Data as of Dec. 31, 2022, and including sectors with more than five issuers only; excludes sovereigns. EMs consist of Latin America: Argentina, Brazil, Chile, Colombia, Peru, Mexico; Emerging Asia: India, Indonesia, Malaysia, Thailand, Philippines, Vietnam; EMEA: Poland, Saudi Arabia, South Africa, Türkiye; and 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**

Six downgrades in EMs to the ‘CCC’ and ‘CC’ categories from ‘B-’ in 2022.

Rating date	Issuer	Economy	Sector	Rating to	Rating from	US\$ Mil.
4-Feb-22	Credito Real S.A.B. de C.V. SOFOME N.R. (Futulem 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
20-Oct-22	China SCE Group Holdings Ltd.	Cayman Islands	Homebuilders/real estate co.	CCC+	B-	\$ 500

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating. Data as of Dec. 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.

Rating Actions | EM Fallen Angels And Rising Stars In 2022

Three EM fallen angels in 2022

Rating date	Issuer	Economy	Sector	Rating To	Rating From	US\$ Mil.
23-Sep-22	Anadolu Efes Biracilik ve Malt Sanayii AS	Turkiye	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 & gas exploration & production	BB+	BBB-	\$ 2,000

Three EM rising stars in 2022

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	US\$ Mil.
21-Nov-22	Axis Bank Ltd.	India	Bank	BBB-	BB+	\$ 95
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 Dec. 31, 2022; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

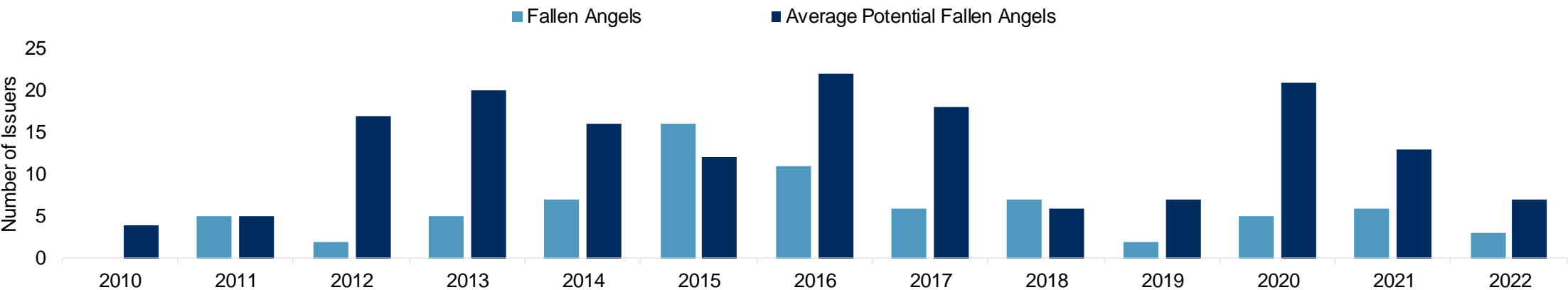
Rating Actions | List Of Defaulters In 2022

Ratingdate	Issuer	Economy	Sector	Ratingto	Ratingfrom	US\$ 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. SOFOME N.R. (Futulem 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. (A)	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+	\$ -
3-Oct-22	E-House (China) Enterprise Holdings Ltd.	China	Consumer products	D	NR	\$ -
15-Nov-22	Greenland Holding Group Co. Ltd. (B)	China	Homebuilders/real estate companies	SD	CC	\$ -
8-Dec-22	PT Kawasan Industri Jababeka Tbk.	Indonesia	Homebuilders/real estate companies	SD	CC	\$ 186

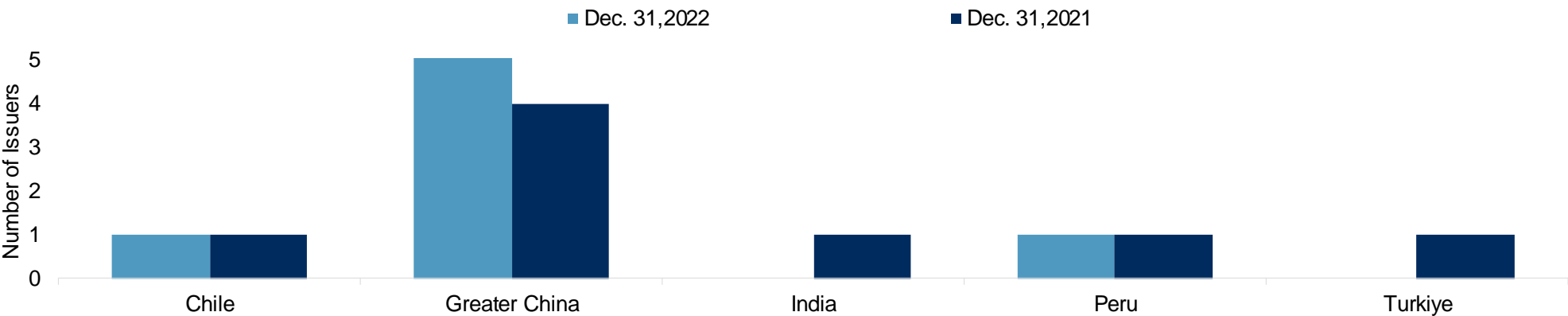
Data as of Dec. 31, 2022. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Excludes 11 confidential issuers in 2022. Red means speculative-grade rating, and grey means default (D) or selective 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 in 2022, While Potential Fallen Angels Continue To Trend Down



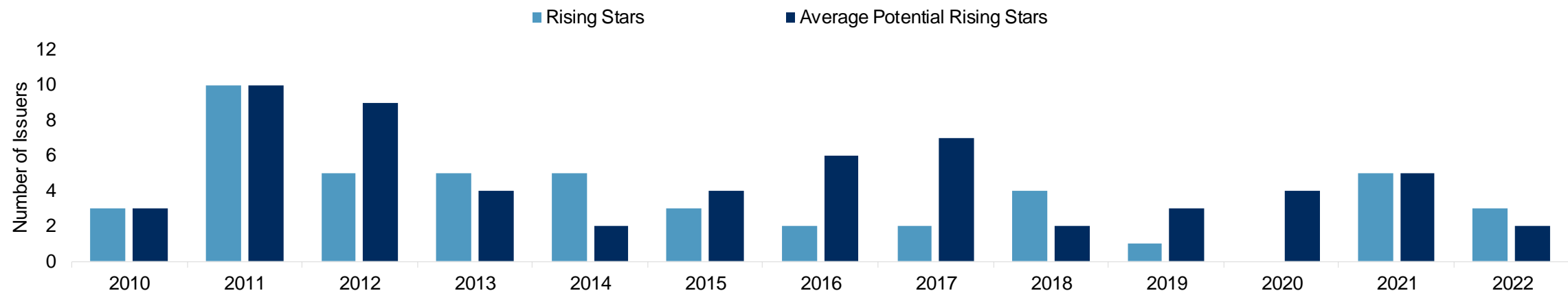
One Potential Fallen Angel Added In Greater China In December 2022



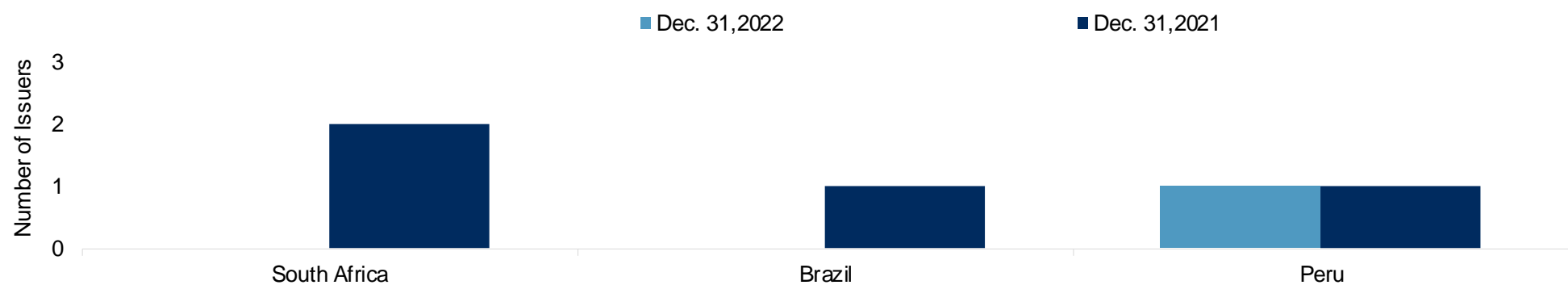
Data as of Dec. 31, 2022. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

Rating Actions | Rising Stars And Potential Rising Stars

Three Rising Stars In 2022



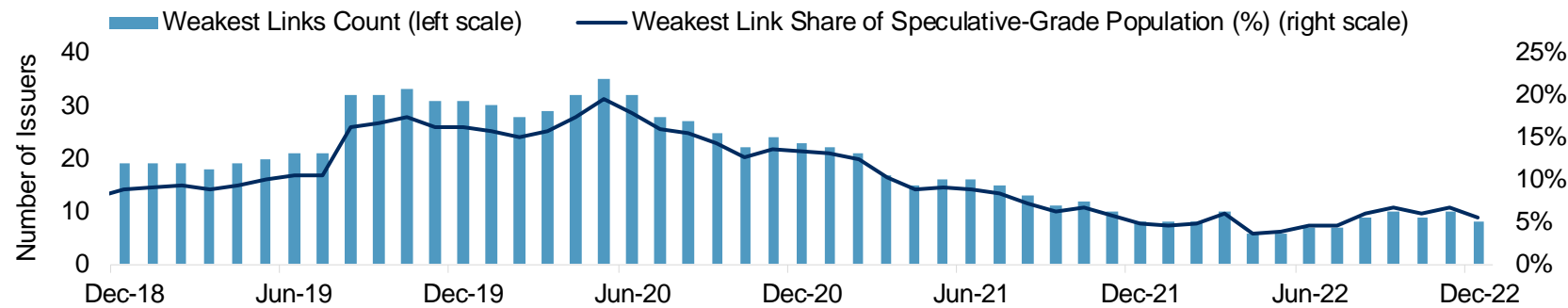
EM Potential Rising Stars Declined In 2022



Data as of Dec. 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.

Rating Actions | Weakest Links And Defaults

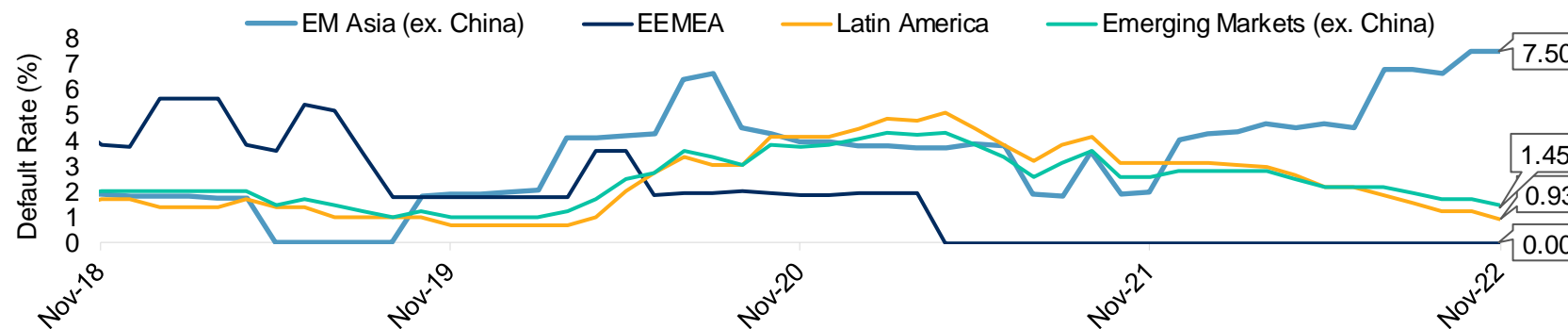
EM Weakest Links At Eight in December



Data as of Dec. 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.

- Weakest links. EMs' weakest links decreased to eight issuers in December (5% of total speculative-grade issuers).

Default Rate Fell This Month (as of November 2022)

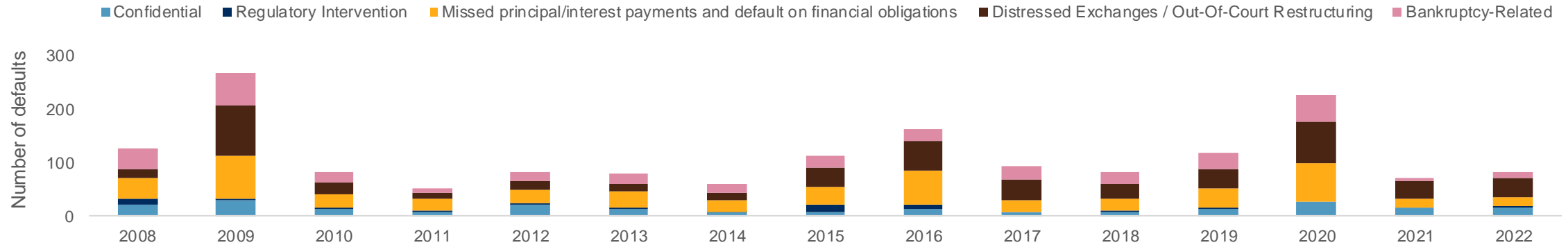


Excluding China. CreditPro data as of Nov. 30, 2022. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.

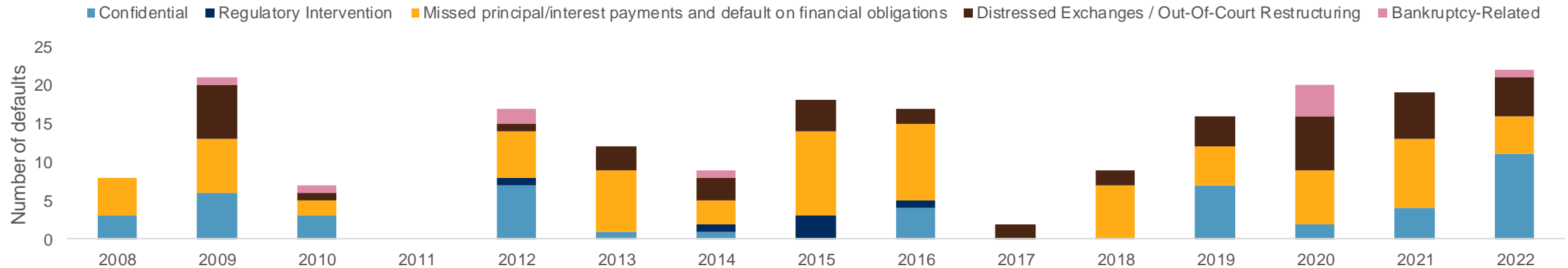
- Default rates. November default rate decreased in Emerging Markets (ex. China) and Latin America. However, the default rate in EM Asia (ex. China) remained constant at 7.5% (above August 2020 peak of 7.0%).

Rating Actions | Defaults

Year-End Global Corporate Defaults By Reason



Year-End EM 17 Corporate Defaults By Reason



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

Related Research

EMs | Related Research

- China's Earlier Policy Shift Advances Its Recovery, Jan. 18, 2023
- S&P Global Ratings Lowers 2023 European And U.S. Gas Price Assumptions On More Balanced Supply And Demand, Jan. 10, 2023
- China's COVID Wave: Q1 2023 Will Be Critical, Dec. 22, 2022
- Emerging Markets Monthly Highlights: Another Tough Year Ahead, Dec. 15, 2022
- Economic Research: China's Policy Emphasis (2022) And Deglobalization (2023), Dec. 15, 2022
- Credit Cycle Indicator Q1 2023 : The Correction Continues, Dec. 14, 2022
- Global Credit Conditions Downside Scenario: Inflation, Geopolitics Are Twin Threats To Our Base Case, Dec. 8, 2022
- Global Credit Outlook 2023: No Easy Way Out, Dec. 1, 2022
- Credit Conditions Emerging Markets Q1 2023: Downturn Exacerbates Risks, Dec. 1, 2022
- Economic Research: Economic Outlook EMEA Emerging Markets Q1 2023: Tough Choices Ahead, Nov. 29, 2022
- Economic Outlook Emerging Markets Q1 2023: Hanging In There, But Growth Prospects Remain Tough, Nov. 28, 2022
- Economic Outlook Asia-Pacific Q1 2023: Global Slowdown Will Hit, Not Halt, Growth, Nov. 28, 2022
- Economic Outlook Latin America Q1 2023: A Shift To Lower Growth, Nov. 28, 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 Luca Rossi, Paris, +33-6-5189258, luca.rossi@spglobal.com Gregoire Rycx, Paris, gregoire.rycx@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 Nivriti Mishra, nivriti.mishra@spglobal.com

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