Emerging Markets Monthly Highlights

Strong Start To The Year For Sovereign Issuance

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February 15, 2023

S&P Global Ratings

This report does not constitute a rating action.

Contents

Key Takeaways

– Investors have shown increased interest in Emerging Markets (EMs) in the last two months. The reopening of China, energy prices lower than we previously expected in Europe, and more dovish expectations with regards to the U.S. Federal Reserve's tightening cycle have fueled optimism across the markets. Consequently, both sovereign and corporate spreads have narrowed across most EM countries, especially in EM Asia (which we expect to benefit the most from China's reopening) and EM EMEA (due to favorable developments across energy markets).

– Sovereign issuance has boomed across EMs since the beginning of 2023. Even though a significant part of sovereign issuance has been related to China, several investment-grade sovereigns in EM EMEA and EM Asia have also significantly expanded their issuances. As of now the pick-up in sovereign issuance hasn't been followed by EM corporates, but in the past, we've seen nonfinancial corporates tap the markets once sovereigns and government-related entities set interest rate benchmarks. Therefore, we expect nonfinancial corporates will look for opportunity windows to refinance upcoming maturities.

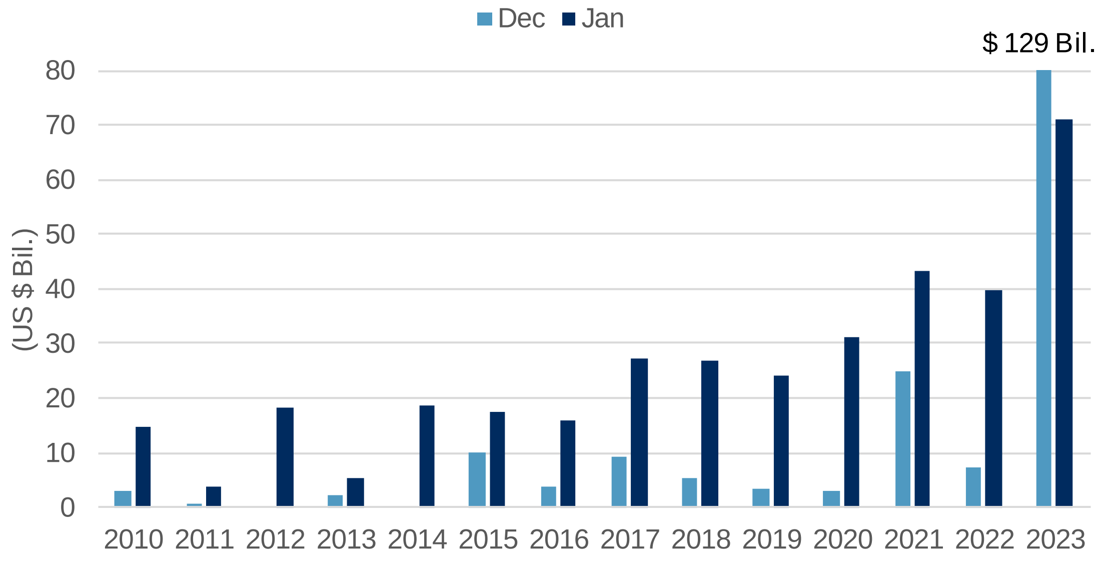
– Nevertheless, we think current trends could potentially reverse. If the market adopts a more hawkish view of the future Fed policies, investor sentiment toward EMs could suddenly worsen and the U.S. dollar could potentially strengthen. At the same time, some EM regions face more uncertainty than others. Central and Eastern Europe remains subject to numerous risks, and despite some improvements in external conditions, our outlooks for several sovereigns in the region remain negative.

Issuance | EM Sovereign Issuance Is Strong

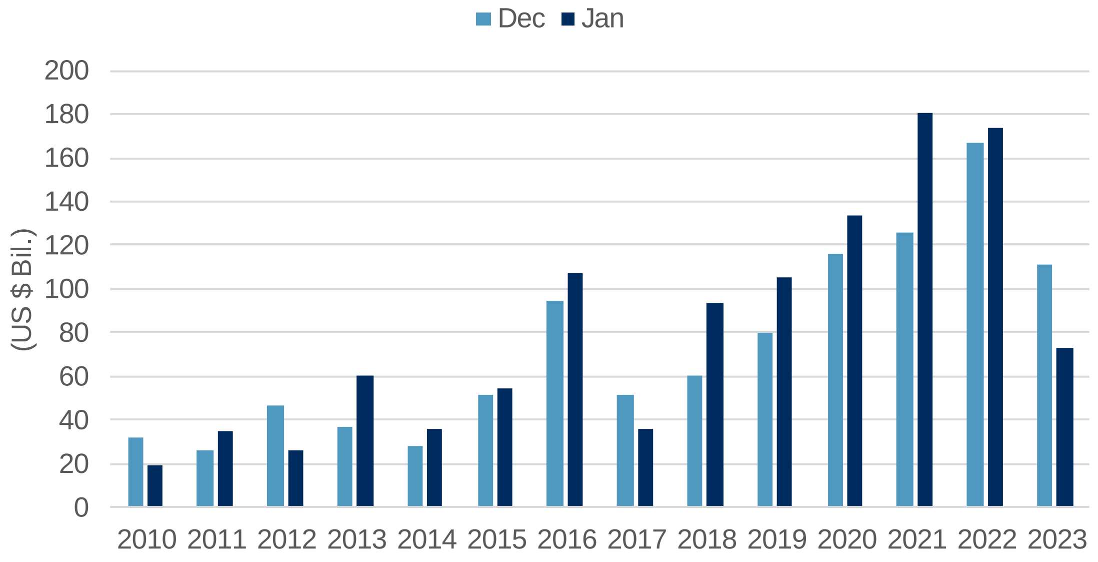
– Sovereign issuance has skyrocketed in the last two months, with China accounting for 51% of January's $71 billion issuance and almost all of December 2022's $129 billion because Chinese debt markets are generally limited to domestic lenders and so isolated from the global rise in interest rates. In addition, markets were particularly active in Saudi Arabia, Hungary, and Greater China versus previous years, corroborating our opinion that investors view EMs as an opportunity, given the gloomy outlook for developed economies this year.

– Historically, corporates have found issuance opportunity windows once the sovereigns had set the benchmark, with a varying time lag. However, so far the pick-up in sovereign issuance hasn't been matched by corporates, which still display muted activity in primary markets.

December (Prior Year) Versus January, Sovereign Issuance



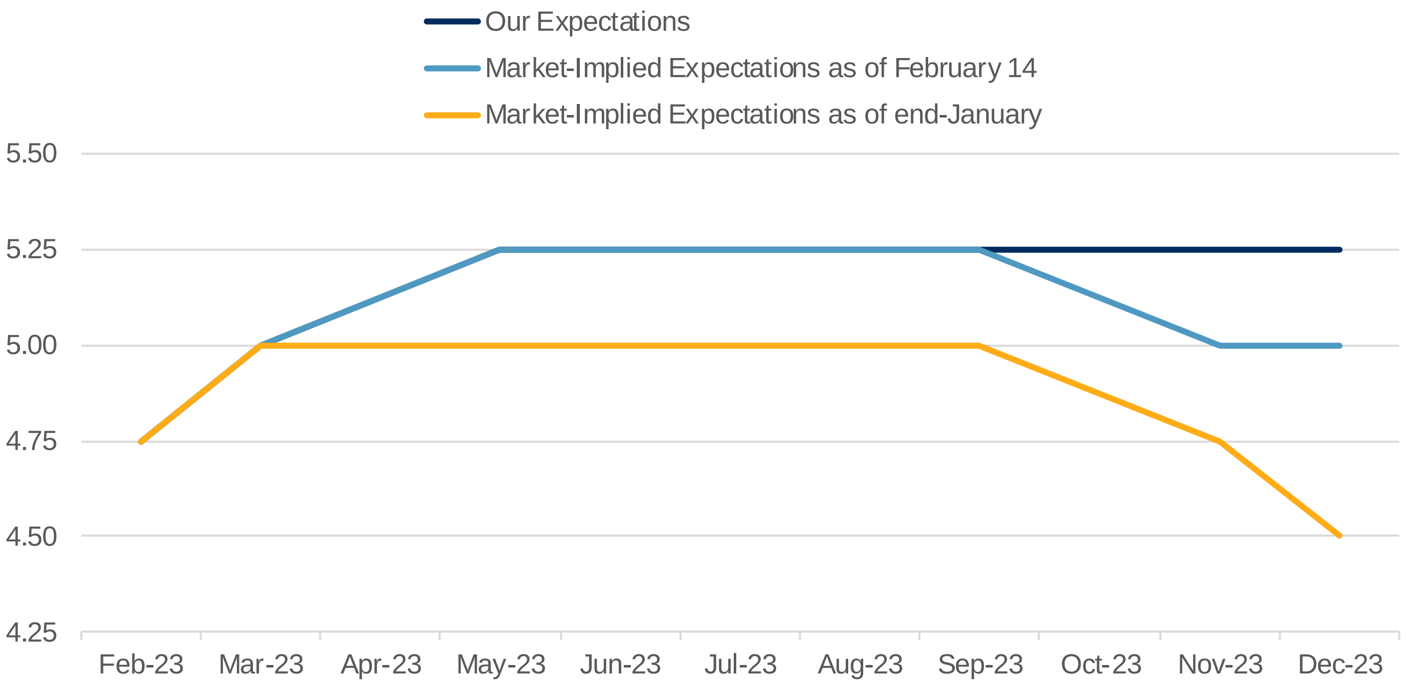
December (Prior Year) Versus January, Corporate Issuance



Data as of Jan. 31, 2023. Data including NR (not rated) issuance. Source: S&P Global Ratings and Refinitiv.

U.S. Fed | Is The Market Too Dovish Toward The Fed?

Market Versus Our Expectations On The Fed Funds Rate, %

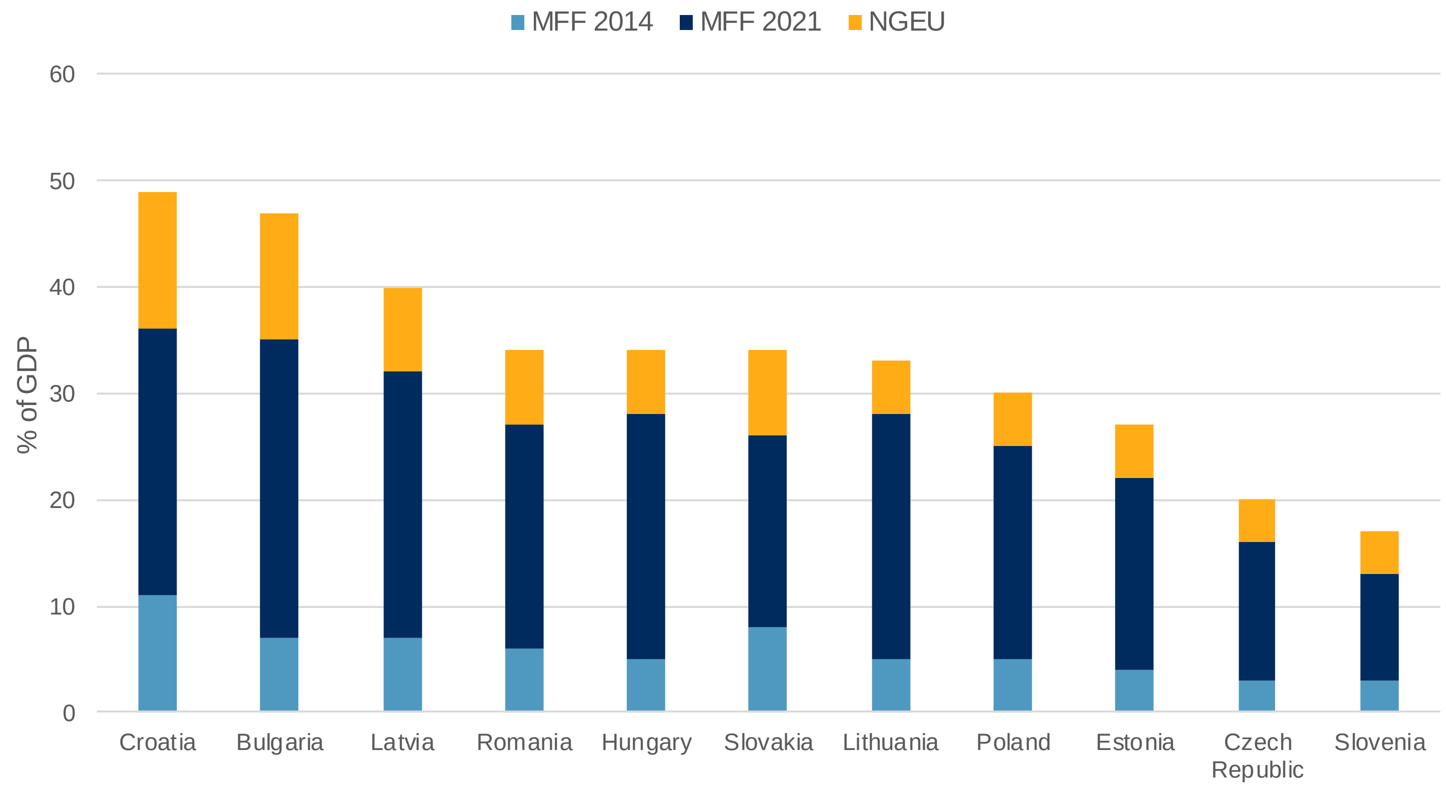


Source: Haver Analytics, S&P Global Ratings.

- Market expectations that the Fed will pause rate hikes before summer and start cutting before winter have helped fuel investor appetite for EM assets in January. This expectation has coincided with the reopening of China's economy, and lower perceived global recession risks. These factors contributed to an appreciation of most EM currencies against the U.S. dollar.
- However, we maintain a more hawkish view than the market toward the Fed. In our view, sticky inflation, amid a still very strong U.S. labor market, will push the Fed to increase rates above 5% by the summer and keep rates at that level throughout the rest of this year. If the market adjusts to our view, it could lead to a moderate deterioration in investor sentiment toward EMs and potentially renew strength in the U.S. dollar.

Central And Eastern Europe | Risks Persist

EU's Fund Availability Is High For The Next Few Years

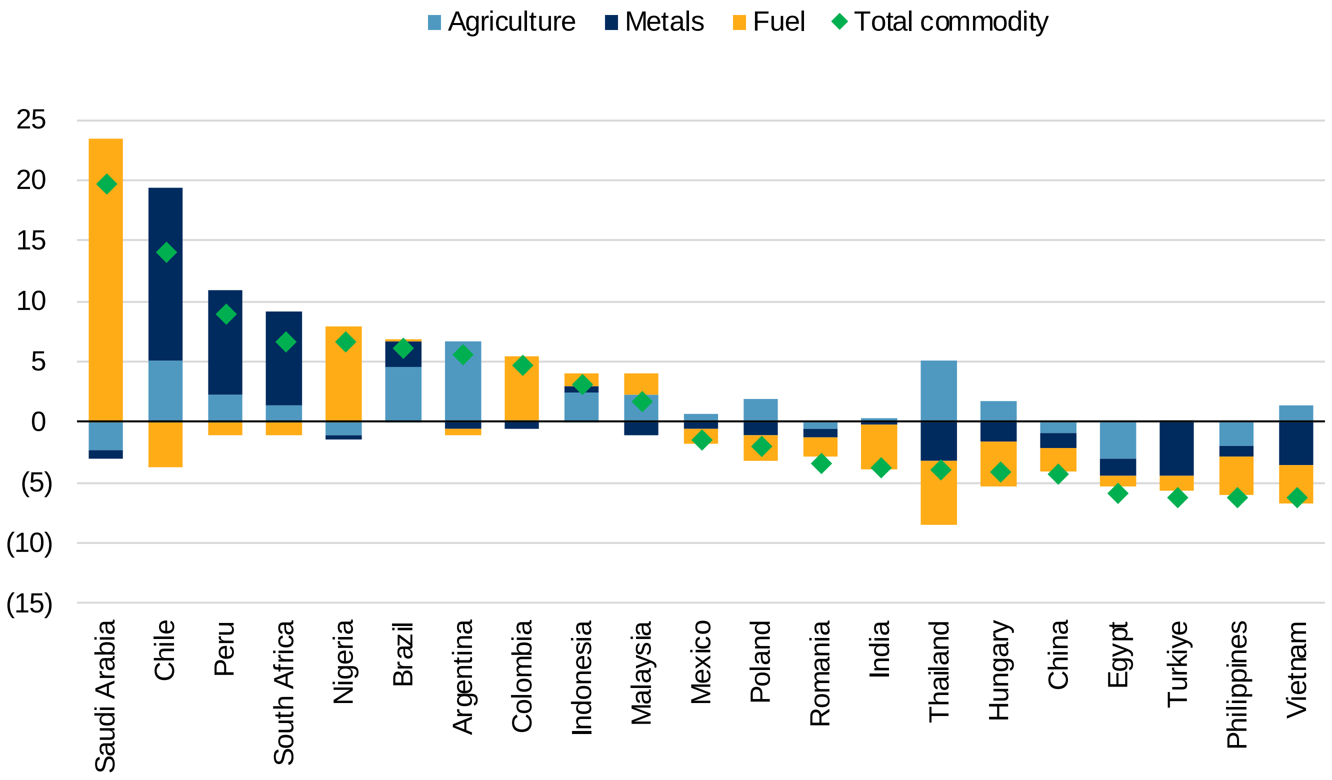


**Available EU funds as a % of estimated 2021 GDP, 2020 prices. Source: European Commission and S&P Global Ratings.*

- The Russia-Ukraine conflict will continue to weigh on CEE sovereigns' growth, balance of payments, fiscal and inflation outlooks in 2023. Strong macroeconomic fundamentals allowed the region to absorb the immediate conflict-induced negative spill overs, but sovereign credit pressure is building up (see "Central and Eastern Europe Sovereign Rating Outlook 2023: The Top-Five Risks." published Feb. 6).
- In January, we lowered our ratings on Hungary following the impaired policy flexibility of the fiscal and monetary authorities (see "Hungary Downgraded To 'BBB-/A-3' From 'BBB/A-2' On Inflation And External Pressures; Outlook Stable," published Jan. 27). Factors that could undermine other CEE sovereigns credit quality in 2023 include a sharper economic downturn; disruptions in EU transfers; elevated fiscal deficits; balance of payments pressures; and monetary policy missteps.
- **CEE governments' ability to secure and use** funds available under different EU facilities will require a policy effort. Since the mid-2000s, EU grants have comprised 2%-4% of CEE countries' GDP annually. Unlike in the past, however, we see risks to the flow of some of these funds, for example in Hungary and Poland.

China | EMs In Asia Will Benefit The Most From China's Reopening

Net Commodity Exports As % Of GDP



Source: S&P Global Ratings, WTO, IMF, Note (1) Metals include iron ore, mine products excluding fuel; (2) Data refers to average of the period 2017 to 2021.

- **EMs that are exposed to China's consumption,** especially tourism-related, will benefit the most from its reopening as outbound Chinese travel resumes. These EMs are mostly in Asia and include Thailand and Vietnam (see "Which Emerging Markets Benefit The Most From A Reopening In China?," published Feb. 1).
- EMs that typically benefit from greater demand for infrastructure-heavy industrial metals--such as South Africa, Brazil, Chile, and Peru--could see terms of trade improvements if the recent increase in commodity prices is sustained. However, the benefits to growth in those EMs won't materialize until China's property market recovers more decisively and results in greater export volumes of metals, or until metal prices remain high for a sustained period to fuel income growth.
- There could be some inflationary pressures **from China's reopening, particularly for** commodity importers, but weakening global demand will temper inflation.

Regional Economic Highlights

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EM Asia Economics| Domestic Demand Is Resilient

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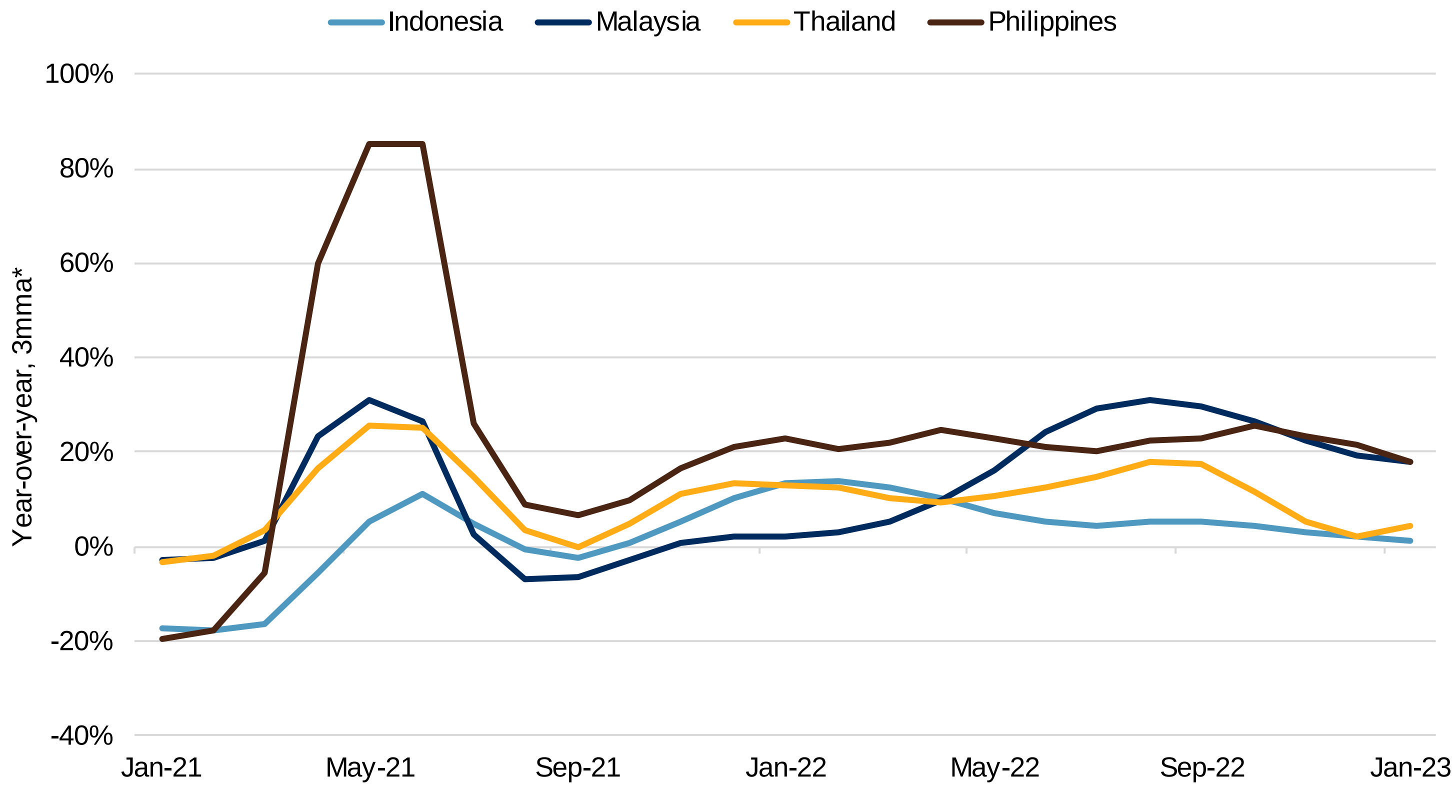
Retail Sales Steadily Growing In Region, But Subdued In Indonesia



**3mma refers to the 3-month moving average. Source: CEIC and S&P Global Ratings.*

- Domestic demand is currently the key growth engine in the region. However, consumer activity growth is easing slightly in the region following external headwinds and tightening domestic monetary policy.
- Malaysia and the Philippines have seen very strong consumer activity and retail sales growth above 10%.
- In Thailand, improved tourism activity may support consumer activity. On the other hand, retail sales in Indonesia have seen subdued growth in recent months.

EM EMEA Economics | Savings Won't Prop Up CEE In 2023

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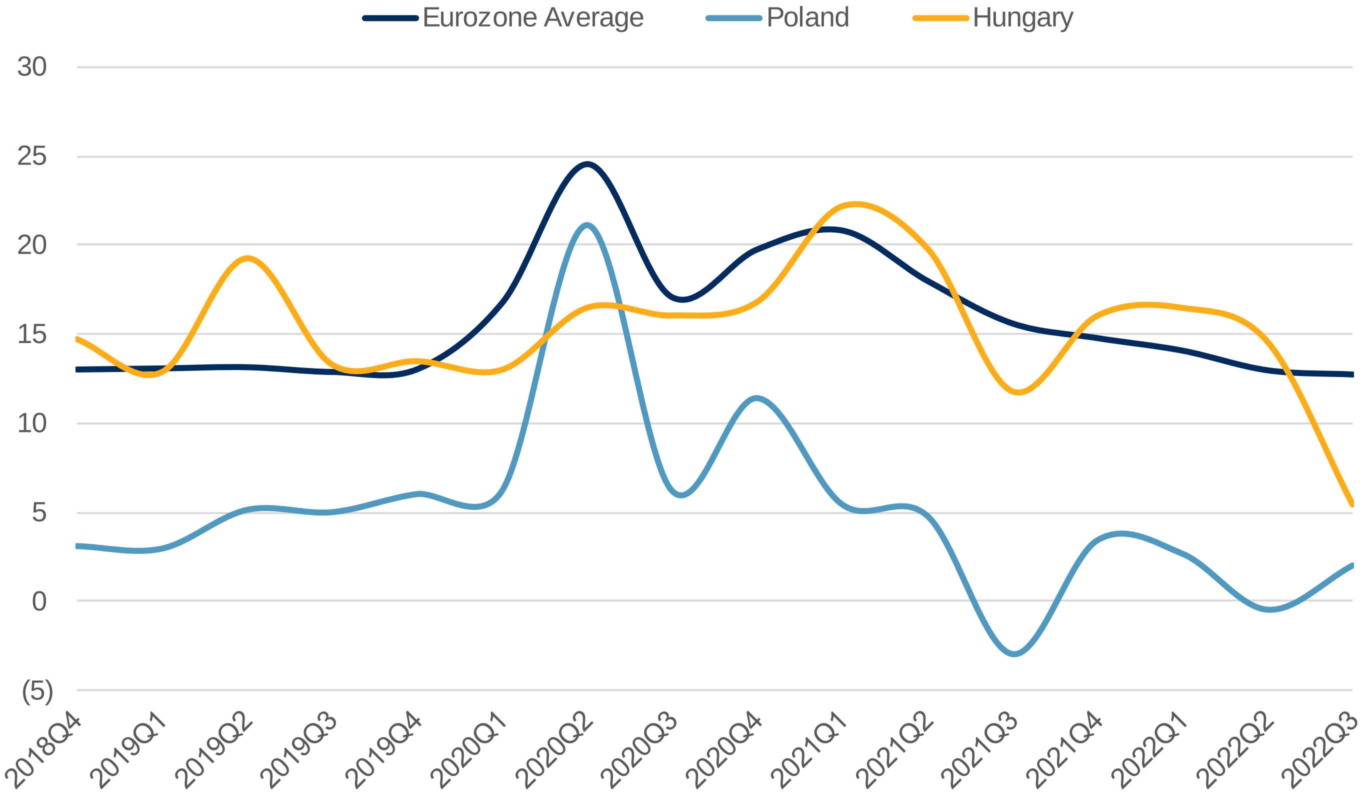
Saving Rates Reached Record Highs In 2020-2021, But Have Since Decreased



**Seasonal- and calendar-adjusted data, savings are defined as a % of household disposable income. Eurozone average includes: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain. Source: Eurostat and S&P Global Ratings.*

- **High inflation shrank households' real incomes** in 2022, and we expect inflationary pressures to persist until at least late 2023. However, amid declining real incomes, domestic savings helped to counter the consequences of high inflation in 2022.
- Household savings levels in CEE are now considerably lower than in Western Europe and are steadily declining. Saving rates picked up significantly in CEE during the pandemic but have been decreasing since early 2022 significantly faster than in eurozone economies, especially in Poland and Hungary. Consequently, savings levels in CEE are now significantly below their long-term averages (while in the eurozone, they are generally back to their pre-pandemic levels). Furthermore, we expect persistently rising inflation in the past few months will have depleted household savings even further (see "Domestic Savings Won't Prop Up Central And Eastern European Economies In 2023," published Feb. 2).

LatAm Economics | When Will Real Interest Rates Start Coming Down?

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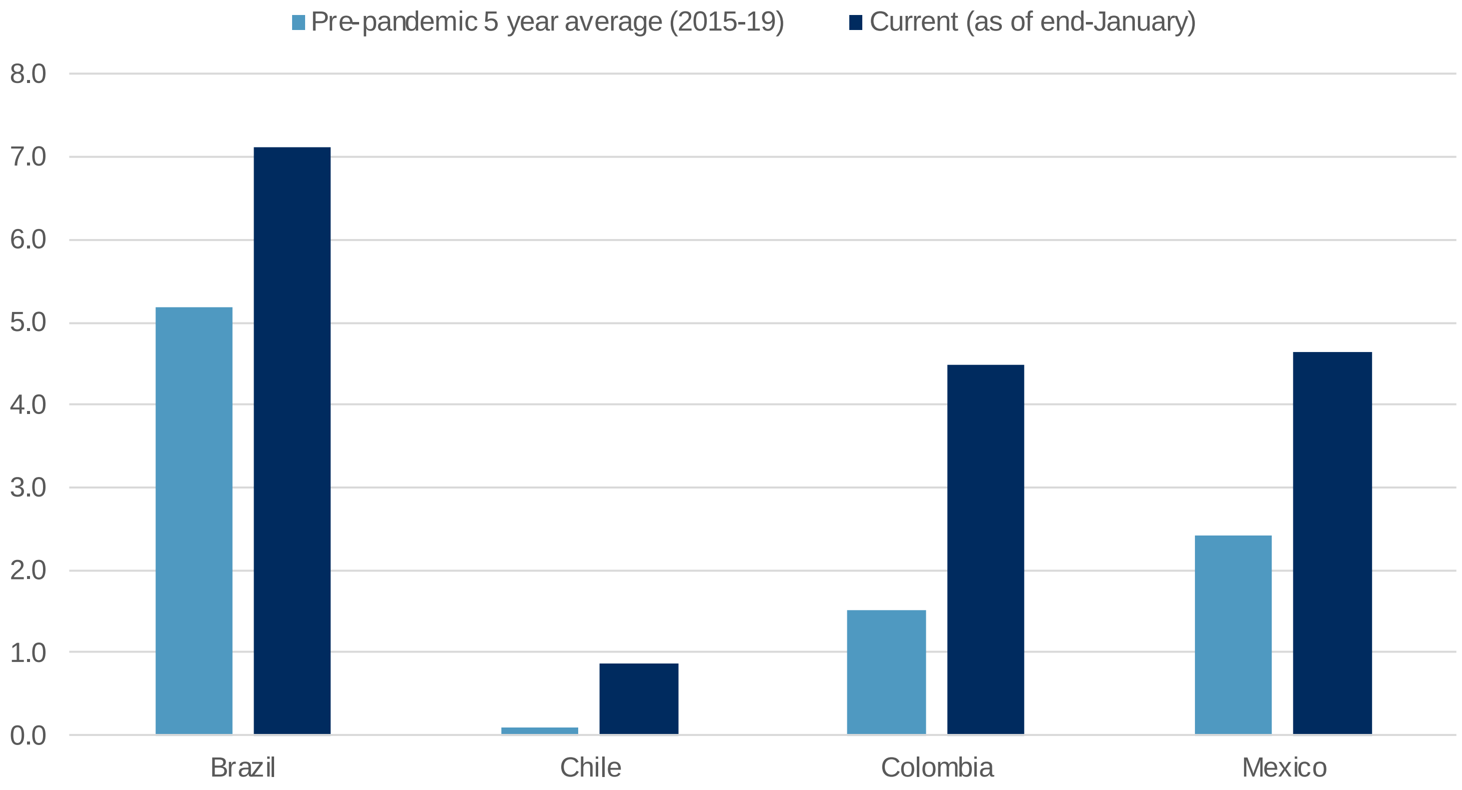
One-Year Real Ex Ante Interest Rates, %



Note: One-year real ex ante interest rate is the yield on the one-year vanilla interest rate swap minus one-year inflation expectations from central bank surveys. Source: Haver Analytics, S&P Global Ratings.

- **Mexico's central bank surprised markets with a** larger-than-expected 50 basis point (bps) policy rate hike to 11% in its February meeting. We expected a 25 bps rate hike, in line with consensus. The central bank's hawkish stance makes one to two more rate hikes likely before ending its tightening cycle, depending on the Fed's upcoming monetary policy decisions.
- High real interest rates, amid weakening economic growth, will increase pressure for central banks to start cutting interest rates. We believe expectations for lower interest rates in the region will increase once the Fed pauses rate hikes (likely by the summer). Inflation is likely to be significantly lower in the second half of the year due to subdued demand. Therefore, we still expect most central banks in Latin America to start lowering interest rates by the end of this year.

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GDP Summary | Q4 GDP Reports Released So Far Continue To Show Resiliency

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	3.5	Q4	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	2.9	Q4	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	5.0	Q4	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	7.2	Q4	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
Hungary	4.0	Q3	4.1	-4.8	7.1	4.6	0.2	3.2	2.8
Poland	4.5	Q3	4.4	-2.0	6.7	5.5	0.9	3.4	2.8
Saudi Arabia	5.4	Q4	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

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 | Most EM Currencies Appreciated Versus The Dollar Last Month

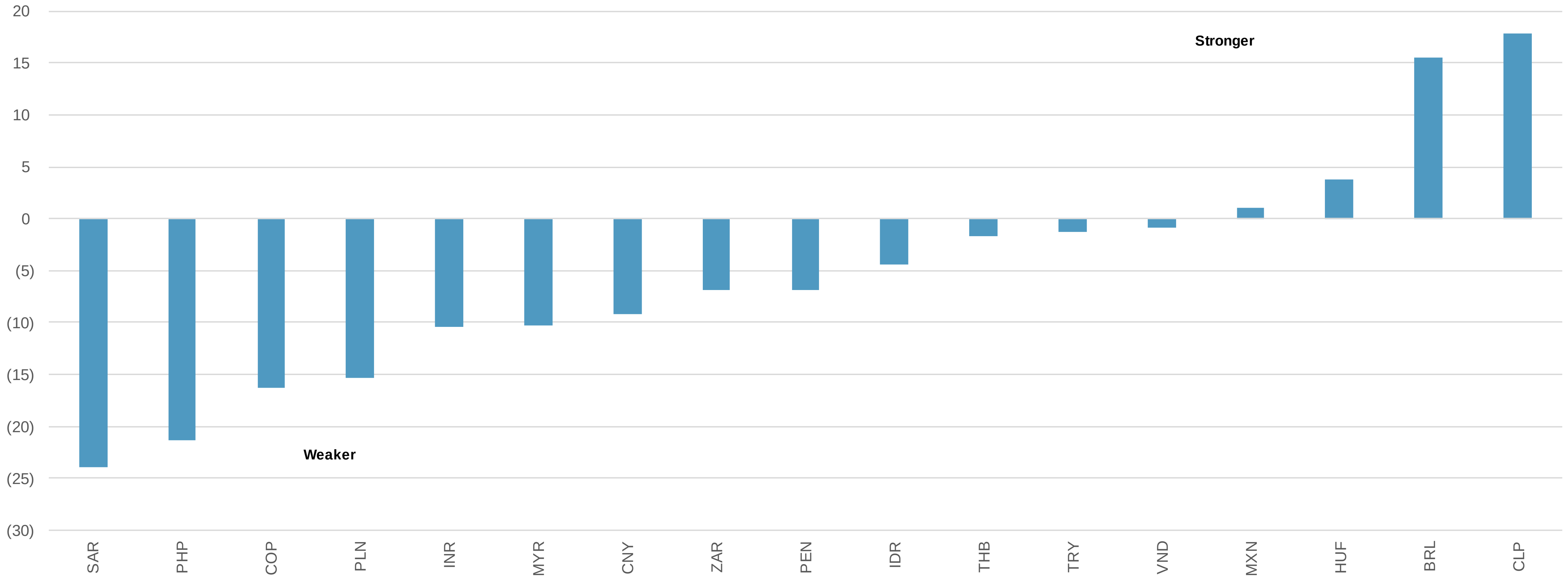
Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	January exchange rate change	2022 exchange rate change
Argentina	75.00%	No target	94.8%	Hold	N/A	-5.3%	-42.0%
Brazil	13.75%	3.25% +/-1.5%	5.8%	Hold	March 22	2.3%	7.0%
Chile	11.25%	3% +/-1%	12.3%	Hold	April 4	5.6%	-0.7%
Colombia	12.75%	3% +/-1%	13.3%	75 bps hike	March 31	3.8%	-17.2%
Mexico	11.00%	3% +/-1%	7.9%	50 bps hike	March 30	3.7%	5.0%
Peru	7.75%	2% +/-1%	8.7%	Hold	March 9	-0.8%	4.6%
China	4.35%	3%	2.1%	N/A	N/A	3.0%	-8.5%
India	6.50%	4% +/-2%	5.7%	25 bps hike	April 6	1.0%	-10.1%
Indonesia	5.75%	3.5% +/-1%	5.3%	50 bps hike	Feb. 16	3.9%	-8.4%
Malaysia	2.75%	No target	3.8%	Hold	March 9	3.3%	-5.4%
Philippines	5.50%	3% +/-1%	8.7%	50 bps hike	March 23	2.0%	-8.5%
Thailand	1.50%	2.5%+/-1.5%	5.0%	25 bps hike	March 29	4.9%	-3.6%
Vietnam	6.00%	4%	4.9%	100 bps hike	N/A	0.5%	-3.3%
Hungary	13.00%	4%	25.7%	Hold	March 14	4.1%	-13.3%
Poland	6.75%	2.5% +/-1%	16.6%	Hold	March 8	1.1%	-8.1%
Saudi Arabia	5.25%	3% +/-1%	3.3%	75 bps hike	N/A	0.0%	0.0%
South Africa	7.25%	3%-6%	7.2%	25 bps hike	March 30	-2.4%	-6.2%
Turkiye	9.00%	5% +/-2%	57.7%	Hold	Feb. 23	-0.5%	-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.

S&P Global Ratings

Real Effective Exchange Rates | Increase In Commodity Prices Benefiting Several EM Currencies So Far This Year

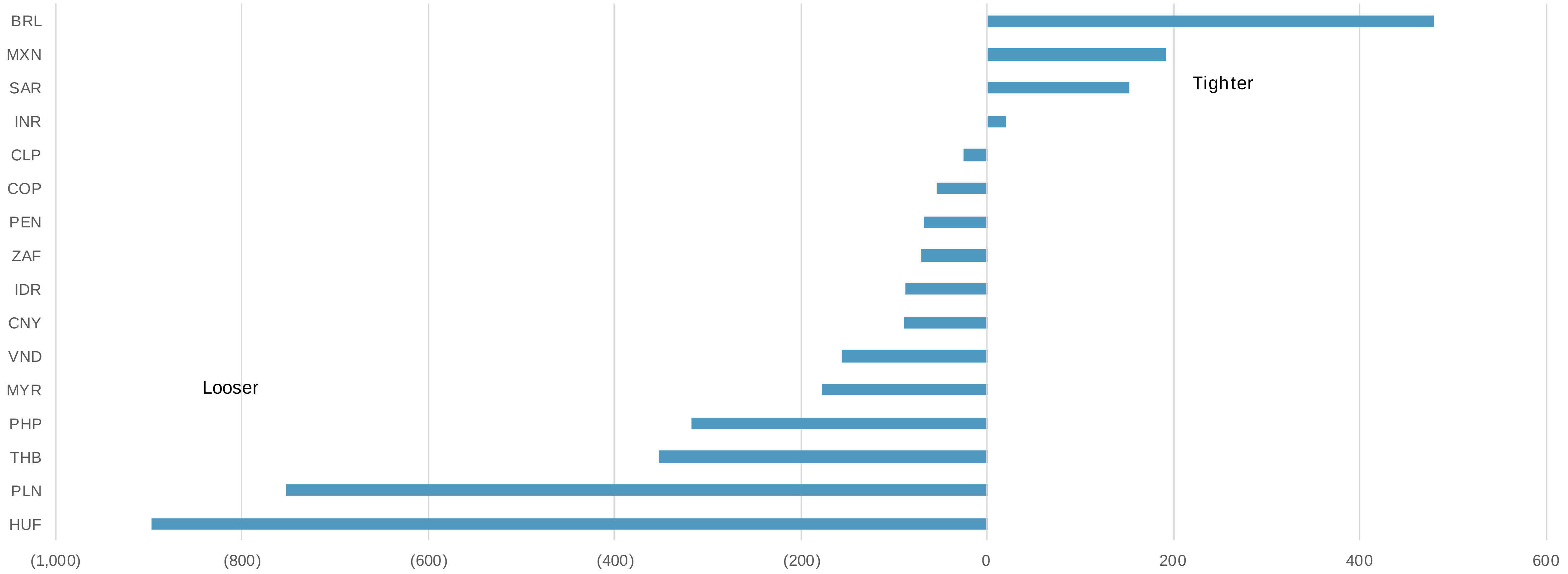
Broad Real Effective Exchange Rates, % Change From 10-Year Average



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 Jan. 31, 2023. Source: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | Brazil And Mexico Have The Most Restrictive Real Rates

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 Feb. 10, 2023. Source: Haver Analytics and S&P Global Ratings.

EM Heat Map

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		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	5	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 (Jan. 31, 2023)	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 interest 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. Source: Bangko Sental NG Pilipinas; Corporate Variables Capital IQ 1Q 2022. S&P Global Ratings. Data for Sovereigns and Financial Institutions as of Feb. 13, 2023.

Financing Conditions
Highlights

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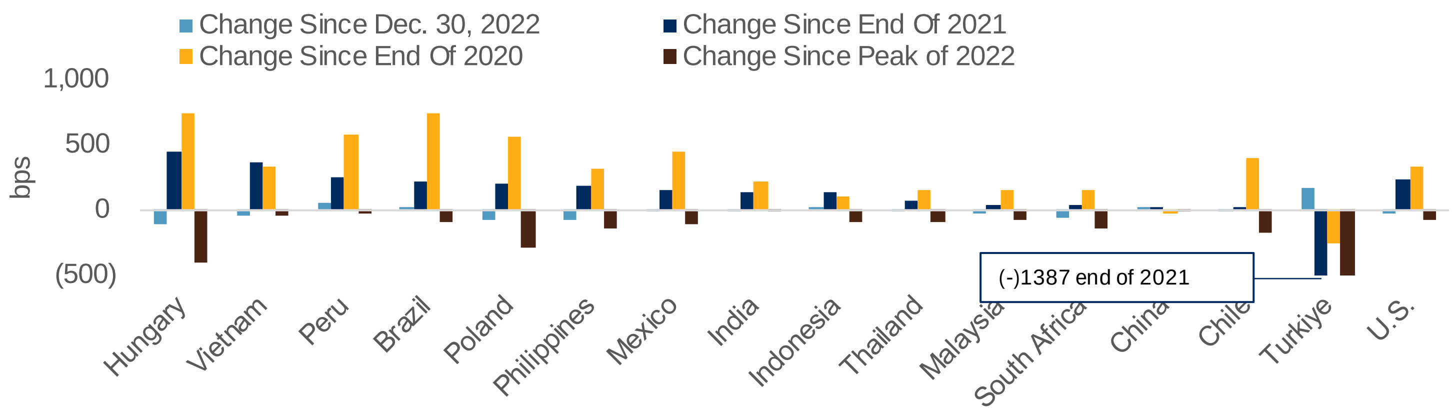
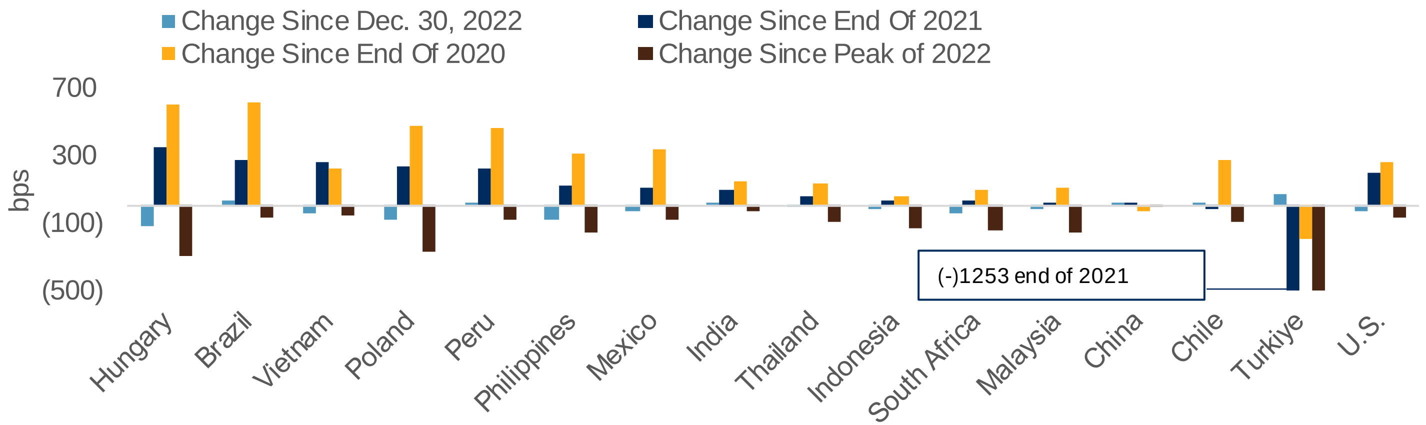
EM Yields | Benchmark Yields Trending Down

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

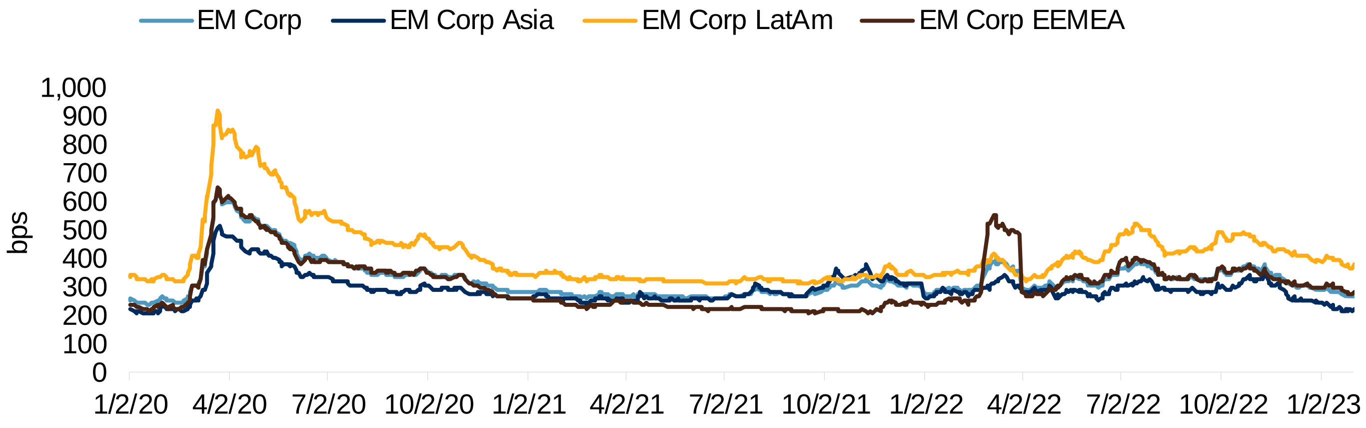


- The disinflation trend continues in EMs. December and January figures show that inflation has peaked in most countries monitored in our report, with the apex occurring five months ago on average. This, combined with a similar trend in the U.S., suggests that many EM countries may be approaching the end of their tightening cycle.
- A flurry of positive developments have sparked significant investment flows. Since the year began, investors have shown increased interest in EMs following a period of caution in 2022. This renewed appetite was fueled by a series of favorable developments, including improving financing conditions, the cresting of the U.S. dollar, less pessimism about U.S. and Europe's growth, and China's reopening.
- Consequently, yields have moderated across most EM countries in January, leading to a compression in the average spread between EM sovereigns and U.S. Treasuries. On average, yields have declined by 20% since they peaked in 2022.

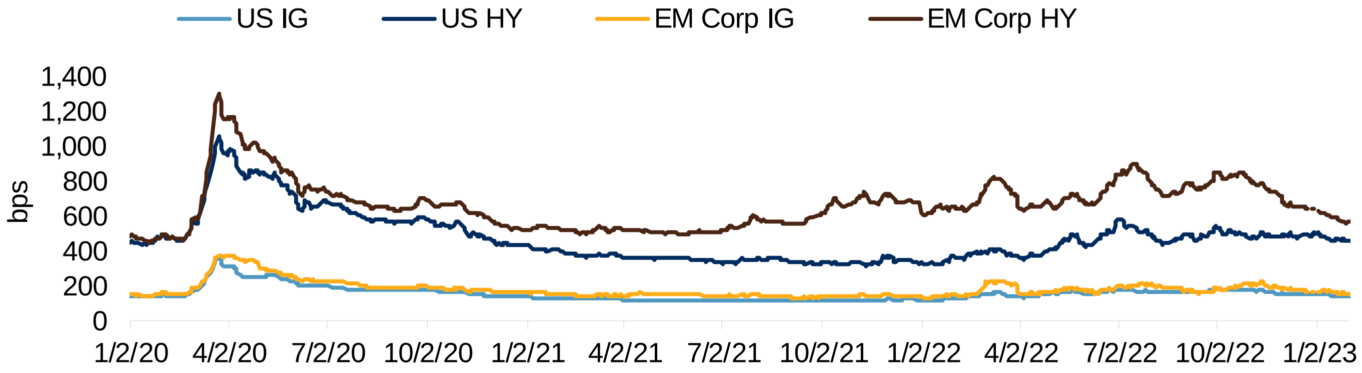
Data as of Jan. 31, 2023. The selection of country is subject to data availability. Source: S&P Global Ratings, S&P Capital IQ Pro, and Datastream.

EM Credit Spreads| Risk Premiums Keep Decreasing

EM Spreads By Region



U.S. And EM Spreads



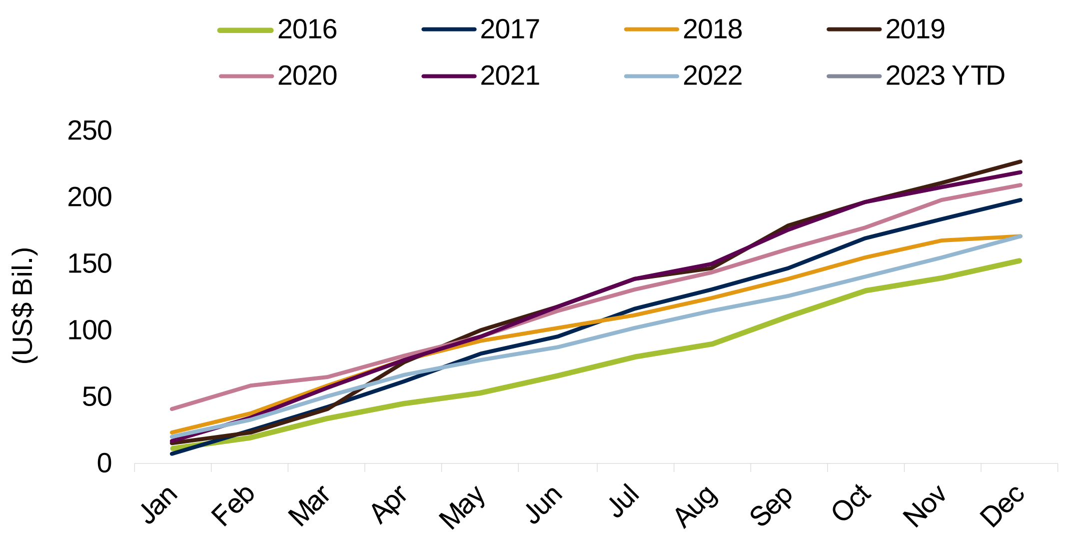
Data as of Jan. 31, 2023. HY – High Yield; IG – Investment Grade. Source: S&P Global Ratings, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- Risk premiums and spreads further decreased in January, with investment-grade spreads declining by seven bps and high-yield spreads dropping by 65 bps. The compression of high-yield EM spreads relative to the U.S. has been particularly noteworthy, with a decrease of 330 bps observed since July 2022.
- Asian corporate spreads have fully recovered to pre-pandemic levels. Corporate spreads in Asia have greatly benefited from the improving outlook of Chinese economic activity. They have seen a substantial decrease since November and are now as tight as they were before the COVID-19 pandemic.
- January had indications of reopening credit markets. EM sovereign issuances have made a remarkably strong start to the year, largely driven by substantial domestic issuance from China.

EM | Financial And Nonfinancial Corporate Issuance

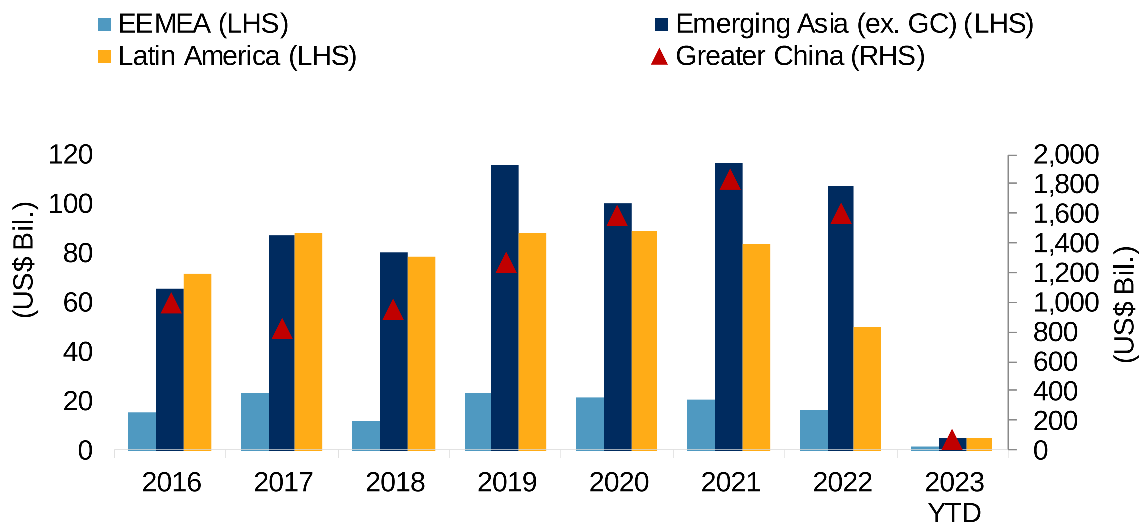
- January saw a moderate start to issuances. The cumulative amount of issuance for corporates in EMs (excluding China) reached $12.3 billion in January, a decrease from recent years but in line with the typical pace of issuance before 2020.
- Partial reopening in the bond market. Although the bond market did reopen for EM entities, it mainly benefited higher-rated issuers, such as sovereigns and government-related entities. We expect speculative-grade issuances may remain limited for some time due to their less opportunistic nature and the limited short-term refinancing needs.
- Financing conditions have continued loosening in recent weeks, driven by the perception of a more accommodative stance by central banks. However, we think two potential risks could threaten this trend: (1) a halt in the current disinflationary trend, leading markets to stop questioning the central banks' ability to continue raising rates, or (2) clear evidence of recession, resulting in an increase in corporate spreads.

EM (Excl. Greater China) Cumulative Corporate Bond Issuance



Data as of Jan. 31, 2023. Data including NR (not rated). Source: S&P Global Ratings and Refinitiv.

EM Regional Bond Issuance



Data as of Jan. 31, 2023. GC--Greater China. Source: S&P Global Ratings and Refinitiv.

Ratings
Summary

S&P Global
Ratings

Ratings Summary | Sovereign Ratings In EM18

- Most sovereign ratings in selected EMs remained unchanged.
- On Jan. 27, 2023, S&P Global Ratings lowered its ratings on Hungary to 'BBB-' **from 'BBB' with a stable outlook because persistent**ly high inflation, exchange rate volatility, and external pressures challenge the government's fiscal consolidation plan amid ongoing disagreements with the delayed EU funds.

Economy	Rating	Outlook	Five-year CDS spread (Jan. 31)	Five-year CDS spread (Dec. 31)
Argentina	CCC+	Negative	3,418	4,115
Brazil	BB-	Stable	229	251
Chile	A	Stable	100	109
China	A+	Stable	54	75
Colombia	BB+	Stable	264	271
Hungary	BBB-	Stable	197	197
India	BBB-	Stable	94	110
Indonesia	BBB	Stable	88	104
Malaysia	A-	Stable	68	82
Mexico	BBB	Stable	119	130
Peru	BBB	Negative	118	120
Philippines	BBB+	Stable	90	101
Poland	A-	Stable	110	115
Saudi Arabia	A-	Positive	63	61
South Africa	BB-	Positive	253	248
Thailand	BBB+	Stable	47	66
Turkiye	B	Stable	546	507
Vietnam	BB+	Stable	120	135

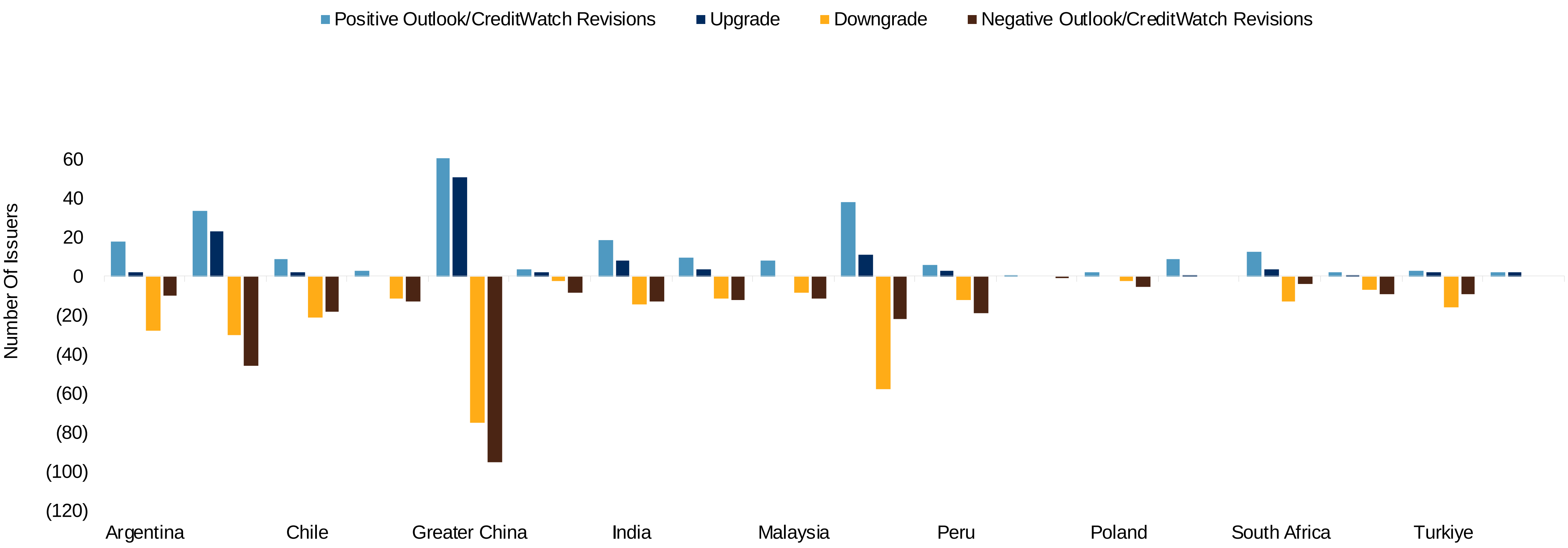
Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, Taiwan. Data as of Jan. 31, 2023. Source: S&P Global Ratings and S&P Capital IQ.

EM Rating Actions | By Debt Amount In The Past 90 Days (As Of Jan.31)

Rating date	Issuer	Economy	Sector	Rating to	Rating from	Action type	Debt amount (US$ Mil.)
8-Dec-22	CEMEX S.A.B. de C.V.	Mexico	Forest products & building materials	BB+	BB	Upgrade	$ 5,170
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
30-Jan-23	OTP Bank PLC	Hungary	Bank	BBB-	BBB	Downgrade	$ 1,199
26-Jan-23	Sappi Ltd.	South Africa	Forest products & building materials	BB	BB-	Upgrade	$ 1,174
19-Dec-22	MTB Magyar Takarekszovetkezeti Bank Zrt. (The Savings Cooperative Group Hungary)	Hungary	Bank	BB+	BB	Upgrade	$ 1,035
19-Dec-22	Ulker Biskuvi Sanayi A.S.	Turkiye	Consumer products	B	B-	Upgrade	$ 650
27-Jan-23	Petro Rio S.A.	Brazil	Oil & gas exploration & production	BB-	B+	Upgrade	$ 600
29-Dec-22	PT Japfa Comfeed Indonesia Tbk. (Japfa Ltd.)	Indonesia	Consumer products	B+	BB-	Downgrade	$ 350
20-Jan-23	Mexarrend S.A.P.I. de C.V.	Mexico	Financial institutions	D	CC	Downgrade	$ 300
8-Dec-22	PT Kawasan Industri Jababeka Tbk.	Indonesia	Homebuilders/Real estate co.	SD	CC	Downgrade	$ 300
21-Nov-22	Axis Bank Ltd.	India	Bank	BBB-	BB+	Upgrade	$ 95

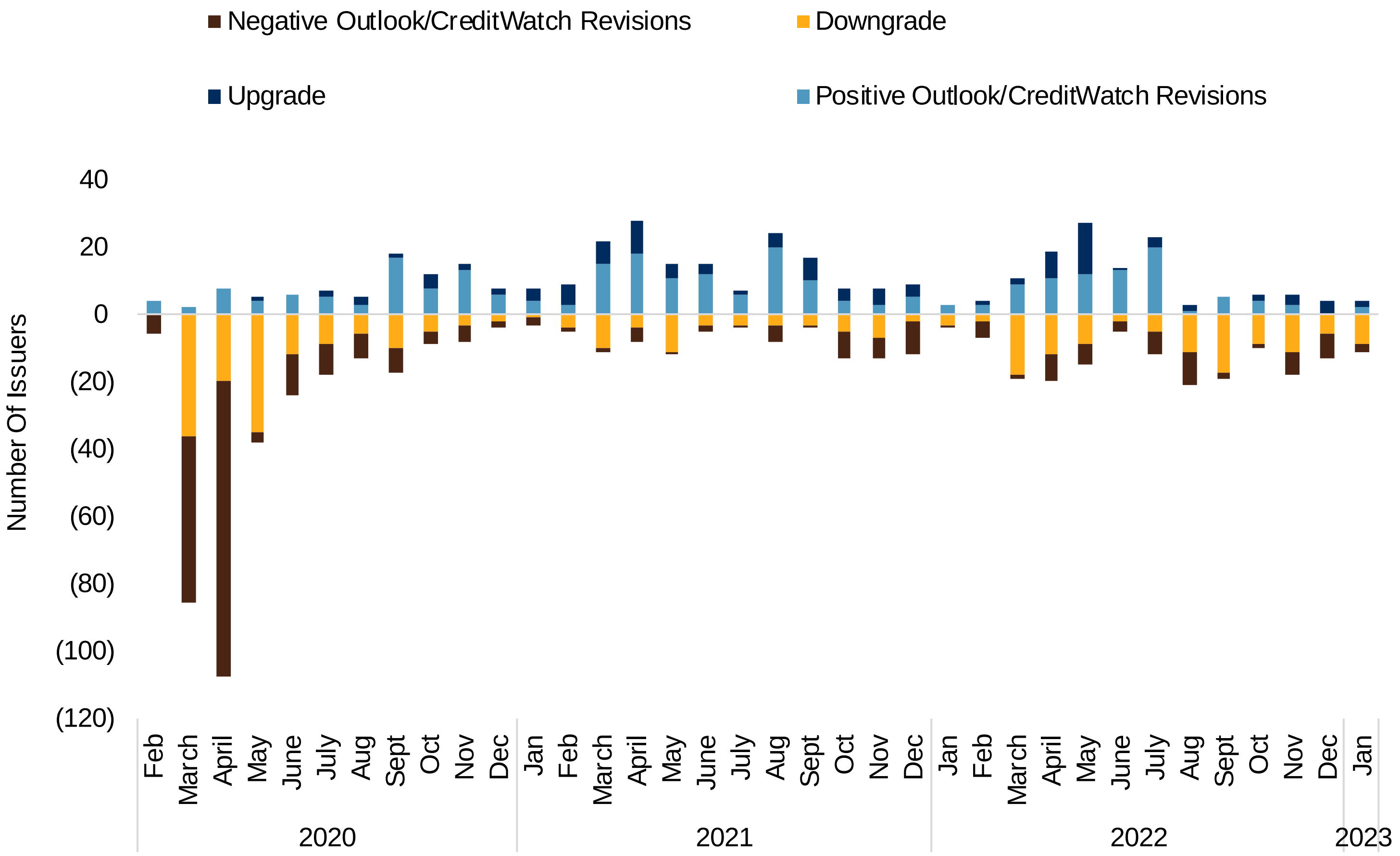
Data as of Jan. 31, 2023 (last 90 days), excludes sovereigns, Greater China, and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and grey - default. Source: S&P Global Ratings.

EM | Total Rating Actions By Economy



Data includes sovereigns. Data from Feb. 3, 2020, to Jan. 31, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, 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

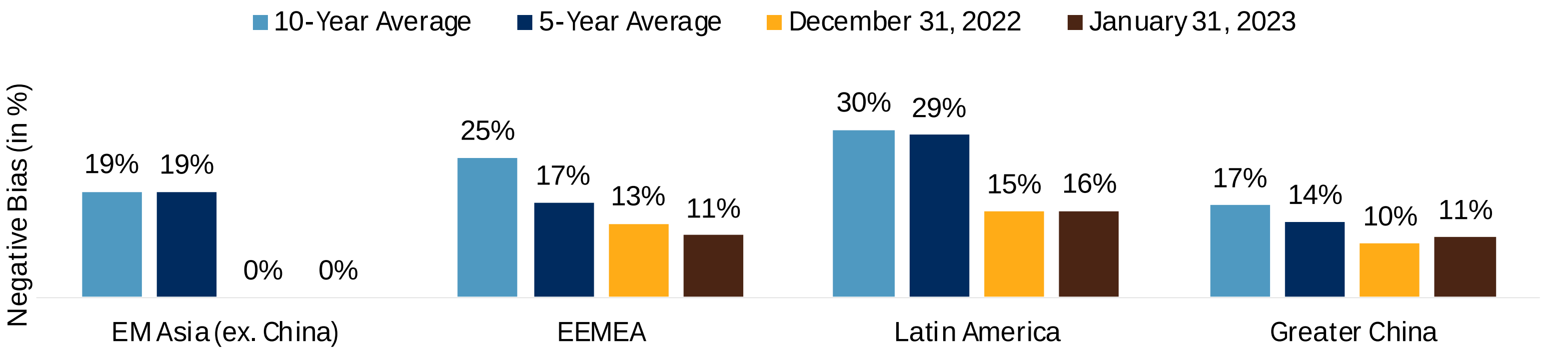


- The number of downgrades rose in January to nine compared to December 2022's six. These downgrades were dispersed in Brazil, Mexico, and Hungary, with no specific sector dominating the mix. On Jan. 27, 2023, S&P Global Ratings lowered its rating on Hungary to 'BBB-' from 'BBB' with a stable outlook.
- There were two upgrades in January, down from four in December 2022. We upgraded Brazilian oil and gas exploration and production company Petro Rio S.A. to 'BB-' from 'B+' following the announcement of the closing of its acquisition of the Albacora Leste. We also upgraded South African wood fiber company Sappi Ltd. to 'BB' from 'BB-' due to reduced debt. The outlook is positive, indicating we think the company will be able to maintain funds from operations to debt above 45% throughout the cycle.

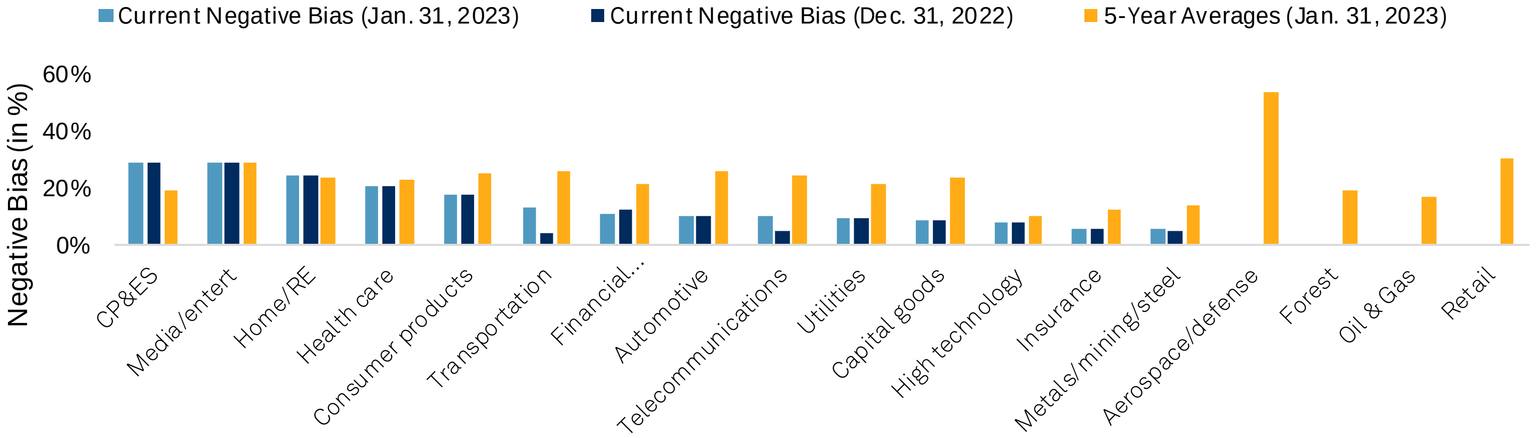
Data includes sovereigns. Data from Feb. 3, 2020, to Jan. 31, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. Greater China --- China, Hong Kong, 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

LatAm Has The Highest Downgrade Potential



Negative Bias By Sector



- LatAm has the highest downgrade potential, with negative bias at 16% in January, slightly up from December (15%) but with no additional issuers in the aggregate count of negative outlooks. Downgrade potential remains well below historical averages.
- EM EMEA. The negative bias fell to 11% in January from 13% in December because we downgraded Hungary–based OTP Bank PLC to 'BBB-' from 'BBB' following the sovereign action.
- EM Asia (excluding China). The downgrade potential remained 0% in January, the same as last month.
- Greater China. December downgrade potential was 11%, almost the same as in December and below historical averages, because we revised the outlooks on transportation company Car Inc. and telecom VNET Group Inc. to negative on liquidity stress.

Data as of Jan. 31, 2023, and include 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: Hungary, Poland, Saudi Arabia, South Africa, Turkiye. 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 | EM Fallen Angels And Rising Stars In 2022, 2023 YTD

Three EM Fallen Angels In 2022; No Fallen Angel In 2023 Year-To-Date

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; No Rising Star In 2023 Year-To-Date

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 Jan. 31, 2023; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

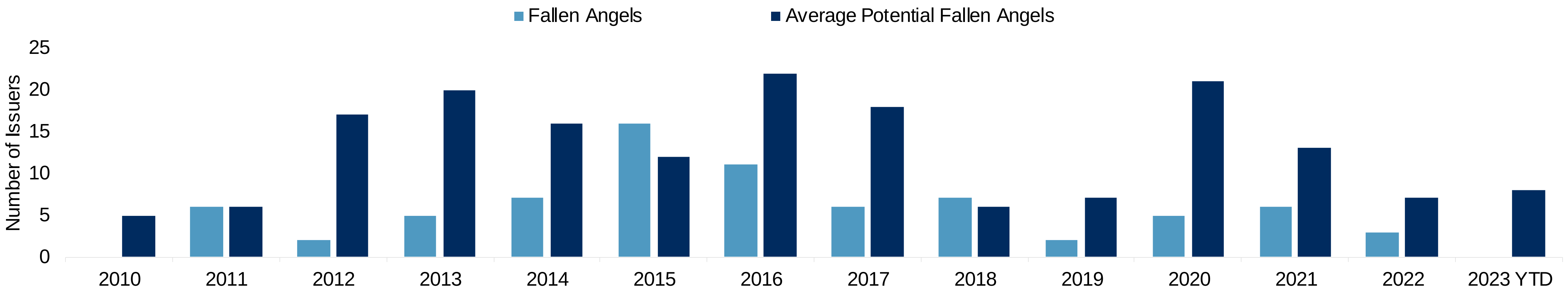
Rating Actions | List Of Defaulters In 2023 (As Of Jan. 31)

Rating date	Issuer	Economy	Sector	Rating to	Rating from	US$ Mil.	
16-Jan-23	Americanas S.A. (Lojas Americanas S.A.)	Brazil	Retail/restaurants	D	B	$	1,000
20-Jan-23	Mexarrend S.A.P.I. de C.V.	Mexico	Financial institutions	D	CC	$	300

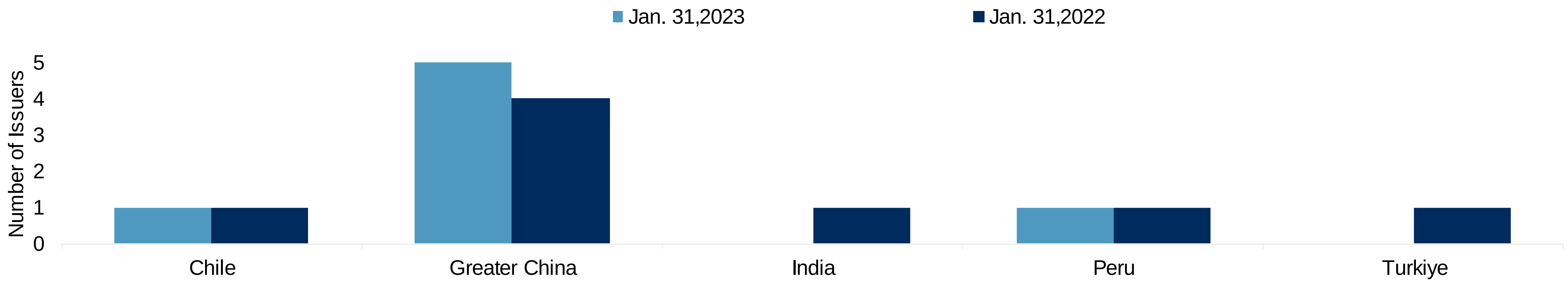
Data as of Jan. 31, 2023. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Red means speculative-grade rating, and grey means default (D) or selective default (SD). Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Fallen Angels And Potential Fallen Angels

No Fallen Angel In 2023 Year-To-Date, While Potential Fallen Angels Are Slightly Trending Up



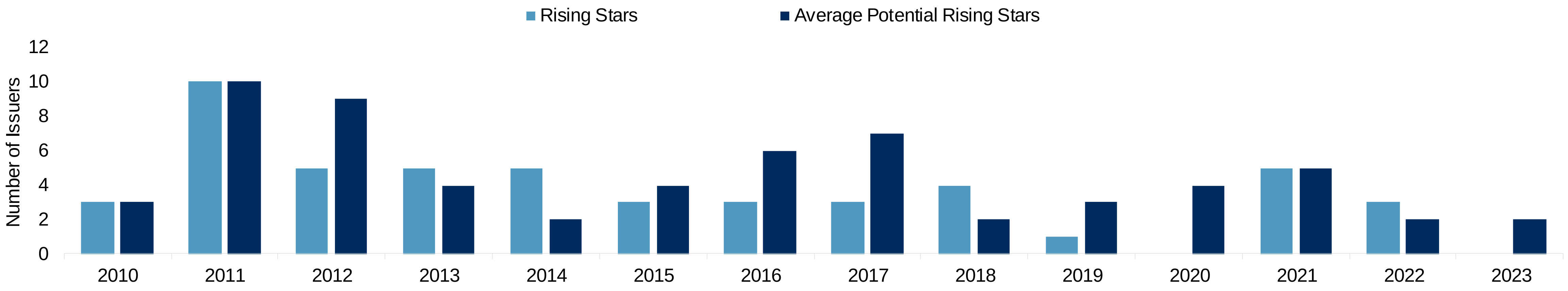
Majority (75%) Issuers Are From Greater China



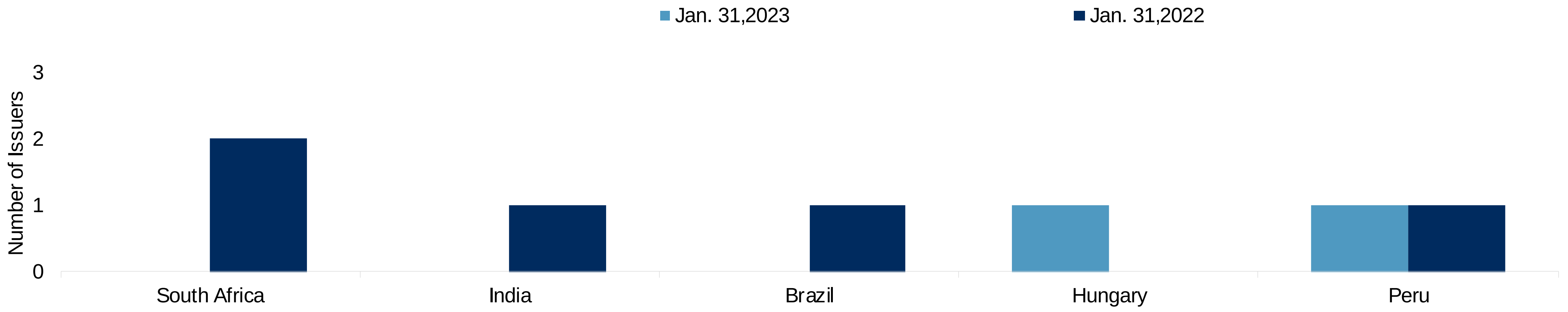
Data as of Jan. 31, 2023. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

Rating Actions | Rising Stars And Potential Rising Stars

No Rising Stars In 2023 Year-To-Date



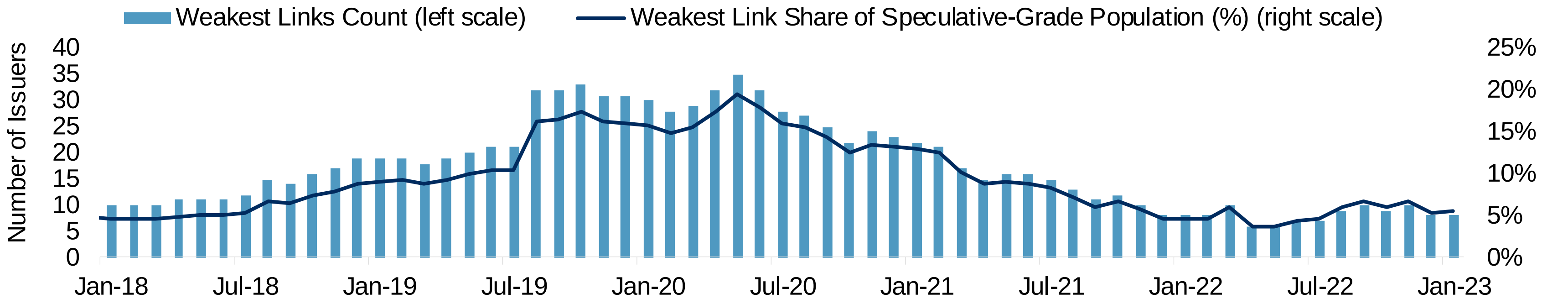
EM Potential Rising Stars Have Declined In 2023



Data as of Jan. 31, 2023. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies.(issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

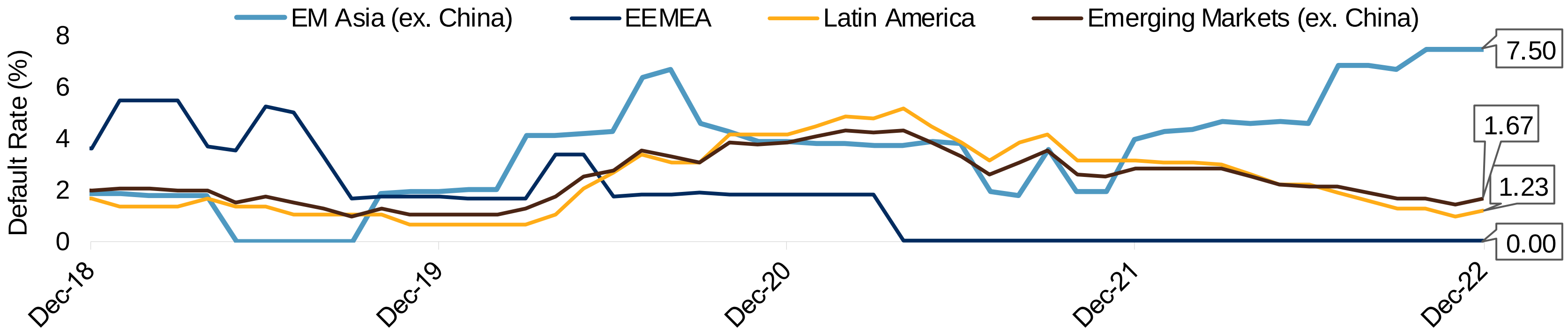
Rating Actions | Weakest Links And Defaults

EM Weakest Links At Eight in January



Data as of Jan. 31, 2023. 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.

Default Rate Rise This Month (As Of December 2022)

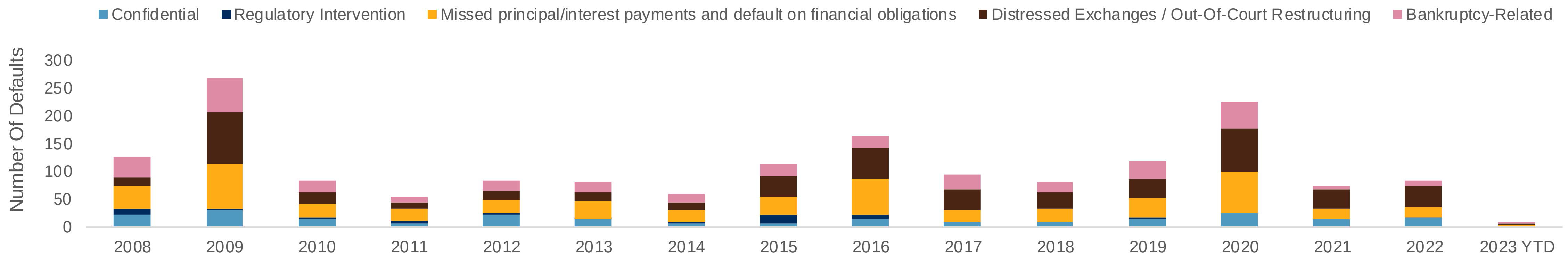


Excluding China. CreditPro data as of Dec. 31, 2022. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.

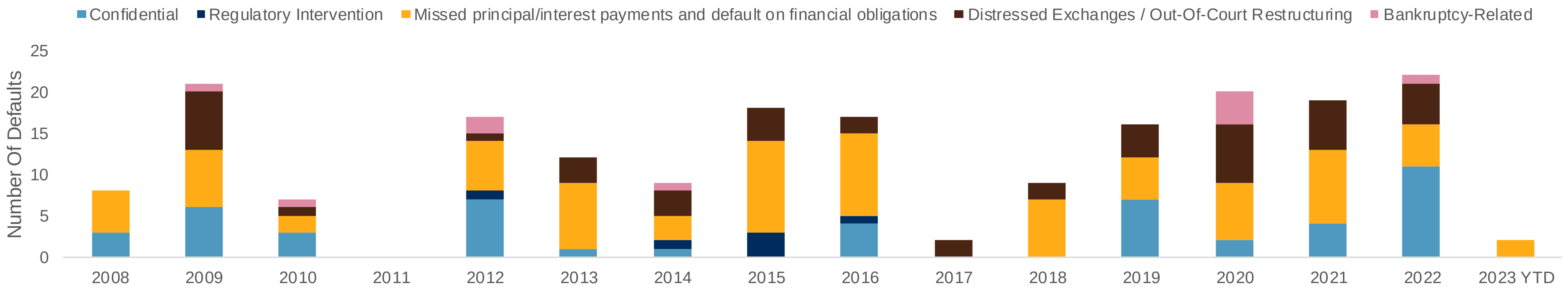
- Weakest links. EMs' weakest links remained at eight issuers in January (6% of total speculative-grade issuers).
- Default rates. December default rate increased in EMs (ex. China) and Latin America as Indonesian real estate company PT Kawasan Industri Jababeka Tbk. defaulted on distressed exchange. The default rate in in EM Asia (ex. China) remained constant at a high 7.5%, mainly driven by the decrease in the related speculative-grade issuer count.

Rating Actions | Defaults

Year-End Global Corporate Defaults By Reason



Year-End EM-18 Corporate Defaults By Reason



**Data as of Jan. 31, 2023. Data has been updated to reflect confidential issuers. Excludes sovereigns, includes Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.*

Related Research

S&P Global Ratings

EMs | Related Research

- Central And Eastern Europe Sovereign Rating Outlook 2023: The Top-Five Risks, Feb. 6, 2023
- Domestic Savings Won't Prop Up Central And Eastern European Economies In 2023, Feb. 2, 2023
- Risky Credits: Credit Risk In Emerging Markets Has Been Reshuffled, Feb. 1, 2023
- Which Emerging Markets Benefit The Most From A Reopening In China?, Feb. 1, 2023
- Hungary Downgraded To 'BBB-/A-3' From 'BBB/A-2' On Inflation And External Pressures; Outlook Stable, Jan. 27, 2023
- APAC Weekly Monitor, Jan. 23, 2023
- Emerging Markets Monthly Highlights: Some Good News, Uncertainty Lingers, Jan.19, 2023
- Default, Transition, and Recovery: Gaps Open As Global Corporate Defaults Increase By 15% In 2022, Jan. 19, 2023
- Economic 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
- Economic Research: Climate Change Will Heighten Output Volatility, Jan. 5, 2023
- China's COVID Wave: Q1 2023 Will Be Critical, Dec. 22, 2022
- Economic Research: China's Policy Emphasis (2022) And Deglobalization (2023), Dec. 15, 2022
- Global Credit Outlook 2023: No Easy Way Out, Dec.1, 2022

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