

# Emerging Markets Monthly Highlights

## Resilience To Diverging External Trends

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June 15, 2023



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**S&P Global**  
Ratings

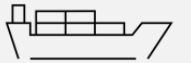
*This report does not constitute a rating action.*

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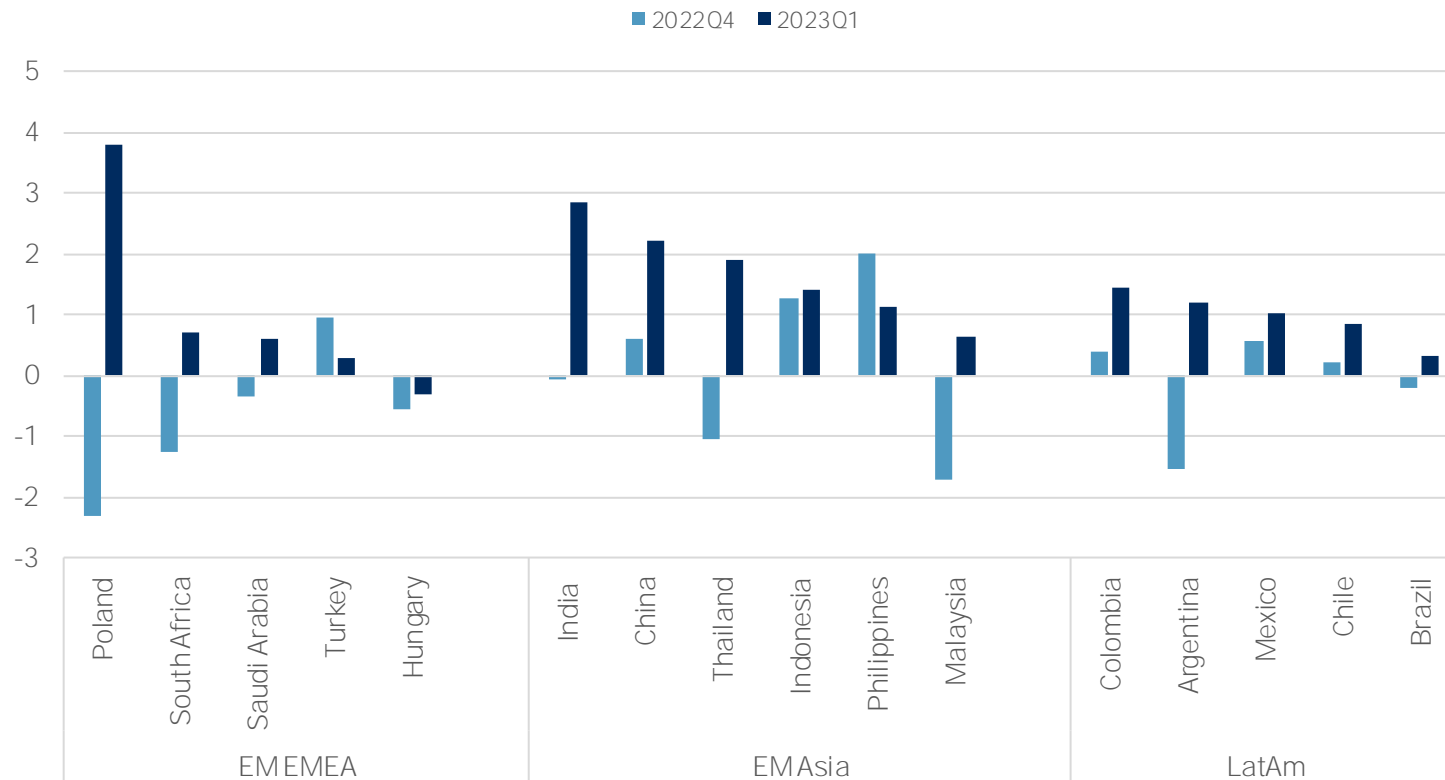
# Key Takeaways

- In most cases, Q1 GDP growth across Emerging Markets (EM) was better than expected. Domestic demand was resilient across most of EM Asia, as seen in the services sectors' strong performance. Demand was less dynamic in EM EMEA and LatAm, as high real interest rates and inflation take a toll on fixed investment and consumption. Soft indicators are pointing to some improvement in external demand, which could support continued resiliency in GDP growth in the coming quarters.
- **Trajectory of external demand will be key for EMs' growth in the coming quarters.** Exports have been mixed across EMs, with some agricultural exports benefitting from strong harvests (in Brazil, for example), but most manufactured goods exports seeing slower growth than in previous quarters. As domestic demand growth is cooling in many EMs, the evolution of external demand will be increasingly more important for the overall GDP growth trajectory for those economies.
- Infrastructure spending in China is becoming more targeted. S&P Global Ratings expects infrastructure investments to ease alongside with the economic performance and focus more on larger key projects that have sustainable payoffs. Weaker-than-previously expected infrastructure investments in China will likely weigh on industrial metal prices, particularly for iron ore and copper, which are important export commodities of LatAm, and to lesser extent, EM EMEA.
- Financing conditions remain tight, with yields and spreads generally muted across regions. An elevated level of yields is hindering access to external markets, especially for speculative-grade issuers, which didn't issue debt in May and will turn to international financing only if forced by stringent refinancing concerns.



# Q1 GDP Growth | Broadly Stronger Than In Q4, But Held Up By Mixed Exports

Q1 GDP growth (%)

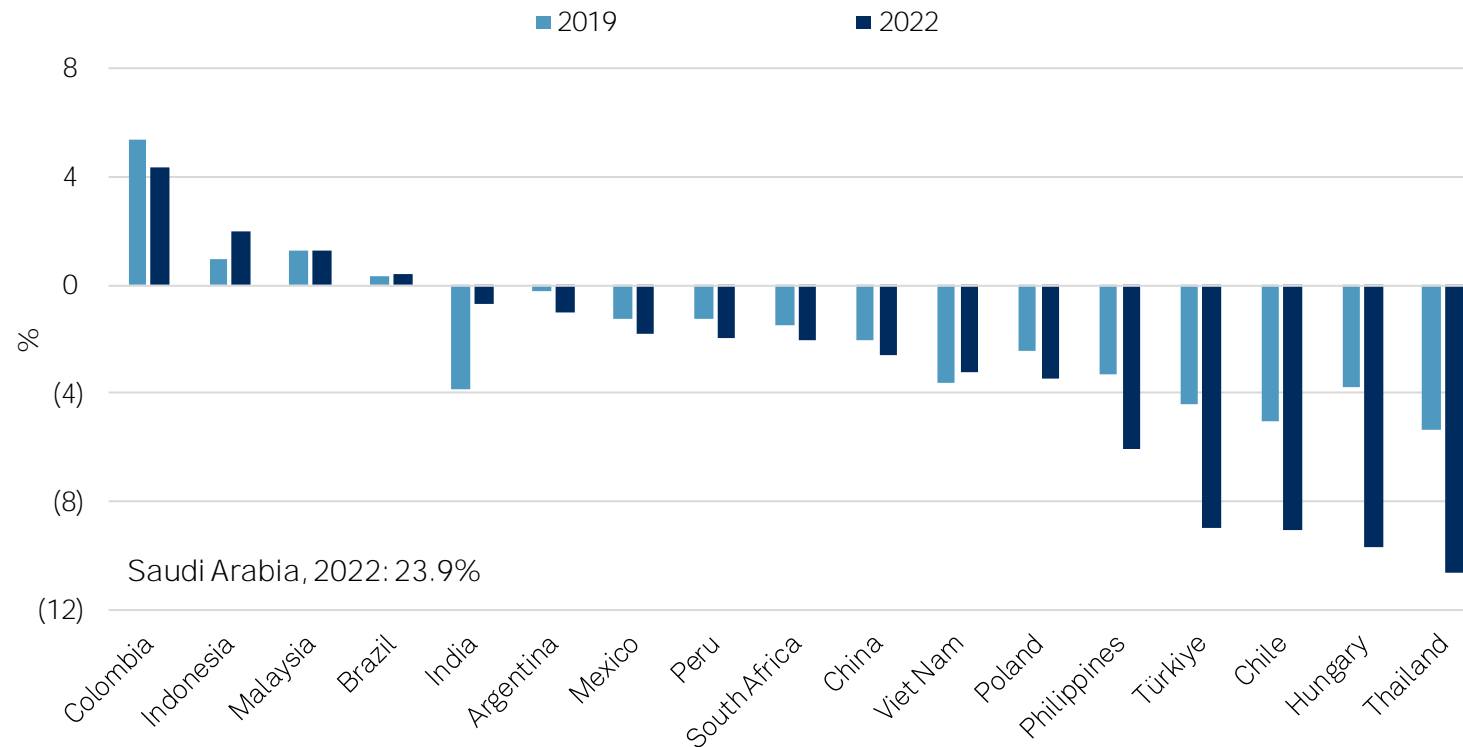


Note: In quarter-on-quarter terms. Sources: Refinitiv and S&P Global Ratings.

- Quarterly GDP prints were in general stronger than expected, particularly in EM Asia, which was mostly thanks to stronger domestic demand. However, the picture is more mixed in LatAm and EM EMEA with the latter particularly lagging behind in terms of growth. Nevertheless, Central and Eastern Europe's (CEE) Q1 numbers appeared to be a slightly better than market expectations, and we expect economic growth in CEE to pick up later 2023 amid resumption in growth of real wages, as well as improving economic demand among main trading partners.
- Sluggish external environment weighs on EM economies. Most key EM economies were affected by weak exports in Q1; however, some exporters in LatAm are currently benefiting from favorable dynamics in the agricultural sector.

# Oil | Weak External Demand Curtails Prices

Net energy exports (% of GDP)

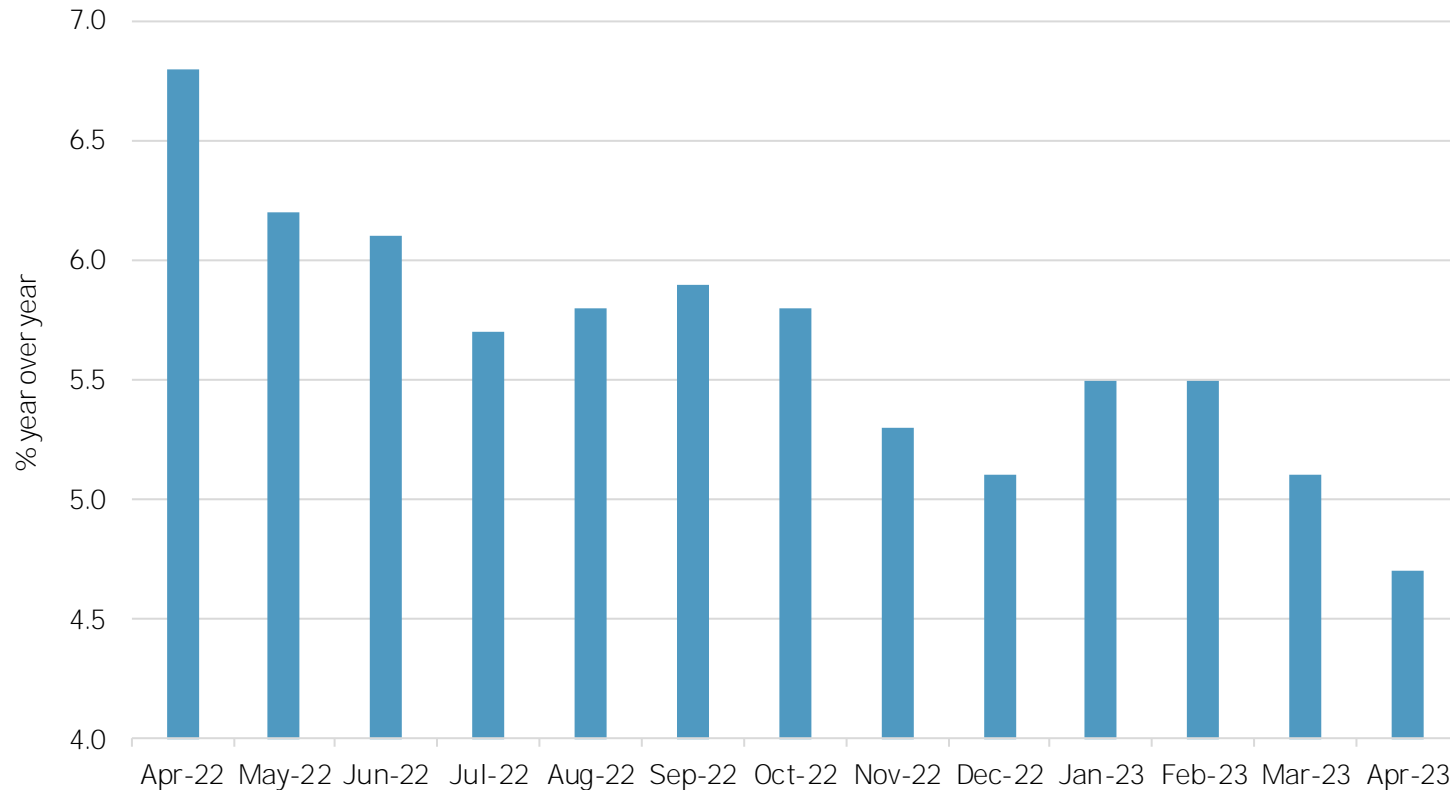


Sources: WTO, ITC Trademap, and S&P Global Ratings.

- Saudi Arabia has recently announced a decision to slash its oil production for around 1 million barrels a day, starting in July, while other OPEC+ members have agreed to extend their previous oil production cuts.
- **Nevertheless, oil prices haven't increased** significantly since the announcement due to weak external environment, particularly due to concerns about demand in China, which is the largest oil importer in the world.
- Most key EMs are net energy importers and remain highly vulnerable to global energy developments. Even though median energy inflation across key EMs has fallen to about 7% from more than 20% in late 2021, the energy inflation outlook remains subject to risks.

# China | Infrastructure Spending Will Be More Selective

China's fixed asset investment has moderated

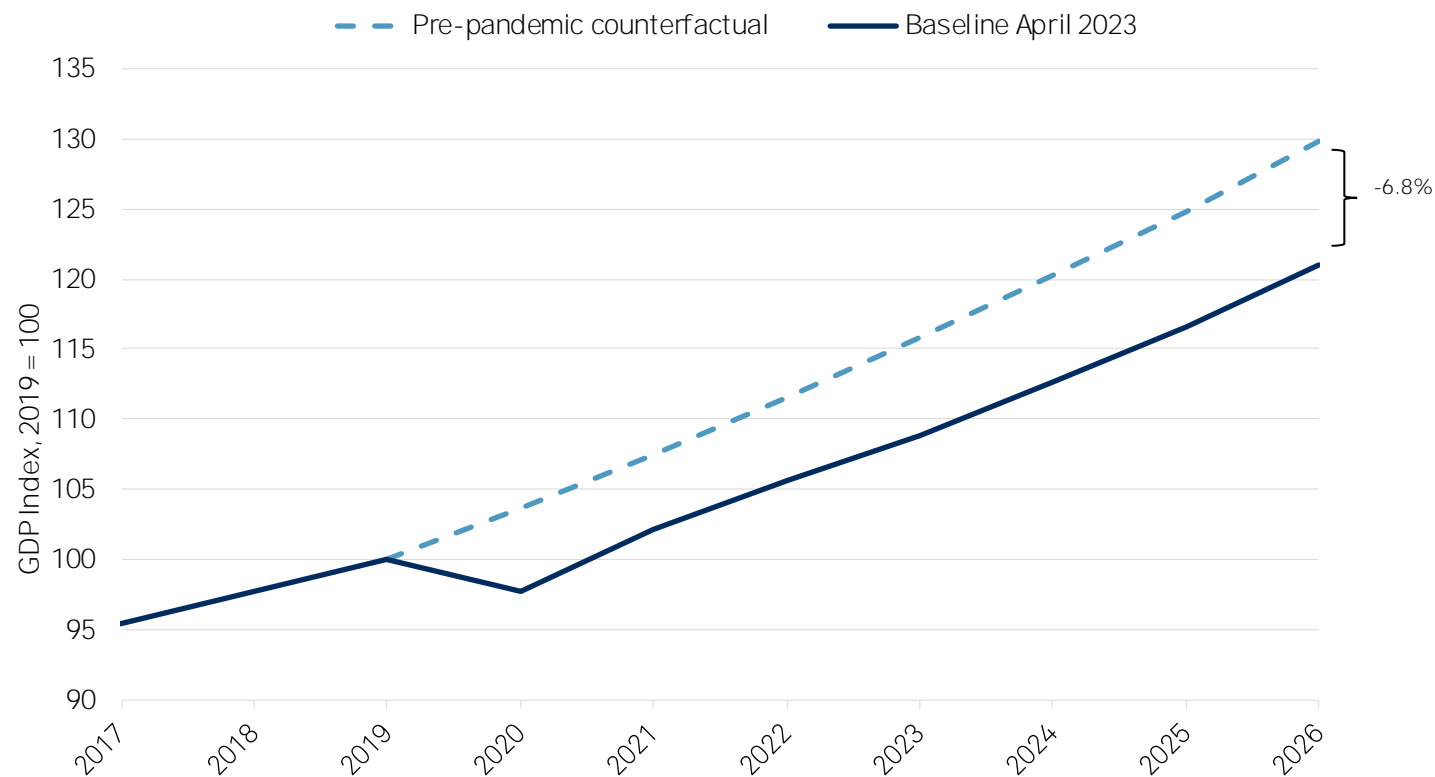


Note: year-to-date numbers shown. Source: National Bureau of Statistics.

- Infrastructure spending in China is gearing more towards projects that are financially viable or of greater strategic value. Authorities are investing more in power and energy projects, and less in some types of transport infrastructure that have lower marginal benefits.
- Overall, the pace of infrastructure investment will moderate as policymakers place greater emphasis on financial sustainability (see “[Spending Sprees Will Subside As China Refines Infrastructure Investment](#)” published May 29).
- Weaker infrastructure investments in China is reflected in lower prices for metal commodities, which affects copper and iron ore exporters in LatAm and EM EMEA (Brazil, Chile, Peru, and South Africa).

# Sub-Saharan Africa | Fading Tailwinds And Missed Opportunities

## Sub-Saharan Africa's pandemic dip is proving lasting

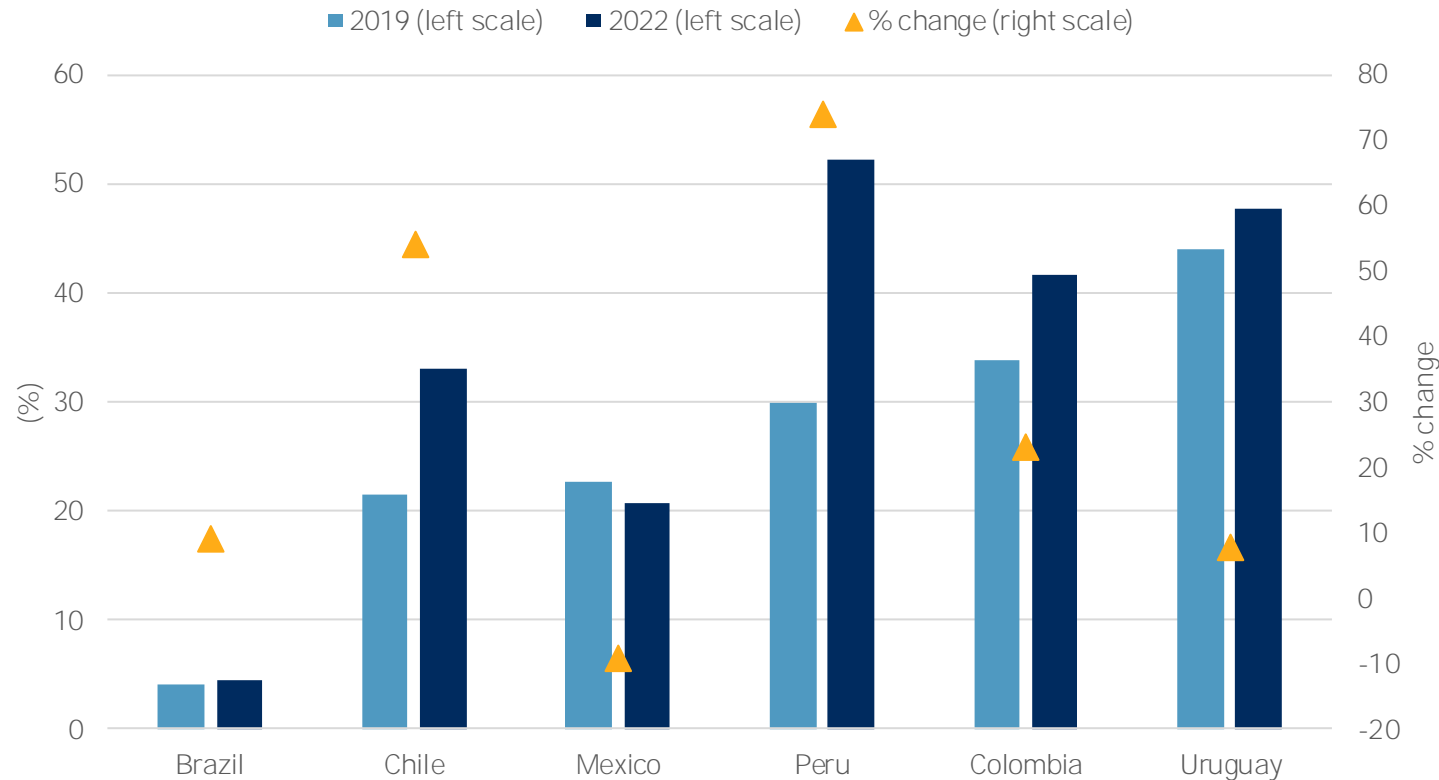


Note: Aggregate GDP is based on GDP purchasing power parity (PPP) weights. Counterfactual GDP is calculated based on average of real and potential GDP growth between 2011-2019. Sources: S&P Global Market Intelligence and S&P Global Ratings.

- Sub-Saharan Africa's (SSA) growth will weaken this year before likely rebounding in 2024, albeit with large variations. Sustaining rapid growth will be challenging due to weaker global expansion and a reluctance to invest due to high interest rates. Next year's mild rebound will likely be driven by non-oil economies. An agricultural sector rebound and continued growth in the service sector, including tourism, will support growth in non-resource led economies.
- SSA's financial conditions have tightened significantly, and proportionately more than other EMs. High global interest rates and the risk averse environment mean the region's frontier economies--which already had lower credit ratings--have faced markedly high borrowing costs in domestic and international markets. (see "[Sub-Saharan Africa's Fading Tailwinds And Missed Opportunities](#)" published May 30).

# LatAm | Despite Setbacks, Some Improvements For Sovereign Debt Profiles

## Sovereigns' foreign currency debt/general government debt



Source: S&P Global Ratings.

- LatAm has made significant progress in improving the composition of sovereign debt, but the COVID-19 pandemic contributed to setbacks in some countries. Many LatAm sovereigns over the last few decades have enhanced their ability to support their government debt burdens by strengthening domestic financial markets and improving their sovereign debt profiles (see “[Despite Setbacks, Latin American Sovereigns Are Moving Past 'Original Sin'](#)” published May 11).
- Risks are still present however. Elevated interest rates, weakened private-sector pension funds, and low domestic savings could pose risks to sovereign ratings in the region.

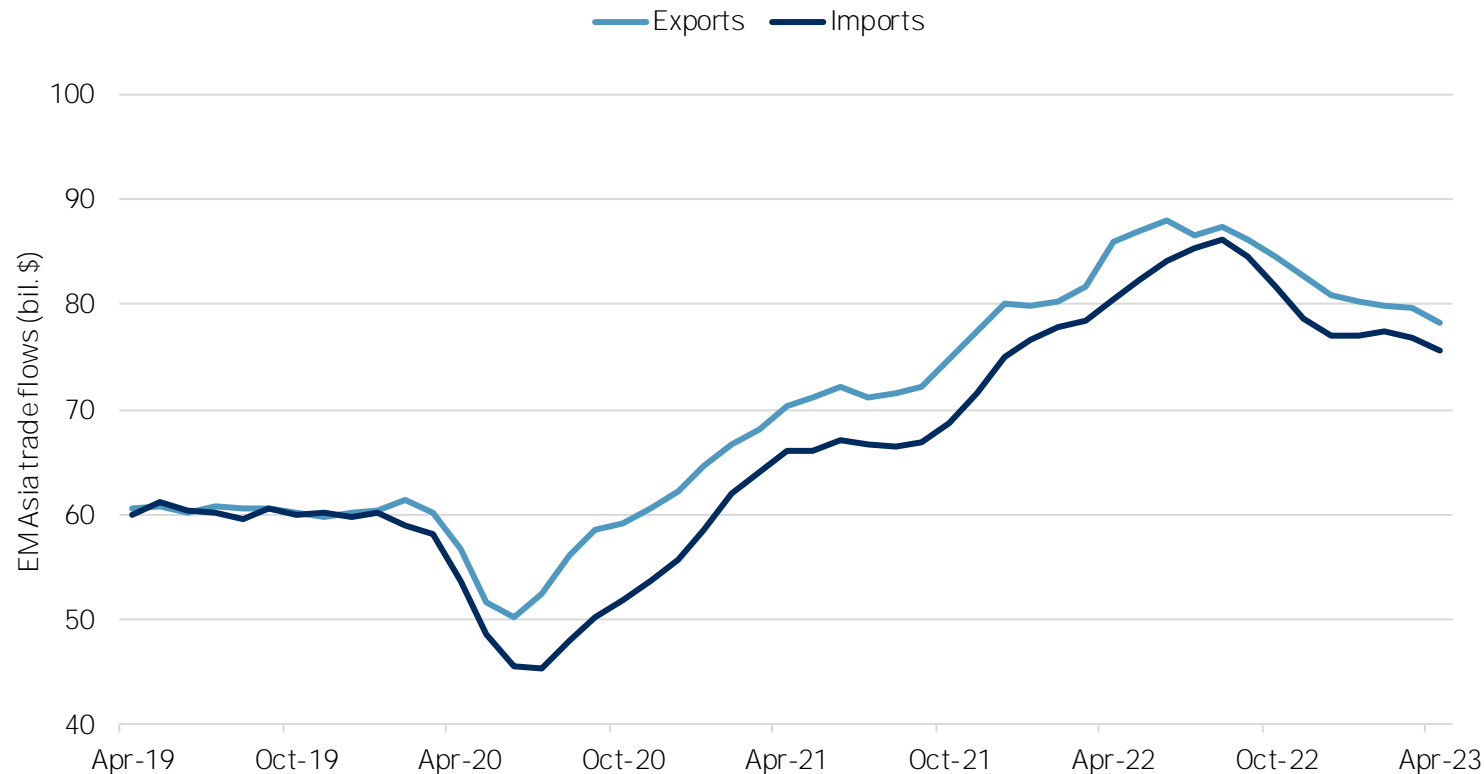


# Regional Economic Highlights

# EM Asia Economics| Still Soft Trade Flows

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EM Asia trade volumes have been moderating



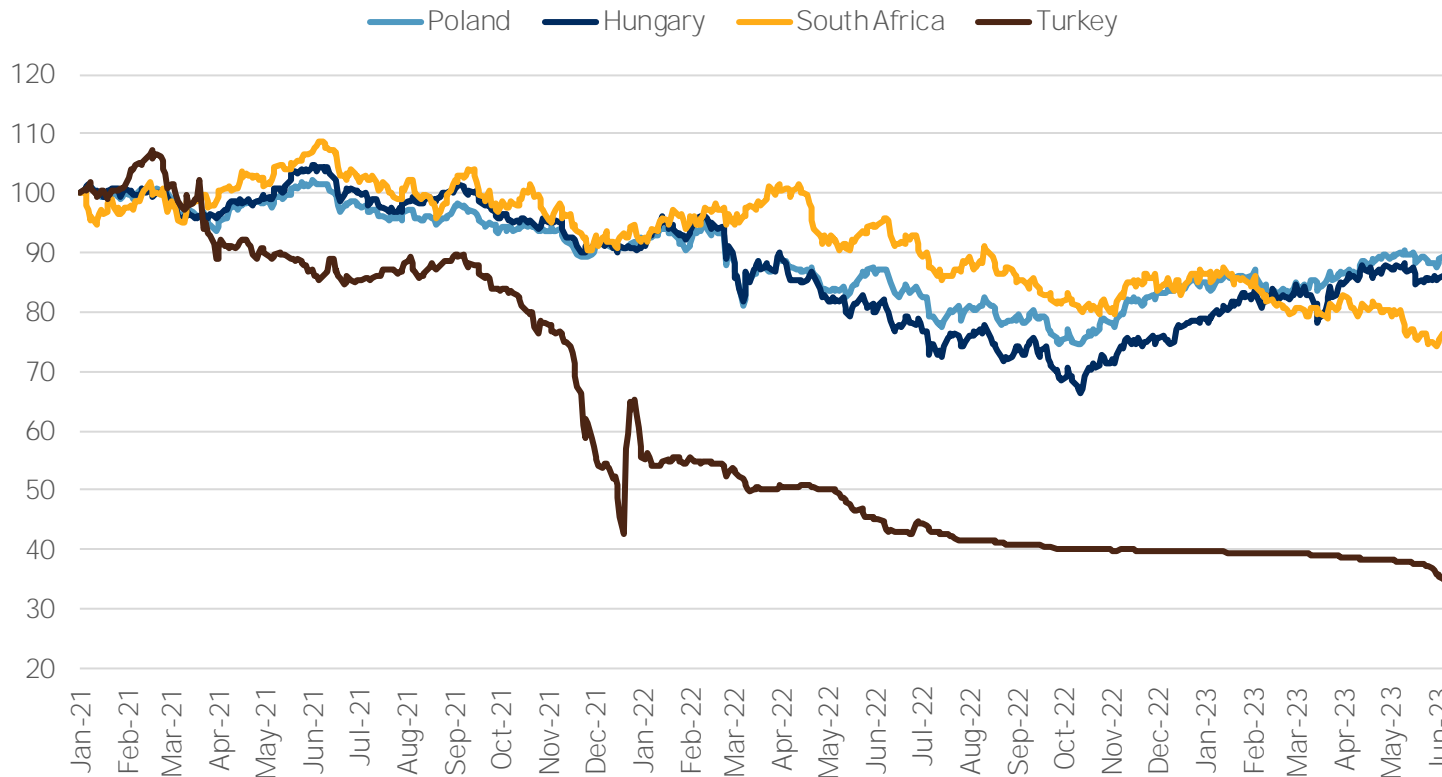
Note: Data is seasonally adjusted. Three-month moving average. Sources: CEIC and S&P Global Ratings.

- In EM Asia, weak external demand continues to weigh on goods trade.
- **The region's high exposure to the electronics** cycle is also contributing to the slowdown. Global electronics demand is still soft, and EM Asia economies, particularly Malaysia, Thailand, and the Philippines, are part of the electronics supply chain.
- **China's economic recovery has been strongly** oriented towards domestic services. As a result, China hasn't registered strong demand for EM Asia's goods.

# EM EMEA Economics | All Eyes On Exchange Rates

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## Exchange Rate Indices, LCY/USD



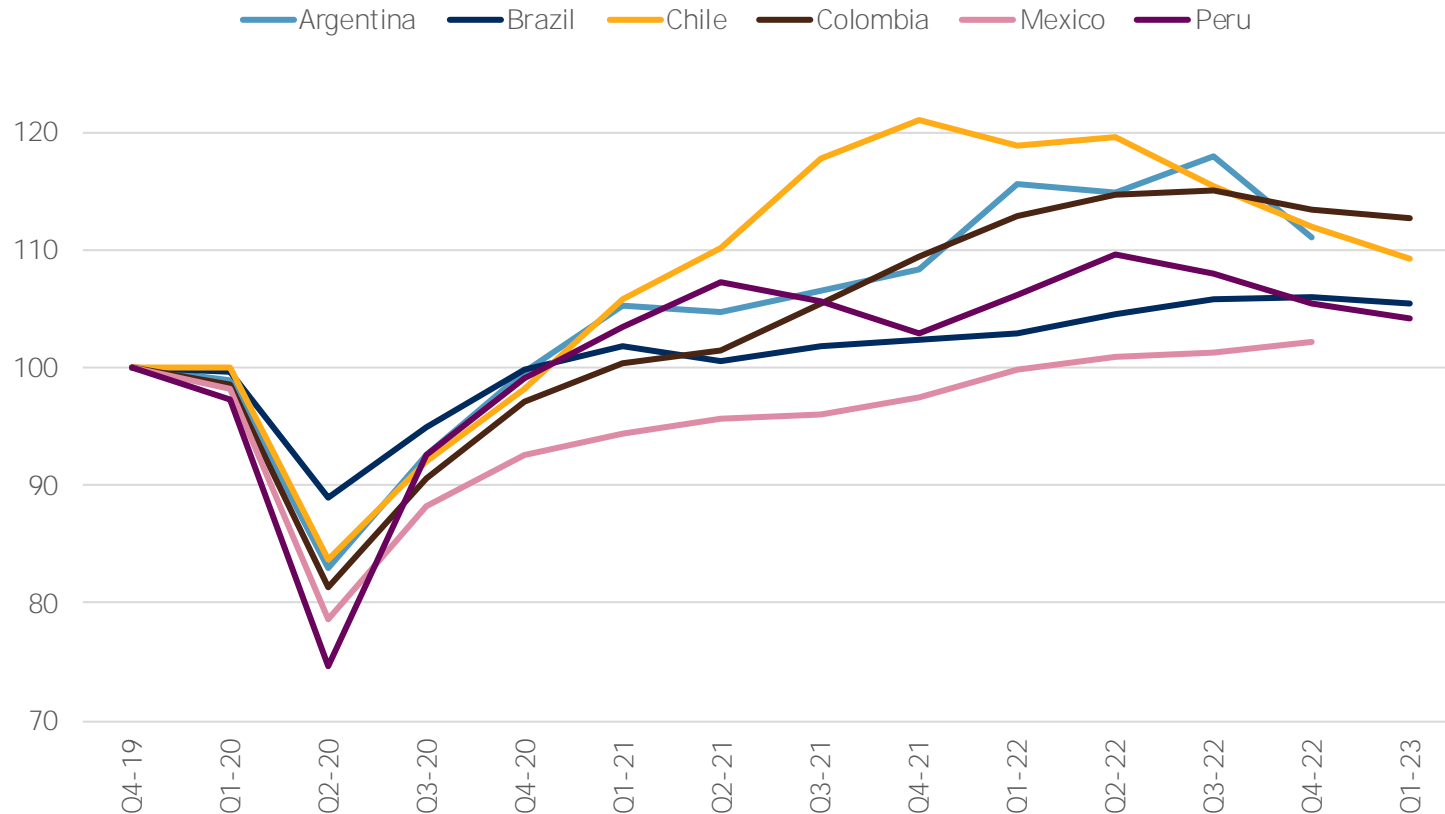
Sources: Refinitiv and S&P Global Ratings.

- After scaling down FX interventions, Turkish lira has plummeted by around 20% (as of June 15th) against the U.S. dollar since beginning of May. Taking into consideration current account pressures and high negative real rates, we expect downward pressure on lira to continue, although tourism revenues and the decreasing energy import bill should provide some support in the nearest term.
- In contrast, exchange rates in CEE economies have been appreciating since the beginning of the year. Decreasing energy import bills, improved market sentiment, and a fall in domestic consumption in Q1 (and henceforth in imports) have supported current accounts and exchange rates in CEE economies. In early 2022, both Poland and Hungary have achieved current account surplus for the first time since 2021.

# LatAm Economics | Cyclical Slowdown In Domestic Demand Underway

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Real domestic demand (Q4-2019 = 100)



Note: Q1 2023 data is not available yet for Argentina and Mexico. Sources: Haver Analytics and S&P Global Ratings.

- Domestic demand in nearly every major LatAm economy contracted in the first quarter of 2023 compared with the previous quarter. High real interest rates and the receding effect of stimulus measures implemented during the pandemic-induced downturn explain the ongoing weakness in domestic demand in the region, in our view.
- Mexico is the outperformer in the region. While GDP by expenditure data for Q1 has not been published for Mexico yet, other high frequency data (such as retail sales and fixed investment) point to continued growth in domestic demand this year. Ongoing strength in remittances, in our view, have supported resilience in consumption.

# Macro-Credit Dashboards

# GDP Summary | We Expect Below-Average Growth For Most Of EM In 2023

Country	Latest reading (y/y)	Period	Five-year avg	2020	2021	2022	2023f	2024f	2025f	2026f
Argentina	1.9	Q4	-0.2	-9.9	10.4	5.2	0.0	1.7	1.8	2.1
Brazil	4.0	Q1	-0.5	-3.6	5.3	3.0	0.8	1.7	2.0	2.0
Chile	-0.6	Q1	2.0	-6.2	11.9	2.5	-0.4	2.6	2.8	2.8
Colombia	3.0	Q1	2.4	-7.3	11.0	7.5	1.1	2.6	3.0	3.0
Mexico	3.7	Q1	2.0	-8.2	4.9	3.1	1.3	1.7	2.1	2.1
Peru	-0.4	Q1	3.2	-11.1	13.8	2.7	2.0	2.8	2.9	3.0
China	4.5	Q1	6.7	2.2	8.5	3.0	5.5	5.0	4.7	4.5
India	6.1	Q1	6.9	-5.8	9.1	7.0	6.0	6.9	6.9	7.1
Indonesia	5.0	Q1	5.0	-2.1	3.7	5.3	4.9	5.0	5.1	5.1
Malaysia	5.6	Q1	4.9	-5.5	3.1	8.7	3.2	4.7	4.5	4.3
Philippines	6.4	Q1	6.6	-9.5	5.7	7.6	5.8	5.8	6.5	6.4
Thailand	2.7	Q1	3.4	-6.1	1.5	2.6	3.2	3.5	3.3	3.2
Vietnam	3.3	Q1	7.1	2.9	2.6	8.0	6.0	6.9	6.7	6.6
Hungary	-0.9	Q1	4.1	-4.8	7.1	4.9	0.3	3.2	2.9	2.9
Poland	-0.1	Q1	4.4	-2.0	6.7	4.9	0.9	3.4	2.8	2.8
Saudi Arabia	3.8	Q1	2.1	-4.3	3.9	8.7	3.2	2.6	2.5	2.0
South Africa	0.2	Q1	1.0	-6.3	4.9	2.0	0.8	2.1	1.7	2.2

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

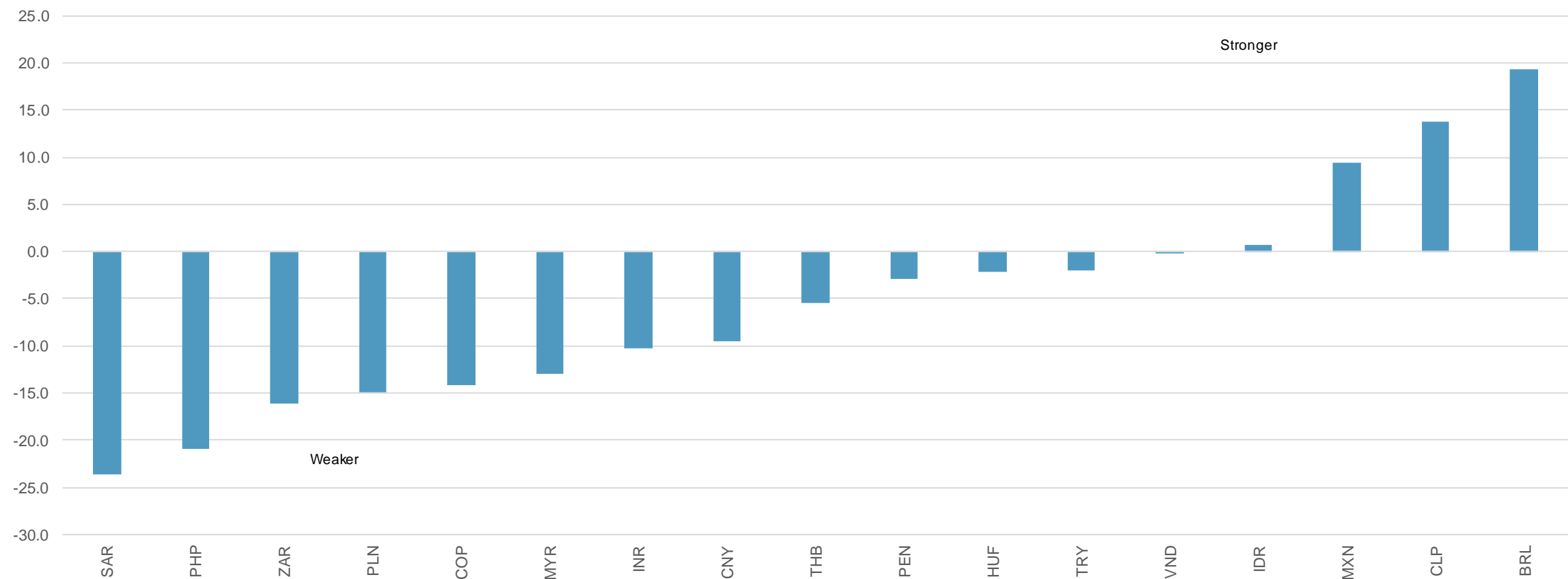
# Monetary Policy/FX | Most EM Currencies Strengthened Last Month

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	May exchange-rate chg.	YTD exchange-rate chg.
Argentina	97.00%	No target	114.2%	60 bps hike	N/A	-6.8%	-25.9%
Brazil	13.75%	3.25% +/- 1.5%	3.9%	Hold	June 21	-1.9%	2.4%
Chile	11.25%	3% +/- 1%	8.7%	Hold	June 19	-0.3%	6.5%
Colombia	13.25%	3% +/- 1%	12.4%	25 bps hike	June 30	5.6%	9.1%
Mexico	11.25%	3% +/- 1%	5.8%	Hold	June 22	1.6%	9.7%
Peru	7.75%	2% +/- 1%	7.9%	Hold	July 13	0.7%	3.6%
China	2.00%	3%	0.2%	N/A	N/A	-2.2%	-1.7%
India	6.50%	4% +/- 2%	4.7%	Hold	Aug. 10	-1.1%	0.0%
Indonesia	5.75%	3.5% +/- 1%	4.0%	Hold	June 22	-2.1%	3.9%
Malaysia	3.00%	No target	3.3%	25 bps hike	July 6	-3.4%	-4.6%
Philippines	6.25%	3% +/- 1%	6.1%	25 bps hike	Jun. 22	-1.4%	-0.8%
Thailand	2.00%	2.5% +/- 1.5%	0.5%	25 bps hike	Aug. 2	-1.9%	-0.5%
Vietnam	5.00%	4%	2.4%	50 bps cut	N/A	-0.1%	0.4%
Hungary	13.00%	4%	21.5%	Hold	June 20	-2.8%	7.9%
Poland	6.75%	2.5% +/- 1%	15.1%	Hold	June 6	-2.4%	3.1%
Saudi Arabia	5.75%	3% +/- 1%	2.7%	25 bps hike	June 14	0.0%	0.2%
South Africa	8.25%	3%-6%	6.8%	50 bps hike	July 20	-7.7%	-14.1%
Turkiye	8.50%	5% +/- 2%	39.6%	Hold	June 22	-6.0%	-22.7%

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. Sources: Haver Analytics and S&P Global Ratings.

# Real Effective Exchange Rates | LatAm Currencies Outperforming This Year

Broad real effective exchange rates

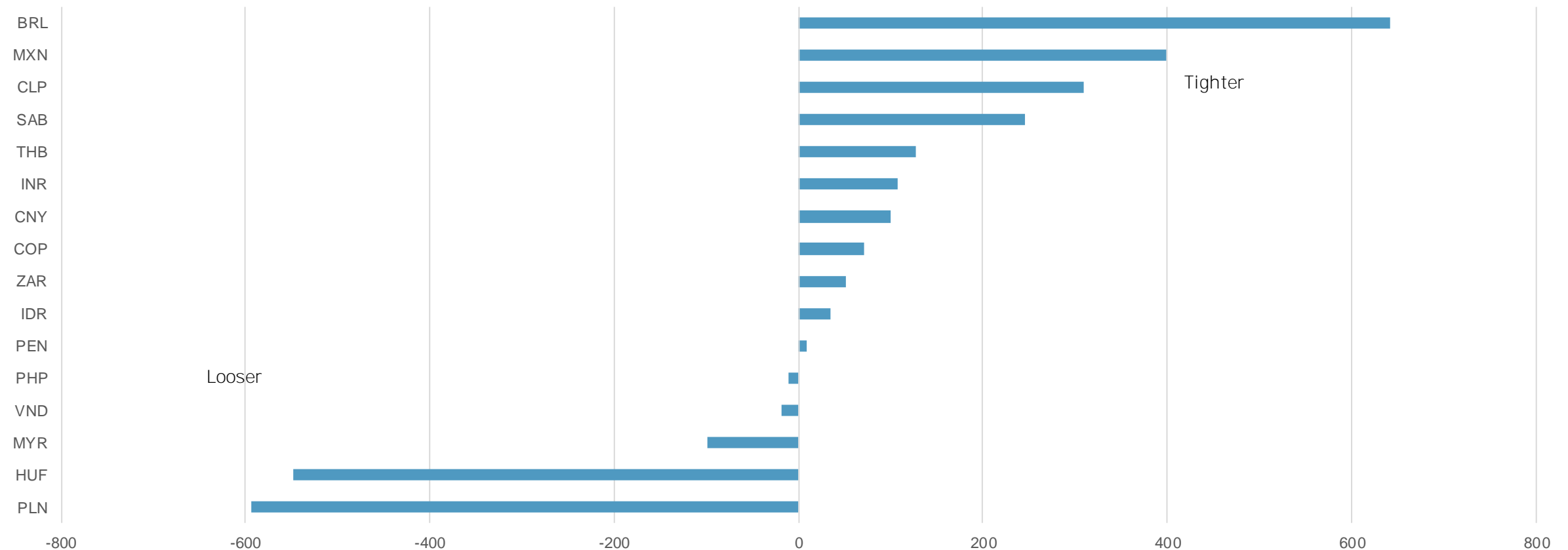


Percent change from 10-year average. Note: Data is computed on 10 years of the monthly average data of the J.P. Morgan Real Broad Effective Exchange Rate Index (PPI-deflated). Data as of May 31, 2023. Sources: S&P Global Ratings, Haver Analytics, and J.P. Morgan.



# Real Interest Rates | Real Rates The Most Restrictive In Brazil And Mexico

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 May 31, 2023. Sources: 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
Sovereigns	FC Sovereign Rating	A	A	A-	BBB	A-	BBB	A+	BBB+	BBB	BBB+	BBB-	BB+	BB-	BB-	BB+	CCC-
	Sovereign Outlook	Stable	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Stable	Stable	Negative	Negative
	Institutional	2	4	4	4	3	3	4	3	4	3	3	4	4	4	5	6
	Economic	4	3	3	4	3	5	3	4	4	4	4	5	5	4	4	5
	External	4	1	2	3	2	2	1	1	3	1	5	2	2	3	6	6
	Fiscal (BDGT)	3	1	4	2	4	3	4	3	3	6	4	6	6	4	5	6
	Fiscal (DBT)	2	1	2	3	5	4	2	4	4	6	4	6	6	4	5	5
	Monetary	2	4	2	3	2	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	9	9	10
	Industry Risk	3	3	5	3	4	3	5	5	6	6	5	5	5	8	9	7
	Institutional Framework	I	I	I	L	I	I	H	H	H	VH	H	I	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	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
	Credit Risk	I	I	I	VH	H	I	VH	H	VH	VH	H	H	H	EH	VH	EH
	Competitive Dynamics	L	I	VH	I	H	I	H	I	H	H	I	H	I	VH	VH	H
	Funding	L	L	L	I	L	L	VL	I	I	L	L	H	I	H	I	VH
Nonfinancial corporates	Median Rating (May.31, 2023)	BBB	A-	BB	BB	BBB+	BBB-	BBB+	BBB	BB-	BBB	BBB-	BB+	BB-	BB-	B	CCC-
	Net Debt / EBITDA	3.35	3.07	1.46	2.08	2.22	2.90	3.00	3.30	2.50	2.56	2.34	2.12	1.96	2.02	2.71	1.36
	ROC Adj.\$	-5.8	0.3	-10.0	-1.8	-1.0	-1.1	1.6	-4.2	-1.4	0.4	-1.1	-4.6	0.1	-1.0	0.2	-47.6
	EBITDA INT. COV.	7.40	9.02	11.39	7.84	11.54	4.85	6.67	7.28	5.75	11.59	6.06	5.76	3.40	6.42	5.72	3.79
	FFO / Debt	30.05	28.20	49.51	42.78	27.55	37.90	17.26	25.91	35.03	29.17	35.30	41.58	53.21	43.28	30.87	56.65
	NFC FC Debt % GDP*	34.8	9.8	13.7	9.7	13.4	15.1	4.8	10.8t	8.5	13.0	7.3	12.8	14.1	14.3	30.3	5.0
	NFC Debt % of GDP*	101.9	56.6	39.6	27.3	61.4	23.2	159.2	47.8t	25.5	54.9	54.5	32.0	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 February 2023.

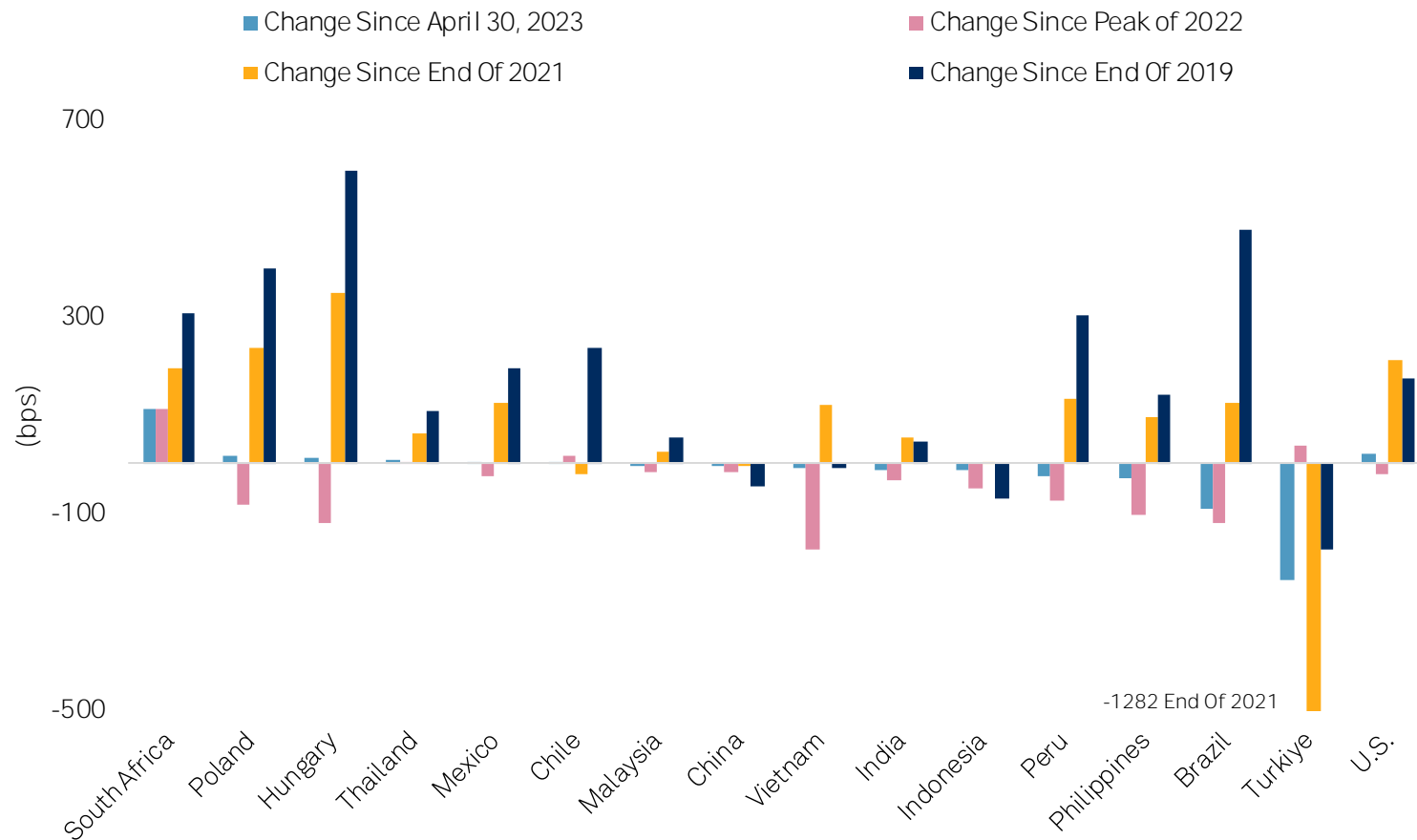
\*IIF 4Q 2022. Sources: t-Bango Sentral NGPillipinas, Banco Central de Reserva del Peru, Superintendencia de Banca y Seguros y AFP (Peru); Corporate Variables Capital IQ 4Q 2022. S&P Global Ratings. Data for sovereigns and financial institutions as of June 13, 2023.

# Financing Conditions

## Highlights

# EM Yields | Benchmark Yields Moving Sideways

Change in local currency 10-year government bond yield versus U.S. 10-year T-note yield

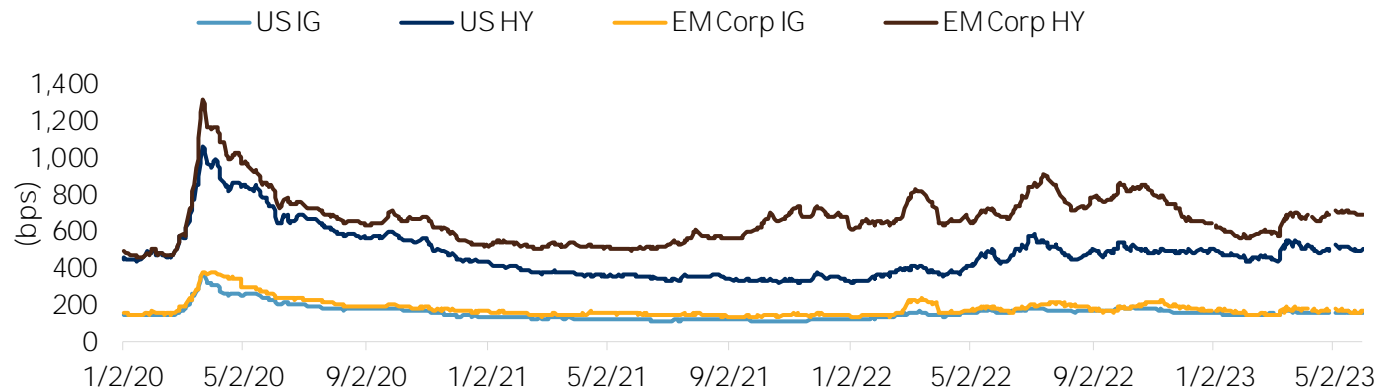
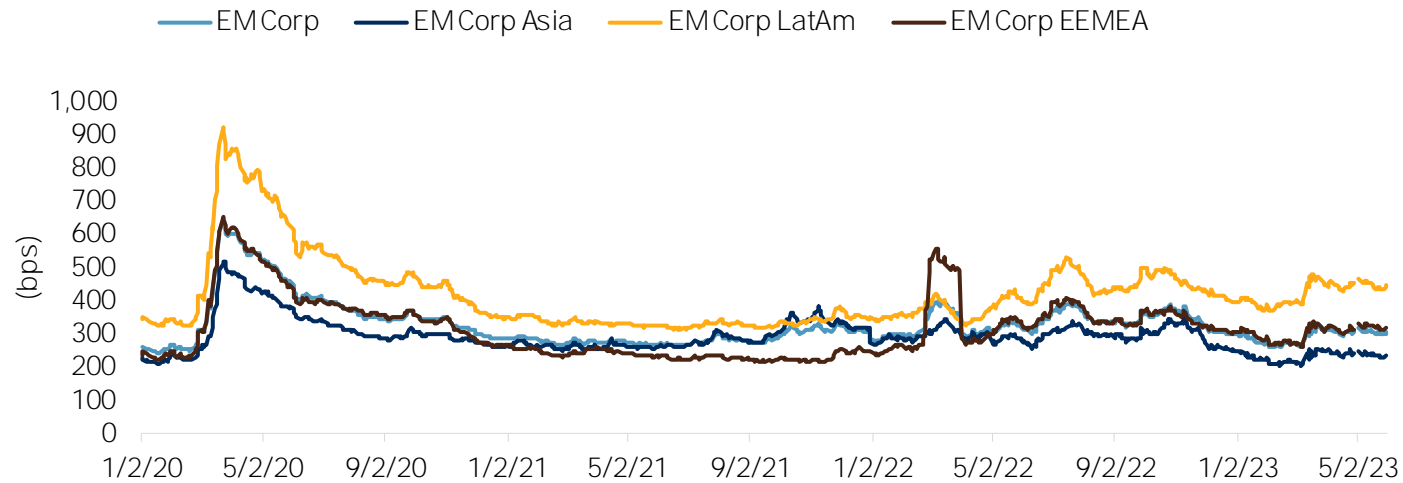


Data as of May 31, 2023. The selection of country is subject to data availability. Sources: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro and Datastream.

- EM 10-year benchmark yields were generally muted in May across regions. Inflation seems to have reached its peak despite being sticky, while uncertainty regarding the Fed's next monetary policy decision keeps markets cautious. This will likely keep yields elevated with respect to pre-crisis levels in the short run.
- Downside risks on South Africa, where the 10-year yield increased by 112 bps with respect to April, as power crisis intensifies, and the South African Reserve Bank raised the main repo rate by 50 bps on upside inflation risks, large domestic and external financing needs, and load-shedding.
- Government yields decreased in Turkiye by 237 bps (monthly base-effect from the high political elections-driven April level) and in Brazil by 94 bps on continued moderation of headline and core inflation.

# EM Credit Spreads| Stable Risk Premia

## EM spreads by region



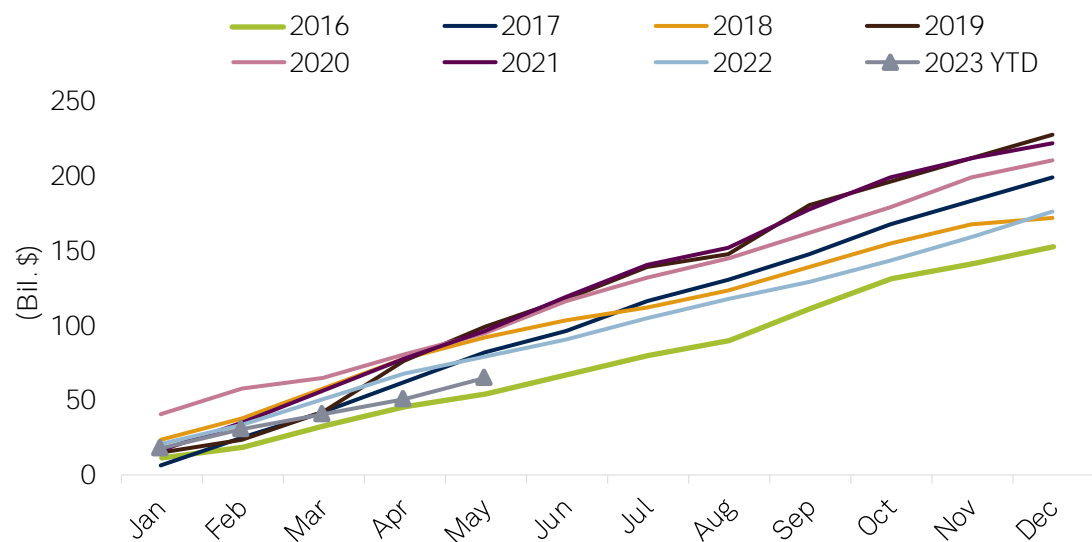
Data as of May 31, 2023. HY – High Yield; IG – Investment Grade. Sources: S&P Global Ratings Credit Research & Insights, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- EM corporate spreads were substantially unchanged in May. Nonetheless, credit pressure remains in LatAm, where inflation is biting into corporate margins and tight financing conditions heighten refinancing risks.
- Access to external markets remains very limited for high-yield issuers. In fact, no speculative-grade issuance took place in May, after several occurred in Chile and Poland during April. Financing conditions remain tight, with low investor appetite and issuers reluctant to go to capital markets unless forced by stringent refinancing concerns.
- Despite the relative stability in the last two months, spreads may move up in the short run, given still high monetary policy uncertainty, China's weaker-than-expected macroeconomic data, slowly weakening corporate financials, and geopolitical risks such as the Russia-Ukraine conflict or U.S.-China tensions.

# EM | Financial And Non-Financial Corporate Issuance

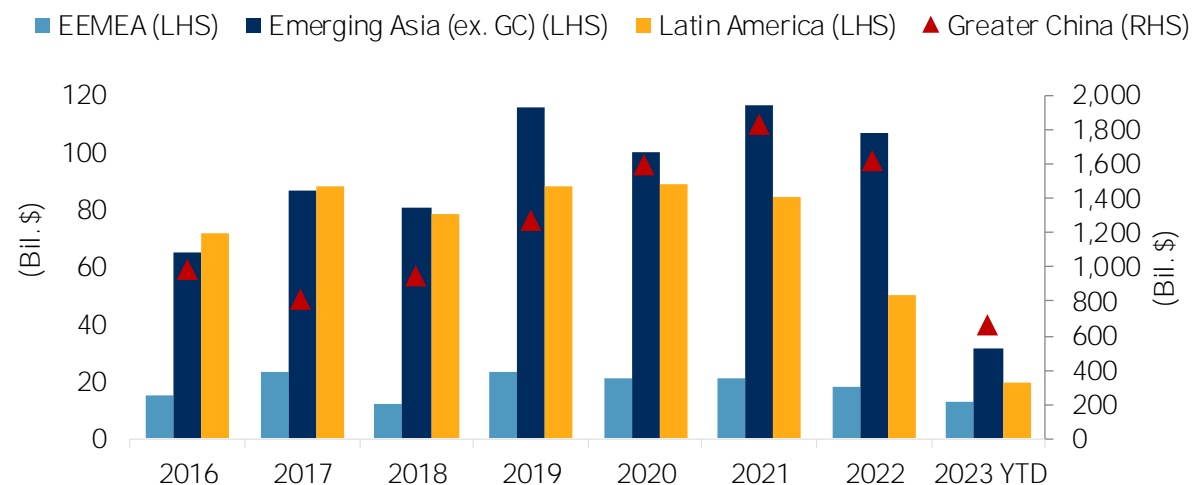
- EM issuance volumes decreased in May from April with a monthly volume of \$137 bn (-27% lower than April), of which 90% was in Greater China, which has seen a monthly slowdown--mostly brokerage issuance, while banking issuance remains active.
- Issuances outside of Greater China increased in May at \$13 bn, 24% higher than last month (+14% compared to May 2022). The uptick mainly occurred in Malaysia, Thailand, and Poland, while issuance volumes remains very subdued in LatAm. EEMEA's YTD issuance has more than doubled the 2020-2022 average, despite recent low market activity in Turkey.
- Issuances in May were mostly non-rated (96%), while the remaining 4% was rated investment grade, mainly in EM Asia.

EM cumulative corporate bond issuance



Excluding Greater China. Data as of May 31, 2023. Data including NR (not rated). Sources: S&P Global Ratings Credit Research & Insights and Refinitiv.

EM Regional Bond Issuance



Data as of May 31, 2023. GC- Greater China. Sources: S&P Global Ratings Credit Research & Insights and Refinitiv.

# Ratings Summary



# Ratings Summary | Sovereign Ratings In EM18

Economy	Rating	Outlook	Five-year CDS spread (May 31)	Five-year CDS spread (April 30)
China	A+	Stable	67	71
Chile	A	Stable	86	99
Saudi Arabia	A	Stable	63	62
Malaysia	A-	Stable	65	70
Poland	A-	Stable	90	92
Philippines	BBB+	Stable	86	93
Thailand	BBB+	Stable	56	50
Indonesia	BBB	Stable	89	94
Mexico	BBB	Stable	115	113
Peru	BBB	Negative	96	100
Hungary	BBB-	Stable	177	170
India	BBB-	Stable	98	95
Colombia	BB+	Stable	275	295
Vietnam	BB+	Stable	120	129
Brazil	BB-	Positive	210	218
South Africa	BB-	Stable	315	276
Turkiye	B	Negative	605	534
Argentina	CCC-	Negative	5,187	4,972

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 May 31, 2023. Sources: S&P Global Ratings Credit Research & Insights and S&P Capital IQ.

# Top 20 EM Rating Actions | By Debt Amount In The Past 90 Days

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. \$)
25-Apr-23	Tata Motors Ltd. (Tata Sons Pte. Ltd.)	India	Automotive	BB	BB-	Upgrade	6,033
22-Mar-23	Saudi Electric Co.	Saudi Arabia	Utilities	A	A-	Upgrade	4,500
29-Mar-23	Grupo Bimbo S.A.B. de C.V.	Mexico	Consumer products	BBB+	BBB	Upgrade	3,650
30-Mar-23	YPF S.A.	Argentina	Oil and gas exploration and production	CCC-	CCC+	Downgrade	2,900
5-Apr-23	Empresas CMPC S.A.	Chile	Forest products and building materials	BBB	BBB-	Upgrade	2,500
7-Mar-23	Falabella S.A.	Chile	Retail/restaurants	BBB-	BBB	Downgrade	2,067
30-Mar-23	Pampa Energia S.A.	Argentina	Utilities	CCC-	CCC+	Downgrade	1,550
3-May-23	GNL Quintero S.A	Chile	Utilities	BBB+	BBB	Upgrade	1,100
21-Mar-23	Arcelik A.S.	Turkiye	Consumer products	BB	BB+	Downgrade	873
30-Mar-23	Aeropuertos Argentina 2000 S.A.	Argentina	Transportation	CCC-	CCC+	Downgrade	750
14-Mar-23	Gol Linhas Aereas Inteligentes S.A.	Brazil	Transportation	SD	CC	Downgrade	650
30-Mar-23	CLISA-Compania Latinoamericana de Infraestructura & Servicios S.A.	Argentina	Capital goods	CCC-	CCC	Downgrade	635
31-Mar-23	PLDT Inc.	Philippines	Telecommunications	BBB	BBB+	Downgrade	600

Data as of May 31, 2023 (last 90 days), excludes sovereigns, Only includes rating actions where S&P Global Ratings rates debt. Excludes 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. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

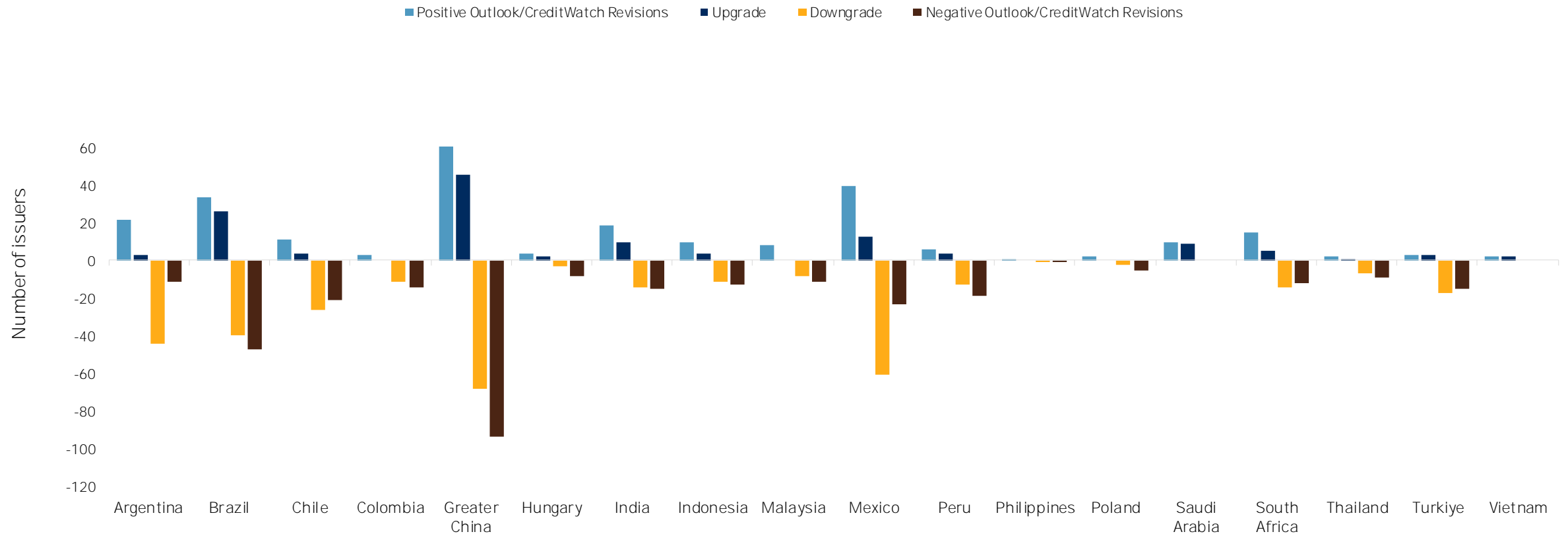
# Top 20 EM Rating Actions | By Debt Amount In The Past 90 Days

## Contd...

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. \$)
12-Apr-23	Guacolda Energia S.A.	Chile	Utilities	D	CC	Downgrade	500
22-Mar-23	Saudi Basic Industries Corp.	Saudi Arabia	Chemicals, packaging and environmental services	A	A-	Upgrade	500
30-Mar-23	Transportadora de Gas del Sur S.A. (TGS) (Compania De Inversiones de Energia S.A.)	Argentina	Utilities	CCC-	CCC+	Downgrade	500
26-May-23	Unigel Participacoes S.A.	Brazil	Chemicals, packaging and environmental services	B+	BB-	Downgrade	420
30-Mar-23	Telecom Argentina S.A.	Argentina	Telecommunications	CCC-	CCC+	Downgrade	400
23-May-23	Pegasus Hava Tasimaciligi A.S.	Turkiye	Transportation	B+	B	Upgrade	375
27-Apr-23	Grupo IDESA S.A. de C.V.	Mexico	Chemicals, packaging and environmental services	SD	CC	Downgrade	300

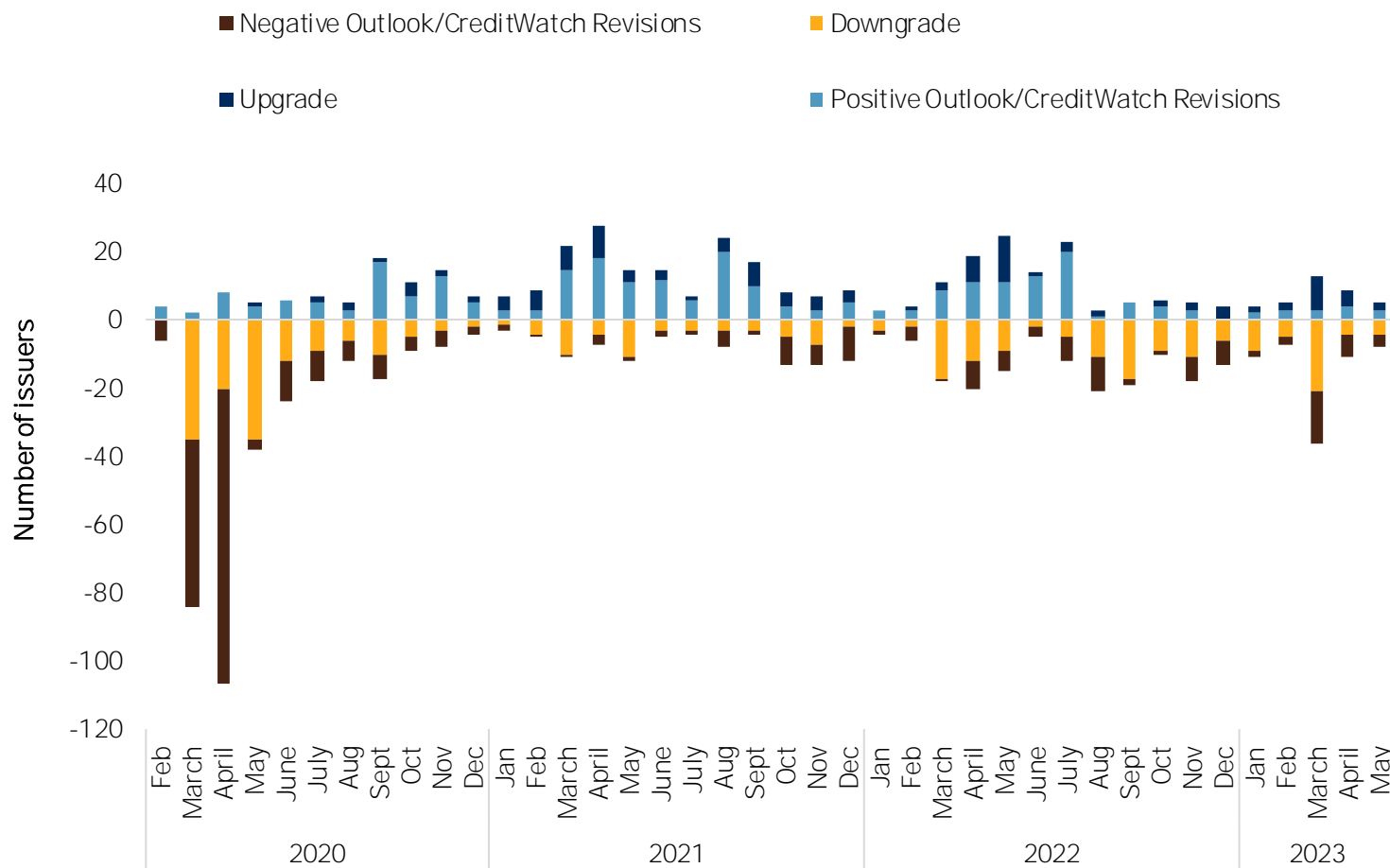
Data as of May 31, 2023 (last 90 days), excludes sovereigns, Only includes rating actions where S&P Global Ratings rates debt. Excludes Greater China and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and grey - default. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

# EM | Total Rating Actions By Economy



Data includes sovereigns. Data from Feb. 3, 2020 to May 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 Credit Research & Insights.

# EM | Total Rating Actions By Month

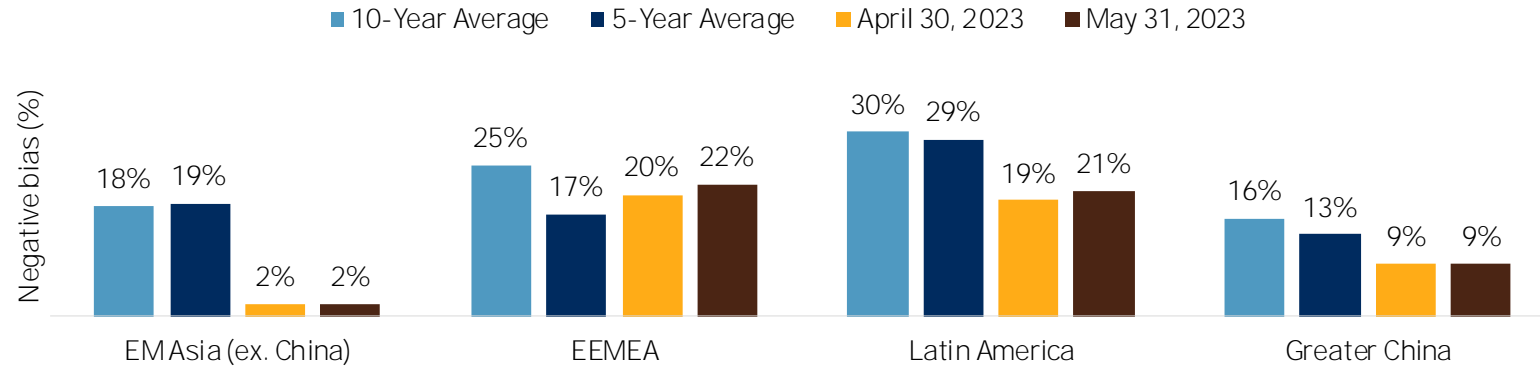


- There were four downgrades in May, in line **with April's level, all located in Brazil.** InterCement Brasil S.A. (building materials) was downgraded twice to 'CC' on imminent risk of non-payment, as the group is working on debt restructuring to protect its precarious cash position. Unigel Participacoes S.A. (chemicals) was downgraded to 'B+' on cash-flow pressures. Infrastructure group Invepar was downgraded to 'CCC-' on liquidity pressures. Weaker operating results and refinancing needs were at the root of the four monthly outlook changes to negative, three based in Greater China.
- There were two upgrades in May, down from five in April. Pegasus Hava Tasimaciligi A.S. (Turkiye; transportation) was upgraded to 'B+' on strong air traffic growth. Chilean gas terminal GNL Quintero S.A. was upgraded to 'BBB+' on continued deleveraging.

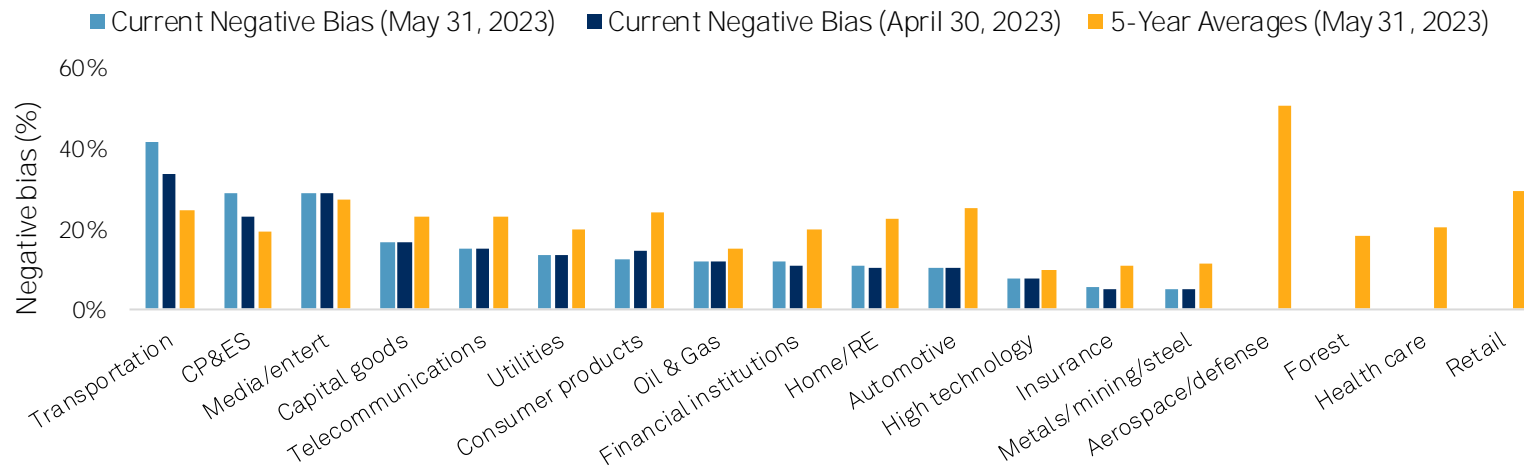
Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the Parent. Data from Feb. 3, 2020 to May 31, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, 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 Credit Research & Insights.

# EM Downgrade Potential | Regional Negative Bias

## EM EMEA Has The Highest Downgrade Potential



## Negative Bias By Sector



- EM EMEA had the highest downgrade potential in May, with negative bias at 22%, up from 20% in April. The negative outlook on Pegasus Hava Tasimaciligi mirrors the one on the sovereign, reflecting risks from untenable monetary, financial, and economic policy settings. The downgrade potential remains, however, below the 10-year average.
- Downgrade potential increased by 2% to 21% in LatAm, after several outlook revisions on Brazilian issuers to negative from stable, while the negative bias remained unchanged in EM Asia and Greater China.
- Transportation and CP&ES negative bias increased in May. The number of rating actions involved is low.

Data as of May 31, 2023 and include sectors with more than five issuers only; excludes sovereigns. Excludes subsidiaries. Source: S&P Global Ratings Credit Research & Insights .

# Rating Actions | **Rating Changes From ‘B-’ To ‘CCC’ In 2023 YTD**

One Rating Movement To 'CCC' From 'B-' In 2023 Through May 31 In EM 18

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
14-Mar-23	Guacolda Energia S.A.	Chile	Utilities	CC	B-	500

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating. Data as of May 31, 2023; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in Greater China but are incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

# Rating Actions | EM Fallen Angels And Rising Stars In 2022, 2023 YTD

Three EM fallen angels in 2022; No fallen angels in 2023 YTD

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
23-Sep-22	Anadolu Efes Biracilik ve Malt Sanayii A.S.	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 and gas exploration and production	BB+	BBB-	2,000

Three EM rising stars in 2022; No rising stars in 2023 YTD

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
21-Nov-22	Axis Bank Ltd.	India	Bank	BBB-	BB+	95
2-Jun-22	JBSS 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 May 31, 2023; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.*



# Rating Actions | List Of Defaulters In 2023

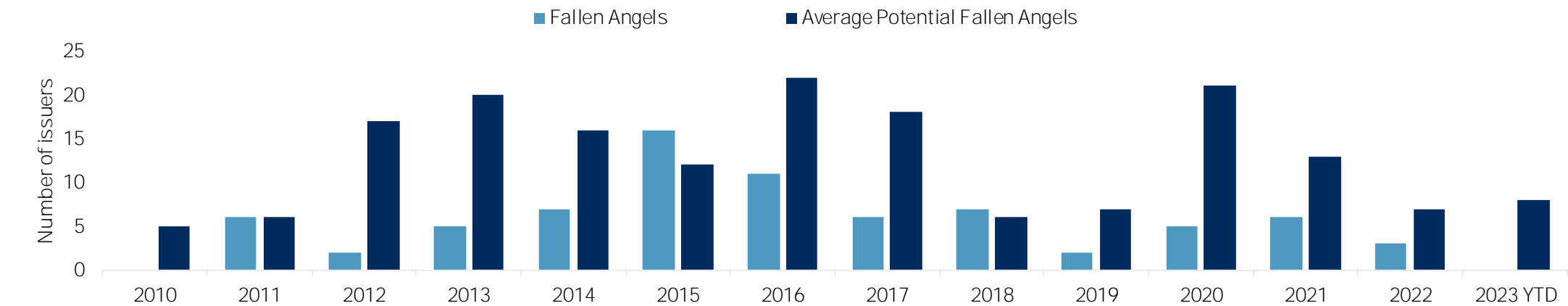
Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
6-Jan-23	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	153,221
16-Jan-23	Americanas S.A. (Lojas Americanas S.A.)	Brazil	Retail/restaurants	D	B	1,000
20-Jan-23	Mexarrend S.A.P.I. de C.V.	Mexico	Financial institutions	D	CC	300
3-Feb-23	Oi S.A.	Brazil	Telecommunications	D	CCC-	1,654
9-Mar-23	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	153,048
14-Mar-23	Gol Linhas Aereas Inteligentes S.A.	Brazil	Transportation	SD	CC	650
20-Mar-23	TV Azteca S.A.B. de C.V.	Mexico	Media and entertainment	D	NR	-
12-Apr-23	Guacolda Energia S.A.	Chile	Utilities	D	CC	500
27-Apr-23	Grupo IDESA S.A. de C.V.	Mexico	Chemicals, packaging and environmental services	SD	CC	300

Data as of May 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), Not Rated (NR). \*Republic of Argentina default refers to its Local Currency LT Rating. Three confidential defaults through May 31, 2023.

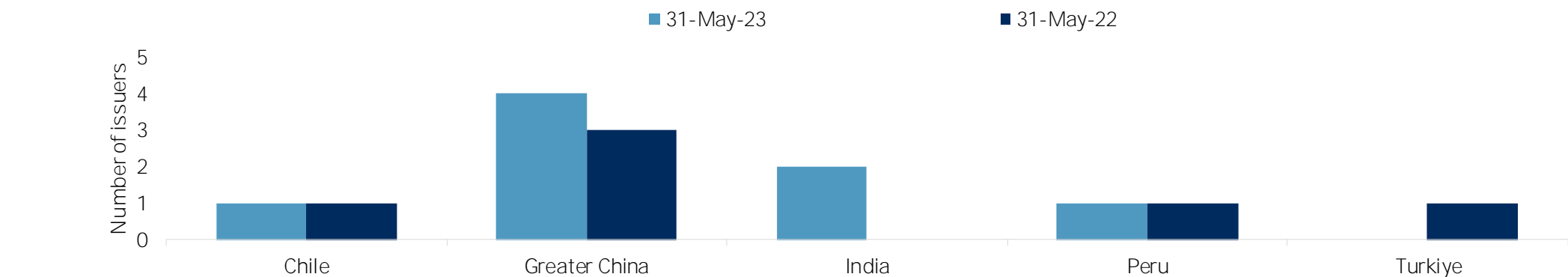
Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

# Rating Actions | Fallen Angels And Potential Fallen Angels

No fallen angel in 2023 YTD, while potential fallen angels trending up



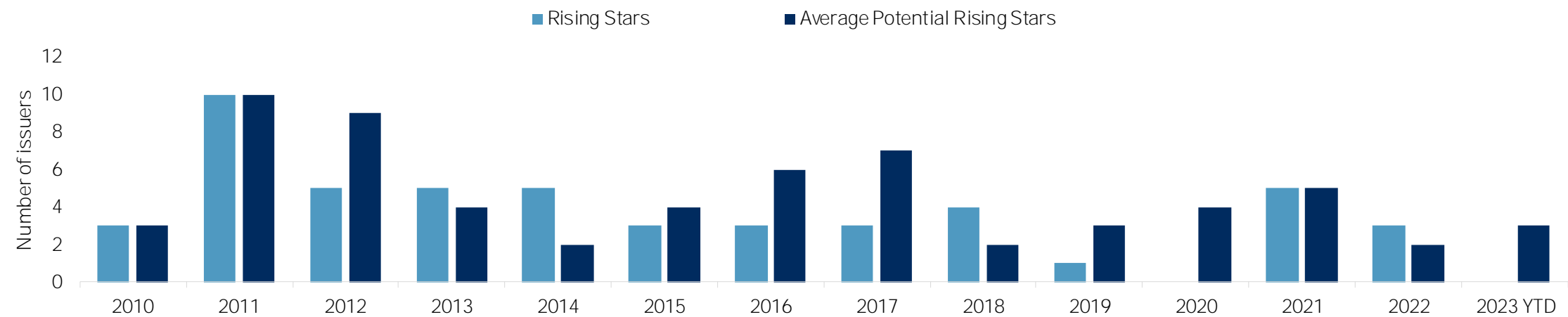
Majority (50%) of issuers are in Greater China



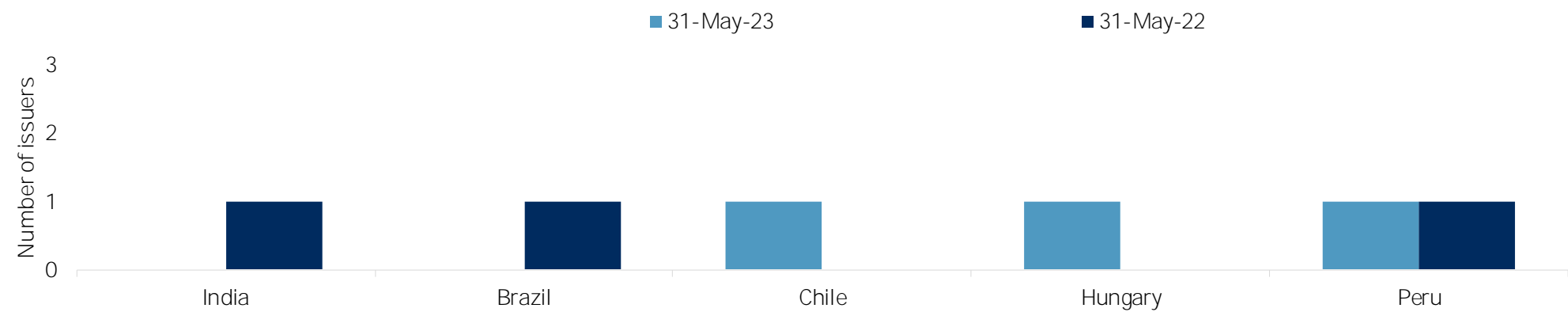
Data as of May 31, 2023. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

# Rating Actions | Rising Stars And Potential Rising Stars

No rising stars in 2023 YTD



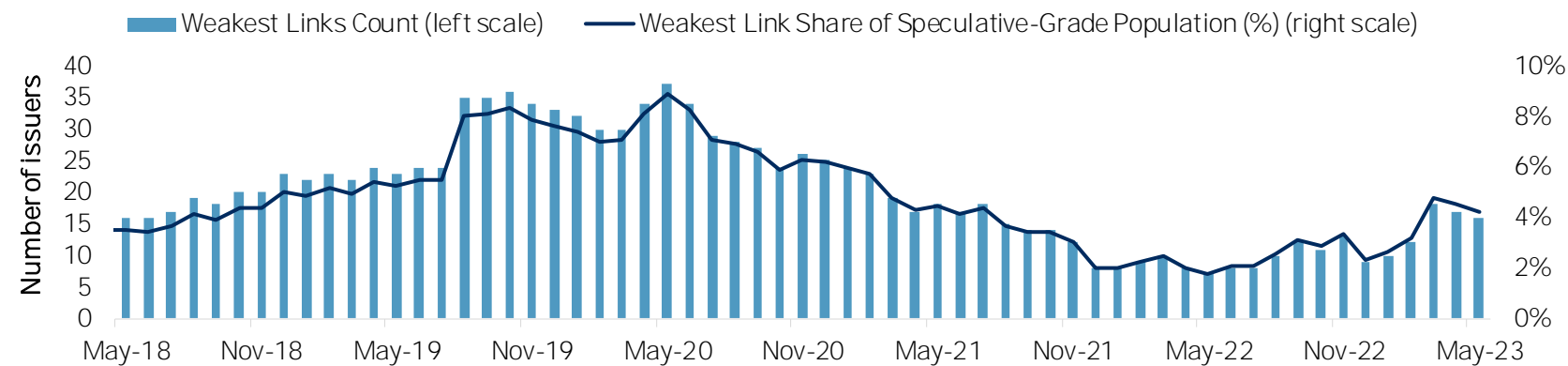
EM potential rising stars



Data as of May 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 Credit Research & Insights.

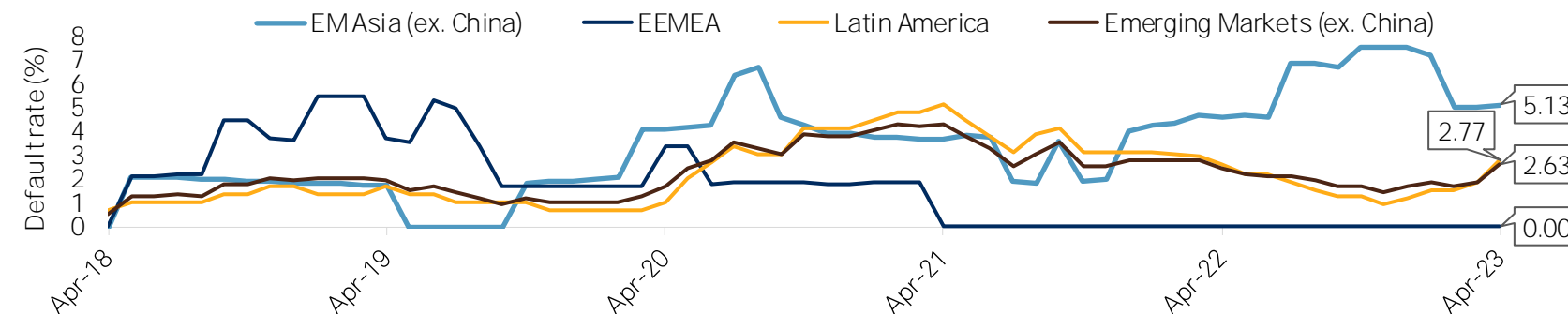
# Rating Actions | Weakest Links And Defaults

EM weakest links at 16 in May



Data as of May 31, 2023. Parent only. 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 Credit Research & Insights.

Default rate rise this month (as of April 2023)

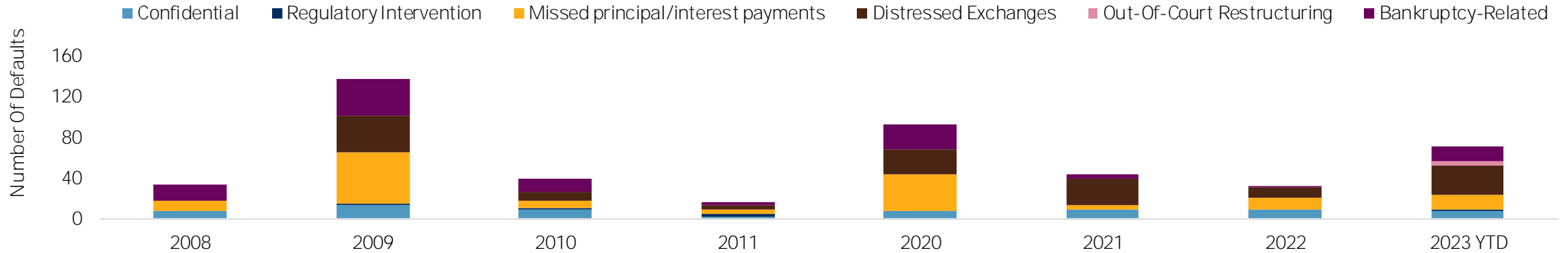


Excluding China. CreditPro data as of April 30, 2023. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Excludes Sovereigns. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

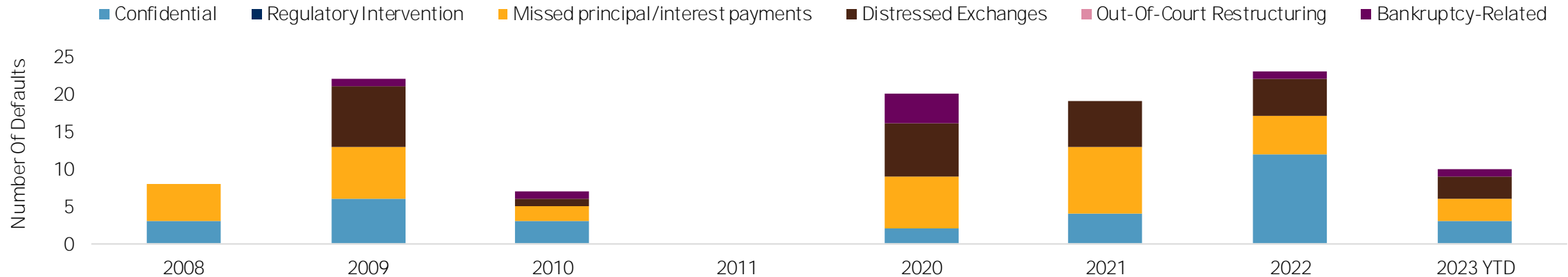
- Weakest links. EM weakest links declined to 16 issuers in May (4% of total speculative-grade issuers) from 17 in April after a rating withdrawal.
- Default rates. April default rate increased across regions as a trailing count. Lately all defaults have occurred in LatAm as of April 2023.

# Rating Actions | Defaults

## Year-End Global Corporate Defaults By Reason



## Year-End EM 18 Corporate Defaults By Reason



\*Data as of May 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). Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

# Related Research

# EMs | Related Research

- Sub-Saharan Africa's Fading Tailwinds And Missed Opportunities, May 30, 2023
- Spending Sprees Will Subside As China Refines Infrastructure Investment, May 29, 2023
- Prospective Mineral Rush Could Be Major Boost For Sub-Saharan Africa Economies, May 25, 2023
- Default, Transition, and Recovery: 2022 Annual Emerging And Frontier Markets Corporate Default And Rating Transition Study, May 23, 2023
- Emerging Markets Monthly Highlights: Crossing Inflation Peak, May 17, 2023
- Despite Setbacks, Latin American Sovereigns Are Moving Past 'Original Sin', May 11, 2023
- Economic Research: Changing Composition of China's Exports, May 11, 2023
- Brazil's Sanitation Regulatory Framework Remains Fragmented, Despite Recent Changes, May 8, 2023
- Philippines Corporate Primer: COVID Hits Aren't Slowing Growth Aspirations, May 8, 2023
- Brazilian Agribusiness Feasts On Booming Exports, May 4, 2023
- Risky Credits: Emerging Market Default Risk Centers On Latin America, April 28, 2023
- Emerging Markets Credit Ratings: Strength And Struggles Amid Global Shocks, April 17, 2023

*EMs consist of LatAm: Argentina, Brazil, Chile, Colombia, Peru, and Mexico. EM Asia: India, Indonesia, Malaysia, Thailand, Philippines, and Vietnam. EMEA: Hungary, Poland, Saudi Arabia, South Africa, and Türkiye. Greater China: China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere).*

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