

Emerging Markets Monthly Highlights

Holding Up Despite Softening External Demand

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July 19, 2023



S&P Global
Ratings

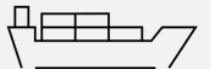
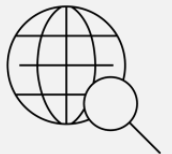
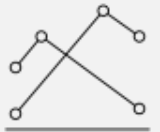
This report does not constitute a rating action.

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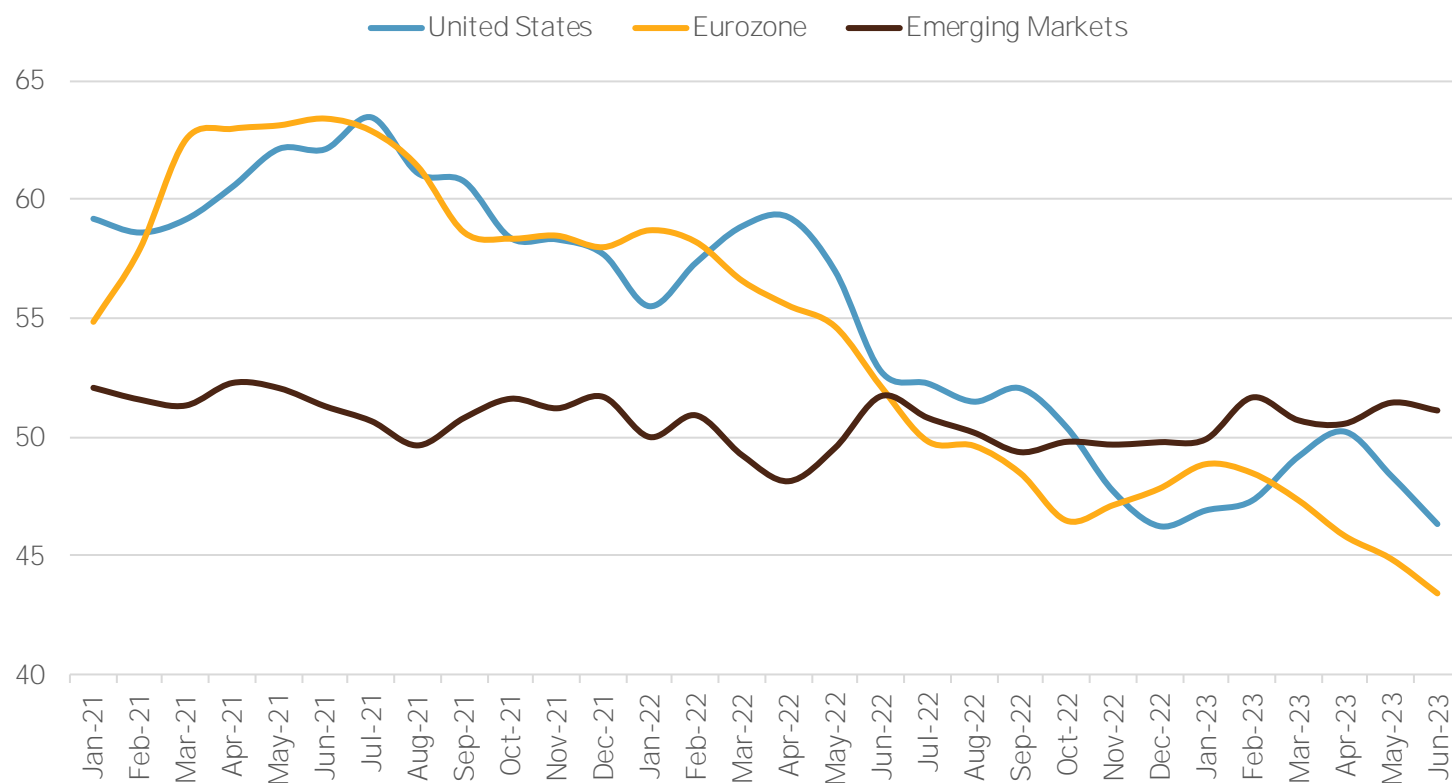
Key Takeaways

- **Purchasing Managers Indices (PMIs) point to emerging markets' (EMs') continued resilience, even as soft data in developed markets (DMs) weakens.** Domestic demand is holding up in most EMs, as inflation is broadly slowing down and labor market dynamics remain supportive. There are signs, however, that external demand continues to decrease as DM growth softens, which dampen GDP growth across EMs in the coming quarters.
- We continue to expect weaker growth across most EMs in H2 2023 than in H1 2023. That said, we made several upward revisions to our 2023 GDP growth forecasts, primarily because of stronger-than-expected headline GDP results in Q1 2023. However, our macro narrative for EMs remains broadly unchanged, and we expect below-potential GDP growth in 2024 for most countries, in line with sluggish DM growth.
- Credit conditions in emerging markets (EMs) show some improvement as inflation cools down, but economic activity is weakening, and the lagged effects of tight monetary policy are surfacing. Banks and domestic capital markets have provided critical financing, somewhat offsetting the tight financing conditions abroad. Corporations remain resilient as cost pass-through continues. Risks, however, are still high and not to be underestimated, as activity slows down and challenging financing access and high rates will linger longer than initially expected.
- The risk of another uptick in food prices has increased sharply. Despite some recent moderation in food prices in recent quarters (with the notable exception of most countries in Africa), uncertainty over the outcome of the Black Sea grain deal negotiations (which experienced a setback this month) and the potential impact of El Niño on agriculture around the world keep risks high for the trajectory of food prices.



PMIs | EMs Holding Up Better Than DMs

Headline PMIs

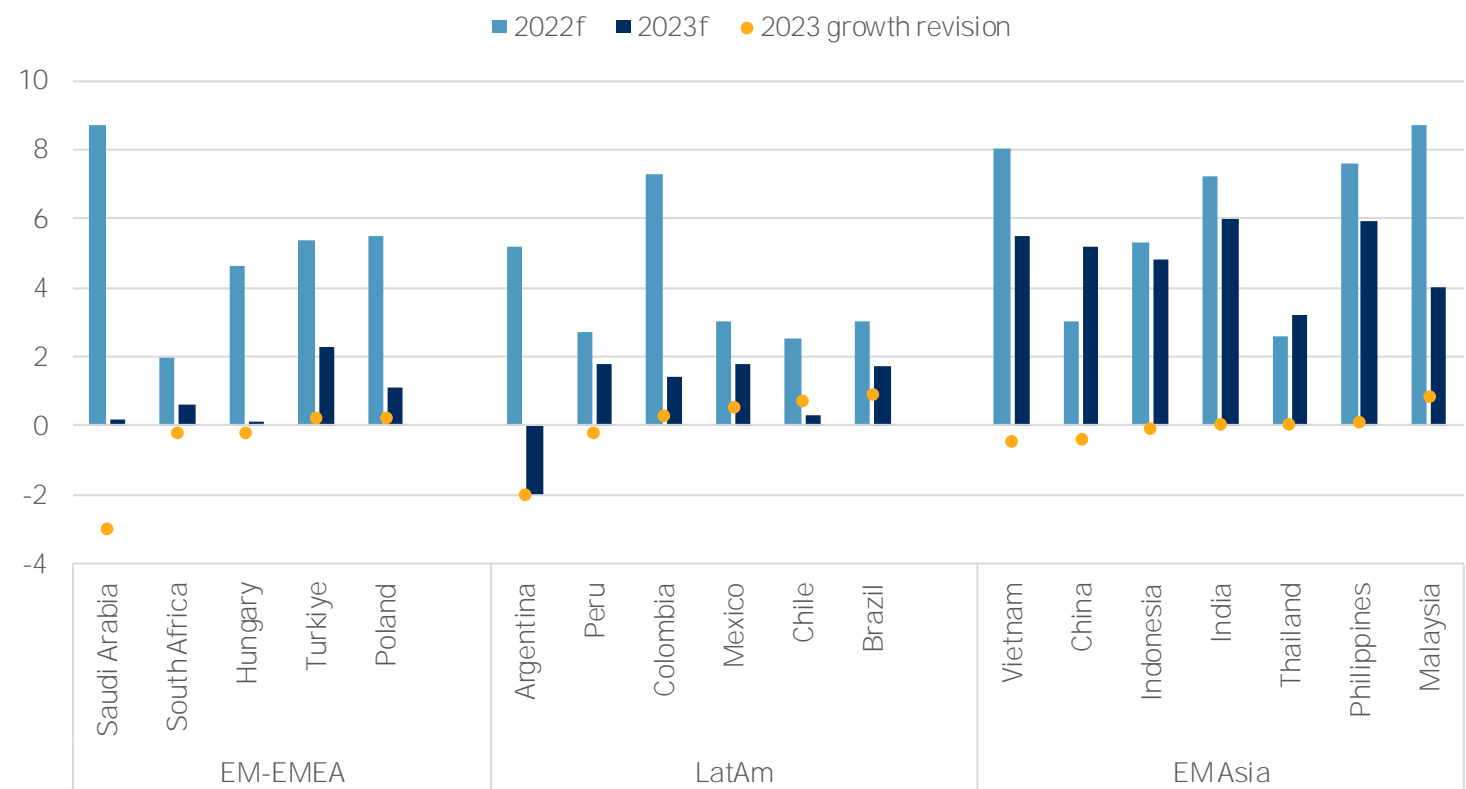


Source: S&P Global Market Intelligence.

- EM headline PMI has remained in the growth territory (above 50), in contrast with the falling index in DMs, where PMIs continued edging down (remaining below 50). Within EMs, Central and Eastern Europe (CEE) is lagging, as the region is affected by decreasing demand in eurozone, as well as one of the highest headline inflation rates across key EMs.
- PMIs suggest that export-oriented EMs are, unsurprisingly, less resilient to the ongoing softening in external demand. This is particularly the case for commodity exporters, as weak global demand weighs on commodity prices.

GDP Forecast | Better-Than-Expected Q1 Pushes Up Projections







GDP growth in key EMs (%)



Source: S&P Global Ratings.

- We slightly revised our GDP growth projections given better-than-expected first-quarter performance, Upward revisions were the largest in Brazil, Chile, Mexico and Malaysia. In Argentina and Saudi Arabia, we made large downward revisions due to the impact of a drought on agricultural production (Argentina) and oil production cuts (Saudi Arabia).
- The growth narrative for EMs remains generally unchanged from our last publication in March. We continue to expect weak growth in the second half of the year across most EMs, particularly as softer growth in DMs weakens external demand. We expect growth to remain below potential in 2024 in most EMs, as demand out of DMs remains sluggish.

EM Credit Conditions | Inflation Peaked, Risks Remain

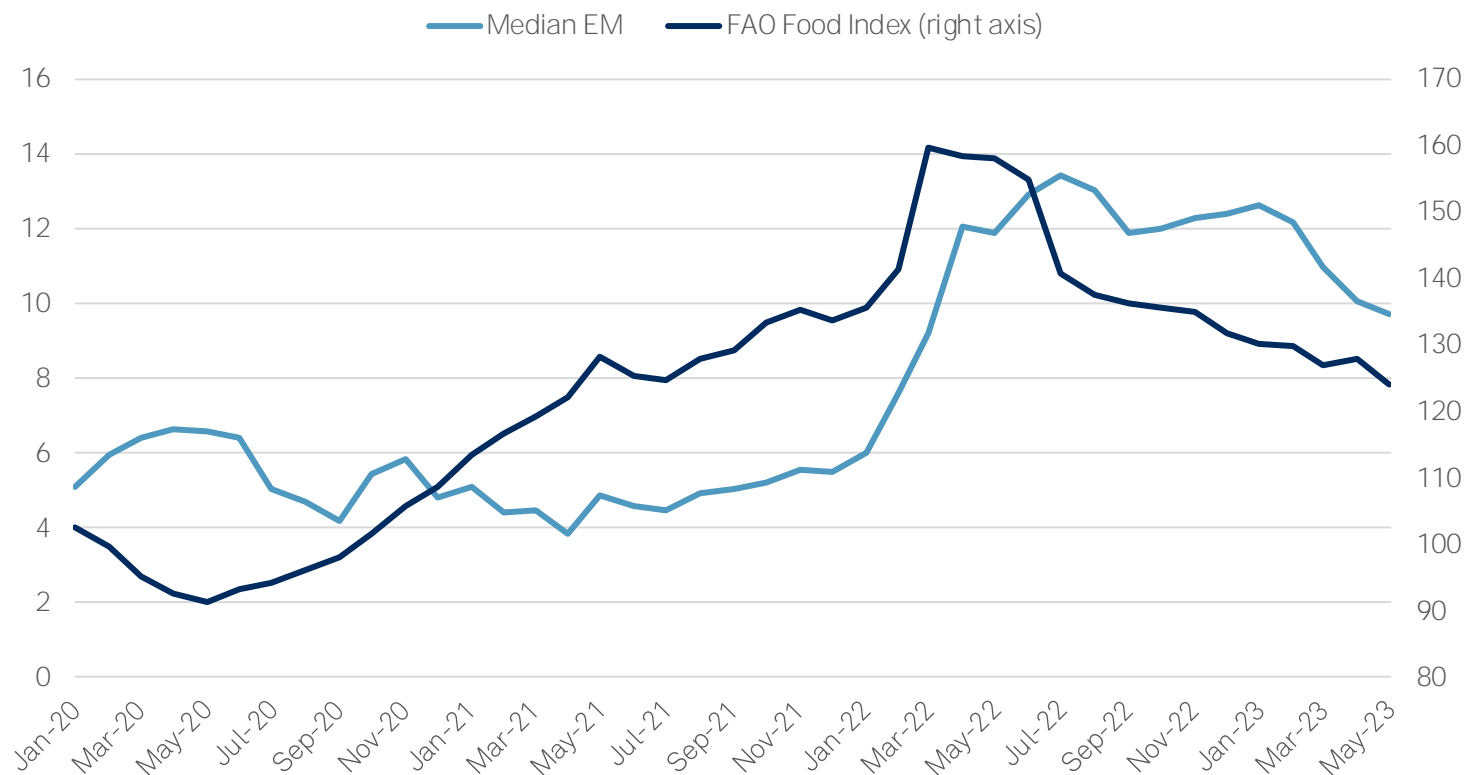
Top EM risks		Risk level*	Risk trend**
	Lingering tight financing conditions amid higher interest rates.	High	Unchanged
	Weakening economy and lasting cost pressures squeeze corporate margins.	High	Unchanged
	A sharper-than-expected downturn in advanced economies weighs on global trade.	High	Unchanged
	Geopolitical tensions and difficult domestic socio-political conditions erode credit fundamentals.	High	Unchanged
	China's recovery momentum erodes in the wake of prolonged weakness in business and household confidence.	High	Improving
Secular risks			
	Climate change and rising adaptation costs.	Elevated	Worsening

- Credit conditions in EMs show some improvement as inflation cools down, but economic activity is weakening, and the lagged effects of tight monetary policy are surfacing.
- Risk trends for EMs have stabilized, though tight financing conditions continue clouding the outlook for EM issuers. Current conditions will likely be reflected in further weakening of credit quality across key EMs.
- Read more at “[Credit Conditions Emerging Markets Q3 2023: Inflation Peaked, Risks Remain](#)”.

*Risk levels may be classified as moderate, elevated, high, or very high, are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one to two years. Typically, these risks are not factored into our base case rating assumptions unless the risk level is very high. ** Risk trend reflects our current view on whether the risk level could increase or decrease over the next twelve-months. Source: S&P Global Ratings.

Food Prices | Gradual Improvement, But New Risks Emerged

Median food inflation and FAO food prices index



Note: Median food inflation is based on our sample of key EM 18 economies. The FAO Food Price Index consists of the average of five commodity group international price indices weighted by the average export shares of each of the groups. Sources: IMF, Refinitiv, and S&P Global Ratings.

- Food inflation has finally started to moderate, particularly in EM Asia and LatAm, as energy prices have continued to decrease, while exchange rates have mostly appreciated against the U.S. dollar in 2023.
- However, in EM EMEA, and particularly in Africa, the situation remains difficult. While base effects exert downward pressure on annual inflation, inflation in sequential terms remains high, and food inflation remains at high double-digit numbers across most African economies. We expect inflation to remain elevated for the remainder of 2023 due to broadly weak exchange rates in the region.
- Risks to the food prices outlook have increased last month. Natural hazards, particularly El Niño, puts a pressure on food prices in LatAm, India, and South Africa. Recent setback with regards to the Black Sea grain deal is another risk, given that Ukraine is an important provider of grains to several EM EMEA economies, particularly Türkiye and Egypt.

China | Can The Renminbi Challenge The Greenback?

Share of world trade settled in renminbi (%)



Note: Estimated as the share of China's cross-border goods trade settled in RMB multiplied by China's share of world trade. Sources: The People's Bank of China, General Administration of Customs, and S&P Global Ratings.

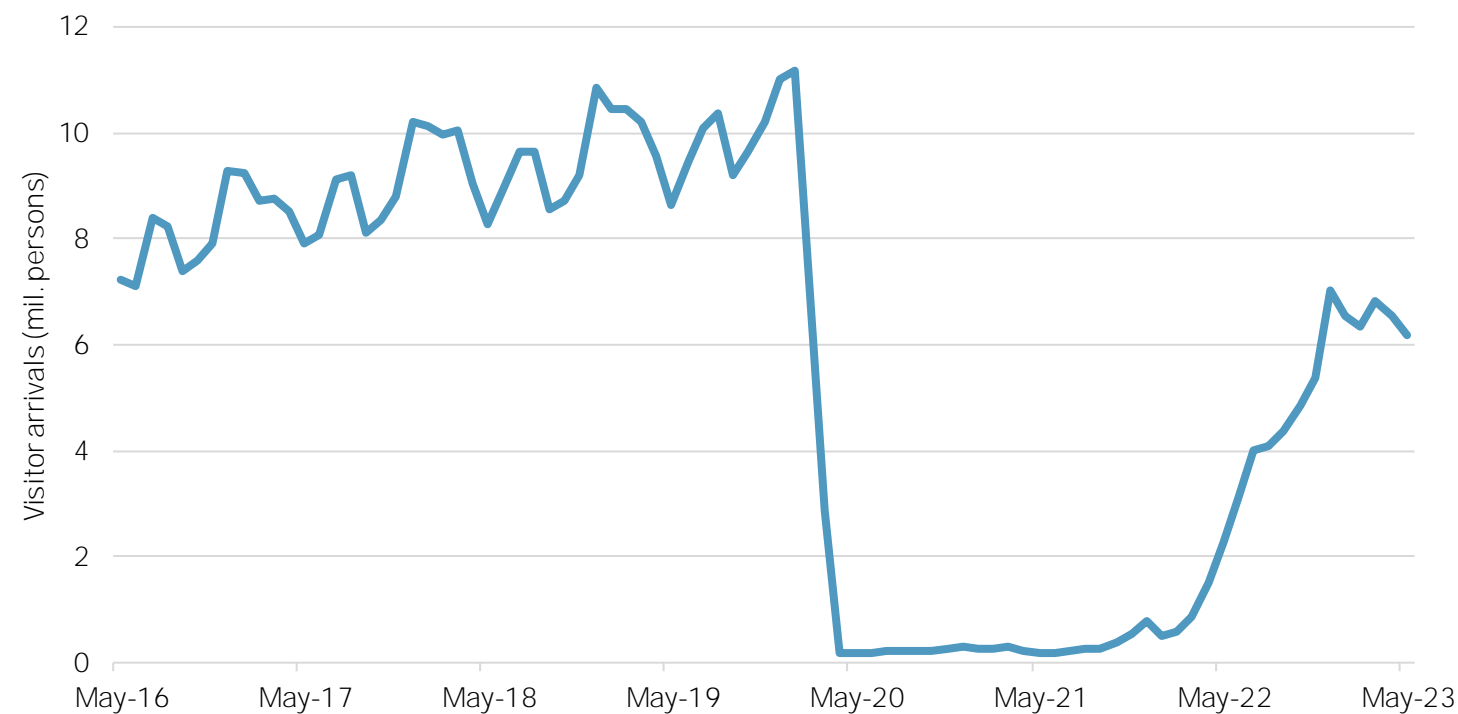
- An increasingly diversified global monetary system has renewed interest in the internationalization of the renminbi. China's rising influence has led to the greater global use of its currency--through the sheer size of its economy and its place in international trade.
- However, China's policymakers appear in no hurry to remove capital account restrictions and thereby increase the flexibility of the exchange rate, and renminbi's path to internationalization remains gradual. We highlight four factors to the greater global use of the currency: the higher use of renminbi in foreign exchange markets; greater third-party use of the currency; higher capital account flexibility; and a sustained current account deficit (see [“Four Checkpoints On The Path To Greater Renminbi Internationalization”](#) published July 11).

Regional Economic Highlights

EM Asia Economics | Recovering Tourist Volumes

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Visitor arrivals in EM Asia reach about 70% of pre-pandemic levels



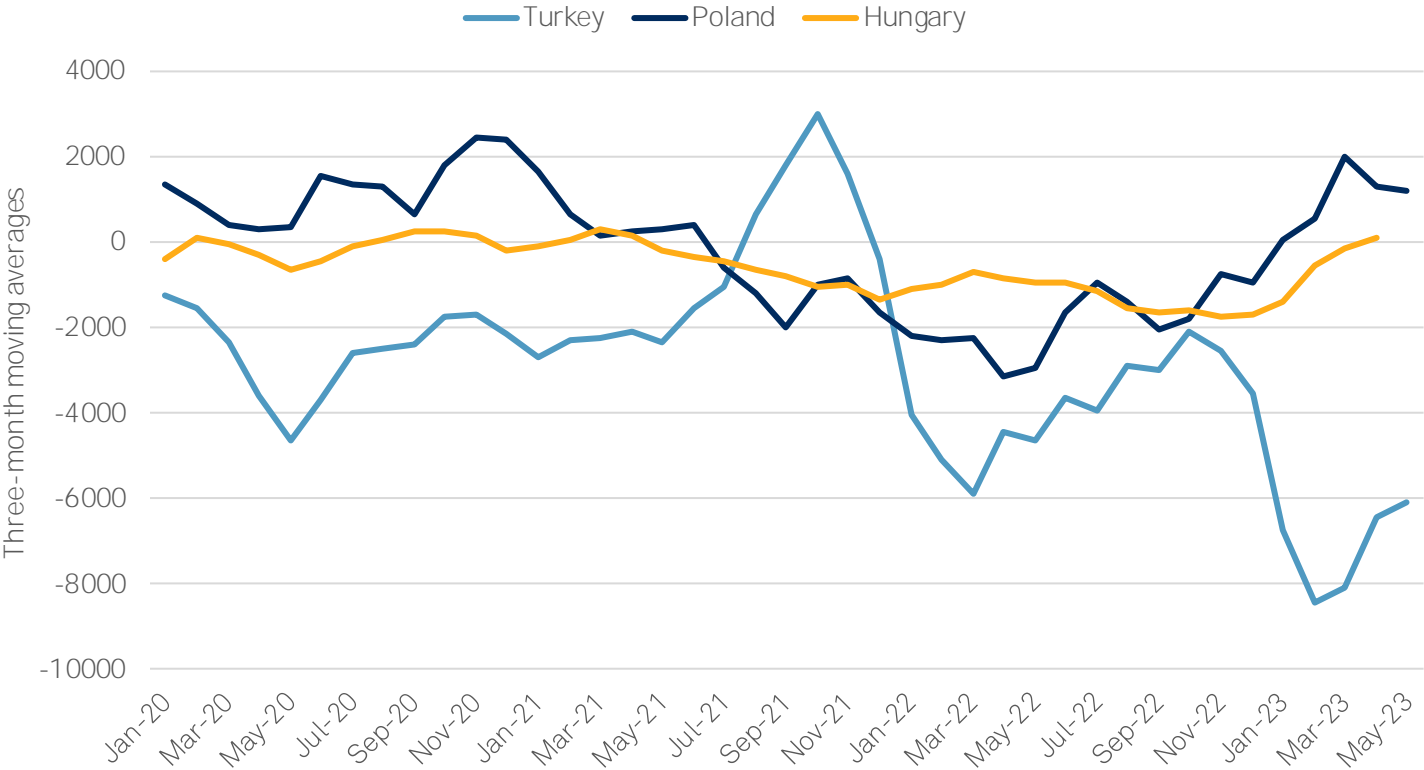
Note: Economies included are India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. India and Malaysia tourist arrivals in April and May are estimated using March data. Sources: CEIC Data and S&P Global Ratings

- Tourism activity in EM Asia is recovering, with arrivals now at about 70% of pre-COVID levels. Improved tourism activity is helping offset some of the slowdown in external demand for goods.
- Tourism activity is economically influential for parts of EM Asia, especially for Thailand and Vietnam.
- Two important tourism peak seasons are upcoming--July and August--followed by December and January. Tourism recovery during these periods will be important.

EM EMEA Economics | All Eyes On Current Accounts

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Current accounts (mil. \$)



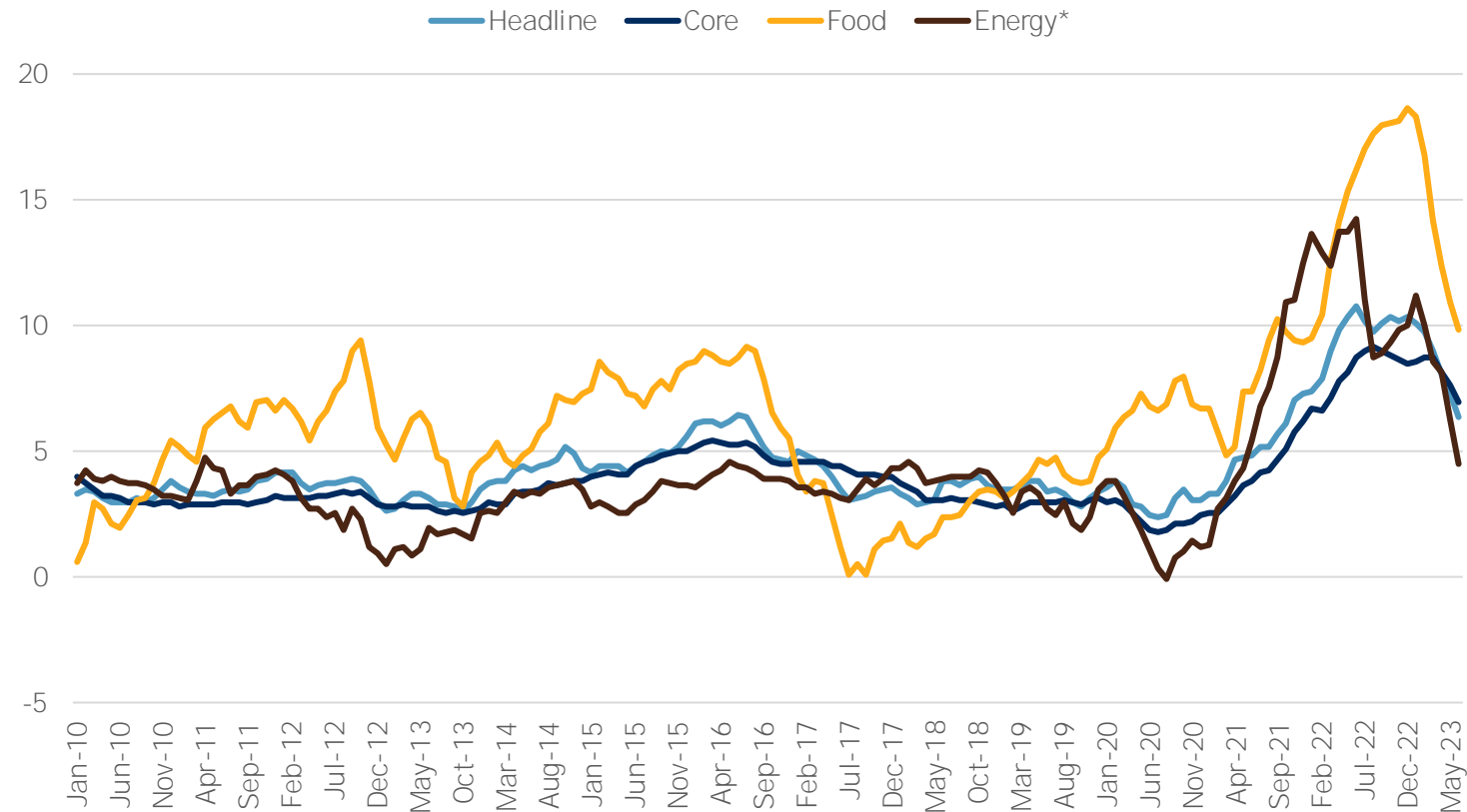
Sources: Refinitiv and S&P Global Ratings.

- Current accounts in CEE are outperforming markets expectations. Stronger-than-expected current account balances have propped up CEE exchange rates (which have appreciated against the euro and U.S. dollar) together with decreasing real interest rates (although still negative) and improving market sentiment.
- **Turkiye's** current account deficits are now around all-time lows; nevertheless, latest data appeared to be slightly better than market expectations and during the next few months we expect that increasing tourism revenues, decreasing energy prices, and weaker domestic demand will likely improve current account balance.

LatAm Economics | Disinflation Process Advancing

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Median consumer price inflation*



(%) change year-over-year. Median is of Brazil, Chile, Colombia, and Mexico. We use the transportation sub-component of the CPI as a proxy for energy inflation. Sources: Haver Analytics and S&P Global Ratings.

- In most of LatAm, June CPI readings were lower than expected. The median CPI was 6.4% year-over-year in June, down from 7.3% in May. Energy and food prices remain the main impetus of disinflation in most of the region. Encouragingly, core inflation is also starting to moderate more noticeably – the median core inflation reading in the region was 6.9% year-over-year in June, down from its 9.2% peak in August 2022.
- The central banks of Chile and Brazil will likely start lowering interest rates in their next meetings (Chile meets at the end of July, Brazil in early August). Both central banks have hinted towards starting to ease their highly restrictive monetary policy stance—real interest rates in both cases are more than 300 basis points above their long-term average, in ex ante terms. We expect the rest of the major LatAm central banks to start cutting interest rates in Q1 2024.

Macro-Credit Dashboards

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

Country	Latest reading (y/y)	Period	Five-year avg	2020	2021	2022	2023f	2024f	2025f	2026f
Argentina	1.3	Q1	-0.2	-9.9	10.4	5.2	-2.0	0.5	2.0	2.1
Brazil	4.0	Q1	-0.5	-3.6	5.3	3.0	1.7	1.5	1.8	1.9
Chile	-0.6	Q1	2.0	-6.2	11.9	2.5	0.3	2.4	2.8	2.9
Colombia	3.0	Q1	2.4	-7.3	11.0	7.3	1.4	2.0	2.9	3.0
Mexico	3.7	Q1	2.0	-8.2	4.9	3.0	1.8	1.5	2.1	2.1
Peru	-0.4	Q1	3.2	-11.1	13.5	2.7	1.8	2.6	2.8	3.0
China	6.3	Q2	6.7	2.2	8.5	3.0	5.2	4.7	4.7	4.5
India	6.1	Q1	6.9	-5.8	9.1	7.2	6.0	6.9	6.9	7.1
Indonesia	5.0	Q1	5.0	-2.1	3.7	5.3	4.8	5.0	5.1	5.1
Malaysia	5.6	Q1	4.9	-5.5	3.3	8.7	4.0	4.5	4.5	4.4
Philippines	6.4	Q1	6.6	-9.5	5.7	7.6	5.9	5.9	6.6	6.3
Thailand	2.7	Q1	3.4	-6.1	1.5	2.6	3.2	3.5	3.3	3.2
Vietnam	4.1	Q2	7.1	2.9	2.6	8.0	5.5	6.9	6.8	6.7
Hungary	-0.9	Q1	4.1	-4.8	7.1	4.6	0.1	3.2	2.9	2.9
Poland	-0.1	Q1	4.4	-2.0	6.7	5.5	1.1	3.2	3.3	2.8
Saudi Arabia	3.8	Q1	2.1	-4.3	3.9	8.7	0.2	3.6	3.4	3.3
South Africa	0.2	Q1	1.0	-6.3	4.9	2.0	0.6	1.7	1.7	2.3
Turkiye	4.0	Q1	4.2	1.8	11.6	5.4	2.3	2.0	3.1	3.1

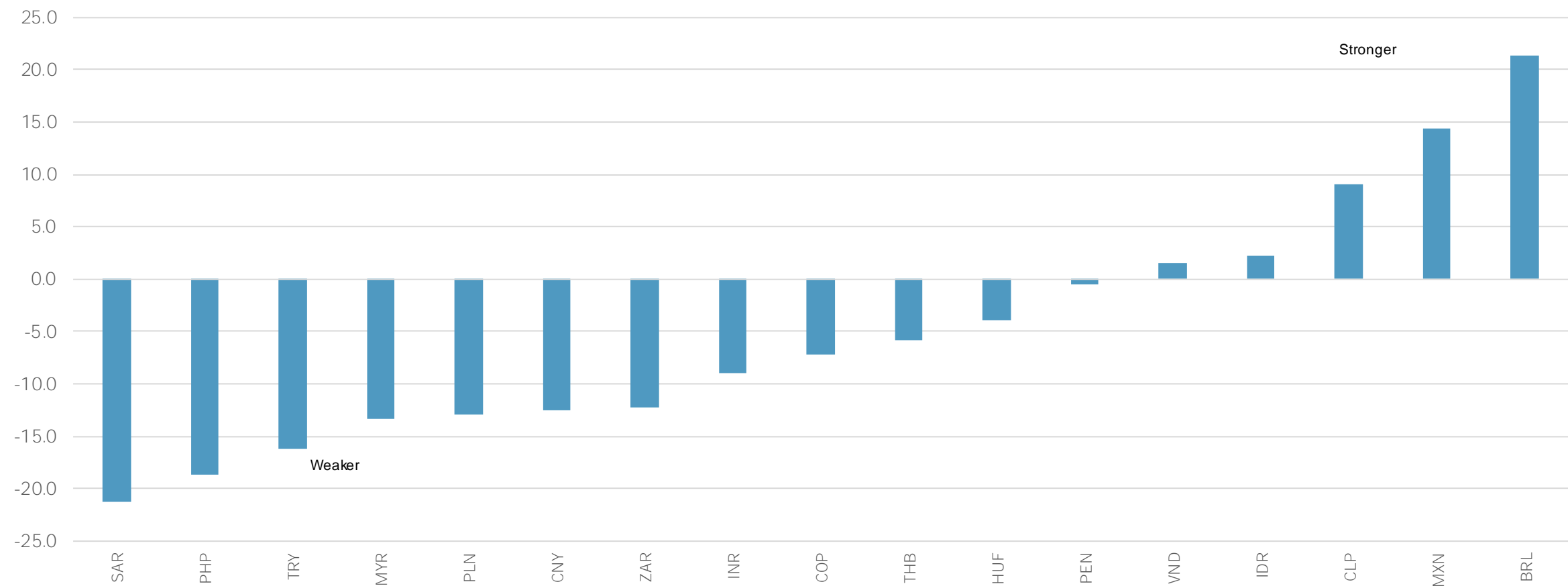
Monetary Policy/FX | MXN And COP Are Top Performers This Year

Country	Policyrate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	June exchange rate chg.	YTD exchange rate chg.
Argentina	97.00%	No target	114.2%	Hold	N/A	-6.8%	-30.9%
Brazil	13.75%	3.25% +/- 1.5%	3.9%	Hold	Aug. 2	5.7%	8.3%
Chile	11.25%	3.0% +/- 1.0%	7.6%	Hold	July 28	0.2%	6.6%
Colombia	13.25%	3.0% +/- 1.0%	12.1%	Hold	July 28	5.2%	14.8%
Mexico	11.25%	3.0% +/- 1.0%	5.1%	Hold	Aug. 10	3.5%	13.6%
Peru	7.75%	1.0% - 3.0%	6.5%	Hold	Aug. 10	1.6%	5.2%
China	1.90%	3.0%	0.0%	N/A	N/A	-2.0%	-3.6%
India	6.50%	4.0 +/- 2.0%	4.3%	Hold	Aug. 10	0.8%	0.8%
Indonesia	5.75%	3.5% +/- 1.0%	3.5%	Hold	July 25	0.0%	3.8%
Malaysia	3.00%	No target	2.8%	Hold	Sept. 7	-1.1%	-5.6%
Philippines	6.25%	3.0% +/- 1.0%	5.4%	Hold	Aug. 17	1.7%	1.0%
Thailand	2.00%	2.5% +/- 1.5%	0.2%	25 bps hike	Aug. 2	-1.8%	-2.3%
Vietnam	4.50%	4%	2.0%	50 bps cut	N/A	-0.4%	0.0%
Hungary	13.00%	3.0% +/- 1.0%	20.1%	Hold	July 25	1.7%	9.7%
Poland	6.75%	2.5% +/- 1.0%	13.2%	Hold	Sept. 6	4.7%	8.0%
Saudi Arabia	5.75%	No target	2.8%	25 bps hike	July 26	0.0%	0.2%
South Africa	8.25%	3.0% - 6.0%	6.3%	50 bps hike	July 20	4.9%	-9.9%
Turkiye	15.00%	5.0% +/- 2.0%	38.2%	650 bps hike	July 20	-20.6%	-28.2%

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 Outperform This Year

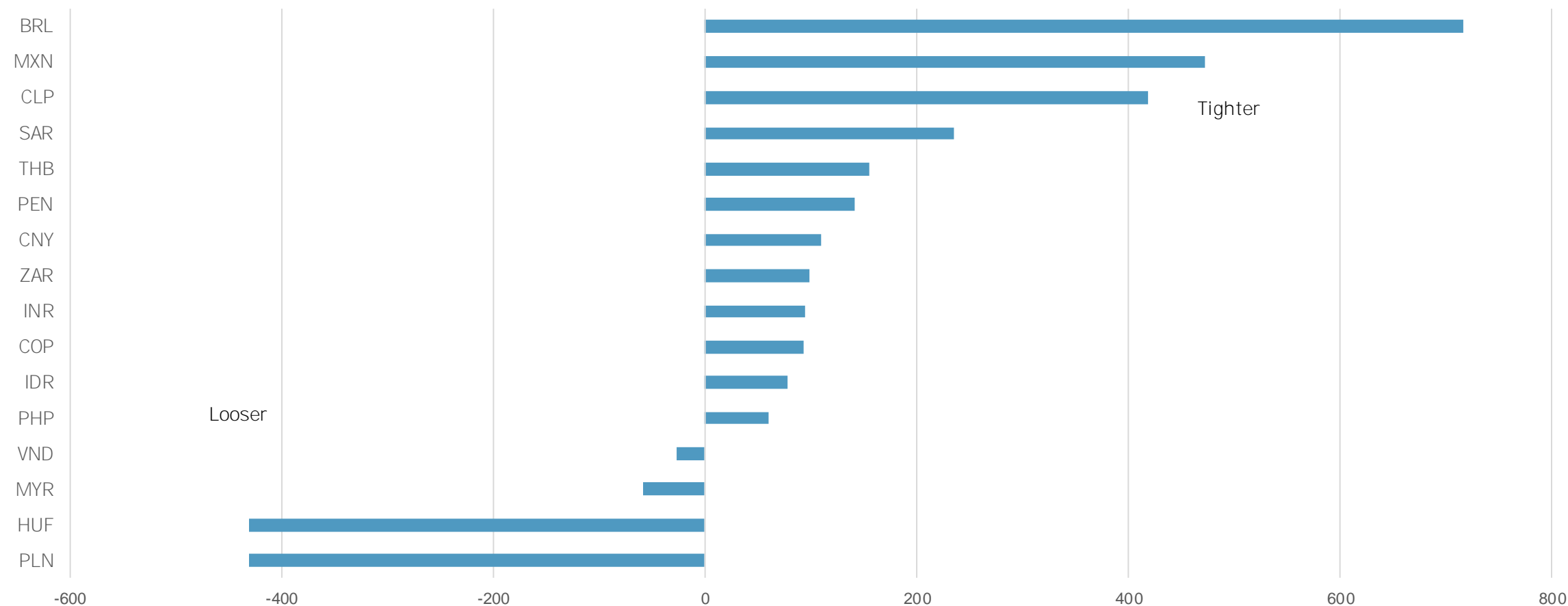
Broad real effective exchange rates



% change from 10-year average. 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 June 30, 2023. Sources: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | Real Rates The Most Restrictive In LatAm

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 June 30, 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	Turkey	Argentina
Sovereigns	FC Sovereign Rating	A	A	A-	BBB	A-	BBB	A+	BBB+	BBB	BBB+	BBB-	BB+	BB-	BB-	B	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	4	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	4	4	3	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	6	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	H	L	I	I	H	H	H	VH	H	I	I	EH	VH	H
	Derived Anchor	bbb+	bbb	bbb	bbb-	bbb	bbb-	bb+	bbb-	bb+	bb	bbb-	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	L	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	H	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	VH	VH
Nonfinancial corporates	Median Rating (June 30, 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	1.72	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	-26.1	-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	4.75	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	42.75	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.

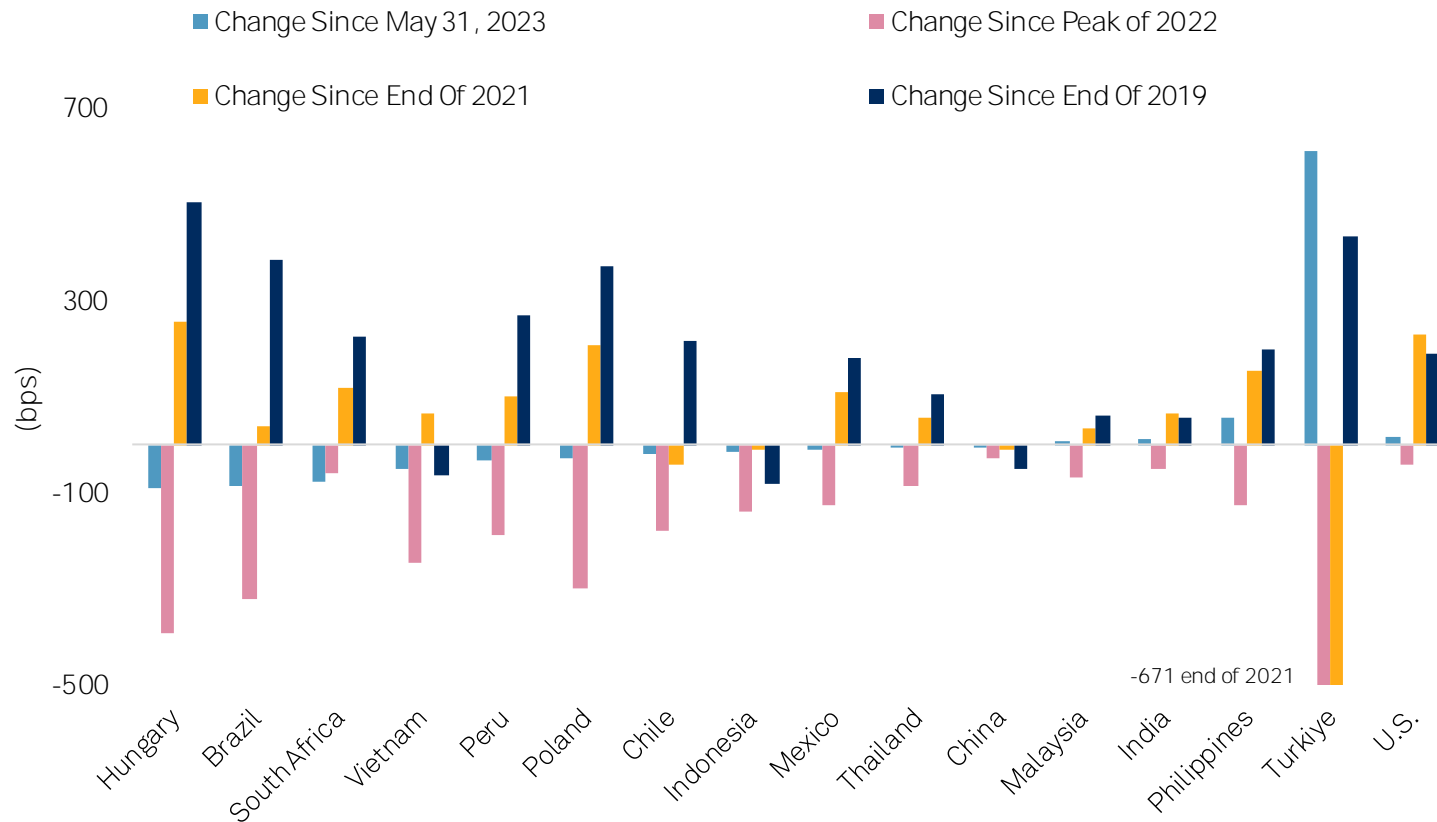
*IIF 4Q 2022. Sources: t-Bankgo Sentral NGPillipinas, Banco Central de Reserva del Peru, Superintendencia de Banca y Seguros y AFP (Peru); Corporate Variables Capital IQ 4Q 2022. S&P Global Ratings. Data for sovereigns and financial institutions as of July 17, 2023.

Financing Conditions

Highlights

EM Yields | Benchmark Yields Trending Down

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

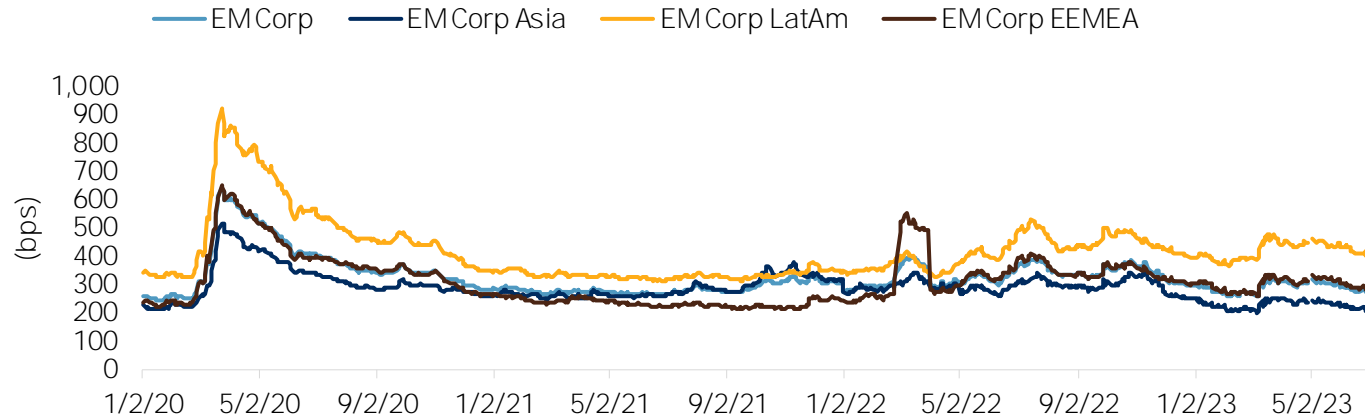


- EM 10-year benchmark yields eased up in June. The most significant downward movements were in Hungary (down 91 bps month on month) and Brazil (down 88 bps), as inflation keeps receding. South Africa's benchmark yield decreased by 79 bps as a base-effect: power crisis hasn't escalated in June, while it keeps constraining the economy and prevent structural improvements.
- On the other hand, the central bank of Turkiye is committed to a monetary policy tightening until improvement of the inflation outlook (up 611 bps monthly).
- Regional divergence is, and will be present, in H2 2023, as EM EMEA and LatAm benchmarks are on average 343 and 292 bps higher than pre-pandemic levels, while EM Asia only shows an increase of 45 bps. China's 10-year benchmark is even 50 bps lower than at the end of 2019. Contrasting inflation and domestic trends will shape the divergence across EMs.

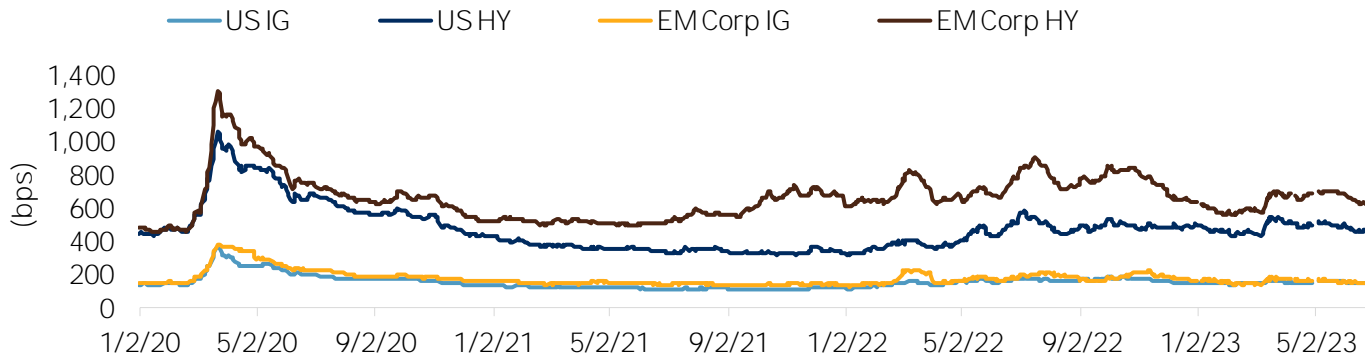
Data as of June 30, 2023. The selection of country is subject to data availability. Sources: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro, and Datastream.

EM Credit Spreads| Gradual Descent

EM spreads by region



U.S. And EM spreads



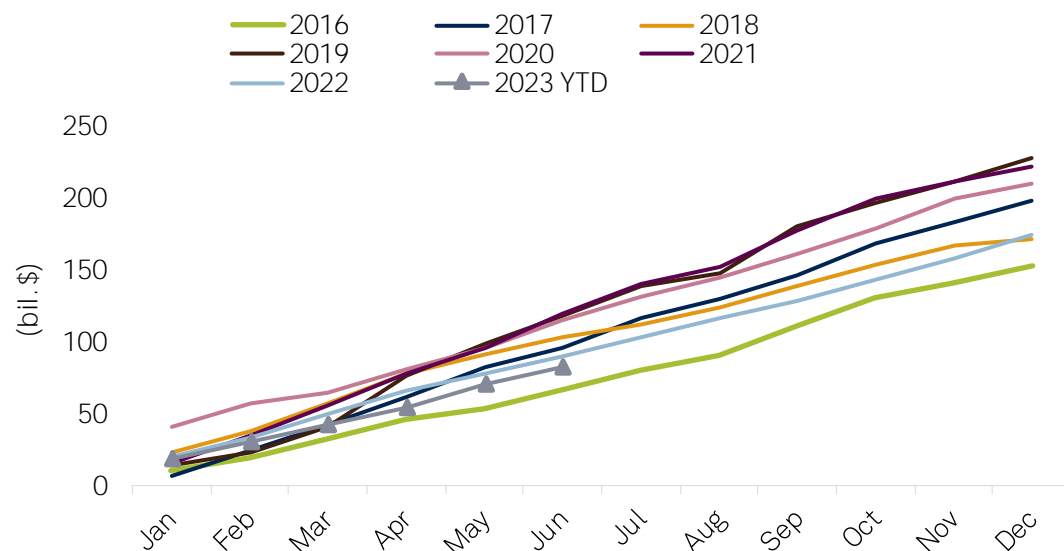
Data as of June 30, 2023. HY – high yield. IG – investment grade. Sources: S&P Global Ratings Credit Research & Insights, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- EM corporate spreads decreased by 30 bps on average with credit pressure mostly felt in LatAm, where the protracted scenario of higher interest rates and tight financing conditions spur refinancing risk.
- Access to external markets remains prohibitive for high-yield issuers. Only two companies issued debt in June: Ecopetrol S.A. (oil and gas, Colombia) with a cumulative amount of \$1.5 billion at 8.7%, and H & H International Holdings Ltd. (consumer products, Hong Kong) for \$56 million at 13.5%. This came after no speculative-grade issuances in May.
- Spreads may be vulnerable to external conditions. Further hikes by the Fed or China's disappointing growth could accelerate capital flows and depress exchange rates. Geopolitical risks such as the Russia - Ukraine conflict or U.S.-China tensions complicate the outlook.

EM | Financial And Non-Financial Corporate Issuance

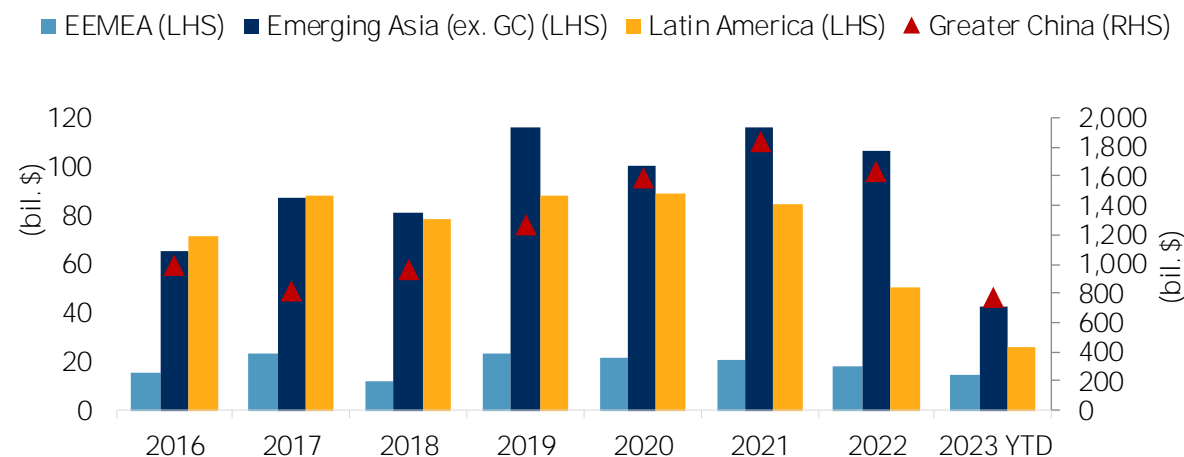
- EM issuance decreased in June from May with a monthly volume of \$118 billion (down 19%), 86% of which is imputable to Greater China that has seen a slowdown in financial issuance (banks) overcoming the slight pick-up in non-financial issuance (capital goods and real estate).
- Issuances outside of Greater China decelerated in June to \$13 billion from \$16 billion in May, still higher than last June. Monthly increases were registered in Colombia, Indonesia, and Mexico. Issuance was subdued in Brazil, India, Poland, and Turkiye. At the end of H1 2023, EEMEA's year-to-date issuance is already 73% of the 2020-2022 average, Greater China at 46%, EM Asia at 40%, while LatAm only at 35%.
- Domestic markets are still a viable alternative, especially in LatAm, although not fully compensating for the decrease in expensive foreign issuance. Year-to-date EM (excluding Greater China) foreign issuance amounts to \$29 billion, only 57% of the 10-year historical average.

EM cumulative corporate bond issuance



Excluding Greater China. Data as of June 30, 2023. Data including not rated. Sources: S&P Global Ratings Credit Research & Insights and Refinitiv.

EM regional bond issuance



Data as of June 30, 2023. GC - Greater China. Sources: S&P Global Ratings Credit Research & Insights and Refinitiv.

Ratings Summary

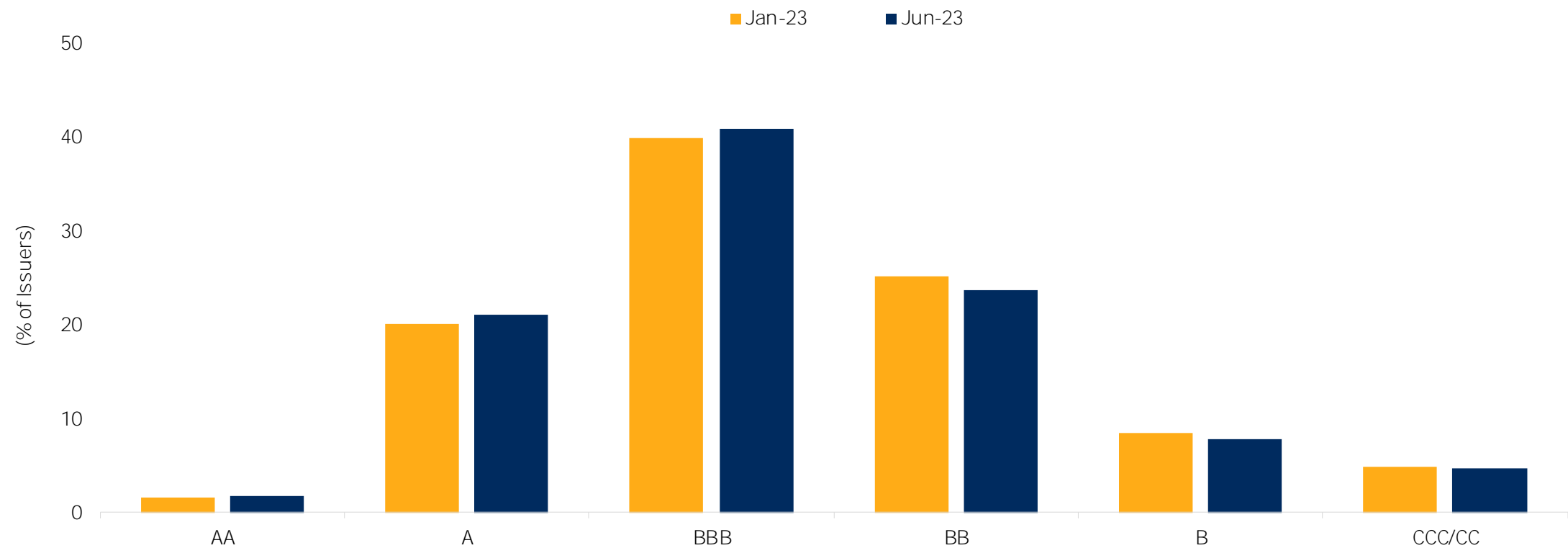
Ratings Summary | Sovereign Ratings In EM18

On June 14, 2023, S&P Global Ratings revised the outlook on Brazil to positive from stable, affirming the 'BB-/B' sovereign credit ratings. The positive outlook reflects signs of greater certainty about stable fiscal and monetary policy that could benefit Brazil's still low GDP growth prospects.

Economy	Rating	Outlook	Five-year CDS spread (June 30)	Five-year CDS spread (May 31)
China	A+	Stable	60	67
Chile	A	Stable	72	86
Saudi Arabia	A	Stable	57	63
Malaysia	A-	Stable	54	65
Poland	A-	Stable	75	90
Philippines	BBB+	Stable	80	86
Thailand	BBB+	Stable	52	56
Indonesia	BBB	Stable	85	89
Mexico	BBB	Stable	102	115
Peru	BBB	Negative	76	96
Hungary	BBB-	Stable	161	177
India	BBB-	Stable	87	98
Colombia	BB+	Stable	234	275
Vietnam	BB+	Stable	115	120
Brazil	BB-	Positive	174	210
South Africa	BB-	Stable	266	315
Turkiye	B	Negative	484	605
Argentina	CCC-	Negative	3,904	5,187

Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, and Taiwan. Data as of June 30, 2023. Sources: S&P Global Ratings Credit Research & Insights and S&P Capital IQ.

Ratings Summary | Credit Rating Distribution In EM18



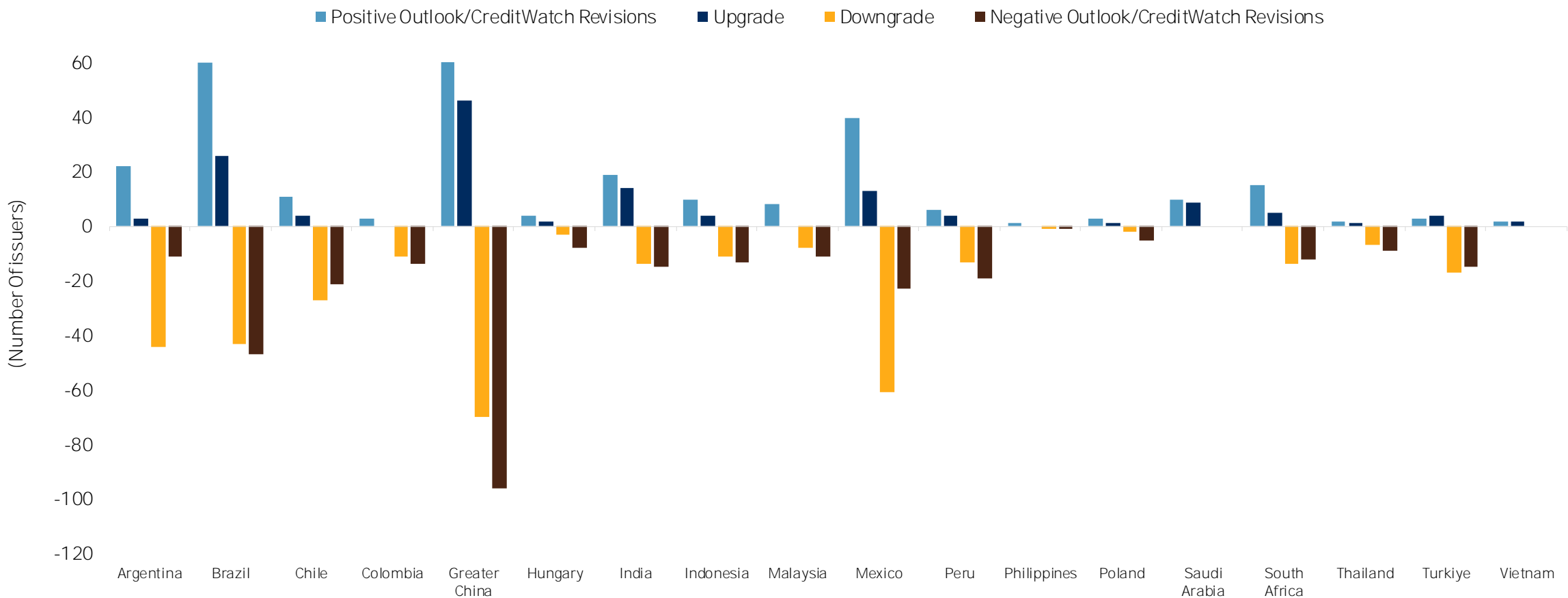
Parent only. Includes Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Data as of June 30, 2023. Source: S&P Global Ratings Credit Research & Insights.

Top 20 EM Rating Actions | By Debt Amount In The Past 90 Days (as of June 30)

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
5-Apr-23	Empresas CMPC S.A.	Chile	Forest products and building materials	BBB	BBB-	Upgrade	2,500
26-Jun-23	Shriram Finance Ltd.	India	Financial institutions	BB	BB-	Upgrade	1,700
3-May-23	GNL Quintero S.A.	Chile	Utilities	BBB+	BBB	Upgrade	1,100
6-Jun-23	Koc Holding A.S.	Turkiye	Financial institutions	B+	B	Upgrade	750
12-Apr-23	Guacolda Energia S.A.	Chile	Utilities	D	CC	Downgrade	500
6-Jun-23	Unigel Participacoes S.A.	Brazil	Chemicals, packaging and environmental services	CCC+	B+	Downgrade	420
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
24-Apr-23	AUNA S.A.A.	Peru	Health care	B	CCC+	Upgrade	300
23-Jun-23	Enjoy S.A.	Chile	Media and entertainment	CCC-	CCC+	Downgrade	211

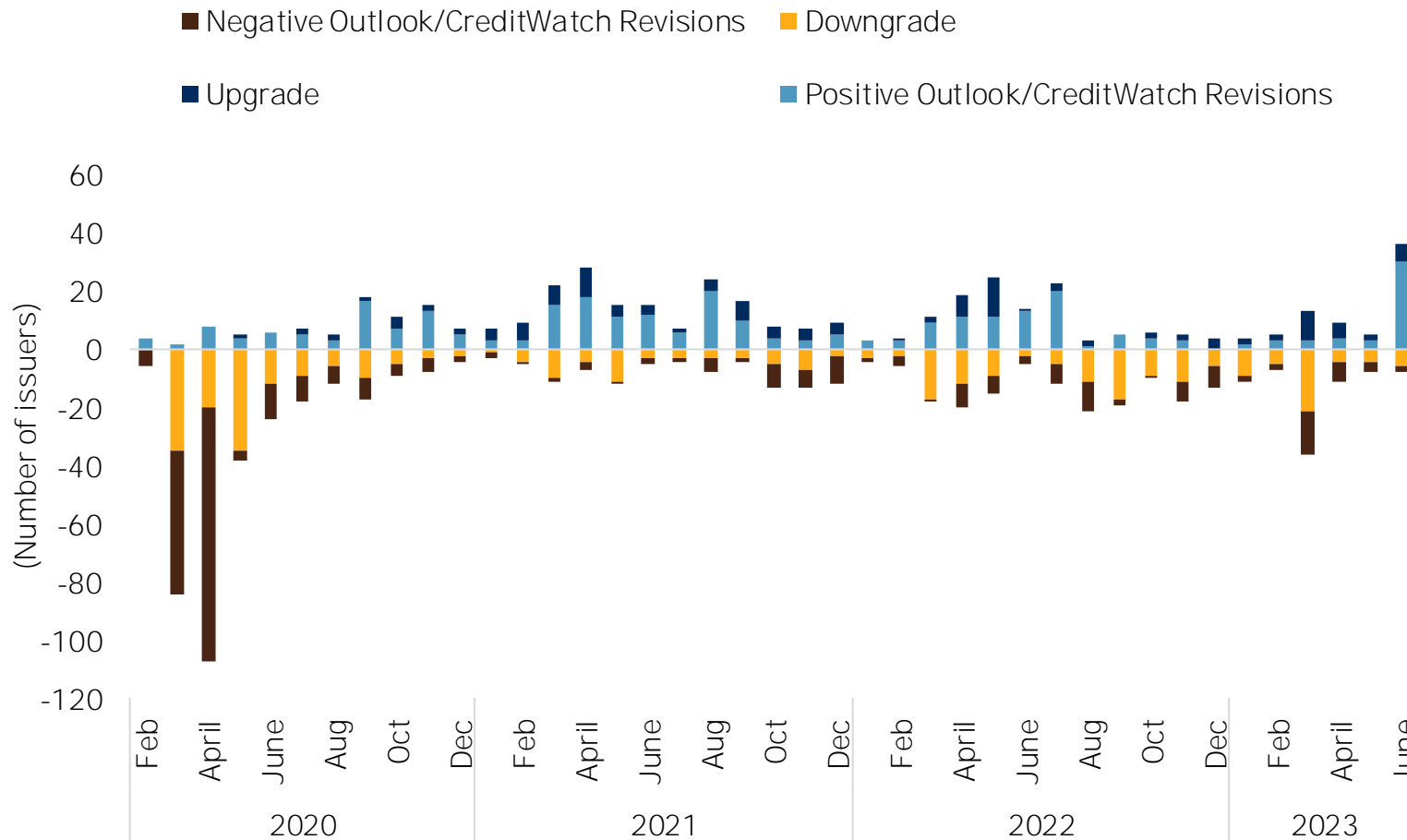
Data as of June 30, 2023 (last 90 days), excludes sovereigns, Only includes rating actions where S&P Global Ratings rates debt. Includes rating actions on subsidiaries only if there was no rating action on the Parent. Excludes Greater China and the Red Chip companies (issuers headquartered in Greater 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 and rating actions on subsidiaries only if there was no rating action on the Parent. Data from Feb. 3, 2020 to June 30, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, the 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

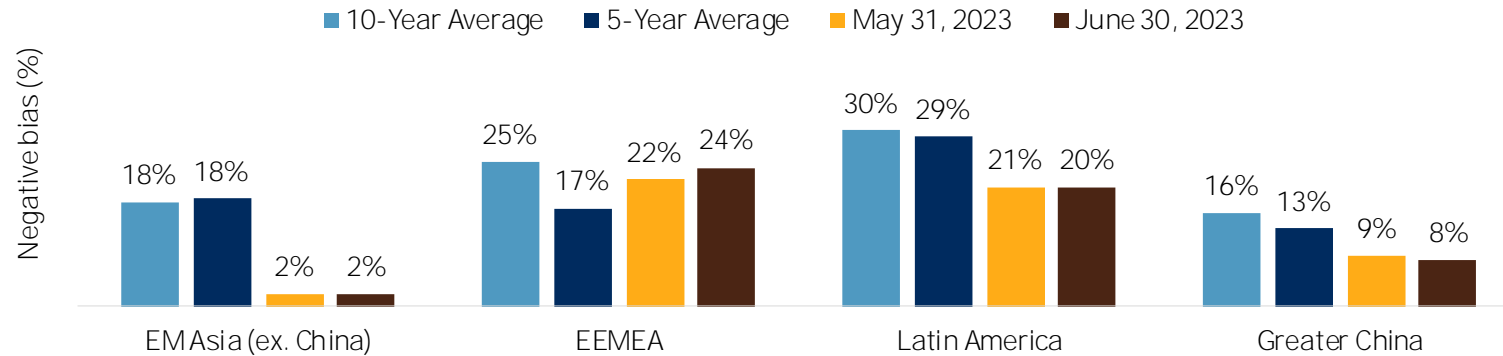


- There were six downgrades in June, all from speculative-grade level, slightly up from four in May. Three of them were in Brazil, two in Greater China, and one in Chile. Liquidity strains and eroding cash flows limit available resources to meet debt obligations, paving the way to capital restructuring.
- There were 36 positive actions in June, up from five in May. Outlook revised to positive on 26 Brazilian issuers following the same action on the sovereign rating. This signals the potential of a one-notch rating uplift in the next two years if Brazilian governing institutions can implement pragmatic economic policies, containing vulnerabilities in public finances and setting the stage for better GDP growth. Four Indian financing institutions were upgraded on improving economic conditions. The remaining two upgrades were in Poland (a bank) on improving capitalization and Turkiye (capital goods).

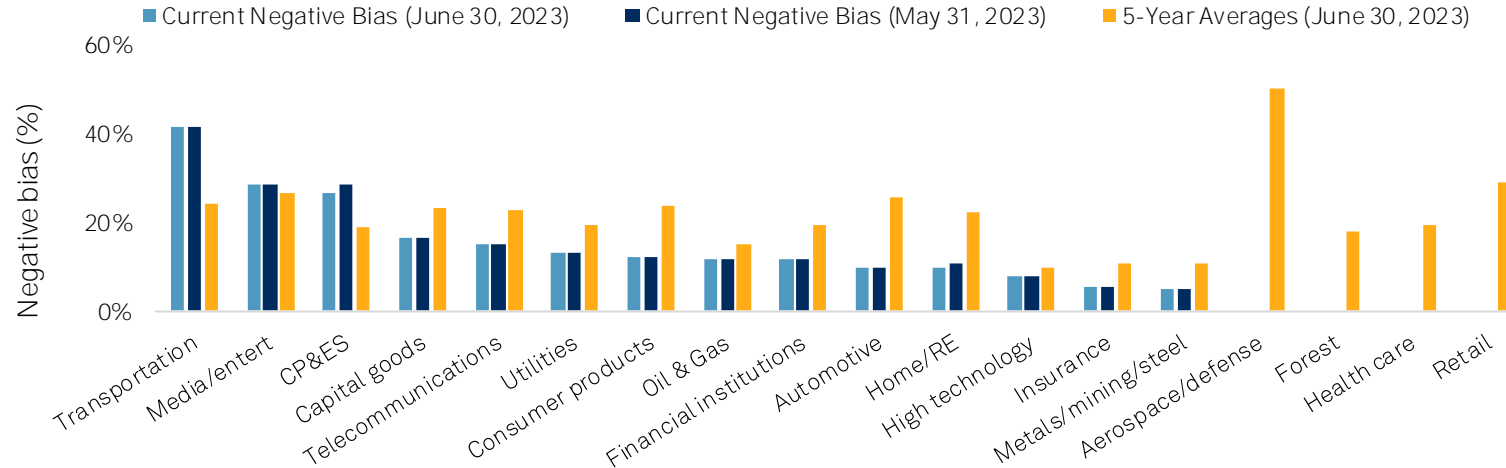
Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the Parent. Data from Feb. 3, 2020 to June 30, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, 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

EEMEA has the highest downgrade potential



Negative Bias By Sector



- EEMEA had the highest downgrade potential in June, with negative bias at 24%, up from 22% in May. Türkiye-based investment holding company Koc Holding A.S. (capital goods) was upgraded to 'B+' from 'B' on strong U.S. dollar net cash position along with a negative outlook assignment, mirroring the one on the sovereign.
- The downgrade potential decreased by 1% to 20% in LatAm, with the negative outlook concentration in Chile and Argentina. The downgrade potential remains; however, below five- and 10-year average.
- Transportation, media, and CP&ES are the only three sectors (out of 18) displaying a negative bias higher than the historical average.

Data as of June 30, 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 June 30 across 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 June 30, 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 angel in 2023 year to date

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 star in 2023 year to date

Rating date	Issuer	Economy	Sector	To	From	Debt amount (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 June 30, 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

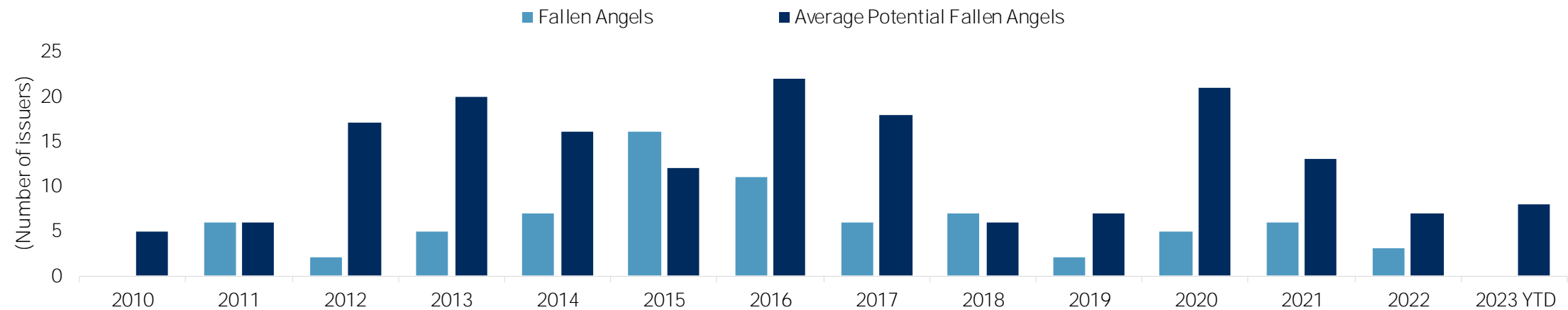
Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
6-Jan-23	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	\$ 153,221
16-Jan-23	Americanas S.A. (Lojas Americanas S.A.)	Brazil	Retail/restaurants	D	B	\$ 1,000
20-Jan-23	Mexarrend, S.A.P.I. de C.V.	Mexico	Financial institutions	D	CC	\$ 300
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
8-Jun-23	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	\$ 153,181
12-Jun-23	InterCement Brasil S.A. (InterCement Participacoes S.A.)	Brazil	Forest products and building materials	SD	CC	\$ -

Data as of June 30, 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 long-term rating. Three confidential defaults through June 30, 2023.

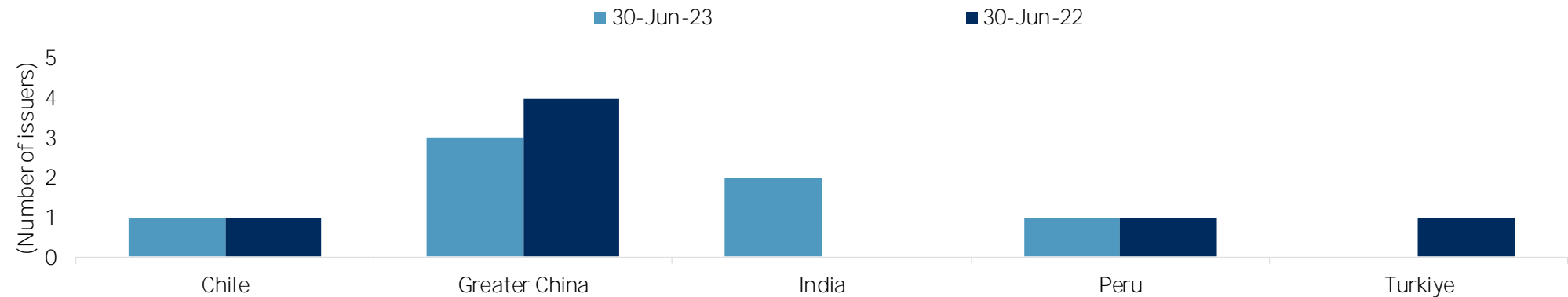
Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Fallen Angels And Potential Fallen Angels

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



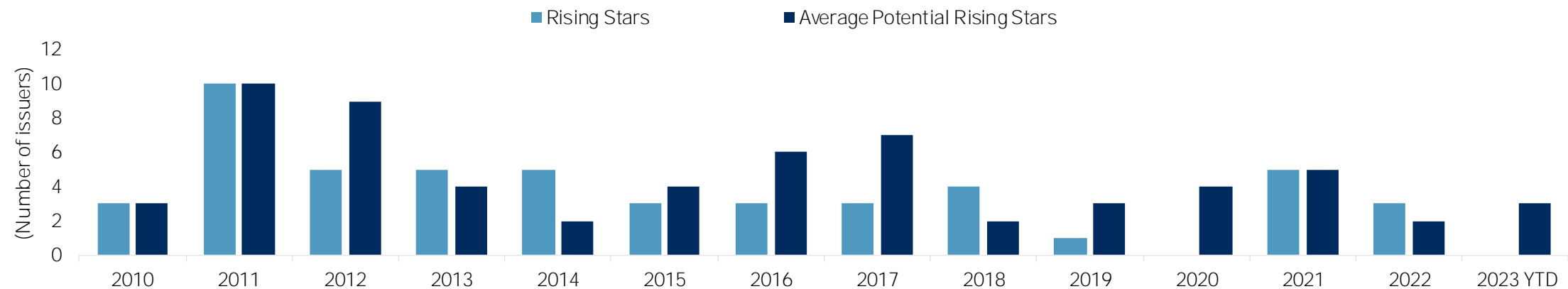
Majority (33%) of issuers are from Greater China



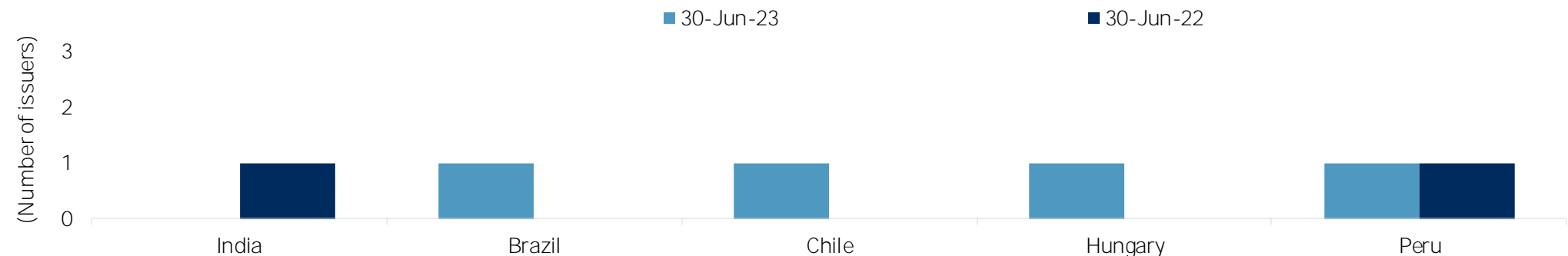
Data as of June 30, 2023. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | Rising Stars And Potential Rising Stars

No rising stars in 2023 year to date



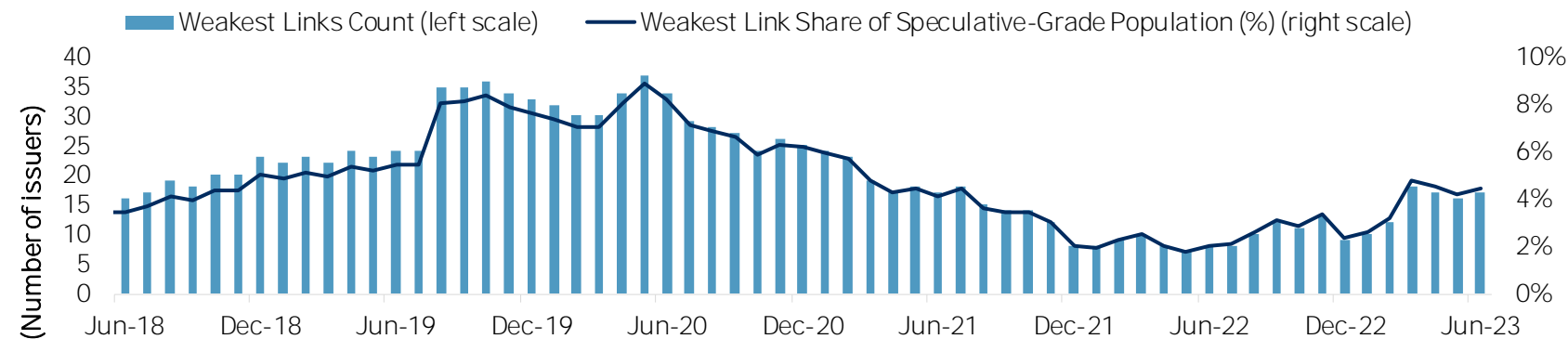
EM potential rising stars



Data as of June 30, 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.

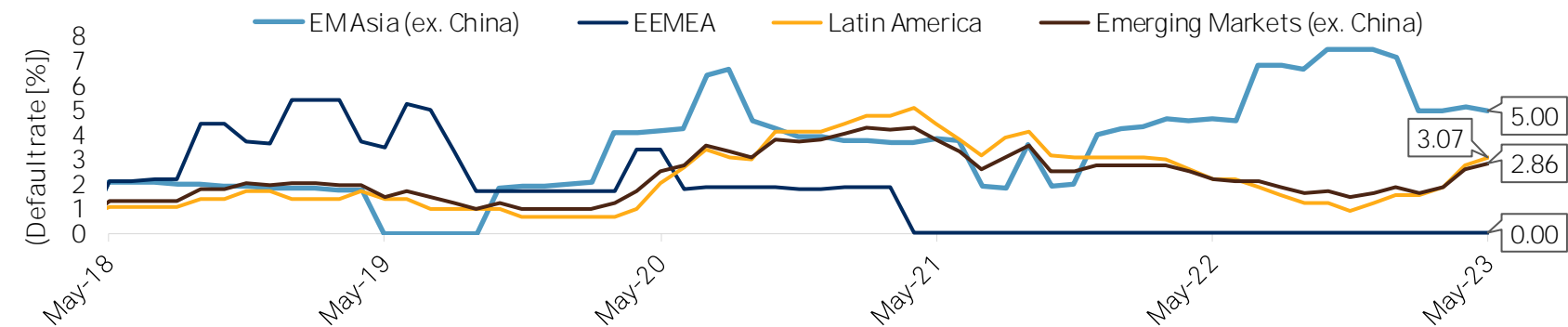
Rating Actions | Weakest Links And Defaults

EM weakest links at 17 in June



Data as of June 30, 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 May 2023)

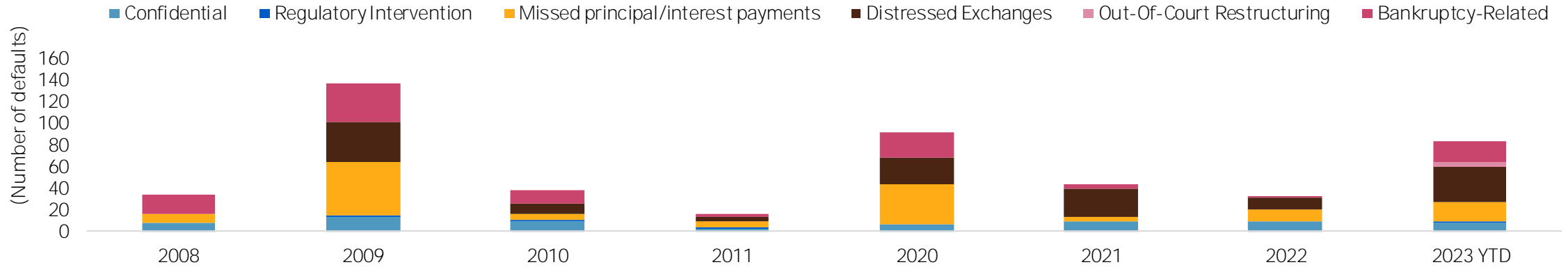


Excluding China. CreditPro data as of May 31, 2023. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Excludes Sovereigns. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

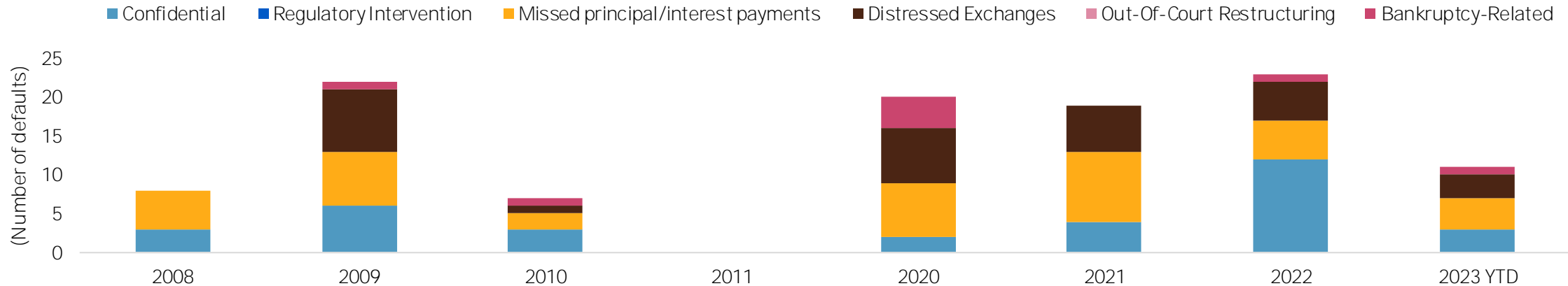
- Weakest links. EM weakest links increased to 17 issuers in June (4% of total speculative-grade issuers) from 16 in May. Unigel Participacoes S.A.(CP&ES, Brazil) was downgraded to 'CCC+' from 'B+' and placed on CreditWatch negative on debt restructuring risk.
- Default rates. May default rate, as a trailing count, increased in LatAm, in which all of EM defaults occurred in 2023, at 11 as of June 30.

Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



*Data as of June 30, 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

- Four Checkpoints On The Path To Greater Renminbi Internationalization, July 11, 2023
- Latin American Corporate and Infrastructure Midyear Credit Outlook 2023: Market Ice Cracks, Yet a Chill Remains, July 6, 2023
- Credit Cycle Indicator Q3 2023: Macro Challenges Could Intensify Credit Correction Pains, June 30, 2023
- Asia-Pacific Sector Roundup Q3 2023: Managing An Uneven Recovery, June 28, 2023
- Credit Conditions Asia-Pacific Q3 2023: China Grapples With An Uneven Recovery, June 27, 2023
- Credit Conditions Emerging Markets Q3: 2023 Inflation Peaked, Risks Remain, June 27, 2023
- 2022 Annual Asia Corporate Default And Rating Transition Study, June 27, 2023
- Economic Outlook Emerging Markets Q3 2023: A Slowdown Ahead After Beating Expectations, June 26, 2023
- Economic Outlook Asia-Pacific Q3 2023: Domestic Demand, Inflation Relief Support Asia's Outlook, June 26, 2023
- Türkiye's Economic Outlook 2023-2024: Soft Landing Or Sudden Stop?, June 21, 2023
- Emerging Markets Monthly Highlights: Resilience To Diverging External Trends, June 15, 2023
- Emerging Markets Real-Time Data: Service Sector Resilience Buys Economic Activity, June 12, 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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