

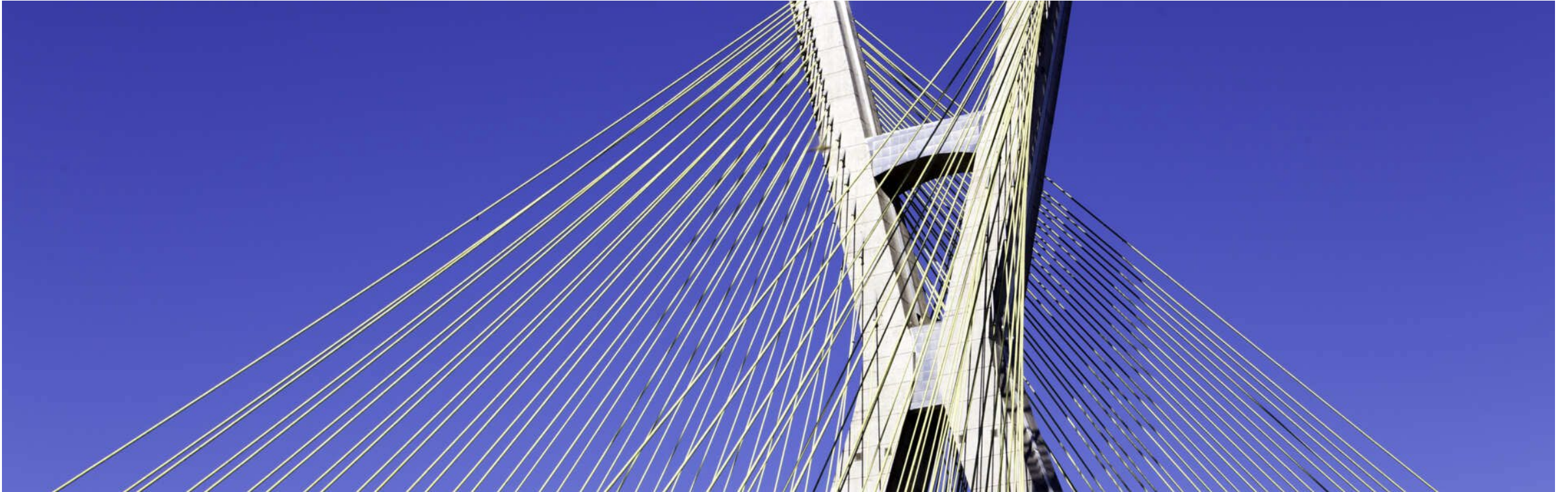
# Emerging Markets Monthly Highlights

## Domestic Demand Is Holding Up

**Credit Research**  
Jose Perez Gorozpe  
Luca Rossi  
Gregoire Rycx

**Economic Research**  
Valerijs Rezvijs  
Elijah Oliveros-Rosen  
Vishrut Rana

September 13, 2023



---

**S&P Global**  
Ratings

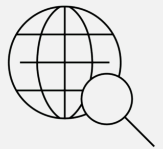
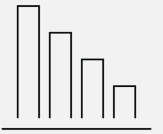
*This report does not constitute a rating action.*

# Contents

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

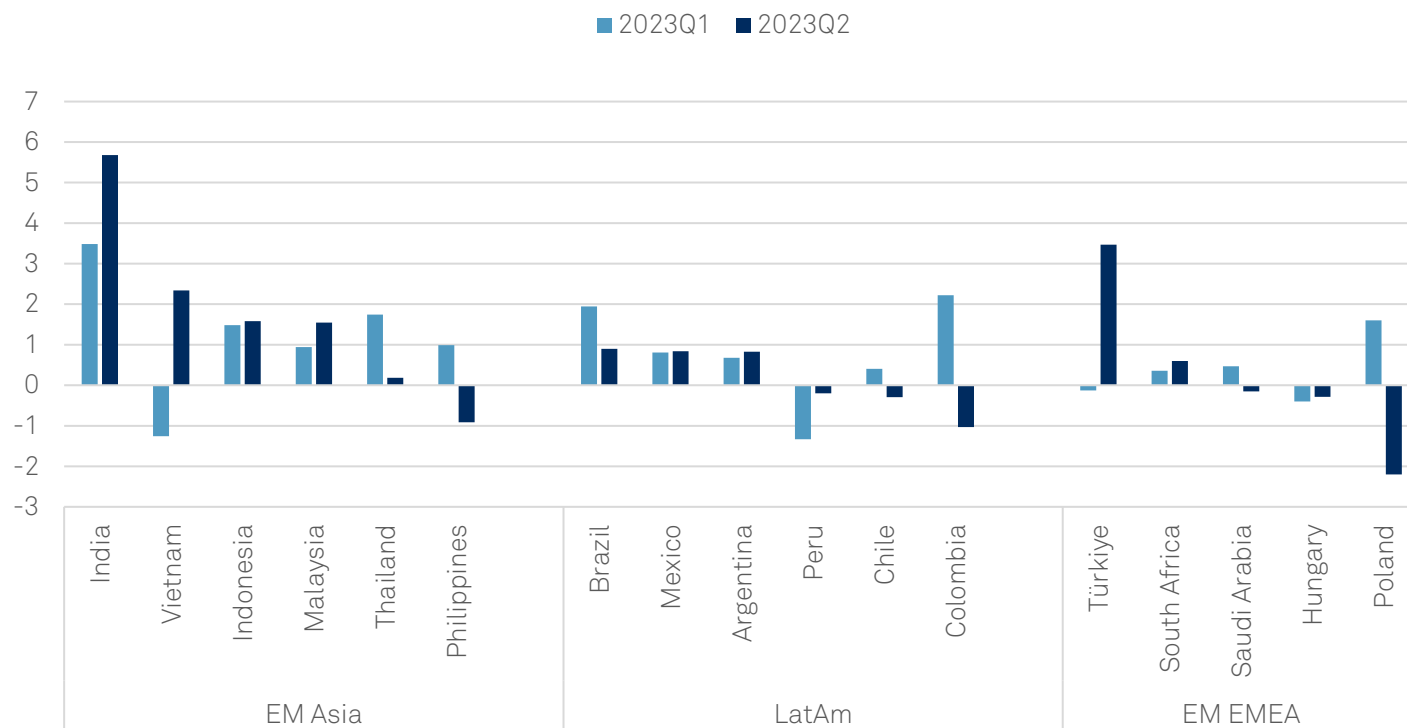
# Key Takeaways

- **Recent Q2 GDP prints indicate ongoing resilience among key emerging markets (EMs), particularly with regards to domestic demand.** EM Asia and parts of LatAm have performed strongly in Q2, given continued growth in household consumption and fixed investment. EM EMEA is the only EM region in which most key economies have recorded negative sequential growth, as weak external demand has taken a toll, especially on those countries that are highly exposed to the eurozone.
- **Economic growth in China and the eurozone is waning, with negative spillover effects for several EMs.** High-frequency data in China point to moderating growth in Q3 as retail sales and exports have been deteriorating over the last few months. However, as activity and credit are still growing (albeit at slower rates), a sharp deceleration in growth is unlikely. At the same time, EM EMEA exports are likely to be subdued, as incoming high-frequency data and purchasing managers' indices (PMIs) in the eurozone, particularly in Germany, remain lackluster.
- **Spreads will be vulnerable to volatile external conditions.** The potential for an additional rate hike by the Federal Reserve, at a time when several EMs are lowering their interest rates, along with disappointing growth in China and the eurozone, could encourage capital outflows and pressure exchange rates against the dollar. In addition, geopolitical risks continue to complicate the outlook.



# Q2 GDP Update | Divergence Among Regions

Quarter-on-quarter GDP (seasonally adjusted; %)

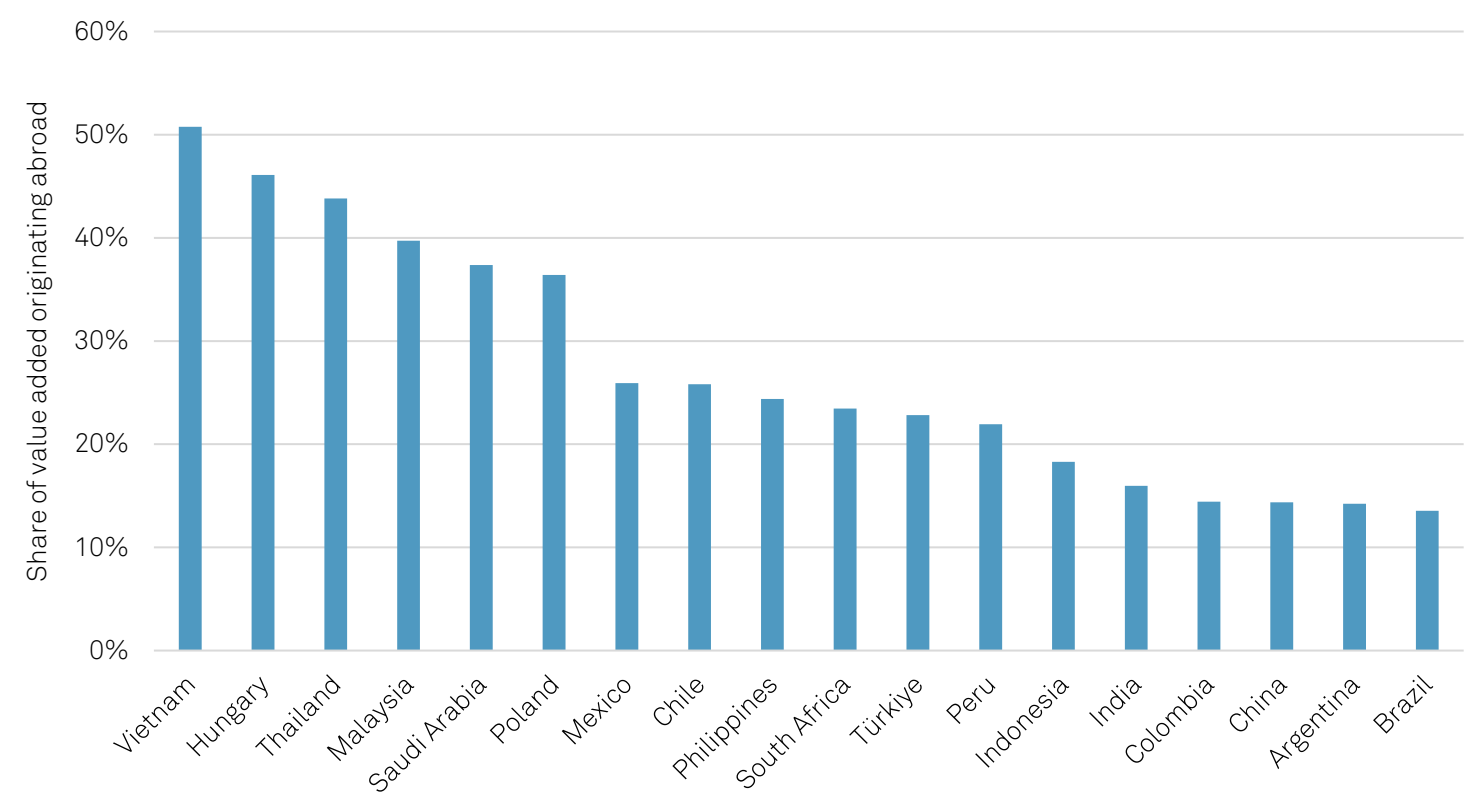


In percentage terms. Sources: National statistical agencies and S&P Global Ratings.

- **Q2 GDP numbers have been broadly strong in EM Asia**, thanks to resilient domestic demand. Consumption is benefiting from the service sector's sustained recovery. Sluggish external demand is weighing on the growth momentum.
- **Q2 GDP prints have also been strong in Brazil and Mexico** because of strong domestic demand and Brazil's exports. However, domestic demand remained subdued across other economies in the region, given tight monetary conditions and political uncertainty.
- **EM EMEA is lagging.** Household consumption has started to recover (except in South Africa), but exports have been exceptionally subdued across most EM EMEA economies because of the downturn in the eurozone. High-frequency indicators and PMIs currently indicate further weakness in external demand in Q3.

# External Exposure| Slower External Demand Will Likely Dent Growth

Several EMs are highly externally oriented

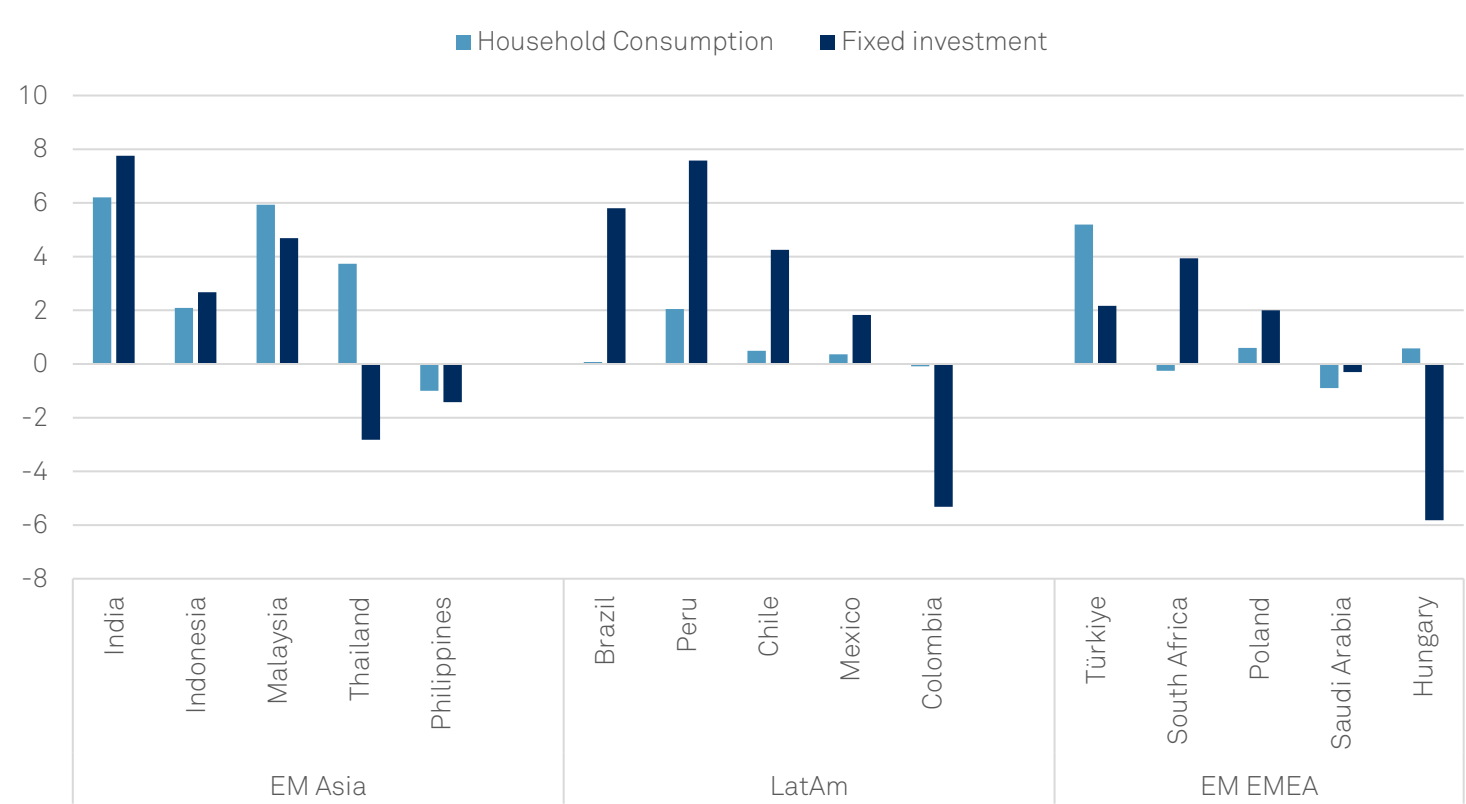


Source: OECD's Trade in Value Added database.

- **The likely further weakening of external demand, and remaining subdued in 2024, will act as a drag on growth of several EMs.** Most of these countries have large manufacturing sectors and are exposed through trade of final goods and supply chains.
- The chart shows the share of total value added that originates abroad. **Vietnam, Hungary, and Thailand** have **more than 40% of their value added exposed to external demand.** At the other end of the scale, Colombia, China, Argentina, and Brazil have less than 15% of their economies exposed to external demand.

# EM Domestic Demand| Holding Up Despite Some Headwinds

Quarter-on-quarter real consumption and investment (seasonally adjusted; %)

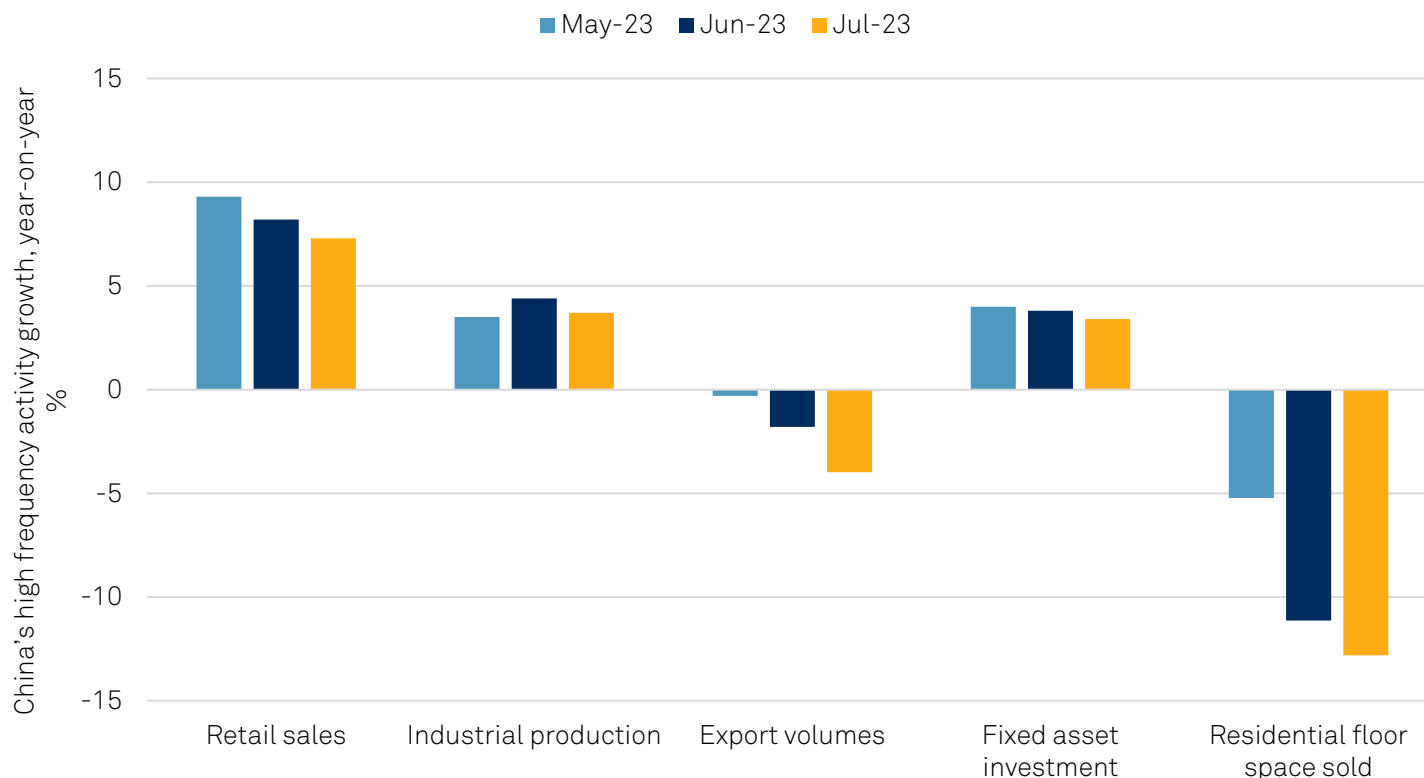


Sources: National statistical agencies, S&P Global Ratings.

- **The combination of improving employment dynamics, rising nominal wages, and in some cases, fiscal support has shored up domestic demand.**
- **Domestic demand has been resilient across most EMs in Q2**, despite high inflation (although broadly decelerating among key EMs) and tight monetary conditions, domestically and externally.
- **Labor market resilience will continue to support demand, but tight monetary policies will start to bite. In most EMs, we expect domestic demand to soften by the end of next year**, which along with continued slowing inflation, will encourage central banks to loosen monetary policy.

# China | Slowing Growth, But Sharp Deterioration Is Unlikely

## China's property sector still looks weak



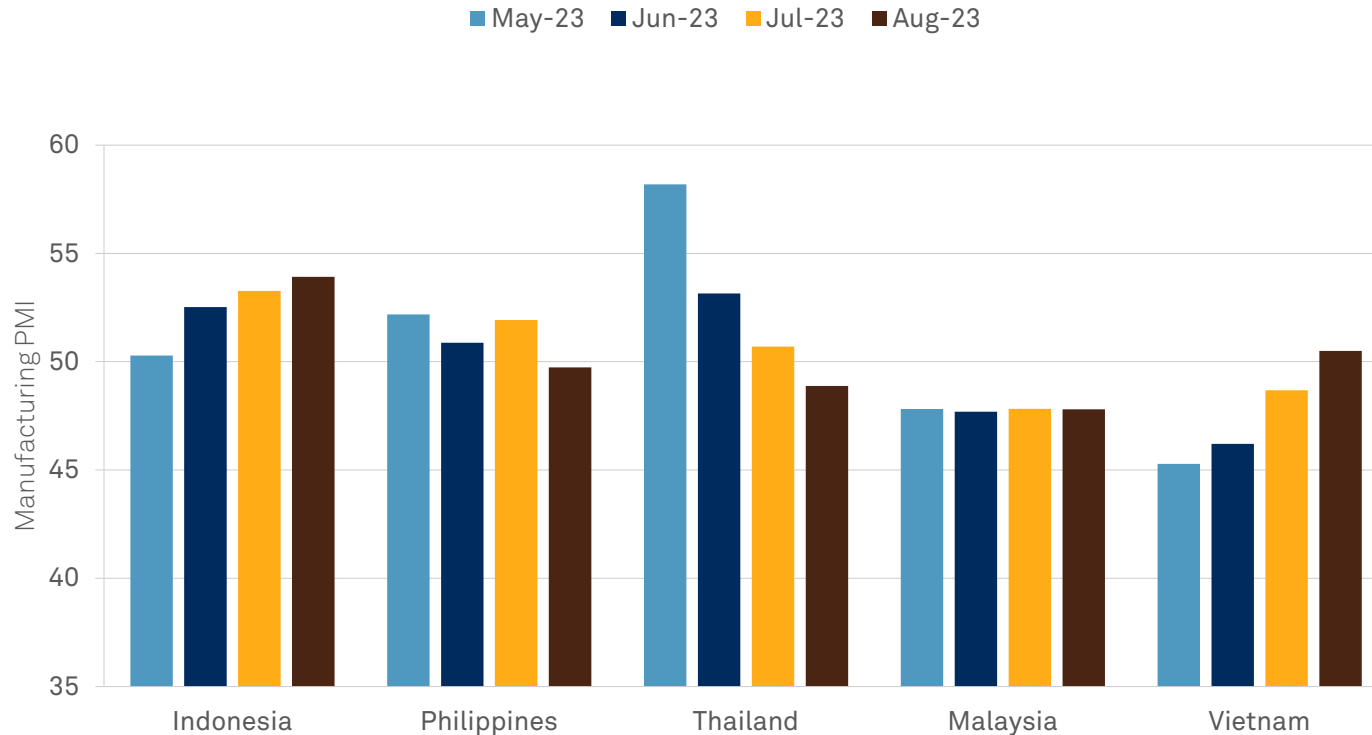
Sources: CEIC data and National Bureau of Statistics.

- **High-frequency data in China point to slower growth ahead.** Retail sales growth has moderated, and the weaker global goods cycle means trade and industrial activity have decelerated.
- **Policymakers are unlikely to use significant stimulus to prop up growth.** They remain keen on preventing financial imbalances and large local-government borrowing.
- However, activity and credit are still growing, and **a sharp growth deterioration is unlikely.**
- The property sector is still weak, particularly, across lower-tier cities. **Some recent policy-easing measures will help the sentiment.**

# Regional Economic Highlights

# EM Asia Economics | Restrained Manufacturing Activity

Vishrut Rana, Singapore, +65-6216-1008, [vishrut.rana@spglobal.com](mailto:vishrut.rana@spglobal.com)



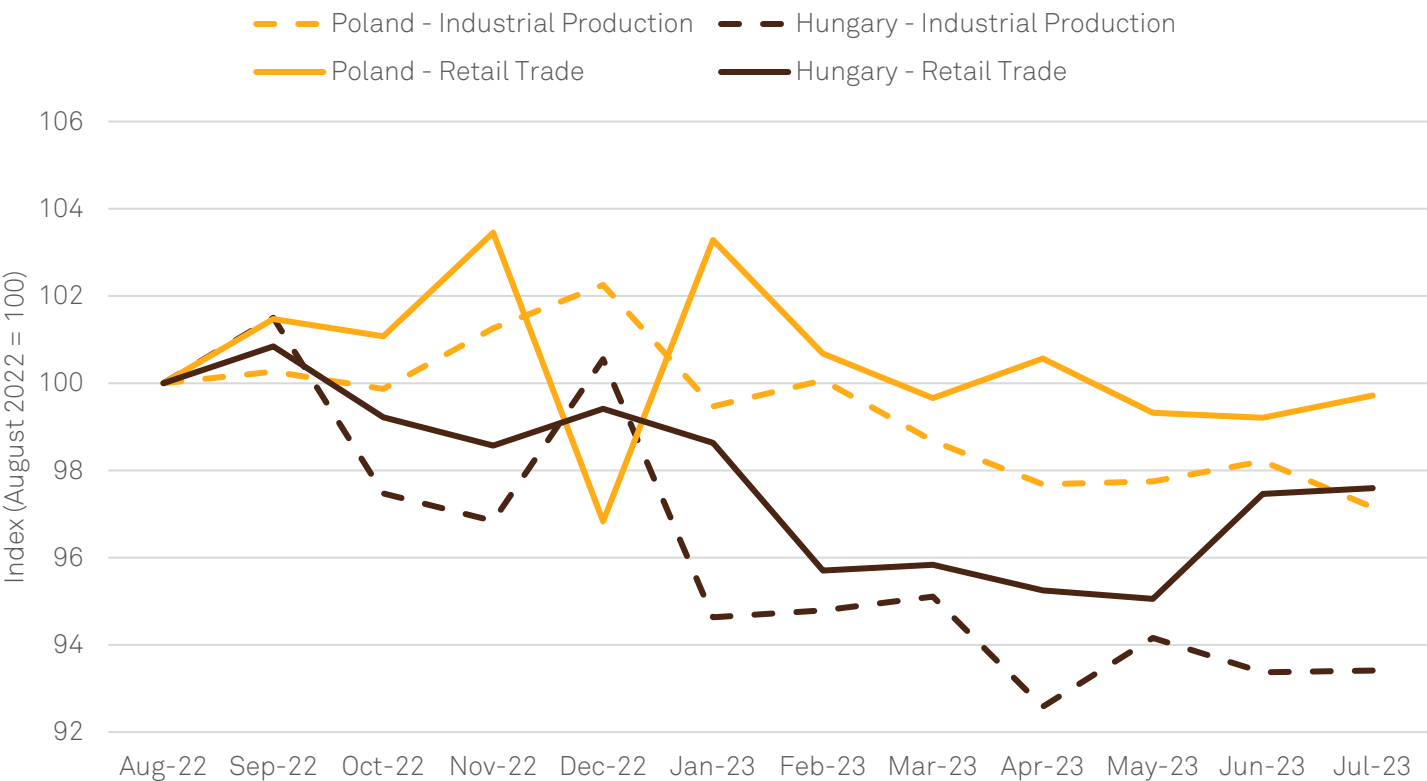
- **Manufacturing activity in EM Asia remains soft amid weak external demand.** Malaysia has been posting subpar PMI readings for several months. Thailand's manufacturers have reported slowing activity in August following strong readings in May and June.
- Vietnam, a major player in consumer electronics, is showing some bottoming out of manufacturing weakness. **A recovery in global goods demand will help revive manufacturing growth in EM Asia.** The sector depends heavily on external demand.

Source: S&P Global Ratings.

# EM EMEA Economics | Industrial Production Is Lagging

Valerijs Rezvijs, London, +44-7929-651386, [valerijs.rezvijs@spglobal.com](mailto:valerijs.rezvijs@spglobal.com)

Industrial production in Central And Eastern Europe (CEE) is falling behind retail sales



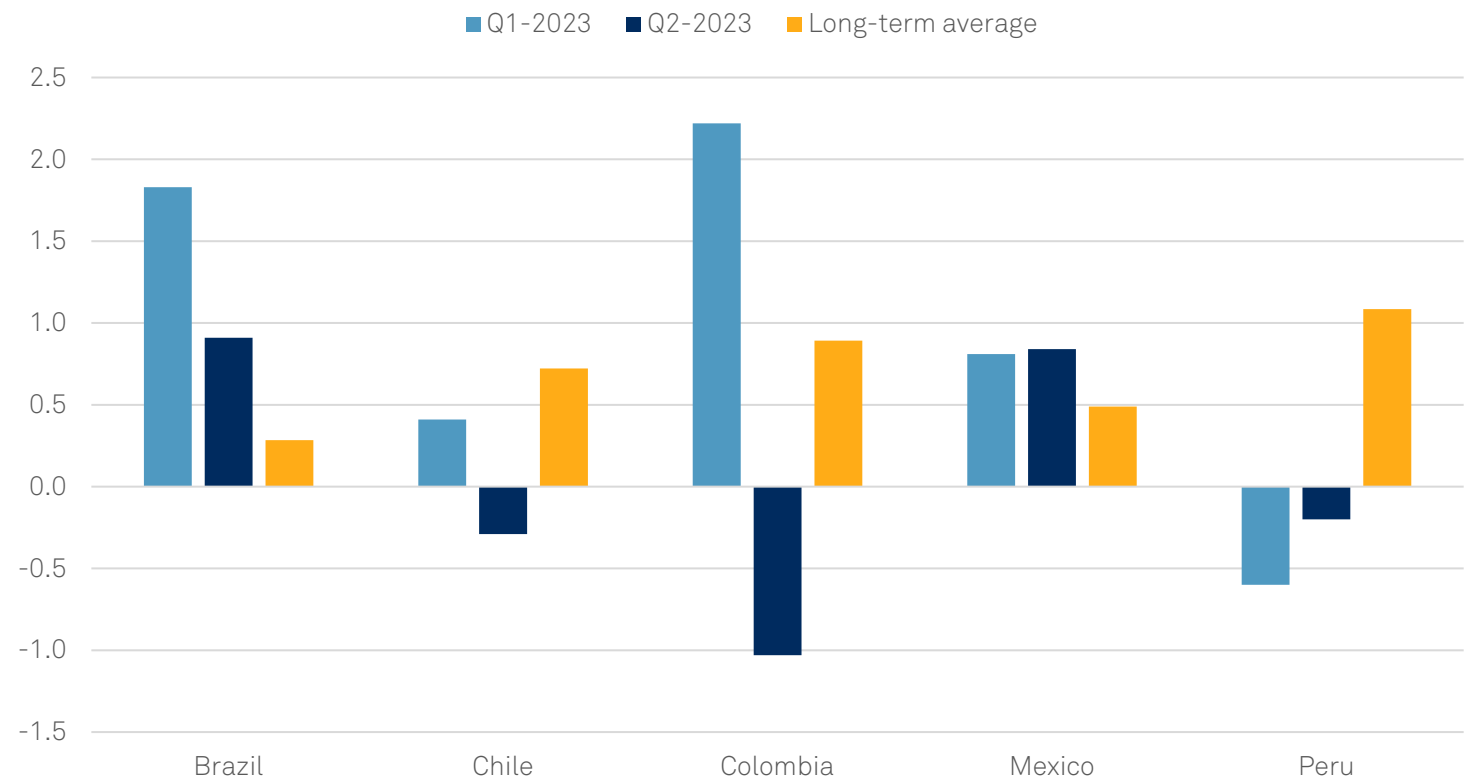
Sources: Eurostat and S&P Global Ratings.

- **Incoming economic data from EM EMEA point to weak external demand in the eurozone, particularly in Germany.** This is reflected in subdued Q2 GDP prints, as well as lackluster industrial production, which now lags retail trade indices (which were also subdued due to a decrease in real incomes in 2022).
- **CEE PMIs for export orders are now at their lowest values since the Covid lockdowns in 2022** (37.4 in Poland). Türkiye, whose main trading partner is Germany, has also recorded a drop in exports of goods in Q2.
- **In contrast, South Africa has recorded growth in exports in Q2.** Compared with Emerging Europe, South Africa has a significantly smaller share of total trade with the eurozone (China and the U.S. are its main trading partners).

# LatAm Economics | Growth Remains Above Trend In Brazil And Mexico

Elijah Oliveros-Rosen, New York, +1-212-438-2228, [elijah.oliveros@spglobal.com](mailto:elijah.oliveros@spglobal.com)

Real GDP growth, quarter-on-quarter (seasonally adjusted; %)



Note: Long-term average is 2010-2019. Sources: Haver Analytics and S&P Global Ratings.

- **In LatAm, Brazil and Mexico had the strongest second-quarter GDP growth.** Brazil’s 0.9% quarter-on-quarter expansion was nearly three times above consensus thanks to strong agricultural exports (following good harvest in Q1). Domestic demand also held up well, helped by ongoing fiscal stimulus measures. We expect growth in Brazil to weaken as those two factors will no longer be in play in the coming quarters. Domestic demand in Mexico also continues to surprise to the upside, helped by strong remittance inflows. The manufacturing sector continues to expand, although we expect it to weaken as demand from the U.S. softens.
- **GDP in Chile, Colombia, and Peru contracted in the second quarter.** This was broadly expected-- domestic demand in those countries has been weakening since the start of this year due to very tight monetary policies. Political uncertainty in Colombia and Peru took a severe toll on fixed investment.

# Macro-Credit Dashboards

# GDP Summary | Mixed Q2 GDP Readings, Most EMs Grew Below Trend

Country	Latest reading (y/y)	Period	Five-year avg	2020	2021	2022	2023f	2024f	2025f	2026f
Argentina	1.3	Q1	-0.2	-9.9	10.7	5.0	-3.3	0.0	2.1	2.1
Brazil	3.4	Q2	-0.5	-3.6	5.3	3.0	1.7	1.5	1.8	1.9
Chile	-1.1	Q2	2.0	-6.2	11.9	2.5	0.3	2.4	2.8	2.9
Colombia	0.3	Q2	2.4	-7.3	11.0	7.3	1.4	2.0	2.9	3.0
Mexico	3.6	Q2	1.6	-8.2	4.9	3.0	1.8	1.5	2.1	2.1
Peru	-0.5	Q2	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	7.8	Q2	6.9	-5.8	9.1	7.2	6.0	6.9	6.9	7.1
Indonesia	5.2	Q2	5.0	-2.1	3.7	5.3	4.8	5.0	5.1	5.1
Malaysia	2.9	Q2	4.9	-5.5	3.3	8.7	4.0	4.5	4.5	4.4
Philippines	4.3	Q2	6.6	-9.5	5.7	7.6	5.9	5.9	6.6	6.3
Thailand	1.8	Q2	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	-2.4	Q2	4.1	-4.8	7.1	4.6	0.1	3.2	2.9	2.9
Poland	-1.4	Q2	4.4	-2.0	6.7	5.5	1.1	3.2	3.3	2.8
Saudi Arabia	1.2	Q2	2.1	-4.3	3.9	8.7	0.2	3.6	3.4	3.3
South Africa	1.6	Q2	1.0	-6.3	4.9	2.0	0.6	1.7	1.7	2.3
Turkiye	3.8	Q2	4.2	1.8	11.6	5.4	2.3	2.0	3.1	3.1

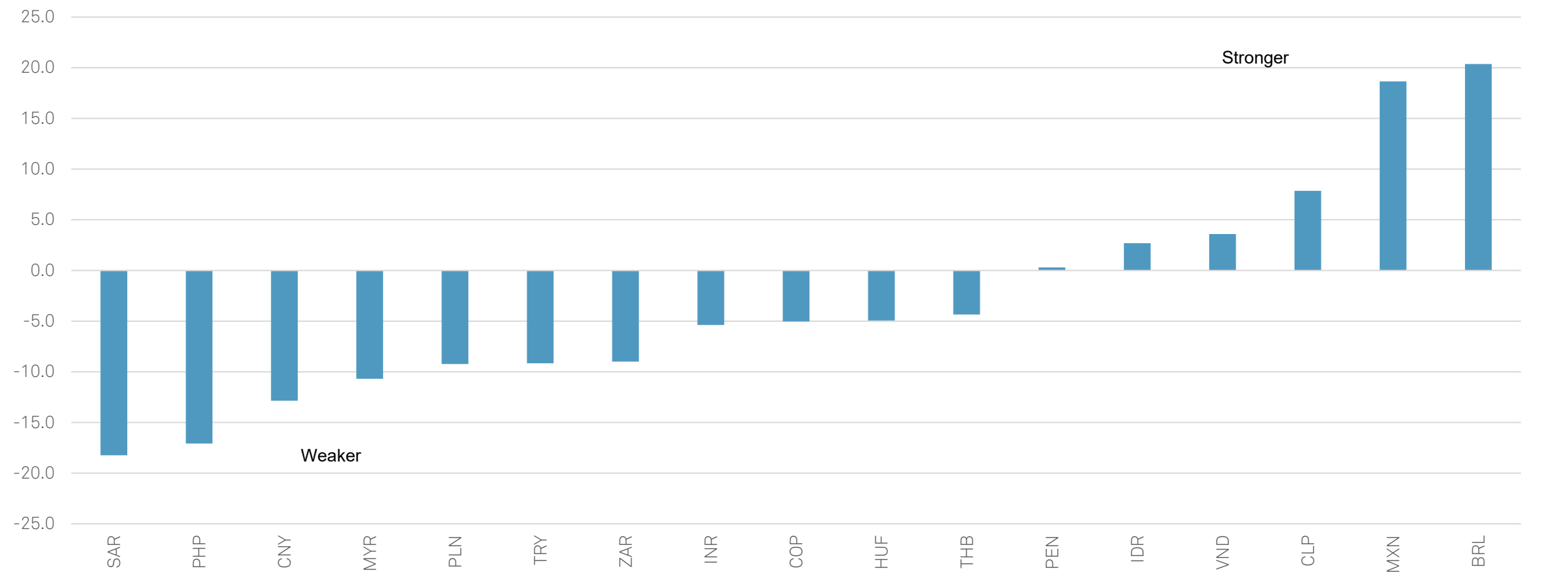
# Monetary Policy/FX | Most EM Currencies Weakened Last Month

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	Aug. exchange rate chg.	YTD exchange rate chg.
Argentina	118.00%	No target	113.4%	2,100 bps hike	N/A	-21.3%	-49.4%
Brazil	13.25%	3.25% +/- 1.5%	4.0%	50 bps cut	Sept. 20	-3.7%	6.0%
Chile	9.50%	3.0% +/- 1.0%	6.5%	75 bps cut	July 28	-3.1%	0.2%
Colombia	13.25%	3.0% +/- 1.0%	11.4%	Hold	Sept. 29	-4.0%	17.7%
Mexico	11.25%	3.0% +/- 1.0%	4.6%	Hold	Sept. 28	-0.8%	15.8%
Peru	7.75%	1.0% - 3.0%	5.6%	Hold	Sept. 14	-2.5%	3.2%
China	1.80%	3.0%	0.0%	N/A	N/A	-0.7%	-3.0%
India	6.50%	4.0 +/- 2.0%	7.4%	Hold	Oct. 6	-0.6%	-0.1%
Indonesia	5.75%	3.5% +/- 1.0%	3.3%	Hold	Sept. 21	-1.0%	2.2%
Malaysia	3.00%	No target	2.0%	Hold	Nov. 2	-2.8%	-5.1%
Philippines	6.25%	3.0% +/- 1.0%	5.3%	Hold	Sept. 21	-3.0%	-1.6%
Thailand	2.25%	2.5% +/- 1.5%	0.9%	25 bps hike	Sept. 27	-2.3%	-1.1%
Vietnam	4.50%	4%	3.0%	50 bps cut	N/A	-1.7%	-2.1%
Hungary	13.00%	3.0% +/- 1.0%	16.4%	Hold*	Sept. 26	-0.2%	6.7%
Poland	6.00%	2.5% +/- 1.0%	10.1%	75 bps cut	Oct. 4	-3.1%	6.4%
Saudi Arabia	6.00%	No target	2.3%	25 bps hike	Sept. 20	0.0%	0.0%
South Africa	8.25%	3.0% - 6.0%	4.7%	Hold	Sept. 21	-6.1%	-10.1%
Turkiye	25.00%	5.0% +/- 2.0%	58.9%	750 bps hike	Sept. 21	1.0%	-29.8%

Note: \*For Hungary we use the base rate. The bank cut the deposit rate by 100 bps in the August meeting. 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 | Still Very Strong LatAm Currencies

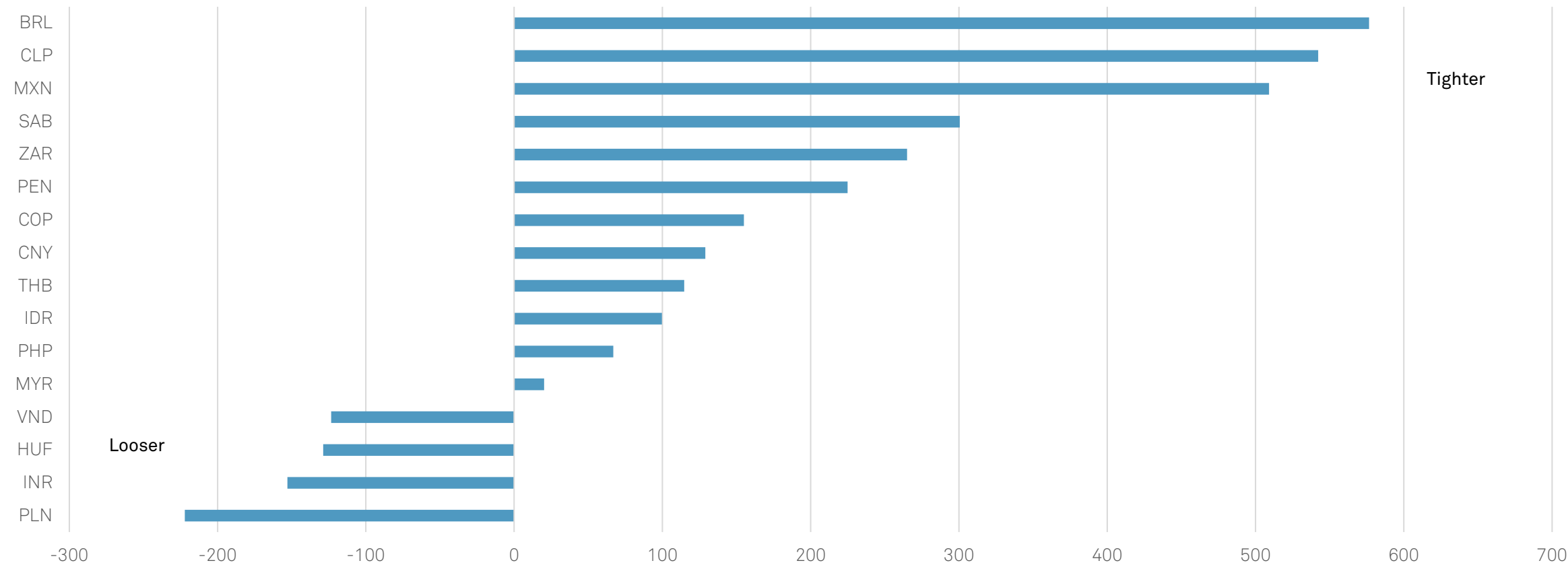
Broad real effective exchange rates



Note: Percent 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 Aug. 31, 2023. Sources: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

# Real Interest Rates | The Most Restrictive Still 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 Aug. 31, 2023. Sources: Haver Analytics and S&P Global Ratings.*

# EM Heat Map

---

**S&P Global**  
Ratings

	Chile	Saudi Arabia	Poland	Peru	Malaysia	Mexico	China	Philippines	Indonesia	Thailand	India	Colombia	Brazil	South Africa	Vietnam	Turkey	Argentina
FC Sovereign Rating	A	A	A-	BBB	A-	BBB	A+	BBB+	BBB	BBB+	BBB-	BB+	BB-	BB-	BB+	B	CCC-
Sovereign Outlook	Stable	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Stable	Stable	Negative	Negative
<b>Sovereigns</b>																	
Institutional	2	4	4	4	3	3	3	4	3	4	3	3	4	4	4	5	6
Economic	4	3	3	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	1	4	2	4	3	4	3	3	3	6	4	6	6	4	5	6
Fiscal (DBT)	2	1	2	3	5	4	4	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
<b>Financial Institutions BICRA</b>																	
Economic Risk	4	5	4	6	5	6	7	6	6	7	6	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	H	L	I	I	H	H	H	VH	H	I	I	I	EH	VH	H
Derived Anchor	bbb+	bbb	bbb	bbb-	bbb	bbb-	bb+	bbb-	bb+	bb	bbb-	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	L	H	I	I	H	VH	VH
Credit Risk	I	I	I	VH	H	I	VH	H	VH	VH	VH	H	H	H	EH	VH	EH
Competitive Dynamics	L	I	H	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	H	I	H	I	VH	VH
<b>Nonfinancial corporates</b>																	
Median Rating (Aug 31, 2023)	BBB	A-	BB	BB	BBB+	BBB-	BBB+	BBB	BB-	BBB	BBB-	BB+	BB-	BB-	BB-	B	CCC-
Net Debt / EBITDA	3.52	3.06	1.59	2.28	2.39	2.91	3.15	3.24	2.49	2.72	2.33	1.95	1.95	2.12	2.76	1.74	1.94
ROC Adj.\$	-1.8	1.0	-6.1	0.1	0.4	0.8	2.3	-1.5	0.4	2.5	-2.9	-3.3	0.8	1.1	1.4	-25.4	-50.1
EBITDA INT. COV.	6.70	8.94	9.48	7.01	9.91	4.46	6.60	7.08	5.91	10.97	5.83	5.25	3.36	6.18	5.50	4.61	4.07
FFO / Debt	28.7	28.6	45.8	38.8	25.7	37.6	16.4	26.3	33.7	26.3	37.6	44.6	53.1	44	27.8	43	45.3
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.

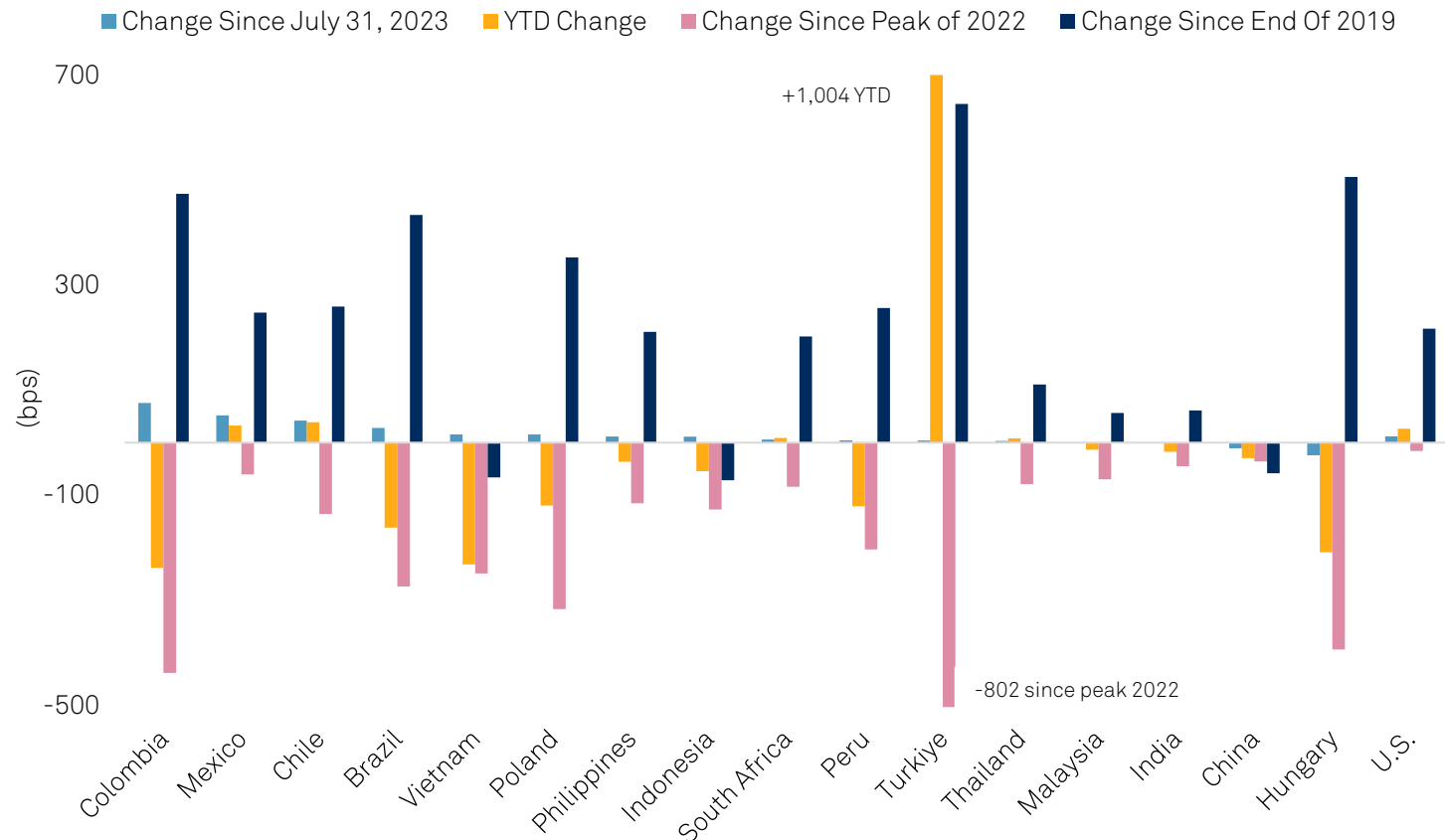
\*IIF 4Q 2022. Sources: t-Bangko Sentral NG Pilipinas, Banco Central de Reserva del Peru, Superintendencia de Banca y Seguros y AFP (Peru); Corporate Variables Capital IQ 1Q 2023. S&P Global Ratings. Data for sovereigns and financial institutions as of September 12, 2023.

# Financing Conditions

## Highlights

# EM Yields | Benchmark Yields Stayed Put In August

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

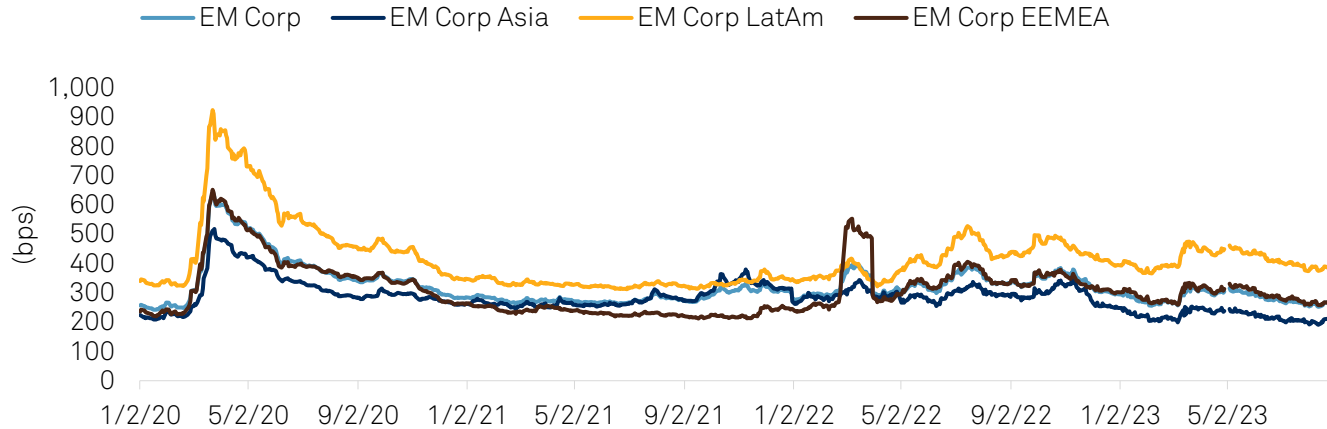


Data as of Aug. 31, 2023. The selection of country is subject to data availability. Source: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro and Datastream.

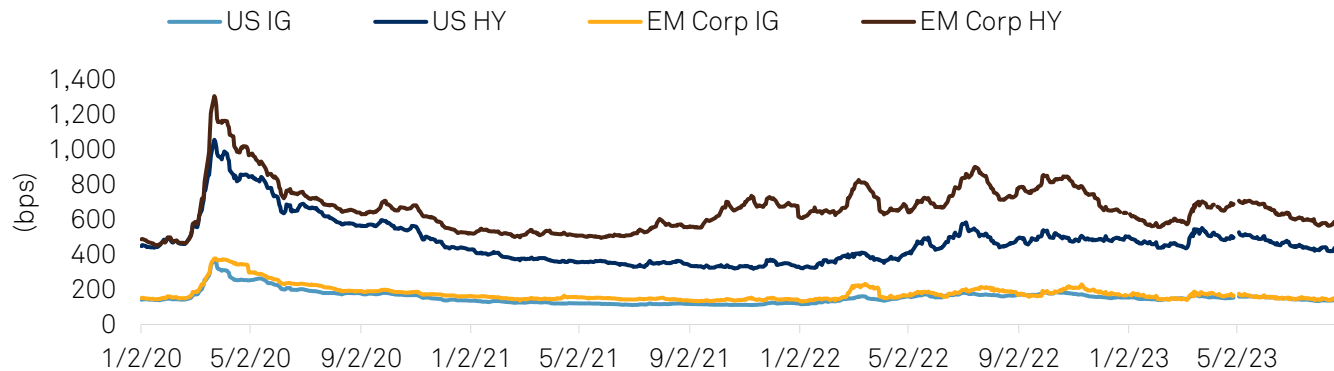
- **EM 10-year benchmark yields were somewhat muted** in August. The most significant upward movements were in Colombia (76 bps monthly) on contracting economic activity, Mexico (52 bps) as the Mexican peso weakened against the U.S. dollar, and Chile (42 bps) because floods impacted severely the central southern region.
- **The Hungarian National Bank** narrowed the interest-rate corridor by cutting the overnight collateralized lending rate to 16.5% from 17.5% in August, leading to a 24-bp decrease in nominal yields. Monetary-policy easing has already begun in Chile and Brazil.
- **Despite recent-rate cuts, corporate financing costs remain elevated** as effective corporate yields across regions are not decreasing despite the disinflationary process.

# EM Credit Spreads| August Calm

## EM spreads by region



## U.S. and EM spreads



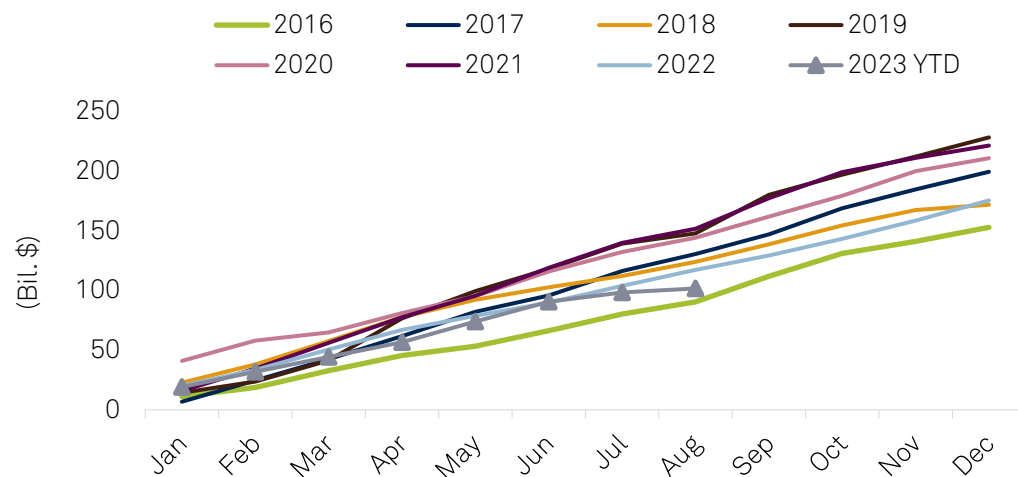
Data as of Aug. 31, 2023. HY – High Yield; IG – Investment Grade. Source: S&P Global Ratings Credit Research & Insights, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- **EM corporate spread remained constant after a four-consecutive-month decrease.** The global EM aggregate is 31 bps lower year to date (YTD), with EM corporate Asia showing the deepest compression of spreads across regions (down 44 bps YTD). Credit pressure continues in LatAm, because higher-for-longer interest rates and tight financing conditions trigger refinancing risk.
- **No speculative-grade debt issuance was recorded in July and August.** Two Hong Kong-based financial companies issued investment-grade debt--CLI Overseas Co. Ltd-HK Branch (\$2 billion) and Hong Kong Mortgage Corp. Ltd. (\$26 million) at 5.1%.
- **Spreads may be vulnerable to external conditions.** A potential for the Fed's further hikes, amid monetary policy easing in EMs, as well as China's disappointing growth could accelerate capital flows and depress exchange rates against a stronger dollar. Geopolitical risks such as the Russia-Ukraine conflict or U.S.-China tensions complicate the outlook.

# EM | Financial And Non-Financial Corporate Issuance

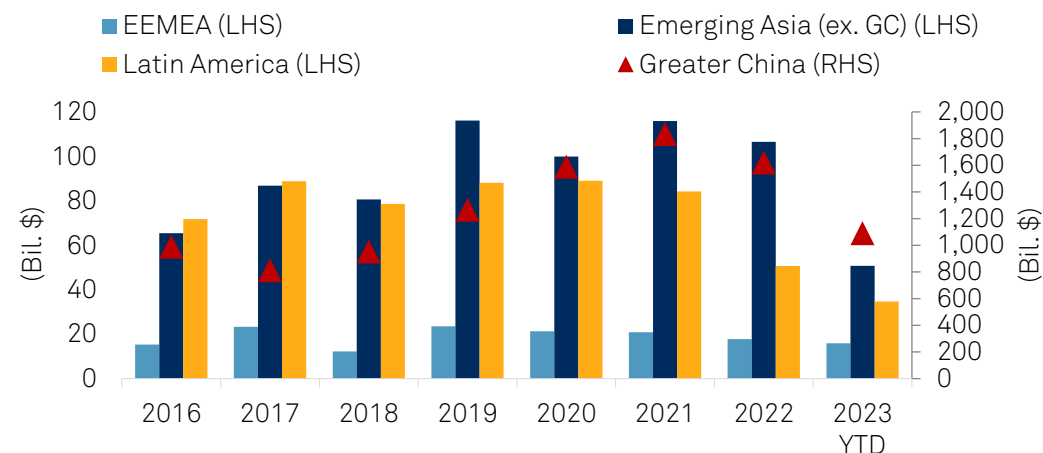
- **EM overall issuance grew at 2% compared with July** with a monthly volume of \$153 billion, 98% of which occurred in Greater China, which has seen a relatively stable issuance from financial institutions. Non-bank financial institutions' (NBFIs) issuances compensated for the \$7 billion issuance drop among banks. Non-financial corporate issuance registered a 12% monthly pick-up mainly across the utilities, high tech, and automotive sectors.
- **Issuances outside of Greater China dropped markedly again in August** with a record low of \$3 billion, compared with the January-July 2023 average of \$14 billion. The decrease was widespread, except for Malaysia (utilities and NBFIs). Regional disparities exist: for the four months to the end of 2023, LatAm is now only at 43% of its 2017-22 average issuance, EM Asia at 50%, and EEMEA at 80%.
- **95% of 2023 YTD issuances were at a fixed rate** while short-term financing (one-three years) increased to 22% from 15% in 2022, mirroring issuers' uncertainty about future financing conditions and tap markets exclusively to cover imminent refinancing needs.

## EM cumulative corporate bond issuance



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

## EM regional bond issuance



Data as of Aug. 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 (Aug. 31)	Five-year CDS spread (July 31)
China	A+	Stable	76	54
Chile	A	Stable	57	62
Saudi Arabia	A	Stable	47	48
Malaysia	A-	Stable	52	42
Poland	A-	Stable	62	68
Philippines	BBB+	Stable	75	68
Thailand	BBB+	Stable	52	43
Indonesia	BBB	Stable	82	74
Mexico	BBB	Stable	100	100
Peru	BBB	Negative	72	72
Hungary	BBB-	Stable	147	154
India	BBB-	Stable	88	81
Colombia	BB+	Stable	207	198
Vietnam	BB+	Stable	123	106
Brazil	BB-	Positive	168	164
South Africa	BB-	Stable	245	228
Turkiye	B	Negative	377	373
Argentina	CCC-	Negative	4,468	3,970

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

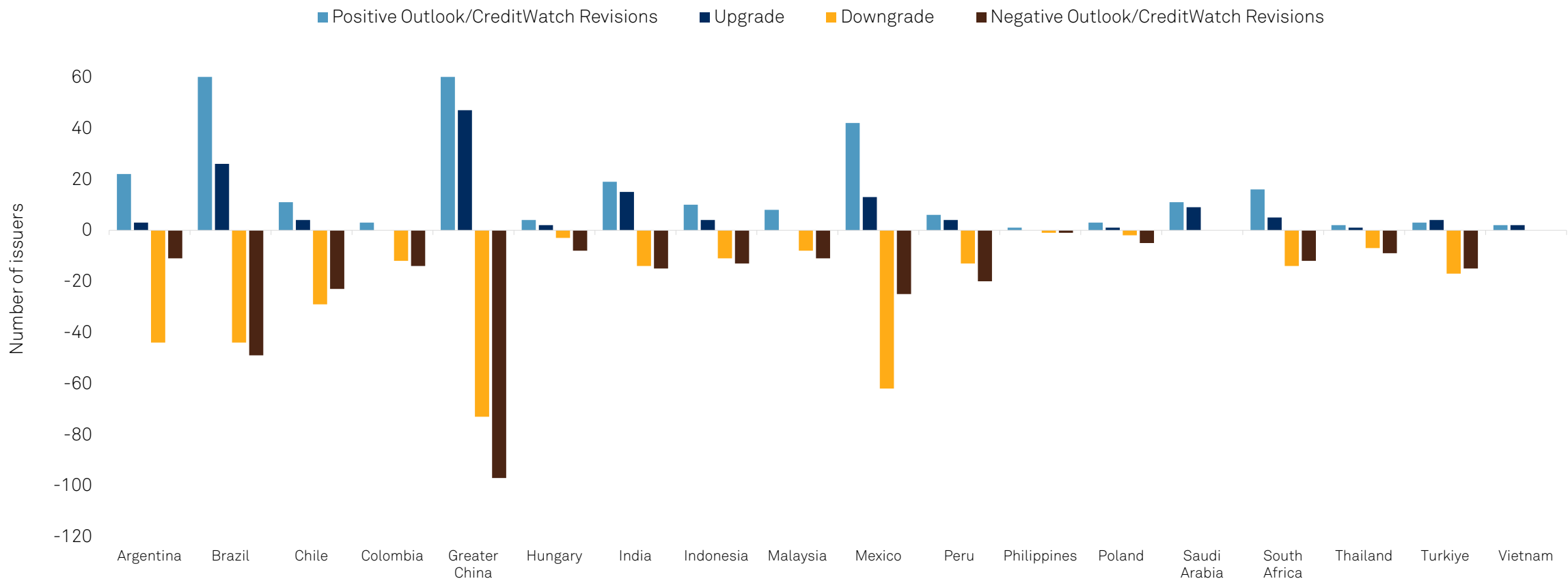
# Top 20 EM Rating Actions | By Debt Amount In The Past 90 Days

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. \$)
7-Jul-23	Braskem Idesa S.A.P.I. and subsidiary	Mexico	Chemicals, packaging and environmental services	B	B+	Downgrade	2,100
26-Jun-23	Shriram Finance Ltd.	India	Financial institutions	BB	BB-	Upgrade	1,700
27-Jul-23	Delhi International Airport Ltd.	India	Transportation	B+	B	Upgrade	1,023
14-Jul-23	Azul S.A.	Brazil	Transportation	SD	CC	Downgrade	1,000
16-Aug-23	Guacolda Energia S.A.	Chile	Utilities	D	CC	Downgrade	1,000
6-Jun-23	Koc Holding A.S.	Turkiye	Financial institutions	B+	B	Upgrade	750
6-Jun-23	Unigel Participacoes S.A.	Brazil	Chemicals, packaging and environmental services	CCC+	B+	Downgrade	420
4-Jul-23	Credivalores - Crediservicios SAS	Colombia	Financial institutions	CCC-	CCC+	Downgrade	300
23-Jun-23	Enjoy S.A.	Chile	Media and entertainment	CCC-	CCC+	Downgrade	211

Data as of Aug. 31, 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®.

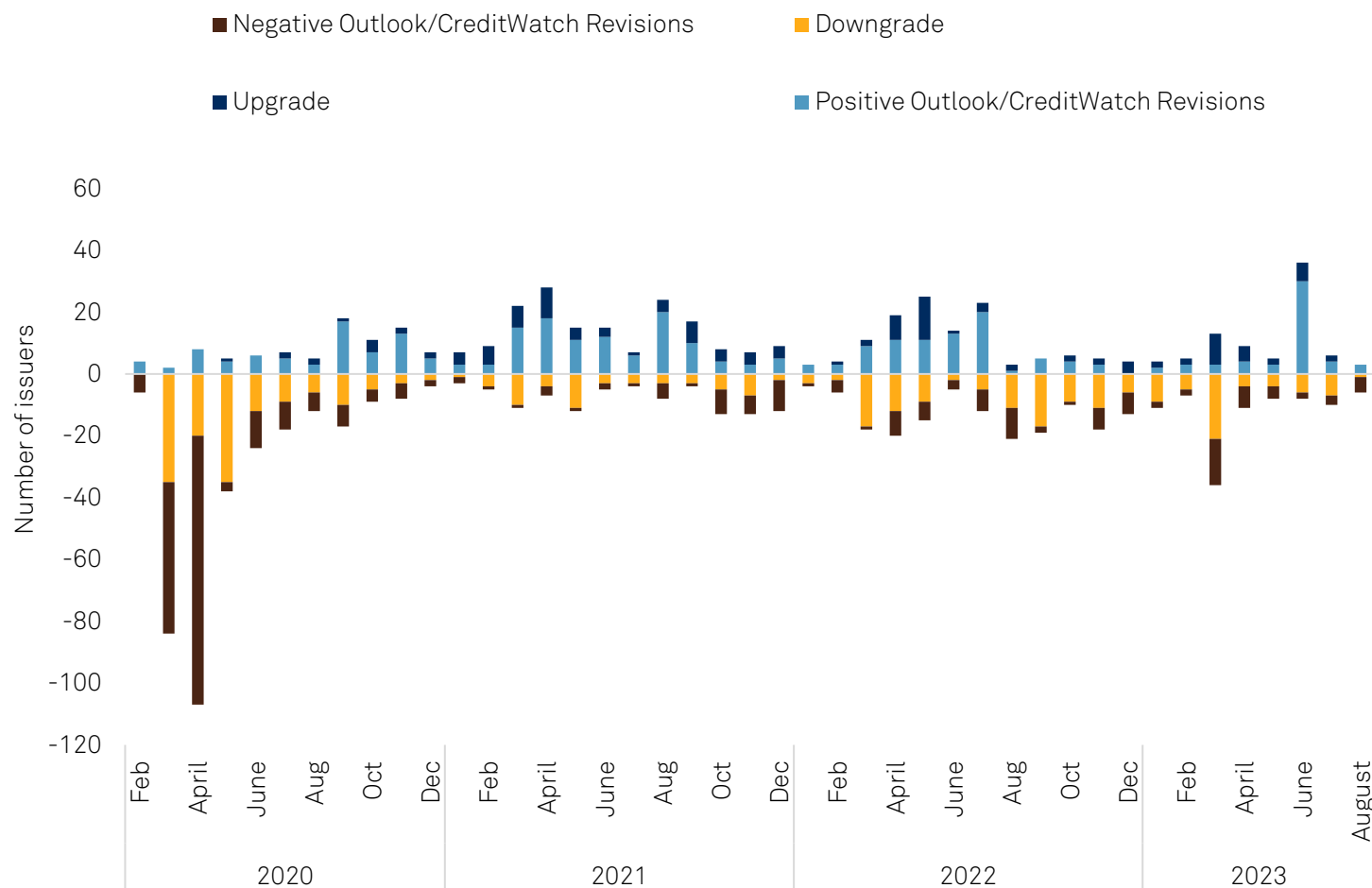


# EM | Total Rating Actions By Economy



Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent. Data from Feb. 3, 2020 to Aug. 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

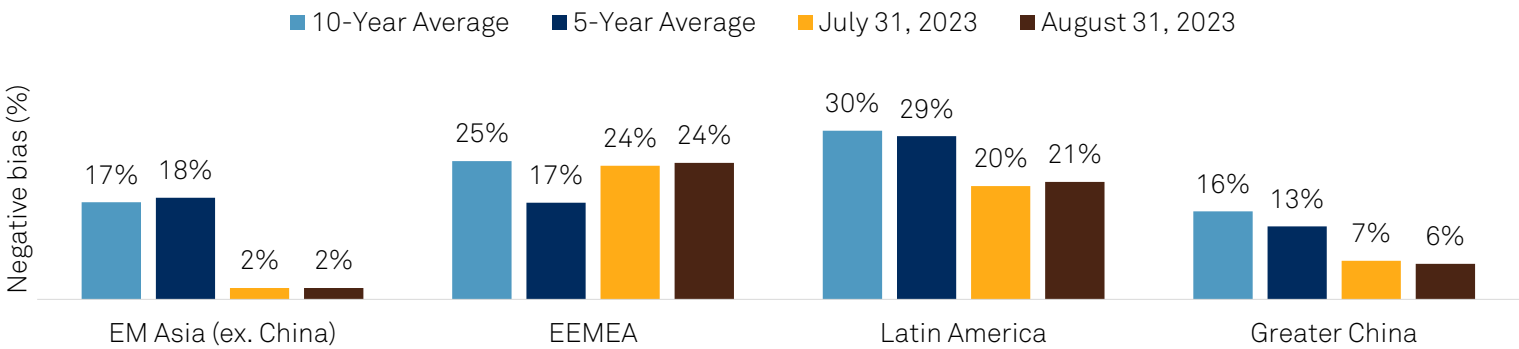


- **There was one downgrade in August, down from seven in July.** Chilean coal-fired power generator Guacolda Energia S.A. announced the completion of its tender and exchange offer of its \$274 million outstanding notes due 2025, prompting a downgrade to ‘D’ from ‘CC’. Five issuers got a negative outlook/CreditWatch revision, all in the investment-grade category: two in Mexico and Chile each, and one in Brazil. Weaker operating results resulted in outlook revisions because of challenging macroeconomic conditions such as high interest rates and sticky inflation, which curbed demand growth.
- **There were no upgrades in August, down from two in July.** We revised the outlook on three issuers to positive, all in the speculative-grade category: two in LatAm (Brazil and Mexico) and one in Greater China.

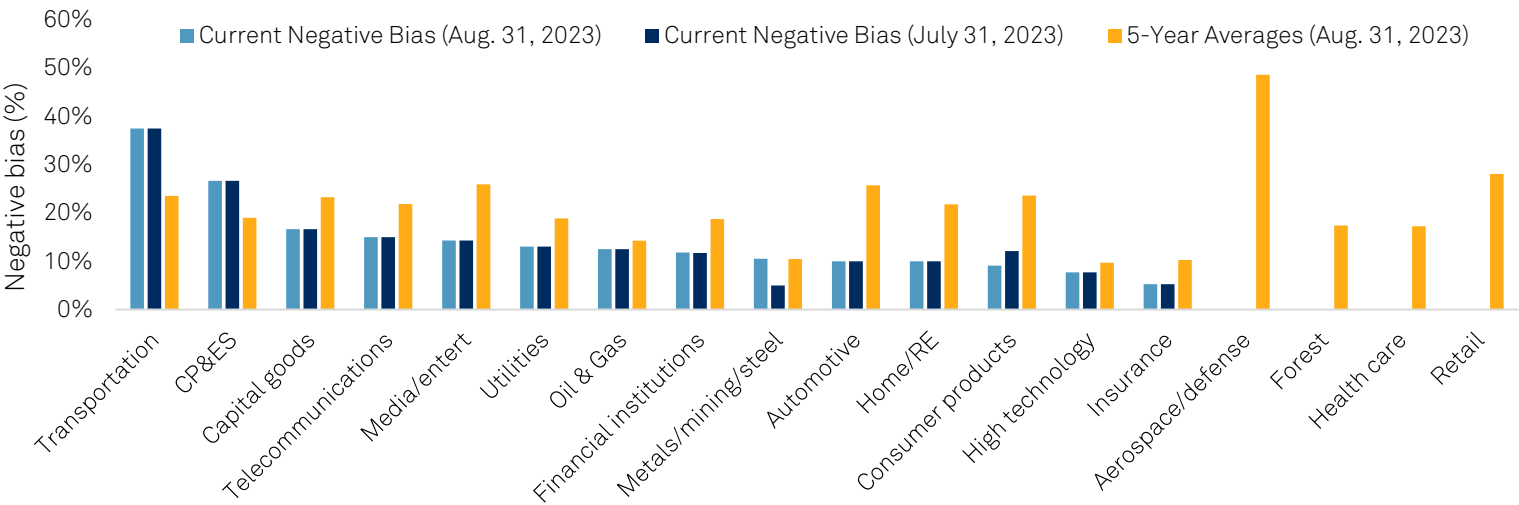
Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the Parent. Data from Feb. 3, 2020 to Aug. 31, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam,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



Data as of Aug. 31, 2023; excludes sovereigns. Excludes subsidiaries. Source: S&P Global Ratings Credit Research & Insights.

- **EM EMEA remains the region with the highest downgrade potential in August**, with the negative bias at 24%, the same level as in July. The downgrade potential remains below the 10-year average while higher than the five-year average.
- **The downgrade potential remained relatively constant across regions.** LatAm remains in the spotlight, with a negative bias of 21%, as negative outlook revisions or CreditWatch placements outpaced positive ones.
- **Transportation, and chemicals, packaging and environmental services** are the only two sectors (out of 18) that have a **higher negative bias than the historical average.**

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

One rating movement to 'CCC' from 'B-' in 2023 through Aug. 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 Aug. 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 angel in 2023 YTD

Rating date	Issuer	Economy	Sector	To	From	Debt amount (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 and gas exploration and production	BB+	BBB-	2,000

## Three EM rising stars in 2022; no rising star 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	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 Aug. 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. (A)	Chile	Utilities	D	CC	-
27-Apr-23	Grupo IDESA, S.A. de C.V.	Mexico	Chemicals, Packaging & 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	-
14-Jul-23	Azul S.A.	Brazil	Transportation	SD	CC	1,000
16-Aug-23	Guacolda Energia S.A (B)	Chile	Utilities	D	CC	1,000

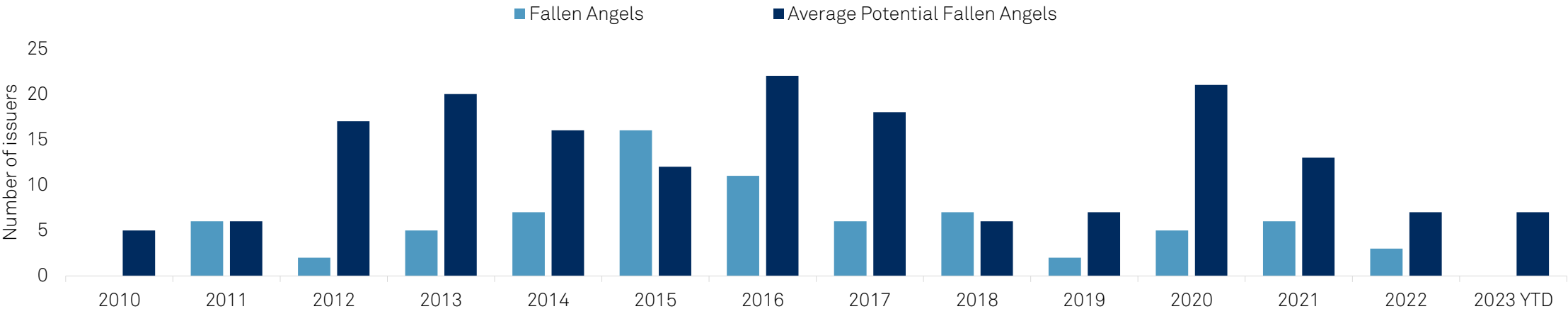
Data as of Aug. 31, 2023. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Red means speculative-grade rating, and grey means default (D) or selective default (SD), not rated (NR). \*Republic of Argentina default refers to its local currency LT rating. Four confidential defaults through Aug. 31, 2023.

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

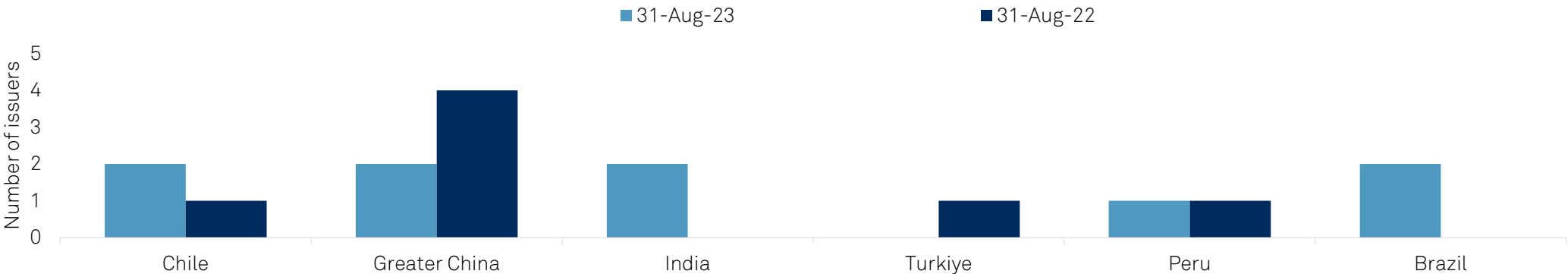


# Rating Actions | Fallen Angels And Potential Fallen Angels

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



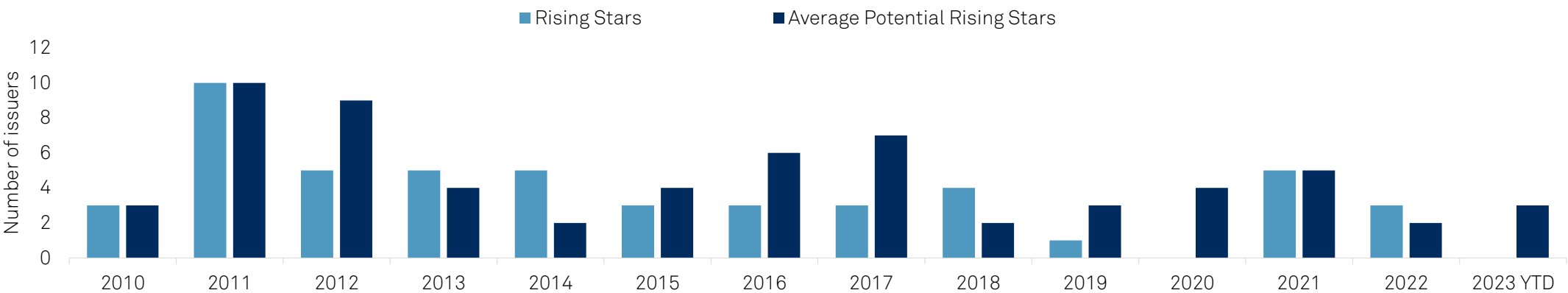
## EM potential fallen angels



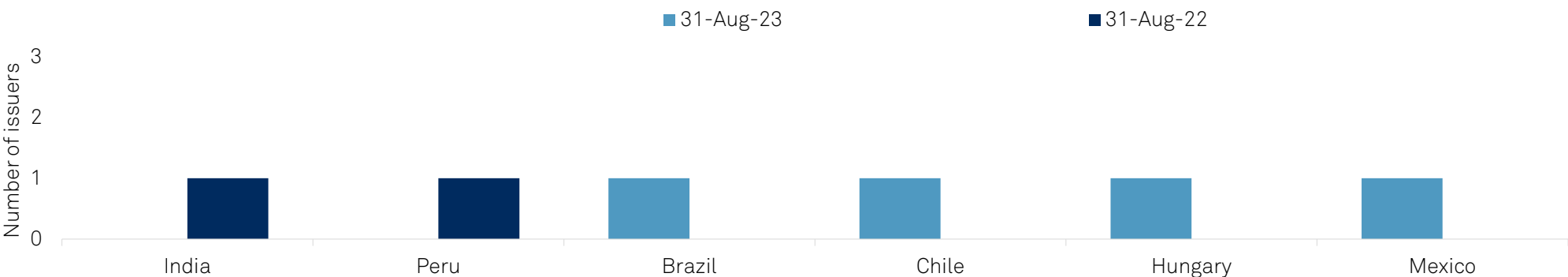
Data as of Aug. 31, 2023. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

# Rating Actions | Rising Stars And Potential Rising Stars

No rising stars in 2023 YTD



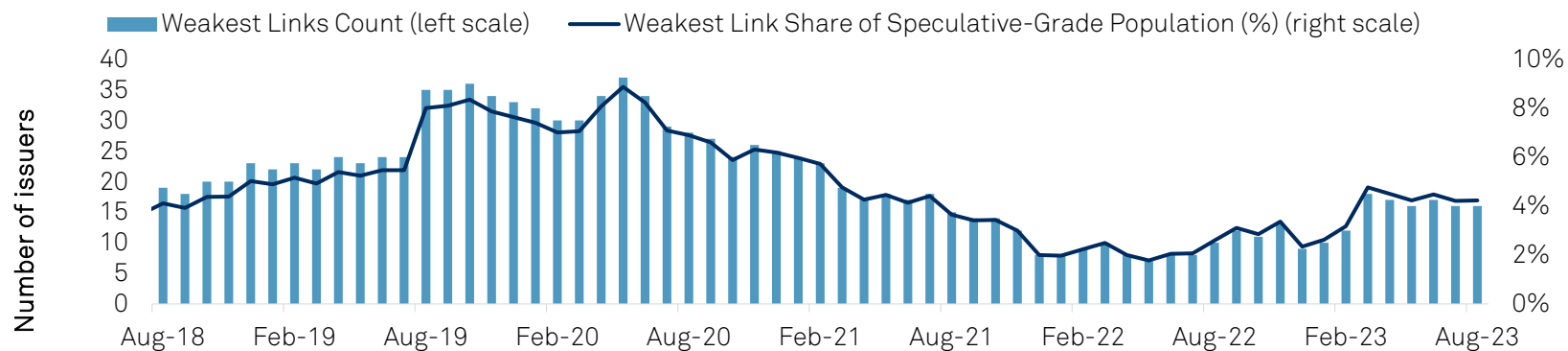
EM potential rising stars



Data as of Aug. 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.

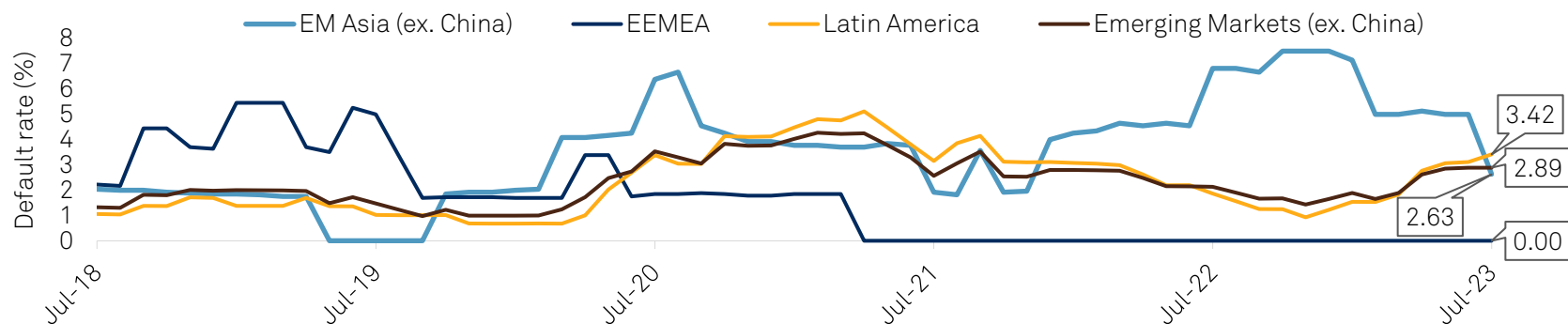
# Rating Actions | Weakest Links And Defaults

## EM weakest links at 16 in August



Data as of Aug. 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



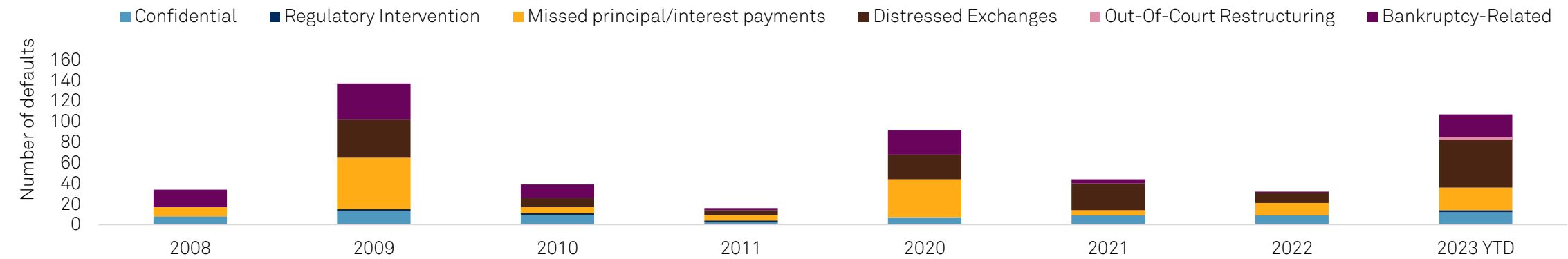
Excluding China. CreditPro data as of July 31, 2023. **Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count.** Excludes Sovereigns. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

– **Weakest links.** EMs' weakest links remained at 16 issuers in August (4% of total speculative-grade issuers) same as in July. Nine are in Argentina and four operate in the utility sector.

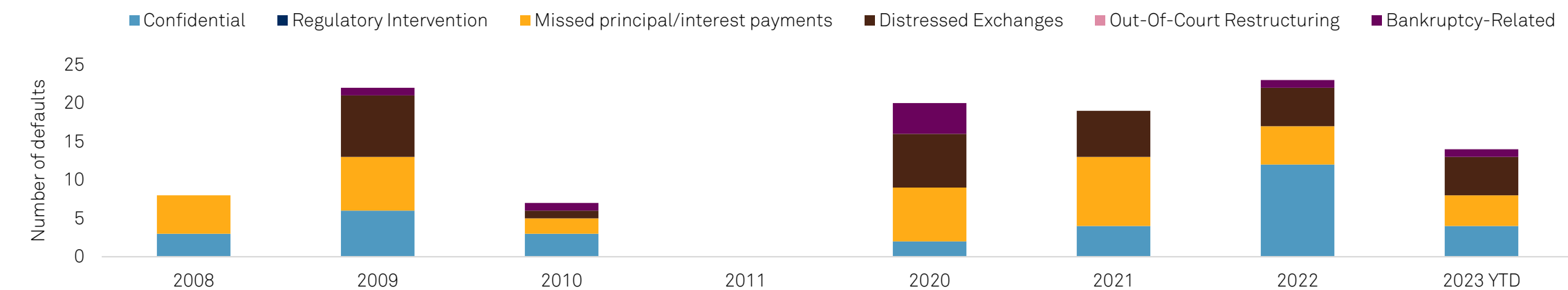
– **Default rates.** The July default rate, as a trailing count, rose in LatAm, in which 13 out of 14 defaults occurred as of August 31. It dropped consistently in EM Asia (excluding China), which has been a credit resilient region YTD.

# Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



*\*Data as of Aug. 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

- Broadening BRICS May Have Limited Economic Benefits, Sept. 5, 2023
- China's Global Reach Grows Behind Critical Minerals, Aug. 24, 2023
- Will Country Garden's Woes Further Hobble China's Property Market?, Aug. 16, 2023
- Default, Transition, and Recovery: Defaults Slow In July, Aug. 15, 2023
- Emerging Markets Monthly Highlights: Interest-Rate Cuts Have Started, More To Come, Aug. 10, 2023
- Credit FAQ: What Are China's Options To Resolve Local-Government SOE Debt Risk?, Aug. 3, 2023
- Unlocking India's Capital Markets Potential, Aug. 3, 2023
- Credit Trends: Global Refinancing--Progress Made As Pressure Remains, July 26, 2023
- Risky Credits: Refinancing Struggles Keep Emerging Markets On Their Toes, July 26, 2023
- Recent Developments Signal Favorable Trends For Brazilian Homebuilders, July 25, 2023
- Vietnam's Property Strain Could Spill Over To Banks, July 25, 2023
- Global Emerging Markets: Common Themes, Individual Circumstances, July 20, 2023
- Panelists Discuss Why Asia EMs Are Outperforming –And Whether It Will Last, July 20, 2023
- Four Checkpoints On The Path To Greater Renminbi Internationalization, July 11, 2023

*EMs consist of **LatAm**: Argentina, Brazil, Chile, Colombia, Peru, and Mexico. **EMAsia**: 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).*

# EMs | **Contacts**

## Credit Research

Jose Perez Gorozpe

Head of Credit Research EM

[jose.perez-gorozpe@spglobal.com](mailto:jose.perez-gorozpe@spglobal.com)

Madrid, +34-630-154020

Luca Rossi

Associate Director, Lead EM Credit Research

[luca.rossi@spglobal.com](mailto:luca.rossi@spglobal.com)

Paris, +33-625-189258

Gregoire Rycx

Associate Director, Lead EM Credit Research

[gregoire.rycx@spglobal.com](mailto:gregoire.rycx@spglobal.com)

Paris

## Research Support

Lyndon Fernandes

Nivritti Mishra

Prarthana Verma

## Economic Research

Elijah Oliveros-Rosen

Lead Economist, LatAm

[Elijah.oliveros@spglobal.com](mailto:Elijah.oliveros@spglobal.com)

New York, +1-212-438-2228

Vishrut Rana

Senior Economist, EM Asia

[Vishrut.Rana@spglobal.com](mailto:Vishrut.Rana@spglobal.com)

Singapore, +65-6216-1008

Valerijs Rezvijs

Economist, EM EMEA

[valerijs.rezvijs@spglobal.com](mailto:valerijs.rezvijs@spglobal.com)

London, +44-7929-651386

Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

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

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

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

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

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

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

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

## spglobal.com/ratings