Emerging Markets Monthly Highlights

Turbulence Abroad Will Fuel Uncertainty

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S&P Global Ratings

This report does not constitute a rating action.

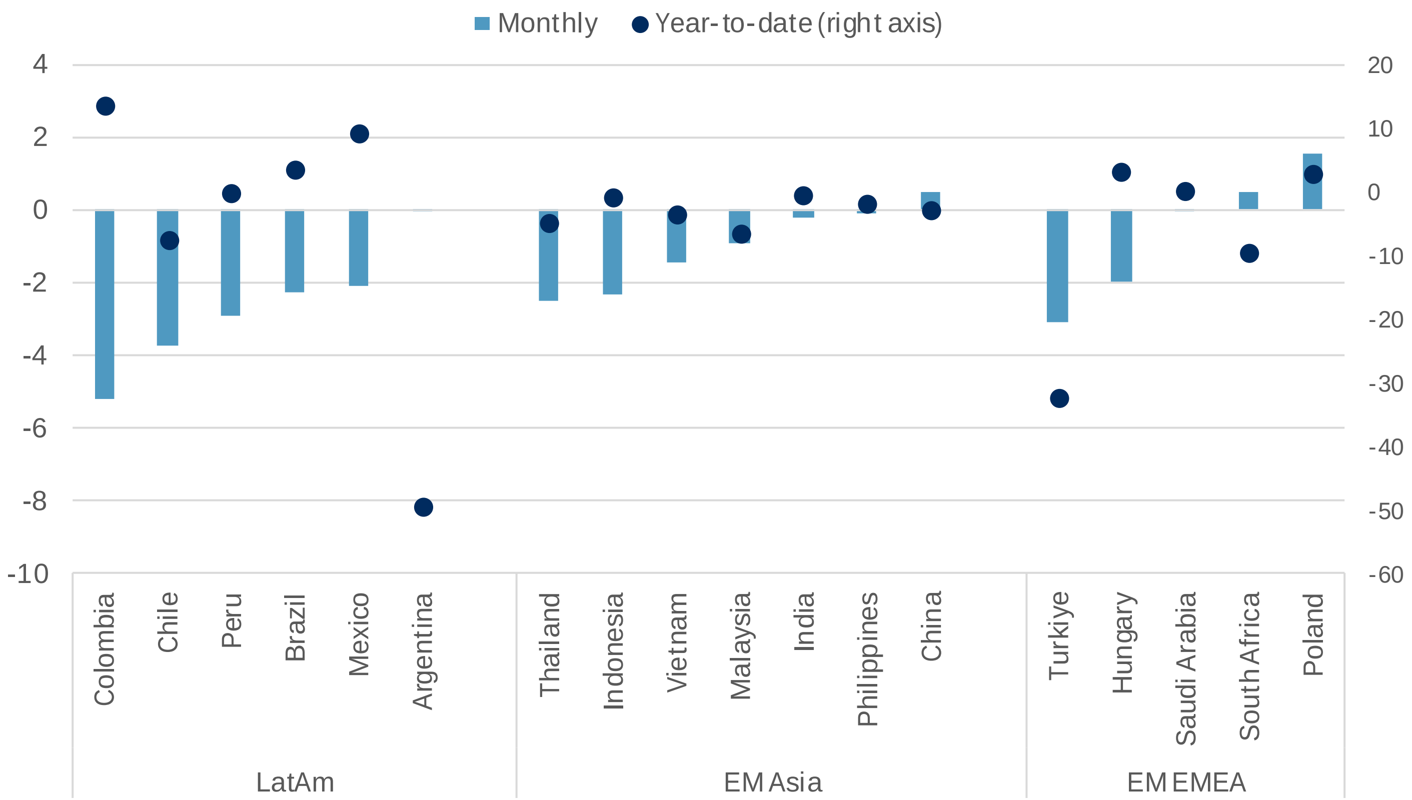
Contents

Key Takeaways

- Strains in exchange rates have renewed. Markets have more firmly priced in higher-for-longer interest rates in advanced economies last month. This, combined with the potential for oil prices to head higher than previously anticipated, weakened most emerging market (EM) currencies, especially those of net energy importing countries.
- A sustained rise in energy prices could slow, or delay, interest rate cuts by EM central banks. This is particularly the case for large net energy importers, where U.S. dollar strength has amplified the price of oil in local currency terms. Key EMs--Chile, Hungary, Poland, Turkiye, the Philippines, Thailand, and India--are the largest net energy importers and the most vulnerable to higher oil prices.
- We have mostly revised downward our real GDP growth forecasts for EMs, due to expectations for external demand among main advanced economies to remain subdued in the coming quarters. The lagged effects of tight monetary policy will also moderate domestic demand in several EMs.
- Weakening growth, high interest rates, and lingering cost pressures will likely test the relative stability in EM credit conditions. Economic resilience, which helped issuers weather the effects of higher costs, will likely fade over the coming quarters. Persistently high rates will likely keep funding costly for all EM issuers, especially the lower-rated ones. Debt refinancing will likely complicate the picture, as the global maturity wall is building up with considerable peaks in 2025.

Exchange Rates| Pressures Have Returned

EM exchange rates against the U.S. dollar (% change)

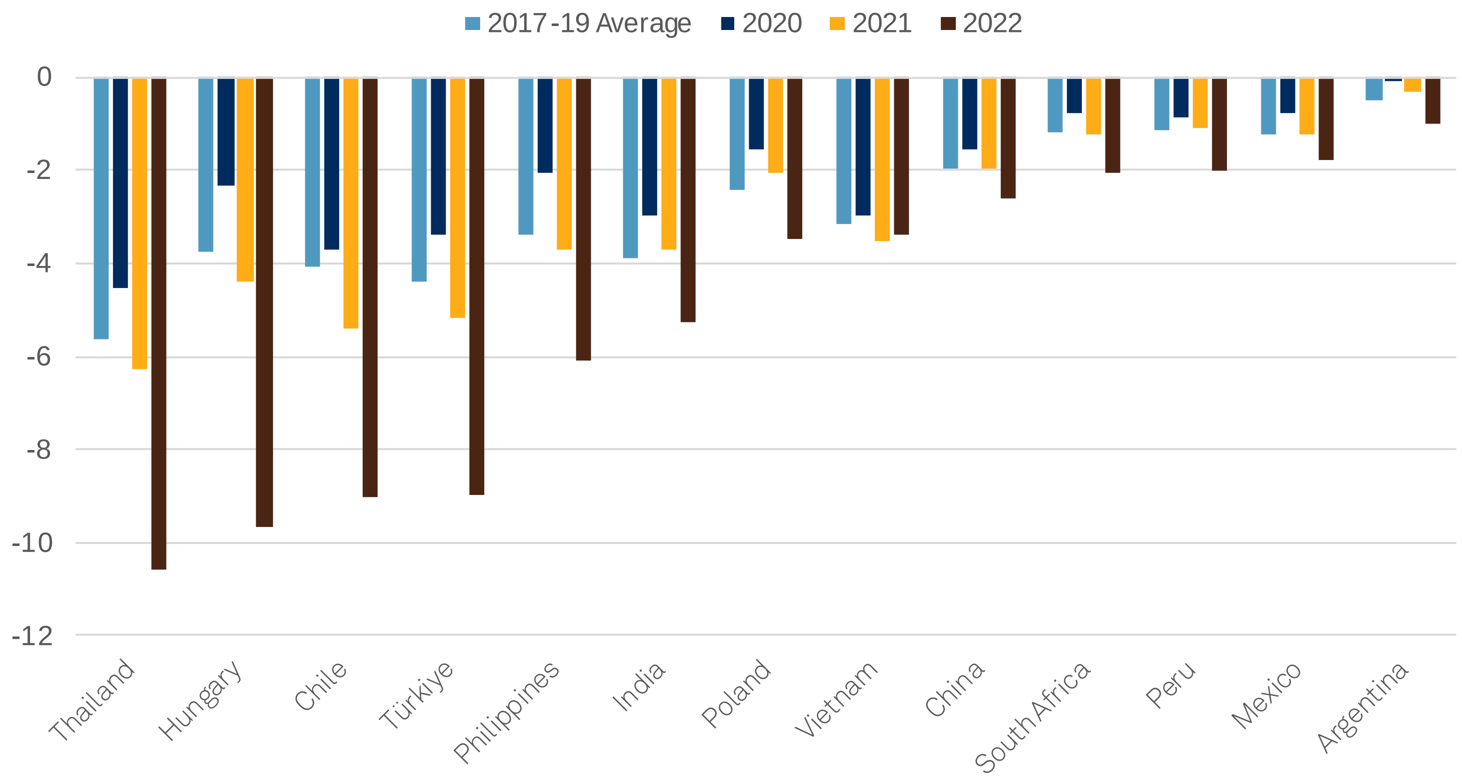


Sources: Refinitiv and S&P Global Ratings.

- EM currencies have broadly depreciated last month, given jitters about oil prices and changes in market sentiment. Depreciations were particularly pronounced across LatAm and energy importers in EM Asia.
- Oil prices have picked up. Brent oil price has risen by about 25% since May, due to OPEC+ oil production cuts and ongoing situation in the outbreak of the war between Israel and Hamas. Nevertheless, S&P Global Ratings currently expects prices to stabilize at about $85/bbl for the remainder of 2023 and the entire 2024 (see "S&P Global Ratings' Oil And Gas Price Assumptions Are Unchanged" published Sept. 25, 2023).
- Markets expect interest rates across advanced economies to stay higher for longer, putting pressure on EM yields and exchange rates.

Inflation| A Further Increase In Energy Prices Could Slow/Delay Interest-Rate Cuts

Net energy trade (% of GDP)

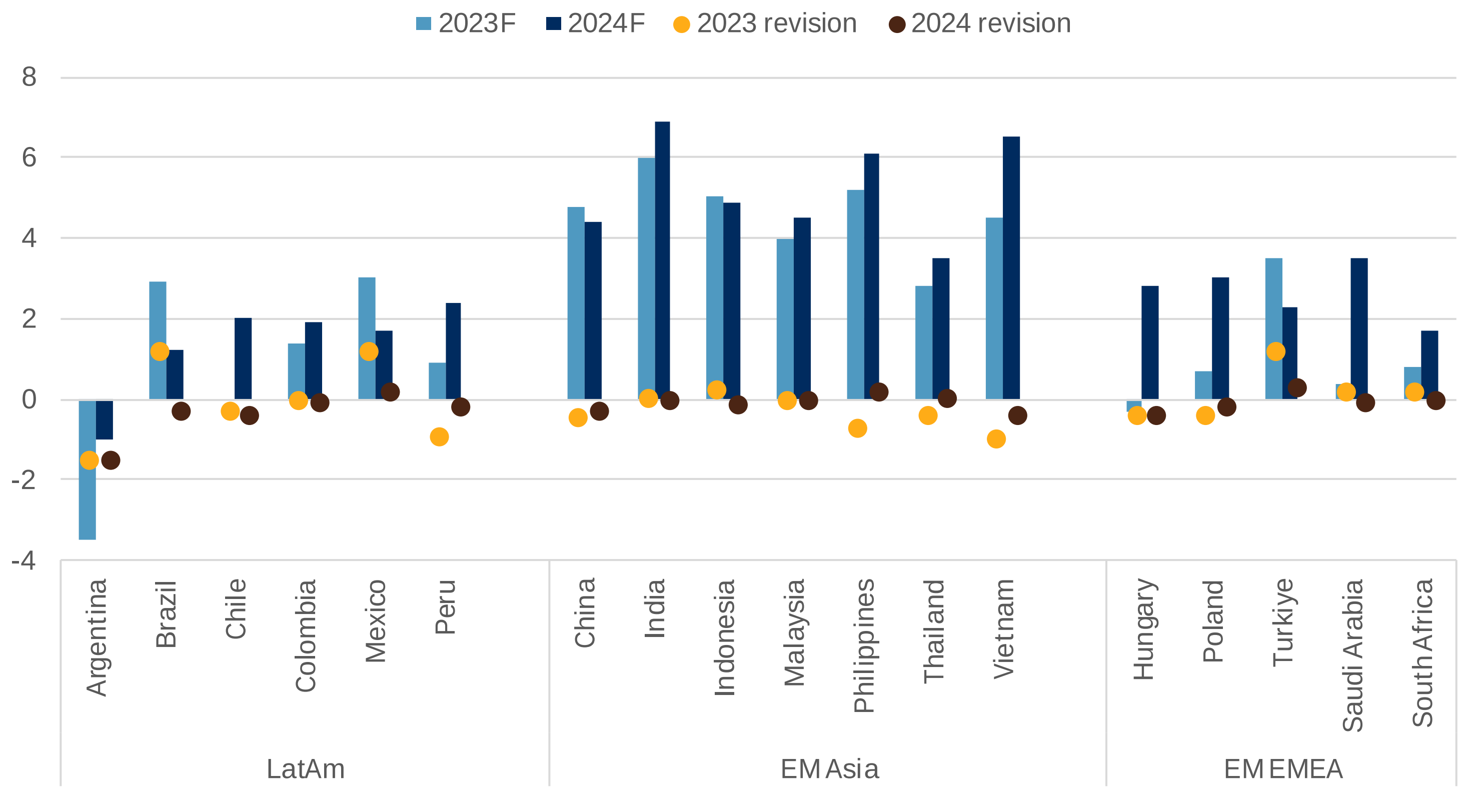


Sources: UN Comtrade and S&P Global Ratings.

- The recent rise in oil prices, if it persists, threatens to disrupt the disinflation process of most EMs. This could slow, or delay, interest-rate cuts, as central banks were expected to ease policy in the coming quarters.
- This is especially true for major EM net energy importers, as the potential for associated weaker external accounts could turn central banks more cautious about lowering rates to prevent disorderly capital outflows. Major EMs--Chile, Hungary, Poland, Turkiye, the Philippines, Thailand, and India--are the largest net energy importers.
- If the uptick in energy prices keeps interest rates high for longer than expected, it would make debt refinancing more challenging, especially for lower-rated entities. EM speculative-grade maturities are relatively manageable in 2024 but will jump in 2025.

EM Economic Outlook | EM Resilience Will Be Tested

EM GDP forecasts (%)



Source: S&P Global Ratings.

- We continue to expect most EMs to grow below trend for the remainder of 2023 and in 2024. We have also revised downward our GDP forecasts for most economies, following the deterioration in external demand and dissipation of transitory factors that supported growth earlier this year.
- Second-quarter GDP reports were, in many cases, stronger than expected, though largely owing to temporary factors, in our view. Domestic demand is benefiting from improving labor dynamics, fiscal support, and excess private-sector savings since the pandemic. But as these dynamics unwind in the coming quarters, we expect high interest rates to have a more noticeable impact on activity (see "Economic Outlook Emerging Markets Q4 2023: The Lagged Effects Of Monetary Policy Will Test Resilience" published Sept. 25, 2023).

EM Credit Conditions | High Interest Rates Sour The Mood

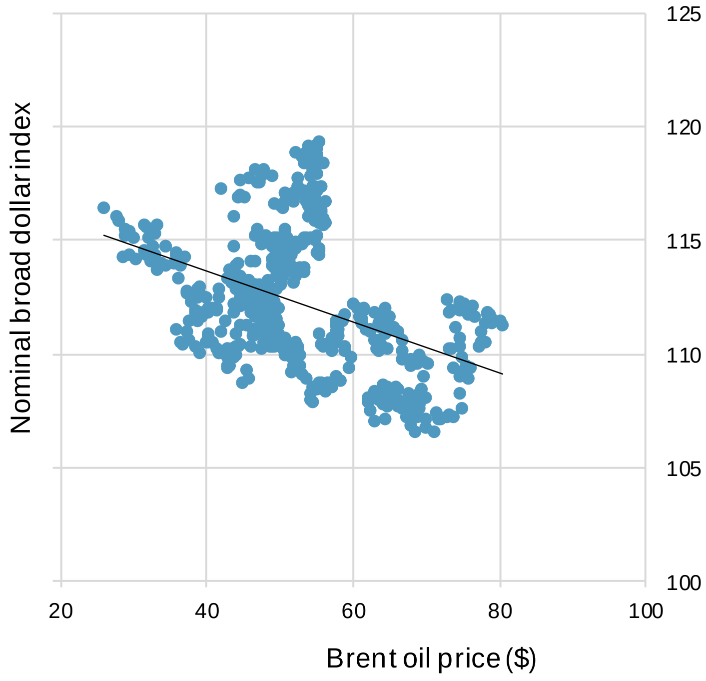
Top EM risks	Risk level*	Risk trend**
Lingering tight financing conditions amid higher interest rates	High	Unchanged
Weakening economy and lasting cost pressures squeeze corporate margins	High	Unchanged
A sharper-than-expected downturn in advanced economies impedes global trade	High	Unchanged
Geopolitical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

*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.*

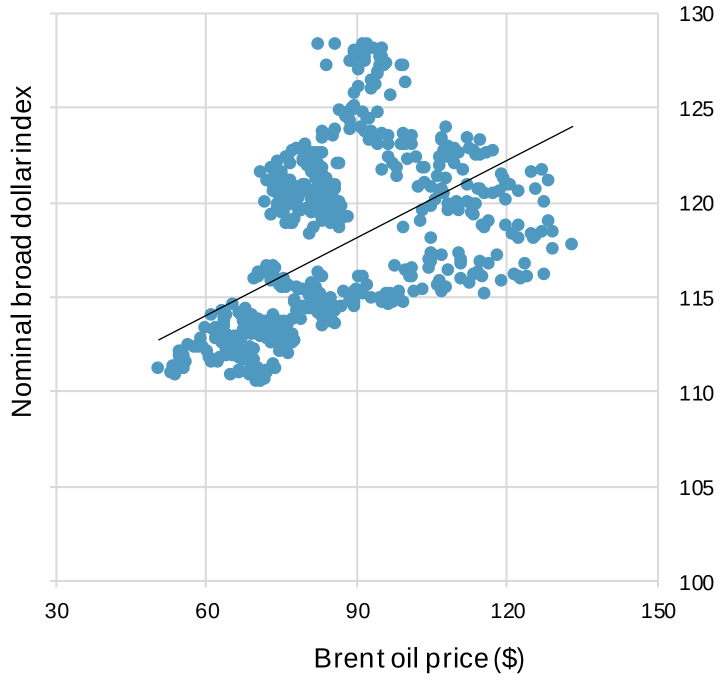
- Weakening growth, high interest rates, and lingering cost pressures will likely test the relative stability in EM credit conditions. Economic resilience, which helped issuers weather the effects of higher costs, will likely fade over the coming quarters.
- The balance of risks for EM credit conditions remains on the downside, Persistently high rates will likely keep funding costly for all EM issuers, especially the lower-rated ones. For many issuers, the new interest-rate environment could be unsustainable, leading to defaults and bankruptcies. Debt refinancing will likely complicate the picture, as the global maturity wall is building up with considerable peaks in 2025.
- Refer to "Credit Conditions Emerging Markets Q4 2023: High Interest Rates Sour The Mood," published Sept. 26, 2023.

Commodities| Challenges To Trading Oil In Renminbi Remain Significant

Brent/$ correlation in 2016-2021



Brent/$ correlation in 2021-2023

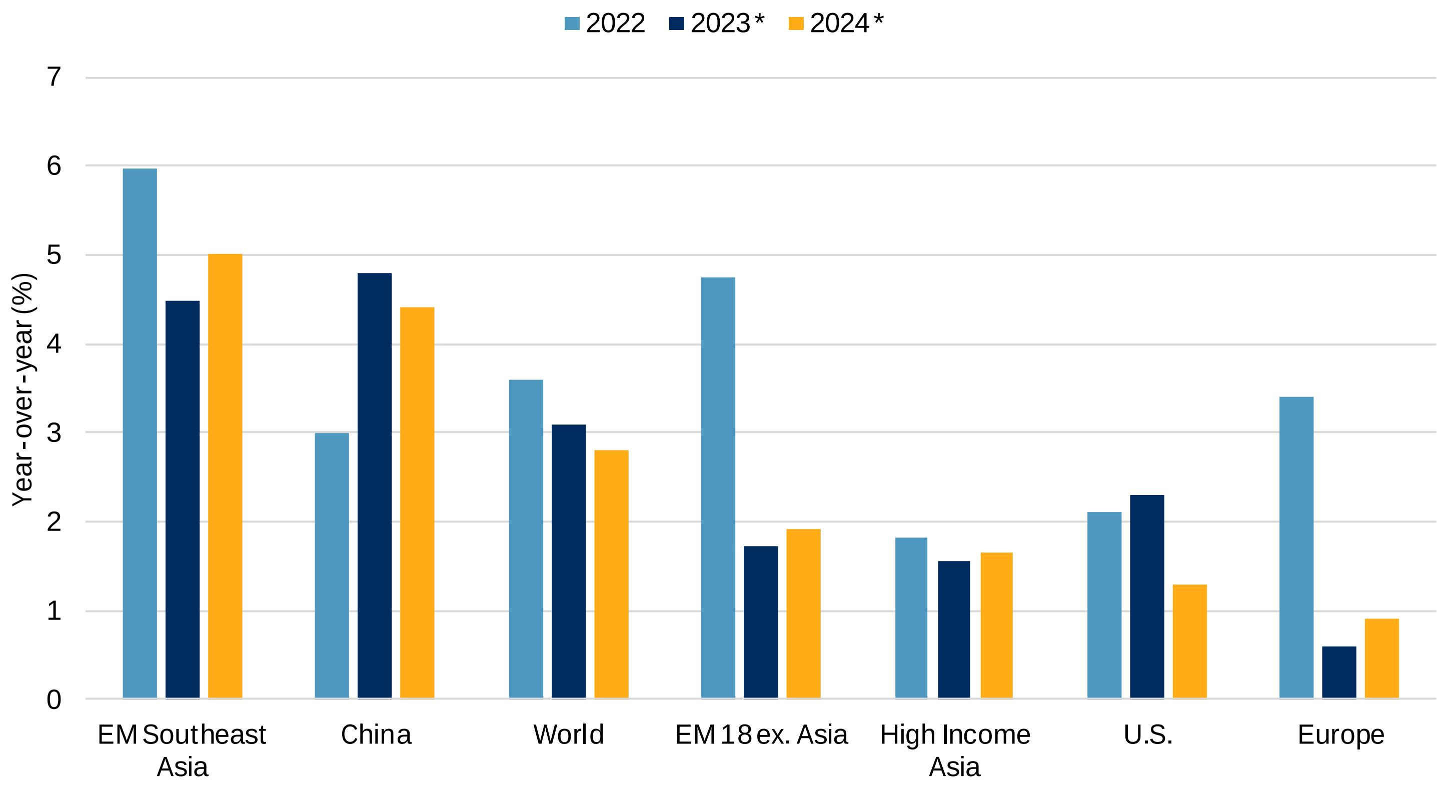


Sources: Refinitiv and S&P Global Ratings.

- Recent economic and geopolitical developments have increased the potential attractiveness of trading oil in non-dollar currencies, particularly in the renminbi. On the economic side, arguments include the recent increase in dollar-denominated trade financing costs, as well as the changing relationship between the dollar and oil prices (as correlation between oil prices and the greenback has recently become positive).
- However, there are several obstacles that include the limited use of the renminbi globally, currency pegs of several major oil-exporting economies, and the continuing dollar dominance in global oil trade (see "Challenges To Trading Oil In Renminbi Remain Significant" published Oct. 5, 2023).

EM Southeast Asia 2024| Five Forces Shaping The Outlook

EM Southeast Asia's growth set to improve in 2024



*Note: *Forecast. EM Southeast Asia: Indonesia, Malaysia, Philippines, Thailand and Vietnam. High Income Asia: Australia, Greater China, New Zealand, Singapore, South Korea and Japan. Aggregates are weighted by PPP GDP. Source: S&P Global Ratings.*

– An inflection point looms for emerging markets in Southeast Asia. Five factors will influence the economic landscape:

i. Slower global growth will dampen the recovery in export demand.

ii. Global risk sentiment, high energy prices, and high interest rates in the U.S. will continue to squeeze capital flows.

iii. Monetary policy easing is likely

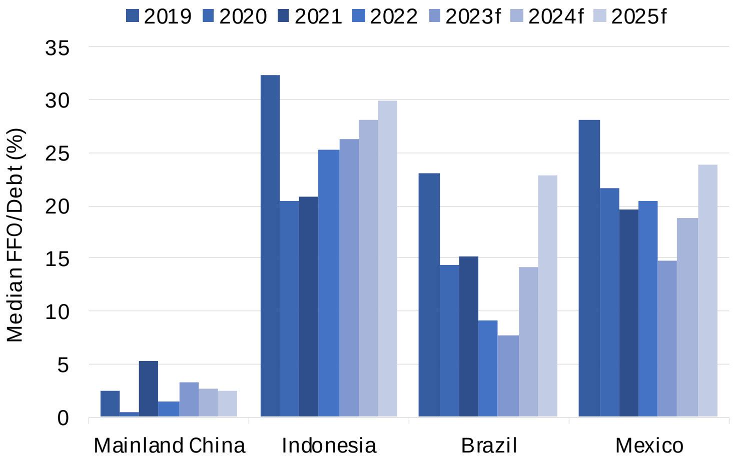
iv. Fiscal policy will continue to gradually tighten

v. We expect domestic demand to remain resilient

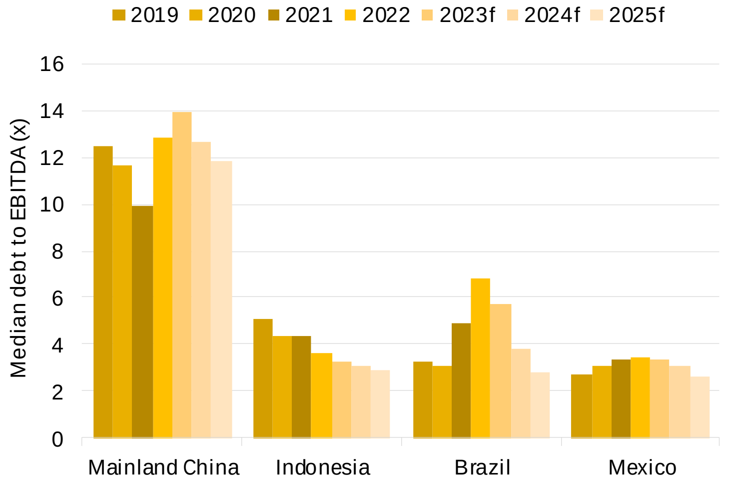
– On balance, we expect growth to be stronger in 2024. Risks to the outlook include a sharp slowdown in global growth, sluggish domestic services growth, and capital outflows (see "Emerging Markets In Southeast Asia: The Forces Shaping The Outlook For 2024", published Oct. 16, 2023).

Real Estate | EM Issuers Stand Their Ground

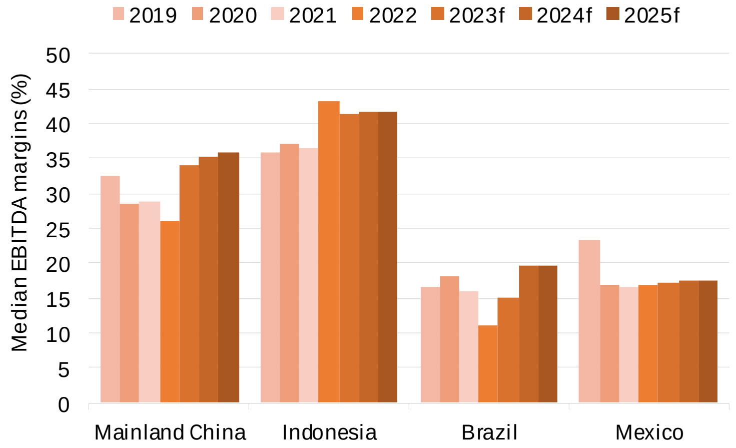
Chinese homebuilders will experience liquidity erosion in 2024-2025



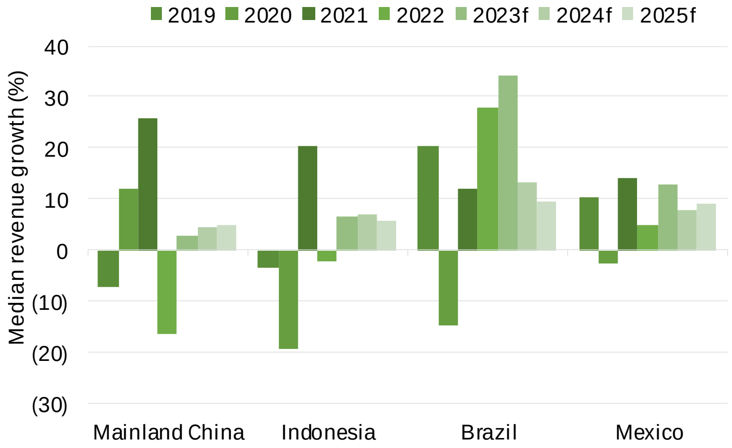
Homebuilders' leverage will be on a downward trend after 2023



Homebuilders' EBITDA margins will stabilize in 2024-2025



Homebuilders' volatile revenue growth will shape



Data as of Sept. 12, 2023. Source: S&P Global Ratings Credit Research & Insights.

- Home sales in EMs will continue to decrease in 2023, particularly in mainland China. High mortgage rates are hitting both households and homebuilders.
- However, favorable government policies (such as those in Brazil) and supportive banking sectors (Indonesia) are keeping homebuilders' credit quality resilient.
- **Brazil's office REITs benefit from** increased demand in major cities, while their Mexican peers are suffering from lower asset valuation and hybrid work models. Mexican industrial REITs are benefiting from nearshoring and e-commerce uptick. Retail REITs are holding up, for now.
- We anticipate real estate issuers in EMs to thrive, although at varying degrees. For more insights, see "Emerging Markets Real Estate Issuers Stand Their Ground" published Sept. 20, 2023.

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Regional Economic Highlights

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EM Asia Economics | The Slowdown In International Trade Is Moderating

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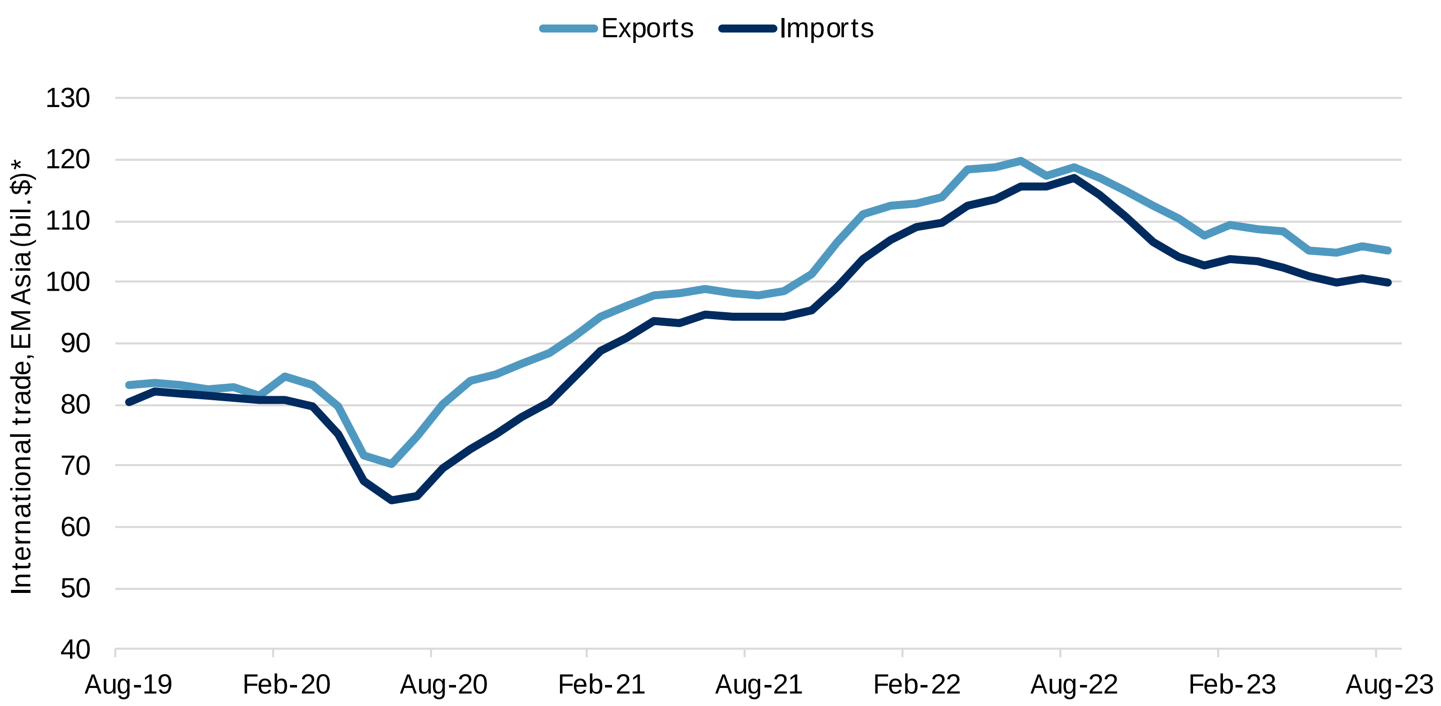
Trade volumes set stabilize gradually



**Excluding India and China. Source: S&P Global Ratings.*

- There are early signs of stabilization in the trade slowdown for EM Asia.
- Trade values in July and August have been nearly flat month over month. This trend follows several quarters of weakening foreign trade activity.
- Volumes data is more delayed, but the July data show a similar narrative.
- The outlook is still clouded by slower global growth, which will dampen the recovery in demand for the region's exports

EM EMEA Economics | External Demand Remains Weak

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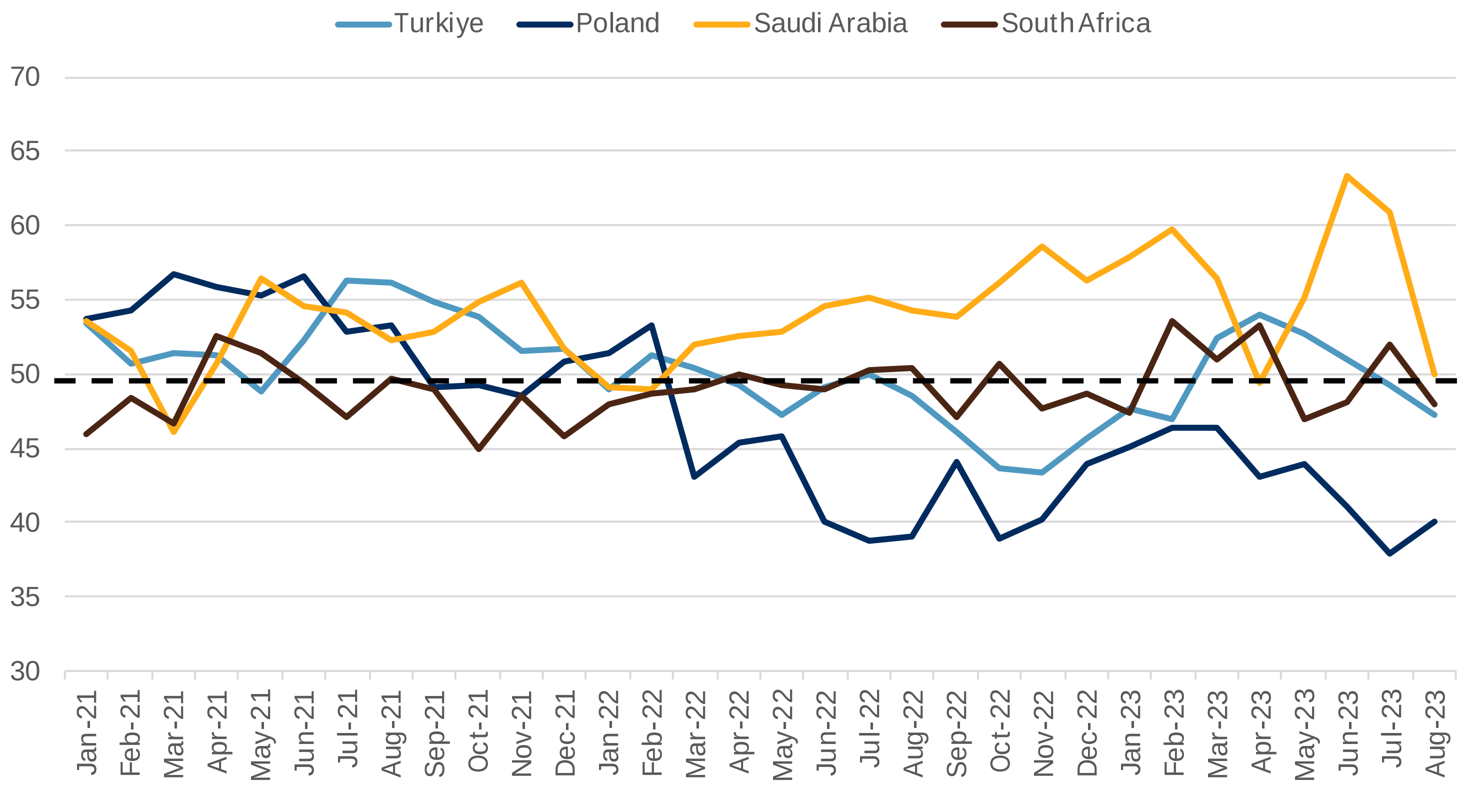
Export order PMIs



Source: S&P Global Market Intelligence.

- Recent Purchasing Manager Indices (PMIs) publications reflect ongoing weakness in external demand. All key EM EMEA economies now record below-50 export order PMI values, particularly Central and Eastern European economies. We expect weak external environment to act as a drag on growth for the remainder of 2023.
- Following ongoing disinflation and weaker-than-expected growth in the eurozone, Hungary and Poland continued to ease their monetary policy. Poland's central bank cut interest rates by 25 basis points (bps) on Oct. 4, while Hungary has lowered its overnight deposit rate in September. We expect both economies to continue easing monetary policy in the coming months.

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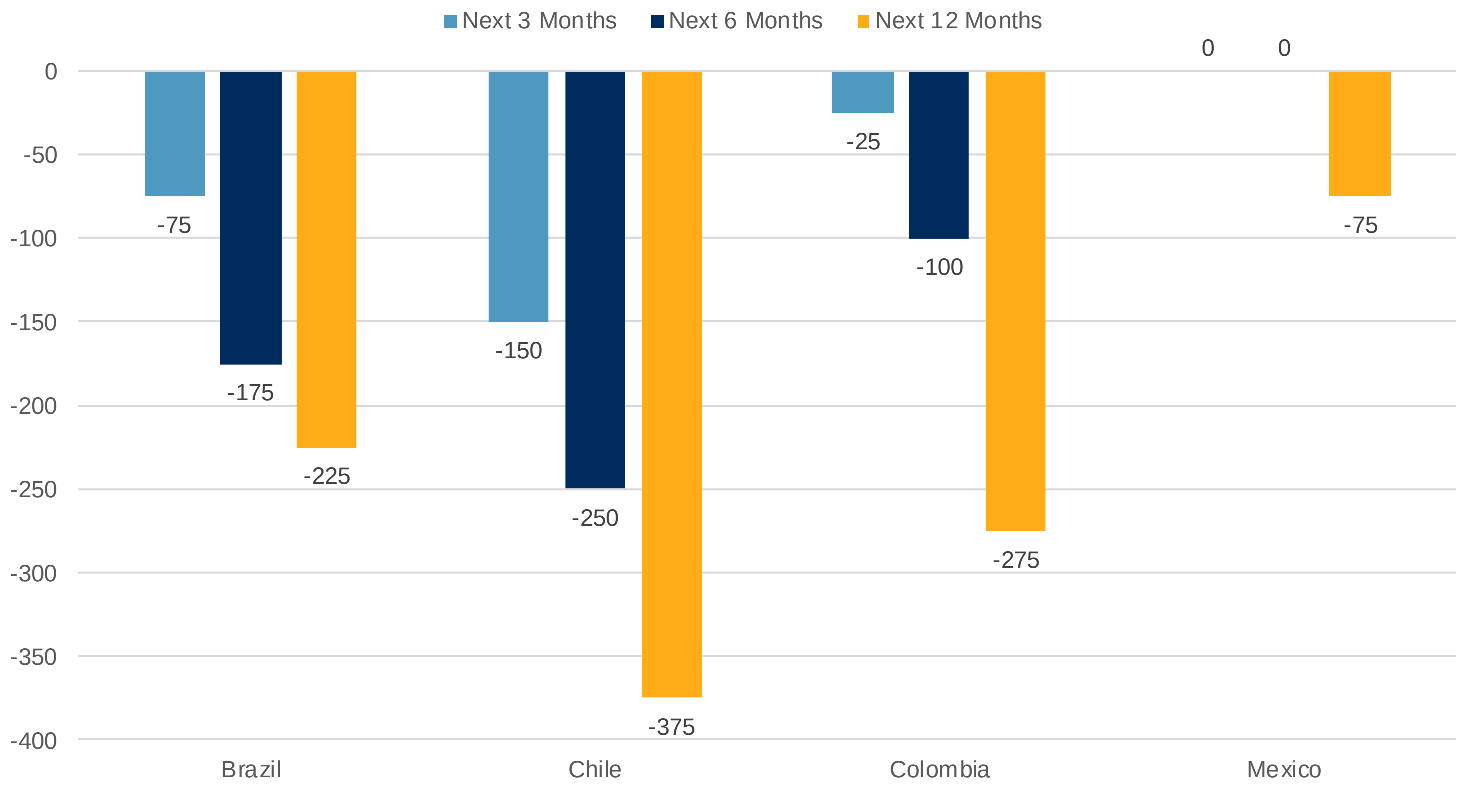
Cumulative market-implied benchmark interest-rate cuts (bps)



Note: Based on interest-rate swaps, rounded to the nearest 25-bps increment. Sources: Haver Analytics and S&P Global Ratings.

- Market-implied expectations for interest rates in Mexico continue to be pushed out. More signals from the U.S. Federal Reserve that interest rates will remain high for a longer period is likely a major driving factor. Continued strength in domestic demand in Mexico is also preventing inflation expectations from falling substantially. We still expect Mexico's central bank to start cutting interest rates in the first half of 2024 when we expect softer economic activity both in the U.S. and Mexico.
- The central banks of Brazil, Chile, and Peru, which have started cutting interest rates recently, will continue to ease monetary policy in the coming months, but cautiously. We think that the potential for higher energy prices and the Fed's hawkish tone will prompt them to be conservative in their upcoming expected rate cuts. Colombia's central bank hasn't started reducing interest rates yet, but markets are now pricing in a 25-bps cut by the end of this year.

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GDP Summary | Most EMs Will Grow Below Trend In 2024

Country	Latest reading (y/y)	Period	Five-year avg	2020	2021	2022	2023f	2024f	2025f	2026f
Argentina	-4.9	Q2	-0.2	-9.9	10.7	5.0	-3.5	-1.0	2.0	2.1
Brazil	3.4	Q2	-0.5	-3.6	5.3	3.0	2.9	1.2	1.8	2.0
Chile	-1.1	Q2	2.0	-6.4	11.9	2.5	0.0	2.0	2.8	2.9
Colombia	0.3	Q2	2.4	-7.3	11.0	7.3	1.4	1.9	2.8	3.0
Mexico	3.6	Q2	1.6	-8.8	6.1	3.9	3.0	1.7	2.0	2.1
Peru	-0.5	Q2	3.2	-11.1	13.5	2.7	0.9	2.4	2.8	3.0
China	6.3	Q2	6.7	2.2	8.5	3.0	4.8	4.4	5.0	4.5
India	7.8	Q2	6.9	-5.8	9.1	7.2	6.0	6.9	6.9	7.0
Indonesia	5.2	Q2	5.0	-2.1	3.7	5.3	5.0	4.9	5.0	5.1
Malaysia	2.9	Q2	4.9	-5.5	3.3	8.7	4.0	4.5	4.5	4.4
Vietnam	5.3	Q3	7.1	2.9	2.6	8.0	4.5	6.5	6.8	6.6
Philippines	4.3	Q2	6.6	-9.5	5.7	7.6	5.2	6.1	6.2	6.4
Thailand	1.8	Q2	3.4	-6.1	1.5	2.6	2.8	3.5	3.2	3.2
Poland	-1.4	Q2	4.4	-2.0	6.8	5.5	0.7	3.0	2.9	2.9
Saudi Arabia	1.2	Q2	2.1	-4.3	3.9	8.7	0.4	3.5	3.4	3.3
South Africa	1.6	Q2	1.0	-6.0	4.7	1.9	0.8	1.7	1.7	1.7
Turkiye	3.8	Q2	4.2	1.7	11.8	5.3	3.5	2.3	2.9	2.9
Hungary	-2.4	Q2	4.1	-4.7	7.2	4.6	-0.3	2.8	2.8	2.8

Note: Red means GDP growth is below five-year average (2015-2019). Blue means the opposite. F—Forecast. Data does not yet incorporate several historical revisions done when second quarter GDP was released, those will be updated in the next release. Sources: Haver Analytics and S&P Global Ratings.

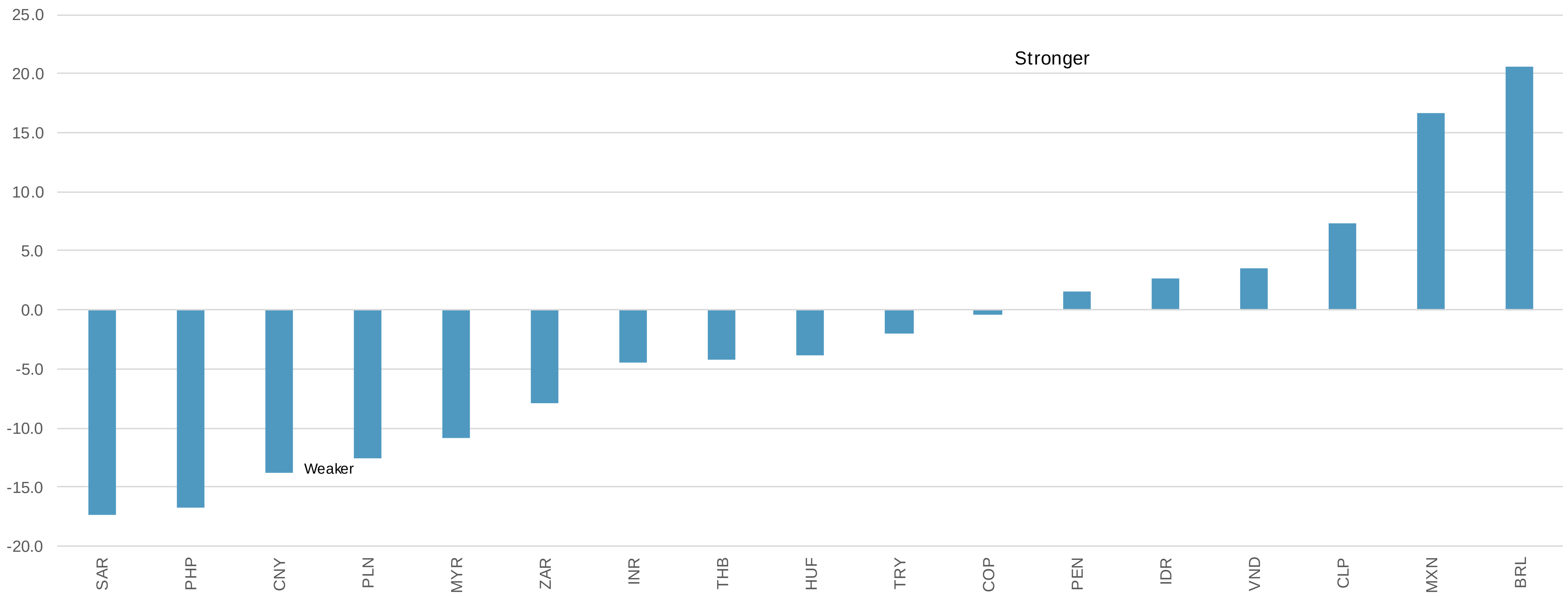
Monetary Policy/FX | A Mix Of Interest Rate Cuts And Hikes Last Month

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	September exchange rate change	YTD exchange rate change
Argentina	118.00%	No target	124.4%	2,100 bps hike	N/A	0.0%	-49.4%
Brazil	12.75%	3.25% +/- 1.5%	4.6%	50 bps cut	Nov. 1	-1.7%	4.2%
Chile	9.50%	3.0% +/- 1.0%	5.1%	75 bps cut	Oct. 26	-5.8%	-5.6%
Colombia	13.25%	3.0% +/- 1.0%	11.0%	Hold	Oct. 31	0.0%	17.7%
Mexico	11.25%	3.0% +/- 1.0%	4.5%	Hold	Nov. 9	-3.1%	12.1%
Peru	7.25%	1.0% - 3.0%	5.0%	25 bps cut	Nov. 9	-2.5%	0.6%
China	1.80%	3.0%	0.1%	N/A	N/A	0.0%	-3.0%
India	6.50%	4.0 +/- 2.0%	6.8%	Hold	Dec. 8	-0.3%	-0.4%
Indonesia	5.75%	3.5% +/- 1.0%	2.3%	Hold	Oct. 19	-1.5%	0.7%
Malaysia	3.00%	No target	2.0%	Hold	Nov. 2	-1.2%	-6.2%
Philippines	6.25%	3.0% +/- 1.0%	6.1%	Hold	Nov. 16	0.1%	-1.5%
Thailand	2.50%	2.5% +/- 1.5%	0.3%	25 bps hike	Nov. 29	-3.8%	-4.9%
Vietnam	4.50%	4%	3.7%	50 bps cut	N/A	-0.9%	-3.0%
Hungary	13.00%	3.0% +/- 1.0%	12.2%	Hold**	Oct. 24	-4.1%	2.3%
Poland	5.75%	2.5% +/- 1.0%	8.2%	25 bps cut	Nov. 8	-5.6%	0.5%
Saudi Arabia	6.00%	No target	2.0%	25 bps hike	Nov. 1	0.0%	0.0%
South Africa	8.25%	3.0% - 6.0%	4.8%	Hold	Nov. 23	0.5%	-9.7%
Turkiye	30.00%	5.0% +/- 2.0%	61.5%	500 bps hike	Nov. 21	-2.8%	-31.7%

*Note: **For Hungary we use the base rate. The bank cut the deposit rate by 100 bps in Sep. 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. Source: Haver Analytics, and S&P Global Ratings.*

Real Effective Exchange Rates | LatAm Currencies Still Very Strong

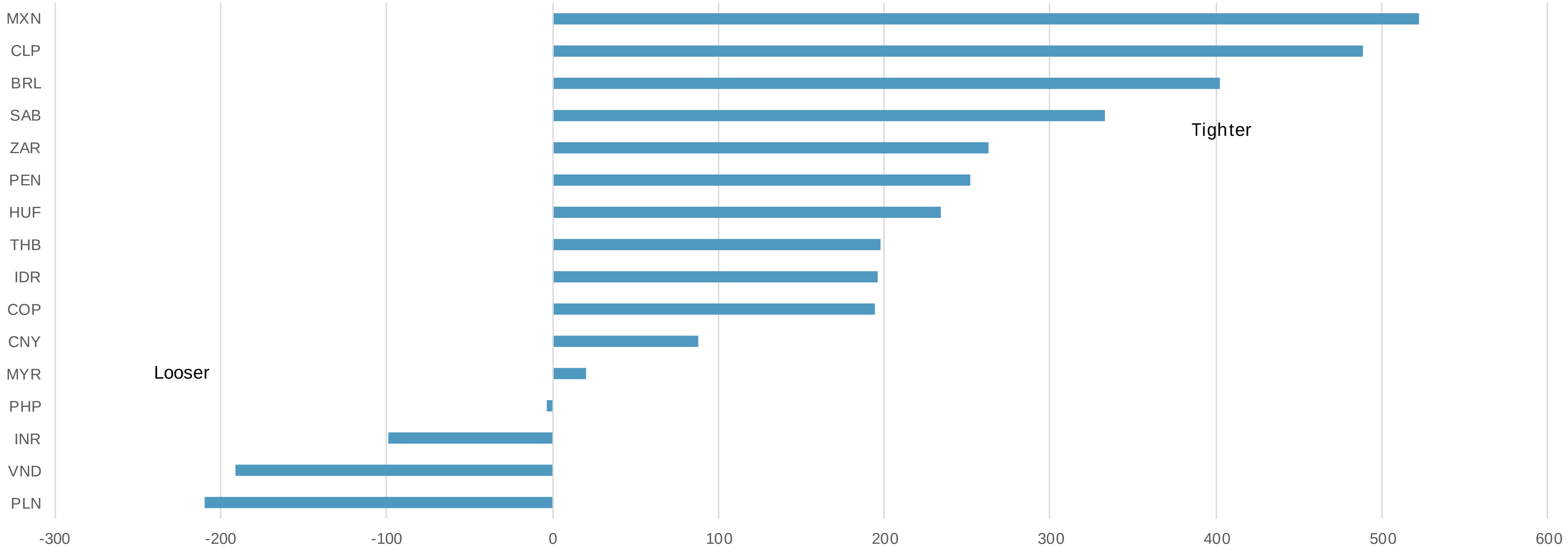
Broad real effective exchange rates



Percent change from the 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 Sept. 30, 2023. Sources: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | Still 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 Sept. 30, 2023. Sources: Haver Analytics and S&P Global Ratings.

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	Turkiye	Argentina
	FC Sovereign Rating	A	A	A-	BBB	A-	BBB	A+	BBB+	BBB	BBB+	BBB-	BB+	BB-	BB-	BB+	B	CCC-
	Sovereign Outlook	Stable	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Stable	Stable	Negative	Negative
Sovereigns	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
Financial institutions BICRA	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
Nonfinancial corporates	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.

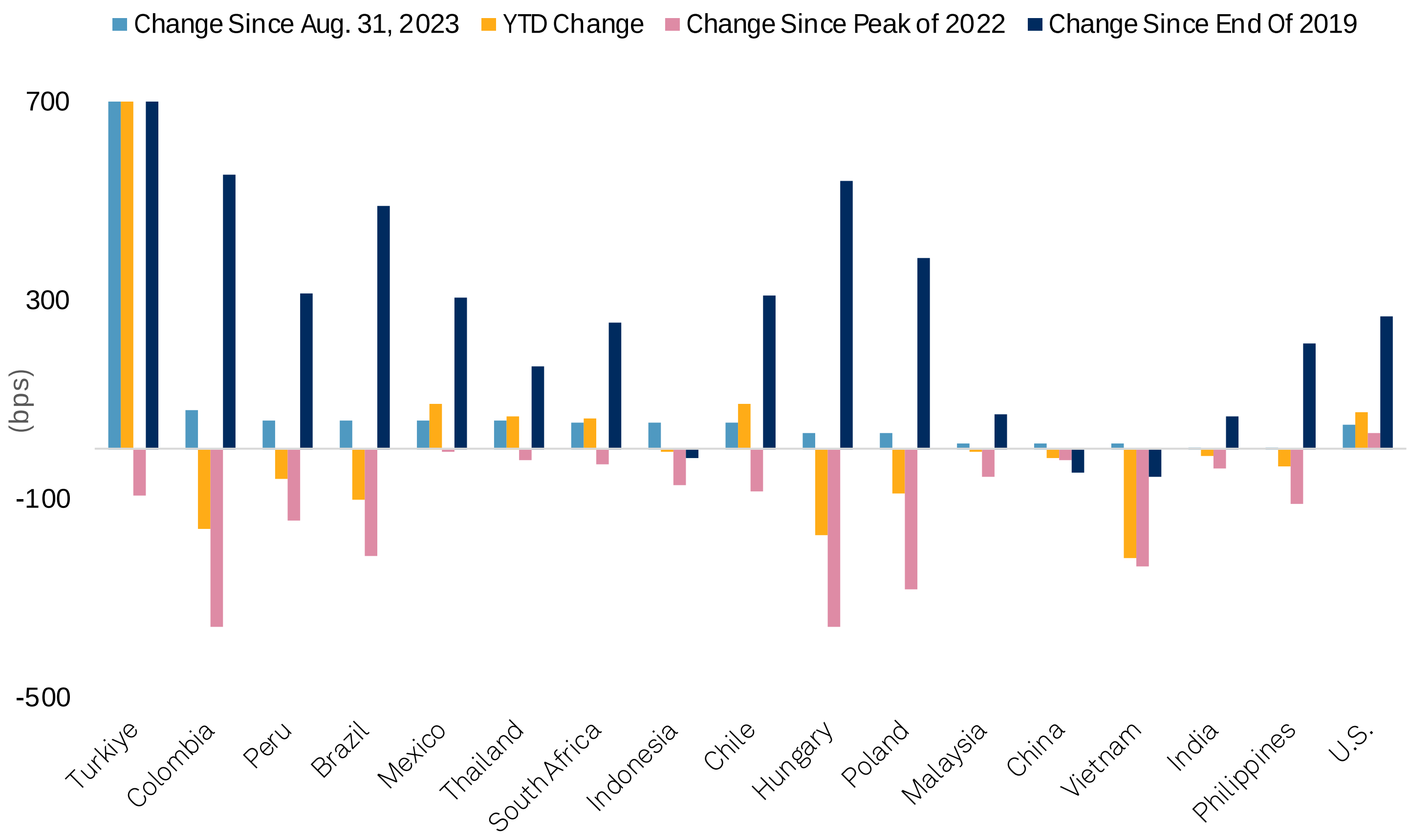
*IIF 4Q 2022. Sources: t-Bangko Sental NG Pilipinas, Banco Central de Reserva del Peru, Superintendencia de Banca y Seguros y AFP (Peru); Corporate Variables Capital IQ 1Q 2023. S&P Global Ratings. Data for sovereigns and financial institutions as of Sept. 12, 2023.

Financing Conditions
Highlights

S&P Global
Ratings

EM Yields | Benchmark Yields Rose In September

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

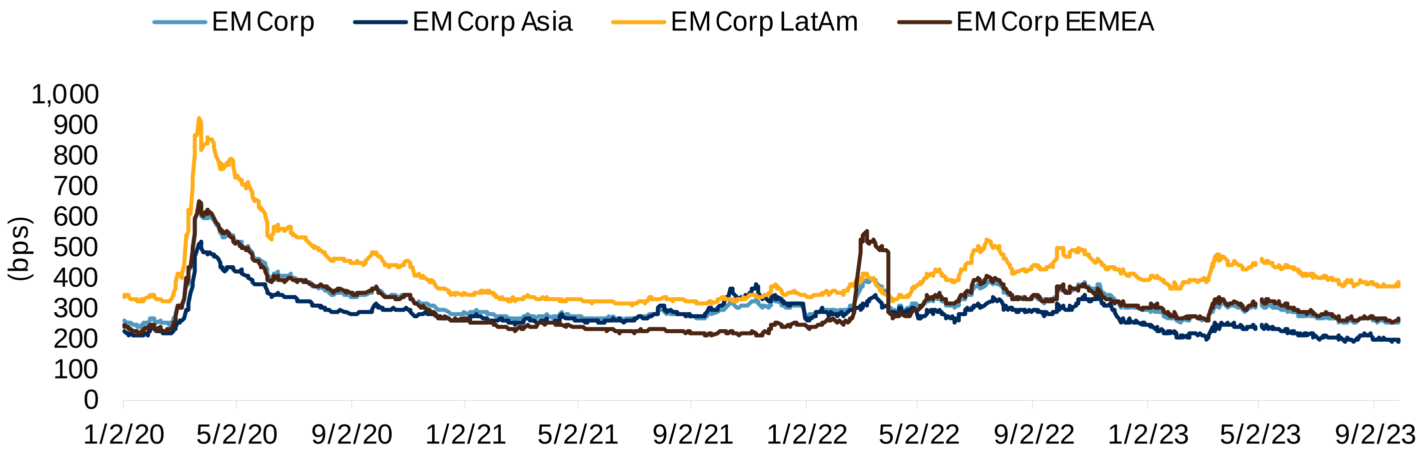


Data as of Sept. 29, 2023. The selection of country is subject to data availability. Y-axis truncated at 700 bps for visualization purposes. Data for Turkiye for 'Since Aug. 31, 2023' is 707 bps; for 'YTD Change' is 1,711 bps; for 'Change Since End Of 2019' is 1,352 bps.
Sources: S&P Global Ratings Credit Research & Insights and S&P Capital IQ Pro and Datastream.

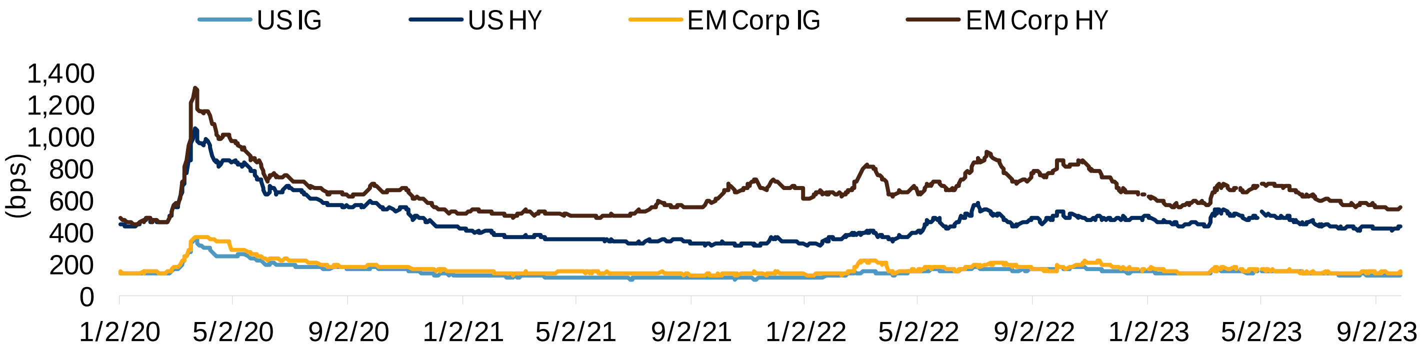
- EM 10-year benchmark yields widened in September across regions. Policy rate cuts in some EMs such as Chile, Brazil, Peru, and Poland were counteracted by the U.S. economy's resiliency, which results in higher-for-longer interest rates. The most significant upward movements were in LatAm (up 60 bps monthly on average).
- **The U.S. dollar's resurgence led to currency** depreciations, especially for countries in which central banks cut rates. Such a scenario raises risks of investment outflows, so far primarily taking place in China stemming from the recent property market turmoil.
- Corporate financing costs remain elevated as effective corporate yields across regions have recently reached 7.42%, 40 bps higher than in early September. Issuer competition for liquidity will be fierce in the next two years, especially for lower-rated EM issuers, given higher country risk premia than in advanced economies.

EM Credit Spreads| Relatively Muted

EM spreads by region



U.S. and EM spreads



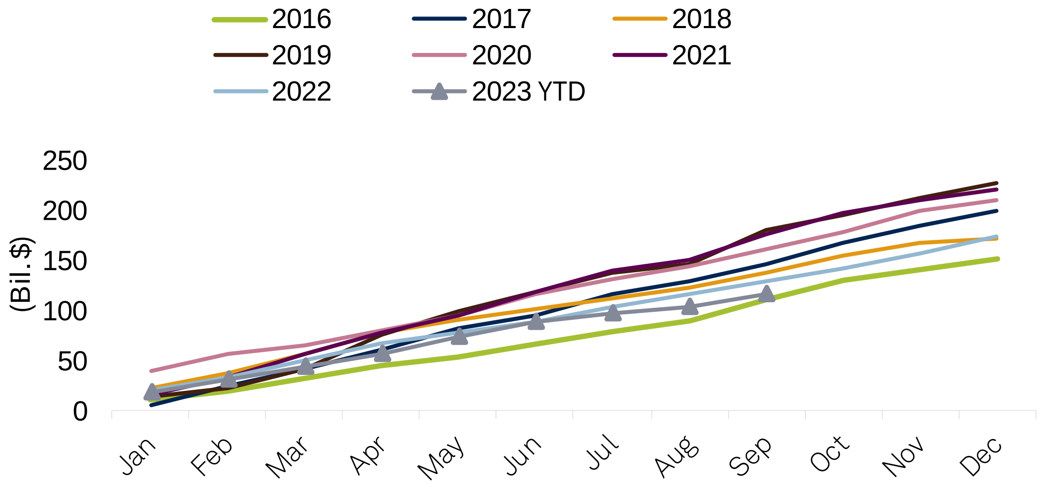
Data as of Sept. 29, 2023. HY – High Yield; IG – Investment Grade. Sources: S&P Global Ratings Credit Research & Insights, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- EM corporate spreads mostly remained at August levels. The global EM aggregate is 37 bps lower year to date, with corporate EM Asia with the highest compression of spreads across regions (down 55 bps year to date). Credit pressure lingers in LatAm, where higher-for-longer interest rates and tight financing conditions heighten the refinancing risk.
- While bond market costs remain significant, some issuances occurred in September. $3 billion were raised by investment-grade issuers, primarily financial institutions in EM Asia. Two speculative-grade issuers sold five-year term debts. mBank S.A. (Poland) issued $805 million at 8.4%, while Arcelik A.S. (Turkiye) issued $400 million at 8.5%.
- Spreads may take a hit from external conditions: The latter include further hikes by the Fed amid monetary policy easing in EMs; China's disappointing growth; geopolitical frictions such as the conflict between Russia and Ukraine, and in the Middle East; and U.S.-China tensions.

EM | Financial And Non-Financial Corporate Issuances

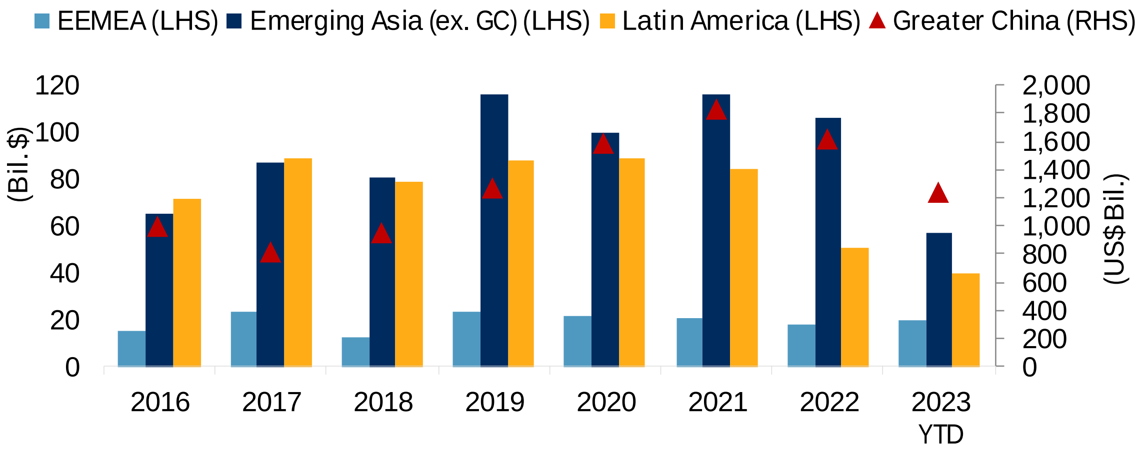
- EM overall needed issuances decreased by 6% in September from August with a monthly volume of $151 billion, 91% of which occurred in Greater China, which has seen a slight drop in its monthly issuances. Banks' issuances increased by $9 billion, while those of non-financial corporations registered a 22% monthly drop, particularly among the real estate, high tech, and utilities sectors.
- Issuances outside of Greater China were up in September with $13 billion, higher than last year's monthly level of $12 billion, while consistently below the 2019-2021 average. The most pronounced increases were in Chile (metals, mining, and steel), Turkiye and Poland (banks), and Thailand (miscellaneous). With three months to the end of 2023, LatAm is currently only at 40% of its 2017-2022 average issuance volume, EM Asia (50%) and EEMEA (100%; $20 billion).
- Issuances remain at a fixed rate for a medium/short-term horizon (up to five years), pointing to issuers' uncertainty about future financing conditions, tapping markets exclusively to cover imminent refinancing needs.

EM cumulative corporate bond issuance



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

EM regional bond issuance



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

S&P Global Ratings

Ratings
Summary

S&P Global
Ratings

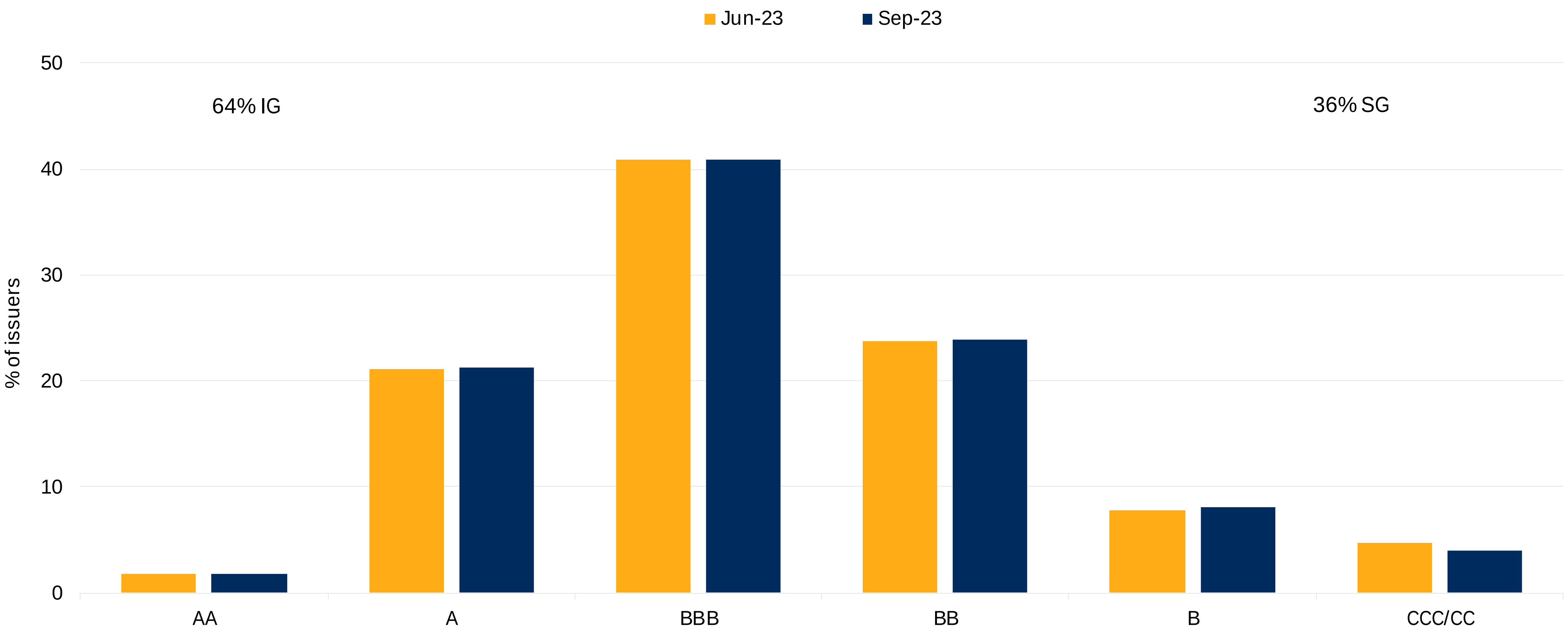
Ratings Summary | Sovereign Ratings In EM 18

On Sept. 29, 2023, S&P Global Ratings revised its outlook on its 'B' unsolicited long-term sovereign credit rating on Turkiye to stable from negative, while affirming all ratings. The stable outlook reflects balanced risks to Turkiye's creditworthiness stemming from the reimposition of orthodox monetary policy settings. Fiscal policies, including wage and pension eligibility increases, remain expansionary.

Economy	Rating	Outlook	Five-year CDS spread (Sept. 30)	Five-year CDS spread (Aug. 31)
China	A+	Stable	83	76
Chile	A	Stable	74	57
Saudi Arabia	A	Stable	53	47
Malaysia	A-	Stable	52	52
Poland	A-	Stable	70	62
Philippines	BBB+	Stable	85	75
Thailand	BBB+	Stable	53	52
Indonesia	BBB	Stable	93	82
Mexico	BBB	Stable	127	100
Peru	BBB	Negative	86	72
Hungary	BBB-	Stable	156	147
India	BBB-	Stable	74	88
Colombia	BB+	Stable	237	207
Vietnam	BB+	Stable	140	123
Brazil	BB-	Positive	186	168
South Africa	BB-	Stable	277	245
Turkiye	B	Stable	391	377
Argentina	CCC-	Negative	5,951	4,468

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 Sept. 30, 2023. Source: S&P Global Ratings Credit Research & Insights and S&P Capital IQ.

Ratings Summary | Credit Rating Distribution In EM 18



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

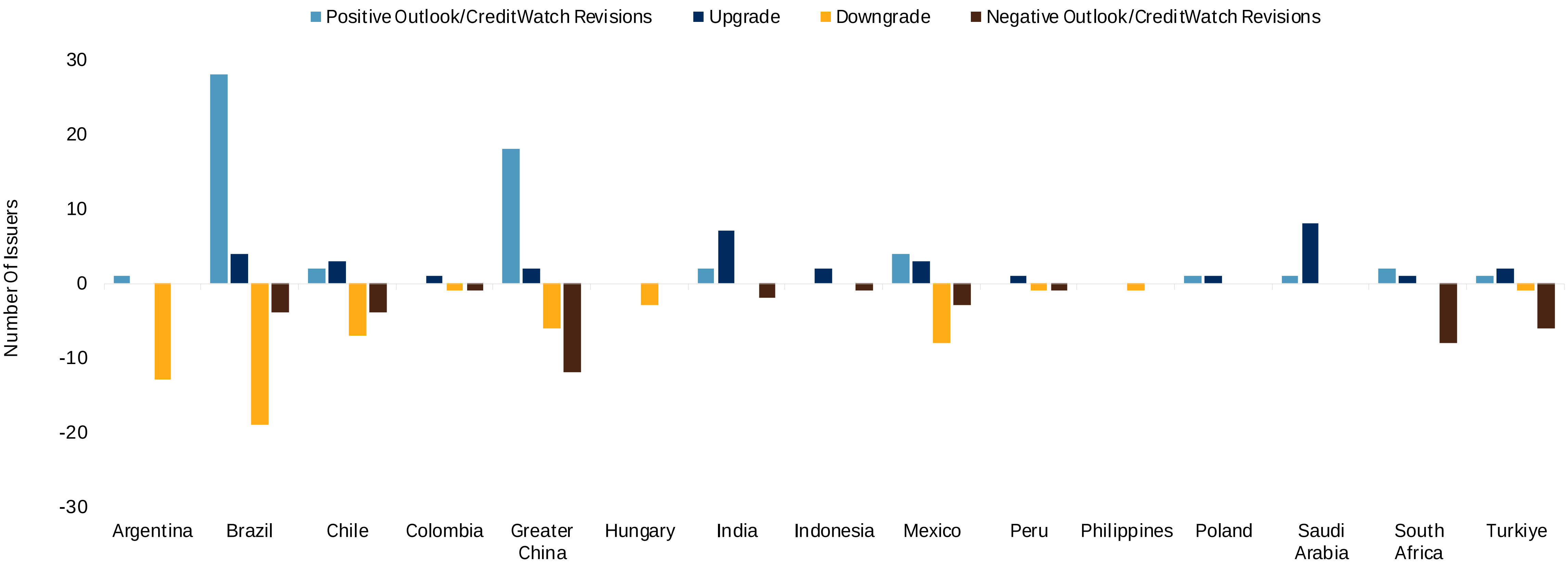
S&P Global
Ratings

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. $)
20-Sep-23	Latam Airlines Group S.A.	Chile	Transportation	B	B-	Upgrade	2,250
7-Jul-23	Braskem Idesa S.A.P.I. and subsidiary	Mexico	Chemicals, packaging and environmental services	B	B+	Downgrade	2,100
6-Sep-23	Becle S.A.B. de C.V.	Mexico	Consumer products	BBB-	BBB	Downgrade	1,300
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
22-Sep-23	Termocandelaria Power S.A.	Colombia	Utilities	BB	BB-	Upgrade	596
6-Sep-23	Unigel Participacoes S.A.	Brazil	Chemicals, packaging and environmental services	CCC-	CCC+	Downgrade	530
16-Aug-23	Guacolda Energia S.A	Chile	Utilities	D	CC	Downgrade	500
11-Sep-23	PT Pakuwon Jati Tbk.	Indonesia	Homebuilders/real estate companies	BB+	BB	Upgrade	300
4-Jul-23	Credivalores - Crediservicios SAS	Colombia	Financial institutions	CCC-	CCC+	Downgrade	300

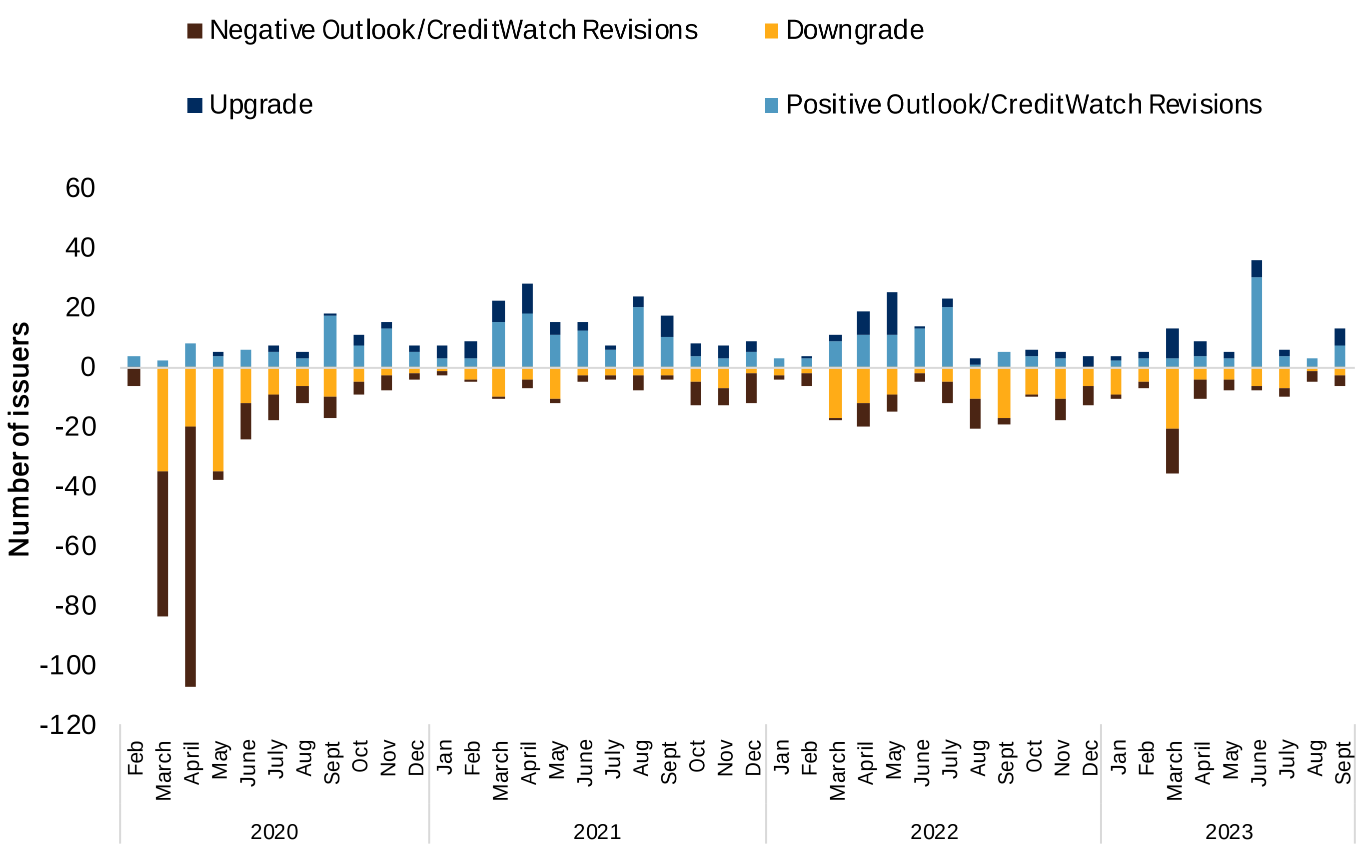
Data as of Sept. 30, 2023 (last 90 days), excludes sovereigns, Only includes rating actions where S&P Global Ratings rates debt. Includes rating actions on subsidiaries only if there was no rating action on the Parent. Excludes Greater China and the Red Chip companies (issuers headquartered in Greater 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 year to date. 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

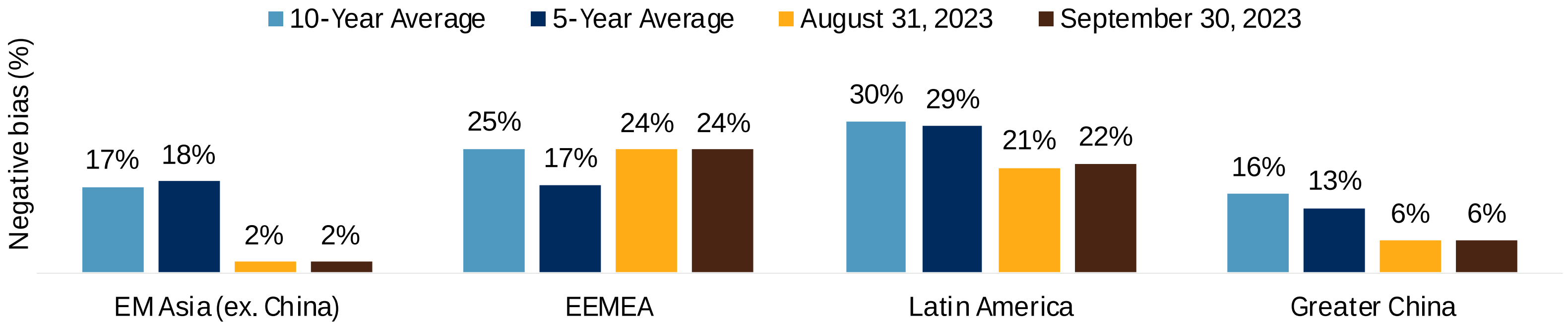


- There were six upgrades in September. Five of them were among speculative-grade issuers, while we upgraded Lenovo Group Ltd. to 'BBB' from 'BBB-' on improved operational resiliency with solid profitability and cash flow despite sharply lower PC revenue. It's the second time this year, after April, that upgrades outpaced downgrades, signaling some credit resilience in EMs.
- There were three downgrades in September, up from one in August. S&P Global Ratings lowered its long-term issuer credit ratings on Seazen Holdings (China, real estate) to 'B+' from 'BB-' on falling sales, straining leverage and liquidity buffers. We downgraded Becle S.A.B. de C.V. (Mexico, consumer products) to 'BBB-' from 'BBB' and assigned a negative outlook due to increased leverage and tighter liquidity stemming from the Mexican peso's appreciation and still elevated input costs. We downgraded Unigel Participacoes S.A. (Brazil, chemicals) to 'CCC-' from 'CCC+' and assigned a negative outlook on increased risks of debt restructuring as a result of higher cash burn (low prices of urea and ammonia, combined with expensive Petrobras contract).

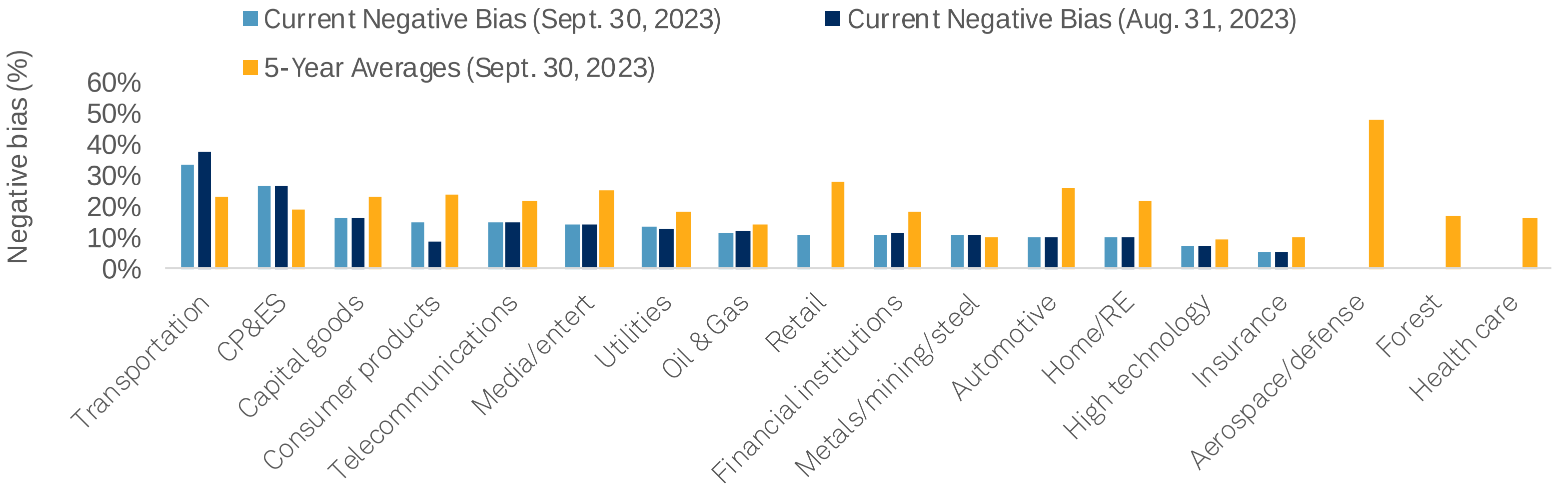
Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent. Data from Feb.3, 2020 to Sept. 30, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam,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

EM EMEA has the highest downgrade potential



Negative bias by sector



- EM EMEA had the highest downgrade potential in September, with the negative bias at 24%, similar to August. The downgrade potential remains below the 10-year average but higher than the five-year average.
- The downgrade potential remained relatively stable across regions. LatAm remains in the spotlight, with the negative bias of 22%, up from 21%, after we placed Falabella S.A. (Chile, retail) on CreditWatch negative on weak operating results and we downgraded Becle and assigned a negative outlook.
- Transportation and chemicals, and packaging and environmental services are the only two sectors (out of 18) that display higher negative bias than historical average.

Data as of Sept. 30, 2023; excludes sovereigns and subsidiaries. Source: S&P Global Ratings Credit Research & Insights .

S&P Global
Ratings

Rating Actions | Rating Changes From ‘B-’ To ‘CCC/CC’ In 2023 Year To Date

One rating movement to ‘CCC/CC’ from 'B-’ in 2023 through Sept. 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 Sept. 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 And 2023 Year To Date

Three EM fallen angels in 2022; none 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; none 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 Sept. 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.

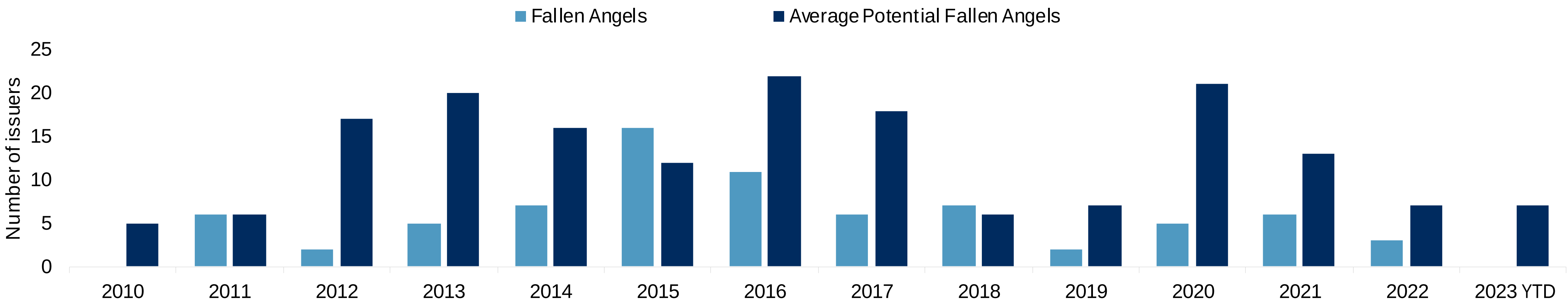
Rating Actions | List Of Defaulters In 2023

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
6-Jan-23	The 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	The 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	500
27-Apr-23	Grupo IDESA S.A. de C.V.	Mexico	Chemicals, packaging and environmental services	SD	CC	300
8-Jun-23	The 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	500
19-Sep-23	Sunac China Holdings Ltd.	Cayman Islands	Homebuilders/real estate companies	D	NR	-

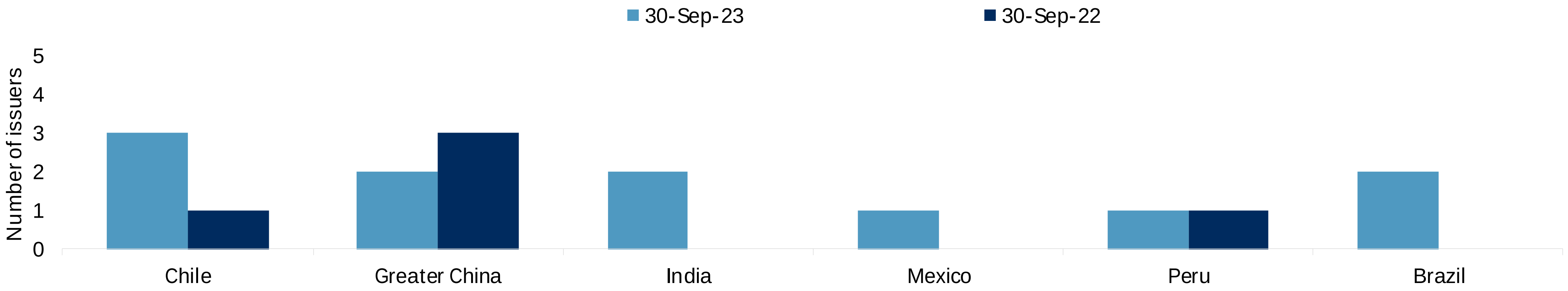
*Data as of Sept. 30, 2023. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Red means speculative-grade rating, and grey means default or selective default, not rated. *The Republic of Argentina default refers to its local currency long-term rating. Five confidential defaults through Sept. 30, 2023.*
Source: 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 year to date



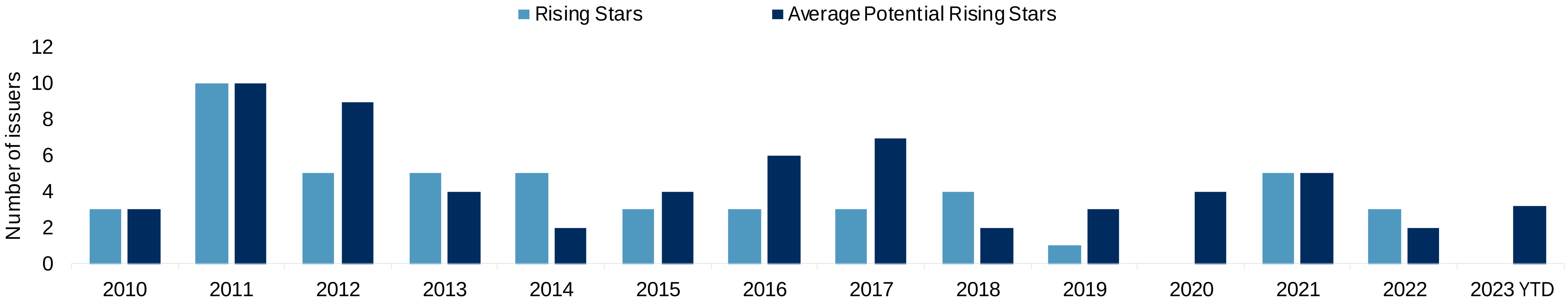
EM potential fallen angels trending up



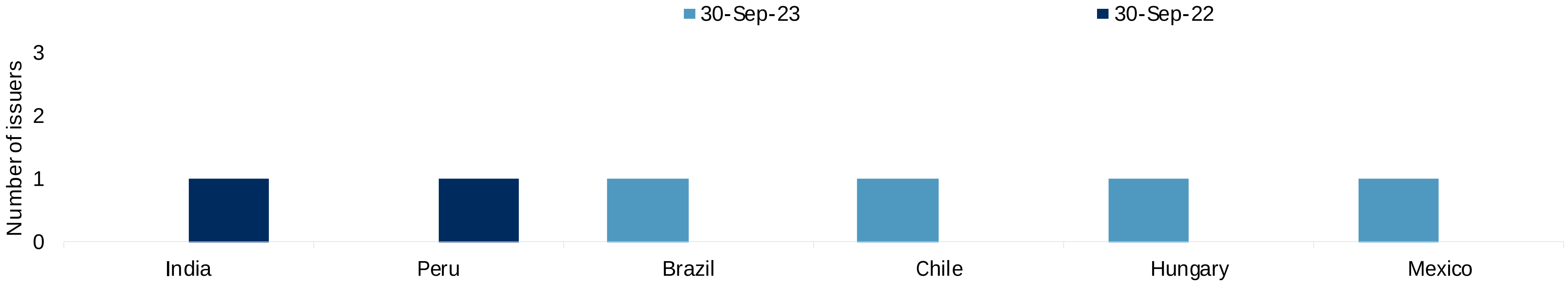
Data as of Sept. 30, 2023. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | Rising Stars And Potential Rising Stars

No rising stars in 2023 year to date



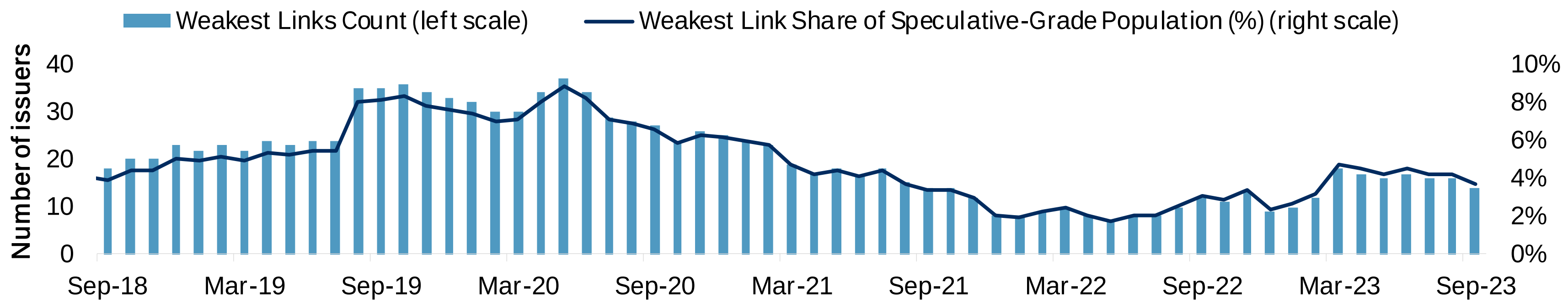
EM potential rising stars up from 2022



Data as of Sept. 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.

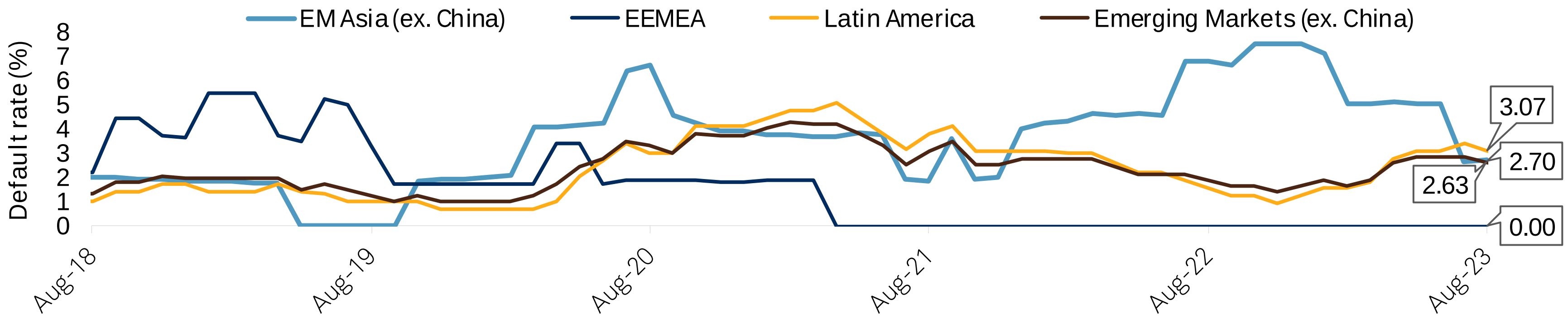
Rating Actions | Weakest Links And Defaults

EM weakest links at 14 in September



Data as of Sept. 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 August 2023)

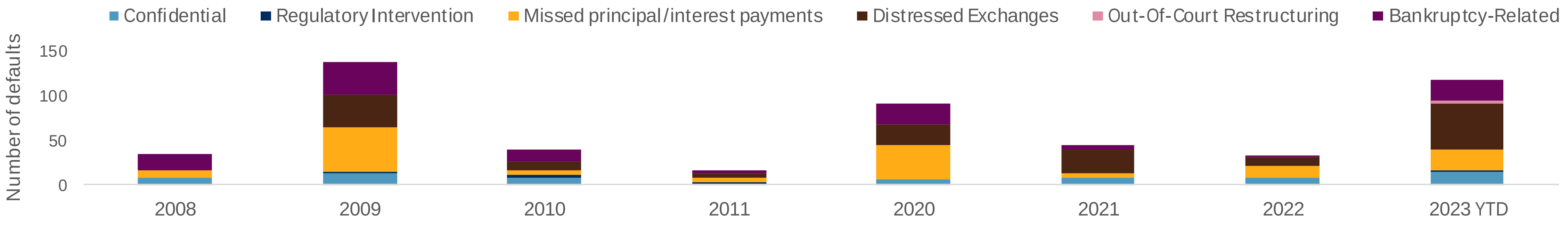


Excluding China. CreditPro data as of Aug. 31, 2023. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Excludes sovereigns. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

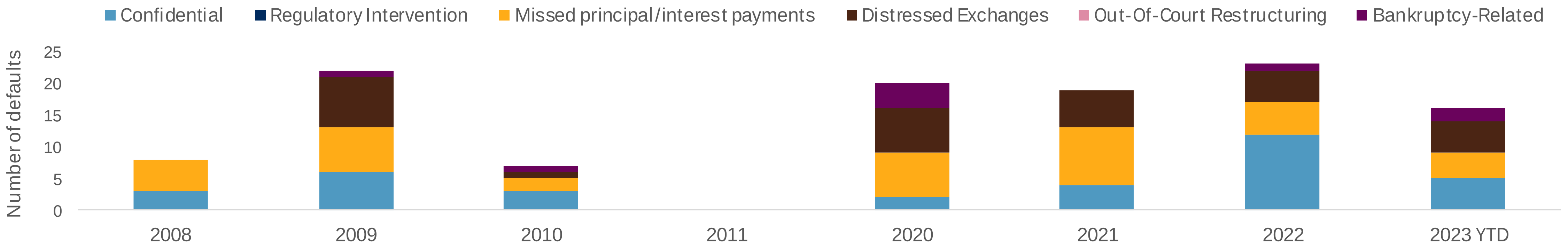
- Weakest links. EM weakest links fell to 14 issuers in September (4% of total speculative-grade issuers), less than in August (16). We revised the outlook on CAR Inc. (Greater China, transportation) to positive from negative on improved liquidity amid business recovery, and we withdrew our rating on Credivalores – Crediservicios SAS (Colombia, nonbank financial institution).
- Default rates. The August default rate remained at 2.63%. Out of 15 EM defaults through Sept. 30, 14 occurred in LatAm.

Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



**Data as of Sept. 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®.

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Related Research

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- Credit Conditions Update October 2023: War In Middle East Compounds Global Geopolitical Risks, Oct. 18, 2023
- Emerging Markets In Southeast Asia: The Forces Shaping The Outlook For 2024, Oct. 16, 2023
- Challenges To Trading Oil In Renminbi Remain Significant, Oct. 5, 2023
- Which Emerging Markets Are More Vulnerable To A Further Increase In Energy Prices?, Oct. 4, 2023
- Global Credit Conditions Q4 2023 Resilience Under Pressure, Sept. 28, 2023
- Credit Cycle Indicator Q4 2023: Risks Could Intensify Before The Cycle Turns, Sept. 28, 2023
- Global Economic Outlook Q4 2023: Nearing The Rate Plateau, Sept. 27, 2023
- Mexican Auto Suppliers Have Solid Financial Cushions Amid United Auto Workers Strike, Sept. 27, 2023
- China Still Has More Policy Tools To Stabilize The Higher Tier Property Markets, Sept. 26, 2023
- Credit Conditions Emerging Markets Q4 2023 High Interest Rates Sour The Mood, Sept. 26, 2023
- Economic Outlook Emerging Markets Q4 2023: The Lagged Effects Of Monetary Policy Will Test Resilience, Sept. 25, 2023
- S&P Global Ratings' Oil And Gas Price Assumptions Are Unchanged, Sept. 25, 2023
- Emerging Markets Real Estate Issuers Stand Their Ground, Sept. 20, 2023
- Greater Share Of Working Women Bolster Saudi Arabia's Economic Growth, Improving Productivity Will Entrench It, Sept. 20, 2023
- Emerging Markets Monthly Highlights: Domestic Demand Is Holding Up, Sept. 13, 2023
- Broadening BRICS May Have Limited Economic Benefits, Sept. 5, 2023

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