Emerging Markets Monthly Highlights

Volatility Abroad, Domestic Resilience

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S&P Global Ratings

This report does not constitute a rating action.

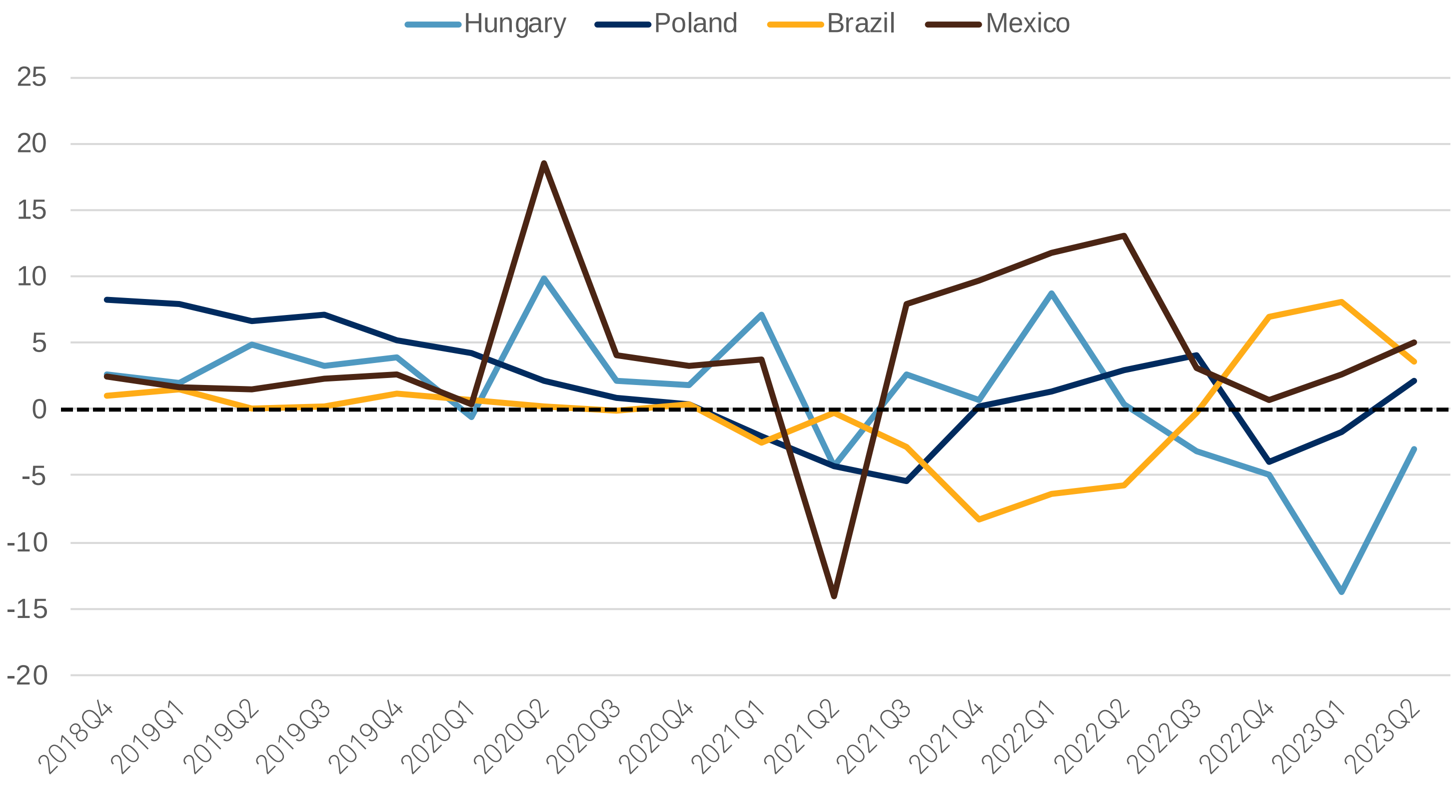
Key Takeaways

- S&P Global Ratings continues to observe resilience in domestic demand across emerging markets (EMs). Given that inflation has been broadly decreasing across most key EMs over the last few months, latest data on wages has suggested a pickup in real income growth. We expect that improvement in real income should support economic growth over the next few quarters. Nevertheless, subdued external demand, and in some cases, restrictive monetary stance will remain a headwind for most EMs.
- A lot of central bank action amid swings in Fed policy expectations. Several EM central banks in EM Asia surprised with rate hikes in recent meetings (Thailand, the Philippines, and Indonesia) following expectations for more tightening by the Fed ticked up, strengthening the U.S. dollar. Since then, soft U.S. jobs and inflation data pared back market-implied Fed tightening expectations. Consequently, several EM central banks that had already started lowering interest rates, continued doing so in their November meetings (Brazil, Chile, and Peru).
- Geopolitical risks are again at the forefront. Following the recent events in the Middle East, S&P Global Ratings revised its rating outlook on Israel to negative from stable. However, we currently expect that spillovers from the conflict outside Israel and Gaza will most likely be limited to tourism activity in the Middle East and North African (MENA) economies. Nevertheless, the uncertainty over the conflict escalation may exert upward pressure on energy prices.
- We observe that the 18-month period of elevated financing costs is progressively eroding finances of issuers with risky credits across EMs. Seventy six percent of 'CCC+' and lower rated issuers either have a negative outlook or on CreditWatch negative, keeping downward transition risk high in EMs. Still, the ratings impact is limited for now, and the number of downgrades has been low recently.

Contents

Real Income Growth| A Rebound Across EM EMEA And LatAm

Real income growth improved in EM EMEA and LatAm (%)

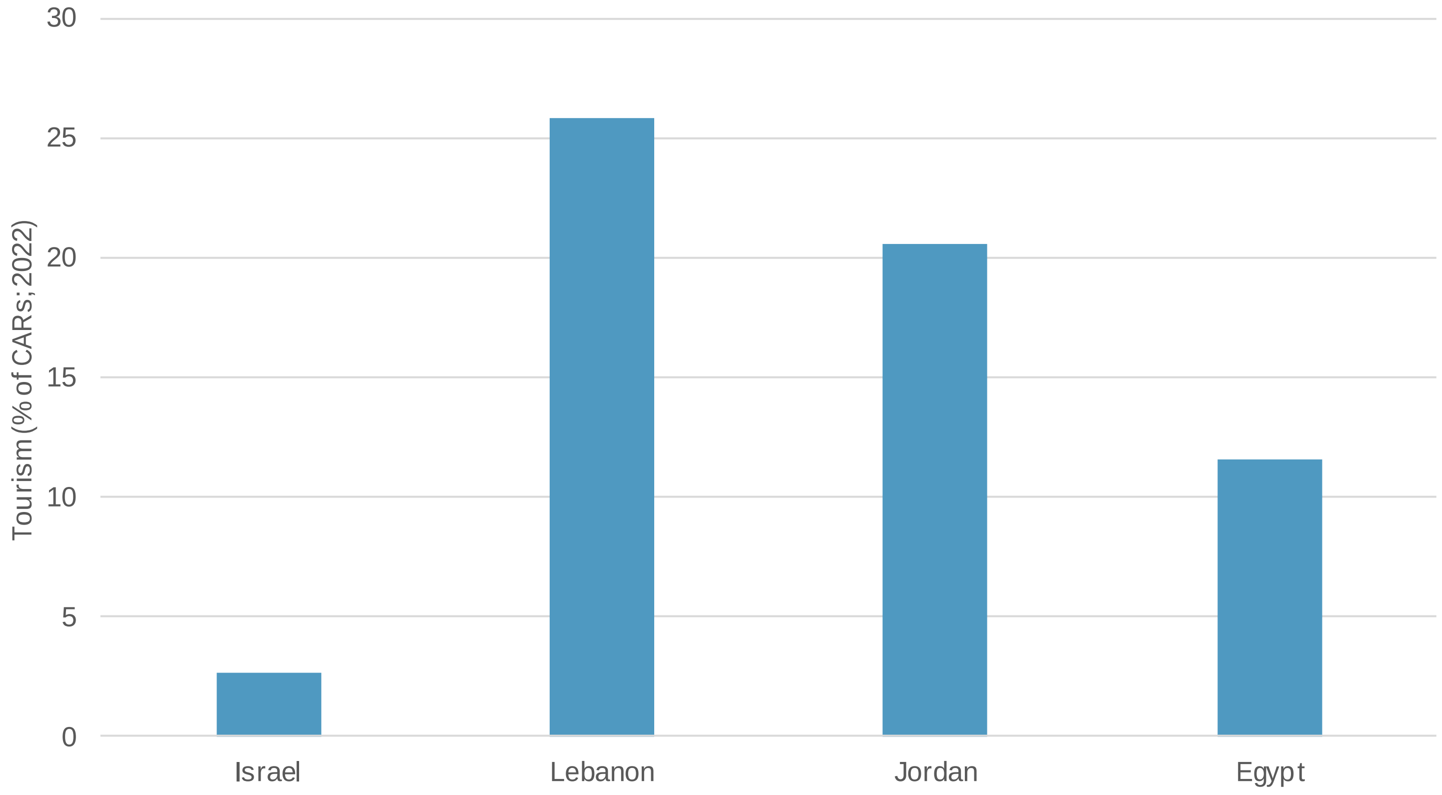


Sources: S&P Global Market Intelligence and S&P Global Ratings.

- As inflation slows down, real income has risen for many EMs particularly in Eastern Europe, the Middle East, and North Africa (EMEA) and LatAm. We expect that the recovery in real income will support household consumption over the coming quarters, although the accumulated effect of restrictive interest rates would also strain domestic demand.
- In Central and Eastern Europe (CEE), growth in real wages stems from exceptionally tight labor markets. Unemployment rates in CEE are currently among the lowest in the world, and taking into consideration demographic pressures in these economies, we do not expect labor market tightness to disappear any time soon.

Middle East | Spillovers to MENA are meaningful

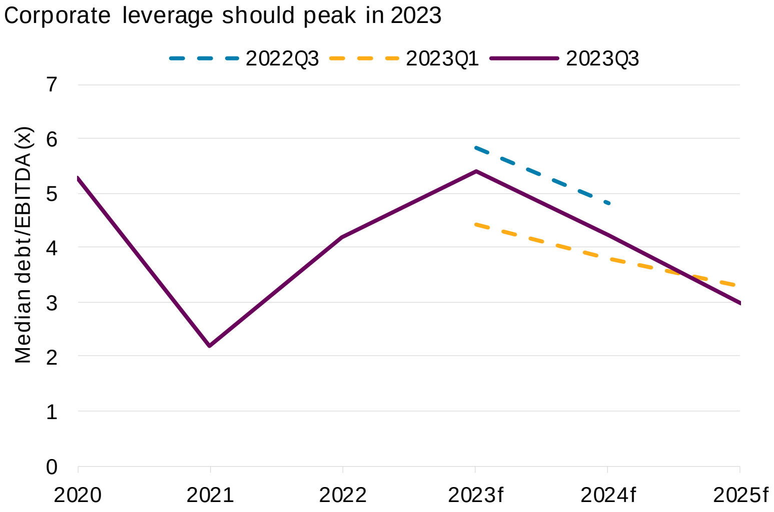
Tourism in affected MENA economies

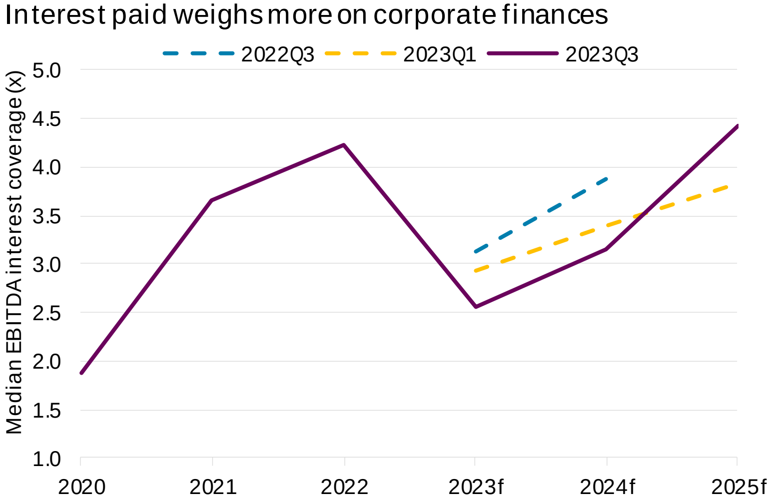


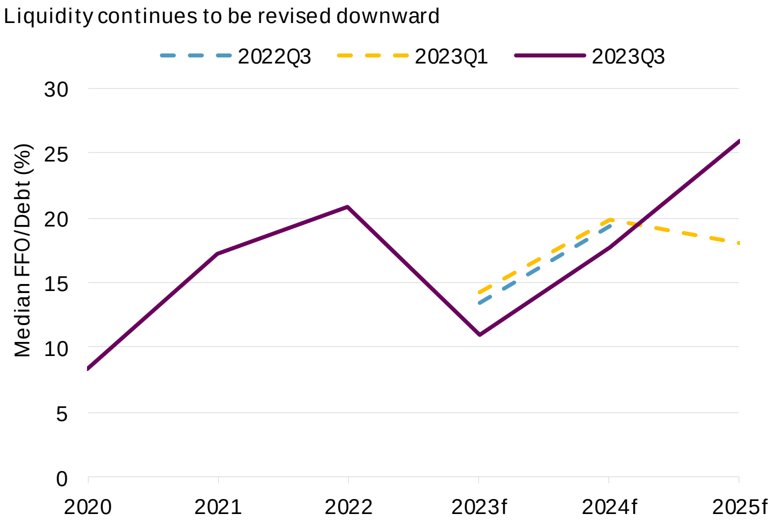
Sources: National authorities' data and S&P Global Ratings.

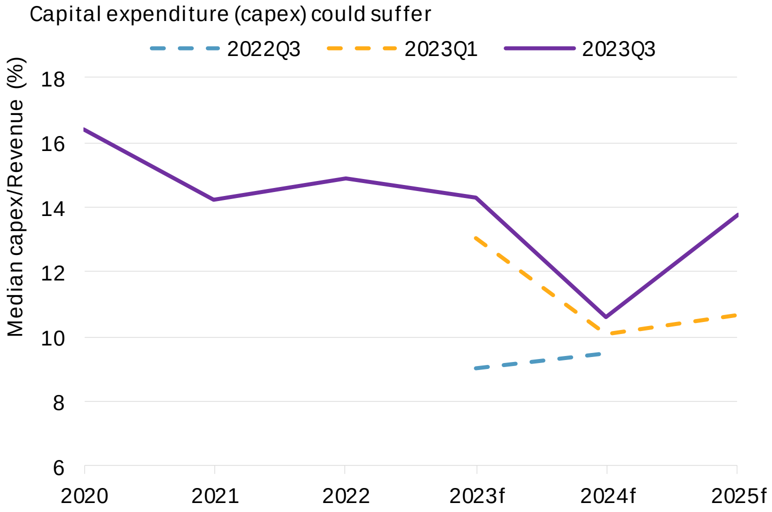
- We revised the outlook on Israel to negative from stable. Also, we revised our economic growth forecast downward to 1.5% in 2023 and 0.5% in 2024.
- We currently expect that, outside of Israel and Gaza, neighbor countries will likely be mostly affected through the tourism sector. The relevance of the tourism sector in MENA has surged in the last several years, and we think Lebanon, Egypt, and Jordan could suffer the most, hampering real GDP growth and weakening their external positions (see "MENA Tourism Likely To Take A Hit From Israel-Hamas War" published November 6).
- Oil and natural gas flows are under the risk. Particularly in the strait of Hormuz, exports through which account for about 20% of world's oil consumption.

Risky Credits | EMs Hang In Balance









Lines represent financial vintages: The blue dashed line represents financial forecasts as of Q3 2022; the yellow dashed line as of Q1 2023; purple line represents the actual analytical estimates. FFO—Funds from operations. Data as of Oct. 19, 2023. Source: S&P Global Ratings Credit Research & Insights.

- The 18-month period of elevated financing costs is progressively eroding finances of issuers with risky credits. Tight financing conditions depress consumer demand and intensify pressure on operating margins in the long term.
- We have progressively revised our financial forecasts on companies to incorporate a gradual deterioration in their EBITDA coverage ratios and liquidity. If capex remains at current levels for the rest of 2023, it could decrease in 2024 as rising debt servicing costs and depleted cash positions would likely force deleveraging.
- **Seventy six percent of 'CCC+' and lower** rated issuers have a negative outlook or are on CreditWatch negative, keeping downward transition risk high in EMs, despite the low number of downgrades to the 'B-' and 'CCC' categories recently.
- For more insights, see "Risky Credits: Emerging Markets Hang in Balance" published November 1.

Regional Economic Highlights

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EM Asia Economics | Central Banks Keep Interest Rates Elevated

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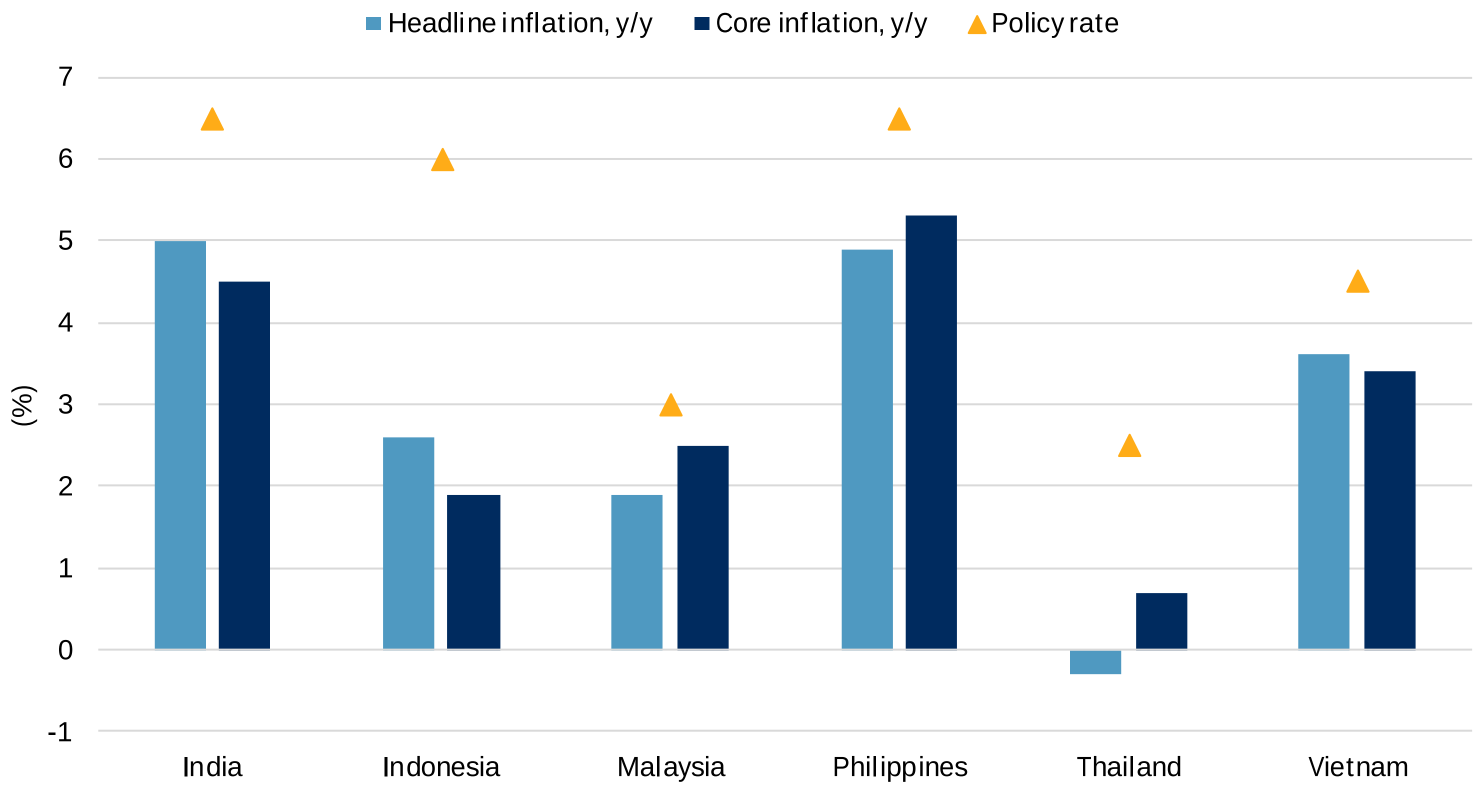
Central banks maintain a moderately restrictive monetary policy



Sources: CEIC, Regional Central Banks, and S&P Global Ratings.

- Inflationary pressures in the region are contained. Energy and food price inflation led to some increases in consumer prices in August and September, but the trend points to a gradual inflation moderation.
- Despite modest inflation, central banks are maintaining high interest rates. In addition to keeping inflation contained, central banks are keen to prevent capital outflows due to high global interest rates.
- As a result, Bank Indonesia and Bangko Sentral ng Pilipinas hiked their policy rates by 25 basis points (bps).

EM EMEA Economics | Consumer Confidence Is Improving Broadly

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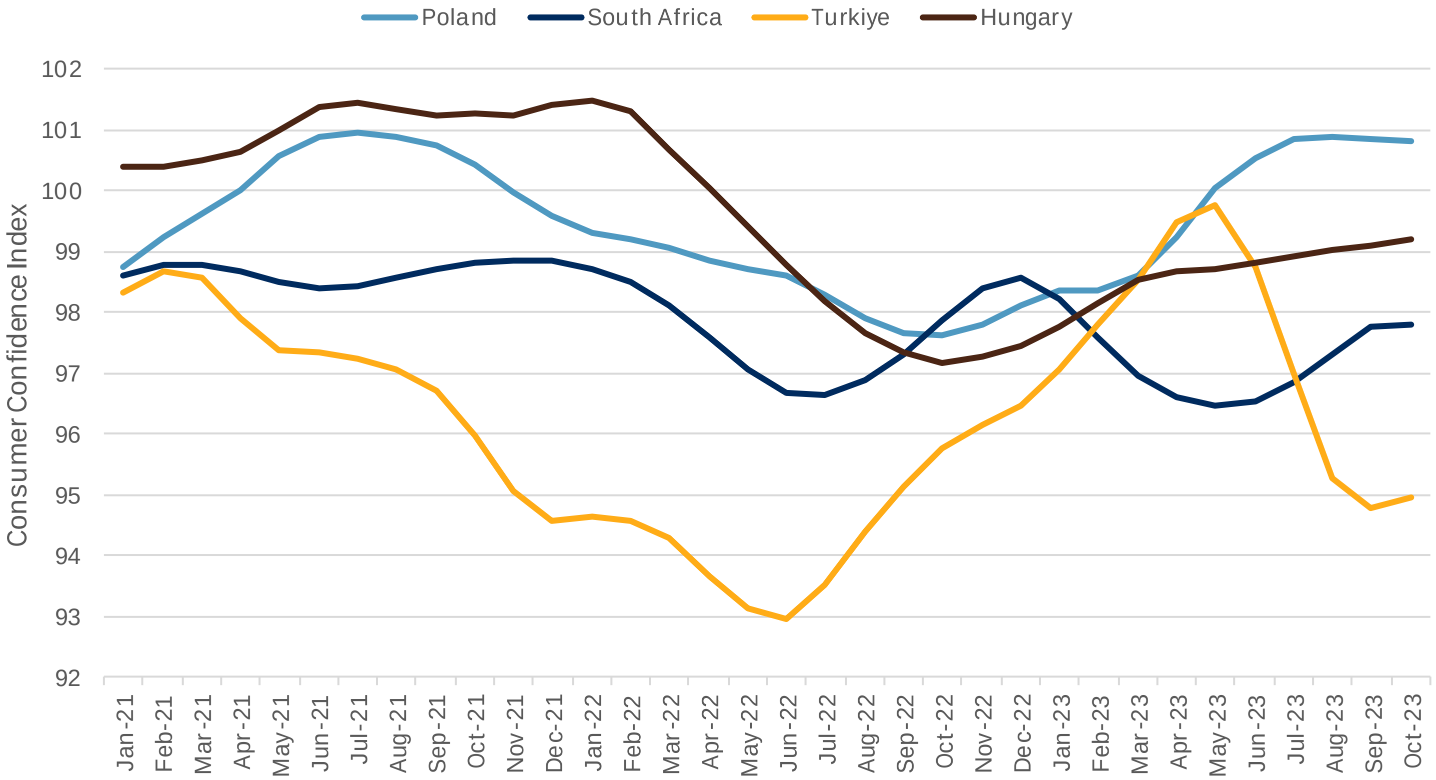
Consumer confidence has improved across most EM EMEA economies



Note: An indicator above 100 signals a boost in the consumers' confidence towards the future economic situation, values below 100 indicate a pessimistic attitude towards future developments in the economy, Sources: OECD and S&P Global Ratings.

- Consumer confidence has improved in most key EM EMEA economies due to declining inflation and consequent improvement in real income. Nevertheless, according to data from high-frequency indicators, particularly retail sales and imports, the recovery in consumer spending seems to be subdued, especially in Hungary and South Africa.
- Turkiye recorded a decline in consumer confidence. Consumer confidence in Turkiye took a hit from the depreciating exchange rate and rising inflation. However, high-frequency indicators, related to consumer spending, currently point to a gradual slowdown of domestic demand, rather than abrupt contraction.

LatAm Economics | Mexico's Growth Remains Well Above Trend

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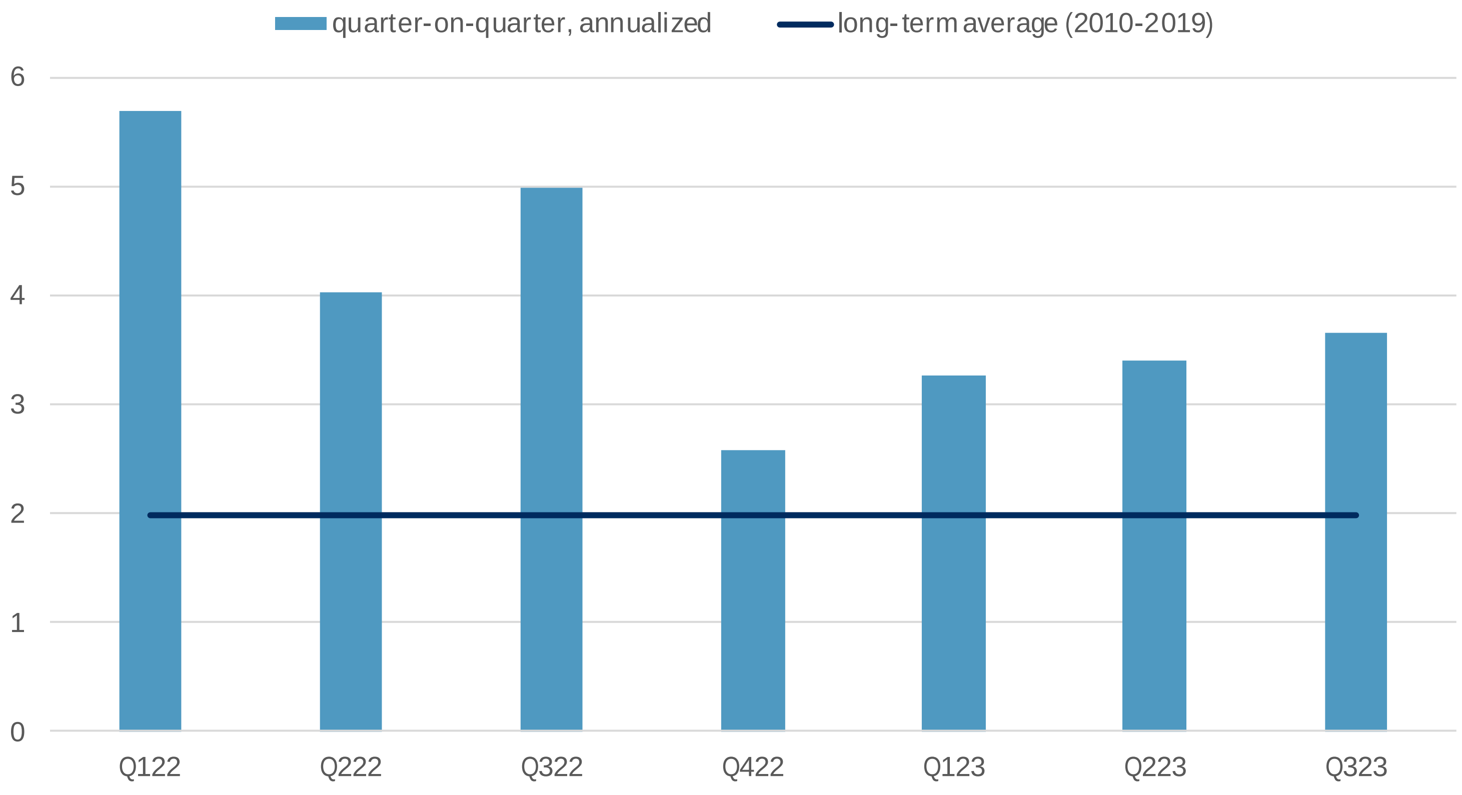
Mexico's real GDP growth (%)



Seasonally adjusted. Note: Q323 is based on a flash estimate. Sources: Haver Analytics and S&P Global Ratings.

- Real GDP growth in Mexico accelerated in the third quarter. According to a flash estimate, the economy grew 3.7% quarter-on-quarter in annualized terms in Q3, up from 3.4% in Q2, which was a touch above consensus.
- Public investment in infrastructure was a significant driver of Q3 growth, which will likely remain the case in the coming quarters. The administration's push to complete several landmark projects ahead of next year's presidential election is boosting activity in non-residential construction.
- We anticipate services and manufacturing activity to soften in the coming quarters, in line with our expectations for U.S. growth to cool. Services and manufacturing activity was weaker in Q3 than in Q2, and we expect this trend to accelerate as the U.S. economy softens. As a result, we forecast GDP growth in Mexico to moderate to 1.7% in 2024 from 3.0% this year.

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GDP Summary | Most EMs Will Grow Below Trend In 2024

Country	Latest reading (y/y)	Period	5Y 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	3.3	Q3	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	4.9	Q3	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	3.3	Q3	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	0.4	Q3	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	-0.4	Q3	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.

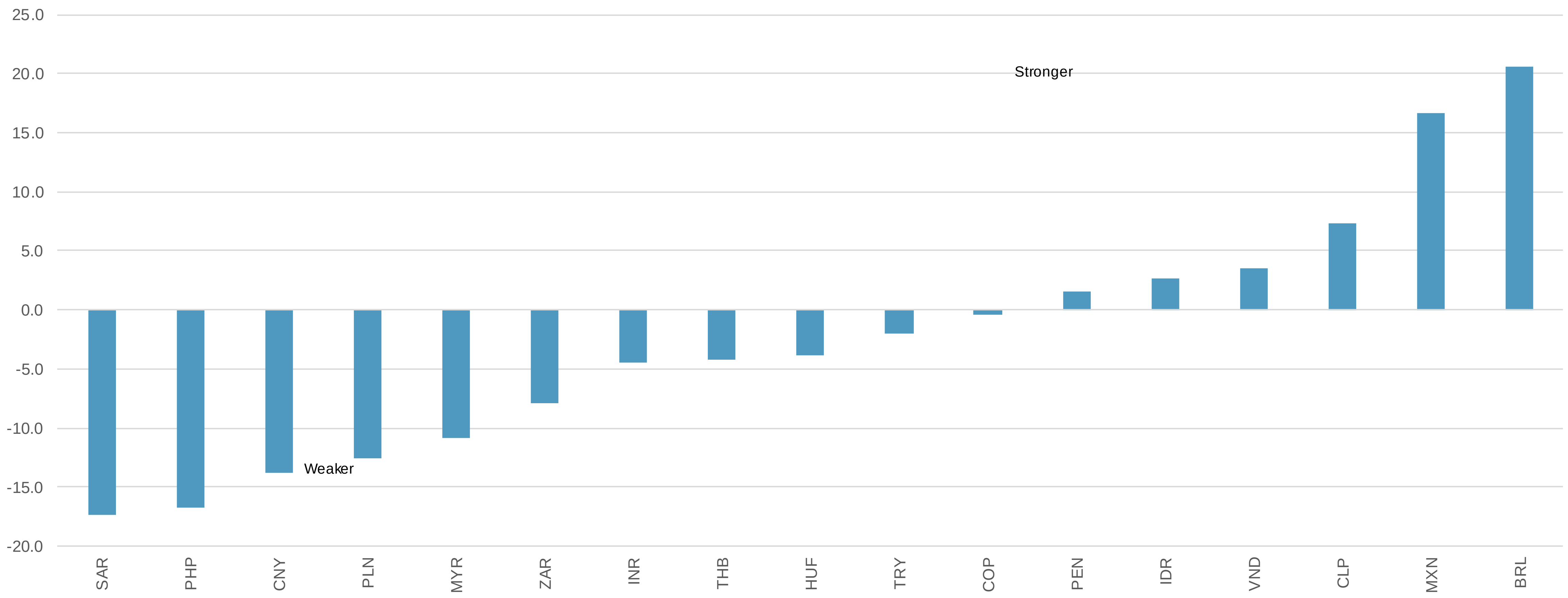
Monetary Policy/FX | A Mix Of Interest Rate Cuts And Hikes Last Month

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	Oct. exchange rate chg.	YTD exchange rate chg.
Argentina	133.00%	No target	138.3%	1,500 bps hike	N/A	0.0%	-49.4%
Brazil	12.25%	3.25% +/- 1.5%	5.2%	50 bps cut	Dec. 13	-1.0%	3.2%
Chile	9.00%	3.0% +/- 1.0%	5.0%	50 bps cut	Dec. 19	-0.4%	-6.0%
Colombia	13.25%	3.0% +/- 1.0%	10.5%	Hold	Dec. 26	0.6%	18.5%
Mexico	11.25%	3.0% +/- 1.0%	4.3%	Hold	Dec. 4	-3.7%	7.9%
Peru	7.00%	1.0% - 3.0%	4.3%	25 bps cut	Dec. 14	-1.1%	-0.6%
China	1.80%	3.0%	-0.2%	N/A	N/A	0.0%	-3.0%
India	6.50%	4.0 +/- 2.0%	5.0%	Hold	Dec. 8	-0.3%	-0.6%
Indonesia	6.00%	3.5% +/- 1.0%	2.6%	25 bps hike	Nov. 23	-2.7%	-2.0%
Malaysia	3.00%	No target	1.9%	`	Dec. 24	-1.5%	-7.5%
Philippines	6.50%	3.0% +/- 1.0%	4.9%	25 bps hike	Nov. 16	-0.3%	-1.8%
Thailand	2.50%	2.5% +/- 1.5%	-0.3%	25 bps hike	Nov. 29	1.3%	-3.6%
Vietnam	4.50%	4%	3.7%	50 bps cut	N/A	-1.1%	-4.0%
Hungary	12.25%	3.0% +/- 1.0%	12.2%	75 bps cut	Nov. 21	1.2%	3.6%
Poland	5.75%	2.5% +/- 1.0%	8.2%	Hold	Dec. 6	3.6%	4.1%
Saudi Arabia	6.00%	No target	1.7%	25 bps hike	Dec. 13	0.0%	0.0%
South Africa	8.25%	3.0% - 6.0%	5.4%	Hold	Nov. 23	0.5%	-9.2%
Turkiye	35.00%	5.0% +/- 2.0%	61.4%	500 bps hike	Nov. 23	-3.1%	-33.8%

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 Still Very Strong

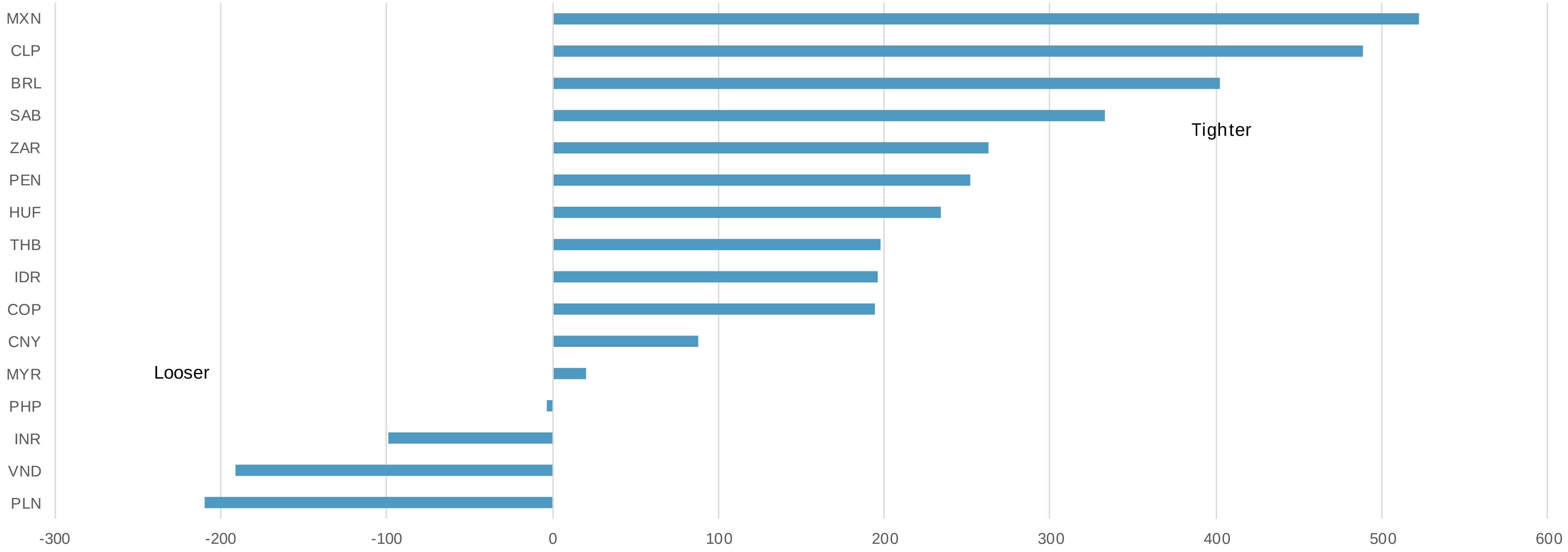
Broad real effective exchange rates*



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

Real Interest Rates | Real Rates Still 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 Oct. 31, 2023. Sources: Haver Analytics and S&P Global Ratings.

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EM Heat Map

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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	Negative	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Stable	Stable	Stable	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	6	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 (Oct 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 November 10, 2023.

Financing Conditions
Highlights

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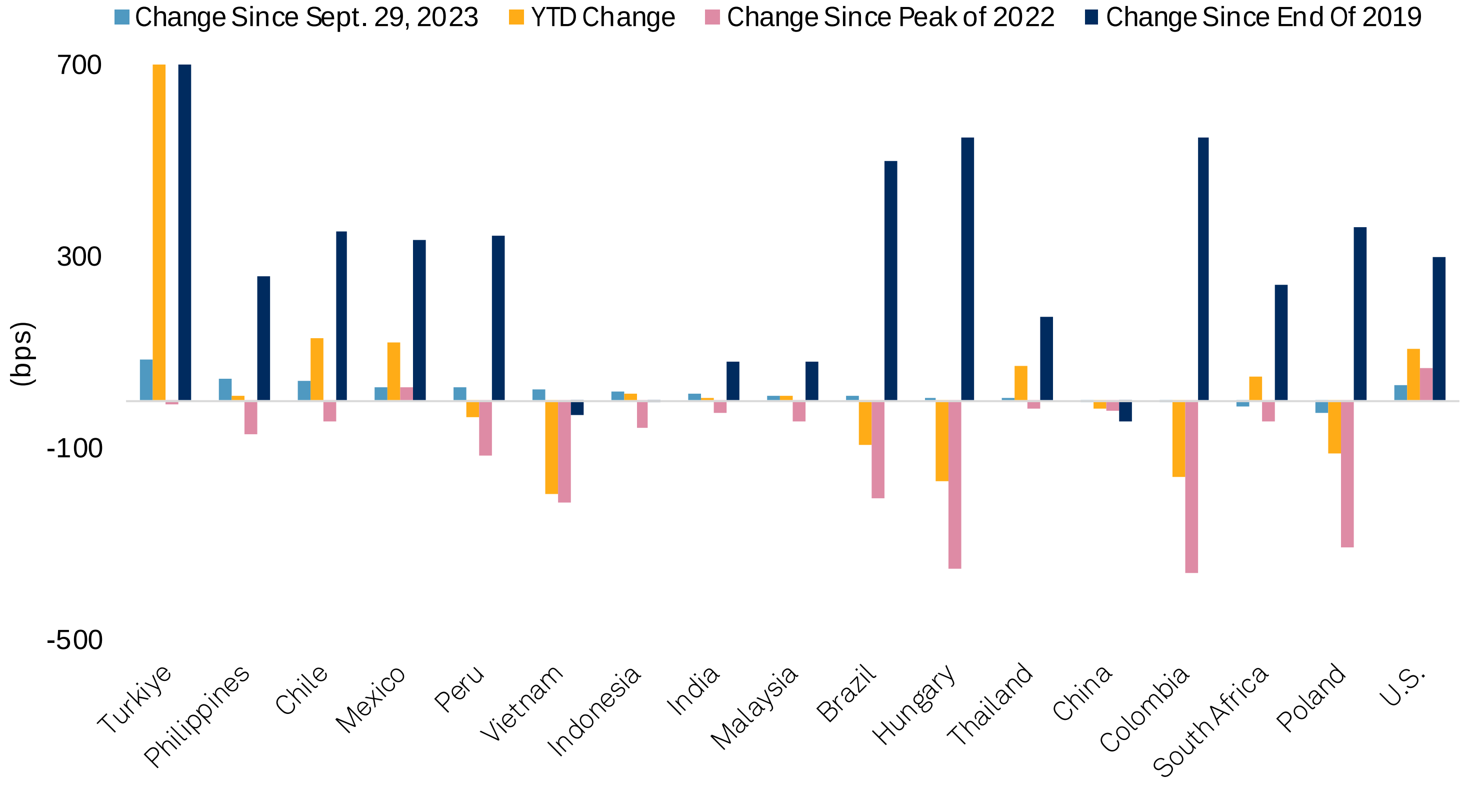
EM Yields | Benchmark Yields Up Again In October

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



Data as of Oct. 31, 2023. The selection of country is subject to data availability. Y-axis truncated at 700 bps for visualization purposes. Turkiye records for 'Since Sept. 29, 2023' is 85 bps; for 'YTD Change' is 1,796 bps; for 'Change Since End Of 2019' is 1,437 bps.
Sources: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro and Datastream.

- EM 10-year benchmark yields generally rose in October across regions. Most significant upward movements were recorded in Turkiye (up 85 bps) and the Philippines (43 bps), the latter following an off-cycle action to raise the target repurchase rate as upside risks to inflation continued to rise (supply-side prices and inflation expectations). The Chilean 10-year yield rose by 41 bps, mainly because of political turmoil over the upcoming constitutional vote.
- Downward movements were registered in Poland (25 bps), as the National Bank of Poland cut its reference interest rate to 5.75% following easing inflation, and slightly in South Africa, primarily as a base effect, as power supply remains a concern.
- Corporate financing costs remain elevated as effective corporate yields across regions have recently reached 7.32%, with respect to the 10-year average of 4.95%. Issuer competition for liquidity will be fierce in the next two years, especially for lower-rated EM issuers, given higher country risk premia than advanced economies.

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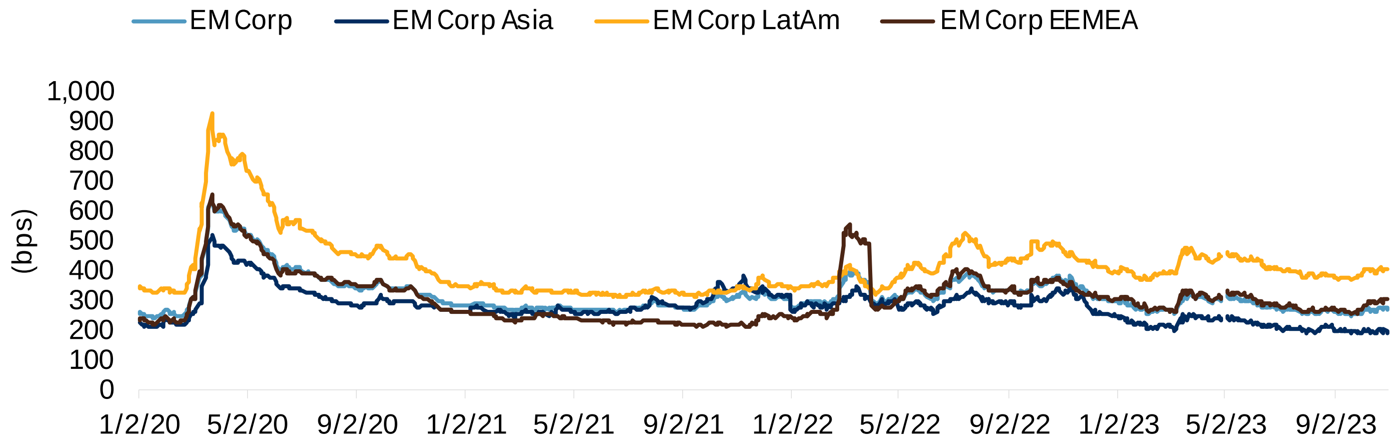
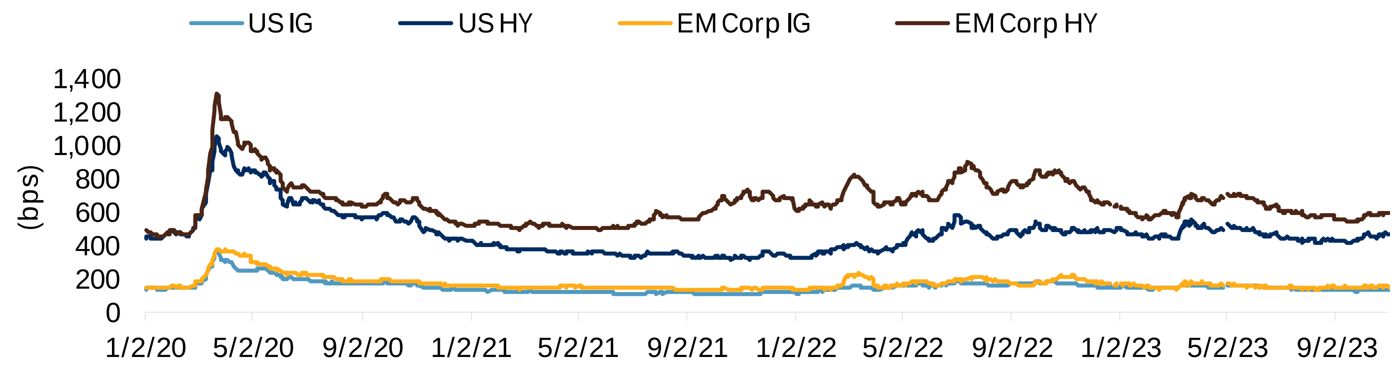
EM Credit Spreads| Influenced By Rising Global Uncertainty

EM spreads by region



U.S. and EM spreads



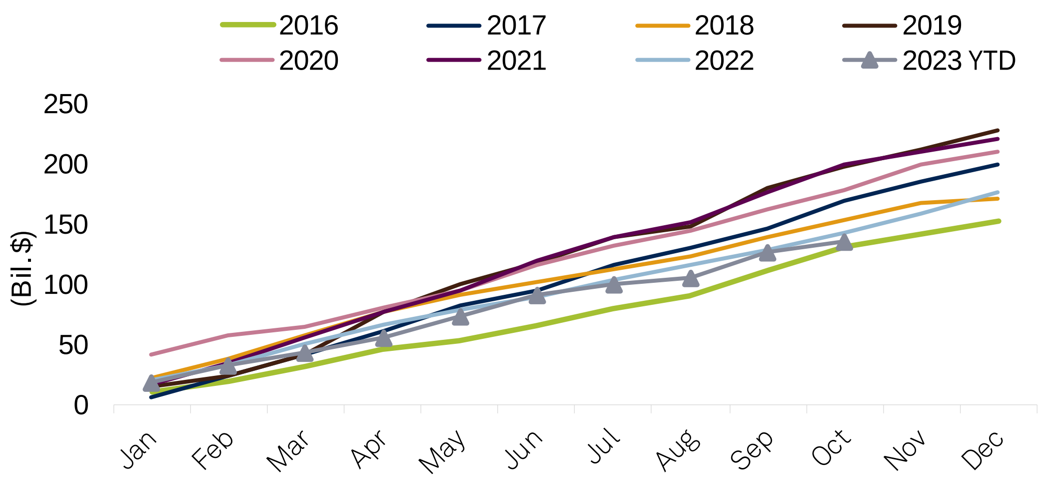
Data as of Oct. 31, 2023. HY – High Yield; IG – Investment Grade. Sources: S&P Global Ratings Credit Research & Insights, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- EM corporate spreads rose moderately after several months of tightness. The global EM aggregate is 14 bps higher than in September, with the EM EMEA corporate sector with the highest monthly bounce across regions (up 35 bps).
- High-yield spreads widened further. Precisely by 39 bps from July levels. The discrepancy between investment-grade and high-yield EM spreads increased in October, as well as between those of EM and U.S. high yield. Speculative-grade issuers are particularly vulnerable, as latent uncertainty may set market financing in a risk-wary mode, privileging developed economies over the emerging ones.
- External conditions will continue to influence spreads: These include a potential further hike by the Fed amid monetary policy easing in EMs, China's disappointing growth, geopolitical frictions--such as the Russia-Ukraine and Middle East conflicts and U.S.-China tensions--and the impact of climate events such as El Niño on local inflation.

EM | Financial And Non-Financial Corporate Issuance

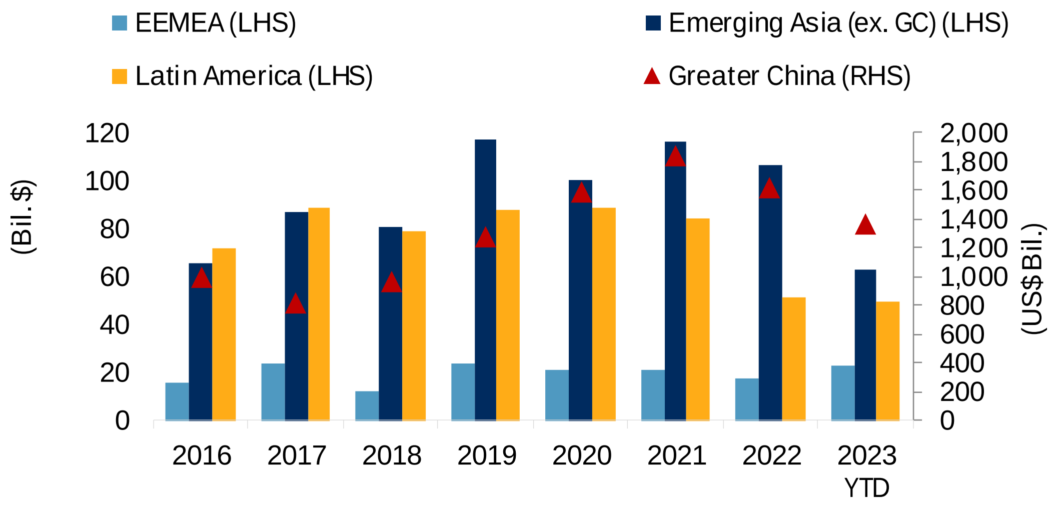
- EM overall issuance volume decreased in October from September with a monthly volume of $133 billion, 93% of which occurring in Greater China, which has seen a drop in its monthly issuance, particularly from the financial sector. Meaningful exceptions in Greater China are utilities (up $2.3 billion), high tech (up $1.4 billion), and insurance (up $900 million).
- Issuances outside of Greater China took a respite in October with $9.3 billion issued, sharply down from September's $19.8 billion. Brazil is mostly responsible for the drop, with the consumer products, oil and gas, and utility sectors lagging the most. No recorded speculative-grade issuances, which continue to suffer, while one investment-grade issuance was registered in Poland: Bank Gospodarstwa Krajowego issuing the five-year $998 million notes at 6.25%.
- Issuance remains mostly at a fixed rate for a medium– to short-term horizon (up to five years), mirroring issuers' uncertainty about future financing conditions and tapping markets exclusively to cover imminent refinancing needs. However, October's banking issuance in China differed from the one in September in terms of tenor, which increased towards longer maturities.

EM cumulative corporate bond issuance



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

EM regional bond issuance



Data as of Oct. 31, 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 EM18

On Oct. 19, 2023, S&P Global Ratings revised its outlook on the long-term ratings on Chile to negative from stable, capturing the risks stemming from weakening political consensus on the key parameters of Chile's political and economic agenda. The difficulties in pushing forward material pieces of legislation might translate over time into weaker economic performance and prospects, as well as slower improvement in social conditions. Moreover, structurally weaker growth will continue to pressure Chile's fiscal and external profiles.

Economy	Rating	Outlook	Five-year CDS spread (Oct. 31)	Five-year CDS spread (Sept. 30)
China	A+	Stable	82	83
Chile	A	Negative	79	74
Saudi Arabia	A	Stable	68	53
Malaysia	A-	Stable	64	52
Poland	A-	Stable	68	70
Philippines	BBB+	Stable	89	85
Thailand	BBB+	Stable	68	53
Indonesia	BBB	Stable	98	93
Mexico	BBB	Stable	121	127
Peru	BBB	Negative	100	86
Hungary	BBB-	Stable	159	156
India	BBB-	Stable	64	74
Colombia	BB+	Stable	220	237
Vietnam	BB+	Stable	141	140
Brazil	BB-	Positive	182	186
South Africa	BB-	Stable	276	277
Turkiye	B	Stable	395	391
Argentina	CCC-	Negative	6,318	5,951

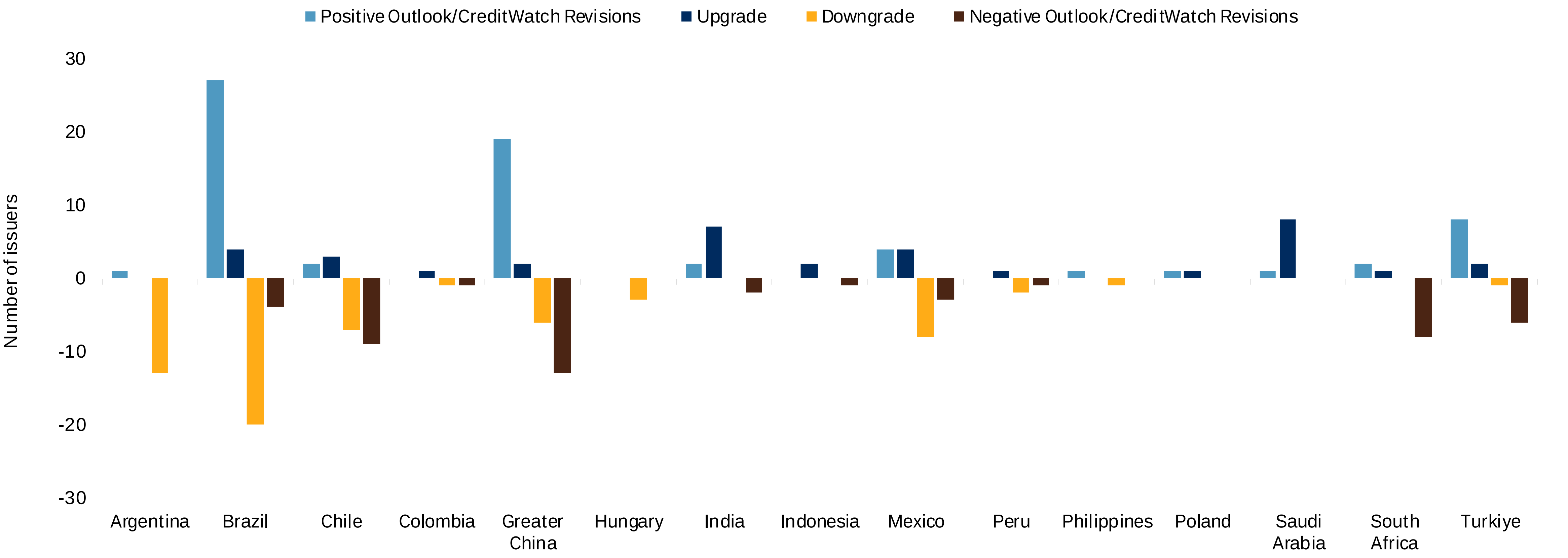
Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, Taiwan. Data as of Oct. 31, 2023. Sources: S&P Global Ratings Credit Research & Insights and S&P Capital IQ.

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. $)
12-Oct-23	Petroleos del Peru Petroperu S.A.	Peru	Oil and gas exploration and production	B+	BB	Downgrade	3,000
20-Sep-23	Latam Airlines Group S.A.	Chile	Transportation	B	B-	Upgrade	2,250
6-Sep-23	Becle S.A.B. de C.V.	Mexico	Consumer products	BBB-	BBB	Downgrade	1,300
19-Oct-23	Grupo Aeromexico S.A.B. de C.V.	Mexico	Transportation	B	B-	Upgrade	763
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 co.	BB+	BB	Upgrade	300

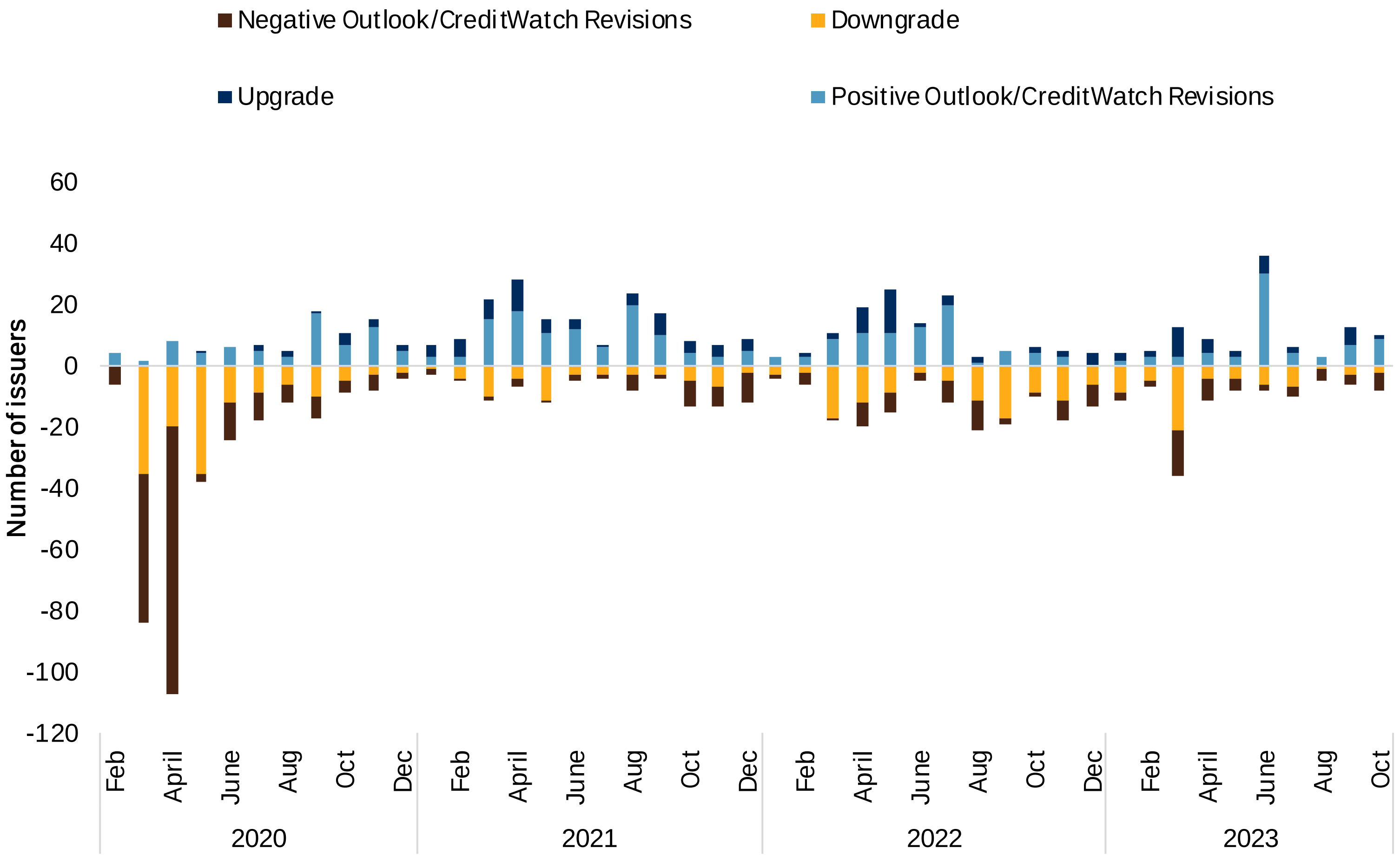
Data as of Oct. 31, 2023 (last 90 days), excludes sovereigns, Only includes rating actions where S&P Global Ratings rates debt. Includes rating actions on subsidiaries only if there was no rating action on the Parent. Excludes Greater China and the Red Chip companies (issuers headquartered in Greater 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 Year To Date



Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the Parent. 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

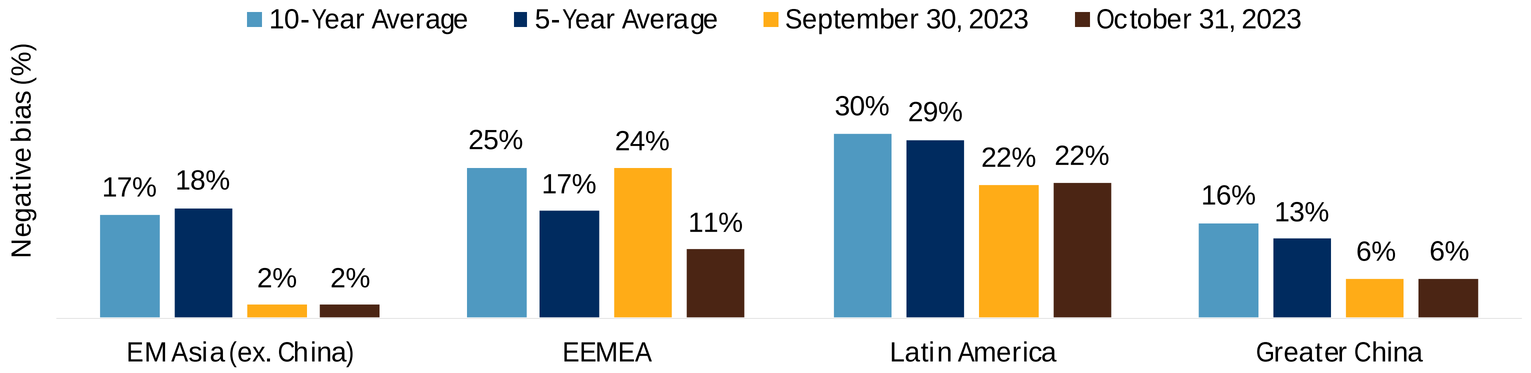


- Recent sovereign rating actions on Turkyie (the outlook revision to positive) and Chile (the outlook revision to negative) triggered similar rating actions on domestic corporations. Specifically, we revised the outlook on seven Turkish companies to stable (mainly telecom, transport, and capital goods), and the outlook on four Chilean companies (banks, transport, and MM&S) to negative.
- There were two downgrades and one upgrade in October. Brazilian infrastructure group Invepar defaulted on distressed debt exchange. We downgraded Petroperu to 'B+' from 'BB' on weaker capital structure given the poor performance year to date and support from shareholders, translating into higher debt. We upgraded Grupo Aeromexico to 'B' from 'B-' on improved metrics and profitability despite higher inflation and fuel prices, thanks to the recovery in passenger volumes in Mexico.

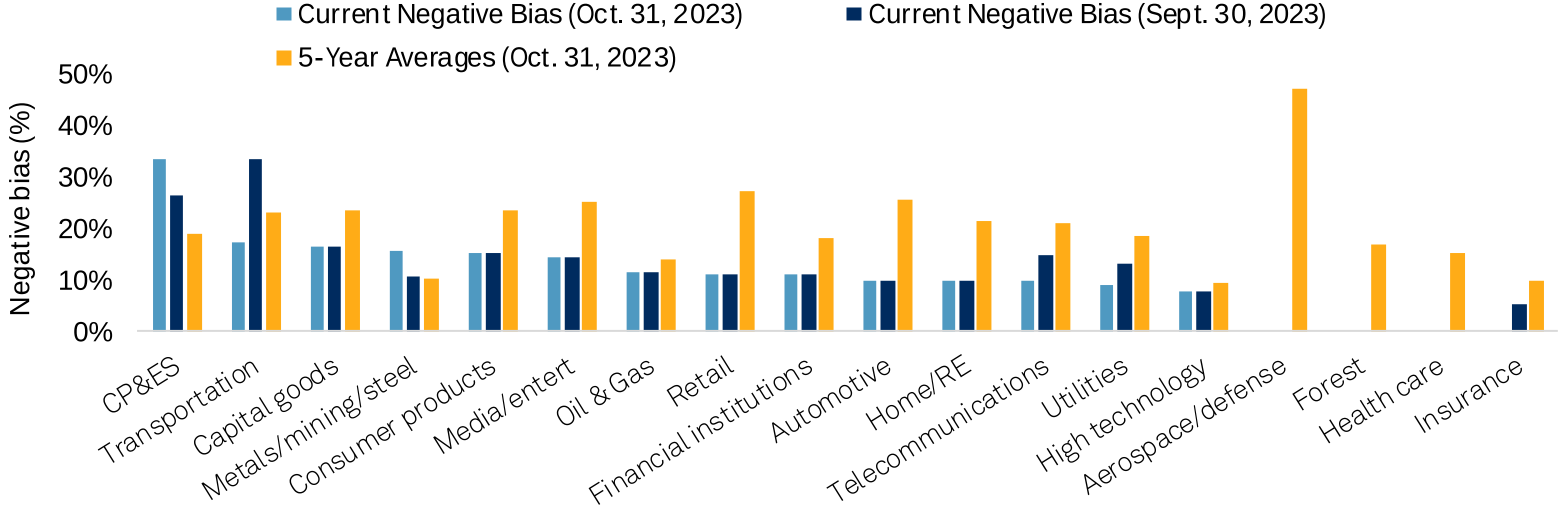
Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the Parent. Data from Feb. 3, 2020 to Oct. 31, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam,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

LatAm has the highest downgrade potential



Negative bias by sector



- LatAm displayed the highest downgrade potential in October, with the negative bias at 22%, the same as in September. The downgrade potential remains below 10- and 5-year averages.
- The negative bias fell in EMEA following the rating action on Turkiye, which impacted several domestic corporations. 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. The downgrade potential is now at 11%, significantly below 10- and 5-year averages.
- Chemicals, packaging and environmental services and metals, mining and steel are the only two sectors (out of 18) displaying the negative bias higher than historical average.

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

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 Oct. 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 Oct. 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 Year To Date

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 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 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 Oct. 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.

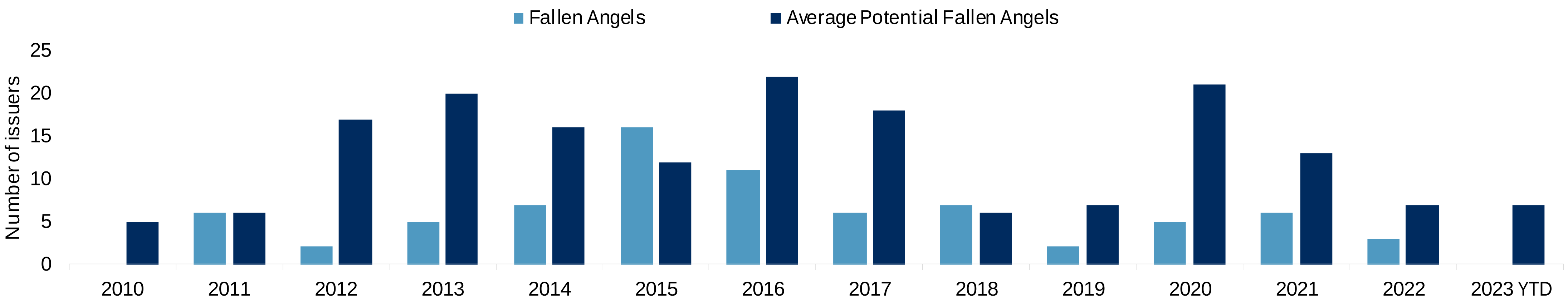
Rating Actions | List Of Defaulters In 2023

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	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	-
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	-
25-Oct-23	Investimentos e Participacoes em Infraestrutura S.A. - Invepar	Brazil	Transportation	D	CCC-	-

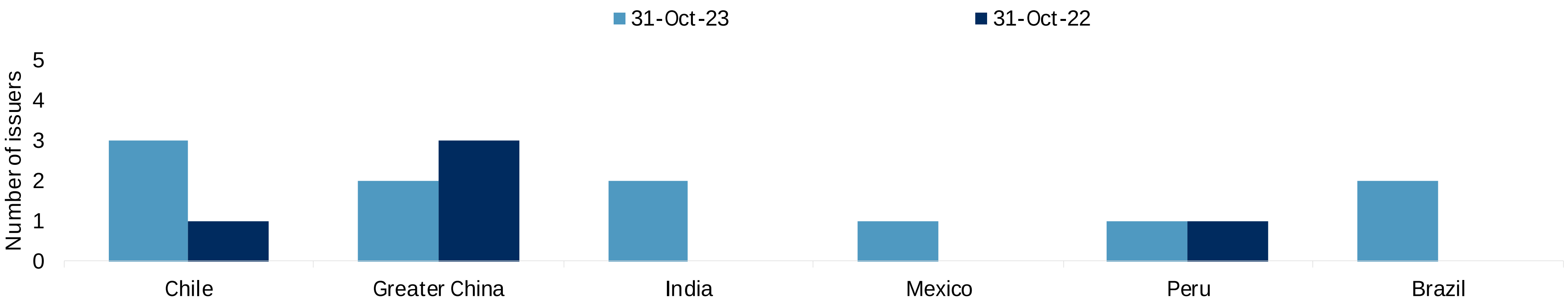
*Data as of Oct. 31, 2023. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Red means speculative-grade rating, and grey means default (D) or selective default (SD), not rated (NR). *The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



EM potential fallen angels trending up



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

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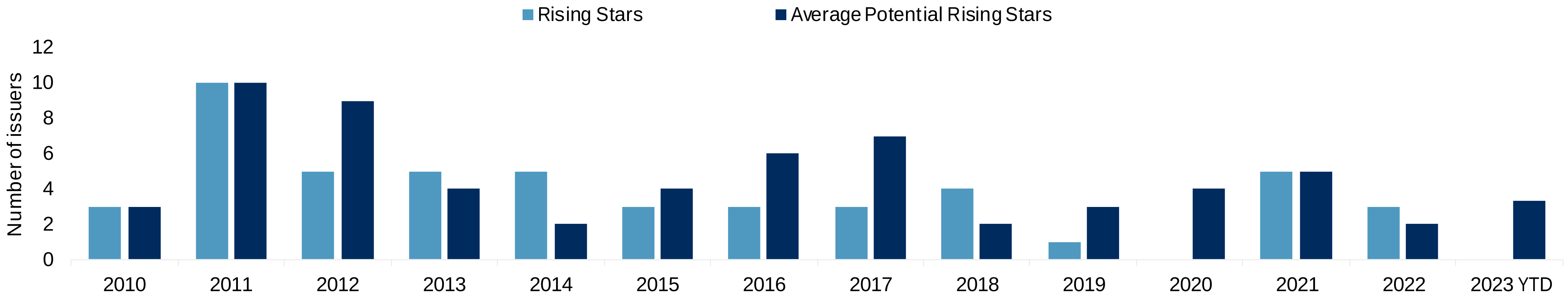
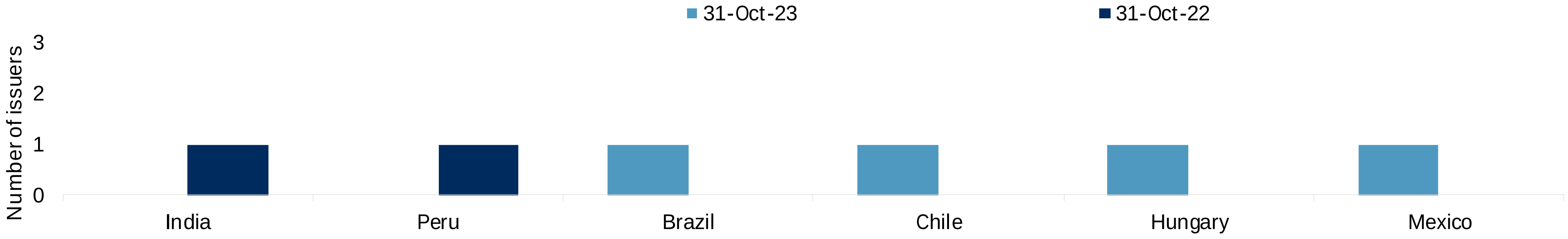
Rating Actions | Rising Stars And Potential Rising Stars

No rising stars in 2023 year to date



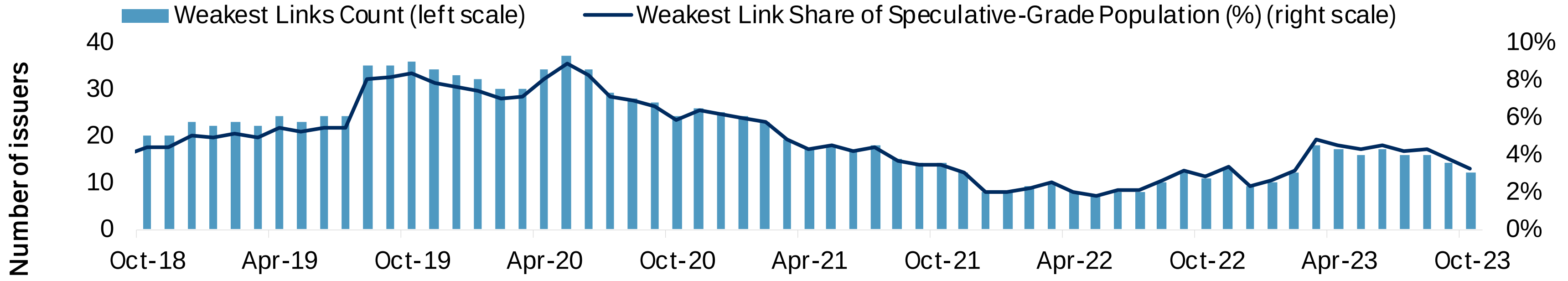
EM potential rising stars up from 2022



Data as of Oct. 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.

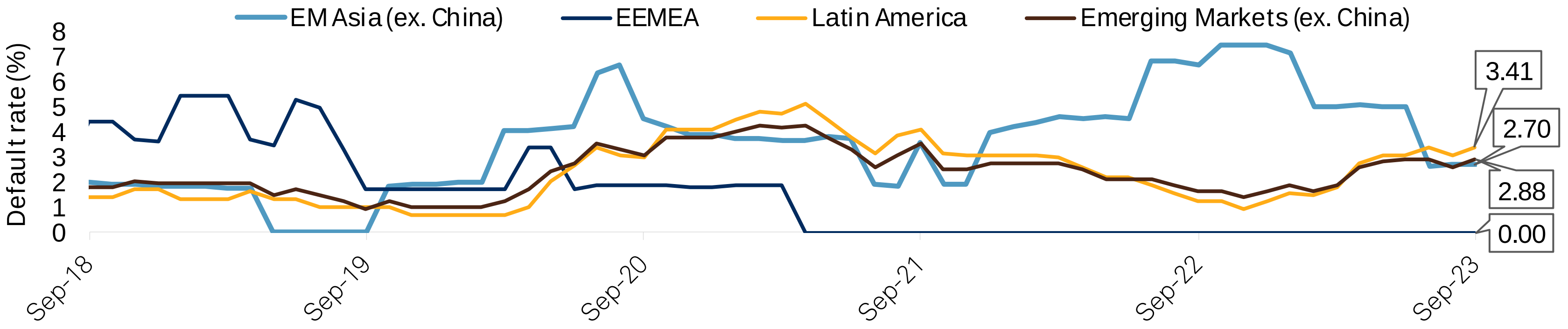
Rating Actions | Weakest Links And Defaults

EM weakest links fell to 12 in October



Data as of Oct. 31, 2023. Parent only. Weakest links are defined as issuers rated 'B–' or lower with negative outlooks or ratings on CreditWatch with negative implications. Source: S&P Global Ratings Credit Research & Insights .

Default rate rise this month (as of September 2023)



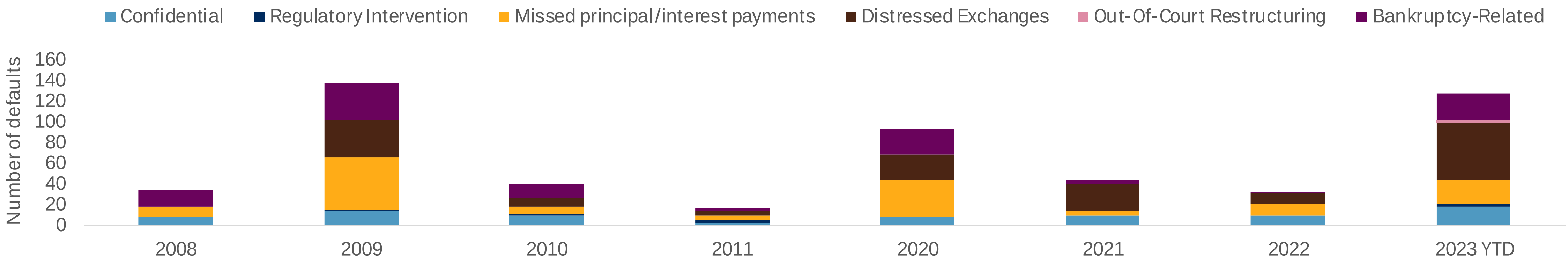
Excluding China. CreditPro data as of Sept. 30, 2023. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Excludes Sovereigns. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

– Weakest links. EM weakest links fell to 12 issuers in October (3% of total speculative-grade issuers), from 14 in September as Brazil-based Invepar defaulted, and we withdrew our 'CCC-' long-term issuer credit rating on Guacolda Energia, a Chilean coal-fired power generator.

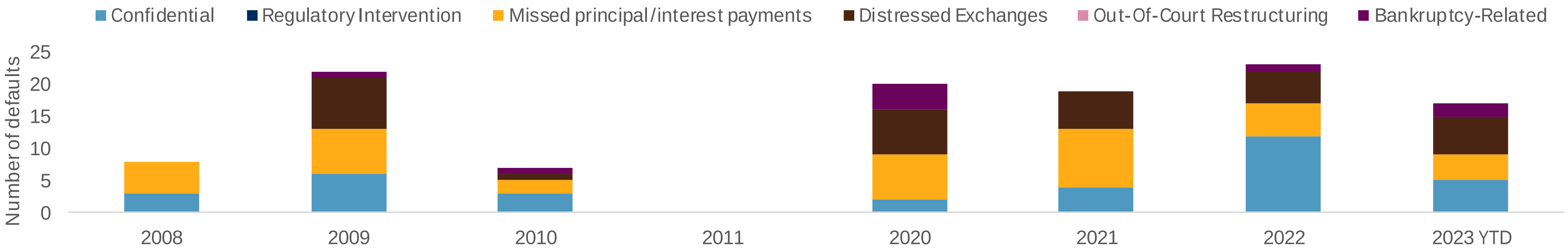
– Default rates. The September default rate remained at 2.70%. Out of 17 EM defaults through Oct. 31, 15 occurred in LatAm.

Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



**Data as of Oct. 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

S&P Global Ratings

EMs | Related Research

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- CreditWeek: What Are The Credit Ramifications Of The War In The Middle East?, Nov. 2, 2023
- China's Chip 'Moon Shot' – The Response To Restrictions, Nov. 2, 2023
- Risky Credits: Emerging Markets Hang In Balance, Nov. 1, 2023
- African Domestic Debt: Reassessing Vulnerabilities Amid Higher-For-Longer Interest Rates, Nov. 1, 2023
- Latin America Sector Roundup Q4 2023: Uneven Trends Amid Rising Crosscurrents, Oct. 24, 2023
- Emerging Markets Monthly Highlights: Turbulence Abroad Will Fuel Uncertainty, Oct. 19, 2023
- Emerging Markets In Southeast Asia: The Forces Shaping The Outlook For 2024, Oct. 16, 2023
- Mexican Structured Finance Market Update: Resilience, Challenges, And Potential, Oct. 10, 2023
- Challenges To Trading Oil In Renminbi Remain Significant, Oct. 5, 2023
- Price Dynamics And Ability To Invest In New Technology Will Determine The Path Ahead For LatAm Telecom Companies, Oct. 5, 2023
- Which Emerging Markets Are More Vulnerable To A Further Increase In Energy Prices?, Oct. 4, 2023

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Media/entert -- Media and entertainment, Retail -- Retail / restaurants, CP&ES -- Chemicals, packaging and environmental services, Home/RE -- Homebuilders/real estate companies, Forest -- Forest products and building materials, Metals/mining/steel -- Metals, mining, and steel.

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