

China's Lockdowns Ratchet Up Risks

May 19, 2022

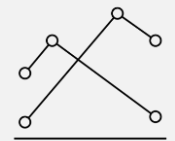
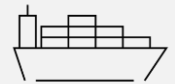
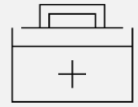


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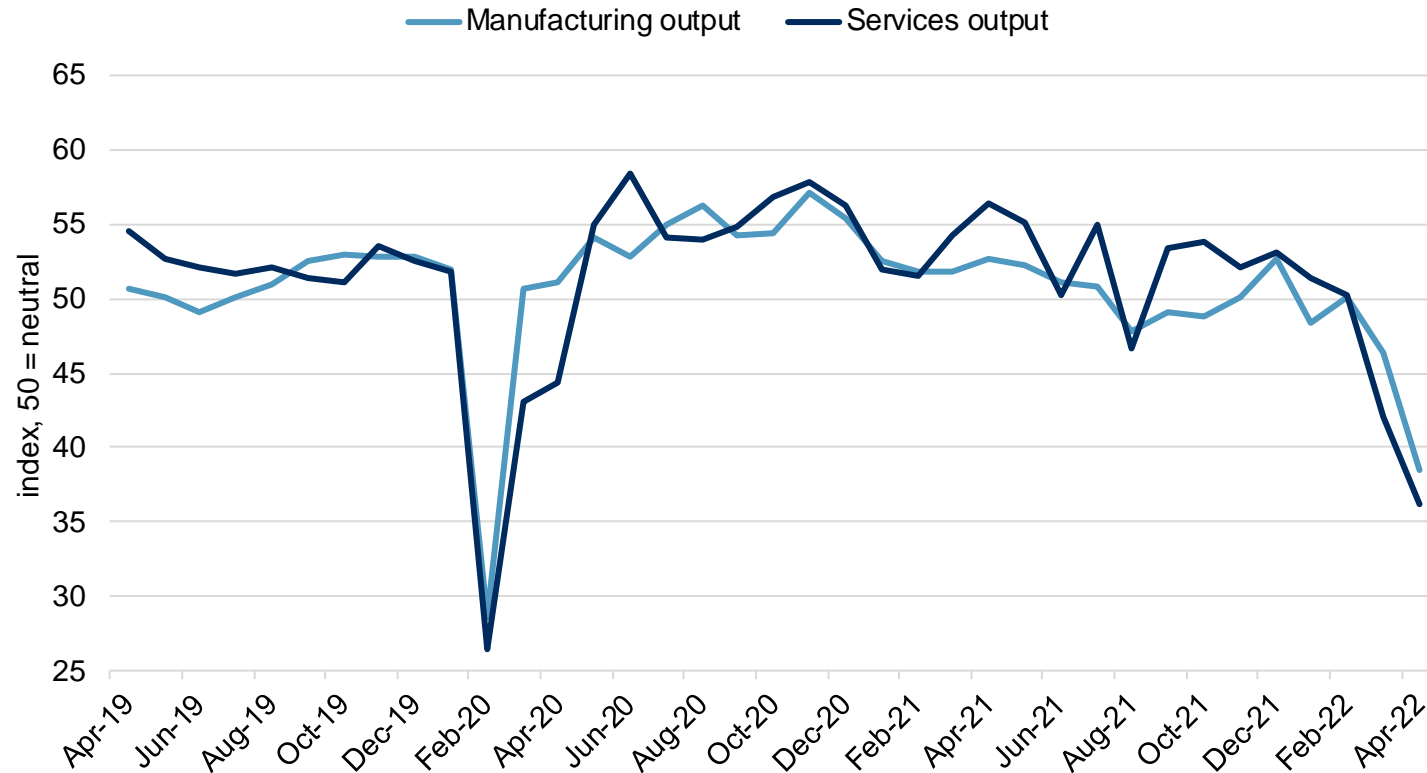
Key Takeaways

- **China's COVID-19** lockdowns call for a forecast revision. Following the drastic economic fallout from more stringent-than-expected lockdowns, earlier this week, we scaled back our forecast for China's GDP growth in 2022 to 4.2% from 4.9% in our previous forecast. Our baseline scenario assumes that the current lockdowns will be lifted gradually; however, we believe that the government's general COVID-19 stance is unlikely to shift substantially any time soon.
- A sharper-than-expected slowdown in China adds to current risks for the outlook. Nevertheless, emerging markets (EMs) that supply metals to China--such as Chile, Brazil, and South Africa--may see an upside from China's economic slowdown if its government responds to pandemic-related weakness with more spending on infrastructure. Any pandemic-induced disruptions to supply chains heighten inflationary risks to EMs.
- Recovery in some sectors across EMs is lagging that of others. According to sector-level data across key EMs, the median output of the 20 worst-performing sectors is still significantly below the pre-pandemic levels, with tourism-dependent sectors bearing the brunt. Tourism in EM Asia is heavily reliant on China, so any adverse developments in that country could further delay the recovery.
- External environment has worsened last month. Amid the likelihood that the Federal Reserve will tighten monetary policy at a greater-than-expected pace, exchange rates across most EMs have weakened, including those that have been performing strongly after the start of the Russia-Ukraine conflict (Brazil, Chile, Peru, and South Africa). Downgrades have spiked in April; however, they occurred mostly in Turkey and Thailand.



China | COVID-19 Lockdowns Call For Forecast Revision

PMI Surveys Underscore The Economic Damage Of Recent Lockdowns



Source: S&P Global Ratings and National Bureau of Statistics.

- Due to more stringent-than-expected lockdowns, we revised down our forecast for **China's GDP growth in 2022 to 4.2% from 4.9%**. Following the recent lockdown imposition, the composite output index of the official PMIs fell to 42.7 in April from 48.8 in March (see "[China's COVID Policy To Further Weigh On Economy](#)", published May 16).
- The recent COVID-19 lockdowns and restrictions have had a more severe economic disruption than most earlier ones, with exception of initial lockdown. Onerous transport restrictions have caused major logistics bottlenecks in the Yangtze River delta region. The dent to manufacturing output and supply chains has been deeper than in previous lockdowns.
- Lockdowns are hitting harder consumption than investment and industrial production. Particularly, smaller businesses in the services sector will feel the sting. Labour markets are also suffering with the registered unemployment rate jumping to 5.8% in March, and it's likely to rise further.

China| **A Risk To EMs' Growth**

Exports To China By Type

% GDP (2020)

(%)	Raw material	Intermediate	Consumer goods	Capital goods
Argentina	1.1	0.2	0.0	0.0
Brazil	4.1	0.5	0.0	0.0
Chile	7.1	4.0	0.1	0.0
Mexico	0.3	0.0	0.1	0.2
Colombia	0.9	0.1	0.0	0.0
India	0.2	0.4	0.1	0.1
Indonesia	0.7	1.5	0.7	0.1
Malaysia	0.6	3.6	2.5	4.4
Phillipines	0.6	0.4	0.1	1.7
Poland	0.0	0.2	0.1	0.2
South Africa	2.2	0.7	0.0	0.0
Thailand	1.2	2.2	0.8	1.7
Turkey	0.2	0.1	0.1	0.0

Source: WITS, Haver Analytics and S&P Global Ratings.

- A sharper-than-expected slowdown in China **is threatening EMs' growth**, but its impact would depend on the drivers of such a slowdown, as well as the ensuing policy reaction.
- If the Chinese government responds to the economic slowdown with more spending on infrastructure, EMs that supply metals to China--Chile, Brazil, and South Africa--may see an upside. Metals exports to China make up a significant part of their total exports, particularly Chile (copper exports to China account for about 16% of Chile's GDP).
- EM Asia economies are the most at risk from weakening consumption in China. Thailand, Malaysia, and the Philippines have the highest exposure (see "[Which Emerging Markets Are Most At Risk From Slower-Than-Expected Growth In China?](#)", published April 26).

A Look At Sectors | Laggards Are Vulnerable To Stalling Recovery

Real Output By Sector Relative To Its Pre-Pandemic Level (Q4 2019)*

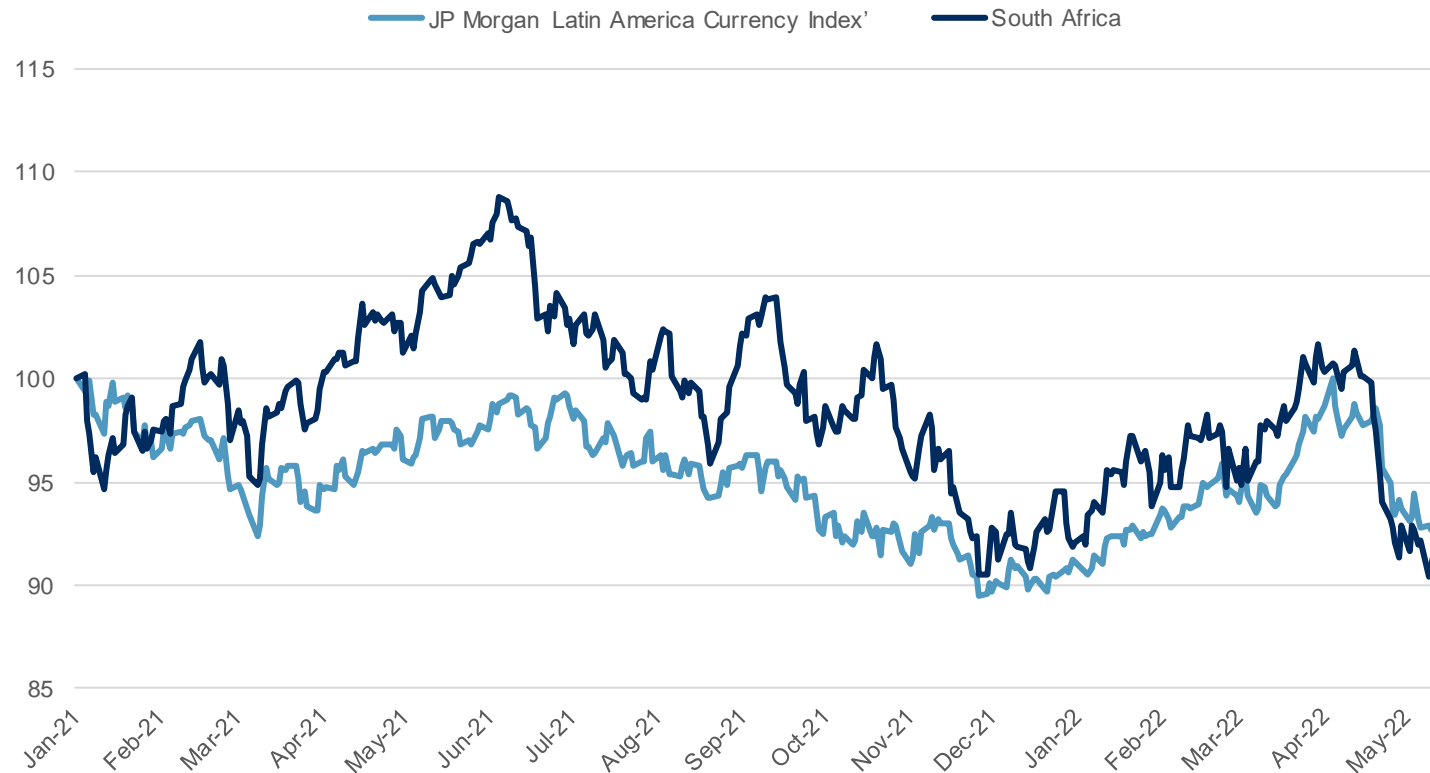
20 Worst Performing Sectors		20 Best Performing Sectors	
Poland hotels and restaurants	-70.0	Malaysia manufacturing	12.5
Mexico business support	-69.1	Poland manufacturing	13.2
Malaysia hotels	-42.5	Malaysia water	13.7
Thailand hotels and restaurants	-40.4	Malaysia communications	13.8
Argentina fishing	-36.1	Colombia information	15.1
Philippines hotels and restaurants	-33.4	India financial services	15.8
Malaysia real estate	-32.6	South Africa agriculture	15.9
Philippines recreation	-31.0	Philippines health	16.3
Malaysia restaurants	-30.9	Chile information	16.8
Thailand business support	-27.0	Malaysia insurance	17.3
Argentina hotels and restaurants	-26.0	Brazil information	17.8
Mexico recreation	-24.5	Indonesia communications	18.0
Malaysia business support	-24.4	Turkey trade	18.9
Philippines other service	-24.4	Chile trade	20.1
Malaysia construction	-24.3	Colombia recreation	21.9
Thailand mining	-23.4	Turkey financial services	22.6
South Africa construction	-21.8	Turkey manufacturing	24.4
Poland financial services	-21.8	Indonesia health	30.8
Colombia construction	-20.9	Colombia hotels and restaurants	37.3
Thailand transport	-20.1	Turkey communications	40.1

- A faltering recovery from the pandemic threatened to take a step back. Tourism-related sectors, such as hotels and restaurants, were among the worst hit by the pandemic-induced downturn and are again feeling the pain. Lockdowns in China, could delay the recovery in tourism in EM Asia.
- Outperforming sectors are heavily reliant on stimulus. The sectors that have recovered the fastest from the pandemic-related downturn tend to be in countries with relatively high levels of government support measures, such as Chile, Colombia, and Turkey. As stimulus measures are withdrawn, those sectors may be at risk of a rapid deterioration, especially if global conditions further dampen confidence in those countries.

*As of the end of 2021, percent deviation. Source: Haver Analytics and S&P Global Ratings.

EM Exchange Rates | External Environment Has Worsened

Exchange Rates Among LatAm Economies And South Africa

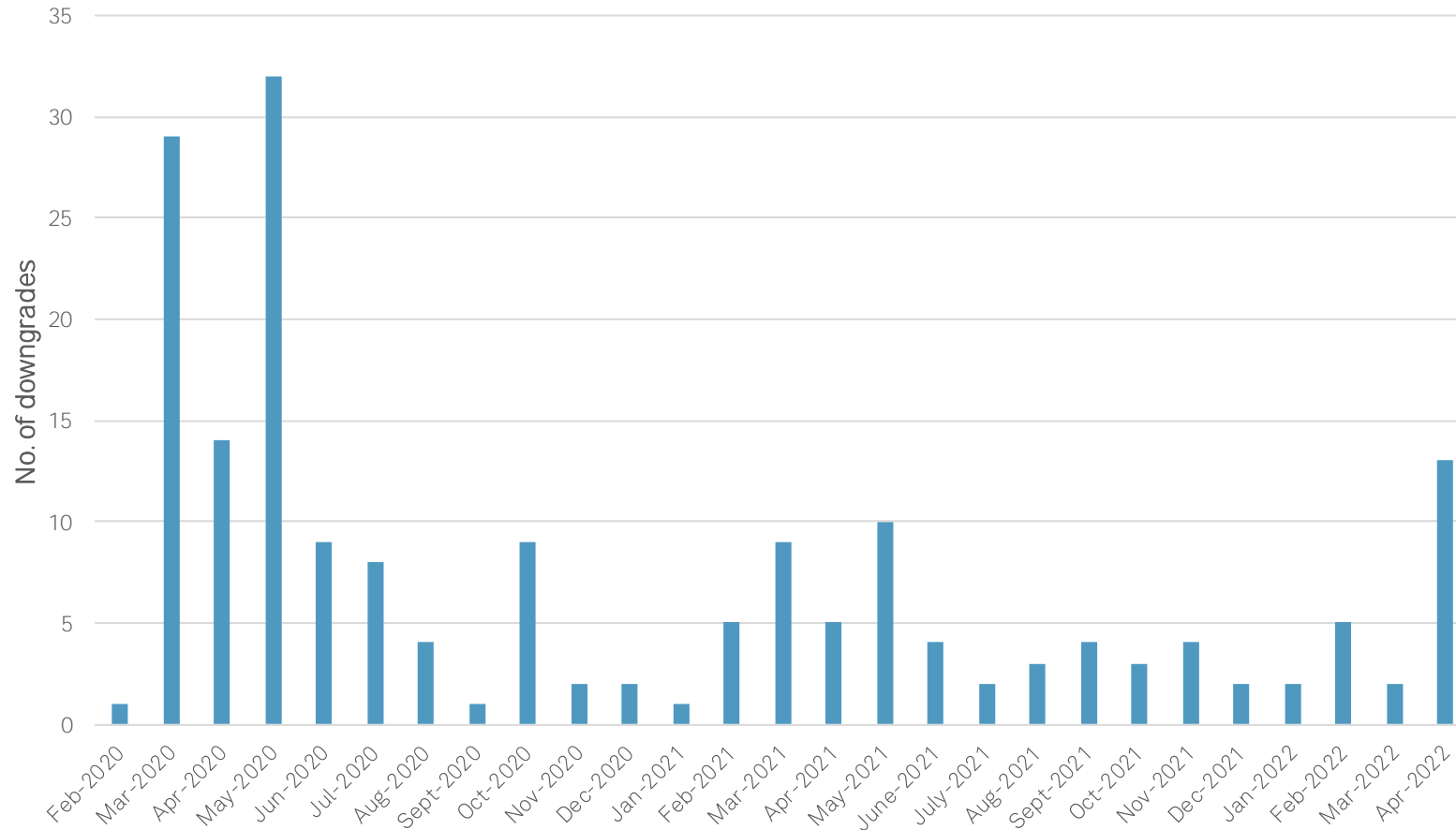


Source: Bloomberg and Datastream.

- EM currencies sharply depreciated against the dollar last month. Among them are currencies of commodity-exporting economies (Brazil, Chile, Colombia, Peru, and South Africa), which have previously benefited from price rallies across oil and metals markets.
- Nevertheless, EM currencies continue to perform well against the euro with the Brazilian real as the best performing currency across key EMs (around 20% up against the euro since the beginning of the year).
- Price volatility across commodity markets, as well as ongoing tightening of financing conditions, will continue to heap pressure on most EMs over upcoming months. Many EMs are importers of energy and food, with some economies in Middle East and North Africa particularly vulnerable to current developments (see ["Which Emerging Markets Are Most Vulnerable To Rising Food And Energy Prices?"](#), published April 21).

EM Credit | The Downgrade Surge In April Occurred Mostly Among Thai Banks And Turkish Corporations

EM 16 Downgrades (Excluding Russia)



- EM downgrades, excluding Russia, spiked in April, but this does not necessarily signal a change in trend. The number of downgrades reached 13 for the first time since May 2021, but this doesn't yet appear to be a broad-based trend among EMs. Most of these downgrades were among Turkish corporations (5) and Thai banks (4).
- Four of the five downgrades in Turkey **were linked to the sovereign's** downgrade. The downgraded entities are domestically focused, exposing them to the risk that the authorities might restrict access to foreign exchange liquidity.
- Four Thai banks were downgraded due to structural weaknesses such as high leverage among borrowers (especially households), and lenient restructuring and classification norms.

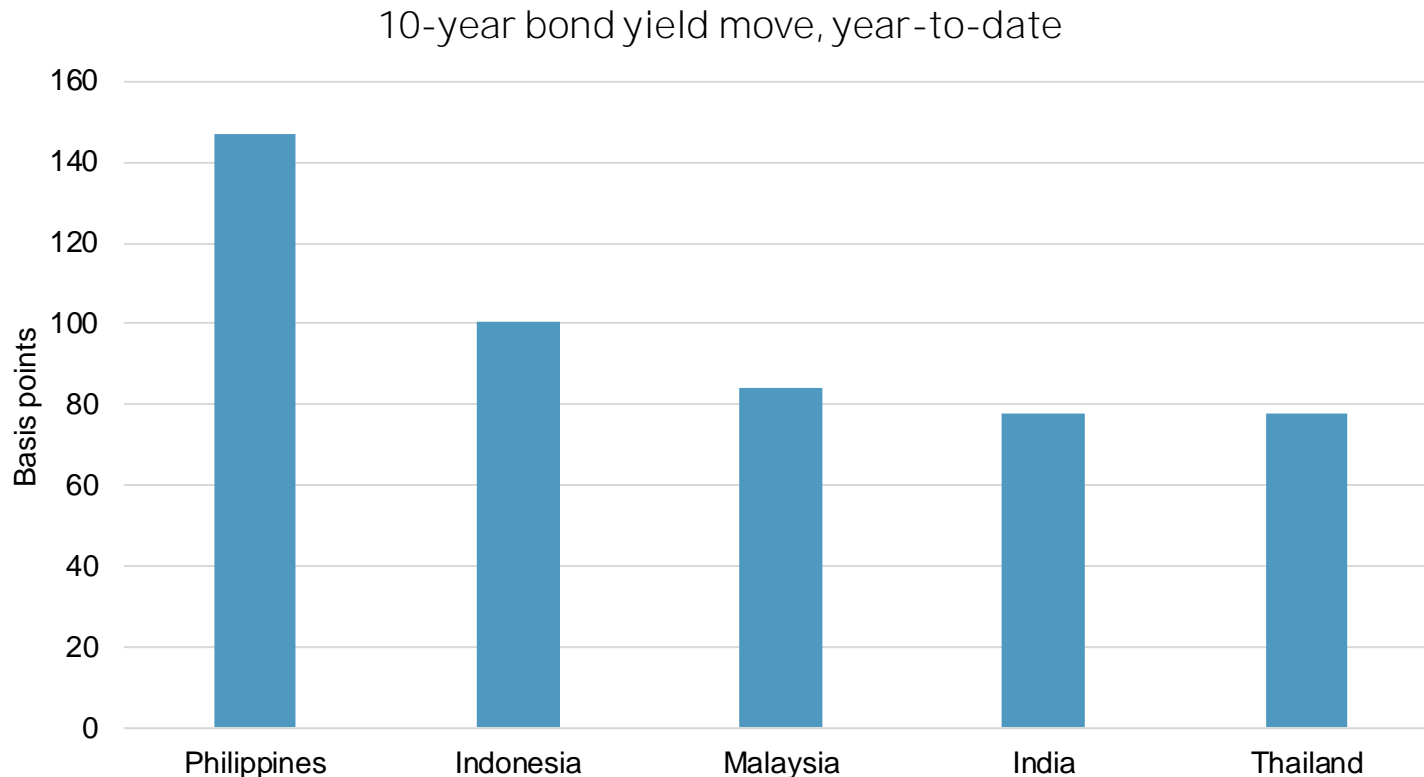
Note: Data includes sovereigns. Data from Feb. 3, 2020, to April 29, 2022. EM-16 consists of Argentina, Brazil, Chile, China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Saudi Arabia, South Africa, and Turkey. Greater China--China, Hong Kong, Macau, and Taiwan. Source: S&P Global Ratings Research.

Regional Economic Highlights

EM Asia Economics | Rising Bond Yields Tighten Monetary Settings

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Bond Yields Have Risen In Line With Global Yields



Source: Trading Economics.

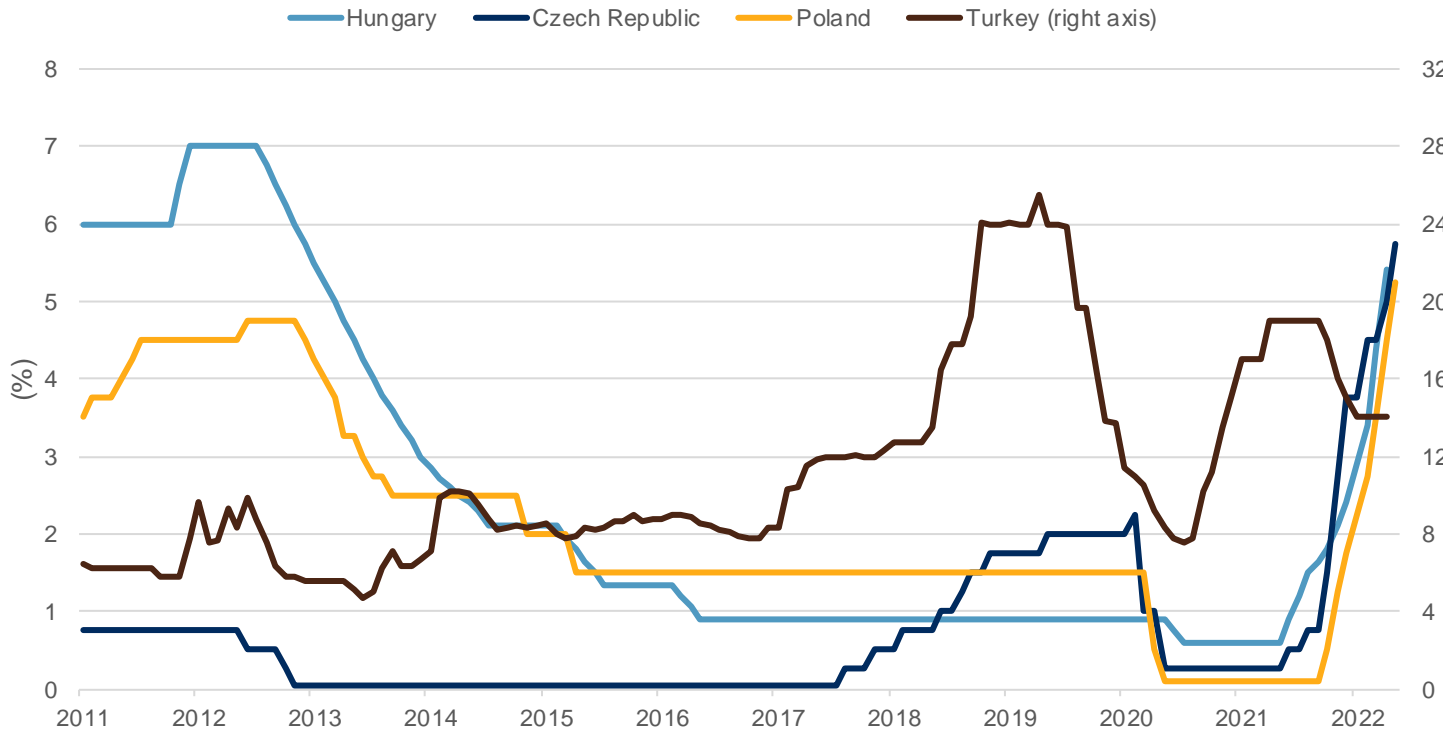
- Bond yields are rising in the region, in line with global bond moves. This is tightening monetary conditions even in economies where central banks haven't moved yet. Bond yields had remained highly stable last year prior to recent moves.
- Monetary policy normalization has now started in India and Malaysia, while central banks are still on hold in the Philippines, Indonesia, and Thailand.
- Economic activity is picking up, which will drive up core price pressures. In addition, global monetary policy normalization will raise bond yields further.

EM EMEA Economics | Monetary Tightening Continues In Central And Eastern Europe

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Central Bank Policy Rates



Sources: Refinitiv, S&P Global Ratings.

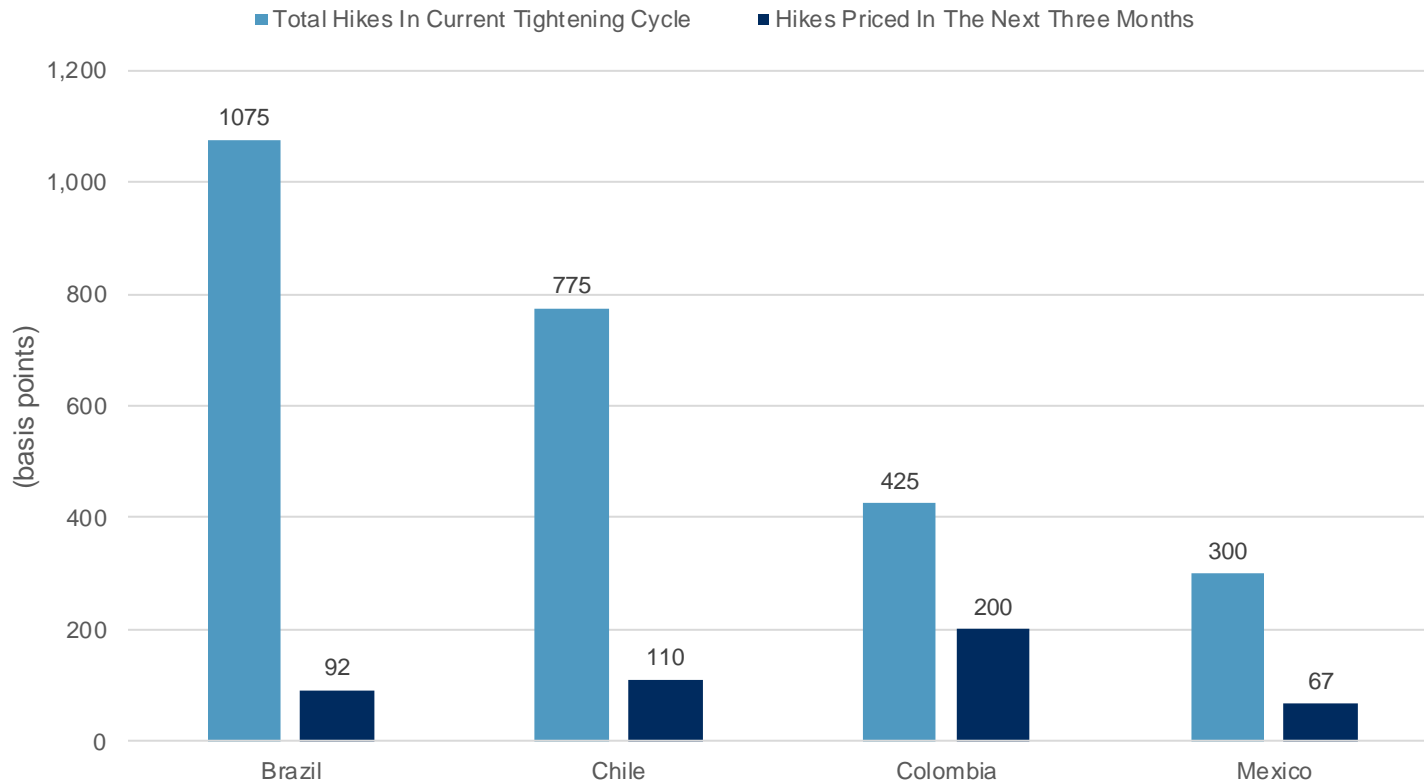
Note: Weighted Average Cost of the CBRT Funding for Turkey. Source: Refinitiv and S&P Global Ratings.

- Central banks in Central and Eastern Europe (CEE) continue to hike interest rates. Above-target inflation and quick recovery prompted Poland (12.3% inflation in April) and other CEE economies to continue to raise rates. Underlying price pressures in CEE economies are broad-based, pointing to further tightening.
- **Turkey's central bank is keeping its interest rates unchanged, despite soaring inflation.** Rising food and energy prices, as well as ongoing weakening of the lira continue to fuel CPI inflation in Turkey, which has reached 70% year-on-year in April (and 7.25% in month-on-month terms) with food as the main contributor. Taking into consideration ongoing external developments and domestic credit expansion, we expect annual inflation to increase further in the coming months.

LatAm Economics | More Tightening But Cycle Likely To End Soon

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Central Bank Policy Rate Changes



Note: Priced-in hikes are according to what is implied in interest rate swaps. Source: Haver Analytics and Bloomberg.

- Central banks are still in hiking mode. Across the region, monetary policy officials continued increasing interest rates in their last meetings. Inflation, both observed and expected one year out, remains above target and has increased in recent months.
- But the bulk of tightening is behind us. Central banks communiqués are hinting that the end of rate hiking cycles is approaching, most notably in Brazil and Chile--the two countries with the highest number of hikes.
- Rate cuts as early as next year in some countries. As inflation likely moderates, especially next year, we believe several central banks in the region will start to gradually lower interest rates. This is in order to prevent real rates from remaining near record highs amid still weak domestic economic conditions. We expect rate cuts among most LatAm central banks towards the end of 2023.

Macro-Credit Dashboards

GDP Summary | Q1 GDP Results So Far Have Been On The Weak Side

Country	Latest reading (y/y)	Period	Five-year avg	2020	2021	2022f	2023f	2024f
Argentina	8.6	Q4	-0.2	-9.9	10.3	3.3	1.8	2.0
Brazil	1.6	Q4	-0.5	-4.2	5.0	0.4	1.7	2.0
Chile	12.0	Q4	2.0	-6.0	11.7	2.1	2.4	2.8
Colombia	10.8	Q4	2.4	-7.0	10.6	4.6	3.0	3.2
Mexico	1.6	Q1	2.0	-8.4	5.0	2.0	2.3	2.1
China	4.8	Q1	6.7	2.2	8.1	4.9	5.0	4.9
India	5.4	Q4	6.9	-6.6	9.0	7.8	6.0	6.5
Indonesia	5.0	Q1	5.0	-2.1	3.7	5.1	4.8	4.9
Malaysia	3.6	Q4	4.9	-5.6	3.1	5.8	5.4	4.7
Philippines	7.8	Q4	6.6	-9.6	5.6	6.5	6.8	7.0
Thailand	1.9	Q4	3.4	-6.2	1.6	3.2	4.0	3.8
Poland	8.0	Q4	4.4	-2.4	5.6	3.6	3.1	2.7
Russia	5.0	Q4	1.0	-3.0	5.5	-8.5	0.3	1.0
Saudi Arabia	9.6	Q1	1.6	-4.1	3.3	5.8	2.9	2.9
South Africa	1.7	Q4	1.0	-6.4	4.9	1.9	1.7	1.5
Turkey	9.1	Q4	4.2	1.8	11.0	2.4	2.9	3.3

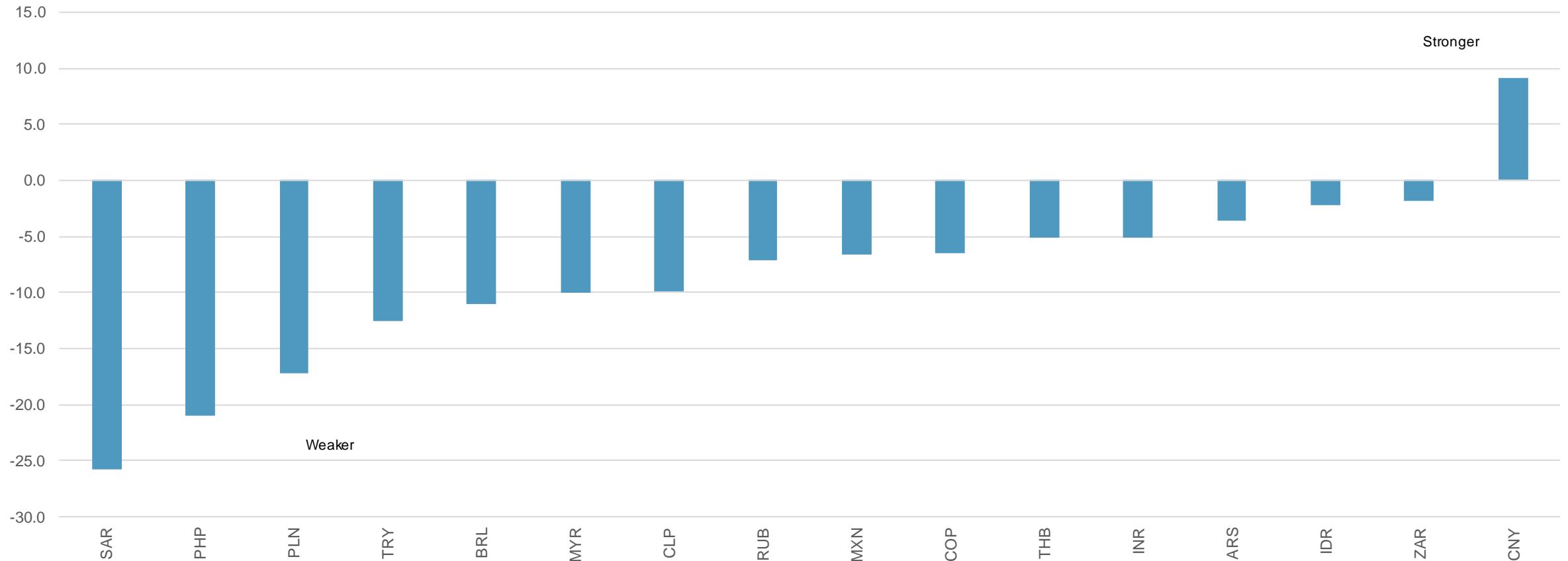
Monetary Policy/FX | Higher-Than-Expected Inflation Pressures Central Banks

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	April exchange rate change	YTD exchange rate change
Argentina	47.00%	No target	55.1%	N/A	N/A	-3.7%	-10.9%
Brazil	12.75%	3% +/- 1.5%	12.1%	100 bps hike	June 16	-4.6%	12.1%
Chile	8.25%	3% +/- 1%	10.5%	125 bps hike	June 8	-7.6%	0.1%
Colombia	6.00%	3% +/- 1%	9.2%	100 bps hike	June 30	-4.8%	3.0%
Mexico	6.50%	3% +/- 1%	7.7%	50 bps hike	June 23	-2.7%	0.5%
China	2.10%	3%	2.0%	N/A	N/A	-4.1%	-3.8%
India	4.40%	4% +/- 2%	7.0%	40 bps hike	June 8	-0.9%	-2.7%
Indonesia	3.50%	3.5% +/- 1%	3.5%	Hold	May 24	-0.9%	-1.7%
Malaysia	2.00%	No target	2.2%	25 bps hike	July 6	-3.5%	-4.3%
Philippines	2.00%	3% +/- 1%	4.9%	Hold	June 23	-0.8%	-2.3%
Thailand	0.50%	2.5% +/- 1.5%	4.6%	Hold	June 8	-2.9%	-2.5%
Poland	5.25%	2.5% +/- 1%	12.4%	75 bps hike	June 8	-5.3%	-9.0%
Russia	14.00%	4.00%	16.7%	300 bps cut	June 10	13.2%	4.8%
Saudi Arabia	1.75%	3% +/- 1%	2.0%	Hold	N/A	0.0%	0.0%
South Africa	4.75%	3%-6%	6.1%	25 bps hike	May 19	-7.5%	0.9%
Turkey	14.00%	5% +/- 2%	70.0%	Hold	May 26	-1.2%	-10.4%

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. Source: Bloomberg, Haver Analytics, and S&P Global Ratings.

Real Effective Exchange Rates | Volatile Month For Currencies

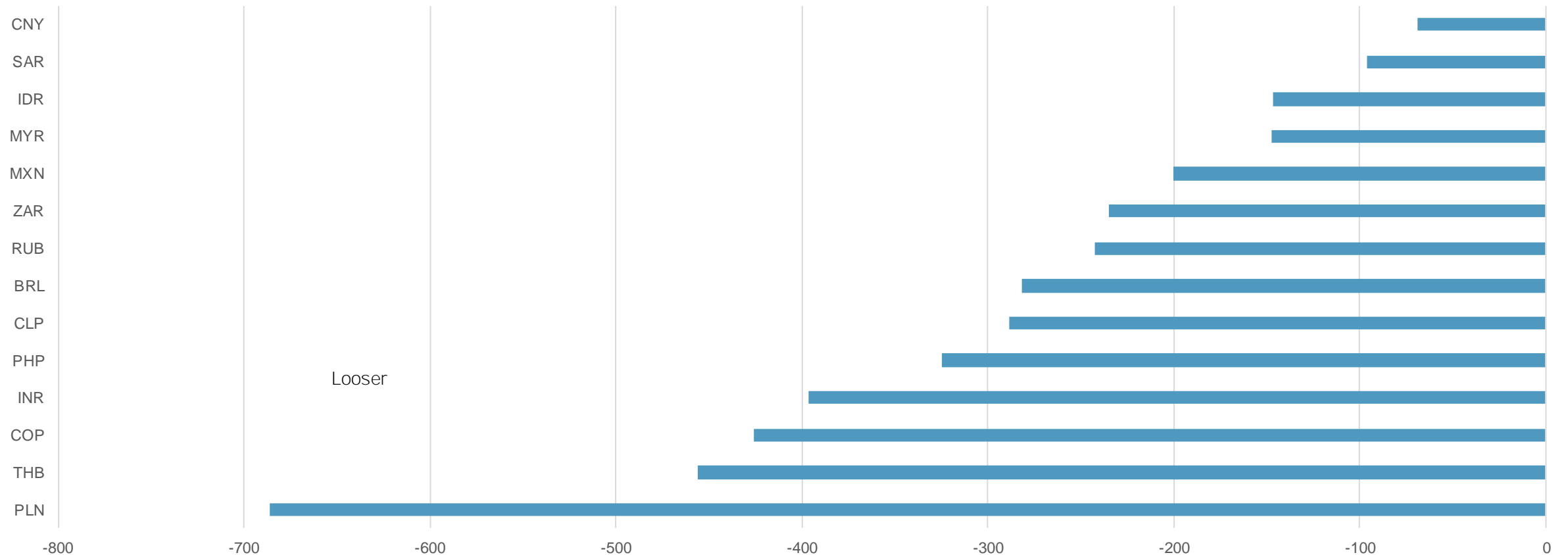
Broad Real Effective Exchange Rates



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 April 30, 2022. Source: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | Recent Uptick In Inflation Increased Pressure On Rates

Deviation In Current Real Benchmark Interest Rates From 10-Year Average



Looser

Note: In bps. 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 April 30. Source: Haver Analytics and S&P Global Ratings.

EM Heat Map

Emerging Markets Risk Profile

Sovereign Ratings and Financial Institutions Scores (May 17, '22)

	Argentina	Brazil	Chile	Colombia	Mexico	China	India	Indonesia	Malaysia	Philippines	Thailand	Poland	Saudi Arabia	South Africa	Turkey
FC Sovereign Rating	CCC+	BB-	A	BB+	BBB	A+	BBB-	BBB	A-	BBB+	BBB+	A-	A-	BB-	B+
Sovereign Outlook	Stable	Stable	Stable	Stable	Negative	Stable	Stable	Stable	Negative	Stable	Stable	Stable	Positive	Stable	Negative
Institutional	6	4	2	3	3	3	3	3	3	4	4	4	4	4	5
Economic	5	5	4	4	5	3	4	4	4	4	4	4	4	5	4
External	6	2	4	6	2	1	1	3	2	1	1	2	1	3	6
Fiscal (BDGT)	6	6	3	4	3	4	6	3	3	3	3	4	3	6	4
Fiscal (DBT)	5	5	1	5	4	2	6	4	5	4	3	2	1	6	5
Monetary	6	3	2	3	3	3	3	3	2	3	2	2	4	2	5

Economic Risk	10	7	4	7	6	7	7	6	5	6	7	4	5	7	9
Industry Risk	7	5	3	5	3	5	5	6	4	5	6	5	3	5	9
Institutional Framework	High	Int.	Int.	High	Int.	High	High	High	Int.	High	Very High	Int.	Int.	Int.	Very High
Derived Anchor	b+	bb+	bbb+	bb+	bbb-	bb+	bb+	bb+	bbb	bbb-	bb	bbb	bbb	bb+	b+
Eco. Risk Trend	Stable	Stable	Negative	Stable	Stable	Positive	Stable	Negative	Negative	Stable	Negative	Stable	Stable	Stable	Stable
Eco. Imbalances	H	Int	Lw	H	Int	H	Int	Lw	Lw	Lw	H	Lw	Int	H	VH
Credit Risk	EH	H	Int	H	Int	VH	VH	VH	H	H	VH	Int	Int	H	VH
Competitive Dynamics	H	H	Lw	Int	Int	H	H	H	H	Int	H	H	Int	Int	VH
Funding	VH	Int	Lw	Int	Lw	VLw	Lw	Int	Lw	Int	Lw	Int	Lw	H	VH

Median Rating (Apr. 30, 2022)	CCC+	BB-	BBB	BB+	BBB-	BBB+	BBB-	B+	BBB+	BBB+	BBB	BB	BBB+	BB-	B
Net Debt / EBITDA	1.9	2.1	3.4	2.5	3.1	2.9	2.2	2.9	2.1	3.7	2.7	1.5	2.7	2.2	2.2
ROC Adj.°	-28.3	-3.4	-0.3	2.0	-0.9	1.5	-1.9	1.4	-1.6	-2.2	0.8	0.6	-2.9	0.0	-8.5
EBITDA INT. COV.	3.6	3.4	7.0	6.0	4.3	7.6	5.5	4.5	12.4	6.2	12.2	17.6	10.6	6.3	4.2
FFO / Debt	38.6	50.9	25.1	33.7	33.4	18.2	38.4	28.1	28.0	22.2	28.2	42.4	28.2	40.1	38.3
NFC FC Debt % GDP*	6.8	17.5	32.6	11.9	17.8	5.7	7.7	8.4	14.7	6.2t	8.8	13.7	12.3	13.3	37.5
NFC Debt % of GDP*	12.9	53.0	110.6	33.5	24.4	157.6	54.8	22.2	70.6	32.6	53.7	43.7	60.0	36.3	68.9

Color Coding

Sovereign--Each of the factors is assessed on a continuum spanning from '1' (strongest) to '6' (weakest). Based on "Sovereign Rating Methodology," Dec. 23, 2014.

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," Nov. 9, 2011, and "Banks Rating Methodology and Assumptions," Nov. 9, 2011.

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 March 2020.

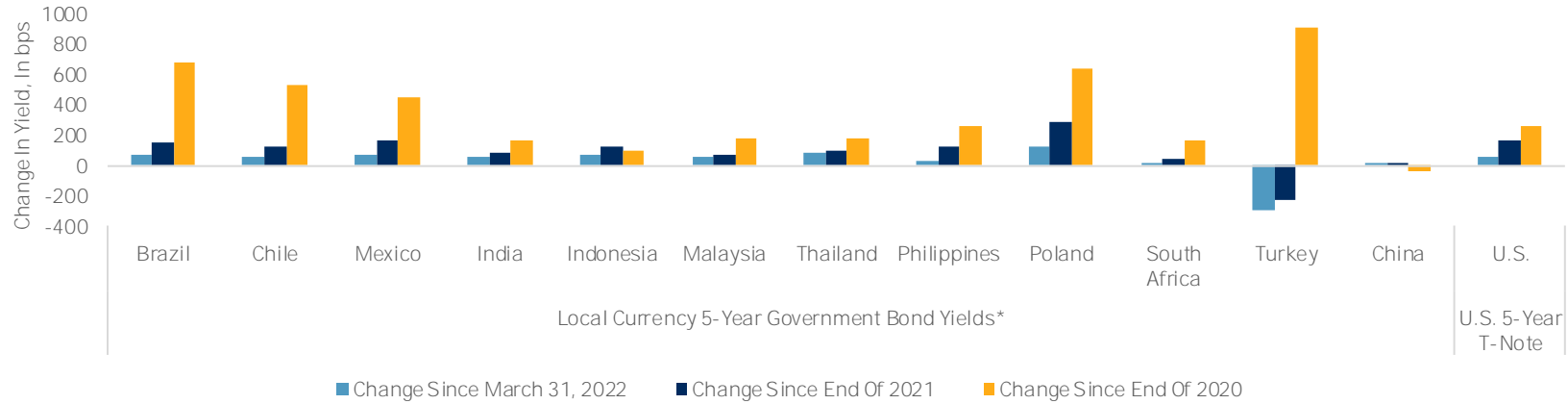
Source: *-IIF 1Q 2020. t - Source: Bangko Sentral NG Pilipinas: Corporate Variables Capital IQ 1Q 2020. S&P Global Ratings.

Financing Conditions

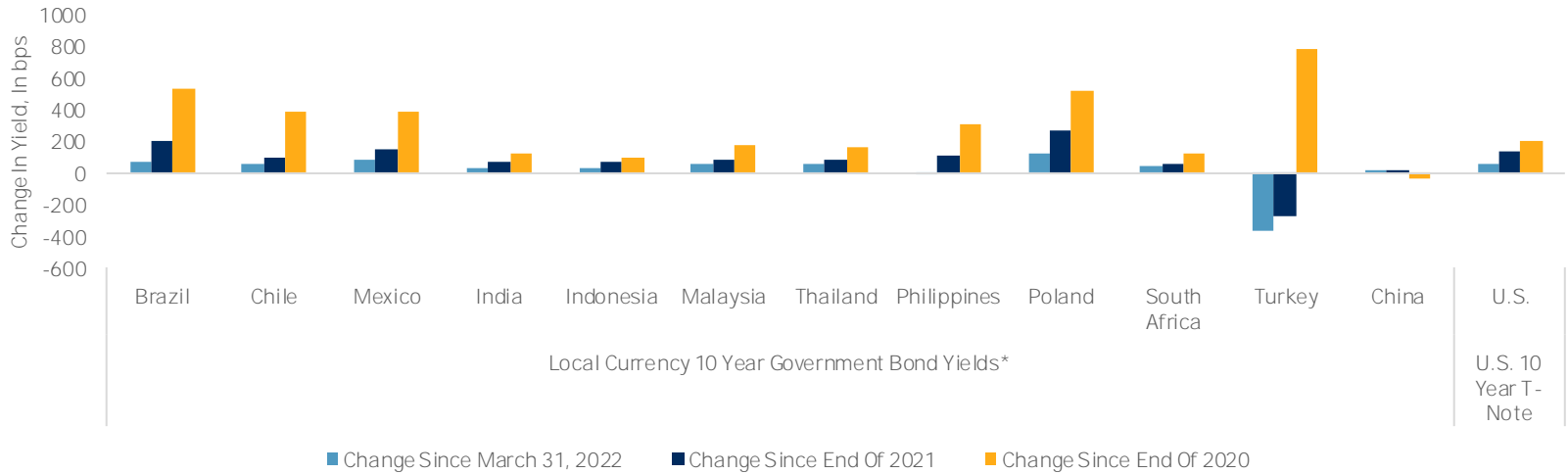
Highlights

EM Yields | Benchmark Yields Rising Across Most EMs

Change In Local Currency Five-Year Government Bond Yield Versus U.S. Five-Year T-Note Yield



Change In Local Currency 10-Year Government Bond Yield Versus U.S. 10-Year T-Note Yield

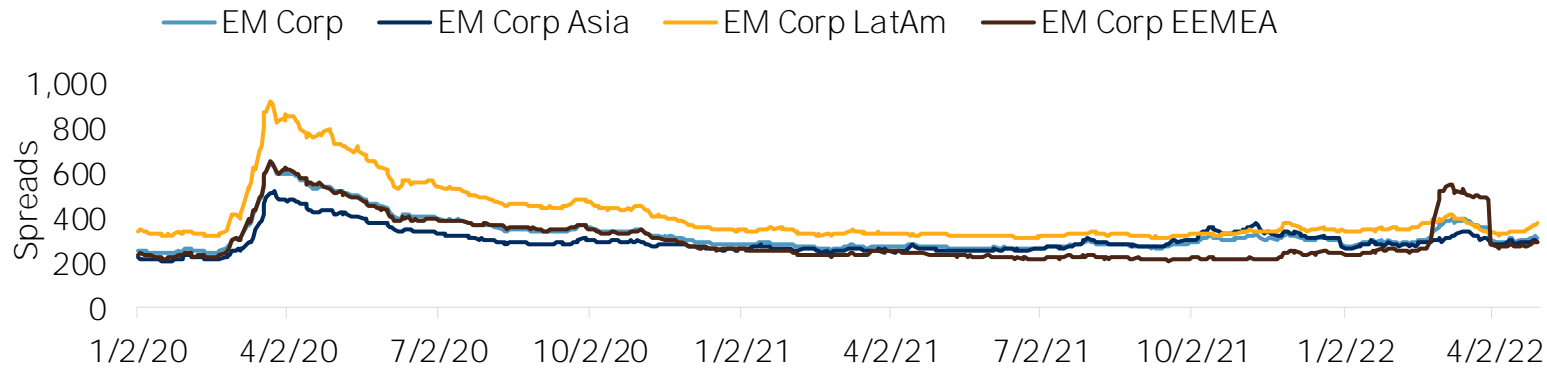


Note: Data as of April 29, 2022. The selection of country/ economy is subject to data availability. Source: S&P Global Ratings, S&P Capital IQ Pro, and Datastream.

- EM benchmark yields continue to rise across the board, because markets continue to expect higher central bank rates, both domestically and globally, amid widespread inflation.
- Recent relative moves have seen some changes. Turkey’s yields have been easing lately, despite still having the highest differential since the end of 2020 among the 15 EMs we cover. Poland has seen the biggest increase so far this year. Meanwhile, EM Asian yields (excluding China) saw comparable increases to LatAm in April, after a slower pace in previous months.

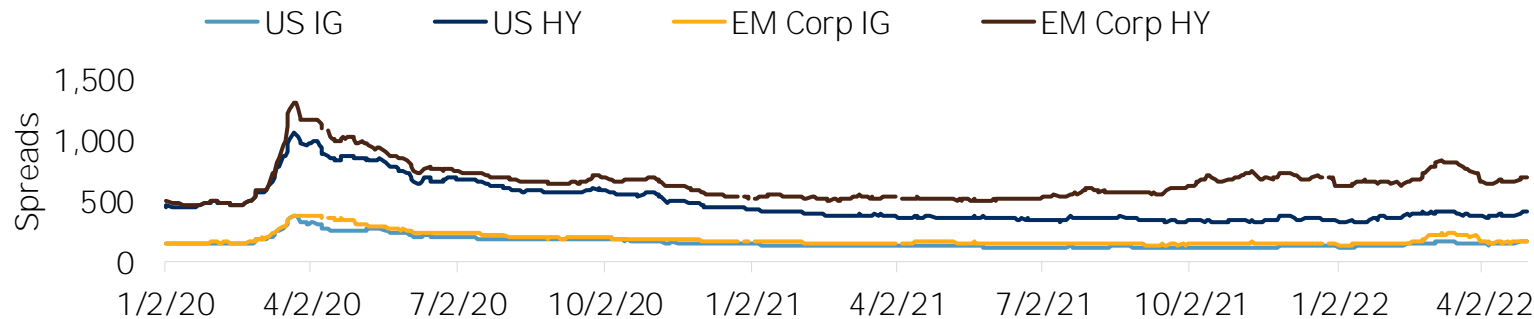
EM Credit Spreads | Risk Premia Resume To Increase Gradually

EM Spreads By Region



In bps. Data as of April 29, 2022. Source: S&P Global Ratings Research, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

U.S. And EM Spreads



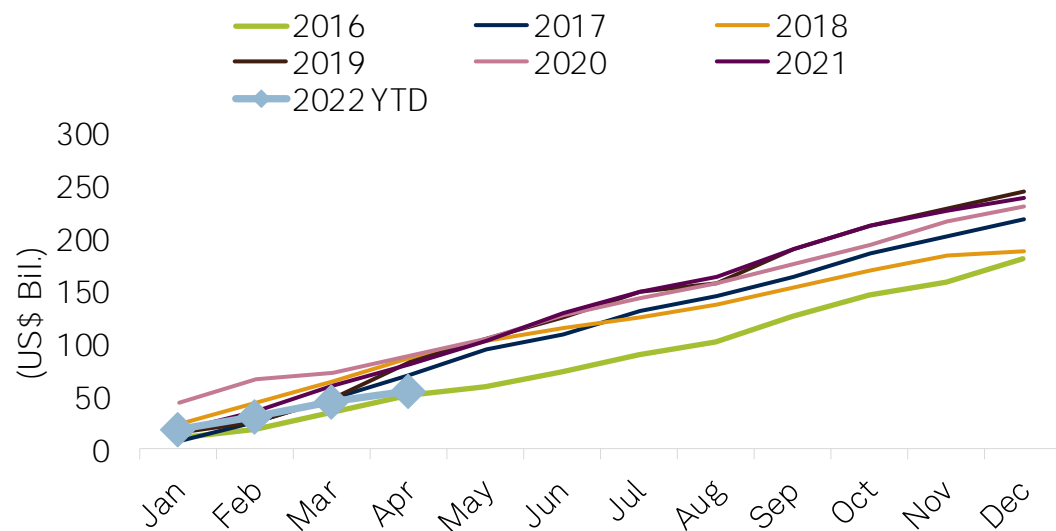
In bps. Data as of April 29, 2022. HY - High Yield; IG - Investment Grade. Source: S&P Global Ratings, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- EM risk premia resumed their gradual increases. Amid rising market uncertainty about the effects on global growth of increasing borrowing costs and supply-chain disruptions. The combination of these concerns appear to have affected LatAm spreads the most, in terms of levels and pace, in April.
- Nonetheless, markets appear to be relatively calm, with spread levels still below those seen at the onset of the Russia-Ukraine conflict.
- EEMEA spreads were far above the other regions until March 30 due to the inclusion of Russian bonds. The sharp drop on March 31 reflects the rebalancing of the index to exclude Russian and Belarusian securities, given the imposition of sanctions.

EM | Financial And Non-Financial Corporate Issuance

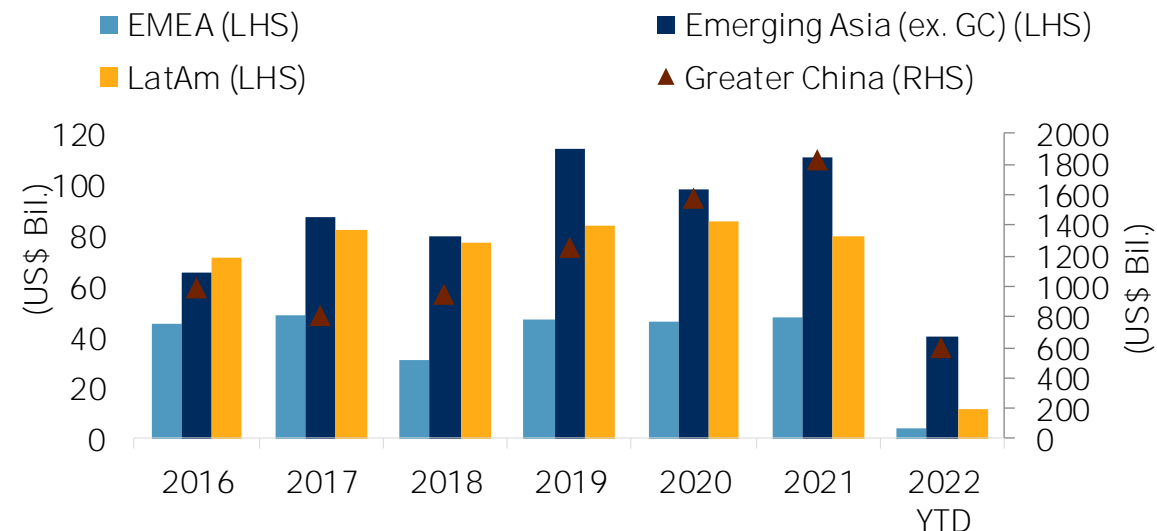
- EM issuance remains at a much slower pace especially outside Asia, with the total EM volume for the first four months at its lowest since 2016. Even in EM Asia (including China), most deals have been among relatively higher quality borrowers, with very limited activity at the other end of the credit spectrum.
- With financing conditions tightening globally, issuance volumes are unlikely to see a strong rebound soon. Risks also remain over investor confidence, which could provide a further headwind.

EM Cumulative Corporate Bond Issuance



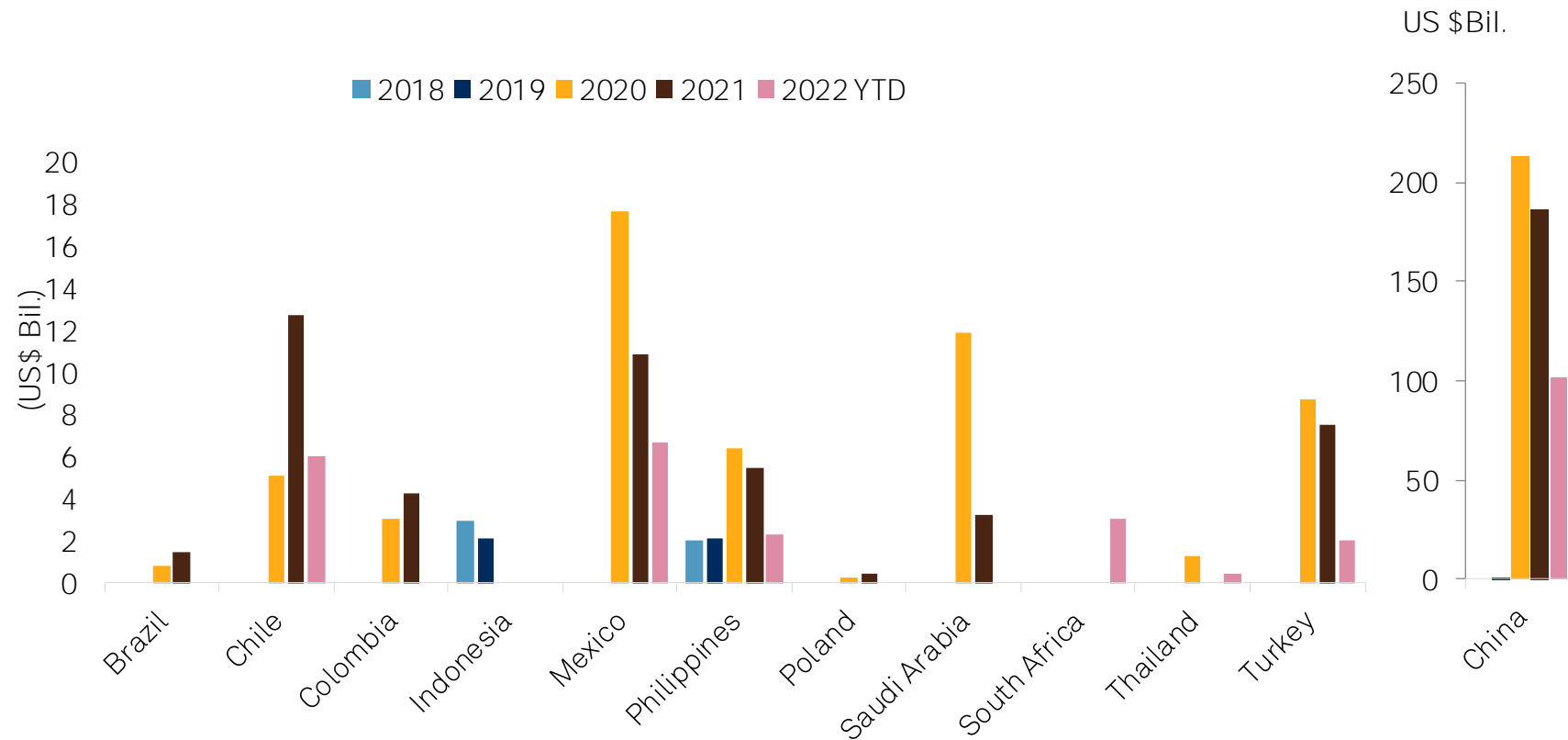
Excluding Greater China. Data as of April 29, 2022. Data including not rated, and financial and non-financial entities. Source: S&P Global Ratings Research and Refinitiv.

EM Regional Bond Issuance



LHS—left hand side. RHS—right hand side. GC—Greater China. Data as of April 29, 2022. For financial and non-financial entities. Source: S&P Global Ratings Research and Refinitiv.

Issuance | EM Sovereign Bond Issuance



Data as of April 29, 2022, includes local/foreign currencies. China includes mainland China and Hong Kong. Source: Refinitiv and Dealogic.

Ratings Summary

Ratings Summary | Sovereigns

Economy	Rating	Outlook	Five-year CDS spread (April 29)	Five-year CDS spread (March 31)
Argentina	CCC+	Stable	3064	2813
Brazil	BB-	Stable	227	206
Chile	A	Stable	105	70
China	A+	Stable	78	62
Colombia	BB+	Stable	236	189
India	BBB-	Stable	123	105
Indonesia	BBB	Negative	120	85
Malaysia	A-	Negative	92	67
Mexico	BBB	Negative	139	101
Philippines	BBB+	Stable	112	79
Poland	A-	Stable	90	75
Saudi Arabia	A-	Positive	61	51
South Africa	BB-	Stable	249	207
Thailand	BBB+	Stable	48	40
Turkey	B+	Negative	614	546

Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. Data and CDS spreads are as of April 29, 2022. China median rating includes China, Hong Kong, Macau, Taiwan, and Red Chip companies. Source: S&P Global Ratings Research and S&P Capital IQ.

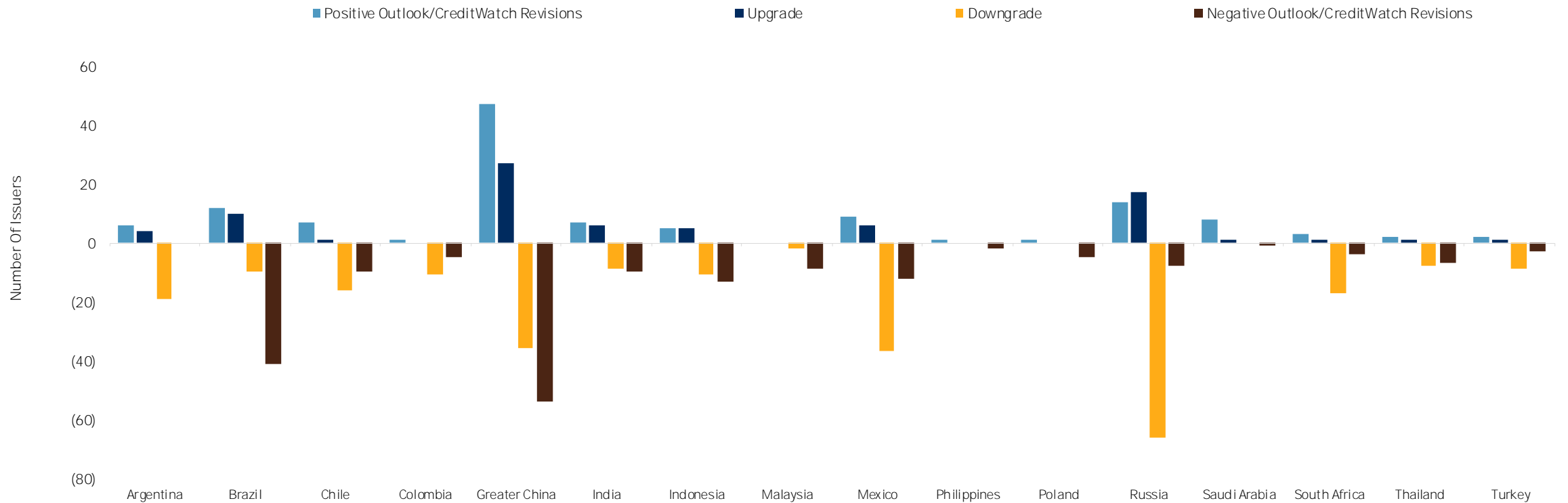
EM Rating Actions | By Debt Amount In The Past 90 Days

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. \$)
7-Mar-22	Gazprom PJSC*	Russia	Integrated oil and gas	CCC-	BBB-	Downgrade	45,644
7-Mar-22	Russian Railways JSC*	Russia	Utilities	CCC-	BBB-	Downgrade	6,712
7-Mar-22	MMC Norilsk Nickel PJSC*	Russia	Metals, mining and steel	CCC-	BBB-	Downgrade	5,750
7-Mar-22	Concern Rossium LLC*	Russia	Bank	CCC-	B+	Downgrade	3,801
2-Feb-22	BRF S.A.	Brazil	Consumer products	BB	BB-	Upgrade	3,061
16-Mar-22	Unifin Financiera, S.A.B. de C.V.	Mexico	Financial institutions	B+	BB-	Downgrade	2,450
7-Mar-22	PhosAgro PJSC*	Russia	Chemicals, packaging and environmental services	CCC-	BBB-	Downgrade	2,000
7-Mar-22	NOVATEK PJSC*	Russia	Oil and gas exploration and production	CCC-	BBB	Downgrade	2,000
10-Feb-22	Credito Real, S.A.B. de C.V., SOFOM, E.N.R. (Futurum, S.A.P.I. de C.V.)	Mexico	Financial institutions	SD	CCC-	Downgrade	1,939
21-Mar-22	Siam Commercial Bank Public Co. Ltd.	Thailand	Bank	BBB	BBB+	Downgrade	1,900
7-Mar-22	Polyus PJSC*	Russia	Metals, mining and steel	CCC-	BB+	Downgrade	1,800
12-Apr-22	Koc Holding A.S.	Turkey	Financial institutions	B+	BB-	Downgrade	1,500
30-Mar-22	Marfrig Global Foods S.A.	Brazil	Consumer products	BB+	BB	Upgrade	1,500
7-Mar-22	Severstal PAO*	Russia	Metals, mining and steel	CCC-	BBB-	Downgrade	1,500
7-Mar-22	NLMK PJSC*	Russia	Metals, mining and steel	CCC-	BBB-	Downgrade	1,200
7-Mar-22	Sovcomflot PAO*	Russia	Transportation	CCC-	BBB-	Downgrade	1,180
28-Apr-22	Delhi International Airport Ltd.	India	Utilities	B	B-	Upgrade	1,023
28-Apr-22	Gold Fields Ltd.	South Africa	Metals, mining and steel	BBB-	BB+	Upgrade	1,000
7-Mar-22	TMK PAO*	Russia	Metals, mining and steel	CCC-	B+	Downgrade	1,000
8-Apr-22	Turkcell İletişim Hizmetleri A.S.	Turkey	Telecommunications	B+	BB-	Downgrade	1,000

*The rating was withdrawn on April 1, 2022, following the EU ban. Data as of April 29, 2022 (last 90 days), excludes sovereigns, Greater China, and the Red Chip companies and includes only latest rating changes. Source: S&P Global Ratings Research.

EM | Total Rating Actions

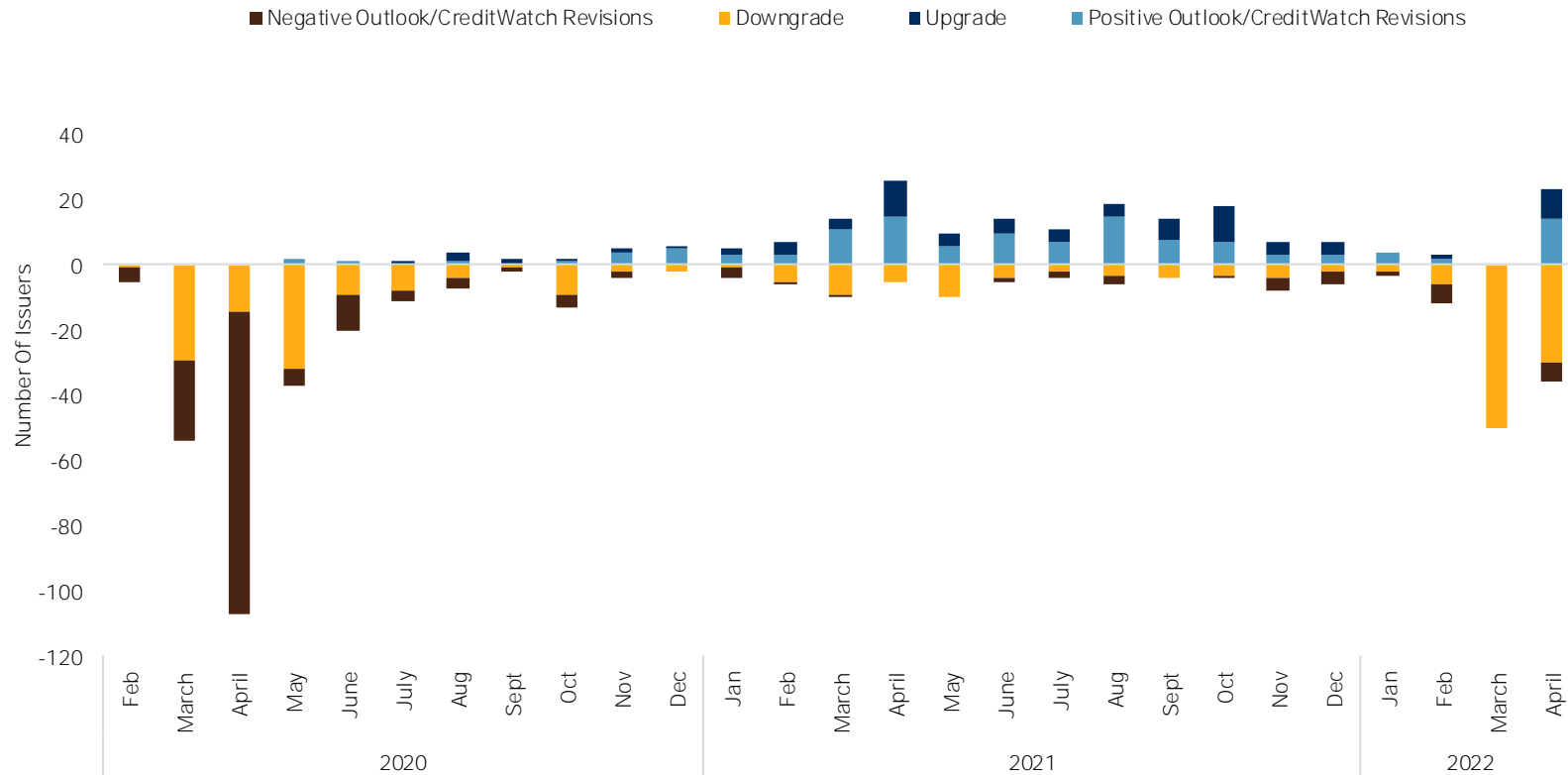
By Economy*



*Russian financial/non-financial corporates are included until April 1, 2022, and the Russian sovereign is included until April 8, 2022, at which times their ratings were withdrawn in compliance with the EU ban. Data includes sovereigns. Data from Feb. 3, 2020, to April 29, 2022. EMs consist of Argentina, Brazil, Chile, China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Russia, Saudi Arabia, South Africa, and Turkey. Greater China--China, Hong Kong, Macau, and Taiwan. Source: S&P Global Ratings Research.

EM | Total Rating Actions

By Month*

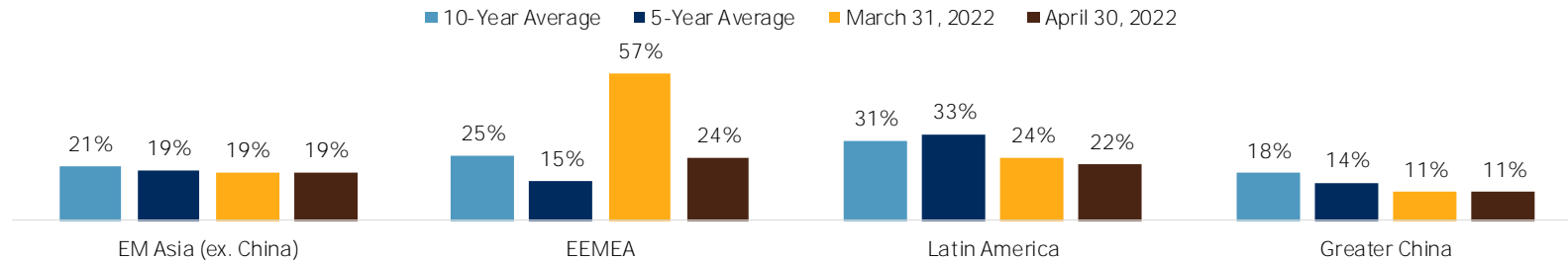


- Thirty issuers were downgraded in April, resulting in a total number of downgrades of 88 through April 29, 2022. Nine issuers were upgraded, bringing year to date tally to 10.
- Seventeen downgrades occurred among Russian entities, right after which the ratings were withdrawn in compliance with the EU ban.
- Four Thai banks were downgraded on structural weaknesses and high household debt.
- Five Turkish non-financial entities were downgraded. Four of these were directly tied to the action on the sovereign. Given that most of these entities as domestically focused, they're most affected by the risk that the government would restrict access to foreign-exchange liquidity.

*Russian financial/non-financial corporates are included until April 1, 2022, and the Russian sovereign is included until April 8, 2022, at which times their ratings were withdrawn in compliance with the EU ban. Data includes sovereigns. Data from Feb. 3, 2020, to April 29, 2022. EMs consist of Argentina, Brazil, Chile, China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Russia, Saudi Arabia, South Africa, and Turkey. Greater China--China, Hong Kong, Macau, Taiwan. Source: S&P Global Ratings Research.

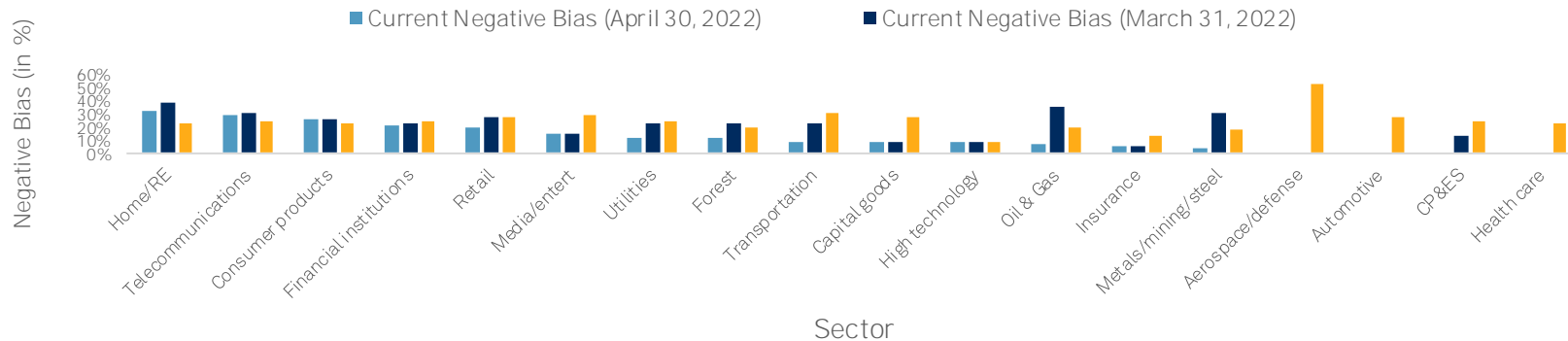
EM Downgrade Potential | Regional Negative Bias

EEMEA Has The Highest Downgrade Potential*



*Includes Russia until March 31, 2022, excludes it as of April 29, 2022. Data as of April 29, 2022, and exclude sovereigns. LatAm: Argentina, Brazil, Chile, Colombia, Mexico. Emerging Asia: India, Indonesia, Malaysia, Thailand, and the Philippines. EMEA: Poland, Russia, Saudi Arabia, South Africa, and Turkey. Greater China: China, Hong Kong, Macau, Taiwan, and Red Chip companies. Source: S&P Global Ratings Research.

Negative Bias By Sector*



*Includes Russia until March 31, 2022, excludes it as of April 29, 2022. Data as of April 29, 2022, and include sectors with more than five issuers only; excludes sovereigns. EMs consist of Argentina, Brazil, Chile, China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, the Philippines, Poland, Russia, Saudi Arabia, South Africa, and Turkey. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies. 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. Source: S&P Global Ratings Research.

- EM EMEA. The April 2022 downgrade potential fell to 24% from 57%, after ratings on Russian entities were withdrawn in compliance with the EU ban.
- EM Asia (excluding China). The April 2022 downgrade potential was 19%, same as in March, and below the 10-year average.
- LatAm. The April 2022 downgrade potential (22%) was down by three percentage points and stayed well-below its five-year average (33%) and 10-year average (31%).
- Greater China. The April 2022 downgrade potential (11%) was the same as in previous month and is slightly below both of its historical averages.

Rating Actions | **Rating Changes From 'B-' To 'CCC' In 2022 YTD**

Two rating changes in EMs from 'B-' to 'CCC' so far in 2022.

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
4-Feb-22	Credito Real, S.A.B. de C.V., SOFOM, E.N.R. (Futulem, S.A.P.I. de C.V.)	Mexico	Financial institution	CCC-	B-	1,936
11-Mar-22	Logan Group Co. Ltd.	Cayman Islands	Homebuilders/realestate company	CCC-	B-	1,280

Debt volume includes subsidiaries and excludes zero debt. Note: Red means speculative-grade rating. Data as of April 29, 2022; includes sovereigns and Greater China and Red Chips companies. Source: S&P Global Ratings Research.

Rating Actions | EM Fallen Angels In 2022 YTD

12 EM fallen angels in 2022, all of which are from Russia*.

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
25-Feb-22	Russian Federation	Russia	Sovereign	BB+	BBB-	33,738
28-Feb-22	Gazprombank JSC	Russia	Bank	BB+	BBB-	121
7-Mar-22	Gazprom PJSC	Russia	Integrated oil and gas	CCC-	BBB-	45,644
7-Mar-22	NOVATEK PJSC	Russia	Oil and gas exploration and production	CCC-	BBB	2,000
7-Mar-22	MMC Norilsk Nickel PJSC	Russia	Metals, mining and steel	CCC-	BBB-	5,750
7-Mar-22	PhosAgro PJSC	Russia	Chemicals, packaging and environmental services	CCC-	BBB-	2,000
7-Mar-22	Holding Co. Metalloinvest JSC	Russia	Metals, mining and steel	CCC-	BBB-	650
7-Mar-22	RusHydro PJSC	Russia	Oil and gas exploration and production	CCC-	BBB-	527
7-Mar-22	Severstal PAO	Russia	Metals, mining and steel	CCC-	BBB-	1,500
7-Mar-22	NLMK PJSC	Russia	Metals, mining and steel	CCC-	BBB-	1,200
7-Mar-22	Sovcomflot PAO	Russia	Transportation	CCC-	BBB-	1,180
7-Mar-22	Russian Railways JSC	Russia	Utility	CCC-	BBB-	6,712

*These ratings were subsequently withdrawn on April 1, 2022, in compliance with the EU ban. Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating. Data as of April 29, 2022; includes sovereigns and Greater China and Red Chips companies. Source: S&P Global Ratings Research.

Rating Actions | EM Rising Stars In 2022 YTD

One EM rising star so far in 2022.

Ratingdate	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
28-Apr-22	Gold Fields Ltd.	South Africa	Metals, mining and steel	BBB-	BB+	1,000

Debt volume includes subsidiaries and excludes zero debt. Note: Red means speculative-grade rating. Data as of April 29, 2022; includes sovereigns and Greater China and Red Chips companies. Source: S&P Global Ratings Research.

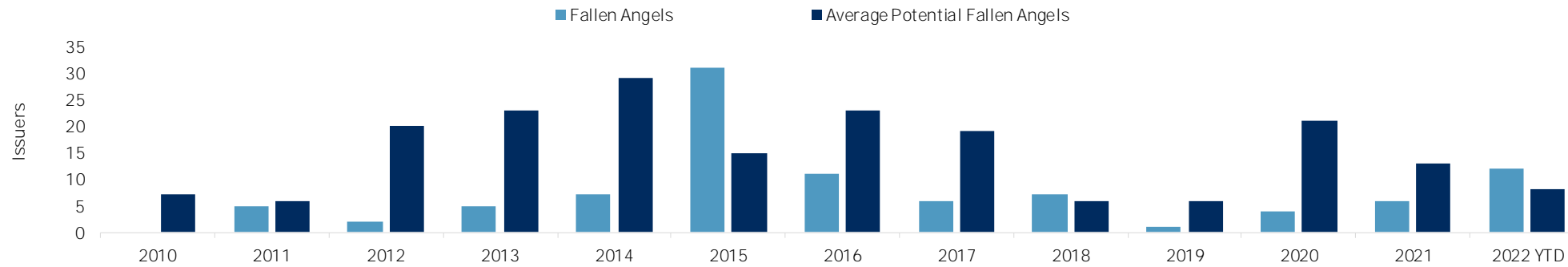
Rating Actions | List Of Defaulters In 2022 YTD

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. \$)
13-Jan-22	R&F Properties (HK) Co. Ltd. (Guangzhou R&F Properties Co. Ltd.)	Hong Kong	Homebuilders/real estate companies	SD	CC	Downgrade	-
1-Feb-22	Future Retail Ltd.	India	Consumer products	SD	CCC-	Downgrade	500
10-Feb-22	Credito Real, S.A.B. de C.V., SOFOM, E.N.R. (Futurlem, S.A.P.I. de C.V.)	Mexico	Financial Institutions	SD	CCC-	Downgrade	1,941
8-Apr-22	Guangzhou R&F Properties Co. Ltd.	China	Homebuilders/real estate companies	SD	CC	Downgrade	-
8-Apr-22	Russian Federation*	Russia	Sovereign	SD	CC	Downgrade	33,244
12-Apr-22	Grupo Kaltex, S.A. de C.V.	Mexico	Consumer products	D	CCC-	Downgrade	320

*The Russian sovereign rating was withdrawn on the same day in compliance with the EU ban. Data as of April 29, 2022. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies. Excludes five confidential issuers in 2022 YTD. D – Default; SD – Selective Default. Source: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.

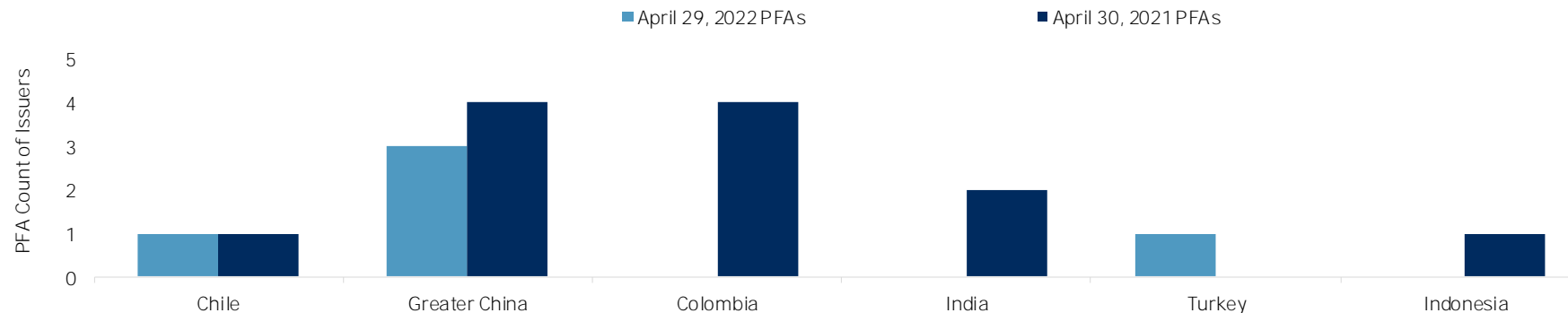
Rating Actions | Fallen Angels And Potential Fallen Angels

12 Fallen Angels So Far in 2022 (All Russia-based) While Potential Fallen Angels Continue To Trend Down*



*Russian ratings were subsequently withdrawn on April 1, 2022, in compliance with the EU ban. Russian entities remain in the year-to-date fallen angel counts, but not in potential fallen angels as of April 29, 2022. Data as of April 29, 2022. Parent only. Include Red Chip companies. Source: S&P Global Ratings Research.

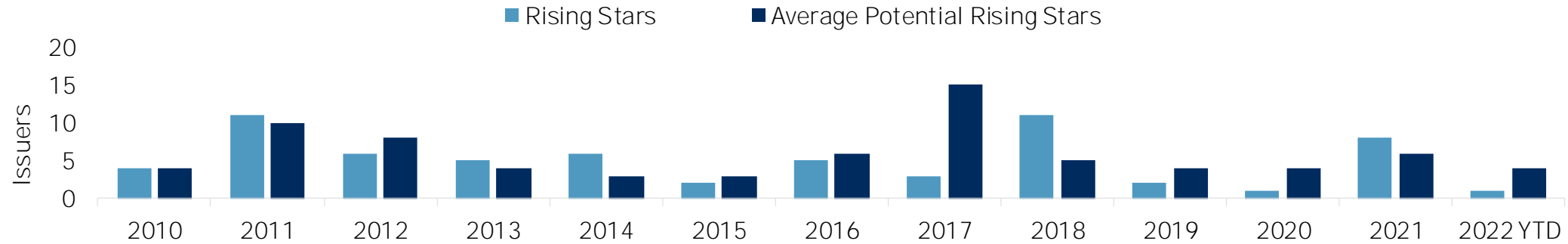
EM Potential Fallen Angels (PFA) By Economy*



*Excludes Russia as of April 29, 2022, after ratings on Russian entities were withdrawn in compliance with the EU ban. Data as of April 29, 2022. Includes Red Chip companies. Source: S&P Global Ratings Research.

Rating Actions | Rising Stars And Potential Rising Stars

One Rising Star In 2022 YTD



Data as of April 29, 2022. Parent only. Includes Red Chip companies. Source: S&P Global Ratings Research.

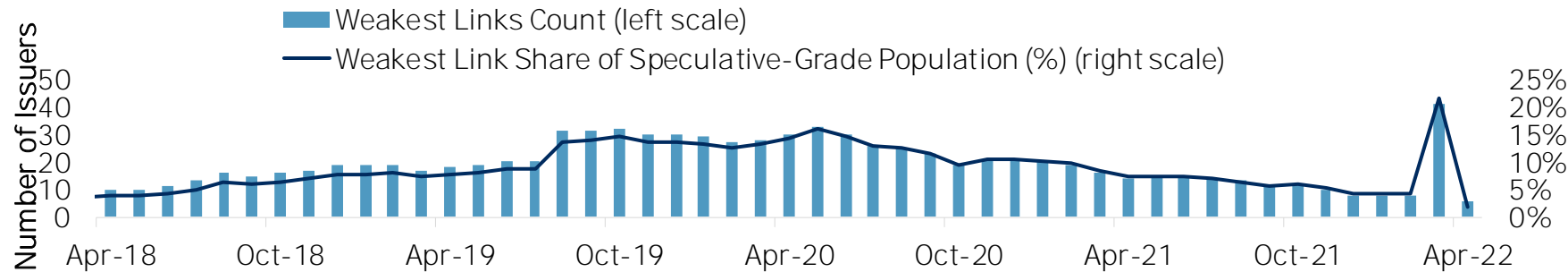
EM Potential Rising Stars (PRS) By Economy



Note: Data as of April 29, 2022. Includes Red Chip companies. Source: S&P Global Ratings Research.

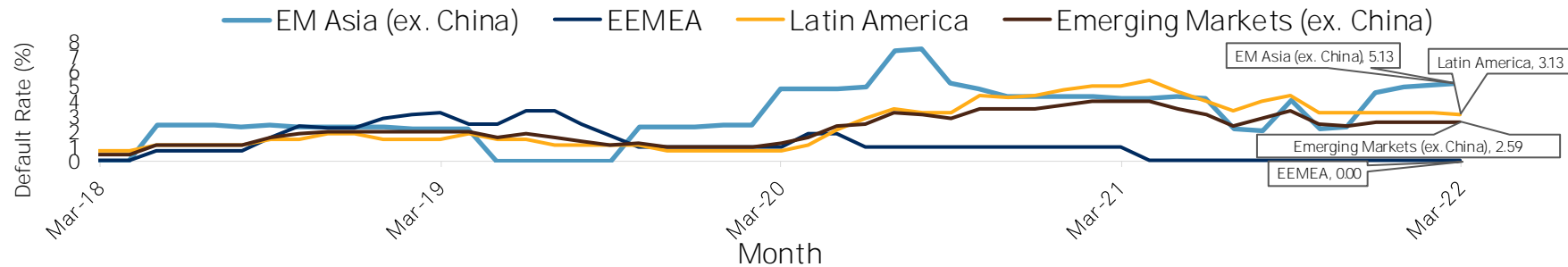
Rating Actions | Weakest Links And Defaults

EM Weakest Links Fell To Six In April



Includes Russia until March 31, 2022, excludes it as of April 29, 2022. Data as of April 29, 2022. Parent only. Source: S&P Global Ratings Research.

Default Rates Were Steady Outside Of EM Asia

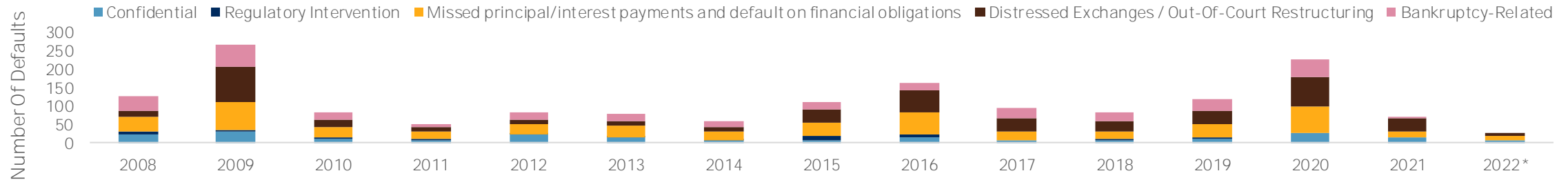


As of March 2022. Excluding China. CreditPro data as of March 31, 2022. Default rates are trailing 12-month speculative-grade default rates. Source: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.

- Weakest links. EMs saw six issuers on the weakest links list (2% of total speculative-grade issuers), down from 10 among non-Russian entities in March. Aside from the Russia-related spike in March, weakest links have continued a steady downward trend that began in late 2020.
- Default rates. The March default rates increased marginally for EM Asia (excluding China) and was broadly steady for LatAm (see chart). The March default rate in EEMEA remained at 0% and EMs (excluding China) at 2.59%.

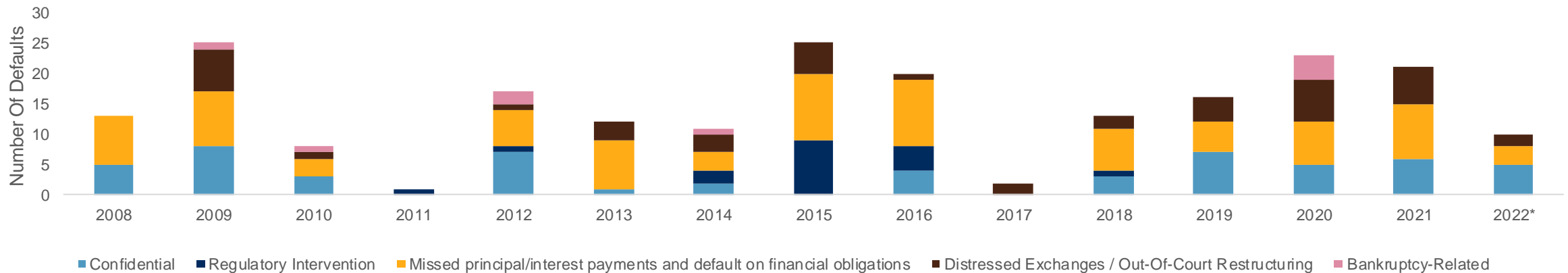
Rating Actions | Defaults

Year-End Global Corporate Defaults By Reason



*Data as of April 29, 2022. Russian financial/non-financial corporates are included until April 1, 2022, and the Russian sovereign is included until April 8, 2022, at which times their ratings were withdrawn in compliance with the EU ban. Data has been updated to reflect confidential issuers. Excludes sovereigns, includes Greater China, and Red Chip companies. Sources: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®. *

Year-End EM 16 Corporate Defaults By Reason



*Data as of April 29, 2022. Russian financial/non-financial corporates are included until April 1, 2022, at which times their ratings were withdrawn in compliance with the EU ban. Data has been updated to reflect confidential issuers. Excludes sovereigns, includes Greater China, and Red Chip companies. Sources: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.

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- Global Credit Conditions Special Update: Inflation, War and COVID Drag On, May 17, 2022
- China's COVID Policy To Further Weigh On Economy, May 16, 2022
- Economic Research: Emerging Markets: Where Is The Slack At The Sector Level?, May 11, 2022
- Slower, But Continued Positive Momentum, Points To Lower Near-Term Downgrade Risk, May 5, 2022
- 'BBB' Pulse: Credit Risks Diverge Between The U.S. And EMEA On Russia-Ukraine Conflict, May 5, 2022
- Economic Research: Despite Rising Risks, Yield Curve Is Not Yet Signaling Recession, May 4, 2022
- Turkey-Based Mersin International Port Downgraded To 'B+' After Similar Rating Action On Sovereign; Outlook Negative, April 28, 2022
- Which Emerging Markets Are Most At Risk From Slower-Than-Expected Growth In China?, April 26, 2022
- Default, Transition, and Recovery: Corporate Defaults Inch Up In Europe, April 25, 2022
- Economic Research: Which Emerging Markets Are Most Vulnerable To Rising Food And Energy Prices?, April 21, 2022
- Koc Holding Ratings Lowered To 'B+' From 'BB-' After Similar Rating Action On Turkey; Outlook Negative, April 12, 2022
- Telecom Operator Turkcell Downgraded To 'B+' From 'BB-' After Similar Action On Turkey; Outlook Negative, April 8, 2022
- Turk Telekom Downgraded To 'B+' From 'BB-' After Rating Action On Turkey; Outlook Negative, April 8, 2022
- Turkey Long-Term LC Rating Lowered To 'B+' From 'BB-'; FC Rating Affirmed At 'B+'; Outlook Remains Negative, April 2, 2022
- Credit Conditions: Emerging Markets: Conflict Exacerbates Risk, March 29, 2022

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- Economic Outlook Emerging Markets Q2 2022: Growth Slows Amid Higher Commodity Price Inflation, March 29, 2022
- Economic Outlook EMEA Emerging Markets Q2 2022: Weaker Growth, Higher Inflation, Tighter Financing Conditions, March 29, 2022
- Economic Outlook Latin America Q2 2022: Conflict Abroad Amplifies Domestic Risks, March 28, 2022
- The Global Weakest Links Tally Rises For The First Time Since 2020, March 22, 2022
- Four Thai Banks Downgraded As Structural Issues Persist; Outlooks Stable, March 21, 2022

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