Emerging Markets Monthly Highlights
Emerging Markets Show Some Resilience

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This report does not constitute a rating action.

Contents

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Key Takeaways

- Recent GDP publications indicate some resilience of emerging markets (EMs). With a few exceptions, Q1 GDP readings from EM EMEA and LatAm have been mostly solid as internal demand held up well in recent months. Nevertheless, leading indicators, as well as high-frequency data, indicate that some economies have started to slow. We expect economic growth to moderate later in the year due to pressure on real incomes and the fading effect of post-pandemic recovery.

- In May, risk premiums for a wide range of EM assets have come off recent peaks. EM spreads have decreased after gradually rising through most of 2022 so far. Partial relaxation of China's COVID-19 restrictions have brought some calm to the markets in May. However, we see that pressures on EM assets have somewhat renewed, and we expect them to continue later this year.

- High food and energy prices continue to fuel inflation in EMs, but prices for some other commodities have eased. The ongoing rally in food and energy markets is exacerbating price pressures across most EMs, and we see some inflationary risks for the next year already building, especially in food. The metals price rally that has benefited some exporters in LatAm and Africa has moderated, with prices for precious (platinum) and industrial metals (copper, iron) broadly returning to their early 2022 values.
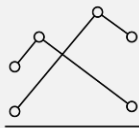
EM GDP Growth | Domestic Demand Was Strong In Q1
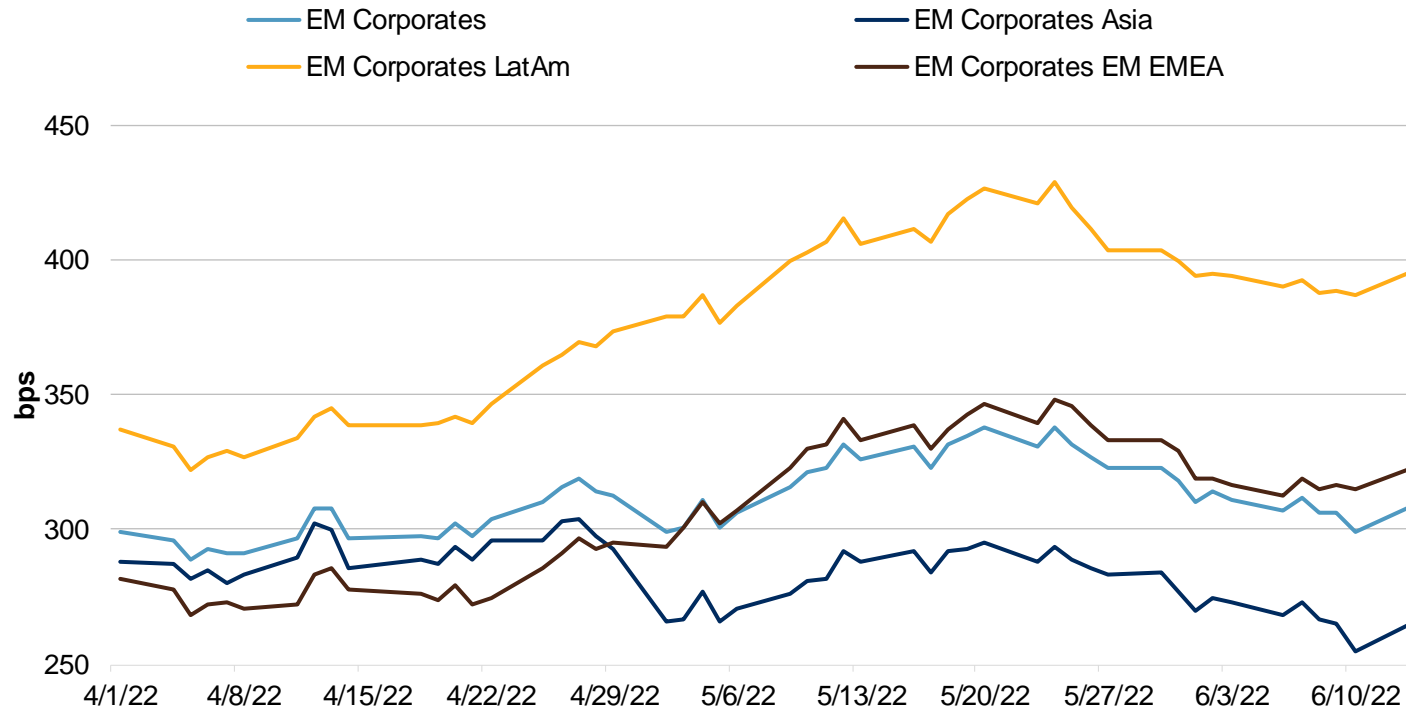
Quarter-On-Quarter GDP Growth Rates, %
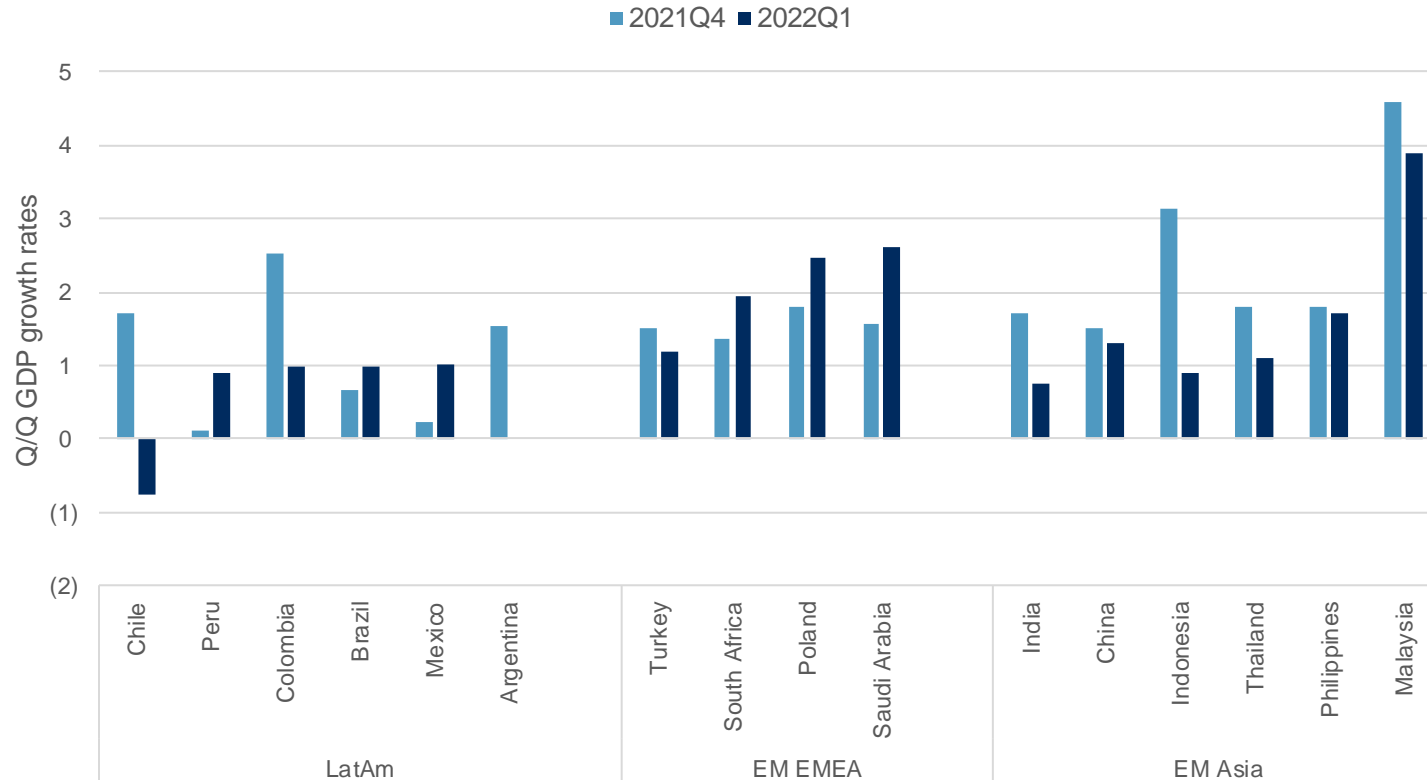
Note: Q1 GDP numbers for Argentina are not available. Source: Datastream and S&P Global Ratings.

- Q1 GDP growth was generally strong across EM EMEA and LatAm, as many economies had surprised to the upside. In most cases, economic growth has been driven by strong performance of domestic demand. Nevertheless, performance differed across EMs. In EM Asia, economic growth decelerated in Q1 (in quarter-on-quarter terms).

- Leading economic indicators and high-frequency datapoints indicate that most economies have started to show signs of deceleration. Purchasing managers' index (PMIs) have mostly decreased, and the median PMI across EMs is now below 50. Indicators related to international trade have been somewhat weaker. We expect these trends to intensify in upcoming quarters.

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EM Credit | Risk Premiums Fell Off Recent Peaks In May

EM Spreads By Region

Legend:
- EM Corporates
- EM Corporates LatAm
- EM Corporates Asia
- EM Corporates EM EMEA

Y-axis: bps (250, 300, 350, 400, 450)
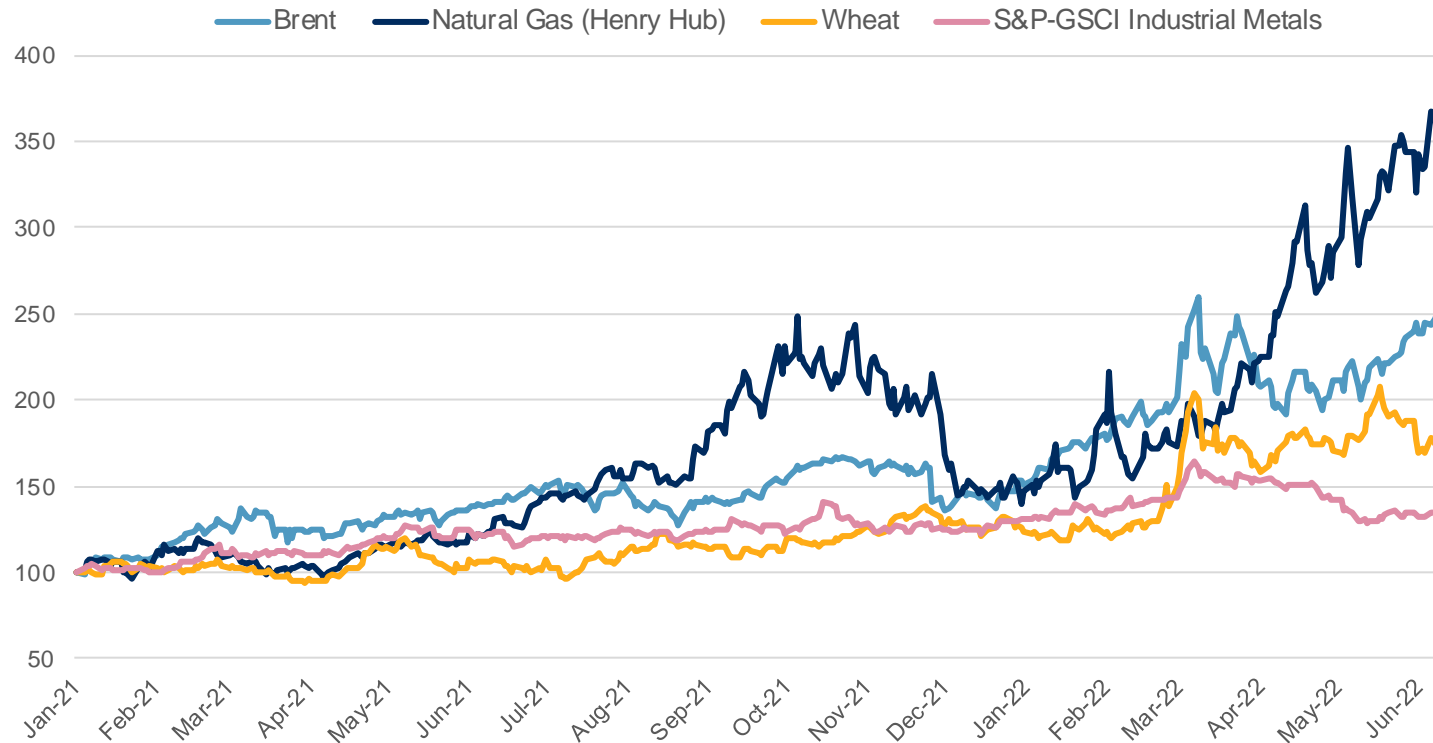X-axis: 4/1/22, 4/8/22, 4/15/22, 4/22/22, 4/29/22, 5/6/22, 5/13/22, 5/20/22, 5/27/22, 6/3/22, 6/10/22

Note: Data as of June 13, 2022. Source: S&P Global Ratings, Refinitiv, ICE Data Indices, Federal Reserve Bank of St. Louis.

- EM spreads eased over the last month, after the gradual rise since the beginning of the year. However, some underlying factors such as the Russia-Ukraine conflict, tighter global financing conditions, and slowing global growth are still present and are likely to pressure EM assets later this year.

- The relaxation of some COVID-19 restrictions in China has brought a degree of calm to markets, but the zero COVID-19 policy continues to weigh on China's growth outlook, and we recently revised down our GDP growth expectations for 2022. While lockdown measures have eased over the past month, sporadic lockdowns are still in place. Weaker growth in China is likely to affect EM Asia more than other EMs, given this region's economic ties to China.

- The release of the FOMC minutes in May appeared to have brought some calm to markets at that time, particularly around the pace of Fed tightening, but recent news on U.S. inflation has renewed the pressure on financial markets.

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EM Commodities | Commodity Prices Show Divergent Trends

Food Indices, January 2021 = 100

Legend: Brent — Natural Gas (Henry Hub) — Wheat — S&P-GSCI Industrial Metals

Source: S&P Global Ratings and Datastream.

- Energy and food prices are still very high, with gas and oil prices up by more than 130% and 50% since the beginning of the year, respectively. Food prices are far above their early 2022 prices, including food items that aren't directly affected by the conflict, such as rice. We expect that elevated food and energy prices will continue to fuel inflationary pressures throughout 2022.

- Prices for industrial metals and some precious metals (PGMs) have moderated after the rally earlier this year. Prices for copper and iron ore have moderated, affecting metal exporters such as South Africa, Peru, Chile, and Brazil. However, nickel remains a notable exception, with spot prices about 35% above early 2022 levels. Several EMs are major nickel producers, in particular EM Asia economies such as Philippines and Indonesia (the latter accounts for 30%-40% of the world's nickel production).

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EM Inflation | Food And Energy Inflation Continue To Increase

Energy And Food Inflation Median For Key EMs

Legend: Energy — Food
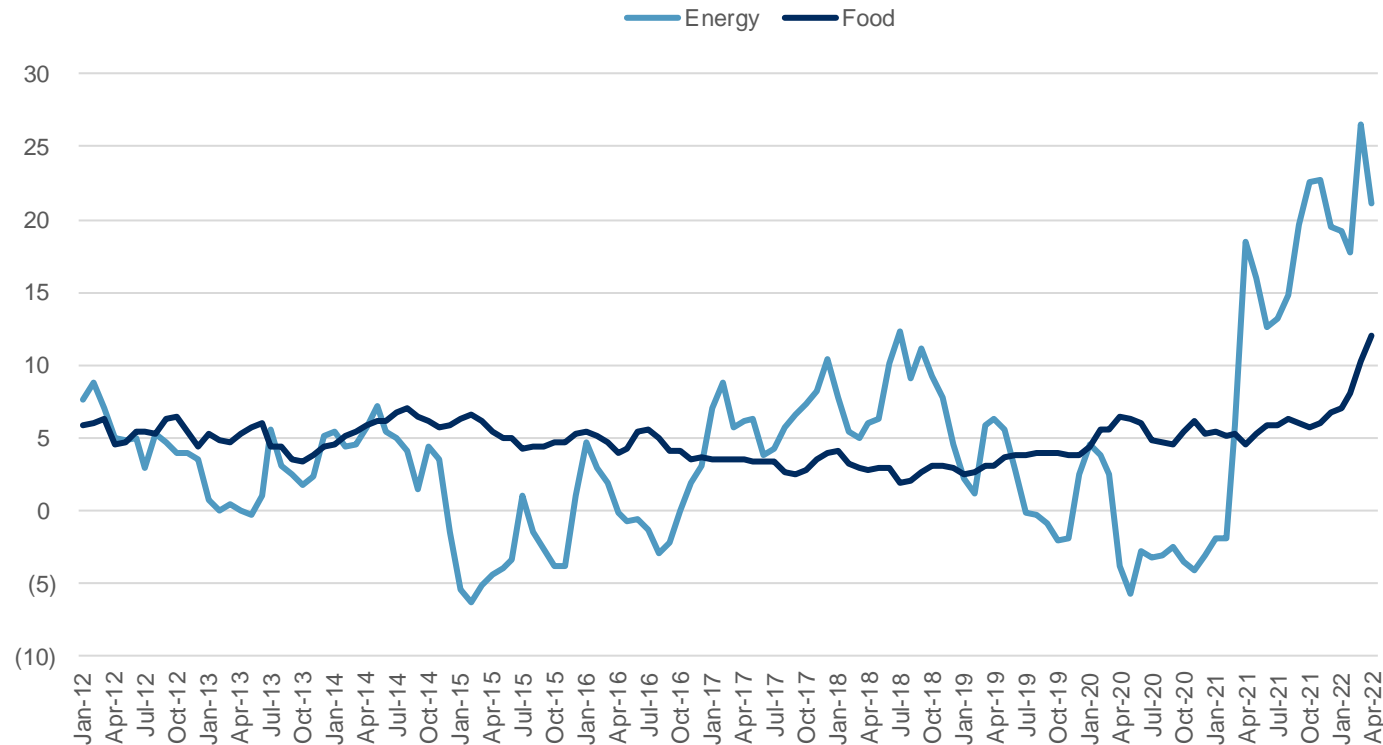
Percentage year-over-year. Note: median inflation for both energy and food is from 12 major EMs. If energy price index is not available, we use whichever has the highest wave in the CPI between housing-related energy prices and transportation-related energy prices. The exception is South Africa, for which we calculated our own energy inflation index based on weights for housing and transportation energy. Source: Haver Analytics and S&P Global Ratings.
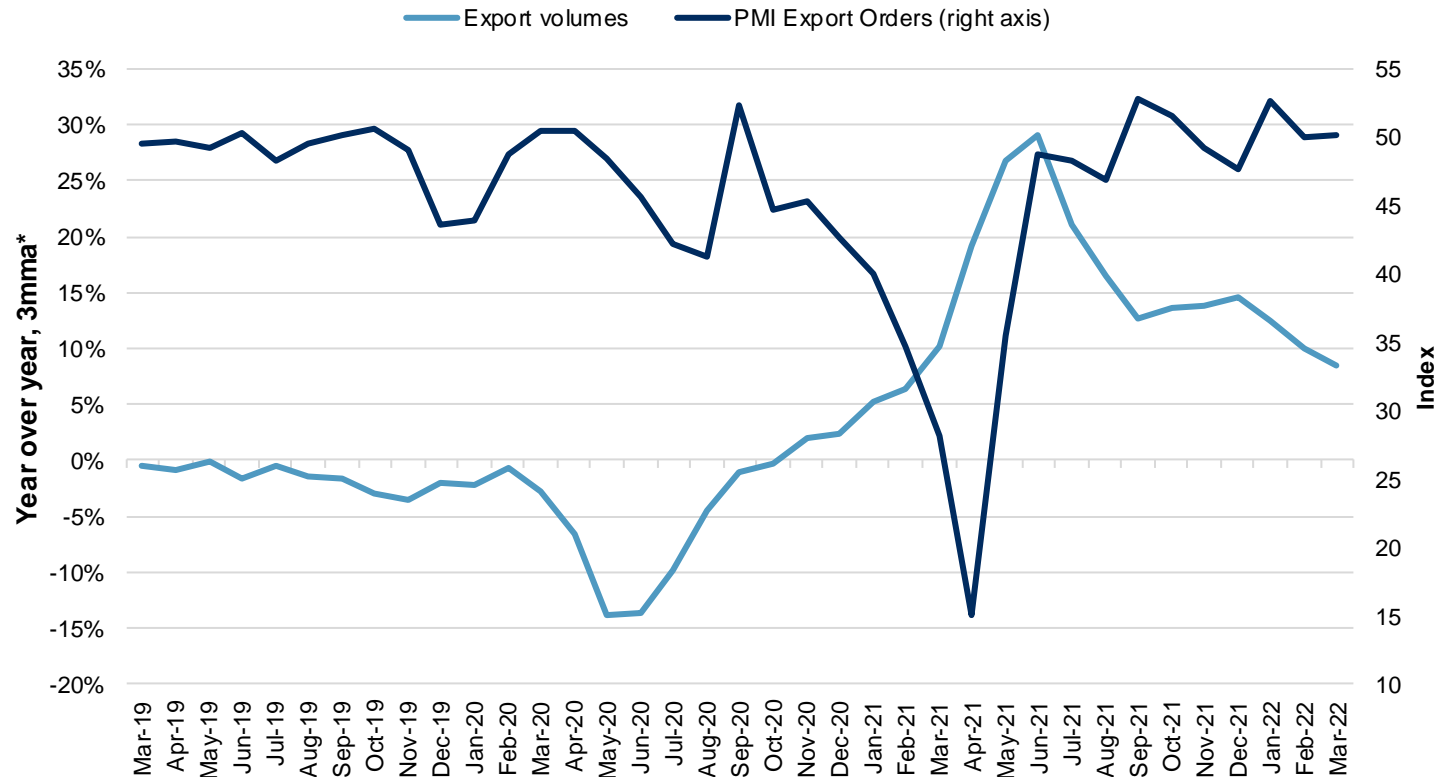
- Food and energy inflation are still high in EMs. Food price developments are crucial for EMs, given the large weight of food spending in consumer consumption baskets of EM households.

- Some EMs are affected more than others. For example, several economies in Middle East and North Africa (MENA) are net importers of both food and energy, and they source a large part of their cereal supply from Russia and Ukraine. (see "Food Price Shock Reverberates Through MENA Economies", published May 26).

- Price pressures for the next year are already building. Ongoing fertilizer shortages, harvest disruptions in Ukraine, export controls, and escalating fuel and transport costs will all exert upward pressure on food prices next year (see "The Global Food Shock Will Last Years", published June 1).

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Regional Economic
Highlights

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EM Asia Economics| Merchandise Trade Momentum Slowing

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Merchandise Trade Volume Growth Is Slowing In Asia, Export Orders Steady

Legend: Export volumes — PMI Export Orders (right axis)

Y-axis (left): Year over year, 3mma*
Y-axis (right): Index

Note: 3mma refers to the 3-month moving average. PMI refers to S&P Global Purchasing Managers' Index. Source: Central Planbureau Netherlands and S&P Global Ratings.

- International goods demand was key in supporting growth for emerging Asia-Pacific economies in late 2020 and the first half of 2021.

- This trade growth momentum has been slowing since mid-2021 as economies worldwide gradually reopen and spending shifts back toward services and away from goods.

- This trend has accelerated in recent months as reopening progresses and there is greater external uncertainty due to rising interest rates and slowing growth in China.

EM EMEA Economics | EMEA Economies Show Signs Of Deceleration

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Manufacturing PMIs Across EM EMEA Economies
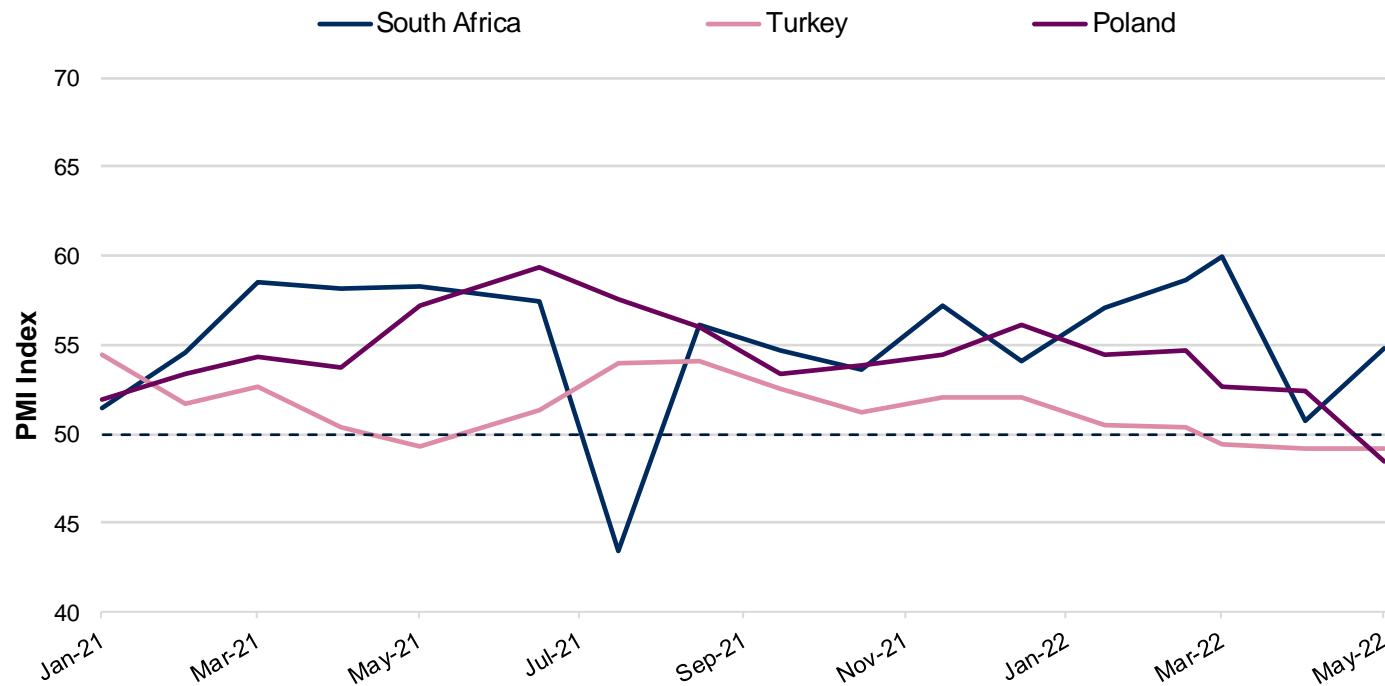
Source: PMI by S&P Global, Refinitive. Note: Data reflects the Purchasing Manager's Index for Manufacturing.

- Q1 GDP growth in EM EMEA surprised to the upside, amid ongoing volatility in commodities markets and direct spillovers from the Russia-Ukraine conflict. In most cases, strong growth was backed by solid domestic demand.

- However, leading indicators point to slowing growth in Poland and Turkey. Poland's manufacturing PMI index fell below 50 for the first time since 2020, while in Turkey, the index remained below the neutral level for the third month in a row. Given expected slowdown of global growth, as well as real income pressures due to the continuing rise in inflation (13.9%* in Poland and 73.5 % in Turkey in May), we expect economic growth to decelerate later this year.

- **South Africa's economy performed especially** well in Q1. Moreover, its inflation is one of the lowest across all key EMs (5.9% year-on-year in April). However, the latest data on mining and sales indicates a less favourable Q2.

Note: Numbers from Statistics Poland

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LatAm Economics | No Major Impact On Supply Chains Evident Yet From Lockdowns In China

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Mexico – Manufacturing Production (December 2019 = 100)
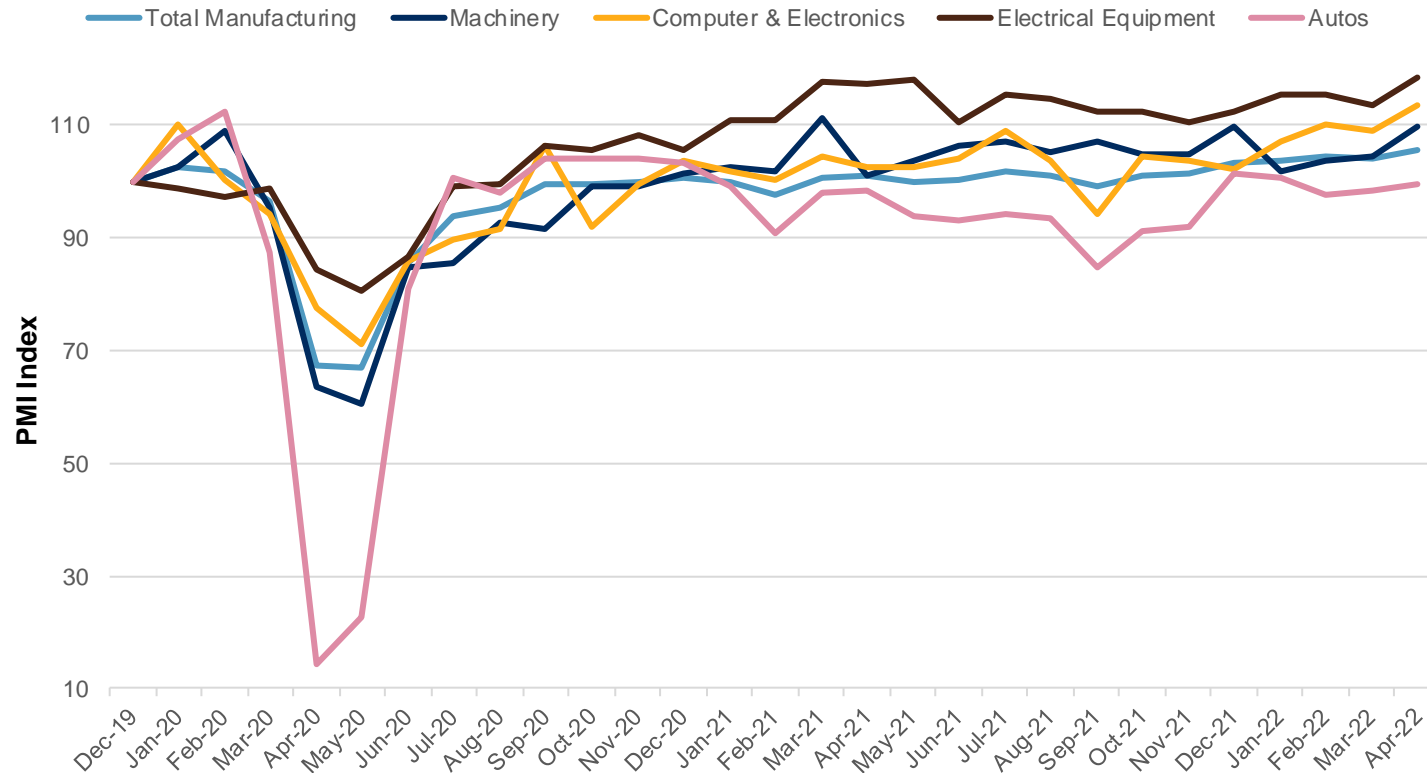
Source: Haver Analytics, S&P Global Ratings.

- No major signs of supply chain disruptions in the last month. Despite concerns that lockdowns in China would take a toll on certain manufacturing sectors in Latin America that largely rely on Chinese inputs, production continued to recover in recent months. In Mexico, the sectors that are most exposed to supply-chain disruptions tend to be electronics and autos-related, and in all cases, production in April ticked up.

- This could mean that disruptions have not filtered through yet and will start to show up in the coming months. Or, it could indicate that the most recent round of lockdowns in China didn't have as much of an impact on manufacturing output as previous rounds did, and companies have improved their inventory management.

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GDP Summary | Q1 GDP Reports Mostly Surprised To The Upside

Country	Latest reading (y/y)	Period	5Y Avg	2020	2021	2022f	2023f	2024f
Argentina	8.6	Q4	(0.2)	(9.9)	10.3	3.3	1.8	2.0
Brazil	1.7	Q1	(0.5)	(4.2)	5.0	0.6	1.6	1.9
Chile	7.2	Q1	2.0	(6.0)	11.7	2.1	2.4	2.8
Colombia	8.5	Q1	2.4	(7.0)	10.6	4.6	3.0	3.2
Mexico	1.8	Q1	2.0	(8.4)	5.0	1.7	2.2	2.1
China	4.8	Q1	6.7	2.2	8.1	4.2	5.3	5.1
India	4.1	Q1	6.9	(6.6)	9.0	7.3	6.5	6.7
Indonesia	5.0	Q1	5.0	(2.1)	3.7	5.1	4.8	4.9
Malaysia	5.0	Q1	4.9	(5.6)	3.1	5.8	5.4	4.7
Philippines	8.3	Q1	6.6	(9.6)	5.6	6.5	6.8	7.0
Thailand	2.2	Q1	3.4	(6.2)	1.6	3.2	4.0	3.8
Poland	9.4	Q1	4.4	(2.4)	5.6	3.6	3.1	2.7
Saudi Arabia	9.9	Q1	1.6	(4.1)	3.3	5.8	2.9	2.9
South Africa	3.0	Q1	1.0	(6.4)	4.9	1.8	1.6	1.5
Turkey	7.3	Q1	4.2	1.8	11.0	2.4	2.9	3.3

Note: Red means GDP growth is below five-year average (2015-2019). Blue means the opposite. F—Forecast. Source: Haver Analytics and S&P Global Ratings.

Monetary Policy/FX | Rate Hikes Continued Across The Board Last Month

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	May FX rate change	YTD FX rate change
Argentina	49.00%	No Target	58.0%	N/A	N/A	(4.1%)	(14.5%)
Brazil	12.75%	3.5% +/-1.5%	11.7%	100 bps hike	June 16	5.0%	17.8%
Chile	9.00%	3% +/-1%	11.5%	75 bps hike	June 8	2.5%	2.7%
Colombia	6.00%	3% +/-1%	9.1%	100 bps hike	June 30	5.0%	8.2%
Mexico	7.00%	3% +/-1%	7.7%	50 bps hike	June 23	3.9%	4.4%
China	2.10%	3%	2.0%	N/A	N/A	(1.0%)	(4.7%)
India	4.90%	4% +/-2%	7.8%	50 bps hike	Aug. 4	(1.6%)	(4.3%)
Indonesia	3.50%	3.5% +/-1%	3.6%	Hold	June 23	(0.6%)	(2.3%)
Malaysia	2.00%	No Target	2.3%	25 bps hike	July 6	(0.5%)	(4.8%)
Philippines	2.25%	3% +/-1%	5.4%	25 bps hike	June 23	(0.4%)	(2.7%)
Thailand	0.50%	2.5% +/-1.5%	7.1%	Hold	Aug. 1	0.1%	(2.4%)
Poland	6.00%	2.5% +/-1%	13.9%	75 bps hike	July 7	3.9%	(5.5%)
Saudi Arabia	1.75%	3% +/-1%	2.3%	Hold	N/A	0.0%	0.0%
South Africa	4.75%	3%-6%	6.0%	50 bps hike	July 21	1.0%	1.9%
Turkey	14.00%	5% +/-2%	73.5%	Hold	July 21	(9.5%)	(18.9%)

FX—Foreign exchange. 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.

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# Real Effective Exchange Rates | LatAm Currencies Outperformed In May

Broad Real Effective Exchange Rates, % Change From 10-Year Average
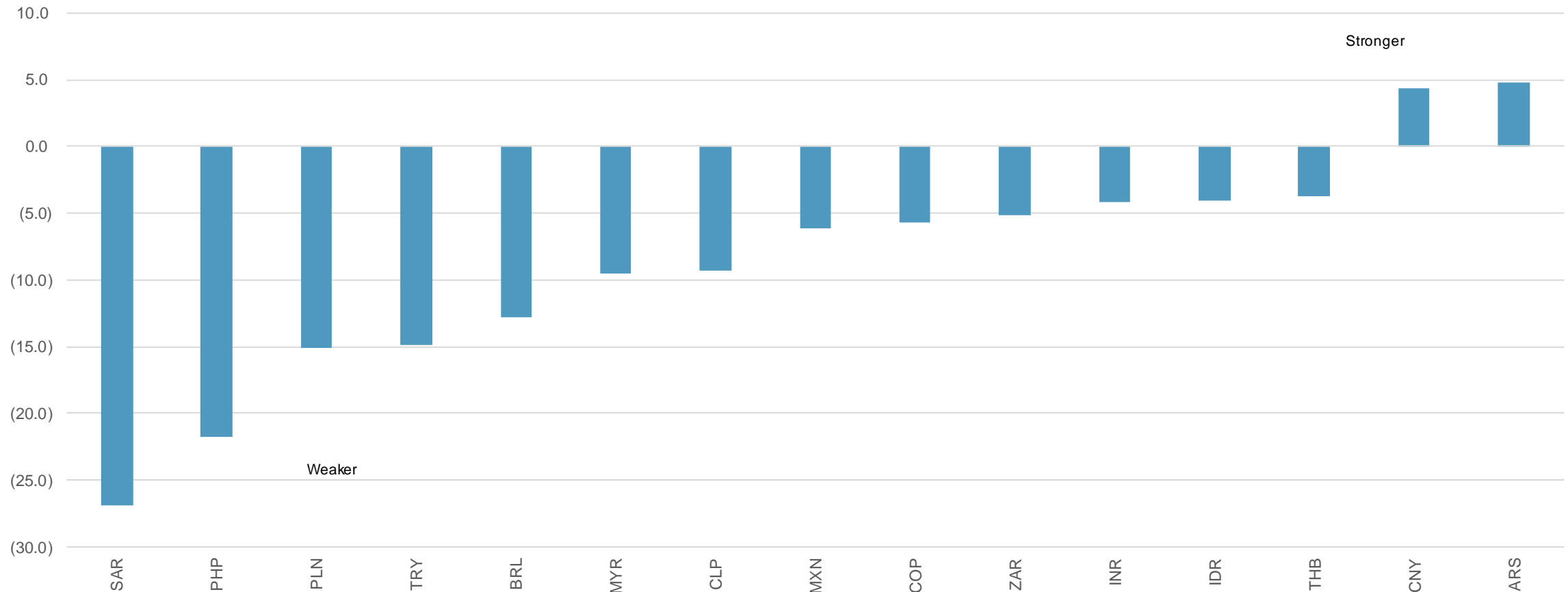
Note: Data is computed on 10 years of the monthly average data of the J.P. Morgan Real Broad Effective Exchange Rate Index (PPI-deflated). Data as of May 31, 2022. Source: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

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

Deviation In Current Real Benchmark Interest Rates From 10-Year Average, bps
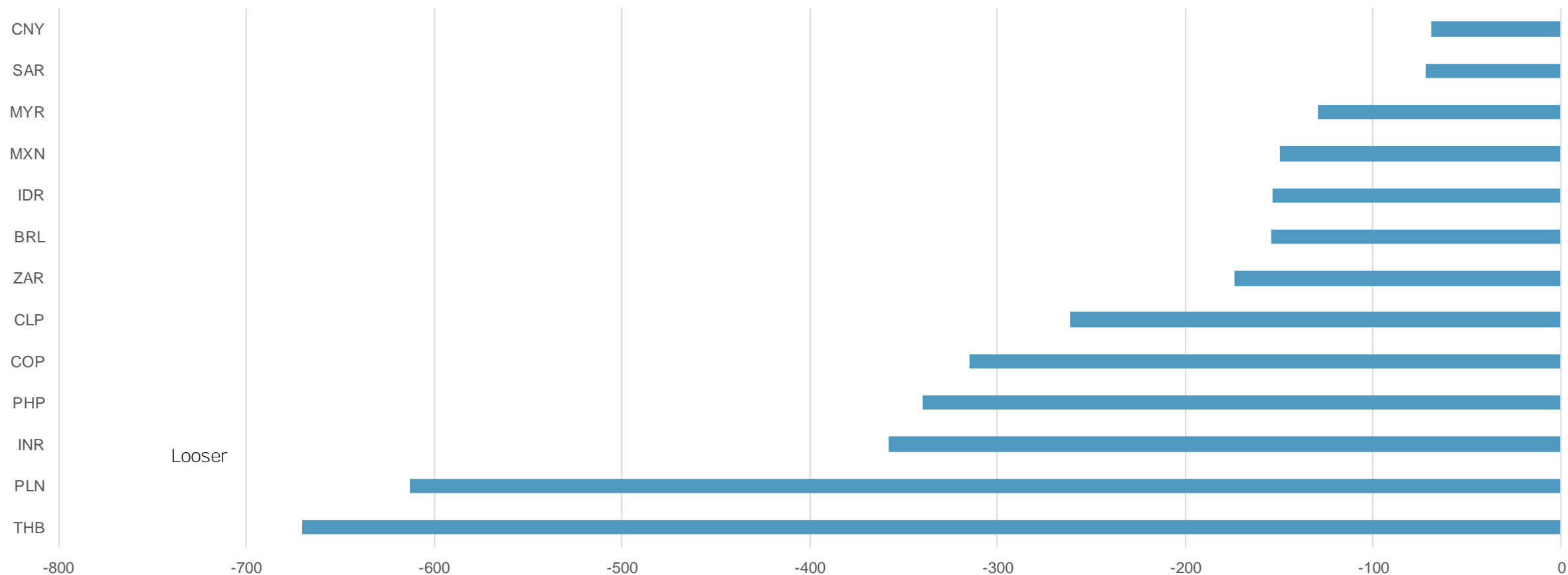
Note: Real interest rates are deflated by CPI. In cases where we didn't have 10 years of history, we used all the available data to calculate the average. We exclude Argentina. For China, we use the seven-day reverse repo rate. Data as of April 30, 2022. Source: Haver Analytics and S&P Global Ratings.

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EM Heat Map

	Chile	Saudi Arabia	Poland	Peru	Malaysia	Mexico	China	Philippines	Indonesia	Thailand	India	Colombia	Brazil	South Africa	Vietnam	Turkey	Argentina
FC Sovereign Rating	A	A-	A-	BBB	A-	BBB	A+	BBB+	BBB	BBB+	BBB-	BB+	BB-	BB-	BB+	B+	CCC+
Sovereign Outlook	Stable	Positive	Stable	Stable	Negative	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Stable	Negative	Stable
Sovereigns																	
Institutional	2	4	4	4	3	3	3	4	3	4	3	3	4	4	4	5	6
Economic	4	4	4	4	4	5	3	4	4	4	4	4	5	5	4	4	5
External	4	1	2	3	2	2	1	1	3	1	1	6	2	2	3	6	6
Fiscal (BDGT)	3	3	4	2	3	3	4	3	3	3	6	4	6	6	4	4	6
Fiscal (DBT)	1	1	2	3	5	4	2	4	4	3	6	4	5	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	7	7	7	7	9	9	10
Industry Risk	3	3	5	3	4	3	5	5	6	6	5	5	5	5	5	8	9
Institutional Framework	I	I	I	L	I	I	H	H	H	VH	H	H	I	I	H	VH	H
Derived Anchor	bbb+	bbb	bbb	bbb-	bbb	bbb-	bb+	bbb-	bb+	bb	bb+	bb+	bb+	bb+	b+	b+	b+
Eco. Risk Trend	Negative	Stable	Stable	Negative	Negative	Stable	Positive	Stable	Negative	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Eco. Imbalances	L	I	L	VL	L	I	H	L	L	H	I	H	I	I	H	VH	H
Credit Risk	I	I	I	VH	H	I	VH	H	VH	VH	VH	H	H	H	EH	VH	EH
Competitive Dynamics	L	I	VH	I	H	I	H	I	H	H	H	I	H	I	VH	VH	H
Funding	L	L	I	I	L	L	VL	I	I	L	L	I	I	H	I	VH	VH
Nonfinancial corporates																	
Median Rating (Jun. 1, 2022)	BBB	BBB+	BB	BB	BBB+	BBB-	BBB+	BBB+	B+	BBB	BBB-	BB+	BB-	BB-	BB-	B	CCC+
Net Debt / EBITDA	3.1	2.6	1.6	2.2	2.1	3.1	2.8	3.4	2.8	2.5	2.2	2.2	2.1	2	3.1	2.3	1.7
ROC Adj. §	-2.8	1.3	-3.4	0.5	-0.5	-1.9	1.2	-1.4	1.4	1	-1.1	1.5	-5	0.2	1.6	-21	-28.3
EBITDA INT. COV.	7.7	11.3	19	8	13.1	4.9	7.6	6.5	5.2	13.9	6.4	7.1	3.4	6.9	6	4.4	3.7
FFO / Debt	29.4	24.9	46.3	38.5	27.7	34.1	19.8	22.4	30.9	29.1	35.7	38.1	51.2	45.6	27.8	34.7	48.1
NFC FC Debt % GDP*	34.6	12.9	13.8		14.4	17.1	5.4	6.2t	8.8	8.6	7.5	12.4	17.1	13.9		36.2	6.8
NFC Debt % of GDP*	103.4	63.8	43.2		70.6	23.7	154.8	32.6	25.5	54.9	54.5	32	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. 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. 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 March 2020.
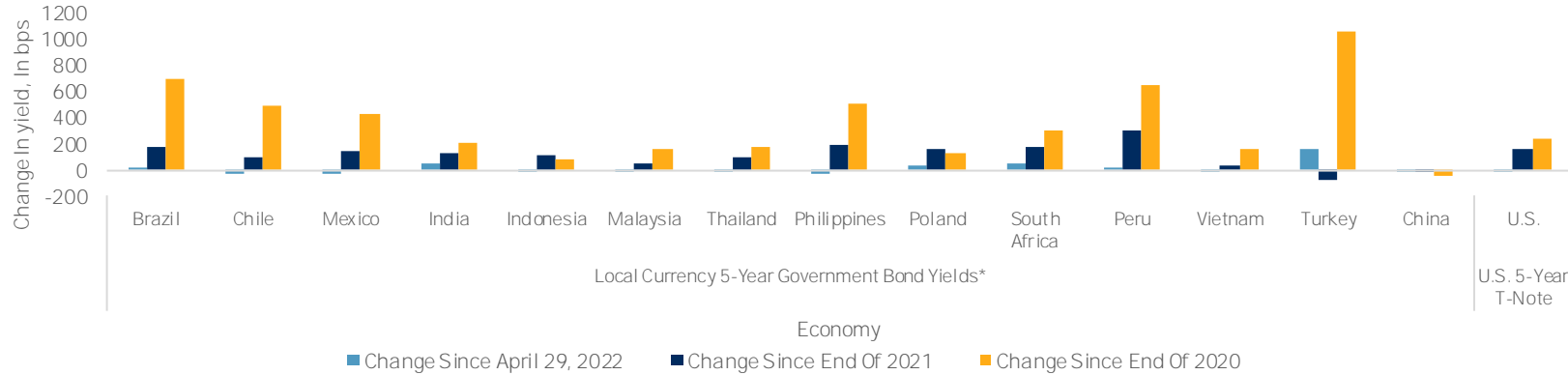
*IIF 1Q 2020. Sources: Bangko Sental NG Pilipinas; Corporate Variables Capital IQ 1Q 2020. S&P Global Ratings.

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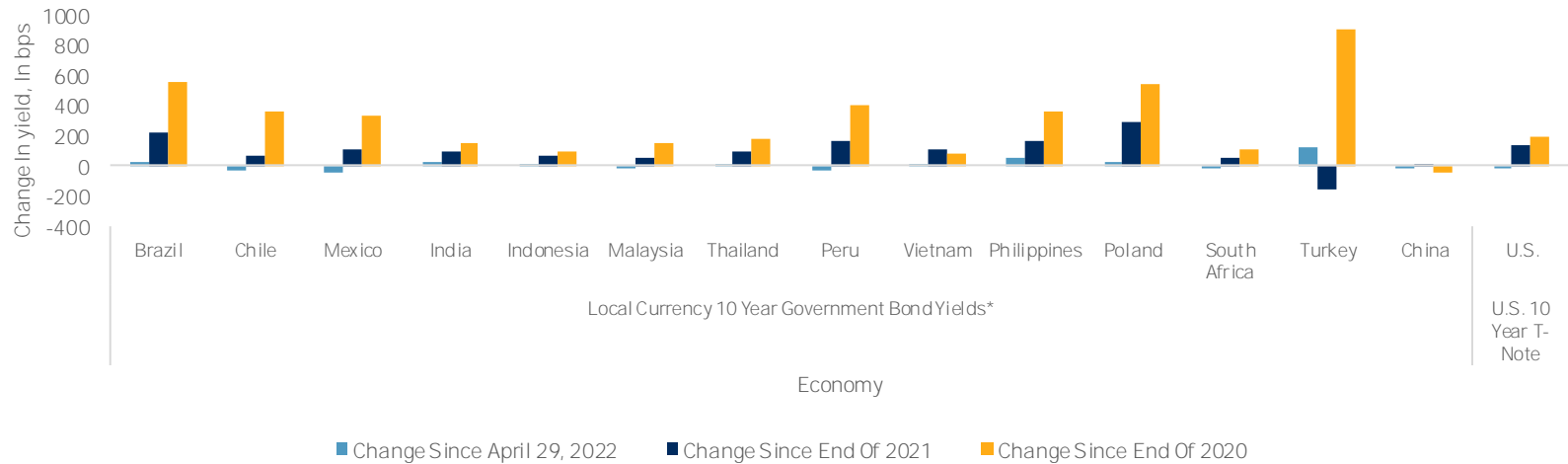
Financing Conditions
Highlights

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

Local Currency 5-Year Government Bond Yields*

Economy

■ Change Since April 29, 2022 ■ Change Since End Of 2021 ■ Change Since End Of 2020

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

Local Currency 10 Year Government Bond Yields*

Economy

■ Change Since April 29, 2022 ■ Change Since End Of 2021 ■ Change Since End Of 2020

– Benchmark increases stabilized in most EMs as global markets this month focused more on growth or recession risks, especially in the U.S. In May FOMC minutes further placated the markets on the pace of policy rate hikes by the Fed. As such, most month-on-month five-year yield changes were within the 25 to 30 bps range (six of the changes were negative). Nevertheless, recent news on U.S. inflation has renewed market concerns.

– Turkey, India, and South Africa were key exceptions. Turkey's five-year yield rose 153 bps in May as inflation hit 73.5%, the highest since October 1998. Surprise or larger hikes than we expected by central banks in India and South Africa pushed up five-year yields by about 50 bps.

Note: Data as of May 31, 2022. The selection of country/ economy is subject to data availability. Source: S&P Global Ratings, S&P Capital IQ Pro, and Datastream.

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EM Credit Spreads | Risk Premiums Eased Off Post-Russian Conflict Peaks

EM Spreads By Region

Legend: EM Corp | EM Corp Asia | EM Corp LatAm | EM Corp EEMEA
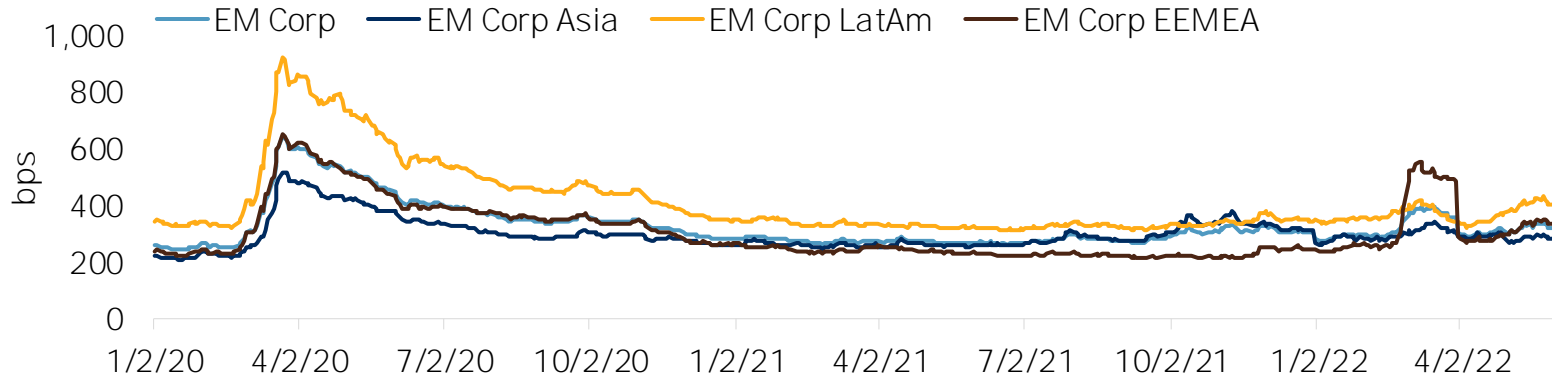
Data as of May 31, 2022. Source: S&P Global Ratings Research, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

U.S. And EM Spreads

Legend: US IG | US HY | EM Corp IG | EM Corp HY
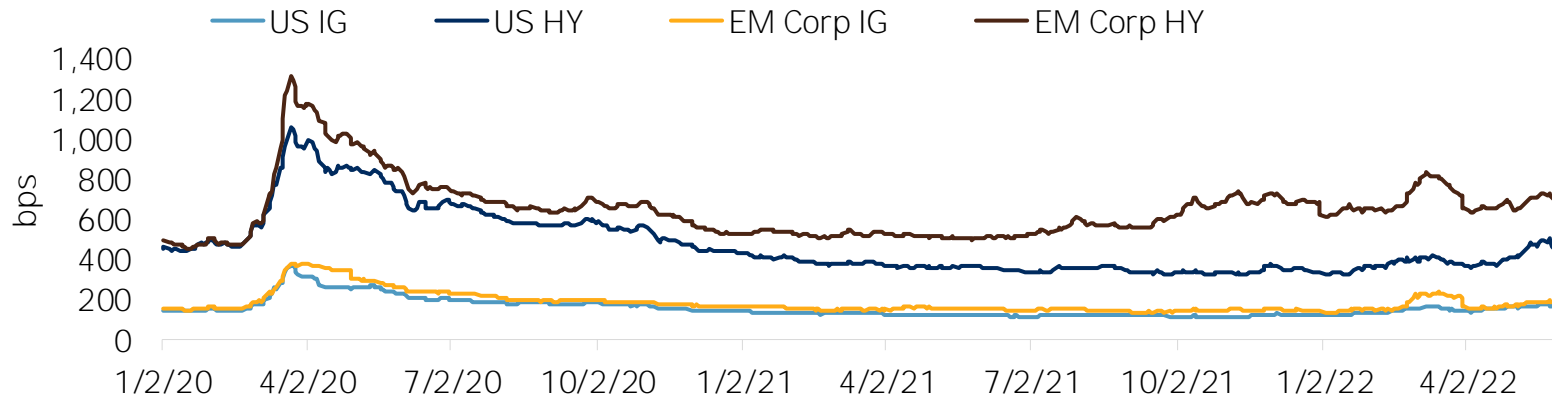
Data as of May 31, 2022. HY – High Yield; IG – Investment-grade. Source: S&P Global Ratings, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- EM risk premiums eased toward the end of the May after resuming their gradual increases throughout April. Concerns about the global spillovers of China's zero-COVID-19 policies eased following the gradual relaxation of restrictions in Shanghai. In May FOMC minutes placated markets about the speed of monetary tightening by the Fed, however recent news on U.S. inflation has renewed the pressure.

- EM EMEA spreads were far above the other regions until March 30, due to its inclusion of Russian bonds until then. The sharp drop on March 31 reflects the rebalancing of the index to exclude Russian and Belarusian securities, related to sanctions by various countries. After the correction, LatAm has resumed its position as having the highest spreads.

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EM | Financial And Nonfinancial Corporate Issuance

- Slow EM issuance trends have broadened to include Asia. For the first time this year, year-to-date issuance in May for Asia and Greater China are on track to fall below last year's volumes as the weakness in primary market deal flows extended to even the investment-grade space. EM EMEA and LatAm are on track to have the weakest volumes since 2018. Overall EMs' (excluding China) issuance in May was the lowest since December 2018, and year-to-date volume as of May is the lowest since 2016.

- With financing conditions still tightening globally and overall issuance volumes are unlikely to see a strong rebound soon. Risks also remain around investor confidence, which could provide a further headwind.

EM (excl. Greater China) Cumulative Corporate Bond Issuance
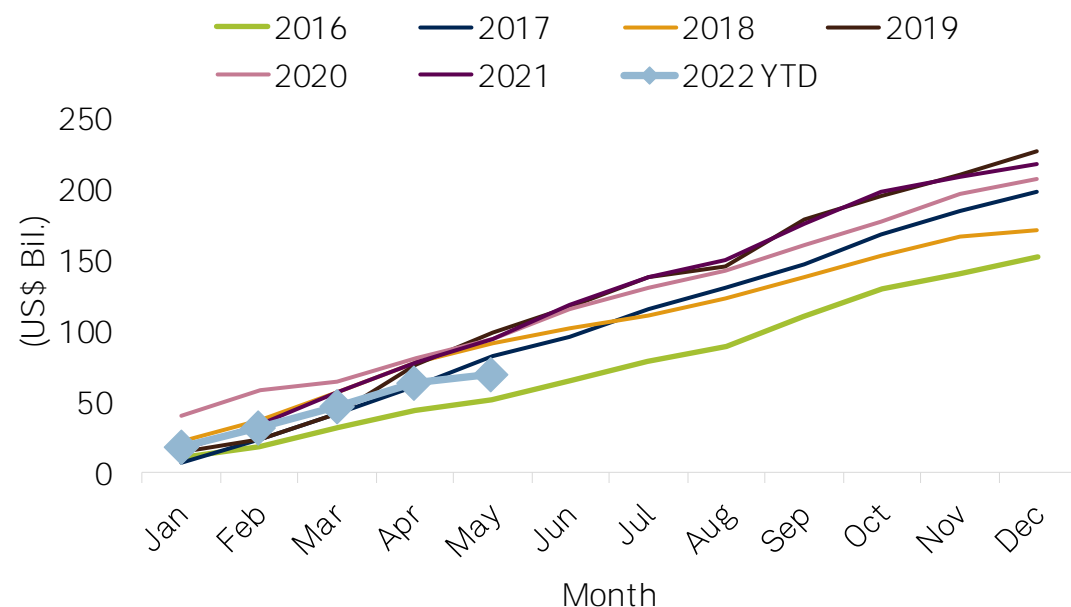
Excluding Greater China. Data as of May 31, 2022. Data including NR (not rated) and both financial and nonfinancial entities. Source: S&P Global Ratings Research and Refinitiv.

EM Regional Bond Issuance
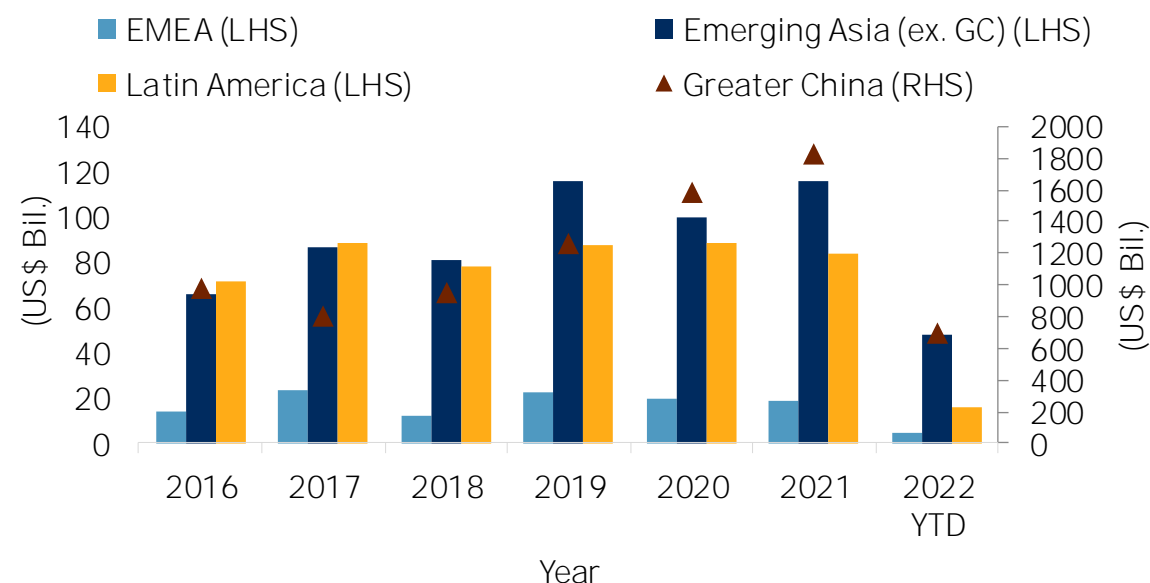
LHS—Left scale. RHS—Right scale. Data as of May 31, 2022. For financials and nonfinancials Source: S&P Global Ratings Research and Refinitiv.

Issuance | EM Sovereign Bond Issuance

Legend: ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022 YTD
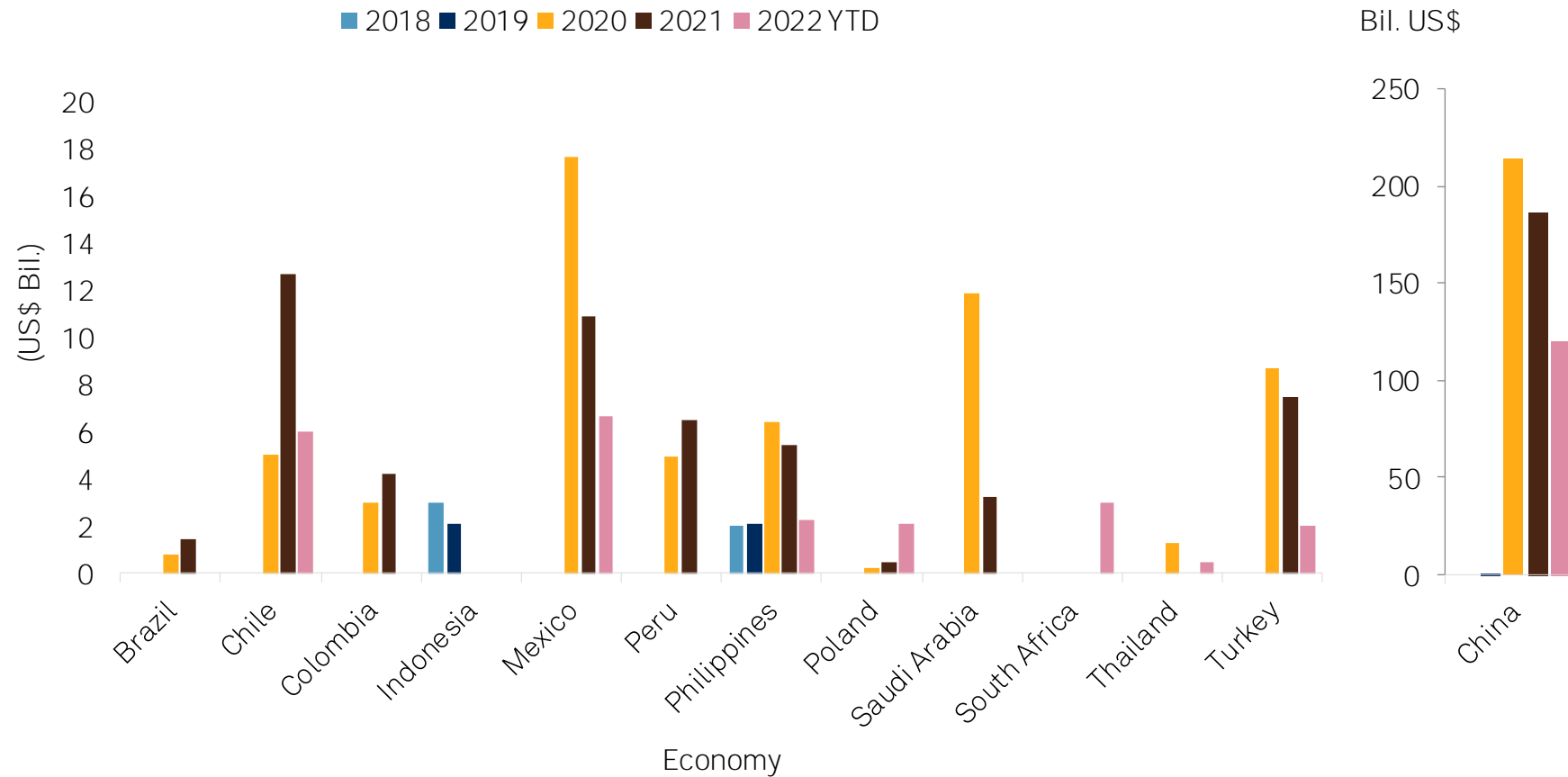
Data as of May 31, 2022; includes local/foreign currencies. China includes mainland China and Hong Kong. Source: Refinitiv and Dealogic.

Ratings
Summary

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Ratings Summary | Sovereigns (As Of May 31, 2022)

Economy	Rating	Outlook	Five-year CDS spread (May 31)	Five-year CDS spread (April 29)
Argentina	CCC+	Stable	3630	3064
Brazil	BB-	Stable	221	227
Chile	A	Stable	87	105
China	A+	Stable	71	78
Colombia	BB+	Stable	210	236
India	BBB-	Stable	107	123
Indonesia	BBB	Stable	101	120
Malaysia	A-	Negative	79	92
Mexico	BBB	Negative	125	139
Peru	BBB	Stable	106	112
Philippines	BBB+	Stable	96	112
Poland	A-	Stable	102	90
Saudi Arabia	A-	Positive	63	61
South Africa	BB-	Positive	234	249
Thailand	BBB+	Stable	47	48
Turkey	B+	Negative	714	614
Vietnam	BB+	Stable	116	132

CDS—Credit default swap. Note: Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. Data and CDS spreads are as of May 31, 2022. China median rating includes China, Hong Kong, Macau, Taiwan. 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	Rating To	Rating From	Action Type	Debt Amount (US$ Mil.)
27-Apr-22	Petroleos del Peru Petroperu S.A.	Peru	Oil & Gas Exploration & Production	BB	BB+	Downgrade	$ 3,000
21-Mar-22	Banco de Credito del Peru (Credicorp Ltd.)	Peru	Bank	BBB	BBB+	Downgrade	$ 2,819
16-Mar-22	Unifin Financiera S.A.B. de C.V.	Mexico	Financial Institutions	B+	BB-	Downgrade	$ 2,450
21-Mar-22	Siam Commercial Bank Public Co. Ltd.	Thailand	Bank	BBB	BBB+	Downgrade	$ 1,900
30-Mar-22	Marfrig Global Foods S.A.	Brazil	Consumer Products	BB+	BB	Upgrade	$ 1,500
12-Apr-22	Koc Holding A.S.	Turkey	Financial Institutions	B+	BB-	Downgrade	$ 1,500
21-Mar-22	Corporacion Financiera de Desarrollo S.A.	Peru	Bank	BBB-	BBB	Downgrade	$ 1,476
27-May-22	Sibanye Stillwater Ltd.	South Africa	Metals, Mining & Steel	BB	BB-	Upgrade	$ 1,200
21-Mar-22	Fondo Mivivienda S.A.	Peru	Bank	BBB	BBB+	Downgrade	$ 1,048
28-Apr-22	Delhi International Airport Ltd.	India	Utility	B	B-	Upgrade	$ 1,023
8-Apr-22	Turkcell Iletisim Hizmetleri A.S.	Turkey	Telecommunications	B+	BB-	Downgrade	$ 1,000
8-Apr-22	Turk Telekom (Ojer Telekomunikasyon A.S.)	Turkey	Telecommunications	B+	BB-	Downgrade	$ 1,000
28-Apr-22	Gold Fields Ltd.	South Africa	Metals, Mining & Steel	BBB-	BB+	Upgrade	$ 1,000
21-Mar-22	Transportadora de Gas del Peru S.A.	Peru	Utility	BBB	BBB+	Downgrade	$ 1,000
21-Mar-22	Banco BBVA Peru (Banco Bilbao Vizcaya Argentaria S.A.)	Peru	Bank	BBB	BBB+	Downgrade	$ 800

Data as of May 31, 2022 (last 90 days), excludes sovereigns, Greater China, and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Source: S&P Global Ratings Research.

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EM | Total Rating Actions

By Economy*
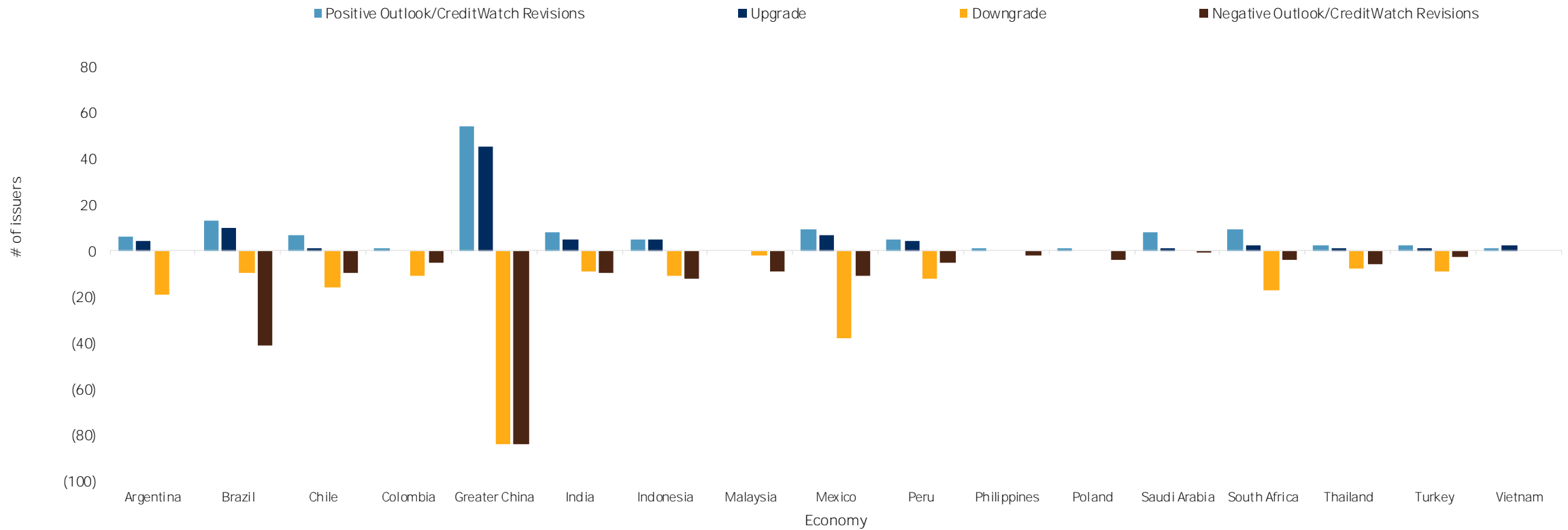
Legend: ■ Positive Outlook/CreditWatch Revisions ■ Upgrade ■ Downgrade ■ Negative Outlook/CreditWatch Revisions

Y-axis: # of issuers (80, 60, 40, 20, 0, (20), (40), (60), (80), (100))

X-axis (Economy): Argentina, Brazil, Chile, Colombia, Greater China, India, Indonesia, Malaysia, Mexico, Peru, Philippines, Poland, Saudi Arabia, South Africa, Thailand, Turkey, Vietnam

*Note: Data includes sovereigns. Data from Feb. 3, 2020, to May 27, 2022. Source: S&P Global Ratings Research. *EMs consist of Argentina, Brazil, Chile, China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkey. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere).*

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EM | Total Rating Actions

By Month*

Legend: ■ Negative Outlook/CreditWatch Revisions ■ Downgrade ■ Upgrade ■ Positive Outlook/CreditWatch Revisions
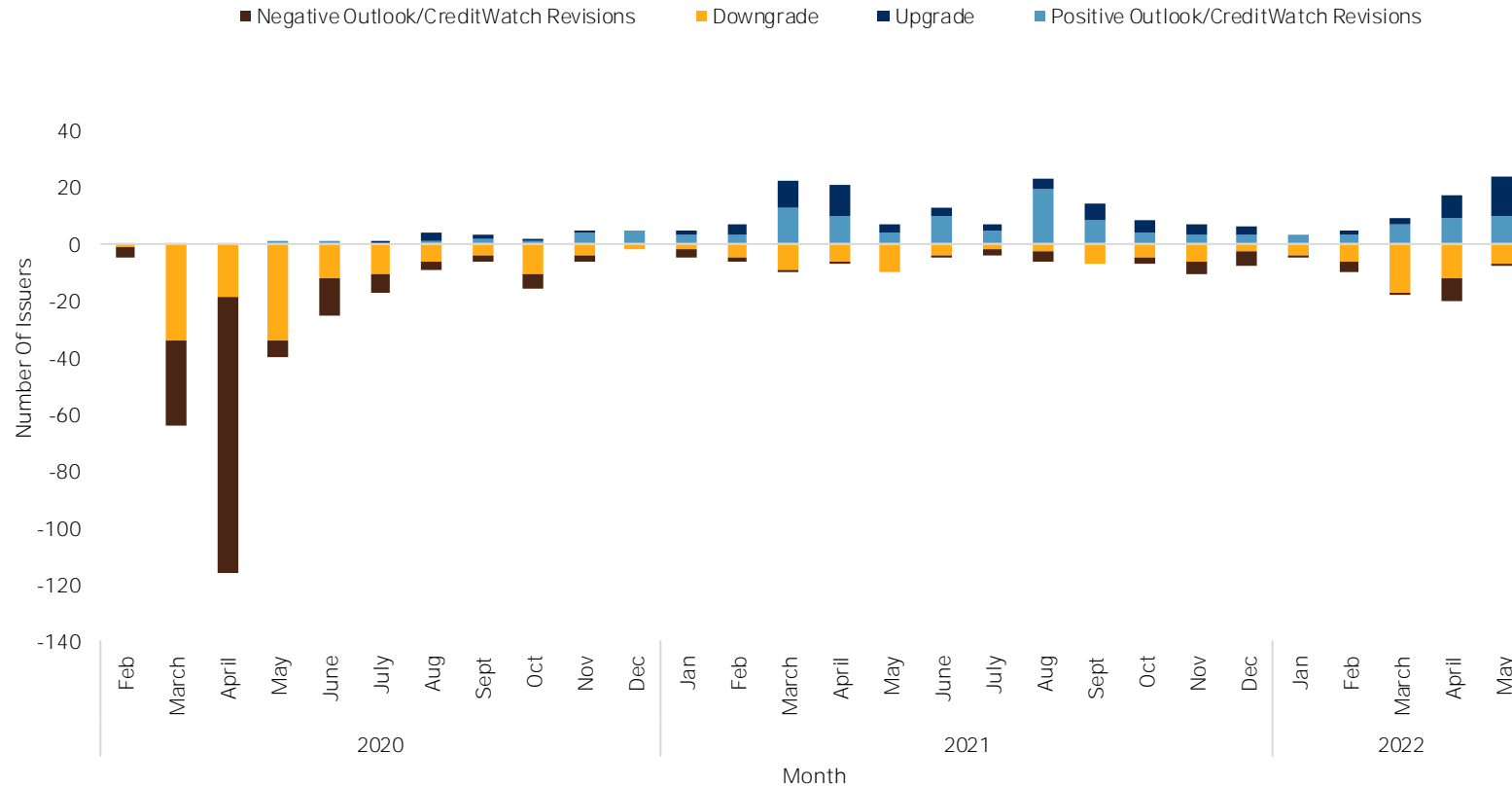
- We downgraded seven issuers in May, bringing the total number of 2022 downgrades to 46. We upgraded 14 issuers, bringing the year-to-date tally to 26.

- Of the seven downgrades, six were in Greater China, where the real estate slowdown and the zero-COVID-19 policy are weighing on credit metrics. The other downgrade was in Mexico.

- Ten of the 14 upgrades were banks and government-related entities that benefited from the recent upgrade of Taiwan.

Note: Data includes sovereigns. Data from Feb. 3, 2020, to May 27, 2022. Source: S&P Global Ratings Research. EMs consist of Argentina, Brazil, Chile, China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkey. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere).

EM Downgrade Potential | Regional Negative Bias

EEMEA Has The Highest Downgrade Potential*

■ 10-Year Average ■ 5-Year Average ■ April 30, 2022 ■ May 31, 2022

EM Asia (ex. China): 21% 19% 18% 18%
EEMEA: 26% 20% 24% 23%
Latin America: 30% 32% 21% 20%
Greater China: 18% 14% 11% 10%
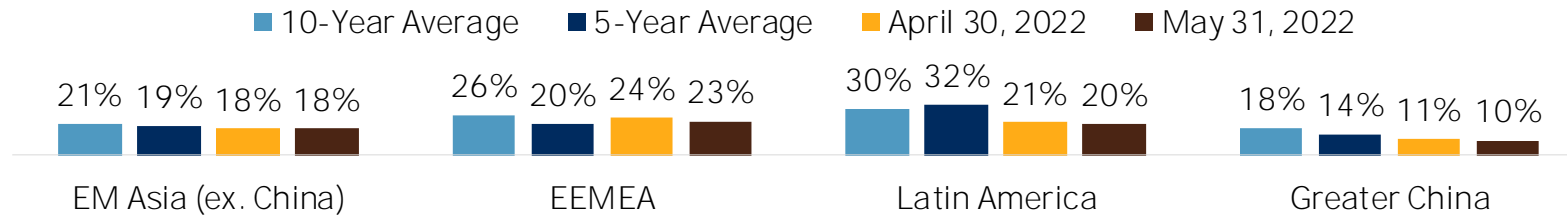
Note: Data as of May 31, 2022, excluding sovereigns. Source : S&P Global Ratings Research. Latin America: Argentina, Brazil, Chile, Colombia, Peru, Mexico. Emerging Asia: India, Indonesia, Malaysia, Thailand, Philippines, Vietnam. EMEA: Poland, Saudi Arabia, South Africa, Turkey. Greater China: China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere).

Negative Bias By Sector*

■ Current Negative Bias (May 31, 2022) ■ Current Negative Bias (April 30, 2022) ■ 5-Year Averages (May 31, 2022)

Y-axis: Negative Bias (in %): 0%, 20%, 40%, 60%, 80%

Sectors: Telecommunications, Consumer products, Home/RE, Retail, Financial institutions, Media/entert, Oil & Gas, Utilities, Forest, Transportation, Capital goods, High technology, Insurance, Metals/mining/steel, Aerospace/defense, Automotive, CP&ES, Health care

X-axis label: Sector

Note: Data as of May 31, 2022, including sectors with more than five issuers only; excluding sovereigns. Source : S&P Global Ratings Research. EMs consist of Argentina, Brazil, Chile, China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkey. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). 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,

- EM EMEA. May 2022 downgrade potential dipped to 23% from 24%, well above the five-year average, but less than its 10-year average.

- EM Asia (excluding China). The May 2022 downgrade potential was 18%, the same as in April, and below the five-year and 10-year average.

- LatAm. The May 2022 downgrade potential (20%) was down by one percentage point and stayed well-below its five-year average (32%) and 10-year average (30%).

- Greater China. The May 2022 downgrade potential (10%) was down by one percentage point from the prior month and is slightly below both of its historical averages.

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

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

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	Debt Amount (US$ Mil.)
4-Feb-22	Credito Real S.A.B. de C.V. SOFOM, E.N.R. (Futu Iem S.A.P.I. de C.V.)	Mexico	Financial Institutions	CCC-	B-	$ 1,936
11-Mar-22	Logan Group Co. Ltd.	Cayman Islands	Homebuilders/Real Estate Co.	CCC-	B-	$ 1,280
30-May-22	Greenland Holding Group Co. Ltd.	China	Homebuilders/Real Estate Co.	CC	B-	$ 600

Debt volume includes subsidiaries and excludes zero debt. Note: Red means speculative-grade rating. Data as of May 31, 2022; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings Research.
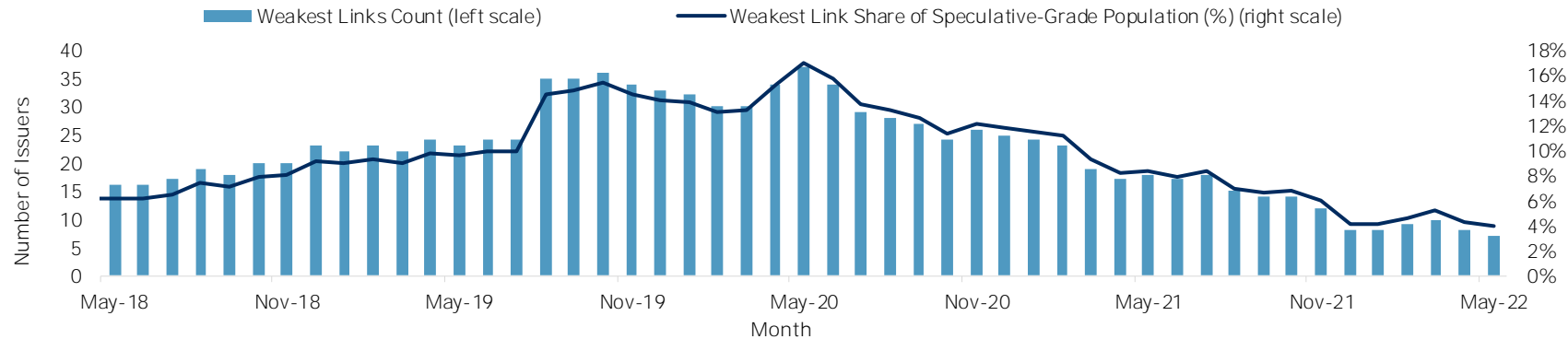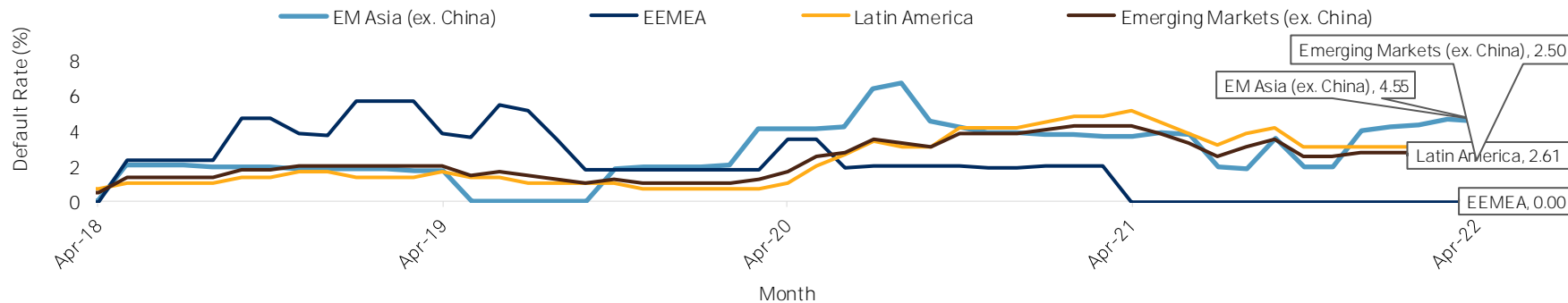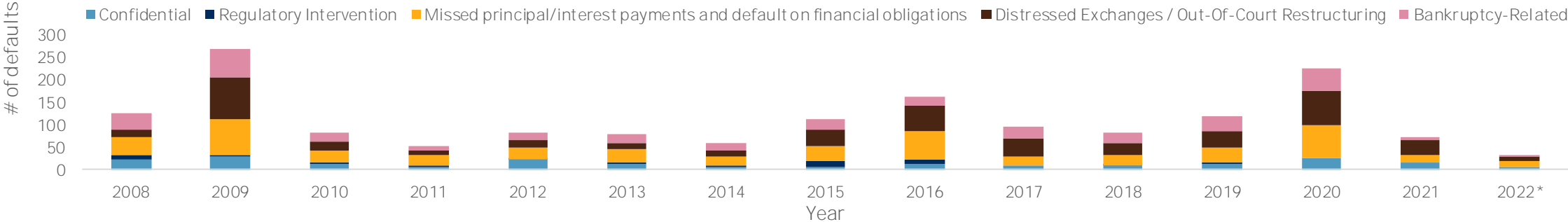
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Rating Actions | EM Fallen Angels In 2022 Year-To-Date

One EM fallen angel so far in 2022.

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	Debt Amount (US$ Mil.)
15-Mar-22	Petroleos del Peru Petroperu S.A.	Peru	Oil & Gas Exploration & Production	BB+	BBB-	$ 2,000

Debt volume includes subsidiaries and excludes zero debt. Note: Red means speculative-grade rating. Data as of May 31, 2022; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

Rating Actions | EM Rising Stars In 2022 Year-To-Date

One EM rising star so far in 2022.

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	Debt Amount (US$ Mil.)
28-Apr-22	Gold Fields Ltd.	South Africa	Metals, Mining, & Steel	BBB-	BB+	$ 1,000

Debt volume includes subsidiaries and excludes zero debt. Note: Red means speculative-grade rating. Data as of May 31, 2022; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

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Rating Actions | List Of Defaulters In 2022 Year-To-Date

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	Action Type	Debt Amount (US$ 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. (Futulem 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	$ -
12-Apr-22	Grupo Kaltex, S.A. de C.V.	Mexico	Consumer products	D	CCC-	Downgrade	$ 320

Note: Data as of May 31, 2022. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). 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

One Fallen Angel So Far in 2022 (Peru-Based) While Potential Fallen Angels Continue To Trend Down*
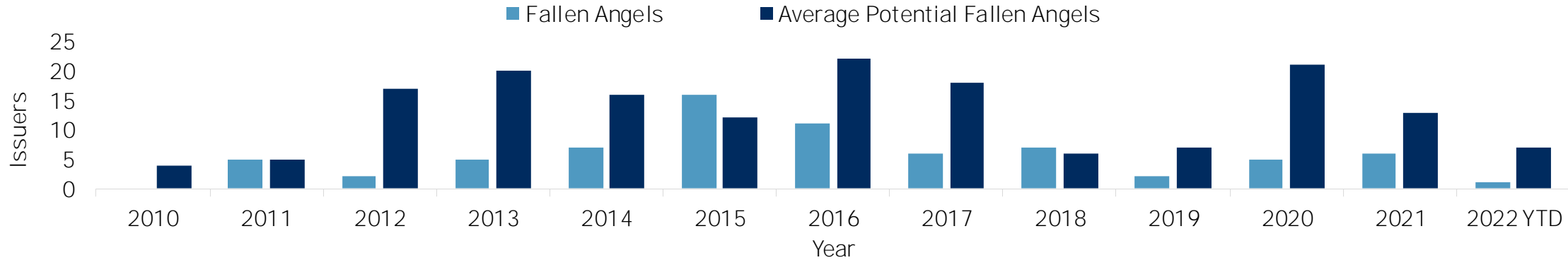
Legend: ■ Fallen Angels ■ Average Potential Fallen Angels

* Data as of May 31, 2022. Parent only. Includes Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

EM Potential Fallen Angels (PFA) By Economy*

Legend: ■ May 31, 2022 PFAs ■ May 31, 2021 PFAs

*Note: Data as of May 31, 2022. Include Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

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Rating Actions | Rising Stars And Potential Rising Stars

One Rising Star In 2022 So Far
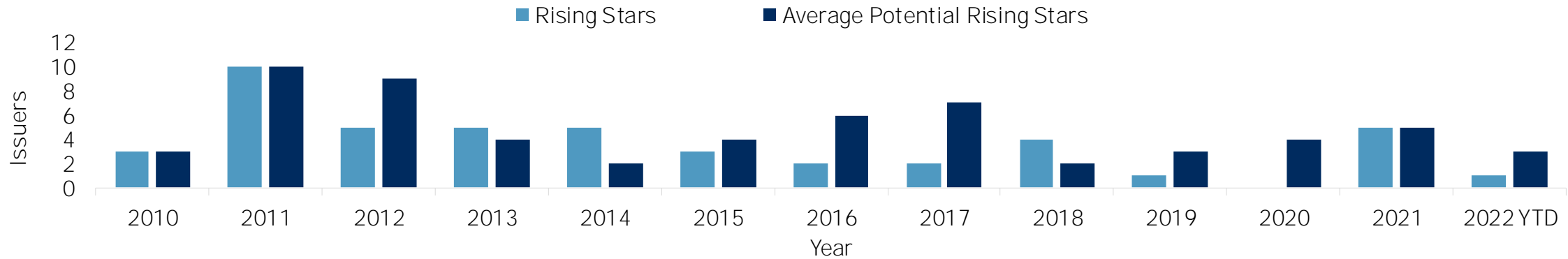
Data as of May 31, 2022. Parent only. Includes Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

EM Potential Rising Stars (PRS) By Economy
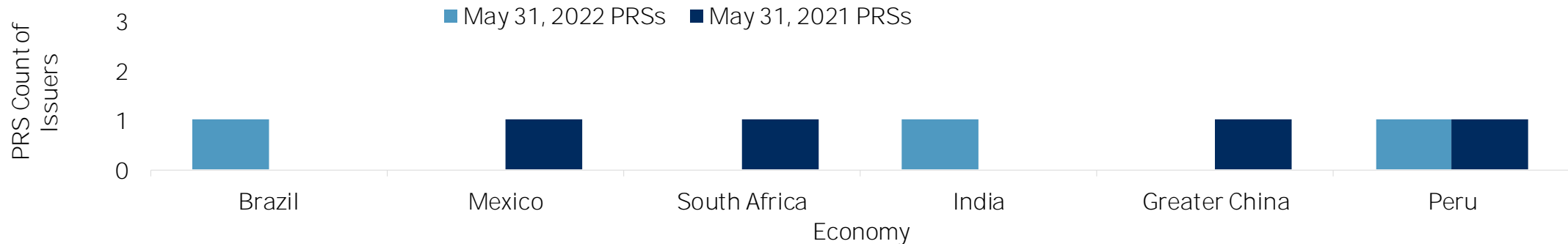
Note: Data as of May 31, 2022. Includes Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

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Rating Actions | Weakest Links And Defaults

Seven EM Weakest Links In May

Data as of May 31, 2022. Parent only. Includes Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings Research.

Default Rates Fell (As Of April 2022)

Excluding China. Note: CreditPro data as of April 30, 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 weakest links dipped to seven issuers (4% of total speculative-grade issuers), maintaining the steady trend down that began in late 2020.

- Default rates. The April default rates decreased marginally for EM Asia (excluding China), overall EMs (excluding China), and LatAm (see chart). The April default rate in EM EMEA remained 0%.

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Rating Actions | Defaults

Year-End Global Corporate Defaults By Reason

■ Confidential ■ Regulatory Intervention ■ Missed principal/interest payments and default on financial obligations ■ Distressed Exchanges / Out-Of-Court Restructuring ■ Bankruptcy-Related

Data as of May 31, 2022. 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 Research and S&P Global Market Intelligence's CreditPro®.

Year-End EM 16 Corporate Defaults By Reason
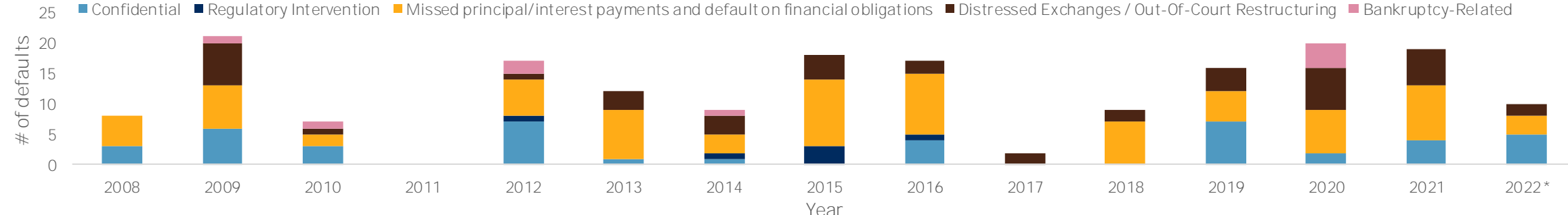
■ Confidential ■ Regulatory Intervention ■ Missed principal/interest payments and default on financial obligations ■ Distressed Exchanges / Out-Of-Court Restructuring ■ Bankruptcy-Related

Data as of May 31, 2022. 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 Research and S&P Global Market Intelligence's CreditPro®.

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Related Research

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EMs | Related Research

- The Global Food Shock Will Last Years, Not Months, June 1, 2022

- Economic Research: Food Price Shock Reverberates Through MENA Economies, May 26, 2022

- Credit Trends: 'BBB' Pulse: Inflationary Factors Spring Positive Surprise In April, May 26, 2022

- Default, Transition, and Recovery: European Weakest Links Fall But Remain Above The Five-Year Average, May 25, 2022

- Slower, But Continued Positive Momentum, Points To Lower Near-Term Downgrade Risk, May 5, 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

- 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

- 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

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