

Emerging Markets Monthly Highlights

Approaching The Peak Of Tightening Cycle?

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November 16, 2022



S&P Global
Ratings

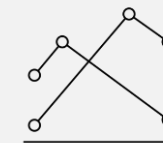
This report does not constitute a rating action.

Contents

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

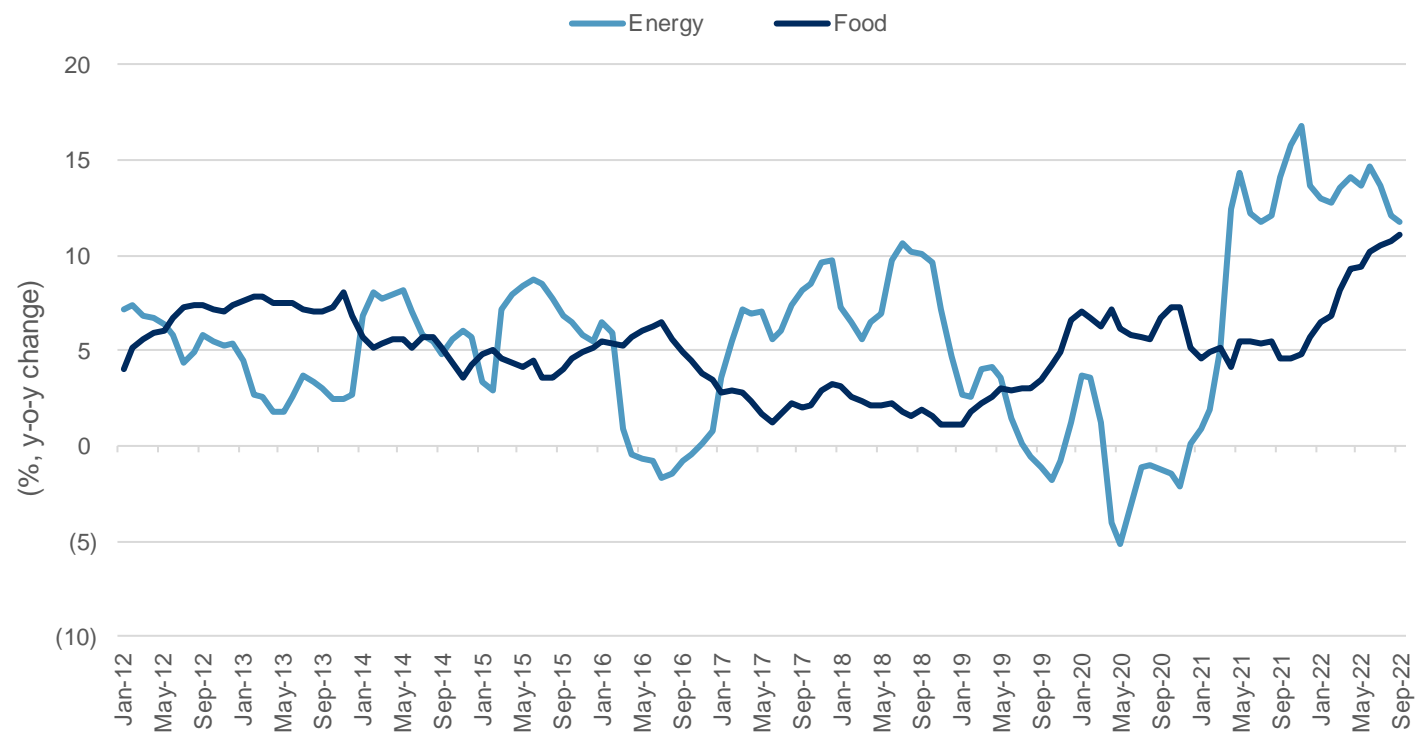
Key Takeaways

- Headline inflation started to moderate across some emerging markets (EMs). With a few exceptions, energy inflation decreased across most key EMs, in line with current global trends. Nevertheless, core and food inflation continues to increase outside of LatAm, suggesting a more persistent nature of inflationary pressures.
- Approaching the peak of the tightening cycle? Some economies in EM EMEA and LatAm have paused the tightening path, and we expect several central banks in LatAm to cut interest rates next year. Nevertheless, uncertainty over the food and energy prices outlook, as well as potential persistence of core inflation, suggest upside risks to current policy rates, especially among Central and Eastern European (CEE) economies.
- The EM GDP growth pace is decelerating in line with our expectations. Q3 data has been published for most key EMs, pointing to a deceleration (with a few exceptions, notably China). Risks to growth remain substantial, especially in CEE, where we expect full-year recession in a downside scenario that includes disruption of energy supplies, a deeper economic downturn in Western Europe, and higher global interest rates.
- Financing conditions appeared stable last month, but significant divergence exists among regions. Risk premia has stabilized in EM EMEA and LatAm. Spreads in EM Asia have widened, given concerns about China's zero-Covid stance. Taking into consideration external macroeconomic environment, we expect spreads to remain volatile in the nearest term.



EM Inflation| Energy Inflation Broadly Trending Down

Food And Energy Inflation – EM Weighted Average*

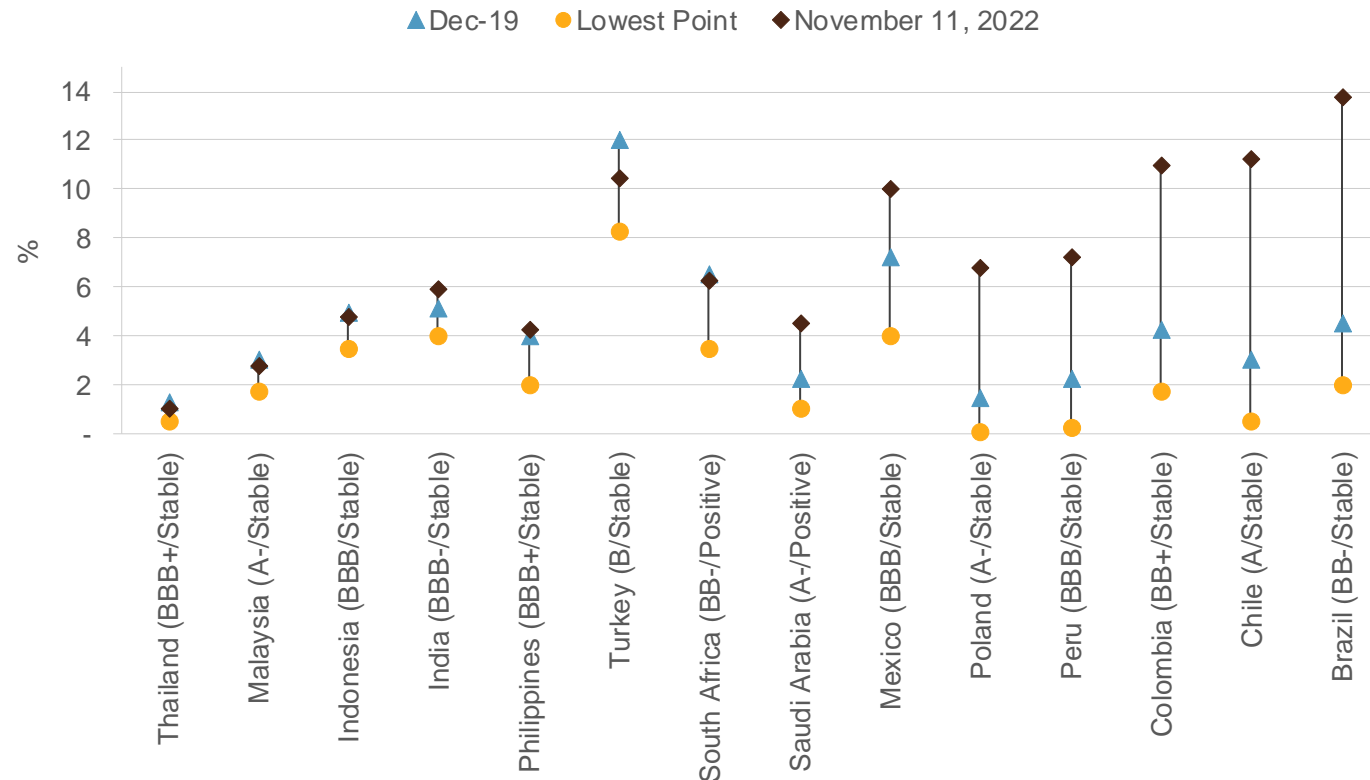


*Excludes Turkey and China. Sources: Haver Analytics and S&P Global Ratings.

- In line with global developments, energy inflation has started to decelerate in most key EMs. Energy inflation is still increasing only in Turkey, Indonesia, and Hungary. However, in all three cases, acceleration stemmed from energy price hikes or lifting of price-curbing measures in August-September.
- Food and core inflation are still increasing in most economies. We see some deceleration in annual core inflation among several economies in LatAm (such as Brazil and Chile). However, the deceleration in core components is mostly related to transport costs that are highly dependent on energy-price developments. As of September data, food inflation in Brazil, Malaysia, and Indonesia started to moderate (in annual terms).

EM Interest Rates | Reaching A Peak?

Interest Rates Since December 2019

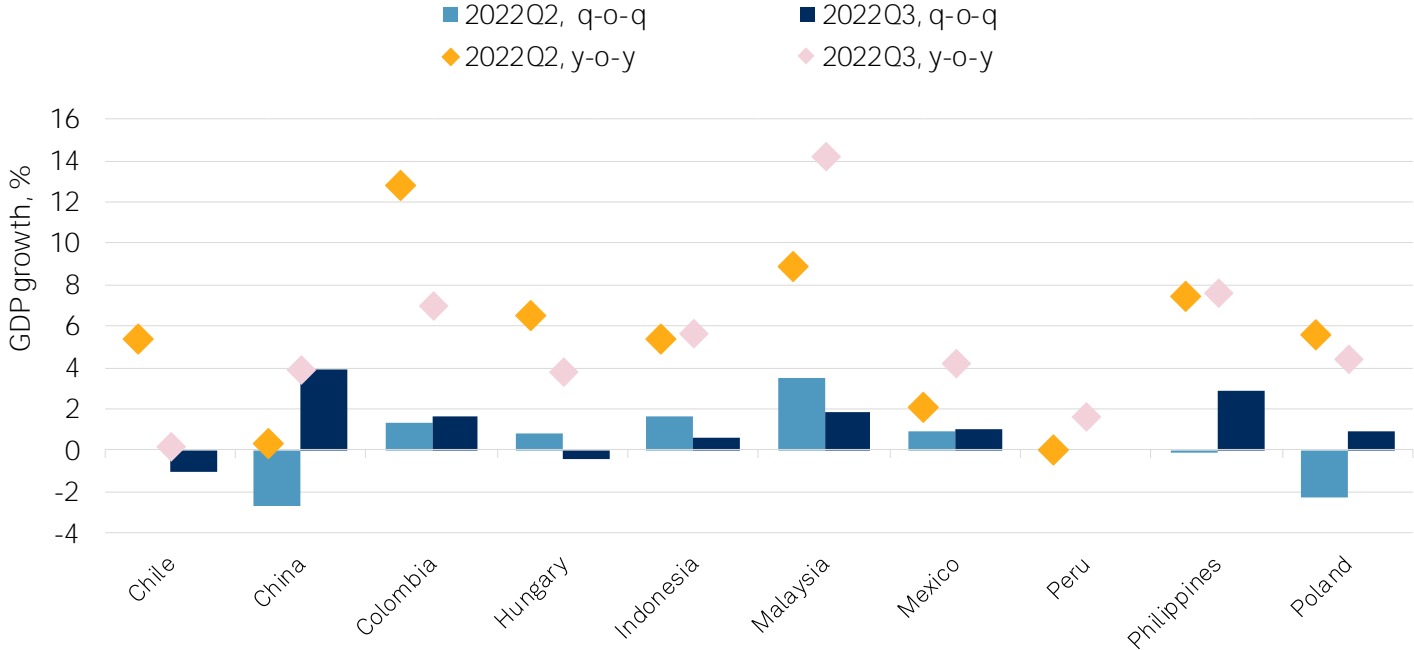


Sources: National Authorities, S&P Global Ratings.

- Some economies in LatAm and EM EMEA have either stopped or paused their tightening cycles. This is the case for Brazil, Chile, and Poland, the central banks of which signalled a possible end of their respective tightening cycles. Meanwhile, we expect tightening in EM Asia to continue. However, risks associated with the Russia-Ukraine conflict may push central banks to resume rate hikes, especially in CEE.
- According to our estimates, most key EMs are close to the benchmark derived from **the Taylor’s rule**. In seven out of 10 countries in our sample of EM policy rates were less deviated from Taylor rule prescription, in absolute percentage terms, compared with the U.S. deviation. However, there are few exceptions: Brazil’s interest rate appears to be significantly higher than expected, while the reverse is evident in Poland and Indonesia (see [“Have Policy Rates Deviated From Simple Taylor Rule-like Prescription?”](#) published October 27).

EM GDP growth | Deceleration In Q3

EM GDP Growth Rates, %

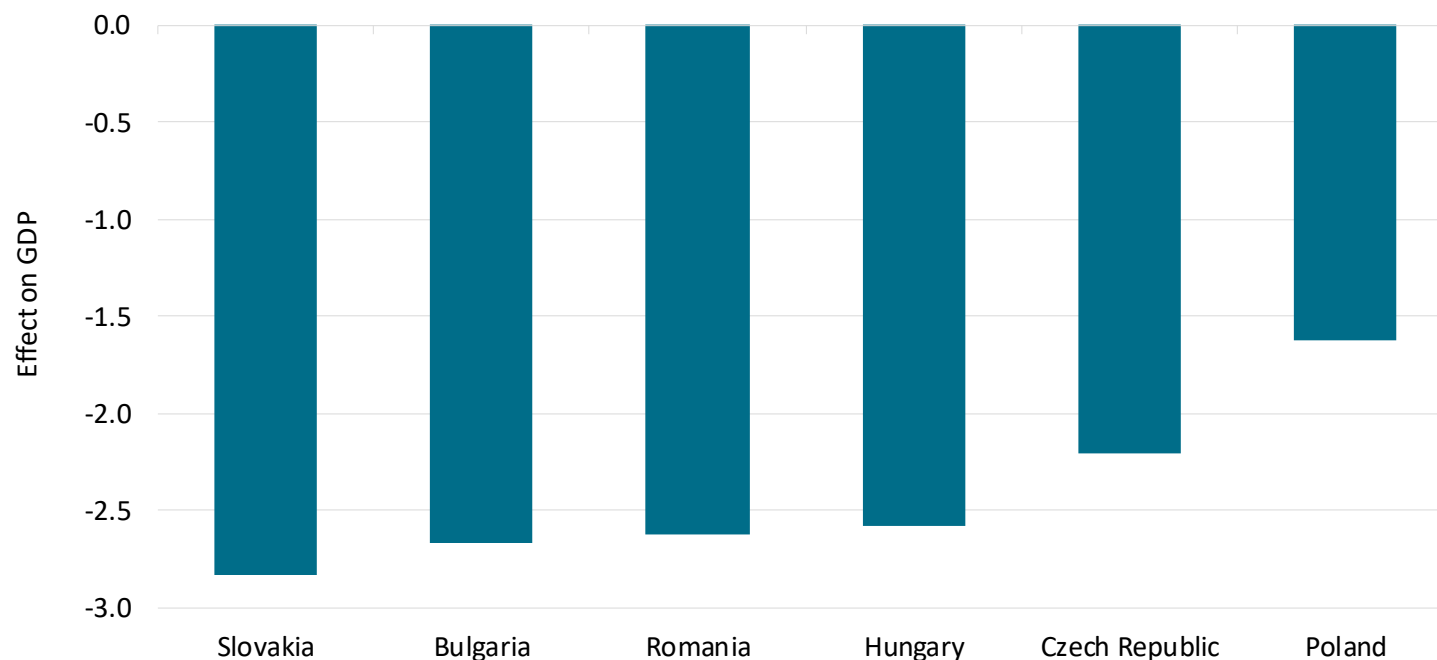


Chile's and Peru Q3-22 GDP data is based on a monthly GDP proxy. Official Q3 GDP report will be published on Nov. 18. Q3 data for Hungary and Poland is based on flash estimates. Sources: Haver Analytics and S&P Global Ratings

- According to recent GDP publications and our estimates, economic growth has mostly slowed or stayed the same across key EMs, in line with our expectations. China is a notable exception, as the economy has been recovering from Covid lockdowns in Q2, although zero-Covid policy stance is still in place.
- Soft indicators point to further deceleration. Median PMI across key EMs is currently at 49.8 (down from 51.7 in June). Consumer sentiment indices have somewhat improved across several EM Asian economies; however, they continued to deteriorate in EM EMEA. In Poland and Hungary, consumer confidence is now at its lowest since the outbreak of Covid-19.
- External demand is softening for most EMs. PMI export order indices continued decreasing in October, particularly in EM Asia and EM EMEA, due to lockdowns in China and the slowdown in Western Europe, respectively. CEE economies have the lowest values (PMI for export orders in Poland, for example, dropped to 38.9 in October).

CEE In Spotlight | Growth Stalls, Risks Mount

2023 GDP Growth Revision In A Downside Scenario*

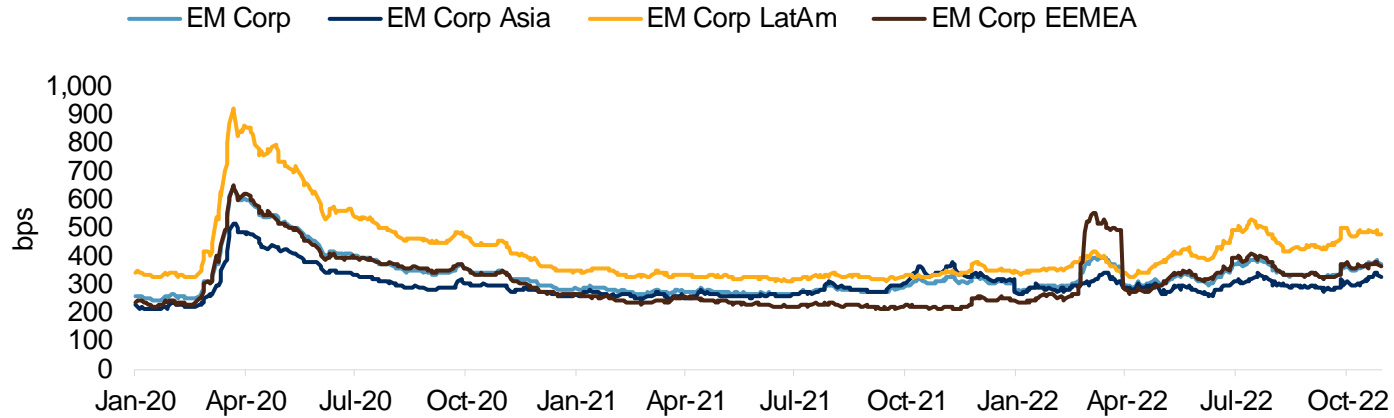


*In percentage points. *The downside scenario includes a complete cut-off of gas supplies from Russia, recession in Western Europe and tighter monetary policy in U.S. Source: S&P Global Ratings.*

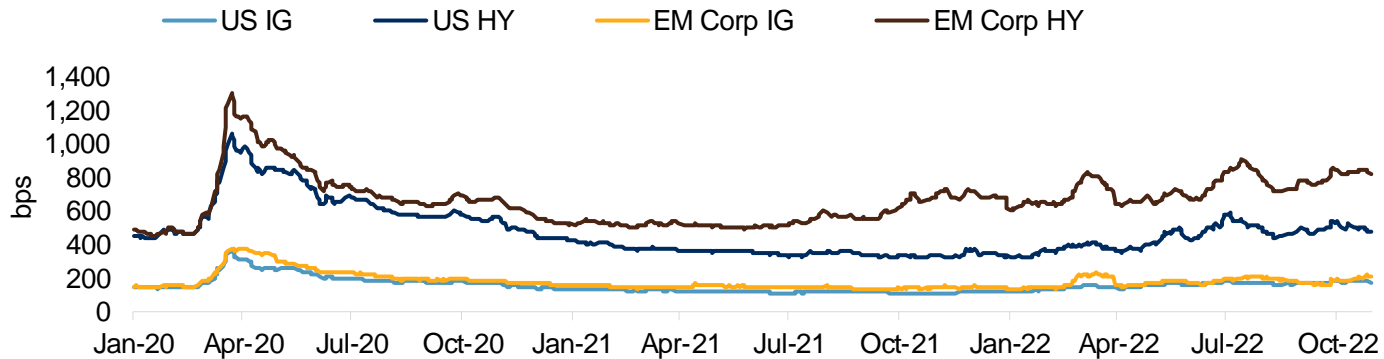
- The scale of the shock triggered by the Russia-Ukraine conflict could lead us to revise some of our baseline macroeconomic and sovereign rating assumptions for CEE economies. A sharp growth slowdown is already underway, and risks to the baseline are substantial (see [“Growth Freezes, Risks Mount”](#) published November 9). In our downside scenario, most of CEE economies would be in a recession in 2023.
- Banks in the Czech Republic, Hungary, and Poland are benefiting from sharply rising interest rates, although government interventions will limit the bottom-line boost. Under our downside scenario, sound capitalization and liquidity should help cushion the blow.
- The balance of risks for CEE utilities is on the downside, although still manageable. These risks are only partly mitigated by industry and government measures and currently higher earnings for some issuers stemming from high power prices.

EM Credit Spreads | Risk Premia Point To Regional Discrepancies

EM Spreads By Region



U.S. And EM Spreads



Data as of Oct. 31, 2022. bps – basis points. HY – high yield. IG – investment grade. Source: S&P Global Ratings, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

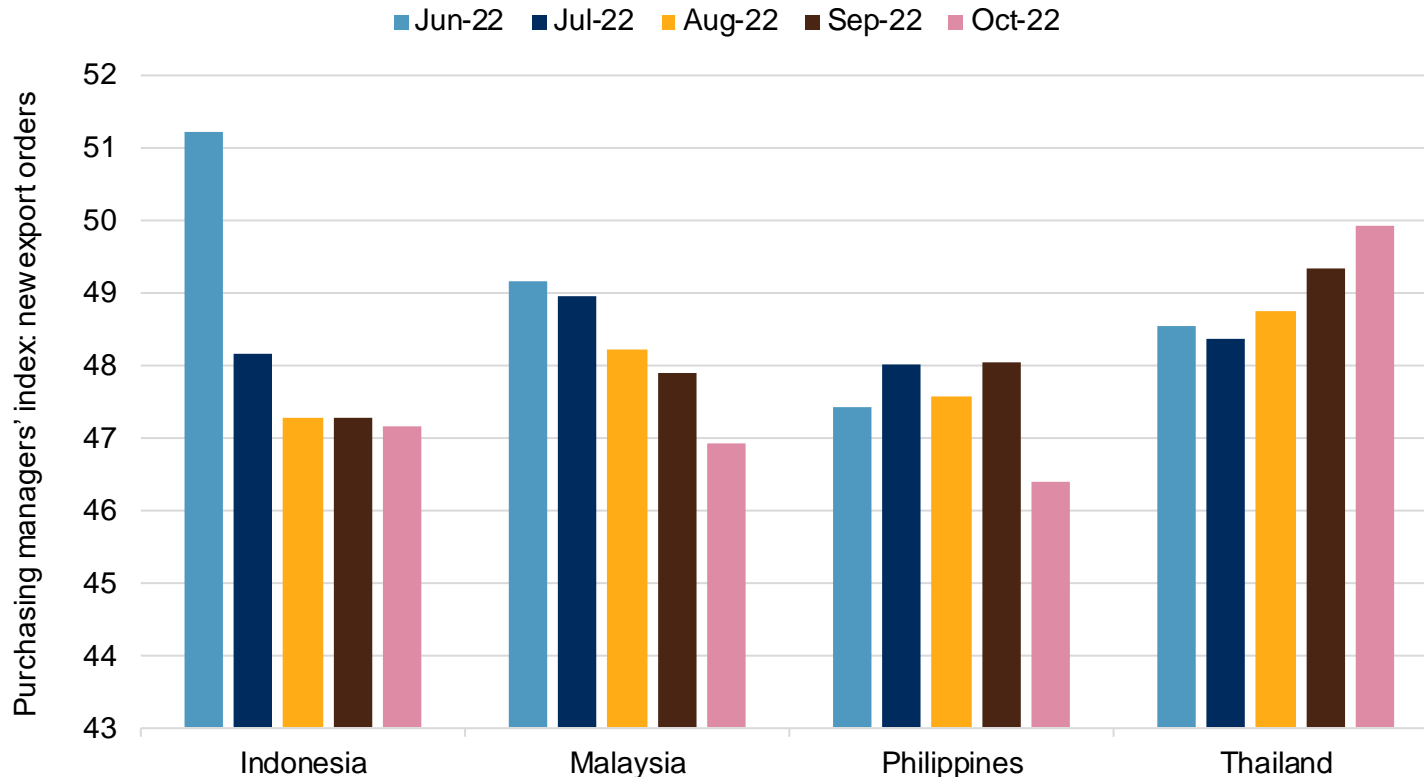
- Risk premia stabilized in LatAm and EM EMEA, while it mildly increased in EM Asia.
- LatAm spreads decreased by 18 bps from the end of September on a stabilizing macroeconomic scenario, while the EM EMEA reading was flat because the energy risks stemming out of the Russia-Ukraine conflict look manageable for the moment.
- In EM Asia, spreads were up 30 bps in October on market concerns regarding the longevity of China’s zero-Covid policy, slowing growth prospects, inflation, and still challenging access to funding.
- In the short term, spreads may remain volatile in EMs following the macroeconomic developments, global financing conditions, trends in the commodity prices, and the Russia-Ukraine conflict.
- Since March, access to external markets remains tight for all borrowers but particularly for those with speculative-grade ratings. October registered a moderate increase in EM IG spread amid a general stabilization of spreads.

Regional Economic Highlights

EM Asia Economics | Softening External Demand

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New Manufacturing Export Orders Have Been Easing For Several Months



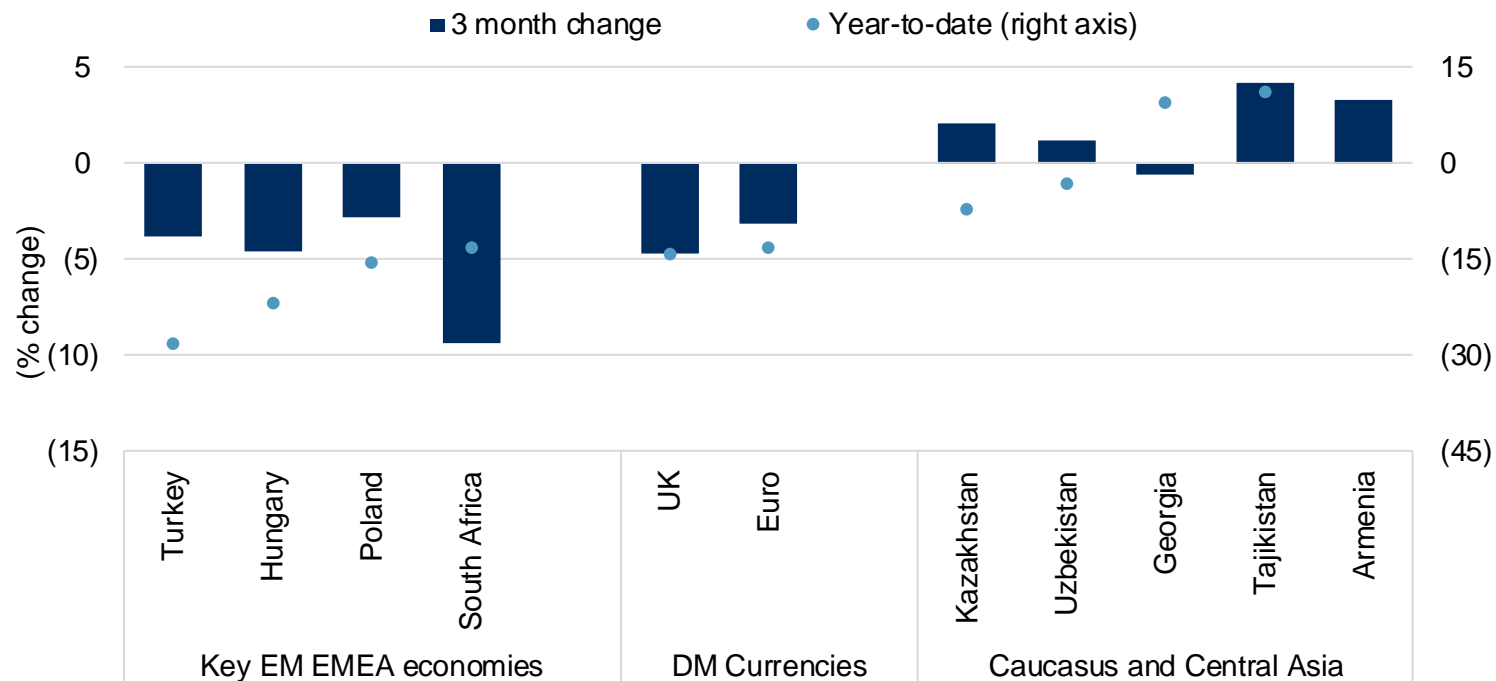
Numbers below 50 indicate a slowdown over the previous month. Source: PMI by S&P Global Ratings.

- Domestic growth is broadly holding up across EM Asia, but external demand is starting to weaken.
- The global electronics sector has slowed, and the outlook for bellwether producers such as Taiwan is weakening. This is now starting to affect electronics sectors in EM Asia; electronics account for a significant share of these economies' exports.
- A weaker trade outlook will be mostly offset by resilient domestic demand, with risks resulting from higher global interest rates.

EM EMEA Economics | Some EM EMEA Currencies Move Against The Tide

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Exchange Rates



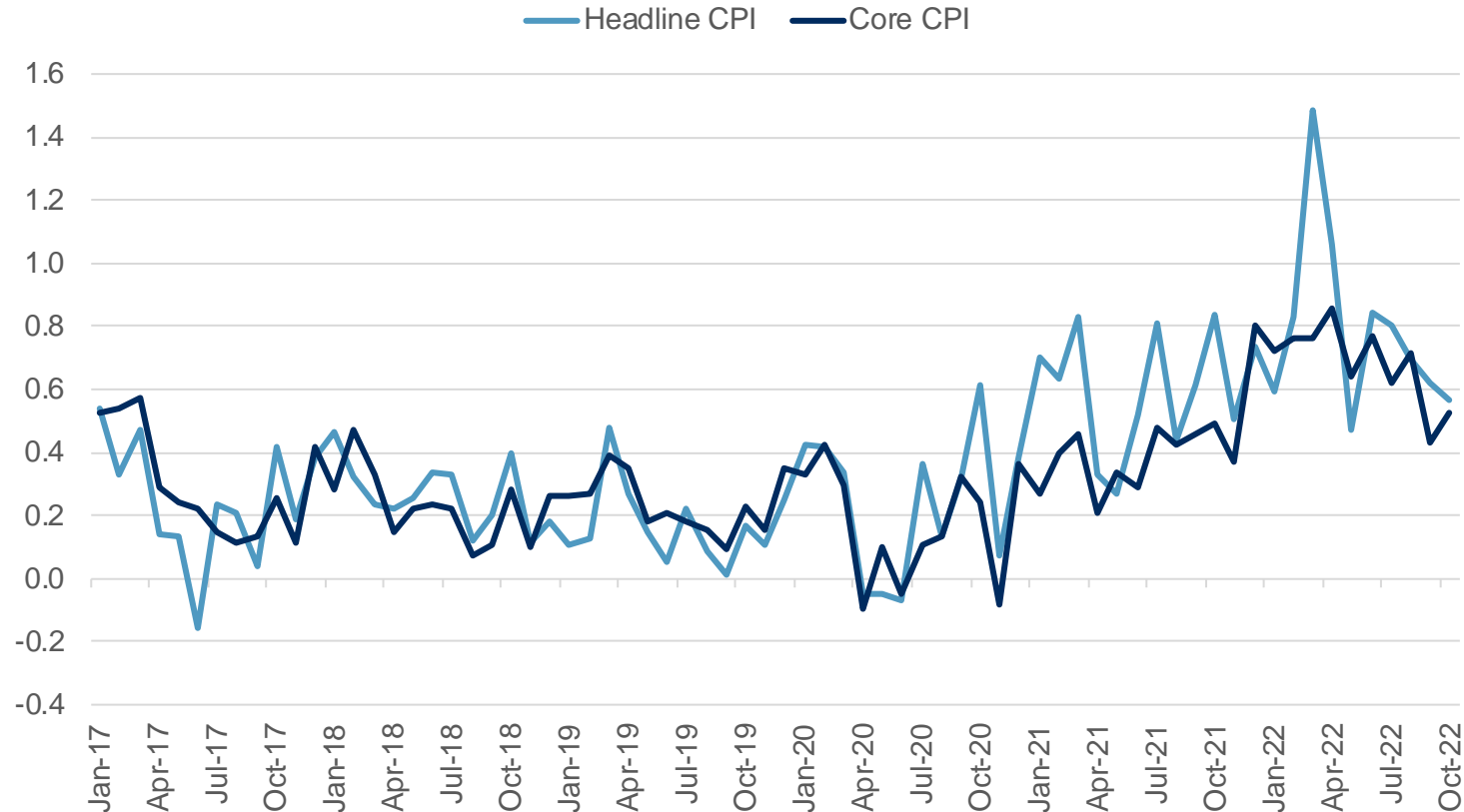
A positive figure reflects appreciation and vice versa. The year-to-date change is calculated from Dec. 31, 2021. DM—developed markets. Sources: Datastream and S&P Global Ratings.

- Most EM EMEA currencies depreciated in 2022. Tightening of global financing conditions as well as terms-of-trade shock for commodity-importing economies exerted pressure on exchange rates of most EM EMEA economies. As Poland and Hungary have signaled a stop in interest hikes and Turkey continues its accommodative stance, we expect exchange-rate pressures to remain for the remainder of the year.
- However, bucking the trend, the currencies of Armenia, Georgia, and Tajikistan have been steadily appreciating in 2022, mostly because of a surge in money inflows from Russia. Nevertheless, some country-specific factors supporting these exchange rates earlier, such as higher commodity prices and the influx of tourists, are not in place anymore (see [“Some Central Asian And Caucasus Currencies Are Unexpected Emerging Market Outperformers”](#) published November 7).

LatAm Economics | Moderating Inflation Points To Potential Interest-Rate Cuts Next Year

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Median Inflation



In the month-to-month percentages. Note: countries included in median calculation are Brazil, Chile, Colombia, Mexico, and Peru. Sources: Haver Analytics and S&P Global Ratings.

- Month-to-month inflation continues to decline. October prints, in some cases were lower than expected, as energy prices continue to moderate. The pass-through to core prices has been relatively orderly so far. This has lowered pressure on central banks to continue tightening policy. It has also brought forward the likely timeline for interest-rate cuts in the region.
- **Chile's central bank is likely to be the first** one in the region to start cutting interest rates as early as Q1 2023. Markets are already pricing in rate cuts in Chile by March. We expect Brazil to follow suit with rate cuts in either Q2 or Q3 2023. Mexico and Colombia are likely to start lowering interest rates in Q4. Expectations of the Federal Reserve's monetary-policy trajectory will continue to influence interest-rate expectations in LatAm.

Macro-Credit Dashboards

GDP Summary | So Far, Data For Q3 Is Mixed

Country	Latest reading (y/y)	Period	Five-year average	2020	2021	2022f	2023f	2024f
Argentina	6.9	Q2	-0.2	-9.9	10.4	3.3	1.0	2.3
Brazil	3.2	Q2	-0.5	-4.2	4.9	2.5	0.6	2.0
Chile	5.4	Q2	2.0	-6.2	11.9	2.4	0.3	2.9
Colombia	12.6	Q2	2.4	-7.0	10.7	6.5	1.9	3.0
Mexico	4.2	Q3	2.0	-8.2	5.0	2.1	0.8	2.0
Peru	3.3	Q2	3.2	-11.0	13.5	2.2	2.5	3.1
China	3.9	Q3	6.7	2.2	8.1	2.7	4.7	4.8
India	13.5	Q2	6.9	-6.6	8.7	7.3	6.5	6.7
Indonesia	5.7	Q3	5.0	-2.1	3.7	5.4	5.0	5.0
Malaysia	8.9	Q2	4.9	-5.7	3.2	6.6	4.4	4.6
Vietnam	13.7	Q3	6.7	2.9	2.5	6.6	6.5	6.8
Philippines	7.5	Q2	6.6	-9.5	5.7	6.3	5.7	6.4
Thailand	2.5	Q2	3.4	-6.2	1.5	2.9	3.5	3.5
Poland	4.4	Q3	4.4	-2.1	5.8	4.0	1.2	3.2
Saudi Arabia	8.6	Q3	1.6	-4.1	3.2	7.5	2.9	2.7
South Africa	0.2	Q2	1.0	-6.3	4.9	2.0	1.6	1.7
Turkey	7.6	Q2	4.2	1.8	11.6	5.2	2.8	3.4

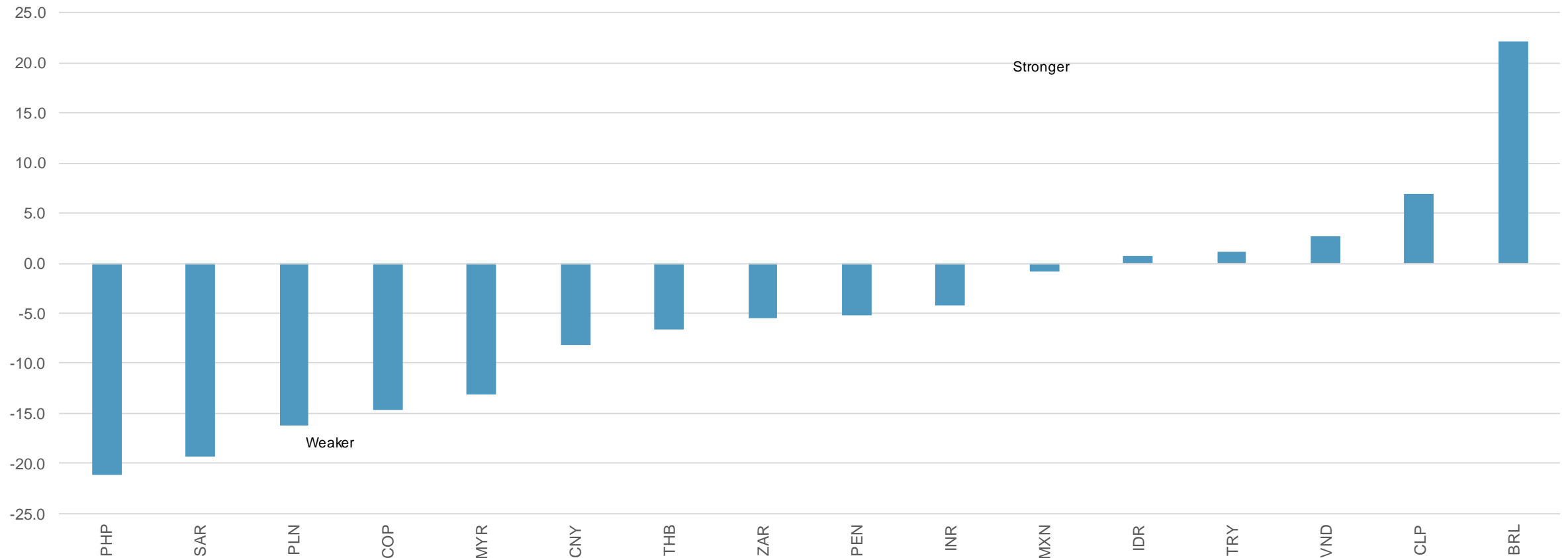
Monetary Policy/FX | Despite Tightening, Several Central Banks Signal A Wind Down

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	October exchange rate chg.	YTD exchange rate chg.
Argentina	75.00%	No target	83.0%	Hold	N/A	-6.1%	-34.5%
Brazil	13.75%	3.5% +/- 1.5%	6.5%	Hold	Dec. 7	2.8%	6.2%
Chile	11.25%	3% +/- 1%	12.8%	50 bps hike	Dec. 6	2.2%	-10.1%
Colombia	11.00%	3% +/- 1%	12.2%	100 bps hike	Dec. 16	-6.0%	-17.4%
Mexico	10.00%	3% +/- 1%	8.4%	75 bps hike	Dec. 15	1.3%	3.1%
Peru	7.25%	2% +/- 1%	8.3%	25 bps hike	Dec. 8	-0.2%	0.1%
China	2.00%	3%	2.1%	N/A	N/A	-1.1%	-11.2%
India	5.90%	4% +/- 2%	7.4%	50 bps hike	Dec. 7	-1.7%	-10.2%
Indonesia	4.75%	3.5% +/- 1%	5.7%	50 bps hike	Nov. 17	-2.4%	-8.6%
Malaysia	2.75%	No target	4.5%	25 bps hike	Jan. 19	-1.9%	-11.9%
Philippines	4.25%	3% +/- 1%	7.7%	50 bps hike	Dec. 15	1.2%	-12.0%
Thailand	1.00%	2.5% +/- 1.5%	6.0%	25 bps hike	Nov. 30	-0.9%	-12.2%
Vietnam	6.00%	0.04	4.3%	100 bps hike	N/A	-4.0%	-8.3%
Poland	6.75%	2.5% +/- 1%	17.2%	Hold	Dec. 7	3.5%	-15.5%
Saudi Arabia	4.50%	3% +/- 1%	3.1%	75 bps hike	N/A	0.0%	0.0%
South Africa	6.25%	3%-6%	7.8%	75 bps hike	Nov. 24	-2.2%	-13.2%
Turkey	10.50%	5% +/- 2%	85.5%	150 bps cut	Nov. 24	-0.3%	-28.6%

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: Haver Analytics, and S&P Global Ratings.

Real Effective Exchange Rates | Brazilian Real Remains Top Performer

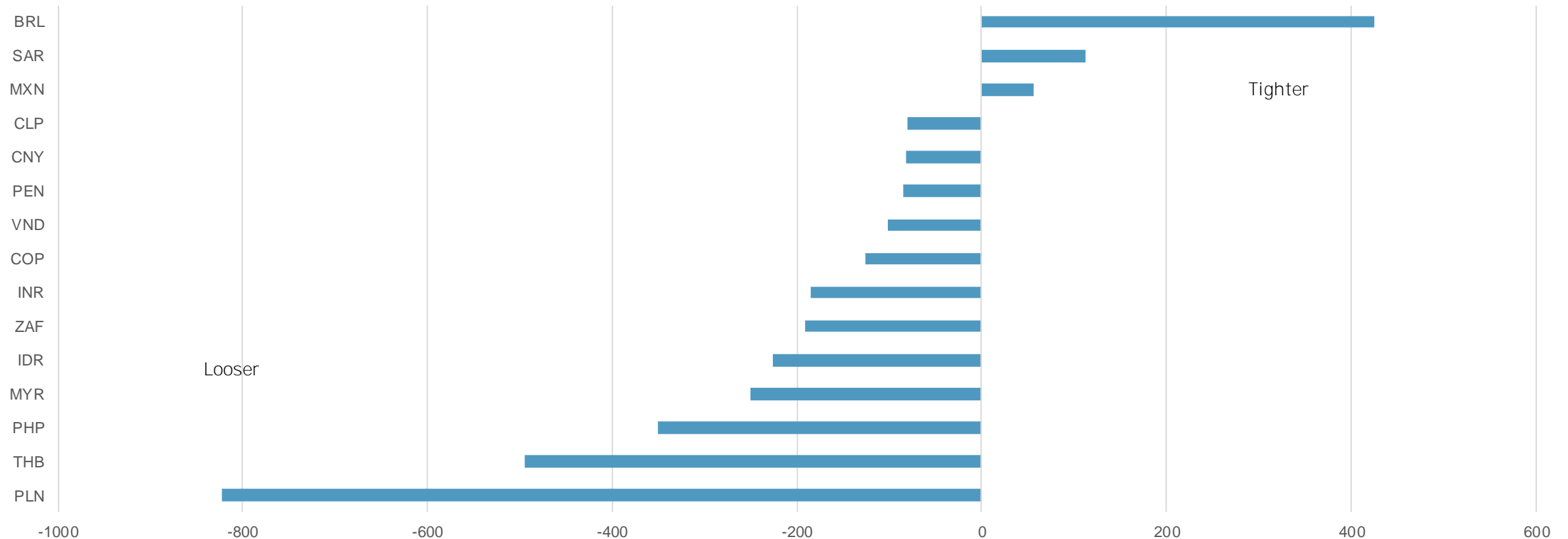
Broad Real Effective Exchange Rates



Percentage 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 Oct. 30, 2022. Sources: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | Real Rates In Parts Of LatAm Are In Restrictive Territory

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



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 November 11. Sources: Haver Analytics and S&P Global Ratings.

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	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Stable	Stable	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	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	6	2	2	3	6	6
Fiscal (BDGT)	3	2	4	2	4	3	4	3	3	3	6	4	6	6	4	5	6
Fiscal (DBT)	2	1	2	3	5	4	2	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	7	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	I	L	I	I	H	H	H	VH	H	H	I	I	EH	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	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	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	L	I	L	L	VL	I	I	L	L	I	I	H	I	VH	VH
Nonfinancial corporates																	
Median Rating (Oct.31, 2022)	BBB	BBB+	BB	BB	BBB+	BBB-	BBB+	BBB+	BB-	BBB	BBB-	BB+	BB-	BB-	BB-	B	CCC+
Net Debt / EBITDA	3.34	2.75	1.56	2.31	2.12	2.97	2.99	3.47	2.68	2.84	2.31	2.1	2.06	1.93	2.97	2.02	1.36
ROC Adj.\$	4.49	3.08	4.67	6.31	2.76	5.68	2.33	2.59	3.47	3.24	4.68	7.95	4.57	6.12	3.52	10.61	7.82
EBITDA INT. COV.	7.72	10.89	15.09	8.12	12.97	4.92	7.92	7.15	5.74	12.39	6.12	6.61	3.36	6.68	6.56	4.43	3.7
FFO / Debt	28.99	26.55	43.76	37.62	29.9	34.64	17.66	23.47	32.38	27.19	38.54	40.52	51.25	45.51	27.74	43.92	54.56
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. 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 March 2022.

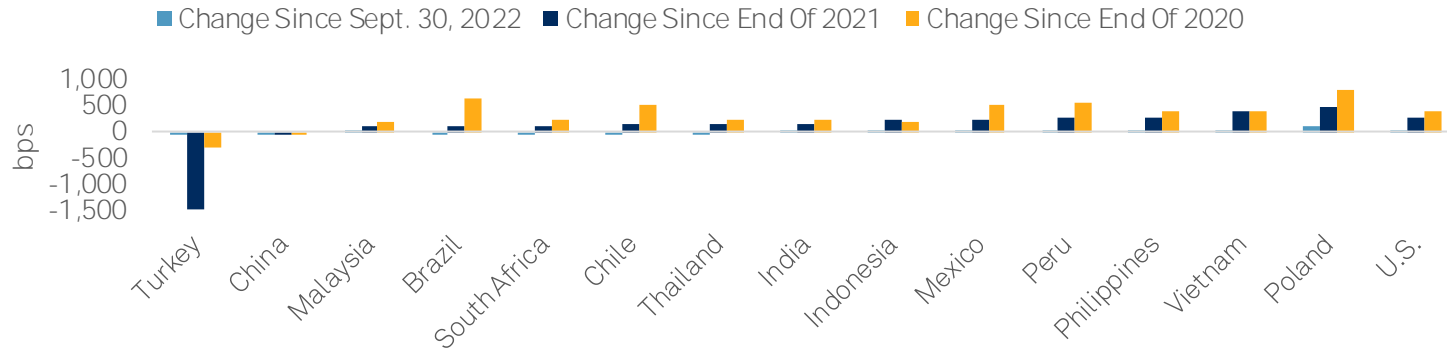
*IIF 1Q 2022. Sources: Bangko Sentral NG Pilipinas; Corporate Variables Capital IQ 1Q 2022. S&P Global Ratings. Data for sovereigns and financial institutions as of Nov. 14, 2022.

Financing Conditions

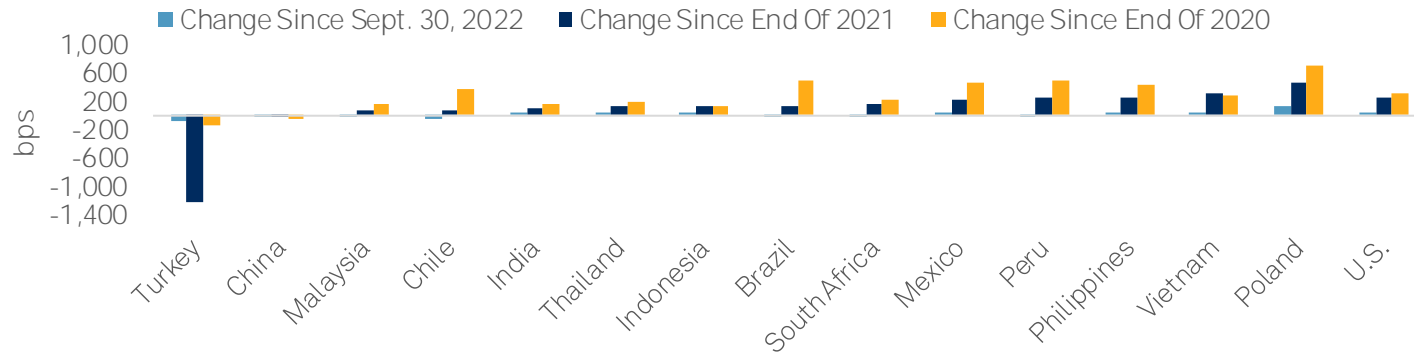
Highlights

EM Yields | Benchmark Yields Stabilizing

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



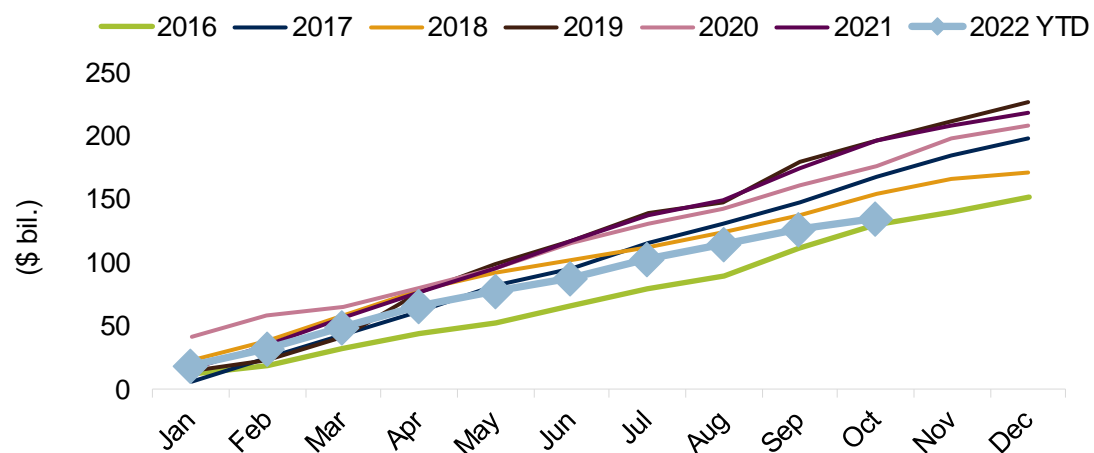
Data as of Oct. 31, 2022. The selection of country is subject to data availability. Sources: S&P Global Ratings, S&P Capital IQ Pro, and Datastream.

- EM 10-year yields have moderated in October, particularly in LatAm as a result of slightly improved market sentiment towards EMs. Poland is the exception, with a 123-bps monthly increase, as inflation is rallying.
- Over the past few months, central banks in EMs have continued to raise their interest rates in order to tame inflationary pressures. EMs balance the need to reduce inflation and protect capital flows amid rising global interest rates, while facing lower global and domestic growth prospects.
- The strengthening dollar remains one of the risks to EMs. Weaker currencies heaped greater pressure on EMs' external financing costs and inflation. A strong dollar increases the debt burden of borrowers with significant foreign-currency liabilities.
- Financing conditions in EMs will be heavily dependent on the persistence of inflation, extent of growth deceleration, and the drag effect from the Fed and ECB's tightening cycles. The direction of these two factors won't necessary be uniform across regions.

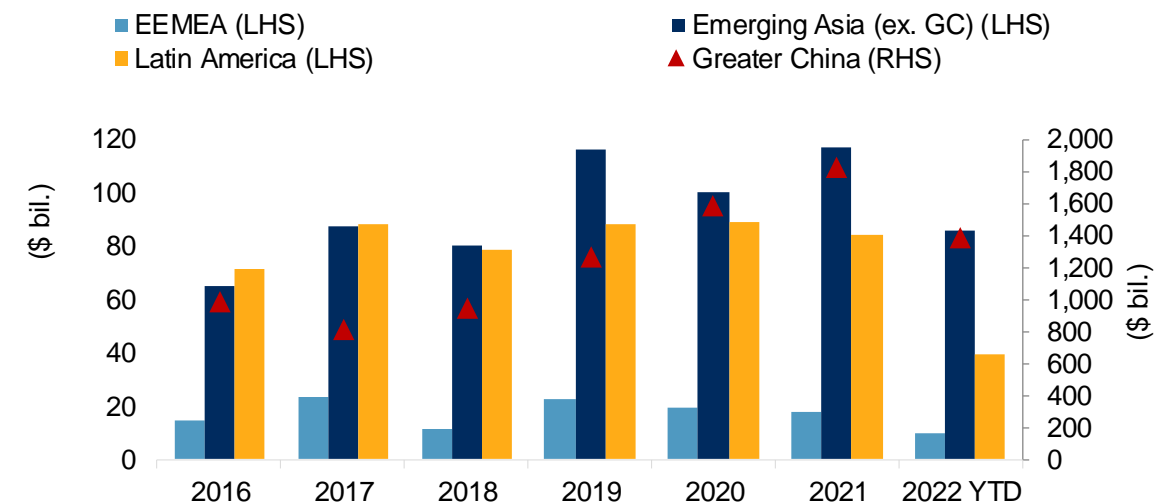
EM | Financial And Non-Financial Corporate Issuance

- Issuance volumes remained subdued in October 2022. The cumulative amount has reached \$136 billion by the end of October, 30% lower than last year. The \$9 billion monthly increase in October is the lowest level since 2015.
- Despite higher resilience in EM Asia (including Greater China), the issuance pace slowed. Greater China's debt issuance was up 24% in October (on a monthly basis) to \$132 billion. EEMEA's issuance is only 60% of the 2021 YTD level, and LatAm issuance YTD was half of that of 2021. Foreign-currency issuance is responsible of this drop, while domestic markets are still active in EMs.
- A further drop in investor confidence, high risk premia, and strong dollar could increase already high refinancing risks and capital flow concerns in the following months. Volatile global market conditions raise the risk of liquidity crunch for EMs.

EM Cumulative Corporate Bond Issuance



EM Regional Bond Issuance



Excluding Greater China. Data as of Oct. 31, 2022. Data including NR (not rated). Sources: S&P Global Ratings and Refinitiv.

Data as of Oct. 31, 2022. GC- Greater China. Sources: S&P Global Ratings and Refinitiv.

Ratings Summary

Ratings Summary | Sovereign Ratings In EM17

Most sovereign ratings remained unchanged despite macroeconomic challenges

Economy	Rating	Outlook	Five-year CDS Spread (Oct. 31)	Five-year CDS Spread (Sept. 30)
Argentina	CCC+	Stable	4,624	5,276
Brazil	BB-	Stable	273	307
Chile	A	Stable	153	169
China	A+	Stable	126	108
Colombia	BB+	Stable	350	330
India	BBB-	Stable	149	173
Indonesia	BBB	Stable	140	158
Malaysia	A-	Stable	107	121
Mexico	BBB	Stable	162	195
Peru	BBB	Stable	155	167
Philippines	BBB+	Stable	128	149
Poland	A-	Stable	153	143
Saudi Arabia	A-	Positive	70	61
South Africa	BB-	Positive	300	340
Thailand	BBB+	Stable	88	91
Turkey	B	Stable	657	775
Vietnam	BB+	Stable	157	180

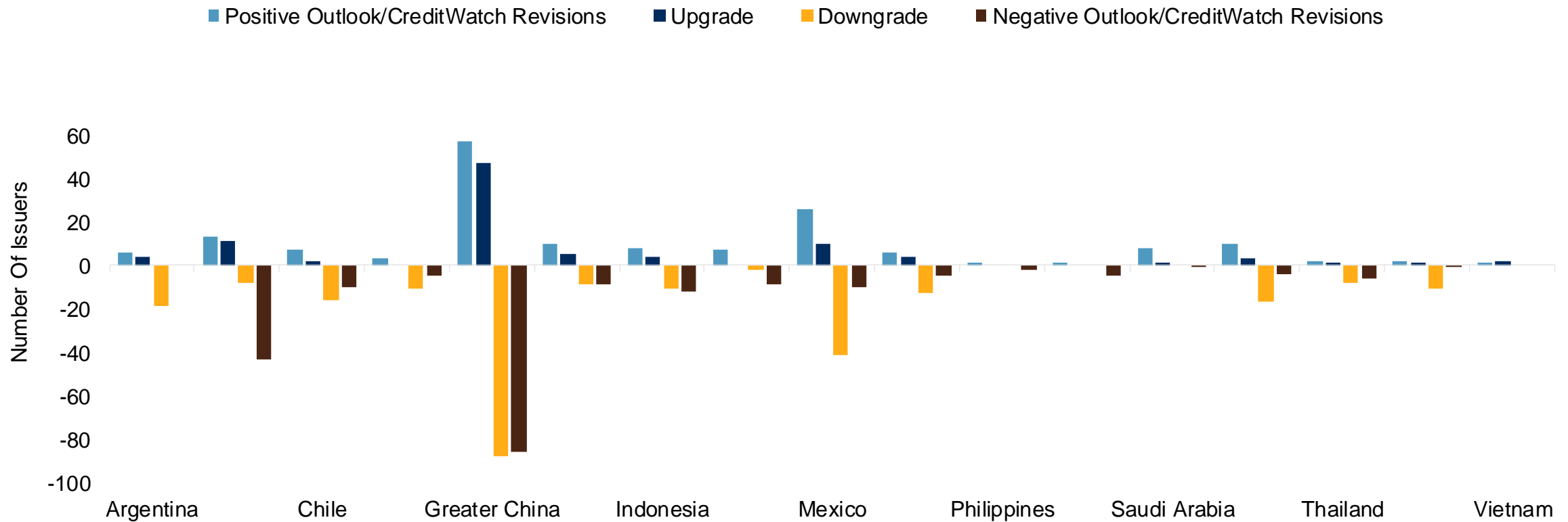
Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, and Taiwan. Data as of Oct. 31, 2022. Sources: S&P Global Ratings and S&P Capital IQ.

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

Ratingdate	Issuer	Economy	Sector	To	From	Action type	Debt amount (\$ mil.)
18-Oct-22	Fomento Economico Mexicano S.A. B. de C.V.	Mexico	Retail/restaurants	BBB+	A-	Downgrade	4,669
26-Aug-22	Empresas Copec S.A. (E-Copec) (AntarChile S.A.)	Chile	Diversified	BBB	BBB-	Upgrade	3,400
9-Aug-22	Unifin Financiera S.A.B. de C.V.	Mexico	Financial institutions	D	B+	Downgrade	2,450
20-Oct-22	Koc Holding A.S.	Turkey	Financial institutions	B	B+	Downgrade	1,500
23-Sep-22	Anadolu Efes Biracilik ve Malt Sanayii AS	Turkey	Consumer products	BB+	BBB-	Downgrade	1,500
5-Oct-22	Turkcell Iletisim Hizmetleri A.S.	Turkey	Telecommunications	B	B+	Downgrade	1,000
5-Oct-22	Turk Telekom (Ojer Telekomunikasyon A.S.)	Turkey	Telecommunications	B	B+	Downgrade	1,000
15-Sep-22	Ulker Biskuvi Sanayi A.S.	Turkey	Consumer products	B-	B	Downgrade	650
14-Oct-22	Operadora de Servicios Mega S.A. de C.V. SOFOME.R.	Mexico	Financial institutions	B	B+	Downgrade	500
24-Aug-22	Axtel S.A. B. de C.V. (Alfa S.A.B. de C.V.)	Mexico	Telecommunications	BB-	BB	Downgrade	500
8-Sep-22	Mexarrend S.A.P.I. de C.V.	Mexico	Financial institutions	CCC+	B-	Downgrade	450
16-Sep-22	Ratch Group Public Co. Ltd. (Electricity Generating Authority of Thailand)	Thailand	Utility	BBB-	BBB	Downgrade	405
14-Oct-22	AUNA S.A.A.	Peru	Health care	B	B+	Downgrade	300
19-Aug-22	PT Kawasan Industri Jababeka Tbk.	Indonesia	Homebuilders/real estate co.	CCC	B-	Downgrade	300
16-Aug-22	Financiera Independencia S.A.B. de C.V. SOFOME.N.R.	Mexico	Financial institutions	B	B+	Downgrade	250

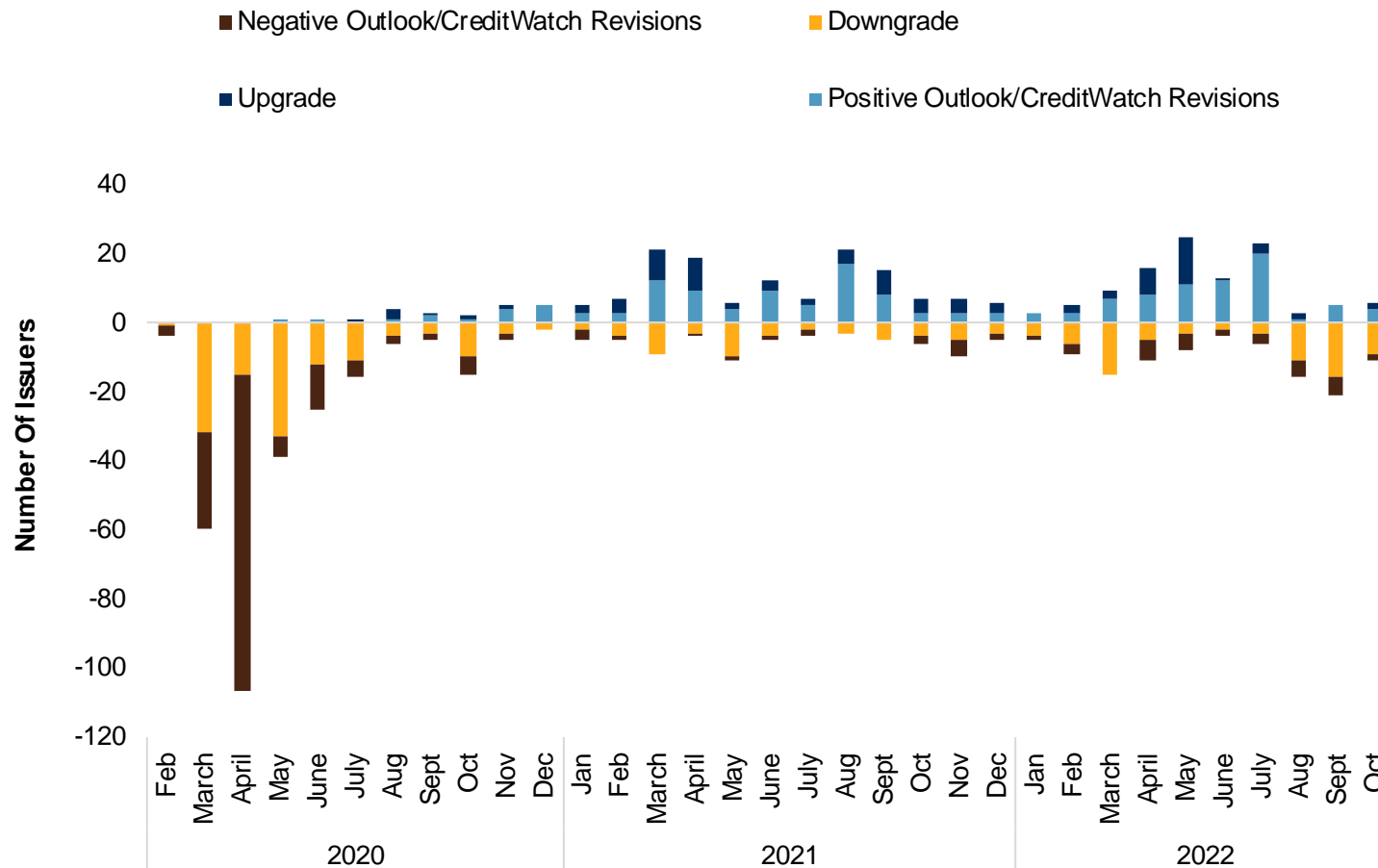
Data as of Oct. 31, 2022 (last 90 days), excludes sovereigns, Greater China and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and grey - default. Source: S&P Global Ratings.

EM | Total Rating Actions By Economy



Data includes sovereigns. Data from Feb. 3, 2020 to Oct. 31, 2022. EMs consist of Argentina, Brazil, Chile, Greater 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). Source: S&P Global Ratings.

EM | Total Rating Actions By Month

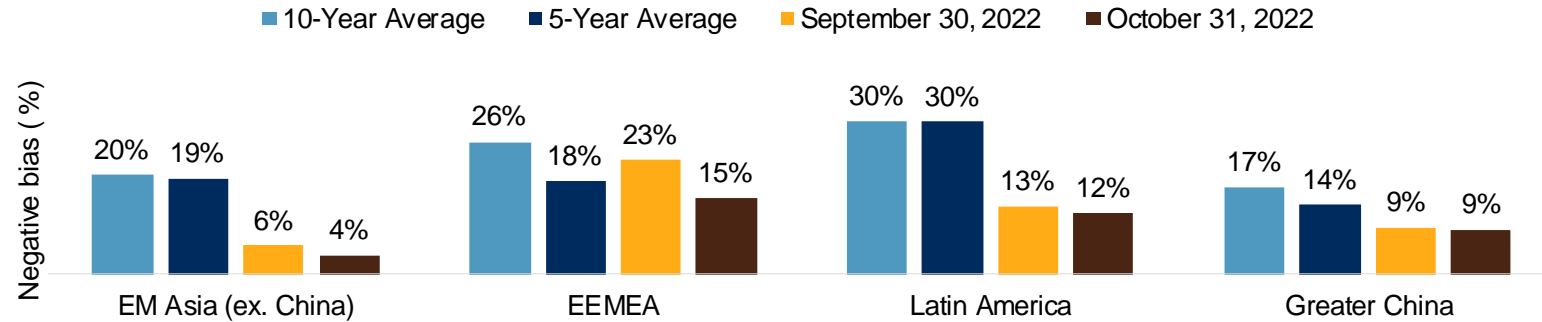


- The number of downgrades decreased in October to nine, bringing the total number of 2022 downgrades to 74. Of the nine, four are from Turkey, two from Greater China and Mexico each, and one from Peru.
- Issuers were downgraded due to idiosyncratic reasons such as weaker profitability metrics, liquidity, and leverage ratios or risks associated with joint ventures. Turkish issuers were downgraded as a result of the sovereign rating action.
- There were two upgrades in October, keeping the year-to-date tally to 34. A South African chemicals and energy group was upgraded on debt reduction, while a Chinese auto retailer was upgraded on conservative financial policy.

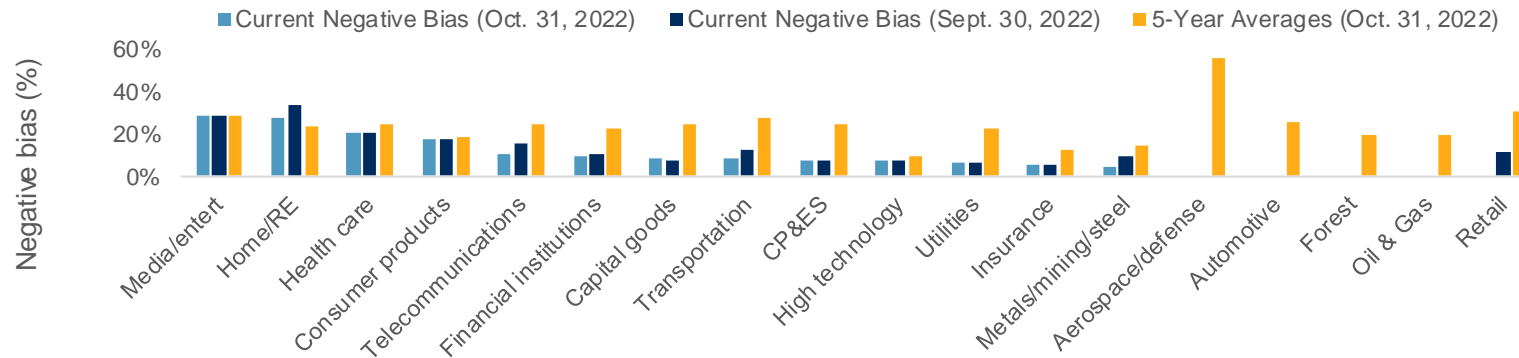
Data includes sovereigns. Data from Feb. 3, 2020 to Oct. 31, 2022. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkey. Greater China --- China, Hong Kong, Macau, Taiwan and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings.

EM Downgrade Potential | Regional Negative Bias

EM EMEA Has The Highest Downgrade Potential



Negative Bias By Sector



- EM EMEA has the highest downgrade potential, while the negative bias fell to 15% in October from 23% in September after three Turkish issuers were downgraded and assigned a stable outlook.
- EM Asia (excluding China). The downgrade potential decreased slightly, as we placed an Indonesian issuer on CreditWatch positive, which was previously had the negative outlook. Negative bias is well below the five- and 10-year averages.
- LatAm. The downgrade potential decreased slightly as the outlook on two Mexican issuers was revised to stable (and one issuer was downgraded and assigned a stable outlook). The downgrade potential remains well below historical averages.
- Greater China. The downgrade potential is at 9%, in line with September level and below the historical average.

Data as of Oct. 31, 2022 and include sectors with more than five issuers. Excludes sovereigns. EMs consist of Argentina, Brazil, Chile, Colombia, Peru, Mexico, India, Indonesia, Malaysia, Thailand, the Philippines, Vietnam, 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). 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.

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

Six rating downgrades in EMs to the 'CCC' and 'CC' categories from 'B-' 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. SOFOME.N.R. (Futulem 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
19-Aug-22	PT Kawasan Industri Jababeka Tbk.	Indonesia	Homebuilders/real estate co.	CCC	B-	300
8-Sep-22	Mexarrend S.A.P.I. de C.V.	Mexico	Financial institutions	CCC+	B-	450
20-Oct-22	China SCE Group Holdings Ltd.	Cayman Islands	Homebuilders/real estate co.	CCC+	B-	500

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

Rating Actions | EM Fallen Angels And Rising Stars In 2022 YTD

Three EM fallen angels YTD in 2022

Rating date	Issuer	Economy	Sector	To	From	Debt amount (\$ mil.)
23-Sep-22	Anadolu Efes Biracilik ve Malt Sanayii AS	Turkey	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

Two EM rising stars YTD in 2022

Rating date	Issuer	Economy	Sector	To	From	Debt amount (\$ mil.)
2-Jun-22	JBSS.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, 2022; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

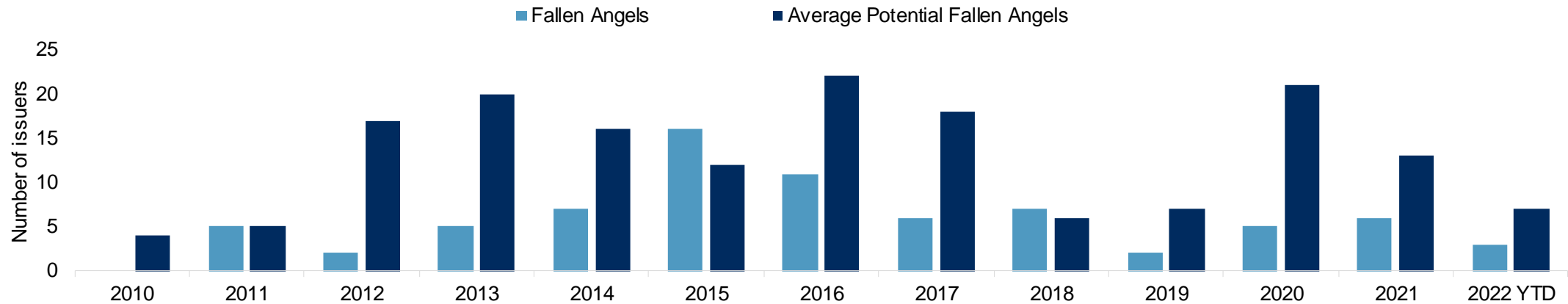
Rating Actions | List Of Defaulters In 2022 YTD

Rating date	Issuer	Economy	Sector	To	From	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	-
1-Feb-22	Future Retail Ltd.	India	Consumer products	SD	CCC-	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-	1,941
8-Apr-22	Guangzhou R&F Properties Co. Ltd.	China	Homebuilders/real estate companies	SD	CC	-
12-Apr-22	Grupo Kaltex S.A. de C.V.	Mexico	Consumer products	D	CCC-	320
21-Jun-22	Greenland Holding Group Co. Ltd.	China	Homebuilders/real estate companies	SD	CC	-
18-Jul-22	PT Sawit Sumbermas Sarana Tbk	Indonesia	Forest products and building materials	SD	CC	-
9-Aug-22	Unifin Financiera S.A.B. de C.V.	Mexico	Financial Institutions	D	B+	-

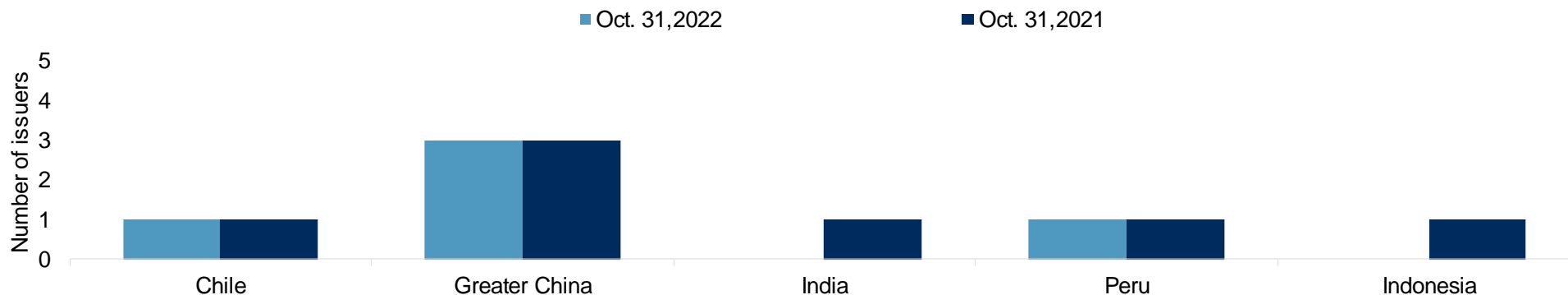
Data as of Oct. 31, 2022. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Excludes 10 confidential issuers in 2022 YTD. Red means speculative-grade rating, and grey means default (D) or selective default (SD). Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Fallen Angels And Potential Fallen Angels

Three Fallen Angels YTD in 2022 While Potential Fallen Angels Continue To Trend Down



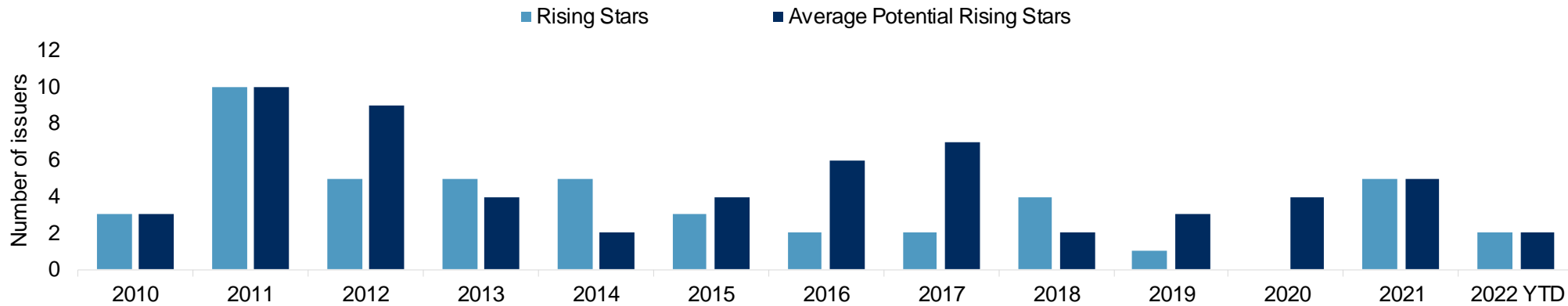
Number of Potential Fallen Angels Remains Stable Across EMs



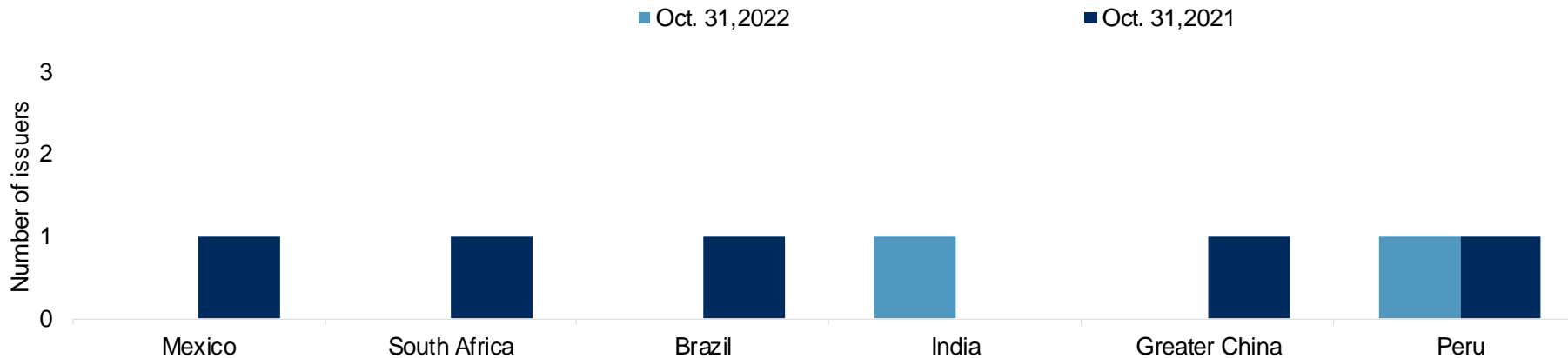
Data as of Oct. 31, 2022. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

Rating Actions | Rising Stars And Potential Rising Stars

Two Rising Stars In 2022 YTD



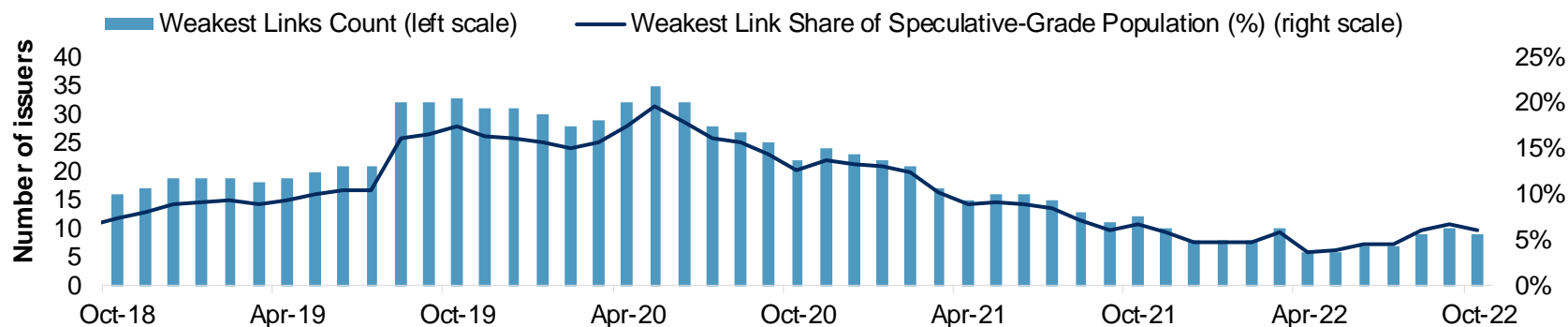
EM potential rising stars have declined in 2022



Data as of Oct. 31, 2022. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies.(issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

Rating Actions | Weakest Links And Defaults

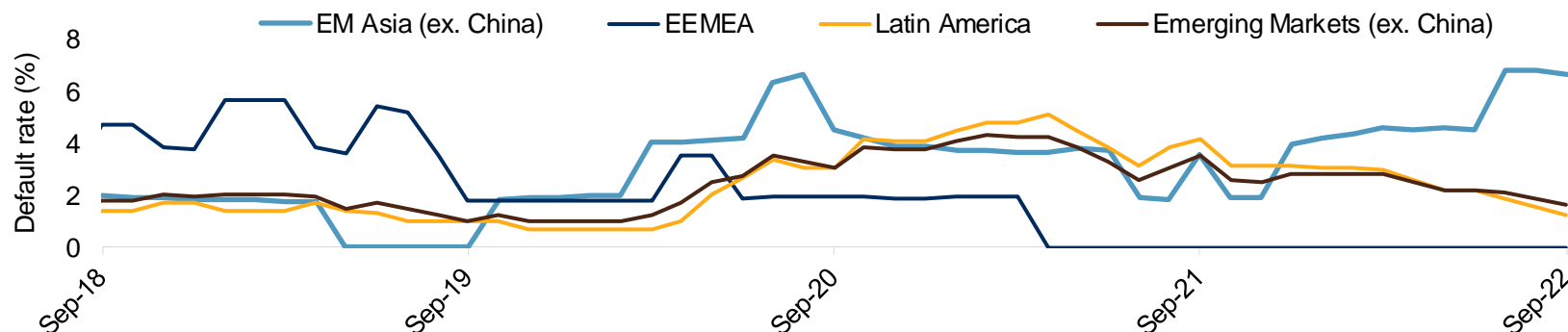
EM Weakest Links At Nine in October



Data as of Oct. 31, 2022. Parent only. Includes Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). 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 Research.

- Weakest links. EMs' weakest links slightly decreased to nine issuers in October (6% of total speculative-grade issuers), reversing the trend of the past few months.

Default Rates Fell (as of September 2022)

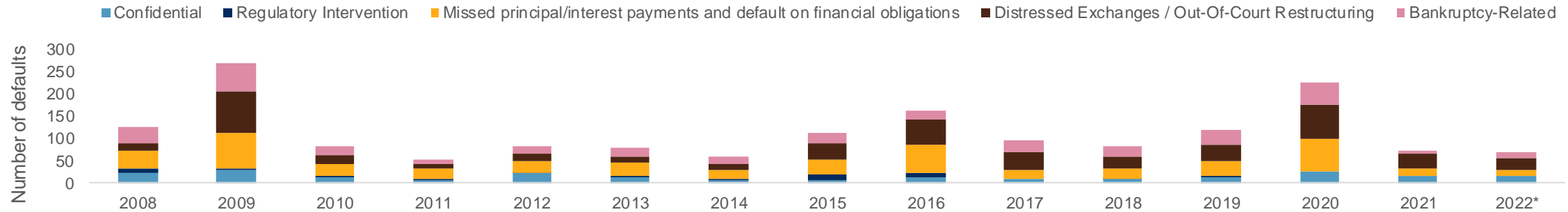


- Default rates. September default rates decreased across all the regions. However, EM Asia (excluding China) is still close to the August 2020 peak of 7%.

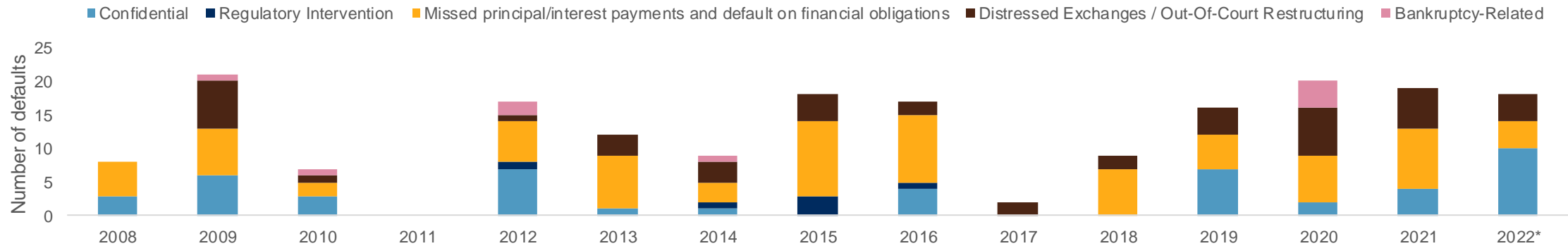
Excluding China. CreditPro data as of Sept. 30, 2022. Default rates are trailing 12-month speculative-grade default rates. Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Defaults

Year-End Global Corporate Defaults By Reason



Year-End EM 17 Corporate Defaults By Reason



*Data as of Oct. 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 and S&P Global Market Intelligence's CreditPro®.

Related Research

EMs | Related Research

- Central And Eastern Europe Growth Freezes, Risks Mount, Nov. 10, 2022
- Some Central Asian and Caucasus Currencies Are Unexpected Emerging Market Outperformers, Nov. 8, 2022
- 2021 Annual Emerging And Frontier Markets Corporate Default And Rating Transition Study, Nov. 4, 2022
- Have Policy Rates Deviated From Simple Taylor Rule-like Prescription?, Oct. 27, 2022
- Emerging Markets Monthly Highlights: Navigating Through Increasing Uncertainty, Oct. 19, 2022
- Plunge In Latin American Corporates' International Issuances Expected To Continue Into Next Year, Oct. 18, 2022
- Global Credit Conditions Downside Scenario: Recession Risks Deepen, Oct. 12, 2022
- Credit Conditions Emerging Markets Q4 2022: Clouds Are Gathering, Sept. 27, 2022
- Economic Outlook EMEA Emerging Markets Q4 2022: Juggling Inflation, Interest Rates, And Growth, Sept. 27, 2022
- Economic Outlook Latin America Q4 2022: A Period Of Below-Trend Growth Ahead, Sept. 26, 2022
- Economic Outlook Asia-Pacific Q4 2022: Dealing With Higher Rates, Sept. 26, 2022
- Economic Outlook Emerging Markets Q4 2022: Further Growth Slowdown Amid Gloomy Global Prospects, Sept. 26, 2022
- Global Debt Leverage: China's SOEs Are Stuck In A Debt Trap, Sept. 20, 2022
- Russia-Ukraine Military Conflict: Key Takeaways From Our Articles, Sept. 16, 2022
- Emerging Markets Monthly Highlights: Growth is Decelerating, Sept. 14, 2022
- Emerging Markets Real-Time Data: Mixed Picture Amid Higher Prices And Tighter Financial Conditions, Sept. 9, 2022

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