

Emerging Markets Monthly Highlights

Another Tough Year Ahead

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S&P Global
Ratings

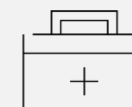
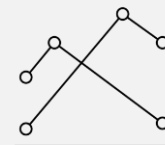
This report does not constitute a rating action.

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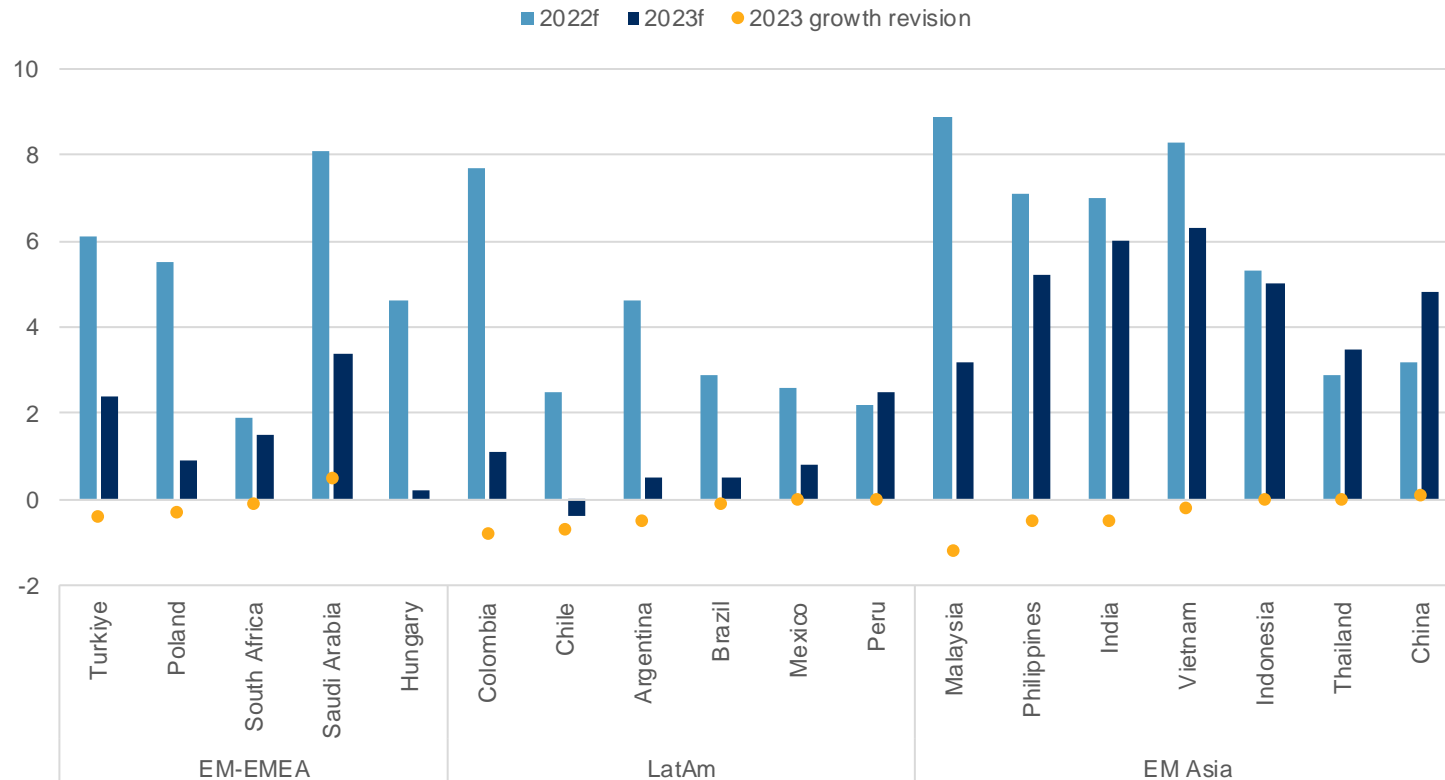
Key Takeaways

- Prospects for the next year remain difficult. S&P Global Ratings lowered its real GDP growth forecast for emerging markets (EMs) to 3.8% in 2023 from 4.1% in the September projection. The downward revision to growth is for all EMs except for China and Saudi Arabia, with most economies poised to expand below their longer-run trend rates. EM inflation appears to have reached the peak or will do shortly in this cycle; however, monetary policy rates are likely to stay high for the time being, with exception of few economies in LatAm, where we expect interest rate cuts in 2023.
- Credit conditions in EMs will remain pressured during 2023, while we expect sovereigns and households to be particularly hit by the likely economic downturn. The corporate sector continues to present a mixed picture; some sectors will be able to protect profits by passing costs through prices in goods and services, while others will suffer from subdued demand (consumer products, chemicals or building materials). Banks are well positioned to face the downturn, and higher interest rates could help bolster net interest margins.
- The balance of risks for EMs is firmly on the downside. Despite recent moderation in energy prices, the outlook remains subject to geopolitics-related risks, and we don't expect terms-of-trade to improve significantly over the course of 2023, weighing on EMs' exchange rates. S&P Global Ratings has raised its oil price forecasts for 2023 and 2024 due to supply-related factors.
- Zero-COVID policies have been eased in China. We expect household consumption to grow; however, a likely increase in incidence of cases will weigh on consumer confidence in the nearest term. We also expect that easing of restrictions should alleviate some supply-chain disruptions globally and improve financing conditions in EM Asia.



EM Economic Outlook | Another Downward Revision To 2023 Growth







EM GDP Projections (%)



Hungary was added to our list of key EMs in November. f- indicates forecast. Sources: S&P Market Intelligence and S&P Global Ratings.

- So far this year, EMs have navigated better than expected through strong global crosswinds. Better-than-expected growth in several EM economies in the third quarter triggered an upward revision of 0.3 percentage points to our 2022 GDP growth forecast for our sample of EMs (excluding China). However, this masks what we expect will be a weakening growth dynamic in the fourth quarter and the next year.
- We lowered real GDP growth forecast for EMs to 3.8% in 2023 from 4.1% in September. China and Saudi Arabia are the only two economies for which we raised our 2023 GDP forecast.
- EM inflation appears to have reached the peak or will do shortly in this cycle. Even as inflation is forecasted to ease in most EMs next year, primarily due to falling food and fuel inflation, it's poised to remain above many EM central banks' respective targets in 2023. Inflation outlook is subject to risks, especially in EM EMEA.

EM Credit Conditions | Downturn Exacerbates Risks

| Top EM Risks | Risk Level | Risk Trend |
|---|------------|------------|
|  High inflation squeezes finances of corporations, households, and banks. | High | Unchanged |
|  Further monetary tightening in the U.S. and dollar strength weaken financing conditions. | High | Worsening |
|  A sharper slowdown in the largest economies leads to a global recession. | High | Unchanged |
|  Increasing geopolitical tensions and difficult domestic socio-political conditions erode credit fundamentals | High | Unchanged |
|  Prolonged restrictive Covid policies and real-estate sector stress to curtail recovery of China's economy and business and household confidence | High | Unchanged |
| Structural Risks | | |
|  Climate change and rising adaptation costs. | Elevated | Worsening |

Risk levels may be classified as very low, moderate, elevated, high, or very high. They are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one to two years. Typically, these risks are not factored into our base case rating assumptions unless the risk level is very high.

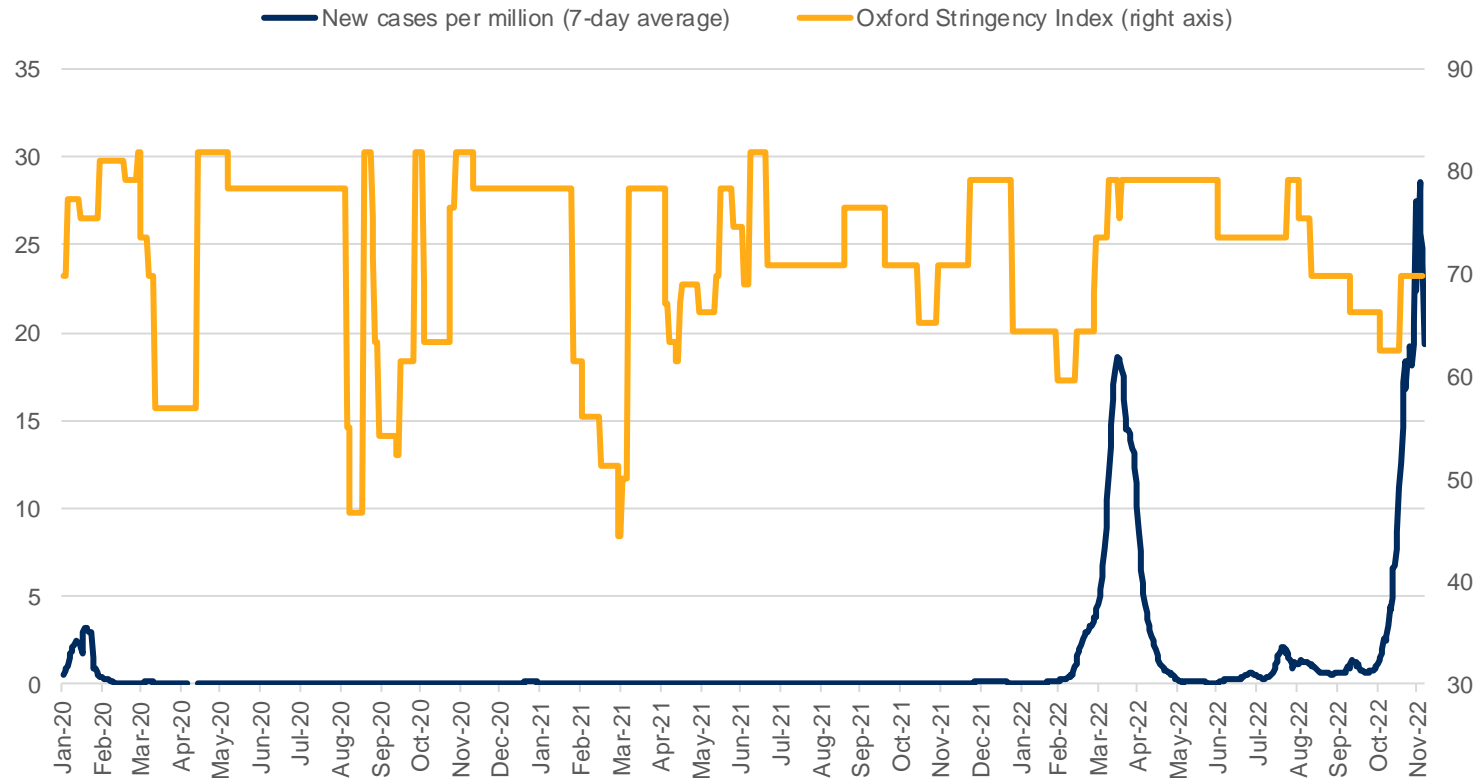
Risk trend reflects our current view about whether the risk level could increase or decrease over the next 12 months.

Source: [Credit Conditions Emerging Markets Q1 2023: Downturn Exacerbates Risks](#), Dec. 1, 2022. S&P Global Ratings.

- Credit conditions in EMs will remain pressured during 2023, while economic stress will be taking a toll mostly on sovereigns and households.
- The balance of risks for EMs is firmly on the downside, given that rapid monetary tightening is potentially pushing major economies into recession and strengthening the U.S. dollar. We expect our negative outlook bias for rated issuers across EMs to widen.
- Financing conditions will probably remain restrictive during 2023, because we expect policy rates and overall financing costs to stay elevated next year. Easing inflation, on the other hand, might bring back investor appetite for EMs and lower-rated issuers, which currently have very limited access to capital markets.

China| Zero-COVID Policies Are Eased

New Cases And Restrictions Stringency Index In China

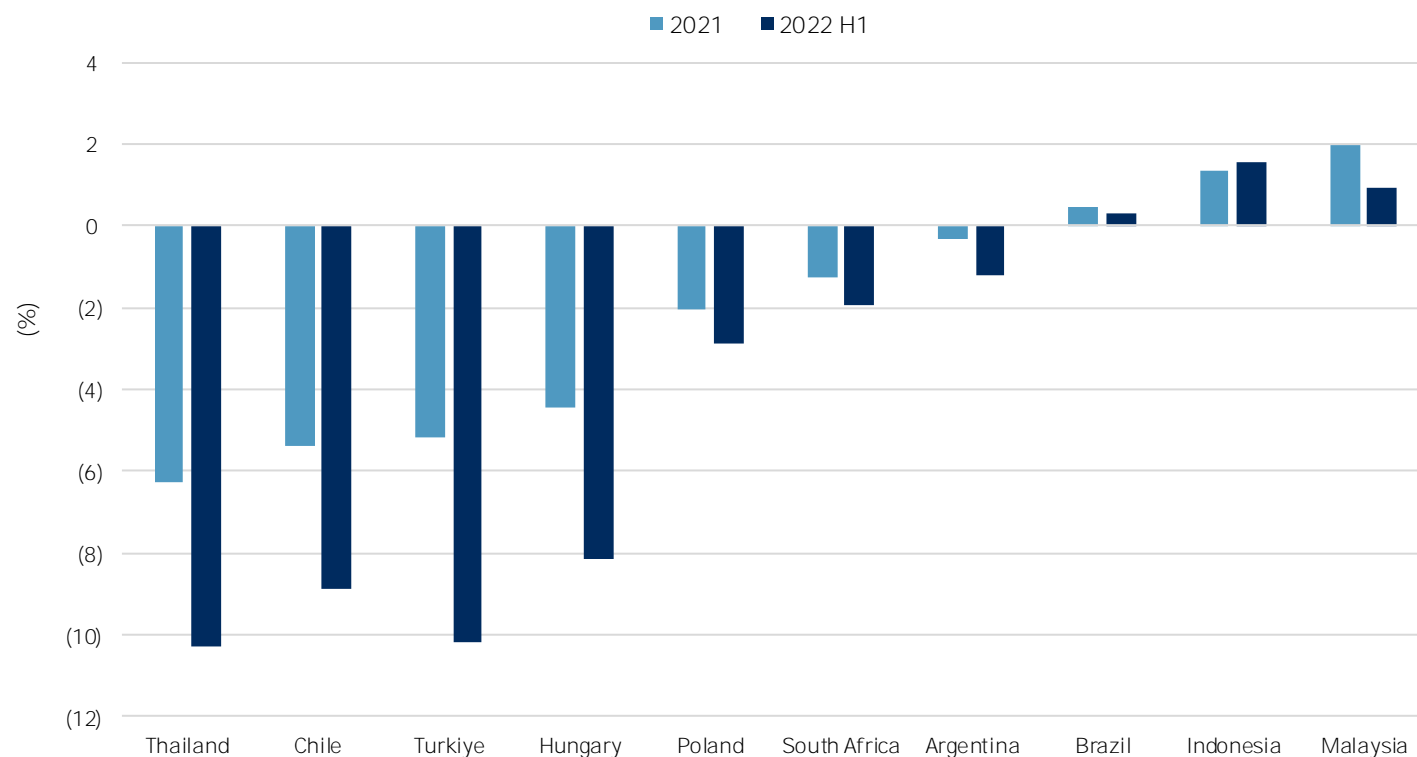


The index records the strictness of 'lockdown style' policies that primarily restrict people's behaviour; higher index reflects stricter government policies. Source: Our World isData, Oxford COVID-19 Government Response Tracker, and S&P Global Ratings.

- There has been significant relaxation in **China's dynamic zero**-COVID policies over the past several days. Authorities have eased mandatory quarantine regulations, contact tracing, and testing requirements. This follows public discontent with long-running zero-COVID restrictions that have been cumbersome for the society.
- Economic costs of the policy have accumulated. Restrictions have put a pressure on household spending earlier this year, leading to lower-than-expected economic growth in 2022. Manufacturing and logistics disruptions have been moderate. Container prices have been decreasing over the course of 2022, and we expect supply chain pressures to ease further.
- The outlook for reopening is uncertain. Consumer activity including contact services is likely to improve, but the incidence of COVID-19 is likely to rise significantly and could lead to some consumer caution.

Energy Prices | Appear To Moderate, But Significant Risks Remain

Energy Trade Balance Among Key EMs In 2021 And 2022



Source: ITC Trade Map, Haver Analytics, and S&P Global Ratings.

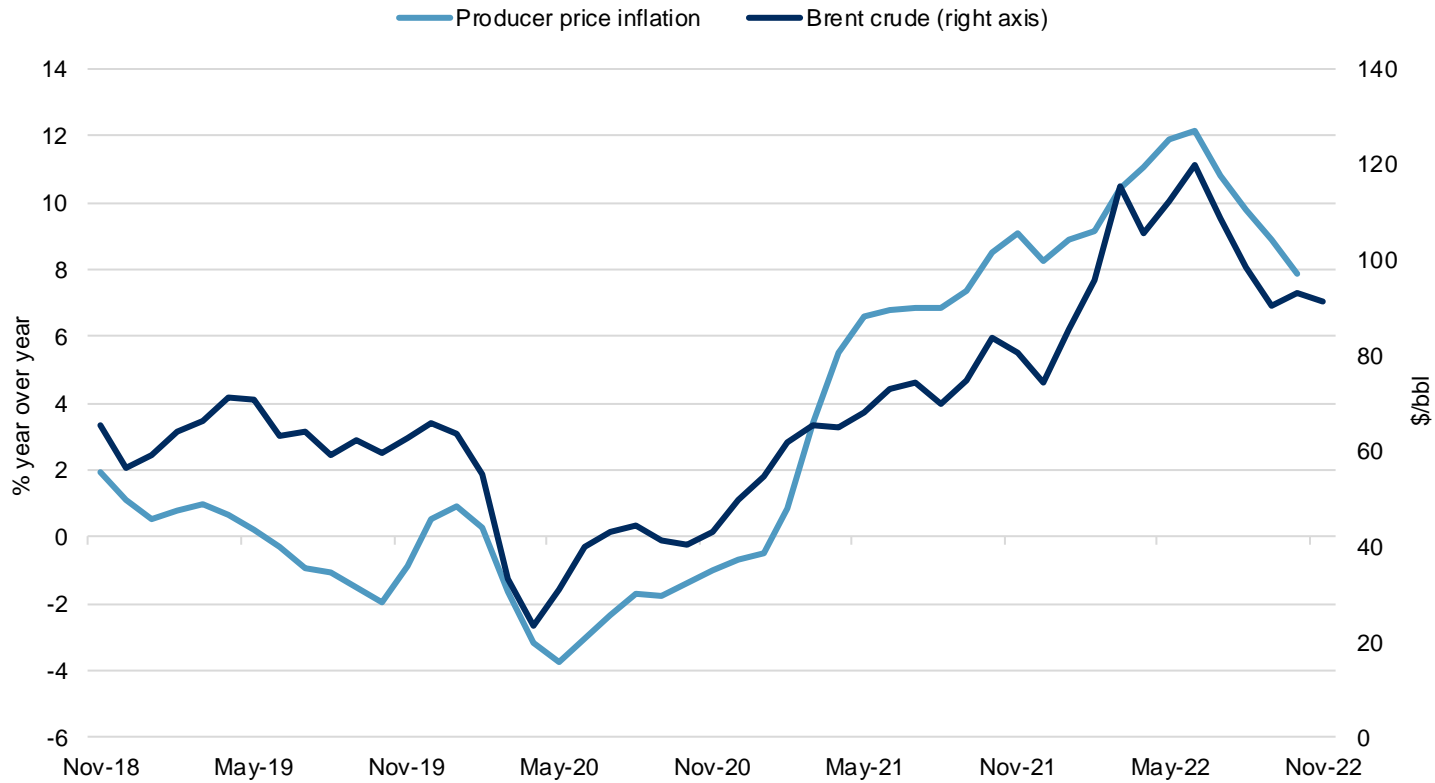
- In our view, the terms-of-**trade won't** reverse meaningfully in 2023, and likely worsen for some EM economies. Although global oil prices have recently declined, they remain pressured by many supply-related factors, while significant conflict-related geopolitical risk premiums haven't abated. We expect that worsening terms-of-trade, together with tightening financing conditions, will continue to put pressure on exchange rates of energy-importing economies in 2023.
- Our updated assumption is for Brent oil prices to average \$90 per barrel in 2023, which is only 12% lower than in 2022. We expect European gas prices to remain elevated and 60% higher on average in 2023 than this year (see "[S&P Global Ratings Revises Its Oil And Gas Price Assumptions On Supply/Demand Fundamentals](#)" published November 18). We expect price volatility to continue as markets focus on opposing factors.

Regional Economic Highlights

EM Asia Economics | Producer Price Inflation Moderating

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EM Asia Producer Price Inflation Currently Moderating As Oil Prices Hold Ground



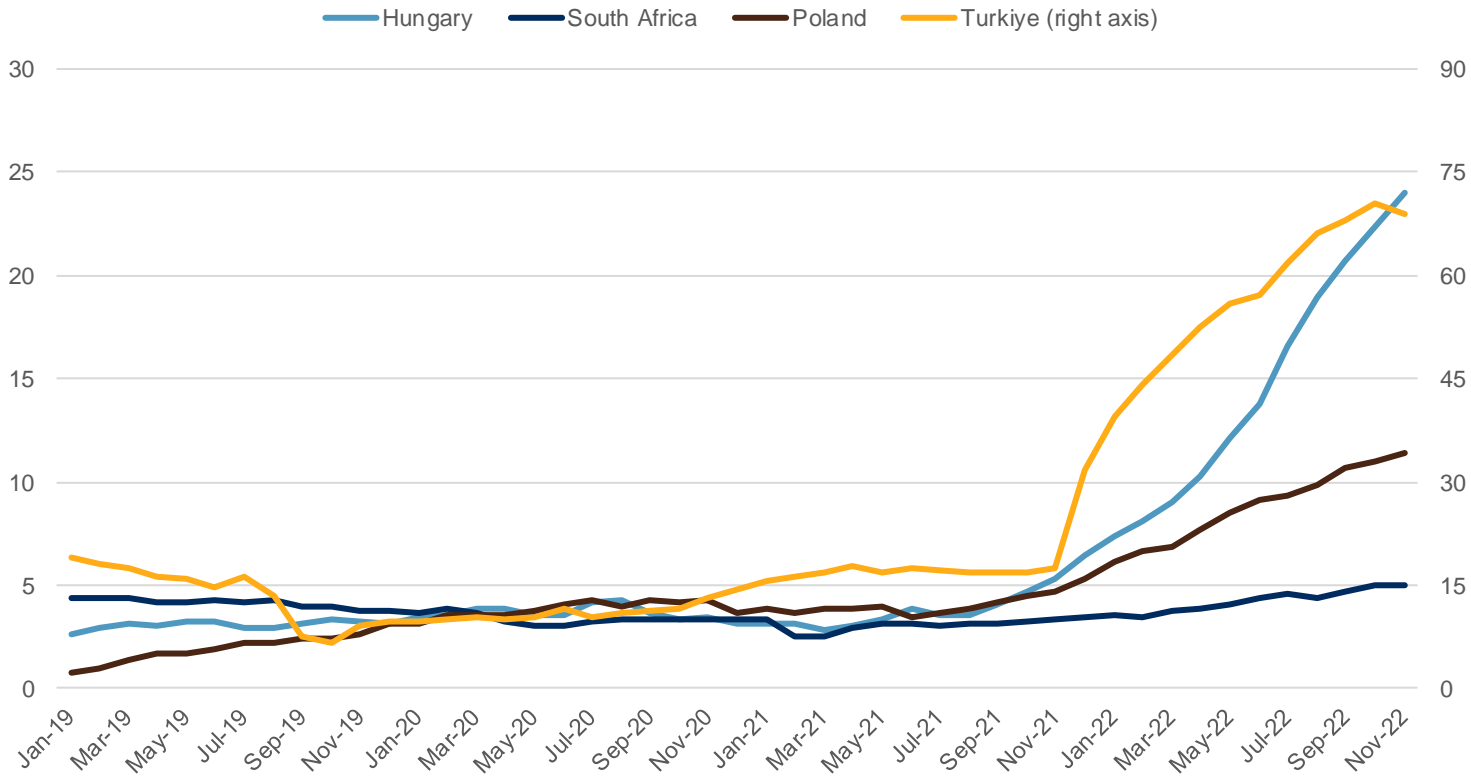
- There has been some relief for producer price inflation in the region as oil prices remained range-bound at about the \$90/bbl mark. This will help curtail some broader price and input cost pressures that had soared earlier in 2022 for firms in the region.
- This has helped ease some external current account pressures in the region.
- The outlook remains uncertain as fresh oil and commodity price shocks can't be ruled out. The oil-price cap, OPEC supply decisions, and geopolitical uncertainty pose risks to the energy market.

Simple average of producer price inflation taken for India, Indonesia, the Philippines, Malaysia, and Thailand. Source: CEIC, World Bank, and S&P Global Ratings.

EM EMEA Economics | All Eyes On Core Inflation

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Core Inflation In EM EMEA



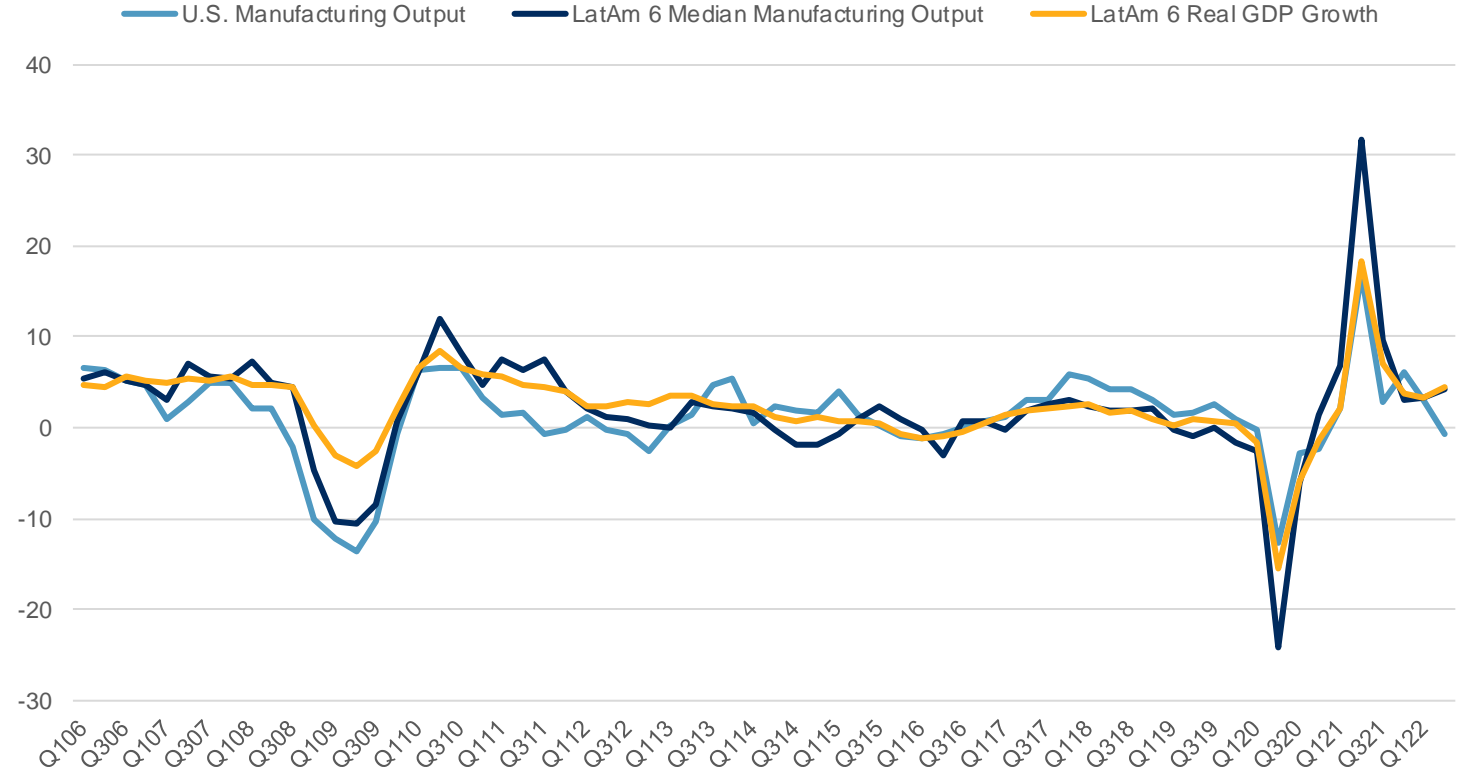
- Following a decrease in energy prices, annual headline inflation has started to decelerate in several EM EMEA economies. In South Africa and Turkey, inflation has peaked this year, while we expect headline inflation in Central and Eastern European (CEE) economies to peak in the first quarter.
- However, a more persistent inflation remains a major risk. Volatile European gas prices could fuel energy price inflation in EM Europe. Food inflation outlook has subsided, but international prices could still go up. In CEE, where labor markets are tight, core inflation is still increasing. In Hungary, the recent jump in energy prices (24% in sequential terms from August to October) has started to pass through to other components of inflation.

In year-on-year percentages. Source: Turkstat, Statistics Poland, Hungarian Central Statistical Office, Stats SA and S&P Global Ratings.

LatAm Economics | Manufacturing Will Likely Be A Drag On 2023 Growth

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Manufacturing Production And Real GDP Growth



In year-on-year percentages. LatAm six includes Argentina, Brazil, Chile, Colombia, Mexico, and Peru. Source: Haver Analytics and S&P Global Ratings.

- We expect GDP growth in LatAm to slow sharply to 0.7% in 2023 from 3.4% in 2022, as external demand weakens, tighter financial conditions squeeze investment, and domestic demand softens after a remarkably strong performance in 2022.
- Manufacturing output will likely decline across most of the region next year, as demand from major advanced economies cools. We see signs that manufacturing activity started to weaken more noticeably towards the end of the third quarter, both in confidence and hard data. We estimate the median contribution of manufacturing output to GDP growth in LatAm was about 0.6 percentage points in 2022. We expect this to shift to a median drag of about 0.2 percentage points in 2023.

Macro-Credit Dashboards

GDP Summary | Q3 GDP Data Was Generally Better-Than-Expected

| Country | Latest reading (y/y) | Period | Five-year Average | 2020 | 2021 | 2022f | 2023f | 2024f | 2025f |
|--------------|----------------------|--------|-------------------|-------|------|-------|-------|-------|-------|
| Argentina | 6.9 | Q2 | -0.2 | -9.9 | 10.4 | 4.6 | 0.5 | 2.3 | 2.0 |
| Brazil | 3.6 | Q3 | -0.5 | -4.2 | 4.9 | 2.9 | 0.5 | 2.0 | 2.2 |
| Chile | 0.3 | Q3 | 2.0 | -6.2 | 11.9 | 2.5 | -0.4 | 2.9 | 2.8 |
| Colombia | 7.0 | Q3 | 2.4 | -7.0 | 10.7 | 7.7 | 1.1 | 3.0 | 3.3 |
| Mexico | 4.3 | Q3 | 2.0 | -8.2 | 5.0 | 2.6 | 0.8 | 2.0 | 2.3 |
| Peru | 1.7 | Q3 | 3.2 | -11.0 | 13.5 | 2.2 | 2.5 | 3.1 | 3.3 |
| China | 3.9 | Q3 | 6.7 | 2.2 | 8.1 | 3.2 | 4.8 | 4.7 | 4.6 |
| India | 6.3 | Q3 | 6.9 | -6.6 | 8.7 | 7.0 | 6.0 | 6.9 | 6.9 |
| Indonesia | 5.7 | Q3 | 5.0 | -2.1 | 3.7 | 5.3 | 5.0 | 5.0 | 5.0 |
| Malaysia | 14.2 | Q3 | 4.9 | -5.7 | 3.1 | 8.9 | 3.2 | 4.7 | 4.5 |
| Vietnam | 13.7 | Q3 | 6.7 | 2.9 | 2.5 | 8.3 | 6.3 | 6.9 | 6.7 |
| Philippines | 7.6 | Q3 | 6.6 | -9.5 | 5.7 | 7.1 | 5.2 | 6.6 | 6.3 |
| Thailand | 4.5 | Q3 | 3.4 | -6.2 | 1.5 | 2.9 | 3.5 | 3.5 | 3.1 |
| Poland | 4.5 | Q3 | 4.4 | -2.0 | 6.7 | 5.5 | 0.9 | 3.4 | 2.8 |
| Saudi Arabia | 8.6 | Q3 | 1.6 | -4.1 | 3.2 | 8.1 | 3.4 | 2.6 | 2.1 |
| South Africa | 4.1 | Q3 | 1.0 | -6.3 | 4.9 | 1.9 | 1.5 | 1.7 | 1.7 |
| Turkiye | 3.9 | Q3 | 4.2 | 1.8 | 11.6 | 6.1 | 2.4 | 2.8 | 3.2 |

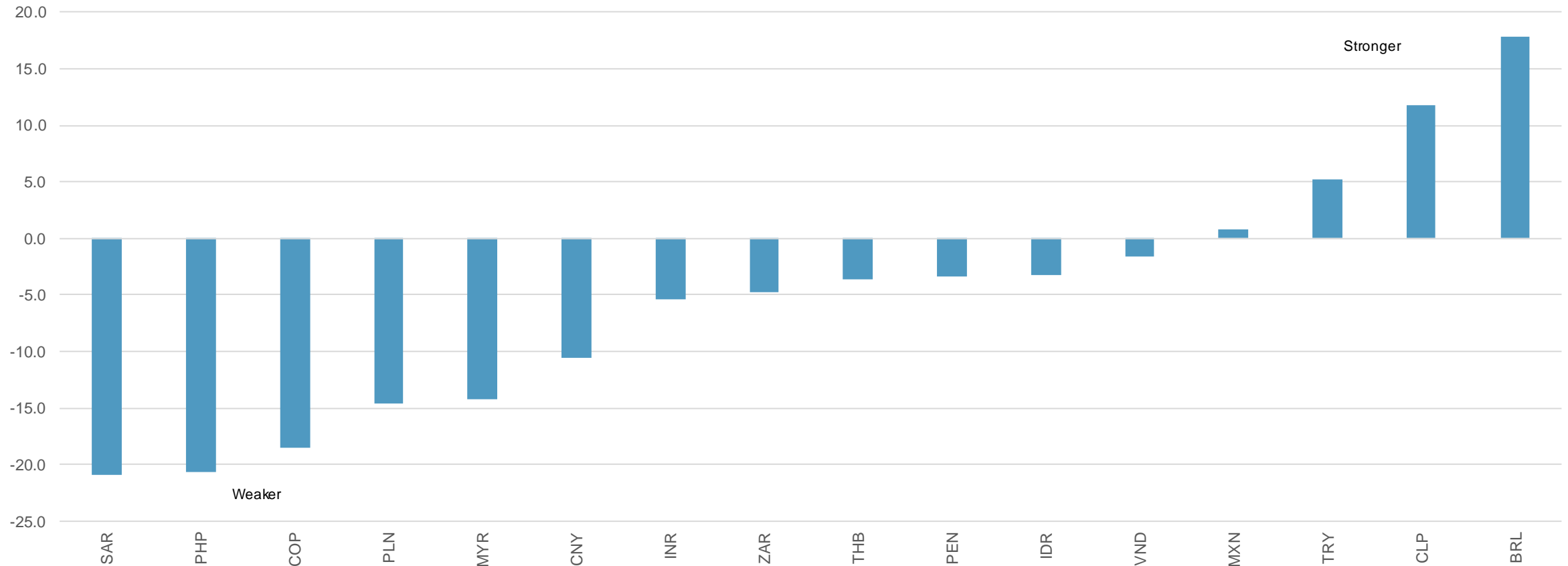
Monetary Policy/FX | More Signs That Several Central Banks Are Tapering Rate Hikes

| Country | Policy rate | Inflation target | Latest inflation reading | Latest rate decision | Next meeting | November exchange rate change | YTD exchange rate change |
|--------------|-------------|------------------|--------------------------|----------------------|--------------|-------------------------------|--------------------------|
| Argentina | 75.00% | No target | 88.0% | Hold | N/A | -6.2% | -38.6% |
| Brazil | 13.75% | 3.5% +/- 1.5% | 5.9% | Hold | Feb. 2 | -0.7% | 5.4% |
| Chile | 11.25% | 3% +/- 1% | 13.3% | 100 bps hike | Dec. 14 | 4.4% | -6.1% |
| Colombia | 11.00% | 3% +/- 1% | 12.5% | 100 bps hike | Dec. 16 | 0.2% | -17.2% |
| Mexico | 10.00% | 3% +/- 1% | 7.8% | 75 bps hike | Dec. 15 | 2.5% | 5.6% |
| Peru | 7.25% | 2% +/- 1% | 8.5% | 25 bps hike | Dec. 7 | 3.7% | 3.8% |
| China | 2.00% | 3% | 1.5% | N/A | N/A | 0.0% | -11.2% |
| India | 6.25% | 4% +/- 2% | 6.8% | 35 bps hike | Feb. 9 | 1.6% | -8.7% |
| Indonesia | 5.25% | 3.5% +/- 1% | 5.4% | 50 bps hike | Dec. 22 | -0.9% | -9.4% |
| Malaysia | 2.75% | No target | 4.0% | 25 bps hike | Jan. 19 | 6.3% | -6.3% |
| Philippines | 5.00% | 3% +/- 1% | 8.0% | 75 bps hike | Dec. 15 | 2.5% | -9.8% |
| Thailand | 1.25% | 2.5% +/- 1.5% | 5.6% | 25 bps hike | Jan. 25 | 7.9% | -5.3% |
| Vietnam | 6.00% | 4% | 4.4% | 100 bps hike | N/A | 0.8% | -7.5% |
| Poland | 6.75% | 2.5% +/- 1% | 17.5% | Hold | Jan. 4 | 5.1% | -11.2% |
| Saudi Arabia | 4.50% | 3% +/- 1% | 3.0% | 75 bps hike | N/A | 0.0% | 0.0% |
| South Africa | 7.00% | 3%-6% | 7.8% | 75 bps hike | Jan. 26 | 8.1% | -6.1% |
| Turkiye | 9.00% | 5% +/- 2% | 84.4% | 150 bps cut | Dec. 22 | 0.0% | -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 | Several Currencies Are Now Stronger Than Their Long-Term Average

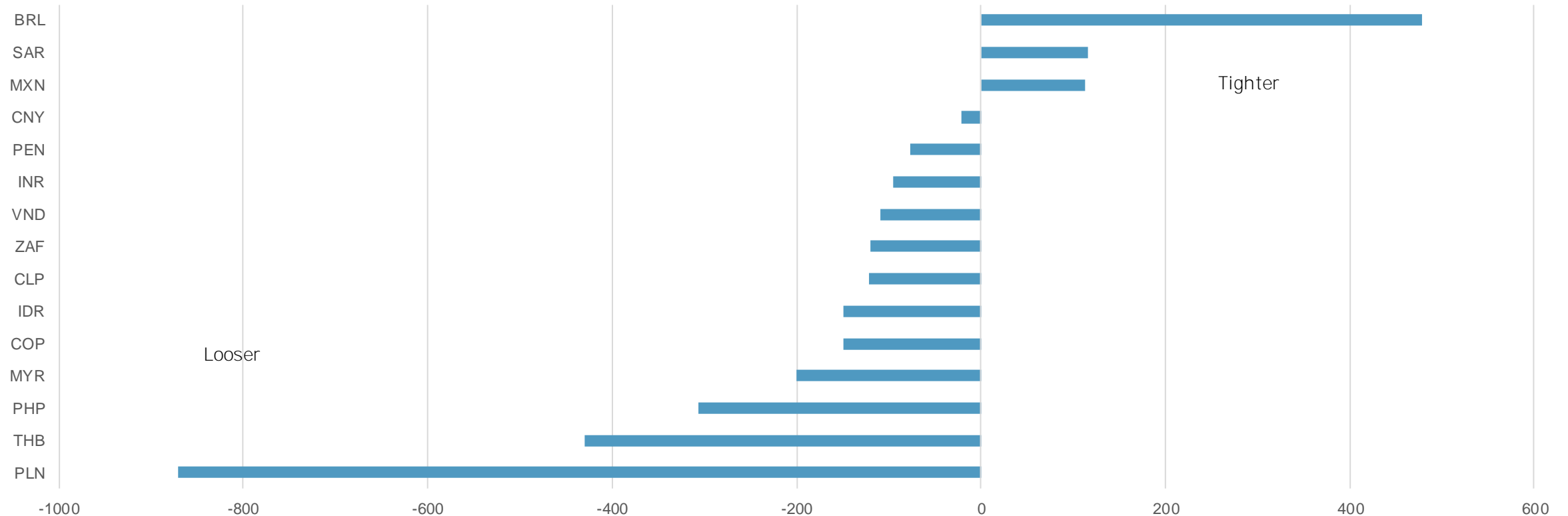
Broad Real Effective Exchange Rates



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

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

Deviation In Current Real Benchmark Interest Rates From 10-Year Average (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. Source: 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 | Negative | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Positive | Stable | Stable | Negative |
| 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 (Nov.30, 2022) | BBB | BBB+ | BB | BB | BBB+ | BBB- | BBB+ | BBB+ | BB- | BBB | BBB- | BB+ | BB- | BB- | BB- | B | CCC+ |
| Net Debt / EBITDA | 2.99 | 3.10 | 1.52 | 2.15 | 2.03 | 2.80 | 3.11 | 3.34 | 2.49 | 2.73 | 2.40 | 2.06 | 2.01 | 2.01 | 2.75 | 1.90 | 1.43 |
| ROC Adj.\$ | -8.3 | -0.04 | -10.3 | -2.1 | -1.6 | -2.8 | -0.3 | -3.0 | -1.2 | -4.3 | -2.3 | -2.4 | -3.8 | -1.2 | -0.1 | -38.1 | -39.8 |
| EBITDA INT. COV. | 7.11 | 9.64 | 11.14 | 8.53 | 13.15 | 4.70 | 7.23 | 7.53 | 5.93 | 12.01 | 6.27 | 6.27 | 3.36 | 6.85 | 6.63 | 4.54 | 3.61 |
| FFO / Debt | 29.35 | 24.50 | 44.31 | 39.30 | 28.88 | 36.21 | 16.36 | 25.16 | 34.14 | 28.87 | 35.22 | 41.70 | 51.98 | 46.12 | 29.24 | 43.75 | 47.64 |
| 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.

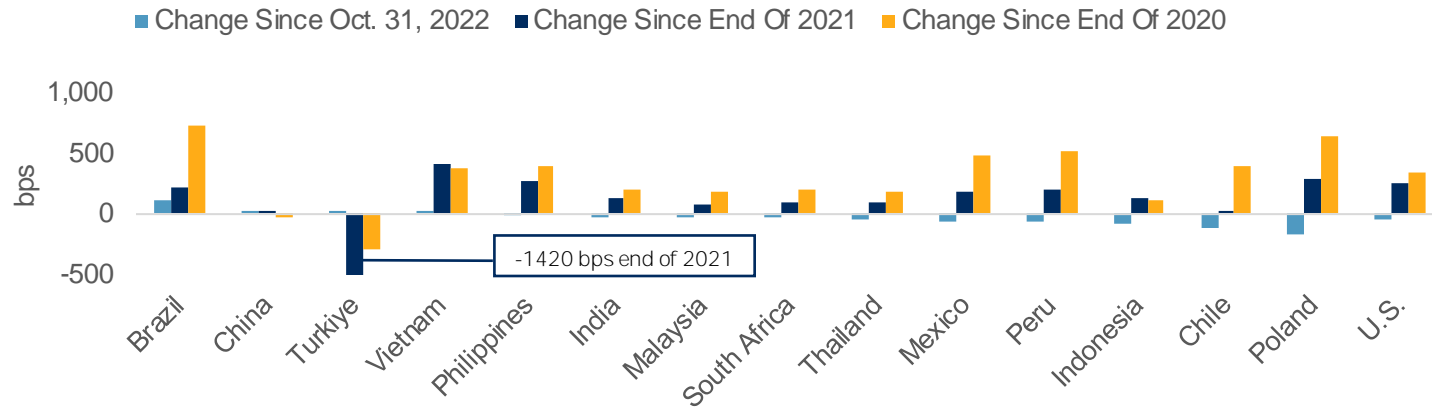
*IIF 1Q 2022. Sources: Bangko Sentral NG Pilipinas; Corporate Variables Capital IQ 1Q 2022. S&P Global Ratings. Data for sovereigns and financial institutions as of Dec. 13, 2022.

Financing Conditions

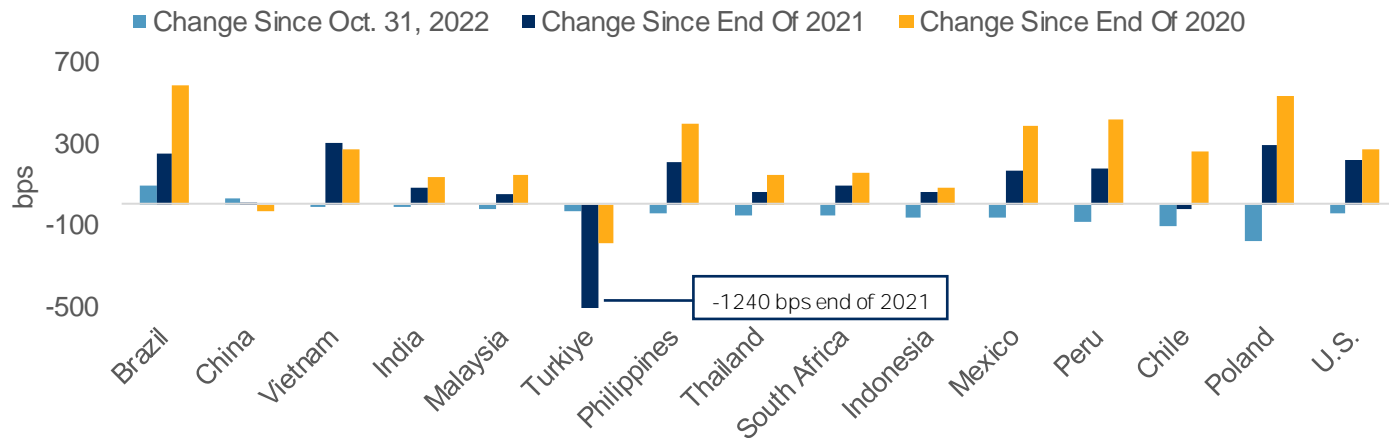
Highlights

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

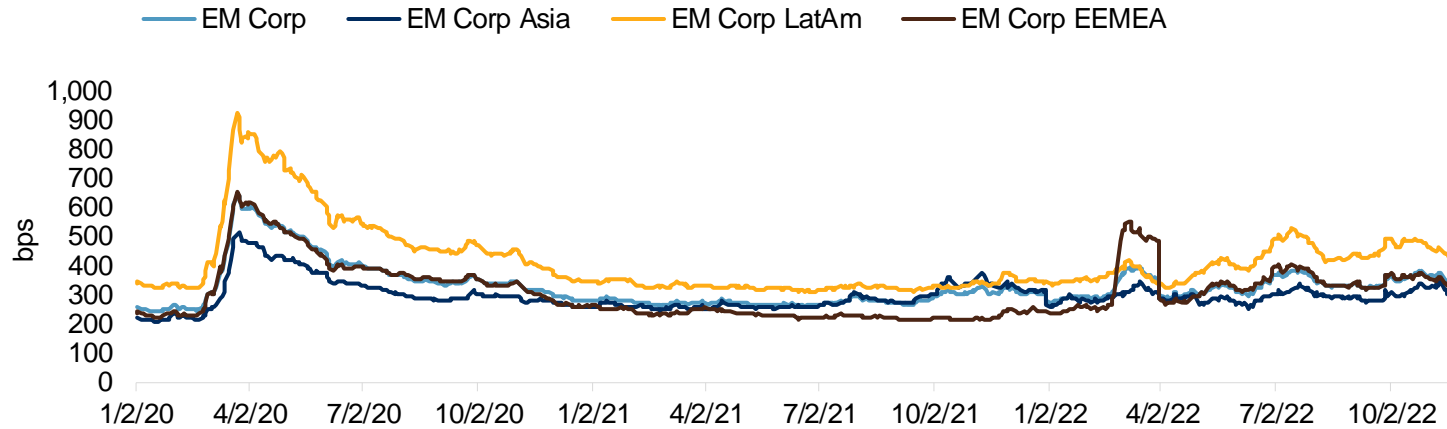


Data as of Nov. 30, 2022. The selection of country is subject to data availability. Source: S&P Global Ratings, S&P Capital IQ Pro and Datastream.

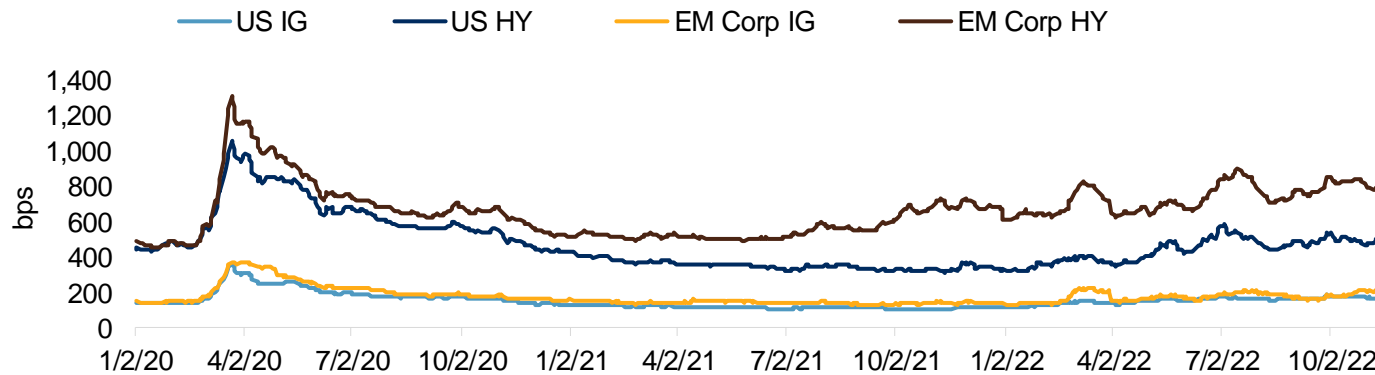
- 10-year yields have moderated in November across almost all EMs. Exceptions include Brazil due to market concerns on the new administration’s spending plan announcements; and China, given the uncertainty regarding its zero-Covid policy stance.
- EM inflation appears to have reached the peak or will do shortly in this cycle. Even as inflation is forecasted to ease in most EMs next year primarily due to falling food and fuel inflation, it's poised to remain above many EM central banks' respective targets in 2023. Therefore, monetary policy rates are likely to stay high.
- Strengthening dollar remains one key risk to EMs. Weaker currencies intensify pressure on EMs’ external financing costs and inflation. A strong dollar increases the debt burden of borrowers with significant mismatch between their foreign currency liabilities and cash flows.
- The trajectory of financing conditions in EMs will be very much dependent on the persistence of inflation, extent of growth deceleration, and the drag effect from the Fed and ECB tightening cycles. The direction of these three factors will not necessarily be even across regions.

EM Credit Spreads | Risk Premia Subsided

EM Spreads By Region



U.S. And EM Spreads



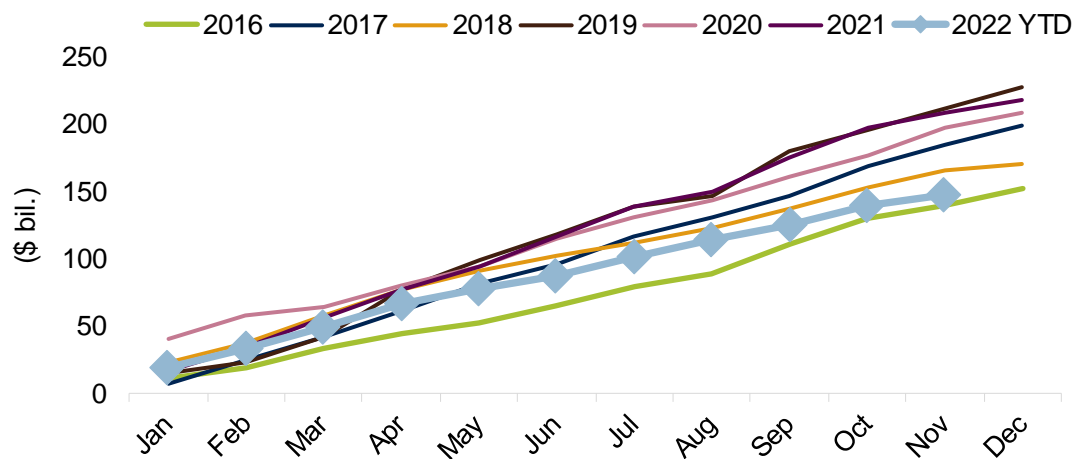
Data as of Nov. 30, 2022. HY – high yield; IG – investment grade. Source: S&P Global Ratings, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- Risk premia decreased across all EM regions.
- Spreads in EMs were recorded down by 48 bps on average, mirroring the resilience of EEMEA to the Russia-Ukraine conflict spillovers, solid domestic demand in EM Asia, and stronger-than-expected growth in LatAm.
- In the short term, spreads may remain volatile in EMs following the macroeconomic developments, global financing conditions, trends in the commodity prices, China’s policy stance on Covid, and ongoing Russia-Ukraine conflict.
- Since March, access to external markets remains challenging for all borrowers but particularly for those with speculative-grade ratings. November registered a marked decrease in EM IG spread (down 136 bps) compared with October amid a general stabilization of spreads.

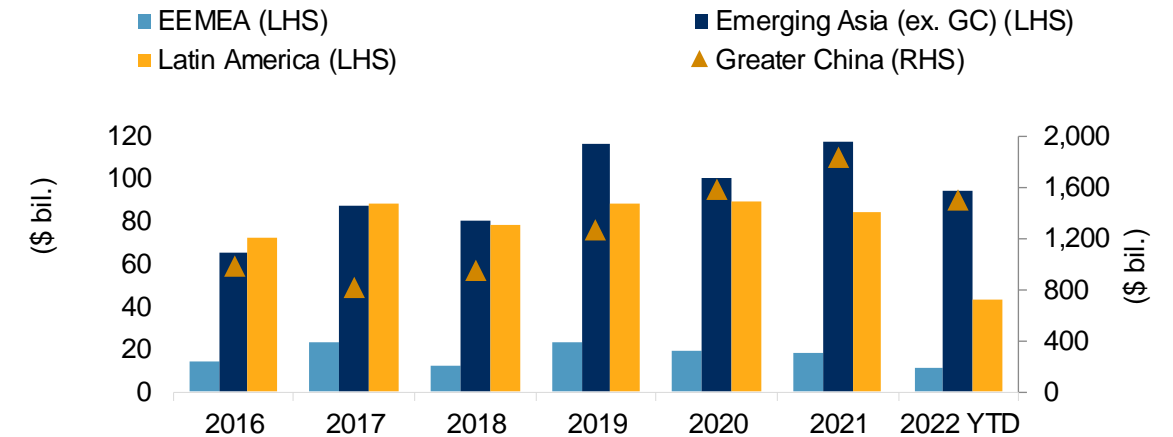
EM | Financial And Non-Financial Corporate Issuance

- Issuance remained modest in November 2022. The cumulative amount has reached \$148 billion by the end of November, about 28% less than during the past three years. The \$9 billion monthly increase is the lowest November on record since 2011.
- Despite higher issuance resilience in EM Asia (including Greater China), its pace slowed. Greater China's debt issuance was down 13% in November (on a monthly basis) to \$119 billion. EEMEA's issuance is only 63% of 2021 level year to date, **LatAm's** cumulative issuance was nearly half of the 2021 level year to date. Foreign currency issuance is responsible for this drop, while domestic markets are still active in EMs.
- A further drop in investor confidence, high risk premia, and strong dollar could intensify already elevated refinancing risks and capital flow concerns in the following year. Volatile global market conditions raise the risk of persistent liquidity pressure.

EM Cumulative Corporate Bond Issuance



EM Regional Bond Issuance



Excluding Greater China. Data as of Nov. 30, 2022. Data including NR (not rated). Source: S&P Global Ratings and Refinitiv.

Data as of Nov. 30, 2022. GC- Greater China. Source: S&P Global Ratings and Refinitiv.

Ratings Summary

Ratings Summary | Sovereign Ratings In EM17

- Most sovereign ratings in selected EMs remained unchanged despite macroeconomic challenges.
- We revised the outlook on Argentina to negative from stable on Nov. 16, 2022. Our negative outlook reflects economic challenges and persistent disagreement on policy within the ruling coalition and opposition that is weighing on financing conditions in local markets.
- **At the close of this edition, we also revised Peru's outlook to Negative from stable** (Dec. 12, 2022) on heightened political risk.

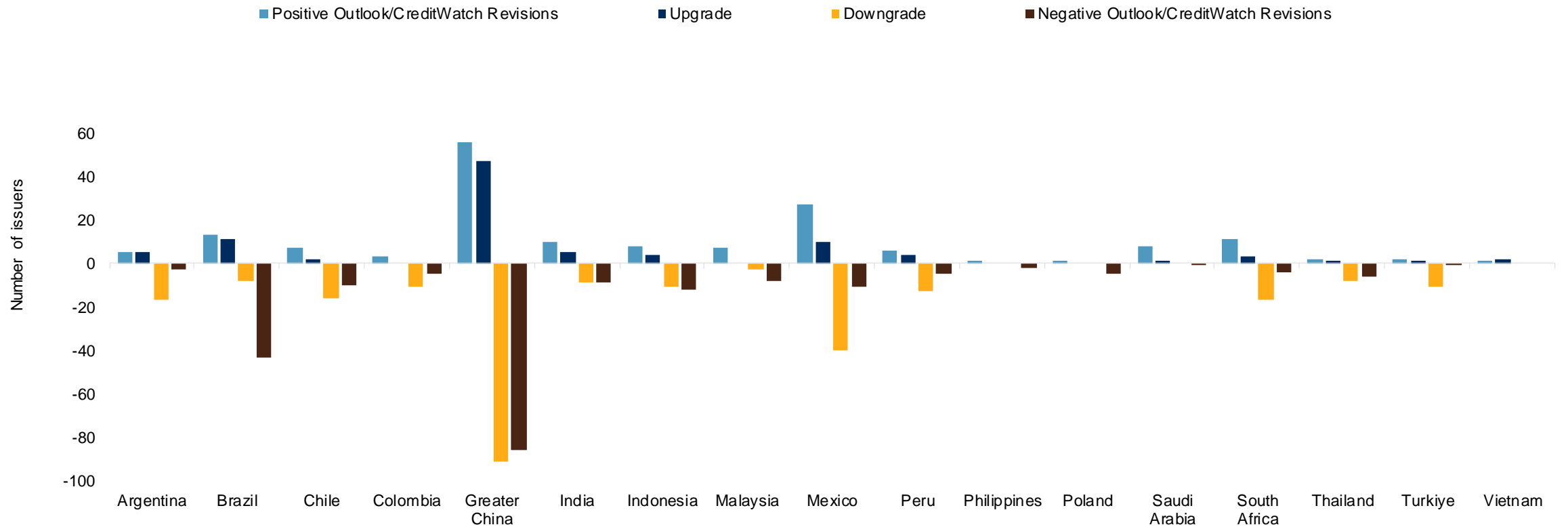
| Economy | Rating | Outlook | 5-year CDS spread (Nov. 30) | 5-year CDS spread (Oct. 31) |
|--------------|--------|----------|-----------------------------|-----------------------------|
| Argentina | CCC+ | Negative | 3,733 | 4,624 |
| Brazil | BB- | Stable | 245 | 273 |
| Chile | A | Stable | 115 | 153 |
| China | A+ | Stable | 78 | 126 |
| Colombia | BB+ | Stable | 283 | 350 |
| India | BBB- | Stable | 102 | 149 |
| Indonesia | BBB | Stable | 92 | 140 |
| Malaysia | A- | Stable | 73 | 107 |
| Mexico | BBB | Stable | 127 | 162 |
| Peru | BBB | Negative | 114 | 155 |
| Philippines | BBB+ | Stable | 91 | 128 |
| Poland | A- | Stable | 127 | 153 |
| Saudi Arabia | A- | Positive | 59 | 70 |
| South Africa | BB- | Positive | 242 | 300 |
| Thailand | BBB+ | Stable | 60 | 88 |
| Turkiye | B | Stable | 523 | 657 |
| Vietnam | BB+ | Stable | 138 | 157 |

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

| Rating date | 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 |
| 25-Nov-22 | Axiata Group Berhad | Malaysia | Telecommunications | BBB | BBB+ | Downgrade | 3,000 |
| 7-Nov-22 | Oi S.A. | Brazil | Telecommunications | CCC- | CCC+ | Downgrade | 2,534 |
| 20-Oct-22 | Koc Holding A.S. | Turkiye | Financial institutions | B | B+ | Downgrade | 1,500 |
| 23-Sep-22 | Anadolu Efes Biracilik ve Malt Sanayii A.S. | Turkiye | Consumer products | BB+ | BBB- | Downgrade | 1,500 |
| 5-Oct-22 | Turk Telekom (Ojer Telekomunikasyon A.S.) | Turkiye | Telecommunications | B | B+ | Downgrade | 1,000 |
| 5-Oct-22 | Turkcell Iletisim Hizmetleri A.S. | Turkiye | Telecommunications | B | B+ | Downgrade | 1,000 |
| 15-Sep-22 | Ulker Biskuvi Sanayi A.S. | Turkiye | Consumer products | B- | B | Downgrade | 650 |
| 14-Oct-22 | Operadora de Servicios Mega, S.A. de C.V. SOFOM, E.R. | Mexico | Financial institutions | B | B+ | 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 | Utilities | BBB- | BBB | Downgrade | 405 |
| 8-Nov-22 | PT Kawasan Industri Jababeka Tbk. | Indonesia | Homebuilders/real estate Co. | CC | CCC | Downgrade | 300 |
| 14-Oct-22 | AUNA S.A.A. | Peru | Health care | B | B+ | Downgrade | 300 |
| 21-Nov-22 | Axis Bank Ltd. | India | Bank | BBB- | BB+ | Upgrade | 95 |

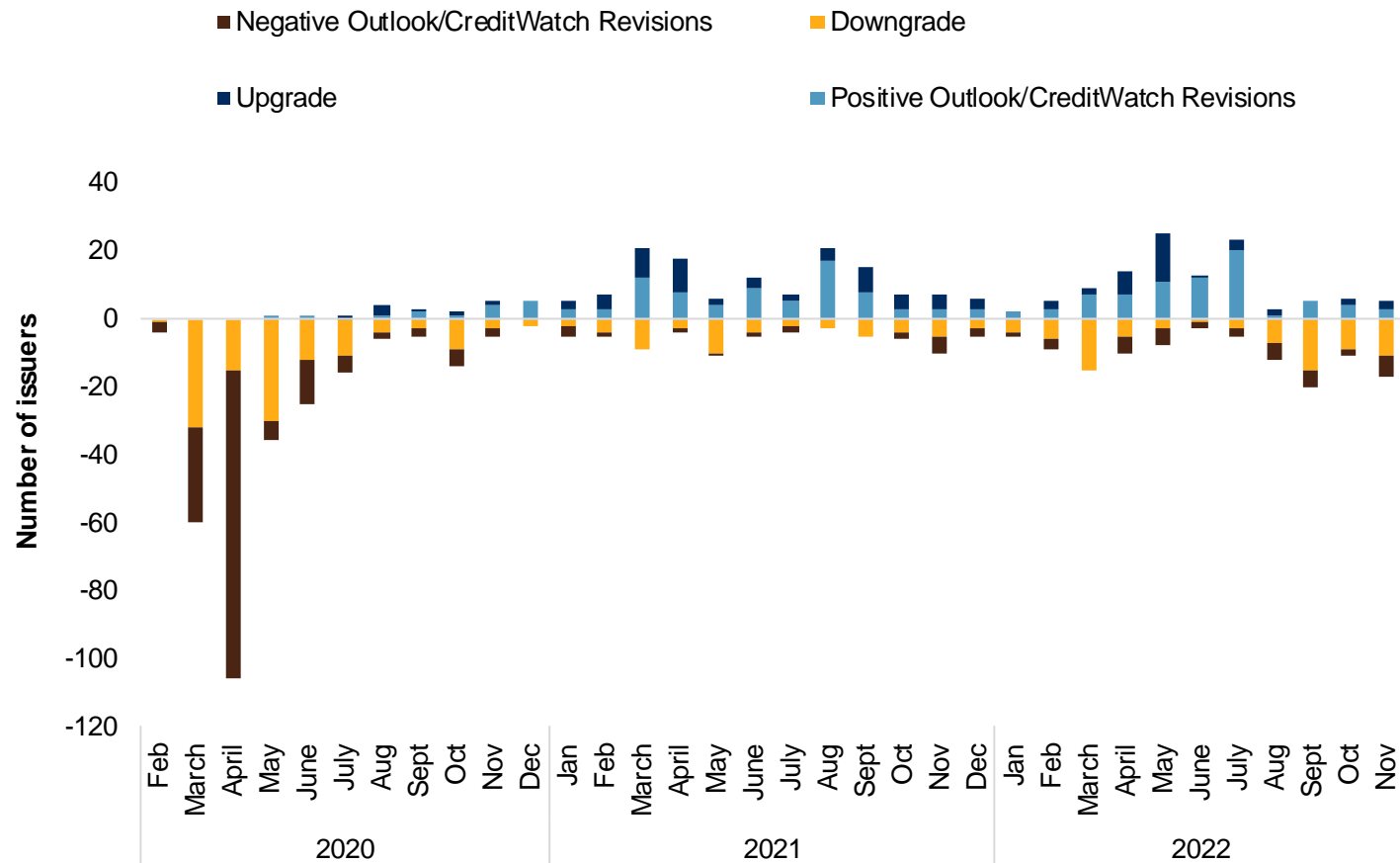
Data as of Nov. 30, 2022 (last 90 days), excludes sovereigns, Greater China and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and grey - default. Source: S&P Global Ratings.

EM | Total Rating Actions By Economy



Data includes sovereigns. Data from Feb. 3, 2020 to Nov. 30, 2022. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. Greater China --- China, Hong Kong, Macau, Taiwan and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings.

EM | Total Rating Actions By Month

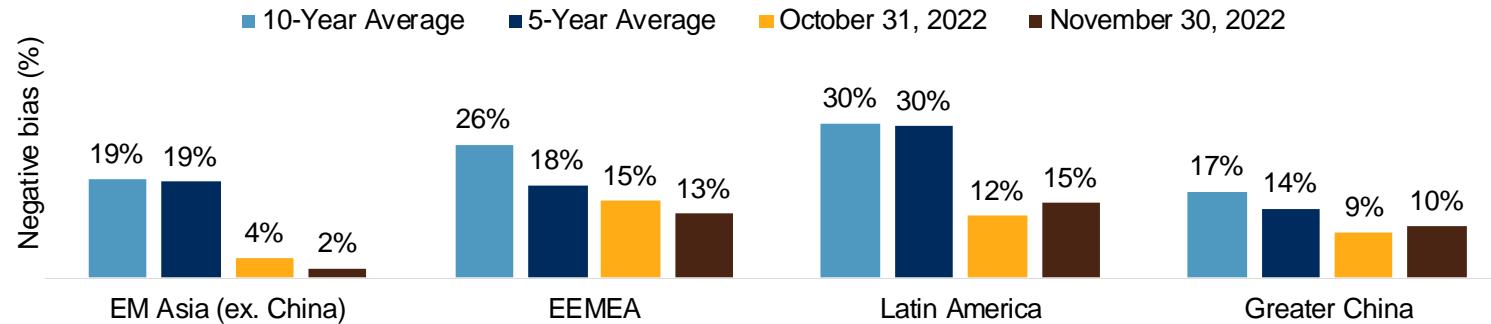


- Number of downgrades increased in November to 11, bringing the total to 79 year to date. Of 11 downgrades, eight are from Greater China, and one each from Malaysia, Indonesia and Brazil.
- Seven of the downgraded issuers belong to the real-estate sector (six in China) and displayed liquidity strains. Other issuers (of which two are in the telecom sector) were downgraded due to idiosyncratic reasons such as weaker profitability metrics, tight liquidity, high leverage, debt restructuring risk.
- There were two upgrades in November, keeping year to date tally to 35. An Argentinian energy group was upgraded on debt repayment, while an Indian bank was upgraded due to improving asset quality, supported by stable macroeconomic conditions in India and satisfactory risk management.

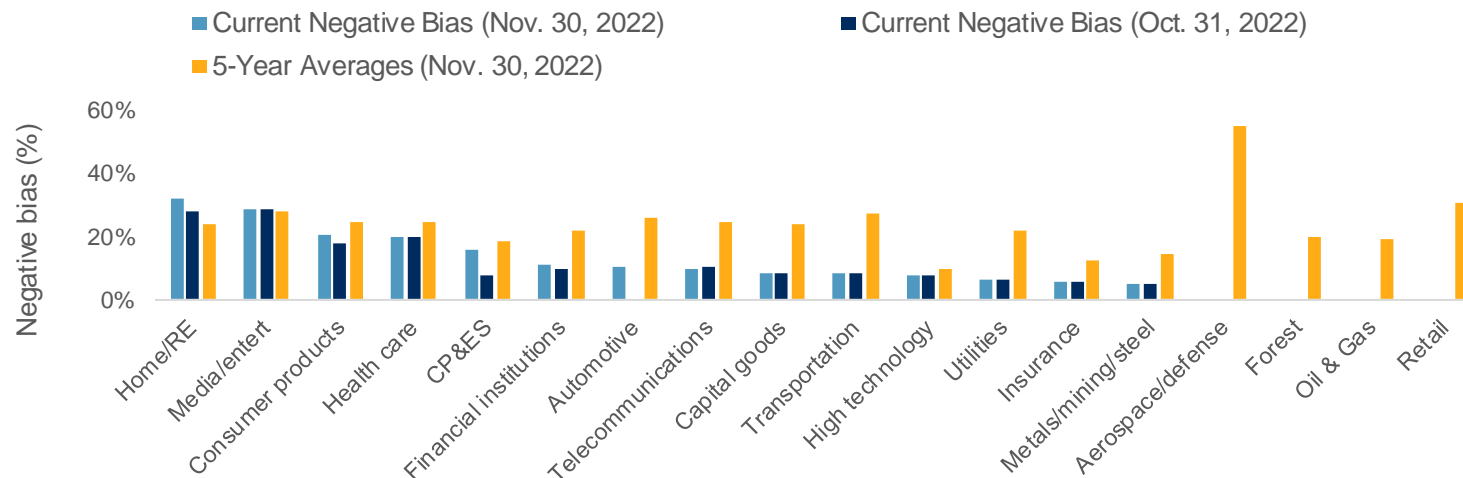
Data includes sovereigns. Data from Feb. 3, 2020 to Nov. 30, 2022. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. Greater China --- China, Hong Kong, Macau, Taiwan and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings.

EM Downgrade Potential | Regional Negative Bias

EEMEA Has The Highest Downgrade Potential



Negative Bias By Sector



- LatAm has the highest downgrade potential, with negative bias increasing to 15% in November from 12% in October, after the outlook revision to negative on four issuers (two of which are in Argentina following the sovereign rating action). Downgrade potential remains well below historical averages.
- EM EMEA. The negative bias fell to 13% in November from 15% in October as the outlook revision on one South African issuer was revised to stable from negative on expected government debt transfer.
- EM Asia (excluding China). The downgrade potential decreased slightly as one Malaysian issuer was downgraded and a stable outlook was assigned. Negative bias is well below the 5-year and 10-year average.
- Greater China. November 2022 downgrade potential increased slightly to 10% compared with October level (9%), but below historical averages.

Data as of Nov. 30, 2022 and include sectors with more than five issuers only; excludes sovereigns. EMs consist of Latin America: Argentina, Brazil, Chile, Colombia, Peru, Mexico. Emerging Asia: India, Indonesia, Malaysia, Thailand, the Philippines, Vietnam. EMEA: Poland, Saudi Arabia, South Africa, Turkiye. 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 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., SOFOM, E.N.R. (Futurum, 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 Nov. 30, 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 | Turkiye | Consumer products | BB+ | BBB- | 1,500 |
| 2-Sep-22 | Li & Fung Ltd. | Bermuda | Consumer products | BB+ | BBB- | 2,250 |
| 15-Mar-22 | Petroleos del Peru Petroperu S.A. | Peru | Oil & gas exploration & production | BB+ | BBB- | 2,000 |

Three EM rising stars YTD in 2022

| Rating date | Issuer | Economy | Sector | To | From | debt amount (mil. \$) |
|-------------|-----------------------------------|--------------|--------------------------|------|------|-----------------------|
| 21-Nov-22 | Axis Bank Ltd. | India | Bank | BBB- | BB+ | 95 |
| 2-Jun-22 | JBS S.A. (J&F Investimentos S.A.) | Brazil | Consumer products | BBB- | BB+ | 18,850 |
| 28-Apr-22 | Gold Fields Ltd. | South Africa | Metals, mining and steel | BBB- | BB+ | 1,000 |

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating and blue means investment-grade rating. Data as of Nov. 30, 2022; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

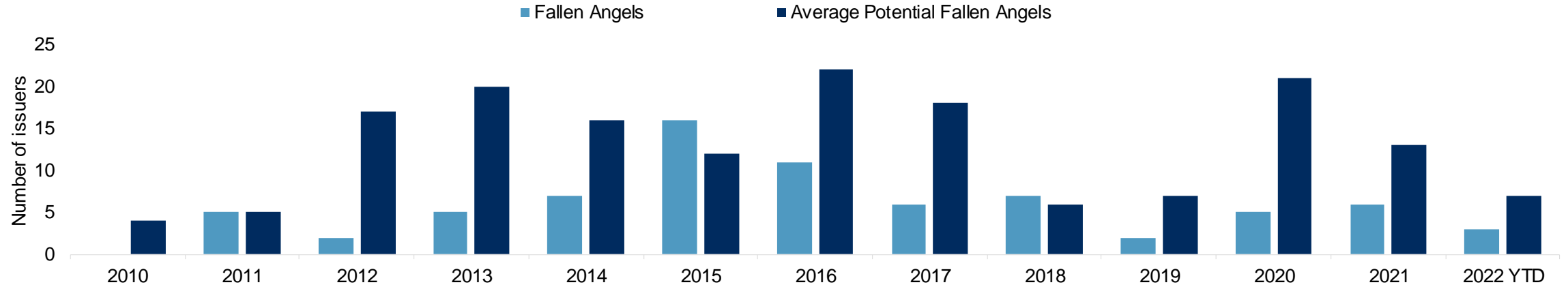
Rating Actions | List Of Defaulters In 2022 YTD

| 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. (Futulem, 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. (A) | 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+ | - |
| 15-Nov-22 | Greenland Holding Group Co. Ltd.(B) | China | Homebuilders/real estate companies | SD | CC | 600 |

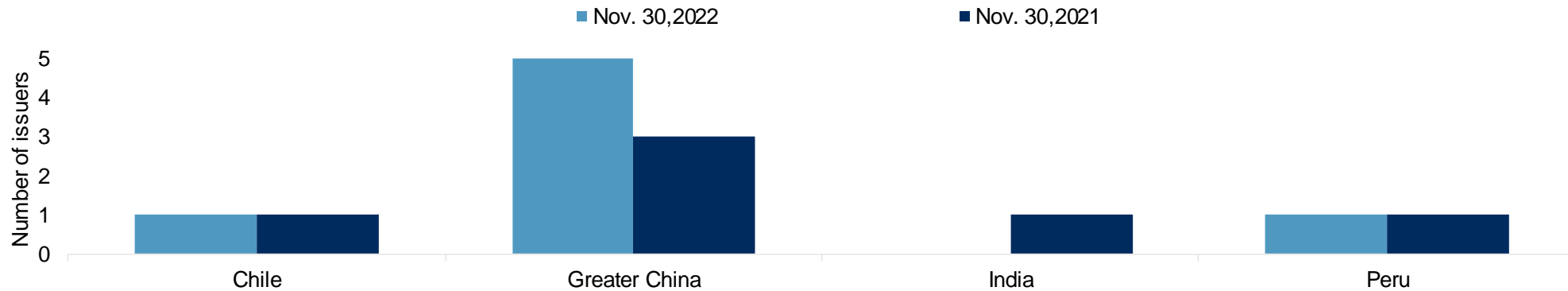
Data as of Nov. 30, 2022. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Excludes 10 confidential issuers in 2022 YTD. Red means speculative-grade rating, and grey means default (D) or 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



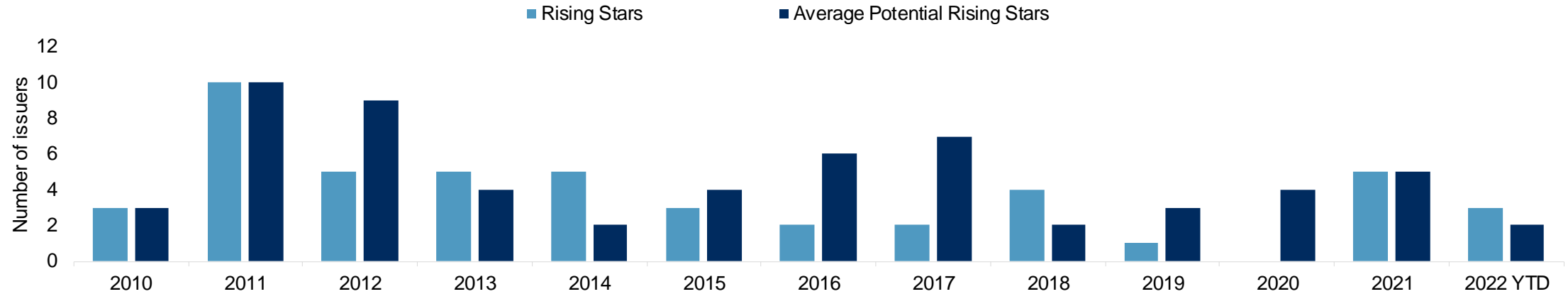
Two Potential Fallen Angels added in Greater China in November 2022



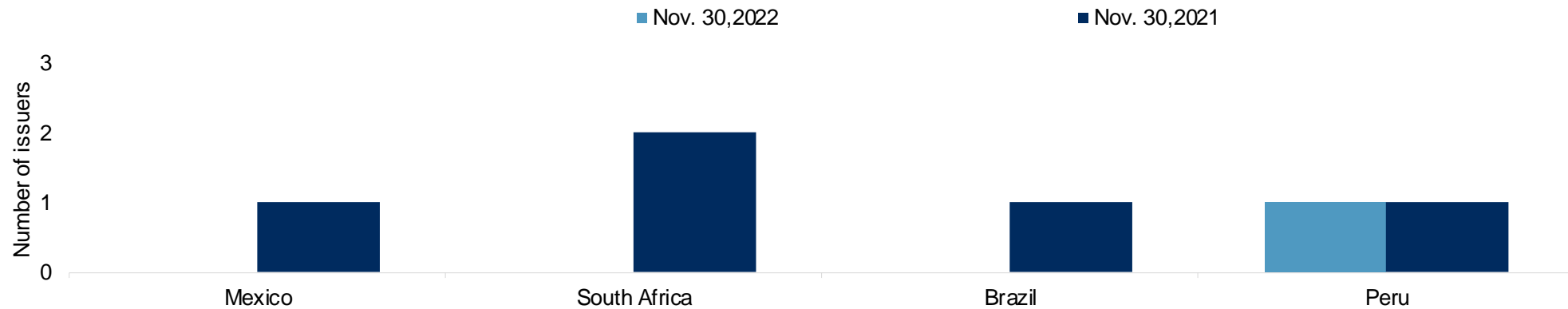
Data as of Nov. 30, 2022. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

Rating Actions | Rising Stars And Potential Rising Stars

Three Rising Stars In 2022 YTD



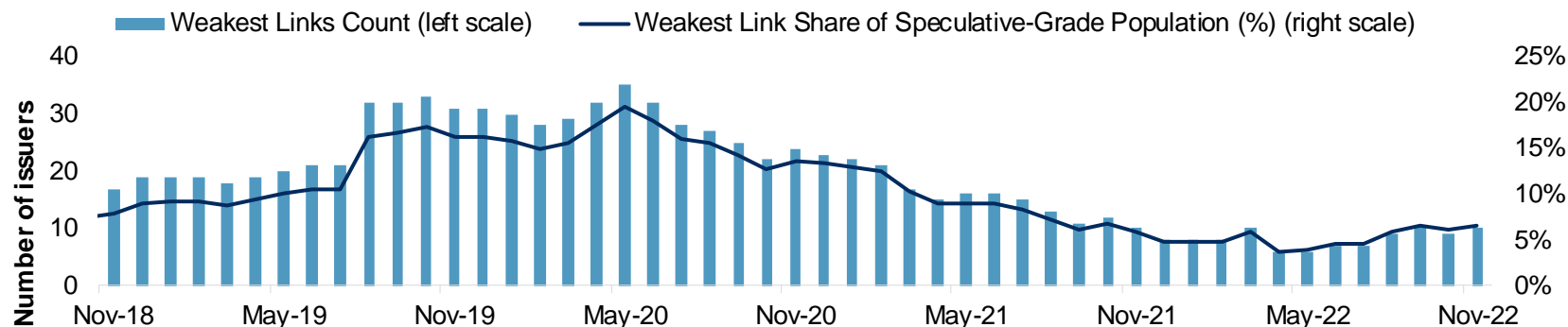
EM Potential Rising Stars Have Declined In 2022



Data as of Nov. 30, 2022. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies.(issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

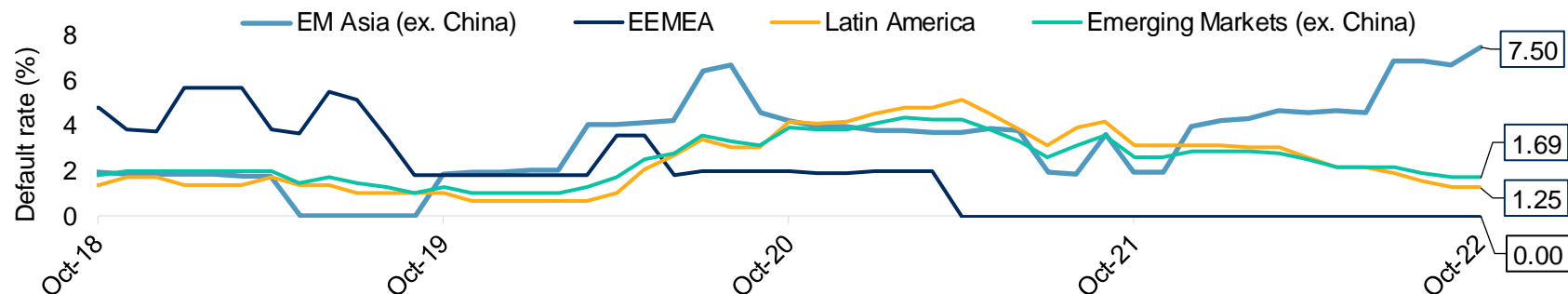
Rating Actions | Weakest Links And Defaults

EM Weakest Links At 10 In November



Data as of Nov. 30, 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.

Default Rate Up In EM Asia (As Of October 2022)

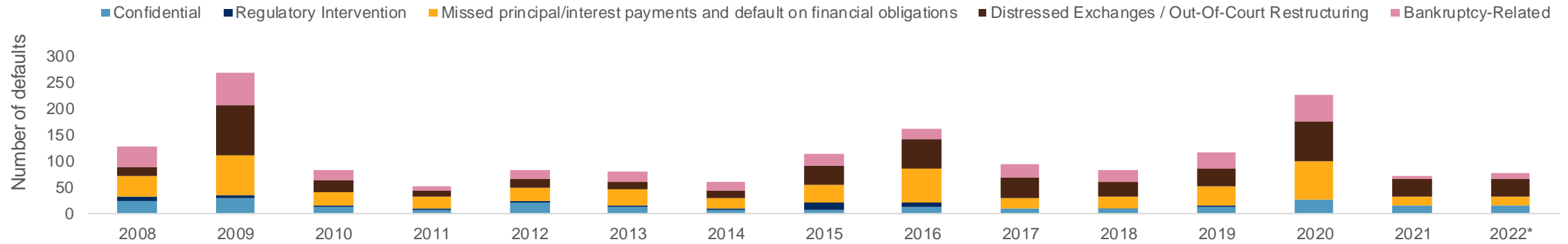


Excluding China. CreditPro data as of Oct. 31, 2022. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.

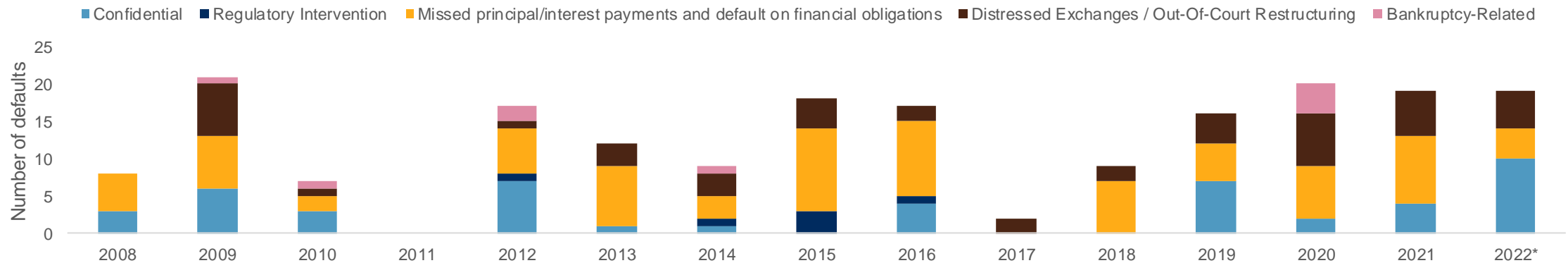
- Weakest links. EMs' weakest links slightly increased to 10 issuers in November (reaching 7% of total speculative-grade issuers).
- Default rates. October default rate increased in EM Asia (excluding China) and reads 7.5% in October, above the August 2020 peak of 7.0%. Nonetheless, the absolute number of defaults in in EM Asia (excluding China) remained constant with respect to previous months.

Rating Actions | Defaults

Year-End Global Corporate Defaults By Reason



Year-End EM 17 Corporate Defaults By Reason



*Data as of Nov. 30, 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). Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.

Related Research

EMs | Related Research

- Global Credit Conditions Downside Scenario: Inflation, Geopolitics Are Twin Threats To Our Base Case, Dec. 8, 2022
- Global Credit Outlook 2023: No Easy Way Out, Dec. 1, 2022
- Credit Conditions Emerging Markets Q1 2023: Downturn Exacerbates Risks, Dec. 1, 2022
- Economic Research: Economic Outlook EMEA Emerging Markets Q1 2023: Tough Choices Ahead, Nov. 30, 2022
- Economic Outlook Emerging Markets Q1 2023: Hanging in There, But Growth Prospects Remain Tough, Nov. 28, 2022
- Economic Outlook Asia-Pacific Q1 2023: Global Slowdown Will Hit, Not Halt, Growth, Nov. 28, 2022
- Economic Outlook Latin America Q1 2023: A Shift To Lower Growth, Nov. 28, 2022
- Credit Trends: Risky Credits: In Emerging Markets, Downward Rating Transitions Prevail, Nov. 22, 2022
- Emerging Markets Monthly Highlights: Approaching The Peak Of Tightening Cycle?, Nov. 16, 2022
- Default, Transition, and Recovery: Europe And Emerging Markets Are Default Hotspots, Nov. 11, 2022
- Emerging Markets Real-Time Data: Activity Continues To Wane With Weakening Demand And Tighter Financial Conditions, Nov. 10, 2022
- 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

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