

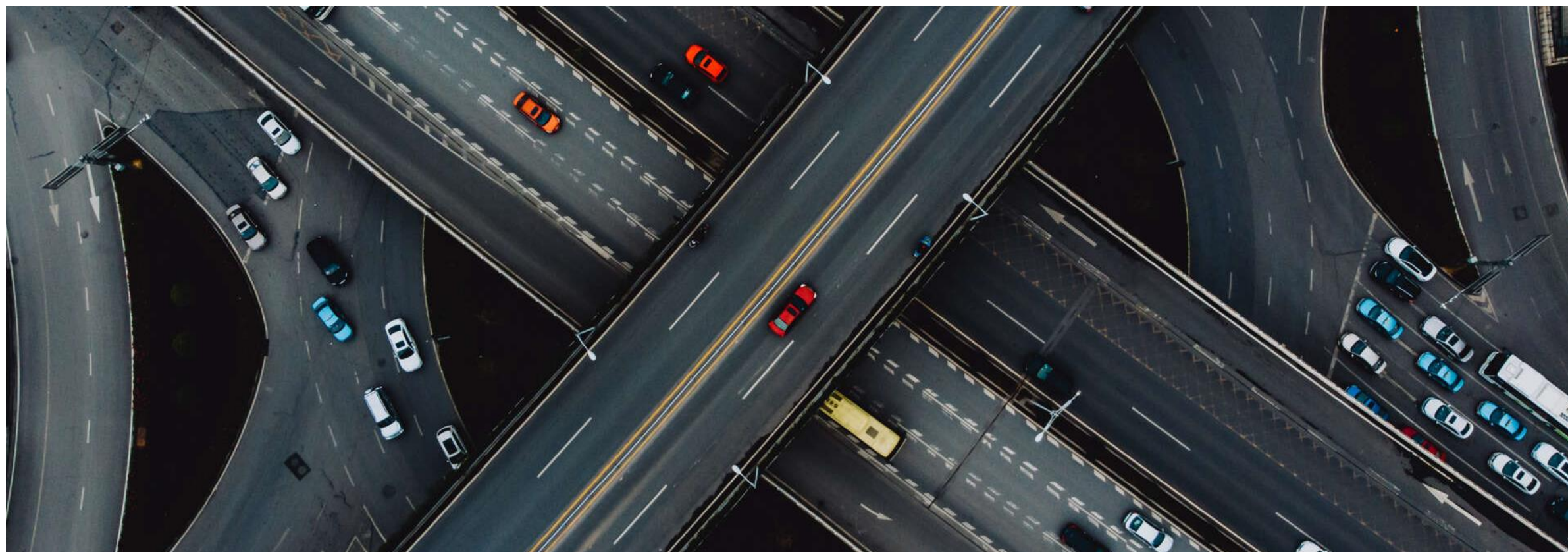
Emerging Markets Monthly Highlights

Diverging Trends Are Underway

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March 15, 2023



S&P Global
Ratings

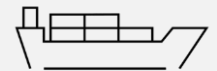
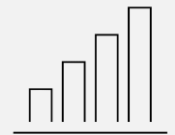
This report does not constitute a rating action.

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

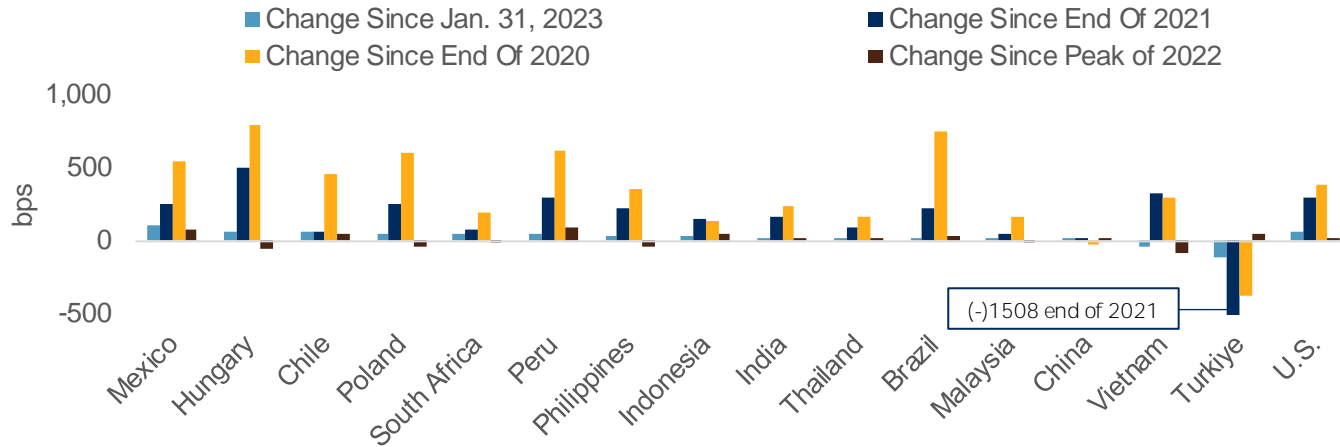
Key Takeaways

- Financing conditions have tightened for emerging markets (EMs). As we pointed out in our previous report, improvement in financial conditions in December-January was largely caused by excessively dovish market expectations with regards to the Federal Reserve's tightening. Consequently, after the change in market perceptions in February, spreads have broadly widened across most EMs. EM exchange rates have also depreciated last month, but developments in the U.S. in the past few days may partially reverse the trend due to renewed expectations of a less tight monetary stance, and subsequently, a weaker U.S dollar.
- At the same time, leading indicators are pointing to some optimism. EM Headline Purchasing Managers Index (PMI) for manufacturing has exceeded 50 for the first time since mid-2022. We also see gradual improvements in other leading and soft indicators, such as PMIs for new export orders and suppliers' delivery times, as well as consumer confidence. Elevated prices for some commodities, as well as reopening of China may support some EMs in the near to medium term. Nevertheless, situation remains fragile, and risks stemming from commodity-price volatility and political instability remain substantial.
- Supply-chain pressures continued to ease. Despite some growth in COVID-19 cases in China, supply-chain pressures continued to moderate, and some indicators are now back to pre-pandemic levels. This, together with decreasing energy prices, should abate inflationary pressures across EMs. However, with a few exceptions, core and food inflation remains elevated in sequential terms across most EMs, and we also observe a minimum wage increases broadly across region.

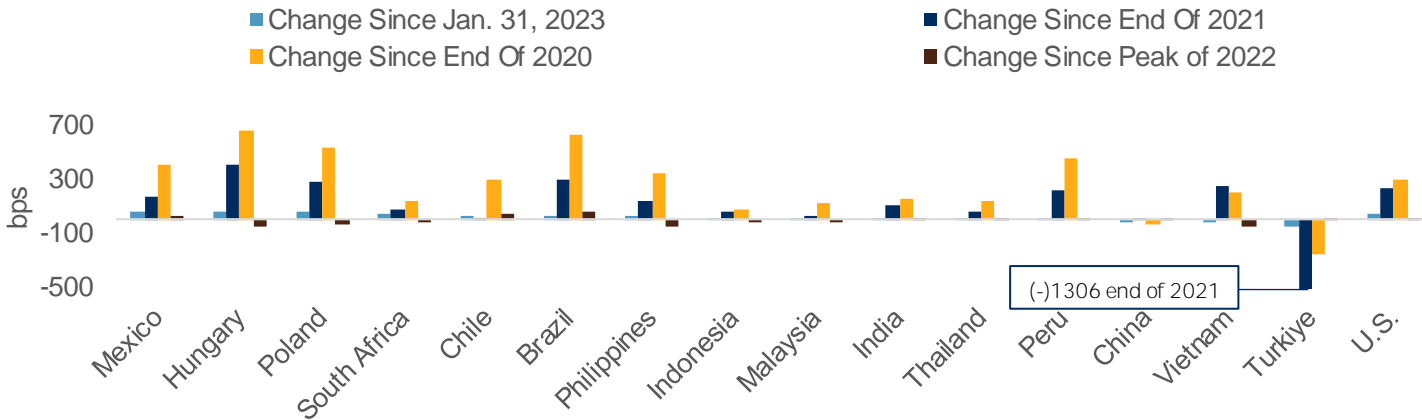


EM Yields | Benchmark Yields Rebounded In February

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

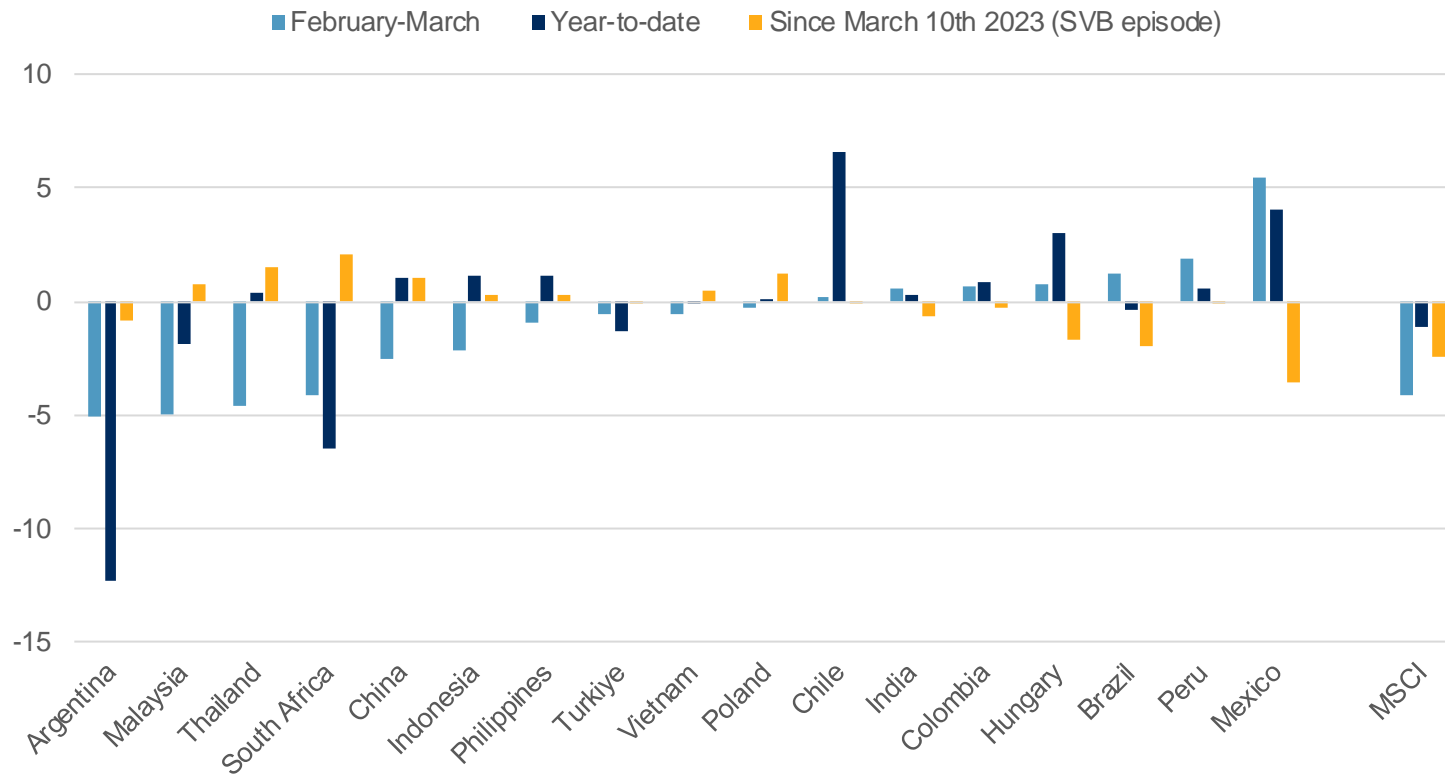


Data as of Feb. 28, 2023. The selection of country is subject to data availability. Source: S&P Global Ratings, S&P Capital IQ Pro and Datastream. Thailand data as of Feb. 22, 2023.

- Resilient U.S. data drove EM yields upward. On February 3, the U.S. nonfarm payroll figures came in at 517,000, significantly higher than the expected figure of 185,000. This unexpected robustness ignited a month-long uptick in government yields across EMs, before being sustained by other statistics, suggesting persistent inflationary pressures in the U.S., including January's CPI, PMI, and retail sales.
- Yields in Asia rose slightly after increasing signs **of China's mild economic improvement**. China's official manufacturing PMI data rose to 52.6 from 50.1 in February, its highest level in 11 years. New home sales also rose 14.9% year-over-year, the first time in 20 months. On the other hand, imports declined 10.2% in February from the same period a year earlier, reflecting weak internal demand, while exports fell 6.8%. In addition, China's political leadership announced a growth target of 5% for 2023, the lowest in decades.

EM Assets | Influenced By Incoming News From The U.S.

EM Currency Indices And MSCI Index

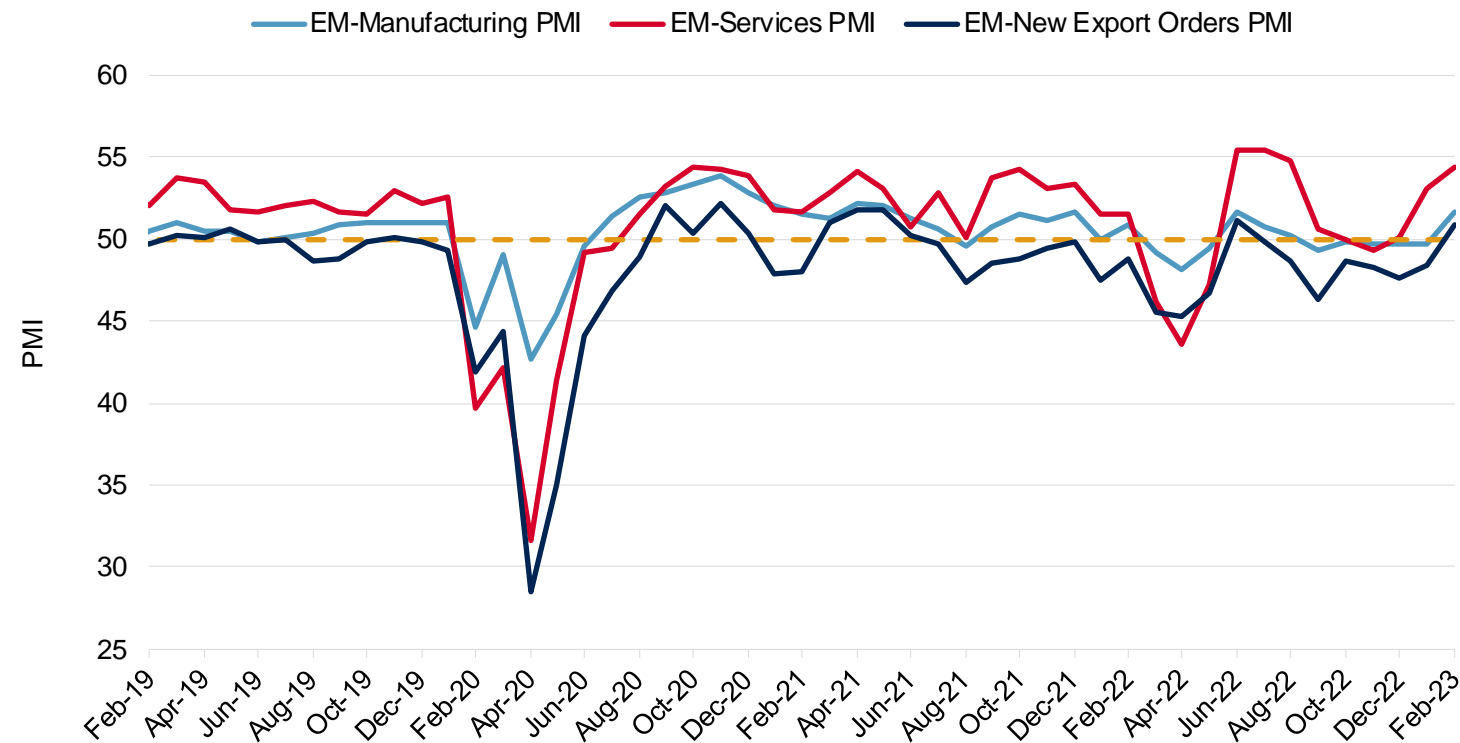


Percent change against U.S. dollar. Source: Refinitiv and S&P Global Ratings.

- After the change in market perception of the **Federal Reserve's tightening trajectory** in February, EM currencies and equities have sharply depreciated last month.
- However, some commodity-exporting EMs appeared to be more resilient to the change in market perceptions in February. Prices for some industrial metals widely used in the construction remain elevated and may support exporters' current account, as is the case with Peru, Chile, and Brazil.
- EM Asian currencies appeared to be hit the most in February. Despite some positive data from leading indicators, recent data on China's imports remain on a weak side, fueling market concerns over the pace of China's reopening, and its effect on neighboring economies.
- Reaction to ongoing developments in the U.S. varies. Expectations of less tight monetary stance in the U.S. may benefit EM currencies. However, concerns over U.S. economic growth are putting pressure on EMs with close trade or financial ties with the U.S.

PMIs | EM Composite Index Is Now Back To Expansionary Territory

EM Business Sentiments

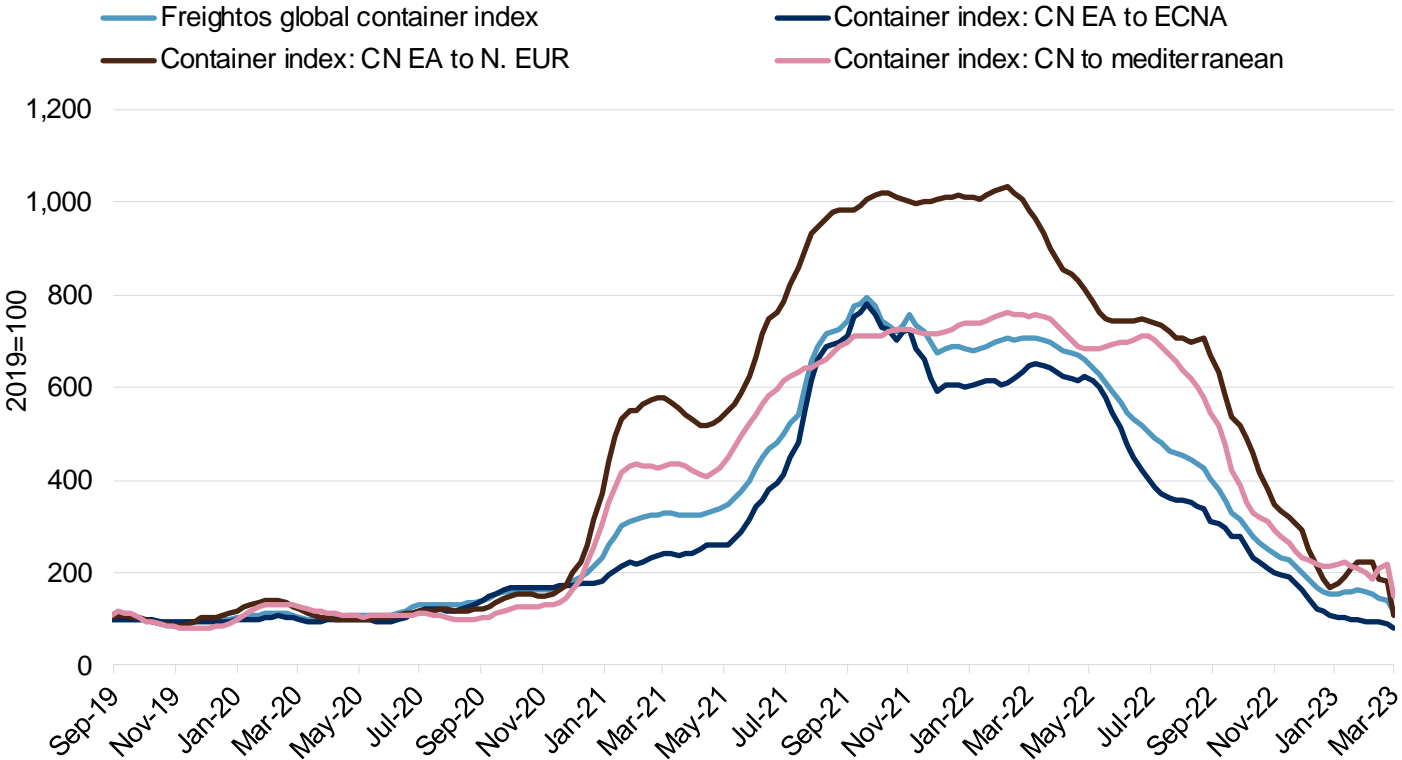


Source: PMI by S&P Global.

- Both Manufacturing and Services **Purchasing Manager's Indices are now** above 50, with EM Asia's indices performing the best across our sample of key EMs. The Central and Eastern European (CEE) economies are only countries that are trailing below 50.
- Other PMI indices, such as export orders, also indicate positive developments. Export orders PMIs rose above 50 for the first time since the early 2021. EM Asian export orders remain below 50; however, we observe some notable improvements in the last two months, especially in Vietnam.
- Consumer confidence is on a rise across most EMs. However, consumer confidence in CEE is below pre-pandemic levels (while it's above across other EMs), despite some improvement compared with late 2022.

Supply Chains | Pressure Continued To Ease

Global Container Prices Continued To Slide



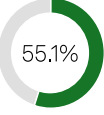
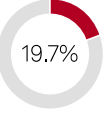
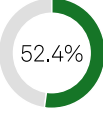
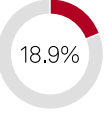
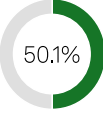
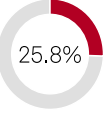
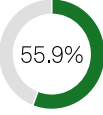
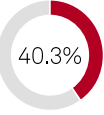
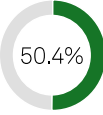
Data through March 3, 2023 (four-week moving average). CN-EA: China East Asia. ECNA: East Coast North America. Source: Freightos and S&P Global Ratings.

- **After China’s reopening, container prices** continued to decrease, and prices are now at pre-pandemic levels. Increased incidence of Covid-19 cases in China over the last few months had a minor effect on global container prices and supply chains.
- Supply delivery times have broadly decreased across both EMs and developed markets as manufacturing PMIs for suppliers’ delivery times have jumped to their highest values since the beginning of the pandemic’s outbreak. Delivery times PMIs for EMs have jumped to 50.4 (the highest level since the beginning of Covid); for the U.S. and Europe, corresponding indices have jumped to 53 and 53.1, respectively.
- That should alleviate some inflationary pressures in tandem with decreasing energy prices. However, core, and in a few cases, food inflation remain sticky (with exception of LatAm).

LatAm| Responses To Rising Social Demands Will Be Key To Sovereign Ratings

Low Support In The First Round Of Voting Generally Reflects Growing Dissatisfaction

Percentage of valid votes in the first and second round of the most recent elections

Country	Winning president (election year)	First round of voting	Second round of voting
Bolivia	Arce (2020)	 55.1%	N/A
Ecuador	Lasso (2021)	 19.7%	 52.4%
Peru	Castillo (2021)	 18.9%	 50.1%
Chile	Boric (2021)	 25.8%	 55.9%
Colombia	Petro (2022)	 40.3%	 50.4%

N/A – Not applicable. Source: National Electoral Authorities and S&P Global Ratings.

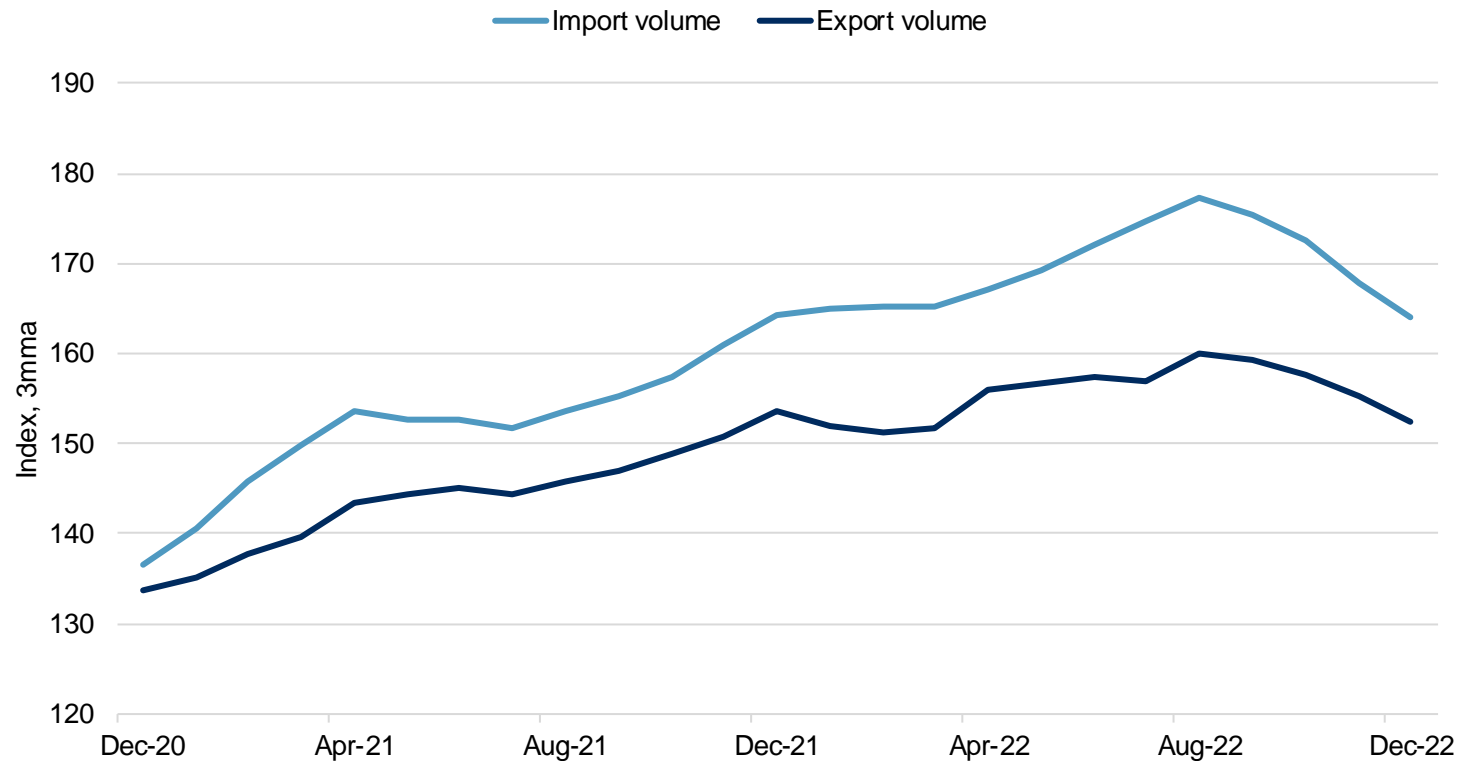
- Social and political unrest has increased as economic growth has slowed in the Andean region. However, social factors are embedded in several of our rating factors, and unrest by itself doesn't necessarily lead to weaker ratings (see [“Andean Countries' Responses To Rising Social Demands Will Be Key To Sovereign Ratings”](#) published March 9).
- Peru is the only Andean sovereign where recent social and political disruptions weakened our evaluation of the government's ability to implement policies and sustain growth. We now expect higher uncertainty over future policies and limited business confidence to continue to hurt the country's growth prospects. Historical social divisions weigh on the creditworthiness of Ecuador and Bolivia. Public dissatisfaction in both countries is leading to weaker electoral mandates, hampering the prospect of structural reforms.

Regional Economic Highlights

EM Asia Economics | External Trade Is Slowing

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EM Asia Trade Volumes Index



Note: 3mma refers to the three-month moving average. Source: CPB Netherlands Bureau for Economic Policy Analysis.

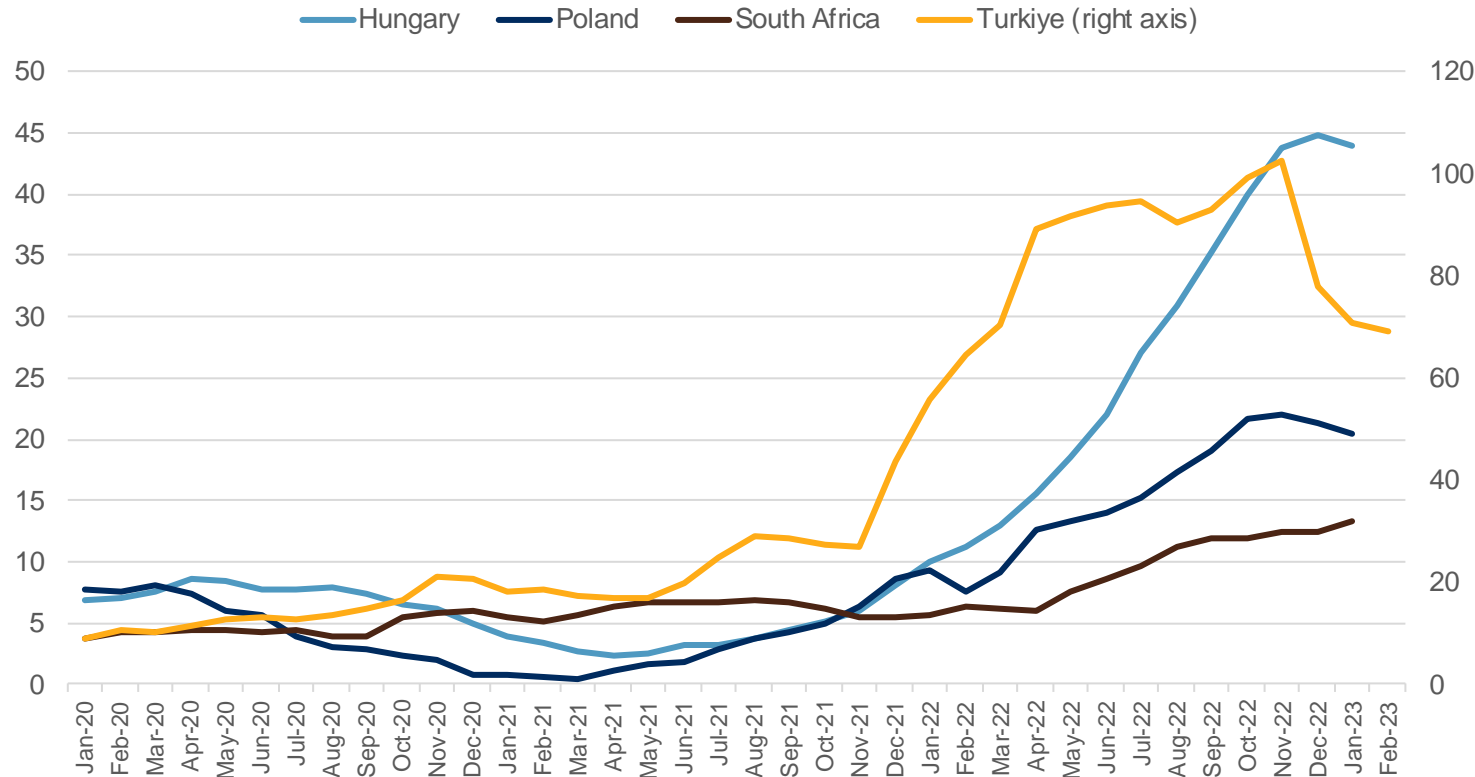
- Strong trade activity supported growth in EM Asia for the past two years, but the cycle is now turning. Trade volumes have been slowing for the past few months and trade activity is weighing on growth.
- The external outlook will remain adverse as China's recovery will be more services oriented and growth in the U.S. and Europe is expected to slow (see "[Asia-Pacific in 2023: China Rebound Cannot Offset Western Slowdown](#)" published February 23).

EM EMEA Economics | A Peak In Inflation Finally?

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Annual Food Inflation In EM EMEA



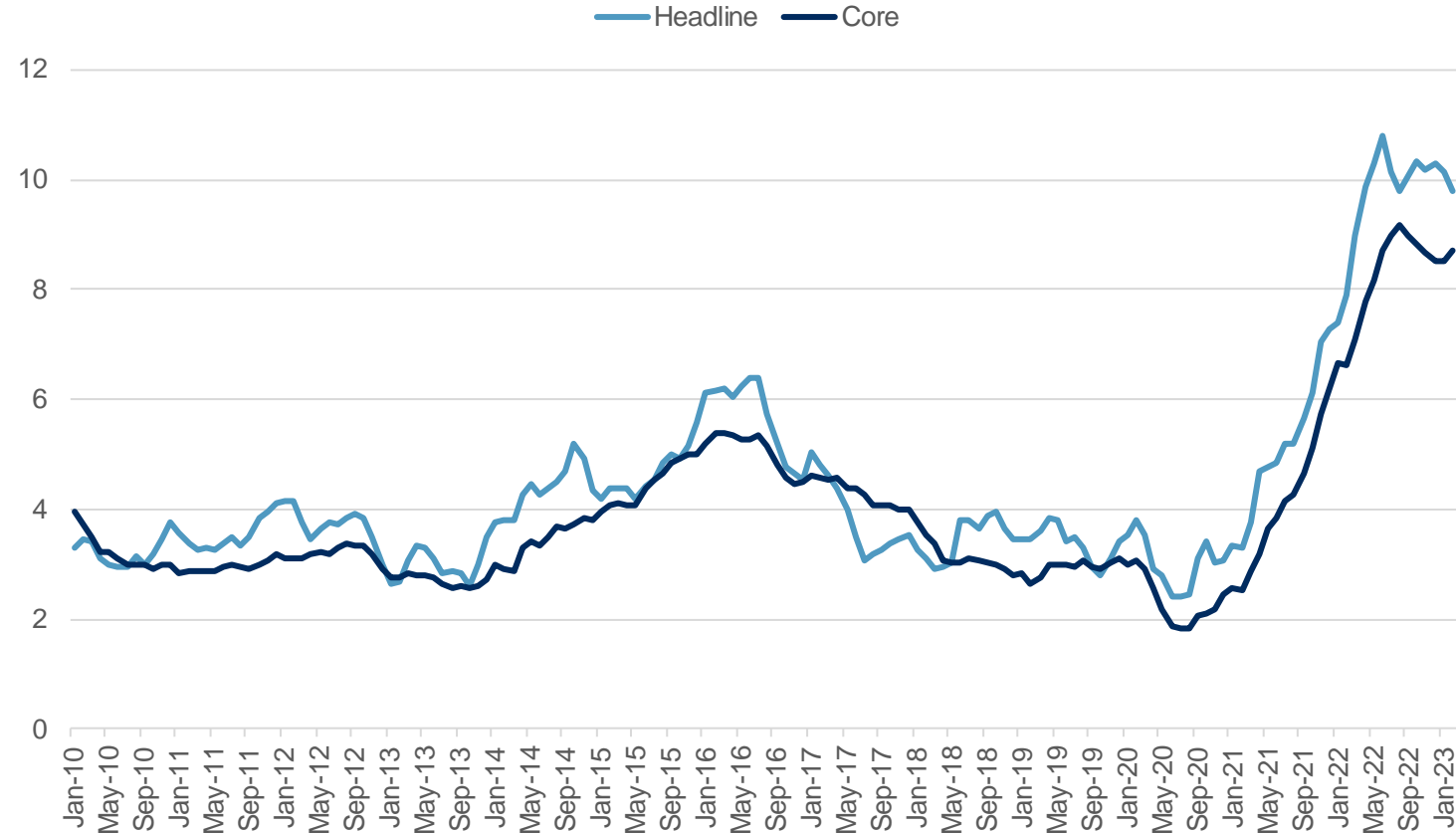
In percentages. Source: Refinitiv and S&P Global Ratings.

- EM EMEA economies appeared to have finally reached a peak in the annual headline inflation figures, due to decreasing energy prices and presence of base effect.
- Food and core inflation remain sticky, however. Core inflation is still increasing in Poland, Hungary, and South Africa, while food inflation remains sticky. In particular, the weakening South African rand and load shedding put upward pressure on food prices in the country, where food inflation is now significantly above headline (13.9% versus 6.9% in January).
- Minimum wages are following inflation developments. Over the last few months, minimum wages increased by around 16% in Poland and Hungary, and by around 10% in South Africa. In Turkiye (where around a third of labor force works at minimum wage), the level has increased by 55% in January.

LatAm Economics | Fed And Inflation Keep Pressure On Rates

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LatAm Median Inflation



Year-over-year percentage. Note: Median calculation includes Brazil, Chile, Colombia, and Mexico. Source: Haver Analytics and S&P Global Ratings.

- Higher-than-expected inflation and hawkish Fed are likely to delay the start of interest-rate cuts in LatAm. Inflation has remained elevated so far this year due to a combination of factors, including large wage adjustments at the beginning of the year, as well as higher prices in services, such as public transportation fares. Furthermore, markets have moved to price in higher terminal Fed Funds rate – oscillating in the 5.50% - 6.00% range. This has pushed interest rate curves upwards across LatAm.
- We still think Chile and Brazil will start reducing interest rates this year, but there is a growing likelihood that Mexico and Colombia **won't start easing until early 2024**. In Chile and Brazil, inflation has started to slow down more markedly, and domestic demand has begun to weaken. Conversely, inflation has been stickier in Mexico and Colombia, and recent policy decisions have been more hawkish than expected.

Macro-Credit Dashboards

GDP Summary | We Expect Below-Average Growth For Most EMs In 2023

Country	Latest reading (y/y)	Period	Five-year avg	2020	2021	2022F	2023F	2024F	2025F
Argentina	5.9	Q3	-0.2	-9.9	10.4	4.6	0.5	2.3	2.0
Brazil	1.9	Q4	-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	2.9	Q4	2.4	-7.0	10.7	7.7	1.1	3.0	3.3
Mexico	3.6	Q4	2.0	-8.2	5.0	2.6	0.8	2.0	2.3
Peru	1.7	Q4	3.2	-11.0	13.5	2.2	2.5	3.1	3.3
China	2.9	Q4	6.7	2.2	8.1	3.2	4.8	4.7	4.6
India	4.4	Q4	6.9	-6.6	8.7	7.0	6.0	6.9	6.9
Indonesia	5.0	Q4	5.0	-2.1	3.7	5.3	5.0	5.0	5.0
Malaysia	7.0	Q4	4.9	-5.7	3.1	8.9	3.2	4.7	4.5
Philippines	7.2	Q4	6.6	-9.5	5.7	7.1	5.2	6.6	6.3
Thailand	1.4	Q4	3.4	-6.2	1.5	2.9	3.5	3.5	3.1
Vietnam	5.9	Q4	7.1	2.9	2.5	8.3	6.3	6.9	6.7
Poland	0.6	Q4	4.4	-2.0	6.7	5.5	0.9	3.4	2.8
Saudi Arabia	5.4	Q4	1.6	-4.1	3.2	8.1	3.4	2.6	2.0
South Africa	0.9	Q4	1.0	-6.3	4.9	1.9	1.5	1.7	1.7
Turkiye	3.5	Q4	4.2	1.8	11.6	6.1	2.4	2.8	3.2
Hungary	0.4	Q4	4.1	-4.8	7.1	4.6	0.2	3.2	2.8

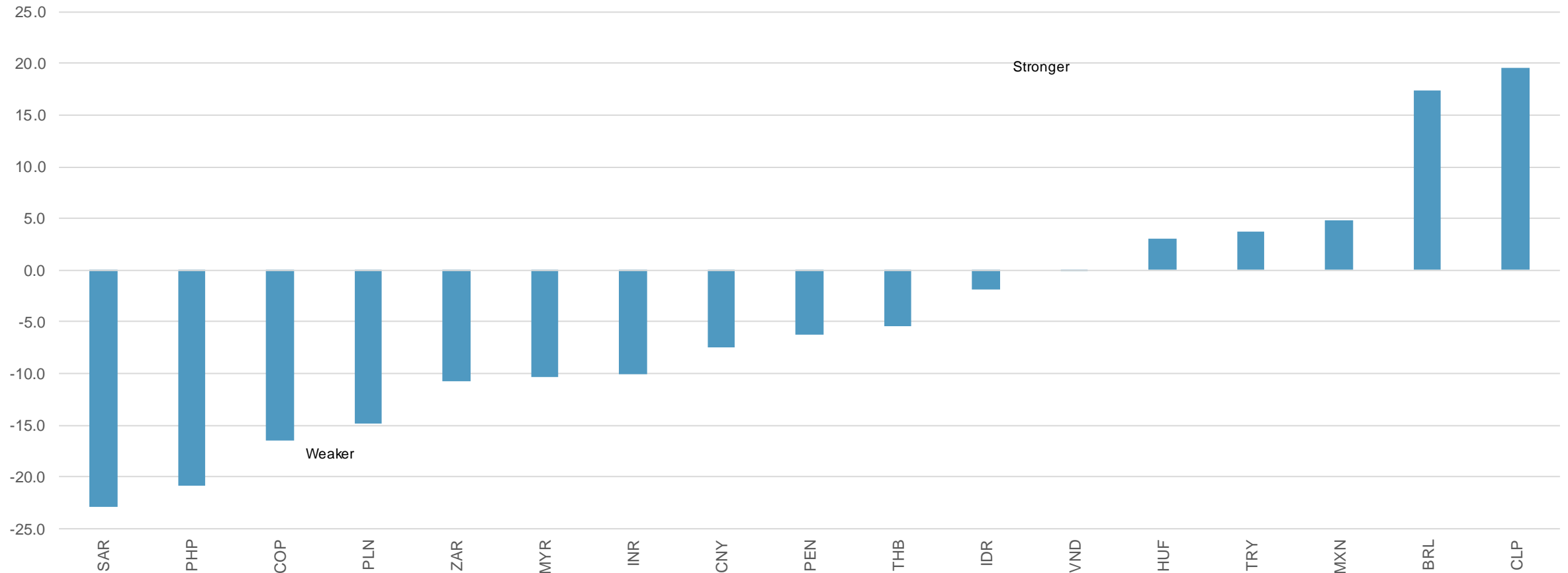
Monetary Policy/FX | Most EM Currencies Pared Recent Gains Last Month

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	Feb. exchange rate chg.	YTD exchange rate chg.
Argentina	75.00%	No target	102.5%	Hold	N/A	-5.2%	-10.2%
Brazil	13.75%	3.5% +/- 1.5%	5.6%	Hold	March 22	-2.1%	0.2%
Chile	11.25%	3% +/- 1%	11.9%	Hold	April 04	-2.5%	3.0%
Colombia	12.75%	3% +/- 1%	13.3%	75 bps hike	March 31	-3.7%	0.0%
Mexico	11.00%	3% +/- 1%	7.6%	50 bps hike	March 30	2.6%	6.3%
Peru	7.75%	2% +/- 1%	8.6%	Hold	April 13	1.0%	0.2%
China	2.00%	3%	2.1%	N/A	N/A	-2.8%	0.2%
India	6.50%	4% +/- 2%	6.5%	25 bps hike	April 6	-0.9%	0.1%
Indonesia	5.75%	3.5% +/- 1%	5.5%	Hold	March 16	-1.7%	2.1%
Malaysia	2.75%	No target	3.7%	Hold	May 3	-4.9%	-1.8%
Philippines	6.00%	3% +/- 1%	8.7%	50 bps hike	March 23	-1.3%	0.7%
Thailand	1.50%	2.5% +/- 1.5%	5.0%	25 bps hike	March 29	-6.6%	-2.0%
Vietnam	3.50%	4%	4.3%	100 bps cut	N/A	-1.3%	-0.8%
Poland	6.75%	2.5% +/- 1%	18.4%	Hold	April 5	-2.2%	-1.1%
Saudi Arabia	5.25%	3% +/- 1%	3.4%	25 bps hike	N/A	0.0%	0.0%
South Africa	7.25%	3%-6%	6.9%	25 bps hike	March 30	-5.1%	-7.3%
Turkiye	8.50%	5% +/- 2%	55.2%	50 bps cut	March 23	-0.4%	-0.8%
Hungary	13.00%	4%	25.7%	Hold	March 14	0.9%	5.0%

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 | LatAm Currencies Outperforming This Year

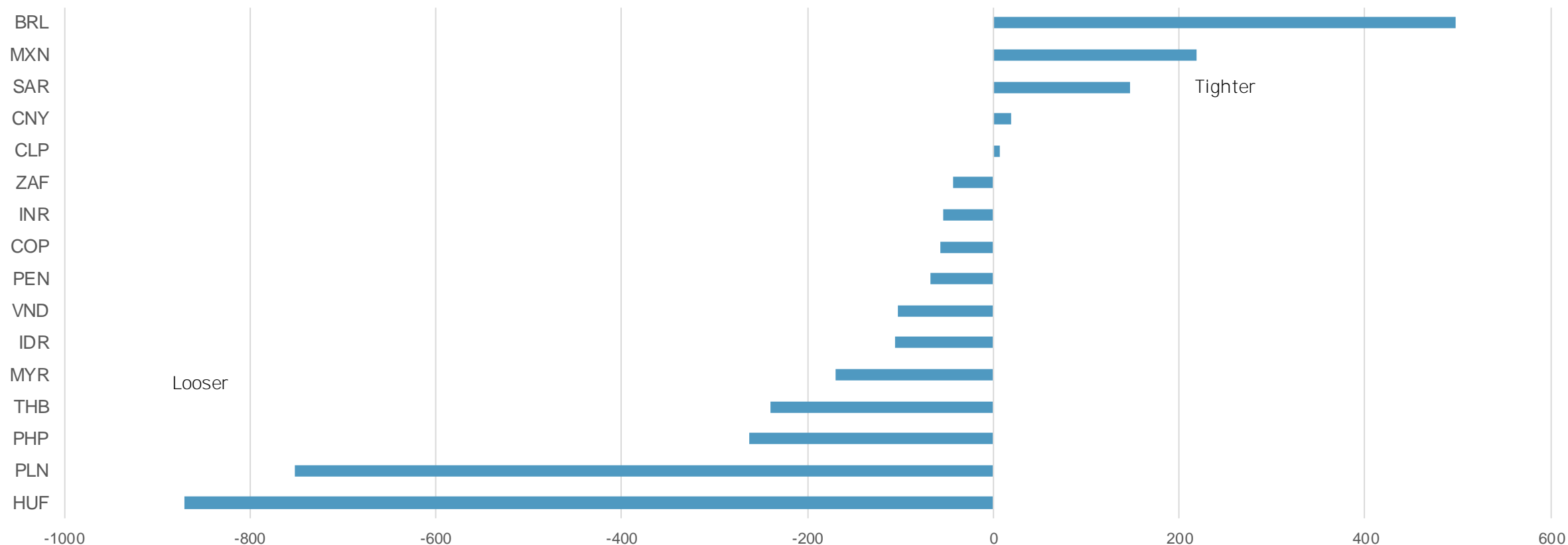
Broad Real Effective Exchange Rates



Percentage 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 Feb. 28, 2023. Source: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | The Most Restrictive Real Rates In Brazil And Mexico

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



In basis points. Note: Real interest rates are deflated by CPI. In the cases where we didn't have 10 years of history, we used all the available data to calculate the average. We exclude Argentina. For China, we use the seven-day reverse repo rate. Data as of Feb. 28, 2023. 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	Turkiye	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	Stable	Stable	Stable	Negative
Sovereigns																	
Institutional	2	4	4	4	3	3	3	4	3	4	3	3	4	4	4	5	6
Economic	4	4	3	4	3	5	3	4	4	4	4	4	5	5	4	4	5
External	4	1	2	3	2	2	1	1	3	1	1	5	2	2	3	6	6
Fiscal (BDGT)	3	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 (Feb.28, 2023)	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	0.00	-10.3	-2.1	-1.6	-2.8	-0.3	-3.00	-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 to "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.

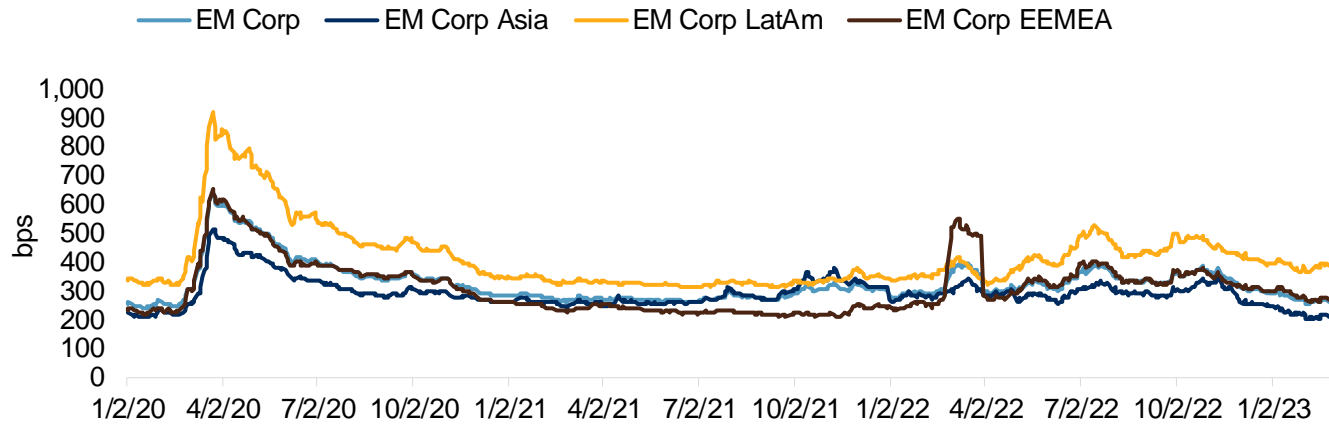
*IIF 1Q 2022. Sources: Bangko Sentral NG Pilipinas; Corporate Variables Capital IQ 1Q 2022. S&P Global Ratings. Data for Sovereigns and Financial Institutions as of Mar. 13, 2023.

Financing Conditions

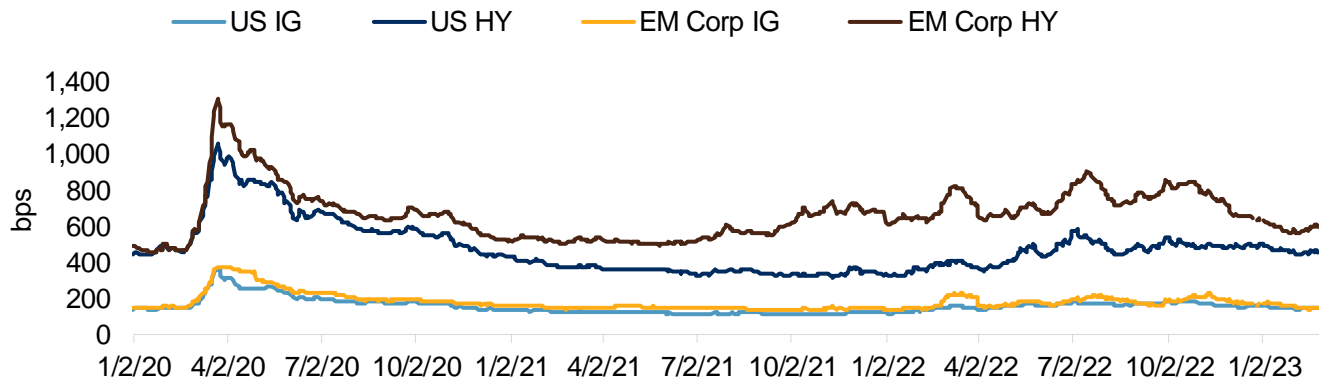
Highlights

EM Credit Spreads | Risk Premia Diverged In LatAm

EM Spreads By Region



U.S. And EM Spreads



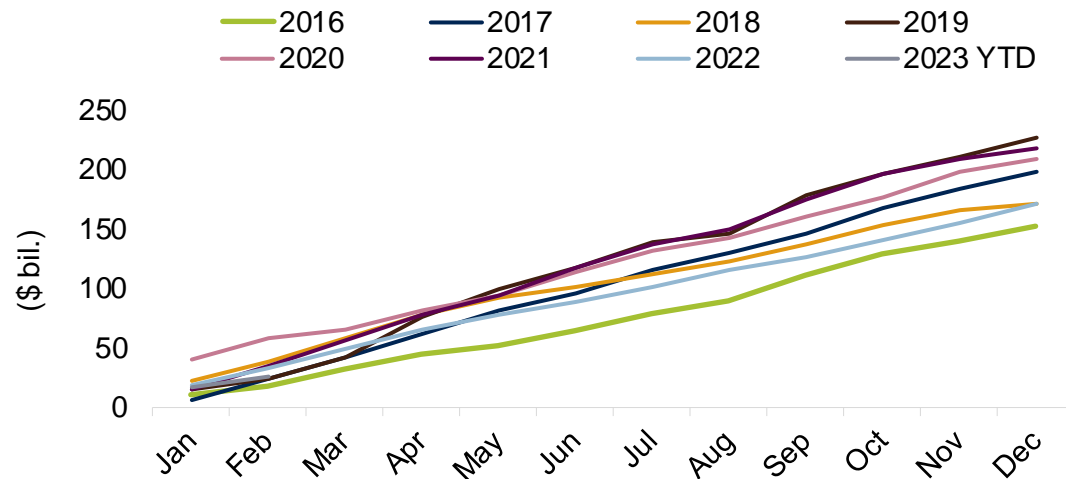
Data as of Feb. 28, 2023. HY – High Yield; IG – Investment Grade. Source: S&P Global Ratings, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- Corporate spreads declined everywhere, except in LatAm. With two defaults in Brazil since the beginning of the year, Americanas S.A. and Oi S.A., and spillovers to investor sentiment in Brazil, LatAm corporations are showing early signs of credit stress, widening their spreads relative to those of other regions.
- EM high-yield spreads widened relative to the U.S. After months of narrowing the gap, the spread between EM and U.S. high yields widened in February, while those investment grade remained unchanged.
- Access to external markets remains very limited for high-yield issuers. OTP Bank (Hungary) was the only high-yield issuer in February. Ecopetrol S.A. (Colombia), Transnet SOC Ltd. (South Africa), and Wanda Properties Global Co. Ltd. (China) tapped the market in January 2023.

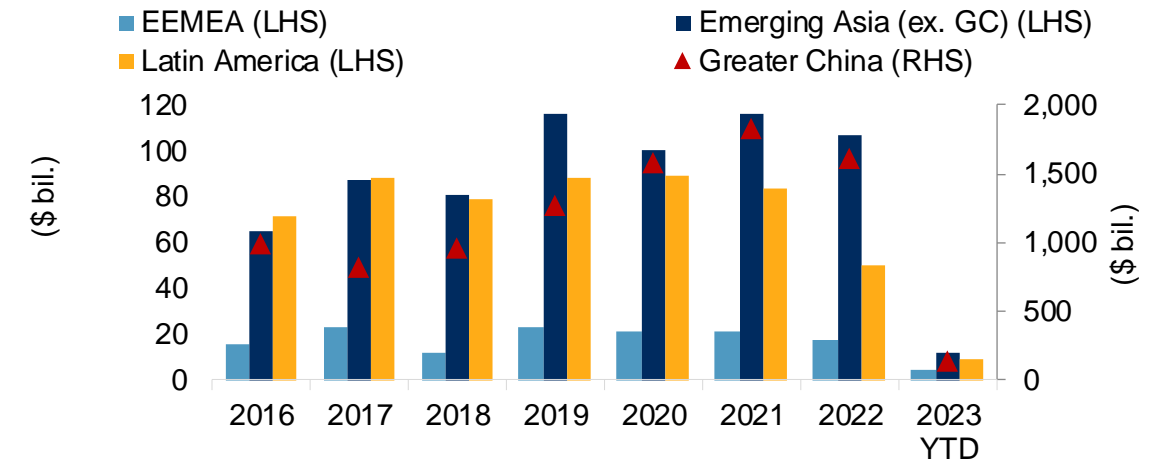
EM | Financial And Non-Financial Corporate Issuance

- Financing conditions have tightened last month, as the prospect of a pivot from the Federal Reserve seemed to ebb, given that incoming data hint at a persistence of inflationary pressures.
- Issuances outside of China stalled in February. The strong print of the U.S. Nonfarm Payrolls in early February contributed to a relentless increase in interest rates and to a pause in issuances during that month. Consequently, the amount of issuance for corporations in EMs, excluding Greater China, reached \$8.4 billion in February, the slowest February pace since 2016.
- Investment-grade issuances decreased sharply, speculative-grade volumes at a standstill. Investment-grade issuances were down 63% relative to January, with only one non-financial investment-grade issuance from Fomento Economico Mexicano S.A.B. de C.V. (BBB+/Stable/--) issuing \$438 million at 2.625%.

EM Cumulative Corporate Bond Issuance



EM Regional Bond Issuance



Excluding Greater China. Data as of Feb. 28, 2023. Data including NR (not rated). Source: S&P Global Ratings and Refinitiv.

Data as of Feb. 28, 2023. GC--Greater China. Source: S&P Global Ratings and Refinitiv.

Ratings Summary

Ratings Summary | Sovereign Ratings In EM-18

On March 8, we revised our outlook on South Africa from positive to stable as the country's growth prospects are challenged by increasing pressures from infrastructure constraints, particularly severe electricity shortages.

Economy	Rating	Outlook	Five-year CDS spread (Feb. 28)	Five-year CDS spread (Jan. 31)
Argentina	CCC+	Negative	3,618	3,418
Brazil	BB-	Stable	229	229
Chile	A	Stable	92	100
China	A+	Stable	71	54
Colombia	BB+	Stable	283	264
Hungary	BBB-	Stable	163	197
India	BBB-	Stable	103	94
Indonesia	BBB	Stable	92	88
Malaysia	A-	Stable	70	68
Mexico	BBB	Stable	116	119
Peru	BBB	Negative	110	118
Philippines	BBB+	Stable	90	90
Poland	A-	Stable	91	110
Saudi Arabia	A-	Positive	63	63
South Africa	BB-	Stable	256	253
Thailand	BBB+	Stable	48	47
Turkiye	B	Stable	561	546
Vietnam	BB+	Stable	114	120

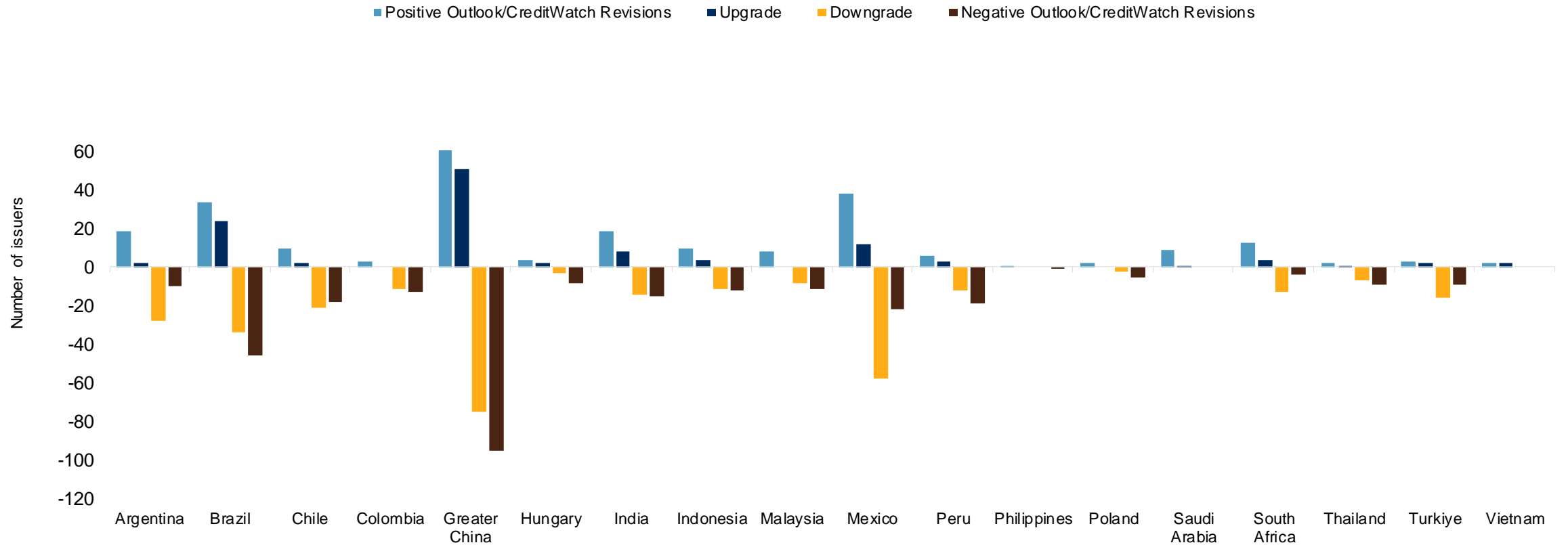
Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, Taiwan. Data as of March 10, 2023. Source: S&P Global Ratings and S&P Capital IQ.

EM Rating Actions | By Debt Amount In The Past 90 Days (as of Feb. 28)

Ratingdate	Issuer	Economy	Sector	To	From	Action type	Debt amount (\$ mil.)
8-Dec-22	CEMEX S.A.B. de C.V.	Mexico	Forest products and building materials	BB+	BB	Upgrade	5,170
7-Dec-22	CANPACK S.A.	Poland	Chemicals, packaging and environmental services	BB-	BB	Downgrade	2,863
15-Dec-22	BRF S.A.	Brazil	Consumer products	BB-	BB	Downgrade	1,750
30-Jan-23	OTP Bank PLC	Hungary	Bank	BBB-	BBB	Downgrade	1,199
26-Jan-23	Sappi Ltd.	South Africa	Forest products and building materials	BB	BB-	Upgrade	1,174
19-Dec-22	MTB Magyar Takarekszövetkezeti Bank Zrt. (The Savings Cooperative Group Hungary)	Hungary	Bank	BB+	BB	Upgrade	1,035
19-Dec-22	Ulker Bisküvi Sanayi A.S.	Turkiye	Consumer products	B	B-	Upgrade	650
27-Jan-23	PetroRio S.A.	Brazil	Oil and gas exploration and production	BB-	B+	Upgrade	600
29-Dec-22	PT Japfa Comfeed Indonesia Tbk. (Japfa Ltd.)	Indonesia	Consumer products	B+	BB-	Downgrade	350
28-Feb-23	Sixsigma Networks Mexico S.A. de C.V. (KIO Networks)	Mexico	High technology	B+	B	Upgrade	300
20-Jan-23	Mexarrend S.A.P.I. de C.V.	Mexico	Financial institutions	D	CC	Downgrade	300
8-Dec-22	PT Kawasan Industri Jababeka Tbk.	Indonesia	Homebuilders/real estate co.	SD	CC	Downgrade	300

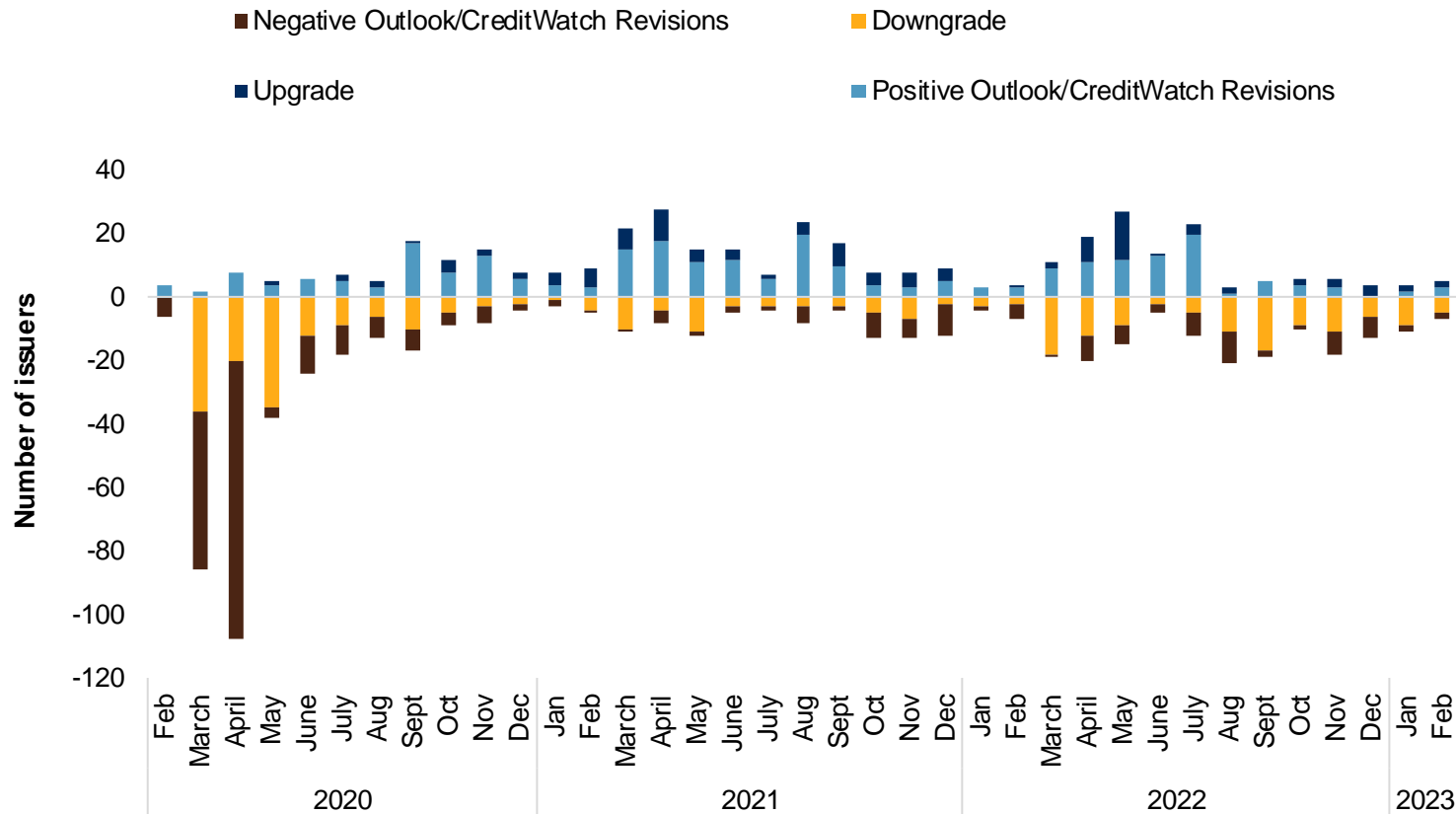
Data as of Feb. 28, 2023 (last 90 days), excludes sovereigns, Greater China and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and grey - default. Source: S&P Global Ratings.

EM | Total Rating Actions By Economy



Data includes sovereigns. Data from Feb. 3, 2020 to Feb. 28, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. Greater China --- China, Hong Kong, Macau, Taiwan and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings.

EM | Total Rating Actions By Month

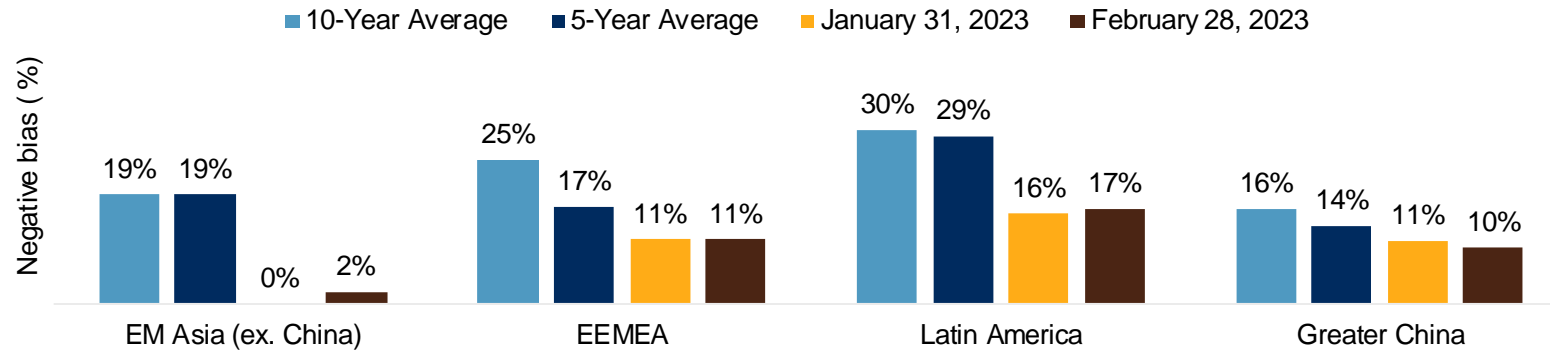


- The number of downgrades fell in February to five, compared with nine in January 2023. All, except one, were in Brazil, across the transportation, telecom, and consumer service sectors. The other one is Hungary Export-Import Bank following a similar action on the sovereign rating on Hungary.
- There were two upgrades in February, similar to the January 2023 level. Mexico-based information technology and data services provider Sixsigma Networks Mexico S.A. de C.V. (KIO Networks) was upgraded to 'B+' from 'B' with a stable outlook on improved liquidity as the company reduced its short-term debt. Brazil-based aircraft manufacturer, Embraer S.A., was upgraded to 'BB+' from 'BB' with a stable outlook on solid cash flow.

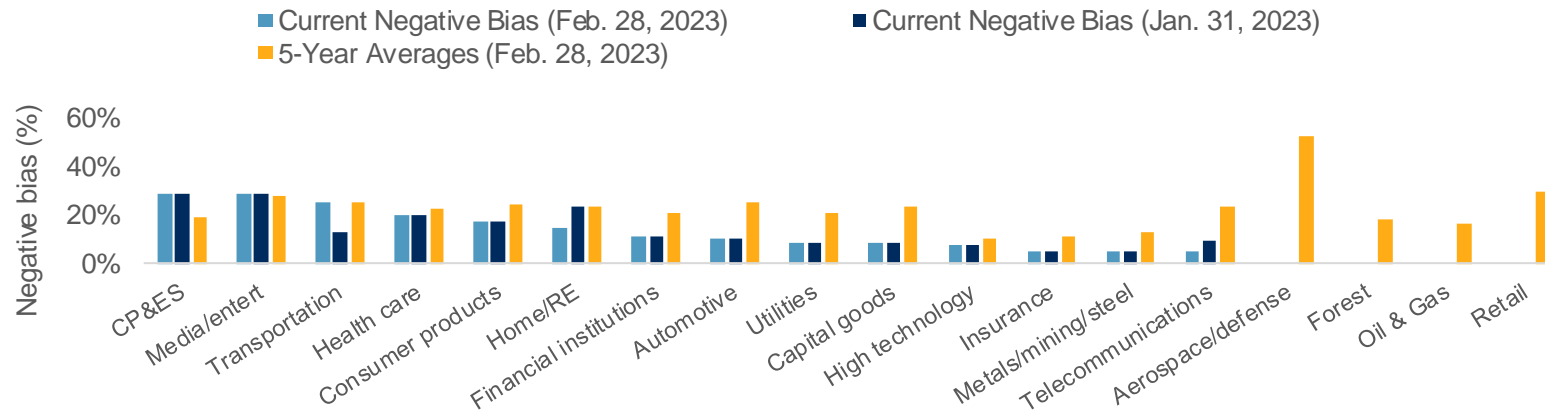
Data includes sovereigns. Data from Feb. 3, 2020 to Feb. 28, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. Greater China --- China, Hong Kong, Macau, Taiwan and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings.

EM Downgrade Potential | Regional Negative Bias

LatAm Has The Highest Downgrade Potential



Negative Bias By Sector



- LatAm has the highest downgrade potential, with the negative bias at 17% in February, slightly up from January (16%) with one addition--Azul S.A.--the issuer credit rating on which was lowered to 'CCC-' from 'CCC+' on increased liquidity risks, and the outlook now negative. The downgrade potential remains well below historical averages.
- EM Asia (excluding China). The downgrade potential increased to 2% in February from 0%, as Adani Ports and Special Economic Zone Limited outlook was revised to negative following the published report alleging significant governance issues, resulting in high market volatility and hindering the company's ability to raise fresh capital.
- Greater China. The February downgrade potential was 10%, one percentage point less than in January, below historical averages. One issuer was no longer rated and the other one, China-based Longfor Group Holdings Ltd., the outlook on which was revised to stable from negative on stabilizing funding channels.

Data as of Feb. 28, 2023, and include sectors with more than five issuers only; excludes sovereigns. EMs consist of Latin America: Argentina, Brazil, Chile, Colombia, Peru, and Mexico. EM Asia: India, Indonesia, Malaysia, Thailand, Philippines, and Vietnam. EMEA: Hungary, Poland, 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). 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. Source: S&P Global Ratings.

Rating Actions | **Rating Changes From 'B-' To 'CCC' In 2022, 2023 YTD**

Six rating downgrades in EMs to the 'CCC' and 'CC' categories from 'B-' in 2022.

No rating movement to 'CCC' from 'B-' in 2023 through Feb. 28 In EM 18.

Ratingdate	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 Feb. 28, 2023; 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, 2023 YTD

Three EM fallen angels in 2022; no fallen angels in 2023 YTD

Rating date	Issuer	Economy	Sector	To	From	Debt amount (\$ mil.)
23-Sep-22	Anadolu Efes Biracilik ve Malt Sanayii AS	Turkiye	Consumer products	BB+	BBB-	1,500
2-Sep-22	Li & Fung Ltd.	Bermuda	Consumer products	BB+	BBB-	2,250
15-Mar-22	Petroleos del Peru Petroperu S.A.	Peru	Oil and gas exploration and production	BB+	BBB-	2,000

Three EM rising stars in 2022; no rising star n 2023 YTD

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 Feb. 28, 2023; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

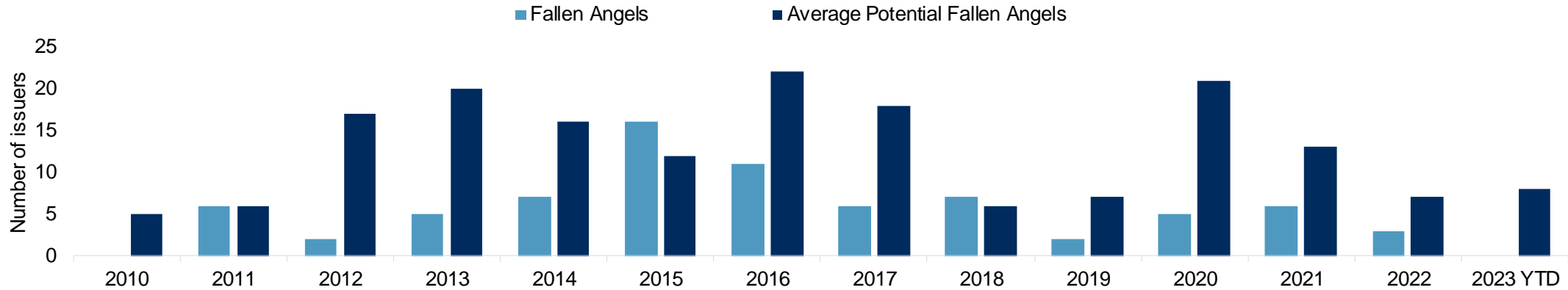
Rating Actions | List Of Defaulters In 2023

Ratingdate	Issuer	Economy	Sector	To	From	Debt amount (\$ mil.)
6-Jan-23	Republic of Argentina	Argentina	Sovereign	SD	CCC-	153,221
16-Jan-23	Americanas S.A. (Lojas Americanas S.A.)	Brazil	Retail/restaurants	D	B	1,000
20-Jan-23	Mexarrend S.A.P.I. de C.V.	Mexico	Financial institutions	D	CC	300
3-Feb-23	Oi S.A.	Brazil	Telecommunications	D	CCC-	2,534

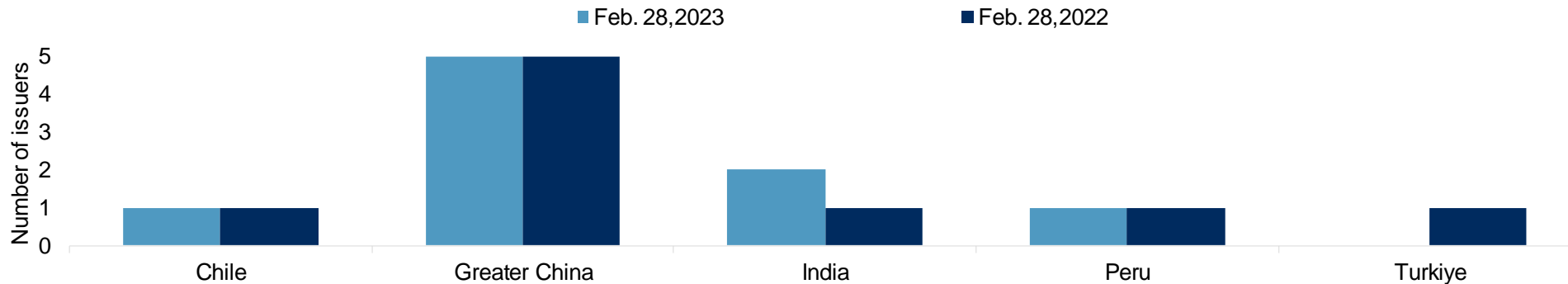
Data as of Feb. 28, 2023. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Red means speculative-grade rating, and grey means default (D) or selective default (SD). Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Fallen Angels And Potential Fallen Angels

No Fallen Angel In 2023 YTD While Potential Fallen Angels Slightly Trending Up



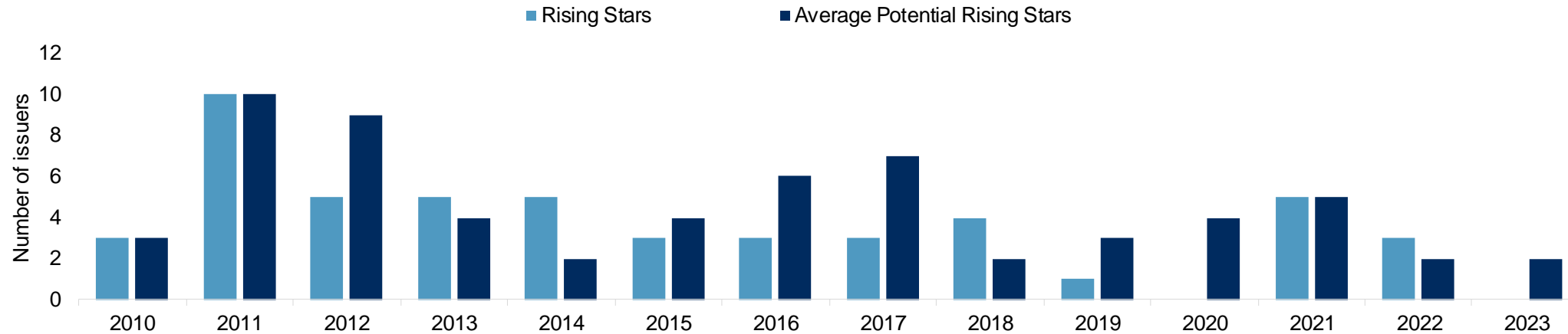
Majority (55%) Issuers Are From Greater China



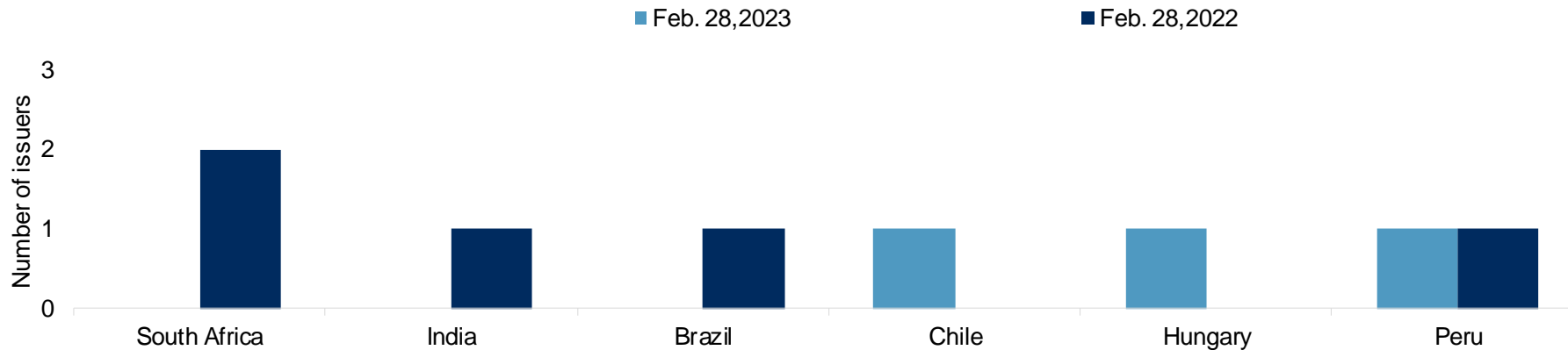
Data as of Feb. 28, 2023. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

Rating Actions | Rising Stars And Potential Rising Stars

No Rising Stars In 2023 YTD



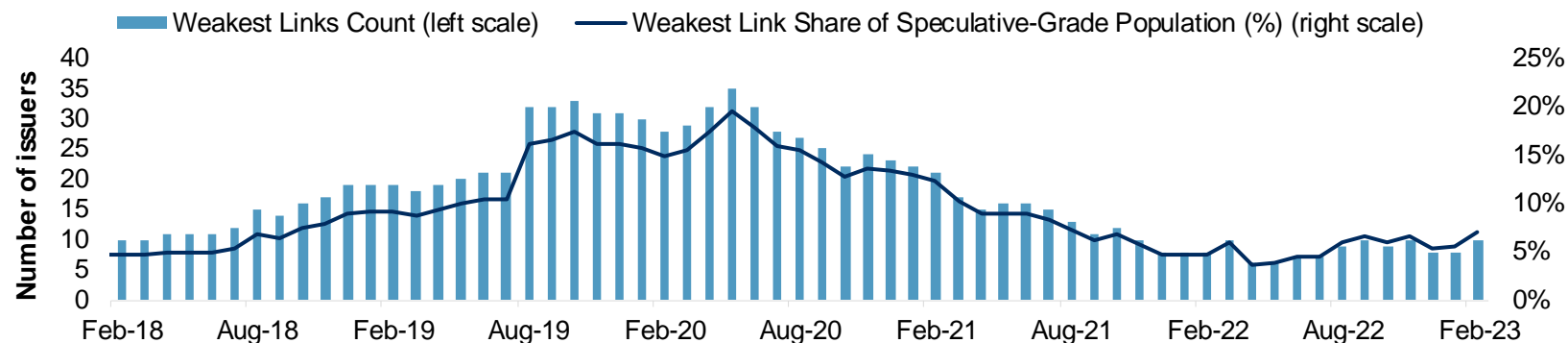
The Number Of EM Potential Rising Stars Declined In 2023



Data as of Feb. 28, 2023. Greater China -- China, Hong Kong, Macau, Taiwan, and Red Chip companies.(issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings.

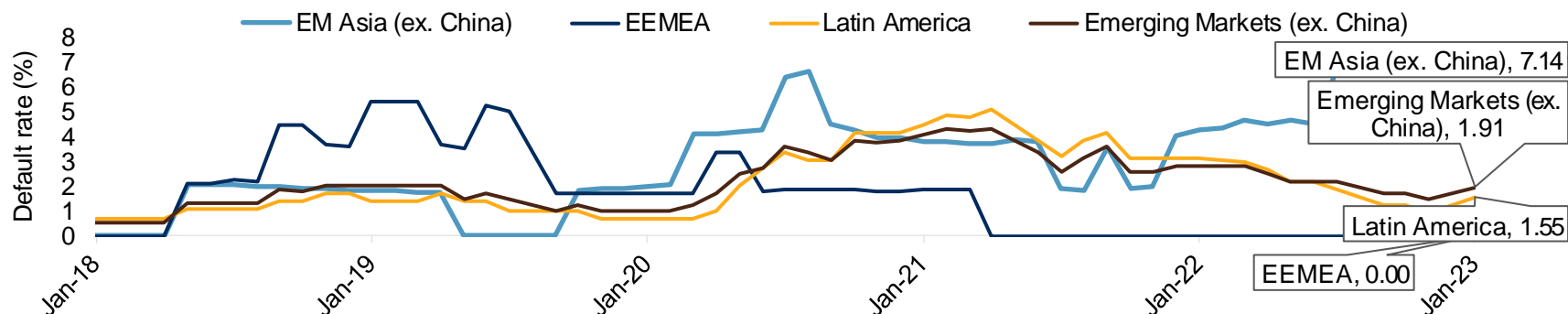
Rating Actions | Weakest Links And Defaults

EM Weakest Links At 10



Data as of Feb. 28, 2023. 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.

The Default Rate Rise

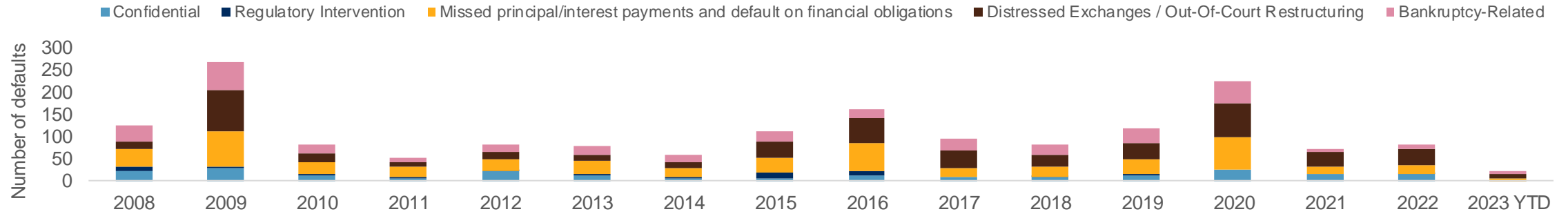


Excluding China. CreditPro data as of Jan.31, 2023. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.

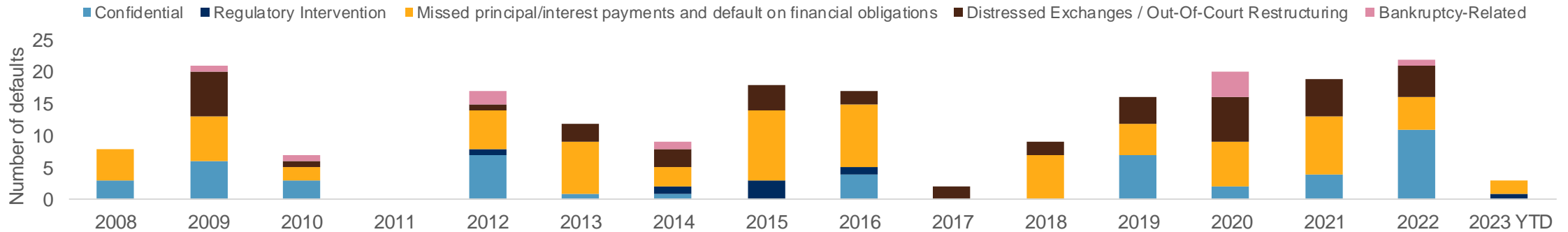
- Weakest links. EM weakest links rose to 10 issuers in February (7% of total speculative-grade issuers).
- Default rates. The January default rate decreased in EM Asia (excluding China), while those for EMs (excluding China) and LatAm increased. Two defaults in January 2023 were from Mexico and Brazil. None in EEMEA.

Rating Actions | Defaults

Year-End Global Corporate Defaults By Reason



Year-End EM-18 Corporate Defaults By Reason



*Data as of Feb. 28, 2023. Data has been updated to reflect confidential issuers. Excludes sovereigns, includes Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®.

Related Research

EMs | Related Research

- Latin American Banks To Face Secondary Effects Of SVB Turmoil, March 15, 2023
- Andean Countries' Responses To Rising Social Demands Will Be Key To Sovereign Ratings, March 9, 2023
- Emerging Markets Issuance Faces Another Lackluster Year, Feb. 23, 2023
- Economic Research: Asia-Pacific In 2023: China Rebound Cannot Offset Western Slowdown, Feb. 22, 2023
- Asia-Pacific: It's A Mixed Bag For Inflation And Rate Implications, Feb. 6, 2023
- Domestic Savings Won't Prop Up Central And Eastern European Economies In 2023, Feb. 2, 2023
- Risky Credits: Credit Risk In Emerging Markets Has Been Reshuffled, Feb. 1, 2023
- Which Emerging Markets Benefit The Most From A Reopening In China?, Feb. 1, 2023
- APAC Weekly Monitor, Jan. 23, 2023
- Emerging Markets Monthly Highlights: Some Good News, Uncertainty Lingers, Jan. 19, 2023
- Default, Transition, and Recovery: Gaps Open As Global Corporate Defaults Increase By 15% In 2022, Jan. 19, 2023
- Economic Research: China's Earlier Policy Shift Advances Its Recovery, Jan. 18, 2023
- Economic Research: Climate Change Will Heighten Output Volatility, Jan. 5, 2023
- Global Credit Outlook 2023: No Easy Way Out, Dec. 1, 2022

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