

# Emerging Markets Monthly Highlights

## Interest-Rate Cuts Have Started, More To Come

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August 10, 2023



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**S&P Global**  
Ratings

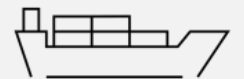
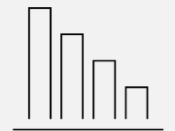
*This report does not constitute a rating action.*

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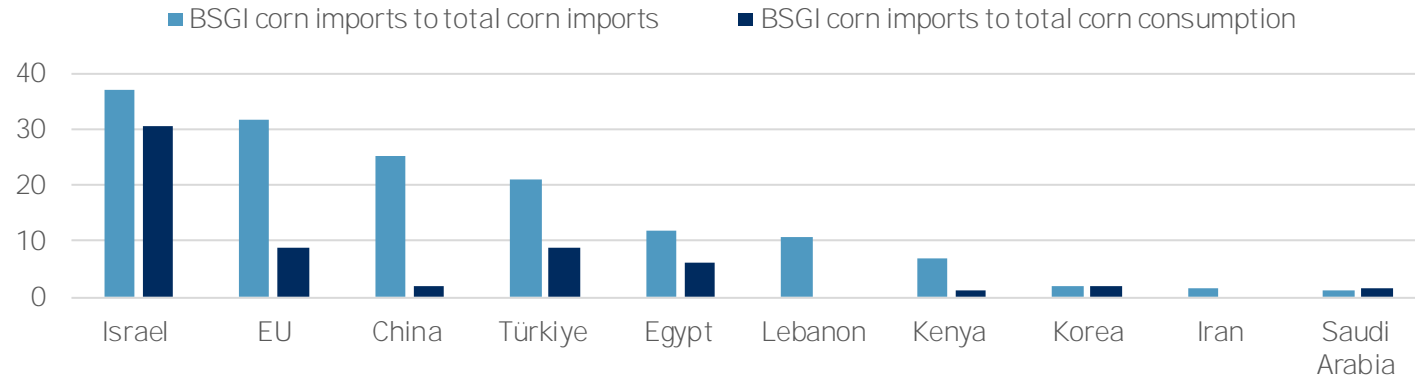
# Key Takeaways

- Several emerging markets (EMs) have started to lower interest rates. Brazil and Chile began doing so last month, and we expect more rate cuts in the nearest term. We also forecast Mexico, Colombia, and Peru to begin cutting rates early next year, while there's a possibility of an earlier start. We expect some central banks in Central and Eastern Europe to begin later this year as exchange rate and inflationary pressures have become more supportive of monetary easing.
- July and August appeared to be volatile for food and oil prices. Saudi Arabia and Russia continued to cut their oil production, while the failure to extend the Black Sea Grain Initiative (BSGI) exerted pressure on corn and wheat prices. Nevertheless, we view supply risks for EMs as lower than last year, since the importance of Ukraine's grain exports has decreased since the start of the war. That said, several economies in the Middle East and Africa are going to be significantly affected by disruptions in grain supplies.
- EM credit spreads are down, while benchmark yields appeared to be somewhat muted. LatAm corporate spreads went down the most; however, we expect a protracted scenario of higher interest rates and tight financing conditions to trigger the refinancing risk. Our data shows a higher concentration of risky credits' debt maturities in 2025-2027, particularly among utilities, oil and gas, and transportation issuers.

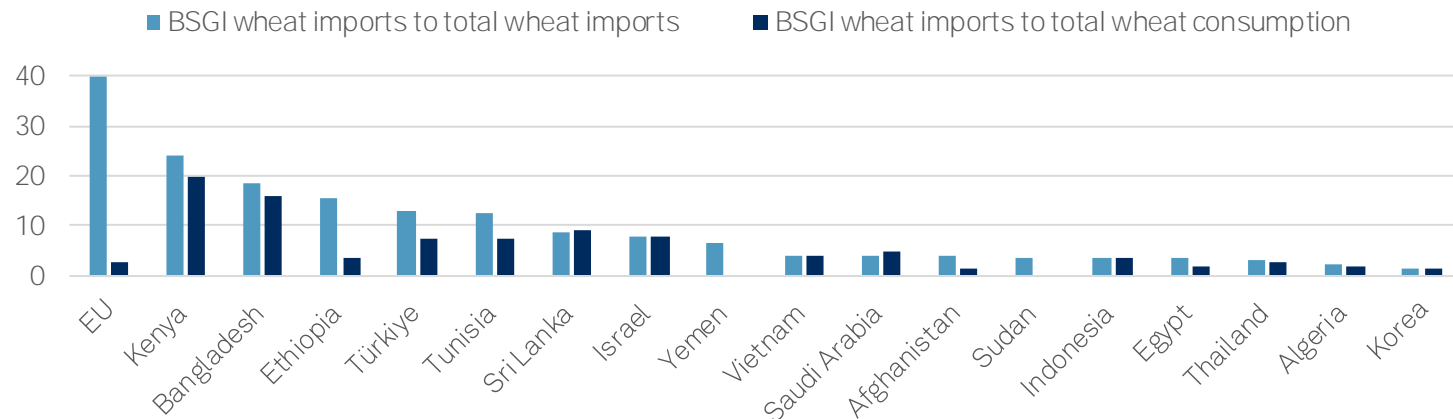


# BSGI | A Risks To The Inflation Outlook

Corn imports via the BSGI (%)



Wheat imports via the BSGI (%)

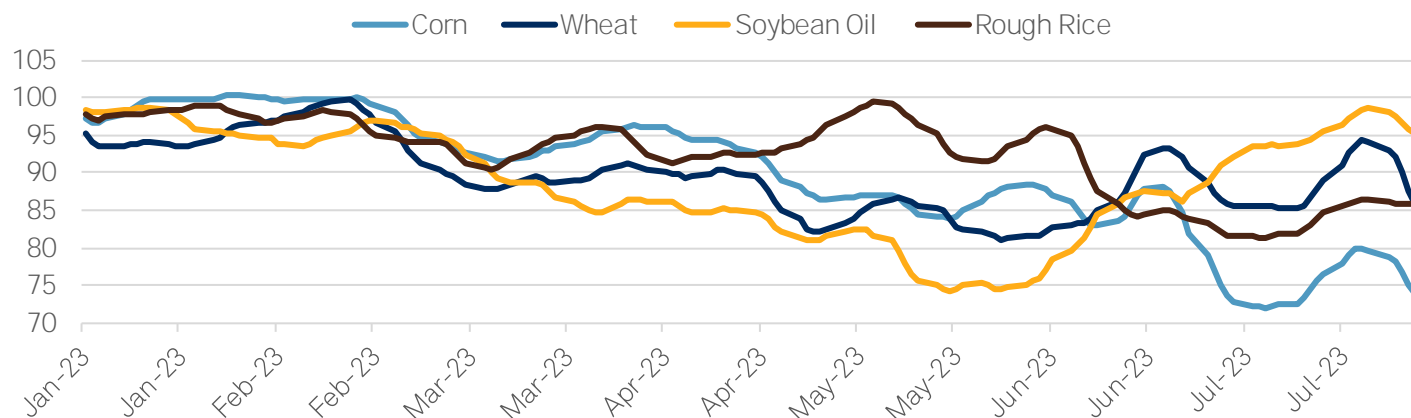


Note: BSGI imports refer to data from August 2022 to mid-July 2023. Data on total consumption and total imports based on trade years (for wheat from June to July, for corn from October to September). Total consumption figures for Ethiopia, Kenya, Korea, Saudi Arabia, Türkiye and Tunisia are based on 2021-2022 estimates. Sources: UN Black Sea Grain Initiative, USDA, and S&P Global Ratings.

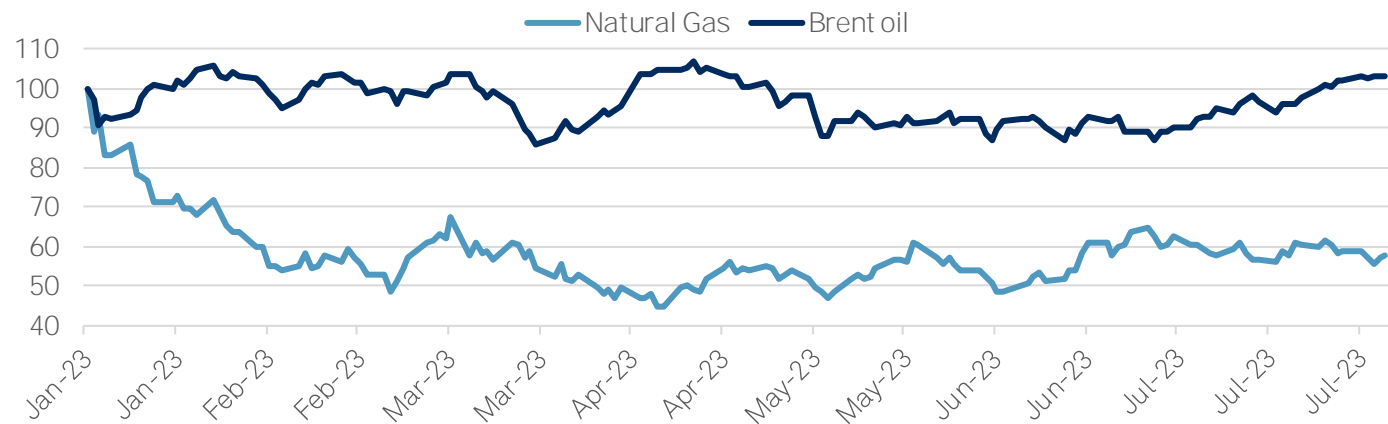
- Russia has pulled out of BSGI. Among EMs, economies in the Middle East and Africa are the most affected.
- Nevertheless, with a few exceptions, supply-disruption risks for EMs are lower than last year. Exports of wheat and corn from Ukraine have fallen by around a third since the start of the war (mostly on a back of Black Sea exports), while export destinations of grains from Ukraine have partially shifted from the Middle East and Africa to the EU, China, and Türkiye. Nevertheless, several Middle Eastern and African economies still source a significant share of grains from Ukraine, albeit total volume imports there have become smaller too.
- Record-high production of wheat and corn from the last season supports the market. However, upside risks for the price outlook are still present, particularly due to adverse weather conditions.

# Commodities | Volatility Across Food And Energy Markets

Food price indices (2023 January = 100)



Energy price indices (2023 January = 100)

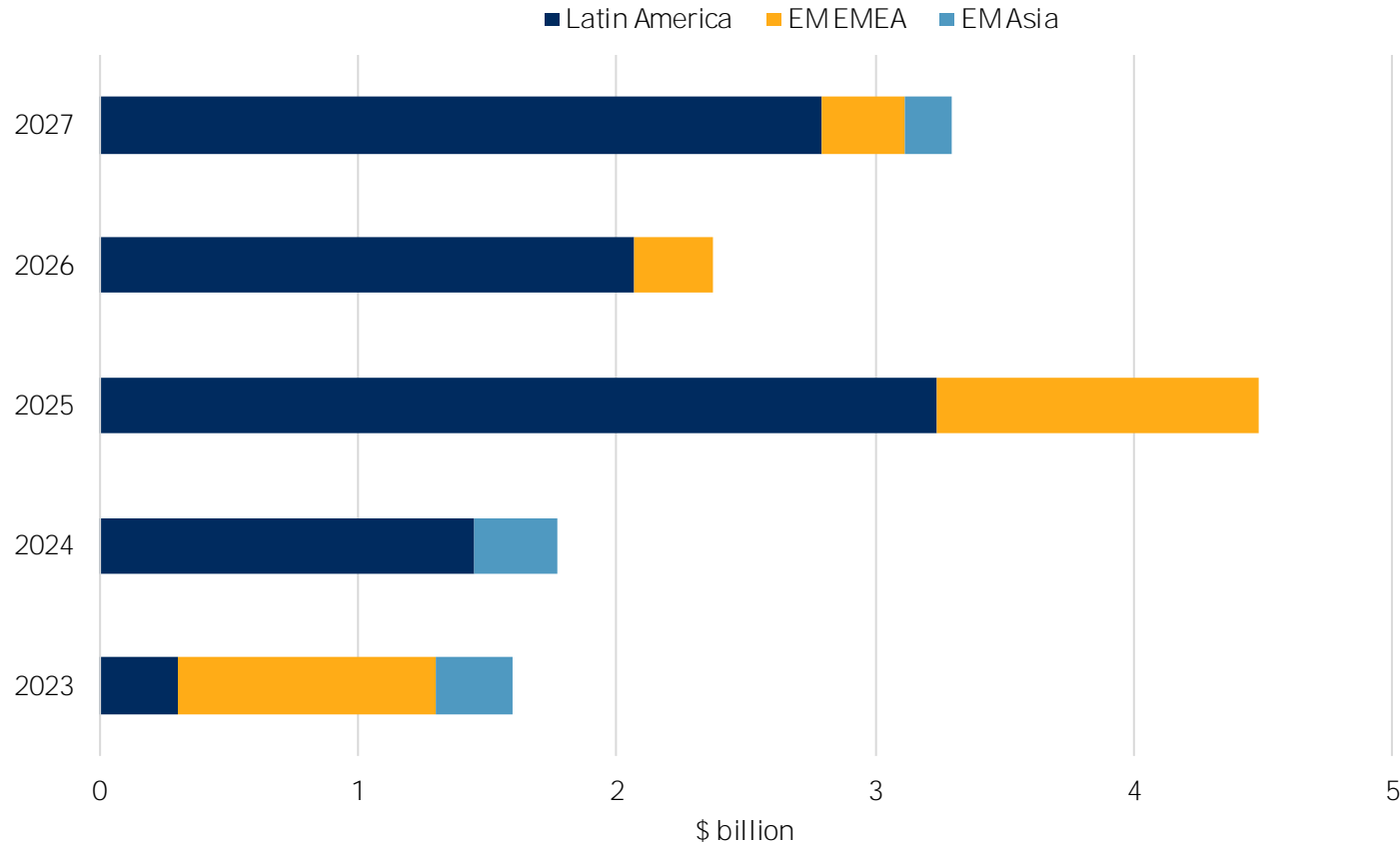


Note: Seven-day moving averages for food price chart. Sources: Refinitiv and S&P Global Ratings.

- Food price fluctuations are not limited to corn and wheat. Even though wheat and corn prices have recently moderated after the recent spike, prices of other food commodities have grown. Soybean oil has picked up significantly on the back of the drought in the U.S, while rice is under pressure because of India's ban of rice exports and adverse weather conditions in Asia.
- Oil prices have picked up because of decreasing oil production and recent price hikes. Saudi Arabia and Russia have continued cut their oil production, while Saudi Arabia has raised prices for its Asian consumers. However, slower-than-expected recovery in China is holding back oil price from rising further.
- **We currently don't expect a change in the path** of EM interest-rate cuts, despite a recent pick up in commodity prices. Commodity prices remain far below their 2022 peaks, and we expect annual food and energy inflation to continue to decelerate.

# Risky Credits | Maturity Wall Peaks Only In 2025

## 'CCC+' and lower debt maturity through 2027



Note: 'Risky Credits' refers to issuers rated 'CCC+' and lower. Includes bonds, loans and revolving credit facilities that are rated by S&P Global Ratings from financial and nonfinancial corporate issuers globally. Data as of July 1, 2023. Source: S&P Global Ratings Credit Research & Insights.

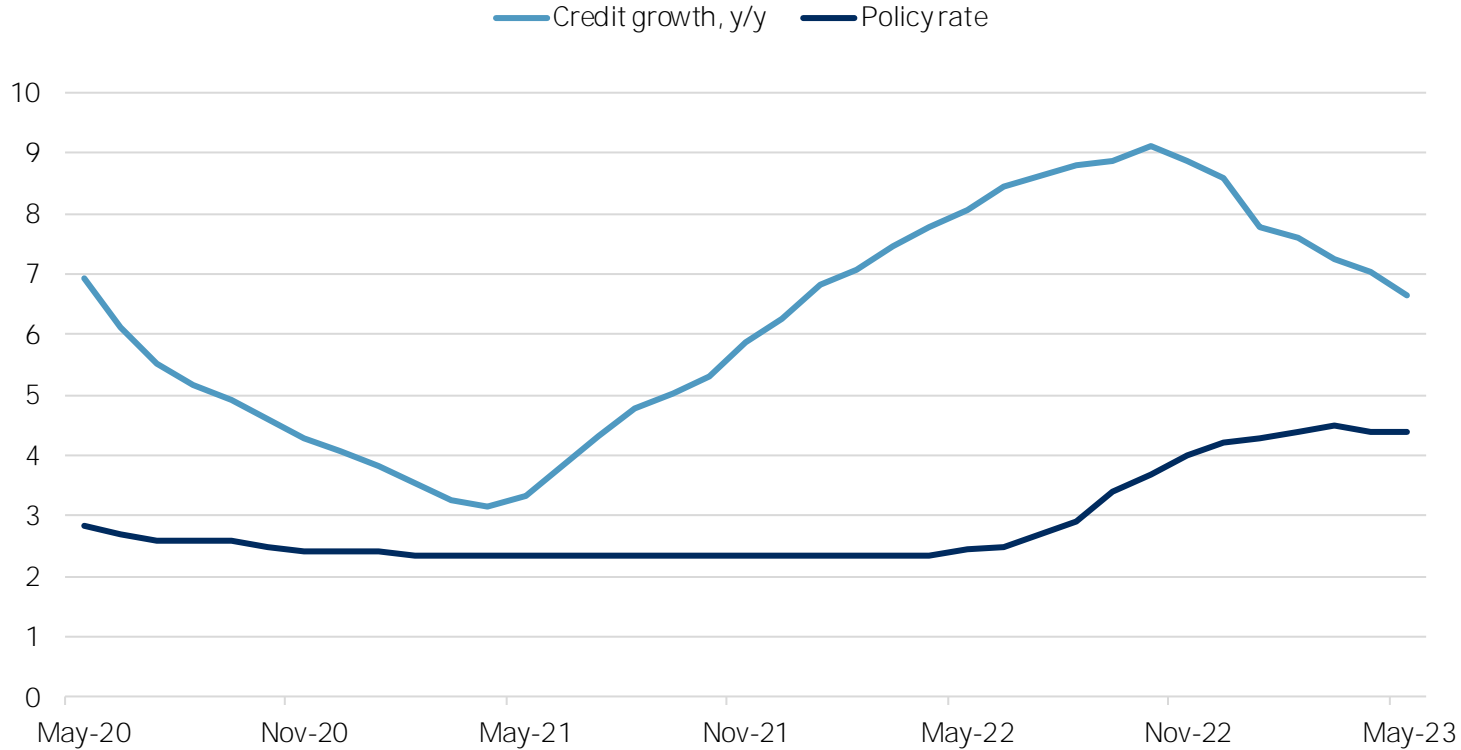
- Downward transition risk is pronounced for issuers rated 'CCC+' and lower, representing 12% (19 issuers) of the speculative-grade rated EM entities. Seventy nine percent of these entities are assigned a negative outlook or placed on CreditWatch negative and are mainly located in LatAm, where all corporate defaults occurred in Q2 2023 and the majority of upcoming debt maturities is located.
- Not all companies anticipated a protracted scenario of higher interest rates, which is now materializing and will shed light on companies with unsustainable capital structures. Therefore, an assessment of upcoming maturities becomes crucial to gauge how quickly credit stress will materialize in the form of refinancing risk. Our data shows a higher concentration of risky credits' debt maturities in 2025-2027, particularly among entities in the utilities, oil and gas, and transportation sectors. For more insights, see "[Risky Credits: Refinancing Struggles Keep Emerging Markets On Their Toes](#)" published July 26.

# Regional Economic Highlights

# EM Asia Economics | Credit Growth Has Slowed

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Credit growth and policy rates (%)



Compiled from various national sources, national central banks. Three-month moving average growth in credit is shown. Sources: CEIC data and S&P Global Ratings.

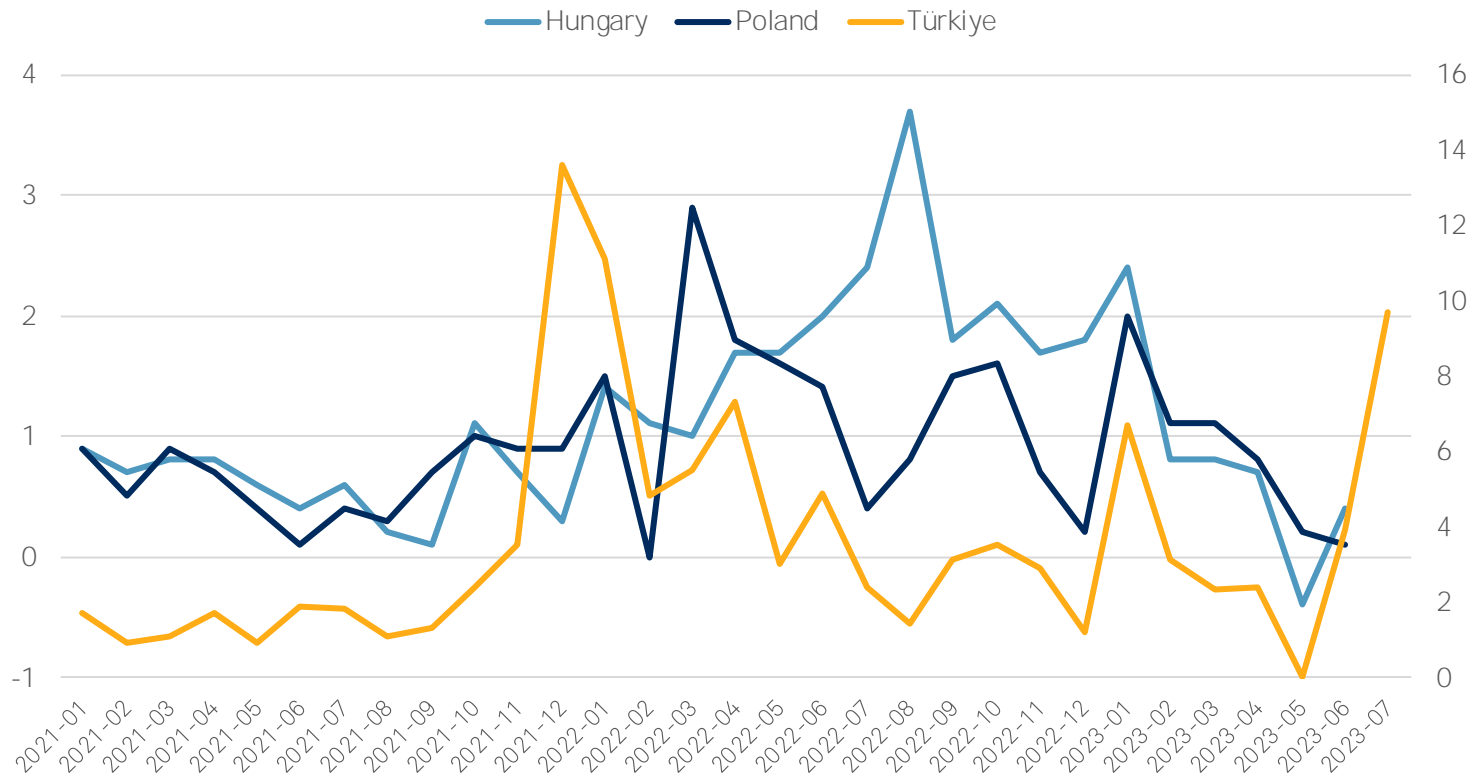
- Higher interest rates are having an impact on EM Asian economies where core inflation is moderating.
- System-wide credit growth has slowed noticeably in recent months. Following tightening of monetary policy and higher global interest rates, credit growth has slumped across the region.
- This is likely to dampen wider demand and investment activity over the coming quarters.



# EM EMEA Economics | Diverging Inflation Trajectories

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Month-on-month inflation rates (%)



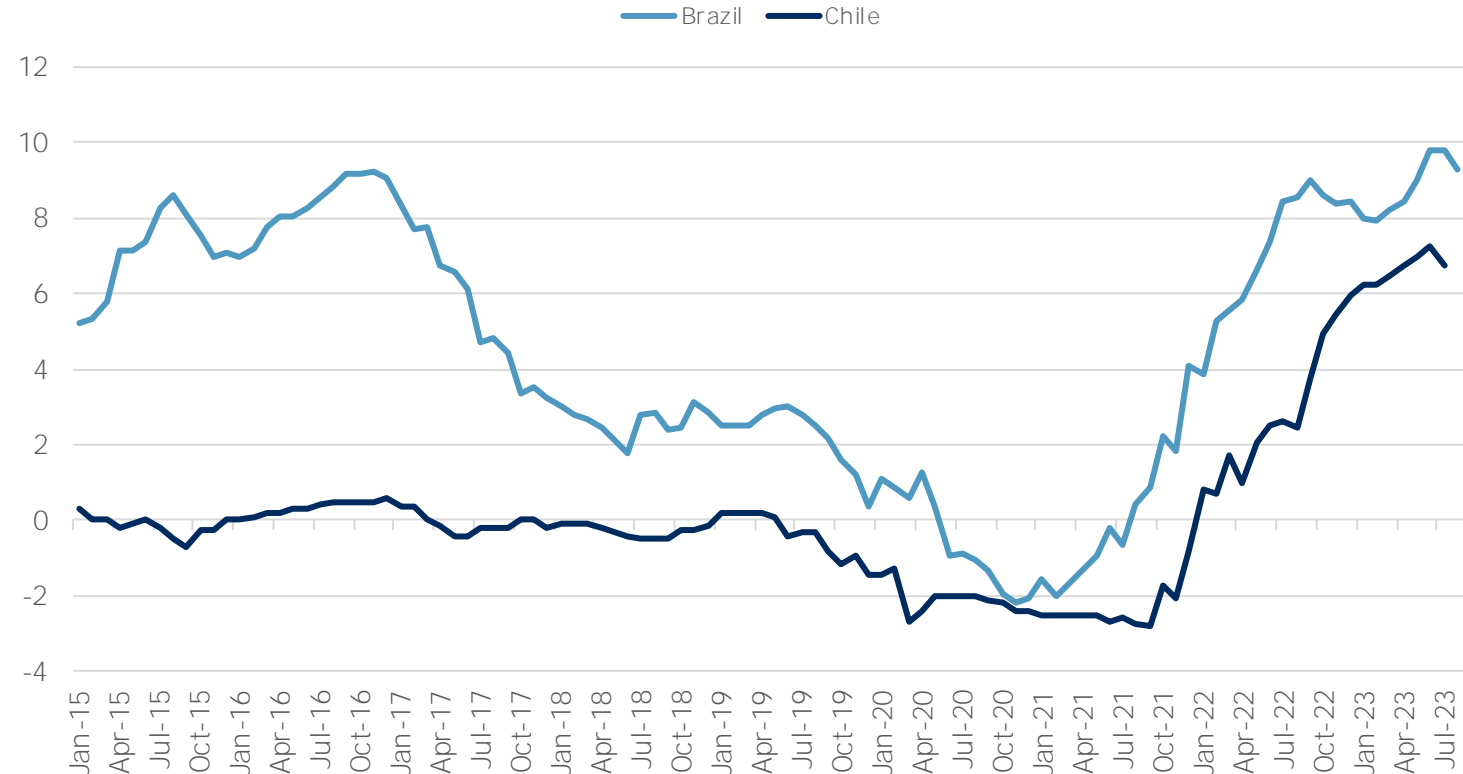
Note: HICP inflation for Hungary and Poland. Source: S&P Global Ratings.

- Better-than-expected inflation prints in Poland and Hungary are prompting interest-rate cuts later this year. However, the post-2023 inflation outlook remains subject to risks because of tight labor markets and persistently high core inflation.
- In contrast, inflation has notably picked up in Türkiye. As base effects gradually disappear and pass-through effects from the lira's depreciation and recent tax hikes have contributed to price pressures, inflation has surged. In July, inflation has jumped to 9.49% in month-on-month terms (47.8% in annual terms), the highest sequential level since February. We expect inflation to pick up significantly and for interest-rate hikes to continue over the coming months.

# LatAm Economics | Start Of Interest-Rate Cutting Cycle

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One-year real ex ante interest rate (%)



Note: The one-year real ex ante interest rate is the latest overnight reference interest rate minus the latest one-year ahead inflation expectations from central bank surveys. Source: S&P Global Ratings.

- The central banks of Chile and Brazil will continue cutting interest rates in the coming months. As expected, both central banks started their monetary-policy normalization process last month. Chile’s central bank reduced its benchmark interest rate by 100 basis points (bps) to 10.25%, and Brazil’s did so 50 bps to 13.25%. We expect both central banks to continue cutting interest rates by similar magnitudes during their meetings for the remainder of the year.
- We expect Mexico, Colombia, and Peru to start cutting rates in Q1 2024, but recent lower-than-expected inflation prints could prompt central banks to start cutting rates earlier than that. The disinflation progress has been advancing faster than most anticipated, driven by lower food and energy prices (except in Colombia, where gasoline prices have been increasing). This, combined with the likely softer domestic demand, could encourage central banks to start normalizing policy sooner than later in those countries.

# 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	2022	2023f	2024f	2025f	2026f
Argentina	1.3	Q1	-0.2	-9.9	10.4	5.2	-2.0	0.5	2.0	2.1
Brazil	4.0	Q1	-0.5	-3.6	5.3	3.0	1.7	1.5	1.8	1.9
Chile	-0.6	Q1	2.0	-6.2	11.9	2.5	0.3	2.4	2.8	2.9
Colombia	3.0	Q1	2.4	-7.3	11.0	7.3	1.4	2.0	2.9	3.0
Mexico	3.7	Q2	2.0	-8.2	4.9	3.0	1.8	1.5	2.1	2.1
Peru	-0.4	Q1	3.2	-11.1	13.5	2.7	1.8	2.6	2.8	3.0
China	6.3	Q2	6.7	2.2	8.5	3.0	5.2	4.7	4.7	4.5
India	6.1	Q1	6.9	-5.8	9.1	7.2	6.0	6.9	6.9	7.1
Indonesia	5.0	Q1	5.0	-2.1	3.7	5.3	4.8	5.0	5.1	5.1
Malaysia	5.6	Q1	4.9	-5.5	3.3	8.7	4.0	4.5	4.5	4.4
Philippines	6.4	Q1	6.6	-9.5	5.7	7.6	5.9	5.9	6.6	6.3
Thailand	2.7	Q1	3.4	-6.1	1.5	2.6	3.2	3.5	3.3	3.2
Vietnam	4.1	Q2	7.1	2.9	2.6	8.0	5.5	6.9	6.8	6.7
Hungary	-0.9	Q1	4.1	-4.8	7.1	4.6	0.1	3.2	2.9	2.9
Poland	-0.1	Q1	4.4	-2.0	6.7	5.5	1.1	3.2	3.3	2.8
Saudi Arabia	1.1	Q2	2.1	-4.3	3.9	8.7	0.2	3.6	3.4	3.3
South Africa	0.2	Q1	1.0	-6.3	4.9	2.0	0.6	1.7	1.7	2.3
Turkiye	4.0	Q1	4.2	1.8	11.6	5.4	2.3	2.0	3.1	3.1

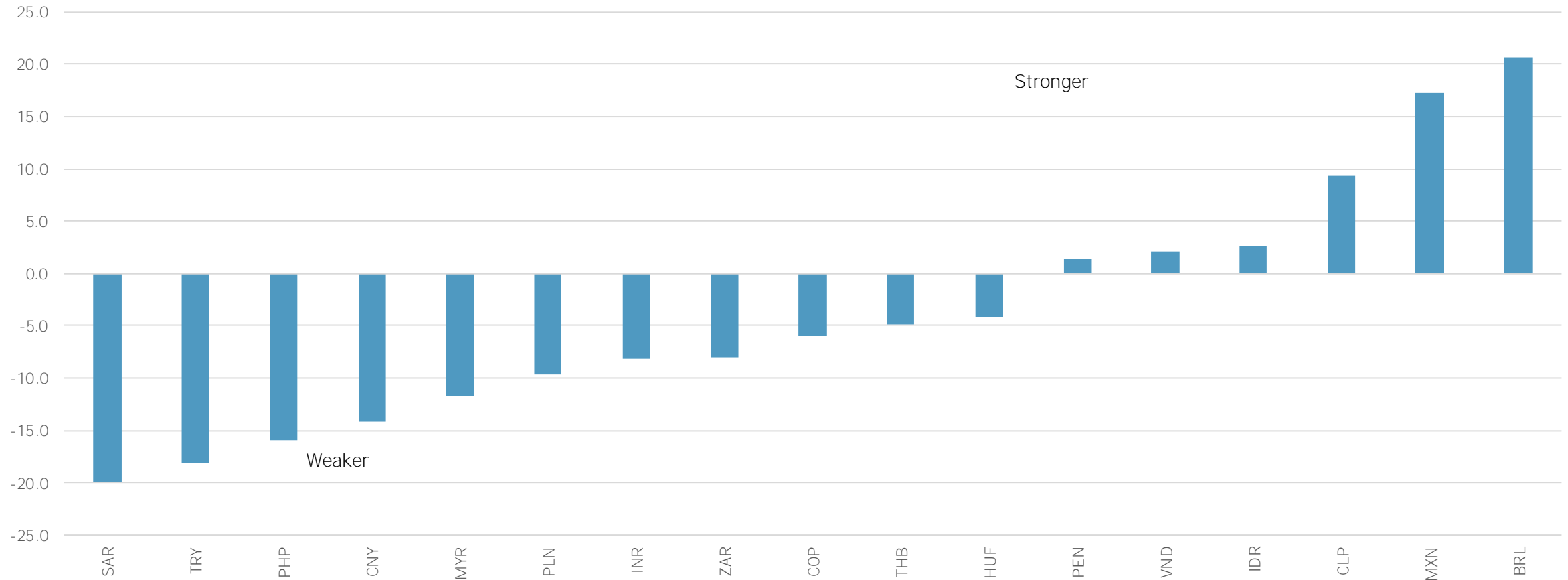
# Monetary Policy/FX | MXN And COP Are Top Performers This Year

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	July exchange rate change	YTD exchange rate change
Argentina	97.00%	No target	115.6%	60 bps hike	N/A	-6.9%	-35.7%
Brazil	13.25%	3.25% +/- 1.5%	3.2%	50 bps cut	Sept. 20	1.6%	10.0%
Chile	10.25%	3.0% +/- 1.0%	7.6%	100 bps cut	Sept. 5	-3.0%	3.4%
Colombia	13.25%	3.0% +/- 1.0%	12.1%	Hold	Sept. 29	6.8%	22.6%
Mexico	11.25%	3.0% +/- 1.0%	5.1%	Hold	Aug. 10	2.7%	16.7%
Peru	7.75%	1.0% - 3.0%	5.9%	Hold	Aug. 10	0.6%	5.8%
China	1.90%	3.00%	0.0%	N/A	N/A	1.3%	-2.3%
India	6.50%	4.0 +/- 2.0%	4.8%	Hold	Aug. 10	-0.3%	0.6%
Indonesia	5.75%	3.5% +/- 1.0%	3.1%	Hold	Aug. 24	-0.6%	3.2%
Malaysia	3.00%	No target	2.4%	Hold	Sept. 7	3.5%	-2.3%
Philippines	6.25%	3.0% +/- 1.0%	4.7%	Hold	Aug. 17	0.5%	1.5%
Thailand	2.25%	2.5% +/- 1.5%	0.2%	25 bps hike	Sept. 23	3.6%	1.2%
Vietnam	4.50%	4%	2.1%	50 bps cut	N/A	-0.4%	-0.5%
Hungary	13.00%	3.0% +/- 1.0%	20.1%	Hold	Aug. 29	-2.6%	6.9%
Poland	6.75%	2.5% +/- 1.0%	11.5%	Hold	Sept. 6	1.7%	9.8%
Saudi Arabia	6.00%	No target	2.7%	25 bps hike	Sept. 20	0.0%	0.2%
South Africa	8.25%	3.0% - 6.0%	5.4%	Hold	Sept. 21	6.2%	-4.3%
Turkiye	17.50%	5.0% +/- 2.0%	47.8%	250 bps hike	Aug. 24	-3.2%	-30.5%

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

# Real Effective Exchange Rates | LatAm Currencies Outperform This Year

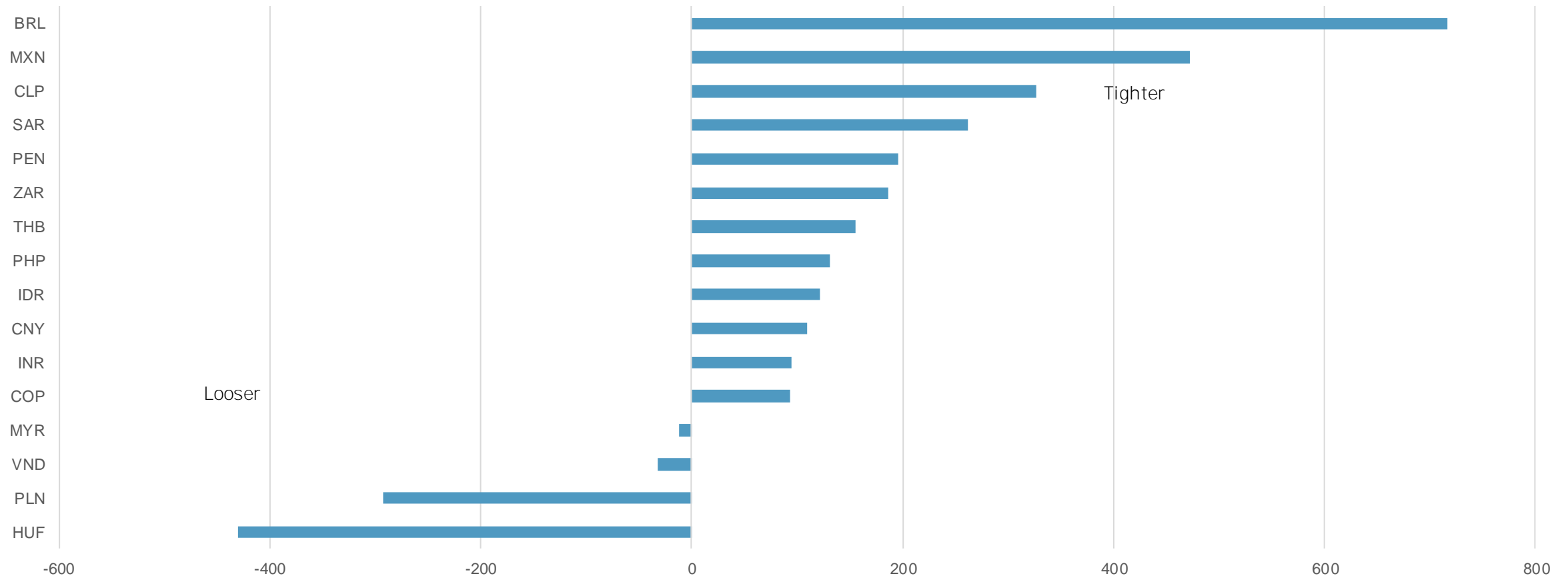
Broad real effective exchange rates



Percent 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 July 31, 2023. Sources: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

# Real Interest Rates | Real Rates The Most Restrictive In LatAm

Deviation in current real benchmark interest rates from 10-year average (bps)



*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 July 31, 2023. 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	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	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Stable	Stable	Negative	Negative
Institutional	2	4	4	4	3	3	3	4	3	4	3	3	4	4	4	5	6
Economic	4	3	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	1	4	2	4	3	4	3	3	3	6	4	6	6	4	5	6
Fiscal (DBT)	2	1	2	3	5	4	4	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
Economic Risk	4	5	4	6	5	6	7	6	6	7	6	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	H	L	I	I	H	H	H	VH	H	I	I	I	EH	VH	H
Derived Anchor	bbb+	bbb	bbb	bbb-	bbb	bbb-	bb+	bbb-	bb+	bb	bbb-	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	L	H	I	I	H	VH	VH
Credit Risk	I	I	I	VH	H	I	VH	H	VH	VH	VH	H	H	H	EH	VH	EH
Competitive Dynamics	L	I	H	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	H	I	H	I	VH	VH
Median Rating (July 31, 2023)	BBB	A-	BB	BB	BBB+	BBB-	BBB+	BBB	BB-	BBB	BBB-	BB+	BB-	BB-	BB-	B	CCC-
Net Debt / EBITDA	3.35	3.07	1.46	2.08	2.22	2.90	3.00	3.30	2.50	2.56	2.34	2.12	1.96	2.02	2.71	1.72	1.36
ROC Adj.\$	-5.8	0.3	-10.0	-1.8	-1.0	-1.1	1.6	-4.2	-1.4	0.4	-1.1	-4.6	0.1	-1.0	0.2	-26.1	-47.6
EBITDA INT. COV.	7.40	9.02	11.39	7.84	11.54	4.85	6.67	7.28	5.75	11.59	6.06	5.76	3.40	6.42	5.72	4.75	3.79
FFO / Debt	30.05	28.20	49.51	42.78	27.55	37.90	17.26	25.91	35.03	29.17	35.30	41.58	53.21	43.28	30.87	42.75	56.65
NFC FC Debt % GDP*	34.8	9.8	13.7	9.7	13.4	15.1	4.8	10.8t	8.5	13.0	7.3	12.8	14.1	14.3		30.3	5.0
NFC Debt % of GDP*	101.9	56.6	39.6	27.3	61.4	23.2	159.2	47.8t	25.5	54.9	54.5	32.0	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 February 2023.

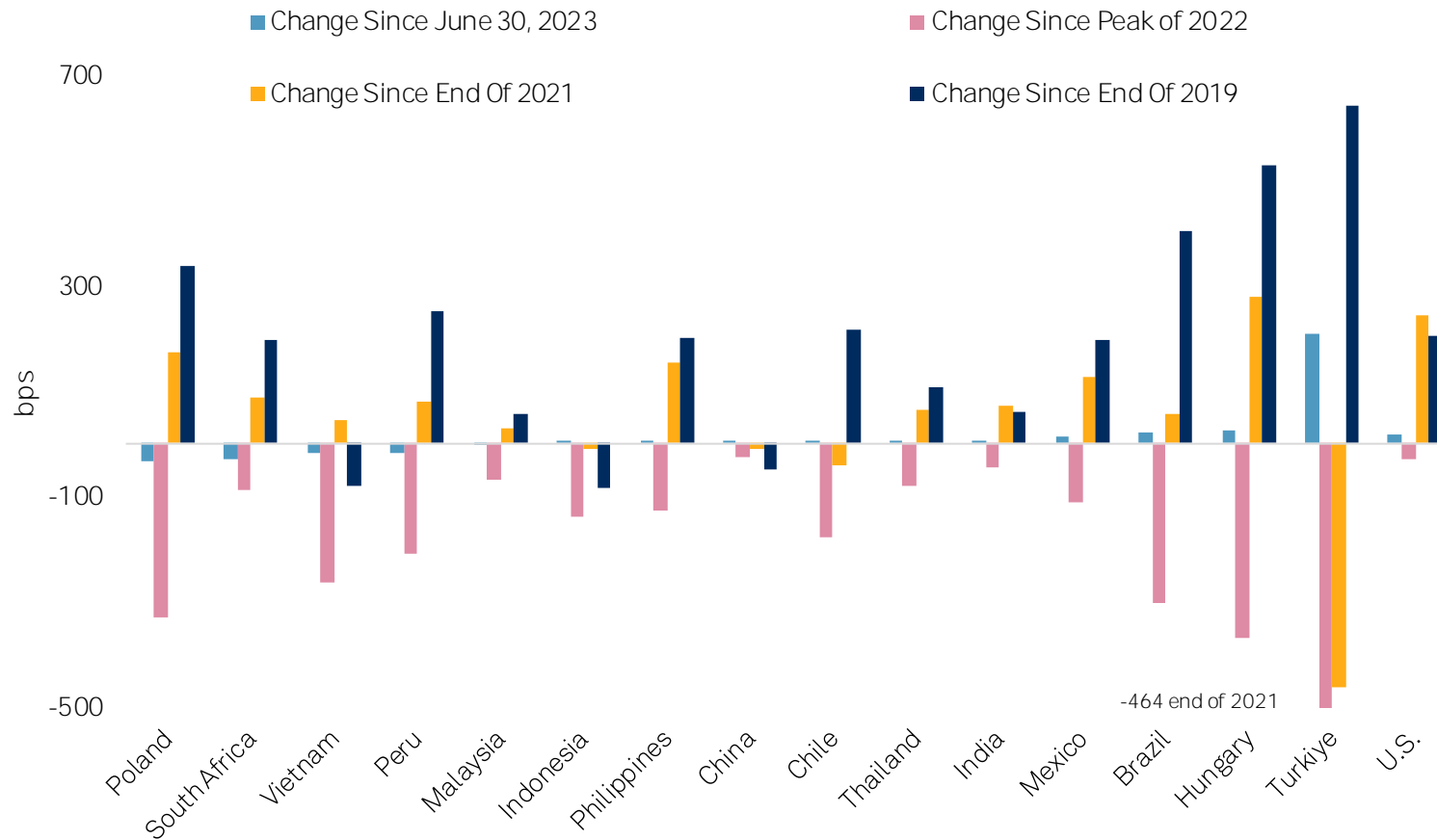
\*IIF 4Q 2022. Sources: I-Bangko Sentral NGPillipinas, Banco Central de Reserva del Peru, Superintendencia de Banca y Seguros y AFP (Peru); Corporate Variables Capital IQ 4Q 2022. S&P Global Ratings. Data for sovereigns and financial institutions as of Aug. 8, 2023.

# Financing Conditions

## Highlights

# EM Yields | Somewhat Muted Benchmark Yields

Change in local currency 10-year government bond yield versus U.S. 10-year T-note yield

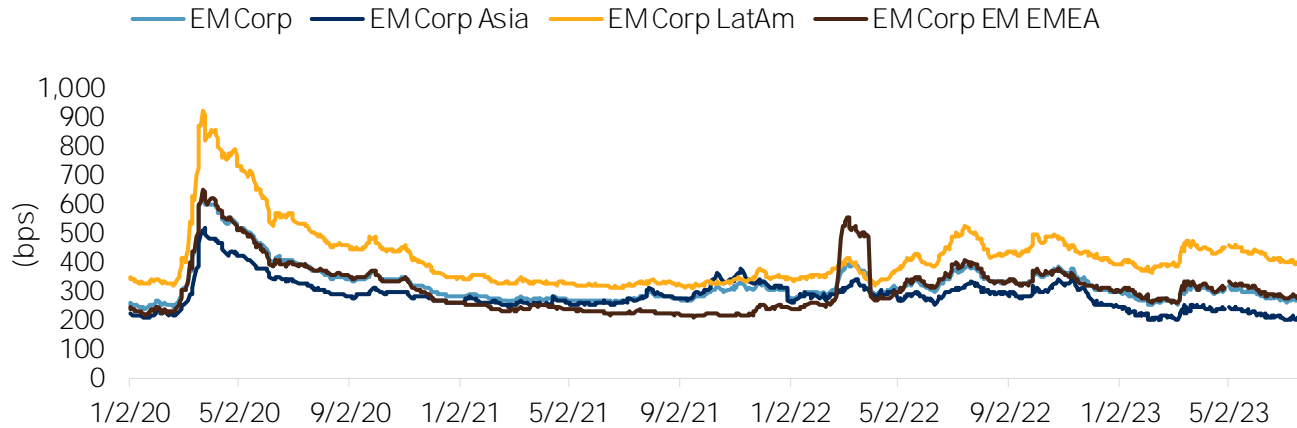


- EM 10-year benchmark yields were relatively unchanged in July. The most significant downward movements were in Poland (a 34-bp drop month on month), where inflation is moderating amid softening economic growth, and in South Africa (30 bps) after a volatile month. Power crisis keeps constraining South Africa's economy despite the drop of headline inflation to 5.4% in June from 6.3% in May.
- Turkiye central bank continued to hike its policy rate by 250 bps in July, announcing decisions on quantitative tightening and selective credit tightening in support of its monetary-policy stance.
- Regional divergence is here to stay, as the central banks of Chile and Brazil have already started cutting interest rates. EM EMEA and LatAm benchmarks are on average 326 and 294 bps higher than pre-COVID levels, while EM Asia only shows an increase of 43 bps.

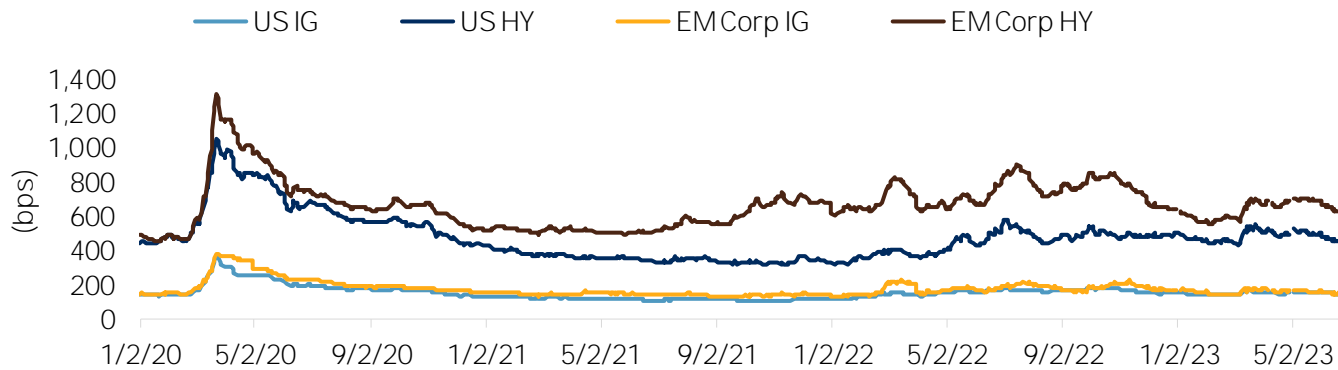
Data as of July 31, 2023. Thailand data as of July 27, 2023. The selection of country is subject to data availability. Sources: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro and Datastream.

# EM Credit Spreads | Still Trending Down

## EM spreads by region



## U.S. And EM spreads



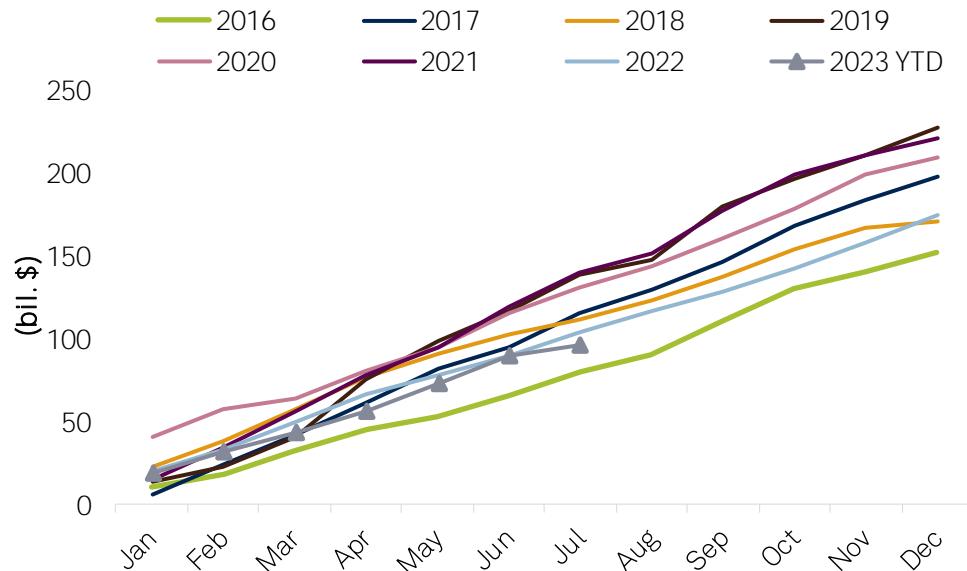
Data as of July 31, 2023. HY – high yield. IG – investment grade. Sources: S&P Global Ratings Credit Research & Insights, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- EM corporate spreads slipped 17 bps on average with a more pronounced drop in LatAm (down 32 bps) and in the high-yield (45 bps) versus the investment-grade spread. Despite the ongoing regional disinflationary trend, we still see credit pressure in LatAm, where the protracted scenario of high interest rates and tight financing conditions trigger refinancing risk.
- No speculative-grade issuance was recorded in July, as in previous months. Only two companies issued debt in June: Colombia-based Ecopetrol S.A. (oil and gas) with a cumulative amount of \$1.5 billion at 8.7% and Hong Kong-based H & H Intl (consumer products) for \$56 million at 13.5%.
- Spreads may be vulnerable to external conditions. The Federal Reserve’s further hikes amid monetary-policy normalization in EMs as well as China’s disappointing growth could accelerate capital flows and depress exchange rates. Geopolitical risks such as the Russia-Ukraine conflict or U.S.-China tensions complicate the outlook.

# EM | Financial And Non-Financial Corporate Issuance

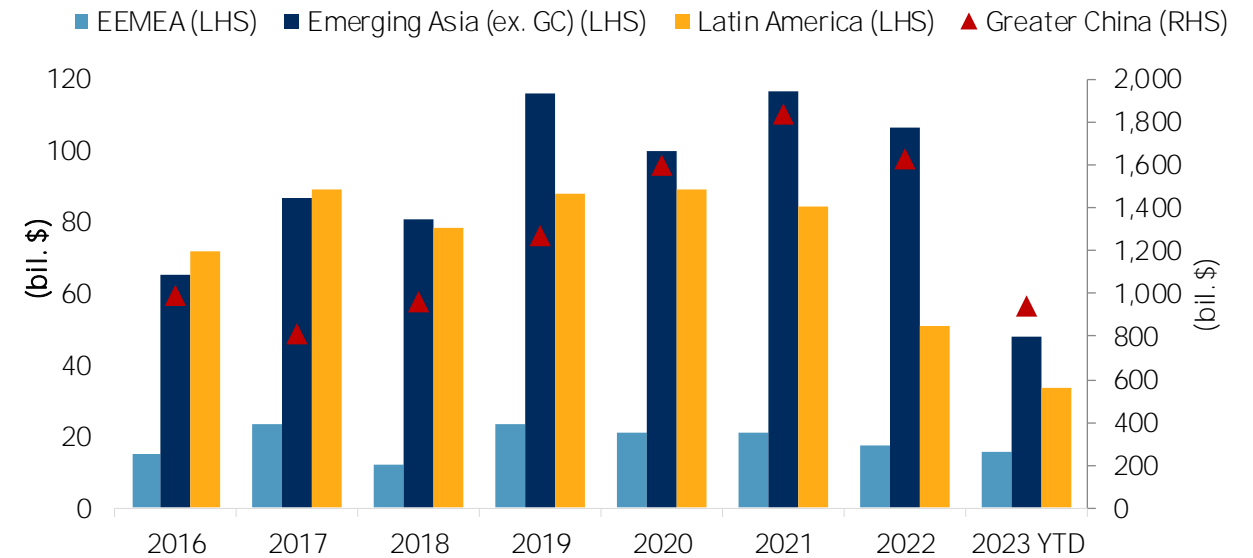
- EM overall issuance in July was similar to that in June with a monthly volume of \$150 billion (up 2%), 95% of which was imputable to Greater China that has seen a solid increase in banking issuance (\$42 billion in July versus \$23 billion in June) overcoming the \$3 billion monthly decrease in non-financial issuance (mainly through oil and gas, capital goods, and utilities).
- Issuances outside of Greater China dropped consistently in July with a record low of \$7 billion, down from \$16 billion in June. It's the lowest monthly increase since March 2020. The decrease was widespread, except for Poland (oil and gas), Saudi Arabia (high technology), and Indonesia (miscellaneous) where issuance increased last month.
- Issuances in July were almost entirely unrated. Only \$1.3 billion issued in Greater China was rated investment grade, mostly at fixed rates, with average coupon of 4.8% and average maturity of 7.4 years.

EM Cumulative Corporate Bond Issuance



Excluding Greater China. Data as of July 31, 2023. Data including NR (not rated). Sources: S&P Global Ratings Credit Research & Insights and Refinitiv.

EM Regional Bond Issuance

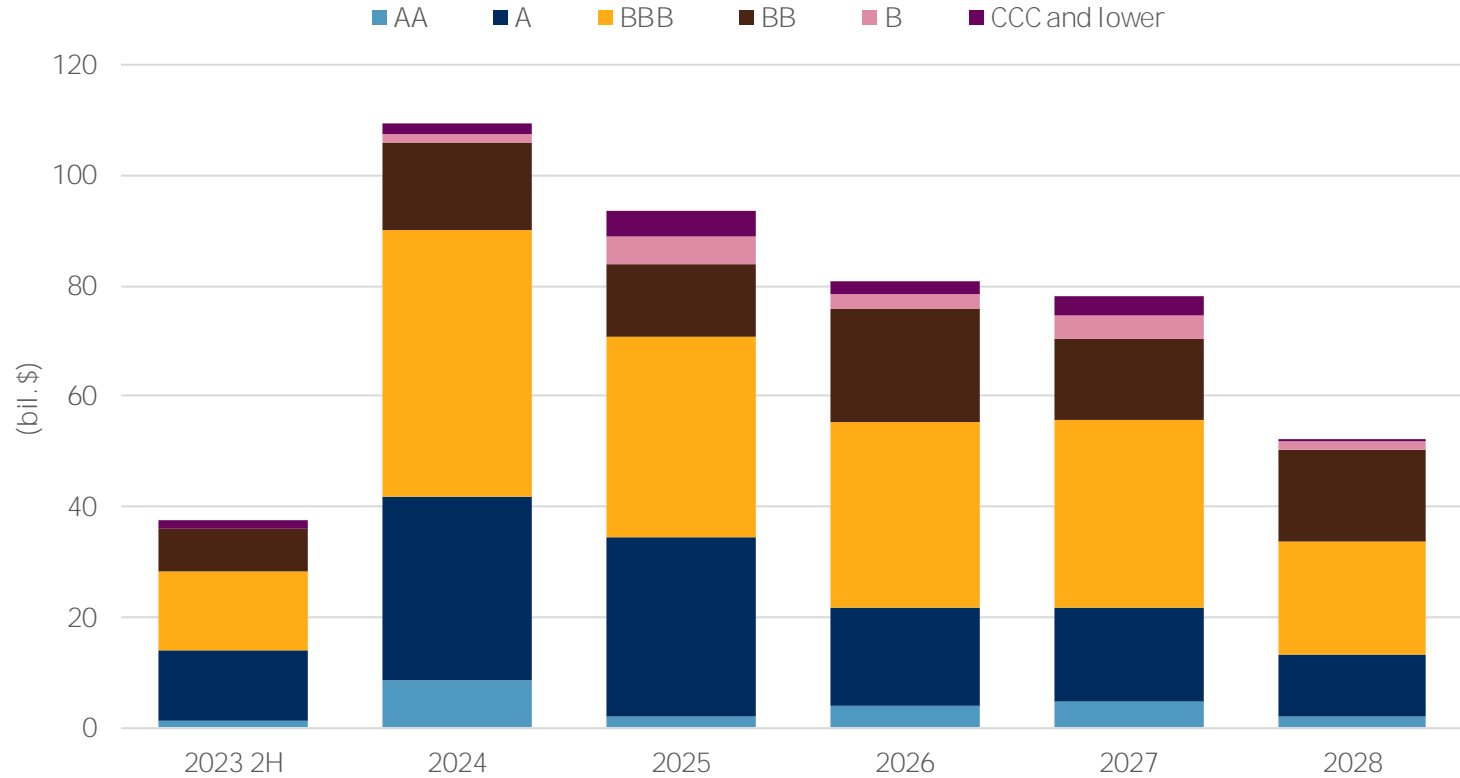


Data as of July 31, 2023. GC- Greater China. Sources: S&P Global Ratings Credit Research & Insights and Refinitiv.

# EM Refinancing | Upcoming Maturities Are Mostly Investment Grade

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## EM corporate maturities by rating category



- EM financial and nonfinancial corporate issuers have \$210 billion in rated debt maturing through in the next 24 months.
- 77% of this debt is rated investment grade, with the 'BBB' category accounting for the largest share (40%).
- Speculative-grade rated debt maturities gradually increase, peaking at 36% of maturities in 2028.

*Include bonds, loans, and revolving credit facilities that are rated by S&P Global Ratings from financial and nonfinancial corporate issuers. Exclude debt instruments that do not have a global scale rating. Data as of July 1, 2023. Source: S&P Global Ratings Credit Research & Insights.*

# Ratings Summary

# Ratings Summary | Sovereign Ratings In EM18

Economy	Rating	Outlook	Five-year CDS spread (July 31)	Five-year CDS spread (June 30)
China	A+	Stable	54	60
Chile	A	Stable	62	72
Saudi Arabia	A	Stable	48	57
Malaysia	A-	Stable	42	54
Poland	A-	Stable	68	75
Philippines	BBB+	Stable	68	80
Thailand	BBB+	Stable	43	52
Indonesia	BBB	Stable	74	85
Mexico	BBB	Stable	100	102
Peru	BBB	Negative	72	76
Hungary	BBB-	Stable	154	161
India	BBB-	Stable	81	87
Colombia	BB+	Stable	198	234
Vietnam	BB+	Stable	106	115
Brazil	BB-	Positive	164	174
South Africa	BB-	Stable	228	266
Turkiye	B	Negative	373	484
Argentina	CCC-	Negative	3,970	3,904

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 July 31, 2023. Sources: S&P Global Ratings Credit Research & Insights and S&P Capital IQ.

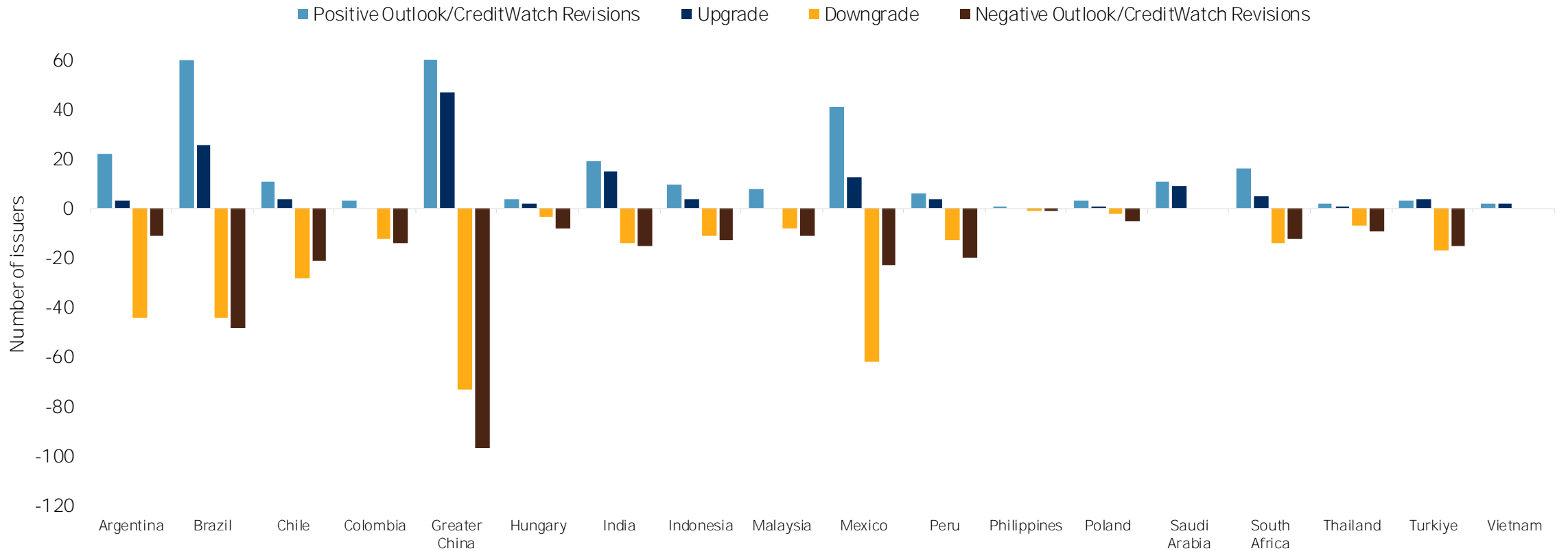


# Top 20 EM Rating Actions | By Debt Amount In The Past 90 Days

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. \$)
7-Jul-23	Braskem Idesa S.A.Pl. and subsidiary	Mexico	Chemicals, packaging and environmental services	B	B+	Downgrade	2,100
26-Jun-23	Shriram Finance Ltd.	India	Financial institutions	BB	BB-	Upgrade	1,700
3-May-23	GNL Quintero S.A.	Chile	Utilities	BBB+	BBB	Upgrade	1,100
27-Jul-23	Delhi International Airport Ltd.	India	Transportation	B+	B	Upgrade	1,023
14-Jul-23	Azul S.A.	Brazil	Transportation	SD	CC	Downgrade	1,000
6-Jun-23	Koc Holding A.S.	Turkiye	Financial institutions	B+	B	Upgrade	750
25-Jul-23	Guacolda Energia S.A.	Chile	Utilities	CC	CCC+	Downgrade	500
6-Jun-23	Unigel Participacoes S.A.	Brazil	Chemicals, packaging and environmental services	CCC+	B+	Downgrade	420
23-May-23	Pegasus Hava Tasimaciligi A.S.	Turkiye	Transportation	B+	B	Upgrade	375
4-Jul-23	Credivalores - Crediservicios SAS	Colombia	Financial institutions	CCC-	CCC+	Downgrade	300
23-Jun-23	Enjoy S.A.	Chile	Media and entertainment	CCC-	CCC+	Downgrade	211

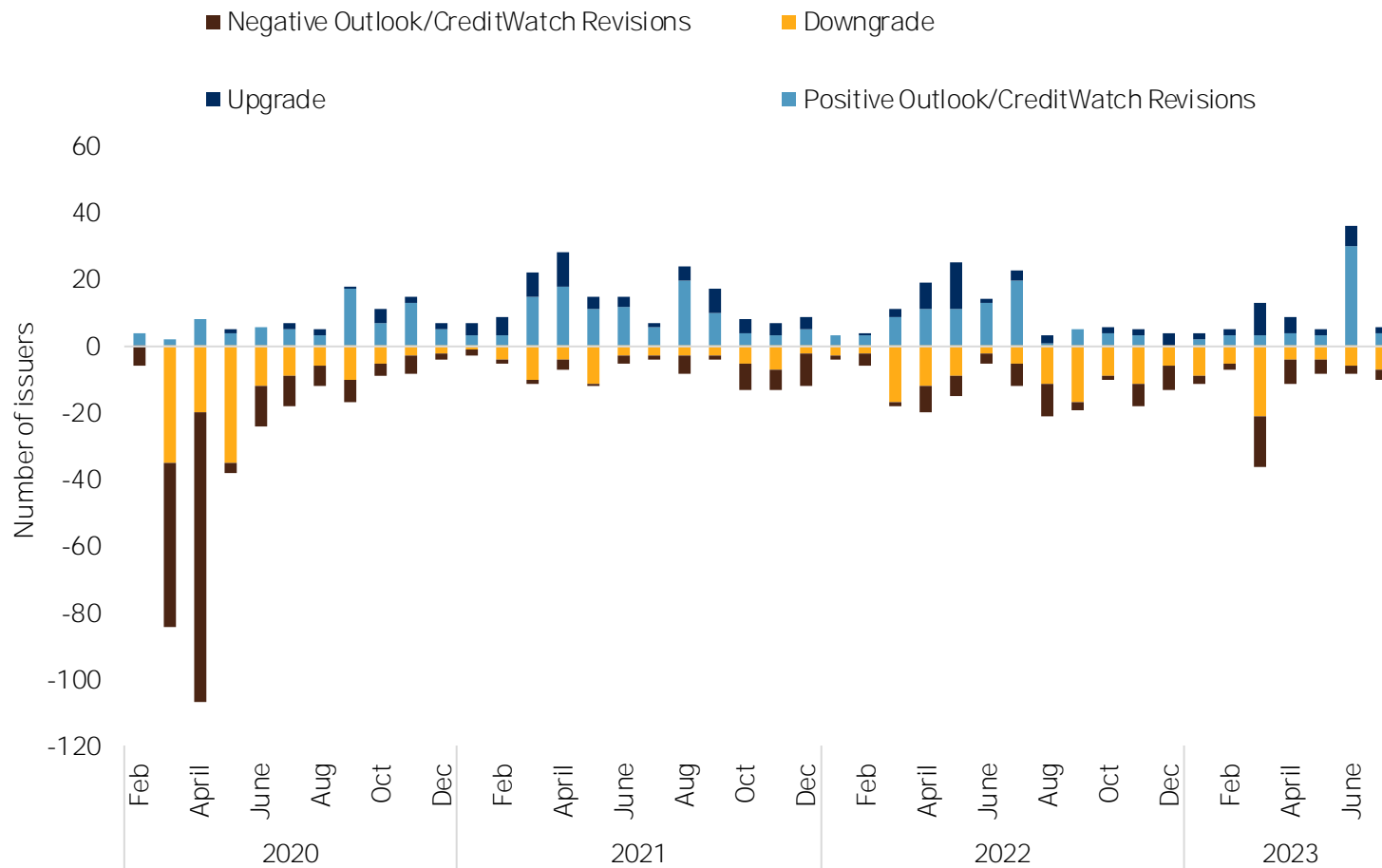
Data as of July 31, 2023 (last 90 days), excludes sovereigns, Only includes rating actions where S&P Global Ratings rates debt. Includes rating actions on subsidiaries only if there was no rating action on the Parent. Excludes Greater China and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and grey - default. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

# EM | Total Rating Actions By Economy



Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent. Data from Feb. 3, 2020 to July 31, 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 Credit Research & Insights.

# EM | Total Rating Actions By Month

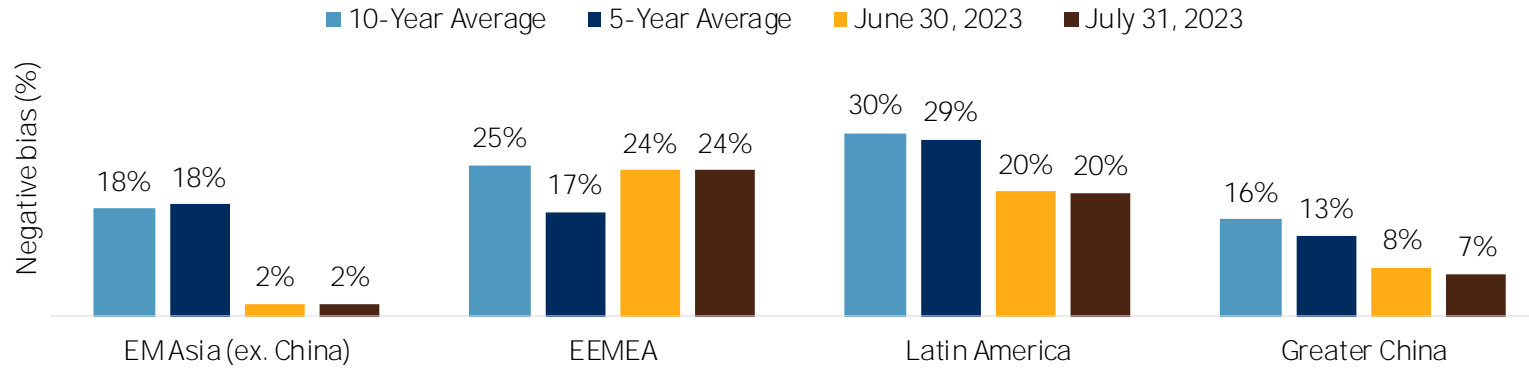


- There were seven downgrades in July, all from speculative-grade rating levels. Four of them were in LatAm and three in Greater China. Specifically, Brazil-based Azul S.A. (transportation) defaulted on a distressed exchange; Chile-based Guacolda Energia S.A. (utilities) announced a tender offer that we view as distressed; Colombia-based Credivalores - Crediservicios S.A. (nonbanking financial institution) faces liquidity pressures; and Mexico-based Braskem Idesa S.A.P.I. (chemicals) was downgraded on higher-than-expected leverage, as weak polyethylene prices compressed its operating margins. Greater China-based Dalian Wanda Commercial (real estate) was downgraded twice in the month on weaker liquidity and non-payment risk.
- There were two upgrades in July, down from six in June. Greater China-based Thevelia Holdings Ltd. (commercial) completed an acquisition expanding its scale, geographical footprint, and offerings. India-based Delhi International Airport was upgraded on air traffic recovery and stronger profitability.

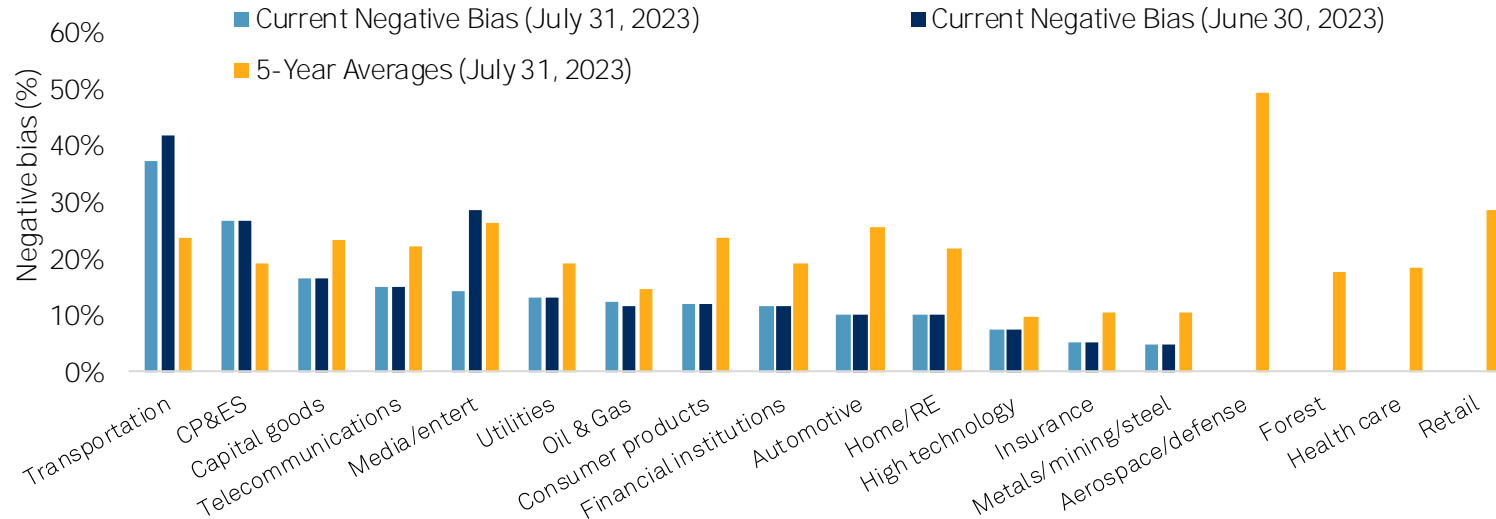
Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the Parent. Data from Feb. 3, 2020 to July 31, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, 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 Credit Research & Insights.

# EM Downgrade Potential | Regional Negative Bias

EEMEA has the highest downgrade potential



Negative bias by sector



- EEMEA had the highest downgrade potential in July, with negative bias at 24%, same as in June. In July, we revised outlooks on two banks to positive: Saudi Investment Bank (Saudi Arabia) and African Bank Ltd. (South Africa) on stronger capitalization and improved funding. The downgrade potential remains below the 10-year average while higher than the five-year average.
- Downgrade potential remained relatively constant across regions. LatAm remains on the spotlight, with a negative bias of 20%.
- Transportation and chemicals, packaging and environmental services are the only two sectors (out of 18) displaying a negative bias higher than the historical average.

Data as of July 31, 2023 and include sectors with more than five issuers only; excludes sovereigns. Excludes subsidiaries. Source: S&P Global Ratings Credit Research & Insights .

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

One rating movement to 'CCC' from 'B-' in 2023 through July 31 in EM 18

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
14-Mar-23	Guacolda Energia S.A.	Chile	Utilities	CC	B-	500

*Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating. Data as of July 31, 2023; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in Greater China but are incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.*

# Rating Actions | EM Fallen Angels And Rising Stars In 2022, 2023 YTD

Three EM fallen angels in 2022; no fallen angel 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 in 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 July 31, 2023; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

# Rating Actions | List Of Defaulters In 2023

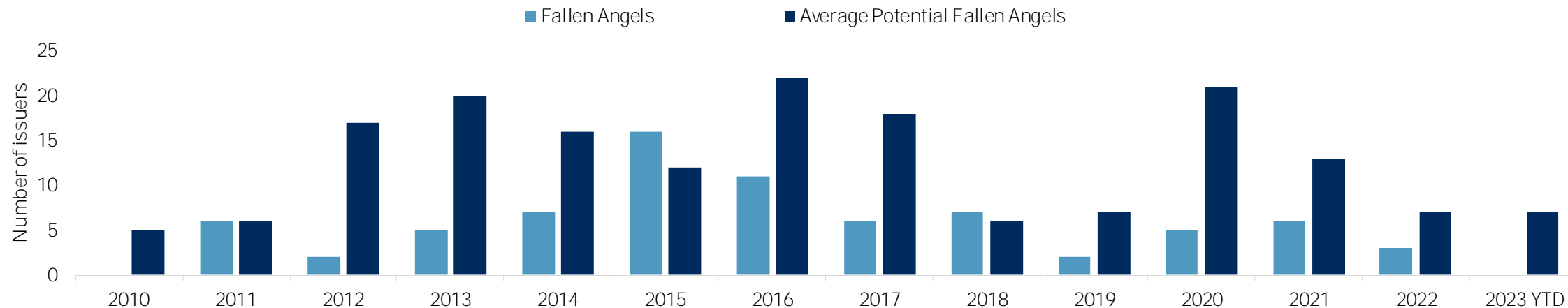
Ratingdate	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
6-Jan-23	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	153,221
16-Jan-23	Americanas S.A. (Lojas Americanas S.A.)	Brazil	Retail/restaurants	D	B	1,000
20-Jan-23	Mexarrend S.A.P.I. de C.V.	Mexico	Financial institutions	D	CC	300
3-Feb-23	Oi S.A.	Brazil	Telecommunications	D	CCC-	1,654
9-Mar-23	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	153,048
14-Mar-23	Gol Linhas Aereas Inteligentes S.A.	Brazil	Transportation	SD	CC	650
20-Mar-23	TV Azteca S.A.B. de C.V.	Mexico	Media and entertainment	D	NR	-
12-Apr-23	Guacolda Energia S.A.	Chile	Utilities	D	CC	500
27-Apr-23	Grupo IDESA S.A. de C.V.	Mexico	Chemicals, packaging and environmental services	SD	CC	300
8-Jun-23	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	153,181
12-Jun-23	InterCement Brasil S.A. (InterCement Participacoes S.A.)	Brazil	Forest products and building materials	SD	CC	-
14-Jul-23	Azul S.A.	Brazil	Transportation	SD	CC	1,000

Data as of July 31, 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), not rated (NR). \*Republic of Argentina default refers to its local currency long-time rating. Three confidential defaults through July 31, 2023.

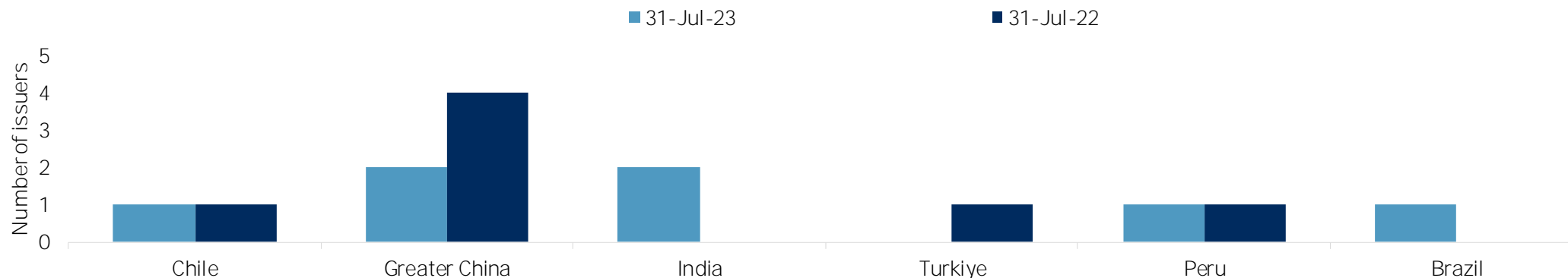
Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

# Rating Actions | Fallen Angels And Potential Fallen Angels

No fallen angel in 2023 YTD, while potential fallen angels trending up



Majority of issuers is from Greater China and India

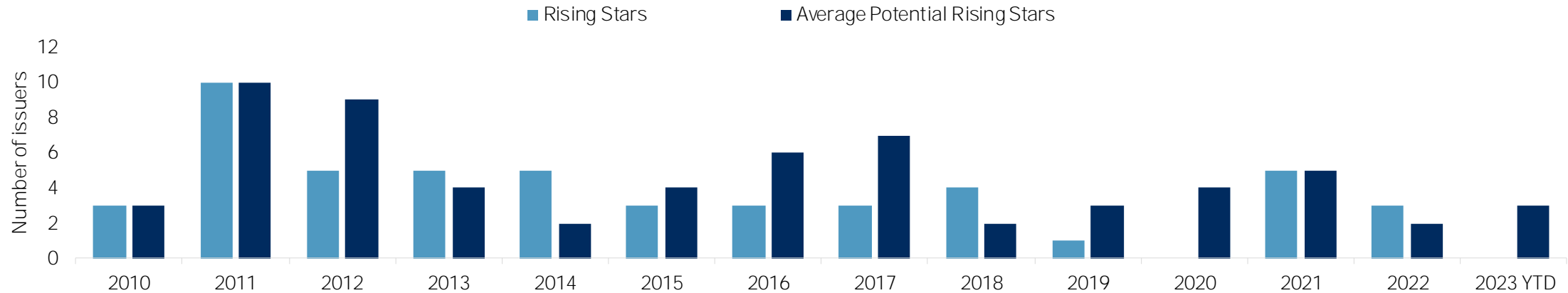


Data as of July 31, 2023. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

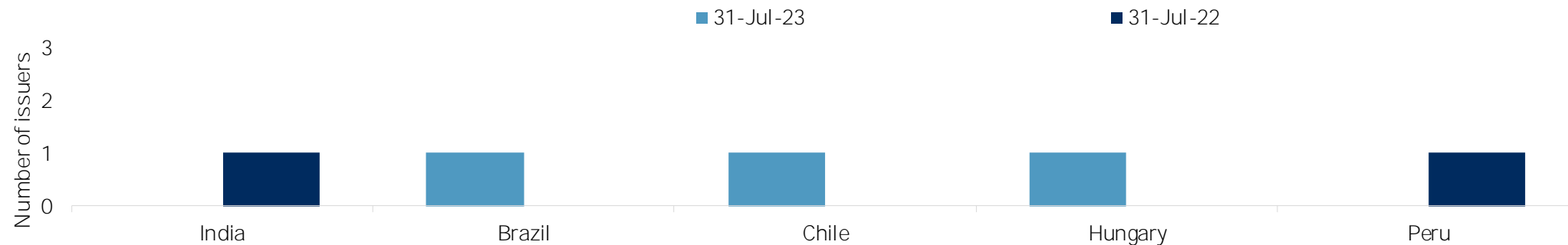


# Rating Actions | Rising Stars And Potential Rising Stars

No rising stars in 2023 YTD



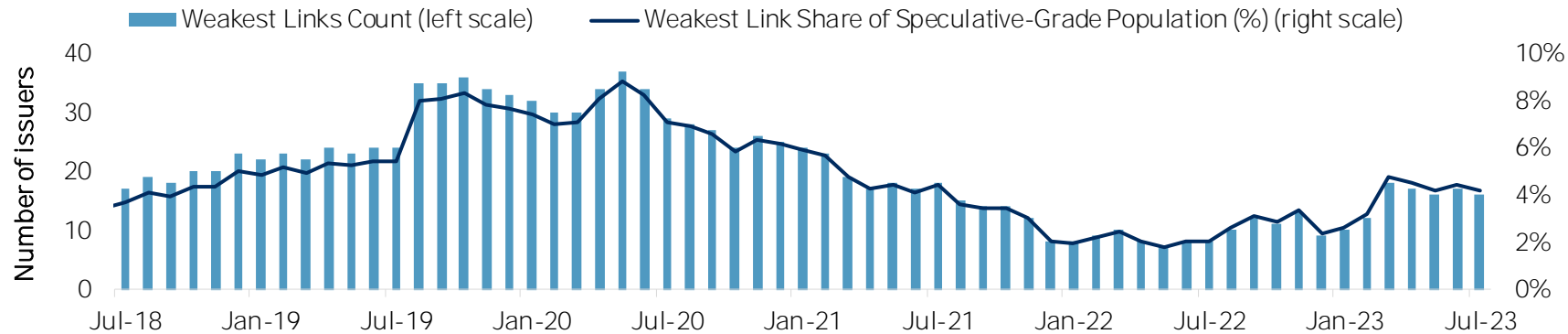
EM potential rising stars



Data as of July 31, 2023. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

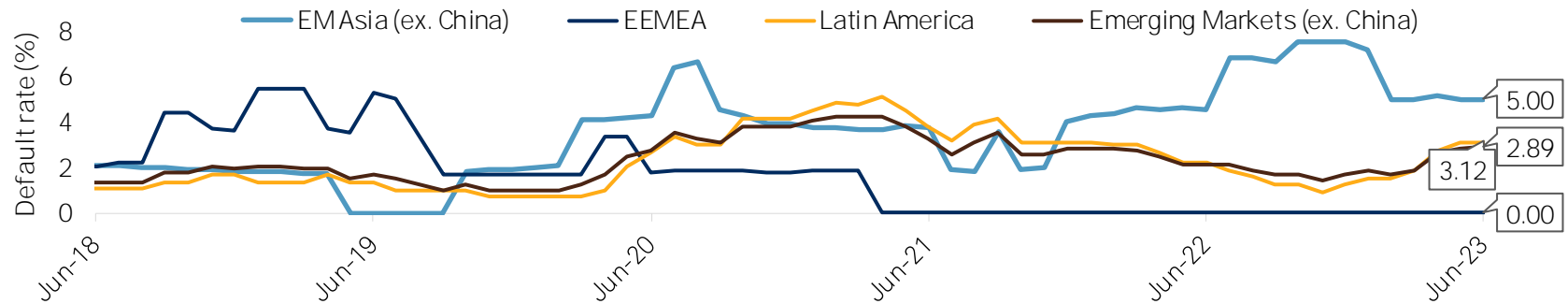
# Rating Actions | Weakest Links And Defaults

EM weakest links at 16 in July



Data as of July 31, 2023. Parent only. 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 Credit Research & Insights .

Default rate rise this month (as of June 2023)



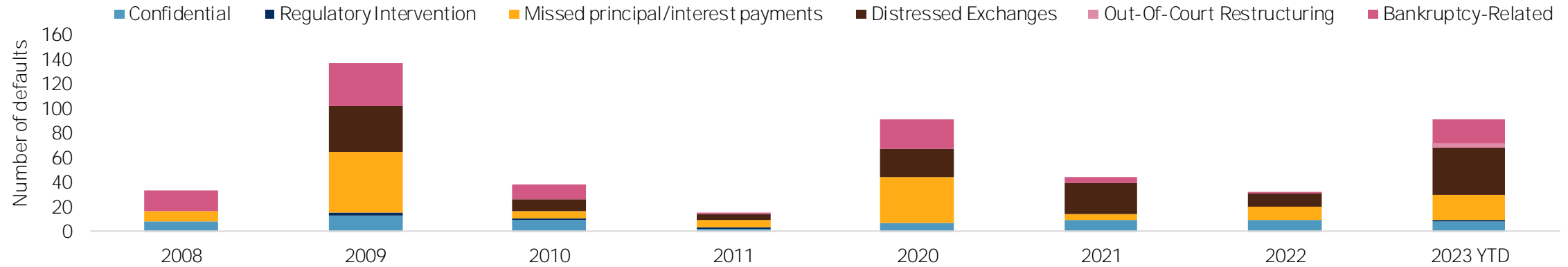
Excluding China. CreditPro data as of June 30, 2023. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Excludes sovereigns. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

- Weakest links. EMs' weakest links decreased to 16 issuers in July (4% of total speculative-grade issuers) from 17 in June after the previously mentioned default of Azul S.A.

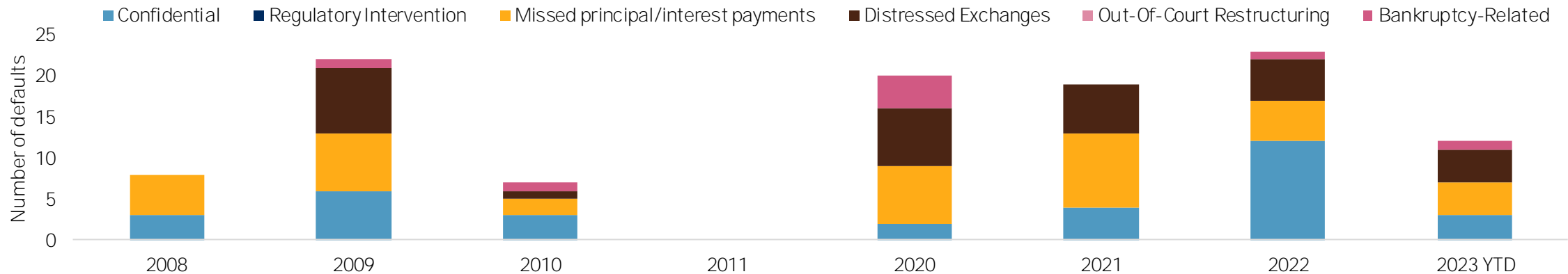
- Default rates. June default rate, as a trailing count, increased in LatAm, in which all of EM defaults occurred in 2023 so far (12 as of July 31).

# Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



\*Data as of July 31, 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). Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

# Related Research

# EMs | Related Research

- Unlocking India's Capital Markets Potential, Aug. 3, 2023
- Credit Trends: Global Refinancing --Progress Made As Pressure Remains, July 26, 2023
- Risky Credits: Refinancing Struggles Keep Emerging Markets On Their Toes, July 26, 2023
- Central And Eastern Europe Sovereign Rating Outlook Midyear 2023: Easing, Not Easy, July 25, 2023
- Recent Developments Signal Favorable Trends For Brazilian Homebuilders, July 25, 2023
- Vietnam's Property Strain Could Spill Over To Banks, July 25, 2023
- Global Emerging Markets: Common Themes, Individual Circumstances, July 20, 2023
- Panelists Discuss Why Asia EMs Are Outperforming –And Whether It Will Last, July 20, 2023
- Emerging Markets Monthly Highlights: Holding Up Despite Softening External Demand, July 19, 2023
- Brazilian Infrastructure Groups' Healthy Liquidity Helped Loosed First-Half 2023 Credit Squeeze, July 13, 2023
- The Global Sukuk Market Is Showing Pockets Of Opportunity, July 12, 2023
- Four Checkpoints On The Path To Greater Renminbi Internationalization, July 11, 2023
- Latin American Corporate and Infrastructure Midyear Credit Outlook 2023: Market Ice Cracks, Yet a Chill Remains, July 6, 2023

*EMs consist of Latin America: Argentina, Brazil, Chile, Colombia, Peru, Mexico. EMAsia: India, Indonesia, Malaysia, Thailand, Philippines, Vietnam. EMEA: Hungary, 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).*

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