

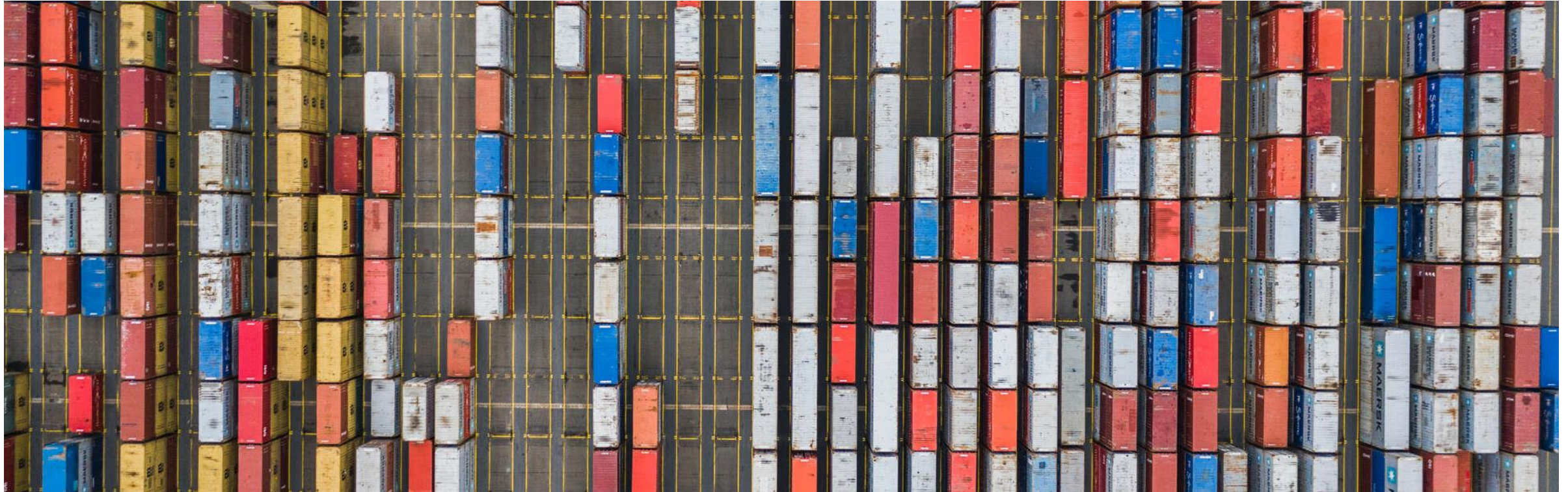
Emerging Markets Monthly Highlights

Red Sea Tensions Hinder Disinflation

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January 18, 2024



S&P Global
Ratings

This report does not constitute a rating action.

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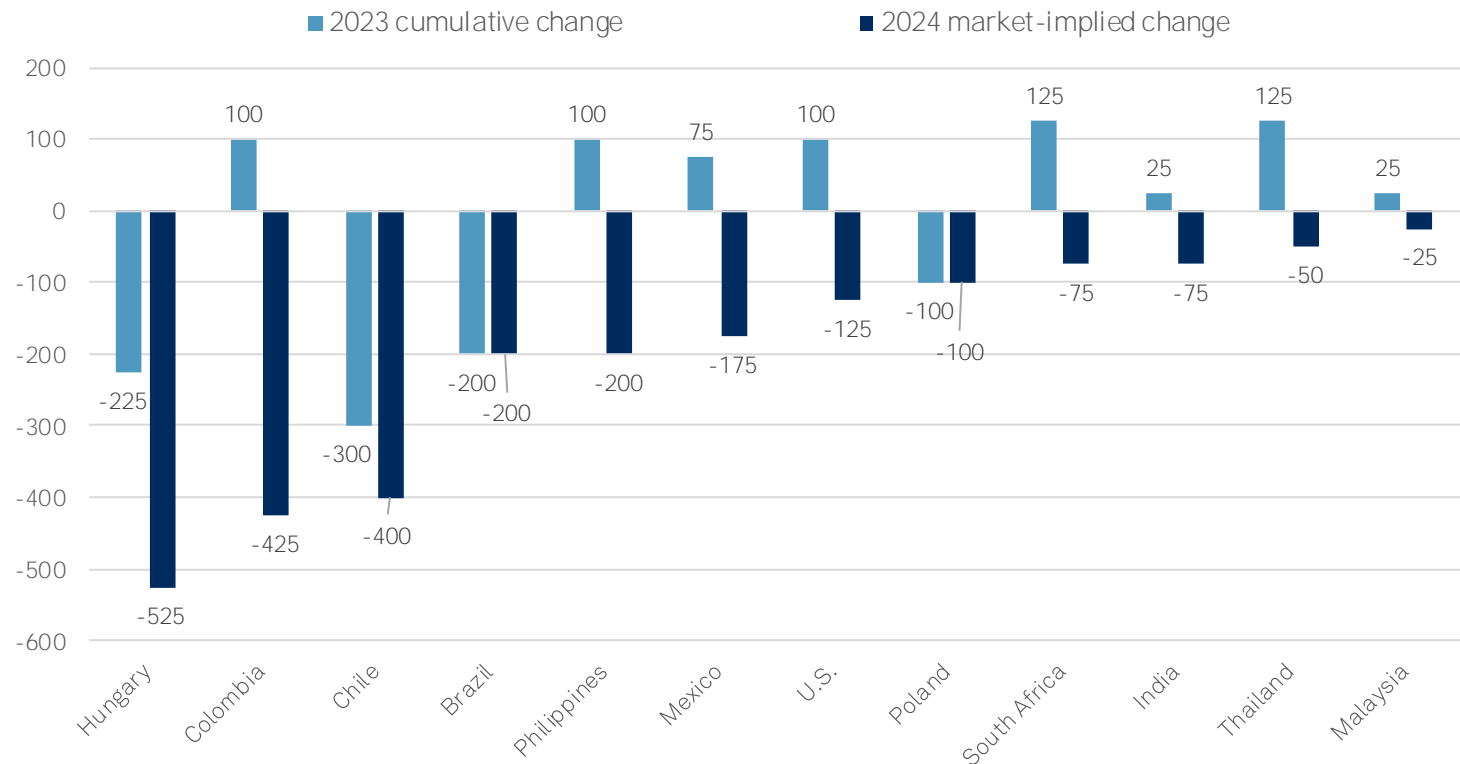
Key Takeaways

- **The Federal Reserve's December pivot provides additional space for** interest rate cuts in Emerging Markets (EM) in 2024. We expect central banks in major EMs, which have started cutting rates, to continue doing so in the coming months, and those that haven't, to start by the end of 2024.
- Benchmark bond yields of key EM economies have compressed since the Fed's pivot in December, as markets price in more aggressive interest rate cuts. Across EM economies, except for a few exceptions, local -currency borrowing rates were either stable or declined significantly. Unsurprisingly, yields have declined across most of major LatAm economies due to their higher correlation with U.S. interest rates.
- Escalating confrontation in the Red Sea increases the risk of renewed upward pressure on inflation, together with ongoing disruptions in the Panama Canal. The Red Sea is a key route for the transit of energy commodities (particularly oil and liquified natural gas), as well as for goods in general. Freight costs have increased as a reaction to the conflict, although the uptick in commodity prices remains subdued so far. Key EM economies that are more directly impacted include, India, China (through energy imports), and Turkiye (through supply-chain disruptions).



EM Yields | **The Fed's Pivot Sets The Stage For EM Rate Cuts In 2024**

Central bank policy rates – the 2023 change and 2024 market-implied change (bps)

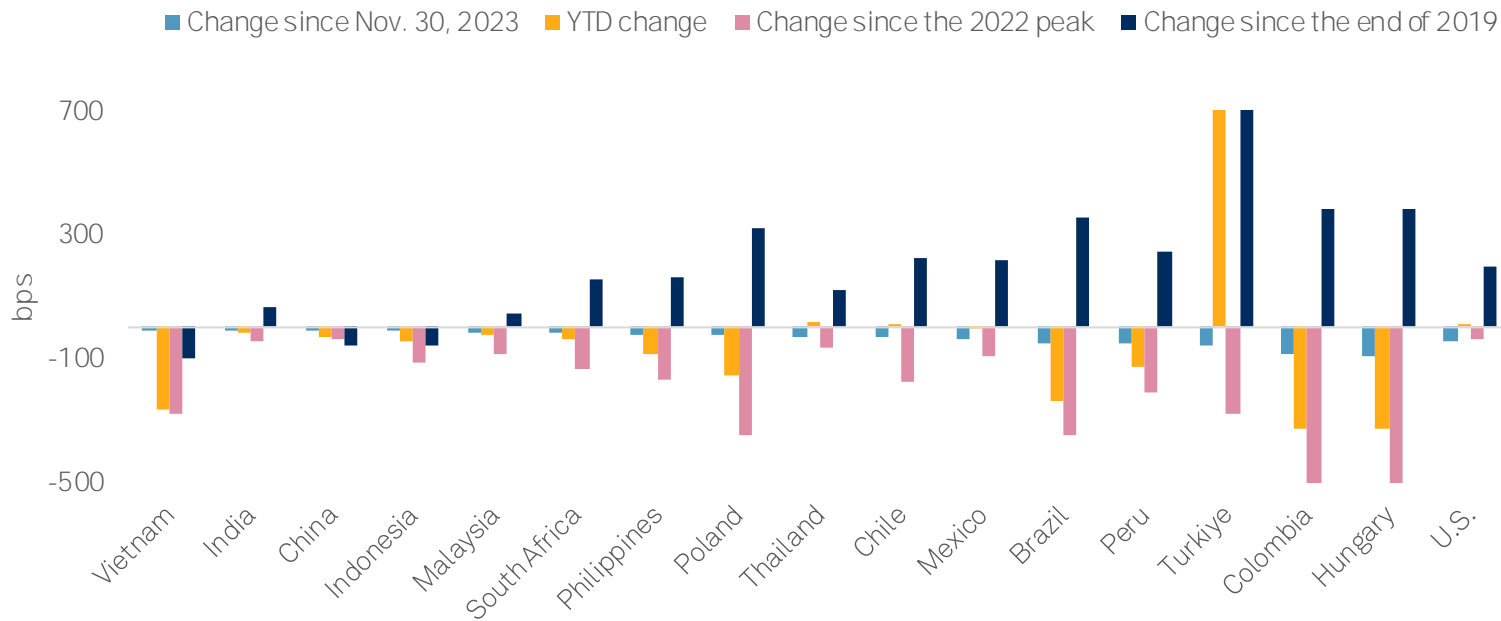


- **The Fed's dovish hold in December**, accompanied by economic projections that indicate a more aggressive easing path in 2024, **increased EMs' wiggle room to reduce interest rates**. It's now likely that the Fed has finished its tightening cycle, and markets are pricing in the first rate cut in March (we expect it in June).
- We expect central banks in major EMs, which have started cutting rates, to continue doing so **in the coming months, and those that haven't**, to start by the end of 2024. That said, the magnitude and timing of cuts will continue to be influenced by the trajectory of market expectations about the Fed's policy.

Note: Market-implied changes are based on interest-rate swaps as of Jan. 10, 2024. Rounded to the nearest 25 basis point. Sources: Haver Analytics and S&P Global Ratings.

EM Yields | December Yields Continue Slipping

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

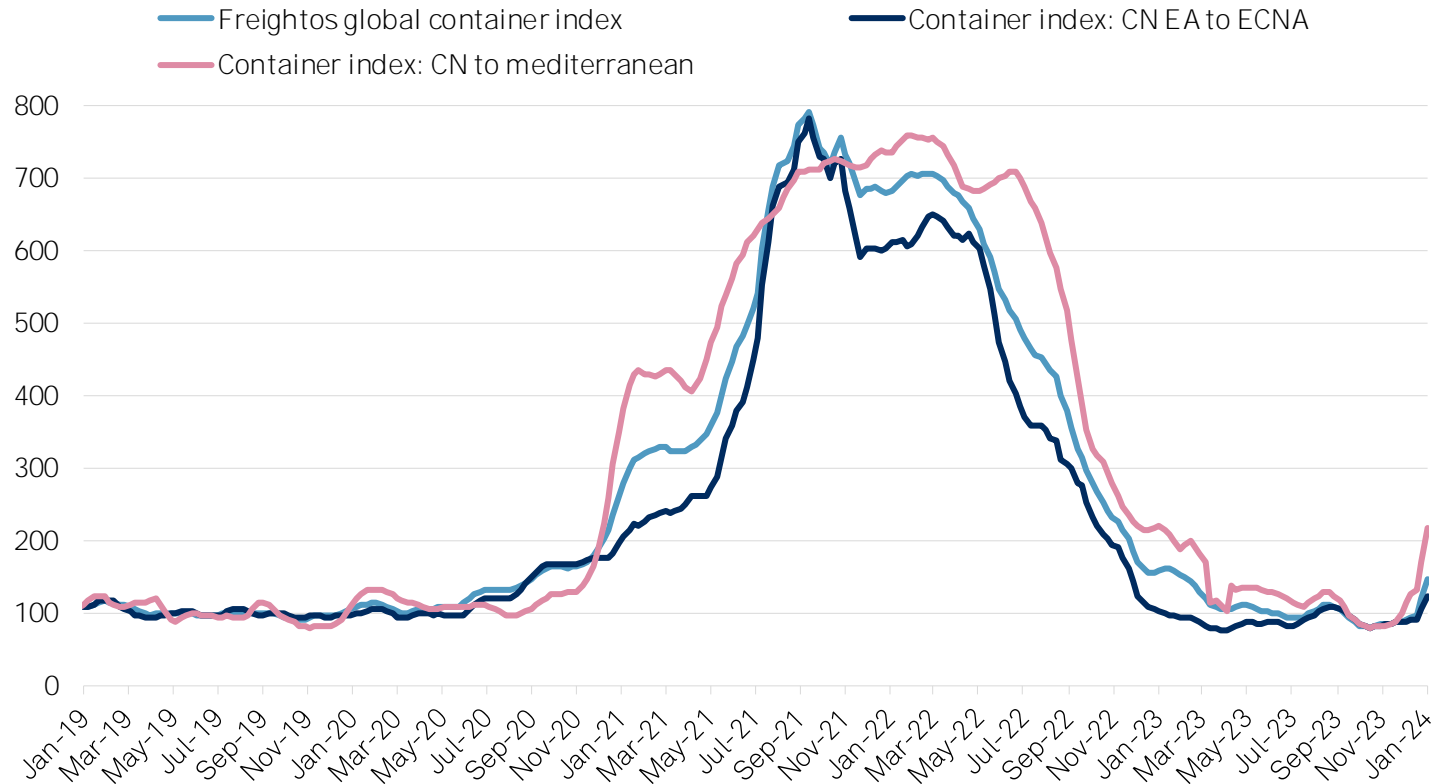


- EM benchmark yields continued to ease in December. Across EM economies, except for Turkiye, local-currency borrowing rates were either stable or lower, with an average drop of more than 110 bps.
- EM yields correlate strongly with those of the U.S. Last year highlighted the growing influence of the U.S. economy and the Fed on EM yields, especially in LatAm, as correlation between EM and U.S. yields strengthened to a 10-year high.
- Corporate financing costs dropped sharply. 'BBB' rated EM issuers' effective yield fell to 5.8% in December from 6.9% in November. Although still far from the 2% yields in 2021-2022, the rate is steadily approaching its 10-year average of 5%.

Data as of Dec. 31, 2023. The selection of countries is subject to data availability. The y-axis truncated at 700 bps for visualization purposes. Turkiye records for 'YTD Change' is 1,528 bps; for 'Change Since End Of 2019' is 1,169 bps. Sources: S&P Global Ratings Credit Research & Insights and S&P Capital IQ Pro and Datastream.

Commodity Markets | Massive Disruptions In The Red Sea

Rates jumped by more than 70% amid rising confrontations in the Red Sea (index, 2019 = 100)



Note: ECNA- East Coast North America. Data through Jan. 12, 2024, (4-week moving average). Sources: Freightos (Refinitiv) and S&P Global Ratings.

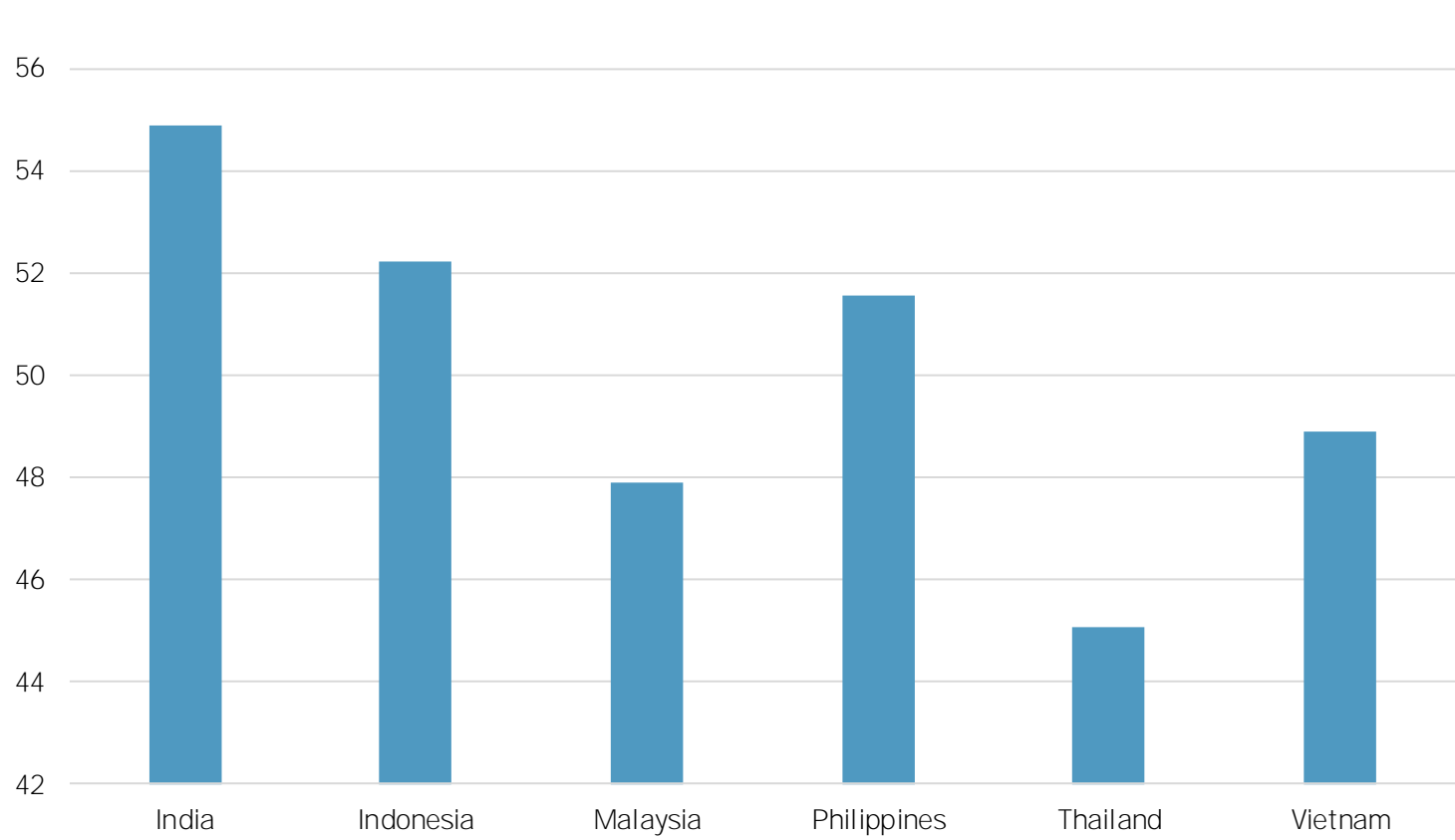
- Escalation in the Red Sea is a major source of disruption as the route through the Suez Canal represents around a third of global container traffic and a significant share of global energy trade. Ongoing disruptions have significantly increased freight transportation costs, as redirection of trade route via the Cape of Good Hope adds approximately additional 14 days of travel between Asia and Europe.
- The Red Sea route is particularly important for commodities exports to EM Asia. According to data from The U.S. Energy Information Administration, oil shipments through the Red Sea account for 12% of the world trade and around 8% for total LNG shipments. Oil shipments from Russia accounted for around 75% of the Suez Canal southbound oil traffic in the first half of 2023, most of which were destined for India and China. In terms of northbound traffic, Turkiye and Poland are the most affected, both through oil imports and supply-chain disruptions.
- The Panama Canal is also disrupted due to adverse climate conditions affecting energy and grain supplies. Trade volumes that pass through canal constitute about 5% of global maritime trade.

Regional Economic Highlights

EM Asia Economics | Subdued Manufacturing Activity

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Purchasing managers' index (PMI) readings show muted activity at the end of 2023



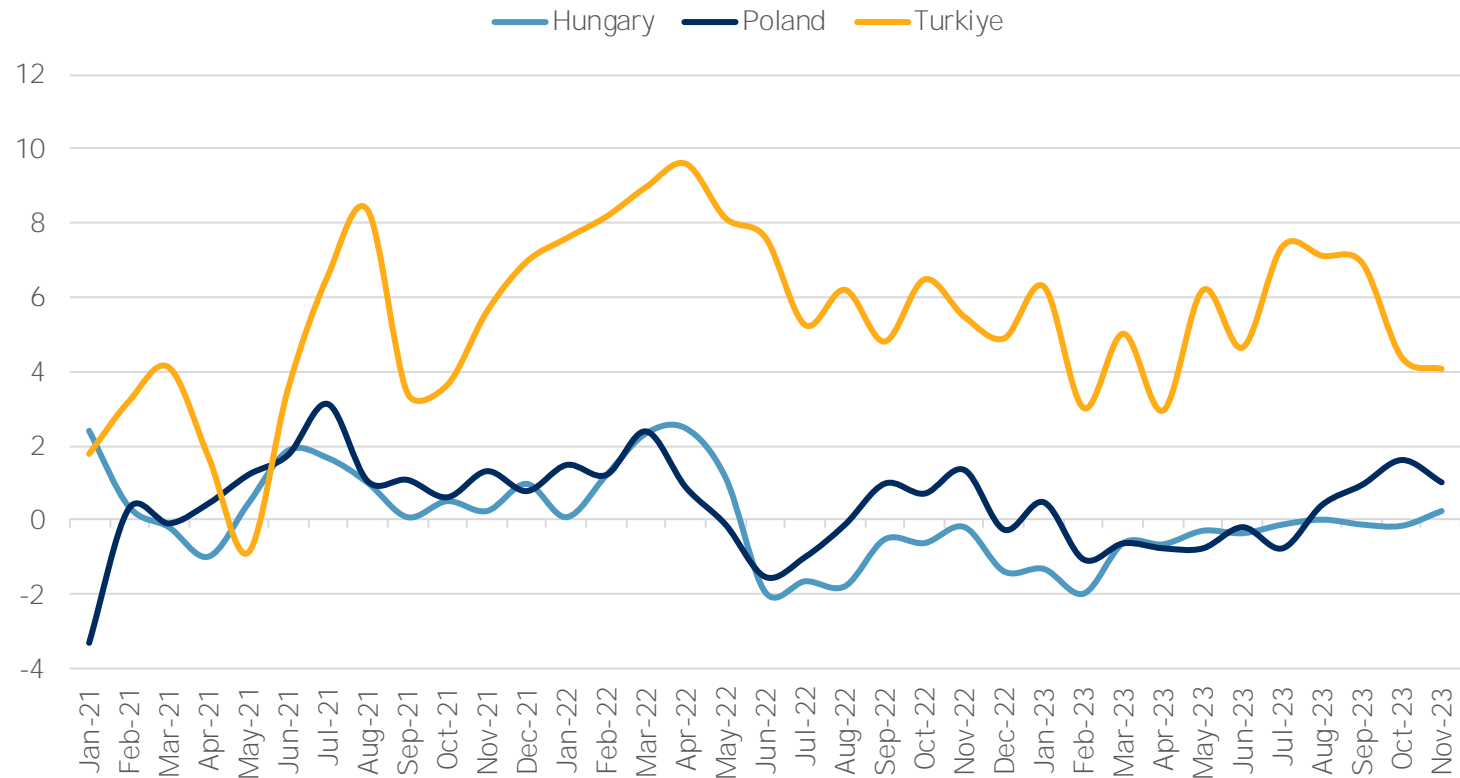
Note: Data from December. Source: S&P Global Market Intelligence.

- EM Asia manufacturing activity was sluggish at the end of 2023. Malaysia and Thailand had softer PMI readings. Both economies have high exposure to electronics.
- **Vietnam's PMI reading was below 50, indicating contraction**, but the slowdown pace is easing.
- The slower global economy could put some pressure on manufacturing activity.
- **India's economic activity remains strong** entering 2024. The manufacturing PMI reading was 55 in December, and the services PMI had an even higher reading of 59. This broad-based robustness should boost activity during the first half of 2024.

EM EMEA Economics | High-Frequency Indicators Seem Disappointing

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Retail sales (month-on-month [%])



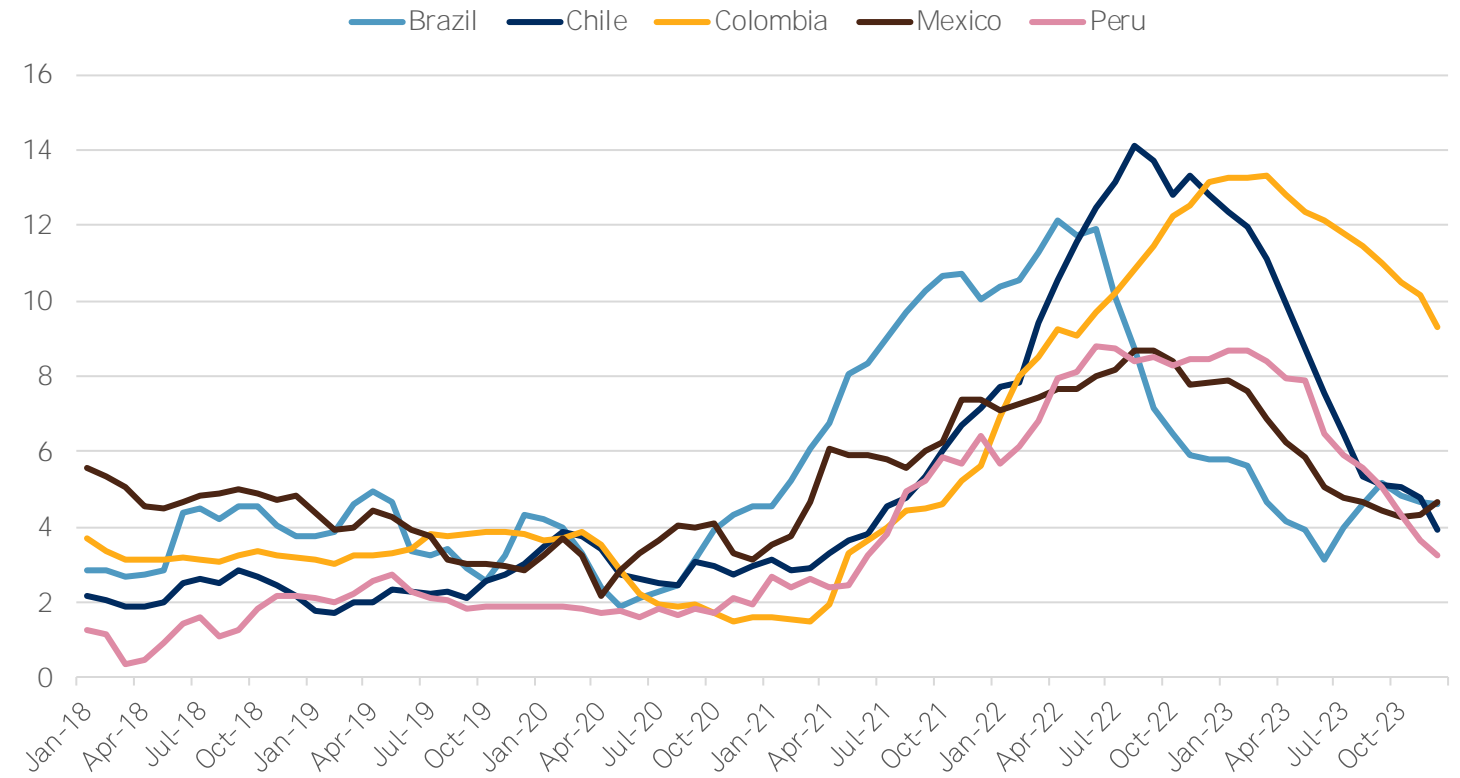
Sources: Eurostat, Turkstat, and S&P Global Ratings.

- Even though consumption in Central and Eastern Europe (CEE) has broadly rebounded in Q3, recent prints from retail sales are pointing to a slow recovery in domestic demand. That may be because of a sluggish recovery in consumer credit, low market sentiment, and still high--albeit decreasing--inflation. However, given the ongoing recovery in real income growth, we expect the rebound to continue.
- Following an inflation shock and monetary tightening, retail sales in Turkiye have weakened. However, recent stimulus, most notably the 49% minimum wage increase, should support consumption in Q1 2024, and we expect the deceleration in domestic demand to be gradual.

LatAm Economics | Disinflation Will Continue, But Risks Abound

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Consumer price inflation (year-over-year [%])



Sources: Haver Analytics and S&P Global Ratings.

- Disinflation broadly continued across LatAm in December, and we expect that to be the case in the coming months. Lower energy and food prices continue to propel the slowdown in headline inflation across most the region. Core prices are also starting to fall, raising the likelihood of more interest rate cuts in the coming months.
- However, reaching and keeping inflation anchored around targets will be more challenging than in the recent past. This is due to higher uncertainty over the impact of climate-related risks on food prices and geopolitical trends on shipping and supply chain-related costs. This is likely to add a risk premium on interest rates.

Macro-Credit Dashboards

GDP Summary | Most EMs Will Grow Below Trend In 2024

Country	Latest reading (y/y)	Period	5-year avg	2020	2021	2022	2023f	2024f	2025f	2026f
Argentina	-0.8	Q3	-0.2	-9.9	10.7	5.0	-1.6	-3.5	3.3	2.2
Brazil	2.0	Q3	-0.5	-3.6	5.3	3.0	2.9	1.5	1.9	2.0
Chile	0.6	Q3	2.0	-6.4	11.9	2.5	0.0	1.9	2.7	2.9
Colombia	-0.3	Q3	2.4	-7.3	11.0	7.3	1.2	1.3	2.8	3.0
Mexico	3.3	Q3	1.6	-8.8	6.1	3.9	3.3	1.8	2.0	2.1
Peru	-1.0	Q3	3.2	-11.1	13.5	2.7	0.2	2.2	2.8	3.0
China	4.9	Q3	6.7	2.2	8.5	3.0	5.4	4.6	4.8	4.6
India	7.6	Q3	6.9	-5.8	9.1	7.2	6.4	6.4	6.9	7.0
Indonesia	4.9	Q3	5.0	-2.1	3.7	5.3	5.0	4.9	5.0	5.1
Malaysia	3.3	Q3	4.9	-5.5	3.3	8.7	4.0	4.5	4.5	4.4
Philippines	5.9	Q3	6.6	-9.5	5.7	7.6	5.4	5.9	6.2	6.4
Vietnam	6.8	Q4	7.1	2.9	2.6	8.0	4.9	6.3	6.8	6.8
Thailand	1.5	Q3	3.4	-6.1	1.5	2.6	2.5	4.2	3.0	3.2
Hungary	-0.4	Q3	4.1	-4.7	7.2	4.6	-0.5	2.6	2.8	2.7
Poland	0.9	Q3	4.4	-2.0	6.8	5.5	0.6	3.1	3.0	2.9
Saudi Arabia	-4.4	Q3	2.1	-4.3	3.9	8.7	-0.4	2.7	3.7	3.0
South Africa	-0.7	Q3	1.0	-6.0	4.7	1.9	0.8	1.5	1.6	1.6
Turkiye	5.9	Q3	4.2	1.7	11.8	5.3	3.7	2.4	2.7	3.0

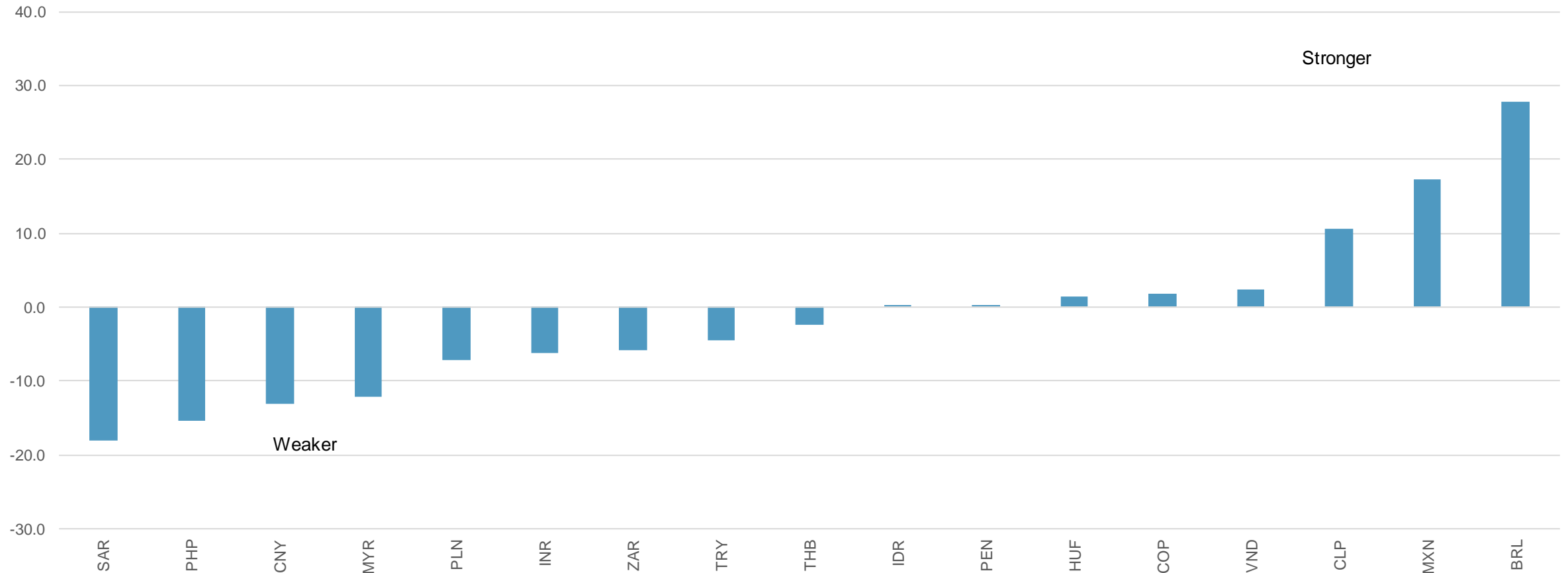
Monetary Policy/FX | Most Central Banks Are Likely To Cut Rates In 2024

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	Dec. exchange rate change	2023 exchange rate change
Argentina	100.00%	No target	211.4%	N/A	N/A	-55.4%	-78.1%
Brazil	11.75%	3.00% +/- 1.5%	4.6%	50 bps cut	Jan. 30	1.9%	7.8%
Chile	8.25%	3.0% +/- 1.0%	3.9%	75 bps cut	Jan. 25	-1.9%	-3.2%
Colombia	13.00%	3.0% +/- 1.0%	9.3%	25 bps cut	Jan. 29	4.2%	25.9%
Mexico	11.25%	3.0% +/- 1.0%	4.7%	Hold	Feb. 8	2.6%	15.1%
Peru	6.50%	1.0% - 3.0%	3.2%	25 bps cut	Feb. 8	0.8%	3.0%
China	1.80%	3.0%	-0.3%	N/A	N/A	0.3%	-1.7%
India	6.50%	4.0 +/- 2.0%	5.6%	Hold	Feb. 8	0.2%	-0.6%
Indonesia	6.00%	2.5% +/- 1.0%	2.6%	Hold	Jan. 16	0.7%	1.1%
Malaysia	3.00%	No target	1.5%	Hold	Jan. 24	1.4%	-4.1%
Philippines	6.50%	3.0% +/- 1.0%	3.9%	Hold	Feb. 15	0.2%	0.6%
Thailand	2.50%	2.5% +/- 1.5%	-0.8%	Hold	Feb. 7	3.1%	1.5%
Vietnam	4.50%	4.0%	3.6%	50 bps cut	N/A	0.0%	-2.8%
Hungary	10.75%	3.0% +/- 1.0%	5.5%	75 bps cut	Jan. 30	0.9%	8.4%
Poland	5.75%	2.5% +/- 1.0%	6.1%	Hold	Feb. 7	1.5%	11.5%
Saudi Arabia	6.00%	No target	1.7%	25 bps hike	N/A	0.0%	0.2%
South Africa	8.25%	3.0% - 6.0%	5.5%	Hold	Jan. 25	3.6%	-7.0%
Turkiye	42.50%	5.0% +/- 2.0%	64.8%	250 bps hike	Jan. 25	-2.3%	-36.6%

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

Real Effective Exchange Rates | LatAm Currencies Still Very Strong

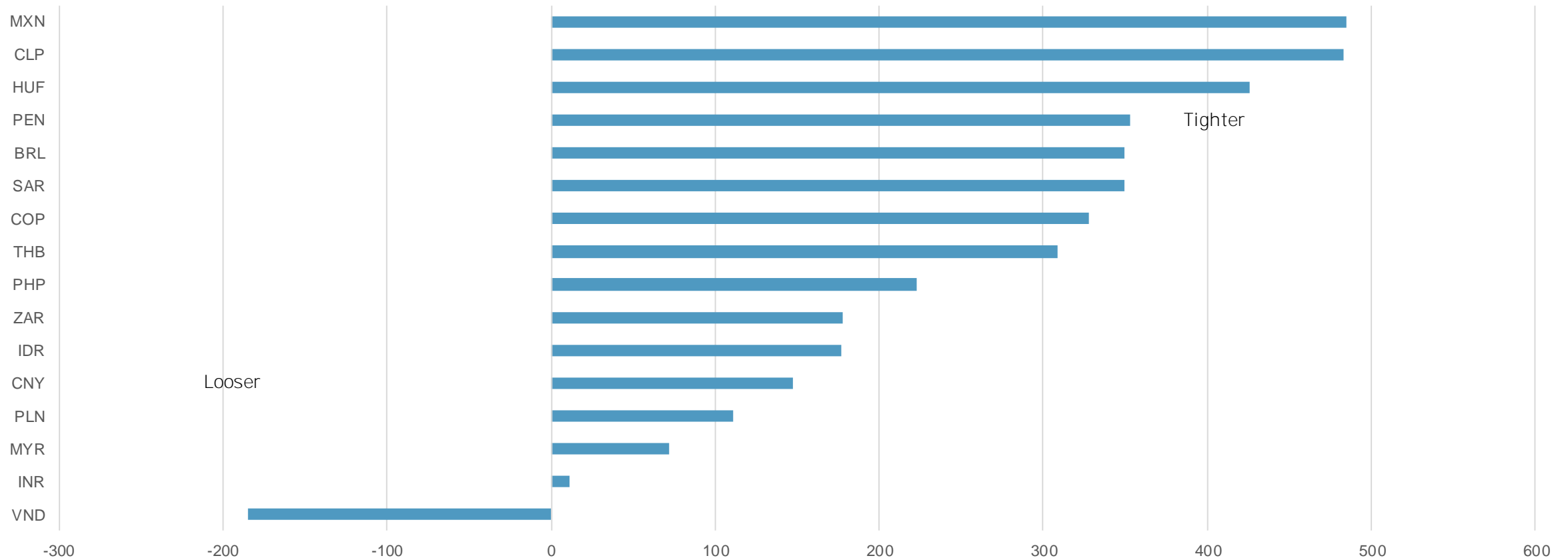
Broad real effective exchange rates*



*Percent change from the 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 Dec. 31, 2023. Sources: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | Restrictive Across Most EMs

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 Dec. 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	Negative	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	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	3	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	Stable	Stable
Eco. Imbalances	L	I	L	L	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 (Dec. 31, 2023)	BBB	A-	BB	BB	BBB+	BBB-	BBB+	BBB	BB-	BBB	BBB-	BB+	BB	BB-	BB-	B+	CCC-
Net Debt / EBITDA	3.60	3.39	1.62	2.25	2.36	2.75	3.27	3.19	2.66	2.92	2.23	1.98	1.86	2.25	2.73	1.86	1.99
ROC Adj.\$	-0.4	1.4	-2.5	2.0	0.7	1.6	2.4	-0.8	0.5	3.2	-0.9	-1.8	0.4	0.1	-0.2	-32.7	-59.6
EBITDA INT. COV.	6.11	7.58	8.32	6.75	9.04	4.15	6.42	6.80	5.27	9.51	5.44	4.83	3.41	5.80	5.83	3.86	3.38
FFO / Debt	26.7	30.1	44	38.4	23.4	38.7	15.2	25.8	33.4	24.5	38.7	45.4	55.2	40.4	27.7	38.4	39.6
NFC FC Debt % GDP*	34.0	9.9	13.3	20.6	16.9	13.1	4.4	6.3t	7.6	12.5	7.1	10.2	13.3	15.3		20.5	5.9
NFC Debt % of GDP*	90.7	62.5	36.5	43.0	86.9	21.5	166.9	40.2t	23.3	85.1	55.1	30.5	51.4	33.5		53.0	16.9

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.

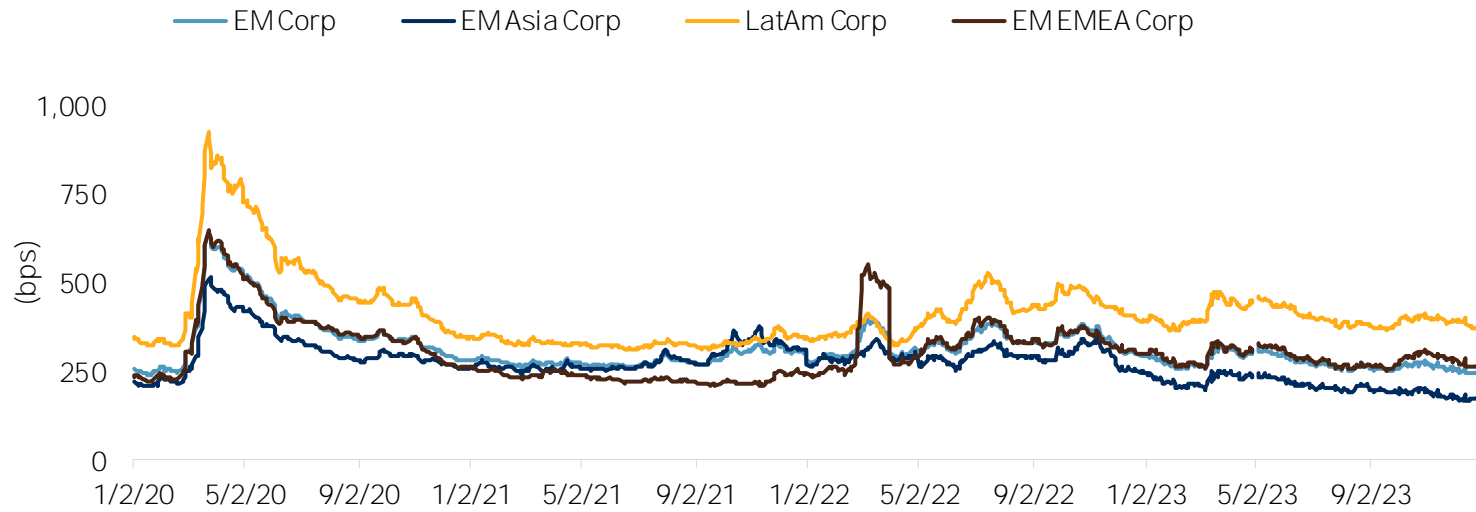
Nonfinancial Corporates--Ratios are derived from the median of rated corporates in their respective countries. We then rank them according to our "Corporate Methodology," Nov. 19, 2013, by using table 17, with levels that go from minimal to highly leveraged. \$We assess return on capital by using the 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 September 2023.

*IIF 3Q 2023. Sources: t-BankgoSentral NGPillipinas, Banco Central de Reserva del Peru, Superintendencia de Banca y Seguros y AFP (Peru), Corporate Variables Capital IQ2Q 2023, and S&P Global Ratings. Data for sovereigns and financial institutions as of Jan. 15, 2024.

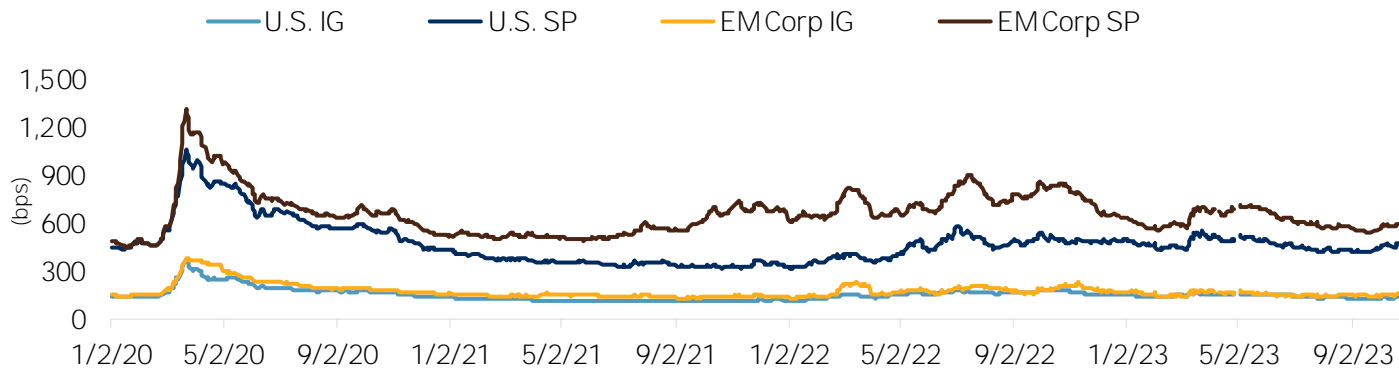
Financing Conditions

Highlights

EM Credit Spreads | Narrowed In November But Remain Volatile



U.S. and EM spreads



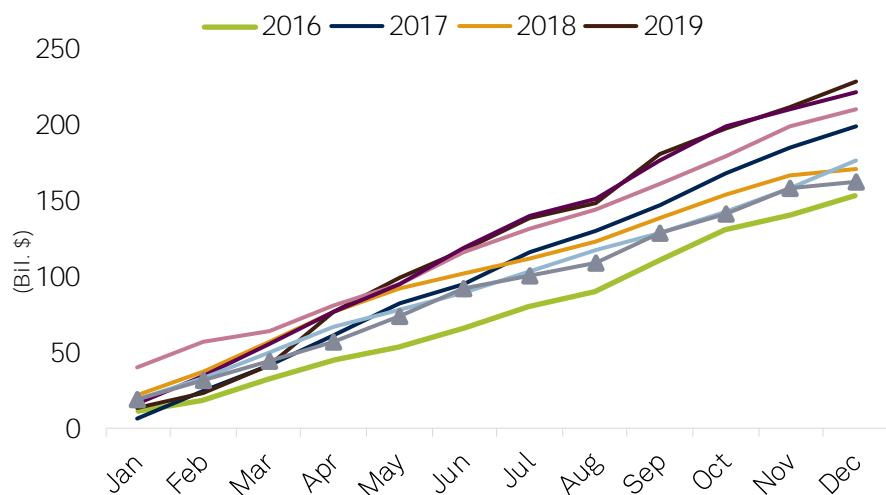
Data as of Dec. 31, 2023. SP—speculative grade. IG—investment grade. Sources: S&P Global Ratings Credit Research & Insights, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- EM corporate spreads decreased slightly. The global EM aggregate was down 9 bps from November, with LatAm corporate yields dropping the most across regions (21 bps).
- Speculative-grade spreads have continued to narrow, specifically by 29 bps, effectively reversing the increase in October. EM speculative-grade spreads have contracted by more than 100 bps throughout the year. This, coupled with declining sovereign yields, offers some relief for speculative-grade issuers, potentially creating an opportunity to access the market, although the gap between current rates and locked-in rates remains substantial.
- Spreads in 2024 will remain sensitive to external developments, including market expectations of the Fed's policy stance, challenges to China's economic growth, geopolitical tensions (e.g., Russia-Ukraine, Middle East, U.S.-China), and climate-related events like El Niño. Moreover, political risk will be a focal point, given upcoming elections in several countries, including the U.S., Mexico, and Indonesia.

EM | Financial And Non-Financial Corporate Issuance

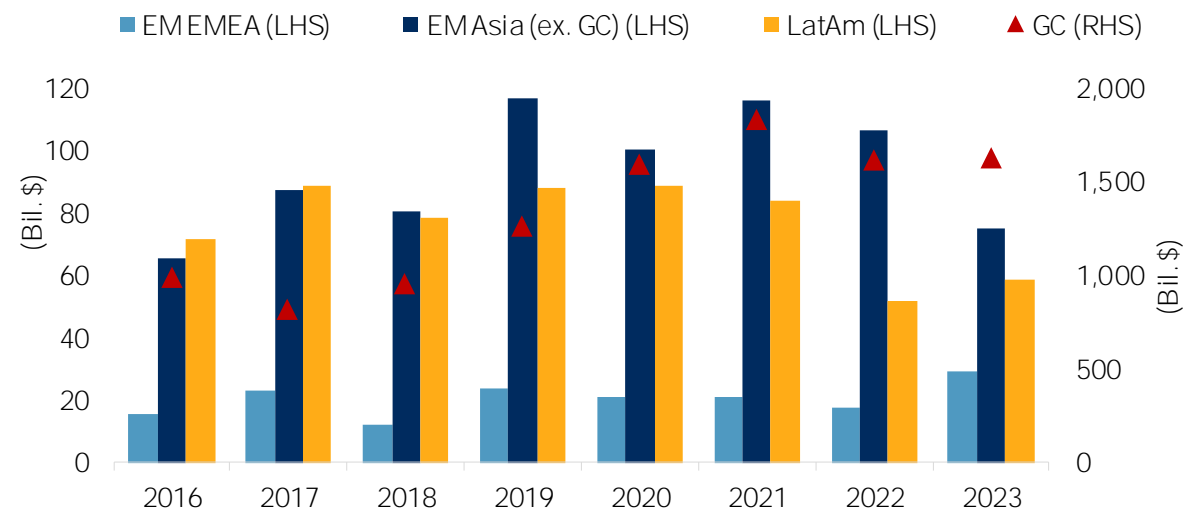
- In December, issuances were exceptionally weak, totaling a mere \$4.2 billion (excluding those in Greater China), the lowest figure in our data going back eight years. As a result, issuances for the year totaled \$163 billion, the lowest amount since 2016.
- On the other hand, issuances from China remained strong. Last year, Greater China's portion of total EM issuances soared to 91%, reflecting a substantial increase from 85% in 2019 and 80% in 2017.
- EM issuers reduced the reliance on the U.S. dollar. Excluding China, the proportion of dollar-denominated debt in EM issuances rose to 26% in 2024 from 19% in 2023. However, this figure still lags significantly behind the 10-year average of 41%. When accounting for Chinese issuers, the reliance on the dollar further diminishes, constituting less than 4% of total issuances, down from 12% in 2021.

EM cumulative corporate bond issuance



Excluding Greater China. Data as of Dec. 31, 2023. Data including not rated issuances. Source: S&P Global Ratings Credit Research & Insights and Refinitiv.

EM regional bond issuance



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

Ratings Summary

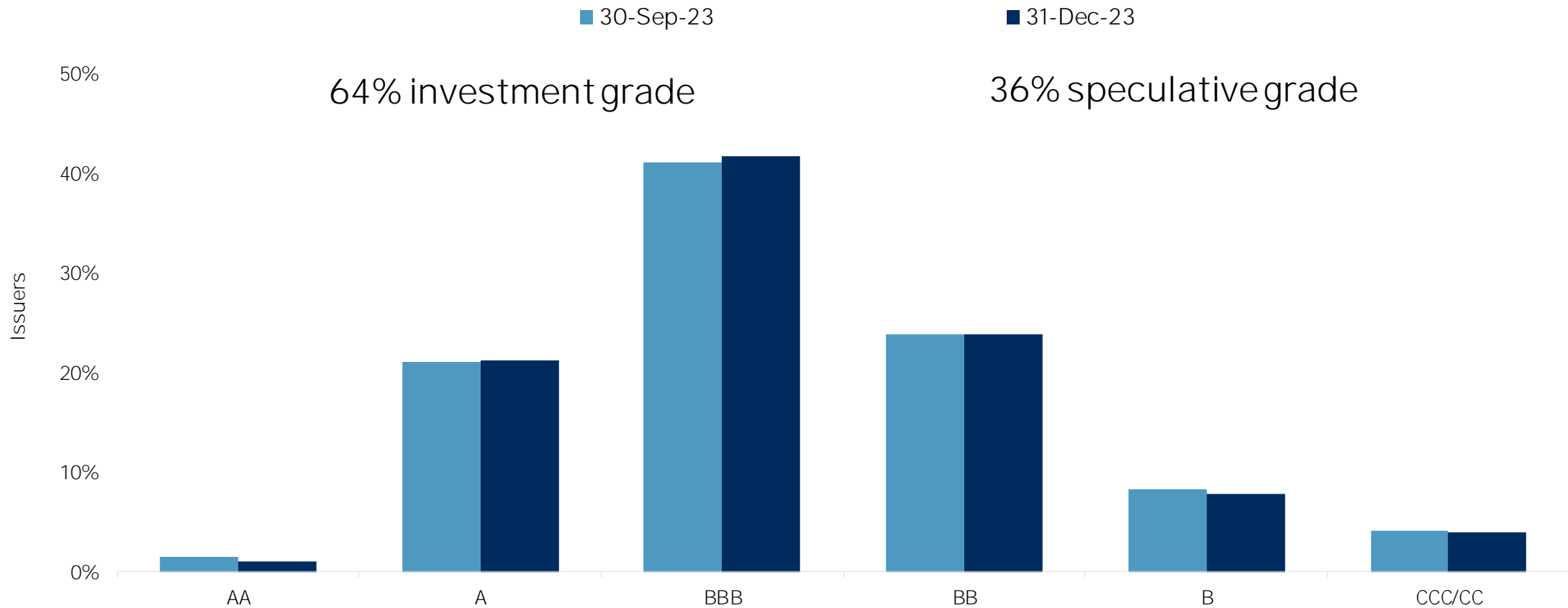
Ratings Summary | Sovereign Ratings In EM18

On Dec. 19, 2023, S&P Global Ratings raised its sovereign long-term rating on Brazil to 'BB' from 'BB-' and assigned a stable outlook while affirming all national scale and short-term ratings. The upgrade reflects the recent approval of a tax reform, and our view that its gradual implementation will significantly overhaul the tax system and will likely translate into productivity gains over the long term.

Economy	Rating	Outlook	Five-year CDS spread (Dec. 31)	Five-year CDS spread (Nov. 30)
China	A+	Stable	60	60
Chile	A	Negative	50	56
Saudi Arabia	A	Stable	54	52
Malaysia	A-	Stable	41	41
Poland	A-	Stable	65	68
Philippines	BBB+	Stable	63	68
Thailand	BBB+	Stable	40	43
Indonesia	BBB	Stable	70	76
Mexico	BBB	Stable	88	100
Peru	BBB	Negative	70	74
Hungary	BBB-	Stable	140	143
India	BBB-	Stable	44	55
Colombia	BB+	Stable	156	188
Vietnam	BB+	Stable	121	122
Brazil	BB	Stable	132	148
South Africa	BB-	Stable	200	235
Turkiye	B	Positive	280	333
Argentina	CCC-	Negative	3,679	4,184

Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, and Taiwan. Data as of Dec. 31, 2023. Sources: S&P Global Ratings Credit Research & Insights and S&P Capital IQ.

Ratings Summary | Credit Rating Distribution In EM18



Parent only. Includes Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) excluding sovereign data as of Dec 31, 2023. Source: S&P Global Ratings Credit Research & Insights.

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. \$)
20-Dec-23	Petroleo Brasileiro S.A. - Petrobras	Brazil	Oil and gas	BB	BB-	Upgrade	45,851
20-Dec-23	Corporacion Nacional del Cobre de Chile	Chile	Metals, mining, and steel	BBB+	A	Downgrade	17,985
20-Dec-23	Banco do Brasil S.A.	Brazil	Financial institutions	BB	BB-	Upgrade	6,250
14-Nov-23	Tata Motors Ltd. (Tata Sons Pte. Ltd.)	India	Automotive	BB+	BB	Upgrade	5,952
24-Nov-23	ESKOM Holdings SOCLtd.	South Africa	Utilities	B	CCC+	Upgrade	3,966
20-Dec-23	Votorantim S.A.	Brazil	Diversified	BBB	BBB-	Upgrade	3,550
12-Oct-23	Petroleos del Peru Petroperu S.A.	Peru	Oil and gas	B+	BB	Downgrade	3,000
20-Dec-23	Cosan S.A.	Brazil	Diversified	BB	BB-	Upgrade	1,900
20-Dec-23	Ultrapar Participacoes S.A.	Brazil	Oil and gas	BBB-	BB+	Upgrade	1,600
21-Nov-23	Falabella S.A.	Chile	Retail/restaurants	BB+	BBB-	Downgrade	1,450

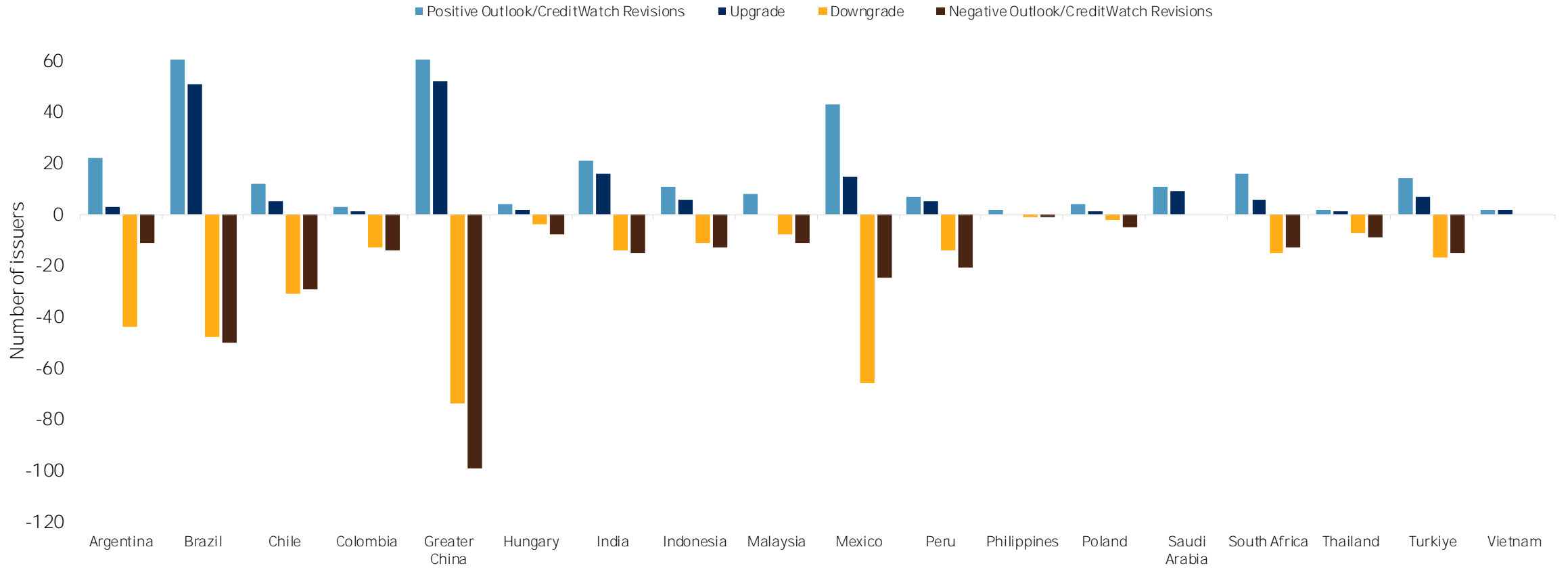
Data as of Dec 31, 2023 (last 90 days), excludes sovereigns, Only includes rating actions where S&P Global Ratings rates debt. Includes rating actions on subsidiaries only if there was no rating action on the parent. Excludes Greater China and the Red Chip companies (issuers headquartered in Greater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

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

Ratingdate	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. \$)
12-Dec-23	Sibanye Stillwater Ltd.	South Africa	Metals, mining, and steel	BB-	BB	Downgrade	1,200
13-Dec-23	Turkcell Iletisim Hizmetleri A.S.	Turkiye	Telecommunications	B+	B	Upgrade	1,000
20-Dec-23	Banco Nacional de Desenvolvimento Economico e Social	Brazil	Bank	BB	BB-	Upgrade	1,000
20-Dec-23	Banco Bradesco S.A.	Brazil	Bank	BB	BB-	Upgrade	800
19-Oct-23	Grupo Aeromexico S.A.B. de C.V.	Mexico	Transportation	B	B-	Upgrade	763
14-Dec-23	Koc Holding A.S.	Turkiye	Financial institutions	BB-	B+	Upgrade	750
20-Dec-23	Banco BTG Pactual S.A.	Brazil	Financial institutions	BB	BB-	Upgrade	750
18-Dec-23	Mersin Uluslararası Liman İşletmeciliği A.S.	Turkiye	Transportation	B+	B	Upgrade	600
20-Dec-23	BRF S.A.	Brazil	Consumer products	BB	BB-	Upgrade	500
15-Nov-23	Operadora de Servicios Mega S.A. de C.V. SOFOME.R.	Mexico	Financial institutions	CCC+	B	Downgrade	500

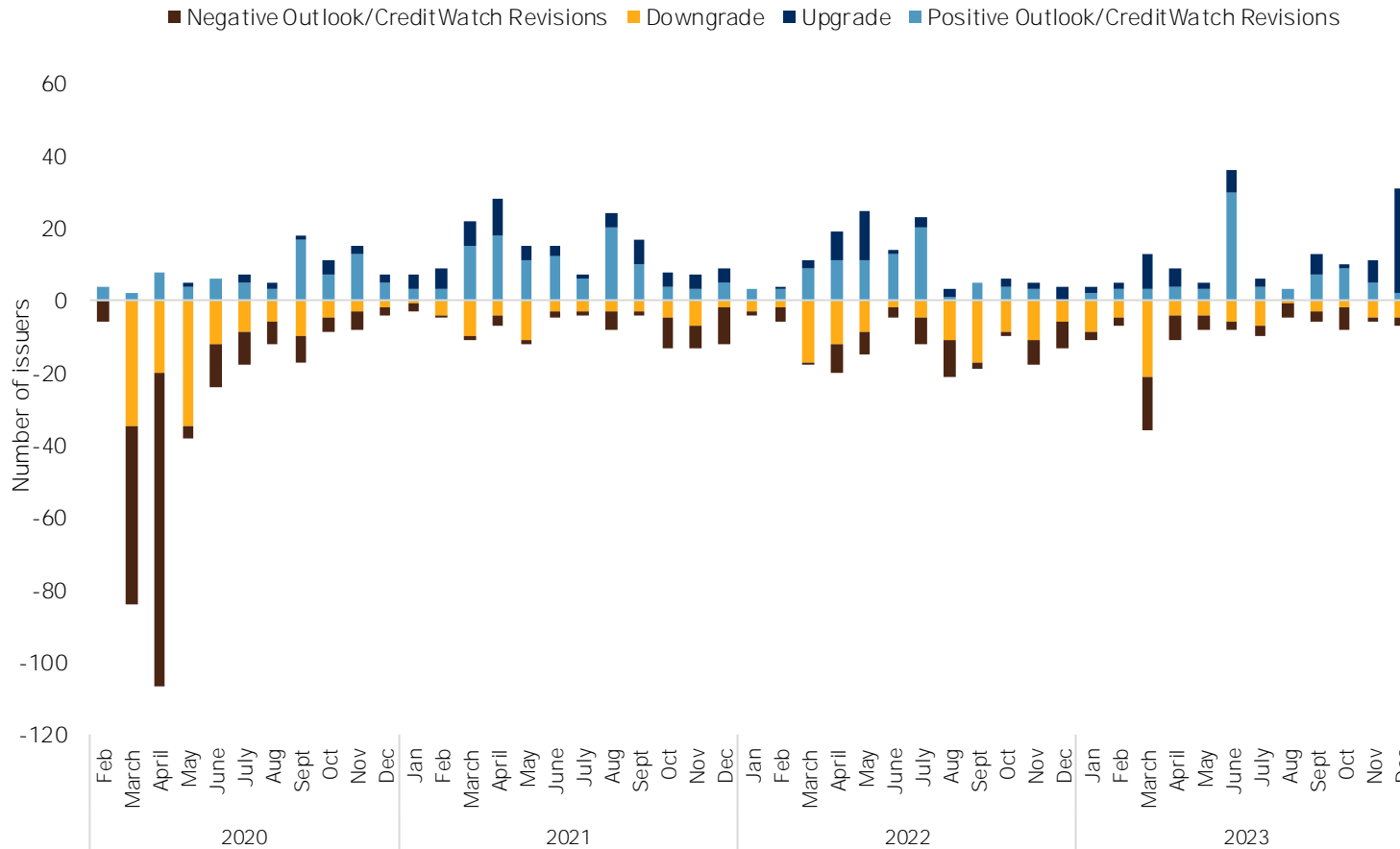
Data as of Dec 31, 2023 (last 90 days), excludes sovereigns, Only includes rating actions where S&P Global Ratings rates debt. Includes rating actions on subsidiaries only if there was no rating action on the parent. Excludes Greater China and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Red means speculative-grade rating and blue means investment-grade rating. 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. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, the 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

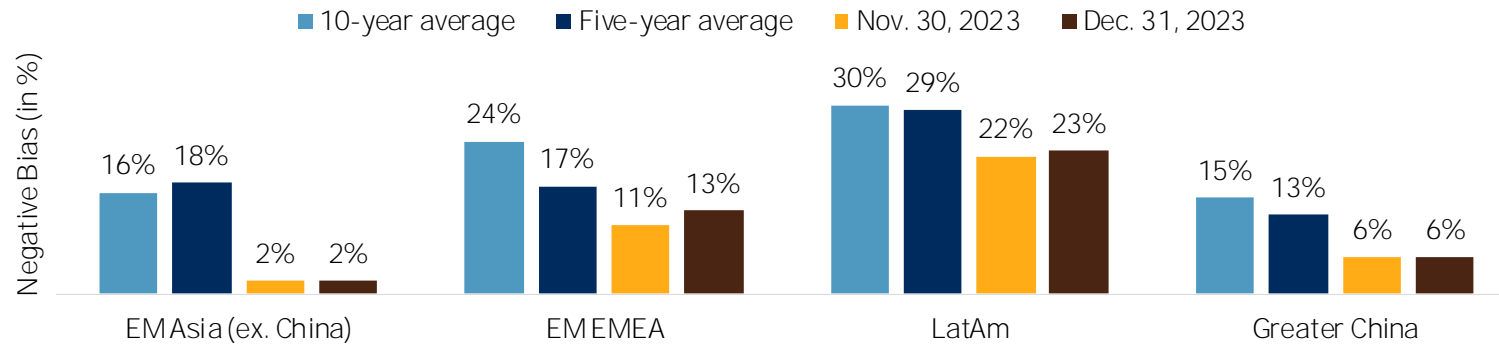


- In December, there were 29 upgrades, a significant increase from six in November. Twenty-five upgrades were attributed to issuers from Brazil, while three came from Turkiye, and one from Peru. The upgrades in Brazil were largely driven by the sovereign's upgrade. Notably, one issuer transitioned from speculative grade to investment grade.
- There were five downgrades, mirroring the previous month's tally. These downgrades affected issuers in the following countries: Brazil, Chile, South Africa, Colombia, and Hungary. The downgrade notching on Colombia Telecomunicaciones S.A. E.S.P. was the most significant among all downgrades, to 'B' from 'BB' on weakening liquidity position.

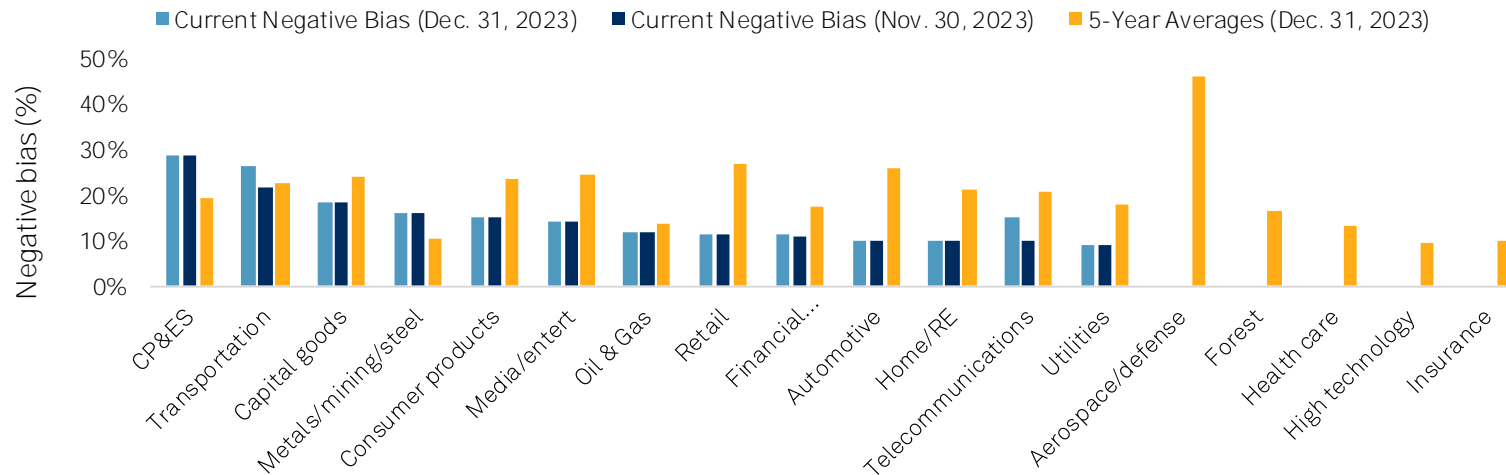
Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent. Data from Feb. 3, 2020 to Dec. 31, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, the Philippines, Poland, Peru,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

LatAm has the highest downgrade potential



Negative bias by sector



- LatAm displayed the highest downgrade potential in December, with the negative bias at 23%, up from November. The downgrade potential remains below the 10- and five-year averages.
- In EM Asia and Greater China, the negative bias remained in line with the November level of 2% and 6%, respectively, significantly below the 10- and 5-year averages.
- In EMEMEA, the negative bias increased to 13% in December, but substantially lower than the 10- and five-year averages.
- Chemicals, packaging and environmental services, and metals and mining and steel are the only two sectors (out of 18) displaying a negative bias higher than the historical average.

Data as of Dec. 31, 2023; excludes sovereigns and subsidiaries. Source: S&P Global Ratings Credit Research & Insights .

Rating Actions | **Rating Changes From 'B' To 'CCC/CC' In 2023**

Five rating movements to 'CCC/CC' from 'B' in 2023 through Dec. 31 in EM 18

Rating date	Issuer	Economy	Sector	To	From	Deb amount (mil. \$)
13-Mar-23	AUNA S.A.A.	Peru	Healthcare	CCC+	B	300
14-Mar-23	Guacolda Energia S.A	Chile	Utilities	CC	B-	500
6-Jun-23	Unigel Participacoes S.A.	Brazil	Chemicals, packaging, and environmental services	CCC+	B+	420
15-Nov-23	Operadora de Servicios Mega S.A. de C.V. SOFOM E.R.	Mexico	Financial institutions	CCC+	B	500
1-Dec-23	Nitrogenmuvek Zrt.	Hungary	Chemicals, packaging, and environmental services	CCC+	B	219

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating. Data as of Dec. 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; one fallen angel in 2023

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
21-Nov-23	Falabella S.A.	Chile	Retail/restaurants	BB+	BBB-	1,450
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; one rising star in 2023

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
20-Dec-23	Ultrapar Participacoes S.A.	Brazil	Oil and gas	BBB-	BB+	1,600
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 Dec. 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

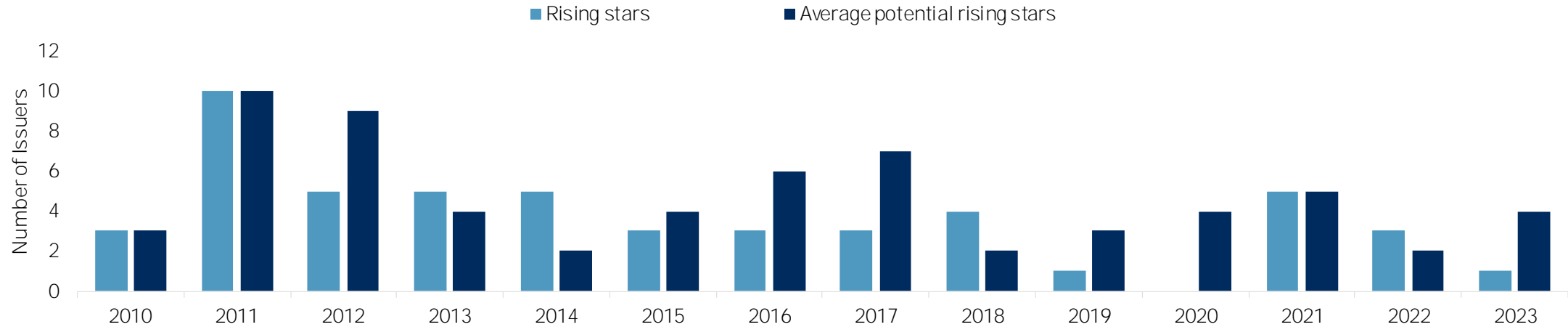
Ratingdate	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
6-Jan-23	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	153,221
16-Jan-23	Americanas S.A. (Lojas Americanas S.A.)	Brazil	Retail/restaurants	D	B	1,000
20-Jan-23	Mexarrend S.A.P.I. de C.V.	Mexico	Financial institutions	D	CC	300
3-Feb-23	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. (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
16-Aug-23	Guacolda Energia S.A. (B)	Chile	Utilities	D	CC	500
19-Sep-23	Sunac China Holdings Ltd.	Cayman Islands	Homebuilders/real estate companies	D	NR	-
25-Oct-23	Investimentos e Participacoes em Infraestrutura S.A. - Invepar	Brazil	Transportation	D	CCC-	-
2-Nov-23	Unigel Participacoes S.A.	Brazil	Chemicals, packaging and environmental services	D	CCC-	-

Data as of Dec. 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 gray means default (D) or selective default (SD). NR--not rated. *Republic of Argentina default refers to its local currency long-term rating. Five confidential defaults through Nov. 30, 2023.

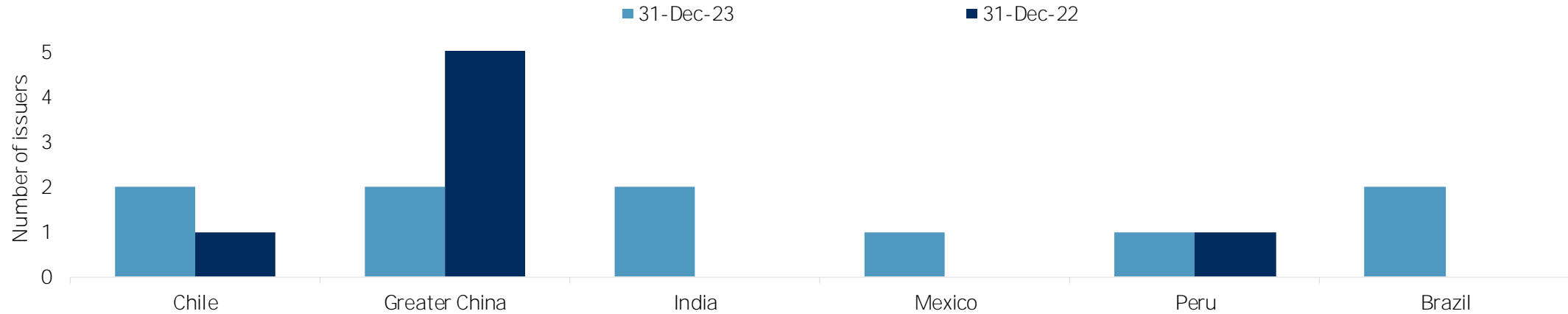
Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Fallen Angels And Potential Fallen Angels

Only one fallen angel in 2023



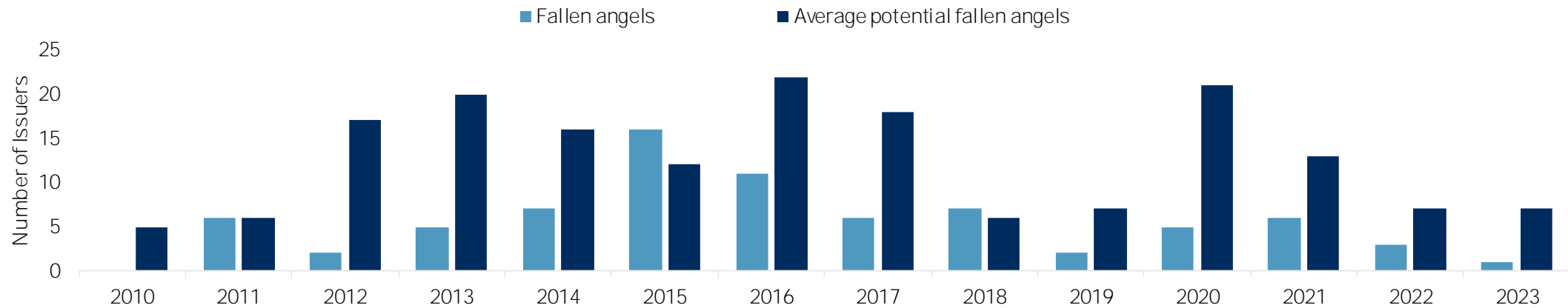
EM potential fallen angels trending up



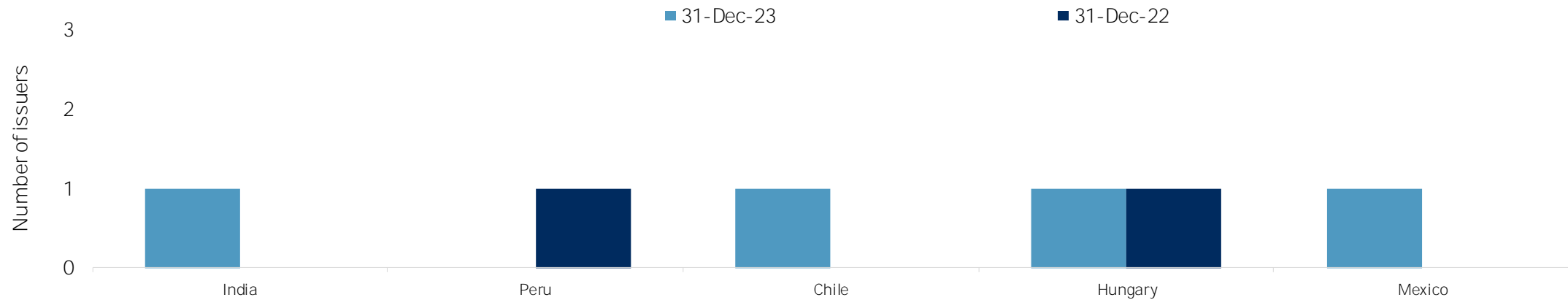
Data as of Dec. 31, 2023. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | Rising Stars And Potential Rising Stars

One rising star in 2023



EM potential rising stars up from 2022



Data as of Dec. 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

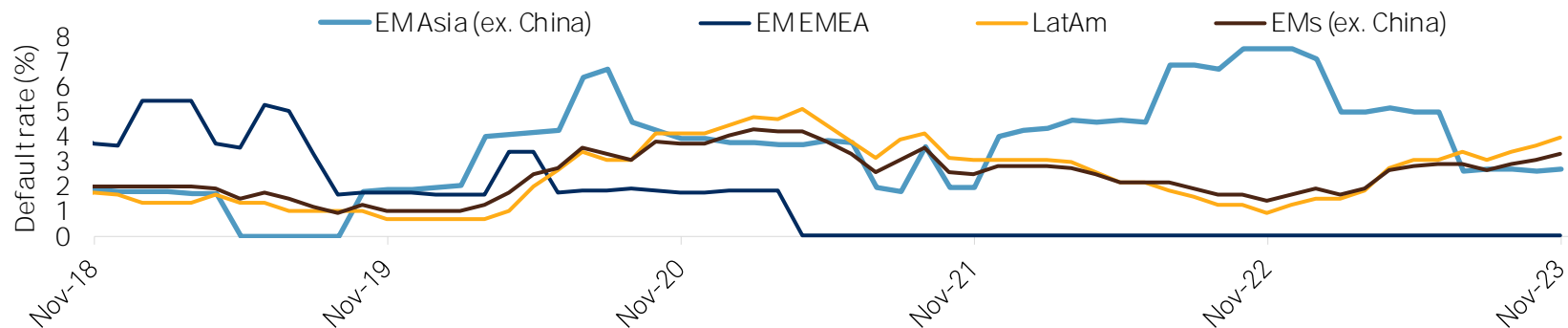
EM weakest links rose to 15 in December



Data as of Dec. 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 .

- Weakest links. EM weakest links rose to 15 issuers in December (4% of total speculative-grade issuers) from 13 in November. No new default was reported in December 2023.
- Default rates. The November default rate (excluding China) increased to 3.31%, mainly driven by LatAm, where 16 out of 18 EM defaults occurred through Dec. 31.

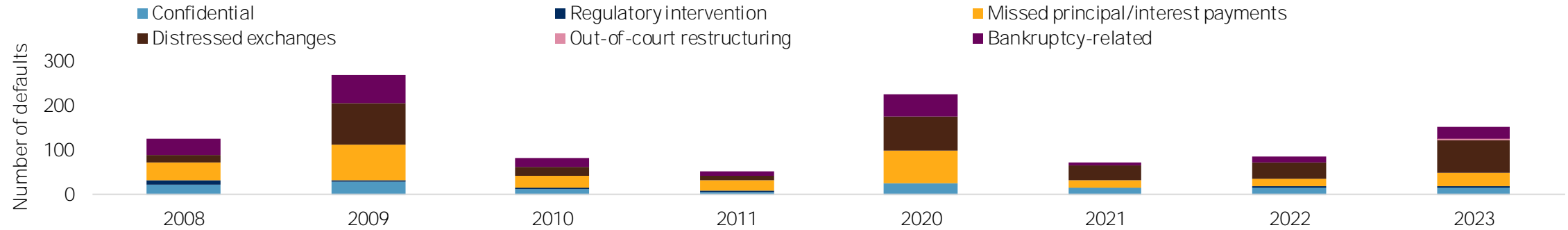
Default rate this month (as of November 2023)



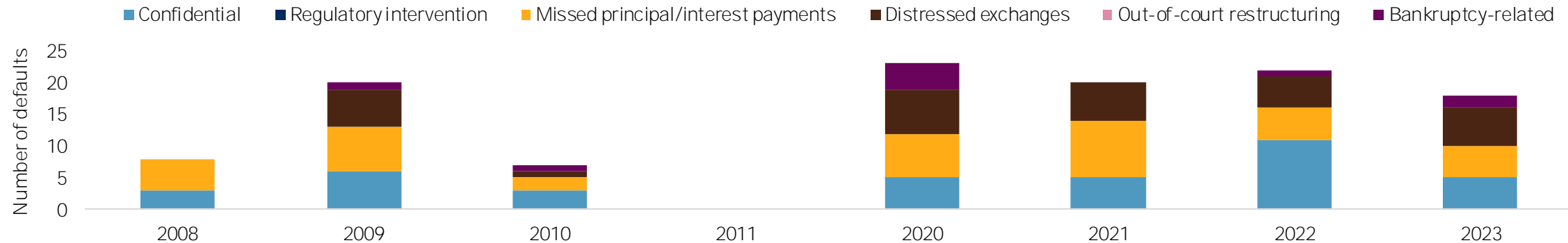
Excluding China. CreditPro data as of Nov. 30, 2023. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Excludes sovereigns. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



*Data as of Dec. 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

- Brazil Long-Term Ratings Upgraded To 'BB' From 'BB-' Following Tax Reform Approval; Outlook Stable, Dec. 19, 2023
- 16 Brazilian Financial Institutions Upgraded To 'BB' On Global Scale On Similar Action On Sovereign, Outlook Stable, Dec. 21, 2023
- Emerging Markets Monthly Highlights Subdued Growth, High Risks In 2024, Dec. 14, 2023
- Credit Cycle Indicator Q1 2024: More Pain Before A Recovery In 2025, Dec. 11, 2023
- The Energy Transition And Its Impact On Latin American Power Prices, Dec. 6, 2023
- Global Credit Outlook 2024: New Risks, New Playbook, Dec. 4, 2023
- Which EMs Are Better Positioned To Outperform In 2024?, Dec. 4, 2023
- Credit Conditions Emerging Markets Q1 2024: Not Getting Easier, Nov. 28, 2023
- Economic Outlook Emerging Markets Q1 2024: Challenging Global Conditions Will Constrain Growth, Nov. 27, 2023
- Islamic Finance's Role In The Climate Transition, Nov. 23, 2023
- Argentina's Incoming Administration Faces Difficult Economic Policy Implementation, Nov. 21, 2023
- Why Remittances Matter And Where Do They Matter The Most?, Nov. 20, 2023
- Emerging Markets Monthly Highlights: Volatility Abroad, Domestic Resilience, Nov. 16, 2023
- GCC Sovereign External Balance Sheets Remain Strong Despite Higher Banking Sector External Debt, Nov. 13, 2023

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