Emerging Markets Monthly Highlights
Strong Domestic Demand, Diverging Trajectories

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This report does not constitute a rating action.

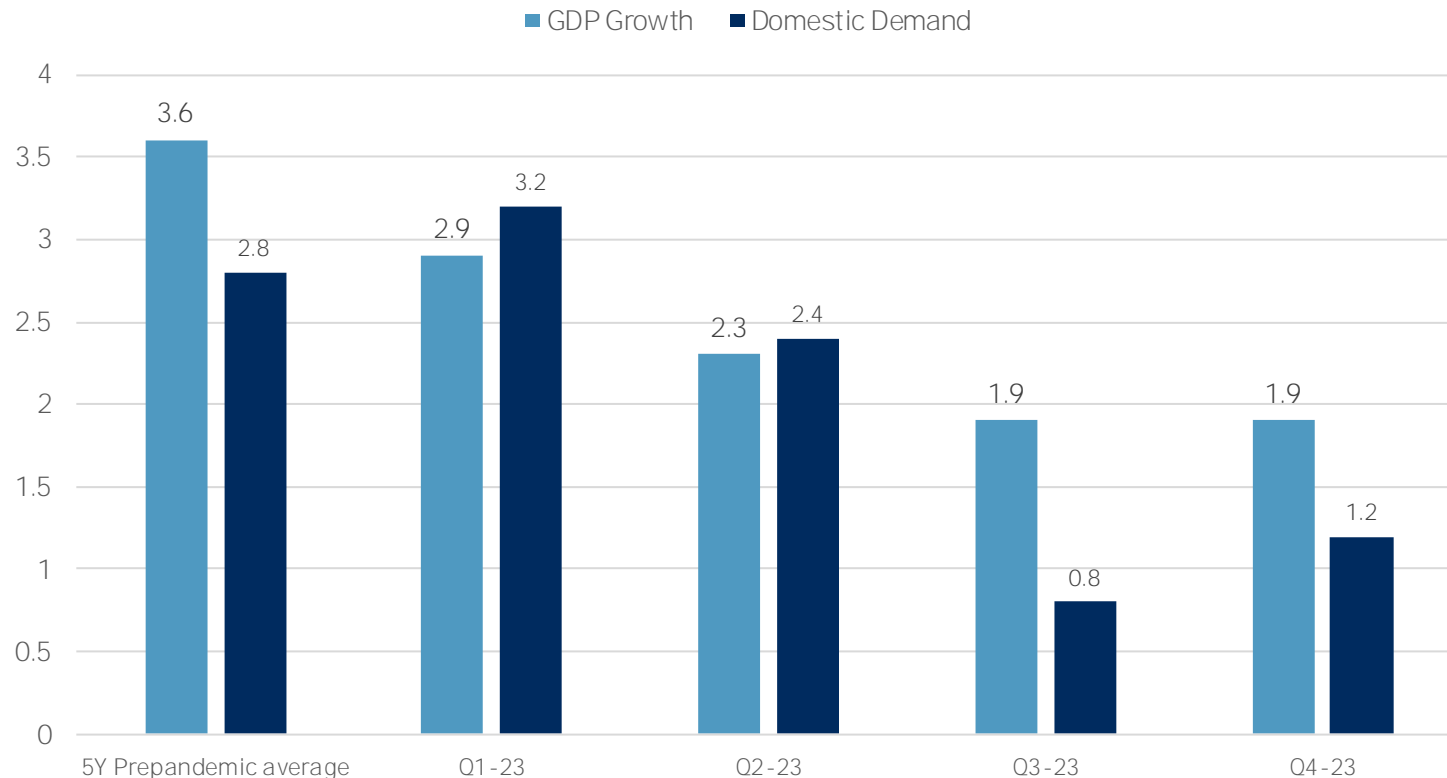# Contents

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Key Takeaways

- Recent Q4 GDP data point to continuing resilience across most emerging markets (EMs), mostly because of solid, albeit, in some cases decelerating, domestic demand, helped by ongoing fiscal stimulus. Growth in EMs with high trade exposure to Developed Europe continue to underperform though.

- Domestic demand trajectories will diverge across EMs in 2024. After strong domestic demand performance in 2023 in EM Asia, we expect household spending to moderate this year, as the lagged effects of tight monetary policy filter through those economies. In contrast, high-frequency indicators in EM EMEA point to improving domestic demand thanks to rising real incomes, particularly in Central and Eastern Europe, following weakness in 2023.

- Financing conditions continue to improve. EM spreads have broadly tightened across all regions. Investment-grade issuance was strong over the last month, while speculative grade issuance remained anemic, as borrowing costs for weaker credits are still significantly high from an historical perspective.

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GDP Growth | Signs That Growth Stabilized At The End Of 2023

EM Median Real GDP And Domestic Demand Growth*

Legend: ■ GDP Growth ■ Domestic Demand

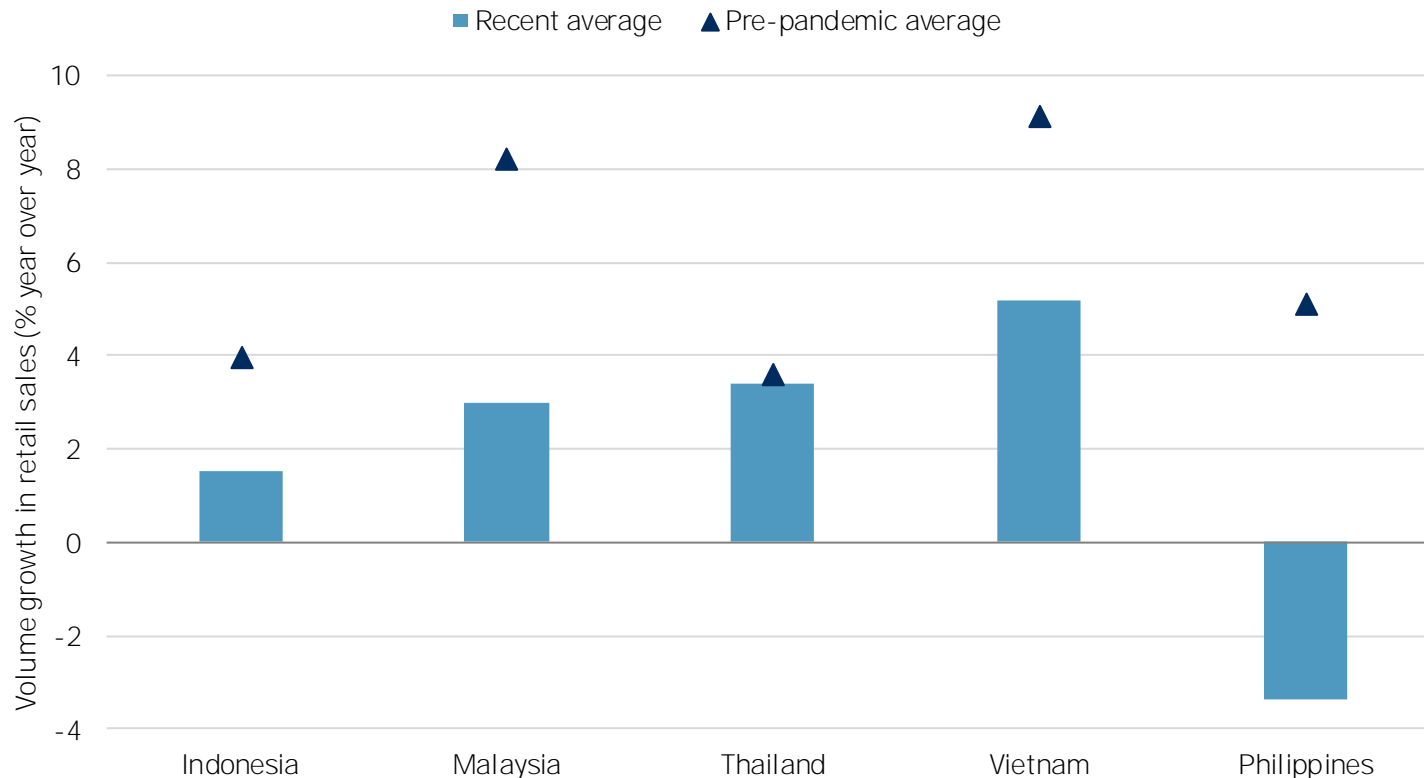|	5Y Prepandemic average	Q1-23	Q2-23	Q3-23	Q4-23
GDP Growth	3.6	2.9	2.3	1.9	1.9
Domestic Demand	2.8	3.2	2.4	0.8	1.2

*Q4 moving average (SAAR %). Source: S&P Global Ratings.

- Q4 GDP reports continue to show economic resilience across most EMs. Domestic demand remains relatively strong, helped by ongoing fiscal stimulus, which is offsetting the impact of tight monetary policy.

- Among EMs that performed stronger than expected last year, India and Turkey stand out. In both cases, domestic demand has remained robust. That said, the outlook for domestic demand in Turkiye is very uncertain, as interest rates have jumped and could rise further since inflation has been trending higher than it was expected.

- Among EMs that performed weaker than expected, Colombia and Thailand stand out. In Colombia, historical revisions to data revealed a weaker investment profile than previously reported. Fixed investment declined nearly 9% last year. Thailand continues to suffer from a weak recovery in tourism and unfavorable trade dynamics.

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EM Asia Consumer Outlook | The Pace Will Moderate After Strong 2023

Retail sales activity growth has slowed

■ Recent average ▲ Pre-pandemic average

Y-axis: Volume growth in retail sales (% year over year)

Categories: Indonesia, Malaysia, Thailand, Vietnam, Philippines

Note: Pre-pandemic average is average for 2019. For the Philippines, the chart shows the average of 2018 , to account for seasonalities. Recent average is the average of recent three observations excluding base effects. Source: CEIC data.

- Consumer activity in EM Asia will moderate in 2024 after brisk growth last year, as confidence weakens, and tight monetary policy starts to bite.

- High underlying economic growth and supportive labor markets will prevent a sharp slowdown in consumer activity.

- Consumption should improve in Vietnam, following slow growth during the economic downturn in 2023. For Thailand, proposed fiscal stimulus will boost consumers this year if it materializes. We discuss the consumer outlook for the region in our commentary (see "ASEAN Consumer Activity is Losing Steam" published February 20).

Regional Economic
Highlights

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EM Asia Economics| Inflation Is Stable Or Moderating

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Inflation broadly subdued in EM Asia

■ Headline ■ Core

Inflation (% year over year)

Indonesia, Malaysia, Philippines, Thailand, Vietnam
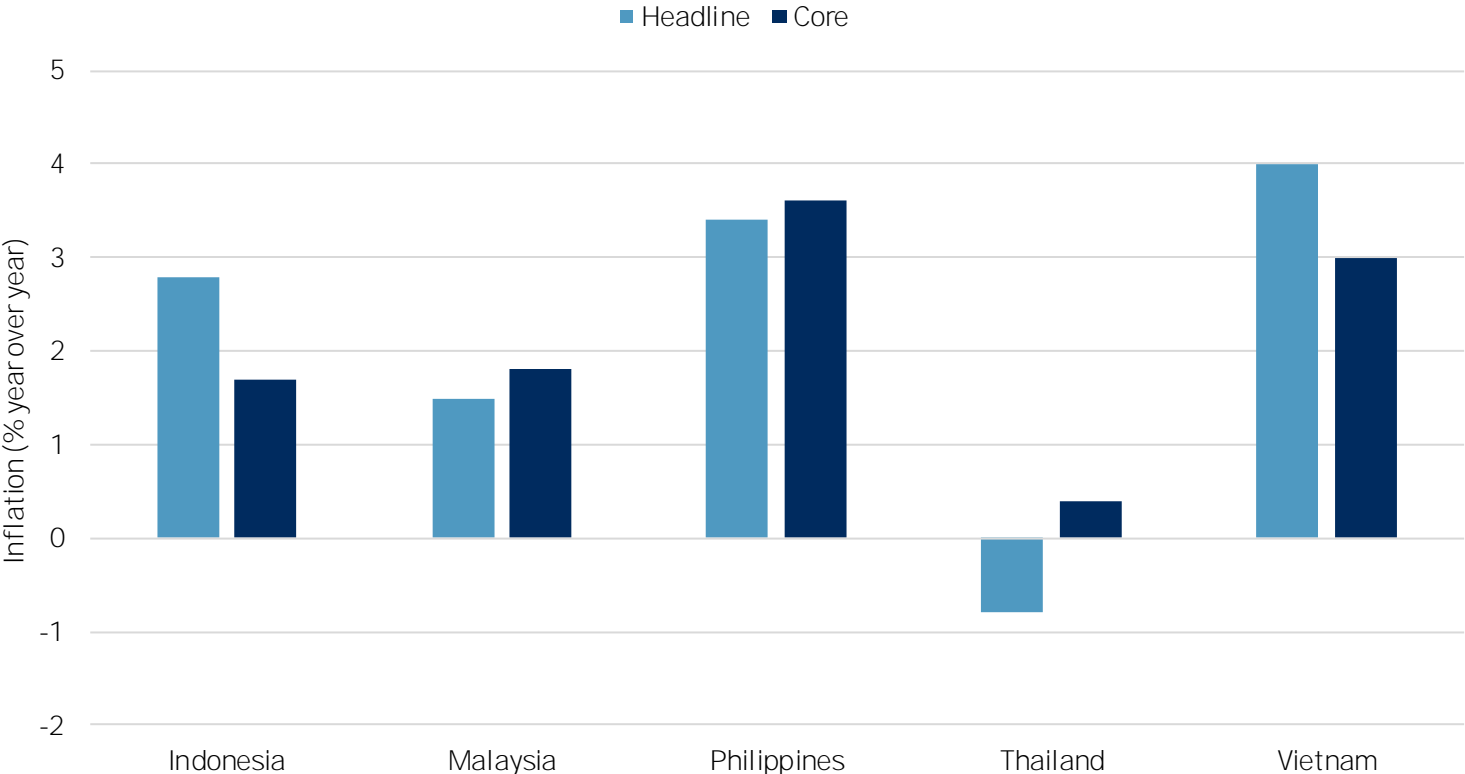
Note: Data is for February 2024 for all economies except for Malaysia, data for which is for January 2024. Sources: National statistical agencies.

- Inflation is contained in EM Asia. Core inflation is still moderating, continuing the trend from the past several quarters.

- Central banks are still cautious in easing policy rates, and we do not expect rate cuts until at least June this year. However, there is gradually more incentive for central banks to move as inflation remains low and demand conditions soften.

- Thailand stands out with very low core inflation and negative inflation. The Bank of Thailand may be the first in the region to ease policy. Vietnam is an exception, as inflation there has picked up.

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EM EMEA Economics | Red Sea Risks To Inflation Have Yet To Materialize

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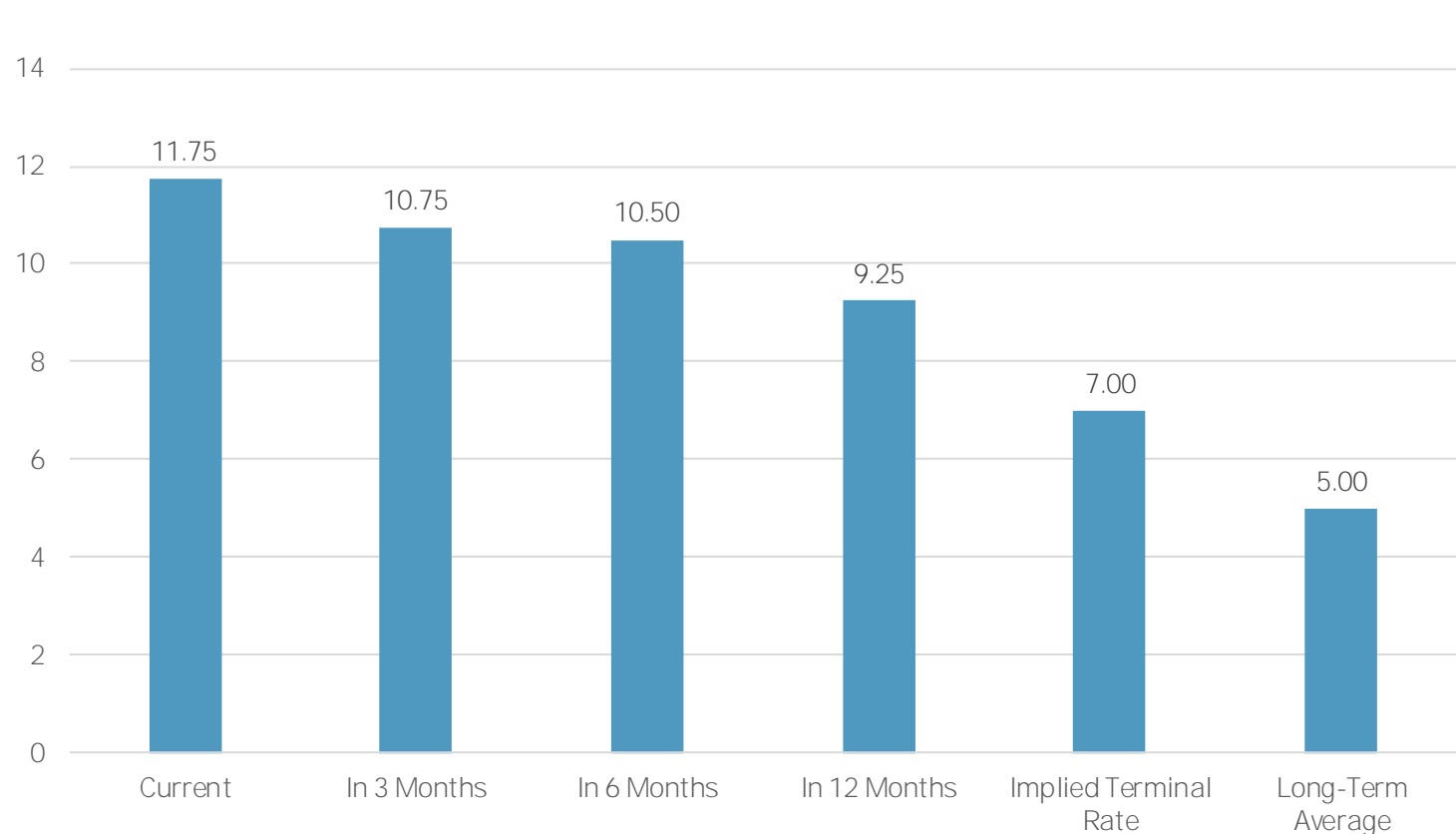
Inflation rates*
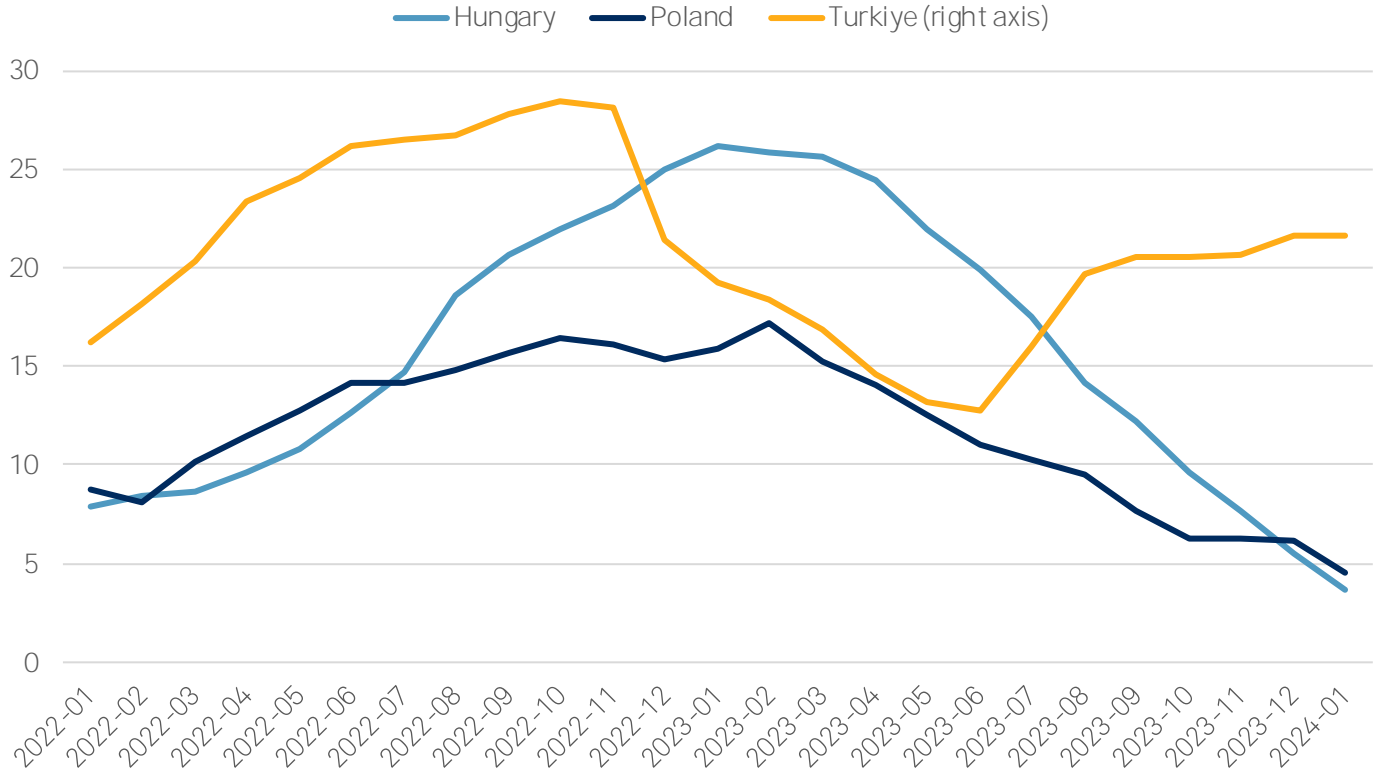
Year–on-year %. Sources: Refinitiv and S&P Global Ratings.

- Recent inflation prints in general do not indicate a significant pick-up in prices in EM EMEA. In CEE, inflation continued to decrease, although we expect inflation in Poland to pick up later this year (up to around 7% in annual terms), as soon as some anti-inflationary measures are going to be lifted.

- **Turkiye's** inflation in January has significantly exceeded expectations, however. Following the recent increase in minimum wages, as well as higher fiscal spending, inflation has picked up in both annual and sequential terms. Higher-than-expected headline inflation, and particularly strong print of core component, create a possibility for more interest-rate hikes in Q2.

- **Red Sea disruptions haven't had a significant** effect on inflation, at least for now. That is probably because northbound imports through Suez Canal mostly contain intermediate goods (for which in general, shipping costs constitute a smaller share of the total price of the good) or that the pass-through effect hasn't materialized yet.

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LatAm Economics | **Mexico's Central Bank Likely To Start Cutting Rates**

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Market-implied overnight benchmark interest rate (%)

- **We expect Mexico's central bank to begin** reducing interest rates in its March 21 meeting. Inflation remains above the 2%-4% target range (4.4% year on year in February), but long-term inflation expectations are well anchored around the objective. Real interest rates in Mexico are among the most restrictive across the major economies in LatAm. Therefore, the central bank is likely to bring rates closer to neutral. We expect a 25-basis point (bp) rate cut this month, followed by similar moves in the remaining meetings of this year.

- The market is pricing in a terminal interest rate close to 7%. This is not surprising given that the market is also pricing in the higher fed funds rate than during the last decade. However, this means long-term financing costs in Mexico are likely to remain higher in the coming years than in the recent past.

Note: Implied interest rates are based on interest-rate swaps. Long-term average refers to the 10 years before the pandemic. Sources: Haver Analytics and S&P Global Ratings.

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Macro-Credit
Dashboards

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GDP Summary | Most EMs Will Grow Below Average In 2024

| Country	Latest reading (y/y)	Period	Five-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	2.1	Q4	-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	Q4	2.4	-7.3	11.0	7.3	1.2	1.3	2.8	3.0
Mexico	2.5	Q4	1.6	-8.8	6.0	3.9	3.3	2.2	2.0	2.1
Peru	-0.4	Q4	3.2	-11.1	13.5	2.7	-0.5	2.2	2.8	3.0
China	5.2	Q4	6.7	2.2	8.5	3.0	5.4	4.6	4.8	4.6
India	8.4	Q4	6.9	-5.8	9.7	7.0	7.6	6.8	6.9	7.0
Indonesia	5.0	Q4	5.0	-2.1	3.7	5.3	5.0	4.9	5.0	5.0
Malaysia	3.0	Q4	4.9	-5.5	3.3	8.7	4.0	4.5	4.5	4.6
Philippines	5.6	Q4	6.6	-9.5	5.7	7.6	5.4	5.9	6.2	6.4
Thailand	1.7	Q4	3.4	-6.1	1.5	2.6	2.5	4.2	3.0	3.2
Vietnam	6.7	Q4	7.1	2.9	2.6	8.0	4.9	6.3	6.8	6.8
Hungary	0.0	Q4	4.1	-4.5	7.1	4.6	-0.5	2.6	2.8	2.7
Poland	1.5	Q4	4.4	-2.0	6.8	5.6	0.6	2.9	3.2	3.0
Saudi Arabia	-3.7	Q4	2.1	-4.3	4.3	8.7	-0.4	2.7	3.7	3.0
South Africa	1.2	Q4	1.0	-6.0	4.7	1.9	0.8	1.5	1.6	1.6
Turkiye	4.0	Q4	4.2	1.7	11.8	5.3	3.7	2.4	2.7	3.0

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Monetary Policy/FX | More Interest-Rate Cuts Expected In The Coming Months

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	Feb. exchange rate chg.	YTD exchange rate chg.
Argentina	100.00%	No target	254.2%	Hold	N/A	-1.9%	-4.0%
Brazil	11.25%	3.25% +/- 1.5%	4.5%	25 bps cut	March 20	-0.6%	-2.8%
Chile	7.25%	3.0% +/- 1.0%	3.8%	100 bps cut	April 4	-4.8%	-9.8%
Colombia	12.75%	3.0% +/- 1.0%	7.7%	25 bps cut	March 22	-0.2%	-2.8%
Mexico	11.25%	3.0% +/- 1.0%	4.4%	Hold	March 21	0.6%	-0.8%
Peru	6.25%	1.0% - 3.0%	3.3%	Hold	April 11	0.8%	-1.9%
China	1.80%	3.0%	-0.8%	N/A	N/A	0.0%	-0.3%
India	6.50%	4.0 +/- 2.0%	5.1%	Hold	April 6	0.2%	0.4%
Indonesia	6.00%	2.5% +/- 1.0%	2.8%	Hold	March 20	0.4%	-2.0%
Malaysia	3.00%	No target	1.5%	Hold	May 9	-0.3%	-3.2%
Philippines	6.50%	3.0% +/- 1.0%	3.4%	Hold	April 4	0.1%	-1.5%
Thailand	2.50%	2.5% +/- 1.5%	-0.8%	Hold	April 10	-1.1%	-4.8%
Vietnam	4.50%	4.0%	4.0%	Hold	N/A	-0.9%	-1.6%
Hungary	9.00%	3.0% +/- 1.0%	3.8%	100 bps cut	March 26	-2.8%	-4.8%
Poland	5.75%	2.5% +/- 1.0%	3.9%	Hold	April 4	-0.1%	-1.4%
Saudi Arabia	6.00%	No target	1.6%	Hold	N/A	0.0%	0.0%
South Africa	8.25%	3.0% - 6.0%	5.3%	Hold	March 27	-3.0%	-4.7%
Turkiye	45.00%	5.0% +/- 2.0%	67.1%	Hold	March 21	-2.8%	-5.4%

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. YTD—year to date. Sources: Haver Analytics and S&P Global Ratings.

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Real Effective Exchange Rates | Brazilian Real And Mexican Peso Are Outperforming

Broad real effective exchange rates*
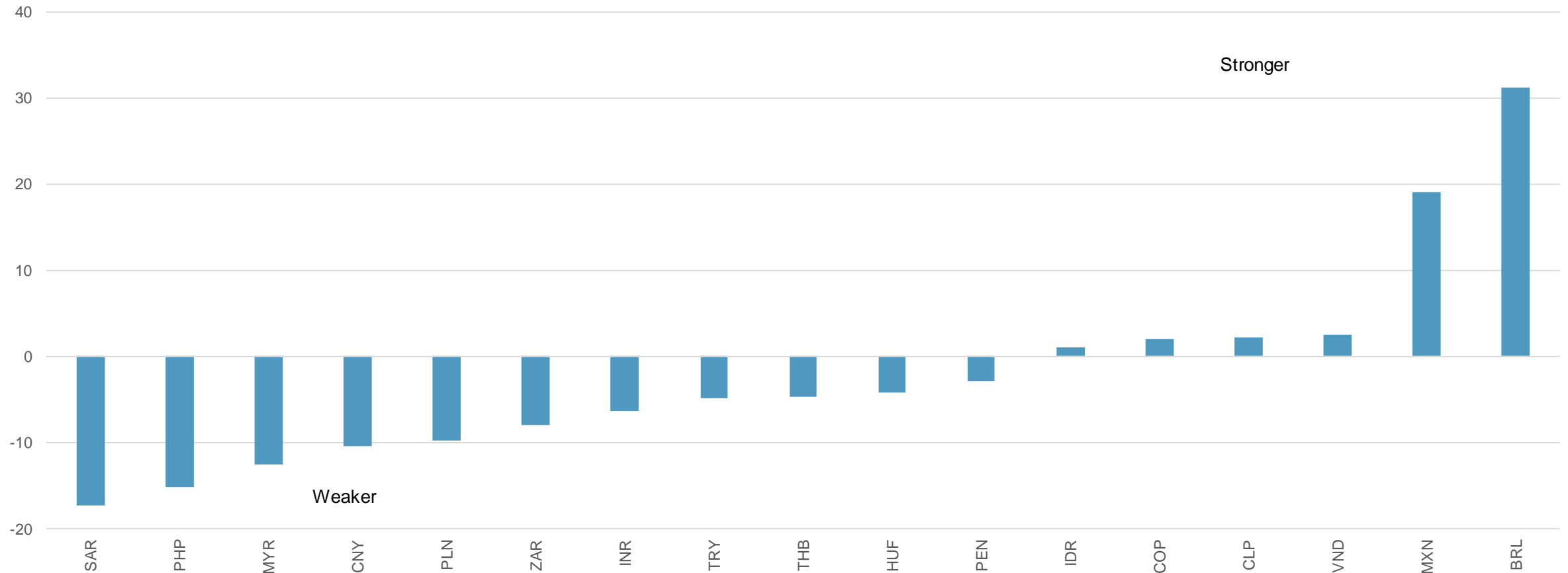
*Percent change from 10-year average. Note: Data is computed on 10 years of the monthly average data of the J.P. Morgan Real Broad Effective Exchange Rate Index (PPI-deflated). Data as of Feb. 29, 2024. Sources: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | Restrictive Across Most EMs

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

Tighter

Looser

| | -300 | -200 | -100 | 0 | 100 | 200 | 300 | 400 | 500 | 600 | 700 | 800 |
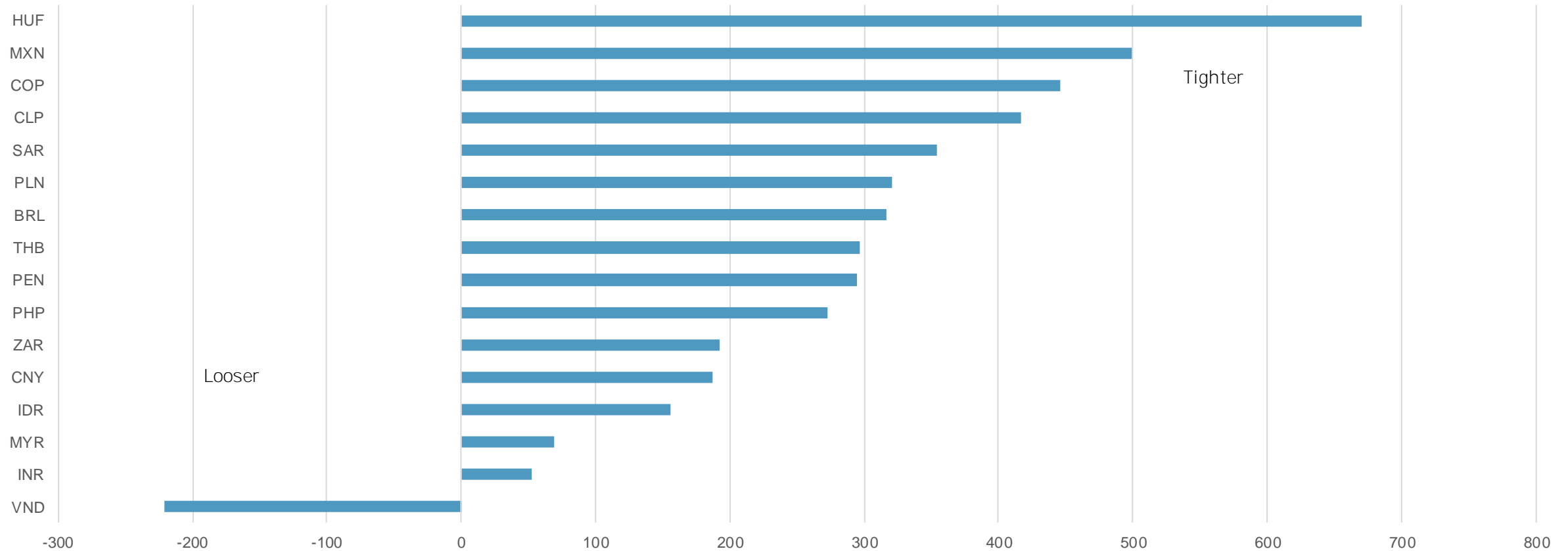
Note: Real interest rates are deflated by CPI. In the cases where we didn't have 10 years of history, we used all the available data to calculate the average. We exclude Argentina. For China, we use the seven-day reverse repo rate. Data as of Feb. 29, 2024. Sources: Haver Analytics and S&P Global Ratings.

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EM Heat Map

	Chile	Saudi Arabia	Poland	Peru	Malaysia	Mexico	China	Philippines	Indonesia	Thailand	India	Colombia	Brazil	South Africa	Vietnam	Turkey	Argentina
FC Sovereign Rating	A	A	A-	BBB	A-	BBB	A+	BBB+	BBB	BBB+	BBB-	BB+	BB	BB-	BB+	B	CCC-
Sovereign Outlook	Negative	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Negative	Stable	Stable	Stable	Positive	Negative
Sovereigns — 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	4	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
Financial institutions BICRA — 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
Nonfinancial corporates — Median Rating (Feb.29, 2024)	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 "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.
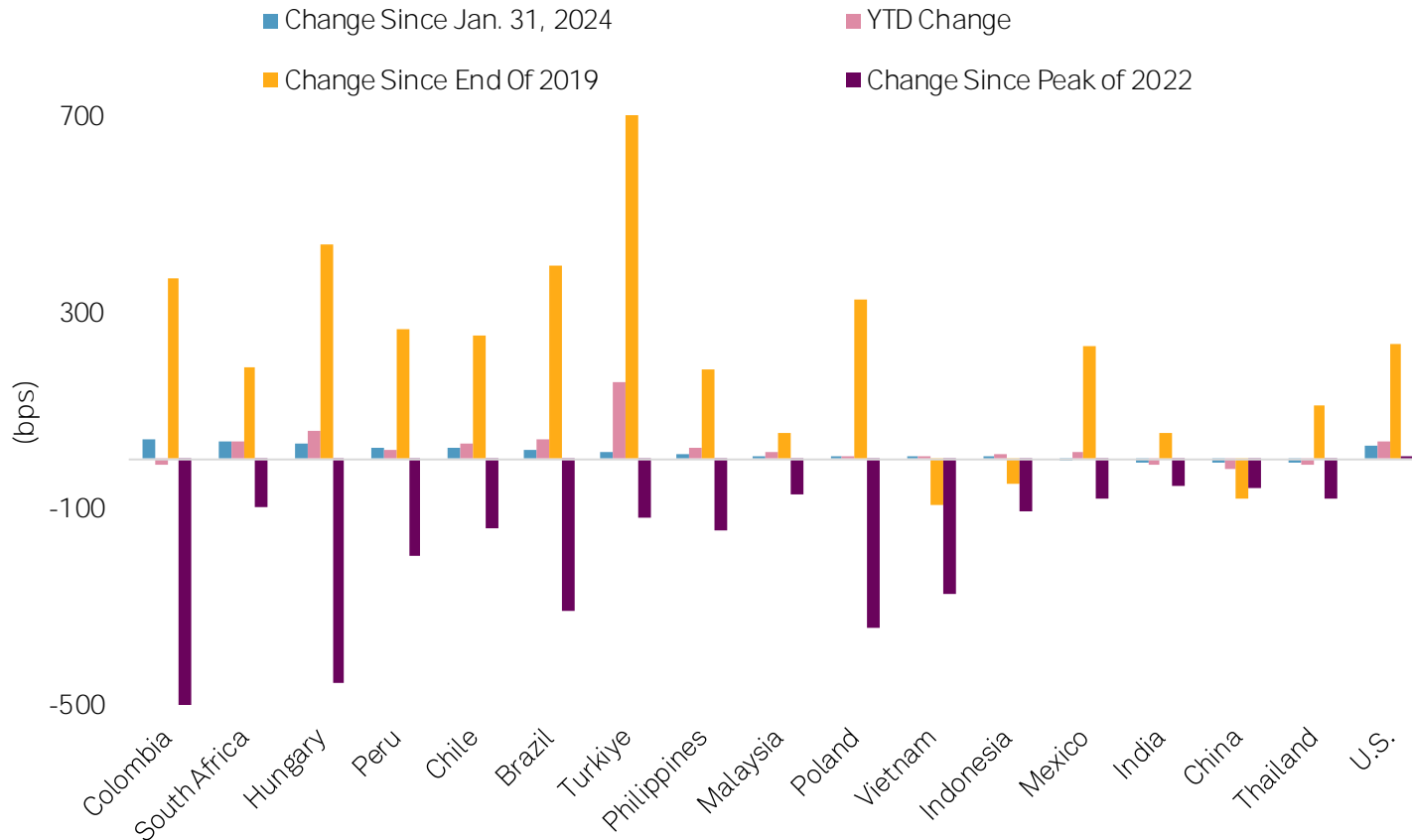
*IIF 3Q 2023. Sources: t–Bangko Sentral NG Pilipinas, Banco Central de Reserva del Peru, Superintendencia de Banca y Seguros y AFP (Peru): Corporate Variables Capital IQ 2Q 2023. S&P Global Ratings. Data for sovereigns and financial institutions as of March 12, 2024.

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

Legend:
- Change Since Jan. 31, 2024
- YTD Change
- Change Since End Of 2019
- Change Since Peak of 2022

Y-axis (bps): 700, 300, -100, -500

Countries: Colombia, South Africa, Hungary, Peru, Chile, Brazil, Turkiye, Philippines, Malaysia, Poland, Vietnam, Indonesia, Mexico, India, China, Thailand, U.S.

Data as of Feb. 29, 2024. The selection of country is subject to data availability. Y-axis truncated at 700 bps for visualization purposes. Turkiye record for 'Change Since End Of 2019' is 1,326 bps. Sources: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro and Datastream.

– **EM benchmark yields' descent took a respite** in February. Major monthly moves were recorded upwards. In Colombia (up 40 bps), the latest GDP reading called for a sluggish real growth in 2024 amid uncertainties around countercyclical fiscal measures that the government will implement to propel infrastructure projects. South Africa's (up 38 bps) inflation outlook is still vulnerable on exchange-rate developments on import prices, food price volatility, and electricity and logistics bottlenecks. This is not helpful in a context of structural growth constraints, rising debt service burden, and May 2024 elections.

– Narrower spreads are benefitting speculative-grade corporate financing costs the most with the effective yield decreasing by another 30 bps to 9.2% in February from 9.5% in January, while investment-grade yields are relatively stable at about 5.7%, still higher than their 10-year average of 8.2% and 4.4% respectively, confirming financing conditions remain tight from a historical perspective.

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EM Credit Spreads| Tightening Up Again

EM spreads by region
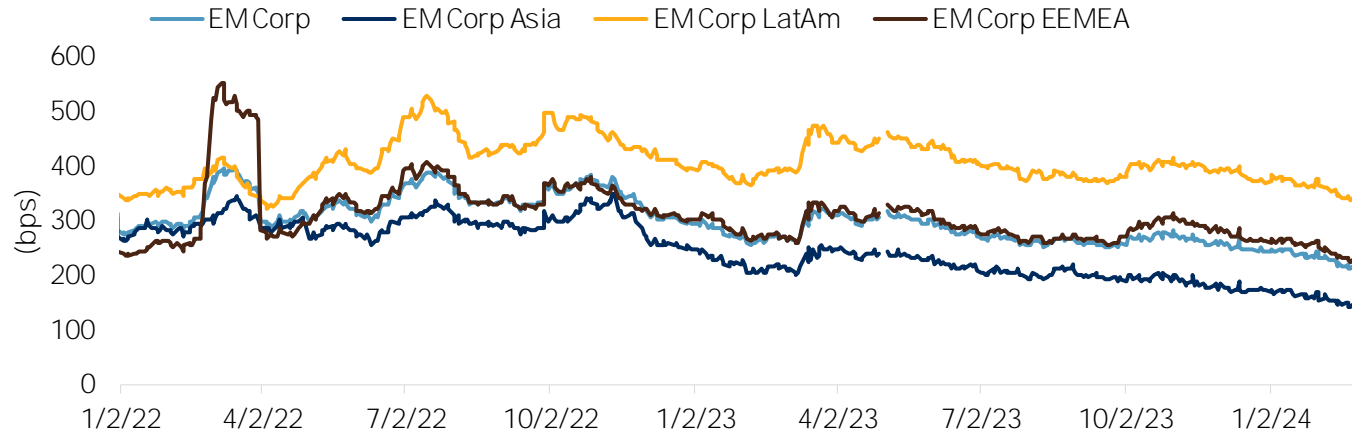
U.S. and EM spreads
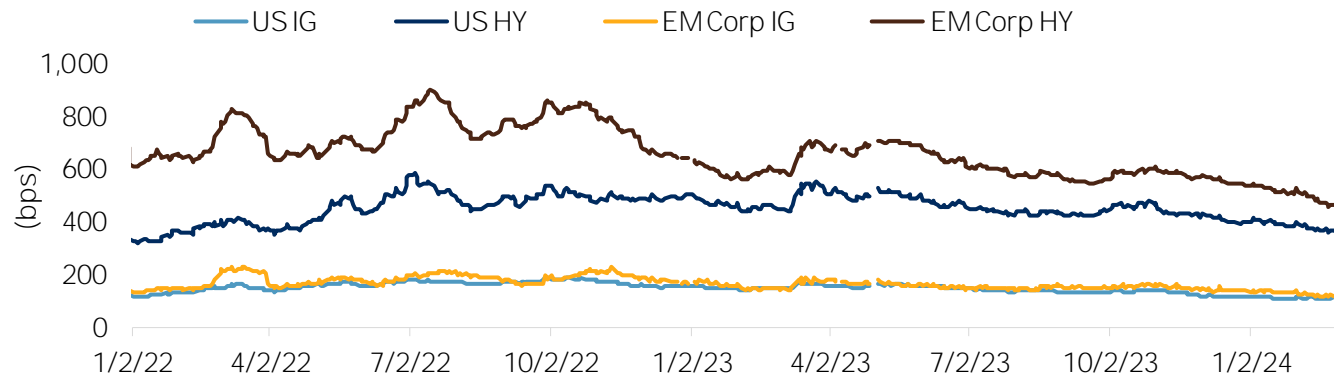
Data as of Feb,29 2024. HY – high yield; IG– investment grade. Sources: S&P Global Ratings Credit Research & Insights, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

– EM corporate spreads tightened again to even lower levels than prior to the pandemic across regions, with EEMEA indices down the most by 50 bps. This has stimulated issuance activity particularly in Saudi Arabia and Turkiye.

– High-yield spreads were recorded 88 bps lower with respect to January, while investment-grade ones were down by 18 bps. However, speculative-grade issuance remains anemic. Indeed, the still high level of borrowing costs questions refinancing options in international markets, as the gap between current rates and locked-in rates remains substantial.

– Spreads in 2024 will remain sensitive to external influences, including market expectations of the Fed's policy stance, challenges in 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 with upcoming elections in several countries, including the U.S., Mexico, and South Africa.

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EM | Financial And Non-Financial Corporate Issuance

- Overall EM issuance decreased to $87 bn from the remarkable $178 bn January kick off. This was due to Greater China, displaying low records particularly from brokers, banks, capital goods and real estate. The mortgage business and high tech were moderately on the rise.

- Issuance outside Greater China monthly decreased by 30%, higher than cumulative February records for the past three years. In terms of debt size, the bond market was particularly active in India, Saudi Arabia and Thailand, while Latin America took a breather. NBFI and high tech issuance were up, while banks, utilities and oil & gas (some of the most populated sectors within EM) lagged behind.

- IG Issuance remained strong. Outside China, HDFC Bank Ltd (BBB-; India) issued medium term $950 million notes at 5.2%; SESPC (A; high tech; Saudi Arabia) issued two bonds with an average 8y tenure at 5.1% and a cumulated size of $2.2 bn; Inversiones CMPC SA (BBB; FP&BM; Chile) a 10y $498 million at 6.1% and CII (AA+; broker; Mexico) a 5y $1bn bond at 4.25%.

EM (excl. Greater China) Cumulative Corporate Bond Issuance

EM Regional Bond Issuance
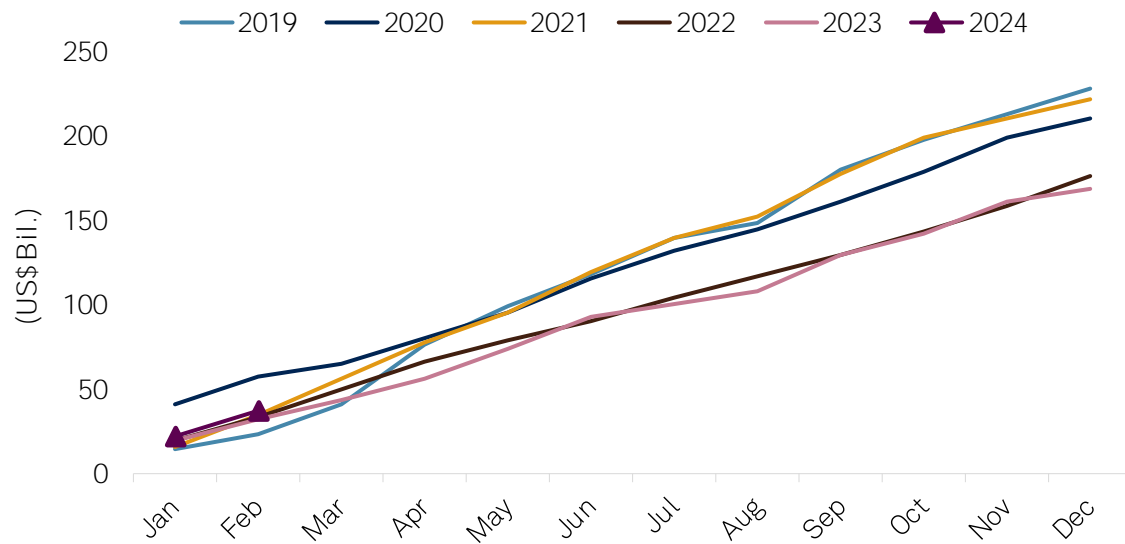
Data as of Feb. 29, 2024. Data including NR (not rated).
Sources: S&P Global Ratings Credit Research & Insights and Refinitiv.
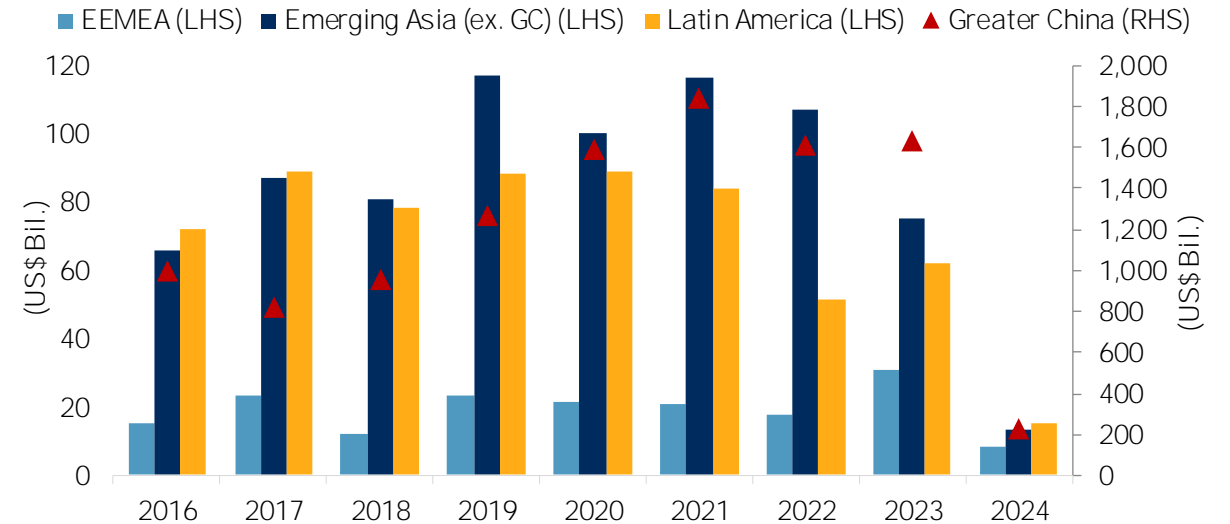
Data as of Feb. 29, 2024. GC- Greater China.
Sources: S&P Global Ratings Credit Research & Insights and Refinitiv.

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Summary

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Ratings Summary | Sovereign Ratings In EM18

Economy	Rating	Outlook	Five-year CDS spread (Feb. 29)	Five-year CDS spread (Jan. 31)
China	A+	Stable	66	65
Chile	A	Negative	46	54
Saudi Arabia	A	Stable	52	59
Malaysia	A-	Stable	40	45
Poland	A-	Stable	66	67
Philippines	BBB+	Stable	62	63
Thailand	BBB+	Stable	43	41
Indonesia	BBB	Stable	71	74
Mexico	BBB	Stable	85	90
Peru	BBB	Negative	61	69
Hungary	BBB-	Stable	124	130
India	BBB-	Stable	46	47
Colombia	BB+	Negative	159	171
Vietnam	BB+	Stable	119	124
Brazil	BB	Stable	126	138
South Africa	BB-	Stable	230	228
Turkiye	B	Positive	288	328
Argentina	CCC-	Negative	3,032	3,555

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 Feb. 29, 2024. Sources: S&P Global Ratings Credit Research & Insights and S&P Capital IQ.

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Top 20 EM Rating Actions (1/2) | By Debt Amount In The Past 90 Days

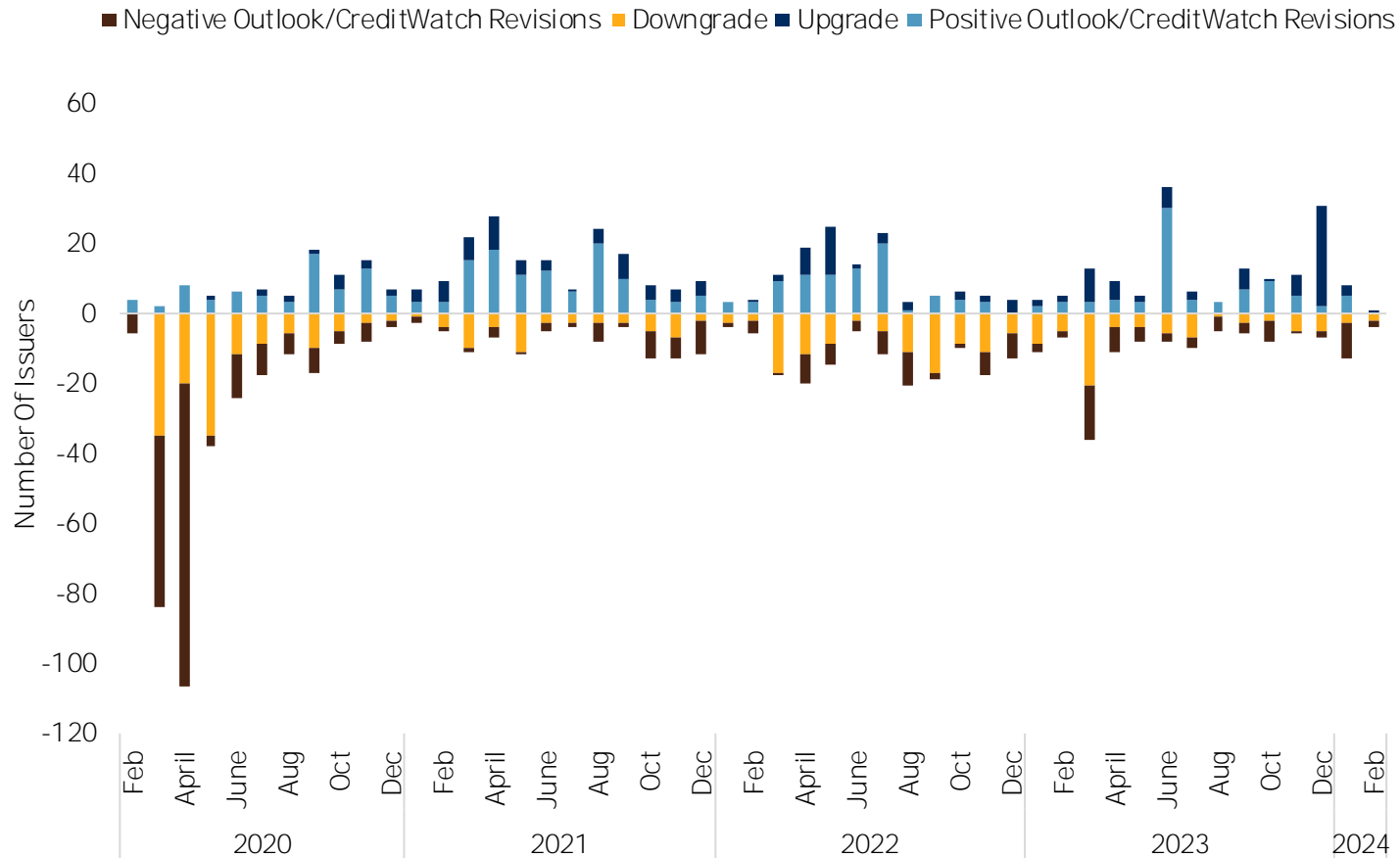| Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. $)
20-Dec-23	Petroleo Brasileiro S.A. - Petrobras	Brazil	Oil and gas	BB	BB-	Upgrade	45,851
20-Dec-23	Corporacion Nacional del Cobre de Chile	Chile	Metals, mining, and steel	BBB+	A	Downgrade	17,985
20-Dec-23	Banco do Brasil S.A.	Brazil	Financial institutions	BB	BB-	Upgrade	6,250
26-Feb-24	Braskem S.A. (Odebrecht S.A.)	Brazil	Chemicals, packaging and environmental services	BB+	BBB-	Downgrade	6,200
20-Dec-23	Votorantim S.A.	Brazil	Diversified	BBB	BBB-	Upgrade	3,550
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
12-Dec-23	Sibanye Stillwater Ltd.	South Africa	Metals, mining, and steel	BB-	BB	Downgrade	1,200
20-Dec-23	Banco Nacional de Desenvolvimento Economico e Social	Brazil	Financial institutions	BB	BB-	Upgrade	1,000
13-Dec-23	Turkcell Iletisim Hizmetleri A.S.	Turkiye	Telecommunications	B+	B	Upgrade	1,000

Data as of Feb. 29, 2024, 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 gray - default. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

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Rating	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. $)
20-Dec-23	Banco Bradesco S.A.	Brazil	Financial institutions	BB	BB-	Upgrade	800
20-Dec-23	Banco BTG Pactual S.A.	Brazil	Financial institutions	BB	BB-	Upgrade	750
14-Dec-23	Koc Holding A.S.	Turkiye	Financial institutions	BB-	B+	Upgrade	750
18-Dec-23	Mersin Uluslararasi Liman Isletmeciligi A.S.	Turkiye	Transportation	B+	B	Upgrade	600
20-Dec-23	BRF S.A.	Brazil	Consumer products	BB	BB-	Upgrade	500
18-Dec-23	Colombia Telecomunicaciones, S.A. E.S.P (Telefonica S.A.)	Colombia	Telecommunications	B	BB	Downgrade	500
14-Feb-24	CLISA-Compania Latinoamericana de Infraestructura & Servicios S.A.	Argentina	Capital goods	SD	CC	Downgrade	335
19-Dec-23	AUNA S.A.	Peru	Health care	B+	B	Upgrade	300
1-Dec-23	Nitrogenmuvek Zrt.	Hungary	Chemicals, packaging and environmental services	CCC+	B	Downgrade	219

Data as of Feb. 29, 2024, 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 and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and gray - default. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

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EM | Total Rating Actions By Economy in 2024
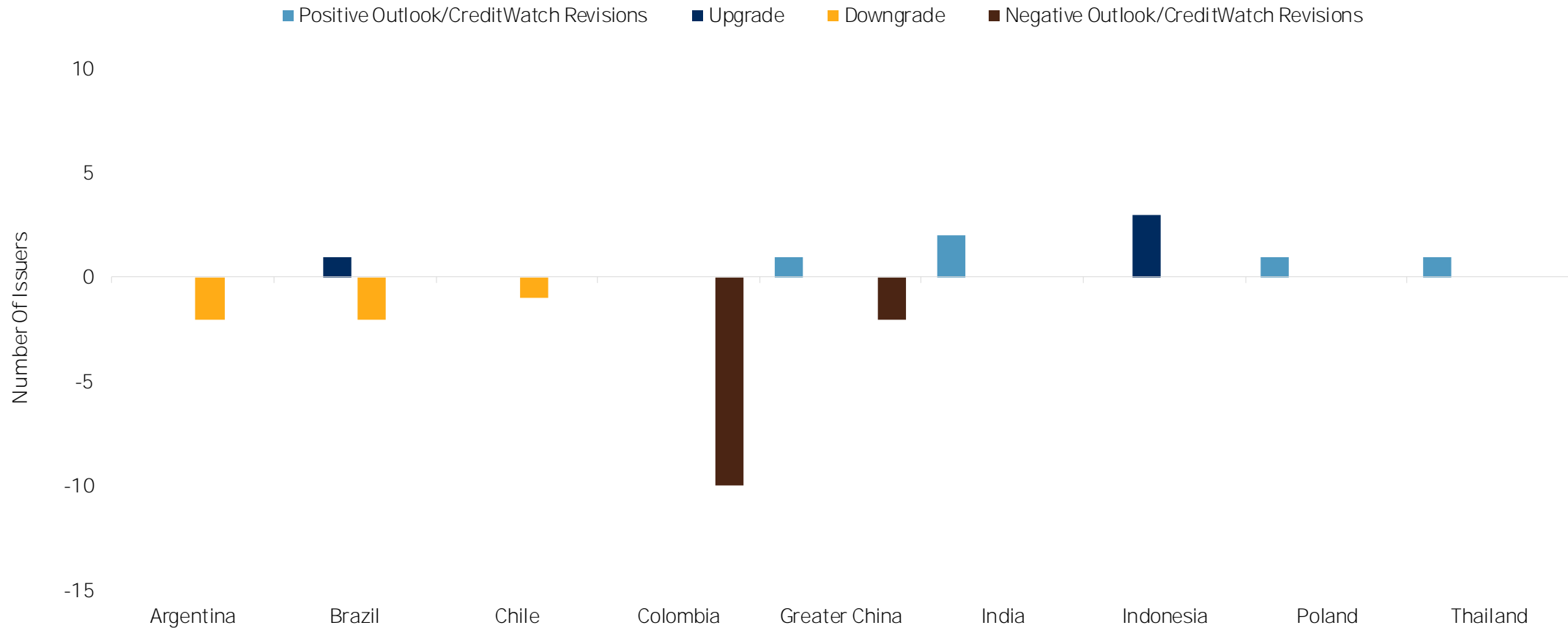
Legend: ■ Positive Outlook/CreditWatch Revisions ■ Upgrade ■ Downgrade ■ Negative Outlook/CreditWatch Revisions

Y-axis: Number Of Issuers (10, 5, 0, -5, -10, -15)

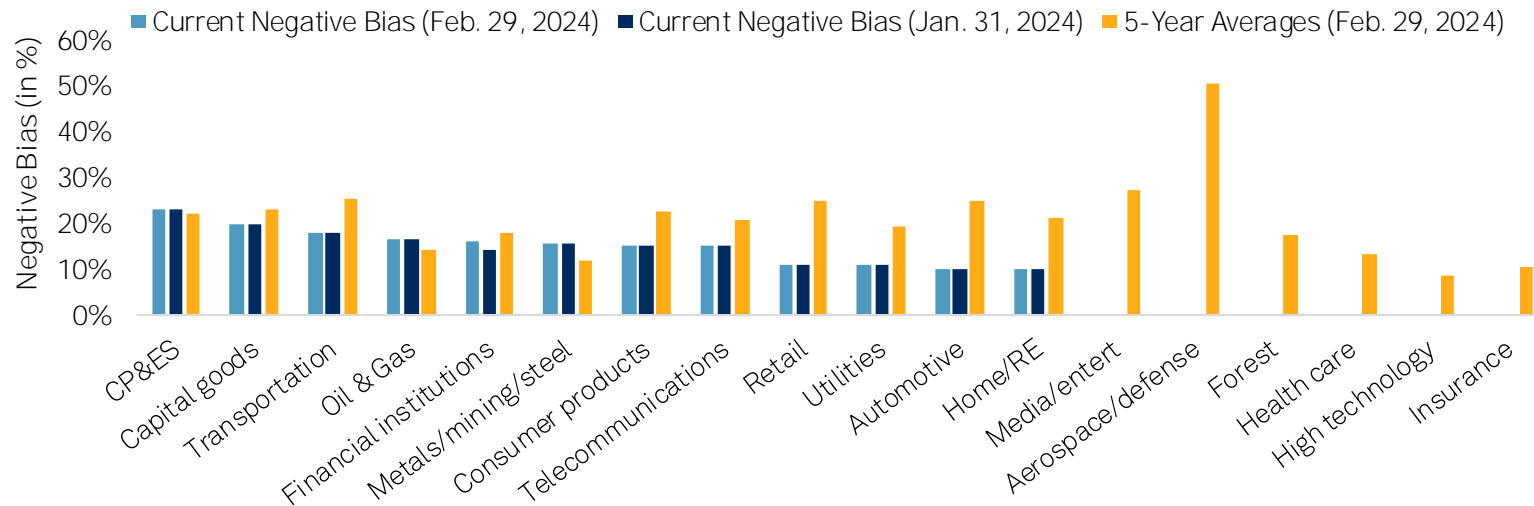X-axis categories: Argentina, Brazil, Chile, Colombia, Greater China, India, Indonesia, Poland, Thailand

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, 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.

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Legend: Negative Outlook/CreditWatch Revisions | Downgrade | Upgrade | Positive Outlook/CreditWatch Revisions

Y-axis: Number Of Issuers (60, 40, 20, 0, -20, -40, -60, -80, -100, -120)

X-axis: Feb, April, June, Aug, Oct, Dec (2020); Feb, April, June, Aug, Oct, Dec (2021); Feb, April, June, Aug, Oct, Dec (2022); Feb, April, June, Aug, Oct, Dec (2023); Feb (2024)

- Very limited rating activity in February. Two downgrades in Latin America: Argentine Conglomerate CLISA (capital goods) defaulted on a distressed exchange from 'CC' as 93.6% of bondholders of its 2027 senior secured notes accepted the consent solicitation to fully pay in kind the January 2024 coupon, implying they'll receive less value than the promise of the original securities. Braskem (CP&ES; Brazil) was downgraded to 'BB+' from 'BBB-' on suffering petrochemical industry conditions, driving weaker profitability and consequently higher leverage. Finally, two Greater China NBFI 'BBB' companies got a negative outlook revision on weaker profitability.

- One only upgrade: Embraer S.A. (aerospace & defense; Brazil) was upgraded To 'BBB-' from 'BB+'. Higher deliveries, cost cuts and efficiency measures led to stronger 2023 free cash flow than expected. Embraer's solid backlog and continue focus on lean operations will support revenues and continue the deleveraging process ahead.

Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the Parent. Data from Feb. 3, 2020 to Feb. 29, 2024. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arab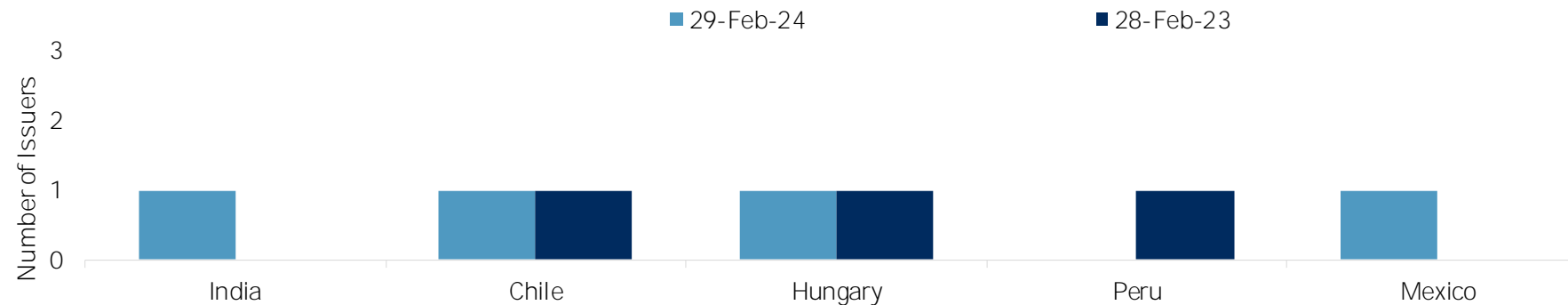ia, South Africa, and Turkiye. Greater China --- China, Hong Kong, Macau, Taiwan and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

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EM Downgrade Potential | Regional Negative Bias

LatAm has the highest downgrade potential

Negative Bias (in %)

Legend: ■ 10-Year Average ■ 5-Year Average ■ January 31, 2024 ■ February 29, 2024

- EM Asia (ex. China): 16%, 18%, 0%, 0%
- EEMEA: 24%, 17%, 11%, 11%
- Latin America: 30%, 30%, 26%, 26%
- Greater China: 15%, 12%, 5%, 7%

Negative bias by sector

Negative Bias (in %)

Legend: ■ Current Negative Bias (Feb. 29, 2024) ■ Current Negative Bias (Jan. 31, 2024) ■ 5-Year Averages (Feb. 29, 2024)

Sectors: CP&ES, Capital goods, Transportation, Oil & Gas, Financial institutions, Metals/mining/steel, Consumer products, Telecommunications, Retail, Utilities, Automotive, Home/RE, Media/entert, Aerospace/defense, Forest, Health care, High technology, Insurance

- The relatively quiet monthly rating activity kept regional negative biases little changed: LatAm displayed the highest downgrade potential with 26%, while EEMEA stayed at 11%. The two negative outlook revisions in Greater China (mentioned before) raised the regional negative bias to 7% from 5% in January; Despite their divergencies, all regional downgrade potentials are lower with respect to their longer-term averages.

- Chemicals, packaging and environmental services; oil and gas; and metals, mining, and steel are the only three sectors (out of 18) displaying a negative bias higher than the historical average.

Data as of Feb. 29, 2024; excludes sovereigns. Excludes subsidiaries. Source : S&P Global Ratings Credit Research & Insights

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Rating Actions | No Rating Changes From 'B' To 'CCC/CC' In 2024

No Rating Movement To 'CCC/CC' From 'B' In 2024 YTD In EM 18

Five Rating Movement To 'CCC/CC' From 'B' In 2023 Through Dec. 31 In EM 18

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	US$ Mil.
13-Mar-23	AUNA S.A.A.	Peru	Health Care	CCC+	B	$ 300
14-Mar-23	Guacolda Energia S.A	Chile	Utilities	CC	B-	$ 500
6-Jun-23	Unigel Participacoes S.A.	Brazil	CP&ES	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	CP&ES	CCC+	B	$ 219

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating. Data as of Feb. 29, 2024; 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.

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Rating Actions | One Fallen Angel In 2024 YTD

One Fallen Angel in 2024

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	US$ Mil.
26-Feb-24	Braskem S.A. (Odebrecht S.A.)	Brazil	Chemicals, Packaging & Environmental Services	BB+	BBB-	$ 6,200

One Fallen Angel in 2023

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	US$ Mil.
21-Nov-23	Falabella S.A.	Chile	Retail/Restaurants	BB+	BBB-	$ 1,450

One Rising Star in 2023

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	US$ Mil.
20-Dec-23	Ultrapar Participacoes S.A.	Brazil	Oil & Gas	BBB-	BB+	$ 1,600

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating and blue means investment-grade rating. Data as of Feb. 29, 2024; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

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Rating Actions | List Of Defaulters In 2024 (as of Feb. 29)

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	US$ Mil.
26-Jan-24	Gol Linhas Aereas Inteligentes S.A.	Brazil	Transportation	D	CCC-	$ -
31-Jan-24	Enjoy S.A.	Chile	Media and entertainment	D	CCC-	$ -
14-Feb-24	CLISA-Compania Latinoamericana de Infraestructura & Servicios S.A.	Argentina	Capital goods	SD	CC	$ 335

Data as of Feb. 29, 2024. 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). Source: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

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Rating Actions | Fallen Angels And Potential Fallen Angels

One Fallen Angel in 2024 YTD

Legend: ■ Fallen Angels ■ Average Potential Fallen Angels

EM Potential Fallen Angels Mostly in Latin America
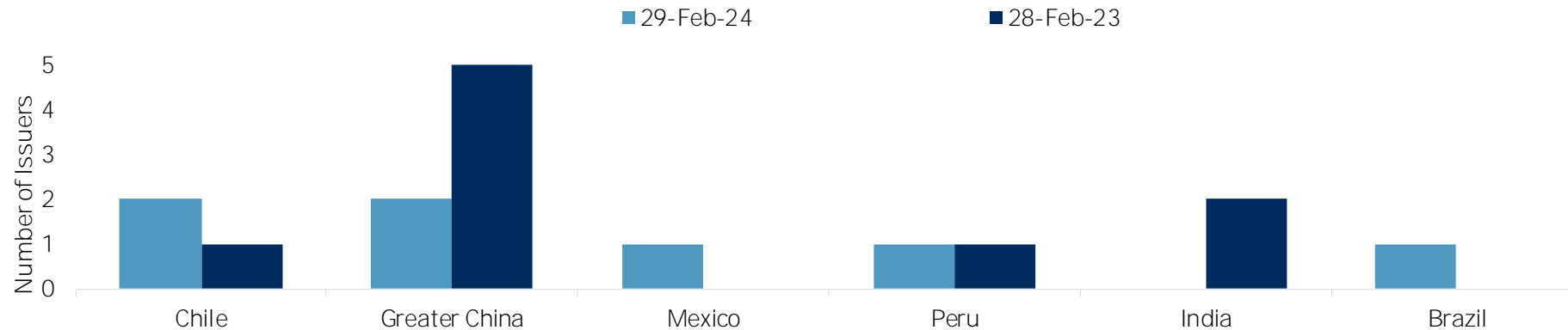
Legend: ■ 29-Feb-24 ■ 28-Feb-23

Data as of Feb. 29, 2024. 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.

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Rating Actions | Rising Stars And Potential Rising Stars

No Rising Star In 2024 YTD

■ Rising Stars   ■ Average Potential Rising Stars
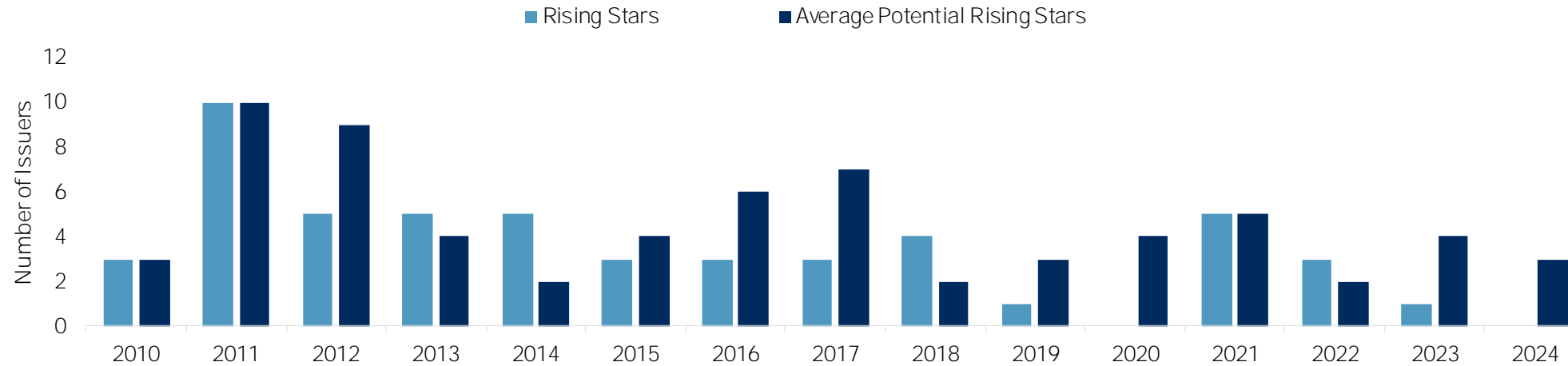
Feb. 2024 Potential Rising Stars Up From One Year Ago

■ 29-Feb-24   ■ 28-Feb-23

Data as of Feb. 29, 2024. 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.

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Rating Actions | Weakest Links And Defaults

EM Weakest Links Remained at 13 in February

Legend: Weakest Links Count (left scale) — Weakest Link Share of Speculative-Grade Population (%) (right scale)
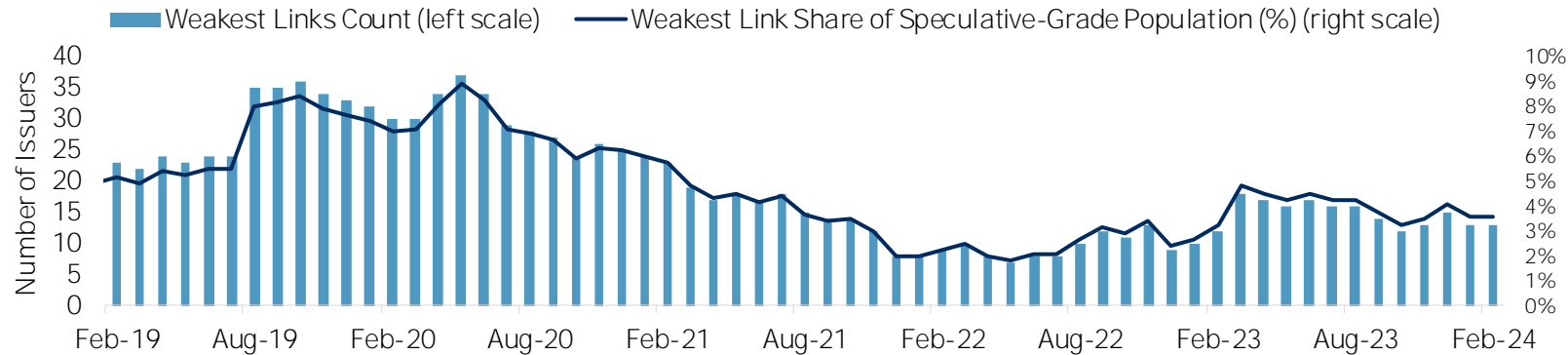
Data as of Feb. 29, 2024. Parent only. Weakest links are defined as issuers rated 'B–' or lower with negative outlooks or ratings on CreditWatch with negative implications. Source: S&P Global Ratings Credit Research & Insights .

Default Rate This Month (as of January 2024)

Legend: EM Asia (ex. China) — EEMEA — Latin America — Emerging Markets (ex. China)

3.66
2.85
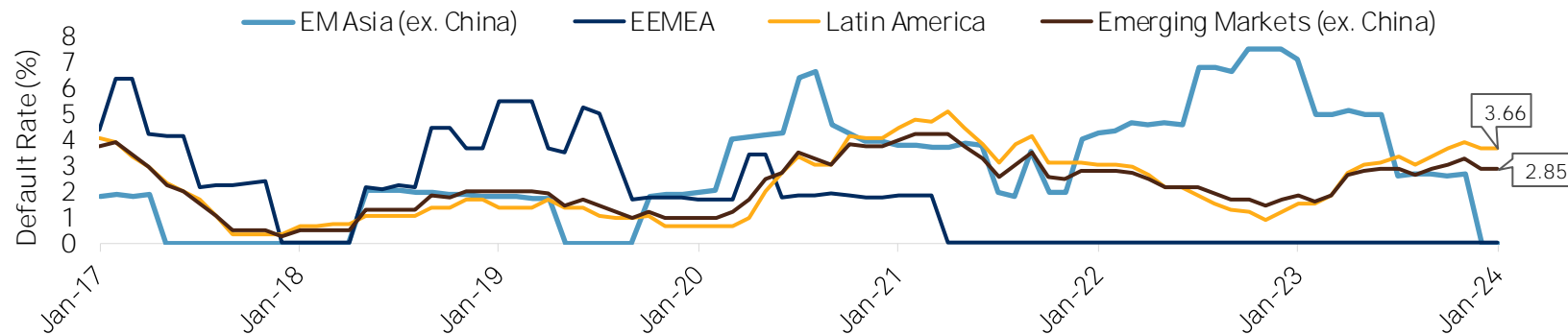
Excluding China. CreditPro data as of Jan. 31, 2023. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Excludes Sovereigns. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

– Weakest links. EM weakest links remained at 13 issuers in February (4% of total speculative-grade issuers).12 weakest links were located in Latin America, nine of which in Argentina.

– Default rates. January default rate (ex. China) was flat at 2.85%. The composite index has been mainly driven by Latin America, where all three defaults of the year took place. The pace of defaults in this specific region was recorded at 3.7% rate in January, down from its 2023 peak of 3.9%.

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Rating Actions | Defaults

Year-end global corporate defaults by reason

Legend: Confidential, Regulatory Intervention, Missed principal/interest payments, Distressed Exchanges, Out-Of-Court Restructuring, Bankruptcy-Related
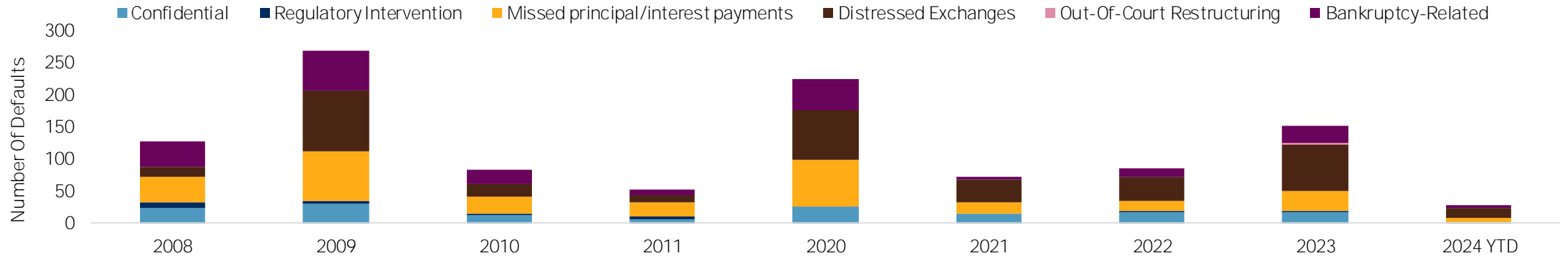
Year-end EM 18 corporate defaults by reason

Legend: Confidential, Regulatory Intervention, Missed principal/interest payments, Distressed Exchanges, Out-Of-Court Restructuring, Bankruptcy-Related
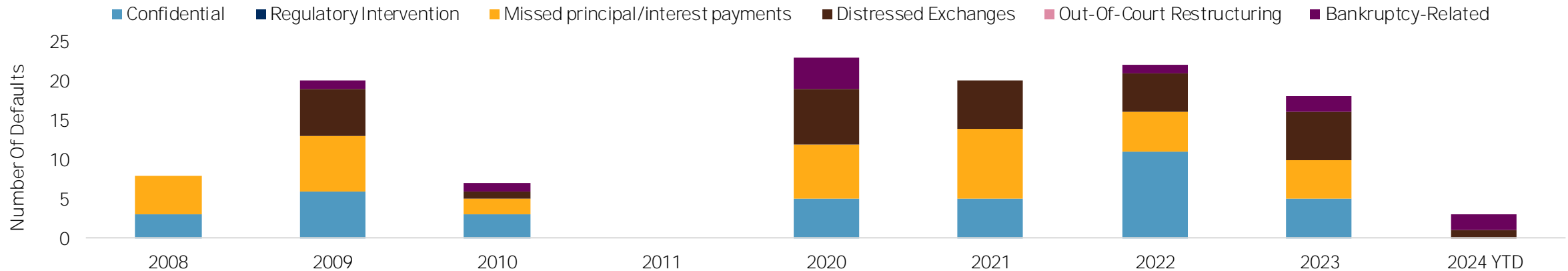
Data as of Feb.29, 2024. Data has been updated to reflect confidential issuers. Excludes sovereigns, includes Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere).
Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

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Related Research

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EMs | Related Research

- LatAm Financial Institutions Monitor Q1 2024: Fragile Asset Quality Stabilization Amid Sluggish Economic Recovery, Mar. 5, 2024

- Latin American Insurance Sector View 2024: A Balance Between Risks And Opportunities, Mar. 5, 2024

- GCC Corporate And Infrastructure Outlook 2024: Holding Up Against Refinancing Needs, Mar. 4, 2024

- Subnational Debt 2024: Chinese Governments Reach Their Limits; Other Emerging Markets Taper Borrowing, Feb. 29, 2024

- Sovereign Debt 2024: Borrowing Will Hit New Post-Pandemic Highs, Feb. 27, 2024

- Asian Emerging Market Currencies Will Chart A Comeback , Feb. 27, 2024

- Indonesian Nickel: The Disruptions Are Structural, Feb. 26, 2024

- Latin American Corporate And Infrastructure Credit Outlook 2024: A Case For Renewed Optimism, Feb. 24, 2024

- Assessing Project Finance As Way To Unlock India's Renewables Potential, Feb. 22, 2024

- ASEAN's Consumer Activity Is Losing Steam, Feb. 20, 2024

- EMEA Financial Institutions Monitor 1Q2024: Banks Adapt To The Increased Economic Turbulence, Feb. 19, 2024

- Ongoing Vigilance Is Key To Gulf Banks' Cyber Risk Resilience, Feb. 19, 2024

- Triangles Of Vulnerability: Emerging Market Sovereigns' Fiscal And External Positions , Feb. 15, 2024

- Emerging Markets Monthly Highlights: Improving Financing Conditions, Feb. 14, 2024

EMs consist of Latin America: Argentina, Brazil, Chile, Colombia, Peru, Mexico. Emerging Asia: 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).
Media/entert -- Media and entertainment, Retail -- Retail / restaurants, CP&ES -- Chemicals, packaging and environmental services, Home/RE -- Homebuilders/real estate companies, Forest -- Forest products and building materials, Metals/mining/steel -- Metals, mining, and steel.

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