Emerging Markets Monthly Highlights
Rising Challenges For Interest Rate Cuts

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April 17, 2024

S&P Global Ratings

This report does not constitute a rating action.

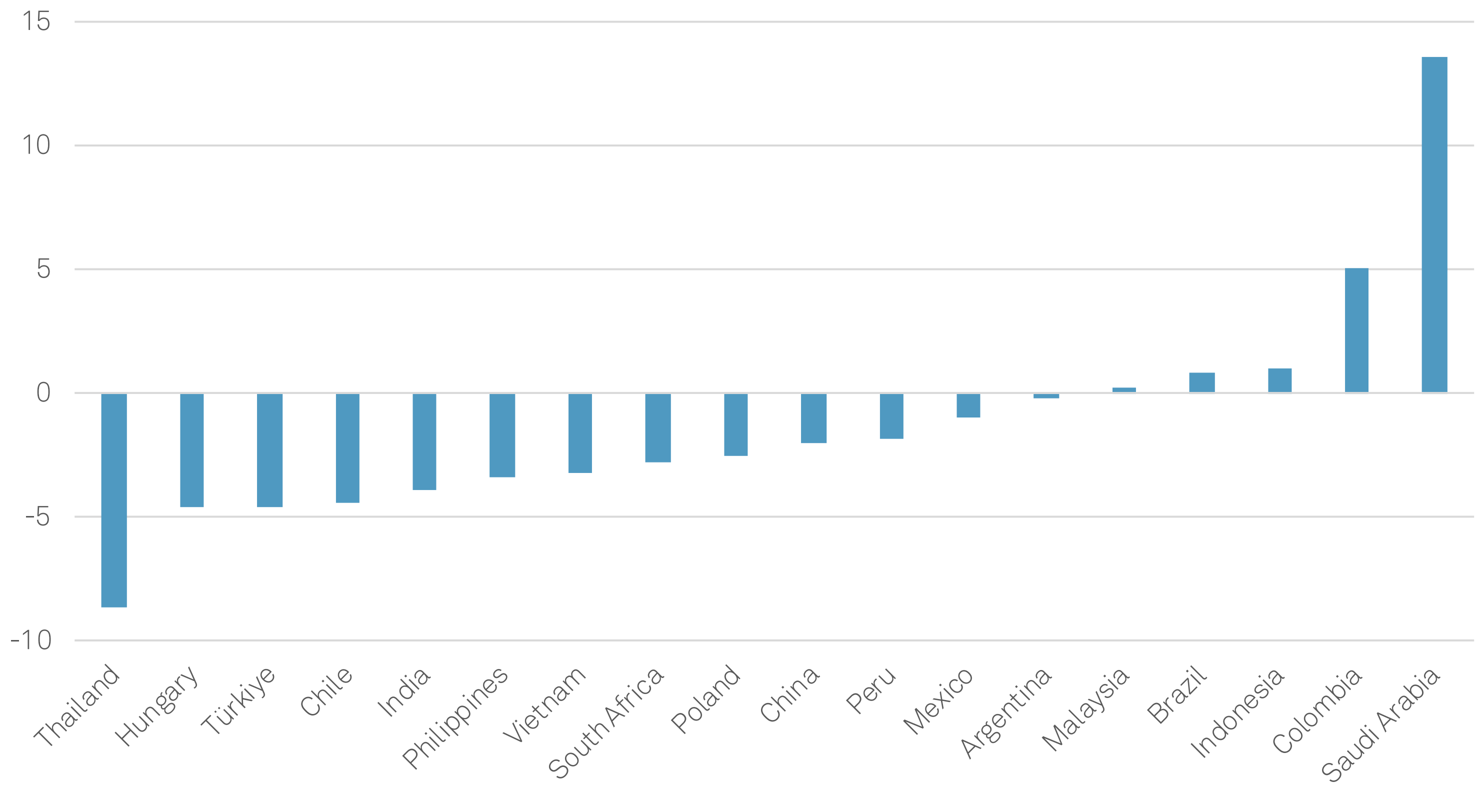
Contents

Key Takeaways

- **External developments could prompt emerging market (EM) central banks to be more cautious about cutting interest rates.** The recent rise in commodity prices, particularly oil, increases the risk of renewed inflationary pressure, particularly for net energy importers. Furthermore, incoming U.S. data, both on activity and inflation, have led to a re-pricing in the federal funds rate, pushing cuts further out into the future, with a similar impact on benchmark rates in several major EMs, especially in Latin America (LatAm).
- **Industrial and precious metal prices have jumped over the last few months.** Higher demand in China and expectations with regards to upcoming supply constraints have all contributed to the recent metal prices rally. Several metal-exporting EMs--such as Peru, Chile, and Indonesia--will benefit if prices remain high.
- **We expect growth in EMs to diverge significantly this year.** Economic growth will moderate for many countries that previously outperformed in 2023 (such as Brazil, Mexico, and India) but conversely, some countries that underperformed last year are expected to pick up later in 2024 (such as Chile, the Philippines, Poland, and Vietnam).
- **Corporate spreads continue their gradual descent** while remaining sensitive to external influences. This spurred record financial and non-financial corporate issuance in March, particularly unrated, with investment-grade issuance remaining sound and speculative-grade issuance slightly opening in the 'BB' category; however, still far from 2019-2021 levels.

Interest Rates| Obstacles To Further Interest-Rate Cuts

Energy trade balance (% of GDP)

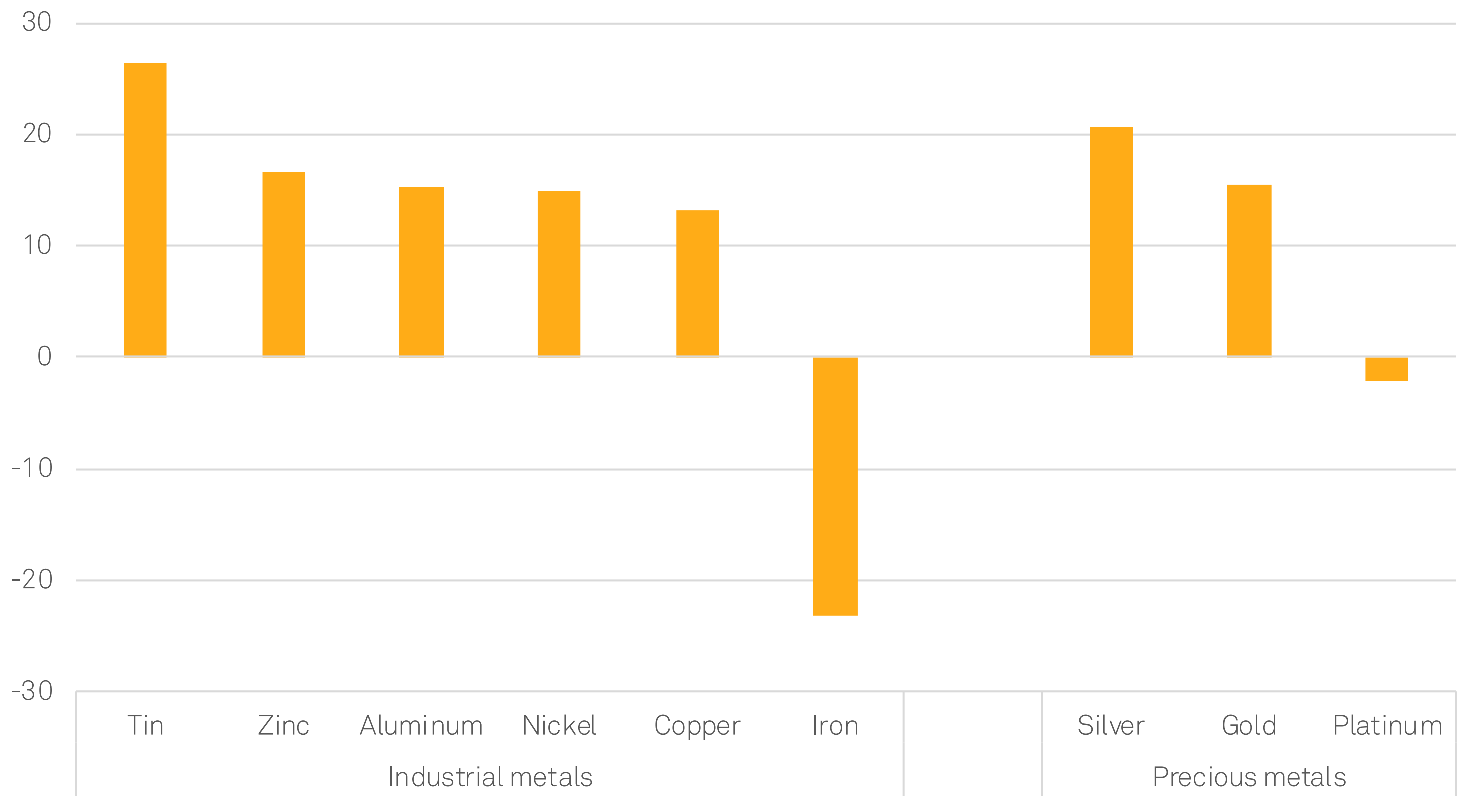


Note: Data is for 2023 except for China, India, the Philippines, and Vietnam. For those countries, 2023 data was not available, so we used the 2017-19 average instead. Sources: ITC Trade Map, World Bank, IMF, and S&P Global Ratings.

- **The recent rise in oil prices, if it persists, threatens to disrupt disinflation across most EMs.** This could slow, or delay, central banks' interest-rate reduction, as they were expected to ease policy in the coming quarters.
- **This is especially true for major EM net energy importers,** as the potential for weaker external accounts could prompt central banks to be more cautious about lowering rates to prevent disorderly capital outflows. Among the major EMs, Chile, Hungary, Poland, Turkiye, the Philippines, Thailand, and India are the largest net energy importers.
- **The recent market repricing of Fed policy expectations could also make it more challenging for EMs to ease monetary policy, especially in LatAm.** Strong activity data and higher-than-expected inflation have pushed market expectations for the Fed's first rate cut toward the end of the year, compared with the middle of the year just a few weeks ago.

Metal Prices | A Significant Pickup Since Beginning Of The Year

Change in metal prices since beginning of the year (%)



Sources: Refinitiv and S&P Global Ratings.

- **Metal prices have jumped due to an increase in global demand.** The recovery in China's demand, as well as stronger-than-expected economic activity prints from the U.S. have contributed to the recent price rally across industrial metals. Among key EMs, ongoing rally is particularly important for Peru and Chile (copper), and Indonesia and the Philippines (nickel), where industrial metals account for a significant share of total exports.
- **Price increases are also visible among precious metals.** Demand for gold and silver has been increasing amid geopolitical concerns and hedging considerations. Among key EM economies, gold is a crucial export commodity for South Africa (about 15% of total exports by value).

EM Credit Conditions | Unmet Expectations Could Heighten Risks

Top emerging market risks	Risk level*	Risk trend**
Higher interest rates linger amid refinancing risks	High	Improving
Geopolitical tensions and difficult socio-political conditions erode credit fundamentals	High	Unchanged
Persistent property weakness, tepid confidence, and high debt levels to weaken China's growth momentum	High	Unchanged
Sovereigns under pressure as debt burdens and borrowing costs continue rising	Elevated	Unchanged
Weaponization of supply-chain choke points drive up corporate costs and inflation	Elevated	Unchanged
A sharper-than-expected downturn in advanced economies weighs on global trade	Elevated	Unchanged
Structural risks		
Climate change and rising adaptation costs	Elevated	Worsening

*Risk levels may be classified as moderate, elevated, high, or very high, are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one to two years. Typically, these risks are not factored into our base case rating assumptions unless the risk level is very high. ** Risk trend reflects our current view on whether the risk level could increase or decrease over the next twelve-months. Source: S&P Global Ratings.*

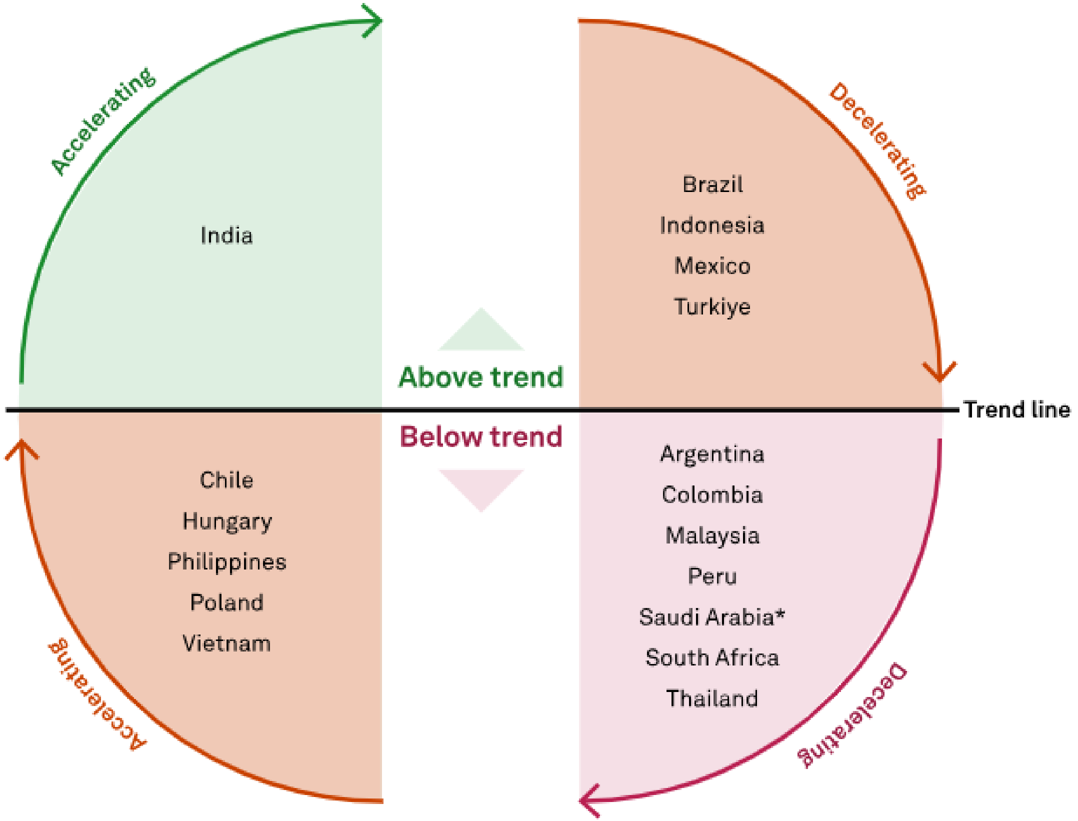
– **Expected soft landing of advanced economies will continue supporting credit conditions in EMs,** risks are receding to a certain degree, but the long-term outlook remains challenging.

– **We see the following threats ahead if current expectations with respect to our baseline assumptions are not met. The Federal Reserve could delay monetary easing** if the U.S. economy and labor market remain strong. **Geopolitical risks continue causing supply-chain disruptions** that could lead to renewed inflationary pressures. **We can't rule out heightened trade protectionism down the road. China is still struggling with domestic factors** that could weigh on its economic growth, which could spill over to the region's economies and EMs reliant on China.

– Read more at "Credit Conditions Emerging Markets Q2 2024: Unmet Expectations Could Heighten Risks", published March 27.

EM Economic Outlook| Growth Divergence Ahead

Current economic cycles in EMs



Note: We use Hodrick-Prescott filter on seasonally-adjusted GDP levels to define above/below trend, and the average of the latest two quarters compared to the average of the previous two quarters to define accelerating/decelerating. Saudi Arabia's non-oil GDP oil Is above-trend and accelerating. Sources: Haver Analytics and S&P Global Ratings.

- **The growth narrative for EMs has improved marginally compared with our economic outlook in November.** We made the largest upward revisions to our 2024 GDP growth forecasts for Mexico (70 basis points [bps]), Turkiye (60 bps), Peru (50 bps), and India (40 bps). We lowered our growth projections the most for Argentina (200 bps), Saudi Arabia (50 bps), Hungary (40 bps), Poland (30 bps), and Thailand (30 bps).
- **Because of wide divergence in growth last year, EMs entered 2024 at different stages of their economic cycles.** We therefore expect GDP growth in economies that were expanding above trend in 2023 to decelerate modestly in 2024, while those that grew below trend last year will improve in 2024 but remain below trend in most cases (see "Economic Outlook Emerging Markets Q2 2024: Growth Divergence Ahead" published March 26).

Regional Economic Highlights

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EM Asia Economics | Tourism Recovery Underway

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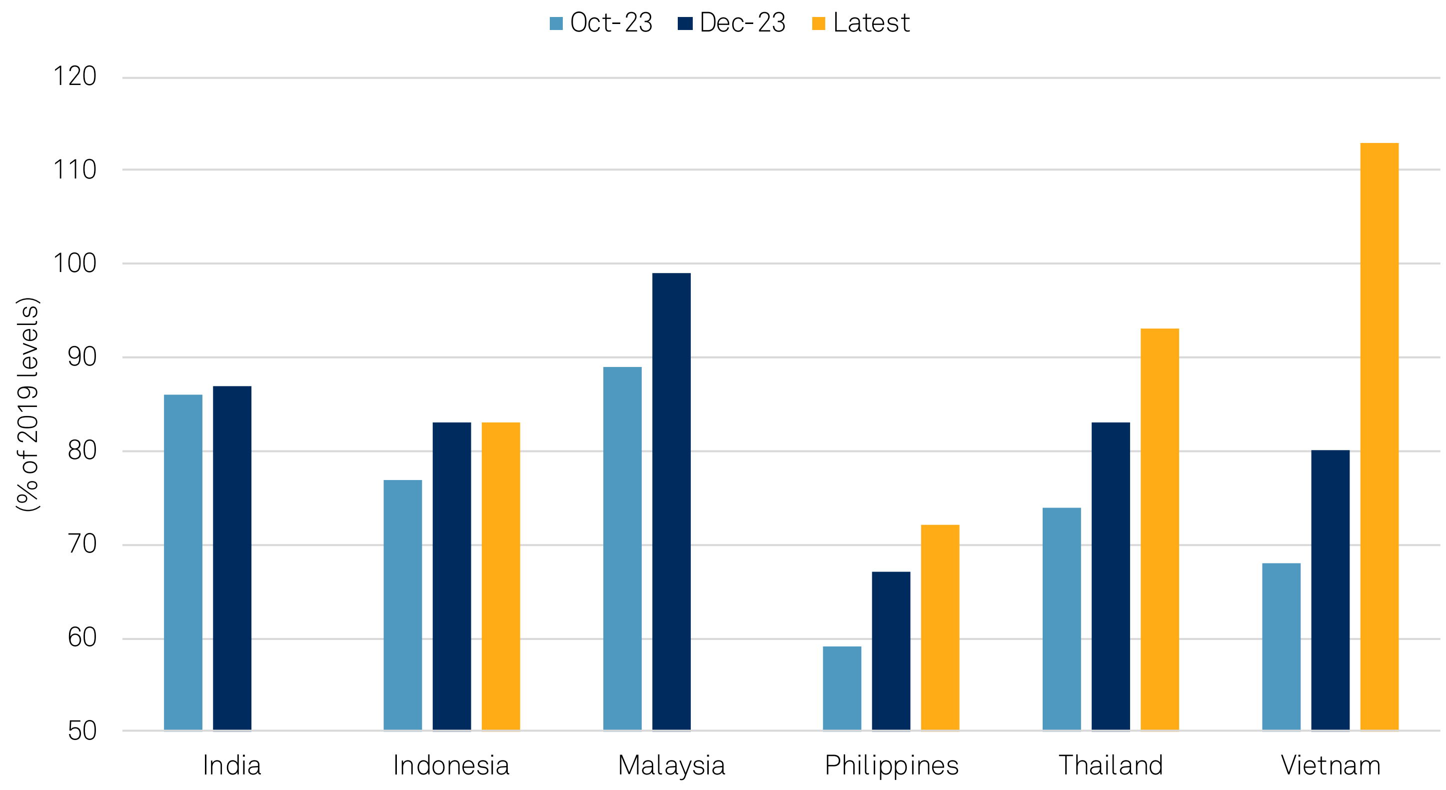
Tourist arrivals returning to pre-pandemic levels



Sources: CEIC and S&P Global Ratings.

– **Tourism is growing.** Visitor arrivals are now nearing pre-pandemic levels in the region. **Further improvement** is likely over the year, which **will help support private-sector demand.**

– **Vietnam** has seen the strongest rebound in the region with robust tourism activity. The **Philippines, Indonesia, and India** are yet to see a full travel recovery.

– **Arrival volumes are outpacing slightly tourism revenue.** One factor are still lower-than-normal volumes of Chinese tourists who have higher outlays in Southeast Asia.

EM EMEA Economics | Higher Inflation Looms For Several Economies

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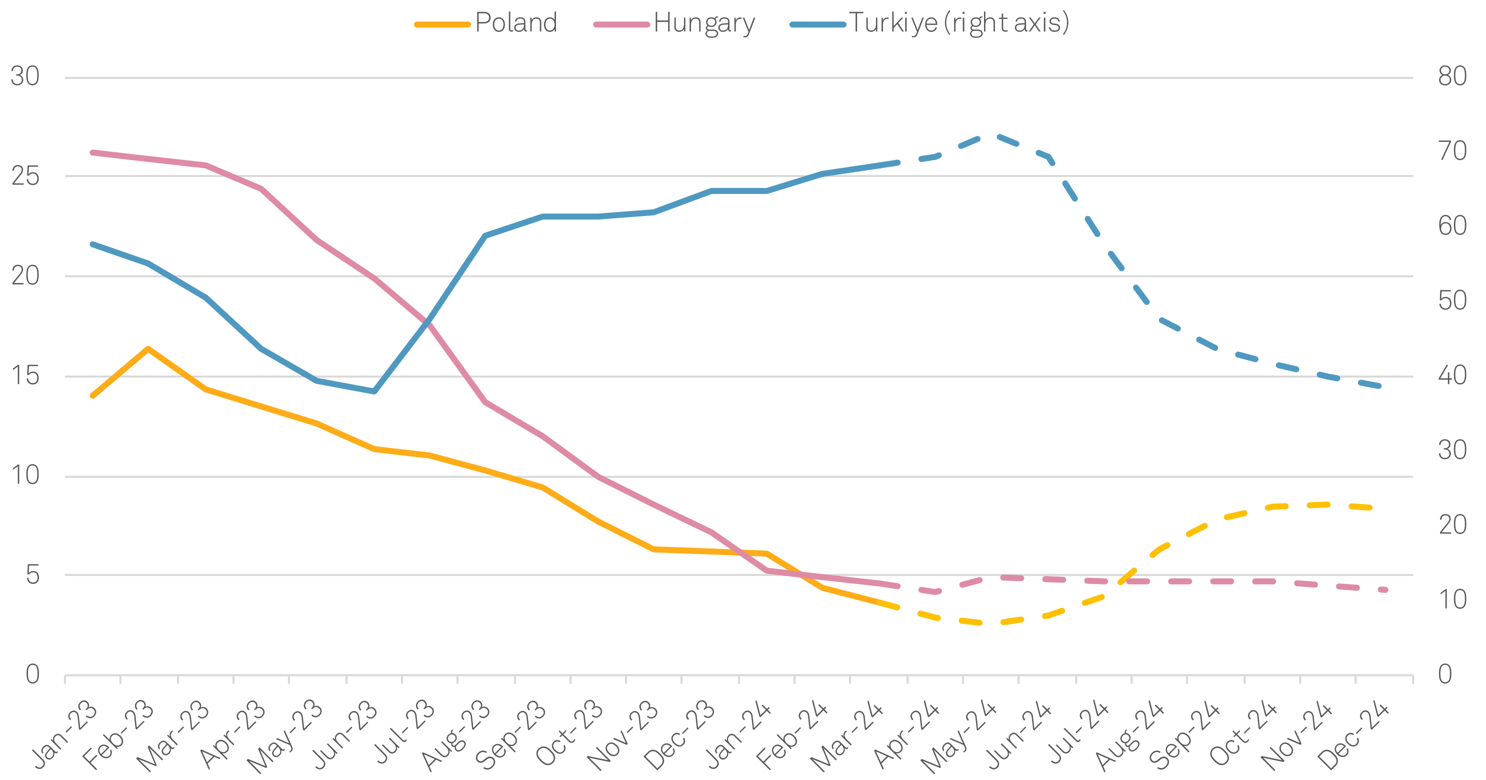
Inflation in selected EM EMEA economies (%)



Note: Forecasted inflation is in marked with dashed line. Sources: National Statistical Agencies and S&P Global Ratings.

- **Poland's annual inflation is likely to pick up, due to upcoming withdrawal of some of anti-inflation measures.** As a result, we expect that annual HICP inflation can reach around 7% by the end of 2024 (compared to 3.7% currently). Potentially higher inflation makes it possible that interest-rate cuts will be postponed until the next year.
- **We also expect Turkiye's inflation to rise due to base effects.** As momentum in monthly inflation remains strong, and last year's monthly inflation prints in April/May were weak, we expect inflation to climb to about 70% in the next two months. Nevertheless, annual inflation is likely to fall sharply in July and August, similarly due to base effect dynamics. In Hungary, some pickup in annual inflation due to base effects is also expected.

LatAm Economics | Shifting Fed Expectations Could Pause Rate Cuts

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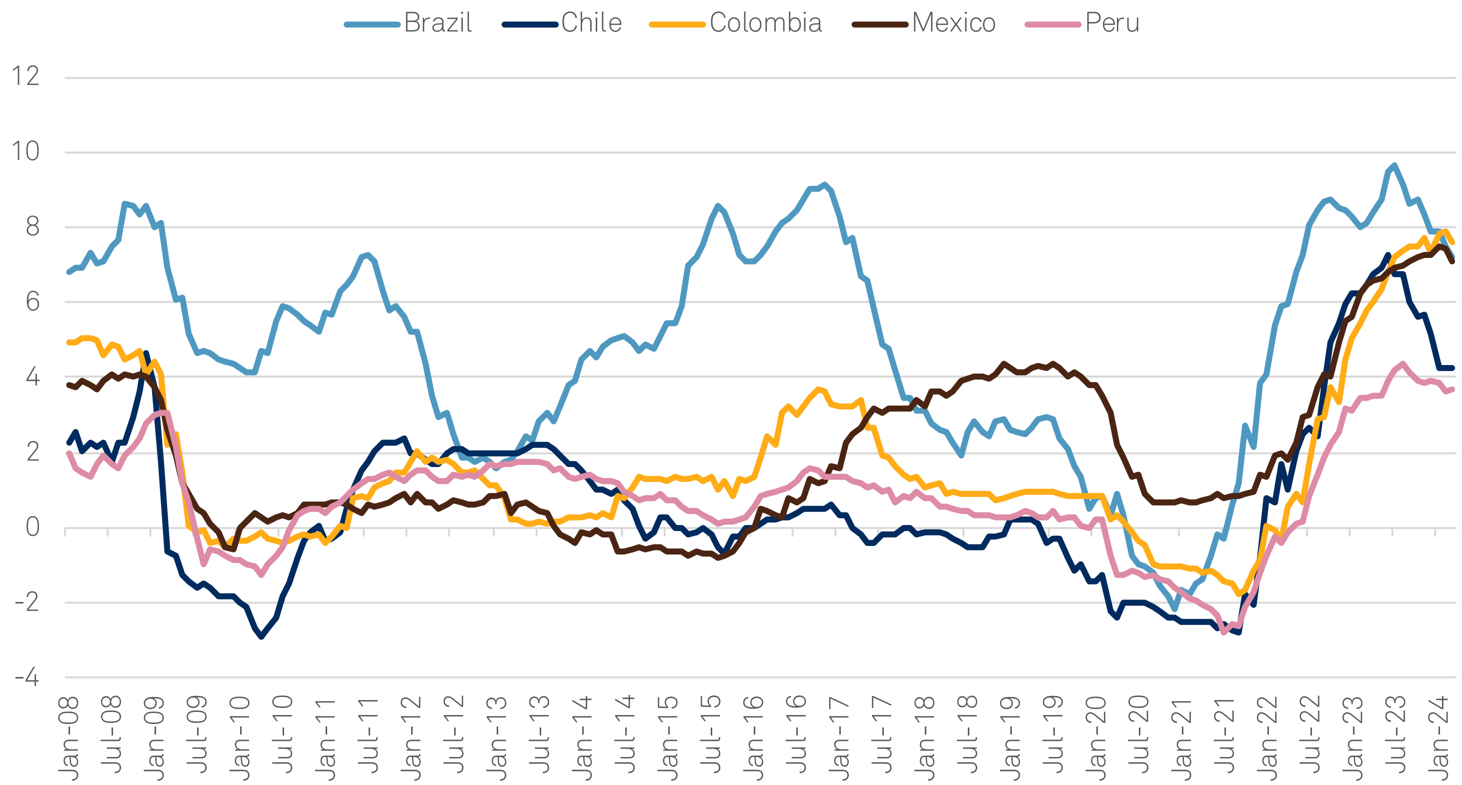
One-year ex-ante benchmark interest rate (%)



Sources: Haver Analytics and S&P Global Ratings.

- **The monetary policy normalization in the region is becoming more challenging, given uncertainty over the Fed's start of cutting interest rates.** All major LatAm central banks lowered interest rates during their monetary policy meetings last month. However, the recent repricing of U.S. interest rates--from the expected first cut in the middle of the year to not until the end of the year--has also repriced interest-rate expectations in LatAm.
- **The likelihood that LatAm central banks will pause rate cuts in the next few months is increasing.** This is especially the case for central banks that just started cutting rates recently, such as those in Mexico and Colombia, as inflation in both is still above target.

Macro-Credit Dashboards

S&P Global Ratings

GDP Summary | Most EMs Will Grow Below Average In 2024

Country	Latest reading (y/y)	Period	Five-year avg	2020	2021	2022	2023	2024f	2025f	2026f	2027f
Argentina	-1.4	Q4	-0.2	-9.9	10.7	5.0	-1.6	-3.5	3.3	2.2	2.5
Brazil	2.1	Q4	-0.5	-3.6	5.1	3.1	2.9	1.8	2.0	2.1	2.2
Chile	0.4	Q4	2.0	-6.4	11.9	2.5	0.2	2.0	2.7	2.9	3.0
Colombia	0.3	Q4	2.4	-7.2	10.8	7.3	0.6	1.1	2.8	3.0	3.1
Mexico	2.5	Q4	1.6	-8.8	6.0	3.9	3.2	2.5	1.8	2.2	2.3
Peru	-0.4	Q4	3.2	-11.1	13.6	2.7	-0.6	2.7	3.0	3.1	3.2
China	5.2	Q4	6.7	2.2	8.5	3.0	5.2	4.6	4.8	4.6	4.4
India	8.4	Q4	6.9	-5.8	9.1	7.0	7.6	6.8	6.9	7.0	7.0
Indonesia	5.0	Q4	5.0	-2.1	3.7	5.3	5.0	4.9	5.0	5.0	4.9
Malaysia	3.0	Q4	4.9	-5.5	3.3	8.7	3.7	4.3	4.5	4.6	4.6
Philippines	5.5	Q4	6.6	-9.5	5.7	7.6	5.6	5.9	6.2	6.5	6.4
Thailand	1.7	Q4	3.4	-6.1	1.5	2.6	1.9	3.9	3.0	3.2	3.1
Vietnam	5.7	Q1	7.1	2.9	2.6	8.0	5.0	6.1	6.7	6.7	6.7
Hungary	0.0	Q4	4.1	-4.7	7.2	4.6	-0.7	2.2	3.0	2.8	2.5
Poland	1.5	Q4	4.4	-2.0	6.8	5.5	0.2	2.8	3.1	2.9	2.8
Saudi Arabia	-4.3	Q4	2.3	-4.3	3.9	8.7	-0.9	2.2	5.0	3.1	3.0
South Africa	1.2	Q4	1.0	-6.0	4.7	1.9	0.6	1.3	1.5	1.4	1.4
Turkiye	4.0	Q4	4.2	1.7	11.8	5.3	4.5	3.0	3.0	2.8	2.8

Note: Red means GDP growth is below five-year average (2015-2019). Blue means the opposite. F—Forecast. Sources: Haver Analytics and S&P Global Ratings.

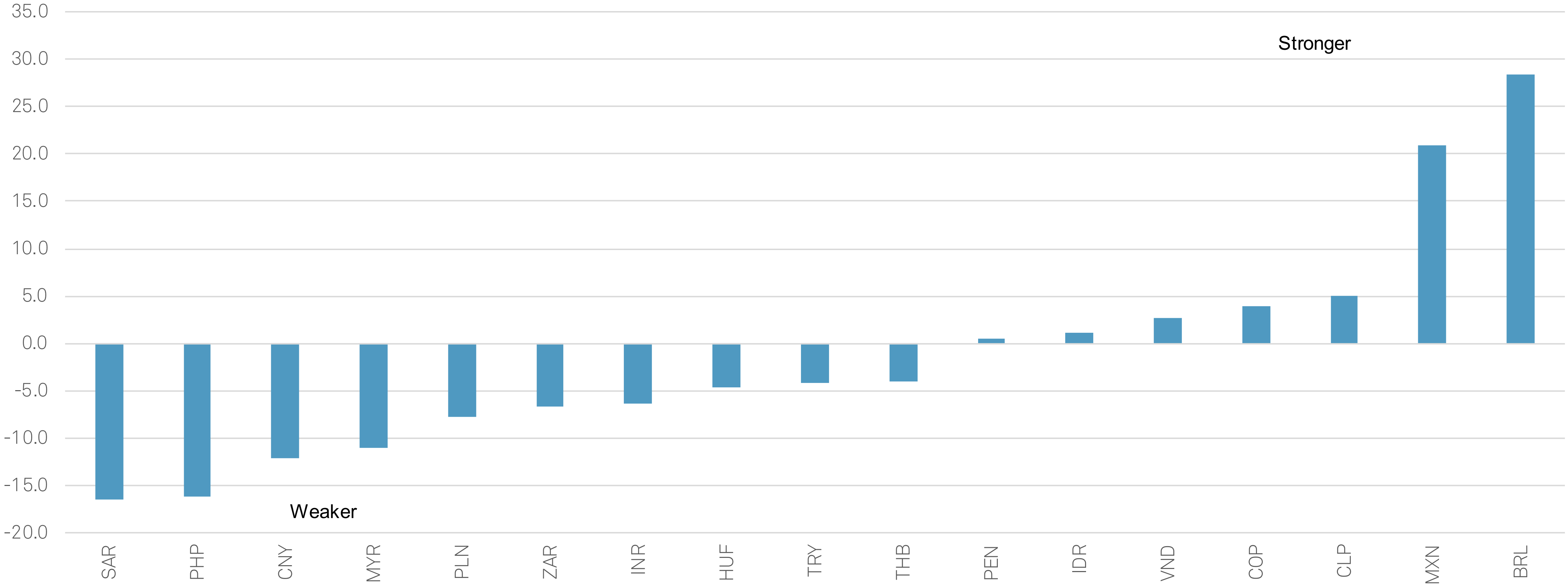
Monetary Policy/FX | More Rate Cuts Expected In Coming Months

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	March exchange rate change	YTD exchange rate change
Argentina	70.00%	No target	276.2%	1,000 bps cut	N/A	-1.8%	-5.7%
Brazil	10.75%	3.25 +/- 1.5	3.9%	50 bps cut	May 8	-0.3%	-3.1%
Chile	6.50%	3.0 +/- 1.0	3.7%	75 bps cut	May 12	-0.2%	-10.0%
Colombia	12.25%	3.0 +/- 1.0	7.4%	50 bps cut	April 30	2.4%	-0.5%
Mexico	11.00%	3.0 +/- 1.0	4.4%	25 bps cut	May 9	2.7%	1.9%
Peru	6.00%	1.0 - 3.0	3.0%	25 bps cut	May 9	1.4%	-0.5%
China	1.80%	3.0	0.1%	N/A	N/A	0.1%	-0.2%
India	6.50%	4.0 +/- 2.0	5.1%	Hold	June 8	-0.6%	-0.2%
Indonesia	6.00%	3.5 +/- 1.0	3.0%	Hold	April 24	-0.9%	-2.9%
Malaysia	3.00%	No target	1.8%	Hold	May 9	0.3%	-2.9%
Philippines	6.50%	3.0 +/- 1.0	3.7%	Hold	May 16	0.0%	-1.5%
Thailand	2.50%	2.5 +/- 1.5	-0.5%	Hold	June 12	-1.7%	-6.5%
Vietnam	4.50%	4.0	4.0%	50 bps cut	N/A	-0.6%	-2.1%
Hungary	8.25%	3.0 +/- 1.0	3.6%	75 bps cut	April 23	-0.4%	-5.2%
Poland	5.75%	2.5 +/- 1.0	3.0%	Hold	May 9	0.0%	-1.4%
Saudi Arabia	6.00%	No target	1.8%	25 bps hike	N/A	0.0%	0.0%
South Africa	8.25%	3.0 - 6.0	5.6%	Hold	May 30	1.3%	-3.4%
Turkiye	50.00%	5.0 +/- 2.0	68.5%	500 bps hike	April 25	-3.5%	-8.7%

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 | BRL And MXN Are Outperforming

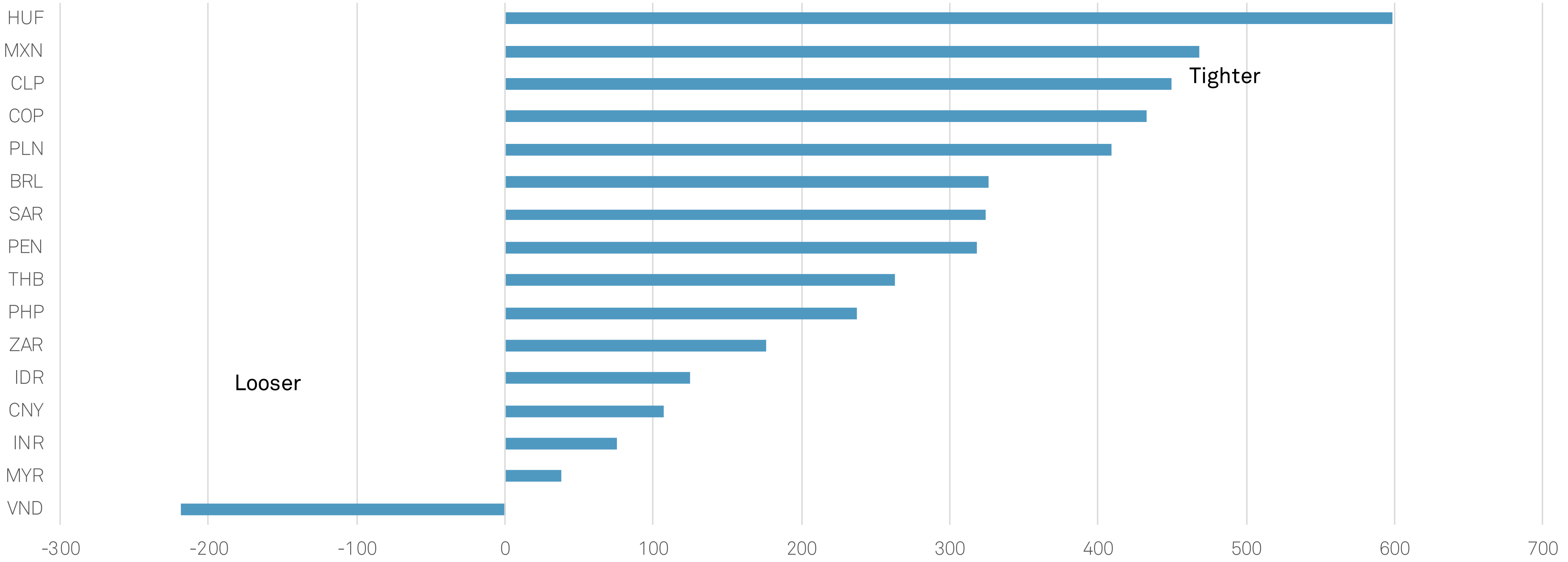
Broad real effective exchange rates*



**Percent change from 10-year average. Data is computed on 10 years of the monthly average data of the J.P. Morgan Real Broad Effective Exchange Rate Index (PPI-deflated). Data as of March 31, 2024. Sources: S&P Global Ratings, Haver Analytics, and J.P. Morgan.*

Real Interest Rates | Real 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 and Turkiye. For China, we use the seven-day reverse repo rate. Data as of March 31, 2024. Sources: Haver Analytics and S&P Global Ratings.

EM Heat Map

S&P Global
Ratings

		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	Negative	Stable	Stable	Stable	Positive	Stable
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	2	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 (March 31, 2024)	BBB	A-	BB	BB	BBB+	BBB-	BBB+	BBB	BB-	BBB	BBB-	BB+	BB	BB-	BB-	B+	CCC
	Net debt / EBITDA	4.03	3.17	1.68	2.28	2.26	2.89	3.31	3.31	2.55	3.14	2.16	2.10	1.82	2.04	2.85	1.85	1.99
	Adj. ROC §	-0.5	1.5	0.9	2.3	0.4	1.2	1.2	0.2	0.5	3.6	-0.6	0.4	0.6	-0.2	-0.6	-34.7	-72.2
	EBITDA interest coverage	5.34	6.79	8.04	6.06	9.72	4.07	6.61	6.50	4.99	8.90	5.92	4.38	3.42	5.40	5.16	3.77	3.22
	FFO / Debt	24	28.1	42.4	38.7	23.8	37.8	15.4	25.8	32.6	25	37.6	46.1	55.9	40.5	27.3	44.8	33.1
	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 Sental NG Pilipinas, Banco Central de Reserva del Peru, Superintendencia de Banca y Seguros y AFP (Peru); Corporate Variables Capital IQ 3Q 2023. S&P Global Ratings. Data for sovereigns and financial institutions as of April 10, 2024.

Financing Conditions
Highlights

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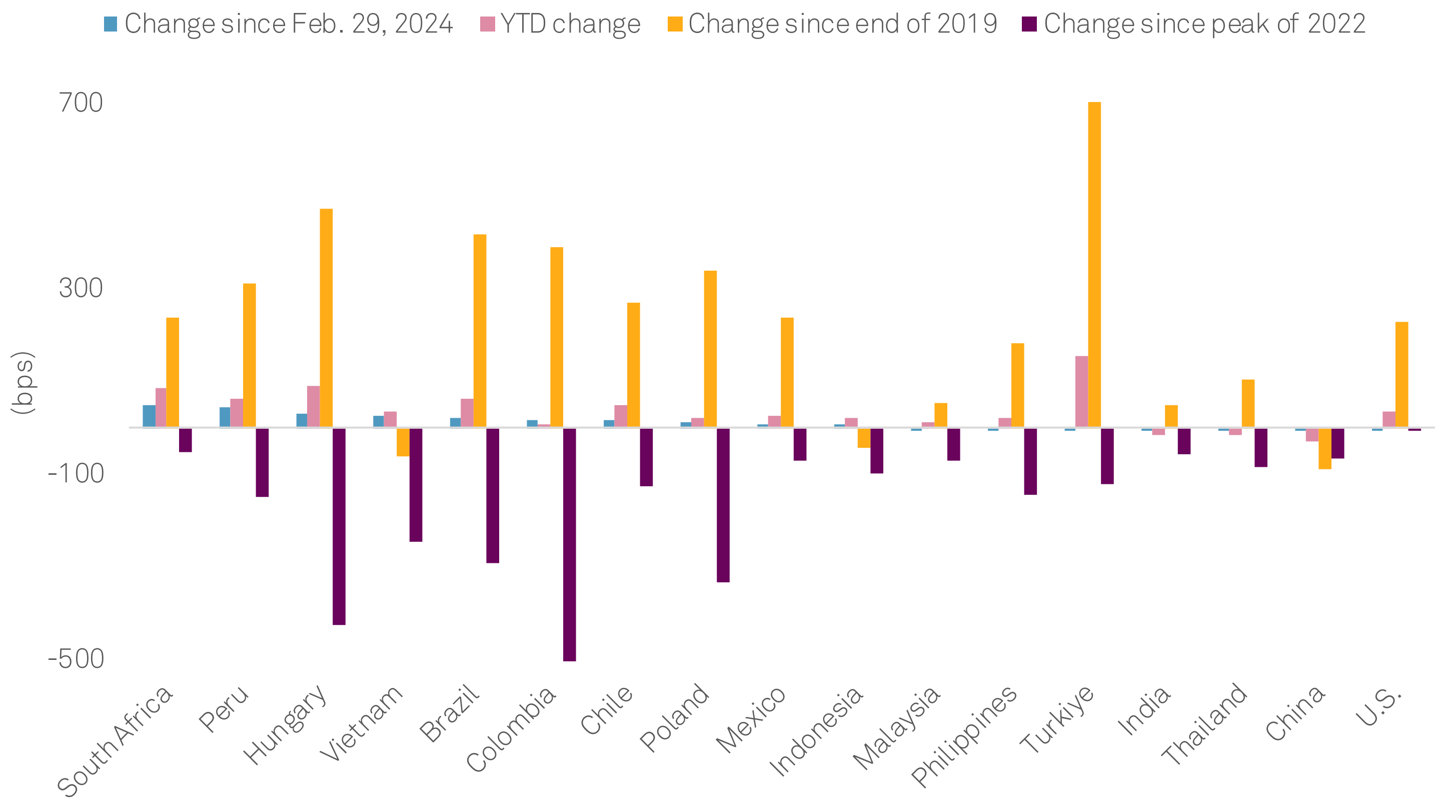
EM Yields | March Yields Moderately Ascending

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

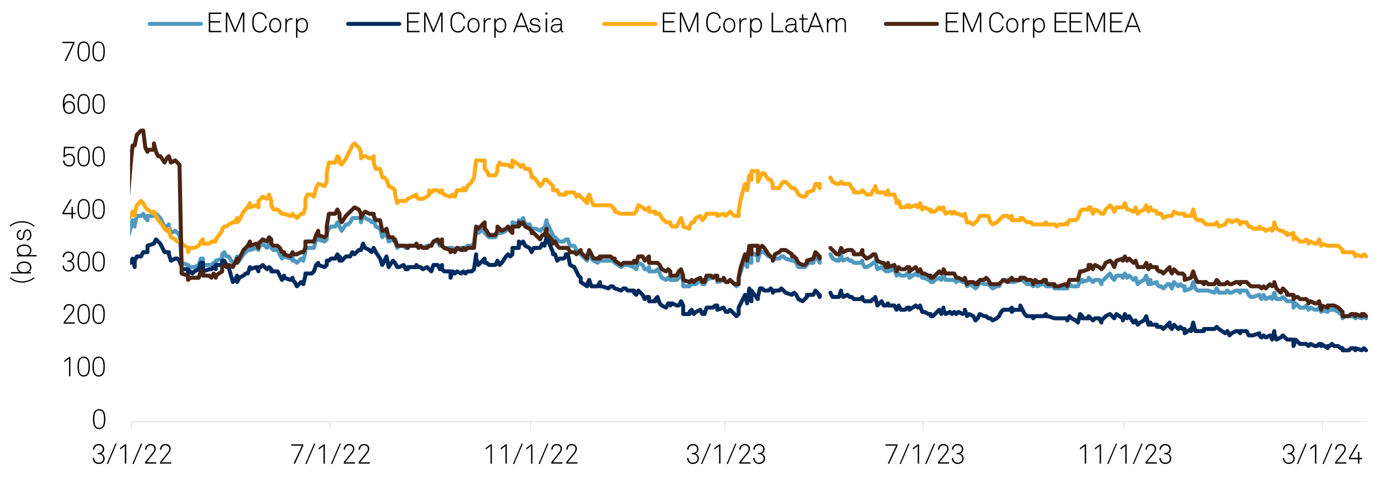


Data as of March 29, 2024 and for India, Poland, South Africa and Hungary, data as of March 28, 2024. The selection of country is subject to data availability. Y-axis truncated at 700 bps for visualization purposes. Turkiye record for 'Change Since End Of 2019' is 1,324 bps.
Sources: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro and Datastream.

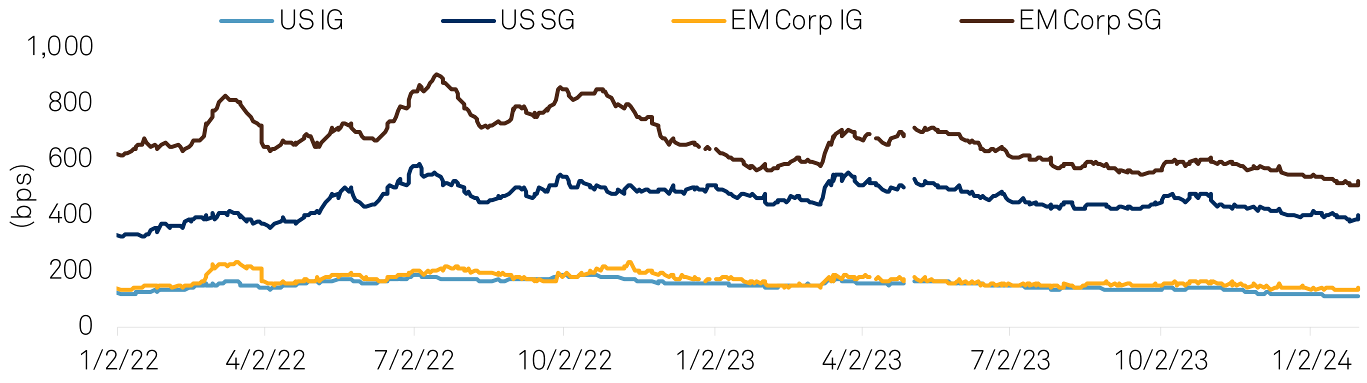
- **Following the rise in February, EM benchmark yields,** except for India, China, and Thailand, are up year to date. The U.S. economy is proving to be healthier than markets expected at the end of 2023, pushing further away expectations for Fed policy cuts and slowing the descent of EM benchmark yields, despite several local central banks' recent rate cuts. Major monthly moves were in South Africa (+48 bps), whose economic growth is still curtailed by electricity disruptions, supply bottlenecks in logistical services and water and electricity, and high interest rates. In addition, in Peru (+46 bps) because of political uncertainty and social upheaval.
- **Corporate spreads continue their descent, with speculative-grade corporate borrowing costs** down by another 20 bps to 9.1% in March, while investment-grade yields remain relatively stable around 5.7%, still higher than their 10-year average level of 8.2% and 4.4%, respectively. Financing conditions remain tight from a historical perspective.

EM Credit Spreads| Edging Down

EM spreads by region



U.S. and EM spreads



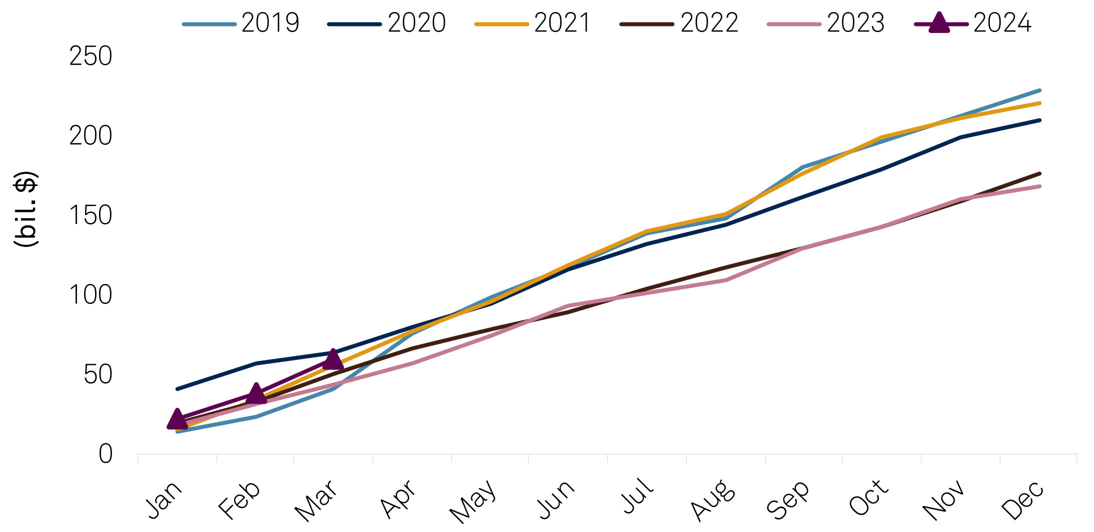
Data as of March 29, 2024. SG – speculative grade. IG – investment grade. Sources: S&P Global Ratings Credit Research & Insights, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- **EM corporate spreads tightened moderately in March across regions**, with LatAm down the most by 18 bps.
- **Corporate spreads moved in parallel in EMs and the U.S.** Investment-grade ones barely moved (7 bps down) and speculative-grade were recorded 20 bps lower. This spurred some speculative-grade issuance in March: Banco do Brasil ('BB') issued seven-year $737 million at 6%, and Indiabulls Housing Finance Ltd. ('B') issued three-year $350 million at 9.7%. The corporate bond market is slowly reopening for issuers at the lower end of the rating spectrum. So far, more active in the 'BB' category, while still far from 2019-2021 levels.
- **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., India, Mexico, and South Africa.

EM | Financial And Non-Financial Corporate Issuance

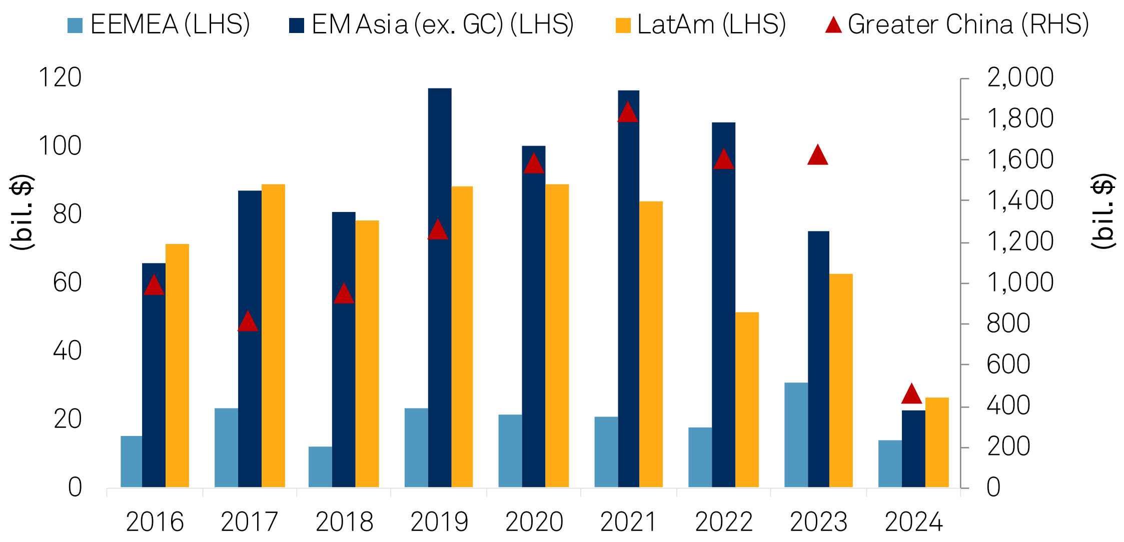
- **March EM issuance was very strong at $221 billion**, the highest March record since 2000. Greater China contributed 90% of the monthly issuance, with significant activity among banks, nonbank financial institutions (NFBIs), and real estate companies.
- **Issuances outside Greater China increased by 30%,** reaching $21 billion. The bond market was particularly active in Brazil (accounting for 29% of the total amount), Poland, Malaysia, and Indonesia. Utilities, banks, and telecoms accounted for most of the $4.6 billion increase from February, while transportation, NBFIs, and real estate took a breather. After only three months in the year (25%), EM EMEA's cumulative issuance is already 69% of its 2016-2022 average, followed by LatAm (35%) and EM Asia (24%).
- **Outside China, the volume of unrated issuances increased the most.** They accounted for more than 80% of the monthly amount (76% in 2016-2022). Rated issuance volumes remained sound across investment-grade entities, with the average 7.5% yield and 6.3-year tenor.

EM (excl. Greater China) cumulative corporate bond issuance



Data including not rated. Data as of March 31, 2024. Sources: S&P Global Ratings Credit Research & Insights and Refinitiv.

EM regional bond issuance



GC- Greater China. Data as of March 31, 2024. Sources: S&P Global Ratings Credit Research & Insights and Refinitiv.

Ratings
Summary

S&P Global
Ratings

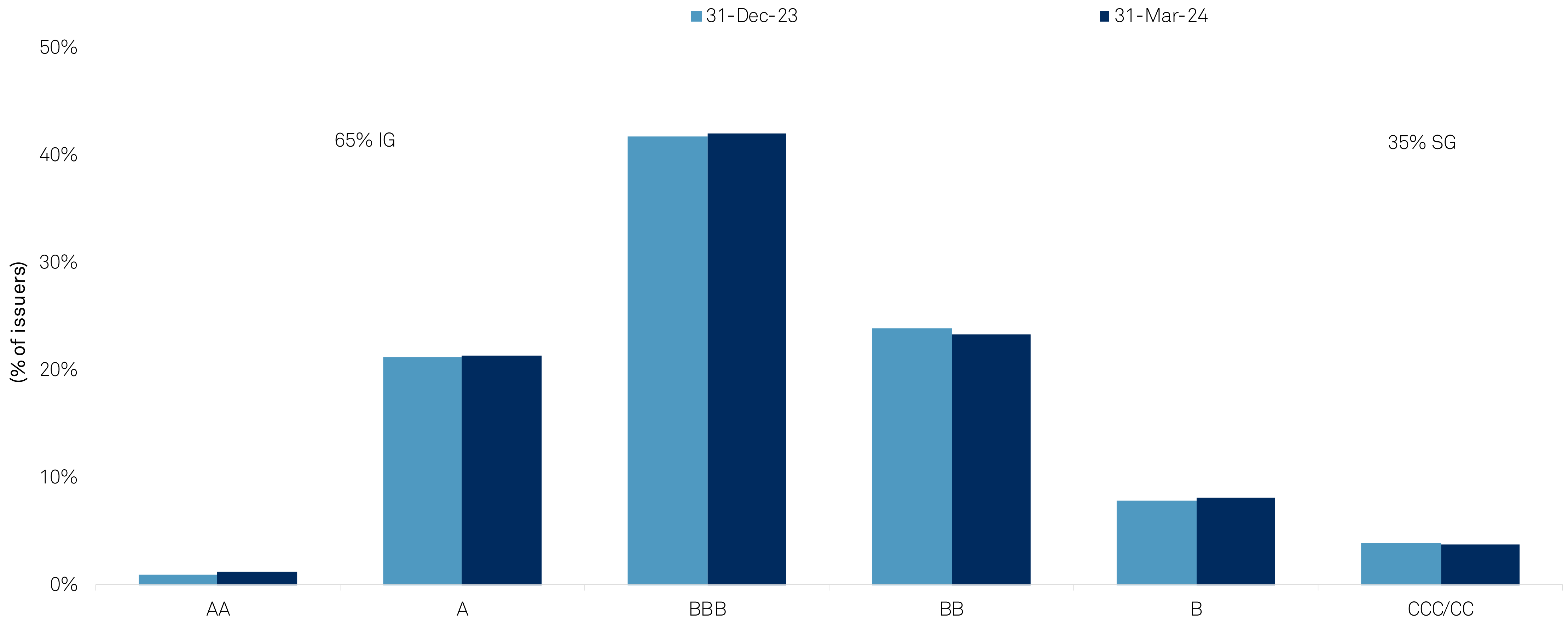
Ratings Summary | Sovereign Ratings In EM18

On March 15, 2024, S&P Global Ratings raised its sovereign long-term rating on Argentina to 'CCC' from 'CCC-' after the sixth peso-debt exchange since August 2022, which we classified as distressed. The 'CCC' rating reflects the government's modestly better liquidity position due to the impact of the debt exchange on its debt servicing needs and due to recent positive economic developments. The stable outlook balances the risks posed by economic imbalances and policy uncertainties with the favorable change in near-term debt service obligations.

Economy	Rating	Outlook	Five-year CDS spread (March 31)	Five-year CDS spread (Feb. 29)
China	A+	Stable	72	66
Chile	A	Negative	55	46
Saudi Arabia	A	Stable	51	52
Malaysia	A-	Stable	43	40
Poland	A-	Stable	75	66
Philippines	BBB+	Stable	63	62
Thailand	BBB+	Stable	44	43
Indonesia	BBB	Stable	73	71
Mexico	BBB	Stable	92	85
Peru	BBB	Negative	66	61
Hungary	BBB-	Stable	138	124
India	BBB-	Stable	50	46
Colombia	BB+	Negative	172	159
Vietnam	BB+	Stable	123	119
Brazil	BB	Stable	137	126
South Africa	BB-	Stable	254	230
Turkiye	B	Positive	298	288
Argentina	CCC	Stable	2,524	3,032

Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, Taiwan. Data as of March 31, 2024. Sources: S&P Global Ratings Credit Research & Insights and S&P Capital IQ.

Ratings Summary | Credit Rating Distribution In EM18



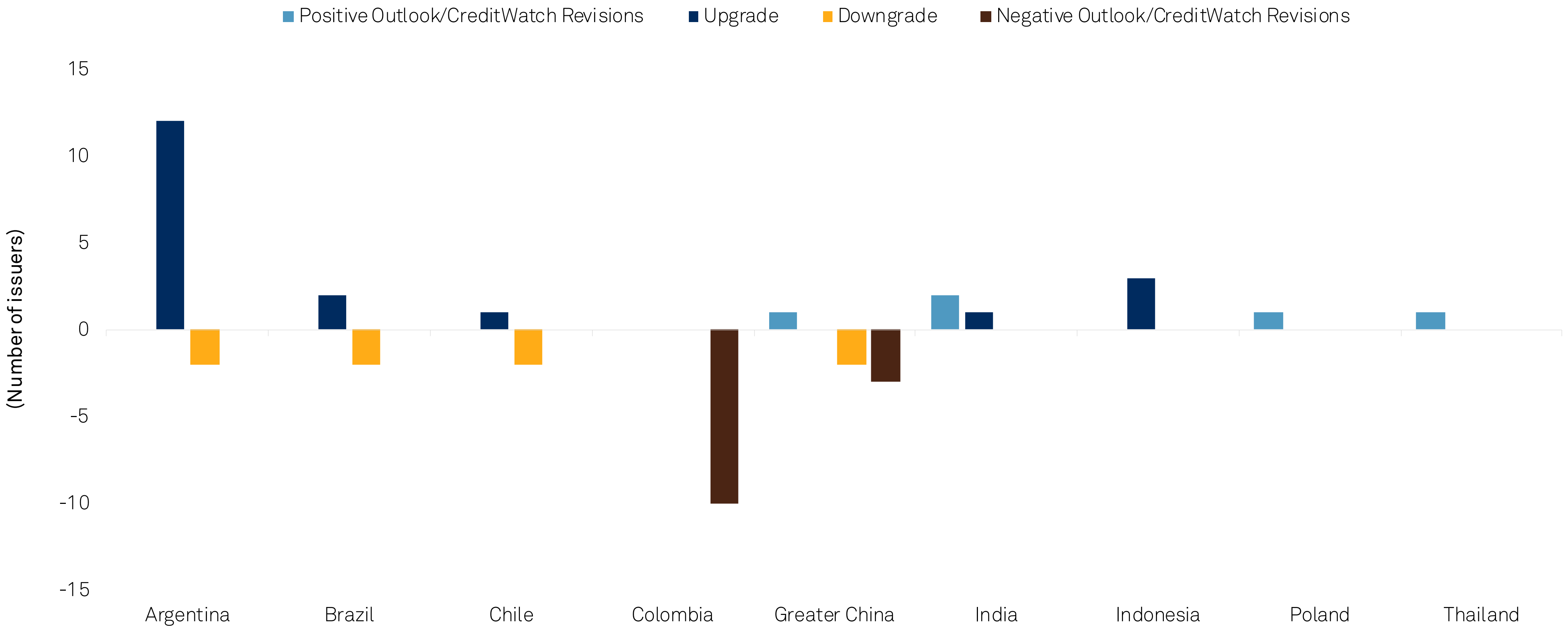
Parent only. Includes Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and excludes sovereigns. IG – investment grade. SG – speculative grade. Data as of March 31, 2024. Source: S&P Global Ratings Credit Research & Insights.

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. $)
26-Feb-24	Braskem S.A. (Odebrecht S.A.)	Brazil	Chemicals, packaging and environmental services (CP&ES)	BB+	BBB-	Downgrade	6,200
13-Mar-24	CEMEX S.A.B. de C.V.	Mexico	Forest products and building materials	BBB-	BB+	Upgrade	5,187
18-Mar-24	YPF S.A.	Argentina	Oil and gas	CCC	CCC-	Upgrade	2,900
1-Mar-24	Latam Airlines Group S.A.	Chile	Transportation	B+	B	Upgrade	2,250
18-Mar-24	Pampa Energia S.A.	Argentina	Utilities	CCC	CCC-	Upgrade	1,050
18-Mar-24	Aeropuertos Argentina 2000 S.A.	Argentina	Transportation	CCC	CCC-	Upgrade	750
18-Mar-24	Transportadora de Gas del Sur S.A. (TGS) (Compania De Inversiones de Energia S.A.)	Argentina	Utilities	CCC	CCC-	Upgrade	500
18-Mar-24	Telecom Argentina S.A.	Argentina	Telecommunications	CCC	CCC-	Upgrade	400
18-Mar-24	CAPEX S.A.	Argentina	Utilities	CCC	CCC-	Upgrade	300
18-Mar-24	Compania General de Combustibles S.A.	Argentina	Oil and gas	CCC	CCC-	Upgrade	285
15-Mar-24	Banco De Galicia Y Buenos Aires S.A.U.	Argentina	Financial institution	CCC	CCC-	Upgrade	250
31-Jan-24	Enjoy S.A.	Chile	Media and entertainment	D	CCC-	Downgrade	211

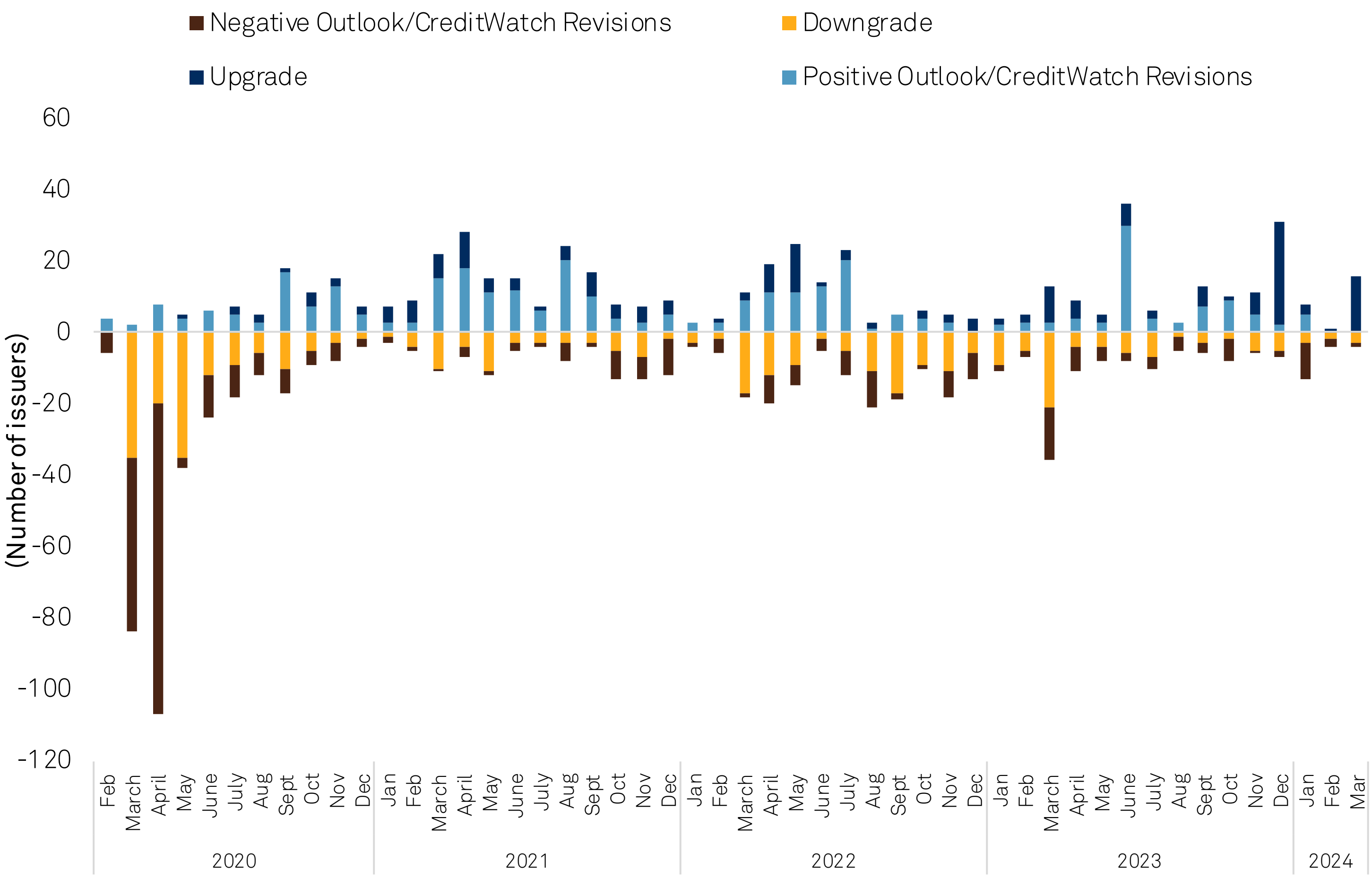
Excludes sovereigns. Only includes rating actions where S&P Global Ratings rates debt. Includes rating actions on subsidiaries only if there was no rating action on the parent. Excludes Greater China and the Red Chip companies and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and gray - default. Data as of March 31, 2024 (last 90 days) Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

EM | Total Rating Actions By Economy In 2024



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. Source: S&P Global Ratings Credit Research & Insights.

EM | Total Rating Actions By Month



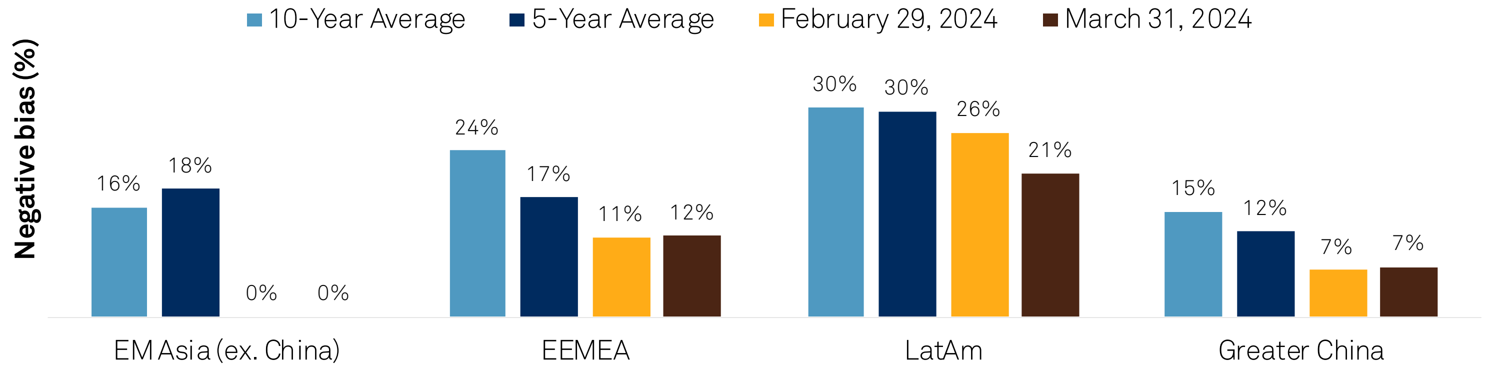
– **Sixteen upgrades in March, sharply up from one in February.** Nine occurred on Argentine corporations on lower transfer and convertibility assessment on the sovereign rating; five entities operate in the utilities sector. The remaining upgrades occurred among speculative-grade companies, three of which were in Chile, Brazil, and Mexico. The latter, Cemex S.A.B. de C.V., was upgraded to investment grade ('BBB-') from 'BB+' on continued deleveraging.

– **Three downgrades, two of which occurred in Greater China.** In addition, Wom S.A. (Chile) was downgraded to 'CCC' from 'B' and assigned a negative outlook, as delays in refinancing took a toll on the company's liquidity amid expected negative free operating cash flow through 2024. The company was subsequently downgraded to 'D' on April 2 on Chapter 11 bankruptcy filing.

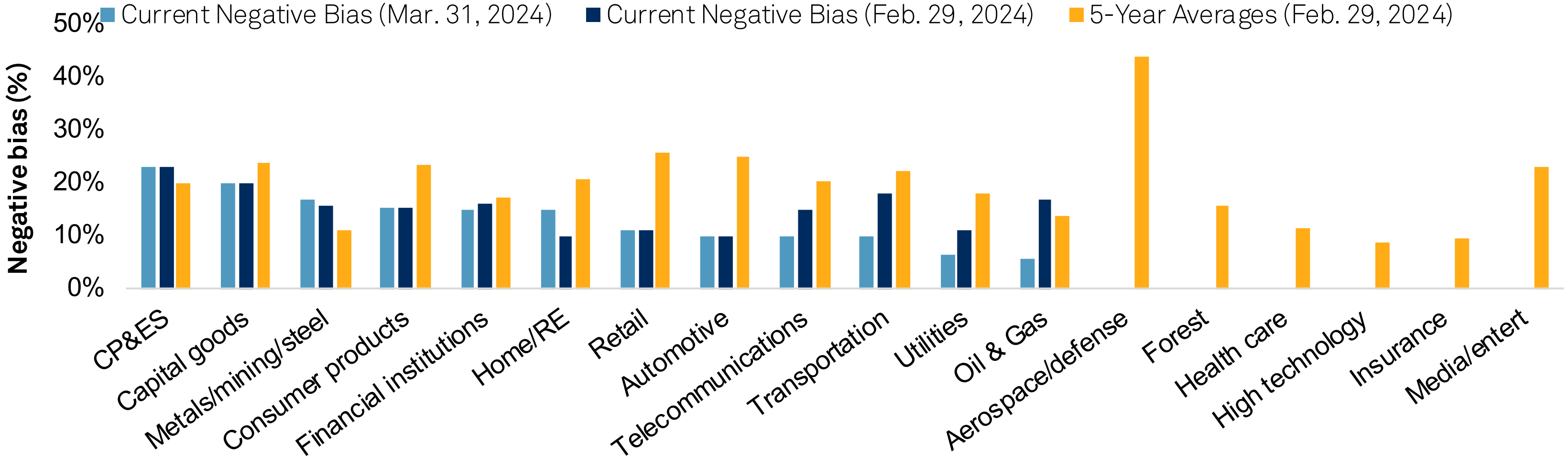
Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent. Data from Feb. 3, 2020 to March 29, 2024. Source: S&P Global Ratings Credit Research & Insights.

EM Downgrade Potential | Regional Negative Bias

LatAm has the highest downgrade potential



Negative bias by sector



– **The outlook stabilization among Argentine corporations lowered LatAm's negative bias** to 21% from 26% in February. LatAm remains the region with the highest negative bias across EMs. EEMEA, Greater China, and EM Asia downgrade potentials little changed from the previous month. **Despite divergencies, all regional downgrade potentials are lower than their longer-term averages.**

– **CP&ES, and metals, mining, and steel** are the only two sectors (out of 18) **displaying a negative bias higher than the historical average.**

Excludes sovereigns and subsidiaries. Media/entert -- media and entertainment. Retail -- retail/restaurants. Home/RE -- homebuilders/real estate companies. Forest -- forest products and building materials. Metals/mining/steel -- metals, mining, and steel. Data as of March 31, 2024. Source: S&P Global Ratings Credit Research & Insights.

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

No rating movement to ‘CCC/CC’ from 'B’ in 2024 year to date in EM 18

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	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. Includes sovereigns and Greater China and Red Chip companies. Data as of March 31, 2024. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | One Fallen Angel And Rising Star In 2024 YTD

One fallen angel in 2024

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil.$)
26-Feb-24	Braskem S.A. (Odebrecht S.A.)	Brazil	CP&ES	BB+	BBB-	6,200

One rising star in 2024

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil.$)
13-Mar-24	CEMEX S.A.B. de C.V.	Mexico	Forest products and building materials	BBB-	BB+	5,187

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating and blue means investment-grade rating. Includes sovereigns and Greater China and Red Chip companies. Data as of March 31, 2024. Source: S&P Global Ratings Credit Research & Insights.

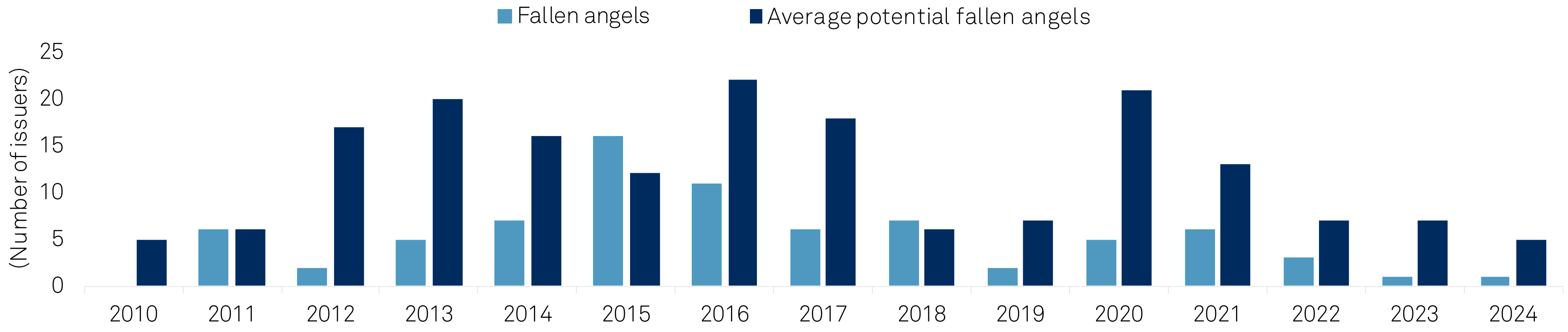
Rating Actions | List Of Defaulters In 2024

Rating date	Issuer	Economy	Sector	To	From	Debt amount (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	-
13-Mar-24	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	153,334

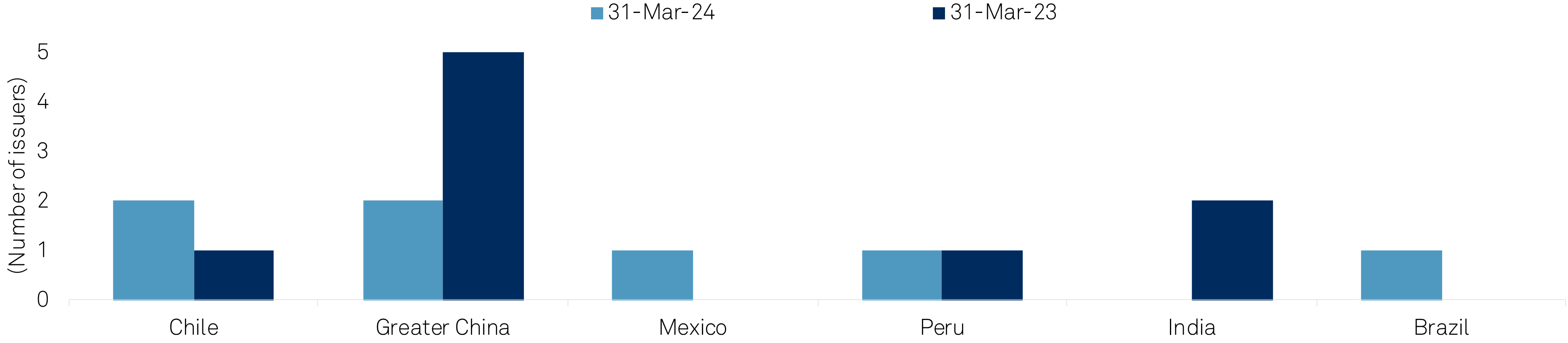
**Republic of Argentina reflects its local currency long-term default. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies. Red means speculative-grade rating, and gray means default (D) or selective default (SD). Data as of March 31, 2024 . Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.*

Rating Actions | Fallen Angels And Potential Fallen Angels

Average potential fallen angels are down to five from seven in 2023



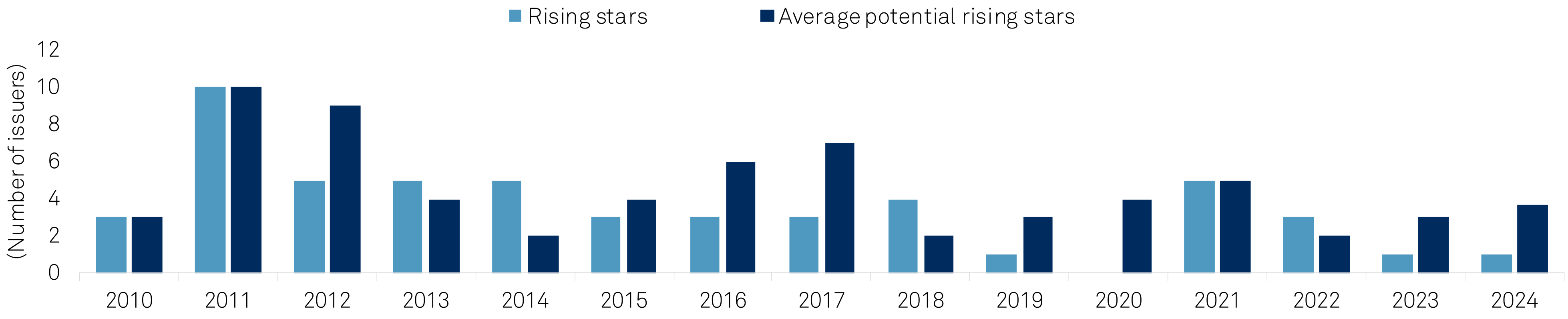
EM potential fallen angels, mostly in LatAm



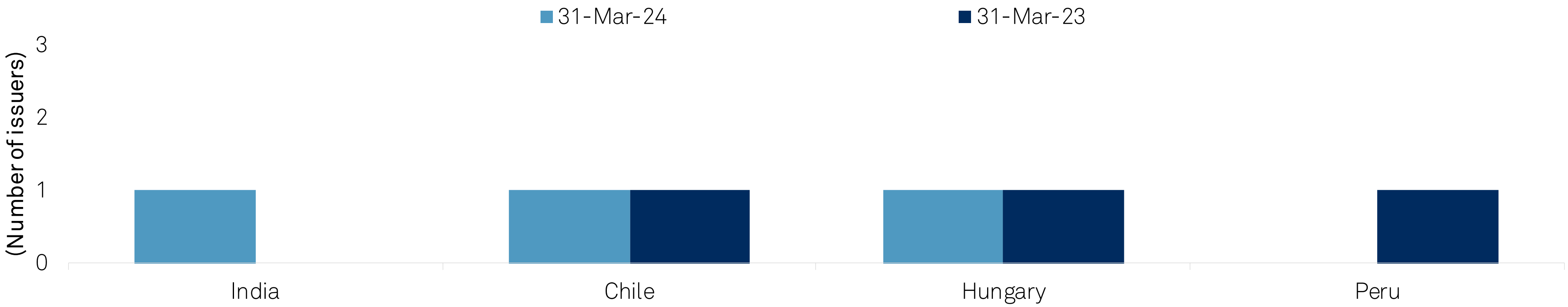
Data as of March 31, 2024. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | Rising Stars And Potential Rising Stars

Average potential rising stars at four, up from three in 2023



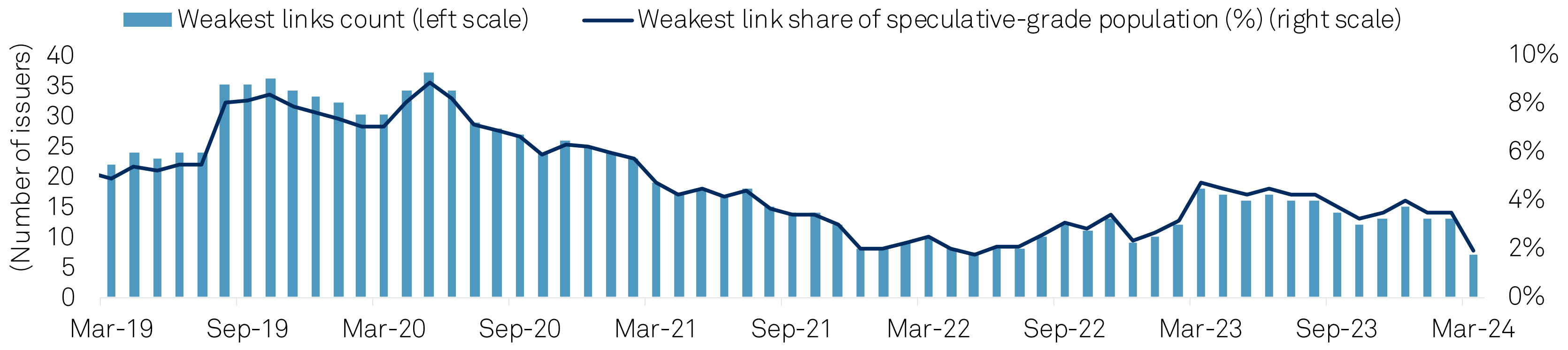
Current potential rising stars



Data as of March 31, 2024. Source: S&P Global Ratings Credit Research & Insights.

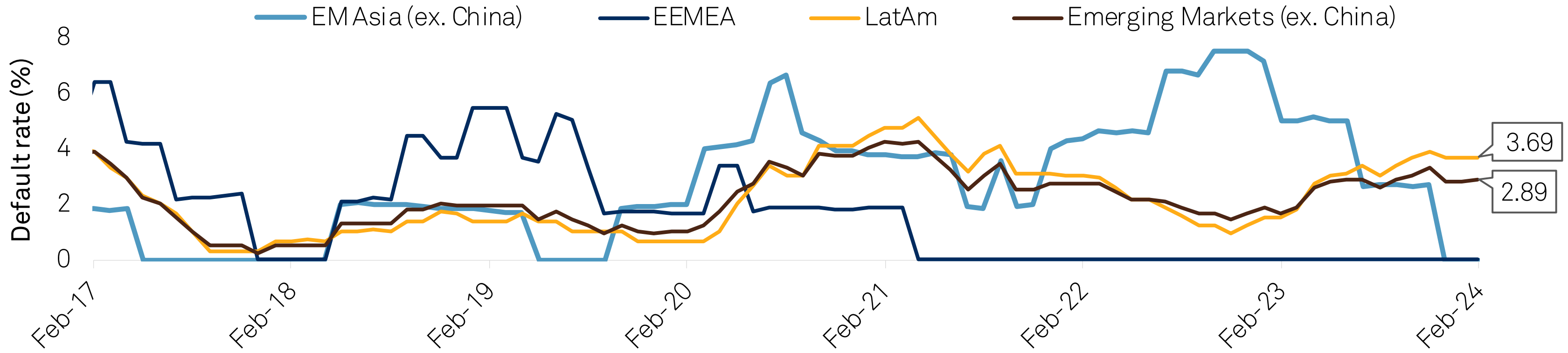
Rating Actions | Weakest Links And Defaults

EM weakest links declined to seven in March



Data as of March 31, 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 February 2024)



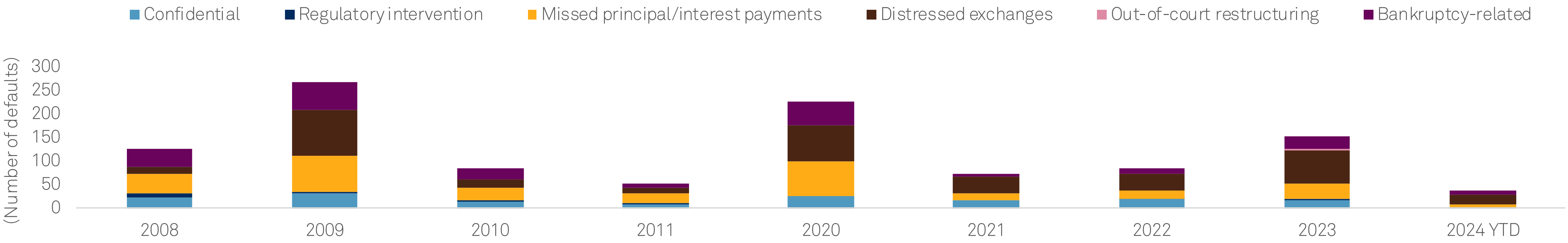
Excluding China. ***Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count.*** *Excludes sovereigns. CreditPro data as of Feb. 29, 2024. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.*

– **Weakest links dropped** to seven issuers in March (2% of total speculative-grade issuers) from 13 in February, after the upgrade of Argentina. Five of the weakest links were in LatAm.

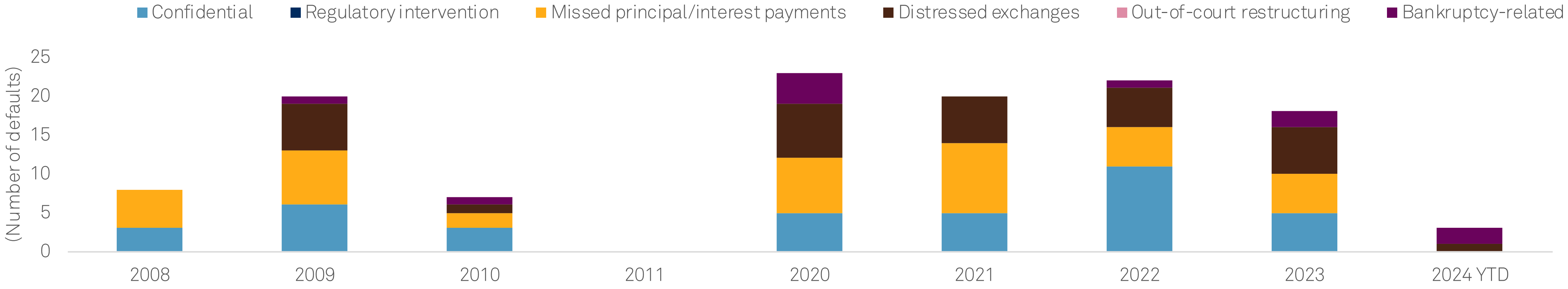
– **Default rates.** The February default rate (excluding China) edged up to 2.89% from 2.84% in January. Recently, the composite index has been mainly driven by LatAm, where all defaults of the year took place. The pace of defaults in this region was recorded at 3.69% in February, up from 3.65% in January, while still down from its peak of 3.92% in November 2023.

Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



Data has been updated to reflect confidential issuers. Excludes sovereigns, includes Greater China, and Red Chip companies. Data as of March 31, 2024. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Related Research

S&P Global
Ratings

EMs | Related Research

- Nearshoring In Mexico Is Advancing Slowly, Obstacles To Speed It Up Are Significant, April 16, 2024
- Global Credit Conditions Update: Geopolitical Risks Rise On Iran-Israel Conflict Expansion Despite Immediate Reprieve, April 15, 2024
- Pemex Will Remain A Fiscal Challenge For Mexico's Next President, April 15, 2024
- China E-Commerce Giants Face Their Biggest Test, April 9, 2024
- Indonesian Developers Could Opt For Debt Restructuring, Tender Offers As Maturity Wall Looms, April 8, 2024
- Sub-Saharan African Corporates Rating Evolution, April 8, 2024
- Assessing Brazil's Potential Path To Investment Grade, April 2, 2024
- Nigerian Banks Are Confronted With The Lingering Naira Depreciation, April 2, 2024
- Credit FAQ: What Are The Credit Implications Of China's Various Programs To Support Growth?, March 28, 2024
- Credit Conditions Emerging Markets Q2 2024, Unmet Expectations Could Heighten Risks, March 27, 2024
- Economic Outlook Emerging Markets Q2 2024: Growth Divergence Ahead March 26, 2024
- Mexico's Banks Are Well Positioned As Its Central Bank Starts Cutting Rates, March 21, 2024
- Emerging Markets Monthly Highlights: Strong Domestic Demand, Diverging Trajectories, March 13, 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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