Emerging Markets Monthly Highlights

Blurring Long-Term Outlook

S&P Global Ratings

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This report does not constitute a rating action

Contents

Emerging Markets (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).

Key Takeaways

In our June economic outlook, we kept our general macroeconomic baseline largely unchanged, and we continue to expect the 2024 GDP growth to be stronger than in 2023 across most emerging markets (EMs). However, in several economies, policy-related risks have risen following elections that are generating uncertainty over reforms, fiscal trajectories, and institutional frameworks. Trade is seen to be improving, particularly in electronics-related goods. However, further improvement remains highly vulnerable to setbacks.

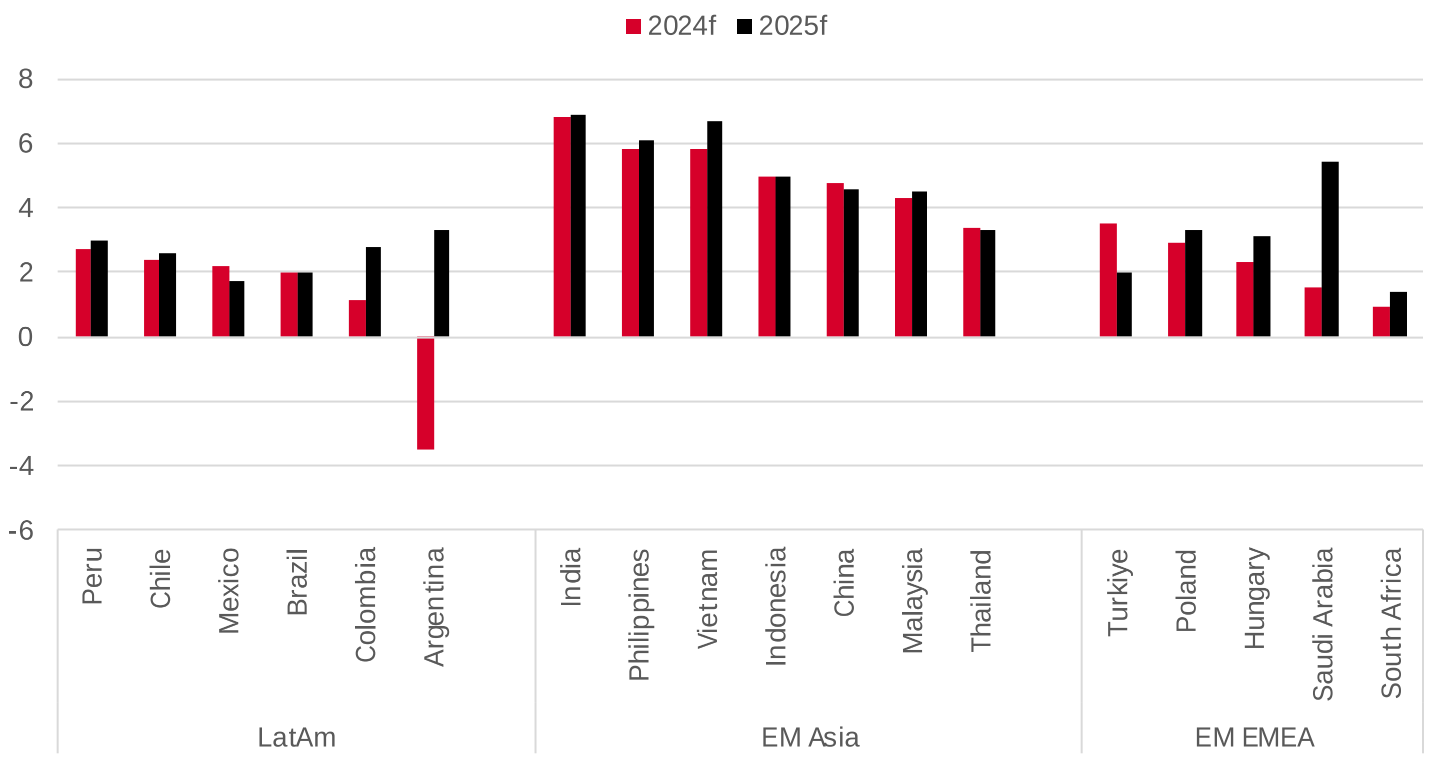
Moreover, we observe a slowdown in long-term GDP growth across some EMs, mostly because of slower labor productivity and fixed investment. In an environment of high interest rates, EM Asian economies with higher domestic savings may be better positioned to finance investments and boost long-term growth prospects, than LatAm and EM EMEA. The pace of long-term GDP growth plays an important role in our sovereign ratings.

Food inflation has been moderating in the past 12 months, but at an uneven pace across EMs. Despite some moderation, prices for several food commodities remain above pre-2022 peaks, with economies in Sub-Saharan Africa and the Middle East as the most affected.

Financing conditions showed some regional discrepancy in terms of benchmark yield trajectories and bond market activity. Issuance was particularly strong in Hungary, Malaysia, Thailand, and Turkiye, while disappointing in Mexico and Brazil. Historically low corporate spreads keep buoying speculative grade issuance.

EM Economic Outlook | Growth On Track, Policy Risks Rising

GDP growth rates projections, annual (%)



Source: S&P Global Ratings.

- Our macroeconomic baseline for EMs remains broadly unchanged from the second quarter, with most EMs' GDP growth set to be moderately stronger in 2024 than in 2023. We made the largest upward revisions to Turkiye (+50 basis points [bps]) and Chile (40 bps points), in both cases due to stronger-than-expected first-quarter GDP reports (see "Growth On Track, Policy Risks Rising" published June 24).
- A later-than-**anticipated start to the Fed's** interest-rate cuts will contribute to slower monetary policy normalization in most major EMs, though our view on terminal benchmark interest rates remains unchanged.
- Trade weakness has bottomed out. EMs with strong trade ties with advanced European economies are benefiting from a modest recovery in manufacturing, while the continued strength in U.S. demand is also helping several LatAm economies. Electronics-related exports are performing the strongest.

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EM Credit Conditions | Policy Uncertainty May Hinder Resilience

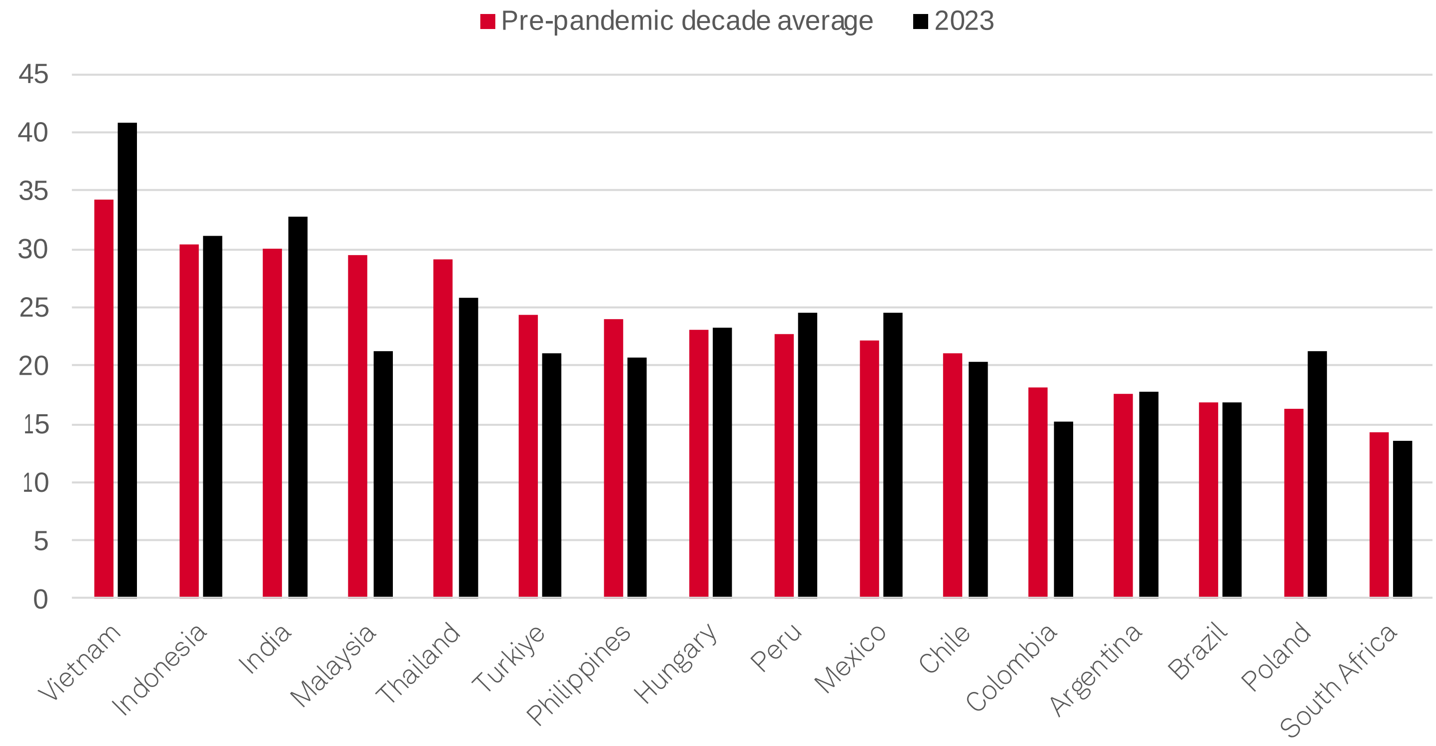
Top Emerging Markets Risks	Risk Level*	Risk Trend**
Higher interest rates linger amid refinancing risks.	High	Improving
Geopolitical tensions and difficult socio-political conditions erode credit fundamentals.	High	Unchanged
China's economy: Crippled property sector, tepid confidence, high debt levels, and trade war risk to weigh on growth	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 more frequent natura disasters.	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.

- Credit conditions across EMs continue improving amid resilient economic activity, supported by solid domestic demand, and improving global trade and financing conditions.
- Policy uncertainty could exacerbate existing risks. Policy uncertainty will be a key factor late in the year and into 2025 as U.S. elections play out and new administrations in key EMs begin to execute their plans.
- Political noise could dampen investor sentiment and cause episodes of liquidity shortfalls or capital outflows. High borrowing costs will remain a key risk, as the Fed has pushed out its plans for rate cuts, slowing monetary easing in EMs.
- Read more at: Credit Conditions Emerging Markets Q3 2024: Policy Uncertainty May Hinder Resilience

Long-Term Growth | Higher Investment Efficiency Key Amid High Interest Rates

Domestic savings, (%) of GDP



Sources: Haver Analytics and S&P Global Ratings.

- Average long-term growth has slowed in the last decade across most major EMs owing to lower productivity--partly explained by declines in fixed investment.
- While interest rates are high globally, EMs with strong domestic savings, such as those in Asia, are better positioned to finance greater investment and boost long-term growth prospects.
- For EMs that have a weaker base of domestic savings, such as most of LatAm, boosting long-term growth prospects will depend more on their ability to increase the returns to investment through structural reforms.
- The pace of long-term GDP growth plays an important role in our sovereign ratings, within our assessment of economic resilience, among other factors.

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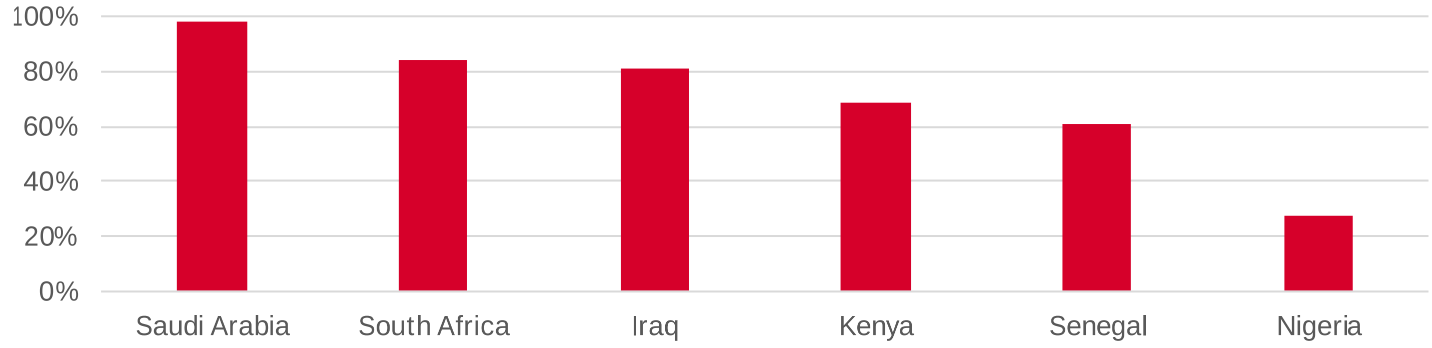
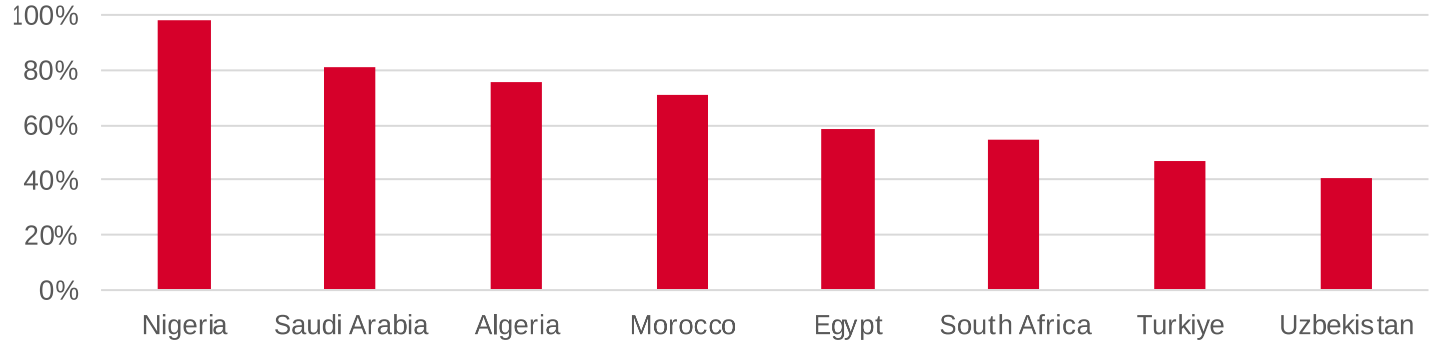
Food Prices | Disinflation Is Uneven

Rice imports as a share of total consumption (%)



Wheat imports as a share of total consumption (%)



Note: Data as of 2021/2022. Sources: USDA and S&P Global Ratings.

- EM median food inflation has been moderating in the past 12 months; however, at an uneven pace. A number of economies in EM EMEA, particuarlly in the Middle East and Northern Africa, and Sub-Saharan Africa, are still experiencing high food inflation. Most economies in the region are highly dependent on food imports, particularly on wheat, rice and corn.
- Prices remain elevated for some food commodities. Despite some moderation, prices for several key food commodities, such as wheat and rice, remain around 10-15% above pre-2022 levels. Inflationairy pressures stemming from elevated food prices continue to complicate disinflation trajectories for food-importing EMs.

Regional Economic Highlights

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EM Asia Economics | Mixed Consumer Demand Conditions

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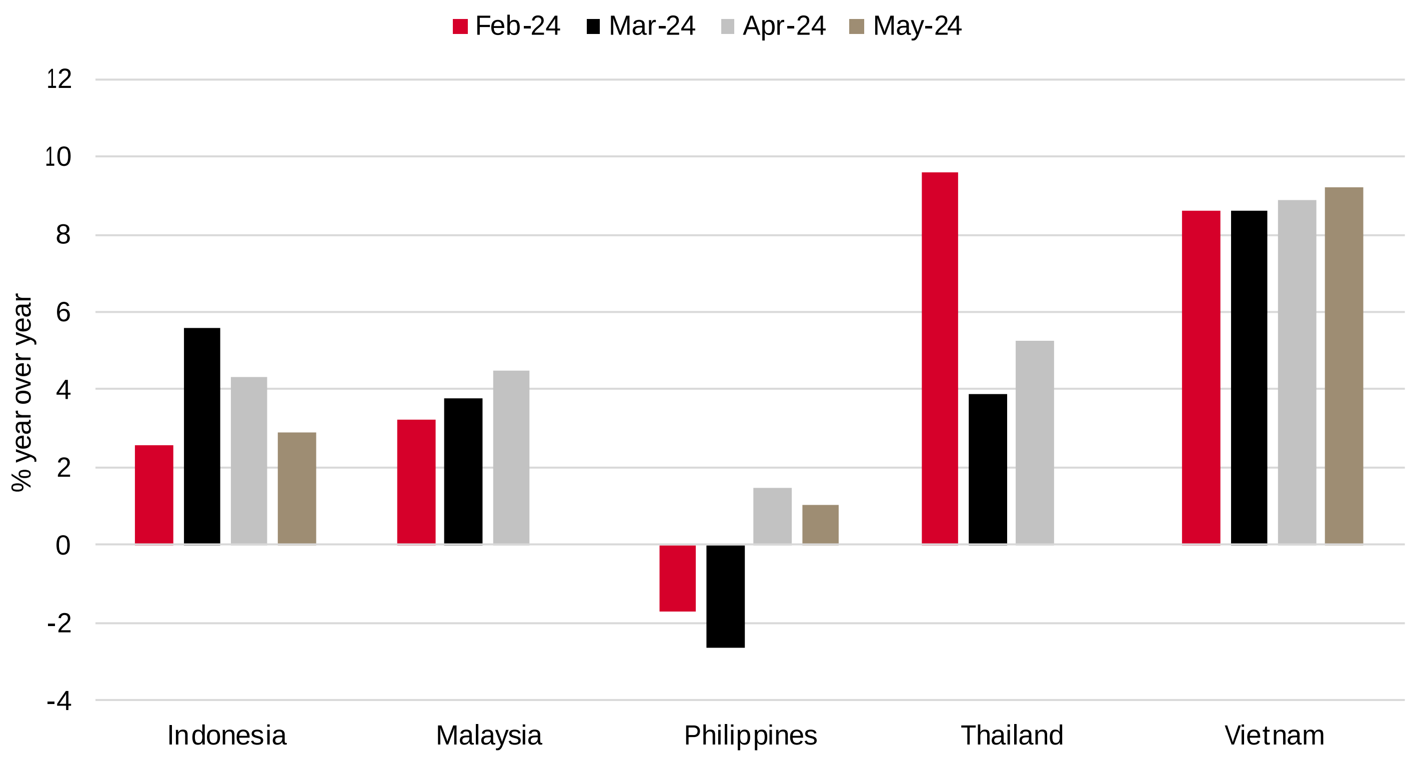
- Opposing forces are at work as consumer demand remains broadly stable in EM Asia.
- On the one hand, demand is dampened by tighter monetary policy and spillovers from weaker economic growth last year. On the other hand, resilient labor markets and recovering tourism are supporting consumption activity.
- Vietnam is seeing strong consumer activity growth as the economy gradually recovers from a real-estate associated slowdown. Consumer demand is more subdued in the Philippines with elevated interest rates (with the policy rate at 6.5%) and weak consumer confidence.

Retail sales improving in Thailand and Vietnam, but subdued in Indonesia and the Philippines



Sources: CEIC Data and S&P Global Ratings

EM EMEA Economics | Subdued Soft Indicators

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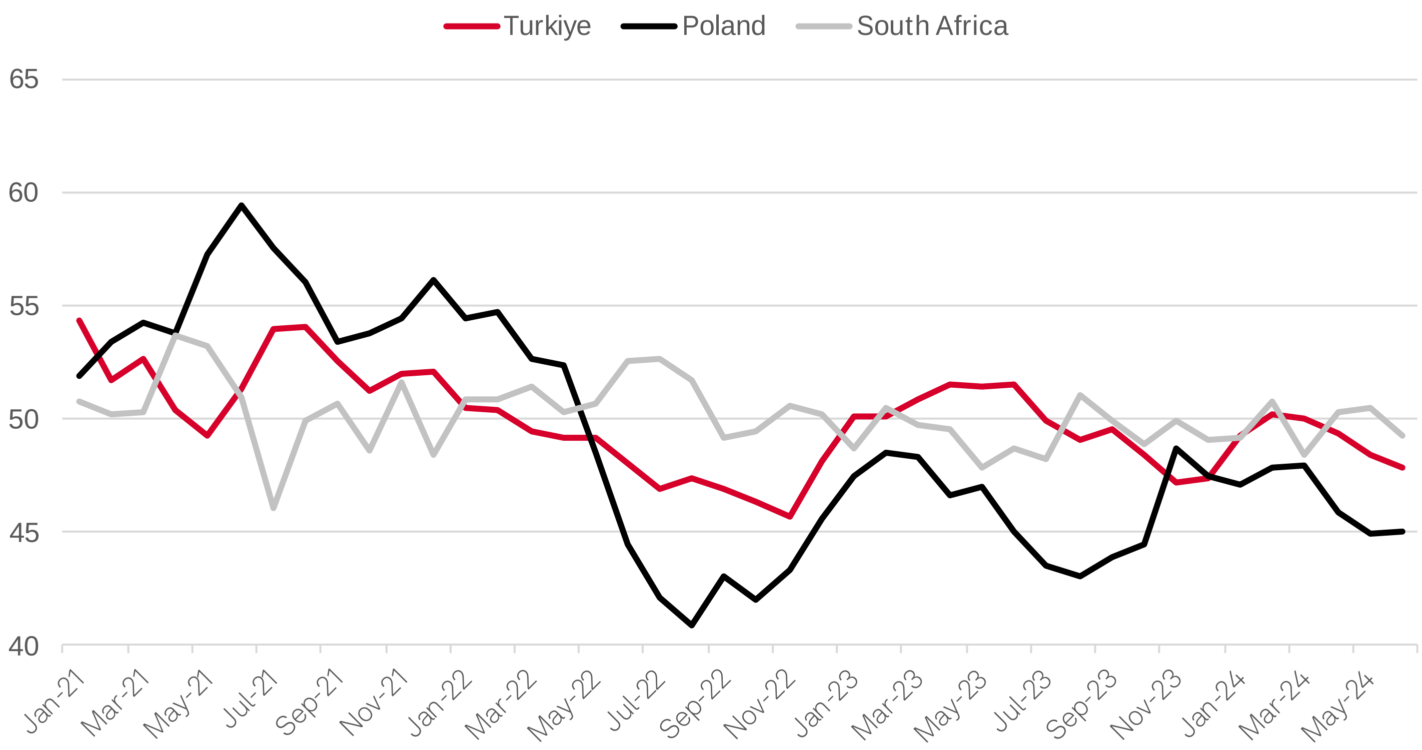
- **Turkiye's** economy continued to decelerate. Recent retail trade indicators and PMIs indicate a gradual weakening in domestic demand. We currently expect deceleration to continue and for the economy to contract in the second half of the year (in quarter-on-quarter terms).
- The recovery in Central and Eastern Europe is slowing down as headline PMI indices remain below 50. Export orders PMIs from June are the weakest, reflecting subdued demand in the eurozone. Nevertheless, we expect recovery to continue throughout the year, taking into consideration real wage dynamics.
- **South Africa's indicators remain muted.** After disappointing Q1 GDP print, both soft and high-frequency indicators imply that momentum in domestic consumption has remained weak in mid-2024.

Headline purchasing manager indices (PMIs)



Source: S&P Global Market Intelligence.

LatAm Economics | Rising Uncertainty Over Brazil's Interest Rates

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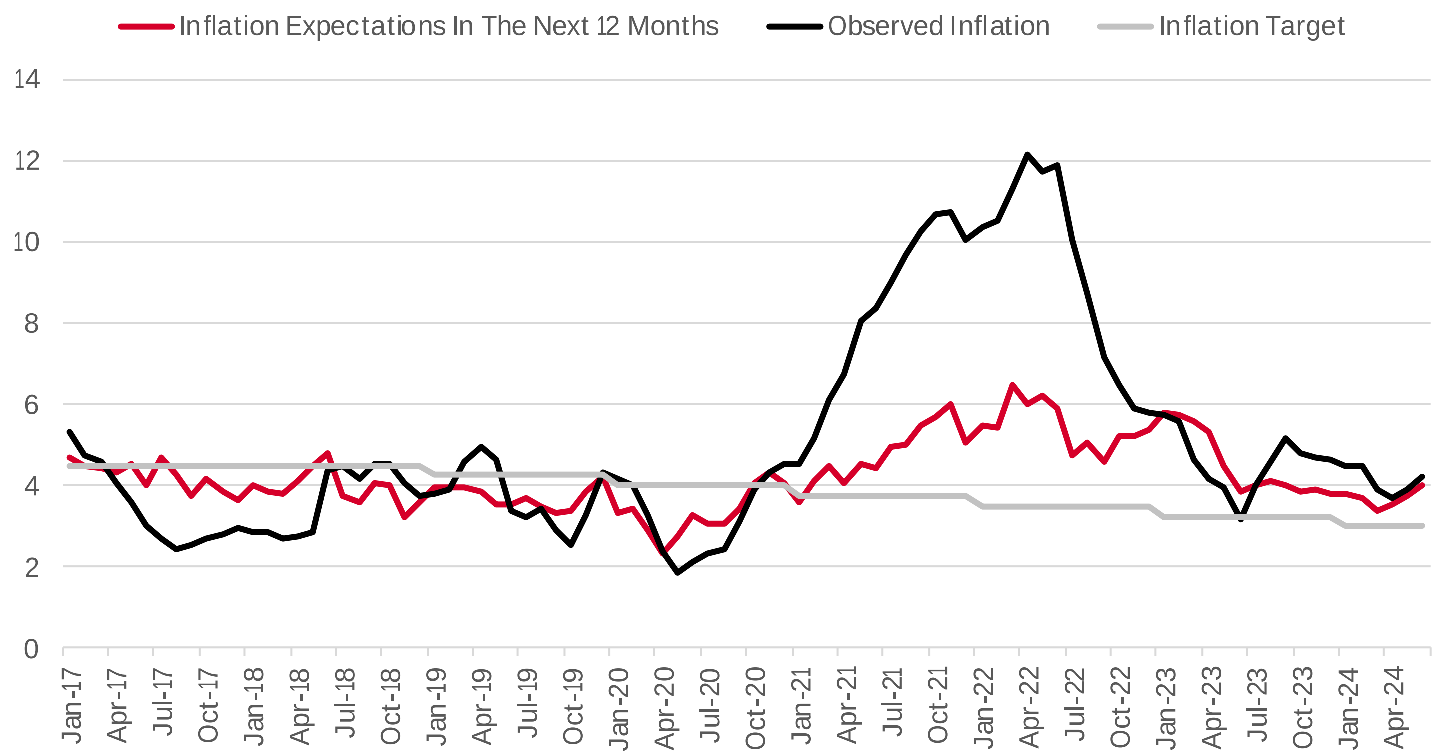
- The Brazilian central bank paused its easing cycle, and we expect it will remain on hold at least for the next couple of meetings. Ongoing fiscal stimulus continues to put upward pressure on prices and has contributed to an uptick in inflation expectations. These trends to broadly continue for the rest of the year.
- The market has moved to price in interest-rate hikes in the next six months. For now, we do not expect that to materialize, but the risk is rising. We expect as the Fed starts cutting its reference interest rate later this year, pressure on interest rates in Brazil will be lower. However, if inflation expectations continue to head higher, we will reassess our projection for monetary policy in Brazil.

Consumer price inflation (% year over year)



Sources: Haver Analytics and S&P Global Ratings.

Macro-Credit Dashboards

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GDP Summary | Most EMs Will Grow Faster In 2024 Than In 2023

Country	Latest reading (y/y)	Period	Five-year avg	2020	2021	2022	2023	2024f	2025f	2026f	2027f
Argentina	-5.1	Q1	-0.2	-9.9	10.7	5.0	-1.6	-3.5	3.3	2.2	2.5
Brazil	2.5	Q1	-0.5	-3.6	5.1	3.1	2.9	2.0	2.0	2.1	2.2
Chile	2.3	Q1	2.0	-6.4	11.6	2.1	0.3	2.4	2.6	2.6	2.7
Colombia	0.7	Q1	2.4	-7.2	10.8	7.3	0.6	1.1	2.8	3.0	3.1
Mexico	1.6	Q1	1.6	-8.8	6.3	3.7	3.2	2.2	1.7	2.1	2.2
Peru	1.4	Q1	3.2	-11.1	13.6	2.7	-0.5	2.7	3.0	3.1	3.2
China	5.3	Q1	6.7	2.2	8.5	3.0	5.2	4.8	4.6	4.6	4.4
India	7.8	Q1	6.9	-5.8	9.1	7.0	8.2	6.8	6.9	7.0	7.0
Indonesia	5.1	Q1	5.0	-2.1	3.7	5.3	5.0	5.0	5.0	4.9	4.9
Malaysia	4.2	Q1	4.9	-5.5	3.3	8.7	3.7	4.3	4.5	4.4	4.4
Philippines	5.7	Q1	6.6	-9.5	5.7	7.6	5.5	5.8	6.1	6.5	6.4
Thailand	1.5	Q1	3.4	-6.1	1.5	2.6	1.9	3.4	3.3	3.2	3.1
Vietnam	6.9	Q2	7.1	2.9	2.6	8.0	5.0	5.8	6.7	6.7	6.7
Hungary	1.1	Q1	4.1	-4.7	7.2	4.6	-0.7	2.3	3.1	2.9	2.5
Poland	1.5	Q1	4.4	-2.0	6.8	5.5	0.2	2.9	3.3	3.0	2.8
Saudi Arabia	-1.7	Q1	2.3	-4.3	3.9	8.7	-0.9	1.5	5.4	4.3	3.6
South Africa	0.5	Q1	1.0	-6.0	4.7	1.9	0.6	0.9	1.4	1.3	1.2
Turkiye	5.7	Q1	4.2	1.7	11.8	5.3	4.5	3.5	2.0	3.0	3.1

GDP growth below five-year average (2015-2019)

GDP growth above five-year average (2015-2019)

f--Forecast. y/y--Year on year. Sources: Haver Analytics and S&P Global Ratings.

Monetary Policy/FX | Most Central Banks Are On Hold

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	June exchange rate chg.	YTD exchange rate chg.
Argentina	40.00%	No target	276.4%	1,000 bps cut	N/A	-1.7%	-11.3%
Brazil	10.50%	3.0% +/-1.5%	4.2%	Hold	July 31	-5.7%	-12.9%
Chile	5.75%	3.0% +/-1.0%	4.2%	25 bps cut	July 28	-3.5%	-7.0%
Colombia	11.25%	3.0% +/-1.0%	7.2%	50 bps cut	July 31	-6.8%	-8.1%
Mexico	11.00%	3.0% +/-1.0%	5.0%	Hold	Aug. 8	-6.7%	-7.4%
Peru	5.75%	1.0% - 3.0%	2.3%	Hold	Aug. 8	-2.2%	-3.3%
China	1.80%	3.0%	0.3%	N/A	N/A	-0.3%	-0.6%
India	6.50%	4.0 +/-2.0%	4.7%	Hold	Aug. 8	0.1%	-0.2%
Indonesia	6.25%	3.5% +/-1.0%	2.5%	Hold	Aug. 21	-0.8%	-6.0%
Malaysia	3.00%	No target	2.0%	Hold	Sept. 5	-0.2%	-2.6%
Philippines	6.50%	3.0% +/-1.0%	3.7%	Hold	Aug. 15	-0.2%	-5.5%
Thailand	2.50%	2.5% +/-1.5%	0.6%	Hold	Aug. 21	0.3%	-7.0%
Vietnam	4.50%	4.0%	4.3%	Hold	N/A	0.0%	-4.7%
Hungary	7.00%	3.0% +/-1.0%	3.7%	25 bps cut	July 23	-2.5%	-6.1%
Poland	5.75%	2.5% +/-1.0%	2.6%	Hold	Sept. 6	-2.1%	-2.2%
Saudi Arabia	6.00%	No target	1.6%	Hold	N/A	0.0%	0.0%
South Africa	8.25%	3.0% - 6.0%	5.2%	Hold	July 18	3.1%	0.2%
Turkiye	50.00%	5.0% +/-2.0%	71.6%	Hold	July 25	-1.8%	-9.9%

Note: Red means inflation is above the target range/policy is tightening/exchange rate is weakening. Green means inflation is below the target range/policy is easing/exchange rate is strengthening. 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. bps--Basis points. YTD—year to date. N/A—Not applicable. Sources: Haver Analytics and S&P Global Ratings.

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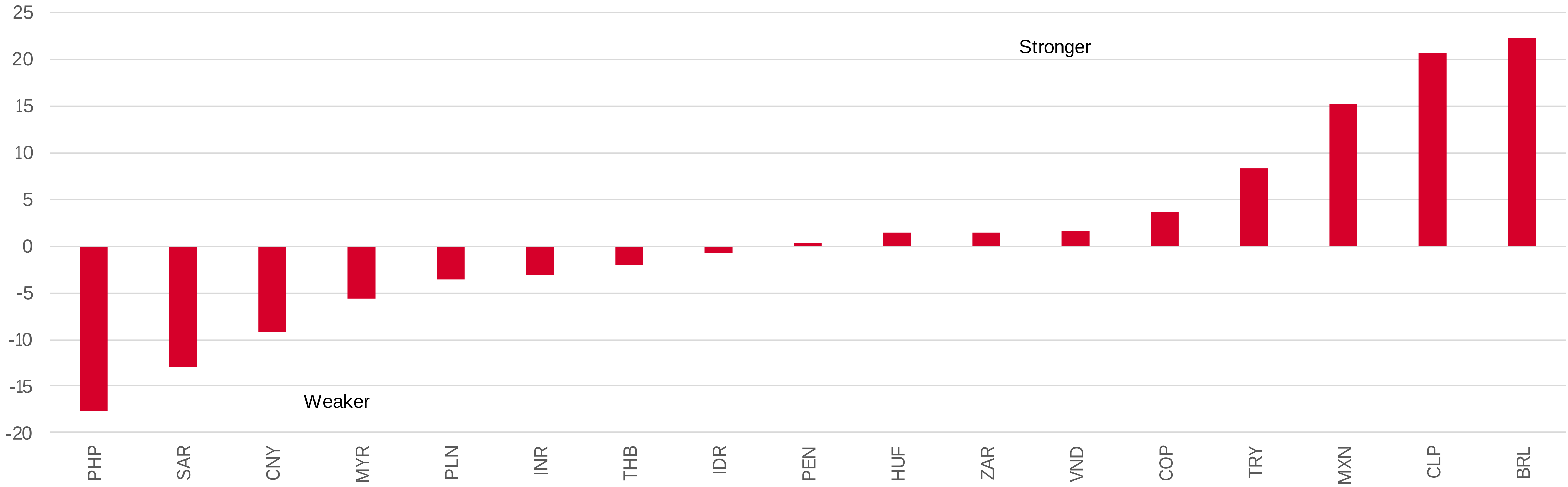
Real Effective Exchange Rates | LatAm Currencies Are Outperforming

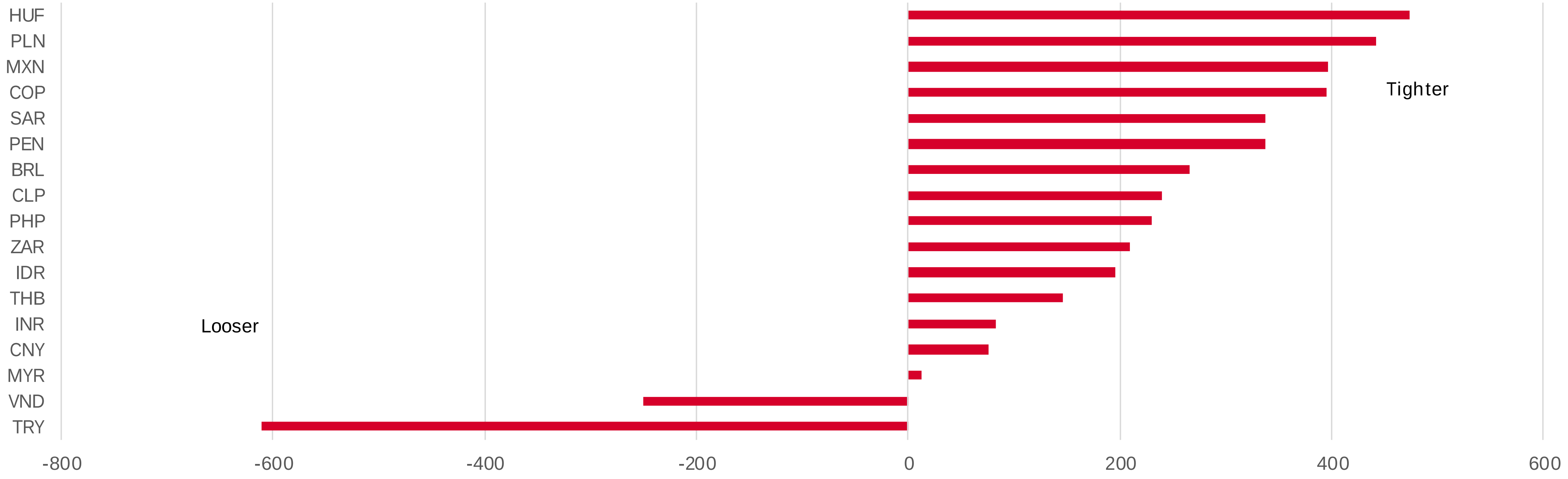
Broad real effective exchange rates (% change from 10-year average)



Data as of June 30, 2024. 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). Sources: Haver Analytics, J.P. Morgan, and S&P Global Ratings.

Real Interest Rates | Restrictive Stance Will Stay In Place For Some Time

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



Data as of June 30, 2024. 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. 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	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	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Negative	Stable	Stable	Stable	Positive	Stable
Sovereigns	Institutional	2	4	4	4	3	3	3	4	3	4	3	3	4	4	4	4	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	5	6
	Fiscal (BDGT)	3	2	4	2	4	4	5	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	3	5	5
	Monetary	2	4	2	3	2	3	2	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	4	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	Positive	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	I	L	I	L	L	VL	I	I	L	L	H	I	H	I	VH	VH
Nonfinancial corporates	Median Rating(June 30,2024)	BBB	A-	BB	BB+	A-	BBB-	BBB+	BBB	BB	BBB	BBB-	BB+	BB	BB-	BB-	BB-	CCC
	Net Debt / EBITDA	3.51	3.16	1.58	2.22	2.31	2.92	3.23	3.21	2.46	2.96	2.10	2.12	1.85	1.91	3.07	1.69	1.56
	ROC Adj.§	0.2	1.2	-2.0	2.5	0.7	1	2.2	-0.2	0.6	3.7	-1	-1.2	0.5	0.5	-0.4	-36.7	-66
	EBITDA INT. COV.	5.52	7.33	8.17	6.18	9.27	3.83	6.69	6.50	5.43	9.20	5.96	3.84	3.41	5.20	5.19	2.83	3.18
	FFO / Debt	26.6	30.9	45.3	38.2	25.3	38.4	16	25.2	33.3	27.3	38.5	49	55.5	46.3	26.3	42.8	40.3
	NFC FC Debt % GDP*	33.6	8.6	12.7	20.2	18.0	11.8	4.1	6.6t	7.8	12.4	7.1	9.9	13.2	14.7		21.9	8.5
	NFC Debt % of GDP*	94.4	42.1	36.8	42.9	90.5	19.8	166.3	43.6t	24.2	86.3	56.9	31.1	52.2	32.1		48.0	22.1

Sovereign--Each of the factors is assessed on a continuum spanning from '1' (strongest) to '6' (weakest). Based on "Sovereign Rating Methodology." Dec. 18, 2017.

Financial Institutions BICRA--The overall assessment of economic risk and industry risk, which ultimately leads to the classification of banking systems into BICRA groups, is determined by the number of "points" assigned to each risk score on the six-grade scale. The points range from '1' to '10', with one point corresponding to "very low risk" and '10' points corresponding "extremely high risk," based on "Banking Industry Country Risk Assessment Methodology and Assumptions," Dec. 9, 2021, and "Financial Institutions Rating Methodology," Dec. 9, 2021. VL--Very low. L--Low. I--Intermediate. H--High. VH--Very high. EH--Extremely high.

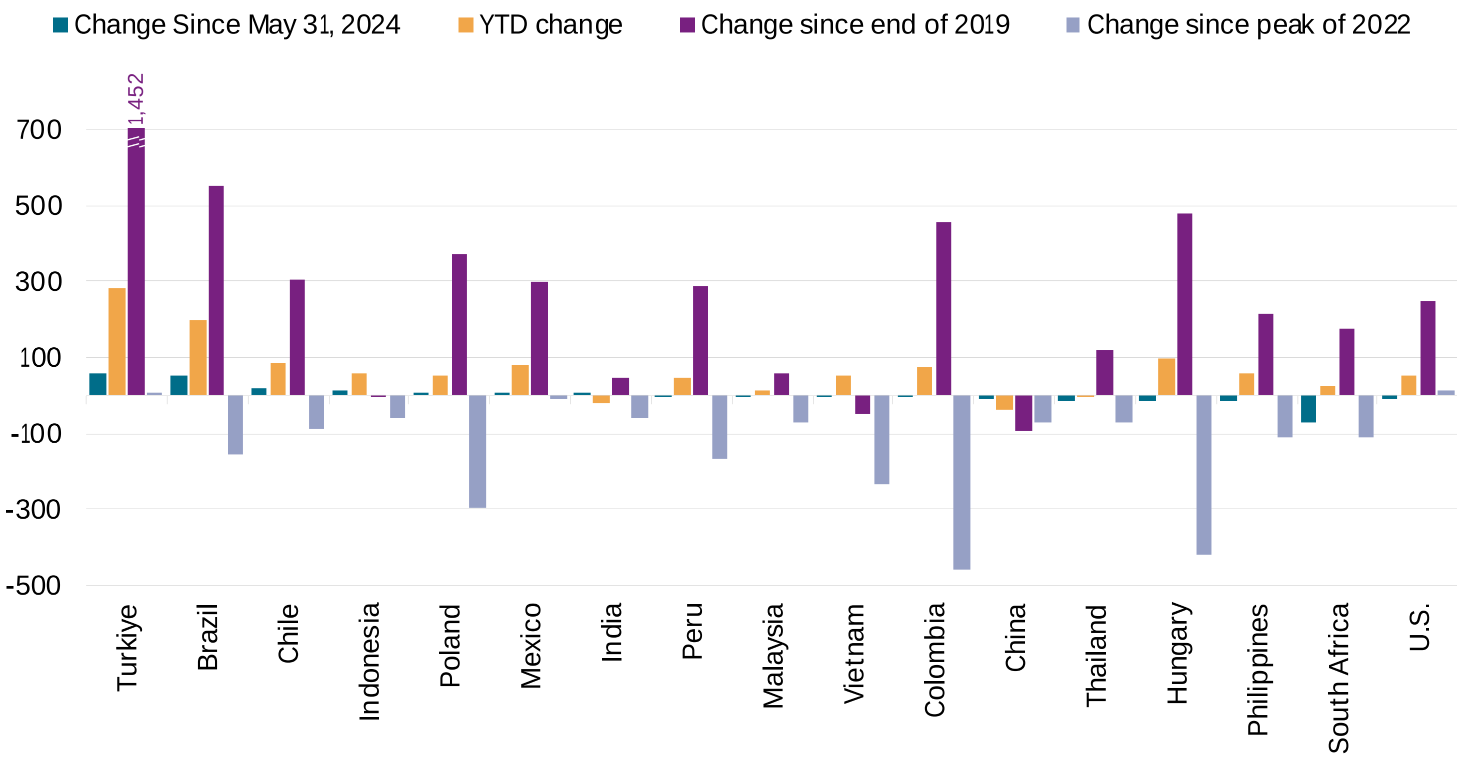
Nonfinancial Corporates--Ratios are derived from the median of rated corporates in their respective countries. We then rank them according to our "Corporate Methodology," Nov. 19, 2013, by using table 17, with levels that go from minimal to highly leveraged. §We assess return on capital by using the median of our rated corporates in their respective countries, then we adjust for inflation, we then rank it based on our "Corporate Methodology," Nov. 19, 2013. *Nonfinancial corporates' debt and foreign currency denominated debt is based on IIF global debt monitor with data as of February 2023.

*IIF 4Q 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 4Q 2023. S&P Global Ratings. Data for sovereigns and financial institutions as of July 10, 2024.

Financing Conditions Highlights

EM Yields | Divergent Dynamics

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

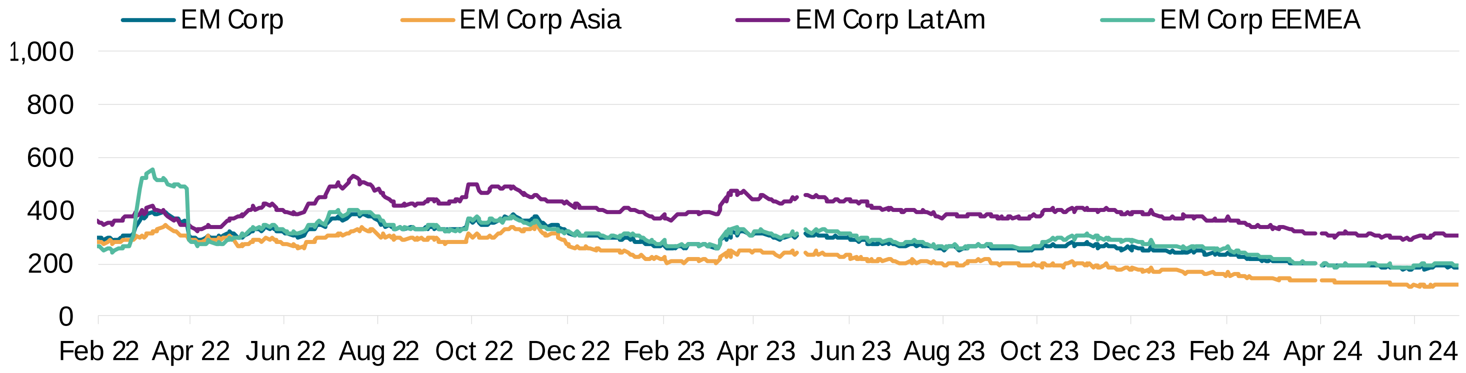


Data as of June 28, 2024. Note: The selection of country is subject to data availability. Y-axis truncated at 700 bps for visualization purposes.
Sources: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro and Datastream.

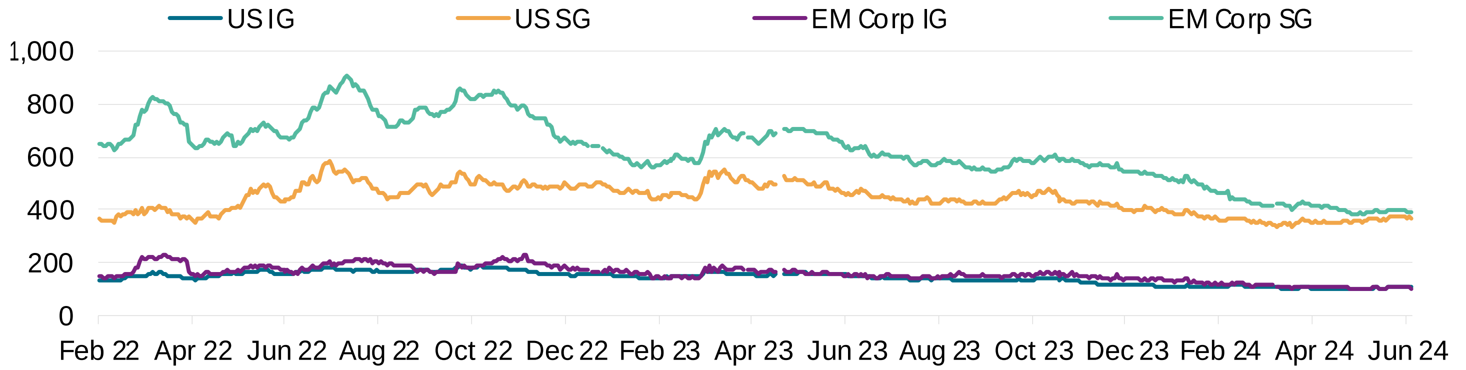
- EM benchmark yields displayed different trajectories. Nine countries recorded a monthly descent, most notably South Africa (72 bps), as the new cabinet formation following elections indicates a likely broad policy continuity on fiscal, energy, and foreign policy. Seven countries displayed tightening benchmarks: major upward movements were recorded in Turkiye (57 bps) still coping with an annual inflation rate of more than 70%, and Brazil (49 bps), the central bank of which opted not to cut its Selic policy rate amid sticky inflation, currency weakness, and fiscal slippage.
- Ten-year government bond yields have increased across EMs since the beginning of the year, except for China and India, contributing to the progressive corporate spreads' compression. Geopolitical risk, in the form of two ongoing conflicts, political uncertainty (already a catalyst for the recent exchange-rate volatility) and higher-for-longer U.S. interest rates create grounds for future market volatility.

EM Credit Spreads | Stable At Low Levels

EM spreads by region (bps)



U.S. and EM spreads (bps)



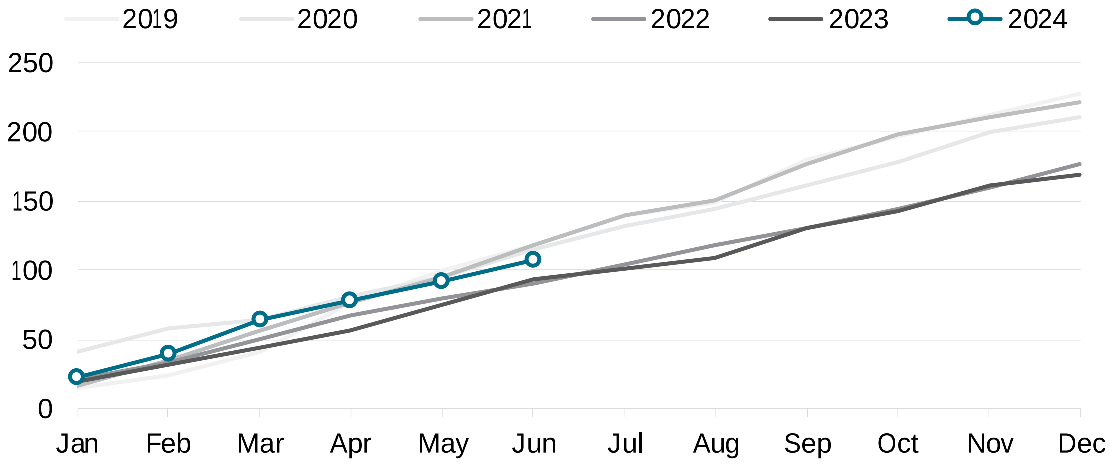
Data as of June 28 2024. bps--Basis points. IG--Investment-grade. SG--Speculative-grade.
Sources: Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis, S&P Global Ratings Credit Research & Insights.

- EM corporate spreads remained at the historically low levels across regions. EM spreads were 186 bps, the lowest since July 2007, with both speculative-grade and investment-grade yields normalizing (-13 bps).
- The EM speculative-grade spread compressed the most in H1 2024, decreasing by 140 bps, moderating substantially when compared to its investment-grade counterpart and the U.S. speculative-grade one (-29 bps).
- This has encouraged speculative-grade issuance, which reached $1.8 billion in June, including a 'B+' rated entity, MGM China Hldg Ltd. (media and entertainment) issuing 7-year $500 million notes at 7.125%. The overall speculative-grade market activity in EMs has already reached the entire 2023 issuance amount, doubling its 2022 records.

EM | Financial And Nonfinancial Corporate Issuance

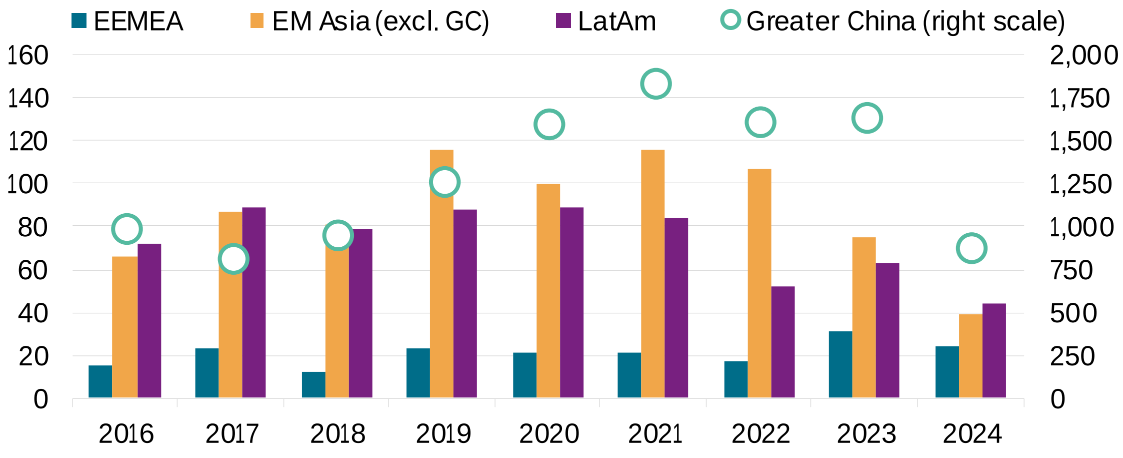
- EM issuance in June was similar to the May level, with $140 billion. Greater China, which contributed 89% of the EM monthly issuance, displayed strong market activity in brokerage, real estate, transportation, while banks and high tech took a breather.
- Issuance excluding Greater China marginally increased in June, reaching $15 billion. The pace of bond issuance has slowed with respect to the first quarter of 2024, with year-to-date cumulative volumes now lagging 2019-2021 levels, yet better than in past two years. Issuance was strong in Hungary, Malaysia, Thailand, and Turkiye while disappointing in major LatAm contributors: Mexico and Brazil. Sector-wise, banks, high tech, and utilities led, while metals, mining, and steel, telecom, and transportation trailed.
- Regional issuance outlines geographical discrepancy year-to-date. As of June 2024, the EEMEA issuance has already exceed by 118% of its 2016-2023 volume, while Greater China is at 66%, LatAm 57%, and EM Asia only at 42%.

EM* cumulative corporate bond issuance (bil. $)



Includes not rated. *Excluding Greater China. Data as of June 30, 2024. Sources: Refinitiv, S&P Global Ratings Credit Research & Insights.

EM regional bond issuance (bil. $)



GC--Greater China. Data as of June 30, 2024. Sources: Refinitiv, S&P Global Ratings Credit Research & Insights.

S&P Global Ratings

Ratings Summary

Ratings Summary | Sovereign Ratings In EM 18

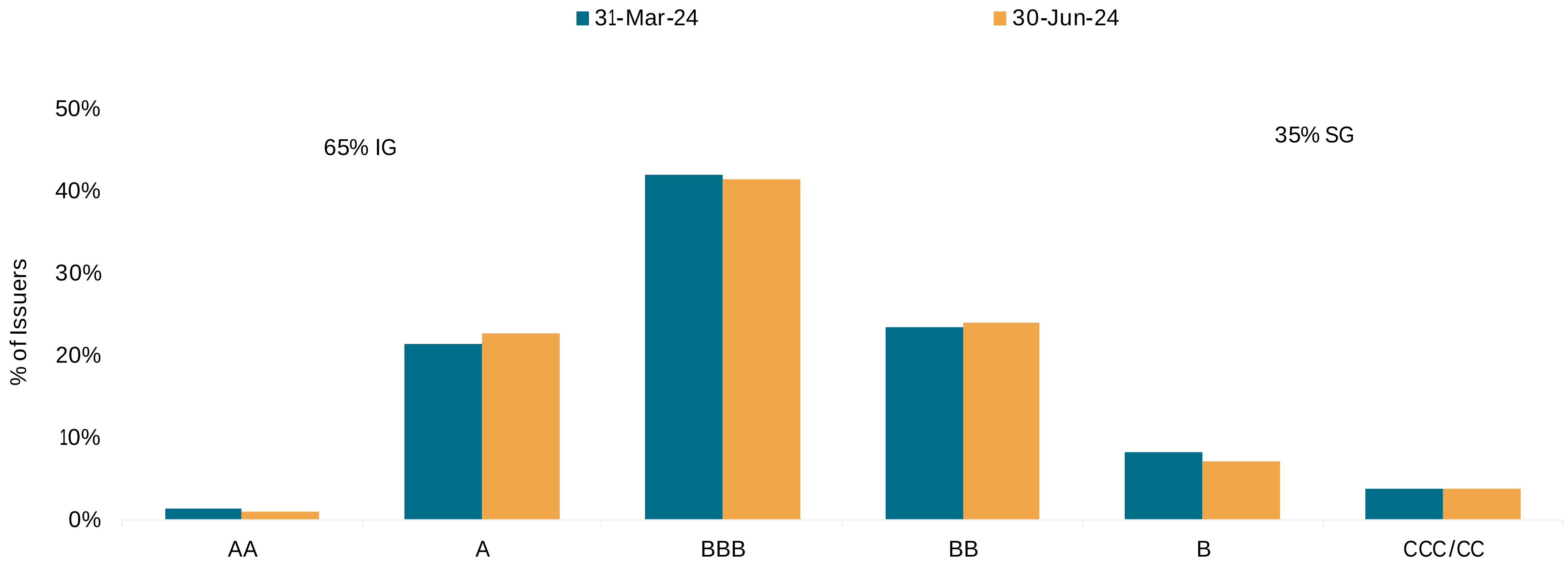
Investment grade

Speculative grade

Economy	Rating	Outlook	Five-year CDS spread (June 30)	Five-year CDS spread (May 31)
China	A+	Stable	66	62
Chile	A	Negative	57	50
Saudi Arabia	A	Stable	56	50
Malaysia	A-	Stable	45	47
Poland	A-	Stable	69	70
Philippines	BBB+	Stable	70	67
Thailand	BBB+	Stable	45	43
Indonesia	BBB	Stable	78	72
Mexico	BBB	Stable	110	95
Peru	BBB-	Stable	77	74
Hungary	BBB-	Stable	122	120
India	BBB-	Positive	47	47
Colombia	BB+	Negative	195	190
Vietnam	BB+	Stable	116	113
Brazil	BB	Stable	169	142
South Africa	BB-	Stable	208	237
Turkiye	B+	Positive	285	258
Argentina	CCC	Stable	2,369	2,260

Data as of June 30, 2024, and sovereign ratings as of July 5, 2024. Foreign currency ratings. Red means speculativegrade rating and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, Taiwan.
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 June 30, 2024. Source: S&P Global Ratings Credit Research & Insights

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

As Of June 30, 2024

Investment grade

Speculative grade

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. $)
30-May-24	Tenaga Nasional Berhad	Malaysia	Utilities	A-	BBB+	Upgrade	3,500
28-May-24	Petroleos del Peru Petroperu S.A.	Peru	Oil and gas	B	B+	Downgrade	3,000
27-May-24	Empresa Nacional del Petroleo	Chile	Utilities	BBB-	BB+	Upgrade	2,440
25-Jun-24	PT Medco Energi Internasional Tbk.	Indonesia	Oil and gas	BB-	B+	Upgrade	2,259
26-Apr-24	Intercorp Financial Services Inc. (Intercorp Peru Ltd.)	Peru	Financial institutions	BB+	BBB-	Downgrade	1,600
23-May-24	Turk Telekom (Ojer Telekomunikasyon A.S.)	Turkiye	Telecommunications	BB-	B+	Upgrade	1,500
7-May-24	Delhi International Airport Ltd.	India	Transportation	BB-	B+	Upgrade	1,023
26-Apr-24	Transportadora de Gas del Peru S.A.	Peru	Utilities	BBB-	BBB	Downgrade	1,000
10-May-24	Turkcell Iletisim Hizmetleri A.S.	Turkiye	Telecommunications	BB-	B+	Upgrade	1,000
22-May-24	Koc Holding A.S.	Turkiye	Financial Institutions	BB	BB-	Upgrade	750

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

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

As Of June 30, 2024

Investment grade

Speculative grade

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. $)
27-Jun-24	Ulker Biskuvi Sanayi A.S.	Turkiye	Consumer products	BB	B	Upgrade	650
23-May-24	Mersin Uluslararasi Liman Isletmeciligi A.S.	Turkiye	Transportation	BB-	B+	Upgrade	600
26-Apr-24	Banco BBVA Peru (Banco Bilbao Vizcaya Argentaria, S.A.)	Peru	Financial institutions	BBB-	BBB	Downgrade	600
14-May-24	Ford Otomotiv Sanayi A.S. (Ford Motor Co.)	Turkiye	Automotive	BB	BB-	Upgrade	500
7-May-24	Operadora de Servicios Mega, S.A. de C.V. SOFOM, E.R.	Mexico	Financial institutions	CCC-	CCC+	Downgrade	500
23-Apr-24	Colombia Telecomunicaciones S.A. E.S.P. (Telefonica S.A.)	Colombia	Telecommunications	B+	B	Upgrade	500
7-May-24	GMR Hyderabad International Airport Ltd.	India	Transportation	BB	BB-	Upgrade	350
28-May-24	Nitrogenmuvek Zrt.	Hungary	Chemicals, packaging and environmental services	CCC	CCC+	Downgrade	217

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

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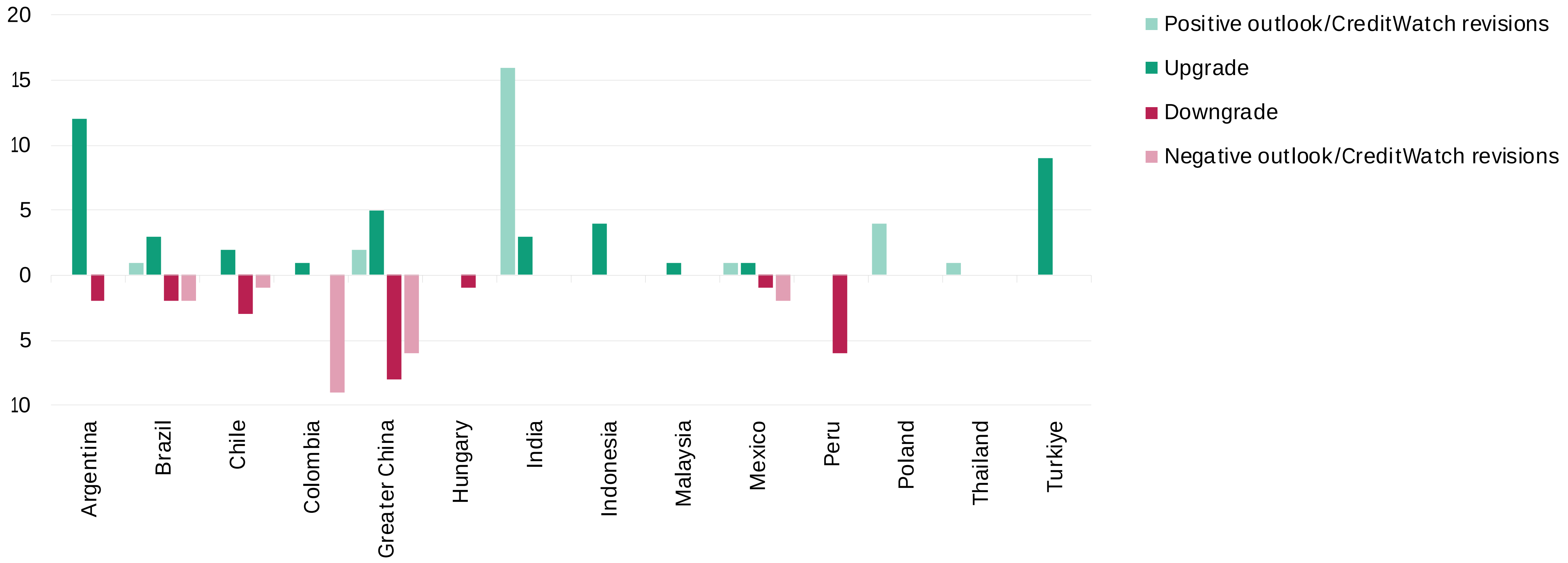
EM | Total Rating Actions By Economy In 2024

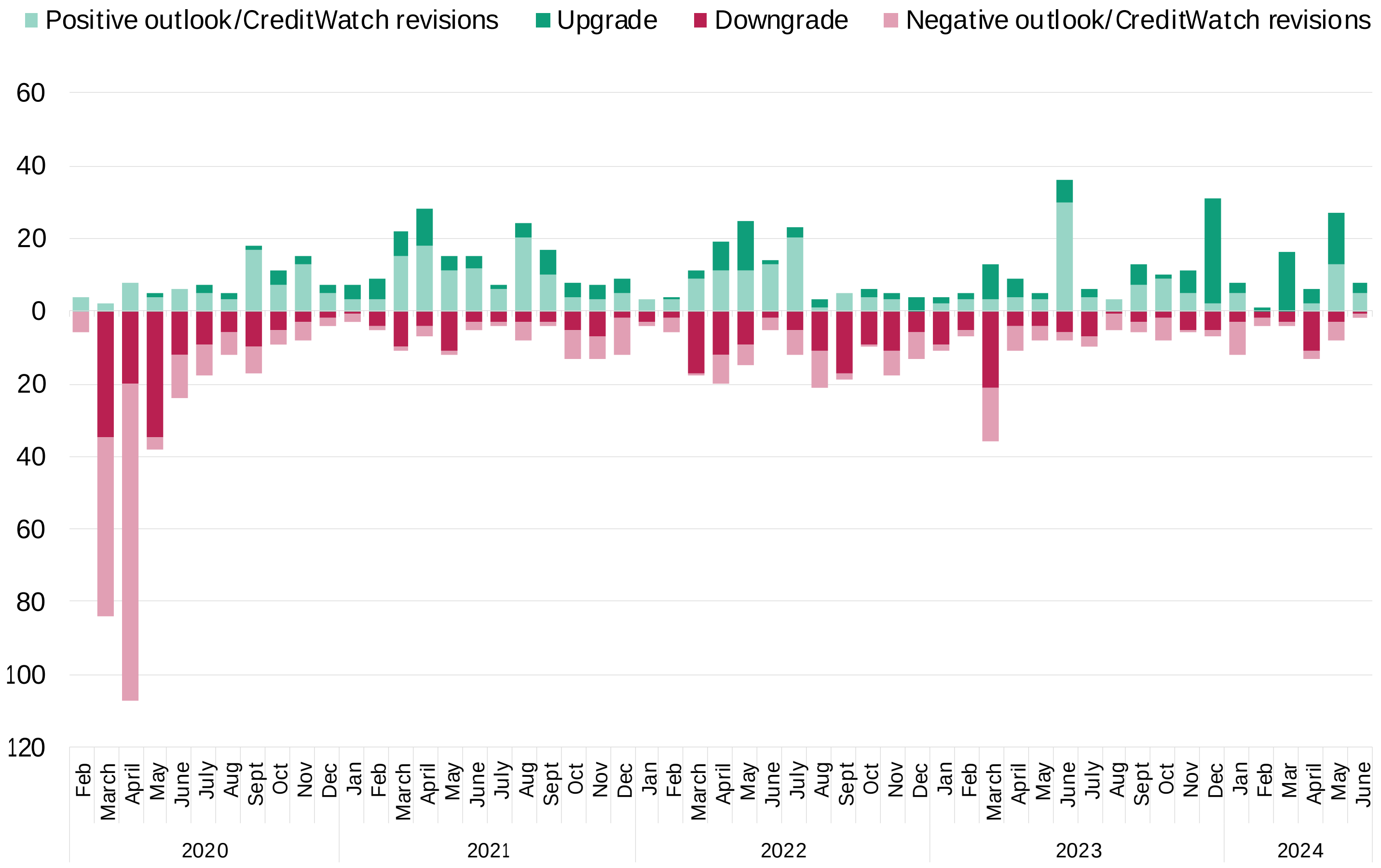


Data as of June 30, 2024. Includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, 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

- Three upgrades and five positive outlook/CreditWatch revisions were recorded in June, down from 14 and 13 in May, respectively. We upgraded Ulker Biskuvi Sanayi A.S. (consumer products; Turkiye) by two notches to 'BB' from 'B', reflecting its track record of profitable business growth and ability to maintain strong market shares and expand its scale, despite a challenging operating environment. Three CreditWatch positive revisions concerned Tata Group (India), ahead of our review of the relationship between the group's holding and its subsidiary, given increasing operational and management linkages within the group.

- One downgrade in June, down from three in May. Guangzhou Finance Holdings Group Co. Ltd. (bank; Greater China) was downgraded to 'BBB' from 'BBB+', given protracted pressure on its retail segment's asset quality. We revised the outlook on China National Bluestar Co. Ltd. (chemicals) to negative, as the supply-demand of silicon materials will remain unfavorable over the next two years.



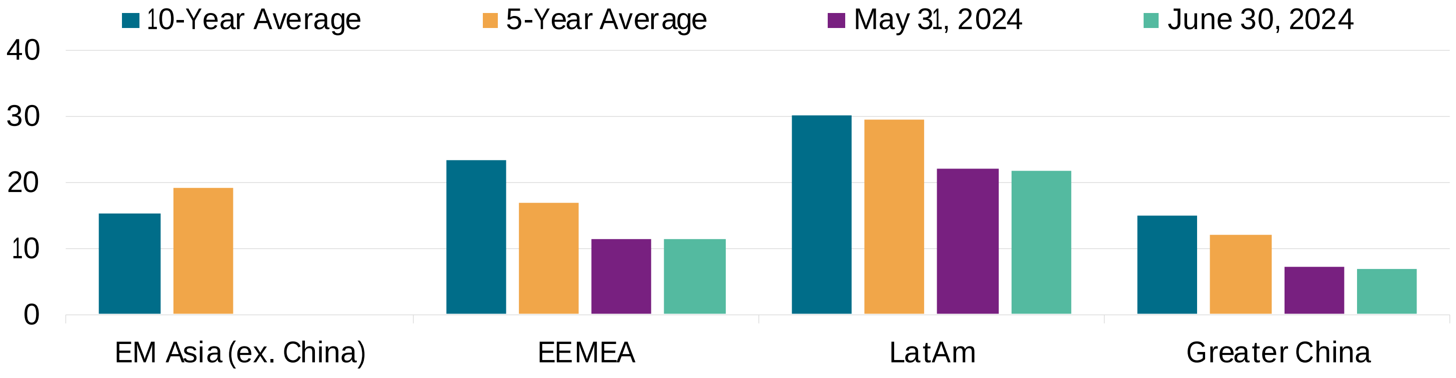
Data from Feb. 3, 2020, to June 30, 2024. Includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent.
Source: S&P Global Ratings Credit Research & Insights.

EM Downgrade Potential | Regional Negative Bias

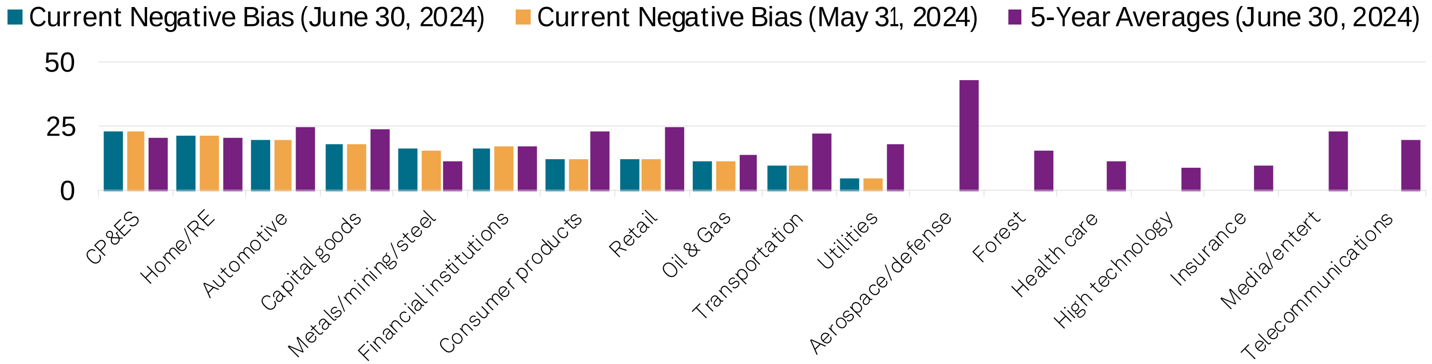
- LatAm remains the region with the highest negative bias among EMs with 22%, relatively aligned with May levels. Given the calm rating activity in June, the downgrade potential has not moved consistently across regions.

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

LatAm has the highest downgrade potential (negative bias [%])



Negative bias by sector (%)



Data as of June 30, 2024. Excludes sovereigns, and subsidiaries. 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. Negative bias--Percentage of issuers with a negative outlook or on CreditWatch negative. Source: S&P Global Ratings Credit Research & Insights.

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

- No downgrades to 'CCC/CC' from 'B' in 2024 year-to-date in EM 18.
- Five downgrades to 'CCC/CC' from 'B' in 2023 through Dec. 31 in EM 18.

Speculative grade

Rating date	Issuer	Economy	Sector	To	From	Debt 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	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

Data as of June 30, 2024. Includes sovereigns, and Greater China and Red Chip companies. Debt volume includes subsidiaries and excludes zero debt. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | Four Fallen Angels And Two Rising Stars In 2024 YTD

Investment grade

Speculative grade

Fallen angels

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
26-Feb-24	Braskem S.A. (Odebrecht S.A.)	Brazil	Chemicals, packaging, and environmental services	BB+	BBB-	6,200
10-Apr-24	China Vanke Co. Ltd.	Greater China	Homebuilders/Real estate	BB+	BBB+	2,593
12-Apr-24	Longfor Group Holdings Ltd.	Greater China	Homebuilders/Real estate	BB+	BBB-	1,500
26-Apr-24	InterCorp Financial Services Inc.	Peru	Financial institutions	BB+	BBB-	1,600

Rising stars

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
27-May-24	Empresa Nacional del Petroleo	Chile	Utilities	BBB-	BB+	2,440

Data as of June 30, 2024. Includes sovereigns and Greater China and Red Chip. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | List Of Defaulters In 2024 Year-To-Date

Default, selective default, not rated

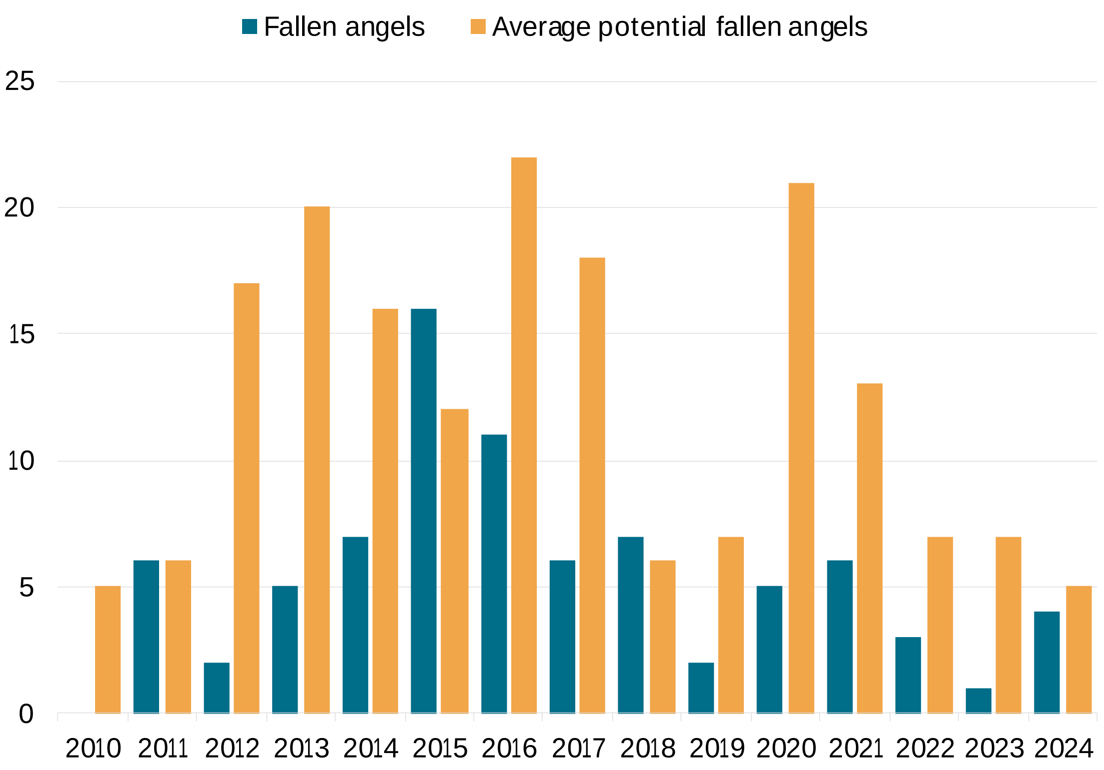
Speculative grade

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	Argentina*	Argentina	Sovereign	SD	CCC-	153,334
1-Apr-24	Wom S.A.	Chile	Telecommunications	D	CCC	--
16-May-24	Credivalores - Crediservicios S.A.S.	Colombia	Financial institutions	D	NR	--

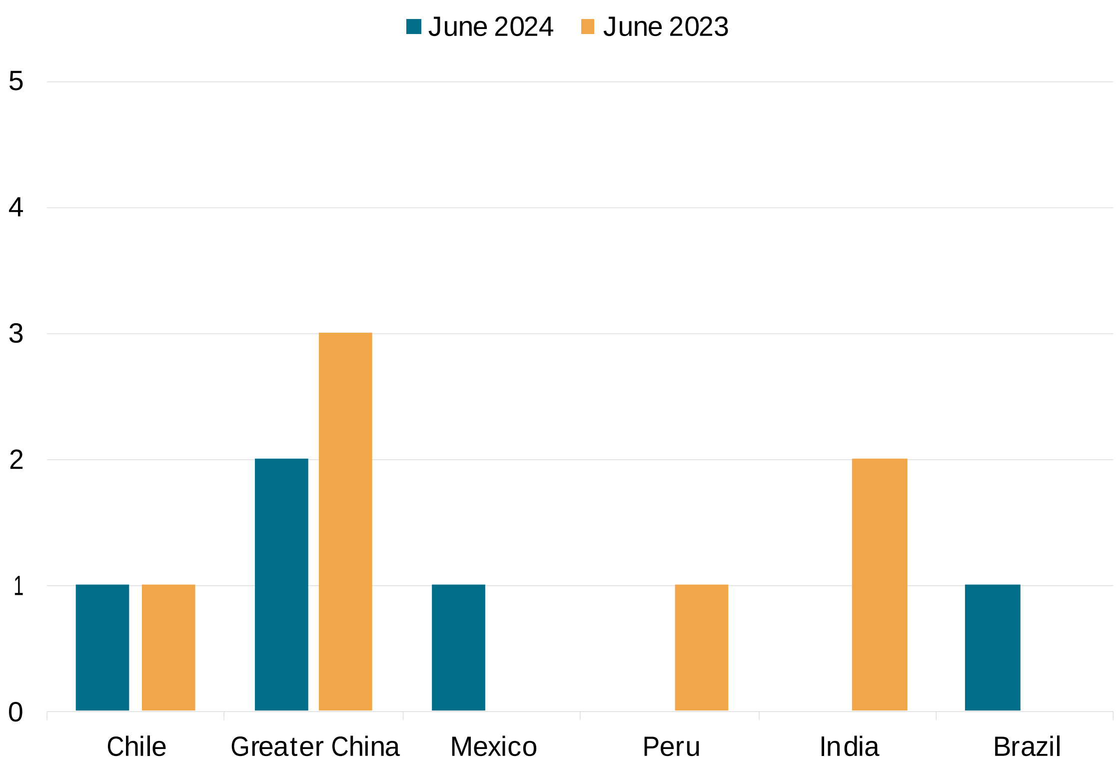
Data as of June 30, 2024. Includes sovereigns, Greater China, and Red Chip companies. *Argentina reflects its local currency long-term default. Includes both rated and zero debt defaults. Source: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

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 June 30, 2024. Source: S&P Global Ratings Credit Research & Insights.

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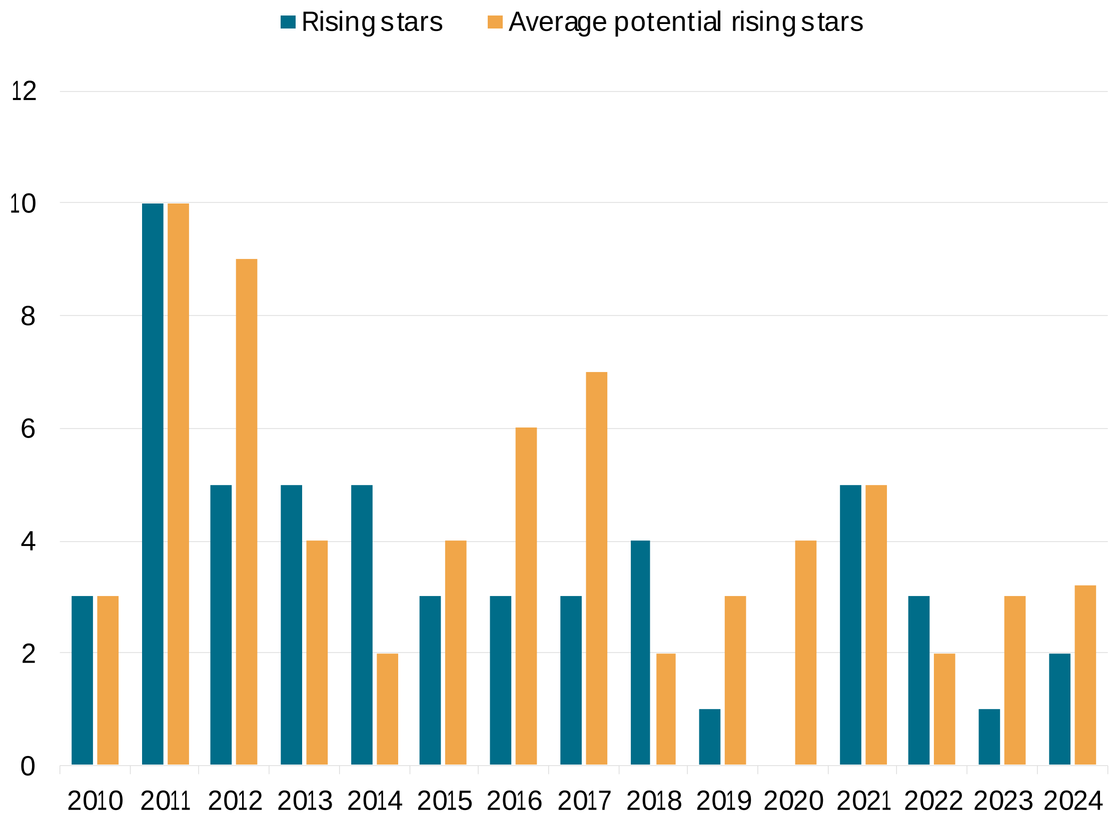
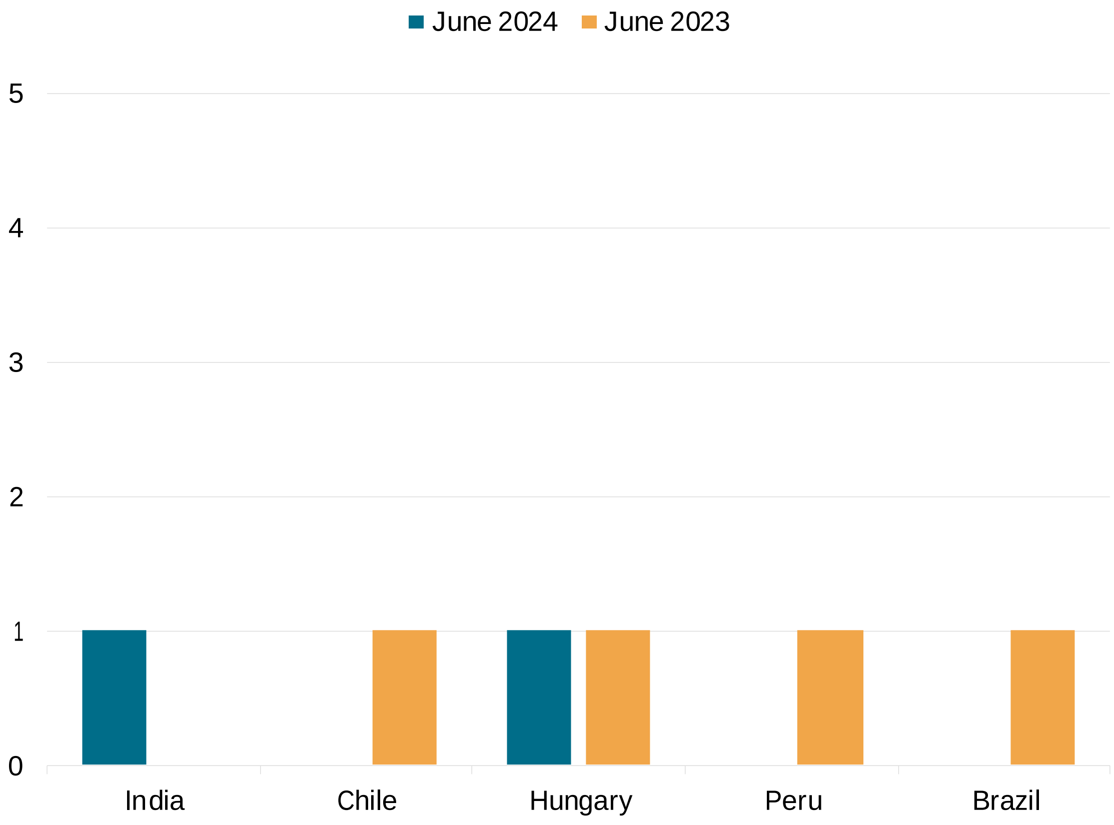
Rating Actions | Rising Stars And Potential Rising Stars

Average potential rising stars at three, as in 2023



Current potential rising stars



Data as of June 30, 2024. Source: S&P Global Ratings Credit Research & Insights.

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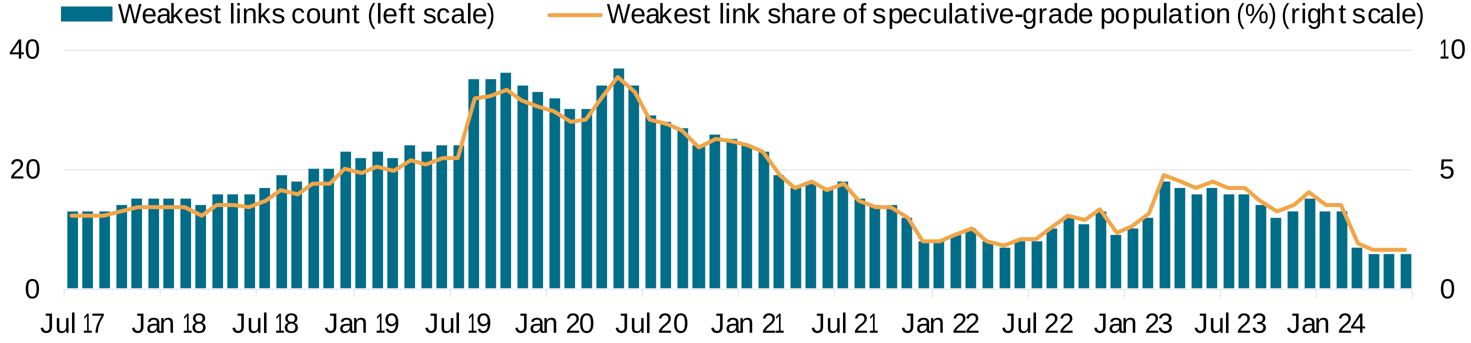
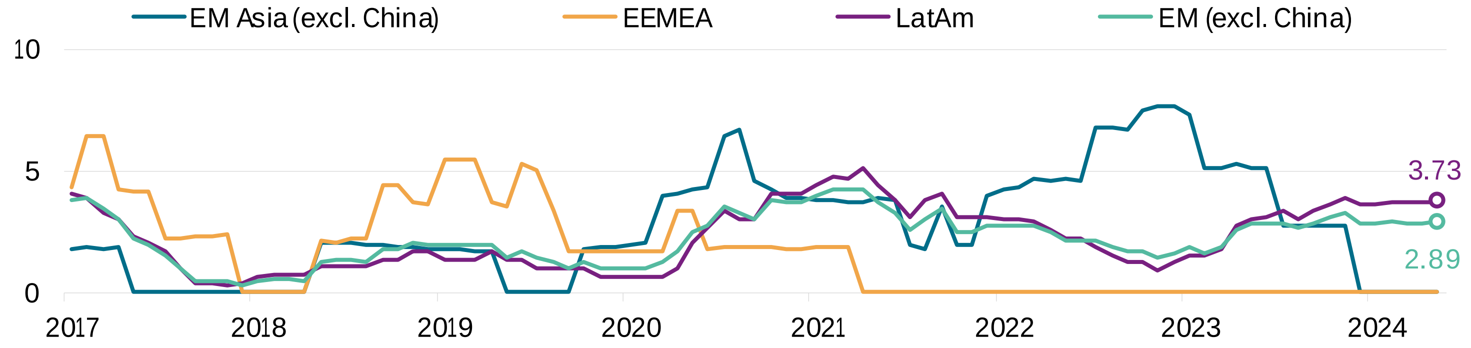
Rating Actions | Weakest Links And Defaults

EM weakest links constant at six in June



Data as of June 30, 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 May 2024)



Excluding China. CreditPro data as of May 31, 2024. 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 remained constant at six issuers in June (2% of total speculative-grade issuers). Four of the weakest links were in LatAm.

- Default rates. The May default rate (excluding China) was 2.89%, in line with April. Recently, the composite index has been mainly driven by LatAm, where all defaults for the year so far took place. The pace of defaults in this specific region was 3.73% in May, below its 2023 peak of 3.92% in November.

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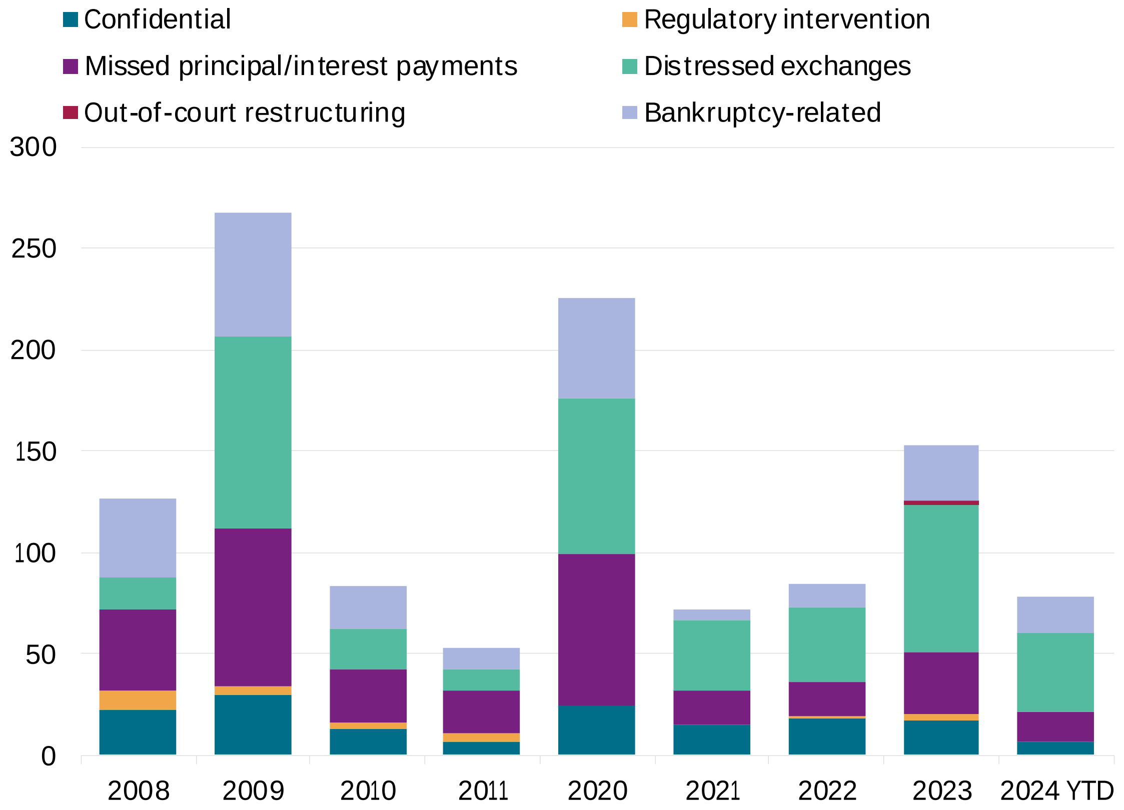
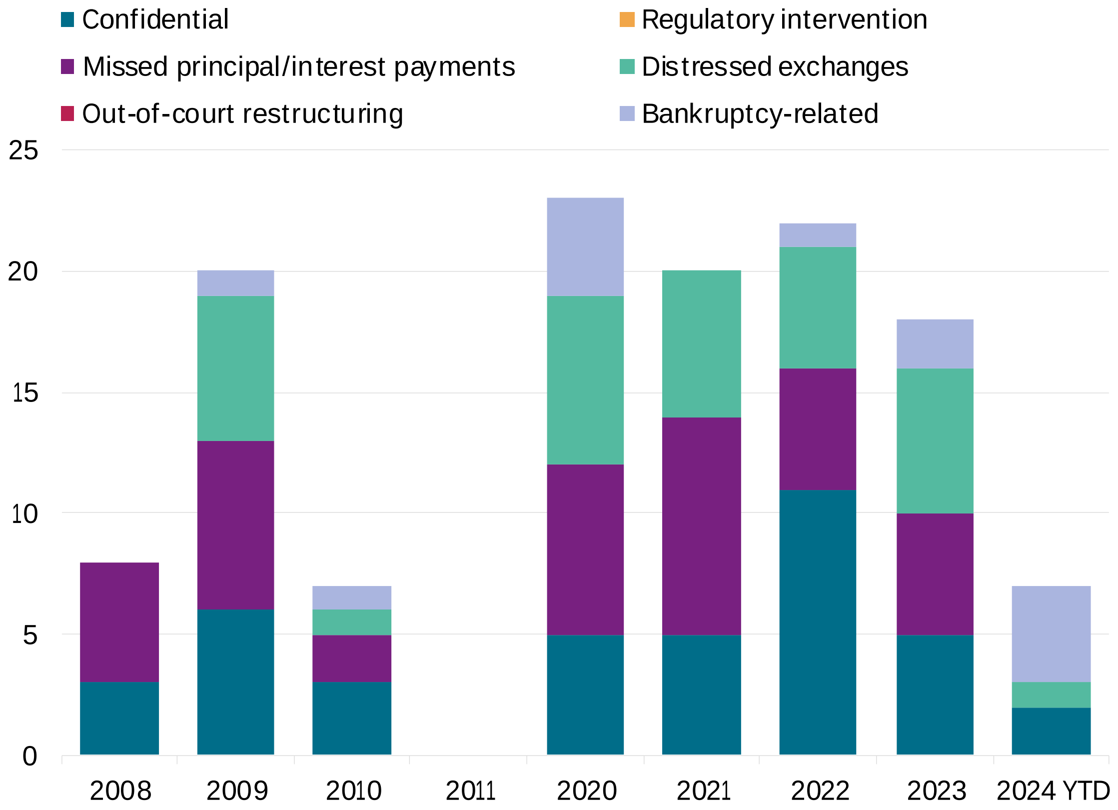
Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



Data as of June 30, 2024. YTD—Year-to-date. Data has been updated to reflect confidential issuers. Excludes sovereigns. Includes Greater China, and Red Chip companies. Sources: S&P Global Ratings Credit Research & Insights, S&P Global Market Intelligence's CreditPro®.

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Related Research and Contacts

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Related Research

- Sukuk Market: The Calm Before The Storm?, July 15, 2024
- Your Three Minutes In CEE Sovereign Ratings: The Economic Nexus Between CEE Countries And China, July 4, 2024
- Asia-Pacific Sector Roundup Q3 2024: Trade Tensions To Drive A Bigger Wedge, June 26, 2024
- Credit Conditions Emerging Markets Q3 2024: Policy Uncertainty May Hinder Resilience, June 25, 2024
- Economic Outlook Emerging Markets Q3 2024: Growth On Track, Policy Risks Rising, June 24, 2024
- Economic Outlook Asia-Pacific Q3 2024: Exporters And EMs Are Outperforming, June 24, 2024
- Credit Cycle Indicator Q3 2024: Bumpy Ride Ahead Of A Credit Recovery In 2025, June 19, 2024
- Rated China Carmakers Can Take The Heat From European Tariff Hikes On EVs, June 17, 2024
- Emerging Markets Monthly Highlights: Growth Recovering, Policy Uncertainty Rising, June 12, 2024
- Examining How Higher And More Efficient Investments Can Boost Emerging Markets' Growth, June 12, 2024

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