Emerging Markets Monthly Highlights

Fed Easing Sets The Stage For More Cuts

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Sept. 19, 2024

This report does not constitute a rating action

Contents

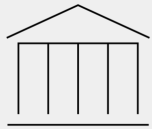## Emerging Markets (EMs) consist of:

Latin America: Argentina, Brazil, Chile, Colombia, Mexico, Peru.
**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).

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Key Takeaways

The Federal Reserve's 50 basis point (bps) interest rate cut this month will encourage monetary easing across emerging markets (EMs) in the coming months. Markets are pricing in significant rate reductions in Colombia, the Philippines, and Mexico, where rates remain near recent highs and inflation has slowed. Conversely, Brazil's central bank moved the opposite direction, increasing its benchmark interest rate by 25 bps due to rising inflation and fiscal uncertainty.
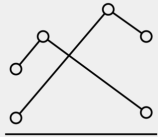
Second-quarter GDP growth has been generally robust across EMs, fueled by stronger domestic demand amid falling inflation and improved real incomes. As the Fed begins rate cuts, we expect EM central banks to continue or begin rate cuts, boosting domestic demand in late 2024 and early 2025.

A decline in energy prices could further support rate cuts by EM central banks, especially for net energy importers such as Thailand, the Philippines, Hungary, Türkiye, Chile, and India. Lower import costs may improve current accounts and strengthen their currencies.

Financing conditions continued to ease as government yields fell this month, and corporate spreads compressed, especially for speculative-grade ratings, which issued $3.2 billion just in the first week of September. We think uncertainty over the U.S. economy, geopolitical risk in the form of two ongoing conflicts, and political uncertainty could create grounds for future market volatility.

Markets | Fed Cut Clears Path For More Easing In EMs

Market-implied policy rate change in the next 12 months, bps
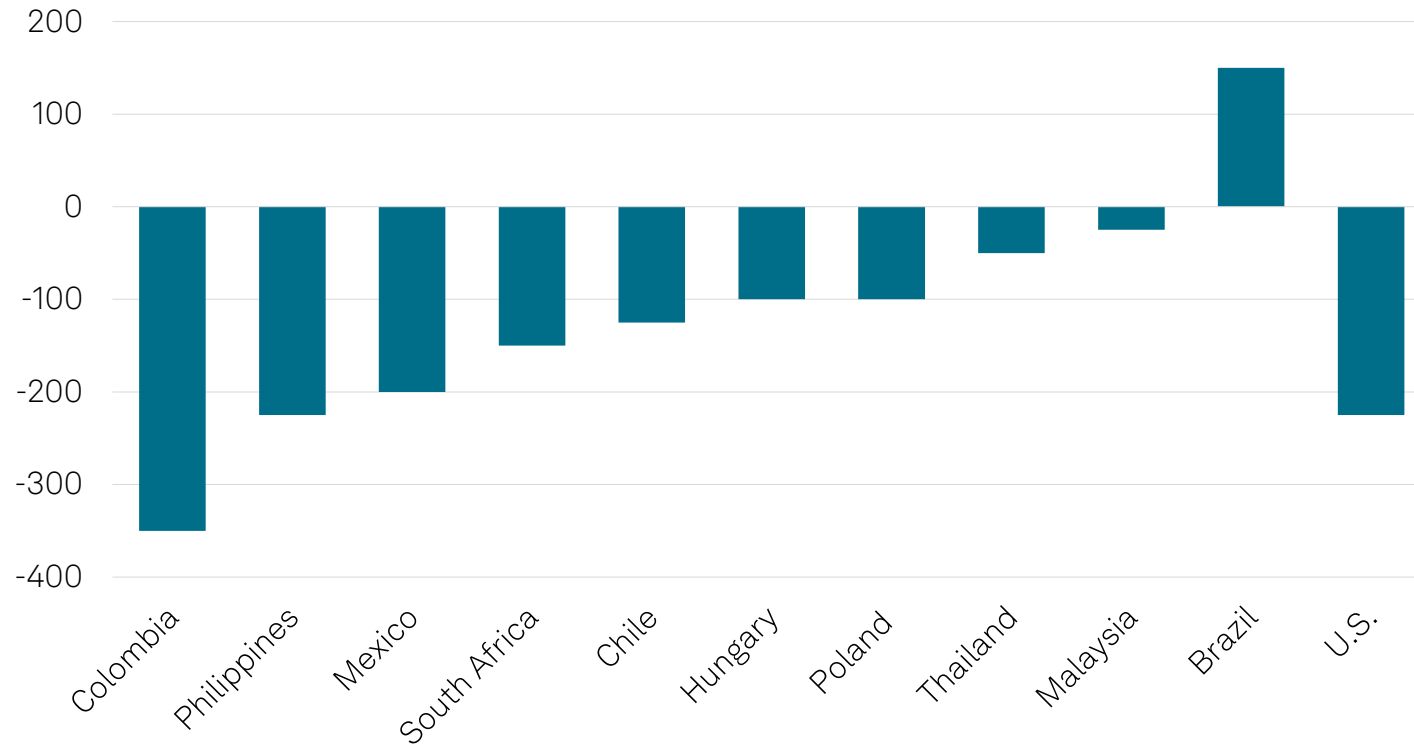
Sources: Haver Analytics and S&P Global Ratings.

- **The Fed's 50 bps interest rate cut** is likely to be followed by additional monetary easing across several EM central banks.

- **Among major EMs, the market is pricing in the largest rate cuts over the next 12 months in Colombia, the Philippines, and Mexico.** In these countries, interest rates are near recent highs and inflation dynamics have improved.

- **In contrast, Brazil's central bank moved the opposite direction, hiking its benchmark policy rate by 25 bps.** Observed and expected inflation has risen in the last few months boosted by stronger-than-expected demand, and uncertainty over the government's fiscal trajectory is adding a risk premia to interest rates. After pivoting to hikes this month, the market is pricing in about 125 basis points more in tightening in the next 12 months.

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GDP Update | Emerging Markets Growth, Supported By Domestic Demand

GDP growth rates, quarter-on-quarter, %

Source: S&P Global Ratings.

- **Second-quarter GDPs have been broadly strong across EMs.** Domestic demand continued to grow on the back of decreasing inflation and corresponding increase in real incomes. External demand has also improved, with the exception of economies with close trade and value-chain ties to developed Europe, Germany in particular (such as Hungary, Türkiye, and Poland).

- **Fed easing, if combined with relatively strong U.S. growth, could further support EMs.** We expect EM central banks that have already cut interest rates (such as in Latin America) to continue doing so in coming months, while other EMs in Asia (Thailand, Indonesia, the Philippines) and EMEA (South Africa) will start later this year. That should support higher domestic demand in late 2024 and early 2025.

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Inflation | Lower Energy Prices Could Further Encourage Rate Cuts

Net energy trade, % of GDP

■ 2021   ■ 2022   ■ 2023
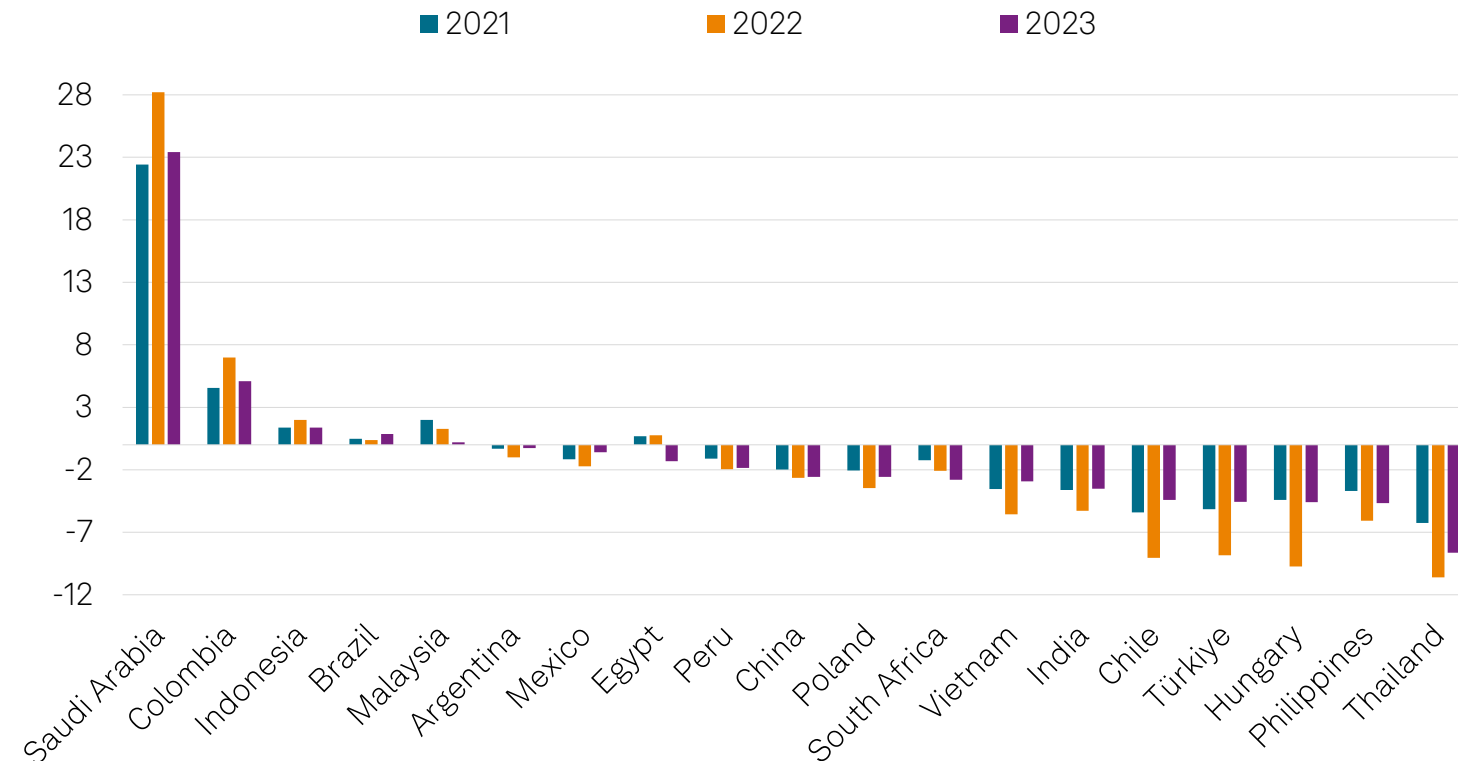
Source: ITC Trade Map, World Bank, IMF, S&P Global Ratings Economics.

- **The recent decline in oil prices has been primarily driven by market concerns over sluggish demand growth and an increase in non-OPEC supply,** prompting OPEC to delay its planned supply increases.

- **If these concerns persist and oil prices continue to fall or stabilize at a lower level, net energy importing EMs could benefit from reduced import costs,** which would help support their current accounts and strengthen their currencies.

- **Lower oil prices may also help ease inflationary pressures.** When coupled with the recent Fed rate cut, this could provide central banks with more room to ease monetary policy in net energy importing EMs.

- **On the downside, this could hurt revenues for certain EMs** that rely on oil-related fiscal receipts.

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Regional Economic Highlights

EM Asia Economics | Thailand Public Spending Resumes

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- **The Thai economy grew by just 1.9% in the first half of 2024,** compared with a trend growth rate around 3%, driven by delayed fiscal spending.

- **Since May, normal fiscal spending has resumed.** This should provide a sequential lift to economic growth.

- **A key policy swing point in Thailand is a much-discussed handout plan that originally aimed to provide Thai baht (THB) 500 billion (about $15 billion) to households this year.** That program would have lifted consumer spending significantly. However, policymakers are likely to water down the plan amid policy discussions, and the boost to consumption will be lower than we expected.

Public spending slowed sharply since late 2023 following a delayed budget

Thailand government expenditure
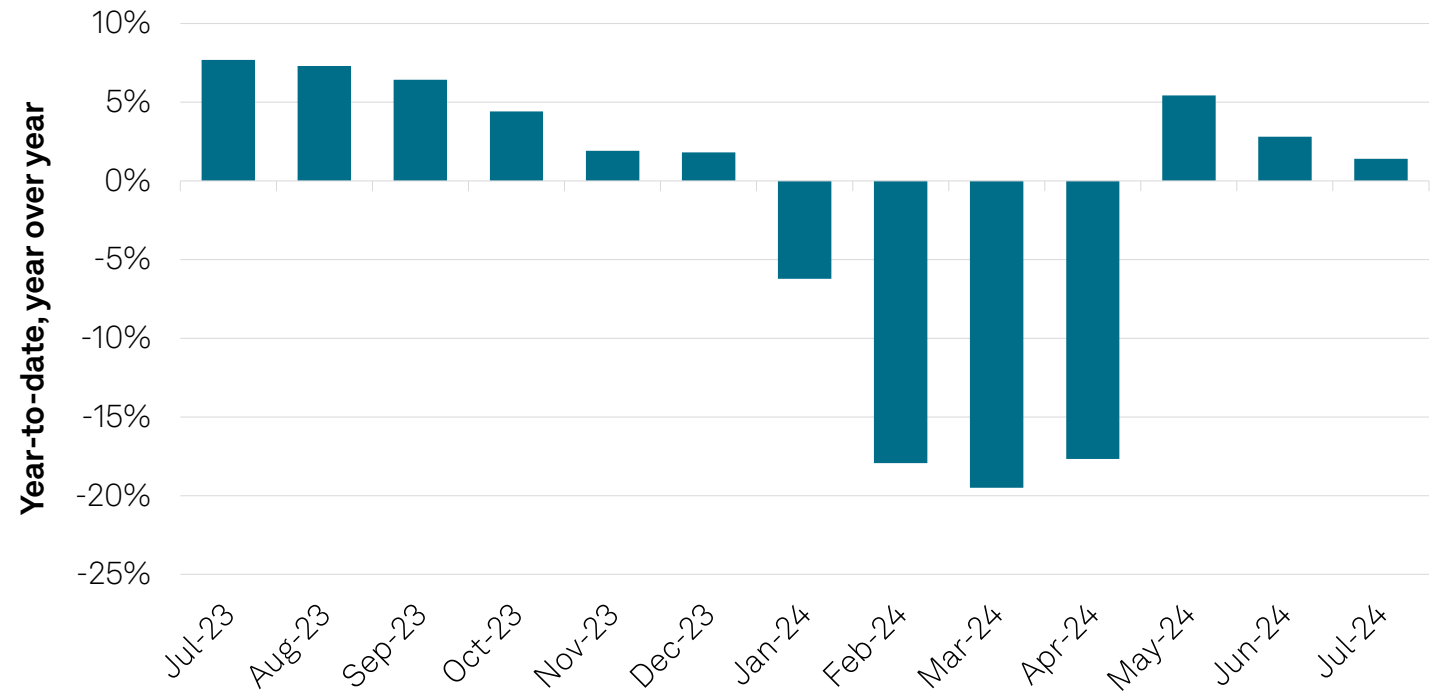
Source: Fiscal Policy Office.

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EM EMEA Economics | GDPs Confirm Pick Up In Consumption

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- **Household consumption was strong in the second quarter.** Decreasing inflation and the corresponding pick-up in real incomes boosted consumption in the first half of 2024 for many EM EMEA economies.

- **However, various headwinds still weigh on growth.** In South Africa, transportation issues remain prominent, as the transport sector has decreased the most in Q2 (-2.2% quarter-on-quarter). In Central and Eastern Europe, weak performance of German heavy industry continued to hamper exports in landlocked countries , such as Hungary (where headline GDP decreased by 0.2% in Q2).

- **Q2 GDP confirmed deceleration in Türkiye.** Considering recently published high-frequency indicators, we think contraction of household consumption in Q3 (quarter-on-quarter) is likely.

Household consumption growth, quarter-on-quarter, %
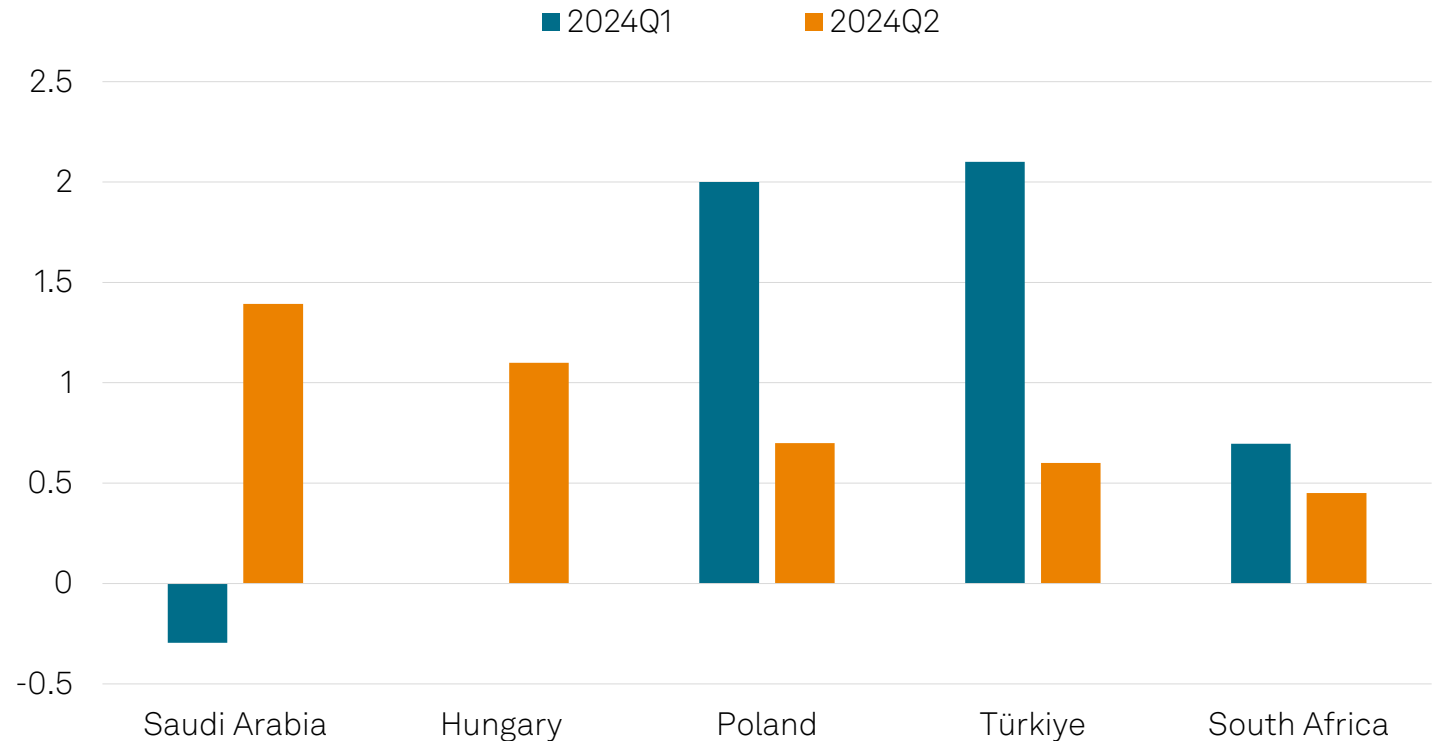
Sources: S&P Global Market Intelligence and S&P Global Ratings.

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LatAm Economics | Is The Brazilian Economy Overheating?

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- **The Brazilian economy surprised to the upside in the second quarter, driven by strong domestic demand.** Sequential GDP re-accelerated to 1.4% quarter-on-quarter in Q2, from 1.0% in Q1. We estimate the economy is now running between 1.5% and 2.0% above potential.

- **If strong growth continues, we expect inflation to stay high.** This would continue to pressure the central bank to tighten monetary policy further, even as most other major central banks are moving in the opposite direction.

- **High-frequency data, however, suggests GDP has weakened in Q3 so far.** Industrial production and the economic activity index both contracted in July.

Brazil – GDP deviation from trend (output gap), % of GDP
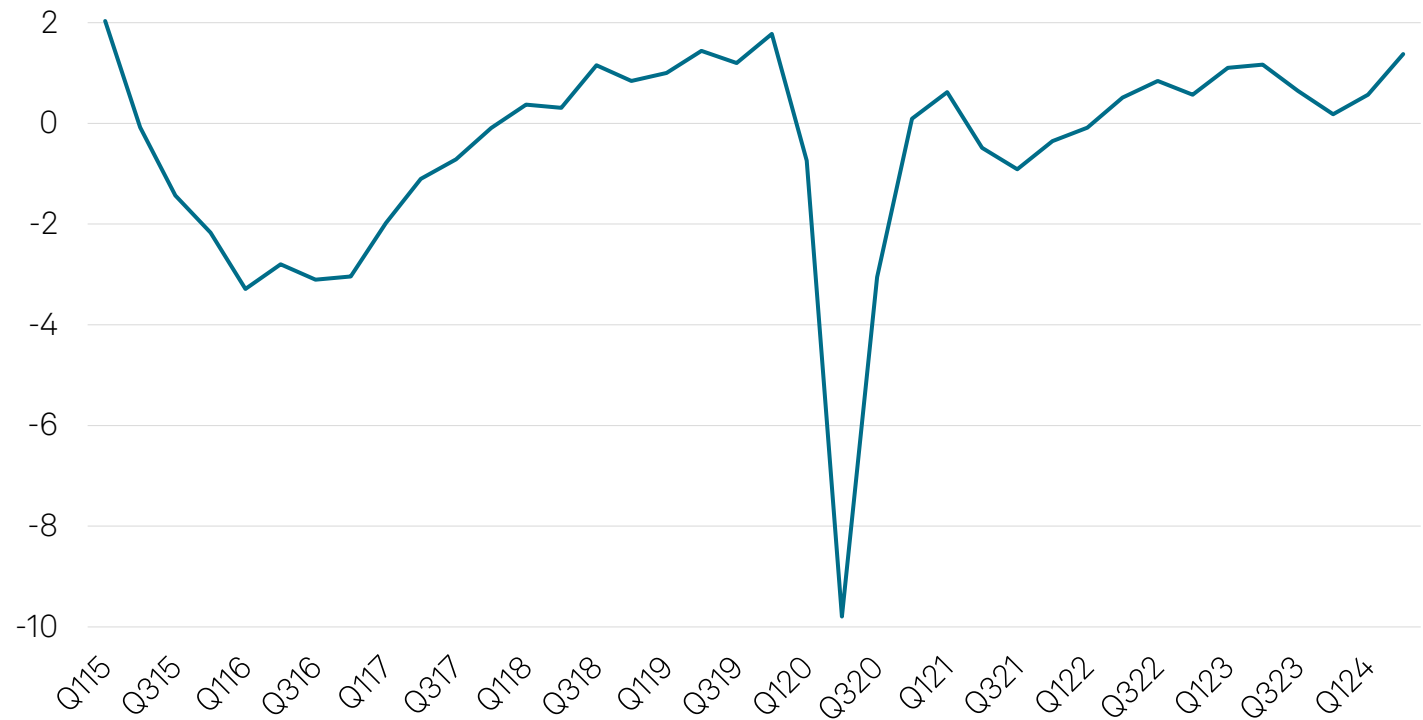
Note: We calculate the deviation from trend with an HP filter. Sources: Haver Analytics and S&P Global Ratings.

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Macro-Credit Dashboards

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

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

Country	Latest reading (y/y)	Period	Five-year average	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	3.3	Q2	-0.5	-3.6	5.1	3.1	2.9	2.0	2.0	2.1	2.2
Chile	1.6	Q2	2.0	-6.4	11.6	2.1	0.3	2.4	2.6	2.6	2.7
Colombia	2.1	Q2	2.4	-7.2	10.8	7.3	0.6	1.1	2.8	3.0	3.1
Mexico	2.1	Q2	1.6	-8.8	6.3	3.7	3.2	2.2	1.7	2.1	2.2
Peru	3.6	Q2	3.2	-11.1	13.6	2.7	-0.5	2.7	3.0	3.1	3.2
China	4.7	Q2	6.7	2.2	8.5	3.0	5.2	4.8	4.6	4.6	4.4
India	6.7	Q2	6.9	-5.8	9.1	7.0	8.2	6.8	6.9	7.0	7.0
Indonesia	5.0	Q2	5.0	-2.1	3.7	5.3	5.0	5.0	5.0	4.9	4.9
Malaysia	5.9	Q2	4.9	-5.5	3.3	8.7	3.7	4.3	4.5	4.4	4.4
Philippines	6.3	Q2	6.6	-9.5	5.7	7.6	5.5	5.8	6.1	6.5	6.4
Thailand	2.3	Q2	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	1.5	Q2	4.1	-4.7	7.2	4.6	-0.7	2.3	3.1	2.9	2.5
Poland	4.3	Q2	4.4	-2.0	6.8	5.5	0.2	2.9	3.3	3.0	2.8
Saudi Arabia	-0.3	Q2	2.3	-4.3	3.9	8.7	-0.9	1.5	5.4	4.3	3.6
South Africa	0.3	Q2	1.0	-6.0	4.7	1.9	0.6	0.9	1.4	1.3	1.2
Türkiye	2.5	Q2	4.2	1.7	11.8	5.3	4.5	3.5	2.0	3.0	3.1

f--Forecast. y/y--Year on year. Sources: Haver Analytics and S&P Global Ratings.
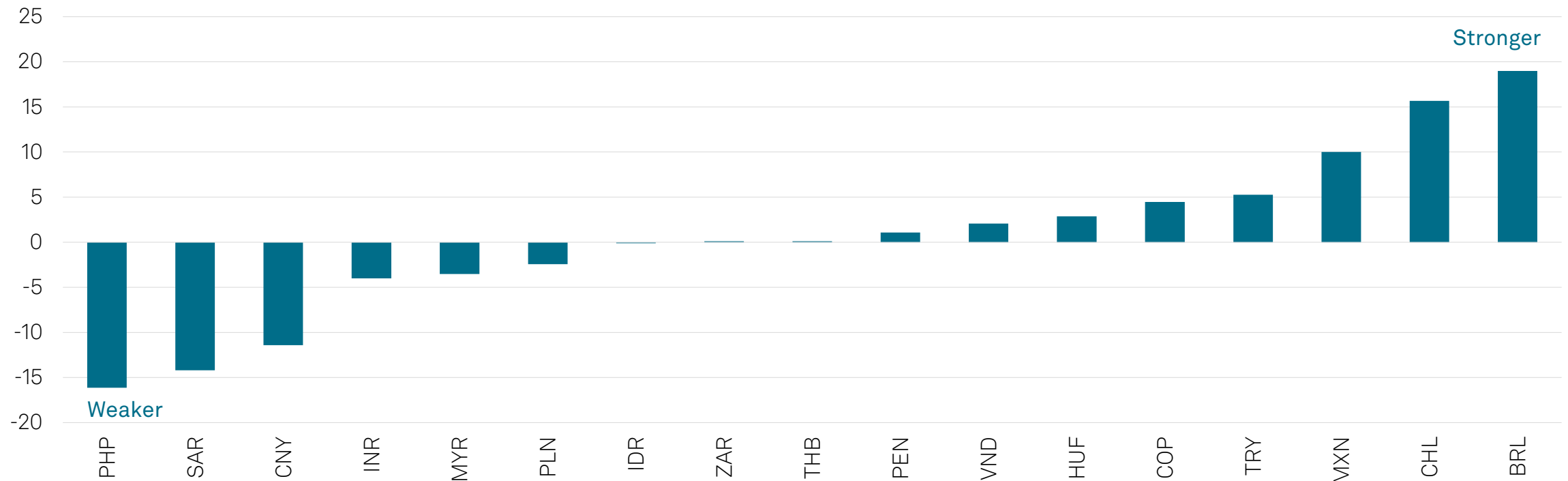
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Monetary Policy/FX | Start Of Fed Cuts Opens Room For Easing In EMs

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	Aug. exchange rate chg.	YTD exchange rate chg.
Argentina	40.00%	No target	236.7%	Hold	N/A	-2.1%	-15.1%
Brazil	10.75%	3.0% +/- 1.5%	4.2%	25 bps hike	Nov. 6	0.1%	-14.4%
Chile	5.50%	3.0% +/- 1.0%	4.6%	25 bps cut	Oct. 26	4.3%	-3.6%
Colombia	10.75%	3.0% +/- 1.0%	6.1%	50 bps cut	Sept. 30	-1.0%	-7.5%
Mexico	10.75%	3.0% +/- 1.0%	5.0%	25 bps cut	Sept. 26	-5.4%	-13.9%
Peru	5.25%	1.0% - 3.0%	2.0%	25 bps cut	Oct. 10	-0.6%	-1.2%
China	1.70%	3.0%	0.6%	Hold	N/A	1.9%	0.2%
India	6.50%	4.0 +/- 2.0%	3.7%	Hold	Oct. 6	-0.2%	-0.9%
Indonesia	6.00%	3.5% +/- 1.0%	2.1%	25 bps cut	Oct. 16	5.3%	-0.2%
Malaysia	3.00%	No target	2.0%	Hold	Nov. 6	6.7%	6.4%
Philippines	6.25%	3.0% +/- 1.0%	3.3%	25 bps cut	Oct. 17	4.2%	-1.3%
Thailand	2.50%	2.5% +/- 1.5%	0.4%	Hold	Oct. 16	5.3%	0.8%
Vietnam	4.50%	4.0%	3.5%	Hold	N/A	0.1%	-1.5%
Hungary	6.75%	3.0% +/- 1.0%	3.4%	Hold	Sept. 24	3.2%	-2.3%
Poland	5.75%	2.5% +/- 1.0%	4.2%	Hold	Oct. 2	2.7%	1.8%
Saudi Arabia	6.00%	No target	1.5%	Hold	N/A	0.0%	0.0%
South Africa	8.00%	3.0% - 6.0%	4.6%	25 bps cut	Nov. 21	3.7%	5.5%
Türkiye	50.00%	5.0% +/- 2.0%	52.0%	Hold	Sept. 19	-2.5%	-13.2%

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 | Latin American Currencies Still Strong

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

Data as of Aug. 31, 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
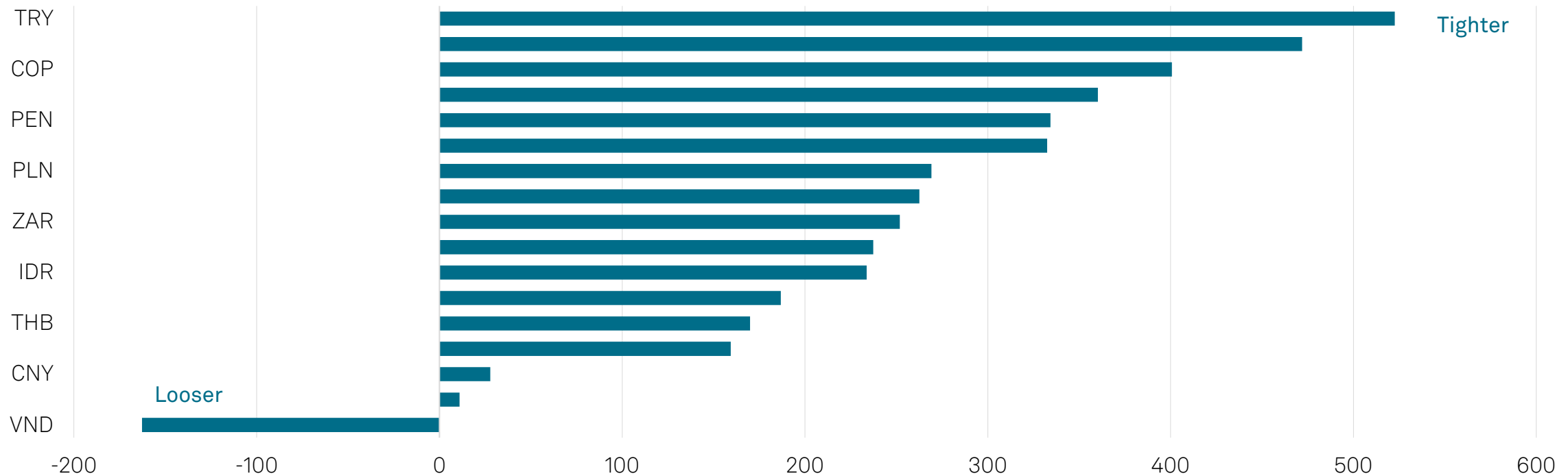
Data as of Aug. 31, 2024. Note: Real interest rates are deflated by CPI. In the cases where we didn't have 10 years of history, we used all the available data to calculate the average. We exclude Argentina. For China, we use the seven-day reverse repo rate.
Sources: Haver Analytics and S&P Global Ratings.

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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	Positive	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	3	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	I	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 (Aug. 31, 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.
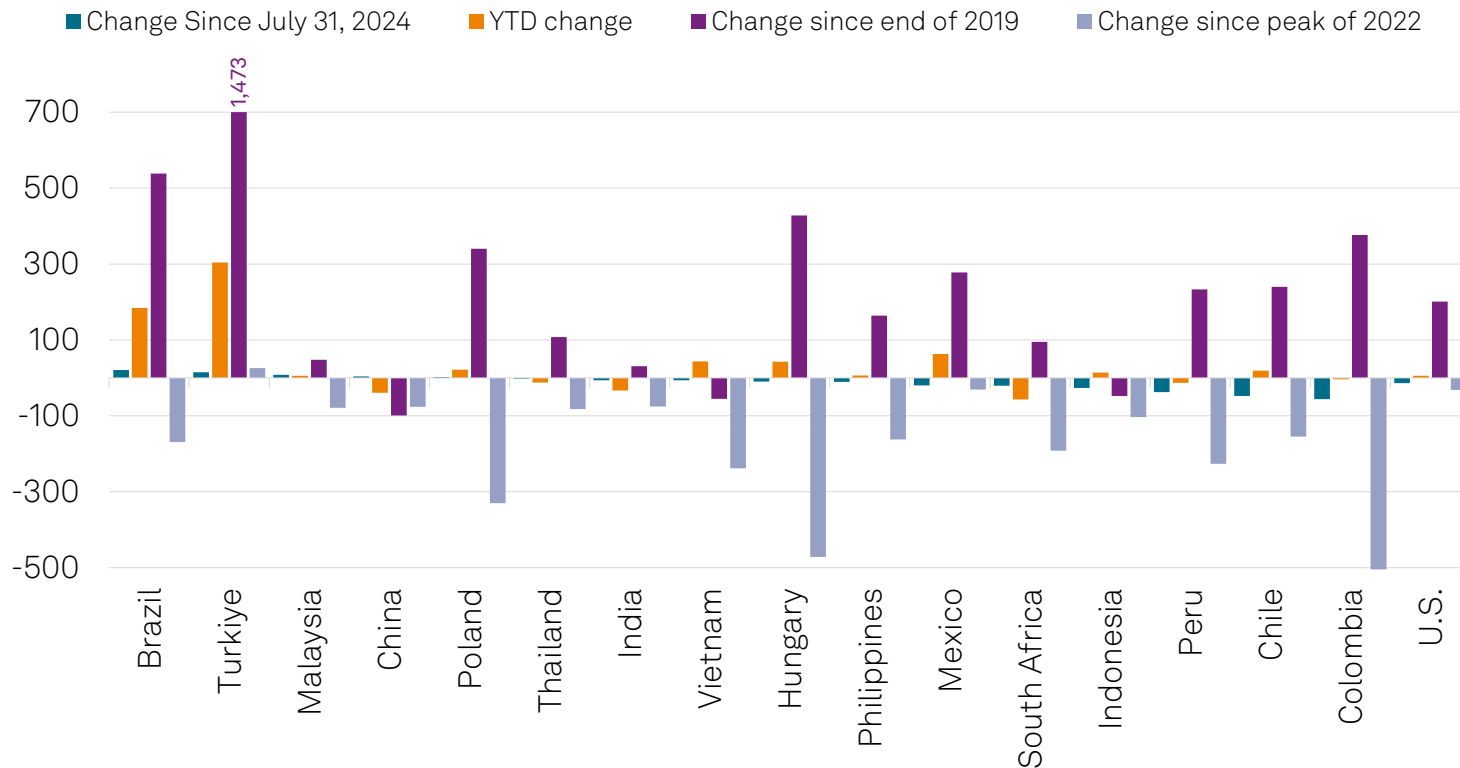
Nonfinancial Corporates--Ratios are derived from the median of rated corporates in their respective countries. We then rank them according to our "Corporate Methodology," Nov. 19, 2013, by using table 17, with levels that go from minimal to highly leveraged. §We assess return on capital by using the 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 Sept. 12, 2024.

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Financing Conditions Highlights

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EM Yields | Decreasing On Fed Cut

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

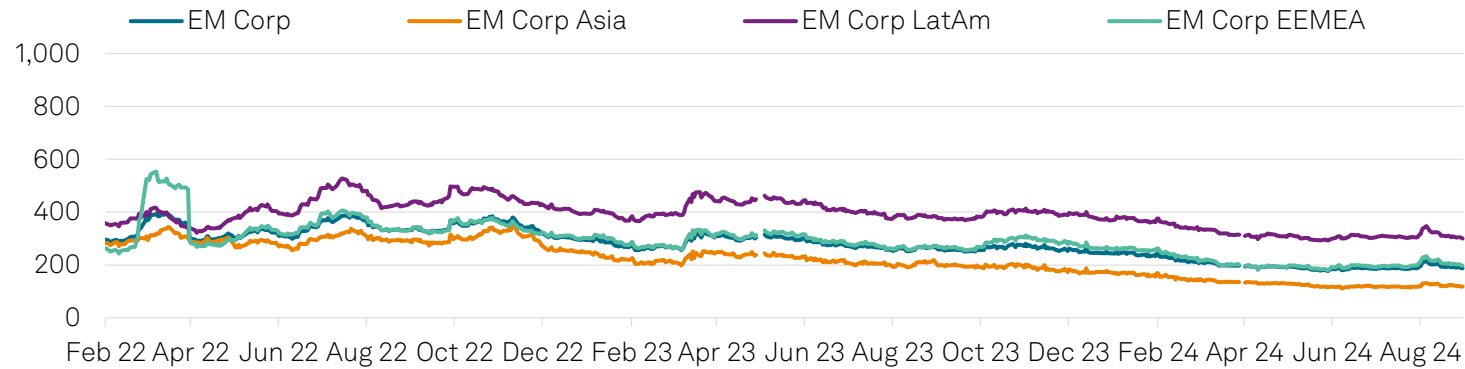Legend: Change Since July 31, 2024 · YTD change · Change since end of 2019 · Change since peak of 2022

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

Turkiye "Change since end of 2019" value: 1,473

Data as of Aug. 31, 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 decreased for 12 countries out of 16, pricing the first rate cut from the Fed since 2020,** except Brazil (+21 bps) on fiscal deficit concerns and still high inflation, and Türkiye (+15 bps), where the loss of export demand added onto a downturn in gross fixed capital investment in Q2. Major downside movements were in Colombia (-56 bps) following the descending inflation rate (although it's still above the established target) and better-than-expected private consumption growth, and Chile (-48 bps) which is advancing with its monetary policy normalization with a further 25 bps cut on its policy rate, now at 5.5%.

- **Besides relevant idiosyncratic factors, yields will continue to be sensitive to the achievement of a soft landing from the Fed, geopolitical risk amid two ongoing conflicts, and political uncertainty.** All these factors could bring market volatility spikes to the fore.

EM Credit Spreads | Compressing

EM spreads by region (bps)

Legend: EM Corp, EM Corp Asia, EM Corp LatAm, EM Corp EEMEA

Y-axis: 0, 200, 400, 600, 800, 1,000
X-axis: Feb 22, Apr 22, Jun 22, Aug 22, Oct 22, Dec 22, Feb 23, Apr 23, Jun 23, Aug 23, Oct 23, Dec 23, Feb 24, Apr 24, Jun 24, Aug 24

U.S. and EM spreads (bps)

Legend: US IG, US SG, EM Corp IG, EM Corp SG

Y-axis: 0, 200, 400, 600, 800, 1,000
X-axis: Feb 22, Apr 22, Jun 22, Aug 22, Oct 22, Dec 22, Feb 23, Apr 23, Jun 23, Aug 23, Oct 23, Dec 23, Feb 24, Apr 24, Jun 24, Aug 24
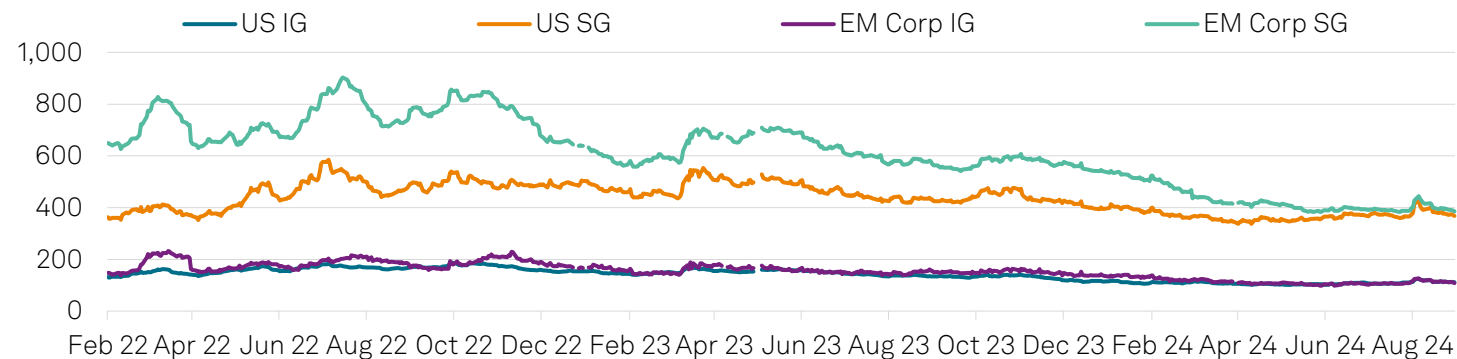
Data as of Aug. 31, 2024. bps--Basis points. IG--Investment-grade. SG--Speculative-grade.
Sources: Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis, S&P Global Ratings Credit Research & Insights.

- **EM corporate average spreads recorded 187 bps** in August, 7 bps lower than July. Latin America had the highest compression, as spreads came down by 15 bps from the previous month to 300 bps.

- **Speculative-grade spreads fell the most,** with a 13-bps month-to-date and 150-bps year-to-date decrease, a more relevant drop when compared to advanced economies: U.S. speculative-grade spreads are only down 5 bps month-to-date and 31 bps year-to-date.

- **This drop was mirrored by strong speculative-grade issuance,** which recorded the highest 2024 monthly record in the first week of September, after a quiet August. The weekly volume was $3.2 billion with an average coupon of 7.2% and an 8.7 year tenor. The market was open for two Argentine 'CCC' rated companies, YPF S.A. (nonbank financial institution) and Pampa Energia (utility), both needing to refinance their 2025-2026 debt maturities.

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EM | Financial And Nonfinancial Corporate Issuance

- **EM issuance in August decreased 7% from its July level, to $184 billion.** Greater China actually increased its monthly bond issuance by 3% to $177 billion, with strong performance from banks, utilities, and capital goods, while insurance slowed.

- **Issuance excluding Greater China dropped in August, as has been the case historically,** falling to $7 billion from $25 billion in July. This was particularly true for banks, oil & gas, and utilities and country-wise for Türkiye, Mexico, and Brazil, the latter relying more on domestic markets.

- **Cumulative corporate bond issuance remains near 2019-2021 highs**, as issuers tapped the market to refinance their near-term maturities at a cheaper, yet still elevated, cost. Region-wise, after eight months in the year, EEMEA's year-to-date issuance was 174% of its full-year 2016-2023 average, Greater China was 93%, Latin America was 74%, and EM Asia lagged at 58%.

EM* cumulative corporate bond issuance (bil. $)
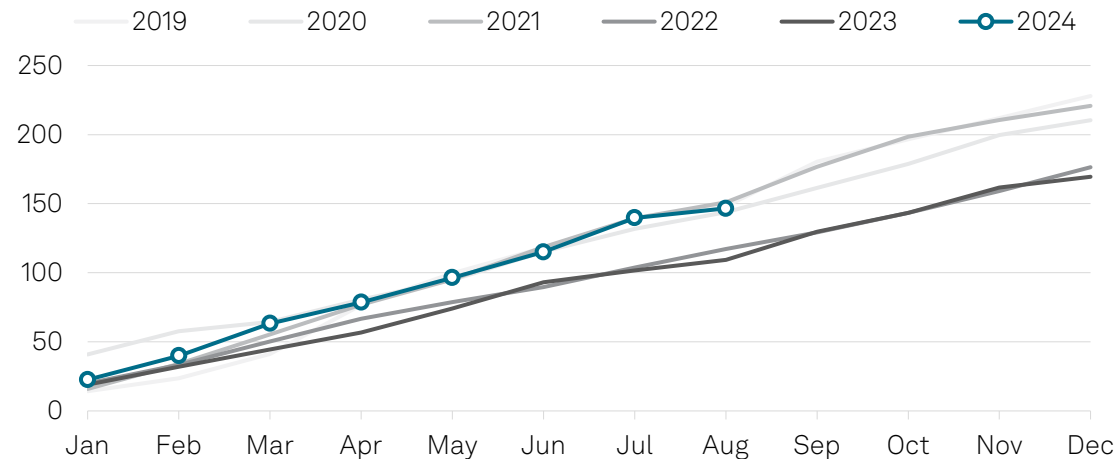
Includes not rated. *Excluding Greater China. Data as of Aug. 31, 2024. Sources: Refinitiv, S&P Global Ratings Credit Research & Insights.

EM regional bond issuance (bil. $)
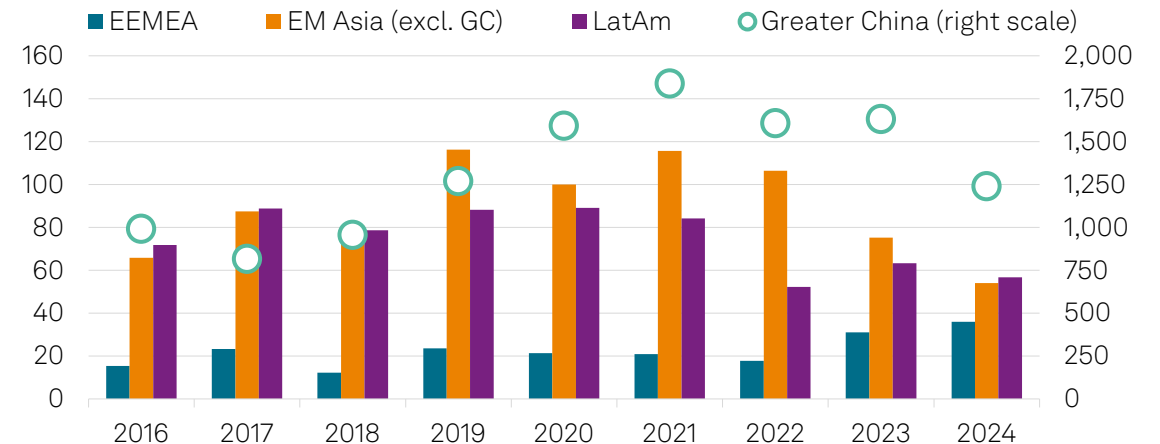
GC--Greater China. Data as of Aug. 31, 2024. Sources: Refinitiv, S&P Global Ratings Credit Research & Insights.

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Top 20 EM Rated Issuance | By Debt Amount In The Past 90 Days

As of Sept. 6, 2024

Investment grade **Speculative grade**

Rating date	Issuer	Economy	Sector	YTM (%)	Issuer Credit Rating	Debt amount (mil. $)	Maturity Year
5-Sep-24	SQM	Chile	CP&ES	5.6	BBB+	844	2034
17-Jun-24	Bancolombia S.A.	Colombia	Banks	Reset	BB+	800	2034
5-Sep-24	Centrais Eletricas Brasileiras	Brazil	Utility	6.7	BB	736	2035
3-Sep-24	BBVA Mexico S.A.	Mexico	Banks	5.3	BBB	599	2029
3-Sep-24	BCP	Peru	Banks	5.8	BBB-	598	2035
24-Jul-24	ENAP	Chile	Integrated oil & gas	6.2	BBB-	591	2034
1-Jul-24	Ulker Biskuvi Sanayi AS	Turkey	Consumer products	7.9	BB	550	2031
4-Sep-24	YPF S.A.	Argentina	NBFI	8.8	CCC	500	2031
28-Aug-24	Khazanah Global Sukuk Bhd	Malaysia	NBFI	4.5	A-	500	2029
28-Aug-24	Khazanah Capital Ltd.	Malaysia	NBFI	4.8	A-	500	2034
5-Sep-24	Banco de Credito e Inversiones	Chile	Banks	Reset	A-	500	Perpetual
4-Sep-24	Pegasus Hava Tasimaciligi AS	Turkey	Transportation	8.0	B+	500	2031
18-Jul-24	TGS	Argentina	Utility	8.8	CCC	484	2031
5-Sep-24	Pampa Energia S.A.	Argentina	Utility	8.3	CCC	404	2031
22-Jul-24	Piramal Capital & Housing Fin	India	NBFI	7.9	BB-	299	2028
29-Aug-24	Engie Energia Chile S.A.	Chile	Utility	2.1	BBB	224	2029
2-Jul-24	Banco Internacional S.A.	Chile	Banks	2.8	BBB+	133	2027
10-Jul-24	Muthoot Finance Ltd.	India	NBFI	6.8	BB	101	2028

Excludes sovereigns, Greater China. Foreign currency ratings. CP&ES--Chemicals, packaging, and environmental services. YTM--Yield-to-maturity. Sources: Refinitiv and S&P Global Ratings Credit Research & Insights.

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Ratings Summary

Ratings Summary | Sovereign Ratings In EM 18

Economy	Rating	Outlook	Five-year CDS spread (Aug. 31)	Five-year CDS spread (July 31)
China	A+	Stable	57	63
Chile	A	Negative	51	57
Saudi Arabia	A	Positive	55	57
Malaysia	A-	Stable	38	42
Poland	A-	Stable	63	67
Philippines	BBB+	Stable	58	65
Thailand	BBB+	Stable	36	42
Indonesia	BBB	Stable	67	74
Mexico	BBB	Stable	114	109
Peru	BBB-	Stable	73	75
Hungary	BBB-	Stable	115	119
India	BBB-	Positive	46	45
Colombia	BB+	Negative	180	186
Vietnam	BB+	Stable	99	111
Brazil	BB	Stable	151	158
South Africa	BB-	Stable	182	195
Türkiye	B+	Positive	273	264
Argentina	CCC	Stable	2,484	2,450

Data as of Aug. 31, 2024, and sovereign ratings as of Sept. 5, 2024. Foreign currency ratings. Red means speculative-grade 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.

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Top 20 EM Rating Actions | By Debt Amount In The Past 90 Days
As Of Aug. 31, 2024

				Investment grade	Speculative grade		

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. $)
20-Aug-24	Tata Motors Ltd. (Tata Sons Pte. Ltd.)	India	Automotive	BBB	BB+	Upgrade	5,023
25-Jun-24	PT Medco Energi Internasional Tbk.	Indonesia	Oil & gas	BB-	B+	Upgrade	2,259
22-Aug-24	Latam Airlines Group S.A.	Chile	Transportation	BB-	B+	Upgrade	2,250
8-Aug-24	Oi S.A.	Brazil	Telecommunications	CCC	CCC-	Upgrade	1,385
20-Aug-24	Tata Steel Ltd. (Tata Sons Pte. Ltd.)	India	Metals, mining, & steel	BBB	BBB-	Upgrade	1,000
27-Jun-24	Ulker Biskuvi Sanayi A.S.	Turkiye	Consumer products	BB	B	Upgrade	650
13-Aug-24	Operadora de Servicios Mega S.A. de C.V. SOFOM E.R.	Mexico	Financial institutions	CC	CCC-	Downgrade	500

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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EM | Total Rating Actions By Economy In 2024

Legend:
- Positive outlook/CreditWatch revisions
- Upgrade
- Downgrade
- Negative outlook/CreditWatch revisions

Economies: Argentina, Brazil, Chile, Colombia, Greater China, Hungary, India, Indonesia, Malaysia, Mexico, Peru, Philippines, Poland, Saudi Arabia, Thailand, Turkiye

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- **There were seven upgrades in August, up from one in July.** Three involved Tata Group entities, of which two were rising stars: Tata Motors (automotive) and Tata Power (utility). We upgraded two additional utilities: Eletrobras (Brazil) to 'BB' on improved metrics from efficiency gains, and Manila Electric Co. (the Philippines) to 'BBB' on improving profitability of the unregulated power generation business amid steady cash flow.

- **August saw three downgrades, in line with July.** Two companies defaulted: CLISA (Argentina; capital goods) failed to make an interest payment on its $358 million notes due 2027, and Grupo Idesa (Mexico; chemicals) completed a cash tender whereby creditors will receive less value than originally promised, with a principal discount of 20% over par and almost four year in interest payment losses. We downgraded Operadora de Servicios Mega (Mexico; NBFI) to 'CC' from 'CCC-' because its use of a 30-day grace period to make an interest payment on its notes due 2025 signaled that a default is almost inevitable. We lowered the global scale issuer credit rating on the company to 'SD' on Sept. 11, 2024.
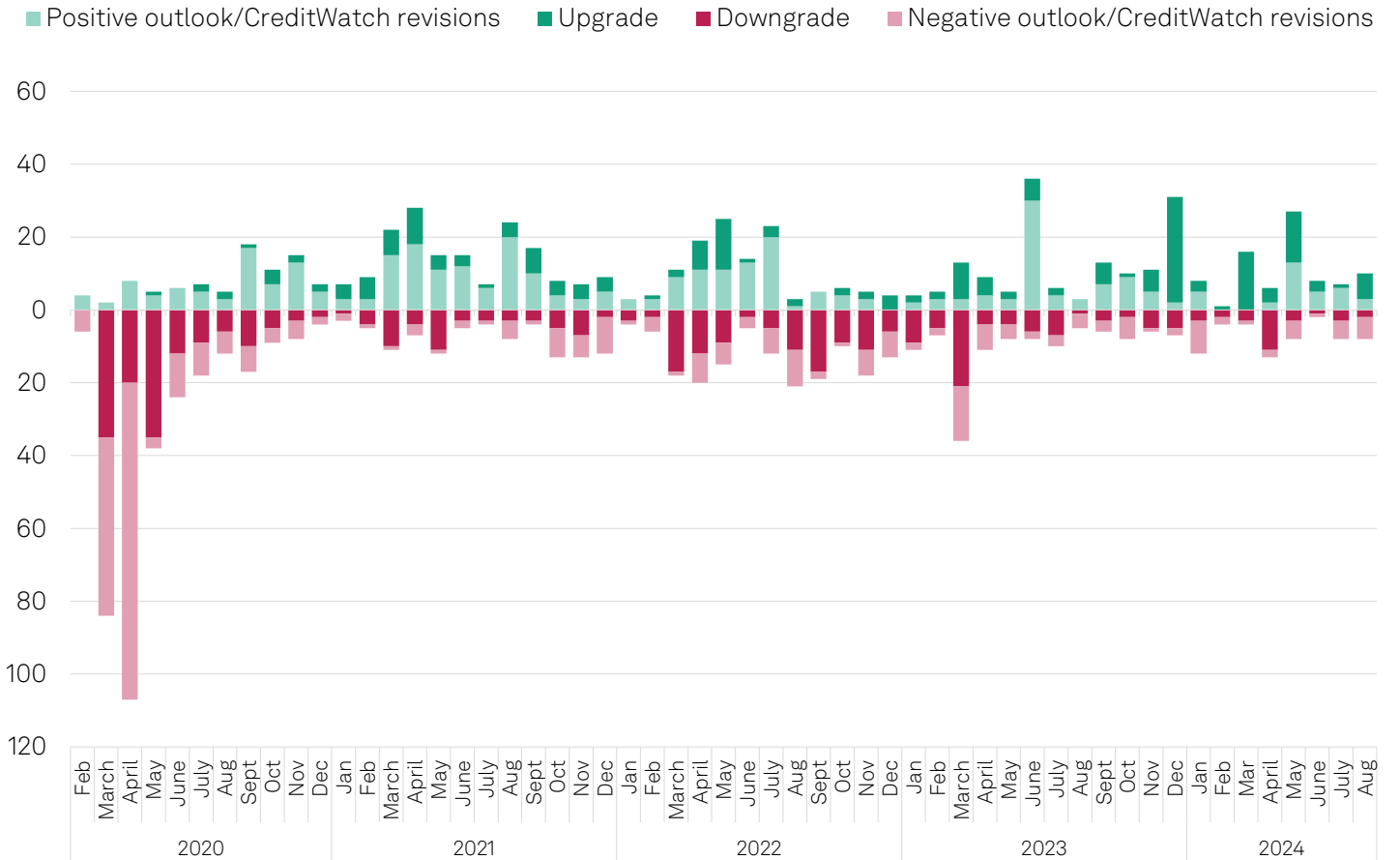
Data from Feb. 3, 2020, to Aug. 31, 2024. Includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent.
Source: S&P Global Ratings Credit Research & Insights.

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EM Downgrade Potential | Regional Negative Bias

- **Latin America remains the region with the highest negative bias among EMs,** with 22%, 2 percentage points higher than its July record. We revised the outlook on Companhia Siderurgica Nacional (Brazil; metals, mining, & steel) to negative on pressured EBITDA due to fiercer competition from imported steel and as high capex and dividends constrain the reduction of net debt. We also revised the outlook on Compania Cervecerias Unidas S.A. (Chile; corporate products) to negative on weaker performance following a weak macroeconomic environment (drop in consumption) in its Argentine segment and unfavorable weather conditions in Chile.

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

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

Legend: 10-Year Average · 5-Year Average · July 31, 2024 · August 31, 2024

Negative bias by sector (%)

Legend: Current Negative Bias (Aug .31, 2024) · Current Negative Bias (July 31, 2024) · 5-Year Averages (Aug .31, 2024)
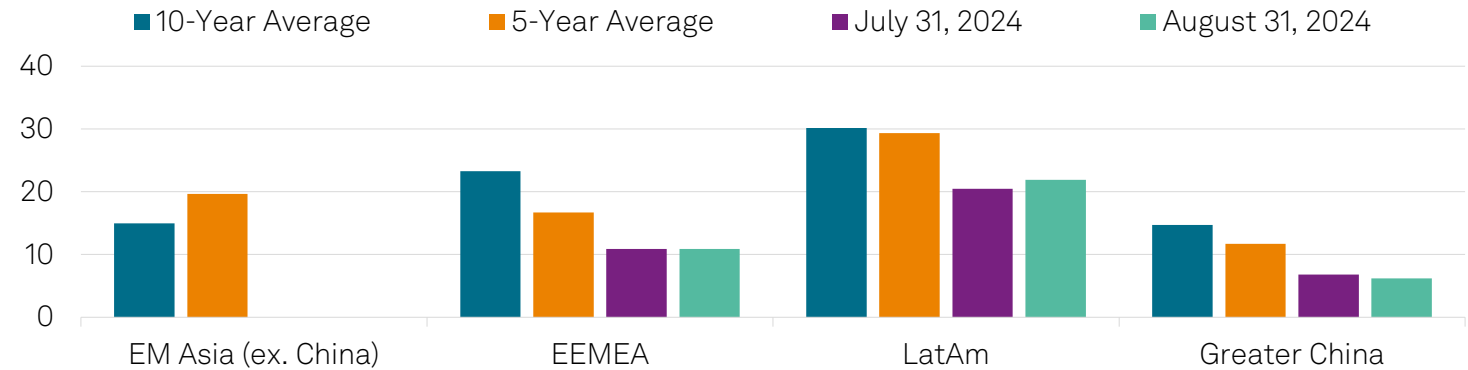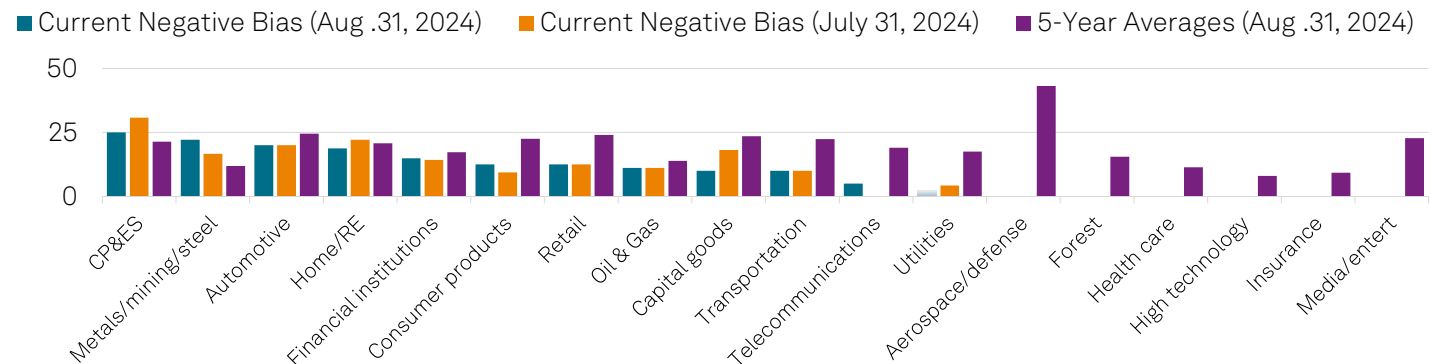
Data as of Aug. 31, 2024. Excludes sovereigns, and subsidiaries. Media/entert--Media and entertainment. Retail--Retail / restaurants. CP&ES--Chemicals, packaging, and environmental services. Home/RE--Homebuilders/real estate companies. Forest--Forest products and building materials. Negative bias--Percentage of issuers with a negative outlook or on CreditWatch negative. Source: S&P Global Ratings Credit Research & Insights.

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Rating Actions | One Downgrade To 'CCC/CC' From 'B' So Far In 2024

2024

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
17-Jul-24	Grupo Idesa S.A. de C.V.	Mexico	CP & ES	CCC+	B-	311

2023

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 Aug. 31, 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.

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Rating Actions | Four Fallen Angels And Three 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
20-Aug-24	Tata Motors Ltd. (Tata Sons Pte. Ltd.)	India	Automotive	BBB	BB+	5,023

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

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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	--
6-Aug-24	Grupo Idesa S.A. de C.V.	Mexico	Chemicals, packaging, and environmental services	SD	CC	--
27-Aug-24	CLISA-Compania Latinoamericana de Infraestructura & Servicios S.A. (B)	Argentina	Capital goods	SD	CC	--

Data as of Aug. 31, 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®.

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Rating Actions | Fallen Angels And Potential Fallen Angels

Average potential fallen angels are down to five from seven in 2023
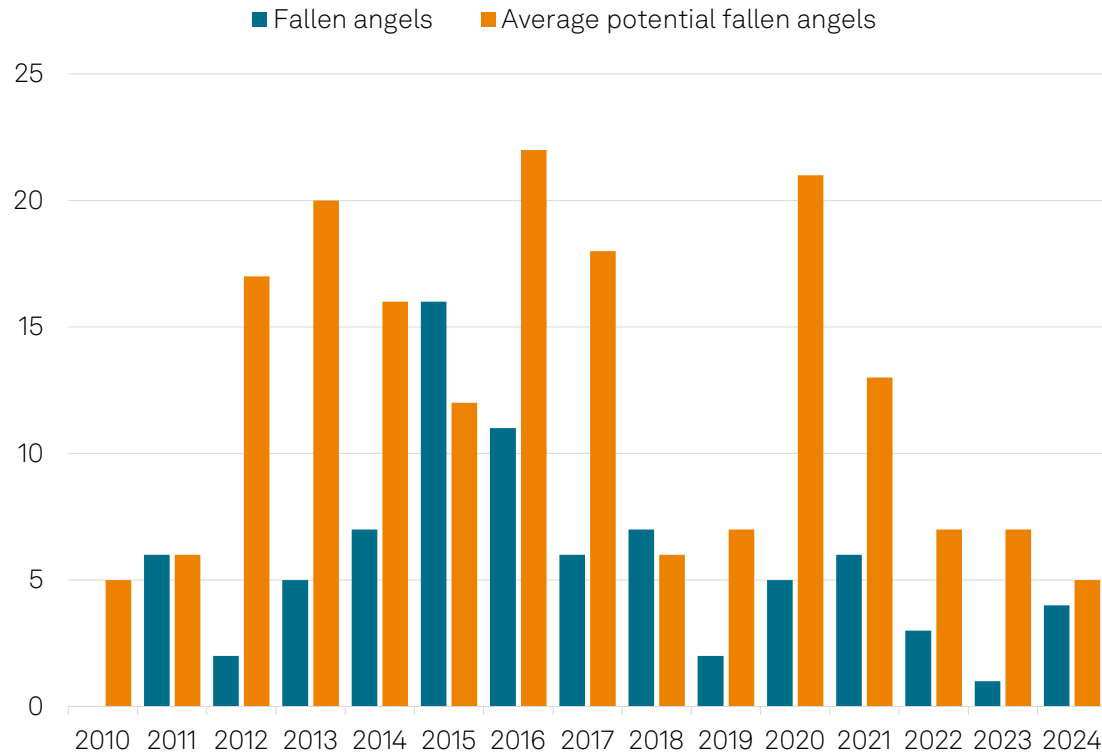
EM potential fallen angels are mostly in LatAm
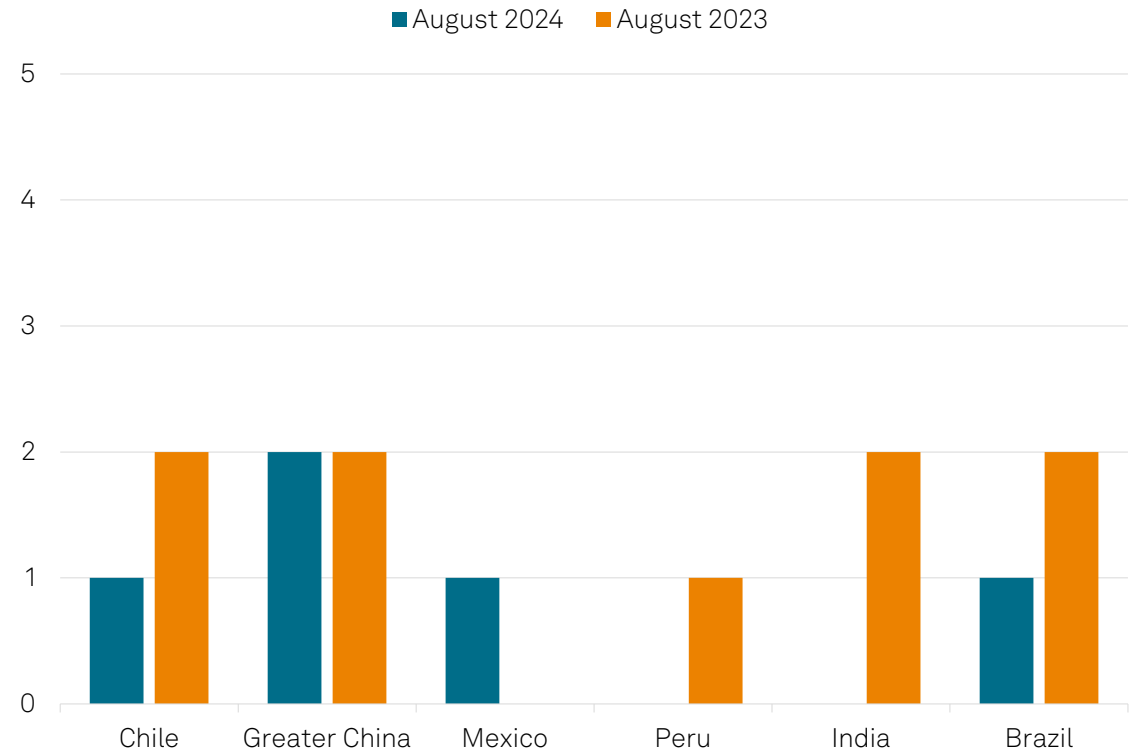
Data as of Aug. 31, 2024. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | Rising Stars And Potential Rising Stars

Average potential rising stars at two, lower than 2023

■ Rising stars   ■ Average potential rising stars
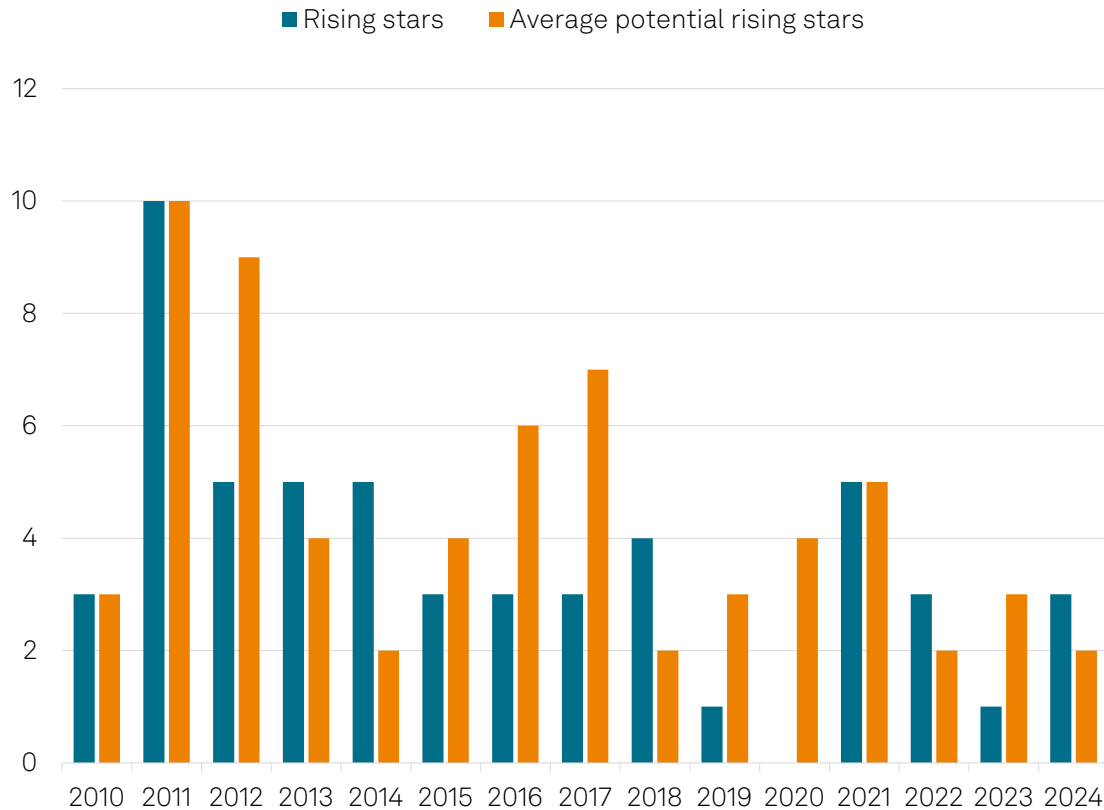
No current potential rising stars

■ August 2024   ■ August 2023

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

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Rating Actions | Weakest Links And Defaults

EM weakest links down to four in August

Legend: Weakest links count (left scale) — Weakest link share of speculative-grade population (%) (right scale)
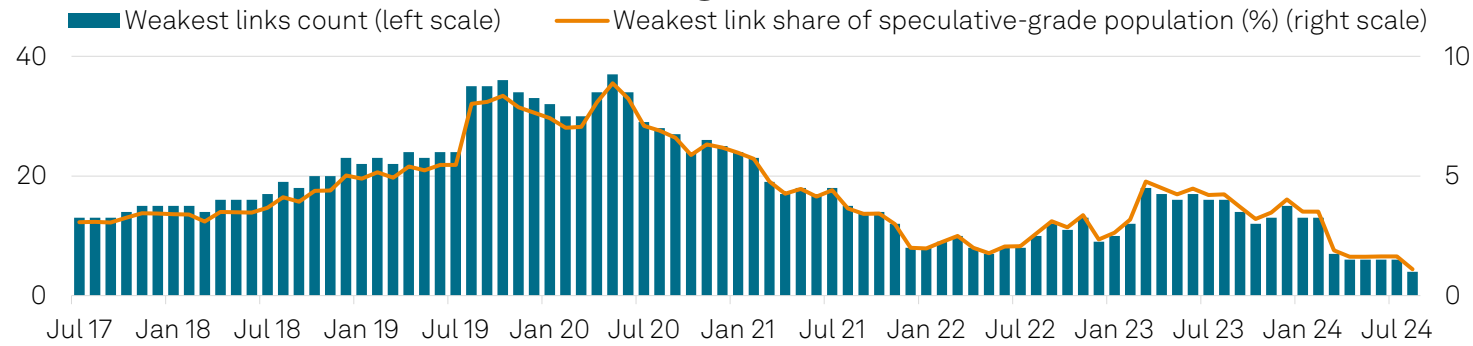
Data as of Aug. 31, 2024. Parent only. Weakest links are defined as issuers rated 'B−' or lower with negative outlooks or ratings on CreditWatch with negative implications. Source: S&P Global Ratings Credit Research & Insights.

Default rate this month (as of July 2024)

Legend: EM Asia (excl. China) — EEMEA — LatAm — EM (excl. China)

3.10
2.42
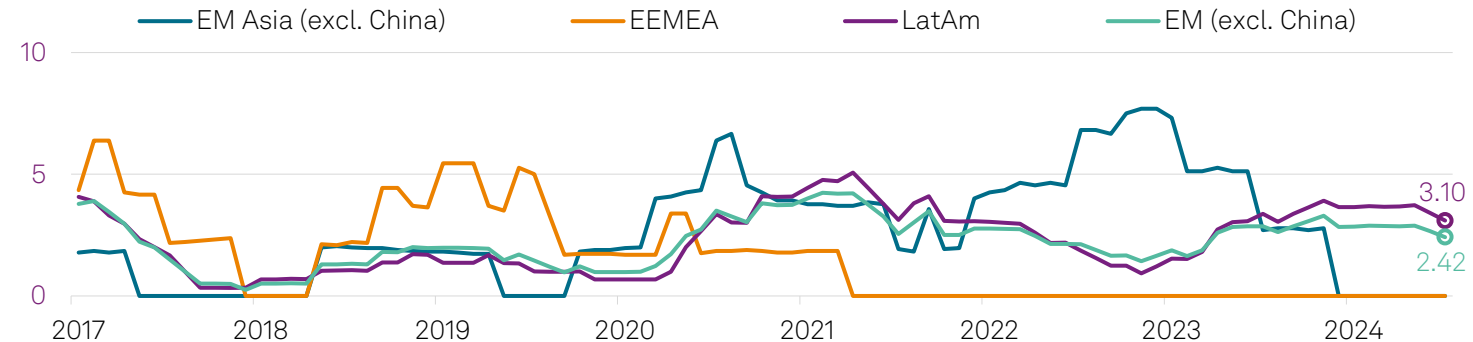
Excluding China. CreditPro data as of July 31, 2024. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Excludes sovereigns. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

- **Weakest links (WL) are down to four issuers** in August from six in July. Besides the two defaults, we withdrew the ratings on Xinhu Zhongbao Co. Ltd. (China; real estate) at the company's request and added to the WL pool Oi S.A. (Brazil; telecom) after upgrading it to 'CCC' from 'CCC-' on completion of its debt exchange and revising the outlook to negative, reflecting our view that the company will generate negative EBITDA in the next two years and is dependent on favorable events, such as asset sales, to improve its repayment capacity. Three of the WL are in Latin America.

- **Default rates.** The July default rate (excluding China) decreased to 2.42% from 2.66% in June. Recently, the composite index has been mainly driven by LatAm, where all 2024 defaults took place so far. The pace of defaults in this specific region was 3.10% in July, gradually decreasing from its 2023 peak of 3.92% in November.

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Rating Actions | Defaults

Year-end global corporate defaults by reason

- Confidential
- Missed principal/interest payments
- Out-of-court restructuring
- Regulatory intervention
- Distressed exchanges
- Bankruptcy-related
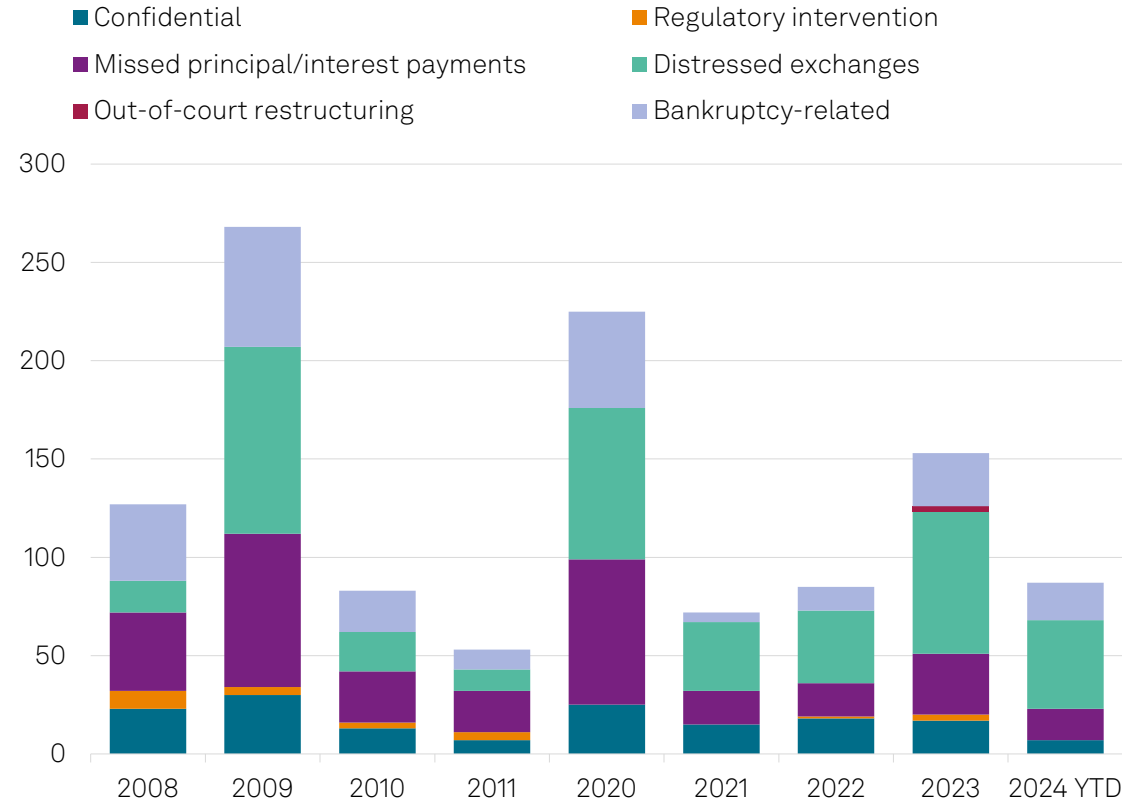
Year-end EM 18 corporate defaults by reason

- Confidential
- Missed principal/interest payments
- Out-of-court restructuring
- Regulatory intervention
- Distressed exchanges
- Bankruptcy-related
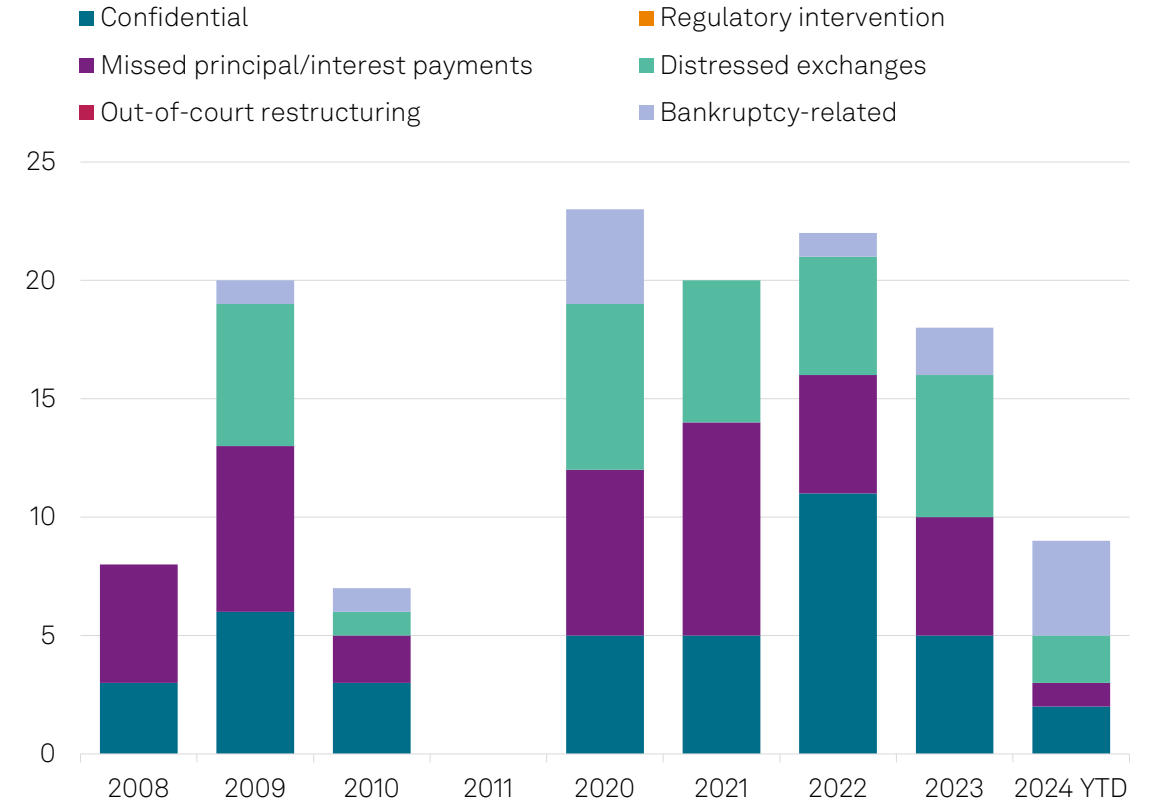
Data as of Aug. 31, 2024. YTD--Year-to-date. Data has been updated to reflect confidential issuers. Excludes sovereigns. Includes Greater China and Red Chip companies.
Sources: S&P Global Ratings Credit Research & Insights, S&P Global Market Intelligence's CreditPro®.

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Related Research

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