

Credit Conditions Emerging Markets:

Slow Recovery, Prevalent Risks

June 30, 2020

Key Takeaways

- Overall: Improving external conditions--including resumption in business activity in key emerging market (EM) trade partners such as the U.S., the Eurozone and China, along with unprecedented accommodative monetary conditions--are shoring up financing conditions for EMs. Activity in EM economies is slowly picking up, but it will take long to get back to business as usual.
- Risks: Risks remain firmly on the downside, the deep economic shock in 2020 will spike debt levels across governments, corporations, and households in EMs, some of which were suffering from already high debt burdens prior to the pandemic. Lockdown fatigue driven by mounting political pressures and economic costs could lead to poor policy choices. Most EMs have limited room to maneuver, but the absence of proper economic stimulus could derail recovery and prolong the economic downturn.
- Credit: Issuers will remain under pressure over the coming months. Those able to stay afloat during the severe downturn will probably do with higher debt levels and weaker profits.

(Editor's Note: S&P Global Ratings' Credit Conditions Committees meet quarterly to review macroeconomic conditions in each of four regions [Asia-Pacific, EMs, North America, and Europe]. Discussions center on identifying credit risks and their potential ratings impact in various asset classes, as well as borrowing and lending trends for businesses and consumers. This commentary reflects views discussed in the EMs committee on June 24, 2020.)

S&P Global Ratings acknowledges a high degree of uncertainty about the evolution of the coronavirus pandemic. The consensus among health experts is that the pandemic may now be at, or near, its peak in some regions, but will remain a threat until a vaccine or effective treatment is widely available, which may not occur until the second half of 2021. We are using this assumption in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Contents

| | |
|-----------------------------------|----|
| Regional Credit Conditions | 2 |
| Shape of Recovery: LatAm | 5 |
| Macroeconomic Outlook | 10 |
| Financing Conditions | 13 |
| Sector Trends | 15 |
| Appendix 1: Economic Forecasts | 26 |

Top EM Risks

Table 1

Top EM Risks

COVID-19 spreading across key EMs and policy choices dampen growth trajectory

Risk level* Very low Moderate Elevated High **Very high** Risk trend** Improving **Unchanged** Worsening

Many key EM economies have failed to contain the epidemic. Nevertheless a lockdown fatigue is developing across many countries driven by mounting political pressures and economic costs. Some EMs are gradually lifting the lockdowns after taming the pandemic. In some cases, however, lockdowns are eased despite increasing COVID-19 cases, which could undermine a potential recovery. Overall, the room to maneuver in EMs is limited given fiscal rigidities, high poverty and informality levels and ill-equipped health systems. The risk of poor policy choices that deepen the crisis is on the rise as COVID-19 cases continue increasing in many key EM economies.

Debt buildup among governments, corporates and households is increasing vulnerability to weaker economic conditions

Risk level* Very low Moderate Elevated High **Very high** Risk trend** Improving **Unchanged** Worsening

The unprecedented monetary stimulus in developed economies has been successful in stabilizing markets and providing liquidity across asset classes globally. The consequences, however, will be ratchet up leverage levels on top of already high debt burden among governments, corporations and households (with some exceptions). A riskier panorama considering a slow economic recovery, higher unemployment levels, and lower revenues across most sectors. Extended lockdowns or ineffective policy response could turn the liquidity shock into a solvency crisis. Many rated issuers are already reflecting the effects of increasing leverage.

Economic spillovers from U.S.-China strategic confrontation

Risk level* Very low Moderate Elevated **High** Very high Risk trend** Improving **Unchanged** Worsening

U.S.-China relations remain strained on three economic and financial fronts: trade, access to U.S. financial markets, and technology. Broader geopolitical issues, including Hong Kong and Taiwan, also remain a source of tension. The main short-term effects of a deteriorating economic relationship would be felt in manufacturing investment (in China and elsewhere) and currencies. Given the key role of the U.S. dollar and the Chinese renminbi across Asia-Pacific and other EMs, abrupt moves could affect financial conditions across the region. The more important effects are long term and are centered on supply chains, which have been a driver of productivity and long-term growth across Asia and many EMs.

High income inequality, weak access to health services, and lockdown fatigue spurring social unrest

Risk level* Very low Moderate **Elevated** High Very high Risk trend** Improving Unchanged **Worsening**

The pandemic has made more evident existing income disparities, precarious living conditions, and limited access to health services of the poor in EMs, fanning the social discontent with politicians and status quo. These conditions could ignite protests demanding changes.

Volatile financing conditions that could limit market access

Risk level* Very low Moderate **Elevated** High Very high Risk trend** Improving **Unchanged** Worsening

Ultra-accommodative monetary conditions in advanced economies, a gradual easing of lockdowns, and the expectation for a global economic recovery in the second half of the year are shoring up investors' risk appetite for EMs, reflected in improving financial conditions. Improvement, however, remains uneven across jurisdictions and asset classes, while high-yield credits continue having very limited access to the markets. Those high yield issuers that have managed to place debt over the past weeks have done so at very high costs. Risks remain firmly on the downside, and investor sentiment will probably remain fragile for the rest of the year. Specifically to EMs, extended lockdowns or signs that recovery would be weaker and longer could impair investor sentiment, causing capital outflows and liquidity crunches.

Volatile commodity prices

Risk level* Very low Moderate **Elevated** High Very high Risk trend** **Improving** Unchanged Worsening

Resumption of business activity in key developed economies, the expectation for a global economic recovery in the second half of the year, and increasing **Imports to China** are supporting the stabilization in commodity prices, some of which are gradually trending above pre-pandemic levels. We expect volatile commodity prices to prevail, absent a vaccine or effective treatment for COVID-19. Weaker economic growth prospects could pressure commodity prices again. Falling commodity prices have mixed effects across EMs. While many EM economies are net exporters and depend on commodity revenues, others could benefit, especially from falling fuel costs. However, weak commodity prices curtail investor confidence in EMs, because such a scenario usually stems from soft global growth.

Sources: S&P Global Ratings.

* Risk levels may be classified as very low, moderate, elevated, high, or very high, and 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 12 months.

Regional Credit Conditions

Risk of Poor Policy Choices Is On the Rise

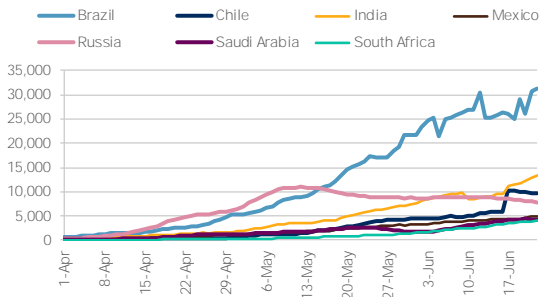
Credit conditions in EMs show some improvement thanks to better financing conditions, the expectation of a global economic recovery in the second half of 2020, and the stabilization of--in some cases, increasing--commodity prices. Economic activity is also slowly picking up in many EM economies, which brings relief to some sectors. There's still a long way to go for recovery and the deep economic shock has had a severe impact in several sectors of the economy, while consequences of the pandemic will reflect in higher debt levels for most issuers and magnified risks. Higher leverage will probably limit investment levels going forward. The efforts governments have taken to tame the pandemic and support their economies will pressure their fiscal positions and will combine with risks that were present prior to the crisis. EMs will face rising leverage, weak revenues, and potential for rising social unrest given that the pandemic has made evident deep income disparities and poor access to health services.

A fragile balance between containing the pandemic and managing economic costs weighs on government choices, while risks for policy mistakes is on the rise. Despite resumption in business activity, COVID-19 is far from contained in many EMs. A lockdown fatigue is developing across EMs as a result of mounting political pressures and economic costs. EMs are characterized by high levels of population in poverty and the informal sector. These portions of population can't afford remaining in lockdown for long because they earn most of their revenue on a daily basis and their savings capacity is nil. Furthermore, their access to health services is limited and dependent on government health systems' capacity. EM governments, therefore, face the tough choice between economy and human lives, with social pressure rising and leaning towards opening the economy as lockdowns are unsustainable for the poor. At the same time, extended lockdowns can stress the strongest corporations, although the most severe impact is for small- and medium-size enterprises for which an additional week of lockdown could mean bankruptcy. Given these factors, we don't expect lockdowns to be extended in countries were COVID-19 cases continue climbing, rather partial and localized lockdowns could be imposed. In such a scenario, consumer and business confidence will probably delay a potential economic recovery and limit its scope.

S&P Global Ratings has taken 260 rating actions related to the pandemic and falling oil prices since February 2020. Only few sectors have been spared from the severe economic shock caused by the lockdowns, such as those linked to supplying goods and services to the people staying home (essential retail/grocery, media, and telecoms, etc.) We now expect a slow recovery across EMs and this will continue pressuring most of their corporations (see chart 8 for details). The downgrade potential remains higher than historical levels. Therefore, extended lockdowns, a slower recovery, or a second wave of infections could result in more downgrades and defaults across EMs. High-yield issuers, especially those in the 'B' category, are the most vulnerable to a downside scenario.

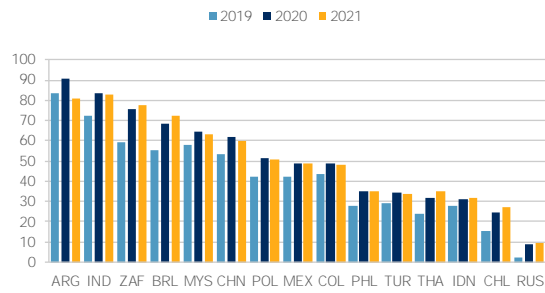
Banks across EMs have remained largely resilient despite the severe economic shock. Strong profits, sound capital buffers, and tougher liquidity rules have supported banks' fundamentals through the recent months. However, with economic risk on the rise, many banks have negative outlooks, and risks are not to be underestimated. The deep economic downturn will result in wider credit losses and weaker profits, while a sluggish economic recovery could deepen the shock to asset quality. Furthermore, loan forbearance over the past few months could result in lag of asset quality deterioration. But once loan payments resume, absent a potential economic recovery, asset quality could rapidly erode.

Chart 1
 COVID-19 Cases Continue Rising In Key EMs



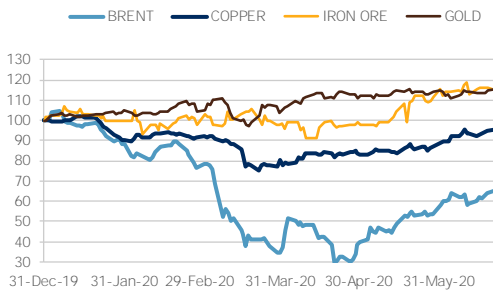
Daily new confirmed COVID-19 cases (seven-day moving average). Source: John Hopkins Center of System Science and Engineering.

Chart 2
 Sovereign Debt Levels Will Increase



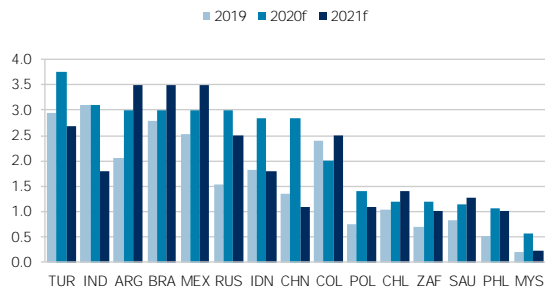
Net government debt as percentage of GDP. Source: S&P Global Ratings.

Chart 3
 Commodity Prices Are Recovering



Source: Bloomberg and S&P Global Ratings.

Chart 4
 EM Banks' Widening Credit Losses



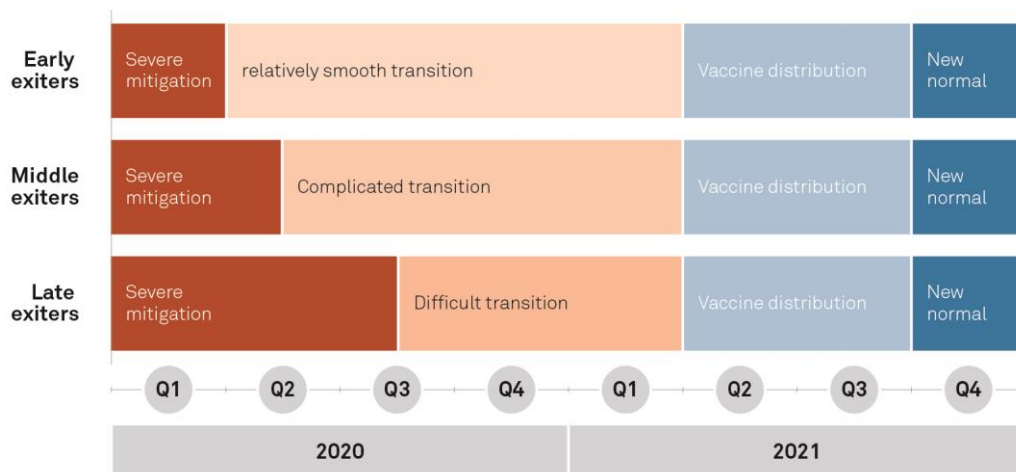
Note: Data for Argentina, Brazil, Chile, Colombia, and Mexico include net charge-offs. f--Forecast. Source: S&P Global Ratings.

Shape of Recovery: Latin America

COVID-19 to Linger Longer In Most Major Latin American Economies than In Other EMs

The Latin American region has been one of the last to get hit by the COVID-19 pandemic, and will likely be one of the last to come out of it. The region is currently the global epicenter, with Brazil having the highest new daily infections, but most Latin American countries have among the highest in-per-capita infections. As a result, lockdowns remain relatively stringent across the board. While some countries in the regions are relaxing these measures, the process is likely to be slow in an attempt to avoid further overwhelming healthcare capacity. Furthermore, high infection rates are likely to result in overall cautious behavior among consumers, pointing to a normalization in economic activity likely taking longer than in other EMs.

Chart 5
Three Scenarios of COVID-19 Exit

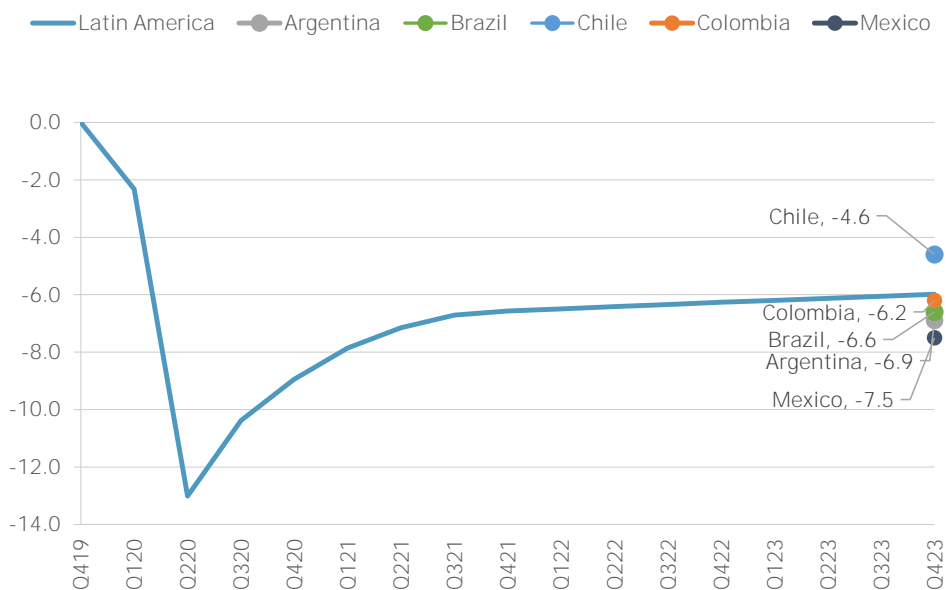


Source: S&P Global Ratings

Large Permanent Income Losses

The depth of the economic downturn, combined with a slow return to normal levels of business activity will mean that Latin American economies will experience relatively high levels of permanent losses in income. In countries where policy support is limited or ineffective, especially regarding fiscal stimulus, permanent losses will be greater. By the end of our forecast horizon in 2023, we expect these losses in the region to average 6% of GDP. Lack of policy support will put Mexico on the higher end of losses at about 7.5% of GDP. Conversely, ample stimulus directed at curbing the impact on labor and investment dynamics will help Chile have a smaller income loss of about 4.5% of GDP (see chart below for the rest of the region's major countries). In all cases, we expect total factor productivity to return to pre-pandemic levels by 2023, meaning that the permanent losses are due to loss in the levels of capital stock and higher joblessness.

Chart 6
Gap In Projected GDP Level Versus Pre-Covid GDP Path, %



Source: S&P Global Ratings.

Reopening Across Most Sectors in Latin America Will Be Uneven

Non-financial corporations have seen massive pressures on their operating and financial performance during the peak weeks of the pandemic. Businesses have started to reopen gradually in key markets, with essential industries leading the way to restore economic activity. Nonetheless, the post-lockdown starting point to initiate recovery varies significantly among industries (see chart 6). We estimate that the most resilient sectors will only face mild growth contractions in 2020 and will be better positioned to bounce back in less than a year. On the other hand, the nature of certain sectors that put people in close proximity will likely have to scale back operations by up to 50%, and will only recover as an effective vaccine or medical treatment becomes widely available and consumer demand recovers.

Based on our assessment of the magnitude of impact that the 2020 crisis will have on non-financial corporations, we now attempt to sketch the recovery path by sector. We have mapped and grouped sectors by risk profile, and found a high level of correlation between the level of impact and an estimated recovery timeframe.

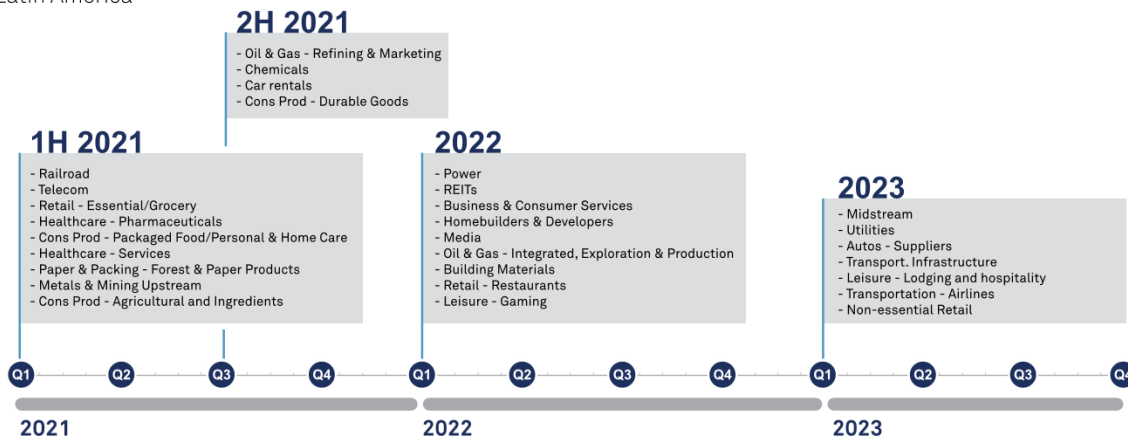
We expect this initial exercise to evolve in the coming weeks, given that there’s still substantial uncertainty about how companies emerge from the lockdowns and adapt to new business conditions across the region.

In our view, Group 1 (please see chart 7 for definition) faces the lowest risk exposures, because it consists of industries driven by essential consumption in goods and services, including healthcare, packaged foods, essential retail, and telecom. For this group, we expect a low single-digit contraction in 2020 revenue and EBITDA, and credit metrics to return to 2019 levels within a year. For Group 2, the revenue and EBITDA contraction in 2020 could reach up to 10%, and we don’t expect recovery before 2022. Companies in this group generally participate in construction-related activities and commodity-driven industries. Group 3 faces the highest exposure risk, where top-line contraction would range between 20% and 45%, and up to 60% in some specific cases. Sectors that induce close and direct human interaction, such as restaurants, transportation (including airlines), gaming, and leisure have been very sensitive to social-distancing measures, and would likely return to pre-crisis credit metrics starting in 2023.

The recovery scenario for specific companies in Groups 1, 2, and 3 could vary, depending on the rating level, because investment-grade issuers benefit not only from higher financial flexibility to absorb the downturn in consumer demand and related collateral shocks, but more importantly, they have stronger liquidity and better access to external funding to mitigate short-term risks.

Chart 7

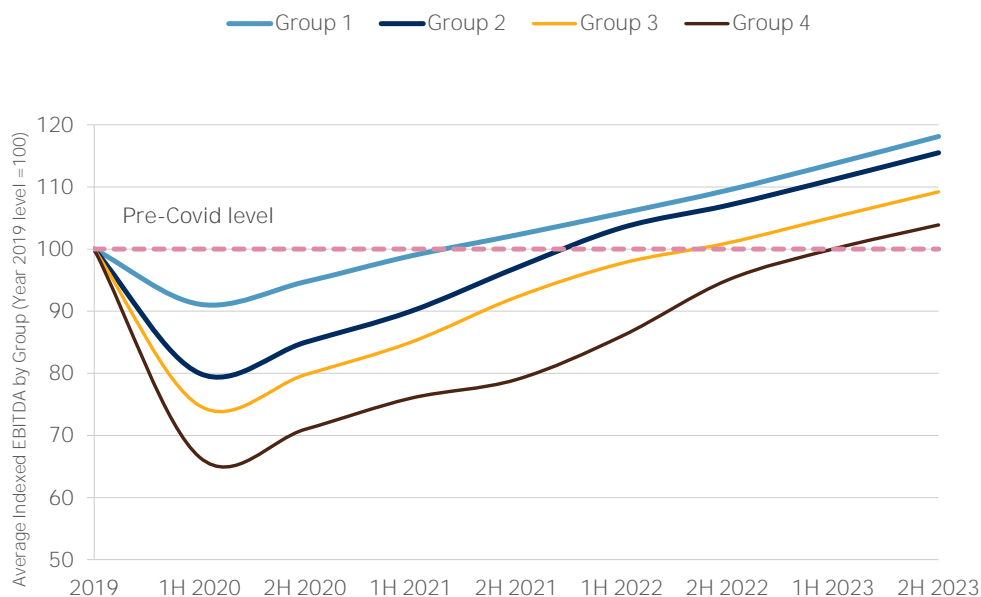
Timeframe Of Recovery Of (Run Rate) Credit Metrics To 2019 Levels
Latin America



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Source: S&P Global Ratings

Chart 8
Latin America: Stylized Shape of Recovery by Sector Group

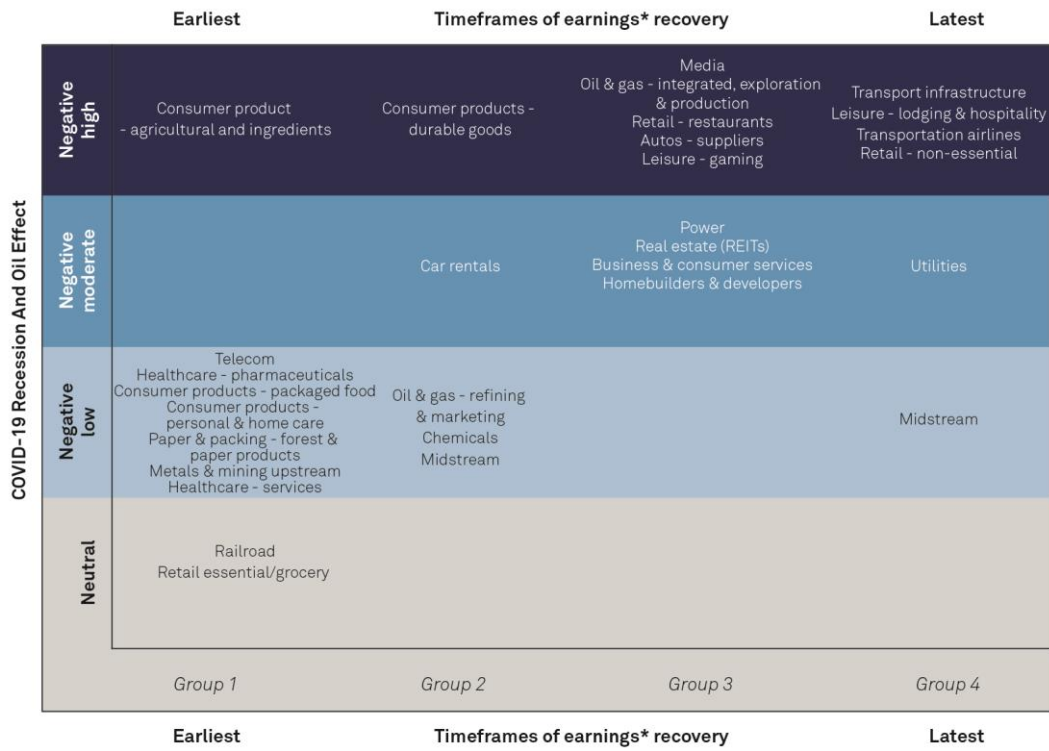


| Group 1 | Group 2 | Group 3 | Group 4 |
|--|---|--|---|
| Recovery: 1H 2021 | Recovery: 2H 2021 | Recovery: 2022 | Recovery: 2023 |
| <ul style="list-style-type: none"> - Railroads - Telecom - Retail – essential/grocery - Healthcare – pharmaceuticals - Consumer products – packaged food/personal & home care - Healthcare – services - Paper & packaging – forest & paper products - Metals & mining upstream - Consumer products – agricultural ingredients | <ul style="list-style-type: none"> - Oil & gas – refining & marketing - Chemicals - Car rentals - Consumer products – durable goods | <ul style="list-style-type: none"> - Power - Real estate (REITs) - Business & consumer services - Homebuilders & developers - Media - Oil & gas – integrated, exploration & production - Building materials - Retail – restaurants - Leisure – gaming | <ul style="list-style-type: none"> - Midstream - Utilities - Autos – suppliers - Transport – infrastructure - Leisure – lodging and hospitality - Transportation – airlines - Retail – non-essential |

For years 2022 and after, our opinion on credit metrics is used as a proxy for EBITDA (earnings before interest expense, tax, depreciation and amortization). Note: Our opinions are on broad sectors based on rated issuers. Once an index line reaches 100, projections are then based on the region’s nominal GDP growth rate.

Chart 9

Sector-Level Impact And Recovery: Latin America



Source: S&P Global Ratings. *For 2022 and afterwards, our opinion on credit metrics is used as a proxy for EBITDA (earnings before interest expense, tax, depreciation and amortization).

Macroeconomic Outlook

(Editor's Note: The views expressed in this section are those of S&P Global Ratings' economics team. While these views can help to inform the rating process, sovereign and other ratings are based on the decisions of ratings committees, exercising their analytical judgment in accordance with publicly available ratings criteria.)

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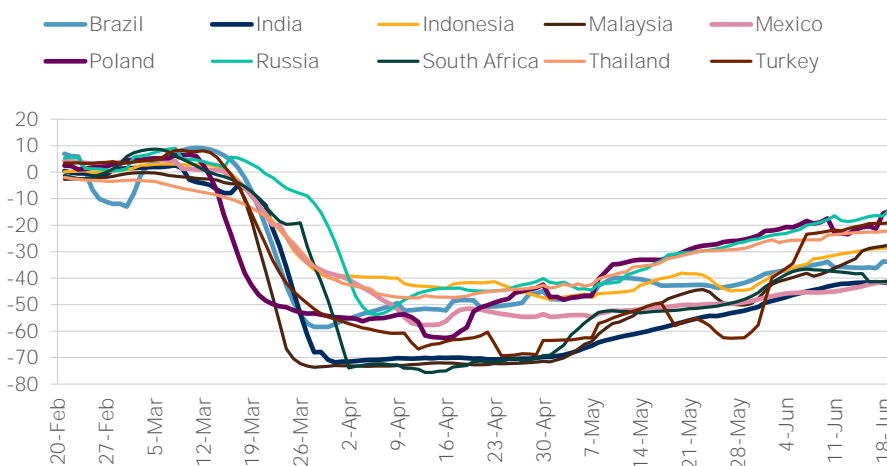
The Prevalence of COVID-19 Prevents a Faster Recovery

The pandemic picture for many EM economies has worsened since our previous macro update. Increases in infection rates have yet to peak in some cases, and in others, they remain uncomfortably high. This has either extended lockdowns or slowed the relaxation of containment measures beyond our initial expectations, which has prompted us to lower our 2020 GDP projections for several EMs. Along with the severe blow to domestic demand, foreign trade took a larger hit than we expected, with incoming data showing exports in a freefall in April and remaining weak in May.

We now forecast GDP in EMs, excluding China, to decline 4.7% this year and grow 5.9% in 2021. By way of comparison, in 2009, in the midst of the Global Financial Crisis, output in EM excluding China fell 0.8%. In Latin America, which is now the epicenter of the pandemic, we expect GDP to contract just over 7% this year, about two percentage points deeper than in our April forecast. We have also made downward revisions to our GDP growth forecast in EM-Asia, most notably in India, where we now expect GDP falling 5% this year, compared with our April forecast of a 1.8% growth. In Emerging Europe, our current forecast remains close to our previous expectations, while we now see a deeper contraction of close to 7% in South Africa, down from -4.5%.

The good news is that high frequency data, including non-standard data on mobility, suggest that the worst of the slump in economic activity is behind us – the trough seems to have been April for most EMs outside of China (see chart 10). After a precipitous fall in activity across EM globally, it's picking up as lockdowns are gradually eased.

Chart 6
Mobility Index % change from pre-COVID-19 baseline (seven-day average)



Source: Google LLC "Google COVID-19 Community Mobility Reports", S&P Global Ratings. Notes: the index is an equally weighted index of retail & recreation, transit, and workplaces. The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020.

Some EMs are lifting the lockdowns after taming the pandemic, for example Malaysia and Thailand. In some cases, however, lockdowns are eased despite increasing COVID-19 cases, such as in Brazil and Mexico. India and Indonesia have begun gradually reopening their economies but continue to have a relatively high number of new cases. The Philippines exited one of the world’s longest lockdowns, and is still reporting about two to three hundred cases a day. In Russia, new cases remain stubbornly high, although they started to decline. Turkey showed good progress in containing the virus, but the pace of new daily cases has picked up a bit recently.

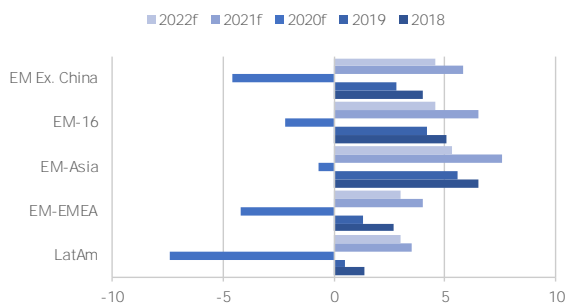
Overall, we’re seeing that a lockdown fatigue is developing across EMs. At this point, there seems to be little appetite for re-imposing strict nation-wide lockdowns in places where they have been already relaxed, because of mounting political pressures and economic costs. Our baseline scenario doesn’t assume strict nationwide lockdowns in EMs, although we don’t exclude occasional targeted restrictive measures.

The external environment has improved, in line with our expectations. Commodity prices have partly recovered. However, for key oil producers--Saudi Arabia and Russia--the agreed production cuts as part of the supply deal are restricting output. The economic recovery is taking place in key trading partners, such as the U.S., the Eurozone, and China, which will help lift demand for EM exports. The other bright spot is that investor’s sentiment toward emerging markets has improved in recent months, as seen in a (modest) recovery in capital flows, a partial rebound of exchange rates, and narrower bond spreads. Stable currencies should help keep inflation in check in EM economies, along with lower oil prices and weak demand. Subdued inflation is making it easier for central banks to continue lowering rates.

The bad news, however, is that the recovery in economic activity in most EMs is occurring at a very slow pace, which means that getting back to pre-pandemic activity levels will take time. In addition, the recent increase in infection rates across several EMs could keep the recovery relatively muted for some time. While “lockdown fatigue” makes re-imposing strict social-distancing measures unlikely, a worsening health scenario could ratchet up consumer and business caution, dampening the economic recovery.

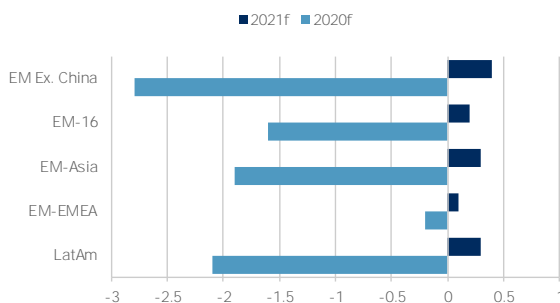
The economic recovery profiles have worsened relative to our April baseline for the most part, reflecting expectations for higher permanent losses of income due to the pandemic-related downturn. In India, we expect the level of GDP at the end of our forecasting horizon (2023) to be about 11% below our pre-covid projections. For Latin America and South Africa, it’s 6%-7%, and for the rest of EMs, the gap is narrower. We maintain our view that the effectiveness of policy support is an important factor in influencing economic recovery.

Chart 11
EM GDP Growth



Source: Oxford Economics. f--S&P Global Ratings’ forecast.

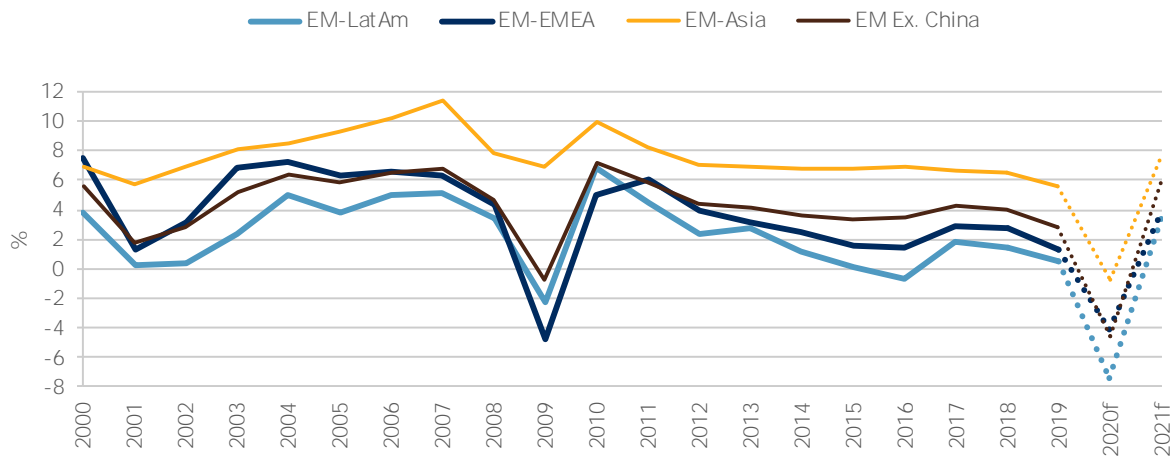
Chart 12
Change In Baseline Forecast From April 2020



Source: S&P Global Ratings. f--S&P Global Ratings’ forecast.

Chart 13

EM Real GDP Growth



Source: Oxford Economics. f--S&P Global Ratings' forecasts. Note: The average GDP aggregates are based on PPP GDP weights of selected major key EM economies covered in this report.

Financing Conditions

Financing conditions have improved for EMs, supported by the unprecedented monetary stimulus in developed economies and the expectation that global economy will begin recovering in the second half of 2020. The stimulus and monetary policies have brought capital costs to very low levels, which with support to help investor confidence (and a lack of higher-interest bearing alternatives) will boost new debt issuances in EMs, particularly in Asia and Latin America. In the secondary market, credit spreads have subsided substantially from highs at the end of March, but largely remain elevated compared with those in the beginning of the year. This reflects some investor risk aversion for lower quality borrowers amid weak economic growth, high business and financial risk--and subsequently--elevated default risk for many issuers rated 'B-' and lower, which have just begun to successfully tap markets in recent weeks. The latter is occurring on a limited basis outside of developed markets, like the U.S. Market, conditions remain very fragile and a rise in economic, business, or health shocks could quickly impact credit spreads, capital costs, and issuance growth for some time.

Undoubtedly, however, investors search for yield, and consequently rising appetite for EMs in the near term. There has been a high level of differentiation, however, and some asset classes still have limited access to the markets. High-yield rated corporations have only gained access to the market very recently and they have been doing so very sporadically. These issuers are facing significantly higher spreads than in January 2020. On the sovereign side, we believe investors are beginning to price in the pace of a potential recovery and various governments' stimulus packages. Those countries facing difficulties in taming the pandemic and with weak recovery plans have to offer higher premiums to investors.

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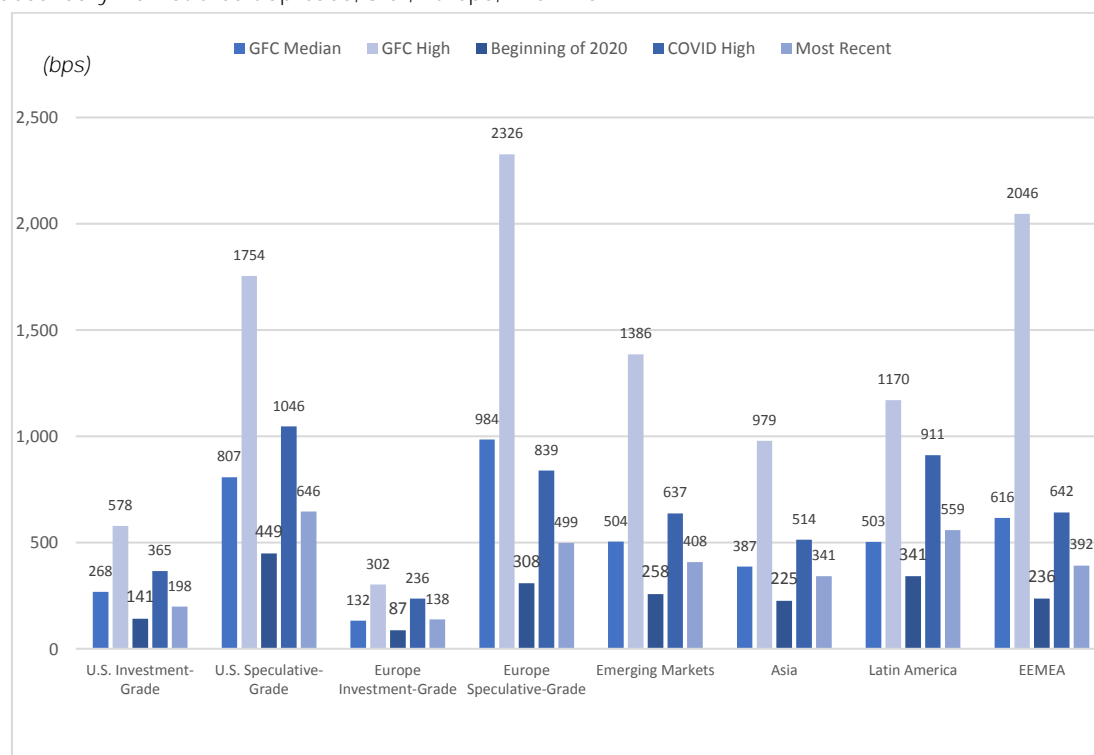
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Chart 14
 Secondary Market Credit Spreads, U.S., Europe, And EMs



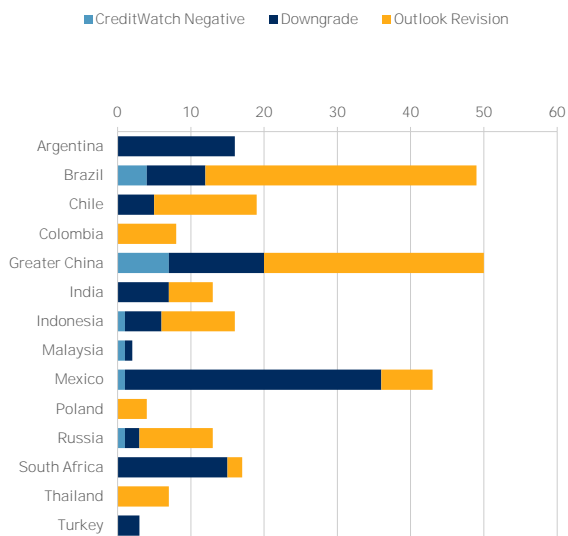
ICE Benchmark Administration Limited (IBA), 'ICE BofAML High Grade Emerging Markets Corporate Plus Sub-Index Option-Adjusted Spread', 'ICE BofAML Emerging Markets Corporate Plus Index Option-Adjusted Spread', 'ICE BofAML Asia Emerging Markets Corporate Plus Sub-Index Option-Adjusted Spread', 'ICE BofAML Latin America Emerging Markets Corporate Plus Sub-Index Option-Adjusted Spread', 'ICE BofAML Europe, the Middle East, and Africa (EMEA) Emerging Markets Corporate Plus Sub-Index Option-Adjusted Spread', retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/BAMLEMRECRPIEMEA0AS>, U.S. Investment-Grade and Speculative-Grade Spreads from S&P Global Ratings. June 17, 2020.

Risks remain firmly on the downside, and investor sentiment will probably remain fragile for the rest of the year. Specifically to emerging markets, extended lockdowns or signs that recovery would be weaker and longer could dampen investor sentiment further. Once the pandemic is contained, prevalent domestic risks will reclaim the spotlight because they haven't gone away and in some cases the pandemic has compounded them.

Central banks across EMs have taken several measures to support domestic liquidity and keep bank financing flowing. These measures include lowering reference rates and liquidity requirements, relaxing capital and provisioning rules, quantitative easing measures in some cases that allow central banks to provide liquidity to lower rated corporate securities. Moreover, authorities in most EM economies have rolled out some kind of forbearance schemes, allowing for payment deferrals for loans to SMEs, mortgages, and other types of retail loans.

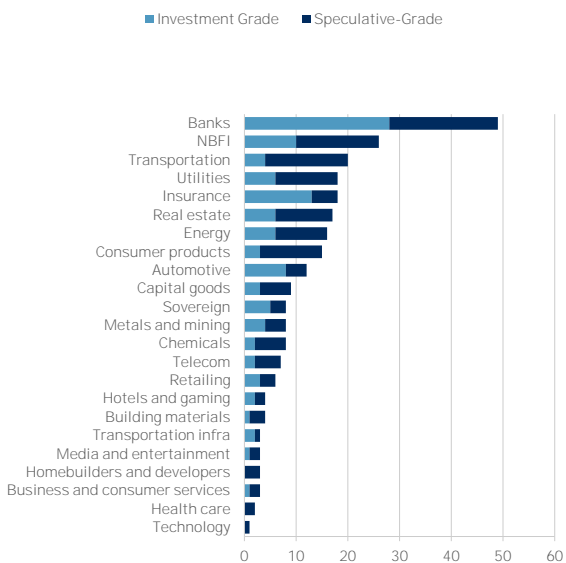
Sector Trends

Chart 15
 COVID-19 And Oil Related Rating Actions In EMs



Source: S&P Global Ratings. Data as of June 22, 2020.

Chart 16
 COVID-19 Related Ratings Actions In EMs By Sector



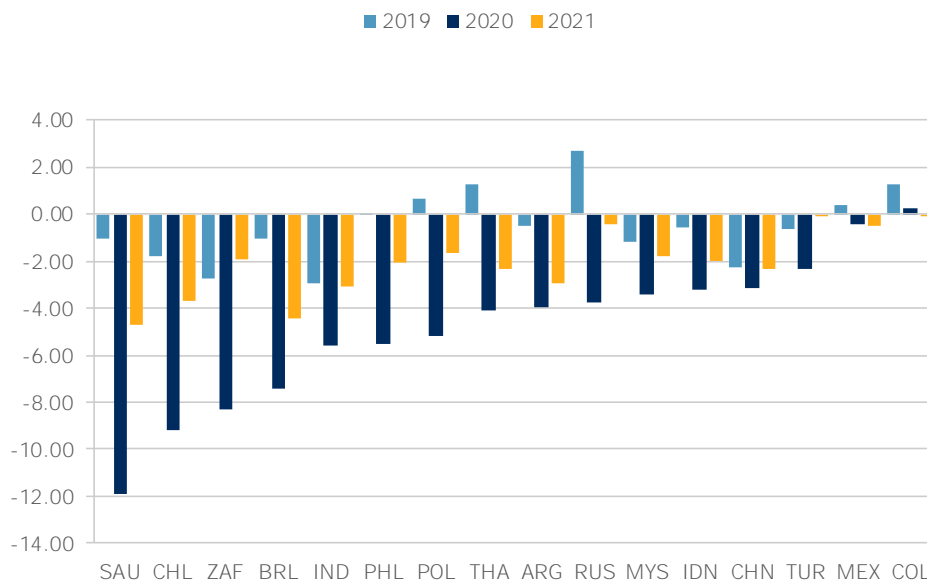
Source: S&P Global Ratings. Data as of June 22, 2020.

Sovereigns

COVID-19 has upended all previous assumptions about credit trends. Economic growth forecasts for 2020 are sharply lower across all key EM economies. International trade and travel are down, and many governments are running very large fiscal deficits in order to offset the shock of the pandemic, resulting in higher public debt levels. Credit support for many sovereigns has weakened quickly during the first half of 2020.

Chart 17

General Government Primary Balance % of GDP



Source: S&P Global Ratings.

EM Asia Pacific

Despite the economic damage that COVID-19 has done in 2020, we believe that business activities will rebound by 2021. Economic performance next year should improve enough to prompt governments to reduce sharply policy support. As a result, we don't expect economic or fiscal performances to be severely affected by the pandemic.

U.S.-China relations won't cause sustained and serious market disruptions. The trade tariffs and other measures that accompanied the deterioration in bilateral relations between the world's two largest economies have thus far had moderate economic impact. We don't expect tensions to escalate to a point that further measures, which are likely to be more damaging, will be put into place.

A sharp erosion in U.S.-China relations could trigger investor risk aversion. The risk in abrupt reversals of capital flows is larger where, in response to lower global interest rates, governments ease domestic funding conditions to increase leverage in the public or private sector.

If economic or labor market pressures mount, China's deleveraging policy could reverse. Sovereign credit support will likely weaken due to growing risks of financial instability, with grim implications for other sovereigns in the region.

Latin America

The economic and social costs of the pandemic are rising throughout most of Latin America in mid-2020, in contrast with early signals of recovery in other parts of the world. Our revised growth

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projections for 2020 and beyond foreshadow a deep and persistent erosion of overall financial profile of sovereigns and rising debt burden.

Many of the negative outlooks in the region reflect concerns that feeble economic recovery starting in 2021 could worsen the sovereigns' debt and fiscal metrics, resulting in a downgrade (in countries such as Panama and Chile). Our negative outlook on Mexico reflects concerns about long-term GDP growth prospects, the ability to manage stress in the energy sector (which continues to pose a substantial contingent liability for the sovereign), and the effectiveness and timeliness of policy implementation. The negative outlook on Colombia reflects the risk that the depth and persistence of the downturn could undermine GDP growth prospects, contributing to worsening public finances, or pose further risks to Colombia's external liquidity.

Our stable outlook on Brazil balances recession and poor fiscal performance in 2020 with gradual economic recovery and fiscal consolidation next year. We also assume slow progress on the reform agenda to address structural fiscal vulnerabilities and to improve medium-term GDP growth prospects. Recent political controversies and policy disagreements over the management of the pandemic has dominated public debate in Brazil, diverting attention from the government's plans to address long-term structural problems (including tax and administrative reforms, and steps to strengthen the central bank).

Argentina remains in selective default given that the government is in the midst of renegotiating its commercial debt.

EM EMEA

EM-EMEA sovereigns entered 2020 with close to all time low ratings (Nigeria, Oman, Turkey, Saudi Arabia, and South Africa) and a plurality of negative outlooks (Angola, Lebanon, Oman, Romania, and South Africa—the latter moved to stable after we lowered the long-term foreign currency rating to 'BB-' on April 29). The fallout from the pandemic has been comprehensive, driving budgetary deficits in excess of 12% of GDP for Saudi Arabia, and over 13% of GDP for South Africa, and public debt levels to new highs. Like other EM regions, EMEA experienced sharp outflows in March, followed by a selective rebound of portfolio inflows in April-June, as low G3 interest rates propelled a recovery in risk appetite. Economies weighted heavily towards commodities, tourism, or remittances (much of Africa, including Egypt, as well as the Balkans) are particularly vulnerable amid the likely tepid recovery of the global economy during the second half of 2020 and in 2021, at least until an effective vaccine is produced and distributed. EM-EMEA may also be on the receiving end of decisions made in advanced economies to shield their labor markets and manufacturing platforms from companies' propensity to extend supply chains abroad. This is particularly relevant for those EMEA sovereigns with high stocks of inbound FDI especially Central and Eastern European countries and Morocco.

The macroeconomic consequences of the pandemic in South Africa include a close to 20% depreciation of the real effective exchange rate year to date, anchored by very limited pass through into inflation, which we project to average below 4% this year. In addition, a 34% decline in the price of South Africa's largest import, crude oil (one-fifth of total imports), and a 17% gain in the price of gold year to date (16% of total exports) would appear to position South Africa for a positive competitiveness shock. The problem is that price competitiveness is not relevant amid unusually weak global demand. South Africa's fragile fiscal and growth fundamentals predate the global pandemic. With public debt set to exceed 88% of GDP by the end of 2023, the challenges to President Cyril Ramaphosa to bolster growth and design a credible fiscal exit from this year's 13.3%/GDP budget deficit continue to rise.

S&P Global has rated Turkey at 'B+' since August 2018. In contrast to South Africa which has limited foreign currency debt in either the public or private sector, Turkey's corporate sector continues to operate an open FX position in excess of 20% of GDP. The government's current policy stance was set before the pandemic: it remains focused on pushing credit into the economy and setting policy rates at below inflation. One side effect is that, whereas South Africa's current account is rapidly narrowing towards balance, Turkey's is trending in the opposite direction, while tourism receipts suffer from the curtailment of global travel. On the other hand, even in relatively

stressed growth and NPL assumptions, it remains difficult to model a scenario under which Turkey's public debt increases above 60%/GDP, while the private sector remains far more resilient than its EMEA peers.

Table 2
Sovereign Rating Actions Since The Start Of The Pandemic

| (Ratings as of June 29, 2020) | Current long-term foreign currency rating/outlook | Previous long-term foreign currency rating/outlook |
|-------------------------------|---|--|
| Rating or outlook changes | | |
| Malaysia | A-/Negative | A-/Stable |
| South Africa | BB-/Stable | BB/Stable |
| Chile | A+/Negative | A+/Stable |
| Mexico | BBB/Negative | BBB+/Negative |
| Colombia | BBB-/Negative | BBB-/Stable |
| Brazil | BB-/Stable | BB-/Positive |
| Argentina | SD | CCC-/Negative |
| Thailand | BBB+/Stable | BBB+/Positive |
| Indonesia | BBB/Negative | BBB/Stable |
| Ratings or outlook affirmed | | |
| India | BBB-/Stable | BBB-/Stable |
| Turkey | B+/Stable | B+/Stable |
| The Philippines | BBB+/Stable | BBB+/Stable |
| Saudi Arabia | A-/Stable | A-/Stable |
| Russia | BBB-/Stable | BBB-/Stable |

Nonfinancial Corporations

EM APAC

There are two focal points for the credit story of corporate entities in emerging Asia for the rest of 2020 and through 2021: the pace of recovery in credit metrics after COVID-19 and access to funding.

A regional recovery in corporate credit ratios to 2019 levels is unlikely prior to the second half of 2022 for the large majority of rated sectors in Asia-Pacific, including the homebuilder, capital goods, gaming, hospitality, consumer discretionary and technology sectors. For those sectors, we expect profits--as measured by EBITDA--to be about 35% lower in 2020 than in 2019 (more than 60% lower for the gaming and hospitality sectors). Credit metrics recover in 2021 only to 80%-90% of 2019 levels (with metrics in the gaming and hospitality sectors closer to 70%). We now project credit metrics to rebound to 2019 levels only in 2023 and beyond for the more cyclical airlines, auto manufacturing, oil and gas, metals, and non-essential retail sectors. Besides sharply reduced profits, these sectors also likely to see absolute debt increase of 5%-10% given significant cash burns. We expect credit metrics in the more resilient sectors of essential retail, telecoms, and consumer staple to recover to 2019 levels in 2021 thanks to a more modest decline in EBITDA and broadly stable absolute debt levels.

It may take another three to six months for access to funding to improve for smaller issuers. Dollar liquidity seems to be coming back to Asia, but in patches, after a multi-week lull in February, March and April. State-backed, investment-grade names seem to have an easier time in raising funds. The same can't be said about speculative-grade entities with limited funding options, little government support, and uncertain business outlook. These companies are finding it more difficult to access dollar markets at pre-pandemic costs. Assuming the health and safety conditions slowly improve towards the end of the year, we believe it may take another three to six months before investor sentiment settles and foreign currency debt capital markets open up for more fragile corporate issuers in the commodity, oil and gas, retail, or real estate sectors. Domestic bank funding across the region has also been more selective, and when available, often short-dated and more expensive for such borrowers.

The rated sector coverage often explains the differences we observe in the pace of recovery across Asian countries.

EM EMEA

The South African government's stimulus package provides limited benefit to large corporations and it's largely directed at relieving the direct financial impacts of COVID-19 on the unemployed and SMEs. We expect revenues for issuers in the retail, transportation, and chemical sectors to be under particular pressure given a sharp decline in business activity due to a prolonged lockdown, together with elevated health and safety risks associated with the pandemic. Stress in the retail sector and prolonged curtailment of operations in non-essential service sectors are also likely to bode poorly for companies in the real estate sector. While credit profiles of issuers in the precious metals mining, telecoms, and utilities sectors have benefited from resilient demand and pricing to date, broad economic weakness together with rising consumer affordability concerns may place additional pressures on companies with material exposure to domestic end markets. Foreign exchange remains a substantial risk for domestic corporations, given the volatility of the South African rand. Given the challenging operating conditions and limited fiscal support, many corporations have adopted cash-preservation strategies, including reducing operating costs, cutting capital expenditures, applying for covenant suspensions, and reducing dividend payouts.

We expect to see visible revenue deterioration for the Turkish companies in the aviation, tourism and hospitality sectors because we expect the travel and other restrictions due to COVID-19 to result in a significantly lower international passenger traffic accompanied by a dramatic decline in tourism flows into Turkey. A weaker local demand would also mean revenue challenges for companies operating in sectors such as non-food retail, energy, real estate, construction, and automotive. Foreign exchange remains a considerable risk for the Turkish corporations as well,

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given the volatile Turkish lira, while companies operating with unhedged foreign exchange liabilities are more exposed. Many corporations have adopted a conservative stance, slashing operating costs, cutting capital expenditures, and reducing dividend payouts to preserve cash.

Generally, we believe that Russia's largest corporations will have sufficient balance sheet strength to mitigate the immediate impact of the economic decline compared with many of their EM peers. Their flexibility in capital spending and ample liquidity in the domestic banking sector should help them operate in a saving mode in 2020. At the same time, recovery prospects in 2021 are a lot less certain for Russian corporations and further steps by the government would be important to support a rapid recovery, which we could see in some other EMs with a higher likelihood.

In line with the lower oil prices and a weaker macro picture, we continue to observe broad based pressures across various sectors in Saudi Arabia and the GCC region. We expect revenues for the tourism and hospitality sectors to be under particular pressure given expected sharp decline in the visitor numbers due to health and safety risks, and logistics challenges associated with COVID-19. Hajj, the Islamic pilgrimage is an important source of tourism revenues for Saudi Arabia and we understand that the Saudi authorities will restrict the pilgrimage to very limited numbers this year, given the health & safety challenges. We also expect the companies in the contracting and commercial real estate sector to remain under pressure given the weakening business cycle.

The national oil companies (NOCs) in the GCC region are generally well-positioned to operate in a low price environment, given their very low extraction costs. However, we expect to see particular pressure on the oil field services companies, given that potential capex reductions by the NOCs could elevate pressure on day rates and contract negotiations, as well as early termination of contracts. To date, we haven't taken any negative rating actions on Saudi Arabian corporations because they operate in more resilient sectors such as telecoms, utilities, food retail. Saudi government announced a rise in the value added tax (VAT) to 15% from 5%, in addition to other measures such as increasing the import duties on certain products. While this is not supportive of local demand, we expect limited impact for the corporations we rate in the country.

Latin America

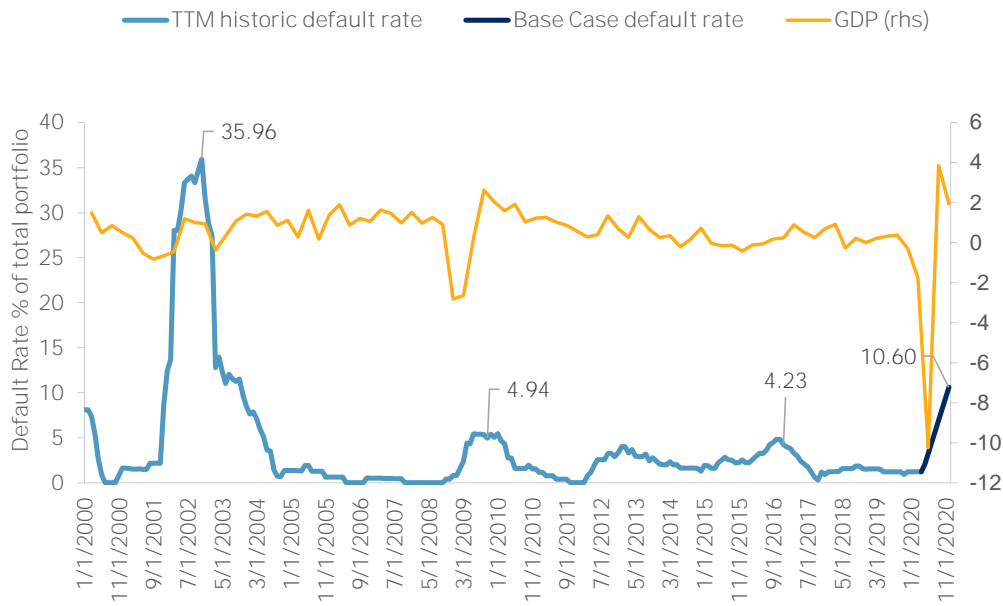
Rating actions related to COVID-19 and to low international crude oil prices have reached unprecedented levels for non-financial corporations. In a three-month span, one-third of rated corporations experienced a negative action, and we've downgraded about 17% of rated corporations in the region. These actions partly relate to our revision of Argentina's Transfer & Convertibility (T&C) assessment, which triggered the downgrade of nine domestic corporations. Companies with the highest exposure to COVID-19 and weak demand fundamentals are in the transportation, lodging, energy and non-essential consumer and retail sectors.

Given that we now estimate a deeper economic contraction across the region for 2020, other industries such as building materials and real estate could also face increasing downward pressures in the coming months. Most cement producers have resumed operations because governments have tagged construction as an essential industry. However, we expect governments and private sector to pull back from infrastructure, industrial, commercial, and housing investments, until the shape of the recovery curve becomes more visible. In the real estate sector, shopping mall operators are suffering the most due to lockdowns. Office and industrial demand could also take a severe hit if economic conditions don't show signs of recovery in the next 6-12 months.

In light of weak business and economic conditions, we recently indicated that the default rate in Latin America could grow from about 2% currently to more than 10% by the end of 2020. While a group of issuers in the region has successfully tapped the markets in recent weeks, including speculative-grade names like CEMEX S.A.B. de C.V., Petroleo Brasileiro S.A. - Petrobras and Nexa Resources S.A., limited access to refinancing for the rest of the year, particularly for entities rated 'B-' and lower, could push the default rate further up.

Chart 18

Trailing 12 months Default Rate of Latin American Corporations and Forecast Default Rate Base Case Versus Forecast Regional GDP



Source: S&P Global Ratings

Financial Services

EM APAC

We expect the impact on the largest Chinese banks to be manageable, while smaller banks with aggressive risk appetite or high geographic concentration in heavily hit regions could see their asset quality, performance, and capitalization squeezed. For 2020, we currently estimate that COVID-19 and related market stresses could cause NPAs to increase to \$1.155 trillion (an additional 4.8% versus gross loans) and credit losses to mount to \$329 billion (an additional 144 basis points versus gross loans). For 2020, the impact on the system's capital adequacy would be about 97 basis points before taking into account the loan-loss provision buffer that the sector built over previous years.

We have revised the outlooks on a few Indian banks to negative as the downside risk has increased and the banking system is not entering the down cycle from a position of strength. The very high likelihood of government support somewhat cushions the downside risk for public banks. We expect a slow recovery owing to a very sharp contraction in the economy later this year. For 2020, we currently estimate that pandemic-related market stresses could ratchet up NPAs to \$57 billion (an additional 4.4% versus gross loans) and credit losses to \$31 billion (an additional 220 basis points versus gross loans). We believe that the difficult operating conditions would lead to a rise in delinquencies at one end and delays in recovery on the other end. This will further push up NPLs and credit costs for the banking system. Our base-case scenario assumes non-performing loans to shoot up to 13%-14% (beyond the peak NPLs that banks witnessed in 2019).

Indonesian banks' capital and provisioning buffers have grown over the years and now offer a sizable capital cushion. The banks' Tier-1 capital ratio of 21.9% and capital adequacy ratio of 23.4%, as of December 2019, are among the highest in the region. On the other hand, the outbreak is hitting tourism, transport, trade, manufacturing, and investment in Indonesia. The Indonesian rupiah's recent sharp depreciation has compounded risks. We expect slow recovery owing to a stressed corporate sector, weak commodity prices, and very high foreign currency debt. For 2020, NPAs to rise to \$6 billion (an additional 1.5% versus gross loans) and credit losses to \$2 billion (an additional 105 basis points versus gross loans).

In Malaysia, we expect the extensive moratorium program and temporary regulatory relaxation help shore up banks' reported asset quality figures and spread out the credit losses to 2021 amid strong capital buffers and sound underwriting skills. The continued resilience of domestic employment conditions is critical to our current view. Malaysian banks' loan books are exposed to domestic household sector (about 60%). For 2020, we currently estimate NPAs to rise to \$3 billion (an additional 0.9% versus gross loans) and credit losses to \$1 billion (an additional 35 basis points versus gross loans).

We expect trade, tourism, investments and consumption in the Philippines to take a substantial hit, dragging down banks' lending business. We believe Philippine banks' satisfactory capital buffers, with an average Tier-1 capital adequacy ratio of about 15% and higher prudent provisioning, will help them manage the rising risks. Stimulus packages and liquidity measures from the government and central bank should cushion the impact to vulnerable borrowers. For 2020, we currently estimate NPAs to rise to \$4 billion (an additional 2.2% versus gross loans) and credit losses to \$2 billion (an additional 80 basis points versus gross loans).

In Thailand, further economic weakness accompanied by job losses in tourism and general commercial sectors, could spike delinquencies and erode asset quality. The credit profiles of banks with limited buffers could come under strain. However, Thai banks have solid capital levels and high provision coverage ratios, around 150%. Banks may partly dip into their provisions. Thailand's household leverage, at 79%, is one of the highest among EMs. For 2020, we currently estimate NPAs to increase to \$8 billion (an additional 1.5% versus gross loans) and credit losses to \$3 billion (an additional 69 basis points versus gross loans).

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EM EMEA

We expect Turkish banks' asset quality to continue deteriorating because of weakening economy and still high level of foreign currency loans amid a volatile Turkish lira. This will weigh on banks' profitability along with rising costs of swapping foreign currency into lira and expected increase in cost of funding as banks continue to roll over their external debt. The latter continued to decline pointing to lower rollover rates.

For South African banks, we expect an increase in cost of risk and an erosion in asset quality indicators because of the economic contraction. Banks' dependence on external funding remains limited, and the central bank is providing support to ensure normal functioning of money market and interbank markets.

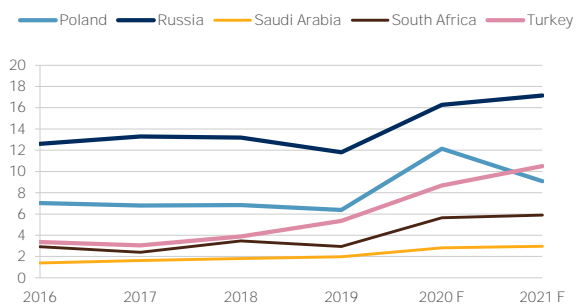
We expect asset quality indicators of Saudi banks to weaken as the decline in oil price, the slowing non-oil economy, and the likely restriction of the pilgrimage to residents, exert pressure on the contracting, hospitality, and retail sectors. While we view positively the support package introduced by the central bank, we haven't yet seen any measures that would reduce credit risk on banks' balance sheets.

We expect cost of risk to rise and asset quality indicators for the Russian banking sector to slip as a result of an economic contraction due to a combined impact of lower oil prices and COVID-19. This will weigh on banks' profitability. Nevertheless, the funding base of the banking sector has been demonstrating certain stability, thanks to predominant reliance on domestic deposits, availability of liquidity support from the central bank and limited exposure to external funding.

Given a temporary economic shutdown, we expect cost of risk to lift and asset quality for Polish banks to drop towards the end of 2020 and early 2021 when the loan payment moratoria end. Sharp interest rate cuts will also weigh on banks' profitability. However, we believe that Poland's still generally profitable, liquid, and well-capitalized financial sector should be able to mitigate the COVID-19-induced growth shock and we expect a strong recovery in 2021.

Chart 19

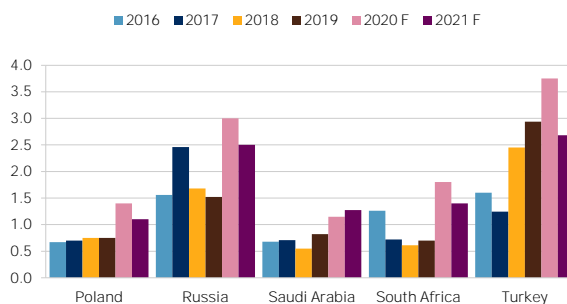
Asset Quality Will Deteriorate (NPL/Total Loans)



Source: S&P Global Ratings. F--S&P Global Ratings' forecast.

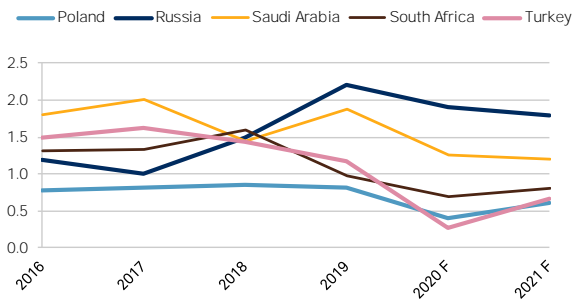
Chart 20

And Credit Losses Will Widen



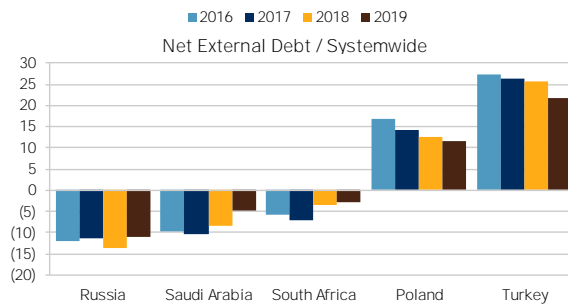
Source: S&P Global Ratings. F--S&P Global Ratings' forecast.

Chart 21
Profitability Will Decline (Return On Assets)



Source: S&P Global Ratings. F--S&P Global Ratings' forecast.

Chart 22
Except For Turkey, Reliance On External Debt Is Limited



Source: S&P Global Ratings. F--S&P Global Ratings' forecast.

Latin America

The regional authorities implemented a broad array of measures to incentivize banks to continue lending and relief to struggling borrowers whose sources of income have been withered. In return, banking systems are receiving substantial liquidity support, and regulations are relaxed temporarily. Nevertheless, some banking systems operate in countries that have less capacity to provide support.

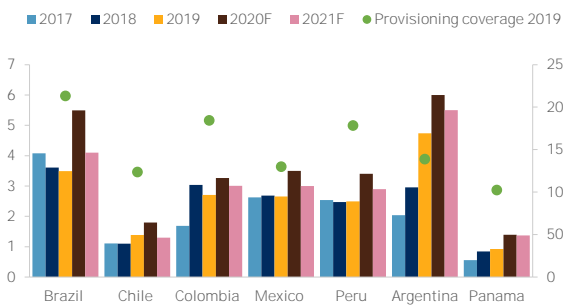
Due to the economic slump, we expect a shock on asset quality, especially loans to the sensitive economic sectors, SMEs, and self-employed workers that have limited financial flexibility to cope with a sudden stop in cash flows.

We expect credit growth in Latin America in 2020 to be around low single digits. Credit demand from the corporate sector is increasing due to the liquidity needs stemming from the social-distancing policies while a drop in consumer and mortgage lending will partly offset this effect. We expect banks to require additional guarantees including those offered by the government in order to mitigate the risk.

Banks' profitability will certainly weaken, but from sound levels prior to COVID-19. The pressure will come mainly from higher provisions, while we also expect lower fees and tighter margins. In this sense, financial institutions will probably try to increase the spreads to mitigate the risk, but it will be hard for them to do so given the difficult circumstances.

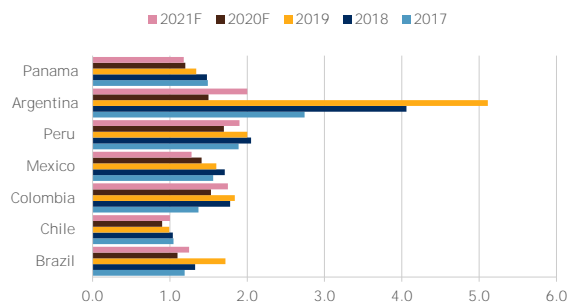
Latin American banks are used to operate under volatile economic and political conditions and although bottom-line profits are sound and lenders have good buffers, the impact will depend on the duration and intensity of the pandemic's effects on the economy.

Chart 23
Latin America Banks' Asset Quality



NPAs/Total loans. Source: S&P Global Ratings. F--S&P Global Ratings' forecast.

Chart 24
Latin America Banks' Profitability



ROA. Source: S&P Global Ratings. F--S&P Global Ratings' forecast.

Appendix 1: Economic Data and Forecast Summaries

Table 3

Real GDP %

| | 2019 | 2020F | 2021F | 2022F |
|--------------|------|-------|-------|-------|
| Argentina | -2.1 | -8.5 | 2.9 | 2.7 |
| Brazil | 1.1 | -7.0 | 3.5 | 3.3 |
| Chile | 1.0 | -6.5 | 5.5 | 3.5 |
| Colombia | 3.3 | -5.0 | 4.5 | 3.6 |
| Mexico | -0.3 | -8.5 | 3.0 | 2.3 |
| China | 6.1 | 1.2 | 7.4 | 4.7 |
| India | 5.0 | -5.0 | 8.5 | 6.5 |
| Indonesia | 5.0 | 0.7 | 6.7 | 5.5 |
| Malaysia | 4.3 | -2.0 | 7.5 | 6.1 |
| Philippines | 6.0 | -3.0 | 9.4 | 7.6 |
| Thailand | 2.4 | -5.1 | 6.0 | 4.6 |
| Poland | 4.2 | -4.0 | 5.0 | 2.7 |
| Russia | 1.3 | -4.8 | 4.5 | 3.3 |
| Saudi Arabia | 0.3 | -4.5 | 2.2 | 2.7 |
| South Africa | 0.2 | -6.9 | 4.7 | 2.0 |
| Turkey | 0.9 | -3.3 | 4.5 | 3.6 |

Source: Oxford Economics. F--S&P Global Ratings' forecast. For India, 2019 = FY 2019 / 20, 2020 = FY 2020 / 21, 2021 = FY 2021 / 22, 2022 = FY 2022 / 23, 2023 = FY 2023 / 24.

Table 4

CPI Inflation % (Year Average)

| | 2019 | 2020F | 2021F | 2022F |
|--------------|------|-------|-------|-------|
| Argentina | 53.5 | 45.0 | 38.0 | 32.0 |
| Brazil | 3.7 | 2.7 | 3.2 | 3.9 |
| Chile | 2.3 | 2.9 | 2.8 | 3.0 |
| Colombia | 3.5 | 3.3 | 3.6 | 3.2 |
| Mexico | 3.6 | 3.2 | 3.4 | 3.2 |
| China | 2.9 | 3.2 | 1.8 | 2.1 |
| India | 4.8 | 4.0 | 4.4 | 4.4 |
| Indonesia | 2.8 | 2.4 | 3.2 | 3.4 |
| Malaysia | 0.7 | -2.4 | 2.4 | 2.3 |
| Philippines | 2.5 | 1.2 | 1.9 | 2.3 |
| Thailand | 0.6 | -1.9 | 0.5 | 1.4 |
| Poland | 2.2 | 3.0 | 2.6 | 2.5 |
| Russia | 4.5 | 3.2 | 3.1 | 4.0 |
| Saudi Arabia | -1.2 | 1.9 | 2.0 | 2.1 |
| South Africa | 4.1 | 3.7 | 4.0 | 4.5 |
| Turkey | 15.2 | 10.6 | 9.4 | 9.2 |

Source: Oxford Economics. F--S&P Global Ratings' forecast. For India, 2019 = FY 2019 / 20, 2020 = FY 2020 / 21, 2021 = FY 2021 / 22, 2022 = FY 2022 / 23, 2023 = FY 2023 / 24.

Table 5

Policy Rates % (End of Period)

| | 2019 | 2020F | 2021F | 2022F |
|--------------|-------|-------|-------|-------|
| Argentina | 55.0 | 30.0 | 27.0 | 25.0 |
| Brazil | 4.5 | 2.25 | 3.50 | 4.50 |
| Chile | 1.75 | 0.50 | 1.50 | 2.00 |
| Colombia | 4.25 | 2.50 | 3.50 | 4.00 |
| Mexico | 7.25 | 4.00 | 5.00 | 5.50 |
| India | 4.40 | 3.00 | 4.50 | 5.00 |
| Indonesia | 5.00 | 4.25 | 4.25 | 4.50 |
| Malaysia | 3.00 | 1.75 | 1.75 | 2.00 |
| Philippines | 4.00 | 2.00 | 2.00 | 3.00 |
| Thailand | 1.25 | 0.25 | 0.25 | 0.25 |
| Poland | 1.50 | 0.10 | 0.75 | 1.00 |
| Russia | 6.25 | 5.80 | 5.50 | 5.90 |
| South Africa | 6.50 | 3.75 | 4.00 | 5.00 |
| Turkey | 11.43 | 7.50 | 8.50 | 9.00 |

Source: Oxford Economics. F--S&P Global Ratings' forecast.

Table 6

Exchange Rates % (End of Period)

| | 2019 | 2020F | 2021F | 2022F |
|--------------|--------|--------|--------|--------|
| Argentina | 59.89 | 85.00 | 115.00 | 125.00 |
| Brazil | 4.03 | 5.00 | 4.95 | 4.90 |
| Chile | 745 | 800 | 785 | 775 |
| Colombia | 3,277 | 3,750 | 3,700 | 3,700 |
| Mexico | 18.93 | 22.00 | 21.50 | 21.00 |
| China | 6.99 | 7.11 | 7.15 | 7.19 |
| India | 74.40 | 74.00 | 74.50 | 76.50 |
| Indonesia | 13,883 | 14,200 | 14,300 | 14,400 |
| Malaysia | 4.09 | 4.15 | 4.15 | 4.19 |
| Philippines | 50.74 | 53.00 | 52.33 | 51.67 |
| Thailand | 30.15 | 30.80 | 30.40 | 30.00 |
| Poland | 3.80 | 4.20 | 4.30 | 4.40 |
| Russia | 61.91 | 74.00 | 70.00 | 72.00 |
| Saudi Arabia | 3.75 | 3.75 | 3.75 | 3.75 |
| South Africa | 14.04 | 17.00 | 16.00 | 16.25 |
| Turkey | 5.95 | 6.80 | 7.00 | 7.20 |

Source: Oxford Economics. F--S&P Global Ratings' forecast. End of Period - Q4 values. For India, 2019 = FY 2019 / 20, 2020 = FY 2020 / 21, 2021 = FY 2021 / 22, 2022 = FY 2022 / 23, 2023 = FY 2023 / 24.

Table 7

Unemployment % (Year Average)

| | 2019 | 2020F | 2021F | 2022F |
|--------------|------|-------|-------|-------|
| Argentina | 9.8 | 12.8 | 11.1 | 9.8 |
| Brazil | 11.9 | 13.6 | 13.1 | 12.4 |
| Chile | 7.2 | 9.5 | 8.4 | 7.1 |
| Colombia | 11.0 | 12.7 | 12.1 | 10.8 |
| Mexico | 3.5 | 5.4 | 4.6 | 3.6 |
| China | 5.2 | 6.0 | 5.7 | 5.4 |
| Indonesia | 5.1 | 5.8 | 5.5 | 5.4 |
| Malaysia | 3.3 | 4.9 | 4.7 | 4.3 |
| Philippines | 5.1 | 11.0 | 7.0 | 5.6 |
| Thailand | 1.0 | 1.7 | 1.6 | 1.5 |
| Poland | 5.4 | 9.0 | 5.0 | 4.5 |
| Russia | 4.6 | 5.9 | 5.4 | 4.7 |
| Saudi Arabia | 5.5 | 8.5 | 7.0 | 6.0 |
| South Africa | 28.7 | 32.7 | 30.6 | 30.1 |
| Turkey | 13.7 | 14.3 | 12.4 | 11.2 |

Source: Oxford Economics. F--S&P Global Ratings' forecast.

Related Research

- Credit Conditions North America: Rolling out the Recovery; June 30, 2020
- Credit Conditions Asia-Pacific: China First to Recover; June 30, 2020
- Credit Conditions Europe: Curve Flattens, Recovery Unlocks; June 30, 2020
- Coronavirus Impact: Key Takeaways From Our Articles, June 29, 2020
- Economic Research: Latin American Economies Are Last In And Last Out Of The Pandemic, June 30, 2020
- Economic Research: Asia-Pacific Losses Near \$3 Trillion As Balance Sheet Recession Looms; June 25, 2020
- Economic Research: Eurozone Economy: The Balancing Act to Recovery; June 25, 2020
- The G20 External Interest Payments Moratorium Will Partly Ease African Sovereign Debt Service Burdens; June 24, 2020

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