

Emerging Markets Monthly Highlights

Risks Are Here To Stay Beyond This Summer

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July 20, 2022



S&P Global
Ratings

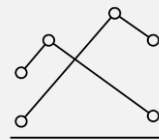
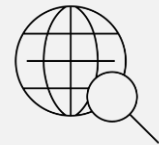
This report does not constitute a rating action.

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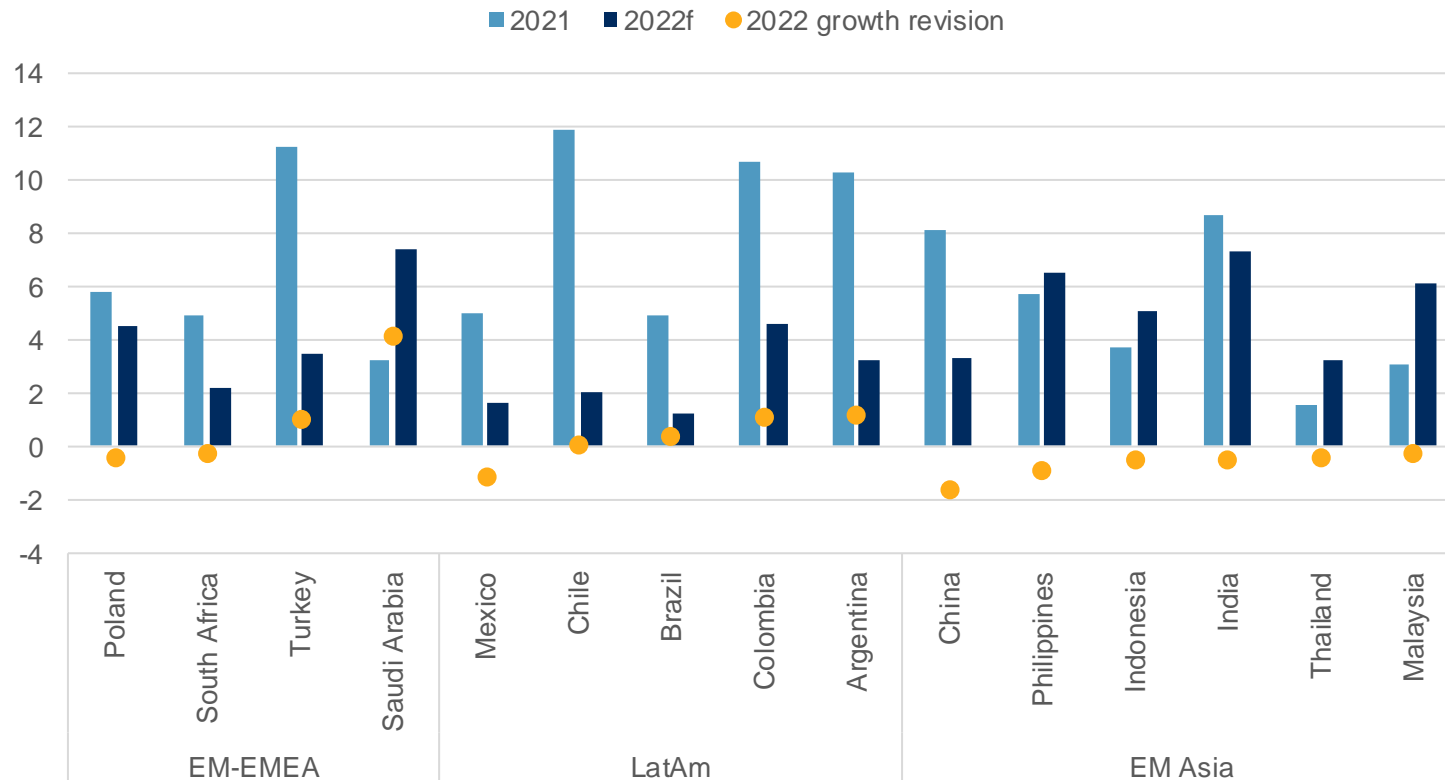
Key Takeaways

- We updated our forecasts for emerging markets (EMs). Despite strong Q1 performance among some EMs, we lowered our forecast for average real GDP growth to 4.2% in 2022 from our March projection of 4.8%, mostly because of the downward revision of our forecast on China. Nevertheless, we upgraded our GDP forecasts for several EM EMEA and LatAm economies. We raised our consumer price inflation forecast across the board -- annual average inflation in a median EM is expected to be 6.8% (0.9 percentage point higher than our March forecast). We expect inflation to remain well above the many EM central banks' targets for some time.
- We expect credit conditions to worsen in EMs. Persistent inflationary pressures, tightening financing conditions, slower growth in China, as well as potential for a recession in the U.S. are likely to aggravate credit conditions in the medium term. Apart from current developments, downside risks for EMs remain significant, especially with regards to the trajectory of U.S. monetary tightening as well as possible spill -overs from the Russia-Ukraine conflict.
- Recent developments in developed markets and China carry both risks and opportunities for EMs. Economic slowdown in developed economies and downside risks for growth carry risks for EMs, due to existing trade ties, cross-border capital flows, and tourism. For European growth, downside risks are primarily linked to possible energy supply disruptions. However, current developments in China point on possible increase in infrastructure investments, which can be beneficial for commodity exporting EMs, especially those that export industrial metals.



GDP Forecast Update | Lower Growth, Higher Inflation

GDP Growth In EM (%)



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







- S&P Global Ratings lowered its 2022 average real GDP growth forecasts for EMs. Most notably, we cut our baseline 2022 growth forecast for China to 3.3% from 4.9% in our March forecast, given the slower-than-expected easing of COVID-19 restrictions and tepid recovery of domestic demand (see [“Economic Outlook Emerging Markets Q3 2022: Testing Times Ahead For Emerging Market Resilience”](#), published on June 27).
- GDP growth held up relatively well across most of the EMs in the first quarter. Strong Q1 performance prompted us to raise our GDP projections for some EM EMEA and LatAm economies. However, the momentum stalled (at best) in the second quarter, and weakening growth is in the cards.
- We updated our inflation forecast broadly across all EMs and we expect a sharper hit to consumers' purchasing power, and therefore, lower real domestic demand for the remainder of 2022 and in 2023.

EM Credit Conditions | Risks Accumulate As Conflict Lingers

Top EM Risks

Risk Level

Risk Trend

	Sustained inflationary pressures and persistently high prices weaken fundamentals among EM Issuers.	High	Worsening
	Accelerating monetary tightening in the U.S. weakens financing conditions and increases the risk of a recession.	High	Worsening
	Heightening geopolitical tensions and difficult domestic political conditions weaken credit fundamentals.	High	Worsening
	China's continued pursuit of zero COVID strikes consumption, disrupts supply chains, and weighs on growth.	High	Unchanged
	The prevalence of COVID-19 across key EMs, and new variants dampen economic recovery	Moderate	Unchanged
Structural Risks			
	Climate change and rising adaptation costs	Elevated	Worsening

- Credit conditions in EMs will likely worsen, given persistent inflationary pressures, tightening financing conditions, slower growth in China, and the potential for a recession in the U.S. Inflation is not abating and its effects on EM households, corporations, and banks are yet to surface.
- Downside risks for EMs are significant. A protracted Russia-Ukraine conflict will likely keep pressuring prices, especially those of food and energy, through the year and potentially into the next one. U.S. monetary tightening is already faster than expected. In our view, as high prices linger, the Federal Reserve will likely be aggressively increasing its rates in an effort to tame inflation. Furthermore, at current speed, monetary tightening has the potential to tip the U.S. into recession, which would hurt global growth and trade, leading to knock-on effects on EMs.

Source: ["Credit Conditions Emerging Markets Q3 2022: Risks Accumulate As Conflict Lingers,"](#) June 28, 2022. S&P Global Ratings.

Eurozone | EMs Are Vulnerable To A Downturn

Merchandise Exports To The eurozone And U.K. By Type, % of GDP

	Raw materials	Intermediate goods	Consumer goods	Capital goods	Total goods exports, 2021
Poland	2.0	5.4	14.0	8.5	29.9
Turkey	0.6	2.4	5.2	2.5	10.6
South Africa	1.4	1.9	1.3	1.0	5.6
China	0.0	0.4	1.2	1.2	2.8
India	0.1	0.7	0.9	0.4	2.0
Indonesia	0.1	0.4	0.6	0.1	1.2
Malaysia	0.1	1.6	1.9	2.9	6.5
Thailand	0.1	0.3	1.4	1.8	3.6
Philippines	0.1	0.3	0.3	1.2	1.9
Argentina	0.6	0.7	0.1	0.0	1.4
Brazil	1.7	1.0	0.3	0.2	3.3
Chile	1.1	1.0	0.3	0.2	2.6
Colombia	0.8	0.4	0.2	0.0	1.4
Mexico	0.0	0.0	0.3	0.2	0.6

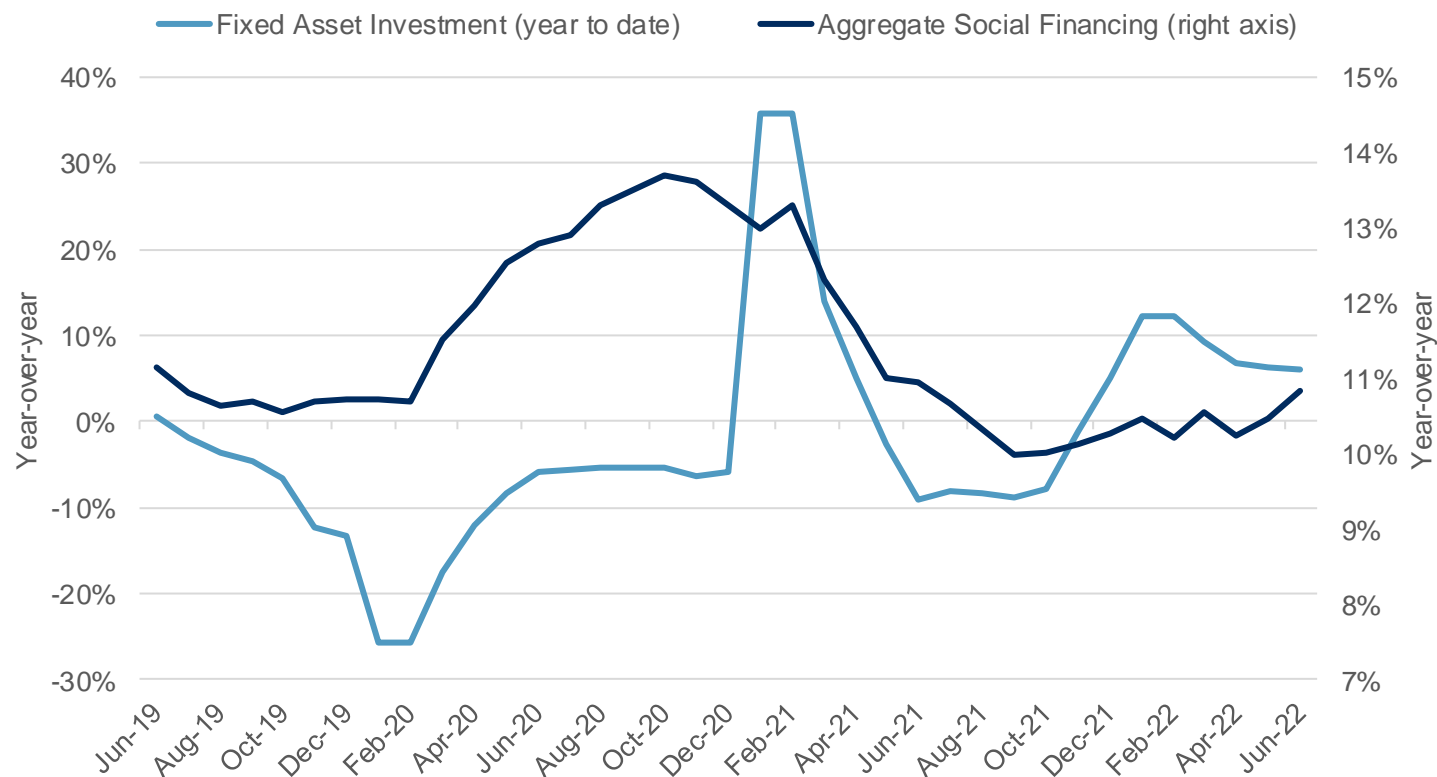
Note: For Argentina, Colombia, Indonesia, Thailand, and South Africa data are for 2020. Source: WITS, Haver Analytics, and S&P Global Ratings.

- We see significant downside risks to the European growth outlook. These are primarily linked to the Russia-Ukraine conflict and the risk of related disruption in energy markets. Another risk is an aggressive tightening of financing conditions.
- Trade is an important channel of transmission of weaker growth in the eurozone and U.K. Exposure to advanced European economies' exports is highest in EM EMEA, particularly in Central and Eastern European economies. For example, Poland's combined exports to the eurozone and U.K. account for 30% of GDP. In addition, financial flows and tourism play an important role in other EM economies (see [“Emerging Market Economies Are Vulnerable To A Downturn In Europe”](#), published July 19).
- Nevertheless, several EMs may see an additional upside linked to U.K./EU ban on imports of coal, oil, and steel* from Russia. In 2021, Russia provided the eurozone with 15%-20% of its oil and coal imports, as well as 4%-5% of wood and iron ore or steel.

Note: 35% import tariff on iron and steel products in case of U.K.

China | Infrastructure Stimulus In The Pipeline?

Fixed Asset Investment And Aggregate Financing Growth



Source: The National Bureau of Statistics and The People's Bank of China.

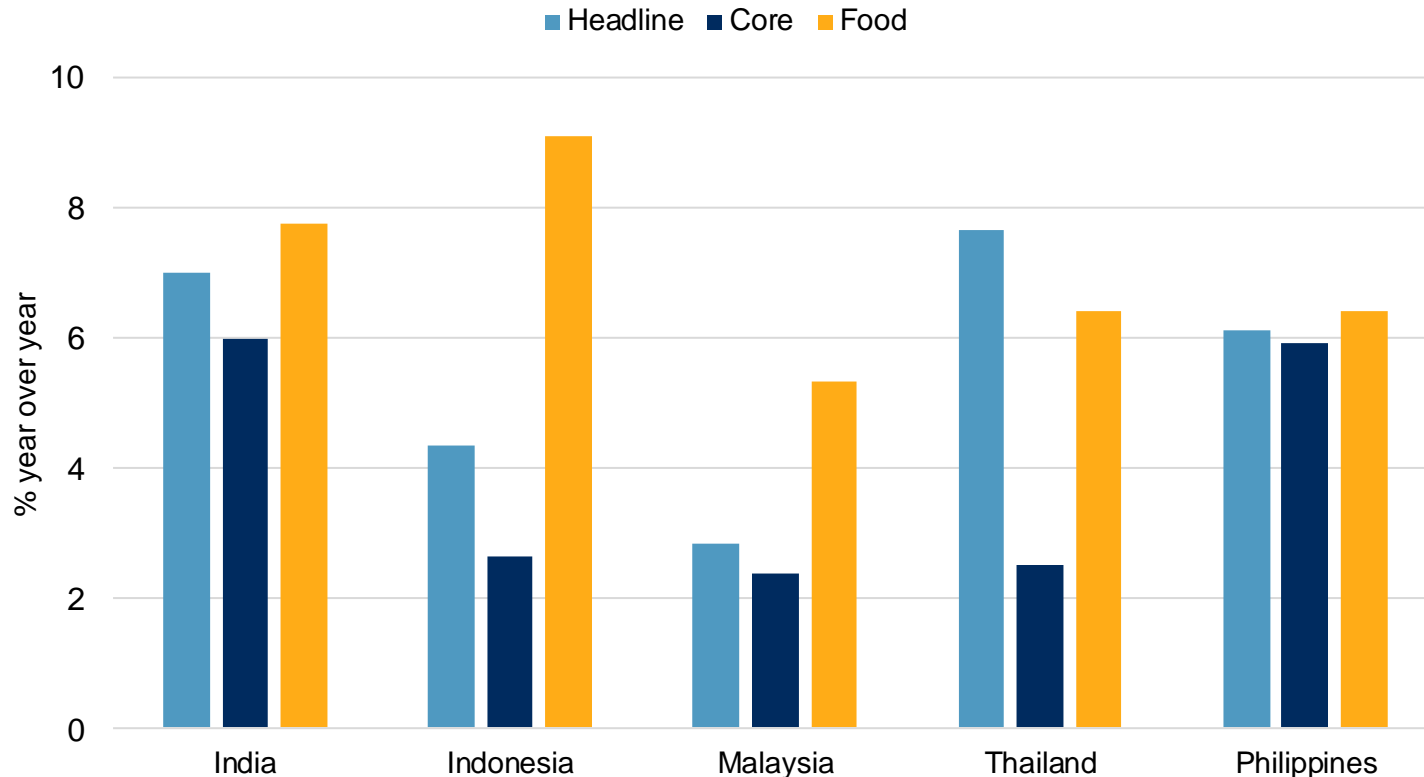
- Growth in China has slowed on account of COVID-19 lockdowns. As a result, policymakers increased messaging and efforts in recent weeks to boost stimulus spending. Infrastructure spending is likely to be a key focus area, which could be beneficial for China's trading partners across EMs.
- Spending outlays have been modest so far due to lockdowns. There's a gradual economic re-opening in China, which will enable stimulus spending. However, credit outlays have increased for local governments and medium-term loans to corporations. Local governments undertake much of the infrastructure activity, so the credit trajectory could signal higher infrastructure investment.

Regional Economic Highlights

EM Asia Economics | Broadening Inflationary Pressures

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Moderate Core Inflation But Inflationary Pressures Are Rising In EM Asia



Source: National statistical agencies.

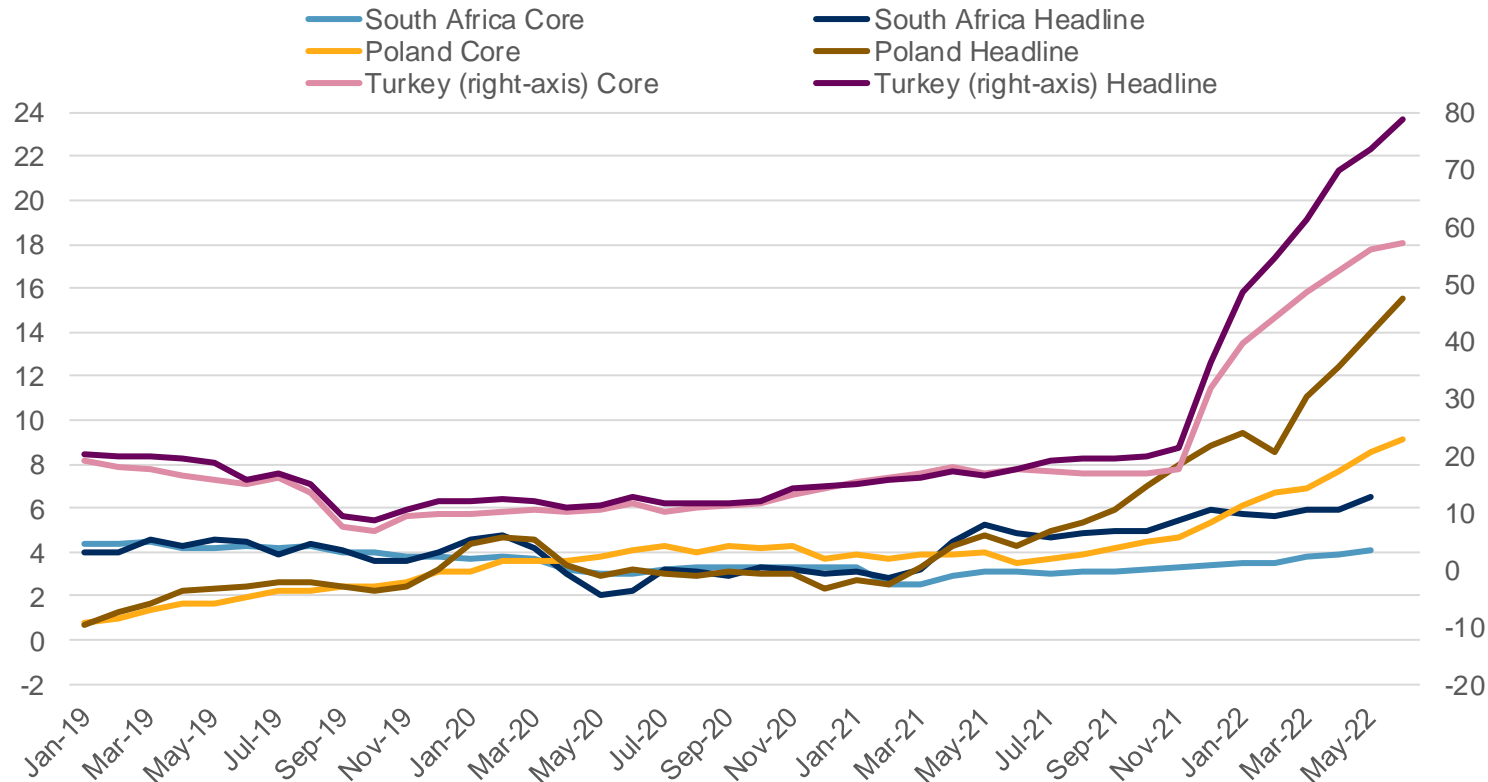
- While core inflation in EM Asia is moderate relative to other Emerging Markets, inflationary pressures are now broadening out.
- Indonesia and Malaysia have so far had lower inflationary pressures, partly because of energy price controls (both countries are net energy exporters). However, inflation is now rising due to higher food prices.
- Inflation is already elevated in India and the Philippines with rising core prices along with food and energy. In Thailand, core inflation remains low for now, but high inflation could lift inflation expectations.

EM EMEA Economics | Inflation Continues To Rise

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Inflation Rates Across EM EMEA Economies



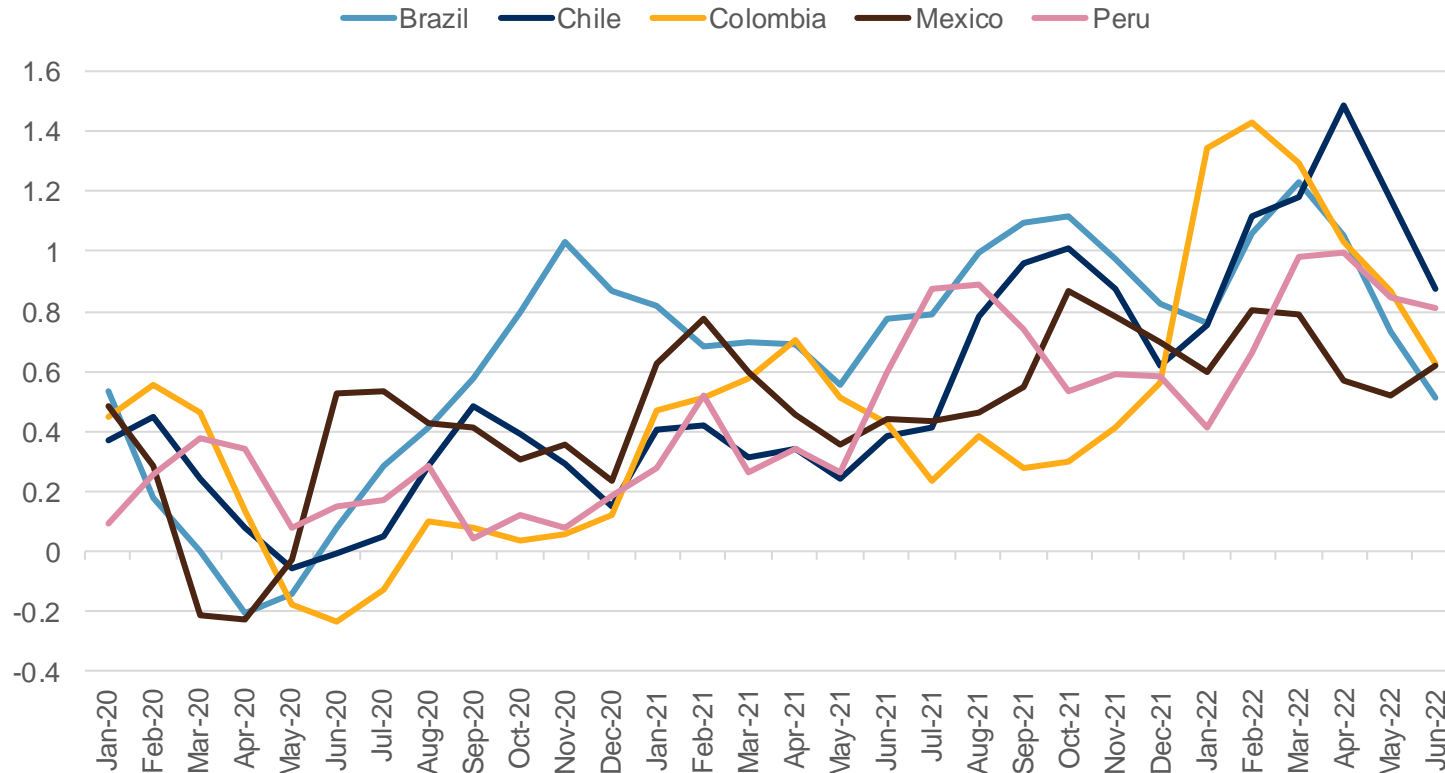
In percentages. Source: Datastream and S&P Global Ratings.

- In EM EMEA, inflation still overshoots our and consensus expectations. In June headline inflation continued to climb up, reaching multiple-year highs in Turkey (78.6%), Poland (15.6%), and South Africa (7.4%).
- In South Africa and Poland, we expect banks to continue their tightening stance as core inflation is still growing in these economies; however, it's significantly below headline in both South Africa (4.4%) and Poland (9.1%).
- Despite record-high inflation rates, we expect Turkey's **central bank to keep interest rate** hikes on hold. A weak lira, the rise in energy and food prices, as well as demand-side pressures continue to fuel inflation in Turkey. Nevertheless, some demand-side pressures are gradually abating, given deceleration in credit growth and household consumption. However, the recently announced minimum wage hike (30%) may offset these developments, given that a significant share of Turkey's workers earn minimum wage only.

LatAm Economics | The Monthly Inflation Peak Is Likely Behind Us

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Consumer Price Inflation



The percentage change month-to-month (three-month moving average). Source: Haver Analytics and S&P Global Ratings.

- Month-to-month inflation likely peaked in LatAm between late Q1 and early Q2. The monthly rate of headline inflation is still high across the region, but it's been moderating in recent months, as the first round impact from this year's uptick in prices of food and energy seems to have started to fade.
- An important factor behind slower inflation are government policies, such as fuel and food subsidies, as well as tax cuts. Those policies come with a high fiscal tag, especially if they continue to remain in place for a prolonged period.
- No clear signs that core inflation is starting to decline, possibly reflecting the second round impact of food and energy prices. Core inflation is well above the targets across the region (on average about 4 ppts y/y above the central banks' targets). This will prompt central banks to maintain a tightening bias.

Macro-Credit Dashboards

GDP Summary | Q1 GDP Reports Showed Resilience To External Headwinds

Country	Latest reading (y/y)	Period	Five-year avg	2020	2021	2022f	2023f	2024f
Argentina	6.0	Q1	-0.2	-9.9	10.3	3.3	1.8	2.0
Brazil	1.7	Q1	-0.5	-4.2	4.9	1.2	1.4	2.0
Chile	7.2	Q1	2.0	-6.2	11.9	2.1	1.5	2.8
Colombia	8.5	Q1	2.4	-7.0	10.7	4.6	2.5	3.2
Mexico	1.8	Q1	2.0	-8.3	5.0	1.7	1.9	2.1
China	4.8	Q1	6.7	2.2	8.1	3.3	5.4	4.9
India	4.1	Q1	6.9	-6.6	8.7	7.3	6.5	6.7
Indonesia	5.0	Q1	5.0	-2.1	3.7	5.1	5.0	5.0
Malaysia	5.0	Q1	4.9	-5.5	3.1	6.1	5.0	4.6
Philippines	8.3	Q1	6.6	-9.5	5.7	6.5	6.6	6.9
Thailand	2.2	Q1	3.4	-6.2	1.5	3.2	4.2	3.8
Poland	9.4	Q1	4.4	-2.1	5.8	4.5	2.1	2.6
Saudi Arabia	9.9	Q1	1.6	-4.1	3.2	7.4	3.1	2.6
South Africa	3.0	Q1	1.0	-6.3	4.9	2.2	1.5	1.7
Turkey	7.3	Q1	4.2	1.6	11.2	3.5	1.7	3.4

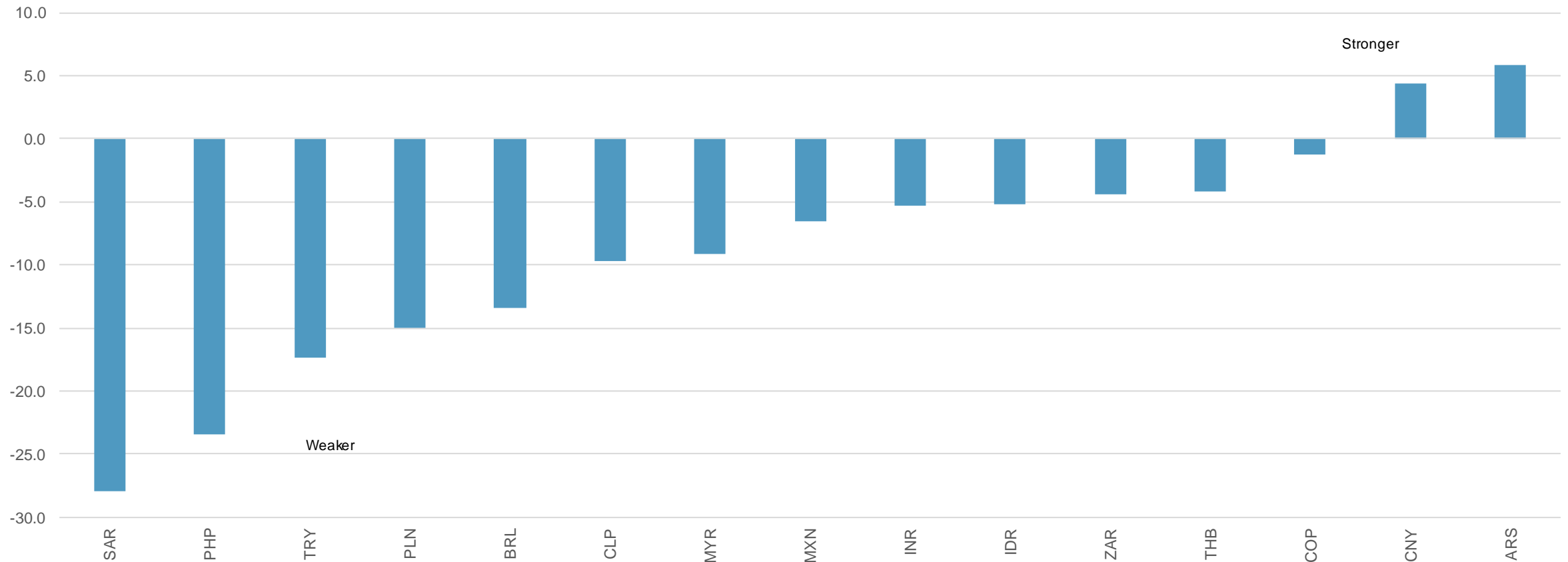
Monetary Policy/FX | More Tightening Expected In Most EMs

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	June exchange rate chg.	YTD exchange rate chg.
Argentina	52.00%	No target	60.7%	300 bps hike	N/A	-4.0%	-18.0%
Brazil	13.25%	3.5% +/- 1.5%	11.7%	50 bps hike	Aug. 4	-9.3%	6.9%
Chile	9.75%	3% +/- 1%	11.5%	75 bps hike	Sept. 6	-9.6%	-7.2%
Colombia	7.50%	3% +/- 1%	9.1%	150 bps hike	July 29	-10.1%	-2.8%
Mexico	7.75%	3% +/- 1%	7.7%	75 bps hike	Aug. 11	-3.0%	1.3%
China	1.10%	3%	2.0%	N/A	N/A	-0.5%	-5.2%
India	4.90%	4% +/- 2%	7.0%	50 bps hike	Aug. 4	-1.8%	-6.0%
Indonesia	3.50%	3.5% +/- 1%	3.6%	Hold	July 21	-2.1%	-4.3%
Malaysia	2.00%	No target	2.8%	25 bps hike	July 6	-0.7%	-5.5%
Philippines	2.50%	3% +/- 1%	5.4%	25 bps hike	Aug. 18	-6.4%	-8.9%
Thailand	0.50%	2.5% +/- 1.5%	7.1%	Hold	Aug. 10	-3.2%	-5.5%
Poland	6.00%	2.5% +/- 1%	14.0%	75 bps hike	July 7	-5.4%	-10.6%
Saudi Arabia	2.25%	3% +/- 1%	2.2%	50 bps hike	N/A	0.0%	0.0%
South Africa	4.75%	3%-6%	7.4%	50 bps hike	July 21	-4.4%	-2.6%
Turkey	14.00%	5% +/- 2%	73.5%	Hold	July 21	-1.4%	-20.0%

Note: Red means inflation is above the target range, policy is tightening, and exchange rate is weakening. Blue means the opposite. A positive number for the exchange-rate change means appreciation. Argentina's central bank no longer targets inflation, nor does it set the policy rate directly (it is set based on monetary aggregates targeting). For China, we use the PBOC's seven-day reverse repo. Source: Bloomberg, Haver Analytics, and S&P Global Ratings.

Real Effective Exchange Rates | All Major EM Currencies Weakened In June

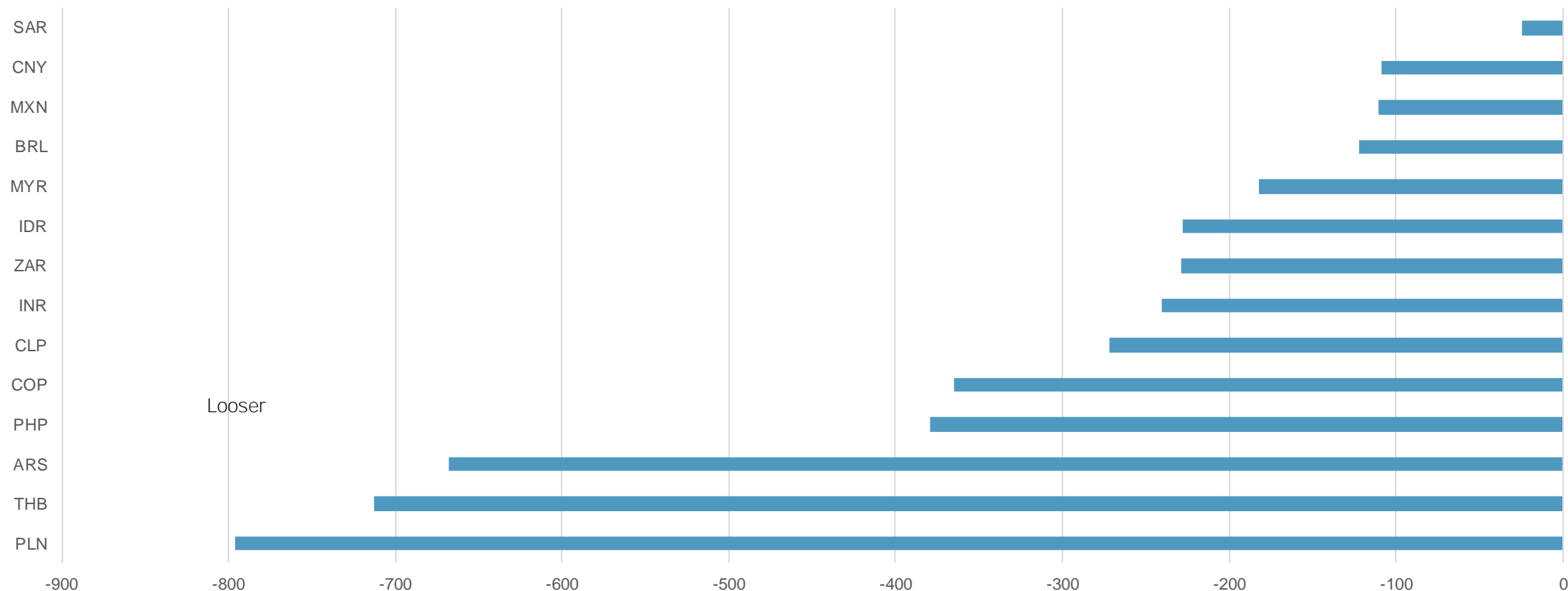
Broad Real Effective Exchange Rates



Percentage change from 10-year average. Note: Data is computed on 10 years of the monthly average data of the J.P. Morgan Real Broad Effective Exchange Rate Index (PPI-deflated). Data as of June 30, 2022. Source: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | Recent Uptick In Inflation Increased Pressure On Rates

Deviation In Current Real Benchmark Interest Rates From 10-Year Average



In basis points. Note: Real interest rates are deflated by CPI. In the cases where we didn't have 10 years of history, we used all the available data to calculate the average. We exclude Argentina. For China, we use the seven-day reverse repo rate. Data as of June 30. Source: Haver Analytics and S&P Global Ratings.

EM Heat Map

	Chile	Saudi Arabia	Poland	Peru	Malaysia	Mexico	China	Philippines	Indonesia	Thailand	India	Colombia	Brazil	South Africa	Vietnam	Turkey	Argentina
FC Sovereign Rating	A	A-	A-	BBB	A-	BBB	A+	BBB+	BBB	BBB+	BBB-	BB+	BB-	BB-	BB+	B+	CCC+
Sovereign Outlook	Stable	Positive	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Stable	Negative	Stable
Institutional	2	4	4	4	3	3	3	4	3	4	3	3	4	4	4	5	6
Economic	4	4	4	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	6	2	2	3	6	6
Fiscal (BDGT)	3	3	4	2	4	3	4	3	3	3	6	4	6	6	4	4	6
Fiscal (DBT)	1	1	2	3	5	4	2	4	4	3	6	4	6	6	4	5	5
Monetary	2	4	2	3	2	3	3	3	3	2	3	3	3	2	4	5	6
Economic Risk	4	5	4	6	5	6	7	6	6	7	7	7	7	7	9	9	10
Industry Risk	3	3	5	3	4	3	5	5	6	6	5	5	5	5	8	9	7
Institutional Framework	I	I	I	L	I	I	H	H	H	VH	H	H	I	I	EH	VH	H
Derived Anchor	bbb+	bbb	bbb	bbb-	bbb	bbb-	bb+	bbb-	bb+	bb	bb+	bb+	bb+	bb+	b+	b+	b+
Eco. Risk Trend	Negative	Stable	Stable	Negative	Negative	Stable	Stable	Stable	Negative	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Eco. Imbalances	L	I	L	VL	L	I	H	L	L	H	I	H	I	I	H	VH	H
Credit Risk	I	I	I	VH	H	I	VH	H	VH	VH	VH	H	H	H	EH	VH	EH
Competitive Dynamics	L	I	VH	I	H	I	H	I	H	H	H	I	H	I	VH	VH	H
Funding	L	L	L	I	L	L	VL	I	I	L	L	I	I	H	I	VH	VH
Median Rating (Jul. 1, 2022)	bbb	bbb+	bb	bb	bbb+	bbb-	bbb+	bbb+	b+	bbb	bbb-	bb+	bb-	bb-	bb-	b	ccc+
Net Debt / EBITDA	3.1	2.6	1.6	2.2	2.1	3.1	2.8	3.4	2.8	2.5	2.2	2.2	2.1	2	3.1	2.3	1.7
ROC Adj.\$	-2.8	1.3	-3.4	0.5	-0.5	-1.9	1.2	-1.4	1.4	1	-1.1	1.5	-5	0.2	1.6	-21	-28.3
EBITDA INT. COV.	7.7	11.3	19	8	13.1	4.9	7.6	6.5	5.2	13.9	6.4	7.1	3.4	6.9	6	4.4	3.7
FFO / Debt	29.4	24.9	46.3	38.5	27.7	34.1	19.8	22.4	30.9	29.1	35.7	38.1	51.2	45.6	27.8	34.7	48.1
NFC FC Debt % GDP*	34.6	12.9	13.8		14.4	17.1	5.4	6.2t	8.8	8.6	7.5	12.4	17.1	13.9		36.2	6.8
NFC Debt % of GDP*	103.4	63.8	43.2		70.6	23.7	154.8	32.6	25.5	54.9	54.5	32	55.1	33.3		73	17.8

Sovereign--Each of the factors is assessed on a continuum spanning from '1' (strongest) to '6' (weakest). Based on "Sovereign Rating Methodology," Dec. 23, 2014.

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," Nov. 9, 2011, and "Banks Rating Methodology and Assumptions," Nov. 9, 2011. 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 March 2020.

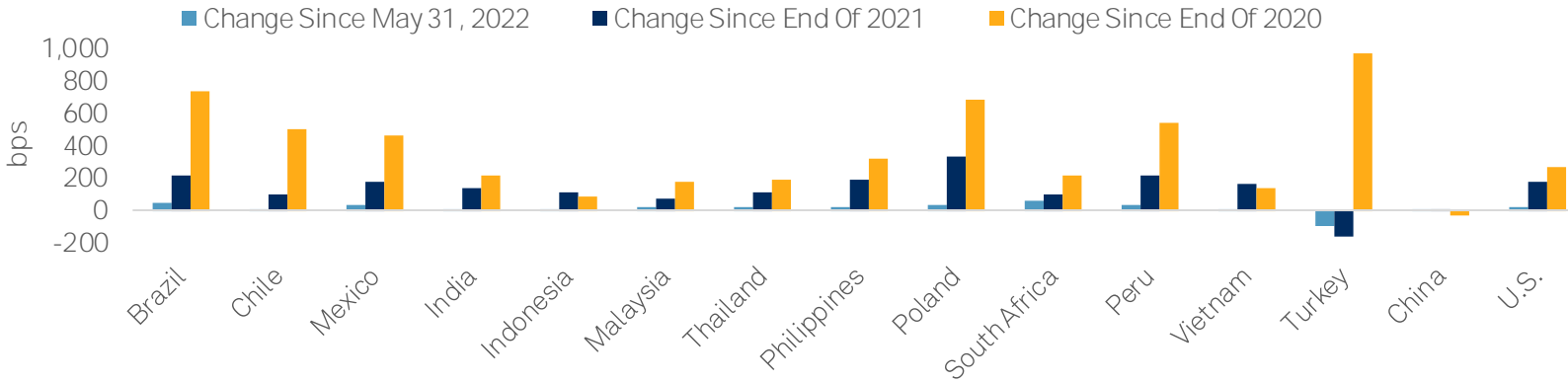
*IIF 1Q 2020. Sources: Bangko Sentral NG Pilipinas; Corporate Variables Capital IQ 1Q 2020. S&P Global Ratings.com

Data as of July 15, 2022

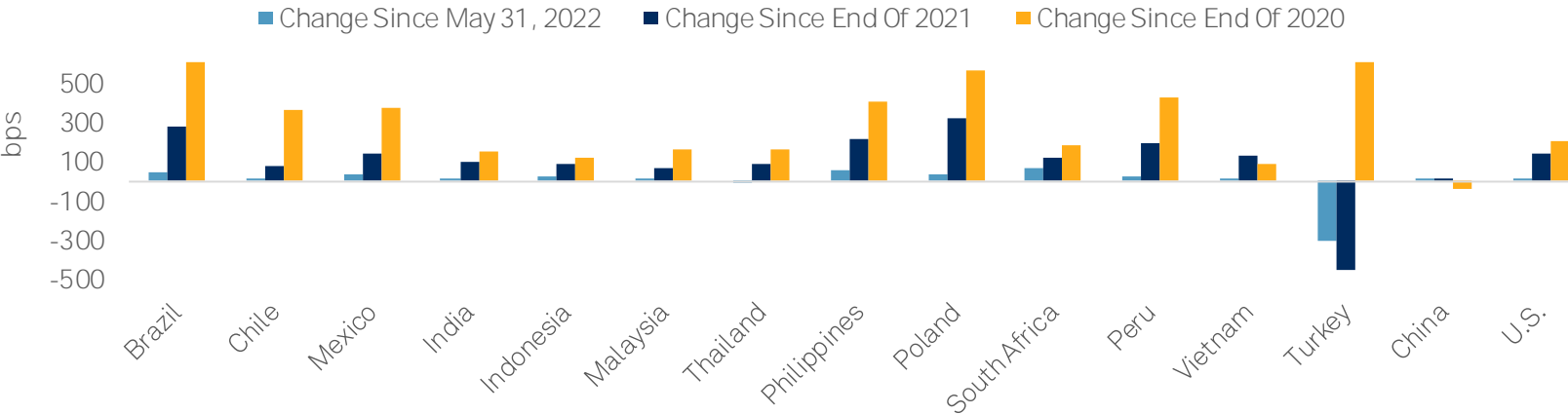
Financing Conditions Highlights

EM Yields | Rising Benchmark Yields, With Few Exceptions

Change In Local Currency Five-Year Government Bond Yield Versus U.S. Five-Year T-Note Yield



Change In Local Currency 10-Year Government Bond Yield Versus U.S. 10-Year T-Note Yield

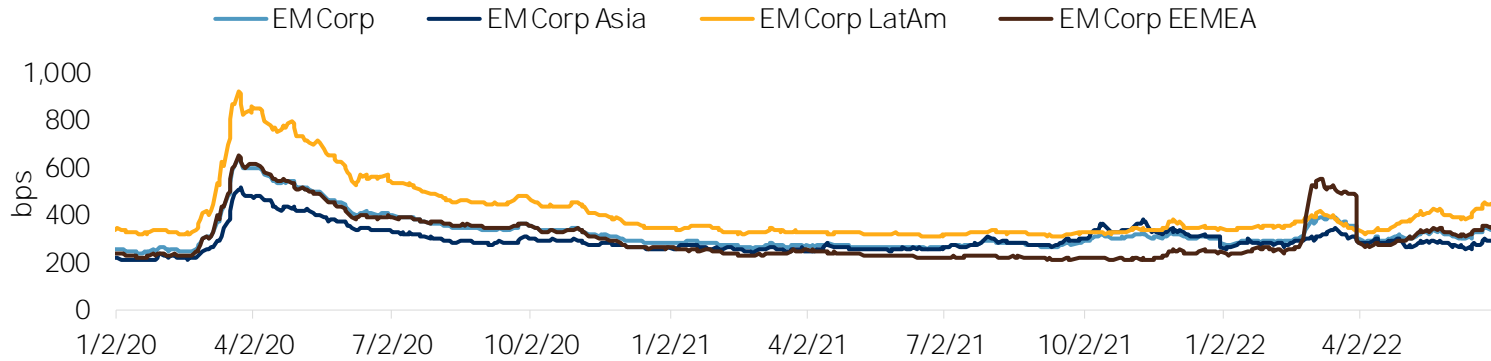


- Financing costs are increasing. EMs will continue facing challenging credit conditions due to inflationary pressures and tightening financing conditions. This scenario has become more difficult, given the possibility of a recession and much more hawkish Fed that's strengthening the dollar.
- A strong dollar increases the debt burden of borrowers with significant foreign currency liabilities. Weaker currencies put even more upward pressure on the EMs' external financing costs.
- Due to these factors, **the** benchmark yields are generally rising across EMs, but most noticeably in LatAm and EM EMEA. We now see a higher terminal interest rate for the current tightening cycles across the board.
- EM Asia is lagging in the current rate hike cycle, though it will also tighten monetary policy further as a result of rising inflation and greater capital flow pressures.

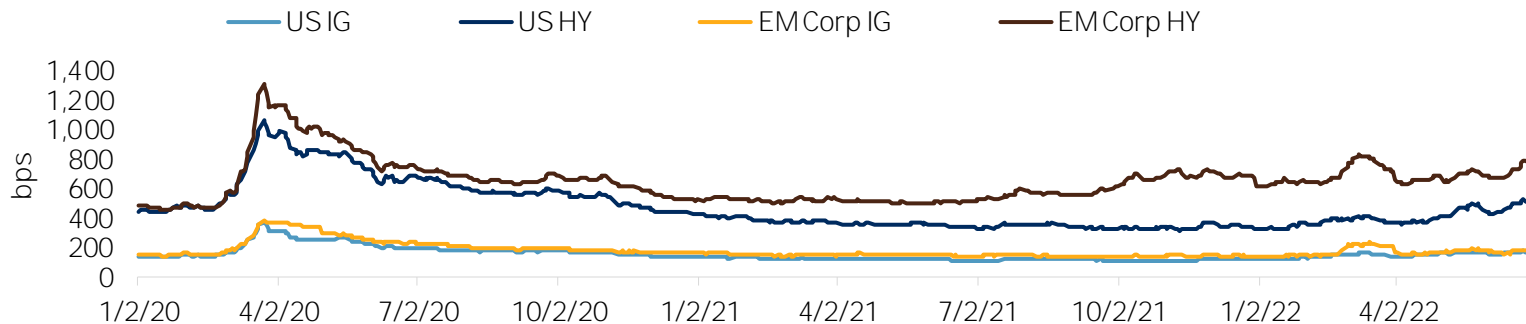
Data as of June 30, 2022. The selection of country is subject to data availability. Source: S&P Global Ratings, S&P Capital IQPro, and Datastream.

EM Credit Spreads | Risk Premia Rises Amid Challenging Financing Conditions

EM Spreads By Region



U.S. And EM Spreads



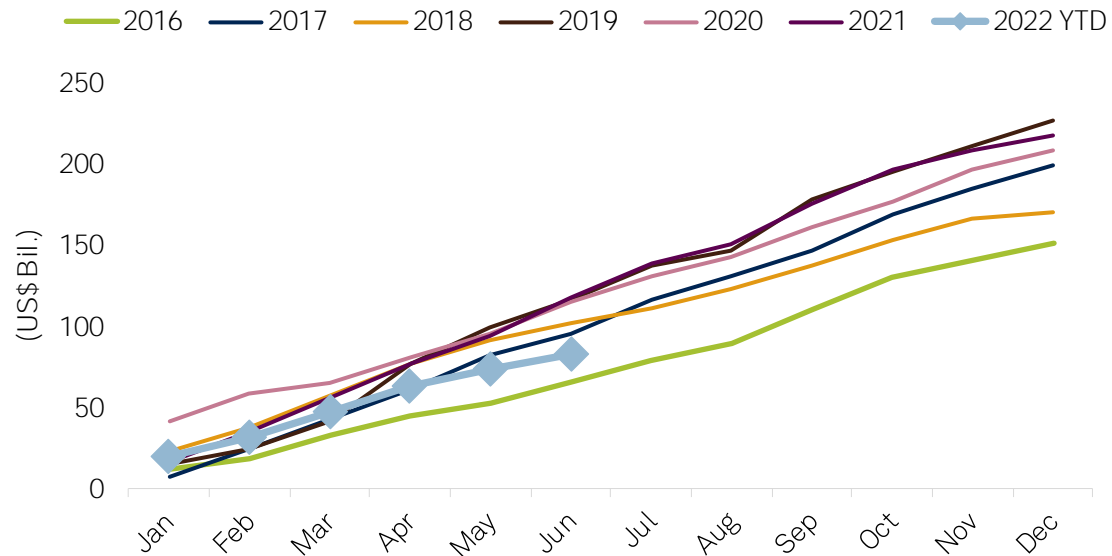
- After some easing in May, EM risk premia is increasing across EMs towards the end of June, caused by lower liquidity and subdued primary activity. If the market volatility causes a much sharper risk premia repricing, financing strains could spread further across EMs.
- The hike in LatAm has been most pronounced among EMs, increasing 86 bps in May and having the highest spread since October 2020, followed by EM EMEA (up 59 bps last month), but it remains below a spike in late February - early March 2022.
- Due to lower market appetite and widening spreads, it became more difficult for high-yield issuers to raise debt in global capital markets.
- It's likely that the concurrence of risks that EMs are facing will prompt risk premia to further widen and increase the cost of financing. Meanwhile, investors could demand higher risk premia for EM issuances.

Data as of June 30, 2022. HY – High Yield; IG – Investment Grade. Source: S&P Global Ratings, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

EM | Financial And Non-Financial Corporate Issuance

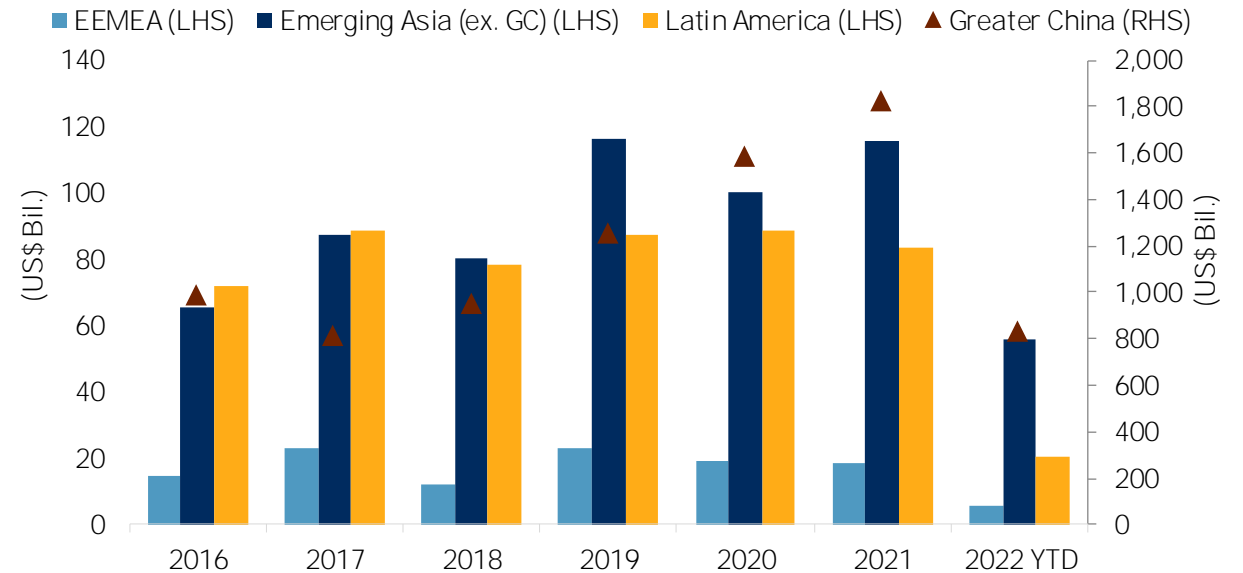
- Access to external markets has become more difficult starting in March for all borrowers, but particularly for those with speculative-grade ratings. Refinancing risks persist as market volatility continues reflecting lower EM issuance trends amid higher costs and lower demand.
- Funding availability is narrowing because of tightening external conditions. EM EMEA and LatAm are facing the weakest volumes since 2016. Despite a slower issuance level in EM Asia and Greater China, the volumes are currently on the pace towards the 2019 levels.
- With financing conditions getting even tighter globally, overall issuance volumes in EMs are unlikely to rebound soon. Drop in investor confidence is an additional risk, which may intensify turbulence in market conditions.

EM Cumulative Corporate Bond Issuance



Excluding Greater China. Data as of June 30, 2022. Data including NR (not rated). Source: S&P Global Ratings Research and Refinitiv.

EM Regional Bond Issuance



Data as of June 30, 2022. GC - Greater China. Source: S&P Global Ratings Research and Refinitiv.

Ratings Summary

Ratings Summary | Sovereign Ratings In EM 17

- Sovereign ratings in selected EMs remained unchanged, testing times ahead for EM resilience.
- Sovereign rating outlook on Malaysia and Mexico were revised to stable from negative on June 27 and July 6, respectively.

Economy	Rating as of June 30, 2022	Outlook as of June 30, 2022	Rating as of July 15, 2022	Outlook as of July 15, 2022	Five-year CDS spread (June 30)	Five-year CDS spread (May 31)
Argentina	CCC+	Stable	CCC+	Stable	4816	3630
Brazil	BB-	Stable	BB-	Stable	291	221
Chile	A	Stable	A	Stable	113	87
China	A+	Stable	A+	Stable	86	71
Colombia	BB+	Stable	BB+	Stable	291	210
India	BBB-	Stable	BBB-	Stable	147	107
Indonesia	BBB	Stable	BBB	Stable	143	101
Malaysia	A-	Stable	A-	Stable	104	79
Mexico	BBB	Negative	BBB	Stable	174	125
Peru	BBB	Stable	BBB	Stable	124	106
Philippines	BBB+	Stable	BBB+	Stable	129	96
Poland	A-	Stable	A-	Stable	110	102
Saudi Arabia	A-	Positive	A-	Positive	73	63
South Africa	BB-	Positive	BB-	Positive	314	234
Thailand	BBB+	Stable	BBB+	Stable	65	47
Turkey	B+	Negative	B+	Negative	855	714
Vietnam	BB+	Stable	BB+	Stable	159	116

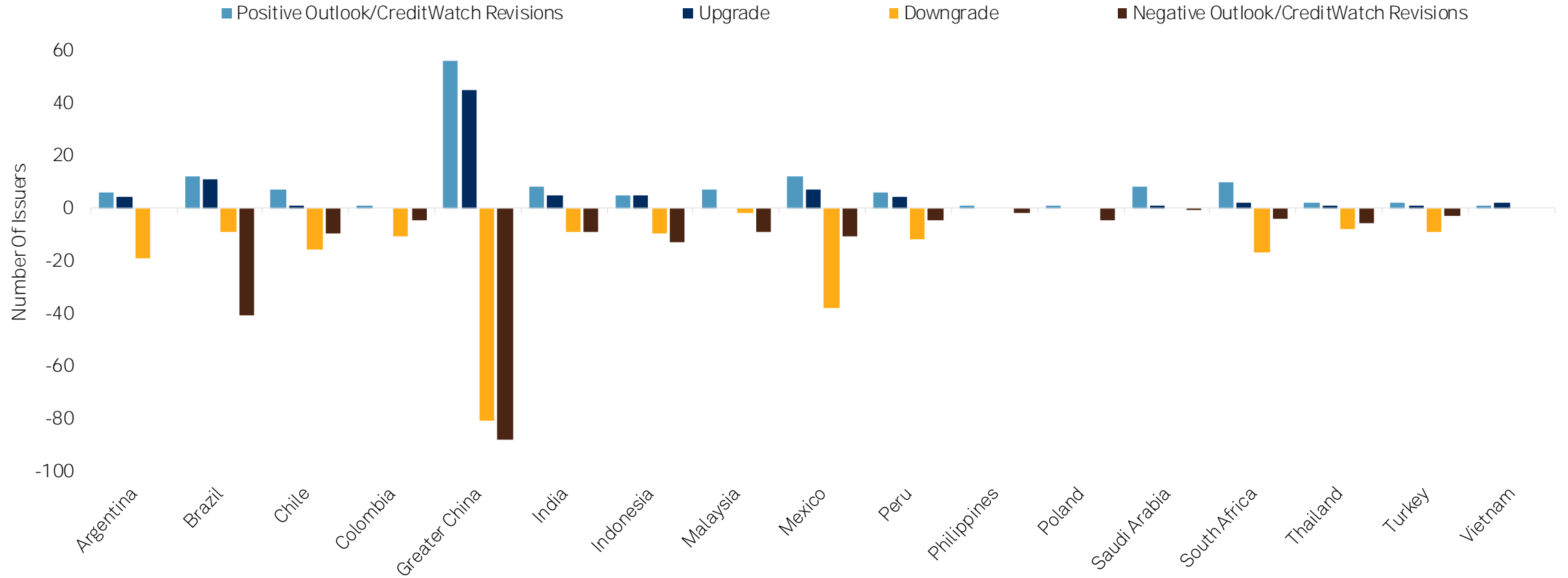
Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, Taiwan. Source: S&P Global Ratings Research and S&P Capital IQ.

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

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. \$)
2-Jun-22	JBS S.A. (J&F Investimentos S.A.)	Brazil	Consumer products	BBB-	BB+	Upgrade	18,850
27-Apr-22	Petroleos del Peru Petroperu S.A.	Peru	Oil and gas exploration and production	BB	BB+	Downgrade	3,000
12-Apr-22	Koc Holding A.S.	Turkey	Financial institutions	B+	BB-	Downgrade	1,500
27-May-22	Sibanye Stillwater Ltd.	South Africa	Metals, mining and steel	BB	BB-	Upgrade	1,200
28-Apr-22	Delhi International Airport Ltd.	India	Utility	B	B-	Upgrade	1,023
28-Apr-22	Gold Fields Ltd.	South Africa	Metals, mining and steel	BBB-	BB+	Upgrade	1,000
8-Apr-22	Turk Telekom (Ojer Telekomunikasyon A.S.)	Turkey	Telecommunications	B+	BB-	Downgrade	1,000
8-Apr-22	Turkcell Iletisim Hizmetleri A.S.	Turkey	Telecommunications	B+	BB-	Downgrade	1,000
26-May-22	Grupo KUO S.A.B. de C.V.	Mexico	Diversified	BB	BB-	Upgrade	450
12-Apr-22	Grupo Kaltex S.A. de C.V.	Mexico	Consumer products	D	CCC-	Downgrade	320

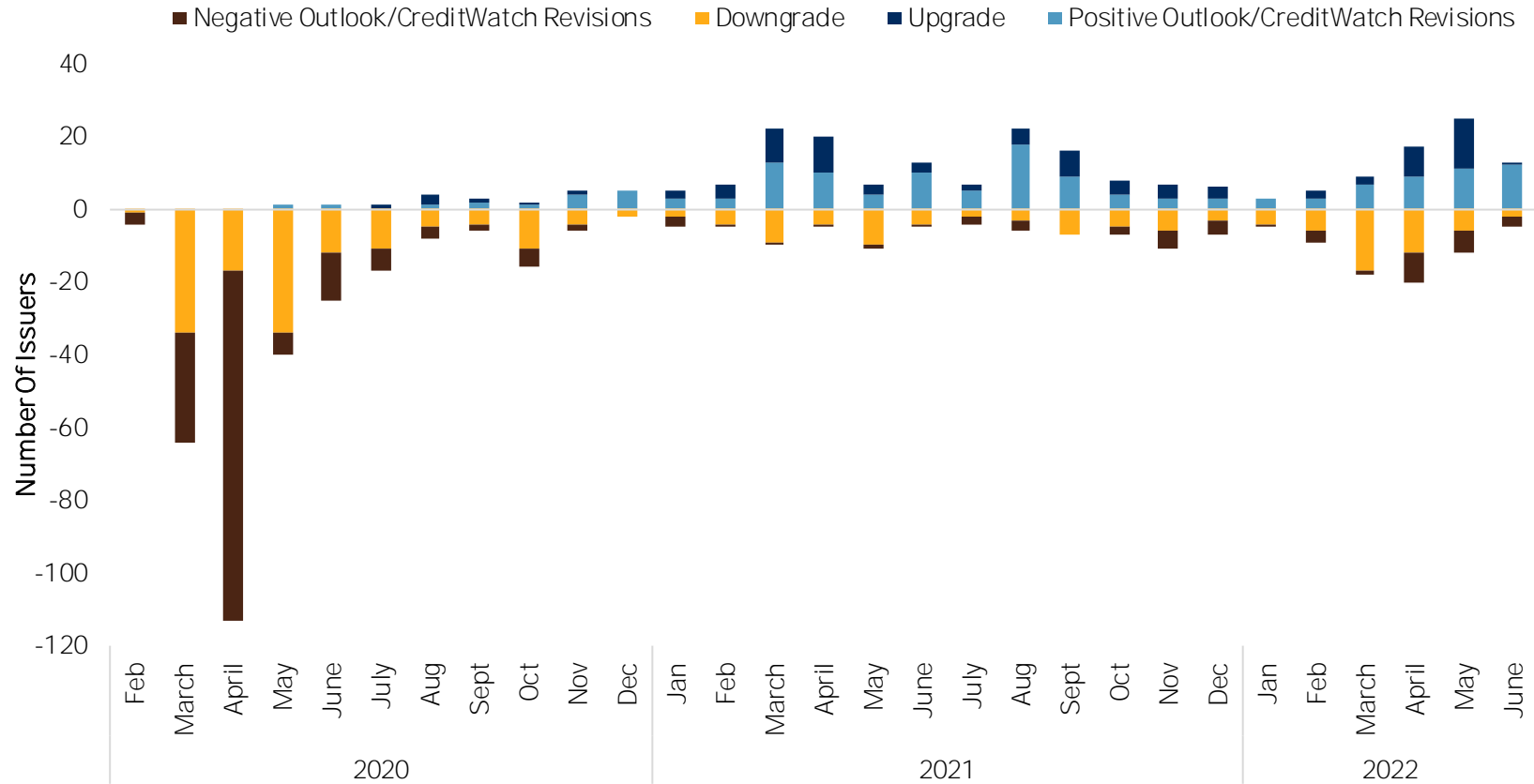
Data as of June 30, 2022 (last 90 days), excludes sovereigns, Greater China and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and grey - default. Source: S&P Global Ratings Research.

EM | Total Rating Actions By Economy



Data includes sovereigns. Data from Feb. 3, 2020 to June 30, 2022. EMs consist of Argentina, Brazil, Chile, China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, the Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkey. Greater China --- China, Hong Kong, Macau, Taiwan and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings Research.

EM | Total Rating Actions By Month

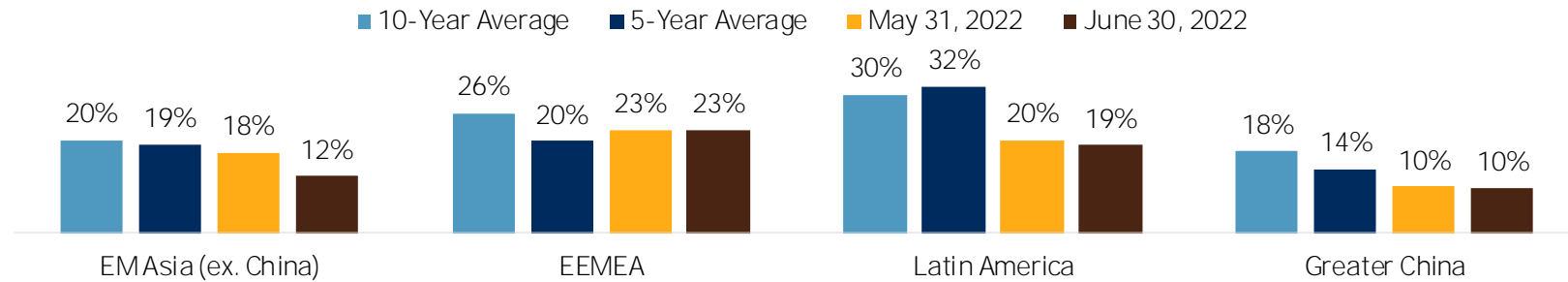


- Two issuers were downgraded, bringing the total number of downgrades to 47 in 2022.
- One was from Greater China, where a property developer completed a one-year maturity extension for its senior unsecured notes. The transaction was viewed as a distressed debt restructuring, tantamount to a default.
- The other one was the financial institution in India aiming to accelerate credit growth, which can impede the capital position and erode asset quality.
- One issuer was upgraded, bringing the year-to-date tally to 27. A Brazilian protein producer was upgraded to investment grade following improvements in risk management practices.

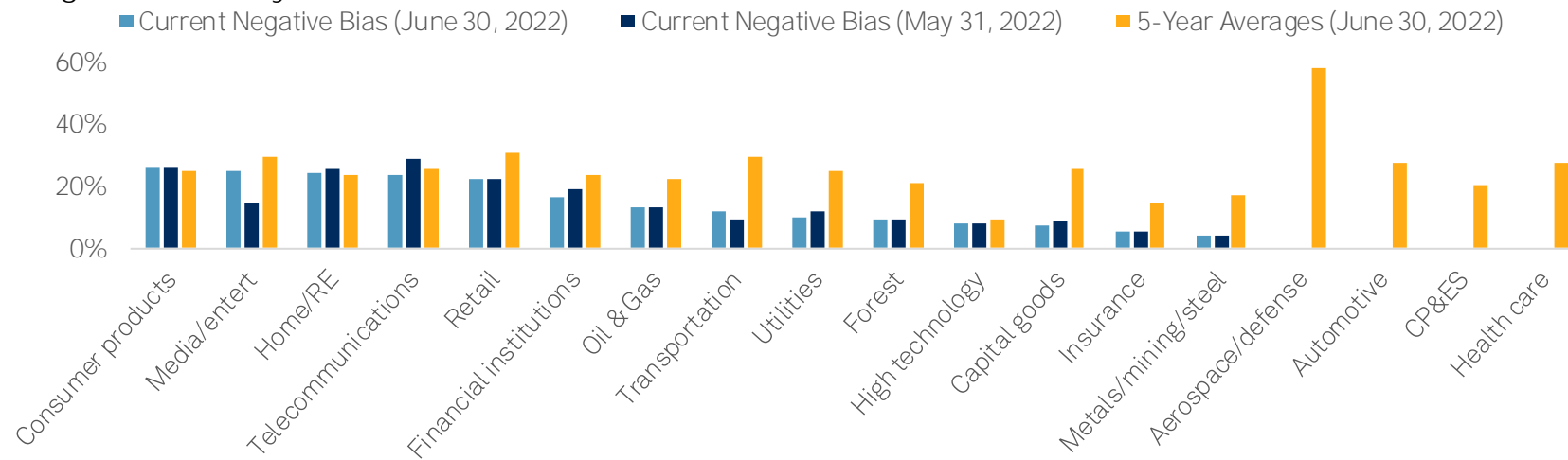
Data includes sovereigns. Data from Feb. 3, 2020 to June 30, 2022. EMs consist of Argentina, Brazil, Chile, China, Colombia, Mexico, India, Indonesia, Malaysia, Thailand, the Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkey. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings Research.

EM Downgrade Potential | Regional Negative Bias

EEMEA Has The Highest Downgrade Potential



Negative Bias By Sector



Data as of June 30, 2022 and include sectors with more than five issuers only; excludes sovereigns. EMs consist of LatAm: Argentina, Brazil, Chile, Colombia, Peru, and Mexico. EM Asia: India, Indonesia, Malaysia, Thailand, the Philippines, and Vietnam. EMEA: Poland, Saudi Arabia, South Africa, and Turkey. Greater China: China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Media/entert -- Media and entertainment, Retail -- Retail / restaurants, CP&ES -- Chemicals, packaging and environmental services, Home/RE -- Homebuilders/real estate companies, Forest -- Forest products and building materials, Metals/mining/steel -- Metals, mining, and steel. Source: S&P Global Ratings Research.

- EM EMEA. The June 2022 downgrade potential remains at 23% as in May, higher than the five-year average, but lower than its 10-year average.
- EM Asia (excluding China). The June 2022 downgrade potential fell to 12% from 18%, and below the five- and 10-year averages. The reason for a lower negative bias was the outlook revision on Malaysia to stable from negative, which resulted in a corresponding revision on domestic corporations.
- LatAm. The June 2022 downgrade potential (19%) was down by one percentage point and stayed well-below its five-year average (32%) and 10-year average (30%).
- Greater China. The June 2022 downgrade potential (10%) was similar to May figures and is slightly below both of its historical averages.

Rating Actions | **Rating Changes From 'B-' To 'CCC' In 2022 YTD**

Three rating changes in EMs from 'B-' to 'CCC' so far in 2022.

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
4-Feb-22	Credito Real, S.A.B. de C.V., SOFOM, E.N.R. (Futurlem, S.A.P.I. de C.V.)	Mexico	Financial institutions	CCC-	B-	1,936
11-Mar-22	Logan Group Co. Ltd.	Cayman Islands	Homebuilders/real estate co.	CCC-	B-	1,280
30-May-22	Greenland Holding Group Company Ltd.	China	Homebuilders/real estate co.	CC	B-	600

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating. Data as of June 30, 2022; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in Greater China but are incorporated elsewhere). Source: S&P Global Ratings Research.

Rating Actions | EM Fallen Angels And Rising Stars In 2022 YTD

One EM fallen angel so far in 2022.

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
15-Mar-22	Petroleos del Peru Petroperu S.A.	Peru	Oil and gas exploration and production	BB+	BBB-	2,000

Two EM rising stars so far in 2022.

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
2-Jun-22	JBS S.A. (J&F Investimentos S.A.)	Brazil	Consumer products	BBB-	BB+	18,850
28-Apr-22	Gold Fields Ltd.	South Africa	Metals, mining and steel	BBB-	BB+	1,000

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating and blue means investment-grade rating. Data as of June 30, 2022; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

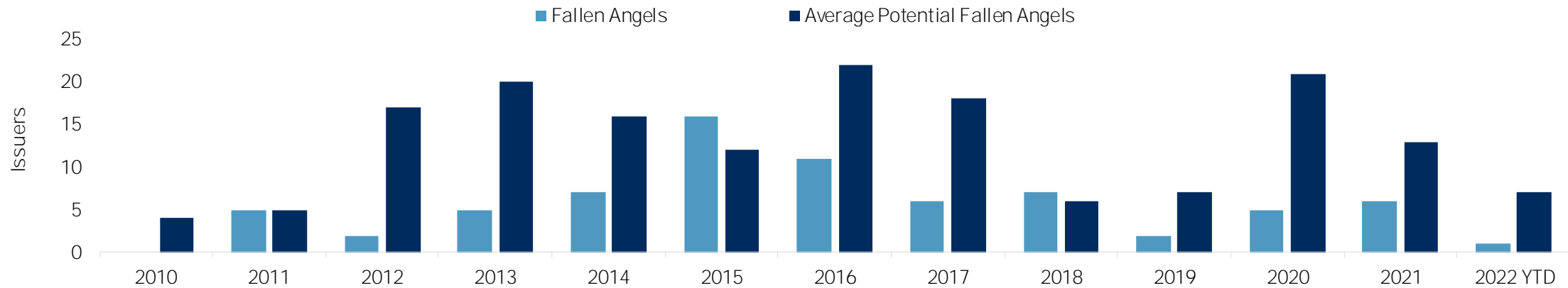
Rating Actions | List Of Defaulters In 2022 YTD

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
13-Jan-22	R&F Properties (HK) Co. Ltd. (Guangzhou R&F Properties Co. Ltd.)	Hong Kong	Homebuilders/real estate companies	SD	CC	-
1-Feb-22	Future Retail Ltd.	India	Consumer products	SD	CCC-	500
10-Feb-22	Credito Real, S.A.B. de C.V., SOFOM, E.N.R. (Futulem, S.A.P.I. de C.V.)	Mexico	Financial Institutions	SD	CCC-	1,941
8-Apr-22	Guangzhou R&F Properties Co. Ltd.	China	Homebuilders/real estate companies	SD	CC	-
12-Apr-22	Grupo Kaltex, S.A. de C.V.	Mexico	Consumer products	D	CCC-	320
21-Jun-22	Greenland Holding Group Co. Ltd.	China	Homebuilders/real estate companies	SD	CC	-

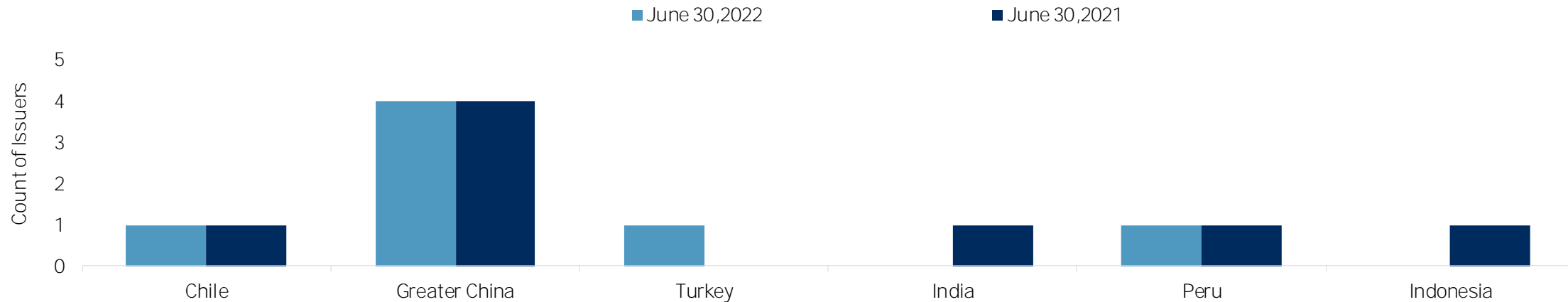
Data as of June 30, 2022. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Excludes eight confidential issuers in 2022 YTD. Red means speculative-grade rating, and grey means default (D) or selective default (SD). Source: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Fallen Angels And Potential Fallen Angels

One Fallen Angel So Far in 2022 (A Peruvian Issuer) While Potential Fallen Angels Continue To Trend Down



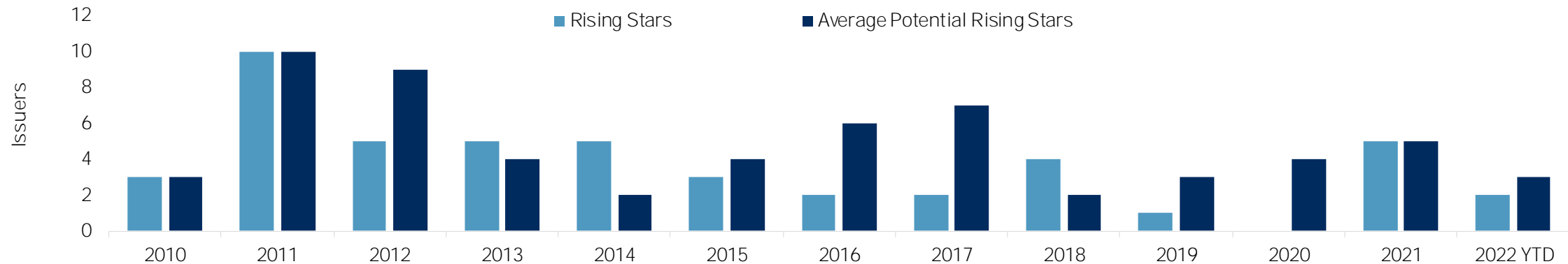
EM Potential Fallen Angels By Economy



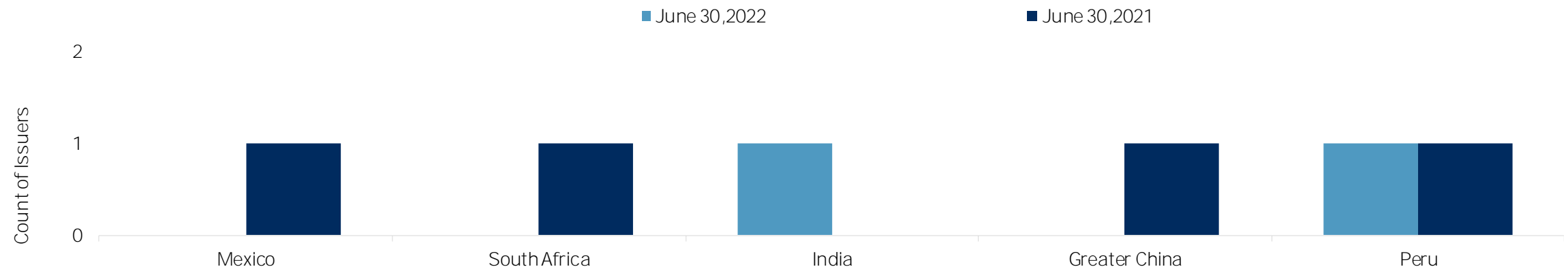
Data as of June 30, 2022. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

Rating Actions | Rising Stars And Potential Rising Stars

Two Rising Stars In 2022 YTD



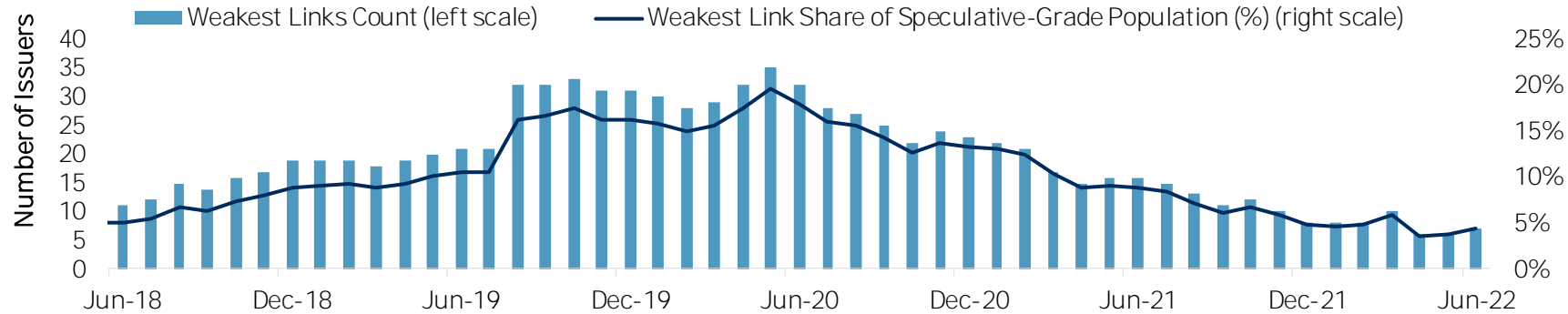
EM Potential Rising Stars By Economy



Data as of June 30, 2022. Greater China --- China, Hong Kong, Macau, Taiwan, and Red Chip companies. (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Research.

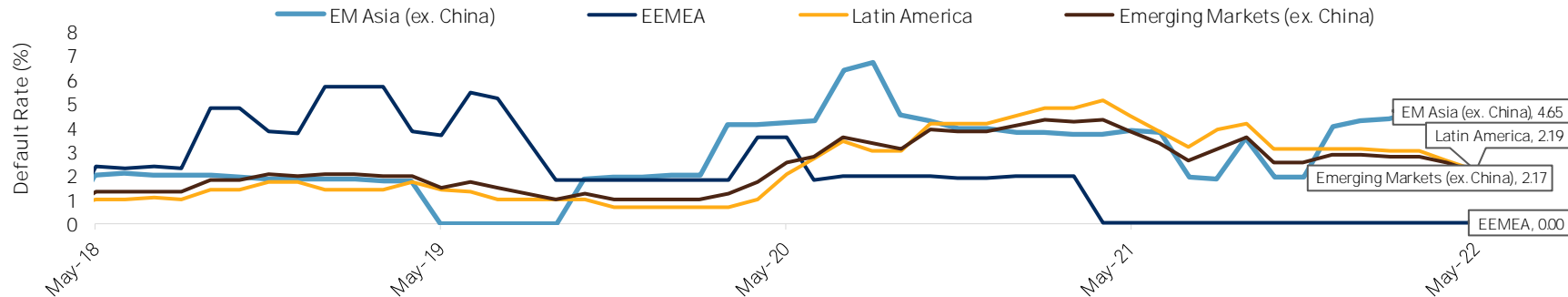
Rating Actions | Weakest Links And Defaults

EM Weakest Links At Seven In June



Data as of June 30, 2022. Parent only. Includes Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). 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 Research.

Default Rates Fell (as of May 2022)

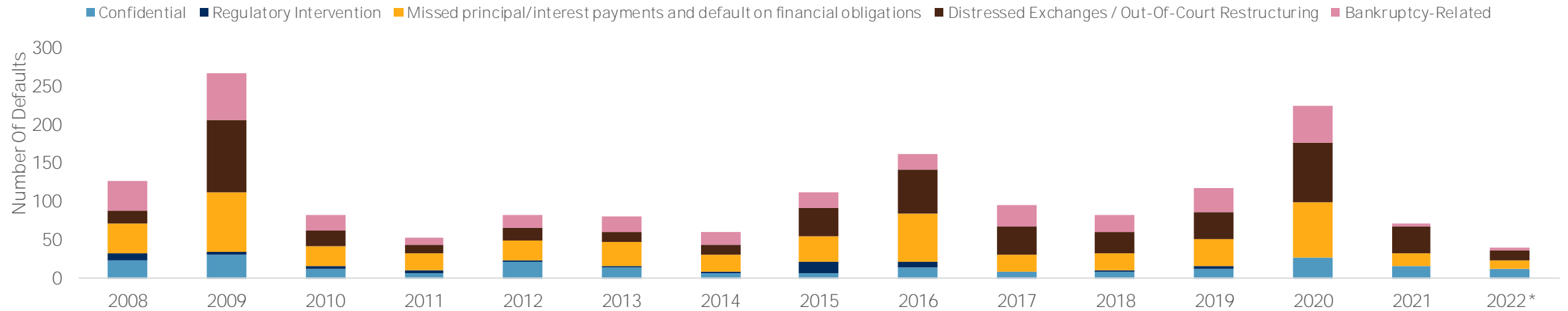


Excluding China. CreditPro data as of June 30, 2022. Default rates are trailing 12-month speculative-grade default rates. Source: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.

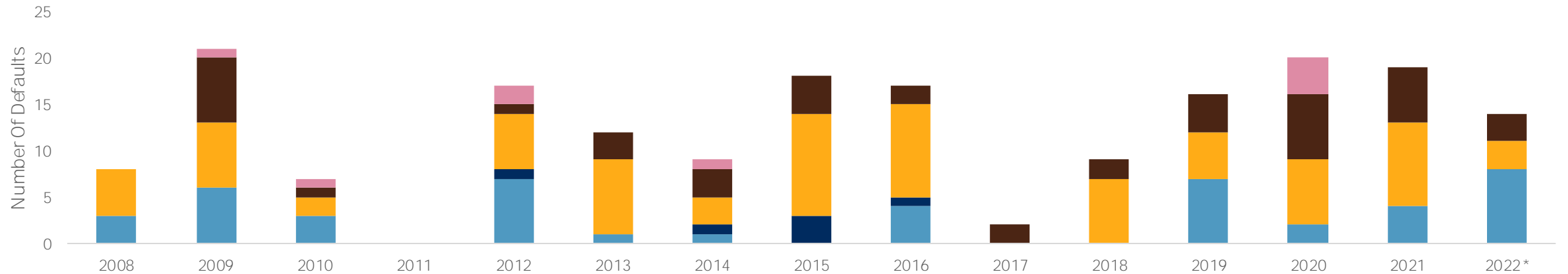
- Weakest links. EMs weakest links stayed at seven issuers (5% of total speculative-grade issuers), maintaining the steady downtrend that began in late 2020.
- Default rates. The May default rates increased marginally for EM Asia (excluding China) and decreased marginally for EMs (excluding China) and LatAm (see chart). The May default rate in EM EMEA remained at 0%.

Rating Actions | Defaults

Year-End Global Corporate Defaults By Reason



Year-End EM Corporate Defaults By Reason



*Data as of June 30, 2022. Data has been updated to reflect confidential issuers. Excludes sovereigns, includes Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Sources: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.

Related Research

EMs | Related Research

- Economic Research: Emerging Market Economies Are Vulnerable To A Downturn In Europe, July 19, 2022
- Global Credit Markets Update – Q3 2022 Market Stresses Begin To Weigh On Credit, July 6, 2022
- Russia-Ukraine Military Conflict: Key Takeaways From Our Article, July 1, 2022
- Credit Conditions Emerging Markets Q3 2022: Risks Accumulate As Conflict Lingers, June 28, 2022
- Credit Conditions Europe Q3 2022: Pain On The Horizon, June 28, 2022
- Economic Outlook Emerging Markets Q3 2022: Testing Times Ahead For Emerging Market Resilience, June 27, 2022
- Economic Outlook Latin America Q3 2022: Resilient So Far This Year, With Tougher Conditions Ahead, June 27, 2022
- Economic Outlook Asia-Pacific Q3 2022: Overcoming Obstacles; June 27, 2022
- Economic Outlook EMEA Emerging Markets Q3 2022: Slower Growth Ahead Amid Mounting Risks, June 27, 2022
- Credit Trends: 'BBB' Pulse: Pressures Mount, But The Positive Streak Continues, June 27, 2022
- Default, Transition, and Recovery: The Pace Of Defaults In 2022 Is Likely To Pick Up, June 15, 2022
- Economic Research: Food Price Shock Reverberates Through MENA Economies, May 26, 2022
- Default, Transition, and Recovery: European Weakest Links Fall But Remain Above The Five-Year Average, May 25, 2022
- Slower, But Continued Positive Momentum, Points To Lower Near-Term Downgrade Risk, May 5, 2022
- Turkey-Based Mersin International Port Downgraded To 'B+' After Similar Rating Action On Sovereign; Outlook Negative, April 28, 2022
- Which Emerging Markets Are Most At Risk From Slower-Than-Expected Growth In China?, April 26, 2022
- Economic Research: Which Emerging Markets Are Most Vulnerable To Rising Food And Energy Prices?, April 21, 2022

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