Emerging Markets Monthly Highlights

Improving Financing Conditions

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S&P Global Ratings

This report does not constitute a rating action.

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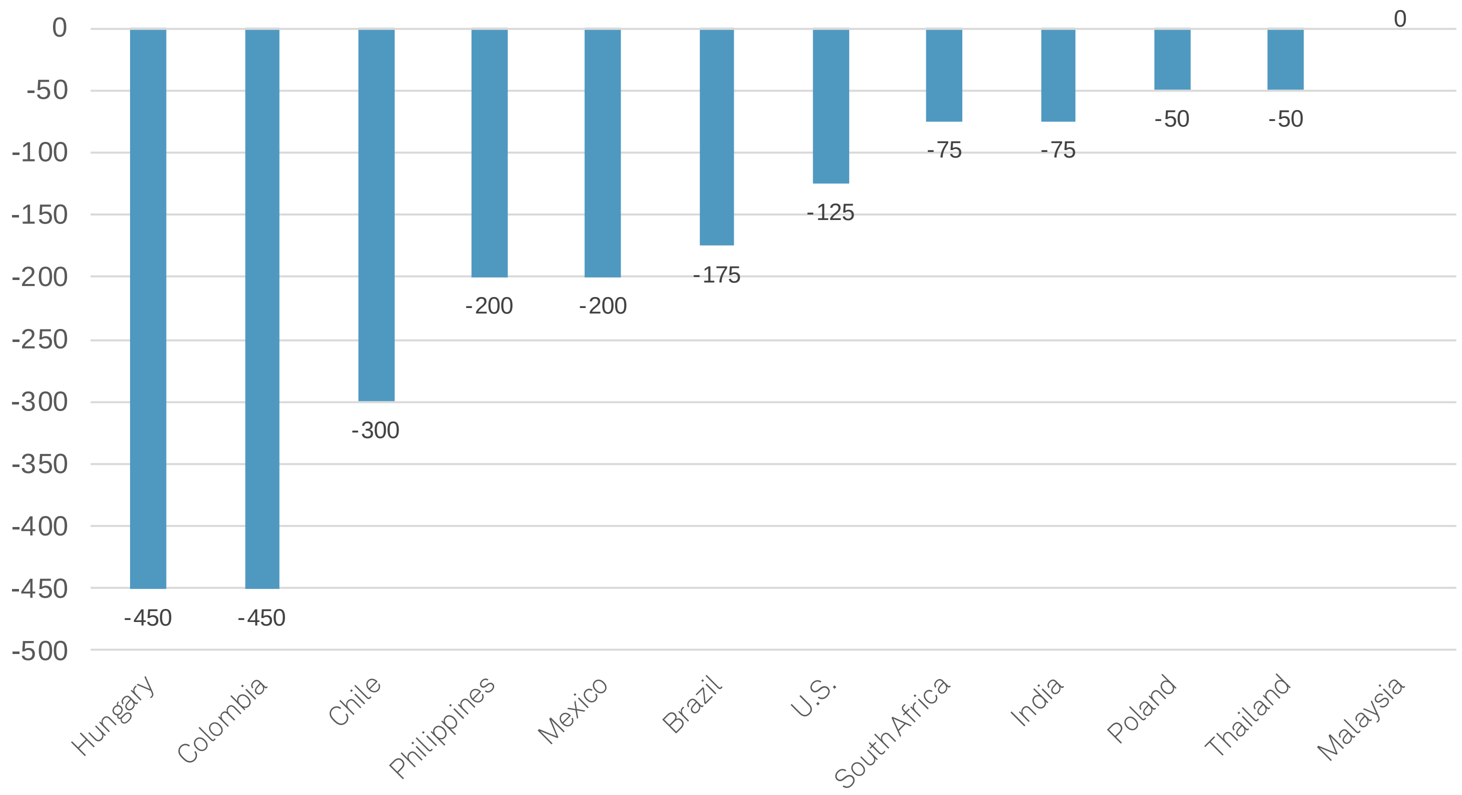
Key Takeaways

- Credit conditions in Emerging Markets (EMs) have improved. In Q4 2023, the pace of defaults in EMs was lower than in the U.S. and Europe, following better economic and financing conditions, continued disinflation, positive growth surprises, and a clearer path for Fed policy interest rate cuts. Issuances outside Greater China rose by more than 20% in January compared with December.
- **Despite the shift of market expectations for the start of the Fed's interest rate cuts to mid**-year (from March), EM benchmarks yields remained broadly unchanged in January, while corporate yields have gone down. A clearer timeline for the beginning of interest-rate cuts is providing space for EM central banks to ease policy. We continue to expect most EM central banks to be in easing mode by the end of 2024 with EM Asia likely to be the last to start cutting rates.
- Delivery time indicators point to significant supply disruptions in EM Europe, the Middle East, and Africa (EMEA) and Latin America (LatAm). The latest Purchasing Manager Indices (PMIs) for supply delivery times have deteriorated to their worst level in 18 months. EM EMEA is directly exposed to the recent escalation in the Red Sea, while LatAm economies are experiencing significant shipping delays due to the Panama Canal drought. As a result, shipping costs have continued to increase throughout January, particularly between Northeast Asia and Europe.

Fed | A Clearer Path For The Start Of Rate Cuts Helps Central Banks

Central bank policy rates: market-implied interest rate cuts in the next 12 months (bps)



Note: market-implied changes are based on interest rate swaps as of Feb. 9, 2024. Rounded to the nearest 25 basis point. Sources: Haver Analytics and S&P Global Ratings.

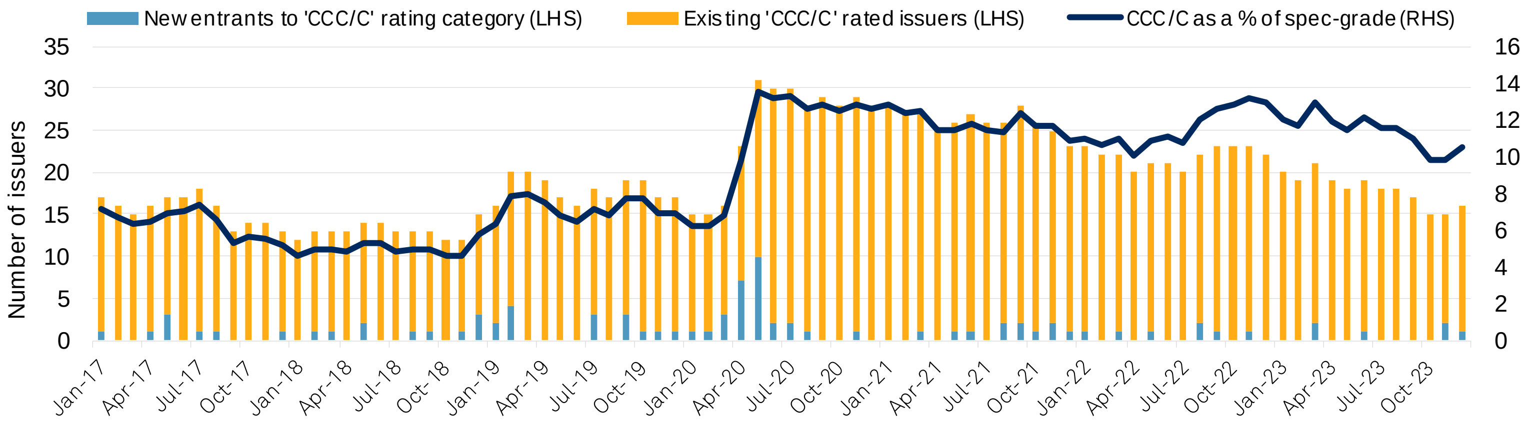
– **The Fed's January FOMC statement creates a** clearer timeline for the beginning of interest-rate cuts, creating room for maneuver among EM central banks to ease policy. The FOMC statement made a March rate cut unlikely and increases the odds that the first cut will come in May or June. The market aligned itself with this view.

– LatAm central banks will continue reducing interest rates in the coming months. The central bank of Mexico is the only major LatAm monetary authority that has not cut rates yet; we expect it will start in March.

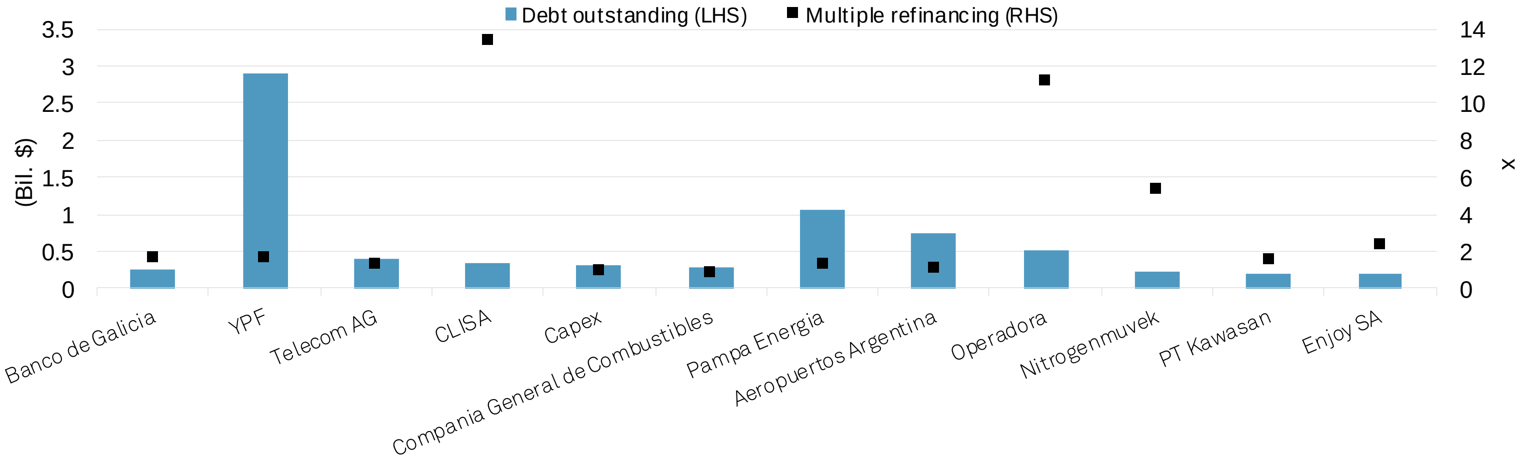
– Most EM central banks will be in easing mode by the end of 2024. The central banks in EM Asia will likely be the last to start cutting rates, given that rates in those countries only went up moderately during the global monetary tightening cycle of the last couple of years.

Risky Credits | Silver Lining For EMs

EM 'CCC+' and lower dropped to 11% of speculative-grade issuers (as of Dec. 2023)



Refinancing option could eat into risky credits' balance sheet

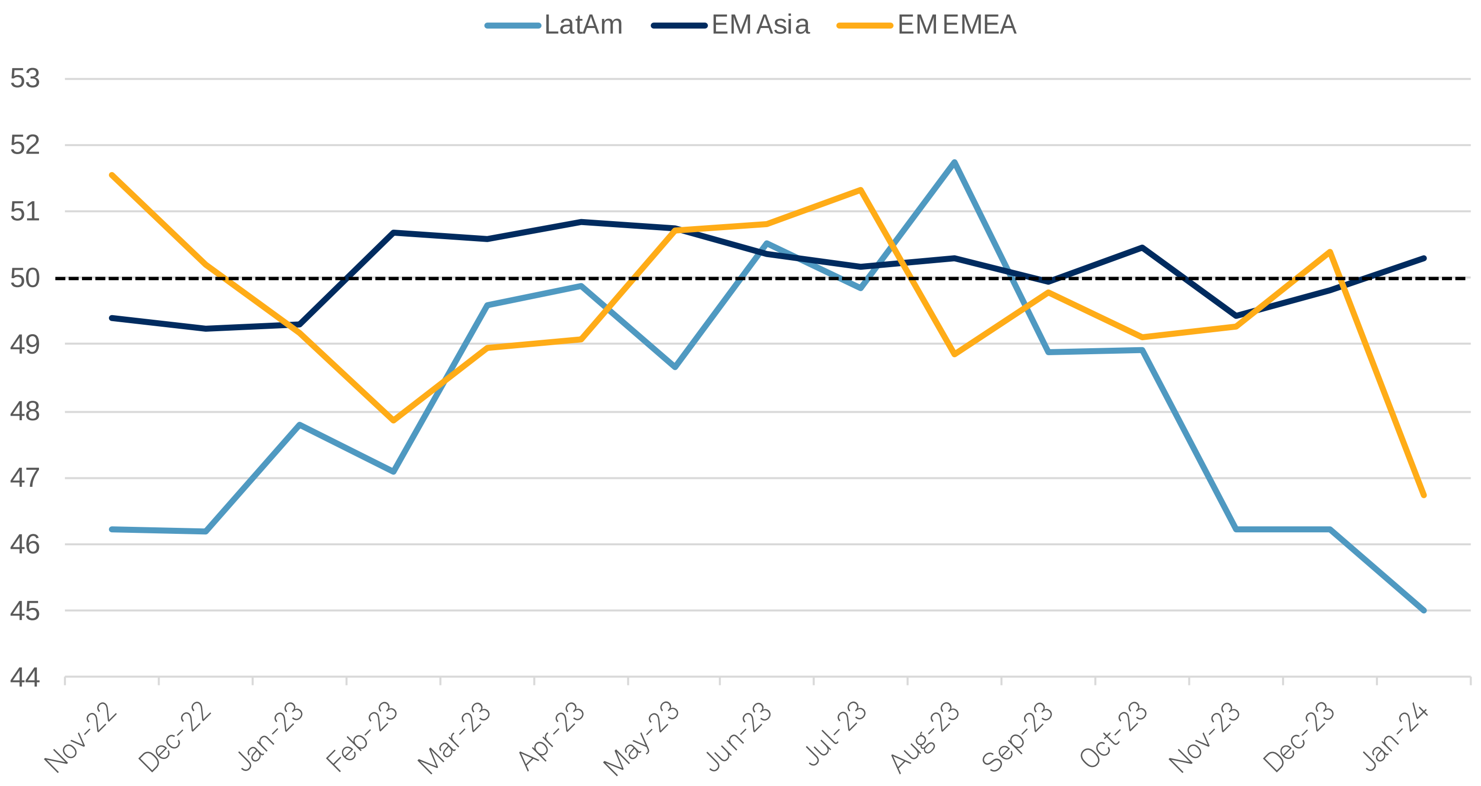


Data as of Jan. 31, 2024. Multiple refinancing (x) is calculated by dividing the most recent yield to maturity on the current risky credits cohort's most representative corporate bond by the coupon rate at issuance. LHS—left hand side. RHS—right hand side. Sources: Priceviewer and S&P Global Ratings Credit Research & Insights.

- In Q4 2023, the pace of defaults in EMs was lower than in the U.S. and Europe following improving economic and financing conditions as inflation pressures ease and investors' risk appetite grows, given greater clarity about interest rate paths-–domestically and abroad-–and expected rate cuts in 2024 (see "Risky Credits: Silver Lining For Emerging Markets" published February 7).
- **The number of issuers rated 'CCC+' and** lower kept on decreasing and now constitutes 11% of speculative-grade issuers in EMs. Argentina has the highest debt concentration with $6.3 billion, while oil and gas tops the sector-wise mix at $3.2 billion.
- Yet borrowing costs remain tight, constraining speculative-**grade issuers'** access to foreign markets and render refinancing options three times more expensive on average, compared with the coupon rates at the time of initial issuance, with peaks at above 10x for CLISA (capital goods; Argentina) and Operadora de Servicios Mega (NBFI; Mexico).

Trade Disruptions | EM EMEA And LatAm Are Affected

PMIs for supply delivery times



Source: S&P Global Market Intelligence.

- Following escalations in the Red Sea, PMIs for supply delivery times have notably deteriorated across EM EMEA in January. The steepest drop has been recorded in Turkiye, where PMI index has plunged to 46 in January. The domestic auto industry has been hit the hardest because it sources a significant share of intermediate goods through the Suez Canal. South Africa is another economy, where PMI for supply delivery times has recorded values far below 50. However, this mostly stems from ongoing issues with infrastructure. Shipping costs have continued to increase throughout January, particularly between Northeast Asia and Europe.
- The Panama Canal disruptions remain a drag on supply delivery times in LatAm where PMI indices are now at their lowest since late-2022. Among key LatAm economies, Chile and Peru are particularly affected, as seaborne trade through the Panama Canal accounts for more than 20% of total trade tonnage in these economies.

Regional Economic Highlights

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EM Asia Economics | International Trade Stabilized Going Into 2024

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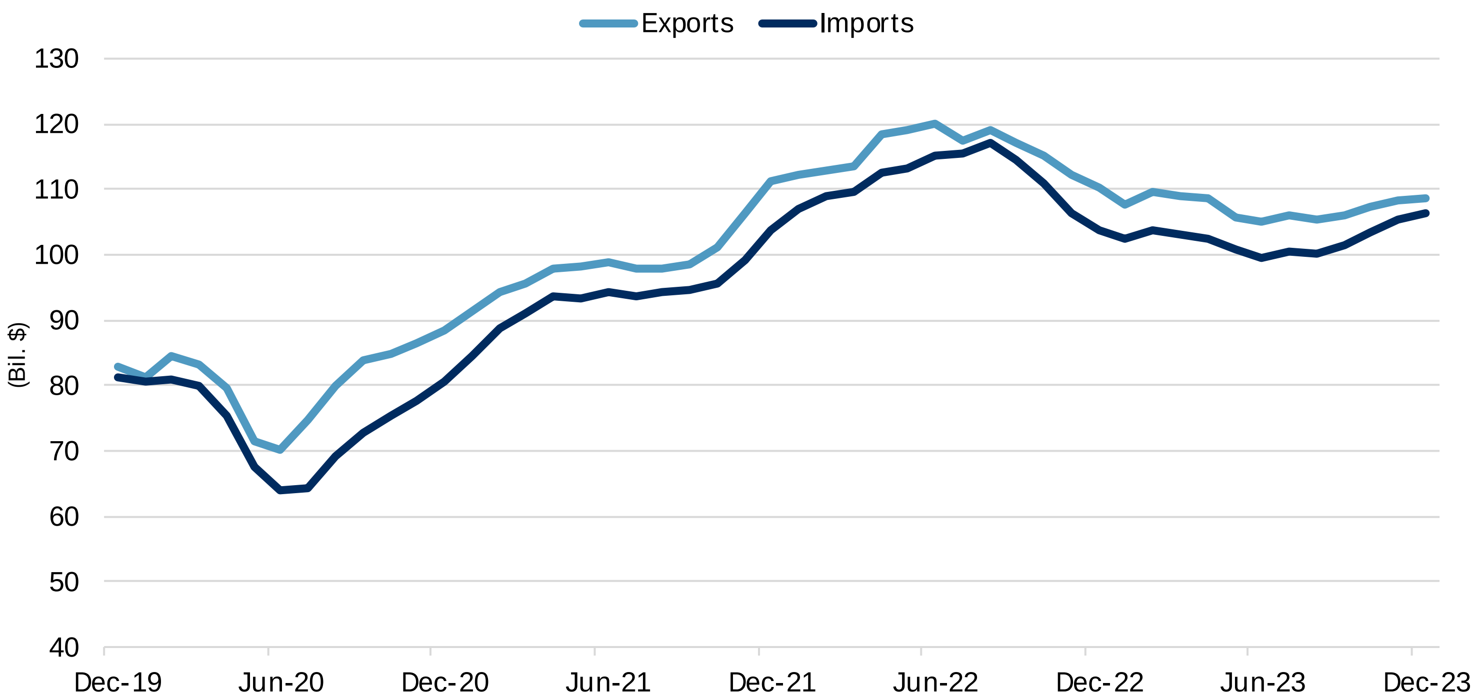
International trade EM Asia*



Excluding China and India. Source: CEIC data.

- International trade flows for EM Asia stabilized going into 2024. Following weak trade flows in 2023, there was some recovery during the final quarter of the year. The latest data indicate the recovery pace is very gradual.
- We expect trade flows to improve relative to **2023. However, we don't expect a strong** recovery given subdued global growth and demand for goods.
- **The region's economy is highly externally** oriented (with 30% of value added originating from international demand on average).

EM EMEA Economics | Industrial Production Is Still Lagging

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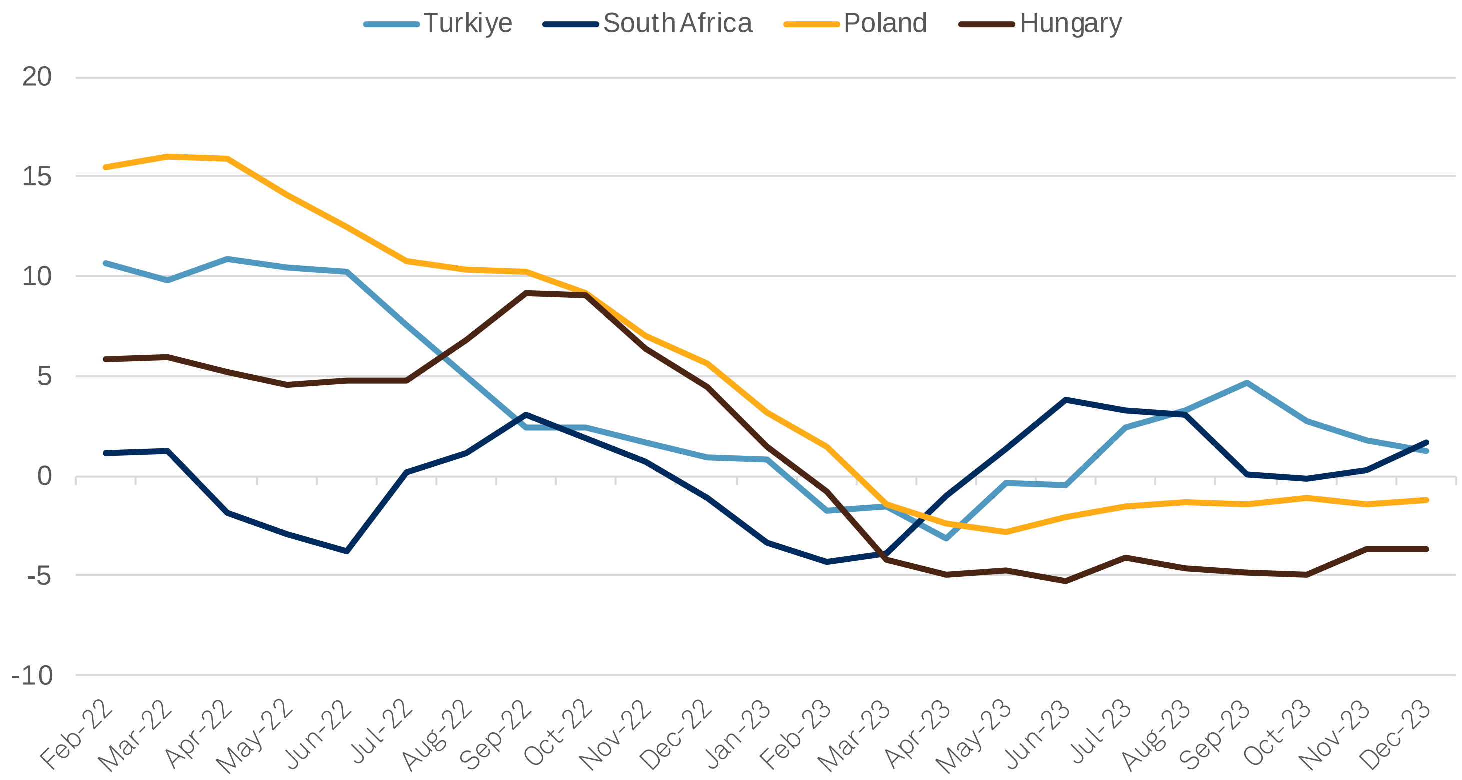
Industrial production (year-on-year %)



Sources: Datastream and S&P Global Ratings.

- Industrial production remains particularly weak in Central and Eastern Europe (CEE), following sluggish demand in the eurozone and a decrease in industrial production in Germany (which contracted by 1.5% in December in sequential terms). PMI manufacturing indices in CEE indicate further weakness in the industrial production in January, given sub-50 values.
- **However, South Africa's industrial production** has been gradually recovering, following strong economic performance in the U.S. (the main destination of South Africa's manufacturing exports) and a substantial decrease in load-shedding.

LatAm Economics | Inflation Was Higher Than Expected In January

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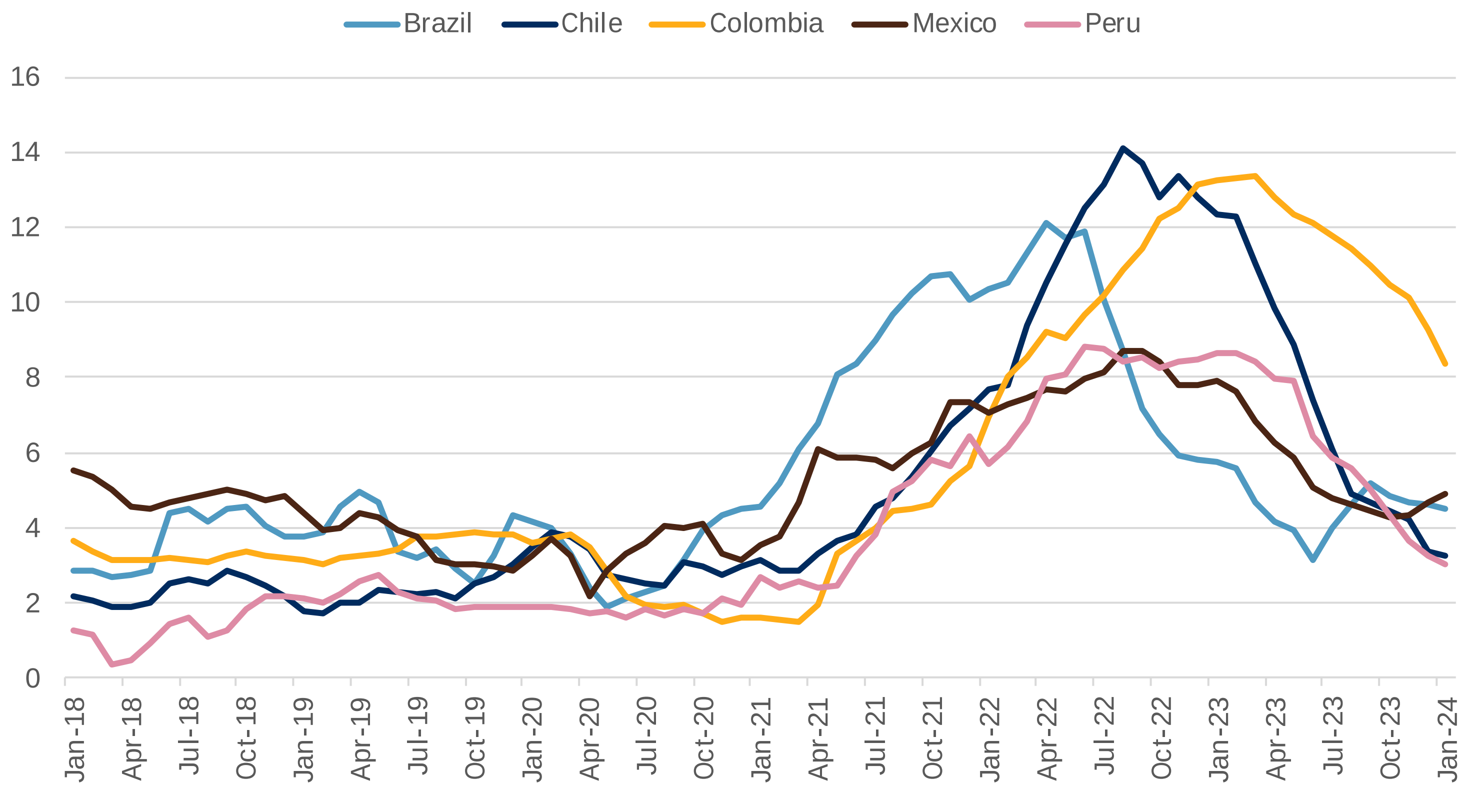
Consumer price inflation (% year over year)



Sources: Haver Analytics and S&P Global Ratings.

- The CPI January print came in higher than consensus across the region. The main driver were food prices. In Mexico, the 1.9% month-on-month increase in food prices was the highest in more than two years. Agricultural disruptions from El Niño will be a key risk for food prices across the region, especially in South America where the effects of the weather phenomenon are the strongest.
- That said, we do not expect the higher-than-expected inflation reading to derail the ongoing monetary easing cycle in the region. The recent increase in inflation is expected to be transitory, and inflation expectations in most countries of the region have headed lower in recent months.

Macro-Credit Dashboards

S&P Global Ratings

GDP Summary | Most EMs Will Grow Below Trend In 2024

Country	Latest reading (y/y)	Period	Five-year avg	2020	2021	2022	2023f	2024f	2025f	2026f
Argentina	-0.8	Q3	-0.2	-9.9	10.7	5.0	-1.6	-3.5	3.3	2.2
Brazil	2.0	Q3	-0.5	-3.6	5.3	3.0	2.9	1.5	1.9	2.0
Chile	0.6	Q3	2.0	-6.4	11.9	2.5	0.0	1.9	2.7	2.9
Colombia	-0.3	Q3	2.4	-7.3	11.0	7.3	1.2	1.3	2.8	3.0
Mexico	2.4	Q4	1.6	-8.8	6.0	3.9	3.3	2.2	2.0	2.1
Peru	-1.0	Q3	3.2	-11.1	13.6	2.7	-0.5	2.2	2.8	3.0
China	5.2	Q4	6.7	2.2	8.5	3.0	5.2	4.6	4.8	4.6
India	7.6	Q3	6.9	-5.8	9.1	7.2	6.4	6.4	6.9	7.0
Indonesia	4.9	Q3	5.0	-2.1	3.7	5.3	5.1	4.9	5.0	5.1
Malaysia	3.4	Q4	4.9	-5.5	3.3	8.7	3.8	4.5	4.5	4.4
Vietnam	6.7	Q4	7.1	2.9	2.6	8.0	4.9	6.3	6.8	6.8
Philippines	5.6	Q4	6.6	-9.5	5.7	7.6	5.6	5.9	6.2	6.4
Thailand	1.5	Q3	3.4	-6.1	1.5	2.6	2.5	4.2	3.0	3.2
Poland	0.9	Q3	4.4	-2.0	6.8	5.5	0.2	3.1	3.0	2.9
Saudi Arabia	-3.7	Q4	2.1	-4.3	3.9	8.7	-0.9	2.7	3.7	3.0
South Africa	-0.7	Q3	1.0	-6.0	4.7	1.9	0.8	1.5	1.6	1.6
Turkiye	5.9	Q3	4.2	1.7	11.8	5.3	3.7	2.4	2.7	3.0
Hungary	-0.4	Q3	4.1	-4.7	7.2	4.6	-0.5	2.6	2.8	2.7

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

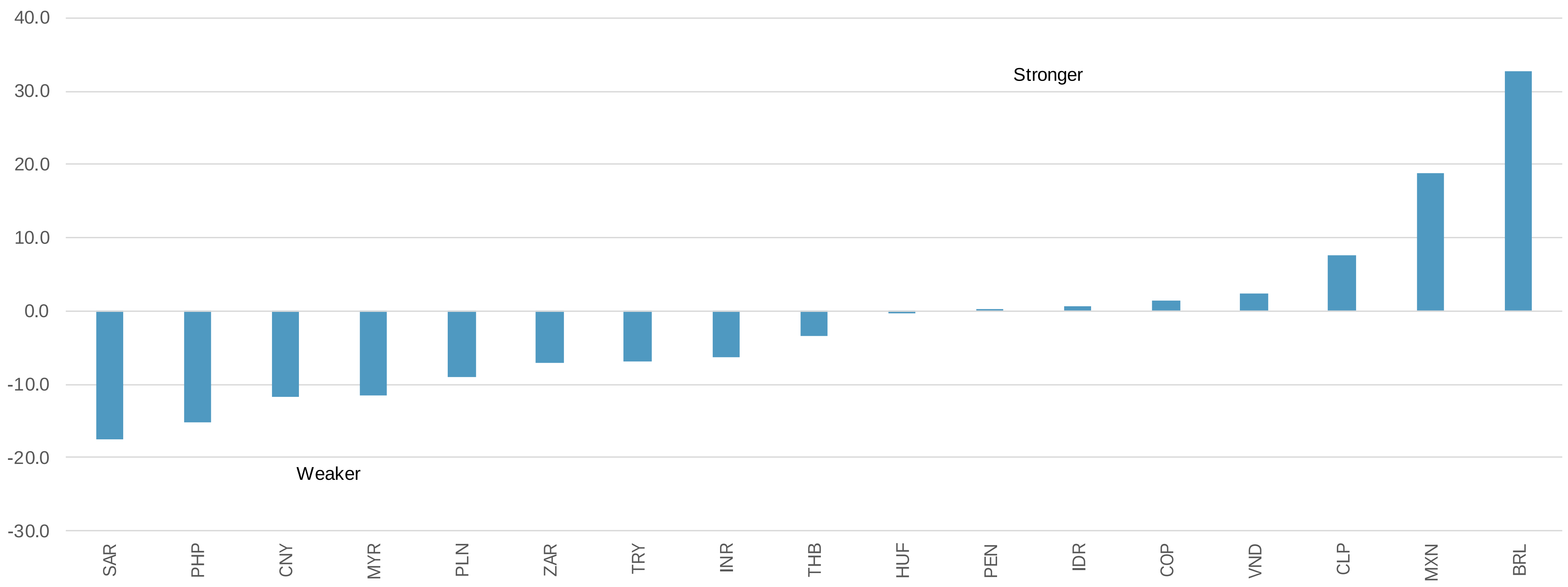
Monetary Policy/FX | More Interest Rate Cuts Expected In The Coming Months

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	Jan. exchange rate change	2023 exchange rate change
Argentina	100.00%	No target	211.4%	N/A	N/A	-2.2%	-78.6%
Brazil	11.25%	3.25% +/- 1.5%	4.5%	25 bps cut	March 20	-2.3%	5.3%
Chile	7.25%	3.0% +/- 1.0%	3.8%	100 bps cut	April 4	-5.2%	-8.2%
Colombia	12.75%	3.0% +/- 1.0%	8.3%	25 bps cut	Feb. 22	-2.6%	22.5%
Mexico	11.25%	3.0% +/- 1.0%	4.9%	Hold	March 21	-1.4%	13.5%
Peru	6.25%	1.0% - 3.0%	3.0%	25 bps cut	March 7	-2.7%	0.3%
China	1.80%	3.0%	-0.8%	N/A	N/A	-0.3%	-2.0%
India	6.50%	4.0 +/- 2.0%	5.7%	Hold	April 6	0.2%	-0.4%
Indonesia	6.00%	2.5% +/- 1.0%	2.6%	Hold	Feb. 21	-2.4%	-1.3%
Malaysia	3.00%	No target	1.5%	Hold	March 7	-2.9%	-6.9%
Philippines	6.50%	3.0% +/- 1.0%	2.8%	Hold	Feb. 15	-1.6%	-1.0%
Thailand	2.50%	2.5% +/- 1.5%	-1.1%	Hold	March 10	-3.8%	-2.4%
Vietnam	4.50%	4.0%	3.4%	50 bps cut	N/A	-0.7%	-3.5%
Poland	5.75%	2.5% +/- 1.0%	6.1%	Hold	March 6	-1.3%	10.1%
Saudi Arabia	6.00%	No target	1.5%	25 bps hike	N/A	0.0%	0.2%
South Africa	8.25%	3.0% - 6.0%	5.1%	Hold	March 27	-1.7%	-8.5%
Turkiye	45.00%	5.0% +/- 2.0%	64.9%	250 bps hike	Feb. 22	-2.7%	-38.3%
Hungary	10.00%	3.0% +/- 1.0%	3.8%	75 bps cut	Feb. 27	-2.1%	6.2%

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

Real Effective Exchange Rates | LatAm Currencies Still Very Strong

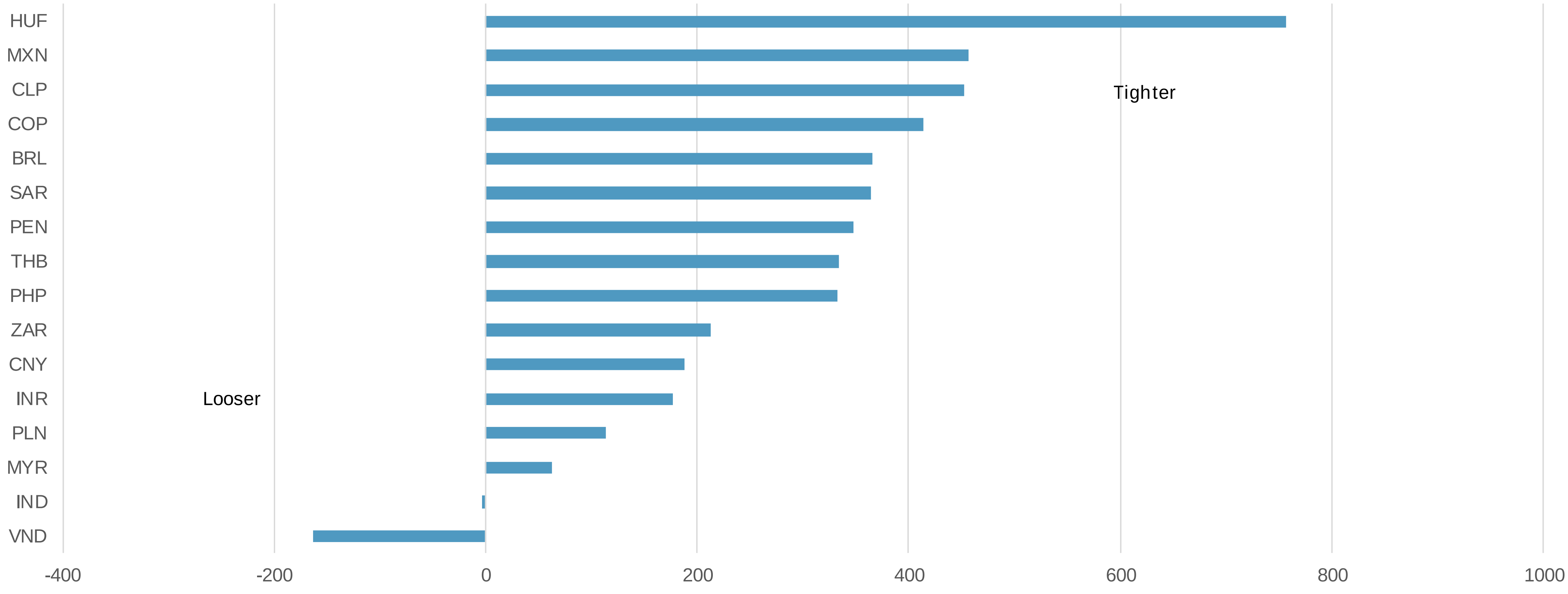
Broad real effective exchange rates*



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

Real Interest Rates | Real Rates Restrictive Across Most EMs

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



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

EM Heat Map

		Chile	Saudi Arabia	Poland	Peru	Malaysia	Mexico	China	Philippines	Indonesia	Thailand	India	Colombia	Brazil	South Africa	Vietnam	Turkiye	Argentina
	FC Sovereign Rating	A	A	A-	BBB	A-	BBB	A+	BBB+	BBB	BBB+	BBB-	BB+	BB	BB-	BB+	B	CCC-
	Sovereign Outlook	Negative	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Negative	Stable	Stable	Stable	Positive	Negative
Sovereigns	Institutional	2	4	4	4	3	3	3	4	3	4	3	3	4	4	4	5	6
	Economic	4	3	3	4	3	5	3	4	4	4	4	4	5	5	4	4	5
	External	4	1	2	3	2	2	1	1	3	1	1	5	2	2	3	6	6
	Fiscal (BDGT)	3	1	4	2	4	3	4	3	3	3	6	4	6	6	4	5	6
	Fiscal (DBT)	2	1	3	3	5	4	4	4	4	3	6	4	6	6	4	5	5
	Monetary	2	4	2	3	2	3	3	3	3	2	3	3	3	2	4	5	6
Financial institutions BICRA	Economic Risk	4	5	4	6	5	6	7	6	6	7	6	7	7	7	9	9	10
	Industry Risk	3	3	5	3	4	3	5	5	6	6	5	5	5	5	8	9	7
	Institutional Framework	I	I	H	L	I	I	H	H	H	VH	H	I	I	I	EH	VH	H
	Derived Anchor	bbb+	bbb	bbb	bbb-	bbb	bbb-	bb+	bbb-	bb+	bb	bbb-	bb+	bb+	bb+	b+	b+	b+
	Eco. Risk Trend	Negative	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
	Eco. Imbalances	L	I	L	L	L	I	H	L	L	H	L	H	I	I	H	VH	VH
	Credit Risk	I	I	I	VH	H	I	VH	H	VH	VH	VH	H	H	H	EH	VH	EH
	Competitive Dynamics	L	I	H	I	H	I	H	I	H	H	H	I	H	I	VH	VH	H
	Funding	L	L	L	I	L	L	VL	I	I	L	L	H	I	H	I	VH	VH
Nonfinancial corporates	Median Rating (Jan. 31, 2024)	BBB	A-	BB	BB	BBB+	BBB-	BBB+	BBB	BB-	BBB	BBB-	BB+	BB	BB-	BB-	B+	CCC-
	Net Debt / EBITDA	3.60	3.39	1.62	2.25	2.36	2.75	3.27	3.19	2.66	2.92	2.23	1.98	1.86	2.25	2.73	1.86	1.99
	ROC Adj.§	-0.4	1.4	-2.5	2.0	0.7	1.6	2.4	-0.8	0.5	3.2	-0.9	-1.8	0.4	0.1	-0.2	-32.7	-59.6
	EBITDA INT. COV.	6.11	7.58	8.32	6.75	9.04	4.15	6.42	6.80	5.27	9.51	5.44	4.83	3.41	5.80	5.83	3.86	3.38
	FFO / Debt	26.7	30.1	44	38.4	23.4	38.7	15.2	25.8	33.4	24.5	38.7	45.4	55.2	40.4	27.7	38.4	39.6
	NFC FC Debt % GDP*	34.0	9.9	13.3	20.6	16.9	13.1	4.4	6.3t	7.6	12.5	7.1	10.2	13.3	15.3		20.5	5.9
	NFC Debt % of GDP*	90.7	62.5	36.5	43.0	86.9	21.5	166.9	40.2t	23.3	85.1	55.1	30.5	51.4	33.5		53.0	16.9

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

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

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

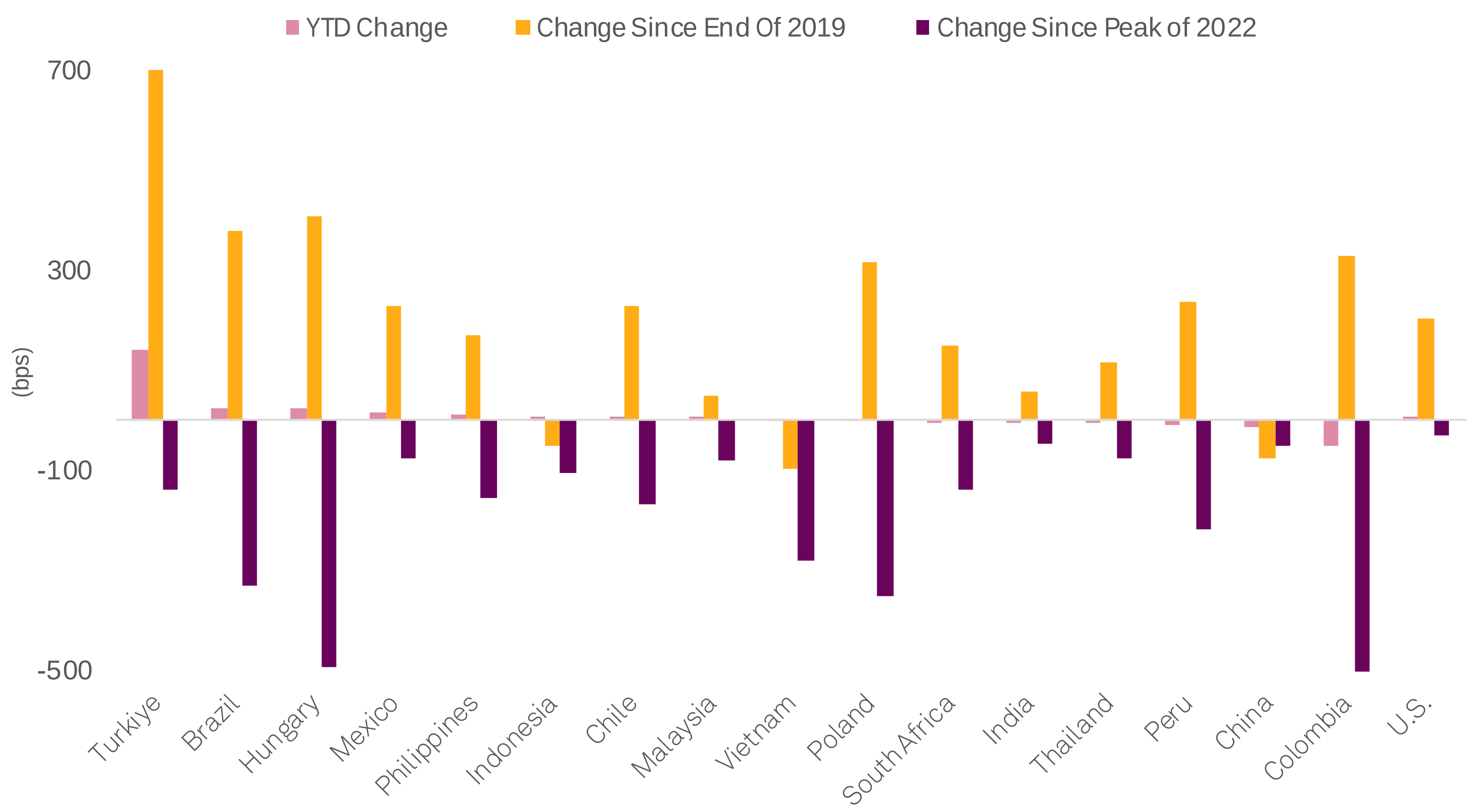
*IIF 3Q 2023. Sources: t-Bangko Sental NG Pilipinas, Banco Central de Reserva del Peru, Superintendencia de Banca y Seguros y AFP (Peru); Corporate Variables Capital IQ 2Q 2023. S&P Global Ratings. Data for sovereigns and financial institutions as of February 13, 2024.

Financing Conditions
Highlights

S&P Global
Ratings

EM Yields | January Yields Somewhat Muted

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

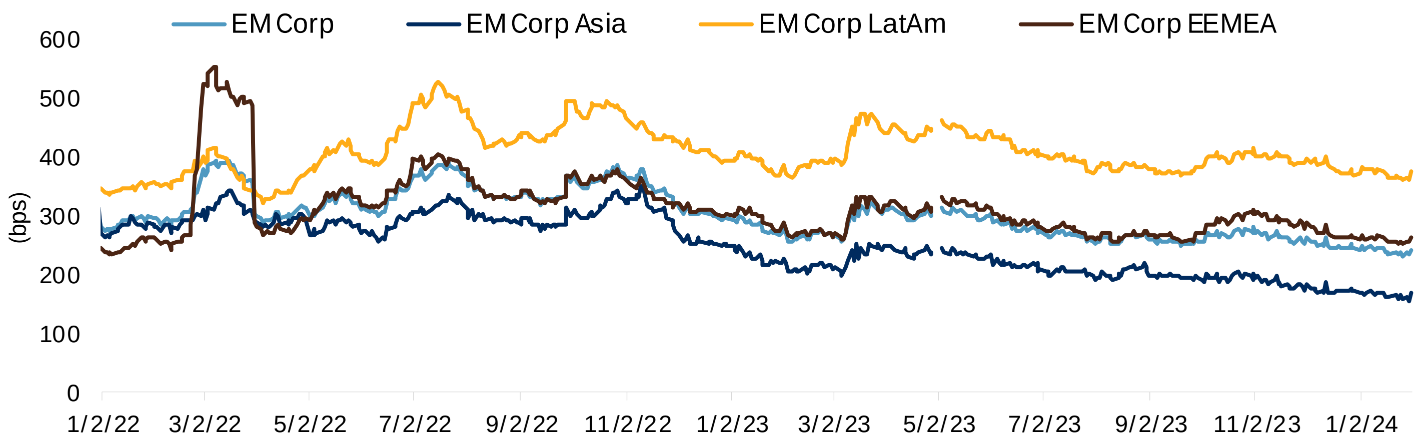


Data as of Jan. 31, 2024. The selection of country is subject to data availability. Y-axis truncated at 700 bps for visualization purposes. Turkiye record for 'Change Since End Of 2019' is 1,310 bps. Sources: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro and Datastream.

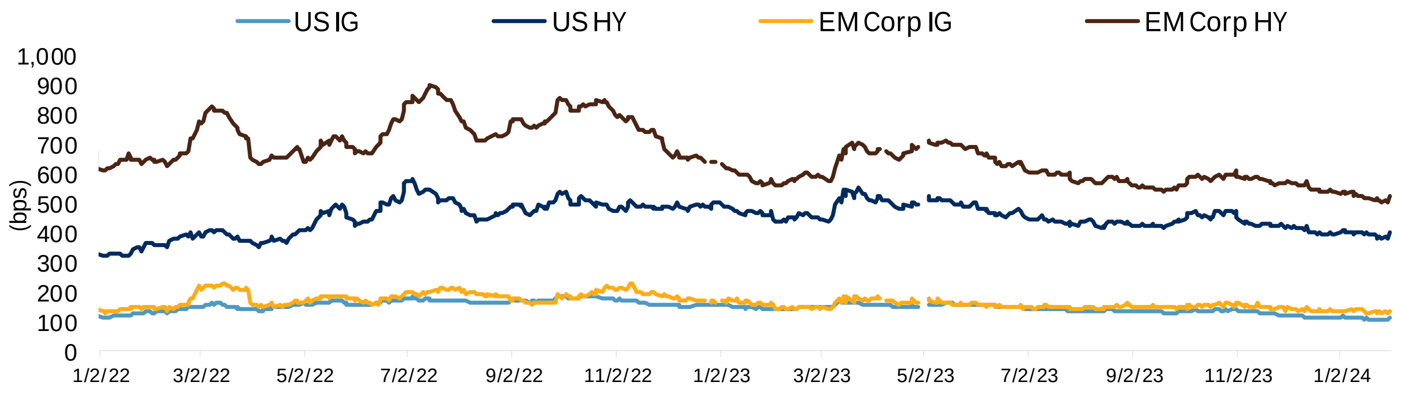
- EM benchmark yields changed little in January. Major monthly moves were recorded upwards in Turkiye (141 bps) following the 250-bp increase in the policy key rate, and downwards in Colombia (49 bps) as inflation continues to decelerate, allowing a policy rate normalization, with two consecutive 25-bp rate cuts in December 2023 and January 2024. However, we expect Colombia's economic growth prospects to be subdued, specifically from a private investment perspective. This was reflected in our outlook revision to negative from stable on the sovereign rating.
- Thanks to the recent positive market sentiment towards the Fed, speculative-grade corporate financing costs kept on heading south with the effective yield decreasing by 20 bps to 9.4% in January from 9.6% in December, while investment-grade yields hovered around 5.6%, still higher than their 10-year average of 8.2% and 4.4%, respectively, confirming that financing conditions are still tight.

EM Credit Spreads| Mimicking Yields Behavior

EM spreads by region



U.S. and EM spreads



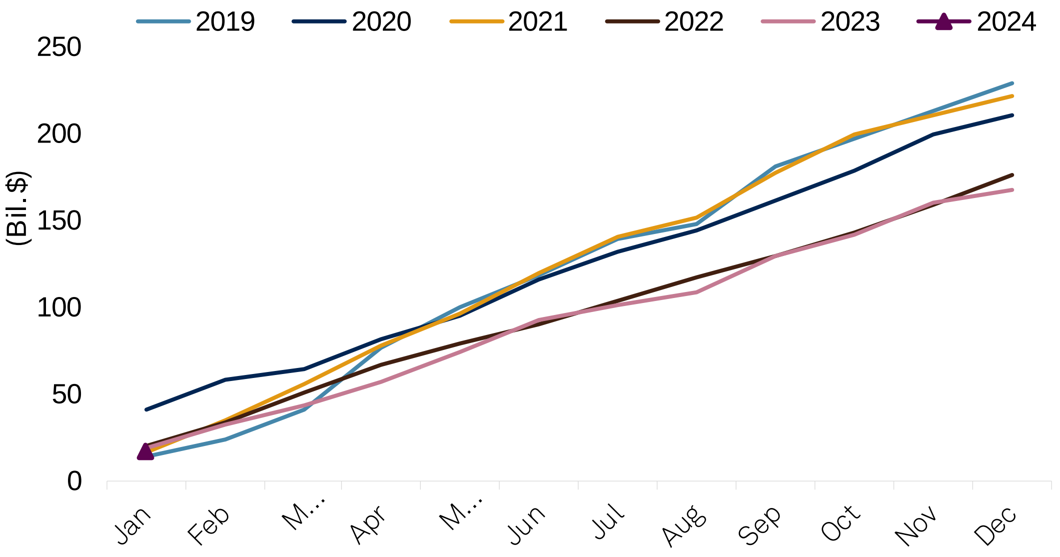
Data as of Jan. 31, 2024. HY--high yield. IG--investment grade. Sources: S&P Global Ratings Credit Research & Insights, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

- EM corporate spreads stayed put. The global EM composite index remained at levels (243 bps) last seen in January 2020. This is mainly the outcome of the extremely low EM Asia corporate spreads, while corporate LatAm and Eastern Europe, the Middle East, and Africa (EEMEA) spreads are still 30 bps above their pre-pandemics level, although on a descending path.
- High-yield spreads have continued to narrow by 15 basis points, spurring some high-yield issuance during the month from Ecopetrol S.A. (oil and gas; Colombia), Shiram Finance Ltd. (NBFI; India) and Banco Internacional del Peru after a pause in December 2023. The gap between current rates and locked-in rates remains substantial, rendering a refinancing option particularly costly.
- Spreads in 2024 will remain sensitive to external influences, including market expectations of the Fed's policy stance, challenges in China's economic growth, geopolitical tensions (e.g., Russia-Ukraine, the Middle East, and U.S.-China), and climate-related events like El Niño. Moreover, political risk will be a focal point with upcoming elections in several countries, including the U.S., Mexico, and Indonesia.

EM | Financial And Non-Financial Corporate Issuance

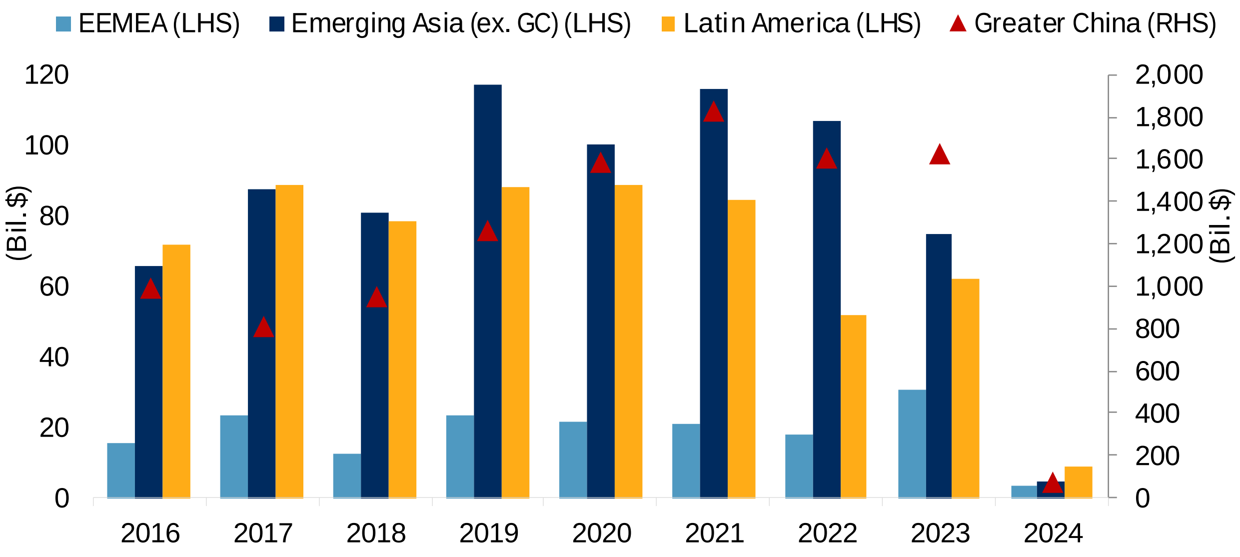
- EM issuances decreased 10% from December volumes to $95 billion, while it was higher than in January 2023. This was due to Greater China's issuance volumes, displaying subdued activity against its monthly average among the banking, insurance, and real estate sectors.
- Issuances outside Greater China rose in January to $17 billion, 23% higher than in December 2023 and in line with the previous January records since 2019. The bond markets were particularly active in Mexico, Chile, Turkiye, and Colombia. Financial issuances covered 56% of the total monthly issuance, oil and gas (16%) and metals, mining, and steel (12%).
- Investment-grade issuance displayed the highest monthly record since January 2022. Outside China, LatAm issuers in Chile (Codelco: metals, mining, and steel; and Banco Santander), Mexico (BBVA; America Movil: telecom; and Buffalo: energy utility), and Peru (BCP: bank) tapped the market: mostly fixed rate issuance with a long tenor (81% of the volume issued maturing in more than 10 years) with an average coupon of 7.3%.

EM cumulative corporate bond issuance*



*Data as of Jan. 31, 2024. *Excluding Greater China. Data including NR (not rated). Source: S&P Global Ratings Credit Research & Insights and Refinitiv.*

EM regional bond issuance



Data as of Jan. 31, 2024. LHS—left hand side. RHS—right hand side. GC- Greater China. Source: S&P Global Ratings Credit Research & Insights and Refinitiv.

Ratings
Summary

S&P Global
Ratings

Ratings Summary | Sovereign Ratings In EM18

On Jan. 19, 2024, S&P Global Ratings revised its outlook on Colombia to negative from stable, while affirming 'BB+' long-term foreign currency and 'BBB-' long-term local currency sovereign credit ratings. Our outlook is negative because potentially persistently weak investor confidence, adversely affecting private-sector investments, may pose risks to GDP growth of around 3% in the next couple of years. Low economic growth may indicate less economic resilience and could contribute to fiscal slippage or higher external vulnerabilities.

Economy	Rating	Outlook	Five-year CDS spread (Jan. 31)	Five-year CDS spread (Dec. 31)
China	A+	Stable	65	60
Chile	A	Negative	54	50
Saudi Arabia	A	Stable	59	54
Malaysia	A-	Stable	45	41
Poland	A-	Stable	67	65
Philippines	BBB+	Stable	63	63
Thailand	BBB+	Stable	41	40
Indonesia	BBB	Stable	74	70
Mexico	BBB	Stable	90	88
Peru	BBB	Negative	69	70
Hungary	BBB-	Stable	130	140
India	BBB-	Stable	47	44
Colombia	BB+	Negative	171	156
Vietnam	BB+	Stable	124	121
Brazil	BB	Stable	138	132
South Africa	BB-	Stable	228	200
Turkiye	B	Positive	328	280
Argentina	CCC-	Negative	3,555	3,679

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

Top 20 EM Rating Actions (1/2) | By Debt Amount In The Past 90 Days

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. $)
20-Dec-23	Petroleo Brasileiro S.A. - Petrobras	Brazil	Oil and gas	BB	BB-	Upgrade	45,851
20-Dec-23	Corporacion Nacional del Cobre de Chile	Chile	Metals, mining, and steel	BBB+	A	Downgrade	17,985
20-Dec-23	Banco do Brasil S.A.	Brazil	Financial institutions	BB	BB-	Upgrade	6,250
14-Nov-23	Tata Motors Ltd. (Tata Sons Pte. Ltd.)	India	Automotive	BB+	BB	Upgrade	5,952
24-Nov-23	ESKOM Holdings SOC Ltd.	South Africa	Utilities	B	CCC+	Upgrade	3,966
20-Dec-23	Votorantim S.A.	Brazil	Diversified	BBB	BBB-	Upgrade	3,550
20-Dec-23	Cosan S.A.	Brazil	Diversified	BB	BB-	Upgrade	1,900
20-Dec-23	Ultrapar Participacoes S.A.	Brazil	Oil and gas	BBB-	BB+	Upgrade	1,600
21-Nov-23	Falabella S.A.	Chile	Retail/restaurants	BB+	BBB-	Downgrade	1,450
12-Dec-23	Sibanye Stillwater Ltd.	South Africa	Metals, mining, and steel	BB-	BB	Downgrade	1,200

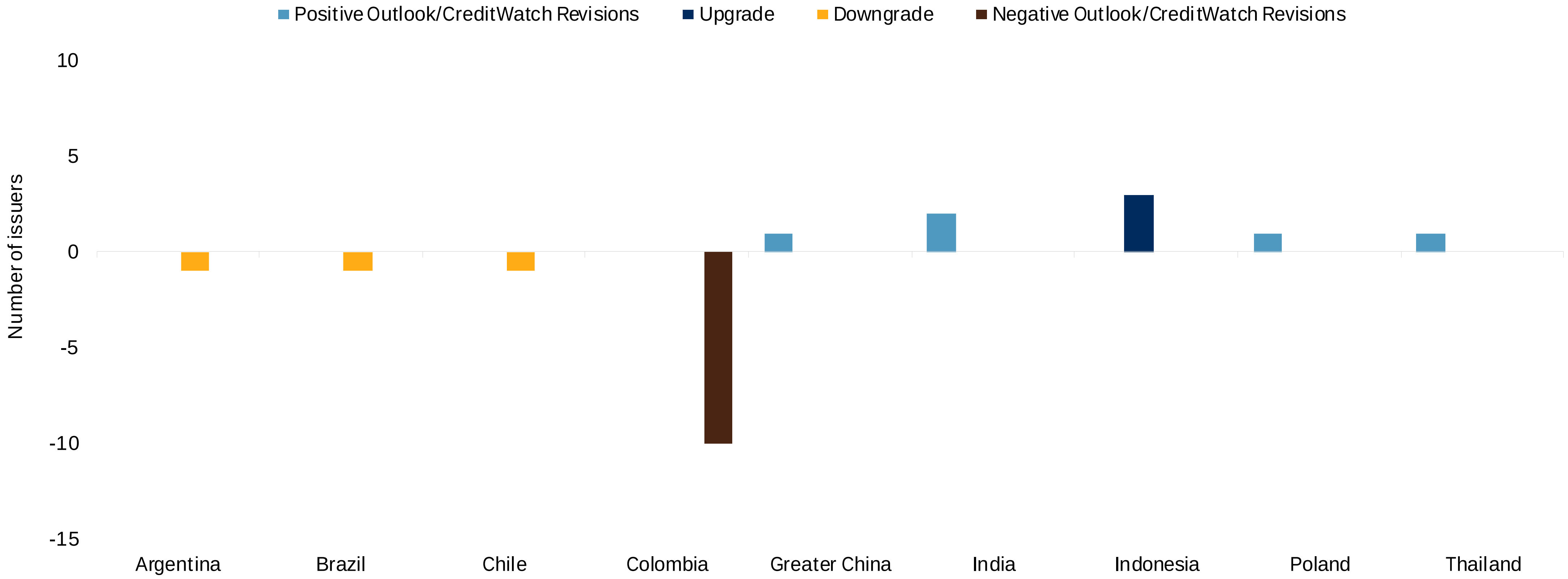
Data as of Jan. 31, 2024 (last 90 days), excludes sovereigns. Only includes rating actions where S&P Global Ratings rates debt. Includes rating actions on subsidiaries only if there was no rating action on the Parent. Excludes Greater China and the Red Chip companies (issuers headquartered in Greater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

Top 20 EM Rating Actions (2/2) | By Debt Amount In The Past 90 Days

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. $)
13-Dec-23	Turkcell Iletisim Hizmetleri A.S.	Turkiye	Telecommunications	B+	B	Upgrade	$ 1,000
20-Dec-23	Banco Nacional de Desenvolvimento Economico e Social	Brazil	Financial institutions	BB	BB-	Upgrade	$ 1,000
20-Dec-23	Banco Bradesco S.A.	Brazil	Financial institutions	BB	BB-	Upgrade	$ 800
20-Dec-23	Banco BTG Pactual S.A.	Brazil	Financial institutions	BB	BB-	Upgrade	$ 750
14-Dec-23	Koc Holding A.S.	Turkiye	Financial institutions	BB-	B+	Upgrade	$ 750
18-Dec-23	Mersin Uluslararasi Liman Isletmeciligi A.S.	Turkiye	Transportation	B+	B	Upgrade	$ 600
15-Nov-23	Operadora de Servicios Mega S.A. de C.V. SOFOM E.R.	Mexico	Financial institutions	CCC+	B	Downgrade	$ 500
18-Dec-23	Colombia Telecomunicaciones, S.A. E.S.P (Telefonica S.A.)	Colombia	Telecommunications	B	BB	Downgrade	$ 500
20-Dec-23	BRF S.A.	Brazil	Consumer products	BB	BB-	Upgrade	$ 500
29-Nov-23	KUO S.A.B. de C.V.	Mexico	Diversified	BB-	BB	Downgrade	$ 450

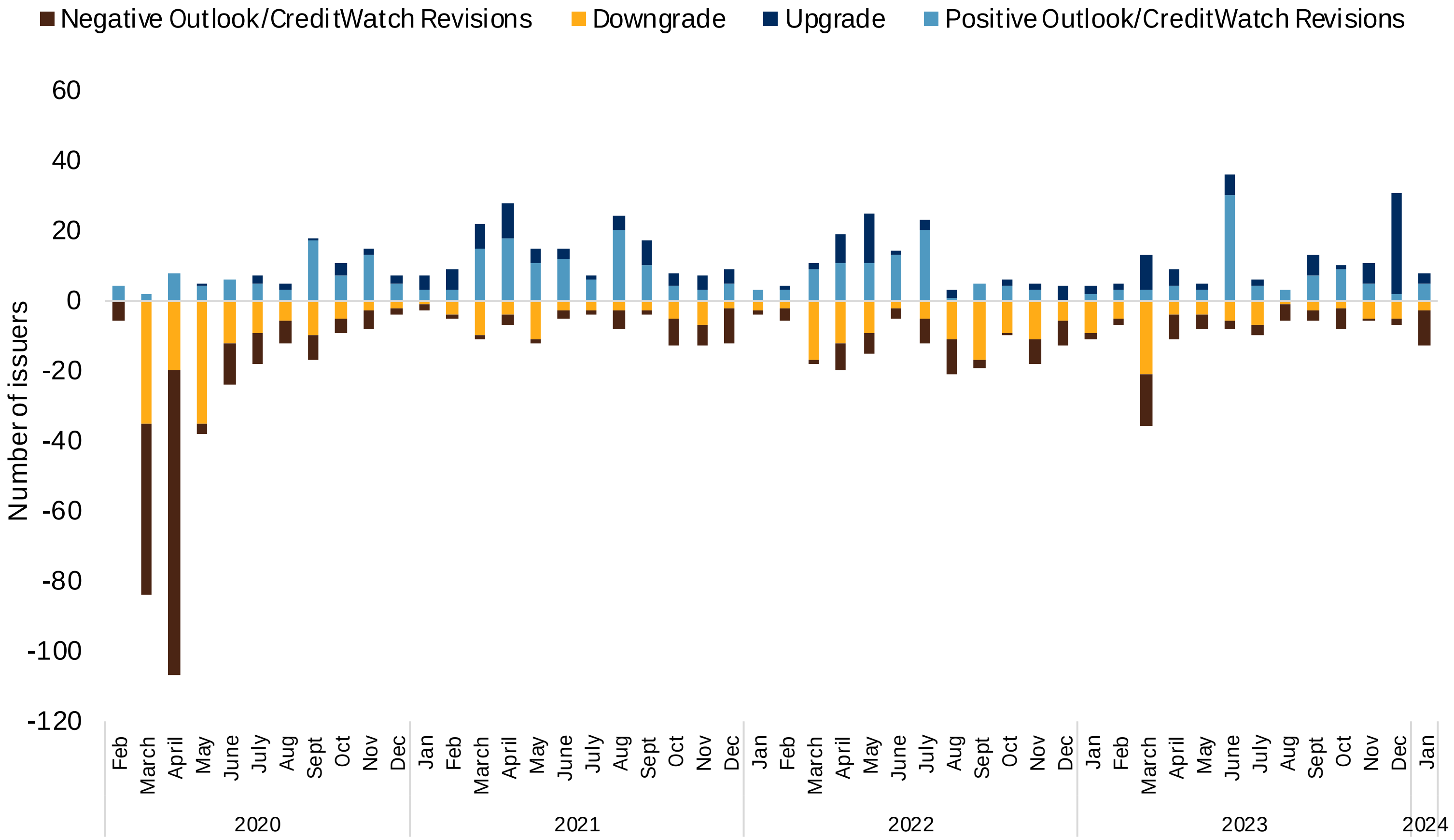
Data as of Jan. 31, 2024 (last 90 days), excludes sovereigns. Only includes rating actions where S&P Global Ratings rates debt. Includes rating actions on subsidiaries only if there was no rating action on the Parent. Excludes Greater China and the Red Chip companies and includes only latest rating changes.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

EM | Total Rating Actions By Economy In 2024



Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the Parent. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. Source: S&P Global Ratings Credit Research & Insights.

EM | Total Rating Actions By Month

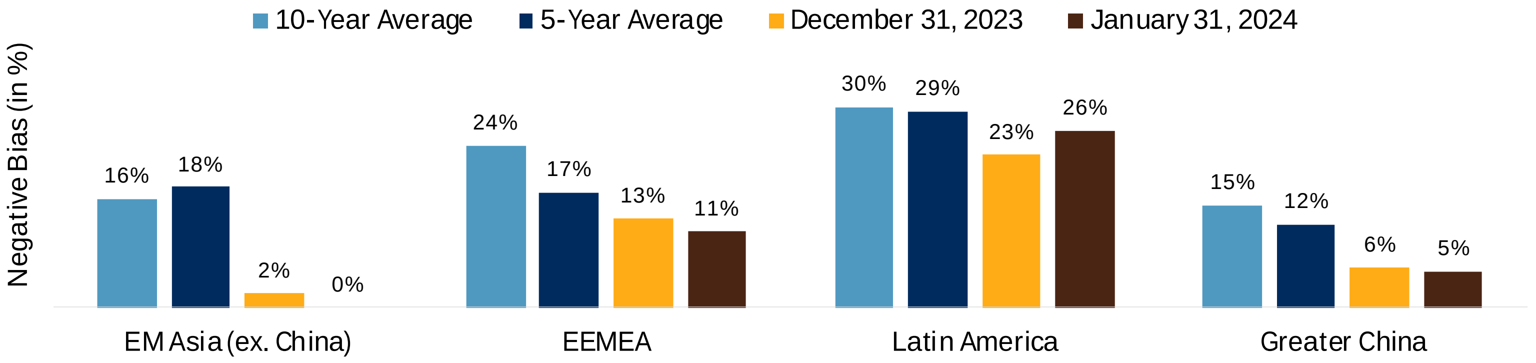


- In January, there were three upgrades: three Indonesian state-owned banks were upgraded by one notch to 'BBB' to reflect higher government support to their credit profile. Out of the five upward outlook revisions, four were on investment-grade entities, two in India: Adani Ports and Adani Electricity. The outlook revision to stable from negative on these two entities followed the conclusion of the regulatory investigation of the Adani Group without evidence of wrongdoing, while business fundamentals are strong and cash flow is robust.
- Two defaults are considered within the three downgrades in January, namely Enjoy S.A. (media and entertainment; Chile) on lower-than-expected revenue and EBITDA across its casinos and hotels, leading to cash flow deficit and inability to pay debt obligations. Gol Linhas (transportation; Brazil) filed for Chapter 11 bankruptcy given heavy debt burden and pressured cash flow. Following the sovereign outlook change, nine Colombian entities got their outlook revised to negative from stable, of which were on five banks and two on utilities.

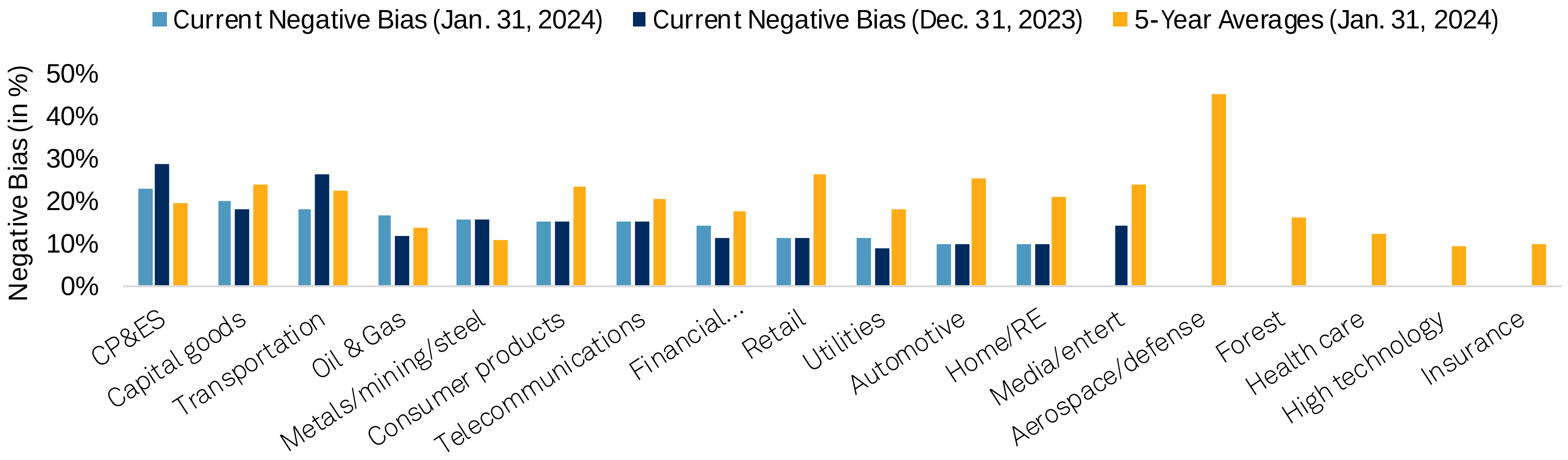
Data from Feb. 3, 2020 to Jan. 31, 2024. Data includes sovereigns and rating actions on subsidiaries only if there was no rating action on the Parent. Source: S&P Global Ratings Credit Research & Insights.

EM Downgrade Potential | Regional Negative Bias

LatAm has the highest downgrade potential



Negative bias by sector



- After the outlook revision on Colombia to negative, LatAm displayed the highest downgrade potential in January, with the negative bias at 26%, up 3% from December. The downgrade potential remains below historical averages.
- In EM EMEA, the negative bias decreased to 11% in January after the outlook revision on CANPACK to stable (chemicals; Poland).
- **As of January, EM Asia's (excluding China)** negative bias read 0% after the outlook revision on Adani Ports (transportation; India) to stable from negative.
- Chemicals, packaging and environmental services; oil and gas; and metals, mining, and steel are the only three sectors (out of 18) displaying a negative bias higher than the historical average.

Data as of Jan. 31, 2024; excludes sovereigns and subsidiaries. CP&ES—chemical, packaging, and environmental services. Source: S&P Global Ratings Credit Research & Insights.

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

No rating movement to ‘CCC/CC’ from 'B’ in 2024 through Jan. 31 in EM 18

Five rating movements to ‘CCC/CC’ from 'B’ in 2023 through Dec. 31 in EM 18

Rating date	Issuer	Economy	Sector	To	From	Deb amount (mil. $)
13-Mar-23	AUNA S.A.A.	Peru	Health care	CCC+	B	300
14-Mar-23	Guacolda Energia S.A	Chile	Utilities	CC	B-	500
6-Jun-23	Unigel Participacoes S.A.	Brazil	CP&ES	CCC+	B+	420
15-Nov-23	Operadora de Servicios Mega, S.A. de C.V. SOFOM E.R.	Mexico	Financial institutions	CCC+	B	500
1-Dec-23	Nitrogenmuvek Zrt.	Hungary	CP&ES	CCC+	B	219

Data as of Jan. 31, 2024; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in Greater China but are incorporated elsewhere). Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | No EM Fallen Angels And Rising Stars In 2024 YTD

One Fallen Angel in 2023

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	US$ Mil.
21-Nov-23	Falabella S.A.	Chile	Retail/Restaurants	BB+	BBB-	$ 1,450

One Rising Star in 2023

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	US$ Mil.
20-Dec-23	Ultrapar Participacoes S.A.	Brazil	Oil & Gas	BBB-	BB+	$ 1,600

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

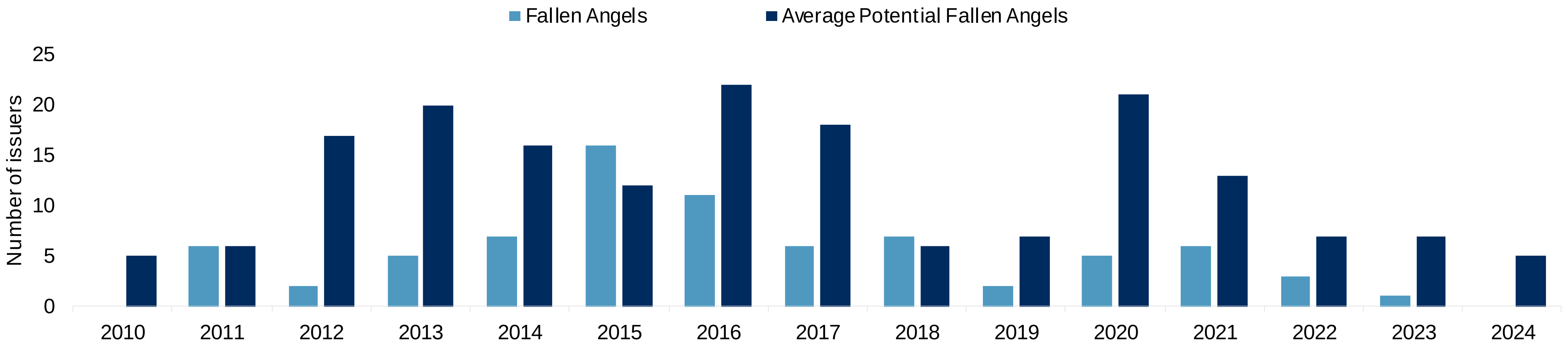
Rating Actions | List Of Defaulters In 2023 and 2024 (as of Jan. 31)

Rating Date	Issuer	Economy	Sector	Rating To	Rating From	US$ Mil.
6-Jan-23	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	$ 153,221
16-Jan-23	Americanas S.A. (Lojas Americanas S.A.)	Brazil	Retail/Restaurants	D	B	$ 1,000
20-Jan-23	Mexarrend, S.A.P.I. de C.V.	Mexico	Financial Institutions	D	CC	$ 300
3-Feb-23	Oi S.A.	Brazil	Telecommunications	D	CCC-	$ 1,654
9-Mar-23	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	$ 153,048
14-Mar-23	Gol Linhas Aereas Inteligentes S.A.	Brazil	Transportation	SD	CC	$ 650
20-Mar-23	TV Azteca, S.A.B de C.V.	Mexico	Media and entertainment	D	NR	$ -
12-Apr-23	Guacolda Energia S.A (A)	Chile	Utilities	D	CC	$ 500
27-Apr-23	Grupo IDESA, S.A. de C.V.	Mexico	Chemicals, Packaging & Environmental Services	SD	CC	$ 300
8-Jun-23	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	$ 153,181
12-Jun-23	InterCement Brasil S.A. (InterCement Participacoes S.A.)	Brazil	Forest products and building materials	SD	CC	$ -
14-Jul-23	Azul S.A.	Brazil	Transportation	SD	CC	$ 1,000
16-Aug-23	Guacolda Energia S.A (B)	Chile	Utilities	D	CC	$ 500
19-Sep-23	Sunac China Holdings Ltd.	Cayman Islands	Homebuilders/real estate companies	D	NR	$ -
25-Oct-23	Investimentos e Participacoes em Infraestrutura S.A. - Invepar	Brazil	Transportation	D	CCC-	$ -
2-Nov-23	Unigel Participacoes S.A.	Brazil	Chemicals, Packaging & Environmental Services	D	CCC-	$ -
26-Jan-24	Gol Linhas Aereas Inteligentes S.A.	Brazil	Transportation	D	CCC-	$ -
31-Jan-24	Enjoy S.A.	Chile	Media & Entertainment	D	CCC-	$ -

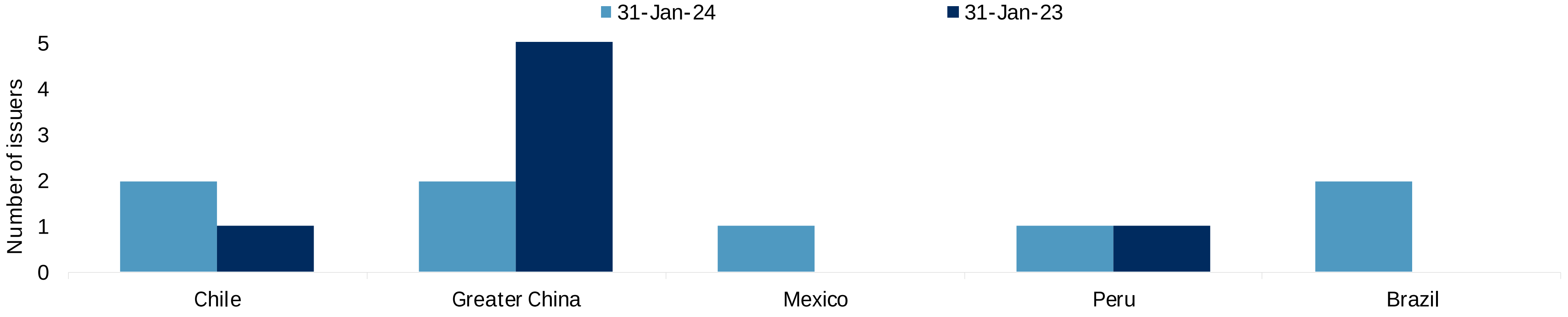
Data as of Jan. 31, 2024. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Red means speculative-grade rating, and grey means default (D) or selective default (SD), Not Rated (NR). Source: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Fallen Angels And Potential Fallen Angels

No fallen angel in 2024 through Jan. 31



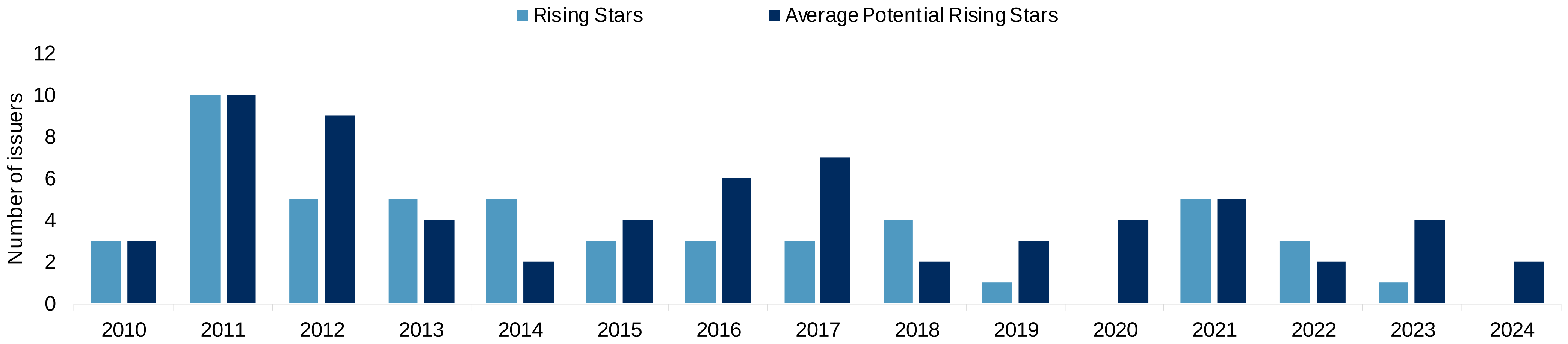
EM potential fallen angels mostly in LatAm



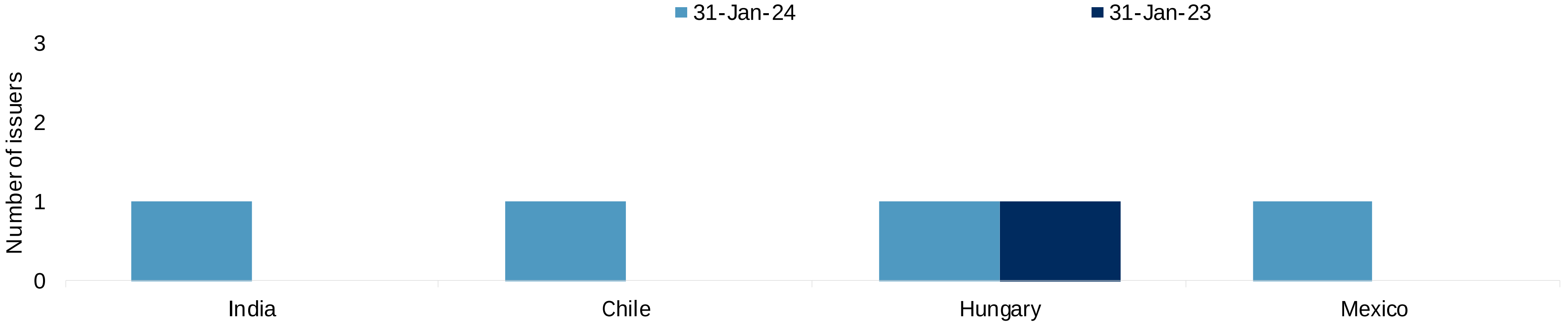
Data as of Jan. 31, 2024. Greater China--China, Hong Kong, Macau, Taiwan, and Red Chip companies. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | Rising Stars And Potential Rising Stars

No rising star in 2024 through Jan. 31



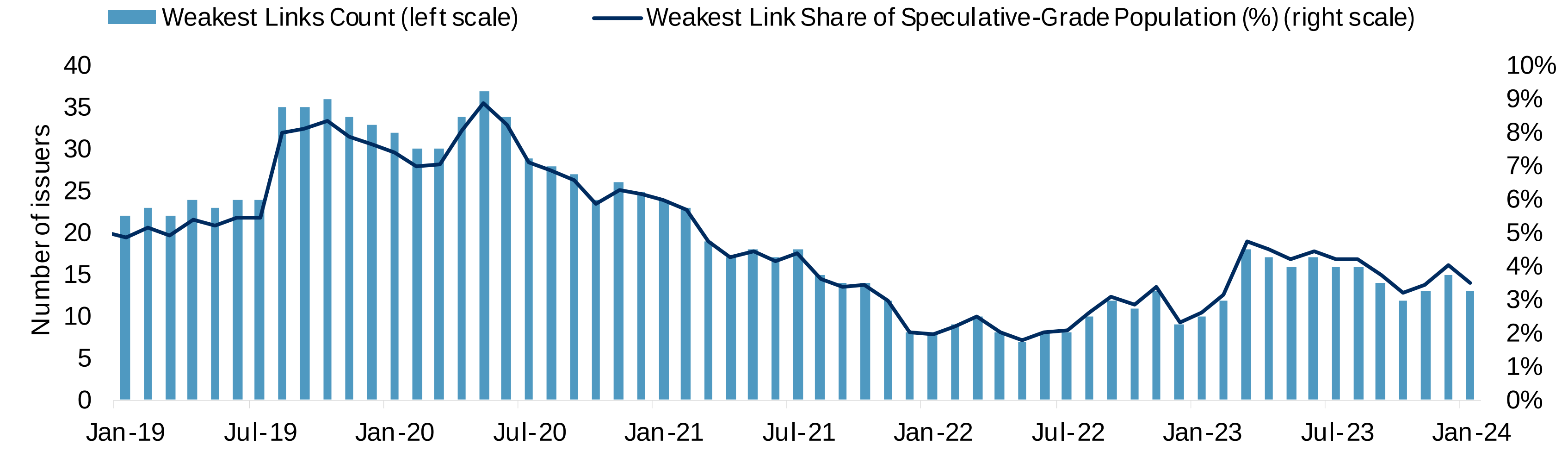
EM potential rising stars up from 2023



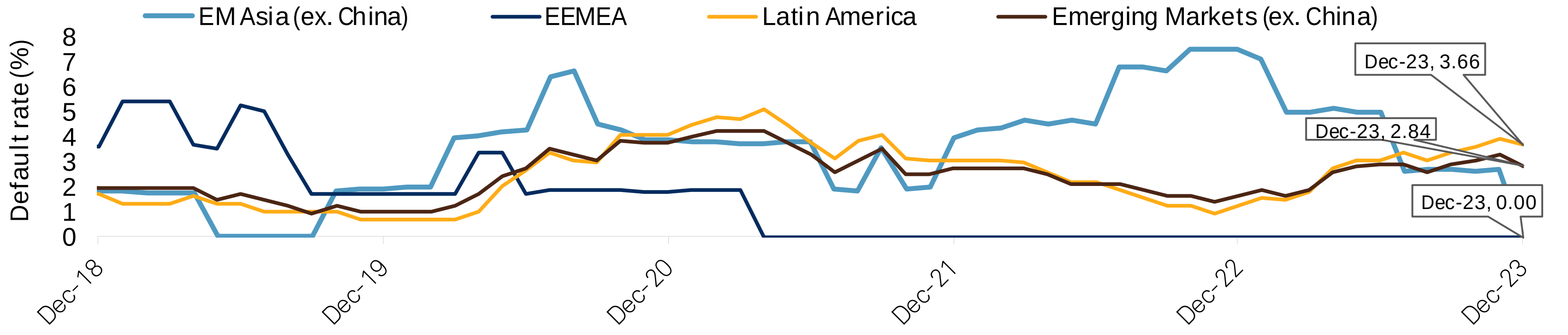
Data as of Jan. 31, 2024. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | Weakest Links And Defaults

EM weakest links down to 13 in January



Default rate this month (as of December 2023)

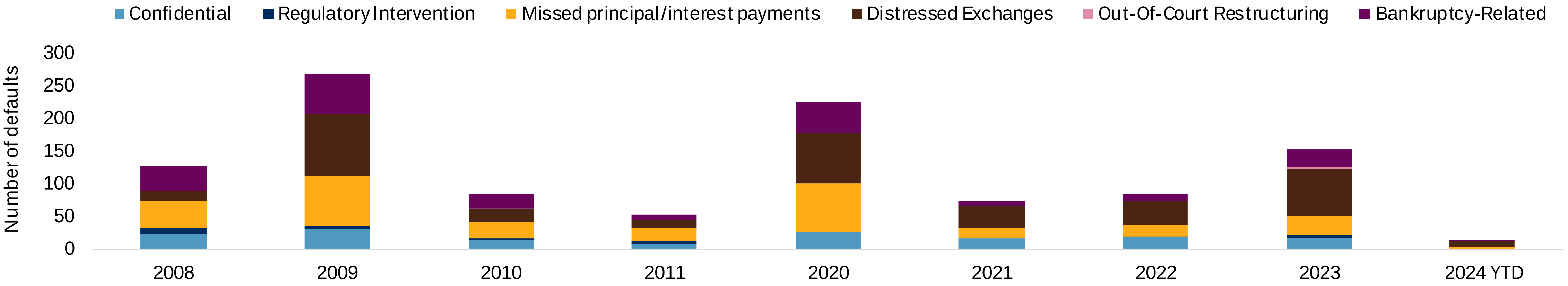


- Weakest links. EM weakest links dropped to 13 issuers in January (3.5% of total speculative-grade issuers), from 15 in December because of the two defaults reported before. Twelve weakest links are in LatAm, nine of which are in Argentina.
- Default rates. The December default rate (excluding China) decreased to 2.8% from 3.3% in November. The composite index has been lately driven by LatAm, where the first two defaults of the year took place. The pace of defaults in this region has, however, decreased to 3.7% in December from 4% in November.

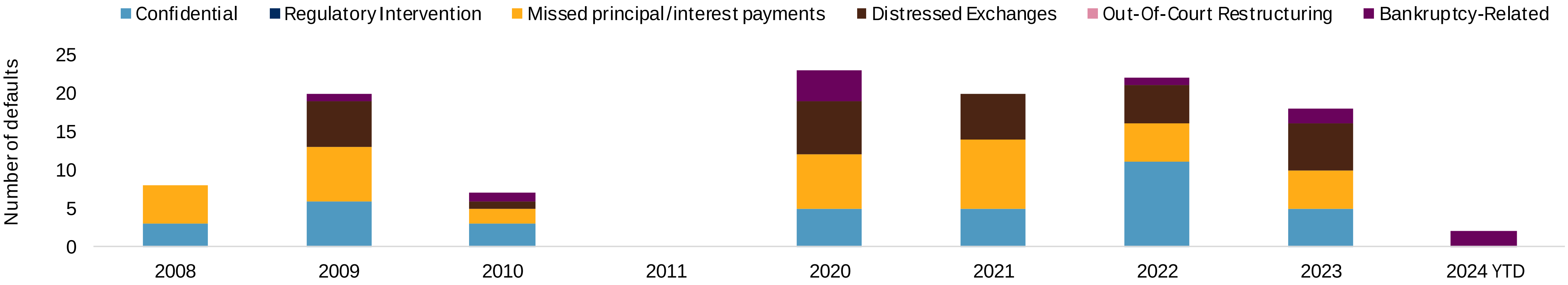
CreditPro data as of Dec. 31, 2023. Excluding China and sovereigns. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



**Data as of Jan 31, 2024. 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 Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Related Research

S&P Global Ratings

EMs | Related Research

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- Asia-Pacific Sector Trends 2024: Geopolitical Uncertainty Colors Prospects, Feb. 6, 2024
- Global Refinancing: Maturity Wall Looms Higher For Speculative-Grade Debt, Feb. 5, 2024
- How Will Saudi Banks Fare In 2024?, Feb. 5, 2024
- 2024 Asian Elections: The Sovereign Credit Issues, Feb. 5, 2024
- GCC Banking Sector Outlook 2024: A Relative Bright Spot Among Emerging Markets, Jan. 31, 2024
- Latin America Structured Finance Outlook 2024: Increased Issuance Amidst Low Economic Growth, Jan. 24, 2024
- Argentine Provinces Update: Navigating The Shock Therapy, Jan. 23, 2024
- Emerging Markets Monthly Highlights: Red Sea Tensions Hinder Disinflation, Jan. 18, 2024
- Turkish Companies' Improved Capital Market Access Could Spur Growth In 2024-2025, Jan. 18, 2024
- Elections, Defense Spending, And Interest Costs Will Keep CEE Fiscal Deficit High, Jan. 16, 2024
- What Will Guatemala's Weak Governability Under A New Administration Imply For Our Sovereign Credit Rating?, Jan. 15, 2024

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