Emerging Markets Monthly Highlights

Monetary Easing Will Take Longer

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May 16, 2024

S&P Global Ratings

This report does not constitute a rating action

Contents

Emerging Markets (EMs) consist of:

Latin America: Argentina, Brazil, Chile, Colombia, Peru, Mexico.
Emerging Asia: India, Indonesia, Malaysia, Thailand, Philippines, Vietnam.
EMEA: Hungary, Poland, Saudi Arabia, South Africa, Turkiye.
Greater China: China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere).

Key Takeaways

We expect monetary policy normalization in emerging markets (EMs) to take longer than previously expected. Following recent U.S. economic updates and the latest Federal Reserve FOMC meeting, we expect the Fed's first interest rate cut in December. The change in the Fed's fund rate path has led us to update our forecasts for the policy-rate and exchange-rate trajectories for many EMs, particularly for those that are more vulnerable to the Fed's decisions, such as Latin America (LatAm).

Economic growth in China is steady, with Q1 pace of 5.3% year-on-year even as weakness in consumer confidence and the property sector lingers. Nominal GDP growth remains sluggish and is still trailing behind real GDP growth. There has been a gradual uptick in stimulus measures, but we do not expect large-scale fiscal or monetary stimulus in the pipeline.

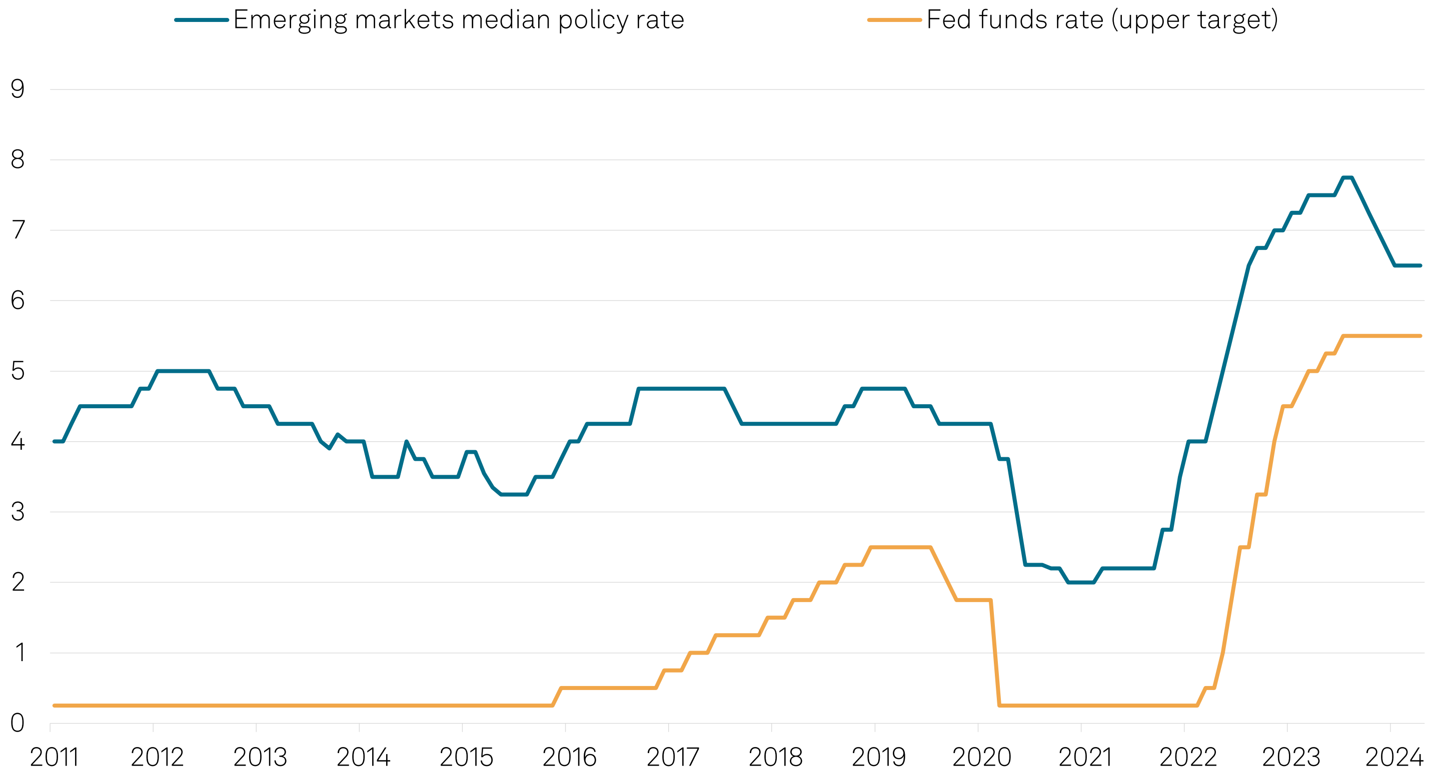
Food prices, particularly for wheat and rice, have picked up last month. Concerns over food supplies as well as adverse weather conditions have contributed to recent increases in food prices. Sub-Saharan Africa and EM Asia are the most affected regions.

The downgrade risk has decreased considerably for EMs' risky credits. Financial forecasts point to a reduction in corporate leverage in 2024-2025, albeit to remain at high levels, together with a recovery in revenues and a slowdown in capital expenditure. However, external risks could slow the normalization of borrowing costs in the following months.

EM benchmark yields rose in April given the exacerbation of the Middle East conflict and still resilient economic activity in the U.S., with sticky inflation and a stronger dollar. Corporate issuance outside Greater China took a breather last month, despite tightening corporate spreads.

Fed | Later Rate Cuts Will Slow Monetary Policy Normalization In EMs

Central bank policy rates (%)

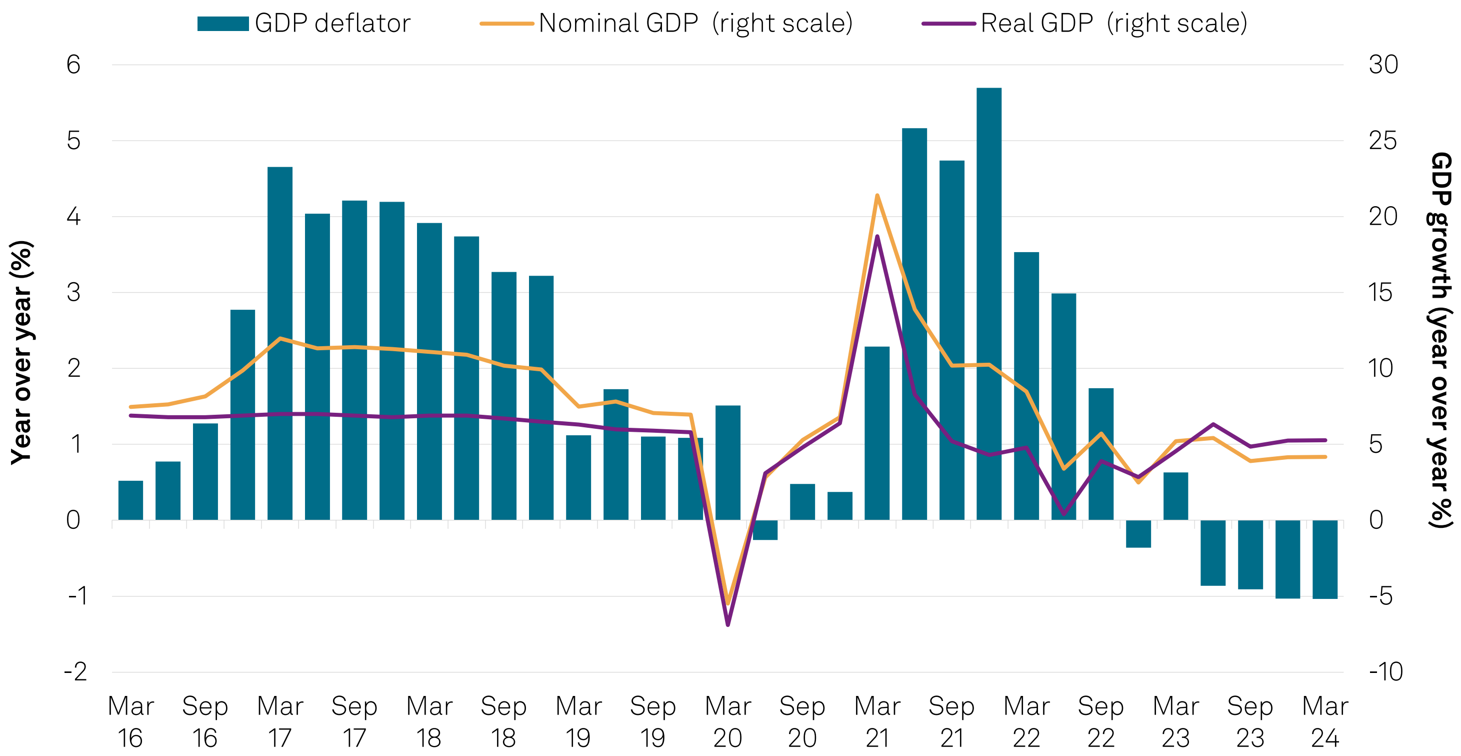


Note: The median calculation is based on 16 major EMs. Sources: Haver Analytics and S&P Global Ratings.

- **We now believe the Federal Reserve's first-rate cut will be in December (instead of July, as we had previously forecasted).** This comes on the back of continued strong U.S. growth and a string of upside surprises to inflation.
- **As a result, we have adjusted our policy and exchange rates assumptions for several EMs.** We now expect a slower process of monetary policy normalization in most major EMs. Central banks will likely seek to minimize volatility in capital flows and exchange-rate markets to ensure disinflation continues. For the updated forecasts, see "Global Economic Update: Policy And Exchange Rate Forecasts Revised On New Fed Funds Rate Expectations," published May 2, 2024.

China | Nominal Growth Lags Real Growth

GDP deflator has been contracting for several quarters

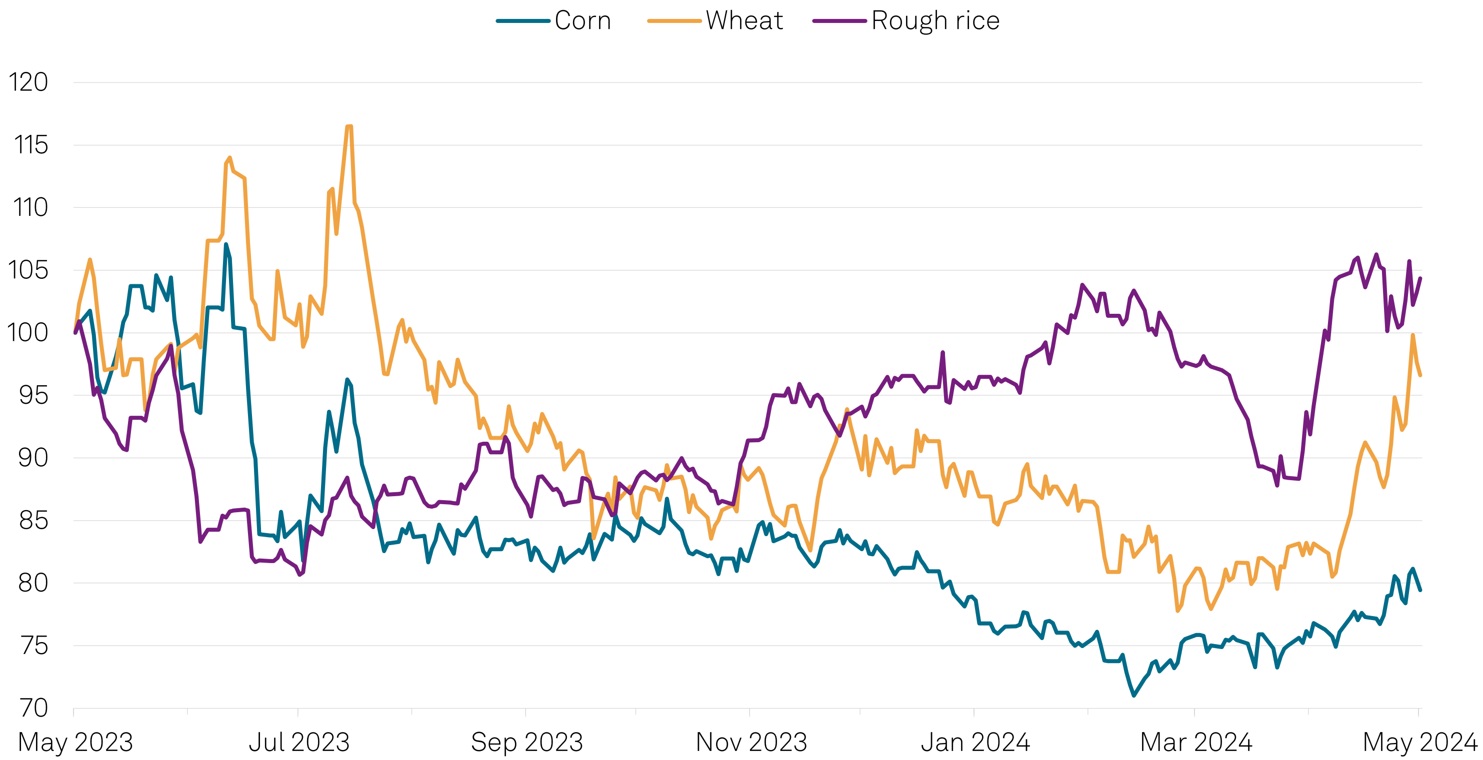


Sources: National Bureau of Statistics, CEIC data, and S&P Global Ratings.

- **China's real GDP growth was resilient at 5.3% year over year in the first quarter of 2024.** However, private-sector confidence is still subdued. and the real estate sector's activity remains weak.
- The policy stance is supportive of growth, but **significant fiscal or monetary stimulus is unlikely.**
- The weaker confidence and spare capacity are reflected in lower pricing power. **The GDP deflator has been contracting in year-over-year terms for four consecutive quarters,** meaning that nominal GDP growth is trailing real GDP growth.

Food | Prices Have Picked Up

Global food price indices (May 2023 = 100)

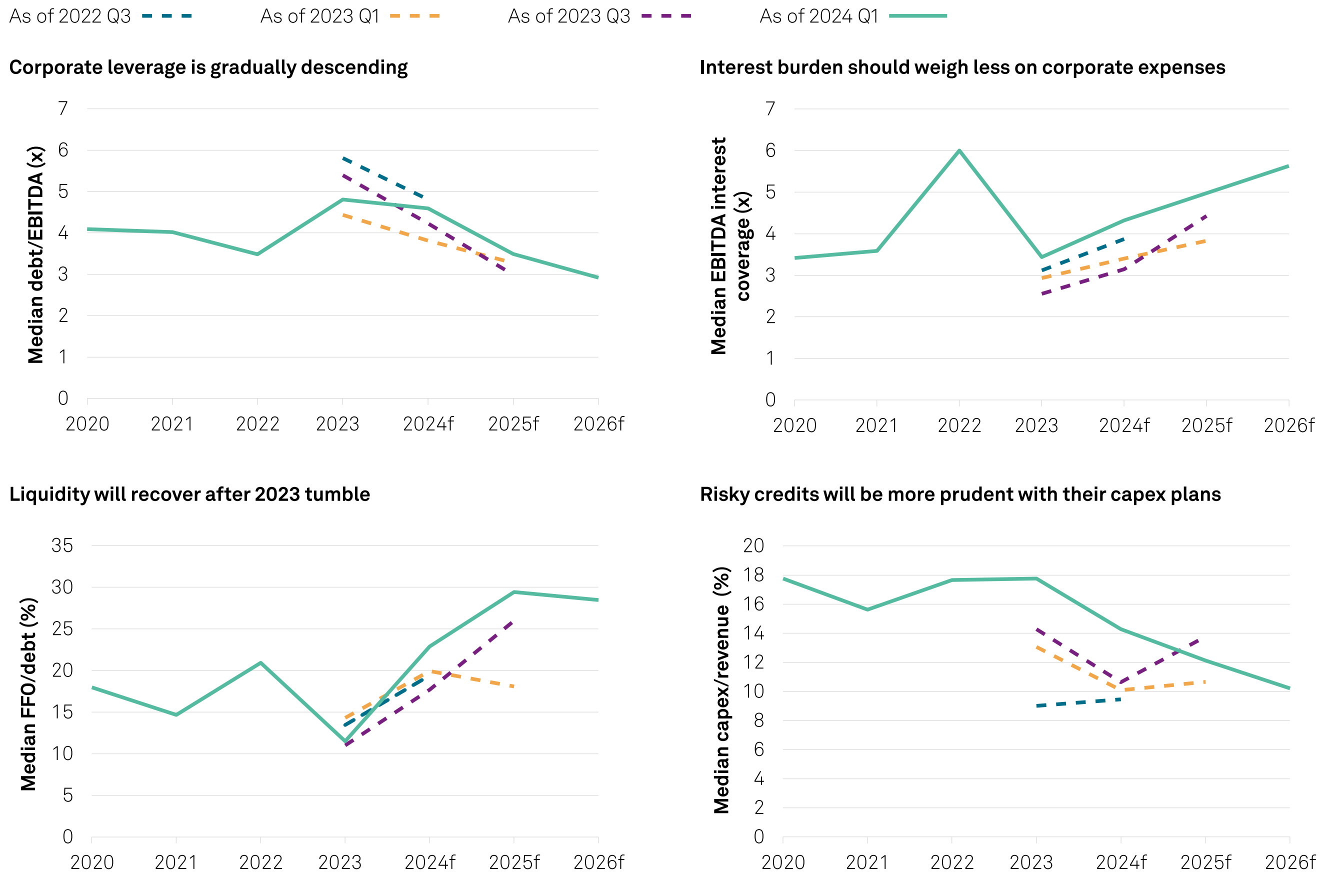


Sources: Refinitiv and S&P Global Ratings.

- **Wheat and rice prices have increased following destructive weather events and supply concerns.** International wheat and rice prices are now at their highest since the mid-2023.
- **Extreme weather conditions have been an important factor in the recent pickup in prices.** Russia (the largest exporter of wheat in the world) is currently experiencing droughts in the southern part of the country, while rice production is affected by El Nino.
- **Elevated oil prices are also putting pressure on food prices.** Given that transportation costs constitute a significant share of food prices, the recent rise in oil prices is lifting food prices domestically.

Risky Credits | External Risks Overshadow Favorable Developments

Financial projection vintages



Data as of April 19, 2024. Risky credits--Issuers rated 'CCC+' and lower. Capex--Capital Expenditure. FFO--Funds from operations. F--Forecast.
Source: S&P Global Ratings Credit Research & Insights.

- **Our Risky Credits' financial forecasts point to a reduction in corporate leverage in 2024-2025,** albeit remaining at high levels, together with a recovery in revenues and a slowdown in capital expenditure.
- **Financing conditions have generally improved. However, the latest 'CCC+' and lower issuance dates back to November 2021.** Recent macroeconomic and geopolitical developments could slow market activity in the second quarter.
- **The downgrade risk plunged after our upgrade of Argentina in March 2024, with 33% of 'CCC+' and lower rated issuers displaying a negative outlook or on CreditWatch negative,** compared with 88% one quarter ago.
- For more insights, see "Risky Credits: External Risks Overshdow Positive Developments In Emerging Markets" published May 2, 2024.

Regional Economic Highlights

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EM Asia Economics | Moderate Trade Flow Recovery

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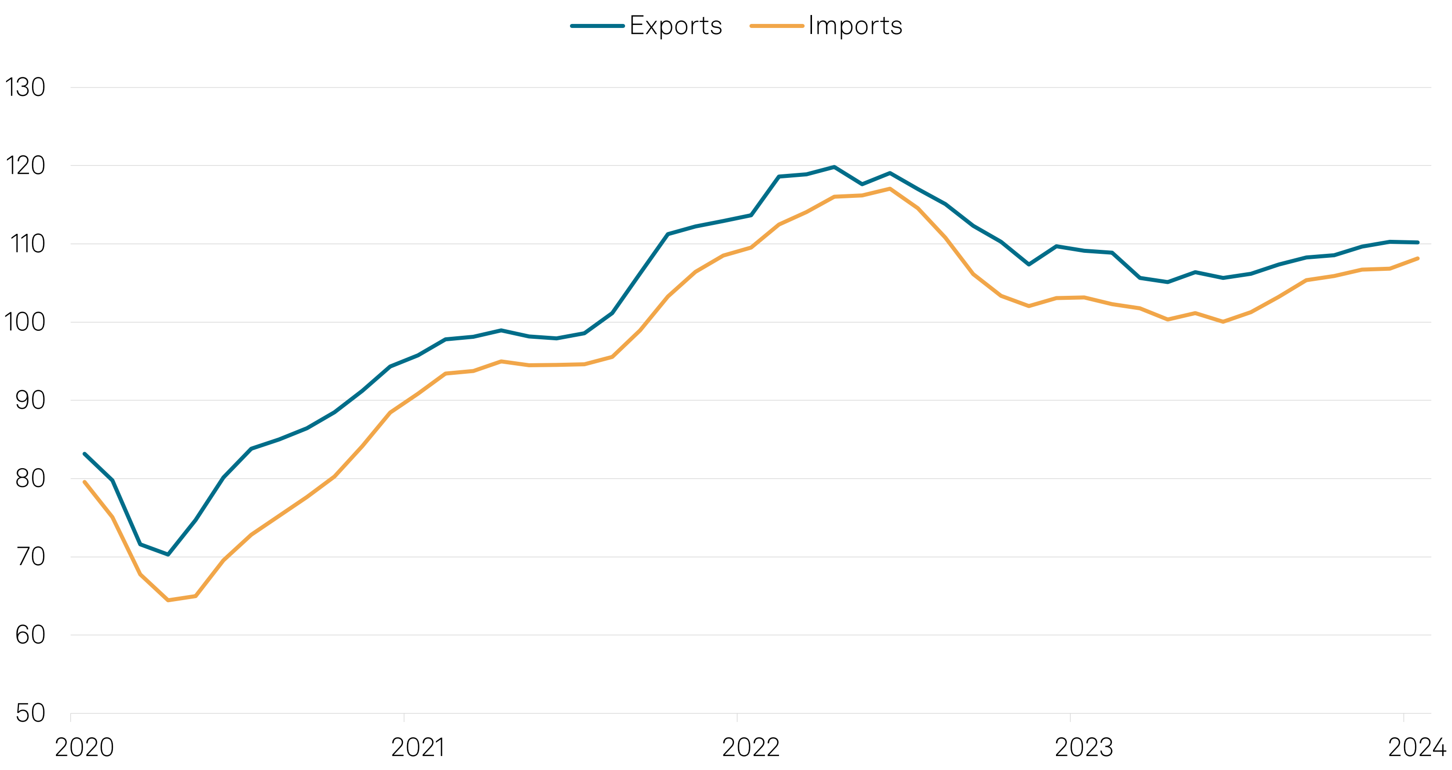
- There has been a **moderate recovery in international trade flows** in EM Asia over the past few months.
- There is resilient demand for some electronics goods and semiconductors.
- Trade flows are stronger in Vietnam, which is heavily reliant on consumer electronics and related exports. Export growth is more subdued elsewhere in the region.
- However, **a strong trade recovery is unlikely given subdued global goods demand.**

EM Asia trade flows (bil. $)



Sources: CEIC data and S&P Global Ratings.

EM EMEA Economics | Some Improvements In Domestic Demand

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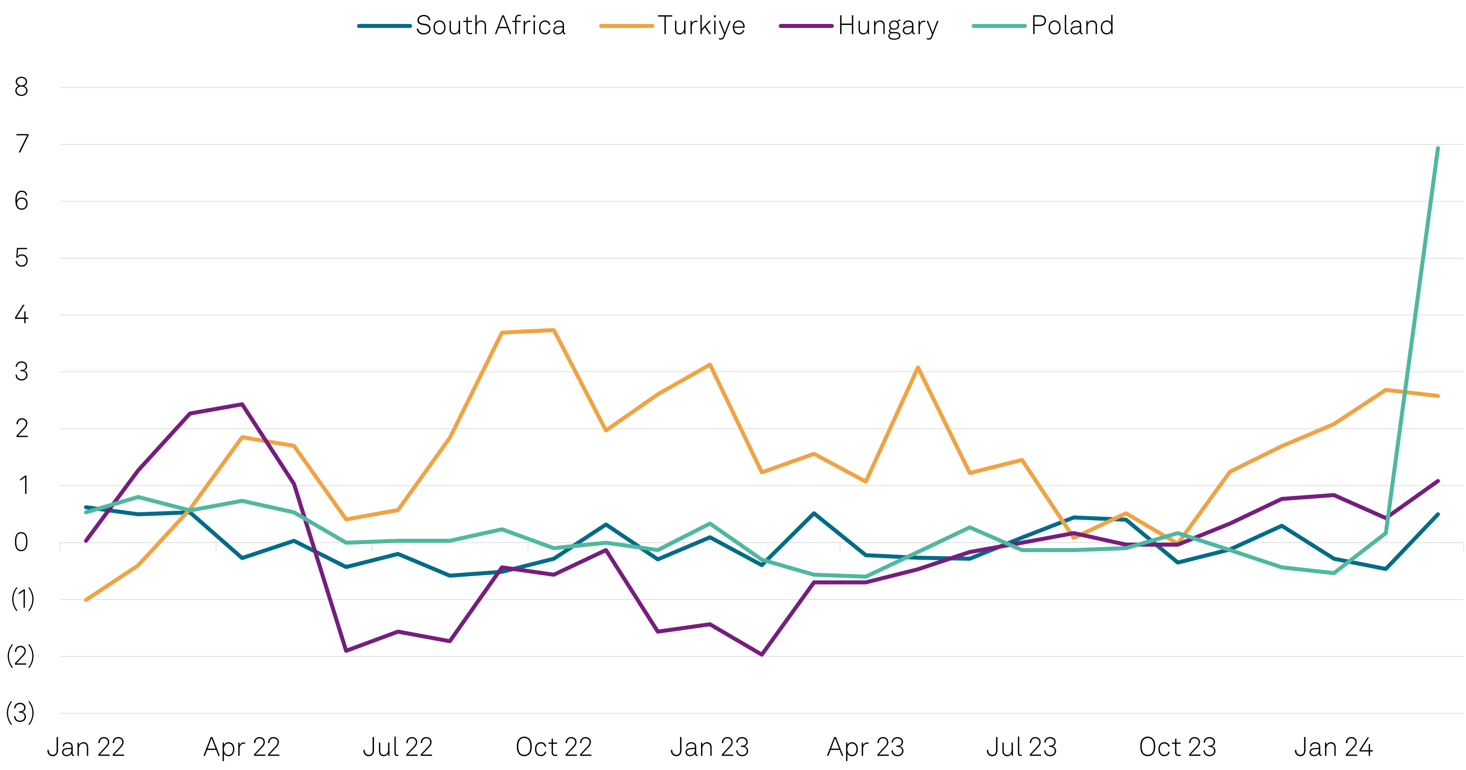
- **After mixed prints from the last two quarters, consumption seems to have rebounded in Central and Eastern Europe.** According to Q1 GDP prints from Poland and Hungary (where GDP grew annually by 1.9% and 1.1% respectively). Nevertheless, we expect the rebound in household consumption to be gradual, as highly positive real deposit rates and small household savings make it more attractive for households to save.
- **Retail sales data in Turkiye remain solid.** Household consumption remains resilient, despite significant tightening of monetary conditions. Taking into consideration recently-published soft frequency indicators, we currently do not expect significant contraction in the economy at least until Q4 2024.
- **In South Africa, however, high-frequency indicators remain weak**, and we expect consumption growth to remain subdued.

Retail sales, month-on-month growth (%)



Note: Based on 3-month moving averages. Sources: Refinitiv and S&P Global Ratings.

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LatAm Economics | Central Banks Turn More Cautious

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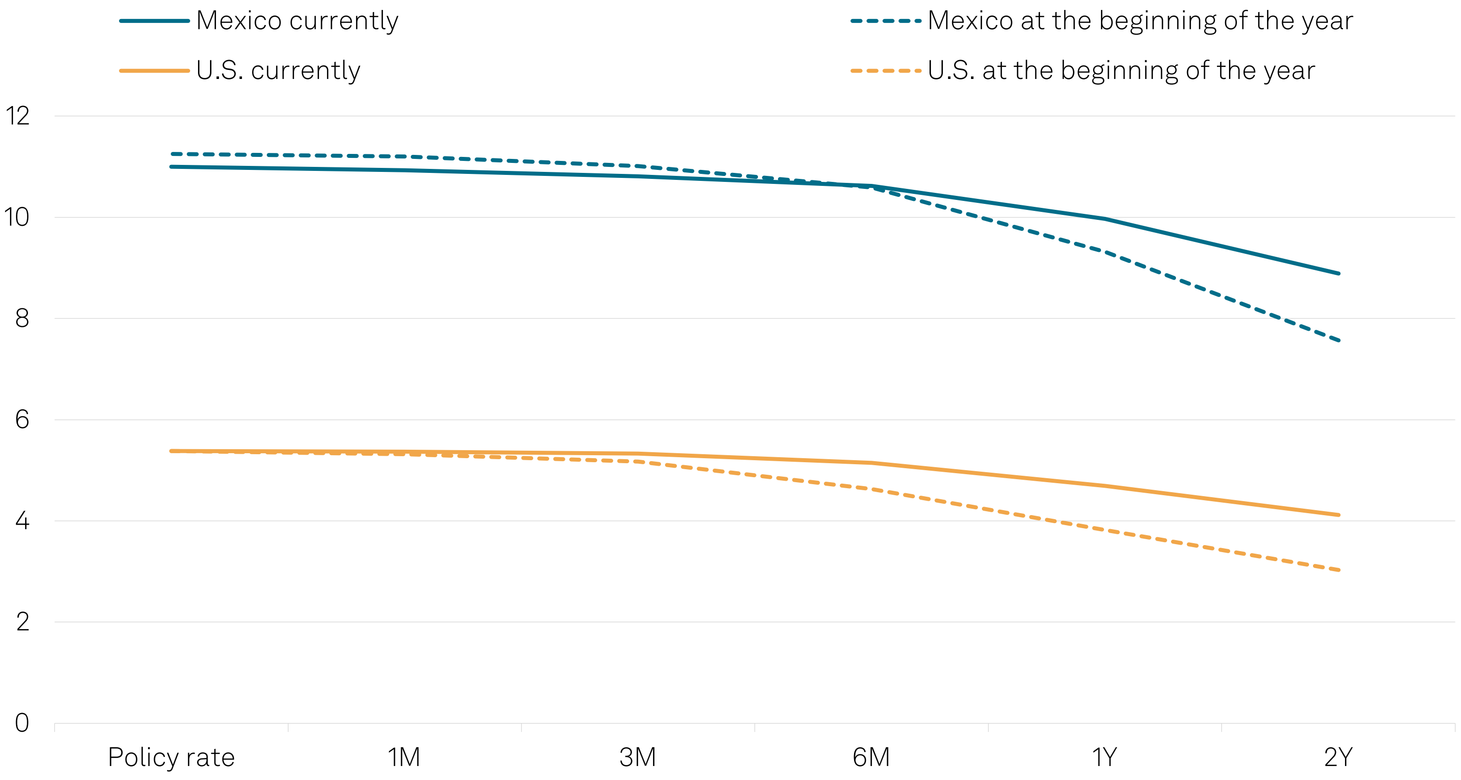
- **Mexico's central bank kept its policy rate unchanged this month, after starting to cut interest rates in the previous meeting.** We believe it is likely that Mexico's central bank will wait for at least one more meeting before resuming its interest-rate cutting cycle due to above-target inflation, especially in services. The market has repriced the trajectory of interest rates in Mexico by a similar magnitude as those in the U.S. (see chart).
- **Central banks of Brazil and Chile have tapered their easing cycle, which we expect will advance more slowly in the coming months.** Brazil's central bank cut rates by 25 basis points (bps) in its May meeting, versus 50 bps in its previous six meetings. Chile's central bank lowered its policy rate by 75 bps in its April meeting, after reducing it by 100 bps the previous month. The Chilean central bank will meet at the end of this month, and we think it will cut its policy rate by another 50 bps.

Market-implied benchmark policy interest rates (%)



Sources: Haver Analytics and S&P Global Ratings.

Macro-Credit Dashboards

S&P Global
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GDP Summary | Most EMs Will Grow Below Average In 2024

Country	Latest reading (y/y)	Period	Five-year avg	2020	2021	2022	2023	2024f	2025f	2026f	2027f
Argentina	-1.4	Q4	-0.2	-9.9	10.7	5.0	-1.6	-3.5	3.3	2.2	2.5
Brazil	2.1	Q4	-0.5	-3.6	5.1	3.1	2.9	1.8	2.0	2.1	2.2
Chile	0.4	Q4	2.0	-6.4	11.9	2.5	0.2	2.0	2.7	2.9	3.0
Colombia	0.3	Q4	2.4	-7.2	10.8	7.3	0.6	1.1	2.8	3.0	3.1
Mexico	1.6	Q1	1.6	-8.8	6.0	3.9	3.2	2.5	1.8	2.2	2.3
Peru	-0.4	Q4	3.2	-11.1	13.6	2.7	-0.6	2.7	3.0	3.1	3.2
China	5.3	Q1	6.7	2.2	8.5	3.0	5.2	4.6	4.8	4.6	4.4
India	8.4	Q4	6.9	-5.8	9.1	7.0	7.6	6.8	6.9	7.0	7.0
Indonesia	5.1	Q1	5.0	-2.1	3.7	5.3	5.0	4.9	5.0	5.0	4.9
Malaysia	3.9	Q1	4.9	-5.5	3.3	8.7	3.7	4.3	4.5	4.6	4.6
Philippines	5.5	Q4	6.6	-9.5	5.7	7.6	5.6	5.9	6.2	6.5	6.4
Thailand	1.7	Q4	3.4	-6.1	1.5	2.6	1.9	3.9	3.0	3.2	3.1
Vietnam	5.7	Q1	7.1	2.9	2.6	8.0	5.0	6.1	6.7	6.7	6.7
Hungary	1.1	Q1	4.1	-4.7	7.2	4.6	-0.7	2.2	3.0	2.8	2.5
Poland	1.9	Q1	4.4	-2.0	6.8	5.5	0.2	2.8	3.1	2.9	2.8
Saudi Arabia	-1.8	Q1	2.3	-4.3	3.9	8.7	-0.9	2.2	5.0	3.1	3.0
South Africa	1.2	Q4	1.0	-6	4.7	1.9	0.6	1.3	1.5	1.4	1.4
Turkiye	4	Q4	4.2	1.7	11.8	5.3	4.5	3.0	3.0	2.8	2.8

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

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

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

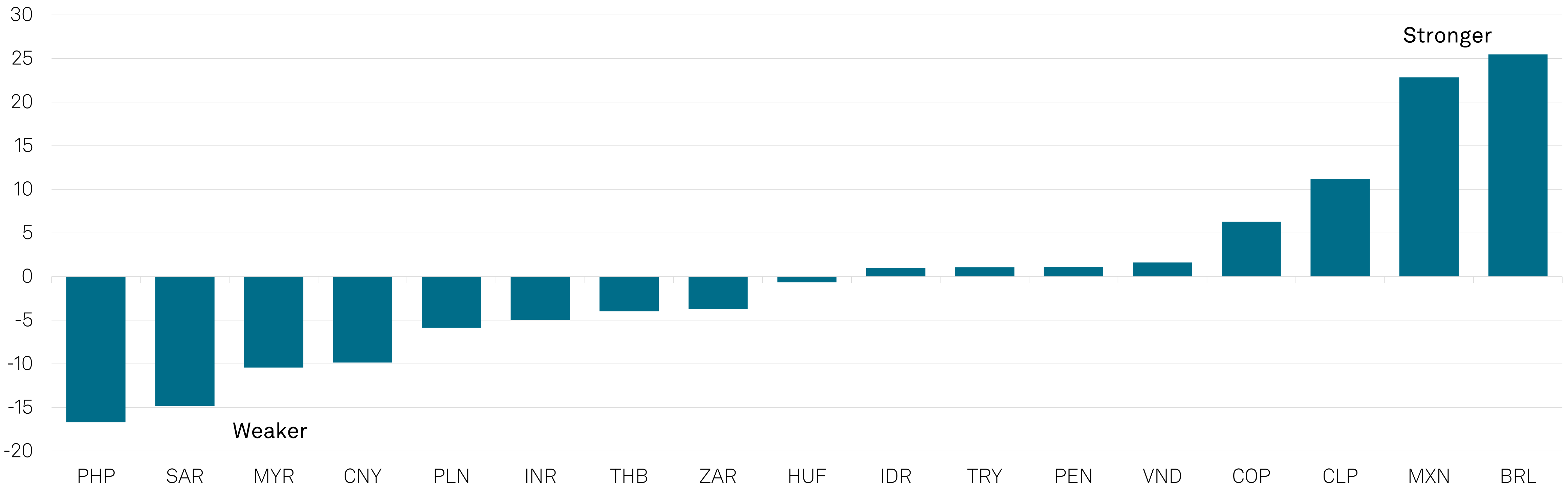
Monetary Policy/FX | Several Central Banks Have Slowed The Easing Pace

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	Apr. exchange rate chg.	YTD exchange rate chg.
Argentina	50.00%	No target	287.90%	1,000 bps cut	N/A	-2.20%	-7.80%
Brazil	10.50%	3.0 +/- 1.5	3.70%	25 bps cut	June 19	-3.40%	-6.40%
Chile	6.50%	3.0 +/- 1.0	4.00%	75 bps cut	May 23	4.10%	-6.30%
Colombia	11.75%	3.0 +/- 1.0	7.20%	50 bps cut	June 28	-0.80%	-1.30%
Mexico	11.00%	3.0 +/- 1.0	4.70%	Hold	June 27	-2.40%	-0.60%
Peru	5.75%	1.0 - 3.0	2.40%	25 bps cut	June 13	-0.70%	-1.20%
China	1.80%	3.0	0.10%	N/A	N/A	-0.20%	-0.30%
India	6.50%	4.0 +/- 2.0	4.90%	Hold	June 8	0.00%	-0.30%
Indonesia	6.25%	3.5 +/- 1.0	3.00%	25 bps hike	May 22	-2.50%	-5.30%
Malaysia	3.00%	No target	1.80%	Hold	July 11	-0.80%	-3.70%
Philippines	6.50%	3.0 +/- 1.0	3.80%	Hold	May 16	-2.70%	-4.10%
Thailand	2.50%	2.5 +/- 1.5	0.20%	Hold	June 12	-1.50%	-7.90%
Vietnam	4.50%	4.0	4.40%	Hold	N/A	-2.20%	-4.30%
Hungary	7.75%	3.0 +/- 1.0	3.70%	50 bps cut	May 21	-0.20%	-5.30%
Poland	5.75%	2.5 +/- 1.0	2.10%	Hold	June 5	-1.40%	-2.80%
Saudi Arabia	6.00%	No target	1.60%	Hold	N/A	0.00%	0.00%
South Africa	8.25%	3.0 - 6.0	5.30%	Hold	May 30	0.50%	-2.90%
Turkiye	50.00%	5.0 +/- 2.0	69.80%	Hold	May 23	-0.10%	-8.80%

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

Real Effective Exchange Rates | BRL And MXN Are Outperforming

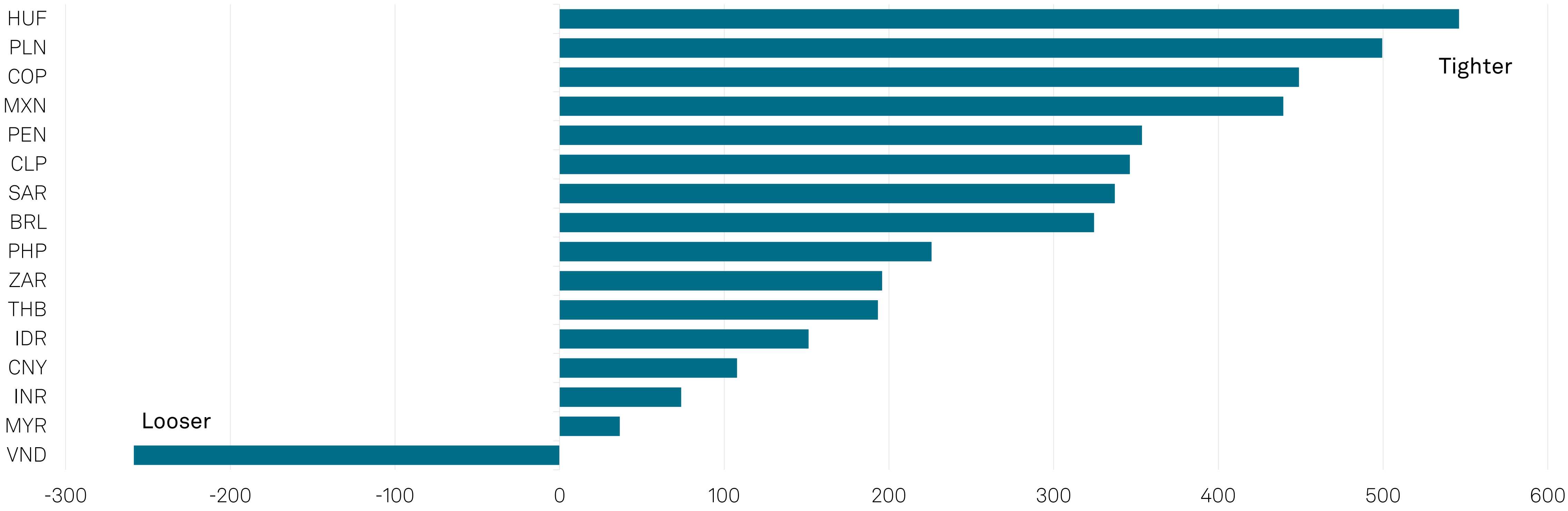
Broad real effective exchange rates (% change from 10-year average)



Data as of April 30, 2024. Note: Data is computed on 10 years of the monthly average data of the J.P. Morgan Real Broad Effective Exchange Rate Index (PPI-deflated). Sources: Haver Analytics, J.P. Morgan, and S&P Global Ratings.

Real Interest Rates | Restrictive Across Most EMs

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



Data as of April 30, 2024. Note: Real interest rates are deflated by CPI. In the cases where we didn't have 10 years of history, we used all the available data to calculate the average. We exclude Argentina and Turkiye. For China, we use the seven-day reverse repo rate. Sources: Haver Analytics and S&P Global Ratings.

EM Heat Map

		Chile	Saudi Arabia	Poland	Peru	Malaysia	Mexico	China	Philippines	Indonesia	Thailand	India	Colombia	Brazil	South Africa	Vietnam	Turkiye	Argentina
	FC sovereign rating	A	A	A-	BBB-	A-	BBB	A+	BBB+	BBB	BBB+	BBB-	BB+	BB	BB-	BB+	B+	CCC
	Sovereign outlook	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Negative	Stable	Stable	Stable	Positive	Stable
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	5	6
	Fiscal (BDGT)	3	2	4	2	4	4	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	Positive	Stable
	Eco. Imbalances	L	I	L	L	L	I	H	L	L	H	L	H	I	I	H	VH	VH
	Credit risk	I	I	I	VH	H	I	VH	H	VH	VH	VH	H	H	H	EH	VH	EH
	Competitive dynamics	L	I	H	I	H	I	H	I	H	H	H	I	H	I	VH	VH	H
	Funding	L	L	L	I	L	L	VL	I	I	L	L	H	I	H	I	VH	VH
Nonfinancial corporates	Median rating (Apr.30, 2024)	BBB	A-	BB	BB	BBB+	BBB-	BBB+	BBB	BB-	BBB	BBB-	BB+	BB	BB-	BB-	B+	CCC
	Net debt / EBITDA	4.03	3.17	1.68	2.28	2.26	2.89	3.31	3.31	2.55	3.14	2.16	2.10	1.82	2.04	2.85	1.85	1.99
	Adj. ROC §	-0.5	1.5	0.9	2.3	0.4	1.2	1.2	0.2	0.5	3.6	-0.6	0.4	0.6	-0.2	-0.6	-34.7	-72.2
	EBITDA int. cov.	5.34	6.79	8.04	6.06	9.72	4.07	6.61	6.50	4.99	8.90	5.92	4.38	3.42	5.40	5.16	3.77	3.22
	FFO / debt	24	28.1	42.4	38.7	23.8	37.8	15.4	25.8	32.6	25	37.6	46.1	55.9	40.5	27.3	44.8	33.1
	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," published 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," published Dec. 9, 2021, and "Financial Institutions Rating Methodology," published Dec. 9, 2021. VL--Very low. L--Low. I--Intermediate. H--High. VH--Very high. EH--Extremely high.

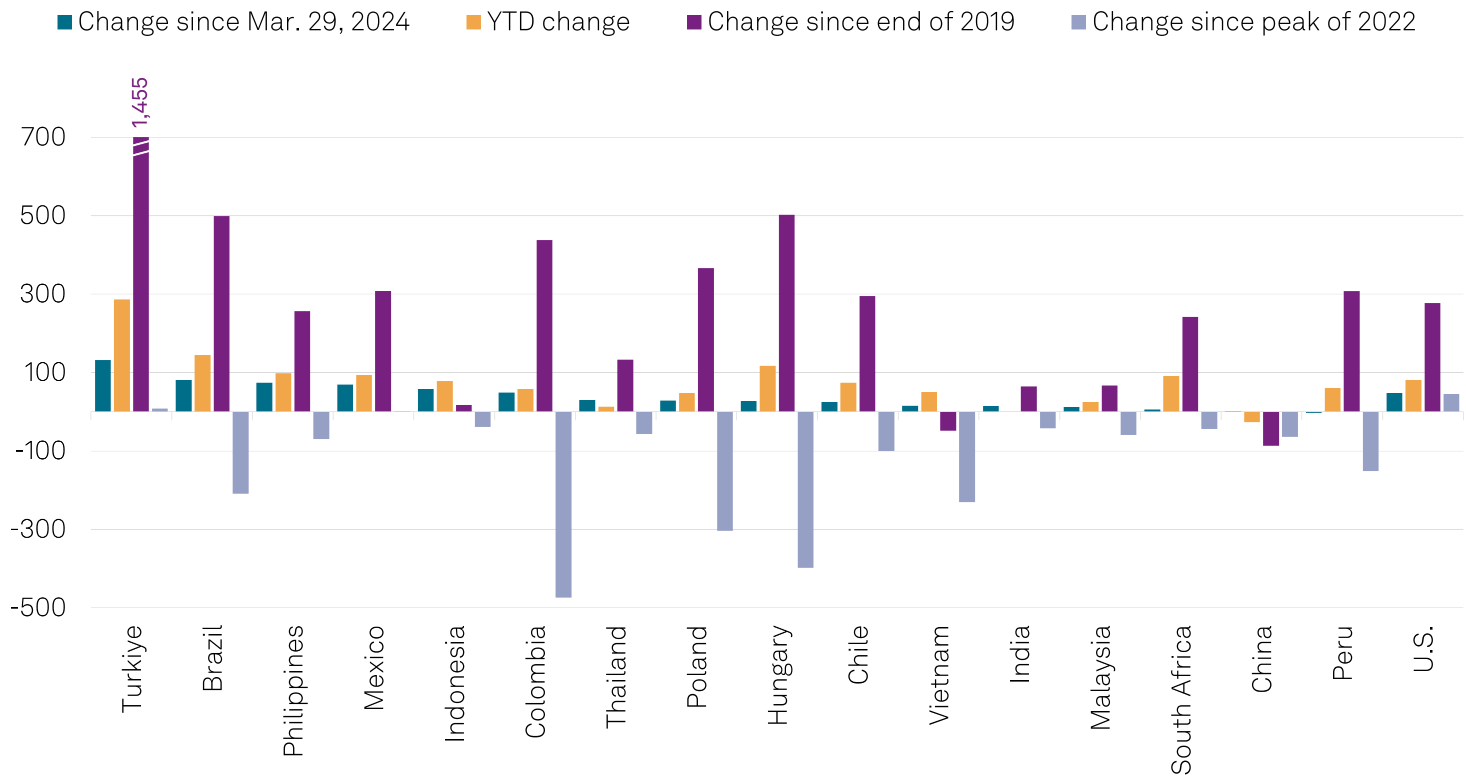
Nonfinancial Corporates--Ratios are derived from the median of rated corporates in their respective countries. We then rank them according to our "Corporate Methodology," published Nov. 19, 2013, by using table 17, with levels that go from minimal to highly leveraged. §We assess return on capital by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

Data for sovereigns and financial institutions as of May 10, 2024. *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 3Q 2023, S&P Global Ratings.

Financing Conditions Highlights

EM Yields | Tightening On Geopolitical Risk And U.S. Economic Resilience

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

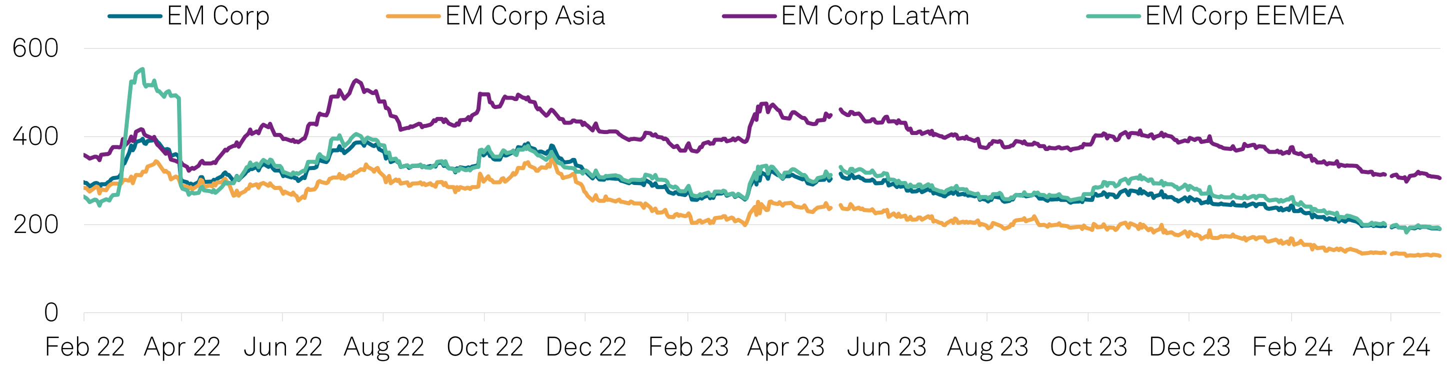


Data as of April 30, 2024. Note: The selection of country is subject to data availability. Y-axis truncated at 700 bps for visualization purposes.
Sources: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro and Datastream.

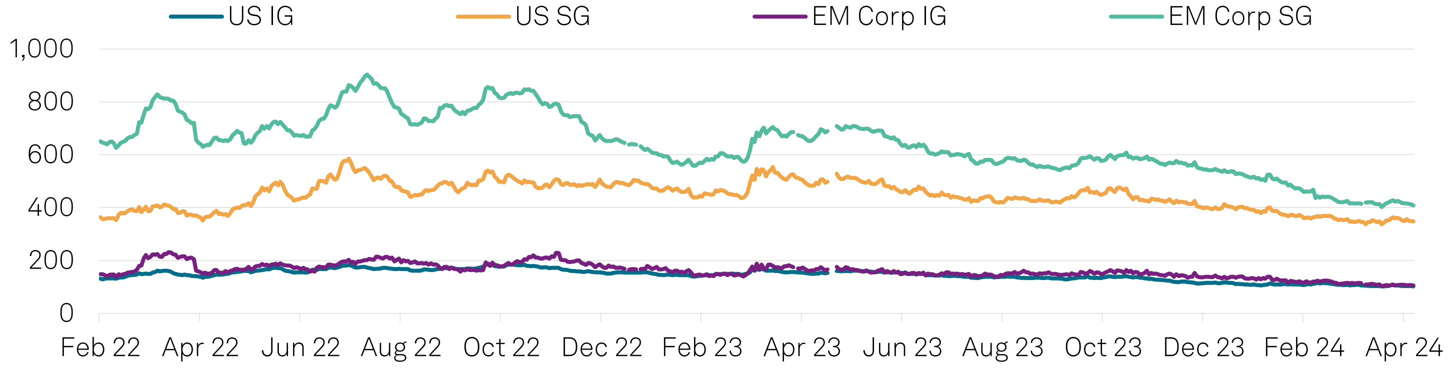
- **EM benchmark yields rose in April** on of the back of the exacerbated Middle East conflict and the still resilient economic activity in the U.S., with sticky inflation and a stronger dollar. These factors may imperil EMs' capital flows and sovereign/corporate debt, consequently, translating in higher benchmarks.
- **Major monthly moves** were in Turkiye (up 131 bps), discounting rising inflation and the monetary policy tightening, with the central bank setting its policy rate to 50% as of the end of March from 45%. Brazil (up 82 bps) is seeing its inflation expectations and sovereign debt ticking higher. The Philippines' (up 74 bps) Q1 economic growth has been slower than expected on weaker private consumption amid rising inflation, with El Niño still representing a threat for the country's harvest.
- **Corporate spreads continued their mild descent,** as the monthly increase in corporate yields was on average lower with respect to the benchmarks one.

EM Credit Spreads | The Descent Is Slowing

EM spreads by region (bps)



U.S. and EM spreads (bps)



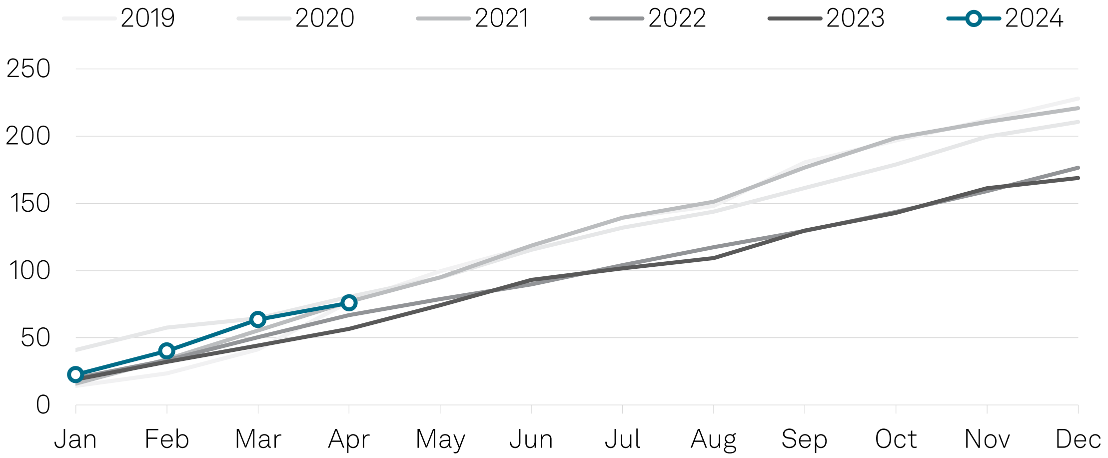
Data as of April 30, 2024. bps--Basis points. IG--Investment-grade. SG--Speculative-grade.
Sources: Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis, S&P Global Ratings Credit Research & Insights.

- **EM corporate spreads tightened in April** by a small amount across regions, with EMEA down the most by 10 bps. However, both investment- and speculative-grade yields rose within the month by 40 bps.
- **This limits the scope of speculative-grade corporate issuance,** which totaled $2 billion, all of which was among nonfinancial corporations, in line with previous months' records, at an average coupon of 8.2% and a 6.5-year of tenor. Investment-grade issuance remained active mainly in Greater China's financial sector: the average coupon was 5.2% at a 5.8-year tenor.
- **Spreads in 2024 will remain sensitive to external influences:** market expectations of the Fed's policy stance, challenges to China's economic growth, geopolitical tensions (Russia-Ukraine, the Middle East, and U.S.-China), and climate-related events like El Niño. Moreover, political risk will be a focal point in upcoming elections in several countries (U.S., India, Mexico, South Africa).

EM | Financial And Non-Financial Corporate Issuance

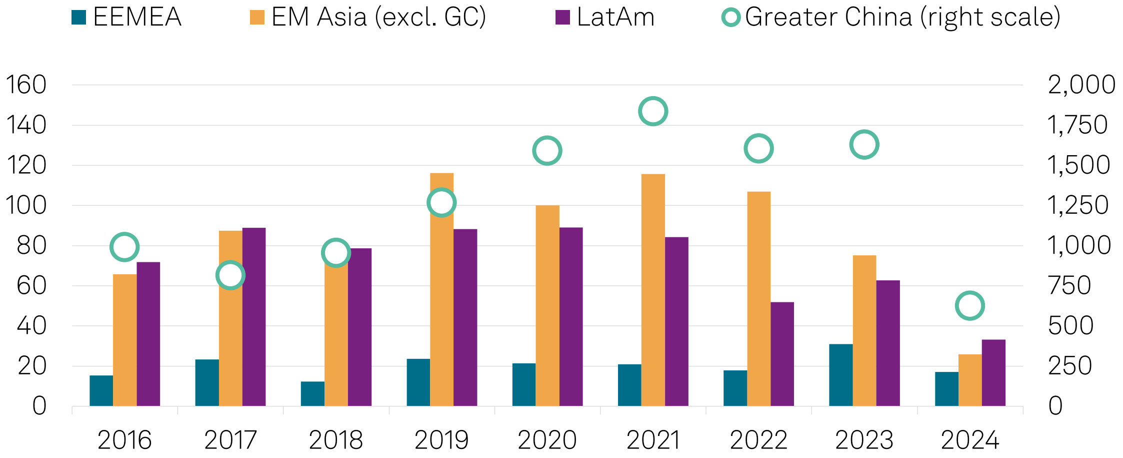
- **EM issuance decelerated in April and attained $207 billion from $223 billion in March,** still higher than 2022 and 2023 April levels. Greater China contributed 94% of the monthly issuance, with significant activity among the banking, NBFI, transportation, and consumer products.
- **Issuance ex. Greater China almost halved with respect to March,** reaching $12 billion. The bond market took a respite, with the slump primarily coming from the banking sector. Thailand represented an exception, with active issuance particularly from utilities and real estate sectors. YTD the annual market activity remains positive, with EEMEA cumulative issuance already at 82% of its 2016-2023 average, LatAm at 43%, EM Asia at 27%.
- **Outside China, unrated issuance decreased at the steepest pace to $8.6 billion,** compared with the January-March average of $15.2 billion. Investment-grade issuance dropped as well in the month, despite some renewed activity in Chile.

EM* cumulative corporate bond issuance (bil. $)



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

EM regional bond issuance (bil. $)



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

Ratings Summary

Ratings Summary | Sovereign Ratings In EM 18

Investment grade

Speculative grade

On April 25, 2024, S&P Global Ratings lowered its sovereign long-term foreign currency rating on Peru to 'BBB-' from 'BBB', due to political uncertainty constraining growth. We also assigned a negative outlook, incorporating the expectation of moderate growth and fiscal deficits that keep net general government debt inching higher, though expected to remain below 30% of GDP over the next three years.

Economy	Rating	Outlook	5-year CDS spread (Apr. 30)	5-year CDS spread (Mar. 31)
China	A+	Stable	69	72
Chile	A	Negative	62	55
Saudi Arabia	A	Stable	53	51
Malaysia	A-	Stable	48	43
Poland	A-	Stable	73	75
Philippines	BBB+	Stable	68	63
Thailand	BBB+	Stable	45	44
Indonesia	BBB	Stable	76	73
Mexico	BBB	Stable	99	92
Peru	BBB-	Stable	84	66
Hungary	BBB-	Stable	125	138
India	BBB-	Stable	43	50
Colombia	BB+	Negative	190	172
Vietnam	BB+	Stable	118	123
Brazil	BB	Stable	148	137
South Africa	BB-	Stable	238	254
Turkiye	B	Positive	292	298
Argentina	CCC	Stable	2270	2524

Data as of April 30, 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 | By Debt Amount In The Past 90 Days

As Of April 30, 2024

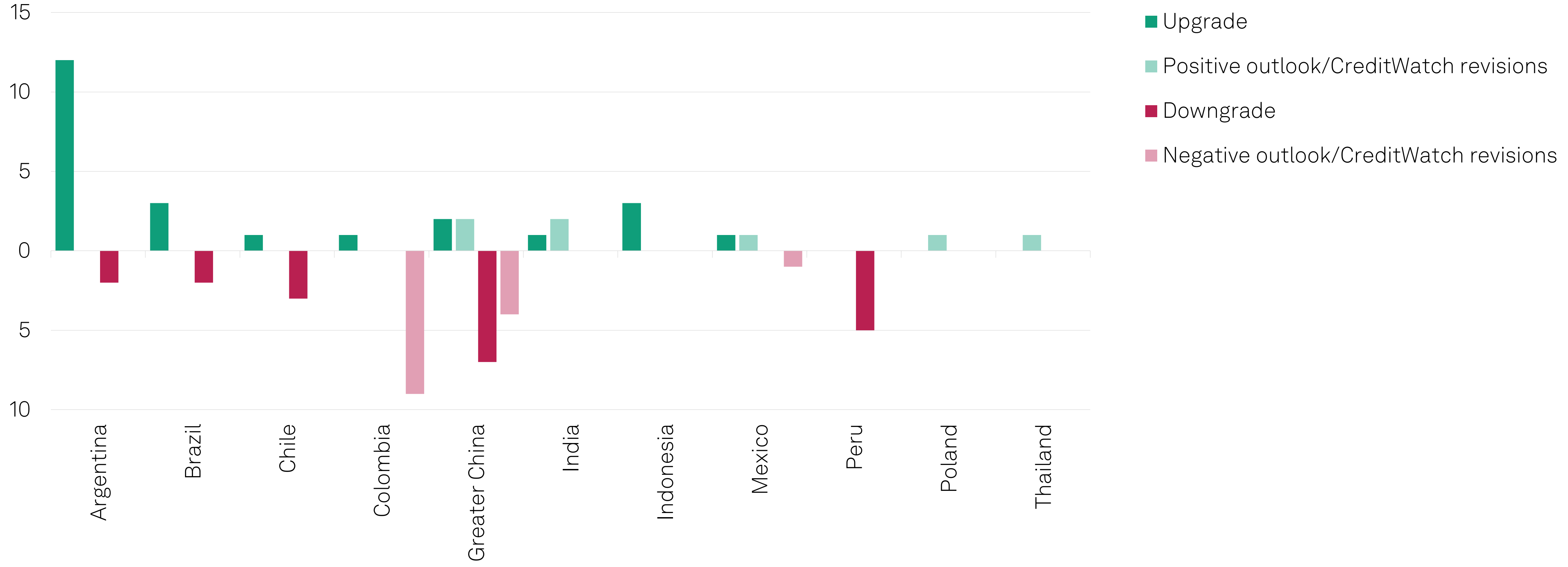
Investment grade

Speculative grade

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. $)
26-Feb-24	Braskem S.A. (Odebrecht S.A.)	Brazil	Chemicals, packaging and environmental services	BB+	BBB-	Downgrade	6,200
13-Mar-24	CEMEX S.A.B. de C.V.	Mexico	Forest products & building materials	BBB-	BB+	Upgrade	5,187
18-Mar-24	YPF S.A.	Argentina	Oil and gas	CCC	CCC-	Upgrade	2,900
1-Mar-24	Latam Airlines Group S.A.	Chile	Transportation	B+	B	Upgrade	2,250
26-Apr-24	Intercorp Financial Services Inc. (Intercorp Peru Ltd.)	Peru	Financial institutions	BB+	BBB-	Downgrade	1,600
18-Mar-24	Pampa Energia S.A.	Argentina	Utilities	CCC	CCC-	Upgrade	1,050
26-Apr-24	Transportadora de Gas del Peru S.A.	Peru	Utilities	BBB-	BBB	Downgrade	1,000
18-Mar-24	Aeropuertos Argentina 2000 S.A.	Argentina	Transportation	CCC	CCC-	Upgrade	750
26-Apr-24	Banco BBVA Peru (Banco Bilbao Vizcaya Argentaria S.A.)	Peru	Financial institutions	BBB-	BBB	Downgrade	600
18-Mar-24	Transportadora de Gas del Sur S.A. (Compania De Inversiones de Energia S.A.)	Argentina	Utilities	CCC	CCC-	Upgrade	500
23-Apr-24	Colombia Telecomunicaciones S.A. E.S.P (Telefonica S.A.)	Colombia	Telecommunications	B+	B	Upgrade	500
18-Mar-24	Telecom Argentina S.A.	Argentina	Telecommunications	CCC	CCC-	Upgrade	400
18-Mar-24	CAPEX S.A.	Argentina	Utilities	CCC	CCC-	Upgrade	300
18-Mar-24	Compania General de Combustibles S.A.	Argentina	Oil and gas	CCC	CCC-	Upgrade	285
15-Mar-24	Banco De Galicia Y Buenos Aires S.A.U.	Argentina	Financial institutions	CCC	CCC-	Upgrade	250

Excludes sovereigns. Only includes rating actions where S&P Global Ratings rates debt. Includes rating actions on subsidiaries only if there was no rating action on the parent. Excludes Greater China and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Sources: S&P Global Ratings Credit Research & Insights, S&P Global Market Intelligence's CreditPro®.

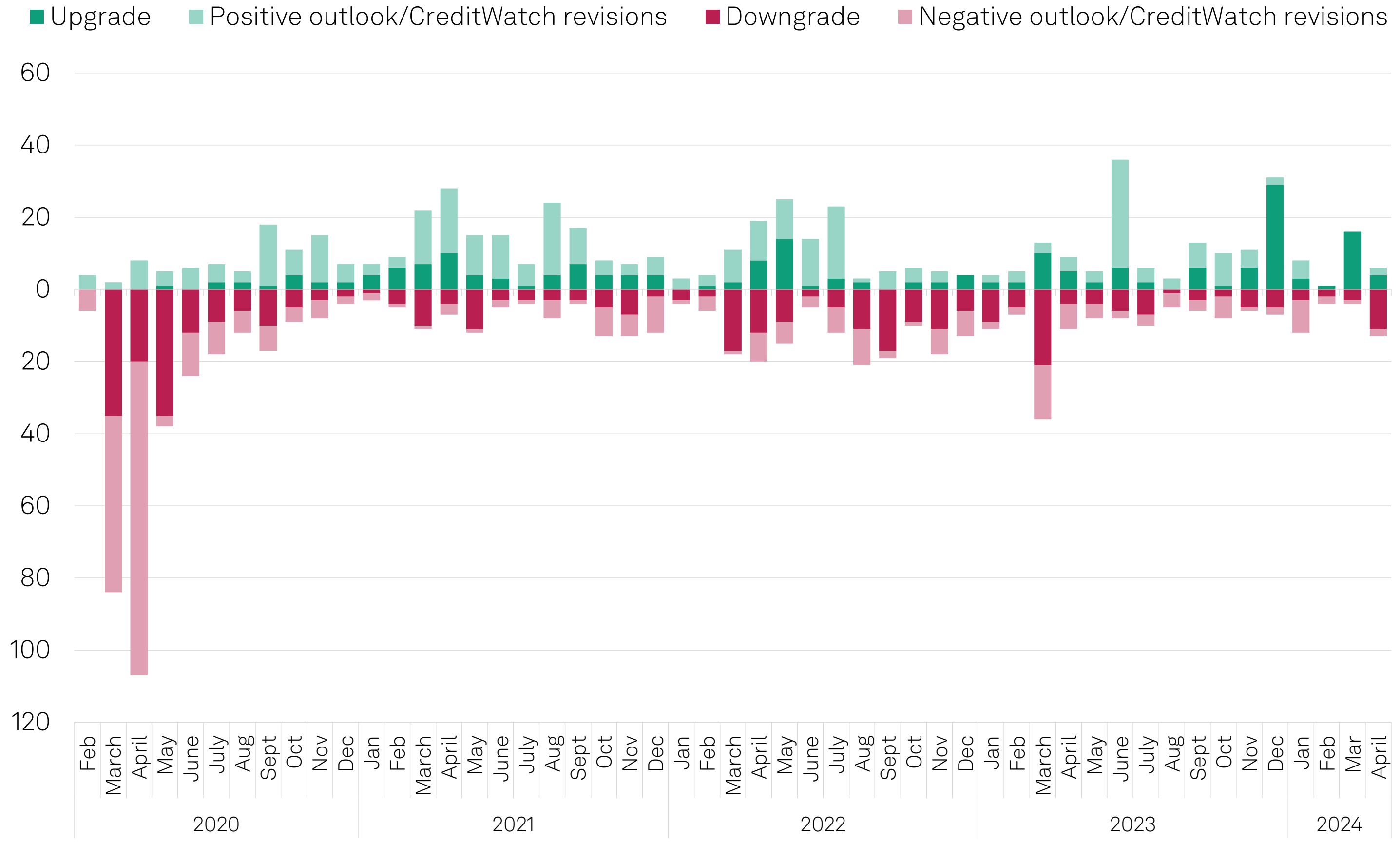
EM | Total Rating Actions By Economy In 2024



Data as of April 30, 2024. Includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. Greater China--China, Hong Kong, Macau, Taiwan and Red Chip companies. Source: S&P Global Ratings Credit Research & Insights.

EM | Total Rating Actions By Month

- **Eleven downgrades were recorded in the month, up from three in March.** Five in Peru, following the sovereign's downgrade. Intercorp Financial Services Inc. (Peru) shifted to speculative grade – 'BB+' from 'BBB-'. Chilean Telecom company Wom S.A. defaulted on Chapter 11 bankruptcy filing as tight market conditions, limited investor appetite and the high cost of debt prevented the company from obtaining favorable refinancing conditions amid deteriorating liquidity. The remaining five downgrades were located in Greater China: worth to mention China Vanke Co. Ltd. and Longfor Group Holdings Ltd. (real estate) fallen angels to speculative grade, on weakening competitive position and weakness in property development.
- **Four upgrades in April, down from 16 in March.** Three among financial institutions of which two are in Greater China: China Merchants Bank Co. Ltd. on stronger liquidity, and CITIC Group Corp. on improved capital structure.

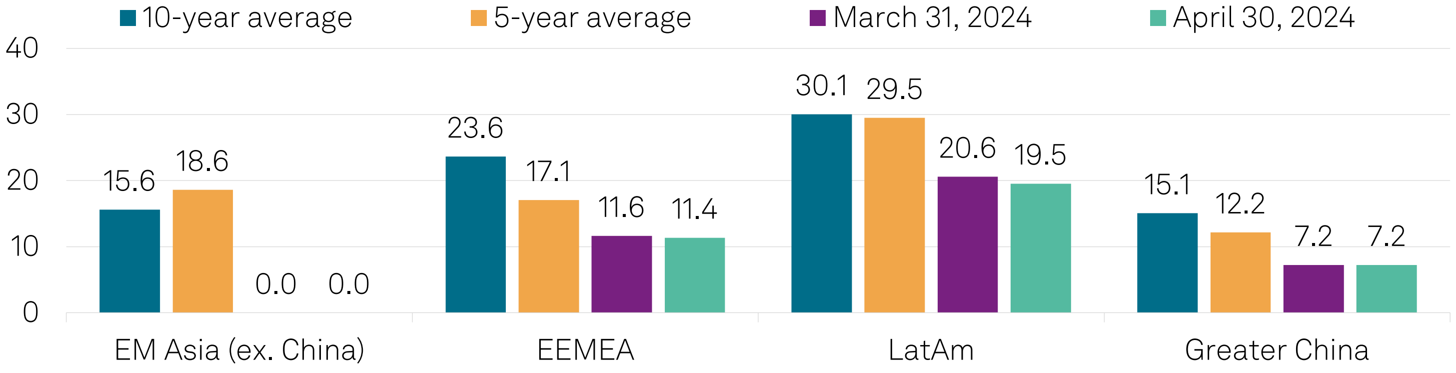


Data from Feb. 3, 2020 to April 30, 2024. Includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent.
Source: S&P Global Ratings Credit Research & Insights.

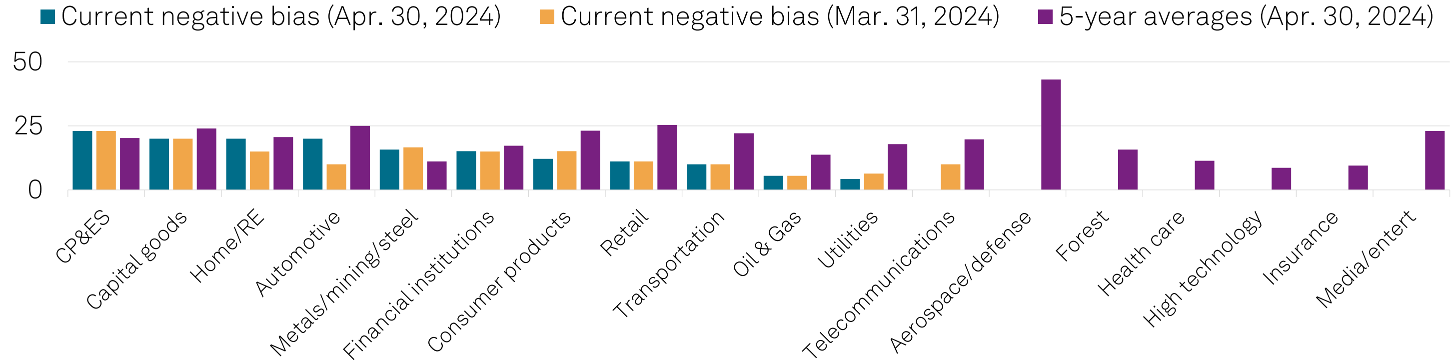
EM Downgrade Potential | Regional Negative Bias

- **LatAm remains the region with the highest negative bias among EMs with 20% of the downgrade potential,** slightly lower than its March record following the assignment of a stable outlook on Peruvian corporations.
- **EEMEA's downgrade potential dropped by 1 percentage point to 11%,** following the 'BB+' long-term issuer credit rating assignment to AngloGold Ashanti PLC (metals, mining, and steel; South Africa).
- **Chemicals, packaging and environmental services; and metals, mining, and steel** are the only two sectors (out of 18) **displaying a negative bias higher than the historical average.**

LatAm has the highest downgrade potential (negative bias, %)



Negative bias by sector (%)



Data as of April 30, 2024. Excludes sovereigns, and subsidiaries. Media/entert--Media and entertainment. Retail--Retail / restaurants. CP&ES--Chemicals, packaging and environmental services. Home/RE--Homebuilders/real estate companies. Forest--Forest products and building materials. Metals/mining/steel--Metals, mining, and steel. Negative bias--Percentage of issuers with a negative outlook or on CreditWatch negative. 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 year to date in EM 18.
- Five rating movements to 'CCC/CC' from 'B' in 2023 through Dec. 31 in EM 18.

Speculative grade

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

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

Rating Actions | Four Fallen Angels And One Rising Star In 2024 YTD

Investment grade

Speculative grade

Fallen angels

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

Rising stars

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
13-Mar-24	CEMEX S.A.B. de C.V.	Mexico	Forest products and building materials	BBB-	BB+	5,187

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

Rating Actions | List Of Defaulters In 2024 YTD

Default, selective default, not rated

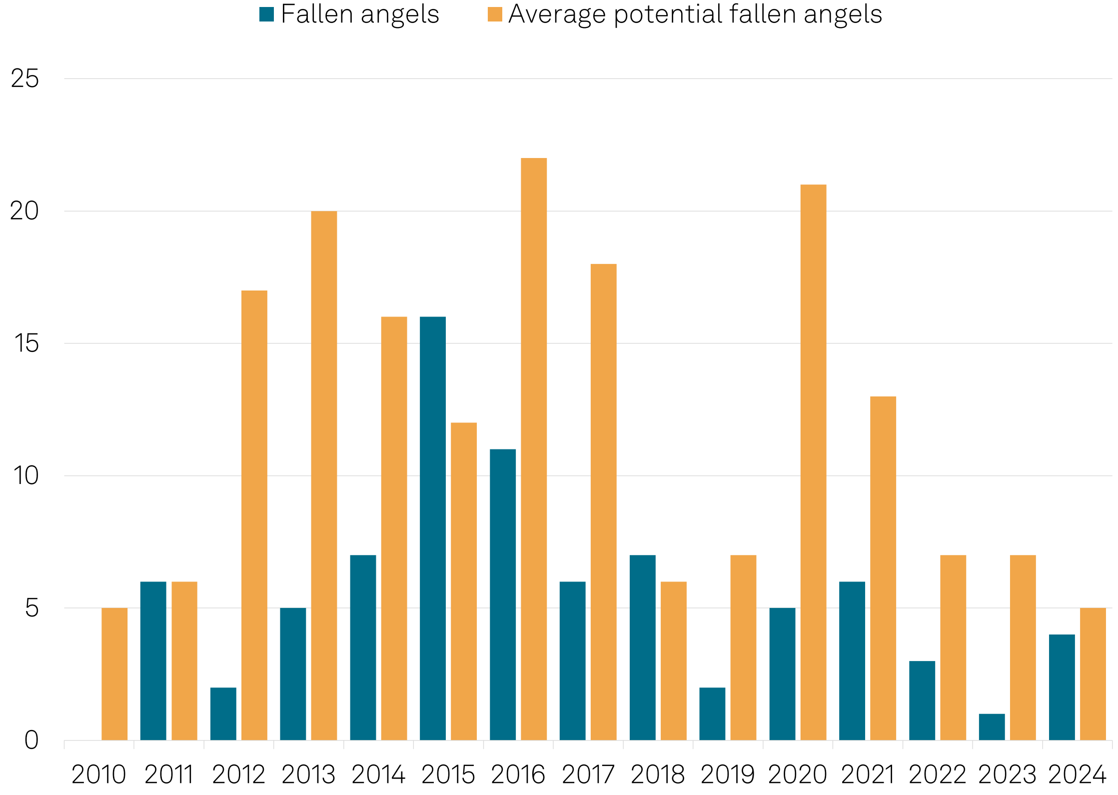
Speculative grade

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
26-Jan-24	Gol Linhas Aereas Inteligentes S.A.	Brazil	Transportation	D	CCC-	--
31-Jan-24	Enjoy S.A.	Chile	Media and entertainment	D	CCC-	--
14-Feb-24	CLISA-Compania Latinoamericana de Infraestructura & Servicios S.A.	Argentina	Capital goods	SD	CC	--
13-Mar-24	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	153,334
1-Apr-24	Wom S.A.	Chile	Telecommunications	D	CCC	--

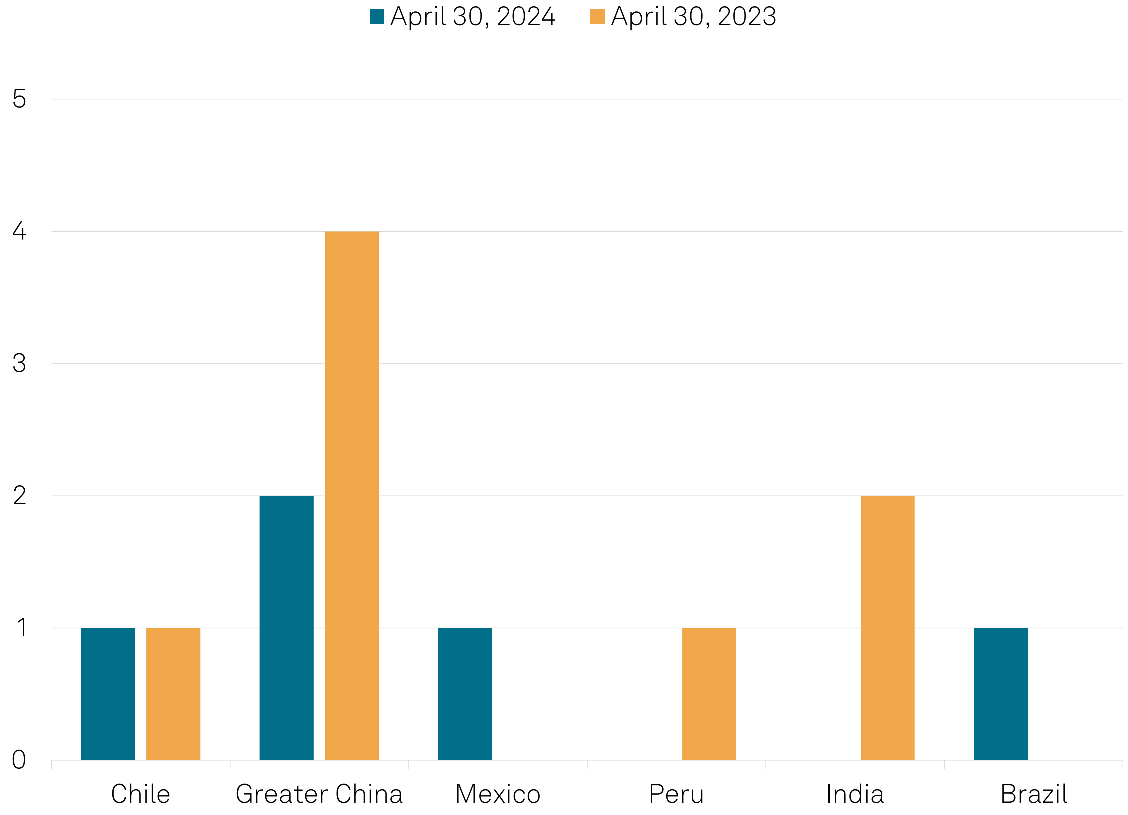
Data as of April 30, 2024. Includes sovereigns, Greater China, and Red Chip companies. *Republic of Argentina reflects its local currency long-term default. Includes both rated and zero debt defaults. Source: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Fallen Angels And Potential Fallen Angels

Average potential fallen angels are down to five from seven in 2023



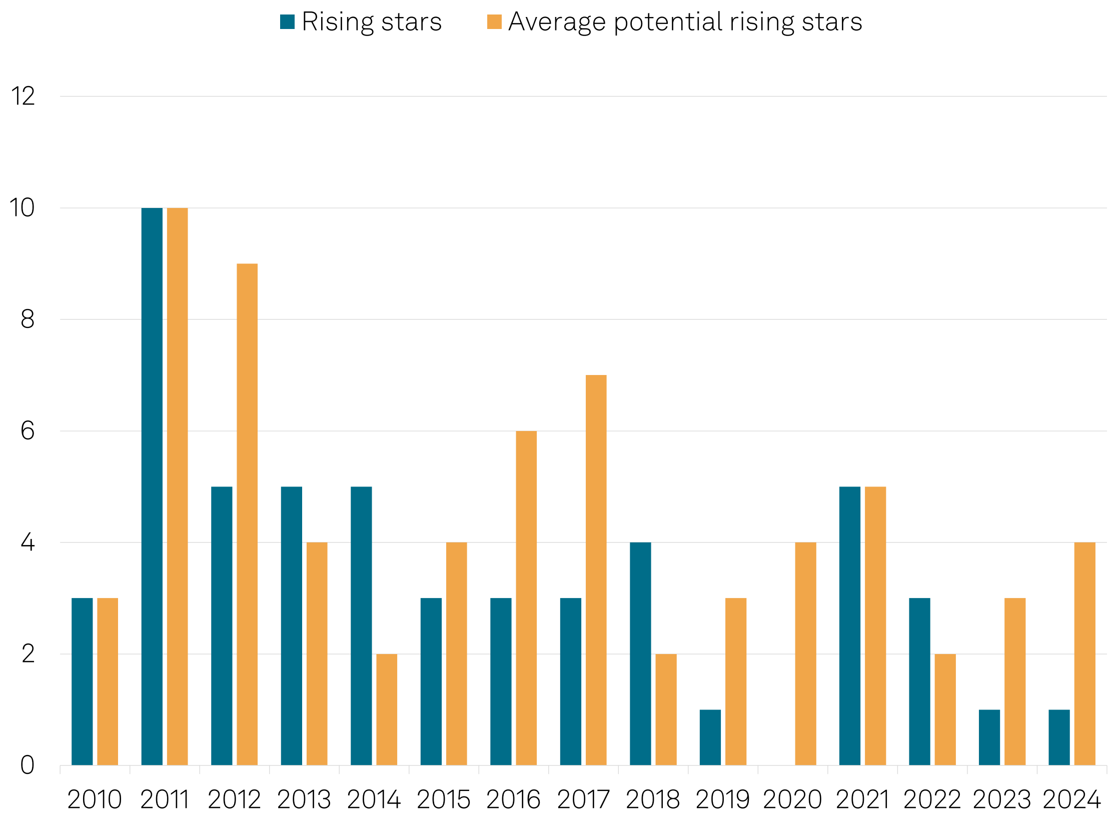
EM potential fallen angels mostly in LatAm



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

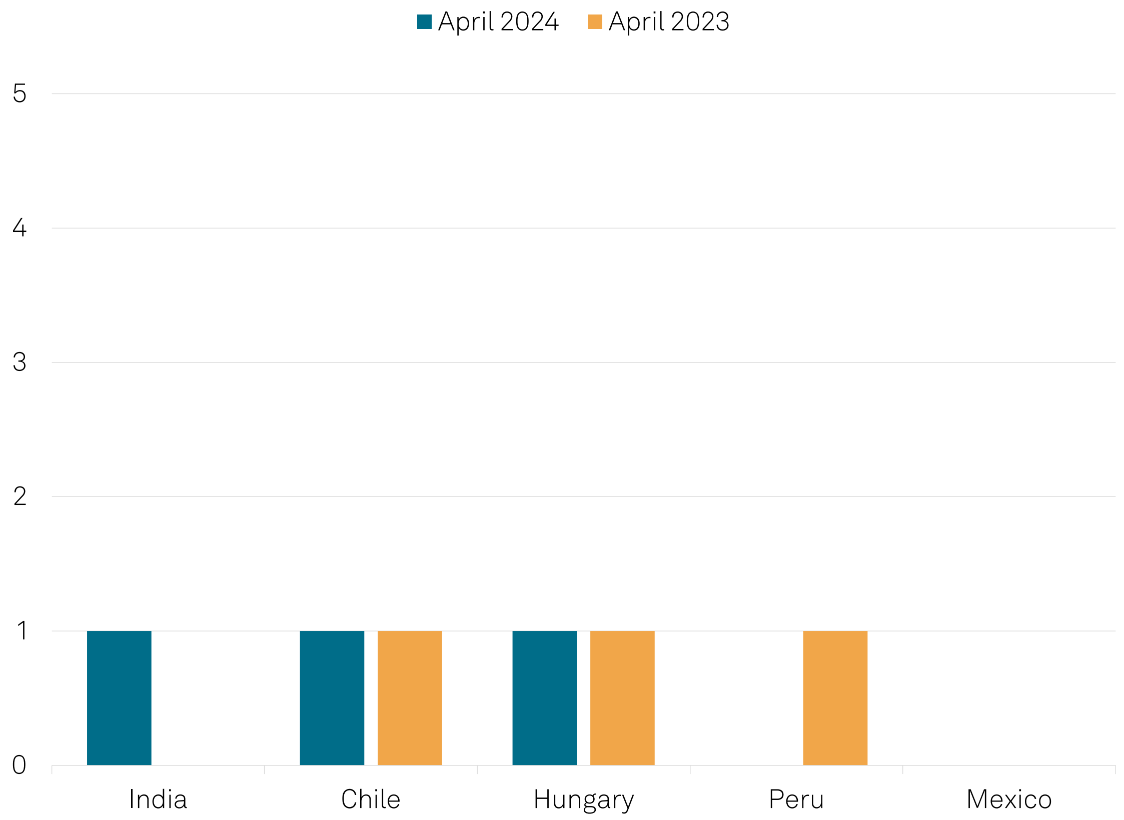
Rating Actions | Rising Stars And Potential Rising Stars

Average potential rising stars at four, up from three in 2023



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

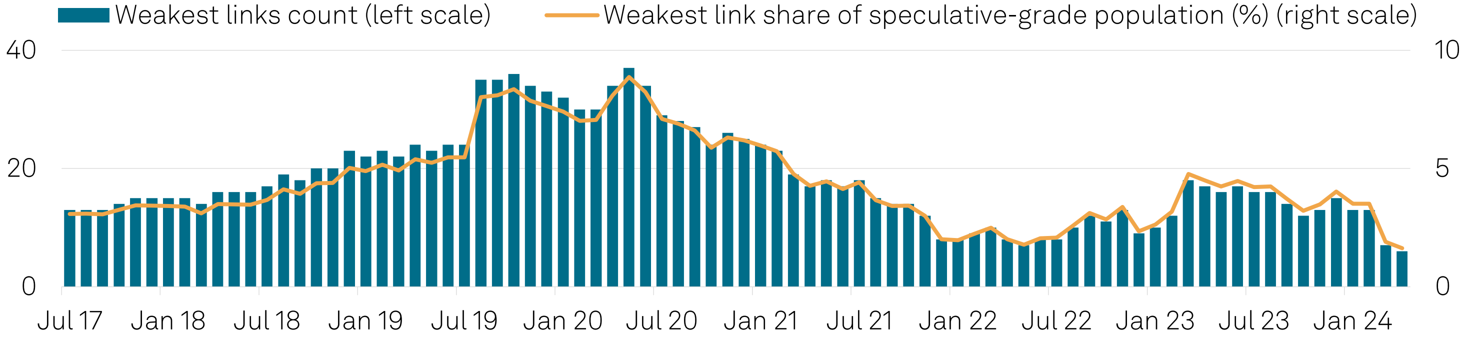
Current potential rising stars



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

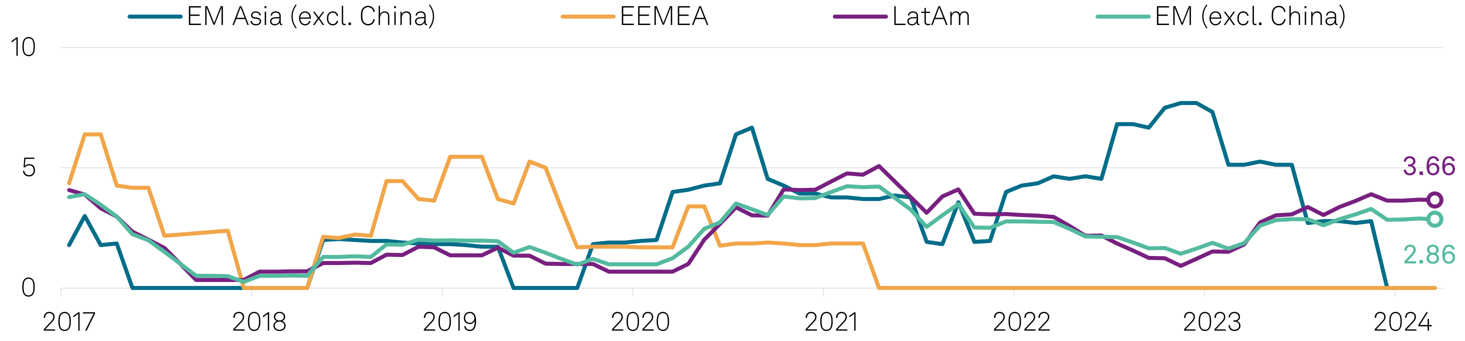
Rating Actions | Weakest Links And Defaults

EM weakest links declined to six in April



Data as of April 30, 2024. Parent only. Weakest links are defined as issuers rated 'B–' or lower with negative outlooks or ratings on CreditWatch with negative implications. Source: S&P Global Ratings Credit Research & Insights.

Default rate this month (as of March 2024)

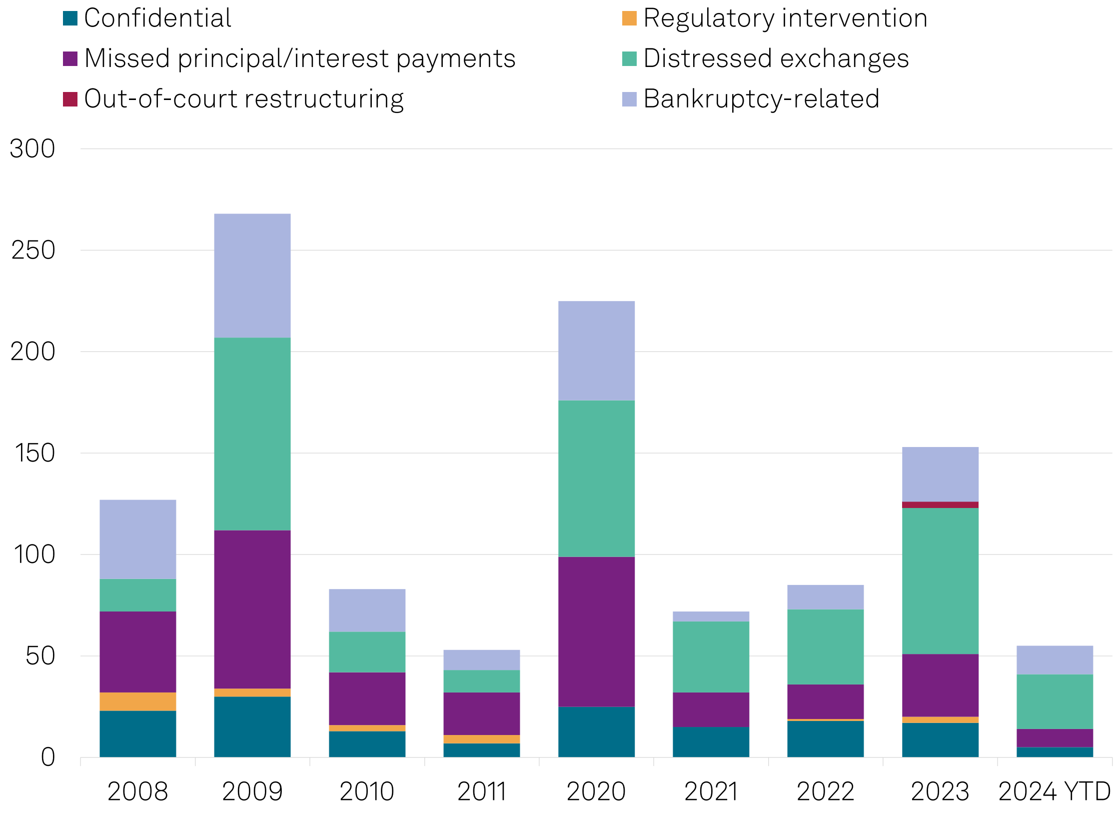


Excluding China. CreditPro data as of March 31, 2024. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Excludes sovereigns. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

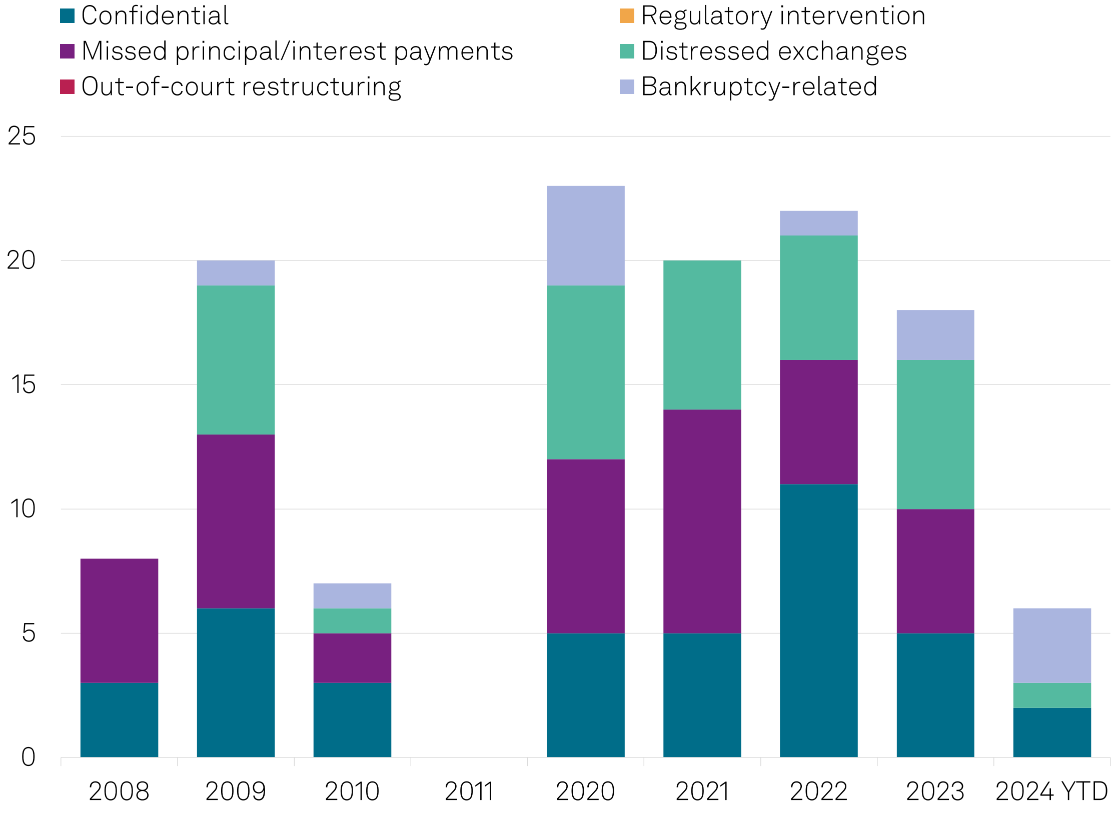
- **Weakest links down** to six issuers in April (2% of total speculative-grade issuers) from seven in March after Wom's default. Four of the weakest links were in LatAm.
- **Default rates.** The March default rate (excluding China) was recorded at 2.86%, in line with that in February. Recently, the composite index has been mainly driven by LatAm, where all defaults for the year so far took place. The pace of defaults in this specific region was recorded at 3.66% in March, improving from its 2023 peak of 3.90% in November.

Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



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

Related Research and Contacts

S&P Global Ratings

Related Research

- When Rates Drop, GCC Banks' Profitability Will Follow, May 14, 2024
- Brazil Floods Could Take A Toll On Local Banks, Less So On Insurers, May 13, 2024
- Floods Could Amplify Logistics And Inflationary Strains On Some Brazilian Corporate Sectors, May 10, 2024
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- Global Financing Conditions: First-Quarter Issuance Surge Will Taper Off Amid Increasing Risks, April 25, 2024
- Q2 2024 Global Refinancing Update: Window Of Opportunity May Be Closing, April 24, 2024
- China Default Review 2024: Trough Before The Third Wave, April 23, 2024
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- Emerging Markets Monthly Highlights: Rising Challenges To Interest-Rate Cuts, April 17, 2024
- Geopolitical Risks Rise On Iran-Israel Conflict Expansion Despite Immediate Reprieve, April 16, 2024

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