



Emerging Markets Monthly Highlights

Growth Recovering, Policy Uncertainty Rising

S&P Global
Ratings

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June 12, 2024

This report does not constitute a rating action

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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



Recent Q1 GDP publications have confirmed a recovery across most emerging markets (EMs) driven by domestic demand. With a few exceptions, we expect this recovery to continue in the coming quarters. External demand dynamics are also improving, although with weaker momentum.



Unexpected electoral outcomes across several key EMs have increased uncertainty about upcoming policy paths. In South Africa and India, ruling parties underperformed polls and market expectations, increasing their reliance on alliances to govern and shape economic policy. In Mexico, the incumbent party had a much stronger victory than most expected, increasing uncertainty around several constitutional reforms promised during campaigns, as well as over the government's fiscal trajectory.



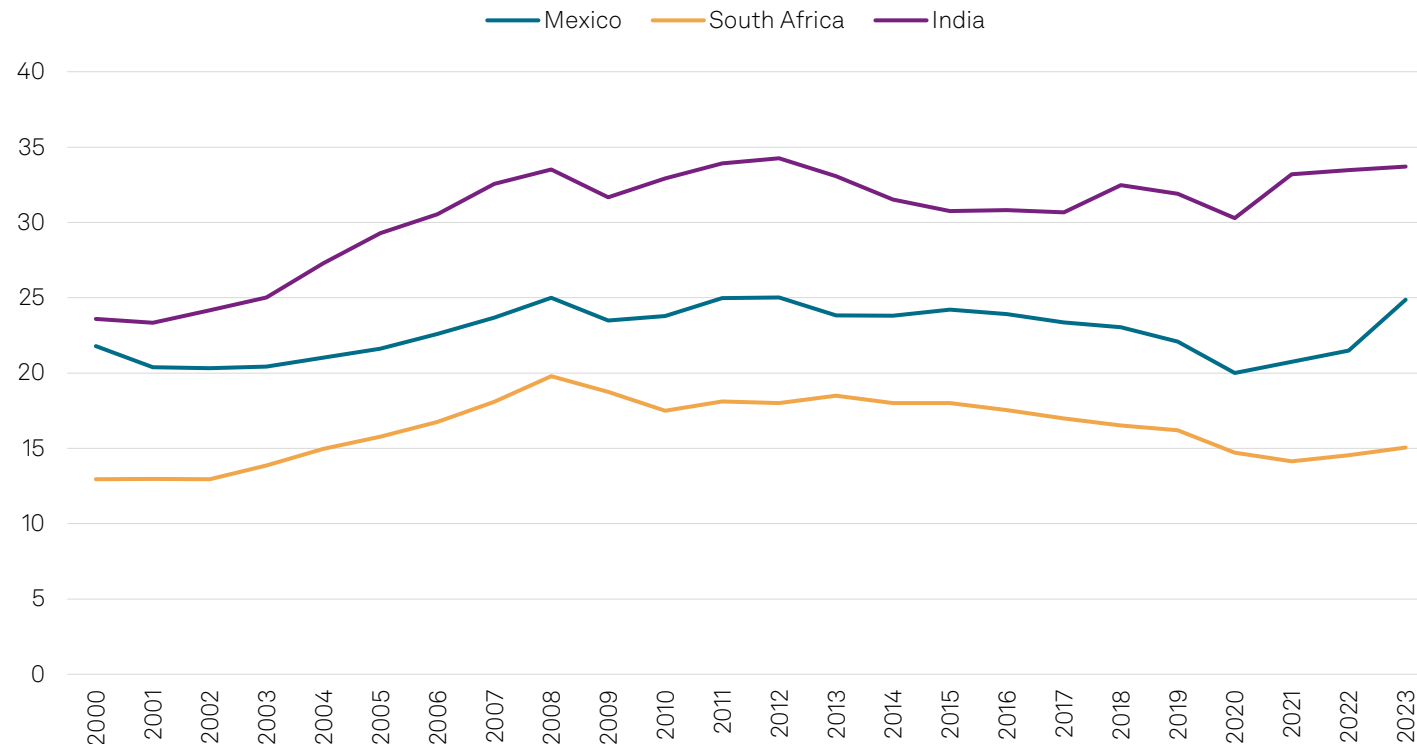
In 2023, the number of corporate defaults in emerging and frontier markets decreased to 19 from 26 in 2022, representing 12% of the global total, sharply down from 31% in 2022. Tight financing conditions were the main cause of defaults, with Latin America as the epicenter and no specific industry concentration. In addition, upgrades outpaced downgrades.



Financing conditions were relatively stable in May, with benchmarks marginally down, spreads tightening, and a bond market remaining open for speculative-grade issuance. Greater China's issuance activity slowed.

Elections | Waiting For Greater Policy Visibility After Surprise Results

Fixed investment, (%) of GDP

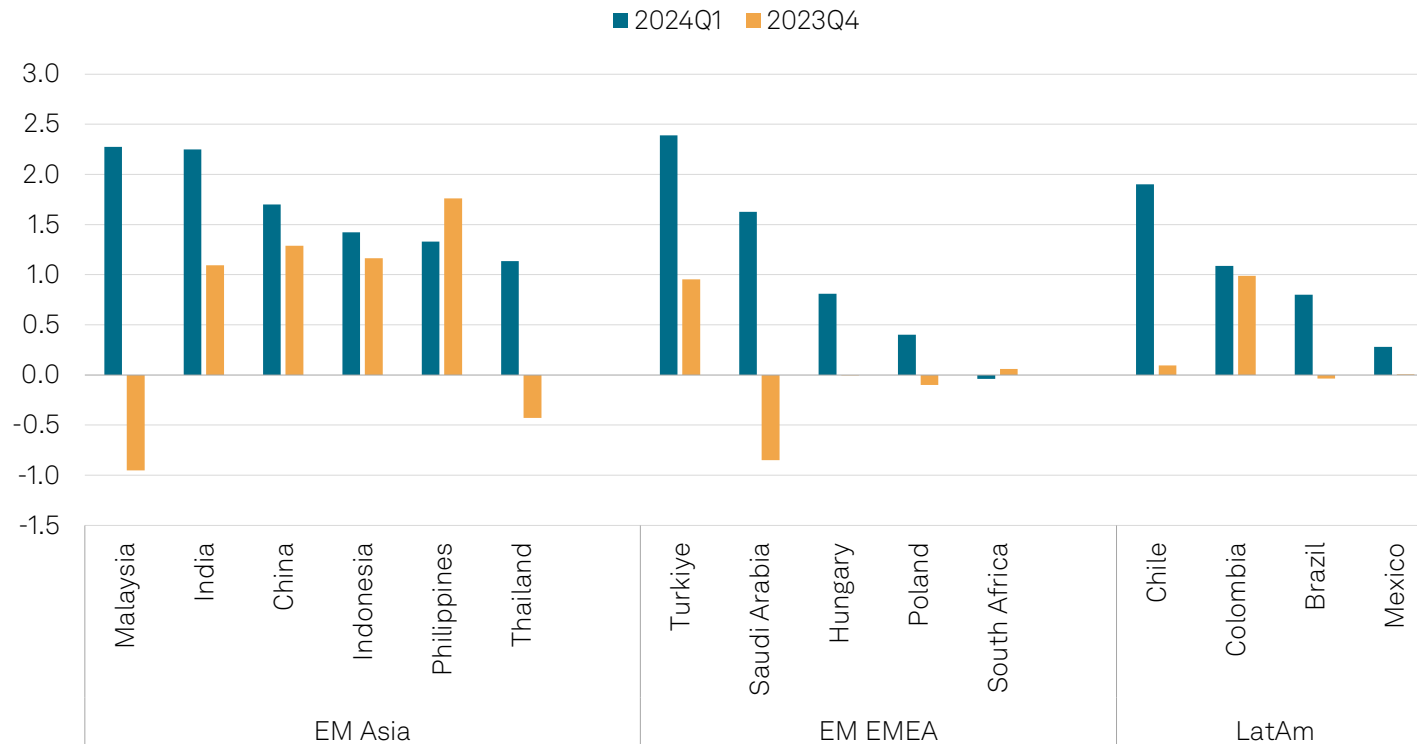


Sources: Haver Analytics and S&P Global Ratings.

- The outcome of the recent elections could generate uncertainty among investors until there is greater visibility about the policies pursued by the incoming governments.
- **In Mexico**, a resounding victory by the incumbent Morena party increases uncertainty over several potential constitutional reforms and the government's fiscal path (see "[Mexico's New Administration Faces Lagging Economic Growth And Weaknesses In Public Finances](#)," published June 3, 2024).
- **In South Africa**, a poor showing by the ruling ANC party will force a coalition government to be formed, putting into question the recent reform momentum in the electricity and logistics sectors, as well as fiscal policy.
- **In India**, Prime Minister Modi's B.J.P. lost ground, increasing its reliance on alliances to govern. This has led to investor concerns about the fiscal and reform path under the new coalition.

GDP Update | EM Economies Picked Up in Q1

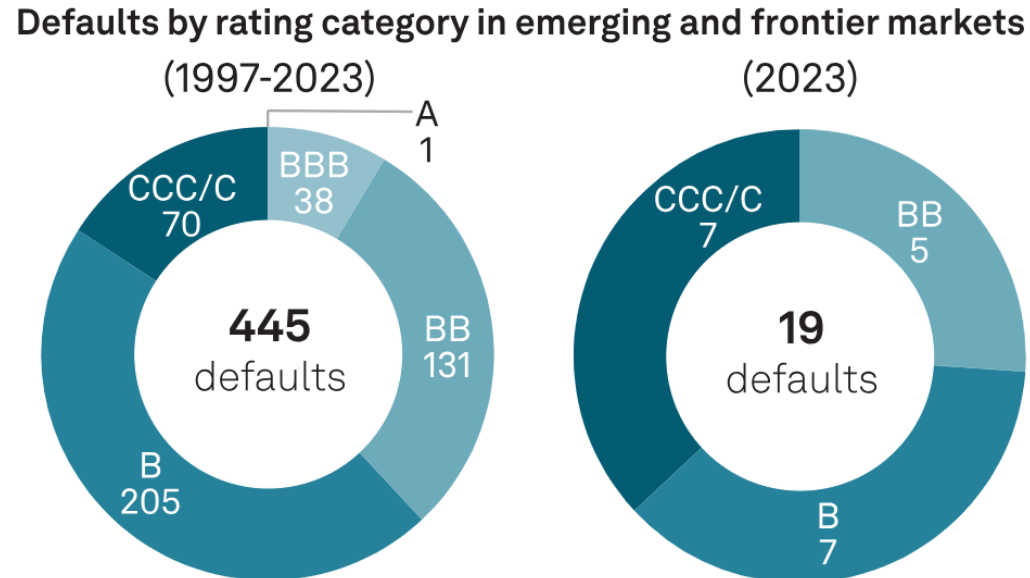
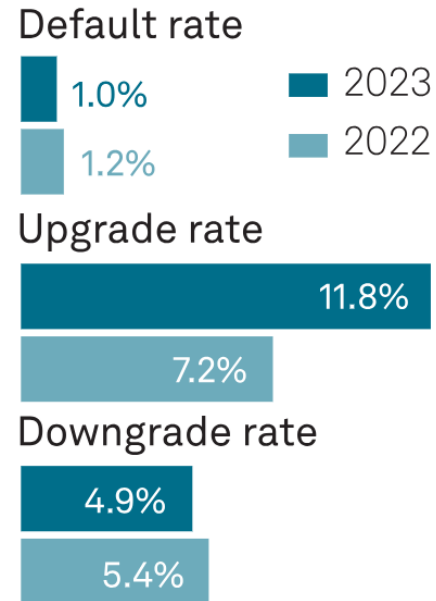
GDP growth rates, quarter-on-quarter (%)



Sources: S&P Global Market Intelligence and S&P Global Ratings.

- **With a few exceptions, EM economies picked up in Q1.** Most economies have expanded on the back of growing domestic demand, in line with our previous expectations.
- **In general, we expect strong domestic demand performance to continue this year.** Household consumption recovery from inflation shock will continue, while interest rate cuts in some EMs, particularly in Latin America, will support domestic investments.
- **External demand has improved** The latest purchasing managers' index (PMI) indicates some improvements in Europe, while economic momentum in the U.S. remains strong, although decelerating. Still, we expect domestic demand to remain a main driver of economic growth for most EMs for the rest of 2024.

2023 Annual EM & FM Corporate Default And Rating Transition Study



Source: S&P Global Ratings Credit Research & Insights.

- **Tight financing conditions were the main cause of emerging market defaults in 2023, with Latin America as the epicenter**, and no specific industry concentration.
- **In 2023, the number of corporate defaults in EMs and frontier markets (FMs) decreased to 19 from 26 in 2022**, representing 12% of the global total, sharply down from 31% in 2022. The protracted cost of debt imperiled companies with unsustainable capital structures, leading to distressed exchanges (53% of defaults) and missed payments (26%).
- **Credit quality momentum improved in 2023**, with a higher upgrade rate (11.8% versus 7.2% in 2022) and a lower downgrade rate (4.9% versus 5.4% in 2022).
- For more insights, see “[2023 Annual Emerging And Frontier Markets Corporate Default And Rating Transition Study](#)” published May 28, 2024.

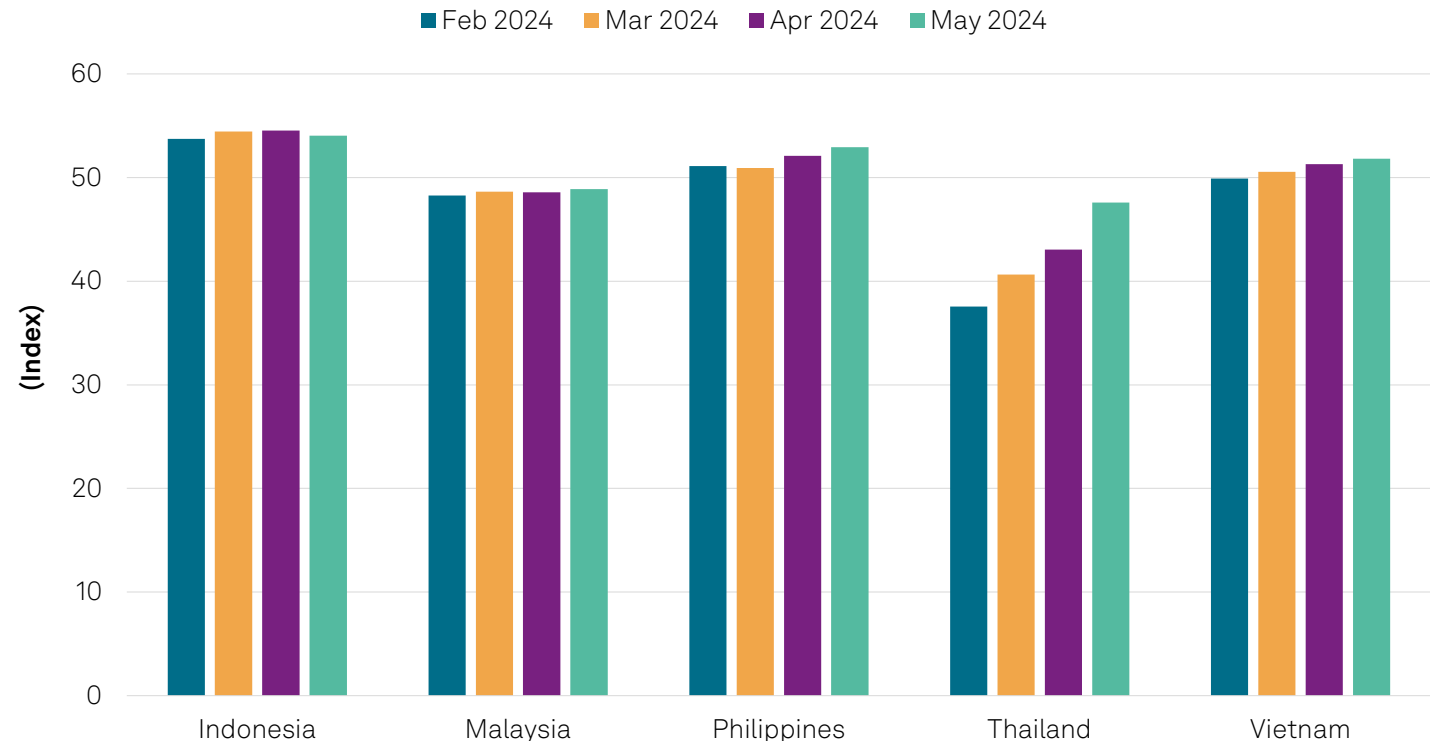
Regional Economic Highlights

EM Asia Economics | Manufacturing Outlook Improved

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- **A gradual manufacturing recovery is underway in EM Asia.** New orders for manufacturing in the region have spiked in recent months across almost the entire region. **Thailand has seen the strongest improvement,** although the new orders index there is still below 50, which is the neutral point for the index.
- This reflects improved goods demand in the region, **led by strong electronics sector activity.** Still, we think manufacturing activity recovery is likely to be moderate rather than strong, in line with global demand conditions.

New manufacturing orders have improved across EM Asia



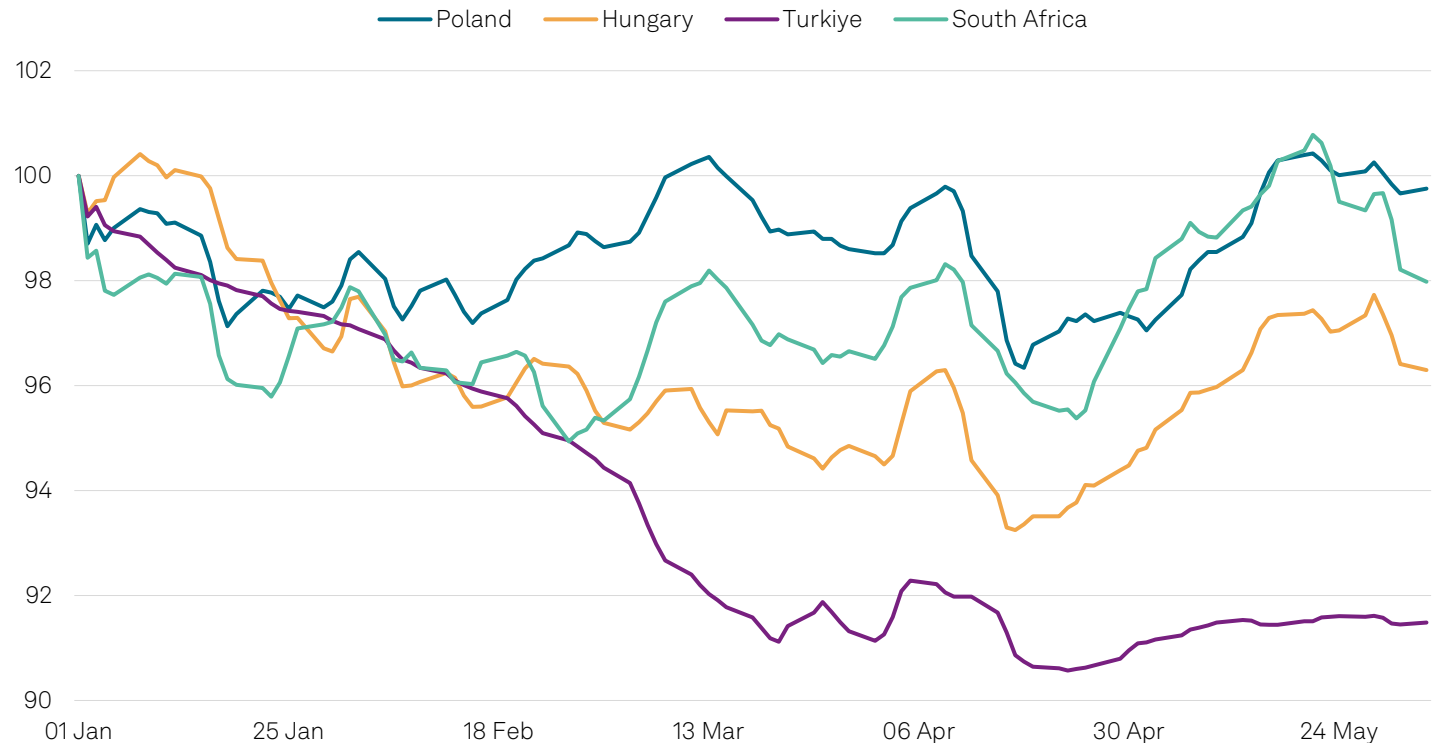
Note: EM Asia new manufacturing orders. Source: S&P Global Ratings.

EM EMEA Economics | Exchange Rates Have Recovered Since April

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- **Most exchange rates in EM EMEA have recovered after the drop in late April.** In April most EM EMEA currencies (like other EMs) have depreciated, amid changing market expectations about the upcoming Federal Reserve policy path.
- **Exchange rate in Turkiye has recently been stable** due to the massive influx of foreign portfolio inflows, improving current account dynamics and decreasing dollarization in the economy. We expect exchange rates to remain broadly stable at least until late Q4 or early Q1 next year, when Turkiye's central bank may start cutting interest rates.
- **After strong performance in April, the South African rand weakened following the outcome of recent elections** as the composition of the future coalition remains unclear.

Exchange rate indices against US\$ (January 2024 = 100)



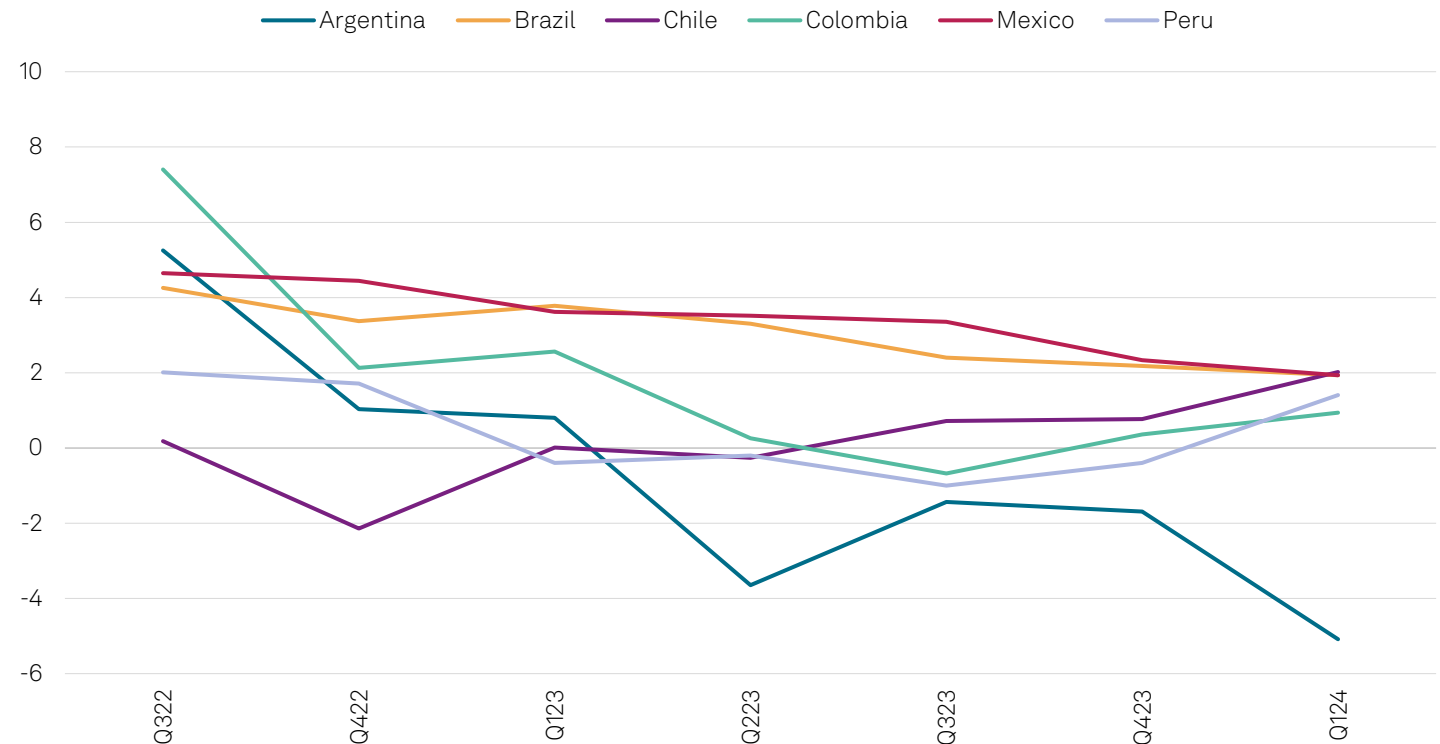
Note: Based on seven-day moving averages. Sources: Refinitiv and S&P Global Ratings.

LatAm Economics | Growth Divergence Across The Region

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- **Economic data so far this year confirms growth is diverging across the region.** The growth outperformers of 2023--Brazil and Mexico--have softer activity this year. The growth underperformers--Chile, Colombia, and Peru--have had moderate pick-up in activity so far this year. We expect these trends to broadly continue for the rest of the year.
- **As we generally expected, economic activity data showed a significant decline in GDP in Q1 in Argentina.** While official Q1 GDP results are not published yet, a monthly proxy hints to a decline of over 5% year-over-year. This is primarily driven by the fiscal adjustment implemented by President Javier Milei's administration. We expect growth to remain weak in Q2, before recovering in the second half of the year.

Real GDP growth, quarter-on-quarter, SAAR 4QMA (%)



Note: For Argentina, Q1 GDP data is not available yet--we used a GDP proxy for that period instead. SSAR 4QMA: seasonally adjusted annual rate, 4-quarterly moving average. Sources: Haver Analytics and S&P Global Ratings.

Macro-Credit Dashboards

GDP Summary | Most EMs Will Grow Below Average In 2024

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

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	2.5	Q1	-0.5	-3.6	5.1	3.1	2.9	2.0	2.0	2.1	2.2
Chile	2.3	Q1	2.0	-6.4	11.9	2.5	0.2	2.0	2.7	2.9	3.0
Colombia	0.7	Q1	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	1.4	Q1	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	7.8	Q1	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	4.2	Q1	4.9	-5.5	3.3	8.7	3.7	4.3	4.5	4.6	4.6
Philippines	5.7	Q1	6.6	-9.5	5.7	7.6	5.6	5.9	6.2	6.5	6.4
Thailand	1.5	Q1	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	1.5	Q1	4.4	-2.0	6.8	5.5	0.2	2.8	3.1	2.9	2.8
Saudi Arabia	-1.7	Q1	2.3	-4.3	3.9	8.7	-0.9	2.2	5.0	3.1	3.0
South Africa	0.5	Q1	1.0	-6.0	4.7	1.9	0.6	1.3	1.5	1.4	1.4
Turkiye	5.7	Q1	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.

Monetary Policy/FX | Shifting Fed Expectations Influencing EM Interest Rates

■ Inflation is above the target range/policy is tightening/exchange rate is weakening

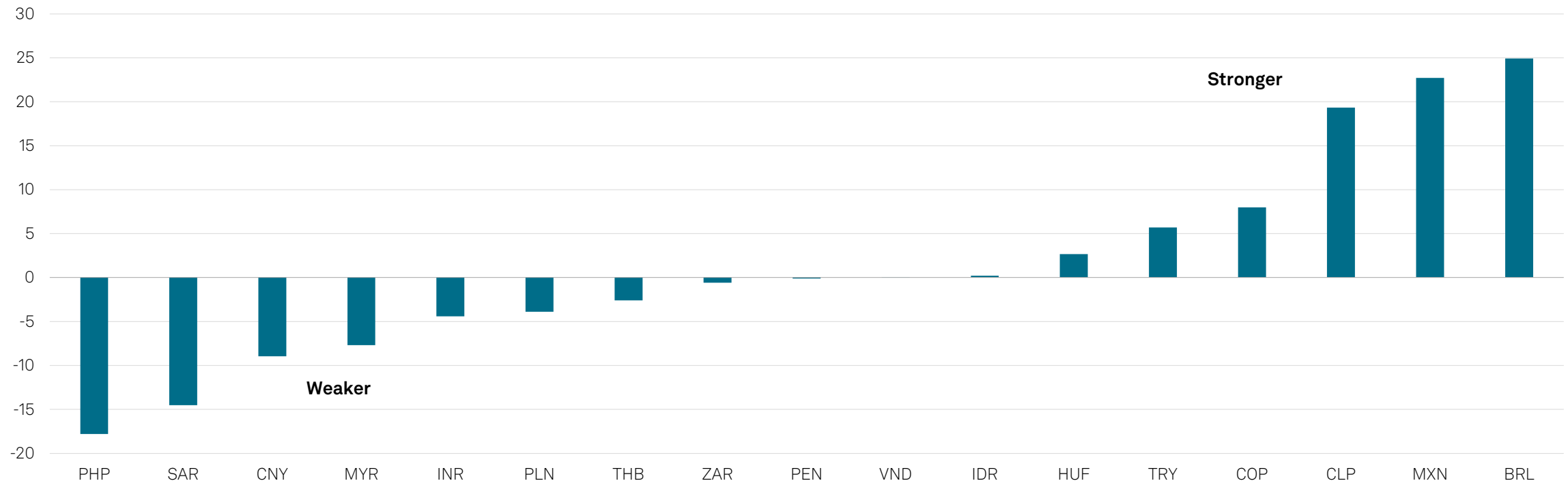
■ Inflation is below the target range/policy is easing/exchange rate is strengthening

Country	Policy rate	Inflation target	Latest inflation reading	Latest rate decision	Next meeting	May exchange rate chg.	YTD exchange rate chg.
Argentina	40.00%	No target	289.4%	1,000 bps cut	N/A	-2.1%	-9.7%
Brazil	10.50%	3.0 +/- 1.5	3.7%	25 bps cut	June 19	-1.3%	-7.6%
Chile	6.00%	3.0 +/- 1.0	4.1%	50 bps cut	June 19	2.8%	-3.6%
Colombia	11.75%	3.0 +/- 1.0	7.2%	50 bps cut	June 28	0.0%	-1.3%
Mexico	11.00%	3.0 +/- 1.0	4.7%	Hold	June 27	-0.1%	-0.7%
Peru	5.75%	1.0 - 3.0	2.0%	25 bps cut	June 13	0.1%	-1.1%
China	1.80%	3	0.3%	N/A	N/A	0.0%	-0.4%
India	6.50%	4.0 +/- 2.0	4.8%	Hold	Aug. 8	0.0%	-0.3%
Indonesia	6.25%	3.5 +/- 1.0	2.8%	Hold	June 20	0.1%	-5.2%
Malaysia	3.00%	No target	1.8%	Hold	July 11	1.4%	-2.4%
Philippines	6.50%	3.0 +/- 1.0	3.9%	Hold	June 27	-1.3%	-5.4%
Thailand	2.50%	2.5 +/- 1.5	1.5%	Hold	June 12	0.7%	-7.2%
Vietnam	4.50%	4	4.4%	Hold	N/A	-0.4%	-4.7%
Hungary	7.25%	3.0 +/- 1.0	3.7%	50 bps cut	June 18	1.7%	-3.7%
Poland	5.75%	2.5 +/- 1.0	2.5%	Hold	July 3	2.8%	-0.1%
Saudi Arabia	6.00%	No target	1.6%	Hold	N/A	0.0%	0.0%
South Africa	8.25%	3.0 - 6.0	5.2%	Hold	July 18	0.0%	-2.9%
Turkiye	50.00%	5.0 +/- 2.0	75.4%	Hold	June 27	0.5%	-8.3%

Note: A positive number for the exchange-rate change means appreciation. Argentina's central bank no longer targets inflation, nor does it set the policy rate directly (it is set based on monetary aggregates targeting). For China, we use the PBOC's seven-day reverse repo. bps--Basis points. YTD—year to date. N/A—Not applicable. Sources: Haver Analytics and S&P Global Ratings.

Real Effective Exchange Rates | Latin American Currencies Are Outperforming

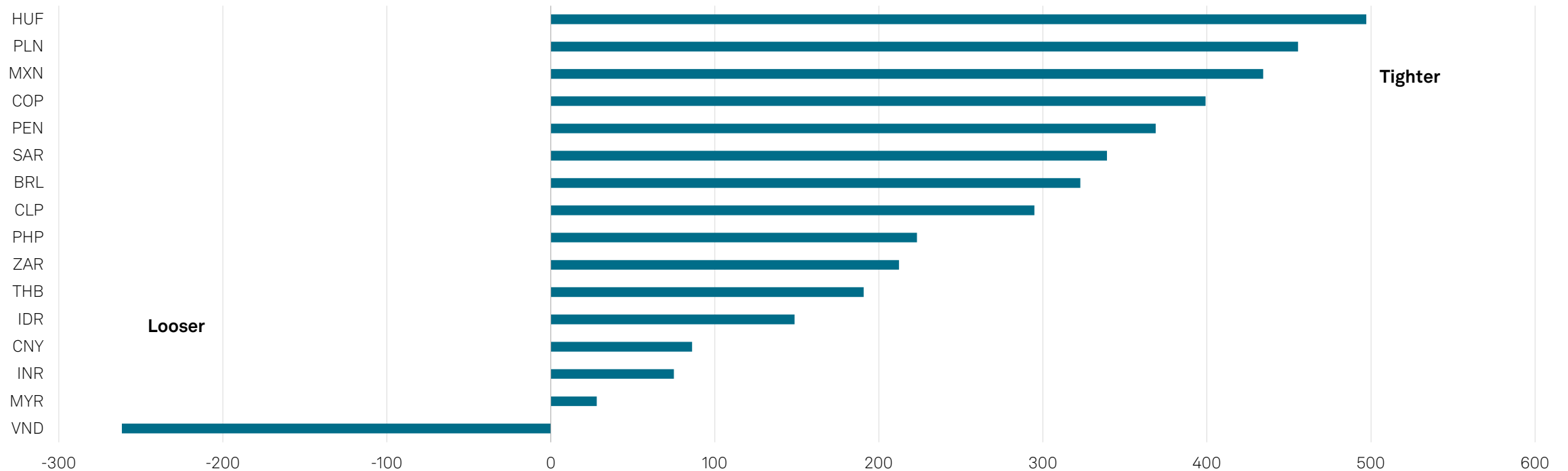
Broad real effective exchange rates (% change from 10-year average)



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

Real Interest Rates | Still A Lot Of Space To Ease Policy

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



Data as of May 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 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	Positive	Negative	Stable	Stable	Stable	Positive	Stable
Sovereigns																	
Institutional	2	4	4	4	3	3	3	4	3	4	3	3	4	4	4	4	6
Economic	4	3	3	4	3	5	3	4	4	4	4	4	5	5	4	4	5
External	4	1	2	3	2	2	1	1	3	1	1	5	2	2	3	5	6
Fiscal (BDGT)	3	2	4	2	4	4	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	Positive
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 (May 31, 2024)	BBB	A-	BB	BB	A-	BBB-	BBB+	BBB	BB-	BBB	BBB-	BB+	BB	BB-	BB-	B+	CCC
Net debt / EBITDA	3.51	3.16	1.58	2.22	2.31	2.92	3.23	3.21	2.46	2.96	2.10	2.12	1.85	1.91	3.07	1.69	1.56
ROC Adj.\$	0.2	1.2	-2.0	2.5	0.7	1	2.2	-0.2	0.6	3.7	-1	-1.2	0.5	0.5	-0.4	-36.7	-66
EBITDA int. cov.	5.52	7.33	8.17	6.18	9.27	3.83	6.69	6.50	5.43	9.20	5.96	3.84	3.41	5.20	5.19	2.83	3.18
FFO / debt	26.6	30.9	45.3	38.2	25.3	38.4	16	25.2	33.3	27.3	38.5	49	55.5	46.3	26.3	42.8	40.3
NFC FC debt % GDP*	33.6	8.6	12.7	20.2	18.0	11.8	4.1	6.6t	7.8	12.4	7.1	9.9	13.2	14.7		21.9	8.5
NFC debt % of GDP*	94.4	42.1	36.8	42.9	90.5	19.8	166.3	43.6t	24.2	86.3	56.9	31.1	52.2	32.1		48.0	22.1

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

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

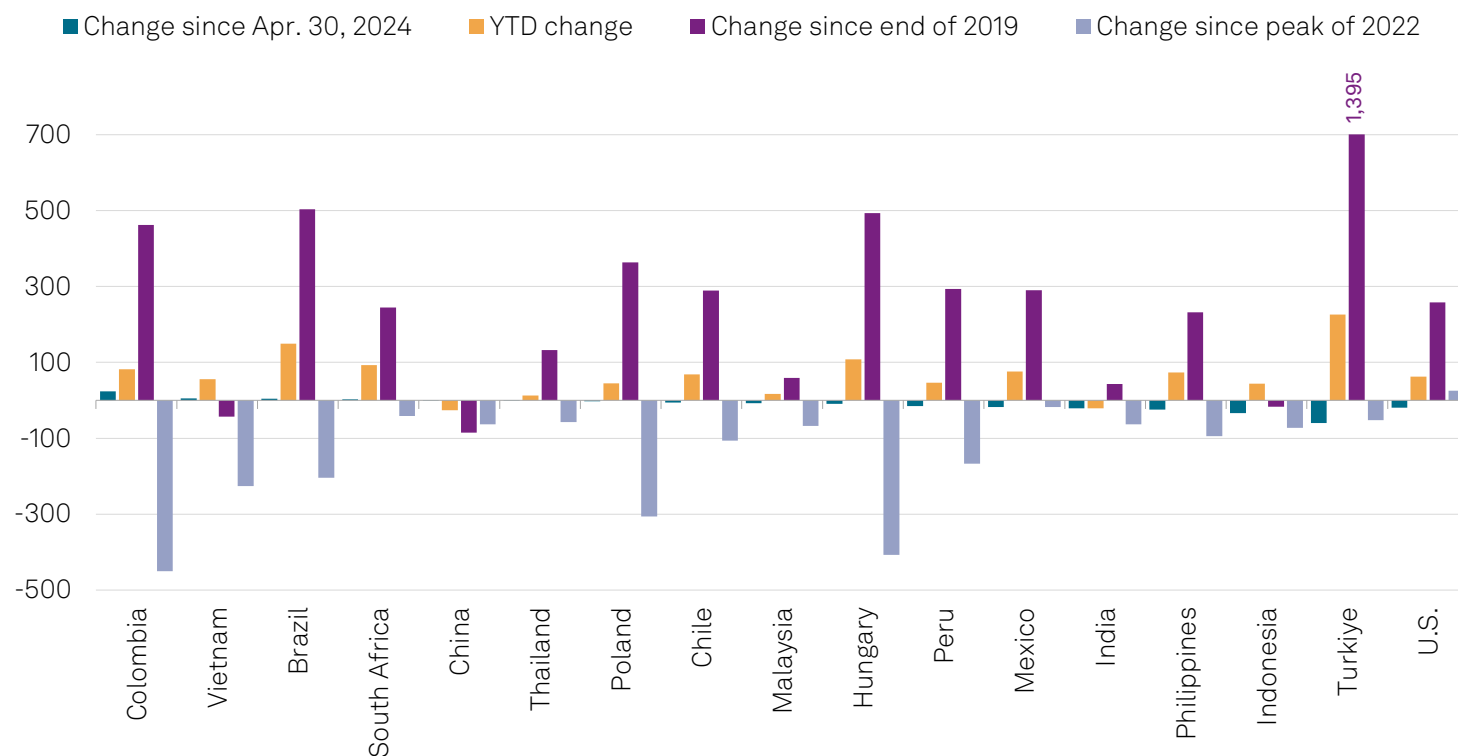
Nonfinancial Corporates--Ratios are derived from the median of rated corporates in their respective countries. We then rank them according to our "Corporate Methodology," Nov. 19, 2013, by using table 17, with levels that go from minimal to highly leveraged. \$We assess return on capital by using the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

*IIF 4Q 2023. Sources: t-Bangko Sentral NG Pilipinas, Banco Central de Reserva del Peru, Superintendencia de Banca y Seguros y AFP (Peru); Corporate Variables Capital IQ 4Q 2023. S&P Global Ratings. Data for sovereigns and financial institutions as of June 10, 2024.

Financing Conditions Highlights

EM Yields | Relatively Stable Across Countries

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

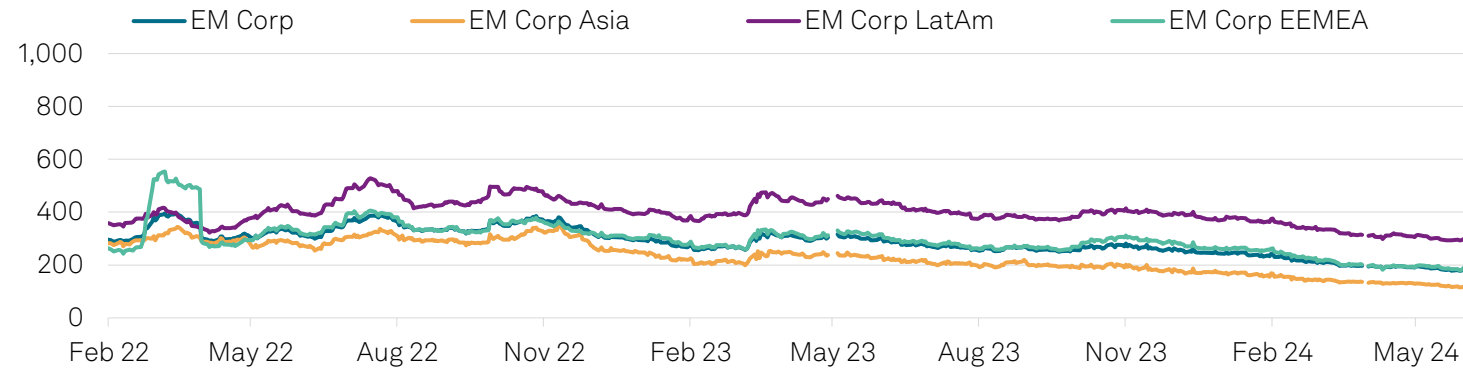


Data as of May 31, 2024. Note: The selection of country is subject to data availability. Y-axis truncated at 700 bps for visualization purposes. Sources: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro and Datastream.

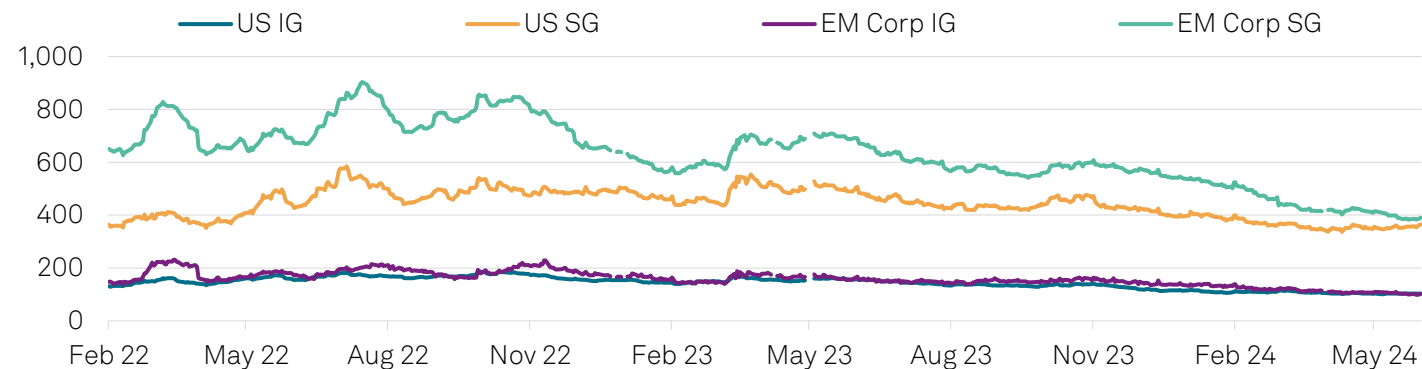
- **EM benchmark yields were slightly down in May** as the U.S. CPI was lower than expected in April, reassuring international markets on the likelihood of a Fed policy rate cut this year, and as the Middle East and Ukraine-Russia conflicts did not worsen in May. Adverse developments on these fronts, together with unexpected election results, could imperil the so far buoyant EM capital flows and sovereign/corporate debt, translating into higher benchmarks.
- **Major monthly moves** were in Colombia (up 24 bps), as Q1 GDP showed sluggish growth rates, dragged by weak domestic demand. Turkiye's benchmark lowered 60 bps as inflation has peaked and growth surprised on the upside, despite tighter monetary policy. Indonesia (-32 bps) had strong private consumption growth and an increase in fiscal expenditures during the election year.

EM Credit Spreads | Still Mildly Tightening To Historic Lows

EM spreads by region (bps)



U.S. and EM spreads (bps)



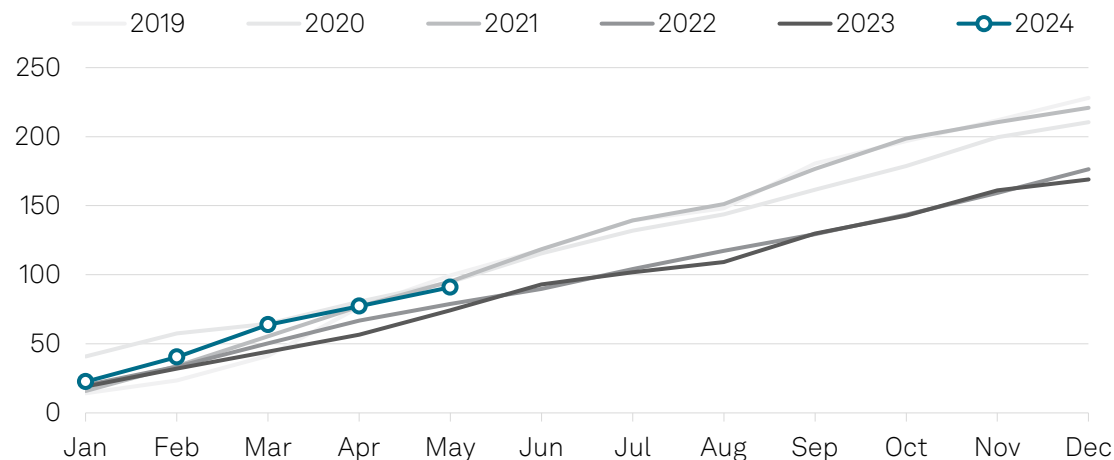
Data as of May 31, 2024. bps--Basis points. IG--Investment-grade. SG--Speculative-grade.
Sources: Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis, S&P Global Ratings Credit Research & Insights.

- **EM corporate spreads tightened in May** by a small amount across regions, with Asia down the most by 10 bps. Spreads read 185 bps, the lowest since July 2007, with both speculative-grade (-34 bps) and investment-grade yields (-20 bps) normalizing.
- **This gave monthly continuity to speculative-grade issuance**, which totalled \$1.9 billion, all of which was outside China. Markets were open even for a 'B-' rated corporate issuance: Brazilian oil and gas company Trident Energy Finance PLC issued five-year \$500 million notes at 12.5%. Most of the EM corporate issuance this year has refinancing as its primary aim.
- **Spreads in 2024 will remain sensitive to external influences:** market expectations for 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, as the India, Mexico, and South African elections have recently shown.

EM | Financial And Nonfinancial Corporate Issuance

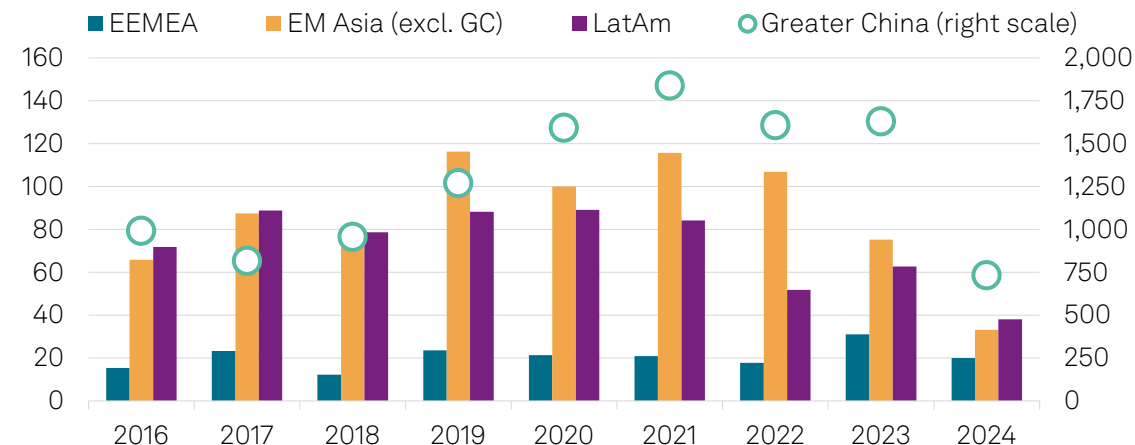
- **EM issuance slowed in May, with \$120 billion from \$208 billion in April.** Greater China is mostly responsible for the reduced monthly volume, despite contributing to 89% of the EM monthly issuance. NBFIs, real estate, and capital goods issued less in the region.
- **Issuance excluding Greater China was roughly in line with April,** reaching \$14 billion. While the pace of bond issuance has slowed with respect to the first quarter of 2024, year-to-date cumulative volumes track the high 2019-2021 levels. Issuance resumed in EM Asia after a slow April, particularly in Malaysia and Indonesia, while Thailand stayed strong. On the other hand, Latin America issuance was low, particularly in Brazil and Mexico. Sector-wise, financial and transportation issuance were strong, while utilities and oil & gas slowed.
- **Regional issuance outlines geographical discrepancy year-to-date.** As of May 2024, EEMEA has already issued 96% of its 2016-2023 volume, while Greater China is at 55%, Latin America 49%, and EM Asia lags at 35%.

EM* cumulative corporate bond issuance (bil. \$)



Includes not rated. *Excluding Greater China. Data as of May 31, 2024. Sources: Refinitiv, S&P Global Ratings Credit Research & Insights.

EM regional bond issuance (bil. \$)



GC--Greater China. Data as of May 31, 2024. Sources: Refinitiv, S&P Global Ratings Credit Research & Insights.

Ratings Summary

Ratings Summary | Sovereign Ratings In EM 18

Investment grade

Speculative grade

On May 3, 2024, S&P Global Ratings raised its long-term foreign currency sovereign credit rating on Turkiye to 'B+' from 'B' and assigned a positive outlook, following economic rebalancing. Following local elections, we believe the coordination between monetary, fiscal, and incomes policy is set to improve amid external rebalancing. We forecast rising portfolio inflows and narrowing current account deficits in the next two years, alongside declining inflation and dollarization, although progress will be slow and reserve accumulation modest as the central bank limits depreciation of the Turkish lira.

On May 29, 2024, S&P Global Ratings revised its outlook on India to positive from stable as its robust economic expansion has improved its credit metrics. We expect sound economic fundamentals to underpin growth momentum in the next two to three years.

Economy	Rating	Outlook	Five-year CDS spread (Apr. 30)	Five-year CDS spread (Mar. 31)
China	A+	Stable	62	69
Chile	A	Negative	50	62
Saudi Arabia	A	Stable	50	53
Malaysia	A-	Stable	47	48
Poland	A-	Stable	70	73
Philippines	BBB+	Stable	67	68
Thailand	BBB+	Stable	43	45
Indonesia	BBB	Stable	72	76
Mexico	BBB	Stable	95	99
Peru	BBB-	Stable	74	84
Hungary	BBB-	Stable	120	125
India	BBB-	Positive	47	43
Colombia	BB+	Negative	190	190
Vietnam	BB+	Stable	113	118
Brazil	BB	Stable	142	148
South Africa	BB-	Stable	237	238
Turkiye	B+	Positive	258	292
Argentina	CCC	Stable	2,260	2270

Data as of May 31, 2024, and sovereign ratings as of June 6, 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 May 31, 2024

Investment grade
Speculative grade

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. \$)
13-Mar-24	Cemex S.A.B. de C.V.	Mexico	Forest products & building materials	BBB-	BB+	Upgrade	5,187
30-May-24	Tenaga Nasional Berhad	Malaysia	Utilities	A-	BBB+	Upgrade	3,500
28-May-24	Petroleos del Peru Petroperu S.A.	Peru	Oil & gas	B	B+	Downgrade	3,000
18-Mar-24	YPF S.A.	Argentina	Oil & gas	CCC	CCC-	Upgrade	2,900
27-May-24	Empresa Nacional del Petroleo	Chile	Utilities	BBB-	BB+	Upgrade	2,440
26-Apr-24	Intercorp Financial Services Inc. (Intercorp Peru Ltd.)	Peru	Financial institutions	BB+	BBB-	Downgrade	1,600
23-May-24	Turk Telekom (Ojer Telekomunikasyon A.S.)	Turkiye	Telecommunications	BB-	B+	Upgrade	1,500
18-Mar-24	Pampa Energia S.A.	Argentina	Utilities	CCC	CCC-	Upgrade	1,050
7-May-24	Delhi International Airport Ltd.	India	Transportation	BB-	B+	Upgrade	1,023
26-Apr-24	Transportadora de Gas del Peru S.A.	Peru	Utilities	BBB-	BBB	Downgrade	1,000

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®.

Top 20 EM Rating Actions | By Debt Amount In The Past 90 Days

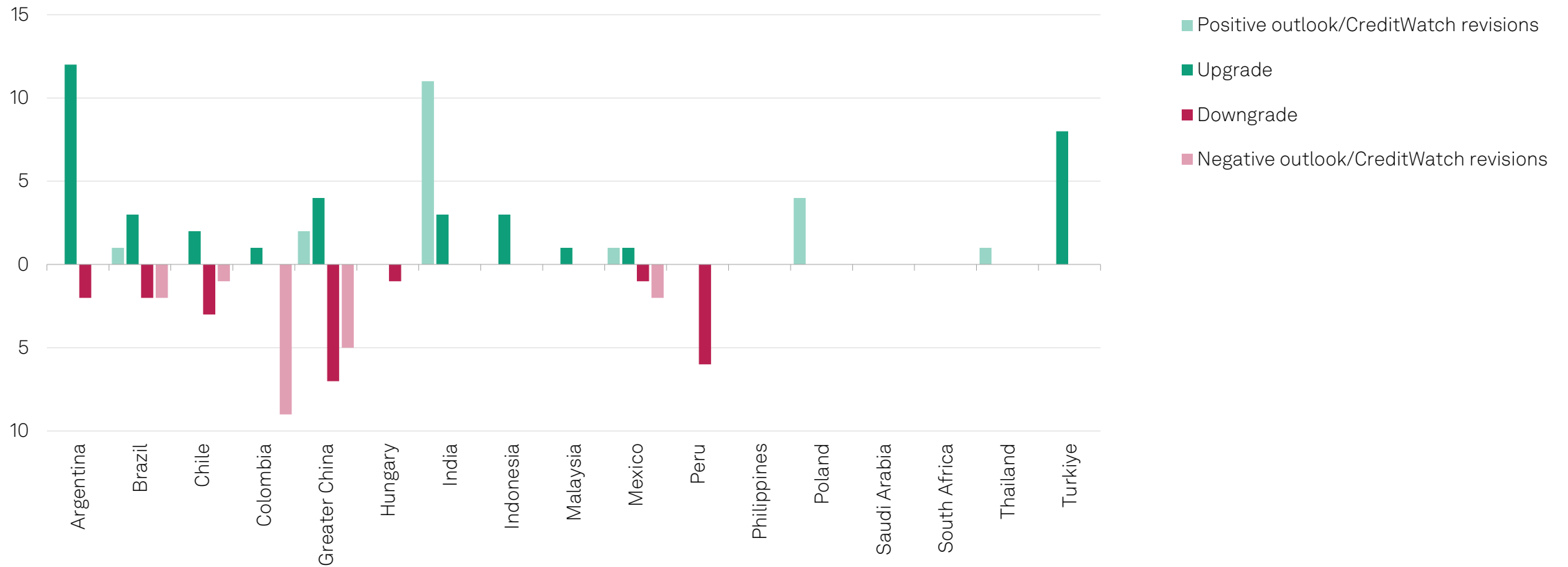
As Of May 31, 2024

Investment grade
Speculative grade

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. \$)
10-May-24	Turkcell Iletisim Hizmetleri A.S.	Turkiye	Telecommunications	BB-	B+	Upgrade	1,000
18-Mar-24	Aeropuertos Argentina 2000 S.A.	Argentina	Transportation	CCC	CCC-	Upgrade	750
22-May-24	Koc Holding A.S.	Turkiye	Financial institutions	BB	BB-	Upgrade	750
23-May-24	Mersin Uluslararası Liman İşletmeciliği A.S.	Turkiye	Transportation	BB-	B+	Upgrade	600
26-Apr-24	Banco BBVA Peru (Banco Bilbao Vizcaya Argentaria S.A.)	Peru	Financial institutions	BBB-	BBB	Downgrade	600
14-May-24	Ford Otomotiv Sanayi A.S. (Ford Motor Co.)	Turkiye	Automotive	BB	BB-	Upgrade	500
18-Mar-24	Transportadora de Gas del Sur S.A. (TGS) (Compania De Inversiones de Energia S.A.)	Argentina	Utilities	CCC	CCC-	Upgrade	500
7-May-24	Operadora de Servicios Mega S.A. de C.V. SOFOM E.R.	Mexico	Financial institutions	CCC-	CCC+	Downgrade	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

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®.

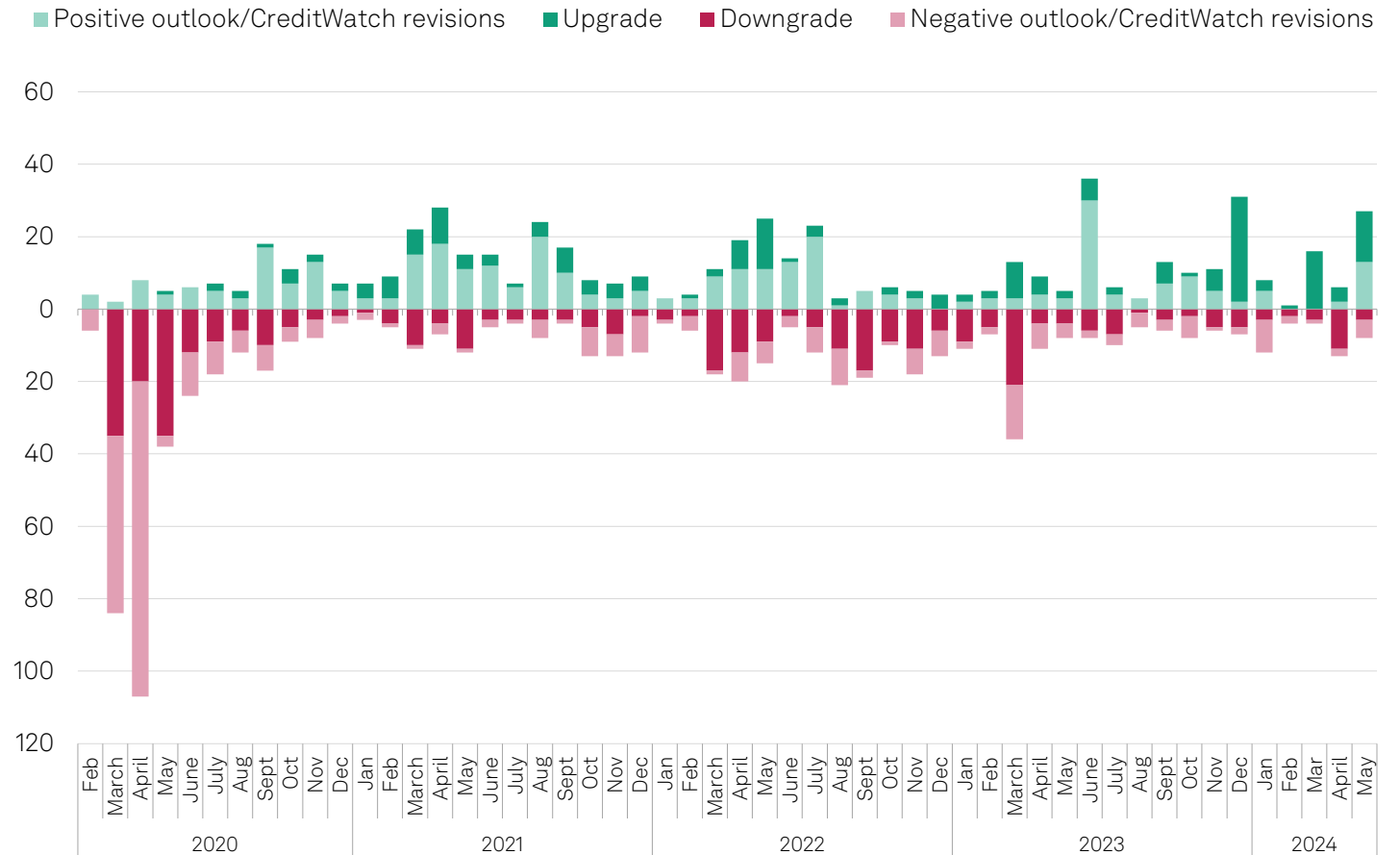
EM | Total Rating Actions By Economy In 2024



Data as of May 31, 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

- 14 upgrades and 13 positive outlook/CreditWatch revisions were recorded in May, up from four and two in April, respectively.** Eight upgrades were in Turkiye, following the sovereign upgrade. We upgraded four transportation companies, among which were two Indian airports on higher tariffs and passenger traffic and upgraded three in telecom and utilities. We upgraded rising star Empresa Nacional del Petroleo (Chile; utility), to 'BBB-' from 'BB+' on improving operating performance. Nine of the 13 positive outlooks/CreditWatch actions were in India following the sovereign action, six of which were on banks.
- Three downgrades in May, down from 11 in April.** We downgraded Operadora de Servicios Mega (Mexico; NBFi) to 'CCC-' from 'CCC+' on increasing refinancing risks. Two of the five negative outlook/CW revisions were on Brazilian banks that are significantly exposed to the flood-affected state of Rio Grande do Sul.

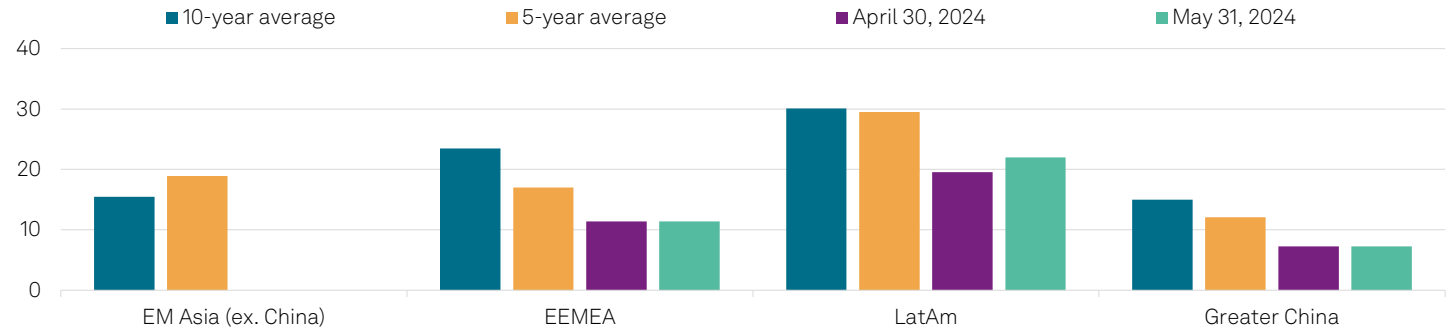


Data from Feb. 3, 2020, to May 31, 2024. Includes sovereigns and rating actions on subsidiaries only if there was no rating action on the parent. Source: S&P Global Ratings Credit Research & Insights.

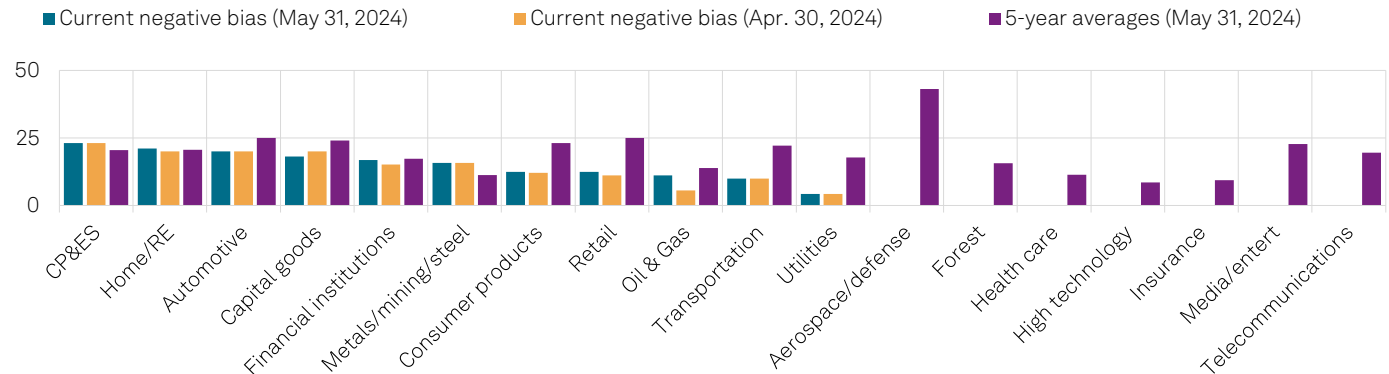
EM Downgrade Potential | Regional Negative Bias

- LatAm remains the region with the highest negative bias among EMs with 22%,** up from 20% in April. In addition to the previously mentioned Brazilian banks, we downgraded Peruvian oil & gas company Petroperu S.A. to 'B' on stand-alone deterioration and expected lower cash flow. We also revised the outlooks on two Chilean entities to stable from positive: Copec S.A. (oil & gas) on higher-than-expected debt and Empresa Nacional del Petroleo on high cash consumption.
- Chemicals, packaging, and environmental services; metals, mining and steel; and homebuilders/real estate** are the only three 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 May 31, 2024. Excludes sovereigns, and subsidiaries. Media/entert--Media and entertainment. Retail--Retail / restaurants. CP&ES--Chemicals, packaging, and environmental services. Home/RE--Homebuilders/real estate companies. Forest--Forest products and building materials. 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 To 'CCC/CC' From 'B' In 2024

- No downgrades to 'CCC/CC' from 'B' in 2024 year-to-date in EM 18.
- Five downgrades 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, and environmental services	CCC+	B+	420
15-Nov-23	Operadora de Servicios Mega S.A. de C.V. SOFOM E.R.	Mexico	Financial institutions	CCC+	B	500
1-Dec-23	Nitrogenmuvek Zrt.	Hungary	Chemicals, packaging, and environmental services	CCC+	B	219

Data as of May 31, 2024. Includes sovereigns, and Greater China and Red Chip companies. Debt volume includes subsidiaries and excludes zero debt. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | Four Fallen Angels And Two Rising Stars In 2024 YTD

 Investment grade

 Speculative grade

Fallen angels

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

Rising stars

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. \$)
13-Mar-24	Cemex S.A.B. de C.V.	Mexico	Forest products and building materials	BBB-	BB+	5,187
27-May-24	Empresa Nacional del Petroleo	Chile	Utilities	BBB-	BB+	2,440

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

Rating Actions | List Of Defaulters In 2024 Year-To-Date

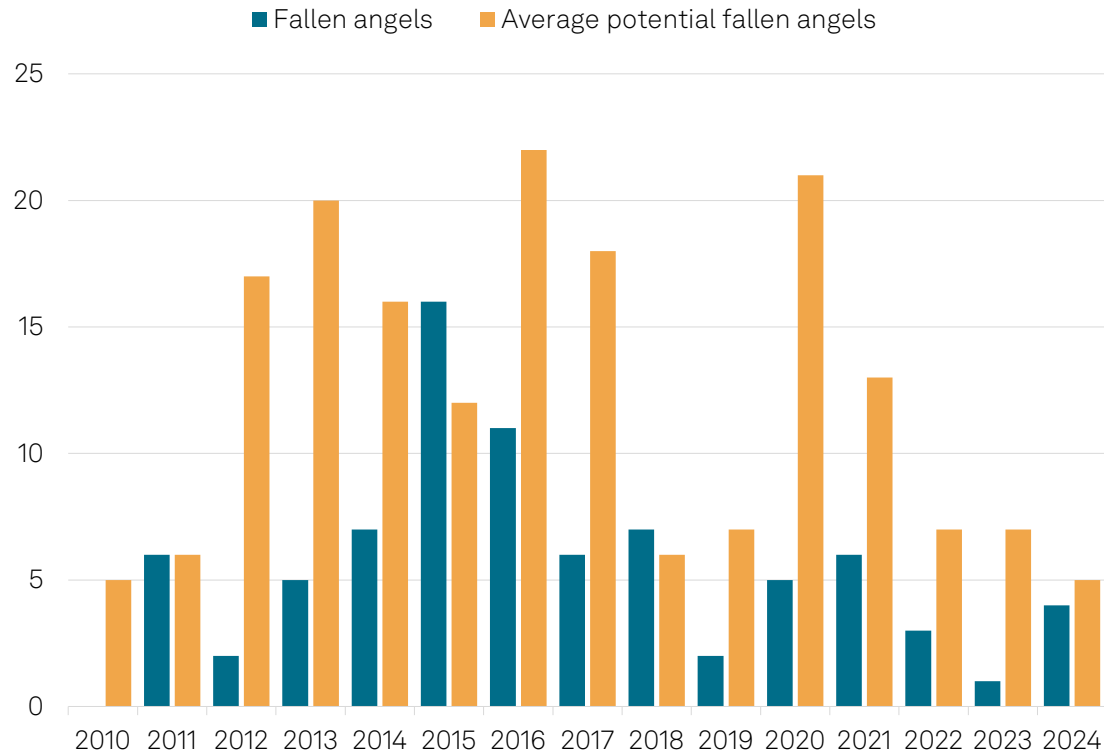
Default, selective default, not rated
 Speculative grade

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

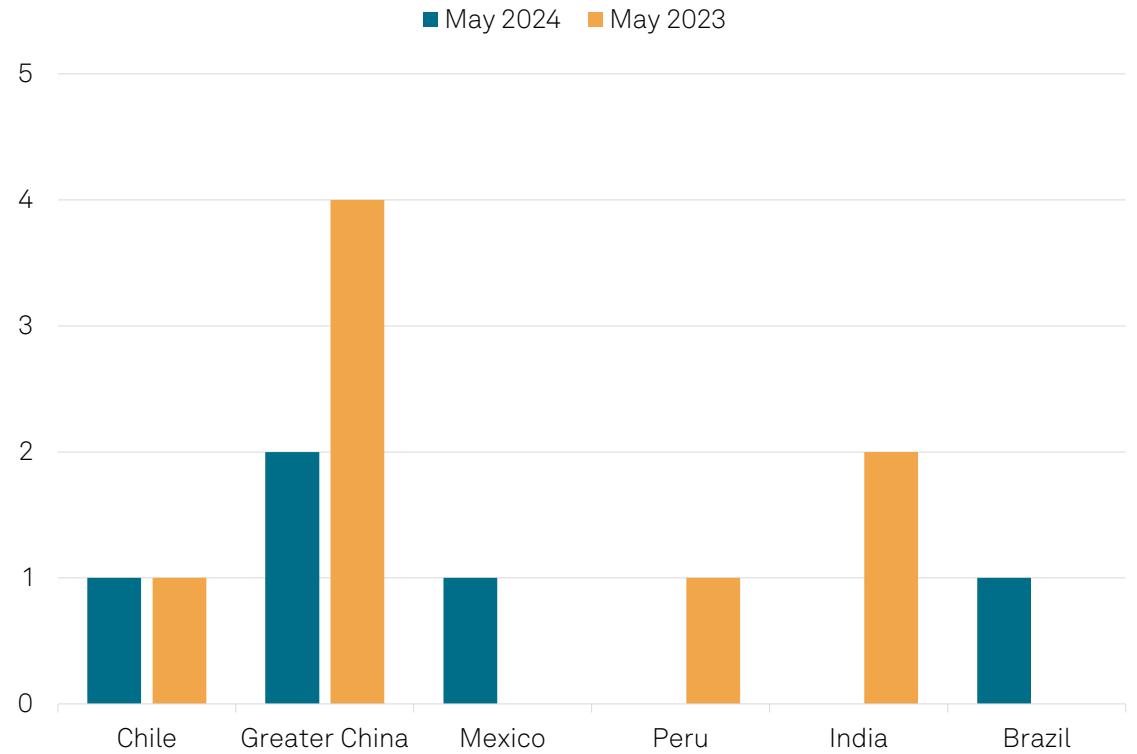
Data as of May 31, 2024. Includes sovereigns, Greater China, and Red Chip companies. *Argentina reflects its local currency long-term default. Includes both rated and zero debt defaults. Source: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Fallen Angels And Potential Fallen Angels

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



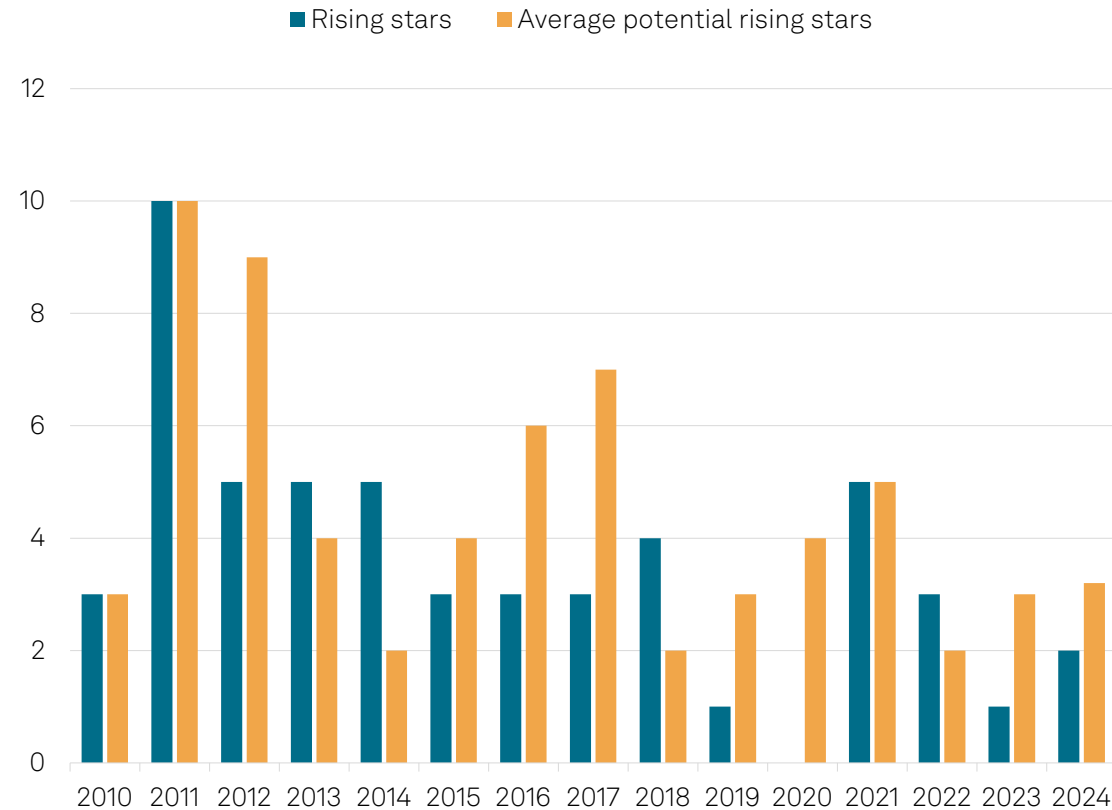
EM potential fallen angels mostly in LatAm



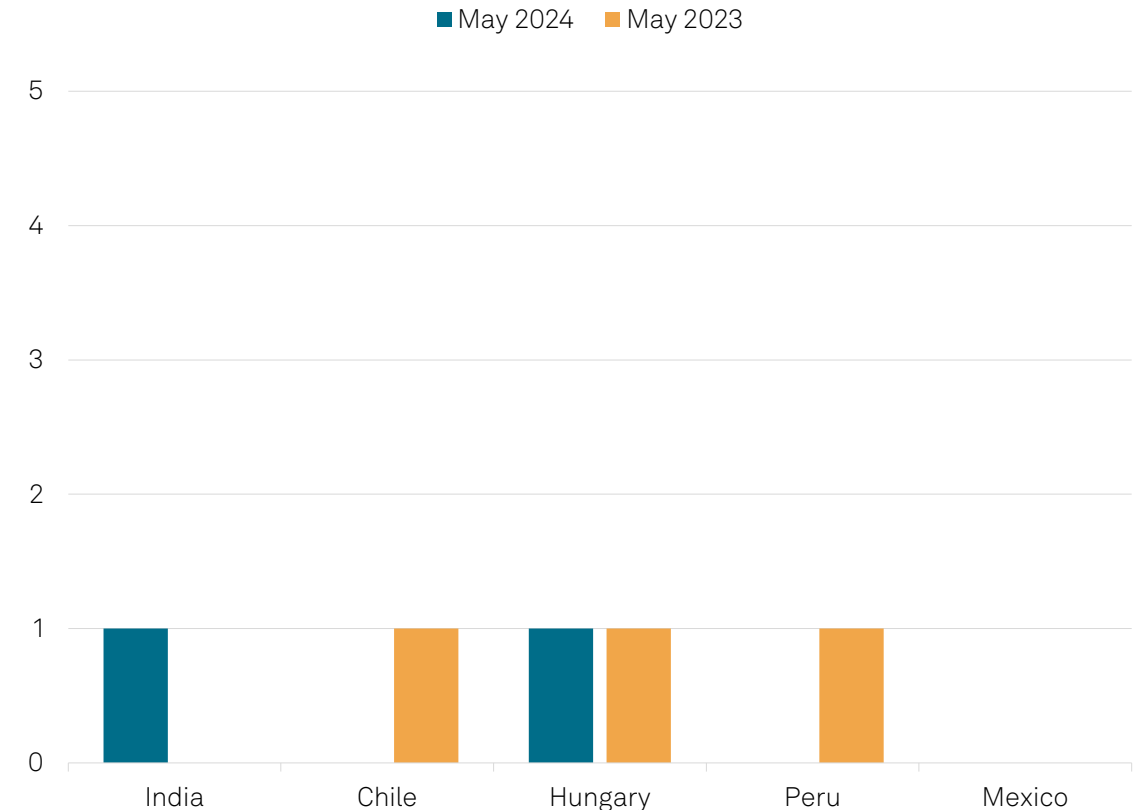
Data as of May 31, 2024. Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | Rising Stars And Potential Rising Stars

Average potential rising stars at three, as in 2023



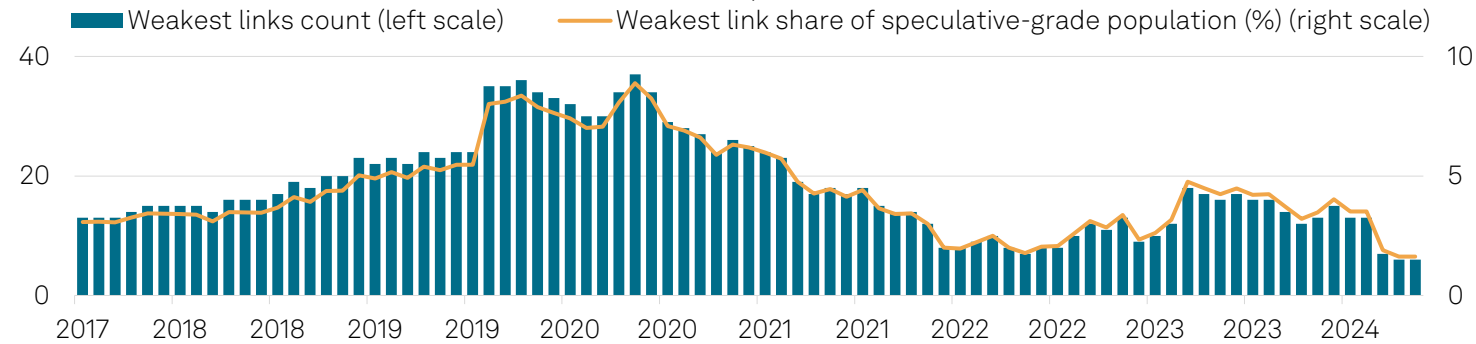
Current potential rising stars



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

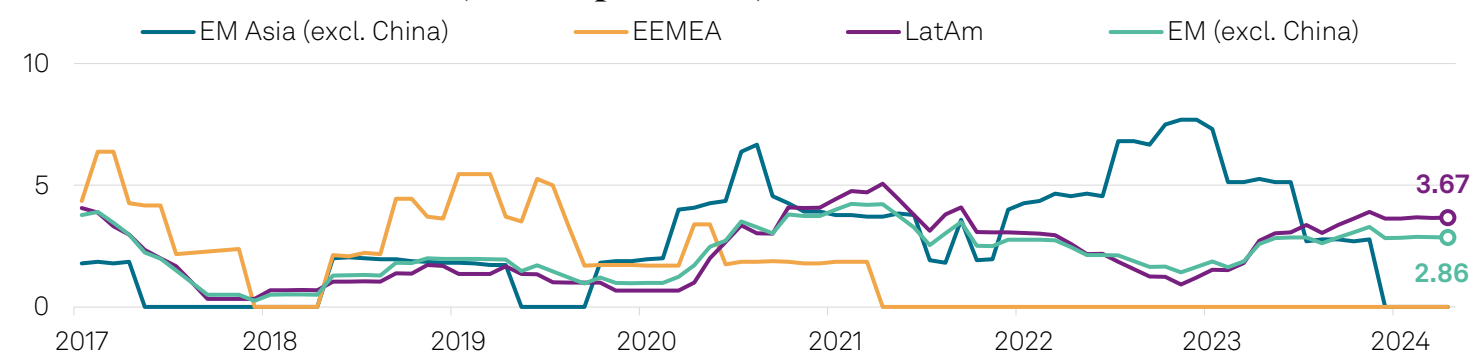
Rating Actions | Weakest Links And Defaults

EM weakest links remained at six in May



Data as of May 31, 2024. Parent only. Weakest links are defined as issuers rated 'B-' or lower with negative outlooks or ratings on CreditWatch with negative implications. Source: S&P Global Ratings Credit Research & Insights.

Default rate this month (as of April-2024)



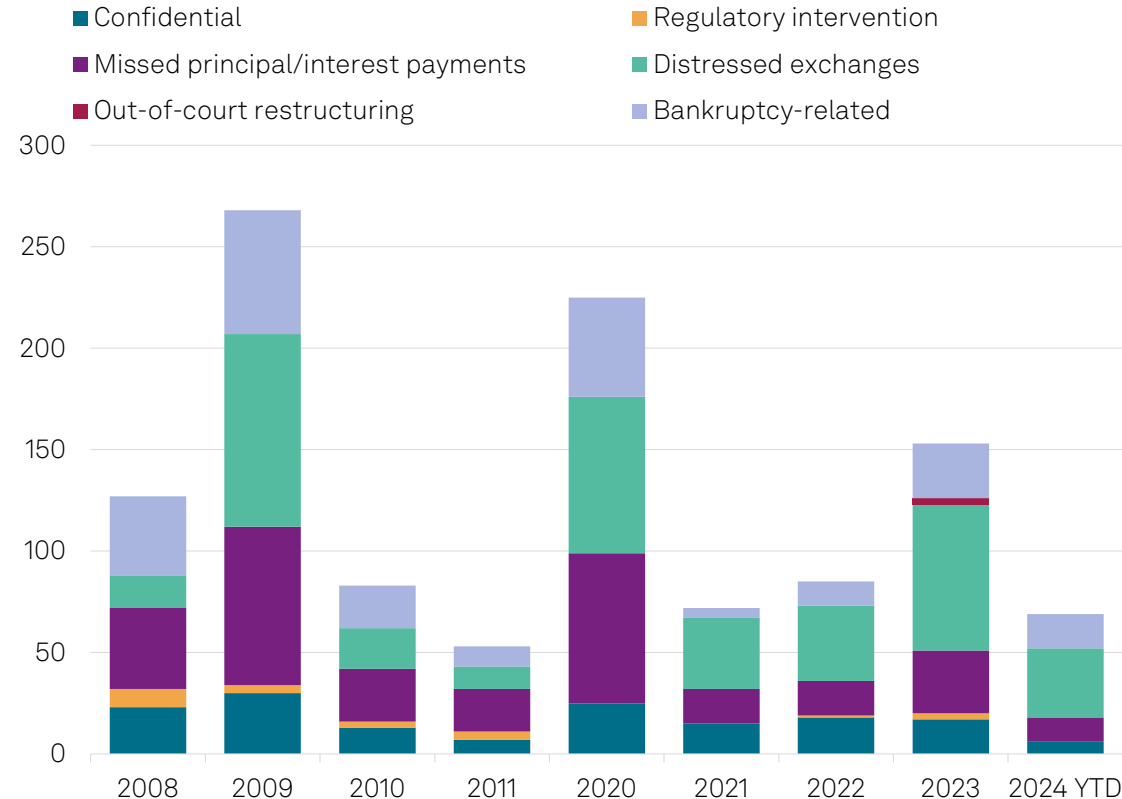
Excluding China. CreditPro data as of April 30, 2024. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Excludes sovereigns. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

- **Weakest links remained constant at six** issuers in May (2% of total speculative-grade issuers). Four of the weakest links were in LatAm.

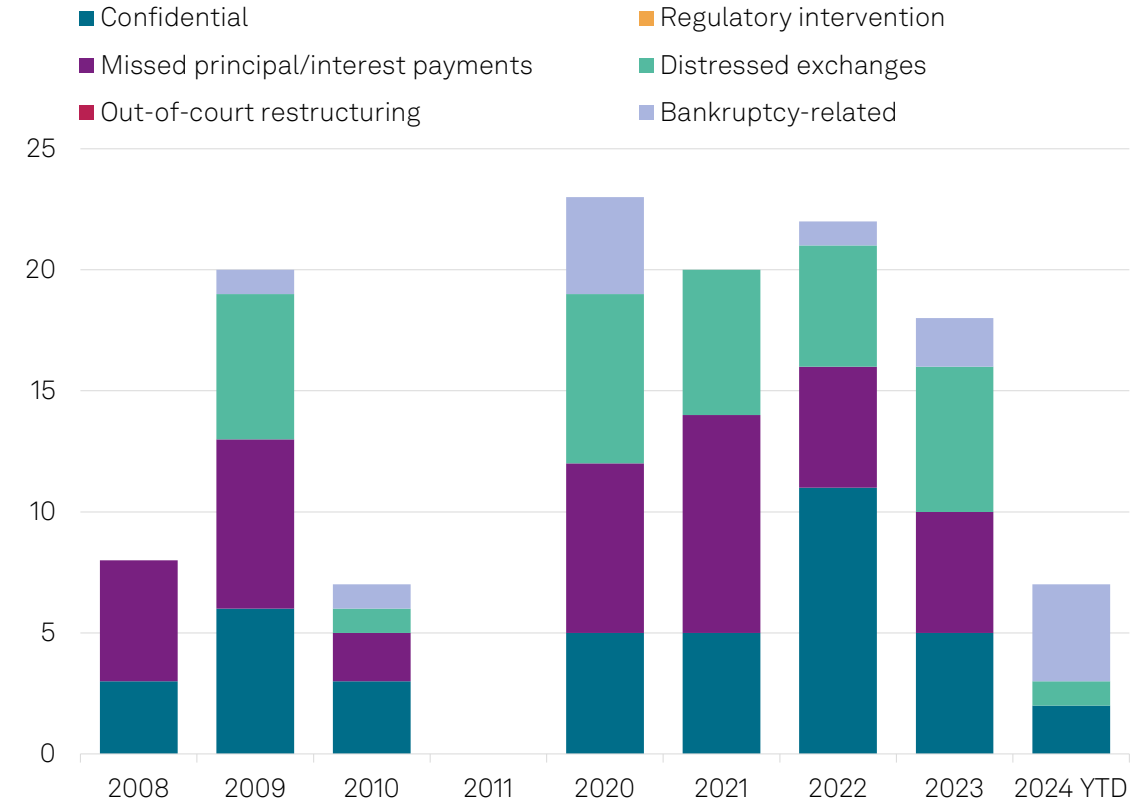
- **Default rates.** The April default rate (excluding China) was 2.86%, in line with March. Recently, the composite index has been mainly driven by LatAm, where all defaults for the year so far took place. The pace of defaults in this specific region was 3.67% in April, below its 2023 peak of 3.90% in November.

Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



Data as of May 31, 2024. YTD—Year-to-date. Data has been updated to reflect confidential issuers. Excludes sovereigns. Includes Greater China, and Red Chip companies. Sources: S&P Global Ratings Credit Research & Insights, S&P Global Market Intelligence's CreditPro®.

Related Research and Contacts

Related Research

- [2023 Annual Greater China Corporate Default And Rating Transition Study](#), June 11, 2024
- [LatAm Financial Institutions Monitor Q2 2024: Solid Profitability Despite Weakened Asset Quality](#), June 10, 2024
- [Extreme Weather Events Continue To Test South African Insurers' Readiness To Climate Change](#), June 6, 2024
- [GEMs' Enhanced Recovery Statistics Are Yet To Provide Sufficient Transparency And Quality For Detailed Analysis](#), June 4, 2024
- [China's Commodities Watch: Trade Tensions Add To The Pain](#), June 3, 2024
- [Mexico's New Administration Faces Old Challenges](#), June 3, 2024
- [Examining Mozambique's Liquidity And Fiscal Vulnerabilities](#), May 29, 2024
- [2023 Annual Emerging And Frontier Markets Corporate Default And Rating Transition Study](#), May 28, 2024
- [China EV Startups Struggling To Stay Afloat](#), May 28, 2024
- [China's Latest Property Policies Could Be A Temporary Confidence Booster](#), May 21, 2024
- [How South And Southeast Asian Firms Will Fare As Currencies Depreciate](#), May 16, 2024
- [Emerging Markets Monthly Highlights: Monetary Easing Will Take Longer](#), May 16, 2024

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