



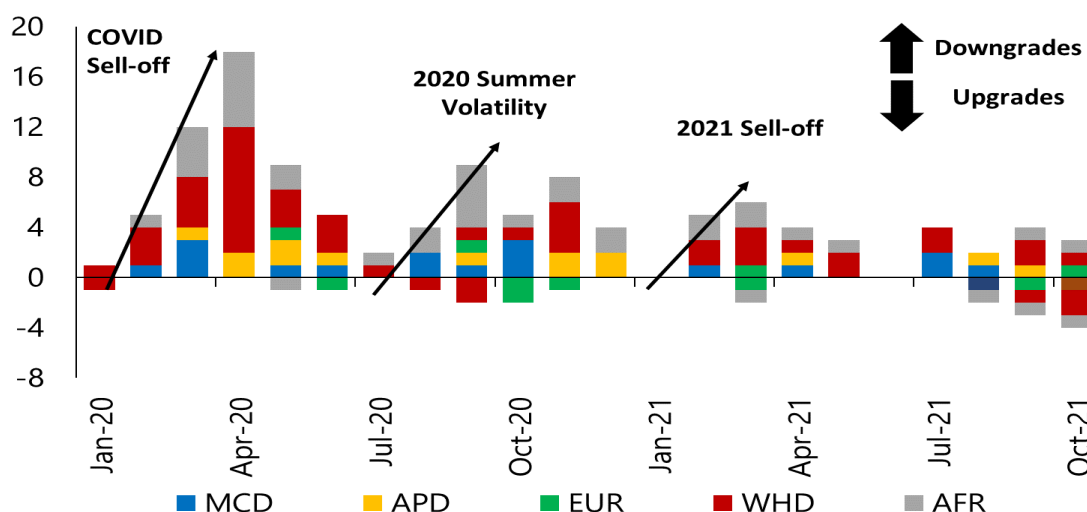
- For the first time since the start of the pandemic monthly credit ratings upgrades have outnumbered downgrades. The SDR allocations, optimism for more financing arrangements, and a reticent economic recovery have led to net positive credit rating changes in emerging and development economies in October. Low-income countries and commodity exporters—including Angola, Ivory Coast, Benin, Kazakhstan, Gabon—had net upgrades this year reflecting financing arrangements and improved revenue outlook with the commodity rally.
- There are still very significant debt and fiscal sustainability concerns for many economies, with scarring effects possible (see also [April 2020](#), [October 2020](#), and [April 2021](#) monitors). Year-to-date WHD (9), MCD (5) and AFR (5) have seen the most downgrades in 2021, broadly consistent with the trend last year.

Trends in Credit Ratings of Emerging Markets and LIDCs

EM credit rating downgrades have continued in the last few months reflecting persistent pressures on fundamentals; On the positive side, upgrades have picked up recently, making October the first month with net positive upgrades

1. Monthly Net Rating Downgrades by EM Regions

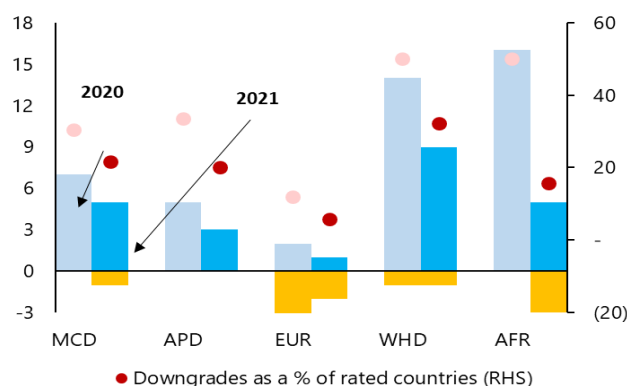
(Number of EMs; Positive bars = a net rating downgrade, while negative bars = a net rating upgrade)



WHD (9) MCD (5) and AFR (5) saw the most downgrades in 2021, consistent with 2020 but with a slower pace. AFR (3) and EUR (2) saw the most upgrades in 2021

2. Net Rating Downgrades by EM Regions

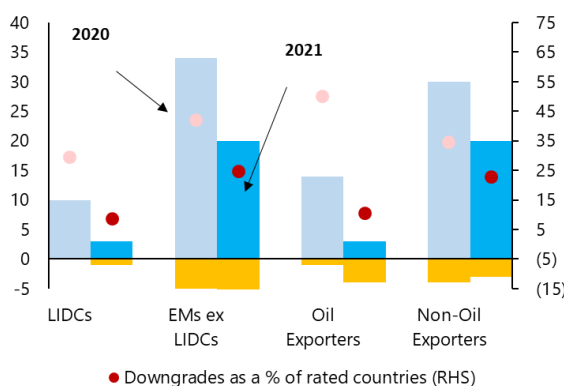
(Number of EMs; Positive bars = a net rating downgrade, while negative bars = a net rating upgrade)



Oil exporter ratings have improved, reflecting higher commodity prices; LIDCs have also been more resilient, reflecting the role of programs and SDR allocations

3. Net Rating Downgrades by EM Categories

(Number of EMs; Positive bars = a net rating downgrade, while negative bars = a net rating upgrade)



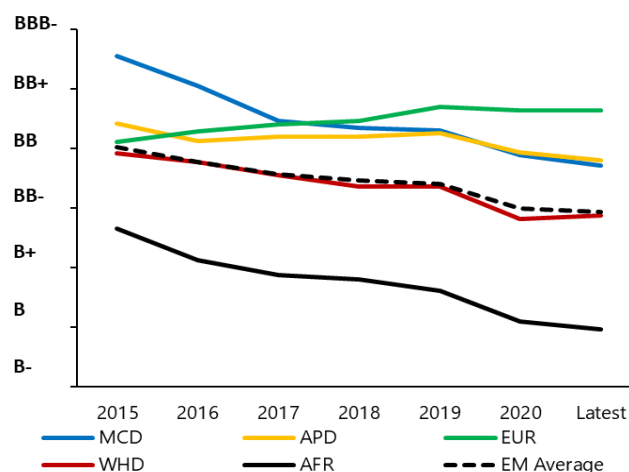
- **EM ratings, on average, have continued to decline this year with the average EM rated BB-.** Sub-Saharan African countries have the lowest ratings. Ratings have deteriorated not only for the foreign currency debt but also for local currency debt, reflecting the impact of broader EM fundamentals.
- **A significant share of countries are still in the BBBs category**—most notably in EUR, APD and WHD—stressing the risk of fallen angels. On the positive side, the ratings outlook has improved across most regions with emergence of positive outlooks in APD, AFR and LICs in general. Oil exporters have seen a positive trend as well.

Trends in Credit Ratings of Emerging Markets and LIDCs (cont.)

Ratings have continued to decline with the EM average at BB-. WHD ratings have stabilized in 2021 vs the sharp decline in 2020. AFR has continued to see pressures

4. Average Rating Index by Region

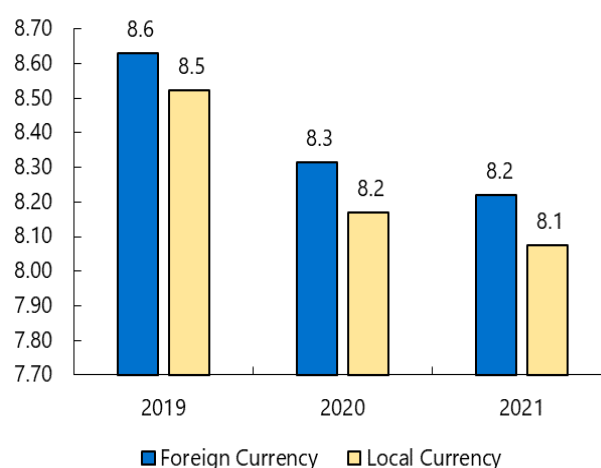
(Index; Simple average across country ratings)



Ratings have deteriorated not only for the foreign currency debt, but also for local current debt, reflecting the impact of broader EM fundamentals

5. Average Credit Rating, by type of debt

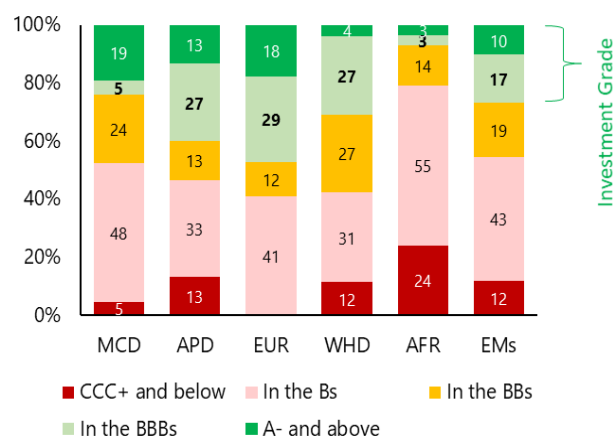
(Numerical Ratings)



A significant share of countries is in the BBBs category—most notably in EUR, APD and WHD, and can be at the risk of becoming a fallen angel.

6. Distribution of the Latest Ratings

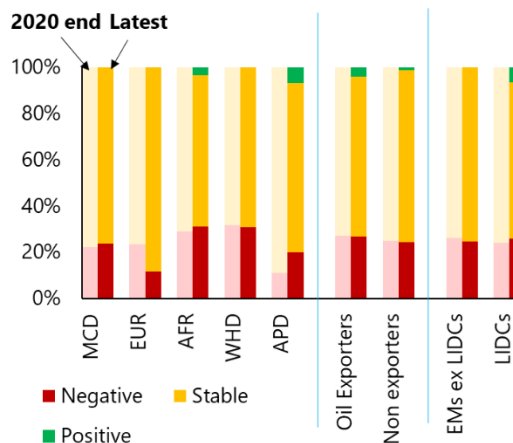
(Percent of countries in each rating bucket per region)



The ratings outlook has improved across most regions and LICs in general. Oil exporters have seen a positive trend as well.

7. Distribution of Rating Outlooks, by Regions, Categories and Exposure to Oil

(Average outlook = median of the outlooks across the three rating agencies)



Trends in Credit Ratings of Emerging Markets and LIDCs (cont.)

8. List of Emerging Markets and LIDCs Credit Rating Change in 2021

(Shaded areas correspond to a rating change)

| | | 2020 end | | | Latest | | |
|-----|----------------|----------|-------|---------|--------|-------|---------|
| | | S&P | Fitch | Moody's | S&P | Fitch | Moody's |
| AFR | Angola | CCC+ | CCC | Caa1 | CCC+ | CCC | B3 |
| AFR | Benin | B+ | B | B2 | B+ | B+ | B1 |
| AFR | Botswana | BBB+ | | A2 | BBB+ | | A3 |
| AFR | Cape Verde | B | B- | | B- | B- | |
| AFR | Ivory Coast | | B+ | Ba3 | BB- | BB- | Ba3 |
| AFR | Ethiopia | B | B | B2 | CCC+ | CCC | Caa2 |
| AFR | Gabon | NR | CCC | Caa1 | NR | B- | Caa1 |
| AFR | Kenya | B+ | B+ | B2u | B | B+ | B2u |
| AFR | Mauritius | | | Baa1 | | | Baa2 |
| APD | Fiji | BB- | | Ba3 | B+ | | B1 |
| APD | Maldives | | CCC | B3 | | B- | Caa1 |
| APD | Solomon Island | | | B3 | | | Caa1 |
| APD | Sri Lanka | CCC+ | CCC | Caa1 | CCC+ | CCC | Caa2 |
| EUR | Hungary | BBB | BBB | Baa3 | BBB | BBB | Baa2 |
| EUR | Montenegro | B+ | | B1 | B | | B1 |
| EUR | Serbia | BB+ | BB+ | Ba3 | BB+ | BB+ | Ba2 |
| MCD | Kazakhstan | BBB- | BBB | Baa3 | BBB- | BBB | Baa2 |
| MCD | Kuwait | AA- | AA | A1 | A+ | AA | A1 |
| MCD | Morocco | BBB- | BB+ | Ba1 | BB+ | BB+ | Ba1 |
| MCD | Tunisia | NR | B | B2 | NR | B- | Caa1 |
| WHD | Bahamas | BB- | | Ba2 | BB- | | Ba3 |
| WHD | Belize | CCC+ | | Caa3 | SD | | Caa3 |
| WHD | Chile | A+ | A- | A1 | A | A- | A1 |
| WHD | Colombia | BBB- | BBB- | Baa2 | BB+ | BB+ | Baa2 |
| WHD | El Salvador | B- | B- | B3 *- | B- | B- | Caa1 |
| WHD | Panama | BBB | BBB | Baa1 | BBB | BBB- | Baa2 |
| WHD | Peru | BBB+ | BBB+ | A3 | BBB+ | BBB | Baa1 |
| WHD | Suriname | SD | C | Caa3 | SD | RD | Caa3 |
| WHD | Aruba | BBB+ | BB | | BBB | BB | |

List of Ratings downgrades in 2020 is available in the [Second edition](#)

Sources: Bloomberg Finance L.P.; Credit Rating Agencies; IMF staff calculations.

Note: The sample consists of 158 countries (of which 115 are rated), including both Emerging Markets (EMs) and Low-income and developing countries (LIDCs). A net rating downgrade implies that there are more downgrades than upgrades – considering the three rating agencies (S&P, Fitch, Moody's). Changes in outlook are not considered, except for Figures 7-8. The latest ratings are considered as of xxxx

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