



# Update on EM Credit Ratings

MONETARY AND CAPITAL MARKETS DEPARTMENT

April 13, 2021

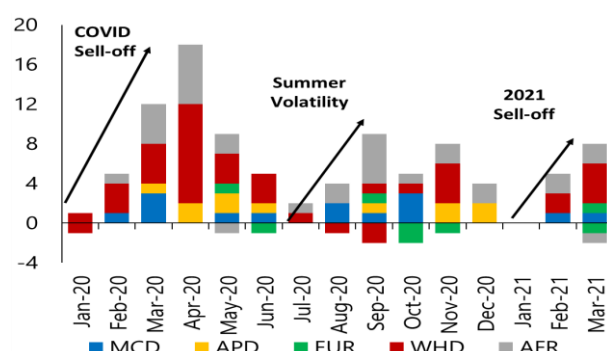
- **EM credit rating downgrades picked up again in early 2021**, reflecting the resurging concerns about EMs' external financing dynamics due to the sharp rise in AE treasury yields. The wave of downgrades in 2020 reflects the COVID sell-off ([First edition of the monitor](#)) and the summer volatility ([Second edition](#)).
- **WHD and AFR regions have the most downgrades so far in 2021**, in line with the trend in 2020. The downgrades also remain concentrated among non-oil exporters and non-LIDC EMs.

## Trends in Credit Ratings of Emerging Markets and LIDCs

*Credit rating downgrades picked up again in 2021 on resurging concerns about external financing dynamics amidst the sharp rise in the AE treasury yields.*

### 1. Monthly Net Rating Downgrades by EM Regions

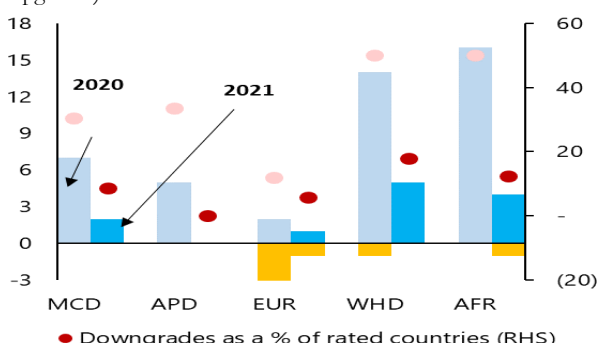
(Number of countries; Positive bars imply a net rating downgrade, while a negative bar implies a net rating upgrade)



*WHD (6) and AFR (4) saw the most downgrades in 2021—consistent with the trend in 2020. The pace remains lower than 2020. AFR and EUR saw one upgrade.*

### 2. Net Rating Downgrades by Region

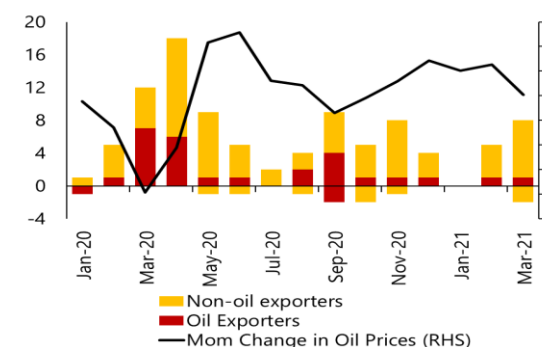
(Number on LHS; as a percent of total rated countries on RHS; Positive bars imply net downgrades, while negative bars are net upgrades)



*Most of the downgrades remain concentrated among non-oil exporters, as oil prices provide a buffer.*

### 3. Monthly Net Rating Downgrades by Exposure to Oil

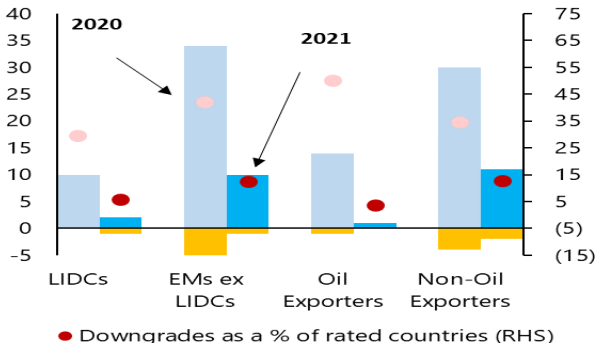
(Number of countries; Positive bars imply a net rating downgrade, while a negative bar implies a net rating upgrade)



*There are 2 downgrades amongst LIDCs and 10 for the other EMs (vs 10 and 34 in 2020 respectively in 2020).*

### 4. Net Rating Downgrades by EM Categories and Exposure to Oil

(Number on LHS; as a percent of total rated countries on RHS; Positive bars imply net downgrades, while negative bars are net upgrades)



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

Note: In all charts, MCD = Middle East and Central Asia; APD = Asia Pacific; EUR = Europe; WHD = Western Hemisphere and AFR = Sub-Saharan Africa. Note: Month end ratings are considered for comparison purposes. In Panel 1 and 3, if a country's credit rating is downgraded in multiple months, it will be counted once in each month.

The special feature is authored by [Rohit Goel](#) and [Evan Papageorgiou](#) (Global Markets division, MCM Department)

# Update on EM Credit Ratings (Continued)

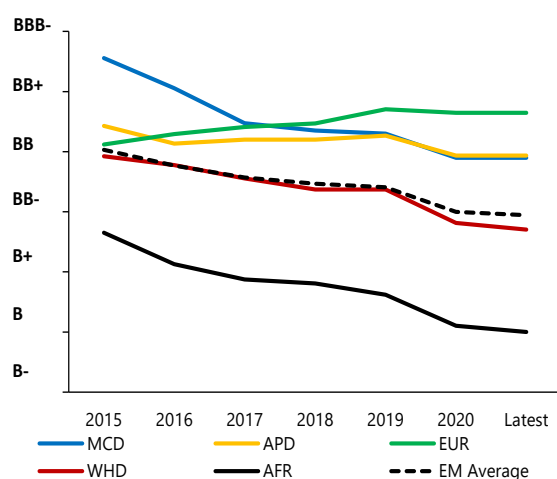
- **Led by the downgrades, average credit ratings for AFR and WHD are at historical lows:** and now declined to 'B' and below 'BB-' levels, respectively. EM average has also declined marginally below BB-. The significant percent of countries in the BBB category in select regions highlight the risk of further fallen angels
- **On the positive side, ratings outlooks have improved across most regions** with a notable improvement for EUR and APD. MCD and WHD regions have the highest proportion of negative rating outlooks

## Trends in Credit Ratings of Emerging Markets and LIDCs (continued)

Average rating for AFR and WHD continues to go down, and has now declined to 'B' and below 'BB-' levels, respectively.

### 5. Average Rating Index by Region

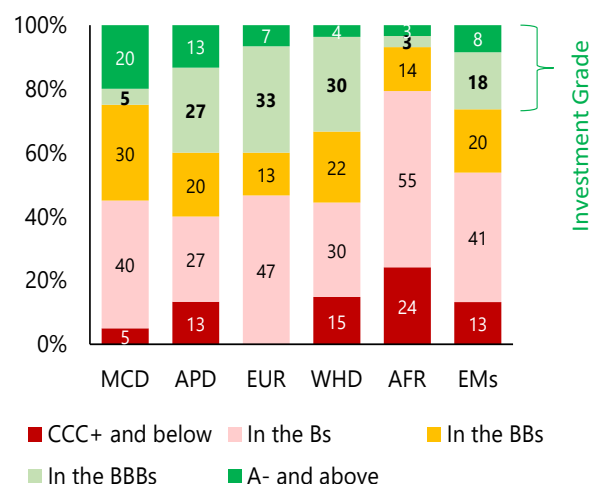
(Index; Simple average across country ratings)



A significant share of countries is in the BBBs category, and can be at the risk of becoming a fallen angel.

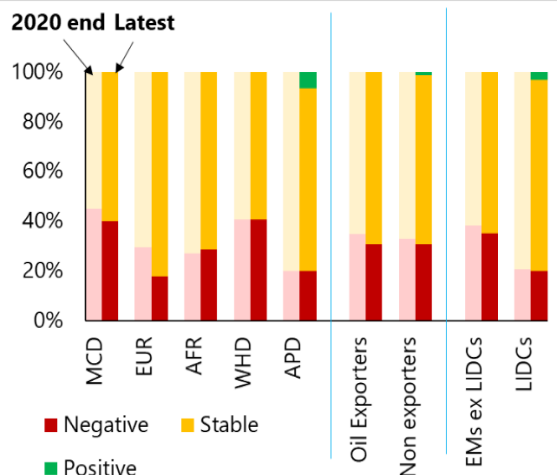
### 6. Distribution of the Latest Ratings

(Percent of countries in each rating bucket per region)



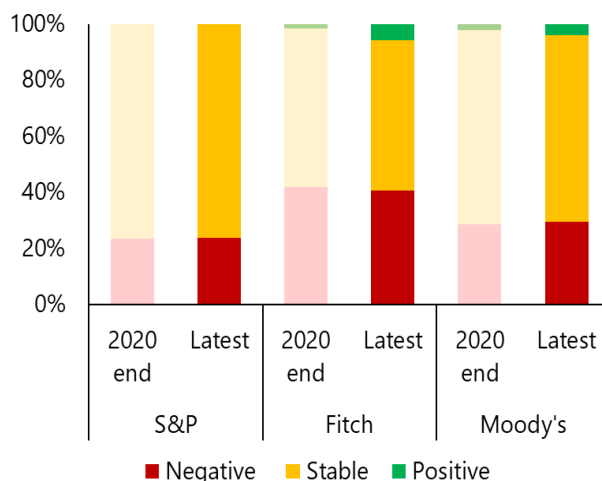
The ratings outlook has improved across most regions with the uptick in global growth, with a notable improvement for EUR and APD. MCD and WHD regions have the highest proportion of negative rating outlooks.

### 7. Distribution of Rating Outlooks, by Regions, Categories and Exposure to Oil (Average outlook = median of the outlooks across the three rating agencies)



### 8. Distribution of Rating Outlooks, by Rating Providers

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



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

# Update on EM Credit Ratings (Continued)

Trends in Credit Ratings of Emerging Markets and LIDCs (continued)							
9. List of Emerging Markets and LIDCs Credit Rating Change in 2021 (Shaded areas correspond to a rating change)							
Region	Country Name	Ratings at 2020-end			Ratings on April 8th, 2021		
		S&P	Fitch	Moody's	S&P	Fitch	Moody's
AFR	Benin	B+	B	B2	B+	B	B1
AFR	Cape Verde	B	B-		B-	B-	
AFR	Ethiopia	B	B	B2	B- *-	CCC	B2 *-
AFR	Kenya	B+	B+	B2u	B	B+	B2u
AFR	Mauritius			Baa1			Baa2
EUR	Montenegro	B+		B1	B		B1
EUR	Serbia	BB+	BB+	Ba3	BB+	BB+	Ba2
MCD	Morocco	BBB-	BB+	Ba1	BB+	BB+	Ba1
MCD	Tunisia	NR	B	B2	NR	B	B3
WHD	Aruba	BBB+	BB		BBB	BB	
WHD	Belize	CCC+		Caa3	CC		Caa3
WHD	Chile	A+	A-	A1	A	A-	A1
WHD	Panama	BBB	BBB	Baa1	BBB	BBB-	Baa2
WHD	Suriname	SD	C	Caa3	SD	RD	Caa3
List of Ratings downgrades in 2020 is available in the <a href="#">Second edition</a>							
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 April 7<sup>th</sup>, 2021.*

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