

Capital flows to Latin America and the Caribbean

2022 year-in-review and
early 2023 developments



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This document was prepared by Helvia Velloso, Economic Affairs Officer, under the supervision of Raquel Artecona, Officer-in-Charge of the office of the Economic Commission for Latin America and the Caribbean (ECLAC) in Washington, D.C. Daniel Perrotti, Research Assistant in the same office, contributed to this report.

The report has been prepared based on market views and developments. All data and information are from market sources, unless otherwise noted. Unless otherwise indicated, the cut-off date for the information used to prepare this report is 30 December 2022.

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Contents

Highlights	5
Overview	7
I. International bond markets and debt management	15
A. New debt issuance	15
1. Sovereign issuance	16
2. Corporate issuance	17
3. Currency composition	20
4. GSSS bond issuance.....	21
B. Credit risk outlook.....	23
C. Bond spreads	25
1. Sovereign spreads.....	25
2. Corporate spreads.....	27
D. The Caribbean: a closer look	28
II. Portfolio equity flows	31
III. Prospects	33
Annexes	35
Annex 1 New LAC bond issuances.....	36
Annex 2 LAC credit ratings.....	40
Annex 3 Latin American bond spreads	44
Tables	
Table 1 LAC debt issuances in international markets by sector, 2022	9
Table 2 LAC international sovereign bond issuance, 2022	17
Table 3 LAC international corporate debut issuances, 2022	19
Table 4 LAC international GSSS bond issuances, 2022	21
Table 5 LAC international GSSS bond issuances: gender focus, 2016-2022	23
Table 6 Sovereign credit rating actions in Latin America and the Caribbean, 2022	24
Table 7 Caribbean international bond issuances, 2022	28
Table 8 MSCI equity indices, 2022.....	31

Table 9 (Annex 1)	LAC international bond issuances in the first quarter of 2022	36
Table 10 (Annex 1)	LAC international bond issuances in the second quarter of 2022	37
Table 11 (Annex 1)	LAC international bond issuances in the third quarter of 2022.....	38
Table 12 (Annex 1)	LAC international bond issuances in the fourth quarter of 2022	39
Table 13 (Annex 2)	Credit ratings In Latin America and the Caribbean, 2022 (as of 30 December 2022)	40
Table 14 (Annex 3)	EMBI Global index and Latin American composites, December 2018—December 2022	44

Figures

Figure 1	Annual LAC international bond issuance, 1990–2022	7
Figure 2	Monthly LAC international bond issuance, December 2017–January 2023.....	8
Figure 3	LAC international bond issuance and 10-year U.S. Treasury yield, December 2020—January 2023 ...	8
Figure 4	Shares of LAC debt issuances in international markets by sector, 2021–2022.....	9
Figure 5	LAC international GSSS bond issuance, 2014–2022	10
Figure 6	LAC international GSSS bond issuance: types of instruments, 2022	10
Figure 7	Sovereign bond issuance as a share of LAC GSSS bond issuance, 2018–2022	11
Figure 8	EMBIG and Latin American daily spreads, January 2008–December 2022	12
Figure 9	MSCI equity price Index, 2022	12
Figure 10	Net credit rating actions in Latin America and the Caribbean, 2003–2022	13
Figure 11	LAC quarterly international bond issuance, Q4 2014–Q4 2022	15
Figure 12	LAC international sovereign and corporate bond issuance, country breakdown, 2022	16
Figure 13	LAC international sovereign and corporate bond issuance by rating and type of issuer, 2022 ...	16
Figure 14	LAC international corporate bond issuance by type, 2022	18
Figure 15	LAC international corporate bond issuance by type, 2022	18
Figure 16	LAC monthly international private corporate sector bond issuance, 2022	18
Figure 17	LAC international corporate bond issuance by rating and country, 2022	19
Figure 18	LAC international corporate bond issuance by sector, 2022	20
Figure 19	Currency breakdown of LAC international bond issuances, 2022	20
Figure 20	LAC international GSSS bond issuances by type of issuer and by country, 2022.....	22
Figure 21	Latin American EMBIG spreads by country, December 2017–December 2022	25
Figure 22	Latin American EMBIG spreads by country: monthly differential, October–December 2022	26
Figure 23	EMIBG and Latin EMBIG vs U.S. high-yield spreads, December 2017–December 2022	26
Figure 24	EMBIG spreads, corporate and sovereign, December 2017–December 2022	27
Figure 25	CEMBI spreads by region, December 2019–December 2022	27
Figure 26	CEMBI spread differentials by region, 2022	28
Figure 27	EMBIG Spreads, Caribbean versus LAC, December 2018–December 2022	29
Figure 28	Caribbean countries: EMBIG Spreads, December 2018–December 2022	30
Figure 29	MSCI equity price index, 2022	32

Boxes

Box 1 (Annex 2)	Credit rating actions in Latin America and the Caribbean –2022	41
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Highlights

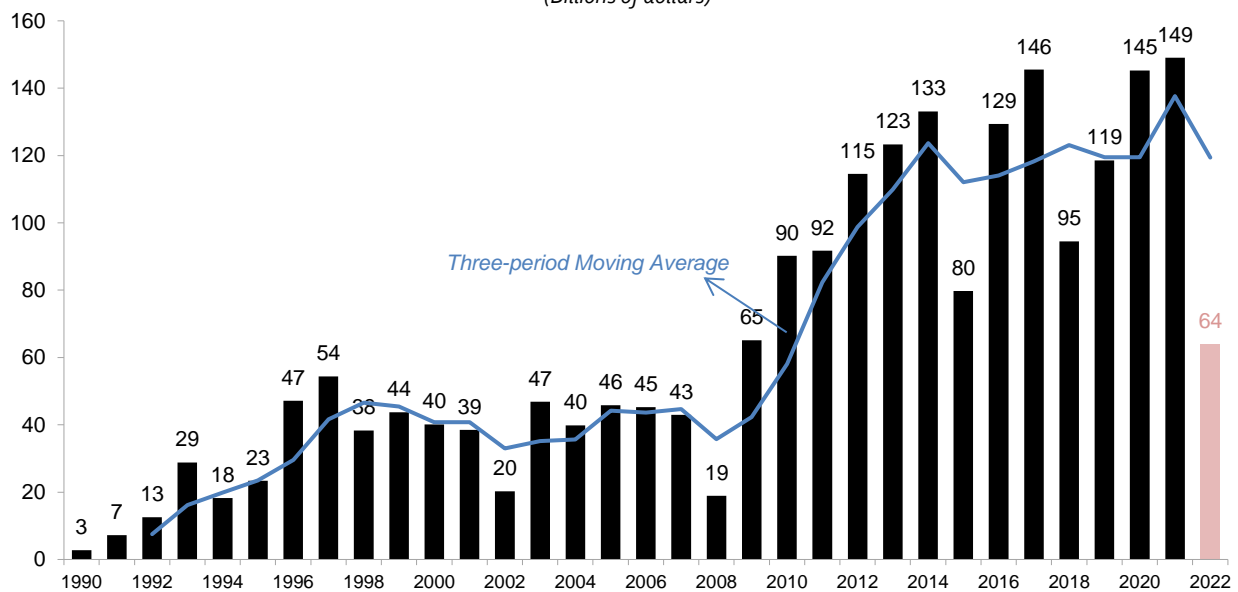
- Total Latin American and Caribbean (LAC) bond issuance in international markets was US\$ 64 billion in 2022, the lowest annual amount since 2008.
- Against a backdrop of tightening financial conditions and higher borrowing costs, the 2022 total was 57% lower than in 2021, the region's highest annual level on record (US\$ 149 billion), while the average coupon was 1.3% higher. Almost 70% of the total came from investment grade issuers. Average debt maturity was lower, falling to 12 years in 2022 from 15 years in 2021.
- The largest slowdown was observed in the corporate sector, with overall corporate bond issuance in international markets declining 66%. Issuance from private non-bank corporates fell 80%. Sovereign issuances declined 43% and accounted for 51% of total international debt issuance from the region in 2022.
- The region's top three issuers in international markets, corporate and sovereign combined, were Mexico, Chile, and Brazil, in that order. Together they accounted for 59% of the total regional issuance in 2022. Mexico was the top issuer, with a share of 26%, followed by Chile (17%) and Brazil (16%).
- Mexico and Chile were also the region's top two sovereign issuers. Together they accounted for 50% of all sovereign international debt issuances from the region. Brazil's international issuances were all from the corporate sector, with JBS S.A., the world's largest meat processing company, accounting for 60% of all Brazilian international issuances in 2022.
- The region issued US\$ 20.5 billion in international green, social, sustainability and sustainability-linked (GSSS) bonds in 2022, down 56% from 2021 and with an average coupon that was 0.5% higher. GSSS international bond issuances represented a 32% share of the region's total amount issued in 2022, a slight increase from the 31% share in 2021.
- The public sector played a larger part in the region's sustainable sector in 2022, with sovereign issuances increasing to 57% of the total regional GSSS bond issuance in international markets from a 52% share in 2021.

- Sustainability bonds were the most used ESG debt instruments by LAC issuers in 2022, representing 53% of the region's total annual GSSS international issuance (US\$ 11 billion), with the Governments of Chile and Mexico issuing 46% (US\$ 5 billion) and 25% (US\$ 2.8 billion) of the total, respectively.
- Sustainability-linked bonds (SLBs) were the second most used ESG debt instrument, representing 31% (US\$ 6.4 billion) of the total. There were two sovereign SLBs issued in 2022. The first was issued by the Government of Chile in March, the first sovereign SLB in the world, and the second by the Government of Uruguay in October.
- After widening in the first three quarters, LAC bond spreads tightened 109 basis points in the fourth, as the region showed progress in the fight against inflation and many of the forces that were pushing U.S. Treasury yields higher subsided. On an annual basis, they widened 41 basis points in 2022. As measured by the global emerging market bond index (EMBIG), LAC bond spreads stood at 440 basis points at the end of December 2022, 68 basis points higher than pre-pandemic levels.
- Latin American equity prices have remained resilient this year despite markets' ups and downs. The MSCI Latin American index gained 4% in the fourth quarter, but stayed basically flat on an annual basis. The index lost 0.07% in 2022, outperforming the emerging market and the G7 indices, which lost 22% and 20%, respectively.
- There were 13 positive and 14 negative credit rating actions in the region in 2022. Although sovereign credit quality in the region showed signs of improvement in the first half of 2022, supported by lower funding needs and greater reliance on local markets, it deteriorated in the second half.
- Signaling a stronger beginning for the year, LAC international bond issuance in January 2023 was up from recent months, increasing to US\$ 16.7 billion from only US\$ 550 million in December 2022. However, it was lower than in recent years: while January 2020, January 2021 and January 2022 represent the region's first, third and seventh largest monthly amounts overall since 2000, January 2023 ranked 20th.

Overview

Against the backdrop of higher global interest rates and borrowing costs, Latin American and Caribbean (LAC) issuers placed US\$ 64 billion worth of bonds in international bond markets in 2022, with an average coupon that was 1.3% higher and an average maturity that was three years lower than in 2021. This was the smallest amount of international bonds placed by the region’s issuers since 2008 (figure 1). Global inflation concerns, the United States Federal Reserve’s tightening monetary policy stance and the strength of the dollar, as well as the war in Ukraine, contributed to push funding costs higher, bringing bond issuance down 57% from 2021.

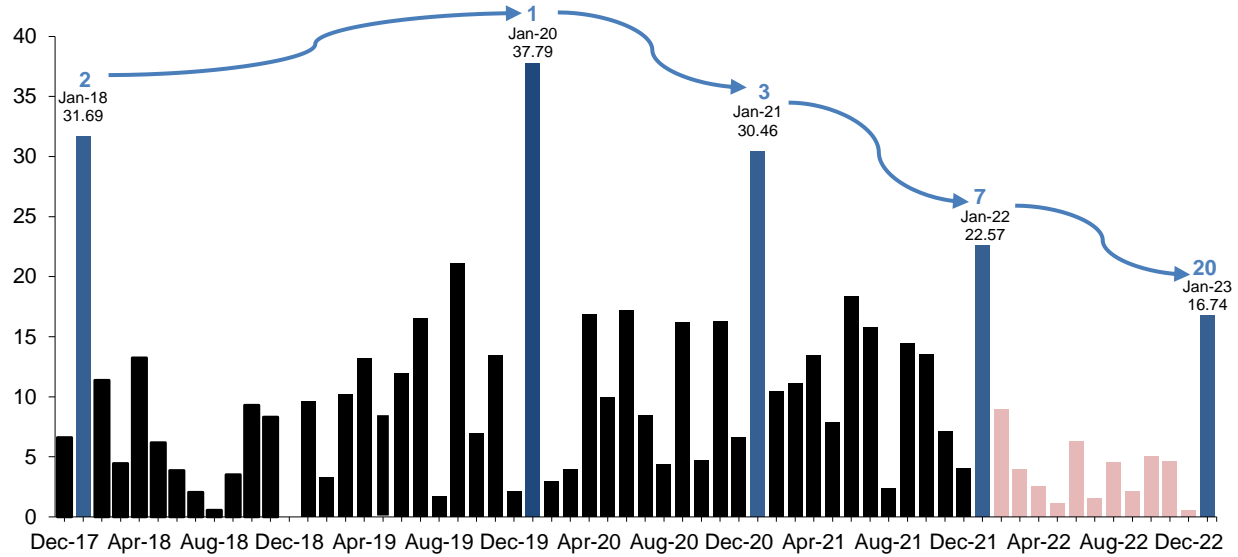
Figure 1
Annual LAC international bond issuance, 1990–2022
(Billions of dollars)



Source: ECLAC Washington Office, based on data from Dealogic, LatinFinance, Cbonds and Bloomberg.

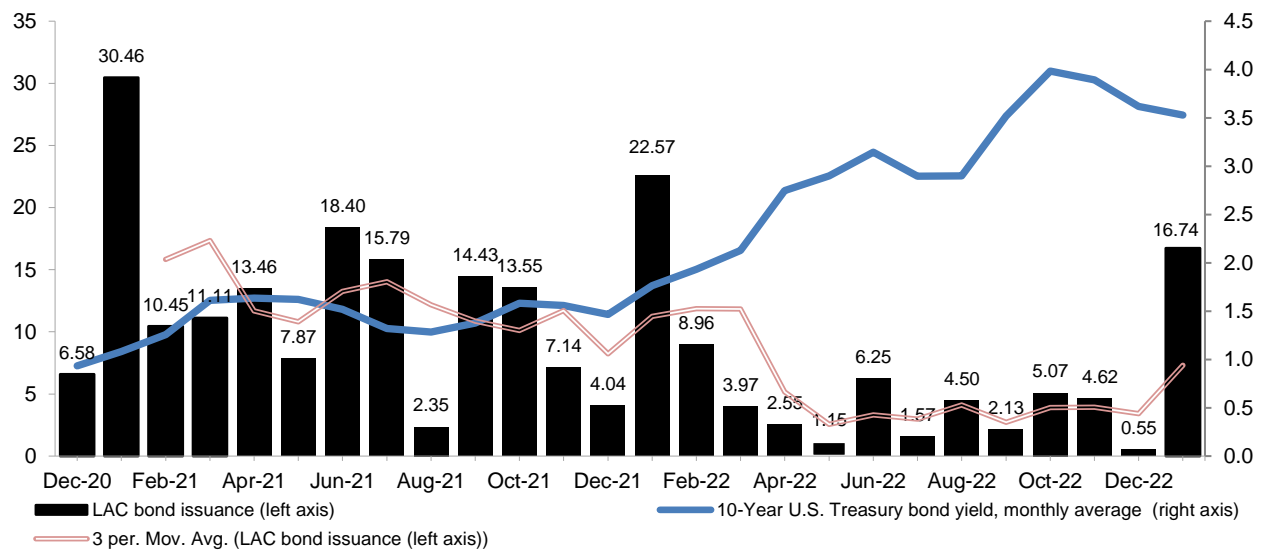
Issuance in December 2022 was the lowest monthly issuance since December 2018. LAC bond issuance in January 2023 increased to US\$ 16.7 billion from only US\$ 550 million in December 2022 on the expectation that a period of rising global interest rates may be nearing its peak and on anticipation of China’s economic reopening. January has historically experienced a high volume of bond issuances and January 2023 was no exception, although it was not as busy as in previous years. While January 2020, January 2021 and January 2022 represent the region’s first, third and seventh largest monthly amounts overall since 2000, January 2023 ranked 20th (figure 2).

Figure 2
Monthly LAC international bond issuance, December 2017–January 2023
(Billions of dollars)



Source: ECLAC Washington Office, based on data from Dealogic, LatinFinance, Cbonds and Bloomberg. The blue numbers in the chart show the January issuances’ ranking relative to all LAC monthly bond issuances from July 1999 to January 2023.

Figure 3
LAC international bond issuance and 10-year U.S. Treasury yield, December 2020—January 2023
(Left axis, billions of dollars; Right axis, percentage)



Source: ECLAC Washington Office based on data from Dealogic, LatinFinance, Cbonds and Bloomberg for debt issuances, and the United States Federal Reserve for the 10-year U.S. Treasury bond yield.

The United States Federal Reserve approved seven interest rate increases in 2022, including four consecutive 0.75 percentage point increases to combat inflation. It was the fastest pace of monetary policy tightening since the early 1980s: in just 10 months the federal funds rate rose 4.25 percentage points. Moreover, increased volatility in government bond markets in 2022 carried the yield on the 10-year U.S. Treasury note—a benchmark for global borrowing costs—above 4% for the first time in a decade, feeding into higher borrowing costs and lower international debt issuance for the region’s sovereign and corporate debt issuers alike. The Fed has begun to slow the pace of tightening, however, increasing the federal funds rate by 0.50 percentage points (instead of 0.75) on 14 December 2022, and by 0.25% on 1 February 2023, while Treasury yields have come down slightly from their October 2022 peak (figure 3), improving borrowing conditions for the region’s debt issuers.

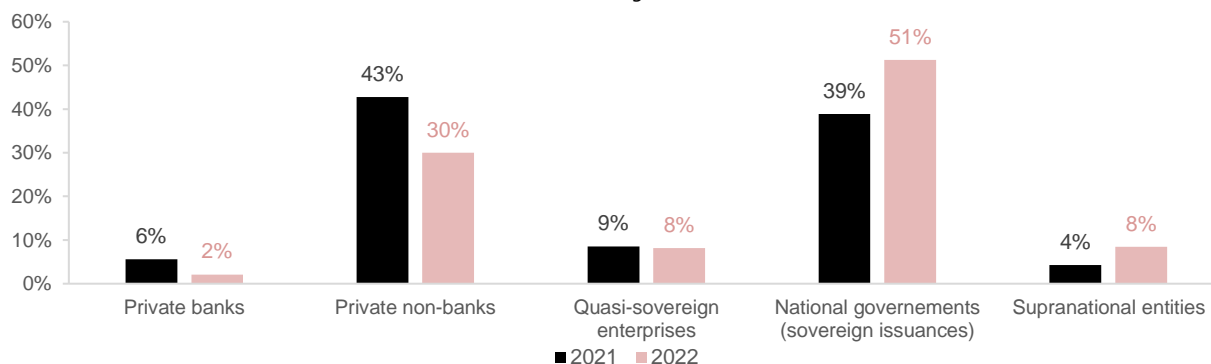
The largest slowdown in 2022 was observed in the corporate sector, which had been the main driver of the region’s international debt issuances since 2009. Overall, corporate issuances (including private banks, private non-banks, quasi-sovereign and supranational entities) declined 66% from a year ago. On a year-over-year basis, issuances from private banks and non-bank entities combined declined 72% in 2022 from 2021, with the participation of private non-bank corporates in the total suffering the largest decline overall. Issuances from quasi-sovereign enterprises declined 59%, and issuances from supranational entities fell 15%. Sovereign issuances declined 43%, less than overall corporate issuances, and accounted for 51% of total international debt issuances from the region in 2022 (table 1, figure 4).

Table 1
LAC debt issuances in international markets by sector, 2022
(Millions of dollars, percentages and number of deals)

	Private banks	Private non-banks	Quasi-sovereign enterprises	Supranational entities	National governments (sovereign issuances)	Total
Total 2022	1,347	19,178	5,208	5,392	32,764	63,889
Year-on-year growth (percentages)	-84%	-70%	-59%	-15%	-43%	-57%
Share of Total (percentages)	2%	30%	8%	8%	51%	100%
Number of deals	8	34	8	28	29	107
Deals year-on-year decline	-30	-80	-8	-2	-25	-145

Source: ECLAC Washington Office based on data from Dealogic, LatinFinance, Cbonds and Bloomberg.

Figure 4
Shares of LAC debt issuances in international markets by sector, 2021–2022
(Percentage)



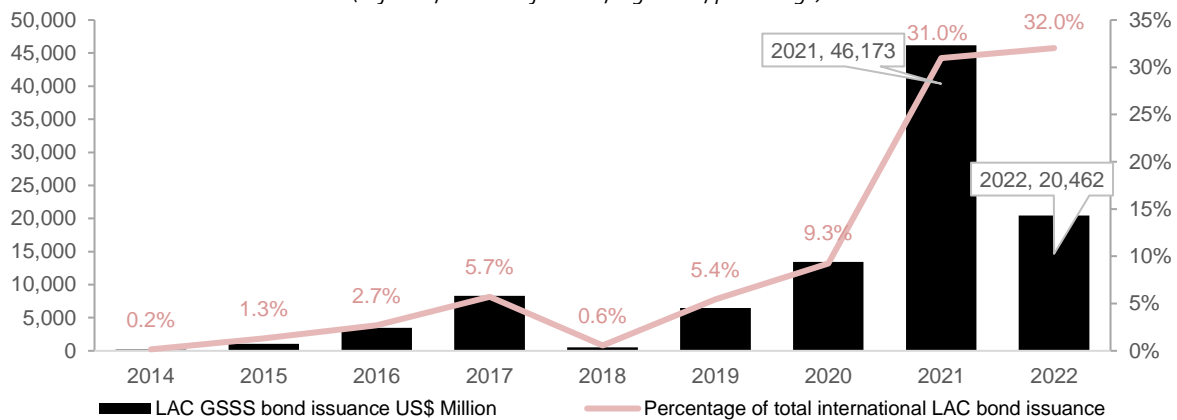
Source: ECLAC Washington Office based on data from Dealogic, LatinFinance, Cbonds and Bloomberg.

The region’s top three issuers, corporate and sovereign combined, were Mexico, Chile, and Brazil, in that order, which together accounted for 59% of the total regional issuance. Mexico was the top issuer, accounting for 26% of all LAC issuances in 2022, followed by Chile (17%) and Brazil (16%). Mexico and Chile were also the region’s top two sovereign issuers. Together they accounted for half of all sovereign LAC debt issuances. Brazil’s issuances were all from the corporate sector, with JBS S.A., the world’s largest meat processing company, accounting for 60% of all Brazilian international issuances in 2022. Following recent trends, more than half of all LAC corporate debt issuances came from Brazilian (32%) and Mexican (22%) companies.

Following the broader market’s trend of declining bond activity due to worsening macroeconomic conditions, the region’s sustainable bond issuances also declined in 2022. The largest decline was also observed in the corporate sector. The 81% decline in international green, social, sustainability and sustainability-linked (GSSS) bond issuances from the private sector in 2022 was almost double than for the sovereign sector (42%), while there was an increase of 124% in the share of issuances from quasi-sovereign and supranational entities.

Overall, the region issued US\$ 20.5 billion of international GSSS bonds in 2022, down 56% from 2021, but still the second highest GSSS annual volume ever issued in international markets. Despite the slowdown in volumes, the region’s GSSS bond issuance represented a 32% share of the total amount issued in international markets, a slight increase from the 31% share a year ago (figure 5).

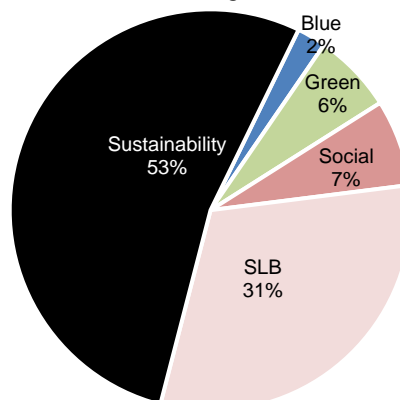
Figure 5
LAC international GSSS bond issuance, 2014–2022
(Left axis, Millions of dollars; Right axis, percentage)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance. The region’s first international green bond was issued in December 2014.

Sustainability bonds were the most used ESG debt instruments by LAC issuers in 2022. They accounted for 53% of the region’s total international GSSS bond issuance (US\$ 11 billion), with the Governments of Chile and Mexico issuing 46% (US\$ 5 billion) and 25% (US\$ 2.8 billion) of the total, respectively, leading to a bump in this category. Sustainability-linked bonds (SLBs) were the second most used ESG debt instrument, representing 31% (US\$ 6.3 billion) of the total (figure 6).

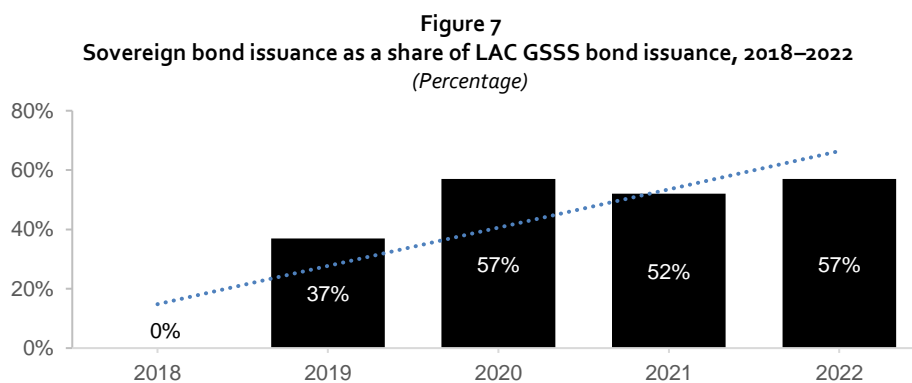
Figure 6
LAC international GSSS bond issuance: types of instruments, 2022
(Percentage)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance. SLB: sustainability-linked bonds.

There were two sovereign SLBs issued in 2022. The first was issued by the Government of Chile in March, the first sovereign SLB in the world, and the second by the Government of Uruguay in October, which came with an innovation—while SLBs offer to pay a step-up rate if sustainability targets are not met, Uruguay added the possibility of paying lower rates if it exceeds these targets.¹

One major trend in the region's sustainable issuance in the past five years has been the larger role national governments are playing. Until 2019, all LAC GSSS bond issuances originated in the corporate sector. In June 2019, Chile issued the region's first green sovereign bond in international markets. From then to 2022, seven countries—Chile, Ecuador, Guatemala, Mexico, Peru, Bahamas, and Uruguay—in order of appearance in the international markets, issued green (or blue), social, sustainability, and sustainability-linked bonds. The sovereign sector accounted for 57% of the region's total international GSSS bond issuance in 2022 (figure 7).



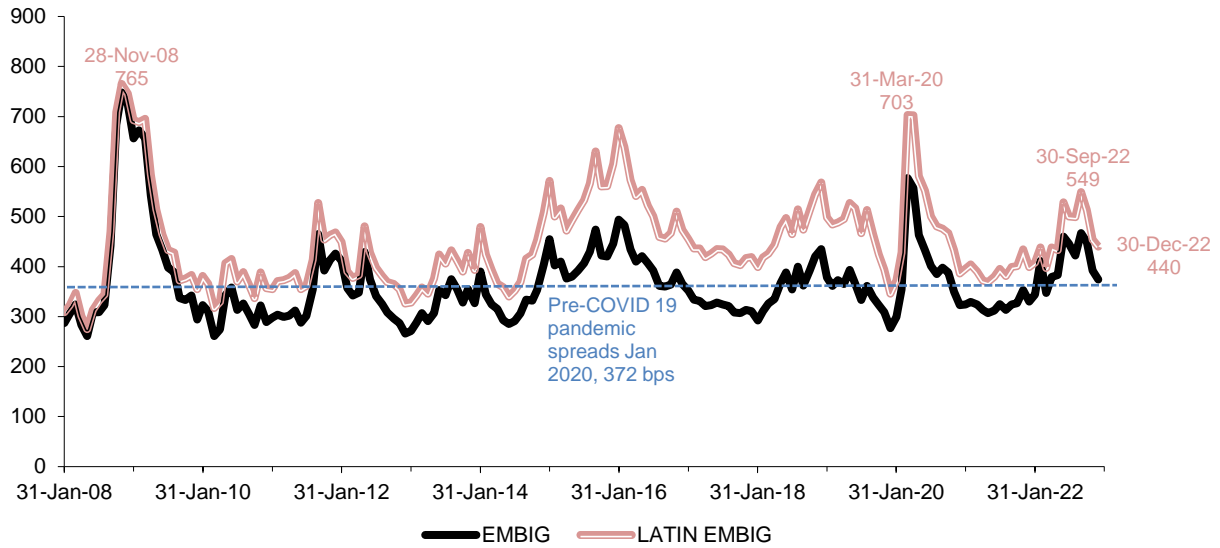
Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Borrowing costs for LAC issuers increased by 41 basis points in 2022, amid rising financing costs and weaker risk sentiment. They reached a peak for the year in September 2022 (549 basis points). In the fourth quarter, LAC spreads tightened 109 basis points. On one hand, the tightening reflected expectations of a slower monetary tightening pace in the U.S. and a relaxation in China's COVID-19 policies, which contributed to improve market sentiment, and on the other, the region's progress in slowing inflation. At 440 basis points at the end of December, LAC bond spreads, as measured by the JPMorgan Emerging Market Bond Index Global (EMBIG) Latin component, were 68 basis points higher than pre-pandemic levels (372 basis points at the end of January 2020) (figure 8).

Latin American equity prices were resilient in 2022 despite stock markets' ups and downs. On a quarterly basis, Latin American stock prices gained 26% in the first quarter according to the MSCI Latin American Index, aided by rising Latin American currencies and thanks to a combination of cheap valuations and rising commodity prices, but were down 24% in the second quarter of 2022, as global inflation concerns, rising global interest rates, the war in Ukraine and political uncertainty at the local level, brought by elections and new governments in some of the region's countries, contributed to a reversal. They were up almost 1% in the third quarter and 4% in the fourth, benefitting from high exposure to commodities along with currency strength versus the U.S. dollar. On an annual basis, the MSCI Latin American index was basically flat in 2022 (losing 0.07%), but it outperformed the emerging markets and the G7 indices, which lost 22% and 20%, respectively (figure 9).

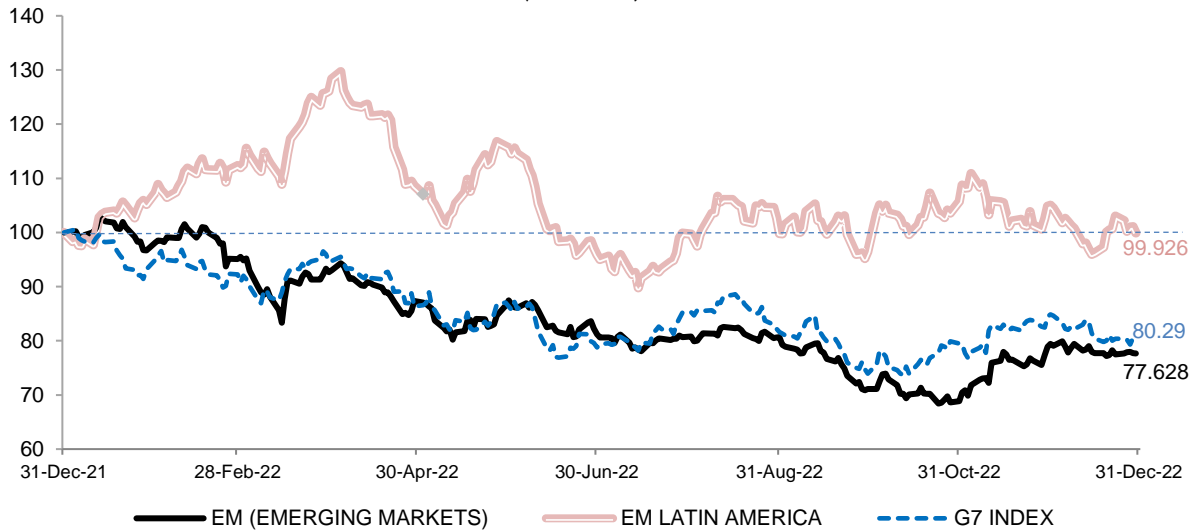
¹ Green, social and sustainability bonds are 'use of proceeds' bonds, associated to a specific project and specific eligible expenditures. The SLBs are more closely aligned to the issuer's overall sustainability strategy. If the issuer commits to achieving certain sustainable targets, the money from the sale of SLBs may be used for general corporate purposes instead of specific eligible expenditures. SLBs embed an ESG-related key performance indicator (KPI) that issuers commit to achieve, accruing additional payments to bondholders should they fall short, thus if the targets are not met, the bond's interest rate will go up by a pre-defined amount.

Figure 8
EMBIG and Latin American daily spreads, January 2008–December 2022
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan, "Emerging Markets Bond Index Monitor".

Figure 9
MSCI equity price Index, 2022
(Index levels)

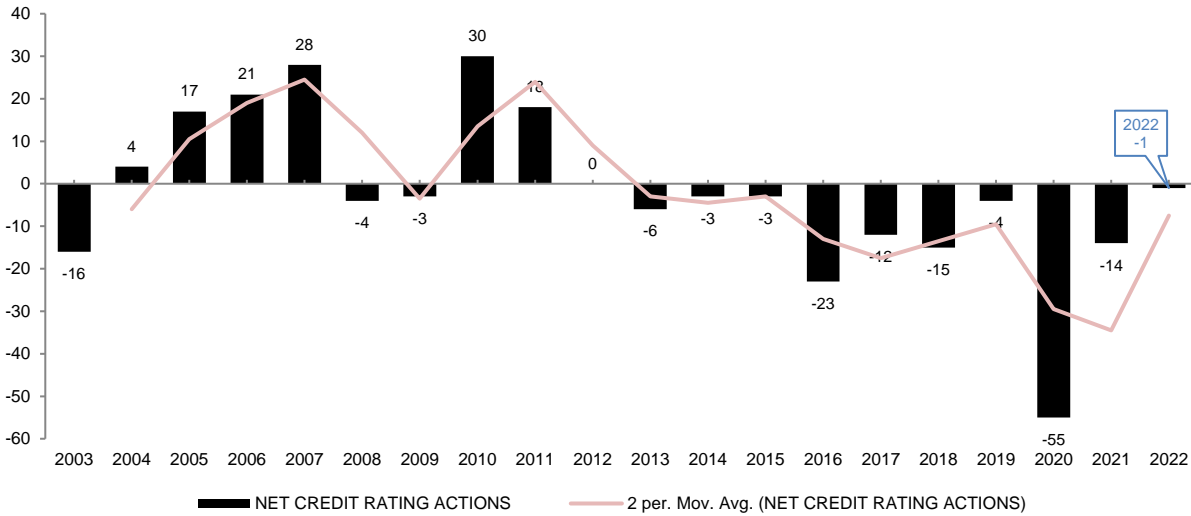


Source: ECLAC Washington Office based on MSCI Equity Indices, <http://www.msci.com/products/indexes/performance.html>, prices at the end of the month.

The region’s sovereign credit quality improved in the first half of 2022 as pandemic-related rating pressures began to fade. Lower funding needs and greater reliance on local markets also contributed to the improvement. Following nine consecutive years when negative credit rating actions—including upgrade/downgrades and upward/downward outlook revisions—outnumbered positive actions in the region, there were two more positive actions than negative in the first six months of the year. The positive actions were outlook upward revisions citing improvements in fiscal positions, while the negative actions were downgrades citing economic vulnerabilities and financing risks.

In the second half of the year, this slight improvement disappeared and credit quality in the region trended downwards. In the fourth quarter, six negative actions took place, and three positive. The negative actions included three downgrades due to constrained funding options and rising fiscal pressures, and three downward outlook revisions. The positive actions included three upgrades, with the agencies pointing to economic recovery, sound economic management, and lower debt levels. As of end-December 2022, the balance for the year was one more negative credit rating action than positive, the best annual balance since 2012 (figure 10).

Figure 10
Net credit rating actions in Latin America and the Caribbean, 2003–2022
(Number of Actions)



Source: ECLAC Washington Office, based on data from Moody’s, Standard & Poor’s, and Fitch. Credit rating actions include upgrade/downgrades and upward/downward outlook revisions. YTD: year to date.

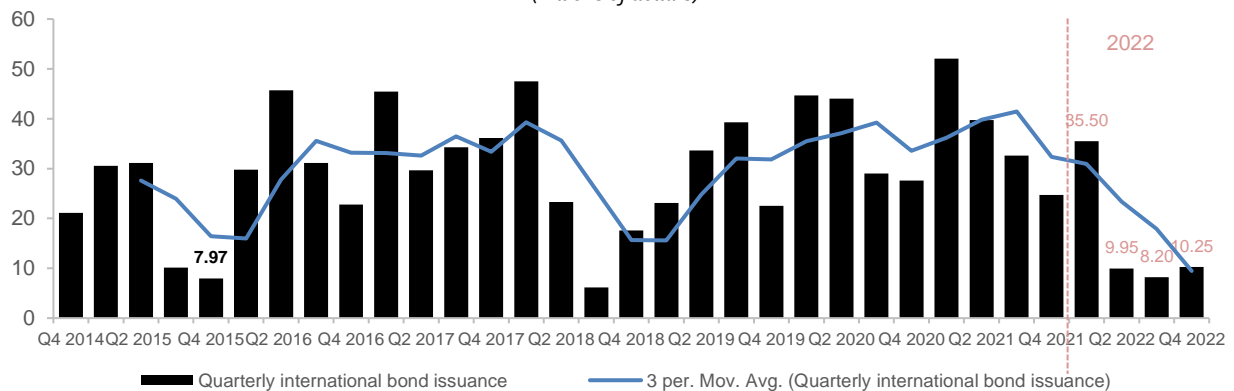
I. International bond markets and debt management

LAC issuance in international bond markets in 2022 slowed to only 43% of the 2021 amount. Amid constrained funding options and higher external borrowing costs, the region’s credit outlook trended downwards in the second half of 2022, after trending upwards in the first half. Credit spreads widened amid rising financing costs and weaker risk sentiment in international markets but tightened in the fourth quarter, reflecting progress in slowing inflation at the domestic level, and better market sentiment due to expectations of a slower monetary tightening pace in the U.S. and a relaxation in China’s COVID-19 policies.

A. New debt issuance

Total LAC bond issuance in international markets was US\$ 64 billion in 2022. Bond activity was affected by U.S. interest rate hikes, withdrawal of dollar liquidity, dollar strengthening, and instability in stock markets. The amount issued in the fourth quarter of the year (US\$ 10.2 billion), was higher than in the second and third quarters, but it was the lowest fourth quarter amount since 2015 (figure 11).

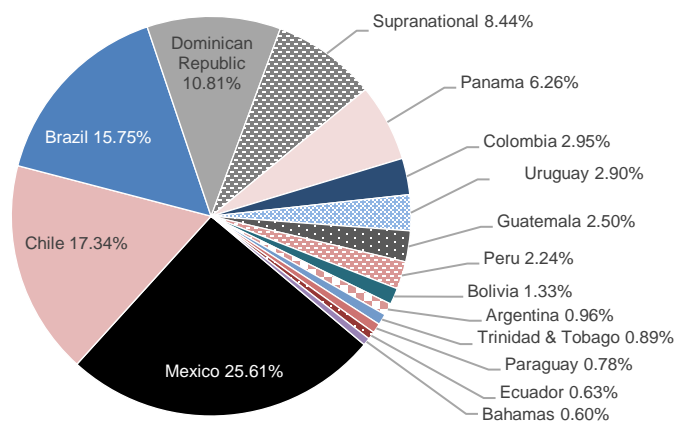
Figure 11
LAC quarterly international bond issuance, Q4 2014–Q4 2022
(Billions of dollars)



Source: ECLAC Washington Office, based on data from Dealogic, LatinFinance, Cbonds and Bloomberg.

Mexico had the largest share of bond issuances –sovereign and corporate combined– in 2022, followed by Chile and Brazil. They issued US\$ 16.4 billion, US\$ 11.1 billion, and US\$ 10.1 billion, respectively. Issuances from the three countries accounted for 58.7% of the total annual LAC issuance in 2022 (figure 12).

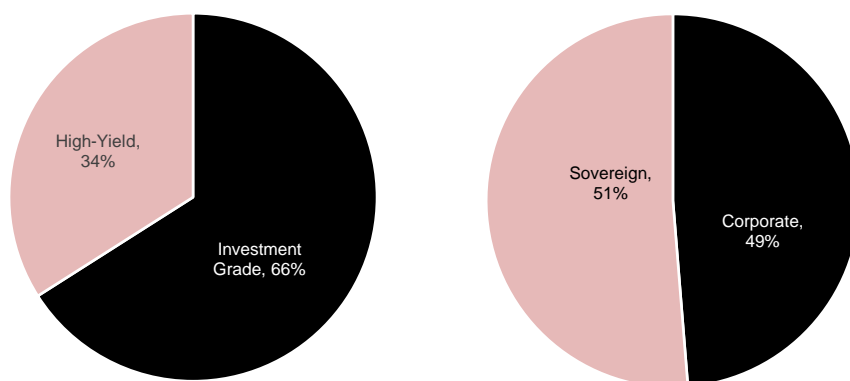
Figure 12
LAC international sovereign and corporate bond issuance, country breakdown, 2022
(Country shares in percentage)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Investment-grade issuers –sovereign and corporate combined– accounted for 66% of total overall LAC bond issuance in international markets in 2022, while 34% of the total was issued by high-yield issuers. The sovereign sector accounted for 51% of the total, while the corporate sector (including corporations, banks, quasi-sovereign and supranational issuers) accounted for 49% (figure 13).

Figure 13
LAC international sovereign and corporate bond issuance by rating and type of issuer, 2022
(Percentage)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

1. Sovereign issuance

In 2022, ten sovereigns –Bahamas, Bolivia, Chile, Colombia, Dominican Republic, Guatemala, Mexico, Panama, Paraguay and Uruguay– tapped the international bond market (annex 1, tables 9 to 12). The top three sovereign issuers were Mexico, Chile, and the Dominican Republic (table 2). Sovereign issuance of ESG instruments (US\$ 11.7 billion) accounted for 36% of the sovereign total.

Table 2
LAC international sovereign bond issuance, 2022
(Millions of dollars, percentage, number of deals)

Sovereign Issuer	Total Issuance (Millions of dollars)	% of the total sovereign issuance	Number of Deals
Mexico	9,471	29%	9
Chile	7,026	21%	5
Dominican Republic	6,907	21%	5
Panama	4,000	12%	3
Colombia	1,624	5%	1
Uruguay	1,500	5%	1
Bolivia	850	3%	1
Paraguay	501	2%	1
Guatemala	500	2%	1
Bahamas	385	1%	2
Total	32,764	100.00%	29

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Mexico's three deals in the first quarter had the purpose to finance buyback operations. In August, the sovereign issued a US\$ 2.2 billion 2033 sustainability bond, also to be used primarily to finance a buyback operation, and five new reference bonds in yen for a total amount equivalent to US\$ 554 million in the Japanese market. Mexico last issued Samurai bonds in June 2019. The transaction was carried out with sustainable instruments in multiple terms: 3, 5, 10, 15 and 20 years, with interest rates between 1% and 2.5% per year. Proceeds will be used to fund budgetary programs that qualify as eligible expenditures under Mexico's Sustainable Development Goals (SDG) sovereign bond framework.

Four out of the five Chile's sovereign issuances were sustainability bonds, with three taking place in January and one in October, which was Chile's first sustainability bond in pesos. The other deal was the world's first sovereign sustainability-linked bond, which took place in March.

Dominican Republic's placed two bonds in February with the purpose to finance buyback and liability management operations to lower financing costs, and three global notes in local currency in June, August and October.

There were two sovereign issuances in the final two months of 2022, both taking place in November. On 14 November, the Republic of Panama issued a 2035 US\$ 1.5 billion bond with a 6.4% coupon to fund the 2023 budget and pay down debt. On 28 November, the Republic of Colombia issued a 2033 US\$ 1.6 billion bond with an 8% coupon to repay Colombia's outstanding bonds maturing on 15 Mar 2023, 26 Feb 2024, and 21 May 2024. With this buyback operation, Colombia's dollar bonds now have an average maturity of 14.7 years, up from 14.2 years before the buyback, according to the finance ministry.

2. Corporate issuance

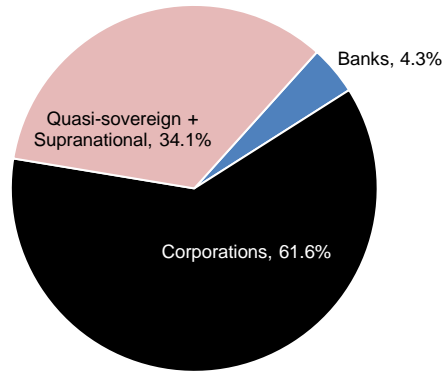
In 2022, forty corporate issuers from the region (down from 125 in 2021) sold US\$ 31 billions of international bonds (down from US\$ 91 billion in 2021) through 78 deals (down from 198 in 2021). Quasi-sovereign (state-owned companies) and supranational issuers accounted for 34% of total LAC international corporate issuance (figure 14), an increase from the 19% share in 2021, but below the 38% share in 2020.

In the fourth quarter, 40% of the region's corporate issuance came from supranational entities, including the Central American Bank for Economic Integration (CABEI), CAF Development Bank of Latin America, and Bladex-Banco Latinoamericano de Comercio Exterior, while 60% came from private non-bank corporates. The largest amount was issued by LATAM Airlines in October, which sold US\$ 1.15 billion worth of dollar-denominated bonds in a two part-deal as part of its plans to exit Chapter 11 bankruptcy proceedings (figure 15).

Issuances from the private corporate sector (private bank and non-bank entities) not including quasi-sovereign and supranational issuers, totaled US\$ 20.5 billion (66% of the overall corporate sector's total) in

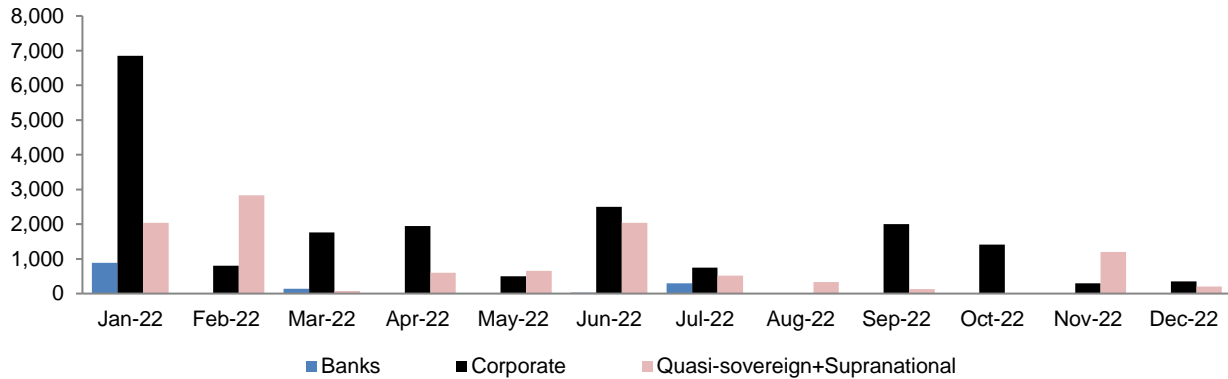
2022, through 50 deals (figure 16). Some of the companies, such as Brazil’s JBS in June 2022, an investment grade company, and some non-investment-grade companies such as Argentina’s food processing company Arcor in October and Agua y Saneamientos Argentinos S.A. in December, issued new bonds in buyback operations to improve the sustainability of their finances.

Figure 14
LAC international corporate bond issuance by type, 2022
(Percentage)



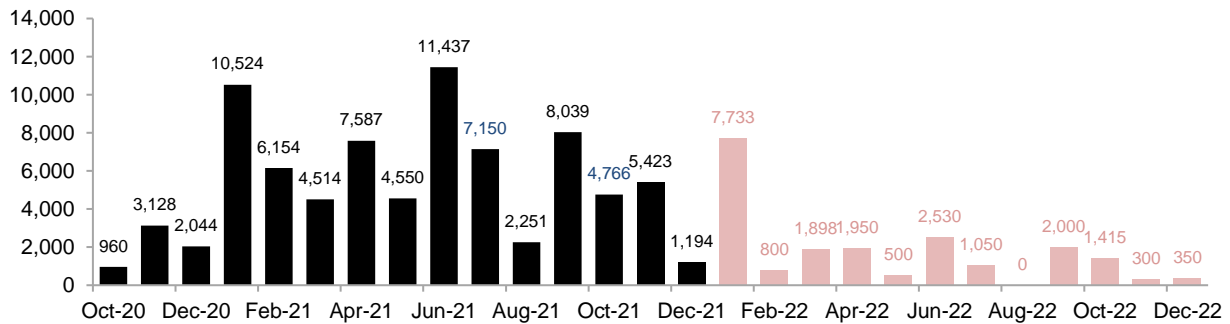
Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Figure 15
LAC international corporate bond issuance by type, 2022
(Millions of dollars)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Figure 16
LAC monthly international private corporate sector bond issuance, 2022
(Millions of dollars)



Source: ECLAC Washington Office based on data from Dealogic and LatinFinance. Note: issuance from the private corporate sector only (including companies and banks); quasi-sovereign and supranational issuances are not included in the chart.

Debut issuances represented 7% of the region’s total international corporate debt issuance (down from 10% in 2021) and 3% of the total (sovereign and corporate combined) international issuance in 2022 (down from 6% in 2021). There were five debut issuances, all in the first quarter, totalling US\$ 2.0 billion (table 3), a 78% decline from 2021.

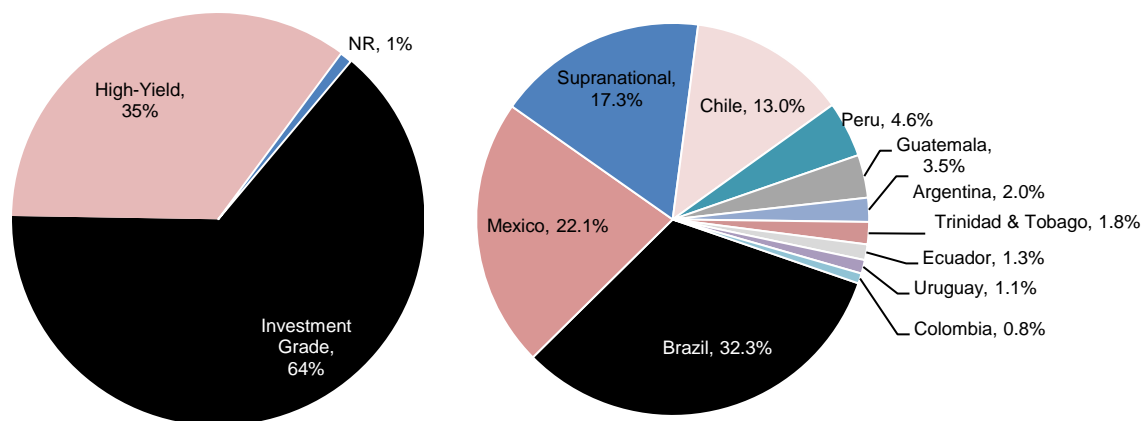
Table 3
LAC international corporate debut issuances, 2022
(Millions, percentage)

Country	Issuer	Amount (Millions)	Amount in dollars (Millions)	Coupon (%)	Maturity	Issue Date
Chile	Agrosuper SA	USD 500	500	4.600%	2032	12-Jan-22
Chile	Compañía Cervecerías Unidas SA - CCU	USD 600	600	3.350%	2032	13-Jan-22
Chile	Sociedad de Transmisión Austral (STA)	USD 390	390	4.000%	2032 (g)	21-Jan-22
Colombia	Patrimonio Autónomo Unión Del Sur	COP 1027500	259	6.660%	2041	26-Jan-22
Brazil	Usina Coruripe Açúcar e Álcool	USD 300	300	10.000%	2027	7-Feb-22
Total			2,049			5

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance. Note: (g) green. YTD: year to date.

Investment grade companies had a 64% share of total LAC international corporate bond issuances in 2022, up from a share of 45% in 2021. Brazilian companies accounted for 32% of the corporate total. Together with Mexican and Chilean companies, they accounted for 68% of all of the region’s international corporate issuances in 2022 (figure 17).

Figure 17
LAC international corporate bond issuance by rating and country, 2022
(Percentage of total)

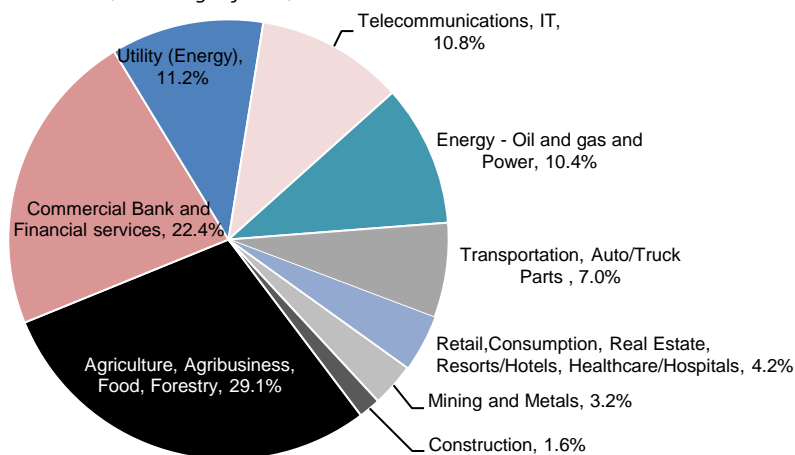


Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Note: corporate issuance includes corporations, banks, quasi-sovereign and supranational entities.

From a sectoral perspective, the top three sectors in terms of corporate debt issuance (including private corporations, banks, quasi-sovereign and supranational issuers) in international debt markets in 2022 were: 1. the agricultural sector, including agribusiness, food and beverages, and forestry (29.1%), 2. the financial sector, including commercial banks as well as financial services companies and finance development banks/multilateral agencies (22.4%), and 3. energy utilities (11.2%). Together, however, energy utilities and the energy sector including oil, gas and power, accounted for the second largest share, 21.6% (figure 18).

Figure 18
LAC international corporate bond issuance by sector, 2022
(Percentage of total)

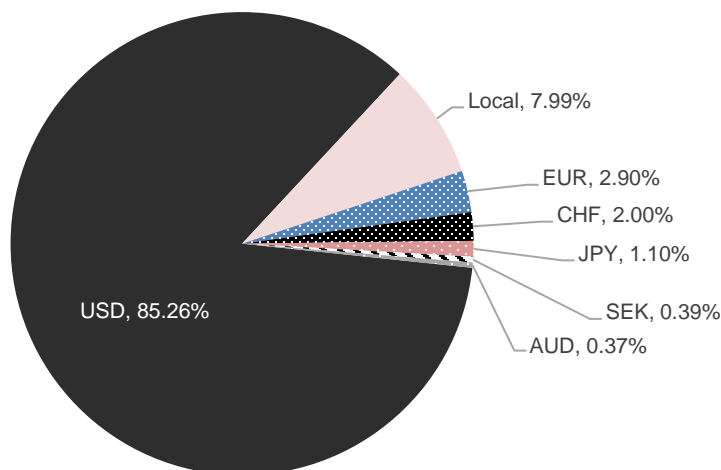


Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.
Note: corporate issuance includes corporations, banks, quasi-sovereign and supranational entities.

3. Currency composition

Most of the international debt issuance in the region in 2022 was denominated in United States dollars (85.26%). The U.S. dollar has always been the predominant currency for the region's debt issuances in international markets, having accounted for over 80% of the total in the past four years (figure 19).

Figure 19
Currency breakdown of LAC international bond issuances, 2022
(Percentage of total)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

In 2022 there were also issuances in local currencies (7.99%) —including Colombian, Chilean, Dominican, and Mexican pesos, and Trinidad and Tobago dollars— euros (2.90%), Swiss francs (2.00%), Japanese yen (1.10%), Swedish krona (0.39%) and Australian dollars (0.37%). The local currency share in 2022 increased from 4.22% in 2021, as large issuances from the Dominican Republic and Chile's first sustainability bond in pesos, contributed to the increase.

4. GSSS bond issuance

There were 42 green, social, sustainability and sustainability-linked (GSSS) bond issuances from LAC issuers in international markets, totaling US\$ 20.5 billion and representing 32% of the total LAC international bond issuance in 2022. This amount is 56% lower than in 2021, but the share is slightly higher than the 31% share a year ago.

In the final two months of 2022 only one supranational entity, the Central American Bank for Economic Integration (CABEI), issued GSSS bonds in the international bond market through a total of five deals of small amounts, which together added up to US\$ 286 million (table 4).

Table 4
LAC international GSSS bond issuances, 2022
(Millions, Millions of dollars, Percentage)

Country	Issuer	Amount (Millions)	Amount (Millions of US dollars)	Coupon (%)	Maturity	Issue Date
Chile	Banco de Crédito e Inversiones - BCI	CHF 200	218	0.599%	2027 (g)	5-Jan-22
Brazil	Globo Comunicações e Participações SA - GLOBOPAR	USD 400	400	5.500%	2032 (SLB)	6-Jan-22
Brazil	Banco do Brasil SA	USD 500	500	4.875%	2029 (soc)	6-Jan-22
Mexico	GCC Cemento SA de CV	USD 500	500	3.614%	2032 (SLB)	10-Jan-22
Brazil	Banco Bradesco SA	USD 500	500	4.375%	2027 (sust)	10-Jan-22
Supranational	Millicom International Cellular SA	SEK 2250	252	3m Stibor+300bps	2027 (sust)	13-Jan-22
Supranational	CAF Development Bank of Latin America	CHF 350	383	0.450%	2027 (g)	18-Jan-22
Guatemala	Central America Bottling Corp	USD 1100	1,100	5.250%	2029 (SLB)	20-Jan-22
Chile	Sociedad de Transmisión Austral (STA)	USD 390	390	4.000%	2032 (g)	21-Jan-22
Colombia	Patrimonio Autónomo Unión Del Sur	COP 1027500	259	6.660%	2041 (soc)	26-Jan-22
Chile	Republic of Chile	USD 1500	1,500	2.750%	2027 (sust)	27-Jan-22
Chile	Republic of Chile	USD 1500	1,500	3.500%	2034 (sust)	27-Jan-22
Chile	Republic of Chile	USD 1000	1,000	4.000%	2052 (sust)	27-Jan-22
Mexico	Comisión Federal de Electricidad - CFE	USD 1250	1,250	4.688%	2029 (sust)	8-Feb-22
Mexico	Comisión Federal de Electricidad - CFE	USD 500	500	6.264%	2052 (sust)	8-Feb-22
Chile	Republic of Chile	USD 2000	2,000	4.340%	2042 (SLB)	2-Mar-22
Ecuador	Banco Pichincha	USD 1000	100	6-mth L + 4.3%	2027 (soc)	23-Mar-22
Peru	Fondo MIVIVIENDA SA	USD 600	600	4.625%	2027 (sust)	7-Apr-22
Uruguay	Arcos Dorados BV	USD 350	350	6.125%	2029 (SLB)	21-Apr-22
Brazil	Aegea Saneamento e Participações	USD 500	500	6.750%	2029 (SLB)	27-Apr-22
Supranational	Central American Bank for Economic Integration (CABEI)	AUD 110	77	4.700%	2042 (soc)	12-May-22
Supranational	Central American Bank for Economic Integration (CABEI)	AUD 72	52	3.940%	2032 (soc)	1-Jun-22
Supranational	Central American Bank for Economic Integration (CABEI)	CHF 155	159	1.546%	2026 (g)	8-Jun-22
Supranational	Central American Bank for Economic Integration (CABEI)	AUD 50	35	3.940%	2027 (soc)	9-Jun-22
Bahamas	Commonwealth of Bahamas	USD 250	250	9.000%	2029 (blue)	9-Jun-22
Bahamas	Commonwealth of Bahamas	USD 135	135	3.850%	2036 (blue)	10-Jun-22
Peru	Banco de Crédito del Perú (BCP)	USD 30	30	5.050%	2027 (g)	27-Jun-22
Ecuador	Banco Pichincha - Ecuador DPR Fund	USD 300	300	9.950%	2029 (soc)	7-Jul-22
Mexico	United Mexican States	USD 2203.58	2,204	4.875%	2033 (sust)	8-Aug-22
Mexico	United Mexican States	JPY 29700	217	1.000%	2025 (sust)	26-Aug-22
Mexico	United Mexican States	JPY 23800	174	1.250%	2027 (sust)	26-Aug-22
Mexico	United Mexican States	JPY 14900	109	1.830%	2032 (sust)	26-Aug-22
Mexico	United Mexican States	JPY 4000	29	2.280%	2037 (sust)	26-Aug-22
Mexico	United Mexican States	JPY 3200	23	2.520%	2042 (sust)	26-Aug-22
Supranational	Central American Bank for Economic Integration (CABEI)	USD 55	55	4.000%	2027 (soc)	1-Sep-22
Uruguay	Oriental Republic of Uruguay	USD 1500	1,500	5.750%	2034 (SLB)	20-Oct-22
Chile	Republic of Chile	CLP 1000000	1,026	7.000%	2034 (sust)	20-Oct-22
Supranational	Central American Bank for Economic Integration (CABEI)	EUR 25	24	4.125%	2037 (g)	4-Nov-22
Supranational	Central American Bank for Economic Integration (CABEI)	CHF 110	115	2.138%	2027 (g)	21-Nov-22
Supranational	Central American Bank for Economic Integration (CABEI)	AUD 30	20	4.400%	2027 (blue)	16-Dec-22
Supranational	Central American Bank for Economic Integration (CABEI)	JPY 10000	76	0.562%	2027 (blue)	16-Dec-22
Supranational	Central American Bank for Economic Integration (CABEI)	USD 50	50	4.880%	2033 (soc)	21-Dec-22
TOTAL			20,462	AVG 4.174%		42 Deals

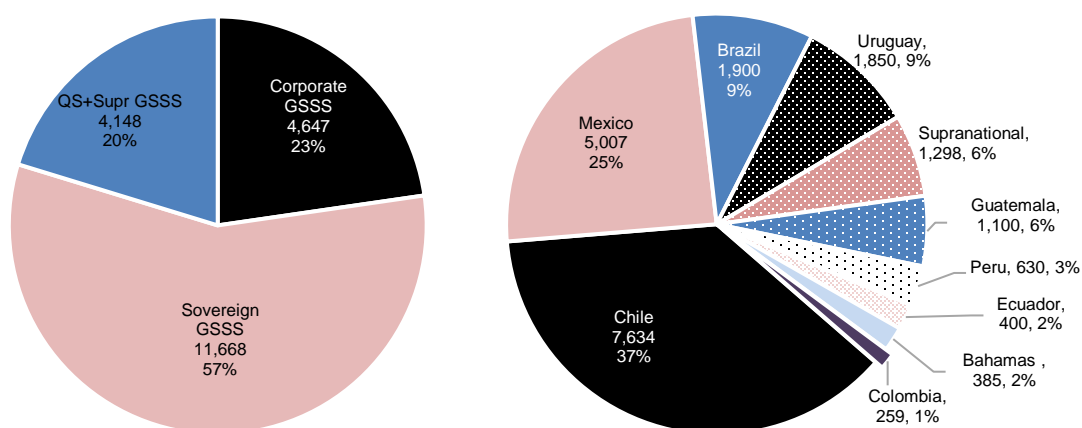
Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Note: (r) repap; (g) green bond; (blue) blue bond; (soc) social bond; (sust) sustainability bond; (SLB) sustainability-linked bond.

Sovereign issuers led the international GSSS bond volumes in 2022 with a share of 57%. There were several firsts in the region's sovereign sustainable debt this year, including the world's first sovereign SLB (by Chile), the addition of a step-down coupon with the second SLB issued in the region (by Uruguay), the first sovereign sustainability bond in local currency (Chilean pesos) and multi-currency sovereign Sustainable Development Goals (SDG) focused bond issuances (mostly by Mexico). The role of sovereign issuers is expected to remain of critical importance to expand the region's sustainable bond markets in 2023 and beyond.

Corporate, and quasi-sovereign and supranational issuers represented 23% and 20% of the total GSSS bond issuance, respectively.² LAC international GSSS issuances in 2022 came from nine countries – Bahamas, Brazil, Chile, Colombia, Ecuador, Guatemala, Mexico, Peru and Uruguay – and three supranational entities (figure 20).

Figure 20
LAC international GSSS bond issuances by type of issuer and by country, 2022
(Millions of dollars, percentage)



Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance. QS+Supr: issuance from quasi-sovereign (state-owned) and supranational entities.

Chile had the highest share of International GSSS bond issuances in 2022 (37%). Most of its international GSSS bond issuances (92%) came from the sovereign sector. They included four sovereign sustainability bonds, three in U.S. dollars and one in local-currency, one sovereign SLB, and two corporate green bonds.

Mexico had the second highest share (25%) with three deals including two sustainability bond issuances by the state-owned Comisión Federal de Electricidad (CFE) and one corporate SLB in the first quarter. In August, Mexico issued a US\$ 2.2 billion 2033 sovereign sustainability bond, with proceeds to be used primarily to finance a buyback operation, and five new sovereign Samurai sustainability bonds for a total amount equivalent to US\$ 554 million, in multiple terms: 3, 5, 10, 15 and 20 years, with interest rates between 1 and 2.5% per year.

Brazil had the third largest share (9%), with all its GSSS bond issuances taking place in the first four months of the year and originating from the corporate sector, 47% of which consisted of SLBs. Banco do Brasil became the first Latin American bank to issue seven-year social bonds in the international bond market in January.

Uruguay had the fourth largest share (9%), with the sovereign SLB issued in October accounting for 84% of the country's total. The other issuance was a corporate SLB issued in April.

² As a share of the total LAC International bond issuance (including all instruments and not only GSSS bonds), sovereign GSSS bond issuances accounted for 18.3%, corporate for 7.3%, and quasi-sovereign and supranational entities for 6.5%. The first sovereign GSSS issuance in the international bond market took place in June 2019, a green bond issued by the Government of Chile.

The share of SLBs in the GSSS total bond issuance fell to 31% in 2022 from 37% in 2021. According to a recent Moody's report on global sustainable finance, "greater market scrutiny and heightened greenwashing fears may dampen near-term growth, especially for sustainability-linked bonds."³

Sustainability bonds took the first place with a share of 53% (figure 6, p.10), as Chile issued US\$ 4 billion worth of sovereign sustainability bonds (2/3 of its total sovereign ESG bond issuance), and Mexico US\$ 2.8 billion. Chile also issued the first SLB in the world in early March, a US\$ 2 billion 20-year bond, and Uruguay the region's second SLB, a US\$ 1.5 billion 12-year bond.

The most common objective or target of the region's SLB issuances in 2022 continued to be reducing greenhouse gases (GHG) emissions (as in 2021), although it also included generating energy from renewable resources, reducing energy consumption, and maintaining native forest area (as in Uruguay's SLB). The objectives included the reduction of Scope 1 and Scope 2 emissions, and the SLB issued by Guatemala's Central America Bottling Corporation had the objective of reducing Scope 3 emissions.

Within the spectrum of GSSS bonds, bonds with a gender focus have also been issued in the region since 2016 (table 5).⁴ Ecuadorian Banco Pichincha issued two gender bonds in 2022, one in March, the first gender bond in Ecuador to fund loans to women-led small businesses, and another in July, a private placement backed by diversified payment rights to fund loans for micro-, small and medium-sized enterprises owned by women.

Table 5
LAC international GSSS bond issuances: gender focus, 2016-2022
(Millions, percentage)

Country	Issuer	Amount (Millions)	Amount in dollars (Millions)	Coupon (%)	Maturity	Issue Date
Chile	Banco del Estado de Chile (BancoEstado)	JPY 10000	94	0.480%	2026 (soc)	10-Jun-16
Chile	Banco del Estado de Chile (BancoEstado)	JPY 15000	147	0.480%	2026 (r)(soc)	10-Aug-16
Chile	Banco del Estado de Chile (BancoEstado)	AUD 110	81	4.180%	2027 (soc)	9-May-17
Supranational	CAF Development Bank of Latin America	JPY 3000	28	1.025%	2040 (soc)	19-May-20
Supranational	CAF Development Bank of Latin America	JPY 3200	30	0.700%	2023 (soc)	4-Jun-20
Supranational	CAF Development Bank of Latin America	JPY 20000	188	0.727%	2025 (soc)	19-Aug-20
Brazil	B3 (Operator of São Paulo Stock Exchange)	USD 700	700	4.125%	2031 (SLB)	15-Sep-21
Ecuador	Banco Pichincha	USD 1000	100	6-mth L + 4.3%	2027 (soc)	23-Mar-22
Ecuador	Banco Pichincha - Ecuador DPR Fund	USD 300	300	9.950%	2029 (soc)	7-Jul-22
TOTAL			1,677			

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance. Notes: (soc)=social bond; (SLB)=sustainability-linked bond.

B. Credit risk outlook

Credit quality improved in the region in the first half of 2022 and worsened in the second half. The balance for 2022 was one more negative than positive. Despite still being slightly negative, this was the best balance since 2012. Credit quality improved in the first semester as pandemic-related rating pressures began to fade. Since then, this slight improvement disappeared and credit quality in the region trended downwards in the second half, as worsening financial conditions took a toll on more indebted countries.

There were thirteen positive actions in 2022 —ten upward outlook revisions and three upgrades— and fourteen negative actions, ten of them downgrades (table 6). Seven countries saw upward revisions to their credit outlook, including Panama, Costa Rica, Guatemala, Mexico, Brazil, Trinidad and Tobago, and Paraguay,

³ Moody's Investors Service, "Sustainable bond issuance to rebound 10% in 2023 to \$950 billion, short of record high", *Sector in-depth, Sustainable Finance - Global*, 31 January 2023.

⁴ In 2016, Banco del Estado de Chile (BancoEstado) issued the region's first-ever social bond in the international bond market with a women entrepreneur focus, with proceeds directed to BancoEstado's Crece Mujer Emprendedora program. In 2020, CAF Development bank of Latin America issued three social bonds in the international market. The target populations for the eligible expenditures included women among other underserved populations affected by COVID-19. In September 2021, B3, operator of the stock exchange of São Paulo, Brazil, issued a ten-year US\$ 700 million SLB tied to efforts to hire more women. B3 could increase the coupon by up to 0.25% per year if it does not meet the agreed targets, according to its securities filing.

in chronological order. Three countries —Nicaragua, Belize and the Dominican Republic— were upgraded. Nicaragua was upgraded in October by S&P, with the agency citing an economic recovery supported by rising exports and strong remittances. Belize was upgraded in November by Moody's, which cited lower debt levels after the "superbond" was restructured in November 2021. Finally, the Dominican Republic was upgraded by S&P in December, which cited stronger institutions and the government's sound economic management that has led to a strong recovery.

Seven countries were downgraded in 2022 —El Salvador, Peru, Mexico, Chile, Bahamas, Argentina, and Bolivia— while Honduras, Peru and Panama saw downward revisions to their outlooks (annex 2, box 1). There were no negative actions in November and two in December, including one downgrade and one downward outlook revision. On 6 December, S&P downgraded Bolivia's rating to B from B+ with a stable outlook on higher external risks, citing persistent and sizable fiscal deficits that have pushed the government's debt load above 60% of GDP, and on 12 December, the agency revised the outlook on Peru's BBB rating to negative on heightened political risk.

Table 6
Sovereign credit rating actions in Latin America and the Caribbean, 2022
(Number of actions; as of 30 December 2022)

Date	Country	Action	
2022	13 positive and 14 negative actions		
Q1 2022	3 positive and 2 negative actions		
28-Jan-22	Panama	Fitch revises the outlook on Panama's BBB- rating to stable from negative	Positive
9-Feb-22	El Salvador	Fitch downgrades El Salvador's rating to CCC from B-	Negative
11-Mar-22	Costa Rica	Fitch revises the outlook on Costa Rica's B rating to stable from negative	Positive
17-Mar-22	Costa Rica	S&P revises the outlook on Costa Rica's B rating to stable from negative	Positive
18-Mar-21	Peru	S&P downgrades Peru's ratings to BBB from BBB+ with a stable outlook	Negative
Q2 2022	3 positive and 2 negative actions		
19-Apr-22	Guatemala	S&P's revises the outlook on Guatemala's BB- rating to positive from stable	Positive
26-Apr-22	Guatemala	Fitch revises the outlook on Guatemala's BB- rating to positive from stable	Positive
4-May-22	El Salvador	Moody's downgrades El Salvador's rating to Caa3 from Caa1 with a negative outlook	Negative
1-Jun-22	El Salvador	S&P downgrades El Salvador's rating to CCC+ from B- with a negative outlook	Negative
15-Jun-22	Guatemala	Moody's revises the outlook on Guatemala's Ba1 rating to stable from negative	Positive
Q3 2022	4 positive and 4 negative actions		
6-Jul-22	Mexico	S&P revises the outlook on Mexico's BBB rating to stable from negative	Positive
8-Jul-22	Mexico	Moody's downgrades Mexico's rating to Baa2 from Baa1 with a stable outlook	Negative
14-Jul-22	Brazil	Fitch revises the outlook on Brazil's BB- sovereign rating to stable from negative	Positive
21-Jul-22	Honduras	S&P revises the outlook on Honduras' BB- sovereign rating to negative from stable	Negative
21-Jul-22	Trinidad and Tobago	S&P revises the outlook on T&T's BBB- sovereign rating to stable from negative	Positive
22-Jul-22	Paraguay	Moody's revises the outlook on Paraguay's Ba1 sovereign rating to positive from stable	Positive
6-Jul-22	Mexico	S&P revises the outlook on Mexico's BBB rating to stable from negative	Positive
8-Jul-22	Mexico	Moody's downgrades Mexico's rating to Baa2 from Baa1 with a stable outlook	Negative
15-Sep-22	Chile	Moody's downgrades Chile's sovereign rating to A2 from A1 with a stable outlook	Negative
15-Sep-22	El Salvador	Fitch downgrades El Salvador's sovereign rating to CC from CCC	Negative
Q4 2022	3 positive and 6 negative actions		
6-Oct-22	The Bahamas	Moody's downgrades Bahamas's sovereign rating to B1 from Ba3 with a stable outlook	Negative
20-Oct-22	Peru	Fitch revises the outlook on Peru's BBB rating to negative from stable	Negative
25-Oct-22	Nicaragua	S&P upgrades Nicaragua's sovereign rating to B from B- with a stable outlook	Positive
25-Oct-22	Panama	Moody's revises the outlook on Panama's Baa2 rating to negative from stable	Negative
26-Oct-22	Argentina	Fitch downgrades Argentina's sovereign rating to CCC- from CCC	Negative
16-Nov-22	Belize	Moody's upgrades Belize's ratings to Caa2 from Caa3 with a stable outlook	Positive
6-Dec-22	Bolivia	S&P downgrades Bolivia's rating to B from B+ with a stable outlook	Negative
12-Dec-22	Peru	S&P revises the outlook on Peru's BBB rating to negative	Negative
19-Dec-22	Dominican Republic	S&P upgrades Dominican Republic's rating to BB from BB- with a stable outlook	Positive

Source: ECLAC Washington Office based on data from Moody's, Standard & Poor's, and Fitch. YTD: year to date.

As of 30 December 2022, six sovereigns were on negative outlook by one or more agencies (Bolivia, El Salvador, Honduras, Panama, Peru, and Suriname). Two sovereigns —Guatemala (from S&P and Fitch) and Paraguay from Moody's— had positive outlooks. The balance of risks continues to be tilted to the downside (annex 2, table 13).

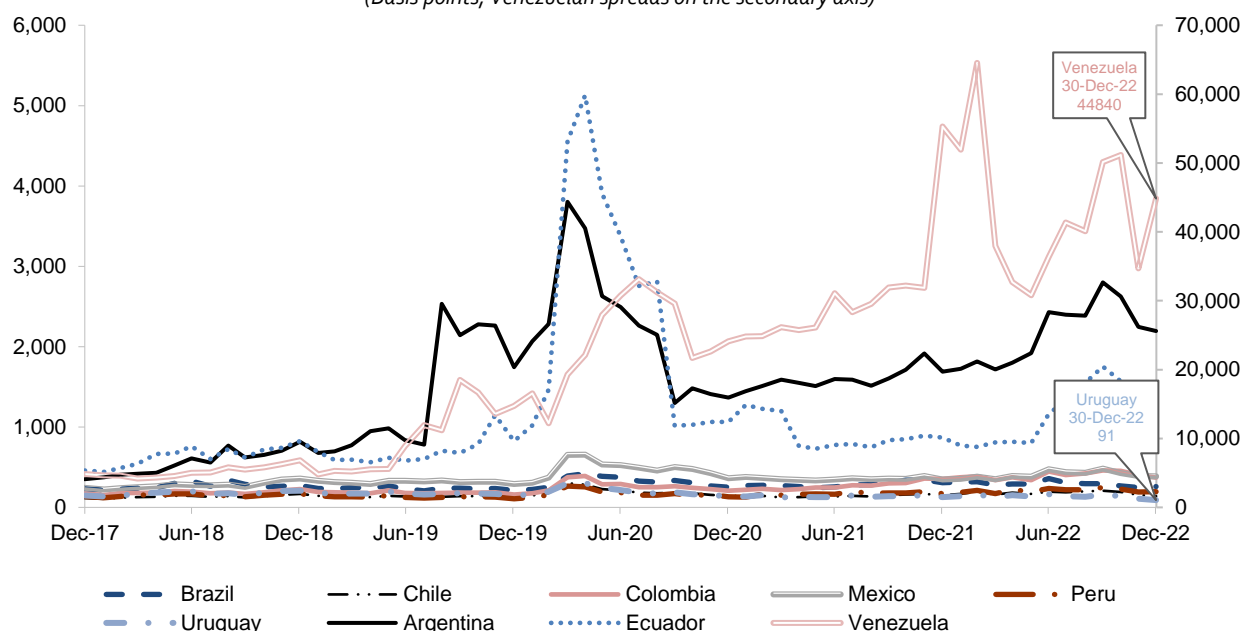
C. Bond spreads

Emerging markets bond spreads as measured by the JPMorgan Emerging Market Bond Index Global (EMBIG) widened 44 basis points in 2022, while Latin American spreads widened 41 basis points. LAC credit spreads narrowed 109 basis points in the fourth quarter after reaching a peak for the year in September, but by the end of December they were still above pre-pandemic levels.

1. Sovereign spreads

The EMBIG widened from 330 at the end of December 2021 to 374 basis points at the end of December 2022, while its Latin American component widened from 399 to 440 basis points. Venezuela had the region's highest spreads at the end of 2022, while Uruguay had the lowest (figure 21).

Figure 21
Latin American EMBIG spreads by country, December 2017–December 2022
(Basis points, Venezuelan spreads on the secondary axis)



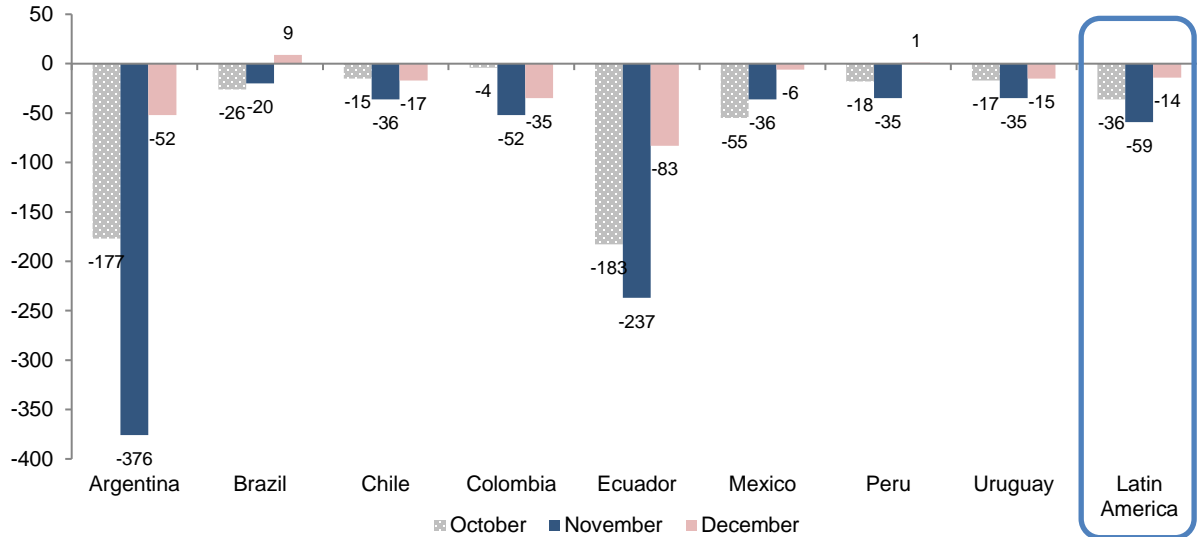
Source: ECLAC Washington Office, based on data from JPMorgan. Note: due to the difference in magnitude, the series with Venezuelan spreads is shown on the secondary axis.

At 44,840 basis points at the end of December, Venezuela has the highest debt spreads of any country in the EMBIG. Spreads for Argentina, Ecuador, Mexico, Colombia, Brazil, Peru, Chile, and Uruguay were at 2,196, 1,250, 386, 369, 258, 194, 140 and 91 basis points, respectively, at the end of December. After reaching a peak in September, LAC debt spreads tightened in the fourth quarter for all countries in our sample (figure 22), as the region showed progress in the fight against inflation and many of the forces that were pushing U.S. Treasury yields higher subsided.

In 2022, LAC spreads tracked U.S. high-yield corporate credit spreads, as measured by the Bank of America/Merrill Lynch (BAML) U.S. High Yield index (figure 23). Although historically LAC sovereign spreads have tracked U.S. high-yield corporate credit spreads, they decoupled negatively from 2017 to 2019, when the region

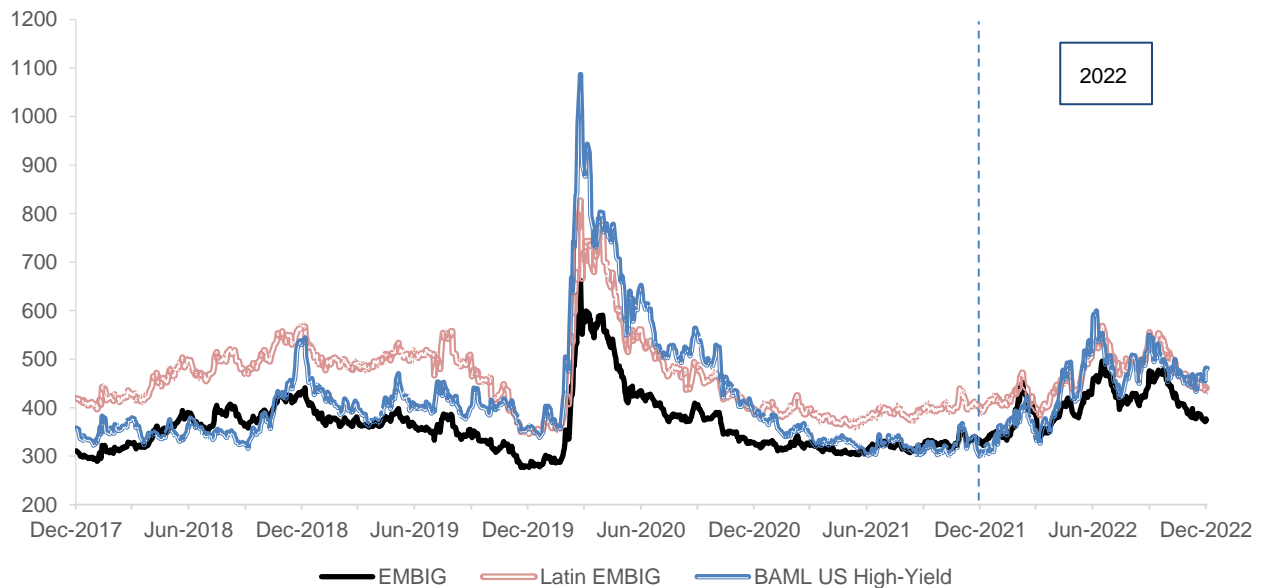
underperformed economic growth in other parts of the world. In 2020, U.S. corporate credit spreads increased more than LAC spreads, as the United States high-yield corporate sector was sharply affected by the pandemic. In 2021, however, LAC sovereign spreads once again decoupled negatively, as prospects for the U.S. economy improved with vaccinations and strong fiscal support, while the LAC region faced limited vaccine supplies and constrained fiscal space for most of the year. In 2022 LAC spreads did not decouple negatively, despite worsening global macroeconomic and financial conditions, benefitting from high exposure to commodities along with currency strength versus the U.S. dollar, as well as progress in slowing inflation at the domestic level.

Figure 22
Latin American EMBIG spreads by country: monthly differential, October–December 2022
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

Figure 23
EMBIG and Latin EMBIG vs U.S. high-yield spreads, December 2017–December 2022
(Basis points)

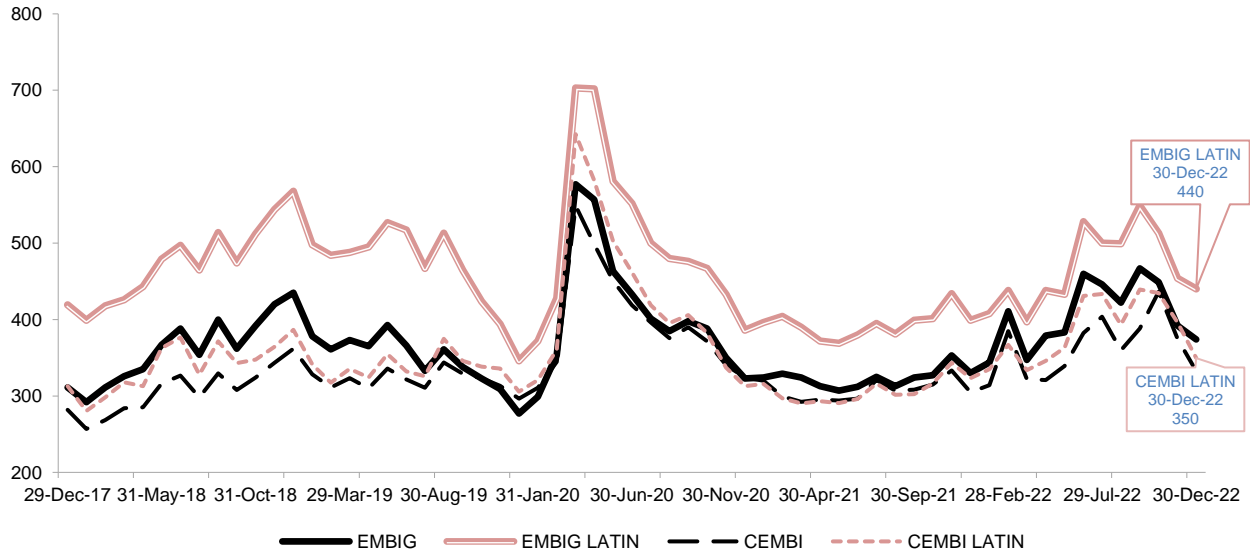


Source: ECLAC Washington Office, based on data from JPMorgan and from the Federal Reserve Bank of St. Louis (ICE BofAML US High Yield Master II Option-Adjusted Spread, Percent, daily. Not Seasonally Adjusted).

2. Corporate spreads

LAC corporate bond spreads widened 26 basis points in 2022 according to the JPMorgan Latin American Corporate Emerging Markets Bond Index (CEMBI). At the end of December 2022, the Latin CEMBI (at 350 basis points) was 90 basis points lower than its sovereign counterpart, the Latin EMBIG (figure 24).

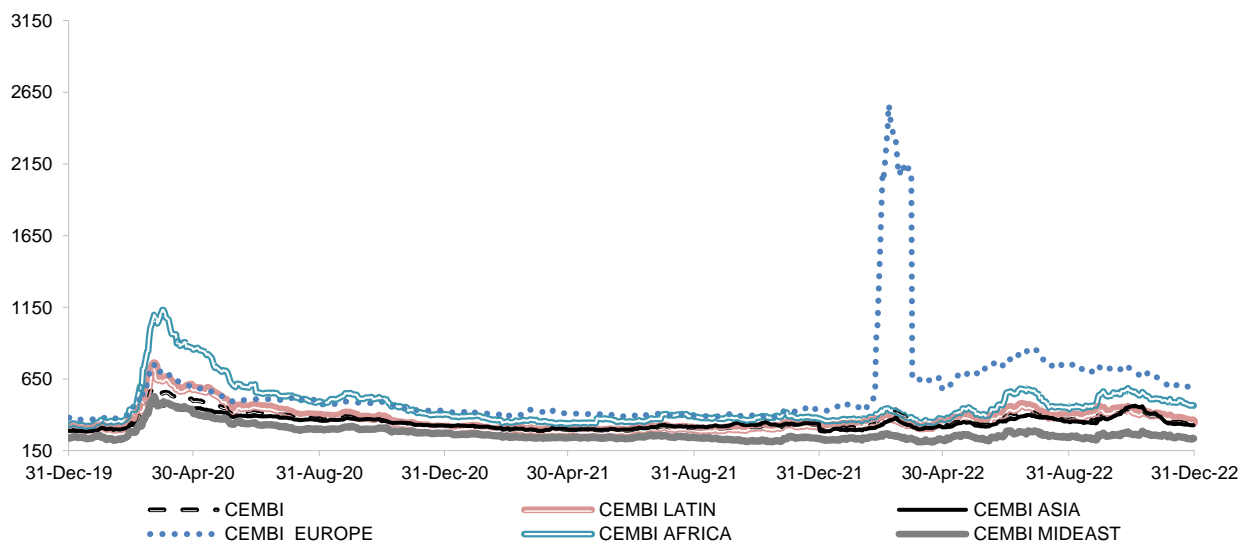
Figure 24
EMBIG spreads, corporate and sovereign, December 2017–December 2022
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan.

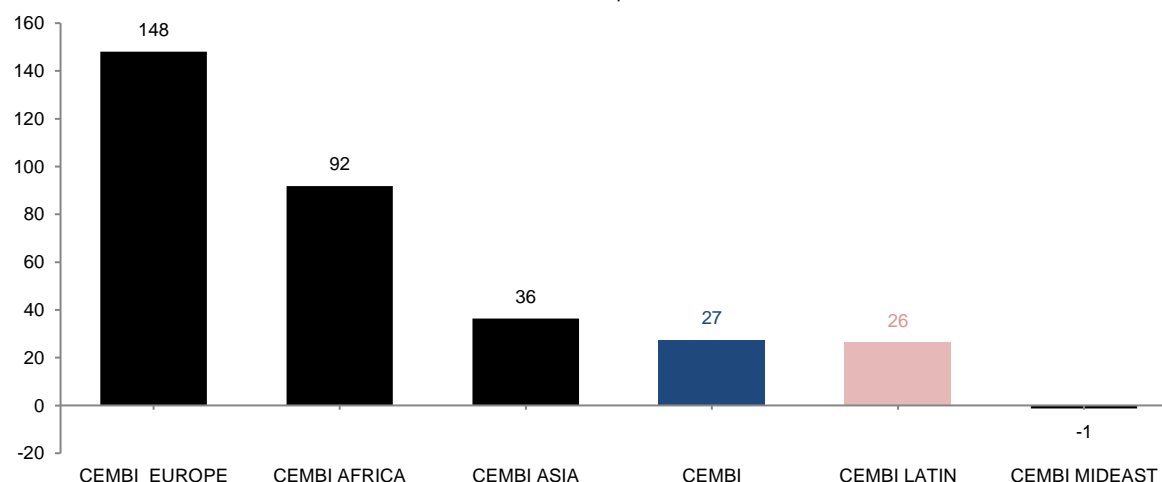
The increase in LAC corporate bond spreads in 2022 ranked fourth when compared with other emerging market regions (figures 22 and 23), as Latin American interest rates started to increase comparatively more slowly after early efforts to tighten monetary policy to combat inflation started to show progress.

Figure 25
CEMBI spreads by region, December 2019–December 2022
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan CEMBI.

Figure 26
CEMBI spread differentials by region, 2022
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan CEMBI.

D. The Caribbean⁵: a closer look

There were four international bond issuances from the Caribbean region in 2022, all in the first half of the year, totaling US\$ 955 million (table 7).

Table 7
Caribbean international bond issuances, 2022
(Millions, percentage)

Country	Issuer	Amount (Millions)	Amount in dollars (Millions)	Coupon (%)	Maturity	Issue Date
Trinidad and Tobago	Telecommunications Services of Trinidad and Tobago (TSTT)	TTD 476	70	8.300%	2029 (r)	15-Mar-22
Trinidad and Tobago	Heritage Petroleum Company (Trinidad Petroleum Holdings Ltd)	USD 500	500	9.000%	2029	5-May-22
Bahamas	Commonwealth of Bahamas	USD 250	250	9.000%	2029 (blue)	9-Jun-22
Bahamas	Commonwealth of Bahamas	USD 135	135	3.850%	2036 (blue)	10-Jun-22
TOTAL			955			

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance. Notes: (r)=retap; (blue)=blue bond. YTD: Year to date.

In March, state-owned Telecommunications Services of Trinidad and Tobago (TSTT) reopened its 8.300% 2029 local-currency bond originally issued in October 2019 to add TTD 476 million (US\$ 70.1 million) to cover severance pay for 573 employees as part of its downsizing plans, according to a securities filing.

In May, Trinidad and Tobago's state-owned Heritage Petroleum Company issued a 9% 2029 bond totaling US\$ 500 million to pay for the buyback of up to US\$ 570 million in 9.75% 2026 bonds issued by former state-owned oil company Petrotrin. In November 2018, the government closed Petrotrin and shut its largest refinery. Petrotrin was divided into four new companies with Trinidad Petroleum as the holding company.

In June, the Commonwealth of The Bahamas placed a two-part deal in international bond markets. The sale of US\$ 385 million in dollar-denominated blue notes (US\$ 235 million in seven-year notes and US\$ 135 million in 14-year notes) was partially guaranteed in the amount of US\$ 200 million by the Inter-American Development Bank (IDB). Moody's assigned the proposed bonds a Aaa rating, while S&P Global Ratings gave

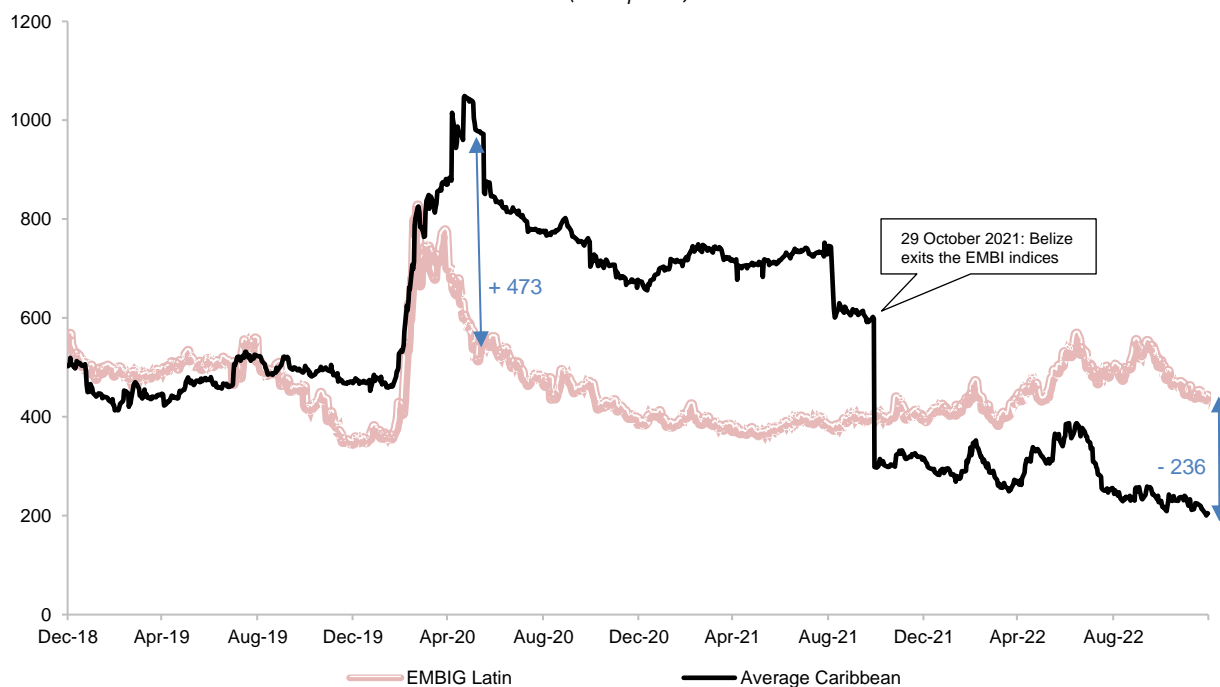
⁵ Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago. Of these 13 countries, only a few have tapped international capital markets.

them a AAA. Both agencies cited the guarantees from the IDB as a reason for the high ratings. The agencies said the US\$ 200 million in guarantees would be enough to cover the principal and interest payments for the 14-year bonds and part of the seven-year bonds, according to Moody's and S&P. The Bahamas plans to use the proceeds from the bond sale to fund the preservation of its ocean and marine life through a blue economy program.

There were three credit rating actions in the Caribbean in 2022, two positive and one negative. On 21 July 2022, S&P revised the outlook on Trinidad and Tobago's BBB- sovereign rating to stable from negative, citing the return to economic growth after six years of contraction. On 6 October 2022, Moody's downgraded The Bahamas's sovereign rating to B1 from Ba3 with a stable outlook, citing a higher degree of government liquidity risk and constrained funding options given elevated external borrowing costs. And on 16 November, Moody's upgraded Belize to Caa2 from Caa3 and maintained a stable outlook, citing a lower debt/GDP ratio following the buyback of the "super bond" in November 2021.

At the end of December 2022, Caribbean spreads were 236 basis points lower than the EMBIG Latin component, with the gap reverting from a peak of 473 basis points higher on 2 June 2020. Belize exited the EMBI indices on 29 October 2021, as its step-up sovereign bond due 2034 (the "super bond") fell below the US\$ 500 million notional requirement following its restructuring⁶. Since then, the gap has reversed (figure 27).

Figure 27
EMBIG Spreads, Caribbean versus LAC, December 2018–December 2022
(Basis points)

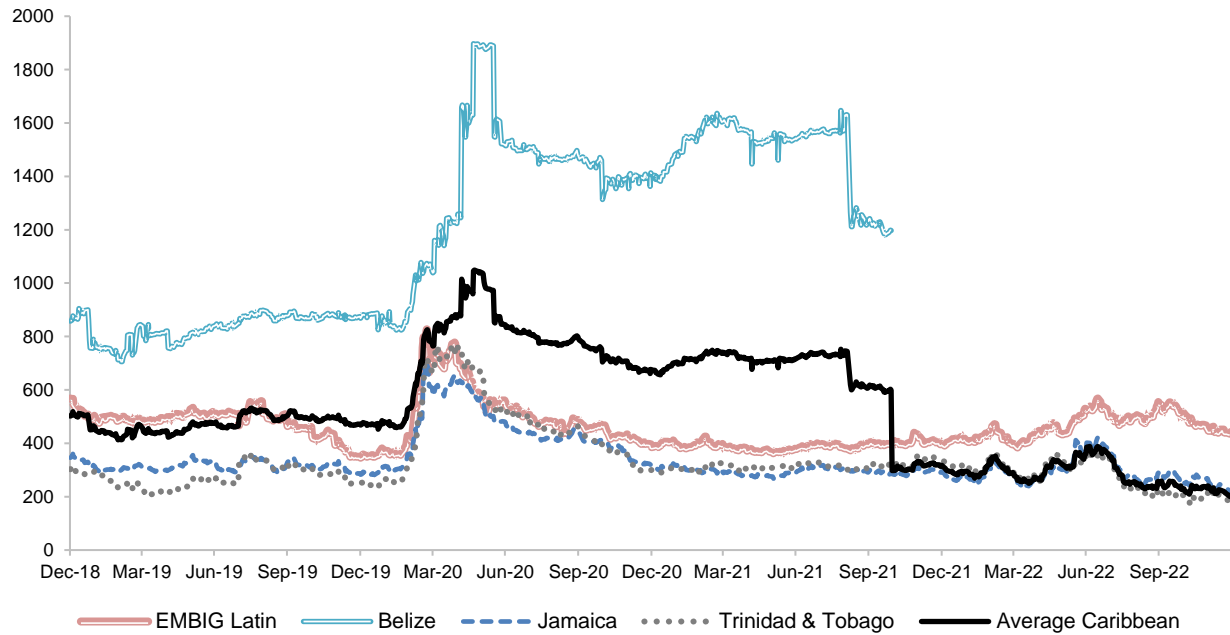


Source: ECLAC Washington Office, based on data from JPMorgan. The Caribbean average includes Belize, Jamaica, and Trinidad and Tobago.

⁶ On 5 November 2021, the Government of Belize announced the settlement of the offer to purchase its U.S. dollar bond due 2034, redeeming all notes that had not yet been tendered. This operation was financed with funding provided by a subsidiary of The Nature Conservancy (TNC) as part of TNC's Blue Bonds for Ocean Conservation program, which uses private capital to refinance public debt of participating countries in order to support durable marine conservation efforts and sustainable marine-based economic activity. For a more detailed discussion see Economic Commission for Latin America and the Caribbean (ECLAC), [Capital flows to Latin America and the Caribbean: first nine months of 2021](#) (LC/WAS/TS.2021/9), p. 30-31, Santiago, 2021.

Caribbean average spreads tightened 113 basis points in 2022, to 205 basis points at the end of December 2022 (figure 28).⁷ Trinidad and Tobago's spreads tightened 156 basis points to 183 basis points and Jamaica's spreads tightened 69 basis points to 226 basis points. Suriname's spreads, which are not included in the chart below since no daily data is available, tightened 38 basis points in 2022, to 1,657 basis points at the end of December 2022 from 1,695 at end of December 2021.

Figure 28
Caribbean countries: EMBIG Spreads, December 2018–December 2022
(Basis points)



Source: ECLAC Washington Office, based on data from JPMorgan. The Caribbean average includes Belize, Jamaica, and Trinidad and Tobago.

⁷ The Caribbean average was based on daily data available for Belize, Jamaica and Trinidad and Tobago until October 2021. Now it is based on daily data available for Jamaica and Trinidad and Tobago. No daily data is available for Suriname, which was added to the EMBIG index following its cross-border debut in October 2016 with the issuance of a US\$ 550 million 2026 sovereign bond with a 6.25% coupon.

II. Portfolio equity flows

Despite the turbulence of the past year, equity prices and flows to the region showed resilience, with the MSCI Latin American index outperforming the emerging markets and the G7 indices in 2022 (figure 9 on p.12). On a quarterly basis, Latin America posted gains in three of the four quarters of 2022.

The index performed particularly well in the first quarter of 2022, gaining 26%. The gains were driven by a sharp increase in Brazilian and Peruvian equities (34.3%), closely followed by Colombia (32.7%) due to rising commodity prices and the combination of cheap valuations relative to fundamentals and a very light portfolio positioning going into year-end 2021. The gains did not endure and in the second quarter the region recorded losses amounting to 24%, while recording a small gain of less than 1% in the third quarter, with inflation, rising interest rates, the Russia-Ukraine conflict, and domestic political uncertainty continuing to loom over the region. In the fourth quarter the index gained 3.6%, benefitting from high exposure to commodities along with currency strength versus the U.S. dollar. On an annual basis, the MSCI Latin American index lost 0.07% in 2022 (table 8).

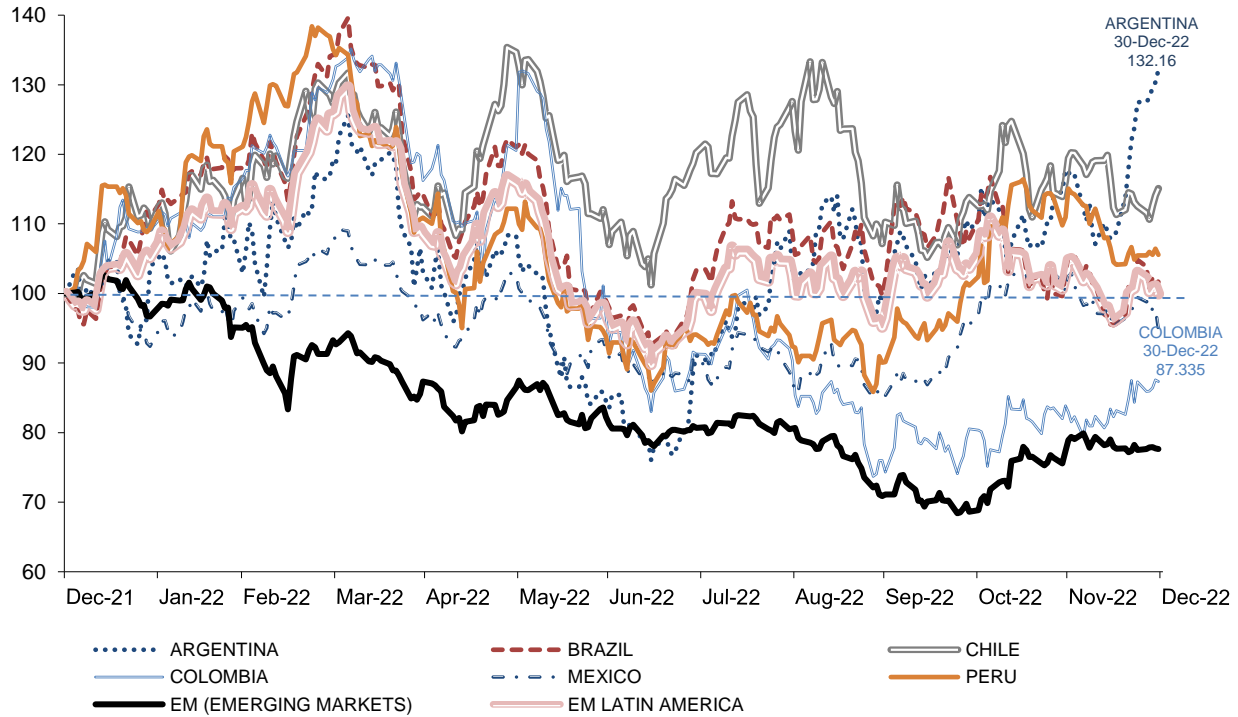
Table 8
MSCI equity indices, 2022
(Dollars, percentage)

	Price Index in USD					Variation				
	31-Dec-22	31-Mar-22	30-Jun-22	30-Sep-22	30-Dec-22	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022
<i>Emerging markets</i>	1,232.01	1,141.79	1,000.67	875.79	956.38	-7.32%	-12.36%	-12.48%	9.20%	-22.37%
<i>Latin America</i>	2,129.86	2,686.24	2,041.09	2,054.56	2,128.29	26.12%	-24.02%	0.66%	3.59%	-0.07%
<i>Argentina</i>	2,158.81	2,564.03	1,803.10	2,155.69	2,853.07	18.77%	-29.68%	19.56%	32.35%	32.16%
<i>Brazil</i>	1,434.87	1,926.88	1,405.20	1,462.47	1,458.71	34.29%	-27.07%	4.08%	-0.26%	1.66%
<i>Chile</i>	965.589	1,243.50	1,033.34	1,064.69	1,111.21	28.78%	-16.90%	3.03%	4.37%	15.08%
<i>Colombia</i>	451.253	598.628	418.403	335.508	394.103	32.66%	-30.11%	-19.81%	17.46%	-12.66%
<i>Mexico</i>	5,461.79	5,915.67	4,960.41	4,660.22	5,176.69	8.31%	-16.15%	-6.05%	11.08%	-5.22%
<i>Peru</i>	1,190.59	1,598.51	1,087.93	1,073.59	1,256.78	34.26%	-31.94%	-1.32%	17.06%	5.56%

Source: ECLAC Washington Office, based on data from MSCI Equity Indices, <http://www.msci.com/equity/index2.html>. YTD: Year to date.

Argentina and Chile recorded the largest cumulative gains in 2022 —32.2% and 15.1%, respectively— followed by Peru (5.6%) and Brazil (1.7%). Colombian equity prices recorded the steepest cumulative losses (-12.7%), followed by Mexico (-5.2%) (figure 29). While part of Argentina’s gains reflected its high inflation rate, Chile’s were driven by its exposure to the mining sector. The largest markets in the region, Brazil and Mexico, both had ups and downs in 2022. Brazilian equity prices ended the year in positive territory with an almost 2% gain, driven by mining and oil & gas companies.

Figure 29
MSCI equity price index, 2022
(Index levels)



Source: ECLAC Washington Office, based on data from MSCI Equity Indices, <http://www.msci.com/equity/index2.html>. Prices at the end of the month.

III. Prospects

Latin American and Caribbean (LAC) bond activity in international markets declined sharply in 2022, affected by U.S. interest rate increases, withdrawal of dollar liquidity, and instability in stock markets. LAC international bond issuance in 2022 was only 43% of the record-breaking pace observed in 2021, the average coupon was 1.3% higher, 66% of the total came from investment grade issuers (compared to 61% in 2021), and the average debt maturity was three years lower.

Sharp rises in bond yields in developed markets in 2022 —amid shifts by the Federal Reserve and other central banks towards a tightening stance— put LAC assets under pressure. The war in Ukraine compounded external risks. On the domestic side, high inflation hindered investment, while political uncertainty brought by elections and new governments in some of the region's larger economies increased, although these domestic pressures subsided towards the end of the year.

Navigating through a challenging year, the region's sovereign issuers increased their overall share of debt issuance in international markets in 2022 (to 51% from 39% in 2021). Quasi-sovereign (state-owned companies) and supranational issuers also increased their share in the region's total international corporate issuance (to 34% from 19% in 2021). Private corporate issuers, which had been the main driver of the region's international debt issuances since 2009, saw a steep decline in their share, however.

Like the broader debt market, the sustainable debt market saw a trend of declining bond activity in 2022, particularly in the corporate sector. The issuance of green, social, sustainability and sustainability-linked (GSSS) bonds remained resilient, however, slightly increasing its share of the region's total amount of international debt issuances to 32% from 31% in 2021.

Despite the difficult financial landscaping throughout the year, the 2022 GSSS total (at US\$ 20.5 billion) was still the region's second highest GSSS annual volume ever issued in international markets. Expectations of a rebound in 2023 and beyond remain optimistic, but a return to the peak seen in 2021 may be unlikely. With market scrutiny of issuers' sustainable targets steadily increasing, issuers' fears of being exposed to reputational damage may potentially constrain growth.⁸

The role of sovereign issuers is expected to remain of critical importance to expand the region's sustainable bond markets in 2023 and beyond. The participation of the region's sovereign issuers in the

⁸ For more on this issue see Moody's Investors Service, "Sustainable bond issuance to rebound 10% in 2023 to \$950 billion, short of record high", *Sector in-depth, Sustainable Finance - Global*, 31 January 2023.

International sustainable bond market started only in mid-2019 when the Government of Chile issued the region's first sovereign green bond in international markets. Until then, the region's sustainable bond issuances were all from the corporate sector. Since 2020, sovereign issuers have led the region's international GSSS bond volumes and in 2022 they accounted for almost 60% of the region's total GSSS bond issuances.

LAC sovereign issuers also accounted for several innovations in the sustainable market in 2022, including the world's first sovereign SLB issued by Chile in March, the addition of a step-down coupon with the region's second sovereign SLB issued by Uruguay in October, the first sovereign sustainability bond in local currency (Chilean pesos) also in October and multi-currency sovereign Sustainable Development Goals (SDG)—focused bond issuances by Mexico in August. These instruments and the innovations seen in 2022 may present a unique opportunity to the region to navigate a more adverse external scenario and foster a sustainable recovery.

Finally, the region's bond activity is expected to rebound in 2023 on the expectation that a period of rising global interest rates may be nearing its peak and that China's reopening will lift commodity prices and lead to gains in financial markets. In January 2023, LAC sovereign and corporate bond issuers placed almost US\$ 17 billion in international bonds, a sizable improvement from the last few months of 2022, but a weaker January issuance than in previous years. Some of the trends observed in 2022 persevered, however, as sovereign issuers accounted for 48% and quasi-sovereign and supranational issuers for 36% of the January total, while the average coupon was almost 3% higher than the average coupon in January 2021 and 1.5% higher than the average coupon in 2022.

Although global conditions have improved since the beginning of 2023—inflation is coming down, U.S. growth is still robust, China's economy is reopening, and Europe has avoided a recession despite an energy crunch—uncertainty remains high. Global central banks' battle to tame inflation is still ongoing and the global liquidity environment this year is expected to remain challenging for the region's sovereign and corporate issuers alike.

Annexes

Annex 1 New LAC bond issuances

Table 9 (Annex 1)
LAC international bond issuances in the first quarter of 2022

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Jan-22					
Mexico	United Mexican States	USD 2868	2,868	3.500%	2034
Mexico	United Mexican States	USD 2931	2,931	4.400%	2052
Chile	Banco de Crédito e Inversiones - BCI	CHF 200	219	0.599%	2027 (g)
Brazil	Globo Comunicacoes e Participacoes SA - GLOBOPAR	USD 400	400	5.500%	2032 (SLB)
Brazil	Banco do Brasil SA	USD 500	500	4.875%	2029 (soc)
Mexico	GCC Cemento SA de CV	USD 500	500	3.614%	2032 (SLB)
Brazil	Açu Petroleo	USD 600	600	7.500%	2032
Brazil	Banco Bradesco SA	USD 500	500	4.375%	2027 (sust)
Chile	Mercury Chile HoldCo LLC	USD 360	360	6.500%	2027
Panama	Republic of Panama	USD 1000	1,000	3.298%	2033
Panama	Republic of Panama	USD 1500	1,500	4.500%	2063
Chile	Agrosuper SA	USD 500	500	4.600%	2032
Supranational	Millicom International Cellular SA	SEK2250	252	3m Stibor+300bps	2027 (sust)
Mexico	Alsea SAB de CV/Food Service Project SA	EUR 300	342	5.500%	2027
Chile	Compañía Cervecerías Unidas SA - CCU	USD 600	600	3.350%	2032
Supranational	CAF Development Bank of Latin America	CHF 350	383	0.450%	2027 (g)
Brazil	JBS USA Lux SA	USD 600	600	3.000%	2029
Brazil	JBS USA Lux SA	USD 900	900	4.375%	2052
Guatemala	Central America Bottling Corp	USD 1100	1,100	5.250%	2029 (SLB)
Paraguay	Republic of Paraguay	USD 501	501	3.849%	2033
Chile	Sociedad de Transmisión Austral (STA)	USD 390	390	4.000%	2032 (g)
Brazil	Itaú BBA International plc	CHF 150	163	0.560%	2025
Colombia	Patrimonio Autónomo Unión Del Sur	COP 1027500	259	6.660%	2041
Chile	Republic of Chile	USD 1500	1,500	2.750%	2027 (sust)
Chile	Republic of Chile	USD 1500	1,500	3.500%	2034 (sust)
Chile	Republic of Chile	USD 1000	1,000	4.000%	2052 (sust)
Supranational	Millicom Int'l Cellular SA / Comunicaciones Celulares SA - COMCEL	USD 900	900	5.125%	2032
Chile	Inversiones La Construccion SA	USD 300	300	4.750%	2032
			22,568		
Feb-22					
Supranational	CAF Development Bank of Latin America	USD 650	650	2.250%	2027
Supranational	CAF Development Bank of Latin America	JPY 7200	63	0.600%	2032
Brazil	CSN Resources SA	USD 500	500	5.875%	2032
Brazil	Usina Coruripe Açúcar e Álcool	USD 300	300	10.000%	2027
Mexico	United Mexican States	EUR 800	915	2.375%	2030
Mexico	Comisión Federal de Electricidad - CFE	USD 1250	1,250	4.688%	2029 (sust)
Mexico	Comisión Federal de Electricidad - CFE	USD 500	500	6.264%	2052 (sust)
Dom. Republic	Dominican Republic	USD 1782	1,782	5.500%	2029
Dom. Republic	Dominican Republic	USD 1782	1,782	6.000%	2033
Supranational	CAF Development Bank of Latin America	MXP 7500	370	6.820%	2031 (r)
Bolivia	Republic of Bolivia	USD 850	850	7.500%	2030
			8,962		
Mar-22					
Chile	Banco de Crédito e Inversiones - BCI	USD 10	10	Sofr +125	2029
Chile	Republic of Chile	USD 2000	2,000	4.340%	2042 (SLB)
Chile	Banco de Crédito e Inversiones - BCI	USD 25	25		2027
Trinidad and Tobago	Telecommunications Services of Trinidad and Tobago (TSTT)	TTD 476	70	8.300%	2029 (r)
Mexico	Grupo Aeroméxico S.A.B. de C.V.	USD 763	763	8.500%	2027
Ecuador	Banco Pichincha	USD 100	100	6-mth L + 4.3%	2027 (soc)
Mexico	America Móvil SAB de CV	USD 1000	1,000	5.375%	2032
			3,968		

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Notes:

(r): retap, (g) green, (blue) blue, (soc) social, (sust) sustainability, (SLB) sustainability-linked.

Q1 2022 **35,497**

Table 10 (Annex 1)
LAC international bond issuances in the second quarter of 2022

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Apr-22					
Peru	Consortio Transmantaro SA	USD 500	500	5.200%	2038
Peru	Fondo MIVIVIENDA SA	USD 600	600	4.625%	2027 (sust)
Brazil	Natura &Co Luxembourg Holdings Sarl	USD 600	600	6.000%	2029
Uruguay	Arcos Dorados BV	USD 350	350	6.125%	2029 (SLB)
Brazil	Aegea Saneamento e Participações	USD 500	500	6.750%	2029 (SLB)
			2,550		
May-22					
Trinidad & Tobago	Heritage Petroleum Company (Trinidad Petroleum Holdings Ltd)	USD 500	500	9.000%	2029
Chile	Antofagasta plc	USD 500	500	5.625%	2032
Supranational	Central American Bank for Economic Integration (CABEI)	AUD 110	77	4.700%	2042 (soc)
Supranational	Central American Bank for Economic Integration (CABEI)	USD 75	75	3.169%	2024
			1,152		
Jun-22					
Mexico	Petroleos Mexicanos – PEMEX	USD 1500	1,500	8.750%	2029
Supranational	Central American Bank for Economic Integration (CABEI)	AUD 72	52	3.940%	2032 (soc)
Brazil	JBS USA Lux SA	USD 500	500	5.125%	2028
Brazil	JBS USA Lux SA	USD 1259	1,250	5.750%	2033
Dom. Republic	Dominican Republic	DOP 70000	1,299	13.000%	2034
Brazil	JBS USA Lux SA	USD 750	750	6.500%	2052
Supranational	Central American Bank for Economic Integration (CABEI)	CHF 155	159	1.546%	2026 (g)
Supranational	Central American Bank for Economic Integration (CABEI)	AUD 50	35	3.940%	2027 (soc)
Bahamas	Commonwealth of Bahamas	USD 250	250	9.000%	2029 (blue)
Bahamas	Commonwealth of Bahamas	USD 135	135	3.850%	2036 (blue)
Peru	Banco de Crédito del Perú (BCP)	USD 30	30	5.050%	2027 (g)
Mexico	Petroleos Mexicanos – PEMEX	USD 288	288	8.750%	2029
			6,248		

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Notes:

(r): retap, (g) green, (blue) blue, (soc) social, (sust) sustainability, (SLB) sustainability-linked.

Q2 2022 **9,950**

H1 2022 **45,447**

Table 11 (Annex 1)
LAC international bond issuances in the third quarter of 2022

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Jul-22					
Supranational	CAF Development Bank of Latin America	EUR 500	516	2.375%	2027
Ecuador	Banco Pichincha - Ecuador DPR Fund	USD 300	300	9.950%	2029 (soc)
Mexico	America Movil SAB de CV	USD 750	750	4.700%	2032
			1,566		
Aug-22					
Guatemala	Republic of Guatemala	USD 500	500	5.250%	2029
Supranational	Bladex - Banco Latinoamericano de Comercio Exterior	JPY 1000	7	0.440%	2024
Dom. Republic	Dominican Republic	DOP 50000	914	12.000%	2025
Mexico	United Mexican States	USD 2203.58	2,204	4.875%	2033 (sust)
Supranational	Central American Bank for Economic Integration (CABEI)	USD 500	50	3-mth Other +100	2027
Supranational	CAF Development Bank of Latin America	CHF 225	236	2.080%	2028
Supranational	Central American Bank for Economic Integration (CABEI)	USD 35	35	3-mth Sofr +100	2027
Mexico	United Mexican States	JPY 29700	217	1.000%	2025 (sust)
Mexico	United Mexican States	JPY 23800	174	1.250%	2027 (sust)
Mexico	United Mexican States	JPY 14900	109	1.830%	2032 (sust)
Mexico	United Mexican States	JPY 4000	29	2.280%	2037 (sust)
Mexico	United Mexican States	JPY 3200	23	2.520%	2042 (sust)
			4,499		
Sep-22					
Supranational	Central American Bank for Economic Integration (CABEI)	USD 55	55	4.000%	2027 (soc)
Supranational	Central American Bank for Economic Integration (CABEI)	AUD 60	40	5.000%	2029
Brazil	JBS USA Lux SA	USD 400	400	5.125%	2028 (r)
Brazil	JBS USA Lux SA	USD 800	800	5.750%	2033 (r)
Brazil	JBS USA Lux SA	USD 800	800	6.500%	2052 (r)
Supranational	CAF Development Bank of Latin America	MXP 750	37	4.830%	2037
			2,132		

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Notes:

(r): retap, (g) green, (blue) blue, (soc) social, (sust) sustainability, (SLB) sustainability-linked.

Q3 2022 **8,197**

Table 12 (Annex 1)
LAC international bond issuances in the fourth quarter of 2022

Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon (%)	Maturity
Oct-22					
Dom. Republic	Dominican Republic CBN	DOP 60000	1,130	12.000%	2025
Argentina	Arcor	USD 265	265	8.250%	2027
Chile	LATAM Airlines Group SA	USD 450	450	13.375%	2027
Chile	LATAM Airlines Group SA	USD 700	700	13.375%	2029
Uruguay	Oriental Republic of Uruguay	USD 1500	1,500	5.750%	2034 (SLB)
Chile	Republic of Chile	CLP 1000000	1,026	7.000%	2034 (sust)
			5,071		
Nov-22					
Supranational	Central American Bank for Economic Integration (CABEI)	EUR 25	24	4.125%	2037 (g)
Peru	CFG Peru Investments	USD 300	300	10.000%	2032
Panama	Republic of Panama	USD 1500	1,500	6.400%	2035
Venezuela	CAF Development Bank of Latin America	USD 800	800	5.250%	2025
Supranational	Central American Bank for Economic Integration (CABEI)	USD 250	250	5.229%	2032
Panama	Bladex - Banco Latinoamericano de Comercio Exterior	AUD 15	10	6.810%	2034
Supranational	Central American Bank for Economic Integration (CABEI)	CHF 110	115	2.138%	2027 (g)
Colombia	Republic of Colombia	USD 1624	1,624	8.000%	2033
			4,624		
Dec-22					
Supranational	Central American Bank for Economic Integration (CABEI)	AUD 30	20	4.400%	2027 (blue)
Supranational	Central American Bank for Economic Integration (CABEI)	JPY 10000	76	0.562%	2027 (blue)
Supranational	CAF Development Bank of Latin America	EUR 50	54	1.125%	2025 (r)
Supranational	Central American Bank for Economic Integration (CABEI)	USD 50	50	4.880%	2033 (soc)
Argentina	Agua y Saneamientos Argentinos	USD 350	350	7.900%	2026
			550		

Source: ECLAC Washington Office, based on data from Dealogic and LatinFinance.

Notes:

(r): retap, (g) green, (blue) blue, (soc) social, (sust) sustainability, (SLB) sustainability-linked.

Q4 2022 **10,245**
2022 **63,889**

Annex 2 LAC credit ratings

Table 13 (Annex 2)
Credit ratings in Latin America and the Caribbean, 2022 (as of 30 December 2022)

	Moody's		S&P		Fitch		Recent Moody's Action		Recent S&P Action		Recent Fitch Action	
	Rating	View	Rating	View	Rating	View	Action	Date	Action	Date	Action	Date
Argentina	Ca		CCC+		CCC-	No O/L	Affirmed, O/L stable	27-Sep-22	Upgrade, O/L stable	7-Sep-20	Downgrade, No outlook	26-Oct-22
Bahamas	B1		B+		NR		Downgrade, O/L stable	6-Oct-22	Downgrade, O/L stable	12-Nov-21		
Barbados	Caa1		B-		B		Upgrade, O/L stable	2-Jul-19	Affirmed, O/L stable	21-Nov-22	Assigned	20-Oct-22
Belize	Caa2		B-		NR		Upgrade, O/L stable	16-Nov-22	Upgrade, O/L stable	9-Nov-21		
Bolivia	B2	(-)	B		B		O/L changed to (-) from stable	30-Sep-21	Downgrade, O/L stable	6-Dec-22	Affirmed, O/L stable	20-Sep-22
Brazil	Ba2		BB-		BB-		Affirmed, O/L stable	9-Nov-22	Affirmed, O/L stable	15-Jun-22	Affirmed, O/L stable	20-Dec-22
Chile	A2		A		A-		Downgrade, O/L stable	15-Sep-22	Downgrade, O/L stable	24-Mar-21	Affirmed, O/L stable	8-Dec-22
Colombia	Baa2		BB+		BB+		O/L changed to stable from (-)	6-Oct-21	Affirmed, O/L stable	5-May-22	Affirmed, O/L stable	15-Dec-22
Costa Rica	B2		B		B		O/L changed to stable from (-)	8-Dec-21	O/L changed to stable from (-)	17-Mar-22	O/L changed to stable from (-)	11-Mar-22
Cuba	Ca		NR		NR		Downgrade, O/L stable	18-Nov-21				
Dom. Rep.	Ba3		BB		BB-		Affirmed, O/L stable	26-Mar-21	Upgrade, O/L stable	19-Dec-22	Affirmed, O/L stable	6-Dec-22
Ecuador	NR		B-		B-		Rating withdrawn	12-Jul-21	Affirmed, O/L stable	17-Aug-22	Upgrade	3-Sep-20
El Salvador	Caa3	(-)	CCC+	(-)	CC	No O/L	Downgrade, O/L (-)	4-May-22	Affirmed, O/L (-)	5-Dec-22	Downgrade, No outlook	15-Sep-22
Guatemala	Ba1		BB-	(+)	BB-	(+)	O/L changed to stable from (-)	15-Jun-22	O/L changed to (+) from stable	19-Apr-22	O/L changed to (+) from stable	26-Apr-22
Honduras	B1		BB-	(-)	NR		Affirmed, O/L stable	12-Jun-19	O/L changed to (-) from stable	21-Jul-22		
Jamaica	B2		B+		B+		Upgrade, O/L stable	11-Dec-19	O/L changed to stable from (-)	4-Oct-21	Affirmed, O/L stable	9-Mar-22
Mexico	Baa2		BBB		BBB-		Downgrade, O/L stable	8-Jul-22	O/L changed to stable from (-)	6-Jul-22	Affirmed, O/L stable	18-Nov-22
Nicaragua	B3		B		B-		Affirmed, O/L stable	30-Mar-22	Upgrade, O/L stable	25-Oct-22	Affirmed, O/L stable	7-Jun-22
Panama	Baa2	(-)	BBB	(-)	BBB-		O/L changed to (-) from stable	25-Oct-22	Affirmed, O/L (-)	10-Aug-22	Affirmed, O/L stable	4-Oct-22
Paraguay	Ba1	(+)	BB		BB+		O/L changed to (+) from stable	22-Jul-22	Affirmed, O/L stable	18-May-22	Affirmed, O/L stable	22-Nov-22
Peru	Baa1		BBB	(-)	BBB	(-)	Downgrade, O/L stable	1-Sep-21	O/L changed to (-) from stable	12-Dec-22	O/L changed to (-) from stable	20-Oct-22
St Vincent	B3		NR		NR		Affirmed, O/L stable	1-Mar-22				
Suriname	Caa3	(-)	CCC		RD		Downgrade, O/L (-)	7-Jul-20	Upgrade, O/L stable	16-Sep-20	Affirmed, rate withdrawn	15-Jan-22
T&T	Ba2		BBB-		NR		Downgrade, O/L stable	19-Nov-21	O/L changed to stable from (-)	21-Jul-22		
Uruguay	Baa2		BBB		BBB-		Affirmed, O/L stable	6-Aug-19	Affirmed, O/L stable	21-Apr-22	Affirmed, O/L stable	29-Jun-22
Venezuela	C		NR		RD		Downgrade, O/L stable	9-Mar-18	Rating withdrawn	20-Sep-21	Affirmed and withdrawn	27-Jun-19

Source: ECLAC Washington Office based on data from Moody's, Standard & Poor's, and Fitch. Changes for 2022 are in pink.

Note: Moody's ratings are qualified by outlooks and reviews while S&P and Fitch ratings are qualified by outlooks and watches. A review/watch [+ or -] is indicative of a likely short-term development. An outlook [(+) or (-)] suggests that a review/watch or long/intermediate-term movement is likely. No O/L: no outlook; Fitch does not assign Outlooks to sovereigns with a rating of 'CCC+' or below.

Box 1 (Annex 2)
Credit rating actions in Latin America and the Caribbean –2022

There were 13 positive and 14 negative actions in Latin America and the Caribbean from January to December 2022.

Positive Actions: 13 (Bold)

January

- **Panama (28 January): Fitch revises the outlook on Panama’s BBB- rating to stable from negative**, citing the ongoing improvement in the fiscal position and a better-than-expected economic recovery following the initial pandemic shock.

February

March

- St. Vincent and the Grenadines (1 March): Moody’s affirms St. Vincent and the Grenadines’ B3 rating with a stable outlook (*no change*).
- Jamaica (9 March): Fitch affirms Jamaica’s B+ rating with a stable outlook (*no change*).
- **Costa Rica (11 March): Fitch revises the outlook on Costa Rica’s B rating to stable from negative**, citing the significantly better-than-expected improvements in the fiscal position and economic activity following the 2020 pandemic-related shock.
- **Costa Rica (17 March): S&P revises the outlook on Costa Rica’s B rating to stable from negative**, citing the public employment bill passed by the Legislative Assembly and the staff-level agreement with the IMF on both the first and second reviews of its Extended Fund Facility, which should unlock official budgetary financing.
- Nicaragua (30 March): Moody’s affirms Nicaragua’s B3 rating with a stable outlook (*no change*).

April

- Argentina (12 April): Fitch affirms Argentina’s CCC rating (*no change*).
- Brazil (12 April): Moody’s affirms Brazil’s Ba2 rating with a stable outlook (*no change*).
- **Guatemala (19 April): S&P’s revises the outlook on Guatemala’s BB- rating to positive from stable**, citing macroeconomic stability and good economic prospects.
- Uruguay (21 April): S&P affirms Uruguay’s rating at BBB with a stable outlook (*no change*).
- **Guatemala (26 April): Fitch revises the outlook on Guatemala’s BB- rating to positive from stable**, citing better than expected fiscal performance, driven by strong economic recovery and structural improvements in tax collection.
- Peru (29 April): Fitch affirms Peru’s BBB rating with a stable outlook (*no change*).

May

- Colombia (5 May): S&P affirms Colombia’s rating at BB+ with a stable outlook (*no change*).
- Mexico (17 May): Fitch affirms Mexico’s rating at BBB- with a stable outlook (*no change*).
- Paraguay (18 May): S&P affirms Paraguay’s rating at BB with a stable outlook (*no change*).
- Chile (19 May): Fitch affirms Chile’s rating at A- with a stable outlook (*no change*).

June

- Nicaragua (7 June): Fitch affirms Nicaragua’s rating at B- with a stable outlook (*no change*).
- Colombia (10 June): Fitch affirms Colombia’s rating at BB+ with a stable outlook (*no change*).
- Brazil (15 June): S&P affirms Brazil’s rating at BB- with a stable outlook (*no change*).
- **Guatemala (15 June): Moody’s revises the outlook on Guatemala’s Ba1 rating to stable from negative**, citing demonstrated ability to cope with the pandemic shock with a minimal impact to its overall credit profile.
- Uruguay (29 June): Fitch affirms Uruguay’s BBB- rating with a stable outlook (*no change*).

July

- **Mexico (6 July): S&P revises the outlook on Mexico’s BBB sovereign rating to stable from negative** on cautious policy execution.
- **Brazil (14 July): Fitch revises the outlook on Brazil’s BB- sovereign rating to stable from negative**, reflecting the better-than-expected evolution of public finances.
- **Trinidad and Tobago (21 July): S&P revises the outlook on T&T’s BBB- sovereign rating to stable from negative**, on return to economic growth after six years of contraction.
- **Paraguay (22 July): Moody’s revises the outlook on Paraguay’s Ba1 sovereign rating to positive from stable**, citing solid growth, prudent fiscal policy, and structural and fiscal reforms that will support institutional strength and governance.

August

- Ecuador (17 August): S&P affirms Ecuador’s B- rating with a stable outlook (*no change*).
- Ecuador (19 August): Fitch affirms Ecuador’s B- rating with a stable outlook (*no change*).

September

- Bolivia (20 September): Fitch affirms Bolivia's B rating with a stable outlook (*no change*).
- Barbados (23 September): S&P affirms Barbados's B- rating with a stable outlook (*no change*).
- Argentina (27 September): Moody's affirms Argentina's Ca rating with a stable outlook (*no change*).

October

- Panama (4 October): Fitch affirms Panama's BBB- rating with a stable outlook (*no change*).
- Barbados (20 October): Fitch assigns Barbados a B rating with a stable outlook saying loan agreements with the International Monetary Fund (IMF) will support ongoing reforms.
- **Nicaragua (25 October): S&P upgrades Nicaragua's sovereign rating to B from B- with a stable outlook**, citing an economic recovery driven by external demand thanks to rising exports and strong remittances sustaining domestic consumption.

November

- Brazil (9 November): S&P affirms Brazil's long-term foreign currency rating at BB- with a stable outlook (*no change*).
- **Belize (16 November): Moody's upgrades Belize's ratings to Caa2 from Caa3 with a stable outlook**, citing lower debt levels after restructuring the "superbond" in November 2021.
- Mexico (18 November): Fitch affirms Mexico's rating at BBB- with a stable outlook (*no change*).
- Barbados (21 November): S&P affirms Barbados' long-term foreign currency rating at B- with a stable outlook (*no change*).
- Paraguay (22 November): Fitch affirms Paraguay's rating at BB+ with a stable outlook (*no change*).

December

- Dominican Republic (6 December): Fitch affirms Dominican Republic's rating at BB- with a stable outlook (*no change*).
- Chile (8 December): Fitch affirms Chile's rating at A- with a stable outlook (*no change*).
- Colombia (15 December): Fitch affirms Colombia's rating at BB+ with a stable outlook (*no change*).
- **Dominican Republic (19 December 2022): S&P upgrades Dominican Republic's rating to BB from BB- with a stable outlook** on stronger institutions, saying the government's sound economic management has led to a strong recovery in the country.
- Brazil (20 December): Fitch affirms Brazil's rating at BB- with a stable outlook (*no change*).

Negative Actions: 14 (Bold)*January*

- Suriname (15 January): Fitch affirms Suriname's rating at RD (*no change*) and withdraws rating. Fitch is withdrawing Suriname's ratings as the issuer has chosen to stop participating in the rating process.

February

- **El Salvador (9 February): Fitch downgrades El Salvador's sovereign rating to CCC from B-**, citing heightened financing risks stemming from increased reliance on short-term debt, an US\$ 800 million Eurobond repayment due in January 2023, a still-high fiscal deficit, limited scope for additional local market financing, uncertain access to additional multilateral funding and external market financing given high borrowing costs. Fitch does not assign Outlooks to sovereigns with a rating of 'CCC+' or below.
- Bolivia (15 February): S&P affirms Bolivia's B+ ratings; outlook remains negative (*no change*).

March

- **Peru (18 March): S&P downgrades Peru's ratings to BBB from BBB+ with a stable outlook**, saying persistent political deadlock in Peru is undermining efforts to maintain robust investor confidence and constraining growth prospects.

*April**May*

- **El Salvador (4 May): Moody's downgrades El Salvador's sovereign rating to Caa3 from Caa1 and maintains a negative outlook**, reflecting an increased probability of a credit event – restructuring, distressed exchange, or default – with relatively high severity, as the sovereign faces a challenging debt amortization schedule with bond maturities in 2023 and 2025 in a context of continued funding stress and persistently high financing needs.

June

- **El Salvador (01 June): S&P downgrades El Salvador's sovereign rating to CCC+ from B- and maintains a negative outlook**, reflecting its current vulnerabilities and its dependence on favorable economic conditions to meet its financial commitments.

July

- **Mexico (08 July): Moody's downgrades Mexico's sovereign rating to Baa2 from Baa1 with a stable outlook**, citing economic and fiscal trends that Moody's expects to continue to gradually – but persistently – undermine Mexico's overall credit profile.

- **Honduras (21 July): S&P revises the outlook on Honduras' BB- sovereign rating to negative from stable**, on expected fiscal deterioration.

August

- Panama (10 August): S&P affirms Panama's rating at BBB with a negative outlook (*no change*).

September

- **Chile (15 September): Moody's downgrades Chile's sovereign rating to A2 from A1 with a stable outlook**, citing fiscal and economic trends that have gradually but persistently weakened Chile's credit profile, and an upward trend in the country's debt burden that has been exacerbated by the COVID-19 pandemic.
- **El Salvador (15 September): Fitch downgrades El Salvador's sovereign rating to CC from CCC**, citing tight fiscal and external liquidity positions and constrained markets access amid high fiscal financing needs, and a large US\$ 800 million external bond maturity in January 2023. Fitch does not assign Outlooks to sovereigns with a rating of CCC+ or below.

October

- **The Bahamas (6 October): Moody's downgrades The Bahamas's sovereign rating to B1 from Ba3 with a stable outlook**, citing a higher degree of government liquidity risk and constrained funding options given elevated external borrowing costs.
- **Peru (20 October): Fitch revises the outlook on Peru's BBB rating to negative from stable**, citing declines in political stability and government effectiveness.
- **Panama (25 October): Moody's revises the outlook on Panama's Baa2 rating to negative from stable**, citing rising fiscal pressures caused by increased spending on wages, transfers and interest payments.
- **Argentina (26 October): Fitch downgrades Argentina's sovereign rating to CCC- from CCC**, citing deep macroeconomic imbalances and highly constrained external liquidity position.

November

December

- El Salvador (5 December): S&P affirms El Salvador's long-term foreign currency rating at CCC+ with a negative outlook (*no change*).
- **Bolivia (6 December): S&P downgrades Bolivia's rating to B from B+ with a stable outlook on higher external risks**, citing persistent and sizable fiscal deficits that have pushed the government's debt load above 60% of GDP. The stable outlook balances these vulnerabilities with the expectation of continued economic recovery, some fiscal policy correction, and a manageable sovereign debt profile.
- **Peru (12 December): S&P revises the outlook on Peru's BBB rating to negative on heightened political risk.**

Source: ECLAC Washington Office based on information from credit rating agencies and other market sources.

Annex 3 Latin American bond spreads

Table 14 (Annex 3)
EMBI Global index and Latin American composites, December 2018—December 2022

(Basis Points)

	EMBI Global	Argentina	Brazil	Chile	Colombia	Ecuador	Mexico	Peru	Uruguay	Venezuela	Latin America	Bolivia	Paraguay
31-Dec-18	435	817	273	166	228	826	357	168	207	6845	568	378	260
31-Jan-19	378	676	235	145	191	690	330	145	179	4770	498	309	225
28-Feb-19	361	697	230	129	186	589	316	131	167	5303	484	277	213
29-Mar-19	373	774	248	133	184	592	308	130	170	5224	488	280	222
30-Apr-19	365	950	245	127	176	560	292	126	171	5546	495	268	211
31-May-19	393	985	267	145	212	619	329	148	194	5578	527	282	245
28-Jun-19	366	835	232	135	181	580	329	124	172	8867	517	253	212
31-Jul-19	333	781	206	125	175	603	323	117	159	11945	467	232	202
30-Aug-19	361	2532	241	133	179	705	334	122	169	11179	513	291	233
30-Sep-19	338	2143	239	139	183	677	317	131	177	18473	465	291	237
31-Oct-19	323	2278	233	141	182	789	320	131	173	16671	424	321	229
29-Nov-19	309	2262	236	149	188	1146	320	126	169	13554	394	312	233
31-Dec-19	277	1744	212	135	161	826	292	107	148	14740	346	218	203
31-Jan-20	299	2068	224	149	176	1018	308	122	159	16553	372	296	231
28-Feb-20	354	2283	251	180	212	1466	372	156	196	12246	428	341	253
31-Mar-20	577	3803	389	301	376	4553	653	265	298	19270	703	645	429
30-Apr-20	557	3472	420	284	392	5129	656	257	301	22140	702	698	401
29-May-20	463	2627	388	226	288	3907	536	191	243	27907	581	614	339
30-Jun-20	433	2495	373	211	293	3373	526	182	215	30757	552	630	312
31-Jul-20	401	2263	328	185	253	2755	493	150	183	33118	500	575	275
31-Aug-20	385	2147	314	175	250	2813	459	151	170	31216	480	577	246
30-Sep-20	398	1300	334	183	262	1015	501	170	186	29608	476	622	267
30-Oct-20	388	1482	309	174	244	1029	477	149	165	21698	467	601	247
30-Nov-20	350	1410	268	157	228	1065	426	161	157	22610	433	523	233
31-Dec-20	323	1368	250	144	206	1062	361	132	135	24099	386	461	213
29-Jan-21	324	1445	270	138	219	1273	378	128	135	24830	396	481	205
26-Feb-21	329	1511	275	142	232	1226	368	164	150	24846	404	479	226
31-Mar-21	324	1589	272	122	216	1201	351	152	125	26168	390	501	212
30-Apr-21	313	1551	260	126	226	764	342	165	130	25722	372	454	224
28-May-21	307	1508	245	135	248	730	335	169	127	26138	369	463	218
30-Jun-21	312	1596	256	135	247	776	348	163	129	31091	380	481	216
30-Jul-21	325	1591	280	145	276	790	362	197	148	28364	395	498	236
31-Aug-21	313	1513	282	136	272	751	352	175	132	29568	381	471	223
30-Sep-21	324	1607	304	150	301	835	360	180	140	31941	399	472	230
29-Oct-21	327	1712	338	161	302	847	353	181	138	32198	401	472	245
30-Nov-21	353	1914	344	166	359	891	389	194	150	31857	434	487	267
31-Dec-21	330	1688	306	153	353	869	347	170	127	55310	399	412	229
31-Jan-22	344	1723	316	167	374	768	356	186	140	51959	408	474	242
28-Feb-22	411	1816	321	195	385	755	382	213	161	64523	438	466	300
31-Mar-22	347	1718	280	158	338	810	349	171	127	37945	397	509	239
29-Apr-22	379	1801	291	182	375	816	391	218	151	32691	438	487	278
31-May-22	383	1918	291	166	337	802	382	194	137	30795	433	595	294
30-Jun-22	460	2428	357	196	446	1165	473	235	162	36398	528	666	357
29-Jul-22	446	2398	309	189	403	1336	437	219	141	41342	500	641	282
31-Aug-22	422	2385	295	198	424	1550	432	218	132	40090	499	622	282
30-Sep-22	467	2801	295	208	460	1753	483	246	158	50130	549	576	330
31-Oct-22	449	2624	269	193	456	1570	428	228	141	51157	514	597	268
30-Nov-22	392	2248	249	157	404	1333	392	193	106	34698	454	673	233
30-Dec-22	374	2196	258	140	369	1250	386	194	91	44840	440	563	200

Source: JPMorgan, EMBI Global, "Emerging Markets Bond Index Monitor".

EMBI Global composition by country (end-December 2022): Mexico, Brazil and Chile account for 16.91% of the total weighting.

EMBI Global composition by region: Latin: 32.54%; Non-Latin: 67.46%.

Latin American and Caribbean issuers placed US\$ 64 billion in bonds on international bond markets in 2022, the smallest annual amount since 2008. In January 2023, sovereign and corporate bond issuers from the region placed almost US\$ 17 billion in international bonds, a sizable improvement from the last few months of 2022, but a weaker January issuance than in previous years.

The region's international bond issuance of green, social, sustainability and sustainability-linked (GSSS) bonds followed the broader market trend of declining bond activity owing to worsening macroeconomic conditions. The region issued US\$ 20.5 billion of international GSSS bonds in 2022, down 56% from 2021, but still the region's second highest annual GSSS volume ever issued on international markets.

Capital flows to Latin America and the Caribbean: 2022 year-in-review and 2023 early developments presents and analyses the main trends and developments concerning capital flows to Latin America and the Caribbean in 2022 and the beginning of 2023. This report is published by ECLAC three times a year and provides an overview of the region's new international bond issuances, including GSSS bonds, as well as looking at bond spreads and credit ratings.

