

Capital Flows to Emerging Markets

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The Perspective from the IIF

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IIF Capital Flows In A Nutshell

Country Sample

Emerging Europe

Bulgaria

Czech Republic

Hungary

Poland

Romania

Russia

Turkey

Ukraine

Emerging Asia

China

India

Indonesia

Malaysia

Philippines

South Korea

Thailand

LatAm

Argentina

Brazil

Chile

Colombia

Ecuador

Mexico

Peru

Africa/M. East

Egypt

Lebanon

Morocco

Nigeria

Saudi Arabia

South Africa

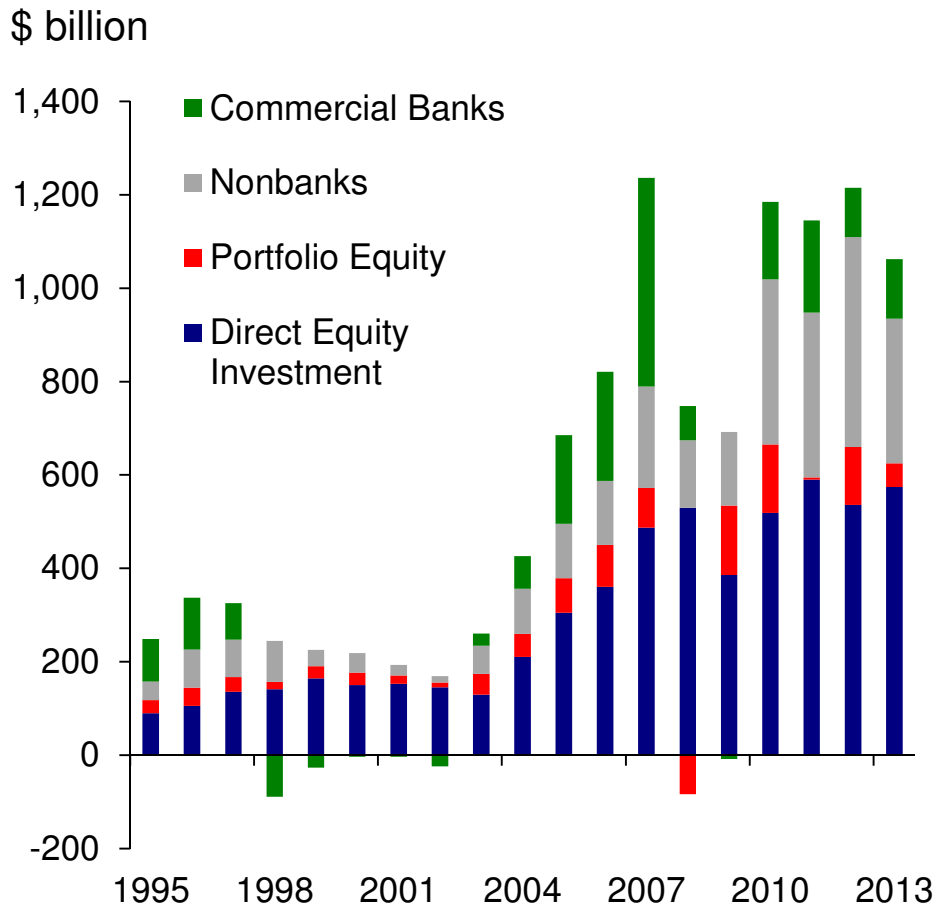
UAE

Venezuela

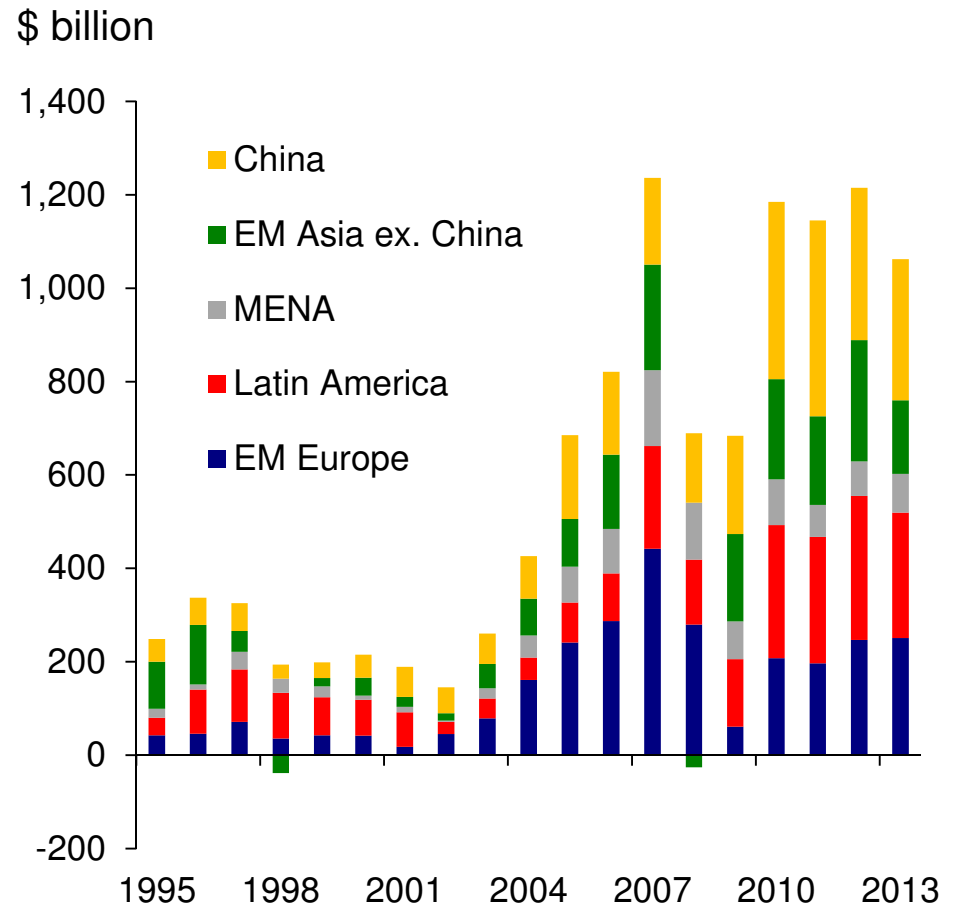
Data in Annual frequency starting in 1978.

IIF Capital Flows: What and Where?

Emerging Market Private Capital Inflows, Net



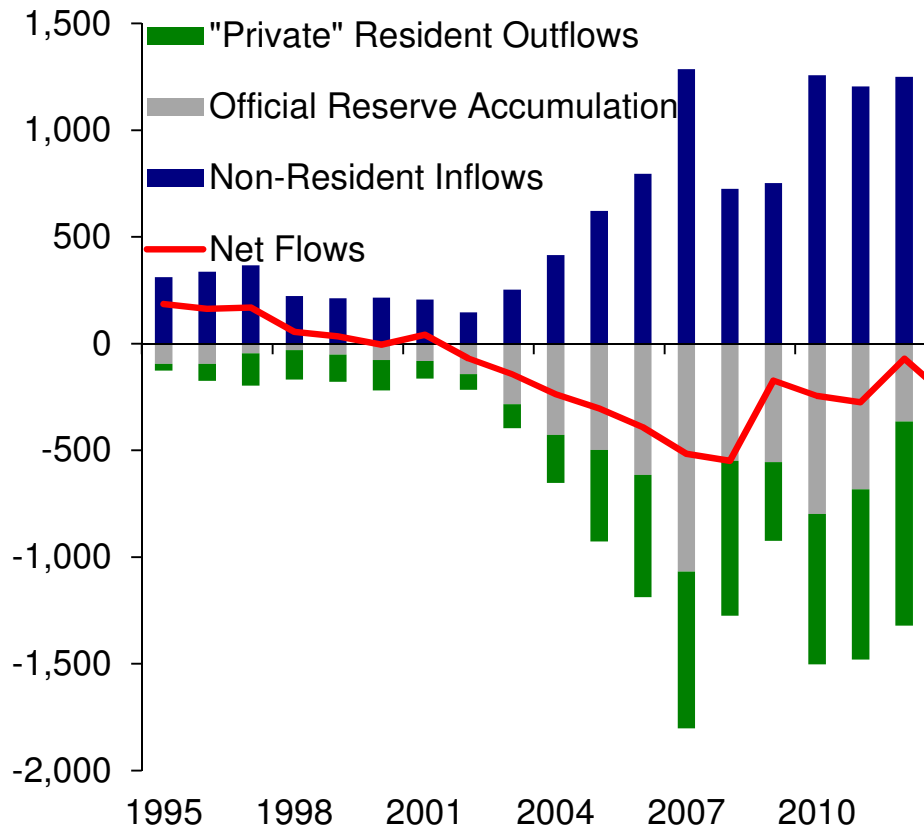
Source: IIF



Source: IIF

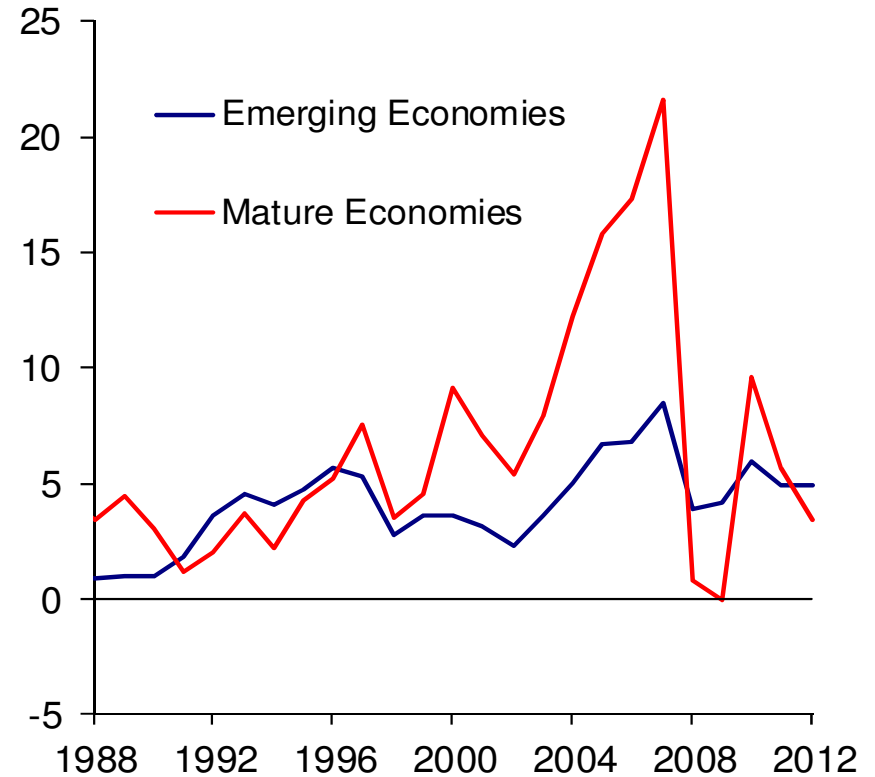
Inflows vs. Outflows

EM Capital Flows by Residency of Investors
\$ billion



Source: IIF

Total Capital Inflows
% of GDP, net flows from non-residents

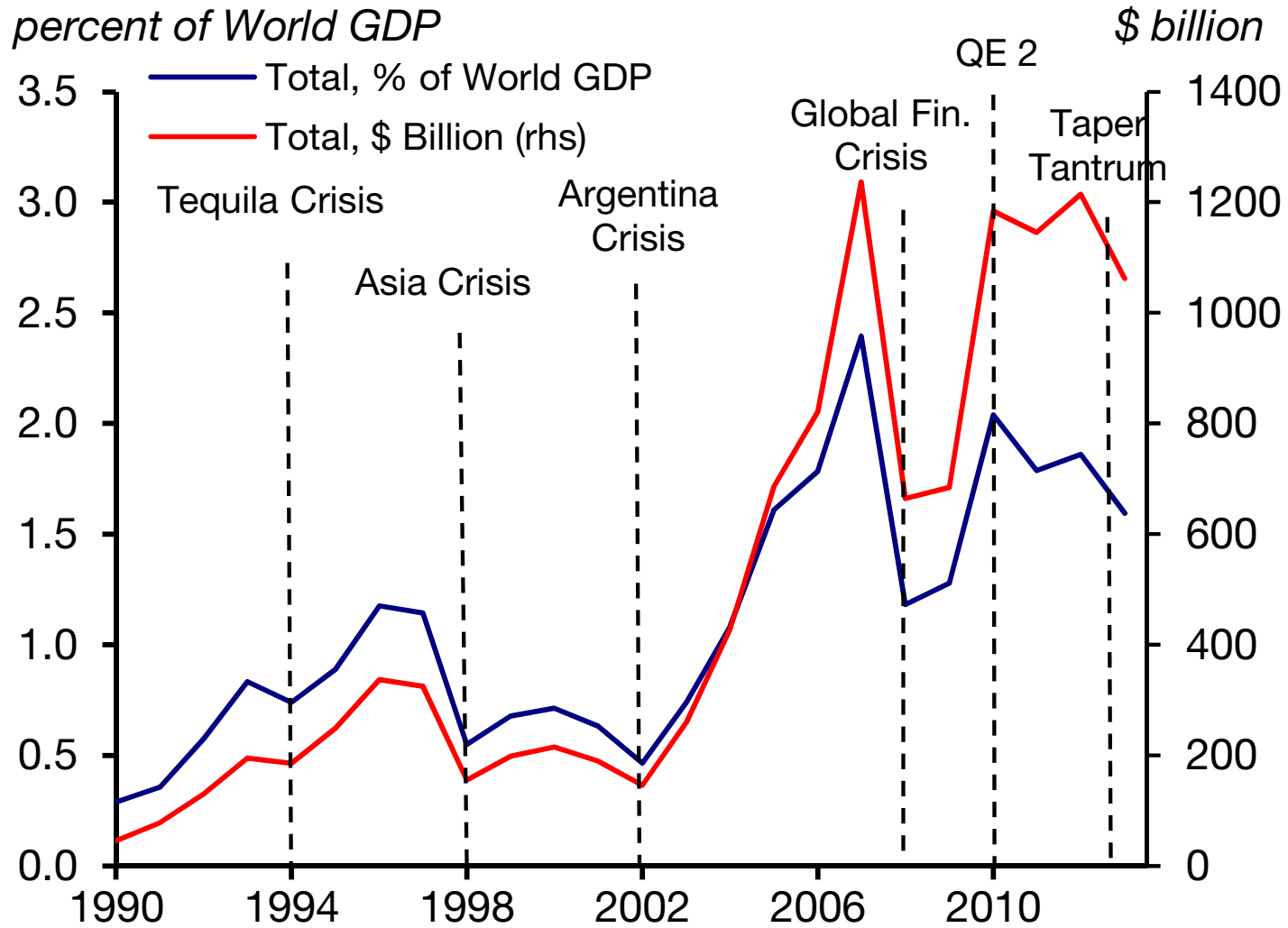


Sources: IIF, IMF Balance of Payment Statistics, IMF WEO October 2013. Note: Mature = 5 major economies.

Twenty Years of Thrills and Spills

Total Inward Flows, IIF EM 30

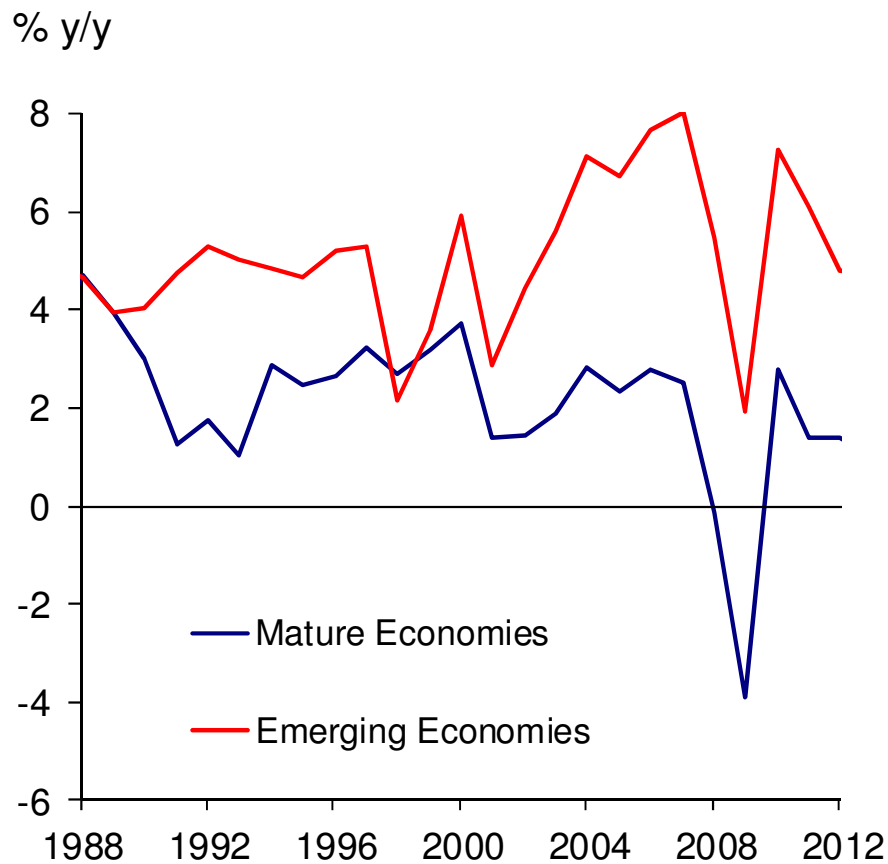
percent of World GDP



Sources: IIF, IMF Balance of Payments Statistics

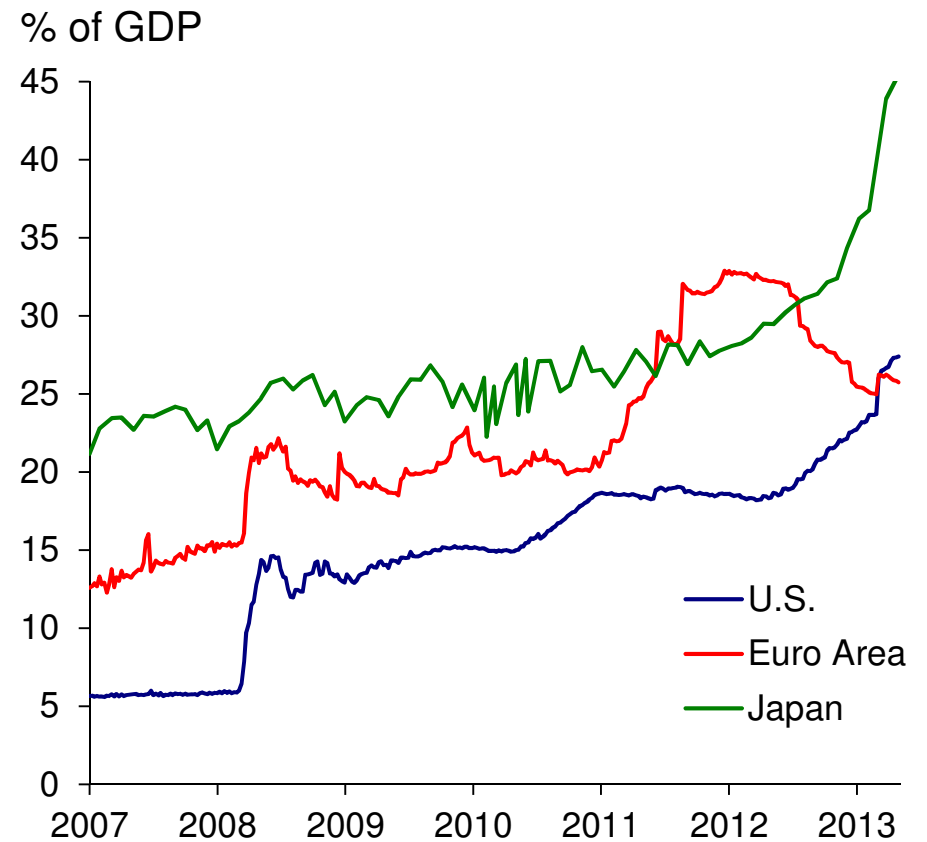
The Past: Push- and Pull Factors Were Supportive...

Real GDP Growth Rate



Source: IIF, Datastream.

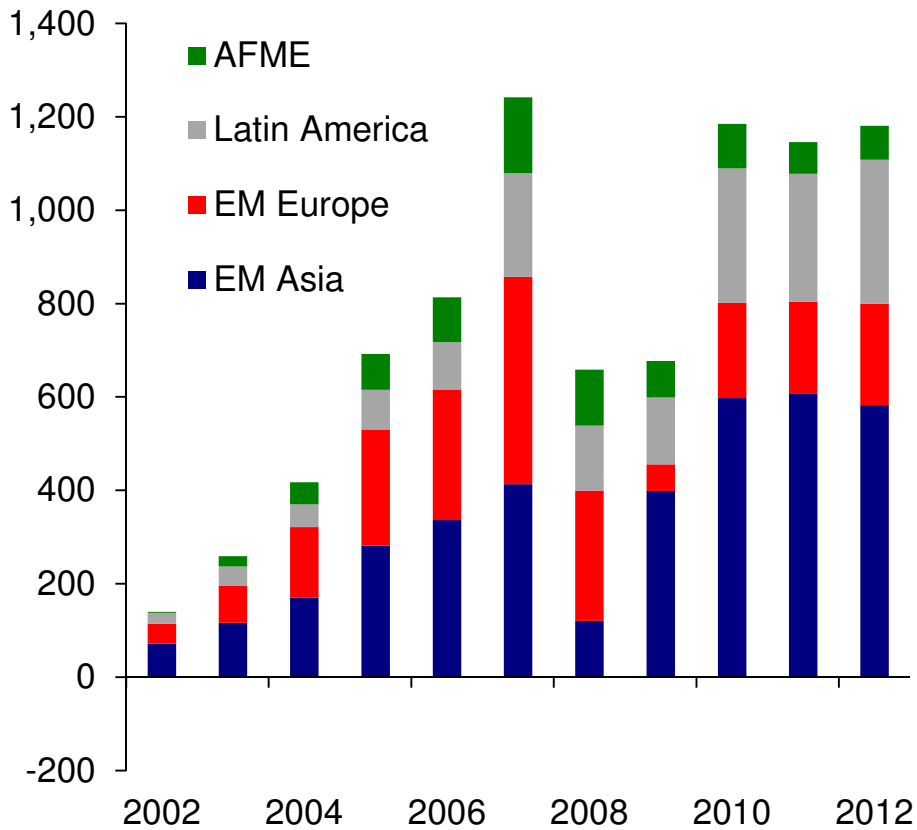
G3 Central Bank Balance Sheets



Source: National Sources, Datastream.

...Boosting Capital Inflows to EM

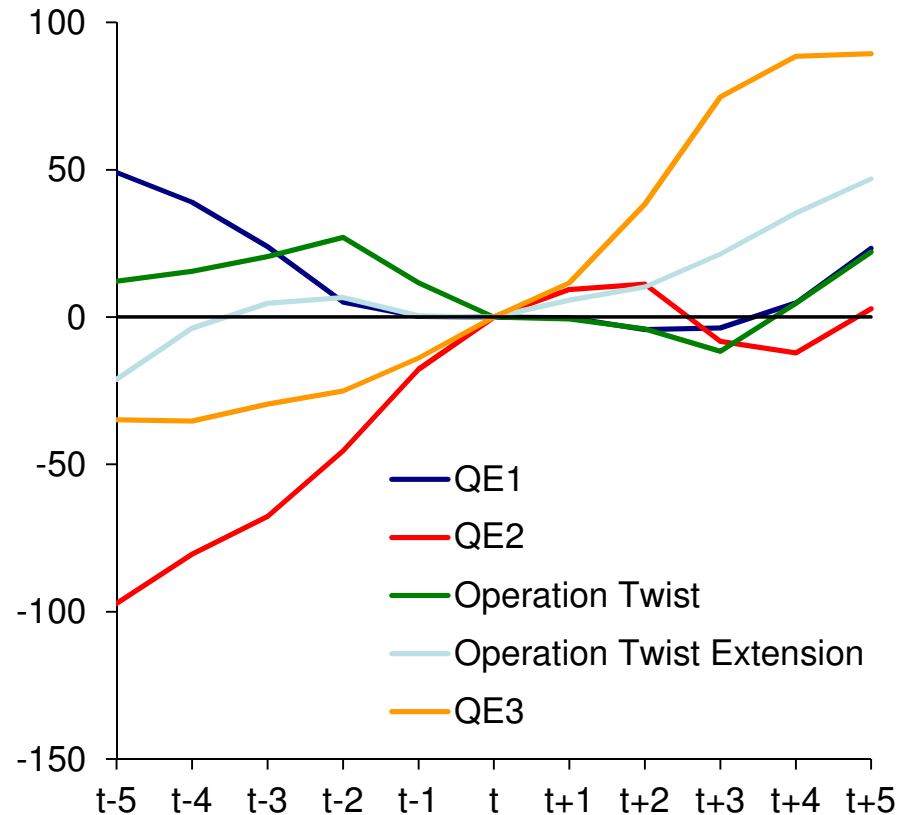
Emerging Market Private Capital Inflows, Net
\$ billion



Source: IIF Capital Flow Report January 2013

Equity and Bond Flows into EM Funds
Around Fed QE Episodes

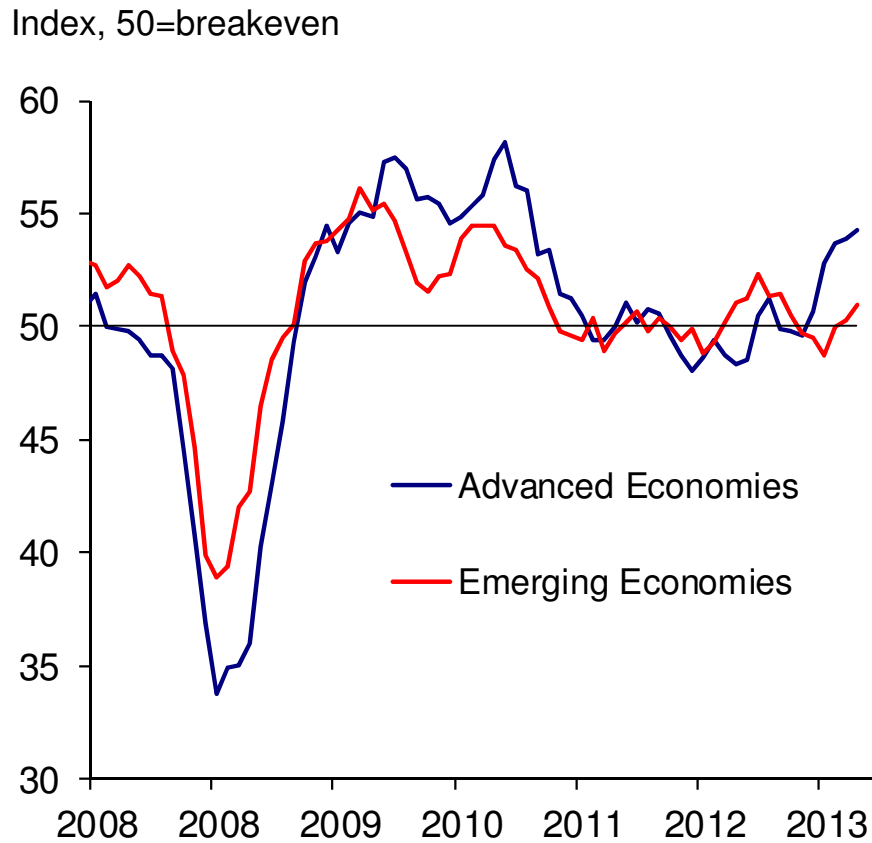
\$ billion; t=0 are starting dates for QE implementation



Source: IIF

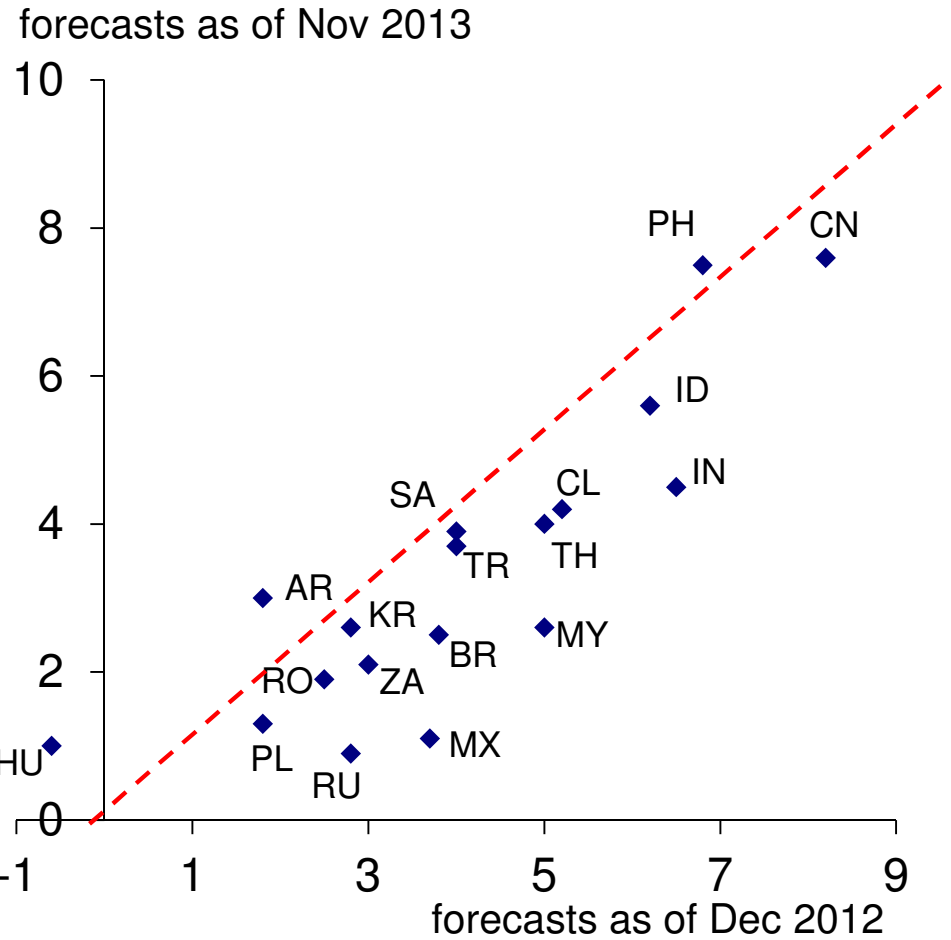
Now: EMs Disappoint While MEs Surprise

Manufacturing PMIs



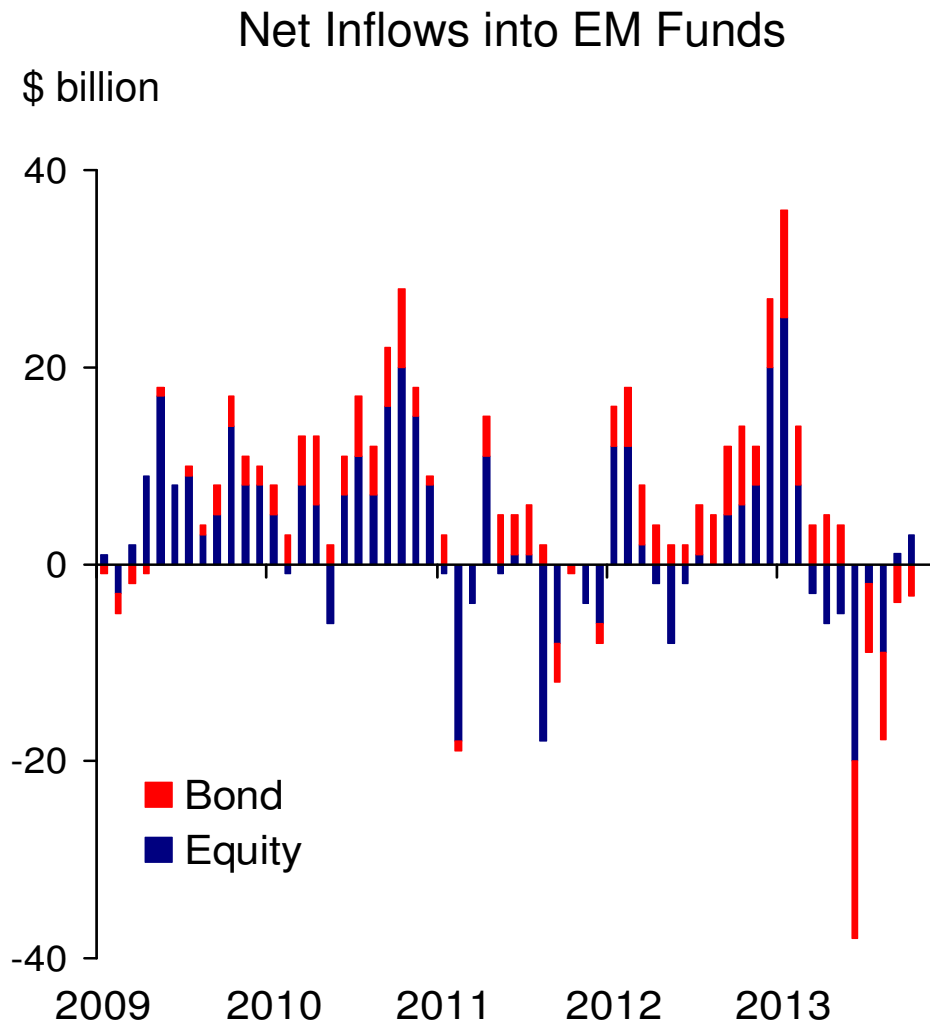
Source: Bloomberg, Markit Economics, IIF

IIF GDP Growth Forecasts for 2013

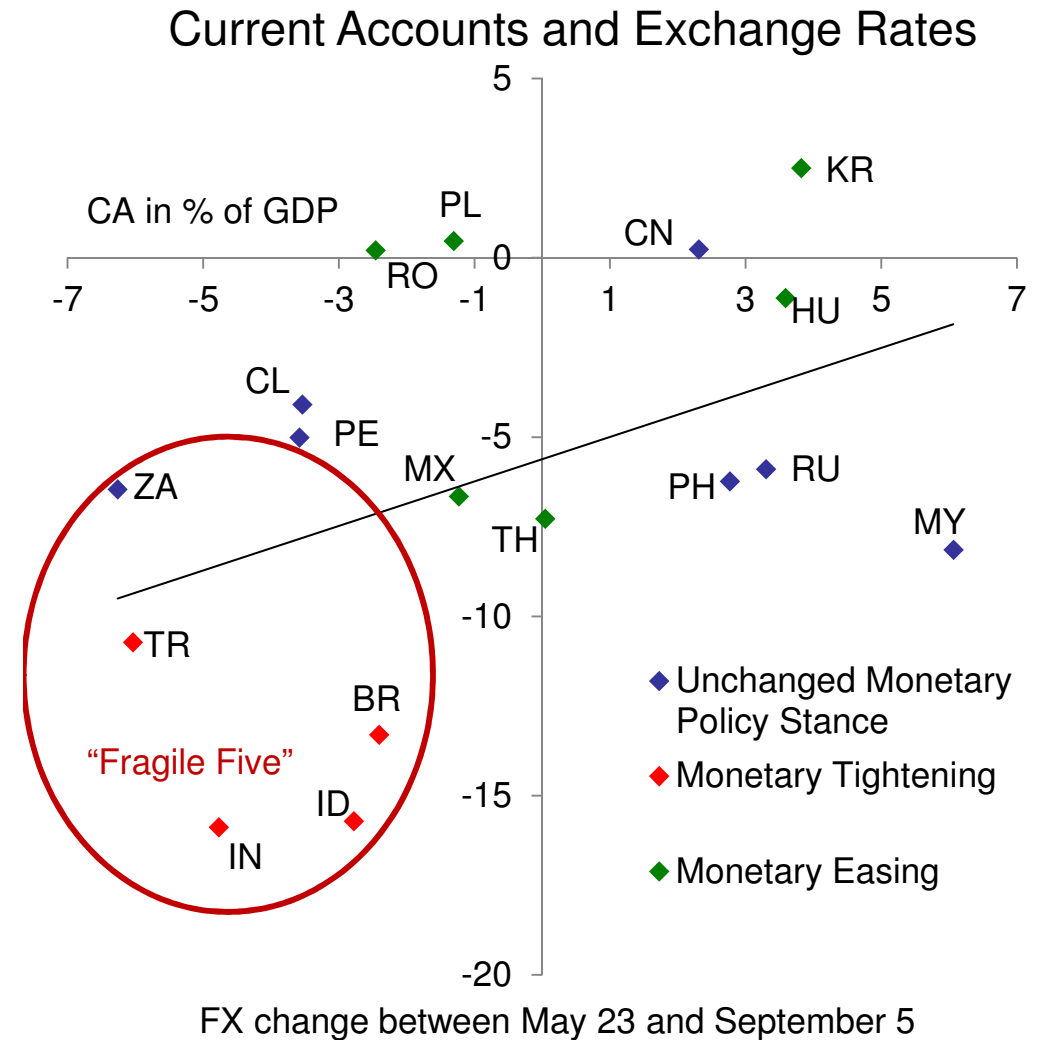


Source: IIF

Capital Flow Retrenchment During the Summer...



Source: EPFR

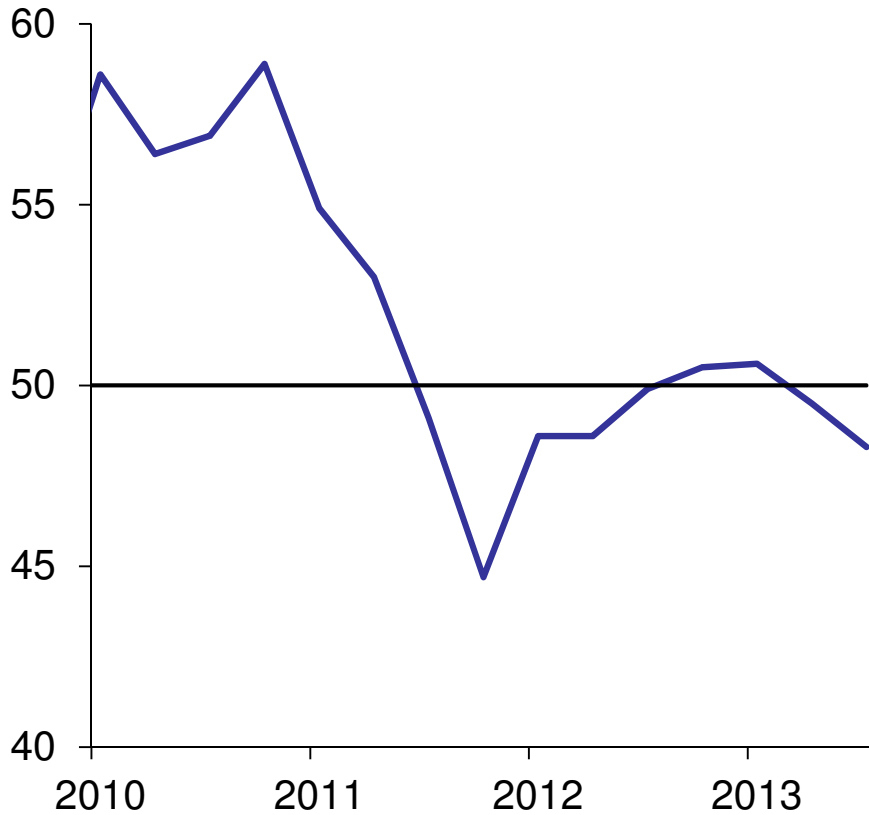


Sources: Datastream, IIF, National Sources. Note: CAB figures reference 2012 yearly data. Monetary tightening includes both policy rate hikes and tightening of liquidity conditions.

...Impacting Lending Conditions

EM Bank Lending Conditions Index

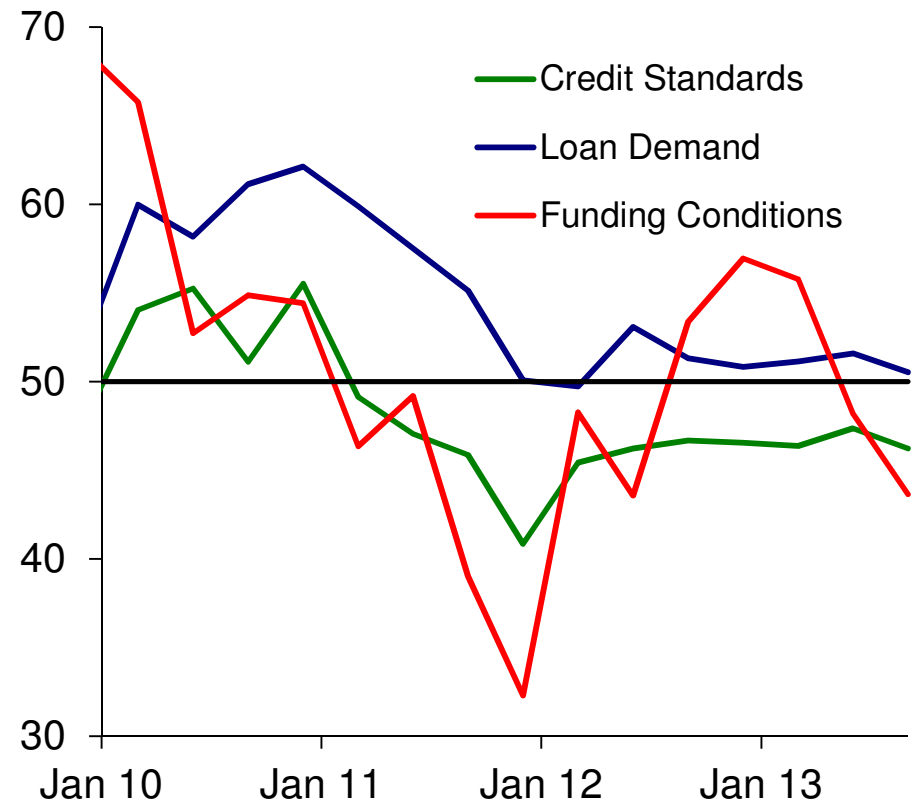
Diffusion index (50=neutral)



Source: IIF EM Bank Lending Conditions Survey.

Funding Conditions Tightened

Diffusion index (50=neutral)

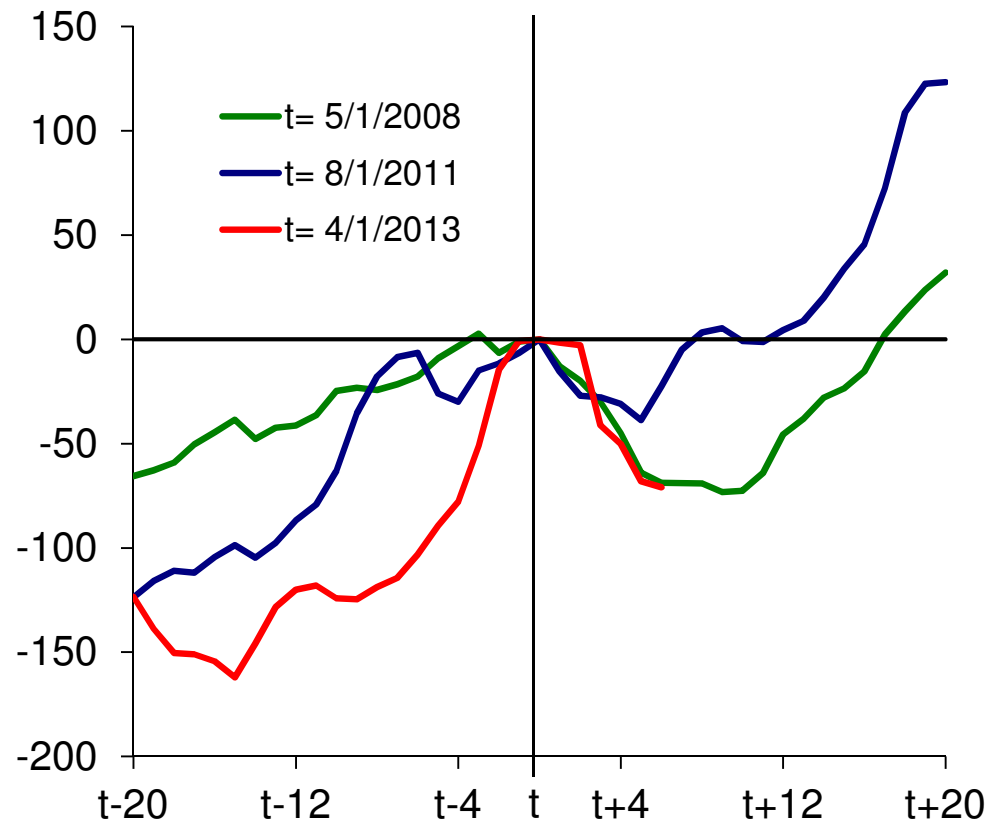


Source: IIF EM Bank Lending Conditions Survey.

Retrenchment Episodes in Perspective

EM Equity and Bond Fund Flows

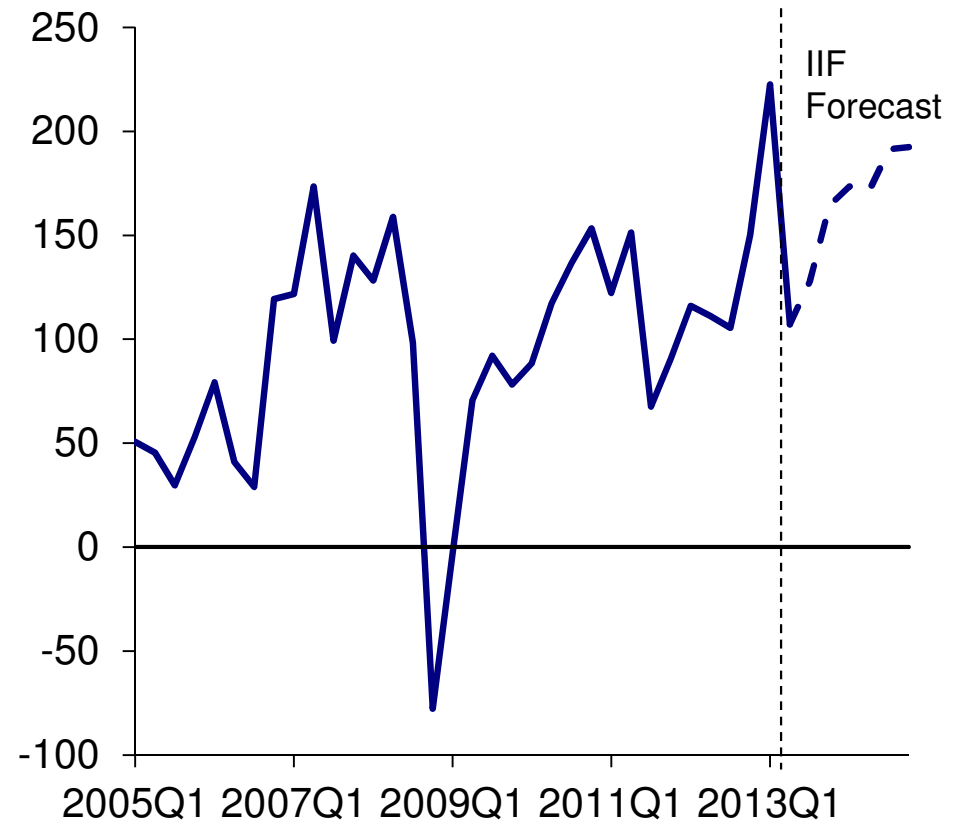
cumulative flows, t= month before retrenchment began



Sources: IIF, EPFR

Major EMs: Non-Resident Capital Inflows

\$ billion, Major EMs= BRIC, Turkey, Mexico & Indonesia

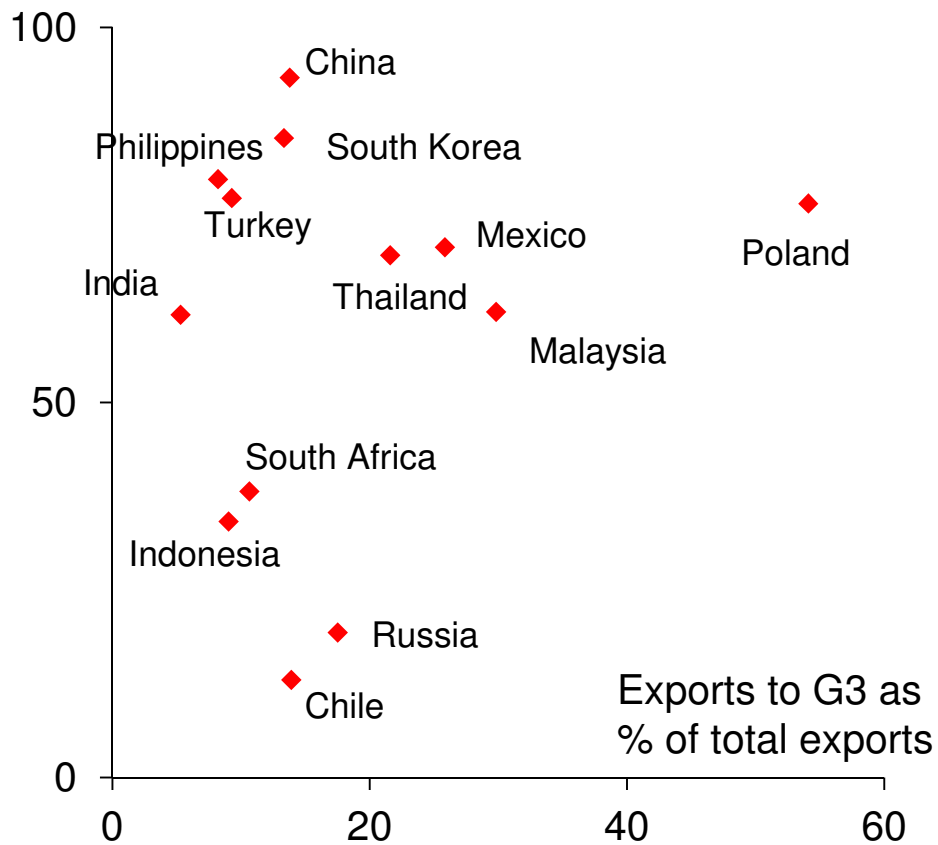


Sources: IIF, IMF Balance of Payment Statistics, SAFE

EM Differentiation: The Ones That Benefit

EM Exposure to G3 Demand

Manufacturing exports as % of total exports

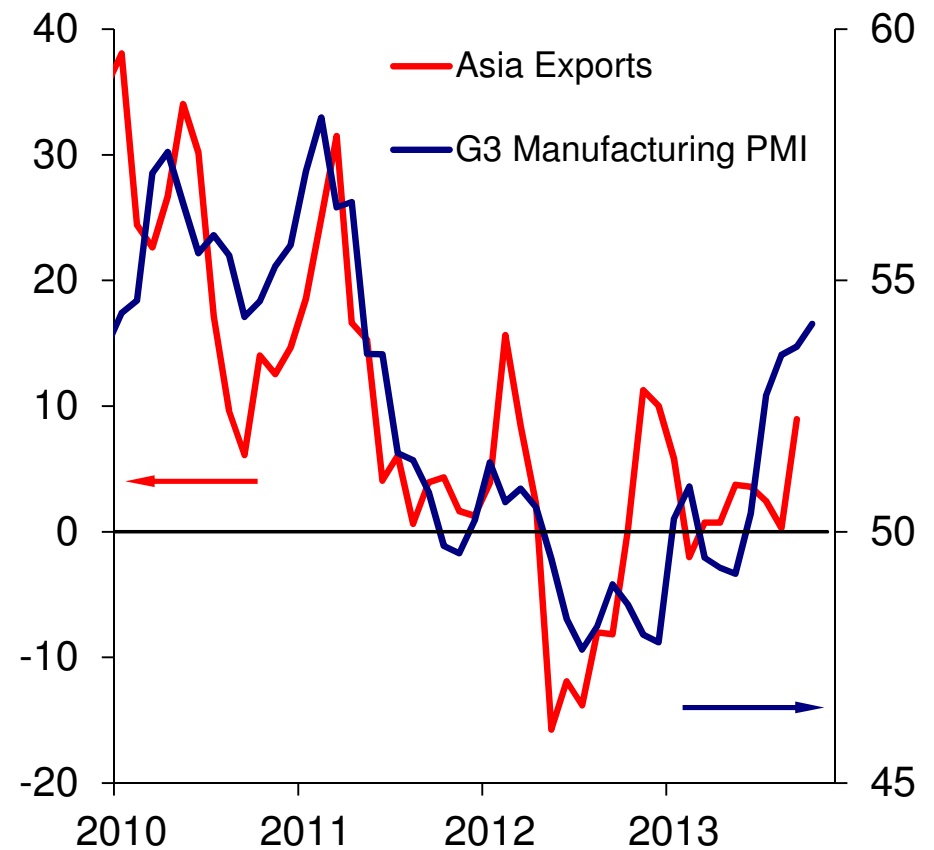


Source: WTO

Asian Exports and G3 PMIs

percent, 3m/3m saar

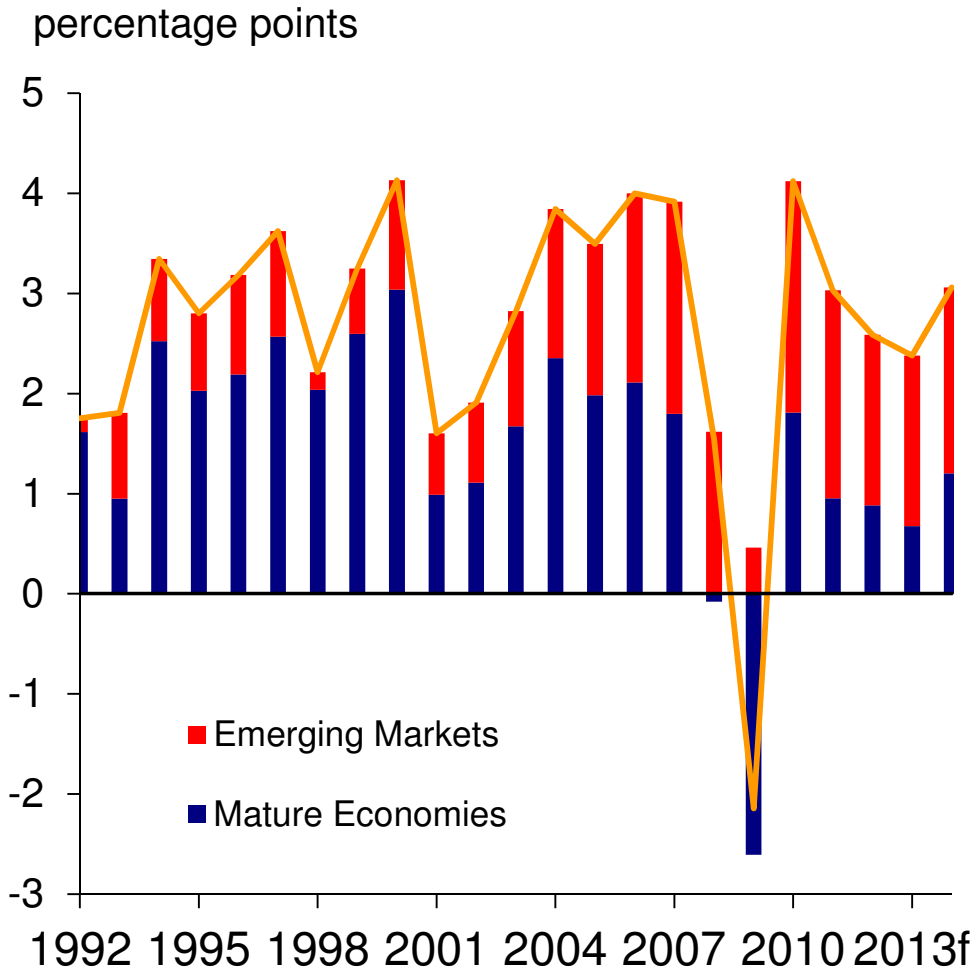
50=breakeven



Source: Datastream, IIF. Note: Asia exports is a weighted avg. of Korea and Singapore. PMI is weighted average of U.S., Euro Area and Japan.

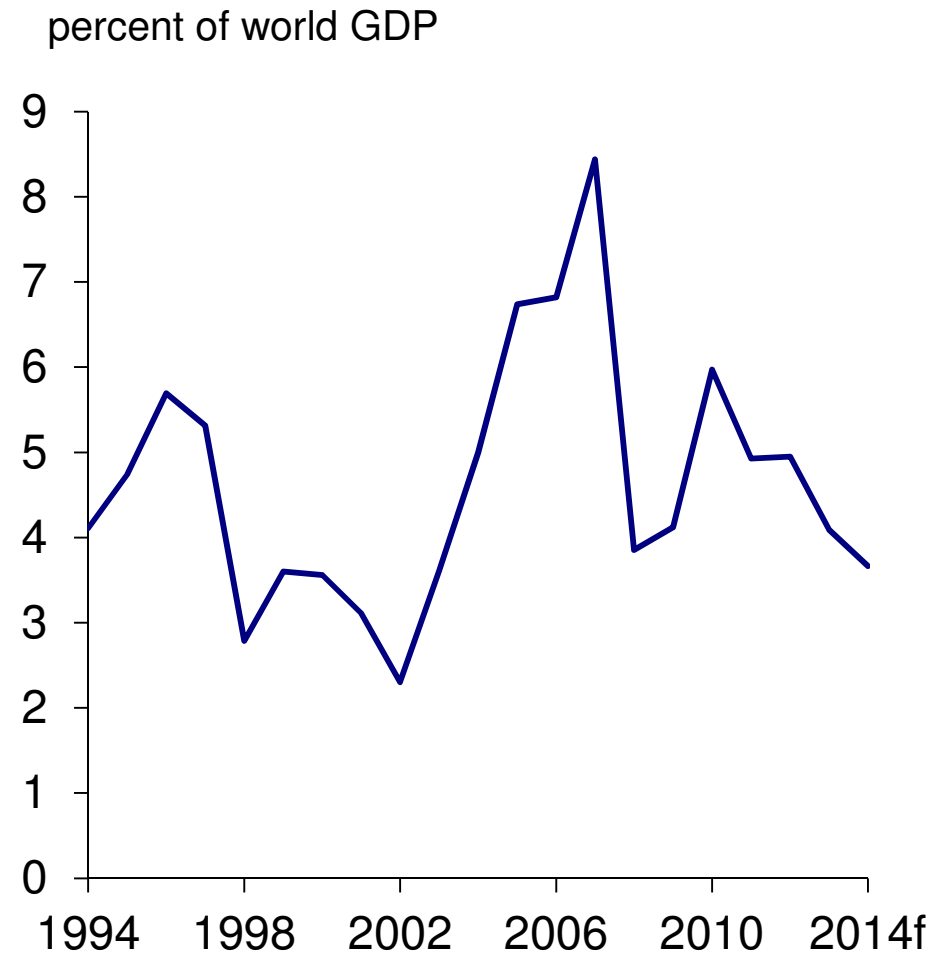
EM Portfolio Inflows Should Persist

Global GDP Growth



Source: IIF Capital Flows Report October 2013

Total Capital Inflows to EMs

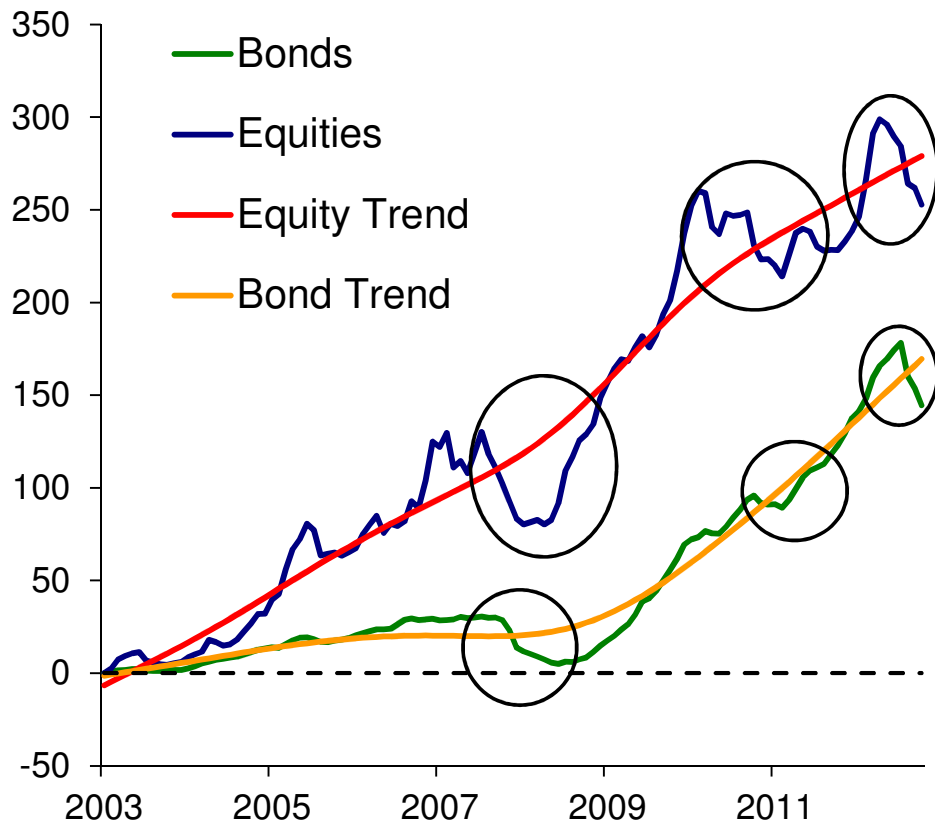


Source: IIF Capital Flows Report October 2013

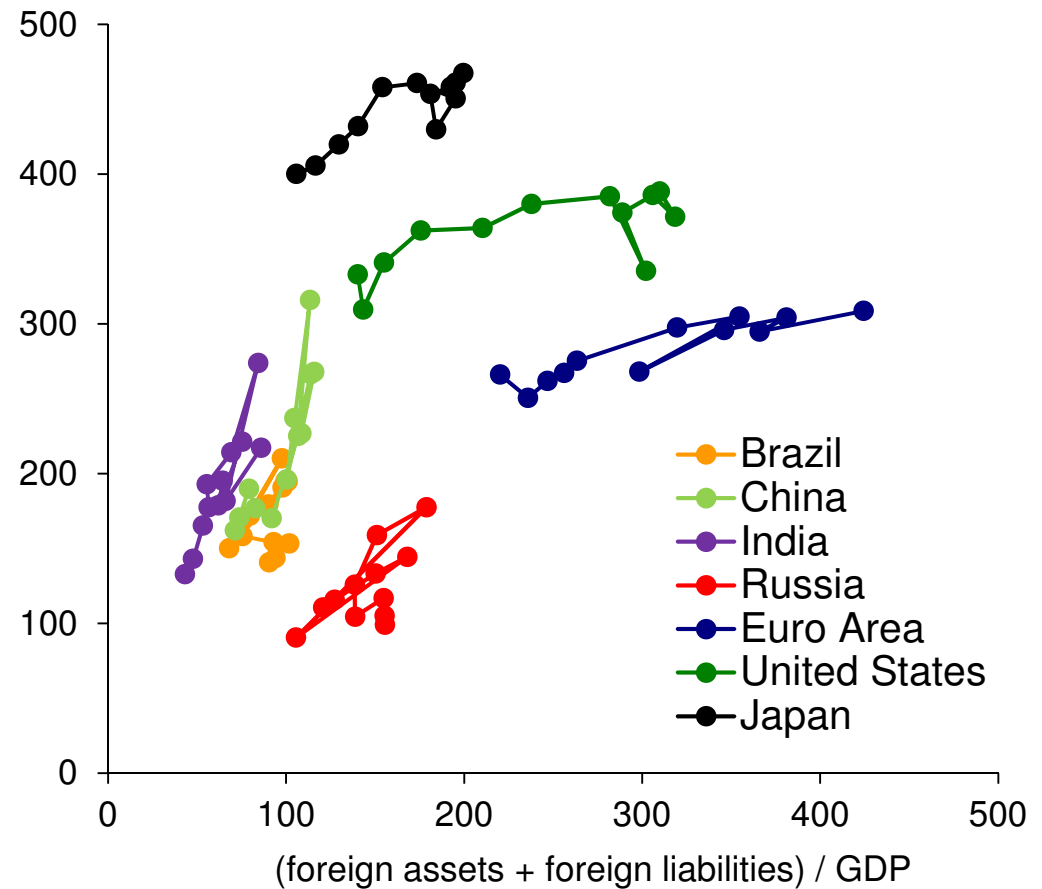
EM Portfolio Inflows Should Persist

Cumulative Equity/Bond Flows into EM Funds Financial Globalization and Deepening (2002-2012)

\$ billion, trend estimated with HP filter, EPFR data



total financial assets in % of GDP



Thank You

See our reports on www.iif.com:

- Capital Flows to Emerging Market Economies, Oct. 2013
- Structural Challenges to EM Growth, October 2013
- EM Bank Lending Conditions Survey, October 2013