



KEY HIGHLIGHTS

High frequency data show strong portfolio inflows from Nov-Dec as US financial conditions eased, while Chinese equity flows remained negative. EM ex. CHN inflows have been fairly broad based, though equity flows to Vietnam and South Africa have lagged (Fig 1). Inflows have slowed somewhat since the last week of December.

BOP data shows portfolio inflows for about 65% of EMs in Q3, while early monthly data shows stronger inflows for several major EMs in Q4 (Fig 2). Brazil, Mexico, and India saw stronger inflows in Q4 (provisional). India recorded its largest inflows across 3 quarters since 2021-Q1 with inflows reaching \$32 billion. South Africa has continued to lag with outflows of -\$2.3 billion in Q3 and -\$3.7 billion in Q4 (-\$2.1 billion and -\$1.6 billion out of equities and bonds respectively). Thailand saw another \$3.5 billion in outflows in Q3 (\$9.9 billion YTD), though Q4 data shows improvement.

FDI inflows stabilized around 1.5% of GDP in Q3, though have decelerated in recent quarters (Fig 5, 7). Inflows across the last four quarters decelerated to 1.9% of GDP (vs 2.5% on avg), with softer flows across regions. In particular, Latin America, which accounts for the largest share of inflows, has seen a slowdown from the robust levels seen over the last two years. By historical percentile, the last four quarters have seen FDI fall back to weaker levels, for Asia (20%), Europe (38%), and Latin America (19%). Elsewhere, other investment inflows have slowed back in line with historical norms at 1.2% of GDP in Q3 after surpassing 2% in 2021-2022.

China saw broad capital outflows in Q3. China saw its first FDI outflows this century in Q3 (-\$11.8 billion), while portfolio flows also turned negative in Q3 at -\$22.6 billion (+\$8.4 billion in Q2), led by debt outflows (-\$11.8bn). Incomplete Q4 data shows a mixed picture, with ongoing equity outflows but renewed inflows to local currency bonds in November. Resident outflows increased to +\$51 billion (48th percentile) in Q3 from +\$14 billion.

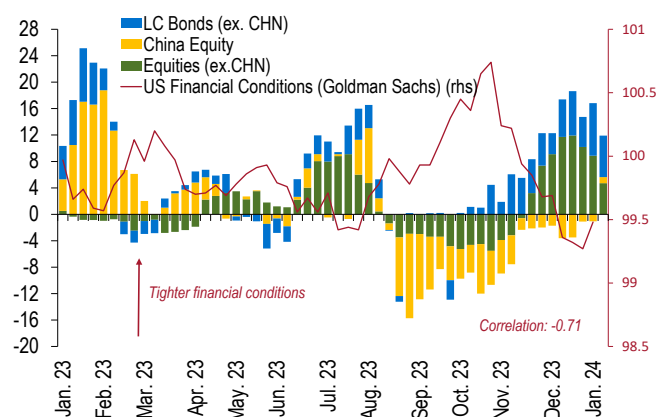
Resident portfolio outflows have mostly slowed in Q3 and into Q4. Portfolio outflows (by residents) mostly slowed in Q3, notably Hungary, Brazil, Chile, and Romania, with both debt and equity tracking lower. Though Poland saw increased outflows in Q3, early Q4 data is showing a reversal. **Resident outward FDI by EMs picked up to 0.8% of GDP in Q3 (from 0.5%), though the 4-quarter pace is just below the historical average of 0.9%.**

Other BOP Details: Current account deficits improved in Q3 in most EMs, with Poland and Thailand posting surpluses on a 4-quarter basis (Fig 13). Remittances as a share of GDP generally remain strong versus history, particularly in Latin America, though growth appears to be slowing on an annual basis (Fig 17,18). Foreign reserve stocks mostly gained in Q3, though Q4 presents a mixed picture in partial data given some FX sales in October. Reserves in EM Asia have faced some lingering pressure in the second half of the year more generally (Fig 15).

BOP Portfolio Tracking

Local currency debt and equity flows rebounded sharply in November and December as financial conditions in the US eased.

Figure 1. Weekly Local Currency Debt and Equity Flows (USD Billions, 4 week sum)



Portfolio inflows improved in Q4 on aggregate, despite some laggards, with about 65% of EMs tracking inflows

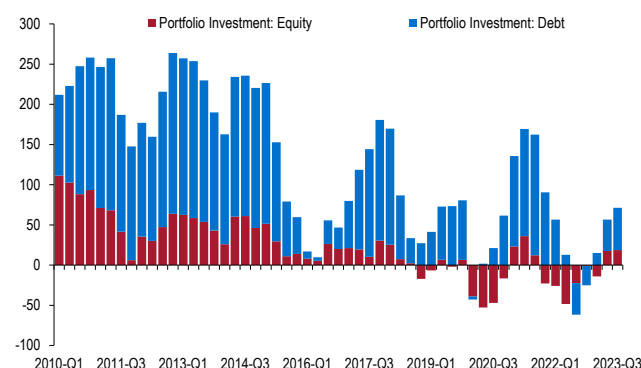
Figure 2. BOP Non-Resident Quarterly Portfolio Flows (USD Billions, *Quarter-to-Date for 2023-Q4, ** high frequency non-BOP data for 2023-Q4)

Year	2020				2021				2022				2023			
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4*
BRA	-21.7	-4.3	2.0	22.0	6.5	12.9	3.7	0.2	0.6	-7.9	-3.3	6.3	0.8	5.7	2.4	7.3
CHL	7.2	2.5	-1.4	-1.1	3.8	6.7	16.5	5.4	8.5	0.9	-2.4	7.3	-0.4	-0.1	4.6	0.7
CZE	0.0	2.7	-1.1	7.1	-2.3	-0.7	-3.9	8.1	-5.6	-12.1	-1.8	4.8	0.1	2.2	1.9	-2.5
HUN	-3.4	3.2	0.3	3.5	-1.7	-1.1	5.8	-0.2	-0.2	1.3	1.8	4.0	5.0	3.4	2.6	-0.5
IND	-14.5	0.5	7.0	21.1	7.6	0.3	5.0	-5.9	-15.5	-14.3	6.9	4.9	-3.0	14.4	6.4	10.9
PHL	-1.0	4.0	-1.4	2.2	-3.6	2.5	3.3	1.7	2.6	1.3	1.2	0.0	0.7	0.8	0.3	0.1
POL	-1.4	-8.7	0.2	-1.0	-3.2	-3.3	1.4	-1.7	-3.0	4.8	0.7	3.4	-0.2	7.8	-0.4	0.5
ROU	3.7	2.7	2.5	2.9	-0.9	2.3	3.1	-0.3	1.6	2.0	2.4	0.0	8.2	2.6	3.0	-0.7
ZAF**	-5.9	-3.0	-2.3	1.5	-0.4	0.0	-24.8	-2.6	4.0	2.5	-1.9	-1.5	-1.8	-0.2	-2.3	-3.7
IDN**	-6.3	9.9	-1.7	2.6	5.2	4.7	1.5	-4.6	-1.8	-2.3	-1.5	-1.0	4.3	-1.8	-2.6	1.2
MYS**	-6.2	5.5	0.1	3.1	3.5	7.4	0.3	2.1	1.1	-2.5	-0.5	-2.6	-3.9	4.0	0.3	0.2
PHL**	-1.0	4.0	-1.4	2.2	-3.6	2.5	3.3	1.7	2.6	1.3	1.2	0.0	0.7	0.8	0.3	0.1
THA**	-7.2	-1.5	-0.8	1.6	0.4	-0.1	0.2	4.3	3.9	0.8	-0.4	3.8	-2.8	-3.0	-3.5	-0.4
MEX**	2.8	-1.2	2.5	2.0	-1.5	-4.2	-7.4	-5.9	3.5	-4.8	4.4	0.3	1.5	-5.0	-5.1	5.3
TUR**	-3.0	-10.9	-1.3	8.5	-1.2	2.9	5.2	-3.8	-2.2	-5.1	-3.9	2.2	1.1	-0.4	3.2	2.0

EM BOP Non-Resident Flows

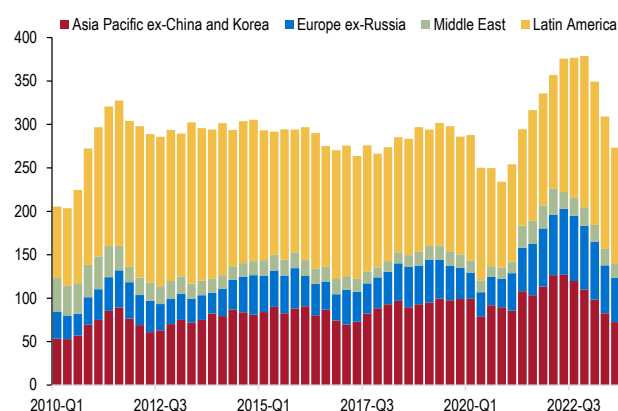
Debt portfolio flows into emerging markets (ex-China) continued at a slower pace in 2023-Q3 (+\$5.3bn) and remained positive on a 4Q basis.

Figure 3. EM ex China: Non-Resident Portfolio
(4Q rolling sum, USD billions)



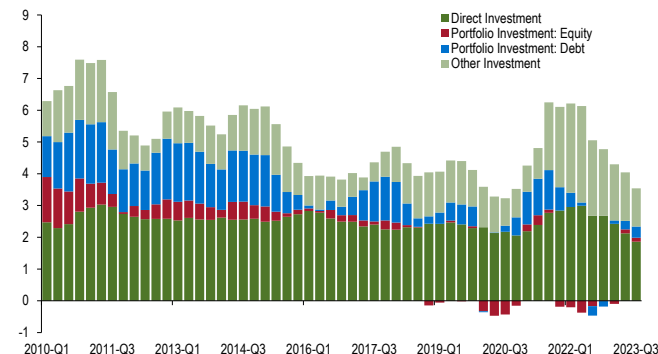
FDI flows have moderated in 2023 after peaking in 2022, with Latin America flows receding

Figure 5. EM ex China: FDI Non-Resident Flows
(4Q rolling sum, USD billions)



Other investment liabilities played a bigger role in cross border flows from 2020-2022 but have continued to decelerate in recent quarters.

Figure 4. EM ex China, Non-Resident Flows
(4Q, % of GDP)



Non-resident flows to China have slowed in recent years, with portfolio flows turning negative.

Figure 6. China Non-Resident BOP Flows
(4Q % to GDP)

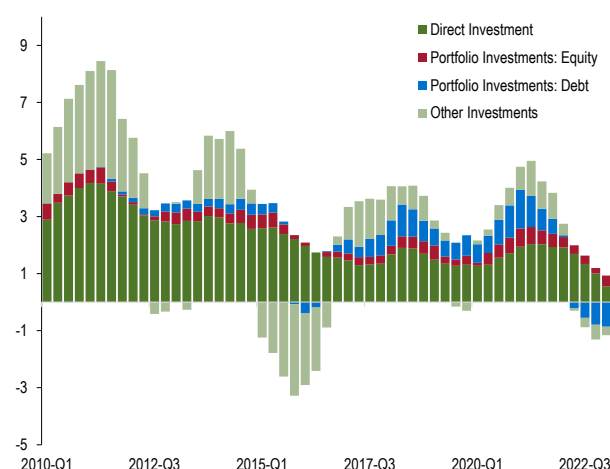


Figure 7. BOP Non-Resident Flows, Composition ex-China and Russia

			Level (% of GDP)			Percentile Rank (based on 4Q)					
			Quarter	4Q Sum	Historical Avg (4Q)	All	% in lower quartile	% in upper quartile	Asia	Europe	LATAM
2022-Q4	FDI	2022-Q4	2.0	2.7	2.5	68%	5%	35%	35%	87%	93%
2023-Q1		2023-Q1	2.6	2.4	2.5	37%	10%	20%	25%	80%	73%
2023-Q2		2023-Q2	1.4	2.1	2.5	12%	35%	5%	21%	57%	49%
2023-Q3		2023-Q3	1.5	1.9	2.5	4%	40%	10%	20%	38%	19%
2022-Q4	Port. Equity	2022-Q4	0.4	0.0	0.3	16%	33%	22%	22%	5%	42%
2023-Q1		2023-Q1	-0.2	-0.1	0.2	13%	50%	17%	23%	7%	19%
2023-Q2		2023-Q2	0.3	0.1	0.2	33%	28%	11%	49%	20%	20%
2023-Q3		2023-Q3	0.0	0.1	0.2	34%	17%	17%	45%	34%	26%
2022-Q4	Port. Debt	2022-Q4	0.2	-0.2	1.0	5%	50%	11%	1%	44%	8%
2023-Q1		2023-Q1	0.6	0.1	1.0	18%	44%	17%	3%	67%	9%
2023-Q2		2023-Q2	0.4	0.3	0.9	26%	39%	17%	10%	71%	19%
2023-Q3		2023-Q3	0.1	0.4	0.9	32%	33%	17%	9%	75%	25%
2022-Q4	Other	2022-Q4	1.4	2.1	1.3	88%	5%	45%	80%	84%	80%
2023-Q1		2023-Q1	1.3	1.8	1.3	79%	20%	35%	77%	81%	71%
2023-Q2		2023-Q2	1.5	1.5	1.3	74%	30%	20%	58%	78%	68%
2023-Q3		2023-Q3	1.2	1.3	1.3	65%	25%	10%	69%	60%	51%

Note: in Figure 4, other investment liabilities for India are estimated using national sources.

EM BOP Resident Capital Flows (Net Acquisition of Assets)

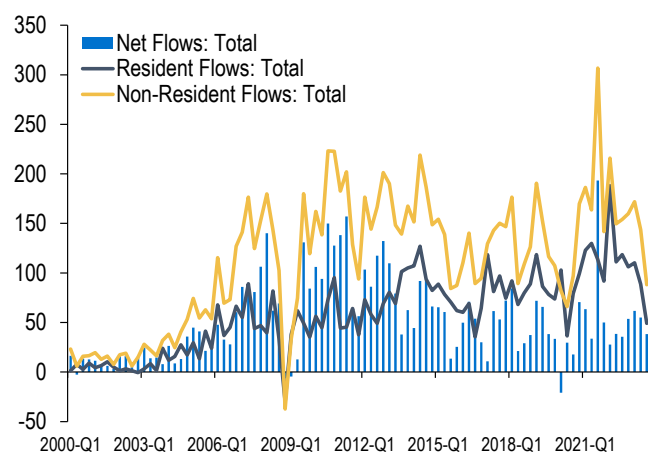
Resident portfolio outflows continued to be lackluster after a slow Q3.

Figure 8. EMs ex China: Resident Portfolio Outflows
(USD Billions, *Quarter-to-Date for 2023-Q4), ** high frequency non-BOP data for 2023-Q4)

Year	2020				2021				2022				2023			
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4*
BRA	2.4	2.7	4.0	1.8	5.5	8.3	5.2	-3.6	1.3	-0.9	-1.5	0.9	2.0	3.4	1.3	-0.9
CHL	3.7	4.5	-11.1	-3.5	4.4	-6.1	0.2	0.1	5.1	2.0	-2.0	0.9	2.4	2.8	0.4	-1.3
CZE	-1.4	1.1	1.0	1.6	0.5	1.7	1.0	1.7	0.1	-0.9	-0.4	1.5	1.5	0.8	0.1	0.1
HUN	-0.3	0.3	0.1	0.6	0.6	0.8	0.9	0.8	-0.1	0.5	0.4	1.5	0.7	2.9	0.5	0.5
PHL	-0.3	1.8	3.7	1.3	4.6	1.8	1.0	0.4	0.9	-1.3	0.7	-0.6	-0.9	-0.8	-0.7	#N/A
POL	-0.8	2.5	1.0	-6.9	3.0	1.1	0.7	0.2	-0.8	0.0	0.1	3.9	5.0	3.0	5.1	0.2
ROU	0.1	0.0	0.0	0.0	0.2	0.3	0.2	0.7	0.3	0.2	0.9	-0.1	-0.2	1.6	0.2	-0.7
TUR	2.8	-2.3	1.2	1.2	-0.8	0.6	0.7	1.8	2.7	1.5	-0.7	1.0	1.4	0.4	0.1	0.6

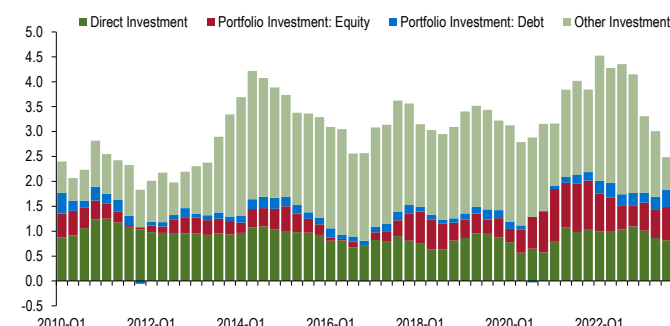
Net capital flows to emerging markets continued alongside a decline in gross resident and non-resident flows.

Figure 10. Net Capital Flows
(USD Billions)



Cross border flows from EM residents have moderated after peaking in Q1 2022.

Figure 9. EM BOP Resident Outflows
(4Q % to GDP)



Resident outflows from China show a mixed picture, with other investments coming back to China despite some continued portfolio outflows.

Figure 11: China Resident Flows
(4Q % to GDP)

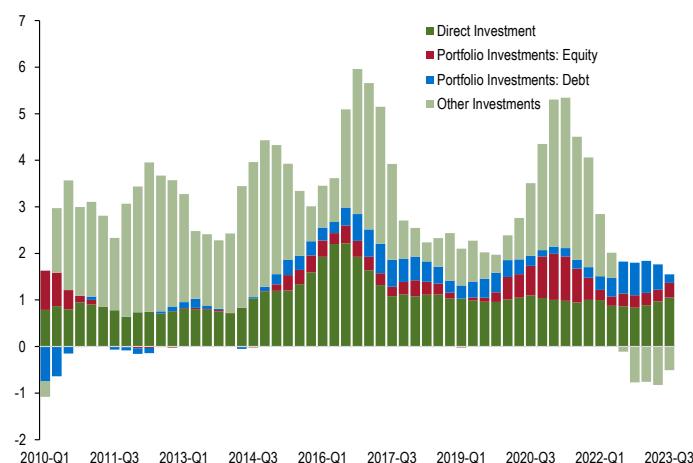


Figure 12. BOP Resident Flows ex-China and Russia (Net Acquisition of Assets)

	Level (% of GDP)					Percentile Rank (based on 4Q)					
			Quarter	4Q Sum	Historical Avg (4Q)	All	% in lower quartile	% in upper quartile	Asia	Europe	LATAM
2022-Q4	FDI	2022-Q4	1.2	1.1	0.9	85%	5%	45%	26%	90%	98%
2023-Q1		2023-Q1	0.9	1.0	0.9	74%	10%	25%	34%	71%	89%
2023-Q2		2023-Q2	0.5	0.9	0.9	46%	15%	30%	31%	64%	53%
2023-Q3		2023-Q3	0.8	0.8	0.9	42%	25%	15%	29%	51%	35%
2022-Q4	Port. Equity	2022-Q4	0.8	0.4	0.4	75%	37%	26%	64%	27%	5%
2023-Q1		2023-Q1	0.9	0.6	0.4	87%	37%	32%	72%	38%	1%
2023-Q2		2023-Q2	0.3	0.6	0.4	88%	21%	21%	80%	52%	4%
2023-Q3		2023-Q3	0.3	0.7	0.4	92%	5%	26%	86%	71%	19%
2022-Q4	Port. Debt	2022-Q4	0.1	0.3	0.2	77%	27%	47%	44%	90%	81%
2023-Q1		2023-Q1	0.5	0.2	0.2	55%	20%	27%	19%	98%	73%
2023-Q2		2023-Q2	0.5	0.3	0.2	68%	20%	33%	15%	99%	65%
2023-Q3		2023-Q3	0.3	0.3	0.2	78%	13%	33%	14%	100%	74%
2022-Q4	Other	2022-Q4	0.7	1.9	1.2	99%	5%	45%	84%	78%	87%
2023-Q1		2023-Q1	0.8	1.3	1.2	66%	15%	20%	69%	57%	65%
2023-Q2		2023-Q2	1.1	1.2	1.2	53%	30%	15%	59%	32%	58%
2023-Q3		2023-Q3	0.0	0.7	1.2	31%	30%	15%	42%	21%	27%

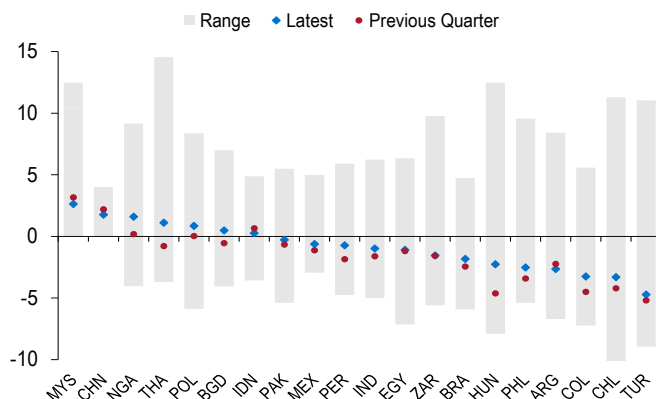
Other Balance of Payments Details

Current account deficits improved in Q3 across most EMs.

Other investment flow and FDI have been a large source of financing over the last year as portfolio flows were mixed.

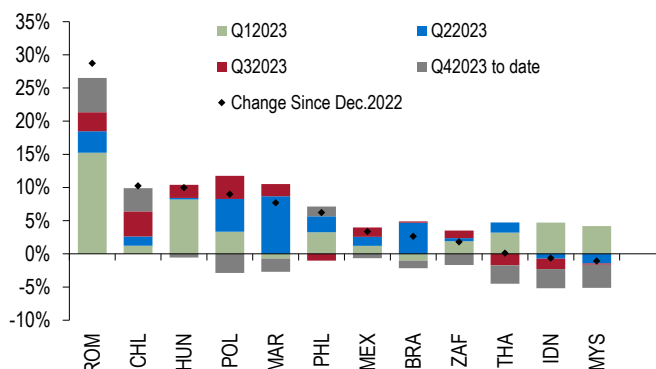
Figure 13: Current Account Balances

(4q, latest and historical range as share of GDP)



Reserve stocks have recovered for most EMs in recent quarters, with Indonesia, Malaysia, Thailand seeing some lingering pressures.

Figure 15: EM Reserve Stocks (quarterly change, percent)



Remittance growth has slowed to below long-term averages...

Figure 17: Remittances, EM Median

(y/y growth)

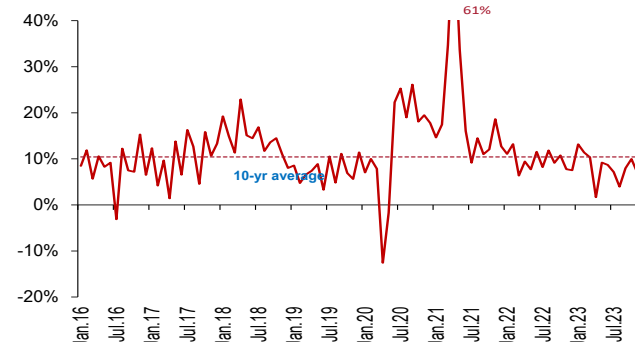
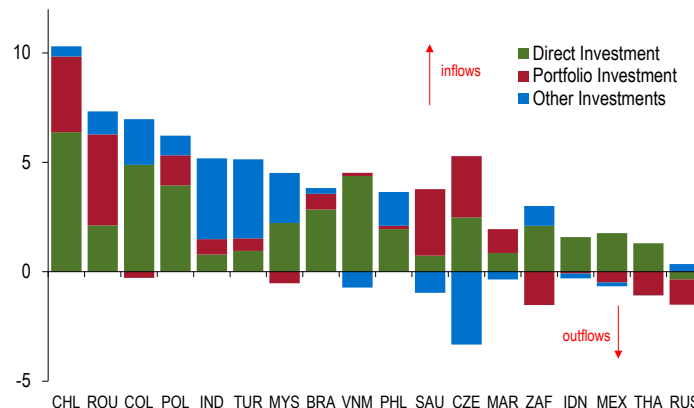


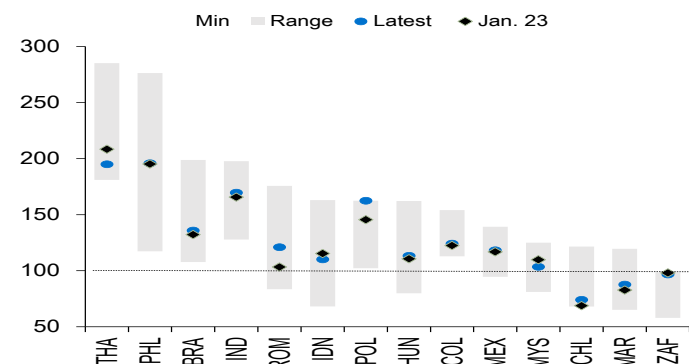
Figure 14: External Financing Sources

(4Q sum to GDP)



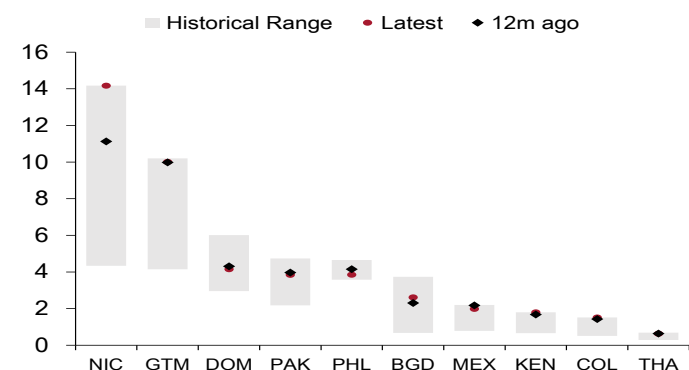
Most EMs maintain adequate buffers that have improved over the last few quarters, though a few remain below the recommended 100% threshold.

Figure 16: Reserves as Share of ARA Metric (percent, latest available for official reserve assets)



... though in general they remain high as a share of GDP, particularly in Latin America

Figure 18: Remittances as Share of GDP, 12 month rolling sum (% of GDP, range since 2012)



Appendix: Long Term Heat Maps on Non-Resident Capital Flows

Figure 19. Non-Resident BOP Flows to EMs: Percentile Rank relative to their Own History

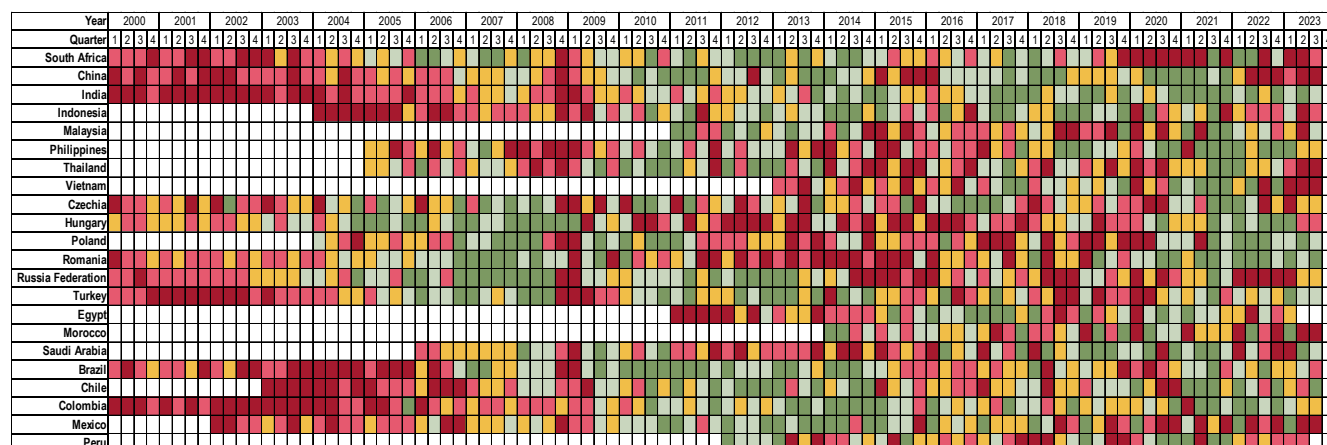


Figure 20. Non-Resident Portfolio Flows: Percentile Rank relative to their Own History

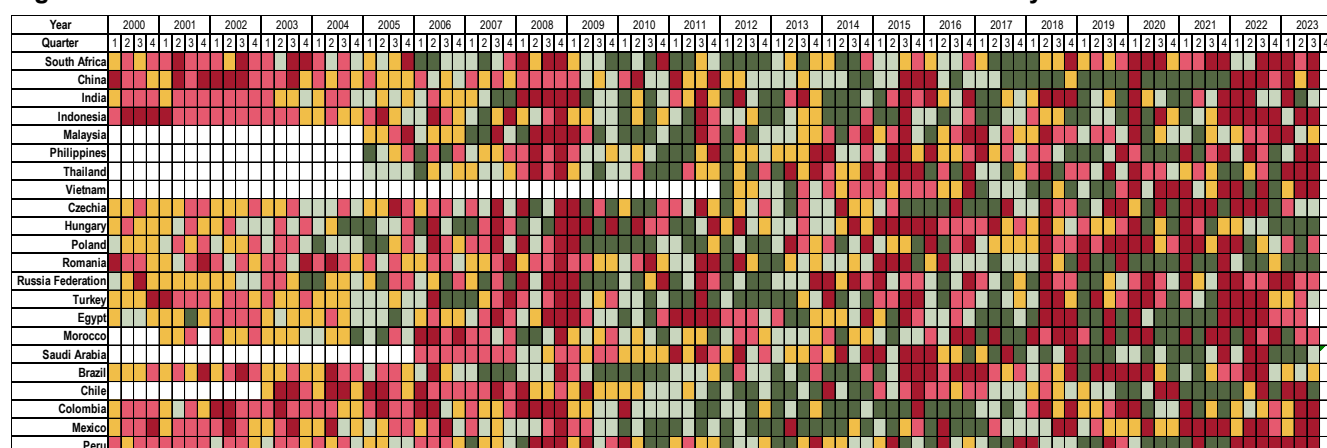


Figure 22. Non-Resident FDI Flows to EMs Percentile Rank relative to their Own History

