



## KEY HIGHLIGHTS

**High frequency data in Q3 indicates that EMs inflows is gaining momentum as the US Federal Reserve started to ease monetary policy, albeit equity flows remain, overall, tepid.** Most of the inflows has been mainly driven by portfolio debt flows, although some EM equity markets also received inflows in recent weeks (Fig 1). The aggregated quarterly portfolio inflows recorded for major EMs in Q3, also appear to be the broadest since Q4 of 2020 (Fig. 2).

**Q2 BOP data indicate portfolio flows were mix for major EMs** (Fig. 2). In Q2, Turkey, Czechia, the Philippines, and Poland were the primary beneficiaries of portfolio inflows, while Mexico, South Africa, and Hungary experienced outflows. Flows to South Africa continued to be challenged, with the country poised to record its ninth consecutive quarter of portfolio outflows. Meanwhile, provisional Q3 data suggests a broadly optimistic outlook for most EMs. Specifically, Brazil, Mexico and Hungary are poised to record inflows in Q3 after outflows in Q2. In Asia, portfolio flows returned to Thailand after six consecutive quarters of outflows, while year-to-date flows for Indonesia turned positive. Malaysia is also on track to achieve its largest quarterly inflows in over a year. Provisional Q3 data also suggests sustained foreign inflows into India bonds and equities. Notably, August saw the highest monthly bond inflows since March 2019, while September recorded the largest equity inflows since December 2023. However, early October indicated a shift in trends, particularly for equity flows, as some investors began reallocating funds out of India into China.

**FDI inflows (as a percentage of GDP) moderated in Q2** (Fig. 7), **after a seasonally strong Q1.** However, in nominal terms, these flows appear to be staging a rebound (Fig. 5). Over the past four quarters, FDI inflows have stabilized at around 2% of GDP, though they still fall short of the historical average of 2.5%. In addition, while portfolio debt inflows (as a percentage of GDP) have been generally positive this year, portfolio equity flows faced pressure in Q2, particularly impacting the Latin America.

**In China, Q2 capital flows presented a mixed picture with modest net inflows** (Fig. 6). Non-resident portfolio debt remained robust, with inflows totaling \$35 billion while equities flows rebounded after three consecutive quarters of outflows. Recent announcements of various easing measures have significantly boosted optimism for China's assets. Specifically, **high-frequency EPFR data suggests inflows into China-focused funds, ETFs and mutual funds in early October** are poised to set a record for the largest monthly inflows. However, FDI saw net record withdrawals (-\$15 billion) in Q2 and marking the second quarter of FDI outflows in available data dating back to 1998. Meanwhile, residents' outflows (net acquisition of foreign assets) surged to \$119 billion in Q2, the largest since Q4 2021, primarily driven by direct investment (\$71 billion) and portfolio equity (\$36 billion).

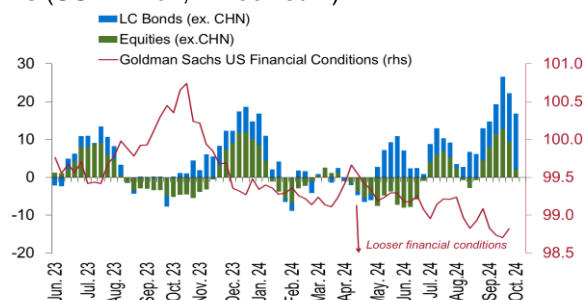
**EM residents' capital outflows further moderated in Q2** (Fig.9) after peaking in 2022. Net foreign assets acquisitions by EM residents slowed in Q2 notably for portfolio debt and "other investments". High frequency and provisional Q3 data also suggest that residents' portfolio flows continue to moderate in Q3 (Fig. 8). Overall, net capital flows to EMs for Q2 marginally increased, owing to the larger decline in residents flows, which offset decline in non-resident flows (Fig. 10).

**Other BOP Details:** Current account deficits have narrowed for most EMs compared to a year ago, but some EMs with positive surplus has seen a slight deterioration (Fig. 13). Remittances (as a share of GDP) remain higher in Q3, against historical figures (Fig. 17,18). While most EMs' reserves improved over the past year, the broader EM Asia and South Africa continue to face lingering pressure (Fig. 15).

## BOP Portfolio Tracking

*Flows into EM local currency debt and, to some extent, equities strengthened in Q3 as US Fed eases monetary policy*

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



*Portfolio flows also rebounded for most EMs in Q3 on aggregate with most major EMs tracking inflows*

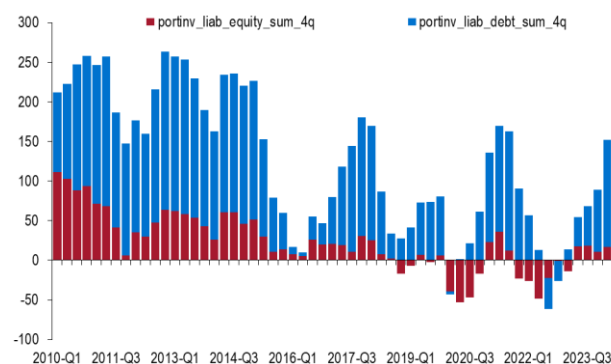
**Figure 2. BOP Non-Resident Quarterly Portfolio Flows (USD Billion, \*Quarter-to-Date for 2024-Q3, \*\* high frequency non-BOP data for 2024-Q3)**

Year	2020				2021				2022				2023				2024			
Quarter	1	2	3	4	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	0.8	-7.5	-2.8	6.5	0.8	5.7	2.4	2.9	6.2	-1.5	3.9	
CHL	7.2	2.5	-1.4	-1.1	4.2	6.5	16.6	5.5	8.3	0.7	-2.5	6.5	-0.4	0.0	4.4	0.1	2.9	0.3	0.5	
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	-4.8	-0.3	2.8	1.1	
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	5.0	4.8	-2.0	1.4	
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	9.3	1.5	2.0	
POL	-1.4	-8.7	0.2	-1.0	-3.2	-3.3	1.4	-1.7	-3.0	4.7	0.7	3.3	-0.7	7.5	-0.4	3.5	10.5	2.2	3.0	
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	-1.6	-1.1	-2.3	-0.5	-1.8	-2.6	-0.1	
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	-2.5	5.1	0.0	-1.9	7.8	
MYS*	-6.2	5.5	0.1	3.1	3.5	7.4	0.3	2.1	1.5	-2.7	-0.7	-2.4	-3.1	3.9	0.4	0.8	-0.3	0.4	3.3	
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	0.2	-0.9	2.6	-1.7	
THA**	-7.2	-1.5	-0.8	1.6	0.4	-0.1	0.2	4.3	3.9	0.9	-0.4	3.8	-2.8	-3.0	-3.5	-1.0	-2.7	-1.8	2.3	
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	2.3	0.5	-3.2	1.6	
TUR**	-3.0	-10.9	-1.3	8.5	-1.2	2.9	5.2	-3.8	-2.2	-5.1	-3.9	2.0	1.1	-0.4	3.0	7.5	9.7	9.0	6.4	

## EM BOP Non-Resident Flows

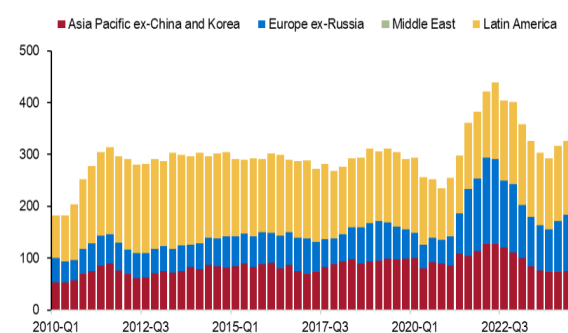
Trailing 12m debt portfolio flows into EM ex-China remained robust in Q2, but equity flows still lagging

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



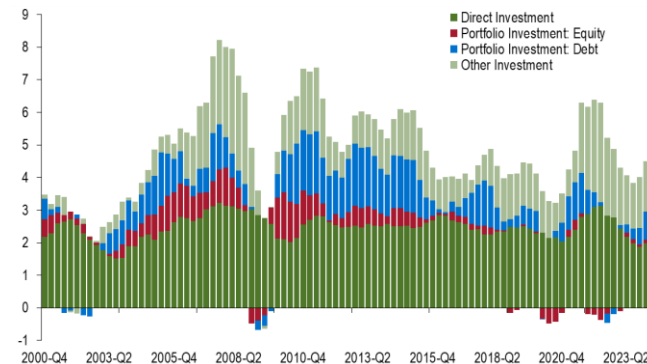
Trailing-12m FDI flows indicate early signs of recovery, particularly in Latin America and Europe, after several quarters of decline

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



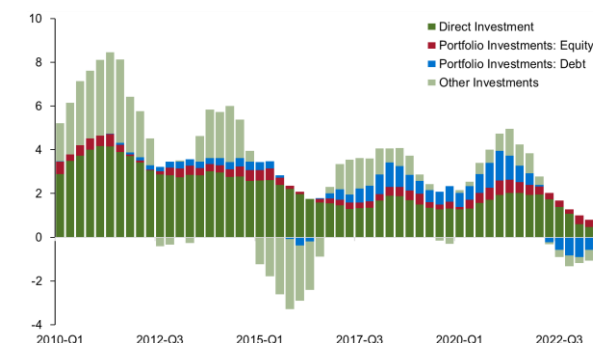
“Direct investments” indicate early signs of bottoming-out while “other investment” liabilities have stabilized after increasing from 2020-2022

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



Non-resident flows to China continued at a slow pace, led by portfolio debt, but FDI and equity flows remain notably scarce

**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
2023-Q3	FDI	2023-Q3	1.8	2.0	2.5	10%	40%	10%	22%	50%	27%
2023-Q4		2023-Q4	1.4	1.9	2.5	4%	40%	5%	21%	41%	18%
2024-Q1		2024-Q1	3.1	2.0	2.5	9%	35%	10%	19%	61%	21%
2024-Q2		2024-Q2	1.8	2.0	2.5	12%	45%	5%	20%	70%	19%
2023-Q3	Port. Equity	2023-Q3	0.0	0.1	0.2	36%	17%	17%	46%	24%	29%
2023-Q4		2023-Q4	0.2	0.1	0.2	27%	28%	6%	45%	31%	10%
2024-Q1		2024-Q1	0.0	0.1	0.2	33%	17%	6%	51%	37%	6%
2024-Q2		2024-Q2	-0.4	-0.1	0.2	14%	28%	11%	32%	30%	4%
2023-Q3	Port. Debt	2023-Q3	0.1	0.3	0.9	30%	33%	22%	10%	50%	24%
2023-Q4		2023-Q4	0.9	0.5	0.9	35%	39%	17%	17%	53%	30%
2024-Q1		2024-Q1	2.0	0.9	0.9	56%	33%	28%	25%	73%	56%
2024-Q2		2024-Q2	0.6	0.9	0.9	59%	28%	28%	36%	74%	52%
2023-Q3	Other	2023-Q3	1.5	1.4	1.3	65%	20%	10%	86%	40%	47%
2023-Q4		2023-Q4	2.0	1.6	1.3	76%	15%	20%	74%	65%	50%
2024-Q1		2024-Q1	1.3	1.6	1.3	74%	35%	15%	78%	56%	51%
2024-Q2		2024-Q2	1.7	1.6	1.3	78%	25%	15%	81%	71%	53%

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

## EM BOP Resident Capital Flows (Net Acquisition of Assets)

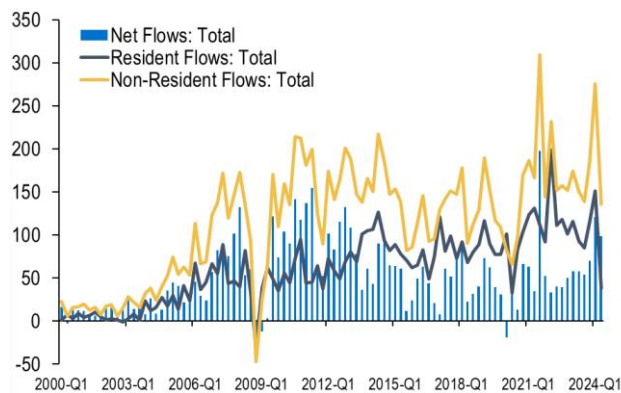
Resident portfolio outflows appear to be moderating through Q3, after an outsized flow in Q1'2024

**Figure 8. EMs ex China: Resident Portfolio Outflows**  
(USD Billions, \*Quarter-to-Date for 2024-Q3), \*\* high frequency non-BOP data for 2024-Q3)

Year	2020				2021				2022				2023				2024			
Quarter	1	2	3	4	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	-2.2	7.8	3.6	0.3	
CHL	3.8	4.6	-11.0	-3.3	4.8	-5.7	0.7	0.3	5.6	2.6	-2.4	2.0	3.0	3.1	0.7	-0.9	1.2	3.7	1.8	
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	0.9	1.6	3.1	-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	2.2	0.8	-0.1	0.8	
PHL	-0.3	1.8	3.7	1.3	4.6	1.8	1.0	0.4	0.9	-1.2	0.7	-0.7	1.5	1.7	0.1	0.4	1.1	-1.8		
POL	-0.8	2.5	1.0	-6.9	3.0	1.1	0.7	0.2	-0.7	0.0	0.1	3.9	5.0	3.0	4.7	1.8	3.6	4.5	0.3	
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	1.3	0.2	0.1	-0.1	0.2	0.9	
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	0.2	1.1	5.8	0.8	2.7	

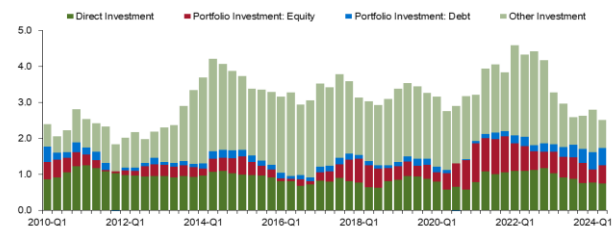
Net capital flows to EMs moderated in Q2, as non-residents retreated, but remain within historical range

**Figure 10. Net Capital Flows**  
(USD Billion)



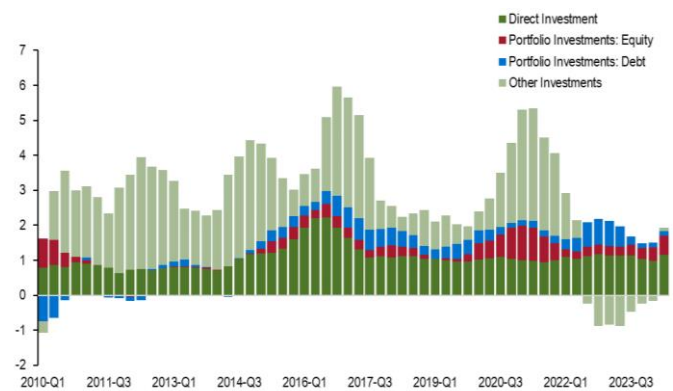
Cross border flows from EM residents, as a percent of GDP, further moderated in Q2 this year after peaking in Q1'2022

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



China resident outflows remain subdued although "other investments" have rebounded in recent quarters

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



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

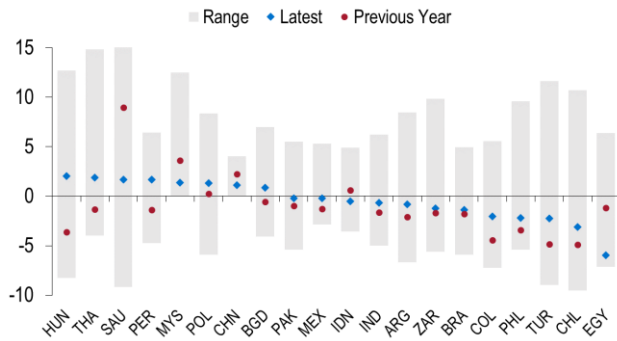
			Level (% of GDP)			Percentile Rank (based on 4Q)					
			Quarter	4Q Sum	Historical Avg (4Q)	All	% in lower quartile	% in upper quartile	Asia	Europe	LATAM
2023-Q3	FDI	2023-Q3	0.8	0.9	0.9	48%	20%	20%	35%	78%	40%
2023-Q4		2023-Q4	0.7	0.8	0.9	32%	30%	15%	31%	64%	29%
2024-Q1		2024-Q1	0.9	0.8	0.9	34%	30%	10%	43%	61%	31%
2024-Q2		2024-Q2	0.6	0.8	0.9	31%	30%	15%	37%	46%	36%
2023-Q3	Port. Equity	2023-Q3	0.3	0.6	0.4	89%	11%	32%	85%	93%	22%
2023-Q4		2023-Q4	0.6	0.6	0.4	85%	21%	37%	69%	88%	48%
2024-Q1		2024-Q1	0.2	0.4	0.4	61%	11%	37%	66%	62%	77%
2024-Q2		2024-Q2	0.7	0.5	0.4	82%	0%	32%	80%	74%	90%
2023-Q3	Port. Debt	2023-Q3	0.2	0.3	0.2	78%	7%	33%	22%	96%	77%
2023-Q4		2023-Q4	0.3	0.4	0.2	82%	7%	47%	35%	98%	79%
2024-Q1		2024-Q1	0.9	0.5	0.2	91%	0%	53%	54%	100%	62%
2024-Q2		2024-Q2	0.5	0.4	0.2	86%	33%	47%	59%	99%	56%
2023-Q3	Other	2023-Q3	0.8	0.8	1.3	34%	30%	25%	50%	21%	22%
2023-Q4		2023-Q4	1.2	0.9	1.2	46%	30%	15%	66%	32%	11%
2024-Q1		2024-Q1	1.8	1.2	1.2	55%	20%	15%	79%	49%	28%
2024-Q2		2024-Q2	-0.6	0.8	1.2	41%	25%	10%	68%	31%	3%

## Other Balance of Payments Details

Current account deficits have narrowed compared to a year ago for most EMs, but some EMs with positive surpluses have seen a slight deterioration

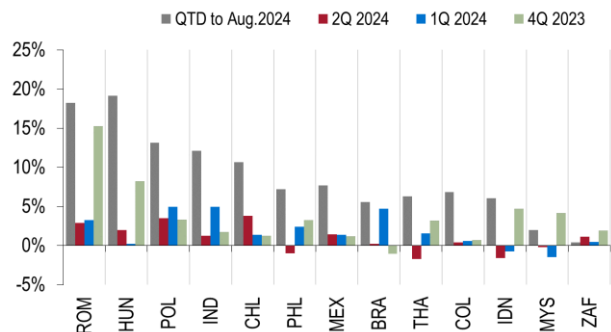
**Figure 13: Current Account Balances**

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



Most major EMs' reserve levels recovered in the recent quarter although Thailand, Colombia, Indonesia, Malaysia, and South Africa continue to lag

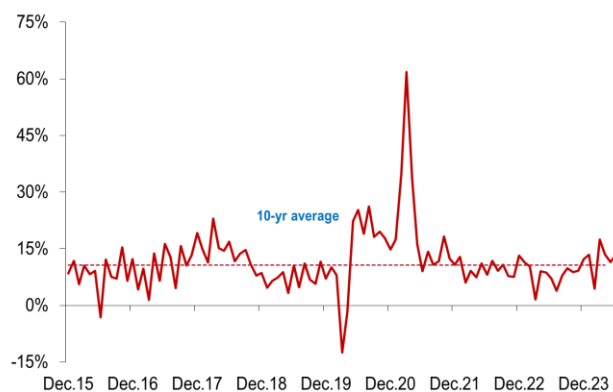
**Figure 15: EM Reserve Stocks** (quarterly change, percent)



After moderating in Q1, remittance growth has picked-up and continue to trend above long-term averages...

**Figure 17: Remittances, EM Median**

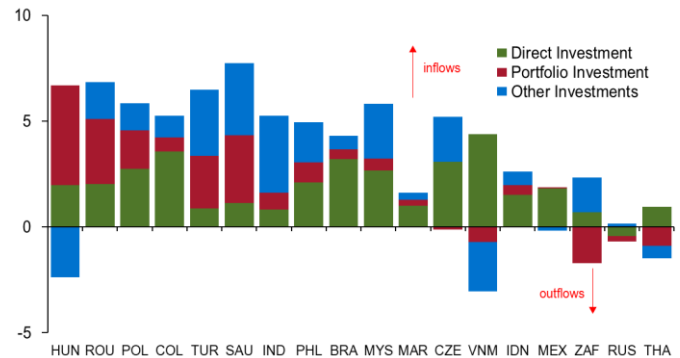
(y/y growth)



FDI flows remain significant as a proportion to total flows for most EMs, as portfolio flows have been mixed across EMs

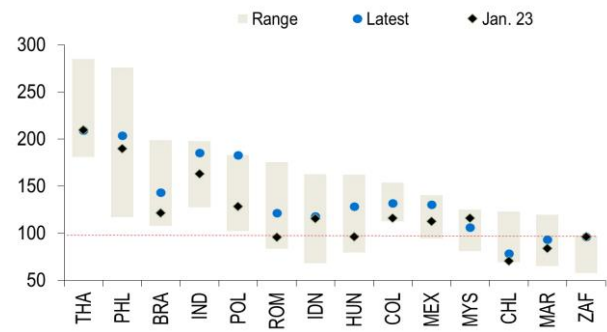
**Figure 14: External Financing Sources**

(4Q sum to GDP)



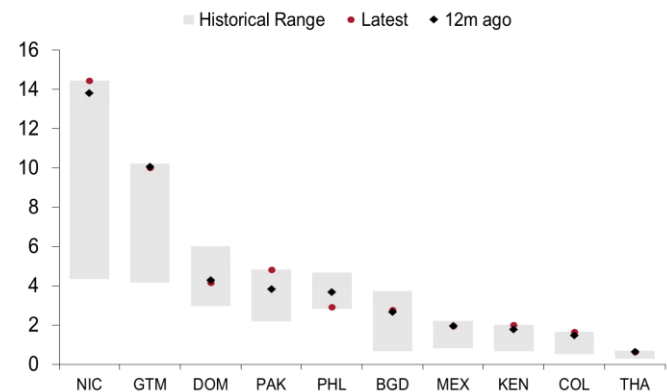
Most EMs' reserves have improved since early 2023, although a few require further built-up to be above the recommended 100% threshold

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



... and remain on the high side, as a share of GDP for most countries, compared to their respective historical range

**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

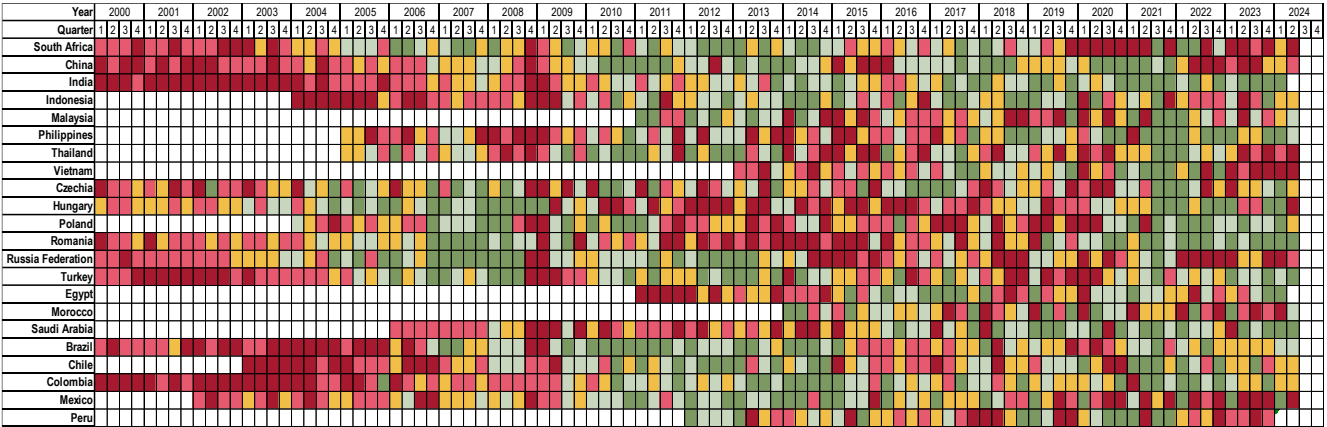


Figure 20. Non-Resident Portfolio Flows: Percentile Rank relative to their Own History

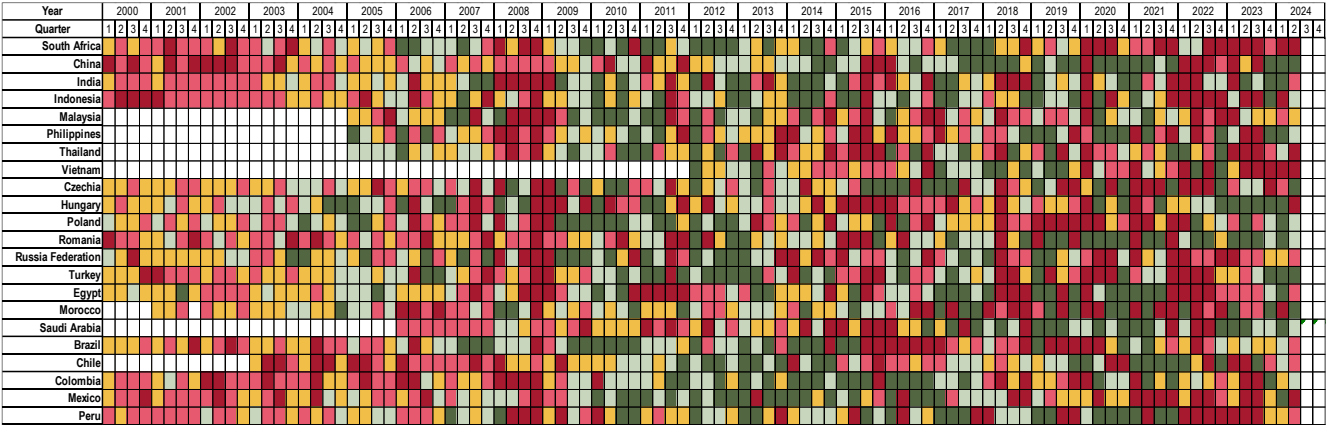


Figure 21. Non-Resident FDI Flows to EMs Percentile Rank relative to their Own History

