



KEY HIGHLIGHTS

High frequency portfolio flows. A sample of daily data show renewed inflows in local currency debt and equities since early June as the effects of the US banking crisis and debt ceiling have faded. Market analysts have expressed optimism on local currency debt in particular given easing inflation and the perceived likelihood of rate cuts in several EM central banks. Chinese equity inflows have largely evaporated since April, though without any major outflows (Fig 1). Bonds saw small inflows in May but outflows have totaled close to \$120 bn since Feb. 2022.

Monthly BOP data for Q2 are mixed, with inflows for about half of EMs, notably India (\$14 bn equity inflows in Q2), as well as Poland and Indonesia. Türkiye received a surge of equity inflows, with \$1.1 bn in June. Chile's recent issuance of \$3 bn in sovereign ESG bonds will bolster inflows. Conversely, Thailand and South Africa have seen persistent equity outflows in the last 2-3 months. Hungary and Poland have seen inflows reverse after a strong Q1.

BOP Non-Resident Capital Flows: Comprehensive quarterly BOP data through Q1 shows non-resident inflows (portfolio, FDI, other) downshifted to 4.0% of GDP (from 4.2%) although on 4Q basis this level has remained 4.2%. (Fig 7). Aggregate FDI inflows have slowed to 2.4% of GDP over 4 quarters, just below historical averages, with Latin American remaining solid, while Asia has been a weak spot (Fig 5, 7). Other investment flows downshifted in Q1 to 1% of GDP, compared to an average of 2.5% over the last 4-6 quarters. Capital outflows from China continued in Q1 and were driven by debt and other investments (-0.9% and -0.3% on a 4Q basis, despite some equity inflows (Fig 6).

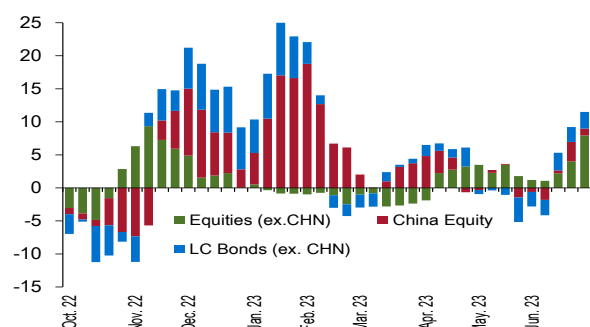
BOP Resident Capital Flows: Monthly BOP data shows that resident portfolio outflows continued in Q2, though generally at a slower pace. Hungary and Romania saw increased outflows. Other outflows slowed in aggregate. Quarterly data shows outward FDI steady at just under 1% of GDP. Overall, net capital flows (non-resident – resident) have remained positive but declined in Q4.

BOP Details: Current account balances have improved across most EMs, notably Chile, Hungary, Romania, Poland, and Peru (Fig 13). Remittances as a share of GDP generally remain strong versus history, particularly in Latin America, though growth appears to be slowing, and inflows contracted y/y in Pakistan and Bangladesh in recent months (Fig 17,18). After two quarters of increasing stocks, reserve levels have moved sideways or contracted slightly thus far in Q2 (Fig 15)

BOP Portfolio Tracking

Local currency debt and equity flows have resumed in recent weeks.

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



Monthly BOP data showed a mixed picture for Q2, with net inflows in about half of emerging markets.

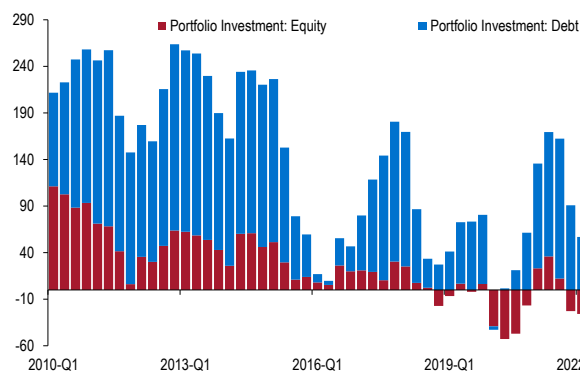
Figure 2. BOP Non-Resident Quarterly Portfolio Flows (USD Billions, *Quarter-to-Date for 2023-Q2, ** high frequency non-BOP data for 2023-Q2)

| Year | 2020 | | | | 2021 | | | | 2022 | | | | 2023 | |
|---------|-------|-------|------|------|------|------|-------|------|-------|-------|------|------|------|------|
| Quarter | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2* |
| BRA | -21.7 | -4.3 | 2.0 | 22.0 | 6.5 | 12.9 | 3.7 | 0.2 | 0.6 | -7.6 | -3.6 | 6.3 | 0.8 | -0.1 |
| 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 | -0.5 | -0.4 |
| 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 | 1.2 |
| 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 | -1.9 |
| 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 |
| PHL | -1.0 | 4.0 | -1.4 | 2.2 | -3.6 | 2.5 | 3.3 | 1.7 | 0.0 | 1.9 | 1.2 | 0.2 | -1.3 | 0.4 |
| POL | -1.4 | -8.7 | 0.2 | -1.0 | -3.1 | -3.3 | 1.5 | -1.5 | -3.0 | 4.8 | 0.7 | 3.4 | -0.2 | 4.6 |
| ROU | 3.7 | 2.7 | 2.5 | 2.9 | -0.9 | 2.3 | 3.1 | -0.3 | 1.6 | 2.0 | 2.3 | 0.0 | 8.7 | 0.2 |
| 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 | -3.8 |
| IDN** | -6.3 | 9.9 | -1.7 | 2.6 | 5.2 | 4.7 | 1.5 | -4.6 | -1.8 | 0.9 | -1.5 | -1.0 | 4.3 | 1.9 |
| 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 | 0.2 |
| PHL** | -1.0 | 4.0 | -1.4 | 2.2 | -3.6 | 2.5 | 3.3 | 1.7 | 0.0 | 1.9 | 1.2 | 0.2 | -1.3 | 0.4 |
| THA** | -7.3 | -1.5 | -0.7 | 1.6 | 0.4 | -0.1 | 0.2 | 4.4 | 3.9 | 0.9 | -0.4 | 3.8 | -2.8 | -1.6 |
| 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 | -2.7 |
| 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 |

EM BOP Non-Resident Flows

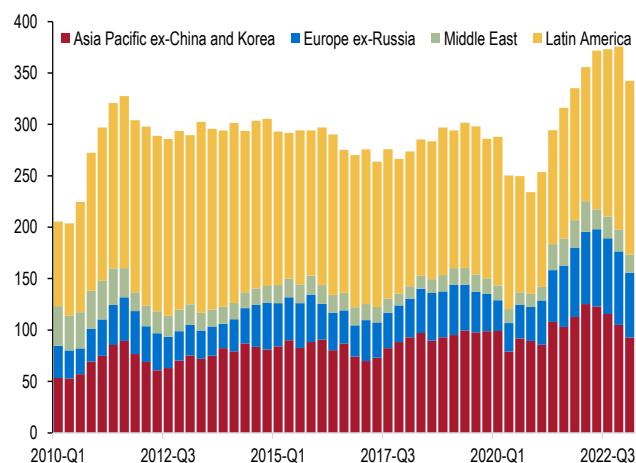
Debt portfolio flows to emerging markets turned positive on a 4Q basis, bolstered by Q1.23—the best quarter of inflows since 2021-Q4.

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



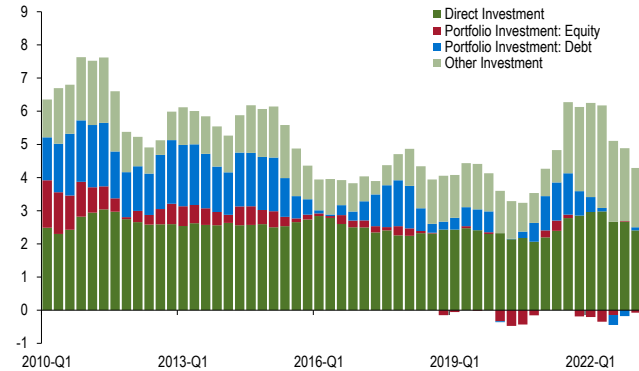
FDI flows into Latin America have remained strong whereas flows into Asia Pacific have slowed.

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



Since 2020, other investment liabilities have taken on an increased financing role and have buoyed BOP flows, but they continue to come down from their peak in 2021.

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



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

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

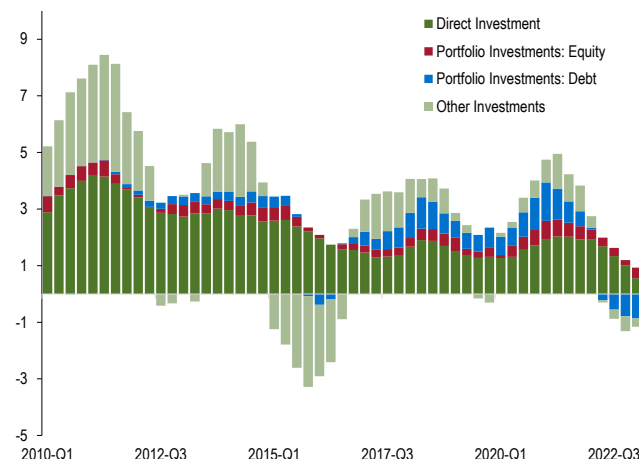


Figure 7. BOP Non-Resident Flows, Composition ex-China and Russia

| 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-Q2 | FDI | 2022-Q2 | 2.5 | 3.0 | 2.5 | 87% | 0% | 40% | 70% | 90% | 80% |
| 2022-Q3 | | 2022-Q3 | 2.6 | 2.7 | 2.5 | 67% | 5% | 45% | 53% | 88% | 89% |
| 2022-Q4 | | 2022-Q4 | 2.0 | 2.7 | 2.6 | 69% | 10% | 30% | 29% | 85% | 94% |
| 2023-Q1 | | 2023-Q1 | 2.6 | 2.4 | 2.5 | 33% | 25% | 15% | 20% | 75% | 84% |
| 2022-Q2 | Port. Equity | 2022-Q2 | -0.5 | -0.3 | 0.3 | 4% | 50% | 11% | 7% | 8% | 25% |
| 2022-Q3 | | 2022-Q3 | -0.1 | -0.1 | 0.3 | 12% | 56% | 17% | 15% | 4% | 21% |
| 2022-Q4 | | 2022-Q4 | 0.5 | 0.0 | 0.3 | 18% | 33% | 28% | 22% | 6% | 42% |
| 2023-Q1 | | 2023-Q1 | -0.2 | -0.1 | 0.2 | 13% | 39% | 17% | 25% | 7% | 19% |
| 2022-Q2 | Port. Debt | 2022-Q2 | -0.2 | 0.1 | 1.0 | 18% | 28% | 22% | 5% | 40% | 46% |
| 2022-Q3 | | 2022-Q3 | -0.3 | -0.3 | 1.0 | 1% | 39% | 11% | 0% | 25% | 13% |
| 2022-Q4 | | 2022-Q4 | 0.2 | -0.2 | 1.0 | 6% | 44% | 11% | 1% | 45% | 8% |
| 2023-Q1 | | 2023-Q1 | 0.6 | 0.1 | 1.0 | 17% | 56% | 11% | 3% | 69% | 9% |
| 2022-Q2 | Other | 2022-Q2 | 2.8 | 3.1 | 1.3 | 99% | 0% | 80% | 100% | 83% | 100% |
| 2022-Q3 | | 2022-Q3 | 2.2 | 2.4 | 1.3 | 91% | 0% | 45% | 81% | 88% | 90% |
| 2022-Q4 | | 2022-Q4 | 1.5 | 2.2 | 1.3 | 89% | 5% | 50% | 79% | 85% | 87% |
| 2023-Q1 | | 2023-Q1 | 1.0 | 1.8 | 1.3 | 79% | 15% | 25% | 63% | 81% | 79% |

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

EM BOP Resident Capital Flows (Net Acquisition of Assets)

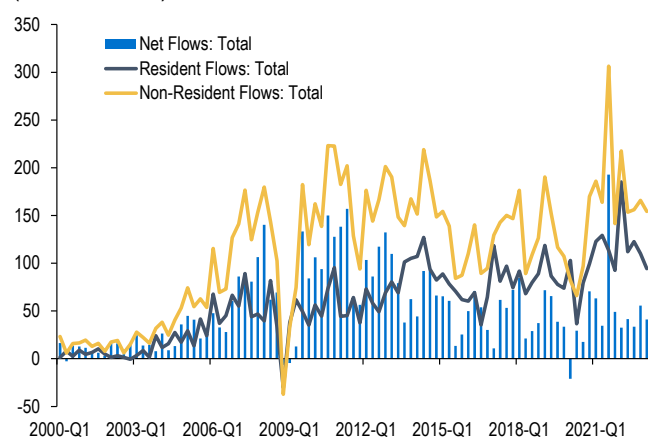
Resident portfolio outflows generally slowed in Q2, except for Hungary.

Figure 8. EMs ex China: Resident Portfolio Outflows
(USD Billions, *Quarter-to-Date for 2023-Q2), ** high frequency non-BOP data for 2023-Q2)

| Year | 2020 | | | | 2021 | | | | 2022 | | | | 2023 | |
|---------|------|------|-------|------|------|------|-----|------|------|------|------|------|------|------|
| Quarter | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2* |
| BRA | 2.4 | 2.7 | 4.0 | 1.8 | 5.5 | 8.3 | 5.2 | -3.6 | 1.3 | -1.0 | -1.5 | 0.9 | 2.0 | 1.5 |
| 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 | 1.9 | 1.6 |
| 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 | 0.0 |
| 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 | 1.4 |
| PHL | -0.3 | 1.8 | 3.7 | 1.3 | 4.6 | 1.8 | 1.0 | 0.4 | 0.9 | -1.3 | 0.8 | -0.6 | 0.4 | #N/A |
| POL | -0.8 | 2.5 | 1.0 | -6.9 | 3.0 | 1.1 | 0.7 | 0.1 | -0.8 | 0.0 | 0.1 | 3.9 | 5.0 | 0.4 |
| ROU | 0.1 | 0.0 | 0.0 | 0.0 | 0.2 | 0.3 | 0.2 | 0.7 | 0.3 | 0.2 | 0.9 | -0.3 | -0.3 | 0.5 |
| 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 | 0.3 |

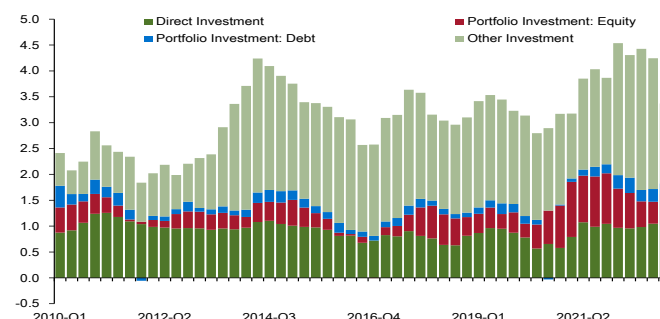
Net capital flows to emerging markets have remained positive but modest, in line with recent years.

Figure 10. Net Capital Flows
(USD Billions)



Cross border flows from EM residents have been relatively large in recent quarters despite slowing in Q1.

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)

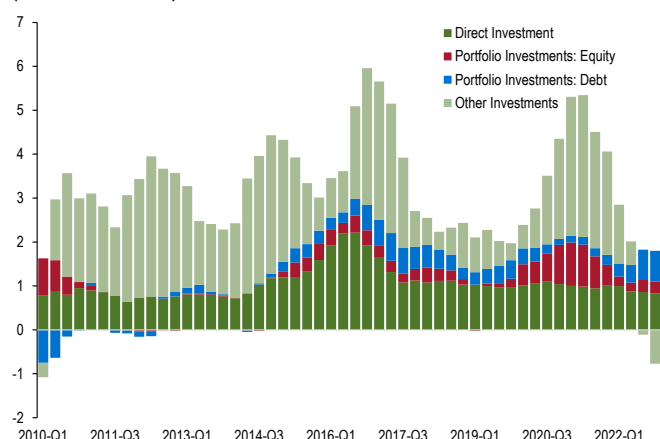


Figure 12. BOP Resident Flows ex-China and Russia (Net Acquisition of Assets)

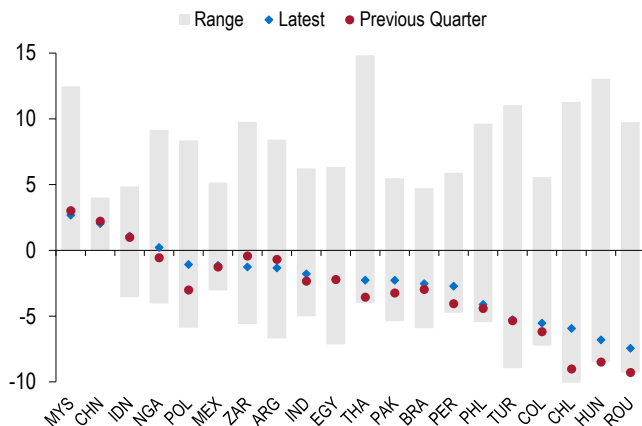
| | | Level (% of GDP) | | | | Percentile Rank (based on 4Q) | | | | | |
|--------------|---------|------------------|--------|---------------------|-----|-------------------------------|---------------------|---------------------|------|--------|-------|
| | | Quarter | 4Q Sum | Historical Avg (4Q) | | All | % in lower quartile | % in upper quartile | Asia | Europe | LATAM |
| FDI | 2022-Q2 | 2022-Q2 | 1.0 | 1.0 | 0.9 | 60% | 10% | 20% | 45% | 73% | 55% |
| | 2022-Q3 | 2022-Q3 | 0.9 | 1.0 | 0.9 | 69% | 0% | 35% | 37% | 71% | 89% |
| | 2022-Q4 | 2022-Q4 | 1.2 | 1.0 | 0.9 | 79% | 5% | 35% | 28% | 74% | 96% |
| | 2023-Q1 | 2023-Q1 | 1.0 | 1.0 | 0.9 | 74% | 5% | 25% | 33% | 63% | 92% |
| Port. Equity | 2022-Q2 | 2022-Q2 | 0.3 | 0.7 | 0.4 | 93% | 16% | 37% | 82% | 66% | 66% |
| | 2022-Q3 | 2022-Q3 | 0.1 | 0.5 | 0.4 | 83% | 32% | 32% | 70% | 31% | 20% |
| | 2022-Q4 | 2022-Q4 | 0.8 | 0.4 | 0.4 | 76% | 37% | 32% | 63% | 22% | 4% |
| | 2023-Q1 | 2023-Q1 | 0.9 | 0.6 | 0.4 | 89% | 37% | 32% | 81% | 30% | 1% |
| Port. Debt | 2022-Q2 | 2022-Q2 | 0.2 | 0.4 | 0.2 | 85% | 7% | 47% | 37% | 75% | 92% |
| | 2022-Q3 | 2022-Q3 | 0.0 | 0.3 | 0.2 | 76% | 13% | 33% | 62% | 74% | 80% |
| | 2022-Q4 | 2022-Q4 | 0.1 | 0.3 | 0.2 | 78% | 27% | 47% | 42% | 92% | 81% |
| | 2023-Q1 | 2023-Q1 | 0.7 | 0.2 | 0.2 | 56% | 27% | 27% | 26% | 100% | 73% |
| Other | 2022-Q2 | 2022-Q2 | 2.2 | 1.7 | 1.2 | 92% | 25% | 30% | 82% | 99% | 51% |
| | 2022-Q3 | 2022-Q3 | 3.3 | 2.0 | 1.2 | 98% | 30% | 30% | 85% | 100% | 49% |
| | 2022-Q4 | 2022-Q4 | 0.9 | 2.0 | 1.3 | 99% | 10% | 35% | 83% | 74% | 97% |
| | 2023-Q1 | 2023-Q1 | 0.4 | 1.4 | 1.3 | 73% | 25% | 25% | 54% | 46% | 91% |

Other Balance of Payments Details

Current account deficits have improved in a number of EMs, notably Chile, Hungary, Romania, and Peru.

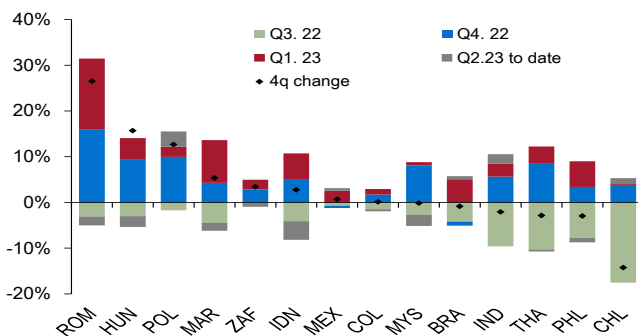
Figure 13: Current Account Balances

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



Reserve stocks have moved sideways in aggregate thus far in Q2 after increasing rapidly from Q4-Q1.

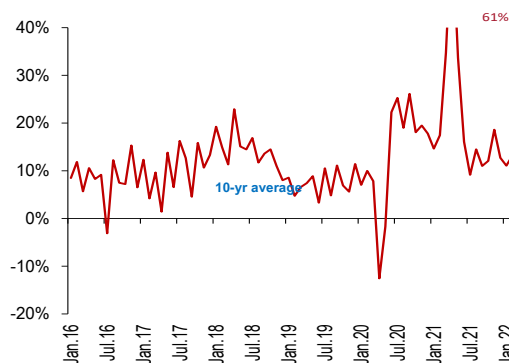
Figure 15: EM Reserve Stocks (quarterly change, percent)



Remittances contracted y/y in a handful of EMs, notably Pakistan and Bangladesh (in USD terms)...

Figure 17: Remittances, EM Median

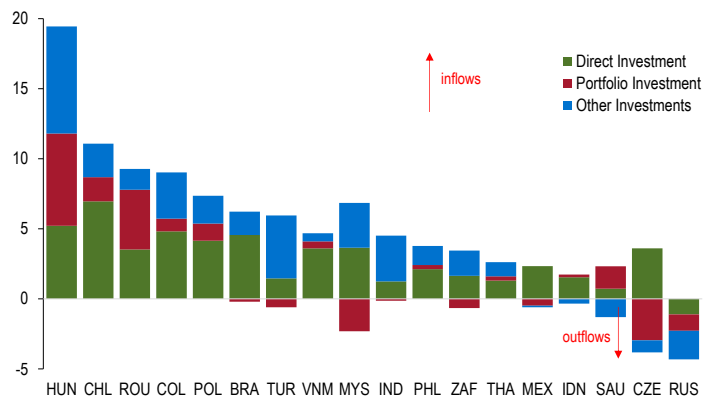
(y/y growth)



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

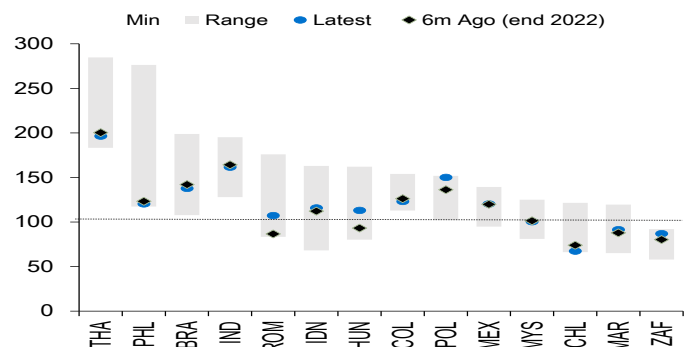
Figure 14: External Financing Sources

(4Q sum to GDP)



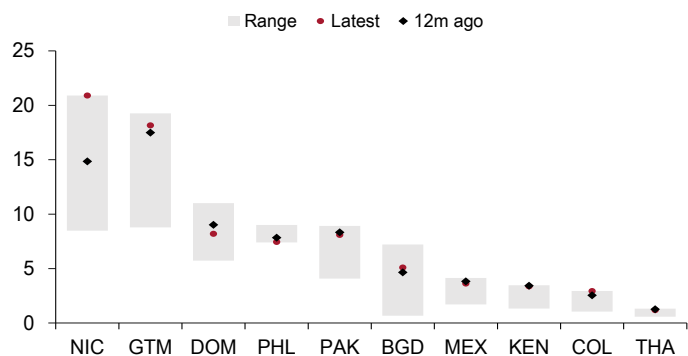
Most EMs maintain adequate buffers that have improved over the last 6 months, though a few are at lower end of historical ranges.

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 relative to past history.

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 (since 2007)

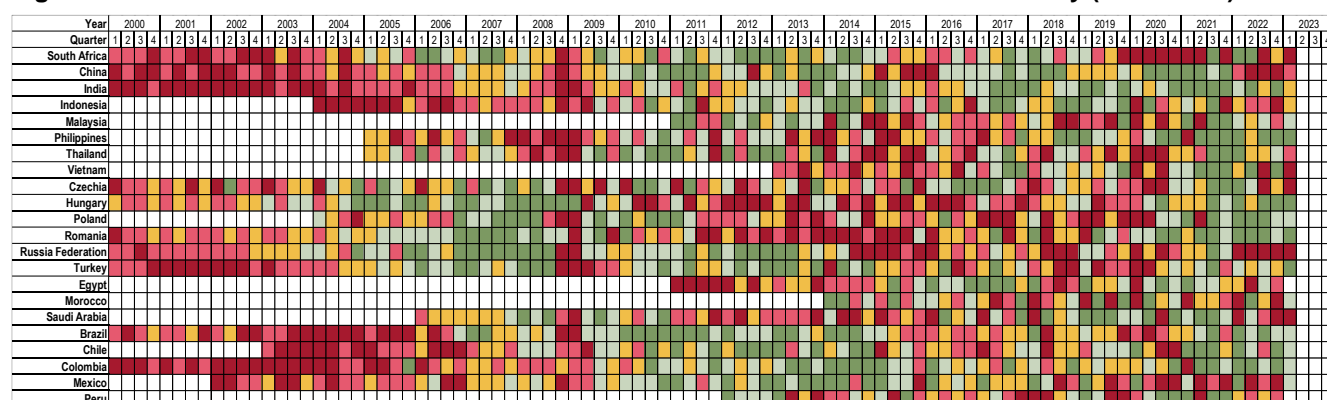


Figure 20. Non-Resident Portfolio Flows: Percentile Rank relative to their Own History

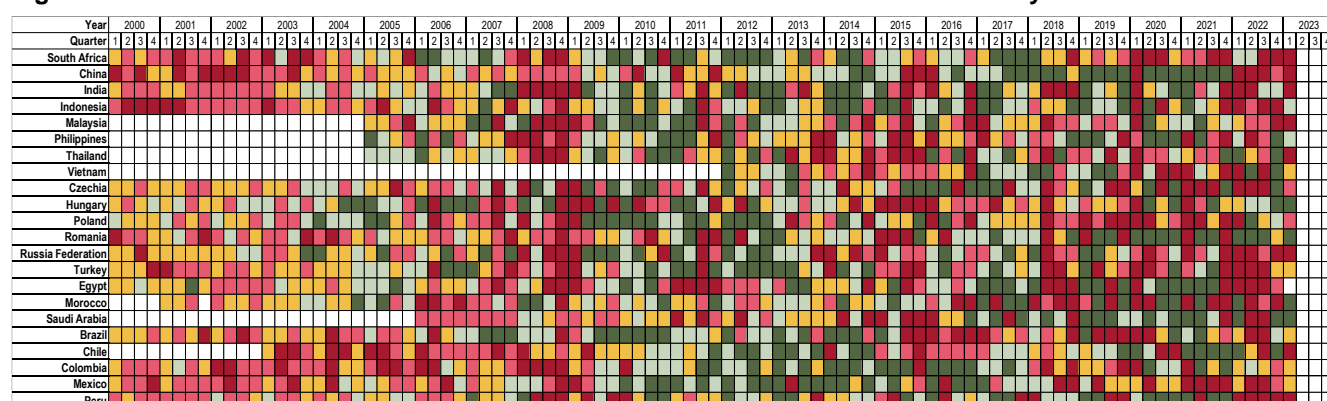


Figure 22. Non-Resident FDI Flows to EMs Percentile Rank relative to their Own History (since 2000)

