



KEY HIGHLIGHTS

High frequency data suggests that most EMs have experienced outflows in Q2 despite easier US financial conditions. This move has been mainly driven by equities flows while inflows to debt markets returned in Q2, although recent flows were selective and choppy for some countries. Notably, EM ex-China equity flows have been persistently pressured year-to-date, while Chinese equities flows turned negative in the past month after a period of strength (Fig. 1).

BOP data shows portfolio inflows for about 60% of EMs in Q1, while early higher-frequency monthly data shows outflows for most major EMs (67%) in Q2 (Fig. 2). In Q1, Poland, Turkey, India, Brazil, and Romania were the major beneficiaries while South Africa was the lagger, with outflows expected to continue based on the provisional Q2 data. Meanwhile, Thailand records its sixth consecutive quarters of outflows. High-yield countries (Brazil and Mexico) are also on-track to post outflows in Q2 after relatively strong performance in recent quarters, with Brazil appearing to experience its first quarterly outflows since Q3 2022.

FDI inflows increased to approximately 2.5% of GDP in Q1 (Fig. 5, 7), in-line with seasonal strength seen in Q1 for most regions. Inflows across the last four quarters somewhat stabilized at 1.8% of GDP but remain below historical average of 2.5%. Elsewhere, portfolio debt inflows picked-up in Q1 (as percentage of GDP) to highest level since Q4 2020, and mostly benefitting Europe and Latin America.

In China capital flows showed a mixed picture with inflows amounting to \$66.5 billion in Q1 on aggregate (Fig. 6). Inflows into debt market have registered a solid momentum (\$36.9 billion). Nonetheless, FDI inflows remains marginal at \$10.2 billion while equities continue to experience its third quarterly outflows (-\$4.7 billion). Meanwhile, Chinese residents' outflows (net acquisition of foreign assets) accelerated to \$94 billion in Q1, the largest since Q4 2021, with \$27 billion each for foreign equities and foreign bonds.

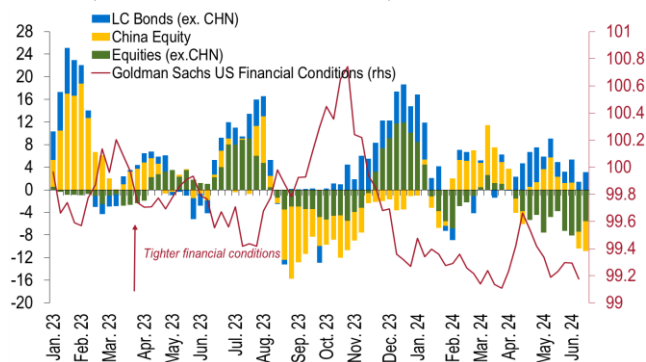
EM residents' capital outflows marginally moderated in Q1 (Fig.9) after peaking in 2022. Net foreign assets acquisitions by EM residents slowed in Q1 notably for Poland, with portfolio debt and other investments tracking lower. In terms of residents' portfolio flows, net acquisition by EM residents on foreign debt rebounded in Q1, with EM Asia (Malaysia and Thailand), Hungary and Saudi Arabia residents increasing their foreign debt holdings (Fig. 12). Nonetheless, high frequency data suggests that the outsized residents' portfolio flows in Q1 appear to be moderating in Q2 (Fig. 8). Overall, net capital flows to EMs continued from a rise in non-resident flows, which mitigated the marginal decline in resident flows (Fig. 10).

Other BOP Details: Countries with current account deficits have seen some improvements compared to a year ago, but some EMs with positive surplus has seen a slight deterioration (Fig. 13). After a relatively weak Q1, remittances (as a share of GDP) rebounded in Q2 and remain strong versus historical figures (Fig. 17,18). Reserves in the broader EM Asia and South Africa continue to face lingering pressure this year, while reserves for some major EM LATAM and CEEMEA experienced some improvements over the past year (Fig. 15).

BOP Portfolio Tracking

Flows into local currency debt were marginal in Q2 while equities outflows were persistent YTD

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



Portfolio flows turned negative for most EMs in Q2 on aggregate with about 67% of EMs tracking outflows

Figure 2. BOP Non-Resident Quarterly Portfolio Flows (USD Billions, *Quarter-to-Date for 2024-Q2, ** high frequency non-BOP data for 2024-Q2)

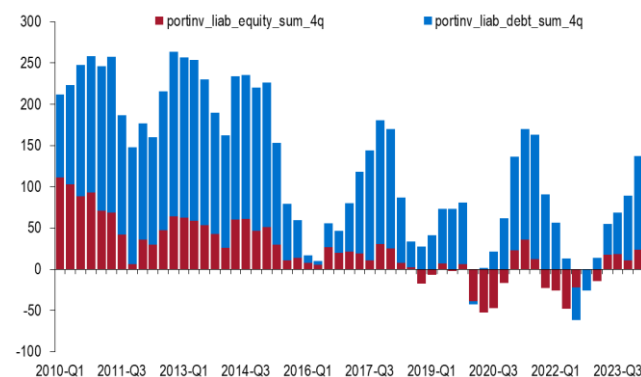
Year	2020				2021				2022				2023				2024			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
BRA	-21.7	-4.3	2.0	22.0	6.5	12.9	3.7	0.2	0.8	-7.5	-2.8	6.5	0.8	5.7	2.4	2.9	6.2	-4.8		
CHL	7.2	2.5	-1.4	-1.1	4.2	6.5	16.6	5.5	8.3	0.7	-2.5	6.5	-0.4	0.0	4.4	0.1	3.0	-0.5		
CZE	0.0	2.7	-1.1	7.1	-2.3	-0.7	-3.9	8.1	-5.6	-12.1	-1.8	4.8	0.1	2.2	1.9	-4.8	-0.3	-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	-3.8		
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		
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	2.7		
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	-0.7	7.8	-0.4	3.5	10.5	-0.8		
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	8.3	2.6	3.0	0.7	6.1	-0.8		
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	-9.4	-12.7		
IDN**	-8.3	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		
MYS*	-8.2	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	1.0		
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	2.7		
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	-1.0	-2.7	-1.8		
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	-4.1		
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	3.2	7.5	9.5	3.1		

Please see releases of the EM Local Currency Bond Holdings Monitor and EM Hard Currency Issuance Monitor for more detail. Comprehensive BOP data is generally lagged by a full quarter. EM includes 20 countries. Source: Bloomberg, Haver Analytics, IMF BOP, IMF staff calculations

EM BOP Non-Resident Flows

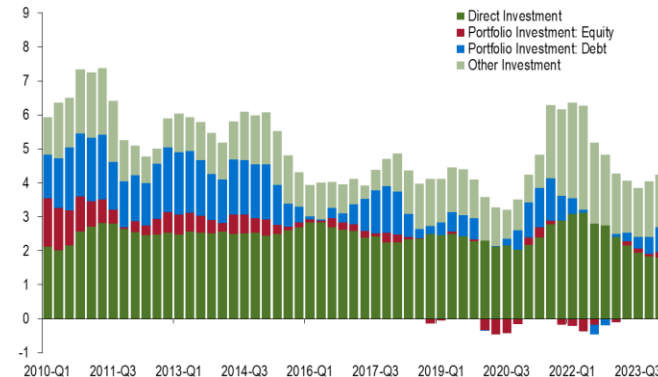
Debt portfolio flows into emerging markets (ex-China) accelerated in 2024-Q1 (\$57.7 billion), largest since 2014-Q1

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



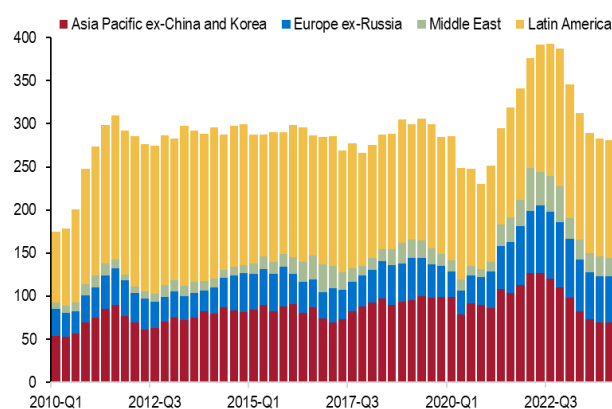
Other investment liabilities played a bigger role in cross border flows from 2020-2022 but have continued to decelerated and stabilized in recent quarters.

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



Trailing-12m FDI flows moderated after peaking in 2022, although flows appear to have stabilized

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



Non-resident flows to China picked-up in Q1, led by debt but no clear signs of improvements in FDI and equity flows

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

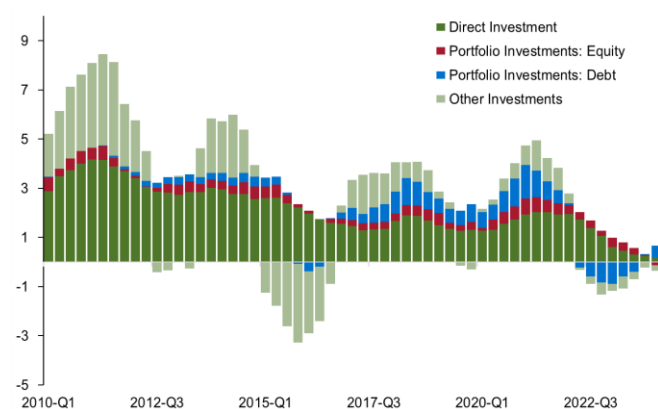


Figure 7. BOP Non-Resident Flows, Composition ex-China and Russia

Level (% of GDP)						Percentile Rank (based on 4Q)					
			Quarter	4Q Sum	Historical Avg (4Q)	All	% in lower quartile	% in upper quartile	Asia	Europe	LATAM
FDI	2023-Q2	2023-Q2	1.6	2.2	2.5	20%	20%	5%	23%	68%	39%
	2023-Q3	2023-Q3	1.8	1.9	2.5	10%	35%	5%	22%	46%	26%
	2023-Q4	2023-Q4	1.4	1.8	2.5	5%	45%	5%	20%	38%	19%
	2024-Q1	2024-Q1	2.5	1.8	2.5	4%	30%	0%	19%	34%	14%
Port. Equity	2023-Q2	2023-Q2	0.3	0.1	0.2	33%	33%	11%	49%	19%	22%
	2023-Q3	2023-Q3	0.0	0.1	0.2	34%	17%	17%	45%	33%	28%
	2023-Q4	2023-Q4	0.2	0.1	0.2	26%	28%	6%	44%	51%	9%
	2024-Q1	2024-Q1	0.1	0.2	0.2	37%	17%	6%	58%	63%	5%
Port. Debt	2023-Q2	2023-Q2	0.4	0.3	0.9	26%	39%	17%	9%	70%	18%
	2023-Q3	2023-Q3	0.1	0.3	0.9	31%	33%	22%	10%	73%	25%
	2023-Q4	2023-Q4	0.9	0.5	0.9	35%	39%	17%	18%	75%	30%
	2024-Q1	2024-Q1	1.5	0.7	0.9	52%	33%	17%	20%	88%	56%
Other	2023-Q2	2023-Q2	1.5	1.5	1.3	72%	30%	20%	59%	75%	69%
	2023-Q3	2023-Q3	1.6	1.5	1.3	70%	25%	10%	86%	58%	51%
	2023-Q4	2023-Q4	2.0	1.6	1.3	77%	15%	20%	77%	67%	56%
	2024-Q1	2024-Q1	0.7	1.6	1.3	75%	30%	10%	61%	54%	60%

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

EM BOP Resident Capital Flows (Net Acquisition of Assets)

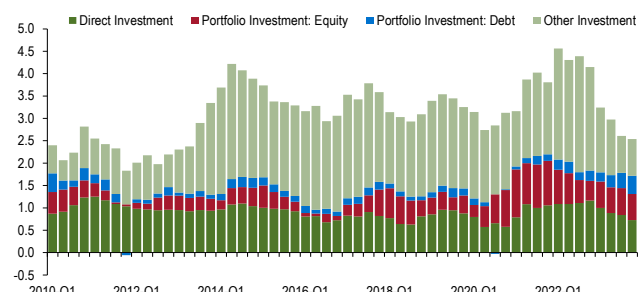
Resident portfolio outflows appear to be moderating in Q2 after an outsized Q1

Figure 8. EMs ex China: Resident Portfolio Outflows
(USD Billions, *Quarter-to-Date for 2024-Q2), ** high frequency non-BOP data for 2024-Q2)

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*
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	2.9
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	2.1	0.5
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	0.8
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	-0.2
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	-0.7	-1.0	2.7	
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	2.0	3.5	1.2
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	1.3	0.2	0.1	-0.1	0.3
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	1.1	5.8	1.0

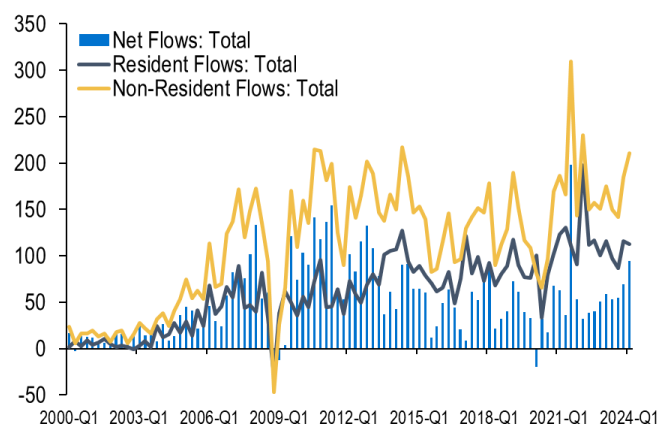
Cross border flows from EM residents continue to moderate after peaking in Q1 2022.

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



Net capital flows to EMs continued alongside a rise in non-resident flows and marginal decline in resident flows

Figure 10. Net Capital Flows
(USD Billions)



Resident outflows from China continue to moderate while other investments have returned in recent quarters

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

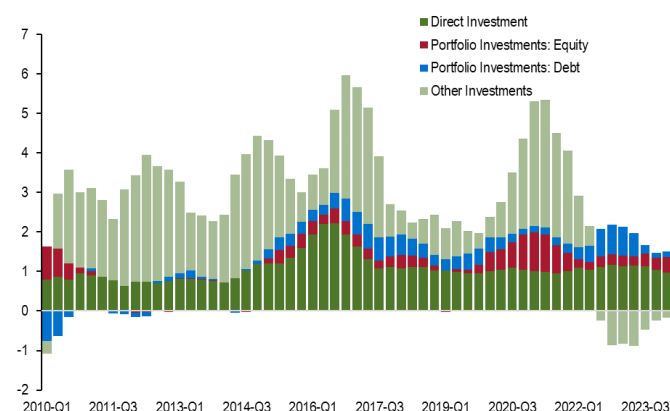


Figure 12. BOP Resident Flows ex-China and Russia (Net Acquisition of Assets)

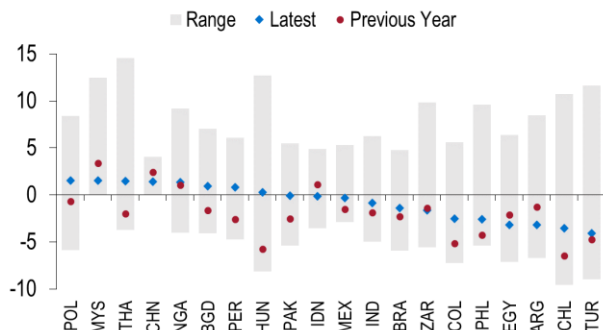
		Level (% of GDP)				Percentile Rank (based on 4Q)					
			Quarter	4Q Sum	Historical Avg (4Q)	All	% in lower quartile	% in upper quartile	Asia	Europe	LATAM
2023-Q2	FDI	2023-Q2	0.6	0.9	0.9	49%	15%	20%	37%	72%	55%
		2023-Q3	0.8	0.9	0.9	44%	20%	15%	33%	62%	41%
		2023-Q4	0.7	0.7	0.9	30%	35%	15%	26%	58%	34%
		2024-Q1	1.0	0.8	0.9	37%	35%	15%	32%	59%	35%
2023-Q2	Port. Equity	2023-Q2	0.3	0.6	0.4	86%	16%	21%	81%	46%	4%
		2023-Q3	0.3	0.6	0.4	89%	11%	32%	85%	61%	23%
		2023-Q4	0.6	0.6	0.4	85%	21%	37%	68%	71%	48%
		2024-Q1	0.2	0.4	0.4	69%	11%	26%	67%	72%	77%
2023-Q2	Port. Debt	2023-Q2	0.5	0.3	0.2	74%	7%	27%	24%	97%	61%
		2023-Q3	0.2	0.3	0.2	78%	13%	33%	19%	100%	76%
		2023-Q4	0.3	0.4	0.2	83%	13%	47%	28%	98%	78%
		2024-Q1	1.2	0.5	0.2	91%	0%	53%	49%	99%	65%
2023-Q2	Other	2023-Q2	1.1	1.2	1.3	55%	20%	15%	61%	31%	54%
		2023-Q3	0.9	0.8	1.2	40%	30%	25%	52%	23%	32%
		2023-Q4	1.2	1.0	1.2	48%	35%	15%	76%	47%	26%
		2024-Q1	0.7	1.0	1.2	49%	25%	10%	55%	45%	39%

Other Balance of Payments Details

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

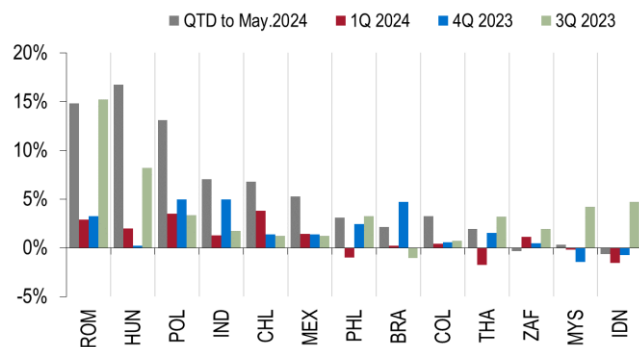
Figure 13: Current Account Balances

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



Reserve stocks recovered for most major EMs in recent quarters, although Indonesia, Malaysia, Thailand and South Africa continue to experience lingering pressures

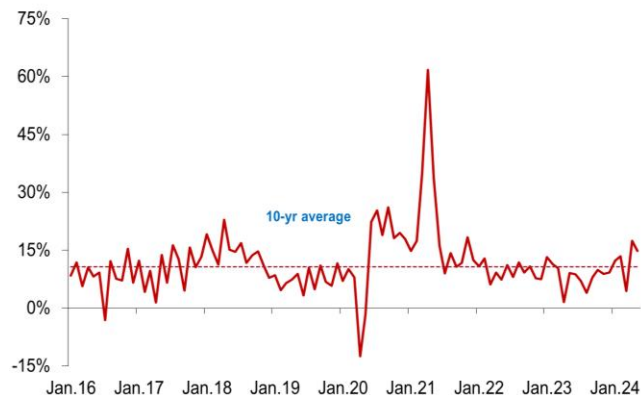
Figure 15: EM Reserve Stocks (quarterly change, percent)



After slowing in Q1, remittance growth has picked-up in Q2 above long-term averages...

Figure 17: Remittances, EM Median

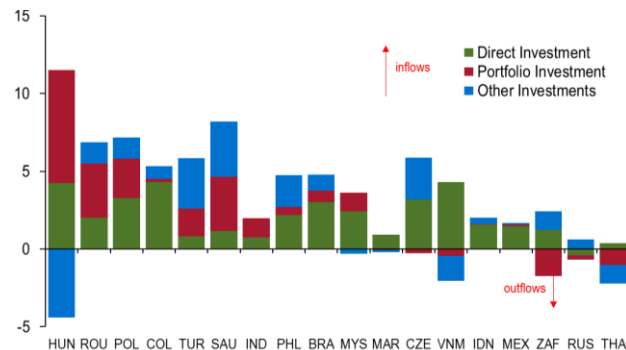
(y/y growth)



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

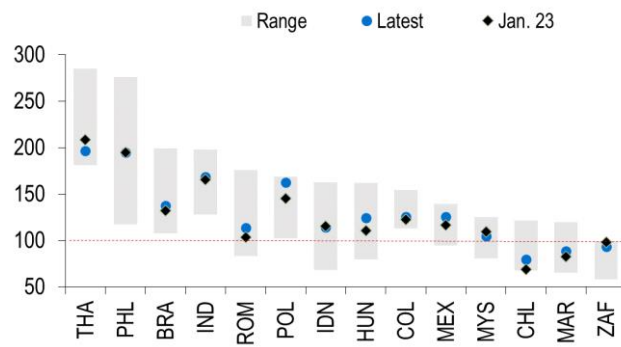
Figure 14: External Financing Sources

(4Q sum to GDP)



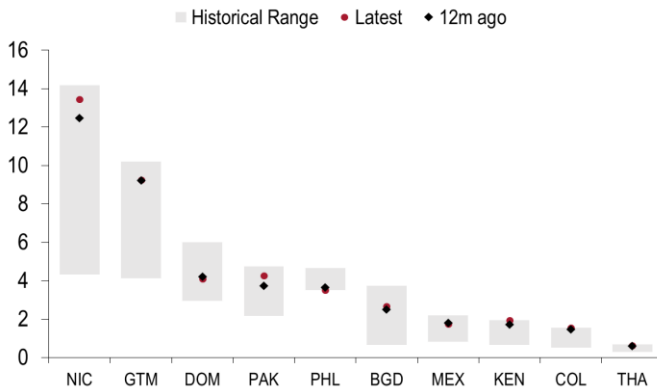
Most EMs maintain adequate buffers that have improved since early 2023, though a few remain below the recommended 100% threshold

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



... and remain high as a share of GDP for most countries, 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

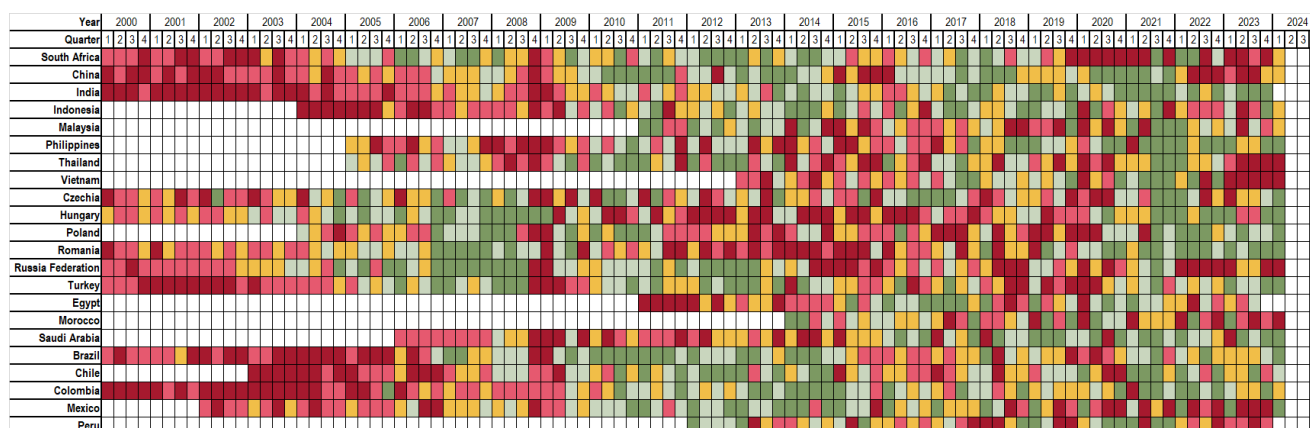


Figure 20. Non-Resident Portfolio Flows: Percentile Rank relative to their Own History

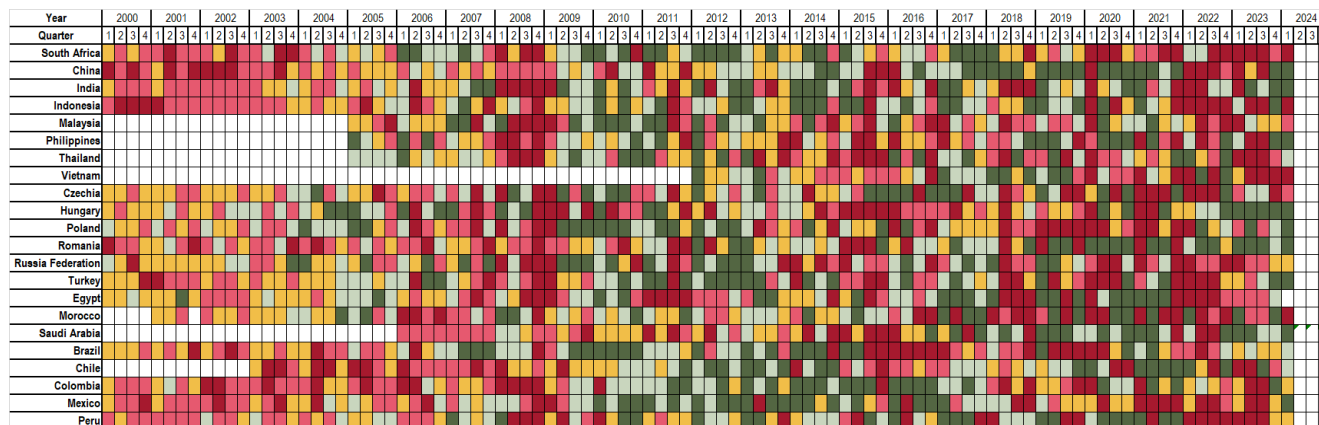


Figure 21. Non-Resident FDI Flows to EMs Percentile Rank relative to their Own History

