



KEY HIGHLIGHTS

High frequency portfolio flows. A sample of *daily debt and equity flows* show solid inflows since November stalled in mid-February, with modest outflows through March that appear to have stabilized somewhat. Hawkish repricing of market implied policy expectations initially dented sentiment leading into banking stress in March, while the resulting dovish impulse may have helped stabilize flows as direct banking spillovers appear limited for now (Figure 1). Chinese equities saw a week of small outflows before inflows resumed in late March.

Monthly BOP data for Q1 show a mixed picture, with modest outflows for about half of EMs. After strong inflows in Q4, Chile, Mexico, Hungary, Poland, India, and Thailand have seen a slowdown in Q1. Conversely, Romania registered large inflows after issuing \$6bn in external bonds. Brazil has continued to receive modest inflows despite heightened political risk in the eyes of investors. Indonesia also received stronger debt and equity inflows.

BOP Non-Resident Capital Flows: Comprehensive quarterly BOP data through Q4 shows non-resident inflows (portfolio, FDI, other) downshifted to 3.9% of GDP (from 4.3%) although on 4Q basis this level has remained around 4.7%. While portfolio flows remained weak, FDI has remained fairly strong at around 2.6% of GDP on 4Q basis. Aggregate FDI flows to GDP into Latin American and Europe in Q4 remained relatively strong (Figure 7), though Asia saw inflows decelerate. Other investment flows downshifted in Q4 to 1.2% of GDP, compared to an average of 2.5% over the last 4-6 quarters, which were, partially boosted by SDR allocation in 2021. The outflows from China continued in Q4 and were driven by debt portfolio and other investments (-0.8% and -0.5% on a 4Q basis) Total non-resident flows to China turned negative for the first time on 4Q basis since 2016 (Figure 6).

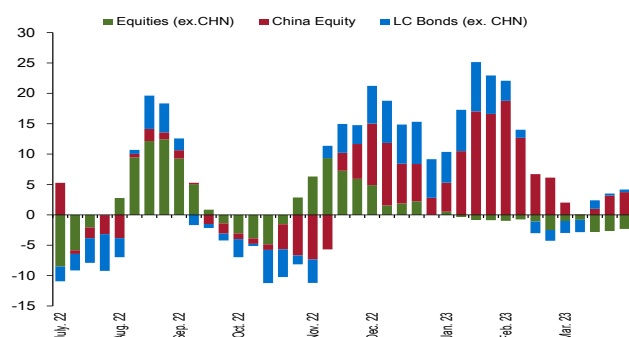
BOP Resident Capital Flows: Monthly BOP data shows that resident portfolio outflows continued in Q1 albeit at slower pace, with the exception of Chile. Quarterly data shows outward FDI steady at just under 1% of GDP in Q4. Overall, net capital flows (non-resident – resident) have remained positive but declined in Q4.

BOP Details: Current account deficits have remained large for many emerging markets (Figure 13), though Chile, Philippines, Pakistan saw some improvement in Q4. Remittance levels have remained strong through early 2023, though y/y growth has slowed to 11%, roughly in line with longer term averages. Reserve stocks have generally increased again in recent months, after a large drawdown in 2022, though reserve adequacy remains somewhat low by historical standards (Figure 15)

BOP Portfolio Tracking

Local currency debt and equity flows have stalled since mid-February after a strong start to the year

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



Monthly releases indicate that Romania was the only country to attract strong inflows

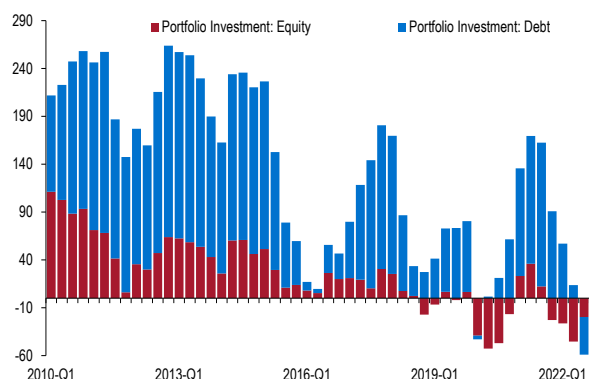
Figure 2. BOP Non-Resident Quarterly Portfolio Flows (USD Billions, *Quarter-to-Date for 2023-Q1, ** high frequency non-BOP data for 2023-Q1)

Year	2020				2021				2022				2023
	1	2	3	4	1	2	3	4	1	2	3	4	1*
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	3.2
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
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	-0.5
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	0.4
IND	-14.7	1.1	7.7	21.7	8.2	0.4	4.5	-4.7	-14.3	-14.7	6.9	4.8	-3.1
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	-1.1
POL	-1.4	-8.7	0.2	-1.0	-3.1	-3.3	1.5	-1.5	-3.0	4.8	0.7	3.3	-2.3
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	5.6
ZAF**	-5.9	-3.0	-2.3	1.5	-0.4	0.0	-24.8	-2.6	4.0	2.6	-1.9	-0.2	0.2
IDN**	-6.3	9.9	-1.7	2.6	5.2	4.7	1.5	-4.6	-1.8	0.9	-1.5	1.5	4.0
MYS**	-6.2	5.5	0.1	3.1	3.5	7.4	0.3	2.1	0.9	-2.4	-0.6	-0.6	1.1
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	-1.1
THA**	-7.3	-1.5	-0.7	1.6	0.4	-0.1	0.2	4.4	3.9	0.9	-0.4	4.4	-1.0
MEX**	2.8	-1.2	2.5	2.0	-1.5	-4.2	-7.4	-5.9	3.5	-4.8	-4.9	5.2	-0.8
TUR	-3.0	-10.9	-1.3	8.5	-1.2	2.9	5.2	-3.8	-2.1	-5.1	-3.9	2.2	1.1

EM BOP Non-Resident Flows

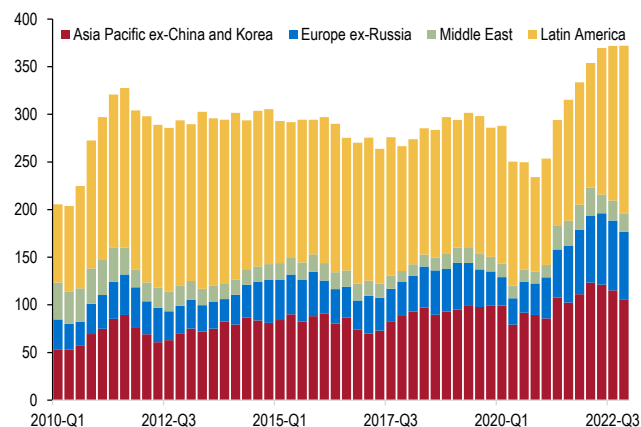
Portfolio flows to emerging markets remain negative on a 4Q basis over the last year despite inflows in Q4.

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



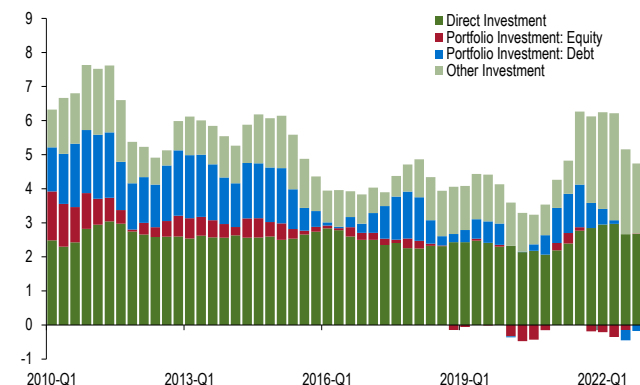
FDI flows into Latin America have remained strong.

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.

Figure 4. EM ex China, Non-Resident Flows
(4Q, % of GDP) * We nowcast India's Q4 Other Inv. Liab. with local data sources



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)

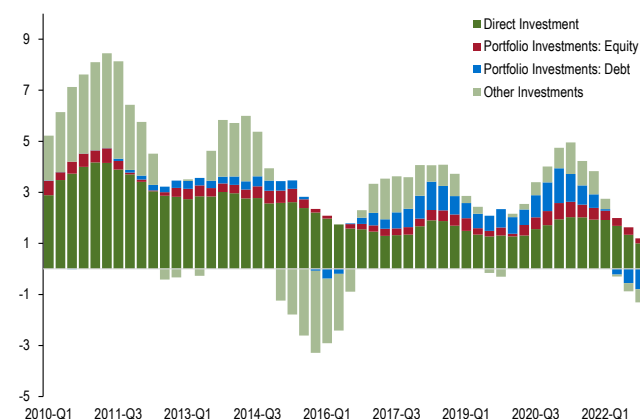


Figure 7. BOP Non-Resident Flows, Composition ex-China

		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-Q1	FDI	2022-Q1	2.0	2.8	2.5	78%	10%	25%	63%	85%	52%
2022-Q2		2022-Q2	3.7	3.0	2.5	83%	5%	35%	77%	86%	50%
2022-Q3		2022-Q3	2.4	3.0	2.5	84%	0%	45%	67%	90%	78%
2022-Q4		2022-Q4	2.6	2.7	2.5	67%	0%	40%	51%	88%	89%
2022-Q1	Port. Equity	2022-Q1	-0.1	-0.2	0.3	9%	44%	0%	30%	22%	22%
2022-Q2		2022-Q2	0.1	-0.2	0.3	8%	44%	17%	19%	18%	36%
2022-Q3		2022-Q3	-0.5	-0.4	0.3	5%	50%	11%	7%	7%	24%
2022-Q4		2022-Q4	-0.1	-0.1	0.3	11%	56%	11%	14%	5%	20%
2022-Q1	Port. Debt	2022-Q1	-0.2	0.7	1.1	50%	28%	33%	35%	34%	72%
2022-Q2		2022-Q2	-0.5	0.5	1.0	32%	28%	22%	16%	39%	65%
2022-Q3		2022-Q3	-0.2	0.1	1.0	17%	33%	17%	4%	41%	45%
2022-Q4		2022-Q4	-0.3	-0.3	1.0	1%	39%	11%	0%	25%	11%
2022-Q1	Other	2022-Q1	2.6	2.5	1.2	92%	5%	60%	94%	81%	98%
2022-Q2		2022-Q2	3.0	2.8	1.2	97%	10%	75%	97%	85%	99%
2022-Q3		2022-Q3	3.0	3.1	1.3	99%	0%	80%	100%	84%	100%
2022-Q4		2022-Q4	2.2	2.5	1.3	91%	0%	60%	84%	88%	93%

EM BOP Resident Capital Flows (Net Acquisition of Assets)

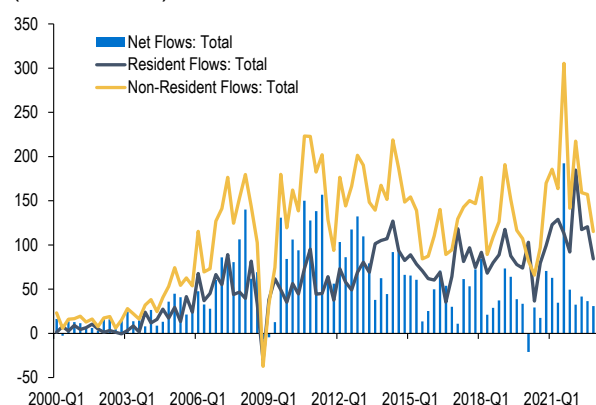
Resident portfolio outflows generally slowed in Q1, with the exception of Chile

Figure 8. EMs ex China: Resident Portfolio Outflows
(USD Billions, *Quarter-to-Date for 2023-Q1)

Year	2020				2021				2022				2023
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1*
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	-0.6
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	1.7
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	0.7
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	0.0
PHL	-0.3	1.8	3.7	1.3	4.6	3.0	1.1	1.0	0.4	0.9	-1.3	0.8	-0.6
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	2.6
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	-0.5
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	0.6

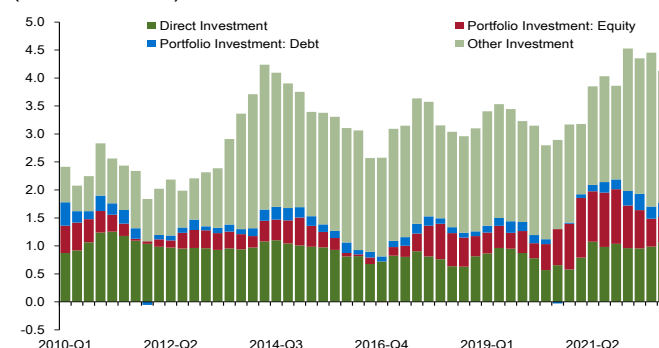
Net capital flows to emerging markets have remained positive but modest, the lowest since 2020-Q3

Figure 10. Net Capital Flows
(USD Billions)



Cross border flows from EM residents have been relatively large in recent quarters

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



Resident outflows from China have declined

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

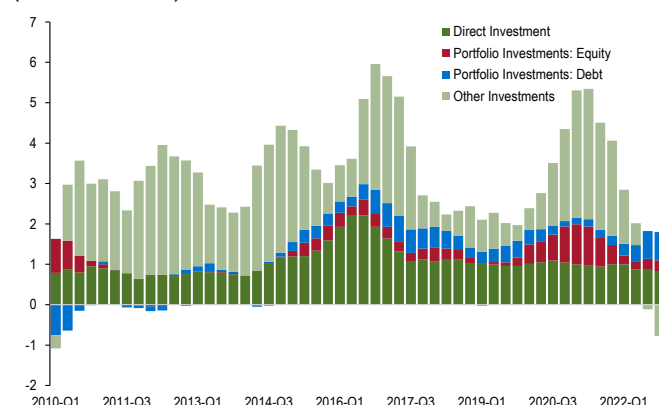


Figure 12. BOP Resident Flows ex-China (Net Acquisition of Assets)

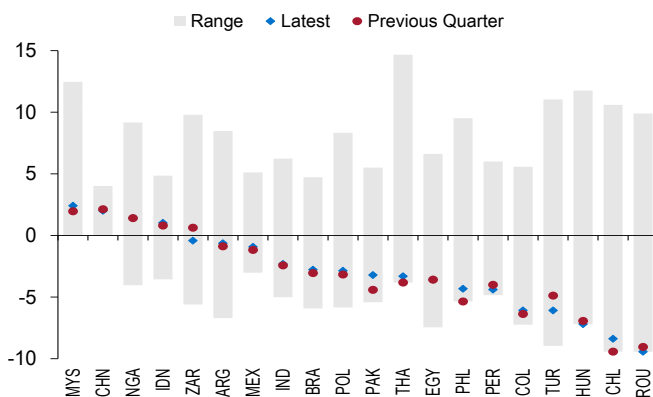
		Level (% of GDP)				Percentile Rank (based on 4Q)					
			Quarter	4Q Sum	Historical Avg (4Q)	All	% in lower quartile	% in upper quartile	Asia	Europe	LATAM
2022-Q1	FDI	2022-Q1	1.1	1.0	0.9	63%	25%	30%	51%	88%	53%
2022-Q2		2022-Q2	1.0	1.0	0.9	59%	10%	20%	44%	73%	56%
2022-Q3		2022-Q3	0.9	1.0	0.9	73%	0%	40%	36%	72%	90%
2022-Q4		2022-Q4	1.2	1.1	0.9	78%	5%	35%	30%	75%	94%
2022-Q1	Port. Equity	2022-Q1	0.4	0.8	0.4	94%	21%	53%	93%	77%	70%
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	85%	32%	32%	71%	31%	19%
2022-Q4		2022-Q4	0.8	0.5	0.4	78%	37%	32%	70%	23%	3%
2022-Q1	Port. Debt	2022-Q1	0.7	0.4	0.2	80%	13%	40%	52%	72%	74%
2022-Q2		2022-Q2	0.2	0.4	0.2	84%	7%	47%	36%	76%	92%
2022-Q3		2022-Q3	0.0	0.3	0.2	76%	13%	33%	61%	75%	80%
2022-Q4		2022-Q4	0.2	0.3	0.2	77%	27%	47%	41%	92%	81%
2022-Q1	Other	2022-Q1	4.5	1.8	1.2	94%	20%	40%	68%	95%	94%
2022-Q2		2022-Q2	2.4	1.7	1.2	93%	25%	30%	83%	99%	63%
2022-Q3		2022-Q3	3.2	2.0	1.2	98%	30%	30%	84%	100%	57%
2022-Q4		2022-Q4	0.2	2.0	1.3	99%	15%	35%	76%	75%	99%

Other Balance of Payments Details

Current account deficits have remained large in CEE, Philippines, Colombia, and Chile

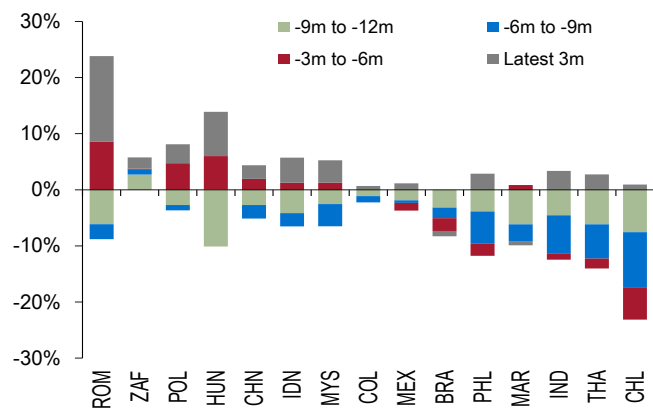
Figure 13: Current Account Balances

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



Reserve stocks have begun recovering over the last 3 months after steep losses in 2022.

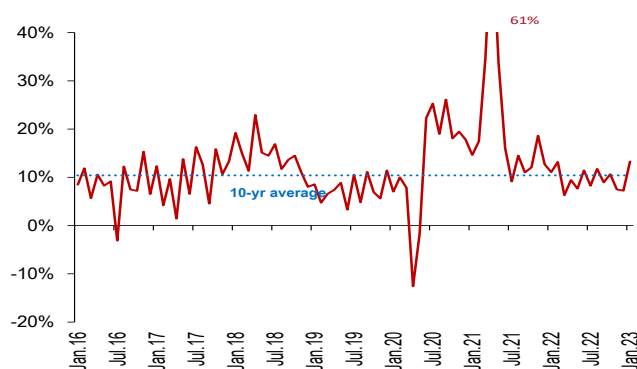
Figure 15: EM Reserve Stocks (rolling quarterly change as share of stock)



Remittance growth remains in line with historical averages near 10% y/y

Figure 17: Remittances, EM Median

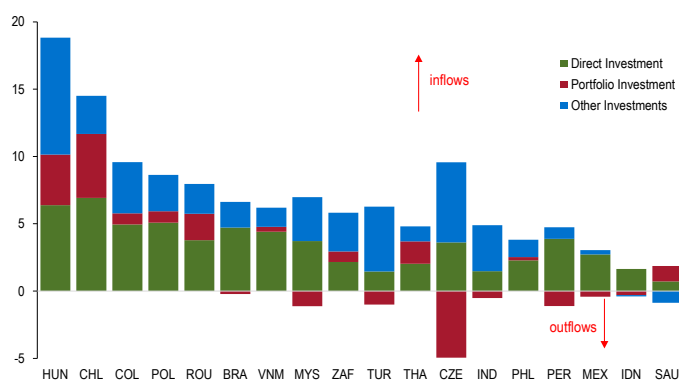
(y/y growth)



other investments flow have been a large source of financing over the last year even as portfolio flows were weak.

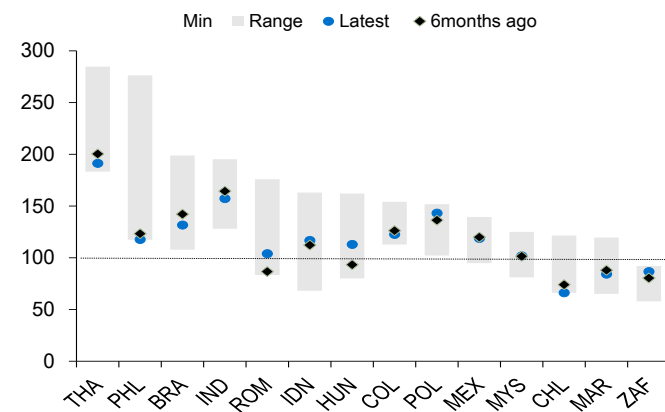
Figure 14: External Financing Sources

(4Q sum to GDP)



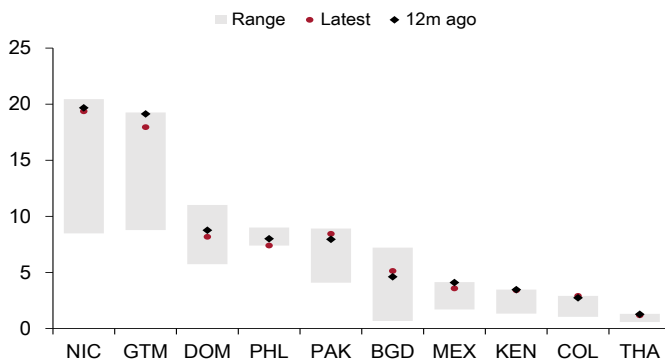
Most EMs maintain adequate buffers that have improved over the last 6 months, though a few are at lower end of historical ranges.

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



Remittances have remained high as a share of GDP

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)

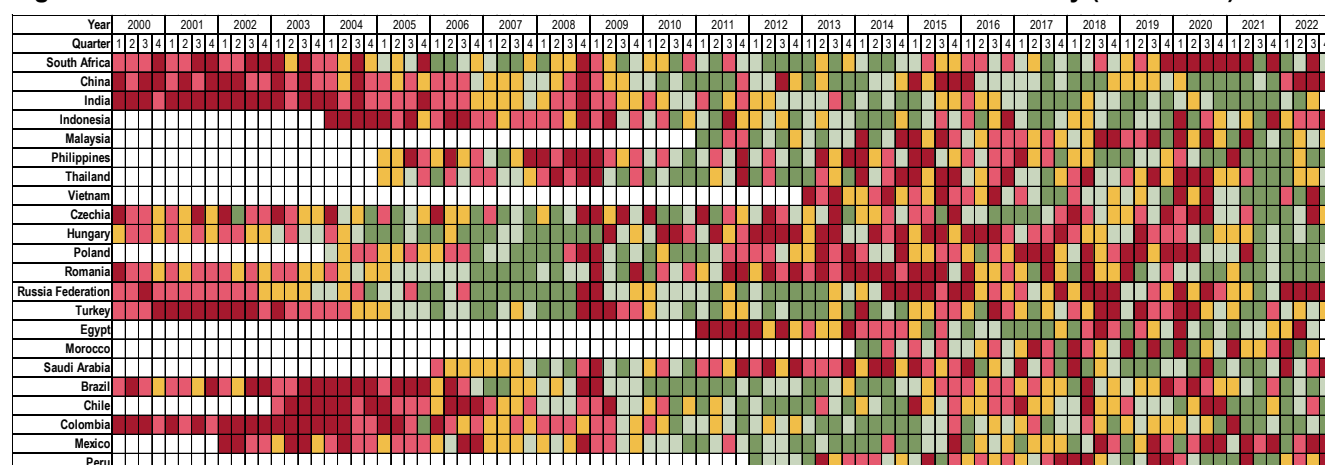


Figure 20. Non-Resident Portfolio Flows: Percentile Rank relative to their Own History

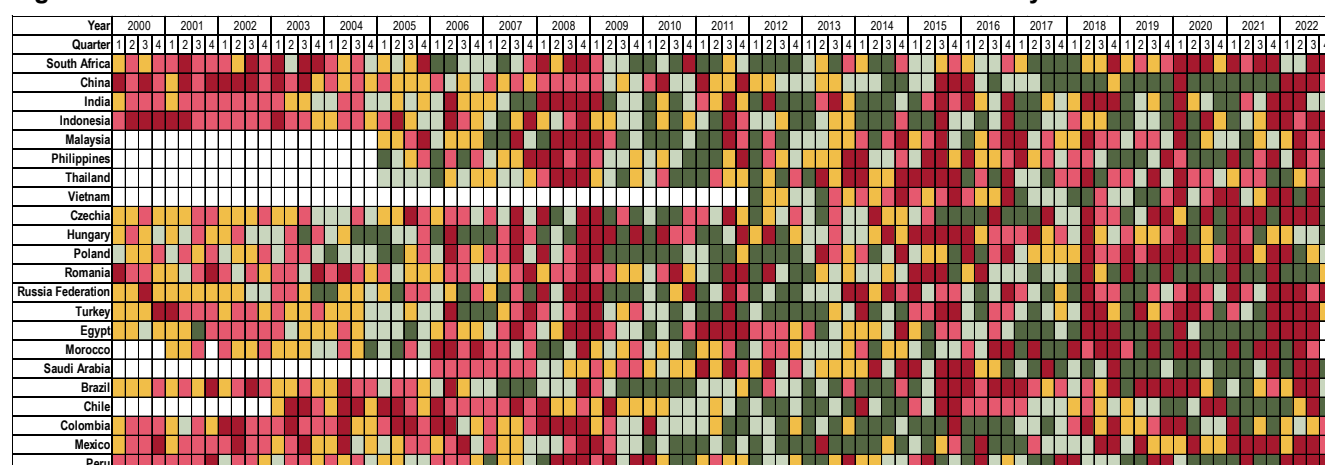


Figure 22. Non-Resident FDI Flows to EMs Percentile Rank relative to their Own History (since 2000)

