



SUMMARY

Daily local currency bond flow data* suggest flows were choppy in recent weeks after a solid start to the year. Flows to Hungary have improved in the past two weeks and on-track to post a positive month. India has seen inflows for 22 consecutive weeks, albeit showing signs of moderation in recent weeks. Conversely, Indonesia, South Africa, and Thailand experienced modest outflows in recent weeks. (Figures 1 & 3) after a relatively strong start to the year.

Monthly flows data—through January 2024—indicate that EM ex. China inflows are tracking at +\$7.8 billion, while China registered the fourth consecutive month of bond inflows, the longest streak in two years. Despite the overall negative returns on the local currency bond index in January, net inflows to EM ex. China on aggregate, continued for the fourth consecutive month, led by flows to Brazil, Hungary, and India.

- **LATAM:** Regional flows were mixed in January, with Brazil rebounding from a weak December. While Mexico experienced reversals with outflows persisting into February. Colombia also saw outflows in January. Peru's flows remained subdued, yet non-residents seemed to rebalance their government bond holdings, gaining larger exposure to longer-dated bonds.
- **ASIA:** While India has continued to outperform, sentiment weakened for others in the region in January. India kicked off the year with record monthly inflows of \$2.5 bn—the largest since March 2019, while Malaysia and Thailand continued to experience outflows. Indonesia's flows were largely muted, on net, in January although non-residents seemed to have extended duration of their government bond holdings. **China's inflows moderated in January**, with some non-residents eyeing positive carry against US Treasuries for fully-hedged Chinese government bonds.
- **CEEMEA:** Flows were generally constructive for the region in January. Inflows remain strong for Hungary. However, following small net inflows in January, sentiment for South Africa turned cautious in recent weeks, potentially in anticipation of the release of the 2024 budget on February 21. Lagged data showed flows to Poland improved in December, in-line with the broader EM strength.

Investor Composition: YTD changes to non-resident participation are varied across countries. There have been marginal increases for Brazil, Peru, Turkey and China. However, Colombia, Indonesia, Malaysia and South Africa have observed decline. Lagged data indicates that, since 2022, domestic NBFIs increased their share in most major EMs, while domestic banks gained in some EM Asia (China, Thailand and Malaysia), as well as in Poland, Turkey, and Peru.

Figure 1. Weekly Local Currency (LC) Non-resident Flows (USD bn)

	5-Jan	12-Jan	19-Jan	26-Jan	2-Feb	9-Feb	16-Feb	23-Feb
MEX	0.46	-0.25	-1.81	0.33	0.61	-1.18	0.07	
ZAF	0.52	0.18	-0.07	-0.29	0.50	-0.37	-0.28	-0.52
HUN	4.67	0.46	-1.47	0.09	-0.12	-0.19	0.69	0.26
TUR	-0.05	0.43	-0.04	-0.05	-0.01	0.01	0.06	
IDN	0.40	-0.29	0.18	0.01	-0.23	-0.09	-0.15	-0.26
IND	0.52	0.59	0.69	0.15	1.22	0.80	0.28	0.16
THA	0.37	-0.09	-0.24	-0.05	-0.21	-0.28	-0.16	0.08

Figure 2. Flow Dispersion and Returns (percent share, left scale; percent, right scale)

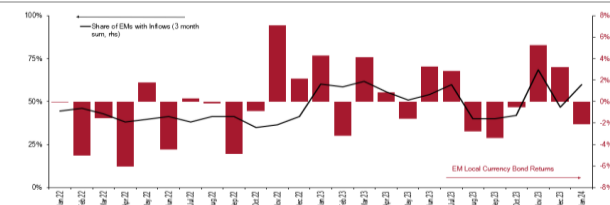


Figure 3. Local Currency Government Non-resident Debt Flows (USD bn; latest month is month to date)

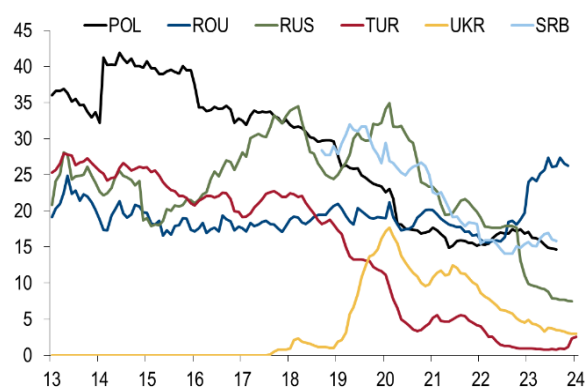
	Jan.23	Feb.23	Mar.23	Apr.23	May.23	Jun.23	Jul.23	Aug.23	Sep.23	Oct.23	Nov.23	Dec.23	Jan.24	Feb.24 mtd	2024YTD	2023	2022
BRA	1.6	1.2	0.6	0.0	0.0	2.8	-4.1	2.5	4.4	4.6	0.1	-2.0	3.8		3.8	11.9	-7.2
MEX	-2.0	1.7	0.1	-0.2	-3.6	1.7	0.3	0.5	-0.1	0.7	1.0	4.9	-1.2	-0.2	-1.4	5.0	3.9
PER	-0.2	0.0	-0.4	0.4	0.6	0.1	-0.5	-0.5	0.4	-0.2	0.0	0.0	0.0		0.0	-0.3	-1.9
COL	0.5	-0.9	0.0	0.3	-0.2	-0.5	-0.4	-0.4	-1.1	0.1	-0.4	-0.4	-0.6		-0.6	-2.5	4.8
HUN	4.0	0.4	-0.7	2.5	-0.6	-2.0	1.0	0.3	-2.3	2.4	-0.1	-3.3	3.1	0.6	3.6	1.7	2.8
POL	0.0	-1.2	0.3	-0.5	-0.9	-0.3	0.3	-0.3	-1.2	0.1	-0.2	0.7			0.0	-3.2	4.9
CZE	1.6	0.3	2.1	-0.9	0.1	1.3	1.7	0.0	0.6	-1.4	-0.4				0.0	5.0	4.0
RUS	-3.0	0.0	-0.1	-0.2	-0.1	-0.5	-1.5	-0.4	-0.2	-0.1	0.0	-0.2			0.0	-6.2	-16.4
TUR	0.0	0.0	0.0	0.0	-0.1	0.1	0.0	0.0	0.5	0.0	0.3	1.3	0.3	0.1	0.3	2.0	-2.2
ROU	3.8	0.5	0.1	0.3	1.0	1.0	0.1	0.3	0.2	-0.7	0.1				0.0	6.6	2.4
UKR	0.2	-0.2	0.0	-0.1	-0.2	0.2	0.0	-0.1	0.0	0.0	-0.1	0.0	0.0		0.0	-0.4	-1.1
KAZ	-0.1	0.1	0.0	0.0	0.1	-0.1									0.0	0.2	-0.9
ZAF	1.7	-1.4	-0.9	1.5	-0.8	1.7	1.0	-0.5	-0.3	0.7	1.7	-1.6	0.3	-1.0	-0.8	2.9	0.3
EGY	4.0	2.0	0.1	0.4	-0.5	0.4	0.1	0.0	0.0	-0.4	0.4				0.0	6.5	-8.3
GHA	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0			-0.1	-0.1	-1.8
MYS	0.5	1.1	1.5	0.0	0.6	0.8	1.9	-1.1	0.0	-0.4	1.3	-0.5	-0.8		-0.8	5.9	-1.9
IND	0.6	0.1	-0.3	0.1	0.4	1.2	0.4	0.9	0.2	0.8	1.7	2.4	2.5	1.9	4.4	8.4	-2.0
IDN	3.3	-0.5	1.1	0.1	0.4	1.2	0.6	-0.6	-1.4	-0.9	1.5	0.5	0.0		0.0	5.4	-9.0
THA	0.8	-1.1	0.9	-0.6	0.7	-0.3	1.0	-1.1	-0.6	0.5	0.5	-0.3	-0.1		-0.1	0.3	6.2
CHN	-13.1	-12.0	-4.0	-3.9	3.1	5.3	-7.2	-6.0	-1.9	5.8	22.9	16.8	11.2		11.2	5.8	-76.0
EM ex. CHN	17.4	2.1	4.5	3.1	-3.1	8.9	1.7	-0.2	-0.9	5.7	8.4	1.5	7.2	1.3	8.3	49.0	-23.6

Figure 4. Local Currency Government Debt Holdings: Investor Composition

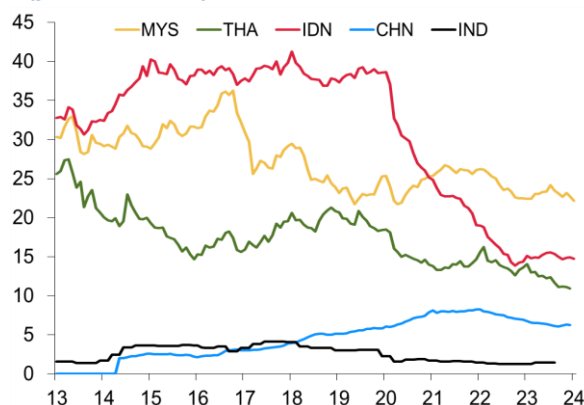
	Foreign Holdings (US blns)	Foreign Share (percent)	Change since Dec. 2022 (ppt)	Change since Dec. 2021 (ppt)	Domestic Bank Share (percent)	Change since Dec. 2022 (ppt)	Domestic NBF Share (percent)	Change since Dec. 2022 (ppt)
BRA	124	10	0.6	-0.6	28	-1.0	52	0.8
MEX	103	15	-1.9	-2.7	10	-2.1	50	2.5
COL	28	22	-4.6	-3.2	13	-1.5	42	7.0
PER	15	36	-4.8	-13.0	28	3.3	15	0.8
POL	34	14	-3.3	-1.6	44	3.1	14	0.4
TUR	3	3	1.6	-1.6	75	2.7	9	-1.0
ROU	18	26	6.5	9.5	38	-5.4	25	0.5
CZE	47	35	8.6	8.9	33	-6.6	25	-2.2
GEO	0	0	-4.5	-9.6	56	-0.8	12	3.1
CHN	448	6	-0.7	-1.9	62	1.6		
IDN	55	15	0.4	-4.3	27	-4.6	22	2.4
MYS	53	22	-0.4	-3.9	34	2.5	34	0.0
THA	27	11	-2.7	-3.8	24	1.7	6	-0.5
IND	20	1	0.2	-0.1	39	0.0	36	0.0
ZAF	48	25	-0.4	-3.0	20	-1.1	52	1.4
EGY	13	14	2.6	-8.2	43	-0.1	18	-0.5

Figure 5. Regional Look: Non-resident Holdings of Domestic Government Debt

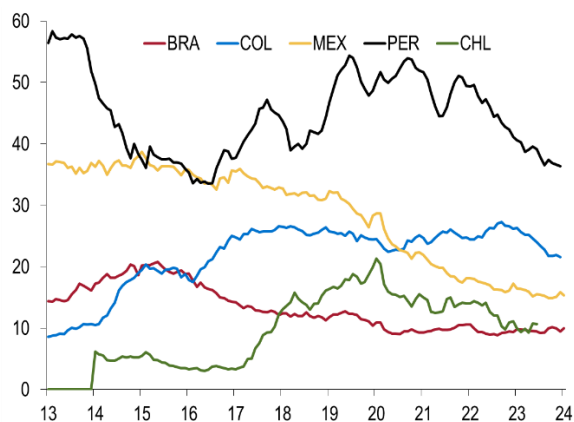
a. Eastern Europe & Turkey (percent share)



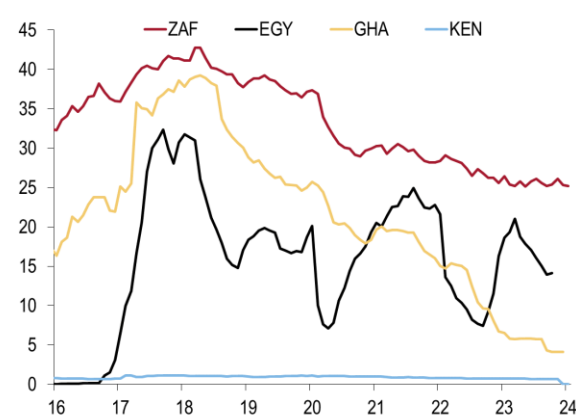
b. Asia (percent share)



c. Latin America (percent share)



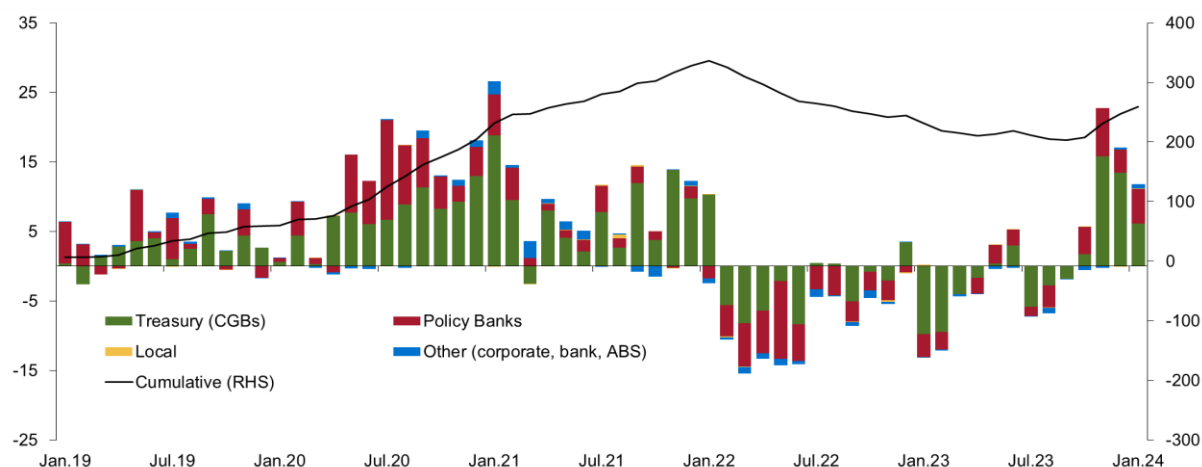
d. Africa (percent share)



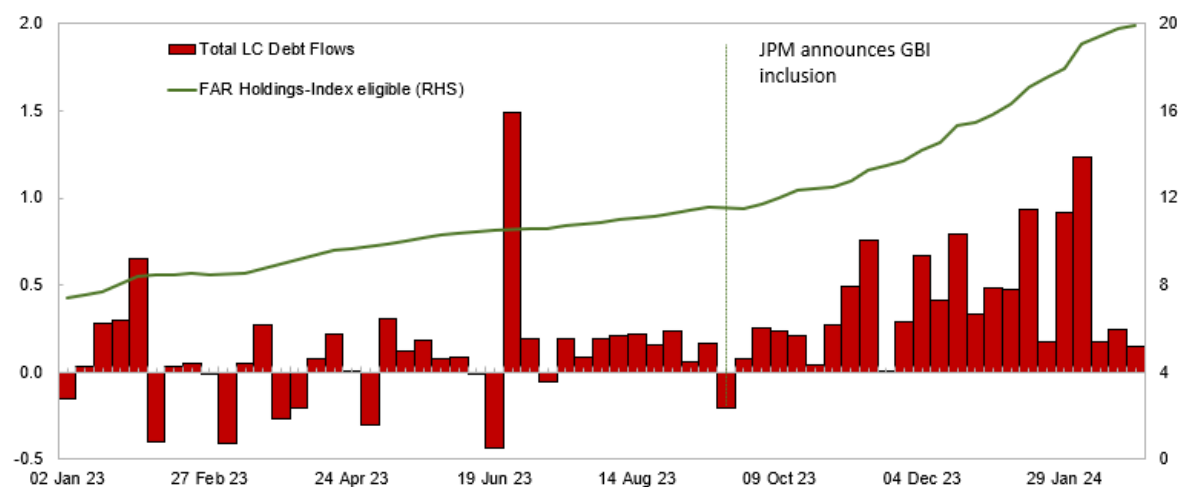
Notes: China data includes government and policy bank bonds. Egypt refers only to Treasury bills. In Figure 4, the 'latest' figures may refer to different months for each country and are the latest available. Due to lagged releases, data on flows and holdings may be slightly inconsistent for some countries. Data on NBFIs refers to insurance, pension (including public), and investment funds where specifically available, but exact categorization may differ across countries. South Africa includes 'other financial institutions' alongside pension funds and insurance for NBFIs.

Annex

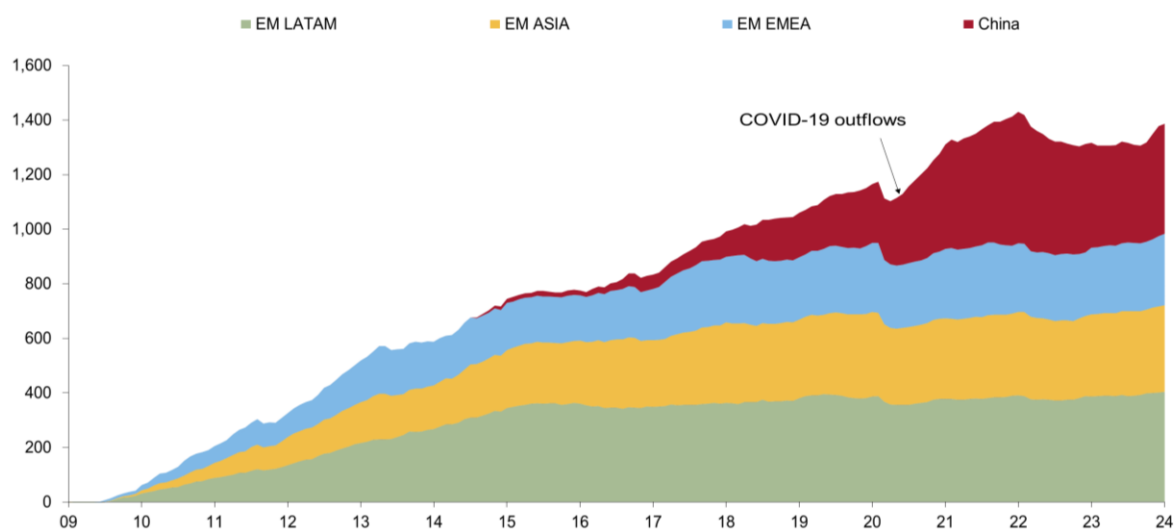
a. Non-resident Flows into Chinese Local Currency Bonds, by Sector (USD billions)*



b. Non-resident Flows into India, Index Eligible Bonds, Fully Accessible Route (USD billions)



c. Cumulative Non-resident Flows into LC Government Bonds Since 2009 (USD billions)



*Note: In some cases, flows are derived from the change in stock outstanding held by foreign investors each month.