



TUESDAY, OCTOBER 19, 2021

SUMMARY

Nonresident local currency bond flows have been weak over the last few weeks (Figure 1 and 3), with Evergrande turmoil and a substantial market sell off in September (-3.4% for the EM Local Currency Bond Index; the worst since March 2020) weighing on flows. Inflows to Chinese government bonds rebounded in September --for their best month since February 2021--ahead of their WGBI index inclusion at the end of October.

Nonresident share of debt continues to trend lower (Figure 2 and 4):

- **LATAM:** Mexico continues to be the laggard, while the foreign share has edged higher in Colombia, Brazil, and Peru in recent months.
- **ASIA:** Indonesia has continued to see the foreign share fall, down nearly 4ppt in 2021, while investor interest for Malaysian bonds has outperformed other EMs, retaining sizeable investor participation.
- **CEEMEA:** Nonresident share of debt in Europe has edged lower in Romania, Russia, Poland, and Serbia despite some stabilization recently. South Africa has been a laggard since 2020.
- **Frontiers:** Frontiers have seen heavy investor positioning, with Egypt and Zambia at multiyear highs; Egypt's inclusion to the JP Morgan GBI in 2022 is expected to boost flows to bonds going forward (vs t-bills currently).

Figure 1. Local Currency Government Debt Flows (US billions; monthly bond index returns in percent labeled)

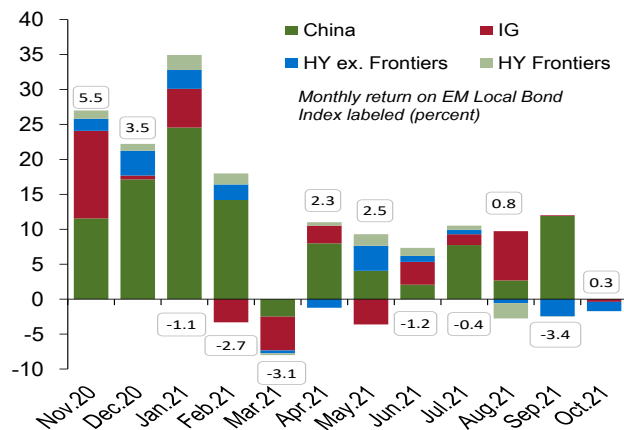


Figure 2. Nonresident Share of Local Currency Debt (percent)

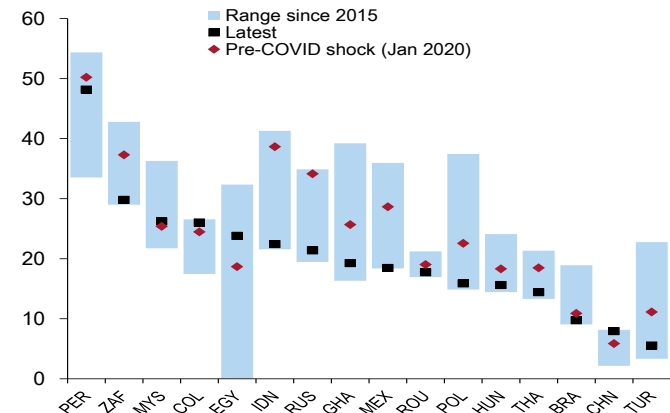


Figure 3. Local Currency Government Debt Flows (US billions)

	Dec.20	Jan.21	Feb.21	Mar.21	Apr.21	May.21	Jun.21	Jul.21	Aug.21	Sep.21	Oct.21	2021YTD	2020 Flows	2019 Flows
BRA	1.8	1.2	3.6	1.5	-0.5	2.8	1.5	0.6	0.0			10.8	3.0	2.9
MEX	0.0	-0.5	-2.5	-2.1	-0.1	-0.8	-0.5	-3.4	-1.7	0.8		-10.9	-10.0	1.1
PER	-0.2	0.0	-0.2	-0.7	-0.7	-0.3	0.0	0.4	0.7			-0.8	1.6	4.2
COL	0.2	0.0	-0.5	-0.1	1.1	1.1	0.7	0.3	1.1	-0.2		3.4	3.0	-0.2
HUN	0.1	0.7	0.5	-0.9	0.4	-0.6	-0.8	1.4	-0.1	0.4		1.0	1.1	0.8
POL	0.4	1.5	0.0	-1.2	-0.9	-3.0	0.9	1.3	0.1			-1.4	-5.7	-8.9
CZE	-1.8	2.1	0.5	2.3	1.6	-0.5	0.2	0.2	-1.0			5.4	-0.3	0.1
RUS	-0.3	0.1	-0.8	-1.6	-1.9	0.5	0.9	2.4	2.0			1.6	5.1	16.7
TUR	0.4	1.0	0.5	-0.9	0.0	0.1	0.3	0.5	0.3	-0.1	-0.2	1.5	-6.2	-3.3
ROU	0.3	0.3	0.0	-0.6	-0.1	-0.1	-0.4	0.1	0.1			-0.6	2.5	0.4
UKR	0.3	0.3	0.3	0.0	-0.2	0.0	0.4	-0.1	-0.3	0.0	-0.1	0.4	-1.1	4.2
KAZ	0.4	0.1	0.4	0.4	0.0	-0.2	0.2	0.0	0.1	-0.1		1.0	0.8	-0.2
ZAF	1.3	0.6	-1.9	-1.0	-0.7	0.7	-1.0	-0.5	-0.9	-2.4	-1.1	-8.3	-2.3	-1.4
EGY	0.4	1.1	1.2	-0.2	0.8	1.5	0.6	0.9	-0.2			5.7	1.6	5.3
MYS	1.0	1.0	1.5	1.1	1.4	0.4	-0.1	-0.8	1.5	0.1		6.1	5.1	5.1
IND	0.8	-0.5	-1.0	-0.5	-0.4	-0.2	-0.6	-0.1	1.8	1.5	0.1	0.2	-13.9	3.5
IDN	0.3	0.8	-1.1	-1.3	1.0	0.2	1.3	-0.6	1.0	-1.3	-0.6	-0.6	-5.1	12.0
GHA	0.2	0.6	0.2	0.0	0.2	0.1	0.0	-0.1	-1.8			-0.8	0.2	0.0
KEN	0.0	0.0	0.0	0.0	0.0	0.0	0.0					0.0	0.0	0.1
SRB	0.0	0.1	0.0	-0.1	-0.3	0.0	0.0	-0.1				-0.3	0.2	0.3
THA	-0.6	0.0	-0.2	0.3	1.1	0.0	1.4	0.3	1.4	-1.1	0.1	3.3	-1.0	-0.5
CHN	17.1	24.6	14.2	-2.5	8.0	4.1	2.1	7.7	2.7	11.9		72.7	144.4	46.5
EM ex. China	5.1	10.4	0.5	-5.5	1.8	1.6	5.3	2.8	4.3	-2.4	-1.8	16.9	-21.4	42.1

Notes: The most recent month is month to date. Some near term data that rely on daily or weekly data can be subject to significant revisions. Data refers to domestically issued debt, primarily central government bonds in local currency. In some cases, flows are derived from the change in stock. China data includes government and policy bank bonds. Egypt refers only to Treasury bills. Source: National sources, Haver, IMF Staff calculations.

Figure 4. Local Currency Government Debt Holdings: Investor Composition

	Foreign Holdings (US blns)	Foreign Share (percent)	Monthly Change (latest, ppt)	YTD Change (ppt)	Chg since Dec. 2019 (ppt)	Domestic Bank Share (percent)	YTD Change (ppt)	Chg since Dec. 2019 (ppt)
BRA	99.3	9.8	0.1	0.5	-0.7	31.0	1.4	6.3
MEX	82.3	18.4	-0.1	-3.9	-9.9	11.3	0.0	4.0
COL	26.1	25.5	-0.5	0.5	1.1	14.1	-1.6	-1.1
PER	15.0	48.2	2.2	-3.7	-0.5	21.9	4.3	12.4
CHL	9.9	12.7		-2.7	-7.2			
HUN	15.4	15.6	-0.2	0.0	-2.4	34.0	-0.9	1.6
POL	33.5	15.9	0.0	-1.2	-7.5	46.4	-1.9	1.1
RUS	44.9	21.4	0.8	-2.0	-10.8			
TUR	7.2	5.4	-0.1	1.1	-6.2	67.4	-0.1	
ROU	9.5	17.7	0.0	-2.4	-1.3	48.1	3.1	3.5
CZE	32.7	31.3	-0.7	0.1	-9.2	40.6	7.0	19.5
UKR	3.6	11.2	-0.1	1.4	-4.7	47.1	-0.3	13.4
SRB	2.2	21.4	-1.2	-4.9	-8.7			
KAZ	1.9	5.2	-0.1	2.5	4.7			
CHN	503.6	8.0	0.1	0.5	2.2	57.5	-2.0	-4.7
IDN	67.2	21.6	-0.9	-3.6	-17.0	33.7	-1.8	12.6
MYS	55.3	26.1	-0.1	0.8	0.9	33.6	2.0	4.6
THA	29.4	14.4	0.4	0.4	-4.0	22.3	2.3	7.8
IND	19.0	1.6		-0.3	-1.5	34.3	-1.7	-4.1
ZAF	66.5	29.0	-0.8	-0.9	-8.1	19.7	-2.3	3.0
EGY	23.6	23.8	-0.1	6.3	7.0	39.9	-6.9	-2.7
ZMB	2.0	24.9		10.8	13.9			
GHA	5.8	19.3	-0.2	0.9	-5.7	29.9	1.3	0.4
KEN	0.3	0.8		-0.1	-0.3	49.1	-1.6	-5.6

Regional Look: Nonresident Holdings of Domestic Government Debt

Figure 5. Eastern Europe & Turkey (percent share)

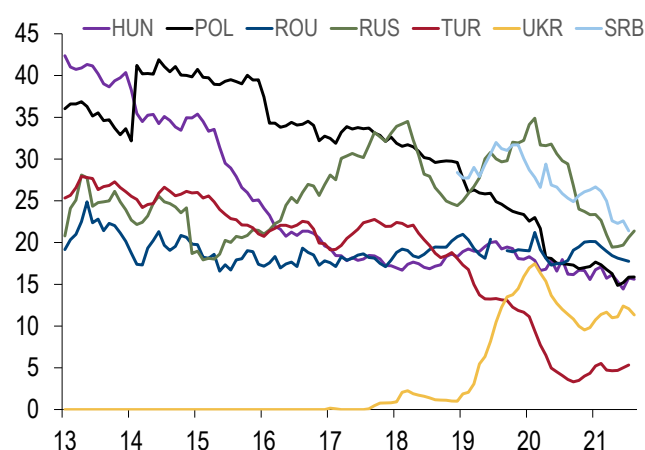
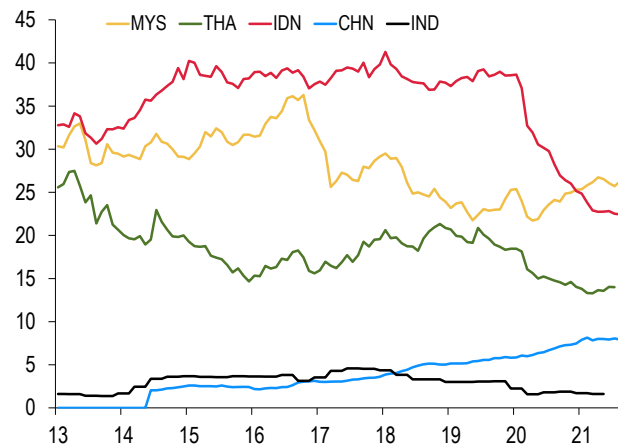
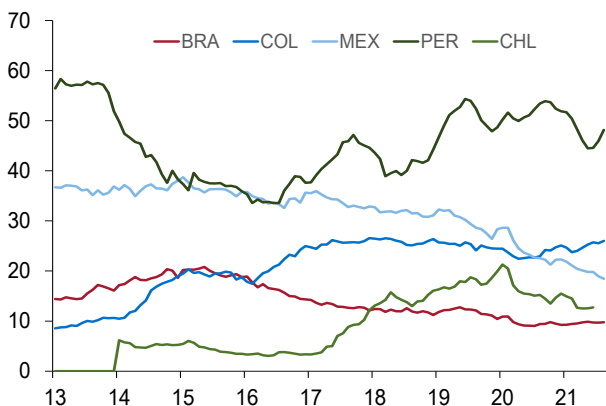


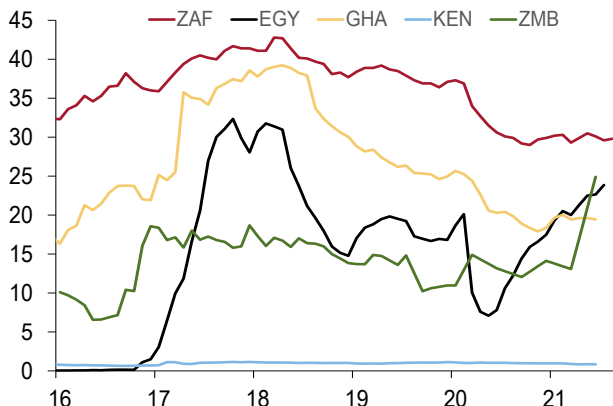
Figure 6. Asia (percent share)



4. Latin America (percent share)



5. Africa (percent share)



Notes: Data refers to domestically issued debt, primarily central government bonds in local currency. In some cases, flows are derived from the change in stock. China data includes government and policy bank bonds. Egypt refers only to Treasury bills. Czechia is classified by many financial market participants as an EM. Source: Haver, National sources, IMF Staff.