



WEDNESDAY, OCTOBER 11, 2023

SUMMARY

In August, EM markets experienced outflows alongside higher AE yields and stronger US Dollar (Figure 1 & 3). Heading into September, outflows appear to be persistent, with both hard currency and local bonds posting negative returns.

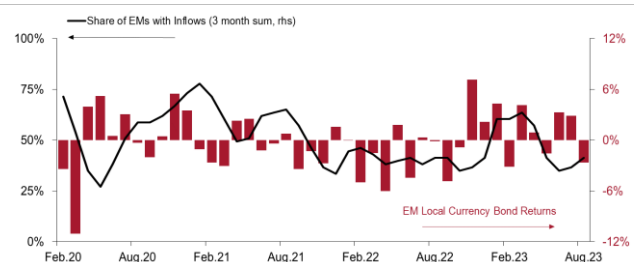
EM ex. China had marginal outflows in August (-\$0.5 bn), led by Malaysia and Thailand (-\$1.1 bn each) while Brazil (+\$2.5 bn) and India (+\$0.9 bn) experienced inflows. Despite the outflows in August, YTD EM ex. China flows remain positive at +\$32.5 bn. China experienced a further -\$6.9 bn in outflows in August, bringing YTD total outflows to -\$37.8bn.

- LATAM:** The region saw outflows persisting in August, apart from Brazil (+\$2.5 bn) which rebounded after a large bond redemption in July. Peru (-\$0.5 bn) and Colombia (-\$0.4bn) continue to experience outflows for the second and third consecutive month, respectively.
- ASIA:** Sentiments were weak in August after a strong start to the year, following rising concerns over China's growth outlook and worsening yield differentials against the US. For August, and likely September, flows reversed for major Asia EM-ex China, as Malaysia (-\$1.1 bn), Thailand (-\$1.1 bn) and Indonesia (-\$0.6 bn) experienced net outflows. India bucked the trend, with continued inflows (+\$0.9 bn) ahead of its slated inclusion into a major bond index next year.
- CEEMEA:** Poland (-\$0.3bn) and South Africa (-\$0.5 bn) saw outflows in August while Hungary continued to experience marginal inflows (+\$0.3bn), although more recent data suggest that it is likely to experience outflows in September.
- Investor Composition** (Fig 4): Foreign ownership has increased in Romania, Czechia, Indonesia, India, Malaysia, and South Africa this year. Latin America has generally lagged, notably in Peru (-3.7 ppt YTD) and Colombia (-2.9 ppt YTD). NBFIs have stepped in to gain market share across much of Latin America, particularly in Colombia (+4.3 ppt YTD) and Indonesia (+2.0 ppt YTD). Domestic banks increased their share of government debt in parts of CEEMEA (Poland and Turkey), as well as Asia (Malaysia and China).

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

	11-Aug	18-Aug	25-Aug	1-Sep	8-Sep	15-Sep	22-Sep	29-Sep
MEX	-0.71	0.67	-0.28	0.89	-0.43	-0.43	-0.72	0.52
ZAF	0.29	-0.19	-0.46	-0.18	0.24	-0.23	0.32	-0.69
HUN	0.10	0.12	-0.01	-0.03	0.63	0.07	-0.65	-2.38
UKR	0.00	-0.01	-0.05	0.00	0.02	-0.01	0.00	-0.04
TUR	0.01	0.00	-0.02	0.38	-0.03	0.01	0.09	
IDN	0.02	-0.11	-0.35	-0.18	-0.02	-0.63	0.02	-0.44
IND	0.32	0.23	0.01	0.30	-0.03	0.10	-0.10	0.14
THA	-0.30	-0.26	0.14	-0.17	-0.21	-0.06	-0.08	-0.07

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



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

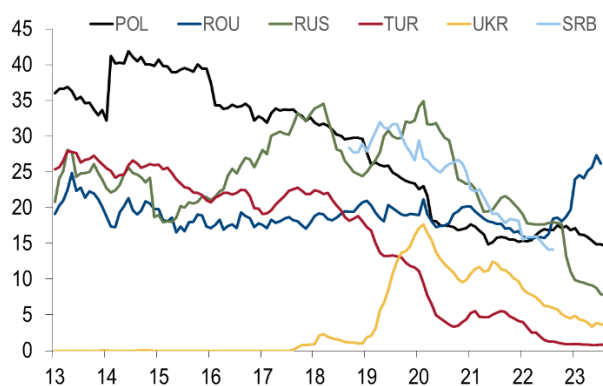
	Sep.22	Oct.22	Nov.22	Dec.22	Jan.23	Feb.23	Mar.23	Apr.23	May.23	Jun.23	Jul.23	Aug.23	Sep.23 mtd	2023YTD	2022	2021	2020
BRA	3.1	1.1	3.5	0.5	1.6	1.2	0.6	0.0	0.0	2.8	-4.1	2.5		4.7	-7.2	22.9	12.8
MEX	1.0	-2.0	2.0	6.7	-2.0	1.7	0.1	-0.2	-3.6	1.7	0.3	0.5	-1.0	-2.5	3.9	-12.7	0.4
PER	-0.3	-0.2	-0.1	-0.4	-0.2	0.0	-0.4	0.4	0.6	0.1	-0.5	-0.5		-0.5	-1.9	-0.3	1.1
COL	0.6	-0.3	0.0	-0.5	0.5	-0.9	0.0	0.3	-0.2	-0.5	-0.4	-0.4		-1.5	4.8	3.0	3.8
HUN	-1.3	2.9	-0.8	-1.1	4.2	0.4	-0.6	2.5	-0.6	-2.0	1.1	0.3	-0.4	4.9	2.7	-0.5	1.1
POL	0.8	-0.2	0.4	-0.8	0.0	-1.2	0.3	-0.5	-0.9	-0.3	0.3	-0.3		-2.6	4.9	-2.4	-1.5
CZE	1.1	-0.7	-0.5	-0.6	1.6	0.3	2.1	-0.9	0.1	1.3	1.7	0.0		6.2	4.0	1.0	-4.4
RUS	0.0	0.0	-9.2	-2.8	-3.0	0.0	-0.1	-0.2	-0.1	-0.5	-1.5	-0.4		-5.8	-16.4	-1.4	2.7
TUR	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	0.1	0.0	0.0		0.1	-2.2	1.0	-1.2
ROU	0.2	-0.1	0.7	0.4	3.8	0.5	0.1	0.3	1.0	1.0	0.1			6.7	2.4	-1.0	0.4
UKR	0.0	-0.2	-0.1	0.0	0.2	-0.2	0.0	-0.1	-0.2	0.2	0.0	-0.1		-0.3	-1.1	0.3	-1.0
KAZ	0.0	0.0	0.0	0.0	-0.1	0.1	0.0	0.0	0.1	-0.1				0.2	-0.9	1.0	0.4
ZAF	-0.3	-0.6	0.4	-0.7	1.7	-1.4	-0.9	1.5	-0.8	1.7	1.0	-0.5		2.2	0.2	3.1	3.9
EGY	-0.1	0.0	1.2	1.6	4.0	2.0	0.1	0.4						6.6	-8.3	2.6	10.2
GHA	-0.1	0.0	-0.2	0.0	0.0	0.0	-0.1	0.0	0.0	0.0				-0.2	-1.8	0.3	0.3
MYS	-0.6	-0.9	0.1	0.5	0.5	1.1	1.5	0.0	0.6	0.8	1.9	-1.1		5.4	-1.9	7.6	9.4
IND	0.2	-0.4	0.1	-0.2	0.6	0.1	-0.3	0.1	0.4	1.2	0.4	0.9	0.1	3.5	-2.0	-1.5	-2.5
IDN	-1.9	-1.1	1.5	1.6	3.3	-0.5	0.9	0.3	0.4	1.2	0.6	-0.6		5.6	-9.0	-4.9	3.7
THA	-0.5	-0.4	1.8	1.5	0.8	-1.1	0.9	-0.6	0.7	-0.3	1.0	-1.1	-0.4	-0.1	6.2	6.6	2.7
CHN	-8.0	-3.5	-4.8	2.5	-13.1	-12.0	-4.0	-3.9	3.1	5.3	-7.2	-6.0		-37.8	-76.0	68.7	0.0
EM ex. CHN	1.6	-3.3	0.6	5.8	17.6	2.2	4.2	3.3	-2.6	8.6	1.7	-0.5	-1.8	32.5	-27.1	23.9	43.6

4. Local Currency Government Debt Holdings: Investor Composition

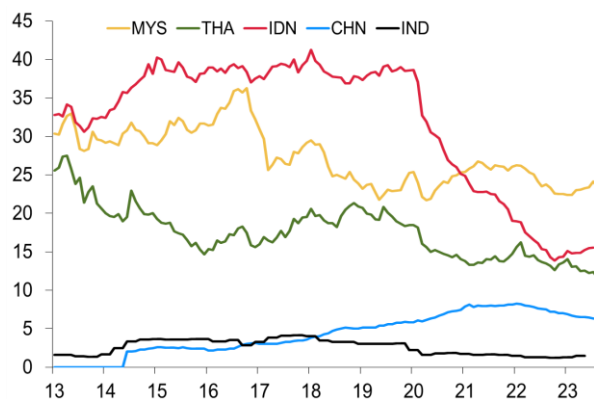
	Foreign Holdings (US blns)	Foreign Share (percent)	Change since Dec. 2022 (ppt)	Change since Dec. 2021 (ppt)	Domestic Bank Share (percent)	Change since Dec. 2022 (ppt)	Domestic NBF Share (percent)	Change since Dec. 2022 (ppt)
BRA	113	9	-0.5	-1.3	29	-0.2	51	0.7
MEX	99	15	-1.1	-2.8	11	-0.6	49	1.7
COL	27	23	-2.9	-2.0	12	-2.4	39	4.3
PER	15	37	-3.7	-12.8	27	2.4	16	1.7
POL	33	15	-1.6	-0.6	43	2.0	14	0.6
TUR	1	1	-0.1	-3.4	76	2.8	9	-1.5
ROU	18	26	1.6	9.4	39	-4.9	23	-2.1
CZE	38	29	2.5	2.4	40	0.4	25	-2.3
GEO	0	5	-0.3	-5.0	54	-3.5	12	3.2
CHN	433	6	-0.5	-1.9	61	1.2	-43	
IDN	56	15	0.6	-3.7	31	-0.8	21	2.0
MYS	55	23	1.0	-2.6	34	2.5	35	1.0
THA	27	12	-1.4	-3.0	23	0.8	33	-0.1
IND	19	1	0.2	-0.1	39	0.3	33	-0.1
ZAF	47	26	0.2	-2.6	21	-1.0	51	0.7
EGY	13	21	2.4	-1.3	43	0.0	18	0.0

Regional Look: Non-resident Holdings of Domestic Government Debt

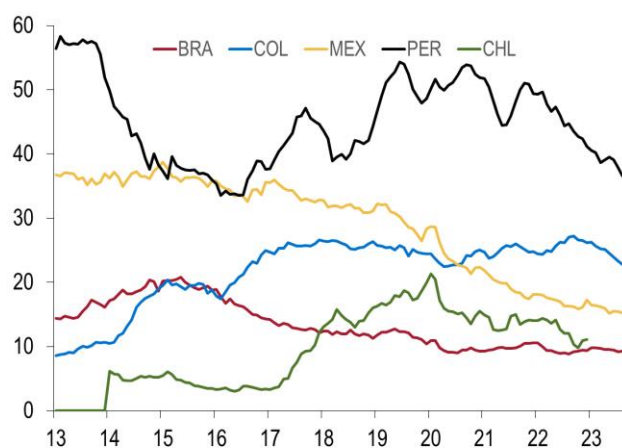
5. Eastern Europe & Turkey (percent share)



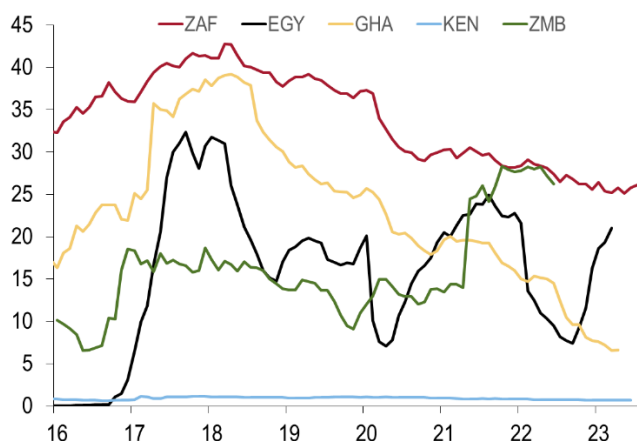
6. Asia (percent share)



7. Latin America (percent share)

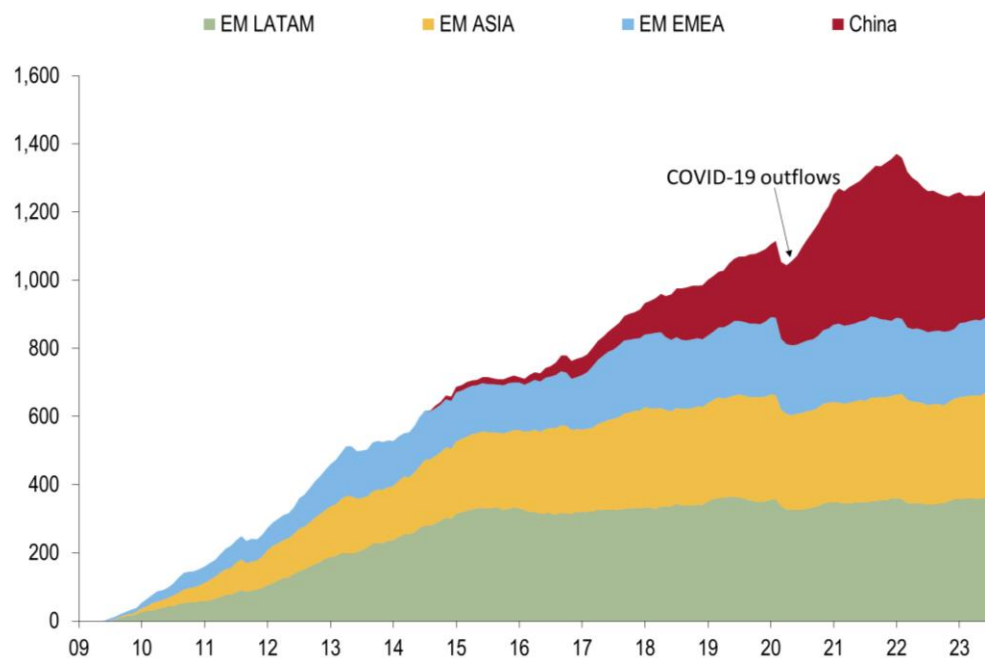


8. Africa (percent share)

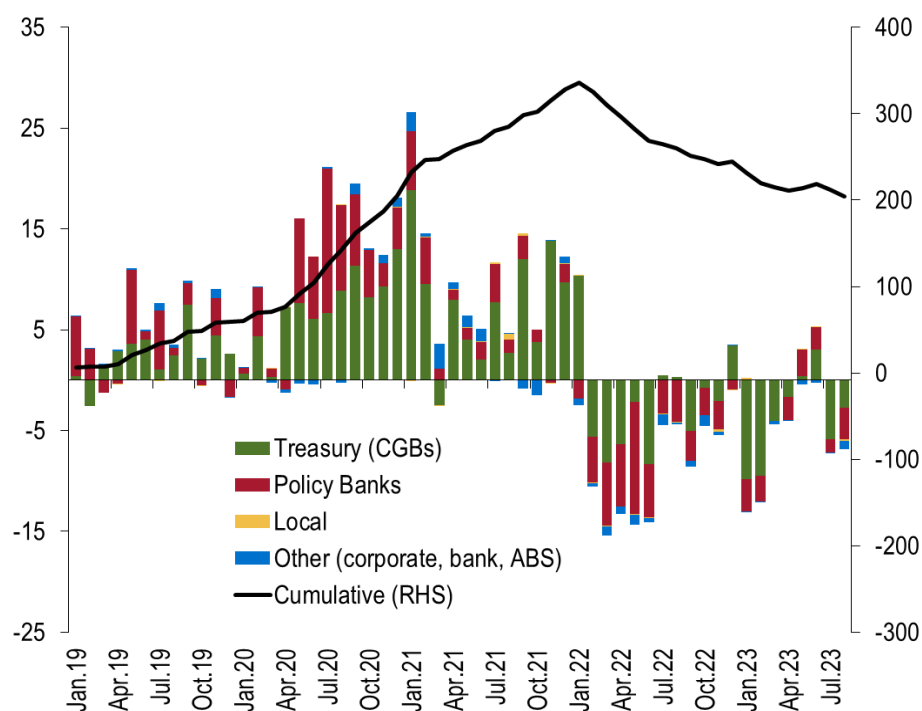


Notes: China data includes government and policy bank bonds. Egypt refers only to Treasury bills. In Figure 4, the 'latest' figures may refer to different months for each country and are the latest available. Due to lagged releases, data on flows and holdings may be slightly inconsistent for some countries. 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.

9. Cumulative Non-resident Flows into LC Government Bonds Since 2009 (US dollar, billions)



10. Non-resident Flows into Chinese Local Currency Bonds, by Sector (US dollar, billions)



Note: In chart 9, in some cases, flows are derived from the change in stock outstanding held by foreign investors each month.