



GLOBAL MARKETS ANALYSIS

Monetary and Capital Markets

EM BOP Capital Flows Monitor

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KEY HIGHLIGHTS

High frequency data suggests portfolio inflows have moderated this year despite easing of US financial conditions. Notably, Chinese equity flows have been the only asset class to see positive inflows year-to-date. Outflows have been broad based across all asset classes in the last week (Fig. 1).

BOP data shows portfolio inflows for about 80% of EMs in Q4, while early monthly data shows weaker inflows for several major EMs in Q1 (Fig. 2). Brazil, Chile, and Romania saw stronger inflows in provisional Q1 data. India recorded its largest inflows across four quarters since 2015-Q1 with inflows reaching \$41 billion. South Africa continued to lag with outflows of -\$9.4 billion in Q1 thus far, while Thailand's outflows is on track for five consecutive quarters.

FDI inflows have continued their decline to around 1.3% of GDP in Q4 (Fig. 5, 7). Inflows across the last four quarters decelerated to 1.8% of GDP (vs 2.5% on avg), with softer flows across regions. Specifically, Latin America, which accounts for the largest share of inflows, continues to see a slowdown from the robust levels seen over the last two years. By historical percentile, the last four quarters have seen FDI fall back to weaker levels, for Asia (20%), Europe (34%), and Latin America (17%). Elsewhere, other investment inflows have picked up modestly but continue to hover above historical norms at 1.5% of GDP in Q4 after surpassing 2% in 2021-2022.

China capital inflows rebounded in Q4 (Fig. 6). After six consecutive quarters of weak flows, China's capital flows recorded inflows of \$58.5 billion in Q4, led by strong inflows into its debt market (\$59.8 billion), while FDI also rebounded to \$17.7 billion after a weak Q3. Nonetheless, the -\$13.7 bn outflows from the equity markets in Q4 was the largest quarterly outflows on record, although flows have improved in Q1 this year. Resident outflows accelerated to \$78 billion in Q4, the largest since 2022-Q1, from \$51 billion in the prior quarter, led by outflows of \$24 billion in other investments.

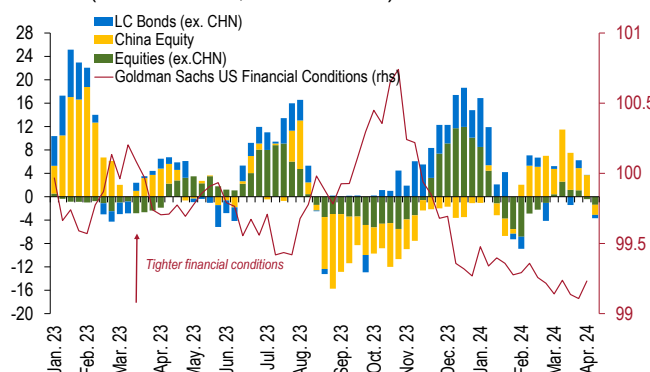
Resident portfolio outflows have mostly slowed in Q4 but appears to be picking-up in Q1 (Fig. 8). Portfolio outflows by residents mostly slowed in Q4, notably Brazil, Chile, and Philippines, with portfolio debt tracking lower for these countries. On a broader level, net acquisition by EM on foreign equity and debt rebounded in Q4, with Europe and Latin America posting outflows at higher levels, on aggregate across four quarters, compared to their respective historical data (Fig. 12).

Other BOP Details: Current account deficits deteriorated in Q4 for most EMs, with broad erosion observed particularly for major Latin American countries (Fig. 13). Remittances as a share of GDP generally remain strong versus historical figures, particularly in Latin America, though growth appears to be moderating on an annual basis (Fig. 17,18). Foreign reserve stocks gained for most in the first two months of the year, although operating environment has been more challenging in the past month. Reserves in EM Asia broadly faced lingering pressure in the second half of last year (Fig. 15), while South Africa reserves declined earlier this year.

BOP Portfolio Tracking

Local currency debt and equity flows have stagnated in Q1 with the bulk of inflows going into Chinese equities.

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



Portfolio inflows slowed in Q1 on aggregate with about 60% of EMs tracking inflows

Figure 2. BOP Non-Resident Quarterly Portfolio Flows (USD Billions, *Quarter-to-Date for 2024-Q1, ** high frequency non-BOP data for 2024-Q1)

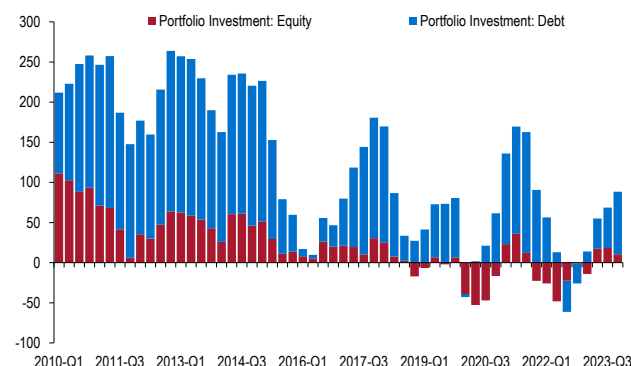
Year	2020				2021				2022				2023				2024
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1*
BRA	-21.7	-4.3	2.0	22.0	6.5	12.9	3.7	0.2	0.8	-7.5	-2.8	6.5	0.8	5.7	2.4	2.9	5.8
CHL	7.2	2.5	-1.4	-1.1	4.2	6.5	16.6	5.5	8.3	0.7	-2.5	6.5	-0.4	0.0	4.4	0.1	3.5
CZE	0.0	2.7	-1.1	7.1	-2.3	-0.7	-3.9	8.1	-5.6	-12.1	-1.8	4.8	0.1	2.2	1.9	-4.8	0.1
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	2.9
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
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
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	0.1
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	0.8	2.9
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	-1.8	-0.2	-2.3	-0.5	-9.4
IDN**	-6.3	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	5.2	0.0
MYS**	-6.2	5.5	0.1	3.1	3.5	7.4	0.3	2.1	1.1	-2.5	-0.5	-2.6	-3.9	4.0	0.3	0.8	-0.3
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
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	-1.1	-2.7
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	-0.9
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	1.9	1.9

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

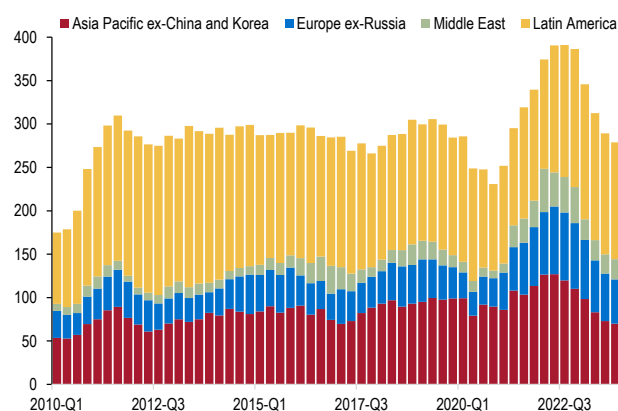
Debt portfolio flows into emerging markets (ex-China) have picked up pace in 2023-Q4 (+\$46.6bn).

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



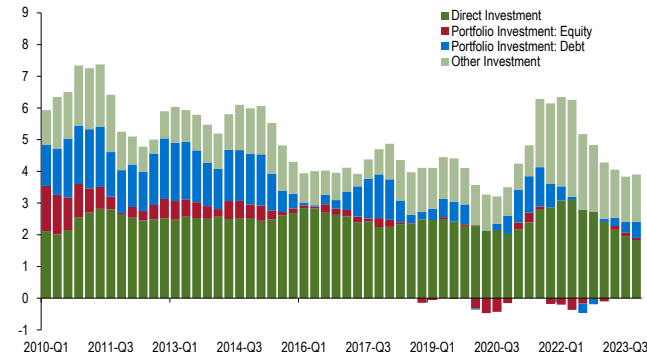
FDI flows have moderated in 2023 after peaking in 2022, with Latin America flows receding.

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



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

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



Non-resident flows to China have picked up in Q4 but remain flat over a 4-quarter horizon.

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

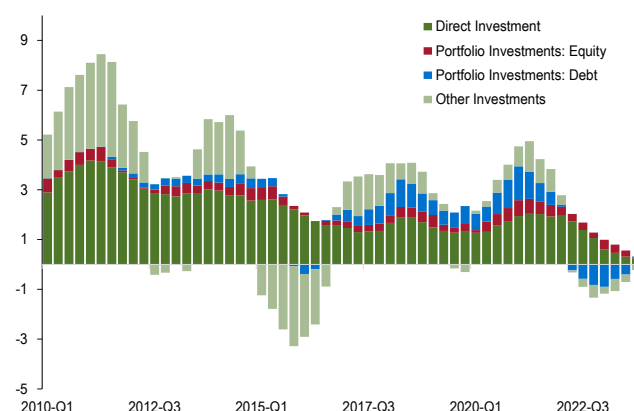


Figure 7. BOP Non-Resident Flows, Composition ex-China and Russia

			Level (% of GDP)			Percentile Rank (based on 4Q)					
			Quarter	4Q Sum	Historical Avg (4Q)	All	% in lower quartile	% in upper quartile	Asia	Europe	LATAM
2023-Q1	FDI	2023-Q1	2.7	2.4	2.5	38%	10%	15%	26%	82%	60%
2023-Q2		2023-Q2	1.6	2.2	2.5	20%	20%	5%	22%	67%	39%
2023-Q3		2023-Q3	1.8	2.0	2.5	9%	40%	10%	21%	46%	25%
2023-Q4		2023-Q4	1.3	1.8	2.5	4%	45%	10%	20%	34%	17%
2023-Q1	Port. Equity	2023-Q1	-0.2	-0.1	0.2	13%	50%	11%	23%	7%	18%
2023-Q2		2023-Q2	0.3	0.1	0.2	34%	33%	11%	50%	20%	21%
2023-Q3		2023-Q3	0.0	0.1	0.2	35%	17%	17%	46%	34%	27%
2023-Q4		2023-Q4	0.2	0.1	0.2	26%	28%	6%	45%	51%	8%
2023-Q1	Port. Debt	2023-Q1	0.6	0.1	0.9	16%	50%	17%	4%	64%	9%
2023-Q2		2023-Q2	0.4	0.3	0.9	26%	39%	17%	10%	71%	18%
2023-Q3		2023-Q3	0.1	0.3	0.9	32%	33%	22%	9%	74%	25%
2023-Q4		2023-Q4	0.9	0.5	0.9	36%	39%	17%	18%	76%	30%
2023-Q1	Other	2023-Q1	1.3	1.8	1.3	79%	20%	35%	78%	80%	72%
2023-Q2		2023-Q2	1.4	1.5	1.3	74%	30%	20%	60%	75%	68%
2023-Q3		2023-Q3	1.6	1.4	1.3	67%	25%	10%	84%	58%	51%
2023-Q4		2023-Q4	1.6	1.5	1.3	73%	20%	10%	62%	66%	55%

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 remained lackluster after a slow Q4.

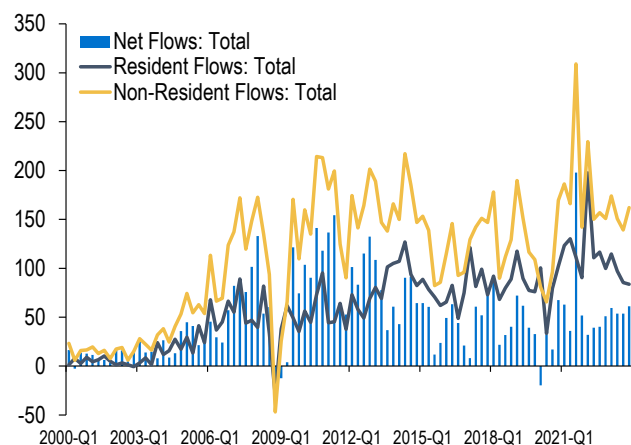
Figure 8. EMs ex China: Resident Portfolio Outflows
(USD Billions, *Quarter-to-Date for 2024-Q1), ** high frequency non-BOP data for 2024-Q1)

Year	2020				2021				2022				2023				2024
Quarter	1	2	3	4	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	-0.9	-1.5	0.9	2.0	3.4	1.3	-2.2	1.6
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	1.2
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	-0.1
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	-0.2
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	
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	1.9	0.5
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	-0.2
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	0.8

Net capital flows to emerging markets continued alongside a decline in gross resident and non-resident flows.

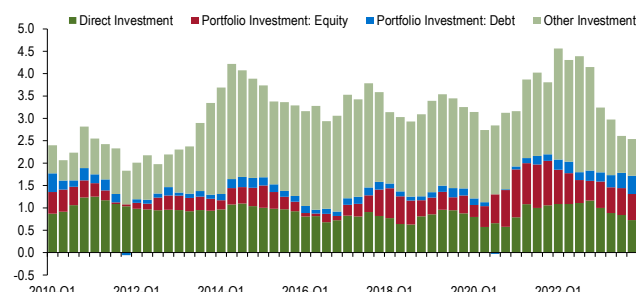
Figure 10. Net Capital Flows

(USD Billions)



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

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



Resident outflows from China continued although other investments have returned in recent quarters.

Figure 11: China Resident Flows

(4Q % to GDP)

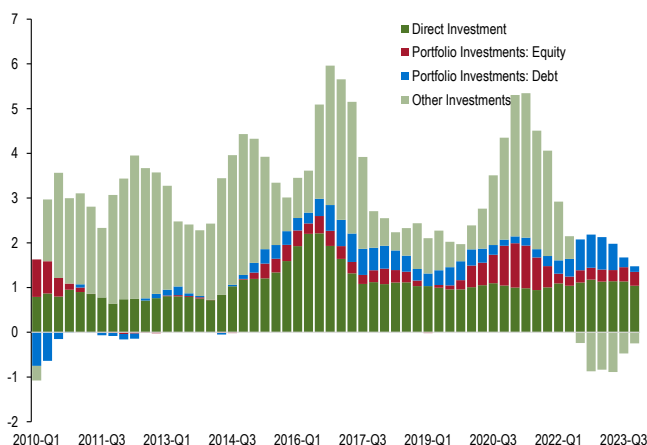


Figure 12. BOP Resident Flows ex-China and Russia (Net Acquisition of Assets)

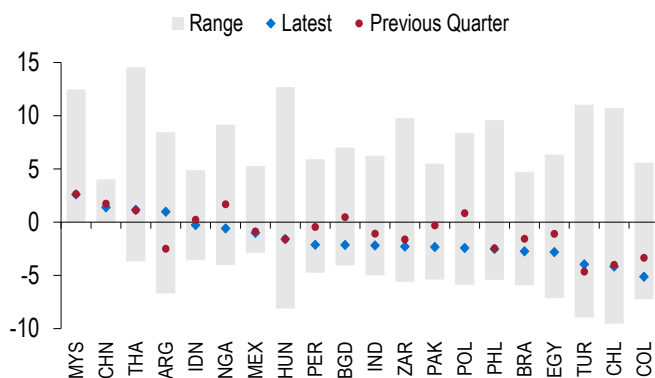
		Level (% of GDP)				Percentile Rank (based on 4Q)					
			Quarter	4Q Sum	Historical Avg (4Q)	All	% in lower quartile	% in upper quartile	Asia	Europe	LATAM
2023-Q1	FDI	2023-Q1	0.8	1.0	0.9	71%	0%	30%	36%	78%	88%
2023-Q2		2023-Q2	0.7	0.9	0.9	49%	10%	30%	33%	74%	54%
2023-Q3		2023-Q3	0.7	0.8	0.9	43%	20%	15%	28%	62%	40%
2023-Q4		2023-Q4	0.7	0.7	0.9	29%	35%	10%	25%	57%	35%
2023-Q1	Port. Equity	2023-Q1	1.0	0.6	0.4	87%	32%	26%	76%	39%	2%
2023-Q2		2023-Q2	0.3	0.6	0.4	85%	11%	21%	84%	47%	4%
2023-Q3		2023-Q3	0.3	0.6	0.4	89%	11%	32%	85%	59%	23%
2023-Q4		2023-Q4	0.6	0.6	0.4	86%	16%	32%	79%	72%	42%
2023-Q1	Port. Debt	2023-Q1	0.5	0.2	0.2	62%	20%	27%	29%	97%	71%
2023-Q2		2023-Q2	0.5	0.3	0.2	75%	7%	27%	24%	99%	62%
2023-Q3		2023-Q3	0.2	0.3	0.2	79%	7%	33%	19%	100%	76%
2023-Q4		2023-Q4	0.4	0.4	0.2	84%	7%	47%	28%	98%	79%
2023-Q1	Other	2023-Q1	0.8	1.3	1.3	63%	15%	15%	72%	55%	52%
2023-Q2		2023-Q2	1.1	1.2	1.3	54%	30%	15%	62%	32%	53%
2023-Q3		2023-Q3	0.9	0.8	1.2	39%	35%	25%	53%	23%	29%
2023-Q4		2023-Q4	0.6	0.9	1.2	43%	25%	10%	51%	47%	26%

Other Balance of Payments Details

Current account deficits have deteriorated in Q4 across most EMs.

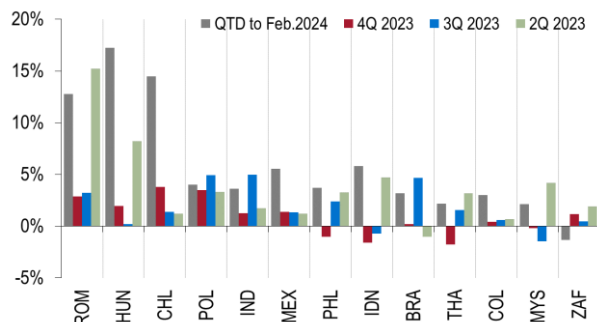
Figure 13: Current Account Balances

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



Reserve stocks have recovered for most EMs in recent quarters, with Indonesia, Malaysia, Thailand and South Africa seeing some lingering pressures.

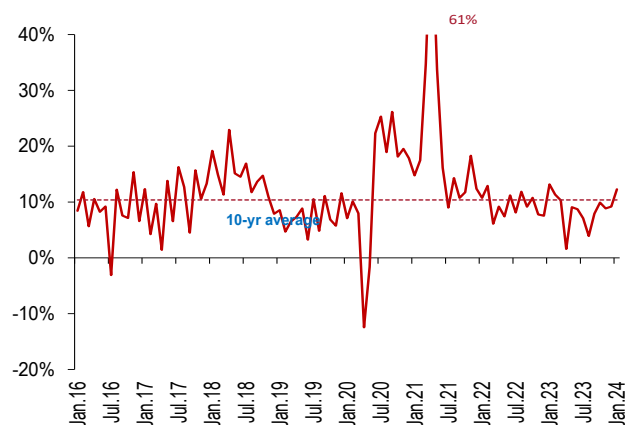
Figure 15. EM Reserve Stocks (quarterly change, percent)



Remittance growth has slowed near their long-term averages...

Figure 17. Remittances, EM Median

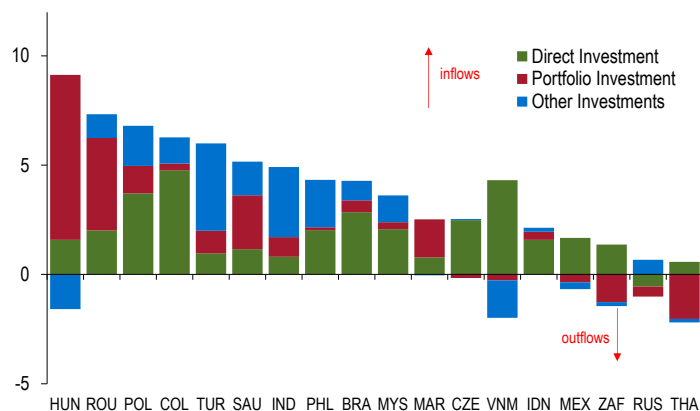
(y/y growth)



Other investment flows and FDI have been a large source of financing over the last year, as portfolio flows were mixed.

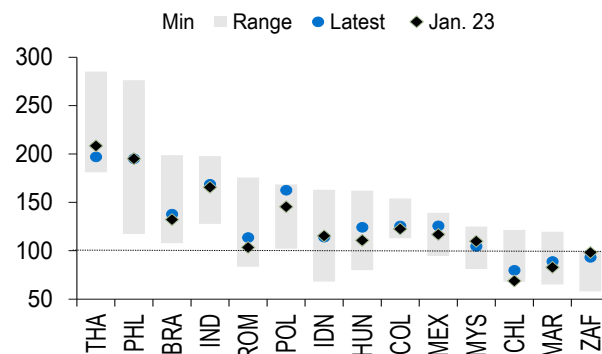
Figure 14: External Financing Sources

(4Q sum to GDP)



Most EMs maintain adequate buffers that have improved over the last few quarters, though a few remain below the recommended 100% threshold.

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



.... Though, in general, they remain high as a share of GDP, particularly in Latin America.

Figure 18. Remittances as Share of GDP, 12 month rolling sum (% of GDP, range since 2012)

