



KEY HIGHLIGHTS

High frequency portfolio flows show renewed outflows in local currency debt and equities since early August as market volatility increased and the selloff in US Treasuries accelerated. Chinese equities continue to see the largest outflows, albeit at a slower pace, with net selling of nearly \$18 bn since August. Equity outflows appear modest but broad-based, with India seeing the first monthly outflows since February. Bond outflows have been even smaller (Fig 1).

Monthly BOP inflow data for Q3 are mixed, with inflows for about half of EMs, notably India (\$6 bn equity inflows in Q3), as well as Chile and Czechia. Conversely, outflows intensified in South Africa across both debt and equity, while Mexico and Thailand are on track for two consecutive quarters of outflows.

Resident portfolio outflows (as seen in monthly BOP data) continued in Q3, though generally at a slower pace. Chile experienced increased outflows while Hungary and Romania saw residents divesting foreign holdings. Quarterly data, through Q2 shows a moderation in resident capital flows. Outward FDI, portfolio equities and other investments decline to 0.6%, 0.3% and 0.5% of GDP, respectively. Overall, net capital flows (non-resident – resident) have remained positive but moderating to historical levels seen in recent years.

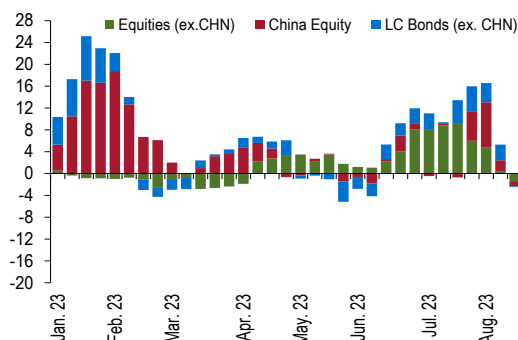
FDI inflows continued to slow through Q2, based on comprehensive BOP data. Non-resident capital inflows moderated to 3.4% of GDP (from 4.0%) (Fig 7). Aggregate FDI inflows have slowed to 1.3% of GDP in Q2, compared to 2.6% one year ago. Europe and Latin American FDI have held up relatively better, with Asia lagging (Fig 5, 7). Other investment flows also downshifted in Q2 to 1.2% of GDP, compared to 2.1% in Q3 2022. Capital outflows from China continued in Q2 and were driven by debt and other investments -0.6%, despite some equity inflows that have since reversed (Fig 6).

Other BOP Details: Current account deficits improved in Q2 in a number of EMs, notably Pakistan, Bangladesh, Peru, Chile, Hungary (Fig 13). Remittances as a share of GDP generally remain strong versus history, particularly in Latin America, though growth appears to be slowing, and inflows contracted y/y in Pakistan and Bangladesh in recent months (Fig 17,18).

BOP Portfolio Tracking

Local currency debt and equity flows have turned negative in recent weeks, with large outflows from Chinese equities in particular

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



Monthly BOP data appears mixed for Q3, with about half of EMs seeing outflows following a strong Q2

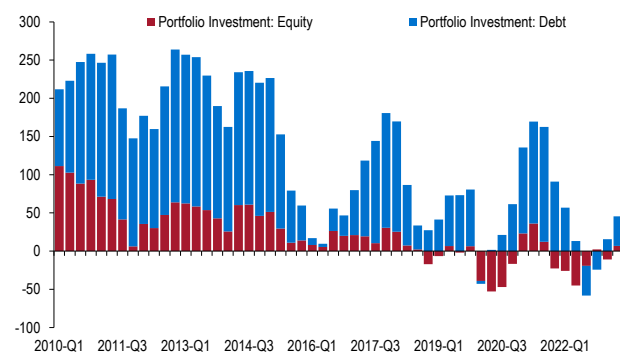
Figure 2. BOP Non-Resident Quarterly Portfolio Flows (USD Billions, *Quarter-to-Date for 2023-Q3, ** high frequency non-BOP data for 2023-Q3)

Year	2020				2021				2022				2023		
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3*
BRA	-217	-43	20	220	65	129	37	02	06	-79	-33	63	08	57	09
CHL	72	25	-14	-11	38	67	165	54	85	09	-24	73	-03	-01	18
CZE	00	27	-11	71	-23	-07	-39	81	-56	-121	-18	48	01	22	11
HUN	-34	32	03	35	-17	-11	58	-02	-02	13	18	40	50	34	-15
IND	-145	05	70	211	76	03	50	-59	-155	-143	69	49	-30	144	64
PHL	-10	40	-14	22	-36	25	33	17	26	13	12	00	07	08	-10
POL	-14	-87	02	-10	-32	-33	14	-17	-30	48	07	34	-02	78	-10
ROU	37	27	25	29	-09	23	31	-03	16	20	23	00	83	26	10
ZAF**	-59	-30	-23	15	-04	00	-248	-26	40	25	-19	-15	-18	-38	-60
IDN**	-63	99	-17	26	52	47	15	-46	-18	09	-15	-10	43	19	-22
MYS**	-62	55	01	31	35	74	03	21	11	-25	-05	-26	-39	03	10
PHL**	-10	40	-14	22	-36	25	33	17	26	13	12	00	07	08	-10
THA**	-72	-15	-08	16	04	-01	02	43	39	08	-04	38	-28	-16	-15
MEX**	28	-12	25	20	-15	-42	-74	-59	35	-48	-44	03	15	-33	-12
TUR**	-30	-109	-13	85	-12	29	52	-38	-22	-51	-39	22	11	-04	05

EM BOP Non-Resident Flows

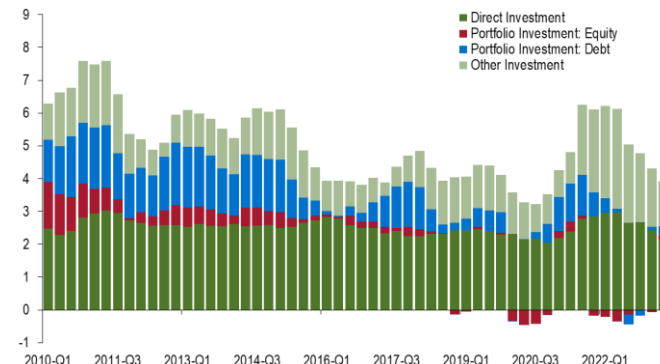
Debt portfolio flows into emerging markets continued in 2023-Q2 at modest pace (+\$16.1bn) and remained positive on a 4Q basis.

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



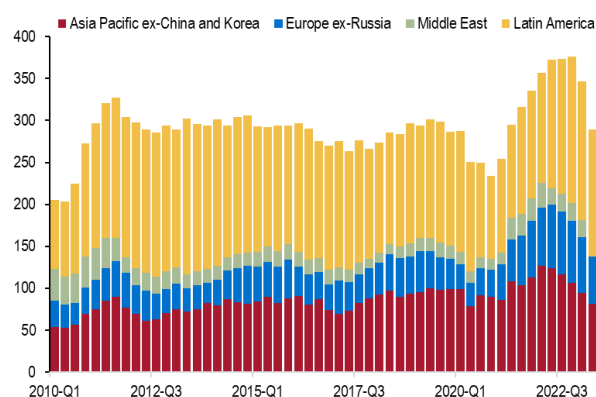
Since 2020, other investment liabilities have taken on an increased financing role and have buoyed BOP flows, but they continue to come down from their peak in 2021.

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



FDI flows have moderated in 2023 after peaking in 2022.

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



Non-resident flows to China have slowed in recent years, with portfolio flows turning negative.

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

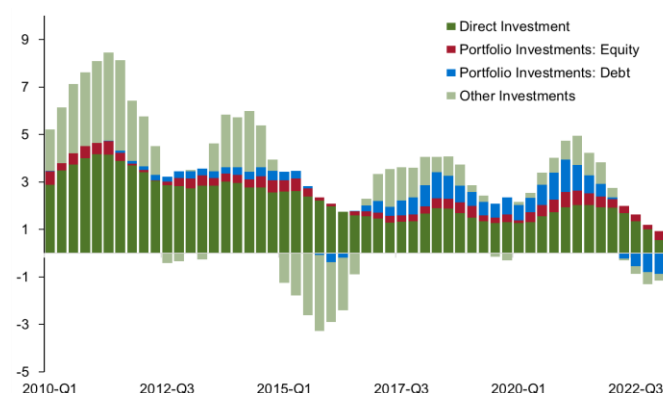


Figure 7. BOP Non-Resident Flows, Composition ex-China and Russia

Level (% of GDP)					Percentile Rank (based on 4Q)					
		Quarter	4Q Sum	Historical Avg (4Q)	All	% in lower quartile	% in upper quartile	Asia	Europe	LATAM
FDI	2022-Q3	2.6	2.7	2.5	68%	0%	45%	54%	88%	87%
	2022-Q4	2.0	2.7	2.5	69%	5%	35%	31%	87%	94%
	2023-Q1	2.7	2.4	2.5	37%	5%	20%	21%	80%	74%
	2023-Q2	1.3	2.1	2.5	12%	30%	15%	20%	62%	48%
Port. Equity	2022-Q3	-0.1	-0.1	0.3	12%	56%	17%	14%	4%	22%
	2022-Q4	0.5	0.0	0.3	18%	33%	28%	22%	6%	42%
	2023-Q1	-0.2	-0.1	0.2	13%	44%	17%	24%	7%	19%
	2023-Q2	0.3	0.1	0.2	33%	33%	11%	49%	20%	20%
Port. Debt	2022-Q3	-0.3	-0.3	1.0	1%	39%	6%	0%	24%	13%
	2022-Q4	0.2	-0.2	1.0	6%	50%	11%	1%	44%	8%
	2023-Q1	0.7	0.1	1.0	18%	50%	11%	3%	68%	9%
	2023-Q2	0.5	0.3	0.9	29%	39%	17%	9%	72%	21%
Other	2022-Q3	2.1	2.4	1.3	91%	0%	45%	81%	89%	88%
	2022-Q4	1.4	2.1	1.3	88%	5%	45%	80%	83%	80%
	2023-Q1	1.3	1.8	1.3	79%	15%	30%	76%	81%	71%
	2023-Q2	1.2	1.5	1.3	73%	30%	20%	56%	74%	67%

Note: in Figure 4, other investment liabilities for India are estimated using national sources.

EM BOP Resident Capital Flows (Net Acquisition of Assets)

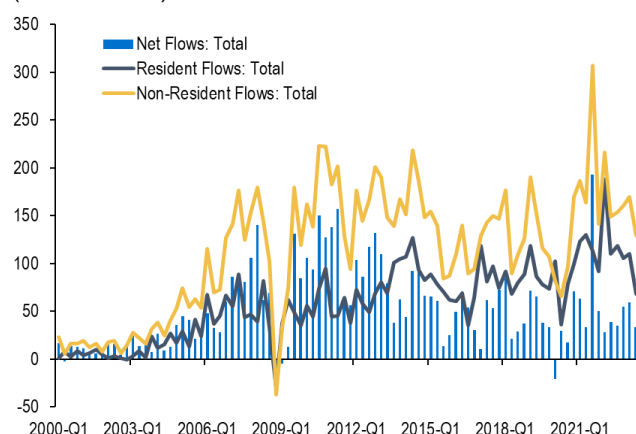
Resident portfolio outflows generally slowed in Q3, except for Hungary.

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

Year	2020				2021				2022				2023			
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3*	4**
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	1.7	
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	2.2	3.4	4.0	
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	0.2	
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	0.0	
PHL	-0.3	1.8	3.7	1.3	4.6	1.8	1.0	0.4	0.9	-1.3	0.7	-0.6	0.3	0.1		
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	2.5	
ROU	0.1	0.0	0.0	0.0	0.2	0.3	0.2	0.7	0.3	0.2	0.9	-0.3	-0.2	1.6	-0.4	
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	

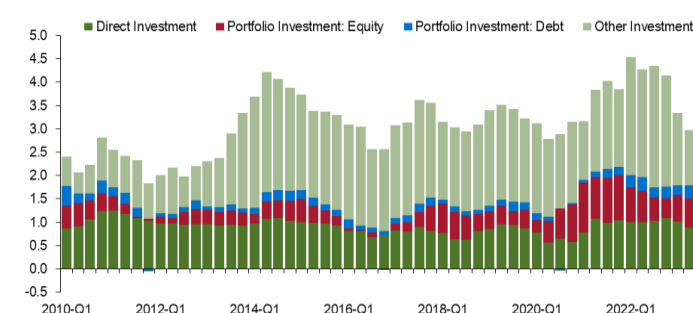
Net capital flows to emerging markets have remained positive but have moderate in recent quarters.

Figure 10. Net Capital Flows
(USD Billions)



Cross border flows from EM residents have moderated after peaking in Q1 2022.

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



Resident outflows from China show a mixed picture, with other investments coming back to China despite some continued portfolio outflows.

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

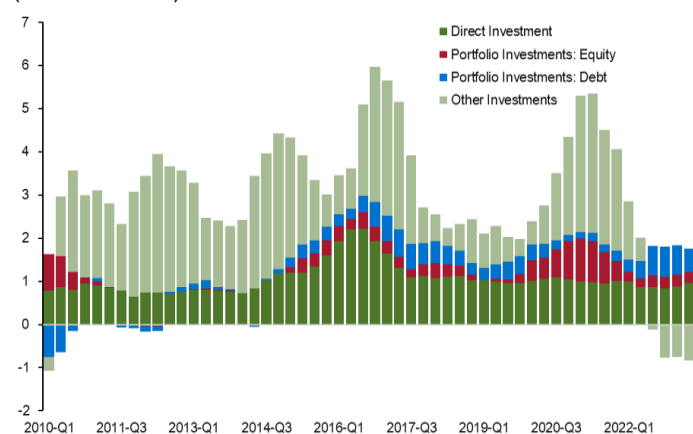


Figure 12. BOP Resident Flows ex-China and Russia (Net Acquisition of Assets)

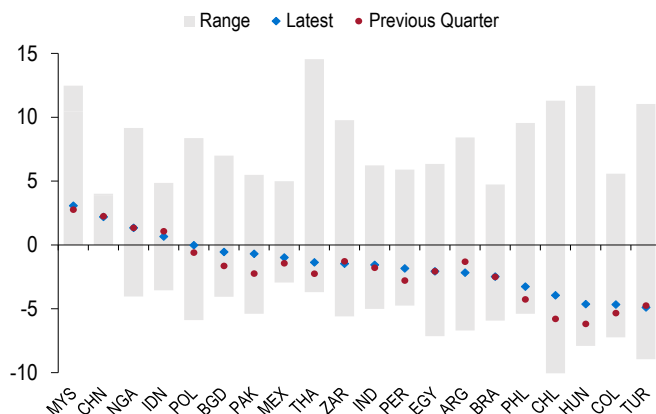
		Level (% of GDP)				Percentile Rank (based on 4Q)					
			Quarter	4Q Sum	Historical Avg (4Q)	All	% in lower quartile	% in upper quartile	Asia	Europe	LATAM
FDI	2022-Q3	2022-Q3	0.9	1.0	0.9	74%	0%	40%	38%	84%	93%
	2022-Q4	2022-Q4	1.2	1.1	0.9	84%	5%	40%	27%	89%	99%
	2023-Q1	2023-Q1	0.9	1.0	0.9	73%	10%	25%	33%	71%	89%
	2023-Q2	2023-Q2	0.6	0.9	0.9	48%	20%	20%	30%	67%	53%
Port. Equity	2022-Q3	2022-Q3	0.1	0.5	0.4	82%	32%	32%	69%	37%	21%
	2022-Q4	2022-Q4	0.8	0.4	0.4	76%	37%	32%	65%	24%	6%
	2023-Q1	2023-Q1	1.0	0.6	0.4	88%	37%	32%	73%	33%	1%
	2023-Q2	2023-Q2	0.3	0.6	0.4	90%	21%	16%	85%	51%	4%
Port. Debt	2022-Q3	2022-Q3	0.0	0.3	0.2	77%	13%	33%	61%	73%	80%
	2022-Q4	2022-Q4	0.1	0.3	0.2	78%	27%	40%	43%	91%	81%
	2023-Q1	2023-Q1	0.5	0.2	0.2	60%	20%	27%	27%	99%	73%
	2023-Q2	2023-Q2	0.6	0.3	0.2	71%	20%	33%	17%	100%	64%
Other	2022-Q3	2022-Q3	3.1	1.9	1.2	98%	30%	25%	86%	100%	24%
	2022-Q4	2022-Q4	0.7	1.9	1.2	99%	5%	35%	83%	78%	88%
	2023-Q1	2023-Q1	0.8	1.3	1.2	68%	15%	20%	68%	54%	67%
	2023-Q2	2023-Q2	0.5	1.1	1.2	50%	30%	15%	51%	31%	64%

Other Balance of Payments Details

Current account deficits improved in Q2 in a number of EMs, notably Pakistan, Bangladesh, Peru, Chile, Hungary.

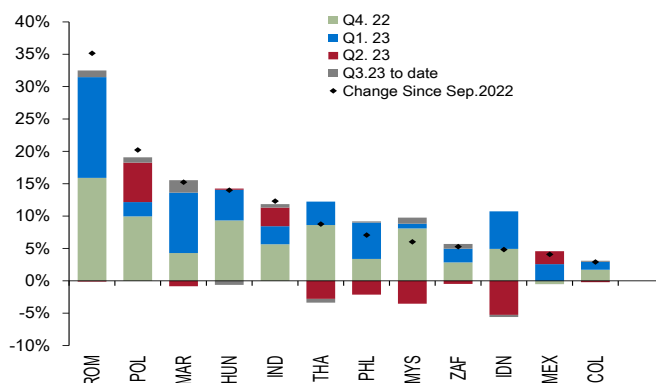
Figure 13: Current Account Balances

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



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

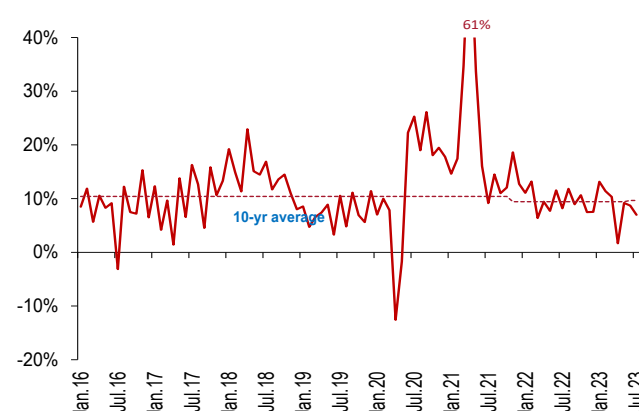
Figure 15: EM Reserve Stocks (quarterly change, percent)



Remittances contracted y/y in a handful of EMs, notably Pakistan and Bangladesh (in USD terms) ...

Figure 17: Remittances, EM Median

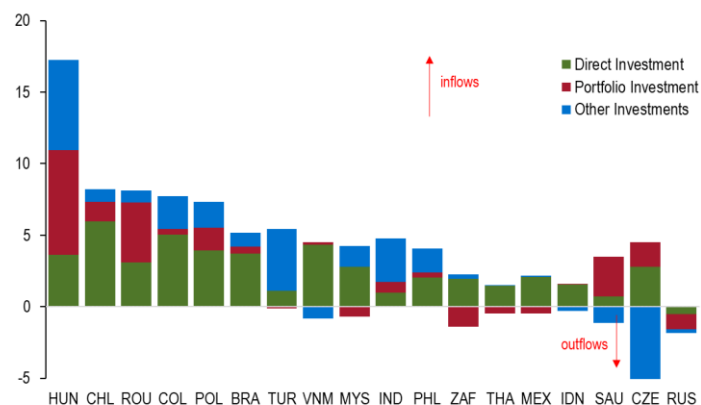
(y/y growth)



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

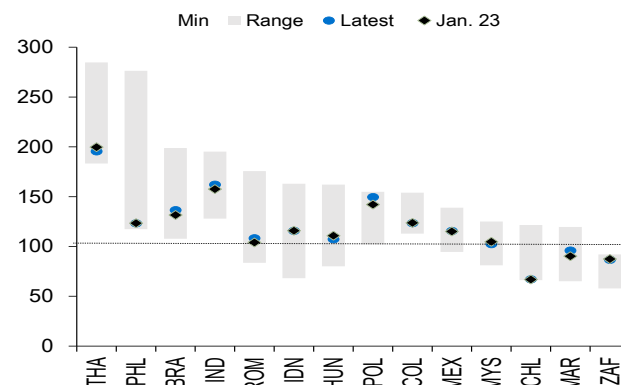
Figure 14: External Financing Sources

(4Q sum to GDP)



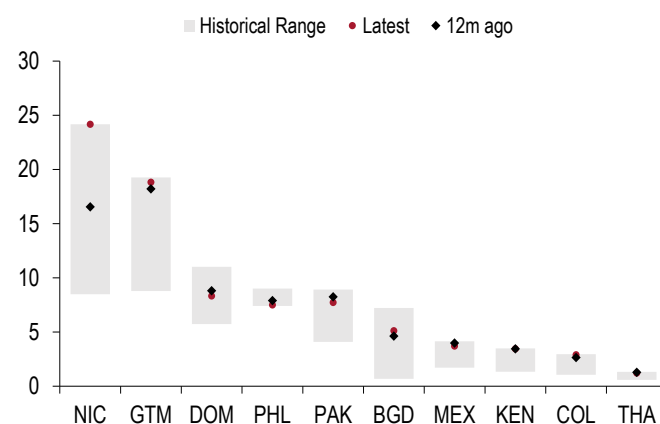
Most EMs maintain adequate buffers that have improved over the last 6 months, though a few remain below the recommended 100% threshold.

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)



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

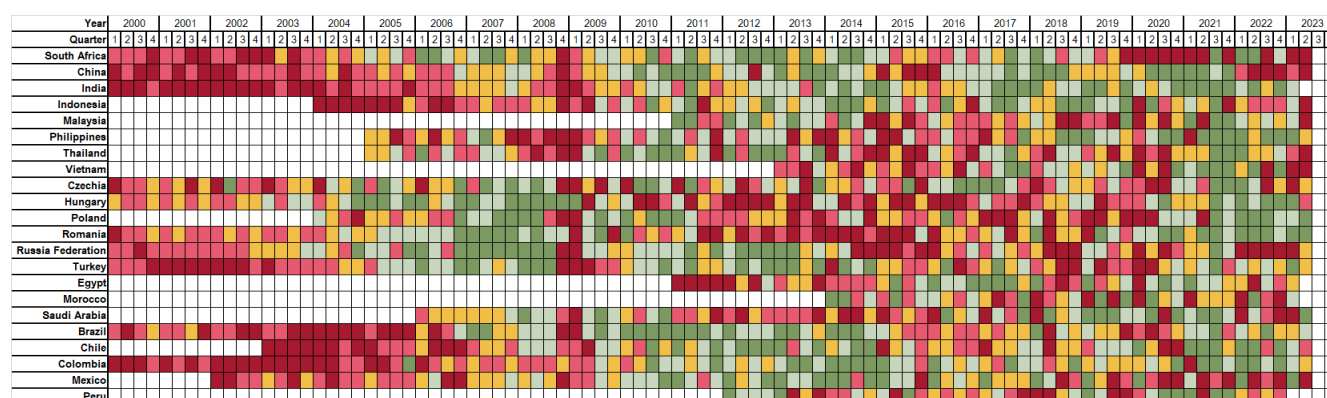


Figure 20. Non-Resident Portfolio Flows: Percentile Rank relative to their Own History

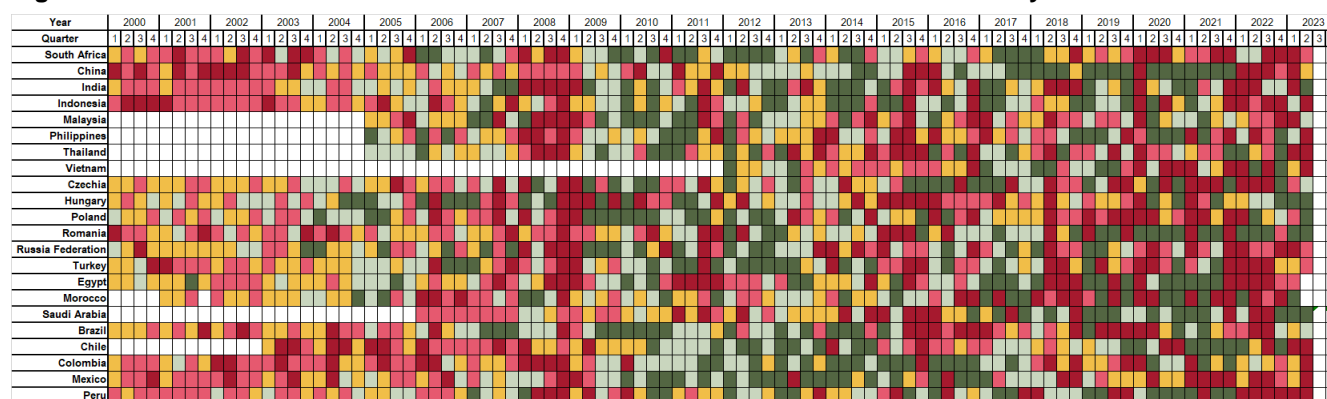


Figure 22. Non-Resident FDI Flows to EMs Percentile Rank relative to their Own History

