



WEDNESDAY, JANUARY 31, 2024

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SUMMARY

Daily local currency bond flow data* show inflows have abated some in recent weeks after a solid start to the year. Inflows to Hungary have been extremely choppy but remain on track to be positive for January. India has seen inflows for 19 consecutive weeks. Mexico, South Africa, and Thailand have seen modest outflows in recent weeks. (Figures 1 & 3). Local currency returns turned negative (-2 percent) for the first time since October.

Monthly flows data—through December 2023—indicate that EM ex. China inflows moderated in December (\$1 bn), while China registered the third straight month of bond inflows for the first time in two years. EM ex. China has seen net inflows since October, bringing total 2023 flows to nearly \$46 bn, led by Brazil, Mexico, India, Indonesia, and Malaysia, while Poland, Hungary, and Colombia lagged with outflows. November and December saw cumulative local currency bond returns of +8.6%

- **LATAM:** Inflows to Mexico (\$4.9 bn) continued in December, though flows appeared to soften in January. Colombia remained the laggard (-0.4 bn), bringing 2023 outflows to \$2.5 bn, the worst in a least a decade. Brazil witnessed sizable outflows (-\$2 bn) despite a strong year, while foreign flows to Peru have remained tepid.
- **ASIA:** Sentiment weakened in December after a strong November, with outflows resuming from Malaysia and Thailand. **India received inflows of \$2.4 bn—the best month since March 2019—bringing YTD flows to \$8.4 bn.** Inflows to Indonesia moderated to \$0.5 bn. China received \$45 bn from Oct-Dec to erase net outflows through Q3.
- **CEEMEA:** Turkey saw its best month of inflows (\$1.3 bn) since 2017. Flows for Hungary have been volatile, with outflows of -\$3.3 bn in December offset by nearly \$4 bn of inflows in January. Investors pulled back from South Africa in December (-\$1.6 bn), though January is tracking for small net inflows. Lagged data show outflows from several other Eastern European countries in November, including Poland, Czechia, and Ukraine.

Investor Composition: Foreign participation increased in 2023 in only about half of EMs despite solid aggregate inflows. Romania was the only EM to a large jump in the foreign share of debt (largely driven by Jan. 2023 inflows), while Turkey, Brazil, India, and Czechia saw a smaller increase in foreign shares. **NBFIs increased their market share in close to 70% of major EMs, while banks gained in EM Asia (ex. Indonesia), Poland, Turkey, and Peru.**

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

	8-Dec	15-Dec	22-Dec	29-Dec	5-Jan	12-Jan	19-Jan	26-Jan
MEX	1.56	0.83	2.03	0.33	0.46	-0.25	-0.47	
ZAF	0.29	0.28	-0.76	-0.13	0.52	0.18	-0.07	-0.29
HUN	-0.34	-0.26	-0.46	-2.30	4.67	0.46	-1.47	0.22
UKR	0.01	0.00	0.00	-0.02	-0.01	0.00	0.01	0.00
TUR	0.89	0.19	0.03	0.01	-0.05	0.43	-0.04	
IDN	0.17	0.03	0.24	-0.14	0.40	-0.29	0.18	0.07
IND	0.68	0.58	0.75	0.23	0.52	0.59	0.69	0.15
THA	-0.03	0.05	-0.17	0.13	0.37	-0.09	-0.24	-0.05

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

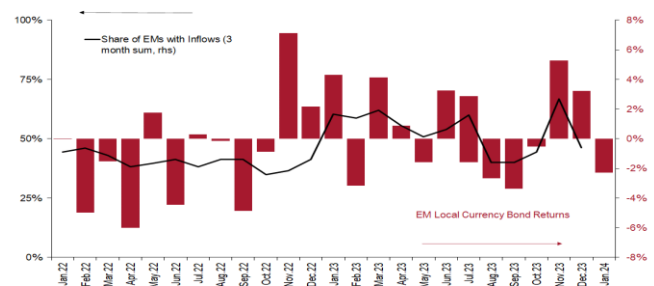


Figure 3. Local Currency Government Non-resident Debt Flows (USD bn; latest month is month to date)

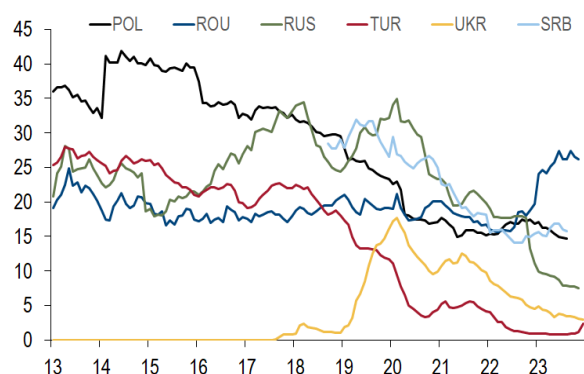
	Jan.23	Feb.23	Mar.23	Apr.23	May.23	Jun.23	Jul.23	Aug.23	Sep.23	Oct.23	Nov.23	Dec.23	Jan.24 mtd	2024YTD	2023	2022
BRA	1.6	1.2	0.6	0.0	0.0	2.8	-4.1	2.5	4.4	4.6	0.1	-2.0		0.0	11.9	-7.2
MEX	-2.0	1.7	0.1	-0.2	-3.6	1.7	0.3	0.5	-0.1	0.7	1.0	4.9	-1.6	-1.6	5.0	3.9
PER	-0.2	0.0	-0.4	0.4	0.6	0.1	-0.5	-0.5	0.4	-0.2	0.0	0.0		0.0	-0.3	-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		0.0	-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		0.0	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			0.0	-3.9	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			0.0	-6.0	-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	0.3	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	0.0	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	0.3	2.9	0.3
EGY	4.0	2.0	0.1	0.4	-0.5	0.4	0.1	0.0	-0.1					0.0	6.4	-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		0.0	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	1.9	1.9	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	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		0.0	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		0.0	5.8	-76.0
EM ex. CHN	17.4	2.1	4.5	3.1	-3.1	8.9	1.7	-0.2	-1.0	6.1	8.0	1.0	1.0	0.9	48.5	-23.6

Figure 4. Local Currency Government Debt Holdings: Investor Composition

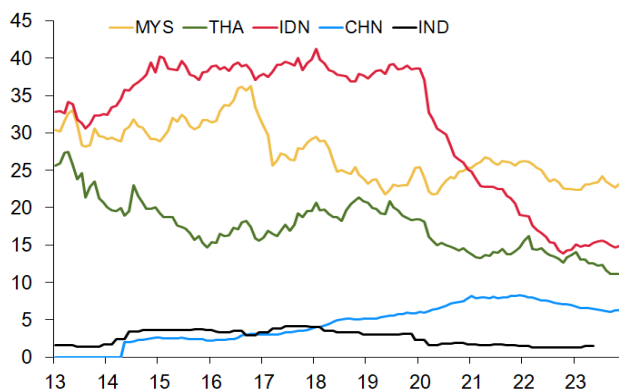
	Foreign Holdings (US blns)	Foreign Share (percent)	Change since Dec. 2022 (ppt)	Change since Dec. 2021 (ppt)	Domestic Bank Share (percent)	Change since Dec. 2022 (ppt)	Domestic NBF Share (percent)	Change since Dec. 2022 (ppt)
BRA	123	9	0.1	-1.1	30	0.6	51	-0.2
MEX	106	16	-1.3	-2.2	10	-1.7	50	2.8
COL	28	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	33	14	-3.3	-1.7	44	3.1	13	0.2
TUR	3	2	1.4	-1.8	76	2.7	9	-1.1
ROU	18	26	6.5	9.5	38	-5.4	25	0.5
CZE	36	28	0.7	1.0	41	1.4	25	-2.2
GEO	0	3	-1.5	-6.7	56	-0.8	12	3.1
CHN	428	6	-0.7	-1.9	62	1.8		
IDN	54	15	0.6	-4.1	27	-5.5	22	2.4
MYS	56	23	0.3	-3.3	34	2.5	35	1.8
THA	27	11	-2.7	-3.8	24	1.7	6	-0.5
IND	20	1	0.2	-0.1	41	2.1	36	0.1
ZAF	49	25	-0.3	-2.9	20	-1.6	53	1.9
EGY	13	15	3.3	-7.4	42	-0.4	18	-0.4

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

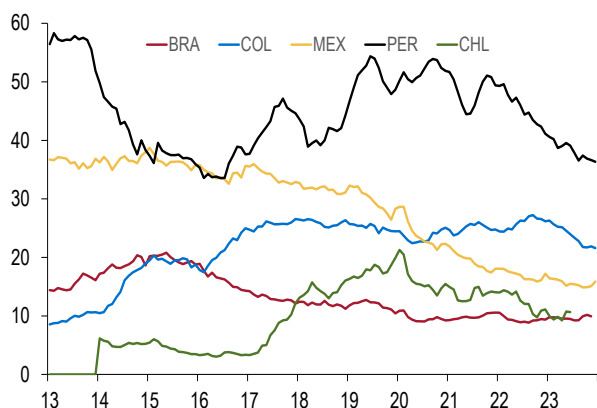
a. Eastern Europe & Turkey (percent share)



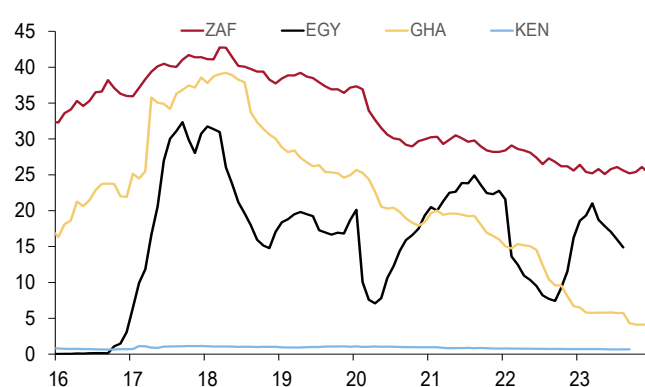
b. Asia (percent share)



c. Latin America (percent share)



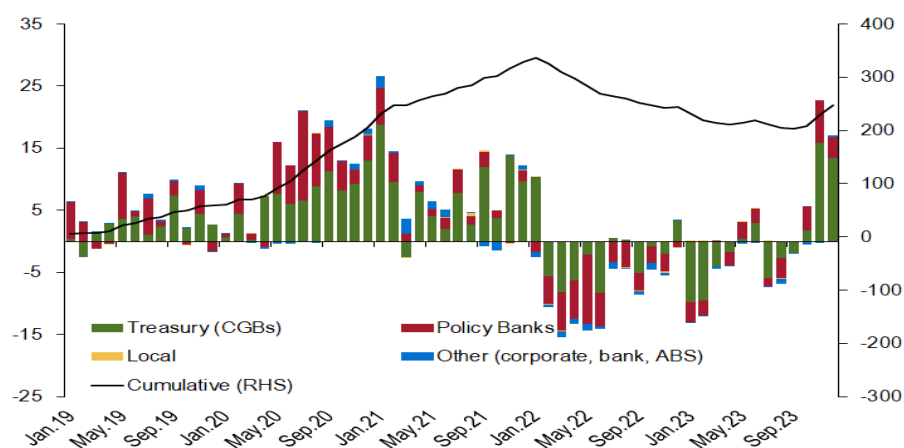
d. Africa (percent share)



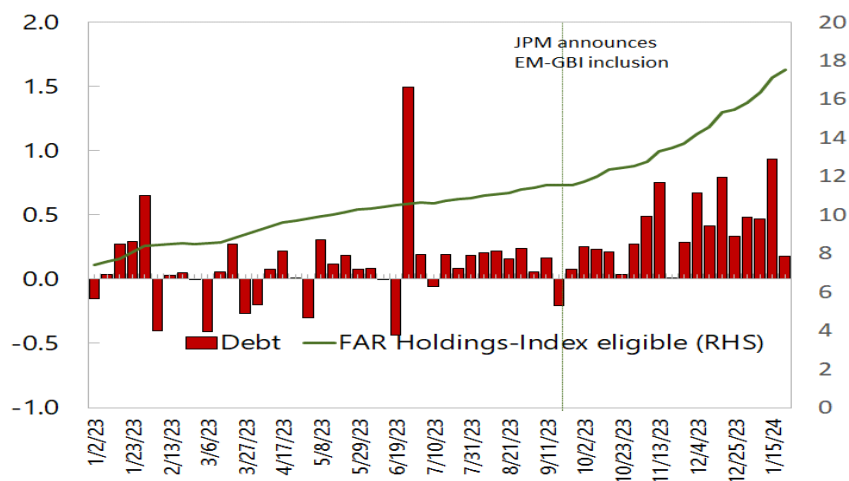
Notes: China data includes government and policy bank bonds. Egypt refers only to Treasury bills. In Figure 4, the 'latest' figures may refer to different months for each country and are the latest available. Due to lagged releases, data on flows and holdings may be slightly inconsistent for some countries.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

Annex

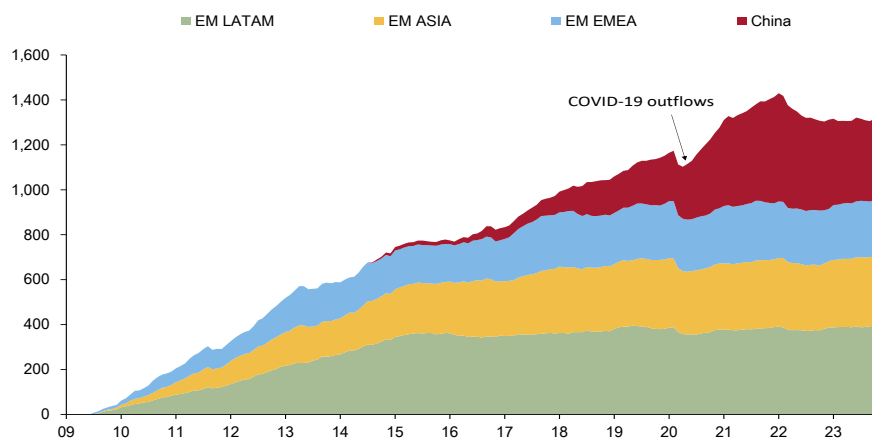
a. Non-resident Flows into Chinese Local Currency Bonds, by Sector (USD billions)*



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.