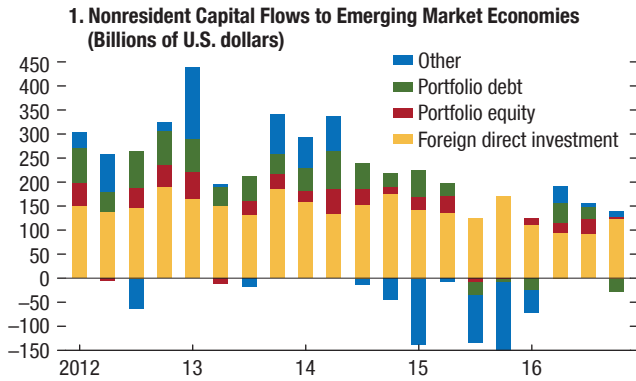
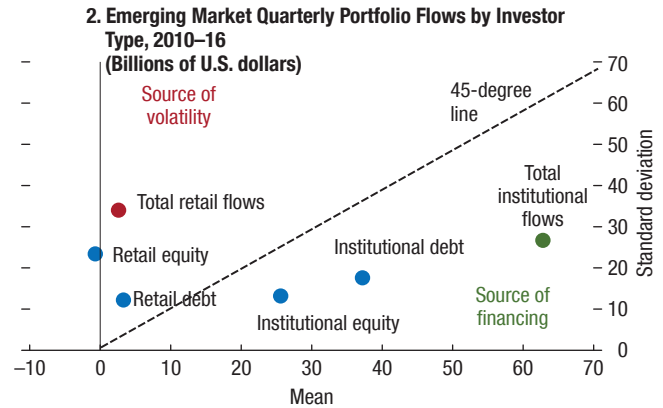


Figure 1.14. Capital Flows to Emerging Market Economies

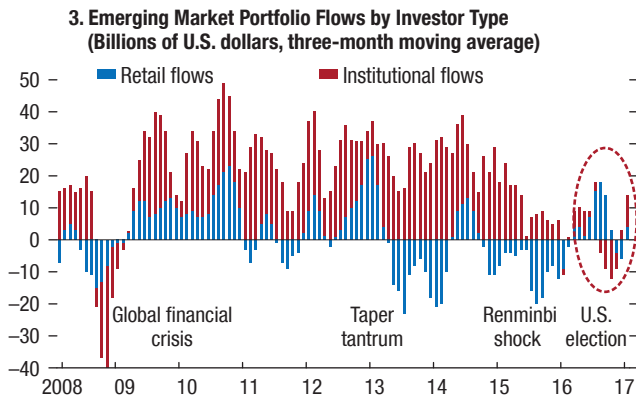
Capital flows to emerging market economies have been subdued in recent years.



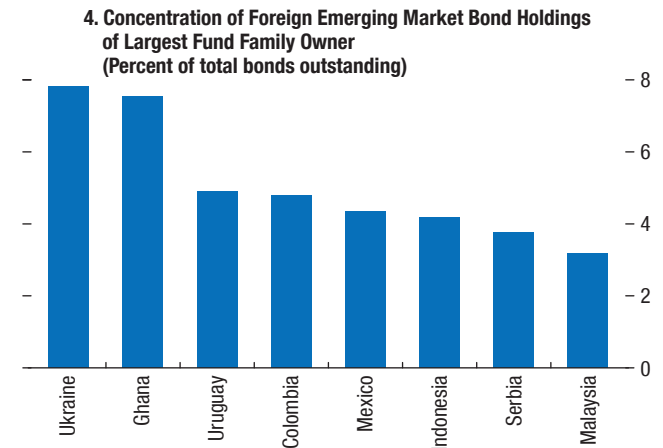
Retail investors represent a small source of financing but are a large source of volatility.



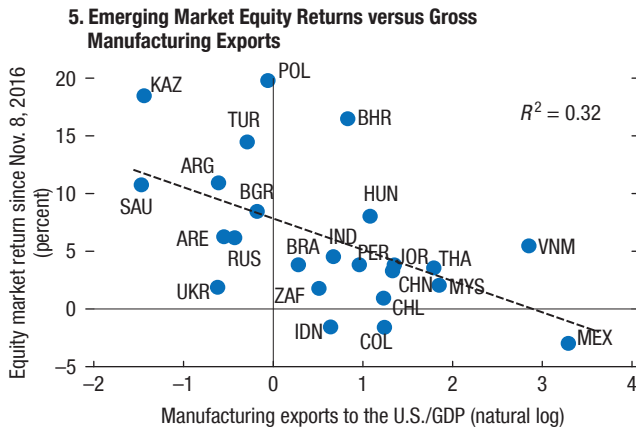
Most capital flow reversals are driven by retail investors.



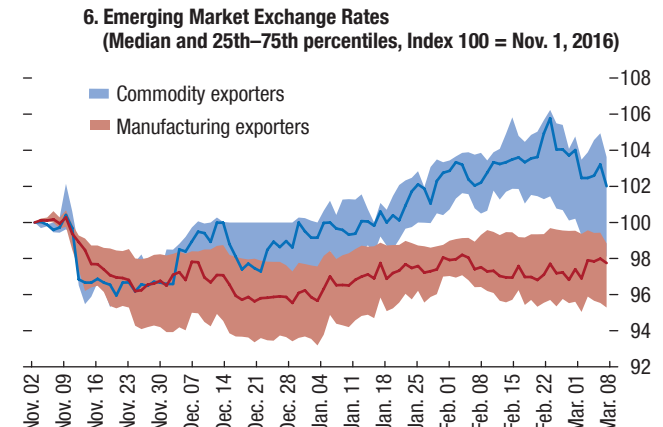
Individual fund families often own large portions of emerging market bonds in selected markets.



Equities of manufacturing exporters with high U.S. trade exposure have not performed as well as other emerging market equities ...



... while currencies of manufacturing exporters have underperformed those of commodity exporters.



Sources: Bloomberg L.P.; EPFR Global; Institute of International Finance (IIF); UN Comtrade; and IMF staff calculations.

Note: Panels 2 and 3 show proxies for portfolio flows by institutional and retail investors, which are estimated using IIF portfolio flows data and EPFR data on flows into investment funds dedicated to emerging markets. IIF data capture flows by all types of investors, but fund flows are predominantly driven by retail investors. In panel 2, standard deviations are calculated as the average eight-quarter rolling standard deviation over the 2010–16 period. The country sample for IIF data encompasses 25 emerging market economies (used in panels 1, 2, and 3), while the country sample for EPFR data encompasses about 85 emerging and developing economies (used in panels 2 and 3). Other differences between the two datasets are discussed in Koepke and Mohammed 2014. In panel 5, data labels in the figure use International Organization for Standardization (ISO) country codes. In panel 6, commodity exporting countries include Brazil, Chile, Colombia, Indonesia, Kazakhstan, Malaysia, Peru, Russia, and South Africa. Manufacturing exporting countries include Bulgaria, China, Hungary, India, Malaysia, Mexico, Poland, Taiwan Province of China, Thailand, and Vietnam. EM = emerging market; FDI = foreign direct investment.