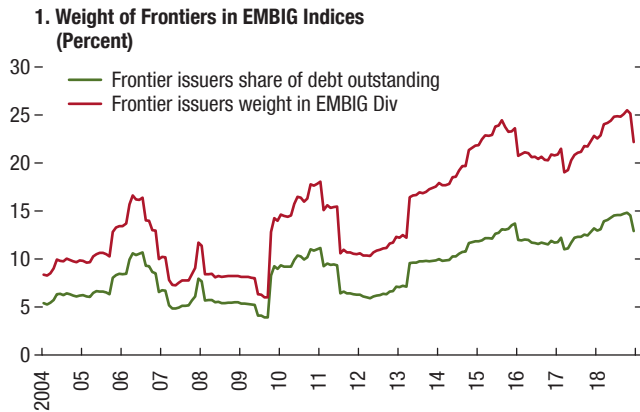
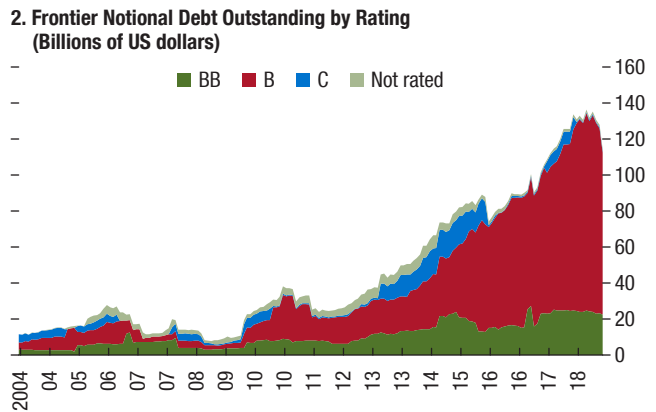


Figure 1.24. Emerging Market and Frontier Debt Characteristics and the Impact of China's Inclusion in Benchmark Indices

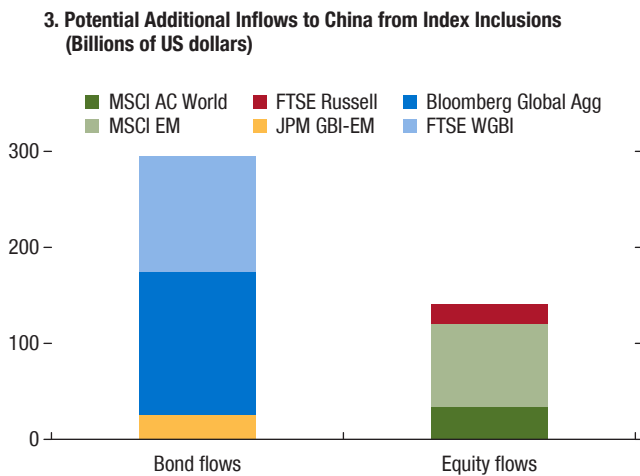
Over the past decade, outstanding frontier debt has increased substantially, with more than 20 debut issuers ...



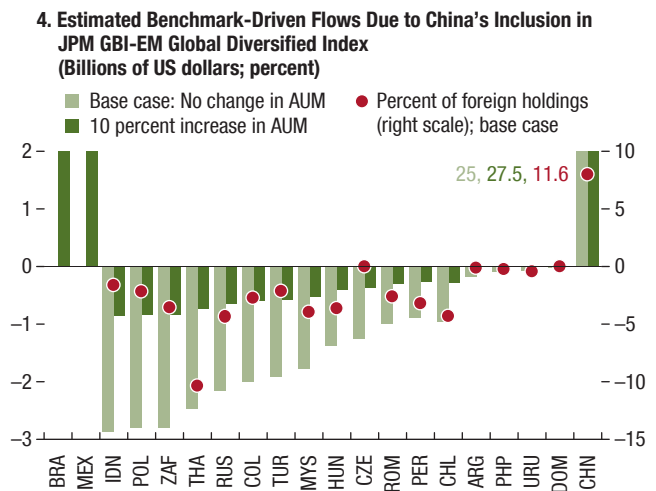
... mainly from the lower-rated (single B) borrowers.



Increase in China's weight in global benchmark indices is expected to boost RMB portfolio flows ...



... which could lead benchmark-driven investors to reduce exposures to other emerging markets.



Sources: JPMorgan Chase & Co; Arslanalp and Tsuda (2014); and IMF staff estimates.

Note: In panel 4, Thailand's foreign holdings of government debt are predominately in local currency. China's weight in the index is assumed at 10 percent. The numbers for China refer to the values of the two bars and the dot. In panel 4, data on foreign holdings are as of 2018:Q2. Data labels in the figure use International Organization for Standardization (ISO) country codes. AUM = assets under management; Bloomberg Global Agg = Bloomberg Barclays Global Aggregate; EM = emerging market; EMBIG Div = JPMorgan Emerging Market Bond Index Global Diversified; FTSE = Financial Times Stock Exchange Group; JPM GBI-EM = JPMorgan Government Bond Index-Emerging Markets; MSCI AC World = MSCI All Country World Index; RMB = renminbi; WGBI = World Government Bond Index.