

IIF Capital Flows Tracker

Softer Flows to EM



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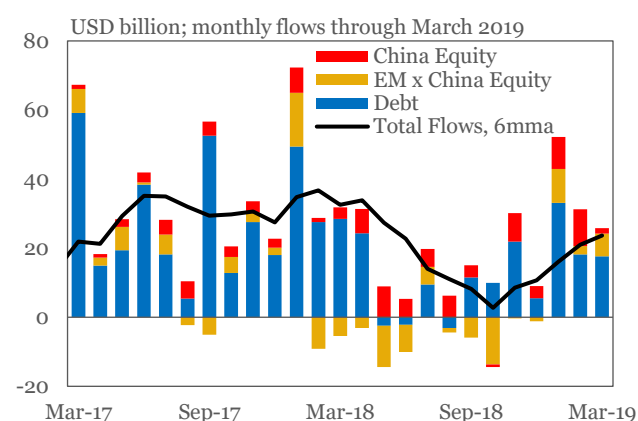
- Portfolio inflows to Emerging Markets were \$25 billion in March.
- Equity and debt inflows reached \$8 billion and \$18 billion, respectively.
- Net capital flows rose into positive territory in February.

EM stocks and bonds attracted positive but relatively modest non-resident flows in March. After a strong performance in January and February (with inflows of \$52.6 bn and \$31.2 bn, respectively), we estimate that EM securities attracted \$25.1 bn of foreign capital in March (Exhibit 1).¹ The most profound dovish shift from the Fed since 2016 and more constructive trade talks between China and the US were positive catalysts. However, many EM currencies have fallen sharply this year, failing to benefit from the more constructive backdrop. We believe weak capital flows to EM reflect the [positioning](#) overhang we have been writing about recently.

March saw \$17.6 bn in debt inflows, after a similar reading of \$18.2 bn in [February](#). The level of debt flows was mainly explained by inflows to EM Asia and Latam (\$10.0 bn and \$3.9 bn, respectively). For equity flows, our headline tracker for March ended at \$8.1 bn. The reading for EM ex-China equity flows was \$6.6 bn, while China flows were \$1.6 bn.

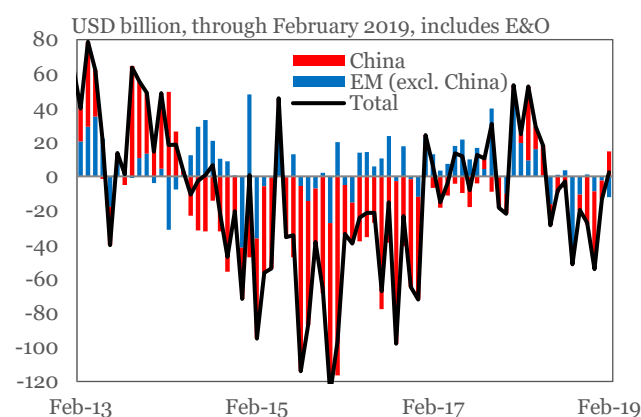
We estimate that our broader measure of net capital flows to EM (including banking and FDI flows) was \$2.4 bn in February (Exhibit 2). Revisions prompted by final 2018Q4 data for many countries, suggest January saw small outflows from EM rather than the net inflows we initially estimated. Driving February's result were positive flows of \$14.7 bn to China, after witnessing outflows for 8 consecutive months. However, the overall picture was clouded by cumulative outflows from EM x/China of \$12.2 bn. In particular, after solid inflows in January, India (-\$1.5 bn) and Turkey (-\$1.9 bn) fell back into negative territory. Saudi Arabia and Russia continue to weigh on our tracker, posting outflows of \$11.8 bn and \$7.1 bn, respectively.²

Exhibit 1. Net Non-Resident Portfolio Inflows to EMs



Source: Haver, IIF

Exhibit 2. Net Capital Flows to Emerging Markets

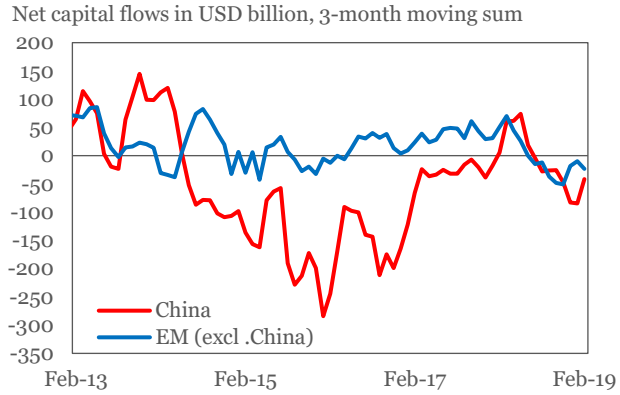


Source: Haver, IIF

¹Non-resident portfolio flows are a subsection of overall net capital flows, which include all types of flows from both residents and non-residents covering portfolio flows, banking flows, direct investment, and other components of the financial account in a nation's balance of payments. Portfolio flows, while similar, should not be confused with fund flows.

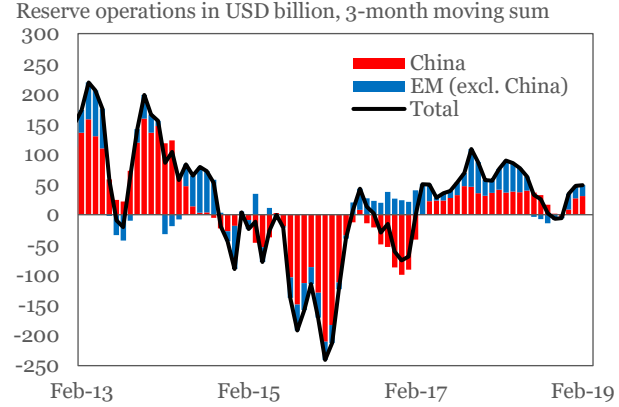
²Monthly country-level figures should be interpreted carefully, as they might not be fully in line with official quarterly BOP figures. To get the full picture, we recommend our headline aggregate indices, which are model-driven and link high-frequency data with official BOP figures.

Exhibit 3. EM Net Capital Flows Tracker



Source: IIF

Exhibit 4. Monthly Reserve Operations



Source: IIF

Exhibit 5. Net Capital Flows* (including E&O)

\$ billion	ARG	BRA	CHL	CHN	COL	CZE	EGP	HUN	IND	IDN	KOR	LBP	MYR	MEX	NGN	PHP	POL	RUS	SAR	ZAR	THA	TUR	UKR	
2018H1	25.2	16.1	1.0	79.1	6.2	-2.2	9.7	-4.4	30.8	5.1	-16.2	7.5	-0.3	15.6	2.1	0.5	-6.9	-17.3	-17.1	8.4	-16.8	23.5	-0.2	
2018H2	13.5	0.9	9.5	-109	7.6	2.9	2.6	2.0	29.9	18.8	-42.9	10.5	-5.8	7.5	-4.1	5.0	6.1	-58.5	-53.6	5.5	-13.1	-6.1	6.8	
2018Q4	18.7	-7.2	6.4	-82.6	4.4	1.0	0.5	3.3	12.7	14.5	-16.9	2.6	-4.1	2.8	-1.1	5.2	1.0	-35.7	-28.5	1.6	-9.2	4.4	5.2	
Nov. 2018	-2.3	-0.6	3.7	-28.3	1.4	-0.2	0.4	0.1	7.8	5.2	-5.3	-0.1	0.0	1.7	0.7	1.8	1.2	-10.3	-7.4	0.7	-1.2	2.9	1.1	
Dec. 2018	14.6	-6.9	-0.5	-45.5	1.3	0.9	-1.5	2.7	4.1	5.3	-4.3	-0.1	-1.5	-2.1	-0.4	2.6	1.0	-10.8	-13.7	0.0	-5.2	2.4	3.2	
Jan. 2019	2.1	7.3	-0.9	-10.9	2.0	-1.2	-0.6	-1.0	6.1	1.5	-2.6	0.4	-0.9	4.1	-0.8	3.4	-7.7	-4.4	-13.4	0.6	0.0	4.3	-0.6	
Feb. 2019	2.6	3.1	-0.9	14.7	1.5	0.0	2.0	-0.7	-1.5	4.6	-0.8	0.5	-0.5	1.7	-0.8	1.2	-1.8	-7.1	-11.8	0.9	-2.0	-1.9	-0.2	
<i>Memo:</i>																								
Feb. 2018	3.1	5.3	-0.1	5.1	1.3	0.2	5.1	-2.3	4.4	-0.6	-3.7	1.1	0.3	3.6	1.7	-0.4	0.6	4.5	-4.6	1.5	-5.4	4.3	-0.2	
2018	38.7	17.0	10.5	-29.6	13.8	0.7	12.3	-2.4	60.7	23.8	-59.1	18.0	-6.2	23.1	-2.0	5.5	-0.8	-75.8	-70.7	13.9	-29.9	17.4	6.6	
IIF 2019 forecast	18.6	34.9	9.8	50.9	13.6	3.4	7.3	1.2	70.0	33.6	-61.7	9.0	1.0	23.1	-3.2	5.2	-1.0	-55.1	-56.1	14.6	-31.0	5.4	5.8	

Source: IIF. *Net capital flows = financial account balance excluding reserves