Figure 1.15. Emerging Market Vulnerabilities to Portfolio Flow Reversals
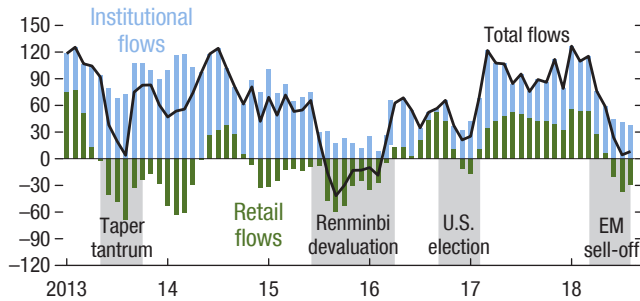
Portfolio flows to emerging market economies have been under pressure in recent months.

1. Emerging Market Portfolio Flows by Investor Type
(Billions of U.S. dollars, three-month rolling sum)

Portfolio flows are expected to remain subdued given the external backdrop.

2. Estimated Cumulative Impact of External Factors on Portfolio Flows to Emerging Markets
(Billions of U.S. dollars)
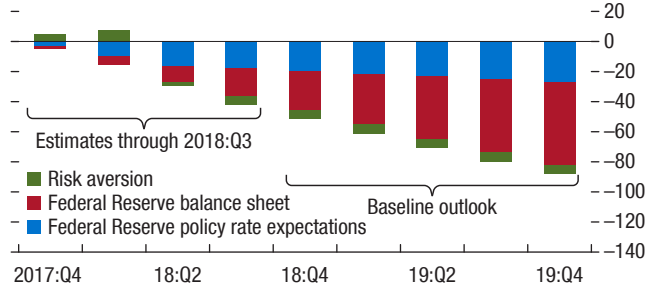
Downside risks to debt portfolio flows in the medium term have increased ...

3. Model Estimates for Debt Portfolio Flows under a Severely Adverse Scenario
(Fifth percentile of probability distribution, percent of EM GDP)
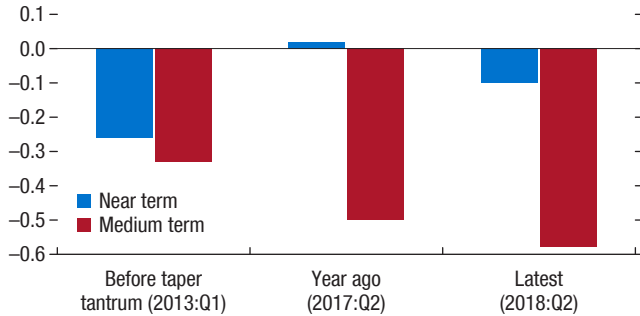
... suggesting that there would be large outflows under a severely adverse outcome.

4. Medium-Term Debt Portfolio Flows Forecast Densities
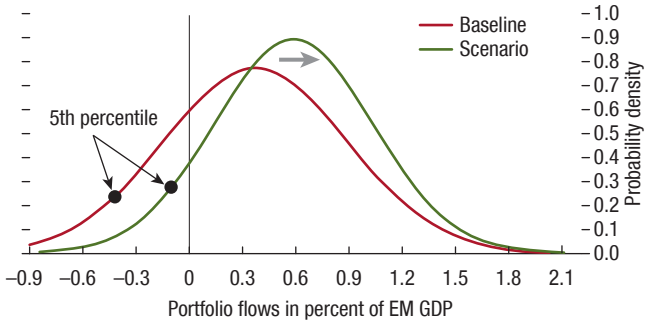(Debt portfolio inflows, percent of EM GDP)
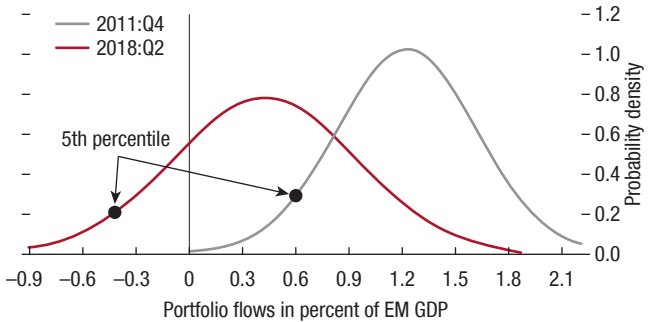
Under a scenario of a sharp rise in risk aversion, near-term risks to capital flows increase significantly ...

5. Risk-Aversion Scenario: Near-Term Debt Portfolio Flows Forecast Densities
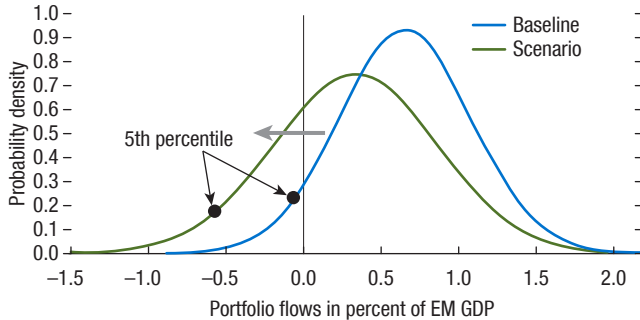
... while medium-term risks to capital flows ease.

6. Risk-Aversion Scenario: Medium-Term Debt Portfolio Flows Forecast Densities

Sources: Bloomberg Finance L.P.; Haver Analytics; and IMF staff calculations.
Note: The sample of countries used in the capital flows-at-risk analysis comprises all emerging market and developing countries for which quarterly portfolio debt flows data are available (about 60 countries). China is excluded from this analysis because of its unique country characteristics, including its size relative to the rest of emerging markets. "Near-term" refers to the period from the current quarter to two quarters into the future; "medium-term" refers to the period five to eight quarters ahead. The fifth percentile estimates reported in the text and panel 3 are obtained from the empirical densities and may be somewhat different from the fitted densities shown in panels 4 to 6. For more details on the methodology, see Online Annex 1.1. EM = emerging market.