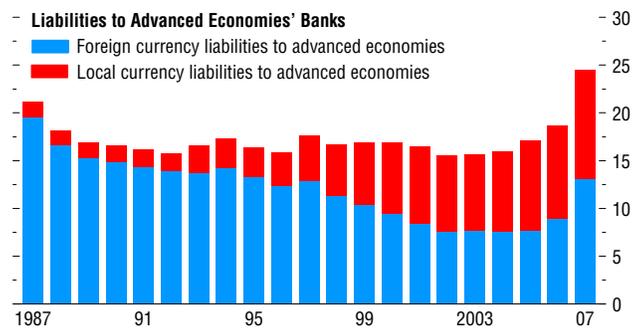
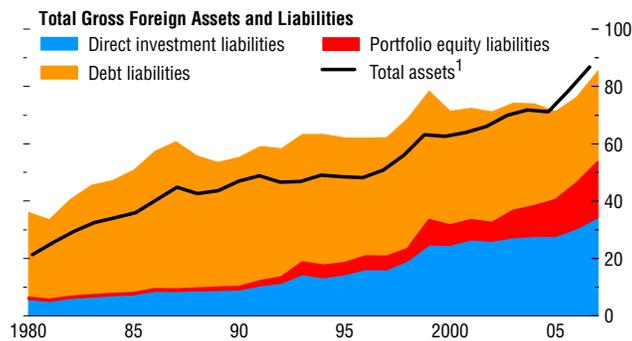


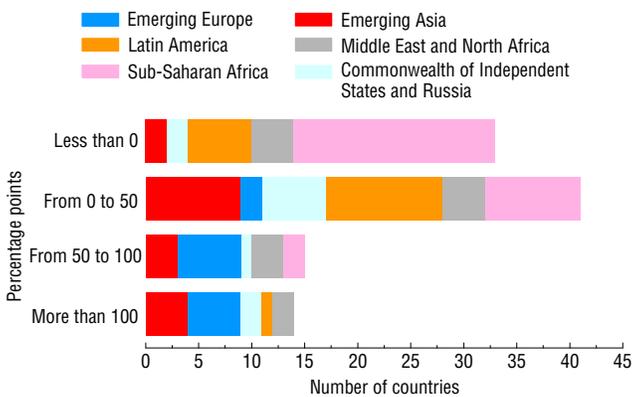
Figure 4.8. Financial Integration of Emerging and Developing Economies

(Percent of emerging and developing economies' GDP)

Foreign liabilities of emerging economies have grown rapidly over the past 30 years, driven by direct and portfolio investment. Bank lending has remained a major source of financing, with the composition shifting from foreign to domestic currency lending. Gross external investment positions have increased especially strongly in emerging Europe.



Changes in Total Gross Foreign Assets and Liabilities over GDP, 1985–2007^{2,3}



Sources: Bank for International Settlements; Lane and Milesi-Ferretti (2006); and IMF staff calculations.

¹Includes foreign exchange reserves.

²Total foreign assets excludes foreign exchange reserves.

³1995–2007 in the case of emerging Europe and Commonwealth of Independent States and Russia.