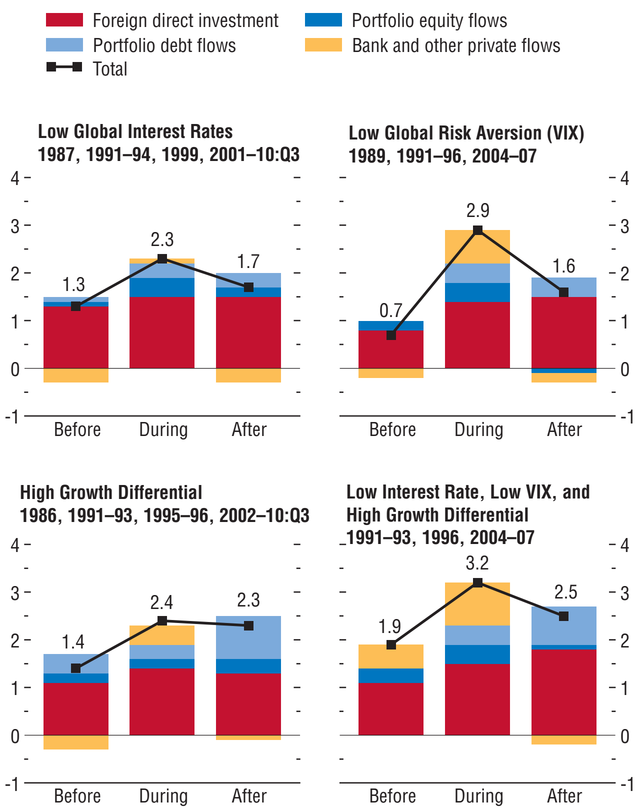
Figure 4.13. Net Private Capital Flows during Periods of Easy External Financing and High Growth Differential between Emerging Market and Advanced Economies

(Percent of GDP)

Net private capital flows to emerging market economies peaked during periods when three conditions prevailed: low global interest rates, low global risk aversion, and high growth differential between emerging market and advanced economies. Flows were generally larger than the year before or after and were largest when all three conditions coincided. The sharpest increase (and subsquent decline) occurred around periods of low risk aversion.



Sources: IMF, *Balance of Payments Statistics;* national sources; and IMF staff calculations.

Note: Net private capital flows exclude derivative flows. The values for each bar correspond to the average across years for each multiyear period during which the condition prevailed, where the annual data are calculated as the sum of net capital flows across economies divided by the sum of nominal GDP (both in U.S. dollars) across the same group of economies. The group aggregates exclude offshore financial centers.