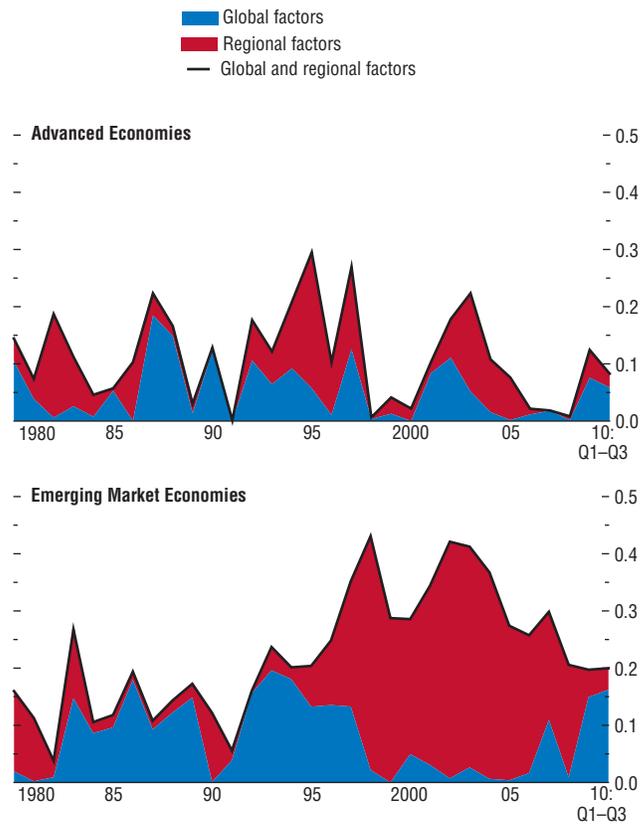


Figure 4.15. Common Factors Underlying the Variation in Net Private Capital Flows to Advanced and Emerging Market Economies

(R-squared)

Global and regional factors explain only a small share of the variation in net private capital flows to advanced and emerging market economies, underscoring the importance of economy-specific factors. However, the share explained by regional factors in emerging market economies has increased over time, suggesting a greater sensitivity on the part of foreign investors to regional differences among emerging market economies than among advanced economies.



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

Note: The blue area corresponds to the share of variation in net flows in percent of GDP across economies within each group that is explained by global factors (time dummies) relative to a specification with only a constant (without time dummies). The red area corresponds to the additional variation of net flows in percent of GDP explained by regional factors (regional time dummies). The black line is the total variation in net flows jointly explained by global and regional factors. Both samples exclude offshore financial centers. For additional information on the estimation procedure, see Appendix 4.3.