Interest Rates and EME Capital Inflows

Government Bond Yields

- Emerging market economies*
- United States 5-year

Interest Rate Differential (EME less United States)

Percentage points

- EME net private capital inflows**
- Interest rate differential (left axis)

Billions of dollars

* J.P. Morgan Government Bond Index-Emerging Markets, local currency debt.
** Balance of payments data. Includes Argentina, Brazil, Chile, Colombia, India, Indonesia, Korea, Malaysia, Mexico, Philippines, Taiwan, and Thailand.

Chart 2

Real GDP Growth and EME Capital Inflows

Real GDP Growth

- Emerging market economies*
- Advanced economies**

Growth Differential (EMEs less Advanced Economies)

- EME net private capital inflows***
- Growth differential (left axis)

* Nominal GDP weighted aggregate of Argentina, Brazil, Chile, Colombia, India, Indonesia, Korea, Malaysia, Mexico, Philippines, Taiwan, and Thailand.
** Nominal GDP weighted aggregate of Australia, Canada, euro area, Japan, Sweden, United Kingdom, and United States.
*** Balance of payments data. Includes Argentina, Brazil, Chile, Colombia, India, Indonesia, Korea, Malaysia, Mexico, Philips, Taiwan, and Thailand.

Source: Staff calculations based on data from Haver and IMF World Economic Outlook.
Chart 3

Risk and EME Capital Inflows

The Chicago Board Options Exchange Market Volatility Index (VIX) is a measure of implied volatility of S&P 500 index options.

**Balance of payments data. Includes Argentina, Brazil, Chile, Colombia, India, Indonesia, Korea, Malaysia, Mexico, Philippines, Taiwan, and Thailand.

Chart 4

Real Exchange Rates*

* Bilateral vis-à-vis the U.S. dollar, CPI based.
Source: Staff calculations based on data from Bloomberg, Federal Reserve Board, and Haver.
Chart 5

EME Equity Prices

Jan. 2007 = 100

* MSCI EME local currency stock index.
Source: Bloomberg and MSCI.
Chart 6

Credit to Private Sector*

* Total credit to the nonfinancial private sector as a percent of nominal GDP.

Source: Staff calculations based on data from Bank for International Settlements and Haver.
Asian Real House Prices*

* Nominal house prices deflated by CPI.
** Series indexed to start date, March 2008.
Source: CEIC and Haver.
* Flows to EME-dedicated bond and equity funds.
Source: Bloomberg and Emerging Portfolio Fund Research.
Chart 9

Differentiation Across EMEs

Exchange Rate Appreciation versus Current Account Balance*
Percent appreciation (end-April to end-August)

Bond Yield Increases versus Current Account Balance*
Percentage point increase (end-April to end-August)

* Exchange rate appreciation against U.S. dollar; bond yields are 9- or 10-year local currency bond yields; 2013 current account balance is IMF World Economic Outlook projection.
Source: Bloomberg, Haver, and IMF World Economic Outlook.