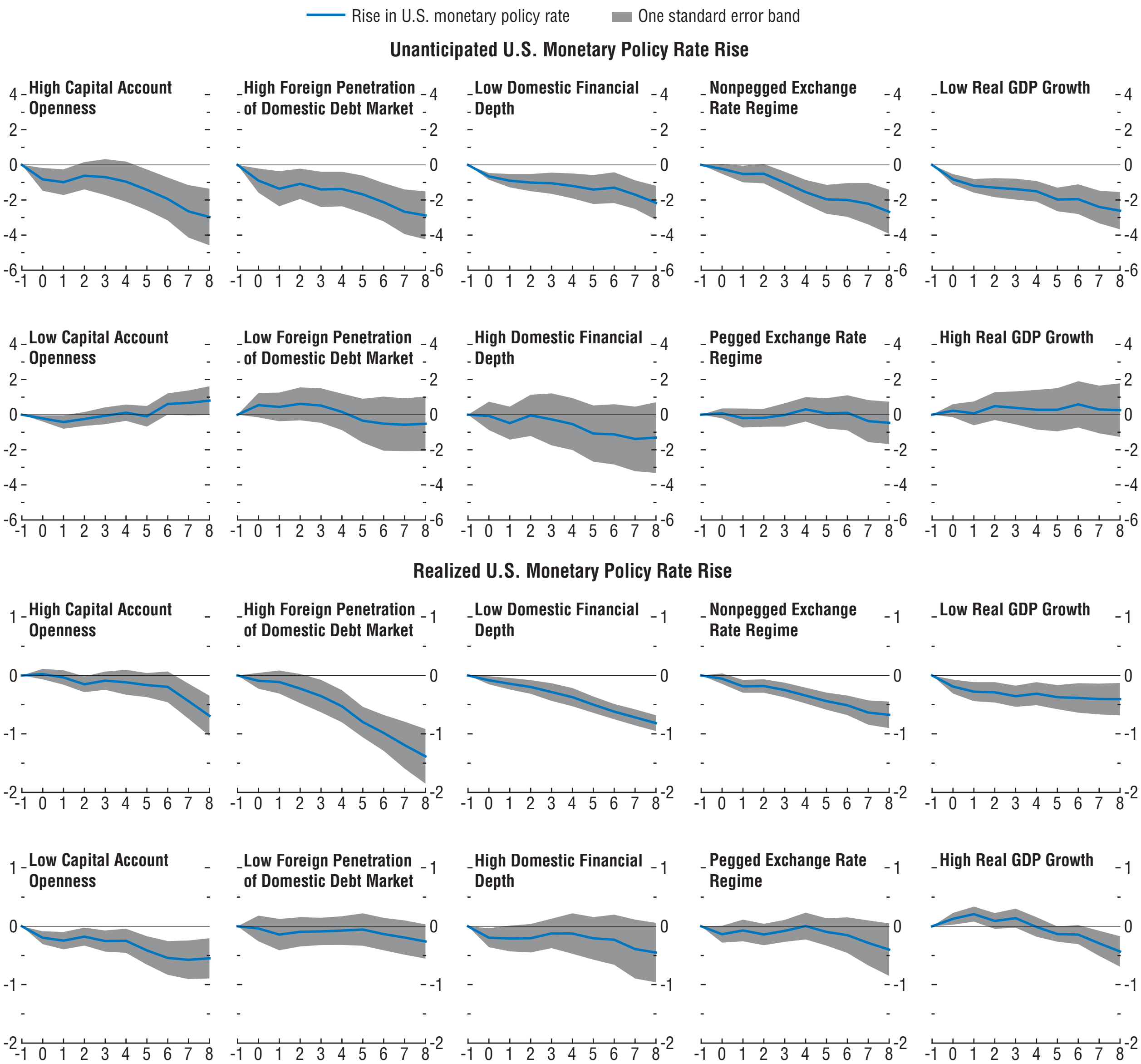
Figure 4.17. Difference in the Response of Emerging Market Economy Net Private Capital Flows to U.S. Monetary Tightening by Selected Economic Characteristics

(Percent of GDP)

The sensitivity of net flows to an unanticipated U.S. monetary tightening is greater for directly financially exposed emerging market economies that are more globally financially integrated and have shallower financial markets, more flexible exchange rates, or lower domestic growth (compared with financially unexposed economies). A similar pattern holds for the sensitivity of net flows in response to a realized U.S. monetary tightening.



Source: IMF staff calculations.

Note: See Appendix 4.1 for the sample of emerging market economies. The dependent variable is total net private capital flows in percent of GDP, for emerging market economies with the selected characteristic. Sample splits are based on being above or below the median for the characteristic. The *x*-axis shows the number of quarters after an impulse. The impulse at quarter zero is a permanent U.S. monetary policy rate rise, normalized to a 1 standard deviation unanticipated rate rise for the economy at the group's average financial exposure. The regression specification and the set of control variables are given in Appendix 4.4.