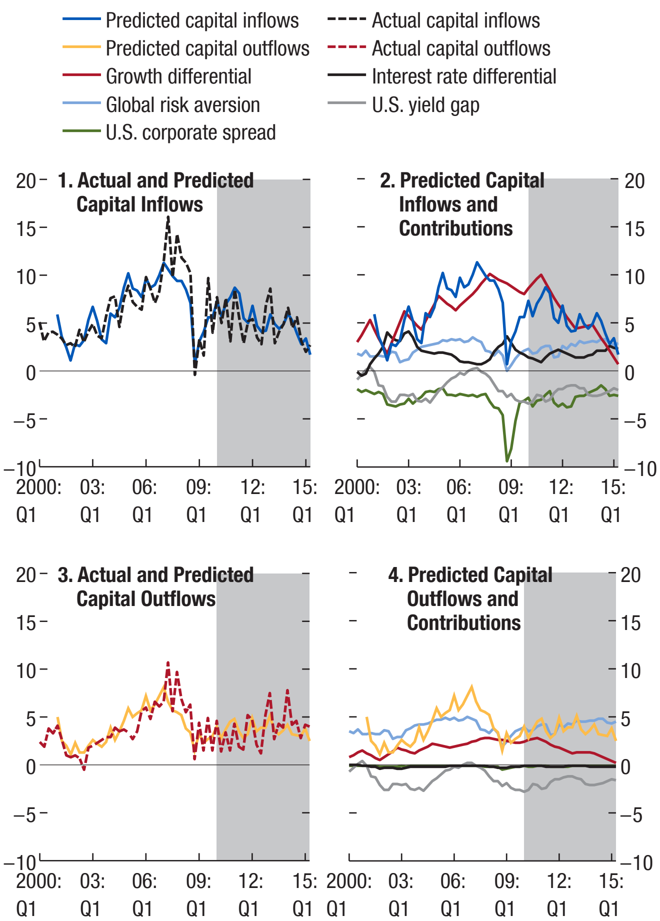
Figure 2.17. Role of Global Factors in the Recent Slowdown

(Percent of GDP)

The decline in gross capital inflows to emerging markets during 2010–15 shows a strong association with the shrinking growth differential between emerging markets and advanced economies. The behavior of gross capital outflows remains, however, more difficult to track.



Sources: CEIC Asia database; CEIC China database; Fernández and others 2015; Haver Analytics; IMF, *Balance of Payments Statistics*; IMF, *International Financial Statistics*; Standard & Poor's; World Bank, World Development Indicators database; World Bank, World Governance Indicators; and IMF staff calculations.

Note: Average gross capital inflows (outflows) are regressed on overall emerging market economy–advanced economy growth and interest rate differentials, global risk aversion, the change in the oil price, the U.S. yield gap, the U.S. corporate spread, and seasonal dummies. Contributions of the change in the oil price are very small and thus not reported. Predicted capital flows refer to the predicted values from these regressions. See Annex 2.1 for a description of the sample, Annex 2.2 for a detailed description of included variables and sources, and Annex 2.3 for details on the estimation methodology.