Financial conditions in emerging markets began to tighten during the fall of 2011. Amid a general flight from risk, interest rate spreads rose. Funding conditions worsened for banks, contributing to a tightening of lending standards, and capital inflows diminished. However, these flows are now returning with new vigor, and risk spreads have come down again.

Sources: Bloomberg Financial Markets; Capital Data; EPFR Global; Haver Analytics; IIF Emerging Markets Bank Lending Survey; and IMF staff calculations.

1. Interest Rate Spreads (basis points)

2. Net Capital Flows to Emerging Markets (billions of U.S. dollars; monthly flows)

3. Credit Standards

4. Loan Demand

Sources: Bloomberg Financial Markets; Capital Data; EPFR Global; Haver Analytics; IIF Emerging Markets Bank Lending Survey; and IMF staff calculations.

1 JPMorgan EMBI Global Index spread.
2 JPMorgan CEMBI Broad Index spread.
3 ECB = European Central Bank.
4 LTRO = Longer-term refinancing operations.
5 AFME = Africa and Middle East.