Comments on

“International Financial Integration in the Aftermath of the Global Financial Crisis”

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IMF Annual Research Conference
November 3-4, 2016
Data on external assets and liabilities – huge contribution to our understanding of global financial markets

The data is important for understanding the volume of flows between national markets, the composition of flows, asymmetries across countries, changes over time.

This paper extends the data set by adding more countries
- Identify flows through financial centers
- Extend data through 2014

Focus of the paper is on the period after the global financial crisis
Key points:

• Growth in external assets and liabilities slowed after the financial crisis, roughly constant as a share of GDP
• This decline in growth is primarily due a reduction in flows between advanced economies
  • Decline in cross-border banking activity
  • Euro crisis
• Increased role of FDI – primarily flows through financial centers
Factors driving cross-border investment

Increased integration and diversification
• Generates flow between similar countries as countries move toward a diversified portfolio
• Countries at different points on the path toward full integration

Reallocation of investment due to asymmetries

Different types of capital flow
Global GDP

Growth picked up in the 2000s

Flat growth for AEs after crisis

Source: Lane and Milesi-Ferretti
Global GDP
(% of GDP)

AE’s contribution to global growth falling since early 2000s

Advanced non FC | Financial centers | EMDEs
Growth in assets since 2000 largely due to financial centers

AEs: “fall” after crisis or returning to normal?

Source: Lane and Milesi-Ferretti
Assets
(% of World Total)

Falling contribution of AEs to global assets
Since 2000; hard to see the crisis!
Exports of Goods and Services

Sharp increase in exports of EMDEs

Source: WDI
Surge in exports as a share of GDP in EMDEs (China) starting in the 1990s
Some thoughts:

• Paper focuses on the shifts in the post crisis period
  • What is the appropriate benchmark? The boom before the crisis, or the 1990s, or the long-run trend?
  • Some shifts in the data started well before 2008

• Connect asset flows to real economic activity

• Looking forward to the next data release!