Rethinking Macro Policy II: Capital Account Management

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RETHINKING MACRO POLICY II: CAPITAL ACCOUNT MANAGEMENT

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Current account deficits (% of GDP)
Current account deficits (billion US dollars)

Current account

Source: WEO-database and IFS, IMF.

Reserve accumulation

Source: WEO-database and IFS, IMF.
Current account deficits (billion US dollars)

Current account

-Reserve accumulation + CA

Source: WEO-database and IFS, IMF.
Surges of capital inflows (% of GDP)

<table>
<thead>
<tr>
<th></th>
<th>Net Capital Inflows</th>
<th>Current Account</th>
<th>Change in Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>LATAM</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1990s</td>
<td>7.5</td>
<td>-4.6</td>
<td>2.5</td>
</tr>
<tr>
<td>2000s</td>
<td>6.7</td>
<td>-1.7</td>
<td>4.2</td>
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<td>Asia</td>
<td></td>
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<tr>
<td>1990s</td>
<td>7.6</td>
<td>-4.8</td>
<td>2.8</td>
</tr>
<tr>
<td>2000s</td>
<td>3.7</td>
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<td>5.6</td>
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<td>Europe</td>
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<tr>
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<td>2000s</td>
<td>17.3</td>
<td>-10.5</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Sources: Ghosh et al. (2012) for Net Capital Inflows and IMF-IFS for current account and reserves accumulation.

\[ CA + FA = \Delta R \]

\[ \Delta R = \alpha CA \]

\[ (1-\alpha)FA \]
Chile: current account and inflows
Other countries: current account and inflows
Latin America: Financial opening (foreign assets plus liabilities as % of GDP)

Source: Lane and Milesi-Ferretti.
Real effective exchange rates (1994-2012)

Source: BIS