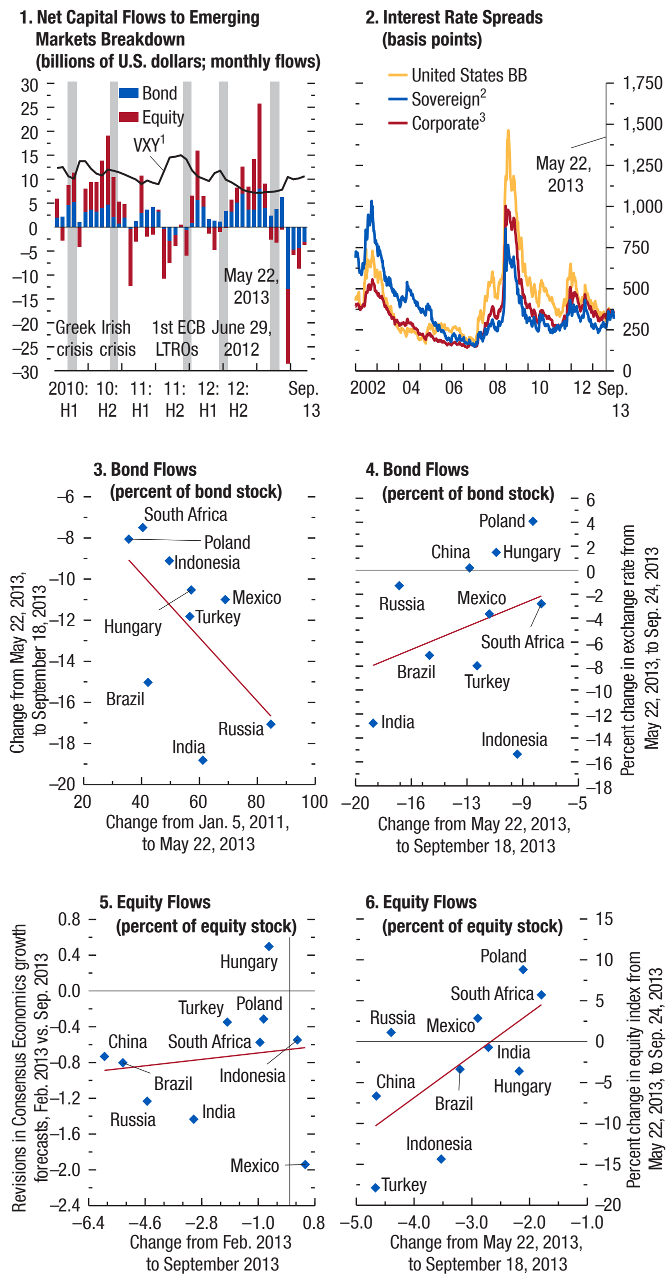
Figure 1.9. Capital Flows

Expectations for earlier U.S. monetary policy tightening and slowing growth in emerging market economies prompted major capital outflows from emerging markets during June 2013. These typically led to a widening of risk spreads and equity market losses. The latter were larger in economies that previously saw larger downward revisions to their growth projections. Bond and equity outflows were bigger from economies that previously saw bigger inflows—these are typically the deepest and most liquid emerging markets. Large outflows came with exchange rate depreciations.



Sources: Bloomberg, L.P.; *Consensus Forecast;* EPFR Global/Haver Analytics; *Financial Times;* national central banks; and IMF staff calculations.
Note: ECB = European Central Bank; LTROs = longer-term refinancing operations.
[1]JPMorgan emerging market volatility index.
[2]JPMorgan EMBI Global Index spread.
[3]JPMorgan CEMBI Broad Index spread.