

Global Economics View

How Could The EM Turmoil Affect The Advanced Economies?

- Weaker EM growth is bound to have negative effects on AE countries – EMs now account for 50% of world GDP on a PPP basis (vs 36% in the mid-90s) and much of global growth in recent years.
- But, in our view, a modest further EM slowdown (say, by another 0.5pp or so relative to our current forecast of EM growth of 4.7% in 2014) is likely to leave the recovery prospects of advanced economies (AE) intact, as the AE recovery relies mostly on domestic drivers (large spare capacity, less fiscal tightening, less acute private deleveraging, supportive financial conditions and supportive monetary policy).
- AEs with large direct export exposure to EMs include Hong Kong, Singapore and Korea, the AEs of Eastern Europe and, to a lesser degree, Australia and Japan. In most other advanced economies, direct EM exports are high relative to GDP (Netherlands and Belgium) or relative to total exports (Greece, US), but rarely both and often neither.
- Financial exposures to EM have also risen strongly in recent decades, even though EMs' shares of global external financial assets and liabilities remain far below its share of global output or trade. The nature of EM liabilities has changed along with their scale, with FDI accounting for a much higher share of EM liabilities while foreign-currency debt accounts for a much smaller share. In our view, the most commonly used data probably understate the total size of exposures (e.g. by omitting EM offshore issuance), and low marked liquidity may exaggerate the size of market moves in the event of abrupt outflows.
- EM weakness may not have universally negative consequences for AEs. An EM negative demand shock could lower commodity prices and thus improve the terms of trade for AE commodity net importers. Worsened risk perceptions of EMs may boost demand for safe haven assets and thus drive up AE asset prices.
- Even if moderate EM weakness leaves AE recovery prospects intact, large negative EM shocks, e.g. an abrupt slowing in EM growth by 2pp or more for the next 1-2 years could easily stall it. One key assumption in our scenario of moderate EM weakness is the relative resilience of Chinese growth.
- We expect monetary policy in AEs to be mostly unaffected by moderate EM weakness. A larger negative EM shock is likely to prompt a reaction by AE central banks, but we think that an appropriate coordinated fiscal response would be both technically and logistically complicated and unlikely because of high public debt levels and polarized politics.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

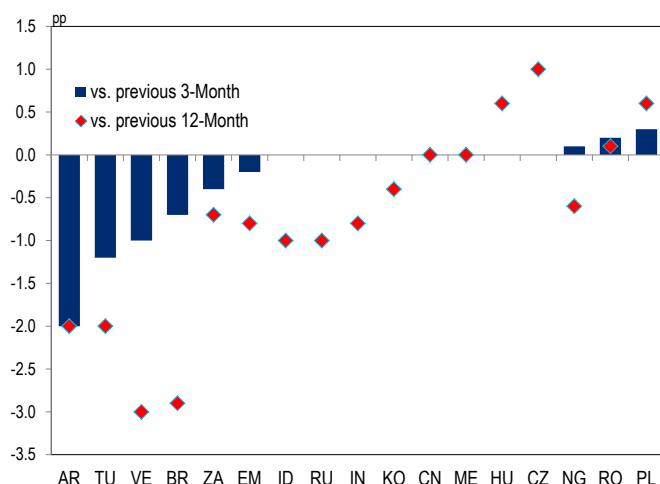
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What does the EM Turmoil mean for AEs?

EM growth continues to disappoint, but we believe the recovery in the AEs will likely proceed for now, as it is mainly driven by domestic factors

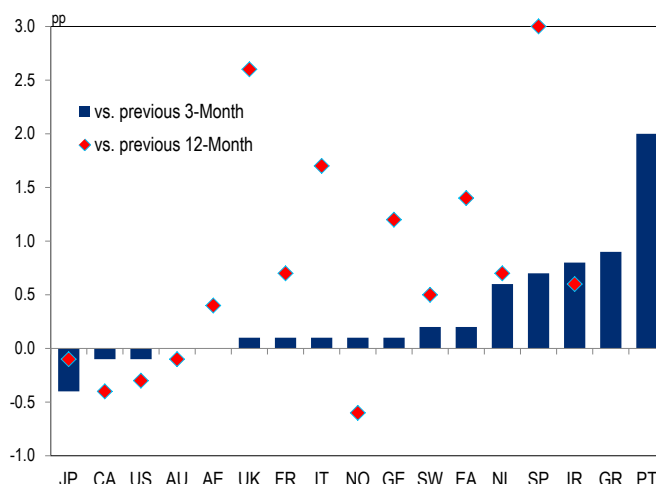
Emerging market (EM) growth continues to disappoint (Figure 1), and capital is now flowing out of EMs with some regularity. This is bad news for the EMs directly affected of course, but given how important these economies have become as drivers of global economic activity, it also raises material concerns for the rest of the world. Nevertheless, in our view, continued gradual weakening in EM growth (we still expect EM growth to be 4.7% in 2014), say by 1pp over the next two years, remains consistent with a fairly robust recovery in the advanced economies (AEs, Figure 2). This is because the recovery in the advanced economies is mostly driven by domestic factors, including less fiscal tightening, less acute private deleveraging pressures, continued easy monetary and financial conditions and ample spare capacity (see [Global Economic Outlook and Strategy - February 2014](#)). External demand currently plays only a secondary role in the advanced economy recovery.

Figure 1. Emerging Markets – Revisions to 2014 Real GDP Growth Forecasts (pp), Feb 2014



Note: Please see appendix for country labels.
Source: Citi Research Forecasts

Figure 2. Advanced Economies – Revisions to 2014 Real GDP Growth Forecasts (pp), Feb 2014



Note: For Greece and Portugal 2014, real GDP forecasts were revised up by 10.3pp and 4.3pp over the last 12M (not shown) mainly due to the exclusion of Greece EA exit (Grexit) from our base scenario.
Source: Citi Research Forecasts

The EM slowdown could affect AEs through trade, financial linkages and commodity prices

Even if we suspect that the AE recovery could withstand a moderate weakening in EM growth, the potential for EM shocks to affect AEs should not be underestimated. EMs now account for twice their 1996 (around the time of the last major EM crises) share of world GDP at market exchange (ME) rates, half of world GDP using purchasing-power-parity-adjusted (PPP) weights and the bulk of global growth in recent years according to both ME- or PPP-based measures. Export exposure to EMs is particularly high in 'Developed Asia' (Hong Kong, South Korea, Singapore, and Japan) and in the advanced economies of Eastern Europe (Czech Republic, Estonia, Latvia, Slovakia, Slovenia according to the IMF classification). In the rest of the AEs, exports to EMs are high relative to GDP (e.g. in Belgium and the Netherlands) or as a share of total exports (Australia, Greece, and the US), but rarely both.

In addition to the trade channel, financial linkages could transmit EM shocks to AEs. The available data suggest that EMs' international assets and liabilities have grown sharply over the last two decades (EM external liabilities were \$16trn in 2012 vs \$2trn in 1996), with Austrian, Greek, and Spanish banks particularly exposed.¹

¹ EM external assets have grown faster than its liabilities. EM's aggregate net external asset position has moved from -3.5% of GDP in 1995 to -1.5% in 2012, with EM Asia becoming a small net external creditor since 2004.

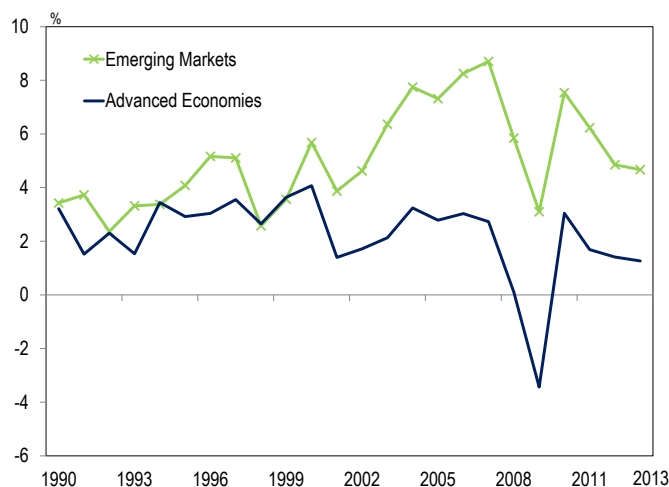
However, the share of EMs in global finance remains much smaller than its corresponding shares of global output or global trade – 5% of AEs' international portfolio assets vs 37% of goods exports (even though the share of EMs in AEs' international bank claims is higher at 20%).

Yet an important source of concern is the limitation of the data on financial positions and flows, which probably understate (due to omissions or, especially for FDI, undervaluations) and misrepresent (due to differences between the location of residence and nationality of beneficial owners) EM exposures. The nature of financial EM exposures has also changed dramatically – towards relatively more FDI (as a share of total EM external liabilities), less foreign-currency-denominated debt (as a share of EM external debt) and perhaps somewhat longer maturities. A concern is that market liquidity has not risen commensurately with the size of inflows and may evaporate in a situation when foreign investors are trying to head for the exit suddenly and simultaneously, which could aggravate asset price changes – exchange rates, domestic bond yields and equity especially.

However, there are many other potential transmission channels which escape the static exposure

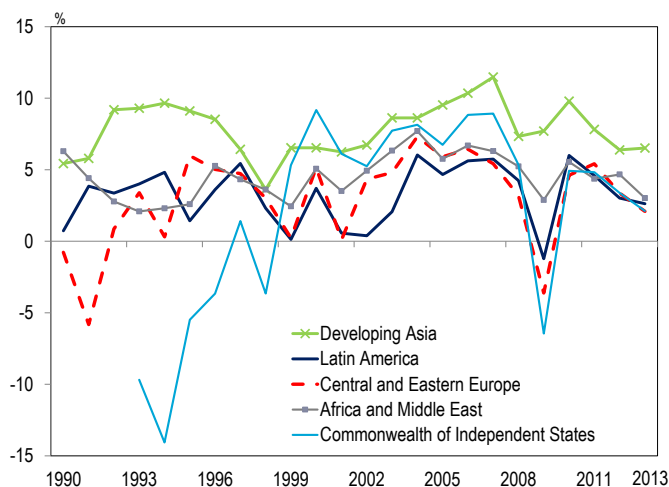
Of course, EMs are by no means a uniform universe, with larger differences between EM countries than between emerging markets and advanced economies as a whole. And even with appropriate data, static exposures can at best tell half the story. In a dynamic system such as the world economy, there are many other potential transmission channels, including remittances, migration and cross-border contagion of fear, pessimism and caution working not only through financial markets but through direct cognitive contagion via traditional and digital media. An EM shock is also likely to have effects on commodity prices – pushing them down (if commodity-hungry EM demand falls) or *up* (in the case of an adverse supply shock to commodities).

Figure 3. World – Real GDP Growth (%YoY), 1990-2013



Note: Based on PPP weights.
Source: IMF WEO and Citi Research

Figure 4. Emerging Markets – Real GDP Growth (%YoY), 1990-2013



Note: Based on PPP weights.
Source: IMF WEO and Citi Research

Two scenarios are of particular concern:

- a large EM shock, perhaps of similar magnitude to those in the mid-to-late 90s crises;

- a sharper-than-expected slowdown in China

These considerations do not change our assessment that the AE recovery can probably continue and perhaps even strengthen somewhat in the face of moderate EM weakness. But they leave us worried about two contingencies in particular.

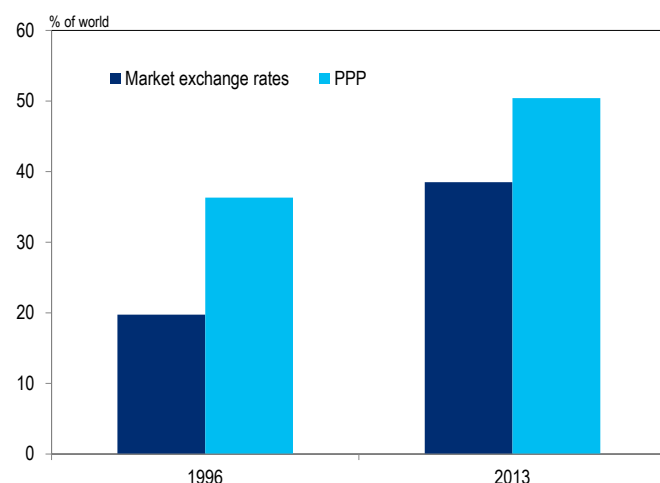
First, a *large* EM shock. During the EM crises of the mid-to-late-90s, EM growth slowed sharply from 5.1% in 1996-97 to 2.6% in 1998, even though it picked up again relatively quickly to 3.6% in 1999 (Figure 3). In CEE and Latin America, growth dropped from around 5% to roughly zero (Figure 4). AE growth then was not unaffected, slowing from 3.6% in 1997 to 2.6% in 1998, but the IT boom brought AE growth right back to 3.6% by 1999. To us, there is little question that an EM shock of the same magnitude would have much larger consequences on AEs today and could easily arrest the still feeble recovery in AE and global growth.

The second contingency we worry about is China. China weathered the '90s EM crises relatively well, but GDP growth still slowed from 10% in 1996 to below 8% in 1998-99. In our central scenario, the Chinese economy is set to grow by above 7% this year and next (after growing by 7.7% in 2013). A sharper weakening of Chinese growth this time around (driven by domestic factors – cyclical or structural – or by a weaker external environment) would magnify the effects of non-Chinese EM weakness on AEs substantially.

These two scenarios are of particular concern, as policy space in AEs to respond to large EM shocks – while more ample than in many EMs – is still constrained, as many AEs grapple with high public debt and polarized politics, leaving the central banks once again as the guarantors of last resort for aggregate demand.

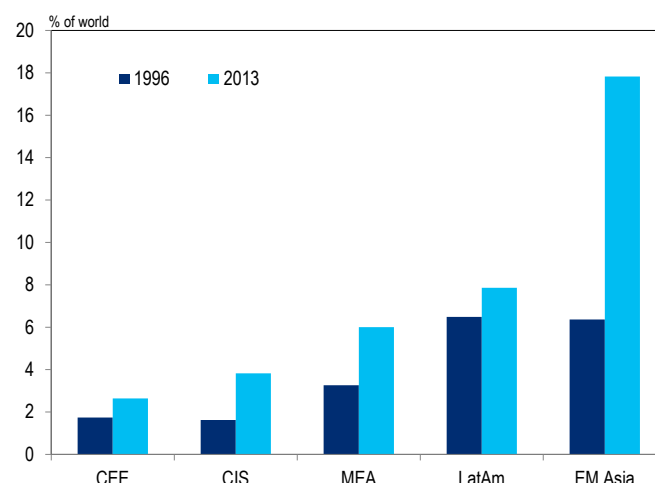
EM's growing role in the world economy

Figure 5. Emerging Markets – Nominal GDP (% of World), 1996-2013E



Source: IMF WEO and Citi Research

Figure 6. Emerging Markets – Nominal GDP (% of World), 1996-2013E



Note: Based on market exchange rates. Please see appendix for regional labels.

Source: IMF WEO and Citi Research

EMs are 50% of global GDP (at PPP exchange rates) vs 36% in the mid-nineties.

In 1996, EMs accounted for a mere 20% of global GDP at market exchange rates (ME) and 36% at purchasing power parity (PPP)-based weights according to IMF data. These shares rose to 39% (ME) and 50% (PPP) in 2013 (Figure 5).² EM Asia has been a major driver of the increase in EM's share of the world economy and it is

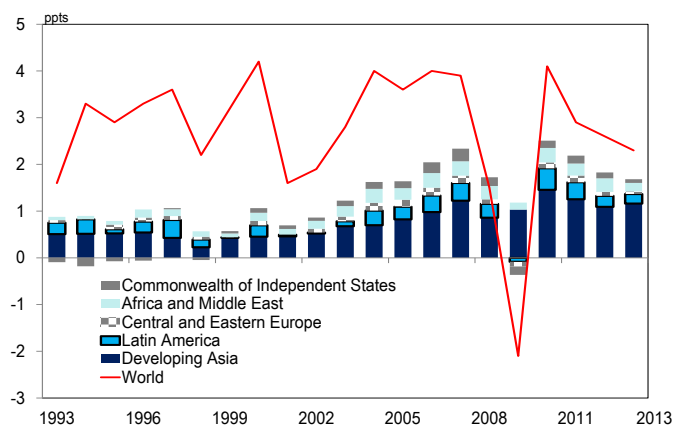
² EMs are defined according to the IMF classification, which classifies Estonia, Korea, Israel, Hong Kong, Singapore, Slovakia, Slovenia as advanced economies.

now by far the largest EM region in terms of GDP, whereas it was of roughly equal size to Latin America in the mid-90s (Figure 6). But each EM region has become a larger part of the world economy over the last 15 years.

An EM slowdown is likely to affect global GDP growth directly and through its impact on activity in the AEs

The faster growth in EMs than in the rest of the world since the 1990s produced the marked rise in the weight of EMs in most measures of global economic activity over that period. In 2013, EMs accounted for 76% (ME) or 79% (PPP) of global growth according to IMF estimates, against 20-30% (ME) or 40-50% (PPP) in the mid-90s (Figure 7). Even with stronger growth in the AEs, the IMF forecasts that around 65% (ME) or 70% (PPP) of global growth will still be driven by EMs in the coming 3-4 years. This simple arithmetic is sufficient to make the case that a shock to EMs is therefore likely to affect global GDP growth *directly*, that is, in the absence of EM-to-AE spillovers – a spontaneous offsetting shock in AEs is not something we can count on. In addition, EMs have also become more important for global trade and finance, which implies that an EM shock also affects global activity through its impact on real and financial economic activity in the advanced economies.

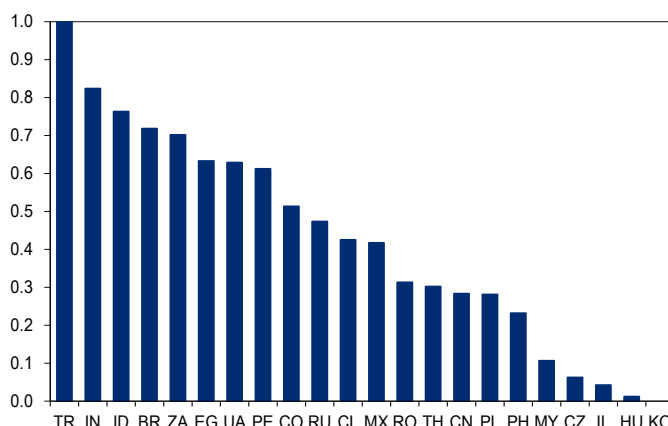
Figure 7. Emerging Markets – Contribution to Global Real GDP Growth (pp), 1993-2013



Note: Based on market exchange rates.

Source: IMF WEO and Citi Research

Figure 8. Selected Emerging Markets - Citi Emerging Markets Vulnerability Index, 2013



Note: Based on current account balance, credit growth, international reserve and real GDP growth. Higher scores suggest higher vulnerability and are scaled from 0 to 1.

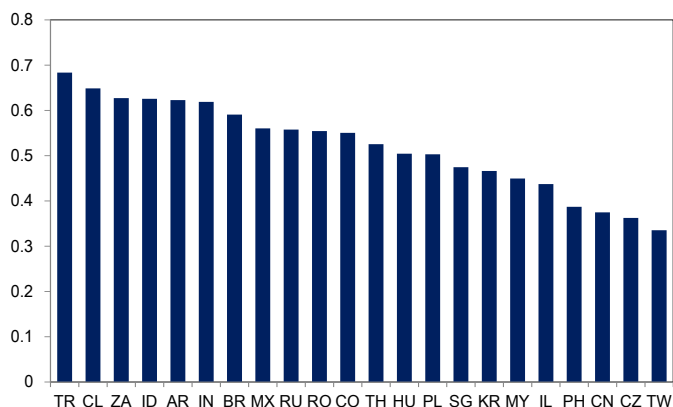
Source: Citi Research

Not all EMs are equal...

Risk of weaker growth or economic crises vary widely between EMs

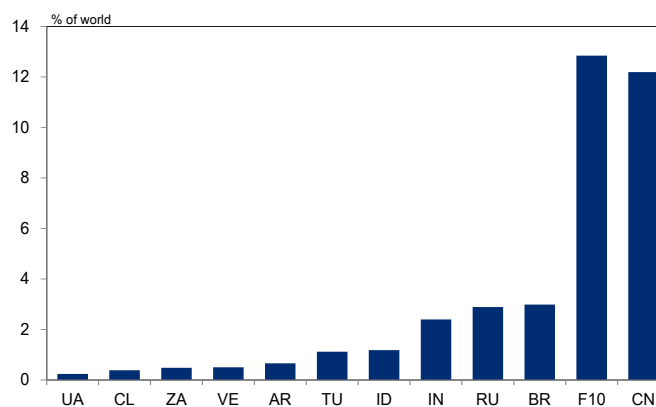
But not all EMs are equal. In the current EM turmoil, the EMs that have been under the greatest stress are those that have i) large external deficits and large foreign-currency denominated gross and net external debts relative to official gold and foreign exchange reserves, ii) are financially open, iii) have high and/or rising inflation, iv) have had domestic credit and asset market booms/bubbles iv) have little (fiscal and monetary) policy space, and v) have little policy 'credibility' (as regards monetary policy, fiscal policy, structural reform), which in some cases may be a reflection of (vi) political instability. Although there is probably some risk of contagion from fundamentally vulnerable EMs (which satisfy most or all of (i) to (vi)), to fundamentally sound countries that are nevertheless vulnerable to a self-fulfilling, fear-driven sudden stop in external funding, these fundamental indicators provide some scope for differentiation across EM countries and regions.

Figure 9. Selected Emerging Markets - Citi Early Warning Signal Index, 2013



Note: The index measures stress in economic and financial variables to predict weakness in local currencies. A reading above 0.5 means stress is above average.
Source: Citi Research

Figure 10. Selected Emerging Markets – Nominal GDP (% of World), 2013E



Note: At market exchange rates. F10 corresponds to the sum of the 'Fragile 10'
Source: IMF WEO and Citi Research

No list of problem countries is definitive, so our list of the 'Fragile 10' (Argentina, Brazil, Chile, India, Indonesia, Russia, South Africa, Turkey, Ukraine and Venezuela) is only a starting point for analysis.

According to the 'Vulnerability' index (constructed by our Emerging Market comrades, see [Emerging Markets Macro and Strategy Outlook: Prospects for 2014 and beyond](#)), which maps current account deficits, credit growth, foreign exchange reserve positions and real GDP growth into a single index, the so-called 'Fragile 5' (Brazil, India, Indonesia, South Africa, and Turkey) do indeed look fragile (Figure 8)³, even though India and to some extent Indonesia have since brought down their current account deficits substantially.⁴ The Early Warning Signal Index of the Citi FX Quant team suggests that Argentina, Chile and perhaps Russia are also among the more vulnerable EMs, while recent political turmoil together with deteriorating macroeconomic conditions suggest adding Ukraine and Venezuela to the list, creating the 'Fragile 10'.⁵ These ten countries (the 'Fragile 10'⁶) jointly account for 13% of global GDP (ME) in 2013, similar to China, and have been responsible for roughly 20% of global growth (ME) in recent years.

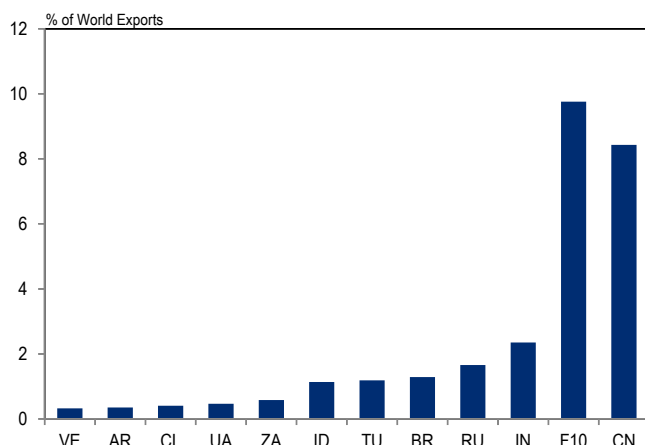
³ See [Global Economic Outlook and Strategy - Prospects for Economies and Financial Markets in 2014 and Beyond](#), Willem Buiter et al, Citi Research (Dec 2013). The vulnerability index is constructed as a score index (normalised by scaling between 0 and 1) based on current account balance, credit growth, international reserve and real GDP

⁴ See [Emerging Markets Macro and Strategy Outlook - 'Are we there yet?'](#), David Lubin et al, Citi Research (Feb 2014).

⁵ The EWS indices are constructed as average rolling percent ranks of 12 indicators of economic and financial stress. The indices vary between 0 (low risk) and 1 (high risks). The 12 indicators included are: external financing need or surplus, money supply, industrial production, exports, loan-to-deposit ratio, short-term debt, implied currency volatility, CDS spread, equity prices, economic surprises, global risk, and real effective exchange rate.

⁶ See also Gavyn Davies, "The EMs' Fragile 8 Must Save Themselves", Financial Times Blog, 2 February 2014.

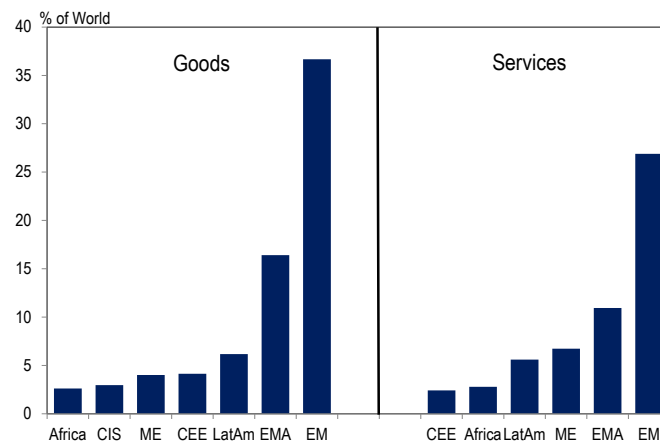
Figure 11. Selected Emerging Markets – Share of World Goods Imports (% of World), 2012



Note: In current USD, measured as World exports to relevant country divided by World exports. F10 are Fragile 10.

Source: IMF DOTS and Citi Research

Figure 12. Emerging Markets – Share of World Goods and Services Imports (% of World), 2012



Note: For goods, measured as world exports to relevant region divided by world exports. For services, Central and Eastern Europe (CEE) includes Central Asia, Middle East (ME) includes North Africa, while Emerging Asia is only East Asia and Pacific.

Source: IMF DOTS, World Bank, and Citi Research

But such lists are not definitive, nor exhaustive. The list clearly excludes some other countries that have experienced major political and economic turmoil (including Egypt). Any short list can therefore be no more than a useful reference and starting point for fundamental analysis. Because even a list that starts out being correct will inevitably soon exhibit Type I and Type II errors, and should be re-assessed continuously, as new developments occur. Similar caveats apply to differentiation by *region*. Countries within a geographically defined region often share some economic fundamentals, and geographical proximity also facilitates the transmission of (positive and negative) shocks. At the same time, however, differences *within* the regions can be large and sometimes even larger than those between the regions, so the regional breakdowns can also only ever be a starting point for more detailed analysis.⁷ In our view, it is worth noting that a number of countries in Eastern Europe (e.g. Poland and Hungary, but also Czech Republic, Slovenia and Slovakia, which are sometimes still included under an EM label) have so far been less included in the EM strains and are positively affected by the strengthening recovery in Western Europe. In Asia, it is again the already-industrialised countries (Korea, Taiwan, Singapore, Hong Kong) that have been most immune to the recent turmoil.

Who's most exposed to EMs: Exports

Exports of goods to EMs accounted for 37% of world goods exports (amounting to 9% of world GDP) in 2012 in current USD, up from 23% (4% of world GDP) in 1996 and for roughly half of export growth in the last four years. As shares of total *AE* goods exports or export growth, EMs' importance is similar (Figure 13). *AE* export exposure to EMs is mostly through goods – *AE* services exports to EMs are both smaller and less variable across AEs (EMs accounted for 27% of world commercial services exports in 2012 and 19% of *AE* exports or 2% of *AE* GDP), with Cyprus the main outlier in terms of EM exposure due to the brisk financial business it did with Russia before Cyprus's bail-out in 2013 (Figure 16).

AE export exposure to EM is mostly through goods – services exports to EMs are both smaller and less variable

⁷ In the appendix, we provide a table with a number of basic indicators of potential vulnerability for a list of EMs.

Figure 13. Advanced Economies – Exports of Goods to Emerging Markets (% of GDP), Q3 2013

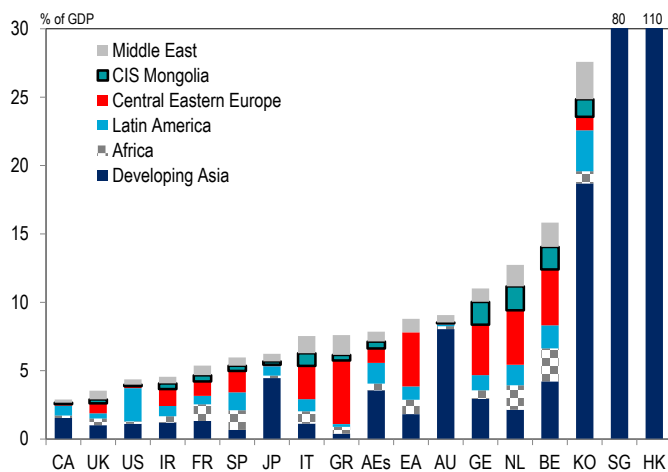
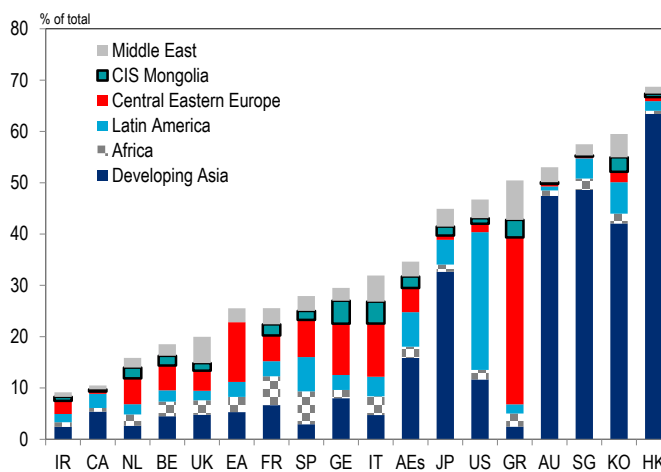


Figure 14. Advanced Economies – Exports of Goods to Emerging Markets (% of total), Q3 2013



Note: AEs are advanced economies, EA the euro area. For the EA, Central and Eastern Europe counterpart is 'Developing Europe', which includes Russia as well as CIS. The export data used to construct the LHS chart refers to 4-quarter moving sums.
Source: IMF DOTS and Citi Research

Trade data measured on a gross basis overstates value-added trade by about a quarter, with significant regional variation.

Bilateral data on exports can allow us to measure which countries are more or less exposed to EM export demand shocks, up to a point. The constraint is that trade is usually measured on a gross basis rather than on a value-added basis for either the exporting or the importing nation. For some 'entrepot' economies (including Hong Kong, Singapore, the Netherlands and Belgium) very little of imports is consumed/invested at home and much of it is re-exported with little value added in the domestic economy. More generally, UNCTAD's 2013 World Investment Report noted that roughly a quarter of gross measures of trade were 'double-counted' (i.e. did not reflect value-added) in 2010.⁸ Such double-counting is especially pronounced in the integrated supply chains in the EU, but also in East and South-East Asia (e.g. Korea and Malaysia and Thailand). This distortion in the measurement of trade also affects the scope of the exposure to EMs. According to the WTO-OECD data on bilateral trade in value-added terms, the value-added content of exports to EM tends to be relatively low, with bilateral exports to EMs as a share of total exports in value-added terms 10-20% (not ppt) lower than measured in gross terms, according to the WTO-OECD data.⁹

AEs with large export exposure to EMs include Hong Kong, Singapore and Korea, the AEs of Eastern Europe and, to a lesser degree, Australia and Japan...

...while EM Asia is the largest source of export exposure, except for most European countries and for the US

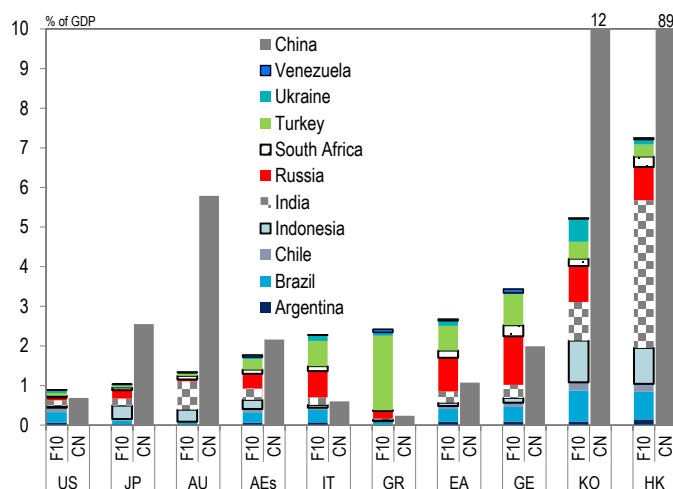
Nevertheless, in Hong Kong (112% of GDP, 69% of exports) and Singapore (81% of GDP, 57% of exports), exports to EMs are large both relative to GDP and to total exports (the Appendix details data on bilateral export exposures). That is also true for Korea (27% and 59%) as well as the Czech Republic (18% and 23%), Slovakia (23% and 29%) and Slovenia (26% and 37%), countries which have only recently graduated from the EM label according to the IMF's classification and which are geographically close to many EM economies. In Belgium or the Netherlands, exports to EM are high relative to GDP, but only represent a relatively small share of total gross exports. On the other hand, in Australia (53%, due to EM Asia), Greece (50%, due to Turkey), the US (47%, due to LatAm), Japan (45%, due to EM Asia) and New Zealand (42%, due to EM Asia), goods exports to EMs account for quite a large share of total goods exports, but are only of moderate size relative to GDP. The Eurozone is in line with the AE average in terms of EM exposure.

⁸ UNCTAD (2013), "World Investment Report 2013", October 2013.

⁹ See: <http://www.oecd.org/industry/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm>

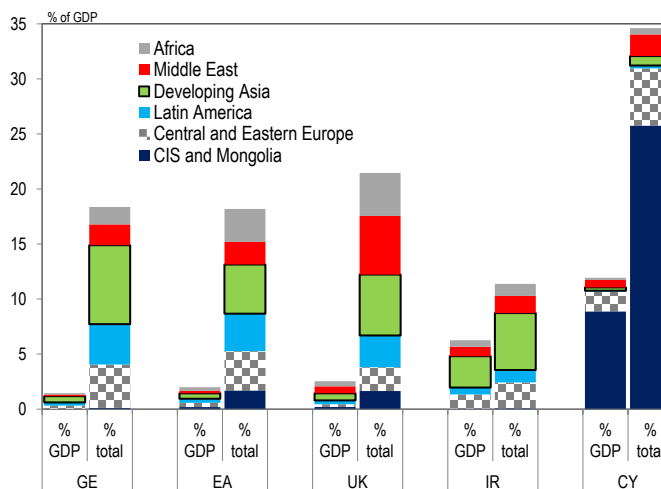
For European countries, exposure to CEE¹⁰ is most important, while it is LatAm for the US and EM Asia for most other AEs. Direct goods exports to the Fragile 10 account for about 8% of total AE goods exports (a little more than a fifth of the total AE exports to EMs) or less than 2% of AE GDP. The countries that are most exposed to the Fragile 10 are mostly the same as the countries with high EM exposure in general, but with one major difference, due to China. In Australia, New Zealand, Canada, Korea, Japan or Hong Kong, export exposure to China much exceeds that to the Fragile 10. The converse is true for most European AEs countries.

Figure 15. Selected Countries – Exports of Goods to Selected Emerging Markets (% of GDP), Q3 2013



Note: F10 is Fragile 10 while CN is China.
Source: IMF and Citi Research

Figure 16. Selected Countries – Exports of Services to Emerging Markets (% of GDP and % of total), Q3 2013



Note: Exports of services as % of GDP and % of total exports of services. F10 is Fragile 10 while CN is China. Source: Eurostat and Citi Research

Bilateral data, however, do not tell the full story about export exposures. Even if the (adequately measured) direct export exposure is small, the indirect exposure could be large – e.g., if one of a country's main export partners in turn exports a lot to EMs. What is more, EM turmoil may push up the price of AE currencies (as has to some extent already happened, see Figure 17), and general risk appetite often takes a hit. In such circumstances, trade in general may suffer, not least as trade finance may be more expensive and/or more difficult to obtain when risk aversion is high, and countries with high openness to trade in general (not just EMs) may be more vulnerable to an EM shock than their direct export exposures to EMs suggest.

A moderate EM slowdown is likely to have modest effects on the AE recovery, as it relies mainly on domestic drivers

The main argument for the AE recovery to be able to withstand a moderate EM slowdown (say, to around 4-4.5% from the 4.7% we currently expect for 2014) is that the current AE recovery mainly relies on domestic drivers. As world trade is expected to pick up moderately in 2014, export growth for most AEs is also expected to be positive and stronger than in 2013, when world trade was very sluggish (see [Global Economic Outlook and Strategy - Prospects for Economies and Financial Markets in 2014 and Beyond](#)). But in the US, UK or Germany, we expect the *net* export contribution to GDP growth to be roughly zero in 2014-5 (Figure 20). Even in the Eurozone, the expected net export contribution is likely to be small (even as a share of still-small expected GDP growth of around 1.2% pa on

¹⁰ Note that CEE here excludes the advanced economies in Central and Eastern Europe, including the Czech Republic, Slovakia, and Slovenia.

average in 2014-15).¹¹ On the other hand, among the countries where our forecasts currently include a sizable boost from net exports in 2014-5 are Ireland (adding 2.7pp to GDP growth), Australia (2.0pp), Korea (1.8pp), Greece (0.9pp), and Spain (0.9pp) – even though some of the (net) export boost is likely to come from AEs, these countries also look more vulnerable to an EM slowdown.

Figure 17. Selected AEs – Change in Real Effective Exchange Rate (%), Dec-13

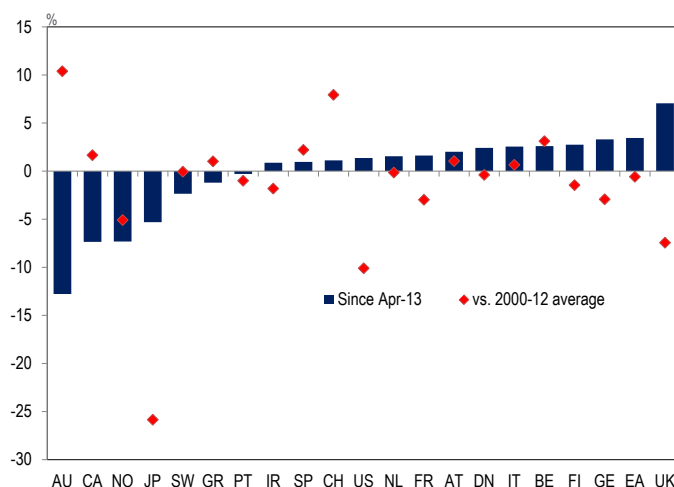


Figure 18. Selected EMs – Change in Real Effective Exchange Rate (%), Dec-13

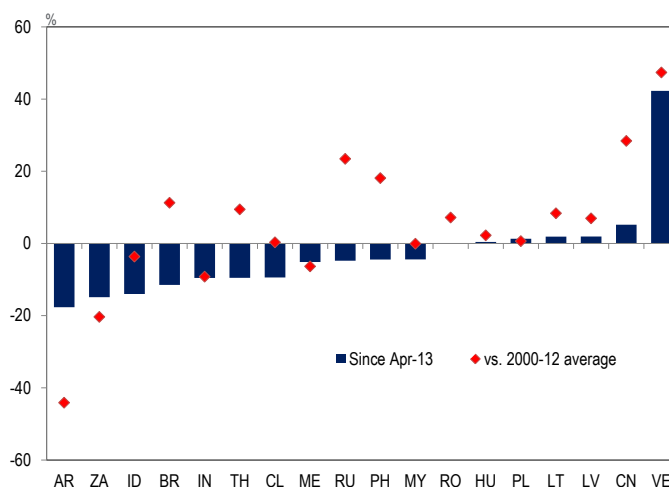


Figure 19. Selected Countries – Exports of Goods and Services (% of GDP), 2013

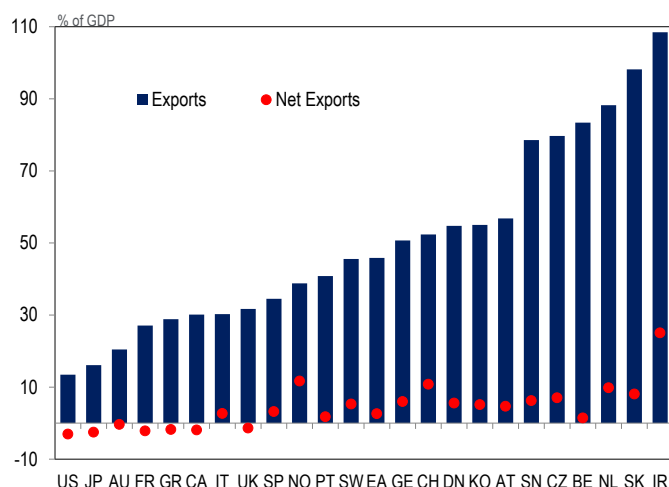
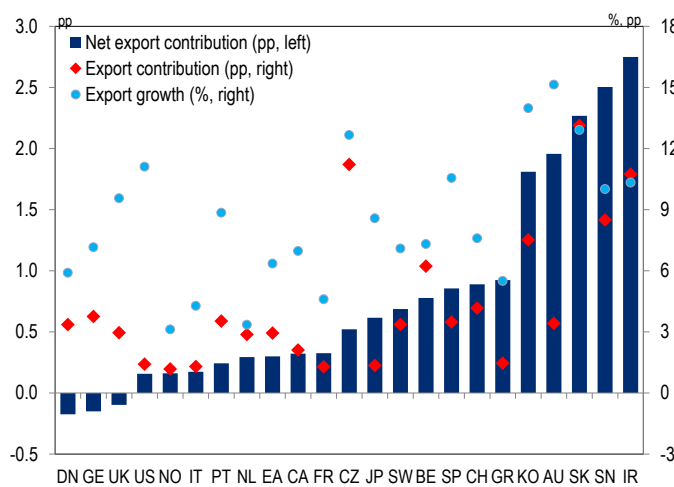


Figure 20. Selected Countries – Real Exports Contribution to Real GDP Growth (pp), 2014-2015



¹¹ We would generally prefer to view external contributions to growth through the lens of value added export growth rather than net export contributions (with imports net of re-exports to be subtracted from domestic demand to get domestic demand for domestic value added), as it seems counterintuitive to us to equate situations in which (adequately measured) exports and imports are growing with situations when they are falling. However, the fact that exports and imports are measured on a gross (not value-added) basis implies that export contributions to growth are exaggerated in countries with high import contents of exports if export contributions are measured in gross terms.

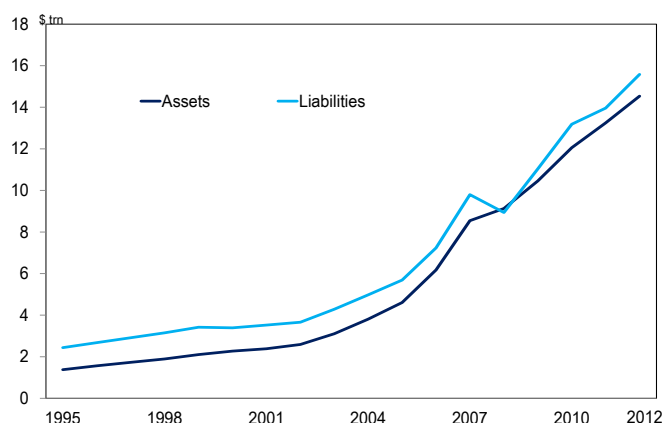
Who's most exposed to EMs: Financial linkages

Financial ties between AEs and EMs could be even more relevant than the trade linkages in some scenarios, in our view

EM's external assets and liabilities have risen strongly over the last two decades

In our view, it is possible that financial links to EMs could be even more relevant for AEs in a potential EM crisis than the direct trade links (except for the case of a sharp contraction in China). A key issue, however, is the availability of good data or better the lack of it. Data on international financial assets and liabilities are notoriously patchy, as coverage can be limited, valuations out of date and location of residence and beneficial ownership may be distinct. These problems are likely to be accentuated in EM.

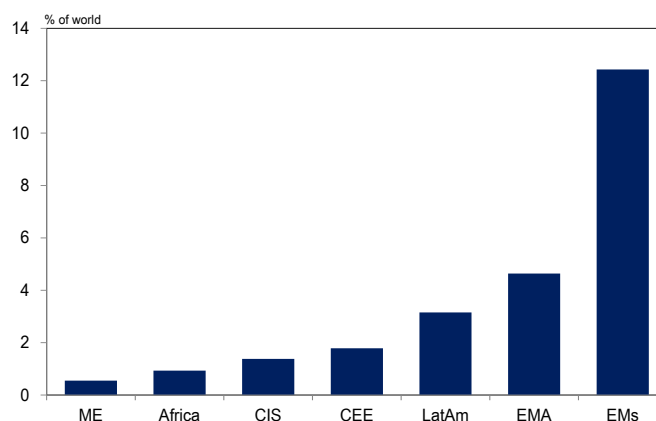
Figure 21. Emerging Markets – International Financial Assets and Liabilities (USD), 1995-2012



Note: Data from 2008 based on IMF IFS. Data for 1995-2007 are extended back using the extended dataset of Philip R. Lane and Gian Maria Milesi-Ferretti (2007).

Source: IMF, Lane and Milesi-Ferretti (2007), and Citi Research

Figure 22. Emerging Markets – International Financial Liabilities (% of World), Latest



Source: IMF and Citi Research

In addition, banks in AEs have large exposures to EM financial assets, especially to the Fragile 10

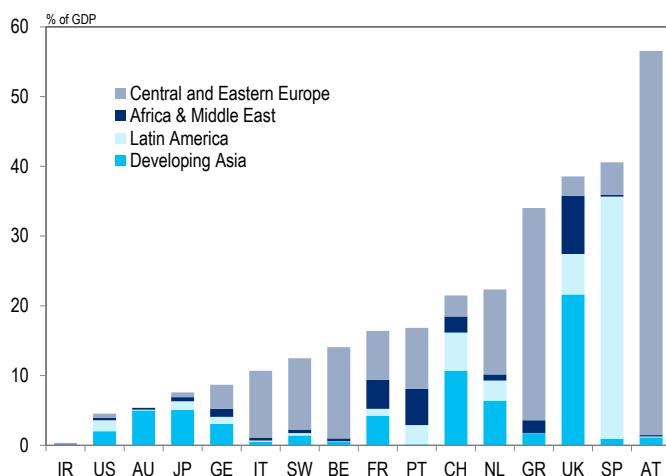
The available data suggest that EM's role in global finance is smaller than for output and trade and maybe has grown a little less as a share of world external assets and liabilities over the last decade and a half. But EM's external assets and liabilities have still risen strongly, both absolutely and as a share of global assets and liabilities. According to the IMF's international investment positions (IIP) data, EMs' (gross) external financial assets stood at \$14.5trn in 2012 (Figure 21), amounting to 12% of world (gross) external financial assets or 20% of world GDP, while EM (gross) external liabilities stood at \$15.6trn (12% of world (gross) external liabilities or 22% of world GDP). In 1996, EM gross external assets and liabilities were \$1.4trn and \$2.4trn, respectively, or equal to 7% and 11% of global gross external assets and liabilities, respectively.

The data suggest that EMs have been particularly popular for AE banks (Figure 23). BIS-reporting banks in 18 AEs had EM assets of \$4.7trn in Q3 2013 (on an 'ultimate risk' basis), amounting to 19% of their external (i.e. foreign) assets or 11% of the GDP of these advanced economies, almost twice what they were in 2005 (when these data series started) relative to GDP or their external assets.¹² Austria (47% of total external claims and 57% of GDP) and Greece (47% and 34%) stand out as countries where EM (mostly CEE) exposure of banks looms very large. In Portugal (36% of assets, 17% of GDP) and Spain (37%, 41% of GDP), large EM exposure is driven by exposure to LatAm, while EMs account for an above-average share of external assets of UK (24%) and US (23%) banks too, mostly due to exposure to

¹² Claims on EMs by all BIS-reporting banks (which are mostly in AEs) amounted to €5.0trn or 20% of total foreign claims in Q3 2013. These 18 advanced economies are Australia, Austria, Belgium, Canada, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, Portugal, Spain, Sweden, Switzerland, UK and US.

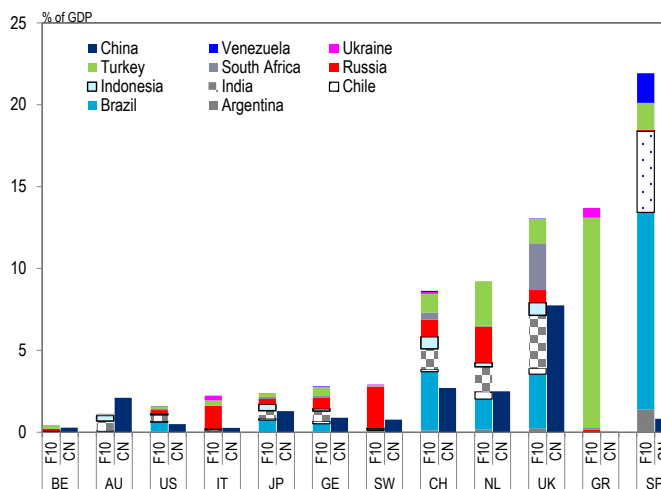
EM Asia, even though relative to the size of the economy, the exposure is much larger in the UK. In Ireland, Sweden or Switzerland, on the other hand, EMs only account for a very small share of total bank exposure. Interestingly, according to the BIS data, AE bank exposure to the Fragile 10 is much higher than to China (Figure 24) – of the 18 AEs in the sample, only Canadian and Australian banks have higher exposure to China than to the Fragile 10. That financial exposures to China are not all that large should not be surprising, as China still has a pretty closed capital account and imposes constraints on FDI in the financial sector which are only just being reduced as a result of the Third Plenum decisions.

Figure 23. Selected Countries – Banks' Claims on Emerging Markets (% of GDP), Q3 2013



Note: Based on BIS Consolidated Banking Statistics on an ultimate risk basis.
Source: BIS and Citi Research

Figure 24. Selected Countries – Banks' Claims on Selected Emerging Markets (% of GDP), Q3 2013

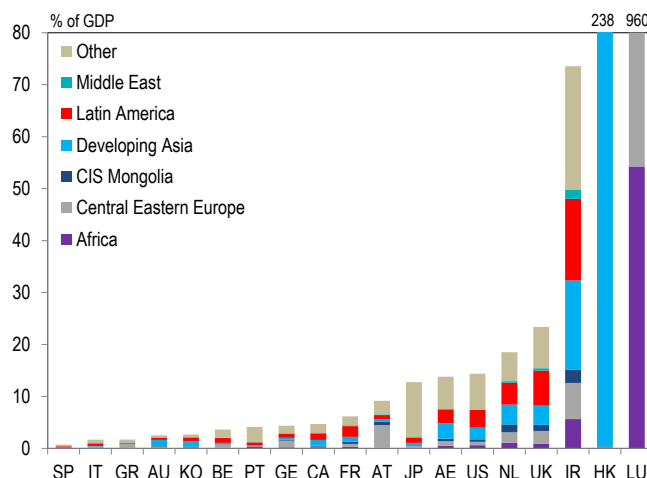


Note: F10 is Fragile 10 while CN corresponds to China.
Source: BIS and Citi Research

In addition to the exposure of banks, the available data on AE portfolio holdings (debt and equity) in EMs are each roughly of similar size to AE banks' claims on EMs (equivalent to 8% of GDP for portfolio holdings of equity and debt and 9% of GDP for FDI according to the IMF's Coordinated Portfolio and Direct Investment Surveys, CPIS and CDIS, respectively).¹³ However, as a share of total external holdings (i.e. including assets in other AEs), EMs account for a much smaller share for portfolio assets (5%) than for FDI (16%) or banks (19%). Measured exposures are heavily biased toward financial centres (or financial entrepot economies) for portfolio investment (Figure 25) and toward preferred locations for multinationals for FDI (Figure 26). Relative to total exposures, the countries most exposed to EMs are Hong Kong (16% of portfolio assets), Czech Republic (13%), Singapore (11%), Korea (9%), Cyprus (9%), the US (8%), and Luxembourg (6%).

¹³ The amounts are not strictly additive, as banks claims also include portfolio assets and FDI in EMs.

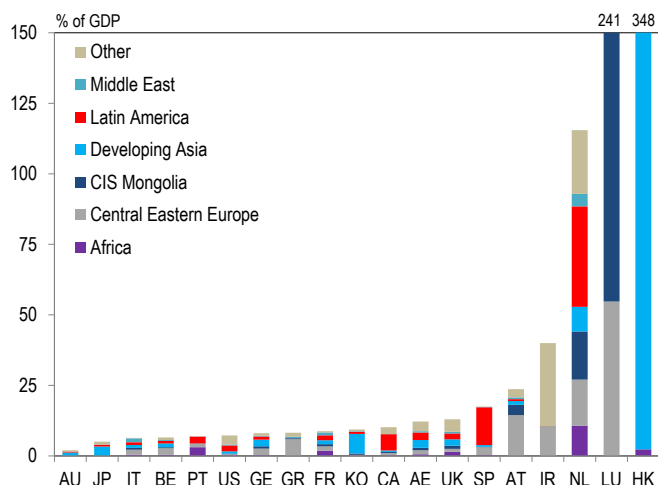
Figure 25. Selected Countries – Portfolio Holdings of Assets in Emerging Markets (% of GDP), 2012



Note: From the IMF's Coordinated Portfolio Investment Survey. Data refer to total portfolio holdings of equity and debt securities, measured as a percentage of the holding country's GDP. The "other" category refers to international financial havens, including Bermuda, Monaco, the Cayman Islands and others.

Source: IMF CPIS and Citi Research

Figure 26. Selected Countries – FDI Assets in Emerging Markets (% of GDP), 2012



Note: From the IMF's Coordinated Direct Investment Survey. Data refer to total outward direct investment positions of AEs in EMs, measured as a percentage of the holding country's GDP. The "other" category refers to international financial havens, including Bermuda, Monaco, the Cayman Islands and others.

Source: IMF CDIS and Citi Research

International financial data are notoriously patchy and should be interpreted with care

The types of AE financial exposures to EMs have changed from traditional hard-currency-denominated debt exposure to a greater share of foreign direct investment and local currency-denominated debt

In our view, it is likely that these data understate or at least misrepresent the actual financial exposures of AEs to EMs. One source of omission relates to significant offshore debt issuance. Our colleague Johanna Chua recently noted that offshore issuance by EM corporates (which is not captured in balance of payments and external debt statistics) has been substantial in recent years, accounting for roughly 40% of total EM corporate net external issuance.¹⁴ Chinese and Brazilian corporates were the most active offshore issuers, but relative to the size of the economy, offshore issuance was higher in Thailand than in China.

The emergence of the offshore corporate debt issuance market highlights that the types of financial exposures to EM have changed alongside their scale. Thus, in 1996, more than 70% of EM external financial liabilities were in the form of debt (bank debt and bonds). That share had fallen to less than 40% by 2012, mostly due to an increase in the share of FDI into EMs (Figure 27). In addition, EM local currency markets have grown substantially. The World Bank suggests that non-resident-held EM local market debt, which is mostly local currency-denominated, quadrupled between 2008 and end-2012, reaching more than \$2.5trn.¹⁵ On average, the World Bank estimates that foreigners held 27% of EM local debt in mid-2013, twice their share in 2008, with higher shares in Peru, Malaysia, Hungary, Poland, and Mexico. In some EMs, the share of short-term debt in external debt has fallen, too.

For EMs, the changes in the composition of debt are generally benign. For creditors and other investors, the implications are not quite as clear-cut. On the one hand, the increase in duration and the higher share of equity liabilities should reduce the incidence of defaults in EM (and the deadweight losses they bring), which should in

¹⁴ See *Asia Macro and Strategy Outlook - Prospects 2014 & Beyond*, Johanna Chua et al, Citi Research (Dec 2013). See also P. Turner. "The global long-term interest rate, financial risks and policy choices in EME." BIS working Paper no. 441. (Feb 2014)

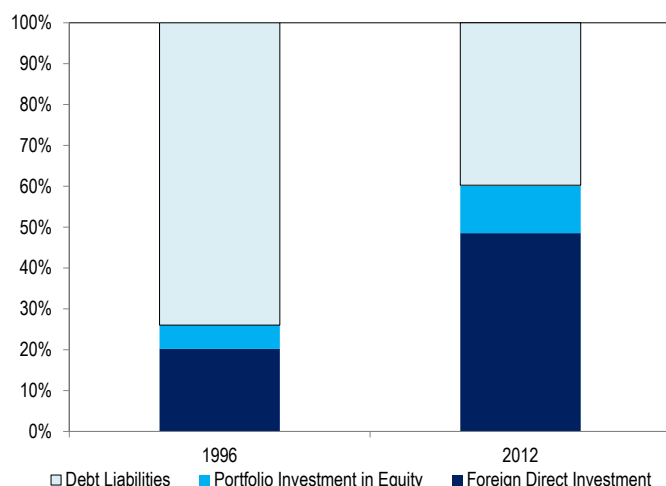
¹⁵ See also Gene Frieda, "Chances are High of Mass Exodus from EM", Financial Times, 12 February 2014

principle benefit both debtors and creditors/investors. On the other hand, investors could be exposed to different types of currency, duration and valuation risks than before, even though that is impossible to assess conclusively without information on how much of this risk has been hedged or on the quality of the hedges.

In addition, the sheer amount of capital inflows into EMs in recent years could lead to exaggerated price movements, as market liquidity can evaporate suddenly

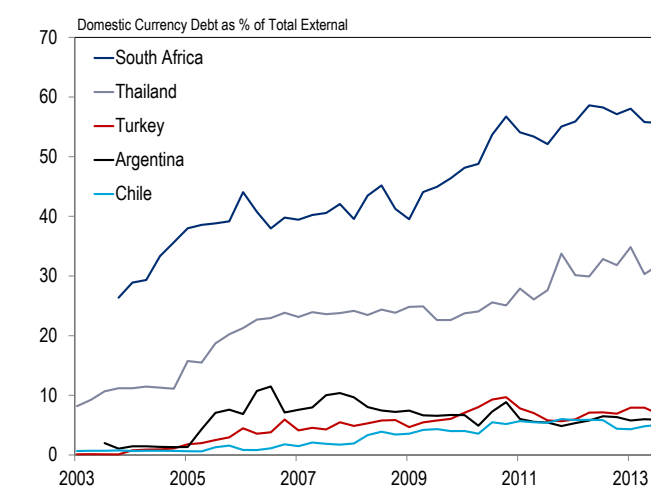
A final difference to the situation in previous decades could arise from the sheer amount of inflows into EM in recent years, from non-traditional EM investors, driven by the desperate search for yield by AE investors, with AE central bank official policy rates at or near the zero lower bound and large-scale balance sheet expansions by most AE central banks. As EM market liquidity has not risen commensurately and can easily evaporate in stress situations, a shift in sentiment that triggers large capital outflows could lead to exaggerated price moves ('overshooting') as many investors head for the exit at the same time.¹⁶ The panicked response in some EM financial markets to the (premature) pre-announcement of Fed tapering on May 22, 2013 and the second bout of EM fragile financial markets panic early in 2014, mainly in response to selective EMs domestic economic and political dysfunctions, are useful reminders of how footloose the cross-border portfolio investment business can be.

Figure 27. Emerging Markets – Composition of International Liabilities (% of total), 1996-2012



Note: 1996 taken from the updated and extended version of dataset constructed by Philip R. Lane and Gian Maria Milesi-Ferretti (2007), "The external wealth of nations mark II: Revised and extended estimates of foreign assets and liabilities, 1970–2004", Journal of International Economics 73, November, 223-250. 2012 from IMF IFS. Source: IMF, Lane and Milesi-Ferretti (2007), and Citi Research

Figure 28. Selected Emerging Markets – External Debt in Domestic Currency (as % of Total External Debt), 2003-2013



Source: BIS and Citi Research

EMs could also take *their* money out...

An EM shock could mean rising yields and falling prices for AE assets

An interesting question is of course what happens to AE asset prices in the event of a large adverse shock to EMs. As noted above, EMs also hold much more financial assets abroad, including in the advanced economies. EMs' foreign exchange reserves are no longer growing as fast as they used to be a few years ago, but they still stood at almost \$8trn in Q3 2013, which amounts to more than 60% of the total global stock of foreign exchange reserves (Figure 29). Some of these assets may now need to be sold, including through EM central banks selling AE assets to prop up their exchange rates. In principle, that could mean rising yields and falling prices

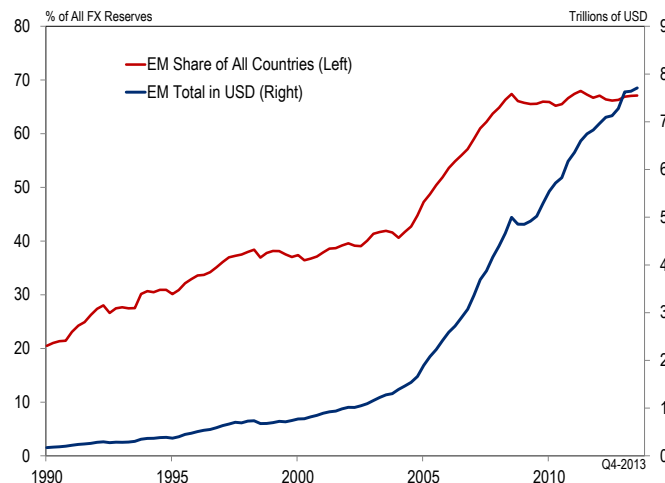
¹⁶ See also [Tourist traps - How long will the money stay in EM \(and credit\)?](#), Matt King and Jeff Williams, Citi Research (Aug 2013).

In addition, a fall in EM profit growth could weaken domestic demand in AEs through the wealth effect

for AE assets. After all, the EM 'savings glut' and EM appetite for AE assets were widely seen as one of the important early contributors to excessively low yields in AEs ahead of the financial crisis. Of course, as EM appetite for AE safe bonds waned in recent years and as EM current account surpluses shrank, AE central banks' purchases of assets stepped in as guarantors of extraordinarily low AE safe yields at all maturities.¹⁷ A related risk is that AE banks access to local funding sources in EMs may become less plentiful.

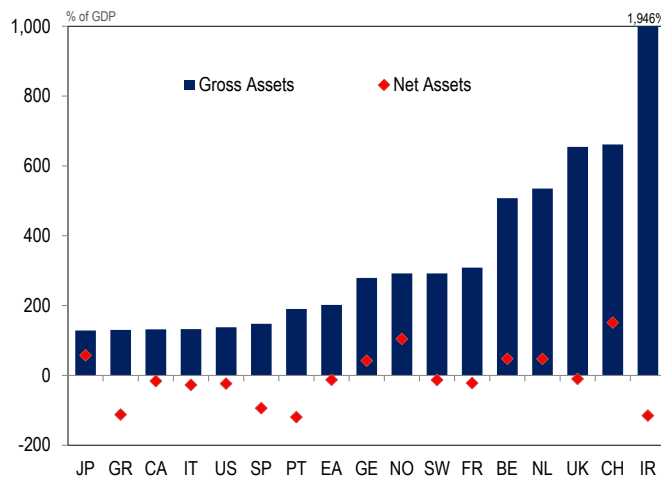
AE asset prices could also come under downward pressure from weaker economic prospects in EM directly. For instance, profit growth in EMs was cited as one of the major supports of AE equities following the global financial crisis (and ahead of the AE rebound). As EM profit growth follows EM GDP growth down, AE equities that were boosted by the strength of their EM operations will suffer. This could in turn hit AE domestic demand through the wealth effect.

Figure 29. Emerging Markets – Foreign Exchange Reserves (trn USD and % of global foreign exchange reserve), 1990-2013



Source: IMF and Citi Research

Figure 30. Selected Countries – External Financial Assets (% of GDP), 2012



Note: Net assets are assets minus liabilities.

Source: IMF and Citi Research

...even though capital may also flow in

However, search for safe havens following an EM shock may imply inflows into AEs and rises of selected AE asset prices

On a *relative* basis, however, AE assets may also look a lot more attractive during periods of EM turmoil, generating 'safe haven flows' to AEs. This is to some extent reflected in recent flows and asset price movements. EPFR data recently recorded a 32nd consecutive week of inflows into Western European equities and AE equity funds have generally recorded increasing assets under management even though this year has also seen a few weeks of outflows. In a world that looks worse on average, relative outperformance by DM assets may not imply positive returns. Inflows into AE assets can occur with rising or falling asset prices and assets can be repriced in the absence of any flows in or out of the asset class. But in the last 12 months (but also during the EM crises in the mid-90s), equity prices in AEs not only outperformed EM equity markets, but rose quite strongly in absolute terms.

¹⁷ The extent of purchases of government debt by AE central banks varied strongly across countries, of course, and so did the net increase in exposure by the domestic private sector. In the US, households were also significant net purchasers of US Treasuries in 2012, for instance (while pension funds added to their exposures throughout the post-GFC period), while in the euro area the exposure of banks to sovereign debt rose substantially.

AE government bond yields also fell for some of the first two months of this year, against widespread expectations at the beginning of the year that at least UK and US bond yields would continue to increase, as growth in those countries picks up and the end of the extraordinary monetary easing period comes within sight (with tapering now well under way in the US and Citi economists expecting Bank Rate in the UK to increase by the end of this year and the Federal Funds target rate to follow in the second half of 2015). The response of AE asset prices to EM weakness is therefore likely to be differentiated across asset classes as well as regions.

Figure 31. Cumulative Monthly Fund Flows by Asset Class (bn \$), 2007-2014

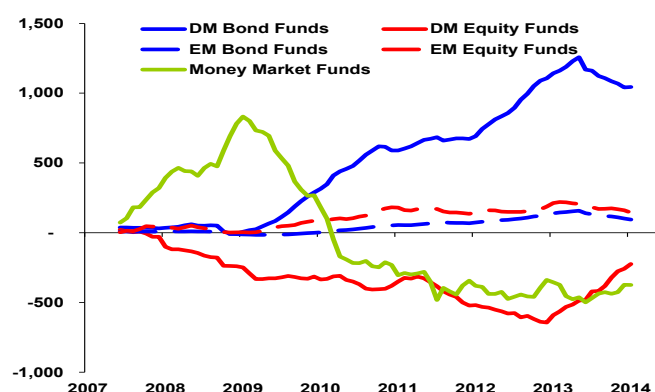
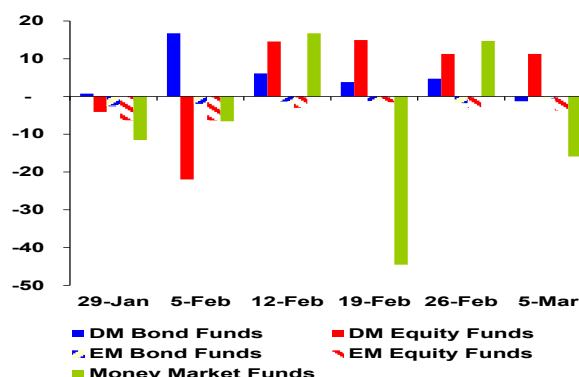


Figure 32. Weekly Fund Flows by Asset Class (bn \$), 2014



Source: EPFR and [Global Macro Strategy - Investor Positioning Indicators](#), Jeremy Hale et al, Citi Research (Mar 2013).

Commodity prices may fall or rise

Effects of an EM shock on commodity prices depend on whether the shock comes from the demand or supply side:

- **Weaker EM demand will send commodity prices lower and benefit commodity net importers in the AEs**
- **A supply shock to commodities can raise prices and would hurt net importers in the AEs**

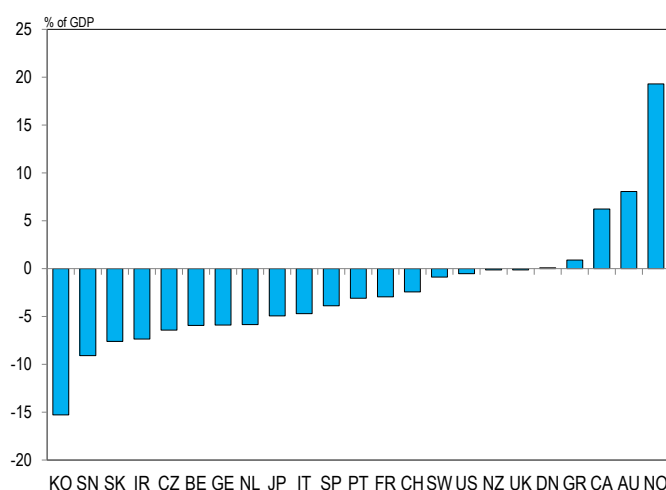
EMs include both major commodity producers (and net exporters) as well as big commodity consumers (and net importers). How EM weakness affects commodity prices therefore depends on whether contractionary shocks to demand or adverse supply shocks are the cause of the EM weakness. Cyclical demand-driven EM weakness should put some downward pressure on all commodity prices – hard and soft. That would be negative news for the major commodity exporters among AEs, such as Australia, Norway, or Canada and the US, but positive for the larger number of net commodity importers (e.g. Japan and most EU countries) which would get a terms of trade boost. The price movements could be exaggerated if they occur when supplies are expanding (e.g. due the expansion of oil and gas production from non-conventional sources).

However, EM weakness could also be associated with adverse commodity supply shocks, such as the threat or actuality of disruptions to oil and gas production and/or transport from a major producer country, which whose price effects would hit AE commodity net importers. The suppliers and net exporters benefit from the terms of trade shock but lose from the supply disruption – whether they gain or lose on balance depends on the price elasticity of commodity demand. There is also, of course, a net loss to the world as a whole. Recent political turmoil in Ukraine and Venezuela and the continued fragilities in Iraq or Libya are obvious sources of concern in this regard.

A (perhaps more orderly) structural growth slowdown in EMs, or in a single key EM like China (reflecting a rebalancing from export-driven, heavy-lifting infrastructure and SOE investment-driven, commodity- and energy-intensive production driven growth towards more domestic demand-driven, consumption- and service-sector-driven 'greener' growth) would lower demand for hard commodities and for environmentally destructive sources of energy like coal and oil. It would probably

boost demand for food and other agricultural products (soft commodities) and for clean energy sources, including gas/LNG. The implications for New Zealand of the associated change in relative commodity prices would be favourable; those for Australia, unfavourable. Again a differentiated, disaggregated approach is required to get to the right diagnosis.

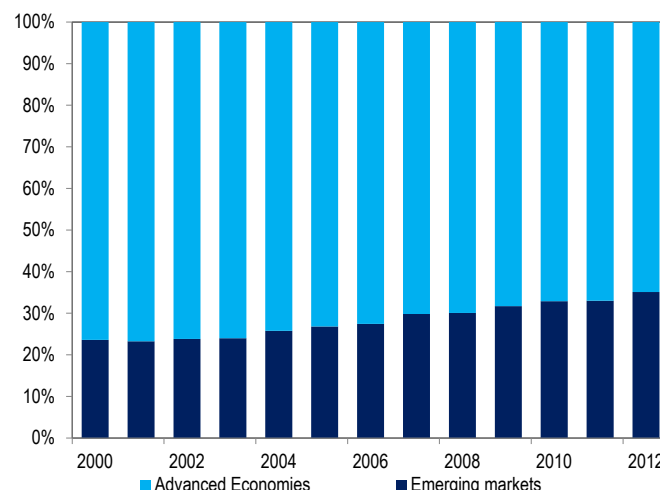
Figure 33. Selected Countries – Net Exports of Commodities (% of GDP), 2012



Note: Commodities include agricultural raw materials, ores and metals, and fuel. Net exports corresponds to exports minus imports.

Source: World Bank and Citi Research

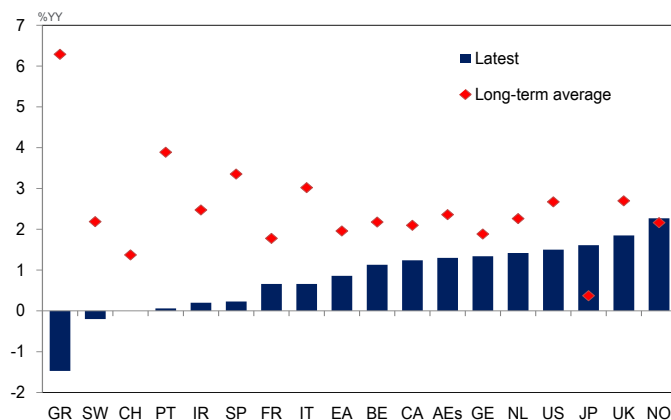
Figure 34. Regional Aggregates – Share of Commodity Imports (% of World), 2012



A demand shock to EM could translate into even lower inflation for many advanced economies

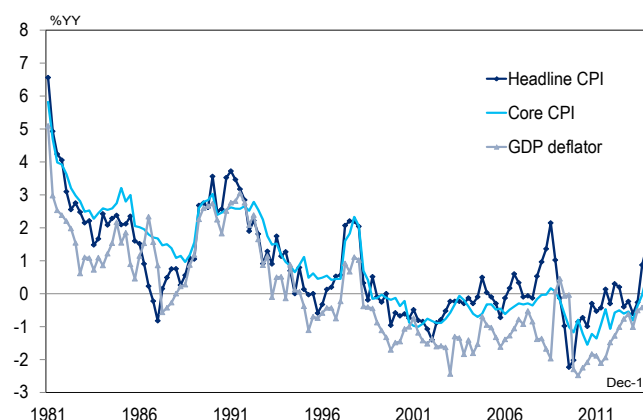
Falling commodity prices and appreciating AE exchange rates as a result of a negative EM demand shock should also put temporary downward pressure on inflation in most AEs. Initially, this would mostly be the effect of the positive terms of trade shock – negative price level shock that would show up as a temporary decline in the rate of inflation. Unless AE monetary policy tightens, there should be no permanent downward effect on inflation. Temporary, however, can be long-lasting, especially if the initial reduction in inflation becomes embedded in lower inflation expectations. AE inflation is generally low (see Figure 35) and some countries, notably in the Eurozone periphery are now close to or in deflation. A further fall in inflation, even if it comes bundled with a terms of trade boost, may thus not be unequivocally good news and second-round effects (i.e. downward pressures) on inflation would have little benefit and bring potentially substantial risks. In that context it is relevant that in the case of Japan in the mid/late '90s, the sharp fall in import prices and export demand in Japan that was triggered by the Asia crisis probably contributed substantially to its subsequent descent into deflation. For AEs in the aggregate, CPI inflation fell from 2.5% in 1996 to 1.4-1.6% in 1998-99, as the IMF Commodity Price Index dropped almost 20% in 1998.

Figure 35. Selected Countries – CPI Inflation (%YY), Latest



Note: Latest refers to Dec-13. Long-term average is for 1990-2013.
Source: IMF and Citi Research

Figure 36. Japan – Inflation Measures (%YY), 1981-2013



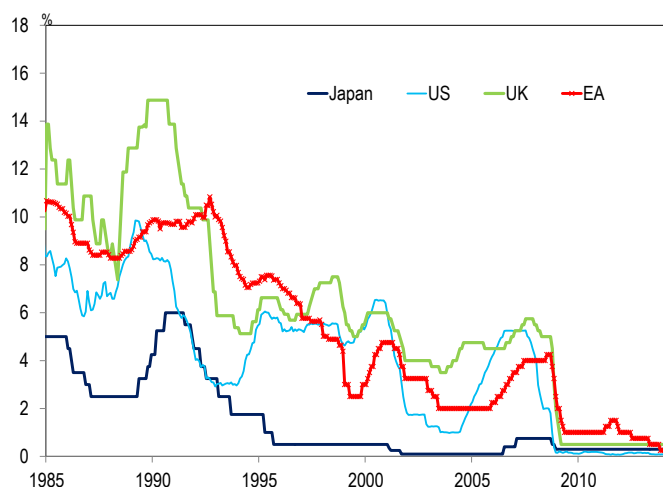
Source: Bank of Japan, Ministry of Internal Affairs and Communications, and Citi Research

How would AE Policy respond?

So far we do not expect EM developments to shift the monetary policy trajectories of national central banks in the AEs

A key question is of course what the policy response to any potential EM turmoil would be in the advanced economies. In the mid-90s, it took the Russian default in August 1998 and associated financial market volatility for the world's major central banks to take notice (or at least action). The Fed cut rates by 25bp each in September-November 1998, but started hiking again less than six months later. In Europe, the ECB was busy installing itself in late 1998 for an official activation on January 1, 1999, but did cut rates eventually in April 1999 by 50bp, even though it also raised rates again around six months later. The Bank of England lowered rates the most – by 250bp between October 1998 and June 1999 – but started hiking again just three months later. In Japan, policy rates were already at 0.50% in 1997 (since H2 '95), but it instituted its so-called 'zero interest rate policy' (ZIRP) to gradually lower the uncollateralized call rate to zero in the spring of 1999. Of course, the Bank of Japan had to contend, on top of the Asian (1997) and Russian (1998) crises, with the fallout from domestic fiscal tightening (the increase in the sales tax rate by from 3% to 5% in April 1997) and the long-lingering aftermath of the bursting of Japan's stock market and land price bubble in 1990 and the domestic banking crisis that resulted from it.

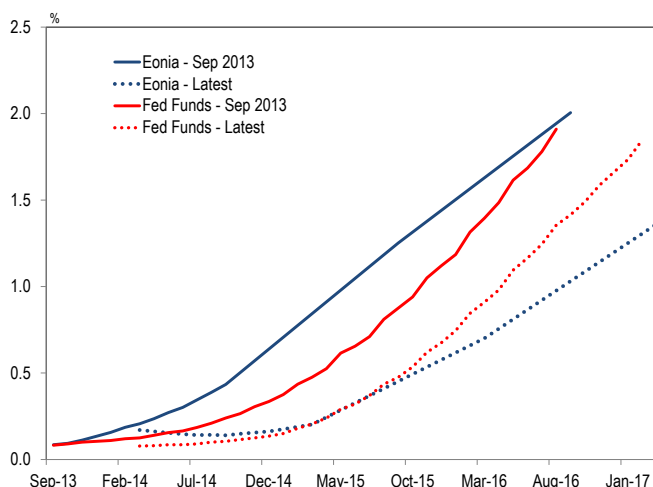
Figure 37. Selected Countries – Central Bank Policy Rates (%), 1990-2014



Note: Values for the EA prior to 1999 correspond to average policy rates in Germany, France, Italy, and Spain.

Source: National Central Banks and Citi Research

Figure 38. US and EA – Forward Rates (%), Sep-13 vs. Latest



Note: Latest corresponds to 12th March 2014.

Source: Bloomberg, and Citi Research

The most recent FOMC statement (the last one under the leadership of Fed Chairman Ben Bernanke) continued the Fed tradition of more or less benign neglect of the effect of Fed policy on EMs in the FOMC statements. It also did not contain any references to any possible effect of EM turmoil on US economy, even though the minutes for that meeting did mention EM risks and volatility, and even though the new Fed Chairwoman Janet Yellen referred to “...the recent volatility in global financial markets...” (but not to ‘emerging markets’), in her first *Seminannual Monetary Policy Report to the Congress*, on February 11, 2014.¹⁸

Treasury yields in any case seemed to retreat on a mix of EM strains and concerns about the strength of the US upturn. ECB President Draghi did mention potential risks from emerging markets in his press conference in February¹⁹, but in general the major advanced economy central banks currently seem to agree with us that their recoveries can withstand moderately weakening EM growth. We therefore currently do not expect EM developments to shift the trajectories for their policy rates. That means that we expect tapering in the US to continue as planned, finishing by September 2014 and for the Fed to hike rates in mid-2015, while the Bank of England will probably already raise rates in Q4 of this year. In the euro area, the most relevant effect of EM weakness could well be to add to euro area capital inflows and further strengthen the euro exchange rate, which could continue to put further downward pressure on inflation and therefore contribute to a decision by the ECB to cut rates in Q2. Among the major AE central banks, weakness in EM may be most relevant in Japan, where it could combine with a drop in demand after the sales tax in April to motivate further easing by the BoJ in June/July.

¹⁸ See Federal Reserve Board of Governors Federal Open Market Committee Statement on January 29, 2014, <http://www.federalreserve.gov/newsevents/press/monetary/20140129a.htm> and Federal Reserve Board of Governors, “Minutes of the Federal Open Market Committee on January 28-29, 2014”, <http://www.federalreserve.gov/monetarypolicy/files/fomcminutes20140129.pdf>

¹⁹ ECB, “Introductory statement to the press conference (with Q&A)”, 6 February 2014

However, any policy response is likely to operate mainly through monetary policy, as high public debt and polarized politics means little chance for additional fiscal stimulus

Beyond this, at most, minor tinkering with the stance of monetary policy in response to a moderate EM slowdown, a key question is what AE policymakers could or would do in the face of a major EM shock. We suspect that the major AE central banks would react with yet another round of asset purchases and renew or extend swap lines between themselves and selected EM central banks – but not necessarily the central banks of all of the most afflicted countries – the Fragile 10. We are much less hopeful for a substantial and coordinated fiscal response. A mix of high public debt (in most of Europe, Japan and the US), polarized politics (in the US, and the euro area) and weak mandates (in much of Europe) suggest it could be difficult (though not impossible) to push through fiscal stimuli even as crises responses, except perhaps in Japan. A properly coordinated fiscal stimulus, which in the case of the euro area would require concessional funding or other mutualised financial support for the countries with the largest negative output gaps and the most restricted ability to fund themselves in the markets – those in the periphery, is unfortunately a pipe dream.

The good news is that the advanced economies are in better shape today than they have been for a while to withstand a moderate weakening in EM growth. The bad news is that they are probably less well equipped to deal with a major EM shock than they have ever been.

Appendix

Figure 39. Country Labels

Country	Abbreviation
Argentina	AR
Australia	AU
Austria	AT
Belgium	BE
Brazil	BR
Canada	CA
Chile	CL
China	CN
Colombia	CO
Cyprus	CY
Czech Republic	CZ
Denmark	DN
Egypt	EG
Estonia	ET
Euro Area	EA
Finland	FI
France	FR
Germany	GE
Greece	GR
Hong Kong	HK
Hungary	HU
India	IN
Indonesia	ID
Ireland	IR
Italy	IT
Japan	JP
Korea	KO
Latvia	LV
Lithuania	LT
Luxembourg	LU
Malaysia	MY
Mexico	ME
Netherlands	NL
New Zealand	NZ
Nigeria	NG
Norway	NO
Peru	PE
Philippines	PH
Poland	PL
Portugal	PT
Romania	RO
Russia	RU
Singapore	SG
Slovakia	SK
Slovenia	SN
South Africa	ZA
Spain	SP
Sweden	SW
Switzerland	CH
Taiwan	TW
Thailand	TH
Turkey	TU
United Kingdom	UK
Ukraine	UA
United States	US
Venezuela	VE

Source: Citi Research

Figure 40. Regional Aggregates Labels

Region	Abbreviation
Advanced Economies	AE
Emerging Markets	EM
Central and Eastern Europe	CEE
Commonwealth of Independent States and Mongolia	CIS
Developing Asia	EM Asia / EMA
Middle East and Africa	MEA
Middle East	ME
Latin America	LatAm

Source: Citi Research

Figure 41. Advanced Economies – Exports of Goods to Emerging Markets, Q3 2013

		AU	AT	BE	CA	FI	FR	GE	GR	IR	IT	JP	NL	PT	SP	UK	US	EA	AEs
EMs	\$bn	33.2	10.0	20.7	11.7	5.5	34.5	99.8	4.7	2.5	39.6	80.4	25.0	3.6	20.4	24.2	181.7	277.7	876.9
	%Exp	53.0	24.1	18.5	10.5	31.3	25.6	29.5	50.4	9.2	31.9	44.9	15.8	23.4	27.9	20.0	46.7	25.5	34.6
	%GDP	9.1	9.5	16.0	2.9	8.8	5.4	11.0	7.6	4.6	7.6	6.2	12.7	6.3	6.0	3.8	4.4	8.8	7.8
MEA	\$bn	2.5	1.2	5.7	1.7	0.6	11.9	13.9	0.9	0.5	10.8	8.7	6.4	2.0	6.8	9.7	21.4	61.5	128.9
	%Exp	4.0	2.8	5.1	1.5	3.5	8.8	4.1	10.2	1.8	8.7	4.9	4.1	13.4	9.3	8.0	5.5	5.7	5.1
	%GDP	0.8	1.1	4.3	0.4	1.1	1.9	1.6	1.9	1.0	2.2	0.7	3.4	3.7	2.1	1.4	0.6	2.0	1.2
EMA	\$bn	29.7	1.5	5.0	6.0	1.3	9.0	27.0	0.2	0.7	5.8	58.4	4.1	0.3	2.1	5.8	45.3	57.6	401.2
	%Exp	47.4	3.6	4.5	5.4	7.5	6.6	8.0	2.5	2.4	4.7	32.6	2.6	1.8	2.9	4.8	11.7	5.3	15.8
	%GDP	8.0	1.4	4.2	1.5	2.0	1.3	2.9	0.4	1.2	1.1	4.5	2.1	0.5	0.7	1.0	1.1	1.8	3.6
LatAm	\$bn	0.5	0.7	2.5	3.1	0.4	4.0	9.8	0.2	0.4	4.7	8.6	3.1	0.5	4.9	2.2	104.3	31.6	170.5
	%Exp	0.8	1.7	2.2	2.7	2.5	2.9	2.9	1.8	1.6	3.8	4.8	2.0	3.5	6.7	1.9	26.8	2.9	6.7
	%GDP	0.1	0.7	1.7	0.7	0.8	0.6	1.1	0.2	0.7	0.9	0.7	1.5	0.9	1.3	0.4	2.4	1.0	1.5
CEE	\$bn	0.3	4.7	5.4	0.5	1.1	6.8	33.8	3.0	0.7	12.8	1.5	8.0	0.6	5.3	4.8	6.4	126.9	119.8
	%Exp	0.5	11.4	4.8	0.4	6.3	5.0	10.0	32.5	2.6	10.4	0.9	5.1	3.6	7.2	3.9	1.7	11.7	4.7
	%GDP	0.1	4.4	4.1	0.1	1.7	1.1	3.7	4.6	1.2	2.4	0.1	4.0	1.1	1.6	0.7	0.2	4.0	1.1
CIS	\$bn	0.2	1.9	2.1	0.5	2.0	2.9	15.1	0.3	0.2	5.3	3.1	3.3	0.1	1.3	1.8	4.2	na	56.6
	%Exp	0.3	4.6	1.9	0.4	11.6	2.2	4.5	3.4	0.8	4.3	1.7	2.1	0.9	1.7	1.5	1.1	na	2.2
	%GDP	0.1	1.8	1.6	0.1	3.1	0.5	1.7	0.4	0.4	0.9	0.2	1.7	0.2	0.4	0.3	0.1	na	0.5
CN	\$bn	22.8	0.9	1.8	4.3	0.9	5.0	19.0	0.2	0.4	3.1	33.2	2.4	0.2	1.2	2.6	27.6	35.5	249.4
	%Exp	36.4	2.1	1.6	3.9	5.3	3.7	5.6	2.0	1.5	2.5	18.5	1.5	1.4	1.7	2.2	7.1	3.3	9.8
	%GDP	5.8	0.8	1.4	1.1	1.4	0.7	2.0	0.2	0.8	0.6	2.5	1.3	0.4	0.4	0.4	0.7	1.1	2.2
F10	\$bn	3.9	2.8	7.8	2.8	2.6	8.9	31.1	1.4	0.7	12.2	12.9	7.4	0.7	5.9	6.9	38.5	84.2	195.1
	%Exp	6.2	6.7	7.0	2.5	15.0	6.6	9.2	15.4	2.5	9.9	7.2	4.7	4.8	8.0	5.7	9.9	7.7	7.7
	%GDP	1.3	2.7	6.2	0.6	4.2	1.4	3.5	2.3	1.2	2.3	1.0	3.8	1.2	1.7	1.1	0.9	2.7	1.8
AR	\$bn	0.0	0.0	0.4	0.1	0.0	0.4	0.8	0.0	0.0	0.4	0.3	0.4	0.1	0.5	0.1	2.8	3.0	7.3
	%Exp	0.0	0.1	0.4	0.1	0.2	0.3	0.2	0.0	0.1	0.3	0.2	0.2	0.4	0.6	0.1	0.7	0.3	0.3
	%GDP	0.0	0.0	0.2	0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.0	0.2	0.1	0.1	0.0	0.1	0.1	0.1
BR	\$bn	0.2	0.2	1.0	0.6	0.1	1.6	3.4	0.1	0.1	1.6	1.6	0.7	0.3	1.1	0.7	12.4	10.4	30.9
	%Exp	0.3	0.6	0.9	0.5	0.7	1.2	1.0	0.6	0.3	1.3	0.9	0.5	1.8	1.5	0.6	3.2	1.0	1.2
	%GDP	0.0	0.3	0.7	0.1	0.3	0.2	0.4	0.1	0.2	0.3	0.1	0.4	0.4	0.3	0.1	0.3	0.3	0.3
CL	\$bn	0.1	0.0	0.1	0.2	0.1	0.2	0.9	0.0	0.0	0.3	0.5	0.2	0.0	0.4	0.2	4.6	2.4	9.0
	%Exp	0.2	0.1	0.1	0.2	0.4	0.2	0.3	0.0	0.1	0.2	0.3	0.1	0.1	0.5	0.2	1.2	0.2	0.4
	%GDP	0.0	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.1
IN	\$bn	1.9	0.2	2.2	0.6	0.1	1.0	2.7	0.0	0.1	0.9	2.1	0.5	0.0	0.3	1.6	5.6	8.2	29.8
	%Exp	3.1	0.6	2.0	0.5	0.8	0.7	0.8	0.1	0.3	0.7	1.2	0.3	0.2	0.5	1.3	1.4	0.8	1.2
	%GDP	0.7	0.2	2.0	0.1	0.2	0.1	0.3	0.0	0.1	0.2	0.2	0.3	0.1	0.1	0.3	0.1	0.3	0.3
ID	\$bn	0.9	0.1	0.1	0.4	0.0	0.6	0.9	0.0	0.0	0.3	4.1	0.3	0.0	0.1	0.2	2.2	2.5	24.4
	%Exp	1.4	0.2	0.1	0.3	0.2	0.4	0.3	0.1	0.1	0.3	2.3	0.2	0.0	0.1	0.2	0.6	0.2	1.0
	%GDP	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.3	0.1	0.0	0.0	0.0	0.1	0.1	0.2
RU	\$bn	0.2	1.4	1.6	0.4	1.8	2.2	11.2	0.1	0.2	3.8	2.6	2.5	0.1	0.9	1.1	2.9	27.2	41.1
	%Exp	0.3	3.3	1.4	0.3	10.1	1.6	3.3	1.3	0.6	3.1	1.4	1.6	0.7	1.3	0.9	0.7	2.5	1.6
	%GDP	0.0	1.3	1.2	0.1	2.7	0.3	1.2	0.2	0.3	0.7	0.2	1.3	0.2	0.3	0.2	0.1	0.8	0.4
ZA	\$bn	0.3	0.1	0.4	0.1	0.1	0.7	2.5	0.0	0.1	0.6	0.9	0.7	0.1	0.4	1.0	1.6	5.8	11.8
	%Exp	0.5	0.3	0.4	0.1	0.7	0.5	0.7	0.2	0.3	0.5	0.5	0.4	0.3	0.6	0.8	0.4	0.5	0.5
	%GDP	0.1	0.1	0.4	0.0	0.2	0.1	0.3	0.0	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.0	0.2	0.1
TU	\$bn	0.2	0.4	1.5	0.2	0.2	1.9	6.7	1.1	0.1	3.4	0.6	1.7	0.1	1.6	1.7	2.8	19.2	29.0
	%Exp	0.3	1.0	1.3	0.2	1.1	1.4	2.0	12.3	0.5	2.7	0.3	1.1	0.7	2.2	1.4	0.7	1.8	1.1
	%GDP	0.0	0.4	1.2	0.0	0.4	0.3	0.8	1.9	0.3	0.6	0.0	0.8	0.2	0.5	0.2	0.1	0.6	0.3
UA	\$bn	0.0	0.2	0.2	0.1	0.1	0.3	1.7	0.1	0.0	0.7	0.1	0.4	0.0	0.1	0.2	0.6	4.1	6.2
	%Exp	0.0	0.5	0.2	0.1	0.7	0.2	0.5	0.7	0.1	0.5	0.1	0.2	0.1	0.2	0.2	0.1	0.4	0.2
	%GDP	0.0	0.2	0.2	0.0	0.2	0.0	0.2	0.1	0.0	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.1	0.1
VE	\$bn	0.0	0.0	0.1	0.2	0.0	0.1	0.3	0.0	0.0	0.2	0.2	0.1	0.1	0.3	0.1	3.1	1.4	5.4
	%Exp	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.2	0.1	0.1	0.3	0.5	0.1	0.8	0.1	0.2
	%GDP	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.0	0.1

Note: For the EA, CEE counterpart is 'Developing Europe', which includes Russia as well as CIS. The % of GDP measures refer to 4-quarter moving sums of the export data.

Data are also available on request for CY, CZ, HK, KO, NZ, SG, SK and SN.

Source: IMF DOTS and Citi Research

Figure 42. Advanced Economies – Banks' Claims on Selected Emerging Markets, Q3 2013

		AU	AT	BE	CA	FI	FR	GE	GR	IR	IT	JP	NL	PT	SP	SW	CH	UK	US	AEs
EMs	\$bn	80.4	236.4	71.4	126.9	1.3	458.2	311.8	82.8	1.1	221.2	379.5	180.0	36.9	550.2	68.9	138.9	959.9	759.2	4664.9
	%Tot	11.4	54.2	29.6	11.2	4.8	16.2	11.6	46.8	0.9	26.3	12.8	14.6	35.9	36.5	7.5	9.3	24.4	23.4	19.0
	%GDP	5.4	56.6	14.1	7.0	0.5	16.7	8.7	34.0	0.5	10.7	7.6	22.5	16.8	40.6	12.5	21.5	38.6	4.5	11.3
MEA	\$bn	3.5	0.8	2.0	2.2	0.1	114.5	41.9	4.5	0.2	9.0	29.0	7.0	11.4	3.1	2.8	15.0	207.3	62.2	516.7
	%Tot	0.5	0.2	0.8	0.2	0.3	4.1	1.6	2.6	0.2	1.1	1.0	0.6	11.1	0.2	0.3	1.0	5.3	1.9	2.1
	%GDP	0.2	0.2	0.4	0.1	0.0	4.2	1.2	1.9	0.1	0.4	0.6	0.9	5.2	0.2	0.5	2.3	8.3	0.4	1.3
EMA	\$bn	74.3	4.8	2.7	27.1	0.1	116.4	110.3	4.2	0.1	11.0	254.2	51.2	0.3	12.7	7.8	69.1	538.5	339.9	1624.7
	%Tot	10.6	1.1	1.1	2.4	0.3	4.1	4.1	2.4	0.1	1.3	8.5	4.2	0.3	0.8	0.9	4.6	13.7	10.5	6.6
	%GDP	5.0	1.1	0.5	1.5	0.0	4.2	3.1	1.7	0.0	0.5	5.1	6.4	0.2	0.9	1.4	10.7	21.6	2.0	3.9
LatAm	\$bn	1.9	0.5	0.3	9.8	0.0	26.8	36.7	0.0	0.0	3.1	62.3	23.1	6.0	470.9	1.9	35.3	144.7	260.6	1083.9
	%Tot	0.3	0.1	0.1	0.9	0.0	0.9	1.4	0.0	0.0	0.4	2.1	1.9	5.9	31.2	0.2	2.4	3.7	8.0	4.4
	%GDP	0.1	0.1	0.1	0.5	0.0	1.0	1.0	0.0	0.0	0.2	1.2	2.9	2.7	34.7	0.3	5.5	5.8	1.6	2.6
CEE	\$bn	0.7	230.2	66.4	4.1	na	191.6	122.9	74.0	0.5	198.0	34.0	97.5	19.1	63.6	56.5	19.4	69.2	96.5	1344.1
	%Tot	0.1	52.8	27.5	0.4	na	6.8	4.6	41.9	0.4	23.5	1.1	7.9	18.6	4.2	6.2	1.3	1.8	3.0	5.5
	%GDP	0.0	55.1	13.1	0.2	na	7.0	3.4	30.4	0.2	9.6	0.7	12.2	8.7	4.7	10.2	3.0	2.8	0.6	3.3
CN	\$bn	31.3	na	1.4	13.3	na	40.8	31.8	0.1	na	5.6	64.5	20.0	0.1	11.2	4.3	17.5	193.0	83.7	518.7
	%Tot	4.4	na	0.6	1.2	na	1.4	1.2	0.0	na	0.7	2.2	1.6	0.1	0.7	0.5	1.2	4.9	2.6	2.1
	%GDP	2.1	na	0.3	0.7	na	1.5	0.9	0.0	na	0.3	1.3	2.5	0.1	0.8	0.8	2.7	7.8	0.5	1.3
F10	\$bn	16.7	2.9	2.3	5.2	0.0	119.1	101.5	33.4	0.0	46.2	118.7	73.9	6.7	297.3	16.1	55.8	325.4	269.1	1490.3
	%Tot	2.4	0.7	0.9	0.5	0.0	4.2	3.8	18.9	0.0	5.5	4.0	6.0	6.5	19.7	1.8	3.7	8.3	8.3	6.1
	%GDP	1.1	0.7	0.4	0.3	0.0	4.4	2.8	13.7	0.0	2.2	2.4	9.2	3.0	21.9	2.9	8.6	13.1	1.6	3.6
AR	\$bn	0.1	0.0	0.0	na	0.0	na	1.4	0.0	na	0.1	0.1	1.3	0.0	19.0	0.0	0.7	6.2	5.9	35.0
	%Tot	0.0	0.0	0.0	na	0.0	na	0.1	0.0	na	0.0	0.0	0.1	0.0	1.3	0.0	0.0	0.2	0.2	0.1
	%GDP	0.0	0.0	0.0	na	0.0	na	0.0	0.0	na	0.0	0.0	0.2	0.0	1.4	0.0	0.1	0.2	0.0	0.1
BR	\$bn	1.2	0.3	0.0	na	na	21.9	17.2	0.0	na	1.9	37.2	14.9	5.0	163.0	0.6	23.2	82.1	96.8	465.4
	%Tot	0.2	0.1	0.0	na	na	0.8	0.6	0.0	na	0.2	1.3	1.2	4.9	10.8	0.1	1.6	2.1	3.0	1.9
	%GDP	0.1	0.1	0.0	na	na	0.8	0.5	0.0	na	0.1	0.7	1.9	2.3	12.0	0.1	3.6	3.3	0.6	1.1
CL	\$bn	0.0	0.0	0.0	na	0.0	na	5.4	0.0	na	0.3	4.8	3.7	0.0	67.2	0.4	0.9	8.9	10.6	102.2
	%Tot	0.0	0.0	0.0	na	0.0	na	0.2	0.0	na	0.0	0.2	0.3	0.0	4.5	0.0	0.1	0.2	0.3	0.4
	%GDP	0.0	0.0	0.0	na	0.0	na	0.2	0.0	na	0.0	0.1	0.5	0.0	5.0	0.1	0.1	0.4	0.1	0.2
IN	\$bn	8.9	0.3	0.4	na	na	14.2	22.5	0.0	na	2.1	23.8	12.1	0.0	0.2	0.2	8.1	80.6	64.7	238.2
	%Tot	1.3	0.1	0.1	na	na	0.5	0.8	0.0	na	0.2	0.8	1.0	0.0	0.0	0.0	0.5	2.1	2.0	1.0
	%GDP	0.6	0.1	0.1	na	na	0.5	0.6	0.0	na	0.1	0.5	1.5	0.0	0.0	0.0	1.3	3.2	0.4	0.6
ID	\$bn	5.1	na	0.0	0.8	0.0	na	5.3	0.0	na	0.3	19.8	2.0	na	0.0	0.1	4.8	19.4	12.6	70.3
	%Tot	0.7	na	0.0	0.1	0.0	na	0.2	0.0	na	0.0	0.7	0.2	na	0.0	0.0	0.3	0.5	0.4	0.3
	%GDP	0.3	na	0.0	0.0	0.0	na	0.1	0.0	na	0.0	0.4	0.3	na	0.0	0.0	0.7	0.8	0.1	0.2
RU	\$bn	0.1	na	0.6	1.0	na	50.9	23.7	0.4	na	28.6	16.3	17.6	0.2	1.0	14.0	6.8	19.1	36.7	216.9
	%Tot	0.0	na	0.2	0.1	na	1.8	0.9	0.2	na	3.4	0.5	1.4	0.2	0.1	1.5	0.5	0.5	1.1	0.9
	%GDP	0.0	na	0.1	0.1	na	1.9	0.7	0.2	na	1.4	0.3	2.2	0.1	0.1	2.5	1.0	0.8	0.2	0.5
ZA	\$bn	0.8	0.1	0.1	0.4	na	na	4.1	0.2	na	0.2	6.4	0.5	0.7	0.1	0.1	2.7	71.1	9.9	97.4
	%Tot	0.1	0.0	0.0	0.0	na	na	0.2	0.1	na	0.0	0.2	0.0	0.7	0.0	0.0	0.2	1.8	0.3	0.4
	%GDP	0.1	0.0	0.0	0.0	na	na	0.1	0.1	na	0.0	0.1	0.1	0.3	0.0	0.0	0.4	2.9	0.1	0.2
TU	\$bn	0.4	2.2	1.1	3.0	na	32.1	20.1	31.3	na	6.9	9.7	21.8	0.0	22.1	0.5	7.5	37.4	28.1	224.2
	%Tot	0.1	0.5	0.4	0.3	na	1.1	0.7	17.7	na	0.8	0.3	1.8	0.0	1.5	0.1	0.5	1.0	0.9	0.9
	%GDP	0.0	0.5	0.2	0.2	na	1.2	0.6	12.8	na	0.3	0.2	2.7	0.0	1.6	0.1	1.2	1.5	0.2	0.5
UA	\$bn	0.0	na	0.1	na	na	na	1.0	1.5	0.0	5.8	0.2	0.0	0.0	0.0	0.1	0.7	0.2	1.2	10.8
	%Tot	0.0	na	0.0	na	na	na	0.0	0.8	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	%GDP	0.0	na	0.0	na	na	na	0.0	0.6	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
VE	\$bn	0.0	na	0.0	na	0.0	na	0.8	0.0	0.0	0.1	0.4	0.0	0.6	24.6	0.0	0.5	0.4	2.5	29.9
	%Tot	0.0	na	0.0	na	0.0	na	0.0	0.0	0.0	0.0	0.0	0.0	0.6	1.6	0.0	0.0	0.0	0.1	0.1
	%GDP	0.0	na	0.0	na	0.0	na	0.0	0.0	0.0	0.0	0.0	0.0	0.3	1.8	0.0	0.1	0.0	0.0	0.1

Source: BIS and Citi Research

Figure 43. Advanced Economies – Portfolio Holdings of Assets in Emerging Markets, 2012

		AU	AT	BE	CA	FI	FR	GE	GR	IR	IT	JP	NL	PT	SP	UK	US	AEs
EMs	\$bn	32.5	32.1	12.7	53.7	7.2	119.3	109.9	2.9	105.3	21.6	128.0	101.0	2.7	5.5	386.9	1,218.5	3,457.7
	%Total	3.2	4.8	0.9	3.1	1.1	2.3	2.0	1.0	2.5	1.0	1.8	3.0	1.0	0.7	5.4	7.7	4.7
	%GDP	2.1	8.1	2.6	2.9	2.9	4.6	3.2	1.2	50.0	1.1	2.1	13.1	1.3	0.4	15.6	7.5	7.7
MEA	\$bn	2.8	1.1	0.6	4.7	0.4	12.1	9.8	0.1	15.5	1.5	11.2	10.8	0.9	0.4	33.8	107.1	272.3
	%Total	0.3	0.2	0.0	0.3	0.1	0.2	0.2	0.0	0.4	0.1	0.2	0.3	0.3	0.0	0.5	0.7	0.4
	%GDP	0.2	0.3	0.1	0.3	0.2	0.5	0.3	0.0	7.3	0.1	0.2	1.4	0.4	0.0	1.4	0.7	0.6
EMA	\$bn	18.2	2.0	1.3	20.6	2.0	23.7	12.6	0.0	36.3	2.7	35.4	29.3	0.4	2.8	91.5	363.0	1,336.7
	%Total	1.8	0.3	0.1	1.2	0.3	0.5	0.2	0.0	0.9	0.1	0.5	0.9	0.1	0.3	1.3	2.3	1.8
	%GDP	1.2	0.5	0.3	1.1	0.8	0.9	0.4	0.0	17.2	0.1	0.6	3.8	0.2	0.2	3.7	2.2	3.0
LatAm	\$bn	7.2	3.0	4.5	23.4	0.7	54.3	27.4	0.1	33.1	10.1	61.4	32.3	1.2	1.8	167.1	562.3	1,185.3
	%Total	0.7	0.4	0.3	1.3	0.1	1.1	0.5	0.0	0.8	0.5	0.9	1.0	0.4	0.2	2.4	3.6	1.6
	%GDP	0.5	0.8	0.9	1.3	0.3	2.1	0.8	0.1	15.7	0.5	1.0	4.2	0.5	0.1	6.7	3.5	2.6
CEE	\$bn	2.4	23.5	5.8	2.3	1.9	17.5	53.9	2.3	15.2	6.2	17.0	16.8	0.3	0.5	65.2	108.8	444.1
	%Total	0.2	3.5	0.4	0.1	0.3	0.3	1.0	0.8	0.4	0.3	0.2	0.5	0.1	0.1	0.9	0.7	0.6
	%GDP	0.2	5.9	1.2	0.1	0.8	0.7	1.6	0.9	7.2	0.3	0.3	2.2	0.1	0.0	2.6	0.7	1.0
CIS	\$bn	1.8	2.6	0.4	2.8	2.2	11.7	6.2	0.4	5.3	1.2	3.1	11.8	0.0	0.0	29.3	77.4	219.3
	%Total	0.2	0.4	0.0	0.2	0.4	0.2	0.1	0.1	0.1	0.1	0.0	0.4	0.0	0.0	0.4	0.5	0.3
	%GDP	0.1	0.7	0.1	0.2	0.9	0.4	0.2	0.1	2.5	0.1	0.1	1.5	0.0	0.0	1.2	0.5	0.5
CN	\$bn	4.3	0.5	0.5	7.2	0.7	12.5	2.9	0.0	15.7	0.9	10.4	9.0	0.0	0.0	33.1	120.4	615.2
	%Total	0.4	0.1	0.0	0.4	0.1	0.2	0.1	0.0	0.4	0.0	0.1	0.3	0.0	0.0	0.5	0.8	0.8
	%GDP	0.3	0.1	0.1	0.4	0.3	0.5	0.1	0.0	7.5	0.0	0.2	1.2	0.0	0.0	1.3	0.7	1.4
F10	\$bn	13.5	5.6	2.0	29.1	3.8	33.9	29.0	1.1	46.3	9.8	56.9	52.0	1.1	2.9	238.9	596.8	1,501.1
	%Total	1.3	0.8	0.1	1.7	0.6	0.7	0.5	0.4	1.1	0.5	0.8	1.6	0.4	0.3	3.4	3.8	2.0
	%GDP	0.9	1.4	0.4	1.6	1.5	1.3	0.8	0.4	21.9	0.5	1.0	6.8	0.5	0.2	9.6	3.7	3.3
AR	\$bn	0.0	0.2	0.0	0.1	0.0	0.2	0.6	0.0	0.2	3.0	0.3	0.5	0.0	0.1	2.5	7.1	17.8
	%Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	%GDP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.1	0.0	0.0	0.1	0.0	0.0
BR	\$bn	3.9	0.6	0.6	13.6	0.2	9.4	6.1	0.0	15.2	1.7	27.9	13.3	0.9	0.0	127.2	216.1	524.3
	%Total	0.4	0.1	0.0	0.8	0.0	0.2	0.1	0.0	0.4	0.1	0.4	0.4	0.3	0.0	1.8	1.4	0.7
	%GDP	0.3	0.1	0.1	0.7	0.1	0.4	0.2	0.0	7.2	0.1	0.5	1.7	0.4	0.0	5.1	1.3	1.2
CL	\$bn	0.4	0.1	0.0	0.7	0.0	0.6	1.4	0.0	1.2	0.1	0.8	1.7	0.0	0.0	4.2	27.9	47.7
	%Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.2	0.1
	%GDP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.2	0.0	0.0	0.2	0.2	0.1
IN	\$bn	3.1	0.4	0.2	4.7	0.7	4.7	1.1	0.0	4.1	0.4	5.2	5.8	0.0	2.8	22.0	78.8	230.2
	%Total	0.3	0.1	0.0	0.3	0.1	0.1	0.0	0.0	0.1	0.0	0.1	0.2	0.0	0.3	0.3	0.5	0.3
	%GDP	0.2	0.1	0.0	0.3	0.3	0.2	0.0	0.0	1.9	0.0	0.1	0.8	0.0	0.2	0.9	0.5	0.5
ID	\$bn	1.0	0.3	0.1	2.3	0.0	1.3	2.8	0.0	4.5	0.6	7.5	4.0	0.0	0.0	8.1	45.0	133.9
	%Total	0.1	0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.1	0.3	0.2
	%GDP	0.1	0.1	0.0	0.1	0.0	0.0	0.1	0.0	2.1	0.0	0.1	0.5	0.0	0.0	0.3	0.3	0.3
RU	\$bn	1.7	2.0	0.3	2.6	2.2	11.4	4.6	0.1	4.5	0.8	2.7	10.6	0.0	0.0	25.5	66.5	188.6
	%Total	0.2	0.3	0.0	0.1	0.4	0.2	0.1	0.0	0.1	0.0	0.0	0.3	0.0	0.0	0.4	0.4	0.3
	%GDP	0.1	0.5	0.1	0.1	0.9	0.4	0.1	0.0	2.1	0.0	0.0	1.4	0.0	0.0	1.0	0.4	0.4
ZA	\$bn	2.6	0.3	0.3	3.9	0.3	2.5	5.1	0.0	9.4	0.6	5.6	7.1	0.2	0.0	15.0	85.8	170.2
	%Total	0.3	0.0	0.0	0.2	0.0	0.0	0.1	0.0	0.2	0.0	0.1	0.2	0.1	0.0	0.2	0.5	0.2
	%GDP	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.0	4.5	0.0	0.1	0.9	0.1	0.0	0.6	0.5	0.4
TU	\$bn	0.8	1.3	0.2	1.0	0.3	2.9	5.2	0.7	5.7	1.0	6.1	6.6	0.0	0.0	31.4	50.1	143.6
	%Total	0.1	0.2	0.0	0.1	0.1	0.1	0.1	0.2	0.1	0.0	0.1	0.2	0.0	0.0	0.4	0.3	0.2
	%GDP	0.1	0.3	0.0	0.1	0.1	0.1	0.2	0.3	2.7	0.1	0.1	0.9	0.0	0.0	1.3	0.3	0.3
UA	\$bn	0.0	0.2	0.0	0.1	0.0	0.2	0.4	0.3	0.0	0.2	0.2	0.7	0.0	0.0	1.3	5.7	14.4
	%Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	%GDP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0
VE	\$bn	0.0	0.2	0.1	0.2	0.0	0.7	1.7	0.0	1.5	1.4	0.6	1.8	0.1	0.0	1.8	13.6	30.4
	%Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0
	%GDP	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.7	0.1	0.0	0.2	0.0	0.0	0.1	0.1	0.1

Note: Data refer to total portfolio holdings of equity and debt securities. Data are also available on request for CY, CZ, HK, KO, NZ, SG, SK and SN.

Source: IMF CPIS and Citi Research

Figure 44. Advanced Economies – FDI Assets in Emerging Markets, 2012

		AU	AT	BE	CA	FI	FR	GE	GR	IR	IT	JP	NL	PT	SP	UK	US	AEs
EMs	\$bn	23.9	92.5	30.7	140.8	13.1	220.0	253.4	16.9	22.1	131.1	241.9	728.7	14.5	229.9	212.8	656.8	3,991.8
	%Total	6.2	28.4	6.5	19.7	9.3	14.0	16.5	37.5	5.8	24.5	23.3	16.2	19.1	38.7	11.8	14.7	16.1
	%GDP	1.5	23.4	6.3	7.7	5.3	8.4	7.4	6.8	10.5	6.5	4.1	94.5	6.8	17.4	8.6	4.0	8.9
MEA	\$bn	0.5	2.8	3.6	3.9	0.3	76.5	17.3	1.3	0.0	37.7	6.6	116.7	6.6	5.7	51.9	86.9	465.0
	%Total	0.1	0.9	0.8	0.6	0.2	4.9	1.1	2.9	0.0	7.1	0.6	2.6	8.7	1.0	2.9	2.0	1.9
	%GDP	0.0	0.7	0.7	0.2	0.1	2.9	0.5	0.5	0.0	1.9	0.1	15.1	3.1	0.4	2.1	0.5	1.0
EMA	\$bn	18.2	5.2	6.5	9.3	3.3	36.4	80.6	0.1	0.0	20.9	193.4	67.3	0.1	8.5	56.3	137.0	1,229.3
	%Total	4.7	1.6	1.4	1.3	2.4	2.3	5.2	0.2	0.0	3.9	18.6	1.5	0.1	1.4	3.1	3.1	5.0
	%GDP	1.2	1.3	1.3	0.5	1.3	1.4	2.3	0.0	0.0	1.0	3.2	8.7	0.0	0.6	2.3	0.8	2.7
LatAm	\$bn	5.2	2.6	4.3	105.5	1.1	45.3	38.2	0.0	0.1	19.1	39.2	274.2	5.1	177.2	51.7	342.7	1,216.0
	%Total	1.3	0.8	0.9	14.7	0.8	2.9	2.5	0.0	0.0	3.6	3.8	6.1	6.7	29.9	2.9	7.7	4.9
	%GDP	0.3	0.7	0.9	5.8	0.5	1.7	1.1	0.0	0.1	0.9	0.7	35.6	2.4	13.4	2.1	2.1	2.7
CEE	\$bn	0.0	67.5	14.8	15.3	4.6	41.0	88.3	14.7	21.7	40.5	0.0	138.8	2.7	36.9	25.0	63.8	682.2
	%Total	0.0	20.7	3.2	2.1	3.3	2.6	5.7	32.6	5.7	7.6	0.0	3.1	3.5	6.2	1.4	1.4	2.8
	%GDP	0.0	17.1	3.1	0.8	1.9	1.6	2.6	5.9	10.3	2.0	0.0	18.0	1.3	2.8	1.0	0.4	1.5
CIS	\$bn	0.0	14.4	1.5	6.8	3.8	20.7	29.1	0.8	0.4	12.8	2.7	131.6	0.0	1.5	27.9	26.4	399.4
	%Total	0.0	4.4	0.3	0.9	2.7	1.3	1.9	1.8	0.1	2.4	0.3	2.9	0.1	0.3	1.5	0.6	1.6
	%GDP	0.0	3.6	0.3	0.4	1.5	0.8	0.8	0.3	0.2	0.6	0.0	17.1	0.0	0.1	1.1	0.2	0.9
CN	\$bn	8.7	4.3	4.1	4.3	3.0	21.7	50.8	0.0	0.0	14.0	93.0	18.0	0.0	7.0	9.0	51.4	792.9
	%Total	2.3	1.3	0.9	0.6	2.1	1.4	3.3	0.1	0.0	2.6	9.0	0.4	0.0	1.2	0.5	1.2	3.2
	%GDP	0.6	1.1	0.8	0.2	1.2	0.8	1.5	0.0	0.0	0.7	1.6	2.3	0.0	0.5	0.4	0.3	1.8
F10	\$bn	9.8	25.3	10.1	41.9	5.4	71.8	91.3	5.8	0.4	38.3	73.9	331.3	5.5	116.4	112.9	217.0	1,385.6
	%Total	2.5	7.8	2.1	5.9	3.9	4.6	5.9	12.9	0.1	7.2	7.1	7.4	7.3	19.6	6.2	4.9	5.6
	%GDP	0.6	6.4	2.1	2.3	2.2	2.7	2.7	2.3	0.2	1.9	1.2	43.0	2.6	8.8	4.6	1.3	3.1
AR	\$bn	0.9	0.1	0.2	4.6	0.0	2.5	2.4	0.0	0.0	2.0	0.0	7.9	0.0	18.9	5.3	14.4	66.9
	%Total	0.2	0.0	0.0	0.6	0.0	0.2	0.2	0.0	0.0	0.4	0.0	0.2	0.0	3.2	0.3	0.3	0.3
	%GDP	0.1	0.0	0.0	0.3	0.0	0.1	0.1	0.0	0.0	0.1	0.0	1.0	0.0	1.4	0.2	0.1	0.1
BR	\$bn	0.0	1.5	1.6	9.9	1.0	32.6	18.1	0.0	0.0	8.7	35.3	127.4	4.9	63.2	24.6	79.4	473.1
	%Total	0.0	0.5	0.3	1.4	0.7	2.1	1.2	0.0	0.0	1.6	3.4	2.8	6.5	10.7	1.4	1.8	1.9
	%GDP	0.0	0.4	0.3	0.5	0.4	1.2	0.5	0.0	0.0	0.4	0.6	16.5	2.3	4.8	1.0	0.5	1.1
CL	\$bn	1.8	0.3	1.2	13.8	0.1	1.7	2.4	0.0	0.0	1.4	0.0	7.1	0.0	18.0	3.8	39.9	98.1
	%Total	0.5	0.1	0.2	1.9	0.1	0.1	0.2	0.0	0.0	0.3	0.0	0.2	0.0	3.0	0.2	0.9	0.4
	%GDP	0.1	0.1	0.2	0.8	0.0	0.1	0.1	0.0	0.0	0.1	0.0	0.9	0.0	1.4	0.2	0.2	0.2
IN	\$bn	1.6	0.4	0.7	0.6	0.2	4.7	17.7	0.0	0.0	4.9	15.1	10.2	0.0	0.8	23.4	28.4	123.3
	%Total	0.4	0.1	0.1	0.1	0.1	0.3	1.2	0.0	0.0	0.9	1.5	0.2	0.0	0.1	1.3	0.6	0.5
	%GDP	0.1	0.1	0.1	0.0	0.1	0.2	0.5	0.0	0.0	0.2	0.3	1.3	0.0	0.1	0.9	0.2	0.3
ID	\$bn	5.1	0.2	1.0	3.2	0.0	3.0	2.5	0.0	0.0	0.4	18.4	16.8	0.0	0.0	9.6	13.5	80.2
	%Total	1.3	0.0	0.2	0.5	0.0	0.2	0.2	0.0	0.0	0.1	1.8	0.4	0.0	0.0	0.5	0.3	0.3
	%GDP	0.3	0.0	0.2	0.2	0.0	0.1	0.1	0.0	0.0	0.0	0.3	2.2	0.0	0.0	0.4	0.1	0.2
RU	\$bn	0.0	11.2	1.5	4.8	3.6	16.3	25.1	0.1	0.3	10.5	2.7	70.4	0.0	1.5	11.7	14.1	284.1
	%Total	0.0	3.4	0.3	0.7	2.5	1.0	1.6	0.1	0.1	2.0	0.3	1.6	0.0	0.3	0.6	0.3	1.1
	%GDP	0.0	2.8	0.3	0.3	1.4	0.6	0.7	0.0	0.1	0.5	0.0	9.1	0.0	0.1	0.5	0.1	0.6
ZA	\$bn	0.4	0.2	0.1	3.1	0.1	2.2	6.7	0.1	0.0	1.1	2.4	32.9	0.3	1.1	22.1	5.5	82.7
	%Total	0.1	0.1	0.0	0.4	0.1	0.1	0.4	0.2	0.0	0.2	0.2	0.7	0.3	0.2	1.2	0.1	0.3
	%GDP	0.0	0.1	0.0	0.2	0.0	0.1	0.2	0.0	0.0	0.1	0.0	4.3	0.1	0.1	0.9	0.0	0.2
TU	\$bn	0.0	9.2	3.9	0.9	0.3	5.1	11.9	4.9	0.0	6.4	0.0	22.3	0.1	8.6	11.8	6.0	98.3
	%Total	0.0	2.8	0.8	0.1	0.2	0.3	0.8	10.9	0.0	1.2	0.0	0.5	0.1	1.4	0.7	0.1	0.4
	%GDP	0.0	2.3	0.8	0.1	0.1	0.2	0.3	2.0	0.0	0.3	0.0	2.9	0.1	0.6	0.5	0.0	0.2
UA	\$bn	0.0	2.3	0.0	0.0	0.1	1.8	2.9	0.7	0.1	0.9	0.0	14.8	0.0	0.0	0.2	0.8	28.0
	%Total	0.0	0.7	0.0	0.0	0.1	0.1	0.2	1.6	0.0	0.2	0.0	0.3	0.0	0.0	0.0	0.0	0.1
	%GDP	0.0	0.6	0.0	0.0	0.1	0.1	0.1	0.3	0.0	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.1
VE	\$bn	0.0	0.0	0.0	0.9	0.0	1.9	1.4	0.0	0.0	1.9	0.0	21.5	0.2	4.3	0.3	15.0	50.7
	%Total	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.4	0.0	0.5	0.2	0.7	0.0	0.3	0.2
	%GDP	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	2.8	0.1	0.3	0.0	0.1	0.1

Note: Data refer to total outward direct investment positions of AEs in EMs. Data are also available on request for CY, CZ, HK, KO, NZ, SG, SK and SN.

Source: IMF CDIS and Citi Research

Figure 45. Emerging Markets – Macroeconomic Indicators, latest

	Nominal GDP		Real GDP %YY		Inflation (%YY)	Fiscal Balance (% of GDP)	Public Debt (% of GDP)	Private Sector Debt (% of GDP)	External Debt (% of GDP)	Net Int Investment Position (% of GDP)	CA Balance (% of GDP)	Net Exports of Commodities (% of GDP)	Citi Early Warning Signal Index	Citi Vulnerability Index
	Bn USD	% World	2013	2014F										
EMs	28,279	38.5	4.7	4.7	6.1	-2.3	34.7	na	na	na	0.8	-2.5	na	na
Argentina	485	0.7	3.5	1.0	10.5	-3.6	47.8	19.9	27.6	9.1	-0.8	0.0	0.6	na
Bahrain	28	0.0	4.4	4.0	2.7	-4.2	35.4	na	na	82.7	13.5	43.4	na	na
Brazil	2,190	3.0	2.3	1.3	6.3	-3.0	68.3	74.4	21.5	-32.3	-3.4	0.0	0.6	0.7
Chile	282	0.4	4.4	3.5	1.7	-0.7	12.9	na	44.3	-16.7	-4.6	12.2	0.6	0.4
China	8,939	12.2	7.7	7.3	2.7	-2.5	22.9	185.5	na	21.1	2.5	-7.0	0.4	0.3
Colombia	369	0.5	3.7	4.6	2.2	-1.0	32.3	na	24.4	-25.0	-3.2	10.6	0.6	0.5
Czech Rep	199	0.3	-0.4	1.9	1.8	-2.9	47.6	82.2	51.4	-51.7	-1.8	-5.2	na	na
Egypt	262	0.4	1.8	2.9	6.9	-14.7	89.5	na	17.9	-25.4	-2.6	-2.6	na	0.6
Ghana	46	0.1	7.9	4.6	11.0	-7.0	51.6	na	na	na	-12.9	10.7	na	na
Hungary	131	0.2	0.2	1.9	2.4	-2.7	79.8	na	150.0	-101.7	2.2	-7.4	0.5	0.0
India	1,758	2.4	4.4	5.6	10.9	-8.5	67.2	61.3	22.8	-16.4	-4.4	-9.5	0.6	0.8
Indonesia	867	1.2	5.3	5.3	7.3	-2.2	26.2	39.7	30.0	-41.2	-3.4	3.7	0.6	0.8
Iraq	222	0.3	3.7	10.4	2.3	-0.7	17.5	na	na	12.6	0.7	na	na	na
Israel	273	0.4	3.8	3.4	1.6	-5.1	70.4	na	34.8	22.4	2.3	0.0	0.4	0.0
Kenya	45	0.1	5.9	5.5	5.4	-5.8	49.4	na	na	na	-7.8	-6.7	na	na
Korea	1,198	1.6	2.8	3.7	1.4	1.4	35.7	201.0	34.3	-8.6	4.6	-14.1	0.5	0.0
Latvia	30	0.0	4.0	423.8	0.7	-1.4	38.4	na	136.9	-69.2	-1.1	-3.5	na	na
Lithuania	47	0.1	3.4	336.4	1.3	-2.9	42.0	na	68.9	-55.1	-0.3	-8.4	na	na
Malaysia	312	0.4	4.7	5.0	2.0	-4.3	57.0	133.3	33.8	-1.6	3.5	4.6	0.4	0.1
Mexico	1,327	1.8	1.2	3.8	3.6	-3.8	44.0	26.5	28.2	-42.1	-1.3	1.7	0.6	0.4
Mongolia	11	0.0	11.8	11.0	9.7	-11.3	na	na	na	-140.1	-26.6	27.4	na	na
Nigeria	292	0.4	6.2	6.6	9.9	-1.8	19.6	na	3.1	0.8	3.2	41.0	na	na
Peru	210	0.3	5.4	5.7	2.8	0.3	18.6	na	26.2	-23.8	-4.9	12.8	na	0.6
Philippines	272	0.4	6.8	6.9	2.8	-0.8	41.2	na	21.7	-13.6	2.5	-4.9	0.4	0.2
Poland	514	0.7	1.3	3.4	1.4	-4.6	57.6	78.7	73.3	-70.0	-3.0	-3.5	0.5	0.3
Romania	184	0.3	2.0	3.0	4.5	-2.3	38.2	na	73.2	-70.6	-2.0	-2.7	0.6	0.3
Russia	2,118	2.9	1.5	1.0	6.7	-0.7	14.1	65.9	33.7	6.5	2.9	19.4	0.6	0.5
Serbia	44	0.1	2.0	195.5	8.5	-7.2	66.6	na	na	-95.2	-7.5	-8.8	na	na
Slovakia	97	0.1	0.8	2.0	1.7	-3.0	55.3	na	81.7	-66.0	3.5	-7.0	na	na
Slovenia	47	0.1	-2.6	-0.9	2.3	-7.0	71.5	na	114.9	-46.8	5.4	-8.9	na	na
South Africa	354	0.5	1.8	2.4	5.9	-4.9	43.0	73.0	38.6	-8.8	-6.1	2.4	0.6	0.7
Sri Lanka	65	0.1	6.3	7.0	7.4	-5.8	na	na	na	na	-4.7	-7.1	na	na
Thailand	401	0.5	3.1	1.8	2.2	-2.7	47.1	123.0	34.7	-23.7	0.1	-9.6	0.5	0.3
Turkey	822	1.1	3.8	2.3	7.7	-2.3	36.0	68.1	45.3	-53.5	-7.4	0.0	0.7	1.0
Uganda	23	0.0	5.6	5.6	5.0	-1.8	32.0	na	18.8	-46.9	-12.0	-5.7	na	na
Ukraine	176	0.2	0.4	-0.1	0.0	-4.3	42.8	na	78.5	-34.0	-7.3	0.0	na	0.6
Venezuela	367	0.5	1.0	-1.0	37.9	-15.0	53.4	na	na	38.2	2.8	28.1	na	na
Zambia	22	0.0	6.0	6.4	7.1	-7.8	36.2	na	na	na	-3.7	29.4	na	na

Note: 2014 values for real GDP are Citi Research Forecasts. Latest refer to 2013 except for international investment position and net exports of commodities (2012), external debt and private sector debt (Q3 2013). Commodity net exports include agricultural raw materials, ores and metals, and fuels Source: IMF, BIS, World Bank, and Citi Research

Appendix A-1

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