THE CAPITAL FLOW CONUNDRUM – AND A SOLUTION

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Capital flows and capital floods: The new curse of a globalized economy?

Source: UNCTAD secretariat calculations, based on IMF, World Economic Indicator database.
The “Appreciation Wind”

**Chart 1**

INTEREST RATE DEVELOPMENTS, JANUARY 1996–FEBRUARY 2011

- Crisis in East Asia and Brazil
- Argentinian crisis
- Global financial crisis

**Source:** UNCTAD secretariat calculations, based on IMF, *International Financial Statistics* database.

**Note:** Regional interest rate aggregates are PPP-GDP weighted using current PPP weights.
Chart 2

INFLATION AND SHORT-TERM INTEREST RATES IN EMERGING AND TRANSITION ECONOMIES,
JANUARY 1996–FEBRUARY 2011


Note: Emerging and transition economies include Brazil, Chile, Colombia, Czech Republic, Hungary, India, Indonesia, Malaysia, Mexico, Philippines, Poland, Romania, Singapore, South Africa, Thailand and Turkey. Emerging market averages are PPP-GDP weighted using 2005 weights.
Chart 3

CHANGES IN EXCHANGE RATES AND RESERVES, AND NET PORTFOLIO INVESTMENT FLOWS,
THIRD QUARTER 2005—THIRD QUARTER 2010


Note: A negative value of reserves means an increase in reserves (capital outflow). A positive value of the exchange rate change represents a depreciation of the currency.
The shocks and their consequences

Chart 4

NET PRIVATE FINANCIAL FLOWS (EXCLUDING FDI) – EMERGING AND DEVELOPING ECONOMIES, 1990–2010

Source: UNCTAD secretariat calculations, based on International Monetary Fund, *World Economic Outlook* database, April 2011.
NET POSITIONS OF NON-COMMERCIAL TRADERS ON AUSTRALIAN DOLLAR AND JAPANESE YEN FUTURES, JANUARY 2005–APRIL 2011

CARRY TO RISK RATIO, 2005–2010

Source: UNCTAD secretariat calculations, based on Bloomberg database.
The cost of leaning against the bad appreciation wind