



BANK OF ENGLAND



Pull, Push, Pipes: Sustainable Capital Flows for a New World Order

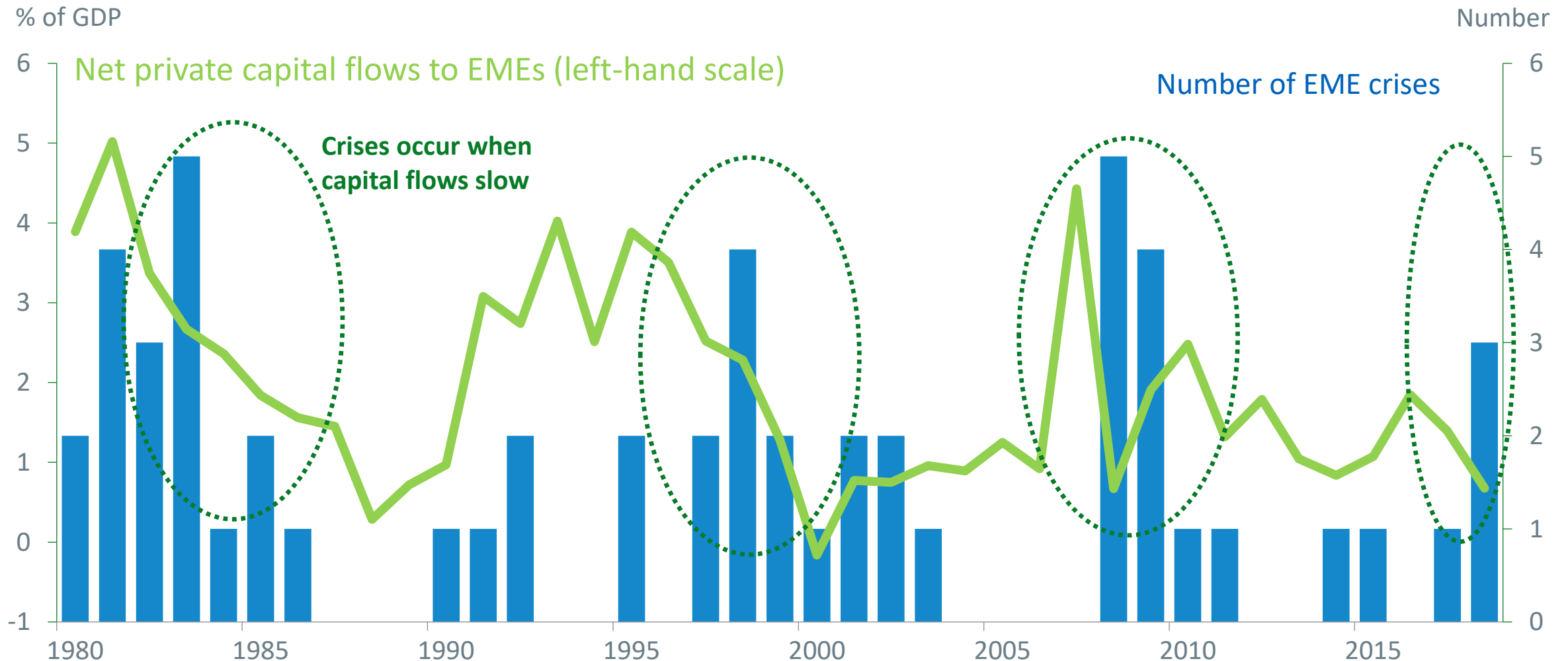
Mark Carney

Governor, Bank of England

6th June 2019

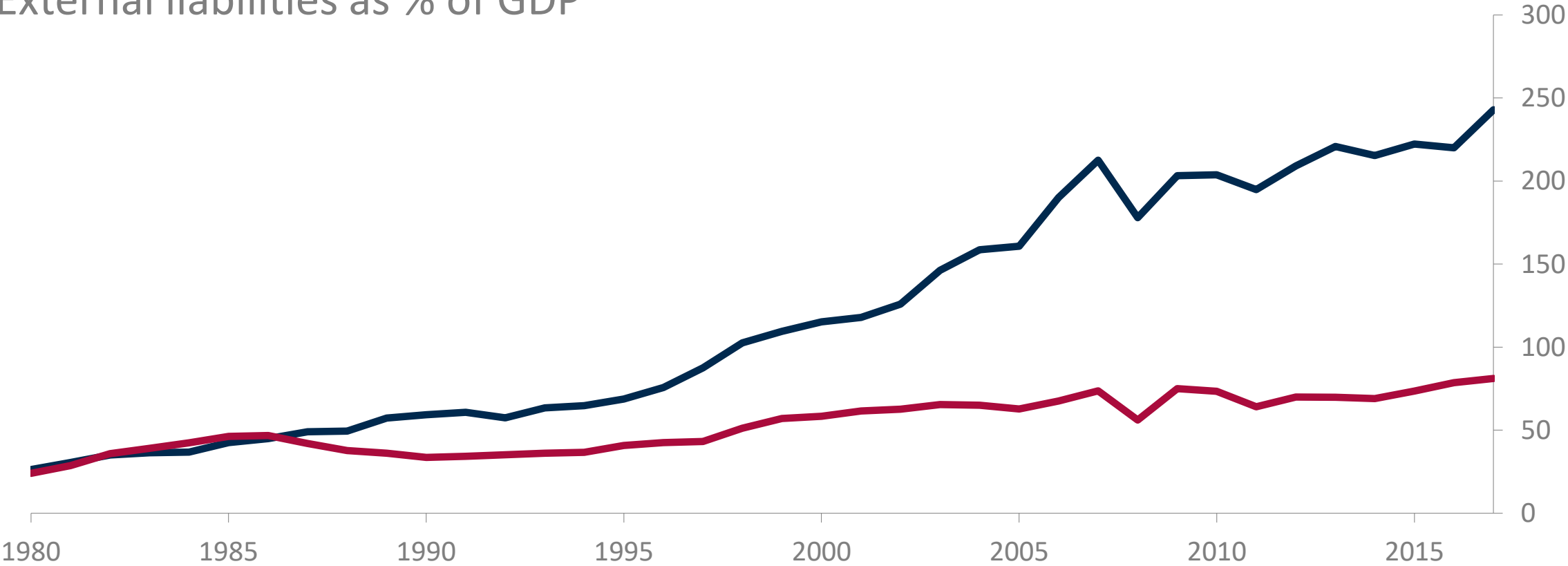


Waves of investment into EMEs often then sharply withdrawn



EMEs have increased financial openness by considerably less than AEs

External liabilities as % of GDP



A holistic Capital Flows-at-Risk framework

Pull, Push, Pipes

Pull factors

Domestic institutional frameworks

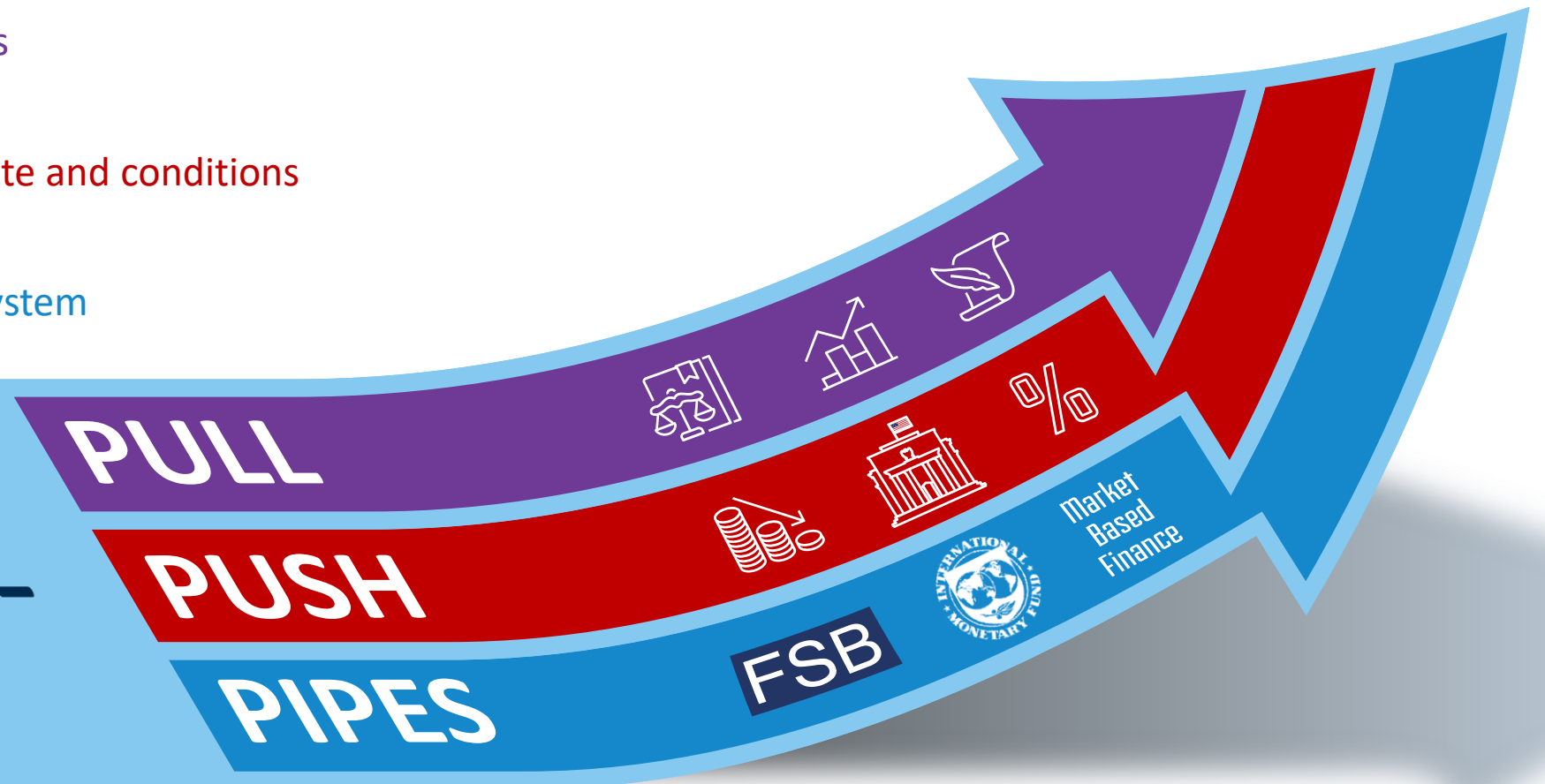
Push factors

Determinants of global risk appetite and conditions

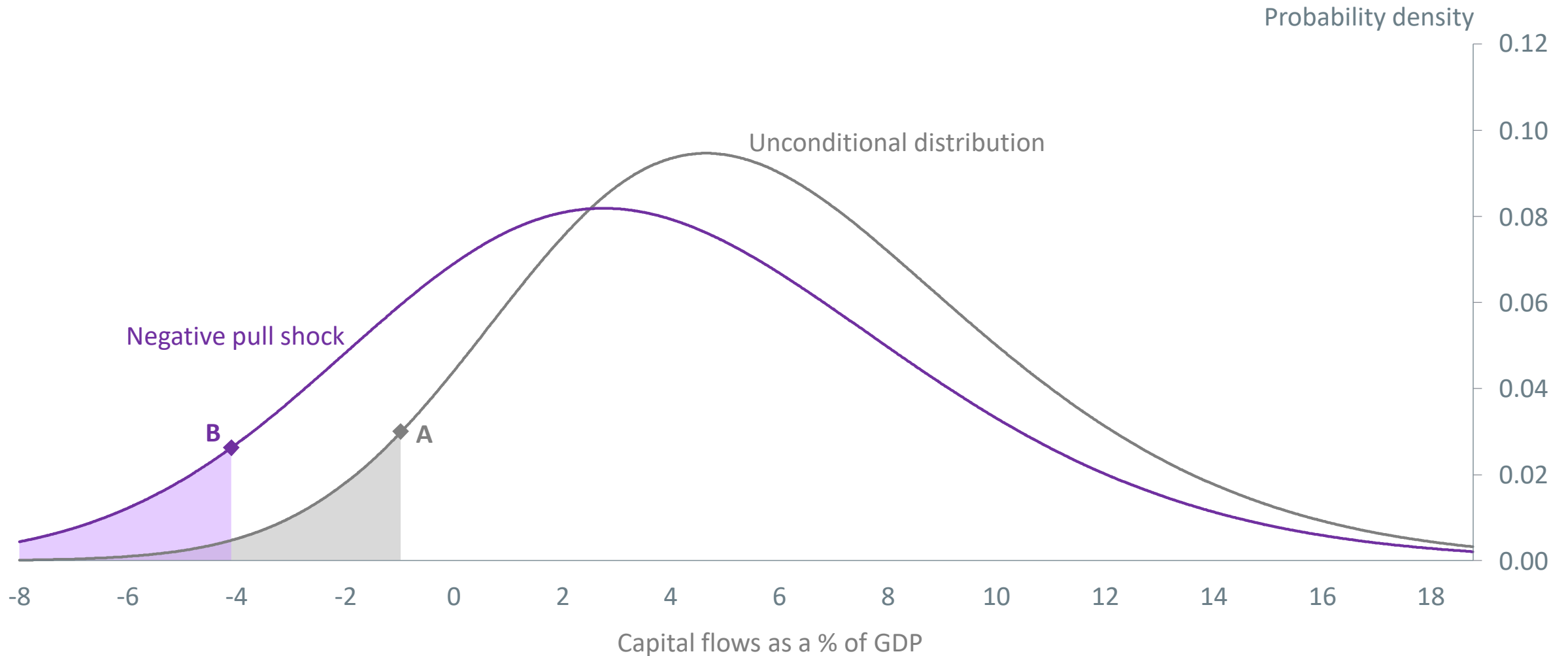
The Pipes

Structure of the global financial system

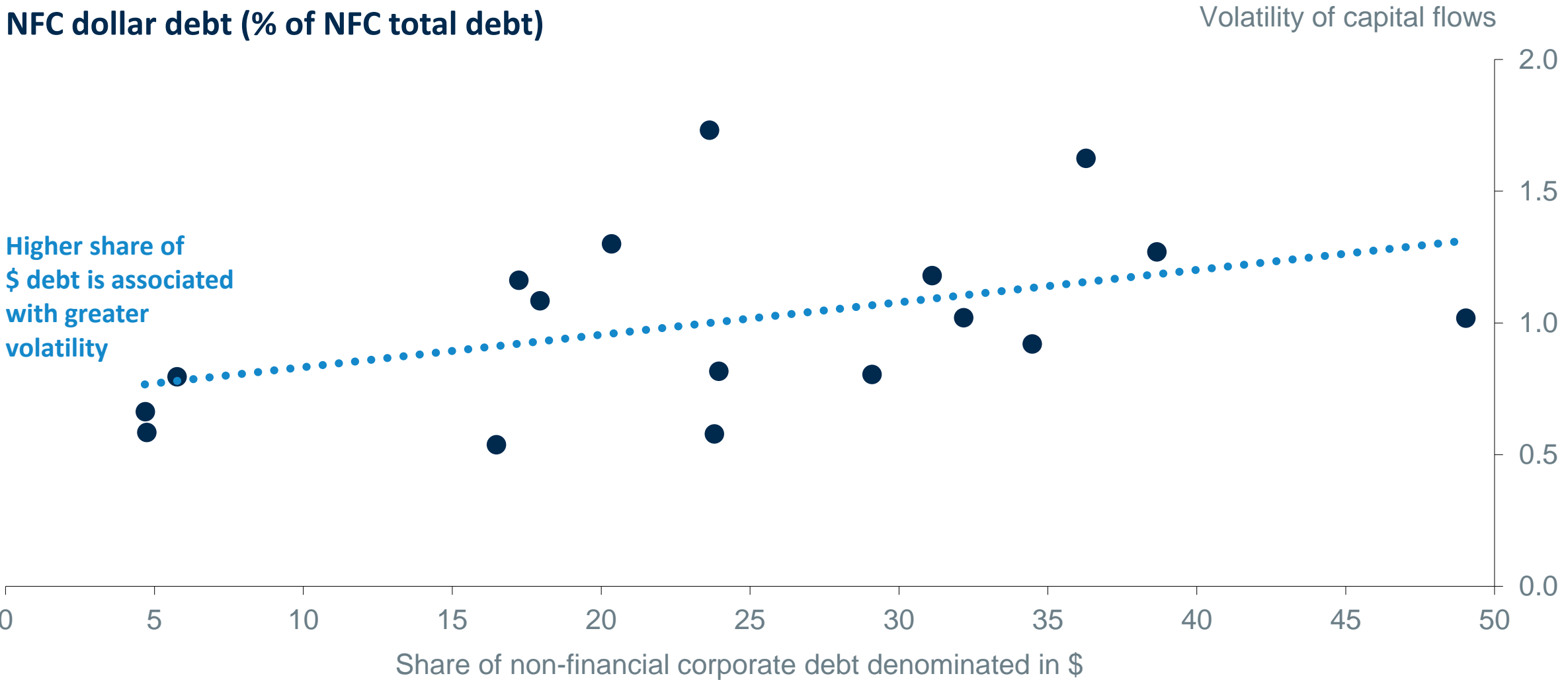
**CAPITAL
FLOWS-AT-
RISK**



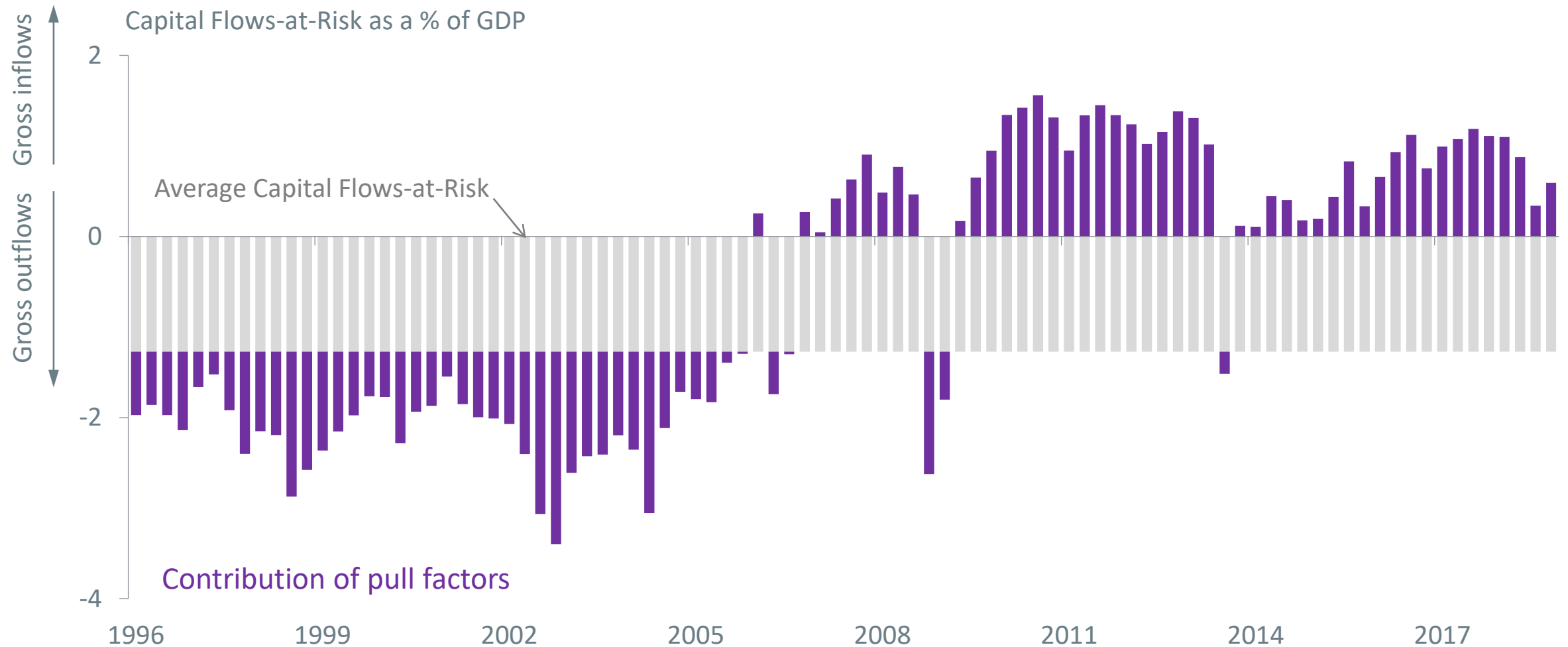
The distribution of capital flows to emerging market economies



Reducing reliance on foreign investors and foreign currency borrowing dampens capital flow volatility

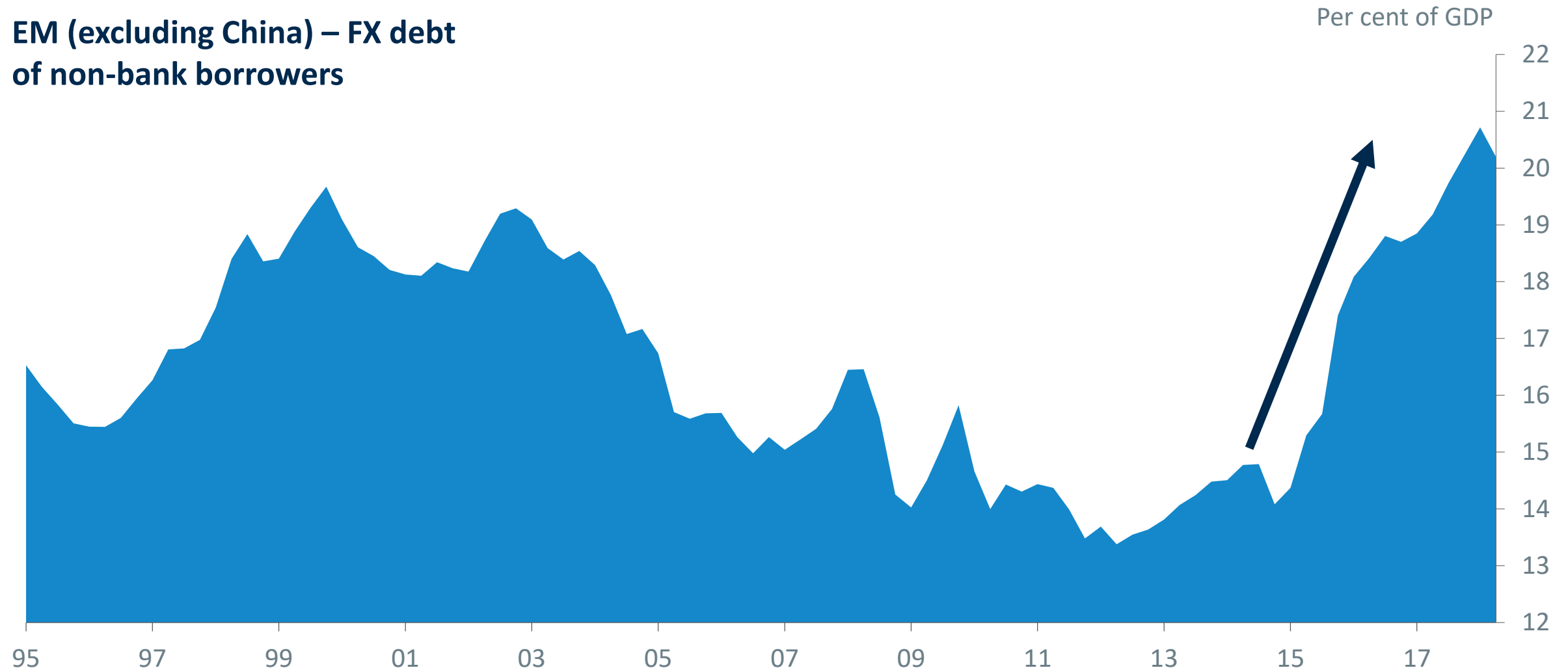


Improving Pull Factors have reduced Capital Flows-at-Risk

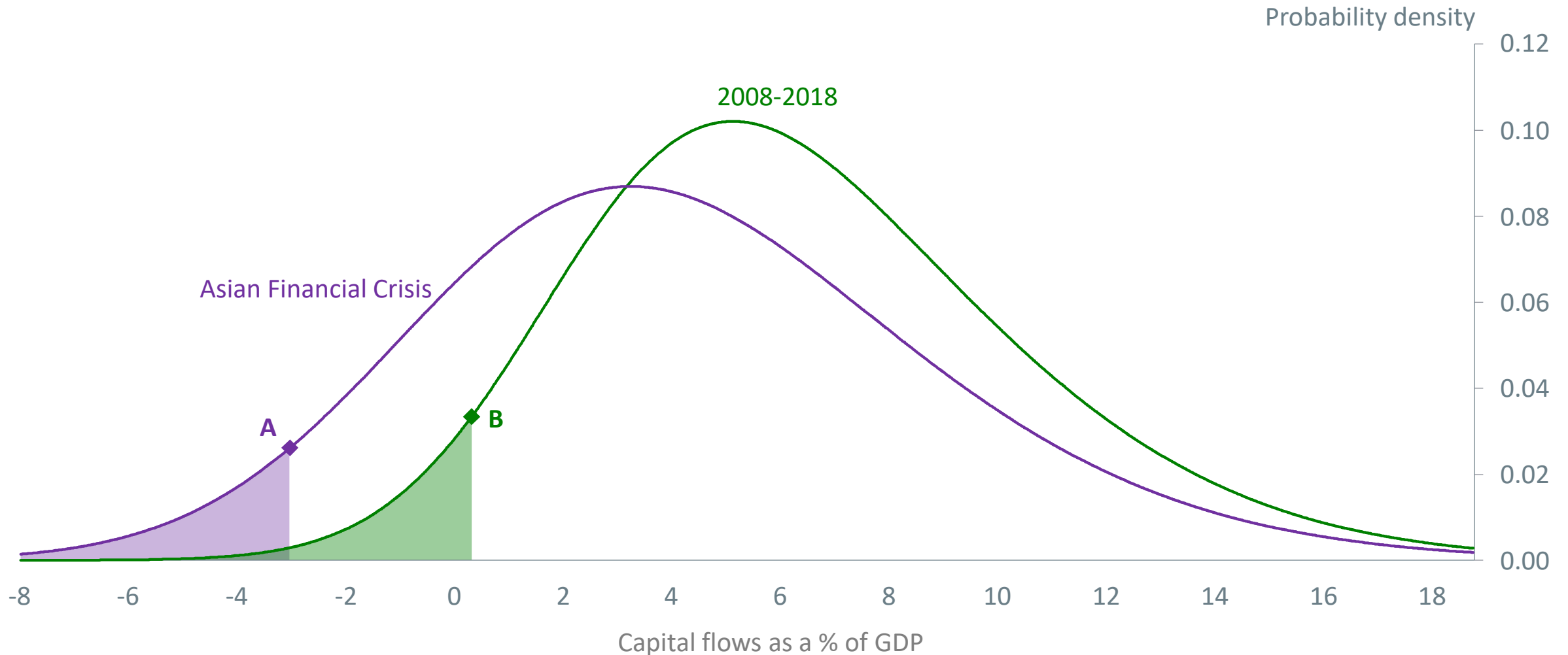


Share of FX-denominated debt has increased sharply

EM (excluding China) – FX debt
of non-bank borrowers



Overall, reforms to domestic institutional “pull factors” have substantially increased the sustainability of capital flows

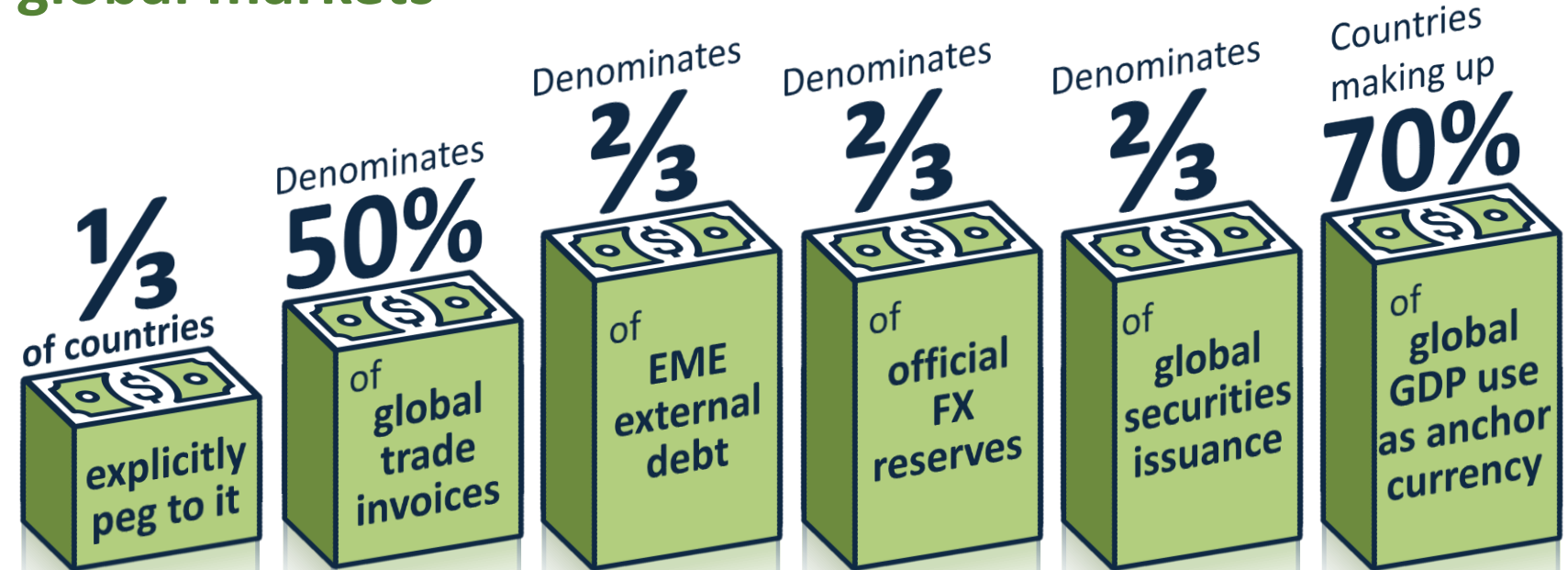


Global economy is rapidly becoming multi-polar, while the transition of the international monetary financial system has barely begun

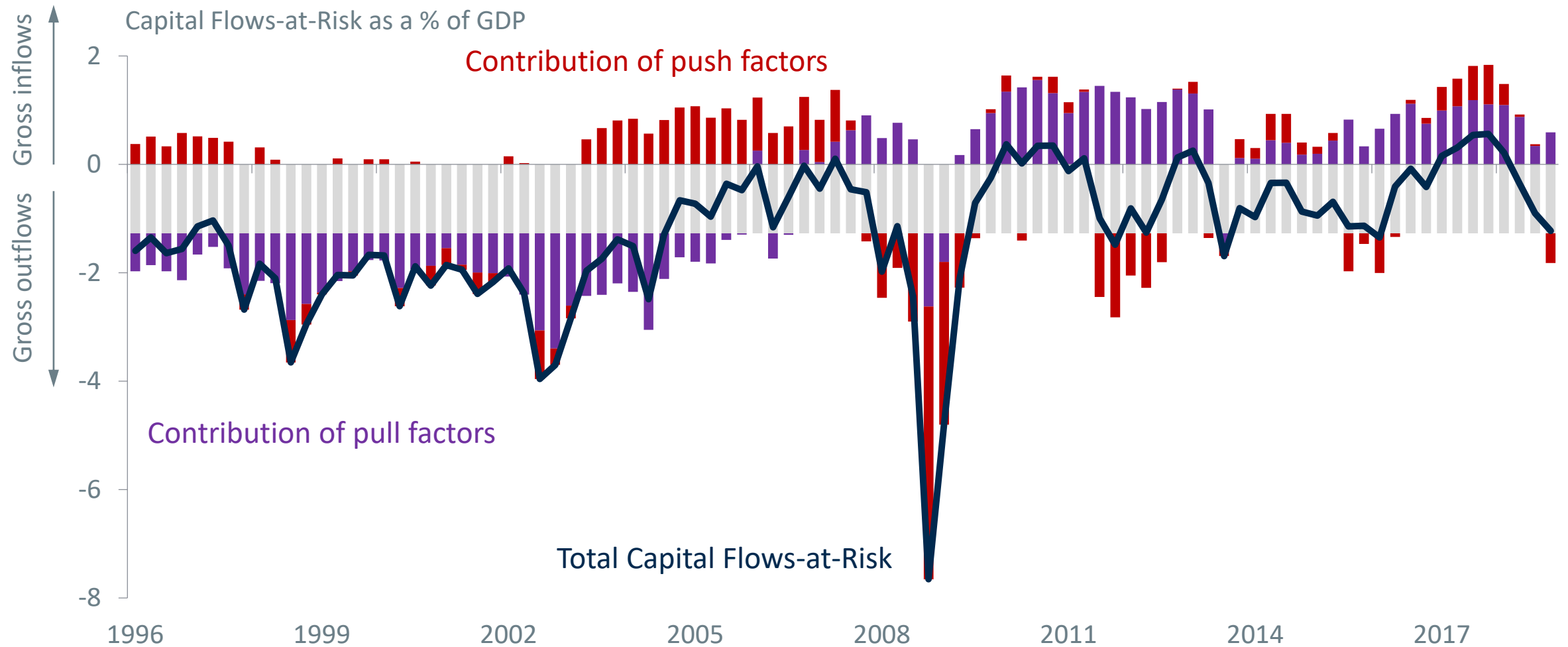
US share of the global economy



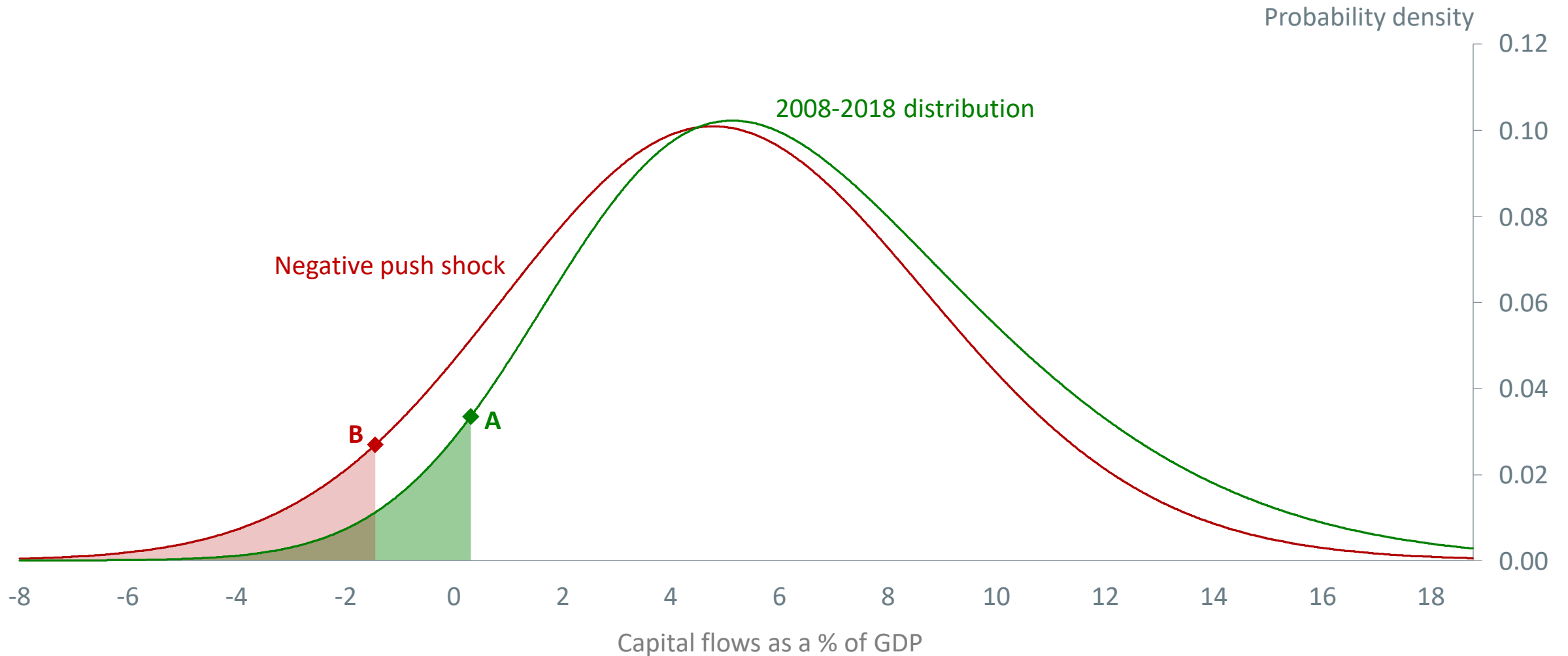
US dollar share of global markets



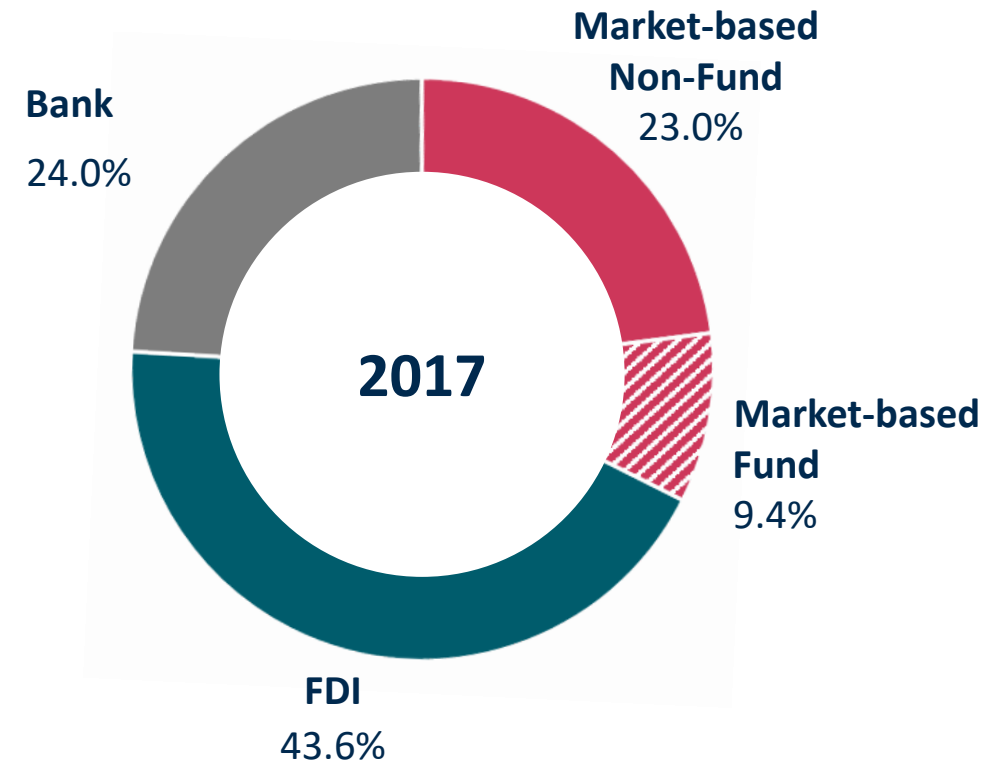
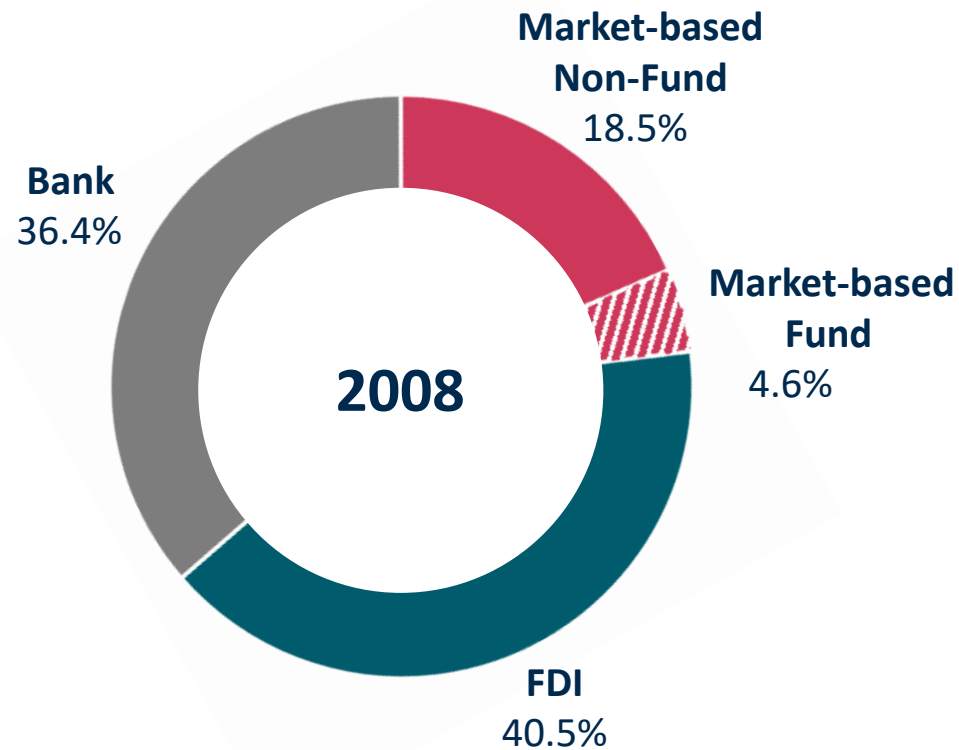
Impact of push factors has increased



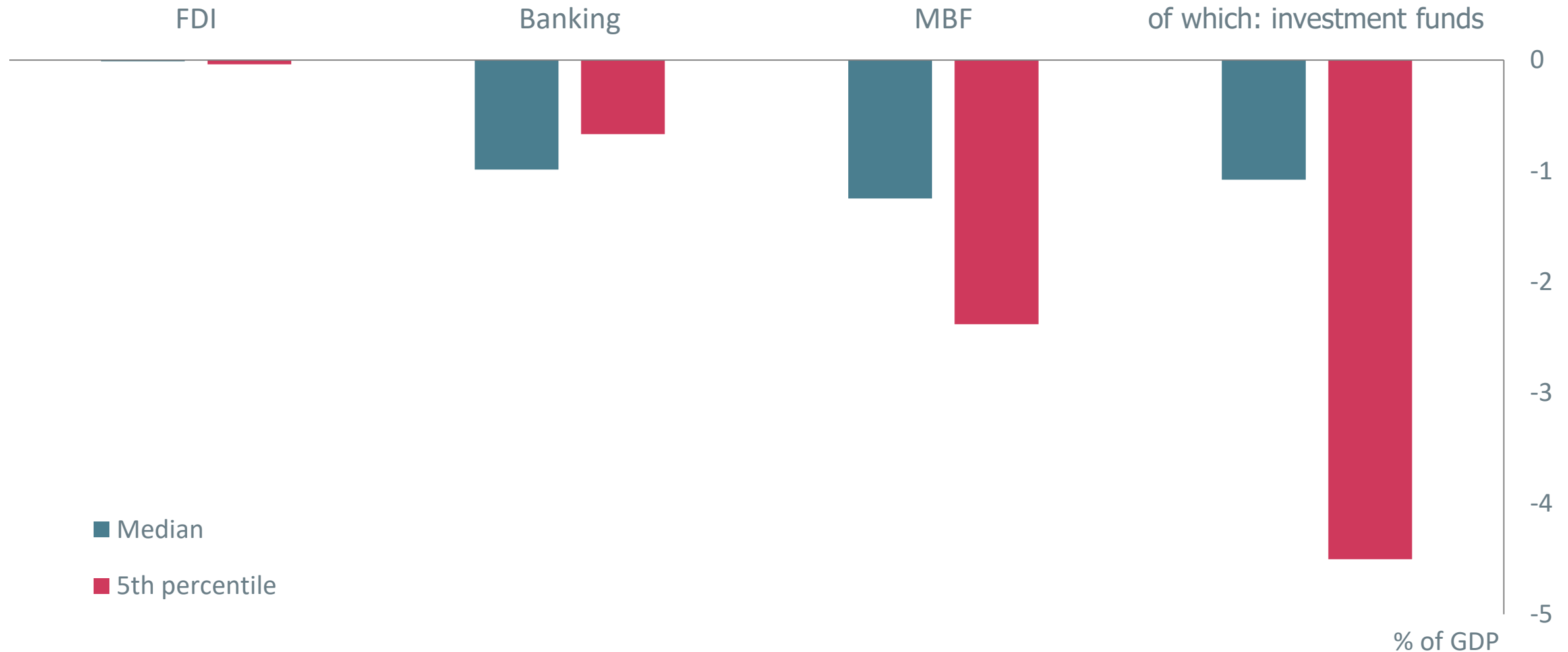
Push factors weighed more heavily over the past decade, offsetting some of the improvement in pull factors



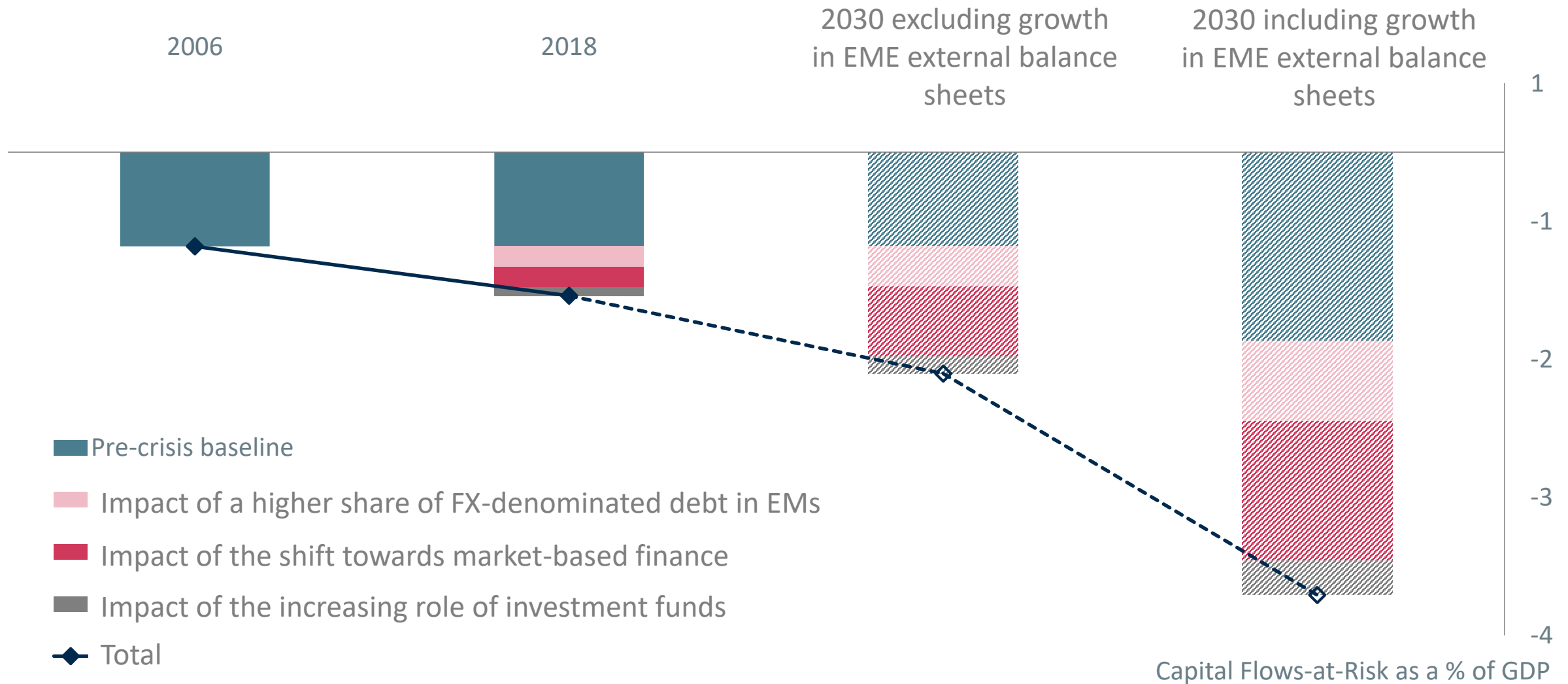
Market-based finance accounted for all the increase in foreign lending to EMEs since crisis as bank lending has declined



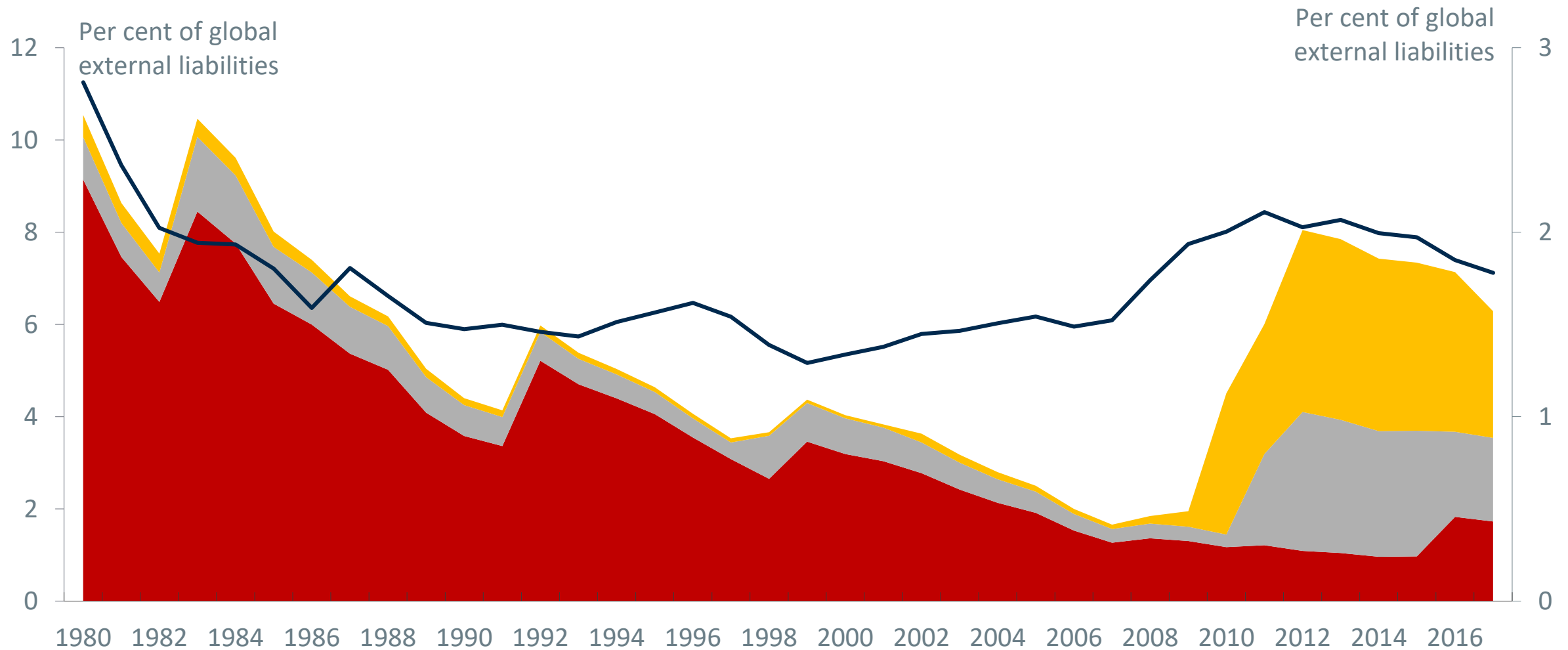
Market-based finance and investment fund flows more volatile than other types of flows



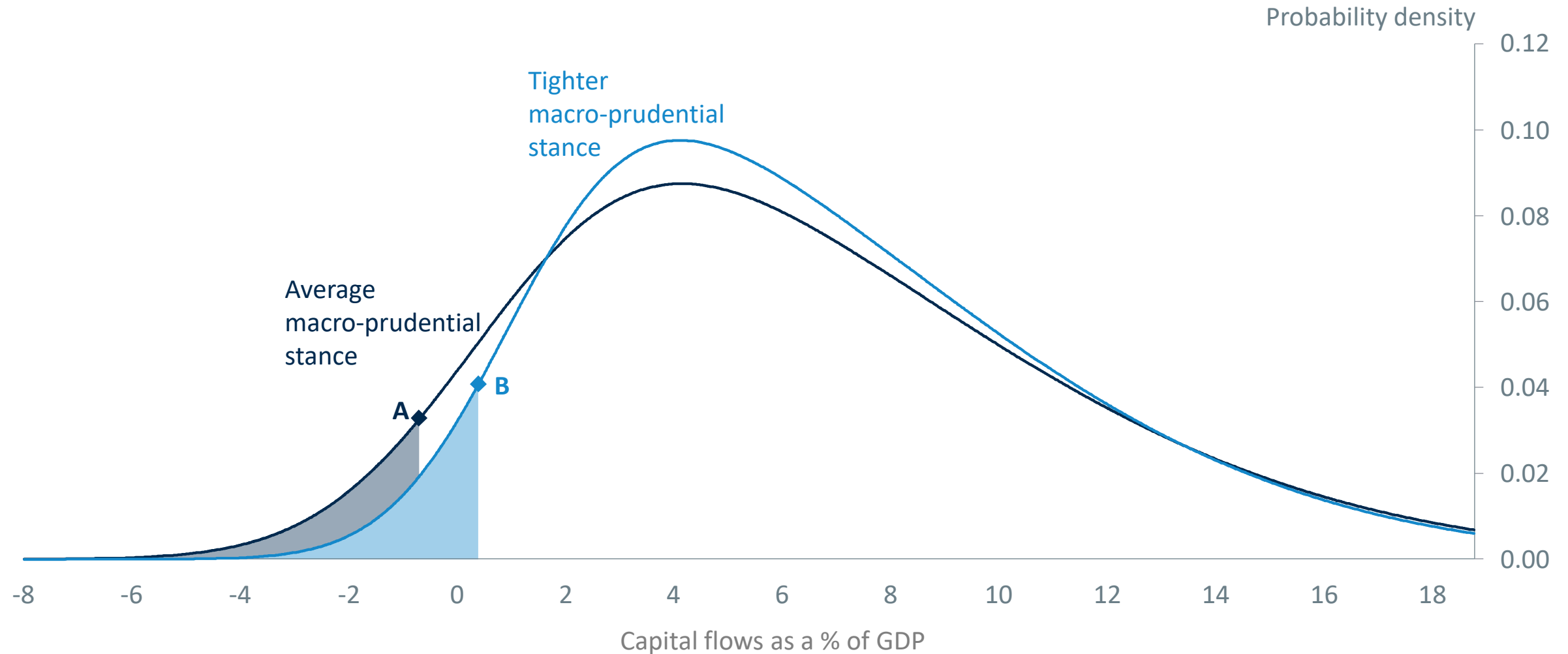
Structural changes in the global financial system are increasing Capital Flows-at-Risk



Global financial safety net more fragmented and less reliable



Macroprudential policy in EMEs can reduce Capital Flows-at-Risk





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