

# TOO MUCH OF THE WRONG SORT OF CAPITAL FLOW

**CAFRAL/RBI Conference on Capital Account Management and Macro-Prudential Regulation for Financial Stability and Growth**

New Delhi, 13 January, 2014

**PRESENTED BY**

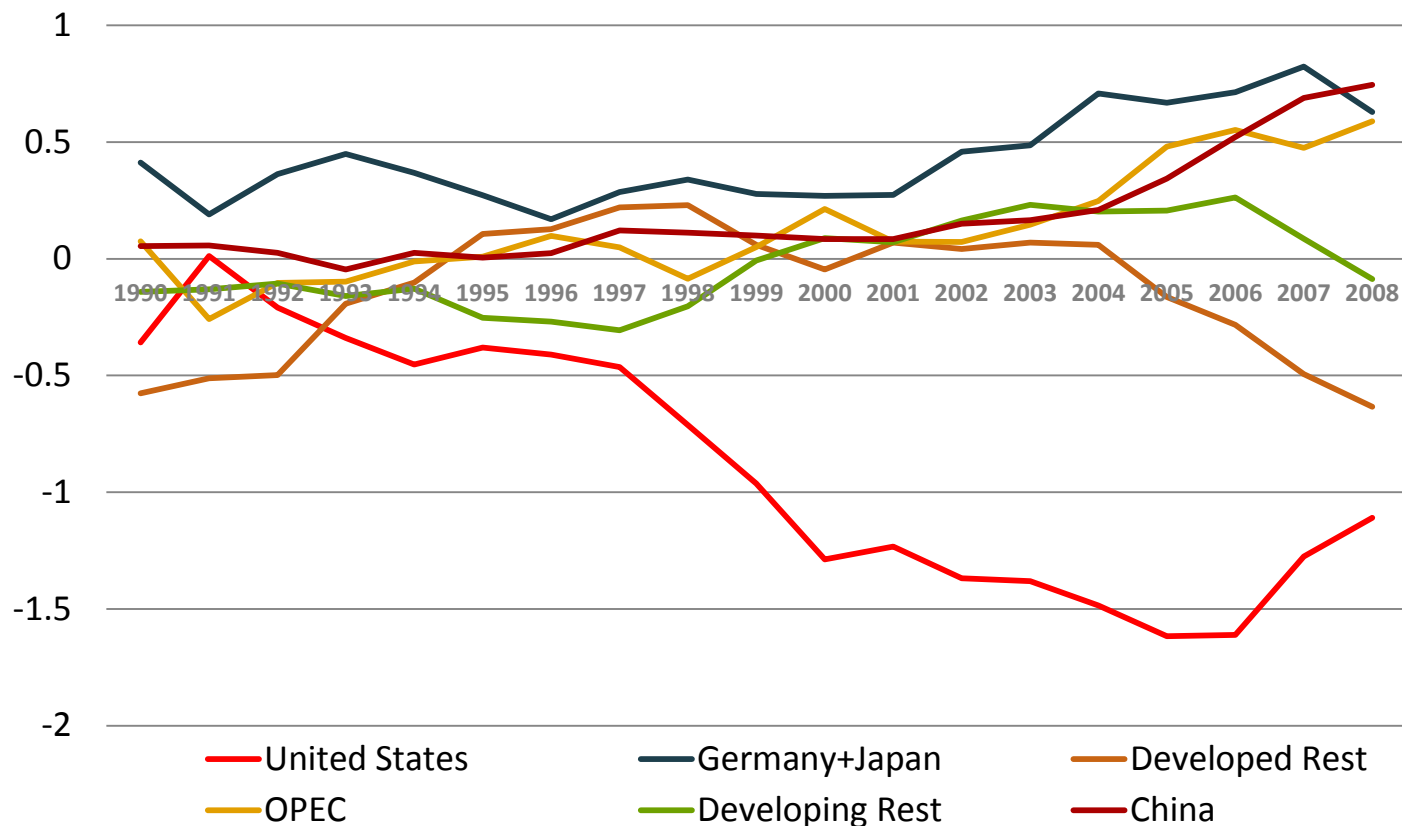
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*Senior Fellow, Institute of New Economic Thinking*

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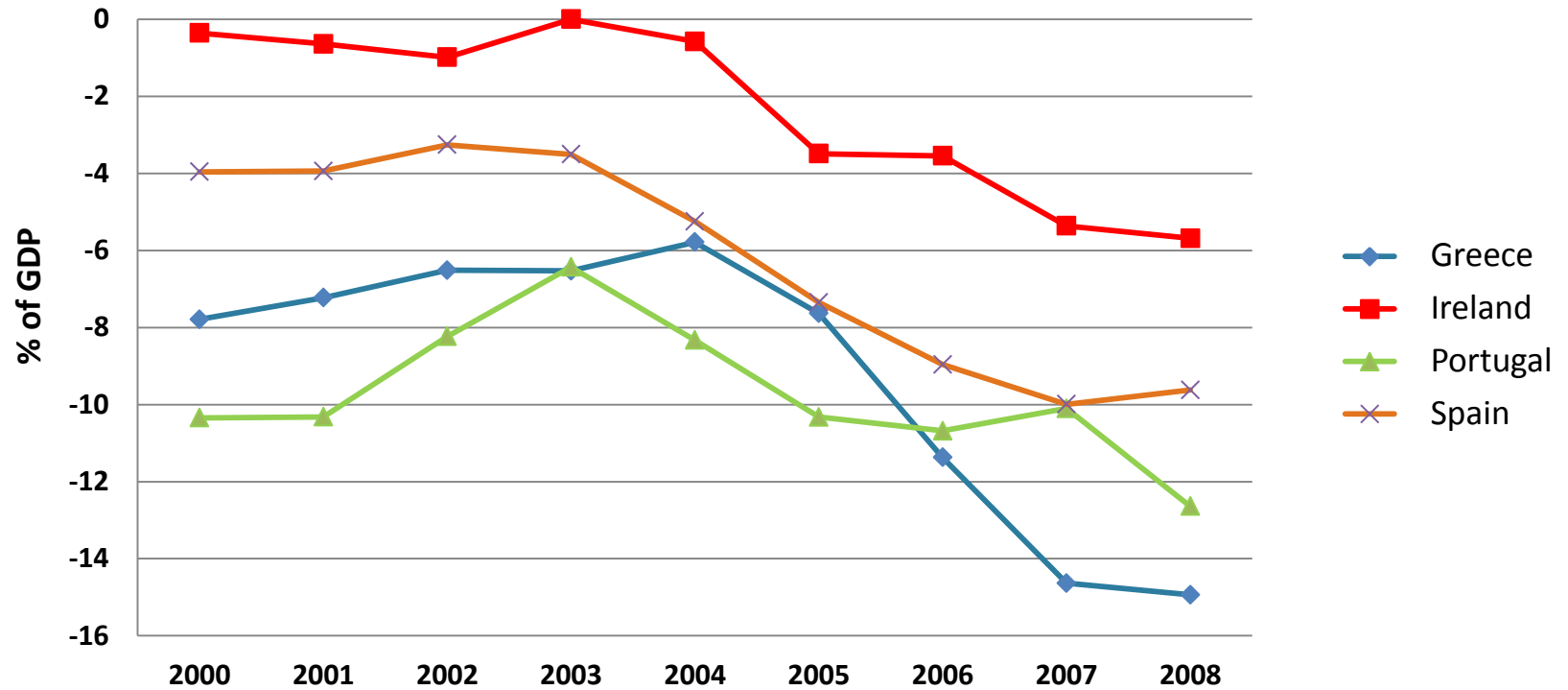
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# Global current account balances as a % of world GDP



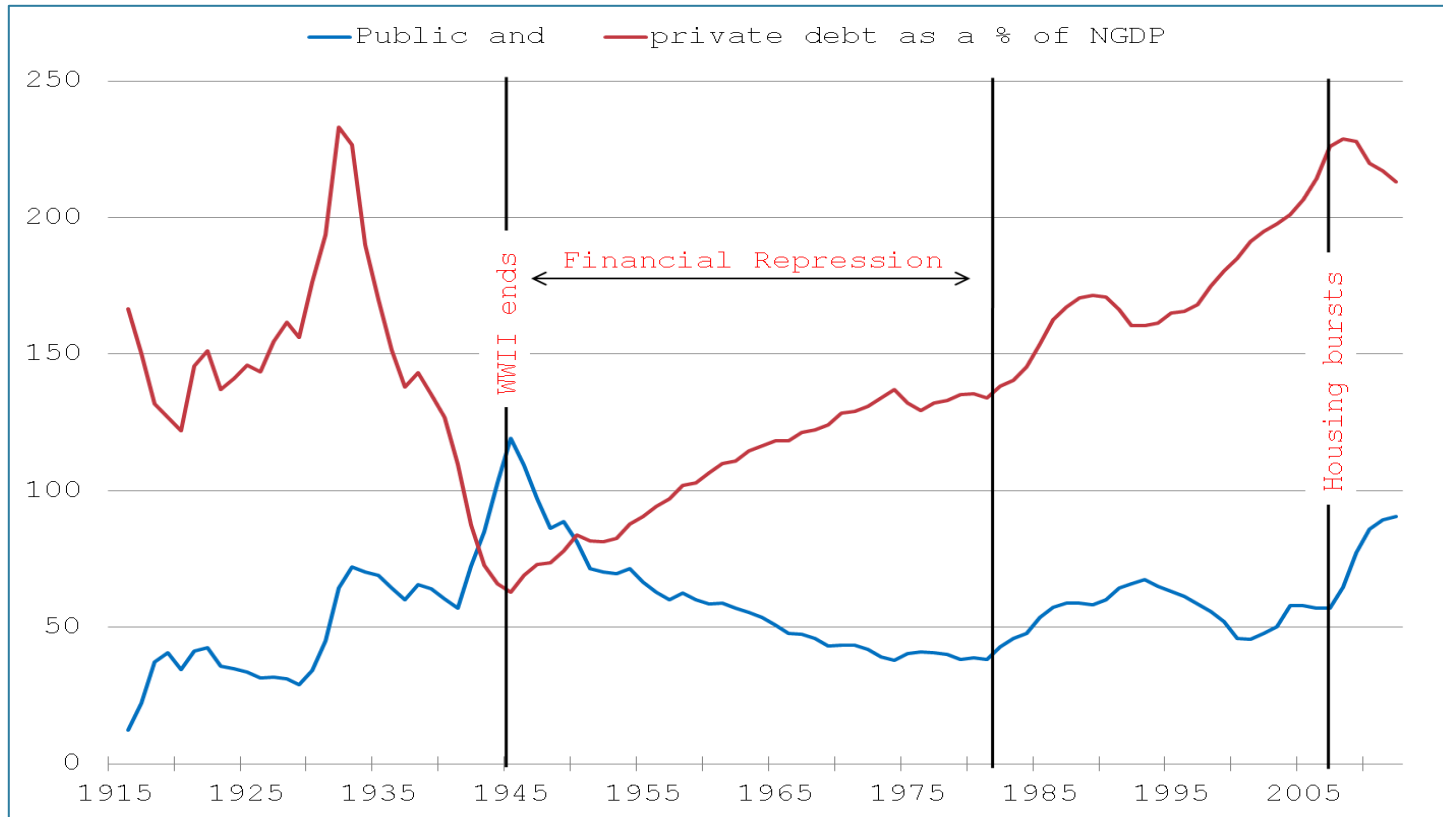
Source: IMF BOPS

# Eurozone current account deficits: 2000 – 2008



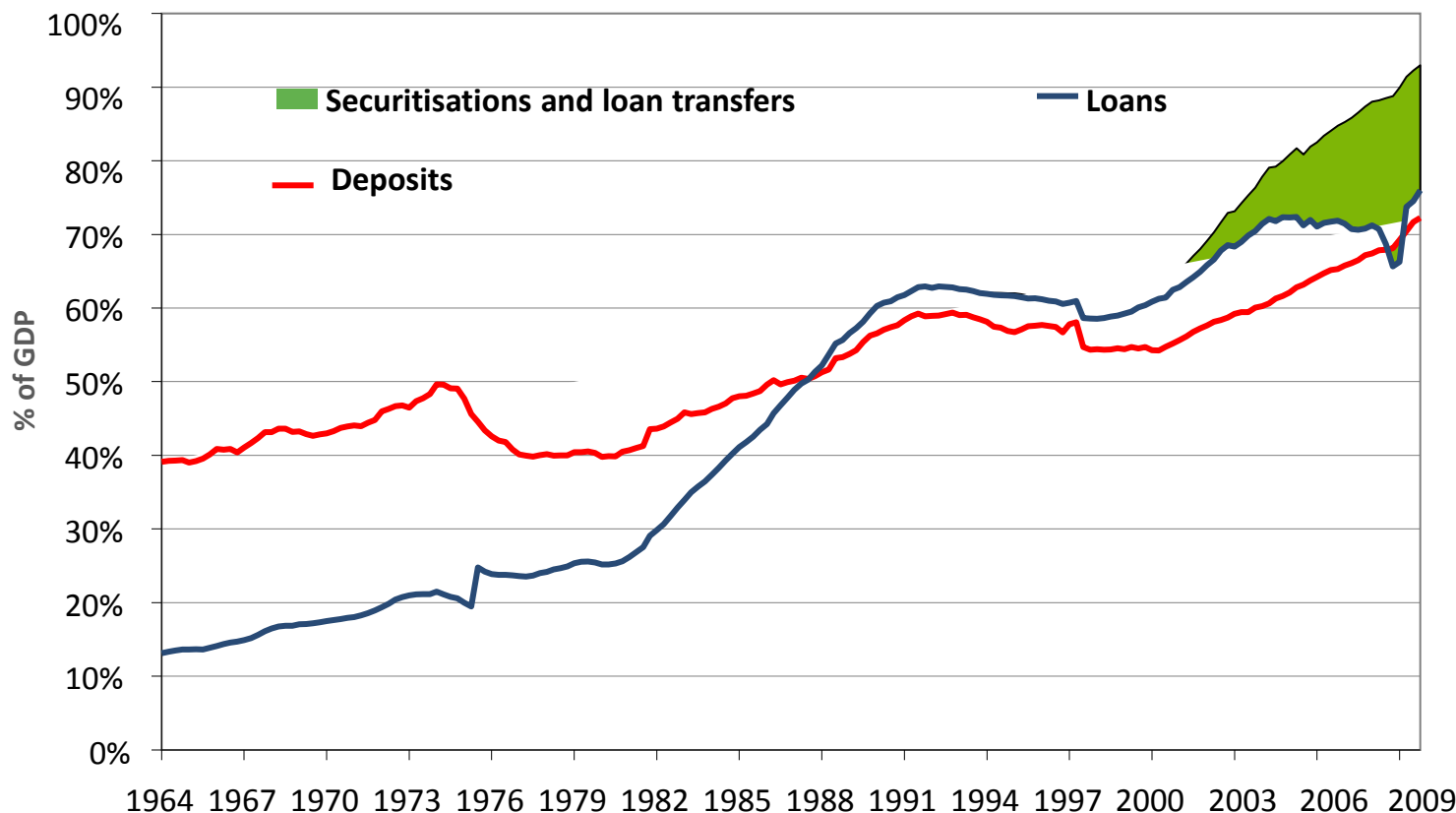
Source: International Monetary Fund, World Economic Outlook Database, October 2012

# US private and public leverage cycles



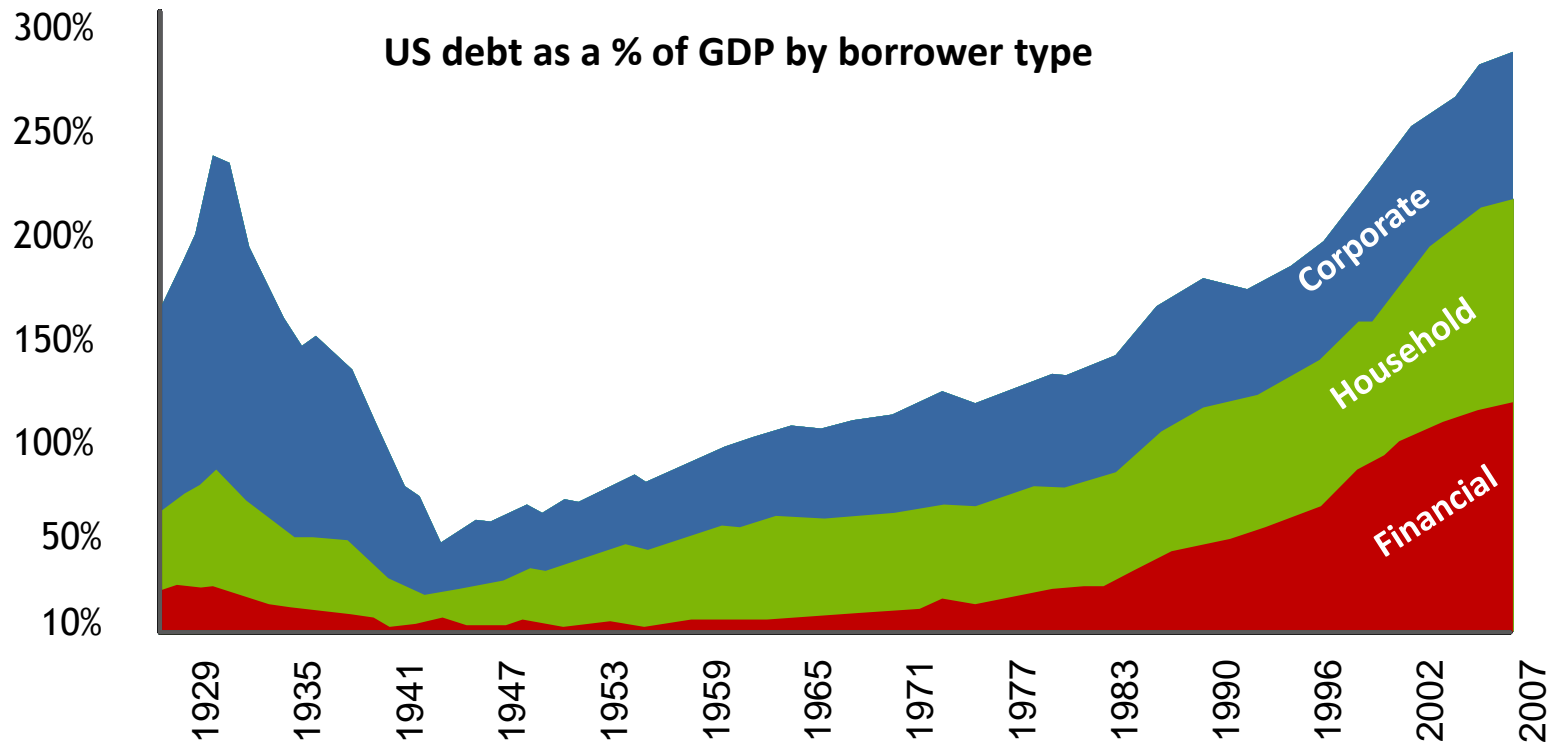
Source: McCulley and Pozsar

# UK household deposits and loans: 1964 – 2009

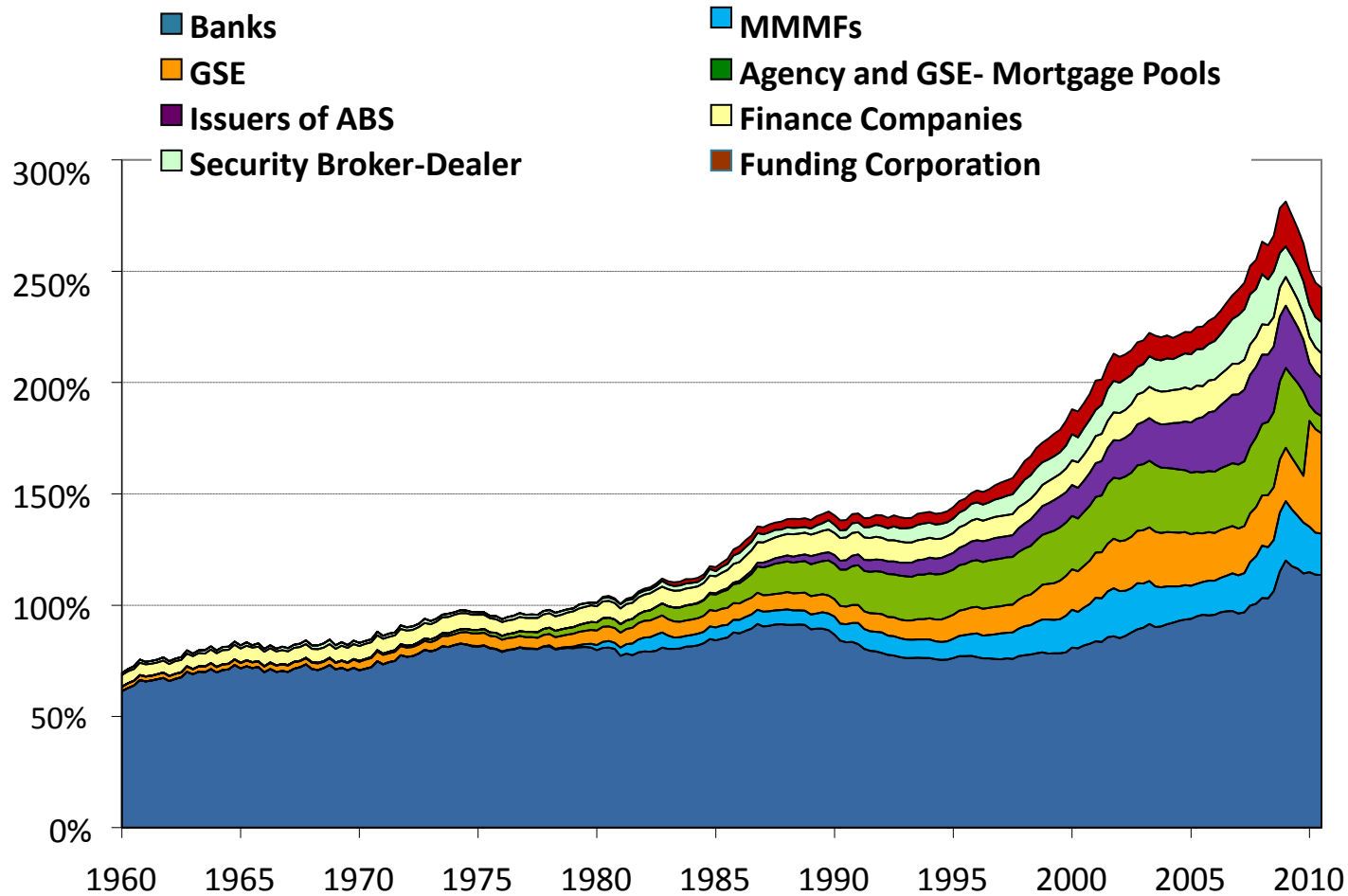


Source: Bank of England, Tables A4.3, A4.1

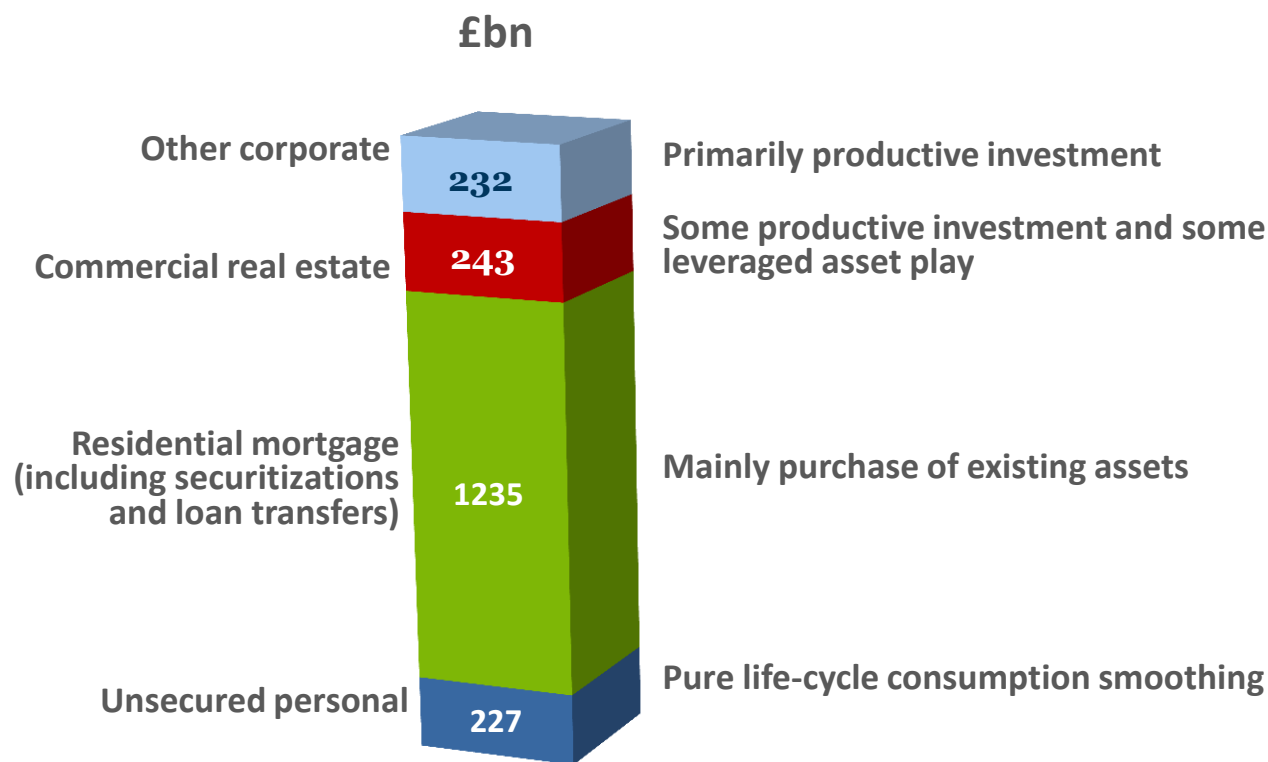
# Measures of increasing financial intensity



# US financial sector assets

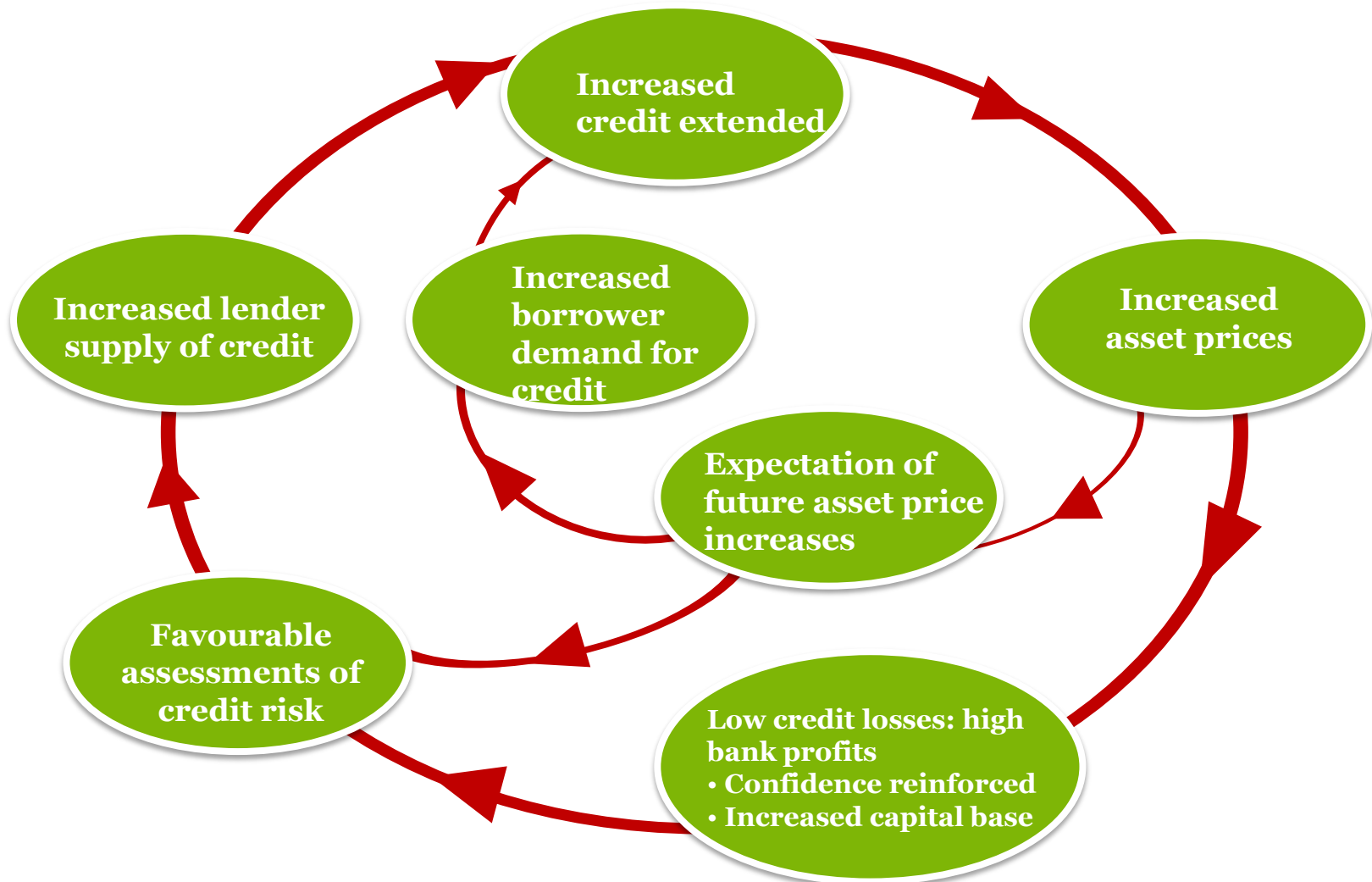


# Categories of debt: UK 2009

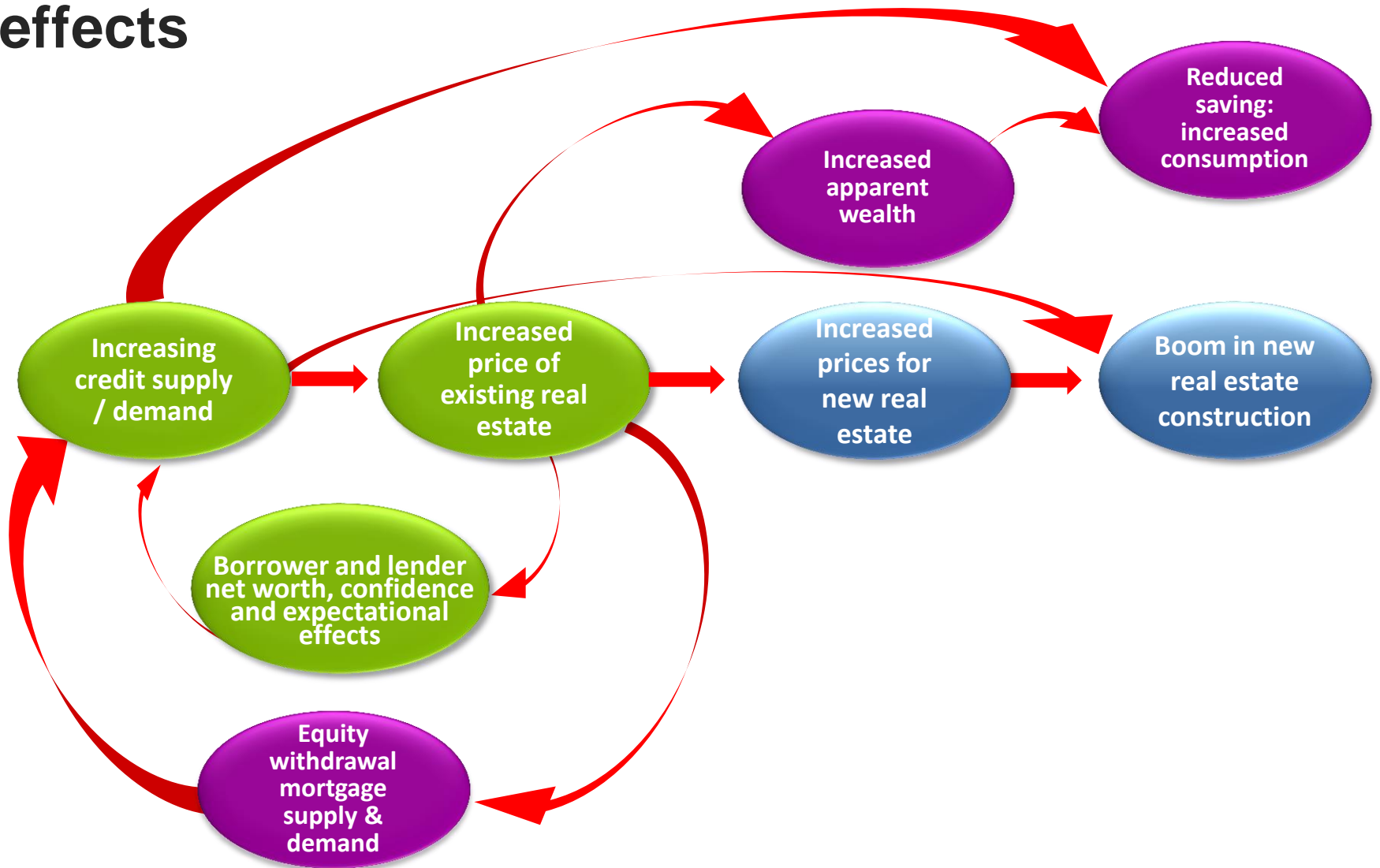




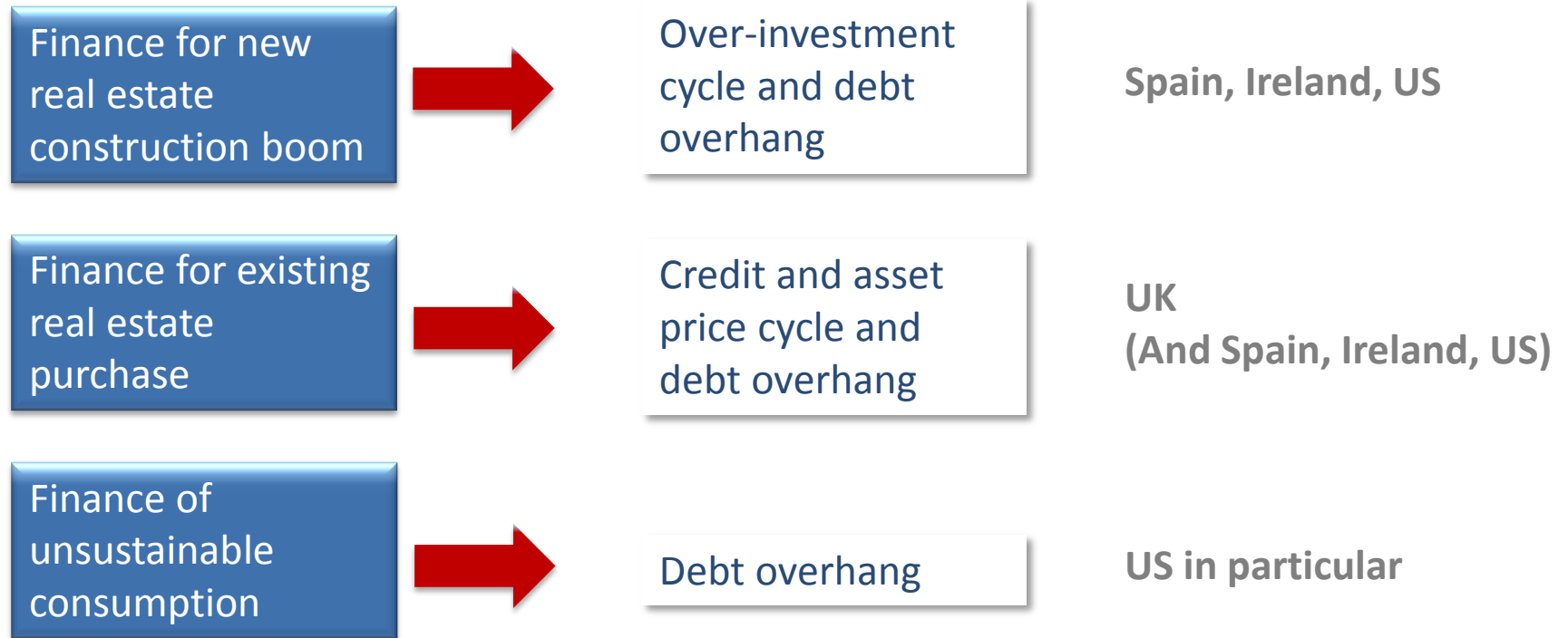
# Credit and asset price cycles



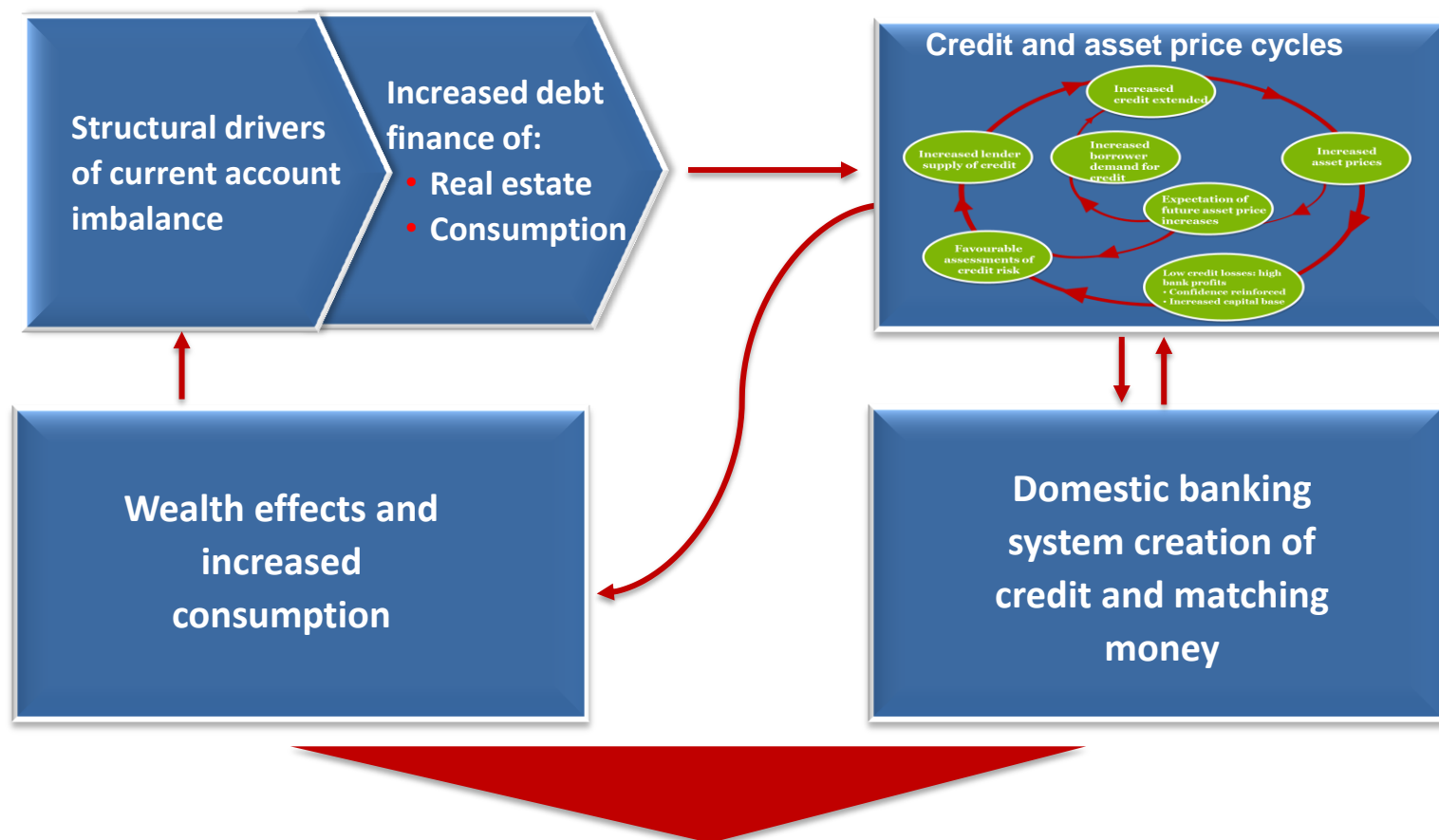
# Interactions between credit categories and effects



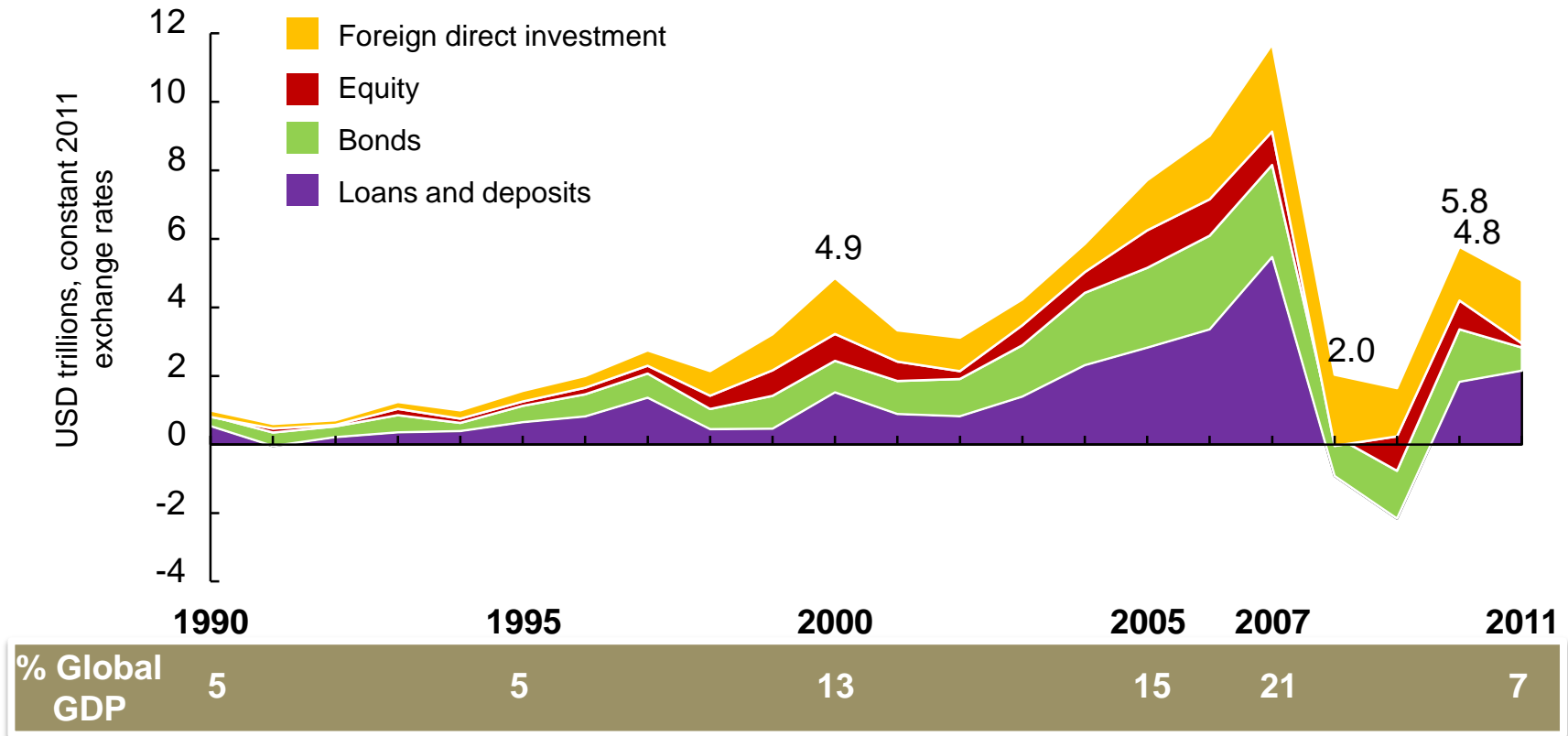
# Categories of net capital flow effects



# Net capital flows and domestic credit cycles

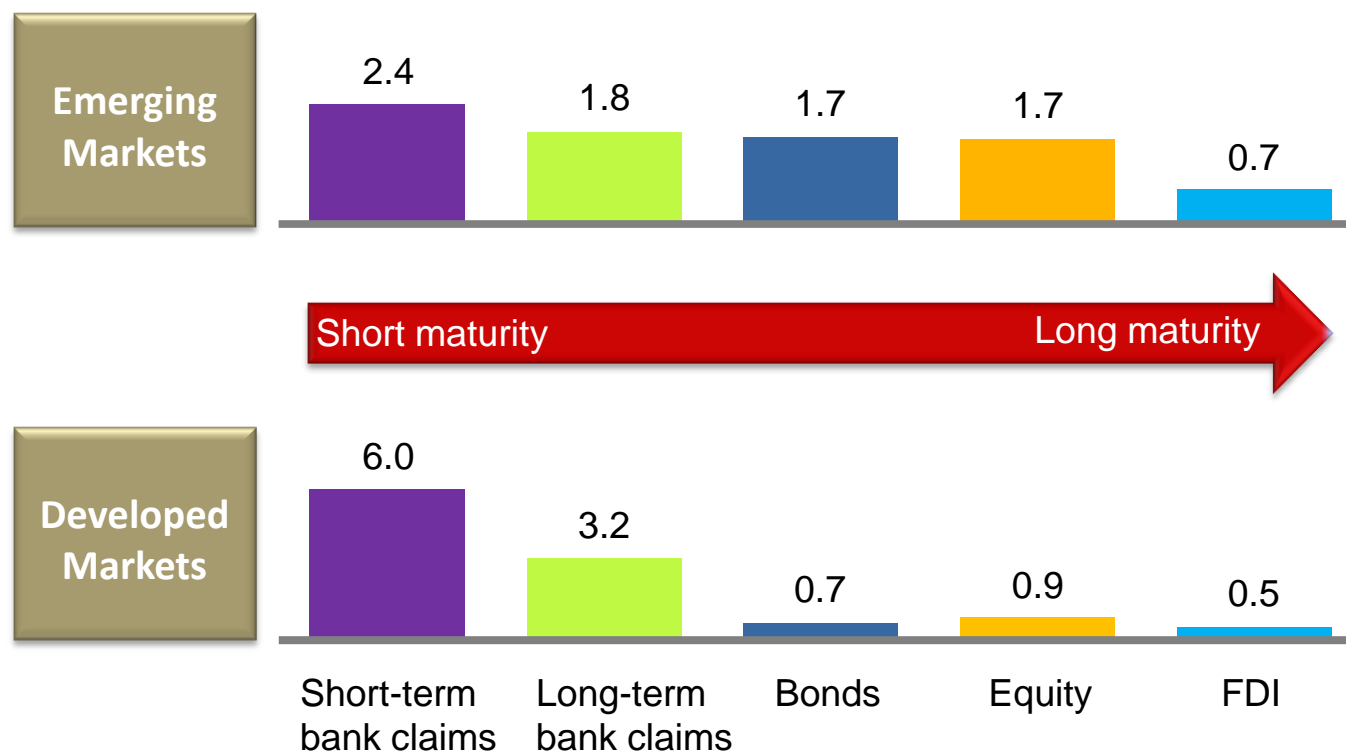


# Total cross-border capital inflows: 1980 – 2011



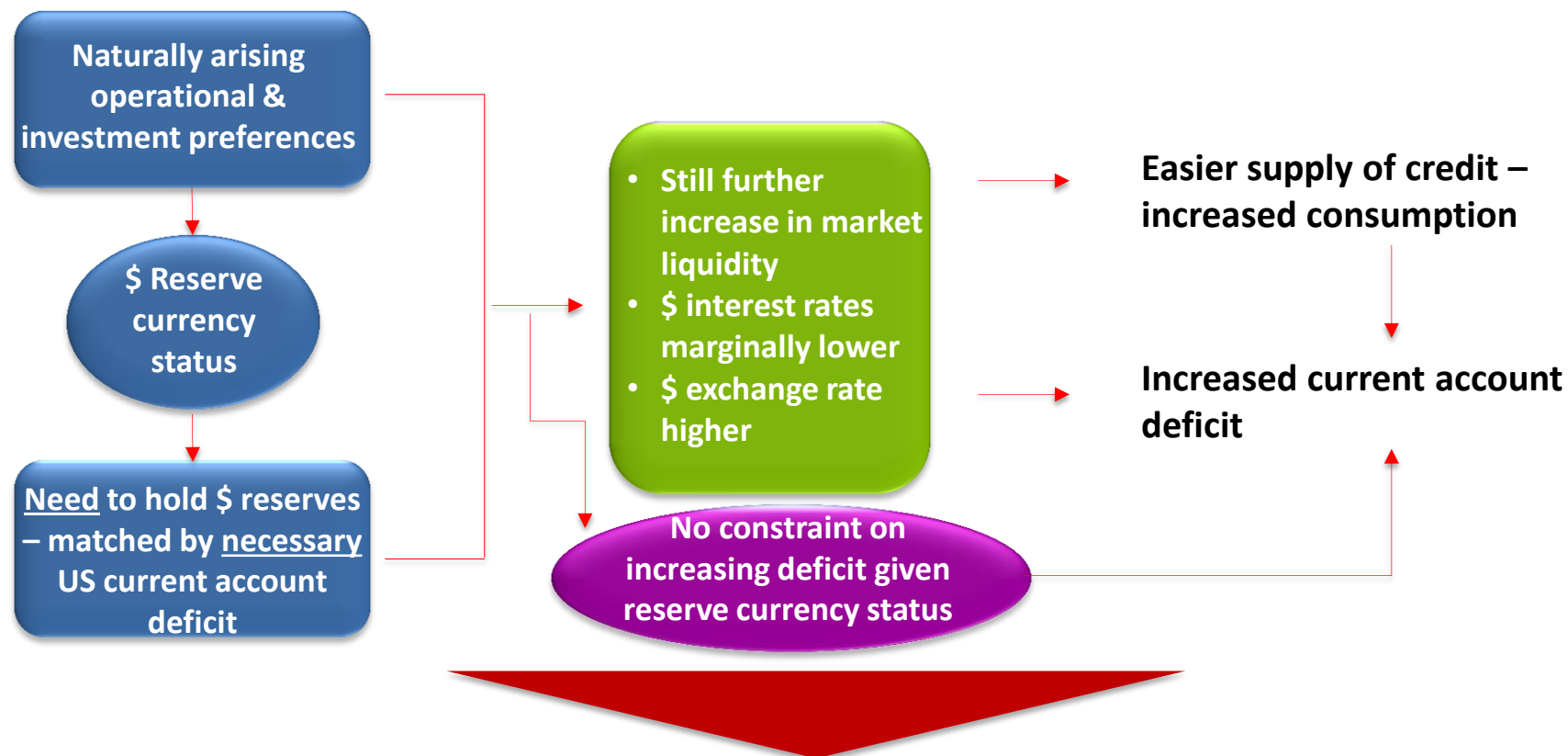
Source: *Future of Long-term Finance*, Group of Thirty Report, MGI, December 2012

# Coefficient of variation of inward cross-border runs by type



**Source:** *Future of Long-term Finance*, Group of Thirty Report, MGI, December 2012

# Dynamics of increasing deficits in reserve currency economy



Consequent current account deficit and overseas holding of \$ can be far higher than reserve currency status makes necessary