



ธนาคารแห่งประเทศไทย  
BANK OF THAILAND

# Discussion of “International Capital Flows and Domestic Financial Conditions”

by

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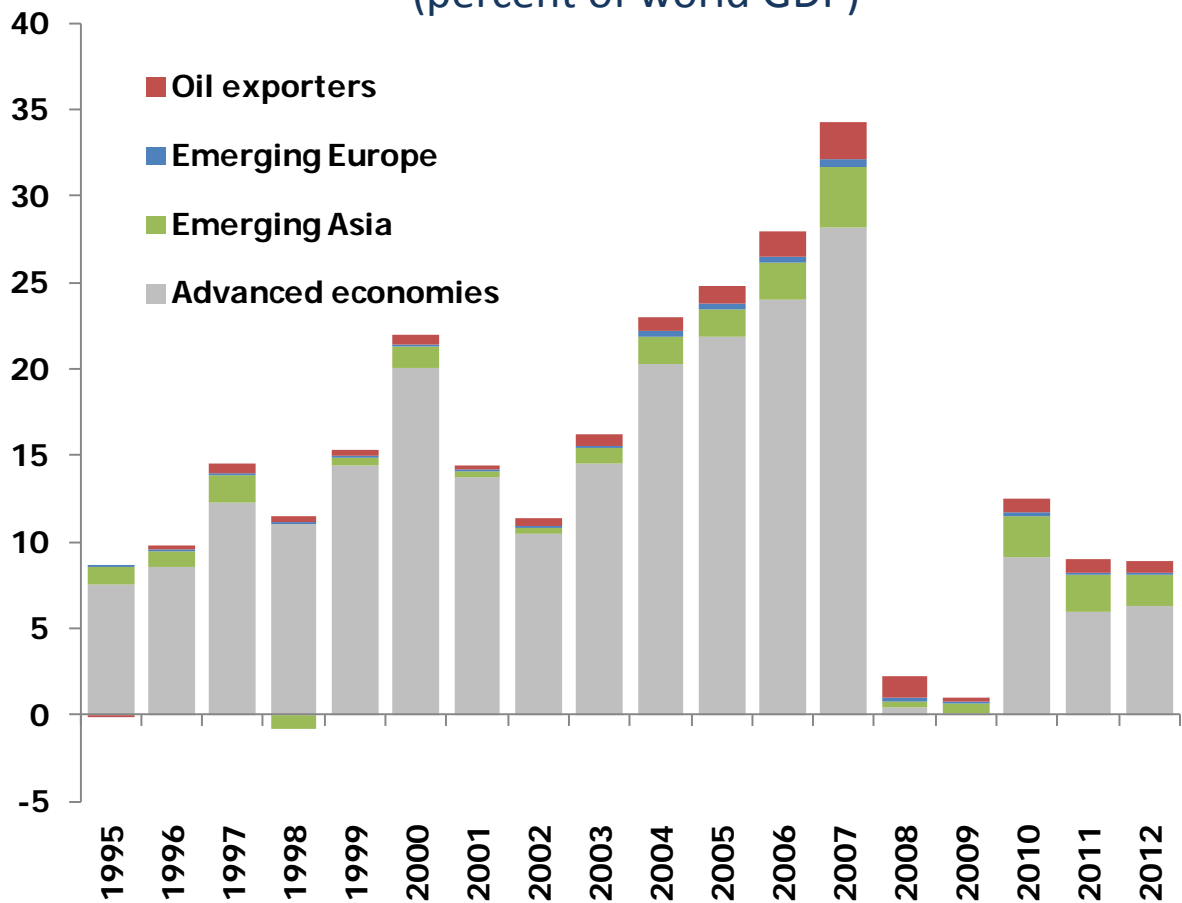
Piti Disyatat

Bank of Thailand

Bangkok, November 1-2, 2013



# Gross capital flows (percent of world GDP)



Source: IMF; Oil Exporters = Algeria, Angola, Azerbaijan, Bahrain, Democratic Republic of Congo, Ecuador, Equatorial Guinea, Gabon, Iran, Kazakhstan, Kuwait, Libya, Nigeria, Norway, Oman, Qatar, Russia, Saudi Arabia, Sudan, Syrian Arabic Republic, Trinidad and Tobago, the United Arab Emirates, Venezuela and Yemen;

Emerging Europe = Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia;

Emerging market Asia = China, Taiwan, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Thailand;

Advanced economies = Australia, Canada, Denmark, the euro area, Japan, New Zealand, Sweden, the UK and the US.



## Capital flows and domestic credit

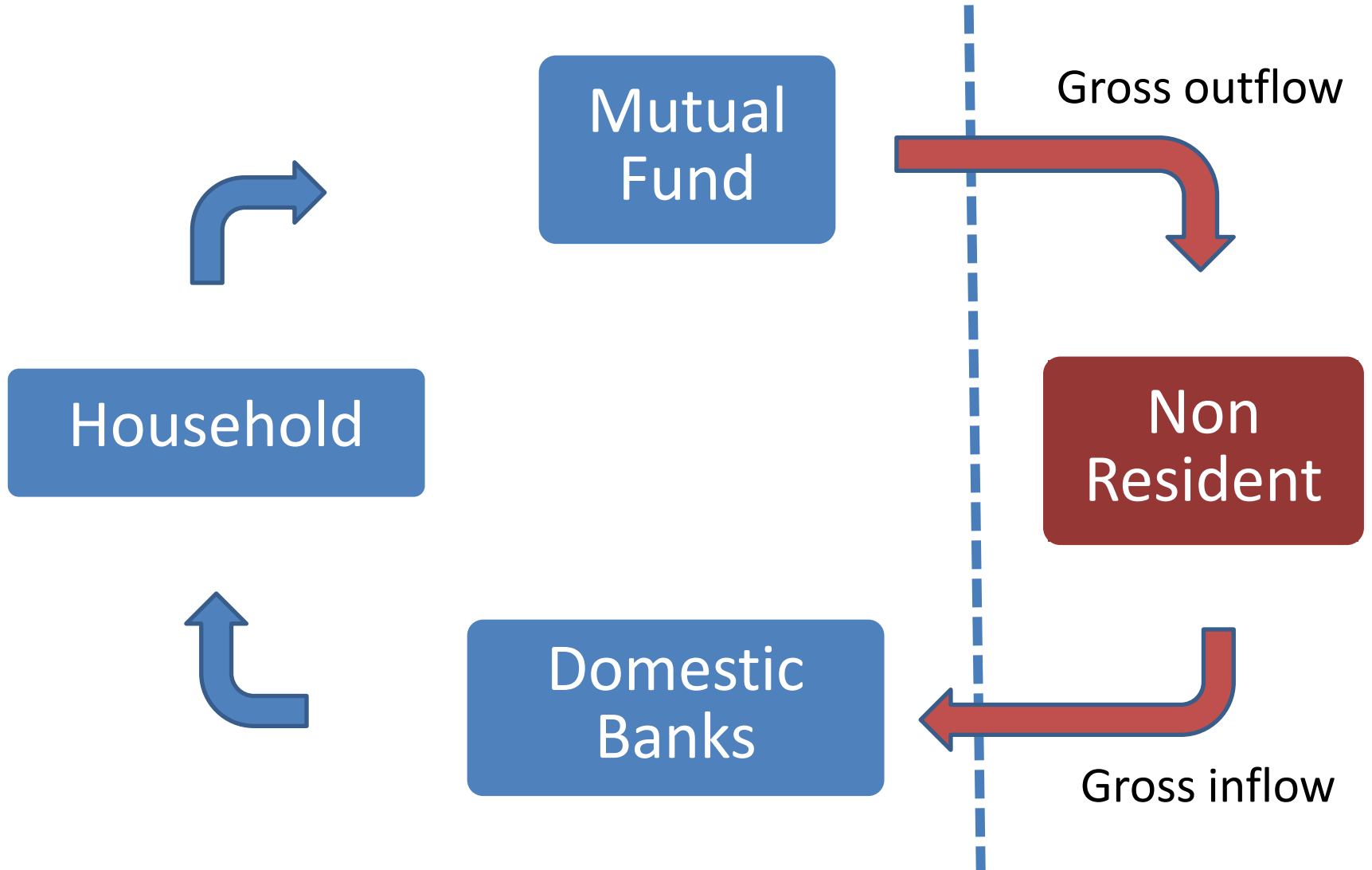
### “Wall of money” or just intermediation?

- Capital inflows don't expand supply of domestic currency funds for lending
  - Domestic purchasing power just changes hands
- Domestic currency funds increase only if banks extend credit
  - Capital inflow may simply reflect intermediation of domestic funds
- Foreign currency inflows also often reflect intermediation
  - Hedging demand, outward direct investment

Inflow “tail of the dog”?



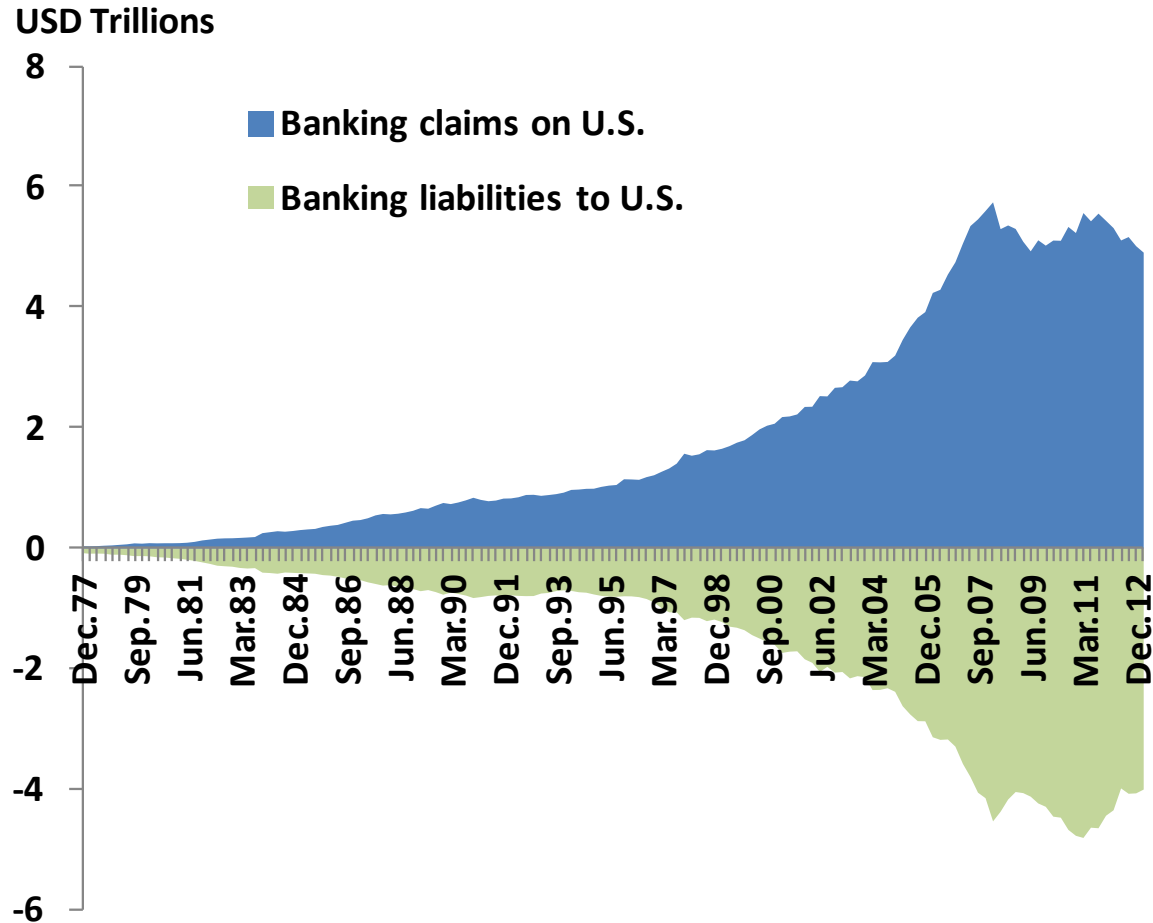
## Cross-border wholesale banking





# What I claim, I owe

## External bank positions vis-à-vis United States

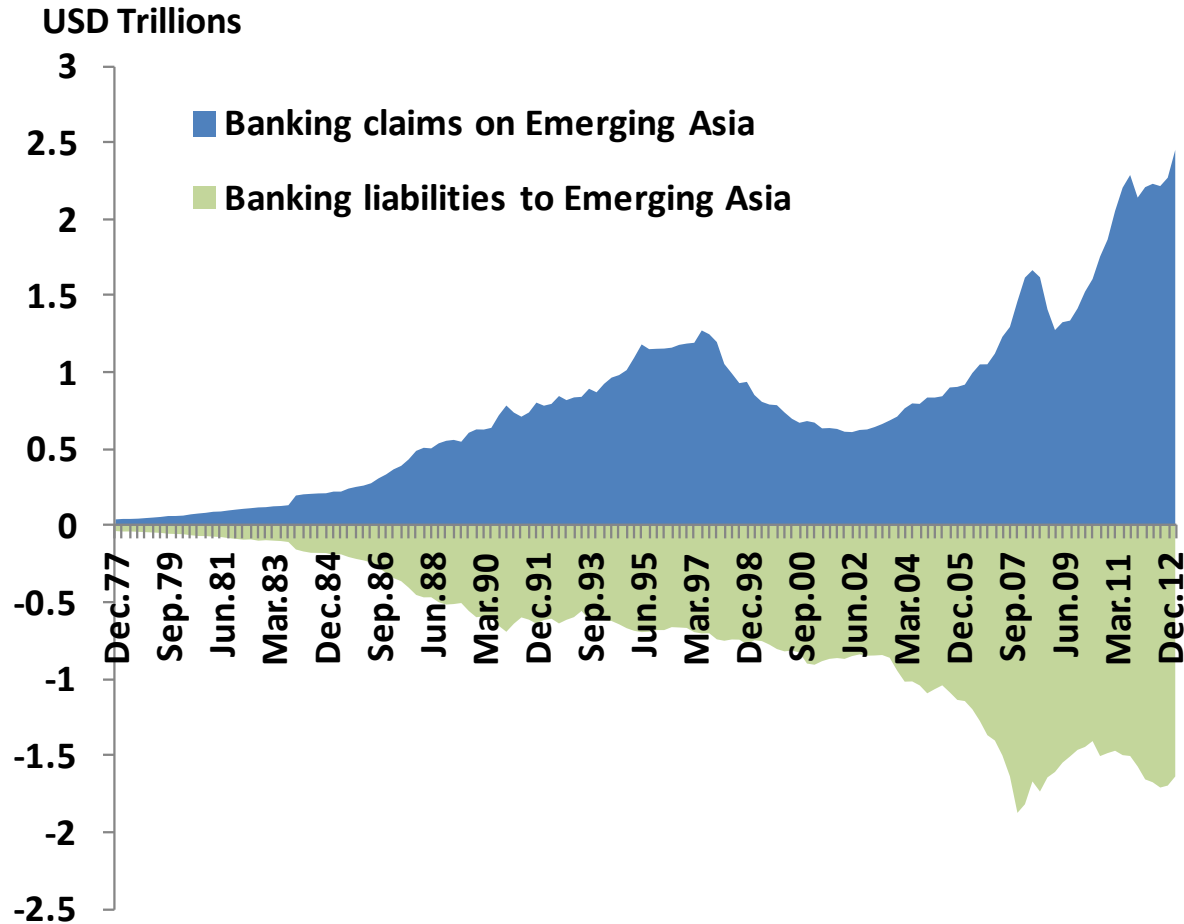


External positions of reporting banks vis-a-vis all sectors vis-a-vis individual countries  
(Source: BIS Locational Banking Statistics, Table 6A)



# What I claim, I owe

## External bank positions vis-à-vis Emerging Asia



External positions of reporting banks vis-a-vis all sectors vis-a-vis individual countries (Source: BIS Locational Banking Statistics, Table 6A); Emerging Asia = China, Hong Kong, Korea, India, Indonesia, Malaysia, Pakistan, Singapore, Taiwan and Thailand.



## How important is location?

### Residency or nationality

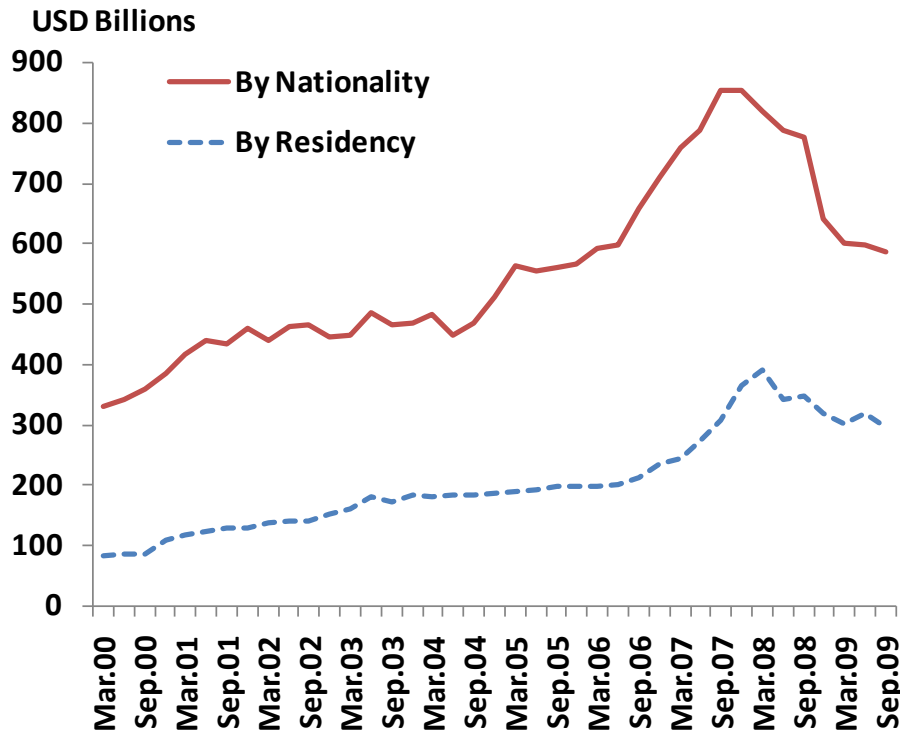
- Intermediation across institutions versus across borders
  - Quality of credit assessment
  - Funding structure
- Global banks
  - True picture of global intermediation and exposures requires consolidation on nationality basis
- Global firms
  - Assessing financing conditions and risks requires looking across borders



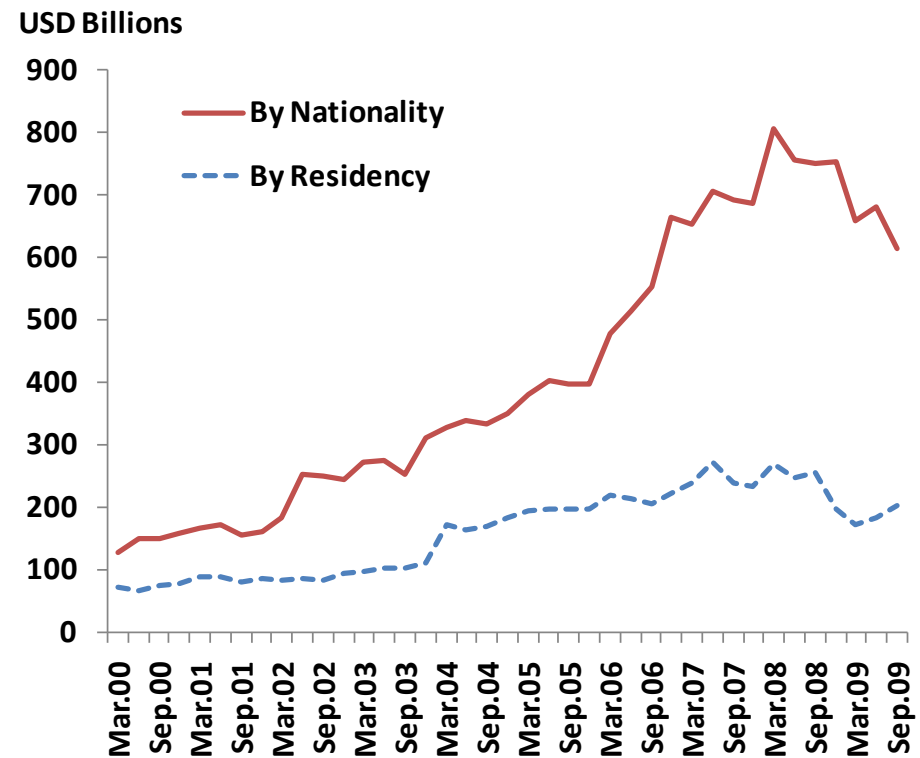
## Global banks

### Claims on residents of the United States

#### German



#### French



Source: BIS locational international banking statistics by residence, BIS consolidated banking statistics (IB basis). Nationality defined as non-US banks' worldwide consolidated foreign claims (cross-border plus local claims).



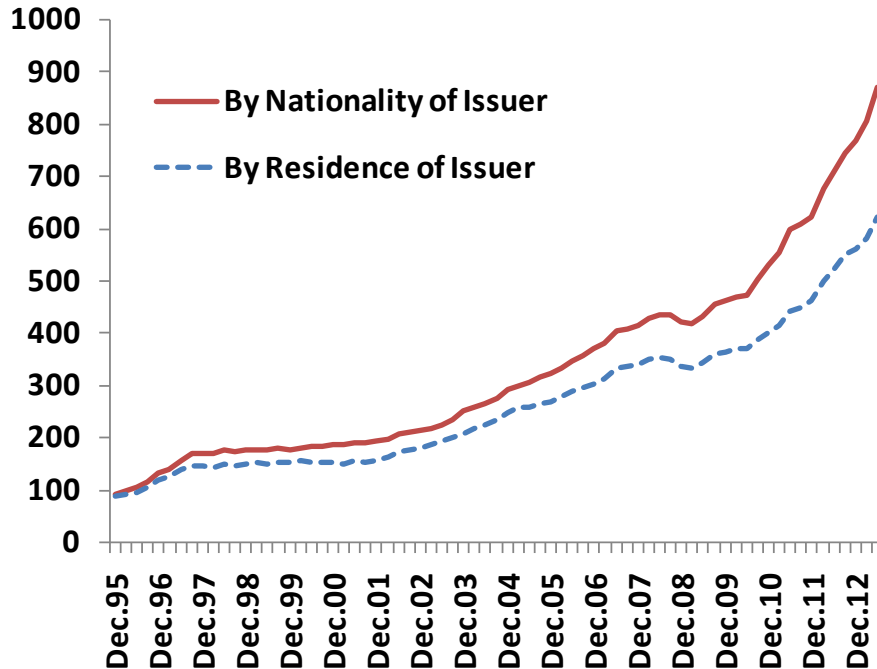


# Global firms

## International debt securities outstanding

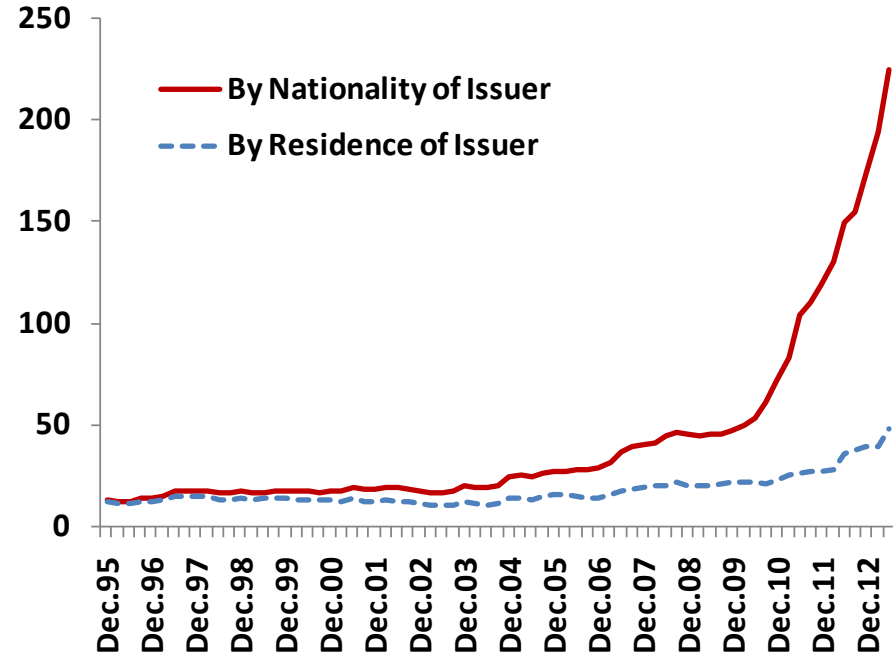
### Emerging Asia

USD Billions



### China

USD Billions



International debt securities outstanding (Source: BIS Debt Securities Statistics, Tables 11A and 12A); Emerging Asia = China, Hong Kong, Korea, India, Indonesia, Malaysia, Pakistan, Singapore, Taiwan and Thailand.



## Policy Implications

- Causality between domestic credit and capital flow matters
  - Risk lies with domestic credit extension – look inward instead of outward to manage risk
  - Policy response must ascertain nature of flows
- Is residency distinction the relevant one to make?
  - Implications for capital flow measures
  - How banks are funded rather than from whom

Keep eye on credit growth and gross short-term debt