

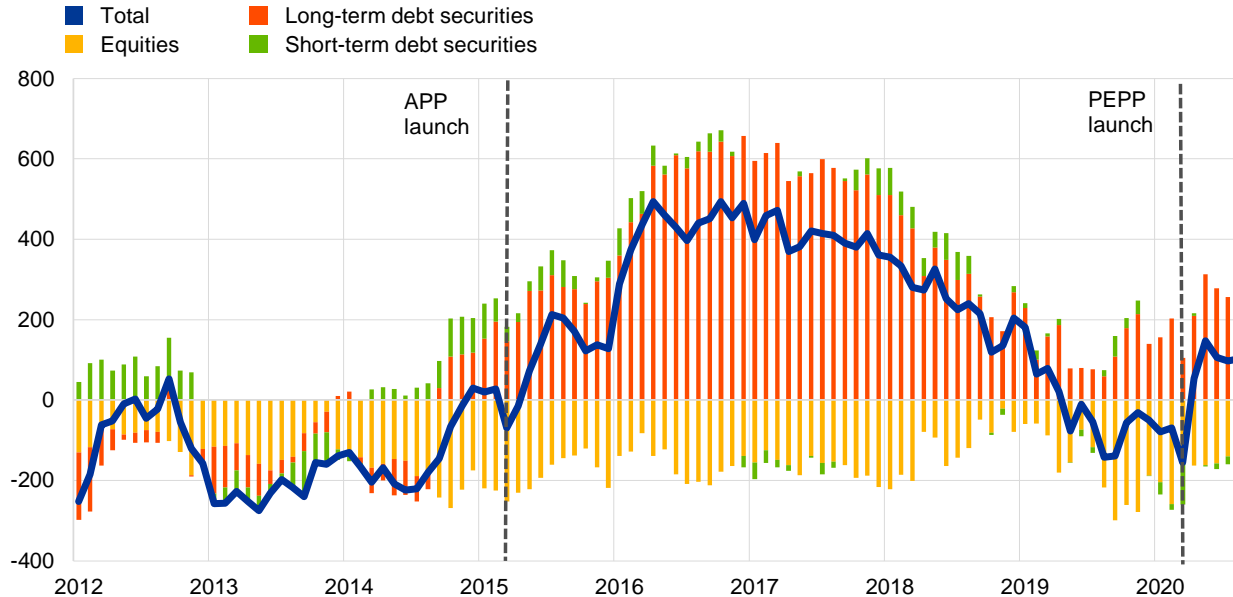
Philip R. Lane
Member of the Executive Board

International flows and the pandemic: evidence from the euro area

Bank of England / Banque de France / IMF / OECD workshop
on “International capital flows and financial policies”
21 October 2020

Breakdown of euro area net portfolio investment flows

(EUR billions; twelve-month moving sums)



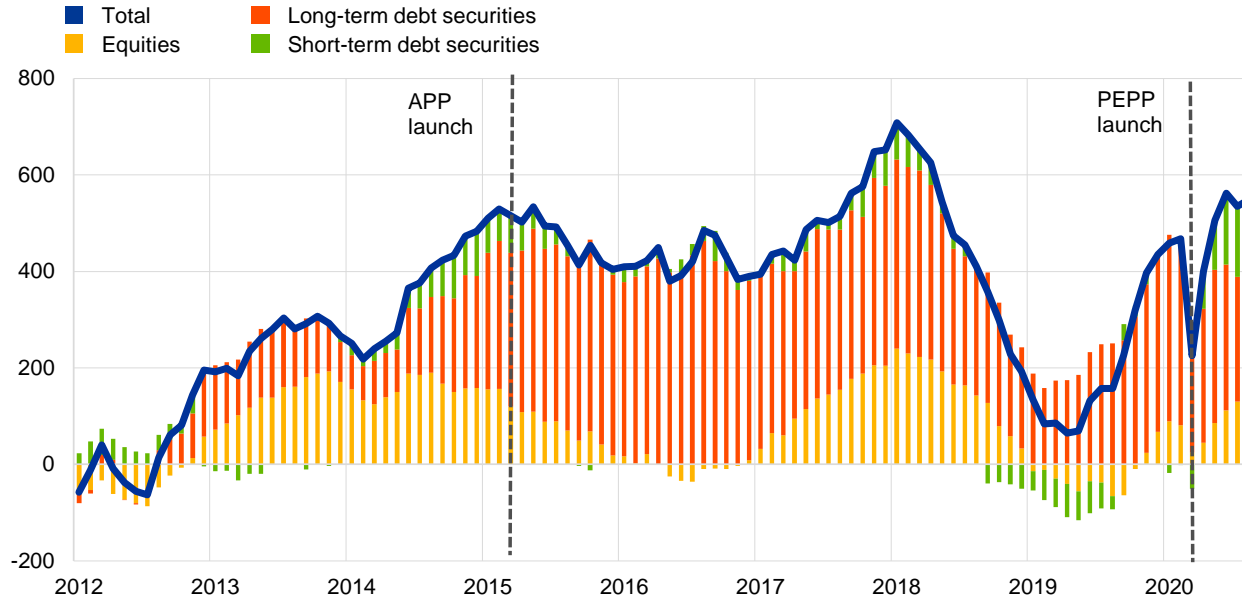
Source: ECB.

Notes: A positive (negative) number indicates net inflows (outflows) from (into) the euro area. "Equities" include investment fund shares. "APP" stands for asset purchase programme; "PEPP" stands for pandemic emergency purchase programme.

Latest observation: August 2020.

Euro area portfolio investment abroad

(EUR billions; twelve-month moving sums)

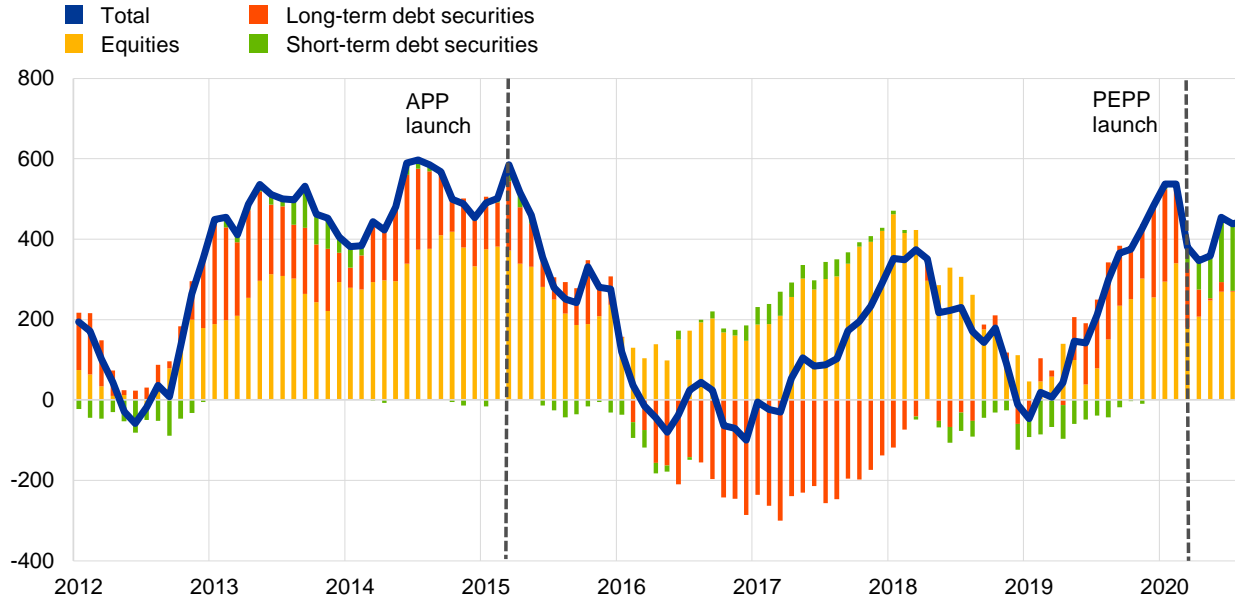


Source: ECB.

Notes: A positive (negative) number indicates net purchases (sales) of non-euro area securities by euro area investors. "APP" stands for asset purchase programme; "PEPP" stands for pandemic emergency purchase programme.

Latest observation: August 2020.

Foreign portfolio investment in the euro area (EUR billions; twelve-month moving sums)



Source: ECB.

Notes: A positive (negative) number indicates net purchases (sales) of euro area securities by non-euro area investors. "APP" stands for asset purchase programme; "PEPP" stands for pandemic emergency purchase programme.

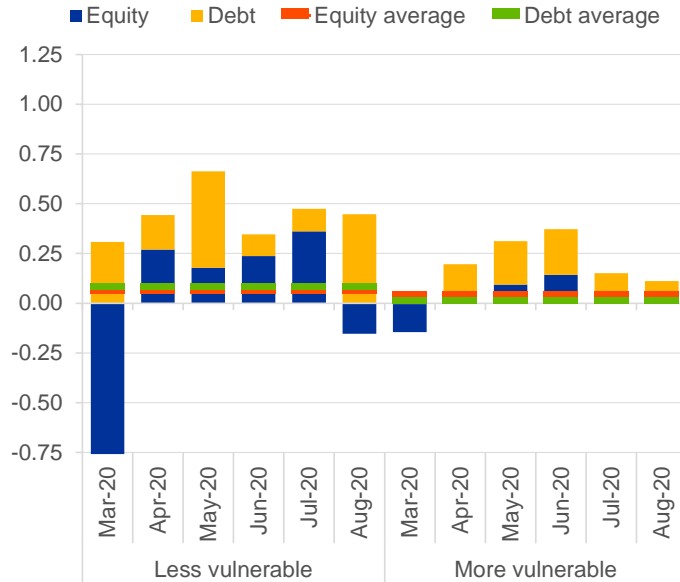
Latest observation: August 2020.

Balance of payments response to the pandemic

Portfolio investment flows by country group

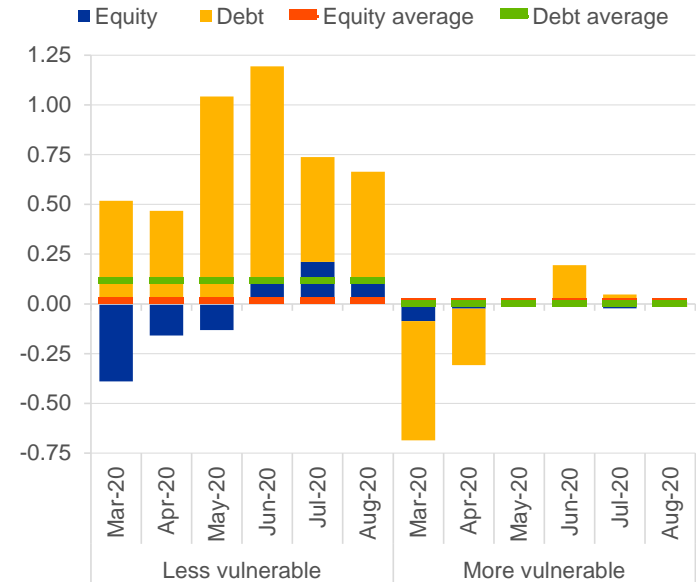
Assets

(monthly flows as a percentage of euro area GDP)



Liabilities

(monthly flows as a percentage of euro area GDP)



Sources: ECB and Eurostat.

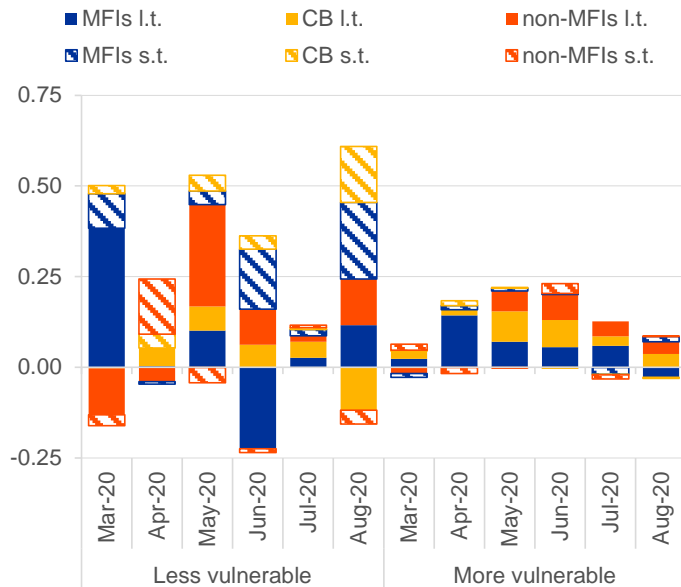
Notes: "Less vulnerable" countries are Austria, Belgium, Finland, France, Germany and the Netherlands; "more vulnerable" countries are Italy, Greece, Portugal and Spain.

Latest observation: July 2020.

Portfolio investment debt flows by country group

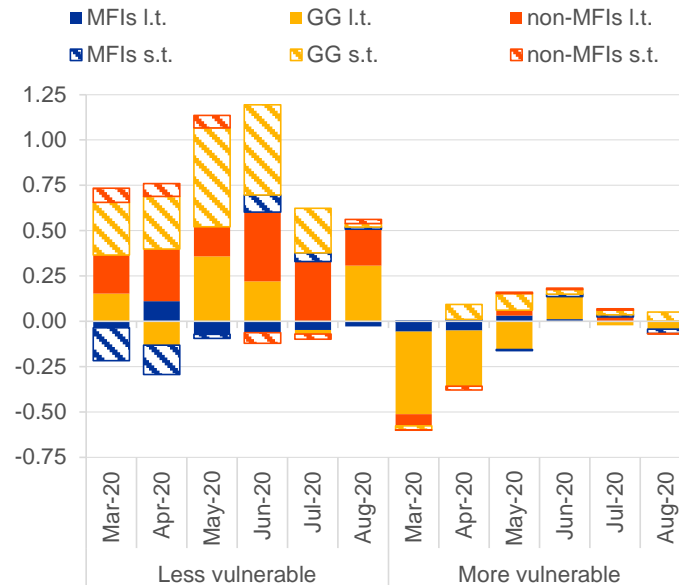
Assets

(monthly flows as a percentage of euro area GDP)



Liabilities

(monthly flows as a percentage of euro area GDP)



Sources: ECB and Eurostat.

Notes: "Less vulnerable" countries are Austria, Belgium, Finland, France, Germany and the Netherlands; "more vulnerable" countries are Italy, Greece, Portugal and Spain. "MFI" are monetary financial institutions; "CB" is the central bank; "GG" is the general government; "non-MFI" are the remaining sectors; "l.t." is long-term and "s.t." is short-term.

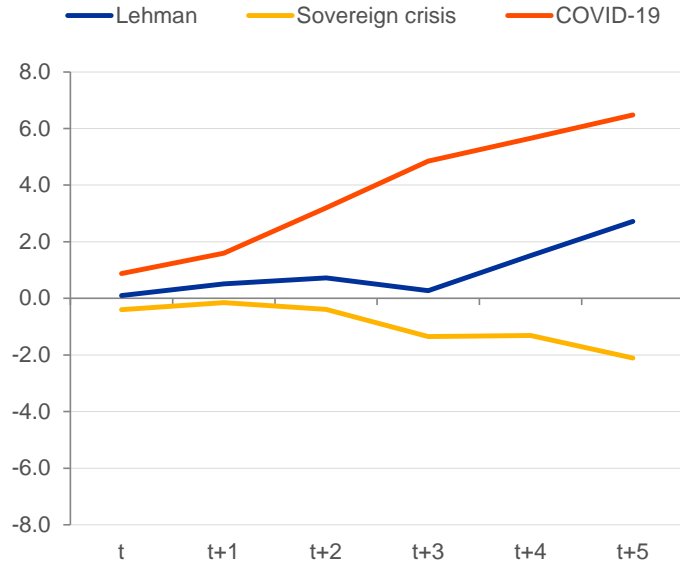
Latest observation: July 2020.

Balance of payments response to the pandemic

Portfolio debt liabilities following shocks

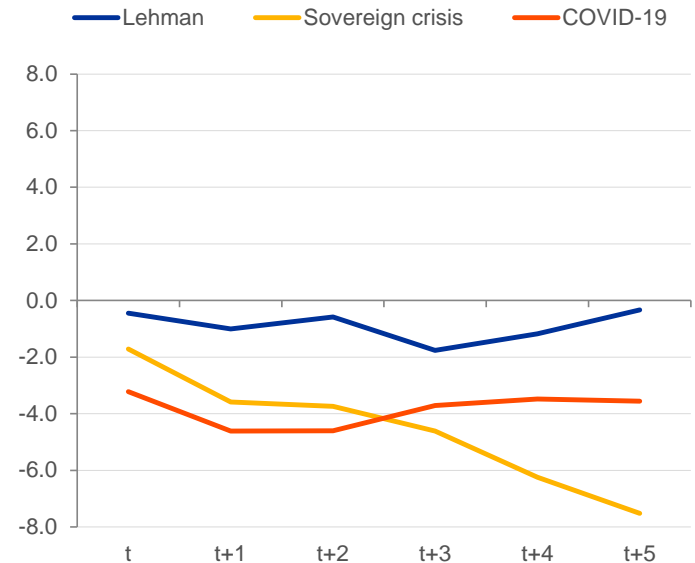
Less vulnerable

(cumulated monthly flows as a percentage of cross-border stock)



More vulnerable

(cumulated monthly flows as a percentage of cross-border stock)



Sources: ECB and Eurostat.

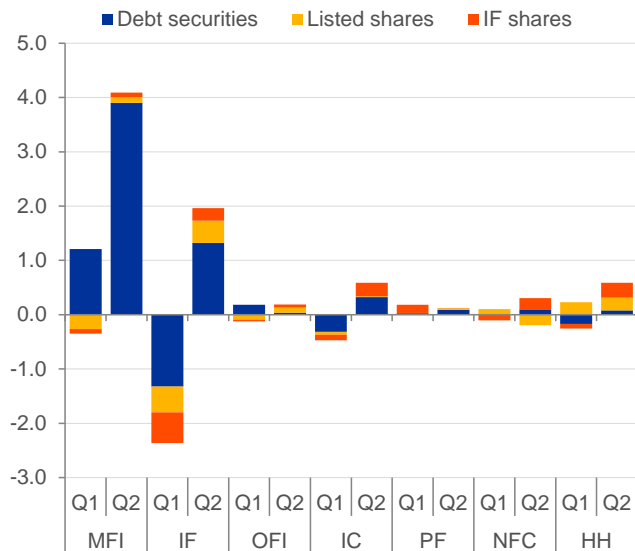
Notes: Initial period of "Lehman" is September 2008; initial period of "Sovereign crisis" is July 2011; initial period of "COVID-19" is March 2020. Euro area aggregate flows are scaled by cross-border asset and liability stocks. Country group flows are scaled by respective cross-border debt liability stocks. "Less vulnerable" countries are Austria, Belgium, Finland, France, Germany and the Netherlands; "more vulnerable" countries are Italy, Greece, Portugal and Spain.

Balance of payments response to the pandemic

Portfolio investment asset flows by sector in Q1 2020 and Q2 2020

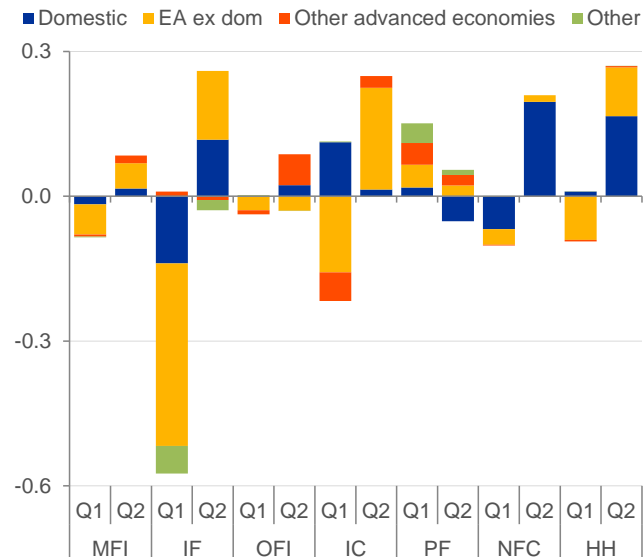
By instrument

(quarterly flows as a percentage of euro area GDP)



Investment fund shares, by country of issuance

(quarterly flows as a percentage of euro area GDP)



Sources: SHS and Eurostat.

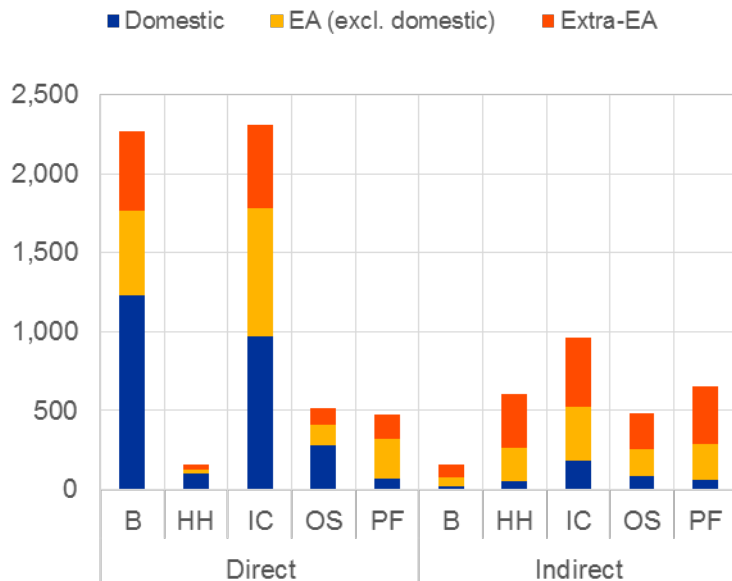
Notes: "Domestic" refers to cases where the holder country is the same as the issuer country; "EA ex dom" refers to cases where the euro area holder country is not the same as the issuer country; "Other advanced economies" refers to advanced economies excluding euro area countries; "Other" refers to all other countries; "MFI" are monetary financial institutions; "IF" are investment funds; "OFI" are other financial intermediaries; "IC" are insurance companies; "PF" are pension funds; "NFC" are non-financial corporations; "HH" are households. Conceptually, SHS and b.o.p. data are compatible, but the latter also include domestic flows. "Less vulnerable" countries are Austria, Belgium, Finland, France, Germany and the Netherlands; "more vulnerable" countries are Italy, Greece, Portugal and Spain.

Balance of payments response to the pandemic

Direct and indirect exposures of euro area investors to debt securities at end-2019

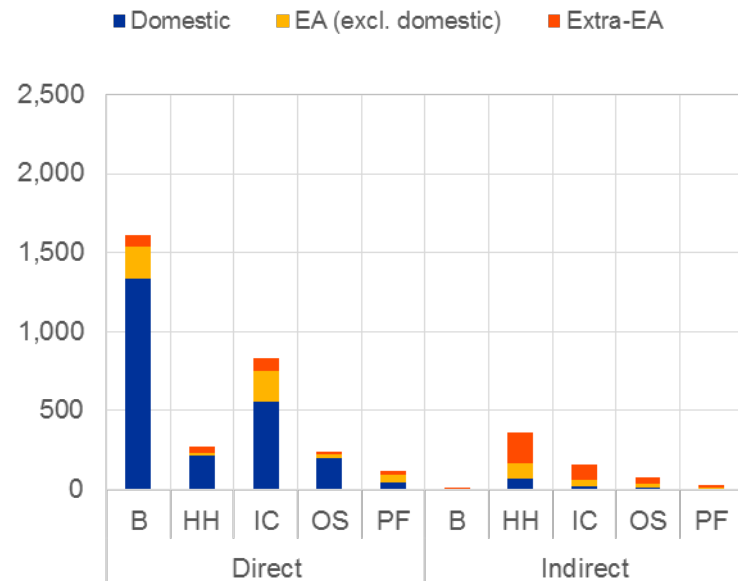
Less vulnerable countries

(EUR billions)



More vulnerable countries

(EUR billions)



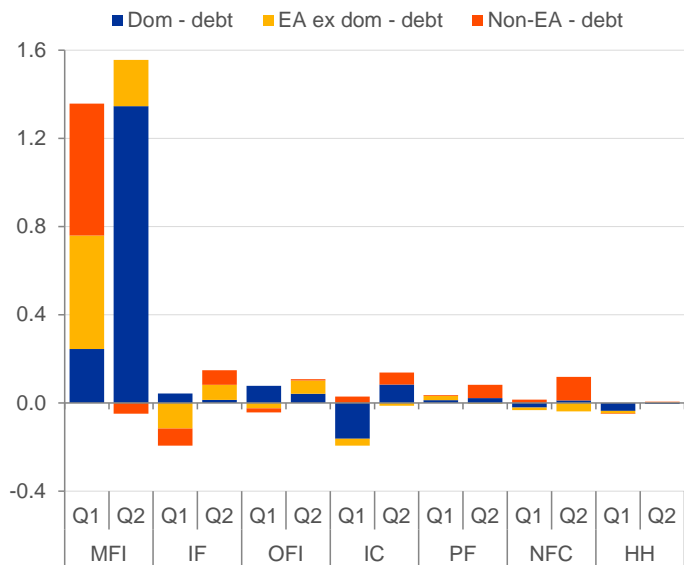
Sources: SHS and author's calculations, based on Carvalho (2020), "The portfolio holdings of euro area investors: looking through investment funds", and Carvalho and Schmitz (2020), "Shifts in the portfolio holdings of euro area investors in the midst of COVID-19: looking through investment funds".

Notes: "Less vulnerable" countries are Austria, Belgium, Finland, France, Germany and the Netherlands; "more vulnerable" countries are Italy, Greece, Portugal and Spain. "Domestic" refers to cases where the holder country is the same as the issuer country; "EA (excl. domestic)" refers to cases where the euro area holder country is not the same as the issuer country; "Extra-EA" are all other countries. "B" are deposit-taking corporations; "HH" are households; "IC" are insurance companies; "OS" are other financial intermediaries, general government and non-financial corporations; "PF" are pension funds.

Portfolio investment asset flows by sector and country group in Q1 2020 and Q2 2020

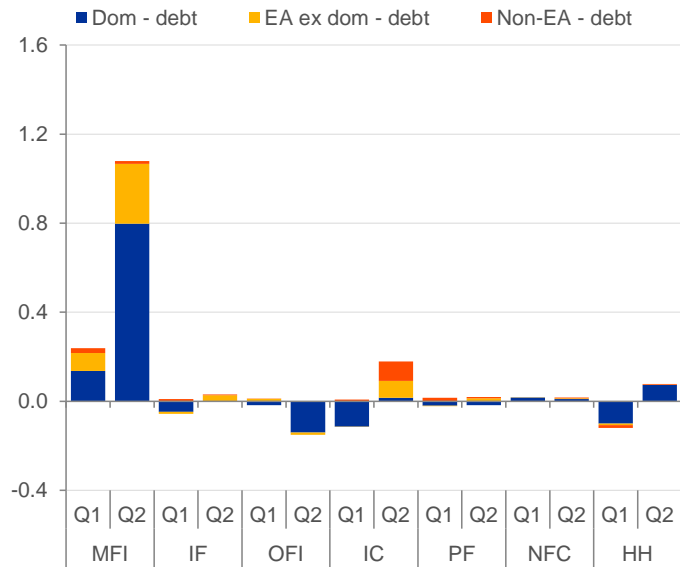
Less vulnerable countries

(quarterly flows as a percentage of euro area GDP)



More vulnerable countries

(quarterly flows as a percentage of euro area GDP)



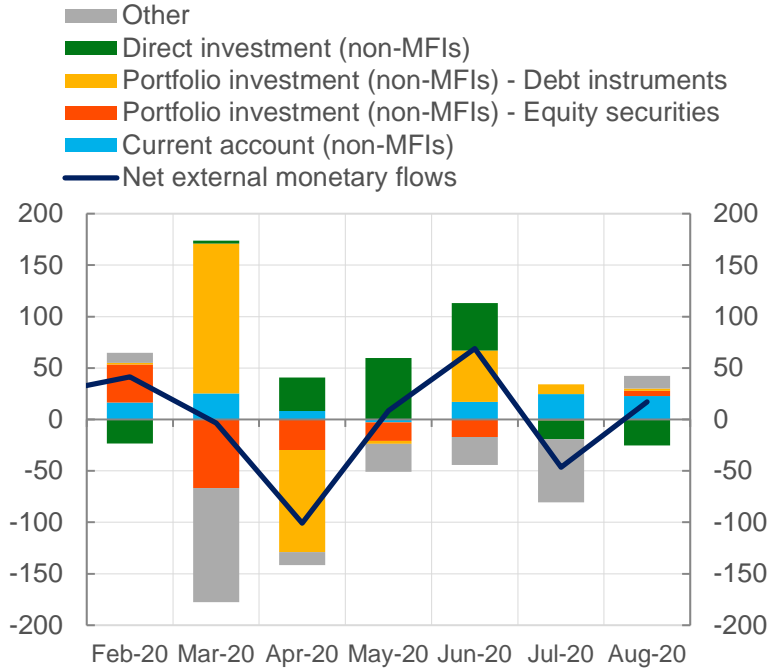
Sources: SHS and Eurostat.

Notes: "Dom" refers to cases where the holder country is the same as the issuer country; "EA ex dom" refers to cases where the euro area holder country is not the same as the issuer country; "Non-EA" refers to all other countries; "MFI" are monetary financial institutions; "IF" are investment funds; "OFI" are other financial intermediaries; "IC" are insurance companies; "PF" are pension funds; "NFC" are non-financial corporations; "HH" are households. Conceptually, SHS and b.o.p. data are compatible, but the latter also include domestic flows. "Less vulnerable" countries are Austria, Belgium, Finland, France, Germany and the Netherlands; "more vulnerable" countries are Italy, Greece, Portugal and Spain.

The monetary side of the balance of payments in the pandemic

Monetary presentation of the balance of payments

(monthly flows, non-seasonally adjusted, EUR billions)



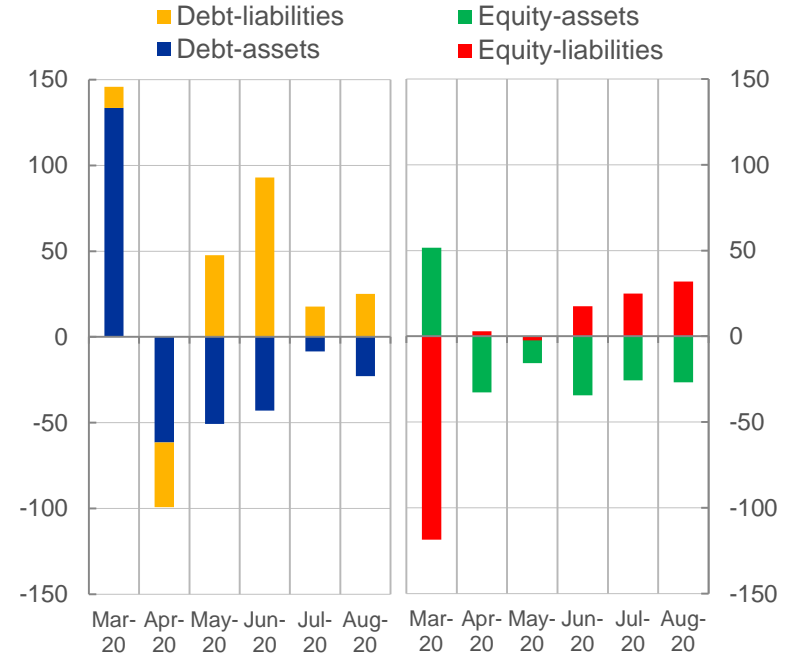
Sources: ECB and ECB calculations.

Latest observation: August 2020.

Notes: Assets of the financial account, and therefore also net amounts, are depicted with inverted sign to match the direction of the related monetary flows. Equities also include investment fund shares regardless of their investment policy.

Monetary presentation of the balance of payments: portfolio investment of the non-MFI sector

(monthly flows, non-seasonally-adjusted, EUR billions)



Sources: ECB and ECB calculations.

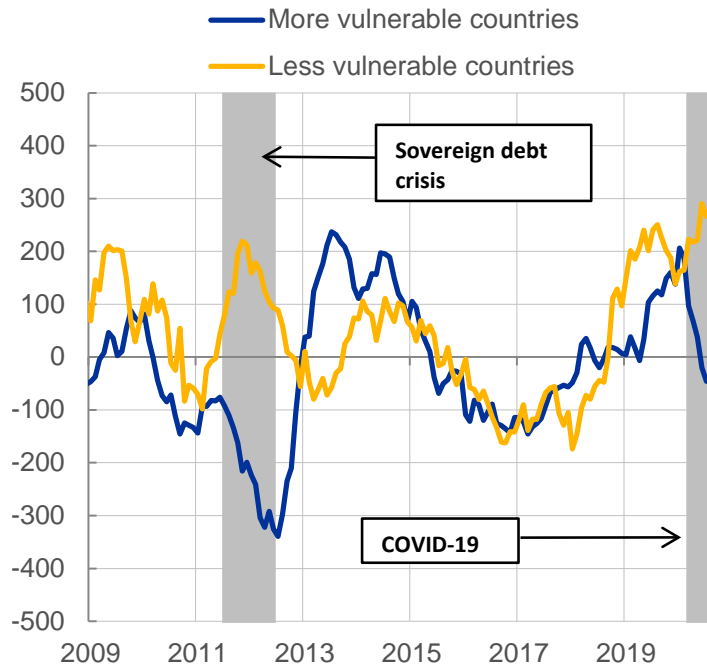
Latest observation: August 2020.

Notes: Assets of the financial account, and therefore also net amounts, are depicted with inverted sign to match the direction of the related monetary flows. Equities also include investment fund shares regardless of their investment policy.

The monetary side of the balance of payments in the pandemic

Net external monetary flows during major crises by country groups

(12-month flows, non-seasonally adjusted, EUR billions)



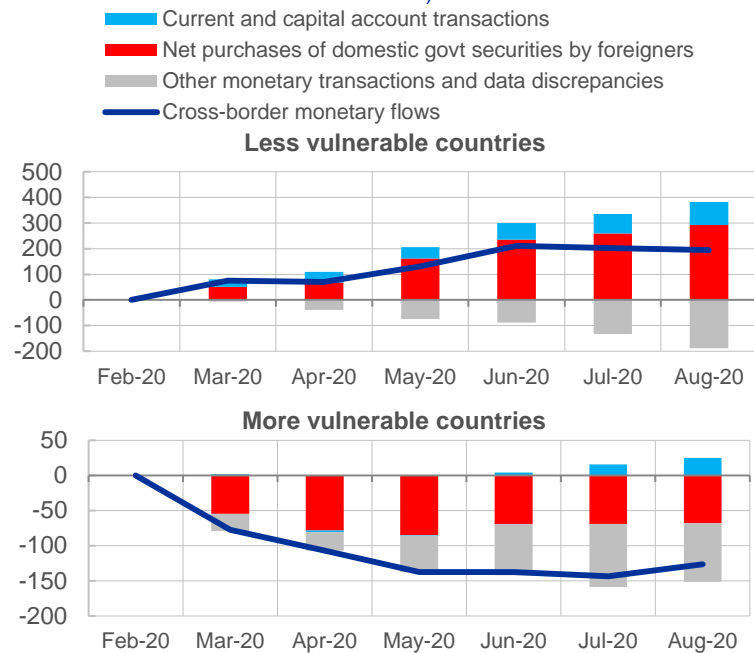
Sources: ECB and ECB calculations.

Latest observation: August 2020.

Notes: More vulnerable countries include Greece, Spain, Italy and Portugal. Less vulnerable countries include Belgium, Germany, France, Netherlands, Austria and Finland.

Monetary presentation of the balance of payments by country groups

(accumulated flows since March 2020, non-seasonally adjusted, EUR billion)



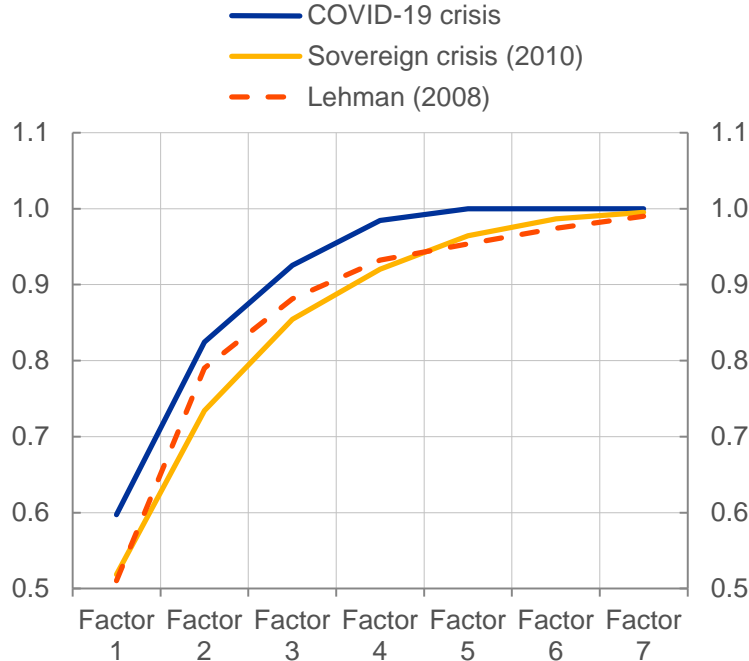
Sources: ECB and ECB calculations.

Latest observation: August 2020.

The monetary side of the balance of payments in the pandemic

Correlation of net external monetary flows with common factors during major crises

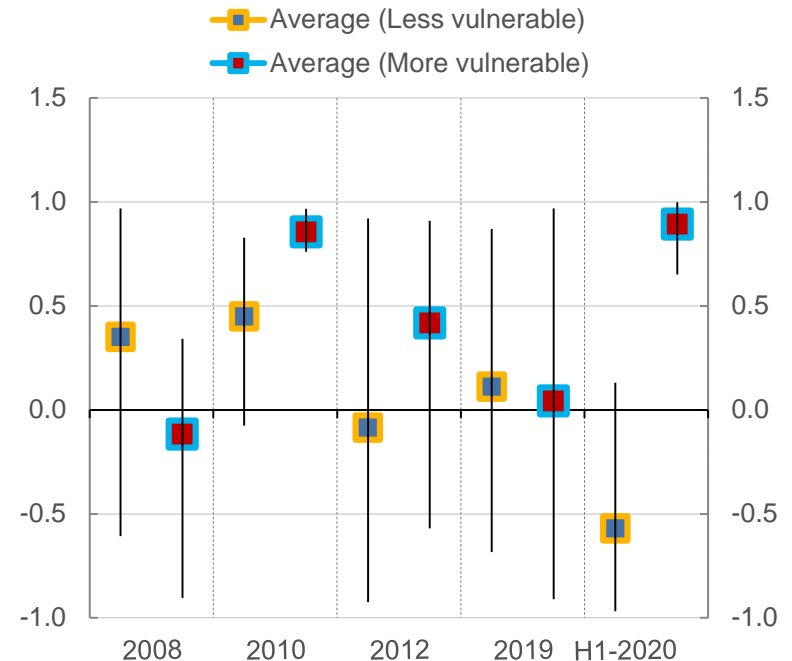
(12-month net external monetary flows as percentage of M3; cumulative share of total variability attributed to each principal component factor)



Sources: ECB and ECB calculations.

Co-movement in net external monetary flows by country groups

(average factor loadings of each group on the first principal component)



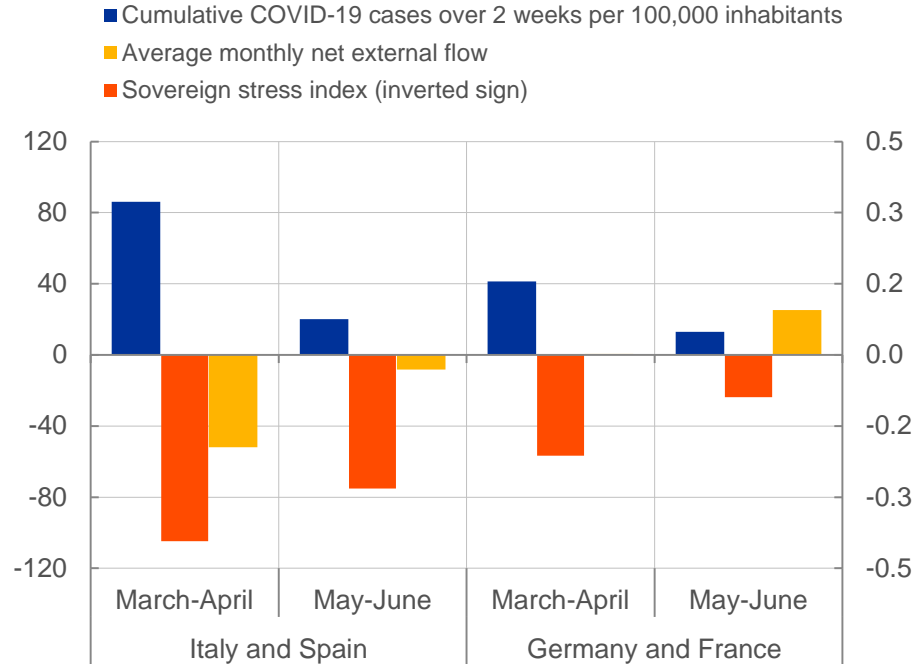
Sources: ECB and ECB calculations.

Notes: Average standardized regression coefficients (correlations) on the 12-month net external monetary flow (% of M3) of the groups of more and less vulnerable countries with the first principal component.

The monetary side of the balance of payments in the pandemic

Cross-country divergence in vulnerability and net external monetary flows (March - June 2020)

(left side: cumulative COVID-19 cases over 2 weeks per 100,000 inhabitants and monthly net external flow in EUR billions; right side: index number, inverted sign)



Sources: ECB, European Centre for Disease Prevention and Control (ECDC) and ECB calculations.