

Comments on

“International Financial Integration in the Aftermath of the
Global Financial Crisis”

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Data on external assets and liabilities – huge contribution to our understanding of global financial markets

The data is important for understanding the volume of flows between national markets, the composition of flows, asymmetries across countries, changes over time.

This paper extends the data set by adding more countries

- Identify flows through financial centers
- Extend data through 2014

Focus of the paper is on the period after the global financial crisis

Key points:

- Growth in external assets and liabilities slowed after the financial crisis, roughly constant as a share of GDP
- This decline in growth is primarily due a reduction in flows between advanced economies
 - Decline in cross-border banking activity
 - Euro crisis
- Increased role of FDI – primarily flows through financial centers

Factors driving cross-border investment

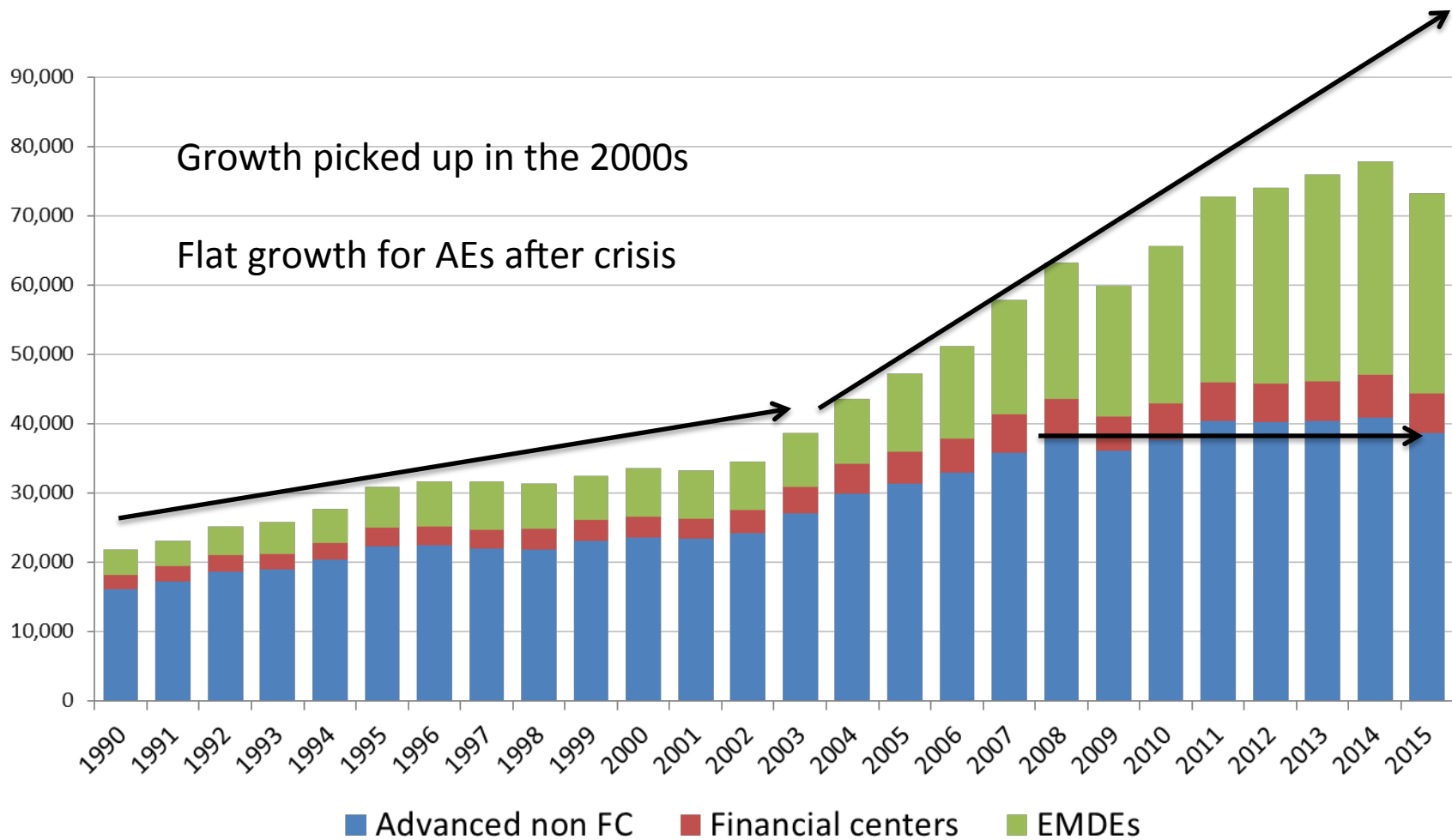
Increased integration and diversification

- Generates flow between similar countries as countries move toward a diversified portfolio
- Countries at different points on the path toward full integration

Reallocation of investment due to asymmetries

Different types of capital flow

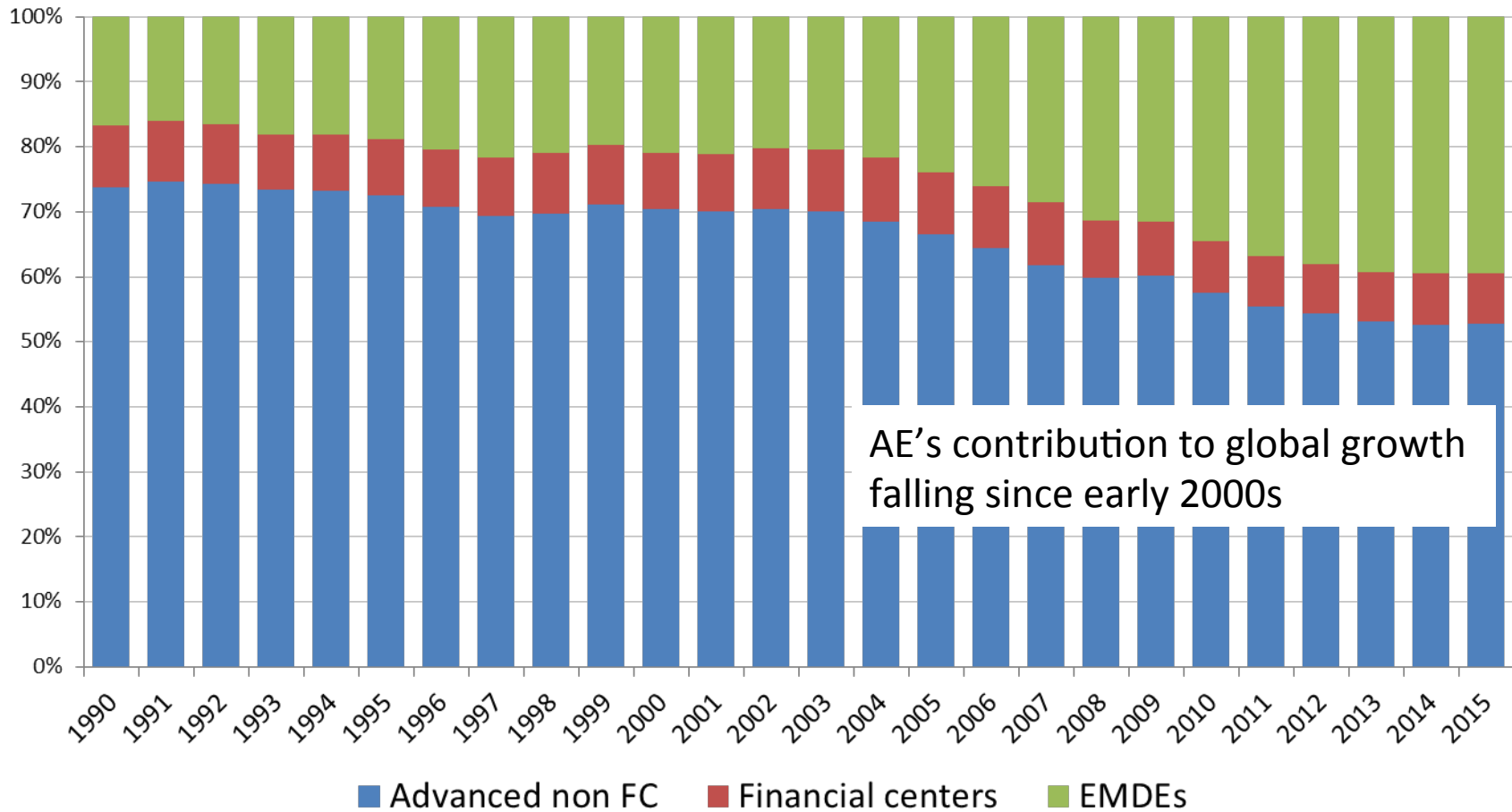
Global GDP



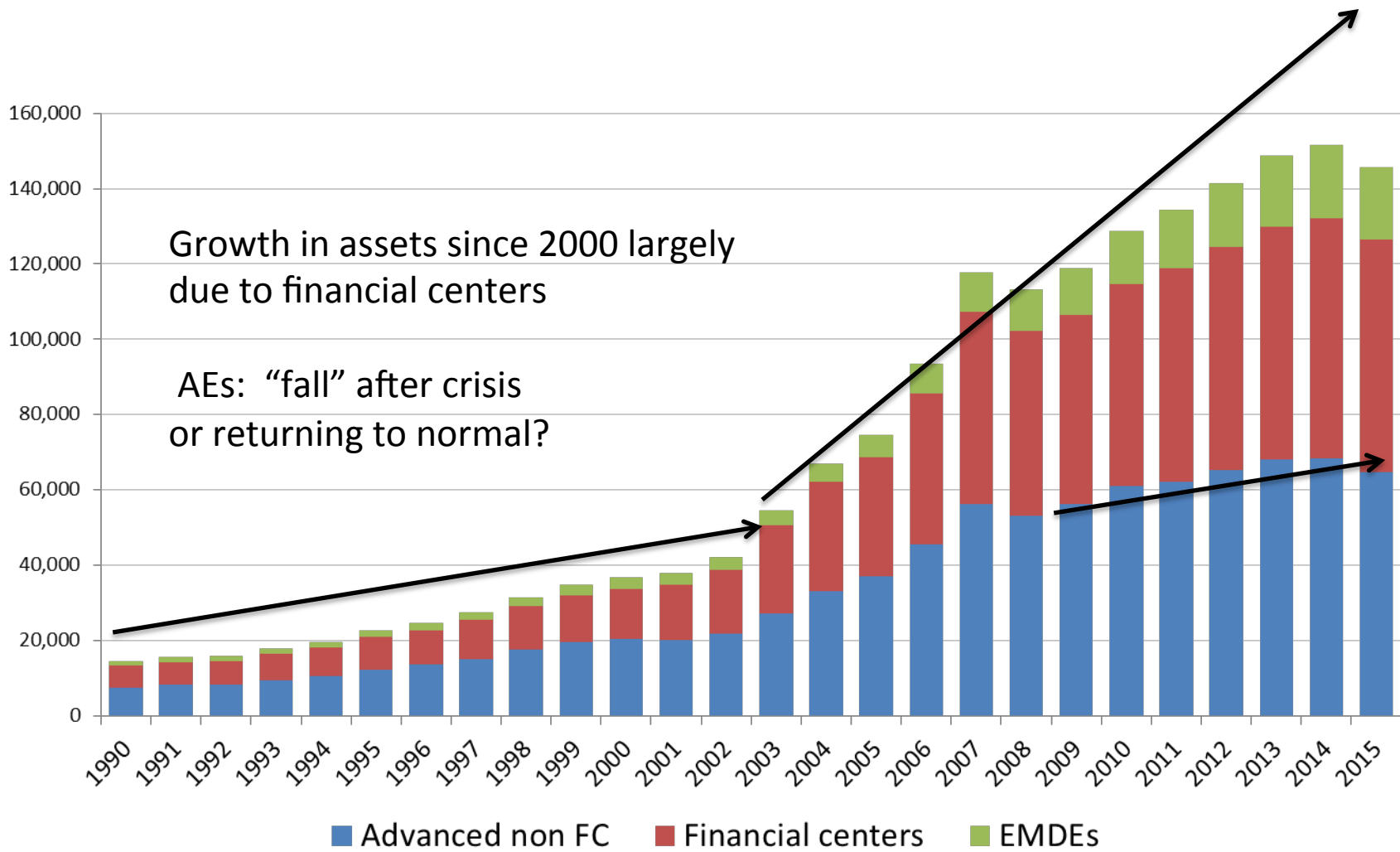
Source: Lane and Milesi-Ferretti

Global GDP

(% of GDP)



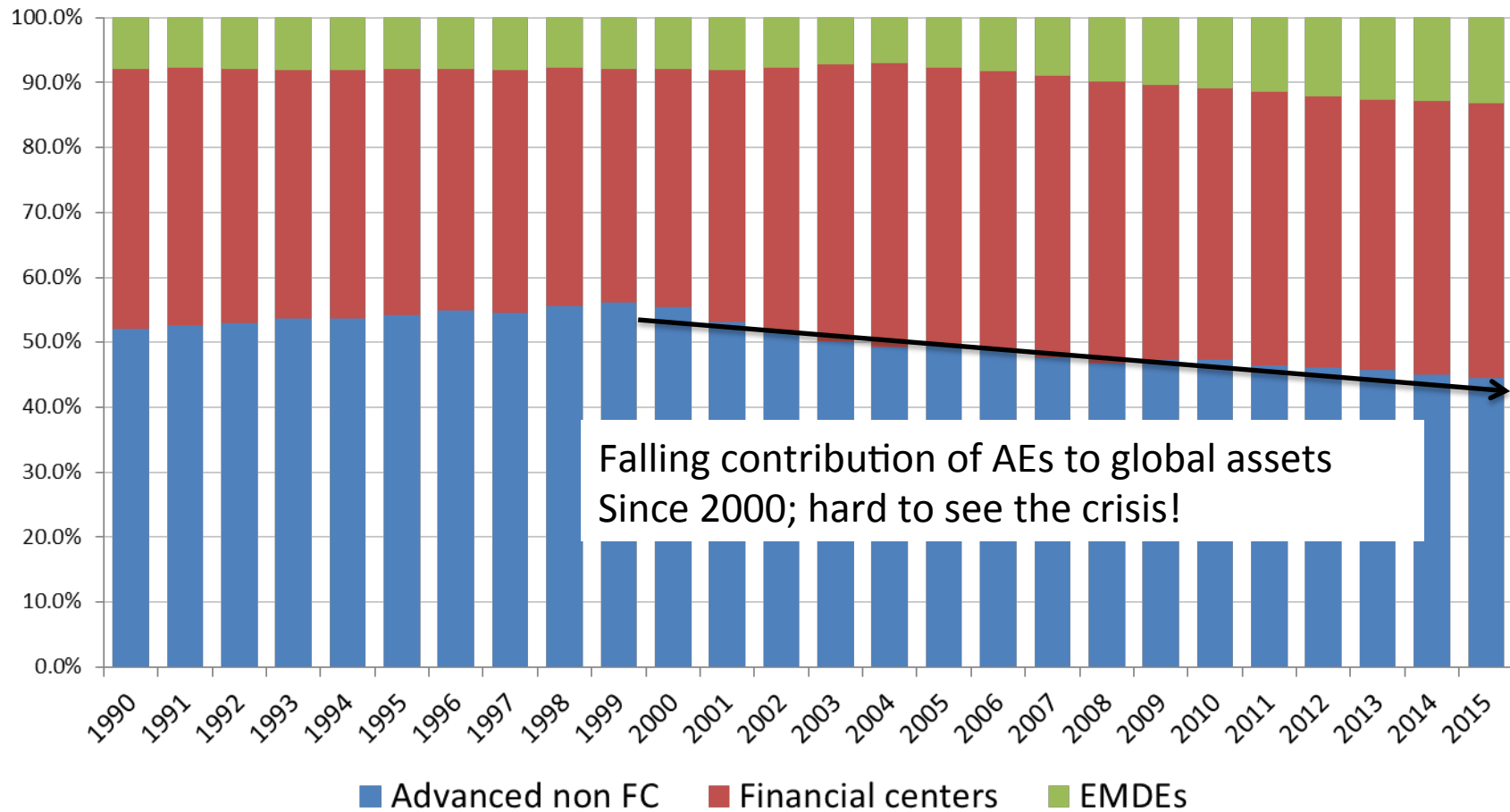
Assets



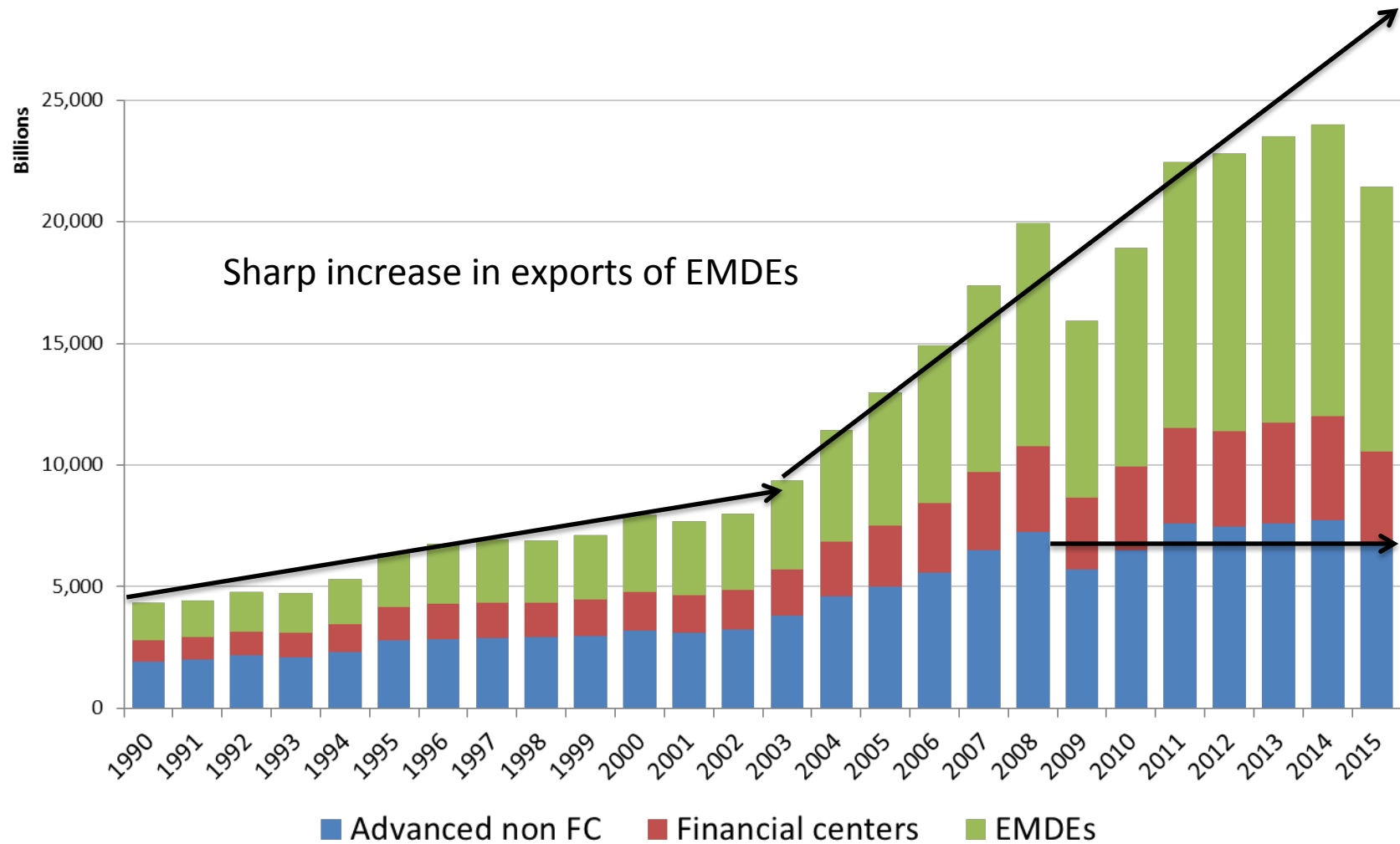
Source: Lane and Milesi-Ferretti

Assets

(% of World Total)



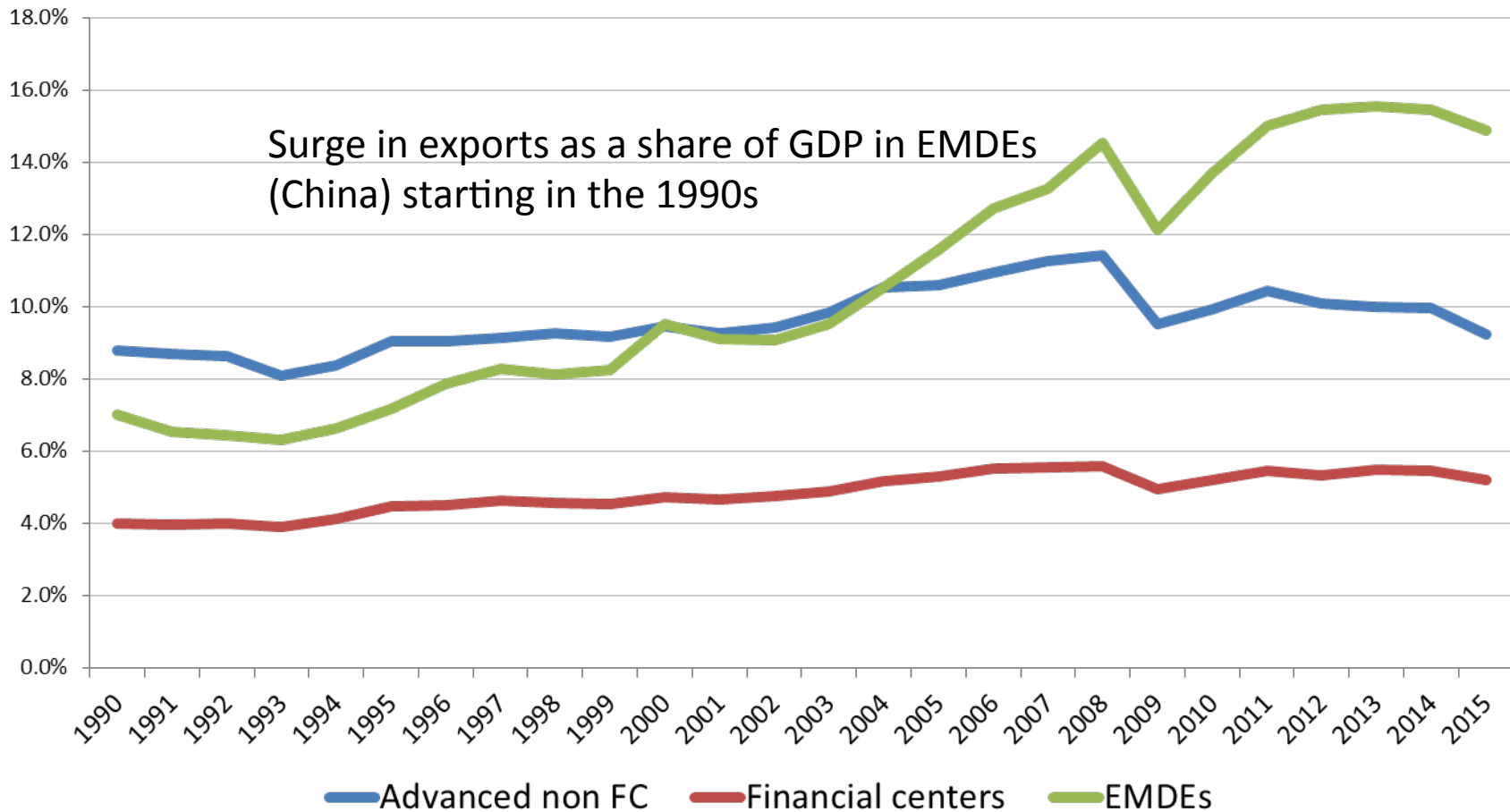
Exports of Goods and Services



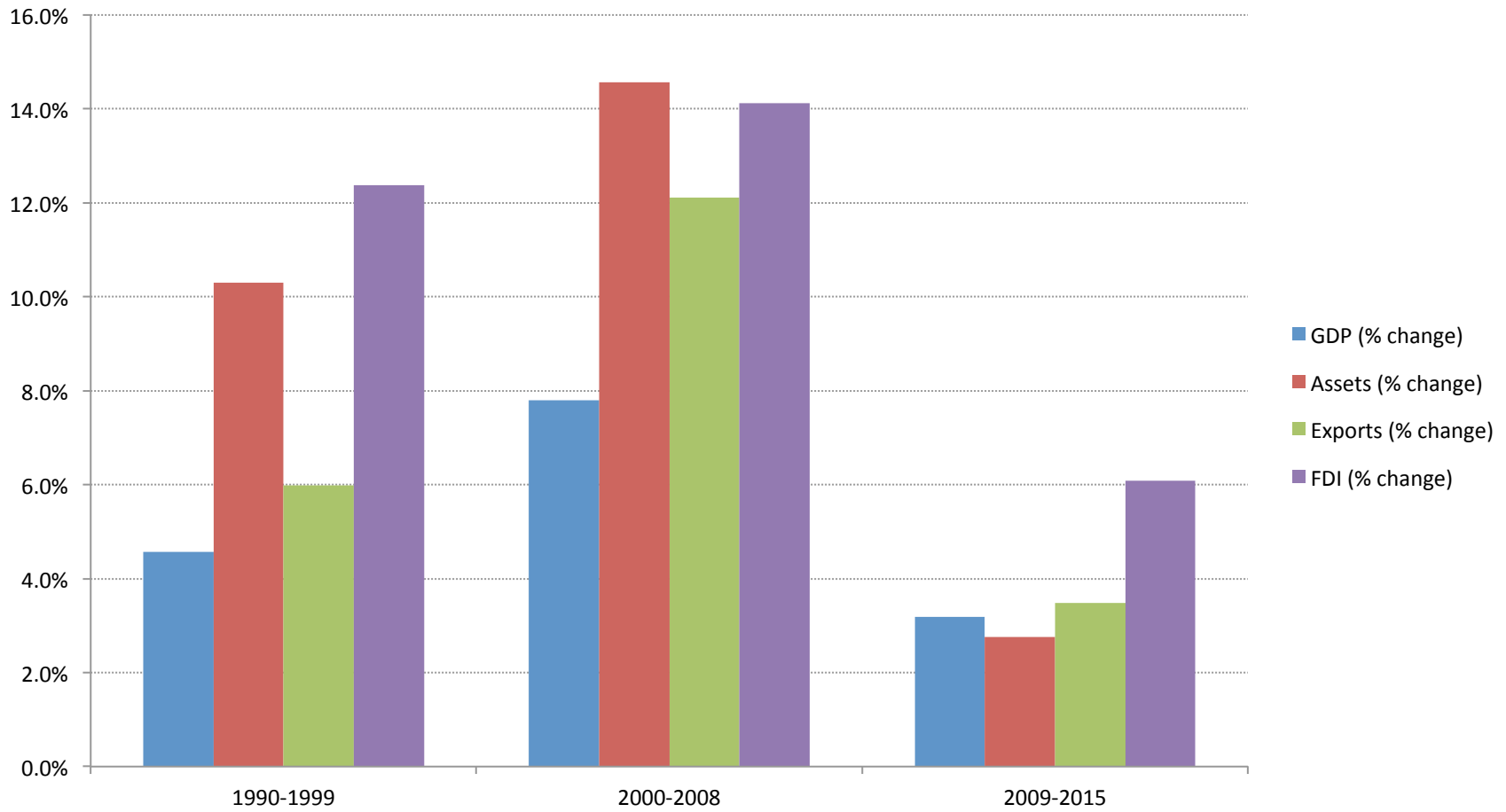
Source: WDI

Exports of Goods and Services

(% of World GDP)



World



Some thoughts:

- Paper focuses on the shifts in the post crisis period
 - What is the appropriate benchmark? The boom before the crisis, or the 1990s, or the long-run trend?
 - Some shifts in the data started well before 2008
- Connect asset flows to real economic activity
- Looking forward to the next data release!