

VIDEO

November 7, 2014

Focus on Funds: Research Examines Role of Fund Investing in Emerging Economies

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In the November 7, 2014, edition of *Focus on Funds*, ICI Senior Economist Chris Plantier describes the size and impact of mutual fund and ETF investment in emerging market economies.

Transcript

Stephanie Ortvals-Tibbs, Director, Media Relations: Welcome to *Focus on Funds*, the Investment Company Institute's weekly roundup of industry news, ICI activities, and research findings.

What does the data tell us about the role of investment funds in emerging economies? Recently, ICI's research department took a look.

Chris, ICI's economic research team has been looking at the data on regulated funds and their investment into emerging market economies. What does the data tell you?

Chris Plantier, ICI Senior Economist: Well, we looked at the data and what we found is that regulated funds in the U.S. and Europe are actually a stable source of capital for emerging economies.

Stephanie Ortvals-Tibbs: And they're also a small but growing role player in these economies. What do we see there?

**Funds Account for Less Than 10 Percent of EM Stock Markets*
Billions of dollars, 2012**

* Based on IMF country classification for EMs

Sources: Investment Company Institute and Bloomberg

Funds Account for Less Than 5 Percent of EM Debt Markets*
Billions of dollars, 2012

* Based on IMF country classification for EMs

Sources: Investment Company Institute and Bloomberg

Chris Plantier: The shares of regulated fund investment in emerging market economies is small, about 8 percent in emerging market equity markets, about 4 percent in emerging market debt markets. It is rising, as you said.

Stephanie Ortvals-Tibbs: And so as part of that you decided to then look at how stable a source of capital these funds are in investing in these economies. What did you see there?

Chris Plantier: We looked at IMF data on all investor flows to emerging economies and we also looked at fund data on flows to these emerging economies, and what we found is that actually funds—regulated funds—are a more stable source capital than other foreign investor flows.

Stephanie Ortvals-Tibbs: So, what do you think the takeaway is for the emerging market economies as they consider this as a source of capital?

Chris Plantier: Well, obviously these economies are growing quite quickly and if they want to maintain that growth, I think our research shows that regulated funds are actually a stable source of capital and can help them maintain their fast economic growth.

Stephanie Ortvals-Tibbs: That's this week in funds. See you next week.

Additional Resources

- [*ICI Viewpoints: Why Regulated Funds Are a Relatively Stable Source of Foreign Investment for Emerging Economies*](#)
- [Financial Stability Resource Center](#)
- [Graphic: Funds Account for Less Than 10 Percent of EM Stock Markets \(pdf\)](#)
- [Graphic: Funds Account for Less Than 5 Percent of EM Debt Markets \(pdf\)](#)