

## **Will the current boom in capital inflows to developing countries end in a bust?**

**Yilmaz Akyuz**

**Abstract:** The current boom in capital inflows to developing countries has been creating or adding to macroeconomic imbalances and financial fragility in recipient countries in large part because they have been shy in applying breaks on them. Several developing countries are now experiencing currency appreciations even faster than surplus economies and relying on capital flows to finance growing current account deficits. There can be little doubt that the conditions that drive the current surge in capital flows, notably the historically low interest rates in advanced economies, cannot be sustained indefinitely. A reversal of fiscal and monetary stances in the advance economies is not a matter of if but of when. The boom in commodity prices and capital flows may also be ended by monetary tightening in China. The seminar will discuss the causes, nature and effects of the current boom in capital flows with a historical perspective, and the possible consequences of its reversal.