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An approach to the determinants of international reserves in emerging markets economies

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Abstract
The growing accumulation of international reserves by emerging market economies in the last two decades has promoted a development of studies that attempt to explain the causes of such accumulation. Some of these studies have proposed some metrics about the optimal or adequate level of reserves, finding that most emerging market economies maintain a higher level of reserves than the proposed one, prevailing a reserves accumulation excess. This document explores some variables that have not been considered in the literature such as the current account balance, the foreign participation in the local debt market and the presence of financing alternatives such as sovereign wealth funds and the IMF flexible credit lines as possible determinants of reserves accumulation excess (or defect) that is not explained by conventional determinants. It is found that Latin American economies have responded with higher reserves accumulation to the widening of the current account deficit, while Asian and European economies could be accumulating reserves with a mercantilist objective by maintaining a reserve excess while maintaining a surplus in the current account. Likewise, it is found that countries that have presented the greatest increase in foreign participation in local debt market, have increased their reserves level, while financing alternatives are not substitutes but complementary to reserves accumulation.

Fuente: https://www.banrep.gov.co/en/approach-determinants-international-reserves-emerging-markets-economies