
[Working Paper No. 932](#)

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

Fernando Arias

David Delgado

Daniel Parra

Hernán Rincón

AUTHORS AND/OR EDITORS

[David Delgado](#)

The purpose of this paper is to estimate a model for gross capital flows for a sample of developing economies and assess their long-term determinants by using a panel co-integration approach. Results indicate that there is a co-integration relationship between key push and pull factors and gross capital inflows. Particularly, FDI inflows have a positive, long-term association with GDP growth, and a negative one with public debt and the interest rate differential (the latter being a puzzling finding), while portfolio inflows are connected negatively to foreign asset prices and positively to international financial market volatility. Unexpectedly, interest rate differentials do not exhibit a long-term relationship with the latter, which challenges the standard portfolio assumption -that uncovered interest parity is satisfied, at least, in the long term-. As for disaggregate outflows, no long-term association between them and their drivers could be obtained.

The series Borradores de Economía is published by the Economic Studies Department at the Banco de la República (Central Bank of Colombia). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.