



Capital Flight – Outflow of Financial Assets

Capital flight refers to the rapid movement of financial assets and investments out of a country when investors lose confidence in the domestic economy. Such situations may arise due to geopolitical tensions, economic instability, policy uncertainty or better investment opportunities in safer economies such as the United States or the United Kingdom.

During capital flight, investors often sell domestic assets like stocks and bonds and convert local currency into stronger reserve currencies such as the US dollar. This process can weaken the domestic currency, reduce foreign exchange reserves and create instability in financial markets and economic growth.

APSC Relevance: Indian economy, international finance and monetary stability.