



## BRICS AND THE GLOBAL ECONOMY

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# BRICS

## AND THE GLOBAL ECONOMY

The BRICS nations have emerged as the most watched and promising group. From being an idea for investment, BRICS have grown to assume importance and significance in terms of strong domestic growth, contribution to the global economy, expanding financial markets, enhanced scope of engagement with other developing countries, etc.

The global economic crisis, while it impacted the BRICS nations to a certain extent, also provided an important opportunity to harness increased growth opportunities caused by the slowing down of a sizeable part of the advanced world. However, this would entail a great amount of foresight and wisdom in designing growth-inducing domestic economic policies, with greater thrust on efficiency and inclusion.

'BRICS and the Global Economy' presents a few important highlights of the BRICS nations. This brief is made as a part of the presentation for the BRICS Academic Forum, being held at Durban, South Africa, on March 10-13, 2013. The Indian delegation to the Academic Forum is supported by Observer Research Foundation, New Delhi.

**Brazil** textiles, shoes, chemicals, cement, lumber, iron ore, tin, steel, producing coal, oil, gas, chemicals, and metals; all forms of manufacturing production, and advanced electronic components, shipbuilding equipment; electric power generating and transmitting equipment; processing, steel, transportation equipment, cement, mining, pig iron, steel, aluminum, and other metals, coal; machine building, electronics; food processing; transportation equipment, including satellites **South Africa** mining (world's largest producer of platinum) commercial ship repair **Brazil** textiles, shoes, chemicals, cement, and extractive industries producing coal, oil, gas, chemicals, and including radar, missile production, and advanced electronic components construction equipment; electric power generating and transmitting food processing, steel, transportation equipment, cement, mining processing, iron, steel, aluminum, and other metals, coal; machine toys, and electronics; food processing; transportation equipment vehicles, satellites **South Africa** mining (world's largest producer of gold) foodstuffs, commercial ship repair **Brazil** textiles, shoes, chemicals of mining and extractive industries producing coal, oil, gas, chemicals industries including radar, missile production, and advanced electronic tractors, and construction equipment; electric power generating textiles, chemicals, food processing, steel, transportation equipment mining and ore processing, iron, steel, aluminum, and other metals including footwear, toys, and electronics; food processing; transportation commercial space launch vehicles, satellites **South Africa** mining chemicals, fertilizer, foodstuffs, commercial ship repair **Brazil** textiles **Russia** complete range of mining and extractive industries producing vehicles; defense industries including radar, missile production agricultural machinery, tractors, and construction equipment; electronics handicrafts **India** textiles, chemicals, food processing, steel, transportation industrial output; mining and ore processing, iron, steel, aluminum consumer products, including footwear, toys, and electronics telecommunications equipment, commercial space launch vehicles machinery, textiles, iron and steel, chemicals, fertilizer, foodstuffs, coal

<b>Overview</b>	<b>4</b>
<b>Growing Size of the Economy</b>	<b>8</b>
<b>Expanding Significance of Financial Sector</b>	<b>18</b>
<b>Increasing Engagement with Developing Countries</b>	<b>30</b>
<b>Degree of Divergence</b>	<b>34</b>
<b>Scope for Reforms</b>	<b>40</b>
<b>Prospects and Forecast</b>	<b>42</b>

## OVERVIEW

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The BRICS nations (Brazil, Russia, India, China and South Africa) are considered as the new building blocks of the global economy. In the background of the deceleration of the developed economies in terms of growth and economic expansion, BRICS assumed greater significance and wider acceptance as emerging super powers.

The BRICS economy rose from 11 percent of global GDP in 1990 to 25 percent in 2011 and is poised to reach 40 percent by 2050. A Goldman Sachs paper shows BRICS, which overtook Japan in terms of GDP by 2005, will cross the US by 2015 and G7 by 2030. The rise of BRICS is described as “great transformation”. “The relative importance of BRICS as an engine of new demand growth and spending power may shift more dramatically and quickly than many expect. Higher growth in these economies could offset the impact of graying populations and slower growth in today’s advanced economies.” This is how the paper above described the potency and the potential for this emerging powerful economic bloc.

Growth and diversity coexist in the community as a whole. While all countries in the BRICS community enjoyed higher growth for a large part of the last decade, each country is also known for distinctiveness. Russia is a commodity-driven economy, China is a powerhouse of exports, India is a domestic demand-driven economy, Brazil has much developed economic structure and South Africa represents the fast-growing region of Africa. Growth is the common glue that makes this community a powerful and prominent force in the global economy. All the five countries in the BRICS community play an important role in G20 shaping global economic policy and financial stability.

Financial markets in the BRICS community have expanded in a rapid manner simultaneously with economic growth. Between 1990 and 2010, market capitalization of Brazil rose from a very low of about 4 percent of GDP to 74 percent, India from 12 percent to 93 percent, Russia and China from almost nothing to 70 percent and 81 percent, respectively. In South Africa, it has more than doubled from 123 percent to 278 percent. Similarly, value of share trading in China (186 percent), Russia (135 percent) and India (114 percent) is higher than the respective GDP levels, with South Africa and Brazil catching up very fast. Between 2001 and 2007, stocks

soared more than double in China and rose nearly 400 percent in Brazil and India. Banks from these five countries figured among the top 100 banks in the world. Bank Credit/GDP ratio is highest in South Africa (193 percent), followed by China (145 percent), Brazil (97 percent), and India (69 percent).

Growth of the BRICS community, which was on rapid ascent since 1990s, faced constraints following the global economic and financial crisis that began in 2008. With economic slowdown and financial markets setback in the US and Europe, exports from BRICS to developed markets and investments into their respective economies declined adversely, impacting the growth prospects. Though initially it appeared that BRICS might have overcome the impact of the global economic crisis, the deceleration is gaining momentum in the last couple of years, which has become a cause of worry for the economic policy in these countries. The real GDP of BRICS, which was over 8 percent in 2010 declined to 6.5 percent in 2011 and is expected to further fall to 4.87 percent in 2012 and 4.7 percent in 2013.

The growth prospects of individual countries in the BRICS community, too, are raising worries. Brazil that had a real GDP growth of 7.6 percent in 2010 fell to 2.7 percent in 2011 with the weakness expected to continue in 2012 and the estimates for 2013 is pegged at 2.5 percent. Russia's growth in 2012 and 2013 is estimated at 2 percent. From an annual growth rate of 7.4 percent during 2000-2010, India's growth is expected to slide to the fringes of 5 percent in 2012. From an average growth of 10 percent for the last 25 years, China's economic growth is expected to slip to levels of 6.5 percent, a trend that is forecast to prevail for a few more years. Inflation, too, emerged as a major issue. Currencies of the BRICS community, with the exception of China, has experienced varied levels of volatility following the onset of the global economic crisis. The stock market value of BRICS is at a three-year low. Top global companies from the BRICS countries suffered erosion in market values, leading to sizeable slippage in their respective global rankings.

In this context, the BRICS community stands at an important point of challenge. While the last two decades have galloped these countries to a position of prominence in global economics, a new set of constraints began to arise in the

## OVERVIEW

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background of global economic slowdown. Some critics tend to club BRICS as yet another grouping that failed to overtake the US despite great promise in the initial period, citing instances of Europe (1960s), Japan (1970s and 1980s), the Asian Tigers (1990s), etc. More worrying is the fact that the slowdown of BRICS, which is contributing to nearly half the global economic expansion, may reduce the scope for speedy recovery of the world economy.

These developments provide ample scope for the policy makers in the BRICS governments to come up with proactive policies that reinvigorate their domestic economic climate as also establish stronger linkages with other emerging markets. Groupings based on economic growth and prospects such as Next Eleven\* and Frontier Markets\*\* are gaining greater significance. It is important for BRICS to forge stronger relationships with these economies to expand domestic markets to revive growth. This will also help the BRICS nations to reduce to some extent excessive dependence on developed markets for exports.

In this context, the agenda for development cooperation among the BRICS community could also include the following:

- a. The BRICS community is characterized by a strong middle class with potential for higher savings. Increasing reliance on market-related instruments such as stocks and other structured products, which suffered badly after the financial crisis, has dampened the spirit of investors. It is important to bring investors back to the financial markets. In this context, a need exists for designing more safer and long-term investments that could be easily understood and managed by retail investors. This would be essential for capital formation and investment.
- b. Small and medium enterprises are predominant in the BRICS countries, and most of them are dependent on bank financing or other form of resources. It is important to develop specialized capital markets to solely cater to the needs and requirements of small and medium enterprises.
- c. Opportunities for cross-border listing and trading are abundant among the BRICS countries. A limited effort of listing index futures began, which needs to be further strengthened to extend to listings and trading of companies with global operations and business.

- d. Scope for designing special financial instruments with sovereign guarantees could be explored to develop diversification of investments among individual investors and companies in the BRICS countries.
- e. Given the prowess BRICS has in technology, joint endeavours could be evolved for its effective use in promoting financial inclusion.
- f. The proposed BRICS Development Bank could move towards generating consensus of creating institutional mechanism to provide infrastructure financing, so vital for the growth to continue and sustain in these countries.
- g. A special task force may be created within the BRICS Secretariat to engage with other fast-growing nations in the N11 and Frontier Markets to cooperate and collaborate on growth-inducing policies that would be mutually beneficial and productive.
- h. Greater exchange of information, knowledge, skills and expertise may be evolved in areas of the financial sector, information technology, process management, financial education and investor literacy, which could help these countries in capacity building vital for growth to sustain.
- g. In view of the growing importance of the BRICS community, it might be useful to bring out an annual review of the BRICS economy and finance that will address to various issues of growth and development pertinent to the countries in the grouping.

Challenges to growth are not uncommon for countries and grouping. What matters is the response mechanism and collaborative approach in overcoming the pressures. The BRICS community has not only pursued higher growth for a longer term but also realized the importance of cooperation among themselves. BRICS forums of various nature and significance are an important indicator of growing reliance on cooperative endeavours to scale up and sustain growth. The important task ahead of the BRICS community is to prove that growth can be long-lasting so as to make its presence in the global economics and finance a real force to reckon with.

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*\* The N11 are the Next Eleven emerging countries grouped by Goldman Sachs, which include Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam. \*\* MSCI Barra has 26 countries classified as Frontier Markets*

## 1

## GROWING SIZE OF THE ECONOMY

## BRICS in the Global Economy, 1991-2015

BRICS in the Global Economy, 1991-2015<sup>1</sup>*(In percent of world total; period average)*

	1991-94	2000-04	2005-09	2015
<b>Population</b>				
BRICS	44.7	43.6	42.8	41.8
Other EMEs <sup>2</sup>	23.1	23.2	23.6	23.9
United States	4.8	4.7	4.6	4.5
Euro Area	5.6	5.1	4.9	4.6
<b>GDP<sup>3</sup></b>				
BRICS	5.8	8.5	13.1	21.6
Other EMEs	10.6	10.8	13.3	15.4
United States	26.2	30.6	25.6	22
Euro Area	24.8	21.3	22	16.6
<b>Exports</b>				
BRICS	4.2	7.9	12.4	20.1
Other EMEs	13	15.8	18.6	18.3
United States	13.3	12	9.7	9.6
Euro Area	34.7	30.9	29.1	23
<b>Imports</b>				
BRICS	4	7	10.5	18.8
Other EMEs	14.4	14.8	17.2	18
United States	14.6	17.1	14.1	12.3
Euro Area	34	29.5	28.5	21.9

*Sources: IMF and World Economic Outlook, October 2010.*<sup>1</sup>*WEO projections for 2015*<sup>2</sup>*Emerging market economies excluding BRICS*<sup>3</sup>*At market exchange rate*



## BRICS Moves Up in USD-Denominated GDP Ranking

	1980	2000	2010	2050*
1	United States	United States	United States	China
2	Japan	Japan	China	United States
3	Germany	Germany	Japan	India
4	France	United Kingdom	Germany	Brazil
5	United Kingdom	France	France	Russia
6	Italy	China	United Kingdom	Japan
7	Canada	Italy	Brazil	Mexico
8	Mexico	Canada	Italy	Indonesia
9	Spain	Mexico	Canada	United Kindgon
10	Argentina	Brazil	India	France
11	China	Spain	Russia	Germany
12	India	Korea	Spain	Nigeria
13	Netherlands	India	Australia	Turkey
14	Australia	Australia	Mexico	Egypt
15	Saudi Arabia	Netherlands	Korea	Canada
16	Brazil	Argentina	Netherlands	Italy
17	Sweden	Turkey	Turkey	Pakistan
18	Belgium	Russia	Indonesia	Iran
19	Switzerland	Switzerland	Switzerland	Philippines
20	Indonesia	Sweden	Poland	Spain

\*projections

Source: GS Global ECS Research

# 1

## GROWING SIZE OF THE ECONOMY

### BRICS GDP

Real GDP: GDP (Constant 2000 USD bn)

Country	2000	2010	Growth	CAGR
Brazil	645	919	43%	4%
Russia	260	416	60%	5%
India	475	973	105%	7%
China	1198	3246	171%	10%
South Africa	133	188	41%	4%
BRICS	2710	5742	112%	8%
World	32334	41428	28%	3%

*Source: World Bank*

### Nominal GDP

GDP (Nominal USD bn)

Country	2000	2010
Brazil	642	2090
Russia	260	1480
India	476	1632
China	1198	5878
South Africa	133	364
World	32216	62911
US	21149	31717

*Source: IMF*

## Exports of Goods & Services

Exports of Goods & Services (USD bn)

Country	2000	2010	10Y Growth	CAGR
Brazil	65	234	262%	14%
Russia	115	446	289%	15%
India	60	349	483%	19%
China	280	1,753	527%	20%
South Africa	37	100	169%	10%
BRICS	556	2,881	418%	18%
World	7986	17658	121%	8%

Source: World Bank

## Imports of Goods & Services

Imports of Goods and Services (USD bn)

Country	2000	2010	10Y Growth	CAGR
Brazil	72	244	237%	13%
Russia	61	323	429%	18%
India	73	440	502%	20%
China	251	1,521	507%	20%
South Africa	33	100	203%	12%
BRICS	490	2,629	436%	18%
World	8025	17714	121%	8%

Source: World Bank

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## GROWING SIZE OF THE ECONOMY

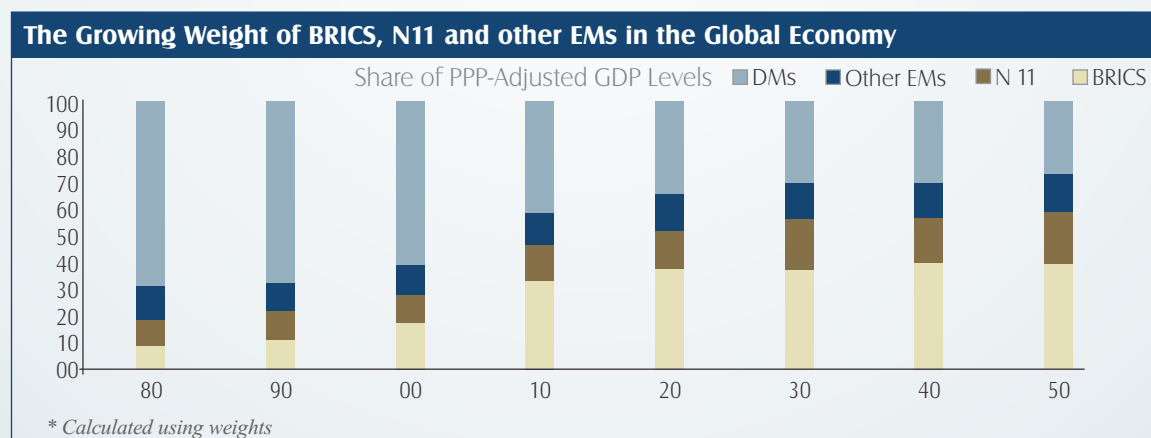
### Total Reserves

Total Reserves (includes gold, current USD bn)

Country	2000	2010	10Y Growth	CAGR
Brazil	33	289	776%	24%
Russia	28	479	1611%	33%
India	41	300	632%	22%
China	172	2,914	1594%	33%
South Africa	8	44	450%	19%
BRICS	282	4,026	1328%	30%
World	2231	10786	383%	17%

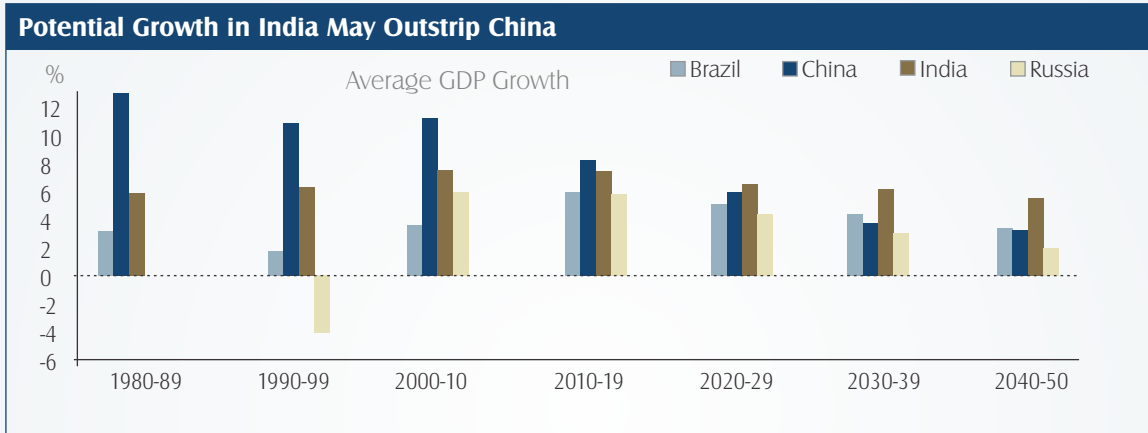
Source: World Bank

### The Growing Dominance of BRICS



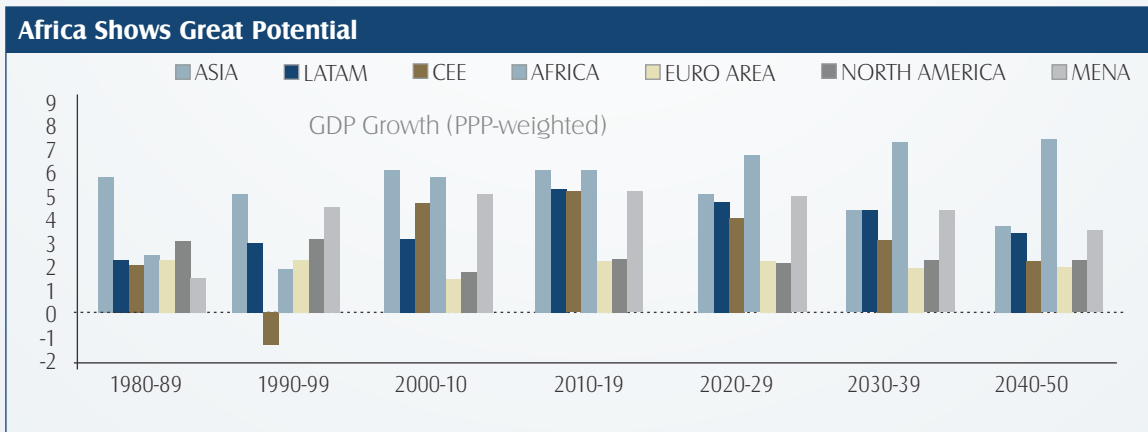
Source: GS Global ECS Research

## India Has High Growth Potential



Source: IMF, GS Global ECS Research

## Africa Shows Great Potential



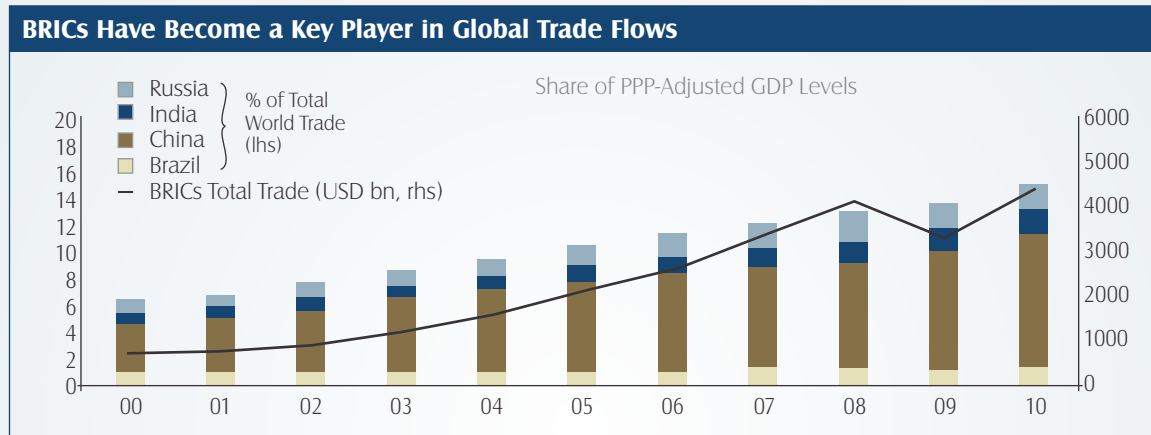
Note: LATAM: Latin America; CEE: Central and Eastern Europe; MENA: Middle East and North Africa

Source: IMF, GS Global ECS Research

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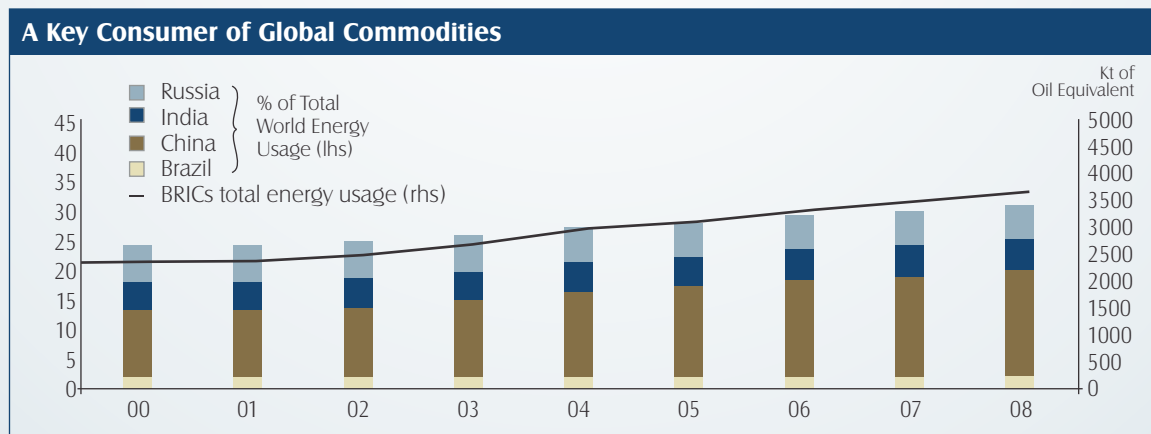
## GROWING SIZE OF THE ECONOMY

### BRICs Have Become a Key Player in Global Trade Flows



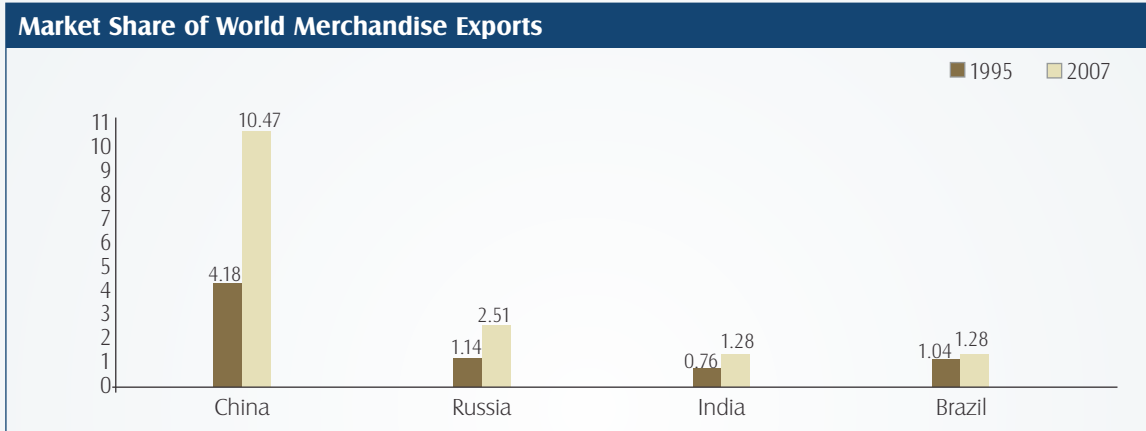
Source: IMF, GS Global ECS Research

### BRICs Are Major Consumers of Commodities



Source: World Bank, GS Global ECS Research

## BRICs Gain Market Share in World Exports



Source: [www.unido.org](http://www.unido.org)

## Gains Made in the Market Share Are Sizeable



Source: [www.unido.org](http://www.unido.org)

## 1

## GROWING SIZE OF THE ECONOMY

## Competitive Industrial Performance Index (2009)

UNIDO: Competitive Industrial Performance Index

Indicators	Brazil	Russia	India	China	South Africa
Competitive Industrial Performance Index	0.2	0.15	0.21	0.56	0.18
Manufactured Exports per Capita	0.01	0.01	0.002	0.02	0.001
MVA per Capita Index	0.07	0.05	0.01	0.09	0.07
Industrialization Intensity Index	0.46	0.38	0.45	0.76	0.33
Industrial Export Quality Index	0.55	0.3	0.63	0.88	0.61
Share of World MVA Index (%)	0.07	0.04	0.07	0.61	0.02
Share of World Manufactured Exports Index (%)	0.08	0.09	0.13	1	0.03
Share of World MVA (%)	0.57	0.89	1.7	14.4	0.4
Share in Manufactured Exports (%)	3.4	1.1	1.6	12.2	0.38
Share of Medium and High-Tech Activities in Total MVA (%)	35	25.5	34.1	40.7	21.6
Share of Medium and High-Tech Activities in Manufactured Exports (%)	40.2	26.5	28.9	59.8	46.5
Share of MVA in GDP (%)	13.7	15.8	13.7	35.7	15.6
Share of Manufactured Exports in Total Exports (%)	64.6	40	88.2	96.3	67.7

*All the indices are between lower value 0 and highest value 1, the highest country value is mapped to value of 1 and the lowest value is mapped to 0.*

*Source: [www.unido.org](http://www.unido.org)*



## Rankings on the Competitive Industrial Performance Index

Rankings on the Competitive Industrial Performance Index, 2005 and 2009

Country	Rank	
	2005	2009
Brazil	37	44
Russia	57	66
India	42	42
China	6	5
South Africa	45	49

*Source: [www.unido.org](http://www.unido.org)*

# 2

## EXPANDING SIGNIFICANCE OF FINANCIAL SECTOR

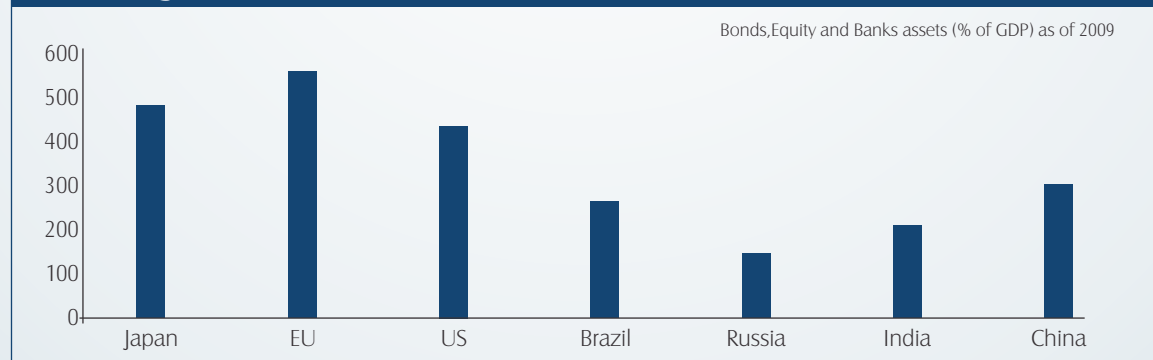
### Expanding Size of Financial Markets

Share of BRICS in Global Total (in percent)

	2002	2011
Market Capitalization	3	13
Value of Share Trading	1	9
Newly Issued Capital	9	21
Banks in Global Top 1000	43	168

### Catching Up with the Developed World

**BRIC Countries, though registered sharp growth in the financial sector, still show prospects for further growth**



Source: IMF, WB, BIS, IIF, DB Research

## BRICS Dominates Emerging Market Finance

Ranking of BRICS Among Emerging Economies (2010)

Rank	Brazil	Russia	India	China	South Africa
Bank Assets	2	4	3	1	6
Insurance Premium	3	4	2	1	5
Stock Market Capitalization	3	-	2	1	4
Bond Issuance: Domestic	2	16	3	1	9
Bond Issuance: Foreign	1	2	9	5	11
Mutual Funds	1	13	4	2	3
Exchange-traded Derivatives	3	4	1	2	5

*Source: The CityUK Research*

## BRICS Bank Assets

BRICS Bank Assets (in USD bn)

BRICS Bank Assets	2005	2010
Brazil	393	1613
Russia	158	652
India	429	983
China	2728	8564
South Africa	305	492

# 2

## EXPANDING SIGNIFICANCE OF FINANCIAL SECTOR

### BRICS Bank Rankings

BRICS Ranking by Bank Assets 2012

Country	Bank	World Rank
China	ICBC	3
Brazil	Itau Unibanco Holding	33
Russia	Sber Bank	49
India	State Bank of India	60
South Africa	Standard Bank Group	112

Source: [www.thebankerdatabase.com](http://www.thebankerdatabase.com)

### Growing Presence in Global Banking

Growth in Number of Banks in BRIC Countries in the Top 1000

BRIC	1998	2010
Brazil	26	16
Russia	12	30
India	10	31
China	6	84

Source: *The Banker*

## Bank Deposits & Bank Loans

### Bank Deposits and Bank Loans

Country	Bank Deposits as % of GDP-2011	Bank Loans as % of GDP-2011
Brazil	53.26	40.28
Russia	45.03	63.86
India	68.43	51.75
China	159.25	108.74
South Africa	45.86	74.45

## Domestic Credit as % of GDP

### Domestic Credit as % of GDP

Country	1990	2000	2009
Brazil	89.3	74.6	97.5
Russia	0	24.7	33.8
India	51.4	53	69.4
China	89.4	119.7	145.2
South Africa	107	162.5	183.5

Source: IMF

# 2

## EXPANDING SIGNIFICANCE OF FINANCIAL SECTOR

### Stock Market Capitalization

Stock Market Capitalization (USD bn)

Country	2000	2012	% Growth	CAGR
Brazil	226	1227	443%	15%
Russia	39	825	2015%	29%
India	148	1263	753%	20%
China	580	3697	537%	17%
South Africa	205	908	343%	13%
World	32187	54672	70%	5%

Source: World Bank; WFE

### Market Capitalization as % of GDP

Market Capitalization as % of GDP

Country	1990	2000	2010
Brazil	3.6	35.1	74
Russia	0	15	67.9
India	12.2	32.2	93.4
China	0	48.5	81
South Africa	123	118	278.4

Source: S&P

## Listed Companies

### Listed Companies

Country	1990	2000	2009	2012
Brazil	581	459	373	364
Russia	-	249	345	293
India	2435	5937	4987	5191
China	-	1086	2063	2494
South Africa	732	616	407	387

*Source: World Bank; WFE*

## Value of Share Trading

### Value of Share Trading (USD bn)

Country	2000	2012	Growth	CAGR
Brazil	101	875	766%	20%
Russia	20	337	1585%	27%
India	510	637	25%	2%
China	722	4968	588%	17%
South Africa	77	336	336%	13%

*Source: World Bank; WFE*

# 2

## EXPANDING SIGNIFICANCE OF FINANCIAL SECTOR

### Local Currency Bonds Outstanding

Local Currency Bonds Outstanding

Country	1996 (USD bn)	2011 (USD bn)
Brazil	299	1489
Russia	43	87
India	81	596
China	-	2363
South Africa	82	196

Source: Asian Bonds Online

### Value of Bond Trading

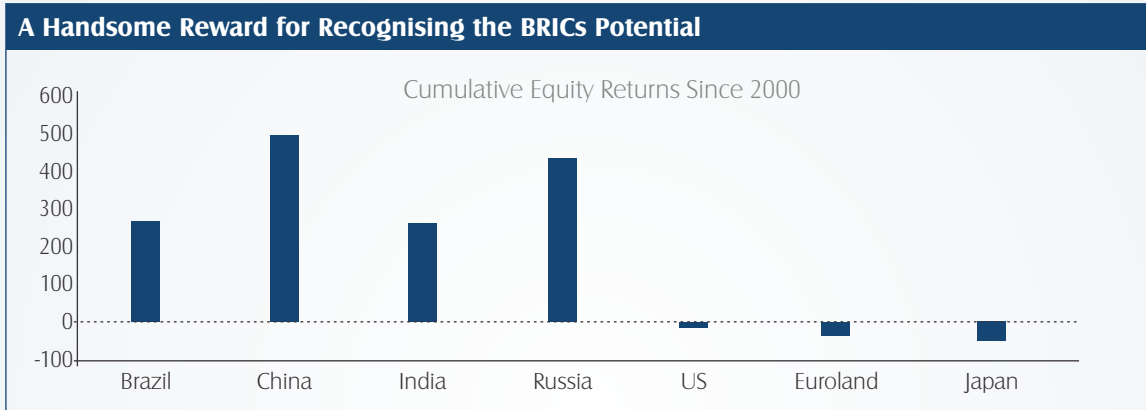
Value of Bond Trading (USD bn)

Country	2006	2012	Growth	CAGR
Brazil	1	1	40%	3%
Russia		334		
India	47	158	236%	11%
China	25	150	500%	16%
South Africa		2805		

Source: World Bank; WFE



## BRICs Gave Good Returns to Investors



Source: IMF, GS Global ECS Research

## Exchange Listings

Ranks of BRICS countries' stock exchanges on the basis of number of listed companies in 2012

Rank	Exchange	Country	No. of listed companies
1	Bombay Stock Exchange	India	5191
10	National Stock Exchange	India	1665
12	Shenzhen Stock Exchange	China	1540
15	Shanghai Stock Exchange	China	954
26	Johannesburg Stock Exchange	South Africa	387
27	BM&FBOVESPA	Brazil	364
29	MICEX / RTS	Russia	293

Source: WFE (Ranks based on the list of exchanges available at WFE)

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## EXPANDING SIGNIFICANCE OF FINANCIAL SECTOR

### Market Capitalization of BRICS Stock Exchanges

Ranks of BRICS countries' stock exchanges on the basis of stock market capitalization in 2012

Rank	Exchange	Country	Mcap (USD bn)
7	Shanghai Stock Exchange	China	2547
11	Bombay Stock Exchange	India	1263
12	National Stock Exchange	India	1234
14	BM&FBOVESPA	Brazil	1227
16	Shenzhen Stock Exchange	China	1150
19	Johannesburg Stock Exchange	South Africa	908
20	MICEX / RTS	Russia	825

Source: WFE (Ranks based on the list of exchanges available at WFE)

### Stock Market Turnover of BRICS Stock Exchanges

Ranks of BRICS countries' stock exchanges on the basis of stock market turnover in 2012

Rank	Exchange	Country	Turnover (USD bn)
4	Shanghai Stock Exchange	China	2599
5	Shenzhen Stock Exchange	China	2369
13	BM&FBOVESPA	Brazil	875
18	National Stock Exchange	India	526
21	MICEX / RTS	Russia	337
22	Johannesburg Stock Exchange	South Africa	336
29	Bombay Stock Exchange	India	110

Source: WFE (Ranks based on the list of exchanges available at WFE)

## Exchange-Traded Bond Market Turnover in BRICS

Ranks of BRICS countries' stock exchanges on the basis of bond market turnover in 2012

Rank	Exchange	Country	Turnover (USD bn)
5	Johannesburg Stock Exchange	South Africa	2805
11	MICEX / RTS	Russia	334
14	National Stock Exchange	India	138
15	Shanghai Stock Exchange	China	127
19	Shenzhen Stock Exchange	China	22
20	Bombay Stock Exchange	India	20
29	BM&FBOVESPA	Brazil	1

*Source: WFE (Ranks based on the list of exchanges available at WFE)*

## Exchange-Traded Currency Futures Turnover in BRICS Exchanges

Ranks of BRICS countries' stock exchanges on the basis of currency futures turnover in 2012

Rank	Exchange	Country	Turnover (USD bn)
5	BM&FBOVESPA	Brazil	4272
6	National Stock Exchange	India	597
8	MCX-SX	India	528
10	MICEX / RTS	Russia	425
12	Johannesburg Stock Exchange	South Africa	15

*Source: WFE (Ranks based on the list of exchanges available at WFE)*

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## EXPANDING SIGNIFICANCE OF FINANCIAL SECTOR

### Exchange-Traded Commodity Futures Turnover in BRICS Exchanges

Ranks of BRICS countries' commodity exchanges on the basis of commodity futures turnover in 2012

Rank	Exchange	Country	Turnover (USD bn)
6	Shanghai Future Exchange	China	5041
7	Multi Commodity Exchange	India	2758
12	Johannesburg Stock Exchange	South Africa	61
15	MICEX / RTS	Russia	30
16	BM&FBOVESPA	Brazil	13

Source: WFE (Ranks based on the list of exchanges available at WFE)

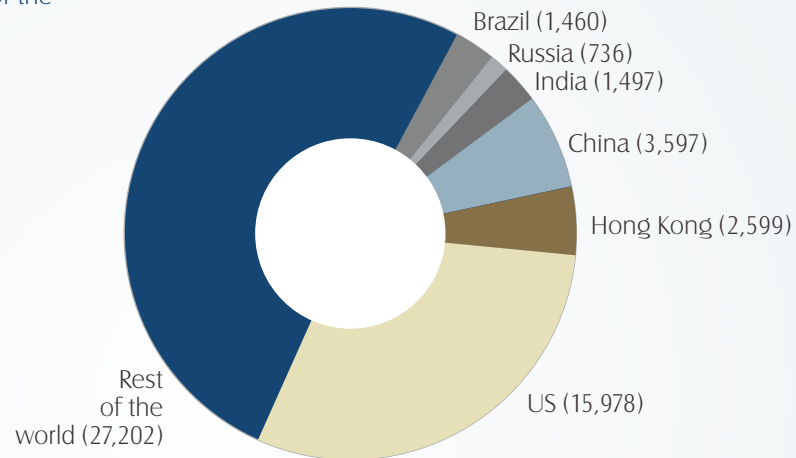
### BRICs Growing Access to International Finance



Source: D B Research

## Significance

BRICs Account for a Sizeable Part of the Global Market Capitalization



Brazil (Bovespa) and China (Shanghai and Hong Kong) in the top 10 countries in Market Cap.

China (Shanghai, Shenzhen) in the top 10 in value of stocks traded

India in top 5 in equity derivatives

Russia and Johannesburg in top 5 in bond trading

Brazil in top 5 in interest rate derivatives

India in the topmost position in currency futures

India among the top 3 in commodity futures

Brazil in top 10 equity options

China (HK) and South Africa in top 5 exotic derivatives traded

10 of the global 30 derivatives exchanges are from BRICS

USD-INR contract is the largest number of contracts traded

Of the top 20 metal futures contracts, 8 are from MCX

BRICs accounted for nearly 50% of the new capital raised in global exchanges in 2011

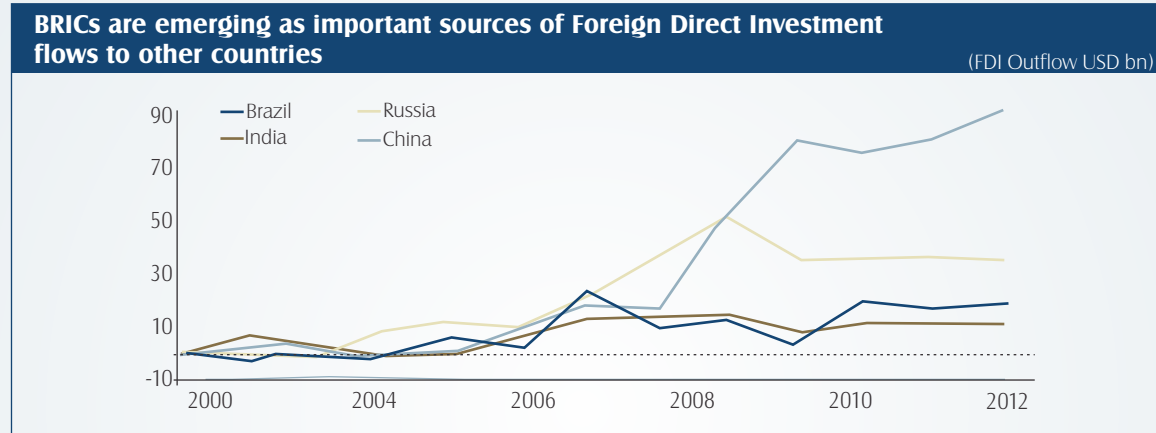
China accounted for nearly 40 percent of the new capital raised globally in the last three years

Source: Various Sources

# 3

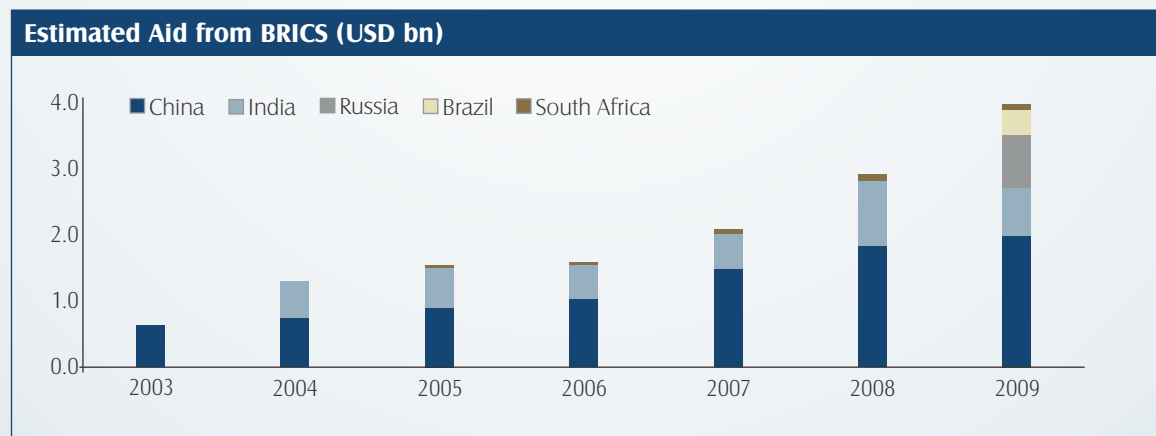
## INCREASING ENGAGEMENT WITH DEVELOPING COUNTRIES

### FDI from BRICs



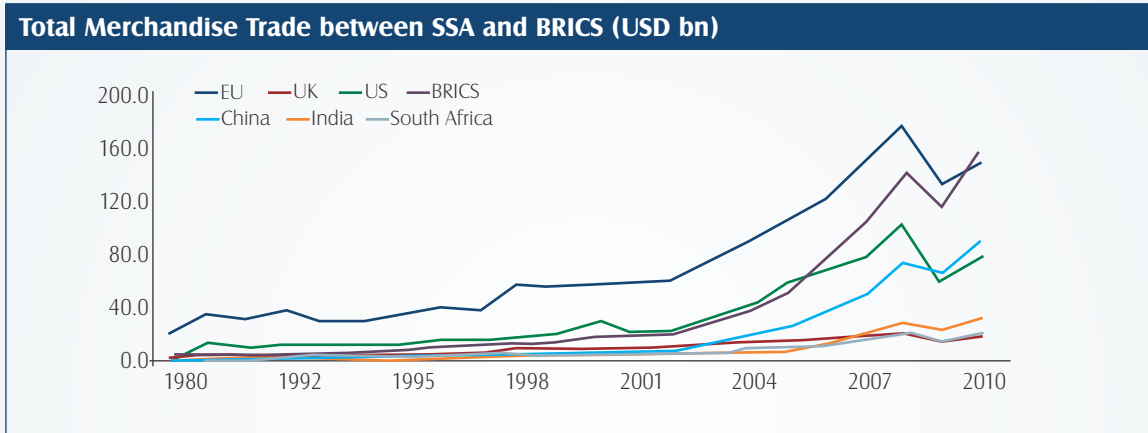
Source: IIF

### Aid to Other Countries



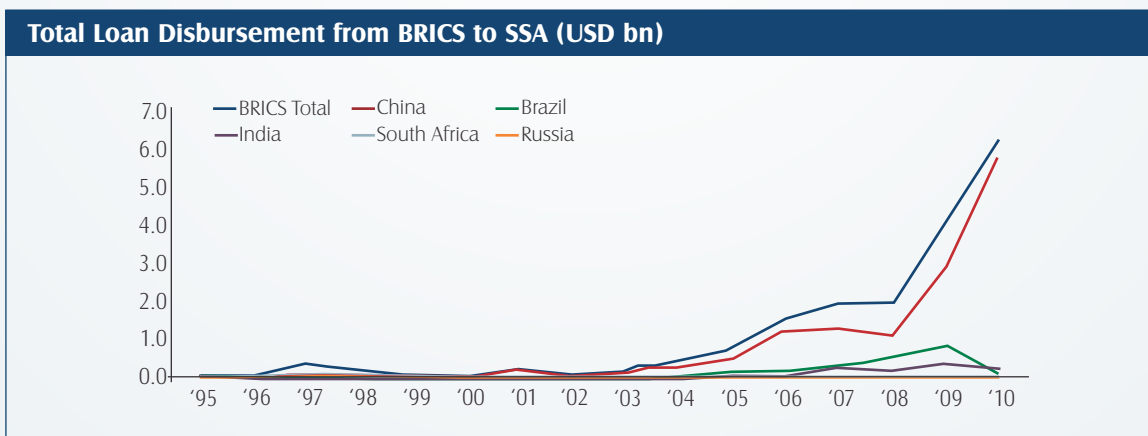
Source: IMF, Brautigam(2008); Smith and Zimmerman 2011; Government Budgets for India and South Africa

## Trade between BRICS and Other Developing Countries



Source: World Bank (using IMF data: Direction of Trade Statistics)

## Loans to Other Developing Countries

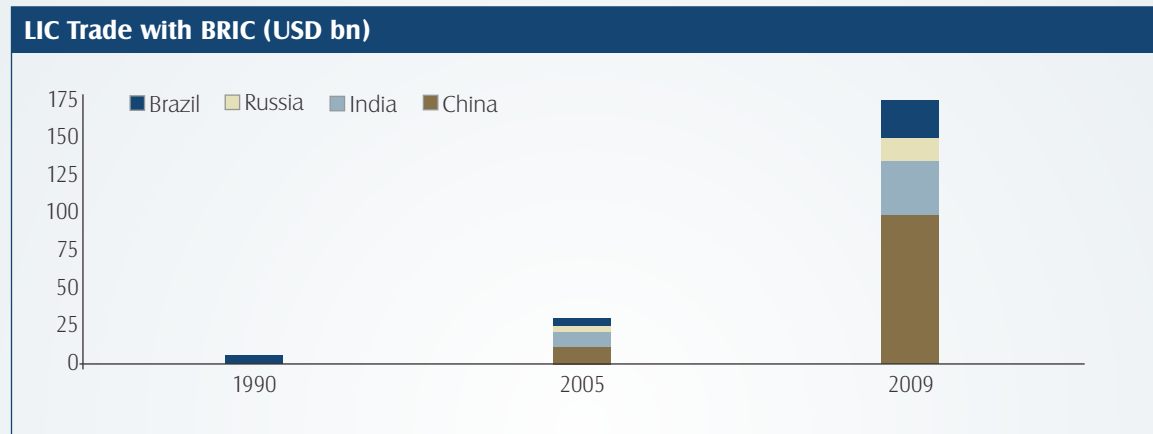


Source: World Bank

# 3

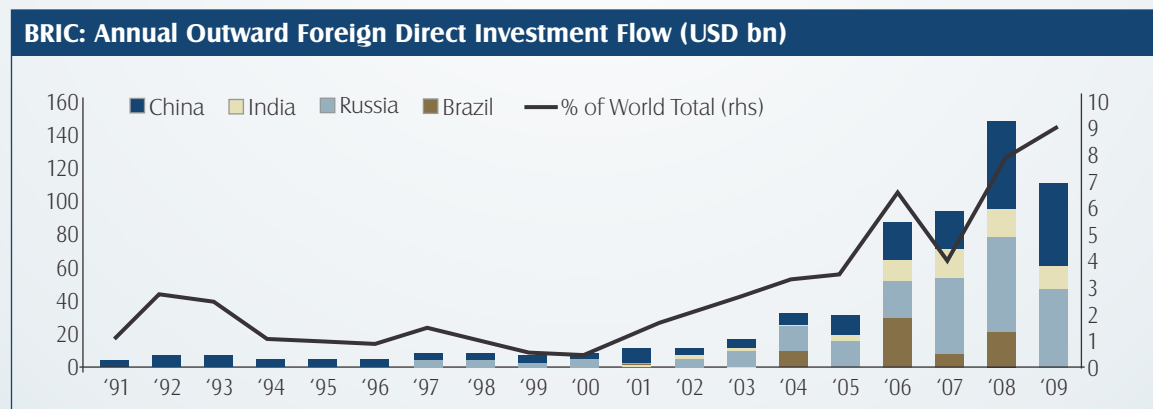
## INCREASING ENGAGEMENT WITH DEVELOPING COUNTRIES

### BRICs Trade with Low Income Countries



Source: IMF Direction of Trade Statistics

### BRIC: Onward FDI



Source: UNCTAD Database; WIR 2010; IMF staff estimates



## Contribution to Changes in LICs\* Growth Rates

Contribution to Changes in LICs' Growth Rates<sup>1</sup>

*Unweighted average for each region in percent*

Country	Factors		
	Country & Idiosyncratic	BRICs	Rest of the World
<b>Before, During and Post-Crisis<sup>2</sup></b>			
Africa	43.1	29.7	27.2
Asia	53.8	27.6	18.6
Europe & the Middle East	37.1	31.1	31.8
Latin America	41	19.1	39.9
Oil Exporters	52.5	37	10.5
Other Commodity Exporters	35.1	37.4	27.4
<b>Before Crisis<sup>3</sup></b>			
Africa	39.9	18.8	41.3
Asia	44.4	25.1	30.4
Europe & the Middle East	44.9	30.5	24.5
Latin America	48.7	18.7	32.6
Oil Exporters	49	28.9	22.1
Other Commodity Exporters	32.1	28.8	39.1
<b>Change in Contribution<sup>4</sup></b>			
Africa	3.2	10.9	-14.1
Asia	9.4	2.5	-11.9
Europe & the Middle East	-7.8	0.6	7.2
Latin America	-7.7	0.5	7.2
Oil Exporters	3.5	8.1	-11.6
Other Commodity Exporters	3.1	8.6	-11.7

\*Low Income Countries

Source: IMF staff estimates

<sup>1</sup>The table shows the fraction of the variance of output growth attributable to each factor

<sup>2</sup>Generated from variance decomposition of VAR regression for period covering 1972-2009

<sup>3</sup>Generated from variance decomposition of VAR regression for period covering 1972-2007

<sup>4</sup>Difference between "During and post-crisis" & "Before the crisis" Positive sign implies an increase in contribution, and a negative sign means the opposite

# 4

## DEGREE OF DIVERGENCE

### Rankings on the Competitive Industrial Performance Index

Rankings on the Competitive Industrial Performance Index

Country	2005	2009
Brazil	37	44
Russia	57	66
India	42	42
China	6	5
South Africa	45	49

Source: [www.unido.org](http://www.unido.org)

### Competitiveness of the World Merchandise Exports



\*Competitiveness effect (CE) is the weighted average of the changes of an exporting country's market shares in all the product segments into which the import market is subdivided.

Source: [www.unido.org](http://www.unido.org)

## The Financial Development Index -2012 Rankings

The Financial Development Index -2012 Rankings

Country	Rank
Brazil	32
Russia	39
India	40
China	23
South Africa	28

Source: WEF

## Stock Market Turnover (Cash Market Segment)

Stock Market Turnover (USD bn)

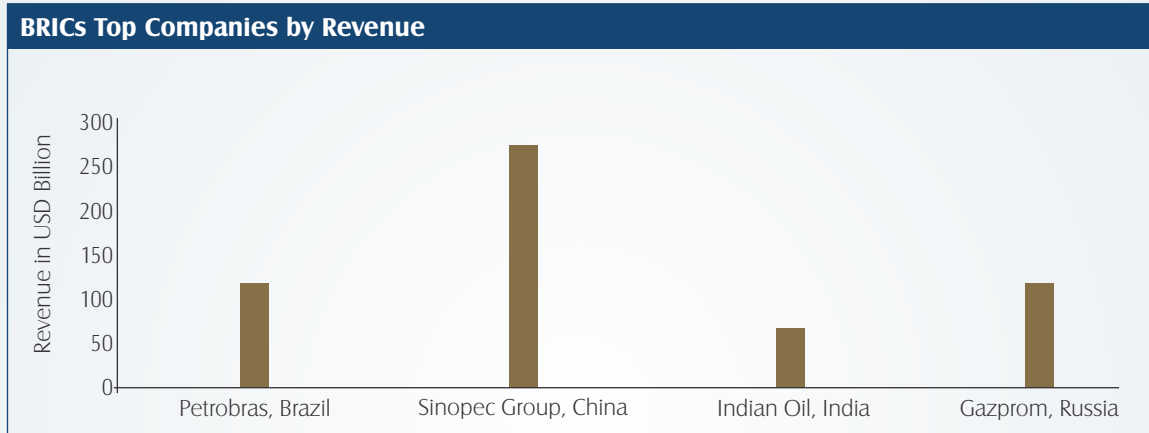
Country	2007	2008	2009	2010	2011
Brazil	585	728	649	901	961
Russia	755	562	683	800	1146
India	1108	1050	1089	1057	740
China	7792	5471	8956	8030	7671
South Africa	426	401	343	340	372
BRICS	10664	8212	11719	11128	10891
World	98816	108066	81330	65032	66419

Source: WFE

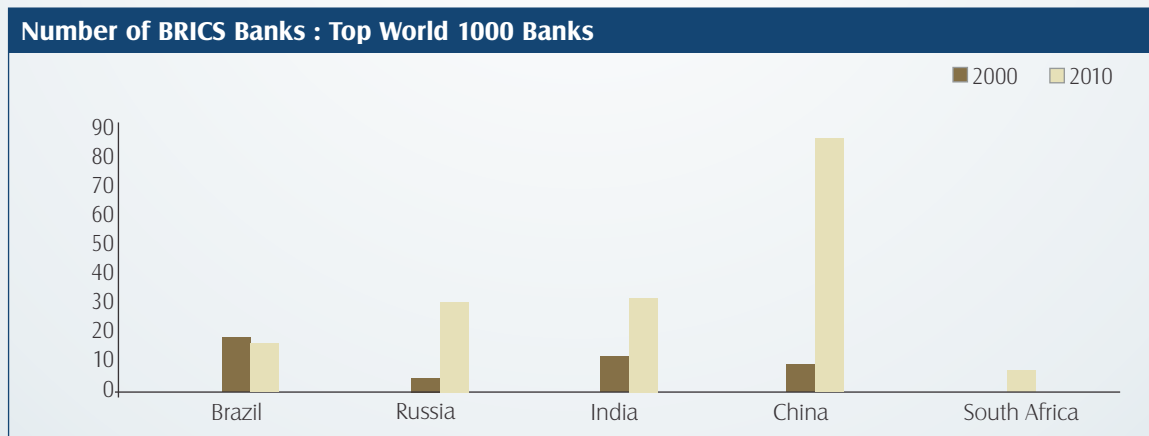
# 4

## DEGREE OF DIVERGENCE

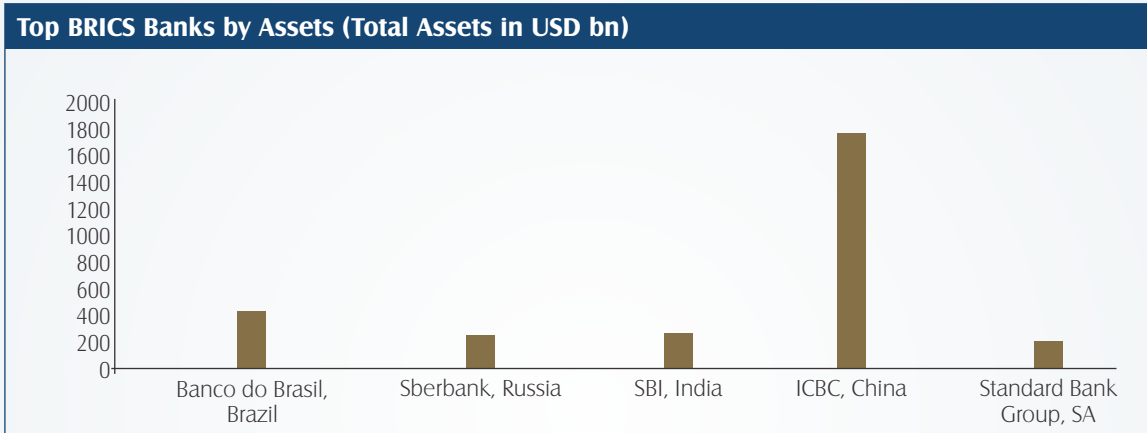
### Top Companies of BRICs



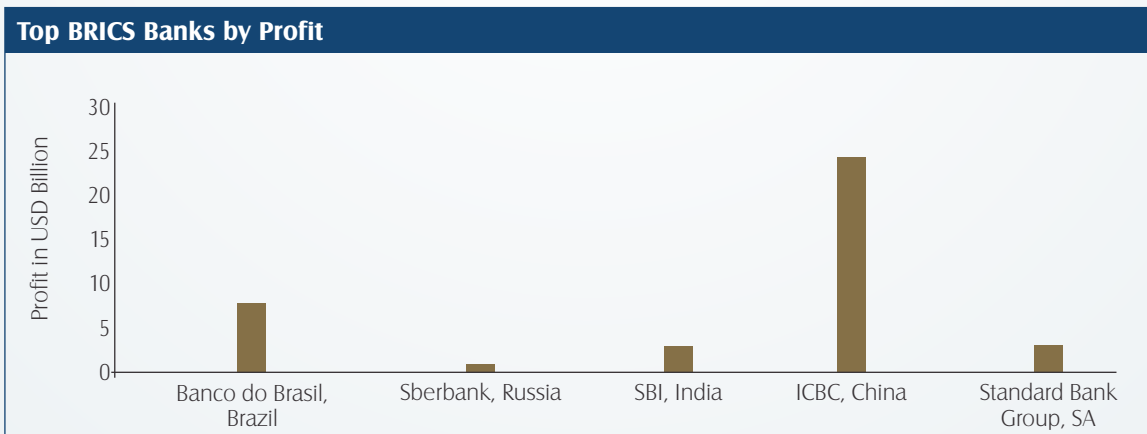
### Top Banks of BRICS



## Bank Assets of BRICS



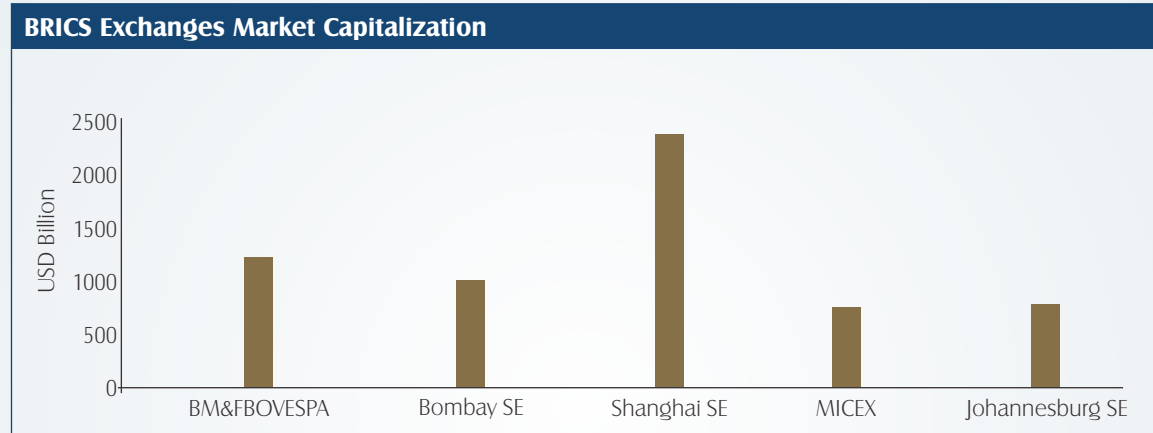
## Bank Profits of BRICS



# 4

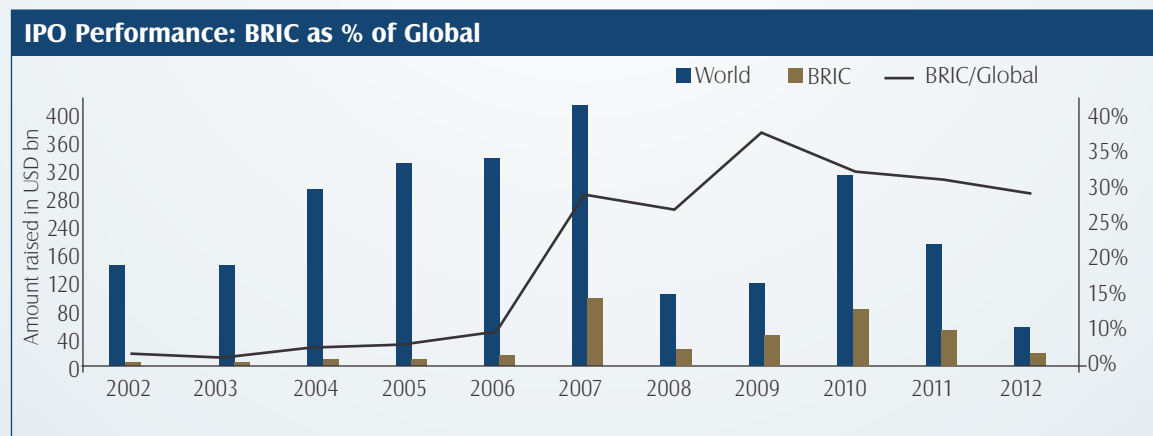
## DEGREE OF DIVERGENCE

### Stock Exchanges



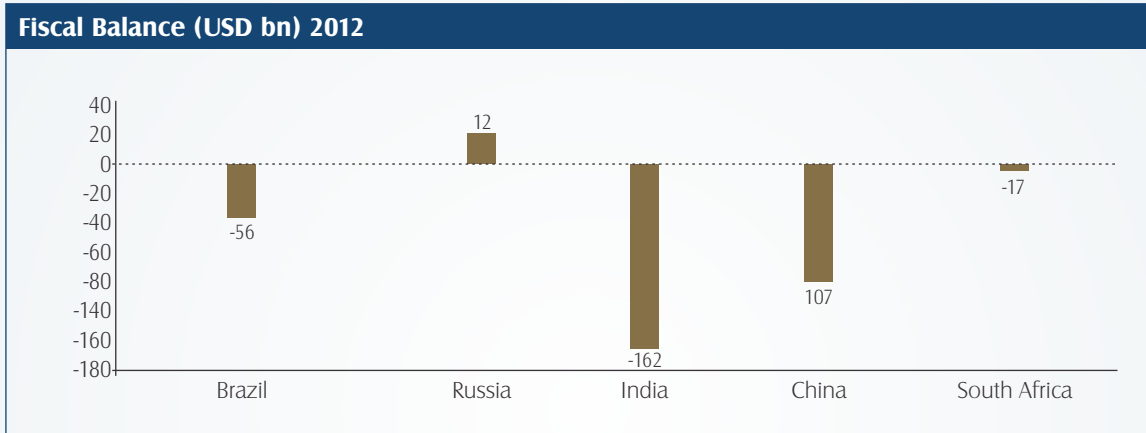
Source: WFE

### New Capital Issuance



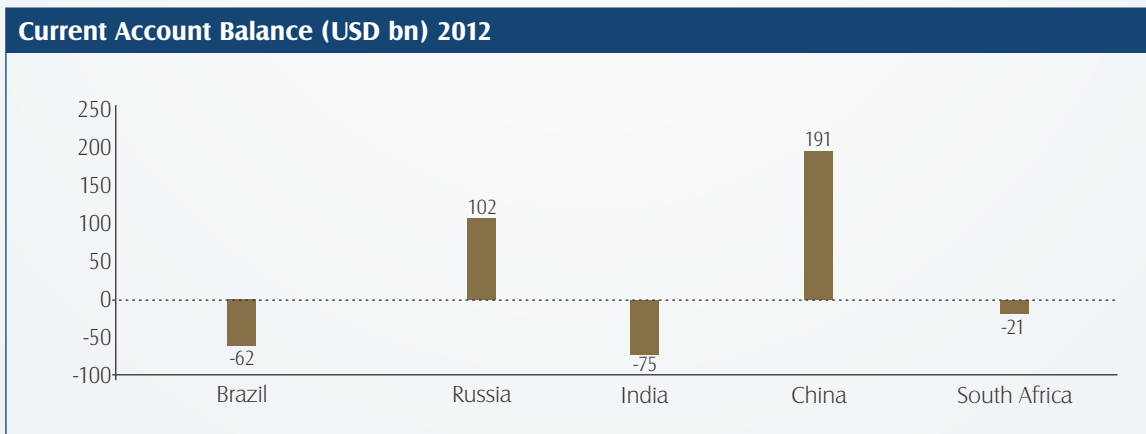
Source: Markets in Motion, FTKMC

## Fiscal Management



Source: IMF

## Current Account Management



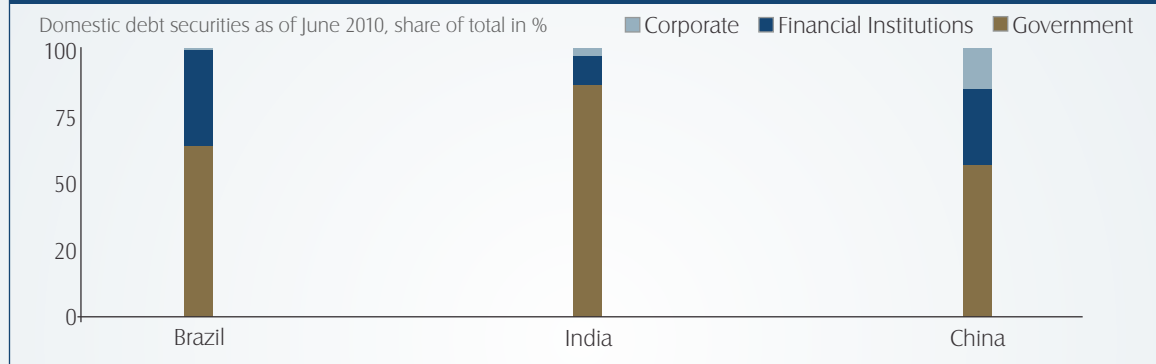
Source: IMF

# 5

## SCOPE FOR REFORMS

### Dominant State

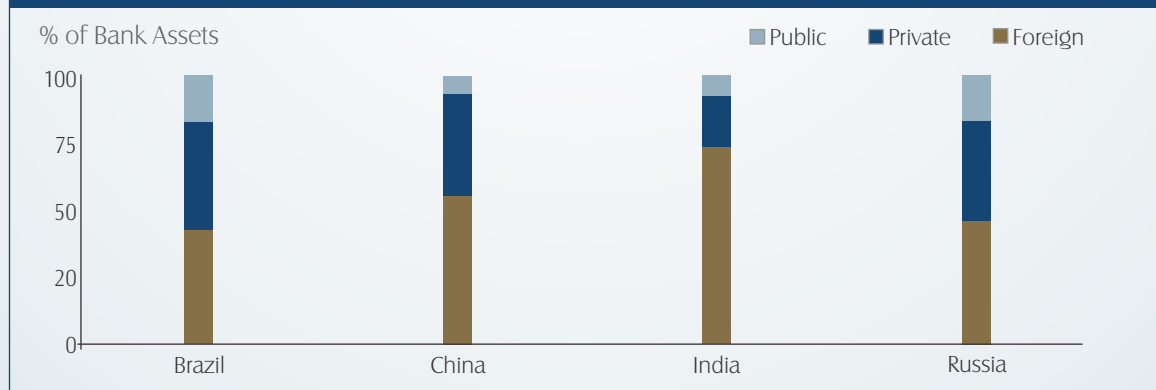
**Corporate Bond Market, considered vital for the economy, is small with a large chunk of debt securities accounted for by the Government**



Source: BIS

### Dominant State Ownership

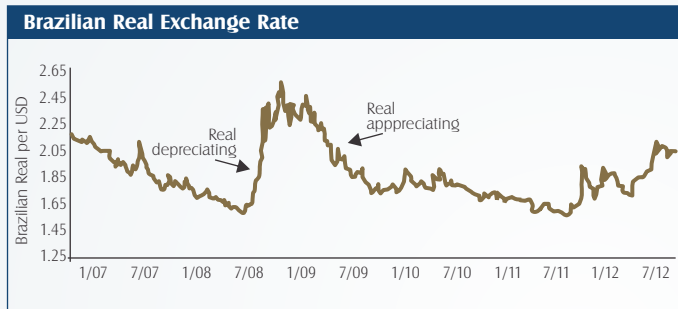
**Government Ownership is predominant in the Banking Sector. Stock Market ownership is diverse**



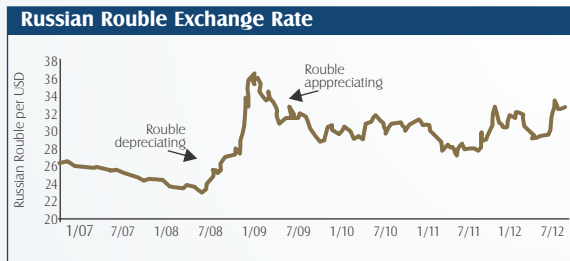
Source: Fitch, DB Research



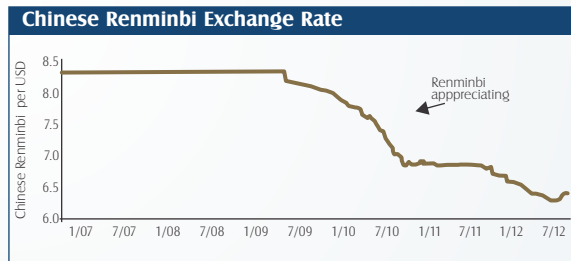
# Exchange Rates



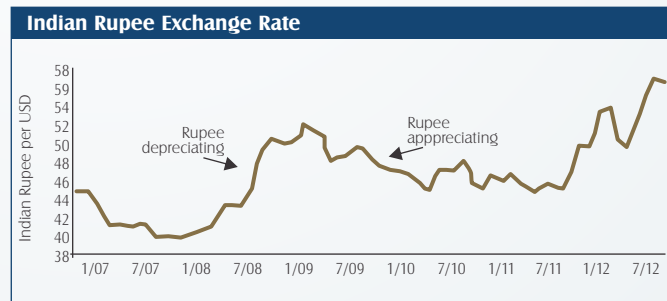
Source: CME, Brazilian Real (BRL) from Bloomberg Professional



Source: CME, Russian Ruble (RUB) from Bloomberg Professional



Source: CME, Chinese Renminbi (CNY) from Bloomberg Professional

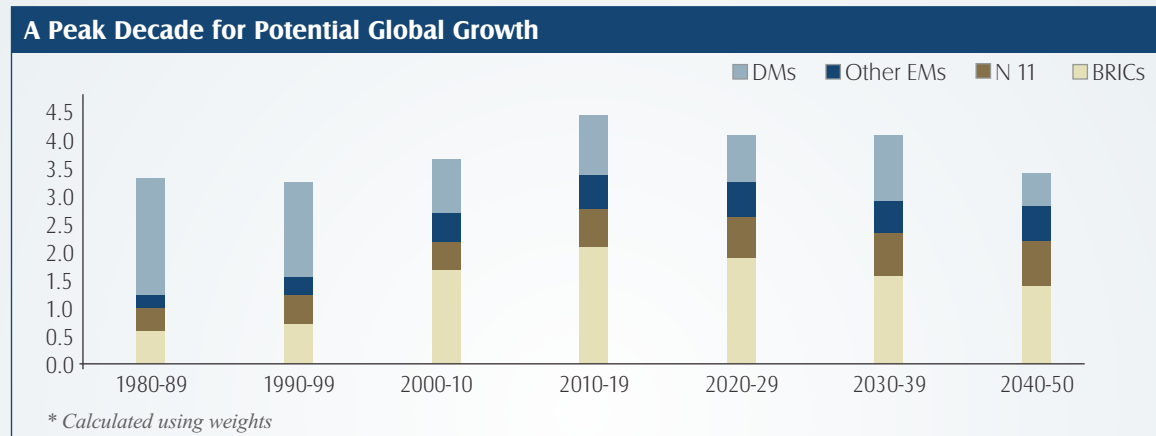


Source: CME, Indian Rupee (INR) from Bloomberg Professional

# 6

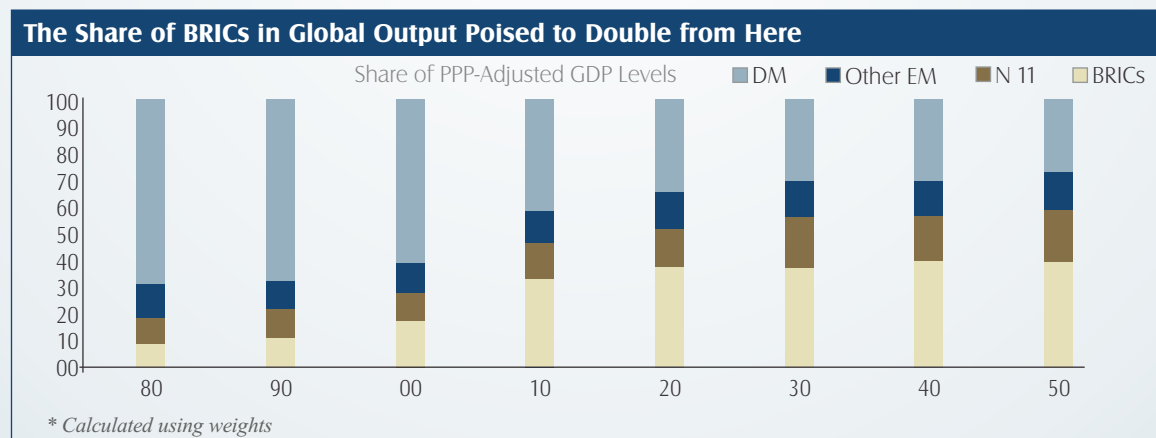
## PROSPECTS AND FORECAST

### Potential for Growth in the Future



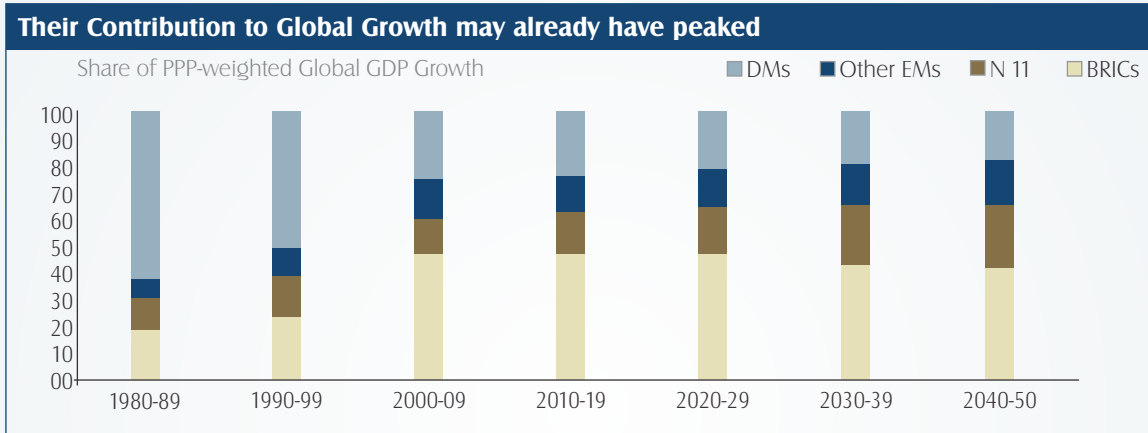
Source: IMF, GS Global ECS Research

### BRICs Output May Double Soon



Source: IMF, GS Global ECS Research

## BRICs Will Have High Contribution to Global Growth



Source: IMF, GS Global ECS Research

## 6

## PROSPECTS AND FORECAST

## Economic Growth (PPP): Emerging Markets League Table

Projected real growth rate for expanded group of emerging market economies: 2007-50 (% pa)

Country	GDP in US \$ terms	GDP in domestic currency or at PPPs	Population	GDP per capita at PPPs
Vietnam	9.8	6.8	0.8	6
India	8.5	5.8	0.8	5
Nigeria	8	6.1	1.6	4.4
Philippines	7.2	5.2	1.1	4.1
Egypt	7.1	5.1	1.1	3.9
Bangladesh	7	5.1	1.1	3.9
China	6.8	4.7	0.1	4.6
Indonesia	6.7	4.5	0.6	3.9
Pakistan	6.4	4.9	1.4	3.5
E7 average	6.4	4.5	0.5	4
Malaysia	5.8	4.3	1	3.3
Thailand	5.7	3.6	0.1	3.5
Iran	5.2	3.8	0.8	3
Brazil	5.2	3.8	0.7	3.1
Turkey	5.1	4.1	0.7	3.4
Argentina	4.9	3.7	0.6	3
South Africa	4.8	3.7	0.3	3.3
Saudi Arabia	4.8	4.1	1.4	2.7
Mexico	4.7	3.7	0.5	3.2
Russia	4.3	2.5	-0.6	3.2
Poland	3.4	2.1	-0.5	2.7
G7 average	2	2.2	0.3	1.9

Sources: PricewaterhouseCoopers GDP growth estimates (rounded to nearest 0.1 %), population growth projections from the E7 and G7 averages)

## Projected Size of Economies

Projected relative size of economies in 2007 and 2050 (US=100)

Country (indices with US= 100)	GDP at market exchange rates in US \$ terms		GDP in PPP terms	
	2007	2050	2007	2050
US	100	100	100	100
Japan	32	19	28	19
China	23	129	51	129
Germany	22	14	20	14
UK	18	14	15	14
France	17	14	15	14
Italy	14	10	13	10
Canada	10	9	10	9
Spain	9	9	10	9
Brazil	8	26	15	26
Russia	8	17	17	17
India	7	88	22	88
Korea	7	8	9	8
Mexico	7	17	10	17
Australia	6	6	5	6
Turkey	3	10	5	10
Indonesia	3	17	7	17

*Source: PricewaterhouseCoopers estimates (using UN population projections)*

## ABOUT FINANCIAL TECHNOLOGIES (INDIA) LTD.

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The Financial Technologies Group is among the global leaders in offering technology and domain expertise in the creation of next-generation financial markets that are transparent, efficient, and liquid across various asset classes, including equities, commodities, currencies, and fixed income segments. The Group operates one of the world's largest network of exchanges connecting fast-growing economies from Asia to Africa. It also has five ecosystem ventures to address upstream and downstream opportunities around exchanges, including exchange and trading technologies, clearing, warehousing, real-time market information, mobile payment solutions, and knowledge management.

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Financial Technologies Knowledge Management Company Limited (FTKMC) is engaged in development of domain knowledge in financial markets in India, with a wide range of services including financial education, training, consultancy, research, publication, and advisory. A rich blend of conceptual clarity with a focus on market practice is embedded in the programmes designed by FTKMC, leading to wider acceptance from a cross-section of professionals. FTKMC has a team of domain experts who are well acquainted with the functioning of equity, currency, and commodity exchanges.

FTKMC caters to the following major constituencies: policy makers and regulatory authorities on subjects such as growing importance of financial markets in the economy and aspects of governance and management; financial institutions on market development strategies, resource mobilization and risk management; corporates and other business entities on the scope of harnessing and accessing financial markets and issuing securities and other instruments; intermediaries on the skill-sets and expertise required to operate in multi-asset-class markets, including trading and settlement; students to prepare them with knowledge and know-how for successful careers in financial markets; and investors to empower them with proper understanding and appreciation of the opportunities in the financial markets and risk and rewards associated with financial investments.

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**Dr. Bandi Ram Prasad**

President, Financial Technologies Knowledge Management Company Limited  
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Dr. Bandi Ram Prasad, President, Financial Technologies Knowledge Management Company Limited, has more than three decades of experience in financial markets, with expertise in banking, rural finance, consulting and capital markets.

Dr. Prasad held senior management positions in banking (Chief Economist, Indian Banks' Association), capital markets (Chief General Manager/Chief Knowledge Officer, Bombay Stock Exchange), and consultancy (Principal Consultant, Dun and Bradstreet India Information Services Pvt Ltd). Currently he heads a premier facility for Knowledge Management in the financial sector.

Dr. Prasad has extensive interactions in the realm of capital markets as a member of the Working Committee of the World Federation of Exchanges and Asia-Oceania Federation of Exchanges while at Bombay Stock Exchange. He did consulting assignments for Food and Agriculture Organization of the United Nations, GIZ (Germany), designed a high-level directors programme for Capital Market Development Authority, Maldives; regulation and development of commodity markets for Ethiopia Commodity Exchange Authority, coordinated two rounds of South Asian Capital Markets Conference for South Asian Federation of Exchanges. Designed and led Global Financial Markets Exposure Programmes for CEOs/top management professionals in financial markets. Dr. Prasad chaired a session in the World Knowledge Forum, held in October 2005 in Seoul. Dr. Prasad is currently implementing a comprehensive knowledge management project for Capital Market Authority, Kingdom of Saudi Arabia. He developed master's programmes on financial markets practice in association with leading academic institutions.

Dr. Prasad is widely travelled and has contributed to various publications on financial markets, banking and capital markets. He regularly shares his views on financial markets in emerging economies at various workshop, seminars, and research forums.

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