

BANKING ON KNOWLEDGE

Emerging economies are coming together to boost global growth

By Dr R Seetharaman

The ninth edition of the Brics Summit was held in Xiamen, China, from September 3 to 5, which centred on the theme of 'Stronger partnership for a brighter future', and was attended by the heads of government of the five member states – Brazil, Russia, India, China and South Africa.

At the event, the Brics member states signed four agreements. They are Brics Action Agenda on Economic and Trade Cooperation, Brics Action Plan for Innovation Cooperation (2017-20), Strategic Framework of Brics Customs Cooperation and Memorandum of Understanding between the Brics Business Council and the New Development Bank on Strategic Cooperation or NDB.

NDB is a multilateral development bank set up by Brics. China will contribute \$4mn towards the NDB project, which shall help in mobilising the resources for development projects in Brics countries



and other emerging economies. Chinese President Xi Jinping said downward risks and uncertainties for the global economy are on the rise, and pledged to boost the power of emerging markets on the world stage. China opposes protectionism and

firmly supports the multilateral trading system.

Indian Prime Minister Narendra Modi said Brics nations have cooperated in diverse areas such as agriculture, culture, environment, energy and sports. He further added that the nations are in "mission mode" to eradicate poverty and ensure health, sanitation, food security, skills, gender equality, energy and education.

He urged leaders to consider creating a Brics rating agency to cater to financial needs to sovereign & corporate entities of developing countries. The Indian PM said: "GST is expected to boost economic activity as same rate for goods and services makes business easy and also facilitates smooth movement of goods and services.

The prime minister also spoke of programmes like Digital India, Start Up India and Make in India that are changing the economic landscape of the country'.

Prime Minister Modi met Brazilian President Michel Temer and discussed a



partnership based on a "common global vision".

The Indian prime minister said that Brics countries could work with the International Solar Alliance to strengthen the solar energy agenda. Modi also said that central banks of Brics countries must further strengthen their capabilities and promote co-operation between the Contingent Reserve Arrangement and the International Monetary Fund. He said a strong Brics partnership and innovation will be the instrument for progress.

The Brics currency markets strengthened against the US Dollar. The Indian rupee, Brazilian real, Russian rouble, Chinese yuan and South African rand strengthened by close to 6%, 4%, 6%, 6% and 6% respectively year-to-date against

the US Dollar. Emerging economy currencies strengthened as dollar weakens on account of uncertainty in US policy decisions.

Emerging bond markets have seen mixed flows in the emerging economies as the inflation trajectory remains mixed. India had witnessed bond issues exceeding \$71bn this year as against bond issues exceeding \$64bn in first three quarters of last year.

China witnessed bond issues exceeding \$692bn this year as against bond issues exceeding \$1100bn in first three quarters of last year. In December 2016, China halted trading in bond futures after record bond market crash. However, bond issues improved a bit in 2017.

Russia had witnessed bond issues

exceeding \$40bn this year as against bond issues exceeding \$35bn in first three quarters of last year.

Brazil had witnessed bond issues exceeding \$13bn this year as against bond issues exceeding \$8bn in first three quarters of last year.

South Africa had witnessed bond issues close to \$9bn this year as against bond issues close to \$10bn in first three quarters of last year.

Except Russia, all other emerging capital markets remained solid, posting gains between 8% to 21% year-to-date in USD.

India's capital market has relatively outperformed amongst Brics indexes. As the Fed continues its monetary tightening the emerging economies are currently placed in a better position, compared to Summer of 2013 and are also coming together to work on various reforms to promote global growth.

■ Dr R Seetharaman is Group CEO of Doha Bank.