



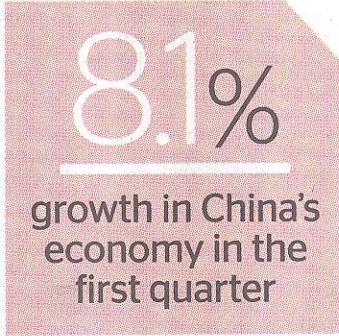
COLUMN

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Will the Bric continue to emerge?

IN THE past decade, mutual funds invested close to \$70 billion into Brazil, Russia, India and China (Bric) stocks and the economies grew four times faster than America's. Presently Bric countries are facing numerous challenges. Will the Bric continue to emerge is the question, which is arising in the minds of global investors.

India's GDP had grown at 5.3 per cent in first quarter of 2012. Inflation in India is sticky at 7.55 per cent in May 2012. The current account deficit is under pressure due to high oil prices and a weakened rupee. The huge fiscal deficit is also affecting Indian economy. The deficit issues had an impact on the rupee, which has fallen substantially this year and the capital markets have also fallen due to this. With issues such as fiscal deficit, current account deficit still yet to be sorted out India's economic growth is expected to be between 6.5-7 per cent in 2012. India is at risk of stagflation and the recent IIP (Index of Industrial production) data and S&P warnings confirms such fears. There is hope that falling interest rates, a favourable monsoon, falling oil prices and government reforms will revive the economic growth in the country. India is a major partner of GCC as GCC-India trade has exceeded \$118 billion in 2011.



China's economic growth was at 8.1 per cent in the first quarter of 2012. In just a decade, China's economy has quadrupled in size to become the world's second largest, with GDP of nearly \$6 trillion. China's rate of GDP growth has been on the decline since a recent year-on-year peak of 12.1 per cent in the first quarter of 2010. That was a result of government stimulus and monetary easing, which enabled a sharp rebound from fall in exports due to the global crisis. Inflation fell to three per cent in May 2012. This is its lowest level in nearly two years, and comfortably below the official target of four per cent. There are concerns in real estate with a potential bubble in some parts of the country. Moreover, some companies and local government bodies may have taken on too much debt to

fuel the investment boom. Lower inflation potentially gives the government more room to deploy fiscal and monetary stimulus without causing an upwards spiral in prices and the central bank already had made a first move by reducing rates in first week of June 2012. The euro crisis will also have an impact on china. It is expected that growth in 2012 will remain in the range of 8-8.5 per cent in 2012. In 2011 China was the largest supplier to the region and is major trade partner with the GCC.

Brazil economy grew at 0.8 per cent on a year-on-year basis in first quarter of 2012. The worst-performing sector in the first quarter was agriculture, which has been damaged by a severe drought in southern Brazil. Brazil should seriously have a plan to revive its growth. As their major trade partner is china, the issues in China and European crisis will have an impact on Brazil. The GCC exports to Brazil exceeded \$4 billion with UAE constituting more than 50 per cent of it. Brazil economy expected to grow by 2.75 per cent in 2012. Russia had grown by 4.9 per cent in first quarter of 2012, which was better than expected. Russian ruble reached the lowest level in the last three years recently since April 2009. The currency's fate is closely linked to the price of a crude oil contract called the Urals blend shifting of money to US treasuries. The domestic investment and exports are the critical factors for Russia's economic growth. Russia is expected to grow between 3.5-4 per cent in 2012.

The capital markets of emerging economies which had coasted up well in the first quarter of 2012 due to global liquidity fell recently on account of the issues at the country level and global level. The emergence of Bric will mainly depend on the measures taken at the national level and the euro crisis.



A worker carries a bucket of potatoes inside the market yard in Ahmedabad. India's GDP grew at 5.3 per cent in the first quarter while inflation was recorded at 7.55 per cent in May. — Reuters

The writer is group CEO at Doha Bank. Views expressed by the author are his own and do not reflect the newspaper's policy