## BUSINESS

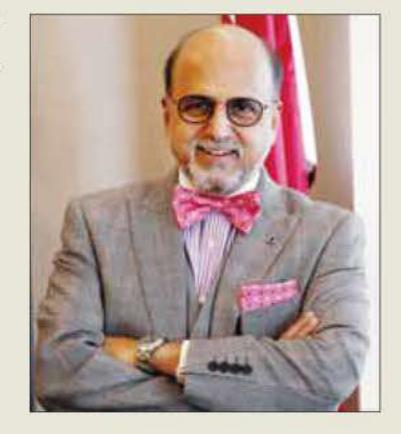
## **BANKING ON KNOWLEDGE**

## Emerging economies growth contingent on global sustainability

## By Dr R Seetharaman

According to IMF July 2019, China economy is expected to grow by 6.2% in 2019. The negative effects of escalating tariffs and weakening external demand have added pressure to an economy already in the midst of a structural slowdown and needed regulatory strengthening to rein in high dependence on debt.

China consumer inflation edged up to 2.8% in July 2019. There is escalation in trade tension between the two largest economies US and China in recent times and has contributed to volatility in financial markets. The Chinese yuan had breached 7 against the US dollar and has fallen by more than 4% YTD. Chinese capital market is up more than 17% YTD. Chinese bond issues exceeded \$828bn in the first half of 2019 as



against \$578bn in the first half of 2018. According to IMF July 2019, the Brazil economy is expected to grow by 0.8% in 2019 as against the January 2019 forecast of 2.5% in 2019. Brazilian inflation expectations for this year have fallen to fresh lows, according to a recent central bank survey. The central bank board, will meet this month and we need to see whether policy makers have the space to maintain their ratecutting.

The Brazil real has fallen below 4.18 levels against the US dollar and weakened by close to 8% YTD. Brazil capital market is up by more than 14% YTD. Brazil bond issues exceeded \$28bn in the first half of 2019 as against \$35.8bn in the first half of 2018. According to IMF July 2019, Russian economy is expected to grow by 1.2% in 2019 as against the January 2019 forecast of 1.6% in 2019. The annual inflation rate in Russia was 4.6% in July of 2019. The Russian rouble is near 67 levels against the US dollar and has surged by close to 3.5% YTD. Russia capital market is up by more



than 20% YTD on account of recovery in oil prices. Russian bond issues exceeded \$25.3bn in the first half of 2019 as against \$18.08bn in the first half of 2018.

According to IMF July 2019, South African economy is expected to grow by 0.7% in 2019 as against the January 2019 forecast of 1.4% in 2019. The annual inflation rate in South Africa fell to 4.0% in July 2019.

The FTSE/ JSE Africa All shares index is up by close to 4% YTD. The South African rand is below 15.2 against the US dollar and has weakened by more than 6% YTD. The South Africa bond issue is close to \$5.3bn in the first half

of 2019 as against \$3.7bn in the first half of 2018. India growth for 2019 brought down to 7% in IMF July 2019 forecast from 7.5% in IMF January 2019 forecast. The India consumer price inflation rate was at 3.15% in July 2019. Indian rupee had also breached 72 against the US dollar this week.

The Indian bond issue is close to \$57.4bn in the first half of 2019 as against \$46.26bn in the first half of 2018. India's capital market is flat this year. The government also decided to relax norms for foreign direct Investment in several sectors including single brand retail, digital media and the manufacturing sector as part of

an all-out effort to boost the flagging economy.

The revoking of the foreign portfolio investor surcharge, the announcement of consolidation and upfront recapitalisation of public sector banks with a capital infusion of 55,250 crore are enablers for economic acceleration. RBI could come up with more rate cuts to complement government efforts. According to IMF July 2019, the emerging market and developing economy group is expected to grow at 4.1% in 2019 as against the January 2019 forecast of 4.5% in 2019. The dollar index has reached 99 levels and is putting pressure on emerging economies currencies. The emerging economies growth is contingent on global sustainability.

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