



## BANKING ON KNOWLEDGE

# Emerging economies' financial markets highly volatile due to pandemic concerns

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According to the IMF's April 2020 outlook, the Chinese economy is expected to grow by 1.2% in 2020. The Chinese yuan was above 7 against the US dollar and has weakened by more than 2% this year. The Chinese stock market had fallen by more than 5% YTD. The Chinese bond issuances were at \$ 842bn in this year and was above \$836bn in first half of 2019. According to IMF April 2020 outlook, the Brazilian economy is expected to contract by 5.3% in 2020. The Brazilian real was at 5.81 against the US dollar and had fallen by more than 45% YTD. The Brazilian stock market had fallen by more than 31% YTD. The Brazil bond issuances were at \$3.65bn this year and was above \$18.93bn



in first half of 2019. According to IMF April 2020 outlook, the Russian economy is expected to contract by

5.5% in 2020. The Russian rouble was at 73.54 against the US dollar and had fallen by more than 18% YTD. The Russian stock market had fallen by more than 13% YTD. The Russian bond issuances were above \$15bn this year and was above \$22bn in first half of 2019.

According to IMF April 2020 outlook, the South African economy is expected to contract by 5.8% in 2020. The South African rand was at 18.44 against the US dollar and had fallen by more than 31% YTD. The African stock market had fallen by close to 12% YTD. The South African bond issuance was above \$1.62bn this year and in first half 2019 was at \$4.43bn. According to IMF April 2020 outlook, the Indian economy is expected to grow by 1.9% in 2020. The Indian stock market is down by more than



24% YTD. The Indian rupee was at 75.50 against the US dollar and had fallen by close to 6% YTD. The Indian bond issuance was above \$40bn this year and first half 2019 was close to \$54bn. The Indian PM Narendra Modi announced a Rs 20-lakh-crore stimulus package, equivalent to about 10% of India's GDP, aimed at making the country self-reliant and reviving the stalled economy. The programme encompasses earlier packages announced by the government and the Reserve Bank

of India, Modi said, adding that bold reforms are needed to make the country self-reliant so that crises such as the Covid-19 pandemic can be overcome in future. "These reforms will include supply chain reforms for agriculture, rational tax system, simple and clear laws, capable human resources and a strong financial system." The emerging and developing economies' growth is expected to contract by 1% in 2020, while growth for the emerging market and developing economy group

is forecast at 6.6% in 2021. The emerging market currencies, capital markets and bond issuances have already fallen on account of Covid-19. The surge to the US dollar given its perceived safe-haven status has driven several EM currencies to record lows against the greenback in recent weeks. Investors are trying to gauge the bottom for EM assets amid the pandemic, while also monitoring monetary and fiscal policy responses from governments and central banks. The effects of the crisis on economic growth forecasts also indicate pressure and hence EM financial markets highly volatile due to pandemic concerns.

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