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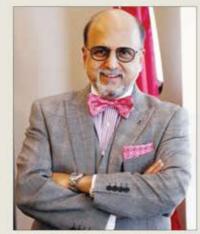
BANKING ON KNOWLEDGE

RCEP – a catalyst for global economic revival amidst EM volatility

By Dr R Seetharaman

According to the IMF's October 2020 outlook, the Chinese economy is expected to grow by 1.9% in 2020 and by 8.2% in 2021. The Chinese yuan has strengthened by more than 5% this year to 6.57 against the US dollar. In recent times, the yuan gained as dollar slumped. The Chinese stock market had strengthened by more than 9% YTD. The Chinese bond issuances were at \$1.83tn in first 9 months of this year and was at \$1.35tn in the first 9 months of 2019.

In the beginning of this week, the leaders of China and another 14 countries in the Asia-Pacific region have signed one of the biggest free trade deals in history, covering 2.2bn people and 30% of the world's economic output. The deal, known as the Regional Comprehensive Economic Partnership (RCEP), is the first trade agreement to bring China, Japan and South Korea and could add



almost \$200bn annually to the global economy by 2030.

The RCEP takes most of the existing agreements signed by the 10 members of the Association of Southeast Asian Nations — Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and

Vietnam — and combines them into a single multilateral pact with Australia, China, Japan, New Zealand and South Korea.

The RCEP brings Asia a step closer to becoming a coherent trading zone like the EU or North America, even if it is not expected to lead to large overall tariff reductions. Japan and South Korea are expected to be among the biggest winners from the deal, but the benefit of cheaper goods will spread as far as Europe and the US. The RCEP agreement is loose enough to stretch to fit the disparate needs of member countries as diverse as Australia, Myanmar, Singapore and Vietnam. The RCEP agreement will be a catalyst that Asia needs to recover from the Covid-19-induced economic slump and thereby contribute to global growth. According to the IMF's October 2020 outlook, the Brazilian economy is expected to contract by 5.8% in 2020 and recover by 2.8% in 2021. The Brazilian real has weakened by more than 35% to 5.46 against the US dollar



this year, mainly due to Covid-19. The Brazilian stock market has fallen by more than 9% YTD. The Brazil bond issuances were above \$13bn in the first 9 months of this year as against close to the \$28bn in the first 9 months of last year.

According to the IMF's October 2020 outlook, the Russian economy is expected to contract by 4.1% in 2020 and recover by 2.8% in 2021. The Russian rouble weakened by more than 23% YTD to near 77 levels against the US dollar. The Russian stock market had fallen by more than 26% YTD. The Russian bond issuances were above \$30bn in the first 9 months of this year and was above \$31bn in the same period previous year. The Covid-19 pandemic and the fall in oil prices has

impacted across the Russian markets. According to the IMF's October 2020 outlook, the South African economy is expected to contract by 8% in 2020 and recover by 3% in 2021. The South African rand was fallen by more than 10% YTD to 15.46 against the US dollar. The African stock market is flat YTD. The South African bond issuance was above \$5.3bn in the first 9 months of this year and in same period 2019 it was \$10bn.

According to the IMF's October 2020 outlook, the Indian economy is expected to weaken by 10.3% in 2020 and recover by 8.8% in 2021. The Indian stock market is up by more than 5% YTD, despite Covid-19. The Indian rupee had fallen by close to 4.5% YTD to 74.6 against the US dollar. The Indian bond

issuance was above \$103bn in the first 9 months and in the same period last year, it was above \$98bn.

The emerging economies such as India. China and South Africa have witnessed some revival in stocks and strengthening in currencies. However, Russia and Brazil struggle to recover. Some of the currencies recovered due to dollar weakness. The emerging economies currently contribute to 32% of global Covid-19 cases at more than 17mn. According to the IMF's October 2020 outlook among emerging market and developing economies, the growth is forecast at -3.3% in 2020 and strengthening to 6% in 2021. Despite the volatility prevailing in emerging economies' financial markets it is expected that the RCEP will support growth in Asia and the global economy. The RCEP is a catalyst for Global economic revival amidst the emerging markets' volatility.

The author is Group CEO of Doha Bank.