

# **The BRICS - A decade on, the economies are no longer the reliable powerhouses of growth they once were**

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## **Abstracts**

The BRICS - A decade on, the economies are no longer the reliable powerhouses of growth they once were

### **SUMMARY**

The BRICS economies were touted as the leading new countries for growth and the primary shift towards these countries and away from the traditional affluent countries was said to be beginning. To an extent this has happened and countries like China and India have been potent engines for world economic growth over the last decade. However, in 2017 the five economies of the BRICS are starting to look run down and some serious cracks have appeared in the theory that all these countries will come to dominate world economics. All five have begun to slow down and some have even dropped into recession in recent years. There are some problems which have affected all five, such as scandal and corruption, and some conclusions can be drawn about the future of other emerging economies as they try to develop into western style democratic economies and shed the traditions of old. We look at the economies of Brazil, Russia, India, China and South Africa to examine just what the problems are and if there are resolutions to be found.

### **KEY HIGHLIGHTS**

Both Brazil and India brought some comfort to the success of the BRIC acronym: both are democracies which have embraced the virtues of western style capitalism rather than the government controlled model pursued by Russia and China. Yet over recent years the luster has gone.

China is the world's second largest economy and the world's most populous country. Ever since the country started to liberalize its economy, there have been astonishing levels of growth which have pushed the country to ever greater heights, with many expecting the eventual "catching" of the US economy in GDP terms within the century. However, the slow down experienced in China and the government's push to try and maintain high levels of growth is looking like an increasingly uphill struggle.

After the collapse of the Soviet Union, Russia was supposed to reform and become a major, market led, economic power. Only with the election of Vladimir Putin as president did economic fortunes for the beleaguered nation improve. Yet improving prosperity and rising living standards ceased some time ago. No longer is the average Russian gaining wealth – indeed, most are poorer now than several years ago.

## **SCOPE**

Looking at the key economies of the BRICS and seeing why their economies are faltering

What has caused these slow downs and are they preventable

What does this mean for the future of the global economy

Is there anything that can be done to solve these problems

## **REASONS TO BUY**

Why is Brazil suddenly unable to produce the growth it has achieved in the past?

What is the nature of Russian economic problems and are they systemic?

Is the future positive for India and can it escape its huge debt burden?

Can China effectively transition to a consumer economy and if it could is that

even desirable?

Why is the South African economy unable to take advantage of good potential for growth?

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Brazil: A faded success story striving to recover

Russia: Threatened by endemic economic problems

India: Massive debt & public bankruptcy have restricted economic growth

China: The world's growth engine begins to stall

South Africa: The late BRIC entrant with multiple economic issues

Brazil: A faded success story striving to recover

Recession has shaken faith in Brazilian progress, but some bright signs have emerged

Poor governance resulted in high inflation, high debt and high interest rates – instability must not be allowed to repeat it

Petrobras scandal still lingers on, but government action is positive and could have wider impact

Major reforms to spending have occurred due to recession, but tax reform must also follow

Russia: threatened by endemic economic problems

Corruption is rife and hampers the ability of the Russian economy to function

Economically, oil and gas dominate, creating a need for diversification

Living standards are falling for most, leaving Russia struggling to fulfill early BRIC predictions

Sanctions still hurt, highlighting the need for change post-recession

India: Massive Debt & Public bankruptcy has Restricted Economic Growth

India's debt is still sizeable when compared with neighboring economies

Government spending could be much more generous

India's government spending is low in comparison to the rest of the BRICS nations

Tax revenues are being spent on paying back debt as opposed to developing key sectors

Tax receipts are used to subsidize many industries to push for better living standards in India

Less room for the public sector, more room for private

State-owned-firms are left with losses larger than Zimbabwe's GDP

Some firms do not comply with regulations breeding governance issues internally

China: The world's growth engine begins to stall

Current Chinese growth targets are the lowest for a quarter of a century

Demand and production between the west and China is crucial

China has been trying to move to a consumer based model

The west should be cautious about urging China to move to a consumer economy

China has learned from the recession of 2008 systemic risks

Too much reliance on surging economies worldwide  
Supplier economies are particularly hard hit by this over reliance on Chinese growth  
Trump's protectionist threats are not helpful for the BRICS or US  
China needs to make some crucial changes but not in a western model  
South Africa: The late BRIC entrant with multiple economic issues  
Mining economy problem is reducing but not being replaced  
Cut in interest rates to desperately avoid a recession  
Downgrades from the ratings agencies as a result of instability  
Solutions to the problem require long term investment in people  
Political instability is a further risk in the country  
Unemployment needs addressing to help improve consumption and spending  
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