Brazil, Russia, India and China: BRIC Nations Expected to Drive 70% of Global Growth

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In 2009, the economies of developed countries will see negative growth. The growth rate of the global economy will plunge and face recession while the international financial crisis will probably stabilize in the second half of the year.

In the face of an overall environment of worsening economy and economic recessions in developed countries caused by the international financial crisis, the developing countries cannot be expected to sever economic ties with the developed countries. The economic growth rate of developing countries will continue to slide in 2009, and their financial markets are likely to face the pressure from outflows of capital. However, compared to developed countries, developing countries, especially emerging economies, will maintain relatively high growth rates. The International Monetary Fund predicts that the overall economic growth rate of the developing countries will reach 5.1% in 2009. Of the developing countries, Brazil, Russia, India and China (BRICs) will enjoy growth rates of 3.0%, 3.5%, 6.3% and 8.5% respectively.

The major driving forces behind economic growth include: first, the financial institutions of developing countries are exposed to the sub-prime lending crisis at a relatively low level. Taking Asian countries for example, the non-performing loans of these countries only account for less than 5% of their assets and the capital of their commercial banks are sufficient. Second, their economies have slowed down, and declines in oil prices have reduced the pressure of inflation. It is estimated that the developing countries will see the inflation rate drop from 9.2% in 2008 to 7.1% in 2009, whereas the developed countries are estimated to see the inflation rate dropping from 3.6% in 2008 to 1.4% in 2009 and will face the pressures of deflation. Third, the trade growth rate of the developing countries is estimated to reach 5.2% to 5.3%.

So far, the developed countries make up more than 50% of the global economy. According to calculations based on purchasing power parity, in 2007, the share of "BRICs" in the global economy rose to 21.4%. Despite the fact that the major developed countries are experiencing negative growth, the contribution of the "BRICs" to global economic growth will probably reach 70% in 2009. In addition, the emerging economies are the main holders of foreign exchange reserves in the world. It is difficult to imagine that the developed countries, which have been ensnared with liquidity problems, can quickly escape the financial crisis without the financial support of the emerging economies.

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