

MARKETS IN MOTION

developments that matter in financial markets

Growing Importance of Emerging Economies

“The strong growth already evident in emerging and developing economies should serve as a reminder to all of us of the increasing power and potential of these countries on the global stage. There are dynamic poles of growth in Latin America, Asia, and Africa that need to be recognized.”

Ngozi N Okonjo-Iweala, Managing Director, World Bank

FTKMC

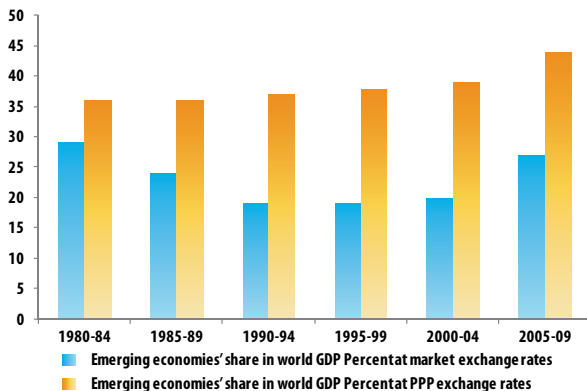
FT KNOWLEDGE MANAGEMENT COMPANY LIMITED

- **MARKETS**
 - Equities
 - Commodities
 - Currencies
 - Debt
 - Banking
 - Insurance
 - Financial Services
 - **PRACTICE**
 - Executive Education
 - Certification
 - Consultancy
 - Research
 - Advisory Services
 - **FORUMS**
 - The Strategy Dialogue
 - Financial Markets Forum
 - fiNET
 - Commodities Camp
 - **REPORTS**
 - Financial Markets Review
 - Market Briefings
 - **SPL PROGRAMMES**
 - Markets in Motion
 - Global Financial Markets Practice
 - Winter School
 - **NATIONAL SIMULATION LAB**
- www.catchthefuture.in
www.ftkmc.com

Introduction

Emerging economies, which account for 82 percent of the world's population, are now important players in the global economy. During 2004-09, emerging economies contributed 63 percent of the increase in global output. In terms of economic size, their share in global output has increased from less than 20 percent in the early 1990s to more than 30 percent in 2010, measured at market exchange rates. If the concept of purchasing power parity (PPP) is used—i.e., taking account of differences in the cost of living—the share of emerging economies in world GDP is already 45 percent, almost 10 percentage points higher than in the early 1990s. According to the IMF's World Economic Outlook, this share will surpass 50 percent in 2013.

Emerging Economies' Share in World GDP



China and India

China and India, accounting for around 20 percent and 18 percent, respectively, of the world population, are now considered among the largest economies in the world. China is now the third largest economy behind the United States and the euro area, based on 2010 World Economic Outlook projections. In PPP terms, India is among the top five economies, with GDP amounting to more than one-third of that of the euro area. The ballooning global GDP pie is also dominated by the emerging economies such as Brazil, Russia, and Mexico besides India and China.

Emerging economies are improving their share in world trade in recent years. On the export side, the emerging economies' share has increased from around 19 percent of world exports in the early 1990s to close to

35 percent in 2010. On the import side, the share has increased from 20 percent to 30 percent over the same period.

Stock Market Capitalization

Emerging economies have also made some significant progress in terms of financial development. In particular, the share of the major emerging economies' stock markets in world capitalization increased from 7 percent in 1990 to 32 percent in 2009.

Indian Financial Markets

Strong domestic macroeconomic fundamentals and expectation of sustained high growth has provided the impetus and necessary comfort to the Indian financial markets. The transaction volumes in different segments of the financial markets during the past three years show an increasing trend, albeit at a modest scale, reflecting the growing investors' confidence.

Average Daily Turnover (in bn)

Segment	2008-09	2009-10	Sep 2010
Govt. Securities Market	Rs 108.79	Rs 144.26	Rs 162.15
Forex Market	\$ 34.81	\$ 30.10	\$ 37.24
Stock Market	Rs 158.23	Rs 226.10	Rs 208.93

Source: RBI

Indian economy is poised for another year of good growth. A normal monsoon this year is expected to lift the agriculture sector growth to above the trend rate of growth in 2010-11. Industrial production, though volatile in different sectors, has shown robust growth overall. Lead indicators of services sector also point to a continuation of the momentum. The current data and indicators of economic performance suggest that the Indian economy may overshoot the 8.5 percent annual growth in 2010-11 projected by RBI.

The importance of emerging economies for global developments is likely to increase further. This is reinforced by all available long-term projections based on demographic trends and models of capital accumulation and production capabilities.

Contributed by M Ravindran

Forthcoming Programme

Fundamentals of Money & Debt Markets in India

December 17 - 18, 2010
(9.00 AM to 5.00 PM)

For details, contact:
Ms Bhairavee Redkar
Phone: +91 99302 67955
Email: bhairavee.redkar@ftkmc.com

Published by
FT Knowledge Management Company Limited
Exchange Square, 1st Floor, Suren Road,
Chakala, Andheri (East), Mumbai - 400093, India.
Tel: +91 22 6731 8888 - Fax: +91 22 6726 9541
Email: marketsinmotion@ftkmc.com - Website: www.ftkmc.com

Register Now

For details, contact:
Ms Meena Kulkarni
Tel: +91 22 6731 8842
Email: meena.kulkarni@ftkmc.com

CERTIFICATE COURSE IN CURRENCY AND COMMODITY DERIVATIVES MARKETS
100 Hours of Extensive Training with Simulation Trading Exercise

January 18, 2011