

# MARKETS IN MOTION

developments that matter in financial markets

## Growth of BRICS Financial Markets

"Facts have shown that BRICS cooperation has contributed not only to the economic and social development of five countries but also to world peace and development. Let us enhance mutual trust through cooperation and always be good friends and good partners."

Chinese President Hu Jintao

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### Introduction

The growing importance of BRICS (Brazil, Russia, India, China and South Africa) is reflected in their increasing prominence in the world economy. In 2000, the ten largest economies in the world, particularly the top five, were dominated by G7 countries. By 2010, China and Brazil moved up, with China occupying the second place and Brazil at number eight. Russia also moved up to occupy a place in the top ten. However, by 2020, China, India and Brazil are projected to become three of the largest five economies in the world, with Russia and Indonesia also in the top ten.

#### Largest economies based on GDP forecast for 2020 (in \$trn)

2000	\$trn	2010	\$trn	2020	\$trn
US	10.0	US	14.6	China	24.6
Japan	4.7	China	5.9	US	23.3
Germany	1.9	Japan	5.6	India	9.6
UK	1.5	Germany	3.3	Japan	6.0
France	1.3	France	2.6	Brazil	5.1
China	1.2	UK	2.3	Germany	5.0
Italy	1.1	Italy	2.0	France	3.9
Canada	0.7	Brazil	2.0	Russia	3.5
Brazil	0.6	Canada	1.6	UK	3.4
Mexico	0.6	Russia	1.5	Indonesia	3.2

Source: Standard Chartered 'The Super-Cycle Report'

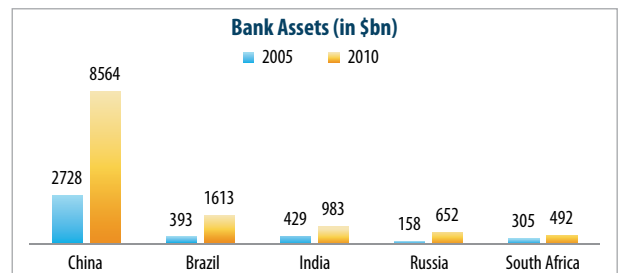
### Financial Assets

Growth in the BRICS economies—led by Brazil, China and India—is being supported by rapid expansion of domestic and international financial markets in these countries. Emerging economies, the BRICS economies in particular, have seen considerable growth in the following segments.

#### Ranking of BRICS among Emerging Economies (as of Dec 2010)

	Brazil	Russia	India	China	South Africa
Bank Assets	2	4	3	1	6
Insurance Premium	3	4	2	1	5
Stock Market Capitalization	3	-	2	1	4
Bond Issuance—Domestic	2	16	3	1	9
Bond Issuance—Foreign	1	2	9	5	11
Mutual Funds	1	13	4	2	3
Exchange-Traded Derivatives	3	4	1	2	5

Source: www.ukcity.org



Source: www.imf.org

Amongst the BRICS economies, bank assets in aggregate increased nearly 221 percent between 2005 and 2010.

### Equities

The Chinese exchanges at Shanghai and Shenzhen have led the surge in market capitalization with more than nine-fold increase between 2005 and 2010 to reach \$2,716 billion and \$1,311 billion, respectively. The Shanghai exchange was the sixth largest in the world by the end of 2010. The two Indian exchanges and the Brazilian exchange have each seen market capitalization rising more than four-fold during the period, while market capitalization in the stock exchange in South Africa has more than doubled.

### Domestic Bonds

China has the largest amount of domestic bonds, nearly \$3,000 billion in 2010, up more than three-fold from 2005. Issuance in Brazil and India also more than doubled during this period to reach \$1,294 billion and \$707 billion, respectively.

### Foreign Portfolio Investment

The biggest source of non-resident portfolio investment in emerging economies originates from investment funds located in the US (\$763 billion) and Luxembourg (\$252 billion), accounting for 34 percent and 11 percent, respectively, of such assets. Brazil, China and Mexico are the most important destinations for US investment funds. US funds are also the biggest portfolio investors in Russia and India. While funds located in Hong Kong are the largest investors in China, which accounts for 90 percent of Hong Kong's investments, funds in Mauritius are the largest investors in India, accounting for over 84 percent of its investments.

### Insurance

With insurance premiums of \$163 billion, China is now the seventh largest market in the world. All the BRICS economies, which are the largest emerging markets in insurance, have seen premiums at least double during the four-year period of 2005-09.

Contributed by M Ravindran

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