BRIC Countries in Comparative Perspective

Kristalina Georgieva
Country Director, Russian Federation

World Bank, 2006
# BRIC Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Population, mln people</th>
<th>Land area, thousand sq. km</th>
<th>Number of regions/provinces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>179</td>
<td>8459</td>
<td>27</td>
</tr>
<tr>
<td>China</td>
<td>1296</td>
<td>9327</td>
<td>22</td>
</tr>
<tr>
<td>India</td>
<td>1080</td>
<td>2973</td>
<td>35</td>
</tr>
<tr>
<td>Russia</td>
<td>143</td>
<td>16888</td>
<td>89</td>
</tr>
<tr>
<td>World</td>
<td>6345</td>
<td>130329</td>
<td></td>
</tr>
</tbody>
</table>

*Source: World Development Indicators*
These 4 large countries account for more than 40% of the world’s population and almost a third of the world’s land mass.

Source: World Development Indicators
These countries exhibit considerable variability with respect to population and population growth. Only Russia is experiencing an absolute population decline, which is expected to increase in future years as the population ages.

Source: World Development Indicators
Russia has a significantly older population than the other 3 countries.

Source: World Development Indicators
Russia is again peculiar among these countries in that almost half of its dependents are elderly.

Dependency ratio (dependents to working age population), 2004

Source: World Development Indicators
There is also a strong variance in poverty and life-expectancy indicators. India and China have rather high life expectancy relative to their levels of poverty, whereas Russia is the opposite.

Source: World Development Indicators
Most of these countries have been experiencing significant economic growth. In recent years, particularly a number of those countries with relatively low GNI per capita.

Average GDP growth: 2000-2005 (annual %)

GNI per capita: 2005 (USD, Atlas method)*

* - WB estimates

Source: World Development Indicators, World Economic Outlook
China is by far the largest economy, yet Chinese GDP per capita is still relatively low.

Source: World Economic Outlook
China has a relatively small service sector, and a relatively large share of industry in GDP. In reality, Russia may be a bit closer to China than appears in the graph due to transfer pricing schemes that shift a good share of oil profits to services (trade).

**Composition of GDP: 2004**

- **China**: 51% Industry, 34% Agriculture, 35% Services
- **Russia**: 61% Industry, 34% Agriculture, 3% Services
- **India**: 78% Industry, 26% Agriculture, 5% Services
- **Brazil**: 17% Industry, 52% Agriculture, 26% Services

*Source: World Development Indicators*
More than half the populations of China and India still reside in rural areas. By contrast, this figure is well under 30 percent in Brazil and Russia.

Source: World Development Indicators
With the exception of India, BRIC countries exhibited current account surpluses in 2005. Russia’s current account is particularly strong due to high oil prices. China has accumulated foreign reserves that dwarf those of any other of these countries.

**Current account balance: 2005 (% of GDP)**

- Russia
- China
- Brazil
- India

**Gross foreign reserves: 2005 (bln USD)**

- Russia
- China
- Brazil
- India

*Source: World Economic Outlook*
BRIC countries have achieved unemployment rates of close to or less than 10 per cent of the active population. But many of these countries still have significant disguised unemployment as surplus labor in the countryside or budgetary sphere.

Source: World Development Indicators, World Economic Outlook, ILO
With respect to levels of investment and the attraction of FDI, China’s performance dwarfs that of other large client countries. Investment rates in Brazil and Russia appear to be rather low.

**Share of investment in GDP: 2005 (%)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Investment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>40</td>
</tr>
<tr>
<td>India</td>
<td>30</td>
</tr>
<tr>
<td>Brazil</td>
<td>20</td>
</tr>
<tr>
<td>Russia</td>
<td>15</td>
</tr>
</tbody>
</table>

**FDI inflows: 2005 (% of GDP)**

<table>
<thead>
<tr>
<th>Country</th>
<th>FDI Inflows (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>2.5</td>
</tr>
<tr>
<td>India</td>
<td>1.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.0</td>
</tr>
<tr>
<td>Russia</td>
<td>1.0</td>
</tr>
</tbody>
</table>

*Investment = gross fixed capital formation*

*Source: World Development Indicators, World Economic Outlook*
In per capita terms, inflows of FDI in 2005 favor Russia. Russia exhibits substantial fixed capital investment abroad.

Source: World Economic Outlook
With the exception of Russia, BRIC countries operated with budget deficits in 2005. Fiscal imbalances were particular severe in India. Adding the regional budget deficits would bring India’s deficit to over 7 percent of GDP.

Source: Rosstat, World Economic Outlook
With the exception of Brazil, central government expenditures for these countries fall in the range of 15-20 percent of GDP.

Central government expenditure and net lending: 2005 (% of GDP)

Source: World Economic Outlook
Debt indicators

Brazil is relatively burdened by government debt and debt service.

Public sector long term debt outstanding and disbursed: 2004 (% of GDP)

Public and publicly guaranteed debt service: 2004 (% of GNI)

Source: World Development Indicators
Outstanding domestic credit at end-2004 was an order of magnitude higher in China than in any other of these four countries. Financial markets are relatively poorly developed in Russia.

Source: World Development Indicators
Institutional indicators 2

Corruption perception index
(10 – highly clean, 0 – highly corrupt): 2004

Numbers in the bars indicate country’s rank.
In 2004 146 countries were ranked from 1 (Finland) to 145 (Bangladesh, Haiti)

Source: Transparency International
China, Russia, and India now have Standard and Poor’s sovereign investment ratings of BB+ and above.

**Standard & Poor’s foreign currency sovereign investment rating: 2005**

- **Brazil**
- **India**
- **Russia**
- **China**

**Investment grade**

- BBB+
- BBB
- BBB-
- BB+
- BB
- BB-
- B+
- B
- B-
Market capitalization in BRIC countries is less than 60 percent of GDP.

<table>
<thead>
<tr>
<th>Country</th>
<th>Market Capitalization (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>50</td>
</tr>
<tr>
<td>Brazil</td>
<td>52</td>
</tr>
<tr>
<td>Russia</td>
<td>45</td>
</tr>
<tr>
<td>China</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: World Development Indicators
Russia ranks quite well with respect to the time and costs of starting a new business.

Source - Doing Business in 2005: Removing Obstacles to Growth
Business Environment 2

Registering property, January 2004

Time estimate, days

Cost measure (% of property value)

Source - Doing Business in 2005: Removing Obstacles to Growth
Credit information index: 0-6 (higher values indicate more information available)
Legal rights index 0-10 (higher scores indicate that laws are better designed to expand access to credit)

Source - Doing Business in 2005: Removing Obstacles to Growth
Protecting Investors, January 2004

Disclosure index (0-7): higher values indicate more disclosure

Source: Doing Business in 2005: Removing Obstacles to Growth
Enforcing Contracts, January 2004

Time estimate, days

- India
- China
- Russia
- Brazil

Cost measure (% of debt)

- India
- China
- Russia
- Brazil

Source - Doing Business in 2005: Removing Obstacles to Growth
Closing a Business, January 2004

Time estimate, years

Cost measure (% of estate)

Source - Doing Business in 2005: Removing Obstacles to Growth
Russia. Business environment over time (positive dynamics)

Percent of firms indicating a problem:

- Telecommunications
- Contract violations
- Access to financing
- Title or leasing of land
- Customs and trade regulations
- Uncertainty about regulatory policies
- Macroeconomic instability
- Access to land
- Tax rates
- Tax administration
- Organised crime/mafia

Source: EBRD-World Bank Business Environment and Enterprise Performance Survey (BEEPS)
Russia. Business environment over time (negative dynamics)

Percent of firms indicating a problem:

- Labour regulations
- Corruption
- Skills and education of workers
- Functioning of the judiciary
- Electricity
- Street crime, theft and disorder
- Business licensing and permits
- Anti-competitive practices of others
- Cost of financing
- Transportation

Source: EBRD-World Bank Business Environment and Enterprise Performance Survey (BEEPS)
Short term outlook 1

GDP growth rate projections

Source: OECD Economic Outlook
**Short term outlook 2**

<table>
<thead>
<tr>
<th>Cons government fiscal balance projection</th>
<th>Inflation projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>-7.7</td>
</tr>
<tr>
<td>Brazil</td>
<td>-3.1</td>
</tr>
<tr>
<td>China</td>
<td>-0.7</td>
</tr>
<tr>
<td>Russia</td>
<td>7.6</td>
</tr>
</tbody>
</table>

* - year end inflation
Short term outlook 3

In the short term the overall macroeconomic fundamentals are expected to remain strong in China, India and Russia and to improve in Brazil. This, given stable external environment, will continue to attract substantial flows of foreign investment, further boosting potentials for the future output growth.

However, risks related to the unwinding of global economic imbalances will continue to weight on the outlook for BRIC countries and especially Brazil.

Country specific risks and challenges include:

- **Russia** - sustained upward pressure on the exchange rate and inflation; potential fiscal easing.
- **China** - potential for increased protectionism at Chinese exports.
- **India** - current high level of off-budget subsidies for petroleum product prices may become unsustainable, undermining the macro-micro foundation of future growth.
- **Brazil** - possible inconsistency between the expansionary fiscal policy and monetary easing.

Political noise in the run-up to the presidential election in October 2006 (in Brazil) and in March 2008 (in Russia) may add uncertainty to the outlook for these countries.