THE RISE OF EMERGING 7 AS A GLOBAL POWERHOUSE IN THE COMING YEARS

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Abstract: Emerging economies have played a vital role in the growth of the overall global economy. The newly industrialised countries, seen by many economists and investment houses, are the potential future which would change the global economy making it even more dynamic and robust. Economic, Financial and Demographic indicators play a vital role when it comes to predicting the course of growth for any emerging country. As there are various external and internal complexities as well as the policies which impact the people, there is still a long way to go for the emerging 7 countries to become a global powerhouse, charting other economies through the rough economical as well as the geopolitical seas in the future.

Introduction
Global economy has seen substantial amount of transformation in the past few decades. Many countries have witnessed revolutionary policies which have impacted the way the economies have shaped in the past few decades. The countries have been termed as developed, developing and not developed. The developed countries have reached their peak, as they continue to grow but at a negligible rate. The developing countries, on the other hand, have seen an exponential rise in their annual growth rate, attracting foreign investors to make investments for better returns as compared to investments made in the developed countries. The economic, financial and demographic indicators are important for the investors to have a better idea regarding returns and future predictions for the emerging 7 to become a global powerhouse.

The Emerging 7 countries include namely; Brazil, China, India, Indonesia, Mexico, Russia and Turkey. These 7 emerging market economies contribute around 80% of total emerging market output.

Meaning of an emerging economy
An emerging market economy means that an economy which has not fully matured when compared to the developed market economies, but has the potential to grow at an increased rate to become a developed market economy in the coming years. An emerging market economy has a greater exposure to risk when compared to the developed market economies. This is because of the fact that with high returns there is a higher degree of risks associated as well. There are certain underlying challenges when it comes to making investments in the emerging markets which are namely; high degree of risk, political instability, social factors, labour laws, policy amendments and implementations which can create an impact on these economies.

Literature Review
It is observed in the study that during the period of the study, emerging 7 has been seen a rise in the inflow of foreign direct investments. These countries have been introducing investor friendly policies which are aimed at increasing investments in their economies. Providing incentives and subsidies has proved to be a positive driving force for them to attract investments.

The author articulates that the emerging market economies no longer follow the experiential economic policies which has resulted in investors running with the fear of erosion of the central bank’s independence, high inflation and weakening of the currency. (Moss, 2020)

Emerging-market countries have relied in 2020, on their respective currency debt in the short period duration as the pandemic drove investors for their investment safety. (Bloomberg, 2020)

Emerging economies have responded by allowing the depreciation of their currencies and also helped ease the monetary policy, as they had done during the global crisis. (Jon Hartley, 2020)

Objective of the study
- The E7’s potential for growth.
- The threats from other emerging market economies.
- Addressing complex challenges on the economic, financial and demographic front.
- Working hard to retain investor attention in spite of fierce competition from other emerging market economies.
- Future challenges which may be detrimental to the main aim of becoming developed countries and to become the future Group of 7 member countries.
Research Methodology

For the purpose of this study of the emerging 7 nations, the data collected of various economic parameters along with demography and financials have been done. The countries in question for this study are Brazil, China, India, Indonesia, Mexico, Russia and Turkey. Research is purely based on secondary data and the time period of the data involved is from 2016 to 2020.

Hypothesis

H0: The growth potential of the Emerging 7 nations is dependent solely on the GDP.
H1: The growth potential of the Emerging 7 nations is dependent upon economic, financial and demographic indicators.

Data Analysis

Table 1: Economic Indicators

<table>
<thead>
<tr>
<th>Countries</th>
<th>GDP (PPP)</th>
<th>Growth Rate</th>
<th>Unemployment (in %)</th>
<th>Government Gross Debt</th>
<th>Total Reserves</th>
<th>PPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>3077.91</td>
<td>-1.08</td>
<td>12.34</td>
<td>88</td>
<td>361970</td>
<td>2.14</td>
</tr>
<tr>
<td>China</td>
<td>21546.1</td>
<td>5.7</td>
<td>3.82</td>
<td>50.76</td>
<td>3224870</td>
<td>4.1</td>
</tr>
<tr>
<td>India</td>
<td>8647.64</td>
<td>3.06</td>
<td>5.72</td>
<td>73.86</td>
<td>422049</td>
<td>20.42</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3083.2</td>
<td>3.76</td>
<td>5.94</td>
<td>31.3</td>
<td>126886</td>
<td>4613.9</td>
</tr>
<tr>
<td>Mexico</td>
<td>2498.82</td>
<td>-0.48</td>
<td>3.86</td>
<td>56.7</td>
<td>180931</td>
<td>8.78</td>
</tr>
<tr>
<td>Russia</td>
<td>3904.95</td>
<td>0.34</td>
<td>5.14</td>
<td>15.08</td>
<td>479181</td>
<td>24.2</td>
</tr>
<tr>
<td>Turkey</td>
<td>2331.6</td>
<td>1.94</td>
<td>12.22</td>
<td>32.18</td>
<td>87849</td>
<td>1.44</td>
</tr>
</tbody>
</table>

The above table represents all the economic factors which are used for predicting the overall growth of the countries. The data collected is a 5-year average from 2016 to 2020. These indicators are primary indicators which help the researcher have a basic understanding of where the economies are headed towards. China has the largest GDP as it grew at an average of 5.7% and has the highest total reserves. The unemployment rate is highest in Brazil at 12.34% and it also has the highest government gross debt. Indonesia has the highest purchasing power parity at 4613.9.

Table 2: Financial Indicators

<table>
<thead>
<tr>
<th>Countries</th>
<th>Net FDI Inflow</th>
<th>BCBA Ratio</th>
<th>NDC</th>
<th>Interest Rate</th>
<th>NPA</th>
<th>Prop. Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>7105.14</td>
<td>9.61</td>
<td>74.14</td>
<td>43.7</td>
<td>3.4</td>
<td>-0.58</td>
</tr>
<tr>
<td>China</td>
<td>194900</td>
<td>8.7</td>
<td>176.98</td>
<td>4.35</td>
<td>1.76</td>
<td>1.25</td>
</tr>
<tr>
<td>India</td>
<td>44232</td>
<td>7.48</td>
<td>125.78</td>
<td>9.47</td>
<td>8.76</td>
<td>0.19</td>
</tr>
<tr>
<td>Indonesia</td>
<td>17651</td>
<td>14.79</td>
<td>581.14</td>
<td>11.31</td>
<td>2.52</td>
<td>-0.08</td>
</tr>
<tr>
<td>Mexico</td>
<td>34907</td>
<td>10.5</td>
<td>85.29</td>
<td>6.41</td>
<td>2.18</td>
<td>0.75</td>
</tr>
<tr>
<td>Russia</td>
<td>21741</td>
<td>10.02</td>
<td>532.83</td>
<td>11.3</td>
<td>9.42</td>
<td>-0.04</td>
</tr>
<tr>
<td>Turkey</td>
<td>13273</td>
<td>10.99</td>
<td>248</td>
<td>15.55</td>
<td>3.52</td>
<td>-0.06</td>
</tr>
</tbody>
</table>

Over the past 5-year period, China has seen the highest foreign direct investments. The bank capital to assets ratio is the highest in Indonesia. Russia has the highest net domestic credit currency in their economy. The interest rates stand at 43.7%, which are the highest among these 7 countries in Brazil. Russia has seen the highest non-performing assets among its credit being extended. China has seen the maximum rise in its property prices in over the past 5-year period.

Table 3: Demographic Indicators

<table>
<thead>
<tr>
<th>Countries</th>
<th>EPR</th>
<th>Literacy Rate</th>
<th>HDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>55.26</td>
<td>0.93</td>
<td>0.765</td>
</tr>
<tr>
<td>China</td>
<td>65.4</td>
<td>1.00</td>
<td>0.761</td>
</tr>
<tr>
<td>India</td>
<td>46.26</td>
<td>0.74</td>
<td>0.645</td>
</tr>
<tr>
<td>Indonesia</td>
<td>64.24</td>
<td>0.95</td>
<td>0.718</td>
</tr>
<tr>
<td>Mexico</td>
<td>57.7</td>
<td>0.95</td>
<td>0.779</td>
</tr>
<tr>
<td>Russia</td>
<td>58.78</td>
<td>1.00</td>
<td>0.824</td>
</tr>
<tr>
<td>Turkey</td>
<td>45.8</td>
<td>0.96</td>
<td>0.82</td>
</tr>
</tbody>
</table>

The above table represents the demographic indicators which are considered to measure the social development of the country in terms of employment, human development and education. Standard of living also plays an important role when it comes determining
the social improvement of the population. China and Russia have the highest literacy rate among the emerging 7. China has a substantial employed population of around 65%. Russia and Turkey have the highest human development index among the emerging 7 nations.

**Testing of Hypothesis**

**H₀**: The growth potential of the Emerging 7 nations is dependent solely on the GDP.

**H₁**: The growth potential of the Emerging 7 nations is dependent upon economic, financial and demographic indicators.

**Regression Analysis of Economic Indicators:**

Table 4: Regression Analysis of Economic Indicators

<table>
<thead>
<tr>
<th>Regression Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple R</td>
</tr>
<tr>
<td>R Square</td>
</tr>
<tr>
<td>Adjusted R Square</td>
</tr>
<tr>
<td>Standard Error</td>
</tr>
<tr>
<td>Observations</td>
</tr>
</tbody>
</table>

**ANOVA**

<table>
<thead>
<tr>
<th>Regression</th>
<th>df</th>
<th>SS</th>
<th>MS</th>
<th>F</th>
<th>Significance F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>5</td>
<td>293234014</td>
<td>58646802.8</td>
<td>47.14422704</td>
<td>0.110106419</td>
</tr>
<tr>
<td>Residual</td>
<td>1</td>
<td>1243986.941</td>
<td>1243986.941</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>294478000.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The coefficient of correlation is 0.99 which indicates a high degree of correlation between all the variables present in the regression analysis. The R square tells us how many points fall on the regression line. In the analysis, 99.5% means that 99.5% of the variation of the values on the y-axis around the mean are explained by the values on the x-axis. In other words, 99.5% of the values fit the model. The Anova table represents the bifurcation and calculations of different components of the values and the variables.

**Regression Analysis of Financial Indicators**

Table 5: Regression Analysis of Financial Indicators

<table>
<thead>
<tr>
<th>Regression Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple R</td>
</tr>
<tr>
<td>R Square</td>
</tr>
<tr>
<td>Adjusted R Square</td>
</tr>
<tr>
<td>Standard Error</td>
</tr>
<tr>
<td>Observations</td>
</tr>
</tbody>
</table>
ANOVA

<table>
<thead>
<tr>
<th></th>
<th>df</th>
<th>SS</th>
<th>MS</th>
<th>F</th>
<th>Significance F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>5</td>
<td>2.502E+10</td>
<td>5003414318</td>
<td>4.04667</td>
<td>0.359803228</td>
</tr>
<tr>
<td>Residual</td>
<td>1</td>
<td>1.236E+09</td>
<td>1236428171</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>2.625E+10</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Regression Analysis of Demographic Indicators

Table 6: Regression Analysis of Demographic Indicators

**Regression Statistics**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple R</td>
<td>0.944500651</td>
</tr>
<tr>
<td>R Square</td>
<td>0.89208148</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.838122221</td>
</tr>
<tr>
<td>Standard Error</td>
<td>3.142528928</td>
</tr>
<tr>
<td>Observations</td>
<td>7</td>
</tr>
</tbody>
</table>

**ANOVA**

<table>
<thead>
<tr>
<th></th>
<th>df</th>
<th>SS</th>
<th>MS</th>
<th>F</th>
<th>Significance F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>2</td>
<td>326.533</td>
<td>163.267</td>
<td>16.5325</td>
<td>0.011646407</td>
</tr>
<tr>
<td>Residual</td>
<td>4</td>
<td>39.502</td>
<td>9.87549</td>
<td></td>
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</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>366.035</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The coefficient of correlation is 0.95 which indicates a high degree of correlation between all the variables present in the regression analysis. The R square tells us how many points fall on the regression line. 95.29% means that 95.29% of the variation of values on the y-axis around the mean are explained by the values on the x-axis. In other words, 95.29% of the values fit the model. The Anova table represents the bifurcation and calculations of different components of the values as well as the variables.

The coefficient of correlation is 0.89 which indicates a high degree of correlation between all the variables present in the regression analysis. The R square tells us how many points fall on the regression line. 89.20% means that 89.20% of the variation of values
on the y-axis around the mean are explained by the values on the x-axis. In other words, 89.20% of the values fit the model. The Anova table represents the bifurcation and calculations of different components of the values and the variables.

Findings and Conclusions

- Brazil’s economic growth graph has been uneven with years of very high growth and then intermittent years of slowdown as well as dips.
- China’s investment driven growth model has had a decisive consequence on the emerging economies across the world for over the past several years.
- Among the emerging 7 markets, it is India’s robust growth in the manufacturing sector, friendly business reforms, infrastructure development and a stable political environment which makes it one of the most prominent emerging economies to invest in.
- It is realistic to comment that as one of the strong emerging powers, Indonesia will be decisive but will continuously explore opportunities to act as a norm shaper in the future.
- The Mexican economy is well prepared to continue its growth in spite of the external challenges which it faces in its horizon. Mexico has the capacity that can offer lucrative opportunities for foreign investors to set up their new ventures.
- Russia requires to diversify its economy further to make it a more balanced economy that is less susceptible.
- It would be interesting to see how the Turkish economy develops and also impacts different industries and economies.
- While looking at gross domestic product measured at market exchange rates, one cannot see quite a radical shift in global economic power, representing a lower average price level among the emerging economies.
- Today’s advanced economies shall continue to have higher average incomes, but developing countries would most likely make a progress towards eliminating the income divide.

References

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