



EMERGING MARKET OUTLOOK 2024

BRICS+: BUILDING BRIDGES FOR A NEW GLOBAL ECONOMIC ORDER

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BRICS as it stands for the group of five nations – Brazil, Russia, India, China, and South Africa - is adding six new member countries from 2024, the new economic bloc, one of the largest in the world will be known as BRICS+ representing 36.9% of the World's GDP (PPP terms), bigger than the GDP of developed G7 countries of 29.9%. Three countries from MENA - United Arab Emirates, Saudi Arabia and Egypt are going to be the part of it, in this note we have analysed the new BRICS+ structure, its economic significance.

The background

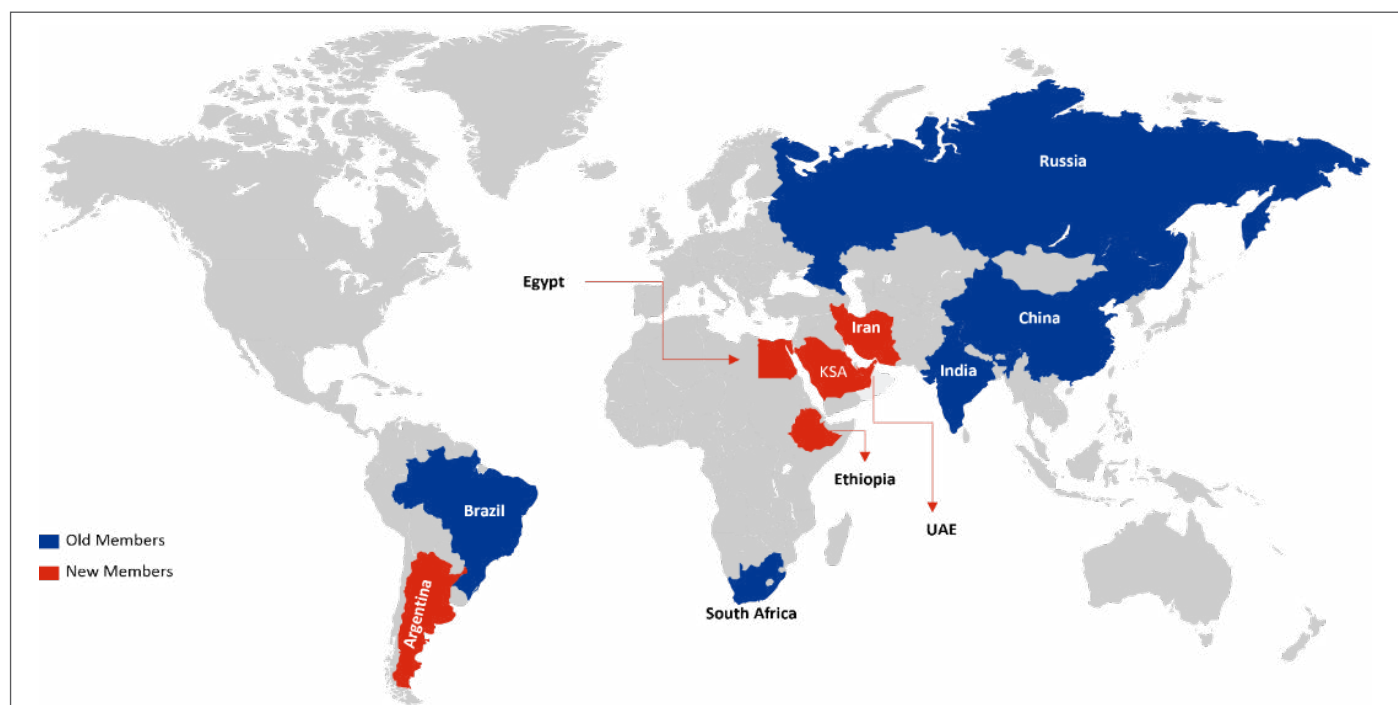
The term "BRIC" was first coined by former Goldman Sachs economist Jim O'Neill in 2001, long before the

world recognized the tremendous potential of Brazil, Russia, India, and China. In 2009, the leaders of these countries officially accepted the BRIC concept, acknowledging the zeitgeist of their time. In 2010, at the second BRIC Summit in Brasilia, South Africa joined the group, leading to the official expansion of BRIC into BRICS.

From BRICS to BRICS+

The most notable outcomes of 2023 BRICS summit was the impending inclusion of new member countries into BRICS. Forty countries showed interest in joining the bloc, however six countries Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates are going to officially join the group in

Figure 1: New BRICS+ map



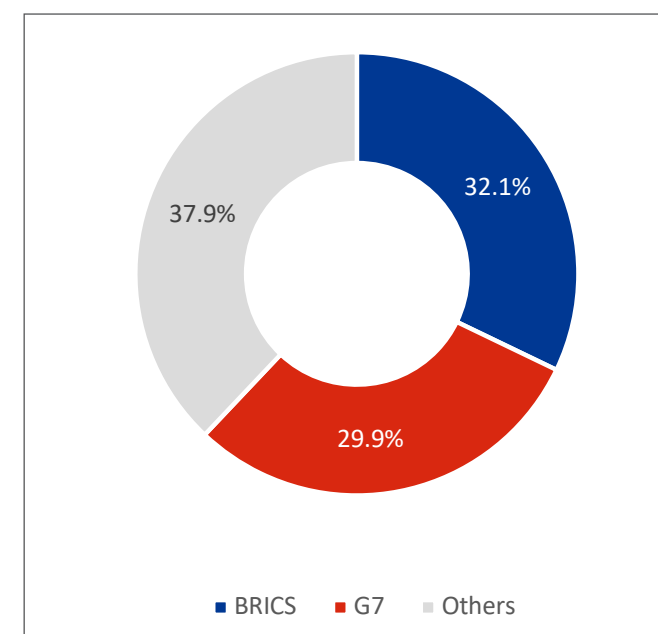
Source: FAB Securities Research

January 2024. This expansion bolsters the influence of BRICS, which currently represents 27.8% of the world's economy, boasting a combined nominal GDP of USD 30.5 trillion and housing 46.2% of the world's population in 2024.

The BRICS countries exceeded the group of seven countries (G7) in terms of gross domestic product recorded on purchase power parity basis. BRICS countries are estimated to account for 32.1% of the

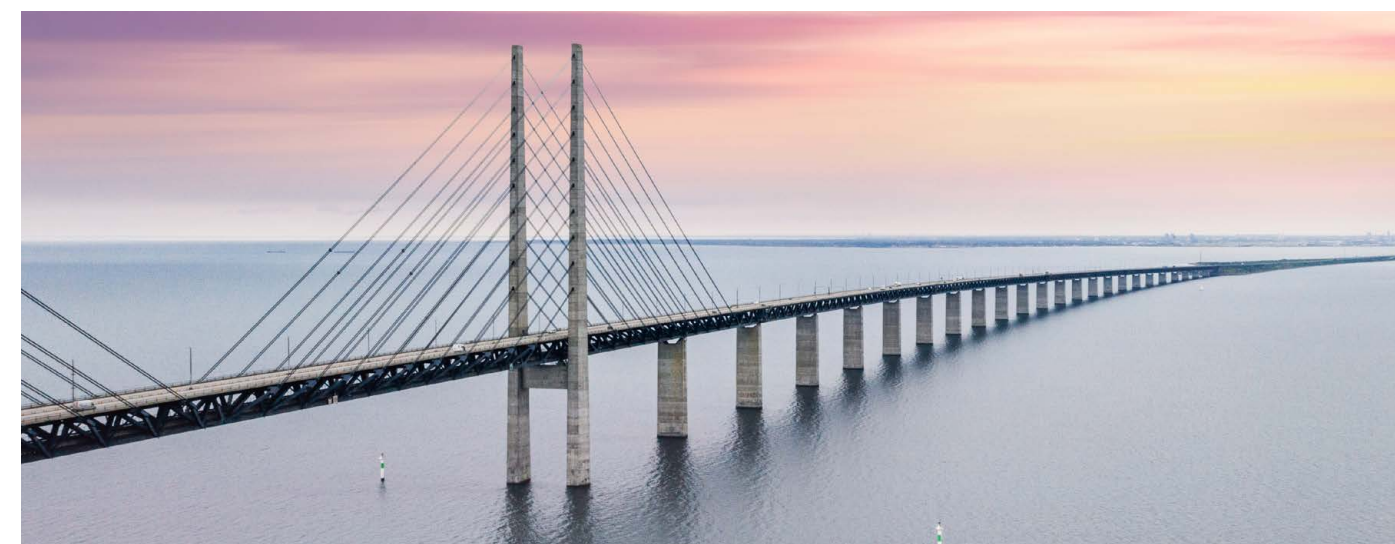
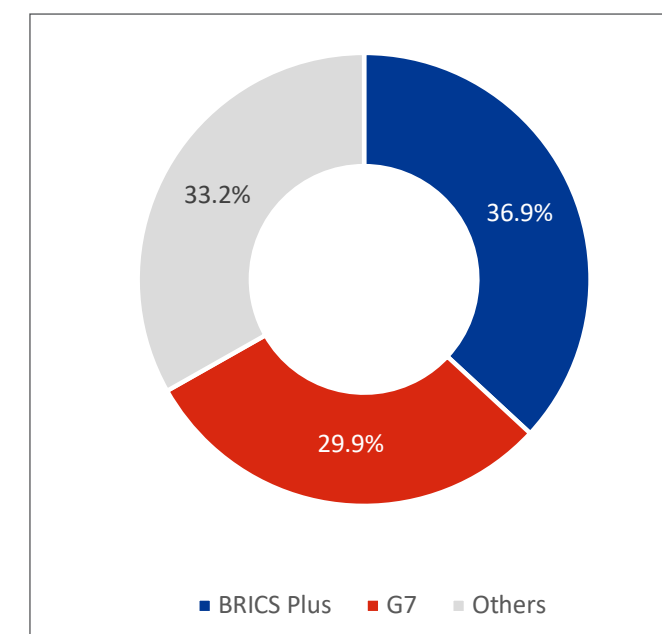
GDP on a PPP basis compared to G7 countries' global GDP share of 29.9% over 2023. Following the addition of new members, the dominance of BRICS+ is further expected to grow and constitute 37.3% of global GDP on a PPP basis in 2024. While BRICS+ is poised to be a significant economic bloc, it still falls short of the G7's commanding 44.0% share of the global nominal GDP in 2024. Nevertheless, this gap is likely to narrow as major BRICS countries, such as India, continue to grow at impressive rates.

Figure 2: Global GDP composition pre-BRICS+ in 2023 on PPP basis



Source: IMF

Figure 3: Global GDP composition post-BRICS+ in 2023 on PPP basis

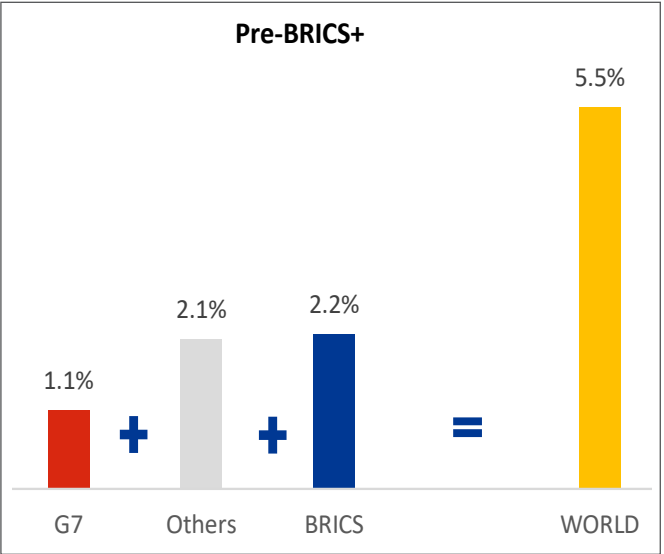


Higher growth opportunities

The addition of new members to BRICS+ is happening at an opportune time when the major global economies are expected to record lower economic growth rates in 2023 and 2024. It is expected that one-third of global economies are expected to face

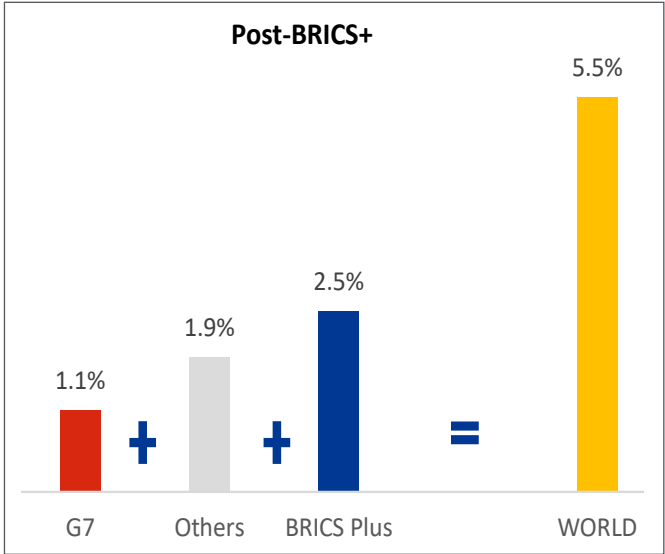
recession in 2023 further stressing the need for economic cooperation and alignment among the countries such as expansion of BRICS. On a PPP basis, the world economy is expected to grow at a CAGR of 5.5% in the next five years. While G7 countries are expected to grow at a CAGR of 3.9% in comparison to 6.6% growth in BRICS+.

Figure 4: Contribution to global GDP growth on a PPP basis



Source: IMF, Note: Computation based on CAGR growth of FY2022-27

Figure 5: Contribution to global GDP growth on a PPP basis

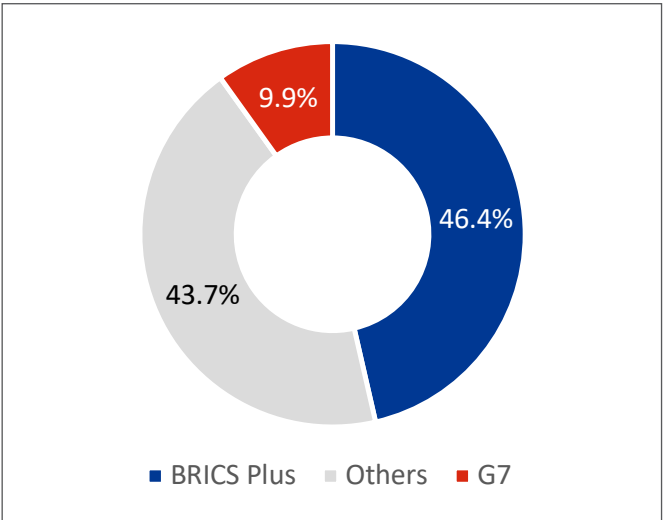


BRICS+ a demographic powerhouse

The BRICS with a collective population of 3.2 billion in 2023 already held a prominent place in the global community. The inclusion of six new members will add 0.4 bn population to the bloc and a total 3.6 Bn, constituting 46.4% of the world’s population as of FY2023. This infusion of new members not only signifies a more diversified group but also brings unique strengths and opportunities.

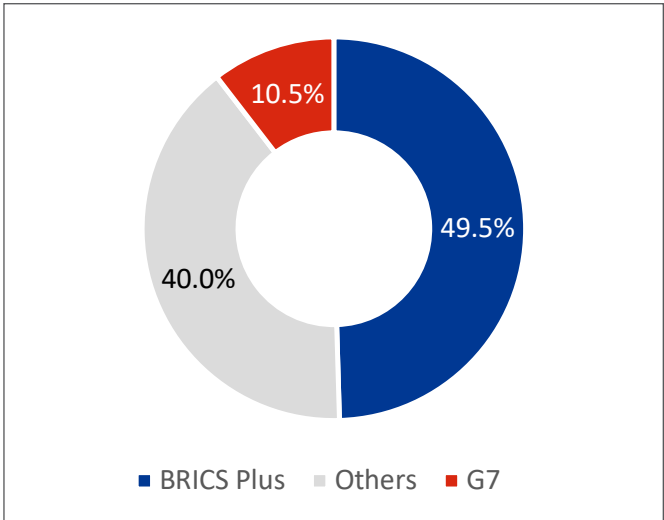
One of the key advantages of the BRICS+ demographic dividend is the composition of its working-age population. As of 2022, BRICS+ with a labour force of 1.6 billion, a stark contrast to the G7’s 329 million. A larger working-age population naturally translates into a potential increase in productivity. This is critical for the growth and sustainability of economies within the BRICS+ group, as well as for their global competitiveness.

Figure 6: Global population composition post-BRICS in 2023



Source: IMF and World Bank

Figure 7: Global labour force composition post-BRICS in 2022

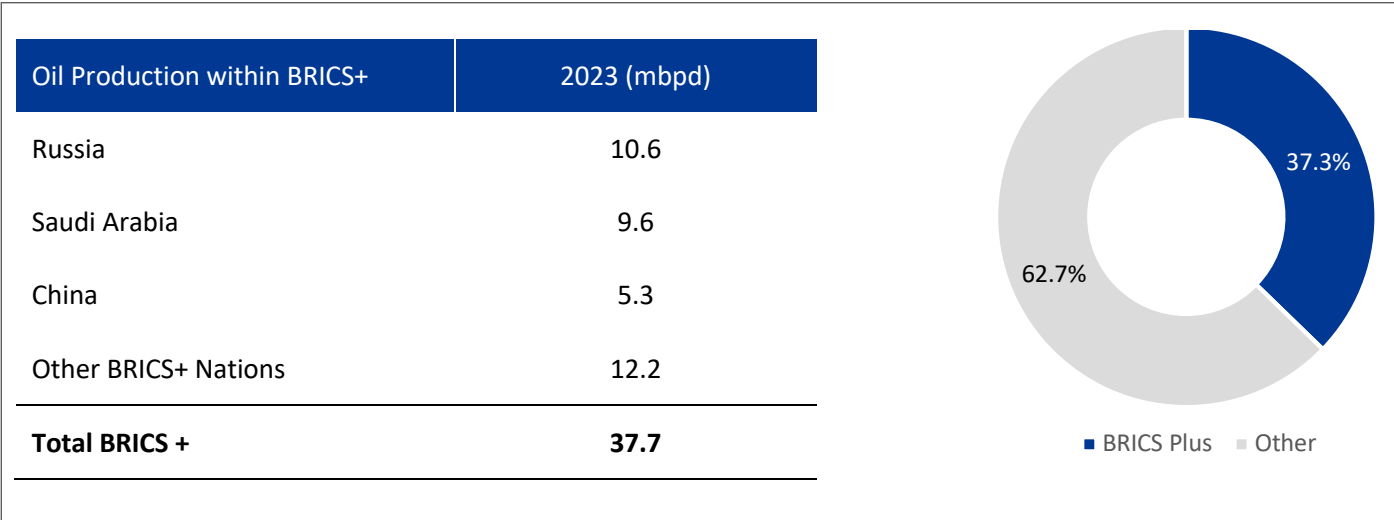


BRICS+ brings major oil producers and consumers together in one bloc

With the addition of Saudi Arabia, the United Arab Emirates, and Iran to the bloc, BRICS+ accounts for 38.0% of the total crude oil reserve in 2021 and 37.3% of global oil production in 2023. Producers and

consumers will benefit from the inclusion of these three nations in BRICS in the long-term. An enlarged BRICS encompasses both oil and gas exporters and two of the world’s largest oil consumers, China, and India, both of which have refrained from joining the “price cap coalition” targeting Russia. This move is indicative of a shared interest among producers and consumers in creating mechanisms to trade commodities beyond the reach of the G7 financial sector.

Figure 8: Contribution to global oil production in 2023



Source: EIA



BRICS+ will enhance investment and trade between members

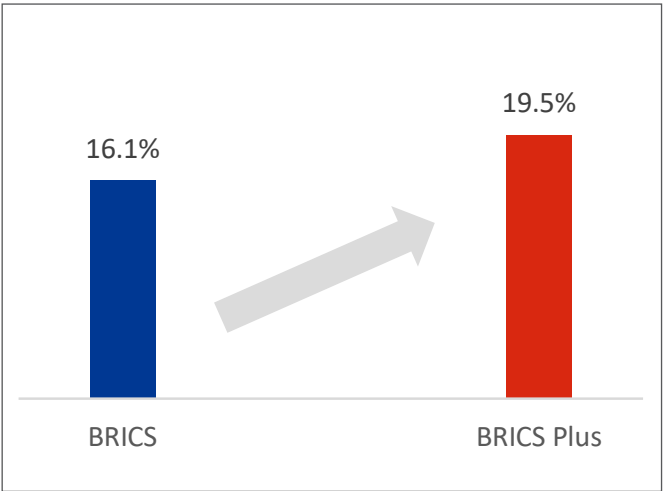
BRICS+, much like the Mineral Supply Partners, is dedicated to increasing public and private investments in critical mineral supply chains among its allies. Saudi Arabia, a new entrant, has already made substantial investments in Brazil’s lithium and other critical minerals. A recent deal worth USD 2.6 billion was recently completed where Saudi Arabia acquired a 10% stake in Vale’s base metals division of Brazil’s largest mining company.

Currently, total exports of BRICS stood at USD 5.1 trillion or 20.4% of the world’s total exports in

2022, this figure is set to soar to USD 6.3 trillion, representing a notable 25.1% share of the total global export market in 2022 post-addition of new member to the bloc. The BRICS countries are working diligently to boost their collective trade volume.

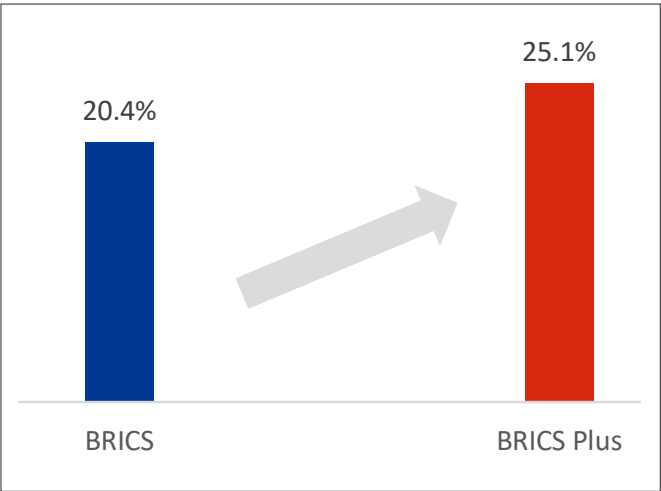
In 2022, there was a steady upward trend in intra-BRICS trade with it reaching approximately USD 162 billion. The BRICS trade surge is a testament to the efficacy of their strategies for fostering economic cooperation. The formation of BRICS+ will also lead to the formation of new trade and investment alliances coupled with new supply chain networks.

Figure 10: Change in composition of imports as % of global imports in 2022



Source: UNCTAD

Figure 11: Change in composition of exports as % of global exports in 2022



BRICS is working to reduce its trade in the US dollar

BRICS is making efforts to reduce the trade in the US dollar within the group. The initial focus seems to be on creating an efficient integrated payment system for cross-border transactions within the bloc. The purpose of this step is to decrease the reliance on the US dollar, particularly when there are sanctions or macroeconomic developments. The decreasing share of the US dollar in global currency trade is a compelling indicator of the changing dynamics. In 2019, 88% of all currency trade was linked to the US dollar, however by 2022, this share reduced to 58.8%. Another significant development lies in the introduction of digital currencies in BRICS

countries. Russia, China, and India are all poised to launch their digital currencies for common usage by early 2025.

BRICS is developing a new payment system

In order to compete with the global payment system, the BRICS+ countries like China and Russia began to develop their own payment systems. China developed the Cross-Border Interbank Payment System (CIPS) while Russia's System for Transfer of Financial Messages (SPFS) is an answer to widely accepted the SWIFT payment system.

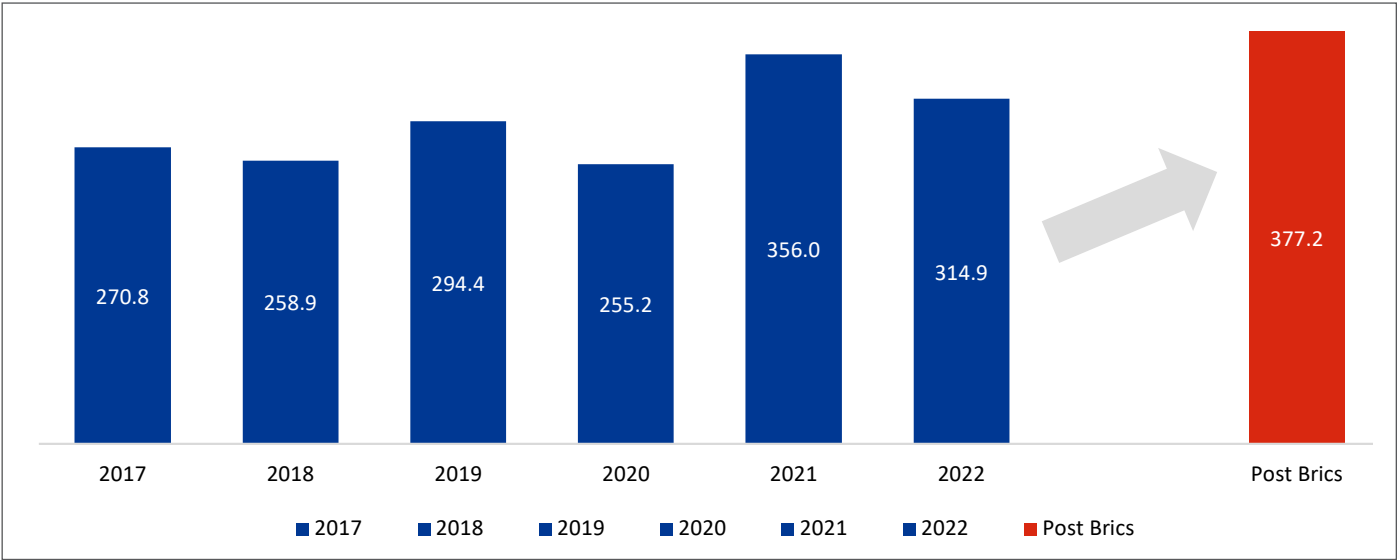


FDI to expand within the BRICS+

Increased cooperation in various areas between BRICS+ countries could attract additional Foreign Direct Investment (FDI). The BRICS countries currently account for 24.3% of global FDI inflows, amounting to USD 315 billion in 2022. After the inclusion of new

countries in BRICS+ this figure will increase to USD 377 billion or 29.1% of the global FDI inflows, in 2022. The remarkable growth trajectory for BRICS is revealed by UNCTAD FDI data. Moreover, the total inward FDI stock between BRICS countries grew from USD 27 billion in 2010 to USD 167 billion in 2020.

Figure 12: FDI Inflows in BRICS and BRICS+ in 2022 (USD, billion)



Source: UNCTAD

Overall, the expansion of BRICS to BRICS+ is expected to reshape international trade dynamics and represent a shift in global economic power structures. BRICS+, which has a combined nominal GDP of USD 30.4 trillion, is expected to account for 27.8% of the world's

economy in 2024, it indisputably going to have a significant impact on the future global economic stage, impacting the production ,consumption dynamics and geopolitics of nations.

