



BRICS Countries: GDP, Foreign Currency Reserves, and Trade

Sector Commentary

November 2023

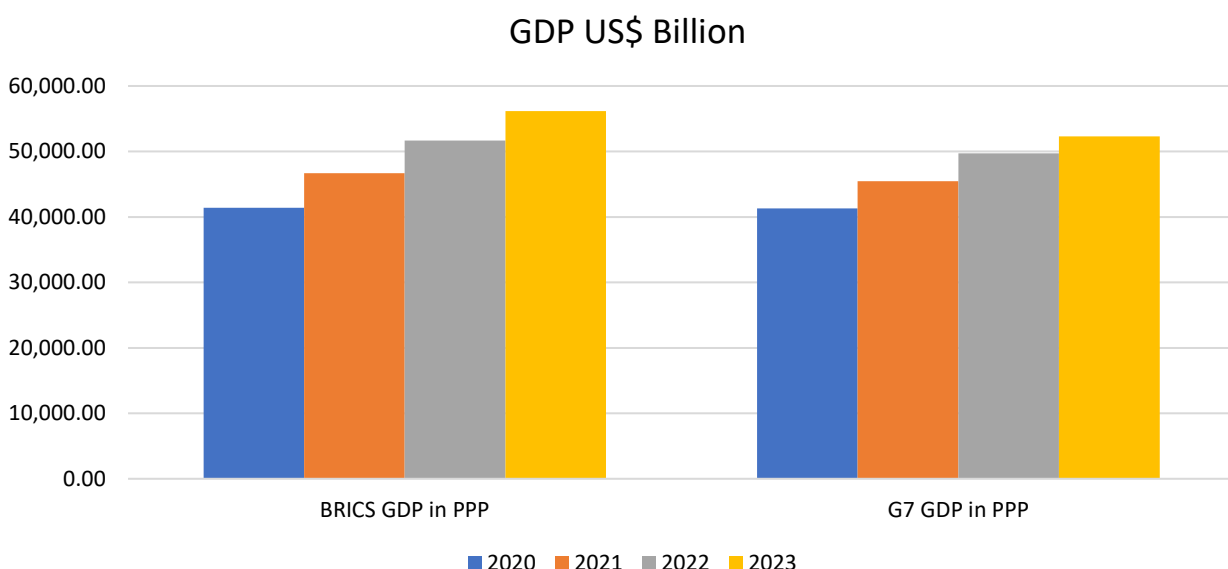


BRICS Countries: GDP, Foreign Currency Reserves, and Trade

The BRICS countries have been seeking to diversify their foreign currency reserves away from the US dollar, which is the dominant international reserve currency, due to various reasons such as political tensions, economic sanctions, trade imbalances, and debt accumulation. The acronym BRICS stands as a testament to the collective strength and influence of five key emerging national economies: Brazil, Russia, India, China, and South Africa. Some of the BRICS countries have been increasing their use of other currencies, such as the euro, the yuan, and the ruble, in their trade and financial transactions, and have also discussed the possibility of creating a common cryptocurrency backed by gold, which could be used for oil trade and other transactions among the members. However, there have been no significant milestones in the uptake of a common currency to date.

The BRICS countries account for nearly 40% of the world's total population, 25% of global gross domestic product (GDP), and nearly 20% of global trade, and have been growing faster than the developed countries in the past two decades. The GDP of the BRICS countries varies significantly, with China having the largest GDP of \$16.86 trillion in 2021, followed by India with \$3.05 trillion, Brazil with \$1.48 trillion, Russia with \$1.47 trillion, and South Africa with \$0.32 trillion. The combined GDP figure is expected to increase significantly with the induction of six new countries, namely Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates.

The combined GDP in purchasing power parity (PPP) of the BRICS countries has been increasing significantly since 2000. The combined GDP of the BRICS countries is expected to be \$56.1 trillion in 2023. The following figure shows the combined GDP in purchasing power parity of the BRICS and G7 countries from 2000 to 2023 (in int. PPP dollars):



The BRICS countries overtook the G7 countries' share of the world's total gross domestic product in terms of purchasing power parity in 2020. By 2023, the difference had increased even further, with the BRICS now holding a total of 32% of the world's GDP compared to 30% held by the G7 countries.

The bloc inducted six new countries during the 15th summit in Johannesburg in August. The six countries to join BRICS are Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates. Full membership is scheduled to take effect on 1 January 2024.

The extended BRICS GDP in purchasing power parity reached 37.3% of the overall global economy in September 2023. The GDP in purchasing power parity of the BRICS members is set to increase further than a third of the global economy in the coming years. The group not only controls 30% of the world's economy but has the largest share of the oil markets at 42%. Their overall GDP currently stands at \$31.75 trillion and is ahead of the \$26.24 trillion of the United States.

In October, Argentina used the Chinese yuan to settle a portion of the \$2.6 billion owed to the International Monetary Fund (IMF). Using the Chinese yuan from a currency exchange line with Beijing and IMF reserve assets, or special-drawing rights (SDRs), Argentina completed the October payment. The nation has previously used a currency exchange line with China to reimburse the IMF. Argentina used \$1.1 billion in yuan equivalent in June 2023 and \$1.7 billion in July to partially fund two repayments to the Fund totalling more than \$5 billion. Afterwards, the nation reimbursed China for a portion of the loan through an IMF disbursement.

For various reasons such as political tensions, economic sanctions, trade imbalances, and debt accumulation, some countries are looking to avoid or reduce their reliance on the US dollar, including China, Russia, India, Brazil, and Malaysia.

China: China has been promoting the use of its currency, the renminbi (RMB), in international trade and investment, especially with its Belt and Road Initiative partners. China has also established currency swap agreements with more than 30 countries and launched a digital version of the RMB in 2020. China is also the largest foreign holder of US Treasuries but has been gradually reducing its holdings in recent years.

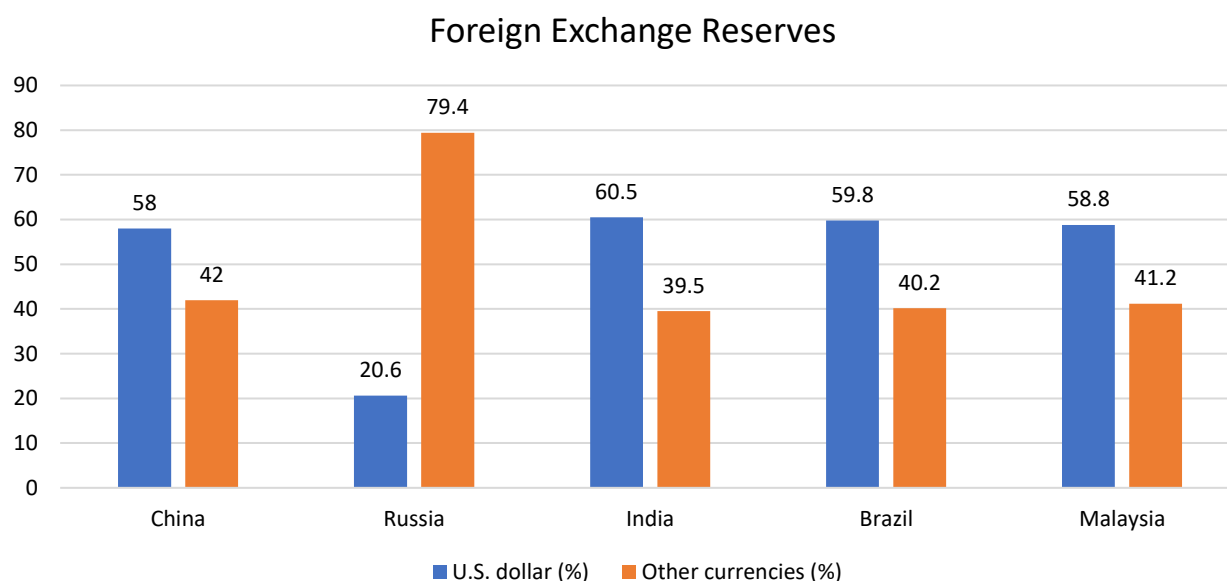
Russia: Russia has been facing US sanctions since 2014 when it annexed Crimea from Ukraine. Russia has responded by selling most of its US Treasuries and increasing its gold reserves. Russia has also been using other currencies, such as the euro, the yuan, and the ruble in its trade with other countries, especially China and the European Union.

India: India is one of the largest importers of oil and has been seeking to pay for its oil imports in currencies other than the US dollar, such as the euro, the yen, and the rupee. India has also been developing its digital currency and has been involved in the BRICS New Development Bank, which aims to provide financing for infrastructure and sustainable development projects in emerging economies.

Brazil: Brazil is another major oil importer and has been looking for alternatives to the US dollar in its trade with other countries, especially China and the Middle East. Brazil has also been participating in the BRICS New Development Bank and has been exploring the use of cryptocurrencies and blockchain technology.

Malaysia: Malaysia is a major exporter of palm oil, rubber, and electronics, and has been diversifying its foreign exchange reserves away from the US dollar. Malaysia has also been using the Islamic

financial system, which is based on the principles of Sharia law, to attract investment from the Middle East and other Muslim countries.



China's trade with the rest of the world in its currency, the renminbi (RMB), reached a record high of 26.4% in the first quarter of 2023, up from 24.1% in 2022. China also launched a digital version of the RMB in 2020, which has been used in more than 4 billion transactions worth over 2 trillion yuan (about \$310 billion) as of March 2023. China's holdings of US Treasuries declined from \$1.07 trillion in January 2020 to \$1.03 trillion in January 2023.

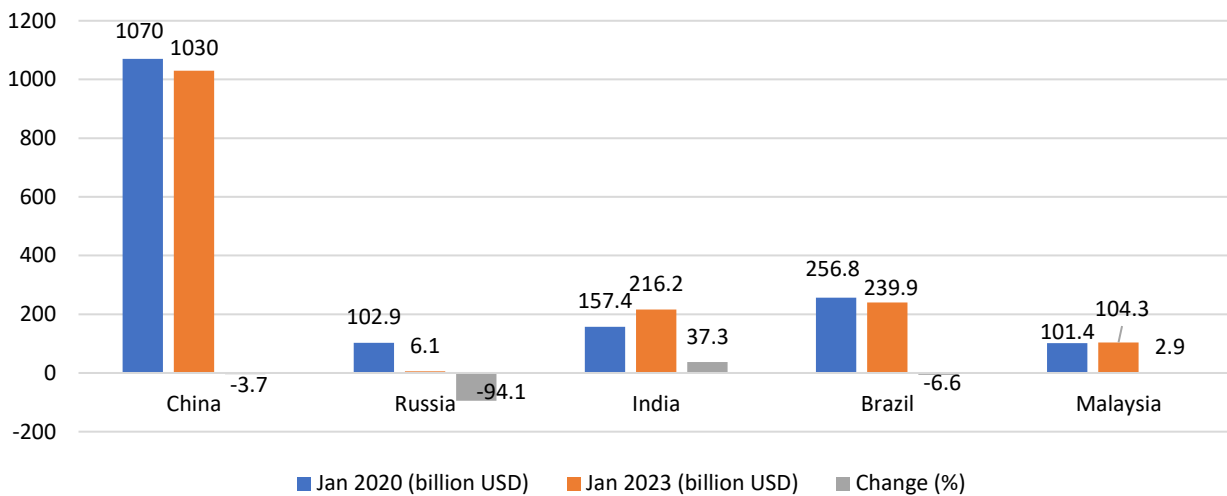
Russia's share of US dollars in its international reserves dropped from 45.5% in 2017 to 20.6% in 2020, while its share of euros increased from 25% to 39.7%, and its share of gold increased from 17.2% to 23.3%. Russia's trade with China in their national currencies increased from 9.7% in 2015 to 24.5% in 2020. Russia's holdings of US Treasuries declined from \$102.9 billion in January 2020 to \$6.1 billion in January 2023.

India's share of US dollars in its foreign exchange reserves declined from 64.7% in 2017 to 60.5% in 2020, while its share of other currencies increased from 35.3% to 39.5%. India's trade with Iran in their national currencies increased from 5% in 2018 to 15% in 2020 after the US reimposed sanctions on Iran. India's holdings of US Treasuries increased from \$157.4 billion in January 2020 to \$216.2 billion in January 2023.

Brazil's share of US dollars in its foreign exchange reserves declined from 65.2% in 2017 to 59.8% in 2020, while its share of other currencies increased from 34.8% to 40.2%. Brazil's trade with China in their national currencies increased from 2.7% in 2015 to 5.3% in 2020. Brazil's holdings of US Treasuries declined from \$256.8 billion in January 2020 to \$239.9 billion in January 2023.

Malaysia's share of US dollars in its foreign exchange reserves declined from 62.5% in 2017 to 58.8% in 2020, while its share of other currencies increased from 37.5% to 41.2%. Malaysia's trade with China in their national currencies increased from 0.8% in 2015 to 3.4% in 2020. Malaysia's holdings of US Treasuries increased from \$101.4 billion in January 2020 to \$104.3 billion in January 2023.

Holdings of US Treasuries

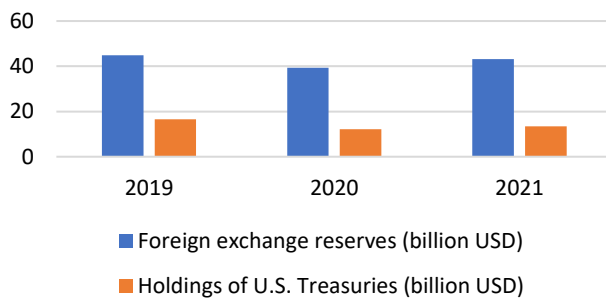


South Africa's foreign exchange reserves are the foreign assets held or controlled by the South African Reserve Bank (SARB), which include monetary gold, special drawing rights (SDRs), the reserve position in the International Monetary Fund (IMF), and other reserve assets. The SARB manages the reserves according to the principles of safety, liquidity, and return.

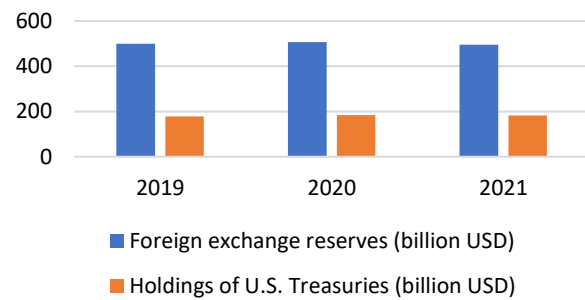
As of October 2023, South Africa's foreign exchange reserves decreased to \$60.962 billion, the lowest level since December 2022, amid declines in foreign currency reserves and SDR holdings. Meanwhile, gold reserves increased. The change in the value of the reserves from quarter to quarter can be attributed to various factors, such as the acquisition or disposal of foreign assets, valuation adjustments, and the exchange rate of the rand. According to Statistics South Africa (Statista), South Africa's foreign exchange reserves reached over \$50 billion in 2021, an increase from \$47.4 billion in 2020. Over the observed period, the reserves increased annually, except for a drop in 2020. South Africa ranked tenth among the African countries with the largest foreign exchange reserves in 2022.

South Africa's trade with China in their national currencies increased from 1.9% in 2015 to 4.1% in 2020, according to the Bank for International Settlements. China is South Africa's largest trading partner, accounting for 18.5% of its total exports and 19.3% of its total imports in 2020, according to the World Bank. South Africa's holdings of US Treasuries increased from \$10.4 billion in January 2020 to \$11.9 billion in January 2023, according to the US Department of the Treasury. The country ranked 45th among the foreign holders of US Treasuries in January 2023.

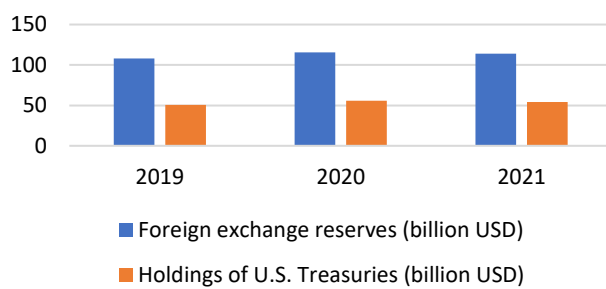
Argentina



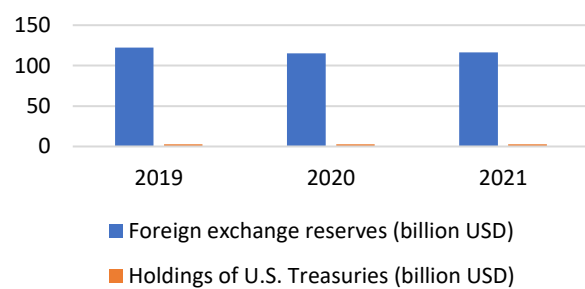
Saudi Arabia



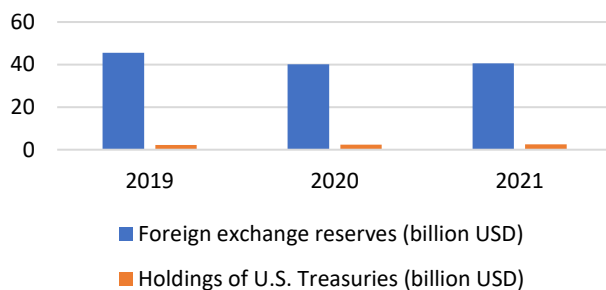
UAE



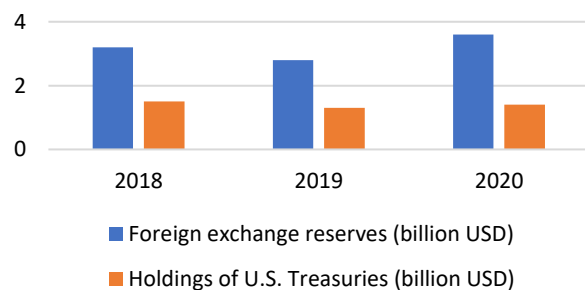
Iran



Egypt



Ethiopia



According to the Central Bank of Argentina, Argentina's foreign exchange reserves decreased from \$44.8 billion in December 2019 to \$39.4 billion in December 2020 and increased to \$43.1 billion in November 2021. According to the US Department of the Treasury, Argentina's holdings of US Treasuries decreased from \$16.5 billion in January 2020 to \$12.1 billion in January 2021 and increased to \$13.4 billion in October 2021.

Saudi Arabia's foreign exchange reserves increased from \$499.4 billion in December 2019 to \$506.8 billion in December 2020 and decreased to \$494.9 billion in October 2021. According to the US Department of the Treasury, Saudi Arabia's holdings of US Treasuries increased from \$177.6 billion in January 2020 to \$184.4 billion in January 2021 and decreased to \$181.9 billion in October 2021.

The UAE's foreign exchange reserves increased from \$107.9 billion in December 2019 to \$115.6 billion in December 2020 and decreased to \$113.9 billion in September 2021. According to the US

Department of the Treasury, the UAE's holdings of US Treasuries increased from \$50.6 billion in January 2020 to \$55.8 billion in January 2021 and decreased to \$54.2 billion in October 2021.

Iran's foreign exchange reserves decreased from \$122.5 billion in December 2019 to \$115.3 billion in December 2020 and increased to \$116.4 billion in June 2021. According to the US Department of the Treasury, Iran's holdings of US Treasuries decreased from \$2.8 billion in January 2020 to \$2.6 billion in January 2021 and increased to \$2.7 billion in October 2021.

Egypt's foreign exchange reserves increased from \$45.5 billion in December 2019 to \$40.2 billion in December 2020 and increased to \$40.6 billion in October 2021. According to the US Department of the Treasury, Egypt's holdings of US Treasuries increased from \$2.2 billion in January 2020 to \$2.4 billion in January 2021 and increased to \$2.5 billion in October 2021.

Ethiopia's foreign exchange reserves decreased from \$3.2 billion in 2018 to \$2.8 billion in 2019 and increased to \$3.6 billion in 2020. According to the US Department of the Treasury, Ethiopia's holdings of US Treasuries decreased from \$1.5 billion in January 2018 to \$1.3 billion in January 2019 and increased to \$1.4 billion in January 2020.

Trade among BRICS countries vs trade between BRICS countries and the G7 is a topic that involves the comparison of the trade flows and patterns of the five emerging economies (Brazil, Russia, India, China, and South Africa) and the seven advanced economies (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States of America). Here are some of the main points and data tables to understand this topic:

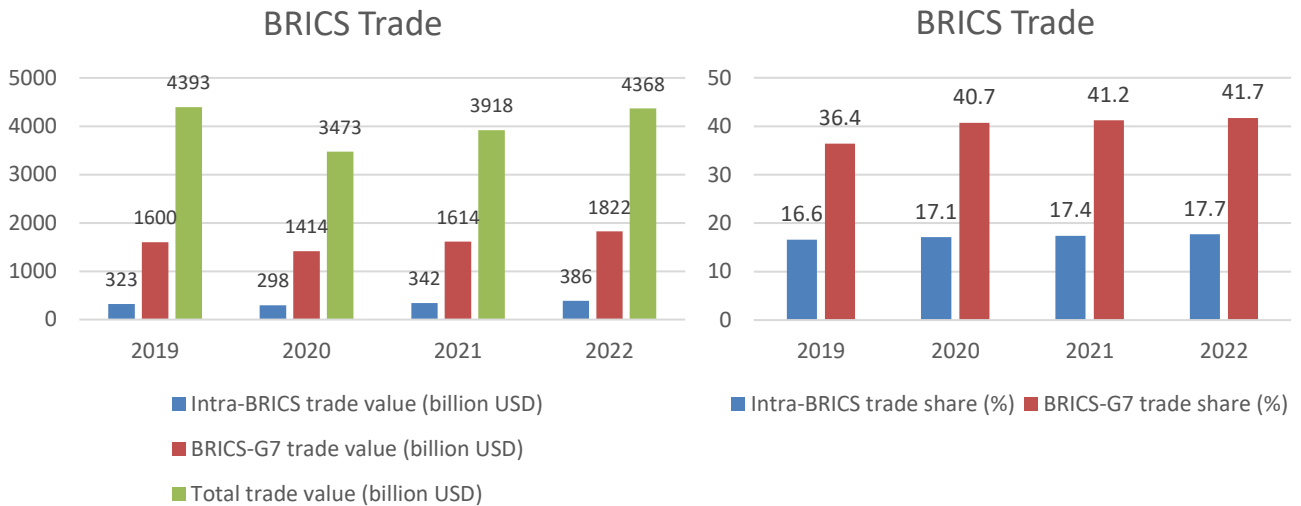
Trade among BRICS countries has increased significantly in the past two decades, as the bloc has become a major force in the global economy. According to the World Bank, the intra-BRICS trade value increased from \$27 billion in 2000 to \$323 billion in 2019, representing a growth rate of 1096%. The share of intra-BRICS trade in the total trade of the bloc also increased from 3.6% in 2000 to 16.6% in 2019. China is the largest trading partner for the other BRICS countries, accounting for about 68% of the intra-BRICS trade in 2019.

Trade between BRICS countries and the G7 countries has also increased significantly in the past two decades, as the BRICS countries have become more integrated into the global trade system. According to the World Bank, the trade value between BRICS and G7 increased from \$236 billion in 2000 to \$1.6 trillion in 2019, representing a growth rate of 578%. The share of trade between BRICS and G7 in the total trade of the BRICS countries increased from 28.5% in 2000 to 36.4% in 2019. The United States is the largest trading partner for the BRICS countries among the G7 countries, accounting for about 32% of the trade between BRICS and G7 in 2019.

Trade among BRICS countries vs trade between BRICS countries and the G7 countries reflects the different comparative advantages, complementarities, and challenges of the two groups. The BRICS countries have a comparative advantage in natural resources, low-cost labour, and large domestic markets, while the G7 countries have a comparative advantage in technology, innovation, and high-value-added services. The BRICS countries trade mainly intermediate and final goods among themselves, such as machinery, electrical equipment, vehicles, and mineral products, while they trade mainly primary and intermediate goods with the G7 countries, such as fuels, ores, metals, and agricultural products. The BRICS countries face challenges such as trade barriers, infrastructure gaps,

currency volatility, and geopolitical tensions, while the G7 countries face challenges such as trade imbalances, protectionism, debt crises, and environmental issues.

The following tables show the trade value and share of intra-BRICS, BRICS-G7, and total trade of the BRICS countries, from 2019 to 2022, based on the projections from the International Trade Centre.



Intra-BRICS trade, much like all trade, was affected by COVID-19 during the pandemic; however, post-pandemic stabilisation has been noted.

Sovereign Africa Ratings (SAR) continues to monitor the risk profiles of the BRICS countries as well as international developments that impact credit rating fundamentals. Fiscal cohesion of African, Middle Eastern, and other developing markets continues to progress and is changing the global landscape, which SAR notes as a positive contributor to the advancement of developing countries.



Contributors:

- **David Mosaka | Chief Ratings Officer | david@saratings.com |**
- **Bekithemba Ndimande | Rating Analyst | bekithemba@saratings.com |**
- **Lomanja Malaba | Rating Analyst | lomanja@saratings.com |**

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