

Economic and demographic potential of bricks nations



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Group has evolved as important Bloc in the world. As the BRICKS nations have distinguished from other emerging markets by their economic and demographic potential to rank among the world's largest and most influential economies in the 21st Century. China and India are the major contributors of the growth not only in the BRICKS group but also In the World. Over the past two decades the trend has been clearly suggesting the rise of the two countries as growth engines.

Throughout the article we will try and understand the major factors that undistributed to the growth of the China In comparison to BRIM nations. And also we will analyses the current challenges ahead for both China. Whether China will be able to hold up this momentum In future Is most difficult question to be answered. Even though many World organizations are ranking China as the leading Economic power of world and India among top 3 most developed nations of the world by 2050. GAP of the BRICKS nations is on the rise when looked over the past two decades clearly suggests that the GAP growth in absolute terms is on the rise.

The chart below has en generated by converting the local Currencies in to Current US Dollars. (Ignoring the Currency changes for easy comparison) GAP Growth rate of China has been on the top throughout the two decades and it has sustained the growth consistently. Let us look at the Factors responsible for the Growth of China Beginning with China the main Factors responsible for the China's Growth are High Productivity of Labor and 2. Investments of both by the Government and Private Sector.

The export and manufacturing sectors are key drivers of China's economy. The Workforce of china has been very productive and according to Study done by one f reputed Management Institute it was that China's Labor force was 18% more productive than American labor force. It was also found that there is still more scope for Improvement in Productivity for Chinese Labor. With Productive labor and new skills being imparted by the large number of Universities, more number of people are to Join the current Labor market with advanced skills.

There is more likely chance that the labor will be available at optimum price levels as gone are the days as China was considered for cheap manpower. Investments and the Total savings to GAP of Chinese are highest In the BRIM nations. They are at record levels of around 48%, one of the highest among the world. With this amount of Savings going In to the Investments is a very good plus to a nation, which is making China an Investment driven economy.

There is a significant role of Investments in China's economic growth story as foreign Direct Investments started Infrastructure which again helped to raise their output levels further. Over the last decade Chinese Government budget is in the surplus except in 2009, when Chinese government had to provide for Stimulus as western world was in grip of Financial Crisis. The Surplus of Chinese Government budget is helping them to procure advanced Technology, oil assets in African Continent and Sovereign funds.

Again China tops the BRICKS nations in growth of Exports. China has transformed itself in to manufacturing hub of the world. Its global export share has skyrocketed from just 1. 9 per cent in 1990 to 11. 5 per cent now,

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finally reaching parity with its global GAP share. Recent slump in Chinese exports can be seen in chart which is attributed to the weak demand in both US and European countries which are China's major export markets. Weak demand in the western countries is due to slow down of the economies due to recent financial crisis.

This can be a temporary trend as once US and European Economies pick up there will be greater demand for Chinese exports. China has maintained competitive edge over the world with its large cheap labor force which was productive, cheap raw materials, low power costs with sophisticated Infrastructure and Technology. But few Analysts predict Chinese competitiveness is no longer due to 1. Rising labor wages, owing to a stunning 66-per-cent increase in wages since 2008. 2. China has kept the Credit rates very low helping easy debt financing for manufacturers and exporters.

With rising inflation and bad loans crept in to the system, Chinese government has to act swiftly to clean financial sector. This may have an adverse effect in near term. Conclusion: Though facing with near term challenges China is well poised to take on the challenges in a better way and Chinese growth story will remain intact. Till now China's growth was supported by Exports. Now China transformed itself in to a Factory of the world with large number of workforce adding to already workforce.

As per estimates these working class will have 40% of china's population as Middle Class by 2020. This middle class with raising aspirations and spending will spur the demand. In near term China will see a lot of Domestic demand

spurred by consumption of this middle class. Till recent times China's Economy which was spurred by Manufacturing and Exports sector will also have Consumption driven economy demanding services and goods. This will contain the current levels of the GAP growth rates. Hence I will definitely buy in to the China's sustained growth story in long term.