



BRICS Countries Development Institutions Working Towards New Values in a Post-COVID World

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Impact of the COVID-19 pandemic on the global economy



The growing incidence rate of COVID-19 has led to unprecedented isolation measures and restrictions on the activities of a number of services and industries, which has pushed the global economy into a severe economic crisis. The crisis has been further aggravated by the risks and imbalances that had previously built up in the world economy.



The global economy will contract by 4.3–4.4% in 2020. In 2021, if a third wave of COVID-19 can be avoided, global GDP could grow by 4.5-4.9% with limited social distancing measures.



It could take several years for most countries to recover from the crisis until the threat of infection disappears. The locomotive for growth is China, most ASEAN countries, and South Korea, whose economies will already manage to exceed the pre-crisis level next year.



Total budget spending on anti-crisis measures around the world has already exceed USD 11 trillion. The volume of stimulus measures has generally been much higher in developed nations. Among BRICS countries, India and Brazil have provided the largest amount of economic support. Budgets are expected to be consolidated in 2021–2022.

Growing incidence rate and the depth of the crisis

% yoy	Jan-Mar 2020	Apr- June 2020	July- Sep 2020	2020	2021	2021 / 2019	COVID-19 incidence, total per 1,000*
USA	+0.3	-9.0	-2.9	-4.0	+3.7	-0.4	28.9
Eurozone	-3.1	-14.8	-4.3	-8.7	+4.3	-4.8	17.0
UK	-1.7	-21.7		-10.9	+5.8	-5.8	15.5
Japan	-1.9	-10.1		-5.5	+2.3	-3.4	0.8
Canada	-0.9	-13.0		-5.8	+4.6	-1.5	6.3
Australia	+1.6	-6.3		-3.9	+2.7	-1.3	1.1
South Korea	+1.4	-2.7	-1.3	-1.4	+3.0	1.6	0.5
Turkey	+4.4	-9.9		-3.5	+4.2	+0.6	4.5
Mexico	-1.4	-18.7	-8.6	-9.1	+3.5	-5.9	7.2
BRICS	-3.2	-5.2	-0.3**	-1.8-2	+6-7.0	+3.9-6.0	3.6
China	-6.8	+3.2	+4.9	+1,9-2.1	+7.0	+9.0-9.2	0.06
India	+3.1	-23.9		-9.0	+7.8-8	-2.0	6
Russia	+1.6	-8.0	-3.5**	-4.0	+2.3	-1.8	11.5
Brazil	-0.3	-11.4		-5.5	+3.0	-2.7	26.1
South Africa	+0.1	-17.1		-8.2	+3.0	-5.8	12.2

Notes: forecast for 2020–2021 based on the median consensus forecast of international financial organisations, research institutions, and commercial banks

* Incidence rate as of 3 November 2020

** Estimate by the VEB.RF Institute

Sources: IMF, Reuters, VEB.RF Institute, Worldometer (incidence data)

- The USA has the highest incidence rate, but the depth of the crisis is not as substantial due to economic support measures.
- Thanks to strict and timely quarantine measures, the incidence rate and depth of the crisis is minimal in China and South Korea. Europe has a high incidence rate and is in a deep crisis. Australia and Japan have seen a moderate incidence rate and a decline.
- The incidence rate in BRICS countries varies heavily. It is very low in China, but one of the highest in Brazil.
- The economies of BRICS countries have reacted differently to the pandemic. The economies of India, South Africa, and Brazil are some of the hardest hit, while Russia has experienced a moderate recession and China has seen modest growth.
- The economic situation in Turkey and Mexico remains difficult.

Uneven recovery from the COVID crisis

- Southern European countries, France, the United Kingdom, and Latin America have seen the biggest economic decline in 2020. The economies of India and South Africa have also been among the hardest hit.
- BRICS GDP will not decline by more than 2% in 2020 (due to the rapid recovery of economic growth in China) and is expected to grow by 7% in 2021.
- The recovery of the world's leading economies was facilitated by stimulus measures, deferred demand as well as low commodity and energy prices, but new quarantine restrictions in response to the second wave of the pandemic will stall growth. Growth will continue in 2021, but continued social distancing measures will stifle recovery.
- China's economy will manage to overcome the recession seen at the start of the year in 2020. Other BRICS countries, as well as the USA and Eurozone, will not return to pre-crisis levels before 2022.

Forecast growth rates of leading global economies, %








Source	Press release	USA		Eurozone		Russia		Brazil		China		India		South Africa	
		2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
OECD	Sep.	-3.8	4.0	-7.9	5.1	-7.3	5.0	-6.5	3.6	1.8	8.0	-10.2	10.7	-11.5	1.4
IMF	Oct.	-4.3	3.1	-8.3	5.2	-4.1	2.8	-5.8	2.8	1.9	8.2	-10.3	8.8	-8.0	3.0
ADB	Sep.									1.8	7.7	-9.0	8.0		
Global Insight	Sep.	-4.8	3.1	-8.7	4.3	-6.0	3.4	-7.0	3.8	1.5	7.1	-6.9	6.5	-8.9	3.2
VEB.RF Institute	Oct.	-4.0	3.7	-8.7	4.3	-4.0	2.3	-5.5	3.0	1.9-2.1	7.0	-9.0	7.8	-8.2	3.0

Notes: the forecast of the VEB.RF Institute is based on the median consensus forecast of international financial organisations, research institutions, and commercial banks

Sources: IMF, ADB, OECD, Global Insight, and VEB.RF Institute

Comparative cross-country scale of anti-crisis measures

The scope of stimulus measures is generally greater in developed nations. Among BRICS countries, these measures have also been more significant in [Brazil](#) and [South Africa](#) due to the high incidence rate of the disease there. [China](#) got a handle on the epidemic relatively quickly. In [Russia](#), support measures have been relatively limited with a moderate economic decline. [India](#) has seen a significant economic contraction with a similarly low volume of fiscal measures.

							
	USA	Germany	Brazil	South Africa	China	Russia	India
Support measures (as of 08.10.2020)							
Fiscal (without guarantees), % of GDP	11.8	8.3	8.3	5.3	4.6	2.6	1.8
Cut in key interest rate since start of 2020, bp	-150 bp (0-0.25%)	- (0.0%)	-225 bp (2.0%)	-300 bp (3.5%)	-20 bp (3.85%)	-200 bp (4.25%)	-115 bp (4.0%)

Main focuses of anti-crisis measures among BRICS development institutions



Support for the healthcare system: funding infrastructure projects (construction of hospitals and mobile health centres), increasing the production of essential medical equipment for the provision of ambulances and personal protective equipment, developing testing, treatment, and vaccination systems, and implementing other anti-epidemic measures.

- BNDES
- EBoI
- CDB
- DBSA



Support for SMEs (primarily export-oriented businesses), including guarantees, sureties, and soft loans, and the extension of loan repayment deadlines.

- VEB.RF
- BNDES
- CDB



Funding projects to provide the public with food and drinking water and ensure the operation of water treatment and sewerage facilities, mobile power infrastructure, and urban passenger transport.

BNDES



Raising targeted loans from international and regional development institutions.

- BNDES
- EBoI
- CDB
- DBSA



Issuance of anti-crisis (pandemic) bonds.

CDB

Comparative scale of anti-crisis measures of BRICS development institutions (1)

The pandemic has exposed the need for DIs to increase their assets in relation to the countries' GDP. Anti-crisis lending activity was generally higher than regular activity.

Assets of DIs v. GDP, %

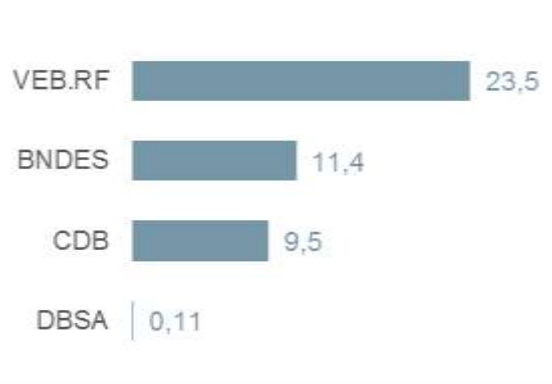


Anti-crisis measures of DIs v. GDP, %

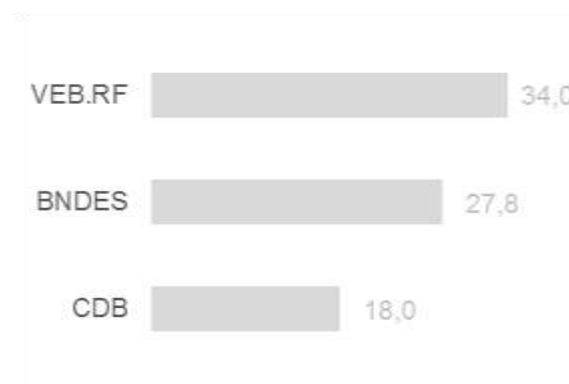


Development banks have been actively involved in the government's anti-crisis measures and credit measures.

DI measures v. state measures*, %



DI measures v. credit measures, %

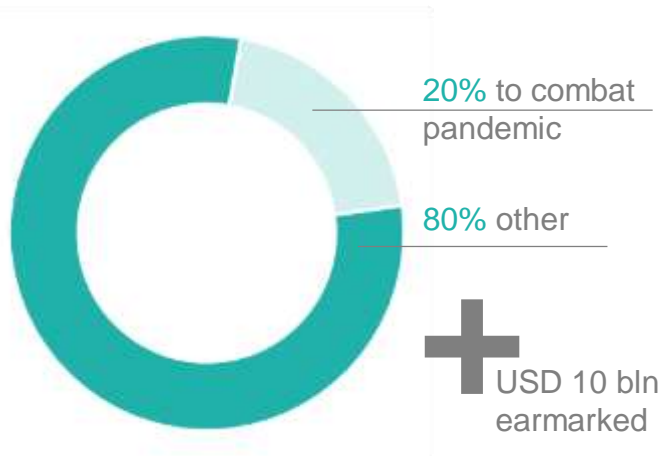


* Fiscal measures without guarantees

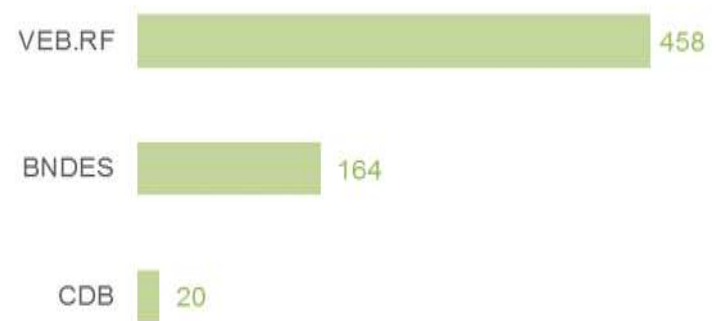
Source: VEB.RF Institute estimate

Comparative scale of anti-crisis measures of BRICS development institutions (2)

Loan portfolio structure of BRICS New Development Bank, %



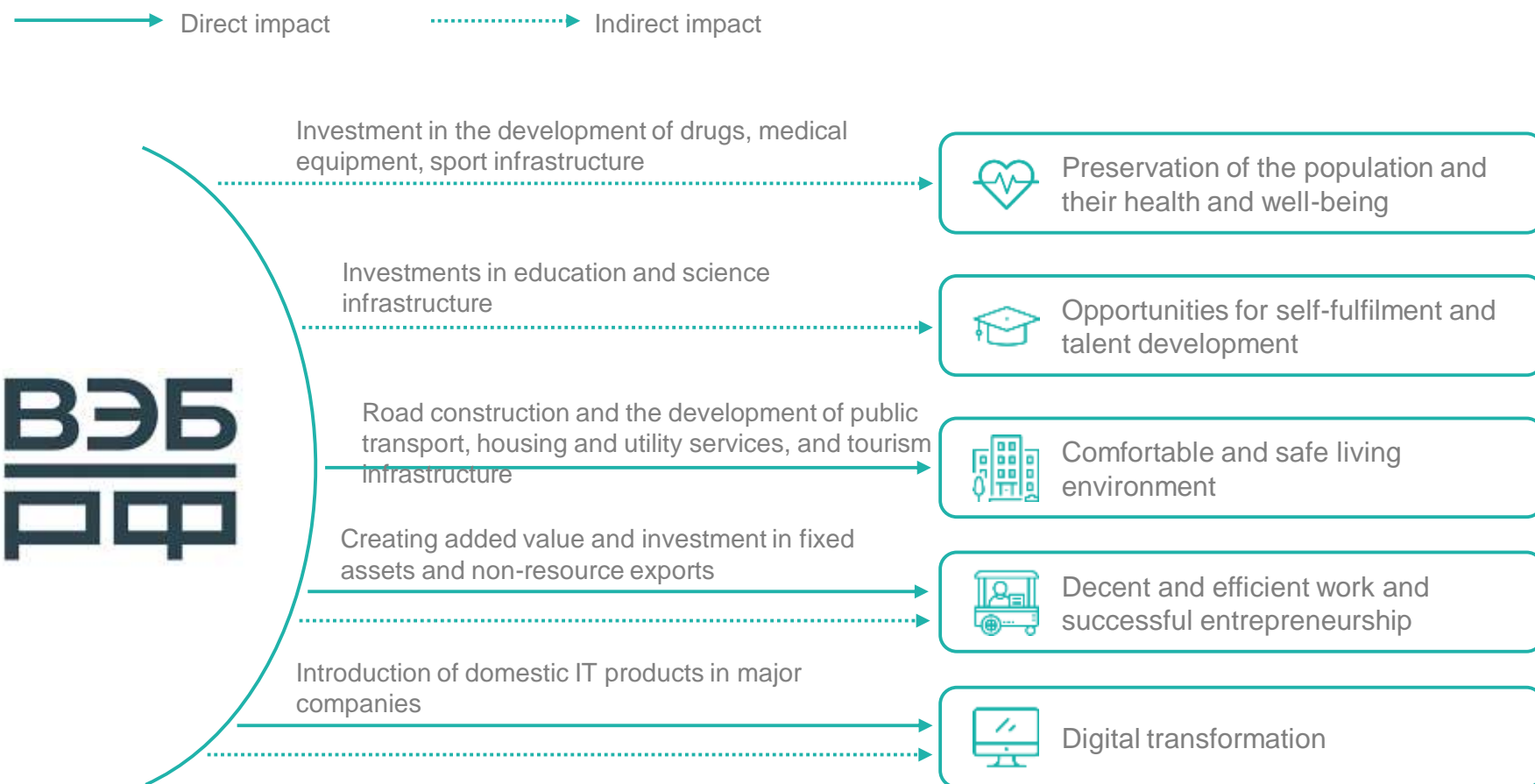
Anti-crisis measures of DIs v. loans issued in 2019, %



Internal resources of development institutions

- Cost reduction strategy
- Expected credit loss provisions
- Restructuring of receivables
- Lower interest rates
- Emergency funding mechanism
- Covid Combat Force
- Help from the central bank

Impact of VEB.RF's activities on achieving national goals set by Decree No. 474 of the President of the Russian Federation dated 21 July 2020



Focuses of cooperation among BRICS development institutions

Common objectives for all BRICS development institutions



improve quality of life



develop climate resilient infrastructure



enhance the resource and energy efficiency of the economy



reduce greenhouse gas emissions and implement the Paris Agreement



solve environmental problems

Focuses of future cooperation to solve these problems

Green economy

Harmonization:

- criteria for classifying projects as green
- verification methodologies for green projects
- approach to the scope and analysis of ESG information

Responsible investment

- harmonizing the system for assessing social, environmental, and economic risks
- creating a DI knowledge bank on the best sustainable development practices
- creating a bank of model projects as part of each sustainable development goal

Climate financing

- general requirements for sustainable infrastructure projects
- harmonizing carbon and emissions trading systems

Improving quality of life

- modern urban environment; creating cities that are comfortable for living
- developing optimal solutions for modern urban problems

Creating the new values of BRICS development institutions



The pandemic has not only exposed the fragility of national economies, but also human life. This crisis could lead to a shift in values that would require rethinking the priorities of DIs.



In the trinity of ESG goals, the social aspect of sustainable development that focuses on meeting the most basic human needs – for health, food, housing, and work – is of particular importance.



Strengthening the ‘horizontal’ macro-regional approaches of BRICS countries and promoting the introduction of additional indicators that describes human development in countries and regions around the world.



Young people are a special focus of activities. For the first time in 300 years, the next generation will be worse off than their parents. The motivation for work and career building is changing.



The DIs of BRICS countries should become key players in formulating new national development strategies based on the priority of human capital.