

Evolution of the BRICS bloc

The bloc's growing economic clout and increasingly aligned views on the future of a multipolar world order

A timeline of previous BRICS summits

2001

The term 'BRIC' coined by Goldman Sachs depicting leading actors in the global economy

2006

Meeting of the BRIC ministers of foreign affairs on the sidelines of the United Nations (UN) General Assembly

Jun 2009

1st, Yekaterinburg (Russia)
International situation, global financial issues, G20 affairs, BRIC cooperation, food security, energy security and climate change

Apr 2010

2nd, Brasilia (Brazil)
International situation, international and regional hotspot issues, the international financial crisis, BRIC cooperation, G20 affairs, climate change and UN reform

Apr 2011

3rd, Sanya (China)
Theme of 'Broad Vision, Shared Prosperity': International economy and finance, development issues and BRICS (SA participates for the first time) cooperation

Mar 2012

4th, New Delhi (India)
Theme of 'BRICS Partnership for Global Stability, Security and Prosperity': Global governance and sustainable development

Mar 2013

5th, Durban (South Africa)
Theme of 'BRICS and Africa: Partnership for Development, Integration and Industrialisation'

2013

Decision to establish the BRICS New Development Bank and Contingency Reserve Arrangement (swap lines created). Announcement of the founding of the BRICS Business Council and BRICS Think Tank Council

Jul 2014

6th, Fortaleza (Brazil)
Theme of 'Inclusive Growth - Sustainable Solutions': Political coordination, sustainable development and inclusive growth

Jul 2015

7th, Ufa (Russia)
'BRICS Partnership—a Powerful Factor of Global Development': International political and economic issues and BRICS cooperation

2015

Agreement of cooperation on culture and establishment of BRICS joint website

Aug 2023

Upcoming 15th, Johannesburg (South Africa)
Outside of global economic governance and sustainable and inclusive development, other potential issues of discussion include BRICS membership criteria and economic and security tensions

Jun 2022

14th, virtual (China)
Theme of 'Foster High-quality BRICS Partnership, Usher in a New Era for Global Development': Deepening cooperation, economy, peace and security, public health and sustainable development

Sep 2021

13th, virtual (India)
Theme of 'BRICS@15: Intra BRICS cooperation for continuity, consolidation, and consensus': Cooperation in combating COVID-19 and addressing global and regional hotspot issues

Nov 2020

12th, virtual (Russia)
Theme of 'BRICS Partnership for Global Stability, Shared Security, and Innovative Growth': Cooperation in combating COVID-19, international and regional situation and global economic governance

Nov 2019

11th, Brasilia (Brazil)
Theme of 'BRICS - Economic Growth for an Innovative Future': International and regional situation, BRICS cooperation and global economic governance

Jul 2018

10th, Johannesburg (South Africa)
Theme of 'BRICS in Africa: Collaboration for Inclusive Growth and Shared Prosperity in the Fourth Industrial Revolution': BRICS strategic cooperation, opportunities and challenges in addressing the Fourth Industrial Revolution

Sep 2017

9th, Xiamen (China)
Theme of 'BRICS: Stronger Partnership for a Brighter Future': International political and economic situation, global governance, sustainable development and BRICS cooperation

2016

Agricultural research platform and cooperation between diplomatic academies established

Oct 2016

8th, Goa (India)
Theme of 'Building Responsive, Inclusive and Collective Solutions': International political and economic situation, global governance and BRICS cooperation

Economies at a glance

July 2023

momentum
investments

The BRICS countries have significant potential for economic growth given that they cover more than a quarter of the earth's total land area, house more than 40% of the world's population, produce nearly half of the world's wheat and rice crops and possess 15% and 10% of the world's gold and oil reserves, respectively.

Brazil

Russia

India

China

South Africa

Population in 2022

42% 3.25 billion of the world

Land area in 2022

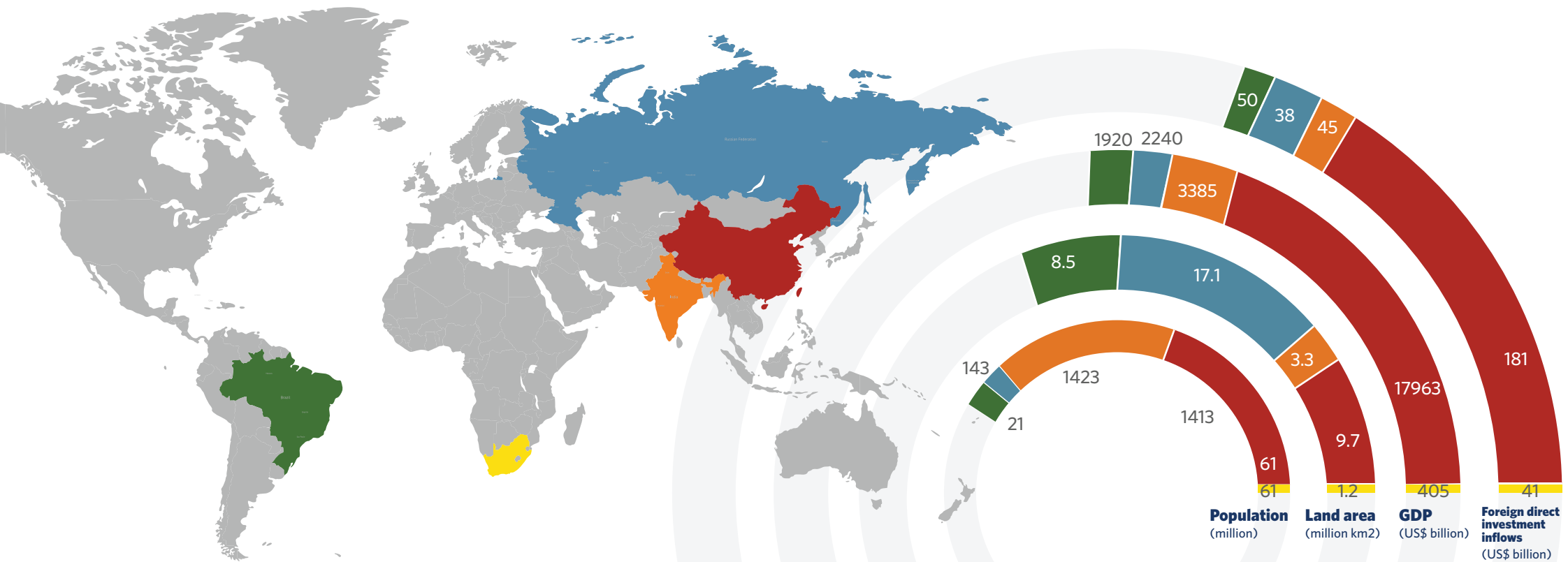
27% 40 million km² of the world

GDP in 2022

26% US\$26 trillion of the world

foreign direct investment in 2021

22% US\$355 billion of the world



The bloc serves as an economic force for countries seeking independence from Western hegemony given the establishment of its own financial institutions

Many countries have formally and informally expressed interest in joining the bloc:

Afghanistan, Algeria, Argentina, Bahrain. Bangladesh*, Belarus, Egypt*, Indonesia, Iran, Kazakhstan, Mexico, Nicaragua, Nigeria Pakistan, Saudi Arabia, Senegal, Sudan, Syria, United Arab Emirates*, Thailand, Tunisia, Turkey, Uruguay*, Venezuela, Zimbabwe Cuba, Democratic Republic of Congo, Comoros, Gabon

*Membership approved since 2021
Source: United Nations Conference on Trade and Development, Statista, World Bank, Modern Diplomacy, CGTN, Global Times, <http://brics2022.mfa.gov.cn/>

July 2023

Forecast 2023:

GDP: 1.7%

Core PCE Inflation: 4%

Forecast 2024:

GDP: 0.4%

Core PCE Inflation: 2.4%

EUROZONE

The centre-right Populist Party beat Prime Minister Pedro Sanchez's Socialists in Spain's snap general election in July. However, weeks of political maneuvering are likely to follow as the Populist Party needs support from multiple junior parties to achieve a governing majority of 176 seats. The Populist Party's election result of 33.1% of the vote gives the party 136 seats in the 350-seat lower chamber. Markets are concerned that instead of the Socialists and far-left Sumar parties forming a coalition, the Populist Party could join forces with the far-right Vox Party (even though they would need a third party to fill the seven remaining seats). If this coalition forms, it will be the first time that a far-right party has entered the Spanish government since 1975. Notably, the Vox Party has been under scrutiny for hate speech against women, Muslims and immigrants, contributing to a decline in their support from 52 seats to 33 in November 2019.

Forecast 2023:

GDP: 0.2%

Inflation: 7.2%

Forecast 2024:

GDP: 0.4%

Inflation: 2.8%

JAPAN

Despite the United Arab Emirates (UAE) sharing long-standing bonds with India, Japan and Turkey, meetings with these countries served to strengthen partnerships even further in July. Japan's prime minister, Fumio Kishida, and UAE president, Sheikh Mohamed bin Zayed, signed 23 agreements and memoranda of understanding, covering areas of energy, space, start-ups, artificial intelligence, transport, education and climate change. This strategic partnership will allow Japan to gain access to the Middle Eastern and North African markets. Additionally, by establishing a strategic dialogue at the foreign ministerial level, it creates opportunities for more in-depth economic and security-related discussions in the future. Although it will take time for Japan to expand its political role in the Gulf, Kishida's desire to broaden cooperation beyond energy is crucial amid China's growing involvement.

UNITED STATES

Despite the United States (US) Federal Reserve raising rates by 25 basis points in July to a range of 5.25% to 5.5%, the outlook for the economy improved in recent weeks due to the resilience of the labour market and ebbing inflation. Analysts surveyed by Bloomberg predict a 60% probability of a US recession in the next year, compared to a peak of 68% in January. The June jobs report showed US employment growth continuing for the 30th consecutive month, maintaining a low unemployment rate of 3.6%. Additionally, the labour force participation rate for those aged between 15 and 54 reached its highest level since 2002, at 84% in June. However, the International Monetary Fund (IMF) has cautioned against extrapolating these trends given that the impact of previous monetary tightening on real economic activity is still unfolding and the effects of stricter credit standards are yet to be fully experienced.

Forecast 2023:

GDP: 0.5%

HICP Inflation: 5.2%

Forecast 2024:

GDP: 0.8%

HICP Inflation: 2.3%

UNITED KINGDOM

The relationship between the United Kingdom (UK) and the European Union (EU) after Brexit was initially often characterised by contentious disagreements. While certain areas, like addressing trade barriers from the post-Brexit deal, necessitate ongoing consultation with EU regulations, other economic and policy domains are witnessing closer cooperation. The *Financial Times* proposes a 'path of managed divergence,' treating the UK and EU as constructive competitors rather than direct adversaries, akin to the arrangement between the EU and the US. This approach fosters new structures for cooperation. For instance, a memorandum of understanding on financial services was signed by the UK and EU in late June, establishing a framework for structured regulatory cooperation in this sector. Plans are also underway to foster similar collaboration in areas such as competition policy, combatting greenwashing and curbing the dominance of Big Tech.

Forecast 2023:

GDP: 1.1%

Inflation: 3%

Forecast 2024:

GDP: 1%

Inflation: 2.1%

CHINA

Forecast 2023:

GDP: 5.3%

Inflation: 0.8%

Forecast 2024:

GDP: 4.7%

Inflation: 2.1%

A delayed but rapid reopening of the economy led surveyed analysts to raise their growth expectations for China for this year from 4.8% in January to 5.7% in May. Expectations have since been pared back to 5.4% on a disappointing second quarter growth figure of 6.3% (0.8% in quarterly terms), trade headwinds, weak consumption and an underperforming property sector. Despite calls for policymakers to launch a large monetary and fiscal stimulus plan to support the economy through the traditional channels of infrastructure and property, authorities are likely to continue reducing debt and promoting growth in strategic areas of the economy. With growth still likely to come in above government's target of 5% this year, authorities are likely to focus on advancing China's technological self-sufficiency and security as tensions remain high with the US.

Forecast 2023:

GDP: 3.9%

Inflation: 5.9%

Forecast 2024:

GDP: 4.1%

Inflation: 5%

EMERGING MARKETS

Turkey's new policymakers are faced with still-high inflation of 38%, which dropped from an even higher rate of 86% in September last year. Turkey's central bank underdelivered relative to market expectations for a 500-basis point hike in July, by raising its key interest rate by 250 basis points to 17.5%. Although Turkey has strengthened trade and investment relations with the

Gulf to boost growth prospects, macroeconomic stability remains at risk from high inflation and a weak currency. Foreign policy under President Recep Tayyip Erdoğan suggests Turkey will continue to drift further from the West. The US has already sanctioned four

Turkish companies involved in channeling large volumes of dual-use items to Russia. Similarly, Turkish relations with China are strengthening via the Shanghai Cooperation Organisation. Erdoğan has in addition expressed an interest in joining the BRICS alliance. On the latest count, South Africa's (SA) top diplomat noted that more than 40 countries have expressed an interest in joining the bloc in the run-up to the BRICS Summit due to take place in August.

Forecast 2023:

GDP: 0.2%

Inflation: 5.8%

Forecast 2024:

GDP: 1.1%

Inflation: 4.7%

SOUTH AFRICA

Following a total of 475 basis points of interest rate hikes since November 2021, the SA Reserve Bank (SARB) paused the repo rate at 8.25%, acknowledging the notable impact of past monetary policy tightening on the economy, which is expected to persist into the next year. The SARB foresees inflation dropping back to the midpoint in a sustainable manner by the third quarter of 2025 but remains vigilant about risks to inflation posed by network capacity constraints, uncertain food and energy prices and wages. Inflation forecasts were slightly reduced to 6% in 2023, 5% in 2024 and remained steady at 4.5% for 2025. Although risks to inflation remain skewed to the upside, the SARB perceives balanced risks to its growth outlook. Despite some temporary relief in loadshedding in June, higher levels have returned due to a loss of generating units. The Council for Scientific and Industrial Research warns that planned maintenance generally ramps up during the summer months and as such, the risk of higher stages of loadshedding remains raised into the back end of the year. While it's uncertain whether the last rate hike marks the end of the current cycle, it appears that further modest tightening may be possible, given ongoing inflation and fiscal risks. The latter has climbed in response to slower growth, a dip in commodity prices and increased business costs.

The macro research desk

Herman van Papendorp is the head of the Momentum Investments research and insights team and takes ultimate responsibility for macro research and asset allocation. Economist, Sanisha Packirisamy, is responsible for providing a macro framework to inform investment opportunities and strategies.



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Indices summary for July 2023

	One month	Three months	One year	Three years	Four years	Five years	Six years	Seven years	Ten years
Equity indices									
FTSE/JSE All-Share Index (Alsi)	4.01%	1.28%	19.34%	16.66%	12.70%	10.51%	9.95%	9.61%	10.28%
FTSE/JSE Shareholder Weighted Index (Swix)	4.11%	1.92%	15.39%	13.24%	9.31%	7.14%	6.80%	6.49%	8.77%
FTSE/JSE Capped Swix All Share index	4.13%	1.84%	14.90%	16.10%	10.39%	7.47%	6.92%	6.23%	8.56%
FTSE/JSE All Share Top 40 Index	4.23%	1.66%	22.41%	16.95%	13.74%	11.32%	10.78%	10.58%	10.67%
FTSE/JSE Mid Cap Index	5.75%	1.62%	8.96%	15.74%	7.31%	6.34%	5.18%	3.51%	7.35%
FTSE/JSE Small Cap Index	1.37%	-0.14%	6.10%	29.83%	14.18%	9.15%	7.23%	6.26%	8.83%
FTSE/JSE Resources Index	3.16%	-6.84%	4.87%	11.80%	15.94%	16.05%	17.29%	16.32%	8.56%
FTSE/JSE Financials Index	7.10%	9.04%	16.32%	22.28%	6.47%	3.95%	4.95%	4.94%	8.11%
FTSE/JSE Industrials Index	2.58%	2.92%	30.05%	15.96%	12.15%	9.50%	7.81%	7.82%	10.09%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (Rafi)	3.46%	0.85%	18.41%	23.24%	13.97%	11.36%	11.59%	11.23%	10.81%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	3.13%	0.16%	15.74%	22.04%	12.99%	10.62%	10.74%	10.49%	10.15%
FTSE/JSE SA Listed Property Index (Sapy)	2.30%	-2.26%	3.42%	13.40%	-3.77%	-3.01%	-4.86%	-3.74%	2.12%
FTSE/JSE All Property Index (ALPI)	2.46%	-2.19%	2.35%	13.16%	-3.72%	-4.24%	-5.71%	-4.75%	1.11%
Interest-bearing indices									
FTSE/JSE All Bond Index (Albi)	2.29%	1.86%	8.07%	8.20%	7.20%	7.37%	7.99%	7.87%	7.70%
FTSE/JSE All Bond Index 1-3 years (Albi)	1.40%	2.12%	8.60%	5.57%	7.11%	7.68%	7.64%	7.83%	7.48%
FTSE/JSE Inflation-linked Index (Ili)	1.49%	0.26%	3.92%	9.68%	5.99%	5.53%	4.89%	4.14%	5.24%
Short-term Fixed Interest Composite Index (Stefi)	0.68%	1.99%	7.07%	5.07%	5.46%	5.83%	6.08%	6.31%	6.29%
Commodities									
NewGold Exchange-Traded Fund	-3.46%	-4.36%	19.08%	1.02%	14.17%	16.47%	12.65%	8.94%	10.04%
Gold price (in rands)	-4.00%	-4.02%	20.37%	1.67%	14.46%	16.75%	13.11%	9.24%	10.40%
Platinum Exchange-Traded Fund	-0.54%	-13.87%	14.24%	2.87%	7.80%	8.75%	5.04%	0.50%	0.68%
Platinum price (in rands)	0.08%	-13.47%	10.39%	2.07%	7.12%	8.52%	4.88%	0.49%	0.73%
Currency movements									
Rand/euro movements	-4.87%	-2.86%	15.31%	-0.88%	5.57%	5.04%	3.92%	3.40%	4.06%
Rand/dollar movements	-5.89%	-2.73%	6.68%	1.46%	5.82%	6.30%	5.09%	3.62%	6.03%
Inflation index									
Consumer Price Index (CPI)			5.37%	5.88%	4.94%	4.85%	4.80%	4.84%	5.15%

Important notes

1. Sources: Momentum Investments, IRESS, www.msci.com, www.yieldbook.com, www.ft.com
2. Returns for periods exceeding one year are annualised.
3. The return for Consumer Price Index (CPI) is to the end of the previous month. Due to the reweighting of the CPI from January 2009, this number reflects a compound of month-on-month CPI returns. The historical numbers used are the official month-on-month numbers based on a composite of the previous inflation series (calculations before January 2009) and the revised inflation series (calculations after January 2009).
4. The MSCI World Index (All Countries) returns are adjusted to correspond with global investment prices received.
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