THE RISE OF EMERGING 7 AS A GLOBAL POWERHOUSE IN THE COMING YEARS

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***Abstract*: Emerging economies have played a vital role in the growth of the overall global economy. The newly industrialised countries, seen by many economists and investment houses, are the potential future which would change the global economy making it even more dynamic and robust. Economic, Financial and Demographic indicators play a vital role when it comes to predicting the course of growth for any emerging country. As there are various external and internal complexities as well as the policies which impact the people, there is still a long way to go for the emerging 7 countries to become a global powerhouse, charting other economies through the rough economical as well as the geopolitical seas in the future.**

Introduction

Global economy has seen substantial amount of transformation in the past few decades. Many countries have witnessed revolutionary policies which have impacted the way the economies have shaped in the past few decades. The countries have been termed as developed, developing and not developed. The developed countries have reached their peak, as they continue to grow but at a negligible rate. The developing countries, on the other hand, have seen an exponential rise in their annual growth rate, attracting foreign investors to make investments for better returns as compared to investments made in the developed countries. The economic, financial and demographic indicators are important for the investors to have a better idea regarding returns and future predictions for the emerging 7 to become a global powerhouse.
The Emerging 7 countries include namely; Brazil, China, India, Indonesia, Mexico, Russia and Turkey. These 7 emerging market economies contribute around 80% of total emerging market output.

Meaning of an emerging economy

An emerging market economy means that an economy which has not fully matured when compared to the developed market economies, but has the potential to grow at an increased rate to become a developed market economy in the coming years.
An emerging market economy has a greater exposure to risk when compared to the developed market economies. This is because of the fact that with high returns there is a higher degree of risks associated as well.
There are certain underlying challenges when it comes to making investments in the emerging markets which are namely; high degree of risk, political instability, social factors, labour laws, policy amendments and implementations which can create an impact on these economies.

Literature Review

It is observed in the study that during the period of the study, emerging 7 has been seen a rise in the inflow of foreign direct investments. These countries have been introducing investor friendly policies which are aimed at increasing investments in their economies. Providing incentives and subsidies has proved to be a positive driving force for them to attract investments.

The author articulates that the emerging market economies no longer follow the experiential economic policies which has resulted in investors running with the fear of erosion of the central bank's independence, high inflation and weakening of the currency. (Moss, 2020)

Emerging-market countries have relied in 2020, on their respective currency debt in the short period duration as the pandemic drove investors for their investment safety. (Bloomberg, 2020)

Emerging economies have responded by allowing the depreciation of their currencies and also helped ease the monetary policy, as they had done during the global crisis. (Jon Hartley, 2020)

Objective of the study

- The E7's potential for growth.
- The threats from other emerging market economies.
- Addressing complex challenges on the economic, financial and demographic front.
- Working hard to retain investor attention in spite of fierce competition from other emerging market economies.
- Future challenges which may be detrimental to the main aim of becoming developed countries and to become the future Group of 7 member countries.

Research Methodology
For the purpose of this study of the emerging 7 nations, the data collected of various economic parameters along with demography and financials have been done. The countries in question for this study are Brazil, China, India, Indonesia, Mexico, Russia and Turkey. Research is purely based on secondary data and the time period of the data involved is from 2016 to 2020.

Hypothesis
H_0: The growth potential of the Emerging 7 nations is dependent solely on the GDP.
H_1: The growth potential of the Emerging 7 nations is dependent upon economic, financial and demographic indicators.

Data Analysis

Table 1: Economic Indicators

Countries	GDP (PPP)	Growth Rate	Unemployment (in %)	Government Gross Debt	Total Reserves	PPP
Brazil	3077.91	-1.08	12.34	88	361970	2.14
China	21546.1	5.7	3.82	50.76	3224870	4.1
India	8647.64	3.06	5.72	73.86	422049	20.42
Indonesia	3083.2	3.76	5.94	31.3	126886	4613.9
Mexico	2498.82	-0.48	3.86	56.7	180931	8.78
Russia	3904.95	0.34	5.14	15.08	479181	24.2
Turkey	2331.6	1.94	12.22	32.18	87849	1.44

The above table represents all the economic factors which are used for predicting the overall growth of the countries. The data collected is a 5-year average from 2016 to 2020. These indicators are primary indicators which help the researcher have a basic understanding of where the economies are headed towards. China has the largest GDP as it grew at an average of 5.7% and has the highest total reserves. The unemployment rate is highest in Brazil at 12.34% and it also has the highest government gross debt. Indonesia has the highest purchasing power parity at 4613.9.

Table 2: Financial Indicators

Countries	Net FDI Inflow	BCBA Ratio	NDC	Interest Rate	NPA	Prop. Rates
Brazil	7105.14	9.61	74.14	43.7	3.4	-0.58
China	194900	8.7	176.98	4.35	1.76	1.25
India	44232	7.48	125.78	9.47	8.76	0.19
Indonesia	17651	14.79	581.14	11.31	2.52	-0.08
Mexico	34907	10.5	85.29	6.41	2.18	0.75
Russia	21741	10.02	532.83	11.3	9.42	-0.04
Turkey	13273	10.99	248	15.55	3.52	-0.06

Over the past 5-year period, China has seen the highest foreign direct investments. The bank capital to assets ratio is the highest in Indonesia. Russia has the highest net domestic credit currency in their economy. The interest rates stand at 43.7%, which are the highest among these 7 countries in Brazil. Russia has seen the highest non-performing assets among its credit being extended. China has seen the maximum rise in its property prices in over the past 5-year period.

Table 3: Demographic Indicators

Countries	EPR	Literacy Rate	HDI
Brazil	55.26	0.93	0.765
China	65.4	1.00	0.761
India	46.26	0.74	0.645
Indonesia	64.24	0.95	0.718
Mexico	57.7	0.95	0.779
Russia	58.78	1.00	0.824
Turkey	45.8	0.96	0.82

(Table 3: Demographic Indicators)

The above table represents the demographic indicators which are considered to measure the social development of the country in terms of employment, human development and education. Standard of living also plays an important role when it comes determining the social improvement of the population. China and Russia have the highest literacy rate among the emerging 7. China has a substantial employed population of around 65%. Russia and Turkey have the highest human development index among the emerging 7 nations.

Testing of Hypothesis

H_0: The growth potential of the Emerging 7 nations is dependent solely on the GDP.
H_1: The growth potential of the Emerging 7 nations is dependent upon economic, financial and demographic indicators.

Regression Analysis of Economic Indicators:

Table 4: Regression Analysis of Economic Indicators

Regression Statistics	
Multiple R	0.997885575
R Square	0.99577562
Adjusted R Square	0.974653721
Standard Error	1115.341625
Observations	7

ANOVA

	df	SS	MS	F	Significance F
Regression	5	293234014	58646802.8	47.14422704	0.110106419
Residual	1	1243986.941	1243986.941		
Total	6	294478000.9			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	1469.005798	1509.964796	0.972874204	0.508752575	-17716.91604	20654.928	-17716.91604	20654.9276
Growth Rate	1070.135091	324.6149851	3.296628746	0.187496216	-3054.48937	5194.7596	-3054.48937	5194.75955
Unemployment	-200.3208477	142.7820589	-1.402983325	0.394222355	-2014.53892	1613.8972	-2014.53892	1613.89723
Government Gross Debt	40.52574862	19.50536599	2.077671788	0.285576477	-207.313425	288.36492	-207.313425	288.364922
Total Reserves	0.003970777	0.000715883	5.546686345	0.11355496	-0.005125375	0.0130669	-0.005125375	0.01306693
PPP	-0.647702896	0.361141885	-1.793485948	0.323809706	-5.236445627	3.9410398	-5.236445627	3.94103983

The coefficient of correlation is 0.99 which indicates a high degree of correlation between all the variables present in the regression analysis. The R square tells us how many points fall on the regression line. In the analysis, 99.5% means that 99.5% of the variation of the values on the y-axis around the mean are explained by the values on the x-axis. In other words, 99.5% of the values fit the model. The Anova table represents the bifurcation and calculations of different components of the values and the variables.

Regression Analysis of Financial Indicators

Table 5: Regression Analysis of Financial Indicators

Regression Statistics	
Multiple R	0.976168148
R Square	0.952904253
Adjusted R Square	0.717425521
Standard Error	35162.88059
Observations	7

ANOVA

	df	SS	MS	F	Significance F
Regression	5	2.502E+10	5003414318	4.04667	0.359803228
Residual	1	1.236E+09	1236428171		
Total	6	2.625E+10			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	545835.7786	478051.5469	1.14179273	0.45792	-5528385.051	6620056.61	-5528385.05	6620056.61
BCBA Ratio	-46809.09655	33437.51774	-1.3998975	0.39489	-471673.0429	378054.85	-471673.043	378054.85
NDC	375.1388024	204.7787394	1.83192261	0.3181	-2226.821786	2977.09939	-2226.82179	2977.09939
Int Rate	-473.7228679	4543.623166	-0.104261	0.93386	-58205.92905	57258.4833	-58205.9291	57258.4833
NPA	-24809.68227	21670.60591	-1.1448541	0.45707	-300160.8377	250541.473	-300160.838	250541.473
Prop. Rates	24104.33727	130940.0754	0.18408678	0.8841	-1639647.069	1687855.74	-1639647.07	1687855.74

The coefficient of correlation is 0.95 which indicates a high degree of correlation between all the variables present in the regression analysis. The R square tells us how many points fall on the regression line. 95.29% means that 95.29% of the variation of values on the y-axis around the mean are explained by the values on the x-axis. In other words, 95.29% of the values fit the model. The Anova table represents the bifurcation and calculations of different components of the values as well as the variables.

Regression Analysis of Demographic Indicators

Table 6: Regression Analysis of Demographic Indicators

Regression Statistics	
Multiple R	0.944500651
R Square	0.89208148
Adjusted R Square	0.838122221
Standard Error	3.142528928
Observations	7

ANOVA

	df	SS	MS	F	Significance F
Regression	2	326.533	163.267	16.5325	0.011646407
Residual	4	39.502	9.87549		
Total	6	366.035			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	40.21067929	15.75988474	2.55146	0.06321	-3.545775564	83.9671341	-3.54577556	83.96713415
Literacy Rate	152.177609	26.72153437	5.69494	0.0047	77.98673572	226.368482	77.98673572	226.3684823
HDI	-166.1218639	38.15823372	-4.3535	0.01212	-272.0661052	-60.177623	-272.066105	-60.17762269

The coefficient of correlation is 0.89 which indicates a high degree of correlation between all the variables present in the regression analysis. The R square tells us how many points fall on the regression line. 89.20% means that 89.20% of the variation of values on the y-axis around the mean are explained by the values on the x-axis. In other words, 89.20% of the values fit the model. The Anova table represents the bifurcation and calculations of different components of the values and the variables.

Findings and Conclusions

- Brazil's economic growth graph has been uneven with years of very high growth and then intermittent years of slowdown as well as dips.
- China's investment driven growth model has had a decisive consequence on the emerging economies across the world for over the past several years.
- Among the emerging 7 markets, it is India's robust growth in the manufacturing sector, friendly business reforms, infrastructure development and a stable political environment which makes it one of the most prominent emerging economies to invest in.
- It is realistic to comment that as one of the strong emerging powers, Indonesia will be decisive but will continuously explore opportunities to act as a norm shaper in the future.
- The Mexican economy is well prepared to continue its growth in spite of the external challenges which it faces in its horizon. Mexico has the capacity that can offer lucrative opportunities for foreign investors to set up their new ventures.
- Russia requires to diversify its economy further to make it a more balanced economy that is less susceptible.
- It would be interesting to see how the Turkish economy develops and also impacts different industries and economies.
- While looking at gross domestic product measured at market exchange rates, one cannot see quite a radical shift in global economic power, representing a lower average price level among the emerging economies.
- Today's advanced economies shall continue to have higher average incomes, but developing countries would most likely make a progress towards eliminating the income divide.

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