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# World Bank warns of BRICS economies gloomy 2016

11 January 2016 by Franchesca Hashemi

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The World Bank's latest global economic report for 2016 warns that a synchronised slowdown in the BRICS economies would have a substantial impact on the rest of the world.

The Bank said that if Brazil, Russia, India, China, and South Africa (BRICS) encounter simultaneous slowdowns in all but one of their economies then a "significant spill over" will be felt globally.

If growth falls 1% lower than predictions in BRICS economies, the Bank warned this will wipe off 0.8% growth in emerging economies, 1.5% in frontier markets (also known as pre-emerging markets), and 0.4% in the global economy over the following two years.

The Bank added that spill overs from BRICS could coincide with other strains on the global economy such as financial market volatility, worsening the growth of the global economy.

"If, in 2016, BRICS growth slows further, by as much as the average growth disappointment over 2010 -14, instead of picking up as forecast, growth in other emerging markets could fall short of expectations by about 1% and global growth by 0.7%," the Bank added.

BRICS growth has slowed from almost 9% in 2010 to an average of around 4% in 2015 with India being the notable exception.

Then again, the Bank forecasted global growth should accelerate to 2.9% in 2016 from 2.4% in 2015. But that marks a downgrade from the 3.3% predicted in June 2015, which the Bank attributed to weak growth from large and integrated economies such as the USA, China and Russia as well as weak commodity prices.

To counter negative effects, the Bank advised policy adjustments including exchange rate flexibility and limiting capital loss.

"The growth slowdown in BRICS has been part cyclical decline from the immediate post-crisis rebound in 2010, part structural slowdown. Hence, a mix of counter -cyclical fiscal or monetary policy stimulus and structural reforms could be used to support activity", it said.

While the Bank expects Brazil's economy to fall 2.5% in 2016 and Russia's to decline by 0.7%, China's gross domestic product should grow to 6.7%, which is less than the 7% the Bank predicted in June 2015.

Elsewhere, South Africa's economy has been predicted to grow by 1.4%. Yet India's GDP, which is remaining unscathed in comparison to its BRICS peers, is expected to grow at 7.8% this year in contrast to 2015 when it grew by 7.3%.

Chief economist and senior vice president at the World Bank Kaushik Basu said: "In the current environment, developing countries need to brace for possible shocks by building resilience to risks to growth. Where they are able to boost government spending or lower interest rates, they can provide support to economic activity."

Yet the implications of weak growth throughout BRICS nations in 2016 may not have an adverse impact on small to medium tier firms.

IAPA's CEO Stephen Hamlet said the World Bank's forecast for 2016 "paints a bleak picture".

"Continuing decline in the BRICS nations does impact global confidence. It has a downward spiral affect on everything to an extent", he said.

"So even though these percentage points are low, they do come after several years of continual decline and there doesn't seem to be any improvement."

Hamlet admits that IAPA firms in Brazil, Russia, Argentina and India have struggled over the last few years. Yet he is optimistic the World Bank's projections for 2016 will not jolt the wider IAPA community into disarray.

"The majority of our members are small to medium sized business, some are family businesses. Will the World Bank's projections impact them? Probably not."