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## **Emerging market economies and sustainable development of global economies-challenges and opportunities**

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### **Abstract**

*Emerging Market Economies (EMDE) are facing challenges and the performance of the Large Emerging Market (LME) economies are also with issues of concern and makes global development a fix. The global slowdown and financial crisis bring uneven development. Adding to this, epidemics like COVID-2019 also pushed the world economies down by at least 0.04 percent with its cascading effects to come in the future. The trade positions in the EMDE regions were weak due to uncertainties and lower demand for commodities. The financial markets were in stress, investment has reduced, lower capital, low productivity, lesser business climate etc., in the EDMs. The real GDP of EDMs is expected to grow an average of 6.2 percent during 2017-21 and it is 0.3 percent lower than 2016 position. Advanced economies perform comparatively lower in the world output. The output of Emerging and Developing Asian countries output was 6.6 percent in 2017 and it declined to 6.4 percent in 2019.*

Key words: market, economies, global development, downturn, demonetisation, tax, poverty.

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Emerging Market Economies (EMDE) is presently facing challenges and it is interwoven with the weak performing Large Emerging Market (LME) economies which have caused concern for global development. The global financial crisis also caused global downturn which is vividly seen in uneven development, wide gap between access to opportunities and population groups in terms of their geographic areas, status of structural transformation, monetary and fiscal situation, debt conditions, competition and survival, gender economic status, quality and quantity of infrastructure, type of technology used, rural and urban divide, conditions of human development indicators, poverty, food security, sustainable economic growth and inclusion etc.

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Altogether, the global growth during 2019 was 2.6 percent and it was 0.3 percent lower than 2018. This is joined with reduction in investment and mounting trade tensions due to issues in Gulf, Europe and other countries.

In the beginning of 2020, the world economies are showing recovery and have shown momentum for growth. However, the outbreak of COVID-2019 has put the world economies again in to major problems. Combating the epidemics and its repercussion is a great task before the world economies.

The major central banks of the countries have adopted tight monetary policies to tackle global inflation and declining economic growth. The trade positions of the EMDE regions were showing weak position due to uncertainties and lower demand for commodities. The financial markets of the EDMs were also in great stress and these countries have subdued investment, lower capital, low productivity, lesser business climate etc. This paper attempts to analyse the 'emerging market economics and sustainable development of global economics and the challenges and opportunities.

Global growth is crucial to achieve sustainable development worldwide. It needs suitable policies to realize the economic growth in accordance with the 2030 Agenda. The OECD's assessment of Quantifying the Implementation and Impact of G20 Members' Growth Strategies found that:

- Around two-thirds of the key commitment measures in the Comprehensive Growth Strategies put forward at the Brisbane Summit, as well as in the Adjusted Growth Strategies at the Antalya Summit have been fully implemented.
- Half of the key commitment measures in the Adjusted Growth Strategies at the Hangzhou Summit and around 40 percent of the commitment measures in the Adjusted Growth Strategies at the Hamburg Summit have been fully implemented.
- The implementation of these commitments raised G20 GDP by around 1.3 percent by 2018, though there was a high degree of uncertainty around this estimate.

The real GDP of EDMs in Asia like Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam, China and India is expected to grow an average of 6.2 percent during 2017-21 and it is 0.3 percent lower than 2016 position. Philippines and Viet Nam are leading in the ASEAN-5 countries viz., Indonesia, Malaysia, the Philippines, Thailand and Viet Nam. The CLM countries i.e., Singapore, Cambodia, Lao PDR and Myanmar are the strong growing countries in the region with over 7 percent growth. The China is expected to grow at 6 percent. Latin American region is expected to grow at 0.6 percent this year and 2.3 percent in 2020. Brazil and Mexico remain weak. Argentina and Venezuela continue to perform at a lower rate during 2019. Middle East, North Africa, Afghanistan and Pakistan region is expected to grow to 3.0 percent in 2020. The growth in sub-Saharan Africa is expected at 3.4 percent in 2019 and 3.6 percent in 2020. The Commonwealth of Independent States is projected to reach 2.4 percent in 2020. Brunei and Darussalam growth is expected to increase to one percent in 2018 due to higher oil output. The overview of the World Economic Outlook projection has been presented in the following Table 1.

Table 1: Overview of the World Economic Outlook Projections  
(Percent change, unless noted otherwise)

	Year over Year				Difference from April 2019 WEO Projections 1/		Q4	over Q4 2/	
	Estimate		Projections		2019	2020	Estimate	Projections	
	2017	2018	2019	2020			2018	2019	2020
World Output	3.8	3.6	3.2	3.5	-0.1	-0.1	3.3	3.4	3.5
Advanced Economies	2.4	2.2	1.9	1.7	0.1	0.0	2.0	1.8	1.8
United States	2.2	2.9	2.6	1.9	0.3	0.0	3.0	2.3	1.9
Euro Area	2.4	1.9	1.3	1.6	0.0	0.1	1.2	1.6	1.5
Germany 3/	2.2	1.4	0.7	1.7	-0.1	0.3	0.6	1.2	1.2
France	2.3	1.7	1.3	1.4	0.0	0.0	1.2	1.3	1.4
Italy	1.7	0.9	0.1	0.8	0.0	-0.1	0.0	0.5	0.9
Spain	3.0	2.6	2.3	1.9	0.2	0.0	2.3	2.1	1.9
Japan	1.9	0.8	0.9	0.4	-0.1	-0.1	0.3	0.2	1.4
United Kingdom	1.8	1.4	1.3	1.4	0.1	0.0	1.4	1.2	1.6
Canada	3.0	1.9	1.5	1.9	0.0	0.0	1.6	1.8	1.7
Other Advanced Economies 4/	2.9	2.6	2.1	2.4	-0.1	-0.1	2.3	2.4	2.4
Emerging Market and Developing Economies	4.8	4.5	4.1	4.7	-0.3	-0.1	4.5	4.8	4.9
Commonwealth of Independent States	2.2	2.7	1.9	2.4	-0.3	0.1	3.1	2.2	1.4
Russia	1.6	2.3	1.2	1.9	-0.4	0.2	2.9	2.0	1.0
Excluding Russia	3.5	3.9	3.5	3.7	0.0	0.0	...	...	...
Emerging and Developing Asia	6.6	6.4	6.2	6.2	-0.1	-0.1	6.0	6.3	6.1
China	6.8	6.6	6.2	6.0	-0.1	-0.1	6.4	6.1	5.9
India 5/	7.2	6.8	7.0	7.2	-0.3	-0.3	5.8	7.7	7.1
ASEAN-5 6/	5.3	5.2	5.0	5.1	-0.1	-0.1	5.2	5.0	5.3
Emerging and Developing Europe	6.1	3.6	1.0	2.3	0.2	-0.5	0.7	1.4	3.3
Latin America and the Caribbean	1.2	1.0	0.6	2.3	-0.8	-0.1	0.3	1.0	2.1
Brazil	1.1	1.1	0.8	2.4	-1.3	-0.1	1.1	1.3	2.5
Mexico	2.1	2.0	0.9	1.9	-0.7	0.0	1.6	1.3	1.6
Middle East, North Africa, Afghanistan, and Pakistan	2.1	1.6	1.0	3.0	-0.5	-0.2	...	...	...
Saudi Arabia	-0.7	2.2	1.9	3.0	0.1	0.9	3.6	2.4	2.8
Sub-Saharan Africa	2.9	3.1	3.4	3.6	-0.1	-0.1	...	...	...
Nigeria	0.8	1.9	2.3	2.6	0.2	0.1	...	...	...

South Africa	1.4	0.8	0.7	1.1	-0.5	-0.4	0.2	1.0	0.3
Memorandum									
Low-Income Developing Countries	4.7	4.9	4.9	5.1	-0.1	0.0	...	...	...
World Growth Based on Market Exchange Rates	3.2	3.0	2.7	2.9	0.0	0.0	2.8	2.7	2.8
World Trade Volume (goods and services) 7/	5.5	3.7	2.5	3.7	-0.9	-0.2	...	...	...
Advanced Economies	4.4	3.1	2.2	3.1	-0.6	0.0	...	...	...
Emerging Market and Developing Economies	7.4	4.7	2.9	4.8	-1.4	-0.3	...	...	...
Commodity Prices (US dollars)									
Oil 8/	23.3	29.4	-4.1	-2.5	9.3	-2.3	9.5	4.3	-7.0
Nonfuel (average based on world commodity import weights)	6.4	1.6	-0.6	0.5	-0.4	-0.6	-1.8	2.5	0.6
Consumer Prices									
Advanced Economies	1.7	2.0	1.6	2.0	0.0	-0.1	1.9	1.9	1.8
Emerging Market and Developing Economies 9/	4.3	4.8	4.8	4.7	-0.1	0.0	4.2	4.1	4.0
London Interbank Offered Rate (percent)									
On US Dollar Deposits (six month)	1.5	2.5	2.4	2.3	-0.8	-1.5	...	...	...
On Euro Deposits (three month)	-0.3	-0.3	-0.3	-0.3	0.0	-0.1	...	...	...
On Japanese Yen Deposits (six month)	0.0	0.0	0.0	0.0	0.0	0.0	...	...	...

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during April 26–May 24, 2019. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. WEO = World Economic Outlook.

1/ Difference based on rounded figures for the current and April 2019 World Economic Outlook forecasts. Countries whose forecasts have been updated relative to April 2019 World Economic Outlook forecasts account for 90 percent of world GDP measured at purchasing-power-parity weights.

2/ For world output, the quarterly estimates and projections account for approximately 90 percent of annual world GDP measured at purchasing-power-parity weights. For emerging market and developing economies, the quarterly estimates and projections account for approximately 80 percent of annual emerging market and developing economies' GDP measured at purchasing-power-parity weights.

3/ For Germany, the upward revision to the 2020 growth rate is due to the change in the GDP definition from a seasonally and working-day-adjusted (SWDA) basis in the April 2019 WEO to a non-adjusted basis. The 2020 growth projection on a SWDA basis has been revised down by 0.1 percentage point relative to the April 2019 WEO.

4/ Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

5/ For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with FY2011/12 as a base year.

6/ Indonesia, Malaysia, Philippines, Thailand, Vietnam.

7/ Simple average of growth rates for export and import volumes (goods and services).

8/ Simple average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil.

The average price of oil in US dollars a barrel was \$68.33 in 2018; the assumed price, based on futures markets (as of May 28, 2019), is \$65.52 in 2019 and \$63.88 in 2020.

9/ Excludes Venezuela.

Table 1 provides the World Economic Outlook projection of the countries. The world output is estimated at 3.8 percent in 2017 and 3.6 percent in 2018 and it is projected to be 3.2 percent in 2019 and 3.5 percent in 3.5 percent respectively during 2019 and 2020. Advanced economies perform comparatively lower in the world output as given in Chart 1.

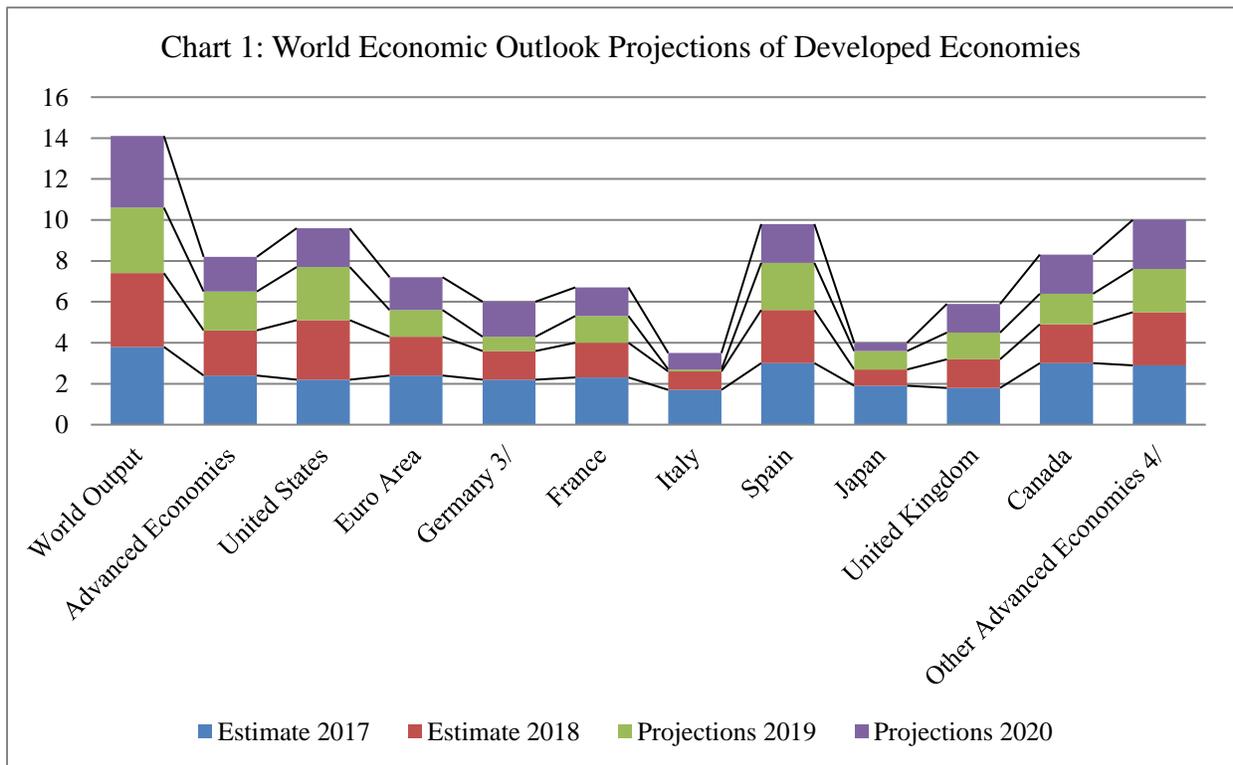
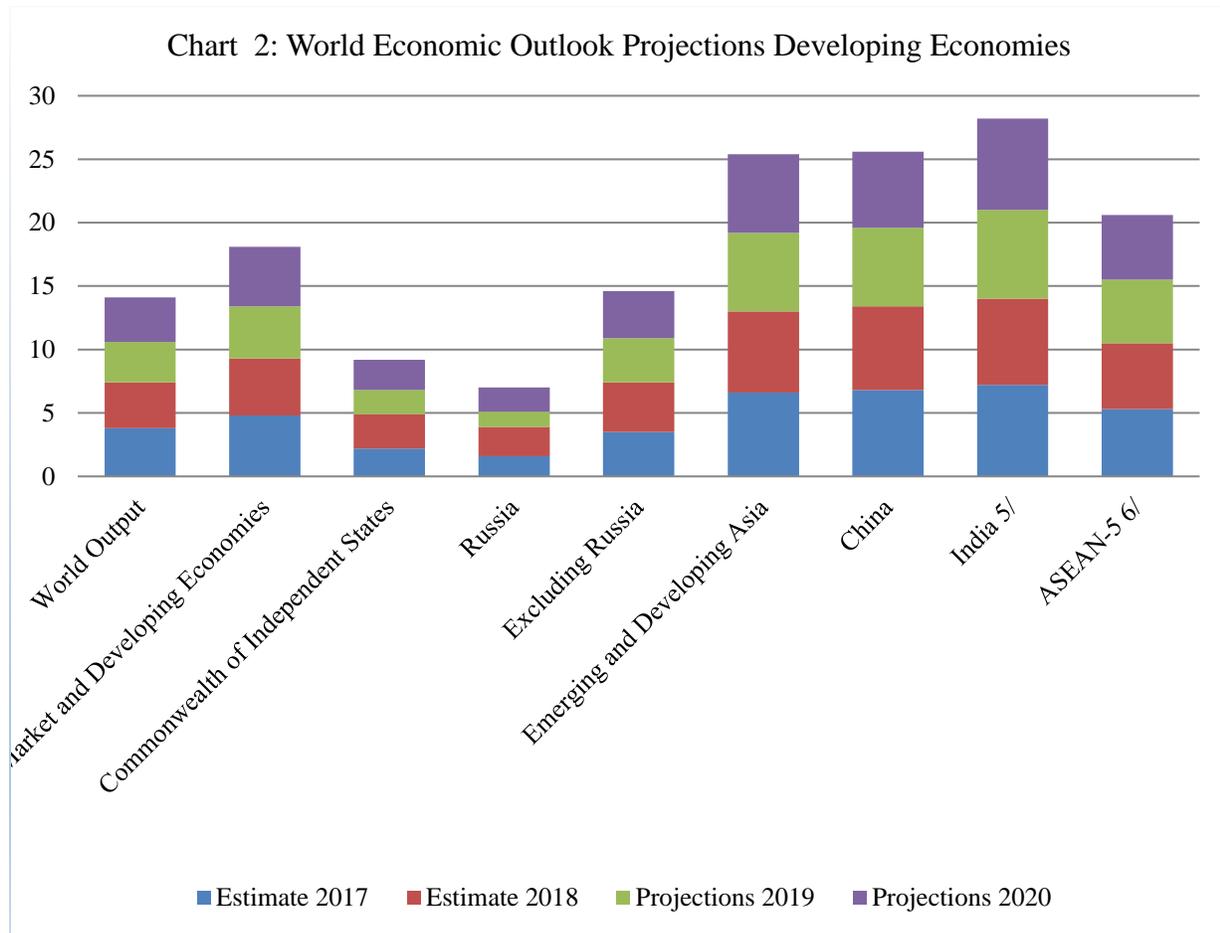


Chart 2 shows that the output of EMDEs was 4.8 percent in 2017 and it has decreased to 4.5 percent in 2018 but it is projected to go up by 4.7 percent in 2020 with a reduction of 4.1 percent in 2019. The output of Emerging and Developing Asian countries output was 6.6 percent in 2017 and it has declined to 6.4 percent in 2019. The output projection portrays that it will remain at 6.2 percent each during 2019 and 2020 in these countries.



The ASEAN Economic Community was established during 2015 and they are concentrating twelve key policy areas viz., trade in goods, trade in services, investment and capital markets, competition and consumer protection, intellectual property rights, infrastructure and connectivity, SMEs, food, agriculture and forestry, tourism, human and social development, energy and the ASEAN Integration. Chart 3 portrays that the estimated output of China was 6.8 percent in 2017 and 6.6 percent in 2018 which shows a downward trend and the projections for 2019 and 2020 also indicates the same with 6.2 percent in 2019 and 6 percent in 2020 as given in Chart 3. The estimated output in India has decreased from 7.2 percent in 2017 and 6.8 percent in 2018. The projection of output in 2019 and 2020 also portrays an increasing trend from 7 percent to 7.2 percent respectively.

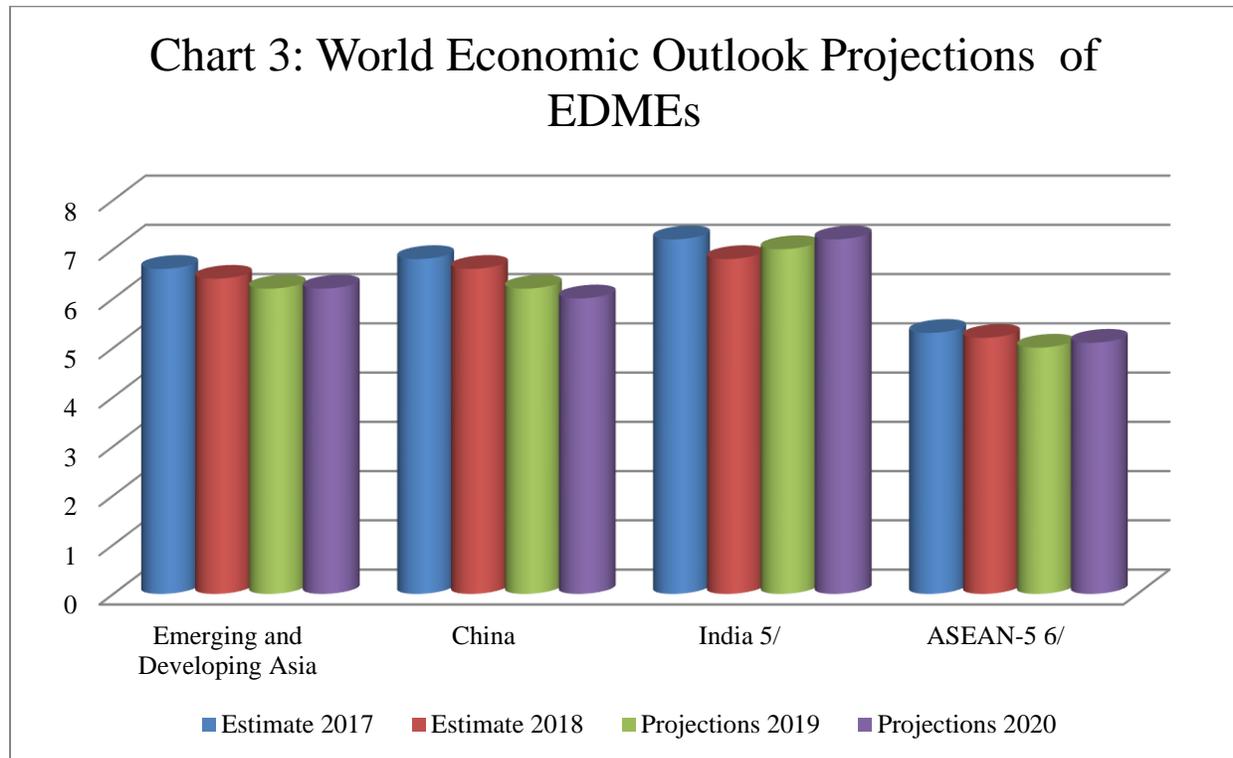


Chart 4 shows that the world trade volume in terms of goods and services indicates that the estimated volume has shown declining trend from 5.5 percent in 2017 to 3.7 percent in 2018 in the advanced economies. The projected volume in the advanced economies gives encouraging situation of 2.2 percent in 2019 and 3.1 percent in 2020. With regard to EMDEs the reduction was more from in 7.4 percent in 2017 and 4.7 percent in 2018. However, for these countries it is showing increasing position from 2.9 percent in 2019 to 4.8 percent in 2020.

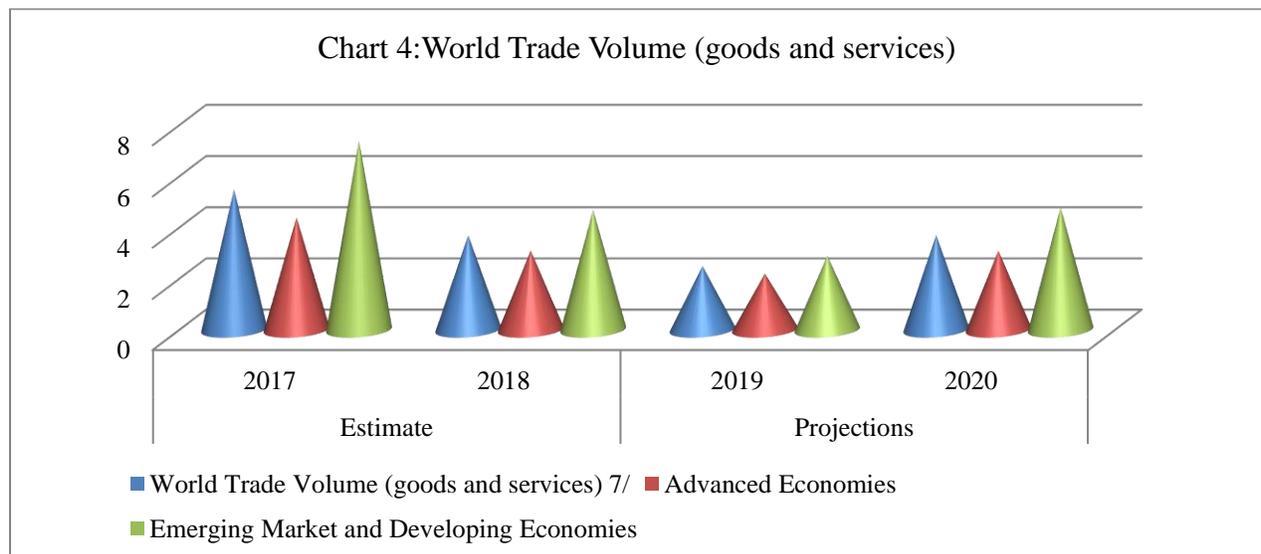


Table 2: Real GDP of World Economics

	Percent change from previous year							Percentage point differences from January 2019 projections			
	2015	2016	2017	2018e	2019f	2020f	2021f	2018e	2019f	2020f	2021f
World	2.9	2.6	3.1	3.0	2.6	2.7	2.8	0.0	-0.3	-0.1	0.0
Advanced Economies	2.3	1.7	2.3	2.1	1.7	1.5	1.5	-0.1	-0.3	-0.1	0.0
United States	2.9	1.6	2.2	2.9	2.5	1.7	1.6	0.0	0.0	0.0	0.0
Euro Area	2.1	2.0	2.4	1.8	1.2	1.4	1.3	-0.1	-0.4	-0.1	0.0
Japan	1.2	0.6	1.9	0.8	0.8	0.7	0.6	0.0	-0.1	0.0	0.0
Emerging Market and Developing Economies (EMDE)	3.8	4.1	4.5	4.3	4.0	4.6	4.6	-0.1	-0.3	0.0	0.0
Commodity-exporting EMDE	0.8	1.5	2.1	2.2	2.1	3.1	3.0	0.1	-0.4	0.1	0.0
Other EMDE	6.1	6.0	6.1	5.8	5.2	5.5	5.5	0.0	-0.3	-0.1	-0.1
Other EMDE excluding China	5.2	5.1	5.4	4.9	4.2	4.8	5.0	-0.1	-0.5	-0.1	-0.1
East Asia and Pacific	6.5	6.3	6.5	6.3	5.9	5.9	5.8	0.0	-0.1	-0.1	0.0
China	6.9	6.7	6.8	6.6	6.2	6.1	6.0	0.1	0.0	-0.1	0.0
Indonesia	4.9	5.0	5.1	5.2	5.2	5.3	5.3	0.0	0.0	0.0	0.0
Thailand	3.1	3.4	4.0	4.1	3.5	3.6	3.7	0.0	-0.3	-0.3	-0.2
Europe and Central Asia	1.1	1.9	4.1	3.1	1.6	2.7	2.9	0.0	-0.7	0.0	0.0
Russia	-2.5	0.3	1.6	2.3	1.2	1.8	1.8	0.7	-0.3	0.0	0.0
Turkey	6.1	3.2	7.4	2.6	-1.0	3.0	4.0	-0.9	-2.6	0.0	-0.2
Poland	3.8	3.1	4.8	5.1	4.0	3.6	3.3	0.1	0.0	0.0	0.0
Latin America and the Caribbean	0.1	-0.3	1.7	1.6	1.7	2.5	2.7	0.0	-0.4	-0.2	0.0

Brazil	-3.5	-3.3	1.1	1.1	1.5	2.5	2.3	-0.1	-0.7	0.1	-0.1
Mexico	3.3	2.9	2.1	2.0	1.7	2.0	2.4	-0.1	-0.3	-0.4	0.0
Argentina	2.7	-2.1	2.7	-2.5	-1.2	2.2	3.2	0.3	0.5	-0.5	0.1
Middle East and North Africa	2.9	5.1	1.2	1.4	1.3	3.2	2.7	-0.3	-0.6	0.5	0.0
Saudi Arabia	4.1	1.7	-0.7	2.2	1.7	3.1	2.3	0.2	-0.4	0.9	0.1
Iran	-1.3	13.4	3.8	-1.9	-4.5	0.9	1.0	-0.4	-0.9	-0.2	-0.1
Egypt <sup>2</sup>	4.4	4.3	4.2	5.3	5.5	5.8	6.0	0.0	-0.1	0.0	0.0
South Asia	7.1	8.1	6.7	7.0	6.9	7.0	7.1	0.1	-0.2	-0.1	0.0
India <sup>3</sup>	8.0	8.2	7.2	7.2	7.5	7.5	7.5	-0.1	0.0	0.0	0.0
Pakistan <sup>2</sup>	4.1	4.6	5.4	5.8	3.4	2.7	4.0	0.0	-0.3	-1.5	-0.8
Bangladesh <sup>2</sup>	6.6	7.1	7.3	7.9	7.3	7.4	7.3	0.0	0.3	0.6	0.5
Sub-Saharan Africa	3.0	1.3	2.6	2.5	2.9	3.3	3.5	-0.2	-0.5	-0.3	-0.2
Nigeria	2.7	-1.6	0.8	1.9	2.1	2.2	2.4	0.0	-0.1	-0.2	0.0
South Africa	1.3	0.6	1.4	0.8	1.1	1.5	1.7	-0.1	-0.2	-0.2	-0.1
Angola	0.9	-2.6	-0.1	-1.7	1.0	2.9	2.8	0.1	-1.9	0.3	0.0
<i>Memorandum items:</i>											
Real GDP <sup>1</sup>											
High-income countries	2.4	1.7	2.3	2.1	1.8	1.6	1.6	-0.1	-0.2	-0.1	0.0
Developing countries	3.9	4.4	4.8	4.6	4.2	4.7	4.8	0.0	-0.3	-0.1	0.0
Low-income countries	4.8	4.8	5.6	5.6	5.4	6.0	6.1	0.0	-0.5	-0.2	-0.2
BRICS	4.0	4.6	5.3	5.4	5.1	5.3	5.3	0.1	-0.1	0.0	0.0
World (2010 PPP weights)	3.4	3.3	3.7	3.7	3.3	3.5	3.6	0.0	-0.3	-0.1	0.0
World trade volume <sup>4</sup>	2.9	2.8	5.5	4.1	2.6	3.1	3.2	0.2	-1.0	-0.4	-0.2
Commodity prices <sup>5</sup>											

Oil price	-47.3	-15.6	23.3	29.4	-3.4	-1.5	0.7	-1.3	-0.5	-1.5	0.7
Non-energy commodity price index	-15.8	-2.8	5.5	1.7	-2.1	-0.1	1.4	0.0	-3.1	-1.3	0.2

Source: World Bank.

Notes: PPP = purchasing power parity; e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information. Consequently, projections presented here may differ from those contained in other World Bank documents, even if basic assessments of countries' prospects do not differ at any given moment in time. Country classifications and lists of emerging market and developing economies (EMDEs) are presented in Table 1.2. BRICS include: Brazil, Russia, India, China, and South Africa. Due to lack of data, the World Bank has ceased producing a growth forecast for Venezuela and has removed Venezuela from all growth aggregates in which it was previously included.

1. Aggregate growth rates calculated using constant 2010 U.S. dollar GDP weights.
2. GDP growth values are on a fiscal year basis. Aggregates that include these countries are calculated using data compiled on a calendar year basis. Pakistan's growth rates are based on GDP at factor cost. The column labeled 2017 refers to FY2016/17.
3. The column labeled 2016 refers to FY2016/17.
4. World trade volume of goods and non-factor services.
5. Oil is the simple average of Brent, Dubai, and West Texas Intermediate. The non-energy index is comprised of the weighted average of 39 commodities (7 metals, 5 fertilizers, 27 agricultural commodities). For additional details, please see <http://www.worldbank.org/en/research/commodity-markets>.

The real GDP growth of the world economies given in Table 2 shows that the percentage change from previous year indicates the falling trend to the world from 2.9 in 2015 to 2.6 in 2019 and projected further down from 2.7 in 2020 and 2.8 in 2021. The percentage point differences from January 2019 projections shows negative growth from 2018 (0 percent) to 2021 (0 percent). The plight of the advanced economies is also very precarious position in the real GDP growth from 2015 onwards. However, the EMDEs have advantageous position in the real GDP growth with 3.8 percent in 2015 and 4.3 percent in 2018 with a projected level of 4.6 in 2021. Commodity-exporting EMDE also portrays an admiring growth from 0.8 percent in 2015 to 2.2 percent in 2018 with a projected level of 3 percent in 2021. The South Asian countries are showing falling trend in the growth of real GDP from 2015 onwards. With regard to India, it was 8 percent in 2015 and 7.2 percent in 2018 and projected to be 7.5 percent in 2021.

India's economy is expected to grow at 7.0 percent in 2019 and the development policy of India also tries to address the issues retarding the development and subtle efforts are being made to combat the growth inhibiting forces that pummels the structural transformation and growth trajectory of our country. The demonetisation, fiscal and monetary policies and tax reforms implemented by the government have been considered as growth-sapping boondoggle.

## Conclusion

The world economies are showing recovery and have shown momentum of growth in the beginning of 2020, but the outbreak of COVID-2019 is major challenge before the world economies. The trade positions of the EMDEs are weak position due to uncertainties and lower demand for commodities. The real GDP of EDMs in Asia is expected to grow an average of 6.2 percent during 2017-21 and it is 0.3 percent lower than 2016 position. Advanced economies perform comparatively lower in the world output. The output of Emerging and Developing Asian countries output was 6.6 percent in 2017 and it declined to 6.4 percent in 2019. The estimated output in India was 7.2 percent in 2018 and it reduced to 6.8 percent in 2018. The EMDEs real GDP growth was 3.8 percent in 2015 and it has increased to 4.3 percent in 2018 with a projected level of 4.6 in 2021. Commodity exporting EMDE shows growth from 0.8 percent in 2015 to 2.2 percent in 2018 with a projected 3 percent in 2021.

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