



G-7, BRICS, AND LATINO ECONOMIES REVIEW OCTOBER 2024

INTRODUCTION

The last two years of Post-Covid-19 period were marked by high inflation worldwide, for which all Central Banks had an arduous job trying to mitigate the effects of inflation and bring it to pre-pandemic levels.

This was definitely not an easy task since the geopolitical environment is a little convulsed by the war between Russia – Ukraine. Now added the conflicts between Israel and the terrorist group Hamas with the support of Iran. On the other hand, China with its expansionist desires about Taiwan and the always tension between North Korea and its southern neighbor, South Korea.

All these events make it difficult for the Central Banks to achieve their economic objectives. With this analysis we intend to make a performance comparison of the three main world economic groups (G-7, BRICS, and Latin) looking at the three most important economic ratios: GDP, Inflation, and Unemployment.

COUNTRIES BY ECONOMIC GROUP

G-7	BRICS	LATINOS
Canada	Brazil	Peru
United States of America	Russia	Mexico
France	China	Colombia
Italy	South Africa	Chile
Germany		Brazil
United Kingdom		Argentina
Japan		

ECONOMIC RATIOS

RATIO	MESURE	OPTIMUM RANGE
GDP (Gross Domestic Product)	Measure the total output of a country's goods and services over a specific period of time.	Positive measure = growing Negative measure = Recession
INFLATION	Measure the rate of increase in prices over a given period of time.	Target is around 2%.
UNEMPLOYMENT	Measure the share of the labour force without work.	Healthy Unemployment: 4% - 6%. High rates has an impact in consumer spending(GDP). Lower rates push inflation up.

OBJECTIVES

- Compare the Economies of the G7, BRICS and LATINO member countries, observing the three main Economic Ratios at the end of October 2024.
- Identify the countries that have the best and the worst Economic Performance to the current date for each Economic Group.

ANALISIS

a) G-7

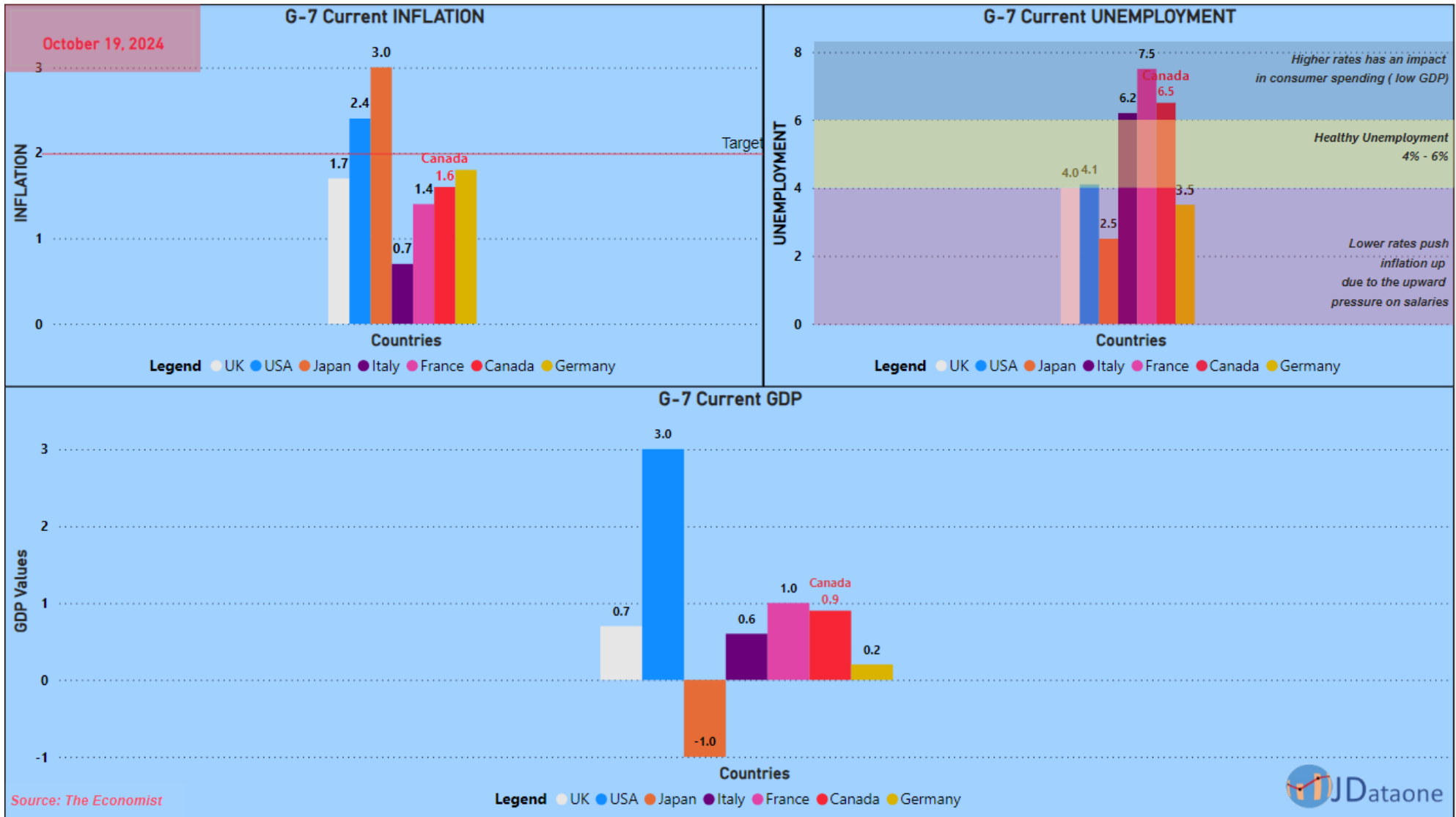
Inflation: Japan is the country with the highest inflation to date at 3% while Italy has the lowest inflation at 0.7%. The objective is to maintain inflation close to 2%. An optimal inflation range ranges between 1.5% and 2.5%, within that range we can find the UK, USA, Canada, Germany.

Unemployment: At the level of unemployment, the only two countries that are in the acceptable range are the USA and the UK, Japan and Germany have unemployment below the acceptable range, which generates an increase in inflation due to pressure on salaries. Italy, France and Canada have unemployment above the acceptable range, which generates a decrease in consumption, affecting GDP.

Gross Domestic Product (GDP): According to the data, we can clearly see that the best performance is in the USA with 3% of GDP, surpassing the other countries in the group by two percentage points, while Japan is in negative figures with -1% followed very closely by Germany.

We would have to pay special attention to the data from Japan and ask ourselves why it shows those slightly disparate numbers with an inflation of 3%, an unemployment of 2.5% and a GDP of -1%. While it is true, Japan imports a large part of its raw materials which after Covid-19 and the current Russia - Ukraine war, its logistics have been interrupted which leads to a ***higher logistic cost***, so prices tend to rise which generates Japanese inflation.

On the other hand, we see that the Japanese economy is in recession with a low level of unemployment. What explains this is the high level of savings of the Japanese consumer, a strategy they use to safeguard themselves from inflation. Given this, the Japanese government maintains its reference rate relatively low around 1% in order to try to increase consumption.



b) BRICS

Inflation: Russia has the highest inflation of the group, while China has the lowest inflation. None of the five countries is at the inflation target of 2%, all are above it except China, which is well below it with 0.4%.

Unemployment: South Africa has the highest level of unemployment at 34%, a fairly high number compared to the other members of the group; This number reflects the structural inequalities in the South African society, the lack of quality education and training opportunities to satisfy market demands.

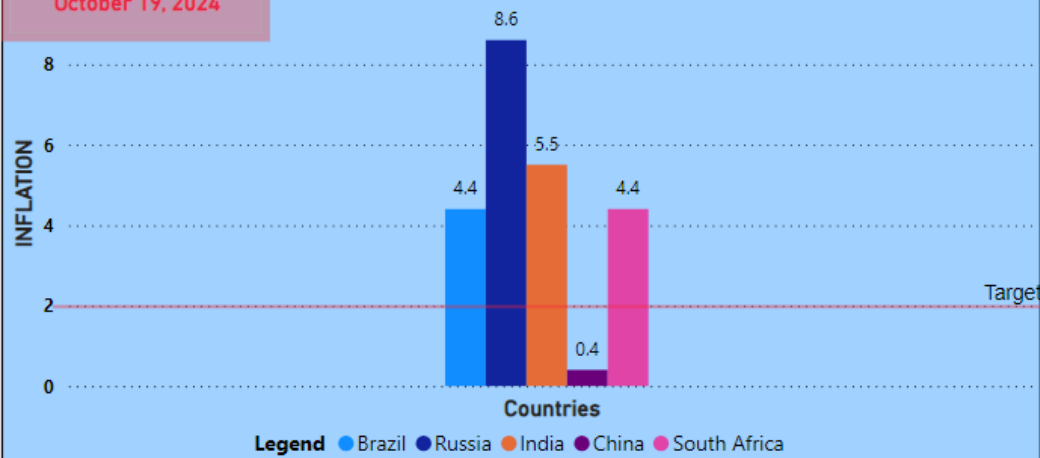
On the other hand, we have Russia with a very low level of unemployment (2%), which is due to the current war with Ukraine, because a large percentage of its population of working age is on the battlefields and we could say that another majority group sought refuge in other countries, leaving a small percentage of the population able to work.

Gross Domestic Product (GDP): India is the super star with a GDP of 6.7% due largely to strong investment in infrastructure by the government. We can see that Russia, despite the current war with Ukraine, has an enviable GDP of 4.1%, a growth that is possible precisely because of the Russian government's spending on military force.

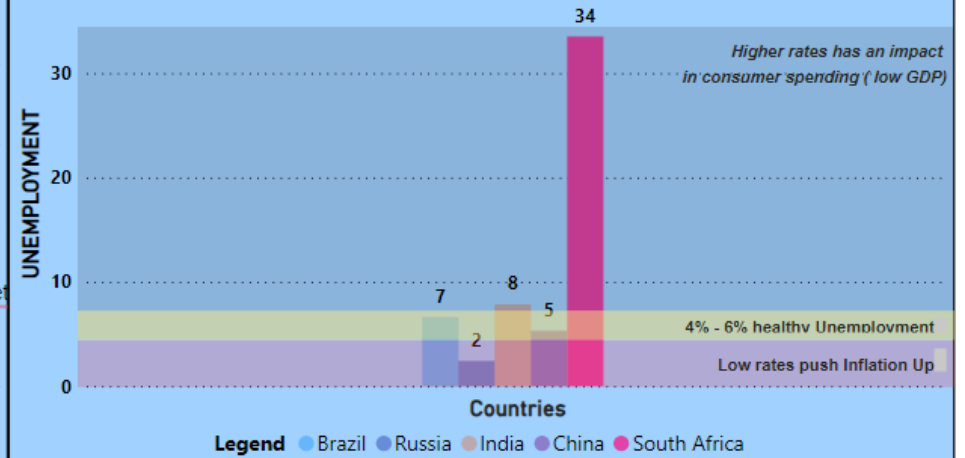
Another case that may catch our attention is China's meager growth of 4.7% well below of its double-digit standard. Covid-19 hit the Chinese economy hard, leading to a property crisis, a low level of internal and external consumption.

October 19, 2024

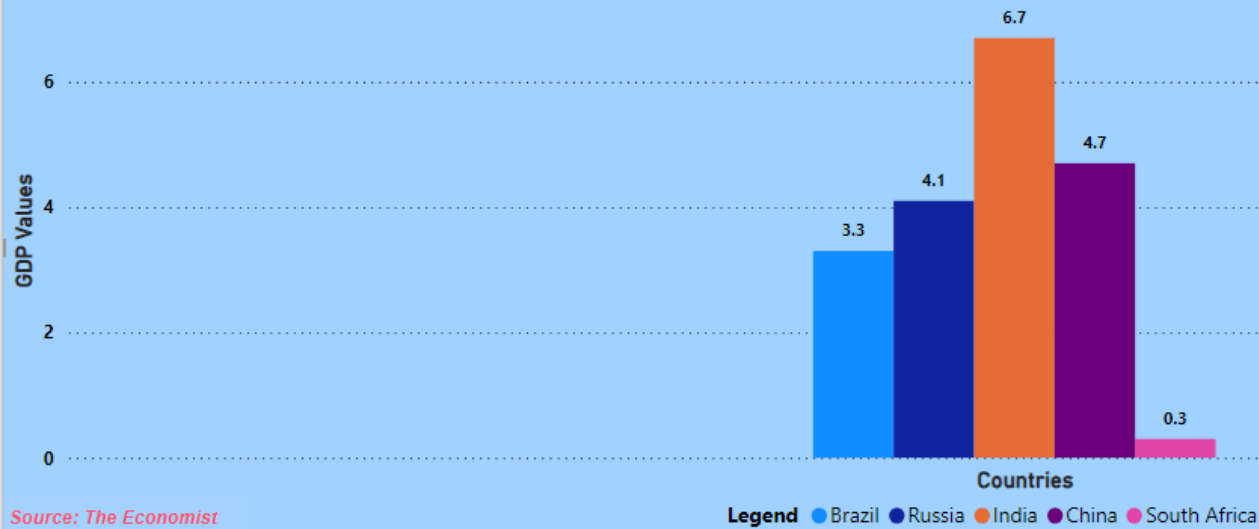
BRICS Current INFLATION



BRICS Current UNEMPLOYMENT



BRICS Current GDP



Source: The Economist

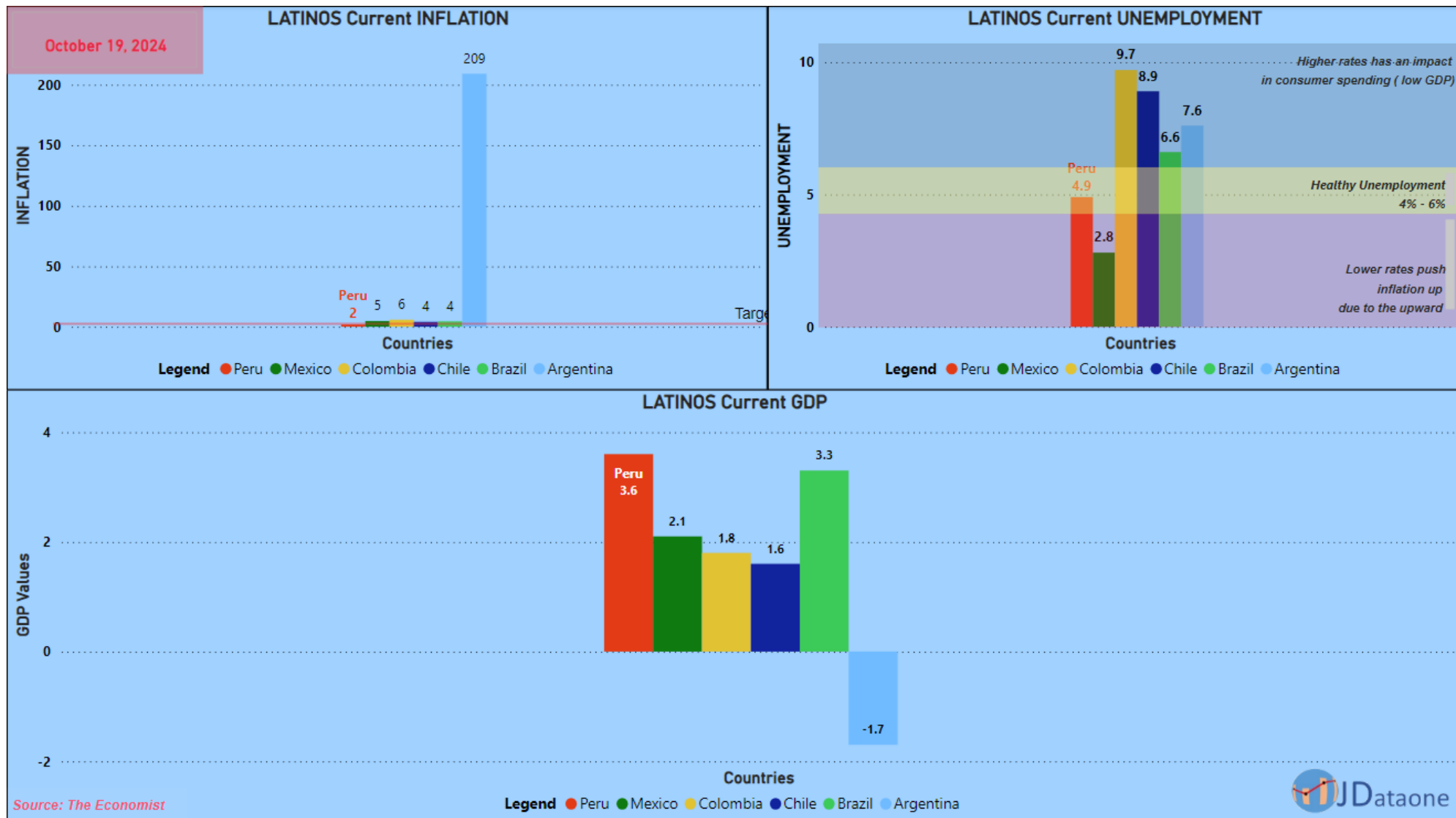
c) LATINOS

Inflation: Due to poor monetary policy management, a high public deficit and constant monetary issuance, inflation in Argentina is by far one of the highest in Latin America and worldwide at 209% to date. The rest of the countries in the region show moderately high inflation above the target of 2% with the exception of Peru, which shows inflation under control in the target range.

Unemployment: In four countries out of a total of six, the level of unemployment is above 6%, with Colombia having the highest unemployment in the region (9.7%). Mexico has the lowest level of unemployment with 2.8%, which could hinder inflation from reaching the target range of 2% due to pressure on wages due to the low level of unemployment. On the other hand, we see that Peru has an unemployment of 4.9%, which is within the range called "healthy unemployment", the only country in the region that is in that range.

Gross Domestic Product (GDP): Because Argentina has high inflation, it is the only country in the Latin group that is in Recession Zone (-1.7%). On the other hand, Peru is seen as the country with the most sustained growth, surpassing Mexico and Brazil, with 3.6% GDP growth. the best performance of the group. This good performance of Peru is mainly due to three factors:

- Independent Central Bank
- Economic model protected by the Peruvian Constitution
- Stability in the Ministry of Economy and Finance



CONCLUSIONS

- USA is the country that has the best macroeconomic indicators with a GDP of 3%, well above the rest of the G-7 members.
- Among other factors, the Russia - Ukraine war has hit the German Economy hard due to the interruption of cheap energy supplies from Russia. Its current GDP being 0.2% with a high probability of ending the year in negative.
- Japan suffers from high inflation but it is largely driven by the **logistical costs** of importing the raw materials it needs for its production, which became more expensive due to covid-19 and the Russia-Ukraine war.
- Despite the economic sanctions imposed on Russia for the invasion of Ukraine, its economy remains solid and growing due mainly to strong investment in weapons and war logistic and the redirection of its Oil and Gas exports to China and India.
- The Chinese economy is not growing like it did in its golden years. Low domestic consumption and the crisis in the housing sector are hitting the economy hard.
- The Peruvian economy shows an enviable solidity for many countries in the region that, despite internal political, social and economic problems, the Peruvian currency shows stability as well as its economic growth.
- Argentina continues to maintain rampant inflation, which leads to an economic recession which has already hit the country for more than a year.



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