forecast to 3.1% and the world trade growth rate forecast to 2.3% in its latest economic outlook, while it has raised the economic growth forecast of emerging markets and developing economies to 4.2%. However, the BRICS countries are also confronted with their own growth pains as China is striving to achieve structural restructuring and rebalancing; Russia and Brazil are under pressure of serious economic downturn and negative growth due to commodity downside; South Africa is suffering from sluggish economic growth as a result of high unemployment, power shortage, etc; investment environment reform in India is yet to be tested by the market. So how are the BRICS countries in 2016?

Brazil is in the midst of the longest recession since the 1930s. However, thanks to the Olympic Games, there are signs of recovery in Brazil's economy. First of all, the economic decline is now consistently slowing. Although in the second quarter of 2016, Brazil's GDP growth was -0.6%, there was a trend of improvement as compared to -2.3% in the second quarter of 2015. Secondly, imports and exports continue to improve, as Brazil's exports surpassed imports in the second quarter of 2016, achieving a growth rate of 6.2%. Third, the inflation rate has declined from 11.3% in January to 9.15% in September. On October 10, Brazil's House of Representatives passed a bill to set the upper limit for the public budget in the first round of vote, which limited the growth of budget spending in the next 20 years under the level of inflation. Fiscal tightening measures will help to revive confidence in the market and inject new vitality into the Brazilian economy.

Russia's economic structure is relatively unitary with its long-term dependence on crude oil and natural gas exports, which weakens its ability to withstand external shocks. First, Russia's economy in 2016 is still declining, but the decline rate continues to decrease. Russia's economic growth rates were -1.16% and -0.57% in the first and second quarter of 2016 respectively, registering the lowest level of economic decline compared with the four quarters of 2015. Second, Russia's employment situation has been improved since the unemployment rate fell from 5.9% in January 2016 to 5.2% in April, showing a downward trend. The unemployment rate in 2016 was lower than that of last year. Third, energy exports have shown some improvement. In the first half of the year, Russia's crude oil exports have increased by 5.9% year on year and coal exports by 8.2%.

India's bonuses of domestic labor resources and market demand are playing a role as it has the highest economic growth rate in the BRICS countries. The government announced a series of incentives to stimulate the manufacturing and infrastructure. "Made in India" plan has received great praise, yet the reform remains to be tested by markets. First, India's economic growth rate is still strong, GDP has grown by 7.1% in the first quarter of 2016-2017 fiscal year (April-July). Second, the non-agricultural industrialization in India has made a significant difference as the added value manufacturing sector has grown at a rate of 9.1%. Moreover, the proportion of India's non-agricultural industry in GDP has been on constant rise. Third, India's trade deficit is shrinking. In the first quarter of 2016-2017 fiscal year, India's exports volume rose by 3.2%, narrowing the proportion of trade deficit in GDP to 0.1%. Fourth, the rate of inflation has declined, in September, the inflation rate was 4.31 percent, 1.3 percentage points lower from the previous month.

China's economic growth rate fell slightly, yet economic structural indicators have since been optimized and improved. First, Chinese economy registered a growth rate of 6.7% both in the first and second quarter of 2016, remaining one of the fastest growing economies in the world. This has been due to continuous optimization which has taken place in industrial structure, with the added

value for high-tech industry having increased by 10.2% and the profit growth of industrial enterprises above designated size having grown by 6.4%. Indicators related to residents' livelihood are also improving, in the first half of 2016, the per capita disposable income increased by 8.7% and CPI rose by 2.1% with the price generally remaining stable. Additionally, import and export declines have narrowed further, imports in the first half of 2016 decreased by 4.7%, 3.7 percentage points narrower; exports have fallen by 2.1%, 3.6 percentage points narrower.

South Africa's economy has seen slow increase in recent years. Economic indicators fail to show signs of the country going out of recession. Standard & Poor's as well as Fitch have rated South Africa as "BBB-" on sovereign debt. First, macroeconomic growth in South Africa is almost stagnant, real GDP growth in the first half of 2016 was only 0.3%, significantly lower than that of the last year. Second, unemployment rate remains elevated, in the first and second quarter of 2016, South Africa's unemployment rate was 26.7% and 26.6%, the highest over the past 10 years. The high unemployment rate means that one out of every four people in South Africa's working population is jobless. Third, power shortage is still serious due to the construction of new power facilities clearly lagging behind the needs of economic growth. South African power company Eskom also noted that if South Africa fails to develop nuclear power by 2035, the 2008 power crisis will arise again.

Zheng Yujie, Director of Information and Communications Department

Zheng Xin, Research Fellow at Urbanization Department

Event >

Executive Vice President Guo Wanda Attends the Dameisha China Innovation Forum

Dr. Guo Wanda, Executive Vice President of CDI, participated in the International Think Tank Dialogue held on November 4, 2016 during the Dameisha China Innovation Forum. The dialogue is centered on how to enhance the capacity building of think tanks. Dr. Guo said that as a non-governmental think tank which develops solutions to public policy challenges, CDI is focused on policy-oriented research which can play a bigger role in policy decision-making via efficient information exchange between CDI and government departments.

Based in Shenzhen and founded in 1989, China Development Institute (CDI) is a non-governmental think tank that develops solutions to public policy challenges through broad-scope and in-depth research to help advance China's reform and opening-up. Based on rigorous research and objective analysis, CDI is committed to providing prospective, innovative and pragmatic reports for governments at different levels in China and corporations at home and abroad. In December 2015, CDI was designated as one of top 25 national leading think tanks in a pilot project of central government which is aimed at promoting the building of new-type think tanks with Chinese characteristics.

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Supply-Side Reforms Succeeding

Key economic indicators are signaling positive changes. Fixed asset investment was up 8.1% y/y in August, and up 4.2 pps from July, recovering to Q2 levels, and halting its declining trend. Industrial output was up 6.3% y/y, and up 0.3 pps from July. Retail sales of social consumption goods were up 10.6% y/y in nominal terms, and up 0.4 pps from July. We attribute these positive signs to this year's supply-side reforms, capacity cuts and deleveraging.

Research >

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Joint Launch of GFCI 20 by CDI and the Z/Yen

GFCI 20, which was jointly updated and released by the Z/Yen Group and CDI, marked the strategic partnership between the two think tanks for research into global financial centers. CDI also published CFCI 8, which examines the latest development of financial hubs on the Chinese mainland.

China's Financial Centers on a Rapid Rise

On the Occasion of GFCI 20 launch, Prof. Fan Gang, President of CDI, said that capital account liberalization is most needed to further enhance the overall competitiveness of China's financial centers in an exclusive interview with CBN.

Expert Insight >

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How are the BRICS countries in 2016?

The 8th BRICS Summit, themed on "Building Responsive, Inclusive and Collective Solutions", was held in Goa, India from October 15 to 16, 2016. President Xi Jinping's proposal of common and innovative growth mode for the cooperation between BRICS countries could not have been timelier.

Event >

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President Fan Gang Attends the 12th Tokyo - Beijing Forum

At the 12th Tokyo - Beijing Forum on September 29, 2016, Prof. Fan Gang, President of CDI, analyzed China's economic fluctuations from the perspective of the economic cycle. An important reason for China's recent decline in private investment is that the economy is at a cyclical low. In a period of relatively low economic growth coupled with overcapacity slash, there will be a natural decline in investment opportunities. To promote private investment, it is essential to eliminate institutional barriers, step up protection of property rights and boost the confidence of private businesses.

Supply-Side Reforms Succeeding

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Exports fell -2.8% y/y, up 1.7 pps from Q2. Imports grew 1.5% y/y, shifting from negative into positive territory. The recovery trend for imports is firmer, and more certain.

CPI has been low for four months. In August, CPI was up 1.3% y/y, down 0.5 pps from July. We expect CPI growth to rebound, to around 1.5% y/y. Producer prices continue to recover, with negative numbers improving, rising closer to the zero line. The ex-factory price index of industrial products fell -0.8% y/y, and PPI fell -1.7% y/y, both up 0.9 pps.

Most financial indicators maintained their previous diverging trends. M1 grew 25.3% y/y, up 16 pps from August 2015. M2 rose 11.4% y/y, up 1.2 pps from July. Total loans from financial institutions were up 13% y/y – a declining trend, down 2.4 pps from August 2015.

Profits of China's major industrial firms rose 6.9% y/y in the first seven months of 2016, accelerating from H1's 6.2% rise, according to the latest data released by the National Bureau of Statistics of China. Private firms in particular showed strong profit growth. We view this surprising profit increase, and other positive signals, as a consequence of cutting capacity and deleveraging. Those actions leave more room for the growth of private firms, since zombie firms (most of which are stated-owned) were taking up more resources, such as bank loans. We expect this supply-side reform to continue, and to generate more sustainable economic growth for China.

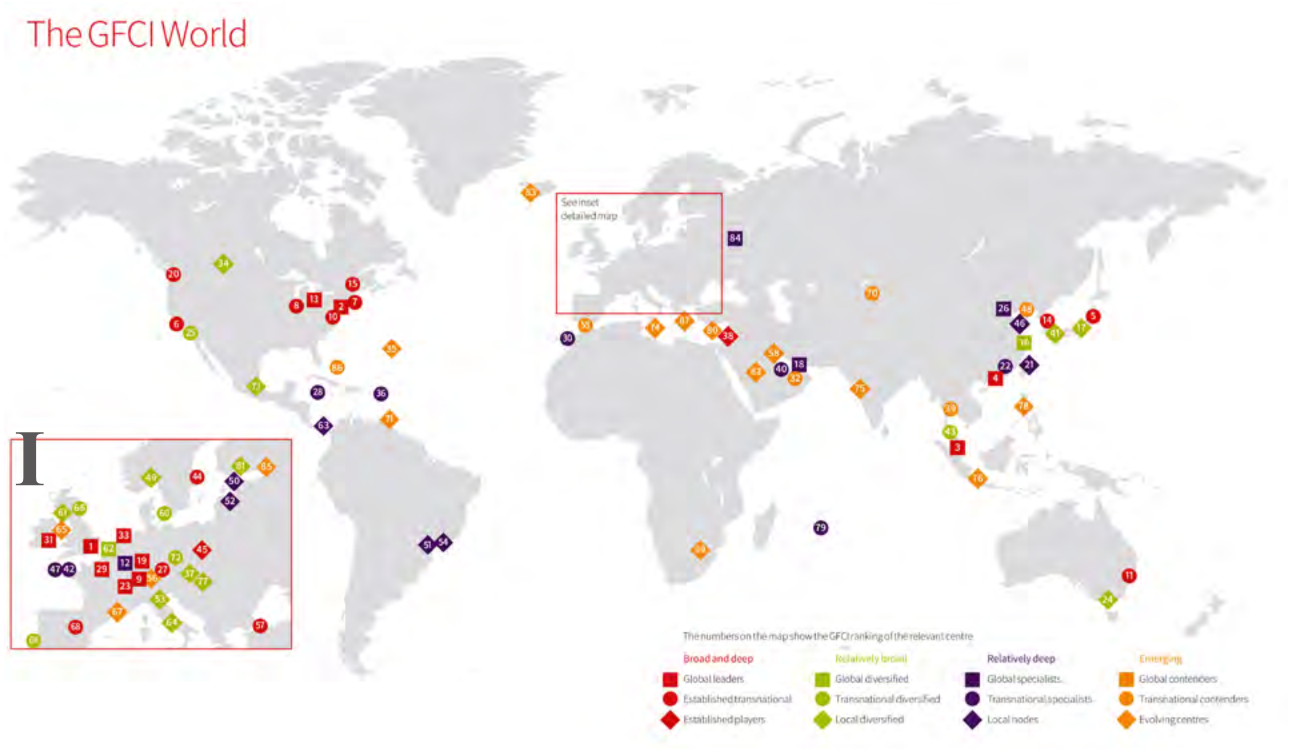
The Global Financial Centres Index 20 (GFCI 20)

GFCI 20, released on September 26, 2016, was jointly updated and published by the Z/Yen Group and CDI.

London, New York, Singapore and Hong Kong remain the four leading global financial centres. On a scale of 1,000 points, a lead of fewer than 20 points indicates relative parity. London remains just ahead of New York, leading New York by 1 point. New York (2nd) is now 42 points ahead of Singapore (3rd). Singapore is four points ahead of Hong Kong (4th). Shanghai, Shenzhen and Beijing rank as the top three financial centres on the Chinese mainland. Shanghai (16th) is 9 points ahead of Shenzhen (22nd). Shenzhen now leads Beijing (26th) by 8 points.

The GFCI provides profiles, rating and rankings for 87 financial centres, drawing on two separate sources of data - instrumental factors (five broad 'areas' of competitiveness, namely business environment, financial sector development, infrastructure, human capital and reputational factors) measured externally

and financial centre assessments by international financial services professionals in an ongoing online questionnaire. It was first published in 2007 and then updated and republished each September and March.



The China Financial Centers Index(CFCI 8)

CFCI 8, which was released on November 4, 2016, indicates that China's financial centers have a series of new features as follows:

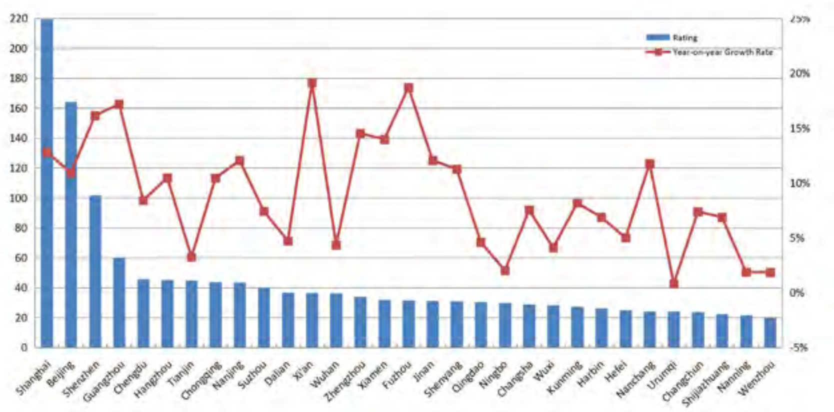
First, the development of financial centers has become a driving force for economic growth. Far higher than the year-on-year growth rate of GDP, the total added value of the financial industry in 31 Chinese financial centers registered an increase rate of 14.6%, accounting for 8.71% of the local GDP on average.

Second, financial innovations in free trade zones have begun to take effect in financial centers. With the further development of cross-border RMB loans, cross-border RMB settlement, two-way capital pool of the foreign currency, and centralized operation of the foreign exchange fund of multinational corporation headquarters, financial services of the financial centers have been significantly enhanced.

Third, the development of financial innovation for scientific and hi-tech industries is accelerating. For instance, scientific and technological innovation board has been started in Shanghai and financial online platforms have been built in Shenzhen to enable the smooth connection between scientific and hi-tech enterprises and credit funds.

Fourth, the innovation-driven development of the insurance industry has been promoted. The total asset of the insurance institutes in 31 financial

center cities has increased from 788 million yuan to 926 million yuan, a growth rate of 18%.



The CFCI comprehensively evaluates 31 financial centers on the Chinese mainland, using 85 indicators in the four broad areas of financial industry performance, financial institutions' competitiveness, financial market size and financial dynamics. Since it was first released in 2009, the CFCI has been updated annually.

China's Financial Centers on a Rapid Rise

Capital account liberalization is most needed to further enhance the overall competitiveness of China's financial centers. The internationalization of China's capital market and RMB will encourage more international financial institutions to carry out RMB related business in cities across China.

The introduction of the "51 financial reform regulations" and "financial reform 40 regulations" has accelerated RMB capital account convertibility and RMB internationalization. Overseas financing and foreign currency business which are based on free trade account cross-border interbank deposit and other innovative businesses have started. However, since the QDII2 have not been launched and capital account has not been fully opened yet, a gradual approach is needed to avoid risk. International financial centers also need to increase RMB trading, settlement and other business to achieve more financial transactions so as to maintain their comprehensive competitiveness as RMB has been incorporated into the SDR currency basket on October 1.

In addition, there are financial centers at both international and regional level. Regional financial centers also need to promote the adjustment of financial policies to achieve further development.

Prof. FAN Gang, President of CDI

How are the BRICS countries in 2016 ?

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IMF has lowered the 2016 world economic growth