A Study of Gross Domestic product and its role in growth of BRIC countries

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Abstract

The BRIC club of countries, an acronym that refers to the countries Brazil, Russia, India and China, a group of countries which are considered to be at a relatively similar stage of new and advancing economic development**.** GDP is a reliable tool used to indicate the shape of a national economy. It is one of the most well-known and well-understood measurements of the state of a country. Gross domestic product, or GDP, is the total market value of all final services and goods that have been produced in a country within a given period of time, usually a year. It is an important indicator of the economic strength of a country.

Recent years have witnessed a shift of economic power and attention to the strengthening economies of the BRIC countries: Brazil, Russia, India, and China. The growth rate of gross domestic product in the BRIC countries is overwhelmingly larger than in traditionally strong economies. While the United States can claim the title of the largest economy in the world by almost any measure, China nabs the second-largest share of global GDP, with India racing Japan for third-largest position.

Introduction

The gross domestic product (GDP) is one the primary indicators used to gauge the health of a country's economy. Real GDP is adjusted for price changes and is regarded as key indicator of economic growth.

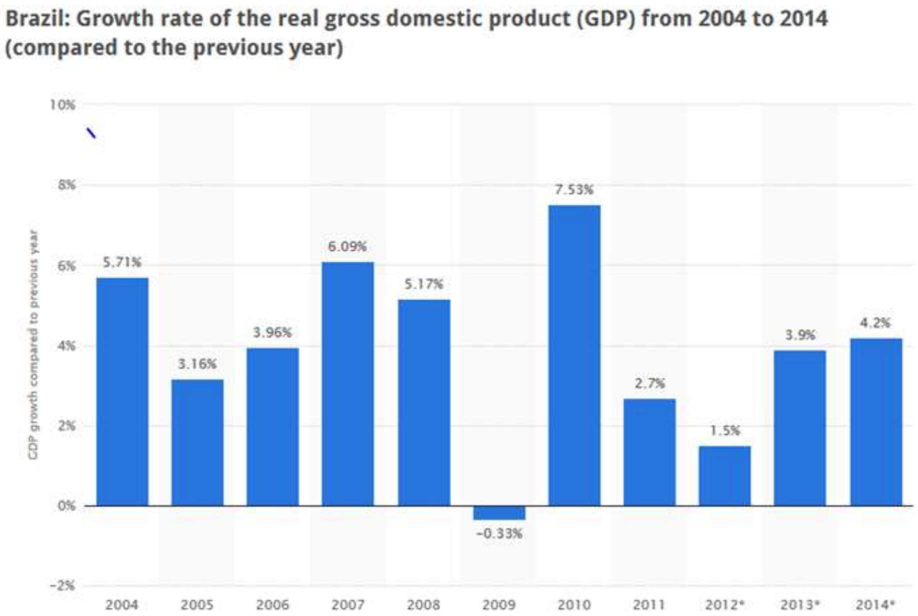
It represents the total dollar value of all goods and services produced over a specific time period . Usually, GDP is expressed as a comparison to the previous quarter or year. For example, if the year-to-year GDP is up 3%, this is thought to mean that the economy has grown by 3% over the last year.

GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.

Growth rate of GDP and BRIC nations

GDP of BRAZIL

Graph 1



Source: **Statista 2014**

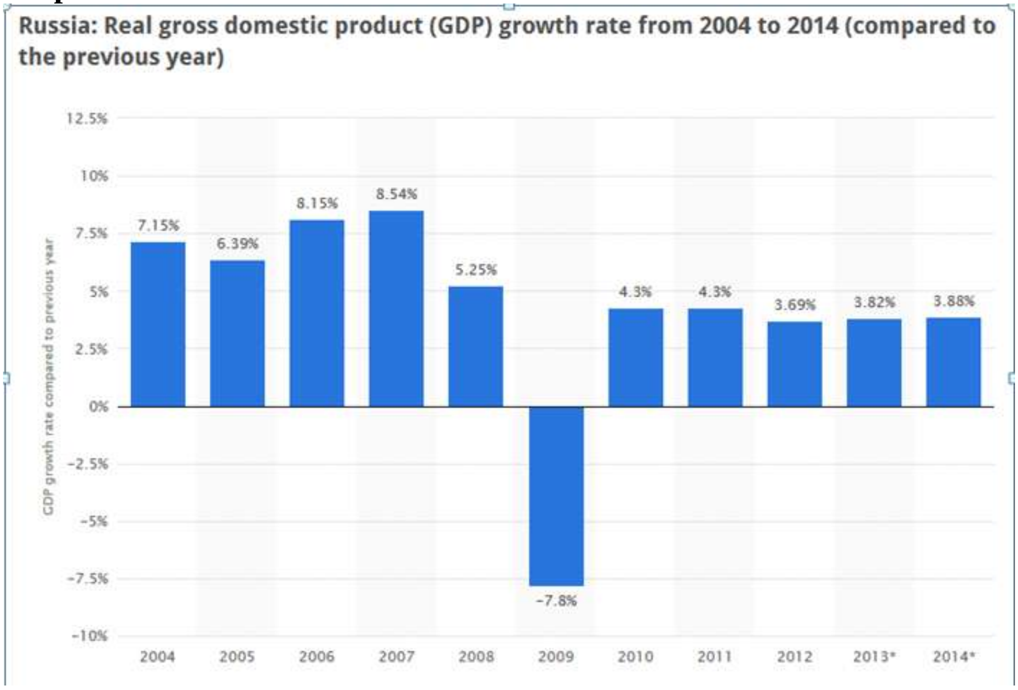
Brazilian growth and civic unrest

Brazil has undergone a huge economic transformation in the course of the last decade and is now one of the fastest growing economies on the planet. It belongs to the BRIC club of countries Economic reforms in Brazil have given the country a boost on the international stage, which has helped it to gain significantly in recognition and influence around the world.

The domestic product growth rate in Brazil is progressing from strength to strength. After a minor blip in 2009, when a short recession saw the rate of growth moving slightly backwards, the economy has picked itself up and fought back with an increase of an impressive 7.53 percent in 2010. Despite the rapid growth and the perceived increase in Brazilian domestic prosperity, the gap between rich and poor remains stark.

GDP of RUSSIA

Graph 2



Source :**Statista 2014**

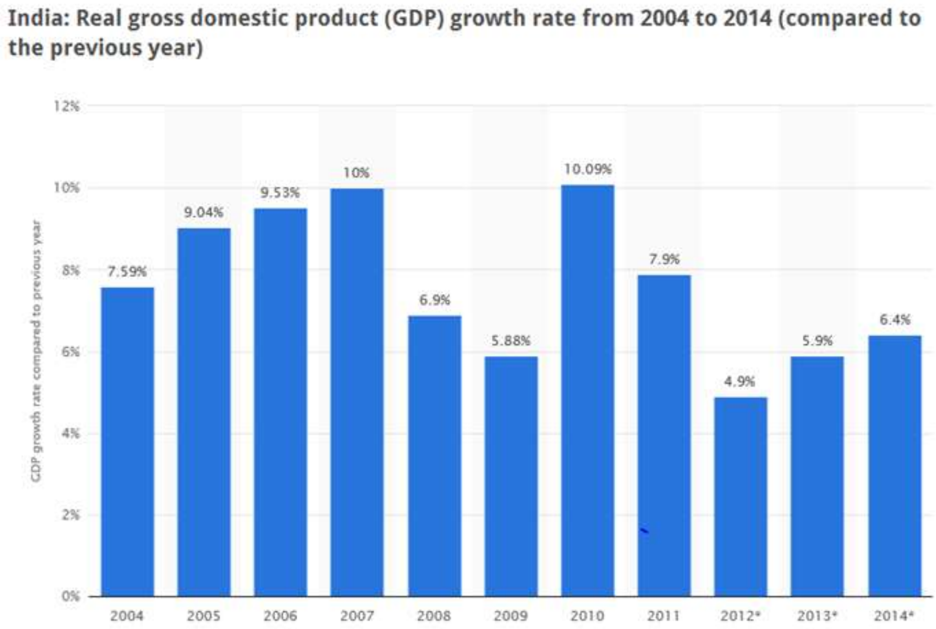
Russia bounced back from the August 1998 financial crash with surprising speed. Much of the reason for the recovery was devaluation of the rouble,

which made domestic producers more competitive nationally and internationally. Between 2000 and 2008, Russian economy got a major boost from rising commodity prices. GDP grew on average 7% per year.

In 2012, Russia's real GDP grew by about 3.69 percent compared to the previous year.Russia’s GDP growth outlook was downgraded to 0.2% from 1.3% for 2014 and to 1% from 2.3% for 2015.(IMF report)

GDP of INDIA

Graph 3



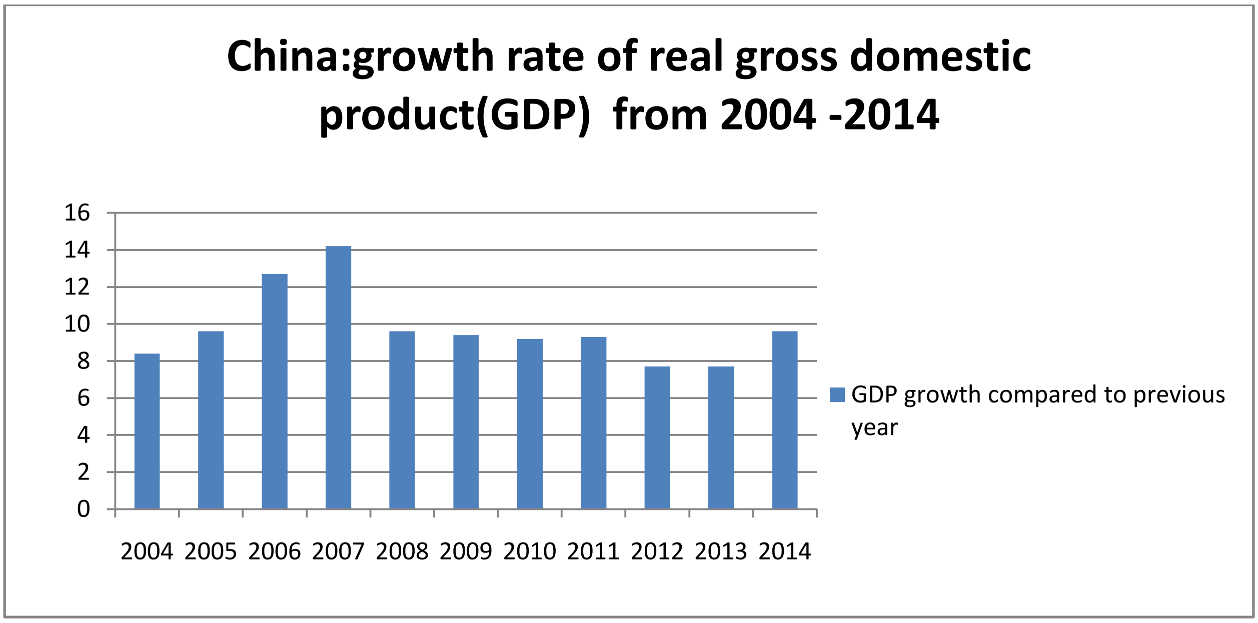
Source :**Statista 2014**

Gross domestic product (GDP) growth rate in India
Despite the world-wide recession in 2008 and 2009, India still managed to record impressive GDP growth rates, especially when most of the world recorded negative growth in at least one of those years.

Part of the reason for India's success is the economic liberalization that started in 1991and encouraged trade subsequently ending some public monopolies. GDP growth has slowed inrecent years, due in part to skyrocketing inflation. India's workforce is expanding in the industry and services sectors, growing partially because of international outsourcing — a profitable venture for the Indian economy. Theagriculture sector in India is still a global power, producing more wheat or tea than anyone in the world except for China.

GDP of CHINA

Graph 4

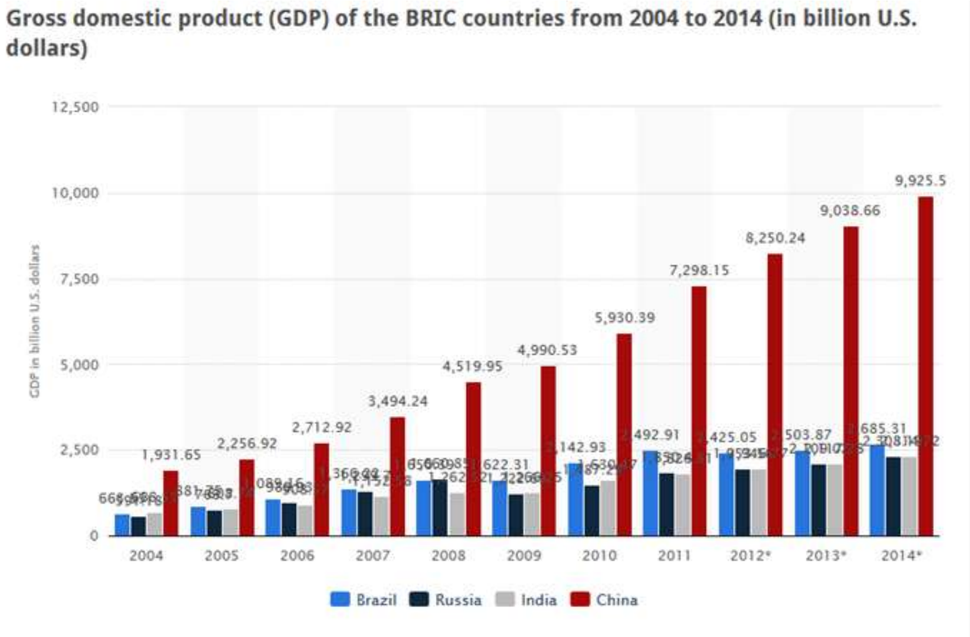


Source :**Statista 2014**

Real GDP growth rate in China
As of 2014, China was among the top three countries with the largest gross domestic product worldwide, second only to the United States which had a GDP volume of almost 17 trillion U.S. dollars. The Chinese GDP has shown remarkable growth over the past years. Upon closer examination of the distribution of GDP across economic sectors, a gradual shift from an economy heavily based on industrial production towards an economy focused on services becomes visible, with the service industry outpacing the manufacturing sector in terms of GDP contribution.

Comparative status of BRIC nations with regard to GDP

Graph 5



Source :**Statista 2014**

This statistic shows the gross domestic product (GDP) of the BRIC countries from 2004 to 2014. The BRIC countries (Brazil, Russia, India and China)are the emerging countries. In 2011, the GDP of all BRIC states amounted to approximately 13.5 billion U.S. dollars.

GDP Share of different sectors

Table 1

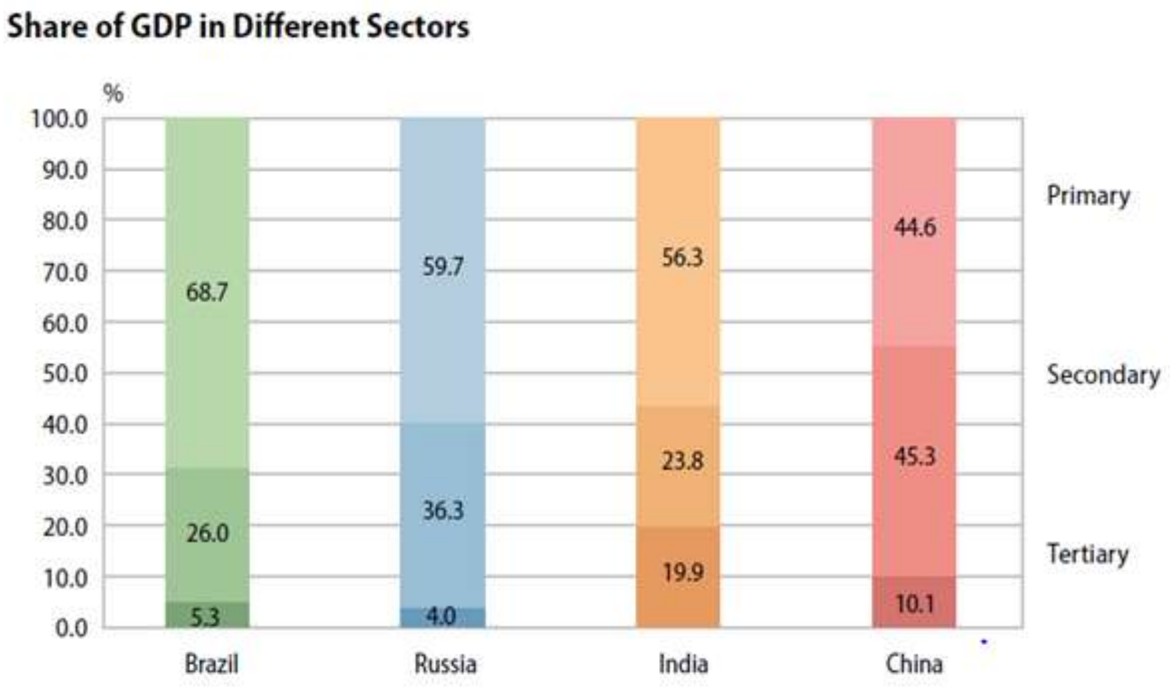
GDP Share of different sectors

	2000	2006	2007	2008	2009	2010	2011	2012	2013
Share of primary industry to GDP (%)									
Brazil (1) (2)	5.6	5.5	5.6	5.9	5.6	5.3	5.5	5.3	5.7
Russia (3)	...	4.6	4.4	4.4	4.6	3.8	4.4	4.0	4.0
India (8)	25.7	21.0	21.0	20.4	20.3	21.0	20.5	19.9	20.5
China	15.1	11.1	10.8	10.7	10.3	10.1	10.0	10.1	(6) 10.0

Share of secondary industry to GDP (%)									
Brazil (1) (2)	27.7	28.8	27.8	27.9	26.8	28.1	27.5	26.0	25.0
Russia (3)	...	37.2	36.4	35.9	33.7	34.8	37.1	36.3	35.7
India (9)	23.8	26.1	26.3	25.7	25.2	24.3	24.6	23.8	22.6
China	45.9	47.9	47.3	47.4	46.2	46.7	46.6	45.3	(6) 43.9
Share of tertiary industry to GDP (%)									
Brazil (1) (2)	66.7	65.8	66.6	66.2	67.5	66.6	67.0	68.7	69.3
Russia (3)	...	58.2	59.2	59.7	61.7	61.4	58.5	59.7	60.3
India (10)	50.5	52.9	52.7	53.9	54.5	54.6	54.9	56.3	57.0
China	39.0	40.9	41.9	41.8	43.4	43.2	43.4	44.6	(6) 46.1

Source :BRICS JOINT STATISTICAL PUBLICATION ,2014

Graph 6



Source: Summary Table of Chapter 4, *BRICS Joint Statistical Publication 2014.*

Explanatory Notes

Primary Industry Agriculture, Forestry, Animal Husbandry and Fishery and Mining.

Secondary Industry Manufacturing, Electricity, gas and water and Construction.

Tertiary Industry The other industries of national economy.

Conclusion

Each of the four countries saw their GDP rise annually, in particular China, whose GDP increased by roughly 6 times since 2003. The BRIC countries have been experiencing an economical boom over the past several years and therefore have seen significant gains in the production of goods and services. Additionally, each of the four countries had one of the top 10 largest gross domestic products in 2014, producing more than developed countries such as Canada and Australia. Unemployment rates have also been correspondingly low in these countries, with the exception of India. China, Russia and Brazil

maintained an unemployment rate of roughly 6 percent or less in 2013, indicating their economies are still demanding workers in order to produce.

Despite China having the largest population in the world, work is constantly in demand due to cheap labor and lower costs for many manufacturing companies globally. However, there have often been complaints of poor working conditions in Chinese factories, regularly leading to complaints and much criticism from the general public. As a result, several companies are considering decreasing production of their goods in these factories.

References

1. **BRICS** joint statistical publication 2014
2. Statista 2014