



R&R Weekly Column
By Brunello Rosa



BRICS Enlargement Challenges G20's Role In International Affairs

At the end of August, the meeting of the BRICS countries (Brazil, Russia, India, China, and South Africa) in Johannesburg decided upon the [admission of six new member states](#) into the club: Argentina, Saudi Arabia, Iran, Ethiopia, the UAE and Egypt. This enlargement marks a diplomatic victory for China, which had urged the other BRICS countries to [transform the club into a geopolitical rival to the G7 gathering, which is dominated by the US and Europe](#). In previous columns, we have discussed [how the BRICS were morphing into an emerging markets G7](#); the enlargement of the group seems to confirm this trajectory.

The BRICS enlargement will create an even more heterogeneous group, with internally diverging strategic interests and geopolitical ambitions. All the same, it certainly strengthens China's position as [a broker of international affairs](#). In fact, it would have never been possible without [a preliminary rapprochement between Saudi Arabia and Iran](#), which was sanctioned by the pact signed between the two countries in Beijing in April.

While it is perfectly legitimate for China to try to leverage the BRICS grouping to project more geopolitical influence in various areas of the global economy, doing so will also create further problems for global governance. [As we discussed previously](#), international fora for the resolution of conflicts, or for the tackling of transnational issues such as climate change and pandemics, are becoming increasingly ineffective. Indeed with [Cold War 2 between US and China gathering pace](#), these international fora are becoming increasingly balkanised; they are being divided into factions, each of them loyal to either the US or China.

The UN Security Council is clearly divided, with a fault-line separating the US, UK and France on the one hand and China and Russia on the other. The G20 is even more dramatically being divided between the allies of China and those of the US. [When the G20 meeting was hosted by Indonesia in Bali in November 2022](#), it was almost a miracle that the various countries agreed on a joint communique. For the upcoming G20 meeting in India, they might not even be able to do so.

In fact, [Chinese leader Xi Jinping confirmed that he will not attend the G20 meeting](#); instead he will send his right-hand man, [premier Li Qiang](#). Russia's president Vladimir Putin will also not attend, because [an arrest warrant by the International Criminal Court is still hanging over his head](#). These absences will clearly reduce the influence of the gathering and its ability to address the numerous global issues currently on the table. It is also possible that other heads of states and government will decide to send their own number twos, knowing that Xi will not be there, and so further reducing the impact of the meeting.

In our view, Xi's decision to stay home is a deliberate decision by China to boycott the G20 as a gathering for the resolution of international disputes, to the clear advantage of more limited groupings such as the G7 and the enlarged BRICS. This will reinforce the polarisation of global economy and the geopolitical order.

Our Recent Publications

📖 [The Russian Power Structure's "Clean-Up" Operation](#), by Marco Lucchin, 30 August 2023

📖 [Inflation Continues To Fall in Both Developed and Emerging Markets](#), by London Politica, 24 August 2023



Looking Ahead

The Week Ahead: EZ QoQ GDP To Advance, While Decelerating YoY; PMIs To Decrease In DMs

In the US, in August, S&P Global Services and Composite PMIs are expected to fall to 51 (*p*: 52) and 52.5 (*p*: 52.7).

In the EZ, in Q2, according to third estimate, GDP growth rate is likely to advance by 0.3% q-o-q (*p*: 0.0%) and decelerate to 0.6% y-o-y (*p*: 1.1%). In August, HCOB Services and Composite PMIs are expected to fall to 48.3 (*p*: 50.9) and 48.7 (*p*: 51.5). In July, retail sales are expected to rise to -1.2% y-o-y (*p*: -1.4%) and -0.2% m-o-m (*p*: -0.3%).

In the UK, in August, S&P Global/CIPS Services and Composite PMIs are expected to fall to 48.7 (*p*: 51.5) and 47.9 (*p*: 50.8).

The Quarter Ahead: War In Ukraine: Drone Strike in Odesa; US Commerce Secretary Visited China; Trump Pleads Not Guilty

War in Ukraine. Ukraine reports that Russia conducted a drone strike in the Odesa region, aiming at a Danube River port facility and causing injuries to at least two individuals. The main bridge connecting the Russian mainland to Crimea, which Russia annexed, has now reopened for traffic after a temporary suspension earlier in the day. In the meantime, Ukraine launched criminal case against oligarch Kolomoisky. Ukraine's security services have officially accused one of the nation's most controversial business leaders of fraud and money laundering, as Kyiv intensifies its campaign to combat corruption.

The US Commerce secretary Raimondo visited China. Raimondo said she addressed concerns regarding national security, U.S. labor and U.S. business. Regarding restrictions on Chinese firms buying specific advanced semiconductors from U.S. suppliers through new export controls, Raimondo said it is a matter of national security and not one of economic advantage.

Donald Trump pleads not guilty in Georgia election racketeering case. Trump, in a legal filing presented by his attorney in an Atlanta superior court, has officially denied any wrongdoing and entered a plea of not guilty to allegations of conspiring and participating in racketeering activities to change the outcome of the 2020 presidential election in Georgia. Rudy Giuliani also entered a plea of not guilty in the Georgia election subversion case.

Last Week's Review

Real Economy: US QoQ GDP Advanced; US PCE And Core PCE Increased; EZ Headline Inflation Unchanged, While Core Eased off

In the US, in Q2, according to the second estimate, GDP growth advanced by 2.1% q-o-q SAAR (*c*: 2.4%; *p*: 2.0%). In July, PCE and Core PCE price index rose by 3.3% y-o-y (*c*: 3.3%; *p*: 3.0%) and 4.2% y-o-y (*c*: 4.2%; *p*: 4.1%) respectively. August's unemployment edged up to 3.8% (*c*: 3.5%; *p*: 3.5%). NFPs increased by 187K (*c*: 170K; *p*: 157K). In August, S&P Global manufacturing PMI edged up to 47.9 (*c*: 47; *p*: 49).

In the EZ, in August, headline stayed unchanged at 5.3% (*c*: 5.1%) and core inflation eased off to 5.3% y-o-y (*c*: 5.3%; *p*: 5.5%). July's unemployment rate remained unchanged at 6.4%. In August, economic sentiment fell to 93.3 (*c*: 93.7; *p*: 94.5) and consumer confidence contracted further to -16 (*c*: -16; *p*: -15.1). In August, HCOB manufacturing PMI edge up to 43.5 (*c*: 43.7; *p*: 42.7).

In the UK, in August, S&P Global/CIPS manufacturing PMI edged down to 43 (*c*: 42.5; *p*: 45.3).

Financial Markets: US Stock Prices Increased; US Yields Edged Down; the Dollar Index, Oil And Gold Prices Increased

Market Drivers: In the US, Positive indications regarding inflation contributed to significant weekly gains in the major benchmarks. In Europe, stocks rose due to expectations that interest rates would soon reach their highest point and that a potential recession, though possible, would probably be brief and not severe.

Global Equities: increased w-o-w (MSCI ACWI, +2.5%, to 687.26). The US S&P 500 index edged up (+2.5% w-o-w, to 4,515.77). In the EZ, share prices were up (Eurostoxx 50, +1.5% w-o-w, to 4,281.05). In EMs, equity prices moved up (MSCI EMs, +1.5%, to 985.68). Volatility fell to 14.80 (VIX S&P 500, 52w avg.: 21.5; 10y avg.: 18.5).

Fixed Income: w-o-w, the 10-year US Treasury yields decreased (-5 bps to 4.18%). The 2-year US Treasury yields decreased (-20 bps to 4.88%). The German 10-year bund yield fell (-2 bps to 2.54%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.2%, to 104.26 EUR/USD -0.2%, to 1.078). In EMs, currencies increased (MSCI EM Currency Index, +0.1% w-o-w, to 1,679.66).

Commodities: w-o-w, oil prices increased (Brent, +5.3% to 88.99 USD/b). Gold prices rose w-o-w (+1.4% to 1,966.20 USD/Oz).



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Abbreviations, Acronyms and Definitions

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	MSS	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DJEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year

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