



BRICS ECONOMIC BULLETIN 2025

**IMPACT OF GLOBAL RISK FACTORS
ON BRICS CAPITAL FLOWS**

BRASÍLIA, JULY 2025

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EXECUTIVE SUMMARY

Coordinated by the Central Bank of Brazil (*Banco Central do Brasil*) under Brazil's Presidency, the BRICS Economic Bulletin 2025 is titled "Impact of Global Risk Factors on BRICS Capital Flows." The bulletin identifies shifts in U.S. monetary policy, geopolitical tensions, commodity price fluctuations, and sanctions-related restrictions as the main global factors affecting BRICS capital flows. It outlines each country's perspective on capital flows from 2015 to 2024, strategies to reduce volatility, and views on the IMF's approach to managing capital flows. In addition to the title theme, it features a BRICS economic review and an assessment of intra-BRICS financial flows and their potential for expansion.

Economic growth

2024 | Brazil grew 3.4%, driven by household consumption and investment. China expanded 5.0%, supported by fiscal and monetary policies. Egypt is expected to grow 4% by the end of FY 2024/2025, led by domestic demand, manufacturing, and tourism. India posted 6.5%, led by consumption and public spending. Indonesia grew by 5.03%, sustained by household consumption, investment, and government spending. Iran grew 3.1%, supported from oil, agriculture, and services. Russia expanded 4.3%, supported by household consumption and investments. South Africa grew 0.6% with support from household spending and financial services, and the UAE grew 3.9%, with contributions from finance, construction, transport, tourism, real estate, and communications.

Inflation

2024 | Brazil's CPI reached 4.83%, above the target, prompting monetary tightening. China recorded moderately low inflation at 0.2%, with stable core prices. Egypt's inflation averaged 28.3%, but decelerated sharply in the second half amid policy tightening. India's CPI averaged 4.63%, with food prices as the main driver. Indonesia maintained inflation within target at 1.57% by year-end. Iran's inflation declined from 40.7% to 32.5%, supported by liquidity controls. Russia's CPI rose to 9.5%, driven by strong demand. South Africa's inflation averaged 4.4%, driven by lower food and fuel prices. The UAE recorded 1.7% inflation, mainly driven by lower tradeable inflation, particularly non-food items.

Balance of payments (BoP)

2024 | Brazil's current account deficit widened to USD 61 billion, offset by strong FDI inflows. China posted a USD 423.9 billion current account surplus (2.2% of GDP), driven by record goods trade and renewed portfolio inflows. Egypt posted a USD 9.7 billion surplus in FY 2023/24, driven by record FDI and portfolio inflows, despite a wider current account deficit. India's current account deficit widened to USD 37.0 billion (1.3% of GDP) in April–December 2024, primarily due to a higher merchandise trade deficit. Indonesia recorded a USD 7.2 billion BoP surplus, driven by improving capital and financial account performance. Iran's current account surplus rose to USD 16.2 billion, supported by the performance of customs goods exports and imports. Russia's current account surplus increased to USD 62 billion, driven by trade surplus and lower income outflows. South Africa's current account deficit narrowed to 0.6% of GDP, driven by an improved trade balance. The UAE is revising its external sector statistics, with updated data expected in due course.

Fiscal sector

2024 | Brazil reduced its primary deficit, though public debt rose to 76.1% of GDP. China maintained a 3% deficit and launched large-scale bond programs. Egypt achieved a 6.1% primary surplus and reduced central government debt to 89.5% of GDP. India's debt is estimated at 57.1% of GDP in FY 2024–25, with a fiscal deficit target of 4.4% for FY 2025–26. Indonesia kept its deficit at 2.29% of GDP, with strong revenue performance and spending discipline. Iran faced a budget deficit but maintained public debt at 25.4% of GDP. Russia's deficit declined to 1.6% of GDP, with stable debt and strong revenue growth. South Africa revised its primary surplus to 0.5% of GDP and expects debt to stabilize at 76.2%. The UAE maintained a 5.5% surplus and low debt, supported by high oil revenues and tax reforms.

Capital flows

2015-2024 | BRICS countries reported diverse capital flow dynamics shaped by global shocks and domestic reforms. Brazil experienced stable FDI supported by structural reforms, while portfolio flows remained volatile and sensitive to global conditions. China maintained a current account surplus and stable reserves, using macroprudential tools and gradual capital account liberalization to manage volatility. Egypt saw record FDI in 2023/24 driven by the Ras El Hekma deal, while portfolio flows were volatile but rebounded after reforms in March 2024. India reported a shift in composition from FDI to portfolio flows post-COVID, with volatility driven by global monetary policy and geopolitical risks. Indonesia maintained resilient FDI supported by reforms, while portfolio flows were more reactive to global shocks. Iran faced persistent constraints due to sanctions, with capital flows shaped more by geopolitical and institutional factors. Russia experienced a structural shift post-2022, with declining liabilities and increased assets, driven by sanctions and capital controls. South Africa's capital flows were dominated by portfolio investments marked by volatility, while FDI rebounded in 2021 but declined again due to domestic constraints and shifts in global economic conditions. UAE implemented institutional reforms and macroprudential tools to enhance resilience and attract long-term capital.

Perspectives on the IMF's institutional view

The BRICS members generally support the IMF's institutional view (IV) on the liberalization and management of capital flows, recognizing its balanced and flexible approach to capital flow management.

Financial flows between BRICS countries

2015-2024 | Intra-BRICS financial flows remain limited but show growing potential. Brazil reported a 120% increase in trade with BRICS since 2015, driven by primary goods and capital goods imports. China emphasized sustainable finance, bond market cooperation, and regulatory alignment to deepen BRICS financial ties and attract capital into green and transition projects. Egypt identified the UAE as its top BRICS investor. India reported a shift in capital flow composition, with rising FPI share since 2022 and outward FDI to BRICS led by the UAE, followed by Indonesia and Brazil. Indonesia reported a steady rise in trade and FDI from BRICS driven by China and sees BRICS membership as a platform to expand financial flows to other member countries. Iran reported rising trade with BRICS and views BRICS

financial cooperation as an opportunity to strengthen alternative settlement channels amid international restrictions. Russia's financial flows with BRICS remain limited in volume but show signs of expansion, supported by targeted investments and increased use of BRICS currencies in trade settlements. South Africa reported growing trade and investment ties with China and India, while financial flows remain modest. UAE emphasized the potential to expand financial flows with BRICS by leveraging its role as a global investment hub.

INTRODUCTION

The BRICS Economic Bulletin 2025, coordinated by the Banco Central do Brasil (BCB) under Brazil's BRICS presidency, delves into the impact of global risk factors on BRICS capital flows. The report was developed in collaboration with the People's Bank of China (PBoC), the Central Bank of Egypt (CBE), the Reserve Bank of India (RBI), Bank Indonesia (BI), the Central Bank of the Islamic Republic of Iran (CBI), the Central Bank of the Russian Federation (Bank of Russia), the South African Reserve Bank (SARB), and the Central Bank of the United Arab Emirates (CBUAE).

Since the last bulletin, BRICS countries have continued to navigate in a challenging global economic landscape marked by persistent geopolitical tensions, unilateral protectionist measures, and intensifying trade disputes. These dynamics have deepened geoeconomic fragmentation, impacting economic growth and stability. While these recent developments provide important context, this bulletin adopts a broader perspective – examining the global risk factors that have influenced BRICS capital flows between 2015 and 2024. Additionally, it offers an economic review of each member, assesses current intra-BRICS financial flows, and explores their potential for expansion.

The first section, BRICS Economic Review, presents an overview of real economic growth, consumer price inflation, balance of payments, and the fiscal sector of member countries over the last year.

The following section, titled Impact of Global Risk Factors on BRICS Capital Flows, explores the individual experiences and challenges reported by each country on that matter. It also examines patterns and drivers of capital flows, strategies to mitigate volatility, measures adopted to attract capital flows, and institutional improvements implemented to address these challenges. Additionally, a dedicated box presents each country's perspective on the IMF Institutional View on the Liberalization and Management of Capital Flows (IV), offering insights into how BRICS members are applying this framework to manage capital flows amid global uncertainty.

The fourth section, Financial Flows between BRICS Countries and Expansion Potential, assesses financial flows to and from BRICS members and provides each country's insights on the potential for deeper financial integration within the group – an outcome that could foster more resilient and balanced capital flows between member countries.

Finally, the Conclusion synthesizes the key points of the bulletin, emphasizing the importance of coordinated policies and long-term strategies to address global challenges and explore opportunities for economic growth and development.

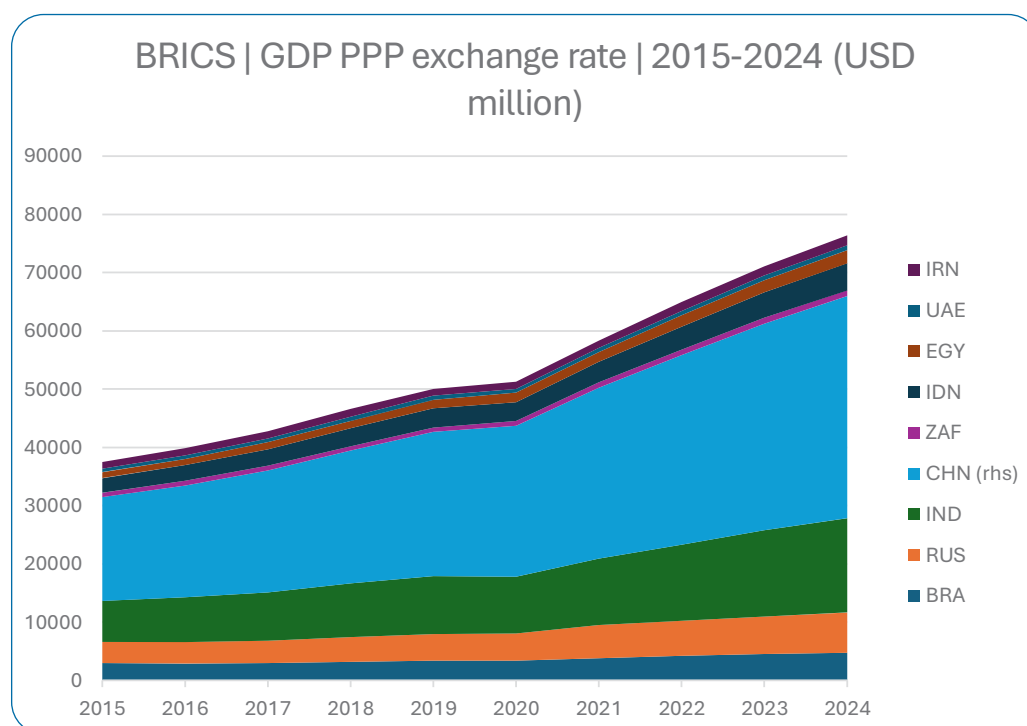
1. BRICS ECONOMIC REVIEW

1.1. Real economic growth

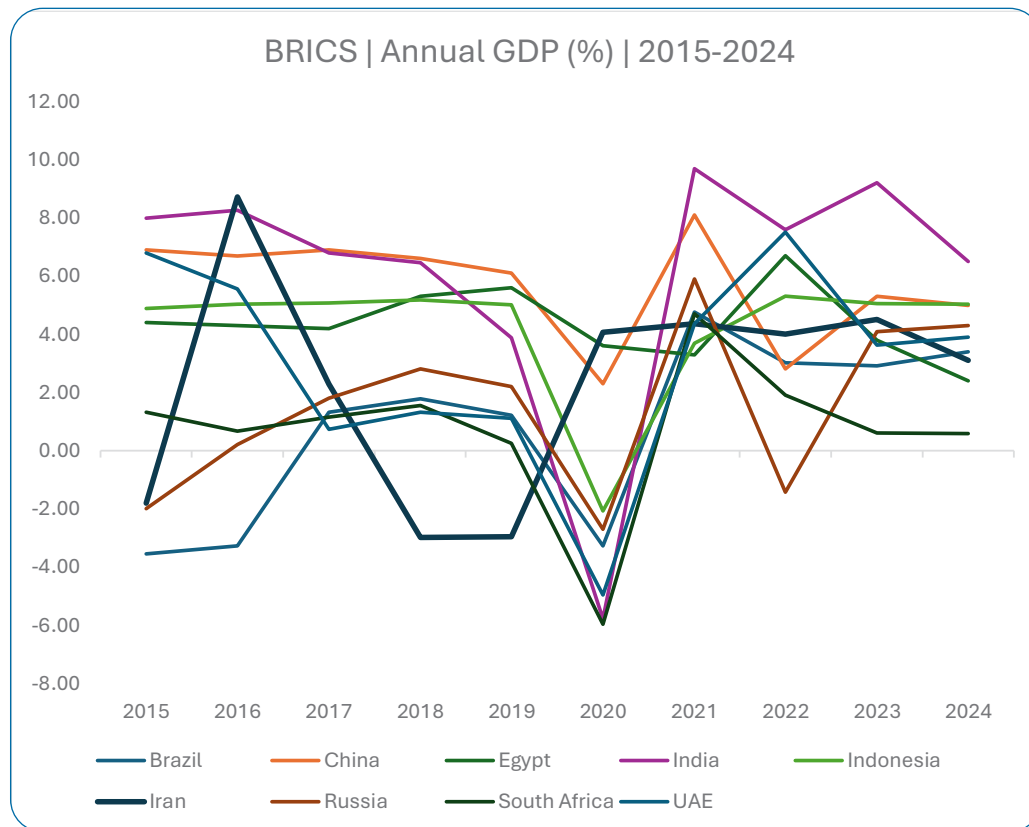
In 2024, the BRICS members experienced varied economic growth trajectories, influenced by both domestic and international factors. Several countries saw robust GDP growth driven by strong household consumption, increased investment, and government spending. Others faced challenges such as declining agricultural output, external restrictions, and geopolitical tensions. Common factors included the impact of fiscal and monetary policies, structural reforms, and sectoral performance variations.

Many BRICS members implemented fiscal stimuli and monetary policy adjustments to support growth, with some focusing on easing monetary conditions to boost investment and consumption, enabled by the favorable price dynamics that followed the 2021-2022 inflation surge. The industrial and services sectors generally showed growth, while agriculture faced mixed outcomes due to weather conditions and other external factors.

Overall, the BRICS members demonstrated resilience and adaptability in navigating the complex global economic landscape, employing a mix of strategies to sustain and enhance economic growth amidst challenges.



Source: IMF-WEO



Source: Country data | 2024Q4 SEMI Template

*Egypt, India and Iran operate on fiscal year that differ from the calendar year

Growth in the **Brazilian** economy gained momentum in 2024, once again surpassing initial forecasts, although it slowed down in the fourth quarter. GDP increased by 3.4% in 2024, compared to 3.0% in 2022 and 3.2% in 2023, significantly exceeding early-year expectations. In 2024, **Brazil's** growth was concentrated in components more sensitive to the business cycle, in contrast to the previous year, when it was driven by less sensitive sectors. From a demand perspective, household consumption (4.8%) and gross fixed capital formation (GFCF) (7.3%) were the main drivers. Household consumption was driven by increased household income and credit expansion, while GFCF was favored—particularly in the first half of 2024—by the easing of monetary policy between August 2023 and June 2024. At the sectoral level, industry (3.3%) and services (3.7%) expanded in 2024, while agriculture declined (-3.2%), following a record increase of 16.3% in 2023.

In 2024, **China's** GDP rose to 134.9 trillion RMB, a 5% YoY increase, ranking among the world's fastest-growing major economies and continuing to contribute about 30% to the global economic growth. Facing multiple external and domestic challenges, China took robust and innovative measures in a timely manner. In particular, government spending was expanded to ensure funding for key areas. Required reserve ratios and policy interest rates were both lowered twice, further bringing down overall financing costs. China also increased support for a new round of large-scale equipment upgrades and consumer goods trade-in programs, driving investment in equipment purchases up by 15.7% and retail sales

of home appliances up by 12.3%. For the real estate market, efforts were made to stem the downturn and restore stability. China reduced interest rates for housing loans and the ratios of down payments, and achieved an annual reduction of about 150 billion RMB in interest payments for existing mortgages. Taxes and fees on housing transactions were also cut, while solid progress was made in ensuring the timely delivery of housing projects. For the capital market, China has been refining the foundational systems and introduced new monetary policy tools, including a swap facility for securities, funds, and insurance companies and a lending facility for share buybacks, which led to a surge in capital market activity. As a one-time policy step, China raised the ceiling for local government special-purpose bonds by six trillion RMB to replace existing debts. The country also continue deepening reforms and opening up to boost the strong and endogenous growth.

Egypt's real GDP growth at market prices registered 3.9% during the first half (July/Dec.) of FY 2024/2025, compared with 2.5% during the same period a year earlier. This was due to the contribution of domestic demand that registered 4.7 percentage points as a result of the contributions of both final consumption (government and private) and capital formation that registered 6.1 percentage points and negative 1.4 percentage point, respectively. Meanwhile, the share of net external demand (exports of goods and services minus imports of goods and services expressed in Egyptian pound) amounted to negative 0.8 percentage points. Moreover, real GDP growth at factor cost reached 3.9% during the first half (July/Dec.) of FY 2024/2025 (against 2.4% in the corresponding period). The main contributors at the sectoral level were manufacturing industries (1.4 percentage point); transportation & storage (0.7 percentage point); wholesale and retail trade (0.6 percentage point); construction & building, tourism, and communications & IT, (0.4 percentage point each). The sectors of tourism, transportation & storage, and communications & IT scored the highest in growth, recording 13.2%, 12.6% and 11.2%, respectively. According to the Ministry of Planning, Economic Development and International Cooperation, the expected real GDP growth rate at market prices during Q3 (Jan./March), and Q4 (April/June) of FY 2024/2025 is 4.1% and 4.2% respectively, to reach 4.0% by the end of FY 2024/2025.

India's economy remained resilient post-covid, registering a GDP growth rate of more than 7.0% for three consecutive financial years ending in 2023-24, supported by the digitalization of the economy, the government's emphasis on capital expenditure (capex), and measures such as PLIs (Production Linked Incentives) to boost manufacturing. India's GDP recorded a growth rate of 9.2% in FY2023-24 (April 2023-March 2024), which then moderated to 6.5% in Q1, 5.6% in Q2, and 6.2% in Q3 of the current financial year. Private Final Consumption Expenditure growth accelerated to 6.9% during Q3 from 5.7% in the corresponding period of the previous year, owing to sustained momentum in rural consumption and a revival in urban consumption. Government Final Consumption Expenditure (GFCE) growth accelerated to 8.3% during Q3 (2.3% earlier) as expenditure by both the Union and the State governments picked up. Growth in fixed investment, however, moderated to 5.7% (9.3% earlier). Rural demand continued to hold up, buoyed by increasing farm incomes. Urban demand also exhibited a recovery, with Q3 growth at 5%, nearly double the 2.6% growth registered in the previous quarter.

Indonesia's post-pandemic economic recovery continued, as evidenced by sustained solid growth. In 2024, the economy grew by 5.03% YoY, maintaining robust growth momentum following 5.05% YoY in 2023 and 5.31% YoY in 2022. This steady performance

was primarily driven by domestic demand, particularly from household consumption, investment, and government spending. Domestic demand was supported by fiscal stimuli related to the general elections, regional elections, and civil servants' wage increases, thus driving government consumption, and the National Strategic Project (PSN), which supports investment to remain solid, particularly building investment. These fiscal stimuli generated positive spillover effects on household consumption. Non-oil and gas exports remain comparatively high despite global economic moderation and lower international commodity prices. Meanwhile, imports have increased to meet export needs and fulfill domestic demand. By sector, domestic economic growth has primarily been supported by capital-intensive economic sectors and those associated with the downstreaming of natural resources, such as mining and quarrying, as well as the manufacturing industry. Post-pandemic economic growth averaged 5.04% in 2023–2024, slightly higher than the 2019 growth rate of 5.02%. Nevertheless, it remains below the pre-pandemic average of 5.33% (2011–2019), indicating that the economy has yet to return to its potential. Bank Indonesia adopted a policy mix oriented toward strengthening stability and supporting sustainable growth, in close synergy with the national economic policy mix. Bank Indonesia's monetary policy in 2024 was primarily focused on maintaining stability (pro-stability), while macroprudential and payment system policies were directed toward fostering economic growth (pro-growth). This stance balances safeguarding stability against the adverse effects of global spillovers and sustaining recovery momentum of the economic and financial cycles, which are currently expanding.

From April to December 2024, **Iran's** GDP grew by 3.1% compared to the same period of the previous year. The GDP of the Iranian economy, excluding oil, increased by 2.9% in this period. From the supply side of the economy, the growth in the value added of the "oil," "agriculture," "services," and "industries and mines" sectors was 6.0%, 3.7%, 3.0%, and 2.4%, respectively. These sectors contributed 0.5, 0.5, 1.3, and 0.8 percentage points, respectively, to economic growth during this period. Private sector final consumption expenditures and government final consumption increased by 3.3% and 3.1%, respectively, compared to the same period of the previous year. During the same period, the growth rate of gross fixed capital formation reached 3.4%. Among its components, the machinery sector experienced growth of 4.1%, while another sector recorded growth of 2.7%. In the foreign trade sector, exports and imports of goods and services declined by 7.6% and 3.1%, respectively, compared to the same period of the previous year. Assuming that the current trend in crude oil and gas condensate production persists, and considering the growth in machinery investment from 2021 to 2024, Iran's GDP is expected to continue its growth trajectory in 2025. However, the intensification of sanctions and restrictions on oil, a global economic recession, and falling oil prices due to trade conflicts could reduce the growth rate of the Iranian economy in 2025.

In 2024, **Russian** GDP continued to grow at a solid pace (+4.3% YoY, above +4.1% registered in 2023). As in 2023, robust economic performance was mainly driven by the continued expansion in domestic demand, while the role of the external sector in output dynamics continued to decrease amidst the challenging geopolitical environment. Household consumption added a sizeable 5.4% YoY, backed by a substantial rise in real wages caused by a labor shortage, as the unemployment rate declined to a record low of 2.3% SA. Inflation further accelerated, driven by these demand shocks, which forced the Bank of Russia to

shift towards a more restrictive monetary policy stance. At the same time, fiscal policy remained expansionary, with government consumption growth accelerating to 4.8% YoY. That, among other things, supported investments and gross fixed capital formation growth by 6.0% YoY. The structure of gross value added by industry shifted towards manufacturing, finance, and public administration. The share of construction in GDP also grew thanks to the strong demand backed by subsidized mortgage programs. Meanwhile, the share of mining and quarrying contracted due to weaker external demand. The same challenges negatively affected transportation and storage, as well as the wholesale trade industries.

South Africa's economic growth remained subdued in recent years, having expanded by only 0.6% in 2024, marginally below the 0.7% recorded in 2023. In the first quarter of 2025, growth recorded a weak but positive 0.1% growth. Agricultural production's contribution remains very volatile, given some extreme weather conditions. The mining and manufacturing sectors continued to struggle, despite the slight easing in supply-side constraints such as improved electricity supply, implying that other constraints that have since emerged may have dampened industrial activity, including weaker global and domestic demand.^{1,2} In the tertiary sector, GDP growth remains largely driven by activity in the finance industry. On the expenditure side, growth has recently been driven by household spending helped by the reduction in interest rates, lower inflation, and the introduction of a two-pot pension policy reform.³ Of concern is the continual contraction in fixed investment. The underperformance was largely driven by a slump in private sector investment despite business confidence painting a much more optimistic picture.⁴ The government also continues to focus on structural reforms, in step with the priorities of Operation Vulindlela (OV), to alleviate growth-inhibiting factors such as electricity and transport bottlenecks⁵. Potential growth has been revised marginally downwards, as structural reforms from OV is taking longer than anticipated to meaningfully materialize. Potential output should gradually rise from 1.1% in 2025 to 1.7% in 2027, this marks only a modest improvement from the pre-pandemic average of around 1.2% annually.

The **UAE's** real GDP grew by 4% in 2024. The non-hydrocarbon sector, which accounts for around 75% of GDP, maintained its strong performance, thanks to contributions from sectors such as financial and insurance activities, construction, transportation, tourism, real estate activities, and communications. Furthermore, the growth rate of the hydrocarbon sector turned positive following a decline in the previous year.

By strengthening its trade and investment linkages, the UAE continued to sign Comprehensive Economic Partnership Agreements with various countries, further

1. Uninterrupted power supply from the second quarter throughout the remainder of the year.

2. Constraints include problems at ports as well as with the rail system.

3. The two-pot retirement system is a reform that allows retirement fund members to make partial withdrawals from their retirement funds before retirement, while preserving a portion that can only be accessed at retirement. This reform came into effect on September 1st, 2024.

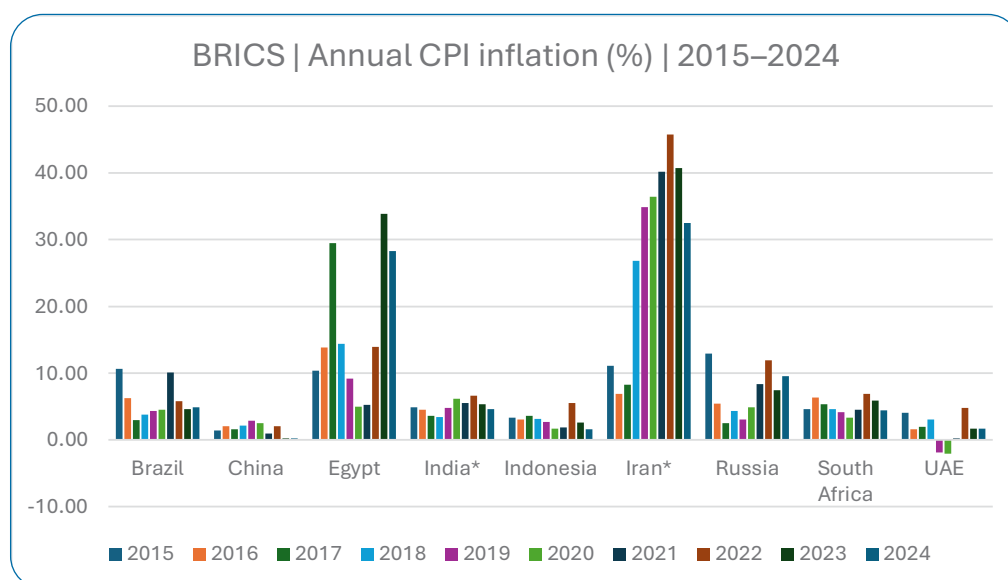
4. Part of the decline in fixed investment reflects lower investments in alternative power generating equipment as electricity supply improved. Overall, real fixed investment remains worryingly below pre-pandemic levels.

5. Operation Vulindlela is a joint initiative of the Presidency and National Treasury to accelerate the implementation of structural reforms and support economic recovery. It aims to modernize and transform network industries, including electricity, water, transport and digital communications.

increasing trade volumes and the number of transactions. The manufacturing sector continued to attract more FDI, expanding in line with the different Emirates' and Federal government strategies. The year 2024 saw strong growth in the construction sector (with a 7.4% growth for the period January-September 2024). Government capital expenditures, including investment by government-related entities, played a crucial role in boosting economic activity last year. The banking system's lending portfolio also expanded in 2024, driven by sustained growth in credit to the private retail and corporate sectors, which positively contributed to GDP growth.

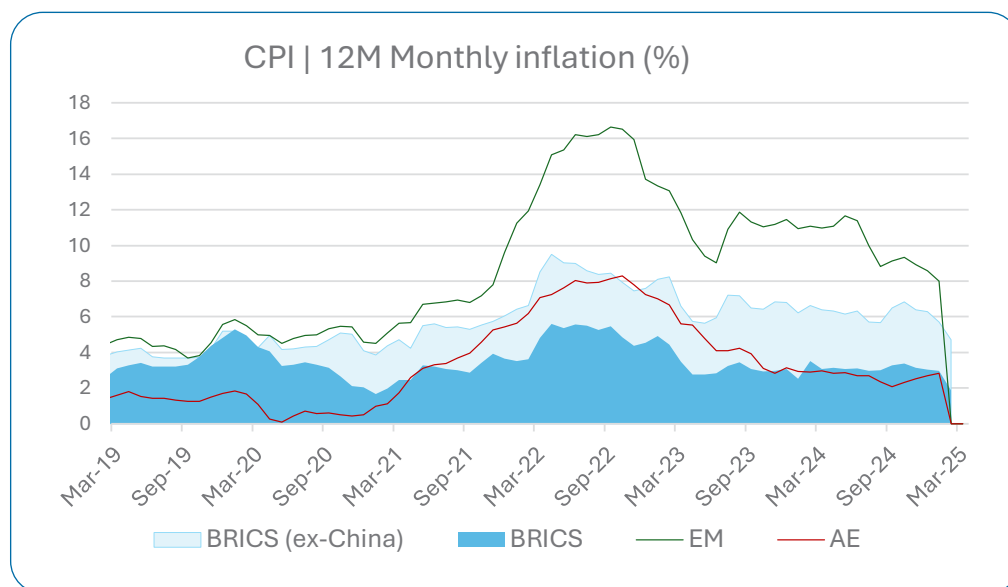
1.2. Consumer price inflation

Consumer inflation in BRICS member economies depicted a downward trend over the last two years, although still relatively high for the standards of some national monetary-policy frameworks. But swings in global commodity prices (Egypt, Brazil, Russia), a stronger-than-expected consumer demand (Brazil) and supply-side shocks (Russia) may have altered to some degree this general trend in some cases.



Source: Country data | 2024Q3 and Q4 SEMI Template

*Operate on fiscal year that differ from the calendar year



Source: Official National Statistics, Bloomberg, calculated by BRICS Presidency

In 2024, **Brazil's** Consumer Price Index (CPI) remained elevated, reflecting the strength of domestic economic activity and labor market dynamics. The CPI reached 4.83%, exceeding the 3.00% target and surpassing the upper limit of the tolerance range (4.5%). Core inflation followed a similar trajectory, driven by rising prices in food, industrial goods, and services. This inflationary environment was supported by resilient economic fundamentals, including a positive output gap and sustained demand. While the recent appreciation of the Brazilian Real provided some relief, it only partially offset the significant exchange rate depreciation observed over the previous year. In this context of unanchored expectations, high inflation projections, and robust domestic activity, monetary tightening became necessary to steer inflation back toward the target. Accordingly, since September 2024, the BCB reversed its accommodative stance, raising the Selic rate from 10.50% to 12.25% by December. Toward the end of the year, heightened global uncertainty added to inflationary risks, reinforcing the importance of a vigilant and responsive monetary policy approach.

In 2024, **China's** CPI showed a slight upward trend, rising by 0.2% for the whole year, matching the same increase as in 2023. The overall CPI movement exhibited clear structural characteristics. Food and energy prices played a significant role in CPI fluctuations, while core CPI, which excludes these factors, remained relatively stable. Food prices were influenced by weather disruptions in some regions, but overall, the supply of staple foods such as grains, oil, meat, eggs, and vegetables remained sufficient, leading to stable or slightly declining prices. Energy prices were impacted by weak global economic growth, leading to a downward trend in international commodity prices, including crude oil, which in turn drove domestic energy prices lower. In contrast, core CPI, which better reflects supply and demand dynamics, remained stable, rising by 0.5% YoY, with service prices increasing by 0.7%. Amid weak demand, subdued market expectations, and persistently low inflation, the People's Bank of China (PBoC) adopted a moderately accommodative monetary policy. Various policy tools, including interest rates and the reserve requirement ratio, were used to maintain ample liquidity and a supportive financing environment. In September 2024, the PBoC introduced a package of policy measures, such as lowering the reserve requirement ratio, reducing the 7-day reverse repo rate, and cutting mortgage rates on existing loans. These actions aimed to stabilize the economy, boost confidence, encourage consumption, and improve livelihoods, receiving a positive response from the market.

In 2024, the **Egyptian** economy witnessed a positive turnaround, gradually recovering from the impacts of the shocks experienced over the past two years and the normalization of underlying inflation, following the implementation of corrective measures, as a part of the Egyptian reform program initiated in March 2024. Inflation rates gradually decelerated from 35.7% in February 2024 to 24.1% in December 2024, averaging 28.3% for the year, down from 33.9% in 2023. This deceleration was driven by the dissipation of shocks to global commodity prices, especially food and fertilizers, which led to a gradual decline in their pass-through to imported food prices, and reduced their disruptive impact on domestic markets, as well as the cumulative impact of monetary policy tightening by 1900 bps since the beginning of the tightening cycle in March 2022. This was further supported by government policies and measures aimed at levelling the playing field and preventing monopolistic practices. The combined impact of monetary policy tightening, dissipating shocks and government interventions successfully brought down annual food inflation from its peak of 73.6% in September 2023 to 20.3% in December 2024. Meanwhile, non-food inflation remained relatively stable at around 20% throughout 2023, but increased slightly thereafter, reaching 26.7% in December 2024, reflecting the direct and indirect impacts of increasing prices of energy products and other administered items, driven by the fiscal consolidation measures implemented under the government reform program. The monetary policy response focused on further anchoring inflation expectations and tightening the monetary stance to contain inflationary pressures. Inflationary pressures stabilized after the CBE unified the official and parallel exchange rate markets in March 2024 and aggressively raised interest rates by a cumulative 800 bps in Q1 2024. These measures sufficiently tightened the monetary stance, lifting real interest rates into positive territory, thereby placing inflation on a downward trajectory. The current monetary policy stance is considered sufficiently restrictive for inflation to continue decelerating and converge towards the CBE's target of 7 percent \pm (2 percentage points) on average in Q4 2026.

CPI in **India** for FY25 (April 2024-March 2025) averaged 4.63%. In the first half of 2024 (January-June), headline inflation on a monthly basis remained in the range of 4.8% to 5.1%, primarily due to elevated food prices. Food inflation, which has a weight of 45.9% in the CPI basket, remained above 7.6% during the first five months of the year, peaking at 8.4% in June 2024 before falling to 5.1% and 5.4% in July and August 2024, respectively, partly due to a favorable base effect and a sharp fall in vegetable price inflation. Core inflation, which excludes food and fuel and has a weight of 47.3% in the CPI basket, declined to 3.0% in May 2024 from 3.5% in January 2024, the lowest in the current CPI series (2012=100). Core inflation then rose moderately to 3.1% in June 2024. After two consecutive months of moderation, the CPI increased to 5.5% in September 2024. It further increased to 6.2% in October 2024 due to a sharp rise in food inflation to 9.7% in October 2024. Thereafter, food inflation decelerated to 8.2% in November 2024 and 7.7% in December 2024. Core inflation during the second half of 2024 stood in the range of 3.3% to 3.8%, ending the year at 3.7% in December 2024. CPI inflation moderated further to 3.16% in April 2025. In 2024, the MPC kept the policy rate unchanged at 6.5% to ensure that inflation aligns with the target while supporting growth. In 2025, the MPC has cumulatively cut the policy rate by 100 basis points from 6.5% to 5.5% (25 basis points cut in the February 2025 MPC meeting; 25 basis points cut in the April 2025 MPC meeting; and 50 basis points cut in the June 2025 MPC meeting) amidst the revised inflation outlook for the year. The MPC changed its stance from 'withdrawal of accommodation' to 'neutral' in October 2024. Subsequently, the MPC changed the stance to 'accommodative' in April 2025. Keeping in view the fast-changing global economic situation, which necessitates continuous monitoring and assessment of

the evolving macroeconomic outlook, and limited space to support growth after a 100 basis points reduction in policy rate in quick succession during 2025, the MPC decided to change the stance from 'accommodative' to 'neutral' in June 2025.

Price stability in **Indonesia** has been maintained through consistent monetary policy and close coordination with government policy. CPI inflation has declined in 2024 and remains within the $2.5 \pm 1\%$ target corridor. CPI inflation was low in December 2024, recorded at 1.57% YoY compared to 2.61% YoY in December 2023 and 5.51% YoY in December 2022, with all components showing similarly subdued inflation. Low core inflation was recorded at 2.26% YoY, while volatile food (VF) inflation fell to 0.12% YoY. Core inflation has been successfully managed through consistent monetary policy to anchor inflation expectations and mitigate the impact of imported inflation. The decline in VF inflation has been supported by an increase in food supply during the ongoing harvesting season, supported by close synergy with the Central and Regional Government Inflation Control Teams (TPIP and TPID), and further reinforced by the National Movement for Food Inflation Control (GNPIP), as well as the base effect of high food prices. Monetary policies implemented to control inflation and stabilize the Rupiah exchange rate are achieved through consistent and measured interest rate policies, supported by foreign exchange market intervention, pro-market monetary operation strategies, and adequate foreign exchange reserves. In April 2024, Bank Indonesia raised the BI-Rate by 25 bps to 6.25% to strengthen the Rupiah exchange rate stabilization policy from the negative impact of global spillovers and as a pre-emptive and forward-looking step. Subsequently, in September 2024, Bank Indonesia decided to lower the BI-Rate by 25 bps to 6.0%. Bank Indonesia sees that there is still room for further cuts with low inflation and the need to contribute to promoting sustainable economic growth.

In 2024, the Central Bank of **Iran** continued its operational programs, led by the stabilization approach and the move towards making the Iranian economy predictable, to set the monetary and banking policies in order to control inflation with the cooperation of all economic and political elements. In the economic stabilization policy package, the Central Bank's actions were placed on the agenda around three main axes: "stabilizing and making the foreign exchange market predictable", "liquidity control", and "revising regulations". In this regard, the issue of controlling liquidity growth, as one of the fundamental components of creating and intensifying inflation, was one of the most important economic priorities of the government and the Central Bank. In particular, the Central Bank implemented a quantitative control program for banks' balance sheets. Also, in order to prevent stagnation in the production sector, targeted credit policies—such as providing facilities to the productive sectors and using production chain financing tools such as issuing GAM bonds—were adopted. A review of the country's economic statistics during this period indicates that, as a result of adopting the above approach, positive developments occurred in the trend of macroeconomic indicators such as the inflation rate. According to information published by the Statistical Center of Iran in 1403 (equivalent to March 2024 to March 2025), despite the uncertainties of the political and international environment as a key factor in currency fluctuations and inflation expectations, the inflation rate in 1403 began to decline and decreased by 8.2 percentage points, from 40.7% at the end of 1402 to 32.5% in 1403. Inflation in both groups—goods and services—decreased during this period; the inflation of goods decreased from 41.1% in 1402 to 27.5% in 1403, and the inflation of services decreased from 40.2% to 38.9% in the same period. The point-to-point inflation of the consumer price index in each month of 1403 was lower than in the corresponding month of 1402 (except for March), which shows that the executive measures taken by the Central Bank were effective and were able to reduce inflationary pressure to some extent.

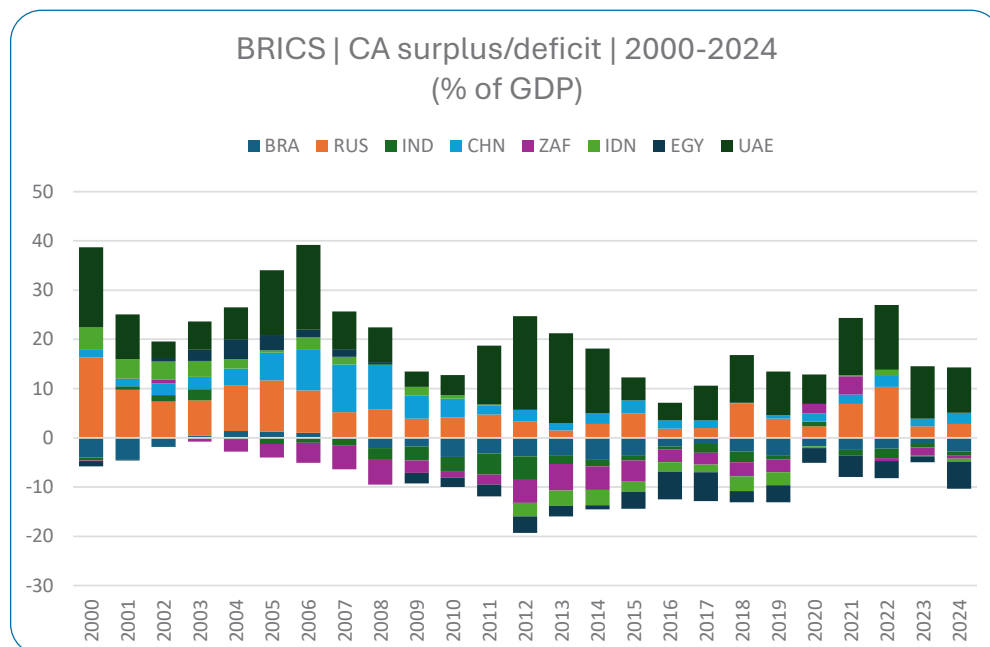
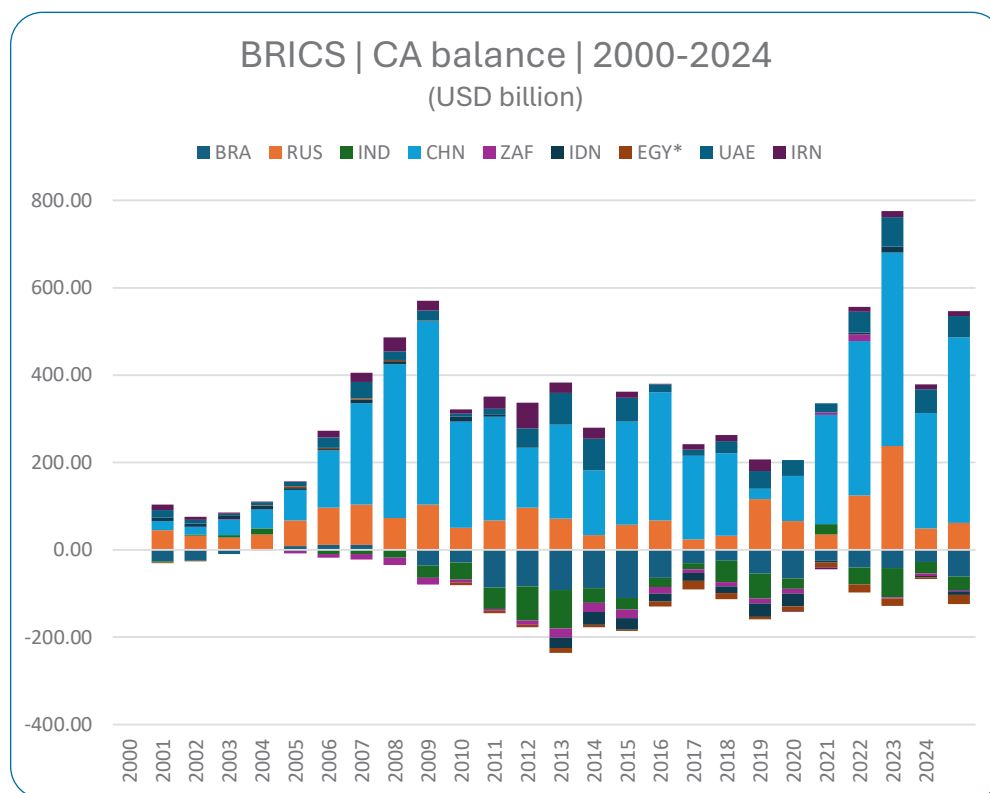
CPI in **Russia** accelerated throughout 2024, reaching 9.5% YoY by the end of the year. Elevated price growth was mainly driven by demand, as strong consumption growth throughout the year – supported by real wage growth and fiscal stimulus – continued to outpace supply expansion. Various supply-side factors contributed to inflation growth as well – a decline in harvest, increased external restrictions, and indexation of regulated prices and tariffs. To mitigate elevated pro-inflationary risks, the Bank of Russia raised the key rate three times between June and October 2024. As a result, the key rate increased from 16% to 21%. Thus, the monetary stance played an important role in stimulating savings and hampering credit activity growth towards more sustainable levels consistent with medium-term price stability. Still, inertia in inflation expectations and CPI growth emphasized the need for prolonged tight monetary conditions to reduce inflation back to the 4% target.

On an annual basis, **South Africa's** inflation averaged 4.4% in 2024, down from the 6.0% recorded in 2023. During the opening months of 2025, inflation continued its downward trend, recording readings below the 3% lower limit in the three months to May 2025. This trend was mostly driven by continued deflation in fuel, supported by a deceleration in core goods and services. The near-term expectation is for inflation to remain contained around the 3% level. After reducing the repurchasing rate (repo rate) by 75 basis points towards the end of 2024 and at the opening meeting of 2025, the Monetary Policy Committee (MPC) kept rates unchanged during the March meeting, amid uncertain global conditions and seeing risks to the inflation being to the upside. By the May meeting, the risks have changed to be seen as balanced, so given the low level of inflation, they lowered the repo rate by another 25 basis points. Risks will remain to be monitored.

The **UAE** inflation averaged 1.7% in 2024, significantly below the global average of 5.7%, mainly driven by lower tradeable inflation, particularly non-food components of the consumer basket. Across the non-tradeable component, the increase in housing and related utilities was partially offset by transportation costs on the back of lower fuel prices, driven by global oil prices. As the UAE maintains a fixed exchange rate regime pegged to the USD, the CBUAE's main policy rate (the Base Rate) is linked to the US Federal Reserve's Interest on Reserve Balances (IORB) rate. The CBUAE lowered the policy rate by a total of 100 bps to the end of 2024, starting in September 2024.

1.3. Balance of payments

In 2024, the BRICS members faced a diverse balance of payments dynamics. Several countries experienced widening current account deficits, driven by robust domestic demand and increased imports. Conversely, others maintained or improved their current account surpluses through strategic trade measures and favorable terms of trade. Common trends included significant foreign direct investment inflows and positive portfolio investment balances, despite global financial market uncertainties. Additionally, many BRICS members saw fluctuations in their trade balances due to changes in global demand and commodity prices. The financial accounts generally showed resilience, with countries employing strategic measures to manage external pressures and maintain stability.



In 2024, **Brazil's** balance of payments reflected the momentum of domestic economic activity and resilient capital flows. The current account deficit widened to USD 61 billion—the largest since 2019—driven by a contraction in the trade surplus and deficits in the services and primary income accounts. The trade surplus narrowed due to a substantial

increase in imports, consistent with a strong domestic demand. Despite the wider current account gap, the deficit remained below the net inflow of FDI, contributing to a stable external financing position. The historically negative services account posted its largest deficit since 2014, while the primary income account deficit, although slightly lower than in 2023, remained elevated. Net interest expenses reached a historical peak, influenced by high global interest rates and a larger stock of external liabilities—including securities, loans, and intercompany transactions. This was partially offset by higher income from international reserves. Net expenses related to profits and dividends also remained high, in line with the dynamism of economic activity. On the financial account side, Brazil recorded robust net FDI inflows, totaling USD 71 billion. A noteworthy development was the reinvestment of most profits and dividends owed to non-residents—something not seen since 2011—while intercompany lending declined over the year. Portfolio investment also contributed positively to the financial account, with inflows into debt securities offsetting significant outflows from equities and investment funds. In December, portfolio outflows intensified amid exchange rate volatility, influenced by domestic fiscal concerns, U.S. policy developments, and interest rate differentials.

In 2024, **China's** balance of payments remained broadly stable, with a steady increase in the current account surplus and smooth, orderly two-way cross-border investment. The current account surplus remained within a reasonable and balanced range. Preliminary data show that China's current account surplus reached USD 423.9 billion, accounting for 2.2% of GDP. Breaking it down by category: for the trade in goods, a 7% increase in global demand boosted China's exports, resulting in a record-high trade surplus of USD 768.0 billion; for the trade in services, the deficit widened to USD 229 billion, a 10% increase from 2023, mainly due to a steady rise in outbound travel spending, which returned to pre-pandemic 2019 levels. The exports of computer and business services saw significant growth, driving a 16% increase in services trade income, which also reached a record high. Cross-border investments remained generally stable. Meanwhile, Chinese enterprises deepened their participation in global supply chains, with net outward direct equity investment increasing by USD 130.2 billion in 2024. Expanded investment channels also led to greater purchases of foreign stocks and bonds, contributing to the steady rise in China's foreign assets and net asset position. Despite a complex international environment and persistently high U.S. interest rates, foreign direct investment (FDI) into China remained relatively stable. FDI capital inflows stood at USD 72.8 billion. Additionally, foreign investors showed renewed interest in holding RMB-denominated bonds, reversing the decline seen in 2023, with inbound bond investments shifting to positive growth.

Despite global economic and political challenges, **Egypt's** transactions with the external world achieved an overall BoP surplus of USD 9.7 billion during FY 2023/2024. This surplus was mainly concentrated in the second half of the year (January/June 2024), recording USD 10.1 billion due to the structural reforms of the Egyptian economy implemented on March 6th, 2024. The reform included the CBE's decision to move towards a market-determined exchange rate. These reforms were positively reflected in the capital and financial account, recording a net inflow of USD 29.9 billion during the reporting year, on the back of the unprecedented hike in net FDI to reach USD 46.1 billion, with USD 40.5 billion achieved in H2 of FY 2023/2024). Concurrently, portfolio investments in Egypt shifted to a net inflow of USD 14.5 billion. On the other hand, the current account deficit widened to USD 20.8 billion (against USD 4.7 billion), primarily due to the increase in trade deficit by 27.0% to USD 39.6 billion (against USD 31.2 billion), and the decline in Suez Canal transit receipts by 24.3% on the back of the Red Sea maritime traffic disruptions which forced several commercial

shipping companies to divert their shipping routes. During the first half of FY 2024/2025 (July/Dec. 2024), transactions of the Egyptian economy with the external world resulted in an overall BoP deficit of USD 502.6 million, with a current account deficit of USD 11.1 billion and a net inflow of USD 7.9 billion in the capital and financial account.

India's current account recorded a surplus of USD 4.6 billion in Q4 2023-24 amidst an increase in net services exports. Thereafter, the current account registered a deficit of USD 8.9 billion in Q1 2024-25, primarily due to a rise in the merchandise trade deficit. India's current account deficit (CAD) increased to USD 11.5 billion (1.1% of GDP) in Q3 2024-25 from USD 10.4 billion (1.1% of GDP) in Q3 2023-24 but moderated from USD 16.7 billion (1.8% of GDP) in Q2 2024-25. Overall, India's CAD widened to USD 37.0 billion (1.3% of GDP) during April-December 2024 from USD 30.6 billion (1.1% of GDP) during April-December 2023, primarily due to a higher merchandise trade deficit.⁶ Strong services exports and inward remittances during the year, however, provided support to the current account balance. In the financial account, net foreign direct investment flows were USD 2.0 billion in Q4 2023-24. Foreign portfolio investment recorded a net inflow of USD 11.4 billion in Q4 2023-24.⁷ During April-December 2024, portfolio investment recorded a net inflow of USD 9.4 billion, lower than USD 32.7 billion during the corresponding period a year ago. Net FDI inflow at USD 1.6 billion during April-December 2024 was lower than USD 7.8 billion during April-December 2023. There was a depletion of USD 13.8 billion in foreign exchange reserves (on a BoP basis) during April-December 2024.⁸ India's foreign exchange reserves, which stood at USD 640.2 billion on December 27, 2024, increased to USD 659 billion as of March 21, 2025.

Indonesia's BoP performance in 2024 indicated robust external sector resilience, despite persistent global financial market uncertainty. The BoP performance in 2024 recorded a USD 7.2 billion surplus, up from USD 6.3 billion in the previous year, primarily driven by improving capital and financial account performance. The capital and financial account in 2024 recorded a USD 17.5 billion surplus, increasing from USD 9.9 billion surplus in 2023. The higher surplus was underpinned by foreign capital inflows in the form of direct investment and portfolio investment despite ongoing global financial market uncertainty. However, the current account in 2024 booked a USD 8.5 billion deficit (0.6% of GDP) after recording a USD 2.0 billion deficit (0.1% of GDP) in 2023. This widened deficit was influenced by a lower goods trade surplus as demand from Indonesia's main trading partners softened against a backdrop of persistently solid domestic demand.

During April 2024 to December 2024, **Iran's** current account of the foreign balance of payments recorded a surplus of 16.2 billion dollars, representing an increase of 157.4% compared to the same period of the previous year. The performance of exports and imports of customs goods is considered one of the main factors influencing developments in the current account of Iran's foreign balance of payments. According to preliminary statistics from the Customs Administration of the Islamic Republic of Iran, during this period, the value of customs exports was recorded at 43.1 billion dollars and the weight at 116.3 million tons,

6. https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=60095

7. https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58147

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reflecting increases of 18.0% and 13.8%, respectively, compared to the same period of the previous year. Meanwhile, the value and weight of customs imports were 50.9 billion dollars and 27.9 million tons, respectively, showing a 5.0% increase in value and a 3.2% decrease in weight compared to the same period of the previous year. Accordingly, the country's foreign trade deficit decreased by 35.0% during the period under review. The increase in oil exports—driven by higher prices and volumes of Iran's crude oil exports—along with developments in non-oil goods exports, ultimately led to a 16.2% increase in goods exports during the period, which, combined with a 2.9% increase in goods imports, resulted in a 68.8% increase in the goods account. Additionally, the growth in trade exchanges and the rise in cross-border traffic of goods and passengers contributed to increased exports and imports of services in the areas of “travel” and “freight and passenger transportation,” leading to growth rates of 22.7% and 11.5%, respectively, during the period under review. This ultimately resulted in a services account deficit of 8.1 billion dollars, which represents a 0.7% increase compared to the deficit in the same period of the previous year. During this period, the “Financial and Capital” account of Iran's balance of payments recorded a deficit of 14.8 billion dollars, of which 5.2 billion dollars was in the “Capital” account and 9.5 billion dollars in the “Financial” account. The bulk of the financial account deficit is attributed to “Other Investments,” mainly affected by “Trade Credits” resulting from delays in the collection of export revenues.

In 2024, **Russia's** current account surplus grew by USD 13 billion, to USD 62 billion, on the back of an enlarged surplus in the balance of trade in goods and services and a decreased primary and secondary income deficit. The values of goods exports and imports were close to 2023 levels (+2% and -1% YoY respectively). Export was supported by the redirection of Russian oil and gas supplies to new markets and steady demand for Russian agricultural products, metals, and fertilizers. The contraction in exports to Europe was offset by the expansion of supplies to Asia and Africa. Imports, though supported by strong domestic demand, were restrained by difficulties in logistics and a weaker ruble. Moreover, the demand for imports was partly offset by increased domestic production. The primary and secondary income deficit narrowed because of reduced remittances to foreign countries due to the weaker ruble, whereas the investment income deficit was stable. The financial account (net of reserve assets) showed a surplus of USD 53 billion in 2024 since foreign assets growth surpassed that of foreign liabilities. Foreign assets (net of reserve assets) grew by USD 67 billion (+USD 41 billion in 2023) driven mainly by an increase in other investments⁹ as extended delays in international trade settlements and other financial restrictions prompted the accumulation of Russian corporate funds in foreign bank accounts and other financial claims on non-residents. Foreign liabilities grew by USD 10 billion in 2024 (-USD 7 billion in 2023). The major contributor was a rise in other investment liabilities. This was a result of a significant increase in cross-border payments delays (for import) due to tougher sanctions pressures on the international settlement infrastructure.

South Africa's current account deficit narrowed to 0.6% of GDP in 2024, from 1.6% in 2023. This was driven by the improvement in the trade balance, as a stronger Rand exchange rate helped lower the cost of imports. On the mining side, the improved trade surplus partly

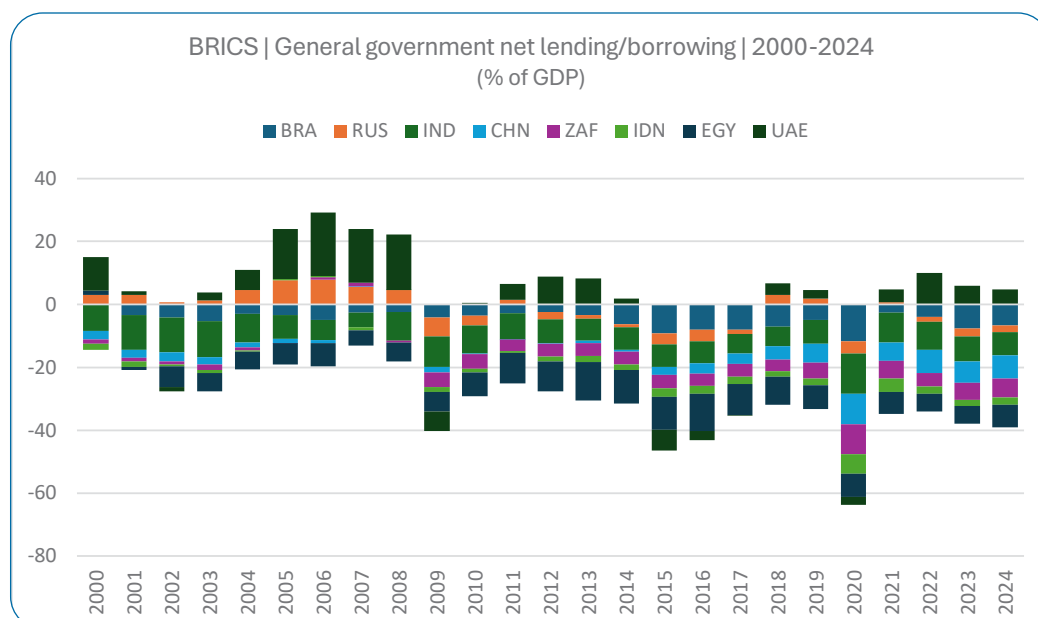
9. Loans, currency, deposits and other accounts receivable/payable

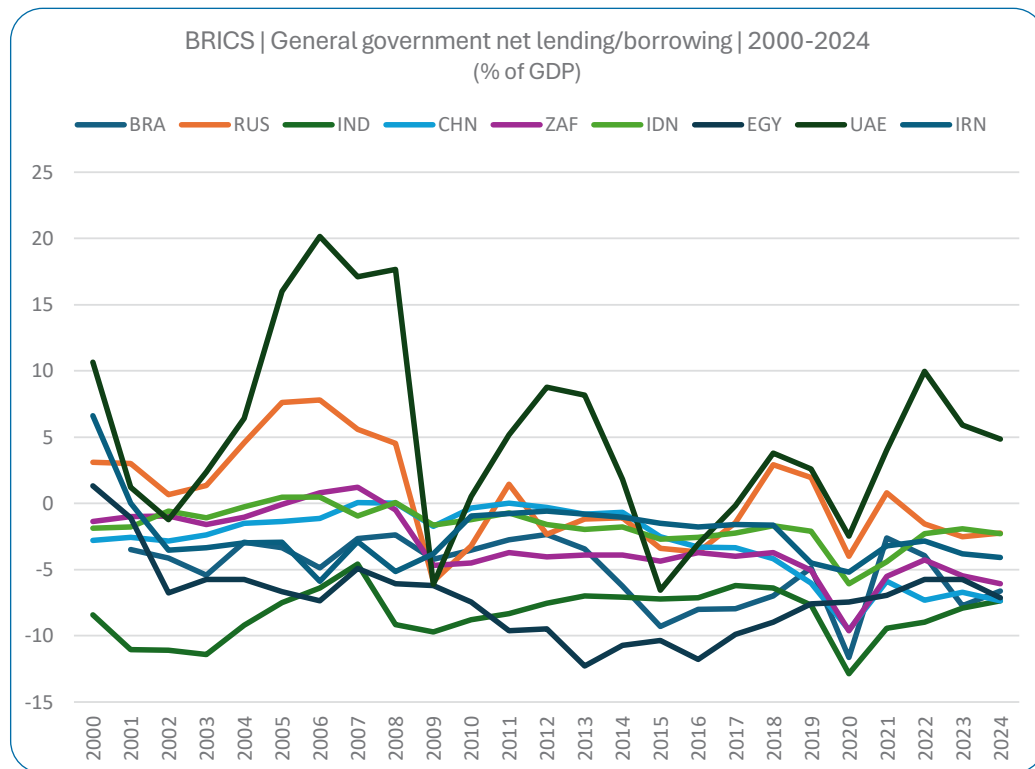
reflects the surge in gold prices, more than compensating for the decline in gold production. In contrast, on the manufacturing side, the trade deficit narrowed due to lower imports of alternative power generation components and fuels. The financial account narrowed slightly from 0.9% of GDP in 2023 to 0.8% in 2024. This was driven by the underperformance of net portfolio investment, which was not enough to offset the broad-based improvement in the other components. Moreover, net other investments, which notably contributed to the increase in the overall financial account, narrowed considerably in 2024 compared to 2023. In 2025Q1, the CAB narrowed further to 0.5% of GDP, as the lower deficit in the SIT account outweighed the slightly smaller trade surplus.

The **UAE** is currently undertaking a national project regarding the enhancement of the Balance of Payments (and other external sector statistics) in cooperation with other national stakeholders. Under this project, the compilation of the first estimates should be completed in due course (for reference period 2024). Hence, it would be premature for the CBUAE to provide any insight at this stage.

1.4. Fiscal sector

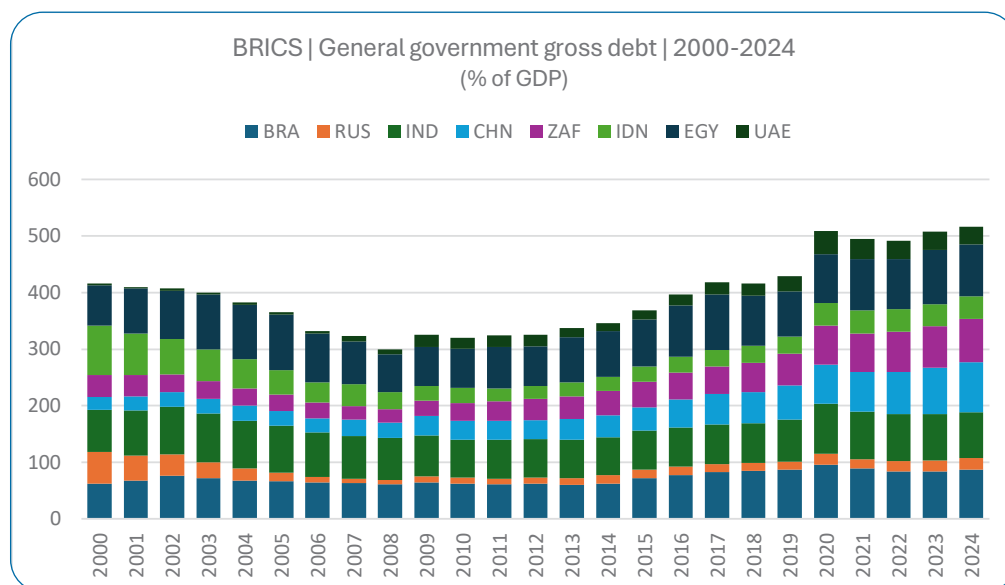
In 2024, the fiscal sector across BRICS members displayed a range of outcomes, reflecting the diverse economic conditions and policy approaches of each country. Several members achieved fiscal consolidation, marked by primary surpluses and reductions in debt-to-GDP ratios. These improvements were driven by robust revenue growth, effective tax administration, and prudent expenditure management. Conversely, some countries continued to face fiscal challenges, with rising debt levels necessitating ongoing fiscal support and strategic adjustments.

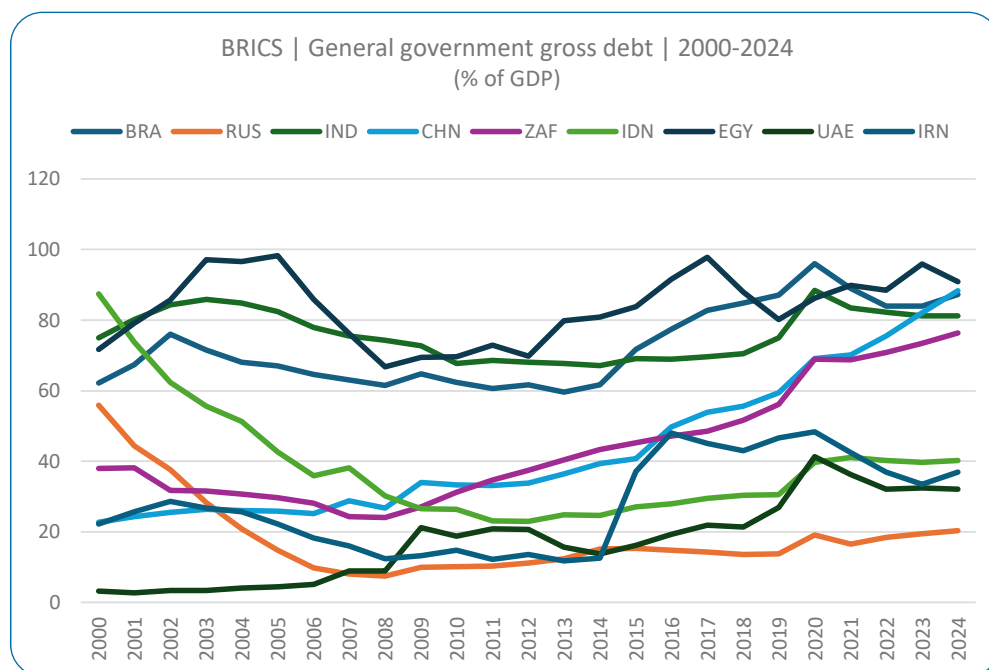




Source: IMF-WEO

Debt management strategies varied, with some countries successfully reducing their debt burdens through fiscal consolidation, while others maintained stable debt levels supported by substantial sovereign buffers and strategic borrowing. Overall, the fiscal sector in 2024 underscored the commitment of BRICS members to fiscal sustainability, employing a mix of strategies to navigate the complex global economic environment and support long-term economic stability.





Source: IMF-WEO

In 2024, **Brazil**'s fiscal performance showed signs of improvement. The Central Government met its primary balance target within the established tolerance range and outperformed market expectations. The primary deficit of BRL 45.4 billion came in lower than analysts had projected throughout the year. This improvement was driven by strong revenue growth and a modest real-term reduction in expenditures. Net revenue rose by 8.9%, largely reflecting the positive effects of economic activity on the labor market. As a result, the Central Government's primary result improved significantly compared to 2023. At the broader public sector level, the primary deficit also declined, although public debt continued to rise. The reduction of just over BRL 200 billion in the public sector deficit relative to 2023 was entirely due to the Central Government's stronger fiscal performance. Despite this progress, the General Government Gross Debt (GGGD) increased to 76.1% of GDP—up 2.2 percentage points from the previous year—and is expected to continue rising over the decade.

In 2024, **China** maintained an overall deficit ratio of 3%, while a series of targeted fiscal policy measures effectively supported stable and sustainable economic and social development. To boost consumption, the government built on existing policies to expand domestic demand—such as support for commercial development in rural areas—by allocating an additional 150 billion RMB in long-term special bonds in the second half of 2024. These funds were specifically aimed at promoting trade-in programs for consumer goods, with a strong focus on vehicles and home appliances, ensuring that financial benefits reached consumers directly. To expand investment, the government issued 4 trillion RMB in local government special-purpose bonds, expanding their scope and allowing more flexibility in using them as project capital. Additionally, 1 trillion RMB in long-term special bonds was issued, with 700 billion RMB directed toward infrastructure and industrial upgrades. In terms of debt management and fiscal support, the government implemented its largest-ever debt restructuring plan, allocating 12 trillion RMB in policy funds to help local governments ease debt repayment pressure and strengthen their development capacity.

For FY 2023/2024,¹⁰ **Egypt** continued to achieve fiscal consolidation and sustainability amid its Economic Reform Program. A primary surplus of around 6.1% of GDP was achieved, mainly driven by a 29.4% growth in tax revenues and containing spending. The increase in tax revenues aligns with the Ministry of Finance's efforts to improve tax administration, facilitate procedures, and widen the tax base by incorporating part of the informal sector into the formal sector. This effort will continue into FY 2025 with a new tax package aimed at re-establishing trust and confidence in the Egyptian Tax Authority, easing tax administration, better integrating SMEs into the formal sector, and widening the tax base. Regarding public debt, Egypt witnessed a significant decrease in its debt-to-GDP ratio due to continued fiscal consolidation, tightening of capital spending, and external borrowing. The central government debt declined significantly from around 96% of GDP in FY 2023 to around 89.5% of GDP in FY 2024. A prudent debt management strategy, including revamping the primary dealer system, clearer management of the issuance calendar, and better cash management, helped alleviate the debt burden. For FY 2025, this strategy is expected to continue, potentially bringing down the debt-to-GDP ratio to 85% for the central government and 88% for the general debt.

The Union Budget of **India** for FY 2025-26 aims to balance growth imperatives with fiscal prudence by targeting a gross fiscal deficit (GFD) of 4.4% of GDP in 2025-26, down from 4.8% in 2024-25, adhering to its objective of bringing the GFD below 4.5% of GDP by 2025-26. The robust growth in tax revenue, higher surplus transfers from the Reserve Bank, and improved dividend income from public sector banks and financial institutions resulted in better receipts in 2024-25 compared to 2023-24. For 2025-26, non-debt receipts are expected to maintain their momentum, increasing from 9.7% of GDP in 2024-25 to 9.8% of GDP in 2025-26. Total expenditure of the Union government recorded a growth of 6.1% in 2024-25, and total expenditure is budgeted to rise by 7.4%, reaching 14.2% of GDP in 2025-26. The revenue expenditure to capital outlay (RE-CO) ratio stood at its lowest at 4.4 in both 2024-25 and 2025-26. Revenue deficit as a percentage of gross fiscal deficit (RD-GFD) also stood at its all-time low of 33.4%, indicating improvement in the quality of expenditure. Capital outlay (capital expenditure less loans and advances) grew by 7.6% in 2024-25. In 2025-26, capital outlay is budgeted to grow by 5.6%.¹¹ The Central Government's (CG) Debt to GDP is estimated at 57.1% in 2024-25. The gross and net borrowings by the CG in 2024-25 are projected at around 4.3% and 3.6% of GDP, respectively. The gross and net borrowings through dated securities (G-Sec) for 2025-26 are budgeted at INR 14.82 trillion and INR 11.54 trillion, respectively.¹²

Effective, prudent, and credible fiscal policy management has made **Indonesia** one of the few countries with significantly improved fiscal conditions post-pandemic. In 2023, the State Budget deficit was recorded at only 1.6% of GDP. Moreover, for the first time since 2012, the primary balance recorded a surplus of 0.5% of GDP. The state budget performed well in 2024, with a controlled deficit, demonstrating the government's commitment to prudent financial management. Government revenue totaled IDR 2,842.5 trillion, 101.4% of the 2024 budget, an increase of 2.1% from the previous year. Tax revenue was IDR 2,232.7 trillion, and Non-Tax State Revenue was IDR 579.5 trillion. Government spending was IDR 3,305.3 trillion, 100.8% of the 2024 budget, a 7.3% increase from the previous year. This includes central

10. According to data source (Ministry of Finance).

11. https://rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=23196

12. <https://www.indiabudget.gov.in/doc/frbm1.pdf>

government expenditures of IDR 2,486.7 trillion (100.8% of the budget) and transfers to regions of IDR 863.5 trillion (100.7% of the budget). Central government spending focused on programs benefiting the public, such as school operational support, education and welfare programs, agricultural support, subsidies, and infrastructure development. The government remains committed to fiscal consolidation to ensure the smooth execution of the 2024 state budget. The budget deficit for 2024 was 2.29% of GDP, down from the 2.70% deficit outlook, demonstrating prudent fiscal management. Financial goals were met despite unpredictable markets through flexible and smart financial management.

In 2024, **Iran's** economy continued to be affected by exogenous shocks. These events prevented the full realization of the government's general budget financing sources, leading to a budget deficit. The government issued debt securities within the optimal ceiling of government debt. Under the Seventh Progress Plan, starting in 2024, the targeted ratio of government and state-owned companies' debt to GDP was set at 40 percentage points, with actual performance reaching 25.4% by the end of 2024.

Russia's fiscal rule sets a cap on budget expenditures based on sustainable revenue sources, shielding public finances and economy as a whole from oil price volatility and keeping long run government solvency.¹³ The period of heightened geopolitical pressures and structural transformation in 2022–2024 necessitated a temporary deviation from the fiscal rule, resulting in a more accommodative fiscal stance. In 2024, the general government deficit declined to 1.6% of GDP (2.2% of GDP in 2023), but fiscal policy continued to provide strong support to the Russian economy. Both revenue and expenditure increased. Oil-and-gas revenues rose amid the ruble depreciation and a narrowing price discount on Russian crude oil, while non-oil & gas revenues continued to grow alongside the rebound in economic activity. Higher non-oil & gas revenues facilitated increased expenditure. Although interest payments increased on the back of active borrowing in recent years and higher interest rates, public debt¹⁴ remained stable as a share of GDP (13.6% of GDP both in 2024 and 2023). Available liquid funds of the government remain substantial, creating room for further fiscal support if needed.

In the 2024 Budget Review, **South Africa's** primary balance was projected to show a surplus of 0.8% of GDP in 2024/25 and expected to further improve to 0.9% in 2025/26. However, in the latest 2025 budget, the preliminary outcome shows a primary surplus of 0.75% of GDP in 2024/25, and it is now expected to improve to 0.8% in 2025/26. This should assist in stabilizing public debt as a ratio of GDP. Expenditure has been relatively contained compared to budget targets, but on the revenue side, the government has missed targets. In 2024, the government proposed a fiscal anchor (debt ceiling) and committed to continue on a path of fiscal consolidation. Prior to the 2024 budget, the government projected that debt would peak at 77.7% of GDP in 2025/26, but this was revised to 75.3% thanks to a R150 billion drawdown from the Gold and Foreign Exchange Contingency Reserve Account (GFECRA)¹⁵ over the medium term. Public debt is expected to still peak in 2025/26 but at 77.4%, higher than the forecast in the 2024/2025 Budget. It is projected to slow to 76.7% in 2027/28.

13. The National Welfare Fund accumulates extra revenues during periods of favorable external economic conditions. The Fund provides countercyclical support to economy during periods of adverse external economic conditions.

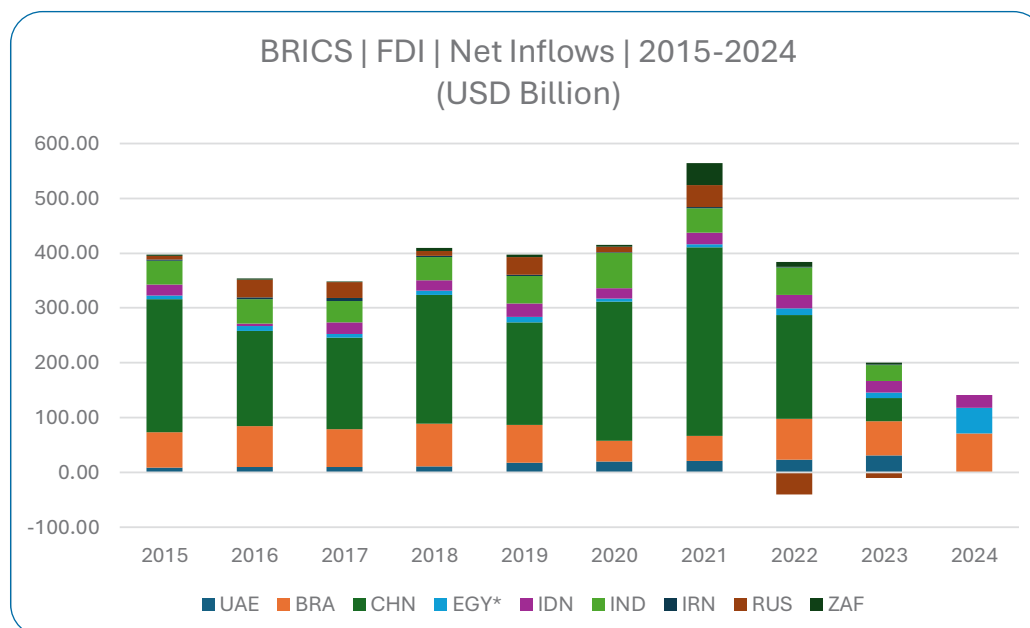
14. Federal, regional and municipal debt, net of inter-budget credits and warranties.

15. R100 million in 2024/25, R25 million in 2025/26 and R25 million in 2026/27. The GFECRA sits on the SARB's balance-sheet but the unrealized profits which account for it (due to the revaluation of gold and FX reserves in rand terms) are owed to National Treasury.

In 2024 and the first half of 2025, the **UAE** has sustained a strong and resilient fiscal position, supported by low levels of government debt and consistently robust fiscal surpluses in recent years. The fiscal surplus reached 5.5% of GDP in 2024 and is projected to reach 4.4% of GDP in 2025. This performance was supported by relatively high oil prices, ongoing tax policy reforms, including the introduction of corporate income tax, the gradual phase-out of subsidies, and enhanced spending efficiency. On the public debt side, general government debt remains on a sustainable path, with projections pointing to a decline to 31.3% of GDP in 2025. Strong sovereign buffers, including substantial foreign reserves and sovereign wealth fund assets, continue to mitigate fiscal risks. To support financing and capital market development, the Federal Government of the UAE issued AED 2.2 billion in Treasury Sukuk during Q1 2025 and AED 11.6 billion in 2024 under its domestic debt program, in addition to USD 1.5 billion in bonds under the international debt program the UAE federal government issued USD 5.3 billion in new bonds from January 2023 to May 2024, including USD 3.2 billion in local-currency Islamic T-sukuk, reflecting strong investor demand. These factors collectively reinforce the UAE's fiscal resilience, ensuring continued surpluses while maintaining long-term debt sustainability.

2. IMPACT OF GLOBAL RISK FACTORS ON BRICS CAPITAL FLOWS

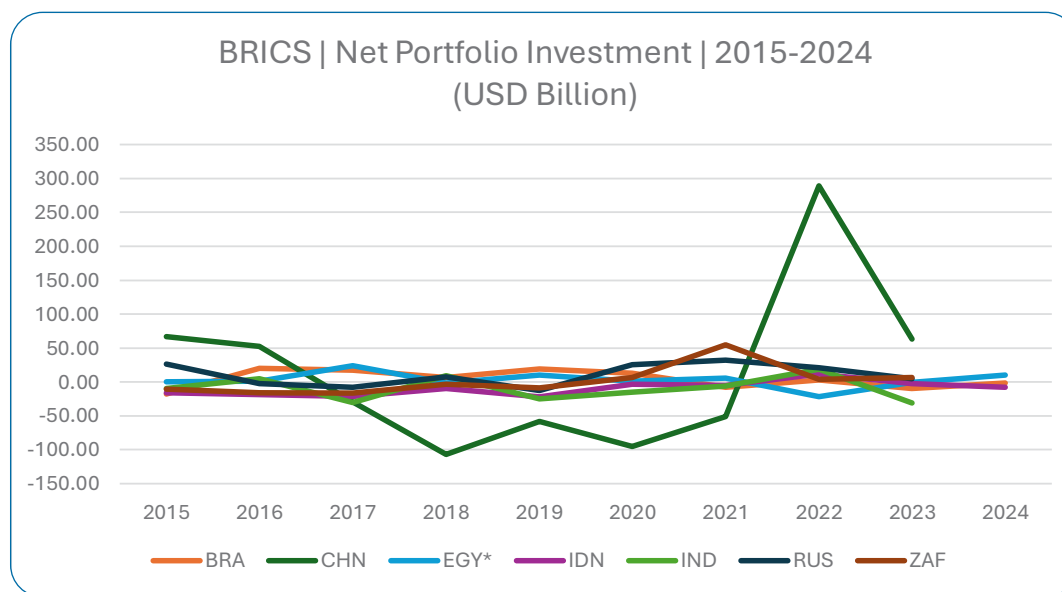
Capital flows to BRICS countries have been shaped by a complex interplay of global and domestic factors, with the degree of sensitivity to these influences varying across BRICS economies. While global influences such as monetary policy shifts in advanced economies, geopolitical tensions, and investor risk sentiment play a significant role, domestic conditions—ranging from macroeconomic stability and policy frameworks to commodity dependence and structural reforms—also determine the direction and magnitude of capital movements.



Source: World Development Indicators | World Bank

*(Egypt) Calendar year

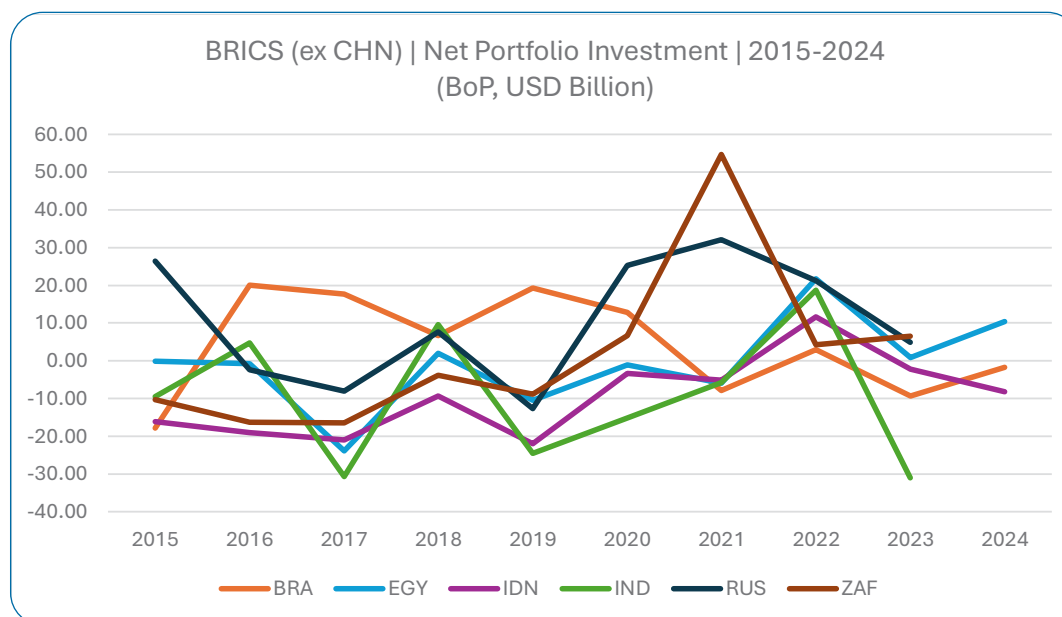
**Data for 2024 is available only for Brazil, Egypt, and Indonesia



Source: World Development Indicators | World Bank

*(Egypt) Calendar year

** No available data for Iran and UAE

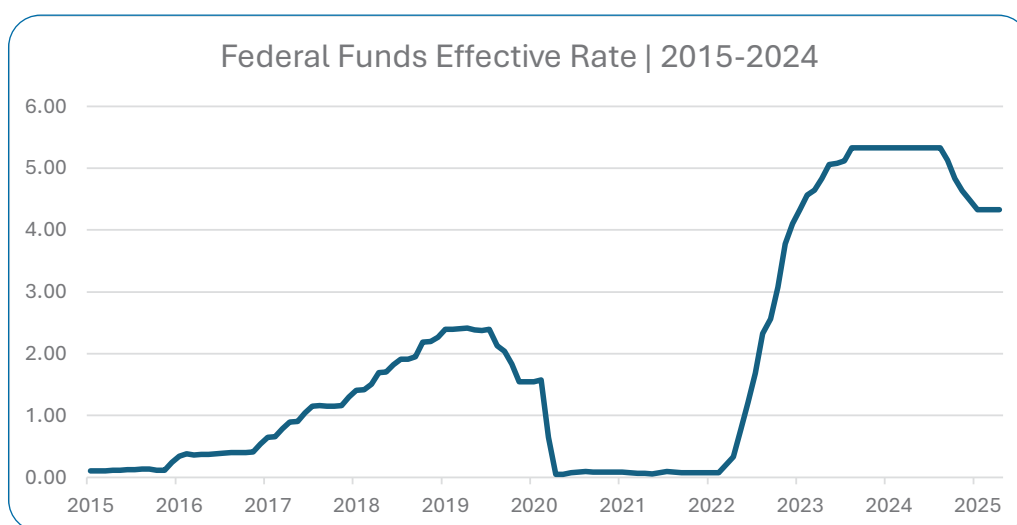


Source: World Development Indicators | World Bank

* No available data for Iran and UAE

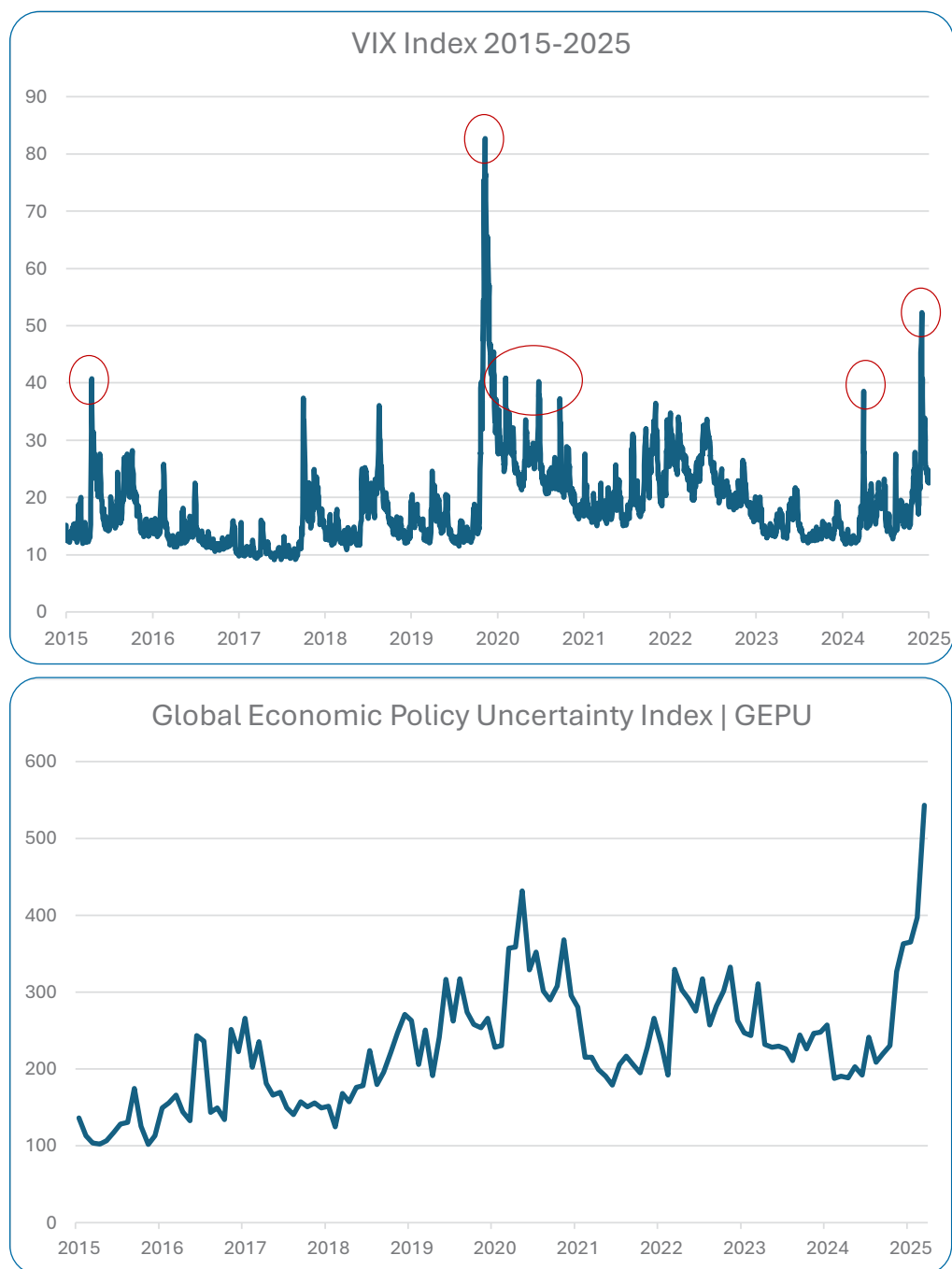
Shifts in U.S. monetary policy were a widely cited driver of capital flow dynamics across BRICS countries. China observed that Fed rate hikes and balance sheet reductions in 2014–2016 and again in 2022–2023 strengthened the U.S. dollar and added depreciation pressure on emerging market currencies, with some experiencing over 20% currency losses. Egypt shifted towards a more active monetary policy strategy, substantially tightening its stance in the wake of liberalizing the exchange rate in late 2016 and gradually transitioning

towards an inflation targeting regime, which may have supported the reversal of capital flows to emerging markets. Russia linked Fed rate increases since 2015 to capital outflows, as investors rebalanced portfolios toward safer assets; however, since 2022, financial conditions in major advanced economies have had a significantly smaller effect on the Russian economy. For South Africa, periods of low interest rates in developed economies drove yield-seeking flows, but as global monetary conditions tightened to rein in inflation, interest rate differentials narrowed, leading to diminished investor appetite. Brazil experienced exchange rate depreciation and volatility, particularly intense during 2014–2015, influenced by global tightening and external financial conditions. India observed that higher U.S. rates were associated with reduced portfolio flows, reflecting the sensitivity of emerging markets to shifts in global financial conditions and investor risk appetite.



Source: FRED

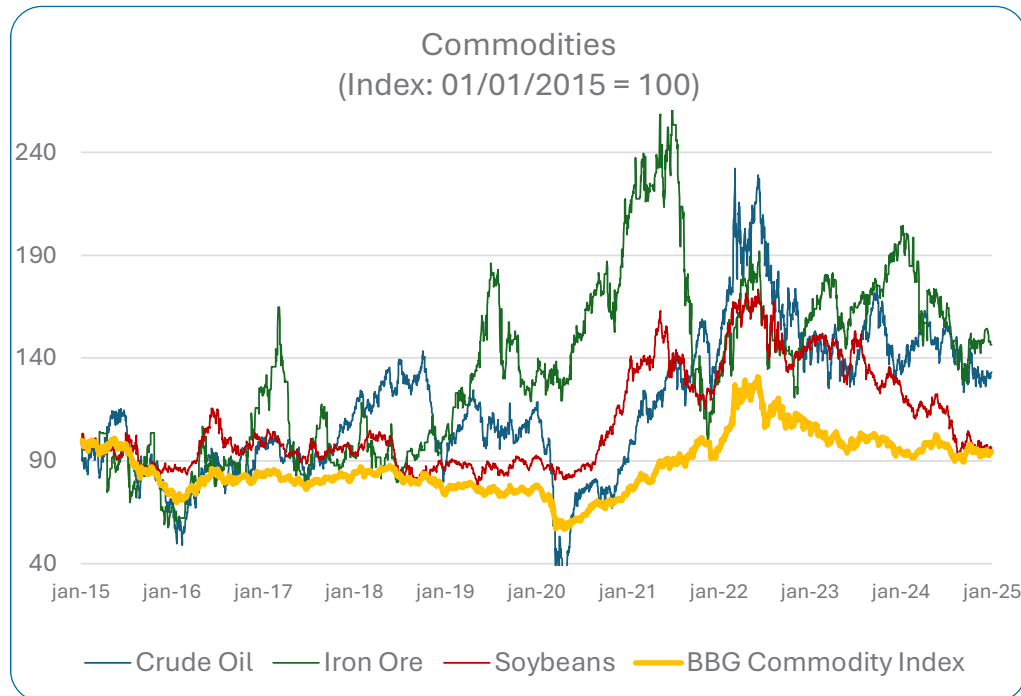
Geopolitical tensions and global risk sentiment have also played a critical role in shaping capital flows to BRICS countries. Events such as trade disputes, the COVID-19 pandemic, and the conflict in Ukraine triggered spikes in global risk aversion, leading to capital flight from emerging markets. India, for instance, saw significant outflows in response to rising geopolitical risk, particularly in 2022. Similarly, South Africa and Brazil experienced capital volatility during periods of heightened uncertainty. The VIX index and the Global Economic Policy Uncertainty Index (GEPU) have been closely correlated with these movements, reflecting the sensitivity of portfolio flows to global sentiment.



Sources: Baker, Scott R.; Bloom, Nick; Davis, Stephen J. via FRED®

Commodity price fluctuations also have pronounced effect on capital flows to BRICS economies. For Russia, oil price shocks in 2014, 2020, and 2022 significantly influenced export revenues, exchange rates, and trade balances, shaping capital flow patterns. The introduction of oil price caps and discounts further altered the direction and form of Russian flows, increasing the role of other investments due to delayed trade settlements. South Africa experienced a weakening of capital inflows during the 2015–2016 commodity price slump, while the commodity price rally from 2022 to 2024—particularly in gold—

supported renewed inflows. Brazil's capital flows have also been sensitive to commodity price movements, given its role as a major commodity exporter, affecting investor sentiment and external financial conditions.



Sanctions and financial restrictions have also played a role in shaping capital flow dynamics in some BRICS countries. Russia's imposition of capital controls and sanctions-related restrictions since 2022 has significantly altered the composition and direction of its capital flows, reducing its exposure to global financial conditions. In the case of Iran, the sanctions imposed on its economy and the restrictions on banking brokerage relationships and international financial transfers have severely reduced the impact of many economic factors—such as interest rate differentials and developments in global financial markets—on the flow of capital into and out of the Iranian economy.

On the domestic side, macroeconomic stability, structural reforms, and institutional strength have been essential in attracting and retaining capital. Egypt's reforms in 2016 and 2024, focused on fiscal consolidation and prudent monetary policy, helped maintain investor confidence despite global headwinds. Indonesia's prudent fiscal management, capital account liberalization, and investment climate improvements have similarly supported long-term inflows. In South Africa, recent political stabilization and improvements in energy infrastructure have bolstered sentiment, although global factors still dominate.

UAE presents a unique case where domestic factors drive capital flows. Its success in diversifying the economy beyond oil, combined with a strong real estate sector and a stable regulatory environment, has made it a magnet for international investment, largely independent of global risk cycles.

Given the diversity within the BRICS countries, the following subsections present the specific patterns and drivers of capital flows in each country, along with strategies to attract investment, reduce volatility, and recent institutional improvements.

Brazil

BRAZIL | *Patterns and drivers of capital flows*

Over the past decade, Brazil's capital flows experienced shifts influenced by both internal and external events. The country faced a domestic crisis in 2015 that negatively impacted economic confidence, followed by a period of recovery. From 2020 to 2024, external factors became dominant, characterized by heightened global uncertainty and increased risk aversion.

Foreign Direct Investment (FDI) inflows generally remained stable throughout the decade. Apart from 2015, which saw a domestic confidence crisis, FDI inflows exceeded the decade average of USD 70 billion in 2020, 2021 (during the pandemic), and 2023. Even during the pandemic years, inflows stayed above USD 60 billion per year. Between 2016 and 2019, structural reforms such as labor and pension reforms and a fiscal spending cap were implemented to restore economic confidence. In the years leading up to the pandemic, FDI was widely spread across economic sectors and comfortably financed the current-account deficit from 2016 onwards. Notably, inflows of direct investment liabilities in 2022 were the largest since 2012, and this growth continued into 2024, aligning with robust domestic economic activity and expectations of high returns.

Portfolio investment inflows were more volatile, influenced by changes in domestic and foreign economic and financial conditions and a lower risk appetite towards emerging markets. In 2015, outflows surpassed inflows by USD 17.8 billion, coinciding with the domestic crisis and the loss of the investment grade for sovereign bonds. However, positive net inflows returned in the following years until 2020, reflecting an improved economic environment. The onset of COVID-19 created uncertainties that affected the financial account. By the end of 2020, with economic recovery and improved vaccination prospects, coupled with accommodative signals from developed countries' central banks, capital flows to emerging markets, including Brazil, resumed positively. In 2021, portfolio investments posted the first positive result since 2015, driven by flows into domestic securities due to an increasing interest rate differential between Brazil and major developed economies. Nevertheless, the anticipation of a stronger monetary policy adjustment in advanced economies, particularly in the US, led to small net outflows in portfolio liability investments as more restrictive international financial conditions affected the roll-over of external debt. In 2023, net inflows of portfolio investment liabilities recovered, especially into domestic government-issued bonds, suggesting an improved perception of fiscal risk by non-resident investors despite a reduced interest-rate differential. This was also evident in the substantial decline of Brazil's credit default swap (CDS) and greater exchange-rate stability. While private issuances of international securities initially benefited from successful sovereign bond issuances, this trend did not persist amidst higher US interest rates. In 2024, positive portfolio investment flows were driven by debt securities, both domestically and internationally, with a renewed interest in public debt securities due to the widening interest-rate differential with the US.

BRAZIL | *Strategies to Attract Capital Flows and Mitigate Volatility*

In recent years, Brazil has implemented reforms to enhance its attractiveness to capital flows while also strengthening mechanisms to manage capital flow volatility and mitigate the associated risks. A key milestone was the enactment of the New Foreign Exchange and International Capital Law (Law No. 14,286/2021), which replaced a decades-old regulatory framework to better align Brazil's foreign exchange and capital markets with international best practices, global insertion, and the current level of institutional and economic development. This law simplified rules on foreign exchange transactions, modernized capital flow regulation, and removed outdated restrictions, fostering a more integrated and efficient financial environment. The new legislation brought efficiency gains to the market and positively impacted business environment and capital inflows, both for investment in the financial and capital markets and for foreign direct investment and external credit.

To improve the resilience of the financial system in managing capital flow volatility, Brazil has implemented key institutional improvements, such as the evolution of regulatory policy, including the development of the macroprudential policy capacity, the free-floating exchange rate regime, inflation targeting and fiscal responsibility. A critical reform was the enactment of the Central Bank Autonomy Law (Complementary Law No. 179/2021), which granted the Banco Central do Brasil operational independence by establishing fixed mandates for its leadership and shielding monetary policy decisions from short-term political pressures. This reform reinforced macroeconomic stability, strengthened investor confidence, and enhanced Brazil's ability to manage capital flow volatility.

Another important measure was the replacement of the Electronic Declaratory Register (RDE) with the Foreign Capital Information System (SCE), a modernization effort that enhances the transparency, efficiency, and accuracy of foreign capital registration and reporting. This shift reduces administrative burdens for market participants while improving the monitoring and assessment of external financial flows, strengthening the country's ability to respond to sudden capital movements.

China

CHINA | *Patterns and drivers of capital flows*

Over the past decade, changes in the external environment and China's economic development have been key drivers of cross-border capital flows. Since 2015, the international financial market has become more volatile, the global political situation has become increasingly complex, and cross-border investment activities worldwide have generally weakened. This has led to greater fluctuations in international capital flows, with China's capital flows also adjusting accordingly.

However, the impact of cross-border capital fluctuations on China's overall balance of payments has been relatively small. This is mainly due to China's robust industrial and supply chains, which have helped maintain a reasonable surplus in the current account.

Since 2015, China has continued to work on economic structural transformation, with the manufacturing sector gradually moving toward higher-end industry. The export structure has been optimized, and trade partnerships have become more diversified, all of which have supported the surplus in both goods trade and the current account.

From 2015 to 2024, China's current account surplus averaged USD 252 billion per year, with the surplus-to-GDP ratio remaining around 2%. Foreign exchange reserves have remained steady, helping to stabilize market expectations and build confidence.

CHINA | *Strategies to Mitigate Capital Flows Volatility*

Orderly cross-border capital flows play a crucial role in optimizing resource allocation globally, enhancing national welfare, and supporting global economic growth. To foster a favorable environment for international capital allocation, countries should remain committed to globalization and continuously enhance financial market openness. However, cross-border capital—especially short-term flows—tends to be profit-driven, pro-cyclical, and prone to excessive fluctuations. Large-scale and disorderly short-term capital movements can pose significant risks to both national and global financial stability. Therefore, when cross-border capital flows threaten domestic economic and financial stability, macroprudential policies and capital flow management measures could be employed to mitigate potential disruptions.

In recent years, China has taken a measured approach to opening its capital account while maintaining financial stability. First, China has orderly expanded financial market access, developing a multi-channel framework for cross-border securities investment, including institutional investor programs, market connectivity mechanisms, and direct market access for foreign investors. Second, China has facilitated cross-border direct investment, with foreign direct investment (FDI) fully subject to pre-establishment national treatment and a negative list approach. Outbound direct investment (ODI) follows a classified management system, supporting enterprises in expanding globally in a prudent and structured manner. Third, China has established a macroprudential framework for cross-border financing, implementing a unified foreign and domestic currency macroprudential framework. Reforms in multinational corporate capital management have improved the efficiency of cross-border capital utilization.

China has adopted a dual-track approach to managing foreign exchange risks, combining macroprudential oversight with micro-level regulation to enhance resilience against external shocks. A robust early-warning and response system has been put in place to monitor cross-border capital flows, with counter-cyclical macroprudential measures activated as needed to prevent spillover risks from external financial fluctuations. Additionally, foreign exchange regulation policies have been enhanced to facilitate capital account liberalization and risk management, maintaining a healthy and well-ordered market.

China continues to expand exchange rate hedging services and promote the internationalization of the renminbi. Currently, nearly 30% of China's goods trade settlements are conducted in RMB. The hedging ratio for corporate foreign exchange risk has reached 28%, significantly reducing currency mismatch risks. These developments have

enhanced China's ability to manage exchange rate fluctuations, fostering more rational market expectations and reducing the risk of disorderly cross-border capital movements driven by external uncertainties.

Egypt

EGYPT | *Patterns and drivers of capital flows*

Egypt's capital flows from 2015 to 2024 have been influenced by a combination of domestic economic reforms, global financial conditions, and geopolitical risks.

Foreign Direct Investment: After Egypt's 2016 economic reform program and the CBE's decision to liberalize the exchange rate, FDI in Egypt improved gradually with an average of USD 8.0 billion annually until the COVID-19 crisis in 2020/2021, where net FDI in Egypt fell to USD 5.2 billion. Then it improved to take an upward trend during the following three years to reach a record high level of USD 46.1 billion during 2023/2024, mainly driven by the implementation of the Ras-El Hekma FDI agreement valued at USD 35.0 billion.

Portfolio investment: Portfolio investment in Egypt soared after the Central Bank of Egypt (CBE) liberalized the exchange rate in 2016. The currency's depreciation and the appealing interest rate differential attracted foreign investors, further encouraged by improved risk sentiment following the economic reform program and a firm commitment to fiscal consolidation.

These flows have been volatile during subsequent years, with sharp outflows during global crises, such as COVID-19 (2020) and the escalating geopolitical tensions (2022), which led to another wave of outflows as global investors fled emerging markets. These large outflows in portfolio investment intensified macroeconomic pressures, leading to a widening of the premium in the parallel exchange rate market, foreign exchange shortages, supply bottlenecks, a sharp increase in inflation, and a slowdown in economic activity. However, after the economic reforms of March 6th, 2024, there was a unification of the exchange rate as part of a shift to a flexible exchange rate regime and a liberalized FX system. These outflows shifted to inflows during 2023/2024, registering a net portfolio investment inflow of USD 14.5 billion (against a net outflow of USD 3.8 billion in 2022/2023).

Overall, markets have reacted positively to the economic reforms, the unification of the exchange rate, supplemented by the Ras El-Hekma deal, leading to a tightening of nearly 300 basis points in the spread on Egypt's sovereign bonds. These inflows, whether through portfolio investment or FDI, are a real testament to the commitment of the country to the economic reform program and the significant progress that has been made so far. Such progress is expected to boost foreign direct investment further and highlights the upside potential of the country's growth outlook.

EGYPT | *Strategies to mitigate capital flows volatility*

Egypt has not implemented any policy measures to mitigate the volatility of capital flows. The CBE has allowed the exchange rate to act as a shock absorber, reflecting shifts in supply and demand dynamics without imposing direct controls on capital mobility. While the CBE has occasionally intervened to smooth excessive volatility in the FX rate during unprecedented times such as COVID, it has done so in a manner that was clearly communicated to the market. Additionally, the CBE does not impose any capital controls or administrative measures that would restrict capital movements. Instead, the Egyptian authorities have opted to enhance market resilience through structural reforms and improved monetary policy frameworks.

Egypt's structural reforms have been designed to attract more stable FDI rather than relying on volatile portfolio flows, as FDI provides long-term economic benefits and reduces external vulnerabilities. Reforms have focused on improving the business environment, enhancing legal and regulatory frameworks, streamlining investment procedures, and expanding public-private partnerships in key sectors like infrastructure, energy, and manufacturing.

Accordingly, after Egypt's 2016 economic reform program, FDI in Egypt improved gradually, averaging USD 8.0 billion per year until the COVID-19 crisis in 2020/2021. Most recently, post the economic reforms of March 6th, 2024, FDI registered a record high of USD 46.1 billion during 2023/2024 within the context of the implementation of the Ras-El Hekma FDI agreement valued at USD 35.0 billion.

EGYPT | *Institutional improvements*

The introduction of the Egyptian Central Securities Depository (ECSD) as the central securities depository for government debt instruments has harmonized and unified the depository, settlement, and clearing of all government debt instruments. Having all government debt instruments traded on the same trading platform and following the same account structure harmonizes the Egyptian debt capital market, aligning it with best practices and international standards. ECSD also offers a flexible settlement cycle, ranging from T+0 to T+5, catering to the diverse needs of market participants.

One notable benefit of ECSD's role is its function as the tax agent for government debt instruments on behalf of the Egyptian Tax Authority (ETA). This streamlines the tax collection process, replacing the previous system involving all banks with a more efficient and centralized approach.

Key automation initiatives introduced by ECSD include:

- Automated settlements and asset servicing process
- Streamlined tax deduction and refund processes
- Corporate Action SWIFT Messages (MT564/MT566)
- Automated payments for pledged debt instruments
- Automated link with EGX's ETP platform

ECSD has also streamlined the dormancy process across the CSDs in Egypt. By centralizing this process at the EGX level, ECSD aims to enhance efficiency, reduce redundancy, and ensure uniformity in how dormant accounts are handled.

Worth noting is that ECSD achieved an A+ rating in the Thomas Murray CSD Risk Assessment and broadly follows the CPMI-IOSCO Principles for Financial Market Infrastructures (PFMI), demonstrating strong risk management practices.

The application of international standards and best practices instills confidence in investors, both domestically and internationally, encouraging greater participation in the Egyptian debt capital market.

EGYPT | *Reforms to attract capital flows*

Egypt's structural reforms have focused on improving the business environment, enhancing legal and regulatory frameworks, streamlining investment procedures, and expanding public-private partnerships in key sectors like infrastructure, energy, and manufacturing. All of which have made Egypt more attractive to capital flows.

Meanwhile, Egypt has also been actively working to gain and maintain inclusion in major international indices, to attract more stable passive investment flows, as these indices are widely tracked by global institutional investors and ETFs. To meet the criteria for these indices, Egypt has undertaken reforms to improve market accessibility, enhance liquidity, and ensure transparency in its foreign exchange, fixed-income markets, and equity markets. Efforts have included streamlining capital market regulations and increasing the availability and liquidity of tradable government securities. Inclusion in these indices will not only increase foreign participation in Egypt's markets but will also help in reducing reliance on short-term speculative flows, contributing to greater financial stability and deeper market integration with global capital markets.

India

INDIA | *Patterns and drivers of capital flows*

The total net capital flows to India (including both FDI and Portfolio flows) can be divided into two phases: Pre-Global Financial Crisis (GFC)¹⁶ period and post-GFC period. In the pre-GFC period, capital flows to India recorded a significant growth. However, there was a sharp fall in the net capital flows during the GFC (2008-09 to 2009-10), followed by a rebound after the GFC. Nevertheless, the overall net capital flows to India in the post-GFC period have remained lower than the pre-GFC era.

Further, the volatility of portfolio flows to India has increased, with a sharp increase in the post-GFC period. The FDI flows remained relatively stable *vis-à-vis* portfolio flows, though there was a sharp increase in the volatility in both FDI and FPI flows in the aftermath of COVID

16. For the sake of analysis here, we have taken 2008-2010 as the GFC period.

shock. However, the volatility in FDI flows reduced after the COVID shock, while for FPIs it continued to remain high. This increased volatility in portfolio flows is primarily attributable to the influence of the push factors, such as, monetary policy actions of the advanced economies, rising geo-economic fragmentation and policy uncertainty. On the other hand, the pull factors for India, such as, GDP growth and inflation remained relatively stable, with India's real GDP growth averaging 5.9 per cent during 2015-2024, while consumer price inflation averaged 4.9 per cent during the same period.

Foreign Portfolio Flows: Before the Global Financial Crisis (GFC), portfolio flows to India were relatively stable, reaching a peak in 2007. However, during the GFC, there were large outflows. Since then, portfolio flows have been characterized by periods of inflows followed by reversals. Following the GFC, extended phases of monetary easing in advanced economies (AEs) were associated with strong capital inflows into emerging markets (EMs), including India (Gelos et al., 2022).¹⁷ These inflows, however, were periodically interrupted by reversals triggered by shocks, such as, the 2013 Taper Tantrum, the 2015 unexpected depreciation of the renminbi, and the 2018 tightening of U.S. monetary policy amid escalating trade tensions between the U.S. and China. More recently, the COVID-19 crisis in March-April 2020 and rising geopolitical tensions led to a sharp reversal in non-resident portfolio flows, which exceeded the magnitude of reversals witnessed during the GFC and other periods of financial stress.

Foreign Direct Investment: FDI inflows to India rose between 2012 and 2020, but declined after the COVID-19 pandemic. This rise is attributable to the easing of FDI restrictions. For instance, between 2003 to 2020, India progressively relaxed FDI-related restrictions, bringing the country's indices closer to the OECD average. This trend was particularly noticeable in the manufacturing sector, where India's openness to FDI surpassed that of many other emerging and developing economies (Goel and Novikova 2023). However, following the COVID-19 shock, factors, such as, escalation of geo-economic fragmentation, tighter financial conditions leading to higher borrowing costs, etc., weakened investor sentiment, resulting in a pullback of FDI from India (Government of India, Economic Survey 2024).

Composition of capital flows: The composition of capital flows to India is dominated by FDI, although after the COVID shock, the share of FDI receipts in nominal GDP has witnessed a decline. On the other hand, the share of FPI flows in GDP has been volatile since the GFC, with negative flows during periods of external shocks, such as, the GFC, concerns over trade-wars, and COVID.

Among the components of capital flows to India, the share of FDI in total capital flows has been dominant, while that of FPI and ECB has been relatively smaller. During the GFC, the share of FPI dipped, while that of ECB and FDI increased and since then the share of FDI has dominated capital flows followed by ECB and FPI. However, since 2022, there appears to be a change in the composition of the capital flows to India, with the share of FDI falling, while that of FPI increasing in the past two years.

17. Gelos, G., Gornicka, L., Koepke, R., Sahay, R., & Sgherri, S. (2022). Capital flows at risk: Taming the ebbs and flows. *Journal of International Economics*, 134, 103555.

Within the portfolio flows, equity flows dominated over debt flows. The greater preference of foreign investors for equity is attributable to the virtually unrestricted access of foreign institutional investors, barring sectoral caps, to the Indian equity markets. On the other hand, the access to government and corporate debt markets have remained subject to macro caps and macro prudential limits, aimed at protecting the domestic economy from volatile and speculative hot money flows.¹⁸ On average, foreign portfolio flows into debt markets amounted to 0.17 per cent of GDP during 2008-2024, while equity flows amounted to 0.47 per cent. Hence, on account of calibrated liberalization, capital flows have been characterised by dominance of direct investments (FDI flows) over portfolio investments (FPI flows), with equity flows outstripping debt flows.

INDIA | *Strategies to Mitigate Capital Flows Volatility*

The Reserve Bank of India has taken several steps in recent years to enhance capital flow resilience. These measures aim to reform FX markets and facilitate investments, including increasing sectoral caps, easing entry routes, and attracting stable long-term capital flows during times of stress. Key initiatives include changes in interest rates for foreign-currency denominated deposits, increasing all-in-cost ceilings for external commercial borrowings, and introducing Fully Accessible Route and Voluntary Retention Route for portfolio investors. These reforms aim to deepen markets, make them more accessible, and facilitate efficient FX risk hedging.

The Reserve Bank has also provided forex liquidity through FX-swaps during times of stress, such as the COVID pandemic, and other domestic money market operations. Temporary measures with sunset clauses were implemented to manage capital flows during stress periods. Additionally, the RBI has managed excessive capital flow volatility through FX operations, resulting in the INR being one of the most stable EM currencies in recent years. Long-term stability relies on domestic macroeconomic fundamentals, financial sector development, absorptive capacity, and institutional quality.

Broad measures undertaken by the RBI include:

- Adopting principle-based regulations to simplify the regulatory framework for hedging and reduce compliance burdens.
- Removing regulatory differentiations based on residence, entity, product, venue, and type of exposure, enabling flexible and efficient FX risk hedging.
- Enhancing customer protection through well-defined user classification, increased transparency in FX product pricing, and robust suitability assessments.
- Facilitating banks with IFSC Banking Units to undertake non-deliverable derivative contracts (NDDCs) and allowing non-residents to engage in INR NDDCs with banks in India.
- Developing domestic interest rate derivative (IRD) markets and permitting banks to offer liquid IRD products to non-residents.

18. T Rabi Sankar: India's capital account management – an assessment

The RBI has implemented various measures to reduce risks from capital flow volatility, including sectoral caps, domestic entity-specific caps, and restrictions on external commercial borrowings (ECBs). These prescriptions have been adjusted over time based on evolving circumstances. For example, during the global financial crisis, all-in-cost ceilings under the approval route were removed to allow corporates to access ECBs, and re-imposed when credit market conditions improved. The RBI has also modulated the eligibility limit for foreign exchange remittances under the Liberalized Remittance Scheme (LRS) as warranted by external market situations.

To contain forex volatilities seen during the 2013 “taper tantrum,” the RBI applied capital flow management measures (CFMs), including direct administrative measures to reduce capital outflows and incentivize capital inflows, as well as measures to tighten domestic liquidity. Incremental provisioning and capital requirements for bank exposures to entities with unhedged foreign currency exposures were introduced in 2014. The RBI has prescribed Net Overnight Open Position Limits (NOOP) as a prudential measure for capital computation.

INDIA | *Effectiveness in addressing associated risks*

The structural reforms implemented by the government in recent years across sectors such as taxation, banking, manufacturing, digitalization, and infrastructure, coupled with improving macroeconomic fundamentals, have strengthened the economy’s growth potential and absorptive capacity. These factors have supported external sector management and promoted macro stability, allowing the INR exchange rate to evolve in line with fundamentals without heightened volatility during large external shocks.

Measures concerning foreign investments aim to liberalize the FI framework in India and promote ease of investment, leading to increased flows and participation in domestic markets. Government securities have been added to various global bond indices, resulting in consistent inflows. The gradual liberalization of capital flows has led to a preferred composition of capital inflows, with direct investments outstripping portfolio investments and equity flows outstripping debt flows. Capital flows to India have proved to be less volatile than their peers in other emerging markets and developing economies Goel and Novikova (2023), indicating the effectiveness of policy measures.

INDIA | *Institutional improvements*

India has embarked upon capital account liberalization since the early 1990s and has subsequently adopted institutional mechanisms to manage the externalities arising from this liberalization.

- *Reserve Management:* India’s foreign exchange reserves have increased in response to rising capital flows. The buildup of reserves has kept pace with the volume of capital flows. For instance, prior to the Global Financial Crisis (GFC), capital flows and foreign exchange reserves were steadily increasing. After the GFC and Eurozone crisis, there was a moderation in forex reserves, but post these shocks, capital flows gained momentum again, leading to an increase in reserves.

- *Adequacy of Foreign Reserves:* Large FX reserves act as a precautionary buffer against adverse movements in capital flows, though they come with opportunity costs. Metrics such as import cover, the ratio of reserves to short-term debt, and the Assessing Reserve Adequacy (ARA) metric are used to gauge reserve adequacy. India's forex reserves have remained adequate, with an import cover of 8.5 months, exceeding the IMF's benchmark of three months. The ARA metric ranged between 1 to 1.5, and the reserves to short-term debt ratio is well above 100%.
- *Flexible Exchange Rate:* India has adopted a market-determined exchange rate regime, allowing the exchange rate to become flexible over time and adjust to shocks from capital flows.

These changes have helped India better manage international capital flows and improve the resilience of its external sector, making it less vulnerable to external shocks.

Indonesia

INDONESIA | *Patterns and drivers of capital flows*

Over the past decade, Indonesia's capital flows exhibited varied patterns across FDI, portfolio investments, and bank lending, driven by distinct global and domestic factors. FDI inflows were relatively stable, showing resilience even during global shocks such as COVID-19, supported by structural reforms such as the Omnibus Law (2020) and commodity downstreaming initiatives, which have bolstered investment in manufacturing and energy. Post-pandemic, FDI levels have remained strong, reaching or even exceeding pre-COVID averages, reflecting sustained investor confidence in Indonesia's economic prospects and conducive investment climate.

Portfolio investments have experienced volatility, influenced by external factors such as global monetary policy shifts and risk sentiment. The data highlights sharp outflows during periods of global uncertainty, including the COVID-19 crisis and U.S. Federal Reserve rate hikes in 2022–2023. Debt-related portfolio flows have been more reactive compared to equities, indicating sensitivity to interest rate differentials and market conditions over time. While volatility remains, periodic inflows suggest that global investors continue to engage with Indonesian financial markets.

Bank external debt has remained relatively stable in the last three years after earlier increases. External debt levels exhibited an increasing trend before 2019. However, since 2020, debt levels have moderated, suggesting a more measured approach to external borrowing and possibly reflecting changes in funding strategies or global financial conditions. Overall, FDI has remained relatively stable, portfolio flows have been more reactive to external conditions, and bank external debt has shown a pattern of moderation after earlier growth.

INDONESIA | *Strategies to mitigate capital flows volatility*

Bank Indonesia also introduced Bank Indonesia Rupiah Securities (SRBI) in 2023, a tradable monetary instrument designed to deepen the domestic financial market and attract long-term foreign investment in rupiah-denominated assets. As a pro-market monetary instrument with competitive yields, SRBI reduces dependency on volatile short-term capital inflows and strengthens financial market liquidity. Bank Indonesia also continues strengthening coordination with the Government, banking industry and business community to support the effective implementation of instruments that retain the proceeds of natural resources exports under Government Regulation Number 36 of 2023 (PP DHE SDA) concerning the Foreign Exchange Proceeds of Exports and the Exploitation, Management and/or Processing of Natural Resources. Together, SRBI and DHE instruments have been effective in supporting macroeconomic stability, reducing exchange rate pressures, and improving resilience against external shocks.

In addition to these measures, Indonesia has made significant institutional improvements to enhance resilience against capital flow volatility. One of the key developments has been the strengthening of coordination between Bank Indonesia (BI), the Ministry of Finance, the Financial Services Authority (OJK), and the Deposit Insurance Corporation (LPS) through the Financial System Stability Committee (KSSK). This committee plays a crucial role in ensuring financial stability by facilitating policy coordination and crisis management responses, particularly during periods of capital flow shocks. Additionally, Bank Indonesia has enhanced its monetary policy framework by implementing a triple intervention strategy, which involves stabilizing the exchange rate through interventions in the spot market, domestic non-deliverable forward (DNDF) market, and government bond market. This strategy has been effective in mitigating excessive volatility in the rupiah while maintaining adequate foreign exchange reserves. Institutional improvements also include the development of macroprudential policies, such as the implementation of countercyclical capital buffers, macroprudential liquidity buffers, and regulations to encourage banks to use foreign exchange hedging instruments. These measures help financial institutions and corporations manage risks associated with sudden capital flow reversals. Furthermore, Bank Indonesia has expanded its Local Currency Transaction (LCT) framework with key trading partners, including China, Japan, and ASEAN countries. This initiative helps mitigating exchange rate risks and strengthening financial system resilience.

INDONESIA | *Reforms to attract capital flow*

Indonesia has implemented a range of reforms aimed at enhancing the investment climate for higher capital flows. A key reform is the Omnibus Law on Job Creation (Law Number 11 of 2020), which seeks to streamline bureaucratic processes, eliminate redundant regulations, introduce a Risk-Based Assessment for business licensing, and offer greater flexibility in labor regulations. In addition, Indonesia enacted Presidential Regulation Number 49 of 2021 regarding Investment Business Field, which removed foreign equity restrictions across various sectors. These reforms specifically target sectors identified as priorities for foreign investment, including manufacturing, technology, renewable energy, and infrastructure. To further improve connectivity, Indonesia has prioritized National Strategic Projects (PSN) aimed at upgrading critical infrastructure, such as ports, airports, roads, railways, and energy facilities. These efforts are complemented by Indonesia Digital 2045, a digitalization initiative designed to enhance productivity and operational efficiency across the economy.

Iran

IRAN | *Patterns and drivers of capital flows*

In recent years, the inflow and outflow of capital in the Iranian economy—in the form of foreign direct investment, investment in financial portfolios, and changes in banks' foreign assets and liabilities through the receipt and payment of foreign exchange facilities (or other types of foreign exchange assets and liabilities)—have been primarily affected by the imposition of sanctions and restrictions on international bank transfers. These factors, by preventing the free movement of capital between the Iranian economy and the rest of the world, have weakened the influence of other factors affecting capital flows. The balance of foreign debt in the Iranian economy was approximately 10.5 billion dollars in 2018, which, due to sanctions imposed on the economy and the repayment of overdue debts, had decreased to about 4.6 billion dollars by February 2025.

IRAN | *Strategies to mitigate capital flows volatility*

In recent years, political and economic risks at the regional and international levels have led to fluctuations in the informal currency market of the Iranian economy. Accordingly, the government and the Central Bank have pursued a set of stabilization policies in order to prevent and reduce the spread of developments and fluctuations in the informal currency market on the trend of macroeconomic variables, including foreign capital flows. At the forefront of these policies is the establishment of the "Foreign Exchange and Gold Exchange Center" in March 2023 as a platform for all official and legal currency exchanges in the country in order to organize and integrate all foreign exchange resources and uses. In this regard, in December 2024, the Commercial Currency System (as a subset of the Foreign Exchange and Gold Exchange Center) was established with the aim of maximizing the return of foreign exchange from exports, reducing currency deviations from the official cycle, and providing greater transparency in the foreign exchange market. Other measures in the field of foreign exchange include harmonizing the country's foreign exchange and trade map, diversifying foreign exchange financing instruments, improving the quality of the country's foreign exchange reserves, and providing the basis for foreign financing by conducting intensive bilateral negotiations with the country's major trading partners.

Also, in recent years, the Central Bank has implemented a series of measures to improve monitoring of the flow of rials by using the capacities of the rial payment system and the information available in bank transactions in order to increase the possibility of tracking all rial transactions of individuals, both in person and offline, which from an operational perspective means providing a platform for identifying the origin, destination, and purpose of each rial transaction. In this regard, the goals and programs of technical projects related to "rial governance" have been implemented and followed up in the three areas of "transparency of financial transactions", "prevention of fraud and money laundering", and "increasing transparency and strengthening tax-related processes".

The series of measures mentioned have led to the organization and integration of the country's official foreign exchange market structure, increasing the transparency of foreign

exchange transactions, and reducing deviations from the country's official currency cycle, and currently, more than 80 percent of the country's foreign exchange transactions are carried out at the Foreign Exchange and Gold Exchange Center. Meanwhile, the measures taken to stabilize and predict the foreign exchange market have contributed to increasing economic growth and reducing the inflation rate through the spread of its effects to other economic sectors, such as production and investment.

IRAN | Reforms to attract capital flow

In recent years, the government and the Central Bank have adopted rules and regulations related to foreign investment and have created the necessary infrastructure and legal frameworks in two key areas: diversifying the methods of foreign capital inflow and making the exchange rate to the rial more attractive when foreign capital enters and exits the country. In this regard, the entry of foreign capital into Iran in the form of currency notes, remittances, imports of goods and services, and the establishment of a clearing mechanism for foreign investors (including clearing between foreign investors and import applicants in Iran, as well as between foreign investors themselves) has been permitted. Additionally, the arrangements related to the exchange rate applied to foreign capital inflows and outflows have been adjusted to provide the necessary support and incentives for foreign investors.

IRAN | Institutional improvements

The Central Bank has approved, notified, and followed up on numerous guidelines and regulations in the field of combating money laundering and increasing the transparency of financial transactions in recent years, which can be divided into three main areas: transparency of banking transactions, transparency of exchange transactions, and cryptocurrency exchanges. Within this framework, several rules and requirements have been introduced, such as setting different thresholds for non-face-to-face banking transactions of individuals on a case-by-case basis; the need to obtain reliable and acceptable documentation when the prescribed thresholds are exceeded; the requirement for customer authentication and identification; the formation of a risk profile and determination of individuals' level of economic activity; and requirements related to electronic funds transfers. In general, there is also a requirement to obtain a license from supervisory authorities to perform any financial services involving the transfer of money—including cash, checks, money orders, and other monetary instruments—as well as a requirement that any foreign exchange transfer services provided by exchange offices be subject to licensing by the Central Bank.

Regarding cryptocurrency transactions, the Central Bank has approved and followed up on the “Central Bank Policy and Regulatory Framework for Cryptocurrencies” with the aim of utilizing the potential and opportunities inherent in the development of new financial technologies, enhancing transparency in cryptocurrency-related activities, and raising public awareness on this topic.

Russia

RUSSIA | *Patterns and drivers of capital flows*

Patterns and drivers of capital flows to Russia in the past decade have changed significantly from the previous decade of 2005-2014. The internal environment shifted with the transition to inflation targeting in 2015, which helped increase the attractiveness of domestic financial instruments for investors (including foreign portfolio investors) as the Bank of Russia was able to tame inflation with high real interest rates. The introduction of the fiscal rule was another internal policy shift that further improved macroeconomic stability by reducing the impact of oil price fluctuations on public finances and mitigating excessive real exchange rate volatility. By the time an unprecedented number of sanctions and restrictions on Russia were introduced in 2022-2024, the Russian economy had substantially changed its international investment position. The process of deleveraging, which started after the GFC, accelerated in 2022-2024, resulting in a 34% decline in foreign liabilities over the decade. Coupled with international assets growth of 24%, this tripled the Net IIP to USD 949 billion as of January 1, 2025, from USD 313 billion as of January 1, 2015.

Portfolio investors: Equity portfolio investors gradually withdrew their previously invested funds in 2015-2019. This process intensified in 2020 with the global COVID-led push to safe assets. Since 2022, the Russian investment landscape changed drastically amidst the background of new large-scale sanctions and countermeasures taken by the Bank of Russia and the Russian government to stabilize the financial situation (including the introduction of capital control measures, strengthening of currency controls, and tightening of regulatory mechanisms with respect to foreign companies). Consequently, in 2022, the equity outflow accelerated. Portfolio investments into debt instruments have been volatile during the past decade. The shifts in macroeconomic policy (inflation targeting and fiscal rule) increased the attractiveness of ruble-denominated bonds against a backdrop of very low rates in developed countries. This resulted in a substantial inflow of foreign investors into government bonds (OFZ). Their market share increased and peaked around 35% right before the global pandemic. Non-residents' share decreased during 2020-2021. The share of non-residents in OFZs continued to decline in 2022-2024, reaching historical lows of around 5% by the end of the period.

Direct investments: FDI showed much higher resilience and remained the main instrument of participation of foreign investors in the Russian economy during this period (up to 2021). Yet inward direct investments were lower than in the previous decade of 2005-2014, mainly due to decreased new equity acquisitions in 2015-2019. This was the result of lower economic growth than in the previous decade and some financial and economic restrictions applied from 2014 onward. As a result, the role of income reinvestment in FDI inflows increased in 2015-2019. During the pandemic in 2020, new equity inflow further decreased with global activity put to a sudden stop. Income reinvestment fell substantially in 2020 following the overall economic activity decline but recovered sharply in 2021. The drastic change in the economic and geopolitical landscape in 2022 resulted in the first direct investment outflow since the USSR breakup, which continued in 2023 and 2024. A part of foreign companies decided to leave the Russian market and sold their assets mostly to local investors. Many such companies decided not to quit completely and retained buyback options.

Other investments: In Russia, the role of other forms of foreign investments is traditionally quite high. Liabilities other than direct and portfolio investment showed the biggest decline over the decade: banking and other sectors' loans decreased more than twofold. External deleveraging was one of the results of the GFC. This process was further encouraged by domestic policies and the development of internal financial markets in 2015-2021. Deleveraging accelerated in 2022-2024 but from a much lower base than at the beginning of the 2015-2024 decade. External debt was actively substituted by internal sources, preserving financial stability and facilitating the restructuring of the Russian economy.

RUSSIA | *Strategies to mitigate capital flows volatility*

Amid unprecedented sanctions pressure from 2022-2024, Russia implemented a set of measures to support financial stability and mitigate systemic risks:

1. *Stabilization of the stock market:* As of February 28, 2022, brokers were banned from executing sales of securities on behalf of non-residents. Additionally, trading in the stock and forward markets, except for foreign exchange and money market trading, was suspended from February 28 to March 21, 2022, to ensure the sustainable operation of the financial markets. The Bank of Russia then started to gradually reopen them.
2. *Stabilization of the exchange rate:* One of the currency regulation measures introduced on February 28, 2022, was the mandatory sale of 80% of FX revenue by exporters within three days of the funds being credited. As the demand and supply balance in the domestic foreign exchange market was restored, the measure was eased and then completely canceled on June 10, 2022. Against the backdrop of increasing volatility in the domestic foreign exchange market, the measure was reintroduced on October 11, 2023, but only for a certain list of major Russian exporters. As the demand and supply balance in the domestic foreign exchange market stabilized, various actions aimed at easing the measure were taken in 2024 with the participation of the Bank of Russia.
3. *Counter-sanction measures and currency regulation:* An additional measure to support financial stability was the opening of special C-type accounts with limited rights to manage assets for all non-residents serviced by Russian depositories. Amid the blocking of some international reserves and the ban on the importation of cash US dollars and euros into Russia, non-residents' FX purchases were restricted, and several limits and fees for residents were imposed on domestic FX transactions to curb FX demand. As the situation stabilized, the measures were significantly eased.
4. *Ensuring performance of external obligations through the Russian infrastructure:* Certain measures were introduced given the difficulties in processing payments related to the servicing of Russian sovereign Eurobonds by foreign payment agents. The US ban on transactions with the Ministry of Finance of the Russian Federation led to delays and eventually the refusal of foreign payment agents to process such payments. To avert a default, as of June 22, 2022,

financial authorities implemented a mechanism for meeting obligations under Russian Eurobonds using I-type accounts. Additionally, in July 2022, a mechanism for replacement bonds was established to offer Russian companies with Eurobond obligations an alternative method of settlement in rubles through accounts with Russian banks, while also enabling Eurobond holders with rights registered in Russian depositories to receive payments free from sanctions risks.

To address issues related to the anti-crisis measures introduced since February 2022, including the above-mentioned capital control measures, a subcommittee of the Government Commission on Monitoring Foreign Investment in the Russian Federation was established. The Bank of Russia participates in the activities of the subcommittee. The subcommittee reviews transactions (operations) and makes decisions to ensure the continuity of foreign economic activity, including decisions on payments by Russian companies on loans and borrowing in favor of non-residents from unfriendly countries, payment of dividends to such non-residents, sale of their Russian assets, and other transactions (operations).

RUSSIA | Effectiveness in addressing associated risks

The measures adopted in Russia between 2022 and 2024 significantly slowed down the decline of stock market and prevented a massive capital outflow. The suspension of market trading shielded the market from overshoot effects, potentially preventing disproportionately high losses, and gave market participants time to prepare for making investment decisions in the new environment. Additionally, the suspension of trading, the subsequent reduced mode of exchange trading, and transactions aimed at reducing non-residents' liabilities to residents collectively reduced the value of unsettled claims by 95%.

The use of C-type accounts and other measures helped stabilize the inflow of foreign currency in the market and restrict its outflow under severe sanctions. The use of I-type accounts enabled the performance of all obligations under Russian Eurobonds within the timelines set by the issuance documentation, circumventing foreign infrastructure. The mechanism for replacement bonds reduced the dependence on foreign infrastructure for payments on Russian companies' bonds.

RUSSIA | Reforms to attract capital flow

As mentioned above, during the 2000s and early 2010s, Russia started implementing a set of major policy reforms which resulted in the transition to inflation targeting in 2015 and the introduction of the fiscal rule in 2017. Aimed at securing macroeconomic stability, these initiatives also caused a number of positive spillovers, such as increasing the country's attractiveness to international investors. Other targeted measures included strengthening the legal system (enhancing investor rights protection), improving financial infrastructure¹⁹ and creating special government advisory and investor representative bodies. This allowed

19. Including merging the two largest stock exchange platforms with its consequent IPO, expanding the range of market participants, shifting to globally accepted T+2 settlement, launching REPO, etc.

redirecting Russian stocks (EDRs, GDRs) trading liquidity from LSE, NYSE, and other platforms to Russian infrastructure. The Russian Direct Investment Fund, established in 2011 by the Government with a mandate to co-invest in the economy alongside global institutional investors also facilitated foreign capital attraction, reporting more than USD 180 billion in assets by mid-2023. Finally, Russia had one of the lowest corporate and capital gain tax rates among EMs and continued to adhere to the favorable tax regime, concurrently establishing special economic zones aimed at attracting FDI by securing privileged regulation.

South Africa

SOUTH AFRICA | *Patterns and drivers of capital flows*

South Africa has experienced significant volatility in capital flows over the last decade, mainly due to the relative fluidity of portfolio flows. Portfolio investments (PI) have dominated capital flows, accounting for over 80% of total capital flows between 2015 and 2024, with a record surge of R240.6 billion net inflows in 2016. This increase was largely driven by global push factors. On the other hand, Foreign Direct Investments (FDIs) declined from 2014 but rebounded strongly in 2021, reaching over R500 billion, primarily due to Prosus, a Netherlands-based global investment group's acquisition of nearly 45% of Naspers, an internet, technology, and multimedia holding company, and the economic recovery from the COVID-19 pandemic setbacks. However, FDI has since declined significantly, on the back of domestic policy uncertainty and electricity supply constraints, as well as changes in global economic conditions.

Reliance on portfolio flows makes South Africa highly exposed to shifts in foreign investor sentiment, particularly during global risk-off events like the COVID-19 pandemic, which led to major capital outflows reaching over R800 billion. Both debt and equity flows have been volatile. For most of the post COVID-19 period, non-residents have been net purchasers of bonds and net sellers of shares. This trend has been influenced by a combination of pull and push factors, especially domestic policy uncertainty and changing global financial conditions.^{20, 21} Portfolio flows rebounded, with net inflows of R81 billion in the third quarter of 2024, following considerable net outflows in 2023 and the first half of 2024. However, this rebound, along with the net inflows which occurred during December 2024, were short-lived as South Africa experienced net capital outflows in January 2025 amid adverse risk sentiment.²²

20. Foreign holdings of local currency debt dropped to a 10-year low of 25% of total government bonds in 2023, from 41% in 2017. As non-residents have reduced their weight in South African bonds, domestic banks have increased their exposure to the government. Banks' holdings of government debt rose to about 15% of total assets in 2023 from under 10% in 2015.

21. Economics Statistics Flash Report, January 2025.

22. In January 2025, non-residents recorded net sales of domestic bonds and shares of R19.0 billion compared with net purchases of R2.7 billion in January 2024. The non-residents were net buyers of JSE-listed bonds of R10.6 billion (below R17.9 billion recorded in December 2024), and net sellers of domestic shares of R29.6 billion - Economics Statistics Flash Report, January 2025.

The cross-border banking loans, which form part of the “other” investment flows, have seen a significant increase in cross-border activities, particularly during the post COVID-19 pandemic period, reaching record gross flows of R1.1 trillion in 2023.²³ This includes both assets and liabilities, with a notable rise in the value of cross-border assets, from R458.3 billion in 2015 to R654.7 billion in 2023, as the domestic banking sector increased its deposits at non-resident banks.²⁴

More importantly, South Africa has limited exposure to foreign currency funding, with 90% of debt being rand denominated. Additionally, the investment climate is fortified by a deep and liquid financial market, characterized by a large share of non-bank financial institutions, which, alongside sound macroeconomic policy, has provided a buffer against volatile capital flows.

SOUTH AFRICA | *Strategies to mitigate capital flows volatility*

The existing robust exchange control system has assisted in mitigating some of the volatility of capital flows over the years. The exchange control policy regime is evolving, with the Minister of Finance announcing a new Capital Flow Management Framework in 2020, reflecting a shift from exchange controls to capital flow management measures to regulate cross-border capital flows. The intention is to reduce red tape on legitimate flows while strengthening measures to detect, deter, and disrupt illegal cross-border financial flows. The liberalization of exchange controls and added policy coordination and collaboration between government, regulators, law enforcement agencies, and other market participants have strengthened the relevance and effectiveness of capital flow management measures. However, global risk sentiment still influences the effectiveness of such measures in maintaining financial stability.

SOUTH AFRICA | *Reforms to attract capital flow*

South Africa adopted a gradual and sequenced liberalization of exchange controls (capital flows) since 1994, starting with the liberalization of current account transactions (trade), the removal of exchange controls on non-residents, the liberalization of foreign direct investment by South African corporates and individuals (subject to certain limits and above which limits, referral is required to the SARB), the liberalization of what were formerly known as emigrants’ blocked accounts (where funds above a certain limit were required to be left in South Africa on emigration by the individual concerned), progressive reforms around inward listings, and ultimately the relaxation of other controls with a shift in focus to capital flow management measures based on a risk-based approach, with the removal of red tape being paramount to facilitating legitimate capital flows.

23. SARB Database. 2024 annual figures are not yet available. We have deliberately used gross flows to reflect total cross-border loans activities, which is crucial for understanding the level of financial integration between countries

24. While South Africa has experienced significant net inflows as well, on cross-border banking loans, an all-time high outflow of R95 billion was recorded in the third quarter of 2024. This outflow can mainly be attributed to the domestic private banking sector granting short-term loans under resale agreements to non-residents and, to a lesser extent, increasing its deposits at non-resident banks - SARB Database; SARB Quarterly Bulletin – December 2024.

Further reforms in South Africa's capital flow management framework were announced in Annexure F of the 2022 Budget Review. The Ministry of Finance amended the policy that allowed institutional investors (life insurance, retirement, and savings funds) to invest offshore up to 45% of their total retail assets under management (AuM). The 45% now also includes African assets, which previously had a separate 10% limit. The policy change aimed to modernize South Africa's capital flows management framework and became effective on 23 February 2022. Considering the uptake in the 10% African allowance, a decision was made to include it in the overall limit. The harmonization implemented one limit for all institutional investors, removing the historic segregated approach. The 2022 harmonization and increase in the prudential limit aimed to provide institutional investors with greater flexibility for asset diversification.

The previous adjustment to the prudential limit for institutional investors occurred in 2018. At that time, the offshore restrictions that applied to pension funds and long-term non-linked insurers were limited to 30%, while collective investment scheme (CIS) managers, long-term linked insurers, and discretionary financial services providers registered as institutional investors with the FinSurv were subject to a 40% limit with an additional 10% limit for investments into Africa. The 2018 increase represented a 5-percentage point rise from the previous limits of 25% and 35%, respectively and a 5% limit for investments into Africa.

SOUTH AFRICA | *Institutional improvements*

There has been a shift from exchange controls to prudential limits regarding foreign exposure to allow foreign investments diversification by banks and institutional investors. These capital flow reforms potentially enhance financial stability by allowing for better investment portfolio diversification and reducing risks during domestic economic downturns. It provides South African residents with a mechanism to diversify from a South African base. These limits are monitored closely, and corrective action is taken if the limits are exceeded. Furthermore, regulating the nature and structure of outward investment by domestic companies allows investors to diversify their investments while protecting South Africa from changes in global and local sentiment.

United Arab Emirates

UAE | *Strategies to mitigate capital flows volatility and institutional improvement*

Per the UAE's fully open capital account and pegged exchange rate regime, the CBUAE has not applied capital flow management measures. However, the CBUAE has developed several institutional frameworks and improvements in line with best international practices to fulfill its mandate and strategy, thereby strengthening the resilience of the financial system and the UAE economy. These actions help mitigate the potential impact of external adverse scenarios, including capital flow volatility.

The CBUAE has implemented the Dirham Monetary Framework in 2020, which governs the implementation of monetary policy and associated liquidity management measures to

safeguard currency stability. The CBUAE maintains parity between the UAE Dirham and the US dollar and holds a stock of liquid foreign currency reserves to intervene in the market as needed. Decretal Federal Law (No. 14 of 2018) imposes a “Monetary Base Cover” requirement. This requires that the market value of the CBUAE’s foreign reserves shall not, at any time, be less than 70% of the Monetary Base, thereby ensuring the credibility of the fixed exchange rate regime. The Monetary Base Cover is currently well above 100%. The CBUAE has also implemented a state-of-the-art analytical assessment of foreign reserve adequacy, as well as enhanced monitoring and analysis of capital flows.

Macroprudential measures seek to reduce systemic financial risks that can arise from various sources, including volatile capital flows. The CBUAE has implemented the Macroprudential Policy Framework since 2018. Among the macroprudential policy measures implemented, the CBUAE has imposed additional capital buffers on Domestic Systemically Important Banks, borrower-based instruments, and, most recently, a positive cycle-neutral countercyclical capital requirement. The latter is implemented when risks are judged neither subdued nor elevated, designed to protect the banking sector from external system-wide risk proactively, and deployed if unforeseen risks arise (based on lessons learned internationally from the Covid-19 pandemic). In addition, the CBUAE has established a stress-testing framework that regularly assesses the resilience of the banking system against various stress scenarios, including capital flow volatility.

As part of the CBUAE’s mandate to promote and protect the stability of the financial system, the CBUAE employs a risk-based approach to supervision and maintains a regulatory framework applicable to Licensed Financial Institutions and Licensed Financial Activities. It embodies a structured, forward-looking process designed to identify, assess, measure, monitor, and control the key risk factors to which licensed institutions (banking, insurance, payments, and remittance sectors) are exposed.

Developing domestic capital markets in local currency is one area that can mitigate adverse impacts of capital flow volatility in general. The CBUAE contributes to the development of the local capital market and collateralization within the financial system through the issuance of short-dated M-bills. Together with the regular issuance of local currency bonds, M-Bills help establish a continuous yield curve, which provides a liquid and reliable benchmark and reference index for financial transactions within the UAE. The CBUAE is also developing a framework to issue Shari’ah-compliant M-Bills, which will supplement existing (long-dated) government sukuk issuance.

Finally, and in general, sound economic policies are the most effective tools against the potential adverse impact of capital flow volatility. The UAE’s prudent fiscal management has enabled it to navigate times of uncertainty effectively, maintaining stability with a low debt-to-GDP ratio. Continued fiscal discipline and governance, diversification of revenue sources, and increased transparency remain priorities for strengthening economic resilience and long-term sustainability in the UAE. Collaboration and coordination among the monetary, macroprudential, and fiscal authorities are paramount for implementing, for example, countercyclical economic policies when warranted. The UAE has well-established structures in place for this purpose, into which the Financial Stability Council, established in 2023, is the most recent addition.

UAE | *Effectiveness in addressing associated risks*

The UAE has benefited from free capital mobility and the financial system has remained stable during volatile international macro-financial conditions. Macroprudential policy measures were proven effective during COVID-19 to mitigate its repercussions.

In general, sound macroeconomic policies, strong institutional frameworks and effective fiscal-monetary policy coordination play an important role in addressing potential risks associated with volatile international capital flows. However, the optimal policy mix naturally depends on the specific country's circumstances, financial frictions and shocks, monetary policy and exchange rate regimes.

UAE | *Reforms to attract capital flows*

Over recent years, the UAE has reformed its regulatory framework through innovative policies and legislation aimed at enhancing the attractiveness of the market and positioning itself as the prime destination for trade and investment.

Reforms to attract capital flows in the context of trade, investment, and economic policies may be summarized as follows:

- *Regulatory reforms:* In the past four years, the UAE has undertaken a comprehensive review of over 100 laws and regulations to create a more business-friendly environment. This effort includes the introduction of new legislation designed to streamline business operations, reduce bureaucratic hurdles, and enhance transparency.
- *Expanding economic sectors:* The UAE is diversifying its economy by investing in new sectors such as renewable energy, technology, and space exploration, creating new opportunities for investors.
- *Foreign ownership:* The UAE has introduced significant reforms to create a supportive environment for foreign investors wishing to establish a business presence in the UAE, particularly by removing the minimum requirement for local ownership (previously requiring 51%) and allowing 100% ownership to foreign investors, except in activities with Strategic Impact (Cabinet Decision 55/2021), which require prior approval from regulatory authorities (six activities) or restrict foreign ownership (one activity). The law also brought improvements in corporate governance and stronger protection for minority shareholders.
- *Intellectual property rights:* The UAE continues to enhance the protection and enforcement of Intellectual Property Rights regulations, as shown by the UAE's accession to the Madrid System for the International Registration of Trademarks, which facilitates global brand protection and a new fast-track trademark registration process.

- *Residency programs:* The UAE introduced the Golden Visa and Green Visas, offering long-term residency for investors, entrepreneurs, and highly skilled individuals, making the UAE an attractive destination and enabling it to attract global talent and capital.
- *Competition law:* The UAE introduced the new Competition Law (Decree-Law No. 36 of 2023) aimed at enhancing the competitiveness of the UAE market and increasing investors' confidence by providing protection through combating monopolistic practices.
- *Comprehensive economic partnership agreements (CEPA):* The UAE has actively pursued economic partnership agreements with key global markets to enhance trade and investment flows. Since the program's launch in September 2021, the UAE has signed 25 CEPAs with countries and international blocs, covering approximately 2.5 billion people. By the end of 2024, the UAE's non-oil trade reached a historic milestone of 3 trillion AED, reflecting an impressive annual growth rate of 14.6%.
- *Ease of doing business:* Initiatives like one-stop-shop services for permits and licenses have been introduced to make the business environment more accessible and efficient for entrepreneurs.
- *Mega projects:* The UAE continues to launch large-scale projects such as smart cities and infrastructure developments, providing lucrative investment opportunities.
- *Investment protection:* The UAE has expanded its network of investment protection agreements and double taxation avoidance agreements, offering additional security to investors.
- *Digital transformation:* The UAE is at the forefront of digital innovation, investing in technologies such as blockchain, AI, and fintech to enhance business processes and create a digital-friendly environment for investors.
- *AML regulations:* To protect the market from illicit financial flows, the UAE has enhanced its regulations pertaining to beneficial ownership and designated non-financial businesses and professions, in line with international standards, to safeguard domestic businesses and promote itself as a safe destination for investment and doing business.

2.1 Perspectives on the IMF institutional view on the liberalization and management of capital flows

The BRICS members generally support the IMF's Institutional View (IV) on the Liberalization and Management of Capital Flows, recognizing its balanced and flexible approach to capital flow management. BRICS appreciate the IV's recommendation to consider country-specific circumstances and the integration of Capital Flow Management measures (CFMs) with

Macroprudential Measures (MPMs). They endorse the use of CFMs and MPMs to mitigate financial stability risks associated with volatile capital flows, emphasizing the importance of a pragmatic and evolving approach that allows policies to adapt to the specific circumstances of each country. Below are the detailed positions of each BRICS country regarding the IMF's Institutional View:

Brazil views the Institutional View on the Liberalization and Management of Capital Flows (IV) as a sound and consistent framework for policy guidance, providing a balanced approach to capital flow policies. Although the IV is non-binding under the IMF's Articles of Agreement, its strict technical approach allows for in-depth discussions and multilateral coordination. Brazil particularly values the IV's recommendation to consider policies to country-specific circumstances and its role in defining capital flow management measures (CFM), macroprudential measures (MPM), and hybrid CFM/MPM approaches. The IV's conceptual clarity, background notes, and indicators offer valuable analytical support for policymakers. At the same time, Brazil recognizes potential challenges in the IV's application, particularly the risk of misusing CFMs as a substitute for market development and structural reforms, or as a tool to influence exchange rate competitiveness. Looking ahead, Brazil considers it essential that future reviews of the IV address emerging issues, including the use of CFMs for social or political objectives, the impact of digitalization and climate change on capital flows, the management of capital outflows in non-crisis scenarios, and its interaction with international agreements. From Brazil's perspective, a pragmatic and evolving approach enables the IV to continue serving as a valuable reference for policymakers worldwide.

China believes the core premises and objectives of the Institutional View on The Liberalization and Management of Capital Flows (IV) remain appropriate, but the Fund should work towards reducing the stigma associated with CFMs and CFM/Macroprudential Measures (MPMs). MPMs, foreign exchange intervention, and CFMs can help enhance monetary autonomy, improve financial and price stability, and reduce output volatility in the presence of financial frictions and balance sheet vulnerabilities. Experiences show that CFMs can be most effective when deployed alongside other policies as part of a multi-pronged approach, and not only as a last resort. China reiterates the importance that capital flows be regulated "at both ends," i.e., in both source and recipient countries. Central banks in advanced economies play a key role in global capital flows, but the IV has largely focused on the recipient countries and places the burden of managing capital flows on emerging market and developing economies (EMDEs).

The Central Bank of **Egypt** (CBE) broadly supports the principles outlined in the IMF's Institutional View, particularly the emphasis on long-term capital flow liberalization and the role of market forces in determining exchange rate movements. Egypt has always adopted a liberalized capital account, allowing for free movement of capital and avoiding restrictive measures on inflows and outflows. This approach aligns with the country's broader strategy to attract FDI and portfolio flows, integrate more deeply into global financial markets, and enhance investor confidence. At the same time, the CBE acknowledges the risks associated with volatile capital flows and has taken steps to strengthen macroeconomic fundamentals to manage these risks effectively. By maintaining a flexible exchange rate, improving monetary policy frameworks, and enhancing financial sector resilience, Egypt aims to mitigate the impact of external shocks without resorting to capital flow management measures. The CBE

views exchange rate flexibility and prudent macroeconomic policies as the primary tools for adjusting to global financial conditions rather than imposing restrictions on capital mobility.

India supports the IMF's updated Institutional View (IV) on Liberalization and Management of Capital Flows, which now allows pre-emptive use of capital flow management measures (CFMs) combined with macroprudential measures (MPMs) to mitigate systemic financial risks. However, India emphasizes the need for the IV to consider the role of source countries in capital flow volatility and to provide guidance on managing international spillovers. Additionally, the IV should address the specific structural and economic characteristics of large emerging markets like India, including its dependency on volatile portfolio investments and susceptibility to global shocks. Tailored policy recommendations are necessary to effectively manage India's unique economic landscape and associated risks. India also highlights the importance of balancing the benefits of capital flows with the risks they present to macroeconomic stability and financial volatility, advocating for a more nuanced approach that considers both recipient and source country dynamics.

Indonesia supports the IMF's Institutional View (IV) on the Liberalization and Management of Capital Flows, which provides a balanced and flexible approach to capital flow management (CFM). This view acknowledges that while capital flows can support growth through investment, they can also generate macroeconomic and financial stability risks. The IV aligns with Indonesia's experience of cautiously opening its capital account supported by targeted macroprudential measures and temporary CFM tools to balance openness and safeguard against volatility. Going forward, Indonesia advocates that emerging economies should retain adequate policy flexibility, emphasizing the importance of country-specific circumstances in deciding appropriate measures to manage capital flow volatility effectively. Furthermore, Indonesia also considers the 2022 update as the IV is reinforcing and complementing the Integrated Policy Framework (IPF), which strengthens the analytical foundation for policy integration. In this context, referring to the IV (2022), the pre-emptive use of inflow CFMs/MPMs could be appropriate under certain circumstances in the presence of stock vulnerabilities. The IPF and the IV jointly enhance the need to integrate CFM policies with monetary, macroprudential, and exchange rate policies, taking into account the interactions between those policies. This provides a more comprehensive and coordinated policy approach to managing external vulnerabilities. In line with these frameworks, Bank Indonesia has ensured the continuous alignment of its policies conduct with the principles advocated by the IV and the IPF.

For **Iran**, the world economy's condition indicates the existence of uncertainties that make it possible to take advantage of geopolitical tensions, trade disputes, and major policies that can be used. In such circumstances, the limitations and inefficiencies of developing economies' capital markets, along with the features of developed capital markets—such as transparency and high liquidity—lead to the transfer of capital from developing to developed economies. In such circumstances, the sharp outflow and increase of capital from developing economies cause the free movement of capital to incur much higher costs, in the form of market instability, rising inflation rates, etc., compared to its potential. While the sanctions imposed on the Iranian economy in recent years, their application to the country's foreign exchange markets (particularly the informal foreign exchange market), and the creation of a gap between the official and informal markets have led to an increase in the incentive for unauthorized investment outflows, which makes the liberalization and outflow of capital from the country more challenging. Therefore, the Iranian perspective on controlling the entry and exit of capital into and out of the country, while potentially accepting cross-border capital transfers, is based on preventing capital flight under

conditions of internal and external uncertainties and avoiding its impact on key economic variables and the creation of instability in the macroeconomic environment.

Russia generally supports the Institutional View provisions regarding the need for reasonable use of CFMs in certain circumstances to mitigate macroeconomic and financial stability risks. In particular, according to the Institutional View, it is feasible to introduce CFMs when capabilities of macroeconomic or other policies are limited.

South Africa supports the use of Capital Flow Management measures (CFMs) and Macroprudential Policy Measures (MPMs) to mitigate financial stability risks from volatile capital inflow surges, based on the IMF's Institutional View. The IMF's Institutional View suggests that some CFMs can be treated as MPMs if used to mitigate financial stability vulnerabilities from capital inflow surges. Prior to the 2008 Global Financial Crisis, several jurisdictions used CFMs to mitigate risks where capital inflow surges created bubbles in real estate markets. However, South Africa did not observe such phenomena. South Africa has gradually liberalized its capital flows management framework to align with the OECD Code for the Liberalization of Capital Movements and the IMF's Institutional View. The SARB's Financial Surveillance Department supports the IMF's Institutional View, recognizing both the benefits and risks in managing and liberalizing capital flows. South Africa has implemented a gradual approach to liberalizing capital flows, considering a country-specific approach adapted to its market. This includes strong policy coordination to manage capital flows and soliciting international cooperation to ensure stable adjustments in capital flow controls over time. This gradual liberalization has protected the economy against large outflows of domestic capital and increased reliance on potentially volatile foreign capital.

The **UAE**, from a broader economic perspective, remains committed to maintaining an open and liberal economy that facilitates free movement of capital across borders, supported by strong regulatory oversight to maintain financial stability and combat financial crime.

3. FINANCIAL FLOWS BETWEEN BRICS COUNTRIES AND EXPANSION POTENTIAL

This section aims to provide an overview of the financial interactions within the BRICS countries by examining the contributions and perspectives of each member country.

Brazil

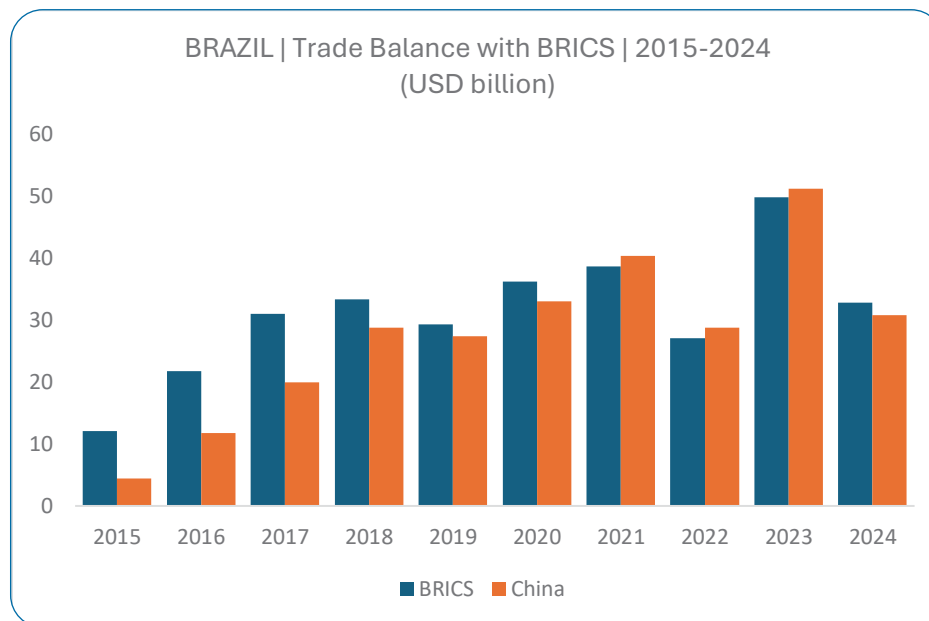
Brazil's exports to BRICS countries increased from USD 53.8 billion in 2015 to USD 121.6 billion in 2024, representing a growth of 126.2% in nominal terms. Brazilian imports followed a similar trajectory, rising from USD 41.7 billion in 2015 to USD 88.9 billion in 2024, a growth of 113.0% over the period. Consequently, Brazil's total trade with BRICS countries reached USD 210.5 billion in 2024, marking a 120.4% increase over ten years. Brazil has consistently maintained a trade surplus with BRICS countries, largely due to its trade surplus with China.

Interestingly, the major external shock represented by the COVID-19 pandemic did not affect Brazil's export flows to its BRICS partners as a whole, which grew steadily throughout

the period. Imports, however, were reduced in 2020 and 2023 but resumed growth shortly thereafter. By 2024, Brazil's imports from its BRICS partners had returned to their 2022 levels.

Despite the overall upward trend in Brazil's trade flows with other BRICS countries, the composition of its exports and imports to the group has barely changed over the last ten years. Brazilian exports to BRICS are primarily composed of raw materials and primary goods, such as grains and oil seeds, iron ore, oil and mineral fuels, as well as meat, cotton, sugar, and other food items. Conversely, Brazil's imports from BRICS are mostly intermediate and capital goods, including electrical and mechanical machinery and appliances, oil and mineral fuels, fertilizers,²⁵ iron and steel, motor vehicles,²⁶ plastics, and other chemical products.

In terms of both country of origin/destination and products/sectors, Brazil's trade with BRICS economies is highly concentrated. China stands out prominently as Brazil's main exports destination and imports source among BRICS countries. In fact, Brazil's exports concentration to BRICS has increased over the last ten years, with China accounting for roughly three-quarters of total goods exports to the group. Excluding exports of grains, iron ore, meat, and oil to China, exports (mainly food) to Indonesia, Iran (also oil), India, and the United Arab Emirates, depending on the year, also emerge as significant destinations for Brazil's exports. Although imports concentration remains high, it is somewhat less pronounced than exports concentration. Besides imports from China, which include notable capital goods, imports of oil from Saudi Arabia, Iran, the United Arab Emirates, and Russia (increasingly fertilizers) also feature prominently.

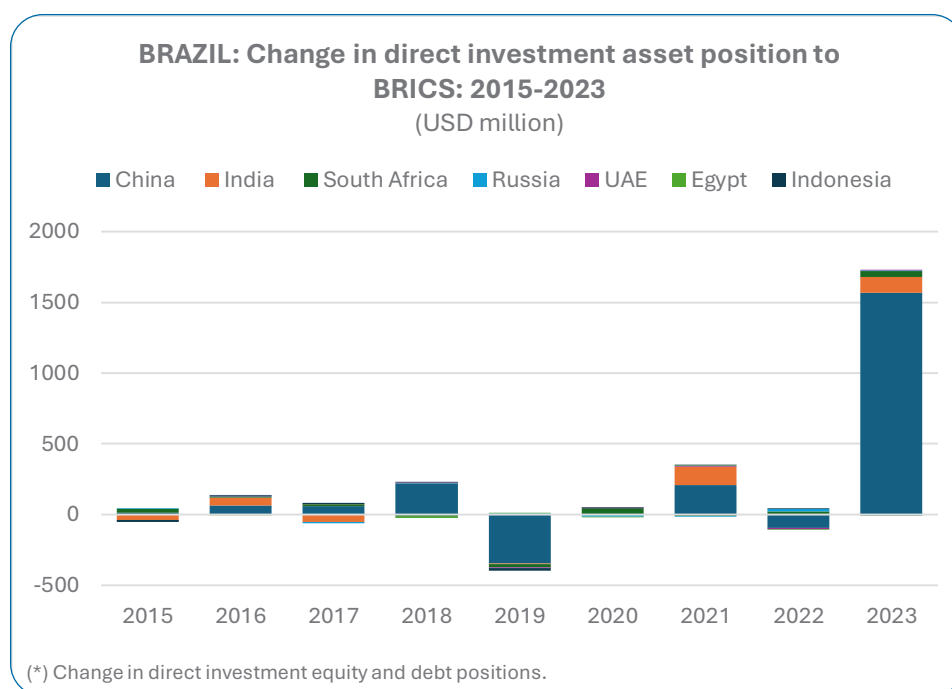


25. Of note, fertilizers have grown in importance as an import item since the Ukraine war in 2022. As such, Brazil's imports from Russia totaled USD 6.5 billion in 2024, the third largest from BRICS countries.

26. Interestingly, imports of vehicles from China have grown strongly of late. It amounted to almost USD 6 billion in 2024, ranking fourth among the largest Brazilian imports from BRICS.

Regarding direct investment flows,²⁷ the change in asset positions of Brazilians in BRICS countries has fluctuated around small values. Last year, however, Brazilian investments in BRICS totaled USD 1.7 billion, a significant amount compared to the modest pattern observed over the decade.²⁸ Despite its small size, China stands out as the main destination for Brazilian direct investments in BRICS countries.

Conversely, direct investment liability positions²⁹ with BRICS countries are among the most significant for Brazil. For instance, in 2023, the latest year for which data is available, China ranked fifth among the largest foreign investors in Brazil.³⁰ The change in direct investment liability positions with BRICS countries has grown steadily since 2021, with China being the major sole investor from BRICS in the country. Over the nine-year period through 2023, net inflows turned negative only in 2015 (due to a severe internal political crisis) and 2020 (the first year of the COVID-19 pandemic). In 2022 and 2023, the change in direct investment liability positions with BRICS countries reached the highest levels for the period (USD 14.3 billion and USD 16.9 billion, respectively).

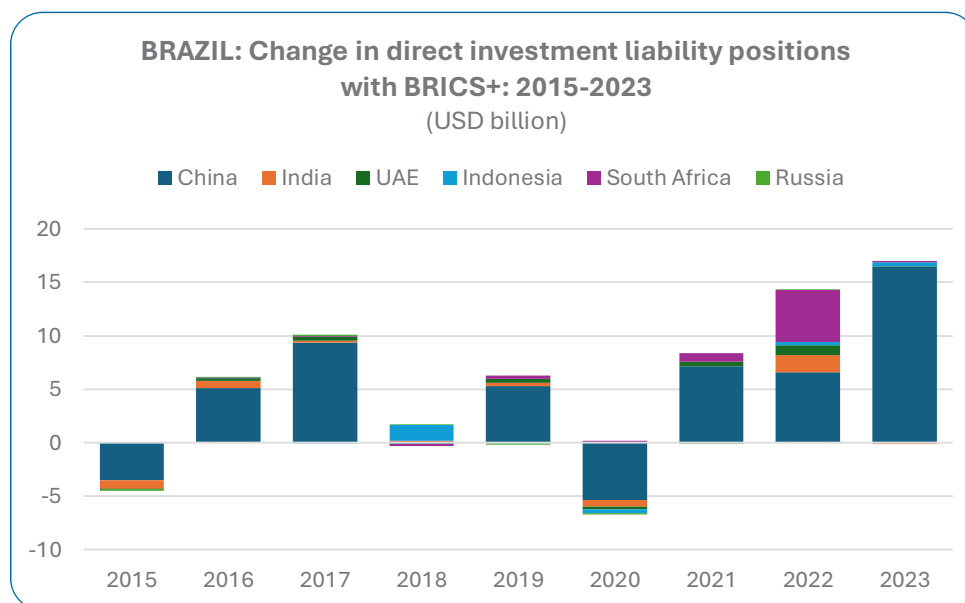


27. Here, direct investment flows are calculated from the variation in stocks.

28. This "extraordinary" outflow of funds was due to a Brazilian mining company investment in China.

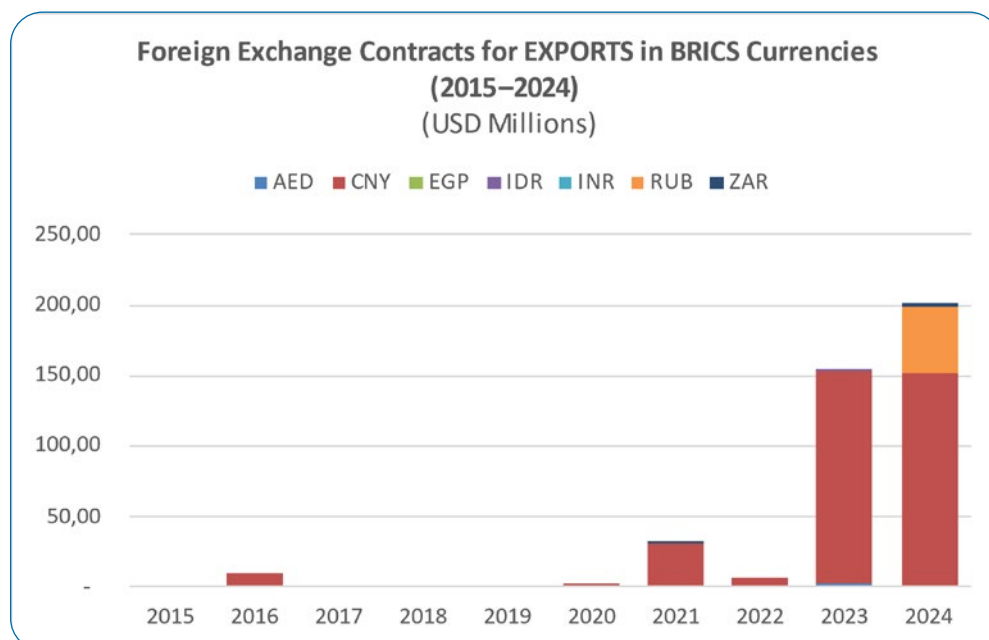
29. Investment position determined by the country of the ultimate controller.

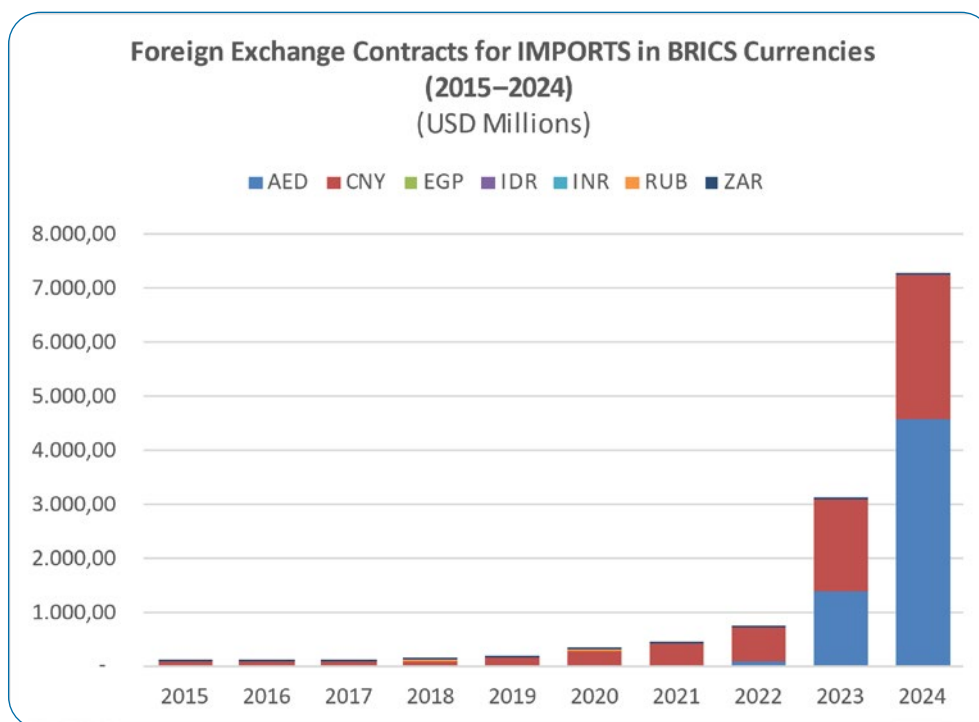
30. Between 2015 and 2023, the value of Chinese direct investments in Brazil increased more than sixfold, from USD 8.6 billion to USD 53.2 billion. Other FDI liability positions of Brazil to BRICS countries (e.g., India and UAE) have grown almost as fast as China's, though from a much smaller base.



BRAZIL | Foreign Exchange Transactions with BRICS Currencies (2015-2024)

Between 2015 and 2024, foreign exchange contracts involving BRICS currencies with the BRL totaled USD 12.8 billion. During the same period, the total value of contracts with BRICS countries amounted to USD 244.01 billion, indicating that even within intra-BRICS trade, the majority of contracts are denominated in USD and EUR.





As illustrated in the graphs above, transactions involving BRICS currencies have experienced significant growth over the years. The total value of transactions increased from USD 76.96 million in 2015 to USD 7.4 billion in 2024, encompassing both exports and imports, representing a substantial growth over the decade. The yearly growth rates varied, with notable increases in certain years. For instance, in 2016, the value of transactions grew by 47.78% compared to 2015, and in 2020, the growth rate soared to 82.59% in relation to 2019. The most significant boost occurred from 2022 to 2023, with a remarkable growth rate of 637.61%, indicating a major surge in transactions.

Currency-specific trends highlight the dynamic nature of Brazil's foreign exchange transactions with BRICS countries. The CNY (Chinese Yuan), traded with 45 different countries during the last decade, consistently showed high transaction values, peaking in 2024 with USD 2.66 billion in imports. Similarly, the AED (United Arab Emirates Dirham) saw significant increases in 2023 and 2024, with imports reaching USD 4.58 billion in 2024. In contrast, other BRICS currencies such as the RUB (Russian Ruble), INR (Indian Rupee), and ZAR (South African Rand) had relatively smaller transaction volumes.

Overall, the substantial increase in transactions in certain years underscores the growing importance of BRICS currencies in Brazil's foreign trade.

BRAZIL | Opportunities for expanding financial flows between BRICS countries

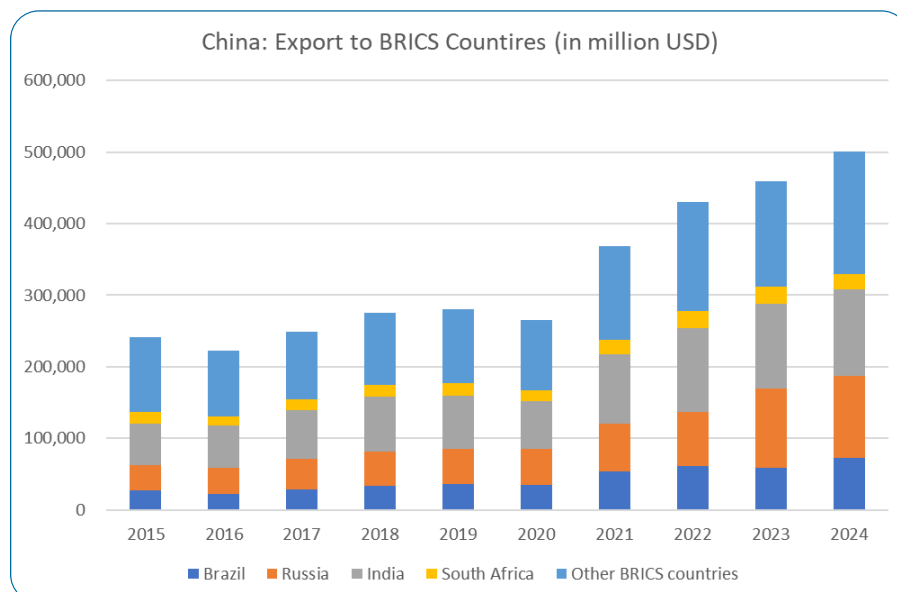
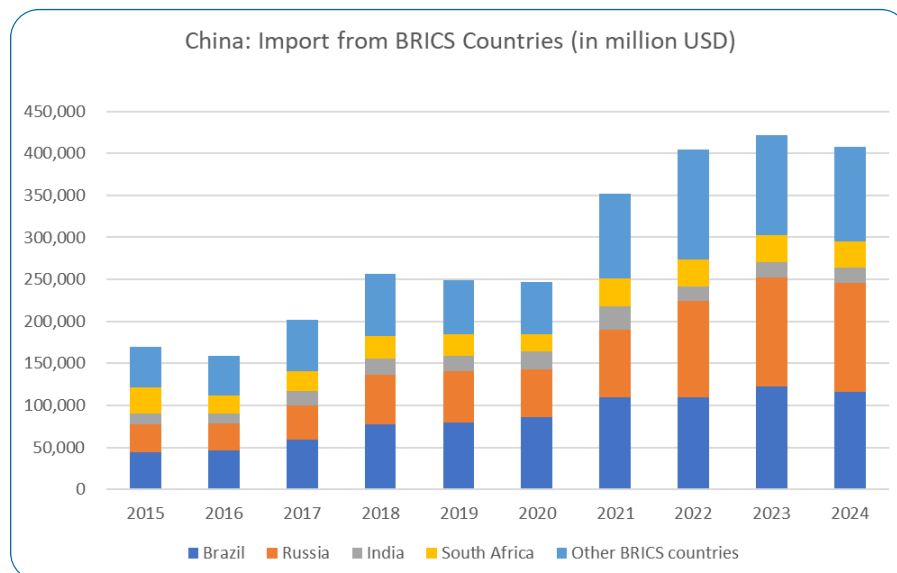
Brazil sees significant opportunities to expand financial flows to other BRICS countries by fostering investment facilitation, financial market integration, and payment system modernization. Improving financial market interoperability is crucial for expanding

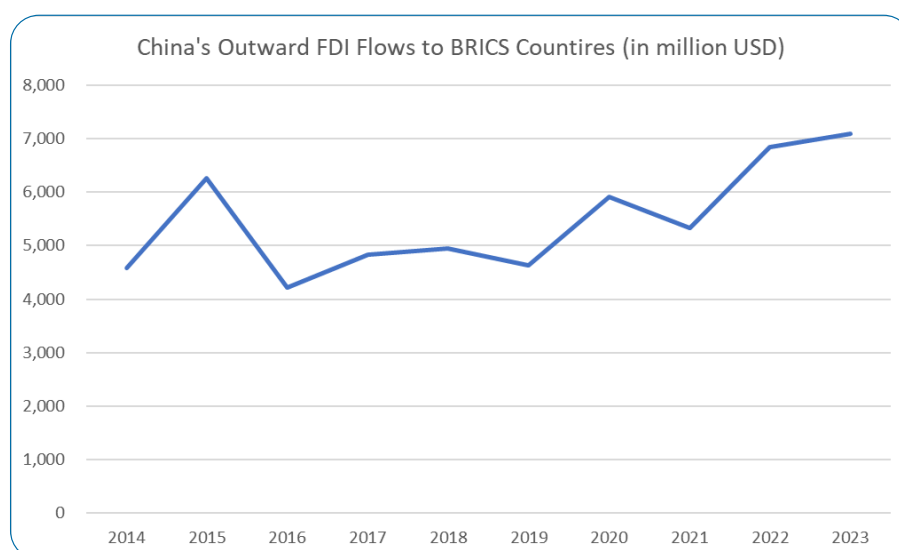
capital flows within BRICS. Strengthening the connectivity among BRICS capital markets can facilitate cross-border investments, improve liquidity, and reduce regulatory barriers, enabling businesses and investors to operate more efficiently across BRICS.

Furthermore, by improving cross-border payment systems, BRICS can enhance financial flows. The BRICS Payment Task Force (BPTF) is leading initiatives in this area which seeks to reduce transaction costs, increase payment speed, and address regulatory fragmentation. By advancing these initiatives, BRICS can unlock its full potential of financial integration, fostering economic resilience and deeper financial cooperation across member countries.

China

CHINA | Imports, exports, and FDI from 2014 to 2023





CHINA | Opportunities for expanding financial flows between BRICS countries

Expanding financial flows among BRICS countries presents significant opportunities for deepening economic cooperation, enhancing financial connectivity, and supporting sustainable development. Several key measures can unlock this potential:

First, strengthening policy coordination is essential. Sharing and exploring alignment in investment regulations, financial market policies, and tax frameworks can create a more predictable and stable investment environment.

Second, enhancing financial market connectivity is crucial. Deepening cooperation in bond market development, including issuing Panda Bonds, can diversify funding sources.

Third, promoting sustainable finance and transition finance is vital. Strengthening cooperation in ESG investment frameworks can attract more capital into sustainable projects. Expanding green finance initiatives, such as sustainable bonds or green taxonomy alignment, can attract financial flows that align with global climate goals.

Egypt

EGYPT | FDI Inflows to Egypt from BRICS countries*

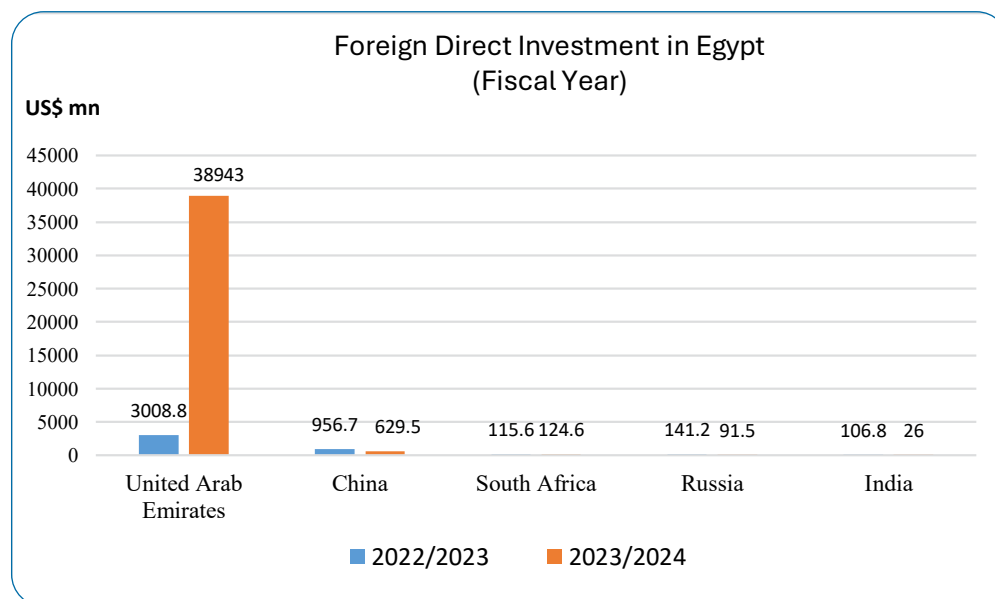
Fiscal Year	Russia	China	Brazil	India	South Africa	Iran	Ethiopia	Indonesia	UAE
2022/2023	141.2	956.7	11.6	106.8	115.6	26.5	1.5	0.8	3008.8
2023/2024	91.5	629.5	4.6	26.0	124.6	0.0	1.1	1.5	38943.0
Jul/Sep 2024**	28.0	51.2	1.4	5.9	3.0	0.0	1.9	0.7	1232.3

Source: Central Bank of Egypt.

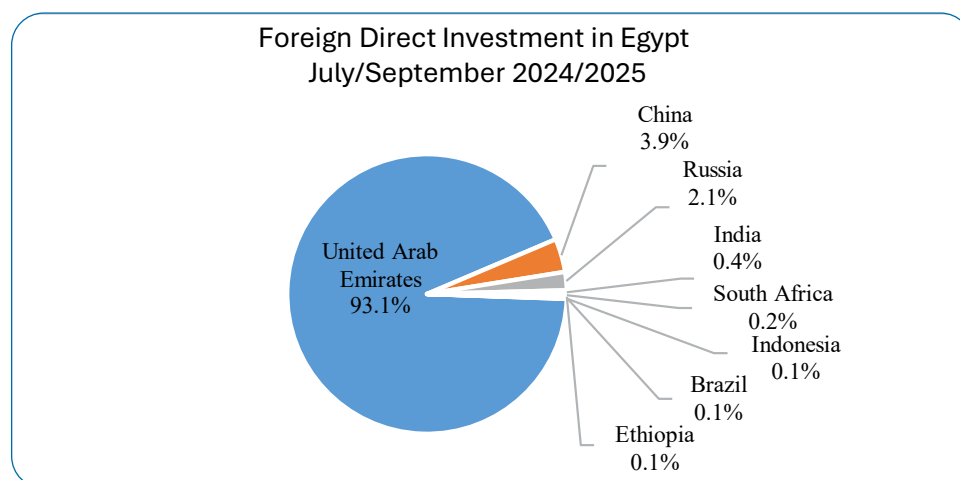
* Provisional.

** Representing FDI inflows to Egypt during July/September 2024.

The previous table illustrates FDI inflows to Egypt from BRICS countries, where the UAE topped the list with an increase in inflows from USD 3.0 billion in FY 2022/23 to USD 38.9 billion in FY 2023/24, most of which occurred during the third and fourth quarters of 2023/24. Most of these investments (90.0%) were concentrated in the construction sector, reflecting new investments in Ras El Hekma, which registered USD 35.0 billion. South Africa came next with a rise of USD 9.0 million to register USD 124.6 million, followed by Indonesia, whose inflows increased by USD 0.7 million to record USD 1.5 million. Meanwhile, FDI inflows from China recorded USD 629.5 million (compared with USD 956.7 million), and inflows from Russia reached USD 91.5 million (against USD 141.2 million).



During July/September 2024, total FDI inflows from BRICS members to Egypt recorded USD 1.3 billion. The UAE topped the list with inflows to Egypt reaching USD 1.2 billion (93.1% of the total), followed by China (USD 51.2 million), Russia (USD 28.0 million), India (USD 5.9 million), South Africa (USD 3.0 million), and other countries (USD 4.0 million).



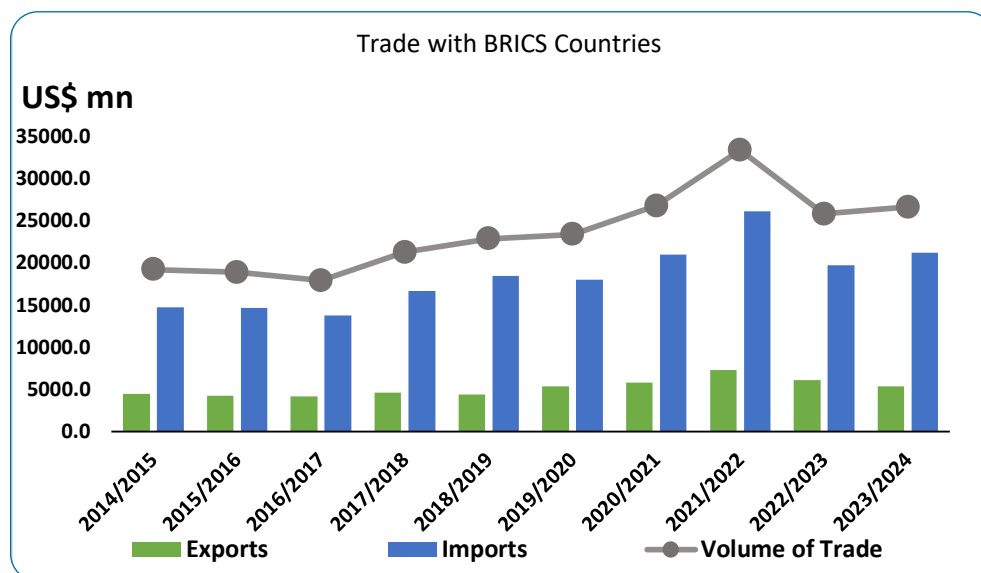
EGYPT | Trade with BRICS countries

Egypt's total exports continued to rise from FY 2015/2016 until they peaked in FY 2021/2022, reaching about USD 43.9 billion (including exports of natural gas worth about USD 8.2 billion and exports to BRICS countries of about USD 7.3 billion). Then, exports began to decline until FY 2023/2024, reaching USD 32.6 billion (including USD 5.4 billion in exports to BRICS countries) due to the repercussions of geopolitical tensions and the subsequent rise in prices.

During the first quarter of FY 2024/2025 (July/Sept. 2024), exports began rising again, reaching USD 9.1 billion (including USD 1.5 billion in exports to BRICS countries), as the implementation of the Ras-El Hekma Agreement in March 2024 led to gradual economic recovery, resulting from the relative availability of imported production requirements.

Egypt's total imports continued to rise from FY 2016/2017 until they peaked in FY 2021/2022, reaching about USD 87.3 billion (including imports of intermediate goods worth about USD 29.6 billion and imports from BRICS countries of about USD 26.1 billion). Then, imports began to decline until FY 2023/2024, reaching USD 72.1 billion (including USD 21.2 billion in imports from BRICS countries) due to the repercussions of geopolitical tensions and the subsequent rise in prices.

During the first quarter of FY 2024/2025 (July/Sept. 2024), imports began rising again, reaching USD 23.1 billion (including USD 7.4 billion in imports from BRICS countries), as the implementation of the Ras-El Hekma Agreement in March 2024 led to an increase in foreign currency, which contributed to fulfilling some of the urgent obligations required, such as the release of goods at customs.



India

INDIA | *Economic and financial flows with BRICS*

Over the last decade, the dynamics of foreign direct investment (FDI) between India and BRICS nations have changed significantly. In 2014-15, FDI inflows to India from BRICS countries (Brazil, Russia, China, and South Africa) were about 4.7% of total FDI inflows, but subsequently recorded a secular decline due to moderation in FDI flows from Russia and China. After the addition of new members, the share of FDI from BRICS nations increased to 6.7% in 2023-24 and over 10% during April-December 2024. The recent rise in FDI inflows to India from BRICS is mainly attributed to the UAE, which currently represents around 99% of the inflows from BRICS. After the addition of new members, India's outward FDI to BRICS also increased, with its share rising from 2% in 2014-15 to over 11% during 2023-24. India's outward FDI to the UAE has been the largest, followed by Indonesia and Brazil.

Regarding foreign portfolio investment (FPI), there is limited information available on country-wise FPI. The data suggests that among the BRICS nations, only the UAE has historically been one of the top sources of FPI to India, but its exposure has been declining. India's financial interactions with other BRICS nations are steadily increasing, and there remains large untapped potential that needs to be harnessed by leveraging trade and investment.

INDIA | *Opportunities for expanding financial flows between BRICS countries*

India's outward FDI to BRICS has already been on an upward trajectory, and strengthening trade will further boost such flows to BRICS nations.

Furthermore, a cross-border digital payment system linked to national networks like India's "Digital Public Infrastructure (DPI)" can lower transaction costs and enable seamless transactions. Supporting startup ecosystems through platforms like the new BRICS Startup Knowledge Hub will promote innovation-driven investments. Exploring investment opportunities in the digital economy, renewable energy, AI, and cybersecurity can boost trade and cooperation among BRICS nations. Establishing harmonized regulatory frameworks for financial regulations and investment protections, along with strengthening trade agreements, may facilitate higher capital and labor mobility within the bloc.

The RBI has also put in place a Local Currency Settlement System (LCSS), under which bilateral MoUs are signed between India and other countries to facilitate bilateral trade settlement in the currency of the respective countries. The Special Rupee Vostro Account (SRVA) arrangement was introduced to encourage greater use of the Indian Rupee (INR) for trade transactions. LCSS can be leveraged for trade settlement between BRICS countries in national currencies.

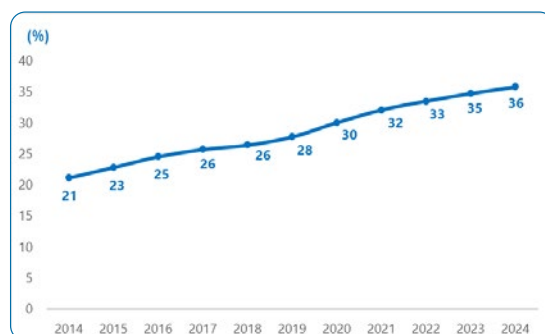
Indonesia

INDONESIA | *Economic and financial flows with BRICS*

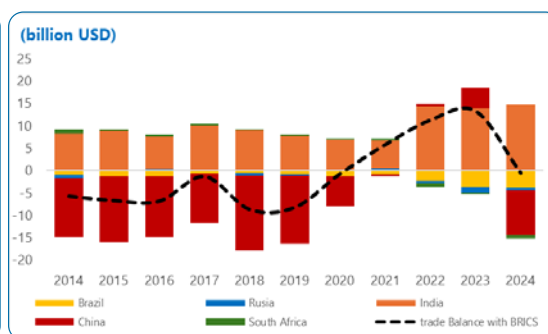
Indonesia's foreign trade share with BRICS countries³¹ has steadily grown over the past decade. In 2024, it accounted for 36% of Indonesia's total foreign trade, up from 21% in 2014. This increase was driven by an average annual growth of 9.4% in exports to BRICS countries and 8.8% in imports from BRICS.

Indonesia's goods trade balance (TB) with BRICS countries showed an average deficit of USD 742 million per year from 2014 to 2024, primarily due to a significant trade deficit with China. However, from 2021 to 2023, Indonesia recorded a trade surplus with BRICS, supported by a narrowing deficit with China and a consistent surplus with India. In 2024, Indonesia's TB with BRICS turned to a deficit of USD 538 million, as the deficits with China, Brazil, South Africa, and Russia outweighed the surplus with India.

Graph 6. Share of Indonesia's Foreign Trade to BRICS (2014-2024)

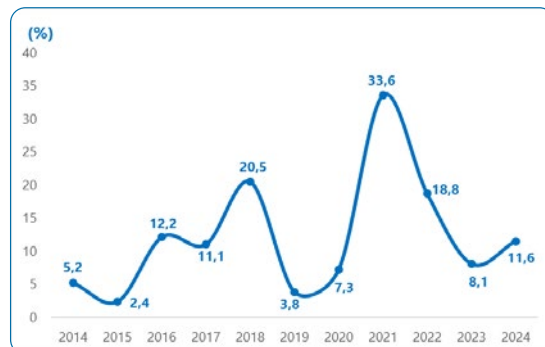


Graph 7. Indonesia's Trade Balance with BRICS (2014-2024)

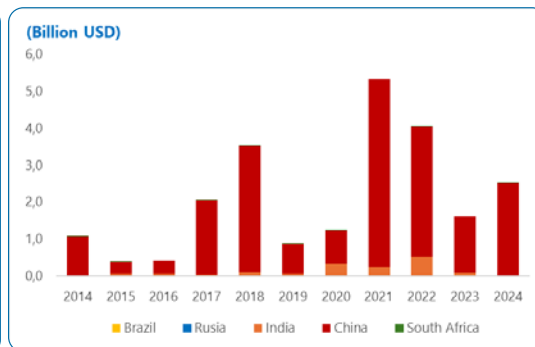


Over the past decade, Indonesia's Foreign Direct Investment (FDI) from BRICS countries has averaged USD 2.1 billion, showing an upward trend. Along with this increase in investment value, Indonesia's share of FDI from BRICS countries has also grown. In 2024, BRICS accounted for 12% of Indonesia's total FDI, up from 5% in 2014. The dynamics of Indonesia's FDI from BRICS are primarily influenced by China's significant share, which dominates FDI inflows compared to other BRICS countries.

Graph 8. Share of FDI from BRICS to Total Indonesia's FDI (2014-2024)



Graph 9. Indonesia's FDI from BRICS countries



INDONESIA | *Opportunities for expanding financial flows between BRICS Countries*

31. Covered trade data between Indonesia and several BRICS countries (Brazil, Russia, India, China, and South Africa).

Indonesia's recent membership in BRICS creates significant opportunities to expand financial flows to other member countries, particularly through increased cooperation in trade finance, infrastructure investment, and local currency transactions. Expanding local currency transaction frameworks with BRICS partners could promote the greater use of local currency for more efficient transaction and enhance market player accessibility, support financial market development, and reduce exchange rate volatility through exposures of currency diversification. Additionally, establishing stronger linkages between Indonesia's capital markets and BRICS markets could facilitate substantial financial flows. To unlock this potential, policy harmonization, regulatory alignment, and active promotion of bilateral financial cooperation agreements will be essential.

INDONESIA | *FX market transactions settled in BRICS currencies*

In Indonesia, foreign exchange (FX) transactions involving BRICS currencies (including BRL, RUB, INR, CNY, and CNH) have been actively traded in the domestic market. Since 2015, transactions in BRICS currencies have shown positive growth. In 2023 and 2024, the average daily transaction volume involving BRICS currencies in Indonesia's FX market reached USD 146 million and USD 215 million, respectively, with Tod, Tom, and Spot transactions being the most dominant. Among BRICS currencies, the Chinese yuan (CNY) is the most actively traded, accounting for 78% of total BRICS currency transactions in the Indonesian FX market.

Graph 10. Total Value of Indonesia's FX Market Trx Settled in BRICS Currencies

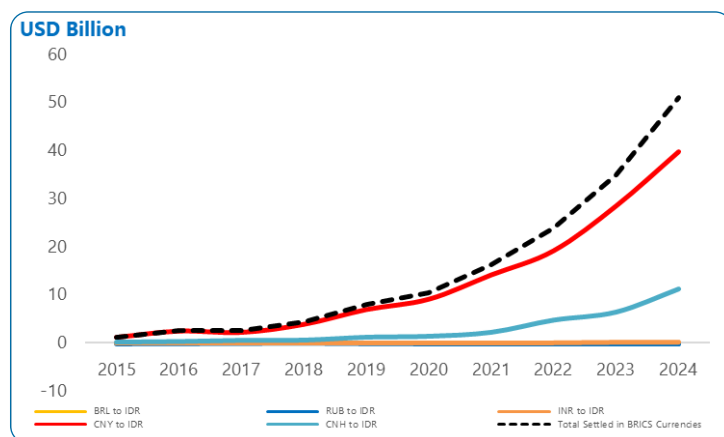


Table 3. Average Daily Transactions Volume Involving BRICS Currencies

Avg. Daily Transactions Vol. (USD Million)	2022	2023	2024
INR to IDR	0,2	0,4	0,5
CNY to IDR	77,8	119,0	166,7
CNH to IDR	19,1	26,8	47,3
Total	97,1	146,2	214,6

Iran

IRAN | *Economic and financial flows with BRICS*

Regarding the foreign trade flow between Iran and the BRICS countries (Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, and the United Arab Emirates), a review of statistics from the Customs Administration of Iran indicates that the total value of customs exports to BRICS countries in 2015 was 18.1 billion dollars. After a downward trend during the years 2018 to 2020—mainly due to sanctions and the coronavirus pandemic—this trend has been on the rise from 2021 to 2024, reaching approximately 23.7 billion dollars in the first eleven months of 1403 (equivalent to March 2024 to February 2025). The value of customs imports from BRICS member countries also increased, rising from 22.1 billion dollars in 2015 to 38.8 billion dollars during the same period in 1403 (March 2024 to February 2025).

IRAN | *Opportunities for expanding financial flows between BRICS countries*

Given the sanctions imposed on the Iranian economy and the restrictions on international financial transactions and banking brokerage relationships, it is evident that the recent actions of the BRICS group to distance themselves from the current system of international settlements and payments—and to reduce the exclusive role of global currencies such as the dollar and the euro in the international monetary and financial system—represent an important opportunity to expand Iran's international financial transactions. These actions include establishing direct connections between the banking systems of BRICS member countries, creating direct settlement lines between national currencies (through bilateral or multilateral monetary agreements), and using internal messaging systems such as the China International Interbank Payment System (CIPS) and the Russian Financial Messaging System (SPFS).

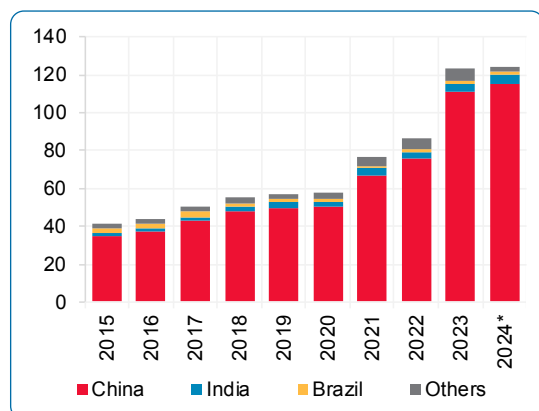
Russia

RUSSIA | *Economic and financial flows with BRICS*

During the past decade, Russia's trade flows with BRICS countries have demonstrated sustained growth, with China leading, mainly due to its economic size, neighboring geographical position, and increasing competitiveness in some sectors on international markets. Since 2021, bilateral trade with BRICS countries has been rising at an accelerated pace, with a growing role of India and Brazil in exports as Russia found ways to diversify its export markets after the introduction of sanctions in 2022-24 (Figure 8, Figure 9). External net trade in services with BRICS economies was in surplus until 2020, when a large trade deficit with China surpassed a surplus with other countries (Figure 11).

Financial flows between Russia and other BRICS countries during 2015-2021 were substantially lower compared to trade flows (Figure 10); the share of BRICS net foreign direct and portfolio investment did not exceed 1% of the total during this period. This was a natural phenomenon given that almost all international payments were processed via major economies' financial infrastructure, and many of BRICS' financial systems were less open to international investors.

Figure 1. BRICS countries exports to Russia, USD bn



Source: COMTRADE.

* For 2024 – excluding Iran and UAE from “Others” due to the lack of the data.

Figure 2. BRICS countries imports from Russia, USD bn

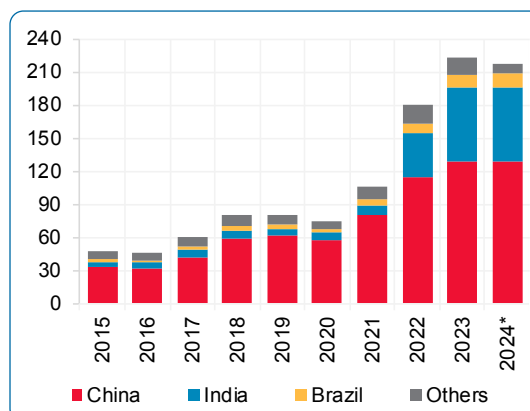
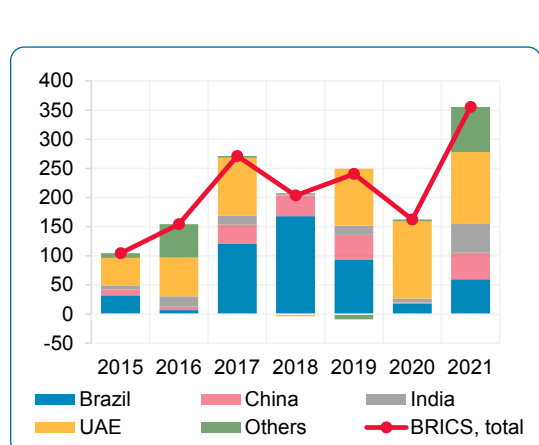
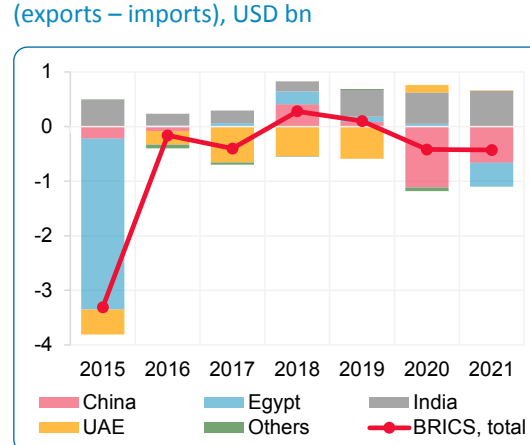


Figure 3. FDI, net, USD mn



Source: Bank of Russia.

Figure 4. External trade in services, net (exports – imports), USD bn



RUSSIA | Opportunities for expanding financial flows between BRICS countries

Capital flows could intensify in line with the development of bilateral relations and the increase in the investment attractiveness of BRICS countries. BRICS economies are already of great interest to Russian investors, and this interest can rise further as institutional, geopolitical, regulatory, and cultural barriers are removed. Russian businesses have accumulated vast experience in commodity extraction and processing industries, which are specifically beneficial for BRICS economies, and see great opportunities for expanding their investments further. In fact, Russia has already participated in a number of joint investment projects with China in the oil and gas sector, invested in Indian oil, chemical, and electronic industries, acquired shares in mining assets in Brazil, and developed energy and metal extraction projects in South Africa.

The geopolitical influence of BRICS is gradually increasing, especially in terms of the potential development of new formats for international settlements. The scaling up of the use of digital currencies in international settlements may eliminate obstacles in financial flows.

RUSSIA | *Evaluation of FX market transactions settled in BRICS currencies*

From 2015 to 2021, most FX market deals were settled in reserve currencies, with only a small fraction of trades settled directly in BRICS currencies. After 2022, the role of BRICS currencies, primarily the Chinese yuan (CNY), has been growing due to the redirection of Russian external trade away from Europe towards Asian and African countries. According to the latest published data, the total monthly value of transactions in spot deals at the Moscow Exchange using CNY/RUB and USD/CNY increased twofold—from USD 28 billion in July 2022 to USD 61 billion in May 2024. In terms of the share of spot deals in CNY/RUB and USD/CNY at the Moscow Exchange, the increase was even more substantial—from 0.4% in January 2022 to 59.1% in May 2024. The OTC market has also seen the share of CNY-related currency pairs rising from 1.2% in January 2022 to 46.1% in May 2024.

South Africa

SOUTH AFRICA | *Intra-BRICS trade*

Over the past decade, South Africa's trade with its four trading partners within the BRICS organization has shown quite diverse trends. While imports and exports to and from India and especially China have expanded significantly, trade with Brazil and Russia remains subdued.

From 2015 to 2024, the average growth in imports from the four countries was respectively: Brazil: 5.5%, China: 11.1%, India: 16.5%, and Russia: 7.3%. It should, however, be kept in mind that imports from Russia and Brazil come off a much lower base than the other two countries. Even though imports from China remain elevated, they recently contracted somewhat due to slower domestic growth, ongoing supply chain issues, and conscious attempts to reduce the trade deficit with China, thus exploring trade diversification to reduce dependency on China. Imports from India, however, remain close to record levels reached at the end of 2022.

Exports to South Africa's BRICS partners from 2015 to 2024 displayed similar trends observed in imports from these countries, showcasing notable growth in certain markets. Exports to China surged by an impressive 15.3%, driven by strong demand for South African raw materials such as minerals and metals, which are essential for China's manufacturing and industrial sectors. Similarly, exports to India grew by 12.0%, supported by India's increasing need for commodities like coal and precious metals, as well as agricultural products.

Exports to Russia also experienced growth, rising by 5.1% over the same period. This increase can be attributed to strengthened trade relations and Russia's demand for South African agricultural products and other goods. However, exports to Brazil presented a contrasting trend, contracting by 2.9%. This decline may be linked to economic challenges in Brazil during the period, including recessions.

Overall, while exports to China, India, and Russia have shown robust growth, the decline in exports to Brazil highlights the varying dynamics within South Africa's trade relationships with its BRICS partners.

The relationship remains imbalanced: By the end of 2024, South Africa recorded trade deficits with all four BRICS co-member countries. Throughout the review period, these deficits grew, with the trade deficit with China showing the largest increase, rising from slightly over R24 billion in 2015 to exceeding R54 billion by 2024.

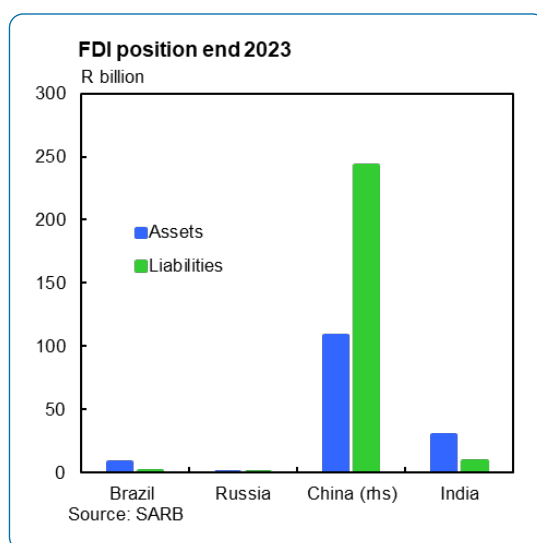
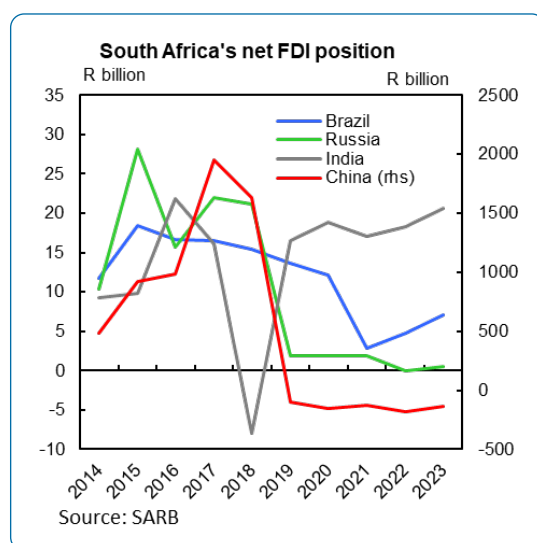
SOUTH AFRICA | *Foreign direct investment*

Over the past decade (2015–2024), Foreign Direct Investment (FDI) flows between South Africa and other BRICS countries have shown mixed performances, influenced by various economic and geopolitical factors.

China has been the largest source of FDI among BRICS countries for South Africa, with investments focused on mining, energy, and infrastructure. South Africa has also invested in Chinese industries, though at a smaller scale. FDI from India has grown steadily, particularly in sectors like automotive manufacturing, pharmaceuticals, and IT. South Africa has reciprocated with investments in India's mining and hospitality sectors. FDI flows between South Africa and Russia have been limited but focused on energy projects and agriculture. Similarly to trade, FDI between South Africa and Brazil has been relatively low compared to China and India, with limited cross-investment in sectors like agriculture and manufacturing.

Some of the key positive influencing factors have been BRICS collaboration, resource demand, and infrastructure demand. On the other hand, economic volatility, geopolitical tensions, and political uncertainty have had a dampening effect on FDI flows.

These dynamics highlight the opportunities and challenges in FDI flows between South Africa and its BRICS partners.



SOUTH AFRICA | *Foreign portfolio flows*

Over the past decade, South Africa has seen significant portfolio investments from China, particularly in government bonds and equities. Chinese investors have sought exposure to South Africa's mining and financial sectors. Portfolio flows from India have been moderate, with a focus on South African equities, driven by India's growing interest in diversifying its investment portfolio. FPI flows between South Africa and Russia have been limited, partly due to geopolitical tensions and sanctions affecting Russia's financial markets. Portfolio flows between South Africa and Brazil have been relatively low, reflecting limited financial integration between the two economies.

Membership in BRICS has facilitated financial cooperation and investment opportunities among member countries, and investors from BRICS countries have sought to diversify their portfolios by investing in South Africa's financial assets, while South Africa's rich natural resources in the mining sector attracted portfolio investments.

On the other hand, some negative influences were the volatility of the economy, with fluctuations in global commodity prices and economic slowdowns in BRICS countries which have impacted portfolio flows. Sanctions and geopolitical challenges, particularly involving Russia, have created uncertainties in financial markets. Political uncertainties, including inconsistent policies and regulatory challenges in South Africa, have deterred some potential investors.

These dynamics highlight the complexities of FPI flows between South Africa and its BRICS partners.

SOUTH AFRICA | *Opportunities for expanding financial flows between BRICS countries*

Financial flows among emerging market economies (EMEs) have expanded significantly since the mid-2000s. Within the BRICS nations (Brazil, Russia, India, China, and South Africa), intra-group investments have grown, particularly involving China and South Africa. However, further opportunities exist to enhance cross-border investments within the group.

To improve flows between emerging market economies, the International Monetary Fund (IMF) recommends strengthening macroeconomic frameworks, implementing more effective policies, and enhancing institutional quality to improve resilience to global monetary shifts. Aligning financial regulations and standards across BRICS countries can reduce barriers to cross-border transactions and investments. This includes simplifying procedures for trade, investment, and financial services. Continued liberalization of financial markets would support portfolio flows within the BRICS economies, as well as adjusting regulatory and prudential limits, which should enable greater investment by local funds into peer BRICS markets.

Strengthening direct investment channels through bilateral and multilateral agreements can further enhance financial integration within the BRICS region, fostering and strengthening long-term economic cooperation. Opportunities lie within infrastructure development through joint ventures between governments and private sector entities, which can attract foreign investment and expertise.

Expanding traditional and derivative financial markets (particularly involving the foreign exchange market) within BRICS could improve liquidity, attract capital from other emerging markets, and support economic growth.

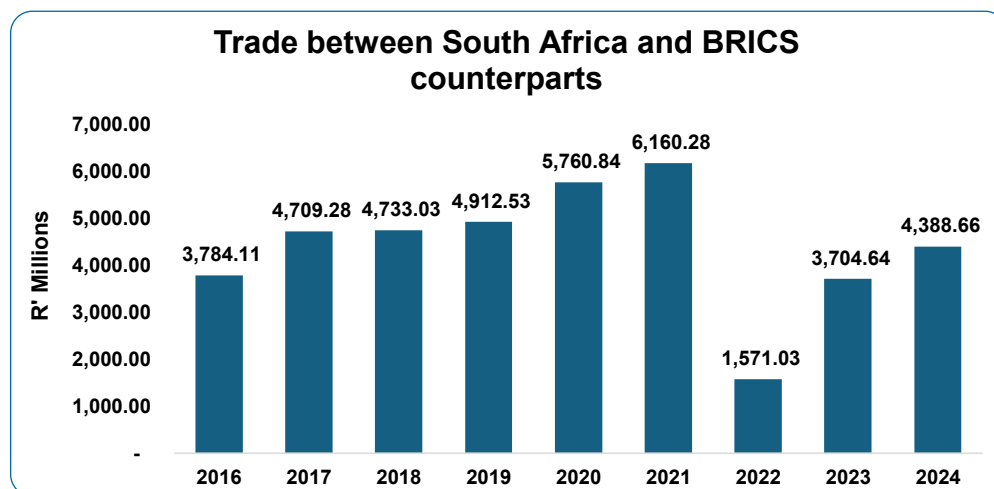
Integrating BRICS economies' sustainable finance objectives would enhance green investment flows. Expanding financial flows into renewable energy sectors presents a key growth avenue. Sustainable finance for green projects, supported by institutions like the New Development Bank (NDB), has the potential to drive economic activity while addressing environmental sustainability. BRICS countries can develop green investment products to attract environmentally conscious investors. This can include green bonds, ETFs, and mutual funds focused on sustainable projects.

Enhancing connectivity between financial markets can also facilitate smoother capital flows and investment. This can include developing common platforms for trading and investment as well as cross-listings. The cross-listing of financial instruments across BRICS stock exchanges could deepen market integration and improve capital access. Policy coordination at an international level would further facilitate this process. Additionally, following the example of the ASEAN+3 Bond Market Initiative, BRICS countries can develop a regional bond market to facilitate the issuance and trading of bonds. This can attract international investors looking for diversified fixed-income investments. BRICS countries can establish regional investment funds to support startups and SMEs. These funds can attract portfolio investments by offering diversified investment opportunities across multiple sectors.

SOUTH AFRICA | *Evaluation of FX market transactions settled in BRICS currencies*

Trade Between South Africa and BRICS Counterparts

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Brazil	54.850.721,75	109.738.561,14	100.013.094,49	76.975.123,13	68.492.719,76	52.740.777,88	61.213.546,85	83.948.383,43	89.478.413,60
Russia	100.758.670,83	164.053.931,38	193.649.339,12	157.604.570,28	198.889.704,92	179.740.006,79	63.562.415,14	136.299.738,93	71.909.679,97
India	49.700.845,62	94.791.551,10	88.394.187,87	84.267.806,56	77.059.112,70	66.918.252,10	79.550.970,20	127.392.407,76	96.496.579,78
China	3.578.801.533,75	4.340.696.019,77	4.350.973.825,82	4.593.678.651,78	5.416.403.053,05	5.860.882.208,21	1.366.700.932,77	3.357.002.259,55	4.130.779.827,36
BRICS	3.784.111.771,95	4.709.282.080,39	4.733.030.447,30	4.912.526.151,75	5.760.844.590,43	6.160.281.244,98	1.571.027.864,96	3.704.642.789,67	4.388.664.500,71



United Arab Emirates

UAE | *Economic and financial flows with BRICS*

UAE non-oil trade with BRICS countries amounted to more than USD 200.6 billion in 2024, reflecting a growth of 10% compared to 2023 and a 77% increase compared to 2015. In 2024, BRICS countries accounted for 25% of the UAE's total non-oil trade (31% of imports, 18.5% of exports, and 14.3% of re-exports).

UAE | *Opportunities for expanding financial flows between BRICS countries*

BRICS countries need to promote FDI and portfolio investments into their jurisdictions to encourage investments from the UAE. UAE investors look to invest surplus funds into long-term assets across different risk categories and countries. BRICS countries can and do offer adequate opportunities, but they can improve certain critical areas. This can be done by:

1. Providing a tax regime that is transparent to foreign investors and not arbitrary.
2. Ensuring stable FX regimes where downside risks can be managed well and hedged effectively at low cost to support long-term investments.
3. Creating a legally strong investment landscape where investors' ownership rights are protected and their ability to transact and remit funds is guaranteed.
4. Offering multiple investment options with best-in-class market regulations and infrastructure—equity, bonds, real estate, FDI—to ensure diversified risk and improved returns.

Furthermore, the UAE continues to pursue economic diversification goals and, through CEPAs and regional economic integration, enhances trade and investment relations with its economic partners. Through regulatory reforms aimed at reducing barriers to foreign ownership and trade, residency reforms, and programs to attract foreign capital and talent, the UAE creates a supportive environment for foreign investors wishing to establish businesses in the UAE. At the same time, it pursues economic diversification goals by investing in foreign markets through sovereign wealth funds.

The UAE recognizes significant opportunities to expand financial flows with BRICS countries by leveraging its strategic position as a global trade and investment hub. As an active participant in the BRICS Contact Group for Economic and Trade Issues (CGETI), the UAE has contributed to advancing critical initiatives such as the BRICS Cooperation Framework on Special Economic Zones (SEZs), the BRICS Statement on Ensuring Effective Functioning of Joint Value Chains, and the Joint Statement on Fostering E-Commerce. These frameworks open pathways for increased cross-border investments.

The UAE places particular emphasis on strengthening supply chain resilience, as highlighted in the BRICS Statement on Ensuring Effective Functioning of Joint Value Chains, to ensure smooth trade and reduce disruptions. Its robust ecosystem of more than 40 free zones aligns with the BRICS SEZ framework to foster investment, facilitate trade, and support the growth of future industries like technology and green energy, advancing regional integration and unlocking economic potential.

CONCLUSION

The 2025 BRICS Economic Bulletin highlights the distinct yet increasingly convergent experiences of member countries in navigating a decade shaped by global shocks. While reform agendas played a pivotal role in strengthening resilience, global risk factors—particularly monetary spillovers from advanced economies, geopolitical tensions, commodity price volatility, and sanctions-related restrictions—had a significant impact on the capital flow dynamics of BRICS countries.

Regarding financial flows between BRICS members, the Bulletin notes the concentration of trade and financial flows within a limited set of bilateral relationships. Diversify such concentration offers a growing potential for deeper intra-BRICS financial integration. Developments—such as the growing use of local currencies in trade settlements, rising direct investment flows between members, and enhancing cross-border payment systems—reflect a shared commitment to efficiency, resilience, and relevance of the BRICS economies.

ANNEX

- **2025 BRICS Bulletin Graphs**
Core dataset of charts and indicators used throughout the bulletin.



BRICS
Brasil 2025

COOPERATING FOR AN INCLUSIVE AND SUSTAINABLE WORLD

