

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics (FEM)



Bachelor Thesis

Economic Analysis of Russian, Chinese and Indian Economies

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Business Administration

Thesis title

Economic Analysis of Russian, Chinese and Indian Economies

Objectives of thesis

The purpose of this bachelor thesis is to identify the current situation in the economic development of the countries on the basis of using indicators that objectively reflect the process of reproduction. The relevance of the analysis of economic performance of Russia, India and China is particularly important in the context of the current economic and political situation in the world. These countries are the partners with interdependent economies, I think that it is a significant factor in the assessment of their economic performance.

Countries were considered for the following indicators: GDP, GDP per capita, GNP, inflation, unemployment, foreign trade, national income, purchasing power parity.

Methodology

For this bachelor thesis I chose a descriptive method which will explain such aggregated concepts as Gross Domestic Product, Gross National Product, National income, inflation rate, unemployment rate, foreign trade, Purchasing Power Parity, etc. Based on these indicators, macroeconomic analysis explains the mechanism of the formation of typical for the market economy phenomena and processes and justifies the patterns of their change.

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Keywords

GDP, GDP per capita, GNP, inflation, unemployment, foreign trade, national income, purchasing power parity.

Recommended information sources

BLANCHARD, Olivier a David R. JOHNSON. Macroeconomics. 6th ed. Harlow: Pearson Education, c2013. ISBN 978-0-273-76633-9.

BREZINA, Corona. Understanding the gross domestic product and the gross national product. New York, NY: Rosen Pub., 2012. ISBN 9781448855698.

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Declaration

I declare that I have worked on my bachelor thesis titled " Economic Analysis of Russian, Chinese and Indian Economies" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 14.03.18

Nina Zhirnova

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Ekonomická analýza Čínské, Ruské a Indické ekonomik

Souhrn

Tato bakalářská práce se skládá z popisu hlavních makroekonomických ukazatelů, které určují ekonomický růst Číny, Ruska a Indie, jako je HDP, HDP na obyvatele, PPP, zahraniční obchod, HNP, nezaměstnanost, inflace, národní příjmy. V praktické části této práce byly analyzovány následující ukazatele: úroveň obyvatelstva, HDP, HDP na obyvatele, nezaměstnanost, míra inflace, HDP na obyvatele PPP. Údaje pro analýzu byly převzaty ze Světové banky. Regresní analýza takového ekonomického ukazatele jako HDP na obyvatele byla provedena také v praktické části práce.

Klíčová slova: Čína; Rusko; India; HDP; HDP na obyvatele; zahraniční obchod; PPP; HNP; nezaměstnanost; inflace; regresní analýza.

Economic Analysis of Russian, Chinese and Indian Economies

Summary

This bachelor thesis consists of the description of the main macroeconomic indicators that determine Chinese, Russian and Indian economic growth, such as GDP, GDP per capita, PPP, foreign trade, GNP, unemployment, inflation, national income. In the practical part of this thesis, the following indicators were analyzed: the level of population, GDP, GDP per capita, unemployment, inflation rate, GDP per capita by PPP. The data for analysis was taken from the World Bank. The regression analysis of such an economic indicator as GDP per capita was also made in the practical part of the thesis.

Keywords: China; Russia; India; GDP; GDP per capita; foreign trade; PPP; GNP; unemployment; inflation; regression analysis.

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1 Introduction

The state of the economy of a particular country is characterized by the results of its current activities. Such results can be analyzed by examining the dynamics and current data on the level of basic macroeconomic indicators such as Gross Domestic Product (GDP), Gross National Product (GNP), national income, Purchasing Power Parity, unemployment, foreign trade, inflation and etc.¹

The subject of the macroeconomic theory is the study of macroeconomic phenomena that are not related to any one branch of the economy, but are relevant to all sectors of the economy and should receive a general (macroeconomic) explanation. Macroeconomics considers the behaviour of an economy viewed as a single whole: its ups and downs, problems of inflation, unemployment. It should be noted that some macroeconomic issues relate to the economy of the country, and some may have consequences for a number of countries (for example, world oil or financial crises). In this case we are dealing with global macroeconomic analysis. Macroeconomics considers both the change in production and employment in the long term (economic growth), and their short-term fluctuations, which form the cycles of business activity².

The main problems studied at the macroeconomic level are: determination of the volume and structure of the national product and ND; identification of factors regulating employment across the economy; studying the mechanism and factors of economic growth; consideration of the causes of cyclical fluctuations and conjectural changes in the economy; research of foreign economic interaction of national economies; theoretical substantiation of the goals, content and forms of implementation of the state's macroeconomic policy.³

In macroeconomics, the following aggregate economic variables are considered: aggregate output, consumption, investment, exports and imports, price level and so on. It is also considered to consider the following aggregated markets: the commodity market, the labour market and the asset market. Macroeconomics is the basis of the state's economic policy. The

¹SHAPIRO, Edward. *Macroeconomic analysis*. 5th ed. New York: Harcourt Brace Jovanovich, c1982. ISBN 0155512153.

²COBHAM, David P. *Macroeconomic analysis: an intermediate text*. New York: Longman, 1987. ISBN 0582297087.

³COLANDER, David C. *Macroeconomics*. 9th ed. New York: McGraw-Hill/Irwin, c2013. ISBN 978-1-25-906044-1.

national economy is the economic activity of economic entities on a national scale, aimed at meeting the needs of the nation.⁴

Objectives of macroeconomic policy of the state:

- Economic growth - ensuring a stable growth trend of the national product.
- Optimum employment is the provision of work for all who wish and are able to work⁵.
- Stabilization of prices is the same efficiency for all economic entities, i.e. ensuring a stable price level, excluding inflation⁶.
- Foreign trade balance that provides balance of foreign trade, balance of exports and imports, stable exchange rate of the national currency.⁷

To implement these goals, the following basic macroeconomic policy instruments are used:

- Fiscal policy provides for the use of taxes and public spending to influence the economy⁸.
- The monetary policy is implemented by the state through the monetary, credit and banking systems of the country⁹.
- The income policy is a desire of the state to restrain inflation by directive methods, either control over wages and prices, or planning to raise wages and prices¹⁰.
- Foreign economic policy. Accounting and analysis of foreign trade activities of the country and management of foreign exchange markets.¹¹

The need of macroeconomic research:

- First, macroeconomic analysis is aimed at studying the principles of aggregate indicators, characterizing the level or trends of the economy as a whole: national

⁴BLANCHARD, Olivier a David R. JOHNSON. *Macroeconomics*. 6th ed. Harlow: Pearson Education, c2013. ISBN 978-0-273-76633-9.

⁵HYMAN, David N. *Macroeconomics*. Homewood: Irwin, 1989.

⁶HYMAN, David N. *Macroeconomics*. Homewood: Irwin, 1989.

⁷HYMAN, David N. *Macroeconomics*. Homewood: Irwin, 1989.

⁸MCCONNELL, Campbell R., Stanley L. BRUE a Sean Masaki FLYNN. *Macroeconomics: principles, problems, and policies*. 19th ed. New York: McGraw-Hill/Irwin, c2012. ISBN 978-0-07-122104-7.

⁹MCCONNELL, Campbell R., Stanley L. BRUE a Sean Masaki FLYNN. *Macroeconomics: principles, problems, and policies*. 19th ed. New York: McGraw-Hill/Irwin, c2012. ISBN 978-0-07-122104-7.

¹⁰MCCONNELL, Campbell R., Stanley L. BRUE a Sean Masaki FLYNN. *Macroeconomics: principles, problems, and policies*. 19th ed. New York: McGraw-Hill/Irwin, c2012. ISBN 978-0-07-122104-7.

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income, total employment and investment, general price level, economic growth rates, etc¹².

- Second, unlike microeconomic analysis, in which decisions of producers and consumers and their actions in individual markets were viewed as independent, macroeconomic analysis assumes the need to consider the interaction between economic actors through a system of interconnected markets¹³.
- Thirdly, with the macroeconomic approach, the number of economic entities that determine the state and development of the economy is expanding. In addition to producers and consumers, these entities include a state whose impact on the economy becomes the object of study. In open models of the functioning of the national economy, the subjects of macroeconomic analysis include aggregate producers and consumers, as well as governments of other countries.¹⁴

¹² TAYLOR, John B. aAkila WEERAPANA. *Macroeconomics*. 7th ed. Australia: South-Western Cengage Learning, c2012. ISBN 978-0-538-45356-1.

¹³ TAYLOR, John B. aAkila WEERAPANA. *Macroeconomics*. 7th ed. Australia: South-Western Cengage Learning, c2012. ISBN 978-0-538-45356-1.

¹⁴ TAYLOR, John B. aAkila WEERAPANA. *Macroeconomics*. 7th ed. Australia: South-Western Cengage Learning, c2012. ISBN 978-0-538-45356-1.

2 Objectives and Methodology

2.1 Objectives

The purpose of this bachelor thesis is to identify the current situation in the economic development of the countries on the basis of using indicators that objectively reflect the process of reproduction.

The relevance of the analysis of economic performance of Russia, India and China is particularly important in the context of the current economic and political situation in the world. These countries are the partners with interdependent economies, I think that it is a significant factor in the assessment of their economic performance.

Countries were considered for the following indicators: GDP, GDP per capita, GNP, inflation, unemployment, foreign trade, national income, purchasing power parity.

2.2 Methodology

For this bachelor thesis I chose a descriptive method which will explain such aggregated concepts as Gross Domestic Product, Gross National Product, National income, inflation rate, unemployment rate, foreign trade, Purchasing Power Parity, etc. Based on these indicators, macroeconomic analyse explains the mechanism of the formation of typical for the market economy phenomena and processes and justifies the patterns of their change.

3 Theoretical part

Macroeconomic indicators are summary numeric indicators that are calculated over a certain period of time and are used as the main criterion for the state of the national economy of the state as a whole. It is possible to determine the direction in which the dynamics of the main indicators of the country's economic development are located by studying the data of macroeconomic indicators.¹⁵

3.1 Gross Domestic Product

The main macroeconomic indicator in the statistics of countries and international organizations is Gross Domestic Product. It plays an important role in the economy of the country. In the economic science, GDP is the total value (at market prices) of all goods and services that are created by final consumption (it is consumed by people or firms for subsequent manufacture of some other benefits). So Gross Domestic Product (GDP) is the market value of all goods and services that are produced in the given country for the year. That means that GDP doesn't include the cost of intermediate goods and services that were used in production (for example, raw materials, fuel, materials, energy, commercial and financial services, transport services). Those goods and services that are further processed and resold several times before reaching the final consumer.¹⁶

All products and services produced in a given year must be accounted no more than only once. This process will allow the correct calculation of the total volume of production, because most goods pass through several production stages before they enter the market and this could lead to the fact that individual parts and components of most products are bought and sold several times. Thus, when calculating Gross Domestic Product, it is necessary to take into account only the market value of final products and include only the value added at each intermediate stage of production in order to avoid multiple accounting. Gross Domestic Product is produced by economic units such as enterprises and households, which, regardless

¹⁵ FRUMKIN, Norman. *Guide to economic indicators*. 3rd ed. Armonk: M.E. Sharpe, 2000. ISBN 0-7656-0437-X.

¹⁶ FRUMKIN, Norman. *Guide to economic indicators*. 3rd ed. Armonk: M.E. Sharpe, 2000. ISBN 0-7656-0437-X.

of their nationality and citizenship, have a center of economic interest in the territory of the country¹⁷.

Methods of measurement of GDP: Production method (sum of gross value added). There is a macroeconomic indicator for calculating the GDP by production method such as gross output, which is the value of goods and services produced by residents for a certain period of time. It includes the production of industrial and agricultural products, transportation of goods, wholesale and retail trade services, communication services, culture of science, public organizations, financial institutions; Food and agricultural products produced by households for their own consumption and etc. Thus, the gross output includes the entire amount of output and services in the national economy¹⁸.

Method of distribution (sum of primary income). Method of distribution is the sum of primary incomes of all business units and the population from all types of economic activity, as well as depreciation charges. GDP as a flow of income is represented by the amount of payroll, interest, rent payments and other property income before taxes, also it is represented by state revenues in the form of various indirect taxes and depreciation charges, which go to purchase investment goods¹⁹.

Method of final consumption (sum of final components of consumption). When we use the method of final consumption, GDP becomes the final consumption of material goods and services, investment, growth of material current assets²⁰.

Then GDP includes four flow of spending:

Consumption expenditure (private consumption of goods and services): ‘C’. Government spending (it acts as a consumer, making purchases of goods and services, for example, military equipment): ‘G’. Investments (the sum of all investments of the country, including business capital expenditures): ‘I’. Difference between export and import : ‘NX’²¹. Now we get the formula of Gross Domestic Product:

¹⁷ BREZINA, Corona. *Understanding the gross domestic product and the gross national product*. New York, NY: Rosen Pub., 2012. ISBN 9781448855698.

¹⁸ MCCONNELL, Campbell R., Stanley L. BRUE a Sean Masaki FLYNN. *Macroeconomics: principles, problems, and policies*. 19th ed. New York: McGraw-Hill/Irwin, c2012. ISBN 978-0-07-122104-7.

¹⁹ BREZINA, Corona. *Understanding the gross domestic product and the gross national product*. New York, NY: Rosen Pub., 2012. ISBN 9781448855698.

²⁰ BREZINA, Corona. *Understanding the gross domestic product and the gross national product*. New York, NY: Rosen Pub., 2012. ISBN 9781448855698.

²¹ BREZINA, Corona. *Understanding the gross domestic product and the gross national product*. New York, NY: Rosen Pub., 2012. ISBN 9781448855698.

$$GDP=C+G+I+NX^{22}$$

So the final consumption includes the spending that are satisfying the final needs of individuals or society which were made by institutional sectors: household sector, government sector, sector of private non-profit organizations serving the household. The GDP indicator is the most accurate measure of how well country works, because it characterizes all the main processes that determine the standard living of citizens of the country: the level of economic development, the rate of economic growth, analysis of labor productivity in the economy²³.

3.1.1 Nominal and Real GDP

Nominal gross domestic product is an indicator of GDP without an adjustment for inflation. It shows the total value of all goods and services produced in the country, without taking into account their appreciation.²⁴

Real GDP is a term that assumes the calculation of GDP with inflation. It reflects the value of all goods and services produced in a given year and expressed in base year prices. Real GDP takes into account changes in the price level and reflects the state of the country's economy most correctly.²⁵

The main difference between nominal and real value is that in real values inflation is taken into account, while in nominal values there is no correction for the level of inflation. Thus, the nominal level of GDP will always represent a greater value than real GDP.²⁶

3.1.2 GDP deflator

There is an index called the GDP deflator, which is calculated by dividing the nominal GDP by the real GDP. This indicator calculates in relation to the base year, so the GDP deflator for

22 BREZINA, Corona. Understanding the gross domestic product and the gross national product. New York, NY: Rosen Pub., 2012. ISBN 9781448855698.

23 FRUMKIN, Norman. *Guide to economic indicators*. 3rd ed. Armonk: M.E. Sharpe, 2000. ISBN 0-7656-0437-X.

²⁴ BREZINA, Corona. Understanding the gross domestic product and the gross national product. New York, NY: Rosen Pub., 2012. ISBN 9781448855698.

²⁵ BREZINA, Corona. Understanding the gross domestic product and the gross national product. New York, NY: Rosen Pub., 2012. ISBN 9781448855698.

²⁶ BREZINA, Corona. Understanding the gross domestic product and the gross national product. New York, NY: Rosen Pub., 2012. ISBN 9781448855698.

the first analysed year will always be 1 (unit). This indicator gives an idea of the average level of price changes (inflation or deflation) in the economy.²⁷

GDP deflator for the year $t = \text{nominal GDP}_t / \text{real GDP}_t$ ²⁸

Real GDP growth in annual terms is nominal GDP growth, adjusted for inflation. Usually it is calculated as a percentage²⁹.

3.1.3 Gross Domestic Product per capita

GDP per capita is the market value of all finished products produced within the territory of the state, that is, products that are intended for sale and final consumption, and not for further participation in the production of other products. The indicator includes data for the annual period. GDP per capita is a measure of a country's total output, which includes the amount of gross domestic product (GDP) divided by the number of people in the country.³⁰

GDP per capita = GDP/Population³¹

GDP per capita is especially useful when comparing countries because it shows relative productivity. The growth of GDP per capita signals the presence of economic growth, as well as the growth of labor productivity.³²

3.2 Gross National Product

Gross National Product (GNP) is one of the main indicators by which the volume of national production is measured. GNP is the aggregate value of goods and services at market prices produced in the economy for the year, regardless of the location of national enterprises. This excludes all non-production transactions (financial or related to the resale of the final product).³³

GNP= GDP + net factor income from abroad³⁴

²⁷ Ruffin, R. and Gregory, P. (2001). *Principles of macroeconomics*. Boston: Addison-Wesley.

²⁸ Ruffin, R. and Gregory, P. (2001). *Principles of macroeconomics*. Boston: Addison-Wesley.

²⁹ Stutely, R. (2006). *The Economist guide to economic indicators*. London: The Economist in assoc. with Profile Books.

³⁰ Frumkin, N. (2015). *Guide to Economic Indicators*. Hoboken: Taylor and Francis.

³¹ Frumkin, N. (2015). *Guide to Economic Indicators*. Hoboken: Taylor and Francis.

³² Frumkin, N. (2015). *Guide to Economic Indicators*. Hoboken: Taylor and Francis.

³³ BREZINA, Corona. *Understanding the gross domestic product and the gross national product*. New York, NY: Rosen Pub., 2012. ISBN 9781448855698.

³⁴ Stutely, R. (2006). *The Economist guide to economic indicators*. London: The Economist in assoc. with Profile Books.

Measurements of Gross National Product: by summation of all expenses of the society for the acquisition of goods and services produced in a given year; by summation of all cash income received as a result of production in the same year. These indicators are calculated both in current (operating) prices, and in constant (prices of any base year)³⁵.

GNP, which is calculated in current market prices, is called nominal. It is necessary to clear the nominal GNP from the effect of inflation, i.e., apply the price index to obtain real GNP. The price index expresses the relative change in the average price level of a wide group of goods for a certain period. The ratio of nominal GNP to real shows its increase due to rising prices and is called the GNP-deflator. If we sum up the goods and services produced in the country in all sectors of the economy, then a repeated count is inevitable, which substantially distorts the real volume of GNP. Therefore, the indicator of a net national product (NNP) is introduced. NNP is the created gross national product minus part of the created product which is needed for replacement of the means of production worn out in the process of output of production (depreciation charges). But GNP does not provide a satisfactory economic well-being. First, it includes a number of elements, such as depreciation, that do not affect individual well-being; secondly, this indicator does not include a number of elements that can directly affect the level of well-being³⁶.

3.3 National Income

Another important macroeconomic indicator is the national income (NI). The national income is defined as the sum of the incomes of all owners involved in the production of factors, i.e., the sum of wages, profits, interest and rent³⁷.

The national income is less than GNP by the amount of indirect taxes and depreciation charges from the value of fixed capital. It represents the net income of a society. This is why the NI is also important as a macroeconomic indicator. There are two types of NI: the produced ND and used ND. Produced ND is the volume of newly created value of goods and

35 CASPER, Dale E. Gross national product, national income, and public policy, 1982-1987. Monticello, Ill., USA: Vance Bibliographies, 1988. ISBN 1555908845.

36 CASPER, Dale E. Gross national product, national income, and public policy, 1982-1987. Monticello, Ill., USA: Vance Bibliographies, 1988. ISBN 1555908845.

37 RUGGLES, Richard. National income accounting and its relation to economic policy. Paris: Economic Cooperation Administration Office of the Special Representative, 1949.

services. The used ND is produced by produced ND minus losses from natural disasters, damage during storage, etc., and foreign trade balances³⁸.

3.4 Unemployment

Unemployment is the availability of that part of the economically active population (not retirees, schoolchildren, children, etc.), who want to work, but can not find a job. One of the main indicators of the country's economic development is the ratio of the number of unemployed to the total number of economically active population (in percent) which is called the unemployment rate³⁹.

We can distinguish the economic consequences of unemployment at the national level, at the level of enterprises and people. At the national level unemployment reduces the output of gross domestic product (GDP). The interconnection of these phenomena is expressed in the law of Oaken. According to which, if the "actual unemployment rate exceeds the natural level by 1%, then the GDP gap is 2.5%". According to this law, the unemployment rate and GDP losses could calculate the absolute loss of production at any level of unemployment above the natural one. The negative GDP gap is the volume of output that economy loses because of the inability to fully utilizes its productive potential. Positive GDP is real GDP more than potential GDP. In some cases, the actual GDP may exceed the potential, but a positive GDP gap generates inflationary pressures and cannot persist indefinitely. The natural level of unemployment in economic theory is considered normal if there are about the same number of vacant jobs as people looking for work. It is determined by a wide range of socio-economic conditions: state investment policy, employment policy, the system of employment services, the standard of living in the country, the size of the monetary and property savings of the population, unemployment benefits, the duration of their payments, the development of the network of educational institutions for retraining , improving skills, their accessibility to the population, the willingness and ability of people themselves to obtain new knowledge and skills for work⁴⁰.

³⁸ CASPER, Dale E. *Gross national product, national income, and public policy, 1982-1987*. Monticello, Ill., USA: Vance Bibliographies, 1988. ISBN 1555908845.

³⁹ FRUMKIN, Norman. *Guide to economic indicators*. 3rd ed. Armonk: M.E. Sharpe, 2000. ISBN 0-7656-0437-X.

⁴⁰ BEAN, Charles R., P. R. G. LAYARD a S. J. NICKELL. *The Rise in unemployment*. New York, NY, USA: B. Blackwell, 1986. ISBN 0631154191.

Unemployment, reducing the volume of GDP, leads to a reduction in taxes that will flow to the state. This is due, on the one hand, to a decrease in the taxable base formed by legal entities, and on the other hand, the receipt of taxes from individuals decreases⁴¹.

Unemployment increases the state's expenses as it grows. The main part of the expenses is carried out at the expense of the employment fund, sources of which are compulsory insurance contributions of employers and deductions from the earnings of employees, appropriations from the federal budget, local budgets, voluntary contributions from legal entities and individuals⁴².

3.5 Inflation

Inflation is a general increase in the level of prices for consumer and manufactured goods as a result of depreciation and a decrease in the purchasing power of national money. Money is depreciated as a result of a disruption in the balance between their quantity in circulation and the number of consumer goods available in the markets. Inflation is a socio-economic phenomenon that occurs against the backdrop of a disproportionate emission of banknotes and real volumes of reproduction. The opposite process of inflation is deflation - a decline in prices (negative growth). In the modern economy is rare and short-term, usually seasonal.⁴³

During inflation prices are rising, but not the quality of goods and services. There are many reasons of inflation. The first reason is the overflow of money circulation channels with excessive money supply and the commodity mass does not increase with the continued issuance of new banknotes. When there is the inflation then the market is saturated with excessive money supply in excess of the needs of commodity circulation which causes a depreciation of the monetary unit and a rise in prices. Inflation is characterized by a constant upward trend in the dynamics of the average price level.⁴⁴

Inflation is a monetary phenomenon, but it is not limited to the depreciation of money. It penetrates into all spheres of economic life and begins to destroy these spheres. It has a negative impact on the state, production, financial market and population. During inflation,

⁴¹ SEXTON, Robert L. *Exploring microeconomics*. Seventh edition. Australia: South-Western, 2015. ISBN 1285859456.

⁴² SNOWER, Dennis J. a Guillermo de la. DEHESA. *Unemployment policy: government options for the labour market*. New York, NY: Cambridge University Press, 1997. ISBN 0521599210(pbk).

⁴³ Mohr, P., Yu, D. and Mollentze, S. (n.d.). *Economic indicators*.

⁴⁴ FRUMKIN, Norman. *Guide to economic indicators*. 3rd ed. Armonk: M.E. Sharpe, 2000. ISBN 0-7656-0437-X.

there may be a devaluation of national money in relation to gold, commodity products and foreign currencies. Usually inflation is manifested in increasing of the general price level but it does not mean that all prices rise during periods of fairly rapid inflation. Some prices may remain relatively stable, while others may fall. When there is the inflation then prices tend to rise very unevenly. Some jump, others rise at a more moderate pace, while others do not rise at all.⁴⁵

Measurement of inflation:

Inflation is measured using a price index, which determines the overall level of prices relative to the previous base period. The inflation rate for this year can be calculated as follows: the price index of this year minus the price index of the past year, divide this difference by the index of the past year, and then multiply by 100%.

The Central Bank should conduct a well thought-out balanced monetary policy, the state should not interfere in the distribution of income, the country should be populated by citizens with healthy market psychology, people without inflation expectations. It will help to avoid inflationary crises.

Kinds of inflation:

- Creeping (moderate) - the price increase does not exceed 10% per year. The value of money is saved, contracts are signed in nominal prices. Economic theory considers such inflation to be the best, because it is due to the renewability of the assortment, it makes it possible to adjust prices that are replaced by the conditions of supply and demand. This inflation is manageable, because it can be regulated⁴⁶.
- Galloping (spasmodic) - rising prices from 10-20% per year. In contracts, prices start to take into account, the population invests money in material values. Inflation is difficult to manage, monetary reforms are often carried out. These changes indicate a diseased economy leading to stagnation, that is, to an economic crisis⁴⁷.
- Hyperinflation - a price increase of more than 50% per month. Annual rate is more than 100%. The well-being of even the well-to-do strata of society and normal

⁴⁵ FRUMKIN, Norman. *Guide to economic indicators*. 3rd ed. Armonk: M.E. Sharpe, 2000. ISBN 0-7656-0437-X.

⁴⁶ Woodward, D. and Rose, M. (1933). *Inflation*. New York: Whittlesey House, McGraw-Hill Book Co.

⁴⁷ Woodward, D. and Rose, M. (1933). *Inflation*. New York: Whittlesey House, McGraw-Hill Book Co.

economic relations are being destroyed. Uncontrolled and requires extraordinary measures. As a result of hyperinflation, production and exchange stop, the real volume of national production is declining, unemployment is rising, businesses are closing down and bankruptcy is taking place.⁴⁸

Reasons of inflation.

1. Monetary: the discrepancy between money demand and the commodity mass, when the demand of goods and services exceeds the amount of turnover; excess of income over consumer spending; State budget deficit; excessive investment - the volume of investment exceeds the possibility of the economy; outstripping growth of wages in comparison with growth of manufacture and increase of labour productivity⁴⁹;
2. Structural: deformation of the national economic structure which is expressed by the backlog of the development of the consumer sector; the reduction of investment efficiency and the limitation of consumption growth; imperfection of the economic management system⁵⁰;
3. External: reduction of revenues from foreign trade, negative balance of foreign trade balance of payments.⁵¹

Types of inflation.

1. Inflation of demand. This type of inflation is generated by an excess of aggregate demand, for which for certain reasons production does not have time. Excessive demand leads to higher prices, creates opportunities for increasing the profits of enterprises. Enterprises expand the production, attract additional labour and economic resources. The money income of resource owners is growing, which contributes to the further growth of demand and price growth. Reasons of inflation of demand: the militarization of the economy or the excessive growth of military expenditures; the deficit of the state budget and the growth of domestic public debt (covering the budget deficit, which occurs through loans in the money market);

⁴⁸ Woodward, D. and Rose, M. (1933). *Inflation*. New York: Whittlesey House, McGraw-Hill Book Co.

⁴⁹ Woodward, D. and Rose, M. (1933). *Inflation*. New York: Whittlesey House, McGraw-Hill Book Co.

⁵⁰ Woodward, D. and Rose, M. (1933). *Inflation*. New York: Whittlesey House, McGraw-Hill Book Co.

⁵¹ Woodward, D. and Rose, M. (1933). *Inflation*. New York: Whittlesey House, McGraw-Hill Book Co.

imported inflation; inflationary expectations of the population and producers (expressed in the fact that the purchase of goods occurs beyond the necessary need due to fear of rising prices).⁵²

2. Inflation of supply. Inflation of supply means a rise in prices, provoked by an increase in production costs in conditions of underutilization of productive resources. When we have a negative economic situation, the supply in the economy decreases and the reason of this is the rise in prices of factors of production. The costs of production increase and are shifted to the price of output. Also, high taxes, high interest rates on capital and rising prices at the world markets can become the factors of inflation of supply. When we have high prices at the world markets then imported raw materials and domestic products are becoming more expensive⁵³.
3. Suppressed (hidden) inflation is characterized by a deficit of goods while containing price growth; open inflation is manifested by price increases⁵⁴.
4. Imported inflation is caused by excessive inflow of foreign currency into the country and an increase in import prices⁵⁵.
5. Exported inflation is transferred from one country to another through a mechanism of international economic relations affecting on monetary circulation, effective demand and prices.⁵⁶

Effects of inflation:

1. The difference in estimates between cash flows and cash reserves. All money reserves (deposits, loans, balances on accounts, etc.) are depreciated. The securities are also depreciated. The problems of money issue are sharply exacerbated⁵⁷;
2. Uncontrolled redistribution of incomes: when there is the inflation then lenders, sellers, exporters, employees of budget enterprises lose, but debtors, buyers,

⁵² Parkin, M. (1994). *The theory of inflation*. Aldershot, England: E. Elgar Pub. Co.

⁵³ Parkin, M. (1994). *The theory of inflation*. Aldershot, England: E. Elgar Pub. Co.

⁵⁴ Parkin, M. (1994). *The theory of inflation*. Aldershot, England: E. Elgar Pub. Co.

⁵⁵ Parkin, M. (1994). *The theory of inflation*. Aldershot, England: E. Elgar Pub. Co.

⁵⁶ Parkin, M. (1994). *The theory of inflation*. Aldershot, England: E. Elgar Pub. Co.

⁵⁷ Meyer, T. (2013). *How inflation affects you*. New York: Rosen Pub.

importers, workers of the real sector win. There are "imaginary" incomes, which may not come into the financial system because of inflation⁵⁸;

3. Inflation distorts all major economic indicators: GDP, profitability, interest, etc⁵⁹;
4. The rise of prices is accompanied by a fall in the exchange rate of the national currency.⁶⁰

Influence of inflation on economic life can be considered in two ways: effect on redistribution of national income and the volume of national production.⁶¹

Impact on the redistribution of national income:

The consequences of inflation have a big impact on people with fixed incomes, as their real purchasing power decreases. People living on non-fixed incomes can benefit from inflation if their nominal income increases at a faster rate than prices rise (i.e., their real income rises). The owners of savings can also suffer from inflation if the rate of interest on the deposit (in a bank or in securities) is lower than the rate of inflation.⁶²

Impact on the volume of national production:

There are two opinions, concerning the impact of inflation on output. The first is that inflation, i.e. rising prices, stimulates the producer to create more products. Such a situation is possible if the macroeconomic equilibrium is established in the third section of the aggregate supply curve. In this case, with some moderate inflation, it is possible to achieve a high level of production and employment.

The second opinion on the effects of inflation is directly opposite. If there is inflation in the country then the volume of production is decreasing. When we have inflation of demand under conditions of full employment then prices rise and production remains at the same level. In the latter case, there may be a situation of self-reproduction of inflation, or an inflationary spiral: an increase in demand causes a rise in prices, which in turn, with the inflation expectations formed, causes a new round of rush demand.⁶³

Socio-economic consequences:

Inflation leads to the fact that all monetary incomes (the population and enterprises, the state) decrease; It redistributes income and wealth at the expense of those who give money, in

⁵⁸ Meyer, T. (2013). *How inflation affects you*. New York: Rosen Pub.

⁵⁹ Meyer, T. (2013). *How inflation affects you*. New York: Rosen Pub.

⁶⁰ Meyer, T. (2013). *How inflation affects you*. New York: Rosen Pub.

⁶¹ Parkin, M. (1994). *The theory of inflation*. Aldershot, England: E. Elgar Pub. Co.

⁶² Parkin, M. (1994). *The theory of inflation*. Aldershot, England: E. Elgar Pub. Co.

⁶³ Parkin, M. (1994). *The theory of inflation*. Aldershot, England: E. Elgar Pub. Co.

favour of those who postpone payments. Inflation increases the value of real estate. In the period of inflation, prices for commodity-material values, which are in demand in the market, are growing. Therefore, the population and enterprises strive to materialize their rapidly depreciating funds as soon as possible in reserves. This leads to a shortage of funds from business agents. The result of an agiotage purchase of goods is an increase in demand inflation. It makes long-term investment unprofitable. Inflation leads to a depreciation of the company's amortization fund, which complicates the process of normal reproduction. It also reduces the real value of all other savings (deposits, bonds, insurance). People try not to make savings, and firms send a significant part of their profits to current consumption, which leads to a reduction in the financial resources of society, the curtailment of production. Inflation leads to hidden confiscation of money from the population and enterprises through taxes. This is due to the fact that taxpayers automatically fall into a higher taxation group due to the growth of nominal income.⁶⁴

3.6 Foreign Trade

Foreign trade is the trade between countries, consisting of the exportation and importation of goods and services. Foreign trade is carried out mainly through commercial transactions, formalized by foreign trade contracts.⁶⁵

Foreign trade relations are not only acts of sale and purchase, but also barter transactions, clearing operations, capital transfer in the form of direct and portfolio investments, scientific and technical cooperation, construction of capital construction projects abroad, leasing operations, engineering and consulting services, participation in a consortium, creating of joint ventures.⁶⁶

Conceptual signs of foreign trade:

1. The basis of foreign trade is the international division of labour and exchange, which assume that the production and consumption of individual countries are interrelated.
2. Participants in foreign trade are economically isolated, what objectively determines the commodity-money nature of relations.

⁶⁴ Meyer, T. (2013). *How inflation affects you*. New York: Rosen Pub.

⁶⁵ Frumkin, N. (2015). *Guide to Economic Indicators*. Hoboken: Taylor and Francis.

⁶⁶ Frumkin, N. (2015). *Guide to Economic Indicators*. Hoboken: Taylor and Francis.

3. There is more fierce competition of goods and services, sellers and buyers than in the national market.
4. The exchange of goods and services is mediated by the movement of money, as well as by currency relations, commodity loans, the settlement system.
5. Foreign trade involves its own infrastructure and special institutions. They are represented by international economic, financial and credit institutions, both global and regional.
6. Foreign trade is not free from international state intervention and regulation. It is manifested in interstate, economic, trade, currency, customs and other alliances.
7. Foreign trade can be subjected to monopolization processes.⁶⁷

Forms of Foreign trade: foreign trade of goods and services; the international movement of capital (in the form of investment); international Monetary and Settlement System; international Information and Technology Exchange⁶⁸.

Main classifications of Foreign Trade Operations:

Foreign trade operations are a set of methods, forms and means for exchanging goods and services between countries⁶⁹. It's classified:

1. By the criteria of trade. This complex of foreign trade operations can be formed according to the following criteria:
 - by the direction of trade which includes *export* (commercial activities related to the sale abroad of goods, services, capital to transfer them to foreign buyers without obligation to re-import); *import* (commercial activities related to the purchase and import; *re-export* is a commercial operation related to the sale and exportation of goods previously imported into this country without processing it); *reimport* is the importation of previously exported goods into the country without processing it⁷⁰.

⁶⁷ Mohr, P., Yu, D. and Mollentze, S. (n.d.). *Economic indicators*.

⁶⁸ Mohr, P., Yu, D. and Mollentze, S. (n.d.). *Economic indicators*.

⁶⁹ Stutely, R. (2006). *The Economist guide to economic indicators*. London: The Economist in assoc. with Profile Books.

⁷⁰ Johnson, T. and Bade, D. (2010). *Export/import procedures and documentation*. New York: AMACOM.

- by types of goods and services: mechanical engineering products; commodities; foodstuffs; consumer goods; scientific and technical products (patents, licenses, know-how); services (including engineering, consulting, tourism); tourism⁷¹.
 - by the degree of readiness of goods: finished products; disconnected complete equipment; complete equipment⁷².
 - by the methods that are used in trade: direct contracts; trade through intermediaries (brokers, dealers, distributors, exchange transactions, tender, auction)⁷³.
 - by organizational forms of trade: *barter* is a transaction made in the implementation of foreign trade and represents the exchange of goods, services, works, intellectual property, including. a transaction that, along with the said exchange, involves the use of monetary or payment means. *Counter purchases* are operations in which the seller undertakes to buy goods or products in the buyer's country on the contrary. *Compensatory transactions* are the mutual delivery of goods or the mutual satisfaction of the interests of counterparties in some other form. When there are compensation transactions then goods of a certain value are exchanged for other goods or services. *Purchase of obsolete products* involves the exporter's sale of an outdated model in offset for the supplied new products⁷⁴.
2. By methods of conducting foreign trade activities (by processes):
- Direct method (without intermediaries) - trade is carried out between the manufacturer and the seller or the seller and the buyer⁷⁵.
 - Co-operative method is a combination of means for carrying out a foreign trade operation, the feature of which is the involvement of third parties to carry out business transactions. (Cartel, the consortium).
 - A proprietary or intracorporate method is a combination of WTO instruments and methods, the peculiarity of which is that an international business transaction takes

⁷¹ Gomes, L. (2014). *Foreign trade and the national economy*. [Place of publication not identified]: Palgrave Macmillan.

⁷² Gomes, L. (2014). *Foreign trade and the national economy*. [Place of publication not identified]: Palgrave Macmillan.

⁷³ Gomes, L. (2014). *Foreign trade and the national economy*. [Place of publication not identified]: Palgrave Macmillan.

⁷⁴ Gomes, L. (2014). *Foreign trade and the national economy*. [Place of publication not identified]: Palgrave Macmillan.

⁷⁵ Gomes, L. (2014). *Foreign trade and the national economy*. [Place of publication not identified]: Palgrave Macmillan.

place in a physical and geographical international space, but in an economically integrated intracorporate space.

- The method of counter trade. Under the general concept of counter trade is an understood operation, the feature of which is that there is movement of the goods not only from the importer to the exporter, but also in the opposite direction.
 - Institutional-competitive method of trade. Trade is conducted through international exchanges, auctions, tenders.
 - Electronic method is the trade through the Internet.
3. By the concepts of trade: product group; transition from sales of goods to sales of product ideas or business concepts; production of investments involves the production or consumption of goods in the host country with different degrees of separation of the technological cycle. It can assume different interests in such projects.⁷⁶

3.7 Purchasing Power Parity

The main indicator of the economic development of a country or region is the Gross Domestic Product. One of the options for calculating the Gross World Product is based on the using the coefficients of comparison of the Purchasing Power of currencies that is determined by the ratio of the set prices of the same goods of different countries.⁷⁷

Purchasing Power Parity is the ratio of two or more monetary units, currencies of different countries, which is determined by their purchasing power with respect to a certain set of goods and services. In form, Purchasing Power Parity is similar to the exchange rate. It shows how many units of the country's currency should be used up to buy the same amount of goods and services that can be bought per unit of the currency of another country in that other country, i.e. it shows the purchasing power of the national currency.⁷⁸

The functioning of the purchasing power parity model is possible only under conditions of free movement of goods and money. In practice, exchange rates tend to deviate substantially from parity (the more customs duties, export and import restrictions, transportation costs, the greater the discrepancy between the nominal exchange rate and the parity value is necessary

⁷⁶ Gomes, L. (2014). *Foreign trade and the national economy*. [Place of publication not identified]: Palgrave Macmillan.

⁷⁷ Frumkin, N. (2015). *Guide to Economic Indicators*. Hoboken: Taylor and Francis.

⁷⁸ Frumkin, N. (2015). *Guide to Economic Indicators*. Hoboken: Taylor and Francis.

in order for the change in the volume and structure of exports and imports to be economically justified).⁷⁹

The theory of Purchasing Power Parity was formulated by Gustav Kassel. According to this theory, for the same amount of money that is recalculated at the current exchange rate in national currencies, it is possible to purchase the same quantity of goods and services in different countries of the world in the absence of transportation costs and transportation restrictions.⁸⁰

G. Kassel assumed that if the conditions of free trade are violated (for various reasons), the exchange rate may deviate from the purchasing power parity of currencies although it was believed that such a deviation would not be very significant and would be short-lived. Despite the attractiveness and usefulness of certain provisions of the theory of Purchasing Power Parity, it was established on the basis of empirical observations by various researchers that a complete coincidence of exchange rate dynamics and PPP currencies is not usually observed in the short term, although there is a convergence of their trends when relatively long period. It is important to emphasize that nominal exchange rates and purchasing power parity of currencies have fundamentally different semantic content and can not be considered interchangeable.⁸¹

The application and role of Purchasing Power Parity in the global economy

The using of Purchasing Power Parity as a conversion factor significantly changes the geo-economic picture of the world, bringing together developed and developing countries and increasing the share of the latter in global Gross Domestic Product.⁸²

The reasons for narrowing the gap in Gross Domestic Product between developed and developing countries using Purchasing Power Parity are explained by the fact that Purchasing Power Parity eliminates the price difference that exists for certain groups of goods and services and is a statistical fact. Thus, in comparison with estimates based on nominal exchange rates, purchasing power parity, as a rule, significantly increases the Gross Domestic Product of low- and middle-income countries and at the same time reduces the value of this

⁷⁹ Frumkin, N. (2015). *Guide to Economic Indicators*. Hoboken: Taylor and Francis.

⁸⁰ Wang, P. (2009). *The economics of foreign exchange and global finance*. Berlin: Springer.

⁸¹ Wang, P. (2009). *The economics of foreign exchange and global finance*. Berlin: Springer.

⁸² Wang, P. (2009). *The economics of foreign exchange and global finance*. Berlin: Springer.

indicator for high-income countries. Therefore, for developing countries the use of the Purchasing Power Parity of currencies acquires special significance, helping to obtain a more realistic idea of their relative weight in world Gross Domestic Product, as well as any economic comparisons of states that are belonged to specified groups of countries.⁸³

Despite many advantages of the concept of the Purchasing Power Parity of currencies, the method has certain disadvantages. These include a relatively long period between the next calculations of the purchasing power parity of currencies. But the Purchasing Power Parity still allows getting a more adequate idea of economic size, economic potentials and economic power of the country⁸⁴.

⁸³ Wang, P. (2009). *The economics of foreign exchange and global finance*. Berlin: Springer.

⁸⁴ Wang, P. (2009). *The economics of foreign exchange and global finance*. Berlin: Springer.

4 Practical Part

4.1 Indicators overview of China, Russia and India

This part of the thesis shows the indicators overview of Russia, China and India. There is the comparison of general indicators such as population, Gross Domestic Product, Gross Domestic Product per capita, Purchasing Power Parity, Inflation rate, Unemployment rate. All data of countries is taking from World Data Bank⁸⁵ and it is given for 2016.

Table 1: General economic indicator's overview of Russia, China and India 2016

Indicators	Russia	China	India
Population, total	144,342.40	1,378,665.00	1,324,171.35
GDP (current US\$)	1,283,162.99	11,199,145.16	2,263,792.50
GDP per capita, \$	8,748.4	8,123.2	1,709.6
GDP per capita, PPP (current international \$) 2016	24,788.7	15,529.084	6,570.6
Inflation, GDP deflator (annual %)	3.6	1.2	3.6
Unemployment, total (% of total labor force) (national estimate)	5.5	4.05	3.5

Source: World Bank

4.1.1 Overview of countries' population

The population of China for 2016 is 1,379 billion people. The average population density per 1 per km² is 148 people.

The population of India in 2016 is 1,324 billion people. But the population density is 2.5 times higher than in China and it is equal to 427 people per 1 per km².

According World Data Bank⁸⁶ the population of Russia is about 144 million people.

⁸⁵ Wang, P. (2009). *The economics of foreign exchange and global finance*. Berlin: Springer.

⁸⁶ data.worldbank.org, available on <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=RU> (accessed on 12.01.2018)

Table 2: Countries' population 2016

Country	Population (total)	Population (per km²)	Year
China	1,378,665.00	147.75	2016
India	1,324,171.35	427	2016
Russia	144,342.40	8.81	2016

Source: World Bank

According to World Data Bank⁸⁷, the population of China and India is most numerous. These countries are the first in the rating of the purity of the world's population. Russia is on the ninth position of world population rating.

4.1.2 Overview of countries' GDP

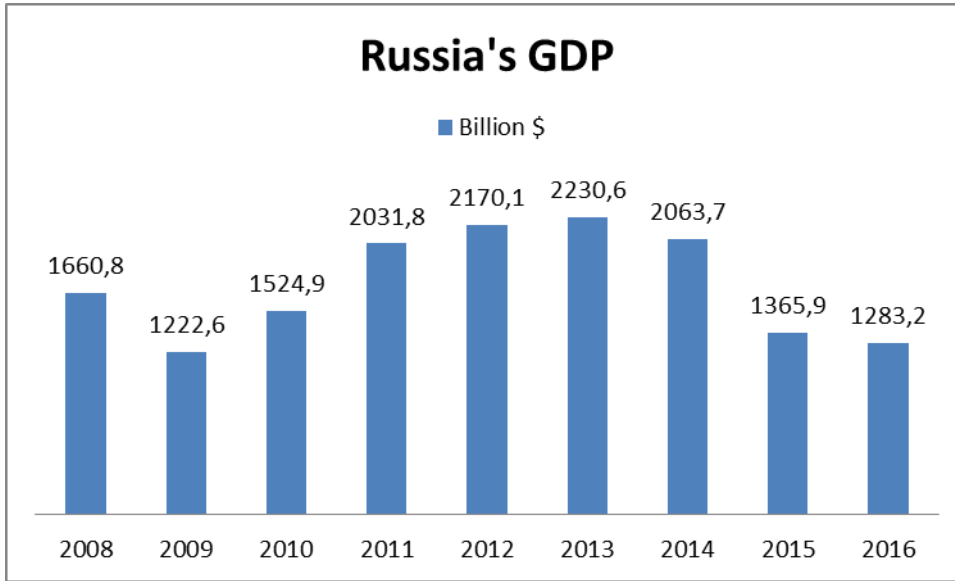
As it's already known GDP denotes the total market value of all products and services produced on the territory of the state. GDP is involved in the calculations of all sectors of the economy: the cost of sold oil, gasoline, vouchers, cars, bread, sweets and so on. This indicator does not depend on the nationality of the production elements that are used in production. Gross output allows to assess the domestic production of the country. It helps to find out how well the intraeconomic activity is conducted, calculate the activity indicators of the subjects, estimate the national income and identify macroeconomics trend.

4.1.2.1 Russia's GDP

Russia's Gross Domestic Product is 1,283 trillion dollars. It's possible to see on the table below that there is a large decline of GDP's level in 2015 and 2016. The highest GDP's level was 2.23 trillion dollars in 2013. Russia suffered the world's largest absolute losses of the dollar equivalent of GDP for three years of the economic crisis in the country.

⁸⁷data.worldbank.org , available on <https://datacatalog.worldbank.org/dataset/population-ranking> (accessed on 12.01.18)

Table 3: GDP rate of Russia 2008-2016



Source: World Bank

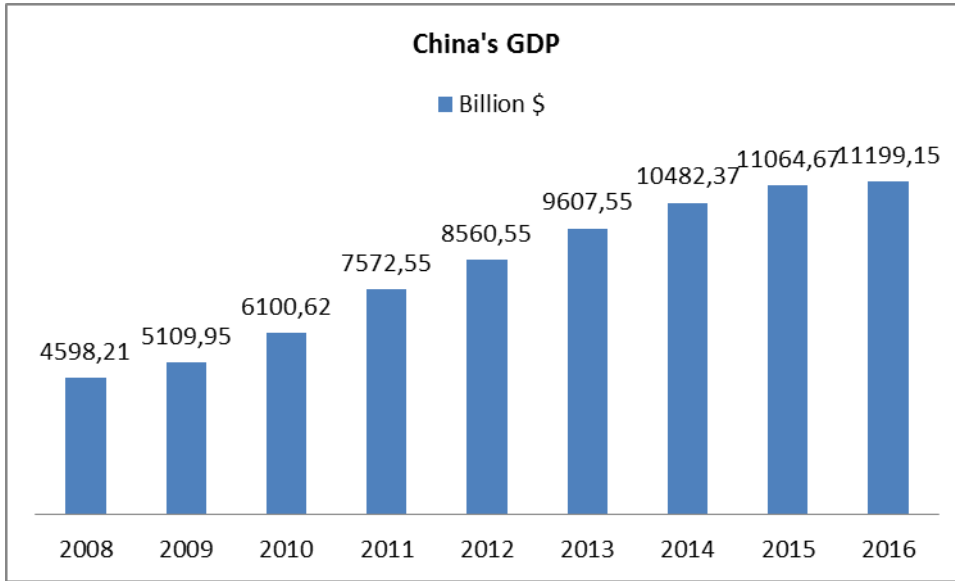
There are some reasons for decline of GDP's level in Russia in 2016: the decrease of investment demand; decrease in oil prices; reduction of consumer demand (reduction of domestic demand of the economy); outflow of foreign investments from the country; reduction of exports of fuel and energy resources which is due to the reduction of demand in Europe; slower growth of household incomes; budgetary consolidation (budget deficit reduction); sanction restrictions⁸⁸.

4.1.2.2 China's GDP

China's Gross Domestic Product in 2016 is 11.199 trillion dollars. As it's seen on the table below the GDP growth from 2015 to 2016 is slowed down but still has a high level.

⁸⁸ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

Table 4: GDP' rate of China 2008-2016



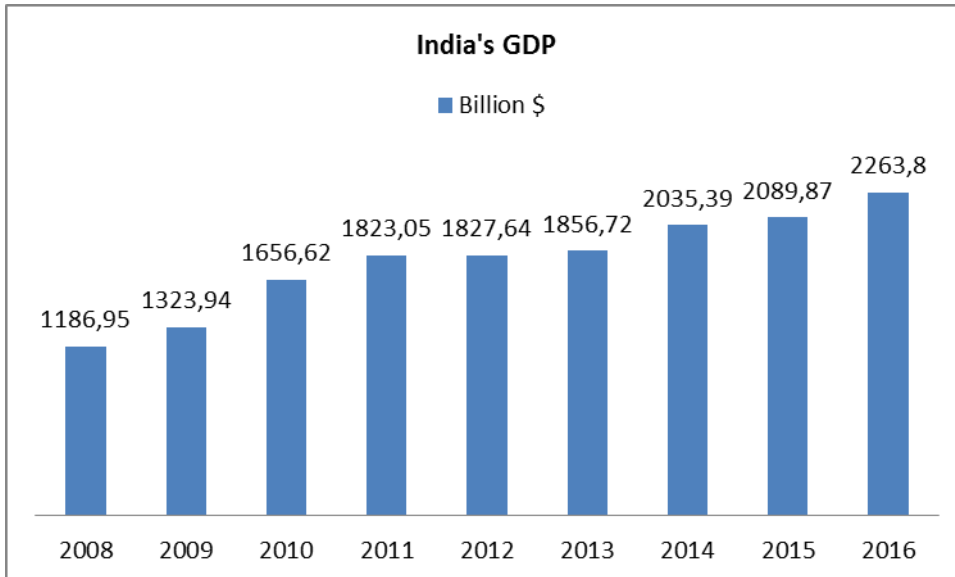
Source: World Bank

Reasons of slow growth in China's GDP in 2016: a fall of export volumes; a major public debt; a slowdown in investment growth⁸⁹.

4.1.2.3 India's GDP

Gross Domestic Product of India in 2016 is 2.264 trillion dollars which is higher than Russia's GDP. The level of India's GDP in 2016 is higher than 2015.

Table 5: GDP' rate of India 2008-2016



Source: Data World Bank

⁸⁹ Chen, J. (2016). Macro-control and economic development in China. Routledge.

Reasons of India's GDP growth in 2016: development of agricultural sector; growth of food exports; improving the level and quality of life; exports of pharmaceutical products; export of steel⁹⁰.

4.1.3 Countries' GDP per capita overview

It is found out that GDP per capita is the macroeconomic indicator that more accurately and fully reflects the standard of living of the population of a particular country.

Russia has the higher value of GDP per capita than China and India. Russia's GDP per capita in 2016 is 8,748.4. The next one is China. China's GDP per capita in 2016 is 8,123.2 and the last one in India which has GDP per capita 1,709.6.

Table 6: Countries' GDP per capita 2016

Country	GDP per capita (current US\$) 2016
China	8,123.2
Russia	8,748.4
India	1,709.6

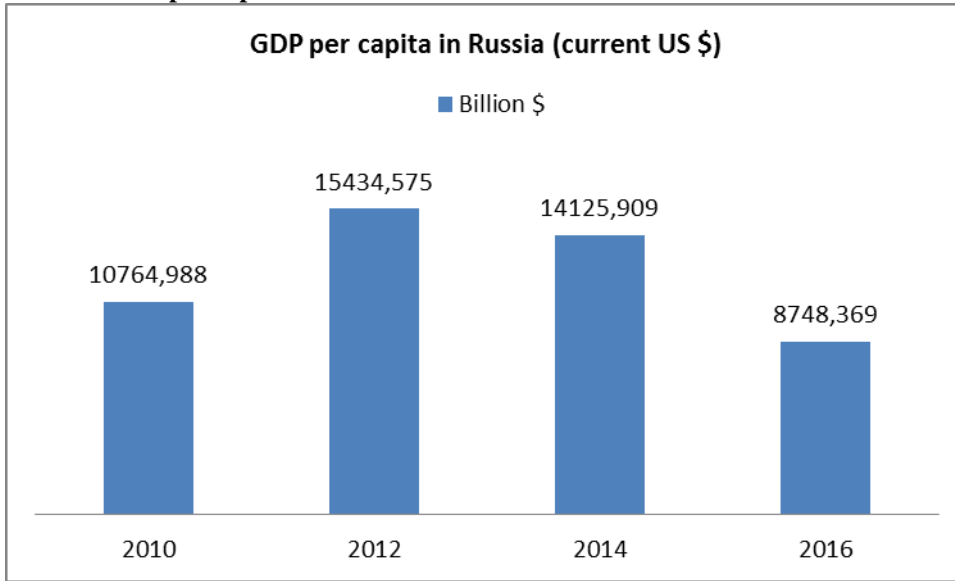
Source: World Bank

4.1.3.1 Russia's GDP per capita

GDP per capita in Russia was 8,748.4 US dollars in 2016. It is equivalent to 88% of the world's average. Russia's economy had the highest value of GDP per capita 16007.09 dollars in 2013.

⁹⁰ Mukherjee, A., Pal, P., Deb, S., Ray, S. and Goyal, T. (2016). Special Economic Zones in India. New Delhi: Springer India.

Table 7: GDP per capita in Russia 2010-2016

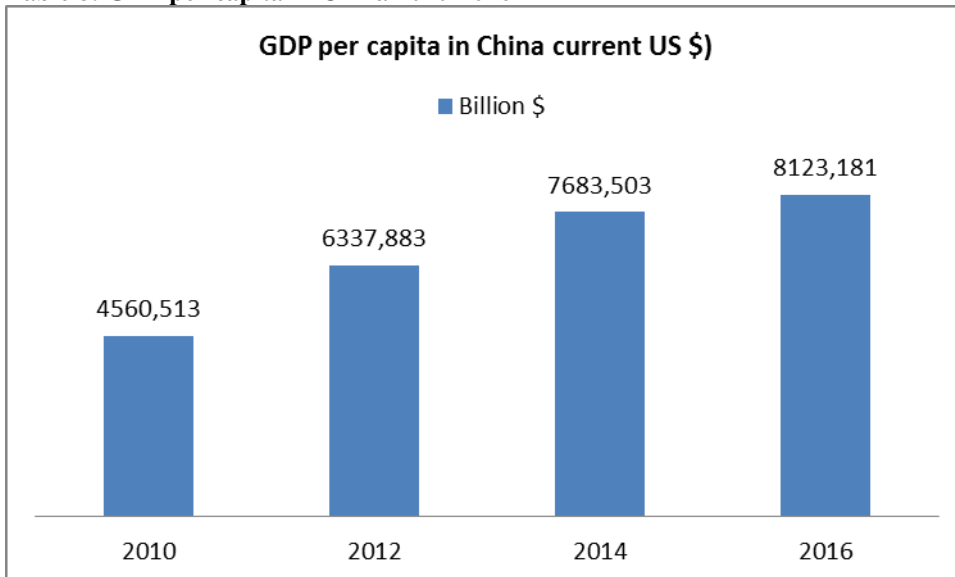


Source: World Bank

4.1.3.2 China's GDP per capita

GDP per capita in China was 8,123.2 US dollars in 2016. It is equivalent to 55% of the world's average. As we can see the value of GDP per capita is rising from 1960 until 2016.

Table 8: GDP per capita in China 2010-2016

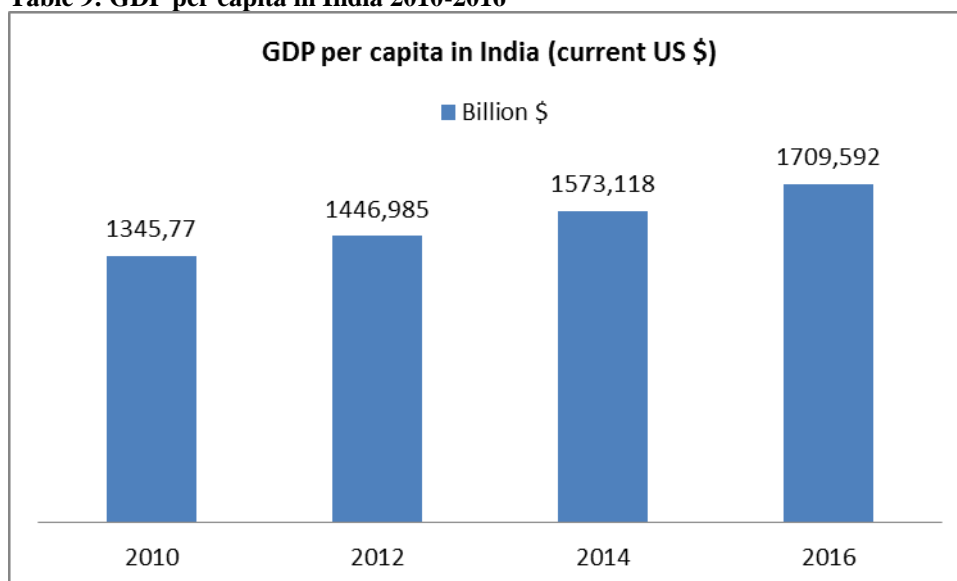


Source: World Bank

4.1.3.3 India's GDP per capita

GDP per capita in India was 1,709.592 US dollars in 2016. It is equivalent to 15% of the world's average. GDP per capita in India is rising from 1960 until 2016.

Table 9: GDP per capita in India 2010-2016



Source: World Bank

4.1.4 Countries' GDP per capita, PPP overview

GDP per capita by Purchasing Power Parity is an indicator that reflects the value of all goods and services that were produced and sold by residents and non-residents of the state in the territory of that country, expressed in the prices of the world's main reserve currency - US dollars and divided by all residents of this state⁹¹.

Table 10: Countries's GDP per capita by PPP, 2016

Country	GDP per capita, PPP (current international \$) 2016
Russia	24,788.7
China	15,529.084
India	6,570.6

Source: World Bank

GDP per capita, PPP in Russia is 24,788.7 US dollars in 2016. Russia's GDP per Capita, PPP is equivalent to 135% of the world's average. The highest value of Russia's GDP per capita, PPP was 26240.275 USD in 2013 and the lowest value was 5460.355 USD in 1998.

⁹¹ Frumkin, N. (2015). *Guide to Economic Indicators*. Hoboken: Taylor and Francis.

China's GDP per capita, PPP is 15,529.084 USD in 2016. The GDP per Capita, PPP in China is equivalent to 81% of the world's average. There is the highest value of China's GDP per capita, PPP in 2016. A record low of this indicator was 986.568 USD in 1990.

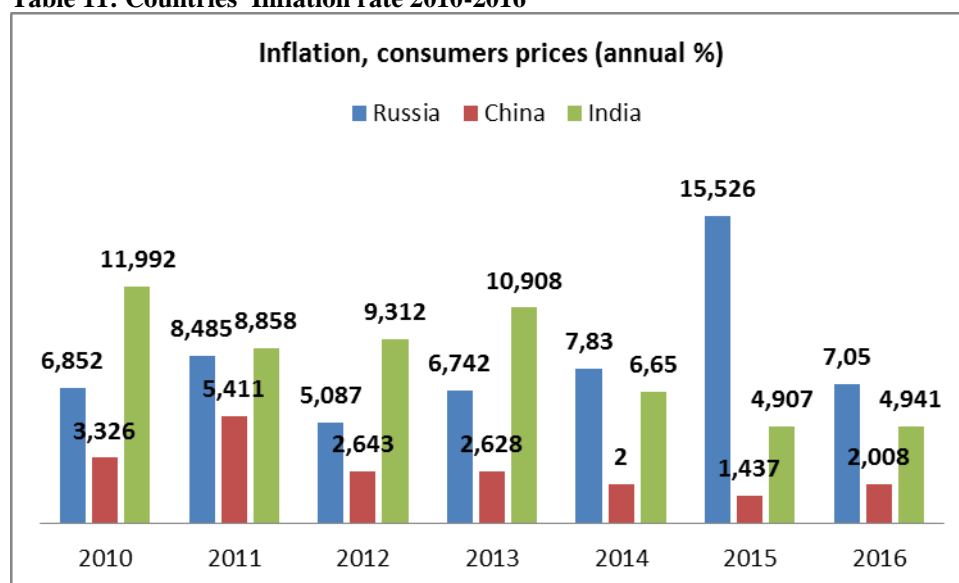
India's GDP per capita by Purchasing Power Parity is 6,570.6 USD in 2016 and it's the highest value of the country. The record low of the indicator was 1134.222 in 1990.

4.1.5 Countries' inflation overview

The inflation rate is usually expressed in percentages and means the rate of cheapening of money or the rise in price of goods for a certain period of time. When calculating the inflation rate, economists take the average statistical value of the current year's consumer basket relative to the same indicator in the base year, and express the result as a percentage⁹².

The inflation rate of Russia is 7.1%, China's inflation rate is 2.008% and India's inflation rate is 4.9%.

Table 11: Countries' Inflation rate 2010-2016



Source: World Bank

The pick of Russia's inflation was 15.526% in 2015. Over the past two years inflation has doubled - in 2011 - 2013, the average growth for the year was 6.4%. The main factors of increase in inflation were: a significant devaluation of the ruble; embargo on the importation of food products; general decline of economic activity; a fall of real population incomes; stagnation of the economy; tight monetary policy of Central Bank; Economic sanctions,

⁹² Frumkin, N. (2015). *Guide to Economic Indicators*. Hoboken: Taylor and Francis.

including the credit blockade, which significantly affects the banking system, the real economy; reduction in the cost of oil⁹³.

China's inflation rate: Inflation reached a peak of 5,5% in 2011. The next cycle of cooling the economy turned out to be relatively short. In the future, inflation indicators declined with a smooth reduction in economic growth rates.

The inflation rate of India was 9.47% in 2011, which is 5.50 less than in the previous year and 2.98% more than in the next 2011. It's the highest level of India's inflation rate. The main reasons are: rising food prices; rising fuel prices; rising mineral fertilizer prices; rising electricity prices⁹⁴.

4.1.6 Countries' unemployment overview

Unemployment rate shows the percentage ratio of the number of unemployed to the total number of employable population. Unemployment is defined as the level of the employment population of 18 years who do not have a job and is looking for it in the period under review, i.e. the unemployment rate is the share of the unemployed in the labor force as a whole. It should be borne in mind that unemployment is a natural and irresistible phenomenon. There is a natural level of unemployment, which is 3-5%. Unemployment is an important indicator in terms of confirming trends in production and generally the state of the business cycle. Also the unemployment rate directly determines the income level of the population, and the level of consumption⁹⁵.

4.1.6.1 Russia's unemployment rate

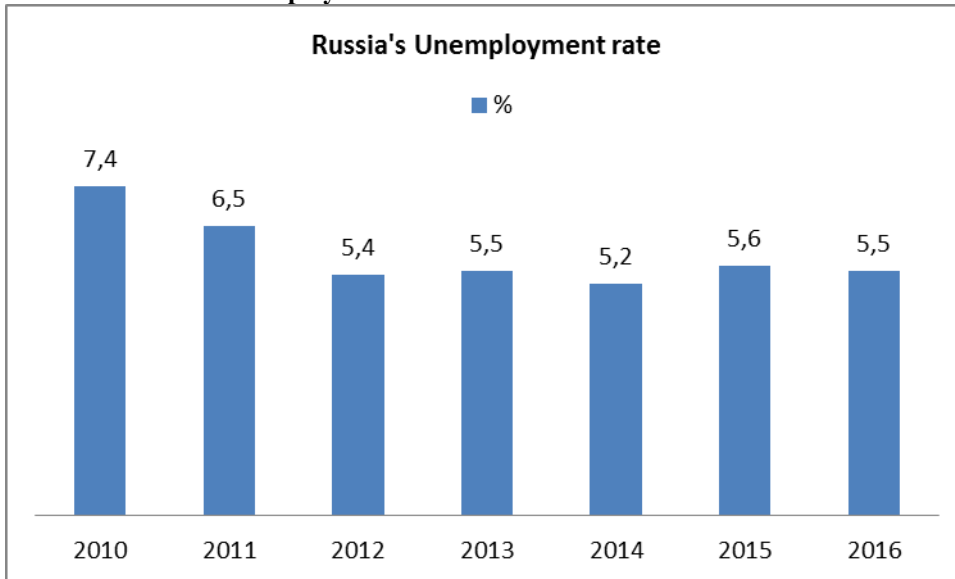
Russia's unemployment rate is 5.5% in 2016. The highest value of Unemployment in Russia is 13.3% in 1998. From the beginning of 2014 to early 2015, there is an increase in unemployment due to staff cuts. The lowest value of Russia's unemployment rate is 0.1% in 1991.

⁹³ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

⁹⁴ Mukherjee, A., Pal, P., Deb, S., Ray, S. and Goyal, T. (2016). *Special Economic Zones in India*. New Delhi: Springer India.

⁹⁵ SNOWER, Dennis J. a Guillermo de la. DEHESA. *Unemployment policy: government options for the labour market*. New York, NY: Cambridge University Press, 1997. ISBN 0521599210(pbk).

Table 12: Russia's Unemployment rate 2010-2016

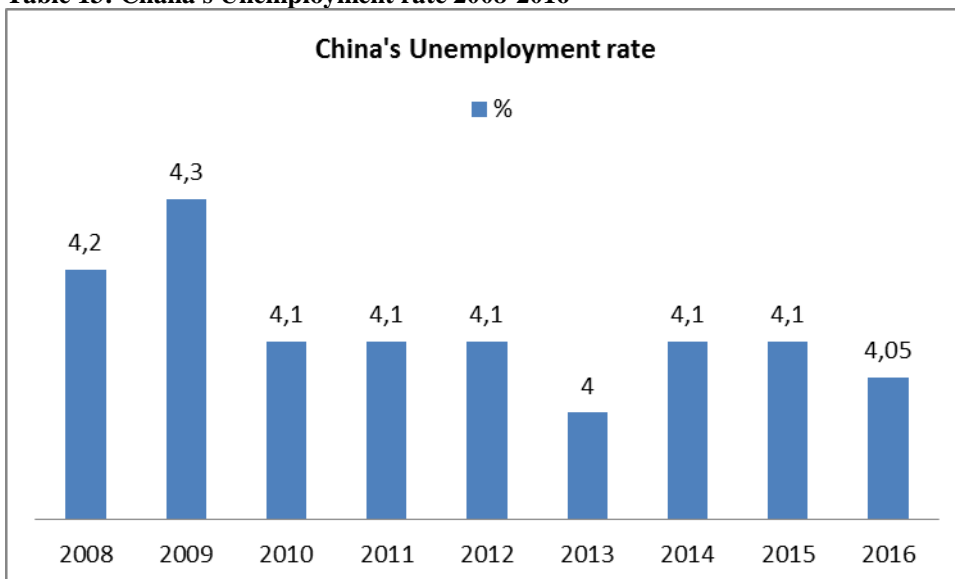


Source: World Data Bank

4.1.6.2 China's unemployment rate

As it's shown on the diagram, the unemployment rate in China was quite constant by almost 4% over the last decade. This is partly due to the fact that, thanks to its socialist heritage, the full employment policy historically played an important role in the economic considerations of the Chinese government. The value of China's unemployment is 4.05% in 2016.

Table 13: China's Unemployment rate 2008-2016

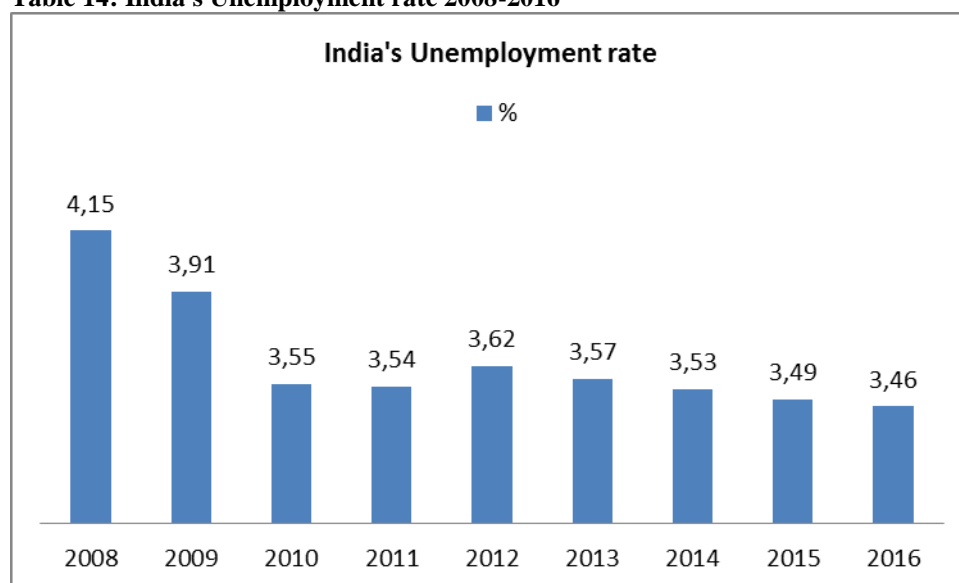


Source: World Data Bank

4.1.6.3 India's unemployment rate

India's unemployment rate in 2016 reached 3,6%. Compared to 2015, the value of the indicator has not changed. Between 2008 and 2016, unemployment in India fell by 0.8%. The average annual change in the unemployment rate in India during this period was -0.066%. The maximum increase of the indicator was recorded in 2005: 4.5% and the minimum value was observed in 2016: 3,46%.

Table 14: India's Unemployment rate 2008-2016



Source: World Data Bank

4.2 Countries economics overview

Russia, India and China are the three leading not only Asian but also global countries that are located in a single Eurasian geopolitical constitute one-third of the world's population and are classified as countries whose economies are developing at the fastest pace. China, Russia and India are three states with extensive experience in the settlement and conflict prevention.

Russia, China and India are part of the BRICS organization (also it includes South Africa and Brazil). The organization was established in the summer of 2006 during the St. Petersburg Economic Forum, in which the ministers of economy of all the countries concerned, except for South Africa. The creation of this group can be called a response to the unbalanced world economy and the policies that have been observed in recent years. The basis of the global "elevation" of BRICS is the effectively developing economies of the participating countries,

the wealth of their natural and resource and human potential, as well as the experience in the peaceful settlement of disputes arising between different states.⁹⁶

The main goals of the participating countries are to solve financial, scientific, technical, cultural, political, and environmental problems. Despite the significant difference in the development of these areas of each state, they are united by one common aspect - their developing economy. Also, the goals of the BRICS include resolving issues to overcome the economic and financial crisis, improving living standards of people and shifting to the use of high technologies in production. China, Russia and India have great potential for solving the set of problems and for their economic development due to the presence of large reserves of natural resources, which has a significant impact on world markets. The BRICS countries in the world economy take the following positions: Russia has large reserves of energy, accounting for 60% of world trade; India produces large amounts of tea and spices; China is actively developing at the expense of labor (the country's labor force is 83.2%).⁹⁷

Interaction interest in trilateral format increased the extent of expanding and deepening the relations of partnership and cooperation Russia with India and China and the normalization of the Indo-Chinese relations. Political relations of Russia, China and India create a favorable background for interaction at the level of global, regional relations, development of trade-economic and scientific-technical cooperation⁹⁸.

4.2.1 Russia's economy overview

Russia has undergone significant economic changes since the collapse of the Soviet Union and has developed over the past 20 years on the path from a globally isolated, centrally planned economy to a market-based, globally integrated economic system. During the economic reforms in the 1990s, most industrial enterprises were privatized. Meanwhile, the protection of property rights in Russia is still weak, and the private sector is subject to significant state interference⁹⁹.

⁹⁶ STUENKEL, O. (2016). *BRICS AND THE FUTURE OF GLOBAL ORDER*. LANHAM: LEXINGTON BOOKS.

⁹⁷ STUENKEL, O. (2016). *BRICS AND THE FUTURE OF GLOBAL ORDER*. LANHAM: LEXINGTON BOOKS.

⁹⁸ STUENKEL, O. (2016). *BRICS AND THE FUTURE OF GLOBAL ORDER*. LANHAM: LEXINGTON BOOKS.

⁹⁹ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

Changes in the early 1990s could not but affect the country's economy, as a result of which Russia's GDP has been steadily declining for more than five years. After the collapse of the USSR, the first insignificant economic growth in Russia occurred only in 1997. In 1997, however, the Asian financial crisis began, which had a negative impact on the Russian economy. This led to the fact that in 1998 the Government of Russia could not fully ensure the payment of debts, and the subsequent sharp fall in the ruble rate significantly reduced the already low standard of living of ordinary citizens. Thus, 1998 remained in history as a year of crisis and a large outflow of capital from the country. Despite such a significant decline, in 1999 the Russian economy began to recover. The main impetus for economic growth was the very low ruble exchange rate against the world's leading currencies, which had a very positive effect on domestic production and exports. Then for the country came the era of stable economic growth. Stable economic growth in recent years has become possible, primarily due to high oil prices, combined with structural reforms carried out by the Russian government in 2000-2001¹⁰⁰.

Russia was the world's largest exporter of natural gas, the second largest exporter of oil and the third largest exporter of steel and primary aluminum, and other less competitive heavy industries that still depend on Russia's domestic market. This dependence on raw materials exports makes Russia vulnerable to global economic crises and very volatile world commodity prices. Since 2007, the Russian government has adopted an economic program to reduce this dependence and create a high-tech sector, but this has not yielded positive results. The Russian economy grew by an average of 7% per year, starting in 1998, which led to a doubling of the real aggregate net incomes of citizens and the emergence of the middle class. However, in 2008-2009, the Russian economy was again unprepared for the impact of the global economic crisis, as oil prices plummeted, and foreign investment in the economy significantly decreased. The Central Bank of Russia then spent one-third of the gold and foreign exchange reserves (only about \$ 600 billion) to slow down the devaluation of the ruble. The decline in economic activity was overcome in mid-2009 and the Russian economy began to grow in the first quarter of 2010. However, severe drought and fires in central Russia reduced agricultural output, which led to a ban on grain exports and a slowdown in other sectors, such as production and retail¹⁰¹.

¹⁰⁰ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

¹⁰¹ Mitrova, T. and Ladislav, S. (2016). *Shifting political economy of Russian oil and gas*.

High oil prices supported the growth of the Russian economy in the first quarter of 2011 and helped Russia reduce the budget deficit inherited from the 2008-09 crisis, but inflation and increased government spending limited the positive impact of oil revenues. Long-term problems in Russia include a reduction in the workforce, a high level of corruption, difficulties in accessing capital for small businesses and non-energy companies, and a poor infrastructure that needs large investments¹⁰².

There were an increase of GDP and a decrease in the number of people living below the poverty line in the Russian economy in the past 13 years, except for 2009. The Russian crisis of 2008 began as a crisis in the private sector, provoked by excessive borrowing of the private sector in conditions of deep triple shock: from the terms of foreign trade, capital outflows and tougher conditions for external borrowing. There was a collapse in the Russian stock market, the devaluation of the ruble, a decline in industrial production, GDP, incomes of the population and an increase in unemployment. Russia's GDP fell by 7.9% in 2009 which was one of the worst indicators of GDP dynamics in the world, while showing a better dynamics than several countries of the former USSR. According to the results of the first quarter of 2010, in terms of GDP growth (2.9%) and industrial production growth (5.8%), Russia ranked second among the G8 countries¹⁰³.

After 2008, inflation began to decline but remained above the target value of the central bank of Russia. Inflation in Russia was 5,087% in 2012, in 2013-6.742%, in 2014-6.65%. The inflation rate began growing in 2014 and in 2015 it was already 15.526%. The higher indicator was last recorded in 2008 (then inflation was 13.3%). The main factor of this increase in inflation was a significant devaluation of the ruble, sharply increased from the end of 2014 and continued in 2015. It led to a price hike and a rise in prices for food products. The rise in food prices has simultaneously reinforced the imposition of an embargo on the import of food products since August 2014, leading to a more substantial weakening of competition, imbalance in markets and rising costs due to the reorientation of new suppliers¹⁰⁴.

The currency crisis in Russia, which began in 2014, is the devaluation of the Russian ruble against foreign currencies, prompted by the rapid decline in energy prices and oil prices, the sale of which accounts for a significant portion of Russia's budget revenues, and the imposed

¹⁰² Mitrova, T. and Ladislaw, S. (2016). *Shifting political economy of Russian oil and gas*.

¹⁰³ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

¹⁰⁴ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

economic sanctions against Russia. These factors caused a significant decrease in the ruble exchange rate relative to foreign currencies, and then led to an increase in inflation and a decrease in real incomes of the population. World companies that conduct business in Russia, recorded a decline in profits due to a decrease in consumer sentiment of Russian citizens, and some of them reported the withdrawal of their capital from Russia¹⁰⁵. The unstable economic situation in Russia began to have a negative effect on the economies of some countries of the near and far abroad, which have close economic ties with Russia. According to data from the World Bank¹⁰⁶, from 2012 to 2014 the price of oil was in the range of \$ 100 - \$ 115, then by the end of December 2014 it fell to \$ 56.5, reaching the minimum indicators of the spring of 2009. For the first half of January 2015, oil fell in price from \$ 55.27 to \$ 45.13 per barrel, but by mid-February the price had risen to \$ 60 and remained stable throughout the first half of the year at \$ 55- \$ 60 per barrel. In mid-July, the price decline resumed, reaching \$ 35.98 per barrel by December 23. Thus, in 2015, prices fell by more than 35%. In 2016, oil prices continued to fall, reaching \$ 28.81 per barrel in January, which became the new minimum since April 2004. The price of the WTI brand fell to \$ 29.2 per barrel for the first time since December 2003. The drop in oil prices was caused by the excess supply over demand, which was caused by: a slowdown in the growth in oil demand, an increase in oil and gas production in the US domestic market as a result of the shale revolution, and the refusal of OPEC countries to cut production. The fall resulted in a reduction in revenues from energy exports, which is about 70% of Russia's exports¹⁰⁷.

USA, European Union, Switzerland, Norway, Canada, Australia, New Zealand, Japan and other countries imposed economic sanctions against Russia. Sanctions are the ban on economic cooperation companies of countries that have imposed sanctions on various Russian companies, banks and enterprises of the military-industrial complex. Russia's economy lost \$ 160 billion due to sanctions. As a result of the imposed of Western sanctions in 2014, foreign direct investment in Russia fell by 70%, to \$ 19 billion compared to \$ 79 billion in 2013¹⁰⁸. If in 2013, Russia ranked third in this world in this indicator, it did not enter even the top ten countries favorable for foreign investment in 2014. Quarterly dynamics of investments in fixed assets throughout the entire 2014 and in the first quarter of 2015 was negative, and in

¹⁰⁵ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

¹⁰⁶ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

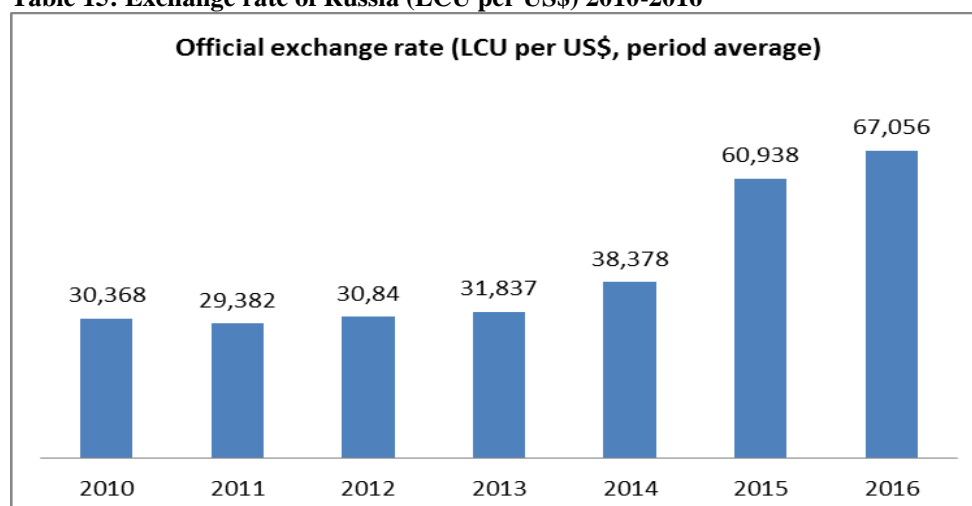
¹⁰⁷ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

¹⁰⁸ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

January-March 2015, the maximum decrease in investments was registered - by 6.0% on an annualized basis. In general, in the economy, investments fell by 4.8% in January-May¹⁰⁹.

The Russian economy experienced stagnation in the first half of 2014. The US dollar rate was 32.66 rubles, and the euro - 45.06 in first half of January. From the second half of January to March 2014 the ruble weakened by 14.9% the US dollar exceeded 37 rubles, and the euro increased to 51 rubles. These indicators have updated the historical highs of 2009, when Russia was the last economic crisis. After a sharp collapse the ruble partially restored its positions completing the year with rates of 56.24 and 68.37 rubles for the dollar and euro in 2014. The ruble became the worst currency of the year, losing 58% of its value against the US dollar. The dollar and the euro against the background of low oil prices reached a maximum 69.66 and 78.79 rubles in February 2015. After that the ruble began to strengthen, and in April-May reached the minimum value: dollar exchange rate was 49.18 rubles and the euro - 52.9 rubles. Then the ruble began to weaken, and by the end of August the dollar and euro rates had exceeded 70 and 81 rubles respectively. The dollar and euro were worth 73 and 80 rubles respectively in the end of the year. Total, in 2015 the ruble against the US dollar fell by 27%. During the crisis the ruble devalued by two or more times against the dollar and the euro (by the end of 2015) and it led to a sharp decline in consumer demand and real income of the population. The beginning of 2016 was marked by further weakening of the ruble (77.73 rubles per dollar and 85 rubles per euro) against the background of a fall in oil prices¹¹⁰.

Table 15: Exchange rate of Russia (LCU per US\$) 2010-2016



Source: World Bank

¹⁰⁹ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

¹¹⁰ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

There was the beginning of the Russian economy's exit from the recession in 2016. The outflow of capital from Russia has slowed, and the profit of Russian companies has grown by 14%, despite the continuing decline in GDP in real terms. One of the achievements of 2016 was the weakening of inflationary pressures on the Russian economy. The inflation rate fell down from 15,5% in 2015 to 7,05% in 2016¹¹¹.

4.2.2 China's economy overview

China's economy was one of the most declining and belonged to the category of "agrarian" in 1949. The most widespread are the food and textile industries. Some branches of engineering worked. The most widespread was agriculture - it was he who developed most actively. The most highly developed region was Manchuria, where the base of heavy industry was formed. This was a good premise - large reserves of coal, iron ore, shale, which served as the rapid development of heavy industry. In the central and southern part of the country, other branches of industry - traditional and light - developed. In the central part of the country the main sector was occupied by the mining and agricultural industries. In addition to Manchuria, heavy industry developed in cities such as Wuhan, Nuncia and others. But, despite a number of successes, the overall level of China's economy in the mid-20th century was extremely low. Since the proclamation of the PRC, the country's economy has gradually become "on its feet." From 1952 to 1957 the largest industrialization of the country was carried out, which allowed to increase the share of industry in the total GDP. This period is special due to the development of the country's heavy industry. There were such giants as the Loyang Tractor Plant, Anshan Iron and Steel Works, and the Wuhan Plant, one of the leaders in the machine-building industry of the country. At the same time, the Soviet Union rendered great assistance. At that time, there was active cooperation in the field of agriculture, industry and other spheres. But in 1958, his desire to make "big leap" equilibrium was violated. The desire to reach the level of developed countries was not supported by resources, which led to a complete failure. After the death of Mao Zedong in 1978, the course for economic development was adopted. Active work began to improve the quality of the goods produced, change economic structures, eliminate the imbalance of the economy and consolidate financial assets in more promising industries and so on in 1979. China had become the leader in the production of cement and cotton fabrics, and was among the top three producers of

¹¹¹ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

chemical fertilizers, sulfuric acid and coal mining in the end of the 1980s. For 36 years from 1949 to 1985 the total volume of industrial production increased to 53.7% (from 25.2%). At the same time, all new ports were opened for establishing foreign economic relations and increasing trade volumes¹¹².

China's share of world GDP (PPP) increased from 2.3% in 1980 to 4.2% in 1990, 7.5% in 2000, 14.0% in 2010, and 17.1% in 2015 China took the leading position in this indicator, ahead of the United States. According to GDP, calculated at the exchange rate, China is inferior to the United States, ranking second in the world. The country's active economic growth makes it more dependent on energy resources. In turn, these processes have a serious impact on the common energy market, production activity, energy policy of other countries and so on. Today, China's share in the oil market is about 8%. At the same time, the government of the country is well aware of the potential risks of energy shortage and the dependence on them of the economy¹¹³.

China is one of the leading countries in coal reserves. Its production level rose to the level of 3.2 billion tons in 2010, which is twice the level of production of the United States.

However, despite this, China's economic growth began to slow down in the first half 2010-ies was due to the weakening of all drivers of economic dynamics: as an internal consumer, investment demand and net exports. Also reasons were: exhaustion of the stock of free labor resources in the traditional agrarian sector and the "demographic dividend", the shift in the sectoral structure of the economy in favor of the service sector, productivity of the factors of used production¹¹⁴.

The short-term (within the calendar year) cyclical fluctuations of the economic growth in 2012-2013: in the first half of the year, GDP growth slowed, but then due to the replenishment of stocks of goods by enterprises, as well as due to measures to support the economy on the part of the authorities economic the situation improved somewhat. And in 2014 the situation was changed: despite the stimulating measures of the authorities, the economy in the second half of the year slowed again¹¹⁵.

¹¹² Chen, J. (2016). *Macro-control and economic development in China*. Routledge.

¹¹³ Chen, J. (2016). *Macro-control and economic development in China*. Routledge.

¹¹⁴ Chen, J. (2016). *Macro-control and economic development in China*. Routledge.

¹¹⁵ Bai, C., Zhang, Q., Fei, X., Zhao, J. and Wang, M. (2017). *A research on China's economic growth potential*. New York: Routledge.

During the year 2014, the volume of freight rail traffic in China declined (by the end of the year - by 3.9% on an annualized basis). For the first time in more than a decade, leading Chinese oil companies have faced declining sales of diesel fuel, and it accounts for up to 1/3 domestic consumption of petroleum products (in the first half of the year, CNPC sales of diesel fuel decreased by 5.0%, and in Sinopec - by 5.1%)¹¹⁶.

Inflation has declined synchronously with the slowdown in economic growth in recent years. The increase in the consumer price index (CPI) in the middle of 2011 reached 6.5% on an annual basis, but already in the first half of 2012 it did not exceed 2.5-3% and remained in this interval until mid-2014, and then consumer inflation fell even more significantly - to 1.5% in the last months of the year¹¹⁷.

China's economy has demonstrated the slowest growth in 2015 years. The growth rate of China's GDP was 6.9%, which is the lowest since 1990. The slowdown in economic development forced the Chinese Central Bank to reduce the key interest rate six times from November 2014, and China's international reserves in 2015 fell by a record \$ 512.6 billion to 3.33 trillion dollars. Industrial production in China increased in December by 5.9% after rising by 6.2% a month earlier. The increase in retail sales slowed from 11.2% to 11.1%.

At the end of 2015, in general, China increased industrial production by 6.1%, retail sales - by 10.7%. Both indicators coincided with market expectations. The annual growth rates of capital investments in fixed assets were lower than expected (10% vs. 10.2%), and were minimal since 2000. China's international reserves in 2015 fell by a record \$ 512.6 billion - to \$ 3.33 trillion¹¹⁸.

The growth rate of China's GDP in 2016 slowed to 6.7% from 6.9% in 2015. Inflation in China at the end of 2016 was 2.0%. Industrial production grew by 6% in annual terms. Investments in fixed assets are increased by 8.1% to 59.65 trillion yuan (about 8.69 trillion dollars). The share of investments by state enterprises is increased by 18.7%, and the private sector - by 3.2% compared to the same period last year. Retail sales grew 10.4% to 33.23 trillion yuan (4.84 trillion dollars), while online retail sales - 26.2% - to 5.15 trillion yuan (750 billion dollars). The steel and coal industries successfully coped with the tasks set for 2016 to

¹¹⁶ Bai, C., Zhang, Q., Fei, X., Zhao, J. and Wang, M. (2017). *A research on China's economic growth potential*. New York: Routledge.

¹¹⁷ Bai, C., Zhang, Q., Fei, X., Zhao, J. and Wang, M. (2017). *A research on China's economic growth potential*. New York: Routledge.

¹¹⁸ Bai, C., Zhang, Q., Fei, X., Zhao, J. and Wang, M. (2017). *A research on China's economic growth potential*. New York: Routledge.

reduce excess capacity, and coal production last year fell by 9.4%. It is noted that the economic structure continued to transform and improve. Thus, the share of China's services sector in 2016 increased by 1.4% and amounted to 51.6% of the total GDP. The income per capita of China in 2016 increased by 8.4% and amounted to 23,821 million yuan (3.47 thousand dollars). At the same time, the income of the poor has averaged 5,529 million yuan, the income of the group with medium-low income is 12,899 thousand yuan, with an average income of 20,924 thousand yuan, medium-high income is 31,99 thousand yuan, high income - 59,259 thousand Yuan¹¹⁹.

4.2.3 India's economy overview

India's economic liberalization, including a decline in control in foreign trade and investment, began in the early 1990s, accelerating the country's economic growth, which averaged more than 7% a year since 1997. The structure of the economy includes traditional agriculture, modern agriculture, handicrafts, a wide range of modern industries, as well as many services. More than half of the labor force is employed in agriculture, but services are the main source of economic growth, accounting for more than half of India's output, and one-third of its labor force employment¹²⁰.

The industrial slowdown in early 2008, after the global financial crisis, led to an annual GDP growth slowing to 6.5% in 2009, but remains the second largest growth in the world among the largest economies in the world. India has avoided the impact of the global financial crisis due to the cautious policy of banks and the relatively low dependence of exports on economic growth. Domestic demand driven by the purchase of consumer durables and cars has become one of the key growth drivers after exports have fallen since the onset of the global crisis. The government rejected the deficit budget, which allowed to achieve an increase of 6.8% of GDP in 2010. Long-term problems include widespread poverty, insufficient physical and social infrastructure, limited employment opportunities, and difficulties in obtaining higher

¹¹⁹ Bai, C., Zhang, Q., Fei, X., Zhao, J. and Wang, M. (2017). *A research on China's economic growth potential*. New York: Routledge.

¹²⁰ Mukherjee, A., Pal, P., Deb, S., Ray, S. and Goyal, T. (2016). *Special Economic Zones in India*. New Delhi: Springer India.

education. In the long term, population growth and demographic changes will only exacerbate social, economic and environmental problems¹²¹.

India's economic growth began to slow in 2011 due to a decline in investment due to high interest rates, rising inflation and pessimistic investor sentiment about the government's commitment to further economic reforms. The situation in the world affected the decline in the growth of the economy. The Government of India announced additional reforms and measures to reduce the deficit, including allowing higher levels of participation of foreign capital in enterprises in the end of 2012¹²².

The outlook for India's long-term growth is moderately positive due to the large number of young people in the country, the optimal rates of savings and investment and the growing integration into the world economy. The problems of economic infrastructure and organization include: inefficient generation and distribution of electric power, ineffective protection of intellectual property rights, ten years of civil litigation, inadequate development of transport and agricultural infrastructure, limited non-agricultural opportunities, high public spending and poor using of targeted subsidies¹²³.

The economic growth in 2013 fell to a ten-year low. The growth of macroeconomic imbalances in India and the improvement of economic conditions in Western countries forced investors to withdraw capital from India, which caused a sharp fall in the rate of the rupee. Nevertheless, the macro climate for investors in India improved in early 2014, due to the reduction in the current account deficit and the expectations of economic reforms after the elections, as a result, there is a surge in incoming capital flows and stabilization of the rupee exchange rate¹²⁴.

The India's economy continued to grow in 2015. The reasons for this were: Low level of taxes and budget expenditures in GDP, High share of savings and investments in GDP, Competent macroprudential policy, Soft (but moderately) monetary policy: Money supply

¹²¹ Mukherjee, A., Pal, P., Deb, S., Ray, S. and Goyal, T. (2016). *Special Economic Zones in India*. New Delhi: Springer India.

¹²² Mukherjee, A., Pal, P., Deb, S., Ray, S. and Goyal, T. (2016). *Special Economic Zones in India*. New Delhi: Springer India.

¹²³ Mukherjee, A., Pal, P., Deb, S., Ray, S. and Goyal, T. (2016). *Special Economic Zones in India*. New Delhi: Springer India.

¹²⁴ Joshi, V. (2017). *Indias long road - the search for prosperity*. Oxford Un.Press.

growth rate averages 15% per year, which gives inflation of 5%, the rest goes to GDP growth¹²⁵.

GDP in the first quarter of 2016 rose by 7,9%. The growth of the Indian economy is largely due to the development of the agricultural sector. Earlier, the country which was dependent on imports, turned into an exporter of food products. The increase in the level and quality of life brought demographic dividends: India has become the country with the largest and youngest labor force in the world. Also India is the home of well-known pharmaceutical companies and steel manufacturers for space technology. The volume of personal consumption and exports has increased in the country. Nevertheless, serious structural socio-economic problems persist in India: the uneven development of infrastructure and human capital, acute social inequality and poverty¹²⁶.

4.3 Trade between countries

The major share in the structure of exports of goods from China and India consists of goods with high added value, and this share increases every year. At present, it is about 40%. Since 2002, manufactured goods have become the main name for Chinese exports, replacing footwear and clothing. In India, there are similar trends when the flow of capital has increased, and trade liberalization has been observed in the last decade, machine-building goods are the main name of Indian exports at present. The structure of exports from Russia, unlike India and China, has changed not too much. In Russia, this situation is a reflection of the lack of diversification of the Russian economy, for example, in 2006, energy resources accounted for about half of Russia's exports. The rapid increase in oil prices only strengthens this trend¹²⁷.

4.3.1 Russia and China

In the commodity structure of the export of Russian chemical and petrochemical products to China, the leading positions are traditionally occupied by mineral fertilizers. The Russian

¹²⁵ Mukherjee, A., Pal, P., Deb, S., Ray, S. and Goyal, T. (2016). *Special Economic Zones in India*. New Delhi: Springer India.

¹²⁶ Mukherjee, A., Pal, P., Deb, S., Ray, S. and Goyal, T. (2016). *Special Economic Zones in India*. New Delhi: Springer India.

¹²⁷ Popkova, E. and Sukhodolov, Y. (2017). *Foreign Trade as a Factor of Economic Growth*. Cham: Springer International Publishing.

Federation exports to China potash and phosphate fertilizers, as well as plastics and synthetic resins and organic petrochemical products¹²⁸.

Russia buys in China the widest range of plastic products, including packaging, pipes, hoses, sanitary ware, household items, clothes and accessories, tableware and kitchenware, figurines and decorative products, construction products and parts and many other products, tires. A significant place in Russian imports from China is occupied by chemical plant protection products. From China to Russia are also supplied in significant quantities of chemical fibers and threads¹²⁹.

4.3.2 Russia and India

According to World Bank, Russia's export to India in 2016 is amounted to US\$ 5,312,787,268, down by 4.64% (US \$ 258,640,007) compared to 2015. In the structure of Russia's exports to India in 2016 (and in 2015), the main share of shipments fell on the following types of goods: machinery, equipment and vehicles - 22.94% of the total volume of Russia's exports to India (in 2015 - 21.11%); precious metals and stones - 17.82% of the total volume of Russia's exports to India (in 2015 - 18.16%); products of the chemical industry - 14.69% of the total volume of Russia's exports to India (in 2015 - 19.85%); mineral products - 9.01% of the total volume of Russia's exports to India (in 2015 - 6.84%); metals and articles thereof - 5.93% of the total volume of Russia's exports to India (in 2015 - 6.52%); wood and pulp and paper products - 5.31% of the total volume of Russia's exports to India (in 2015 - 4.45%)¹³⁰. The import of Russia from India in 2016 was \$ 2,397,222,147, an increase of 6.17% (\$ 139,398,283) compared with 2015. The output of the chemical industry is 32.61% of the total volume of Russia's imports from India (in 2015, 33.44%); foodstuffs and agricultural raw materials - 25.78% of the total volume of Russia's imports from India (in 2015 - 26.17%); machinery, equipment and vehicles - 17.02% of the total volume of Russia's imports from India (in 2015 - 15.93%); textiles and footwear - 13.66% of the total volume of

128 Popkova, E. and Sukhodolov, Y. (2017). *Foreign Trade as a Factor of Economic Growth*. Cham: Springer International Publishing.

129 Popkova, E. and Sukhodolov, Y. (2017). *Foreign Trade as a Factor of Economic Growth*. Cham: Springer International Publishing.

130 Donnithorne, A. (2005). *China's economic system*. Routledge.

Russia's imports from India (in 2015 - 13.86%); metals and articles thereof - 5.27% of the total volume of Russia's imports from India (in 2015 - 5.21%)¹³¹.

4.3.3 China and India

China and India - neighbors and rapidly developing superpowers - are connected by rather uneasy relations. The trade turnover between them grows annually at breakneck speed. In 2011, bilateral trade amounted to 74 billion dollars. China became India's first trading partner¹³².

Foreign trade has a huge importance for the India's economy. The country exports fabrics, ready-made garments, jewelry and precious stones, agricultural and food products, machinery, as well as ore minerals, medicines and other goods. India accounts for 21% of world tea exports. The main exports are textiles, jewelry, engineering products and software¹³³. China is the main trading partner of India. Country exports to India iron ore (44% of exports), non-ferrous metals (8%), plastics and linoleum (7%), electrical goods (about 30% of imports), machinery and equipment, other than electrical goods (10%) and ferrous metals (9%)¹³⁴.

4.4 Foreign trade of China, Russia and India

Foreign trade activity is an entrepreneurial activity in the field of international exchange of goods, works, services, information, results of intellectual activity, including exclusive rights to them (intellectual property) and is carried out between the subjects of such activities through the export and import of goods, works and services¹³⁵.

4.4.1 Foreign trade of Russia

Russia' exports and imports are carried out without quantitative restrictions, which can be introduced in exceptional cases by the Government of the Russian Federation in order to ensure national security; fulfillment of international obligations taking into account the state of the domestic commodity market; protection of the internal market. The Russian Federation may establish (on the basis of licensing): a state monopoly on the export and import of certain

131 Prasad, M. (2011). *India's foreign trade*. Delhi: Kalpaz Publications.

132 Prasad, M. (2011). *India's foreign trade*. Delhi: Kalpaz Publications.

133 Prasad, M. (2011). *India's foreign trade*. Delhi: Kalpaz Publications.

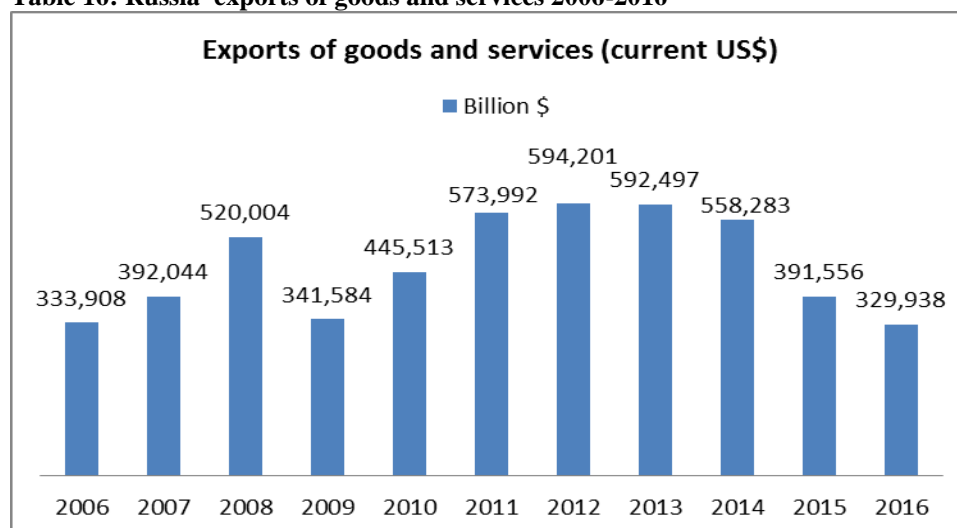
134 Donnithorne, A. (2005). *China's economic system*. Routledge.

135 Popkova, E. and Sukhodolov, Y. (2017). *Foreign Trade as a Factor of Economic Growth*. Cham: Springer International Publishing.

types of goods, the lists of which are determined by federal laws, as well as prohibitions and restrictions on the export or import of goods, work, services, the results of intellectual activity, rights to them, based on national interests¹³⁶.

Russia exports energy (oil and oil products, gas, coal), steel, ferrous and non-ferrous metals and minerals. The bulk of Russian exports is provided by oil and oil products. Also, the leading export items are natural gas, timber, mineral fertilizers, machinery and equipment, armament. More than 300 million tons of oil and about 250 billion cubic meters of gas are exported to the countries of the far and near abroad¹³⁷. From the figure below it could be seen that the highest value of export in Russia was \$ 594 billion in 2012 and the smallest value is \$ 330 billion in 2016.

Table 16: Russia' exports of goods and services 2006-2016



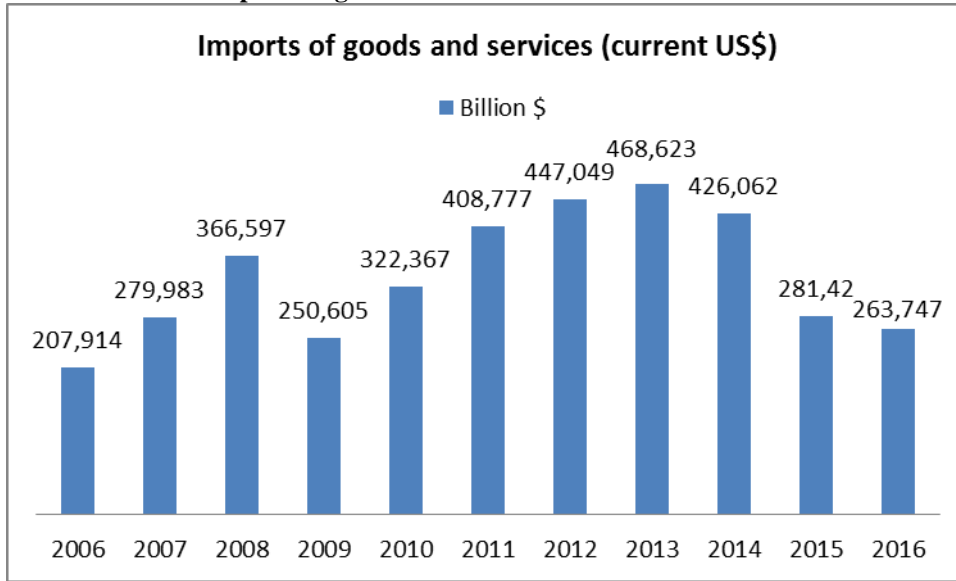
Source: World Bank

Russia imports machinery and equipment, vehicles, consumer goods, food, chemical products, consumer manufactured goods. On the figure below is shown that the highest value of import in Russia was \$ 469 billion in 2013 and the smallest value was \$ 208 billion in 2006.

136 Popkova, E. and Sukhodolov, Y. (2017). *Foreign Trade as a Factor of Economic Growth*. Cham: Springer International Publishing.

137 Mitrova, T. and Ladislav, S. (2016). *Shifting political economy of Russian oil and gas*.

Table 17: Russia' imports of goods and services 2006-2016



Source: World Bank

Russia provides most of the needs of the CIS countries in oil and oil products, gas, timber, machinery and equipment. For most of the near abroad countries, Russia remains the main trading partner. The main trading partners of Russia are Germany, Italy, China, Turkey, Poland, Switzerland, Great Britain, USA and Finland¹³⁸.

4.4.2 Foreign trade of China

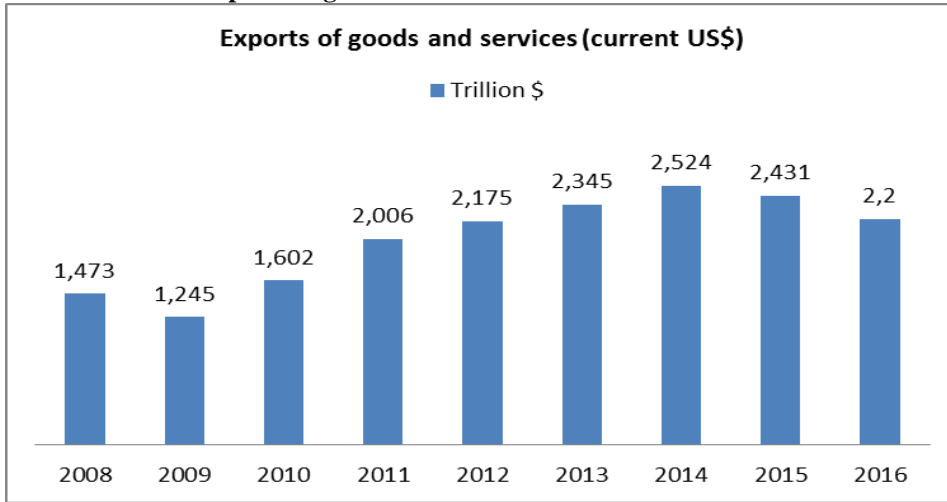
The total volume of China's foreign trade is decreased by 6.8% to \$ 3.68 trillion in 2016.

It's possible to see on the figure below that the country's exports decreased for the first 12 months of last year by 7% to \$ 2.2 trillion¹³⁹.

¹³⁸ Barnett, V. and Zweynert, J. (2016). *Economics in Russia*. London: Routledge.

¹³⁹ Popkova, E. and Sukhodolov, Y. (2017). *Foreign Trade as a Factor of Economic Growth*. Cham: Springer International Publishing.

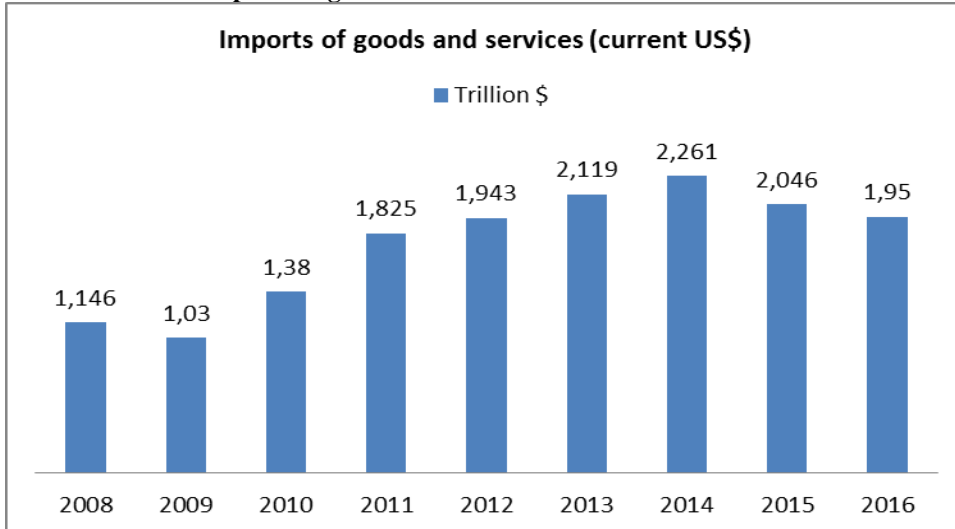
Table 18: China' exports of goods and services 2008-2016



Source: World Bank

Import is decreased from 2015 to 2016 by 5% to \$ 1.95 trillion. At the same time, China in the end of 2016 increased oil imports in annual terms by 13.6% to 381 million tons (2.85 billion barrels). On the figure below is shown that the highest value of import in China was \$ 2,261 trillion in 2014 and the smallest value was \$ 1,03 trillion in 2009¹⁴⁰.

Table 19: China' imports of goods and services 2008-2016



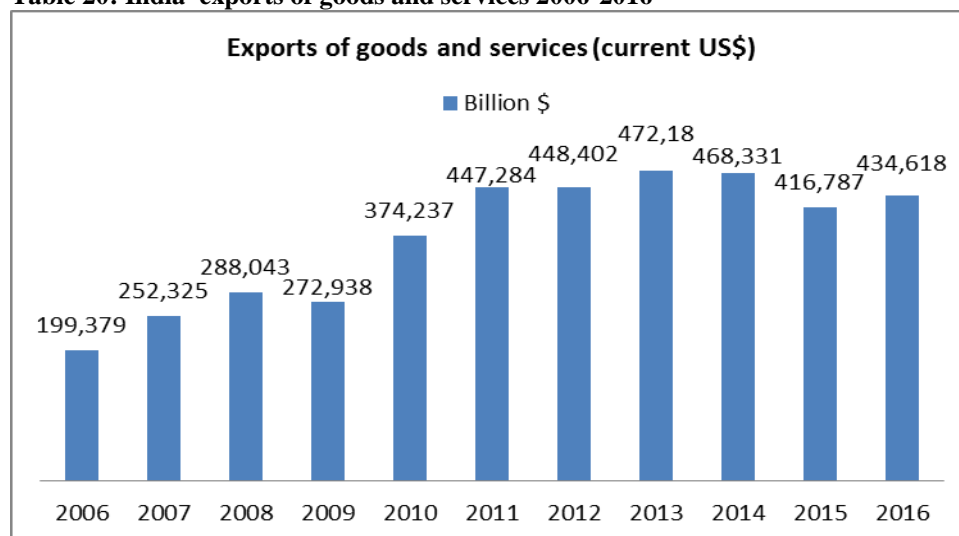
Source: World Bank

¹⁴⁰ Popkova, E. and Sukhodolov, Y. (2017). *Foreign Trade as a Factor of Economic Growth*. Cham: Springer International Publishing.

4.4.3 Foreign trade of India

From 2012 and 2013 India's exports and imports in trade are declining. The decline in trade is mainly due to the global slowdown. Both exports and imports declined during 2014 to 2016; the trade deficit also fell. Export fell from \$ 468 billion to \$ 416 billion in 2015. But it was increased to \$ 435 billion. From the data on diagram you can see that the highest value of export in India was \$ 472 billion in 2013 and the smallest value was \$ 199,379 billion in 2006¹⁴¹.

Table 20: India' exports of goods and services 2006-2016



Source: World Bank

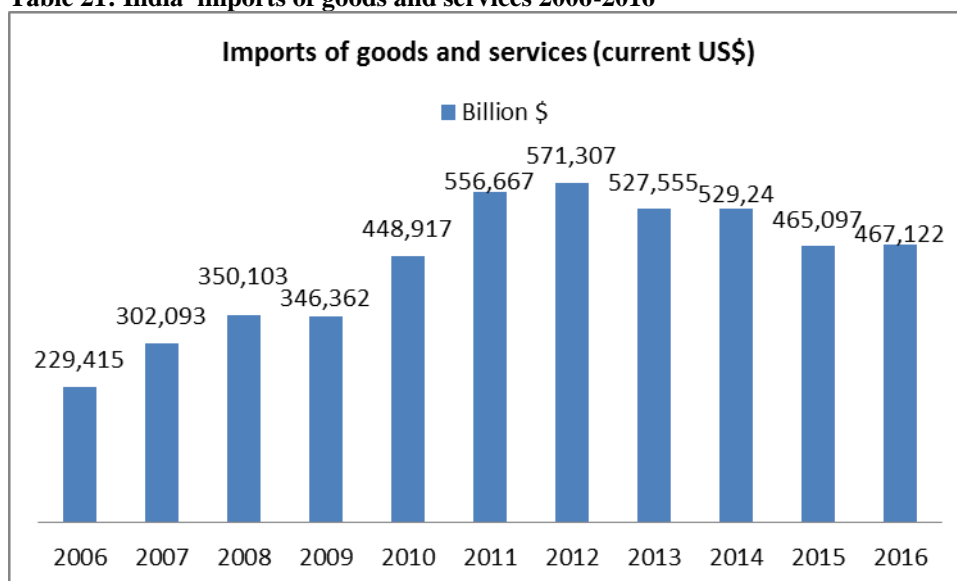
India's import is increasing from 2006 (\$ 199,379 billion) to 2013 (\$ 472,18 billion). But after 2013 it started to fall down.

As it's seen on the figure below the highest value of import in India was \$ 571,307 billion in 2012 and the smallest value was \$ 229,415 billion in 2006¹⁴².

¹⁴¹ Mukherjee, A., Pal, P., Deb, S., Ray, S. and Goyal, T. (2016). *Special Economic Zones in India*. New Delhi: Springer India.

¹⁴² Mukherjee, A., Pal, P., Deb, S., Ray, S. and Goyal, T. (2016). *Special Economic Zones in India*. New Delhi: Springer India.

Table 21: India' imports of goods and services 2006-2016



Source: World Bank

4.5 Countries regression analysis

The establishment of the dependence of economic growth on various groups of factors makes it possible to identify the key factors affecting the economic growth of the economic system, to assess and determine the type of economic growth. The tool for establishing such dependencies is regression analysis.

Regression analysis is a method of modelling the measured data and researching their properties. The data consists of pairs of values of the dependent variable Y (the response variable) and the independent variable X (the explaining variable). The regression model is a function of an independent variable and parameters with an added random variable.

The work on the basis of regression analysis determines the dependence of GDP per capita on the change in a number of the most significant factors, among which are the level of GDP and the level of the population. The obtained dependence allows to establish interrelations between GDP per capita and a group of main factors and to estimate the degree of their influence on the GDP per capita.

4.5.1 GDP per capita regression analysis of China

For the analysis of the dependence of GDP per capita¹⁴³ on the level of Consumption (US\$)¹⁴⁴ and the level of China's Government Spending¹⁴⁵ (US\$), a sample of volume n=17 was selected for the period from 2010 to 2016. The data for each year is shown in the table below.

Table 22: Data for GDP per capita regression analysis of China 2010-2016

Year	GDP per capita	Consumption	Government Spending
2000	959,3724836	5,675948	7,690823862
2001	1053,108243	6,126394823	8,281482089
2002	1148,50829	6,65414641	8,948671647
2003	1288,643252	7,1697242	9,606508378
2004	1508,668098	8,045011958	1,076333938
2005	1753,417829	9,181065657	1,23802851
2006	2099,229435	1,054996213	1,43889125
2007	2695,365917	1,311775188	1,790725591
2008	3471,212324	1,651211675	2,266125831
2009	3838,434655	1,854011217	2,528446321
2010	4561,143246	2,157562252	2,939279232
2011	5633,713468	2,732053312	3,730125832
2012	6338,223421	3,142523123	4,294992954
2013	7078,138928	3,541695912	4,847441929
2014	7683,567421	3,947972251	5,344151656
2015	8069,201293	4,271057312	5,817206113
2016	8123,276819	4,404564874	6,022659345

Source: World Bank

Dependent variable Y is GDP per capita, independent variables X- Consumption and Government Spending. The results of the regression analysis, which are based on this data, are shown in the table below.

143 data.worldbank.org, available on <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CN> (accessed on 1.03.18)

144 data.worldbank.org, available on <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CN> (accessed on 1.03.18)

145 data.worldbank.org, available on <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=CN> (accessed on 1.03.18)

Table 23: Results of regression analysis

<i>Regression Statistics</i>	
Multiple R	0,77137
R-Square	0,595012
Adjusted R-Square	0,537156
Standard Error	1826,399
Observations	17

<i>ANOVA</i>					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	68612400	34306200	10,28445	0,001787
Residual	14	46700283	3335734		
Total	16	1,15E+08			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95,0%</i>	<i>Upper 95,0%</i>
GDP per capita (Y)	6397,429	918,3271	6,966395	6,59E-06	4427,813	8367,045	4427,813	8367,045
Consumption (X 1)	-198,971	193,4332	-1,02863	0,321099	-613,844	215,9022	-613,844	215,9022
Gov.Spending (X 2)	-3E-09	7,7E-10	-3,88863	0,001638	-4,6E-09	-1,3E-09	-4,6E-09	-1,3E-09

Now it's possible to attain the following equation:

$$\text{GDP per capita} = 6397,429 - 198,971 \text{Consumption} - 2,9948 \text{Government Spending}$$

Using results of the regression analysis it's possible to determine the statistical significance of parameter using p-Value and to know how many percent explain the regression model using the R-square.

The R-square of the model is 0,595012 or 59,5% which is nearly to 60%. But the value is small. If the value of the R-square is small then the estimated model is not powerful in explaining effects. It also tells that the model doesn't fit for sample regression.

The coefficient of Consumption is equal to -198,971, signifying that if GDP increases by 1 unit then GDP per capita will decrease by -198,971. Also it is seen that there is no the significance between values because the p-Value is equal to 0,321099 which doesn't satisfy the condition that p-Value should be less than the significant level of 0,05 to be seen as relevant variable for the model.

The coefficient of Government Spending is -2,9948 which signifies that if Population increases by 1 unit then GDP per capita will decrease by -2,9948. And looking at the p-Value which is equal to 0,001638 it is seen that there is significance between values because the p-Value is less than the significant level and it satisfies the condition when p-Value should be less than 0,05.

According to the results of the regression analysis, the significant factor that effects on the GDP per capita in China is Government Spending.

4.5.2 GDP per capita regression analysis of Russia

For the analysis of the dependence of GDP per capita US\$¹⁴⁶ on the level of Private Consumption (US\$)¹⁴⁷ and the level of Government Spending (US\$) a sample of volume n=9 was selected for the period from 2008 to 2016. The data for each year is shown in the table.

Table 24: Data for GDP per capita regression analysis of Russia 2008-2016

Year	GDP per capita	Consumption	Government Spending
2008	11635,21543	8,121225	1,108262431
2009	8562,156436	6,680098	9,221559243
2010	10674,41256	7,8514813	1,070689441
2011	14351,21356	1,0266316	1,384922243
2012	15434,22123	1,12645996	1,520625547
2013	16007,8972	1,21626655	1,641932422
2014	14125,45231	1,10228463	1,472466356
2015	9329,215431	7,1468073	9,533534322
2016	8748,12411	6,6024466	8,921317803

Source: World Bank

146 data.worldbank.org, available on <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=RU> (accessed on 1.03.18)

147 data.worldbank.org, available <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=RU> (accessed on 1.03.18)

Dependent variable Y is GDP per capita, independent variables X- Consumption and Government Spending. The results of the regression analysis, which are based on this data, are shown in the table below.

Table 25: Results of regression analysis

<i>Regression Statistics</i>	
Multiple R	0,968547
R-Square	0,938083
Adjusted R-Square	0,917444
Standard Error	845,2677
Observations	9

<i>ANOVA</i>					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	64949112	32474556	45,45217	0,000237
Residual	6	4286865	714477,6		
Total	8	69235977			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95,0%</i>	<i>Upper 95,0%</i>
GDP per capita-intercept	16132,05	513,8989	31,39149	6,94E-08	14874,59	17389,52	14874,59	17389,52
Consumption (X 1)	-571,761	103,8718	-5,50449	0,001509	-825,926	-317,596	-825,926	-317,596
Gov.Spending (X 2)	-360,989	86,65223	-4,16595	0,005905	-573,019	-148,958	-573,019	-148,958

Now it's possible to attain the following equation:

$$\text{GDP per capita} = 16132,05 - 571,761 \text{Consumption} - 360,989 \text{Government Spending}$$

Using results of the regression analysis it's possible to determine the statistical significance of parameter using p-Value and to know how many percent explain the regression model using the R-square.

The R-square of the model is 0,938083 or 93,8% which is closer to 100%. If the value of the R-square is high then the estimated model is powerful in explaining effects. It also tells that the model fits for sample regression.

The coefficient of Consumption is equal to -571,761, signifying that if GDP increases by 1 unit then GDP per capita will decrease by -571,761. But looking at the p-Value which is equal to 0,001509 it is seen that there is significance between values because the p-Value is less than the significant level and it satisfies the condition.

The coefficient of Government Spending is -360,989 which signifies that if Population increases by 1 unit then GDP per capita will decrease by -360,989. Also it is seen the significance between values because the p-Value is equal to 0,005905 which satisfies the condition that p-Value should be less than the significant level of 0,05 to be seen as relevant variable for the model.

According to the results of the regression analysis, the significant factors that effect on the GDP per capita in Russia are Consumption and Government Spending.

4.5.3 GDP per capita regression analysis of India

For the analysis of the dependence of GDP per capita¹⁴⁸ on the level of Consumption¹⁴⁹ (US\$) and the level of India's Government Spending¹⁵⁰ (US\$), a sample of volume $n = 17$ was selected for the period from 2000 to 2016. The data for each year is shown in the table.

Table 26: Data for GDP per capita regression analysis of India 2010-2016

Year	GDP per capita	Consumption	Government Spending
2000	437,58611	2,940270334	3,505155454
2001	438,86463	3,066648431	3,642958313
2002	447,01389	3,196209128	3,784285127
2003	466,2008	3,680562544	4,347714924
2004	541,13522	4,074926739	4,819701806

148 data.worldbank.org, available on <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=IN> (accessed on 1.03.18)

149 data.worldbank.org, available <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=IN> (accessed on 1.03.18)

150 data.worldbank.org, available <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=IN> (accessed on 1.03.18)

2005	621,318376	5,225957342	5,499096317
2006	707,00801	6,737001308	6,151077133
2007	792,02596	6,745987449	7,939804238
2008	1018,8322	7,463511312	8,00682335
2009	1093,123415	9,131232212	8,99772311
2010	1345,235711	1,024721213	1,098376532
2011	1466,154327	1,031132785	1,226769764
2012	1446,890903	1,126123243	1,221231244
2013	1452,265374	1,070321231	1,261474221
2014	1573,125422	1,182928972	1,395313454
2015	1596,124654	1,211625423	1,427219893
2016	1709,726531	1,3309542	1,591237864

Source: World Bank

Dependent variable Y is GDP per capita, independent variables X- Consumption and Government Spending. The results of the regression analysis, which are based on this data, are shown in the table below.

Table 27: Results of regression analysis

<i>Regression Statistics</i>	
Multiple R	0,742543
R-Square	0,551371
Adjusted R-Square	0,487281
Standard Error	341,3882
Observations	17

<i>ANOVA</i>					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	2005308	1002654	8,603081	0,003658
Residual	14	1631643	116545,9		
Total	16	3636951			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95,0%</i>	<i>Upper 95,0%</i>
GDP per capita-intercept	378,1551	176,0719	2,147731	0,049727	0,518467	755,7918	0,518467	755,7918
Consumption (X 1)	8,72E-10	2,28E-10	3,824656	0,001858	3,83E-10	1,36E-09	3,83E-10	1,36E-09
Gov.Spending (X 2)	8,31E-11	2,32E-10	0,357951	0,725719	-4,1E-10	5,81E-10	-4,1E-10	5,81E-10

Now it's possible to attain the following equation:

$$\text{GDP per capita} = 378,1551 + 8,718631 \text{Consumption} + 8,309334 \text{Gov.Spending}$$

Using results of the regression analysis it's possible to determine the statistical significance of parameter using p-Value and to know how many percent explain the regression model using the R-square.

The R-square of the model is 0,55137 or 55,13%. If the value of the R-square is small then the estimated model is not powerful in explaining effects. It also tells that the model doesn't fits for sample regression.

The coefficient of Consumption is equal to 8,718631, signifying that if Consumption increases by 1 unit then GDP per capita will increase by 8,718631. Looking at the p-Value which is equal to 0,001858 it is seen that there is significance between values because the p-Value is less than the significant level and it satisfies the condition when p-Value should be less than 0,05.

The coefficient of Government Spending is 8,309334 which signifies that if Population increases by 1 unit then GDP per capita will increase by 8,309334. Also it is seen that there is also significance between values because the p-Value is equal to 0,725719 which doesn't satisfy the condition that p-Value should be less than the significant level of 0,05 to be seen as relevant variable for the model.

According to the results of the regression analysis, the significant factors that effect on the GDP per capita in India is Consumption.

5 Conclusion

The Bachelor Thesis is focused on the economic analysis of Chinese, Russian and Indian economics. The theoretical part includes the definition of the main macroeconomics indicators such as Gross Domestic Product, Gross National Income, Gross Domestic Product per capita, Foreign Trade, Purchasing Power Parity, National Income, Inflation and Unemployment. They determine how strongly or poorly developed the economy of the analysed country. These indicators characterize the level or trends of the economy as a whole: national income, total employment and investment, general price level, economic growth rates. Also it helps to determine the direction in which the dynamics of the main indicators of the country's economic development are located by studying its data.

The main indicator of the system of macroeconomic indicators is the Gross Domestic Product, which characterizes the cost of final goods and services produced by residents of the country for a certain period of time minus the cost of intermediate consumption. Gross domestic product is calculated in market prices of final consumption.

The second main indicator is Gross National Product. It is the sum of primary incomes received by residents of a given country for a particular period due to their direct or indirect participation in the production of their country's GDP and the GDP of other countries. The primary income includes wages, profits, taxes on production, income from property (interest, dividends, rent, etc.).

National income (ND) is the macroeconomic indicator of the total incomes of the entire population of a given country for a certain period of time.

GDP per capita is the market value of all finished products produced within the territory of the state, that is, products that are intended for sale and final consumption, and not for further participation in the production of other products.

Unemployment is the availability of that part of the economically active population (not retirees, schoolchildren, children, etc.), who want to work, but can not find a job.

Inflation is a general increase in the level of prices for consumer and manufactured goods as a result of depreciation and a decrease in the purchasing power of national money.

Foreign trade is the trade between countries, consisting of the exportation and importation of goods and services.

Purchasing Power Parity is the ratio of two or more monetary units, currencies of different countries, which is determined by their purchasing power with respect to a certain set of goods and services.

All these indicators play a huge role in the development of the country's economy. Based on them it could be possible to say how developed this country is.

The practical part of the thesis consists of descriptive analysis and the regression analysis of the macroeconomic indicators such as GDP, GDP per capita, GDP per capita by PPP, Inflation, Unemployment and Population that determine the level of economic development of the country. The data for descriptive analysis was taken for the period from 2008 to 2016, for regression analysis – from 2010 to 2016. The data for analyses was taken from the source of World Bank Data.

It was revealed that China has the highest value of GDP in 2016 – 11,199 trillion US\$. India has 2,264 trillion US\$. Russia has the smallest value – 1,283 trillion US\$.

The highest value of GDP per capita in 2016 pertains to Russia - 8,748.4 US\$. China has 8,123.2 US\$ and India – 1,709 US\$.

GDP per capita by PPP of Russia in 2016 is 24,789 US\$, China's GDP per capita by PPP is 15,529 US\$ and India's – 6,570 US\$.

The inflation rate of China in 2016 is 3,6%, inflation rate of Russia is also 3,6% and India's inflation rate is 1,2%.

The smallest unemployment rate in 2016 is in India – 3,5%. China's unemployment rate is 4,05% and Russia's – 5,5%.

In the practical part was made a descriptive analysis of trade between Russia, China and India because these countries closely cooperate to each other. Also these countries are parts of the organization BRICS.

Also there was made the description analysis of countries from the late of XX century to 2016.

There was made the regression analysis which shows how GDP per capita of China, Russia and India depends on Consumption and Government Spending. According to the results, GDP per capita of Russia depends on both factors. GDP per capita of China depends on Government Spending factor more than it depends on factor of Consumption. And GDP per capita of India depends on factor of Consumption.

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