The South experienced a graceful economic turnaround after a short spell of slowdown in the event of global economic recession during 2007-09. While the North struggles with the fragile recovery for the past five years, the South explains the current growth dynamics in the world. The contribution of the South to incremental world growth has outpaced the advanced economies. Moreover, the Southern economies exhibited remarkable resilience and played a key role in the rebalancing of global demand. The share of the South in world GDP elevated from 24 per cent in 2001 to 45 per cent in 2014, thus reflecting economic prowess of the South in catching up with the North. Most notably, the LDCs showed considerable resilience in the crisis years. Although higher growth is observed across different country groupings within the South, the growth triggers were stronger in the emerging markets. With bright spots in the emerging market fundamentals, and other sub-groups in the South including LDCs, other developing and transitional economies, the South would be the engine of global growth in the future.
Sturdy Economic Fundamentals Spur Growth in the South

Strong economic fundamentals underpin higher growth in the South. Among a host of other factors, self-reliance in resource mobilisation contributes the most. Unlike the historic dependence of the South on foreign capital, the South growth story is now rooted in efficient utilization of domestic resources. Savings and investment rates in the South have improved from 24 per cent and 23 per cent in 2002 to 29.5 per cent and 28.2 per cent in 2014 respectively. Higher savings fuelled higher investment which, in turn, provided stimulus to economic growth in the South. Domestic private investment rose impressively over time compared to the North. As savings rates continue to remain higher than investment rates, the untapped resources pave the way for fresh investments and activate the growth triggers in the South in the future.
Resource Flows to the South

Resource position in the South is fairly strong in the recent years compared to the past. Along with rising domestic savings and investment, international resource flows to the South have registered phenomenal growth. With surge in South-South investment flows, the South has emerged as the hub of global FDI activities. Most of the countries in South are not only leading recipients of FDI inflows but also act as major origin of FDI flows. FDI outflows from the South have increased significantly even during the global recession, and converging to the volume of FDI outflows from the North. Besides FDI flows, remittances have been a major component of resource flows to the South. The share of remittances flows to the South has grown dramatically since 2000, indicating a strong resource base of the Southern economies.
South as the Engine of the World Trade

The world trade has undergone tectonic shifts in the recent decade; much of that can be explained by the dynamism of the trade of the Southern economies. While the share of the North in global trade has declined, the share of the South marked a steady rise. In addition to the increasing trade volumes, the South is more integrated now with the global economy. In relative terms, the Southern trade has grown faster than output. During the global buoyancy (2003-07), output of the South grew by 6.9 per cent whereas Southern trade registered a growth rate of 16.9 per cent. Interestingly, the rising trend in Southern trade prevailed even during the first episode of the global recession (2007-09). With deeper trade liberalisation, the South has emerged as the engine of world trade.
Trade has been the driver of growth in the world economy during the last three decades and, moreover, trade sector is mostly led by Global Value Chain (GVC) sector for these years. GVC has been one of the faster growing segments in the global trade since the 1960s. In recent years, this process was bolstered and the global trade in GVC surpassed the level of US $ 27 billion in 2014. Taking into account the strong economic benefits associated with the GVC, the South is expected to gain from the GVC sector. The global share of the South has been persistently growing during the last two decades including during the recent episode of recession.

While South has posted a rising share of exports and imports in the world GVC trade, north has witnessed a declining trend in this regard during 2002-2014. Global share of the South in the GVC imports outshined that of the North since 2009. In parts and components sector, five sectors are emerging as important in global GVC trade including chemicals, plastics, base metals, machinery and automobiles. In these sectors, the South has not only registered better growth performances but also their import performance has been much better than their exports. In short, the South is emerging as a key player in world GVC trade in the 21st century.
Promoting Scientific Innovations in the South

Scientific innovations are increasingly being viewed as the backbone of the Southern economies. On many fronts, the Southern countries have made impressive headways. On input side, most of these countries have emerged quite strong in scientific research and innovations. R&D spending shows upward trends for the South as a whole and more prominently for the emerging markets. Relative to the North, the South witnessed greater orientation towards scientific innovations as manifested in significant rise in the number of scientific and technical publications. In this drive, LDCs are not lagging behind the other peer Southern countries. The bulk of technology consumption in the South are concentrated in the emerging markets. Royalty payments and receipts have grown over time indicating greater recognition of the importance of science and technology for maintaining economic dynamism in the South.
Financial Resilience in the South

Financial resilience has returned to the South after decades of fragility and crises. Countries in the South are more resilient now compared to the 1990s and 2000s. Reserve holdings are adequate to cover imports and balance of payment fluctuations. Over the period 2005-13, reserve stock has improved by 242 per cent, 197 per cent and 301 per cent for the emerging markets, developing economies and the LDCs respectively. Higher import cover shows enhanced preparedness of the Southern countries to withstand any distortions in trade-related external imbalances. There has been remarkable achievement on the debt front. Overall debt servicing capacity improved considerably for the South as a whole and for the emerging markets, other developing countries and LDCs. Short-term debt, the most contagious component of external vulnerability, is within the manageable proportions. Although the volume of short term debt increased after the global recession during 2007-09, the historical trends demonstrate greater resilience in the South in the recent years. Gradual lowering of interest payments burden further contributes to the strength of the Southern economies in mitigating the external vulnerabilities. The bilateral currency swap arrangements contributes to import payments in local currencies and preventing the parties from liquidity shocks.
Comprehensive Financial Deepening in the South

Domestic financial sectors in the South have undergone substantial transformation over time particularly in the 2000s. This is reflected in higher financial system deposits especially in the LDCs and transition economies and impressive growth in domestic credit flows to the private sector. Deep domestic long-term debt markets are well-positioned now to cater the financing requirements in the Southern economies. Even though the public and private bond markets remained subdued because of the first episode of the global economic recession during 2007-09, corporate bond issuance in the emerging markets has gone up from 1.1 per cent of GDP in 2001 to 3.1 per cent of GDP in 2013. Over the years, equity markets in the South witnessed significant growth in terms of overall market capitalization and dynamism in the developing economies and the LDCs. With greater financial market integration, the South would reduce its dependence on foreign capital markets and contain external vulnerabilities to a great extent. Financial markets in some emerging countries such as Korea, Singapore, Hong Kong, India and China are viewed as potential regional financial hubs for raising capital in the South.