

# News Release

**DATE:** 12 January 2009

**CONTACT:** Zuzana Sehnalová, Marketing Specialist  
PricewaterhouseCoopers Slovensko, s.r.o.  
tel.: +421 (0) 2 59350 868, +421 (0)911 357 151  
[zuzana.sehnalova@sk.pwc.com](mailto:zuzana.sehnalova@sk.pwc.com)

## **Emerging economies now being hit hard by the global recession, but their share of world GDP could still be over 50% by 2014**

The emerging economies will see a sharp slowdown in growth in 2009, but they could still surpass the advanced economies as early as 2014 in terms of their share of world GDP, according to calculations by economists at PricewaterhouseCoopers LLP (PwC).

While all of the major advanced economies are projected to shrink in 2009 and recover only gradually thereafter, the large emerging economies (particularly China and India) are expected to experience only a slowdown not a contraction in 2009 and generally retain much better medium term prospects than the advanced economies.

PwC projects that by 2014 the share of emerging economies (on the International Monetary Fund (IMF) definition including developing countries) could rise to just over half (50.5%) of world GDP in purchasing power parity (PPP) terms, up from 43.7% in 2007. The PwC figures are based on analysis of IMF data on current world GDP shares combined with the firm's latest medium-term growth projections.

John Hawksworth, head of macroeconomics, PricewaterhouseCoopers LLP, commented:

"It is striking that such a significant shift in world GDP share from advanced economies to emerging economies could occur within as little as six years, and that by 2014 more than half of world GDP could be accounted for by these high growth countries."

Alec Jones, head of emerging markets, PricewaterhouseCoopers LLP, added:

"The analysis provides an interesting insight into how the opportunities for investors from the UK and other advanced economies are likely to change as the emerging economies grow their consumer markets. Instead of being viewed predominantly as low cost manufacturing and offshoring centres by businesses in the advanced economies, the projections indicate they are fast becoming destination markets in their own right."

Other notable findings from the country level results include that, by 2014:

- while the US would remain the largest economy in the world, its share of global GDP at PPPs is projected to be down from 21.3% in 2007 to 19%;
- China could overtake the euro area and move into second place;
- India could nudge ahead of Japan; and
- the UK share of world GDP in PPP terms could fall from 3.3% in 2007 to 2.9% in 2014.

John Hawksworth, head of macroeconomics at PricewaterhouseCoopers LLP, said:

"We expect some sharp slowdowns in emerging market growth in 2009, notably in Russia and Brazil. Growth in China and India could slow to only around 5-6% in 2009, but this is still a pretty respectable performance when contrasted with expected declines in GDP of around 1% or more

in the US, Japan and the euro area. The UK economy could shrink by close to 2% in 2009, putting us at the bottom of the G7 league table.”

“Of course there are many uncertainties around any such projections, with short-term risks still weighted to the downside for all the major economies. But the conclusion that the emerging economies are likely to increase their weight in world GDP significantly over the next five to six years seems relatively robust, even though they are clearly not immune to the global downturn.”

## ENDS

### Contacts:

John Hawksworth, head of macroeconomics, PricewaterhouseCoopers LLP  
Tel: +44 (0)20 7213 1650, Email: john.c.hawksworth@uk.pwc.com

Charlotte Dingley, media relations, PricewaterhouseCoopers LLP  
Tel: +44 (0) 20 7804 2329, Mobile: 07843 327 157, Email: charlotte.dingley@uk.pwc.com

### Notes to Editor:

1. The PwC calculations use IMF data on GDP shares in purchasing power parity (PPP) terms in 2007, combined with PwC’s main scenario growth projections for 2008-14. Making the conventional assumption that PPPs are constant in real terms enables world GDP shares in PPP terms to be projected in 2014 as compared to 2007 figures. The table below shows the projected shares and the growth assumptions underlying these calculations.

### World economic output shares: GDP at PPPs

Major economies	Shares 2007	Shares 2014	Real GDP growth (main scenario)			
			2008	2009	2010	Average 2011-14
US	21.3%	19.0%	1.3%	-1.3%	1.3%	2.8%
Euro area	16.1%	13.9%	1.1%	-0.9%	1.3%	1.9%
China	10.8%	14.7%	9.4%	6.0%	7.0%	8.5%
Japan	6.6%	5.6%	0.2%	-1.1%	1.0%	1.6%
India	4.6%	5.9%	7.2%	5.5%	6.5%	7.9%
UK	3.3%	2.9%	0.9%	-1.8%	0.8%	2.4%
Russia	3.2%	3.6%	6.8%	3.1%	4.5%	5.5%
Brazil	2.8%	2.9%	4.8%	2.7%	3.3%	4.2%
Mexico	2.1%	2.0%	1.9%	-0.2%	1.7%	3.4%
Canada	2.0%	1.8%	0.6%	-0.5%	1.5%	2.5%
Other advanced economies	7.0%	6.4%	2.2%	-0.2%	1.5%	3.0%
CEE and other CIS	5.3%	5.3%	4.5%	1.0%	2.0%	4.0%
Other developing Asia	4.7%	5.3%	6.0%	3.5%	4.5%	5.5%
Middle East	3.8%	4.2%	6.0%	3.0%	4.0%	5.3%
Other Western hemisphere	3.4%	3.4%	4.5%	2.5%	3.2%	3.8%
Africa	3.0%	3.3%	5.2%	3.0%	4.0%	5.3%
Advanced economies	56.3%	49.5%				
Emerging economies	43.7%	<b>50.5%</b>				
<b>World</b>	<b>100%</b>	<b>100%</b>				

Source: IMF estimates for 2007, PwC main scenario growth projections for 2008-14. Emerging economies here include all countries not classified as advanced economies by the IMF.

2. The absolute world GDP shares of the emerging economies would be significantly lower using market exchange rates rather than PPPs. But the scale of the relative shift by 2014 could be even larger for GDP shares at market exchange rates, given the likely trend appreciation in real exchange rates in China in particular. But these market exchange rate trends are very hard to predict, so we only present projections in PPP terms in this analysis.

3. This release updates an earlier analysis published in October 2008. At that time, our projections suggested that the emerging economies' share of world GDP at PPPs could rise to 50.2% in 2013. Latest projections suggest that the emerging economies' share may only reach 49.6% in 2013, but would pass 50% in the following year. This timing change reflects the fact that views on short-term growth prospects for the emerging economies have been revised down even more since October than growth projections for the advanced economies. But this largely affects projections for 2009-10 rather than estimates of relative medium-term trend growth in later years.

### **About PricewaterhouseCoopers**

PricewaterhouseCoopers provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 155,000 people in 153 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

Unless otherwise indicated, 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP ([www.pwc.com/uk](http://www.pwc.com/uk)) a limited liability partnership incorporated in England. PricewaterhouseCoopers LLP is a member firm of PricewaterhouseCoopers International Limited.