The World in 2050

The accelerating shift of global economic power: challenges and opportunities

January 2011

4. Projected economic growth rates to 2050

Table 5: Projected real growth in GDP and its components of growth (2009-50)

Country	Average annual real growth in GDP	Average annual population growth	Average annual GDP per capita growth	Average annual GDP growth from changes in MER
Vietnam	8.8%	0.7%	6.1%	1.9%
India	8.1%	0.8%	5.3%	1.9%
Nigeria	7.9%	1.5%	5.0%	1.3%
China	5.9%	0.1%	4.6%	1.1%
Indonesia	5.8%	0.6%	4.1%	1.1%
Turkey	5.1%	0.6%	3.4%	1.0%
South Africa	5.0%	0.3%	3.6%	1.1%
Saudi Arabia	5.0%	1.4%	2.7%	0.9%
Argentina	4.9%	0.6%	3.0%	1.2%
Mexico	4.7%	0.5%	3.2%	1.1%
Brazil	4.4%	0.6%	3.3%	0.5%
Russia	4.0%	-0.7%	3.2%	1.4%
Korea	3.1%	-0.3%	2.6%	0.9%
Australia	2.4%	0.7%	1.9%	-0.2%
US	2.4%	0.6%	1.8%	0.0%
UK	2.3%	0.3%	2.0%	0.1%
Canada	2.2%	0.6%	1.7%	-0.1%
Spain	1.9%	0.1%	1.8%	0.1%
France	1.7%	0.2%	2.0%	-0.5%
Italy	1.4%	-0.2%	1.9%	-0.2%
Germany	1.3%	-0.3%	1.9%	-0.3%
Japan	1.0%	-0.5%	2.1%	-0.5%

Source: PwC model estimates

Table 5 above summarises our estimates of average annual real GDP growth in 2009-50 in US $ terms (i.e. including the effect of real exchange rate changes relative to the dollar) and in domestic currency and PPP terms[6]. It also shows the different components of this growth rate.

The first point to note is that, as mentioned earlier, India has the potential to have the highest growth rate among the largest E7 emerging economies. While it has a very high projected annual growth rate, Vietnam's GDP at PPPs will only be 10% of the US even by 2050 and hence it cannot be classed as a large economy comparable with China or India. Nigeria's high growth rate is also subject to a considerable degree of uncertainty due to its need to address issues relating to current over-dependence on oil and various institutional and governance issues that have held back its growth potential in some past periods.

Russia's growth is expected to be the slowest of the E7 due in particular to its sharply declining working age population. Of the G7 economies, the US has the highest projected average annual growth rate of 2.4% followed by the UK at 2.3%. Japan is expected to have the slowest growth rate at 1% per annum. Australia has a relatively strong growth rate for an advanced economy due to its strength in natural resources and relative proximity to the Chinese market in particular.

Figure 7: Breakdown of components of average real growth in GDP (2009-50)

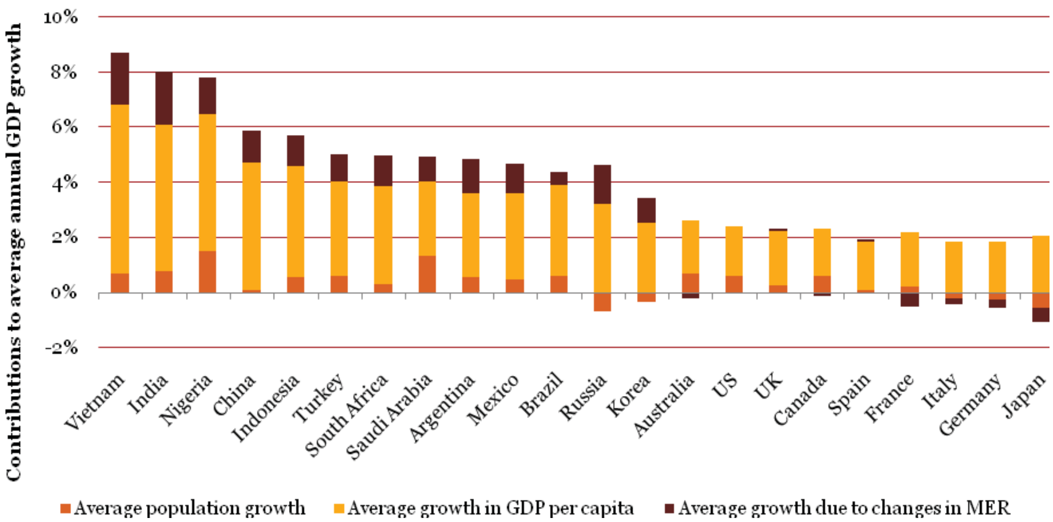

Figure 7 above breaks down the projected average annual GDP growth rate into three components contributing either positively or negatively:

1. Growth in GDP due to population growth.

2. Real growth in GDP per capita (in domestic currency terms or PPPs).

3. Growth in GDP in dollar terms due to effects of changes in market exchange rates.

The most important feature to note is that China's growth is less than India's primarily due to slower population growth associated with its one child policy and a rapidly ageing population. Furthermore, average productivity

[6] Note that, by assumption in our model, real GDP growth is the same in domestic currency and PPP terms.