Press Release

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Reality check for Rio negotiations as PwC analysis examines global economic power shifts to 2032

Dramatic shifts in global economic power pose sustainability challenges for Rio + 20 and beyond according to new analysis by PwC comparing shares of world GDP for key global country groupings in 1992, 2012 and 2032.

- Advanced economies accounted for around 64% of world GDP in 1992, but this has now fallen to only 50% and could be just 37% by 2032 according to PwC projections
- Emerging and developing economies could therefore account for 63% of world GDP by 2032, which will also be reflected in their increasingly dominant role in global demand for energy and other finite natural resources.
- This upward trend is being driven primarily by China, India and other developing Asian economies, whose share of world GDP has risen from just 11% in 1992 to 26% now and could reach around 37% by 2032 according to PwC. Brazil, Russia and other emerging economies outside Asia are also projected to grow significantly faster than the G7 over the next two decades.
- While it is right that the rich developed economies continue to take a lead on sustainability, long term solutions to global issues like climate change and biodiversity can only come through concerted action that also includes the increasingly dominant emerging and developing economies, particularly but not only, the BRICs.

In the run up to Rio + 20, PwC has updated its long-term global economic growth model to compare shares of world GDP at purchasing power parities (PPPs) for key global country groupings in 1992, 2012 and 2032, as summarised in the table below.

Actual and projected world GDP shares and trend growth rates (at PPPs)

Country groups	% of world GDP at PPPs			% real GDP growth		
	1992	2012	2032	1992-12 (% pa)	2012-32 (% pa)	Cumulative 2012-32
G7	51.3	37.8	27.4	2.0	2*	+49%

Other advanced	12.9	12.3	9.9	3.3	2.5*	+64%
Advanced	**64.2**	**50.1**	**37.3**	**2.3**	**2.1**	**+52%**
Developing Asia	11.3	26.0	37.1	8.0	5.5*	+192%
Other developing	24.5	23.9	25.6	3.4	4*	+119%
Developing	**35.8**	**49.9**	**62.7**	**5.3**	**4.8**	**+157%**
World	**100**	**100**	**100**	**3.6**	**3.6**	**+105%**

Source: IMF World Economic Outlook (April 2012) for 1992 actual data and 2012 estimates; PwC long-term economic model for 2032 GDP share projections (based on GDP-weighted average growth rates of major economies in each country group, rounded to the nearest half percentage point for 2012-32 to avoid spurious accuracy)*

Total world GDP* is now just over $80 trillion – around twice what it was 20 years ago in real inflation-adjusted terms and about half what it could be in another 20 years' time. Developed economy output might only be around 2.4 times bigger in 2032 than in 1992. By contrast, developing economy output could be seven times larger in 2032 than it was in 1992.

John Hawksworth, Chief UK economist at PwC, commented that:

“The rich world still accounted for 64% of world GDP at the time of the original Rio conference in 1992, which made it natural that these countries should lead the way on global sustainability issues that were largely a legacy of their previous economic development. This was reflected in post-Rio initiatives such as the Kyoto Protocol, the quantified aspects of which focused on carbon emission reductions by advanced economies.

“But the rich world now accounts for only around half of world GDP and this will shrink further to only around 37% of world GDP in 20 years time according to our projections. These rich countries can and should still take a lead in areas like carbon emission reductions and providing financial and technological support for global sustainability initiatives. But, particularly after being badly weakened by the global financial crisis and now the Eurozone crisis, the advanced economies can no longer drive progress on this agenda by themselves at Rio + 20 or in the future.

“China, India, Brazil, Russia and other emerging economies have slowed a little recently, but this should only be a temporary cyclical adjustment: our long-term modelling work suggests that they are still likely to be the dominant players in world growth over the next two decades. Unless these emerging giants play their role alongside the richer nations, the world is not going to be able to get off its current unsustainable growth path in terms of energy consumption, greenhouse gas emissions and other natural resource use.”

Malcolm Preston, global lead, PwC sustainability and climate change said:

“The huge strides that many emerging economies have made in the twenty years since the Rio Earth Summit should be celebrated, but it also acts as a reality check for Rio – but also an ambition and a constraint for the proposed Sustainable Development Goals.”

"The emergence of sizeable middle classes in developing nations is putting the resources of the world under pressure like never before."

"World output is roughly doubling in real terms every 20 years, but we've eaten into our global natural capital substantially over the same period. As we create more growth, are the right actions being taken to protect natural capital, and create the right kind of value?

"One of the most tangible things that could come out of Rio+20 is Natural Capital Accounting. We need this yardstick for both countries and companies to drive the action to replenish the planetary balance sheet, rather than fully depleting it.

"We can see why politicians might be preoccupied with other, perhaps more immediate problems. But business is waking up to the enormity of the challenges and, for many, the opportunity that this presents. While some may be cynical about the role of business in these global events, there is a growing recognition that these massive global challenges cannot be tackled without the private sector's firepower and buy in."

Ends

*****At PPPs*

Notes to Editors

1. Rio+20 (http://www.uncsd2012.org/rio20/about.html) At the Rio+20 Conference, world leaders, along with thousands of participants from governments, the private sector, NGOs and other groups, will come together to shape how to reduce poverty, advance social equity and ensure environmental protection in the future.

2. The long-term GDP projections in this release are based on an updated version of the model used in PwC's 'World in 2050' series of reports, which can be found here and set out details of the methodology used: http://www.pwc.com/gx/en/world-2050/index.jhtml

3. Country groupings in the table above use standard IMF classifications. Total GDP of the 'Developing Asia' grouping is dominated by China and India.

4. PwC polled 141 CEOs of companies with revenues between $10m - $10bn +, during April and May 2012. In the poll, 71% said they would be prepared to take more ambitious action on sustainable development issues including poverty, water security, global threats and challenges if significant progress is made at Rio+20. Energy access, resource scarcity, climate change, and social inclusion were the priority issues for business, and they admit they expect the issues' importance to intensify over the next ten years.

5. PwC firms help organisations and individuals create the value they're looking for. We're a network of firms in 158 countries with close to 169,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com