

A less fiery dragon?

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New estimate from World Bank

- China's GDP is 40% smaller than current estimate
- PPP converter is based on a lot of guess works
- Previous international price surveys have not included China, so the prices in 1980s is used
- The new estimate used better survey price data

India's GDP

- Under the new estimate, India's GDP is also 40% smaller
- Under the new estimate, China is still the second largest in the world, but it will overtake America for at least another ten years
- India becomes the fifth

World GDP growth

- Using current estimate, world GDP growth is about 5% over the past five years
- Under the new estimate, world GDP growth is about 4.5%
- Why? world GDP growth is a **weighted average**

Market exchange rate

- If market exchange rate is used to convert GDP, world GDP growth is 3.4%
- However, if market exchange rate is used, emerging markets' share of world GDP in 2006 was less than in 1980
- This can not be right, because emerging markets consume more energy (from 43% to 55%)
- "It is better to be roughly right than precisely wrong" (John Maynard Keynes)