A less fiery dragon?

The Economist

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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)