

Putting Growth in Perspective

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There has been much ado about emerging market growth recently, especially in light of disappointing figures from the developed world's economies. While the US and other developed economies shrank in 2009 and now are struggling with growth around 1.5 percent, India and China reached growth rates above 10 percent. Brazil also has gained much attention although its economy grew only 3.8 percent in 2011 after a spike of nearly 7.5 percent in 2010.

Double-digit growth rates certainly are humbling for economies experiencing 1.0-1.5 percent growth rates and facing unemployment rates near 10 percent. Government and business leaders in these countries do need to re-examine economic fundamentals and policies. And, as Chairman Bernanke reminded us recently, we can learn from the policies of the emerging markets.

However, growth rates are not the full story. And, now seems a very appropriate time to put things in perspective and consider not only how quickly economies are increasing their levels of output but also their absolute levels of output. The analysis will remind economists of the standing of developed economies that have suffered so much recently and may educate many non-economists who, reading only headlines about growth recently may have come to the conclusion that their own economies are the hollow shells of a fallen era.

To provide some perspective on the analysis, I have included US States as economies in their own right in order to measure them side by side with the emerging markets and other economies of the world. The top 20 of this mixed list appears in the table below¹. What may surprise many of the town criers announcing the end of US hegemony and the unemployed listening to daily reports about the rise of India and China is that the US still is in fact the largest economy in the world. China is number 2. And, even though the US economy is a mere 2.5 times the size of China's, its population is less than a quarter, which means that its per capita GDP is more than 10 times that of China's. Perhaps the reminder of this will help to restore a small amount of American pride among readers.

Top Countries/States by 2010 GDP				
No	Country/State	2010 GDP (mlns US\$)	Population (mlns)	Per Capita GDP
1	US	14,551,782	309	47,132
2	China	5,878,257	1,341	4,382
3	Japan	5,458,797	128	42,783
4	Germany	3,286,451	82	40,274
5	France	2,562,742	63	40,704
6	UK	2,250,209	62	36,164
7	Brazil	2,090,314	193	10,816
8	Italy	2,055,114	60	34,059
9	California	1,901,088	37	51,030
10	India	1,631,970	1,191	1,371
11	Canada	1,577,040	34	46,303
12	Russia	1,479,825	143	10,356
13	Spain	1,409,946	46	30,639
14	Australia	1,237,363	22	55,672
15	Texas	1,207,494	25	48,020
16	New York	1,159,540	19	59,838
17	Mexico	1,034,308	109	9,522
18	Korea	1,014,482	49	20,756
19	Netherlands	780,668	17	46,986
20	Florida	747,735	19	39,770

¹ International data from the International Monetary Fund's World Economic Outlook. US State data from the Bureau of Economic Analysis.

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Which of the emerging market giants is next on the list? There's Brazil with a \$2 trillion economy. Is that large? Well, it is about 10 percent larger than California's economy. One minor detail: its population is more than 5 times that of California's. That means its per capita GDP is about one fifth of California's. Sing on, Katy Perry!

The South Asian set will no doubt be disappointed to find India listed below California in the ranking. That's right, the debt-laden basket case among US States has an economy larger than the emerging giant and with a population barely more than 3 percent of its neighbor across the seas. California's per capita GDP is a mere 37 times that of India's. Can you feel it nipping at your heels?

Also in the trillion-dollar club, Texas and New York snuggled right in there between Russia, Spain, Mexico and Korea. Beyond the top 20, there's little old Florida's economy which is larger than both Turkey's and Indonesia's, with only 8 percent of the population of the latter. The list goes on: Ohio larger than Poland; Massachusetts in front of Argentina and South Africa; Maryland before Colombia; Missouri bigger than Malaysia; Kentucky larger than Kazakhstan; Utah above Bangladesh and Vietnam; Idaho before Azerbaijan! I feel that American pride resurfacing!

Top 20 Countries/States by Per Capita GDP				
No	Country/State	Per Capita GDP	2010 GDP (mlns US\$)	Population (mlns)
1	Washington, DC	171,654	103,288	0.60
2	Luxembourg	108,866	55,195	0.51
3	Norway	84,146	412,990	4.91
4	Qatar	74,901	127,332	1.70
5	Delaware	69,359	62,280	0.90
6	Alaska	69,161	49,120	0.71
7	Wyoming	68,356	38,527	0.56
8	Switzerland	67,778	527,920	7.79
9	Connecticut	66,383	237,261	3.57
10	New York	59,838	1,159,540	19.38
11	UAE	57,884	302,039	5.22
12	Massachusetts	57,842	378,729	6.55
13	Denmark	55,983	309,866	5.54
14	Australia	55,672	1,237,363	22.23
15	New Jersey	55,430	487,335	8.79
16	Virginia	52,976	423,860	8.00
17	North Dakota	51,569	34,685	0.67
18	Colorado	51,229	257,641	5.03
19	Maryland	51,148	295,304	5.77
20	California	51,030	1,901,088	37.25

Let's turn now to per capita GDP.

Which locale tops the list, Singapore, United Arab Emirates, Saudi Arabia? Would you believe it is the US capital, the District of Columbia? No, me neither, but there it is in black and white. The next three may not be too surprising: Luxembourg, Norway (yes, some countries outside the Middle East have oil, too), Qatar. But then there's Delaware, Alaska and Wyoming! These are states in my own country. What are they doing in the list? And there's Switzerland, the centuries-old banking capital filled with secret accounts and exclusive ski resorts right next to...Connecticut? Very interesting. Good old New York still pulls some weight, ranking above UAE. Impressive! Massachusetts, New Jersey and Virginia all rank in the top 20. In fact, 13 of the top 20 are US states. Not too bad for a fallen empire!

Developing countries need to grow fast. They need to grow fast to attain our level of development. In the US 100 percent of the population has access to water sanitation. In China and India, it's less than 60 percent for the urban population and around 20 percent for the rural population in India. Mobile phone subscriptions are at 87 percent in the US, 48

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percent in China and 29 percent in India². These are the rates to remember next time you hear that these countries are growing at 10 percent while the US is growing at only 1.3 percent. Their growth is not a threat to us. In fact, just the opposite is true. The real threat to us is if these countries do not grow and their populations continue to suffer from low living standards and access to basic needs.

Population, Health & Environment Data			
		Percent of Population Who Use Improved Sanitation	
Country	Mobile Phone Subscribers per 100 Inhabitants	Urban	Rural
US	87	100	99
Brazil	78	87	37
India	29	54	21
China	48	58	52

² Population Reference Bureau.