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## **ANALYSIS: G8 SET TO DECLINE AS ITS SHARE OF WORLD OUTPUT WILL BE ALMOST HALVED BY 2050**

- **Research Centre at Alliance Trust says G8 influence set to fall significantly.**
- **By 2050, G8 countries to produce just 34% of world output, against 64% today.**
- **Russia is the only G8 country whose share of world GDP is expected to increase over the next 45 years, as it moves ahead of Italy and Canada.**

As the G8 countries prepare for their annual summit in St. Petersburg from July 15-17, a new study of the multinational organisation has found that the group's influence is set to decline significantly.

Analysis by the Research Centre at Alliance Trust predicts that the influence of the eight countries that make up the G8 will fall as their share of world economic power shrinks. Based on growth trends estimated by Alliance Trust, the combined output of the G8 will fall to just 34% of world production, from 64% today.

The only country in the G8 that will buck the trend is Russia, whose share of world output will double from 1% now to 2% in 2050, moving it out of eighth position in the G8 to put it ahead of both Canada and Italy.

Although North America will remain a dominant region, Alliance Trust says the US and Canada's combined share of world output is expected to fall from 30% today to just 19% in 2050.

European influence will also decline. At present, Germany, France and Italy together account for around 16% of global output, but Alliance Trust's model forecasts that this will fall to just 7% by 2050. The UK's share of world output is expected to slip from 5% to just 2% over the same period.

China will come a close second to the US in terms of economic power by 2050. China already accounts for 5% of global GDP and this proportion is expected to rise significantly to 17% by 2050, which would place it a very close second behind the US. The other major mover will be India, which presently accounts for 2% of world output. Alliance Trust expects this to increase to 4% over the next 45 years, placing it well ahead of all of the European members of G8.

## G8, China and India

	Ranking within group in terms of world output in 2005	Ranking within group in terms of world output in 2050
<b>US</b>	1	1
<b>Japan</b>	2	4
<b>Germany</b>	3	5
<b>UK</b>	4	7
<b>France</b>	5	6
<b>China*</b>	6	2
<b>Italy</b>	7	9
<b>Canada</b>	8	10
<b>India*</b>	9	3
<b>Russia</b>	10	8

\*Not members of G8

Shona Dobbie, Head of the Research Centre at Alliance Trust, said, “We are clearly seeing the emergence of both China and India as global economic players. We expect both China and India will have overtaken most of the G8 members in size by 2050. Only the US would be larger than China, and Japan would slip to fourth position, just behind India. Russia will be the only G8 member to increase its share of world output over the next 45 years.”

Dobbie added, “What is noticeable in our results, is the extent to which the economic dominance of G8 is expected to decline over the next 45 years. As China and India challenge the other countries’ grip on the world economy, the G8 may be expanded to include these two countries. Representation from Latin America and Africa may follow eventually.”

Alliance Trust found that in terms of GDP per capita, the future relative economic well-being among the G8, China and India looks quite different because population trends between the Western countries and the emerging economies are different.

On GDP per head, the current members of G8 will retain their leading positions. This is largely because of expected changes in population. Whereas the populations of China and India are expected to grow significantly, offsetting the impact of strong growth, the expectation of a fall in population levels in Germany, Italy, Japan and Russia enhances the expected increase in GDP per head. The populations of Canada, France, the UK and US are expected to increase but by a lower rate than output growth. This means that GDP per head will continue to expand in these countries.

Alliance Trust estimates average GDP per head for G8 to be \$31,454, which is 4.7 times larger than the equivalent figure for the world as a whole of just \$6,642. By 2050, our analysis suggests that GDP per head in G8 will be \$92,747, which is still 3.4 times higher than the expected world level of \$27,637 at that time.

Russia's GDP per head is only \$4,243 at the present time, which is 87% lower than the average level for G8 as a whole. Russia's GDP per head will increase significantly over the next 45 years, to reach \$39,410, but this will still be 58% lower than the average for all G8 members. Russia's population is expected to decrease by 22% over the next 45 years, which will boost GDP per head, while the population of G8 is expected to increase by 7%.

Although starting from an extremely low position in terms of GDP per capita, we expect China to make considerable gains. But, it will not overtake Russia. China's population will increase by an estimated 6% between 2005 and 2050.

India, whose population is expected to grow 44% over the forecast period, will not make any remarkable gain in terms of GDP per head and could still remain relatively poor, even after several decades of relatively fast growth.

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## Notes to editors

1. Alliance Trust PLC is the largest generalist investment trust company listed on the London Stock Exchange. Through its subsidiaries, Alliance Trust offers investment dealing, self-invested personal pensions and a choice of investment wrappers.
2. The Research Centre is part of Alliance Trust and was formed to carry out economic and social analysis to deepen our understanding of economies, markets and socio-economic issues.
3. Photographs of Shona Dobbie are available.