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## NEWS RELEASE

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### **Western world drops below 50% of world GDP this year**

**'Impact of recession brings forward date when West drops below 50 per cent of world GDP from 2015 to 2009' says leading economic consultancy**

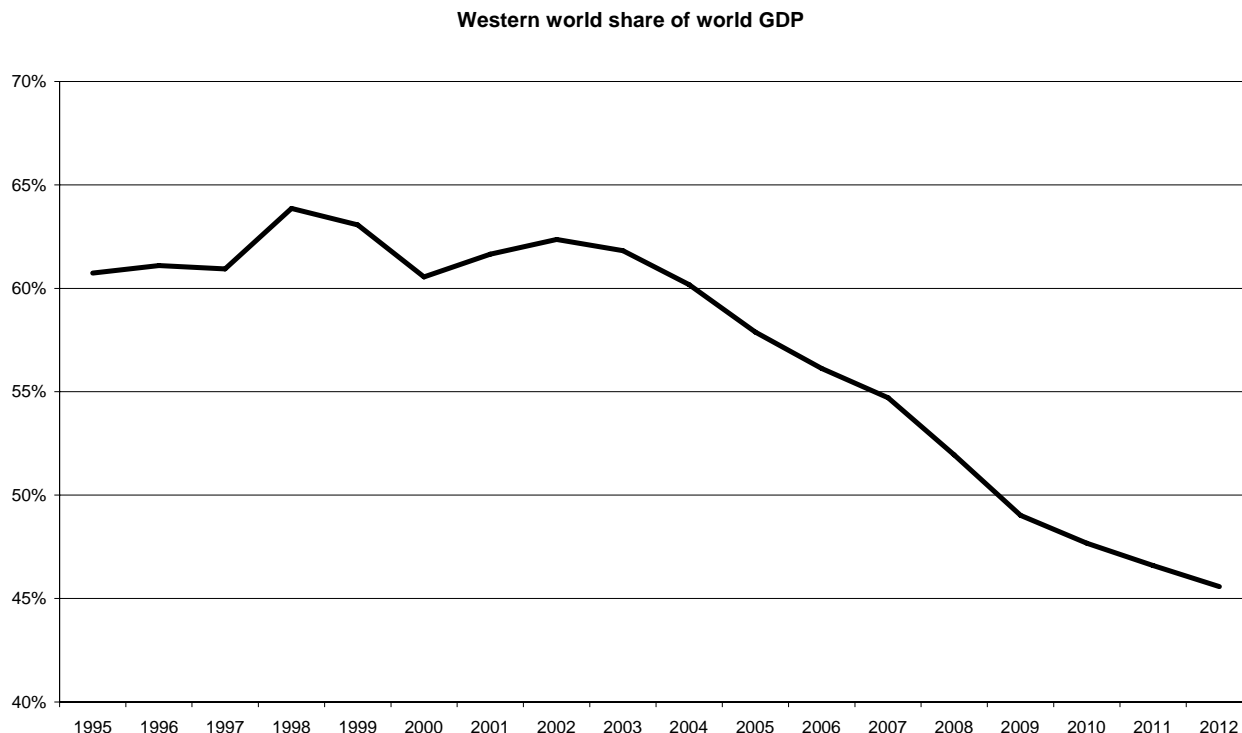
New forecasts for the world economy show the Western world dropping below 50 per cent of world gross domestic product – six years earlier than had originally been expected.

This is one of the findings of the latest 'global prospects report' published by the **centre for economics and business research ltd (cebr)** – one of the country's leading economics consultancies and respected commentators on macroeconomic trends.

The report shows that the recession associated with the credit crunch and its differential impact on world growth and exchange rates means that:

- The share of world GDP from the Western world (US, Canada and Europe) is forecast to drop from 60-64 per cent, where it fluctuated from 1995 to 2004, to 49.4 per cent in 2009 (see Figure 1).
- China overtakes Japan in 2009 to become the world's second largest economy in dollar terms.
- The Western world's share of world GDP is forecast to drop further by 2012 to 45 per cent

Figure 1



The report also shows world GDP dropping by 1.4 per cent in 2009, the first decline since 1946. Despite this, the authors also point to an inventory led recovery with the price of oil reaching \$80 by 2012. World growth is forecast to bounce back in the second half of 2009 but to moderate in 2010 as fiscal retrenchment and the impact of structural deleveraging hold back the global recovery.

Douglas McWilliams, cebr's chief executive, and one of the authors of the report commented:

'The recession has brought forward the time when the non-Western economies produce more than half of world GDP, for the first time since the middle of the 19<sup>th</sup> century. We had expected this to happen, but not quite so soon. The West will have to start to get to grips with the fact that we are no longer dominant and cannot expect to have things our own way.'

Jorg Radeke, economist at cebr and another author of the report commented;

'One of the factors causing the shift in shares of world GDP is the fact that the Chinese economy has bounced back rapidly. This will have knock on effects on oil and commodity prices and is one reason why we are forecasting a price of oil of \$80 a barrel in 2012'

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**NOTES TO EDITORS**

cebr is a leading independent commercial economics consultancy with particular strengths in macroeconomic and market forecasting. The report has been co-authored by cebr staff (for details see below).

The Global Prospects report is a quarterly report released on the last Monday of February, May, August and November of each year. The report is part of the prospects service - cebr's macroeconomic advisory package for business. The report is available to journalists by calling cebr on 020 7324 2850.

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