

Who Are The Global Growth Champions?

Which countries have seen the fastest economic growth and, in turn, the greatest improvement in living standards so far this century? In other words, which countries are making the greatest strides in development?

The International Monetary Fund’s (IMF) World Economic Outlook allows us to answer this question in relatively straightforward fashion. We take the IMF estimates for real GDP per capita (so adjusting for population growth) and look at cumulative growth since the new millennium. Importantly, we also limit our analysis to economies with populations of 10 million or more.

Inevitably, China stands out as the economy that has seen the fastest sustained rise in living standards so far this century. Chinese real GDP per capita has grown by an average of almost 8.7% per annum, delivering cumulative growth of over 300%. Put it another way, average Chinese real incomes have already more than tripled so far this century. When it is remembered that China has achieved this for its huge population of over 1.3 billion, the achievement is all the more impressive.

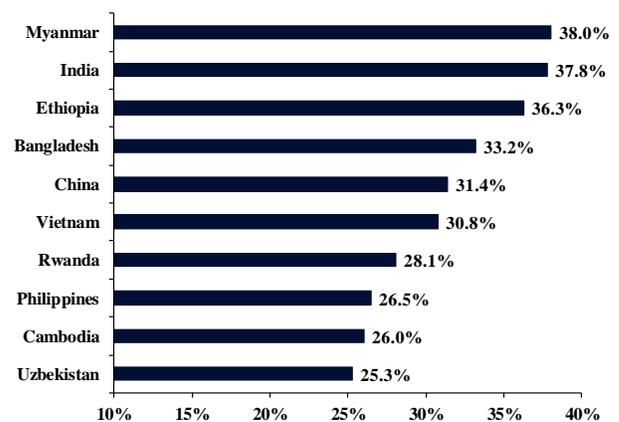
In second place, perhaps more surprisingly, is Myanmar. Average real per capita growth of 8.1% means that Myanmar has enjoyed a cumulative improvement in living standards of just over 275% so far this century. Cut off from the global economy for decades, Myanmar was one of the poorest economies in the world at the start of the century with a real GDP per capita of around \$1500. Myanmar’s scope for catch up was therefore substantial once the country started to become re-integrated into the global economy and foreign investment began to return.

Ethiopia, which follows Myanmar in third place in our ranking, is a similar ‘catch up’ story. Back

in 2000, Ethiopia was even poorer than Myanmar with GDP per capita only about \$650, leaving it the third poorest country in the world. World Bank data show that more than half of the population was living below the global poverty line. As with Myanmar, greater political stability and the re-integration into the global economy have been key in kick-starting rapid progress up the development ladder albeit from a low base.

Cambodia, India, Uzbekistan and Vietnam then follow in the growth rankings albeit some way behind with average per capita growth rates of less than 6% per annum. Kazakhstan, Rwanda (which, with a population of around 11 million, just makes it into our sample) and Bangladesh are the other fast growth growers which round out the top 10.

Global Growth Champions
 (Real GDP growth per capita, %, 2018-2023)



Sources: IMF forecasts, Haver Analytics, QNB Economics

Looking forward, the IMF’s medium-term forecasts provide us with a useful template for which economies will see the greatest development gains over the next six years. The key change is the inevitable slowdown of growth in Chinese living standards. After sustained rapid growth in recent decades,

China is now firmly ensconced in middle-income territory, making rapid growth harder and harder to sustain. Few, if any, middle-income economies have been able to sustain to the average 4.7% per capita growth that the IMF still expects China to enjoy over the next six years.

After dominating the first 18 years of the century, the IMF's forecasts imply that China will now slip back to fifth place in our growth ranking (see chart). Myanmar is expected, in turn, to move up to assume pole position, closely followed by India, whose rise in recent years has been well documented. Ethiopia remains in third place and, with the exception of Rwanda, is the sole African representative.

The other key development is that Bangladesh moves up the rankings to fourth place. Lastly, Vietnam in sixth place is also assumed to continue to see strong per capita GDP growth sustained. Forecasts for Cambodia remain buoyant while the Philippines is also forecast to emerge as one of the world's consistently fastest growing economies.

With its prior success ensuring that the pace of China's future development inevitably slows, the key takeaway from the IMF's medium-term forecasts is that South Asia – India, Myanmar

and Bangladesh – is now emerging as the most economically vibrant area on the planet.

One surprise is, perhaps that Ethiopia, apart from small Rwanda, looks set to remain Africa's sole growth champion. One key reason is that labour costs appear to be surprisingly high in the majority of African economies. One recent study for example found that the labour cost per Kenyan worker is \$2,118 compared with Bangladesh, where it's \$835. By contrast, Ethiopia is one of the few African countries whose labor costs (\$909) are close to Bangladesh, helping explain its recent success in attracting foreign investments in key job generating sectors such as textiles and footwear.

Combined with its explosive demographics (the United Nations expects its population to climb to 190 million by 2050 from around 100 million currently) and the recent peace deal with its neighbour Eritrea which should further shore up political stability, Ethiopia looks to have a realistic shot at becoming 'the African China' over the next 10-20 years and keep pace with the South Asian growth champions.

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