New purchasing power parities show low- and middle-income economies account for half of the global economy

WASHINGTON, May 19, 2020 — New purchasing power parities (PPPs) for reference year 2017 that adjust for differences in the cost of living across economies were released today by the International Comparison Program (ICP).

According to the report *Purchasing Power Parities and the Size of World Economies: Results from the 2017 International Comparison Program*, the size of the global economy was nearly $120 trillion in 2017 measured by the new PPPs, and over half of total economic activity was in low- and middle-income economies.

High-income economies, where 17 percent of the global population lives, accounted for 49 percent of global PPP-based gross domestic product (GDP). Upper and lower middle-income economies, home to 36 percent and 40 percent of the global population, contributed 34 percent and 16 percent respectively. The share of global PPP-based GDP for low-income economies, with 8 percent of the global population, was less than 1 percent. The two largest economies were China and the United States, each recording a PPP-based GDP of just under $20 trillion in 2017. Together they accounted for one-third of the global economy.

“The strong partnership of countries, regional agencies and international organizations is what makes the ICP possible,” said Mari Pangestu, Managing Director for Development Policy & Partnerships, The World Bank. “The new data will help to improve our collective understanding of the global economy, serving as a crucial benchmark from which to measure the economic impact on economies across the globe as we work to achieve better development outcomes.”

By collecting price data for many goods and services, together with total spending on them, the ICP produces PPPs which make it possible to compare the relative sizes of economies and the per capita income and consumption of their people, controlling for price level differences across countries. Price level indexes and estimates of PPP-based GDP and expenditure components such as consumption and investment are also released.

The ICP is one of the world’s largest statistical initiatives, coordinated by the World Bank under the auspices of the United Nations Statistical Commission. ICP 2017 marks the ninth comparison completed since the initiative was launched over 50 years ago, covering 176 participating economies for reference year 2017.

“In these difficult months, as we face a global pandemic, it is hard to focus on anything else. Yet measurement remains important, perhaps even more so, especially for these global measures from one of the world’s largest international statistical collaborations. As the world recovers, these new numbers will provide an essential benchmark for charting our progress.” said Nobel Laureate Sir Angus Deaton, Chair, ICP Technical Advisory Group.

According to the ICP 2017, ten economies had a PPP-based GDP per capita above $60,000, with 0.5 percent of the population worldwide. Among income groups, PPP-based GDP per capita ranged from one-
tenth of the world average for low-income economies to three times the average for high-income economies. The ICP 2017 also compares per capita consumption and finds that the United States had the highest level at $44,620.

Cross-country inequality persisted, with around three-quarters of the world’s population living in countries where the per capita income and consumption were below their respective global averages of $16,596 and $10,858.

“The ICP provides governments with indicators critical for assessing their competitiveness in the global economy and helps them strengthen their statistical capacity and institutional knowledge through a meaningful global partnership,” said ICP Governing Board Co-Chairs, Pravin Srivastava, Chief Statistician of India, and Werner Holzer, Director General–Statistics, Statistics Austria.

Going forward, the ICP will continue to evolve and adapt to a changing economy, not only in what people buy but in which outlets and platforms they make their purchases. Country participation will be expanded to leave no one behind, especially countries that are affected by fragility and conflict.

The ICP 2017 results are available through the ICP website and the World Bank’s Databank and Data Catalog. Users can apply for access to more granular unpublished results and underlying data as set out in the ICP Data Access and Archive Policy. Revised results for 2011, the previous ICP reference year, were also released as well as estimates of annual PPPs for the period 2012-2016. The next ICP comparison will be conducted for reference year 2021.

PPPs are statistical estimates and should be treated as approximations to true values, subject to sampling, measurement and classification errors. PPPs should not be used as indicators of the under- or overvaluation of currencies.

ICP implementation was coordinated by the ICP Global Office at the World Bank, in partnership with the African Development Bank, the Asian Development Bank, the Interstate Statistical Committee of the Commonwealth of Independent States, the United Nations Economic Commission for Latin America and the Caribbean, the United Nations Economic and Social Commission for Western Asia, the Statistical Office of the European Union and the Organisation for Economic Co-operation and Development. Global coordination, methodology development, and governance activities were financed by the UK’s Department for International Development, the International Monetary Fund and the World Bank.

For more information, visit the International Comparison Program website.

Contacts:

In Washington: Chisako Fukuda, (202) 473-9424; cfukuda@worldbankgroup.org
Broadcast Requests: David Young, (202) 473-4691, dyoun97@worldbank.org

Website:
Facebook: http://www.facebook.com/worldbank
Twitter: http://www.twitter.com/worldbank
YouTube: http://www.youtube.com/worldbank

News Release
2020/191/DEC