



WOLFENSOHN
CENTER FOR
DEVELOPMENT
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The Emerging Middle Class in Developing Countries

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Introduction

- As an economic driver, the “Middle Class” may be termed the “Consumer Class”
 - The middle class income elasticity for consumer durables and services is greater than one.
- This paper looks at the potential growth of the middle class in the developing world over the next 25 years
- This paper traces whether the emerging Asian middle class will be large enough to replace the US as a driver of Global Economy

Defining Middle Class

- Global Middle Class defined as households with daily expenditures between US\$ 10 and US\$ 100 per person
- The lower bound is chosen with reference to the average poverty line in Portugal and Italy
- The upper bound is chosen as twice the median income of Luxemburg
- Thus, the global middle class excludes those who are considered poor in the poorest advanced countries and those who are considered rich in the richest advanced country

Measuring Global Middle Class

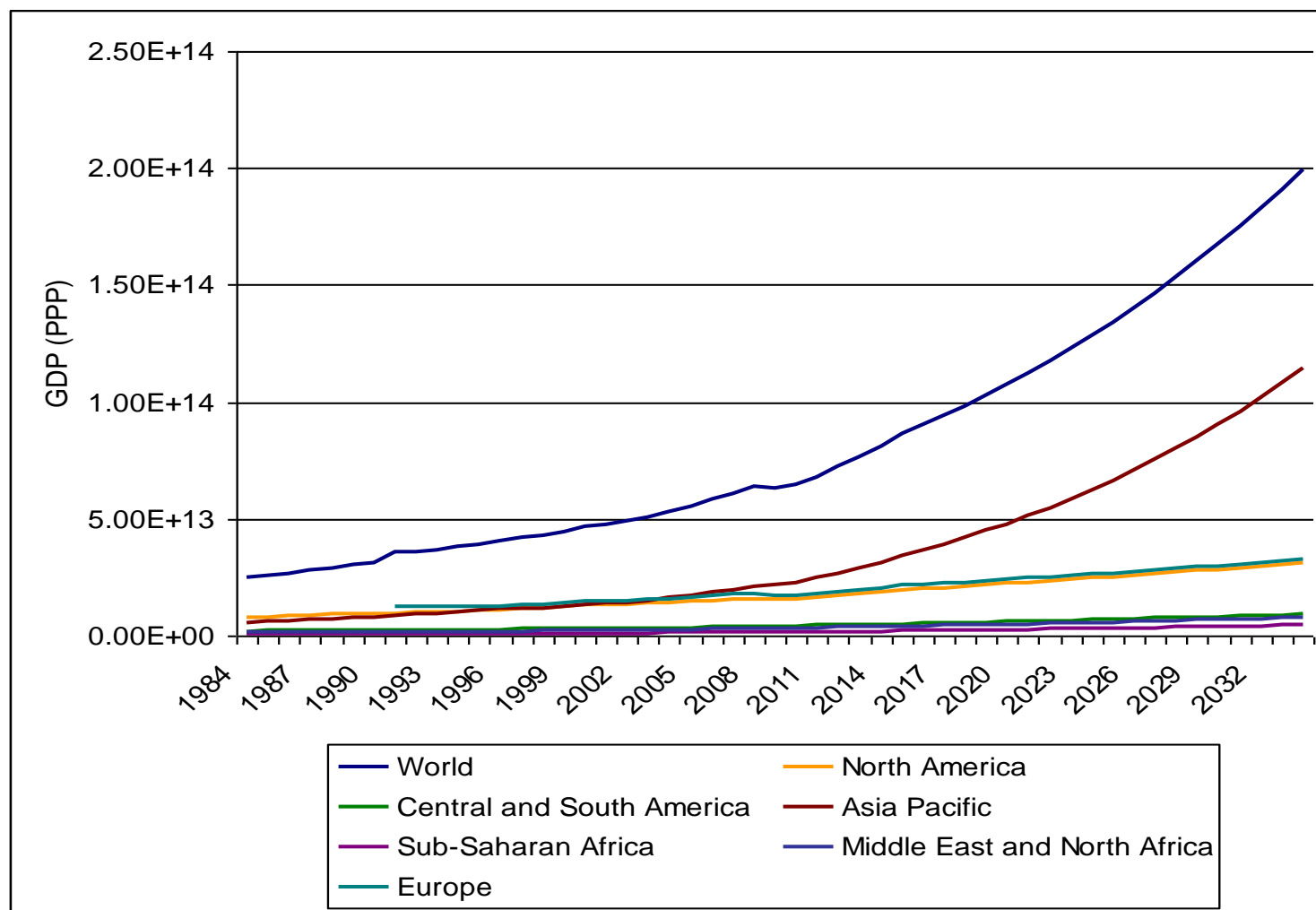
- Develop estimates for 145 countries, accounting for 98% of population and 99% of GDP
- Measure both the number of people in middle class and their consumption shares

Table 1: The Global Middle Class, 2009: People and Spending

	Number of People (millions and global share)		Consumption (billions PPP\$ and global share)	
North America	338	18%	5,602	26%
Europe	664	36%	8,138	38%
Central and South America	181	10%	1,534	7%
Asia Pacific	525	28%	4,952	23%
Sub-Saharan Africa	32	2%	256	1%
Middle East and North Africa	105	6%	796	4%
World	1,845	100%	21,278	100%

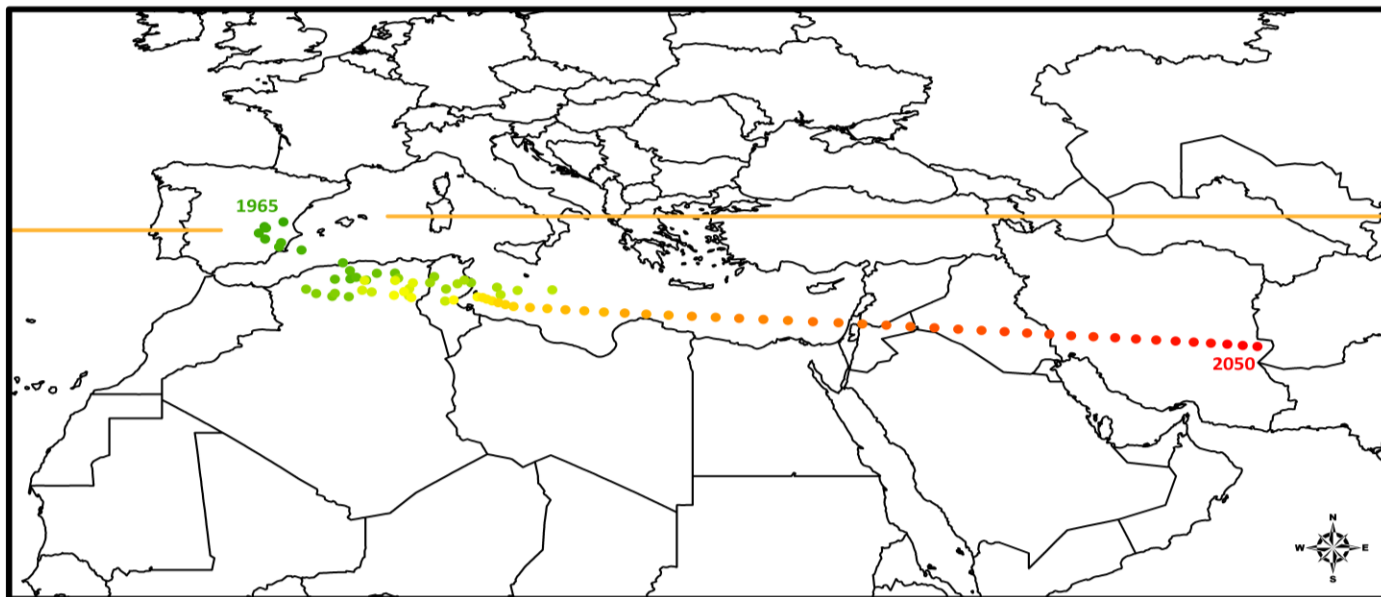
Projection Result 1: Global output will accelerate and Asia will drive this output

Figure 3. **World Economic Output Over 50 Years, 1984-2034 (2005 PPP dollars)**



Projection Result 2: The Economic Center of Gravity Shifts East

Economic Center of Gravity: 1965 - 2050 GDP, Market Exchange Rates

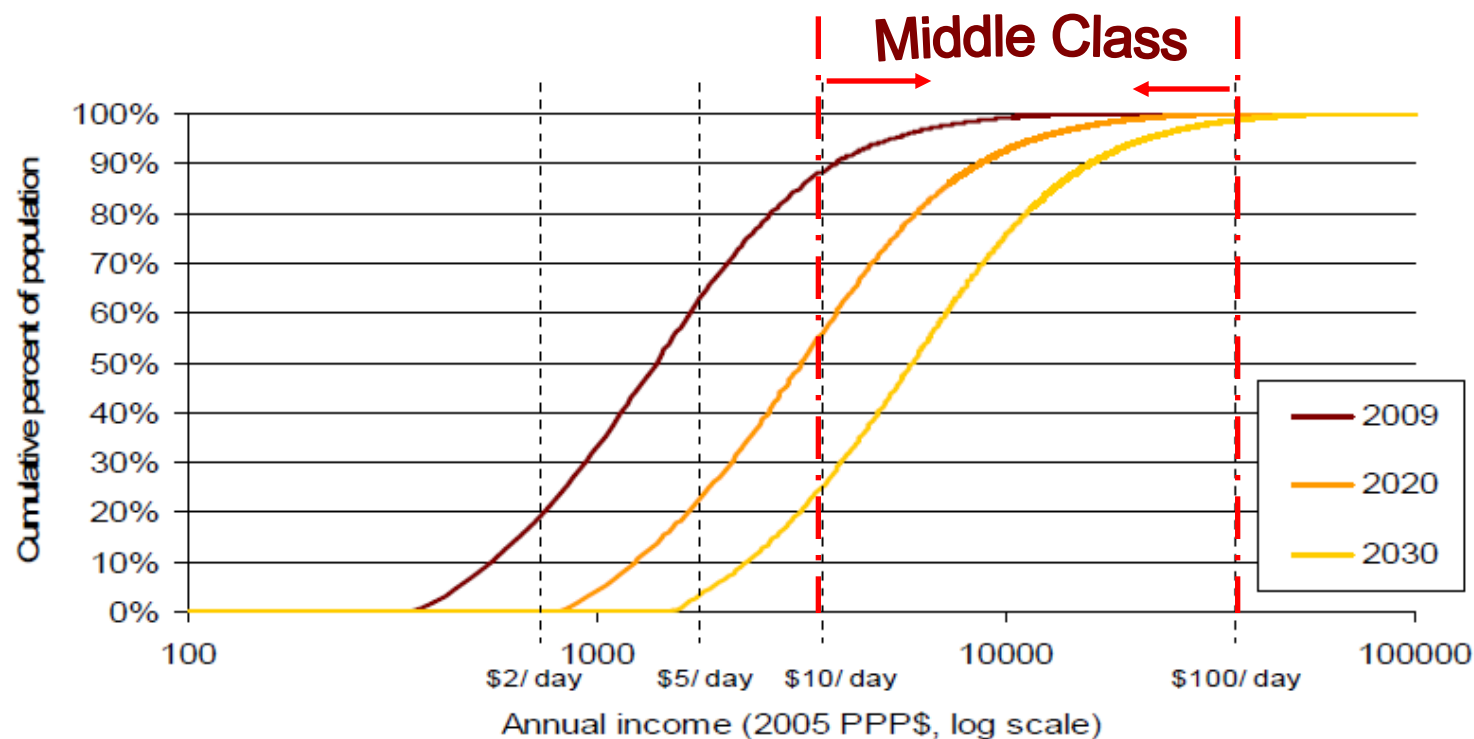


*Note: Green indicates earlier years, red indicates later years.
Orange lines highlight the latitudes of DC and Beijing (for reference).

Homi Kharas, Brookings
Dan Hammer, Center for Global Development

Projection Result 3: Economic growth drives people into the middle class

Figure 6. China's Middle Class is Small, but Quickly Rises



Notice the number of people clustered under \$10/day threshold level in China who enter the middle class over time

Projection Result 4: The middle class is projected to grow from 1.8 billion to 3.2 billion by 2020 to 4.9 billion by 2030

Table 2. Numbers (millions) and Share (percent) of the Global Middle Class

- Asia Pacific Middle Class increases from 28% to 66% of the world

	2009		2020		2030	
North America	338	18%	333	10%	322	7%
Europe	664	36%	703	22%	680	14%
Central and South America	181	10%	251	8%	313	6%
Asia Pacific	525	28%	1,740	54%	3,228	66%
Sub-Saharan Africa	32	2%	57	2%	107	2%
Middle East and North Africa	105	6%	165	5%	234	5%
World	1,845	100%	3,249	100%	4,884	100%

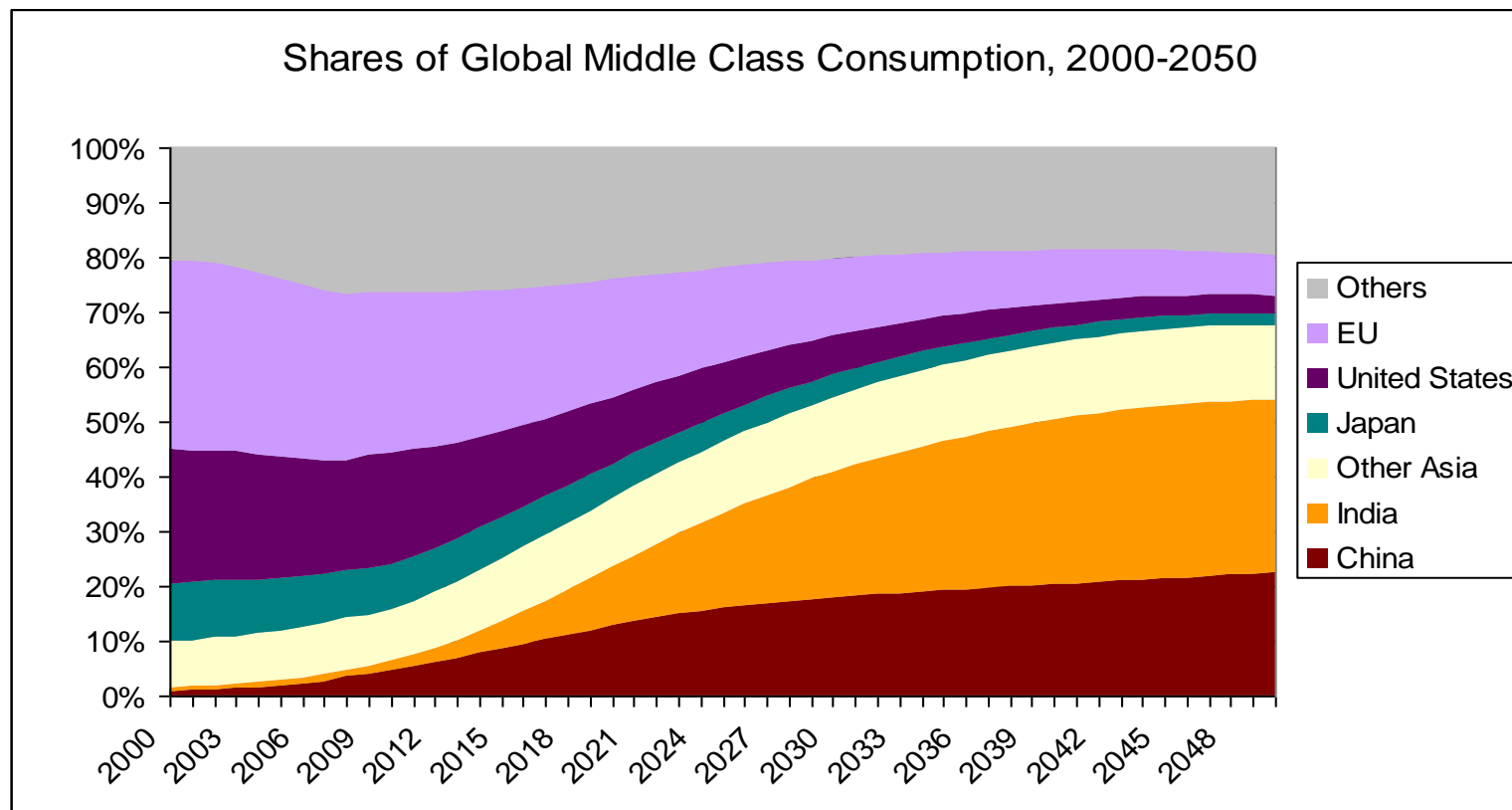
Table 3. Spending by the Global Middle Class, 2009 to 2030 (billions of 2005 PPP dollars)

- Asia Pacific share of world spending increases from 23% to 59%

	2009		2020		2030	
North America	5,602	26%	5,863	17%	5,837	10%
Europe	8,138	38%	10,301	29%	11,337	20%
Central and South America	1,534	7%	2,315	7%	3,117	6%
Asia Pacific	4,952	23%	14,798	42%	32,596	59%
Sub Saharan Africa	256	1%	448	1%	827	1%
Middle Eastern and North Africa	796	4%	1,321	4%	1,966	4%
World	21,278	100%	35,045	100%	55,680	100%

Projection Result 6: China and India increase their shares of middle class consumption

Figure 7: India and China Make Waves in the Global Middle Class



Conclusions

- The middle class is an important consumption class as their income elasticity for durable goods and services is greater than one
- In the future the middle class growth is projected to come mainly from Asia
- India and China continue on their trajectory of high growth coupled with a growing middle class
- An economic realignment is projected with economic center of gravity will shift from Europe to Asia