The World's Top 20 Economies

Prableen Bajpai

The different phases of economic cycles toss economies around the world. However, it’s interesting to see that these top economies don’t budge easily from the positions they hold. When compared to the top twenty economies of 1980, seventeen are still present on the list which means only three new entrants. In addition to the key players remaining almost the same, the analysis reveals these economies are the engine of growth, commanding majority of the global wealth. The nominal GDP of the top ten economies adds up to about 67% of the world’s economy, while the top 20 economies contribute almost 81%. The remaining 172 countries together constitute less than one-fifth to the world’s economy.

Note: This list is based IMF’s World Economic Outlook Database, April 2018.

- Nominal GDP = gross domestic product, current prices, U.S. dollars
- GDP based on PPP = gross domestic product based on purchasing-power-parity (PPP) valuation of country GDP, current international dollar
- Gross domestic product per capita, current prices, U.S. dollars

1. United States

Nominal GDP: $19.39 trillion

GDP (PPP): $19.39 trillion

The U.S. has retained its position of being the world’s largest economy since 1871. The size of the U.S. economy was at $19.39 trillion in 2017 in nominal terms and is expected to reach $20.41 trillion in 2018. The U.S. is often dubbed as an economic superpower and that's because the economy
constitutes almost one-fourth of the global economy backed by advanced infrastructure, technology, and abundance of natural resources. While the U.S. economy is service-oriented, contributing almost 80% its GDP, it's manufacturing merely contributes about 15% of its output.

When the economies are assessed in terms of purchasing power parity, the U.S. loses its top spot to its close competitor China. In 2017, the U.S. economy, in terms of GDP (PPP) was at $19.39 trillion while the Chinese economy was measured at $23.16 trillion. The gap between the size of the two economies in terms of nominal GDP is expected to lessen by 2023; the U.S. economy is projected to grow to $24.53 trillion by 2023 followed closely by China at $21.57 trillion.

2. China

Nominal GDP: $12.01 trillion

GDP (PPP): $23.15 trillion

China has experienced exponential growth over the past few decades, breaking the barriers of a centrally planned, closed economy to evolve into a manufacturing and exporting hub of the world. China is often referred to as the "world’s factory" given its huge manufacturing and export base. However, over the years, the role of services has gradually increased and that of manufacturing as a contributor to GDP has declined relatively. Back in 1980, China was the seventh largest economy with a GDP of $305.35 billion while the size of the U.S. then was $2.86 trillion. Since it initiated market reforms in 1978, the Asian giant has seen an economic growth averaging 10% annually. In recent years, the pace of growth has slowed although it remains high in comparison to its peer nations.

The World Bank reported a spurt in China’s economic growth in 2017 for the first time since 2010, mainly driven by a cyclical rebound in global trade. It projects a growth at 6.6% in 2018 which would sober down to
around 5.5% by 2023. Over the years, the difference in the size of the
Chinese and the U.S. economy has been shrinking rapidly. In 2017, the
Chinese GDP in nominal terms stood at $12.01 trillion, lower than the U.S.
by $7.37 trillion. In 2018, the gap is expected to reduce to $6.32 trillion
and by 2023 the difference would be of $2.96 trillion. In terms of GDP in
PPP, China is the largest economy with a GDP (PPP) of $23.15 trillion. By
2023, China GDP (PPP) would be $37.06 trillion. China’s huge population
brings down its GDP per capita to $8,643.11 (seventy-second position).

3. Japan

Nominal GDP: $4.87 trillion

GDP (PPP): $5.42 trillion

Japan is the third largest economy in the world with a GDP of $4.87 trillion
in 2017. The economy is expected to cross the $5 trillion mark in 2018. The
financial crisis of 2008 rocked the Japanese economy and it’s been a
challenging time for its economy since then. The global crisis triggered
recession followed by weak domestic demand and huge public debt. When
the economy was beginning to recover, it suffered a massive earthquake
which hit the country socially and economically. While the economy has
broken the deflationary spiral, economic growth remains muted.

Its economy will get some stimulus with the 2020 Olympics which keep the
investment flow strong which is backed by a lax monetary policy by the
Bank of Japan. The nominal GDP of Japan is $4.87 trillion which is
expected to move up to $5.16 trillion in 2018. Japan slips to the fourth spot
when GDP is measured in terms of PPP; GDP (PPP) was $5.42 billion in
2017 while its GDP per capita was $38,439.52 (twenty-fifth spot).

4. Germany

Nominal GDP: $3.68 trillion
GDP (PPP): $4.17 trillion

Germany is not just Europe’s largest economy but also the strongest. On the global scale, it is the fourth largest economy in terms of nominal GDP with a $3.68 trillion GDP. The size of its GDP in terms of purchasing power parity is $4.17 trillion while its GDP per capita is $44,549.69 (seventeenth place). Germany was the third largest economy in nominal terms in 1980 with a GDP of $850.47 billion.

The nation has been dependent upon capital good exports which suffered a setback post-financial crisis of 2008. The economy grew by 1.9% and 2.5% in 2016 and 2017 respectively. However, IMF has revised growth downwards to 2.2% and 2.1% respectively in 2019 and 2020 given the threat of rising protectionism and Brexit. To revise its manufacturing strength in the current global scenario, Germany has launched Industrie 4.0—which is its strategic initiative to establish Germany as a lead market and provider of advanced manufacturing solutions.

5. United Kingdom

Nominal GDP: $2.62 trillion

GDP (PPP): $2.91 trillion

The United Kingdom, with a $2.62 trillion GDP is the fifth largest economy in the world. When compared in terms of GDP PPP, UK slips to the ninth spot with a GDP (PPP) of $2.91 trillion. It ranks twenty third in terms of GDP per capita which is $39,734.59. Its nominal GDP is estimated at $2.96 trillion during 2018, but its ranking is expected to slide to the seventh spot by 2023 with a GDP of $3.47 trillion.

Starting from 1992 till 2008, the economy of the UK witnessed an uptrend in each quarter. However, it witnessed a decline in its output for consecutive five quarters starting April 2008. The economy shrunk by 6%
during these five quarters (between the first quarter of 2008 and the second quarter of 2009) and eventually took five years to grow back to the pre-recession levels, according to data from the Office of National Statistics. The economy of the UK is primarily driven by the services sector which contributes more than 75% of GDP with manufacturing, the second prominent segment followed by agriculture. Although agriculture is not a major contributor to its GDP, 60% of the U.K.’s food needs are produced domestically, even though less than 2% of its labor force is employed in the sector.

6. India

**Nominal GDP:** $2.61 trillion

**GDP (PPP):** $9.45 trillion

India is the fastest growing trillion-dollar economy in the world and the
sixth largest with a nominal GDP of $2.61 trillion. India is poised to become the fifth largest economy overtaking the United Kingdom by 2019 as per the IMF projection. The country ranks third when GDP is compared in terms of purchasing power parity at $9.45 trillion. When it comes to calculating GDP per capita, India’s high population drags its nominal GDP per capita down to $1,982. The Indian economy was just $189.438 billion in 1980, ranking thirteenth on the list globally. India’s growth rate is expected to rise from 6.7% in 2017 to 7.3% in 2018 and 7.5% in 2019, as drags from the currency exchange initiative and the introduction of the goods and services tax fade according to IMF.

India’s post-independence journey began as an agrarian nation, however, over the years manufacturing and services sector have emerged strongly. Today, its service sector is the fastest-growing sector in the world, contributing to more than 60% to its economy and accounting for 28% of employment. Manufacturing remains as one of its crucial sectors and is being given due push via the governments' initiatives such as “Make in India”. Although the contribution of its agricultural sector has declined to around 17%, it still is way higher in comparison to the western nations. The economy’s strength lies in a limited dependence on exports, high saving rates, favorable demographics, and a rising middle class.

7. France

Nominal GDP: $2.58 trillion

GDP (PPP): $2.83 trillion

France, the most visited country in the world and is the second largest economy of Europe and the seventh largest in the world with a nominal GDP of $2.58 trillion. Its GDP in terms of purchasing power parity is around $2.83 trillion. The country offers a high standard of living to its people as reflected in its GDP per capita of $44,549. In recent years, the economic growth has slowed resulting in unemployment which has placed
immense pressure on the government to reboot the economy. The World Bank has recorded unemployment rates at 10% during 2014, 2015 and 2016. During 2017, it declined to 9.681%.

In addition to tourism which remains very important for its economy, France is a leading agricultural producer, accounting for about one-third of all agricultural land within the European Union. France is the world’s sixth-largest agricultural producer and the second-largest agricultural exporter, after the United States. The manufacturing sector is majorly dominated by the chemical industry, automotive and armament industry. The economy has grown by 2.3% during 2017 and is expected to grow at 1.8% and 1.7% during 2018 and 2019 as per IMF.

8. Brazil

Nominal GDP: $2.05 trillion

GDP (PPP): $3.24 trillion

Brazil is the largest and most populous nation in Latin America. With a nominal GDP of $2.05 trillion, Brazil is the eighth largest economy in the world. The nation which had been riding on the commodity wave suffered multiple setbacks with the end of the commodity supercycle in addition to internal problems of corruption and political uncertainty which dampened the investment and business environment.

During the period 2006-10, the nation grew at an average 4.5%, moderating to around 2.8% around 2011-13. By the year 2014, it was barely growing at 0.1%. In 2016, Brazil contracted by 3.5% before rebounding by 1% in 2017. IMF projects the economy the economic growth to revive to 2.5% by 2019. Brazil is a part of the BRICS along with Russia, India, China and South Africa. The country has a GDP (PPP) of $3.24 trillion and a GDP per capita of $9,681.
9. Italy

Nominal GDP: $1.93 trillion

GDP (PPP): $2.31 trillion

With a nominal GDP of $1.93 trillion, Italy is the world’s ninth largest economy. Its economy is expected to expand to $2.5 trillion by 2023. In terms of GDP (PPP), its economy is worth $2.31 trillion and a per capita GDP of $31,984. Italy—a prominent member of the Eurozone and has been facing deep political and economic chaos. Its unemployment rate continues to be in double-digits while its public debt remains sticky at around 132% of GDP. On the positive side, exports and business investment are driving the economic recovery. The economy clocked 0.9% and 1.5% in 2016 and 2017 respectively. It is projected to edge down to 1.2% in 2018 and 1.0% in 2019.

10. Canada

Nominal GDP: $1.65 trillion

GDP (PPP): $1.76 trillion

Canada displaced Russia to take the tenth spot in 2015 and has retained its position since then. Canada’s nominal GDP is currently at $1.65 trillion and is expected to touch $1.79 trillion in 2018 and $2.43 trillion by 2023. Its per capita GDP of $45,077 is ranked twentieth globally while its GDP of $1.76 trillion in terms of PPP pulls it down to the seventeenth spot. The country has contained the level of unemployment and is likely to further shrink. While services are the major sector, manufacturing is the cornerstone of its economy with 68% of its exports constituting of merchandise exports. Canada is laying a lot of emphasis on manufacturing which is crucial to its future economic growth. Canada registered a growth of 3% in 2017 vis-à-vis 1.4% in 2016 and is expected to grow at 2% during
2018 and 2019.

11. South Korea

Nominal GDP: $1.53 trillion

GDP (PPP): $2.02 trillion

The South Korean economy known for conglomerates such as Samsung and Hyundai, is the eleventh largest economy in the world with a nominal GDP of $1.53 trillion. The country has made incredible progress in the past couple of decades to establish itself as a high-tech industrialized nation.

South Korea over the past four decades has demonstrated incredible economic growth and global integration to become a high-tech industrialized economy. During the 1960’s its GDP per capita was among the poorer countries in the world which is now at the twenty-ninth spot with $29,981. Its GDP (PPP) is at $2.02 trillion. South Korea entered the trillion-dollar club in 2004 propelled by international trade and industrialization. It is among the top exporters in the world and presents great investment opportunities reflected in its ease of doing business ranking.

12. Russia

Nominal GDP: $1.52 trillion

GDP (PPP): $4.01 trillion

Russia, the largest country in the world in terms of landmass is the twelfth largest economy in the world with a nominal GDP of $1.52 trillion. Russia moves up the ladder to the sixth spot for rankings with a $4.01 trillion GDP based on PPP.

The 1990’s were a rough period for its economy since it inherited a
devastated industrial and agricultural sector along with the fundamentals of a centrally planned economy. During the next decade Russia witnessed growth at a healthy pace of 7%, however, this growth was led by the commodity boom. The dependence of the Russian economy on oil was exposed during the 2008-09 global financial crisis and eventually again in 2014. The situation worsened with the imposition of sanctions by the West. The economy contracted by 0.2% in 2016, however, it rebounded with a 1.5% growth in 2017. IMF projects a growth of 1.7% and 1.5% during 2018 and 2019 respectively.

13. Australia

Nominal GDP: $1.38 trillion

GDP (PPP): $1.24 trillion

Australia is the thirteenth largest economy with a nominal GDP of $1.38 trillion. The economy has grown at a healthy pace for the past two decades on the back of low unemployment, low public debt and inflation, robust exports, a strong service sector and a stable financial system. Given that Australia is a rich land in natural resources—and a major exporter of energy, natural resources and food. In terms of different sectors of its economy, agriculture and industry contribute about 4% and 26% each while its service sector which engages 75% of its employed population contributes 70% to its GDP. It is estimated that the economy of Australia will be close to the $2 trillion mark by 2023 and its GDP based on PPP which is currently at $1.24 trillion will be nearing $1.65 trillion during the same time period. Australia ranks eleventh on the measure in terms of GDP per capita with $55,707 per capita GDP in 2017.

14. Spain

Nominal GDP: $1.31 trillion
GDP (PPP): $1.77 trillion

The $1.3 trillion Spanish economy is the fourteenth largest in the world. Post-Brexit, Spain is the fourth-largest economy in the Eurozone. The country with a population of 46.6 million has witnessed a long recessionary period (second quarter of 2008 till the third quarter of 2013) and is slowing returning to health on the back of record tourism and exports along with a revival in domestic consumption.

Spain replaced United Kingdom to become the second most visited country in the world with a huge influx of inbound tourists. In terms of sectors, agriculture has traditionally played a crucial role, however, with time the contribution of the sector has fallen to about 3%. The country remains a major exporter of olive oil, pork, and wine. Some of the prominent industrial sectors are automobiles, chemicals, pharmaceuticals, industrial machinery. The economy grew 3.1% in 2017 and is expected to edge down to 2.8% and 2.2% in 2018 and 2019 respectively.
15. Mexico

Nominal GDP: $1.15 trillion

GDP (PPP): $2.45 trillion

Mexico, the second largest economy in Latin America is the fifteenth largest economy in the world with a GDP (nominal) of $1.15 trillion while its GDP in terms of PPP is $2.45 trillion. The same is expected to touch $1.58 trillion and $3.26 trillion respectively by 2023. Back in 1980, Mexico was the tenth largest economy with a nominal GDP of $228.6 billion. The economy expanded by 2.9% and 2% during 2016 and 2017. Over the next two years, IMF projects a growth of 2.3% and 2.7% respectively. The share of agriculture in Mexican economy has remained under 4% over the last two decades while its industry and services contribute around 33% and
63% to its output. Automotive, oil and electronics are among the developed industries while financial services and tourism are prominent contributors within services.

16. Indonesia

Nominal GDP: $1.01 trillion

GDP (PPP): $3.24 trillion

Indonesia is the largest economy in Southeast Asia and the sixteenth largest on the global map. The Indonesian economy has shown tremendous progress over the last two decades. It was a victim of the Asian financial crisis in 1997, however, it has charted impressive growth ever since. The economy is now a part of trillion-dollar club with a nominal GDP of $1.01 trillion. The World Bank cites its enormous progress on poverty reduction — “cutting the poverty rate to more than half since 1999, to 10.9% in 2016.” Its GDP per capita at $3,875 is way higher than $857 in 2000. Indonesia, the fourth most populous nation is the seventh largest economy with a $3.24 trillion GDP in terms of purchasing power parity. Among sectors, agriculture contributes about 14% to its GDP while industry and services add approximately 43% each to its output.

17. Turkey

Nominal GDP: $849.48 billion

GDP (PPP): $2.17 trillion

Turkey with its 849.48 billion economy is the seventeenth largest economy in the world. The share of Turkey’s middle-class increased from 18% to 41% of the population between 1993 and 2010, according to the World Bank and country joined the upper-middle income group in the late 2000’s.
The economy is projected to join the trillion-dollar club by 2020 while its GDP (PPP) will reach $3.05 trillion by 2023. Between 1960 and 2012, Turkey’s average annual GDP growth was 4.5%. The economy has been growing at an impressive pace since the 2000, driven by both industry and services. The economy witnessed macroeconomic and fiscal stability while its employment and income levels witnessed an increase. While the economy registered a 7.4% growth in 2017, however, it is projected to soften to 4.2% in 2018 amid a rising external debt, depreciating currency, rising inflation, and unemployment.

18. Netherlands

Nominal GDP: $849.48 billion

GDP (PPP): $2.17 trillion

The Netherlands, the sixth largest economy in the European Union is the eighteenth largest economy in the world. Back in 1980, Netherlands was the twelfth largest economy globally with a GDP of $189.49 billion. Today, the country has a nominal GDP of $825.745 billion and a GDP (PPP) of $916.07 billion. It ranks thirteenth on the basis of per capita income with GDP per capita of 48,345. The economy is backed by abundant natural resources, booming tourism and sound industries such as food processing, chemicals, electrical machinery and petroleum refining. The Netherlands can boast of highly mechanized, highly productive agricultural sector which makes it among the top agricultural exporters globally. Despite its small nation, Netherlands is a major player in the world's trade.

19. Saudi Arabia

Nominal GDP: $683.82 billion

GDP (PPP): $1.77 trillion
Saudi Arabia is predominantly an oil-based economy. The country possesses around 18% of the world’s proven petroleum reserves. It ranks as the largest exporter of petroleum with oil and gas sector accounting for about 50% of its GDP and 70% of export earnings. Saudi Arabia is rich in other natural resources like natural gas, iron ore, gold, and copper. The economy showed recovery from the oil shock in 2016 with a 1.7% growth. In 2017, it incurred huge budget deficit financed by foreign reserves and bond sales. The country is looking to bolster its non-oil economy to diversify its economy and tackle the problem of unemployment. In 2017, its nominal GDP was $683.82 billion while its GDP based on PPP was $1.77 trillion. The economy which slumped by 0.9% in 2017 is expected to grow by 1.9% in 2018 and 2019.

20. Switzerland

Nominal GDP: $678.57 billion

GDP (PPP): $517.17 billion

Switzerland, one of the most stable market economies in the world. It is the twentieth largest economy in the world with a nominal GDP of $678.57 billion. The country offers a very high standard of living for its people represented by the GDP per capita of $80,590, only behind Luxembourg. Switzerland has a booming tourism industry and a strong financial sector. Switzerland has a long tradition of industry, especially the clock and watches industry and pharmaceuticals. Agriculture only contributes about 1% to its GDP. The country has a highly skilled workforce and low unemployment (3%). The country’s economy benefits from its stable political system, sound infrastructure, and favorable tax rates. In recent years, its growth rate has hovered between 1-1.5%.