

press release

THE WORLD IS IN A SUPER-CYCLE ONCE AGAIN, THIS TIME LED BY ASIA

London, 15 November 2010: The world is in a sustained period of high economic growth, or super-cycle, which started in 2000 and is expected to last at least another couple of decades and see the global economy reach over USD 300trn in size by 2030, up from USD 62trn today, according to a special report by Standard Chartered. The world economy has already doubled between 2000 and 2010.

The developed economies will do well through the super-cycle, but the emerging markets will do much better. As a result, the global balance of economic power will shift decisively from the West to the East, according to the report.

The key drivers

The key drivers of the super-cycle will be increased trade, especially among emerging markets, rapid industrialisation, urbanisation and booming middle classes in the developing world. The number of people living in the cities will grow to 5bn in 2030, up from 3.4bn today.

Asia will drive most of the global growth over the next 20 years, during which global output is conservatively set to more than double in real terms, having already risen more than 50 per cent in the last decade. Living standards, as measured by real per capita income, will have increased nine-fold in China and India between 2000 and 2030. Rising personal incomes will push billions of people into the middle classes and drive consumption which will spur domestic economic growth. China is likely to grow at a 6.9 per cent rate over the next two decades and overtake the US to become the world's economic superpower within a decade. Meanwhile, India is likely to grow at an average 9.3 per cent pace over the same period and tail the US as the third largest economy by 2030, the report forecasts.

Supercycle defined

The report defines a super-cycle as “a period of historically high global growth, lasting a generation or more, driven by increasing trade, high rates of investment, urbanisation and technological innovation and characterised by the emergence of large, new economies, first seen in high catch-up growth rates across the emerging world.” The world has seen two such super-cycles before. The first ran from 1870 until 1913, the eve of the First World War. The second began with the end of the Second World War and lasted until the oil crisis in 1973. The current super-cycle started at the turn of the 21st century and is likely to extend until at least 2030. It will unlock the growth potential in emerging markets, especially across the populous economies of India, China, Indonesia, the Middle East, Africa and Latin America. Hundreds of millions of people are likely to enter the global workforce, driving urbanisation, high rates of investment

and technological innovation. While earlier super-cycles were driven by the comparatively small populations in the West, the current super-cycle will involve 85 per cent of the world population.

Implications for financial assets

Financial markets have not fully factored in either the scale or the profound changes that will likely take place, the report concludes. This provides plenty of opportunities across all asset classes for investors and companies. For long-term investors, the super-cycle points to greater allocation of capital into equities, especially those benefitting from the strong growth in the emerging markets, rapid urbanisation and the growing middle classes. Equities, commodities and real estate investments are also likely to do better than fixed income assets.

Dr. Gerard Lyons, Chief Economist and Group Head of Global Research, commented: "The concept of a super-cycle builds on a major theme that we have talked about for many years, namely: a New World Order, a phrase that has become more widely used. Our view of the New World Order was that it reflected the shift in the balance of economic and financial power from the West to the East. A super-cycle builds on this concept, reflecting both the potential upside in terms of strong global growth as well as the fact that, whilst emerging economies will be the main drivers of growth, the West, too, has the ability to benefit from the changing global economy by adapting and changing."

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For further information please contact:

Dr. Gerard Lyons, Chief Economist and Group Head of Global Research
+44 (0)20 7885 6988
Gerard.Lyons@sc.com

Yuki Finch, Senior manager, External communications
+44 (0)20 7885 5934
Yuki.finch@sc.com

Note to Editors:

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