

For economic empowerment, G20 economies need to spend \$21 t more by 2030: McKinsey

KR Srivats
New Delhi

Lifting everyone in the G20 economies to full economic empowerment and getting on track for net zero by 2030 implies larger spending shifts, equivalent to 8 per cent of global GDP annually, or 6 per cent of G20's combined GDP annually, a new McKinsey research has revealed.

In particular, closing the economic empowerment gap in the G20 would require a cumulative increase in spending on essentials of some \$21 trillion by 2030 (\$37 trillion globally), according to McKinsey.

"Our model assumes a gradual ramp-up each year, but if the increase were spread evenly, it would total approximately \$2 trillion per year", McKinsey said in a new white paper launched in the backdrop of the G20 dialogue with the Business 20 (B20) Summit.

G20 economies would need to invest upwards of an additional \$35 trillion (\$41 trillion in investments globally) this decade, above the 2020 levels, to be on track for the world to reach net zero greenhouse gas emissions by 2050, the white paper added.

TWO ASPIRATIONS

This white paper sizes what it will take for G20 economies to deliver on two bold aspirations for 2030 —attain universal economic empowerment and meet net-zero commitments.

McKinsey defines 'economic empowerment' as having the means to meet the full range of essential needs and begin attaining economic security. This is based on each country's cost of living; for India, the empowerment line is set at \$12 purchasing power parity (PPP) a day.

Over half the population of G20 countries —about 2.6 billion people—live below this line. Even in the advanced economies of Europe and North America, 20 to 30 per cent of the population



McKinsey defines 'economic empowerment' as having the means to meet the full range of essential needs and begin attaining economic security.

lives below the empowerment line. Globally over 4.7 billion people live below the economic empowerment line.

The greatest proportion of people living below the empowerment line, measured as a share of total national population, live in India and South Africa (more than 75 per cent), followed by Indonesia, Mexico, Brazil and China (more than 50 per cent).

CRITICAL FACTORS

Economic growth and increased business-led innovation will be critical factors for all G20 economies, regardless of income level, to bridge the empowerment, net-zero gaps, according to McKinsey.

Both could account for some 80 per cent of the efforts to close the empowerment gap, as well as 35 per cent of the increased net zero investment, the white paper added.

Growth can help address the net-zero gap by creating additional financing capacity, spurring reductions in technological costs, making low-emissions alternatives more cost-competitive, and enabling incremental public support in areas too challenging for markets to finance on their own.

Rajat Dhawan said, "It's hard to overstate the importance of doubling down on productivity to accelerate economic growth — this can lift incomes and expand financing capacity for the net-zero transition."