



Urban world: Mapping the economic power of cities

McKinsey Global Institute

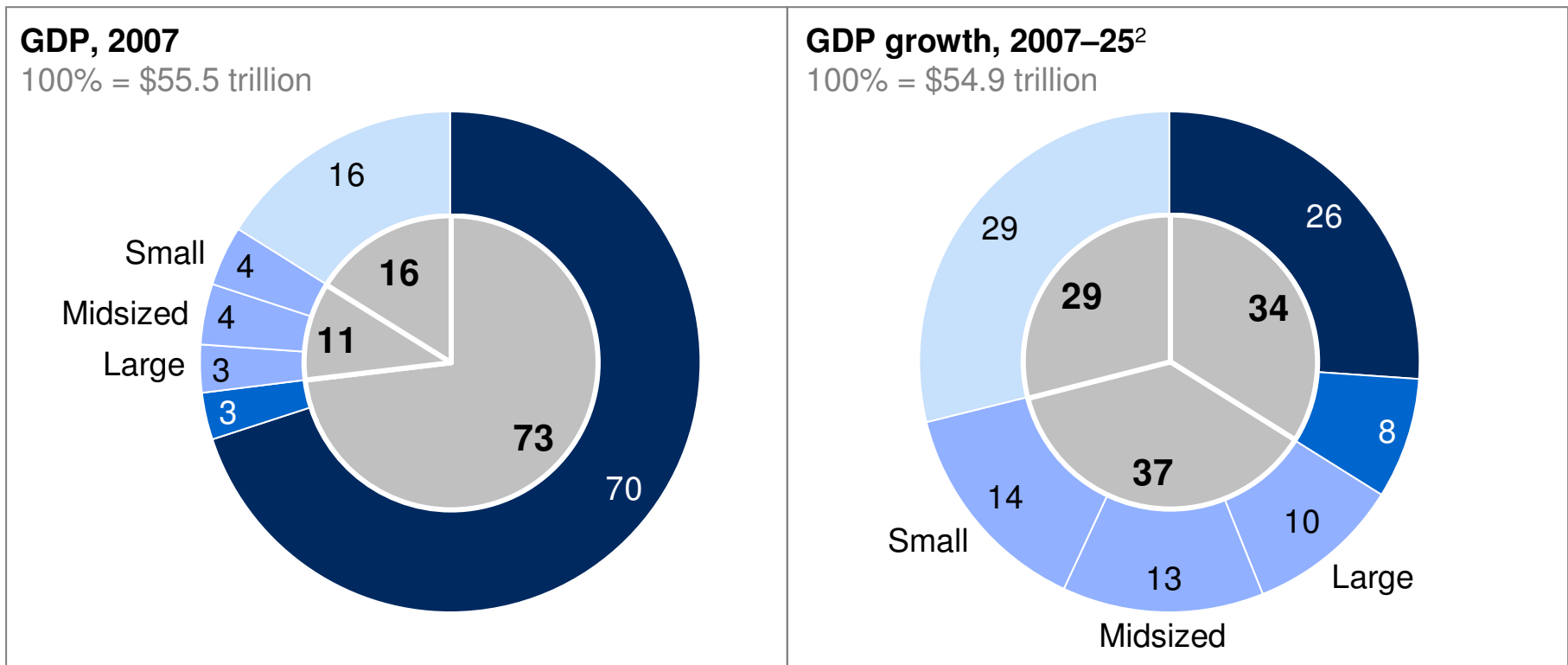
Russia

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Middleweight cities in emerging markets are poised to deliver nearly 40 percent of global growth by 2025, more than the entire developed world and emerging market megacities combined¹

Contribution to GDP and GDP growth by type of city
%

- Developed economies
- Emerging market megacities
- Emerging market middleweight cities
- Emerging market small cities and rural areas



1 Megacities are defined as metropolitan areas with ten million or more inhabitants. Middleweights are cities with populations of between 150,000 and ten million inhabitants.

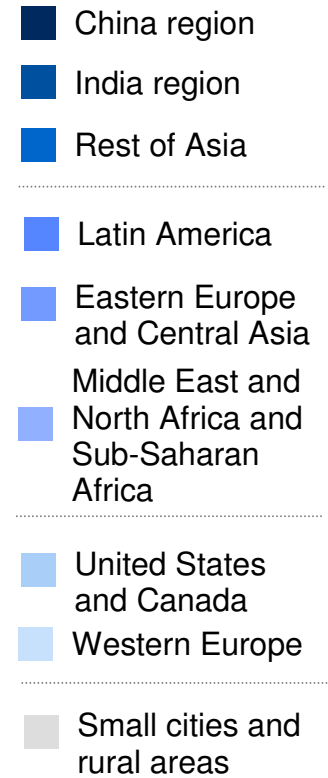
2 Real exchange rate (RER) for 2007 is the market exchange rate. RER for 2025 was predicted from differences in the per capita GDP growth rates of countries relative to the US

SOURCE: McKinsey Global Institute Cityscope 1.0

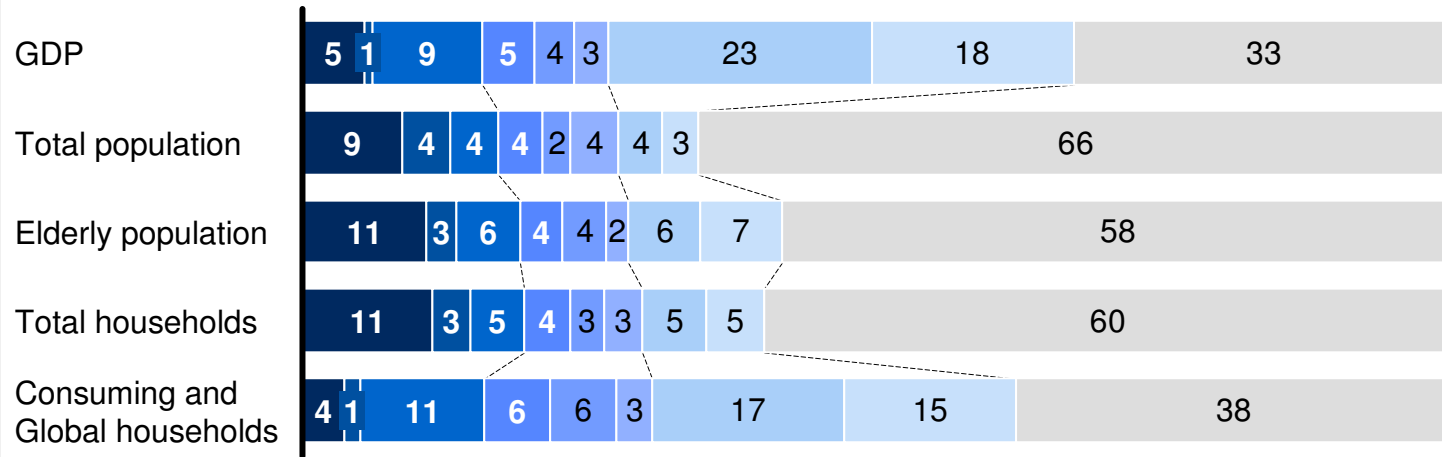
Eastern European/Central Asian cities play a relatively minor role in the world economy generating 4% of global growth

%

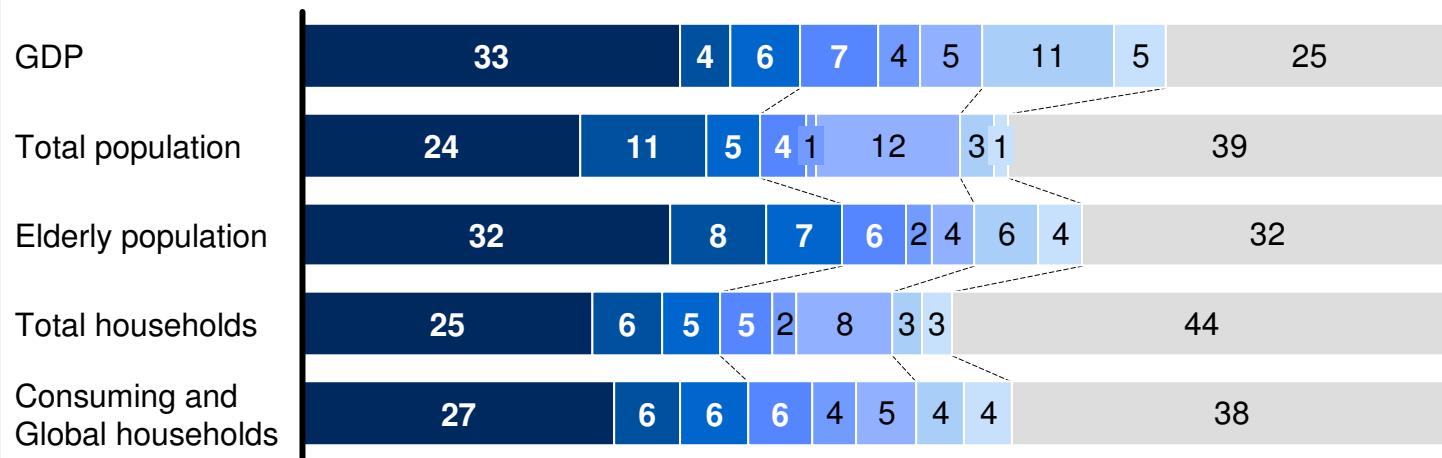
MGI Cityscope



Key indicators, 2007



Contributions to growth, 2007–25



SOURCE: McKinsey Global Institute Cityscope 1.0

Russian cities are concentrated in the European region of the country

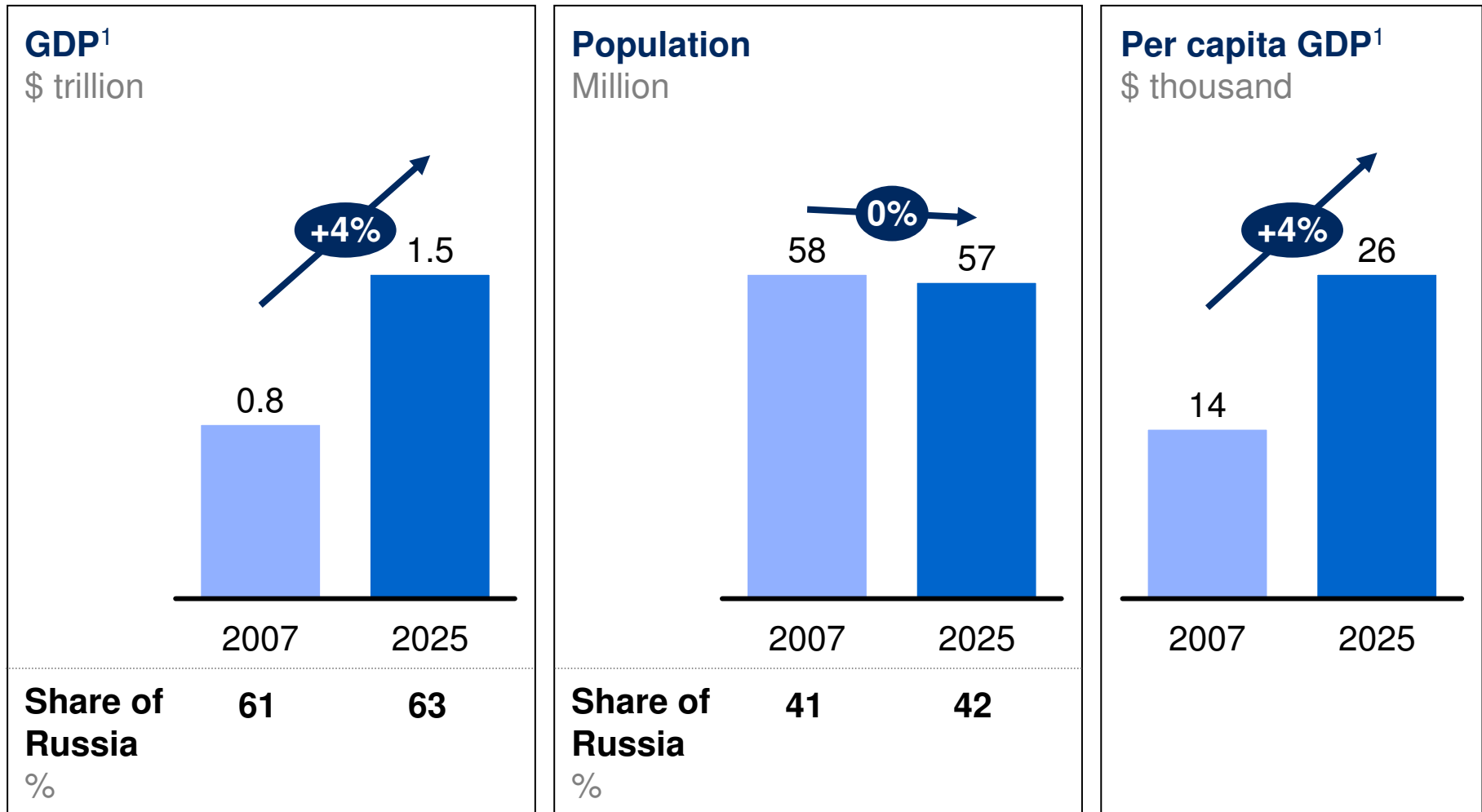
EASTERN EUROPE
AND CENTRAL ASIA



SOURCE: McKinsey Global Institute Cityscope 1.0

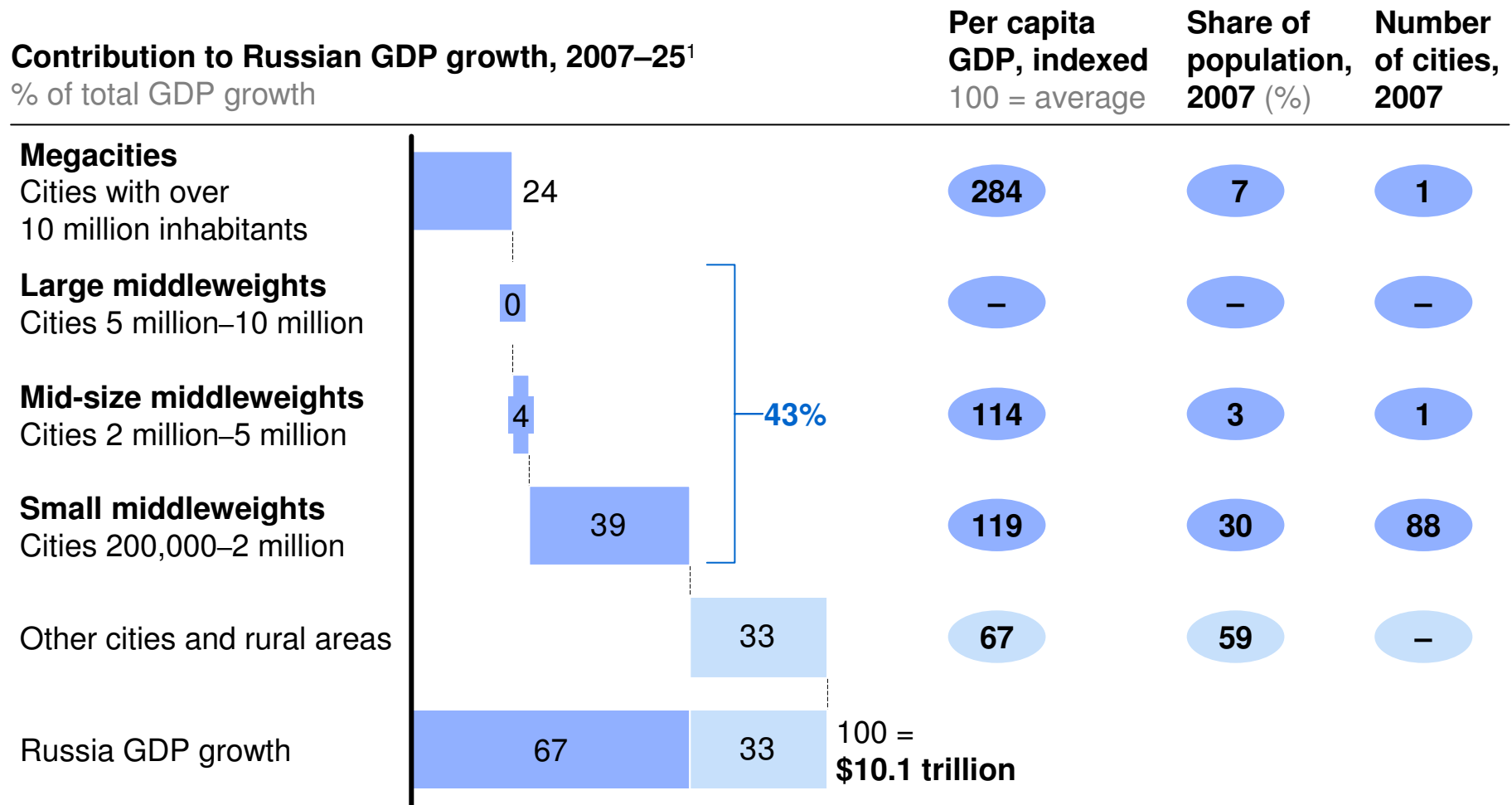
Russian cities in the Cityscope will grow strongly in terms of GDP even as their population declines

● Compound annual growth rate, 2007–25 (%)



1 Predicted real exchange rate.

Small middleweight cities in Russia will dominate growth



1 Predicted real exchange rate.

NOTE: Numbers may not sum due to rounding.

SOURCE: McKinsey Global Institute Cityscope 1.0

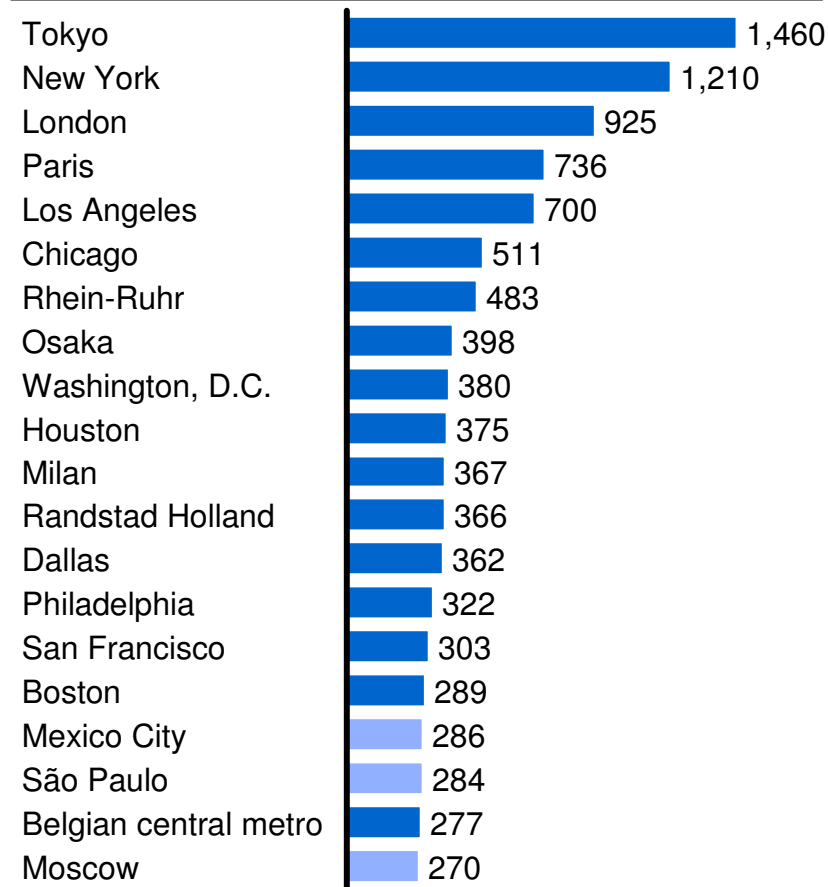
Moscow will climb from the 20th position in terms of GDP in 2007 to 16th by 2025

Cities in terms of GDP¹

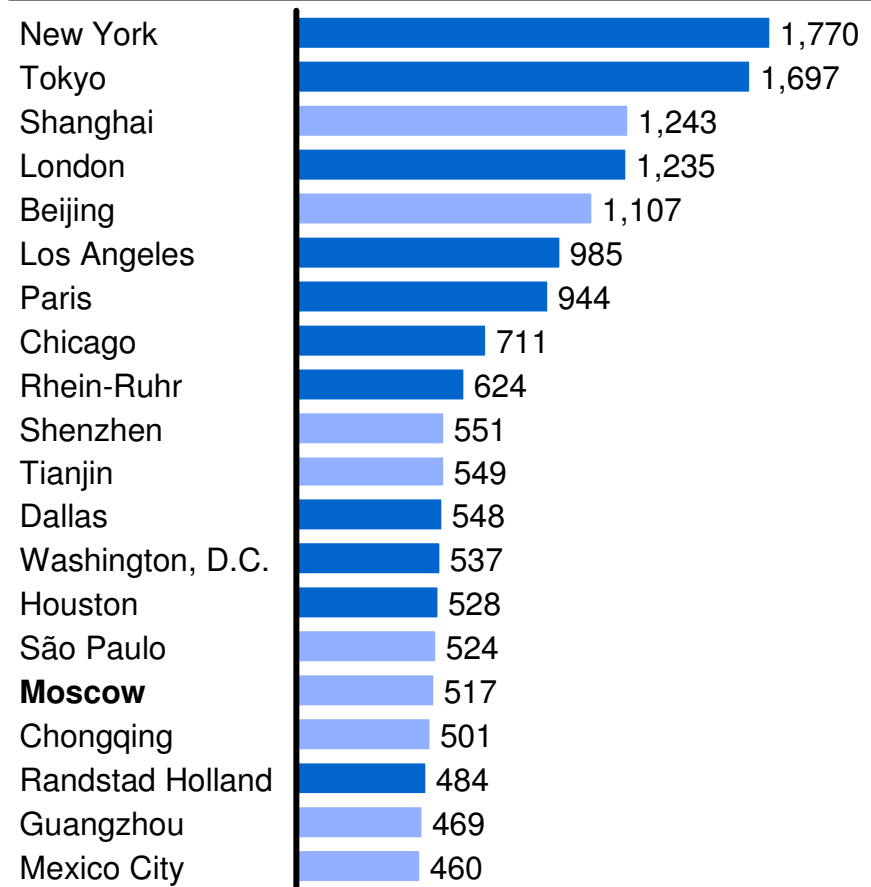
\$ billion

■ Developing region
■ Developed region

In 2007, developed region megacities dominate the top of the list



By 2025, Moscow has climbed up over Mexico City and Randstad Holland



¹ Predicted real exchange rate.

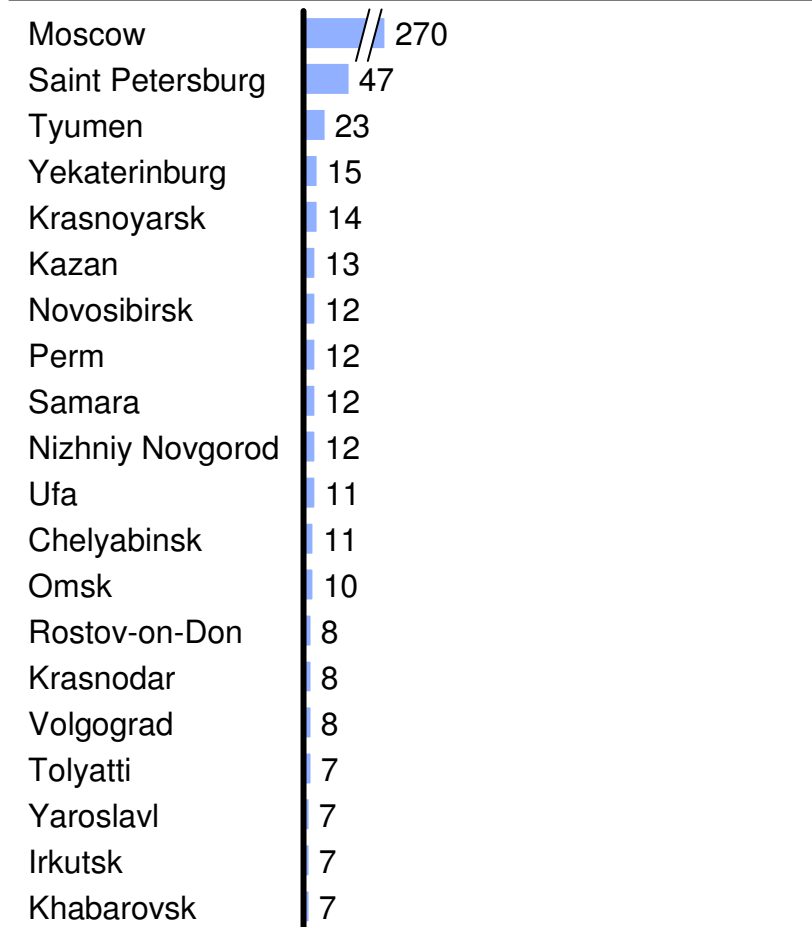
Within Russia, while Moscow will continue to dominate, smaller cities will experience fast paced growth too

Cities in terms of GDP¹

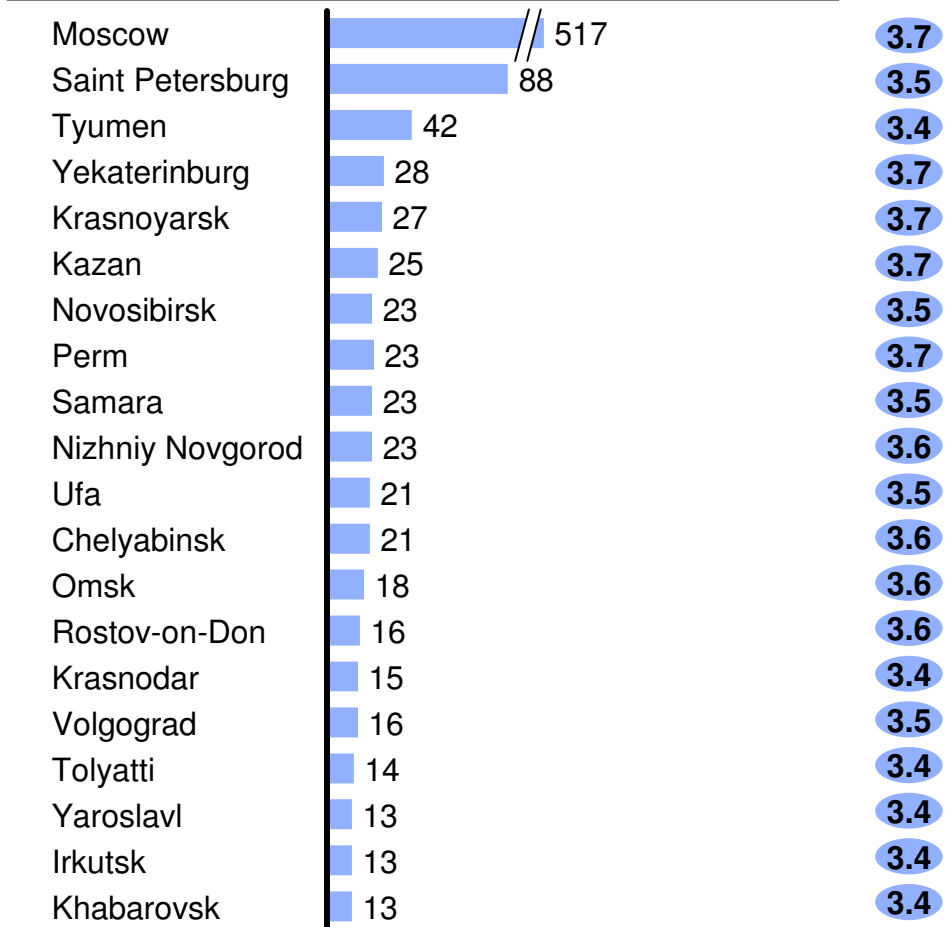
\$ billion

● Compound annual growth rate, 2007–25 (%)

Moscow dominates the list of Russian cities by GDP in 2007



By 2025, Saint Petersburg, Tyumen and other cities will be nearly twice their size today



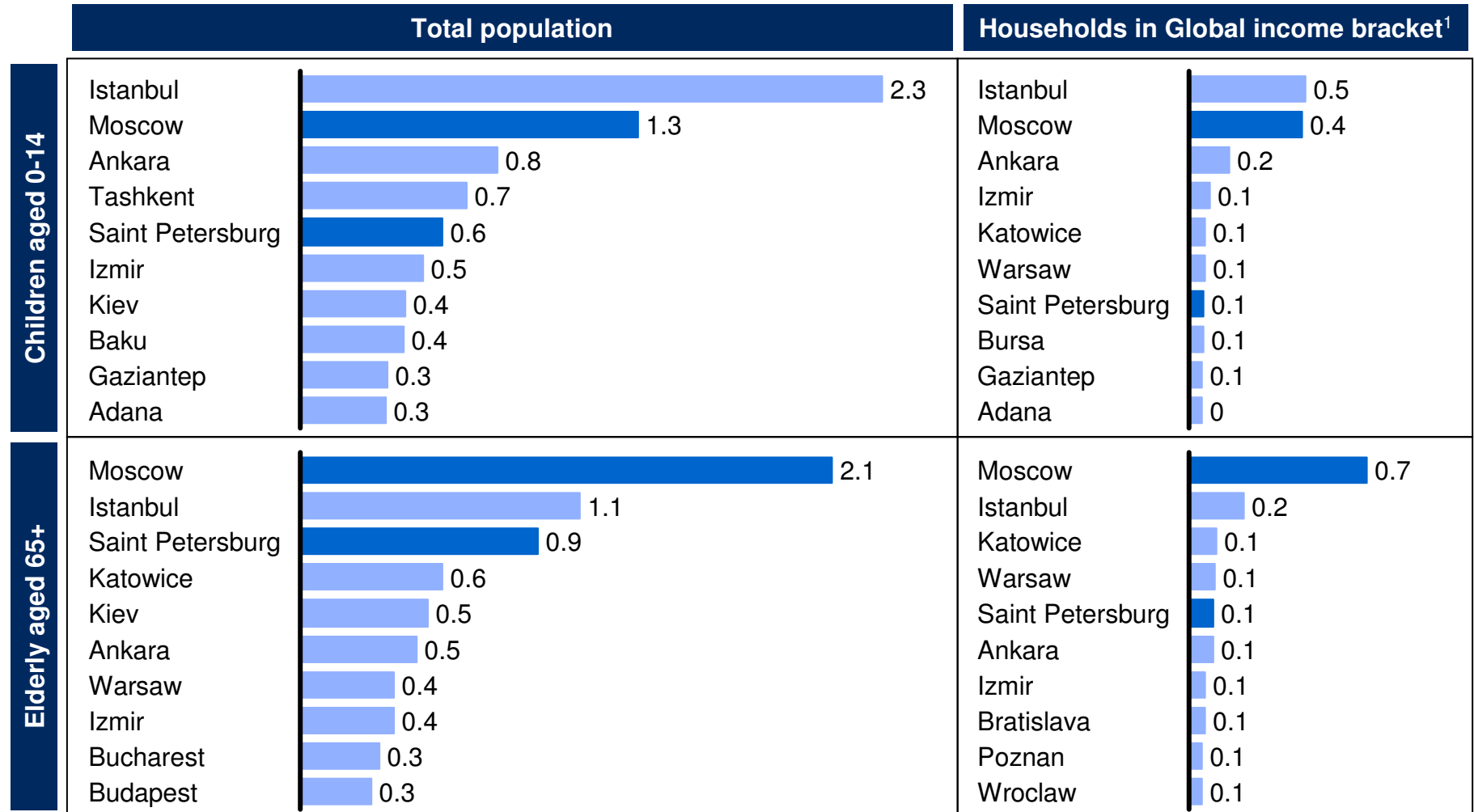
¹ Predicted real exchange rate.

Moscow dominates top ten rankings across several measures

EASTERN EUROPE
AND CENTRAL ASIA

Top cities by population, 2025

Million



1 Assuming population distribution across income segments is identical to household distribution across segments. Global households have annual income of \$70,000+.

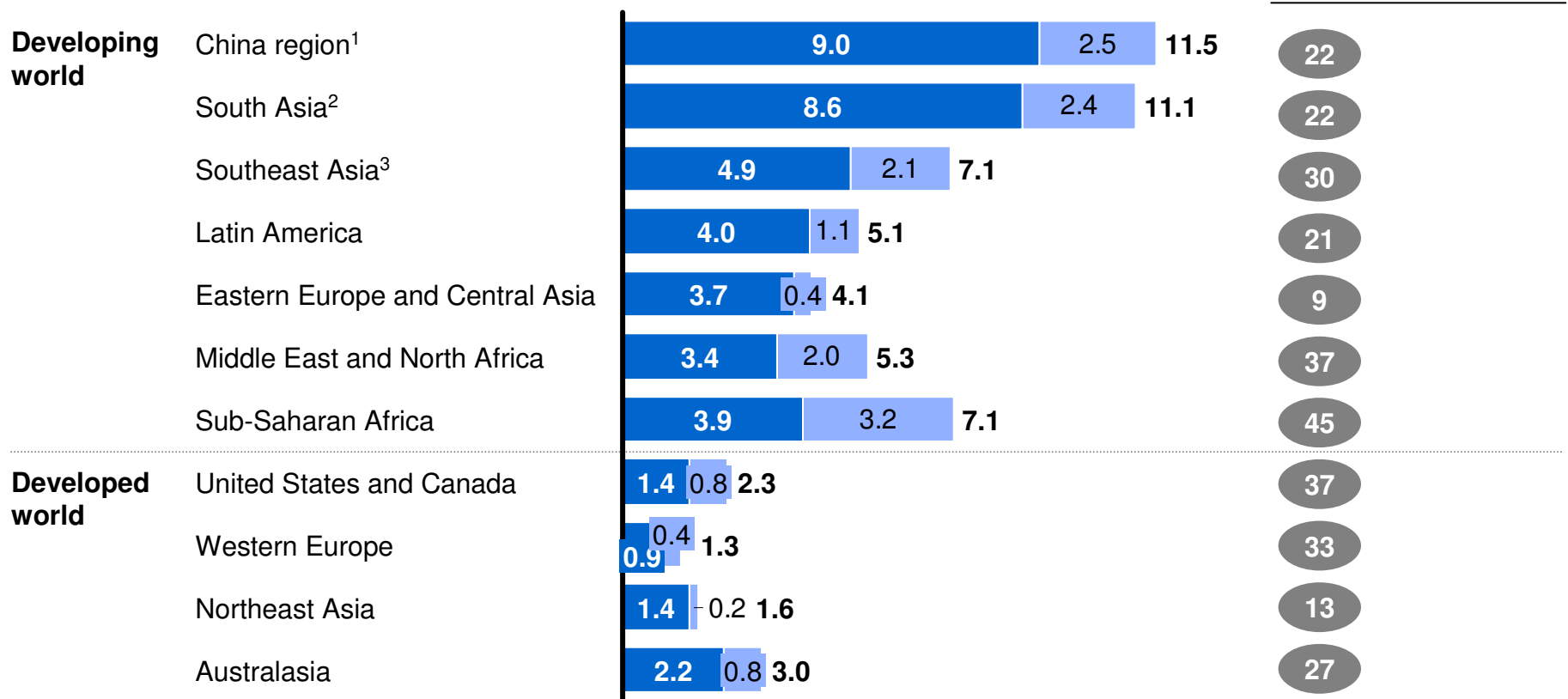
SOURCE: McKinsey Global Institute Cityscope 1.0

Appendix

Regional differences in city GDP growth are explained by both per capita GDP and population growth patterns

Drivers of MGI Cityscope city GDP growth, 2007–25

Compound annual growth rate, %



1 Includes cities in China (including Hong Kong and Macau) and Taiwan.

2 Includes cities in Afghanistan, Bangladesh, India, Pakistan, and Sri Lanka.

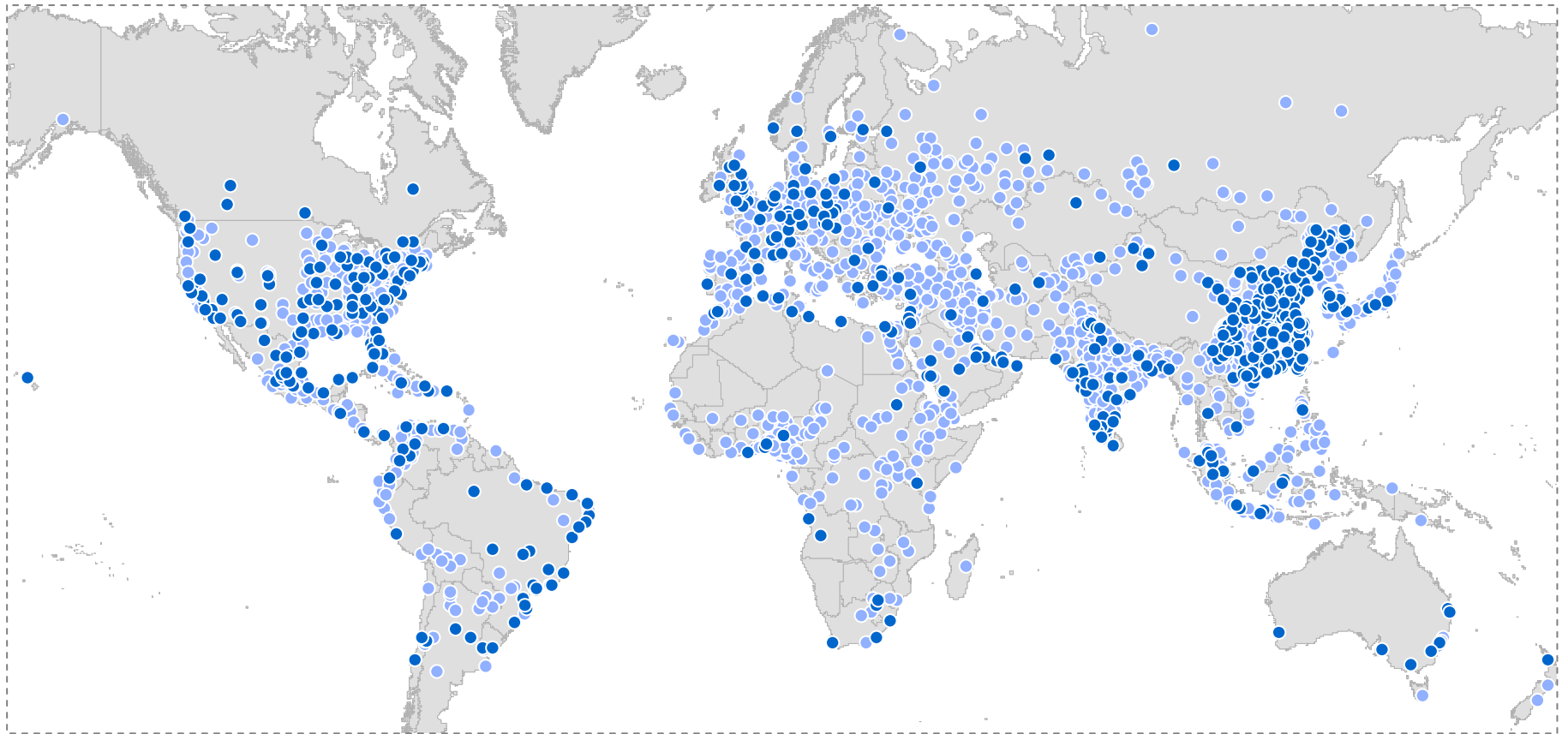
3 Includes cities in Cambodia, Indonesia, Laos, Malaysia, Myanmar, P.N.Guinea, Philippines, Singapore, Thailand, and Vietnam.

NOTE: Numbers may not sum due to rounding.

SOURCE: McKinsey Global Institute Cityscope 1.0

The City 600: MGI's Cityscope identifies the world's fastest-growing megacities and middleweights

- The City 600 (600)
- Additional cities in MGI Cityscope (~1,400)

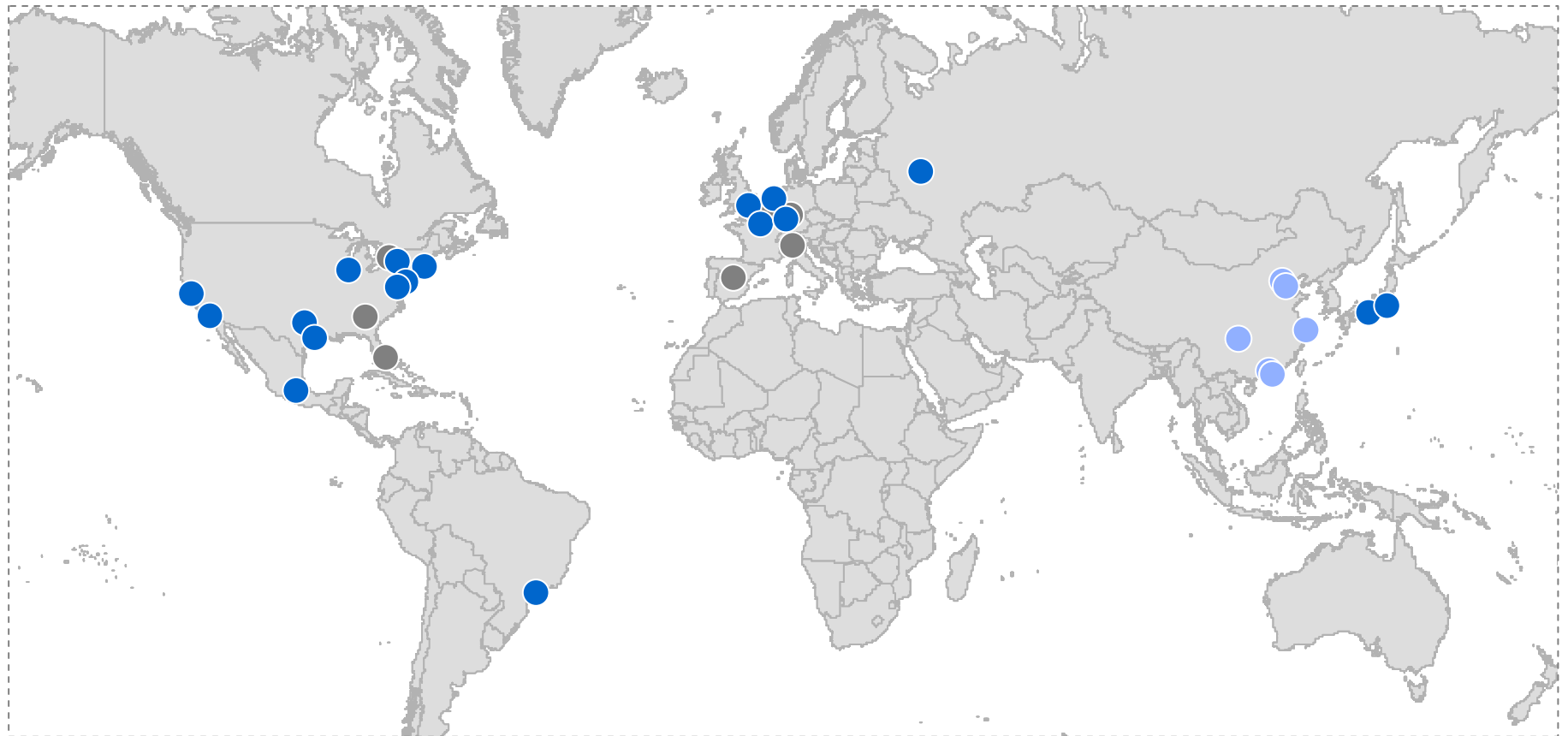


SOURCE: McKinsey Global Institute Cityscope 1.0

There will be a major shift in urban economic weight from the United States and Western Europe toward Asia

Top 25 cities by GDP, 2007 and 2025¹

- Dropout—included in 2007 but not in 2025
- Top 25 in both 2007 and 2025
- Newcomer—absent in 2007 but included in 2025

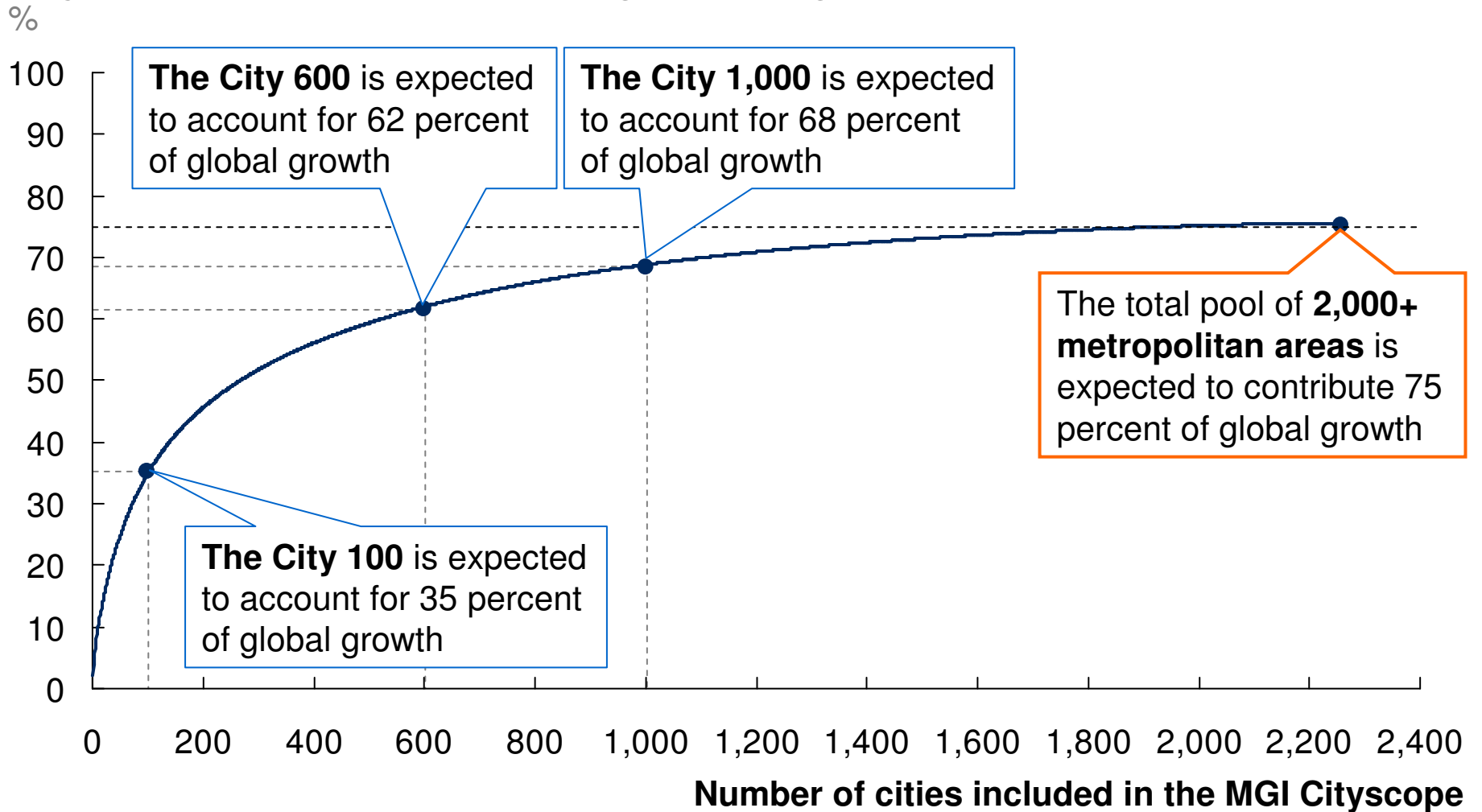


¹ Predicted real exchange rate.

SOURCE: McKinsey Global Institute Cityscope 1.0

The MGI Cityscope comprises the City 600 and ~1,400 additional cities to cover the largest cities by population and GDP today

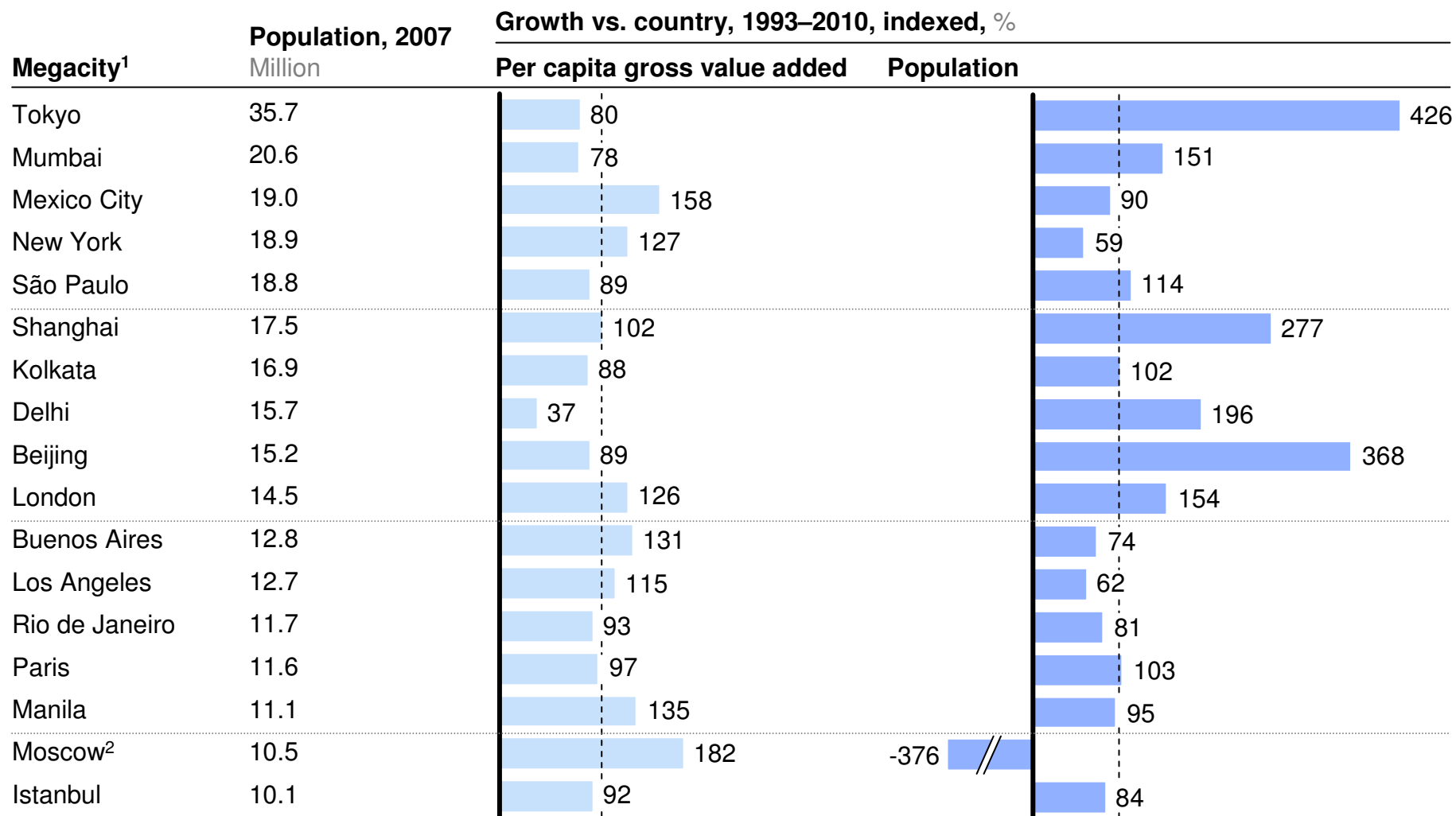
Projected cumulative contribution to global GDP growth, 2007–25¹



¹ Predicted real exchange rate.

SOURCE: McKinsey Global Institute Cityscope 1.0

Contrary to popular belief, many megacities have not grown faster than their host economies in the recent past



1 Analysis for megacities where data were available (17 out of 23).

2 Population compound annual growth rate 1993–2010 was 1.1 percent in Moscow and -0.3 percent in Russia.

SOURCE: Brookings Institution Global Metro Monitor; McKinsey Global Institute Cityscope 1.0

In developing regions, around 420 cities will generate 45 percent of global growth; Chinese cities will contribute almost 30 percent of the total

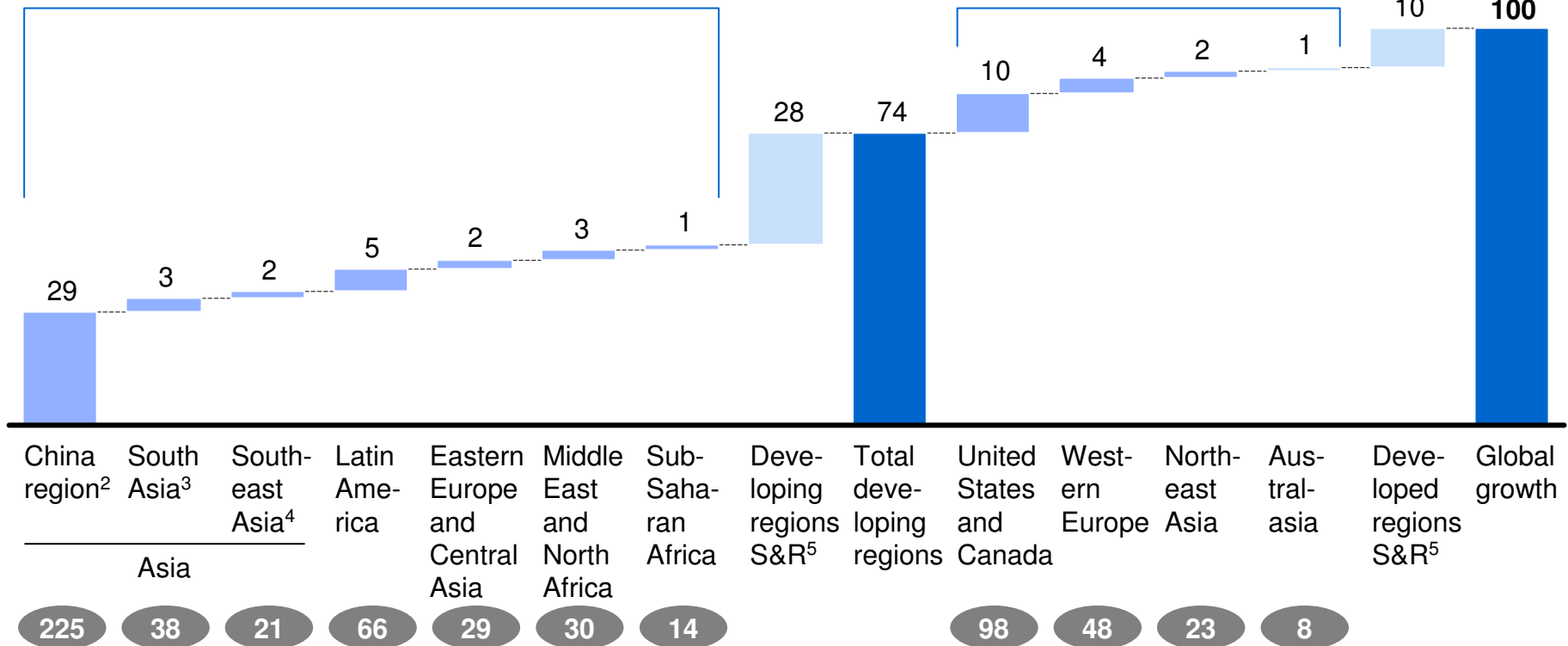
GDP growth¹ by geography

100% = \$54.9 trillion

● Number of cities in the City 600

Mega- and middleweight developing world cities: 45 percent of global growth

Mega- and middleweight developed cities: 16 percent of global growth

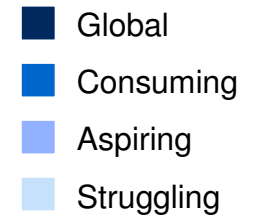


1 Predicted real exchange rate.
 2 Includes cities in China (including Hong Kong and Macau) and Taiwan.
 3 Includes cities in Afghanistan, Bangladesh, India, Pakistan, and Sri Lanka.
 4 Includes cities in Cambodia, Indonesia, Laos, Malaysia, Myanmar, P.N.Guinea, Philippines, Singapore, Thailand, and Vietnam.
 5 S&R = small cities and rural areas.

NOTE: Numbers may not sum due to rounding.
 SOURCE: McKinsey Global Institute Cityscope 1.0

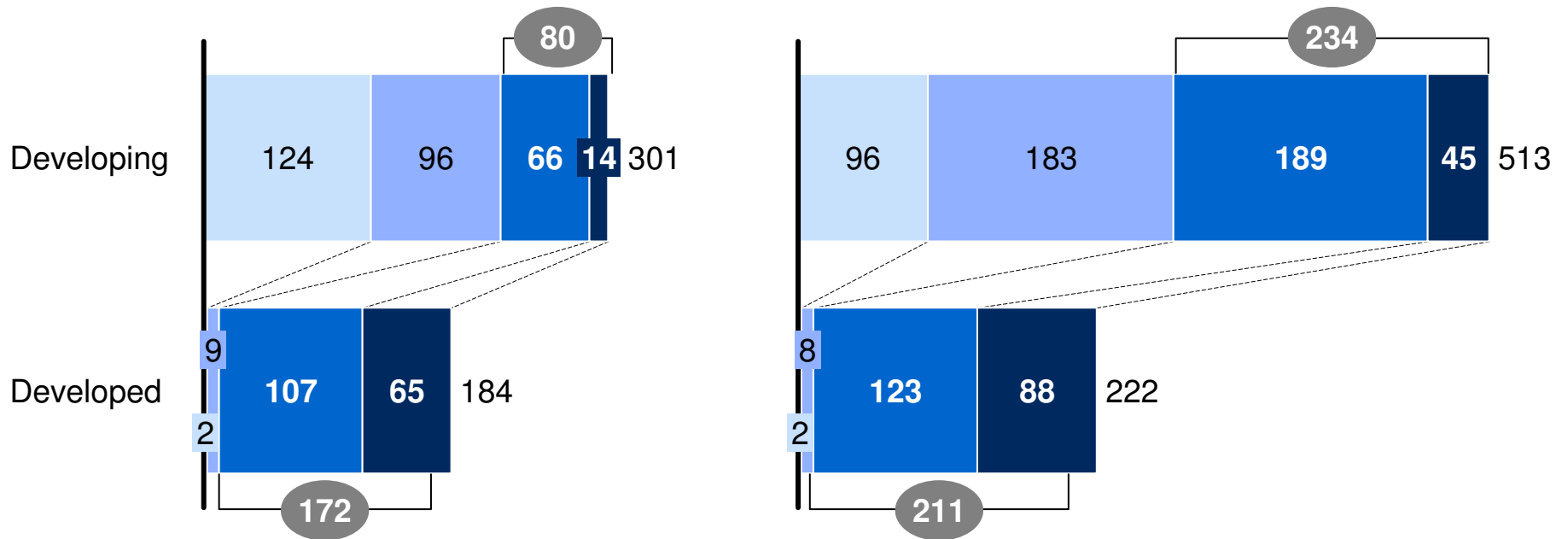
Developing City 600 cities will have nearly 235 million consuming and global households by 2025 versus around 210 million in developed cities

Households by city type and income segment¹
Million



In 2007, developing region cities were home to 80 million consuming and global households vs. 172 million in developed region cities

By 2025, there will be 234 million developing region households vs. 211 million developed region ones, reflecting particularly strong growth among consuming households



¹ Income categories defined in \$ PPP: struggling = <\$7,500; aspiring \$7,500–\$20,000; consuming \$20,000–\$70,000; global \$70,000+.

NOTE: Numbers may not sum due to rounding.

SOURCE: McKinsey Global Institute Cityscope 1.0