Despite recession and the poor performance Britain has clawed back the ground it lost to Brazil in the rankings of the world's richest economies - but it is not expected to hold on to the spot for long.

Only a year after being surpassed by Brazil for the first time, Britain has edged back ahead of Latin American largest economy in 2012 thanks to the weakness of the Brazilian currency, according to estimates from the Center for Economics and Business Research.

Britain's national output is estimated at 2.443 trillion, compared with Brazil's 2.282 trillion, according to the consultancy. Next year Britain is likely to push ahead of France as well, as the Euro member's high taxes on the wealthy weigh on competitiveness, the CEBR predicts.

However, Britain will resume its slide back down the rankings later in the decade as emerging nations enjoy rapid growth. Brazil, which hosts the football World Cup in two years' time and the Olympic Games in 2016, will bounce back to overtake Britain as soon as 2014, before pushing “decisively beyond us”, the CEBR says.

Britain's race with Brazil shows the importance of currency movements in determining the size of countries' economies. Britain has experienced no economic growth at all this year, but the pound has enjoyed gains against the dollar, in contrast to the real, which has lost ground.

Britain is widely expected to enjoy a somewhat stronger year in 2013 than in 2012, with growth forecast by the Office for Budget Responsibility at 1.2%, compared with a 0.1% contraction this year. But Brazil's growth is expected to be much punchier: the IMF projects expansion of 1.5% this year and 4% in 2013.

The analysis rates the US, China and Japan as the biggest three economies in the world in 2012 and they are expected to maintain those positions for the next 10 years, at least.

In their wake China will continue its heady ascent. Its economy is only 53% of the size of America's at present, but by 2022 that figure will have risen to 83%.

European countries, by contrast, are expected to slip relentlessly down the league table. India is forecast to overtake Britain in 2017, making it the largest economy in the Commonwealth, the CEBR predicts. Germany will drop from fourth place now to sixth place in 2022 as it, too, is overtaken by India and Brazil.

Britain will slip two places over the next ten years, falling from sixth place to eighth. France will suffer a more precipitous fall, dropping from fifth place to ninth, while Italy will drop from eighth place to thirteenth.

The big gains will be seen among emerging markets, with India becoming the fourth-biggest economy in the world by 2022. Indonesia, which the world's sixteenth-largest economy at present, will jump six places to enter the top ten by 2022.

Douglas McWilliams, of the CEBR, said: “We have been neck-and-neck with Brazil for some time. Last year they overtook us; this year we have overtaken them again. From 2014 onwards, however, their more dynamic economy is likely to pull them decisively beyond us”.

”We are beating some other countries, though. We are poised to overtake France either in 2013 or 2014, as the economic effects of President Hollande's 75% tax policy and the difficulties of the Euro drag France down”.

**Brazil Cost**

Brazil and Mexico, Latin America's two largest economies could be facing a 2013 of contrasting performance and prospects. Brazil has been hit by weakening Chinese demand for commodities, while rival Mexico, the new darling of foreign investors, is posting increasingly strong growth. The figures speak for themselves.

Brazil, for a decade Latin America's unchallenged behemoth, is expected to grow a mere 1% this year, down from 2.7% in 2011 and an incredible 7.5% in 2010, according to official figures.

By contrast, Mexico, the perennial underachiever in Latin America, is suddenly eying a position among the world's 10 largest economies with projected growth of between 3.5% and 4%.

Mexico took a massive hit from the 2007-2008 financial crisis thanks in large part to its proximity to the United States, and its economy contracted a whopping 6% in 2009.

But a huge reduction in Mexico's “country cost”, the cost of doing business there, sparked an impressive turnaround that attracted investment in its industrial sector, created jobs and added value to its exports.

Juan Jensen, head of macro-economics at Brazilian consulting firm Tendencias, attributed the slowdown in Brazil's 2.5 trillion dollars economy to a major loss of competitiveness reflected in salaries that far outpaced inflation.

“Brazil lost because of its higher production costs,” Jensen said, adding that the Brazilian government's tolerance of higher inflation and opaque fiscal policy had been problematic.

Mexico, which has built on NAFTA since 1994 and now does more than 90% of its foreign dealings under free trade agreements, continues to lower its production costs to compete, including with China.

“Mexico continues to offer cheap labor, has an infrastructure for some ‘durable goods' such as automobiles, computers and home appliances,” said Octavio Gutierrez, chief economist at

BBVA bank in Mexico City.

This enables it to quickly expand production for exports to the all-important US market and explains the relocation of industrial plants to Mexico as “one of the pillars” of the country's development, he added.

“The difference with Brazil has to do with costs. Mexico has increased unit labor costs much less than Brazil,” Gutierrez said.

Brazil has recorded a worrying fall in productive investment, down 4.5%, and a sharp 2.7% contraction in its industrial output, according to the National Confederation of Industry.

Meanwhile, Mexico is reaping the benefit of a slow but steady pickup in demand for its products in the United States. Its industry grew 4.2% between January and September this year compared with the same period in 2011.

Economists see the difference in foreign trade focus as the key factor that explains the contrasting performances of the Latin American rivals.

“Brazil is almost returning to its model of the 1960s which was to look inward and be more protectionist and to subsidize companies,” said Claudio Loser, the former director of the Western Hemisphere Department at the IMF who now heads the Latin American branch of the Centennial Group think tank.

“I think Mexico has an economy which overall is much more efficient and better integrated with the world than that of Brazil, which rested a bit on its laurels,” he added.

**Banned Beef**

The world's top beef exporter, Brazil, will give countries that curbed imports of its beef after a case of mad cow disease until March to drop the measures or it will file a complaint at the World Trade Organization, farm ministry officials said.

Five countries have implemented full or partial bans on Brazilian beef imports since confirmation this month of a case of atypical bovine spongiform encephalopathy (BSE), or mad cow disease, in a cow that died in 2010.

Atypical BSE cases can occur spontaneously in elderly cattle and the 13-year-old animal in the Brazilian case never developed full-blown BSE, testing instead positive for a protein that is the causal agent of mad cow disease.

Brazil had previously launched a diplomatic offensive to fend off restrictions over the death of the cow in the southern state of Paraná which was confirmed only this month by Brazilian authorities.

But now Brazil has promised to take retaliatory action against countries rejecting its beef, saying there are no grounds for such action.

“March is the deadline,” said Enio Marques Pereira, Secretary for Animal and Plant Health at Brazil's farm ministry, after a meeting at the World Organization for Animal Health (OIE) headquarters Friday.

Officials stressed Brazil has kept its status as a country presenting negligible BSE risk under an OIE classification, and that OIE norms consider safe for consumption products like red meat and gelatine, even when BSE has been declared in a country.

The Brazilian cow in question never entered the food chain.

Countries that suspended Brazilian beef imports include Egypt and Saudi Arabia which rank among Brazil's top 10 beef buyers, but Marques said the economic impact so far was “very low”, noting that Egypt was only banning meat from the region where the BSE case occurred.

The other countries which have imposed temporary bans are South Africa, Japan and China.

The OIE welcomed the fact that Brazil had managed to detect the atypical case in a national herd of more than 200 million, though logistical problems at a laboratory delayed the analysis of the animal's tissue since its death in 2010.

“We're rather reassured by the fact that Brazil reported this case,” Bernard Vallat, director general of the OIE, said.

He stressed that an end to the use of cattle feed containing matter from ruminant animals had succeeded in nearly eradicating BSE after tens of thousands of cases in the 1980s and 1990s, mostly in Britain.

Brazilian beef exports declined 14% in 2011, to 820.239 tons, establishing it as the world's third largest beef exporter behind Australia and the US, according to Global Trade Atlas.

Middle East countries have become the main client for Brazil's beef.

The Middle East was the largest region for Brazilian beef shipments in 2011, with Iran (130.649 tons), Egypt (96.937 tons), Saudi Arabia (27.951 tons) and Israel (15.937 tons) all taking substantial volumes.

**Mercopress**