The Global Outlook is No Longer New and Certainly Not Normal

Changing the Global Environment for Infrastructure
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The Current Economic Outlook

Real GDP Growth (%)

Source: IMF WEO
Current Circumstances Affecting Economic Growth Prospects

- Output gaps of at least 1.5% of GDP and stagnant world trade volumes
- BRICS and MINT outlooks less favorable
- Intensive search for new sources of growth
- Internal constraints to competitiveness no longer affordable-renewed focus on micro constraints
- Continuing push on poor logistics, esp. energy limitations which are costly to firms
- Less fiscal space and greater demands>neg. implications for investment and capital stock
MINT and BRICS

MINT: Real GDP Growth

BRICS: Real GDP Growth

Source: IMF Data
Potential Output Growth

Source: IMF WEO
The Power Story in Sub-Saharan Africa - The World Bank’s View

- “The situation is dismal.” with 30 countries facing chronic blackouts (2014)
- Universal access is more than 50 years away
- Energy is the major binding constraint and accounts for half of the continent’s infrastructure deficit--$50 billion a year.
- Infrastructure gains were responsible for half of improved growth performance pre-crisis in SSA
- Critical infrastructure gaps impede future growth
## Where is global liquidity?

### Global Assets Under Management (2012, Trillion USD)

- Pension Funds: 33.9 Trn.
- Sovereign Wealth Funds: 5.2 Trn.
- Insurance Companies: 24.1 Trn.

**Total: 63.2 Trn.**

### Global Assets Under Management by 2020 (Trillion USD)

- Pension Funds: 56.5 Trn.
- Sovereign Wealth Funds: 35.1 Trn.
- Insurance Companies: 8.9 Trn.

**Total: 90.5 Trn.**

Source: PWC
Where is liquidity going?

Figure 2. Average asset allocation of Large Pension Funds (LPFs) and Public Pension Reserve Funds (PPRFs), 2013 (1,2)
As a percentage of total assets

<table>
<thead>
<tr>
<th>LPFs</th>
<th>PPRFs</th>
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<tbody>
<tr>
<td>Fixed Income and Cash</td>
<td>62.1</td>
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<tr>
<td>Listed Equities</td>
<td>31.6</td>
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<tr>
<td>Alternatives/Other</td>
<td>14.8</td>
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</tbody>
</table>

Total Assets in Sample: USD 3.9 trillion ; Sample Size: 75 LPFs

<table>
<thead>
<tr>
<th>LPFs</th>
<th>PPRFs</th>
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</thead>
<tbody>
<tr>
<td>Fixed Income and Cash</td>
<td>55.3</td>
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<tr>
<td>Listed Equities</td>
<td>35.0</td>
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<tr>
<td>Alternatives/Other</td>
<td>13.7</td>
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</tbody>
</table>

Total Assets in Sample: USD 6.5 trillion ; Sample Size: 29 PPRFs

Source: OECD: Report on Pension Funds’ Long-term Investments

OECD Insurance Companies’ Asset Allocation (2013)

- Real Estate: 21%
- Mortgage Loans: 4%
- Equities: 10%
- Bonds: 63%
- Other Investments: 2%

Source: OECD Global Insurance Statistics
The Importance of Energy for Economic Performance

Correlating Competitiveness Rankings and Energy Security

Note: Competitiveness rankings 1-150; Energy Security (based on level and quality of access, diversity of supply and self-sufficiency), score between zero and one.

Source: World Economic Forum
What Impedes Energy Sector Investments and Future Growth?

- Poor sector planning and inadequate domestic investment
- Inefficient SOEs and poor pricing/cost-recovery practices
- Significant regulatory hurdles to cross-border trade
- Institutional weaknesses that impede attracting financing, lower quality of deals, and foster renegotiation
- Overcoming these constraints can yield high returns for economic growth