



THE
GROWTH
DIALOGUE

A voice fostering economic growth

The Global Outlook is No Longer New and Certainly Not Normal

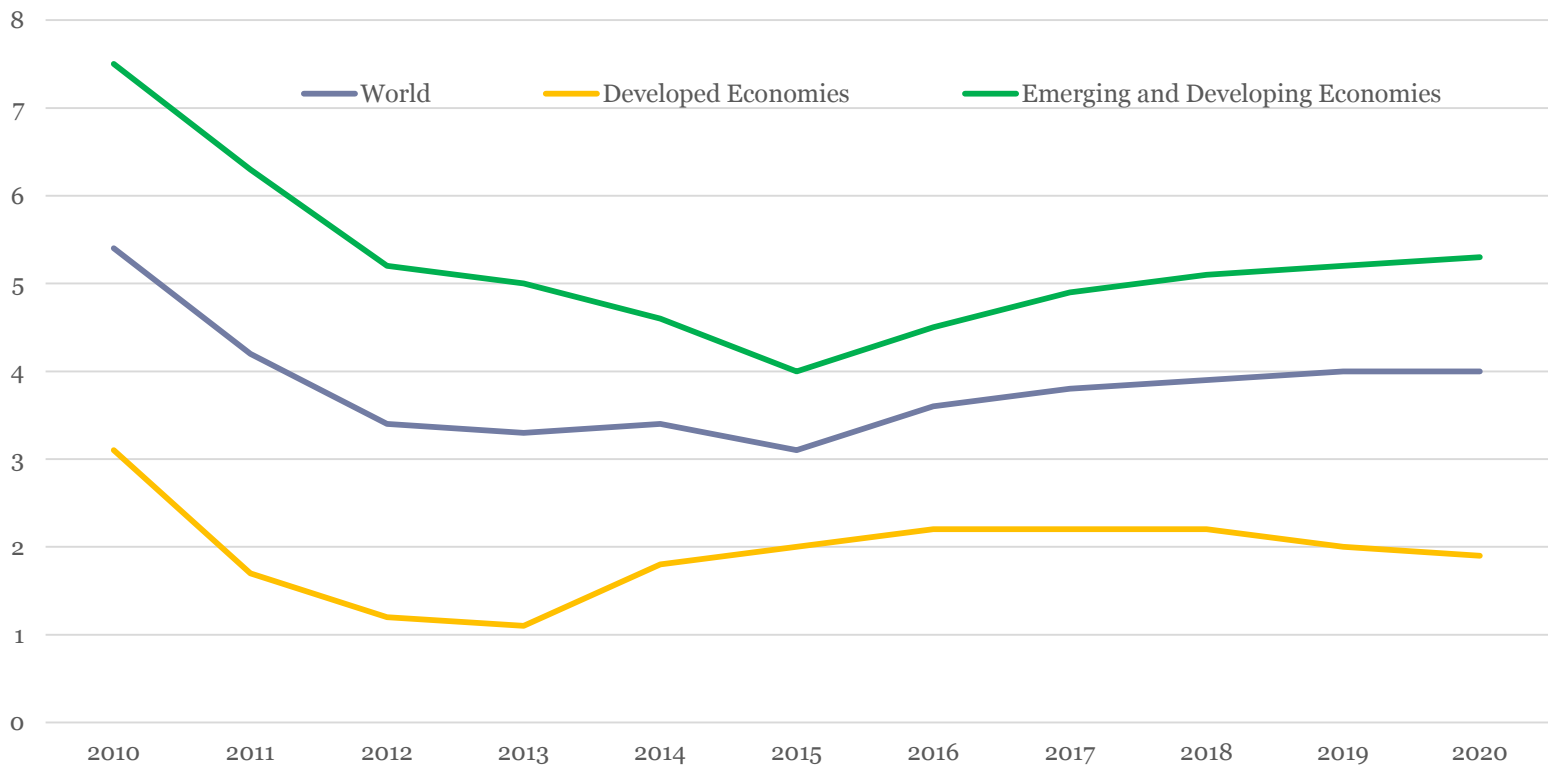
Changing the Global Environment for Infrastructure
IGC Energy and Growth Conference
London, November 12-13, 2015

Prof. Danny Leipziger
Managing Director
Growth Dialogue
George Washington University



The Current Economic Outlook

Real GDP Growth (%)



Source: IMF WEO



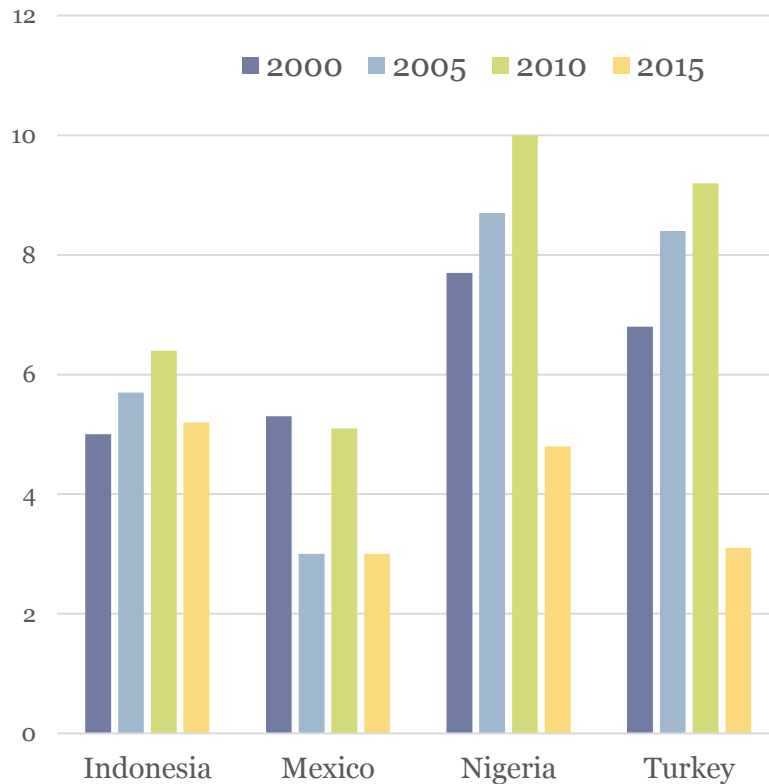
Current Circumstances Affecting Economic Growth Prospects

- 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



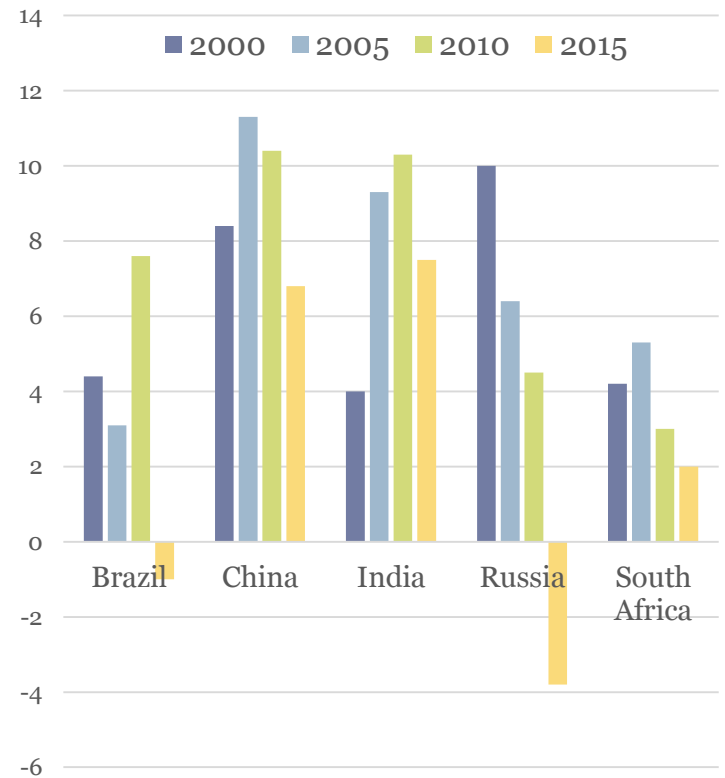
MINT and BRICS

MINT: Real GDP Growth



Source: IMF Data

BRICS: Real GDP Growth

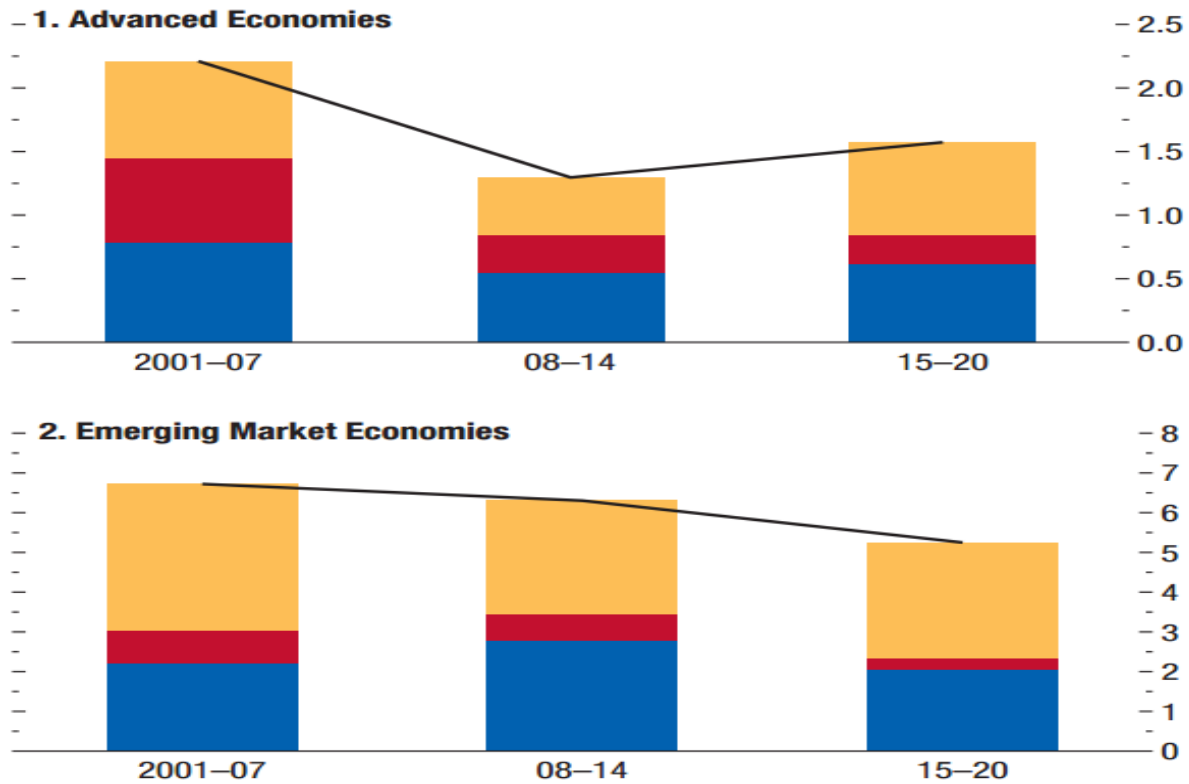


Source: IMF Data



Potential Output Growth

— Potential output growth
— Capital growth
— Potential employment growth
— Total factor productivity growth



Source: IMF WEO



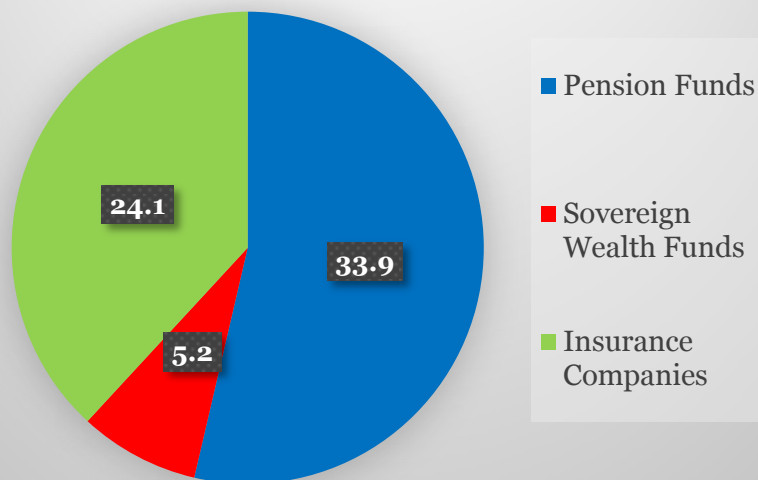
The Power Story in Sub-Saharan Africa - The World Bank's View

- “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--\$50billion a year.
- Infrastructure gains were responsible for half of improved growth performance pre-crisis in SSA
- Critical infrastructure gaps impede future growth



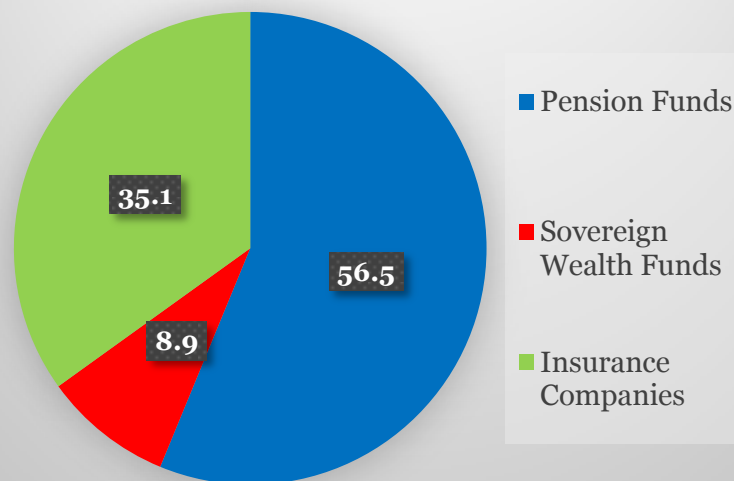
Where is global liquidity?

Global Assets Under Management (2012, Trillion USD)



Total: 63.2 Tn.

Global Assets Under Management by 2020 (Trillion USD)



Total: 90.5 Tn.



Where is liquidity going?

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

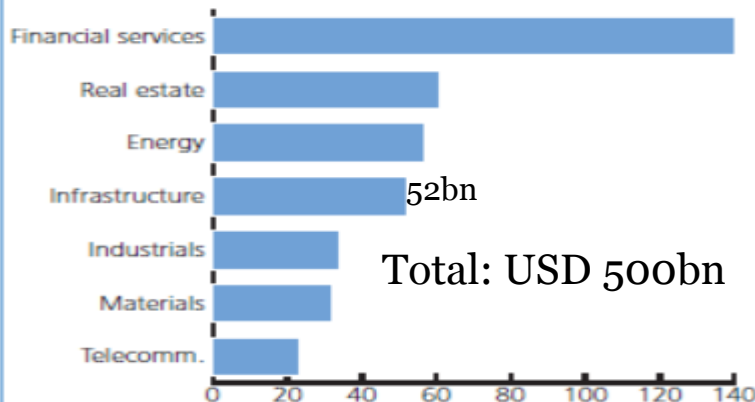
As a percentage of total assets



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

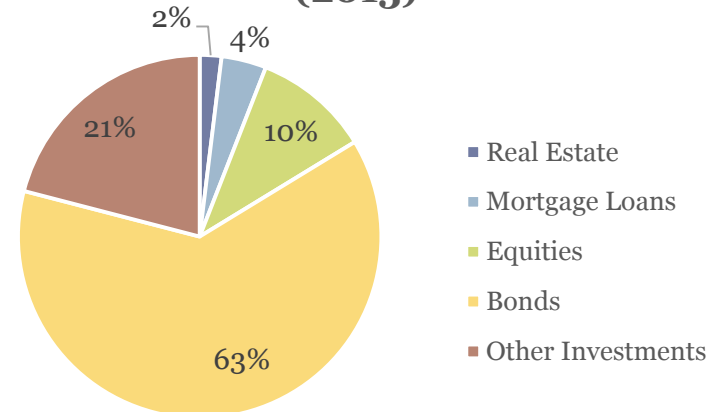
Direct SWF Investment activity

\$bn invested between 2005 and 2012



Source: SWF Institute - Sovereign Wealth Fund Transaction Database

OECD Insurance Companies' Asset Allocation (2013)

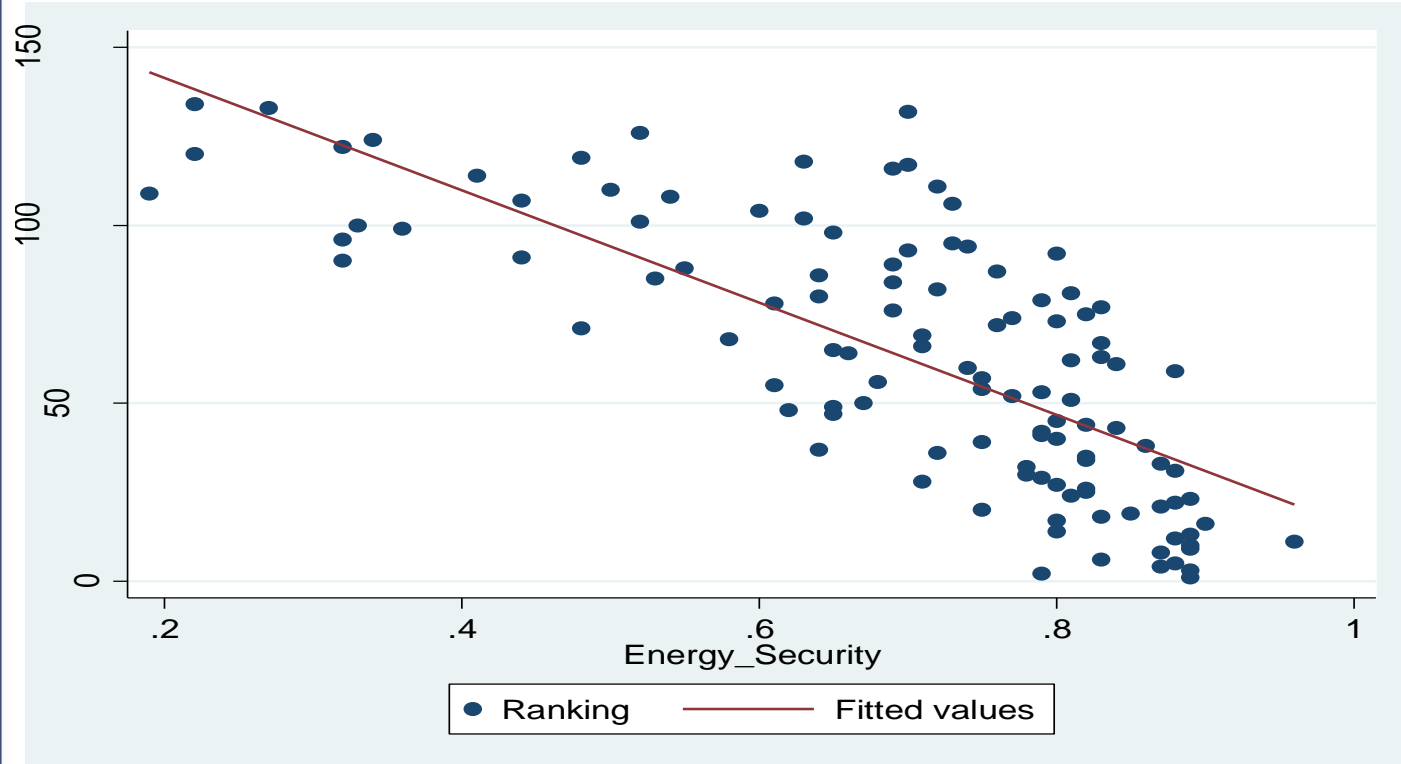


Source: OECD Global Insurance Statistics



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