

Emerging Markets, Infrastructure and the Search for Growth

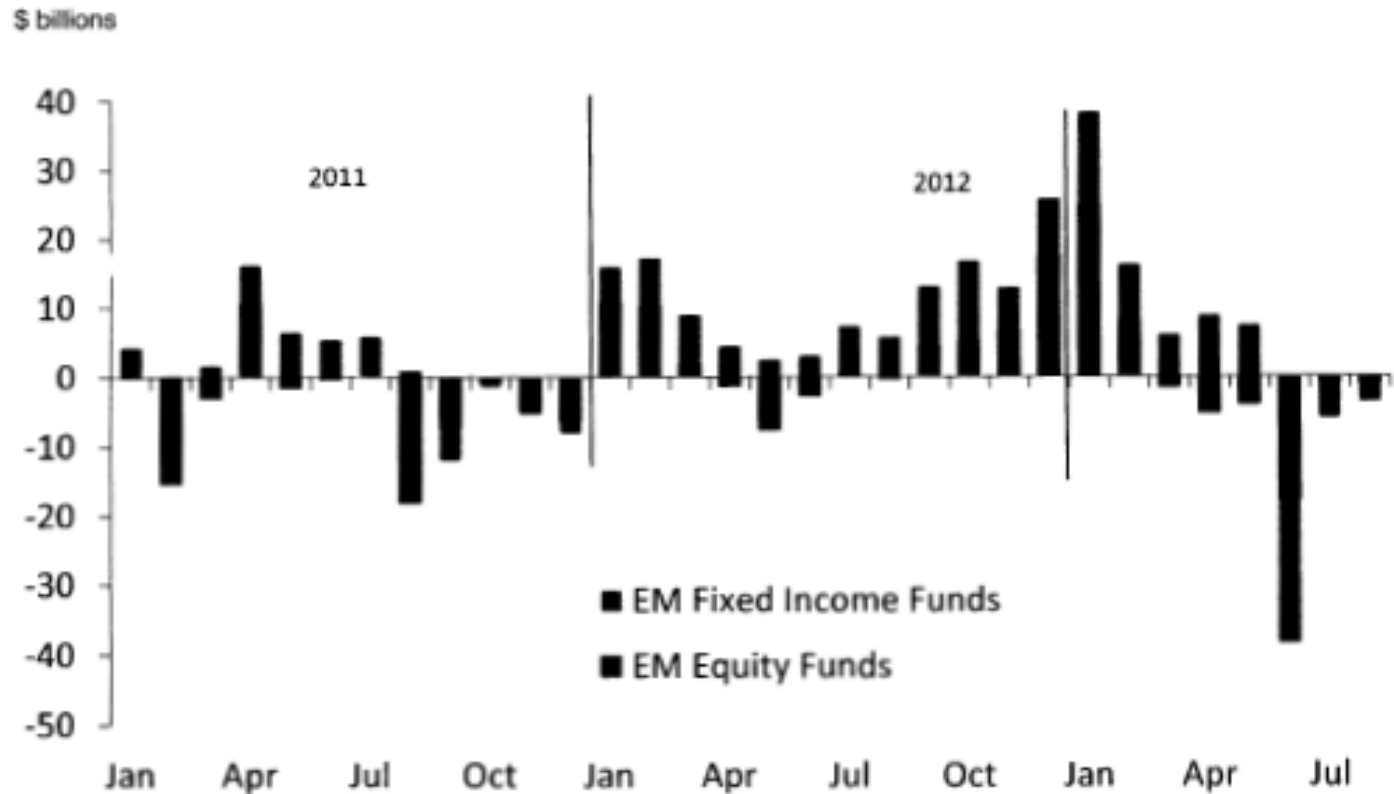
Prepared for Khazanah Megatrend Forum
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Key Words of the EM Story

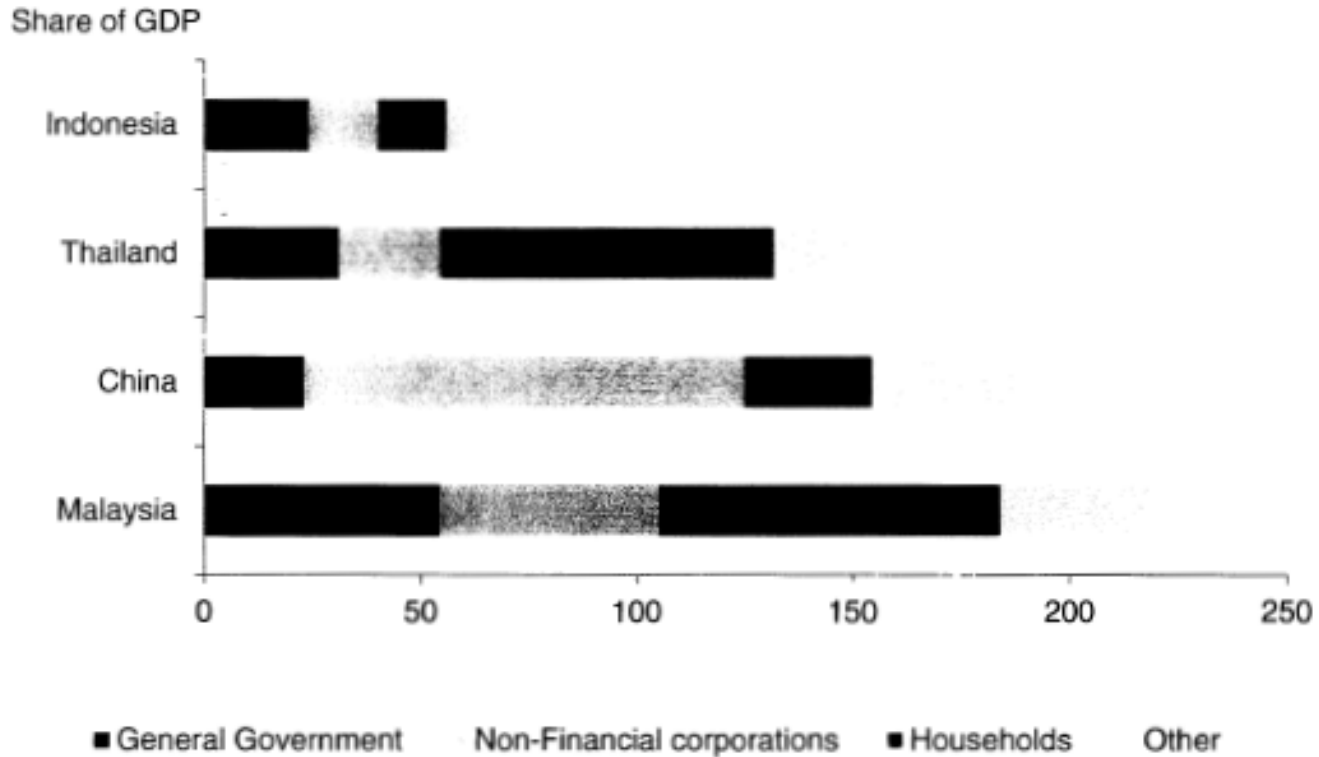
- Political and social stability
- growth policies, market-oriented reforms, investment
- productivity, innovation, demographics
- Asset prices
- Capital flows
- Debt
- Currency appreciation

Decline of EM Mutual Funds



Source: Haver Analytics, EFPRI.

Debt in EM East Asia



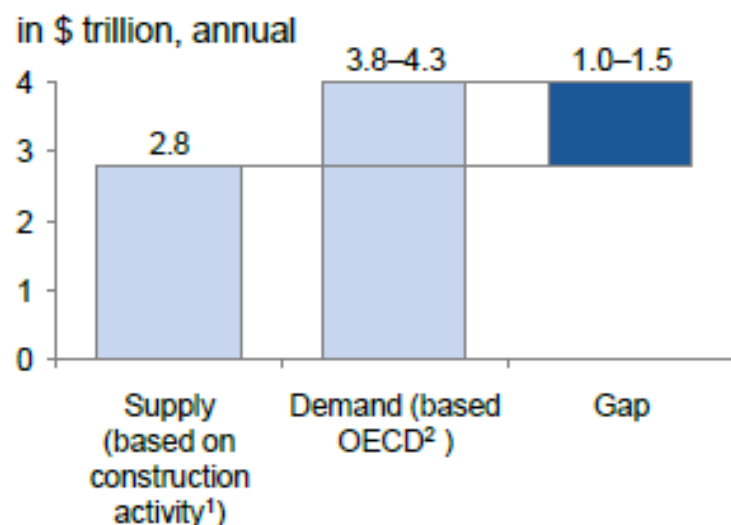
Source: World Bank.

Some Key Words of Future EM Growth

- Infrastructure
- Urbanization
- China!

Infrastructure challenges and opportunities increasingly important to the private sector

Infrastructure gap resulting in challenges and opportunities



- e.g. in Africa, 40% of produced food perishes on way to market and adequate infra could increase per capita GDP growth by 2.2%-points
- 884M people lack access to safe water, > 1B are without access to phone, 1.6B have no access to electricity, and 2.5B lack proper sanitation

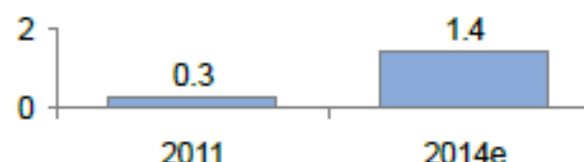
Private sector with high stakes in infrastructure

All industries concerned with infrastructure

- e.g. in India and Brazil the inadequate supply of infrastructure is the top constraint for doing business for 17% & 15% of corporate leaders

Private financiers interested in infrastructure

Avg. infrastructure allocation in %³



Huge business opportunity

- Many innovative solutions and practices in construction, operations and maintenance

China's Growth and Economic Rebalancing

Three myths:

- The first myth is that Chinese economy needs less investment.
- The second myth is that consumption-led growth in China will quickly lead to a consumption-based economy.
- The third myth about Chinese economic rebalancing is that the Chinese government will primarily rely on traditional monetary and fiscal policies to achieve this rebalancing. y

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The Three Myths about China's Economic Rebalancing

by Kevin Lu

Wall Street Journal Online, October 30, 2012

http://cn.wsj.com/gb/20121030/KAI083354_ENversion.shtml