

BANK FOR INTERNATIONAL SETTLEMENTS

# Filling the long-term investment gap

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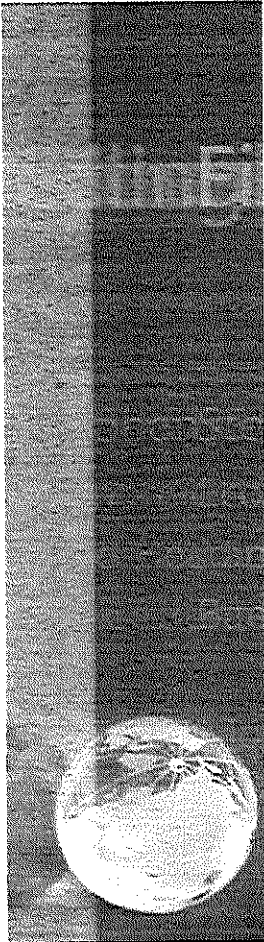
and Head of the Monetary and Economic Department

Bank for International Settlements

Moscow

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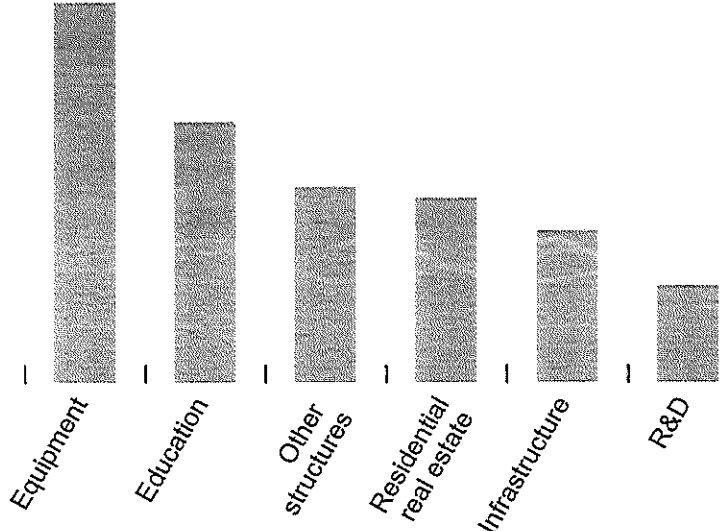
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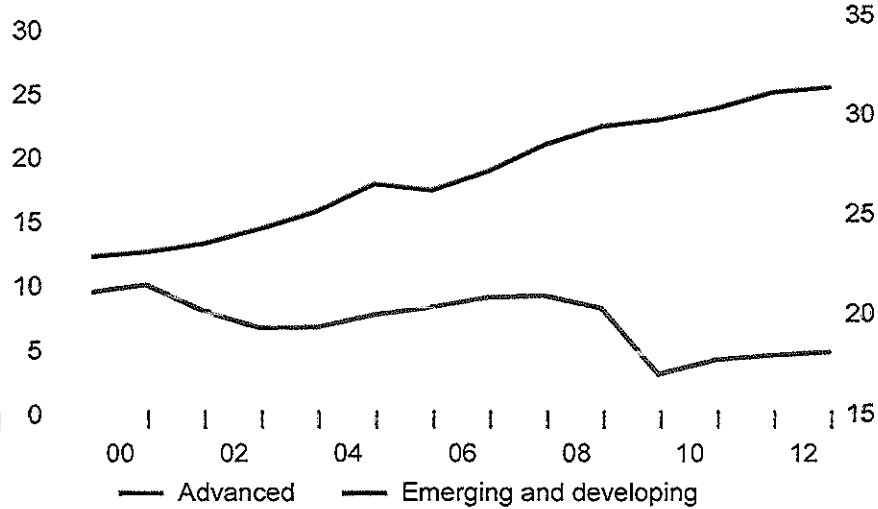
# Size of the long term investment

- 25-30% of GDP, or some \$20 trillion in 2012

Long-term investment by type  
% share

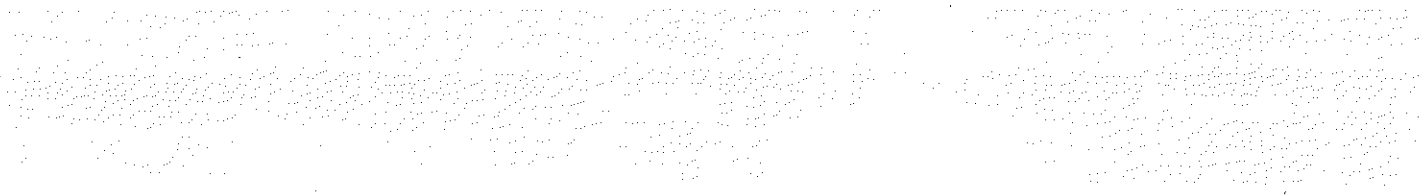


Investment  
% of GDP



Sources: G30 long-term finance draft report, November 29, 2012; IMF, *World Economic Outlook*, October 2012.

# Financing of the long-term domestic investment



## International

- Multilateral institutions

- **Banks**

- Non-banks

## Domestic

- **Domestic government institutions**

- **Banks**

- Non-banks

- **Retained earnings/savings**

**Bold = traditional sources of financing**



## The long-term investment gap

- Average infrastructure investment gap \$2 trillion per year
- Low income economies have higher infrastructure needs:
  - 3% of GDP in developed economies
  - 9% of GDP in emerging economies
  - 15% of GDP in some low income economies

Source: Positive Infrastructure (2010); Strategic infrastructure (2012), both World Economic Forum.



# Sources of the long-term investment gap

- Demand will increase
  - Rising living standard
  - Urbanization
  - Climate change



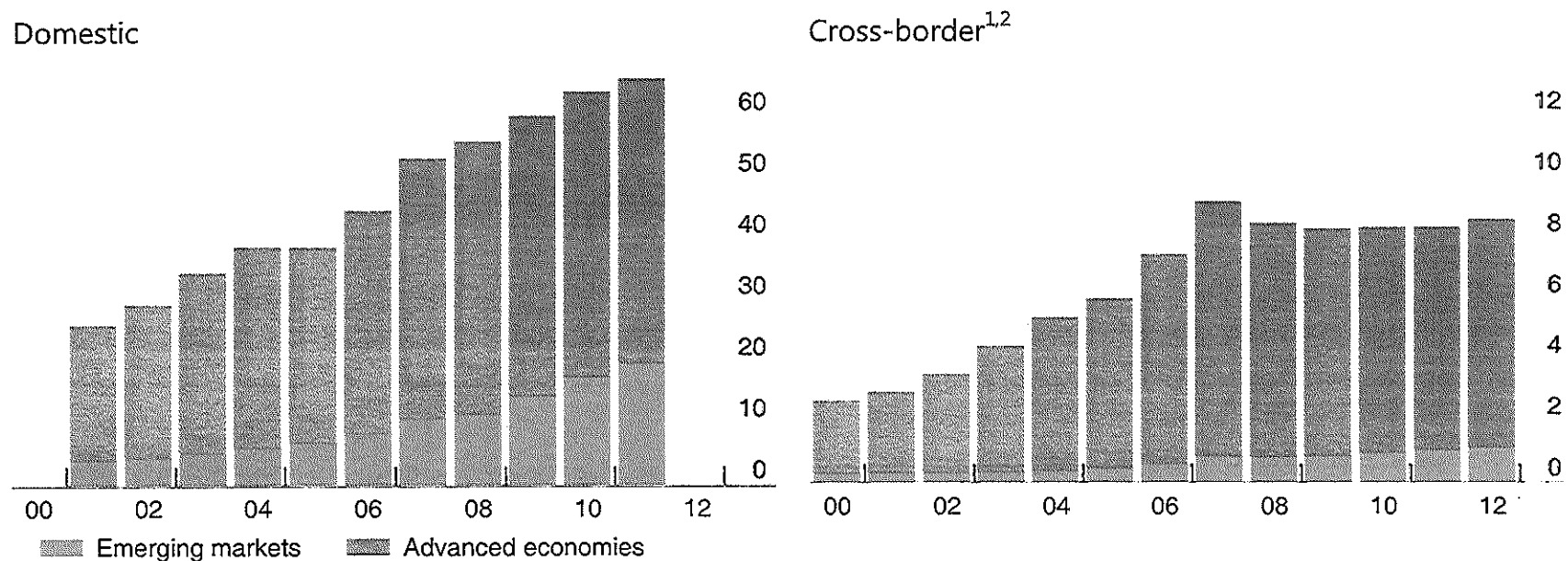
# Sources of the long-term investment gap

- Supply of financing will decline
  - Aging
    - Lower tax revenue
    - Higher expenditure
    - Lower demand for long-term assets
  - Recent experience
    - Rising public debt
    - Private sector deleveraging



# Stock of bank credit to nonbanks

In USD trn



<sup>1</sup> Gross claims of BIS reporting banks (locational banking statistics by residence). <sup>2</sup> Q3 2012.

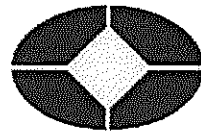
Source: BIS locational banking statistics by residence; IMF, *International Financial Statistics* and national data; BIS calculations.



# Where is financing going to come from?

- Domestic sources
  - Domestic retail investors?
  - Domestic institutional investors?
- International sources
  - International retail investors?
  - International institutional investors?
- Multilateral institutions?





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Thank you.

