INTERGOVERNMENTAL GROUP OF TWENTY FOUR
G-24

# Structural Transformation in the Global Economy and Savings-Investment Trends

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G24 Secretariat

From "Savings Glut" to Sustainable Growth
2nd Annual "Sovereign Wealth Funds and Other Long-Term Investors" Conference
Paris, France
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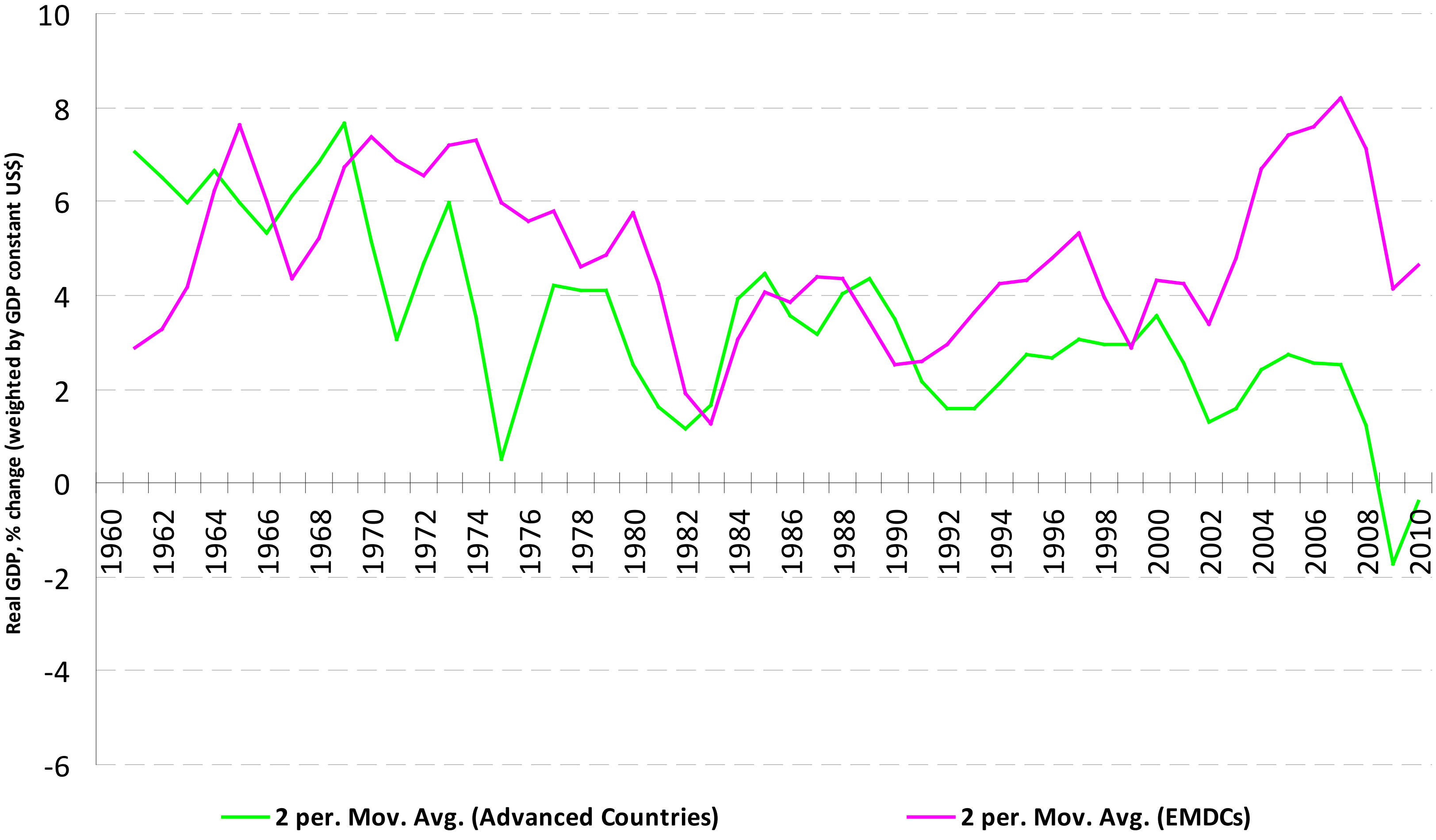
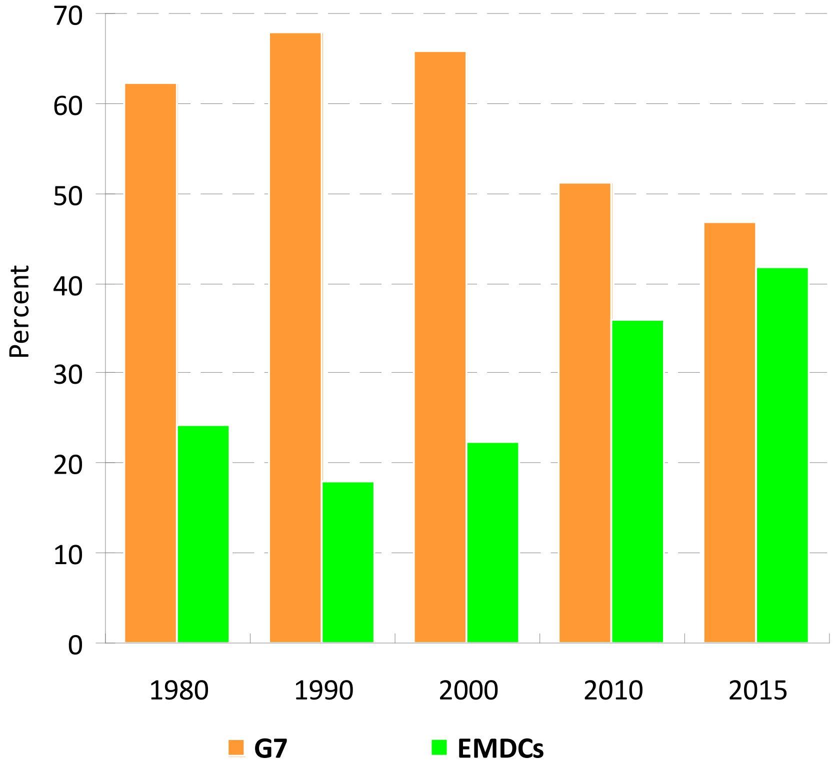
# Growth of Advanced Economies & EMDCs



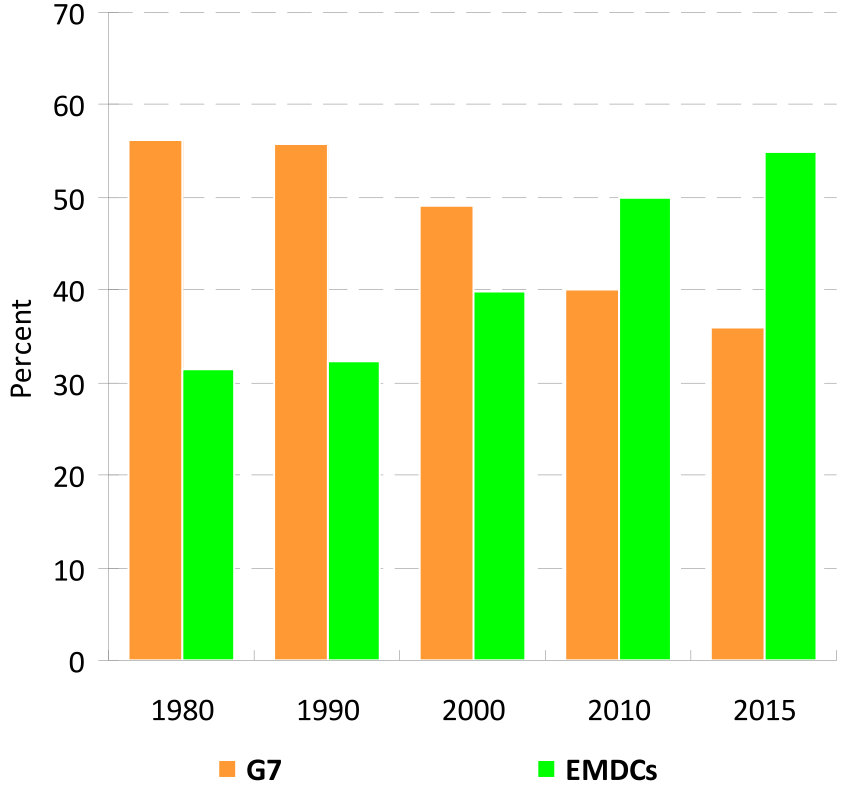

*Source*: G-24 calculations based on data from World Economic Outlook, IMF and World Development Indicators, World Bank

# Changing Economic Landscape

## Share of GDP at Market Prices




## Share of GDP at PPP




*Source*: G-24 calculations based on data from World Development Indicators, IMF

# Contributions to Growth by Decade

| Rank | Country | 1980 to 1990* | Country | 1990 to 2000 | Country | 2000 to 2009 |
|---|---|---|---|---|---|---|
| 1 | United States | 26.8% | United States | 36.0% | China | 25.5% |
| 2 | Japan | 21.1% | China | 9.6% | United States | 21.5% |
| 3 | Germany | 4.4% | Japan | 6.6% | India | 6.1% |
| 4 | United Kingdom | 3.8% | Germany | 4.5% | Korea, Rep. | 3.2% |
| 5 | China | 3.6% | United Kingdom | 4.2% | Brazil | 3.1% |
| 6 | France | 3.2% | Korea, Rep. | 3.0% | United Kingdom | 3.1% |
| 7 | Italy | 2.8% | France | 3.0% | Japan | 3.0% |
| 8 | Korea, Rep. | 2.3% | India | 2.4% | France | 2.1% |
| 9 | Canada | 1.8% | Canada | 2.3% | Russian Federation | 2.0% |
| 10 | India | 1.6% | Mexico | 2.1% | Spain | 2.0% |
| 11 | Spain | 1.5% | Italy | 2.0% | Australia | 1.9% |
| 12 | Australia | 1.2% | Brazil | 1.8% | Canada | 1.8% |
| 13 | Turkey | 1.0% | Spain | 1.8% | Argentina | 1.7% |
| 14 | Brazil | 1.0% | Australia | 1.5% | Germany | 1.4% |
| 15 | Mexico | 0.9% | Netherlands | 1.3% | Indonesia | 1.4% |

*Not included: Russian Federation nor FSU nor ECA former Communist states, for 1980 to 1990 period.

*Source*: J.Y. Lin (2011) calculations based on data from World Development Indicators, World Bank

# Contribution to World Growth-Absolute

## Structural Transformation of Global Economy

| Contribution to Global Growth | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| *China* | 0.23 | 0.26 | 0.38 | 1.63 | 0.26 | 0.33 | 0.32 | 0.32 |
| United States | 0.11 | 0.08 | -0.03 | -1.07 | 0.12 | 0.08 | 0.09 | 0.11 |
| Euro Area | 0.10 | 0.09 | 0.02 | -1.00 | 0.05 | 0.06 | 0.04 | 0.05 |
| *India* | 0.08 | 0.08 | 0.10 | 0.49 | 0.10 | 0.11 | 0.11 | 0.11 |
| Russia | 0.05 | 0.05 | 0.06 | -0.38 | 0.02 | 0.03 | 0.03 | 0.03 |
| Japan | 0.03 | 0.03 | -0.03 | -0.59 | 0.05 | -0.01 | 0.03 | 0.03 |
| Mexico | 0.02 | 0.01 | 0.01 | -0.21 | 0.02 | 0.02 | 0.02 | 0.02 |
| Brazil | 0.02 | 0.03 | 0.05 | -0.03 | 0.04 | 0.03 | 0.03 | 0.03 |
| *Korea* | 0.02 | 0.02 | 0.02 | 0.01 | 0.02 | 0.02 | 0.02 | 0.02 |
| United Kingdom | 0.02 | 0.02 | 0.00 | -0.23 | 0.01 | 0.01 | 0.01 | 0.01 |
| Turkey | 0.02 | 0.01 | 0.00 | -0.10 | 0.02 | 0.02 | 0.01 | 0.01 |
| Indonesia | 0.01 | 0.01 | 0.03 | 0.09 | 0.02 | 0.02 | 0.02 | 0.02 |
| *Memo item* | | | | | | | | |
| Germany | 0.03 | 0.03 | 0.01 | 0.32 | 0.03 | 0.03 | 0.01 | 0.01 |

*Source*: A. Virmani calculations based on data from World Economic Outlook, IMF (September 2011)

# Contribution to World Growth - Rank

**Structural Transformation of Global Economy**

| Rank: Contribution to Global Growth | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| ***China*** | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| United States | 2 | 4 | | | 2 | 3 | 3 | 3 |
| Euro Area | 3 | 2 | 6 | | 4 | 4 | 4 | 4 |
| ***India*** | 4 | 3 | 2 | 2 | 3 | 2 | 2 | 2 |
| Russia | 5 | 5 | 3 | | 7 | 5 | 6 | 5 |
| Japan | 6 | 7 | | | 5 | | 5 | 7 |
| Mexico | 7 | 12 | 11 | | 10 | 9 | 10 | 10 |
| Brazil | 8 | 6 | 4 | | 6 | 6 | 7 | 6 |
| ***Korea*** | 9 | 9 | 9 | 8 | 8 | 10 | 9 | 9 |
| United Kingdom | 10 | 10 | | | | 15 | | 11 |
| Turkey | 11 | | | | 11 | 8 | | 13 |
| Indonesia | 12 | 11 | 5 | 3 | 12 | 7 | 8 | 8 |

*Source*: A. Virmani calculations based on data from World Economic Outlook, IMF (September 2011)

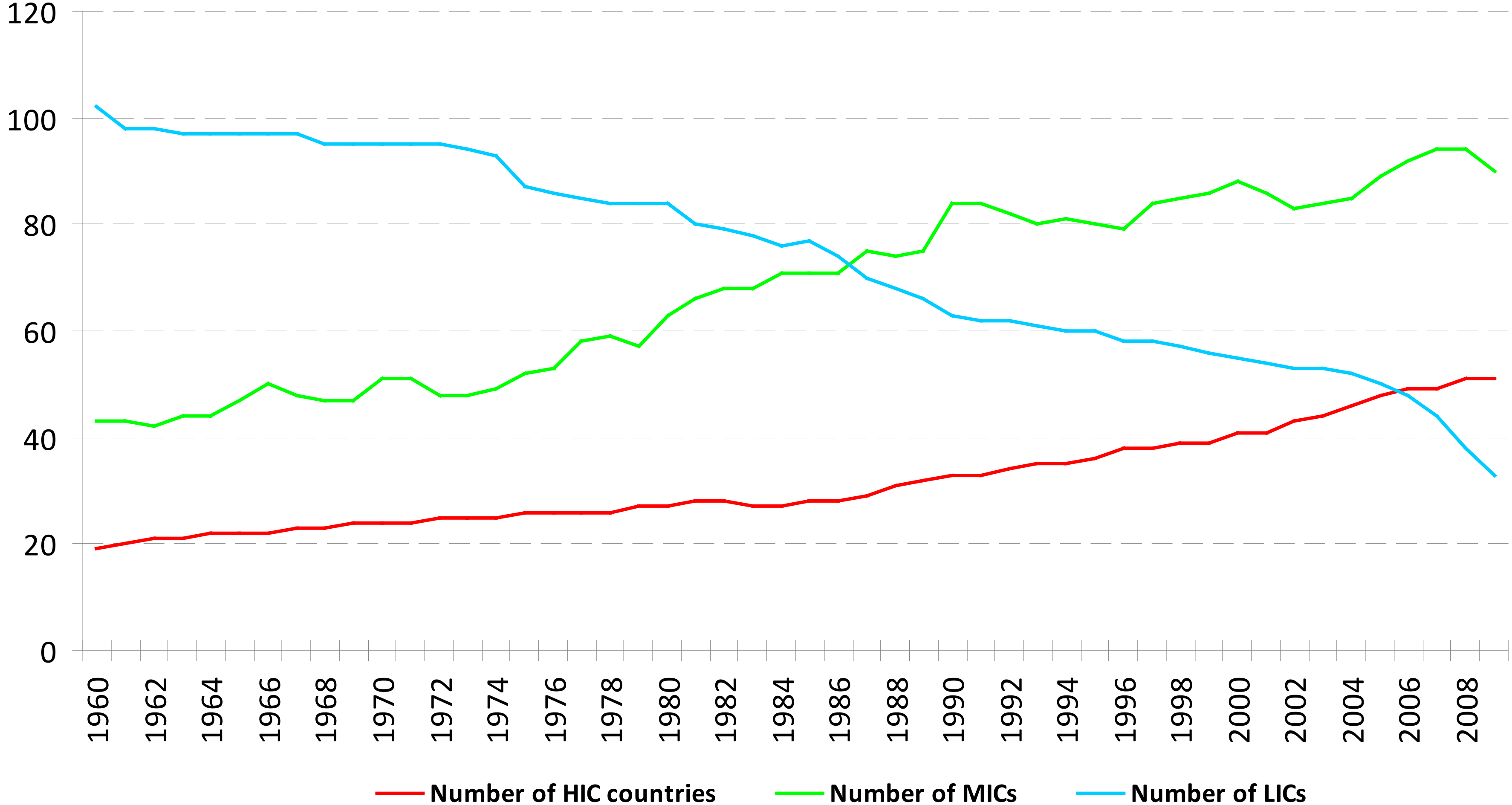
# Dispersion of Growth

| | Average Growth 2003-2008 | | | Average Growth 2010-2015 | | |
|---|---|---|---|---|---|---|
| Growth | >5% | 3-5% | <3% | >5% | 3-5% | <3% |
| Advanced Economies | 0 | 8 | 17 | 0 | 4 | 21 |
| Emerging and Developing Countries | 92 | 39 | 27 | 62 | 68 | 27 |
| HIC | 12 | 5 | 5 | 2 | 11 | 9 |
| MIC | 61 | 29 | 13 | 39 | 45 | 19 |
| LIC | 19 | 4 | 10 | 21 | 12 | 0 |
| | | | | | | |
| East Asia and Pacific | 12 | 3 | 4 | 13 | 2 | 5 |
| Europe and Central Asia | 21 | 2 | 0 | 7 | 14 | 2 |
| Latin America and the Caribbean | 12 | 12 | 5 | 7 | 13 | 9 |
| Middle East and North Africa | 6 | 5 | 1 | 2 | 8 | 2 |
| South Asia | 7 | 1 | 0 | 6 | 2 | 0 |
| Sub-Saharan Africa | 22 | 8 | 13 | 23 | 19 | 1 |
| | | | | | | |
| Total | 92 | 47 | 44 | 62 | 72 | 48 |

*Source*: G-24 calculations based on data from World Economic Outlook, IMF and World Development Indicators, World Bank

# Convergence

## Movement Across Income Groups



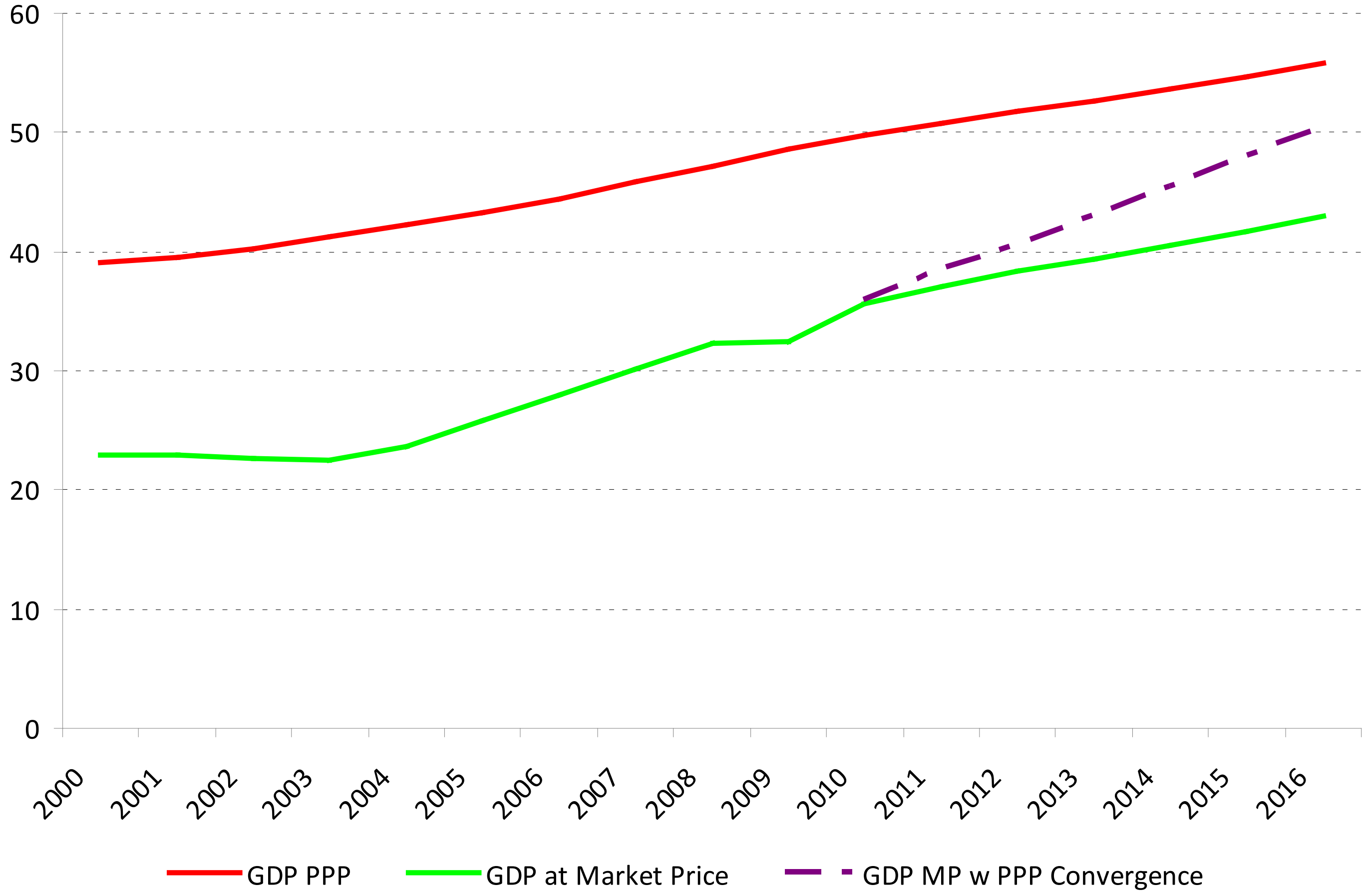

*Source*: G-24 calculations based on data from World Economic Outlook, IMF and World Development Indicators, World Bank

# Growth Before, During and After the Crisis

| | 2003-08 | 2009 | 2010-15 |
|---|---|---|---|
| World | 3.3 | -2.3 | 3.0 |
| Advanced economies | 2.0 | -4.1 | 2.1 |
| | | | |
| Emerging and Developing Economies | 7.1 | 2.4 | 5.9 |
| East Asia and Pacific | 10.0 | 7.5 | 8.7 |
| Europe and Central Asia | 6.9 | -5.7 | 4.0 |
| Latin America and the Caribbean | 4.9 | -1.9 | 4.5 |
| Middle East and North Africa | 5.3 | 3.4 | 4.3 |
| South Asia | 7.9 | 8.3 | 8.0 |
| Sub-Saharan Africa | 5.7 | 1.8 | 4.8 |

*Source*: G-24 calculations based on data from World Economic Outlook, IMF and World Development Indicator, World Bank

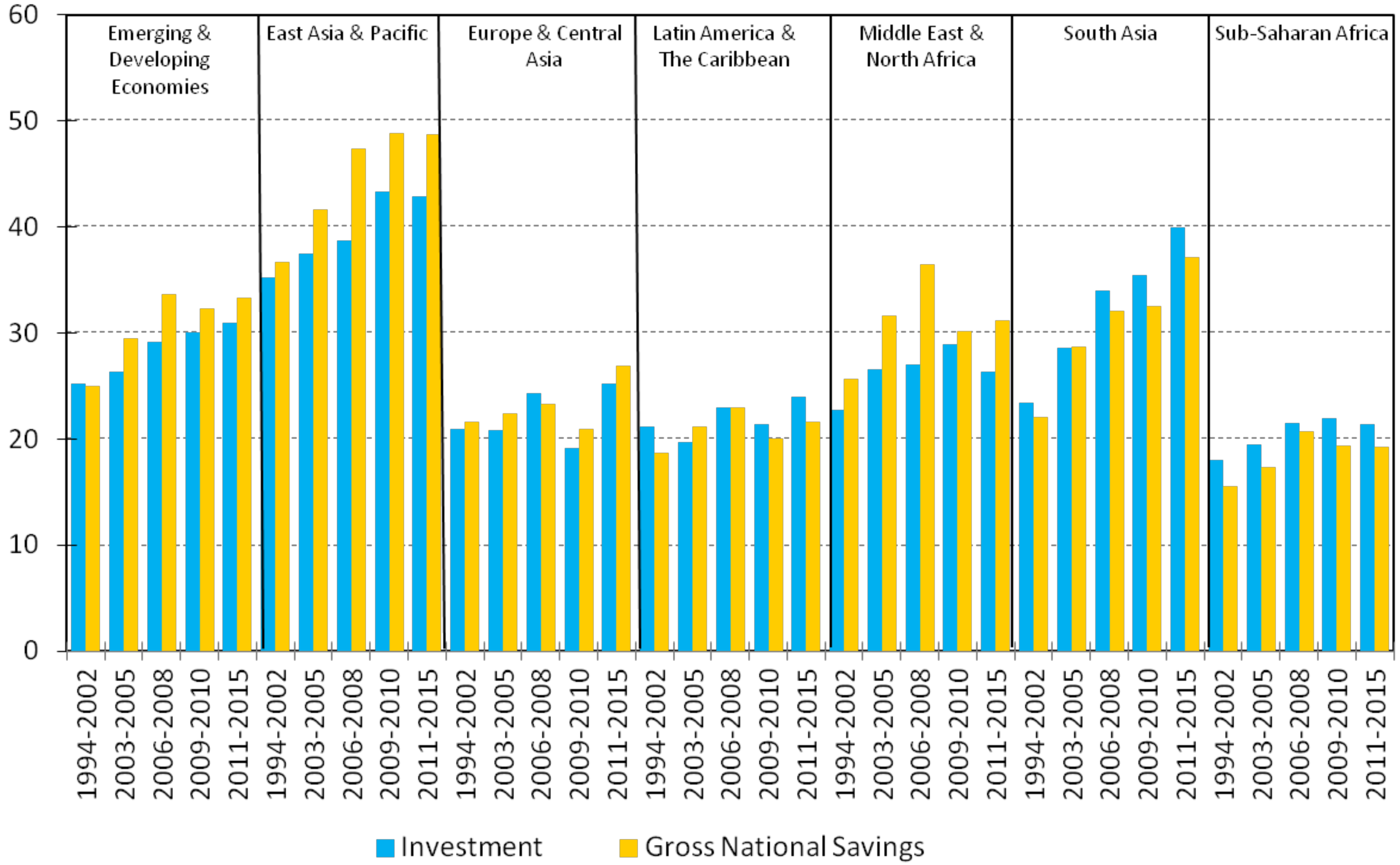
# Growing Convergence Between GDP at Market Prices and GDP PPP (Share of EMDCs in Global GDP)




*Source*: World Economic Outlook, IMF

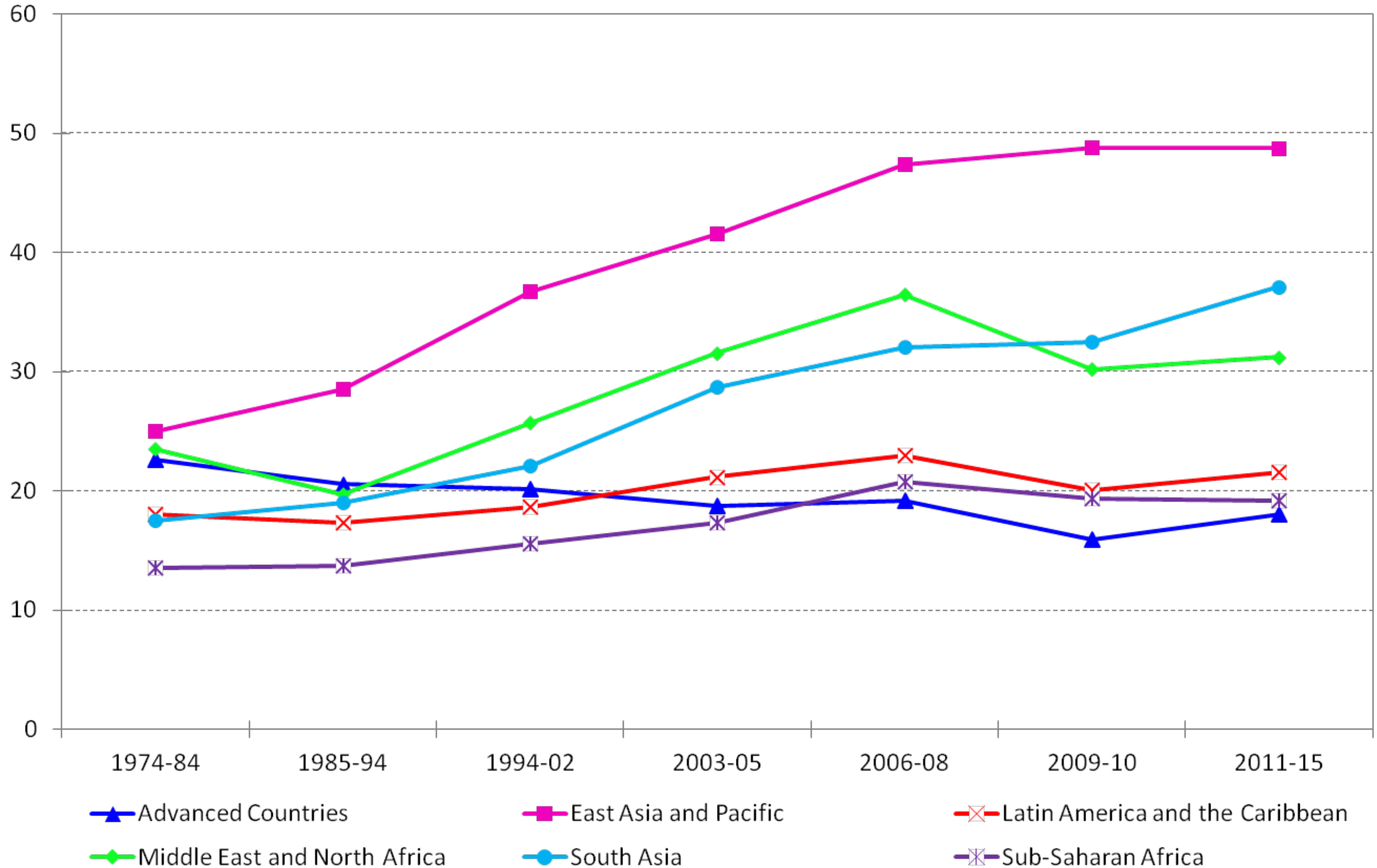
# Investment and Savings Trends in Developing Countries, 1994-2015

**(Percent)**



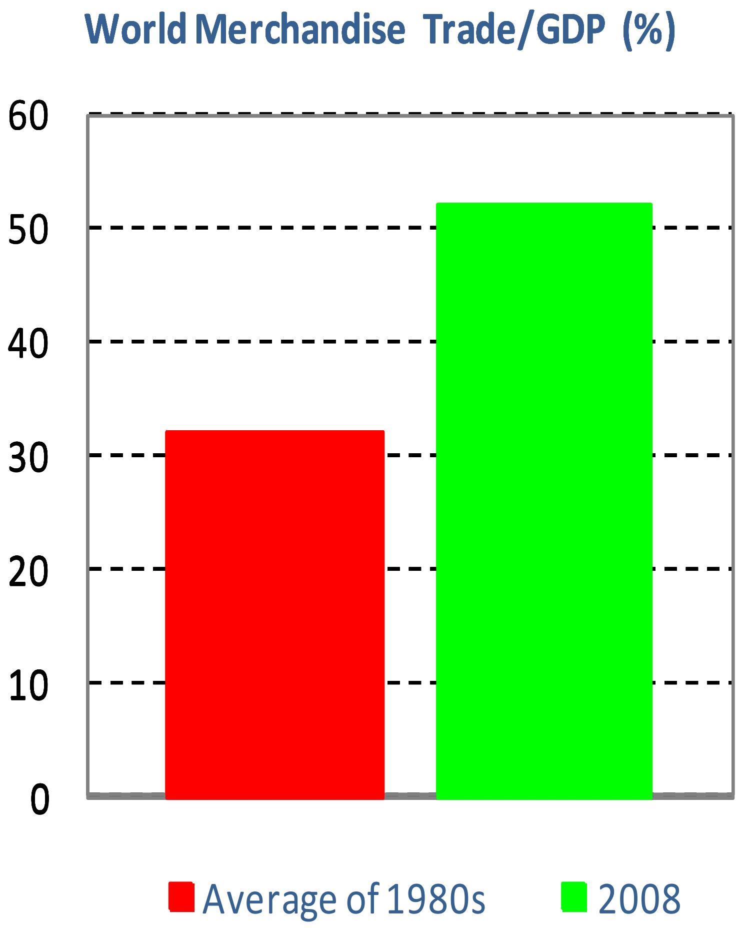

*Source*: G-24 calculations based on data from World Economic Outlook Database, IMF

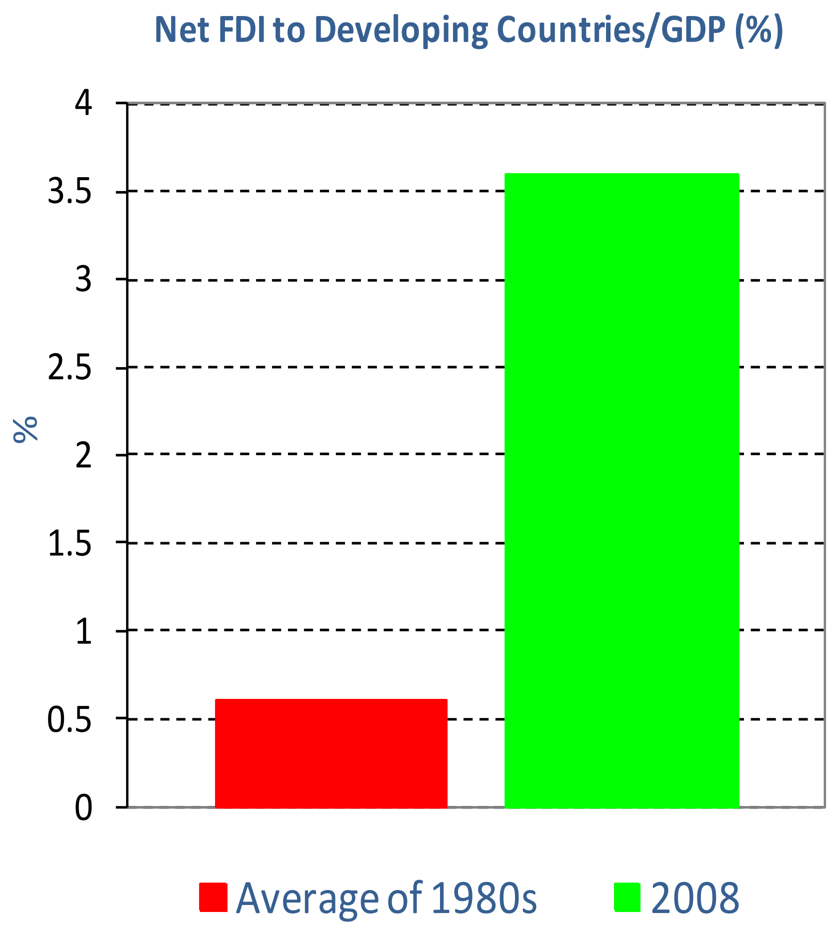
# Long-Term Saving Trends




*Source*: G-24 calculations based on Loayza et al. (2000) World Economic Outlook, IMF and World Development Indicators , World Bank databases

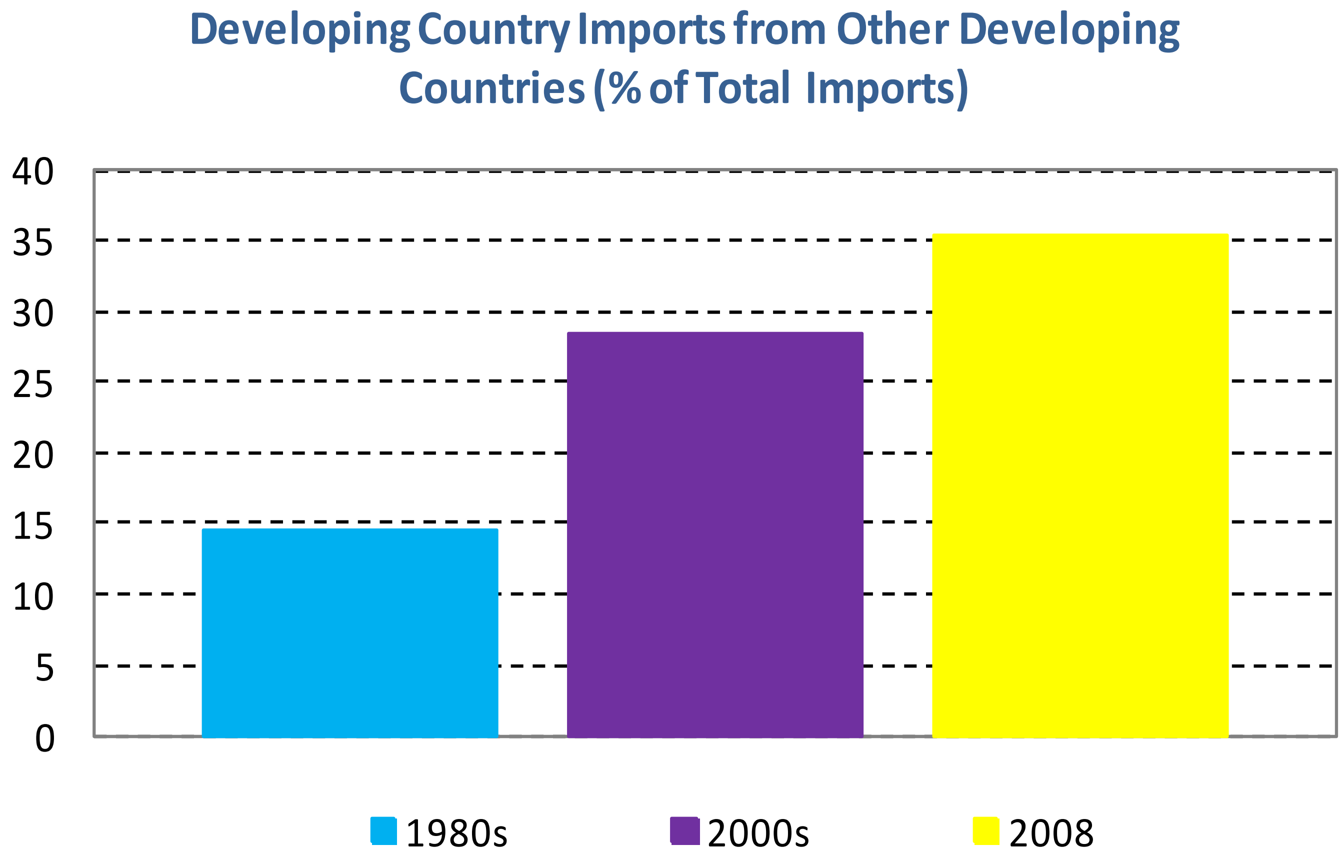
# The growth acceleration in developing countries was facilitated by trade and FDI




*Source*: J.Y. Lin (2011) calculations based on data from World Development Indicators, World Bank

# … and with greater linkages between developing countries …

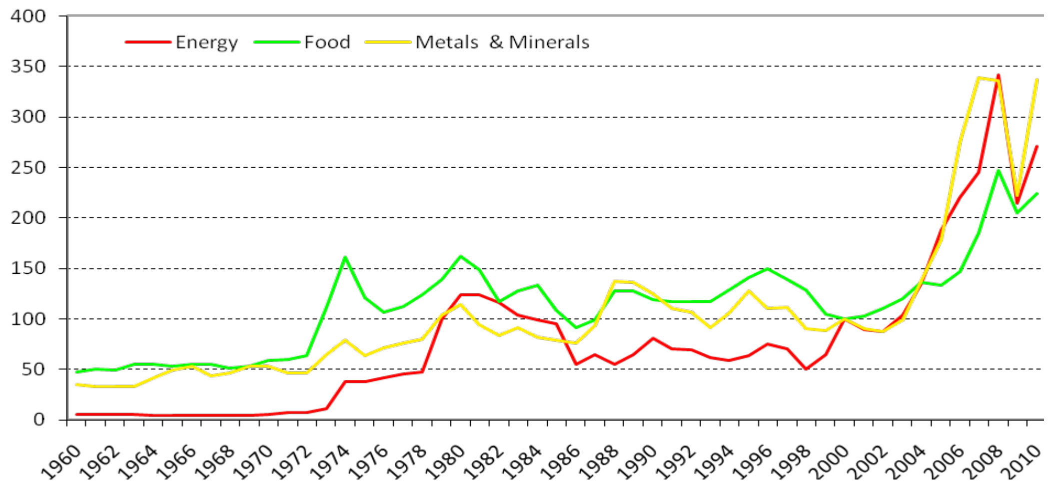



*Source*: J.Y. Lin (2011) calculations based on data from World Development Indicators, World Bank

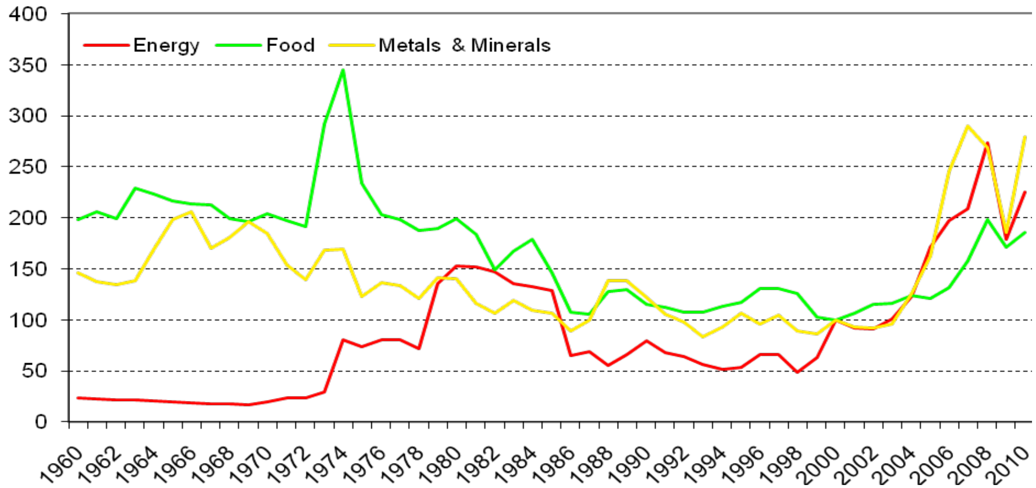
# Long Term Nominal and Real Commodity Prices

## Annual price Indices 2000=100

Long Term Nominal Commodity Prices




Real Commodity Prices



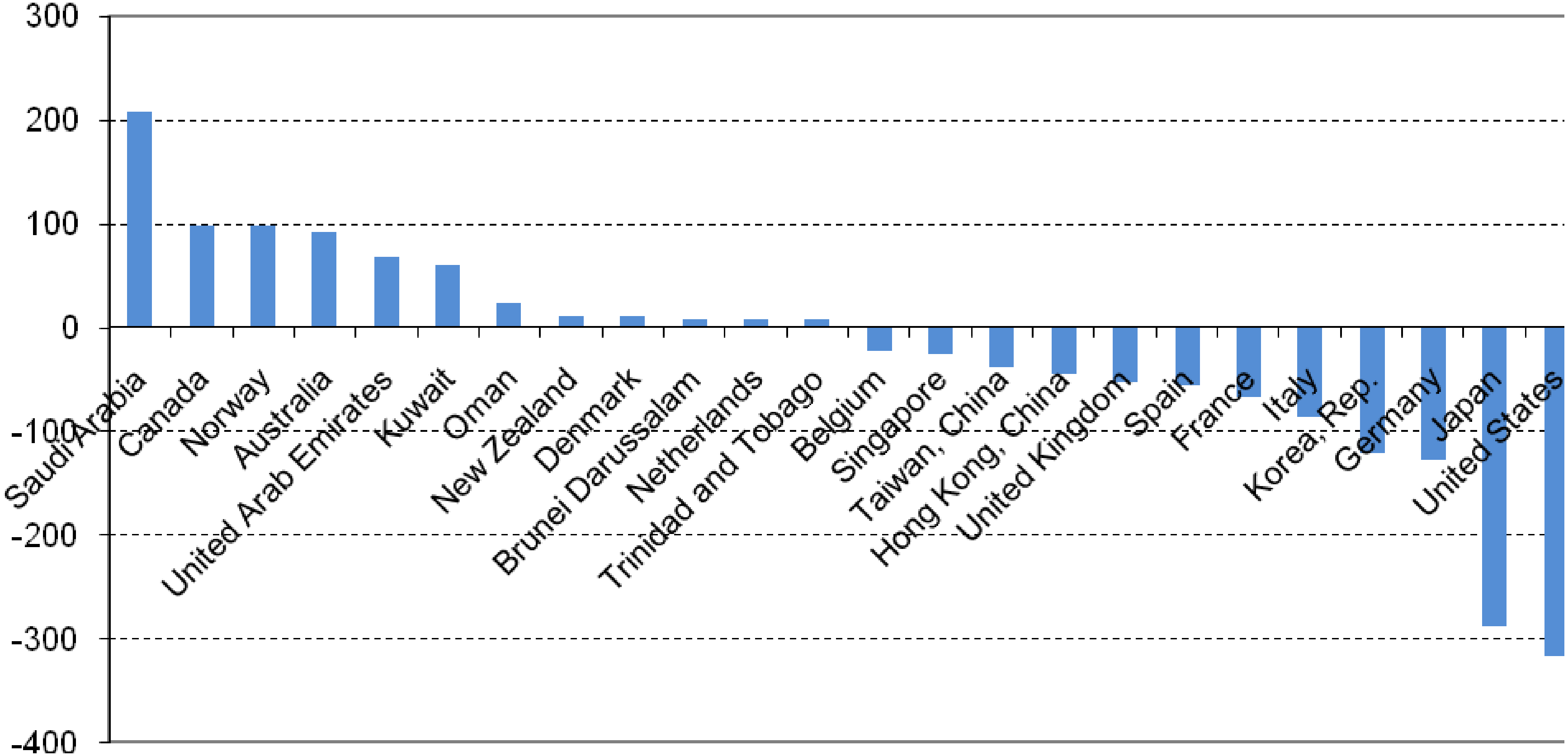

*Source*: G-24 calculations based on PINK data, World Bank

# Net-Exporters and Net-Importers across Selected Product Categories

| Product Category | Income grouping | Number of Net-Exporters | Number of Net-Importers |
|---|---|---|---|
| **Primary commodities** | High-income countries | 13 | 35 |
| | Middle-income countries | 43 | 54 |
| | Low-income countries | 16 | 24 |
| **Primary commodities (excl. fuels)** | High-income countries | 17 | 29 |
| | Middle-income countries | 45 | 50 |
| | Low-income countries | 26 | 14 |
| **All food items** | High-income countries | 14 | 34 |
| | Middle-income countries | 38 | 59 |
| | Low-income countries | 10 | 30 |
| **Basic food (excl. beverages)** | High-income countries | 14 | 34 |
| | Middle-income countries | 32 | 65 |
| | Low-income countries | 2 | 38 |
| **Cereals** | High-income countries | 14 | 34 |
| | Middle-income countries | 17 | 75 |
| | Low-income countries | 3 | 36 |
| **Agricultural raw materials** | High-income countries | 16 | 32 |
| | Middle-income countries | 35 | 61 |
| | Low-income countries | 28 | 12 |
| **Metals** | High-income countries | 26 | 22 |
| | Middle-income countries | 71 | 23 |
| | Low-income countries | 33 | 7 |
| **Fuels** | High-income countries | 11 | 37 |
| | Middle-income countries | 30 | 65 |
| | Low-income countries | 5 | 35 |

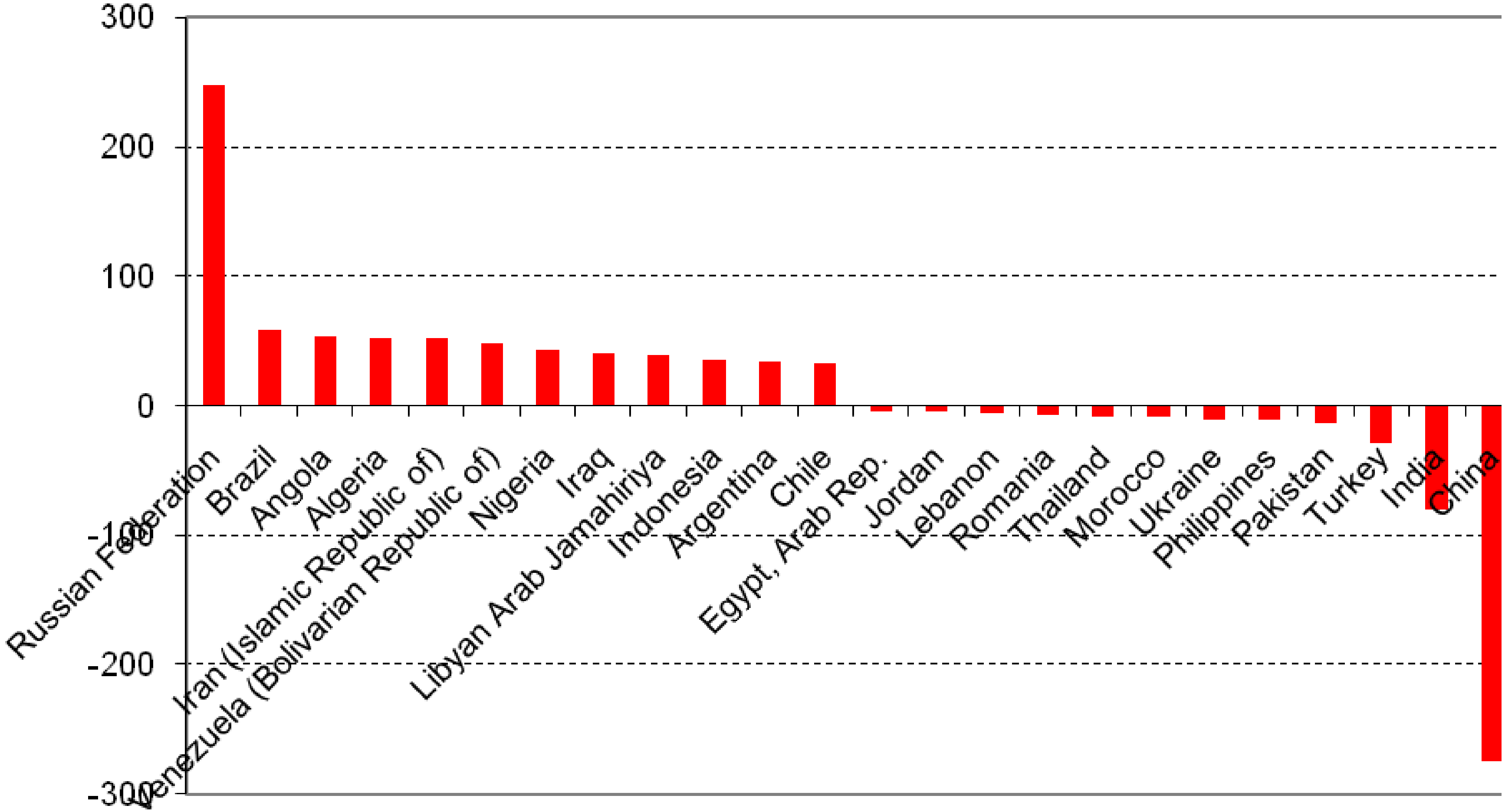
*Note*: The sample consists of 48 high-income countries, 97 middle-income countries and 40 low-income countries.
*Source*: G-24 calculations based on UNCTAD data

# Figure 1: Largest Net Exporters and Net Importers: “Primary Commodities“ (in US$ Billion) HICs



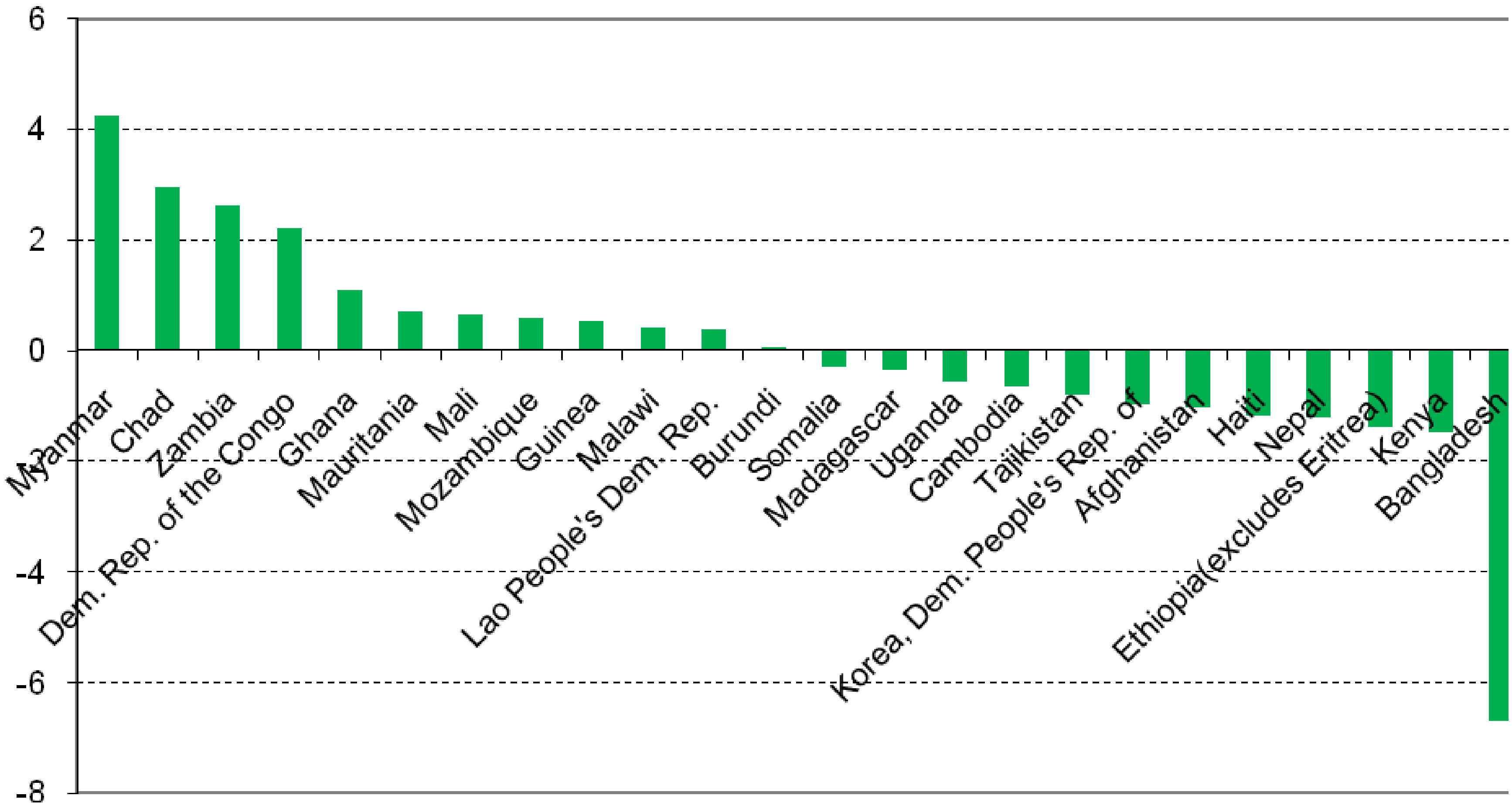

*Source*: G-24 calculations based on UNCTAD data

# Figure 1: Largest Net Exporters and Net Importers: “Primary Commodities“ (in US$ Billion) MICs



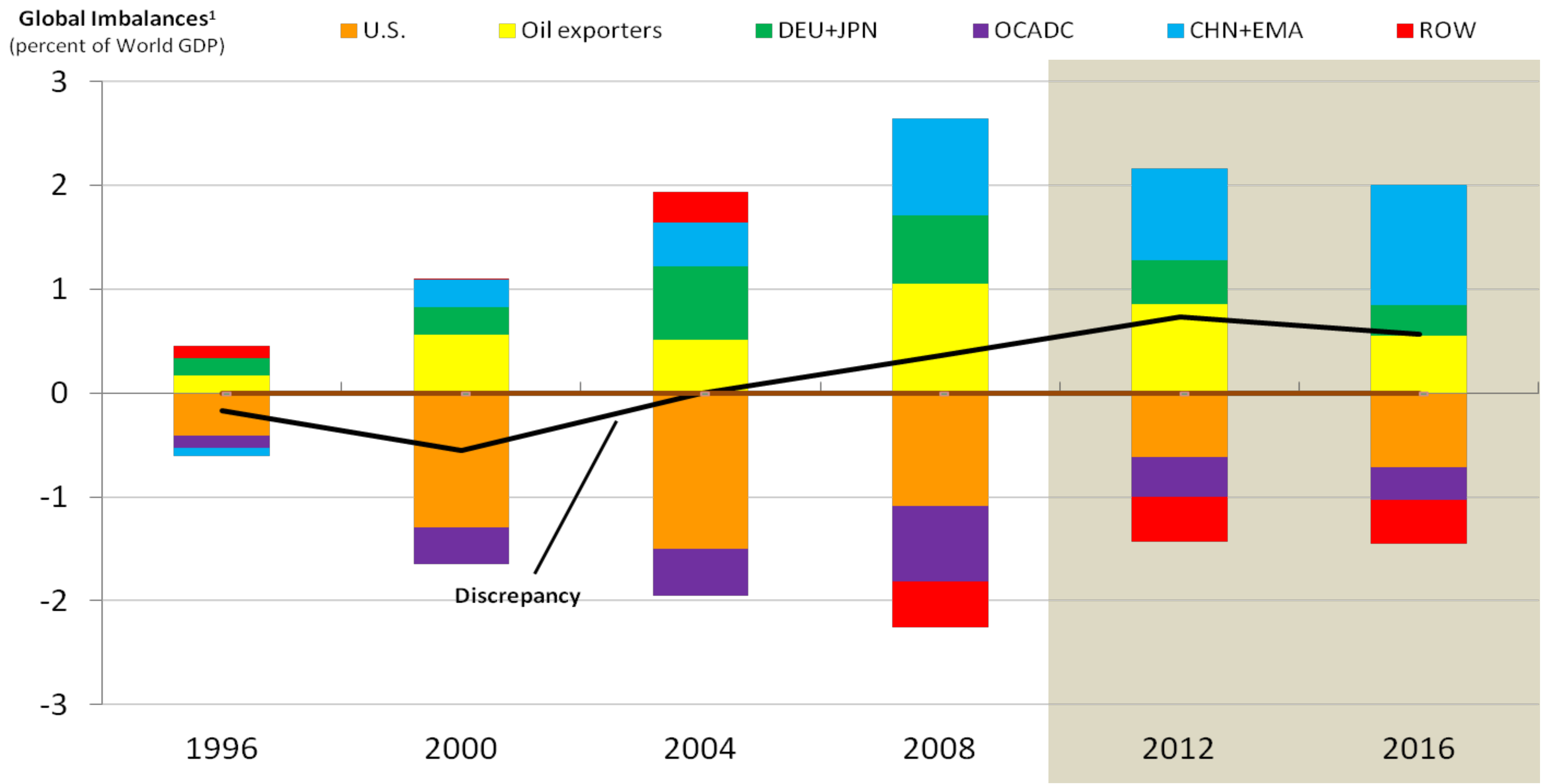

*Source*: G-24 calculations based on UNCTAD data

# Figure 1: Largest Net Exporters and Net Importers: “Primary Commodities“ (in US$ Billion) LICs




*Source*: G-24 calculations based on UNCTAD data

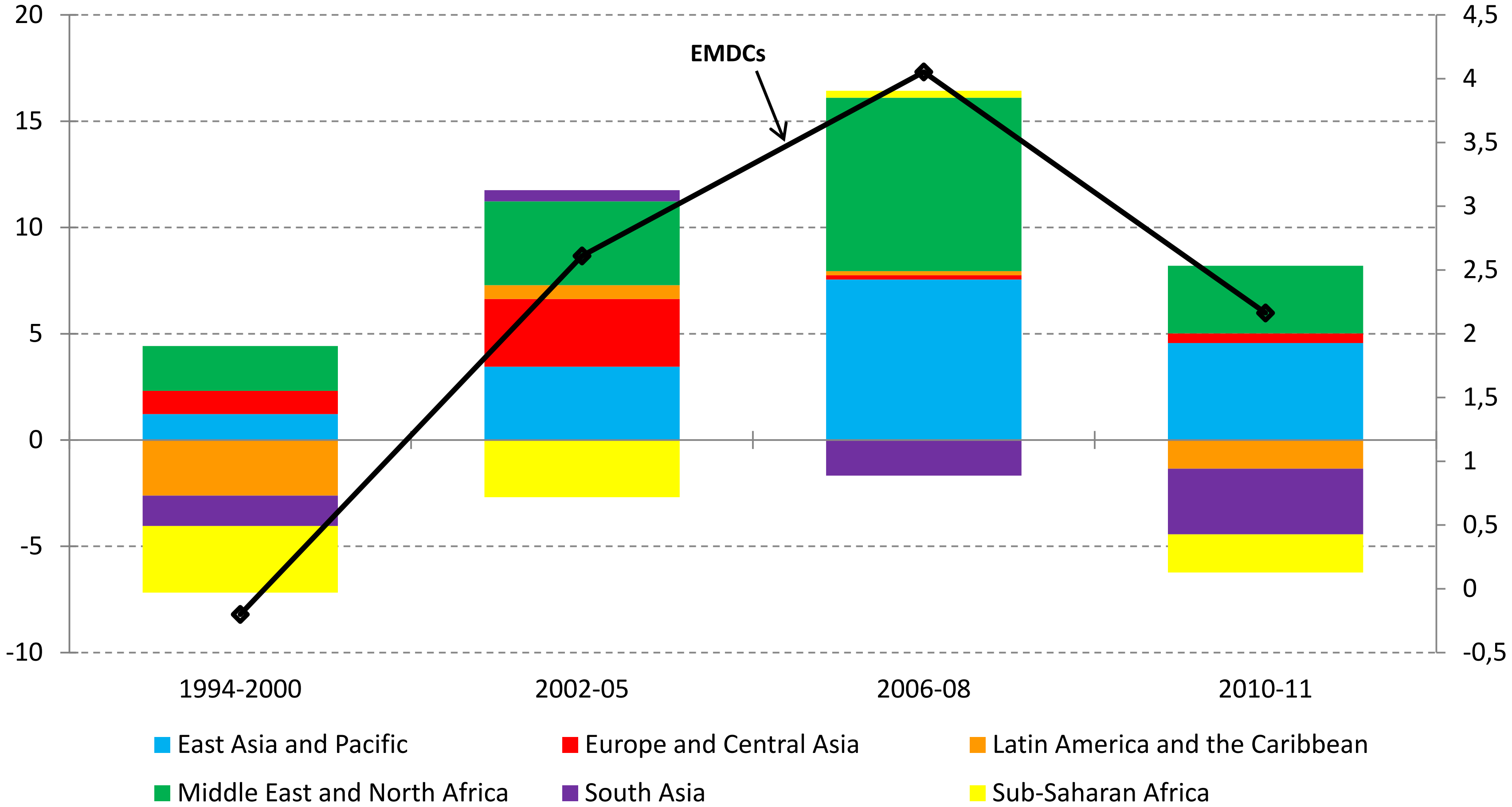
# Past and Projected Global Imbalances




[1] ***CHN+EMA:*** China, Hong Kong SAR, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan Province of China, and Thailand**;** ***DEU+JPN***: Germany and Japan; ***OCADC***: Bulgaria, Croatia, Czech Republic, Estonia, Greece, Hungary, Ireland, Latvia, Lithuania, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Turkey, and United Kingdom; ***ROW***: rest of the world; US: United States.

*Source*: World Economic Outlook, IMF (2011) based on Federal Reserve and IMF staff estimates

# Global Imbalances
## (Percent of GDP)




*Source*: G-24 calculations based on World Economic Outlook Database, IMF

# Current Account Balance for EMDCs

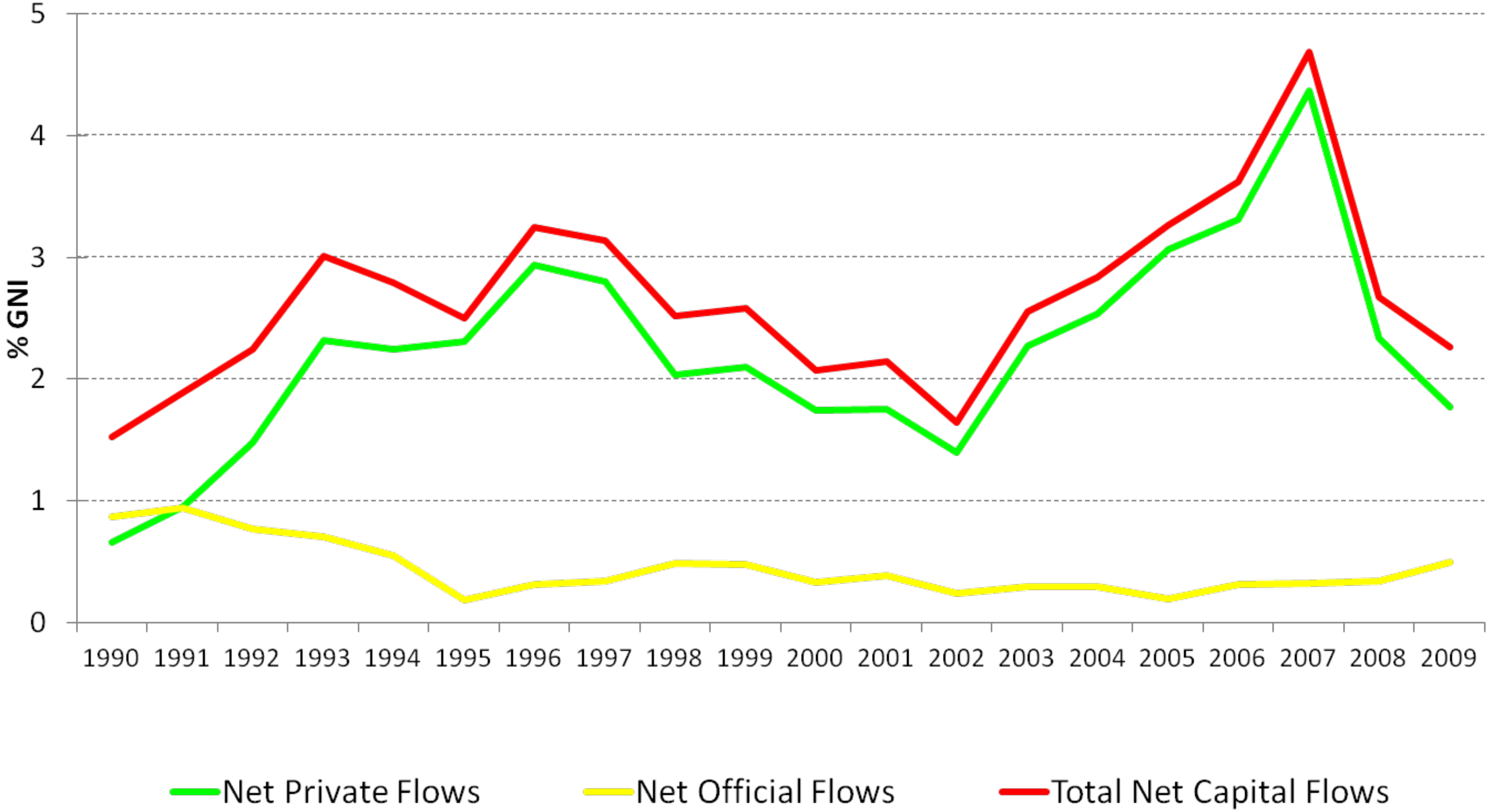
## (as % of GDP)

| | Deficit | | | Surplus | | |
|---|---|---|---|---|---|---|
| **Year** | **>3%** | **1-3%** | **<1%** | **<1%** | **1-3%** | **>3%** |
| **1994-2000** | 88 | 29 | 11 | 4 | 9 | 13 |
| **2002-2005** | 77 | 19 | 9 | 8 | 16 | 29 |
| **2006-2008** | 94 | 12 | 3 | 3 | 11 | 35 |
| **2010-2011** | 95 | 16 | 5 | 6 | 4 | 32 |

*Source*: G-24 calculations based on World Economic Outlook Database, IMF

# Financial Flows to Developing Countries as a Percentage of GNI, 1996-2009[1]

## (US, Billions)

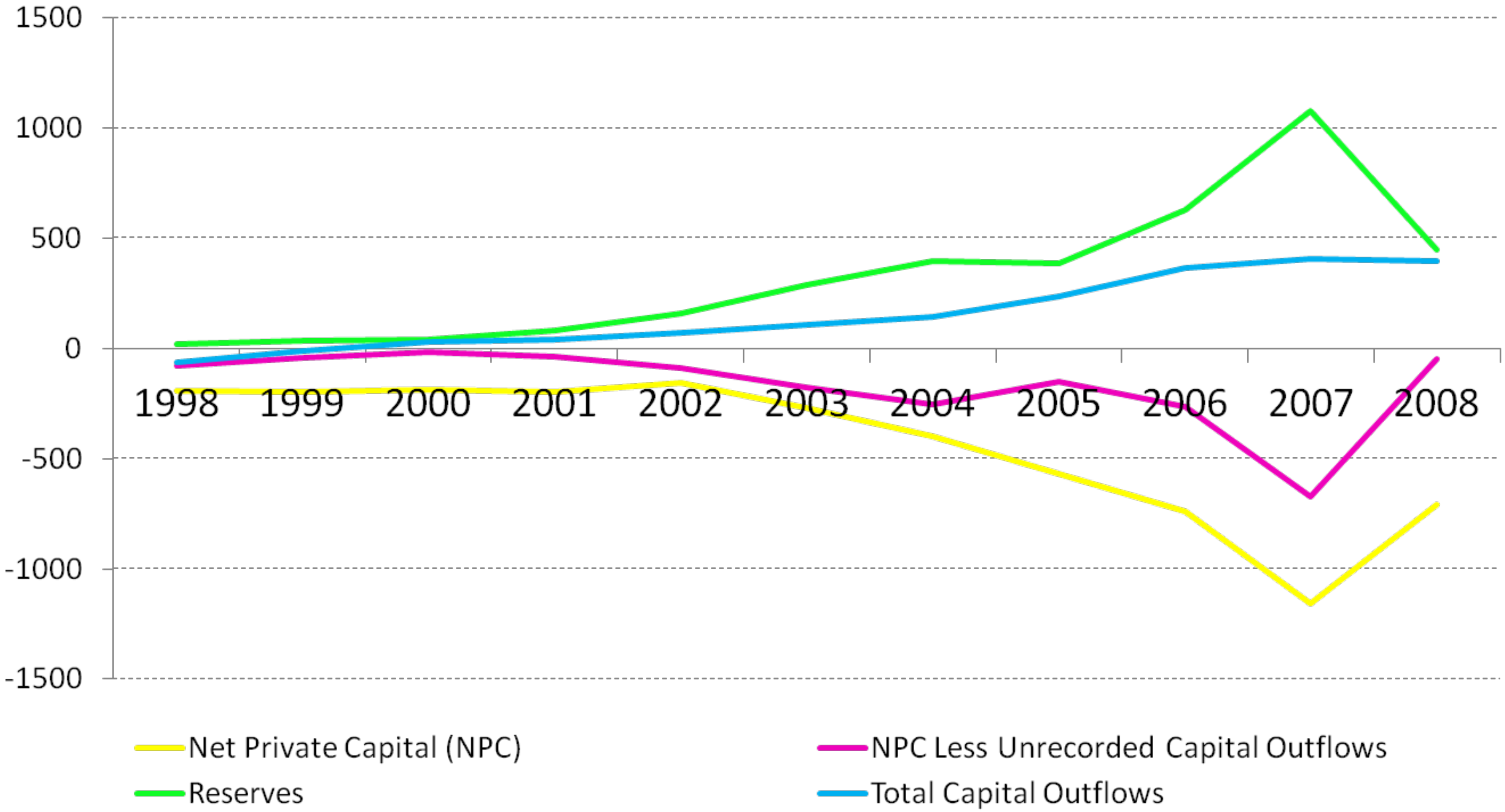



[1]Excluding IMF Loans

*Source*: World Economic Outlook Database, IMF

# The Uphill Flow of Capital, 1998-2008

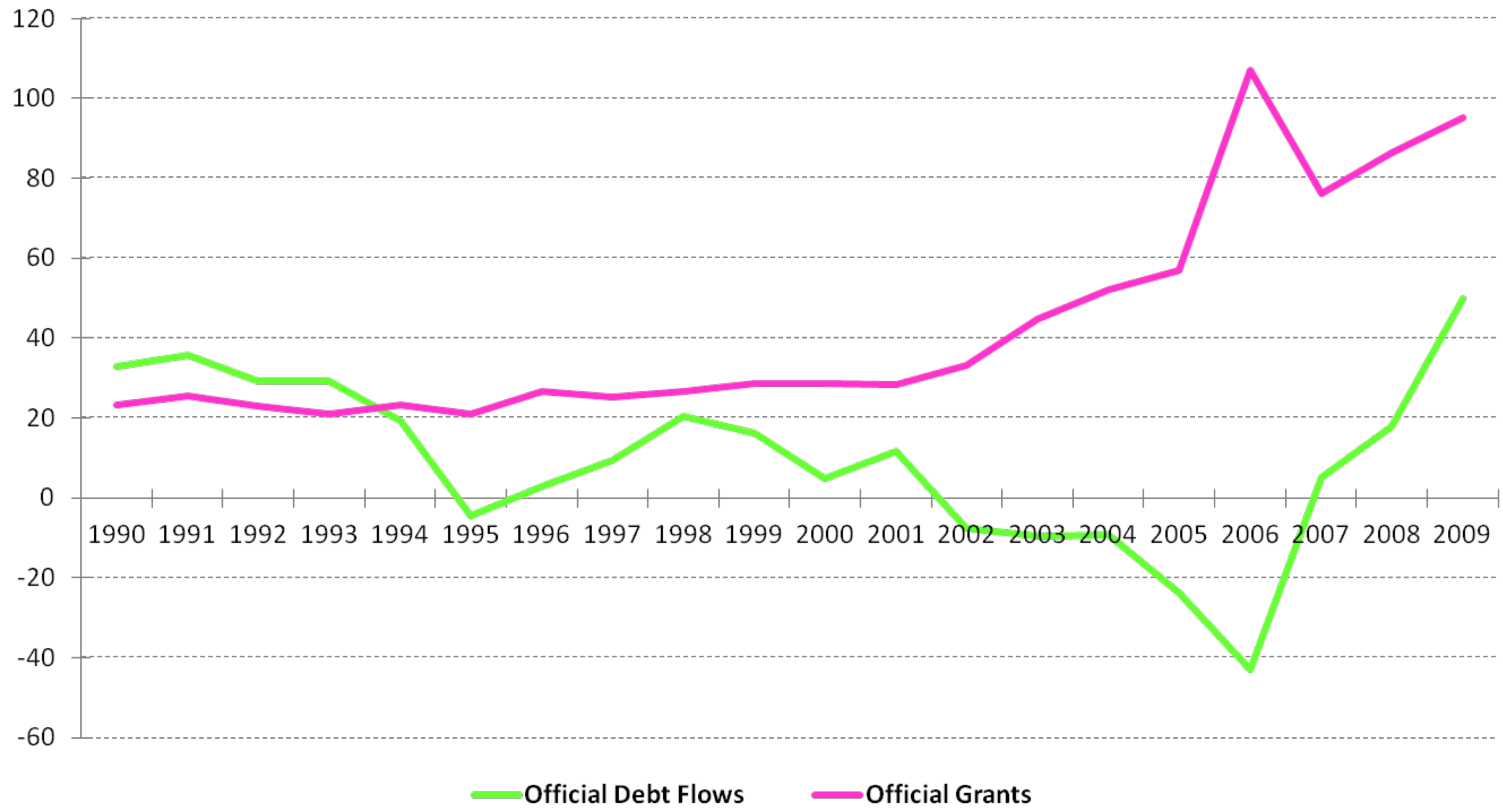
**(US$ billions)**




*Source*: Global Development Finance, IMF

# Trends in Official Flows

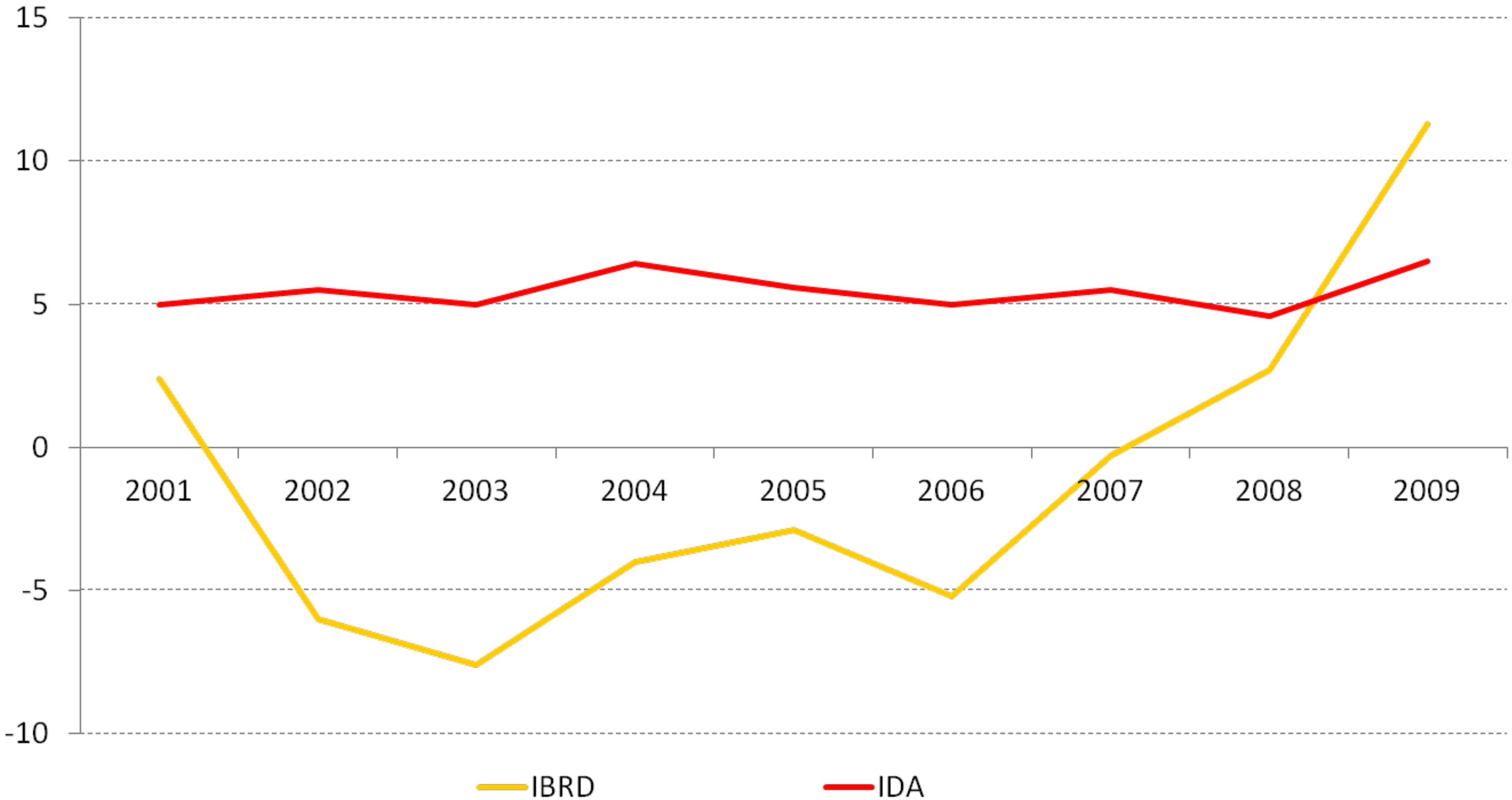
## (US$, Billions)




*Source*: Global Development Finance Database, World Bank

# Net Official Financing to Developing Countries from World Bank, 2001-09

**(US$ Billions)**




*Source*: World Bank Global Development Finance database and OECD

# The Case for a Big Push on Infrastructure

- Support growth and structural change (inadequate infrastructure is an increasing constraint to growth in many developing countries; address structural change including urbanization)
- A new source of aggregate demand in a multipolar global economy
- Promote regional integration especially in sub-Saharan Africa
- An instrument for delivering more inclusive growth
- Critical for agricultural productivity and food security
- The forgotten instrument for achieving the MDGs
- A key sector for addressing the challenges of climate change

# Four Types of Incremental Financing Needs

- MDGs +
- Agriculture and Food Security
- Infrastructure
- Climate Mitigation and Adaptation

# Incremental Financing Needs for Multipolar Growth and Development

## ($ billion)

| | MDGs + | Agriculture/ Food Security | Infrastructure | Climate |
|---|---|---|---|---|
| Low Income | 50-100 | 50-100 | 100-150 | 100-150 |
| Emerging Markets | 200-300 | 200-300 | 700-1100 | 200-400 |

*Source*: World Bank

# Meeting the Financing Challenge

- The growing role of domestic savings
- Raising efficiency
- Importance of but limits to cost recovery
- New theories on the role of foreign saving
    - ❖From “2-gap” models to portfolio models of “2-way” capital flows
    - ❖From the quantity of funds to the quality of funds (risk)
- The limits of PPPs

# New Initiatives to Recycle Global Savings

- Revamp MDB lending through major capital increases
- Infrastructure as an asset class
  - ❖ Tapping sovereign wealth funds
  - ❖ Southern infrastructure facilities
  - ❖ Creating debt funds and using liquid Southern banks
- New Project Preparation Facilities

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# Thank you