

# Comment favoriser les investissements de croissance? How to Promote Growth Investments?

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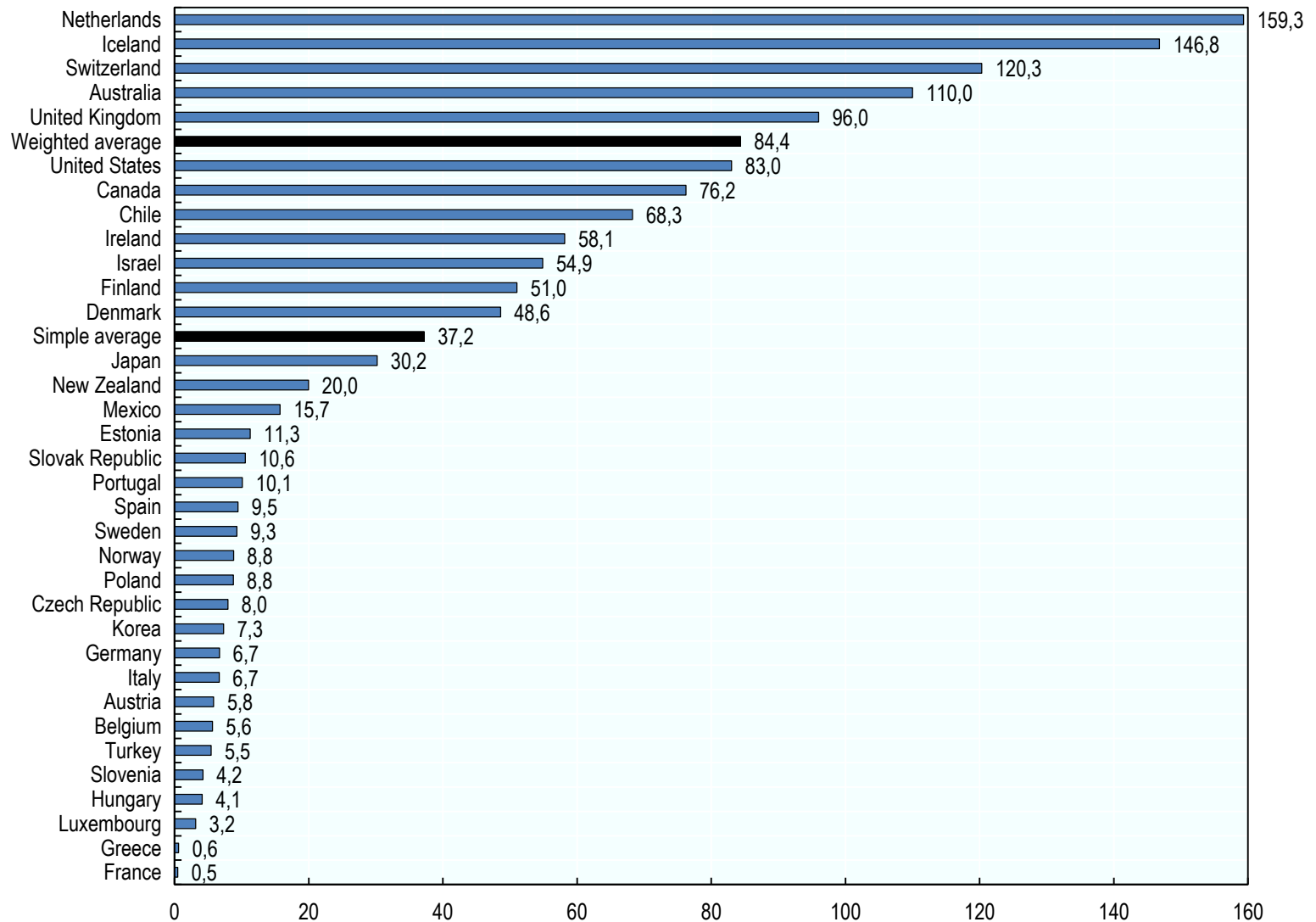
- **Pension funds** can play an active role in the financing of long term, productive activities that support sustainable growth, such as infrastructure projects.

# **PENSION FUNDS ECONOMIC SIZE**

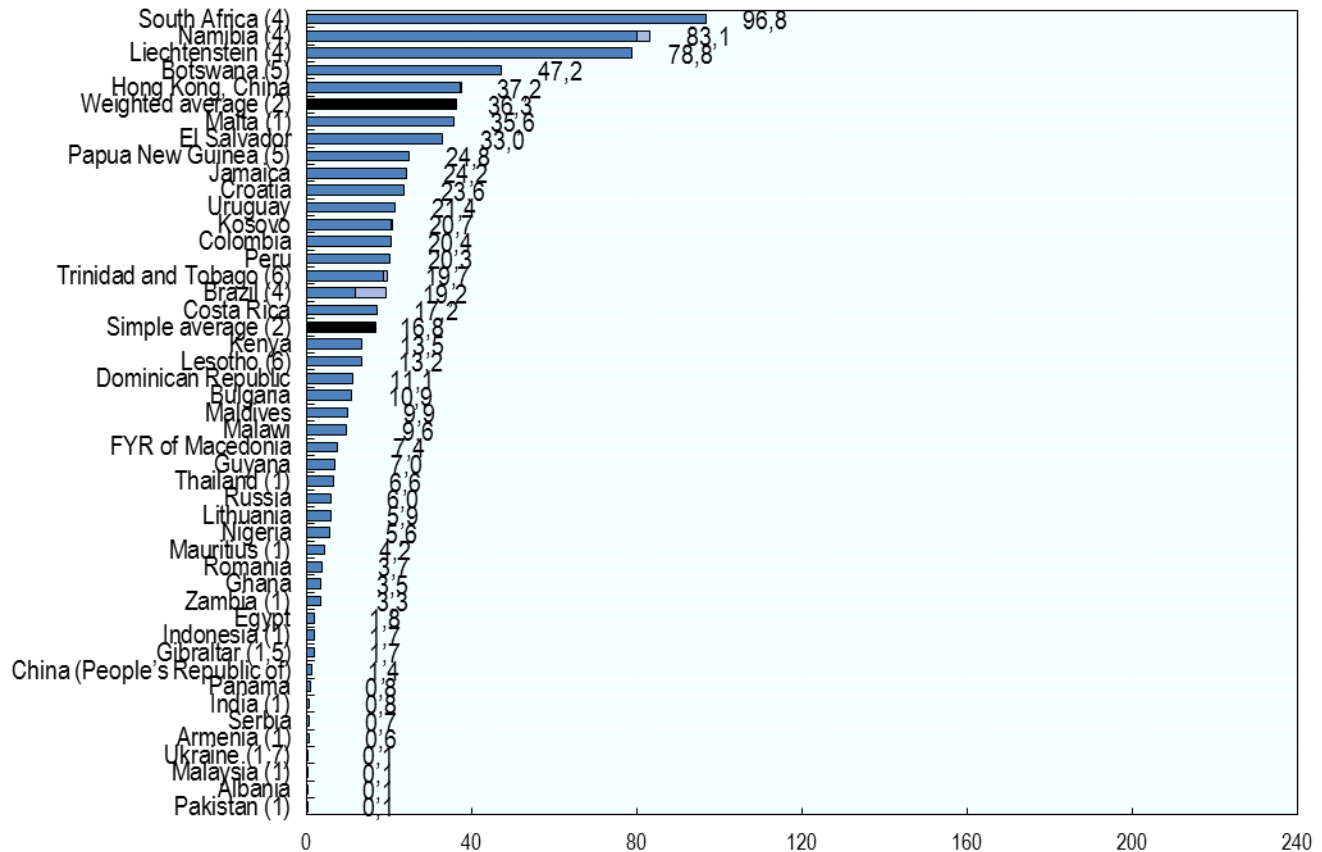
# Financial overview

- Total assets: 36.4 trillion at year end 2016 (source: Willis Towers Watson).
- Their assets have grown at 3.8% on average per annum over the past five years.
- At the end of 2016, the average global asset allocation: 46% equities, 28% bonds, 24% other assets (including real estate and other alternatives) and 3% cash
- Equities have decreased by 11% from 1997 to 2016: 57% to 46%.
- Bonds have also fallen in markets from 35% in 1997 to 28% in 2016.

# Pension funds assets to the size of the economy in OECD countries - 2014 (source: OCDE)



# Pension funds assets to the size of the economy in non- OECD countries , 2015 (source: OCDE)



- The fastest growing pension markets (in USD since 2006):
  - ❑ Hong Kong (7.8%), Australia (6.9%) and Chile (6.8%).
- The slowest rates of growth:
  - ❑ France and Spain.

# **PENSION FUNDS AND INFRASTRUCTURE INVESTMENTS**



- **Nov 2016, Financial times:**

- *“Pension funds crave more infrastructure projects. Schemes say more projects to invest in are needed, not more government reforms”.*

- Estimated infrastructure requirements to 2030: **US\$ 50 trillion.**
- Economic infrastructure: transport (e.g. ports, airports, roads, bridges, tunnels); utilities (e.g. energy distribution networks, storage, water, sewage, waste); communication (e.g. mobile networks, satellites); and renewable energy.
- Social infrastructure: schools; hospitals and defense ...

- Infrastructure investments are attractive to pension fund.
- Infrastructure investments are expected to produce predictable and stable cash flows over the long term, improving the diversification of the portfolio and reducing its volatility.

- Boost public investment spending.
- An increase in the public investment of  $\frac{1}{2}$  percentage point of GDP in each single economy, increases output by 0.4-0.6 % on average (source: OECD).

# The conditions for the development of Pension funds

- Educational role: encourage objective information on pension funds.
- Regulation Stability
- Tax Incentives:
  - contributions exemption from tax;
  - not tax fund Income
- New financial instruments (longevity assets).
- Informations and Data to assess the risk of infrastructure investments.

Thank you.