

International economic development

Savings, investment and net lending in 2012 compared to 2011

Lorette Ford

Introduction

This article describes the development in share of world savings, investment and net lending in percentage of GDP for the year 2011 and 2012.

Savings represent that part of disposable income that is not spent on final consumption of goods and services. It may be positive or negative depending on whether disposable income exceeds final consumption, or vice versa. Savings provide a source of funds that is available for domestic investment, that's why it has important implications for the economy.

An Investment is an asset that is intended to produce income or capital gains.

Net Lending can be described as the difference between savings and investment. Net lending measures the net amount a unit or sector¹⁷ finally has available to finance, directly or indirectly, other units or sectors in the economy.

This article describes the development for 2 groups of countries, namely:

1 The Advanced economies, consisting of the following countries or groups of countries:

United States of America, Euro Area, Japan, United Kingdom, Canada

2 Emerging markets and developing economies, comprising the following groups of countries:

Africa, Central and Eastern Europe, Commonwealth of Independent States, Developing Asia, Middle East, Latin America and the Caribbean.

This article is based on figures and analyses from the "World Economic Outlook of April 2013" of the International Monetary Fund (IMF).

Developments 2011-2012

Savings

In 2012 global savings as a share of GDP (23.9 %) have practically stayed the same as compared to 2011 (23.8%).

Savings in Japan, as a share of GDP, have the tendency to be higher than savings in the other countries with an advanced economy. This is the case in both 2011 as in 2012, where respectively a share of 22 and 21.6 percent is recorded.

¹⁷ Corporations, governments, households and non-profit institutions serving households

Table 1: Savings, Investment and Net Lending (% of GDP)						
	2011			2012		
	Savings	Investment	Net Lending	Savings	Investment	Net Lending ¹⁸
<i>World</i>	23.8	23.4	0.3	23.9	23.6	0.2
<i>1. Advanced economies of which</i>	18.3	18.8	-0.4	18.4	18.8	-0.3
United States	12.2	15.5	-3.3	13.1	16.2	-3.0
Euro Area	20.2	19.6	0.6	20.2	18.3	1.9
Japan	22.0	20.0	2.0	21.6	20.6	1.0
United Kingdom	15.1	16.5	-1.3	10.8	14.3	-3.5
Canada	20.6	23.6	-3.0	20.8	24.5	-3.7
<i>2. Emerging market and developing economies, of which:</i>	33.3	31.5	1.8	32.8	31.5	1.4
Africa	19.8	21.2	-1.5	18.9	21.7	-2.8
Central and Eastern Europe	16.7	22.9	-6.3	17.0	21.2	-4.3
Commonwealth of Independent States	28.9	24.4	4.5	27.6	24.4	3.2
Developing Asia	43.6	41.9	1.6	43.0	41.9	1.0
Middle East	37.8	25.1	13.1	36.2	25.1	13.1
Latin-America and the Caribbean	20.6	22.2	-1.6	19.5	21.4	-1.9

Source: World Economic Outlook, April 2013, International Monetary Fund

In the category “Emerging market and developing economies” the Developing Asia group had the largest share of savings in GDP, respectively 43.6 percent in 2011 and 43.0 percent in 2012. Remarkable in this group of countries¹⁹ is China whose savings contribute to 50 percent of GDP in comparison with the share of other countries in Developing Asia (table 2).

Factors that have lead to this increase in China are among others

- Corporate savings have risen sharply. This has been accompanied by a surge in investment, in both state- and non-state-owned firms. The latter has been concentrated in infrastructure, manufacturing (aluminum, steel and cement) and in real estate.
- Government savings have also increased. This increase has been used mainly to finance a substantial increase in investment, particularly by local government.

¹⁸ Minor discrepancies between savings and investment of constituent figures and totals in net lending shown reflect rounding.

¹⁹ Table 2 shows figures for selected countries in Developing Asia

Table 2: Savings and Investment (% of GDP)				
	2011		2012	
	Savings	Investment	Savings	Investment
Developing Asia, of which	44	42	43	42
Bangladesh	36	25	39	25
China	49	48	50	48
Indonesia	32	33	31	35
India	32	36	33	35
Malaysia	35	24	32	25
Morocco	28	36	27	35
Nepal	34	33	38	33
Philippines	25	20	23	18
Thailand	31	27	30	30
Vietnam	33	35	31	31

Source: World Bank, Developing Asia (selected countries)

Investment

In 2012 the share of world investment is 23.6 percent of GDP, which is 0.2 percentage points higher than in 2011. Nevertheless in both the advanced economies as in the “Emerging market and developing economies” the share has remained the same in 2012. In the first category of countries the share is 18.8 percent, while in the second category of countries it is 31.5 percent.

In the Euro Area and United Kingdom the share in 2012 compared to 2011 has dropped respectively from 19.6 percent to 18.3 percent and from 16.5 percent to 14.3 percent. The other countries with an advanced economy show a slight increase.

In the “Emerging market and developing economies” the group of countries with the largest investment as a share of GDP in 2011 and 2012 is Developing Asia. In both years the share is 41.9 percent.

Only in Africa investment shows a positive development; the share has gone from 21.2 percent in 2011 to 21.7 percent in 2012.

Central and Eastern Europe and Latin America and the Caribbean show a decrease in investment in 2012 (respectively with 1.7 percent and 0.8 percentage points). Investment in all other groups of countries has remained fairly stable in 2012 in comparison to 2011.

Net lending

Net Lending can be calculated by subtracting investment from savings.

The share of world net lending in GDP has declined from 0.3 percent in 2011 to 0.2 percent in 2012.

In the advanced economies investment has stayed constant (18.8%) while savings have increased with 0.5 percentage points (from 18.3 percent in 2011 to 18.8 percent in 2012).

This has resulted in a less negative share of net lending in GDP, from -0.4 percent in 2011 to -0.3 percent in 2012.

In the "Emerging market and developing economies" savings have declined with 0.5 percentage points while investment has remained the same (31.5%). As a result of this, net lending in the "Emerging market and developing economies" has gone from 1.8 percent in 2011 to 1.4 percent in 2012, a reduction of 0.4 percentage points.

Analysis by country shows that from the advanced economies, the Euro Area has the highest net lending as a share of GDP. Compared to 2011 it has increased in 2012 because this group of countries has invested less in 2012, while savings have remained constant.

Net lending as a share of GDP has worsened in United Kingdom, Canada and Japan. In the United Kingdom it has declined from -1.3 percent in 2011 to -3.5 percent in 2012. In Canada the share has dropped with 0.7 percentage points in 2012 and in Japan with 1.0 percentage points.

The drop of 0.4 percentage points in net lending as a share of GDP in the "Emerging market and developing economies" is attributed to almost all regions. Net lending in the Middle East has remained about the same (13.1%). The share of net lending in GDP has dropped further from -1.5 percent in 2011 to -2.8 percent in 2012 in Africa. In Latin America and the Caribbean it has dropped from -1.6 percent in 2011 to -1.9 percent in 2012.

Although positive, the share in net lending has decreased in the Commonwealth of Independent States and Developing Asia (respectively from 4.5 in 2011 to 2.3 percent in 2012 and from 1.6 in 2011 to 1.0 in 2012).

Summary

World savings as a share of GDP have remained almost the same in 2012 compared to 2011. World investment as a share of GDP has increased with 0.2 percentage points in 2012 compared to 2011. This has resulted in a slight reduction of world net lending in 2012.

Savings as a percentage of GDP in the advanced economies in general have increased slightly in 2012 compared to 2011. Investment on the other hand, has remained the same. The effect of this is a less negative net lending in this group of economies.

In the "Emerging markets and developing economies" savings have decreased from 33.3 percent in 2011 to 32.8 percent in 2012, a decline of 0.5 percentage points. Investment has remained the same in 2012 (31.5%). The effect of this in net lending is a decline of 0.4 percentage points.

Remarkable in both years are the high shares of savings and investment in Developing Asia in both years, because Asian economies save and invest more than other developing countries.