

# African Growth and Prosperity: The Important Role for Local Currency Bond Markets

Staci Warden  
Executive Director  
Center for Financial Markets

# Finance Matters

- **Helping companies create the appropriate capital structure for growth.**
- **Helping investors – including pensions, foundations and sovereigns – achieve a strong rate of return.**

***These are crucial elements of prosperity, which drives human progress.***

$$P = \sum F t_i^* (\sum H C_i + \sum S C_i + \sum R A_i)$$

$$P = \sum F t_i^* (\sum H C_i + \sum S C_i + \sum R A_i)$$

## Financial Technology

**Innovative processes & components including:**

- Convertible bonds
- Preferred stock
- High-yield bonds
- Collateralized loans
- Collateralized bonds
- Equity-linked securities
- Securitized obligations (mortgages, credit cards, etc.)
- Derivatives

## Human Capital

**Productivity:**

- Skills
- Education
- Training
- Experience
- Creativity
- Habits
- Values

## Social Capital

- Rule of law
- Property rights
- Public health
- Universal education
- Religious freedom
- Police/fire protection
- Cultural resources
- Universal suffrage
- Protection of creditors
- Rigorous financial reporting standards
- Transparent markets
- Regulatory continuity

## Real Assets

- Cash
- Receivables
- Real estate
- Factories
- Capital equipment
- Roads
- Buildings
- Infrastructure

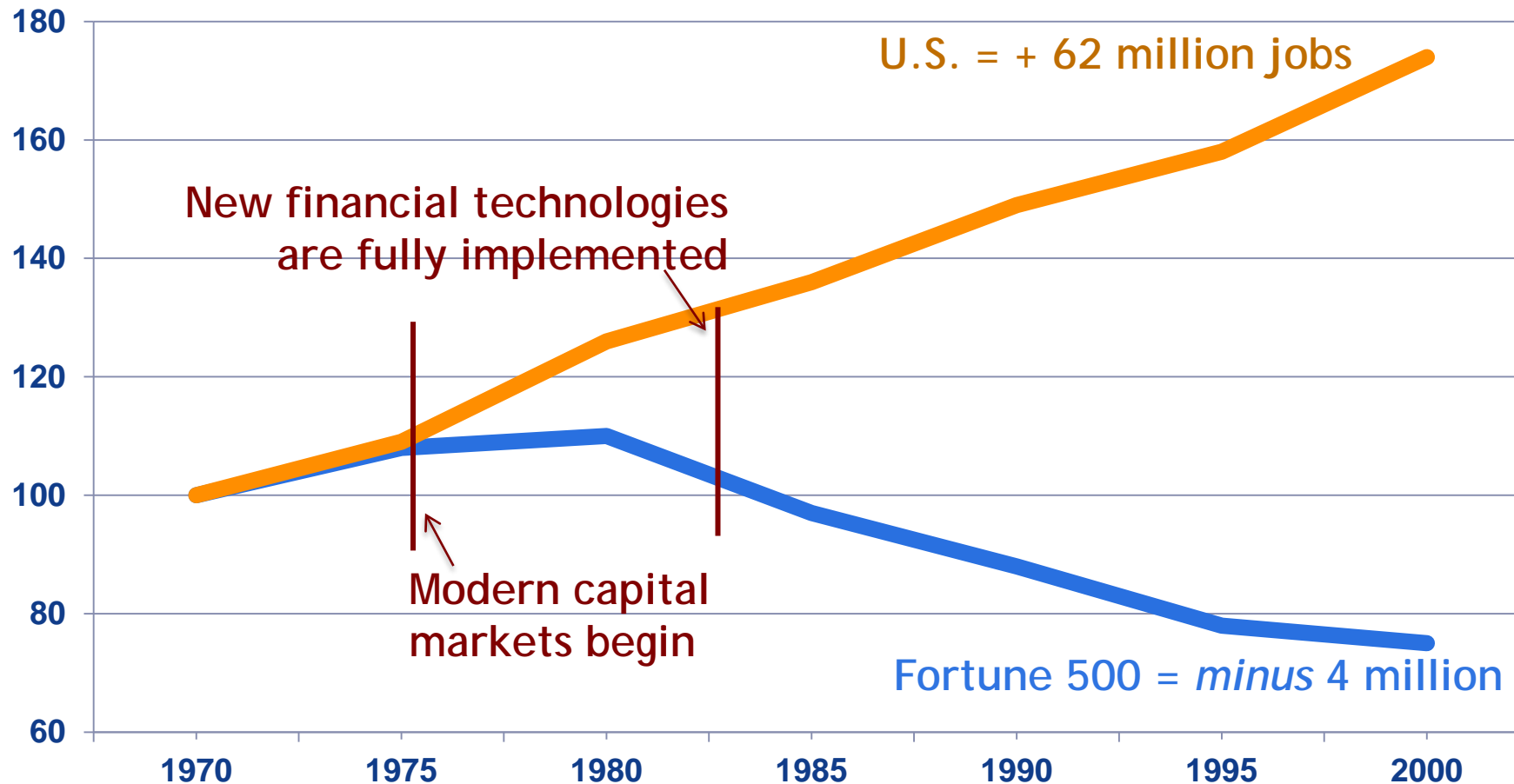
# Center for Financial Markets

**Class of 2017-2018**



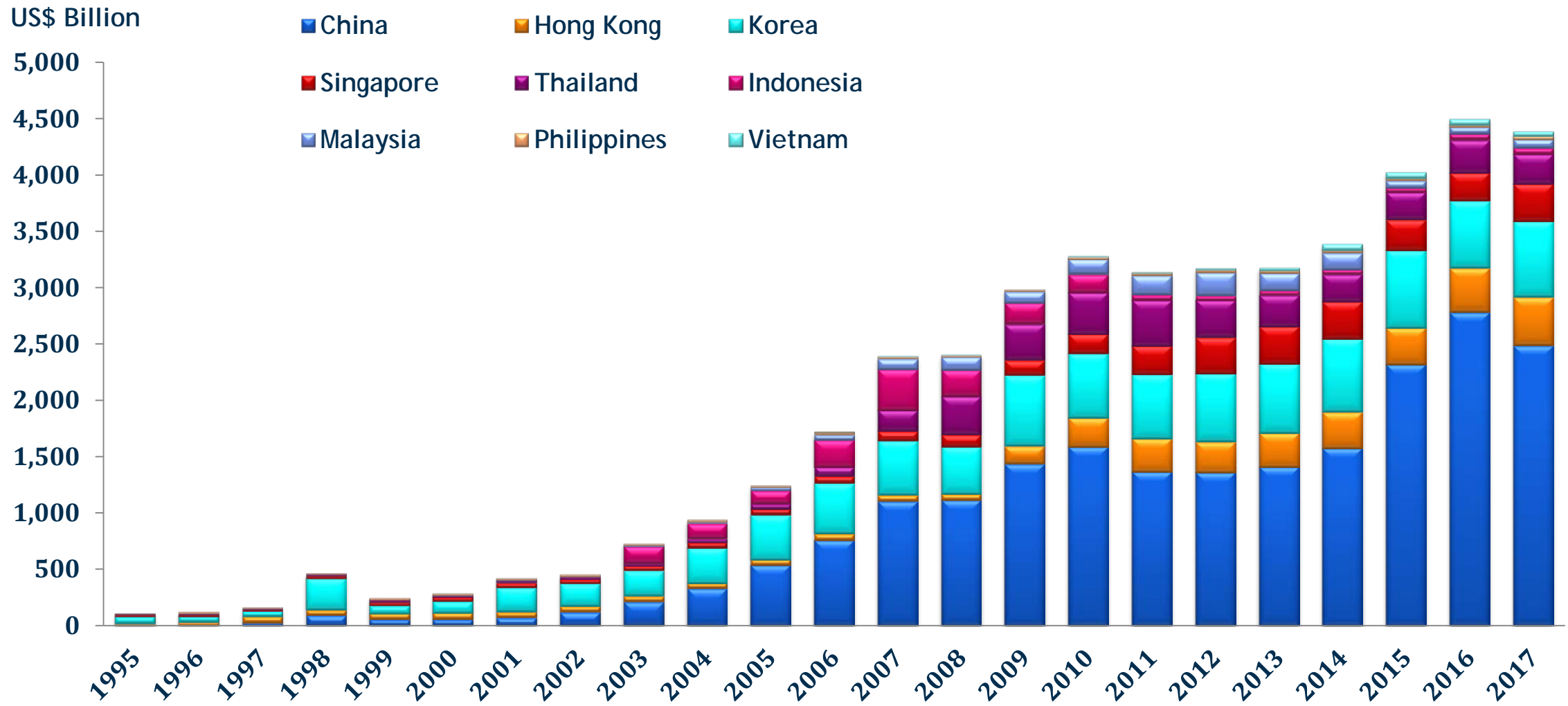
# America Goes to Work

## U.S. and Fortune 500 Employment



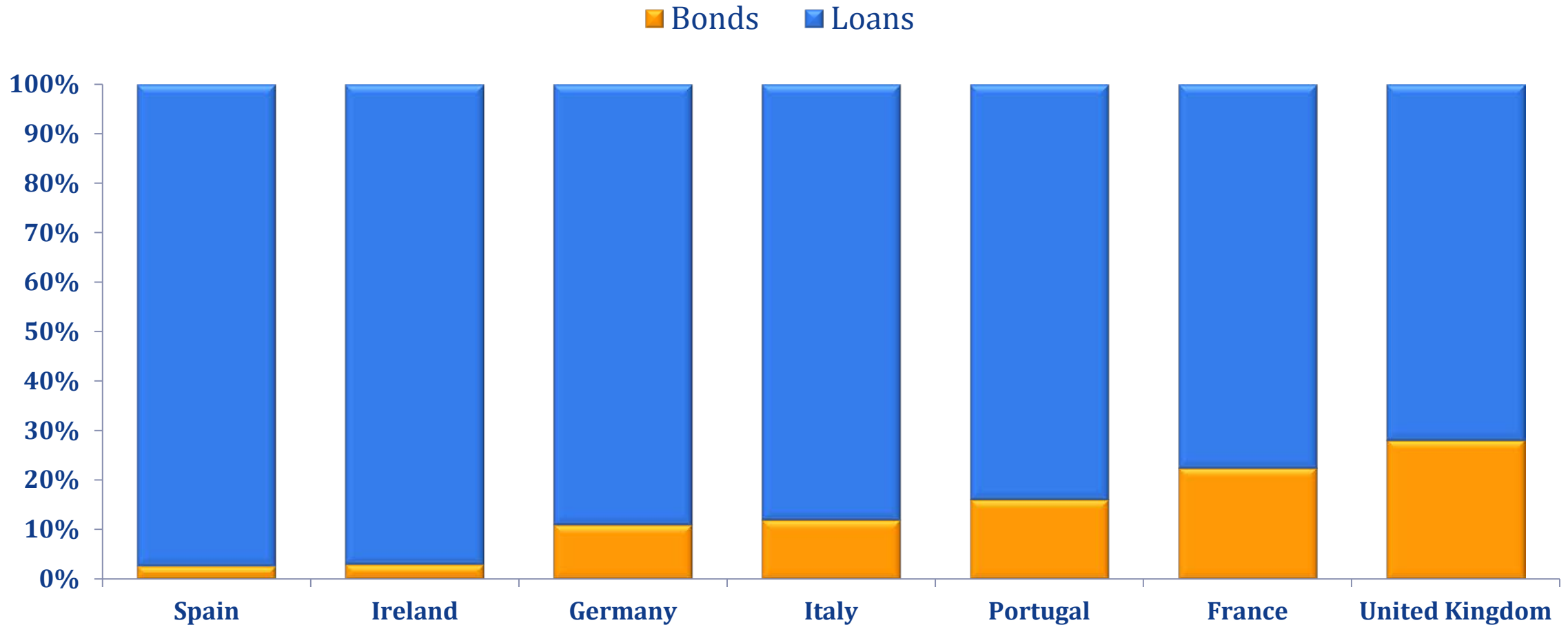
Source: Bureau of Labor Statistics, Bloomberg, Thomson Reuters.

# Issuance of Local Currency Bonds, Emerging Asian Countries



# European Credit Is a Bank Market

*Bonds and loans as a share of total corporate debt, Q4 2016*

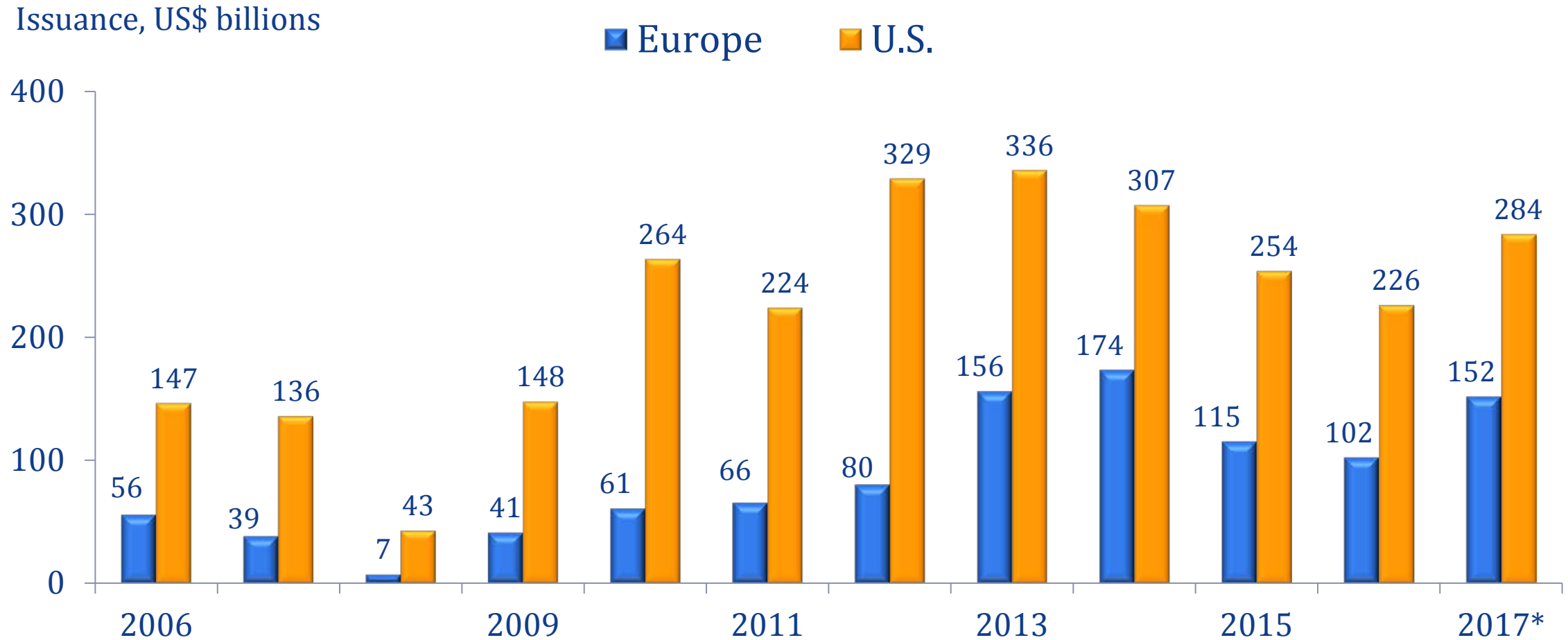


Note: Non-consolidated loans and debt securities.

Source: ECB (7/19/2017).



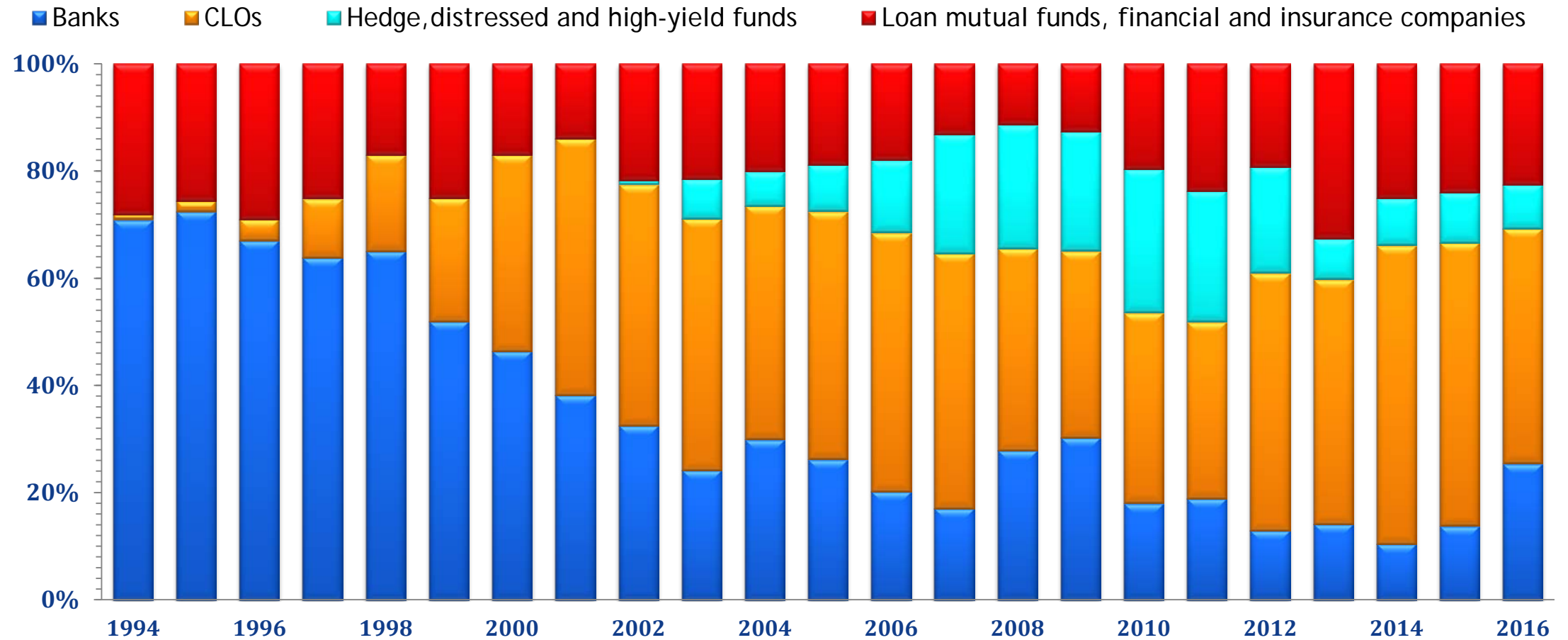
# U.S. vs. Europe High Yield Debt Markets



Source: Thomson Reuters, SIFMA.

Note: \* Till the end year of 2017; All European High Yield Issues; US High Yield Corporate Debt. (1/29/2018)

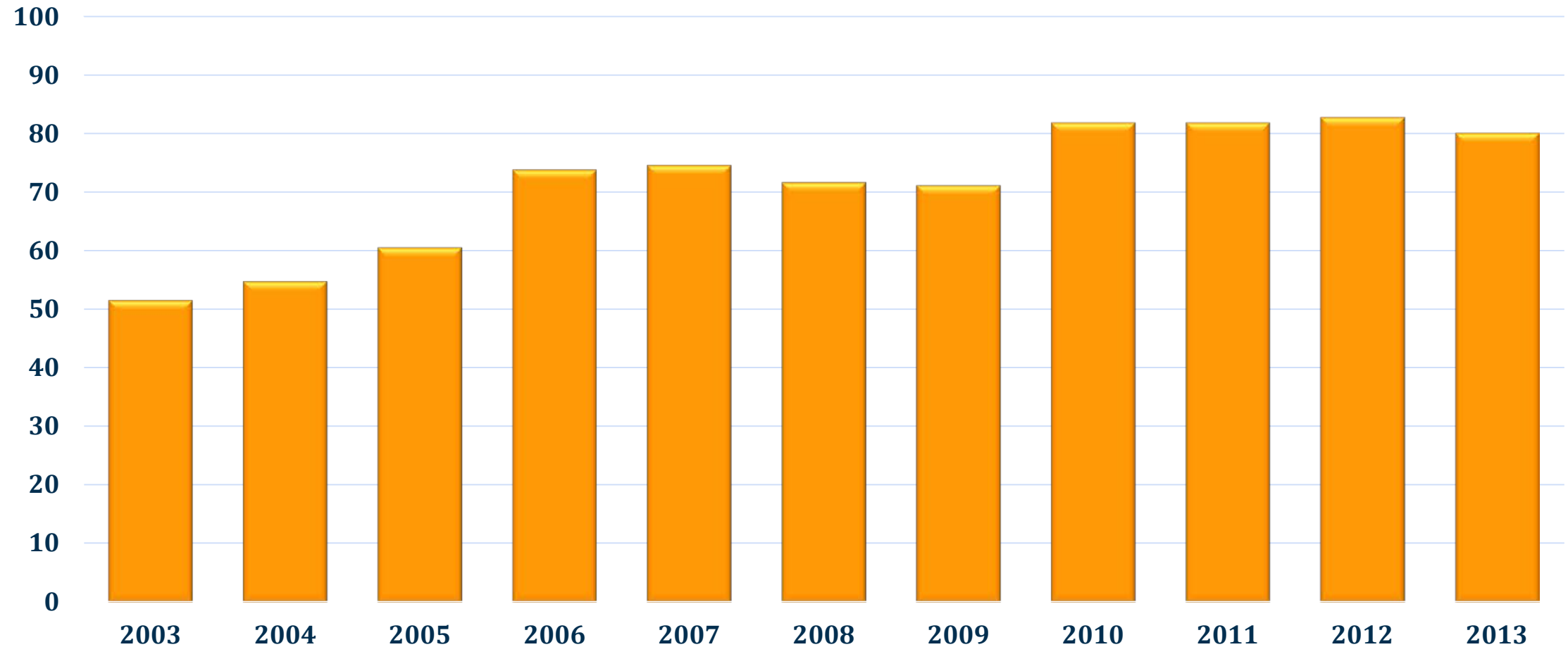
# Institutional Investor Base for Non-Investment Grade Loans



Sources: S&P LCD (4/11/16).

# Central Government Marketable Debt in Sub-Saharan Africa (% of Total Central Government Debt)

Percent



Source: OECD (2015), African Central Government Debt 2014: Statistical Yearbook, OECD Publishing, Paris.

# Financial Technologies

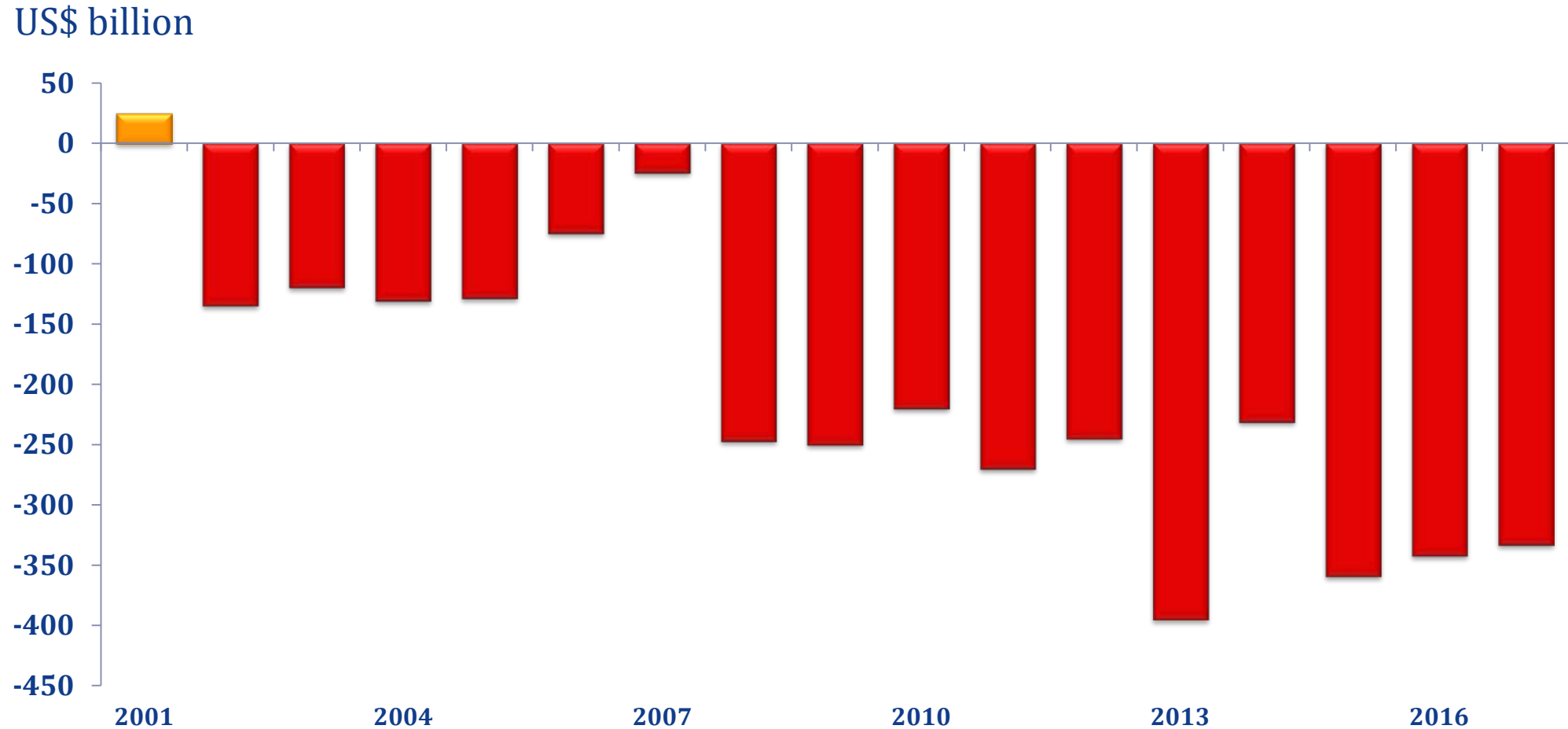
- ❖ **Inflation-indexed bonds**
- ❖ **Corporate bonds**
- ❖ **Project bonds**
- ❖ **Sub-sovereign bonds**
- ❖ **High-yield bonds**
- ❖ **Convertible bonds**
- ❖ **Collateralized loan obligations**
- ❖ **Collateralized bond obligations**
- ❖ **Securitized mortgages**
- ❖ **Securitized credit cards**

# Global Liquidity - Sovereign Wealth Funds

**(US\$ Billions)**

<b>1. Government Pension Fund of Norway</b>	<b>\$999</b>
<b>2. China Investment Corp.</b>	<b>\$900</b>
<b>3. Abu Dhabi Investment Authority</b>	<b>\$828</b>
<b>4. Kuwait Investment Authority</b>	<b>\$524</b>
<b>5. SAMA Foreign Holdings of Saudi Arabia</b>	<b>\$494</b>
<b>6. Hong Kong Monetary Authority</b>	<b>\$457</b>
<b>7. SAFE Investment Company of China*</b>	<b>\$441</b>
<b>8. Government of Singapore Investment Corp.</b>	<b>\$359</b>
<b>9. Qatar Investment Authority</b>	<b>\$320</b>
<b>10. National Social Security Fund (China)</b>	<b>\$295</b>

# Funding of the 100 Most-Underfunded S&P 500 Defined-Benefit Pension Plans



Source: Bloomberg (02/01/2017).

Note: 2017 data is as of latest fiscal year.

# Median Age Around the World

---

Nigeria	19.1
Rwanda	18.6
Kenya	18.0
Zimbabwe	17.8
D.R. Congo	16.5
Uganda	15.0
<b>ALL AFRICA</b>	<b>19.7</b>

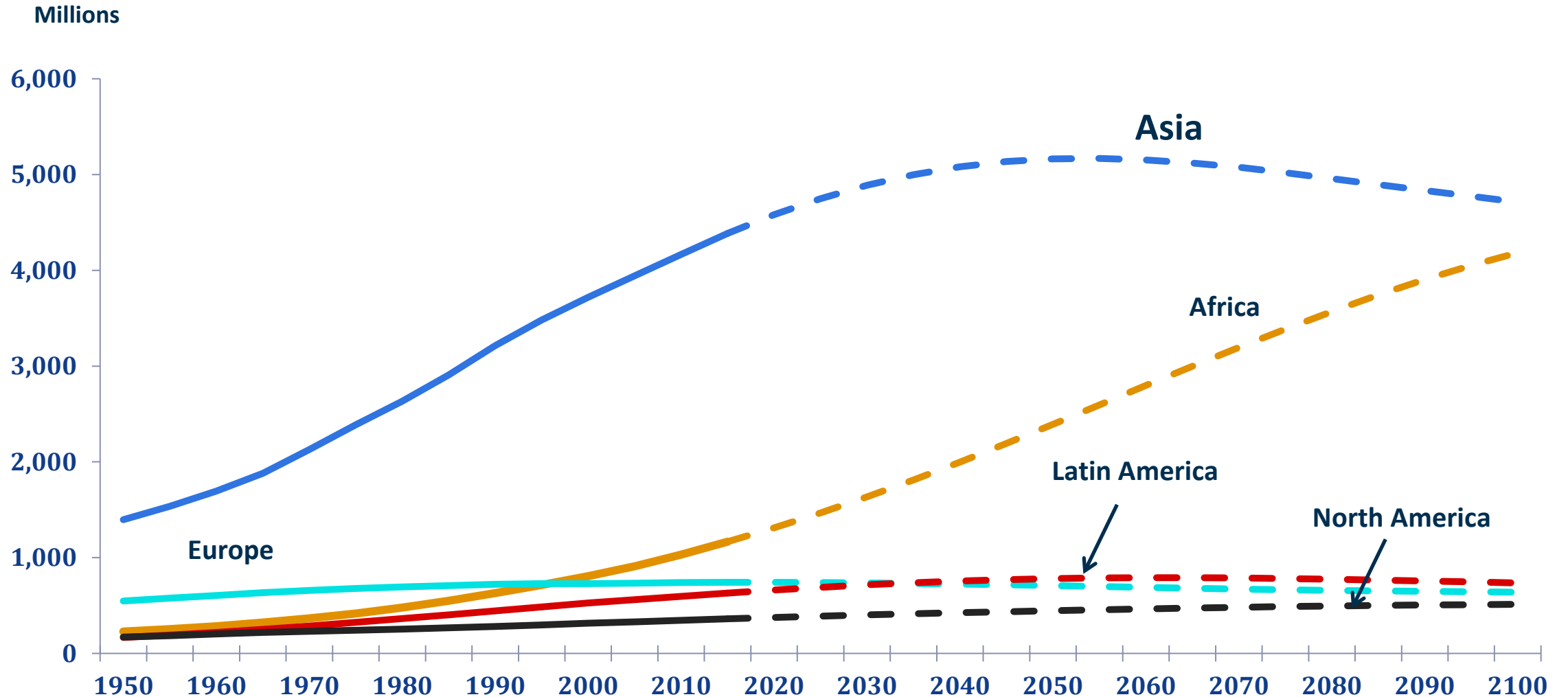
---

---

Japan	44.6
Germany	43.7
UK	40.5
Russia	38.5
US	36.9
China	35.2
<b>ALL WORLD</b>	<b>30.4</b>

---

# 21<sup>st</sup> Century Population Growth Will Be in Africa



Source: United Nations. Note: Latin America includes the Caribbean, dashed values are projected.



# Trending in Africa

- **By 2030, one in five people will be African.**
- **By 2050, Africa will add 1.3 billion people, more than doubling its population.**
- **2 billion babies will be born in Africa by 2050.**
- **By 2050, more than one-third of all children under 18 will be African, versus 10% in 1950.**

