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PwC says global infrastructure, capital spending to hit $9 trillion by 2025

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Global spending on capital projects and infrastructure is set to more than double by 2025 to $9 trillion a year as China and India play a greater role in driving the world economy, PwC says.

Investment in infrastructure is bouncing back from the financial crisis and will rise from the 2012 level of $4 trillion. This comes as spending shifts from developed economies in the West to emerging markets in the East, according to Charles Ostick, a partner at PwC Thailand.

"The outlook for infrastructure development is encouraging," Ostick said.

"Globally, spending is expected to accelerate significantly over the next decade with fast-growing emerging economies outpacing developed ones," he said, expecting growth of about 6-7% annually to 2025.

The Asia-Pacific market, driven by China's growth, will represent nearly 60% of global spending by 2025 as it is growing faster than nations hit harder by the financial crisis. By contrast, Western Europe's share will shrink to less than 10% from twice as much just a few years ago.

About $78 trillion will be spent on capital projects and infrastructure globally between now and 2025, according to the study.

PwC's Capital project and infrastructure spending: Outlook to 2025 analyses infrastructure spending trends in 49 countries on six continents. The report, which Oxford Economics helped research, estimates the scale of current infrastructure investment and assesses the prospects for future investment to 2025.

Growing urbanisation, demographic shifts, changes in economic power, technology, and natural resources will drive future infrastructure spending, the PwC study said.

Funding and government finances would also help less debt-burdened emerging countries provide better transportation, health and education facilities as the middle class demands more.

Manufacturing of petroleum, chemicals, and heavy metals, and extraction of coals, metals, and minerals will be the top two contributors to 2014–2025 spending, it said.

China's infrastructure spending is set to grow by an average of 10% a year from now until 2025. Rising incomes will boost demand for transportation infrastructure while cities swell to accommodate around two thirds of the population by 2025, up from just over half currently. Spending on social infrastructure including healthcare and education is also expected to rise significantly as the population ages.

Thai infrastructure spending outlook

In Thailand, the spending outlook for capital projects and infrastructure is positive, with investment projected to reach $58.5 billion (Baht 1.8 trillion) by 2025 driven by high-speed rail projects, Ostick said.

"We expect to see Thailand's share of total global spending to rise in the near term due to the anticipated high-speed rail project," Ostick said. "Growth will be broadly stable over the longer term."

Thailand is projected to be South-East Asia's second largest spender on infrastructure until 2025 behind Indonesia's $165 billion, according to the study.

This is followed by Vietnam's $56 billion, Malaysia's $45 billion, the Philippine's $27 billion, and Singapore's $18 billion, it showed.

Thailand's railway mega-project is expected to lift the economy, and funding sources could range from banks to public-private partnerships to an infrastructure fund.

"We expect the rail system development to boost the overall economy, particularly for investment and consumption, driven by new property developments along the routes," Ostick said, adding that infrastructure spending is essential for security, health, and continued prosperity for the country.

"What's more crucial is for policymakers, businesses, and citizens to understand the factors that drive demand for infrastructure investment, and the factors influencing economies' capacities to invest."

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