



IMPACT OF BUILT ASSET WEALTH ON COUNTRY'S ECONOMY

Dr. Saarla Ramesh*

Mohammed Anas Ali**

*Department of Human Resources Management, Kakatiya University, Warangal.

**Student Pursuing 5th Year in Integrated Dual Degree Programme (IDP), B.Tech & MBA with Bachelors in Civil Engineering(CIVIL), Masters in MBA with specification of Marketing, JNTUH College of Engineering, Hyderabad.

Abstract

India is one of the most populated country in the world next to china. India has the second highest population in the world. Development of new buildings and infrastructure has boosted national economic growth for centuries. In other words it forms building blocks on which country generates its GDP. Government all over the world has recognise the value the built environment provides, from the economic impact of new house , road and power station to the platform for the economic growth of country. The Built asset wealth contributes to the GDP of the country in terms of physical assets which contributes to nation's productivity.

We will discuss on Built asset wealth performance of INDIA

We will also discuss on Built asset wealth performance of CHINA and USA.

Keywords: Build asset, GDP, Growth Forecast, Redefining assets, Operating assets, Build asset boosting strategies.

Built asset Performance Index

The Importance of Built Assets to National Wealth

Across the world, governments are planning and redefining their built environments in order to improve quality of life for their citizens and generates better return on economy. A highly built environment is an important foundation to build economic wealth upon.

Total Built Asset Returns

Countries are under pressure in order to perform and built assets in powering to generate growth of economies. Therefore finding new ways to improve asset productivity is one of the key to achieve long term success in economic growth of nation. This measurement helps in determining economic progress that a country could achieve in future. It also reflects the ROI obtained from economy and thus the potential profitability of business operations in it.

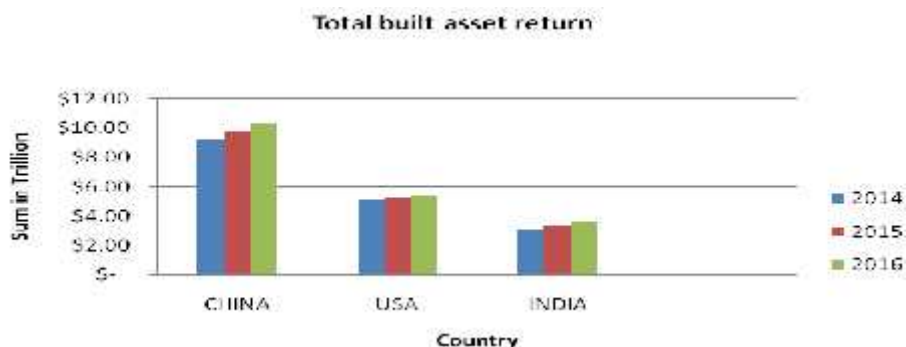
The analysis of built asset wealth index gives the understanding of built asset in demand, growth and changes that occurs in economic performances.

New techniques and business plans in designing, construction, operations and redefining of built asset can have a major impact on short and long term returns from infrastructure.

The returns from built assets is closely related to size of economy as measured by GDP.

Total built asset returns (All values are in Trillion)

RANK	COUNTRY	2014	2015	2016
1	CHINA	US \$9.3	US \$9.85	US \$10.4
2	USA	US \$5.2	US \$5.31	US \$5.4
3	INDIA	US \$3.1	US \$3.4	US \$3.6





Build Asset Returns as a Share of GDP

The highest build asset returns, as a percentage of GDP, are found in China followed by India and then USA. Basically middle income emerging economies tend to rely more on their built assets to generate economic returns as they have heavy industries. On the other hand developed countries have low GDP from Built asset as their economies have more diverted towards people oriented services and industries. Manufacturing is a capital key factor and therefore and significantly more national income is obtained in the form of returns to assets rather than wages.

RANK	COUNTRY	2014	2015	2016
1	CHINA	55.2%	53.6%	52.9%
2	USA	33%	31.7%	30.2%
3	INDIA	44.8%	45.3%	46.9%



Spotlight on China

Overall built asset return	US \$ 10.4 TRILLION
Built assets returns as share of GDP	52.9%
Built asset returns per capita	US \$7493

China's economic growth is powered by its built assets, which makes the country number one in world in generating return on investment in built assets. The share of GDP returns accounted for built assets increased by 39% in 1990 to 52.9% in 2016. This is expected to be the peak as china's economy gradually rebalances towards people oriented services and consumption, as opposed to manufacturing and investment, but this process if it continues will reduce its half of GDP within a decade's time.

China is clearly experiencing a slow down, GDP is still forecast to grow at 7% and there is an expectation for the country to invest on built asset at an unprecedented level. China has looked to new avenues to sustain its growth, with One Belt One Road (OBOR) as one of the best examples. The OBOR will create an economic belt stretching its belt from Europe to West Asia to middle east countries that includes countries on the original silk road and also maritime route to touch all of African countries Europe via the Suez canal. Other large mobility programs will redirect china's domestic overcapacity and thus result in capital investment for the long term foreseeable future all across the country.

Spotlight on USA

Overall built asset return	US \$ 5.4 TRILLION
Built assets returns as share of GDP	30.2%
Built asset returns per capita	US \$ 16,762

The USA has been a steady downward trend in its built asset share over the past 26 years. There are two factors that have contributed declining reliance on built assets are the rise of the country's service sector profile and the subsequent contraction of the manufacturing sector as plants migrates away from USA to lower cost countries for its productivity operations. With a significant gap between country's infrastructure investment needs and government's planned funding, the issue is getting



more public and government attention. As rapid urbanisation has increased in USA it is straining their existing systems. There are strong efforts in order to increase the performance of existing assets with the issue of better data, technology and decision making. Only time is the one which tells you about capability required to increase the performance of built assets. In addition to these, the new administration plans for additional infrastructure investment over the next decade will impact on future ranking of USA.

Spotlight on India

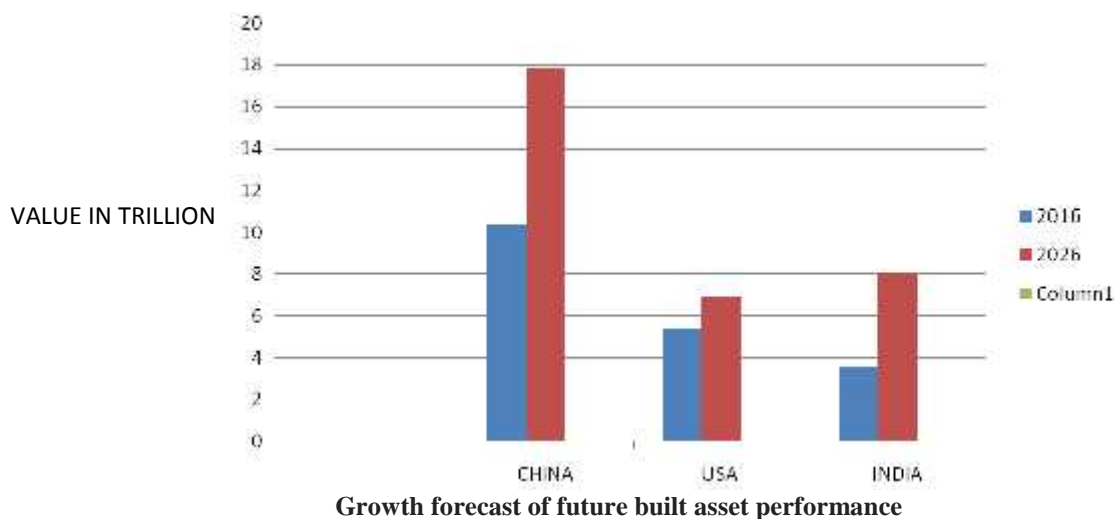
Overall built asset return	US \$ 3.6 TRILLION
Built assets returns as share of GDP	46.9%
Built asset returns per capita	US \$ 1154

India is one the most populous country followed by china in the world and hence it is rapidly developing its infrastructure and industry, and has opened to world for their direct investment in country. According to IMF, India is projected to growth rate of GDP at 7.6% in 2017 compared to 7.3% in 2015 and 2016. India's growth momentum is expected to be underpinned by private consumption, which has benefited from reduction in energy prices and increase in real incomes. Indian government has come with certain plans like Smart city mission launched in 2015 under which 98 cities have been selected for smart city project. According to union development ministry's communication, it has allocated US \$ 16,666,666 per each city per year over a period of 5 years . India is forecast to overtake USA as the economy increases real returns to built assets almost by 126% - highest growth by any country in the index. India is now starting to catch up with china and will eventually overtake in the second half of century in terms of built assets .Now it's a challenging task for government of India to remain attractive to investors while maintaining the rate of investment in built assets that will help the India to close the gap with more advanced nations. If the built assets performance of India grows on same scale as of now, it is expected to be overtaking USA by 2026 and China by 2050. India's economy has been increasing rapidly for years, but momentum received a boost in mid-2014 with the election of Narendra Modi. A more pro-business stand cheered many companies, while a slightly more authoritarian style is more likely to drive through infrastructure projects. Improving energy, transport , utilities and housing will remove bottlenecks in Indian growth that make businesses less productive, preventing the economy in reaching its potential .India will rely on foreign investors to help it achieve this , but growth prospects in most of the rest of the world will work in favour of India in attracting capital .

Future Built Asset Performance

Growth Forecast

To forecast future built asset performance the same method has to be used as calculating the present values. GDP forecasts are collated and past methods are used to estimate the expected share of national income going to labour and resources. Some expected forecast can be India overtaking USA by 2026 and China by 2050. China's asset wealth accumulation slows down a bit, but not much.



How to Increase Built Asset Performance

The above report of built asset performance clearly show the relationship between GDP and built assets. It has shown how countries like India , China and USA are proactively managing their built asset wealth to put them in a position to reap the



economic returns over the coming decade, others are in danger of their built asset base leading to slow decline in their economies.

Urbanisation increase the hunt for natural resources and climatic changes increase, the risk of flooding and natural disaster, built environment is critical. Creating a stable built asset base will enable people to economic values possible, but demands a clear long term vision.

Investors, owners and migrators from other regions in both public and private sectors have a role to play in increasing built asset performance to benefit themselves and their economy.

Strategies for Boosting Built Asset Performance

Planning

- Links to strategic vision and master plan
- Assess the scope/ scale
- Attracting the investor, owners
- Considering alternative financial / ownership goals

Creating

- Defining end / business outcome
- Consider whole life cycle cost
- Asset information obtained from its delivery
- Management of risk and time

Operating Assets

- Enable competitive advantage
- Drive social and community benefits
- Understand linked social and environmental regulations

Redefining Assets

- Vision for Regeneration
- Assess extent of environmental liability from prior use
- Assess economic benefits v/s cost of clear up

Conclusion

The performance of built assets continues to be an important factor for nations seeking their economic growth. Developing the new assets and realisation of their associated economic and social benefits takes time, that's why trends over a period of decade show more movement than just year to year analysis. No matter in which stage the country is in the maturity of its building and infrastructure, we seek good lessons from practices in other countries around the world. Technology is one of the key factor in effectively boosting the built assets for government, investors and operators. Thus those who seek collaboration in work with innovative plans have more potential to see effective improvements in built assets.

Overall, the most successful nations will be those that consider the whole lifecycle of the assets they are building in order to get developed. Through doing this, built asset owners can be more confident that the assets they are creating will be built to last and can support successful economic and social future.

Data Sources

1. IMF
2. PENN World Tables
3. CEBR Analysis
4. National Statistical Agencies
5. Indian Ministry of Statistics (<http://mospi.nic.in/>)
6. National Bureau of Statistics China (<http://www.stats.gov.cn/english/>)
7. US Bureau of Economic Analysis (<http://www.bea.gov/>)