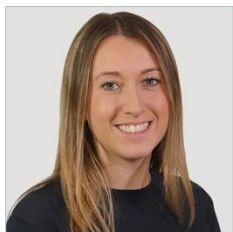


# CHARTING THE COURSE



**Rebecca White**  
Global ESG research  
analyst

## What are the investment implications of the World Bank's key charts of 2018?

As 2018 came to a close, the World Bank highlighted 14 key charts that capture the global challenges that we face.<sup>1</sup> These challenges affect the economic context, as well as trends that shape investments across the globe. At Newton, we have reviewed which of these charts are especially pertinent to investors.

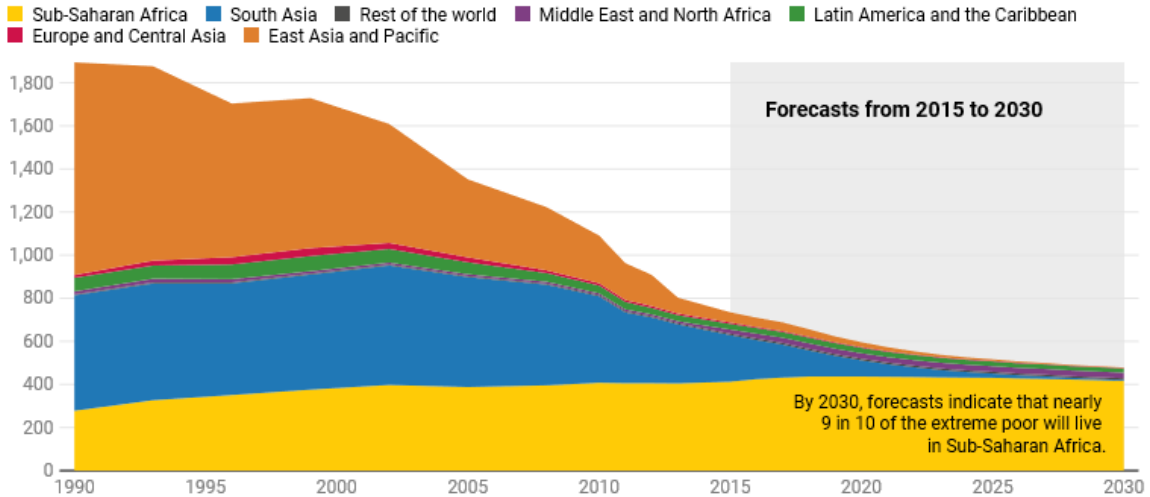
## EXTREME POVERTY IS CONCENTRATED IN SUB-SAHARAN AFRICA

Contrary to the global trend, extreme poverty is increasing in Sub-Saharan Africa – there are more people in extreme poverty here than the rest of the world combined, with average poverty rates at 41%, which is well above the global average of 13%. The UN Sustainable Development Goals (SDGs) aim to alleviate global poverty by 2030, and these statistics make it clear that significant progress is required in Sub-Saharan Africa in order to reach this goal. As such, initiatives that positively affect this region are likely to have a greater impact on addressing poverty and achieving the SDGs.

<sup>1</sup> <https://www.worldbank.org/en/news/feature/2018/12/21/year-in-review-2018-in-14-charts>

## By 2030, nearly 9 of every 10 people in extreme poverty will be living in Sub-Saharan Africa

People in extreme poverty (millions)

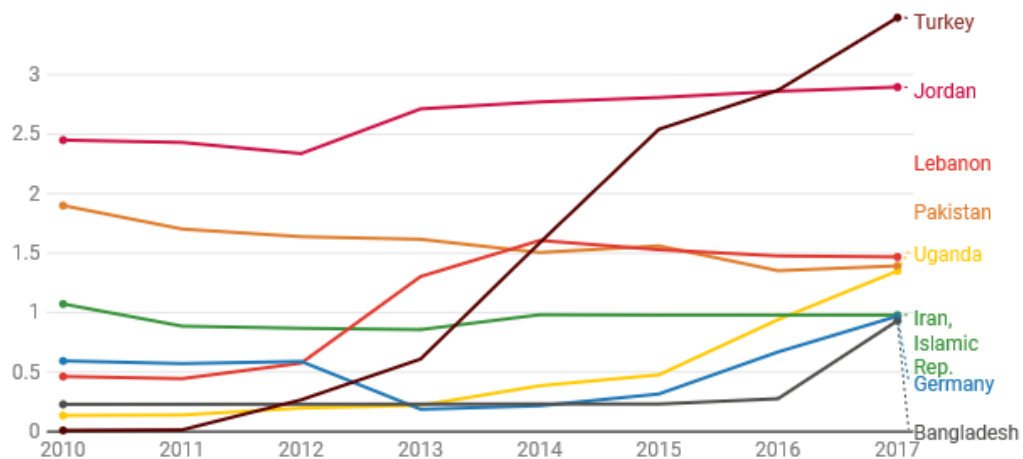


Source: World Bank PovcalNet and Poverty & Equity Data Portal

## 68.5 MILLION PEOPLE HAVE BEEN FORCIBLY DISPLACED

### Refugee population, by country of asylum

(millions)



Selection criterion: Countries hosting highest number of refugees

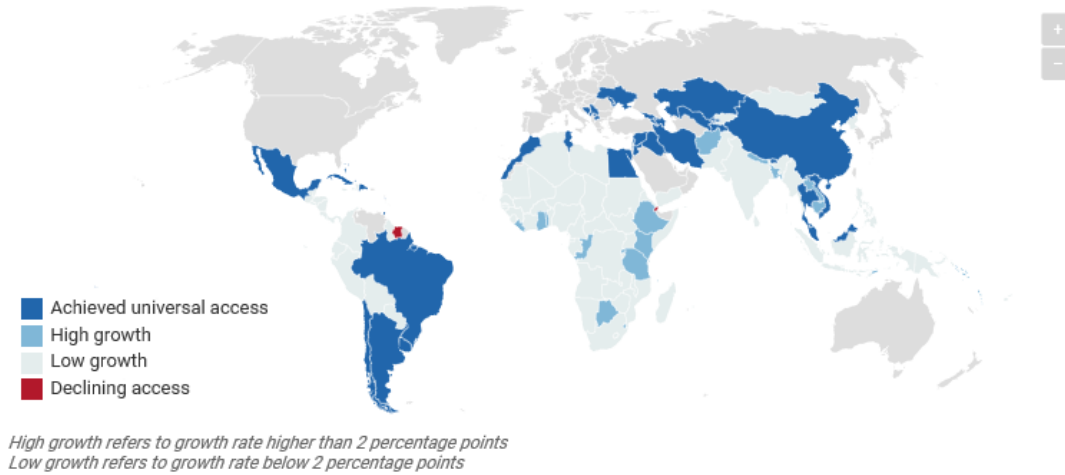
Source: World Development Indicators (SM.POP.REFG)

Over 25 million refugees globally are living abroad, with 85% of these in developing countries, as of 2017. As a result of the influx of people, many countries are experiencing strains on their resources, as well as political tensions, both of which are affecting economic conditions and trade. An extreme example is Lebanon, where one in every four members of its population is a Syrian refugee, meaning that it hosts the largest number of refugees per capita in the world. In fact, we think this is going to continue to be such an important trend in the consumer goods sector that we've made authenticity one of the sub-themes of our overarching consumer power investment theme.

# ONE BILLION PEOPLE LIVE WITHOUT ELECTRICITY

## Electricity access is improving in nearly all developing countries

Annual growth rate (percentage points), 2010-2016



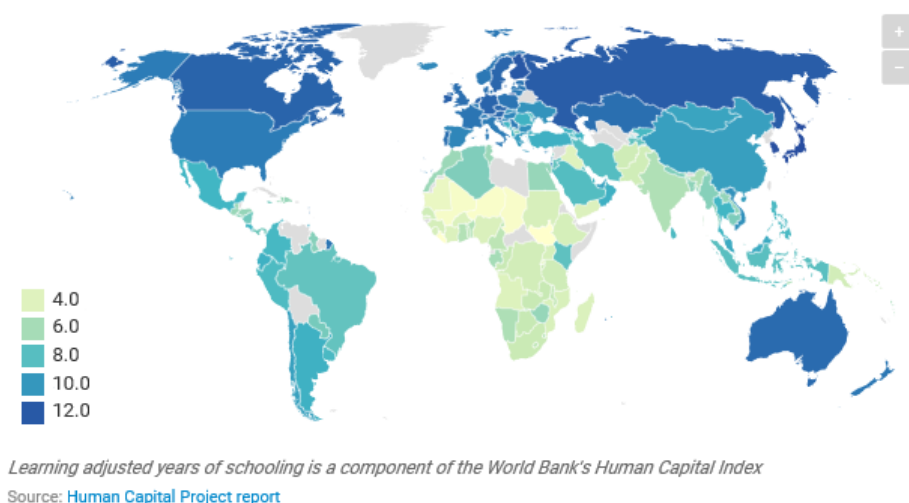
Source: A Year in Review: 2018 in 14 Charts, World Bank, 21/12/2018<sup>2</sup>

These one billion people make up roughly 13% of the world’s population, and are concentrated in Central and South Asia and Sub-Saharan Africa.<sup>3</sup> Inaccessibility to electricity disproportionately affects those in rural areas, with 87% of those without electricity living rurally. However, much like the reduction in global poverty, significant gains have been made in access to electricity. Since 2010, 40 countries have achieved universal access to electricity. Most notably, between 2010 and 2016, India consistently provided access to electricity to 30 million more people each year.

# REGIONAL INEQUALITY IN EDUCATION REMAINS HIGH

## Educational attainment reveals regional differences

Learning adjusted years of schooling, 2017



<sup>2</sup> <https://www.worldbank.org/en/news/feature/2018/12/21/year-in-review-2018-in-14-charts>

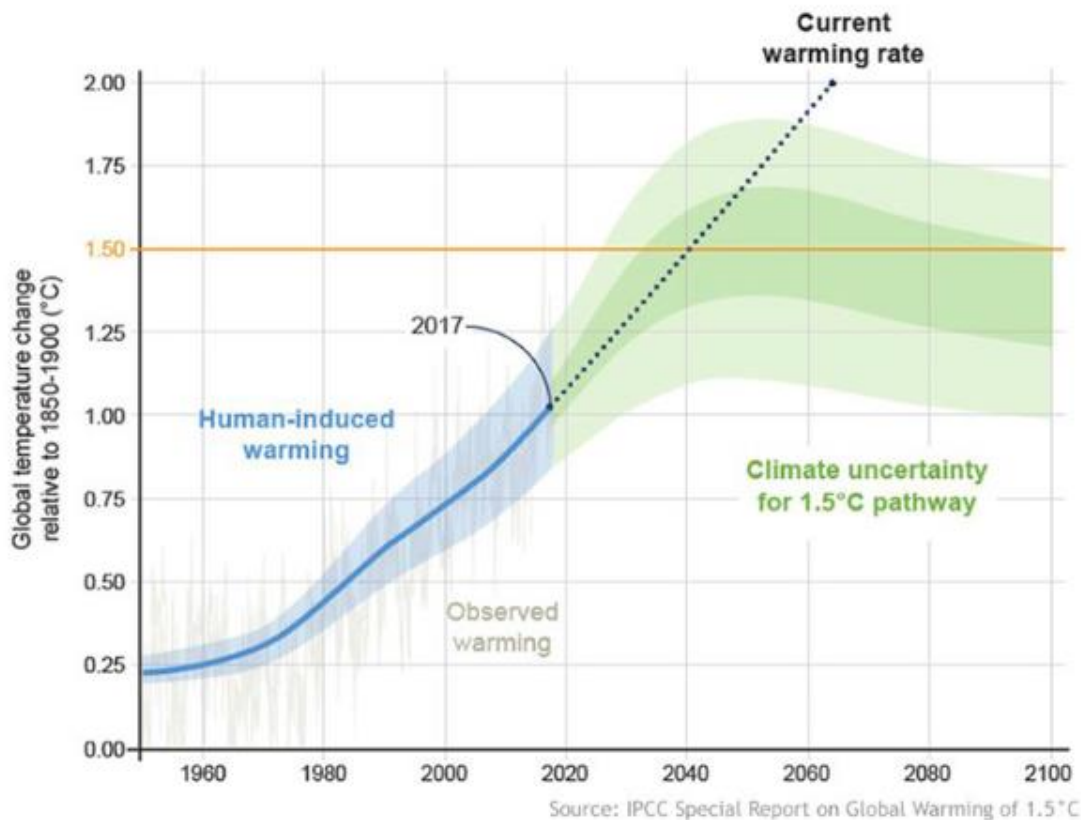
<sup>3</sup> [https://trackingsdg7.esmap.org/mwg-internal/de5fs23hu73ds/progress?id=VqcRW0L4CVs2JelL\\_NZKgWPDHaA0RrdTJ17GI5q9zQY](https://trackingsdg7.esmap.org/mwg-internal/de5fs23hu73ds/progress?id=VqcRW0L4CVs2JelL_NZKgWPDHaA0RrdTJ17GI5q9zQY),

In 2017, the World Bank mapped out the 'learning-adjusted years of schooling' across countries globally, showing extreme regional differences. For example, in Finland this value exceeds 12 years, whereas in South Sudan it stands at just over two years, while it is estimated that in lower-income countries, 260 million children and youths are not in school at all. Political instability, violence and poorer health are thought to exacerbate these regional differences. However, as demand for advanced skills increases as some roles are replaced by technology, the importance of education is likely to become even more significant.

## CLIMATE CHANGE MAY WORSEN BOTH POVERTY AND MIGRATION

### How close are we to 1.5°C?

Human-induced warming reached approximately 1°C above pre-industrial levels in 2017

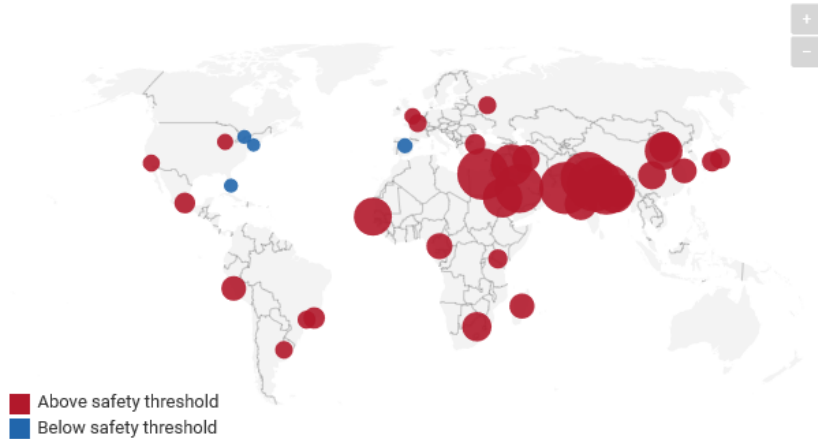


In 2018, the Inter-Governmental Panel on Climate Change published a hard-hitting report, stating that global warming must be kept to just 1.5°C, but that the planet has already warmed by 1 degree since pre-industrial levels. This has prompted a heightened sense of urgency in the need to address climate change. Research by the World Bank suggests that climate change could have a vast impact on both poverty and migration – pushing an additional 100 million people into extreme poverty, and causing 140 million people in Sub-Saharan Africa, South Asia and Latin America to relocate. At Newton, climate change is a key area of focus for our responsible investment team – this has been an engagement priority for some time now, and is likely to remain so for the foreseeable future. In line with this, we have released a Task Force on Climate-related Financial Disclosures (TCFD) report, outlining how we consider climate risks and opportunities that affect our business, as well as our clients' investments.

# 91% OF THE WORLD'S POPULATION BREATHE POLLUTED AIR

## Air pollution in the world's largest urban agglomerates

Size of bubble: Coarse particulate matter or PM10 (Annual mean, ug/m3), most recent value (2014-2017)



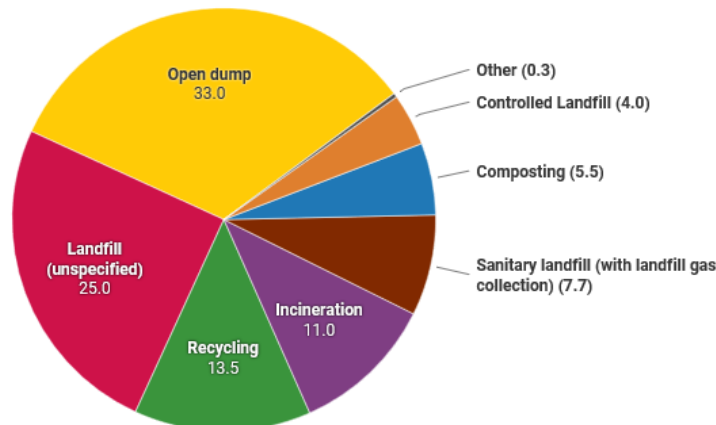
*Note: The most recent data available for some cities is older than 2014 - Yaounde (2012), Johannesburg (2011), Karachi and Nairobi (2009), and Antananarivo (2008).  
 Cities selection criteria: Five largest urban agglomerates by region (conditional on data availability); additional cities from India and China were chosen to emphasize the extent of highly polluted cities  
 Safety threshold defined by the World Health Organization*

Air pollution is causing increasing concern owing to the associated health risks. As air quality declines, the risk of strokes, heart disease and lung cancer increases.<sup>4</sup> It is estimated that seven million deaths a year occur because of air pollution, disproportionately affecting those in low and middle-income countries. However, poor air pollution also poses a health risk in London, where pollution levels exceed the World Health Organisation safety threshold.

## OVER A THIRD OF WASTE IS DUMPED OR BURNED<sup>5</sup>

### Open dump is still the most common way of treating and disposing waste

Global waste treatment and disposal (%)



Source: [What A Waste 2018 Report](#)

<sup>4</sup> <https://www.who.int/airpollution/data/cities/en/>

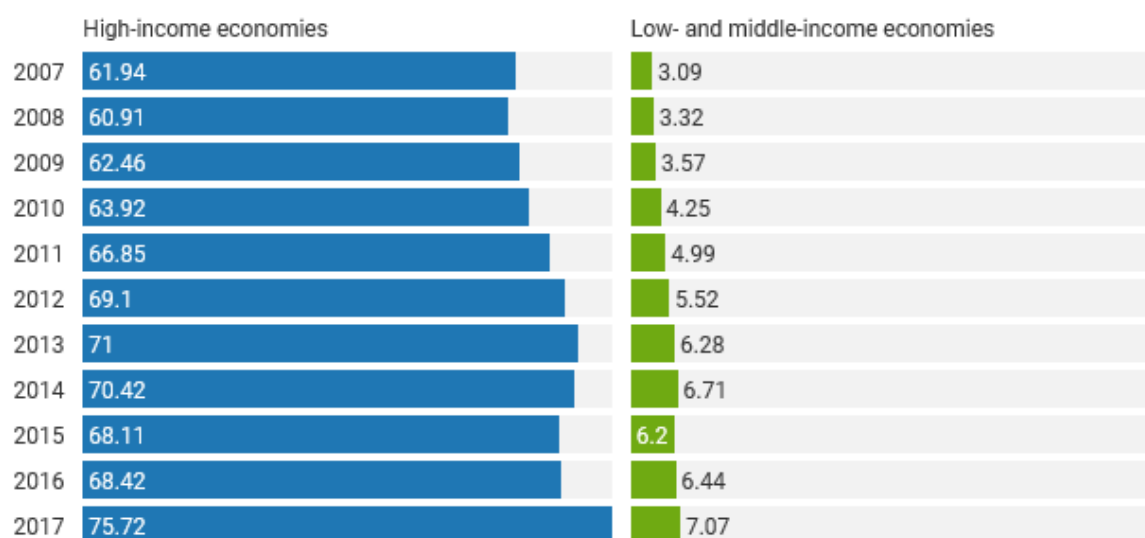
<sup>5</sup> [https://openknowledge.worldbank.org/mwg-internal/de5fs23hu73ds/progress?id=Xb\\_ULVYRABwnqP6NY8qCD9plNvqFI\\_naeyqqoZMptc](https://openknowledge.worldbank.org/mwg-internal/de5fs23hu73ds/progress?id=Xb_ULVYRABwnqP6NY8qCD9plNvqFI_naeyqqoZMptc)

David Attenborough’s ‘Blue Planet II’ documentary series was critical for drawing attention to the devastation that plastic waste in particular is causing to our oceans and wildlife. It is clear that this has affected many consumers in the UK, as demonstrated by the mass-rejection of disposable plastic straws and coffee cups. We have also seen the European Union pledge to ban the ten most common single-use plastics appearing in European seas and beaches, which will force companies to address the issue or face regulatory action, in addition to the increased public scrutiny that can already be witnessed.<sup>6</sup> However, we must not assume that this is representative of global attitudes to waste. As the World Bank states, “Adequate waste treatment and disposal is almost exclusively the domain of high and upper-middle-income countries. In low-income countries, 93 percent of waste is burned or dumped in roads, open land, or waterways, compared with only 2 percent of waste in high-income countries.”

## LOW AND MIDDLE-INCOME BORROWING HAS SOARED

### External debt has grown since the global financial crisis

Total external debt stocks, 2007-2017 (current US\$, trillions)



Source: [International Debt Statistics and Quarterly External Debt Statistics \(DT.DOD.DECT.CD\)](#)

According to International Debt Statistics, borrowing by low and middle-income economies tripled between 2016 and 2017, and levels now stand at over \$600 billion.<sup>7</sup> Eleven low and middle-income countries also have higher

<sup>6</sup> [https://ec.europa.eu/commission/news/single-use-plastics-2018-may-28\\_en](https://ec.europa.eu/commission/news/single-use-plastics-2018-may-28_en)

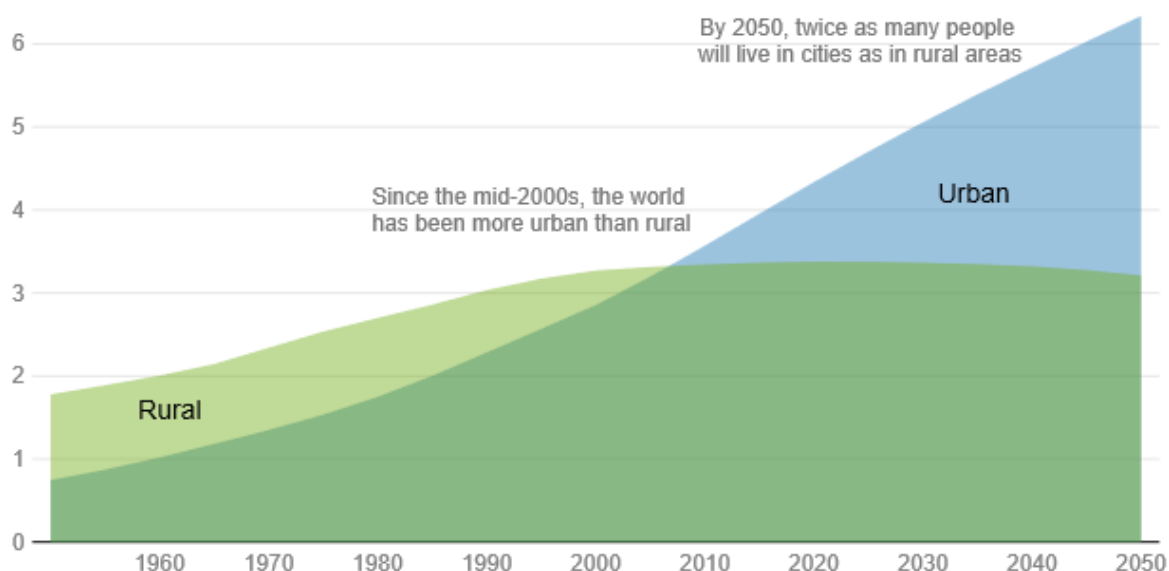
<sup>7</sup> <http://www.worldbank.org/en/news/press-release/2018/11/13/borrowing-by-low-and-middle-income-economies-more-than-tripled-in-2017-world-bank-international-debt-statistics-show>

debt levels than gross national income. Overall, this increase in debt, particularly in relation to income, is leading to concerns relating to financial instability and vulnerability.

# 55% OF THE WORLD'S POPULATION LIVES IN A CITY

## The Global Rise of City Dwellers

Worldwide urban and rural population (billions)



Source: [UN World Urbanization Prospects](#)

In 1960, just one third of the population lived in a city, but by 2050 it is expected that two-thirds of the population will, representing a significant shift in the movement of the world's population. This trend is likely to be even more pronounced in developing countries. In particular, India, China and Nigeria are expected to account for over a third of the global, urban population growth between 2018 and 2050. This urbanisation trend is likely to drive the demand for infrastructure, housing and services, and have significant influence on our societies.

### Want to find out more?

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