



Global water markets

High investment requirements are set against institutional risks

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The global water markets are confronted with major challenges. The increase in the world's population is going hand in hand with rising demand for food, energy and other goods. This also means a higher demand for water that is set against a limited supply of this vital resource. Usage conflicts are inevitable, and will be exacerbated by the wasteful use of water and pollution of the available sources. Scarcity of water is a humanitarian problem and it can curb economic growth. Climate change will amplify many water-related problems and create new ones.

We put the annual investment requirements in the global water industry at an estimated EUR 400-500 bn. Measured by this yardstick the sector is marked by underinvestment, especially because the water prices in many areas are subsidised and thus too low. As a result, there is a lack of incentives for necessary investments. The prices do not reflect the scarcity of water as a resource; squandering is rewarded. Corruption and a lack of ownership rights compound the problems. To achieve a sea change, the water prices in many countries would have to be boosted. The necessity of taking account of social aspects in the process puts narrow limits on this objective in practice.

Governments will not be able to raise the funding needed to cope with the upcoming tasks on their own. While there is considerable resentment towards private firms investing in the water sector, the public sector is simply unable to meet all the challenges single-handedly. For this reason, we believe it makes sense for governments and the private sector to cooperate more closely.

Makers of "water technologies" stand to benefit over the next few decades from huge sales potential – despite the risks cited. The demand for efficient irrigation technologies, seawater desalination and sewage facilities, technical equipment (e.g. pumps, compressors and fittings), filter systems and disinfection procedures will probably pick up sharply.

We have used a scoring model to rank the attractiveness of various countries for investments in the water industry. The Top 20 include many countries from the Middle East that are rich because of their oil reserves, are located in very dry regions and are relatively stable in political terms. Two big industrial countries, Germany and the US, and the world's two most populous nations, India and China, are also among the Top 20 of our ranking. In principle, though, all countries require a substantial amount of investment in the water sector.

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