

by Richard Morrow | 22 hours ago

Investors see digital infra as key investment area

They overwhelmingly believe that digital infrastructure is becoming more important than regular infrastructure for investment, according to a new survey.



Investors across the world are set increasingly to allocate money towards digital infrastructure-related investments, and most believe countries that fail to invest enough into this area will lose their competitiveness, which could impact investment flows, according to a new survey.

The study, which was conducted by digital infrastructure consultancy M&E Global and JGlobal, gained responses from an array of fund managers, banks and providers of digital infrastructure across the world*. All-told, 63% of respondents said that the Covid-19 pandemic would help expand the importance of digital infrastructure, as socially isolated people rely on technology to do their work and to socialise.

According to the survey, "digital infrastructure consists of an eco-system of areas including 5G/connectivity, data centres, Internet of Things (IoT) and smart applications (e.g. smart cities). IoT devices, sensors, applications are on track to become a \$2.4 trillion market worldwide by 2027".

As a press release for the survey noted, [Asian Infrastructure Investment Bank \(AIIB\)](#) research "shows digital infrastructure needs an injection of more than \$1 trillion in the near future to meet the demand for 5G, data centres and digital applications such as smart cities and intelligent transportation, with 50% of that attributable to Asia".

The importance of the global digital economy is quickly expanding. The [World Economic Forum](#) estimated in 2018 that the digital economy was worth \$11.5 trillion and growing at 10% a year. It predicted that it would make up 25% of global GDP by 2028.

MIXING OLD AND NEW

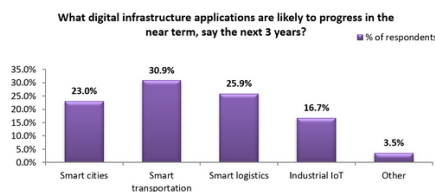
According to the survey, twice as many respondents believe digital infrastructure to be a superior means for governments to help reinvigorate economic growth than more traditional routes of investing into roads, railway, bridges and ports – or even renewable projects, a growth area given the need to combat climate change.

In addition, almost a quarter of participants (22.2%) said they believe digital infrastructure would help to improve "the resilience" of existing infrastructure. This included the ability better to monitor the level of traffic on roads, for example, and smart cities becoming more energy efficient.

"There was a feeling that digital infrastructure could be a big driver for financiers, insurers and pension funds in the life cycle of infrastructure," said Mathew Garver, president of M&E Global. "It can offer more value by having sensors on transportation corridors and bridges, which can help a lot with data driving the exact need for maintenance and when it's critical to do it. That can have huge cost savings in terms of [amortisation] prevention."

He told *AsianInvestor* that the ability of sensors to monitor the impact of climate change on key infrastructure could also prove a key benefit. And cities that look to upgrade their infrastructure and better maintain it via digital solutions might get advantages in terms of cost savings, and even an ability to better access debt financing.

In line with this, survey respondents were most favourable towards smart transportation (30.9%), smart logistics (25.9%) and smart cities (23.0%) as areas that look likely to progress the greatest over the next three years.



Additionally, 52% of the study's participants said that they were actively looking to add digital infrastructure to new projects or those being retrofitted, and another 22% said they were open to considering it.

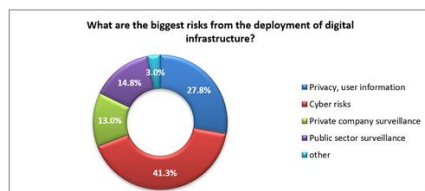
HURDLES TO OVERCOME

Almost one-third of survey respondents (32.4%) said they felt that governments and regulators would be the biggest impediment to the proliferation of digital infrastructure.

That is something to be expected given the likely desire to create new standards and laws surrounding the transmission and use of data, but also an indication that governments may not understand the benefits of digital applications to traditional infrastructure. A lack of technical expertise was also pointed to as a potential hindrance, by 18.1% of those who took part.

Oddly, other issues such as political risk and the investment climate gained low scores, of around 10%. "We were a little puzzled by that," admitted Garver. "We felt funding could be a big issue in a new area, along with political risk. Yet respondents seemed to think that the confluence of industries coming together was a bigger problem, with government unsure how to deal with it and sticking to old policies instead, looking at this as telcos and broadband networks."

When asked about the biggest risks of deployment of digital infrastructure, 41.3% said that cyber risks were top of mind, while privacy and user information was next with 27.8%. The need for companies to secure information that sensor arrays pick up and the focus on user privacy look set to remain a priority as more infrastructure gets hooked into greater digital networks. Many Americans may prove reluctant to let cities or governments know when and how their car is travelling, for example.



That said, 63.6% of survey respondents said they felt that the benefits of digital infrastructure outweigh the risks. Just 5.6% felt the opposite. "That was also a surprise," said Garver. "We thought we would see more of a 50:50 score, with people feeling there are problems. Yet despite the negative questions we asked, most felt it was ultimately a positive."

**Methodology: the survey was jointly conducted by JGlobal and M&E Global in June/July 2020. The results were based on 242 study interviews with senior executives at banks, financial institutions, developers and engineering companies; 59% were from Europe, 19.4% from North America, 10.1% from Asia Pacific and 11.5% from the rest of the world.*

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<https://www.asianinvestor.net/article/investors-see-digital-infra-as-key-investment-area/462768>