



Indications of recovery for Asian economy, says CIMB Investment

KUALA LUMPUR: Positive developments in Asia have hinted that the region is on the road to economic recovery, says an economist. CIMB Investment Bank Bhd's head of economic research, Lee Heng Guie said countries like China, Indonesia and India were driving the growth in the region in line with improving economic fundamentals in their countries.

"China is driving Asia supported by their strong stimulus package and along with that, we have large domestic demand economy like India and Indonesia as well as China continuing to show a good growth in the second quarter," he said.

He said this during a media briefing here Friday on "Investing Asia". China's gross domestic product (GDP) grew 7.9 percent year-on-year in the second quarter from 6.1 percent growth in the previous quarter.

Indonesia's economic growth in the second quarter grew four percent compared to the previous corresponding quarter.

Lee said based on the International Monetary Fund (IMF) projection, global growth for next year would turn positive at 2.5 percent from -1.4 percent this year.

The IMF also expects the emerging Asia

to be stronger with about 4.7 percent growth next year from this year's 1.5 percent, he said.

Lee said Asean countries were also likely to improve next year, looking at the strength within Asia especially India, China and Indonesia.

The emerging Asia growth could be even higher than what's being projected by the IMF, he said.

Business and consumer sentiment in the region would help support this growth, along with the expected recovery from the G3 countries namely the US, Euro and Japan.

"I think stronger growth will come in, perhaps in 2011. We are working two years from now as the global economy is moving from recession to stabilisation and recovery," he noted.

On Malaysia, Lee said the country's economy would also ride on the expected recovery.

He said the country had seen the worse in terms of GDP contraction in the first quarter this year of -6.2 percent.

"For the second quarter, we expect it to improve. I think the consensus is between -5.0 to -5.6 percent," he said, adding that he also expected the Malaysian economy to turn positive towards end of the year.

"For the full year I'm still keeping my forecast at -3.0 percent and for next year it would likely rebound to positive 3.5 percent," he said.

He said the continuous impact from the government fiscal spending, the recovery from consumer demand and projected export recovery next year would drive the growth.

"We see a moderate recovery in the US and the G3 economies along with the regional economy," Lee said.—Bernama