



Pace of Asia's economic recovery likely to be moderate

KUALA LUMPUR: Signs that Asian economies are on a recovery path are growing although the pace of recovery will likely be moderate, said CIMB Investment Bank Bhd economic research head Lee Heng Guie.

"The worst is behind Asia, given the emergence of more signs of a bottoming-out in the region and globally. Asia (economies) have bottomed out and will stabilise.

"Recent data from G7 countries showed that the recession in these countries is easing. The worst is clearly over," Lee said at a media briefing yesterday to re-introduce some of CIMB's funds.

He said the Organisation for Economic Cooperation and Development's (OECD) composite leading indicator, which rose for a fourth month in June, was a clear sign of the bottoming out in the United States, Japan and Europe.

Lee believes Asian economies are about to turn the corner and raise their contributions to the global gross domestic product (GDP).

"It (Asia) will stabilise and recover in the second half of this year and continue to improve in 2010 on increasing external and domestic demand," he said.

Growth in China, India and Indonesia would remain robust while in Malaysia, Singapore and Thailand, the pace of growth could remain uneven, he added.

Lee cautions that although a recovery is underway, a sustained recovery will likely be slow and a follow-through recovery is needed, adding that he expects a stronger global recovery in 2011 with 2010 merely a getting-out-of-recession phase.

Lee said 2010 would be a "year of global interest rates hike" with India and Indonesia to be the first few to make a move. "There will be negative forces pushing the inflation higher next year," he said.

Loose monetary policies, a revival in commodity prices and a higher budget deficit

would push inflation higher, according to Lee.

"If there is any rate action, it will be in baby steps and probably in the second half of 2010," he said, adding that he did not see a resurgence in high inflation now.

Lee said "high savings and foreign reserves exceeding US\$4.3 trillion had strengthened Asian economies' external position" and that "the region is poised to ride or even lead the next economic boom."

There was a need to reinvent Asia and make a shift from external demand to domestic demand, he said.

Meanwhile, CIMB-Principal Asset Management Bhd chief investment officer Raymond Tang said Asia had escaped the "bullet" of recession and that higher interest rates would not have a big impact on its recovery.

"Moving from the current 2% to 3% will not impact the market so much," he said.

To a question, Tang said the best time to return to the market was three months ago, but added that the risk of getting a double-dip was a lot lower now than three to four months ago.

"It is possible to return to the 2007 level but I don't know by when. Some companies might recover and some might not. Some have even surpassed their 2007 peak. "Will everyone recover? No. I don't think so. There will be some winners and losers," he said.

Tang also encouraged investors to continue investing in equities on expectation of a second round of recovery.

"The market moves ahead of the real economy by six to nine months. The recent positive market performance has moved in anticipation of the first round recovery.

"From here, we foresee a positive uptrend that investors can still partake of in anticipation of the second leg of the recovery," he said.