

'Sustainable US recovery under way'



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PRINCIPAL Global Investors, a US-based fund manager with US\$215.4 billion (RM724 billion) in assets under management, is bullish on the world's largest economy, saying that a double dip recession in the US is unlikely.

The US economy may expand a "moderate" 2.7 per cent next year despite all the lingering risks, its chief global economist Dr Robert Baur (picture) said.

"We do expect growth to slow down next summer, but it will not be a dip into the negative territory,"

he told a media briefing in Kuala Lumpur yesterday.

Baur is convinced that a sustainable recovery is under way in the US, with rising home sales and surging vehicle production boosting growth. Factory output is set to rise as stockpiles start to run low, while job losses in the US are about to end.

"The outlook is improving," Baur said.

He was optimistic despite the lingering key risks, including a potentially higher tax which could deter business expansion and the

possibility that consumers might continue to hold back on spending. Furthermore, the chances of a policy error like the government stimulus being removed too early or too late also created uncertainties.



"We will have a couple of good quarters ahead. Profits in the US were tremendous in the second and

third quarters this year. We think there might be even better corporate earnings in the fourth quarter," Baur said.

Over the longer term, he expects the investment theme to shift to

realigning an unbalanced world.

The US consumers will still spend even as they start to save more, while domestic demand in China is expected to rise when the people there save less.

"The emerging market story is not over. The industrialisation and urbanisation will continue," he said.

Growth in emerging Asia and Latin America is expected to drive up share prices in the next few years, he said, advising investors to put money in technology and industrial companies, basically sectors that deal with growth in emerging markets.