

Emerging markets poised to continue growth

By **FINTAN NG**
fintan@thestar.com.my

KUALA LUMPUR: Industrialisation and urbanisation will continue to boost emerging markets for the foreseeable future while industries that deal with growth in these markets will be the focus.

Principal Global Investors chief economist Dr Robert F. Baur said large populations, growing middle classes and increasing productivity would lead to an expansion in demand for higher value goods and services.

Principal Global Investors is part of Des Moines, Iowa-based Principal Financial Group Inc.

The Principal Financial Group owns a 40% stake in CIMB-Principal Asset Management Bhd, which is part of the CIMB Group.

"The money is going to go where the investment returns are," Baur said, adding that areas of growth included those in technology, building materials and commodities with Asia and Latin America the regions to look out for.

He said at a media briefing yesterday that as the global economy recovered and grew again, commodity prices would face upward pressure.

Baur said the shift to an industrial-based economy from a largely agrarian-based one would see rising demand for various goods and services.

"Agricultural workers who used to produce US\$300 worth of goods but who are now producing US\$3,000 worth of goods in factories will see their wages rise and they'll want to consume more meat and buy more goods," he said.

Meanwhile, Baur said as the global economy rebalanced itself following the excesses of past years, a lot of changes would have to happen for the recovery to be sustainable.

"There's going to be more competition as the global economy becomes bigger," he said. "For the US, we see sluggish consumer spending and more moderate economic growth but the economy will not slide into another recession."

Baur expects the US economy to grow 2.7% next year against the International Monetary Fund's (IMF) revised forecast of 1.5% on Oct 1.

Baur said the more optimistic figure was due to the slowing rate of unemployment, the rise in the number of temporary jobs and the expansion of the Institute for Supply Management's purchasing man-

»There's going to be more competition as the global economy becomes bigger«

PRINCIPAL GLOBAL INVESTORS
CHIEF ECONOMIST
DR ROBERT F. BAUR



Dr Robert F. Baur

agers' index for manufacturing.

Between eight and 10 countries including Canada, Japan and South Korea also saw fewer job losses, according to Baur.

"There'll be no huge corrections in the global stock markets, it was liquidity-driven for some time but we feel that from here on it'll be earnings-driven," he said.