
Macroeconomic indicators - HSBC sees Asian H2 economy growing at 6.4.2pct

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Experts said that Asia's fortune in the second half of 2009 is likely to rise as fast as it fell. For instance, global banking giant HSBC has revised its 2009 growth forecast from 3.8% to 4.2% for Asia excluding Japan. But economists warned that a spike in inflation may hurt growth.

Economists have upgraded their forecast for the region with HSBC now projecting a 6.9% growth in Asia excluding Japan for next year, up from 6.6% previously. But one thing to look out for is a spike in food and oil prices.

Mr Robert Prior Wandesforde co head Asian Economics, Global Markets at HSBC said that "Our own estimates suggest that the oil price will need to rise to USD 165 per barrel before they offset the impact of the interest rate cuts and the fiscal easing. The other big risk for Asia is that these fiscal plans, in particular infrastructure plans simply don't get implemented perhaps because of growing fiscal imbalances, budget deficits."

HSBC said that a loose monetary policy is the key to Asia's rebound. And it expects recovery in domestic demand to have a positive impact on regional trade. In the long run, observers said Asia is still the place to be in.

But in the near term, despite a slight pick up in confidence, they do not expect foreign direct investments to return substantially till after 2012.

Mr Song Seng Wun CEO & regional economist at CIMB GK Research said that "We have seen re-stocking taking place which led to the rebound in economic activity in the second quarter on improved orders and production. Whether this will be sustained to the end of the year remains debatable."

Economists expect China, India, Indonesia and Vietnam to do well, mainly due to rising government and household spending. They said Asia is likely to see a 'V Shaped' recovery on the back of better industrial production data but some remain cautious.

(Sourced from Channel News Asia)

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