

Emerging Asia once again the global growth driver in 2010

What was true for 2009 also holds true for 2010: Asia has weathered the crisis better than many other regions. We expect the economic upswing in the Asian economies to continue in the year 2010, supported by an ongoing stimulus from the fiscal and monetary policy side as well as by a clear recovery in world trade.

Gross Domestic Product (GDP) growth should reach 8.7% in China and 6.5% in India. Emerging Asia as a whole is likely to grow by 6.7%. This means that Asia will contribute 39% to the expected increase in global economic output of 2.8% next year.

2009: Asia a relatively stable ship in stormy sea

No doubt, emerging Asia has weathered the most severe global economic downturn seen since World War II better than other regions in the world. It was affected, but nonetheless managed to avoid an outright economic contraction.


Stimulated by a huge fiscal package and strong lending growth, the Chinese economy has gained momentum from one quarter to the next in 2009. Over the course of the year, one after the other major Asian emerging market country has managed to revert to growth, too. Overall, the regional GDP will show an increase of 4.8% in 2009, thanks mainly to the solid performance of China and India. We find this quite impressive, given that in the same year 2009 global economic output will contract by more than 2%. This is why we would call Asia, and China in particular, a relatively stable ship in stormy seas.

More focus on domestic consumption

In recent years economic development in the Asian emerging markets has been driven chiefly by booming exports. However, world trade should grow more moderately than before the crisis. This is largely due to the fact that the US is unlikely to re-emerge as the source of such powerful demand and import growth that it used to be. To put it plainly, in the future the US is unlikely to reprise its role as 'consumer of last resort' in a similar way.

Given America's importance as a sales market for Asian products, this inevitably implies substantial changes for the Asian growth model. If emerging Asia hopes to continue growing so buoyantly, it must focus more on domestic demand, and on private consumption in particular.

Nevertheless, emerging Asia will continue to be the most dynamic growth region in the world. This also means that Asia's share of global value added will continue to increase and hence its importance as a global growth engine.

In the years 2006 and 2007, when China grew with rates of more than 11% a year, regional growth was about 9%. Such rates are no longer feasible. However, we consider medium-term growth for the region in the 7-8% range well within reach. 

Growth rates in Emerging Asia

- real GDP, percentage change over previous year -

	2006	2007	2008	2009 ¹⁾	2010 ²⁾
China	11.7	13.0	9.0	8.2	8.7
Hong Kong	7.0	6.4	2.4	-3.0	3.0
India	9.8	9.1	6.1	5.8	6.5
Indonesia	5.5	6.3	6.1	4.2	4.7
Malaysia	5.8	6.2	4.6	-2.5	4.0
Philippines	5.3	7.1	3.8	1.0	3.0
Singapore	8.4	7.8	1.1	-2.3	4.0
South Korea	5.2	5.1	2.2	0.0	3.5
Taiwan	4.8	5.7	0.1	-3.8	3.0
Thailand	5.3	4.9	2.7	-3.3	3.5
Emerging Asia	9.1	9.8	6.4	4.8	6.7
Memorandum item:					
Japan	2.0	2.3	-0.7	-5.3	1.8

¹⁾ estimate ²⁾ forecast

Prof Dr Michael Heise

Chief Economist of Allianz SE (Munich)

