



# Opportunities and Threats Under the Current Global Economic Scenarios

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- Off the ground but not out of the woods
  - Serious recession, not depression
  - Issue is quality of recovery in 2010 and beyond; technical rebound vs. real
  - US deficits, dollar problematic (to the horizon)
  - Commodity prices volatile
  - Paying for dinner: Long-term easy money is not an option; prolonged deficits are not either
  - Bolts from the blue; little margin for error



- After the ‘green shoots’ – The case of Goldilocks & the Three Bears
  - “Too Hot “ – Liquidity → Equity Bubble; Oil; Inflation → US\$ ↓ US Yields ↑ → More US\$?
  - “Too Cold” – Unemployment ↑ Housing Prices ↓ High fiscal deficit/debt → GDP growth ↓
  - “Just Right” – Fiscal stimulus → Unemployment ↓ Housing prices ↑ High debt → Inflation ↓
- Assumptions, assumptions ...



## GDP Growth Forecasts for Major Countries (% change)



Country	IMF			World Bank	
	2008	2009 (f)	2010 (f)	2009 (f)	2010 (f)
<b>US</b>	1.1	-2.8	-0.05	-3.0	1.8
<b>EU</b>	1.1	-4.2	-0.4	-4.5	0.5
<b>Japan</b>	-0.6	-6.2	0.5	-6.8	5.3
<b>China</b>	9.1	6.5	7.5	7.2	7.7
<b>Malaysia</b>	4.6	-3.5	1.3	-4.4	2.2
<b>World</b>	3.2	-1.3	1.9	-2.9	2.0



## Exports Growth for Selected East Asian Countries (% yoy)



Country	11/08	12/08	01/09	02/09	03/09	04/09	05/09
Japan	-26.7	-35.0	-45.7	-49.4	-45.5	-39.1	n.a.
S. Korea	-18.3	-17.4	-32.8	-17.1	-21.2	-19.0	-28.3
China	-2.2	-2.8	-17.5	-25.7	-17.1	-22.6	-26.4
Malaysia	-4.9	-14.9	-27.9	-15.9	-15.6	-26.3	n.a.
Singapore	-17.5	-21.0	-35	-24	-17	-19.2	-12.1
Taiwan	-23.3	-41.9	-44.1	-28.6	-35.7	-41.2	-31.4
Indonesia	-1.8	-18.7	-36.1	-34.5	-32.1	-22.5	n.a.



## Opinions



- Americans and Asians more optimistic about recovery than Europeans – CFO *Global Business Outlook Survey*, 16 June 2009; 6/10
  - Economic outlook (0-100 scale)
    - ~ US ~ 52
    - ~ Europe ~ 47
    - ~ Asia (ex China) ~ 62
  - 6/10 US CFO & 8/10 European CFO expect recovery in 2010 or later
  - 6/10 US CFO s report credit constraints and higher costs
  - "Our survey carries an important message: don't put too much weight on the 'soft' data like consumer confidence. Recovery requires sustained confidence, and such confidence is forged by stronger economic fundamentals. The economic fundamentals - employment, capital spending, the cost of credit - are still fundamentally troubling." - Campbell Harvey, Fuqua School of Business, Duke University



## Opinions

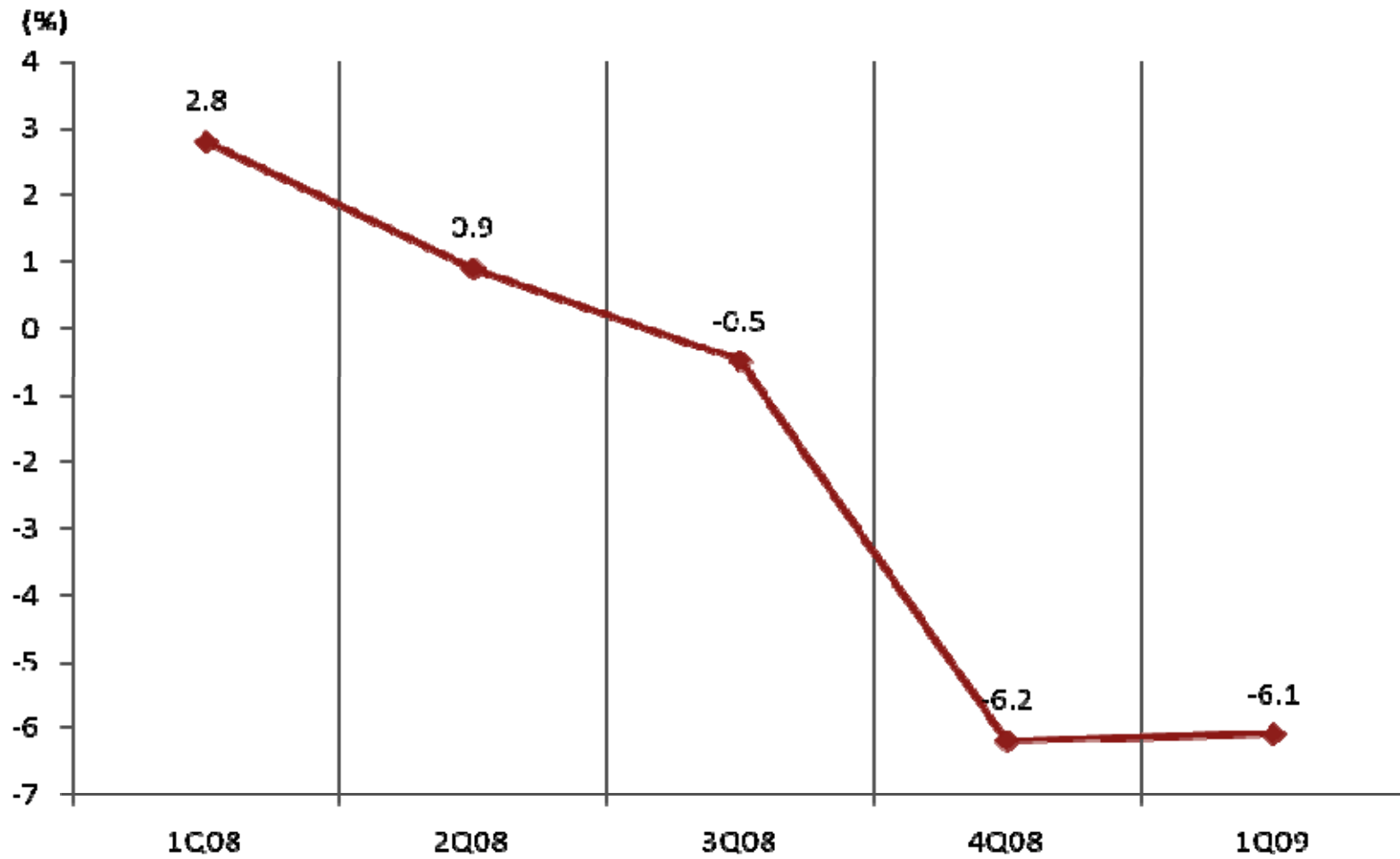


- OECD Economic Outlook – World economy to bottom in second half of 2009 but only weak recovery expected
- RSM International – 71% of top 100 European leaders believe recovery will be in 2010 or later
- Barclays Capital – 69% of 605 investors believe “U” or “W” shaped recovery, 6/10 believe current 60% equity rise is “bear market rally”
- Morgan Stanley – Upside risks to US economic growth (but )slow recovery





# US GDP Growth





## US Bankruptcy Filings



2000	35,472	-5.60%
2001	40,099	13.00%
2002	38,540	-3.90%
2003	35,037	-9.10%
2004	34,317	-2.10%
2005	39,201	14.20%
2006	19,695	-49.80%
2007	28,322	43.80%
2008	43,546	53.80%



## US Growth



- US Treasury Department survey (05/09) :–
  - Loan volume at the 21 largest government funded banks fell -7.0% in 04/09 to \$273 billion
  - Demand for commercial and industrial loans fell -29% yoy
  - Weakness also recorded over all consumption categories
- Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters of 3Q09 GDP +0.4% cf. to J.P. Morgan 's -0.5% (NB. Both, however, are significantly up from -6.0+% in 1HY09)
- The US Commerce Department revised the 1Q09 GDP from 6.1% to 5.7%
- US unemployment rising at slower rate month-to-month (mtm) [but note 60,000 temporary government jobs created]
- New housing starts in 05/09 up +17.2% mtm (but -45.2% yoy) [impact of first-time homebuyer tax credit]



## Opportunities and Threats



- Quality of recovery will most likely be muted or drawn out
- High financial volatility likely; day-of-reckoning looms
- Downward price pressures contributing to lower viability
- Companies may not be able to last until recovery; hence, necessity to maintain positive equity
- Positioning for the post-crisis world is critical
  - Size matters (M&A)
  - Strategic tie-ups - technology, suppliers, markets
  - Talent spotting
  - Information technology