

The Great Asian rebound

A miracle or the worst bubble in history?

Mathijs Bouman
April 15th, 2010
Airneth Annual Conference



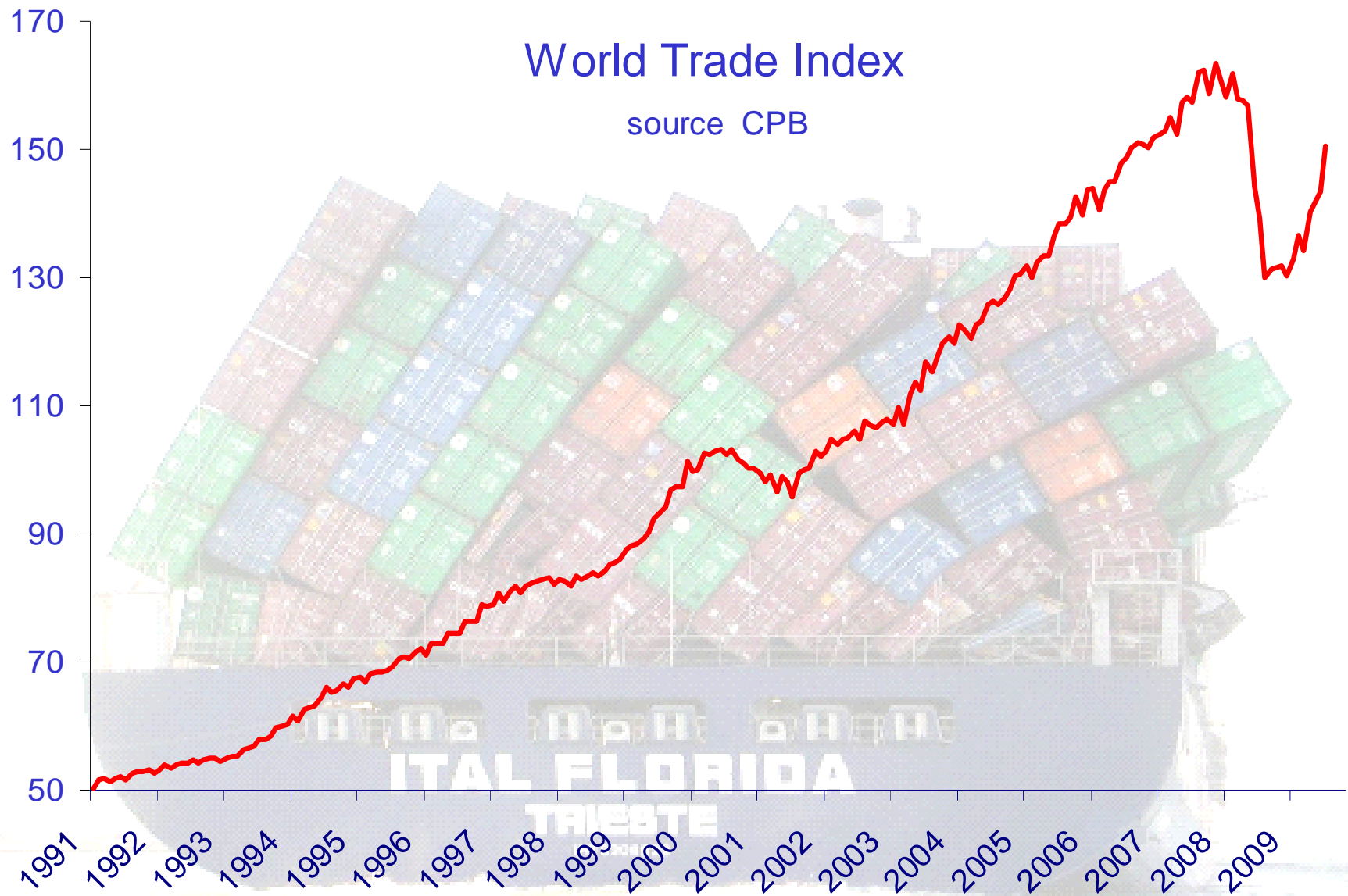
INDIA & CHINA: EXCEPTIONAL

	2009	2010	2011
• Euro area	▼ 3.9%	▲ 1%	▲ 1.6%
• USA	▼ 2.5%	▲ 2.7%	▲ 2.4%
• China	▲ 8.7%	▲ 10%	▲ 9.7%
• India	▲ 5.6%	▲ 7.7%	▲ 7.8%
• Russia:	▼ 9%	▲ 3.6%	▲ 3.4%
• Brazil	▼ 0.4%	▲ 4.7%	▲ 3.7%

Source: IMF



THE TRADE SHOCK



REBOUNDED CHINA

- The recent, swift turnaround of economic fortune is remarkable.
- Aggressive monetary and fiscal policy has clearly paid off
- Economic growth is back to pre-crisis level, export is booming, domestic consumption is catching up.

IMF (2010)



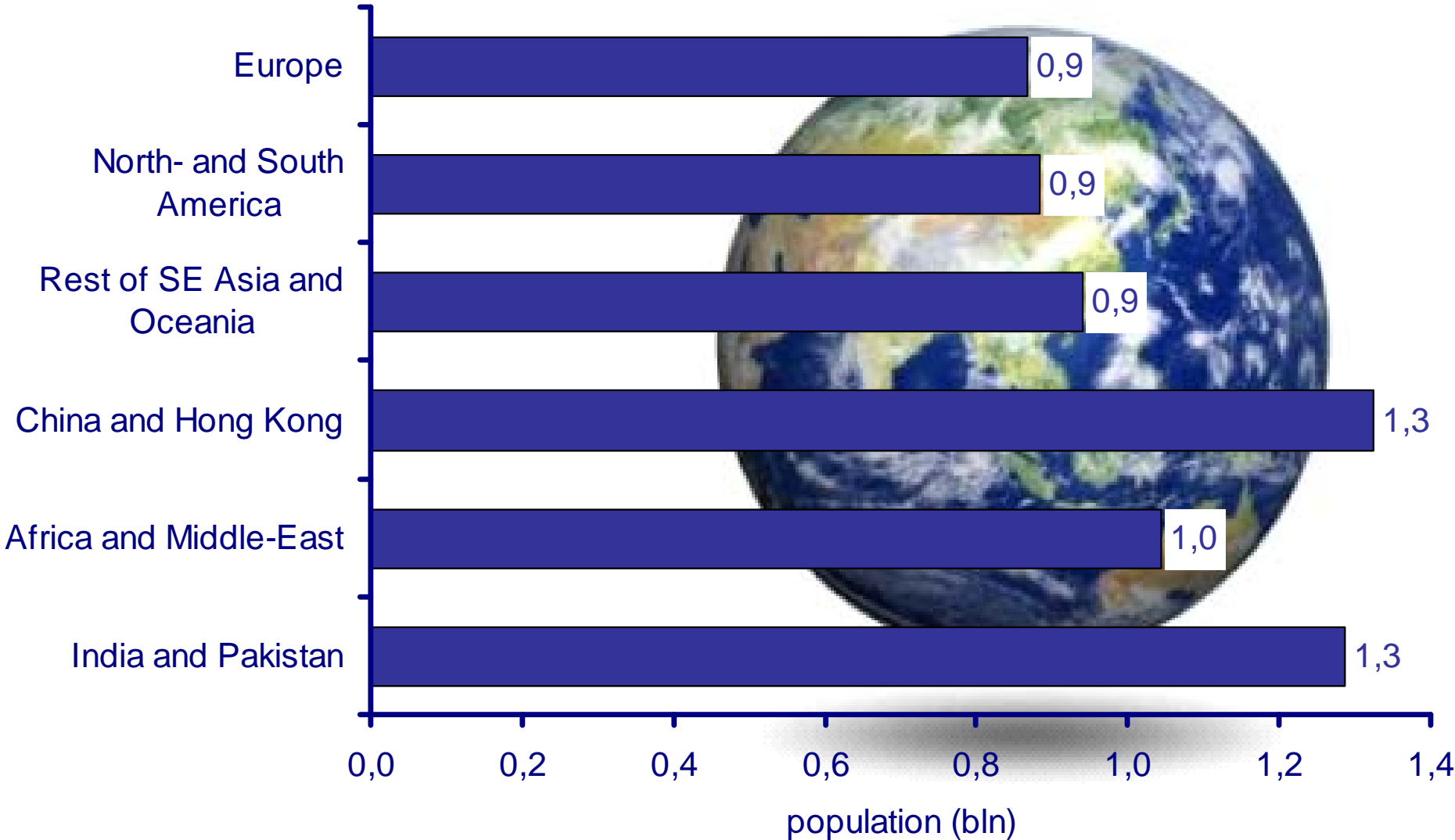
REBOUNDED INDIA

- India's economy is rebounding strongly ahead of most countries in the world.
- Growth is approaching pre-crisis levels and leading indicators bode well for continued recovery.
- Capital inflows are rising and financial markets have regained most of the lost ground.

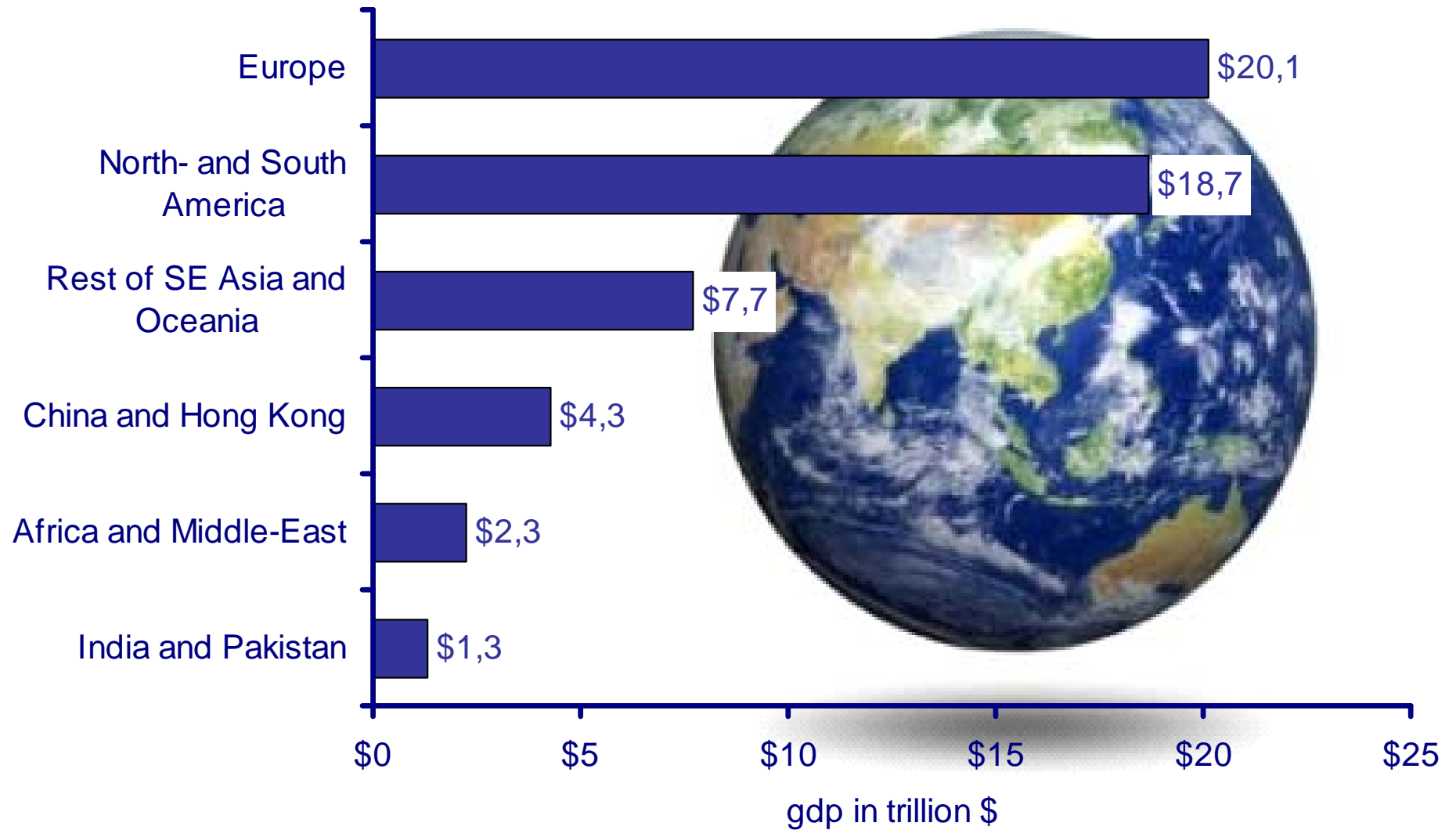
IMF (2010)



MAKE GROUPS OF AROUND 1 BLN PEOPLE

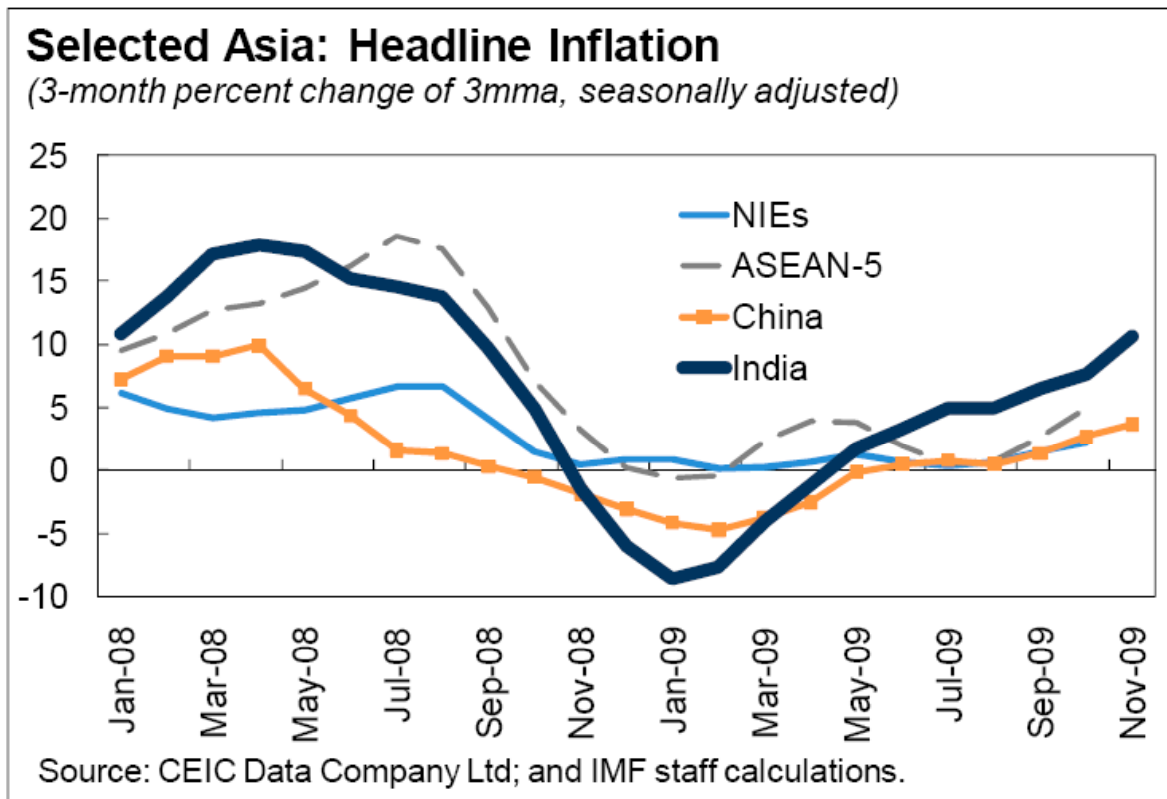


CHINA & INDIA STILL POOR



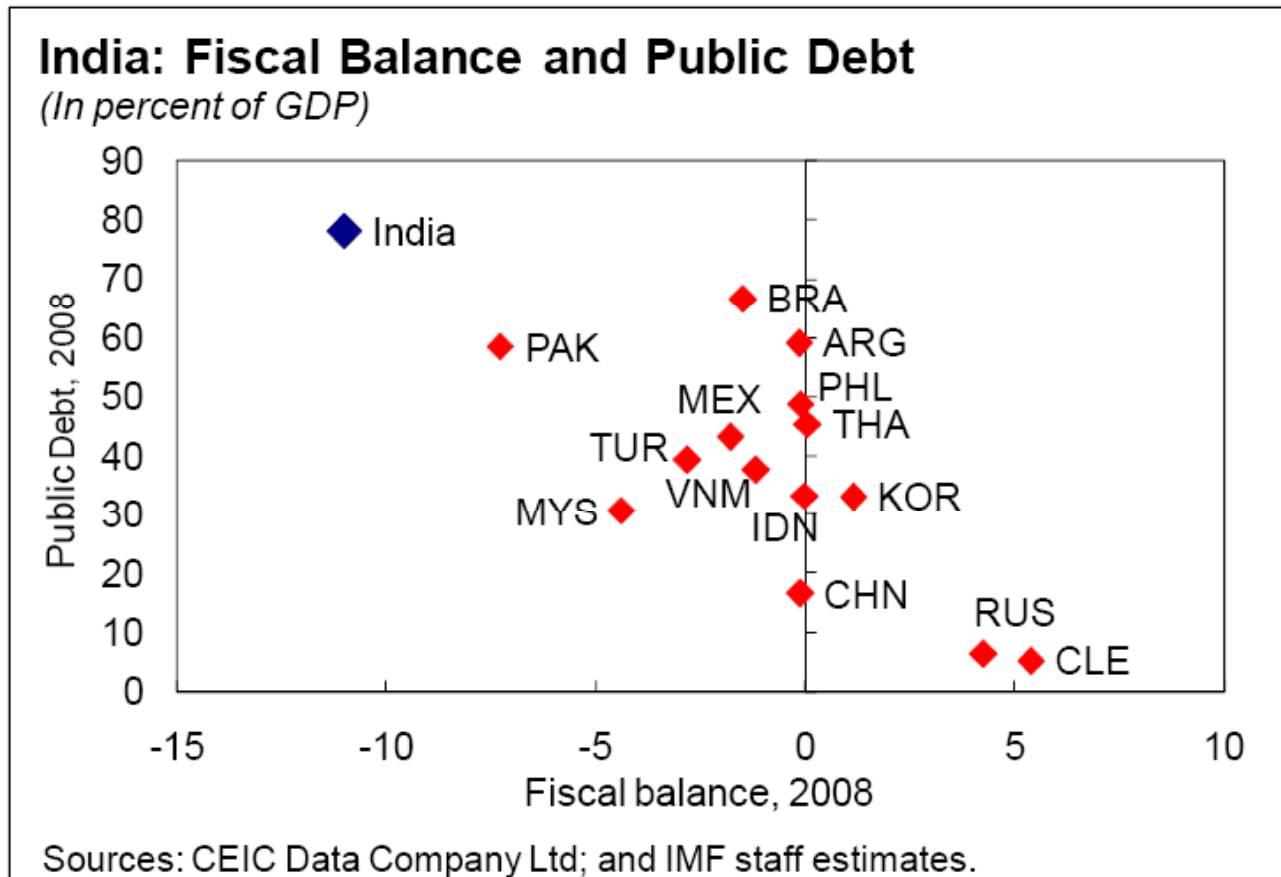
HELICOPTER VIEW

- **India:** outlook is stable.
- Growth mostly driven by domestic demand and capital inflows (DFI)
- Danger: inflation and government deficit & debt



HELICOPTER VIEW

- **India:** outlook is stable.
- Growth mostly driven by domestic demand and capital inflows (DFI)
- Danger: inflation and government deficit & debt



HELICOPTER VIEW

- **China:** outlook uncertain.
- Growth driven by export, a cheap yuan and to some extent domestic demand.
- Danger: overheating and bubbles
 - Credit growth 2009: **32%**
 - Money growth in January 2010: **26 %**
 - Real-estate prices up **7.8 %** in December 2009



IS CHINA A BUBBLE?

Speculation is driving up China's property market:

“Official data may actually under-represent what's going on. It's people buying because they think next week or next month it will be even higher.”

- Ardo Hanssen World Bank's chief economist in China (2010)



IS CHINA A BUBBLE?

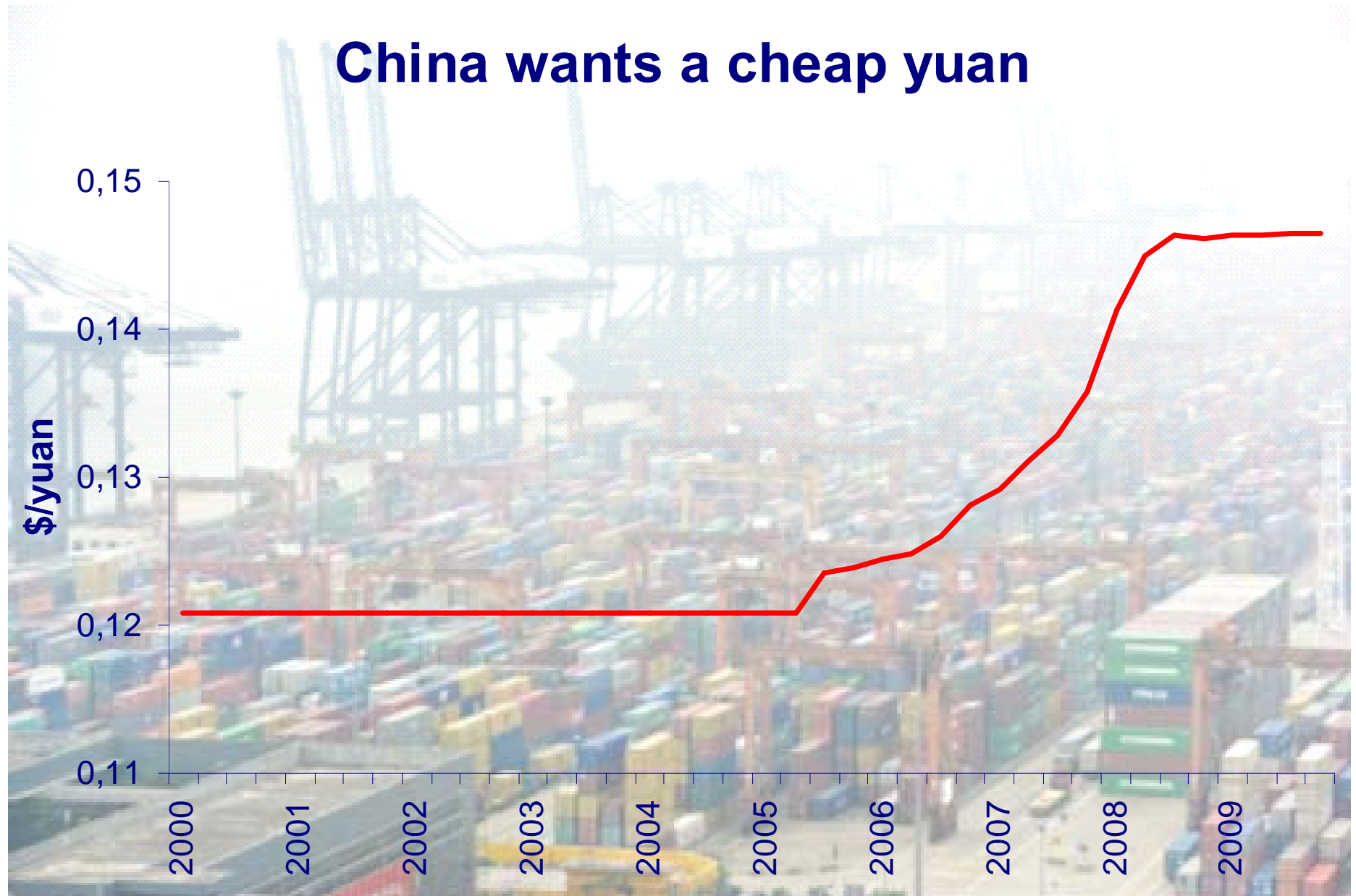
“Their response to the latest financial crisis clearly raised the risk that they have a debt-fueled bubble in the economy. (...) Real estate values in Shanghai and Beijing have “taken a departure from reality,”

Kenneth Rogoff (former chief-economist IMF)

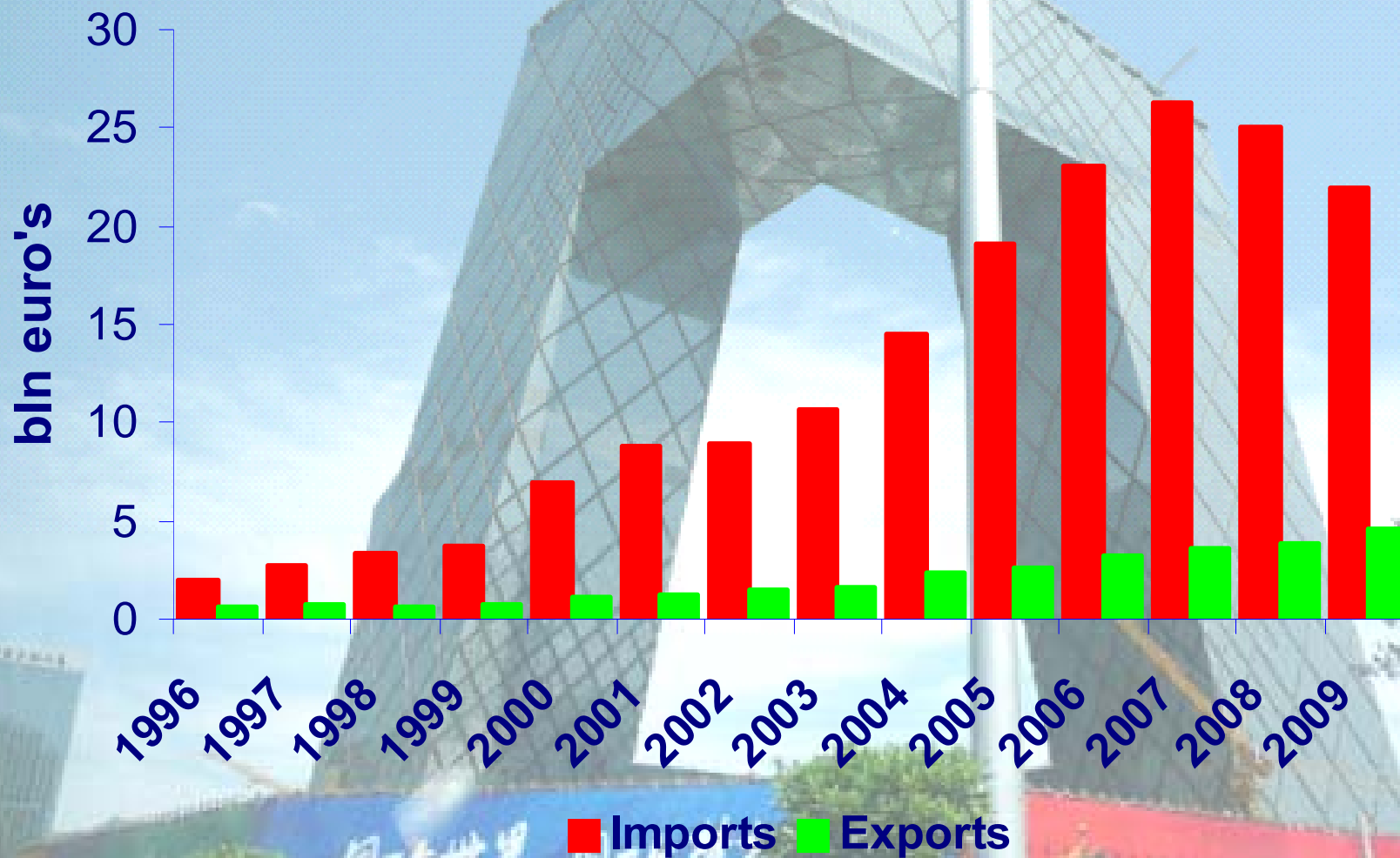


EXCHANGE RATE POLICY

China wants a cheap yuan



Dutch trade with China



EXPORTS TO CHINA

- Export to China as % of total Dutch export:

1.49%

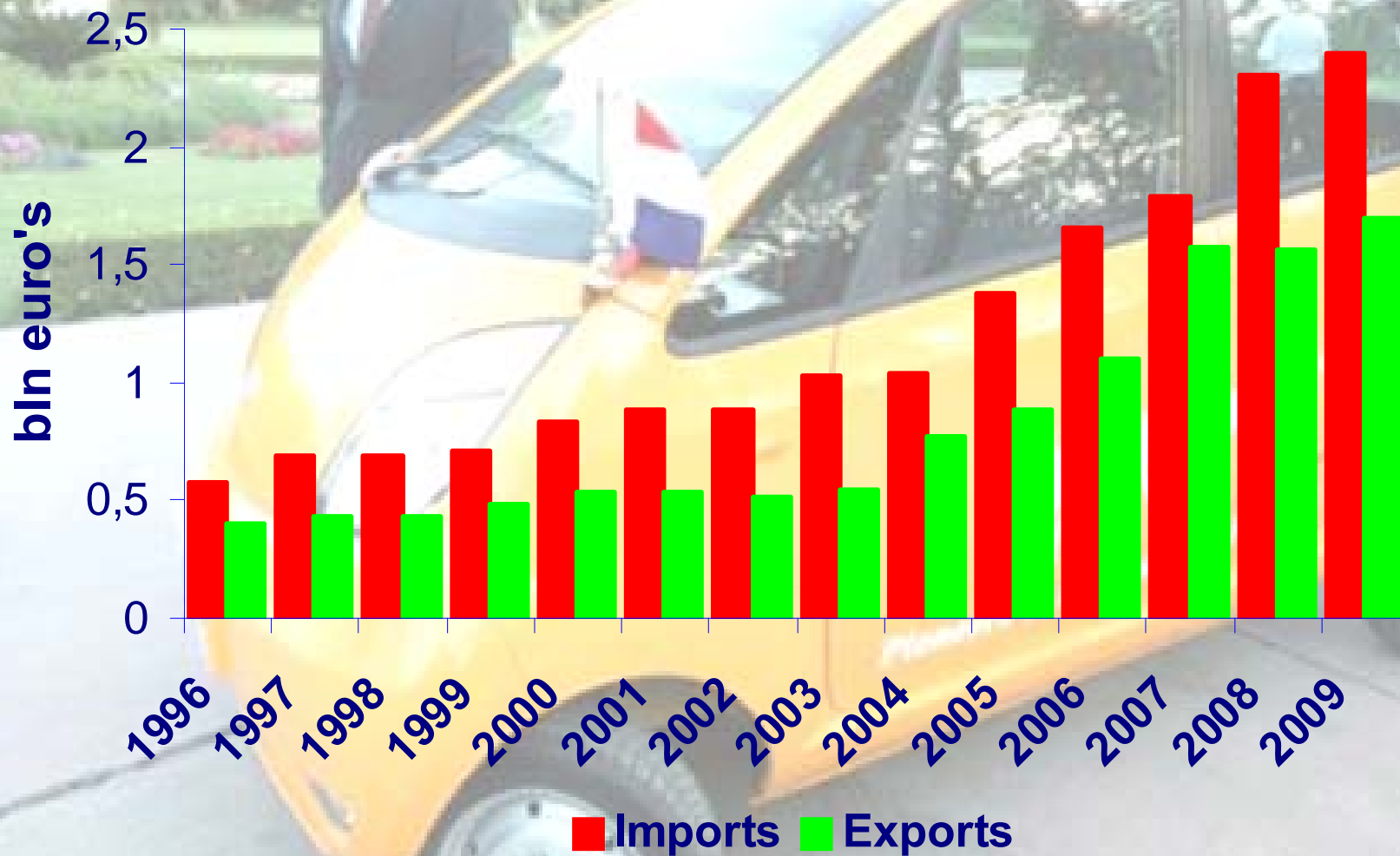
- What do we export to China?

- | | |
|-----------------|---------------------------------|
| 1. Wool | 57% (of all Dutch wool exports) |
| 2. Plant fibers | 48% |
| 3. Scrap metal | 44% |
| 4. Raw hides | 36% |
| 5. Used paper | 30% |



CAN WE PROFIT?

Dutch trade with India



EXPORTS TO INDIA

- Export to India as % of total Dutch export:

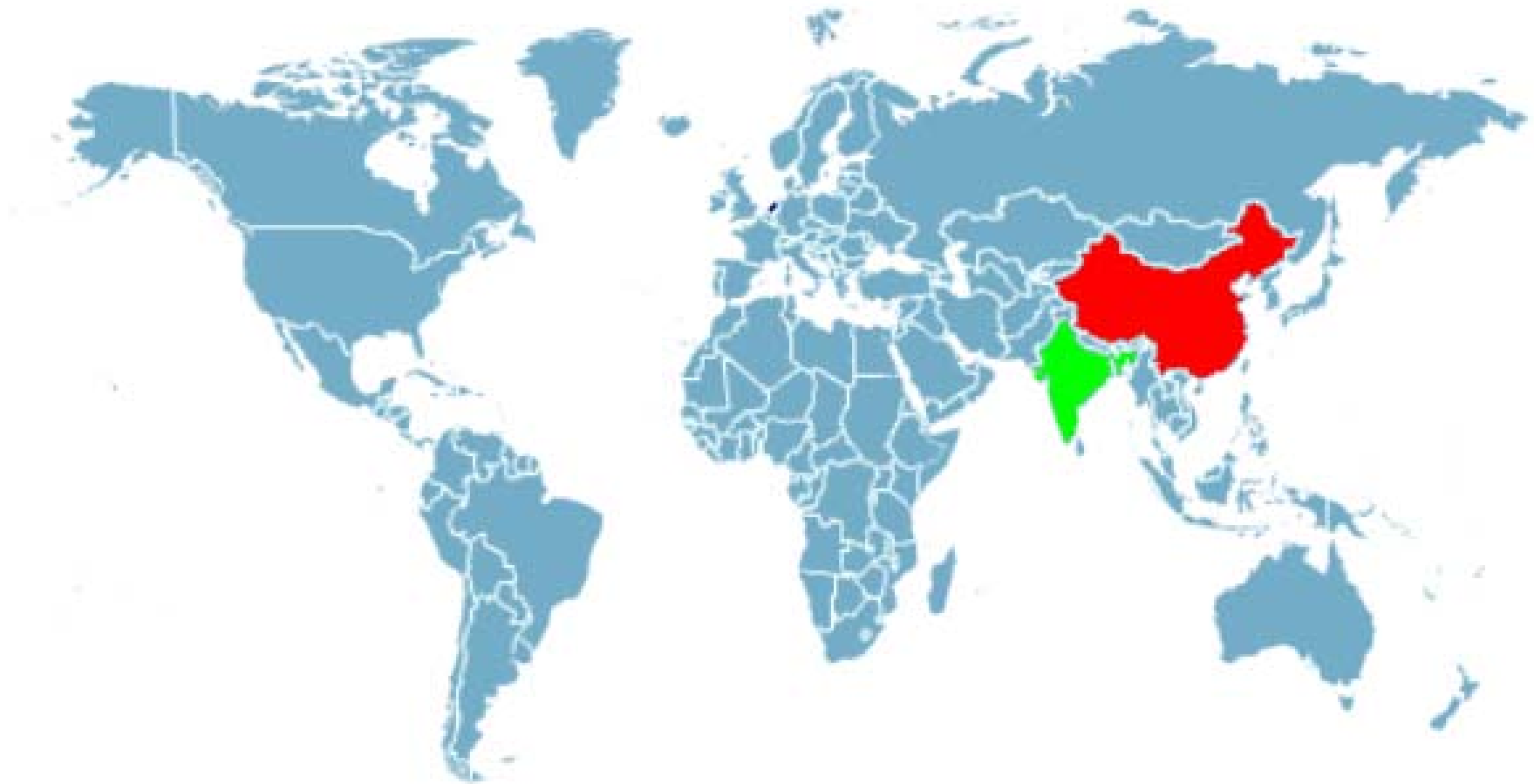
0.55%

- What do we export to India?

1. Tools (for metal industry) 16%
2. Lead alloys 11%
3. Scrap metal 8%
4. Aluminum oxide 7%
5. Waste plastics 4%



MAP OF THE WORLD....



... FROM A DUTCH EXPORTERS PERSPECTIVE

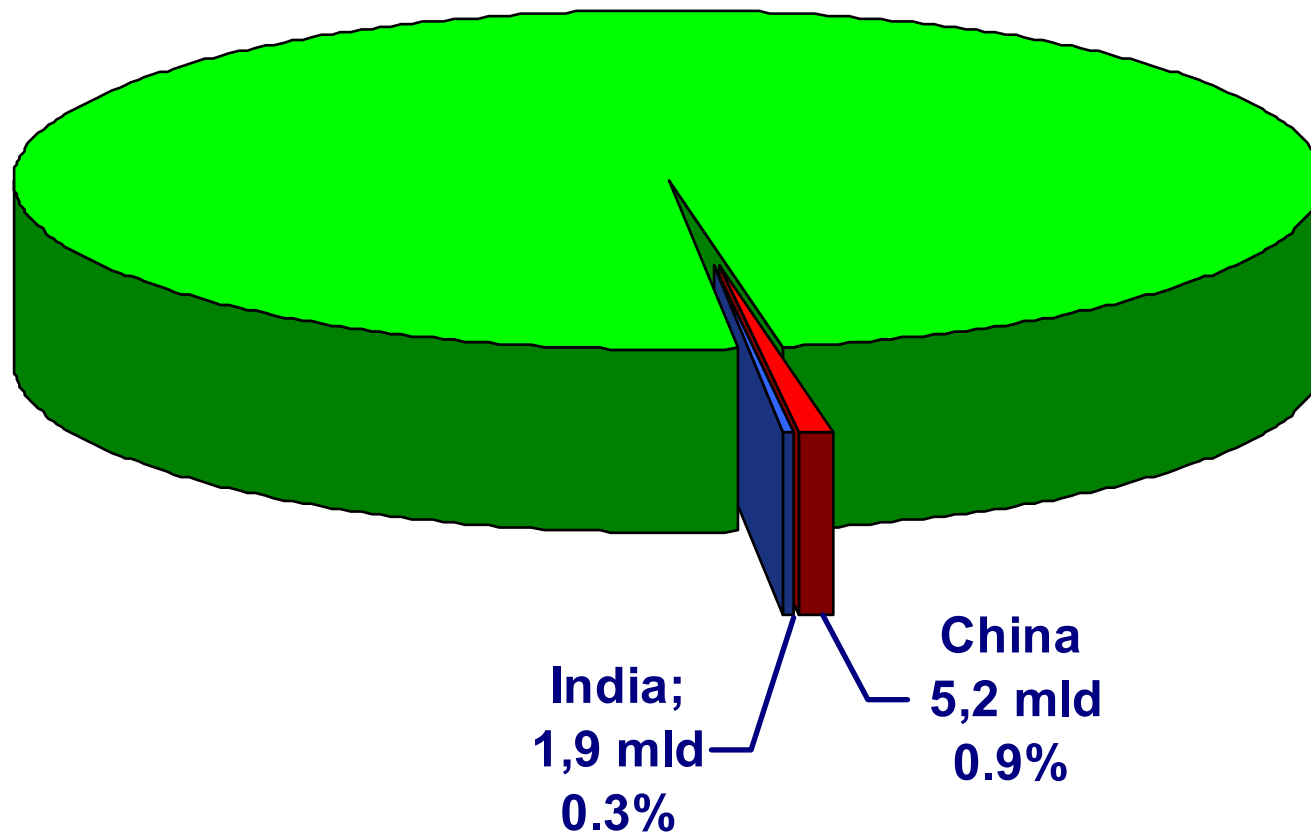
Export 2009



DUTCH FOREIGN INVESTMENT

Direct Foreign Investement (stocks)

total: 590 mld euro



(blog) blogs.z24.nl/boumans_blog/

(site) www.mathijsbouman.nl

(mail) mathijs@mathijsbouman.nl





**DE
ELEKTRISCHE
SPIJKERBROEK
EN ANDERE AVONTUREN
IN DE ECONOMIE**

MATHIJS BOUMAN

UITGEVERIJ BALANS