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## Emerging Markets in Asia to show resilience in 2009

**GDP growth for emerging Asia at 5.9 percent, says Allianz forecast / China and India to lead expansion / Allianz remains positive for its Asian insurance business in 2009**

**9 Dec 2008 , Frankfurt, Singapore :** Despite the financial crisis and the economic slowdown across the globe, emerging economies of Asia will continue on a path of growth in 2009. Economists of Allianz Dresdner Economic Research expect Gross Domestic Product (GDP) of emerging markets in Asia to grow by 5.9 percent in 2009, after 7.2 percent in 2008. "No region is immune to the financial crisis. Asian economies will also see a slowdown in growth, but not a contraction. Emerging markets in Asia will still show a considerable degree of resilience," said Michael Heise, Chief Economist of Allianz Dresdner Economic Research.

Asia's export growth will be hit considerably by the decline in consumer spending in the US and Europe. However, strong domestic demand, led by consumer spending, will support economic growth, in particular when compared with the rest of the world. In addition, infrastructure investments like China's recently announced fiscal spending program, will help to offset lower foreign demand. Allianz expects the growth of real GDP to slow markedly in the first two quarters of 2009, but to reaccelerate in the second half of 2009. It should reach 7.5 percent in China and 6.5 percent in India for the whole year. "Emerging Asia will shore up worldwide trade and growth also in 2009," Heise added. Japan's GDP is expected to stagnate.

### **Asia's financial system relatively resistant**

Heise sees Asia's financial system as relatively resistant to the financial crisis and Asian banks generally in a better financial position than most of their foreign competitors. "Firstly, their direct exposure to affected financial assets, like US subprime-related bonds and structured credit products, is small. Secondly, given the sound domestic deposit base,

Asian banks are less dependent on international wholesale refinancing transactions. Thirdly, the foreign exchange and capital controls still in place in India and China have shielded both countries from volatile short-term capital movements," Heise said. Other factors helping to insulate Asia from international financial fallout are record-high foreign currency reserves, low external indebtedness and substantial current account surpluses.

Contrary to the banking system, Asian equity markets have suffered. The slide in stock prices on Asian markets has exceeded that seen in industrial countries. However, this should also be seen against the bull market backdrop up to October 2007, which had propelled stocks beyond sustainable levels, in particular in China and India. According to the economists, the fall in equity prices in both countries will not undermine overall economic development as the number of shareholders in relation to the total population is still small. "Overall, I do not expect a large impact from the financial crisis on Asian emerging markets. The region will continue to grow, consumers will keep on spending," Heise said.

#### **Allianz Asia Pacific: Strong sales channels and financial strength key to further growth**

Given this outlook, Allianz is confident about opportunities for its insurance operations in Asia. "There is no reason to be gloomy. I remain positive for our business in 2009. First, the macroeconomic development across the region appears to be relatively robust, and we can leverage on this. Second, we have invested extensively in distribution in Asia and anticipate this to provide an uplift for the region. Third, we will benefit from the exceptional financial strength of Allianz", Bruce Bowers, CEO of Allianz Asia Pacific said.

Allianz has significantly strengthened its main sales channels agency and bancassurance recently. For example, the number of agents in China increased by 50 percent within one year and will reach 15,000 by end of 2008. Thanks to these investments, the number of Allianz customers in Asia Pacific has risen steadily to reach 21 million in June 2008. More than one fourth of Allianz customers live in Asia.

Bowers conceded that the financial crisis, in particular falling

capital markets, has impacted on sales in life insurance. "But these times offer opportunities. People look for a safe haven. The financial strength and the strong solvency of Allianz provide our customers with peace of mind, and we expect our business to benefit from this", he said. "Our customer base in Asia will continue to expand in 2009."

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