

# press release

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## **Asia and Indonesia to Lead Global Economic Recovery - Standard Chartered Bank**

### ***Indonesia GDP Growth to Hit 5.5% in 2010 and 7% in 2012***

**JAKARTA, 18 January 2010** – Indonesia's recovery is firmly on track and GDP growth should surge to 5.5% in 2010, and 7% by 2012, an audience of 200 CEOs and senior executives were told at a Standard Chartered Bank Global Research Briefing 2010 in central Jakarta today.

During the forum titled "A Post Crisis World: Implications for Asia", Standard Chartered's Chief Economist and Group Head of Global Research **Dr. Gerard Lyons** explained that Indonesia had been a strong performer during the recent global recession, and emerged as the third-fastest-growing member of the G-20 in 2009. "Growth this year may accelerate further to 5.5 percent," he added.

Furthermore, Dr. Lyons said Asia had weathered the global financial crisis well due to healthy household and corporate balance sheets and prudent financial regulation. While exports have been hurt severely in the past 12 to 18 months, a financial meltdown in Asia had been avoided. In contrast the US, Europe and Japan were expected to recover only sluggishly. In the US and Europe, consumers were still repairing their balance sheets and their banking sectors were still reluctant to lend.

"As a result, Asia is expected to lead the global recovery in 2010. We forecast global growth to rebound to 2.9% from a contraction of 1.9% in 2009. Meanwhile, Asia, led by China and India, is expected to expand by 7% this year from 4.5% last year," he added.

"Domestic demand is likely to be the key driver to growth, while the traditional export markets for Asian exporters are still only managing a very weak rebound. However, a combination of capital inflow and firm domestic demand could bring inflation to Asia," Dr Lyons said.

Meanwhile, SCB Southeast Asia Regional Head of Research **Tai Hui** added, "Asian economic performance will vary across the region. Large, domestically driven economies, such as China, India and Indonesia will see more stable performance due to firm domestic demand. For those economies with higher export dependency, the path of recovery will be more volatile. Policy makers are likely to find 2010 a challenging year dealing with capital inflows."

Standard Chartered's Head of FX Strategy **Callum Henderson** advised the USD would continue to weaken against both major and Asian currencies in the long term. However, the USD could rebound in H1 2010 due to market repositioning.

"Given the capital inflows and current account surpluses, most Asian currencies are expected to strengthen. However, the pace of Asian currency appreciation could be slowed by official intervention. In particular many countries will look to the Chinese yuan in deciding their own currency policy. We expect the Chinese Yuan to appreciate in late Q2/ early Q3 once the sustainability of export recovery is confirmed," he further added.

SCB Indonesia Senior Economist **Fauzi Ichsan** said positive Indonesia GDP growth in 2009 was helped by infrastructure spending which helped drive investment growth. High commodity prices also added a boost, while international investors were reassured by Indonesia's status as the world's third largest democracy following smooth Presidential and parliamentary elections in 2009.

"The Indonesian economy has been relatively resilient to the global economic recession in 2009, thanks to its large domestic market and higher international prices of exported commodities. While GDP growth fell from 6.1% in 2008 to around 4.4% in 2009, the growth rate was the third highest in the G20 after China and India. Furthermore, the IDR strengthened against the USD by 16% (the world's fourth best performing currency and Asia's best) and the Jakarta composite index rose by 123% in USD term (the world's third best performing bourse and Asia's best) in 2009. We are optimistic with Indonesia's economic outlook in 2010, as we expect GDP growth to rise to 5.5%, while both the IDR and JCI are likely to rally further. That said, there is a risk of global financial instability due to some concerns over the sustainability of the US economic growth in H1-2010 that may affect emerging markets, including Indonesia. However, such risk should fade in H2-2010, reinforcing our optimistic outlook on Indonesia," concluded Fauzi.

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#### Notes to Editor:

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