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## NEWS RELEASE

### **UOB says growth in Asia economies to moderate in 2012 but region well-positioned to meet global challenges**

*Investments still flowing into Asia; growth to improve in second half of the year*

**SINGAPORE, 12 January 2012** – United Overseas Bank (UOB) today said that while growth in key Asian economies was expected to slow down in 2012, the region was well-positioned to manage the effects of economic malaise coming out of Europe and the United States.

Speaking at the UOB Asset Management's 2012 Global Investment Outlook and Strategy conference in Singapore today, Mr Jimmy Koh, Head of Research and Investor Relations, UOB Group said Asia's preparedness was a direct result of local economies having been buoyed by the growing wealth in Asia and from stronger corporate balance sheets following lessons of the Asian financial and 2008 global crises.

"Asia has managed to stay buoyant in the recent choppy waters. Investors across the globe are still looking to Asia as a harbour of decent investment returns. This is because Asia has transformed itself dramatically since the 1998 Asian financial crisis and has used lessons learned to adjust dynamically and quickly to the current financial headwinds coming from Europe and the US.

"While liquidity continues to flow into Asia there remain two factors that could change Asia's outlook materially in 2012 - employment and borrowing costs. Both of these have been stable so far but any change in a negative direction will affect growth projections."

#### **Impact on Asia's growth outlook in 2012**

While global growth continues to gravitate towards Asia, UOB Asset Management's clients and distributors were advised that the impact of global economic malaise in Asia was unavoidable. UOB forecasts that growth rates of most Asian countries would moderate in 2012.

Singapore's economy is expected to moderate to 2.5% in 2012, compared with a growth rate of 4.8% in 2011. Singapore remains an open economy and is dependent on external demand. Global uncertainties could dampen demand for Singapore's exports.

Other key Asian economies are also expected to experience a decline in growth, despite the improving economic fundamentals in the region. UOB expects a soft landing in China in 2012. However, a possible cool-down in China's property market and the rise of an "informal" loan market could impact China's economic growth. While these risks are manageable given China's large financial resources, economic growth is likely to be constrained at 8% (compared with 9.2% in 2011). Thailand's growth is expected to pick up in 2012, due to rebuilding efforts post-flooding and stronger domestic demand stemming from policies such as raising minimum wages.

The key question for 2012 is whether Asia will suffer a financial shock or economic slowdown in the face of the European sovereign debt crisis.

Mr Koh said: "More than 1 trillion euros of refinancing is due in 2012, and bulk of it in the first half of 2012. While we expect Asia to be resilient enough to withstand the impact from Europe, Asia could see weaker equity prices and currencies in the first half of the 2012."

<b>Growth trends in Asia 2012 (y/y% change)</b>						
	2011F	2012F	1Q12F	2Q12F	3Q12F	4Q12F
Singapore	4.8	2.5	1.6	2.5	1.8	4.4
China	9.2	8.0	7.9	7.6	8.2	8.4
Indonesia	6.4	6.0	5.9	5.7	6.0	6.3
Malaysia	4.8	3.9	3.7	3.5	3.6	5.0
Thailand	2.0	5.0	2.2	5.5	5.0	7.2

Source: UOB Econ-Treasury Research, Bloomberg, CEIC

#### **Interest rate outlook and foreign exchange outlook**

UOB also forecasts that interest rates are likely to remain low in 2012, mirroring interest rates in the United States. For the year ahead, the Bank believes that the three-month Singapore Inter Bank Offered Rate (SIBOR) will remain at current rates.

UOB also expects that changes in the global financial landscape may cause the Singapore dollar (SGD) to experience a fair degree of volatility in 2012. UOB forecasts the SGD to weaken to 1.33 against the US dollar by the end of first quarter 2012. The Bank's expectations are that the SGD should recover towards the end of the year, and end at 1.27 against the US dollar. However, the SGD may continue to weaken against the US dollar if there is another financial shock from Europe.

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**About United Overseas Bank**

United Overseas Bank Limited (UOB) is a leading bank in Asia. It provides a wide range of financial services through its global network of over 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America, including banking subsidiaries in Singapore, Malaysia, Indonesia, Thailand and mainland China.

UOB plays an active role in the community, focusing on children, education and the arts. Its staff volunteerism programme was initiated in 2007. Through the UOB Heartbeat Run/Walk, UOB has raised funds for its named beneficiaries. UOB has also organised the prestigious Painting Of The Year Competition and Exhibition since 1982. In recognition of its contributions to the arts, UOB has been conferred the National Arts Council's Distinguished Patron of the Arts Award for the sixth consecutive year.

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**For media queries, please contact:**

Celeste Cheo  
Group Brand Performance and Corporate Communications  
Email : Celeste.CheoYQ@UOBgroup.com  
Tel : 6539 3950

Jean Khong  
Group Brand Performance and Corporate Communications  
Email : Jean.KhongLY@UOBgroup.com  
Tel : 6539 3981