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UOB forecasts Asian export-oriented economies to benefit from stronger global growth in 2014

Singapore, 13 November 2013 – United Overseas Bank (UOB) today forecast that demand from key global economies, as well as increasing intra-regional trade, will drive stronger economic growth for Asia’s export-based countries in 2014.

UOB’s Head of Economic-Treasury Research, Mr Jimmy Koh, said that a sustained economic recovery in the United States (US), along with a firmer US dollar, will boost demand for Asian exports. This is a particularly good sign for economies such as Singapore, Malaysia, Indonesia, Thailand and China which have strong export markets.

“Despite the economic headwinds experienced over the past year, we expect to see continued improvement in the US, Europe and Japan as we enter 2014,” Mr Koh said. “The positive data in the US will most likely lead to the US Federal Reserve’s pullback of its bond-buying programme in the first half of next year. This also means that the US dollar will strengthen against most Asian currencies, albeit at a more gradual pace, benefitting export-oriented countries in the region.”

Mr Koh also said that he expects that next year will see a rise in business confidence levels in Japan and a lower probability of tail-end risks coming out of Europe. This will in turn lead to an increase in corporate investments into Asia.

“Asia’s growth drivers have remained strong and are attractive to foreign investments. As China’s economy stabilises and Southeast Asia’s consumer affluence levels continue to rise, business flows to and within the region are poised to increase on the back of growing demand for goods and services.”

Mr Koh highlighted that while federal budget issues in the US may resurface early next year, they are not expected to have a significant or lasting impact on the country’s growth outlook. However, concerns on quantitative easing (QE) tapering in the US and a potential liquidity outflow from Asia will be revisited

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next year. Although Asian economies are more prepared for the potential impact, Mr Koh said countries such as Indonesia and India may see renewed pressure on their currencies.

Investment outlook for 2014

UOB forecasts US' gross domestic product to grow by three per cent in 2014. In light of this optimistic outlook, Mr Anthony Raza, Head of Multi-Asset Strategy at UOB Asset Management, has recommended an overweight call on US equities.

"With sustained growth in the US, equities are likely to provide high single-digit returns as corporate earnings may exceed market expectations," Mr Raza said. "Fixed income may also give mid-single-digit to flat returns as expectations of rising interest rates may create some pressure on bond prices."

While fixed income instruments are expected to generate lower returns compared with the returns from equities in 2014, Mr Raza noted that they are less volatile and therefore remain suitable for investors who are more risk-averse.

"Geographically, while we are more favourable towards the opportunities in the US, we continue to believe in Asia's macroeconomic fundamentals. The delay in QE tapering in the US has helped to mitigate investment risks in Asia. In the long term, we believe that Asian policy makers have the necessary tools to respond to short-term challenges and that capital will continue to flow to Asia."

– Ends –

About United Overseas Bank

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. In Asia it operates through its branches and representative offices as well as banking subsidiaries in China, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

UOB plays an active role in the community, focusing on the arts, education and children. For more than three decades UOB has held the prestigious UOB Painting of the Year Competition and Exhibition. In recognition of its contributions to the arts, UOB was conferred the National Arts Council's Distinguished Patron of the Arts Award for the ninth consecutive year in 2013. UOB also encourages its employees across the region to be involved in its regular volunteer activities. This includes the annual UOB Heartbeat Run/Walk which is held in Singapore, Malaysia, Indonesia, Thailand and mainland China.

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