

## PRESS RELEASE

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### **Research by ING Investment Management highlights ASIA'S GROWTH PROSPECTS EXCEED WESTERN GROWTH**

**ING Investment Management (IM) is convinced the Asian region has the strongest baseline position for world economic growth. ING IM believes Asian emerging markets will produce the strongest growth with high population growth and the proximity of major economic powers (China and India) as major supports. Asia accounts for the majority of the real gross domestic product of all emerging economies (around 61%).**

#### *Healthier financial sector*

Asian countries also stand out from the other regions (for example, the US and Europe) on account of their relatively healthy financial sectors. The largely state-controlled banking sector in China for example, has reported no or few problems to date. The proactive expansionary policy of the Chinese central bank has in the meantime prompted a renewed rise in credit growth.

#### *Major Asian countries*

Within emerging Asia, China is a relatively large domestic market and is generally better equipped to withstand a decline in world trade. Its public finances are in order and its current account balance is in surplus. India also has a large domestic economy, although is a relatively closed economy that depends on exports for 23% of its growth, compared to 32% for China.

Rob Drijkoningen, Head of Global Emerging Markets, ING IM Europe, said: "The recent decline in exports seems to have affected the generation of economic growth in China relatively strongly. However, the country is also keeping to its tradition of boosting domestic growth when exports fall, mainly by promoting infrastructure projects. Of all the emerging economies, China has the best opportunities to adopt a flexible monetary policy and stimulating fiscal policies. China can consequently act as the engine of the region."

*Less dependent on foreign capital*

Emerging Asia has, on balance, pursued a financially responsible policy in recent decades. The region is therefore less dependent on foreign capital than it was in the past, and also than other regions. The increasing strength of emerging Asia has made the relationship between the mature economies and emerging markets much tighter.

Emerging Asia's relatively stable position is reflected in a higher price/earnings ratio (15 on earnings expected in the next 12 months). The figures for emerging Latin America (11), emerging Europe (5) and the entire universe of emerging economies (9.3) are appreciably lower.

**New relationships in global economy***Increased interdependence*

ING IM says that emerging markets have, on balance, become more stable as a universe, and have in a short time become a much more important component of the global economy.

Rob Drijkonigen adds: "This new situation has a double effect. On the one hand, export-orientated emerging markets are, and will remain, considerably dependent on developments in the mature economies. On the other hand, and this is a new phenomenon, the mature economies are affected much more by economic movements in the emerging economies than they were in the past. For instance, last year the entire global economy had to contend with a sharp rise in metal prices owing to extreme demand from countries like China. That the emerging economies have become much more closely intertwined with the mature economies is also illustrated by the sharp decline in German exports. German exporters, who in the past few years have reduced their dependence on the American market in favour of the Middle East, China and other emerging economies, are now feeling the consequences of the collapse in demand from those countries."

*Structural importance of emerging markets to equity and bond investors*

Emerging countries used to be included in an equity or bond portfolio only at times of economic boom, but these days, ING IM says that they are increasingly a constant factor in the portfolio, which it says makes sense. Neither the current economic downturn nor the malaise in the financial markets is any reason to change this strategic vision.

### Bond markets of emerging Asia are more stable

ING IM says debt instruments issued by the countries in Asia are generally of better quality than those of other regions. That is because most Asian countries are doing relatively well in terms of public finances and current account of the balance of payments. The good quality of the debt instruments of Asian countries means that the reward in relation to risk is markedly lower at the moment than that of the bonds of countries in Latin America and Central and Eastern Europe.

Summarising the growing attractiveness of Asia as an investment opportunity, Rob Drikkoning said: “Emerging markets used to attract investment mainly when times were good. In periods of economic weakness, investors withdrew their capital. Emerging and mature economies are now much more closely intertwined. It is also clear that the present problem of the global credit crunch and the sharp slowdown in the global economy did not originate with emerging markets but with the US.

“Emerging Asia has the best basis for long-term growth, in our view. This is partly because of its relative stability, population growth and presence of major countries like China.

“The global economic outlook for the next few years is surrounded by extreme uncertainties. In the longer term, (10 – 20 years) growth is expected to be markedly higher in the emerging economies than in the mature economies, although a lower growth rate than in previous years cannot be ruled out. Owing to considerable increases in productivity, the currencies of emerging markets may be expected to appreciate substantially against the US dollar and the euro.

“Emerging markets have, in our opinion, become structurally important to both equity and bond investors with a long-term horizon. They are an integral part of investment policy, including strategic asset allocation.”

Growth emerging economies (as %)	2008	2009E	2010E	Long-termE <sup>1)</sup>
Asia	7.7	3.9	6.2	5.1
incl. China	9.3	7.1	8.5	5.7
India	6.9	4.7	7.6	6.7
Latin America	4.0	-1.3	1.9	4.0
Incl. Brazil	5.5	-1.0	2.1	4.3
Central Europe. Africa. Middle East	4.8	-2.1	1.6	3.7 <sup>3)</sup>
incl. Russia	6.7	-3.3	0.0	3.5
Egypt	6.9	4.8	4.3	5.7

Turkey	1.6	-2.4	4.8	2.4
All emerging economies				4.8
US. Eurozone. Japan <sup>2)</sup>				2.0
incl. US	1.3	-2.3	0.9	2.5
Eurozone	0.9	-2.8	0.6	2.0
Japan	- 0.2	-4.3	0.7	1.5

Source: ING Investment Management, February 2009

- 1) Structural growth in emerging economies in the long term (10 - 20 years) is the result of a model developed by ING IM that incorporates a large number of variables, including population growth, educational levels, infrastructure and energy efficiency.
- 2) Estimates by economists at ING Investment Management.
- 3) Excluding Central and Eastern Europe (Middle East / Africa: 5.6).

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**Profile: ING Investment Management**

ING Investment Management (ING IM) is a global asset manager with approximately EUR 333 bn\* of Assets under Management in 38 countries in the Americas, Asia-Pacific and Europe. ING IM is the principle asset manager of ING Group, a global financial services company operating in 50 countries. In Europe and the Middle East, ING IM has offices in 17 countries and has Assets under Management of nearly EUR 130 bn\*.

ING IM provides investment strategies across all major asset classes for the ING Group network, insurance companies and for institutional clients. ING IM combines this with ING Group's international distribution capabilities to offer integrated financial services solutions globally to all its clients. Visit [www.ingim.com](http://www.ingim.com) for more information.

\*As of February 2009.