



The Knowledge to Decide

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Channel News Asia MoneyMind
21 December 2008

Business sectors poised to outperform in 2009

Synopsis

With the new US president bringing fresh ideas and the prospect of a massive fiscal stimulus package, Group Managing Director of Spire Research and Consulting, Leon Perera, comments on the business sectors that could outperform in the new year.

Business sectors poised to benefit

"The infrastructure sector will stand to benefit most directly. A lot of the stimulus spending that we see in Asia – the big packages announced in China, Korea, Malaysia and elsewhere – as well as the stimulus that will come next year in the US will go to infrastructure development... roads, bridges, dams and other key public infrastructure. The general construction sector may benefit a little; some of the stimulus is going into projects like the construction of low-cost housing in Malaysia.

One sector that will benefit, and hasn't been discussed as widely, is the environmental technology sector. The new administration under Obama is going to provide a big stimulus to clean technology, renewable energy and so on, through laws and regulations – cutting emissions – as well as US\$150 billion pumped into environmental R&D. So companies in Asia that are well-positioned in environmental R&D can supply solutions into the US market around clean and renewable technologies to benefit from this in the next few years.

Generally, in times of downturn, defensive sectors such as food and healthcare tend to outperform but I think in the new year, there will be a few sectors of special interest. One is foreign direct investment. The flow of FDI from large global corporations into low-cost manufacturing locations will be quite promising in 2009 simply because many of the largest global corporations are cash-rich and at the same time they are being severely pressured to seek lower cost structures. What we do see is that they're moving manufacturing locations away from the coastal cities of China towards inland China and also new locations such as India and Vietnam. India is going to see over US\$30 billion in FDI this year.

The other big sector that will outperform is the consumer sectors in the emerging economies, such as China, India and Indonesia, where there will still be very decent growth even though the growth has slowed down.

Business trends on the rise

The one trend that stands out is the trend towards consumers becoming activists. What we've seen is that consumers of brands and products are increasingly communicating with one another through E-communities, personal networking sites, and so on. They're exchanging opinions and influencing one another in terms of how they react towards particular products or particular brands. We've seen twice this year, for example, how a boycott against the Carrefour retail chain in China was organized by consumers – once during the Olympic torch relay and more recently when President Sarkozy met the Dalai Lama.

Increasingly in 2009 and beyond, major international brands – particularly consumer brands – will have to reach out and more actively engage opinion leaders from among their customer base. They are going to have to, for example, explore things like pilot-testing new products with these opinion leaders, seeking their opinions more actively, in the same way that multi-lateral organizations like the World Bank have been engaging with NGOs for some time now.”
