

MEDIA SYNOPSIS

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Global economies – The fiscal year ahead



Economies across the globe need to precariously do the balancing act as the coming fiscal year brings in new challenges for growth. Is the future outlook providing a scope for improvement? Leon Perera, Chief Executive Officer of Spire Research and Consulting, shared his views on Channel NewsAsia – AM Live!.

The US economy had yet to emerge from the economic slowdown; evident from the flat quarter-on-quarter GDP growth and drop in government spending. With the unemployment rate remaining at 7.9%, consumers had become more cautious in their spending; causing the downfall in consumer spending to cut into 70% of GDP for the US. However, there was no real cause

for alarm. Leon Perera, Chief Executive Officer of Spire Research and Consulting, reasoned that both Democrats and Republicans would reach a settlement and avoid the full impact of sequestration.

Meanwhile, the Japanese Yen depreciation had not posed to be an eminent threat of a looming currency war. This was because the Yen was overvalued previously and the depreciation boosted export figures, which had indirectly affected South Korea and Germany – direct competitors in export categories, such as industrial products and automotive. However, pressure still loomed for Japan as the GDP shrank by 0.1% for the fourth quarter. Although it would be difficult to overcome deflation, recession could be evaded for the time being. However, weak growth was predicted for the first half of this year due to global weakness.

On a separate note, one of the largest economies in the world, India was trying to get back on track in terms of economic growth rate. It recorded a bleak 6.2% growth last year and would remain sluggish due to politics and inflation. Perera shared that the Indian government would be extra cautious so as to maintain a steady growth rate and not disturb the majority of the vote banks-represented by the masses residing in rural areas. It remained to be seen whether the upcoming budget would have a positive or negative implication on India's economic growth.

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For media enquiries, please contact:

Alyssa Tan
Assistant Manager, Group Corporate Communications
Spire Research and Consulting
Phone: (65) 6838 5355
E-mail: alyssa.tan@spireresearch.com