# Trade war will not have immediate impact on Asean

**The Star**

The rising tension between the US and China will not have an immediate impact on Asean's economic growth as a majority of the countries in the grouping have a domestic demand-driven economy and are backed by sound economic and policy fundamentals.

S&P Global Ratings Economist Vincent Conti said the movement of emerging currencies and trade tensions between the giant economies are two major factors affecting Asean economies.

As for Asean net import growth, the impact would likely be minimal.

"If trade takes a hit globally, the immediate growth impact on Asean will be mitigated and would really be felt, just not very significant in the net import trade growth.

"However, the second round of impact on onshore investors, as well as, businesses are much likely to be visible," he told a media briefing on Asean Credit Spotlight here today.

Explaining further on the impact of the trade war, Conti noted that Asean was not spared the negative impact, however, the depreciation of South East Asian emerging currencies was seen as diluted compared with Argentina, Turkey, Brazil and South Africa as markets recognised the stronger economic and policy fundamentals in the region.

“The gradual interest rates hikes by US Federal Reserves had alone generated a strong dollar environment and this punctuated emerging market stresses, particularly in Turkey and Argentina, and this generated capital outflow in weaker currencies across global emerging markets,” he added.

Narrowing down to Malaysia, Conti said more clarity on the administration’s direction, after a change in leadership, would generate confidence among investors.

“Malaysia’s current account surplus has helped in cushioning the impact of global uncertainties as the country doesn’t need external financing for any debt that it has at present, not to mention, there are plenty of domestic investors with ample liquidity to provide financing to domestic market if foreigners exit the market,” he explained.

Commenting on global economic growth, he said it was expected to moderate in the coming years, given the fact it has been a decade of recovery for global economic growth.

“The question right now is how fast is the moderation pace and how sharp is the growth fall. It depends on the cycle of global credit growth and economic growth, which, if both elements turn out at the same time, might end up compounding each other,” he added. - Bernama