

## **The Building Value World Tour in March & April 2011**

The Chinese say that it is better to do a good deed near home than to go far away to burn incense; and I was far away - some 20,000 kilometres from London in fact, which is about as far as you can go without coming back. Thank you, too, for all those cards and letters (as the late great Dean Martin used to say).

During the BVL World Tour, I was first visiting my clients in China and then marketing in Australia - before some down time in the nation of my birth New Zealand (*aka* Godzone); not to mention, brief sojourns in two City states (Hong Kong and Singapore). For the record, the number one issue in all locations is the cost of living. Concern about the housing market is also omnipresent and the prevailing political climates continue to morph to centre/right.

What I love about China, though, is the energy and industriousness of its people and there is a palpable vitality on the street. Nor does it take long to appreciate that there is a wonderful education system at work. It is, too, a truly vast country and increasingly the big boy on the global block. Okay, there is some local difficulty with inflation right now - and share prices are moribund. That said, Emerging Global Advisers (EGA) says that that contrary to mainstream western media views, the People's Bank of China is doing not too bad a job in a truly vast economy. Similarly, given the rate of growth which China is experiencing, of course there is inflation. In turn, this has been exacerbated by actual and economic realities (weather, food prices etc). Similarly, any monetary tightening has been measured and communicated well to the markets; but there is no mathematical plug.

Remember, too, that China consumes between 45 and 80% of the World's commodities and trades heavily with the US, China and Europe, in particular, in competitively priced finished products. As EGA says, in an increasing G2 world (the US and China), a collapse in the Chinese economy would bring about an international depression - not recession. But the smart money says this will not happen.

In Australia, truck drivers in mineral rich Western Australia earn \$250,000 a year, while in storm and flood ravaged Queensland, they are unemployed. Yes, there is an increasingly two speed economy. Rich in almost all natural resources known to man, this is a huge plus but the general view (from your man in the street in Sydney) is that it does not benefit the whole country sufficiently. Australia was the first to raise interest rates in this cycle, too, and while it is great for Australian Nationals going on holiday (the Aussie briefly edged over \$US 1.10), it makes all exports less competitive. Similarly, the housing market is as flat as the Simpson Desert and there is a discernible nervousness about the place.

New Zealand continues to come to terms with the Christchurch earthquake; and while this pales compared to Japan's, nationally it is a major disaster. The City, itself, too resembles a war zone and will be a decade or two recovering. It may even have to relocate the CBD. What doesn't hit the headlines either is the fact that there have been, literally, thousands of after-shocks since September, including the big one in February. Be that as it may, the economy is in rude-ish health and John Key appears (and I stress the word) to be an able PM. Also, after an initial knee-jerk downwards, the Kiwi (*aka* NZ dollar) appreciated to where it is now worth around \$NZ 2.00 to the

British Pound. The theory is that soon-to-be-paid-out insurance cash will flood in and the Country can afford to rebuild. In addition, the Earthquake Commission (originally the Earthquake and War Damage Commission) has reportedly paid out \$NZ 1.5 billion already and has another \$NZ 4.4 billion in its coffers. The Commission or EQC covers non-commercial premises (commercial building owners have to arrange cover with private insurers). Finally, the Chinese are said to like NZ Government bonds, of which there is expected to be a plentiful supply.

This leaves the destinations of Hong Kong and Singapore, which continue to defy any sensible metrics. At a conference about Hong Kong in the early 1980s, the strap-line was "the concrete never sets"; and it still hasn't. Finally, Singapore continues to prosper and it is blessed with wonderful local people.

*"One's destination is never a place, but a new way of seeing things"* - Henry Miller

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**May 2011**