**Emerging Markets to Reward Long-Term Investors**

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The real estate bubble is nothing but a modern-day bubble and has lasted far longer than economists have thought. In fact, investors have become so accustomed to the high prices in real estate that they have almost forgotten what a bubble is. The current market price of real estate is not even comparable to the Asian financial crisis in 1997/8 because for the simple reason that the same markets, and for the most part the same real estate, were 10 years ago under the same conditions. The crisis in 1997/8 began in Asia and spread to the world. Currently, however, Asian economies are better balanced so that they were 10 years ago. But, the problem is that as they have moved up as many have already declined and have fallen into a recession of decreased short-term debt and built-up speculative-bubbles and foreign exchange reserves.

Most emerging markets are in fact now experiencing stronger economic growth, relatively low inflation, stable currency rates, the implementation of effective fiscal and monetary policies, weaker current account deficits, improving corporate governance, and the enhancement of competitiveness through removal of subsidies and restrictions of trade barriers, higher productivity and unemployment because of a younger and better trained labor force, and so forth. Asia is the largest emerging markets region in the world and home to some of the fastest growing globally economies. In fact, more than 10 percent of the world’s population lives in Asia providing the region with a huge consumer base.

One of the key supporting factors for investing in Asia is its robust economic growth. Asian economies have not only been growing faster than developed countries in North America, Western Europe, Japan, Australia and New Zealand but also their emerging markets counterparts.

Over the last ten years, Emerging Asia has recorded an average annual growth rate of 7.4 percent, compared to 2.7 percent for developed markets and 5.9 percent for global emerging markets. Moreover, economists expect this growth trend to continue for the foreseeable future. Emerging Asia is expected to grow 8.8 percent this year, more than triple the developed markets’ 2.5 percent forecast. And in line with that, the earnings growth in Emerging Asia is expected to be much stronger than that in developed markets. Asia’s economic growth has also been supported by the region’s export growth momentum and more recently by growing consumer demand. In addition, dependence on the U.S. as an export outlet has been decreasing in the region. Japan and China are an outlet for exports from the rest of Asia and also need to be understood. In addition, lower labor costs allow Asian markets to undertake competitive pricing to boost exports.

**Fundamentals Remain intact**

One of the main investment themes in Asia is increasing consumer demand. As a result of increasing per capita incomes and relatively young population structures, Asian economies are increasing domestic consumption of a wide range of goods. For example, in India and China, the number of cellular phone subscribers per 100 people in 2006 was 13 and 13, respectively. While in developed markets such as the UK and U.S., it was 117 and 77, respectively. Thus, the potential for growth is enormous, with this growing demand expected to further boost domestic consumption and industrial output, leading to greater corporate earnings in the region. One very important factor has been the appreciation of the yen.

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