

Inflation no deterrent for Chindia bulls

Written by: Victoria Tait

Rising inflation in China and India has not dampened the enthusiasm of fund managers and other investment experts for investments there.

According to the latest data, China's inflation rate rose in May to 5.5 per cent from 5.3 per cent. However, CommSec chief economist Craig James noted food inflation, watched especially closely because of its potential to spur social unrest, fell for a second straight month.

"China's policy makers continue to make good progress in restraining inflation without derailing the expansion. While the annual inflation

rate was the highest in almost three years in May, prices edged just 0.1 per cent higher in the month," James said.

"At the same time, production and retail spending continue to expand at solid double-digit annual rates, indicating that the expansion remains solidly on course."

James and other economists have credited Beijing for its skillful navigation of the nation's economy, guiding it towards growth while preventing it from overheating.

Meanwhile, Magellan managing director Hamish Douglass presented specifics to financial advisers, saying

the average consumer in Mexico spent \$20 a year on Procter & Gamble products, versus \$3 in China and \$1 in India. If consumers in China and India were to catch up with those in Mexico, it would add \$40 billion to Procter & Gamble's revenue line.

Fidelity India Fund portfolio manager Teera Chanpongsang said India was the only large global economy besides China that was expected to continue to post high single-digit gross domestic product growth this year.

"My belief is that this superior growth rate will continue to attract investors," Chanpongsang said. ◀