

Business Spectator

COMMENTARY

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3:28 PM, 18 May 2009

Waiting for the second wave

I am spending today at the Future Summit organised by the Australian Davos Connection. I will write a more detailed piece later, but today I want to briefly alert you to some of summit revelations of immediate impact.

Former Goldman Sachs JBWere boss Craig Drummond said that he believed there were still some \$US1,300 billion in global bank losses to emerge. There would be enormous losses in Europe and in Asia. The huge economic declines in Germany and France have yet to be reflected in their bad bank bad loans. In addition there were many problems still to emerge in the US which might create further loan problems over and above the \$US75 billion uncovered by the recent stress test.

Almost certainly the Drummond figures come from Goldman Sachs JBWere, and if he is right then we are only half-way into the banking crisis. There has been some \$1,300 billion in losses so far reported. The Drummond scenario probably means that the stock markets have moved too far because the amount of bad news ahead and the capital raising required is far greater markets are forecasting.

Rui Chenggang is one of the best-connected journalists in China. Most of the global leaders who come to China are interviewed by Rui who has an audience of between 200 million and 300 million people. Rui said that the China stimulation was working and he expected that the final quarter of 2009 would see growth around 9 per cent, leaving an average of around 8 per cent for the 2009. This confirms the figures I have been receiving from China. ([Rudd needs a new tune](#), May 11.)

If Rui is right then that's good news for Australian resources because so much of the demand has been generated by infrastructure projects.

Rui explained that China was looking for a new architecture of world institutions ranging from the UN to the IMF. He believes that whereas these bodies are dominated by a few countries the new architecture should bring in a much wider range of countries.

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