CNCBI's latest economic outlook

Pandemic's impact exceeds forecasts

Global economy to plunge into deepest recession since World War II

(Hong Kong: 5 Aug 2020) China CITIC Bank International Limited (the "Bank" or "CNCBI") releases its latest economic outlook which reveals that the 2020 global economy is plunging into the deepest recession since World War II as a result of the unexpected severity of COVID-19. In a baseline scenario assuming that the pandemic eases progressively in the second half of the year, the 2020 global GDP is expected to fall by 4.8% whereas mainland China's GDP is expected to grow moderately by 2.4% for 2020 and regain its strength above 8% in 2021. Hong Kong, in turn, will see a 2020 recession of 6.7%, which is much steeper than 2019's 1.2%.

Mainland China to become only major economy to see positive growth with 2.4% GDP rise

Mainland China's economy has been gaining steam over the months in Q2 and accelerated in June at a pace however weaker than anticipated as a whole. The country's Q2 GDP growth turned to a 3.2% positive from Q1's -6.8%, contributing to a 1H drop of 1.6%. In a bid to achieve positive economic growth for the year, the central government will step up policy easing characterised by a two-pronged approach of targeted and overall easing. As regards monetary policy, the country is expected to cut its reserve requirement ratio once or twice in the second half of the year with increased open market operations so as to guarantee short-term liquidity and steer market interest rates downwards. As for the country's fiscal policy, further tax slashes and a kickstart in new infrastructure investment in certain areas are expected.

In this scenario, Dr Liao Qun, Chief Economist, CNCBI, says, supply-side corporations will resume work and production further while consumption and investment from the demand side will also pick up speed. The retaliatory rebound anticipated and desired by the market will however be implausible. Meanwhile, export performance will continue to improve as the global economy recovers. Mainland China's GDP is expected to grow by 5.7% in the second half of the year and moderately 2.4% for 2020 which may be 3.7 percentage points behind the 2019 figure but would make the country the only major economy to post positive economic growth within the year. In 2021, the growth rate will recover to above 8%. As for risk factors, a resurgence of the pandemic remains the biggest threat while acceleration of decoupling between China and the US should not be brushed aside. Possible unemployment spikes and large-scale bankruptcy of small- and micro- enterprises should not be underestimated neither.

Hong Kong into deeper recession amid faltering recovery

Hong Kong's April and May retail sales value continued its plunge and fell 34.4% while declines in export narrowed with a fall hitting 5.6%. Unemployment rate stood at 6.2% in June, reflecting a severe contraction in Hong Kong's economy in Q2, with a 9.0% GDP slide as compared to Q1's 9.1%.

Regarding economic development in the lower half of the year, Dr. Liao believes that the large-scale pandemic relief measures by the HKSAR government are falling into place, providing favorable conditions for market stabilisation and economic recovery. In the base scenario, recovery of consumption and investment is expected to accelerate after the third wave of pandemic. Export performance will bounce back upon the recovery of global trade and Mainland China's economy. However, Dr Liao forcasts that Hong Kong's GDP will slide by 4.3% in the second half of the year and by 6.7% for 2020, marking a much deeper recession than that of last year which logged a 1.2% drop in GDP. The risk factors to watch out for will include a resurgence of the pandemic, acceleration of China-US decoupling, an overwhelming recession in the global economy and another global financial crisis.

For the full text of the Bank's *Market Express* and market updates and other market commentaries, please visit www.cncbinternational.com/personal/investments/market-information/en/index.jsp. You may also view the mobile edition of *Market Express* on the Bank's inMotion app (Open the inMotion app, tap "Wealth Management" and then "FX" and scroll down).

Photo:

Dr Liao Qun, Chief Economist, CNCBI, estimates that the mainland Chinese economy will see a moderate GDP growth of 2.4% for the year and that for Hong Kong will plunge by 6.7%, a much deeper recession than that of 1.2% last year.

Risk Disclosure Statement and Disclaimers:

This document is issued by China CITIC Bank International Limited ("the Bank") and used for reference purpose only. The information or opinion herein is not to be construed as professional investment advice or any offer of, or invitation by or on behalf of the Bank to any person to purchase or sell or acquire or invest in any investment products. The information or opinion presented has been developed internally and/or taken from sources believed to be reliable, but the Bank makes no warranties or representation as to the accuracy, correctness, reliabilities or otherwise with respect to such information or opinion, and assume no responsibility for any omissions or errors in the content of this document. For information which is provided by the Information Provider and fund houses, it is being re-transmitted by the Bank in the ordinary course of business to you for general information and reference purposes only. The Bank did not modify or otherwise exercise control over its contents, do not take responsibility for it nor do they endorse the accuracy of such information. Investors should not make any investment decision purely based on this document. Nothing contained in this document should be construed as guidance to the suitability of the markets mentioned. Before making any investment decision, investors should carefully consider the risk factors relating to an investment product in light of their own financial circumstances, investment objectives and experiences and other personal circumstances, and should seek appropriate professional advice if necessary. The Bank accepts no liability for any direct, special, indirect, consequential, incidental damages or other loss or damages of any kind arising from any use of or reliance on the information or opinion herein. Investment involves risks. Investment value and return may go down as well as up. Past performance of each investment product is not indicative of its future performance. Losses may be incurred as well as profits made as a result of investing in investment product. Investment in emerging markets involves above-average investment risks, such as possible fluctuations in foreign exchange rates, political and economic uncertainties. Some funds are entitled to use financial derivative instruments to meet its investment objective and may therefore lead to higher volatility to its net asset value. Investors investing in these funds may result in loss of some or the whole amount of the capital invested. Investors should read the offering documents of the relevant investment product (including the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in details before making any investment decision. The Bank is an authorized institution under the Banking Ordinance and is regulated by the Hong Kong Monetary Authority. This document is issued by the Bank and its contents have not been reviewed by the SFC or any regulatory authority in Hong Kong.

China CITIC Bank International Limited

China CITIC Bank International Limited ("CNCBI") is 75%-owned by CITIC International Financial Holdings Limited ("CIFH"), which in turn is a wholly-owned subsidiary of China CITIC Bank Corporation Limited ("CNCB"). The remaining 25% of CNCBI are owned by Tian Yuan Trading Limited, Hong Kong Guansheng Investment Co., Limited, Anxin Trust Co., Limited, Clear Option Limited and Elegant Prime Limited.

By providing value-creating financial solutions to define and exceed both wealth management and international business objectives of Greater China and overseas customers, CNCBI aspires to be "the best integrated financial services institution", with the highest international standards and capabilities.

CNCBI's footprint in Greater China includes 28 branches and two business banking centres in Hong Kong, as well as branches and presence in Beijing, Shanghai, Shenzhen and Macau. CNCBI also has overseas branches in New York, Los Angeles and Singapore. More information about CNCBI can be found on its website at www.cncbinternational.com.

For media enquiries, please contact:

Charles Mak
Assistant Vice President
Corporate Communications
Tel: (852) 3603 6314
Fax: (852) 3603 4312
Email: charlesko_mak@cncbinternational.com

Stephanie Chun
Manager
Corporate Communications
Tel: (852) 3603 6635
Fax: (852) 3603 4312
Email: stephaniepk_chun@cncbinternational.com

\- End -