

China CITIC Bank International latest economic outlook

Recovery pace varies across economies as pandemic eases on vaccine availability

(Hong Kong: 8 February 2021) China CITIC Bank International Limited (the “Bank” or “CNCBI”) today releases its latest market outlook. It is estimated that the global GDP would expand by 4.4% in 2021, slightly higher than the 2019 pre-pandemic level. A revenge recovery is expected for mainland China with an 8.7% expansion in the country’s 2021 GDP and an annual average of about 5.5% in 2020 and 2021. Hong Kong’s GDP would bounce back from a deep negative to a positive of 3.8%.

Mainland China to “revenge” recover with GDP up by 8.7% in 2021

The minor pandemic resurgence in mainland China in the fourth quarter of 2020 had but little impact on its economic recovery. The country’s GDP growth rebounded further to 6.5% within the quarter, which was 1.6 percentage points higher than the previous quarter and constituted annual growth of 2.3% for 2020, exceeding its current and pre-pandemic potential growth levels.

Dr Liao Qun, Chief Economist, CNCBI, says that the flexible, easing stance can expect to continue into 2021 with an emphasis on preciseness, reasonableness and appropriateness. On the monetary front, one or two reserve requirement ratio cuts can be expected. Rate cuts would be considered if the economic recovery underperformed. On the fiscal front, infrastructure investment in the New Infrastructure Development areas is expected to accelerate while structural tax reductions would be introduced to provide funding support to medium-, small- and micro-enterprises as well as low-income individuals. As the pandemic eases off in 2021, it is anticipated that consumption, fixed assets investment and exports will grow by 10.8%, 4.9% and 11.0% respectively. The country’s GDP will grow by 8.7% in 2021 – collective GDP growth of 10.9% or average growth of 5.5% for 2020 and 2021, which reaches the current level of potential growth and signifies that an actualised “revenge” recovery with the 2020 loss restored. The market should look out for domestic downside risks including a prolonged pandemic, a sharp rise in medium-, small- and micro-enterprise insolvencies; a surge in defaults and lagging recovery of consumption. Externally, the risks would include a prevailing pandemic, intensified China-US tensions and continuous global recession.

Hong Kong’s GDP growth to turn positive to 3.8%

The new pandemic wave emerged in Hong Kong in the fourth quarter in 2020 dragged the city’s economic recovery strength, with GDP contracted by 3.0% in the Q4 2020 and a 6.1% dip for the whole of 2020, according to the government’s estimate. Looking ahead, Dr. Liao believes that the HKSAR government

would spare no efforts in containing the pandemic in an effort to regain access to the mainland. As the pandemic eases gradually, the scale of financial relief measures is expected to reduce notably, and would be adjusted correspondingly and become more directed to the development of the pandemic and economic recovery trends. Private consumption, business investment and exports would steadily pick up the usual pace as the pandemic come under control in an improved external environment and stabilising social atmosphere. Helped by a low base effect, Hogn Kong's GDP growth is predicted to turn from a deeply negative of -6.1% to a positive of 3.8% but the 2021 GDP value would still be more than 2% shy of the 2019 level, while recovery among sectors would remain unbalanced with for instance high unemployment rates and sluggish recovery in the tourism-related sectors. The market should be watchful for downside risks including worsened China-US tensions, an unemployment surge in the tourism-related industries, intensified US sanctions and a new round of global economic crisis.

Please visit www.cncbinternational.com/personal/investments/market-information/en/index.jsp for more market insights. You may also access the mobile edition of *Market Express* on the Bank's inMotion (Open the inMotion app and tap "Wealth Management at the bottom right corner).

Photo:



Dr Liao Qun, Chief Economist, CNCBI, forecasts that mainland China's GDP would expand by 8.7% in 2021 and Hong Kong's would turn to a positive of 3.8%

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, sell, 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.

No part of this document may be reproduced or transmitted in any form or by any means without the prior written permission of the Bank.

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").

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 27 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 -