

## **China CITIC Bank International latest economic outlook**

### **Economies to speed up recovery at varied paces as pandemic continues to ease**

(Hong Kong: 4 May 2021) China CITIC Bank International Limited (the “Bank” or “CNCBI”) today releases its latest market outlook. It is estimated that the global GDP would grow by 5.5% in 2021. Mainland China is on a revenge recovery path with GDP growth accelerating to 8.9%. Hong Kong’s economic recovery impetus is rising with the city’s GDP growth forecast to reach 5.0%.

#### **Mainland China on revenge recovery path with 2021 GDP growth expected to hit 8.9%**

Mainland China’s Q1 GDP growth surged 18.3% y-o-y, 11.8 percentage points higher than that of Q4 2020, representing the highest y-o-y growth on record. The three key growth drivers, retail sales, fixed assets investment and exports posted double-digit y-o-y growth of 33.9%, 25.6% and 48.8% respectively. In view of continuous economic recovery, the central government is gradually moving away from policy easing, particularly on the monetary front. The People’s Bank of China will remain flexible and rational as regards monetary policy. The country’s benchmark interest rates and reserve requirement ratios are expected to stay put this year, whereas liquidity may be tightened further.

Dr Kenneth Lee, Economist, CNCBI, says that given the strong start of the year, mainland China’s economy is embarking on the road of revenge economic recovery. Not only will the growth rate bounce back to a pre-pandemic level, but pandemic-dampened growth will also be regained. Looking ahead, the robust Q1 performance is highly unlikely to repeat itself as growth in retail sales, fixed assets investment and exports decelerates on the gradual retreat of last year’s fundamental impacts. Mainland China’s quarterly GDP growth is expected to exhibit a “high to low” pattern this year. Given the remarkable Q1 growth, the growth forecast is upgraded by 0.2 percentage points to 8.9%. The market should watch out for domestic downside risks including a delay in border reopening due to the varied vaccination rates of different countries, virus mutations, a consumption relapse and significant rises in corporate debt defaults. Externally, the risks could include unsatisfactory vaccine availability and efficacy, intensified China-US conflicts, sluggish global economic recovery and heated geopolitical tensions.

#### **Hong Kong’s GDP growth to reach 5.0% on greater economic recovery impetus**

The Hong Kong economy made a leap towards recovery in Q1, with an advanced estimate of GDP increasing by 5.3% on a q-o-q basis, as compared to the 0.5% q-o-q rise in Q4 2020, and resulting in a 7.8% y-o-y growth. Despite this, the city’s economic recovery will remain uneven, with exports being the only growth driver which surged 30.6% y-o-y on the back of strengthening cross-border trade as well as

improving global demand. In the meantime, private consumption resumed expansion but was subdued with an 1.6% y-o-y increase. Local consumption-related activities were restrained by lingering COVID-19 threats and higher unemployment rates.

Led by exports, Dr Lee points out, the Hong Kong economy will continue to recover in the remaining three quarters as the external environment improves further. The recovery pace of local consumer spending is expected to pick up in the second half of the year as consumption-related activities expand on the expected easing of COVID-19 restrictions and the government's digital cash vouchers handout. Recovery among sectors would remain imbalanced with the tourism-related sectors likely to post a weaker rebound should the reopening of the Chinese border be delayed. Hong Kong's GDP growth is expected to reach 5.0% for 2021 as a whole.

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**Photo:**



Dr Kenneth Lee, Economist, CNCBI, says that mainland China is embarking on the road of revenge economic recovery while the Hong Kong economy is gathering steam towards GDP growth respectively to 8.9% and 5.0% in 2021

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