

China CITIC Bank International's latest market outlook

Mainland China and Hong Kong's annual growth expected to reach above 5% and about 4% respectively amid elevated global recession risks

(Hong Kong: 19 January 2023) China CITIC Bank International Limited (the "Bank" or "CNCBI") today releases the latest economic outlook, pointing out that inflation across various regions is showing signs of peaking gradually albeit elevated recession risks. Major mature economies in Europe and the US are predicted to be approaching a stage of economic stagnation or contraction. The 2023 global GDP is estimated to increase by about 2% while the full-year GDP of mainland China and Hong Kong may rise by more than 5% and approximately 4% respectively on the relaxation of pandemic containment measures as well as normalisation of economic activities.

Mainland China's full-year GDP expected to grow by more than 5% on relaxation of pandemic containment measures

Some developed economies such as the US, the UK and the Eurozone may slip into a stage of economic contraction, dampening the performance of their emerging counterparts. Conversely, mainland China's relaxation of pandemic containment measures and normalisation of economic activities can help unleash growth potential, which is predicted to contribute to a waxing and waning situation for the global economy this year. Owing to the moderate growth in 2022, the base effects in terms of statistics will prove favourable to the acceleration of the mainland's performance.

Mr Tristan Zhuo, Chief Economist, China CITIC Bank International, said, "The Chinese economy is expected to become a growth engine for the global economy again in 2023. The country's GDP stands a chance to grow more than 5%, well above the global level of 2%. Driven by the relaxation of pandemic containment measures, private consumption and the service sector will rebound strongly, enabling truly the internal network and lowering economic growth's reliance level on exports. Issues as regards economic imbalances are also expected to improve. This will have a positive effect on raising productivity and household incomes."

Hong Kong to see full-year GDP growth of about 4% on normalisation of economic activities

While Hong Kong's economic activities have largely resumed normal, international trade contraction as a result of the global economy slide will continue to deal a significant blow to the city's entrepot trade.

Exports in Hong Kong plunged 24.1% in November 2022 and declined accumulatively by 6.4% for the first 11 months, which posed as a major reason for the noticeable 2022 GDP contraction.

Mr Zhuo pointed out, “In 2023, Hong Kong’s retail sector will continue to gain steam. Private consumption will rebound while unemployment is expected to fall. Chances are, GDP growth will reach about 4%.” As for the interest rates environment, the Fed’s rate-hike cycle is gradually ending; Mr Zhuo predicted that Hong Kong dollar interest rates would peak in the first half of the year.

US recession increasingly likely End of rate-hike cycles expected in 2023’s first half

Turning to the bond market, the US treasury yield curve inversion has continued and reached the most severe point in more than 40 years. The possibility of a US recession is therefore high and economic contraction is likely for the year. Meanwhile, the country’s rate-hike cycle is expected to end during the upper half of the year. Benchmark interest rate levels will stay put during the remainder of the year. A balance sheet reduction will then become the major monetary policy measure. The total assets of the Federal Reserve will be reduced while US asset prices will remain under pressure.

Please visit https://www.cncbinternational.com/document/personal/investments/en/market_express.pdf 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



Mr Tristan Zhuo, Chief Economist, China CITIC Bank International forecasts that global GDP will grow by approximately 2% in 2023 while mainland China and Hong Kong's GDP may see growth of above 5% and approximately 4% respectively

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