

China CITIC Bank International's latest market outlook

US rate-hike cycle approaching an end

Hong Kong's GDP growth expected to reach 4.5%

(Hong Kong: 18 July 2023) China CITIC Bank International Limited ("CNCBI") today releases the latest economic outlook, with the 2023 forecast of GDP growth remaining at 2.0% globally while that of Hong Kong adjusted to approximately 4.5% from last quarter's forecast of about 4.0%. GDP growth of mainland China, meanwhile, stands a good chance of reaching the 5.0% official target.

Global economic performance sliding as US rate hikes approaching an end

Growth in developed economies will dip drastically from 2022's 2.6% to about 0.6%, with the eurozone's performance being particularly sluggish and that of developing economies comparatively stable. Due to anaemic growth and recession risks in developed economies, global GDP growth is expected to decelerate from 3.1% in 2022 to 2% in 2023. Growth of international trade volume may plunge from 6.0% in 2022 to about 1.0%.

The US will see disinflation continue and is expected to approach its 2.0% inflation target in the lower half of the year. The current rate-hike cycle is nearing an end.

Mainland China expected to achieve FY GDP growth target of 5.0%

While mainland China's economy reopened fully, slowing global economic momentum and weaker export demand are affecting the performance of its manufacturing sector. To this end, the service sector will be key to the country's GDP growth. Mr Tristan Zhuo, Chief Economist, China CITIC Bank International, pointed out, "Previous economic data shows that 6.0% growth is attainable for the mainland's tertiary sector. Mainland China would achieve its 5.0% official full-year target if the primary and secondary sector could maintain a growth rate similar to 2022 and on a recovery trend led by the tertiary sector."

Turning to monetary policy, a 25-basis points cut in the required reserve ratio is expected in the second half of the year in view of the moderate frequency and range of the People's Bank of China's interest rate reduction in the second quarter.

Hong Kong's improving retail sector to contribute to full-year GDP growth of 4.5%

Pressure on international trade took a heavy toll on Hong Kong's re-export trade. Following

full normalisation of economic activities, however, the city's retail sales will continue to recover as private consumption bounces back and unemployment eases further. As for the interest rate environment, Mr Zhuo noted that the Federal Reserve's rate-hike cycle is approaching an end which is narrowing the space for upward movements of the Hong Kong dollar interbank rates. Hong Kong's 2023 actual GDP growth can reach about 4.5%.

Please visit https://www.cncbinternational.com/document/personal/investments/en/market_express.pdf for more market insights. The mobile edition of Market Express is also available 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, keeps the forecast of 2023 global GDP growth at 2% while moving Hong Kong's GDP growth forecast to approximately 4.5% from about 4% last quarter, noting that mainland China stands a good chance of reaching its 5% official target of GDP growth

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