

China CITIC Bank International's latest market outlook

Mainland China's economic growth momentum improves

Hong Kong GDP growth expected to exceed 4.0%

(Hong Kong: 27 October 2023) China CITIC Bank International Limited ("CNCBI") today releases the latest economic outlook, which reveals that the rate-hike cycles of major central banks in the west are basically over or close to an end, while monetary easing is likely to begin next year. Mainland China's growth momentum is stabilising in a gradual pace and the country's GDP is expected to outperform the 5.0% official target, while Hong Kong's GDP may exceed 4.0%.

Global inflation falls from peak amid persistent recession risk

Developed economies' inflation fell to a varying extent but risk of economic downturn persists. The US core inflation rate continued to dip year-on-yearly. The US Federal Reserve (the "Fed") may only be able to raise its benchmark rate by another 25 basis points at most.

The Conference Board Leading Economic Index (LEI) peaked in March 2022 as the Fed kicked off the current rate-hike cycle and has since then been on a slide for 18 consecutive months with the cumulative decline reaching 11% as at September 2023. The US recession risk should not be taken lightly.

Mainland China's growth stabilising steadily towards full-year goal

Mainland China's economy has grown 5.2% over the first 3 quarters of this year in the face of major headwinds including slowing global economic momentum, weakening export demand and contracting investment in real estate development. Owing to favourable base effects, however, year-over-year performance of exports may gain strength gradually. Meanwhile, the manufacturing sector has shown resilience. A series of support measures for the real estate sector is also being launched as noticeably lower mortgage interest rates help increase residents' household disposable income, bolstering private consumption recovery.

Mr Tristan Zhuo, Chief Economist, China CITIC Bank International said, "With greater efforts in stabilising growth alongside more frequent monetary policy adjustment, there is room for the mainland to lower its reserve requirement ratio by 25 basis points and the loan prime rate by 10 basis points in the future. The country's GDP growth is on track to exceed the official target of 5%."

Hong Kong to see limited rate rise room and GDP growth above 4.0%

The continuous decline in international trade hit Hong Kong's re-exports sector hard and dampened the city's economic growth. Despite this, tourism recovery is fuelling retail sales rebound. Improving domestic demand is also driving private consumption. The labour market is buoyant with the city's unemployment rate falling to 2.8%. Hong Kong's 2023 actual GDP growth could exceed 4%. As for the interest rates environment, the Fed's rate-hike cycle is approaching an end. The Hong Kong dollar interbank rate has limited room for upwards movements and will stay at a relatively high level before the Fed kicks off its 2024 rate-cut cycle.

Please visit https://www.cncbinternational.com/document/personal/investments/en/market_express_2023q4.pdf for more market insights, or open the inMotion app and tap "Wealth Management" at the bottom right corner.

Photo



Mr Tristan Zhuo, Chief Economist, China CITIC Bank International, expects that mainland China's GDP growth can exceed the 5.0% official target while Hong Kong's GDP can grow more than 4.0%

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