

For Immediate Release

BEA Expects Economic Recovery for Mainland and Hong Kong in 2023

Hong Kong, 8th December 2022 — The Bank of East Asia, Limited (“BEA” or the “Bank”) expects both the Mainland China and Hong Kong economies to recover in 2023, growing at around 5.2% and 3.5% respectively.

Mr Ricky Choi, Chief Economist at BEA, said: “Although the Mainland economy has been plagued by the pandemic, real estate market corrections, and external uncertainties since the beginning of 2022, the outlook has turned more optimistic towards the end of the year. The optimisation of pandemic prevention and control measures, supports for the property market by Mainland financial authorities, coupled with initiatives to promote high-quality economic development in the medium and long term, could help restore consumer and investor confidence and drive the economic recovery from a low base.”

Mainland China’s Economy:

- Expected to grow 3.5% and 5.2% in 2022 and 2023 respectively, with modest inflationary pressure of approximately 2.3% and 2.2%.
- Mainland authorities are further optimising measures to prevent and control the pandemic and stabilise the real estate market to alleviate the downward pressure on the economy. Meanwhile, Mainland authorities will continue to support the economy through both fiscal and monetary measures to reduce the financial pressure on enterprises, restore consumer confidence, and support infrastructure investment.
- In the medium to long term, the Mainland will pursue the dual circulation strategy to facilitate the development of its economy, focusing on the domestic market and improving innovative capacity, while remaining open to the rest of the world.

Commenting on the Hong Kong economy, Mr Choi said: “If the pandemic continues to stabilise, its negative impact on Hong Kong will gradually subside. The full recovery of the economy, however, still depends on the timing of quarantine-free travel with the Mainland and global economic development. Overall, Hong Kong’s economic performance is expected to improve in 2023.”

Hong Kong’s Economy:

- Hong Kong’s economy shrunk by 3.3% year-on-year in the first three quarters of 2022. Economic performance is affected by the pandemic, rapidly tightening global monetary condition, rising geopolitical tensions, and weakening global demand, with full-year economic growth expected to contract by around 3%.

- GDP is expected to grow at around 3.5% in 2023.
- Unemployment rate is expected to decline to an average of 3.2% in 2023.
- Despite elevating global inflation, domestic cost pressure will remain modest, with consumer price inflation expected to be 1.9% in both 2022 and 2023.
- In the face of uncertainties such as the pandemic, geopolitical tensions, and changing monetary policies, it is expected that Hong Kong's residential property prices will drop by around 11% and 5% in 2022 and 2023 respectively.

Interest Rate Outlook:

- In the face of elevated inflation, the Federal Reserve (Fed) has raised rates by a total of 3.75% since the beginning of this year. The Fed is expected to further raise rates to better contain the inflationary pressure.
- The Fed is expected to raise another 0.5% in its December meeting and further increase its rate in the two meetings in Q1 2023, bringing the Fed funds rate to around 5.00%. The Fed will then wait and see before deciding on its next move based on the latest inflation and economic data.
- Hong Kong has entered into a new interest rate hike cycle, but the pace of the Hong Kong dollar rate hike still lags that of the US dollar. Banks in Hong Kong are expected to raise at least another 0.25% after the Fed's December meeting and to follow its US counterpart in 2023.

About The Bank of East Asia, Limited

Incorporated in 1918, The Bank of East Asia, Limited ("BEA") is a leading Hong Kong-based financial services group listed on The Stock Exchange of Hong Kong, with total consolidated assets of HK\$908.2 billion (US\$115.8 billion) as of 30th June 2022.

BEA provides a comprehensive range of wholesale banking, personal banking, wealth management, and investment services to customers through an extensive network of about 150 outlets covering Hong Kong, the rest of Greater China, Southeast Asia, the United Kingdom, and the United States. For more information, please visit www.hkbea.com.

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Mr Ricky Choi, Chief Economist of BEA, expects Mainland China and Hong Kong economies to recover in 2023, growing at around 5.2% and 3.5% respectively at the “2023 Economic Outlook Media Briefing”.