

For Immediate Release

**BEA Expects Chinese Mainland and Hong Kong Economies
to Steadily Recover Further in 2024**

Hong Kong, 14th December 2023 — The Bank of East Asia, Limited (“BEA” or the “Bank”) expects both the Chinese Mainland and Hong Kong economies to steadily recover further in 2024, growing at around 5.0% and 3.5%, respectively.

Mr Ricky Choi, BEA’s Chief Economist, said: “2023 was the first year of post-pandemic normalisation in the Chinese Mainland. Spurred by the recovery of mobility and release of pent-up demands, the consumption and services sectors expanded rapidly, serving as the driving forces for an economic recovery. For 2024, we expect the pace of recovery in the Chinese Mainland to be more even, with a policy focus on balancing between stabilising growth momentum and fostering long-term high-quality development needs. Policy measures for stimulating growth will be more targeted, focusing on promoting the development of strategic emerging industries as new growth engines and supporting a steady economic expansion.”

Chinese Mainland’s Economy:

- During the first three quarters of 2023, the Mainland economy recorded a growth of 5.2% year on year, and BEA expects the full-year growth to be 5.3%.
- A steady recovery trend will continue in 2024, with consumption, services, innovation and technology sectors being the key growth drivers. Growth for 2024 is expected to reach around 5.0%.
- Consumption upgrade is set to continue as Mainland consumers demand better service experience. Catering, tourism, and recreation services are expected to see notable growth ahead.
- The push for high-quality growth by Mainland authorities will boost advanced manufacturing and related investments, while spending on new infrastructure will accelerate. The downward pressure from external trade is likely to ease gradually.
- Policy measures for stimulating growth will continue, with a focus on promoting targeted sectors and defusing potential risks. There is still room for further fiscal stimulus and monetary policy easing, such as reserve requirement ratio (“RRR”) and rate cuts, and maintaining a relatively high deficit ratio.

Commenting on Hong Kong’s economy, Mr Choi said: “Private consumption and tourism have been the key impetus for Hong Kong’s economic recovery in 2023. Looking ahead, the Chinese Mainland and Hong Kong economies will further normalise in 2024, which will result in greater demand for consumption, retail, tourism and other services sectors, further sustaining their growth momentum. The implementation of Government-led mega infrastructure and housing projects, the measures to align with the national development

strategy, as well as expected rate cuts starting in the second half of 2024, will likely solidify Hong Kong's growth foundation ahead."

Hong Kong's Economy:

- During the first three quarters of 2023, Hong Kong's economy expanded 2.8% year on year. The full-year growth is expected to be 3.3%.
- In 2024, the growth momentum is expected to solidify further, with consumption, retail and tourism sectors continuing to be the key drivers. External trade is likely to stabilise. Investments are set to be supported by the Government's projects and expected rate cuts starting in the second half. The economy is projected to grow by around 3.5% in 2024.
- The labour market will remain resilient, with the unemployment rate staying near a full-employment level. The Government's talent attraction initiatives are yielding notable results, while the unemployment rate is estimated to stay around 2.8% in 2024.
- Inflationary pressure will continue to be moderate. While private residential rentals will likely grow slightly faster, price gains in food, clothing and footwear, and services are expected to stay moderate. The composite consumer price index is estimated to increase by around 2.3% in 2024.
- Amid a high interest rate environment, Hong Kong's residential property market is poised to stay under pressure before embarking on a modest recovery trend towards the end of 2024. A continued expansion in the Hong Kong economy, a stable labour market, potential rate cuts by the US Federal Reserve (the "Fed") in the second half, and the Government's support measures should help stabilise the property market in 2024.

Interest Rate Outlook:

- Since March 2022, the Fed has raised rates by 525 basis points. Despite the fact that the US interest rates have likely peaked, a high interest rate environment will be in place in the first half of 2024, as US inflation will remain higher than the Fed's policy target. A modest rate cut is only expected in the second half of 2024, hinging on whether US inflation is moderating towards the policy target.
- Given the expectation of a largely unchanged federal funds rate in the first half of 2024, the Hong Kong dollar prime rate is also expected to remain intact until the Fed starts cutting interest rates moderately in the second half. That should offer room for banks in Hong Kong to lower their prime rates slightly.

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\$872.1 billion (US\$111.3 billion) as of 30th June, 2023.

BEA provides a comprehensive range of corporate banking, personal banking, wealth management, and investment services to customers through an extensive network of about 130 outlets covering Hong Kong, the Chinese Mainland, Macau, Taiwan, Southeast Asia, the United Kingdom, and the United States. For more information, please visit www.hkbea.com.

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Media enquiries:

Ms Judy Kwan
Head of Corporate Communications
The Bank of East Asia, Limited
Tel.: (852) 3608 5830
Email: kwanjtm@hkbea.com

Mr Mill Seen
Senior Corporate Communications
Manager
The Bank of East Asia, Limited
Tel: (852) 3608 5829
Email: seenmsl@hkbea.com



BEA’s Chief Economist, Mr Ricky Choi shared his forecasts at the 2024 Economic Outlook: “Solid Foundations Fueling Economic Growth” media briefing.