For Immediate Release

BEA Expects Chinese Mainland and Hong Kong Economies to Sustain Growth Momentum in 2H 2024

Hong Kong, 26 June 2024 – The Bank of East Asia, Limited ("BEA" or the "Bank") expects both the Chinese Mainland and the Hong Kong economies to sustain their growth momentum throughout 2024, expanding by around 5% and 3.3% respectively for the full year.

Today, BEA held its "2024 2H Economic and Market Outlook: Advance amid Stability • Embrace the Trend" media briefing, during which the Bank's **Chief Economist, Mr Ricky Choi,** and **Chief Investment Strategist, Mr Frank Lee,** shared their views on the macroeconomic outlook and investment markets.

Mr Ricky Choi said, "The Chinese Mainland economy has shown a solid start in 2024, led by a turnaround in external demand, which has boosted merchandise exports and industrial activities. Going forward, domestic demand will continue to be the major driver, with services consumption and industrial production likely to sustain growth momentum. Fast-growing infrastructure and high-tech investment will further promote new industrialisation and boost productivity."

Chinese Mainland's Economy:

- The Mainland economy is expected to achieve the growth target of around 5% in 2024.
- Policies are focused on high-quality development rather than large-scale stimulus, offering measures to spur equipment renewals and trade-ins of consumer goods, which will provide a continued boost to high-tech manufacturing and investment.
- Increased policy support for the property sector will contain its downside risks, lift market confidence, and unleash pent-up demand, ensuring a stable market ahead.
- Well-coordinated macro-policies and reforms are set to gradually take effect to keep up the growth momentum. There is still ample policy room for stimulus measures, like higher fiscal spending and further monetary easing.

Commenting on the Hong Kong economy, Mr Choi said, "2024 marks the second year of post-Covid normalisation for Hong Kong. With improving merchandise exports, stabilising asset markets, resilient labour market conditions, and a sustained recovery of inbound tourism, Hong Kong's economy will continue its steady growth momentum."

Hong Kong's Economy:

- Hong Kong's economy grew by 2.7% year-on-year in Q1 2024. The recovery was powered by improving merchandise trade and reviving inbound tourism.
- GDP is expected to grow by around 3.3% in 2024, while the unemployment rate will stay near the full employment level of around 3%.
- Overall, inflationary pressure remains modest, as the composite consumer price index is estimated to be around 2.2% in 2024.
- Residential property prices are expected to stay largely stable in 2024, and will begin to recover in tandem with the easing of the external monetary environment.

Interest Rate Outlook:

- While the US inflation has cooled from its peak, it is expected to remain above the Federal Reserve's (the Fed) 2% policy target as disinflation progress was slower than expected. With underlying price pressures remaining sticky, the Fed will take a more cautious approach to cutting rates. On balance, the Fed is expected to implement around one rate cut in 2024, either in late Q3 or Q4 2024.
- Given that the Hong Kong dollar's prime rate did not closely follow the pace of previous hikes of its US counterpart, its future pace of downward adjustment is also expected to lag behind that of the US. With only around one rate cut expected in the US this year, the Hong Kong dollar prime rate could stay unchanged for the rest of 2024.

On the outlook for the investment markets, Mr Frank Lee said, "The implementation and enhancement of policy measures by the Chinese Mainland authorities for stabilising growth could result in upgrades of earnings forecasts for listed companies, providing support for Hong Kong stocks. In terms of global markets, historical track records show that the run-up to the US presidential election would support the performance of mature markets, especially US stocks and US bonds."

Investment market outlook:

- Our HSI target of 19,900 points corresponds to a target P/E of 9.8 times;
- We pay particular attention to 4 investment themes:
  - State-owned enterprises stocks with high dividend yields (e.g. Mainland telecommunications, banking, insurance, and power stocks, etc.);
  - Stocks benefiting from the US interest rate cuts (e.g. Hong Kong utilities and telecommunications, Macau gambling, etc.);
  - Technology stocks with brighter earnings recovery prospects;
  - Stocks benefiting from the Chinese government's policies (e.g. new energy, industrial equipment, etc.).
- We expect US stocks to perform well in the second half of 2024, and the target price for S&P 500 to hit 5,886;European and Japanese stock markets are subject to

rising exchange rate risks and will most probably move sideways in the second half of the year;
- On the premise that the US economy achieves a "soft landing", global high-yield bonds and Asian US dollar bonds are expected to perform well.

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$860.4 billion (US$110.1 billion) as of 31 December, 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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BEA's Chief Economist, Mr Ricky Choi (left), and Chief Investment Strategist, Mr Frank Lee (right), shared their insights on the economic and market outlook for the second half of 2024.