

For Immediate Release**BEA Expects Moderate Growth in the Chinese Mainland and Hong Kong in 2025**

Hong Kong, 5 December 2024 — The Bank of East Asia, Limited ("BEA" or the "Bank") expects the Chinese Mainland and Hong Kong economies to continue to grow moderately in 2025, at around 4.8% and 2.5% respectively, despite rising external uncertainties.

Today, BEA held its "2025 Economic and Market Outlook: New Global Landscape • New Opportunities" media briefing. During the event, the Bank's Chief Economist, Mr Ricky Choi, stated, "The Chinese Mainland economy is on track to achieve its growth target of around 5% in 2024. Since September this year, the Mainland has enhanced its policy efforts to stabilise growth, revive confidence, and guard against asset market corrections. Even in the face of Donald Trump's second presidency, we believe the Mainland authorities possess abundant policy tools to ensure steady growth in 2025."

The Chinese Mainland's Economy:

- In the first three quarters of 2024, the Mainland recorded a growth of 4.8%. External trade, industrial production and high-tech manufacturing took the lead, offsetting pressures from property market consolidation and economic upgrading.
- The Mainland is intensifying its policy efforts to boost confidence in the real estate market and absorb housing inventory, which is expected to stabilise the market. We believe its negative impact on the economy will ease gradually.
- The Mainland will continue its pursuit of high quality growth with further policies and reforms to unleash its growth potential in various ways, from consumption to manufacturing upgrades and key technological innovation, ensuring a steady growth of around 4.8% in 2025.

Commenting on the Hong Kong economy, Mr Choi said: "Strong demand for merchandise trade has propelled Hong Kong to post a growth of around 2.6% in 2024, offsetting the impact of high interest rates, property market consolidation, and anaemic consumption. Looking ahead, increased policy support from the Mainland will bring positive spillover effects to Hong Kong, injecting impetus into the Hong Kong economy and its asset markets."

Hong Kong's Economy:

- The second Trump presidency could amplify the complexities of the relationship between the United States ("US") and the Mainland, which may have potential impacts on the Hong Kong economy. However, increasing stimulus push from the Mainland will serve as important support for Hong Kong in withstanding external uncertainties.
- With further rate cuts on the horizon, together with the relaxation of all demand management and prudent mortgage regulation measures and the success of enterprise and talent attraction initiatives by the HKSAR Government ("Government"), Hong Kong's home prices are poised to recover by around 5% in 2025.
- The Government has proposed a series of initiatives to enhance the city's economic competitiveness. Along with an accommodative global monetary environment and the anticipated recovery of asset markets, Hong Kong's economy is expected to grow about 2.5% in 2025.

Interest Rate Outlook:

- Although markets have scaled back expectations on rate cuts, we expect the US Federal Reserve ("Fed") to shift its monetary policy stance towards neutral, with its pace remaining data dependent.
- The Fed has reduced interest rates by a total of 75 basis points ("bps") since September this year. It is expected to cut another 25 bps in December 2024, followed by quarterly cuts of 25 bps in 2025.
- Since September this year, banks in Hong Kong have lowered the HKD prime rate by 50 bps in total, a pace which is faster than expected. We believe that banks in Hong Kong will follow the US in cutting rates this month and at the beginning of 2025, gradually lowering the HKD prime rate to 5.25% (based on BEA's HKD prime rate).

In terms of the investment market, BEA's Chief Investment Strategist, Mr Frank Lee said, "The US's policy orientation will be the investment theme before Trump's inauguration on 20 January, 2025. However, investors should be aware that the policies he will launch after he takes office may be far from his campaign promises. Coupled with geopolitical factors, policy risks in the stock market should not be overlooked. Nevertheless, the market is looking forward to the Fed's continued interest rate cuts, which will provide some support for Hong Kong stocks."

Investment Market Outlook:

- The target level for the Hang Seng Index in the first half of 2025 is 22,500 points, which is equivalent to a target price-to-earnings ratio of 10 times.
- We pay particular attention to three sectors:

- Local enterprises with high dividend yields (e.g. Hong Kong banks, utilities, telecommunications, and real estate stocks);
- State-owned enterprises with high value and high dividend yields (e.g. Mainland telecommunications, banking, insurance, electricity and natural gas stocks)
- Sectors benefiting from the Mainland's consumption policies (e.g. internet, food and beverage, electronic appliances and automobiles stocks)
- The S&P 500 Index would reach a price target of 6,100 to 6,200 in the first half of 2025, with forward price-to-earnings ratio hovering at 22 to 23 times, which is similar to the 2- and 3-year averages.

About The Bank of East Asia, Limited

Incorporated in Hong Kong 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\$875.2 billion (US\$112.1 billion) as of 30 June 2024.

BEA provides a comprehensive range of wholesale banking, personal banking, wealth management and investment services to customers through an extensive network of about 120 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 2025.