

**For Immediate Release**

**BEA Expects Economic Growth for  
Mainland and Hong Kong to Continue in 2022**

*Positive Outlook Forecast for Hong Kong and U.S. Equity Markets  
Despite Looming Interest Rate Hikes*

**Hong Kong, 19<sup>th</sup> July 2022** — The Bank of East Asia, Limited (“BEA” or the “Bank”) expects Mainland China’s economy to grow at a pace slightly slower than 5% in 2022, amid stabilising pandemic conditions and government policy support, and predicts Hong Kong’s economy will post approximately 1.2% growth this year.

BEA today held its “2H 2022 Economic and Market Outlook: The Road to Economic Recovery” media briefing, during which the Bank’s **Chief Economist Ricky Choi** and **Chief Investment Strategist Frank Lee** shared their views on the macroeconomic outlook and investment markets.

**On the macroeconomic outlook, Ricky Choi, Chief Economist at BEA**, said, “The Mainland economy was notably affected by regional COVID-19 outbreaks and pandemic control measures in April and May. Amid stabilising pandemic conditions and the relaxation of pandemic control measures, the economy is likely to have bottomed out, though the pace of recovery still depends on factors such as the trajectory of the pandemic, related control measures, and overall confidence in the market. As a result, personal consumption and the services sector are expected to lag behind, while industrial production and infrastructure investment will play a more significant role in supporting the economic recovery in Mainland China.”

***Mainland China’s Economy:***

- Expected to grow at a pace slightly slower than 5% in 2022, with modest inflationary pressure of approximately 2.3%.
- Mainland authorities will continue to support the economy through both fiscal and monetary measures to alleviate financial pressure on enterprise, stimulate consumption confidence, and support infrastructure investment.

***Hong Kong’s Economy:***

- The pace of recovery is expected to accelerate in the second half of the year, with a projected full-year growth rate of 1.2%, which is slightly above the lower end of the 1% to 2% forecast from the Hong Kong SAR Government.
- The unemployment rate is expected to decline to 4.5% in 2022.

- Despite increasing global prices, domestic cost pressure will remain modest, with consumer price inflation expected to be 1.5% in 2022.
- Hong Kong will soon enter an interest rate hike cycle. The Hong Kong dollar interest rate is expected to follow its U.S. counterpart closely after the Hong Kong dollar prime rate starts to rise.
- 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 stay range-bound, with modest downward pressure and a low risk of a sharp correction.

***Interest Rate Outlook:***

- The pace of the current U.S. interest rate hike cycle is expected to be faster than the previous three cycles. The U.S. Federal Reserve is likely to raise its rate by at least 75 basis points (bps) in July and 50 bps in September respectively, as well as another 25 bps each in November and December, with the Fed Funds Rate forecast to rise to at least 3.25% to 3.50% by the end of the year.

**On the outlook for the investment markets, Frank Lee, Chief Investment Strategist at BEA,** said, “Despite the differentiation of growth rates between major economies, we have a positive view on the outlook for global equity markets. In the U.S., during the past 10 midterm election years, the S&P500 index has shown a U-shape performance. The index is expected to bottom out in the third quarter and perform well in the fourth quarter. Meanwhile, the Mainland stock markets will also be supported by focussed economic stimulus policy from the government.”

***Investment Markets Outlook:***

- According to historical data, the U.S. equity performance typically runs ahead of economic and inflation figures. The S&P500 index is expected to bottom out a year before economic recession.
- Growth stocks will outperform value stocks after the initial stages of an interest rate cycle.
- The risk of stagflation in Europe and US are increasing, with Europe exposed to a higher risk.
- Inflation expectations and rate hike pressures are lower in Asia than in G7 countries. The region's comparatively positive economic outlook will support the Asian bond markets.

### **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\$907.47 billion (US\$116.39 billion) as of 31<sup>st</sup> December 2021.

BEA provides a comprehensive range of corporate 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](http://www.hkbea.com).

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Ricky Choi, Chief Economist at BEA, talked about economic outlook for the second half of 2022 at the media briefing.



BEA's Chief Economist, Ricky Choi (middle), Chief Investment Strategist, Frank Lee (left), and Senior Investment Strategist, Angela Wong (right), shared their views at the "2H 2022 Economic and Market Outlook: The Road to Economic Recovery" media briefing.