

Deloitte, a professional service provider, forecast that China's GDP growth in the second quarter will be flat; however, with the gradual return of capacity utilization and the effectiveness of economic stimulus measures, the mainland economy will recover strongly in the second half of the year, which will drive the continuous growth of import demand in Hong Kong and Taiwan, South Korea and Singapore.

Deloitte's latest "focus on Asia" series reports predict that without major risk events, the mainland economy will recover from the impact of the new coronavirus epidemic in the second half of this year, significantly promoting the economic development of other regions in Asia.

"We don't expect the" big water irrigation "strong stimulus after the last global financial crisis to reappear. On the contrary, the government's stimulus to the economy is likely to focus on new technology infrastructure investment, household consumption incentives and targeted credit easing. Such fiscal stimulus measures are expected to be launched in succession in the near future, which is expected to drive the annual GDP growth by more than 3%."

Xu Sitao, chief economist of Deloitte China, commented on the mainland economy.

However, Deloitte said the economy is expected to contract significantly due to Hong Kong's high dependence on mainland tourists and the dollar linked exchange rate system.

Hong Kong's GDP fell 2.9% year-on-year in the fourth quarter of last year, the second consecutive quarter recorded annual contraction, as local social events involving violence further hit the economic climate and consumption and tourism related activities. The government will release its forecast for the first quarter of this year on Monday.

As for the outlook of Asian economic outlook, the report points out that there is a large amount of capital outflow in Asia, and the total outflow in the first quarter of this year alone is as high as US \$83.3 billion. Therefore, even if demand recovers, the financial pressure of emerging markets in the region is likely to rise and face greater downside risks. LIBOR OIS spreads in the US, which reflect the credit pressure of the global banking system, are already under pressure, while regional currencies, stock markets and bonds are likely to fall further.