BBVA Research

China Economic Outlook

November 2024

Creating Opportunities

01

Global Economic Outlook 4Q24

Creating Opportunities

Main messages

Recent developments

Inflation has eased further, partly due to lower oil prices (despite escalating geopolitical tensions) and excess supply in China (despite rising stimuli), but growth and core inflation remain resilient. The latter, together with expectations that Trump policies will spur inflation and raise fiscal risk, has boosted US sovereign yields and the USD.

Growth outlook

Assuming that the new US administration will raise import tariffs, mainly on China, growth is forecast to slow from 2.7% (+0.2pp) in 2024 to 2.1% (-0.1pp) in 2025 in the US, and from 4.8% (+0.2pp) to 4.1% (-0.1pp) in China, where more policy measures will provide some cushion. In the Eurozone, protectionism will add to other challenges and keep growth low, around 0.8% (+0.1pp) in 2024 and 1.0% (-0.4pp) in 2025.

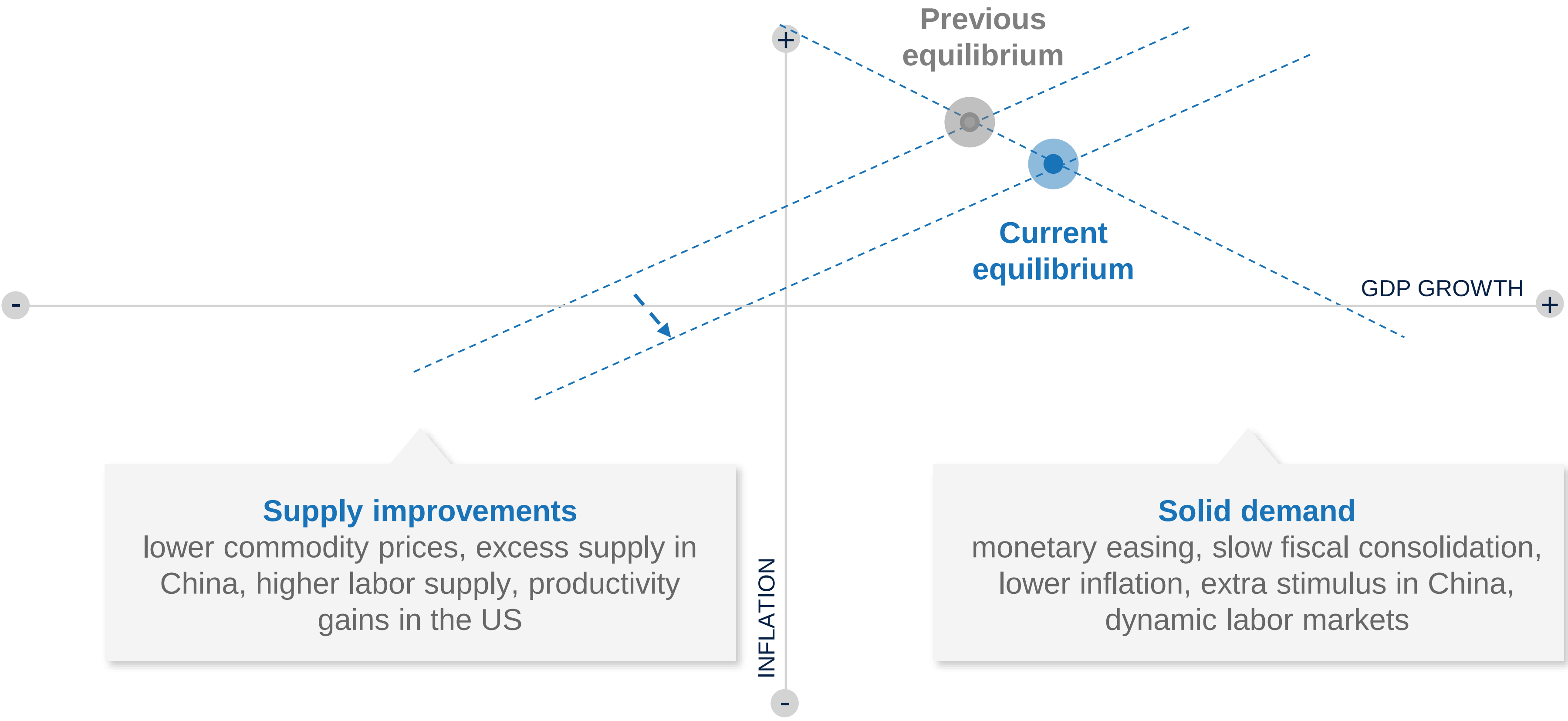
Inflation and rates outlook

Inflation will accelerate in the US but remain subdued in the Eurozone and China, where the effects of weaker demand and lower oil prices will prevail. There will be less room for monetary easing in the US (with rates forecast at 4.0% by end-2025 and 3.0% by end-2026) but greater scope for lower rates in the Eurozone and in China.

Risks

The balance of risks for the global economy has deteriorated. Uncertainty is large, but trade and migration policies by the new Trump government in the US, and escalating geopolitical tensions, may create negative supply shocks. More expansionary fiscal policies may add to the ongoing upward pressures on inflation and interest rates.

Recent supply improvements have allowed further declines in headline inflation and supported growth ahead of a new Trump government in the US

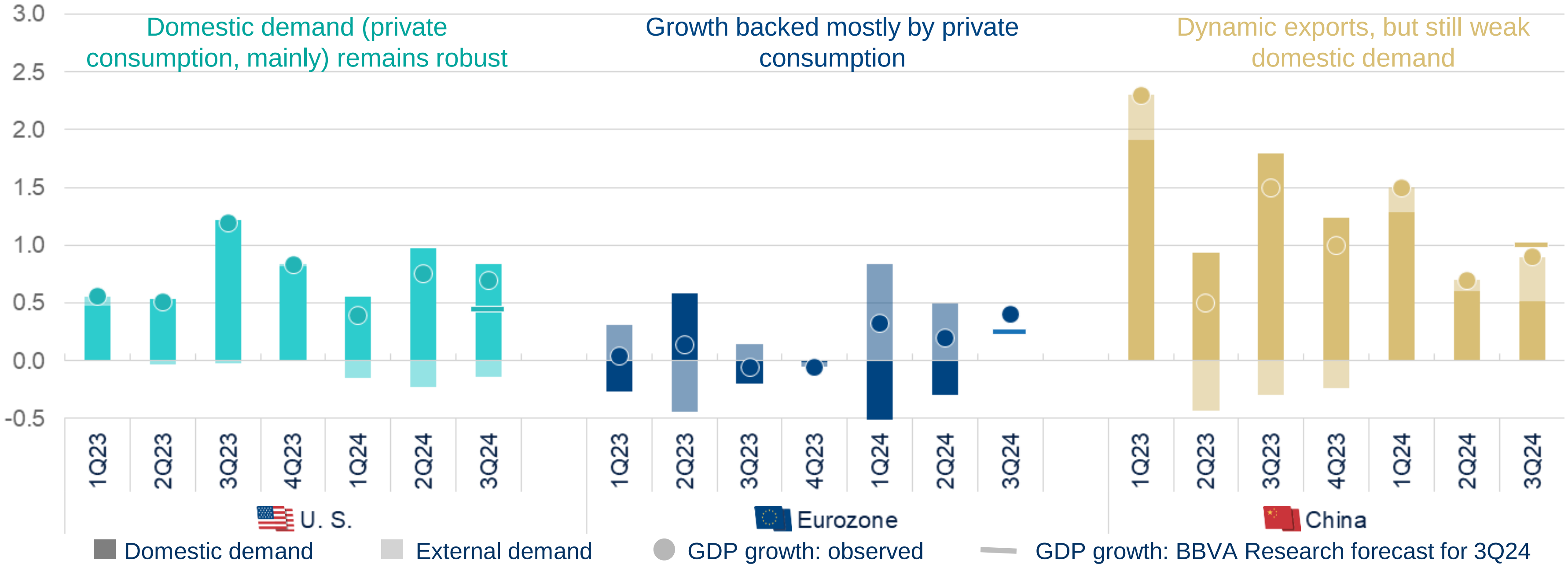


Supply improvements
lower commodity prices, excess supply in China, higher labor supply, productivity gains in the US

Solid demand
monetary easing, slow fiscal consolidation, lower inflation, extra stimulus in China, dynamic labor markets

Growth has surprised upwards in 3Q24, mainly in the US but also in the EZ; in China it has recovered somewhat amid increasing counter-cyclical policies

GDP: CONTRIBUTION OF DOMESTIC AND EXTERNAL DEMANDS TO GDP GROWTH
(GDP GROWTH: Q/Q%; CONTRIBUTIONS TO GDP GROWTH: PERCENTAGE POINTS)

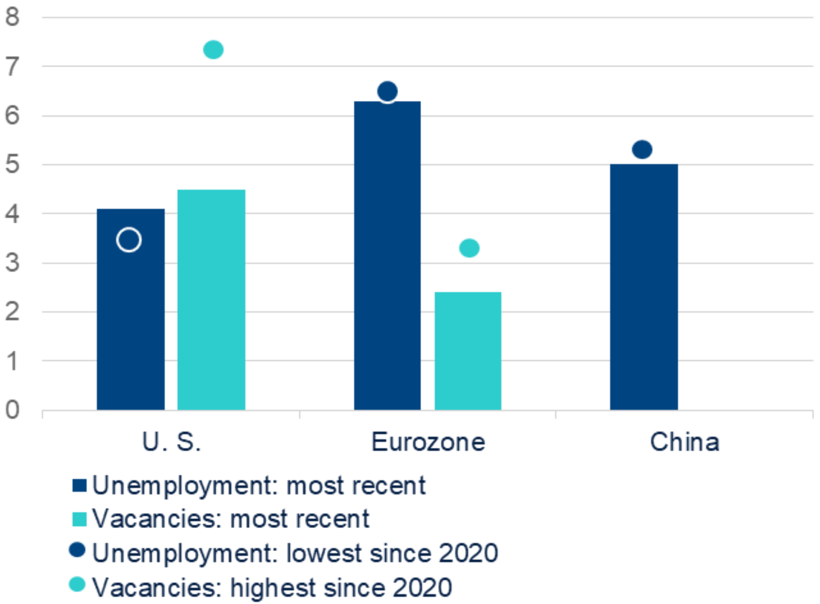


Source: BBVA Research based on data from Haver and China's NBS.

Labor markets remain robust, after easing somewhat lately; solid services continue to contrast with weak manufacturing (despite recent improvements)

UNEMPLOYMENT AND VACANCY RATES (*)

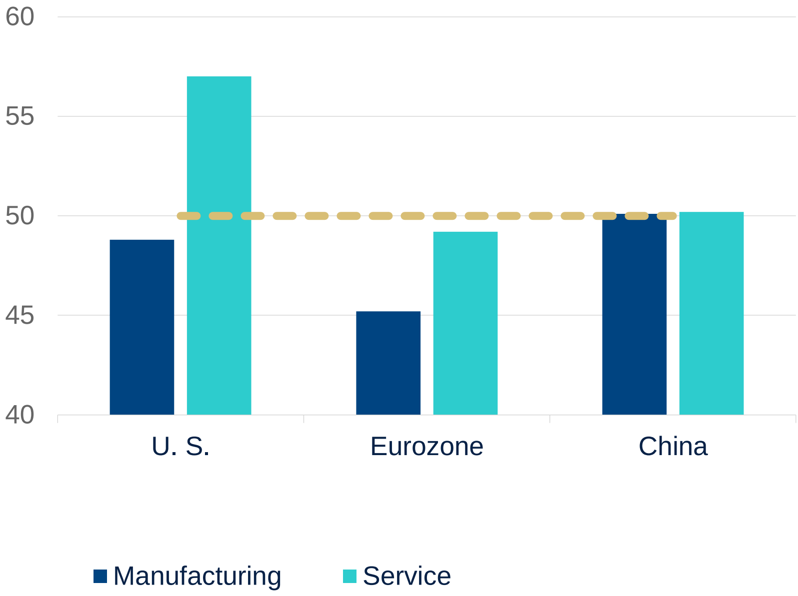
(%)



(*) Unemployment rate: unemployment as share of the labor force. Vacancy rate: job vacancies as share of the sum of total employment and job vacancies. Vacancies data not available for China.
Source: BBVA Research based on data from BLS , Eurostat and Haver.

PMI INDICATORS: MOST RECENT DATA (*)

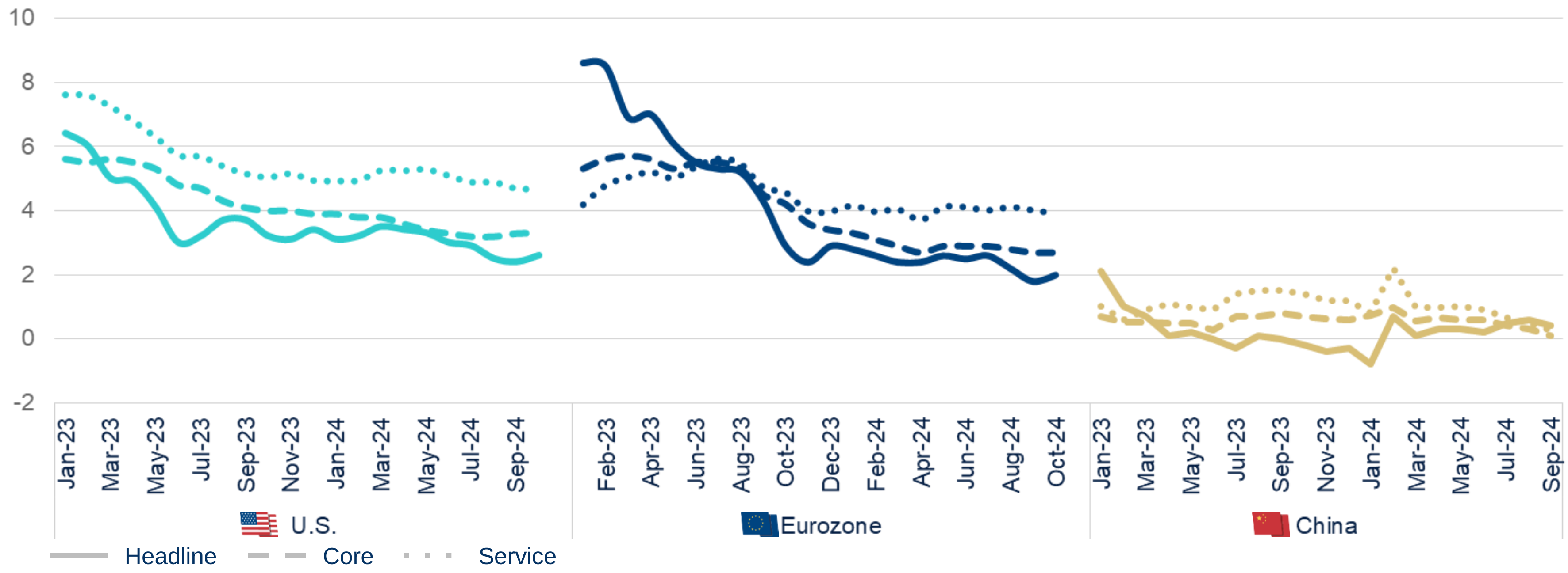
(MORE THAN 50: EXPANSION; LESS THAN 50: CONTRACTION)



(*) US and China: October 2024; Eurozone and the US: November 2024.
Source: BBVA Research based on data from Haver.

Inflation continues to ease and is now close to the targets, but service and core measures remain stickier, amid resilient demand and still pressured wages

CPI INFLATION: HEADLINE, CORE AND SERVICE
(Y/Y %)

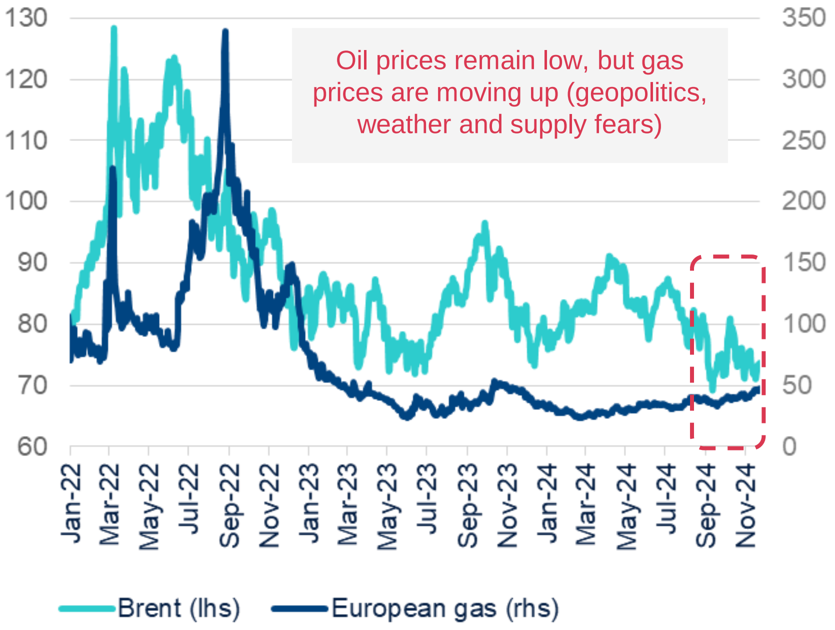


Source: BBVA Research based on data from Haver.

Low oil prices and abundant Chinese supply, particularly of manufactured goods, have helped to lower inflation and keep growth relatively robust

OIL AND GAS PRICES (*)

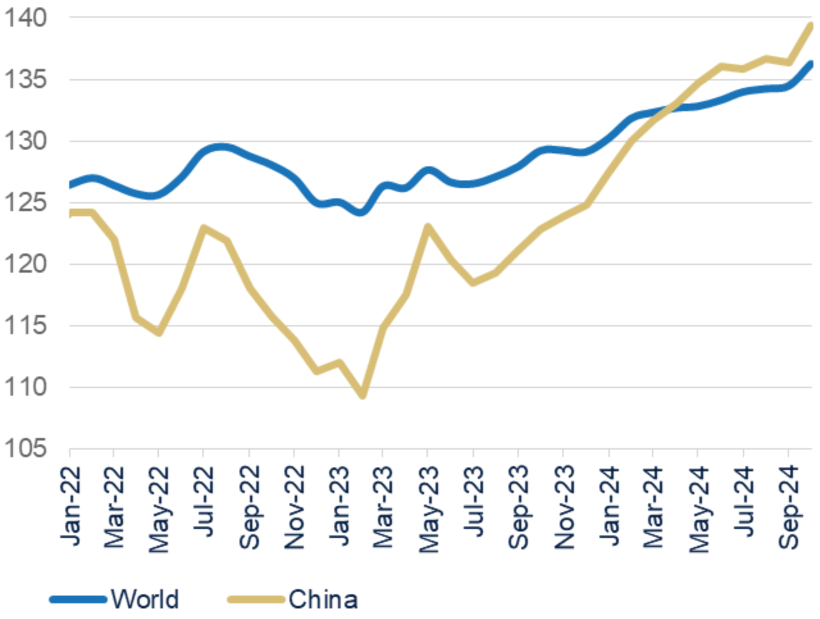
(OIL: USD PER BRENT BARREL; GAS: EURO /MWH)



(*) Last available data: November 21st, 2024.
Source: BBVA Research based on data from Haver.

BBVA RESEARCH TRADE INDICATOR (*)

(INDEX: 2019 AVERAGE =100; IN REAL TERMS)

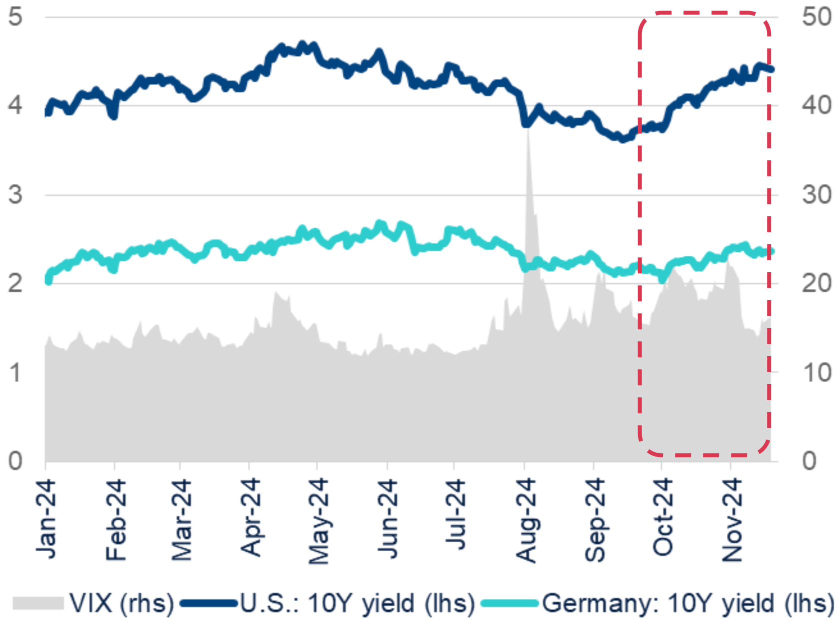


(*) The indicator is a three-month moving average of goods exports, from a sample of 25 countries (in the case of the World indicator). It is deflated using export price indexes.
Source: BBVA Research based on Haver data

US sovereign yields have increased, reflecting the view of larger fiscal risks and inflationary pressures under Trump, which has backed the US dollar

SOVEREIGN YIELDS AND VOLATILITY (VIX) (*)

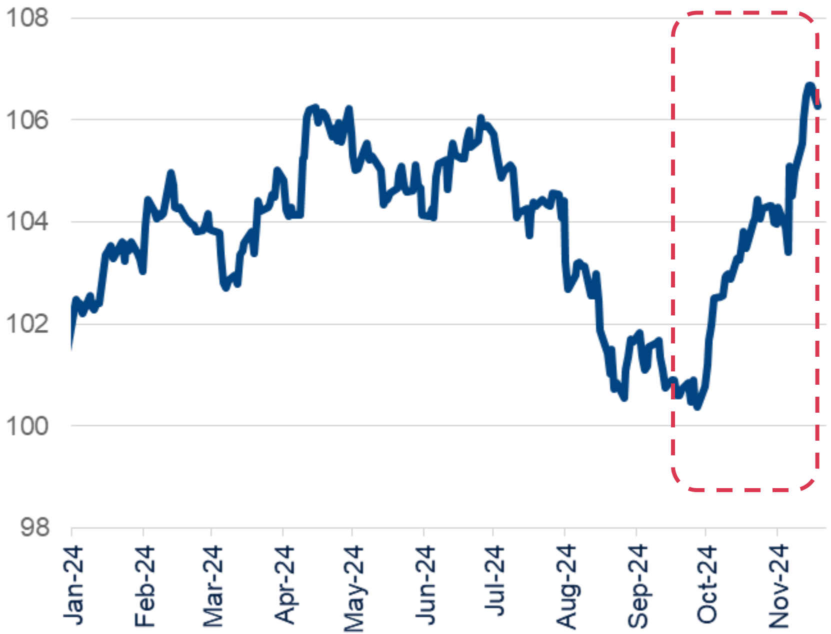
(%)



(*) Last available data: November 21st, 2024.
Source: BBVA Research based on data from Haver.

US DOLLAR: DXY (*)

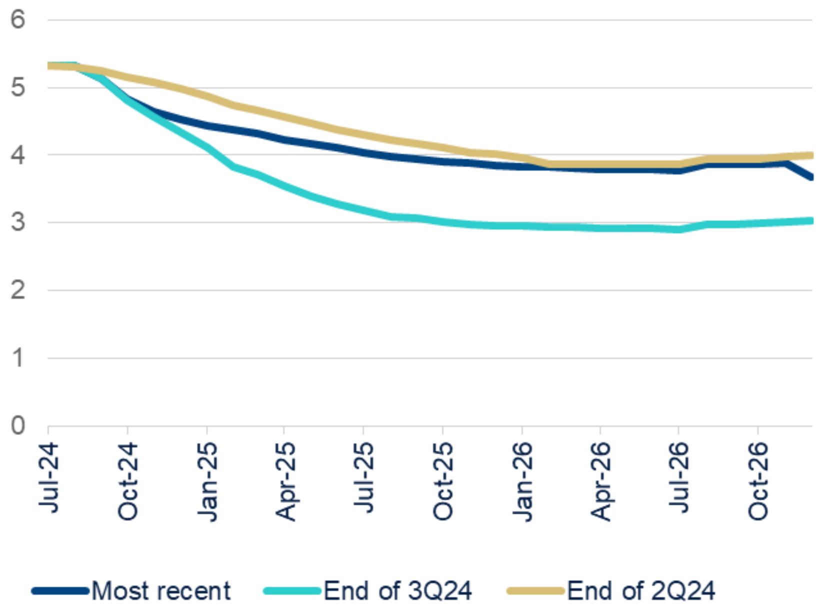
(INDEX)



(*) A lower DXY index represents a weaker US dollar. November 21st, 2024.
Source: BBVA Research based on data from Haver

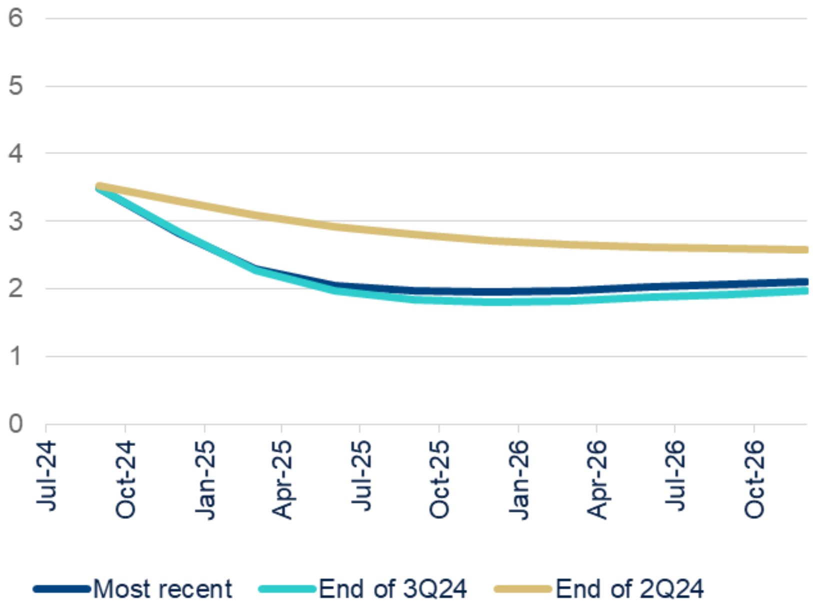
Markets see less room for further monetary easing, and higher terminal rates, in the U.S. than in the Eurozone, due to likely impact of Trump's policies

US: IMPLICIT RATE IN FED FUND FUTURES (*)
(%)



(*) Last available data:November 21st, 2024.
Source: BBVA Research based on data from Haver.

EZ: IMPLICIT RATE IN 3-MONTH EURIBOR FUTURES (*)
(%)

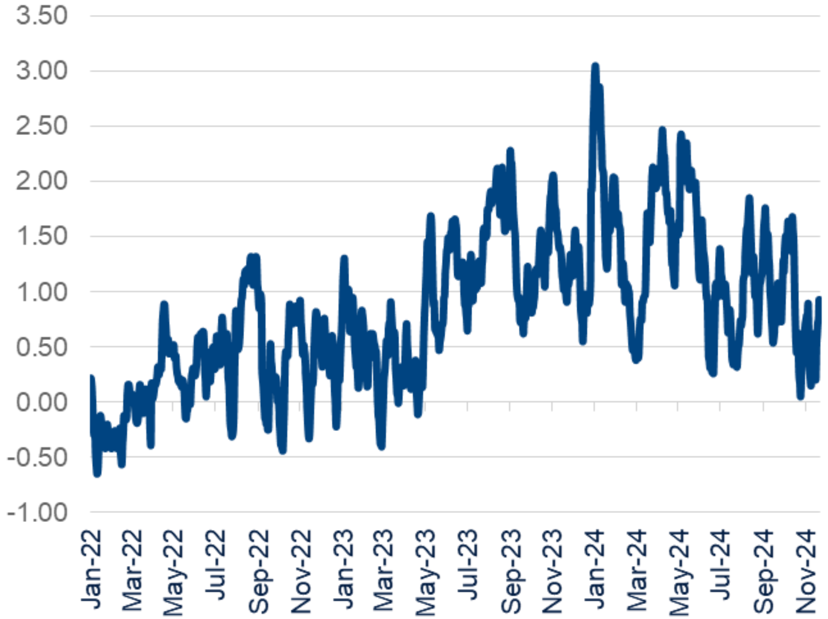


(*) Depo interest rates. Last available data: November 21st, 2024.
Source: BBVA Research based on data from Haver.

Conflicts in the Middle-East and in Ukraine continue to have a relatively limited impact on financial markets and macro data despite recent escalations

BILATERAL TENSIONS INDEX: UKRAINE-RUSSIA (*)

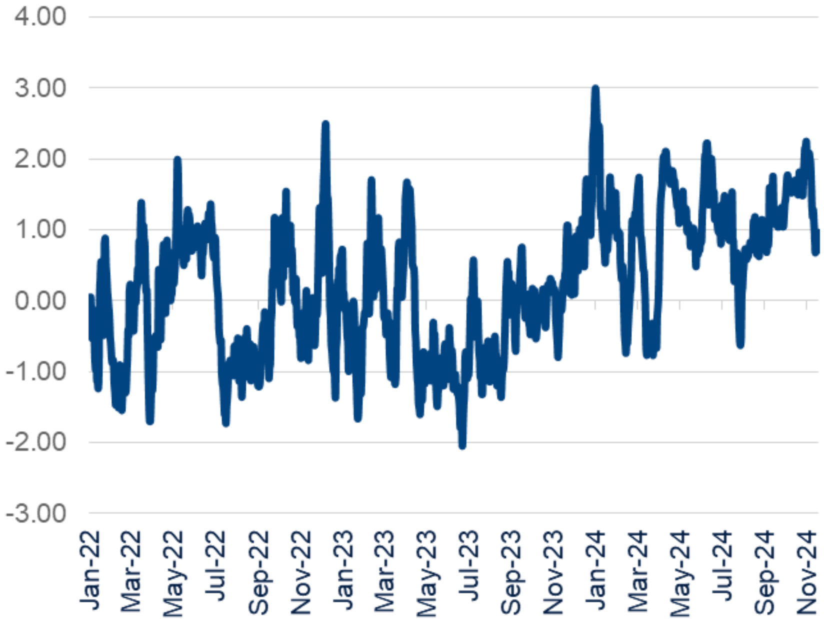
(AVERAGE SINCE 2017 EQUALS TO 0; 28-DAY MOVING AVERAGE)



(*) Last available data: November 21st, 2024.
Source: BBVA Research Geopolitics Monitor.

BILATERAL TENSIONS INDEX: ISRAEL-IRAN

(AVERAGE SINCE 2017 EQUALS TO 0; 28-DAY MOVING AVERAGE)



(*) Last available data: November 21st, 2024.
Source: BBVA Research Geopolitics Monitor.

What to expect from a new Trump government in the US?

BBVA Research base scenario

Higher import tariffs:
60% US tariffs on China, 10% US tariffs on all other countries; retaliation by China (60% tariffs on targeted US goods), but not by others

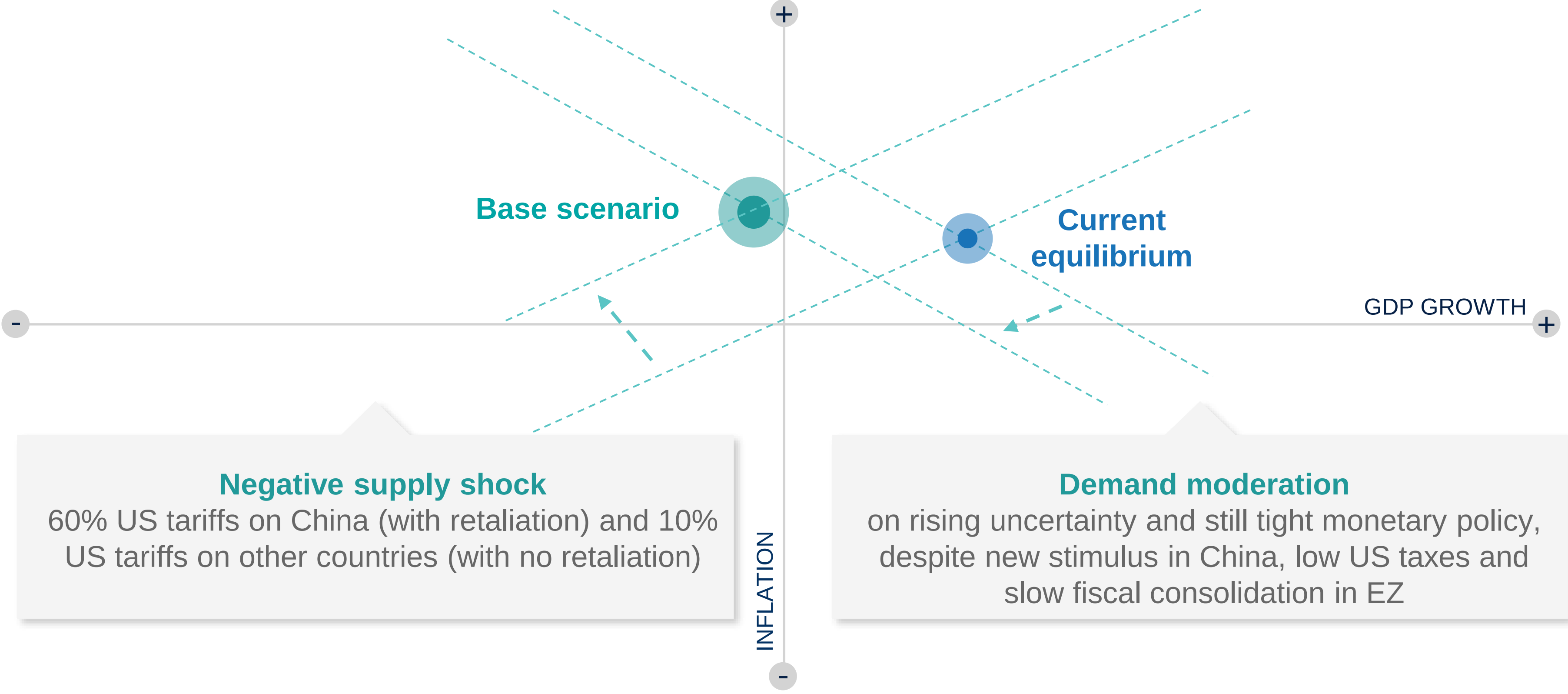
Low taxes:
tax cuts remain in place (i.e the 2017 Tax Cut and Job Act is renewed).

Uncertainty on various fronts:
extra shocks (on immigration, deregulation, pro-oil agenda, Fed's autonomy, foreign policy...) are possible, but are not assumed.

Overall impact will depend on cyclical position (better in the US) and margin for response (higher in China and in the US)

	US	CHINA	EUROZONE
GDP	Slightly lower	Slightly lower	Much lower (no recession)
INFLATION	Higher (one-off impact)	Much lower	Lower
RATES	Higher	Lower	Lower
CURRENCY	USD: stronger	RMB: weaker	EUR: weaker

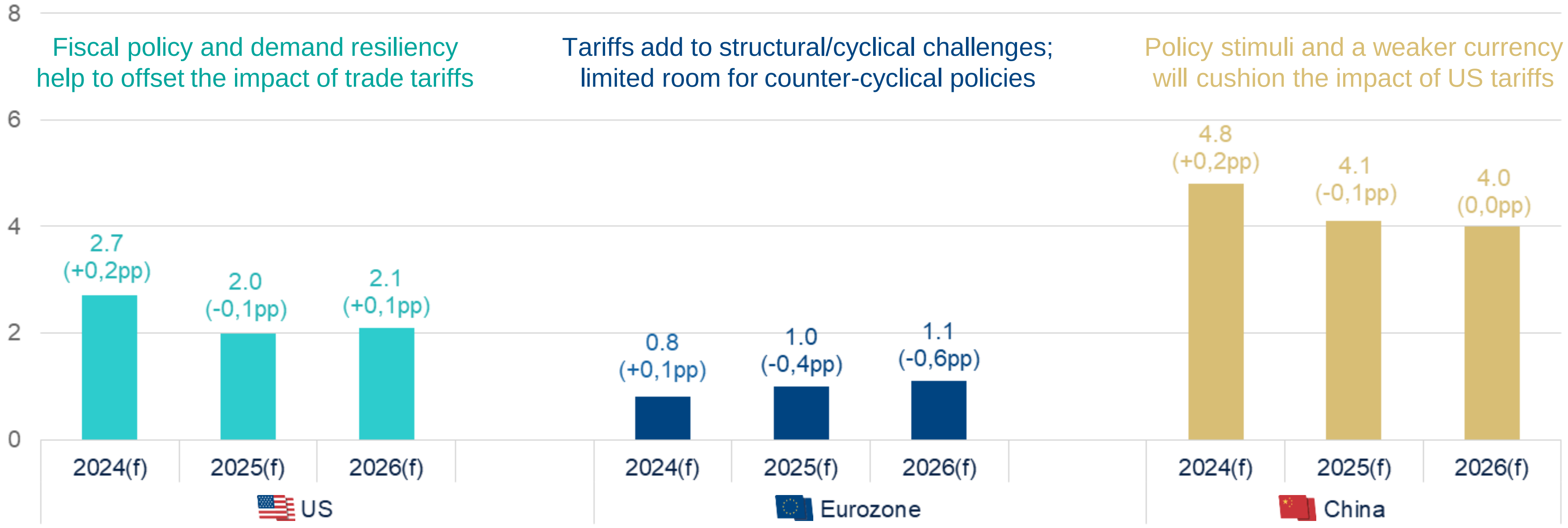
Base scenario: protectionism will fuel uncertainty, pressure global growth downwards and inflation upwards, with important differences across countries



Slower growth ahead, despite both stronger GDP expansion in 2024 and likely measures to mitigate the impact of higher trade tariffs (mainly in China)

GDP GROWTH (*)

(%, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



(*) Global GDP growth: 3.2% (+0.1pp) in 2024, 3.1% (-0.2pp) in 2025 and 3.3% (+0.1pp) in 2026.

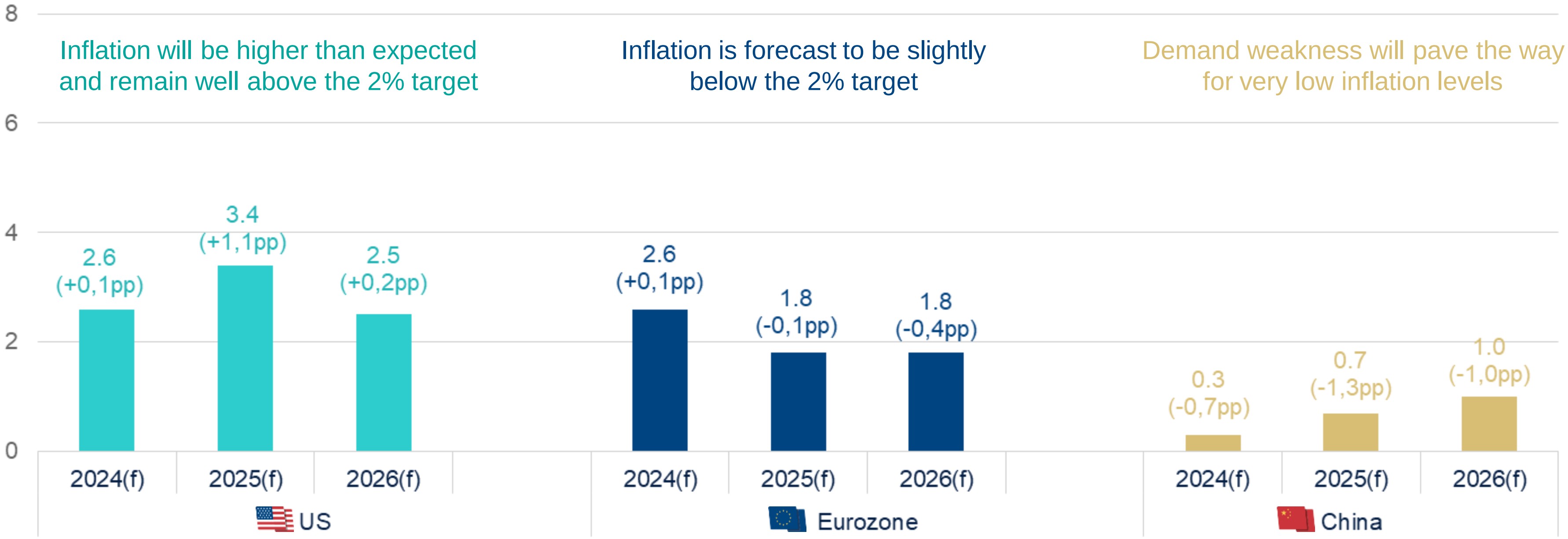
(f): forecast.

Source: BBVA Research.

Trump policies will pressure inflation, mainly in the US; in other regions, it will likely ease due to weaker growth, lower oil prices and excess supply in China

HEADLINE CPI INFLATION

(Y/Y %, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)

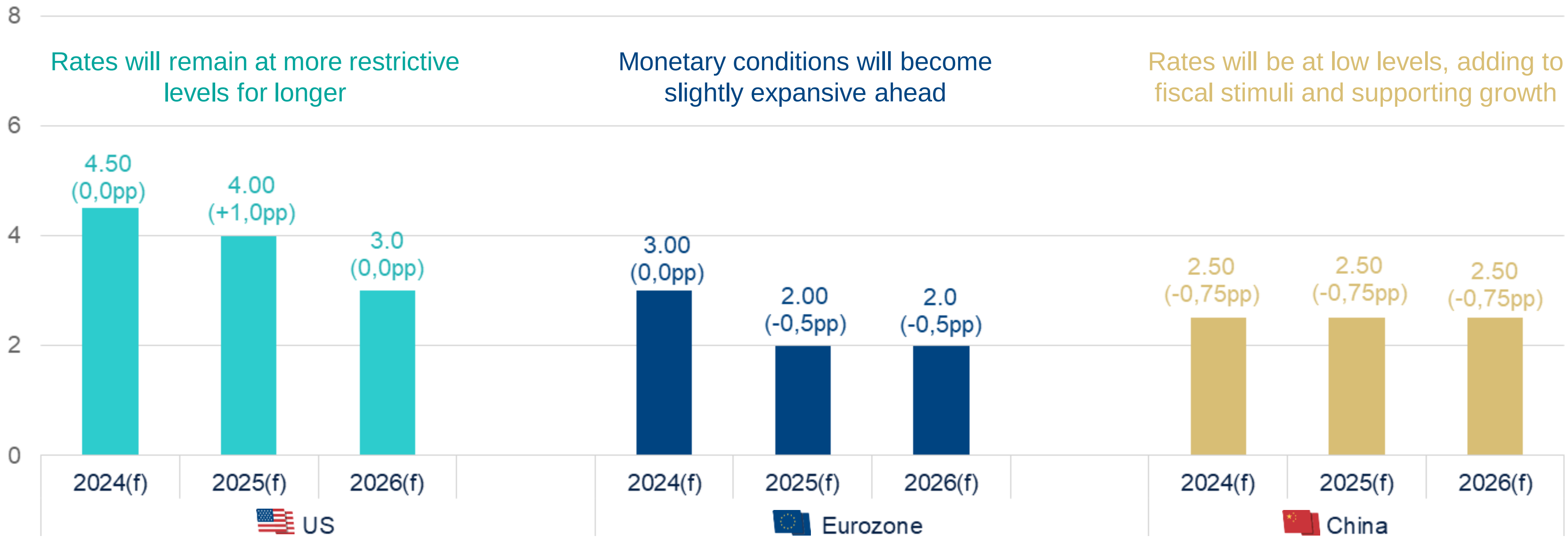


(f): forecast.

Source: BBVA Research.

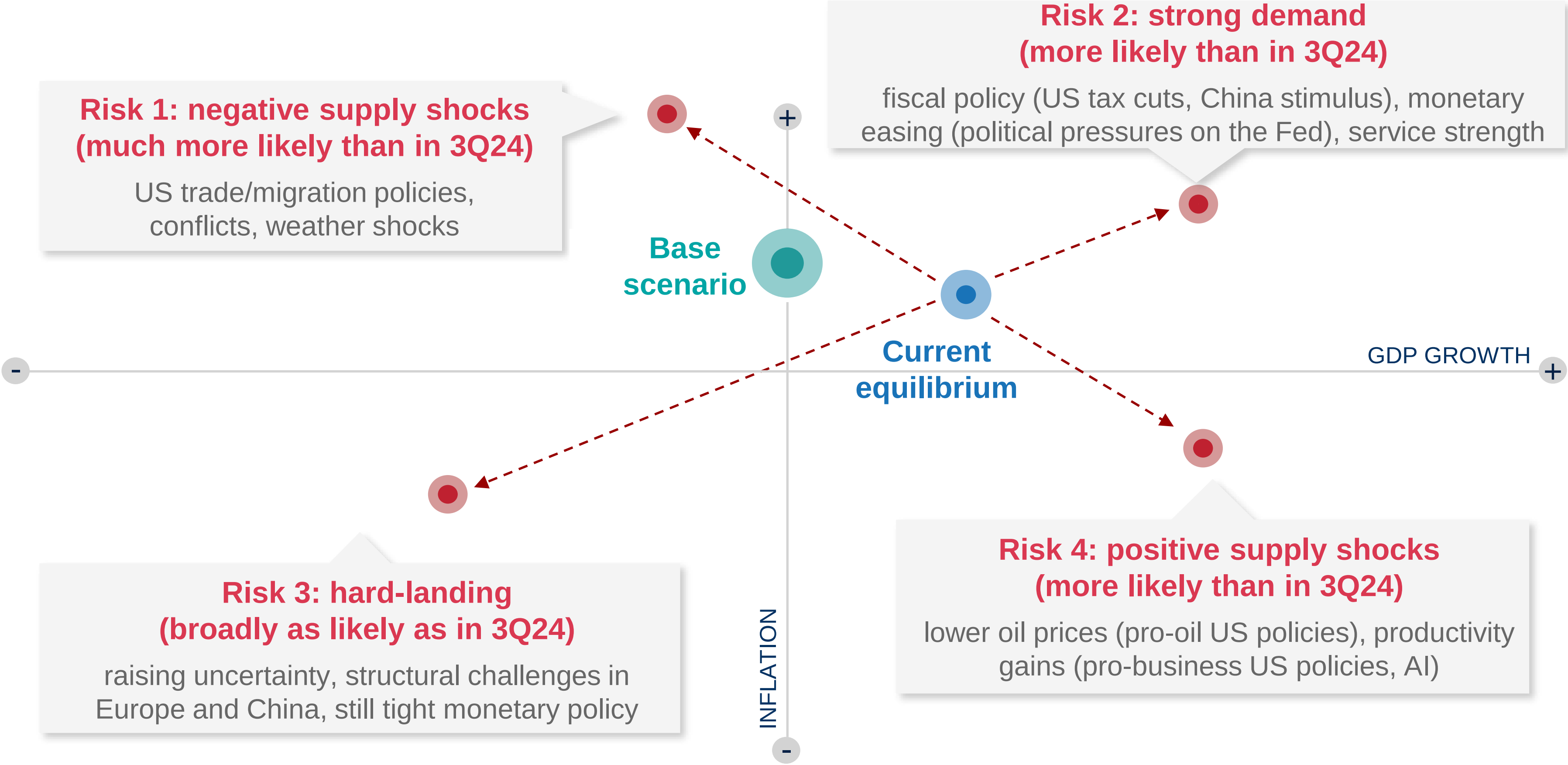
The Fed will have less room to ease monetary conditions, while more rate cuts than previously forecast are likely in the EZ and in China

POLICY INTEREST RATES (*)
(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



(f): forecast.
(*) In the case of the Eurozone, interest rates of the deposit facility.
Source: BBVA Research.

Risks: policies by the new US administration, and geopolitical events, may lead to more negative global macro scenarios



02

The impact of Trump 2.0 on China

Two Scenarios of Trump on China-US relationship

1 Limited Trump:

60% tariffs only applies to selected China's exports in different periods.

More and broader tech sanctions

Military deterrence strategy on China

2 Full Blown Trump:

60% tariffs on all China's exports.

"Anything But China" strategy and full blown trade war, finance war and tech war against China

Aggressive strategy against China's national security and technology advancement

The likely impact of Trump 2.0 on China

1

Growth:

The prospective 60% extra punitive tariff on made-in-China could diminish China's total exports by 12-15% and lower its GDP by 0.9-1.1% (based on our analysis on tariff elasticity, offset by indirect exports and multiplier effect of exports). China could selectively retaliate against the imports from the US by 60% for selected goods while relocating certain industries to circumvent US tariff as much as possible.

2

Exchange rate:

Currency depreciation will be unavoidable, but it is more like a natural response to the deterioration in trade conditions rather than a tool of mitigating tariffs. The authorities even need to resort to monetary policy tools under the capital account to ensure the depreciation is within an acceptable range, not exceeding 10% cumulatively in the following years (RMB/USD<8).

3

Policy:

China's authorities will scale up the current stimulus package to boost domestic demand to offset the headwind from Trump 2.0. They will cut policy rates deeper and expand their budget deficit and government bond issuance further (estimated amount: more than RMB 11 trillion). The GDP in next years could be lower than we anticipated (presumably hovering around 3.5-4.3%). Inflation is expected to remain at a lower level for a longer period.

The methodology: Estimating the impact of tariffs on China's exports and GDP growth

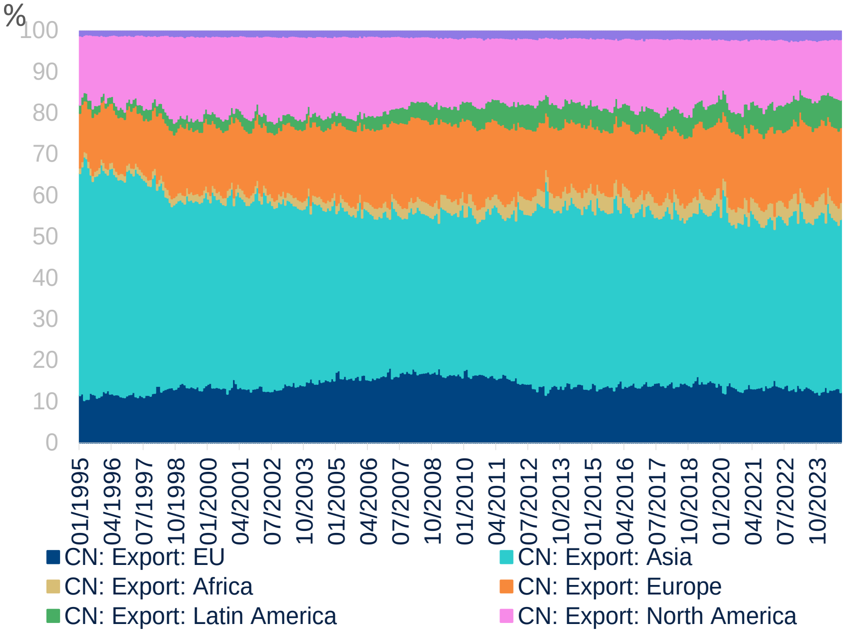
THE METHODOLOGY IS BASED ON EXPORT ELASTISITY ON TARIFF ASSUMPTIONS, INDIRECT EXPORT, AND MULTIPLIER EFFECT

Assumptions on Elasticity	Scenario	Impact on China's exports to the US	Impacts on China's total exports	Offset by indirect exports	The final effect on total exports	The direct effect on GDP
Based on the literature review, the elasticity is -1.7 to -2.5	10% tariff	from -17% to -25%	from -2.5% to -3.7%	61%	from -1% to -1.4%	
	60% tariff	from -83% to -122%	from -12.3% to -14.8%		from -4.9% to -5.8%	from -0.9% to -1.1%
Based on the history of 2017-2018, the elasticity was -0.9 to -2	10% tariff	from -9.3% to -19.8%	from -1.4% to -2.9%		from -0.5% to -1.1%	
	60% tariff	from -45.6% to -96.8%	from -6.7% to -14.3%		from -2.6% to -5.6%	from -0.5% to -1.1%

Two main ways to offset the 60% tariffs' adverse effect: (1) Indirect exports through Vietnam and Mexico etc. similar to Trump 1.0 period; (2) Scaling up the current stimulus package to boost domestic demand.

History matters: China's exports to the US: dynamics before & after Trump 1.0

THE SHARE OF CHINA'S EXPORTS TO US DECLINED ONLY MARGINALLY AFTER TRUMP 1.0



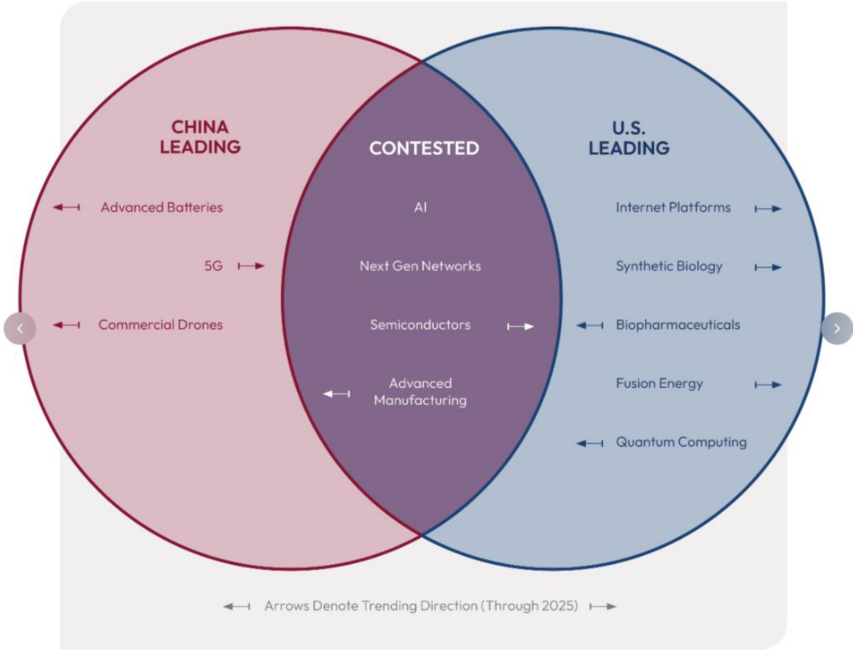
Source: NBS and BBVA Research

EXPORTS TO US / CHINA'S GDP IS LIMITED AND DECLINED SINCE 2006, ALTHOUGH THE MULTILIER EFFECT EXISTS

Source: NBS and BBVA Research

Tech War with China under Trump 2.0： next battle fields

MORE BATTLE FIELDS



Source: A Memo for the President on U.S. Technology Competitiveness.

Under Trump 2.0, tech war is likely to focus on below areas

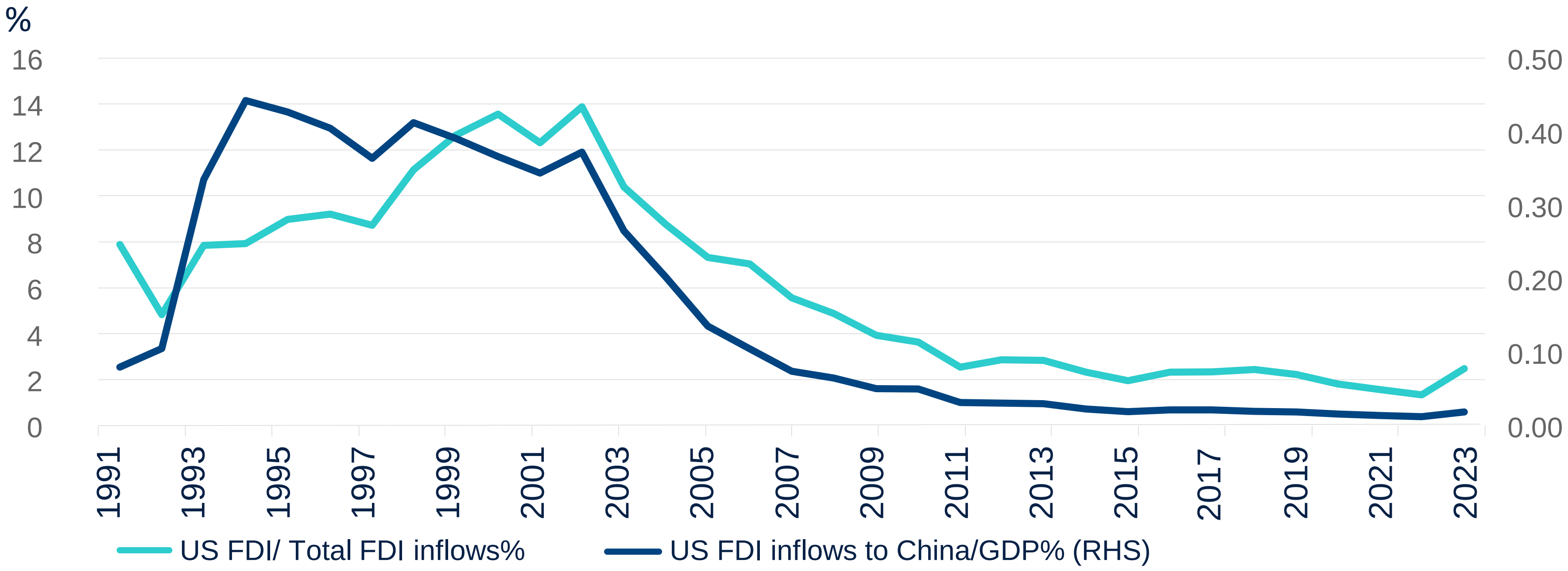
- AI
- Semiconductor
- Biopharmaceuticals
- Internet Platform
- Quantum Computing
- Advanced manufacturing

US strategies on China’s tech sectors:

- Tech embargo
- FDI screening
- Fund cutoff
- Market ban
- Tariff (linked with trade war)
- Friend-shoring, near-shoring, re-shoring

History matters: US FDI inflows to China has been declining over time and the percentage to GDP and to total inflows are very limited

US FDI INFLOWS ONLY COUNTS 0.02% OF TOTAL GDP; US FDI TO TOTAL FDI INFLOWS RATIO IS 2.5%



Source: NBS and BBVA Research

Other issues on China-US relationship under Trump 2.0

1. Diplomatic policy: Trump cannot circumvent the cooperation with China on his promise of ending Russia-Ukraine war and Mid-East war.
2. Taiwan issue: Trump ever mentioned that Taiwan should pay “military protection fee”, and he also mentioned to increase tariffs on China’s exports by 150-200% if Beijing invades Taiwan, indicating his “practical” stance instead of “ideological” stance on Taiwan issue. “Maintaining the status quo” is still the expected situation.
3. Cancelation on China’s most-favored-nation treatment (MFN)
4. A higher tariff on China’s EV car assembled in Mexico to avoid indirect exports to the US
5. A large shrink on the previous bilateral cooperation fields, such as climate change and more China-US “decoupling”.

03

Understanding China's recent jumbo size stimulus

Understanding the recent jumbo size stimulus package (1)

China's recent jumbo size stimulus package include 4 pillars: monetary easing, stock market support, fiscal easing and housing stimulus:

Part 1: Monetary stimulus, stock market support and housing stimulus were announced on Sept 24:

(i)	The PBoC cut the RRR by 50 bps, releasing RMB 1 trillion of long-term liquidity to the market. In the rest of year, the PBoC will cut RRR again by 25 to 50 bps.	Monetary Easing
(ii)	Cut 7-day repo by 20 bps from 1.7% to 1.5%, guiding banks' lending rate and deposit rate decline.	
(iii)	The PBoC also cut the Medium-lending facility rate (MLF) by 30 bps, from previously 2.3% to 2%.	
(iv)	On Oct 21, the policy rate 1-year LPR was cut to 3.1% from 3.35%, 5-year LPR was cut to 3.6% from 3.85%.	
(v)	Cut the rate for the existed residential mortgage by 50 bps.	Housing support
(vi)	Cut the down payment ratio for second house purchase to 15% from 25%.	
(vii)	The government announced RMB800 billion of liquidity support for the stock market, with a RMB500 billion swap facility for brokers and funds to exchange their stocks with central bank for high liquidity central bank notes or sovereign bond; and a RMB300 billion refinancing facility for banks lending to companies and shareholders for stock buybacks.	Stock market support

Understanding the jumbo size stimulus package (2)

Part 2: Following the September 24 announcement, the authorities also further gave details for the stimulus package in the follow-up Politburo meeting, various ministry-level meetings (Ministry of Finance, Ministry of Housing and Rural Development, NDRC) as well as the National Congress 12th committee meeting . The main take-aways of fiscal easing measures include:

(i) Newly increased RMB 6 trillion local government debt swap program, which will be allocated for the following three years 2024-2026

(ii) From 2024 to the following five years, RMB 800 billion per year from the newly increased local government debt issuance for local government debt swap, so that the sum of the total scale is RMB 2 trillion.

(iii) RMB 2 trillion for shanty town renovation debt. Thus, to sum up (i) to (iii), the total scale that the local government debt burden will be reduced from RMB 14.3 trillion to 2.3 trillion before 2028.

Comments on the jumbo size stimulus package:

1. The symbolic meaning is more significant than the real meaning: the main problem of lackluster growth outlook is weak sentiments of households and enterprises; it indeed needs a large-scale comprehensive stimulus to reverse the market expectations. Thus, the stimulus package is definitely a welcome step to reverse the sentiments.

2. Questions that the market is concerned:

   (i) Is the current stimulus comparable to 2008-09 GFC RMB 4 trillion stimulus? The simple answer is not, considering housing bubbles and debt overhang which was triggered by the RMB 4 trillion stimulus package, the authorities have to take lessons from over-stimulus.

   (ii) Is this stimulus package enough? In terms of helping support the market sentiments, it seems enough; in terms of offsetting Trump's effect, the answer is not clear since the final figure of fiscal stimulus has not released; but in terms of increasing China's potential growth or reverse the structural challenges such as aging, long-term potential growth deceleration and growth model transformation, this is not enough.

3. It is a typical Chinese-style stimulus. From monetary side: no zero interest rates like US and EU, but a combination of mild rate cut plus quantitative measures; from the fiscal side, no tax cut or directly injecting money to households like US or EU, but focusing on central government bond issuance and local government debt swap program.

4. We'd better view the effect as a gradual process.

Stock market surging but then quickly dipping reflects the market’s suspicions of effectiveness and disappointment on the fiscal stimulus

SHANGHAI SHENZHEN 300 INDEX (CSI 300) SURGED AND DROPPED QUICKLY

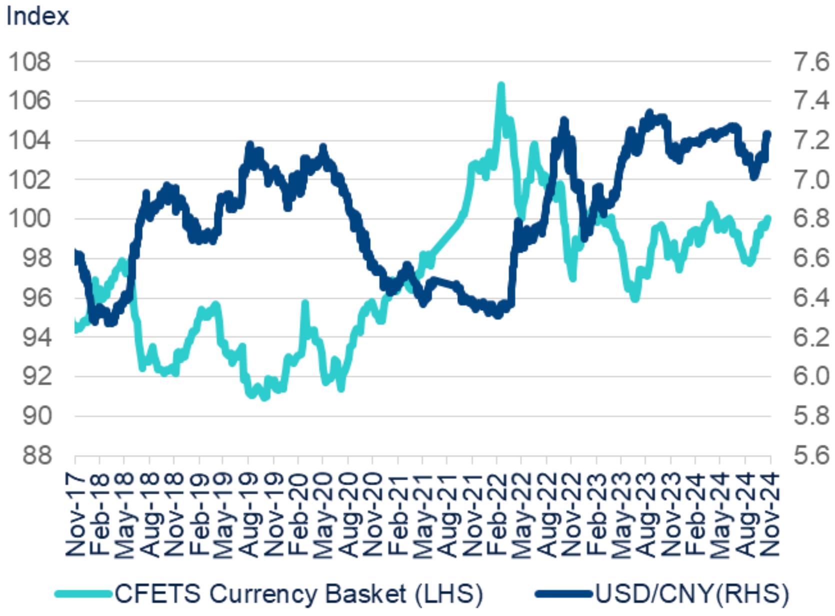
Source: NBS and BBVA Research

HANG SENG INDEX ALMOST FOLLOWS THE SAME TREND AS OF CSI 300 WHICH IS A COMPLETE OPEN MARKET

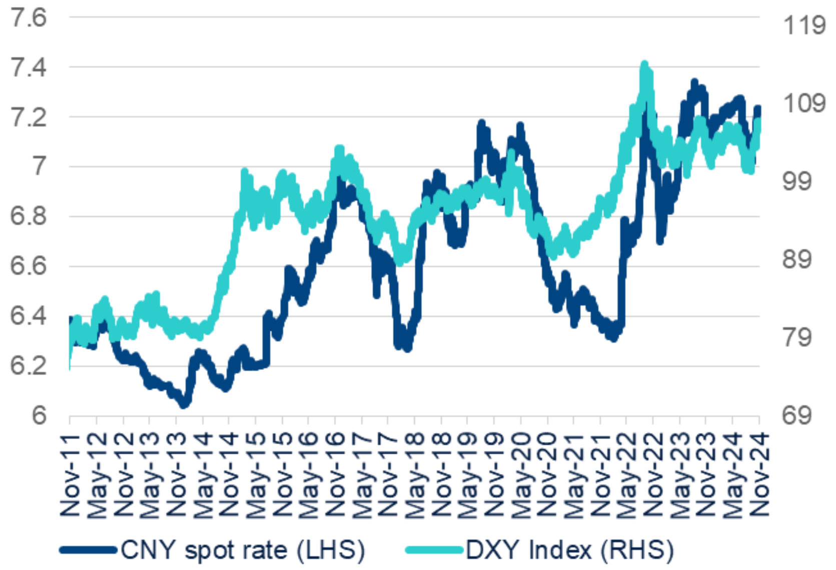
Source: NBS and BBVA Research

Two forces decide the path of RMB to USD Exchange rate: Trump's win and the stimulus package

RMB EXCHANGE RATE DEPRECIATED TO 7.18 AFTER TRUMP'S WIN AFTER A SHARP APPRECIATION TO 7 BY STIMULUS PACKAGE



THE MIRROR EFFECT OF RMB EXCHANGE RATE AND USD DXY PERSISTS



Source: BBVA Research and NBS

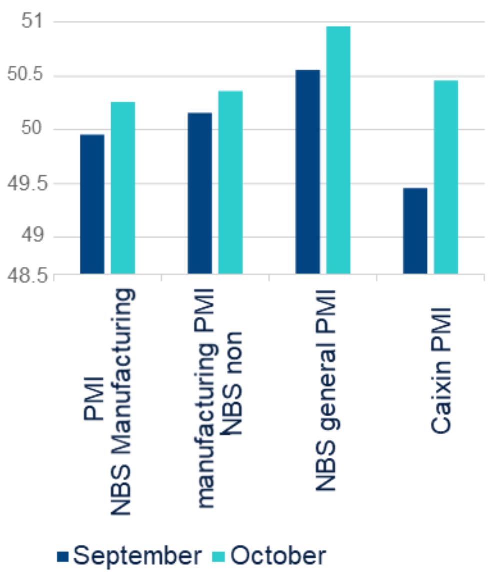
04

China’s recent economic activities

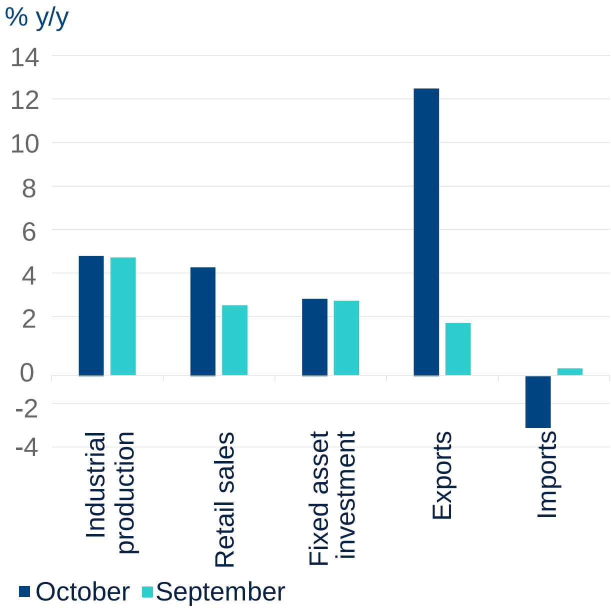
Is the jumbo size stimulus package effective on the economy? Still too early to tell, we'd better to see the effect with a gradual process

THE RECENT ECONOMIC INDICATORS

PMI INDICATORS SHOW IMMEDIATE BOUNCE-BACK



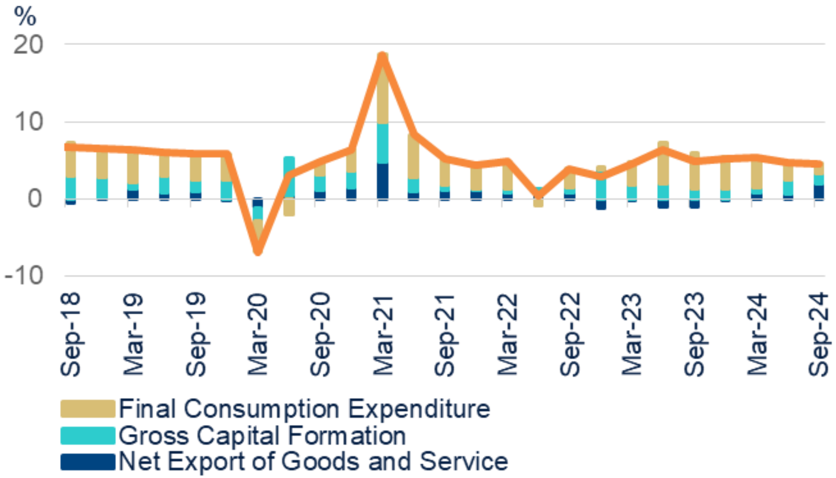
ALTHOUGH IT IS TOO EARLY TO OBSERVE THE BOUNCE-BACK FROM MONTHLY INDICATORS



Source: BBVA Research and NBS.

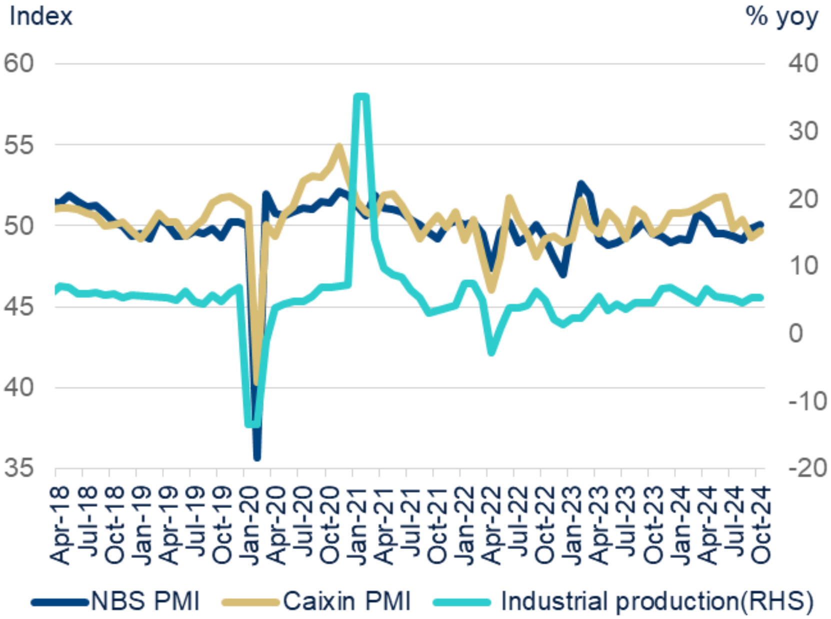
2024 Q3 GDP decelerated to 4.6% y/y from 4.7% in Q2 and 5.3% in Q1 with an unbalanced structure persists

Q3 GDP DECELERATED TO 4.6% FROM 4.7% IN Q1, WE PREDICT 2024 GDP TO BE 4.8%



Forecast	2024Q1	2024Q2	2024Q3F	2024Q4F
Y/Y%	5.3	4.7	4.6	4.6
Q/Q% (HAVER SA)	1.29	1.01	1.11	1.4

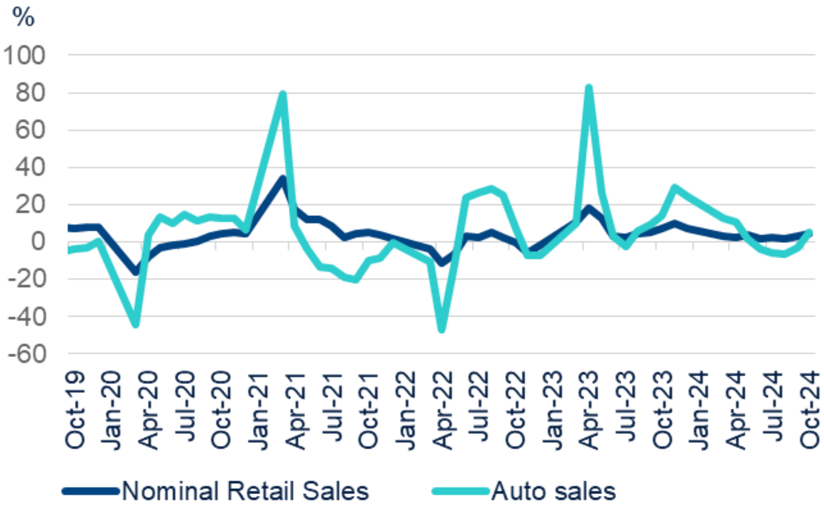
NBS PMI INCREASED TO 50.1 FROM 49.8; INDUSTRIAL PRODUCTION ACCELERATED TO 5.4% FROM 4.5%



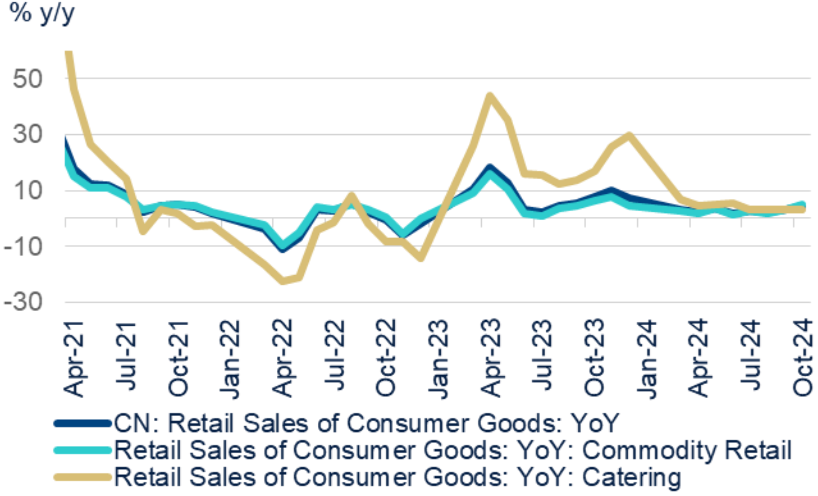
Source: BBVA Research and NBS

Retail sales still at low level, despite of the authorities' "large-scale equipment renewal and trade-in old consumer goods"; but will rebound after stimulus

RETAIL SALES PICKED UP TO 34.8% IN OCTOBER FROM 3.2%



RETAIL SALES SLOWDOWN IS COMPREHENSIVE FOR ALL SECTORS, DIFFERENT FROM PREVIOUS DIVERGING PATTERN



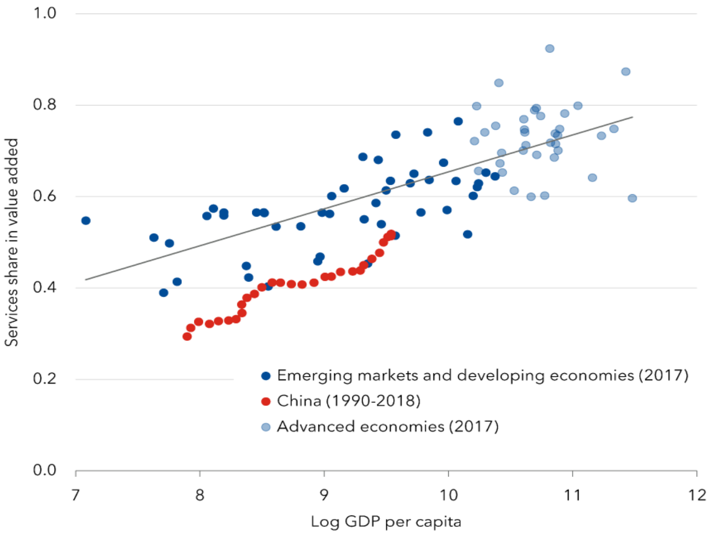
Source: BBVA Research and NBS

1. The authorities issued RMB 300 billion long-term government bond to support consumption by "large-scale equipment renewal and trade-in old consumer goods"; however, we see low possibility of issuing "consumption coupon" to stimulate retail sales.
2. A sharp surge and dipping stock market deteriorated households' wealth effect.

Stimulating consumption in China is a comprehensive long-term issue: high saving rate is a long-lasting cultural and historical tradition;

China saves and produces while the US consumes pattern since 2001 China joined WTO

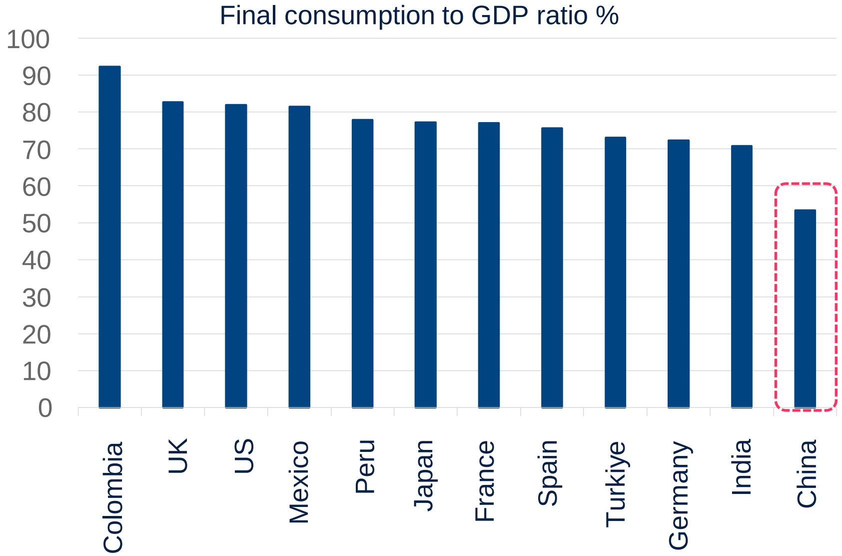
CHINA´S SERVICE SECTOR IS SMALLER THAN COMPORABLE ECONOMIES



Source: IMF staff calculations.

IMF

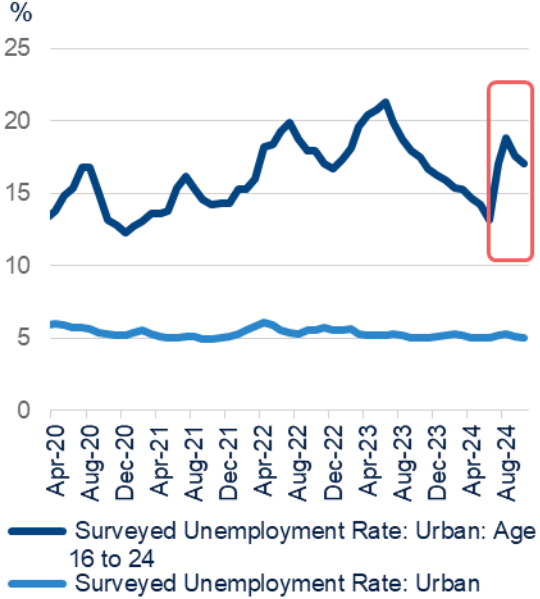
CONSUMPTION TO GDP RATIO IN SELECTED COUNTRIES: CHINA IS THE LOWEST



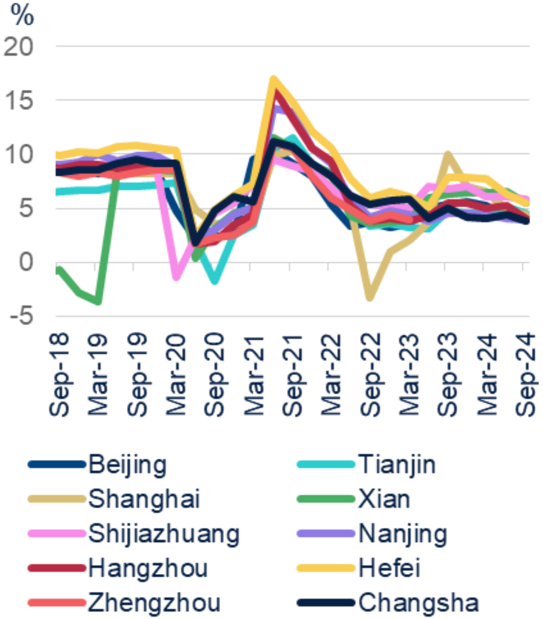
Stimulating consumption in China needs comprehensive long-term reforms to change people’s saving habits and tradition: (i) medical insurance; (ii) social security/welfare reform; (iii) expectation of lifelong income growth (growth and job security); (iv) retirement plan, (v) education, etc.

In short term, retail sales is constrained by: (i) high unemployment rate in young group (ii) “salary cap campaign” in finance and SOE sectors; (iii) wealth effect: sliding housing and stock Price

REVISED 16-24 UNEMPLOYMENT RATE STILL HIGHER THAN HEADLINE UNEMPLOYMENT 5%



INCOME GROWTH IN BIG CITIES LOWER THAN PRE-PANDEMIC LEVEL



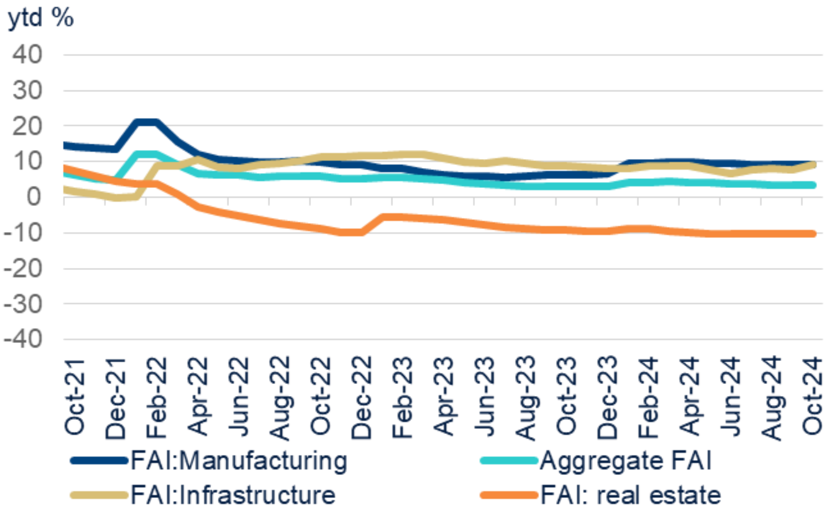
WEALTH EFFECT: STOCK MARKET ROLLER-COASTER

Source: NBS and BBVA Research;

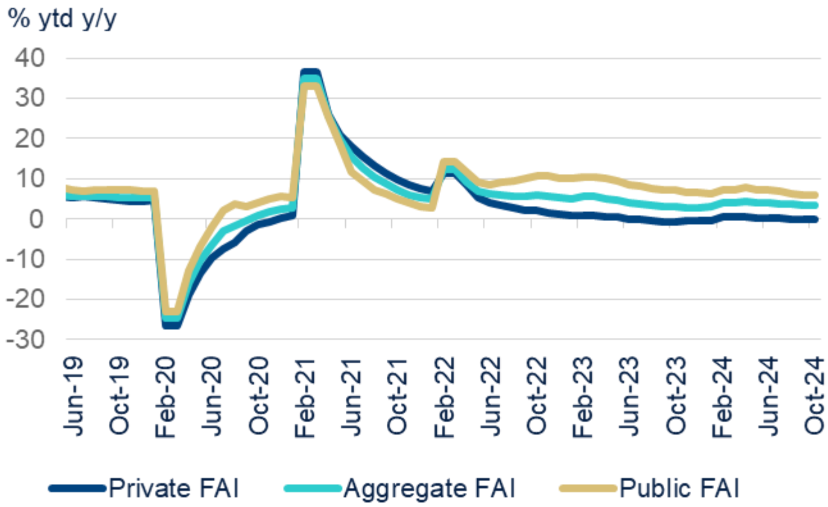
NOTES: The revised statistic method of 16-24 unemployment rate excludes the survey on final year students at school

Investment remained at 3.4% ytd y/y with diverging pattern: housing FAI remains the main lag (-10.3%); manufacturing FAI remained strong (9.2%), surpassing infrastructure FAI (4.1%)

HOUSING INVESTMENT IS THE LARGEST DRAG ON INVESTMENT



THE MULTIPLIER EFFECT OF PUBLIC FAI TO PRIVATE FAI REMAINS WEAK

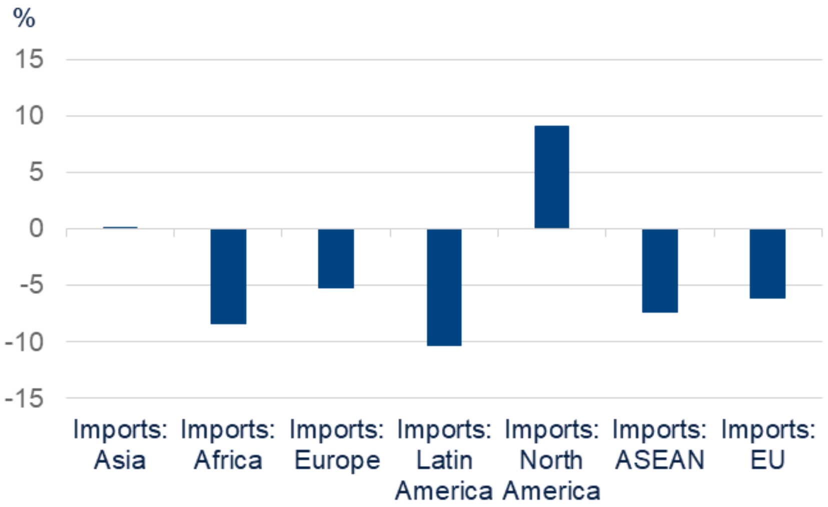


Source: BBVA Research and NBS

Exports remained resilient while imports dropped due to the weak domestic demand

EXPORTS SURGED RECENTLY, DUE TO THE PRE-IMPORTS EFFECT BEFORE THE TARRIF MATERIALIZES

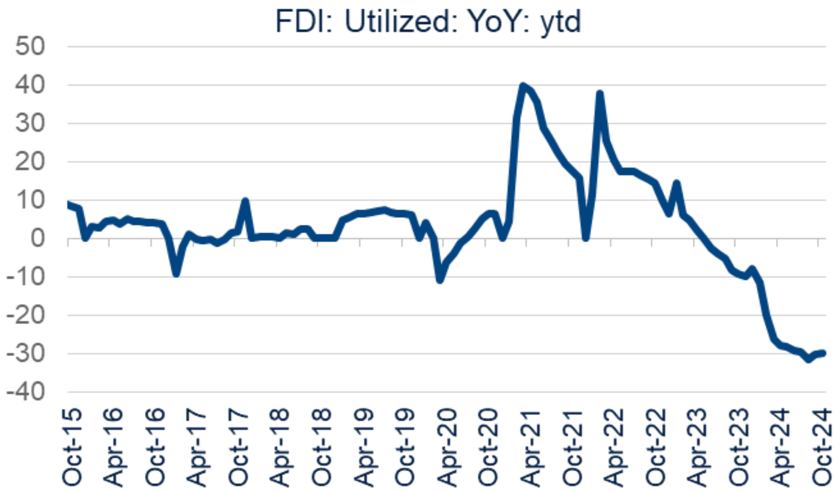
CHINA'S IMPORTS DECLINED IN MOST REGIONS EXCEPT FOR NORTH AMERICA



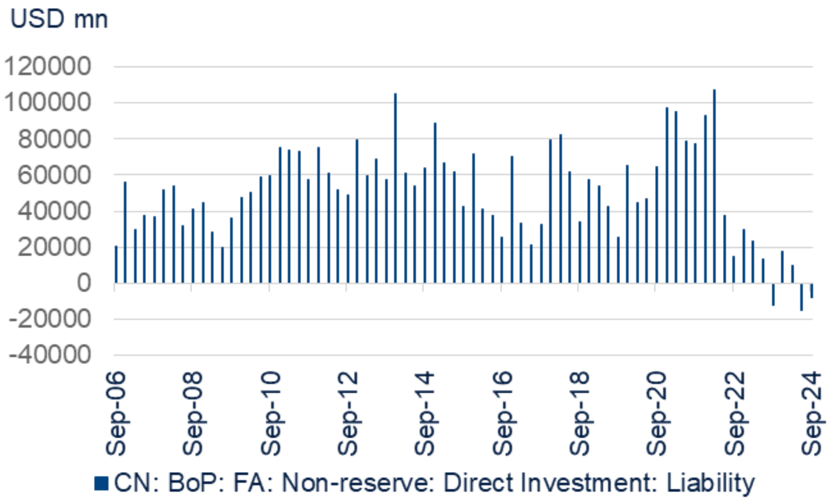
Source : NBS and BBVA Research.

China's FDI negative net inflows remained, but it is expected to reverse after US-China rate reversion nomalizes

MOFCOM: THE NET FDI INFLOW DROP IS CONTINUING



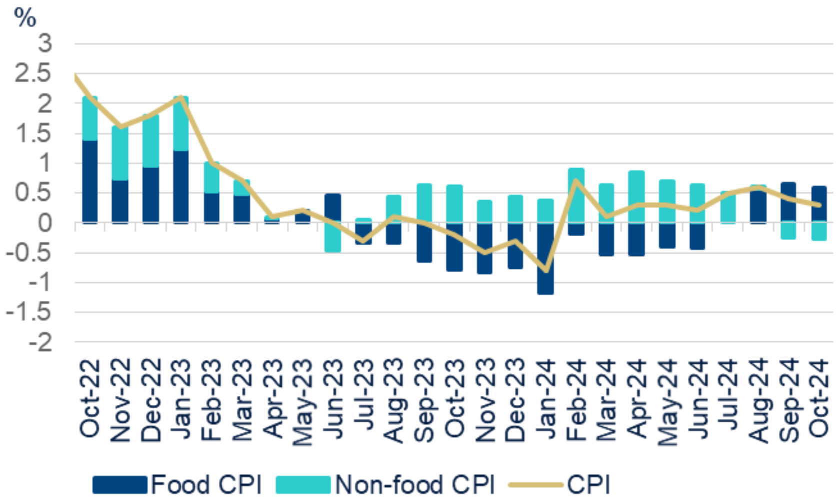
BoP LEVEL (SAFE): FDI NET INFLOW TURNED TO POSITIVE IN RECENT MONTHS



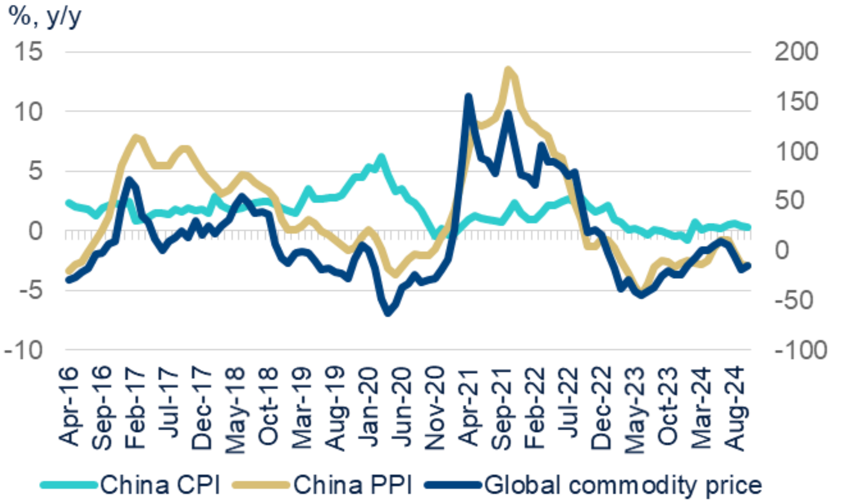
Source: BBVA Research and NBS

Deflationary environment is not easy to reverse amid deep real estate adjustment and unbalanced economic structure

CPI WENT DOWN TO 0.3% FROM 0.4% IN THE PREVIOUS MONTH



BOTH CPI AND PPI DECELERATED

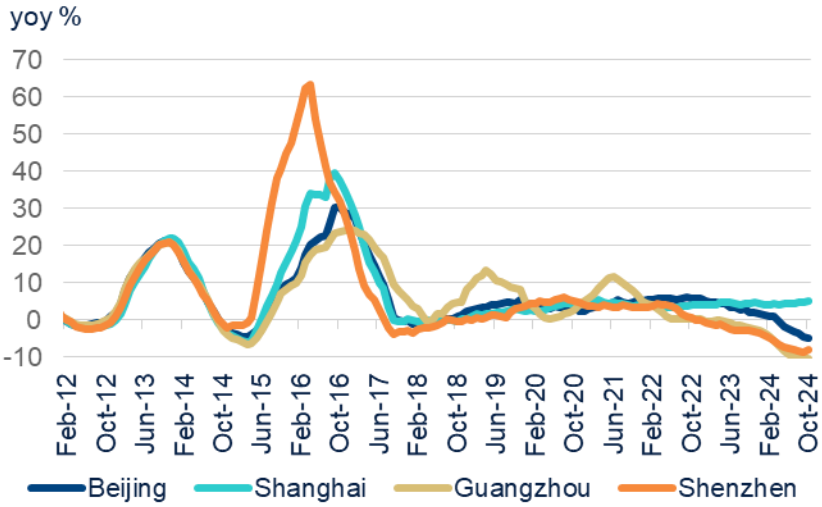


Source: BBVA Research and NBS

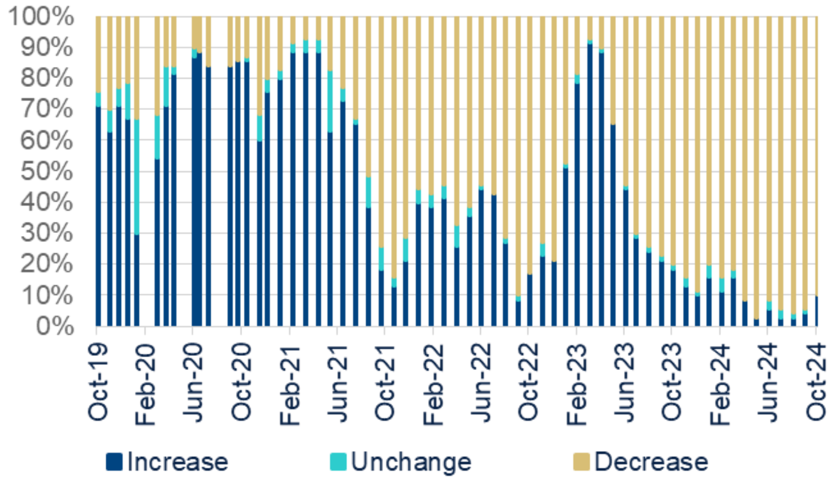
Deflation in China: 1. Weak domestic demand and weak sentiments VS. strong supply. 2. Price decelerated due to the “salary cap campaign” in financial and gov. sector etc., together with high unemployment in young age group; 3. Pork cycle is outside the swine flu period, pork supply expanded significantly leading to overcapacity. 4. Conservative central banks indicates limited liquidity in the market.

China’s real estate market remains the primary risk of the economy, and we anticípate a significant rebound amid the current jumbo size stimulus

IN TIER-1 CITIES, THE PRICE PERCENTAGE CHANGE RANGE IS WITHIN -10% TO 5%



90% CITIES REPORTED HOUSING PRICE DECREASE IN 70-CITY SURVEY

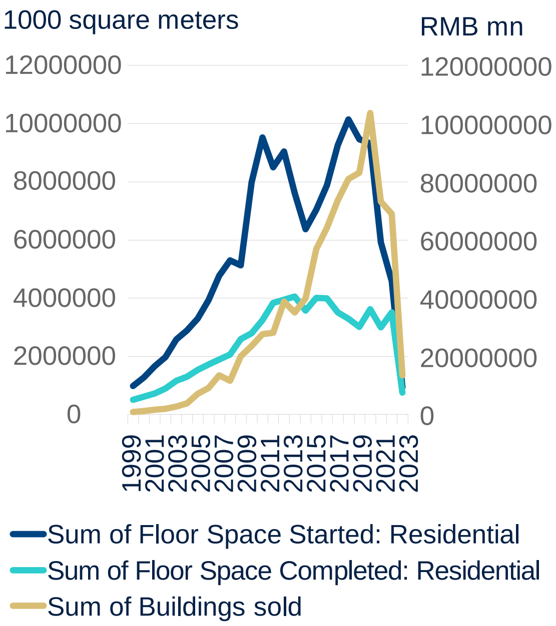


Source: NBS and BBVA Research.

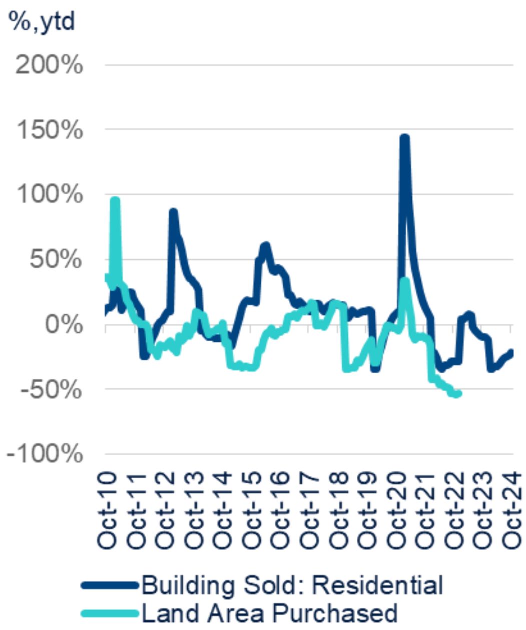
The recent housing stimulus: (i) Lower the first and second house purchase’s downpayment ratio to 15% (ii) To move the lower bound of mortgage rate for home buyers. (iii) PBoC set RMB 300 billion re-lending pool to encourage local SOEs and government to purchase unsold houses as low-income housing. (iv) The four large cities continuously promulgated easing measures for home purchase. (v) Gov could get back the land that sold to real estate developers to increase the cash flows to those developers.

We have not yet observed bottom-up of the main housing indicators such as housing sales, floor space started and real estate investment etc.

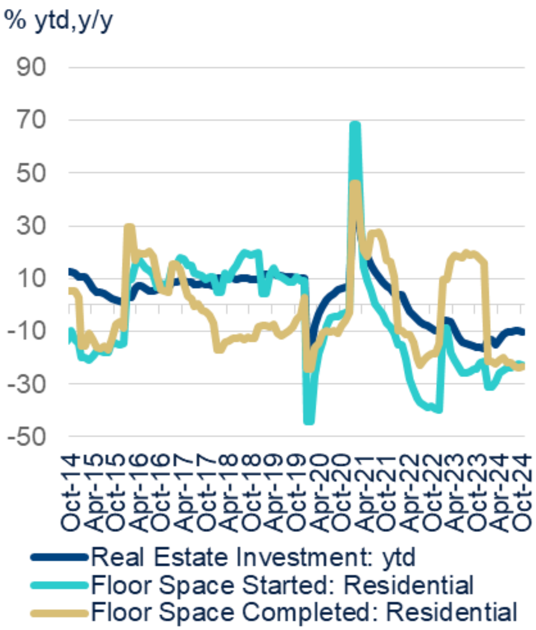
THE LEVEL OF HOUSING INDICATORS DIPPED TO HISTORICAL LOW



BUILDING SOLD REMAINS NEGATIVE GROWTH



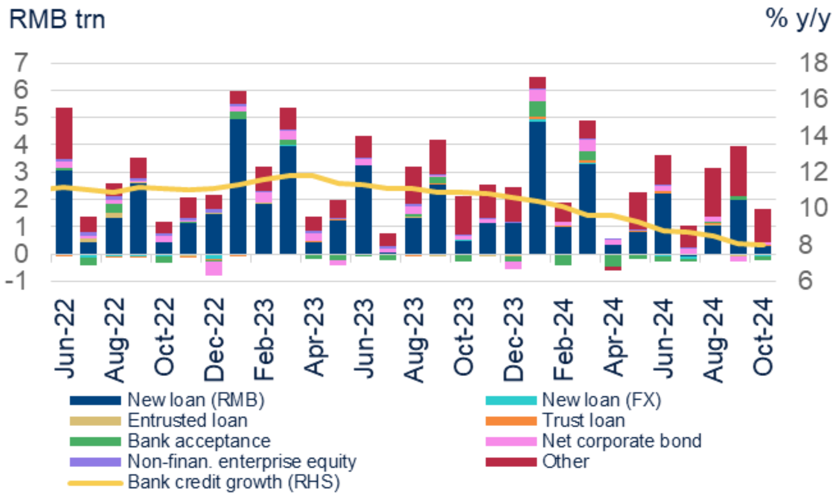
FLOOR SPACE COMPLETED & STARTED REMAINED NEGATIVE



Source: BBVA Research and NBS.

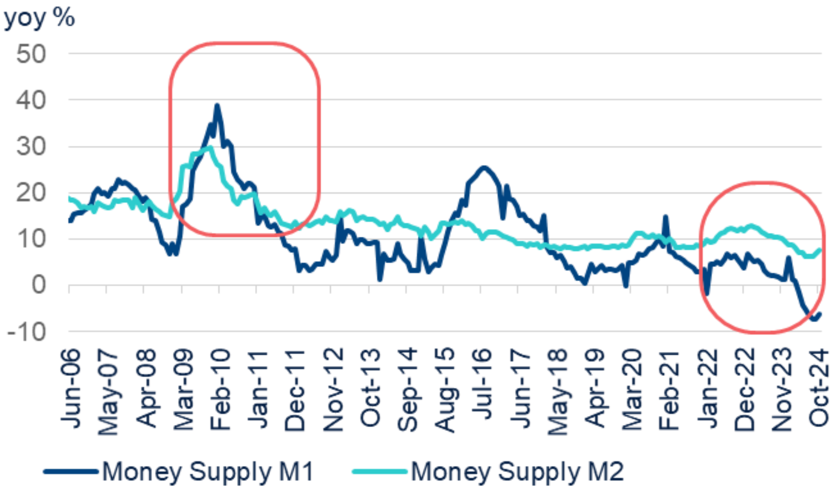
China's total credit growth significantly slowed amid lackluster demand

TOTAL SOCIAL FINANCING AND NEW RMB LOANS DECELERATED



Source: BBVA Research and NBS

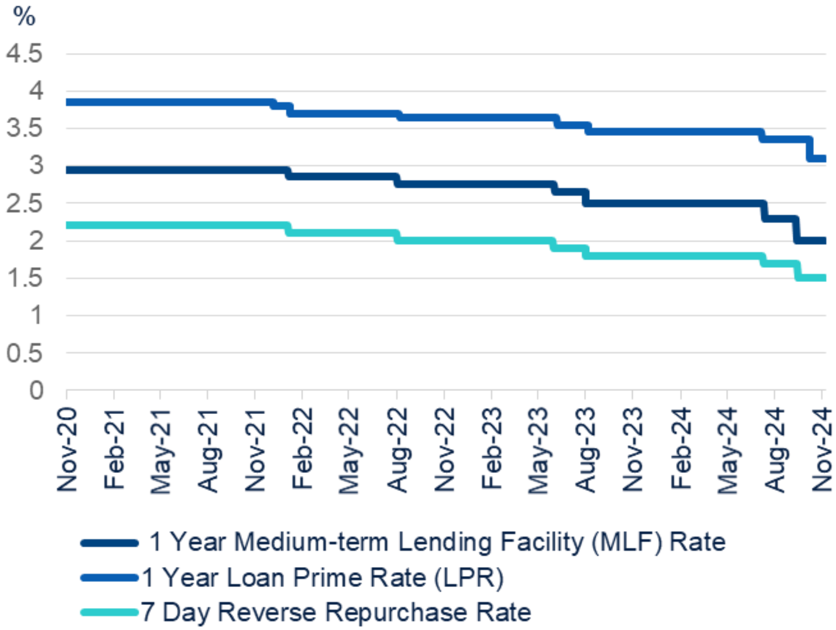
M2 AND M1 DIPPED TO HISTORICAL LOW; M1 HAS REMAINED NEGATIVE



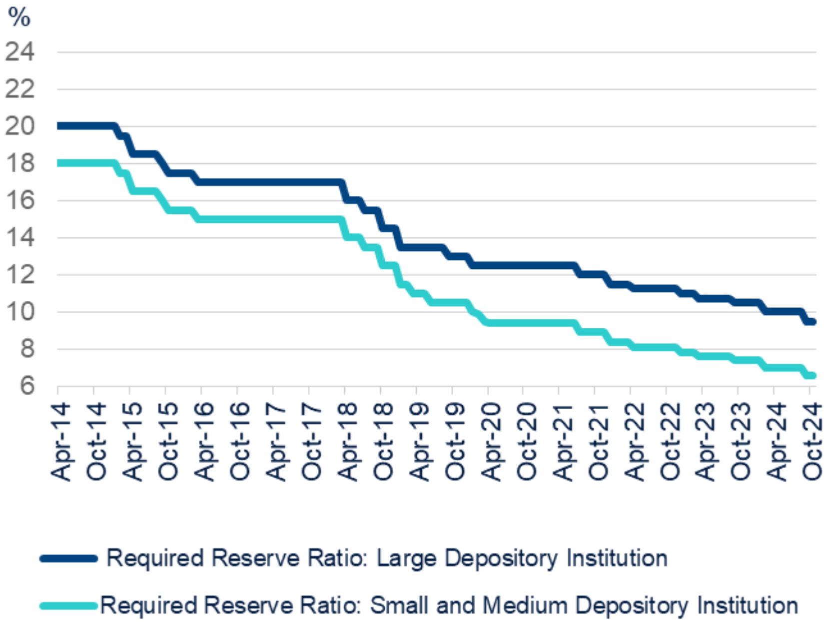
- Behind negative M1 growth: sluggish economic activities, weak market sentiments, weak enterprises' liquidity condition.
- No substitution effect among corporate loans, household loans, non-financial institutions loans and other kinds of loans, they all declined to a large extent.

Monetary policy: keeps expansionary amid FED's rate cut cycle and the stimulus package

THE PBOC CUT A SERIES OF POLICY RATES IN THE STIMULUS PACKAGE



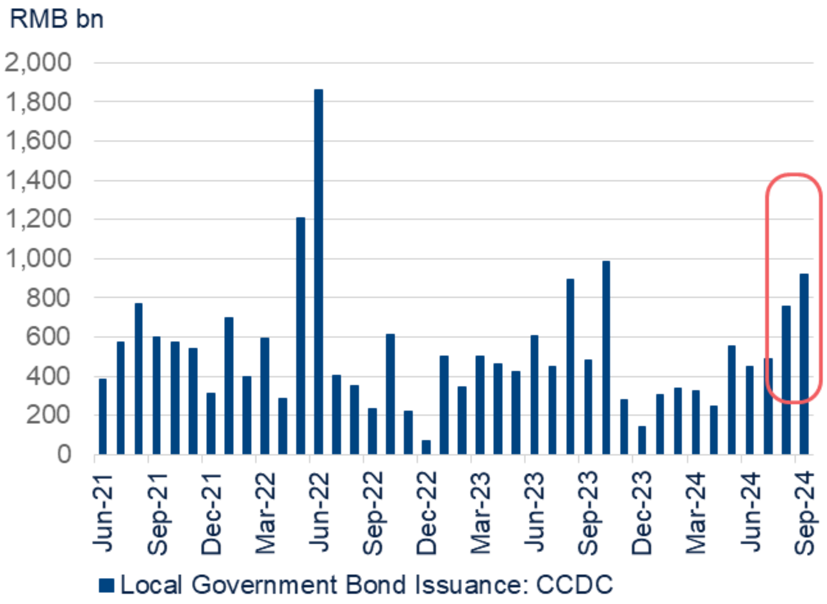
…ALSO CUT RRR AMID STIMULUS PACKAGE



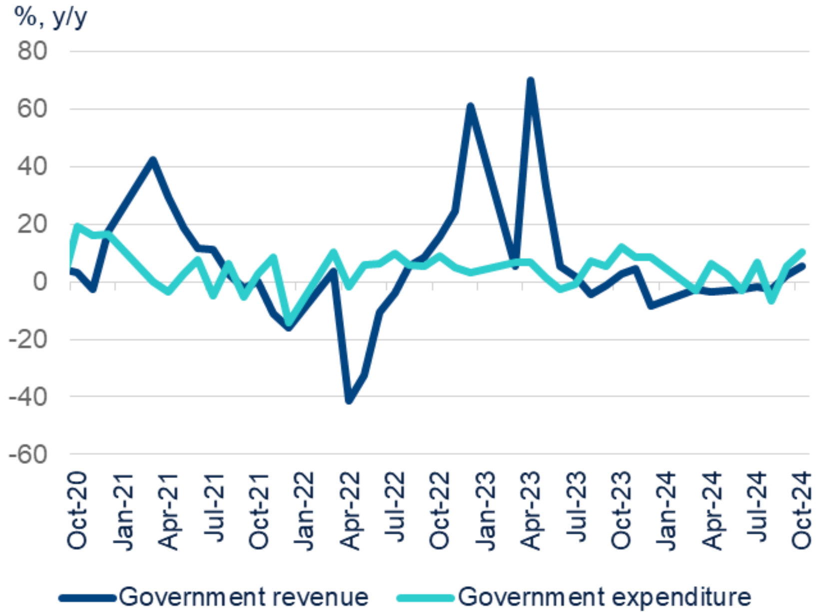
Source: BBVA Research and NBS

Fiscal easing focuses on central government bond issuance instead of tax cut or direct money injection into households

LOCAL GOV BOND ISSUANCE IS AT A STEADY BUT CONSERVATIVE PROGRESS, CONCRETE NUMBERS TO BE ANNOUNCED



GOV EXPENDITURE IS HIGHER THAN THE REVENUE WHICH WAS DRAGGED BY LAND SALES DIPPING



Source: CEIC and BBVA Research.

Forecast: China's main economic indicators: Baseline scenario

	Baseline scenario						
	2020	2021	2022	2023	2024(F)	2025(F)	2026 (F)
GDP (%)	2.3	8.1	3	5.2	4.8	4.1	4
CPI (%)	2.6	0.9	2	0.2	0.3 ↓	0.6 ↓	1
PPI (%)	-1.8	8.1	4.2	-3	-1.7	0.6 ↓	1.4
Interest rate (LPR, %)	3.85	3.8	3.6	3.45	3	2.5 ↓	2.5
RMB/USD exchange rate	6.5	6.36	6.9	7.1	7.2 ↑	7.4 ↑	7.3

Disclaimer

BBVA Research

China Economic Outlook, November 2024

Creating Opportunities