China Economic Outlook

4TH QUARTER 2016 | ASIA UNIT

01
Global economic growth rate has improved slightly to around 3%.

02
In China, economic activity continues to gain traction in Q4, which made us raise our 2016 full-year projection to 6.6% from 6.4% previously

03
However, the recently imposed tightening measures on property market and external financial tension add headwinds to growth going forward.

04
Downside risks include: property bubble, currency depreciation and capital outflows, corporate sector indebtedness and shadow banking.

Index

Closing date: 15 November 2016

1. Global outlook: economic growth improved slightly

There has been very little news in the past few months on the performance of the world economy. Financial stresses have remained moderate, while global activity seems to be showing signs of slight improvement following a weak first half-year and some stabilisation of international trade. All this is due to the continued support of the economic authorities, especially the developed countries' central banks. In particular, the US Federal Reserve's more cautious tone confirms a very gradual normalisation of interest rates once the second hike materialises, probably in December.

Meanwhile the emerging economies continue to see inflows of capital driven by the search for yield and low volatility, plus the recovery in oil and other commodity prices. The US Federal Reserve interest rate hike expected before year-end is favouring the dollar's generalised appreciation. The latest US data point to less robust growth in the second half of the year than was foreseen three months ago, following a first half that was already weak, and this leads us to revise our growth forecast for this year downwards by 0.4 pp to 1.6% (Figure 2.2). This represents a clear moderation in activity relative to the average annual advance of close to 2.5% in the two-year period 2014-15.

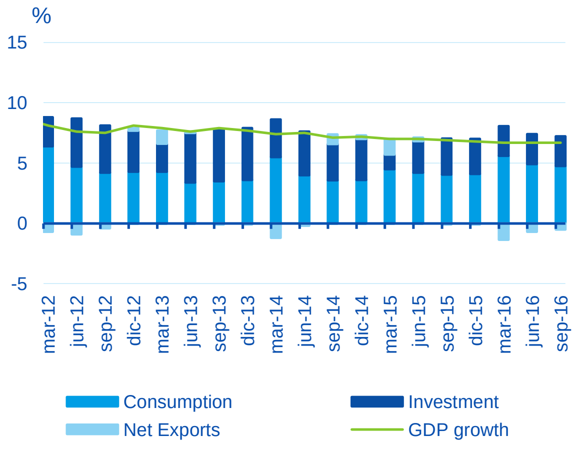
The composition of the growth continues to stoke concerns about the medium-term potential, as it continues to show a two-speed economy, with solid private consumption but investment that might fall slightly for 2016 as a whole, after advancing by less than 1% on average in the past five years. Expectations of lower long-term growth potential might be holding back investment decisions, and might in turn feed back into reduced increases in productivity in the future, with a labour market at practically full employment. Even so, we still expect a moderate advance of 2.1% in 2017.

2. Recovery runs into policy headwinds

Economic activity continues to gain traction after growth stabilised in the third quarter. In particular, Q3 GDP came out at 6.7% YoY, in line with market expectations (BBVA MICA model forecasting: 6.8% YoY; Bloomberg consensus: 6.7%) and practically unchanged from the previous quarter's figure (Figures 2.1 and 2.2). In sequential terms, GDP grew by 1.8% QoQ in Q3, marginally lower than the previous month's figure of 1.9% QoQ. All in all, GDP growth figures for the first three quarters could ensure that full-year GDP growth is within its official target range of 6.5-7.0%.

Figure 2.1

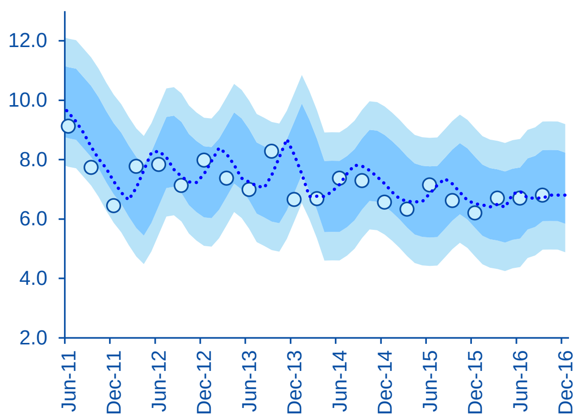
Growth stabilised in Q3 2016



Source: BBVA Research

Figure 2.2

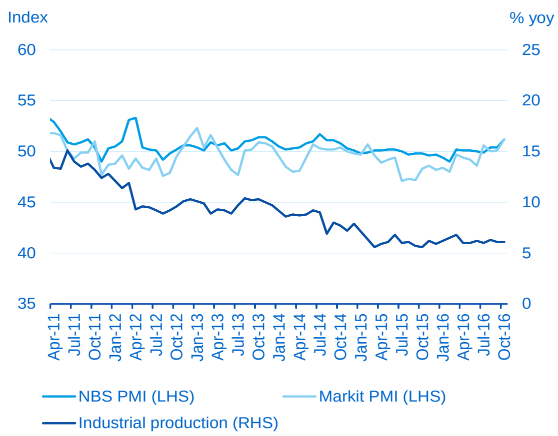
BBVA MICA model for GDP forecasting



Source: BBVA Research

Figure 2.3

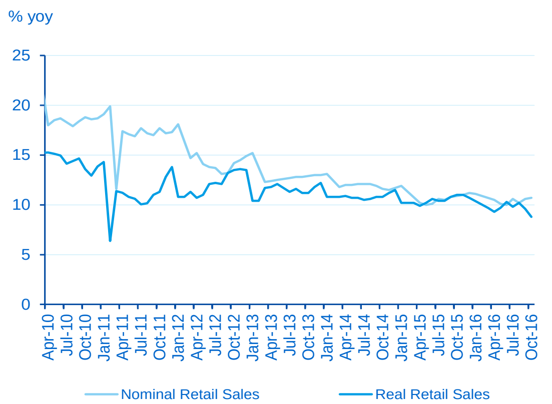
PMIs and IP indicate economic stabilizing continues



Source: BBVA Research

Figure 2.4

Retail sales maintained a comparatively steady trend



Source: BBVA Research

A number of activity indicators released recently pointed to even stronger growth momentum. October manufacturing PMIs were a big positive surprise to the market. The official NBS PMI for October surged to 51.2 (versus consensus: 50.3) from 50.4 in September, while the Caixin China PMI (the former HSBC PMI) rebounded to 51.2 (consensus: 50.1) from its last month's level of 50.1 (Figure 2.3). Significantly, the upturn in October PMIs was primarily driven by small and medium enterprises (SMEs), reflecting the trickle-down effects of the pro-growth initiatives and reform measures implemented over the past couple of years, including monetary easing, fiscal spending expansion and the authorities' efforts to eliminate overcapacity.

Growth in industrial production in October maintained as the same level at 6.1% YoY as in the previous month, a bit lower than the market consensus of 6.2% YoY (Figure 2.3). This indicates that manufacturing sector is stabilizing, as deleveraging of sectors with over-capacity is still in progress. On the demand side, retail sales growth significantly dropped to 10% YoY in October (consensus: 10.7% YoY) from 10.7% YoY in the previous month (Figure 2.4). In addition, the growth rate of urban fixed asset investment improved to 8.3% YTD YoY in October (consensus: 8.2% YTD YoY; prior: 8.2% YTD YoY). Moreover, private investment, which we have been concerned about, also slightly picked up from 2.5% YTD YoY previously to 2.8% YTD YoY. By categories, infrastructure FAI YoY growth is still the highest due to the authorities' support, while manufacturing FAI improved significantly this month; but real estate FAI is still stagnant, not synchronised with the soaring housing prices (Figure 2.5).

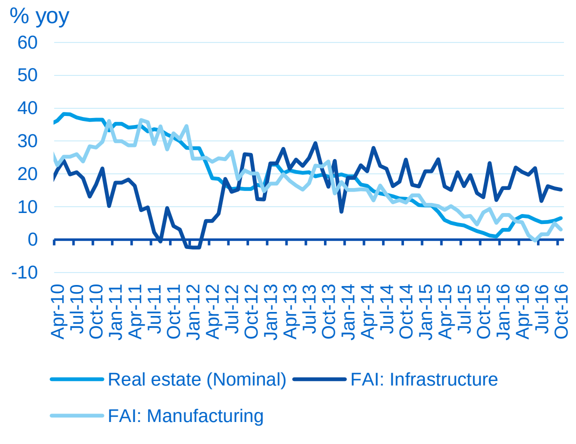
All in all, the ongoing recovery seemingly came later than expected in the sense that a flurry of monetary easing measures had indeed started in late 2014. It might be attributed to the stretched corporate balance sheets and sluggish commodity prices in the past two years, both of which had aggravated product prices and had weighed on firms' profitability. As a consequence, it takes longer for firms to recover from the previous downturn and increase their stock again. That being said, the current recovery is still driven by firms' re-stocking, which does not alone suffice to put growth on a firm footing. Confronted with the recent harsh tightening in the property market and mounting external uncertainties, the ongoing recovery could be short-lived.

PPI surged out of disinflation zone

Price indices, especially the PPI, picked up significantly. October headline CPI inflation rose to 2.1% YoY from 1.9% in the previous month, in line with the market consensus. The stable growth of CPI was primarily due to the floods in the eastern regions in recent months, which reduced the supply of some agricultural products (Figure 2.6). The PPI rebounded to 1.2% YoY (consensus: 0.9% YoY), up significantly from 0.1% YoY in the previous month, continuing the positive YoY growth that started last month. The rising PPI was mainly due to rebounding commodity prices and, to a lesser extent, the deleveraging process in certain industries with over-capacity, which reduced supply and thus pushed up prices. Stimulated by the positive price signals, firms have started to accelerate their production and build up their inventory levels.

Figure 2.5

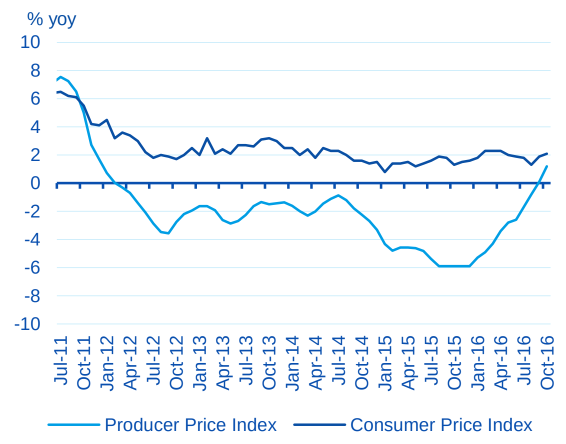
Investment was dragged down by the real estate and manufacturing sectors



Source: BBVA Research

Figure 2.6

PPI growth picked up to positive from its four-year negative region



Source: BBVA Research

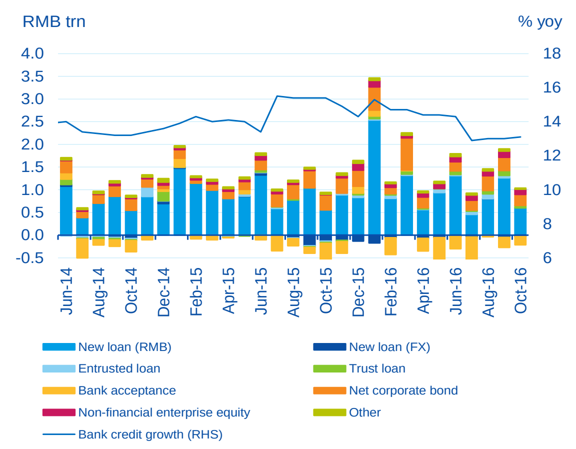
Credit growth dropped on regulatory tightening

Credit indicators in October decelerated significantly, as the authorities had tightened regulation to contain housing bubbles as well as shadow banking activities. New RMB loans dropped to RMB 651.3 billion (consensus: RMB 672 billion; prior: RMB 1,220 billion) (Figure 2.7). Total social financing, a broad gauge of credit including bank loans, bond issuance and shadow banking activities, decreased to RMB 896.3 billion in October from RMB 1,720.9 billion in the previous month (consensus: RMB 1,000 billion). Meanwhile, M2 growth improved to 11.6% YoY (consensus: 11.4% YoY) in October, from 11.5% YoY in the previous month.

Nevertheless, real estate loans, including both mortgage loans and loans to real estate developers, still account for around one quarter of total outstanding loans. (Figure 2.8)

Figure 2.7

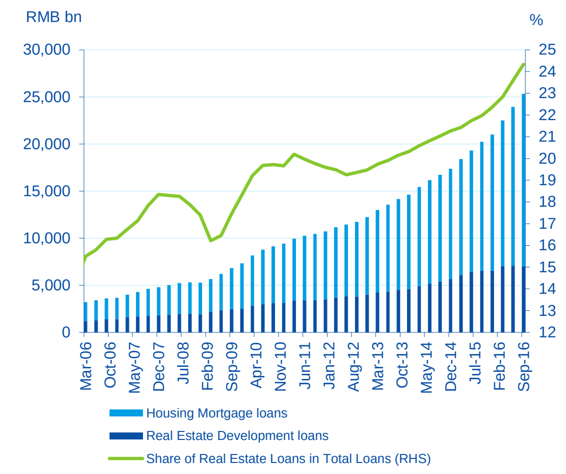
Credit indicators slowed down in October



Source: BBVA Research

Figure 2.8

The share of real estate loans as % of total loans is on the rise



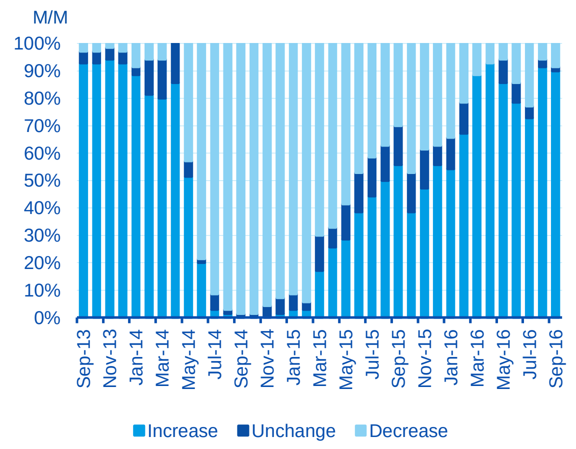
Source: BBVA Research

Overheating housing market meets with harsh clampdown

Meanwhile, the property market continued its over-heating in Q3 2016, following the soaring housing prices and transactions in Q2 (Figure 2.9 and 2.10), adding more risks of a housing bubble burst. In Q3, the number of cities reporting housing price increases was significantly more than the number reporting decreases.

Figure 2.9

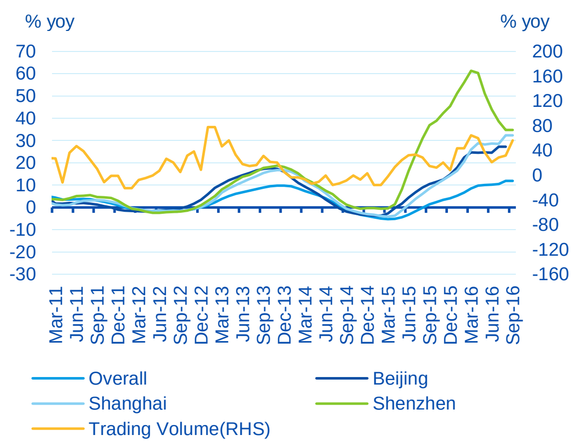
Majority of the cities reported housing price increases in September



Source: BBVA Research

Figure 2.10

Housing prices in some tier-1 cities still maintain at the high level



Source: BBVA Research

There are several reasons behind the current housing market boom: first, the authorities' easing measures in real estate markets during the market slowdown in the past years are the original fuse of the current round of housing market booming; second, the current round of housing price increases is due to the low interest rate environment, which lowered mortgage payments on housing purchases; third, the financial repression in China encourages people to allocate their assets to the housing market due to the lack of alternative investment.

As such, local governments in a few big cities had to reinstate some tightening measures on their housing markets to stem the surge in property prices (Tables 2.1 and 2.2).

Table 2.1

Chronology of tightening Real Estate Policy Measures, April 2016 – September 2016

Date	Policy Description
April 2016	More and more local governments issued new restrictive housing policies to cool down the surge in housing prices. For instance, Shanghai required more than 50% down-payment for purchases of second homes; Shenzhen required at least 40% down-payment for any housing mortgage; Su Zhou directly restricted the growth rate of housing prices; Wu Han and Qing Dao adjusted downwards the mortgage lending supported by Housing Provident Fund as collateral, etc.
Sep 2016	Beijing initiated the second round of policy tightening, including (i) increased land supply to developers; (ii) raising the down-payment to 35% for first home purchase and to 50% for the second one and (iii) banning home purchase beyond the third one. In total, 16 cities have promulgated similar tightening measures over the past month to varying degrees.
4 Oct. 2016	To further curb the surge in house prices, Shenzhen's government implemented eight policies, including increasing the supply of land for residential construction; increasing the supply of small-to-medium size housing (the <90 sq. m. housing should be at least 70% of the total housing supply); tightening restrictive purchasing policies; promoting differential mortgage policies, etc.

Source: Media reports, press releases, and Government websites

Table 2.2

Authorities' regulations on down-payment requirement for some cities, April 2016 to present

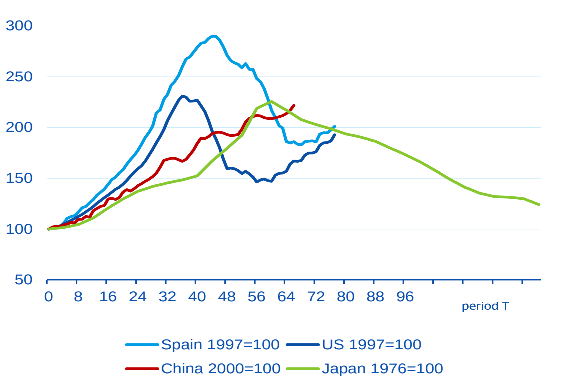
Cities	Minimum Down-payment requirement for the 1st home	Down-payment requirement for second home
Beijing	Increased from 30% to 35%	50%
Shanghai	40%	50%
Shenzhen	40%	40-60% (depends on whether the mortgage on the first home has been paid back completely)
Guangzhou	30%	70%
Wuhan	Increased from 20% to 25%	Increased from 40% to 50%
Hefei	Increased from 25% to 30%	Increased from 40% to 50%
Jinan	Increased from 20% to 30%	Increased from 30% to 40%
Wuxi	20%	Increased from 30% to 40%
Chengdu	20-25%	Increased from 35% to 40%
Tianjin	Increased to 40%	50%
Kunshan	20%	Increased from 20% to 30%
Nanjing	20-30%	Increased to 35-50% (depends whether the first house's mortgage is paid back completely)
Hangzhou	30%	Increased to 35-50% (depends on whether the mortgage on the first home has been paid back completely)
Suzhou	20-30%	Increased to 35-50% (depends on whether the mortgage on the first home has been paid back completely)
Other cities	20-25%	30%

Source: Media reports, press releases, and Government websites

According to the international comparison of housing price bubbles (Figure 2.11), the size of the Chinese housing bubble is comparable with those in Japan and the US. However, the recent soaring housing prices have not yet been reflected in increased land sales and real estate investment (Figure 2.12). As real estate developers are still cautious about growth outlook and housing stock is still large in many tier 2 and 3 cities, both housing investment and land sales are still lacklustre.

Figure 2.11

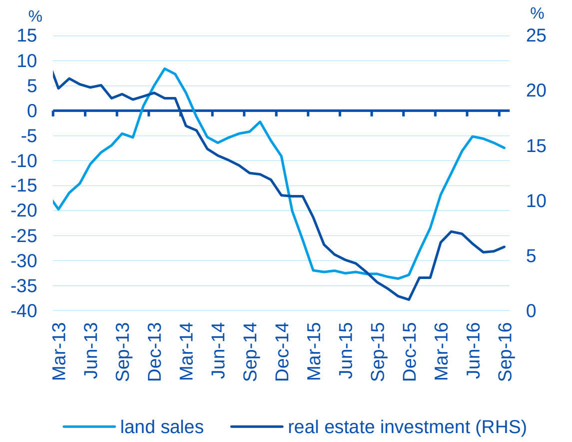
International comparison of housing price bubbles



Source: BBVA Research

Figure 2.12

Land sales and real estate investment are still not synchronised with soaring house prices



Source: BBVA Research

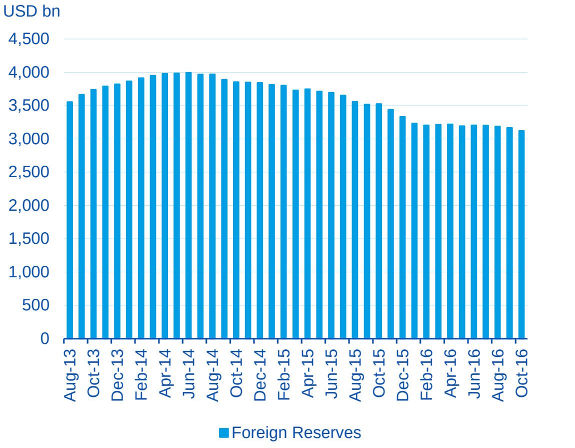
Capital outflows continue and the RMB depreciated significantly

Portfolio outflows continued in September, mainly due to the weak performance of the RMB relative to the strengthening USD. In particular, China's FX reserves declined to USD 3.12 trillion at the end of October, from USD 3,166 billion in the previous month (Figure 2.13). We estimate that the aggregate capital outflow was USD 31.96 billion, taking into account the trade balance and the large valuation effect of this month, compared with the previous month's figure of USD 60.8 billion. Thus, the aggregate capital outflow continued in October.

Recently, the People's Bank of China (PBOC) set the RMB middle price at a level weaker than 6.8 as the election of Donald Trump as next US president increased financial tension globally. (Figure 2.14) Of particular concern is Trump's harsh campaign talk about listing China as currency manipulator while imposing steep trade tariffs on imports from China. As response, Chinese policymakers could take the time window of administration transition to accelerate the exchange rate depreciation, in a bid to leave more room for prospective negotiations. This adds downside risks to our year end RMB forecast of 6.8. That being said, the extent to which China exploits this strategy depends on its tolerance of capital outflows and the performance of other major currencies. A sharp depreciation could be interpreted by market critics as a significant setback of RMB exchange rate reform or a sign of competitive currency devaluation. It could further make market expectations anchorless and result in a wave of financial turmoil in financial markets. Moreover, authorities wouldn't want to damage the credibility of their adopted basket currency peg as yet.

Figure 2.13

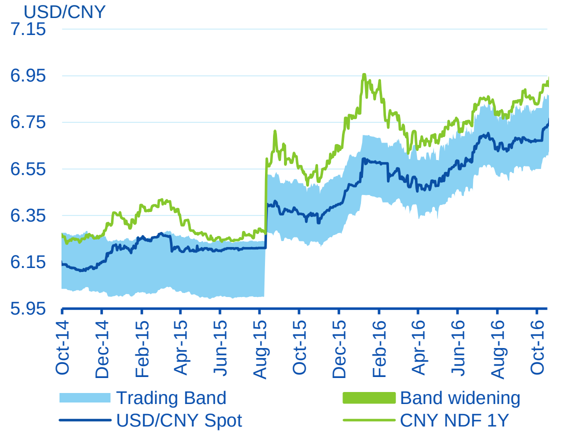
Foreign reserves have been decreasing in the past months



Source: BBVA Research

Figure 2.14

RMB to USD exchange rate reached historical low recently



Source: BBVA Research

3. Slowdown is set to continue in 2016 and 2017

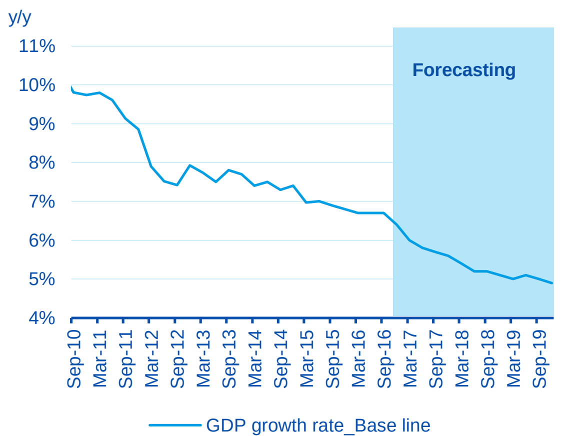
Based on recent data, we have raised our 2016 full-year projection to 6.6% from 6.4% previously, while maintaining the 2017 growth projection at 5.8%, with balanced risks going forward (Figure 3.1). The slowdown in growth in 2016-2017 will be led by the deceleration of fixed asset investment (FAI), especially the continuing decline in private FAI. Such a trend can hardly be reversed unless the authorities can effectively accelerate progress on structural reforms in some key areas (in particular SOE and financial liberalisation reforms).

Admittedly, the recent upturn in growth momentum, along with the resumed PPI growth, could bring some tailwinds to growth prospects. However, their positive impact on recovery could easily be offset by a flurry of tightening measures imposed on the property market of late. In our baseline scenario, the upturn in growth momentum could be stalled in the first quarter of next year.

On the inflation front, we have lowered this year's CPI projection to 2% based on data and are maintaining next year's projection at 2.7% (Figure 3.2). The PPI improvement is broadly in line with our expectations, and is set to continue through the next couple of quarters, which, along with the pass-through from the persistent currency depreciation, could further push up price levels. However, as growth is still subject to severe headwinds and financial vulnerabilities, the likelihood of inflation risk remains low for the moment.

Figure 3.1

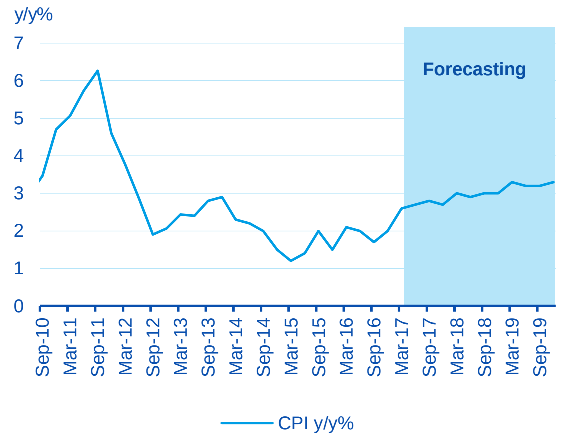
We raised our 2016 GDP forecasting to 6.6% and maintain 2017 GDP at 5.8%



Source: BBVA Research

Figure 3.2

We downward adjusted CPI prediction to 2% this year



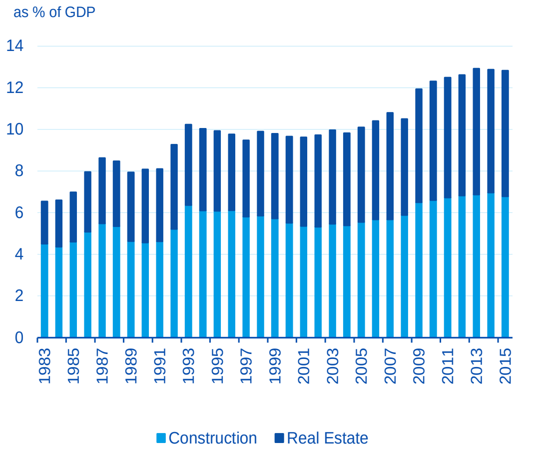
Source: BBVA Research

The property sector could become a major drag on growth

China's real estate sector remains the focus of intense interest given its large contribution to investment and economic growth (Figure 3.3), its relevance to the stability of the banking sector and its broad social implications. Given its significance for economic growth, the current round of harsh clampdowns on the overheating housing market might drag on growth in the mid to long term. Figure 3.4 explains the spillover effect from the property sector to other related sectors. For instance, one standard deviation shock on the property market will be transmitted to a commensurate decline in other sectors, including construction, chemical, cement, coal, etc. As such, the potential housing price slowdown due to the authorities' current clampdown measures could become a major drag on economic growth in the future. In addition, property is also significant to Chinese households, accounting for around 60% of families' total assets on average.

Figure 3.3

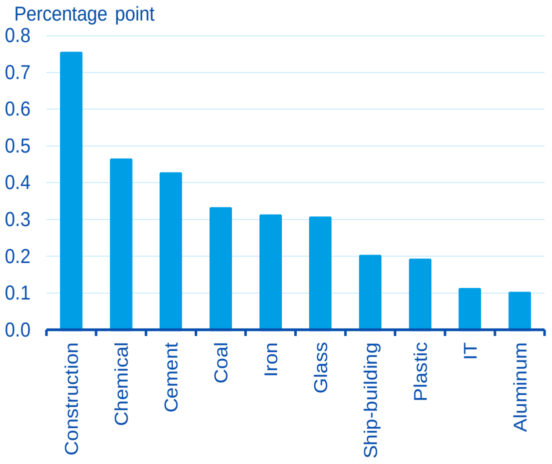
Real estate sector's importance to the economy continues to rise



Source: BBVA Research

Figure 3.4

The shock of property market's impact on other sectors



Source: BBVA Research

Looking ahead, we predict that real estate investment might gradually recover during the following months, led by the continuing accelerating housing price. However, it will turn weaker in the latter part of next year due to the slowdown in housing sales and the potential tightening measures by the authorities. In terms of housing prices, we think that continuing price increases are to be expected in the next few months, but that they will gradually ease once the authorities implement more tightening measures, as with the case of Shenzhen in the last couple of months. Moreover, housing sales will maintain their growth momentum in the next few months, the speed of which might be faster than the newly started housing constructions, promoting a continuing de-stocking.

RMB will continue its gradual depreciation trend

Cumulatively, the RMB has depreciated by 3% from the beginning of Q3 until now. Although it gradually picked up in the past few days thanks to the authorities' stepped-up measures, the headwinds of RMB depreciation still exist. We forecast that the RMB will continue its "gradual-depreciation" trend in the rest of

2016 and in the following year. We maintain our end-2016 projection of CNY/USD at 6.80 and end-2017 projection of CNY/USD at 7.2.

The prime reason for the RMB's depreciation is the persistent divergence between China and US monetary policy. As growth deceleration continues, China needs to stick to its easing stance of monetary policy. In contrast, the US is expected to normalise its monetary policy from the previous QE mode over the next few years. In addition, the RMB depreciation trend could be reinforced by other external shocks such as the uncertainties surrounding the US presidential election, which led to a safe haven effect and the selling of emerging market assets including the RMB. However, in the long term, we believe that domestic growth, exchange rate policy and economic rebalancing should be the fundamental factors in determining the RMB exchange rate.

If external shocks lead to abrupt change in the RMB value, the authorities could adopt a number of measures to stabilise the FX market. Apart from directly selling USD in the market, some other tools will also be applied: further tightening capital controls; using market communications to influence market expectations; instructing the state-owned Chinese banks to sell off US dollars and buy in RMB, etc. Finally, given the current circumstances, we expect that the authorities are unlikely to roll out new reforms of the FX regime in the next six months.

Expansionary fiscal policy will continue while monetary easing might be constrained by RMB stability and housing bubbles

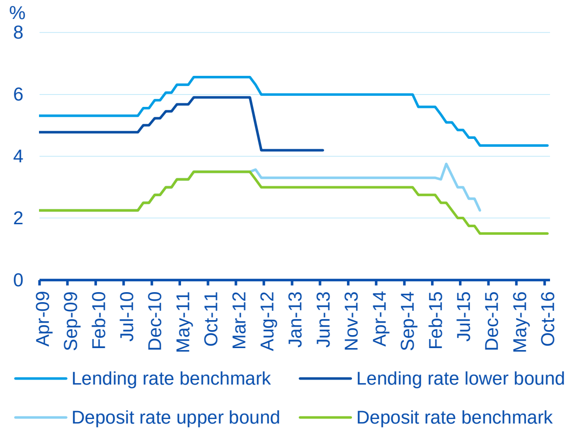
Taking into consideration the potential financial risks such as the current soaring housing prices and RMB exchange rate stability, the PBoC is constrained in its use of price tools such as interest rate cuts. Instead, the PBoC prefers more targeted tools such as MLF to ensure banking liquidity this year. We anticipate that the PBoC will hold monetary easing for the moment and redeploy it when growth momentum plunges again (Figure 3.5).

Regarding the fiscal policy, it is expected to play a more important role against the backdrop of significant declines in investment, compared with the monetary policy. The fiscal budget target is expanded to be -3% of GDP in 2016, a clear signal of fiscal easing, and we predict a more expansionary fiscal budget in the next two years (Figure 3.6). The application of regulatory forbearance on local government borrowing could lend additional support to growth.

Moreover, at the local government level, Chinese authorities have explored funding infrastructure and public works through the PPP (public-private partnerships) model since late 2013 amid growing concerns over risks around rising local government debts incurred through local financing vehicles. The Ministry of Finance has set up a 180-billion-yuan fund supporting the financing of PPP projects and is considering revising related fiscal and tax policies to facilitate implementation of the projects. Over the past two years, the PPP model has been expanded to fund projects including energy, transportation, environmental services and senior care. Recently, the authorities have been aiming to fund a total of 9,285 infrastructure and public service projects through PPPs.

Figure 3.5

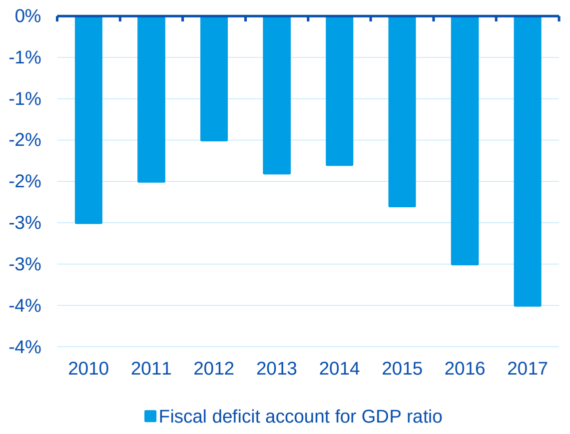
We forecast no interest rate cut in 2016



Source: BBVA Research

Figure 3.6

Fiscal deficit is set at -3% in 2016



Source: BBVA Research

Table 3.1

Baseline Scenario

	2014	2015	2016 (F)	2017 (F)
GDP (%, YoY)	7.4	6.9	6.4	5.8
Inflation (average, %)	2.0	1.4	2.0	2.7
Fiscal balance (% of GDP)	-2.1	-2.3	-3	-3.5
Current account (% of GDP)	2.5	2.7	2.7	2.5
Policy rate (%)	5.6	4.35	4.35	4.1
Exchange rate (CNY/USD)	6.21	6.5	6.8	7.2

Source: BBVA Research

4. Financial vulnerabilities increase

Downside risks to our base scenario still exist, including: (i) housing bubbles; (ii) currency depreciation and capital outflows; (iii) indebtedness of the corporate sector; and (iv) shadow banking activities.

The primary risk is whether the recent tightening measures imposed on China's property market could lead to the bursting of the housing bubble, thereby threatening financial stability as well as stifling economic growth. We tend to believe that the authorities still have levers to curtail this risk, but the surrounding uncertainties loom large.

The combination of a potentially strengthening US dollar and a slowdown in China's domestic growth could lead the RMB to continue to depreciate against the USD and thus trigger capital outflows. In particular, political uncertainty about the US presidential election may lead investors to redirect their portfolio strategies towards safe havens, which could exert further depreciatory pressure on the RMB and aggravate capital outflows. Thus, China's authorities would be faced with a policy dilemma between supporting growth by policy easing on the one hand, and reducing the risk of heavy capital outflows on the other. Looking forward, we expect the authorities to further restrict flows under the capital account in a bid to stabilise the RMB exchange rate and the domestic financial market.

The third challenge to growth is that financial risks are likely to increase as more corporate defaults occur and as the bank non-performing loan ratio continues to rise as the deleveraging process advances. More importantly, defaults have now spilled over to state-owned enterprises (SOEs) which, albeit suffering from low profitability and poor corporate governance, were long deemed as safe assets with the government's implicit guarantees. The large-scaled corporate defaults might lead to another round of turbulence in the financial markets, especially the bond market. However, at the current stage, we see systemic financial risks as manageable, given that the government is a large stakeholder in the financial sector and that general government debt is still at a manageable level.

Regarding shadow banking activities, shadow banking is growing rapidly, thriving on regulatory arbitrage and prevalent financial repression. The ratios of shadow banking to GDP and to banking assets have increased over time, and recently the former ratio reached around 80% and the latter around 30%. In China, the sectors of shadow banking are huge and highly diverse. At the current stage, although the authorities continue to implement regulatory measures on shadow banking, off-balance sheet lending through banks' so-called "debt receivables" and convoluted borrowing structures by local government financing vehicles (LGFVs) have created a system murkier than before, as shadow banking regulations are cleverly evaded. In particular, they are carried on by obtaining bridging loans from banks, which, while inefficient, were more straightforward than using LGFVs to borrow from shadow banking institutions.

5. Tables

Table 5.1

Macroeconomic Forecasts: Gross Domestic Product

(Annual average, %)	2012	2013	2014	2015	2016	2017
United States	2.2	1.7	2.4	2.6	1.6	2.1
Eurozone	-0.8	-0.2	1.1	1.9	1.6	1.5
Germany	0.7	0.6	1.6	1.5	1.8	1.5
France	0.2	0.6	0.7	1.2	1.2	1.3
Italy	-2.9	-1.7	0.2	0.6	0.7	0.9
Spain	-2.9	-1.7	1.4	3.2	3.3	2.5
United Kingdom	1.3	1.9	3.1	2.2	1.9	0.6
Latam *	2.8	2.8	0.7	-0.4	-1.3	1.5
Mexico	3.8	1.6	2.2	2.5	1.8	2.2
Brazil	1.9	3.0	0.1	-3.8	-3.0	0.9
Eagles **	5.3	5.4	5.3	4.6	4.8	4.9
Turkey	2.1	4.2	3.0	4.0	2.7	3.5
Asia Pacific	5.8	5.8	5.6	5.5	5.5	5.1
Japan	1.7	1.4	-0.1	0.6	0.6	0.8
China	7.8	7.8	7.3	6.9	6.6	5.8
Asia (ex. China)	4.3	4.3	4.2	4.3	4.4	4.5
World	3.5	3.3	3.4	3.2	3.0	3.2

* Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.
** Bangladesh, Brazil, China, India, Indonesia, Iraq, Mexico, Nigeria, Pakistan, Philippines, Russia, Saudi Arabia, Thailand and Turkey.
Forecast closing date: 4 November 2016.
Source: BBVA Research and IMF

Table 5.2

Macroeconomic Forecasts: Inflation

(Annual average, %)	2012	2013	2014	2015	2016	2017
United States	2.1	1.5	1.6	0.1	1.2	2.0
Eurozone	2.5	1.4	0.4	0.0	0.2	1.4
Germany	2.1	1.6	0.8	0.1	0.3	1.6
France	2.2	1.0	0.6	0.1	0.2	1.3
Italy	3.3	1.2	0.2	0.1	-0.1	1.1
Spain	2.4	1.4	-0.1	-0.5	-0.3	1.7
United Kingdom	2.8	2.6	1.5	0.1	0.7	2.2
Latam *	7.7	9.4	12.1	17.4	33.1	59.2
Mexico	4.1	3.8	4.0	2.7	2.8	3.5
Brazil	5.4	6.2	6.3	9.0	8.9	5.1
Eagles **	6.1	6.1	5.0	5.0	4.4	4.6
Turkey	8.9	7.4	8.2	8.8	7.7	7.0
Asia Pacific	3.8	3.8	3.1	2.2	2.4	3.0
Japan	-0.1	0.4	2.7	0.8	-0.1	0.8
China	2.6	2.6	2.0	1.4	2.0	2.7
Asia (ex. China)	4.7	4.7	4.1	2.9	2.7	3.3
World	4.4	4.1	3.8	3.8	4.9	7.2

* Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.
** Bangladesh, Brazil, China, India, Indonesia, Iraq, Mexico, Nigeria, Pakistan, Philippines, Russia, Saudi Arabia, Thailand and Turkey.
Forecast closing date: 4 November 2016.
Source: BBVA Research and IMF

Table 5.3

Macroeconomic Forecasts: Exchange Rates

Annual Average	2012	2013	2014	2015	2016	2017
USD-EUR	0.78	0.75	0.75	0.90	0.90	0.90
EUR-USD	1.29	1.33	1.33	1.11	1.11	1.11
GBP-USD	1.59	1.56	1.65	1.53	1.34	1.22
USD-JPY	79.77	97.45	105.82	121.07	107.85	111.75
USD-CNY	6.31	6.20	6.14	6.23	6.63	7.00

Forecast closing date: 4 November 2016.
Source: BBVA Research and IMF

Table 5.4

Macroeconomic Forecasts: Official Interest Rates

End of period, %	2012	2013	2014	2015	2016	2017
United States	0.25	0.25	0.25	0.50	0.75	1.25
Eurozone	0.75	0.25	0.05	0.05	0.00	0.00
China	6.00	6.00	5.60	4.35	4.35	4.10

Forecast closing date4 November 2016.
Source: BBVA Research and IMF

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