



Economics Weekly

China Economic Indicators

YoY% or otherwise specified	1Q13	2Q13F
GDP	7.7	8.0
CPI	2.4	2.6
PPI	-1.7	-0.5
Exports	18.4	12.5
Imports	8.4	10.5
Trade Balance (USD/Bn)	43.1	86.6
FAI (YTD%)	20.9	21.8
Industrial production	9.5	11.0
Retail Sales	12.4	13.2
M2	15.7	14.8

Source: Bloomberg, ABCIS

China is on schedule for mild economic recovery

China posted lower-than-expected GDP growth of 7.7% YoY for 1Q13 (up 1.6% QoQ), lower than market consensus of 8.0% YoY and our forecast of 7.9% YoY. Macro indicators including FAI and industrial production also miss the consensus. China's economic growth moderated, from 7.9% in 4Q12 to 7.7% in 1Q13, dragged down by a slower-than-expected recovery in investment and consumption. The latest released data supports our view that China economic growth will stay on the path of mild recovery. Economic policies in the mainland will remain accommodative through the rest of 2013 and the lagged impact of consumption, investment and fiscal stimulus will begin to be felt in 2Q13 and 3Q13. We expect China's economic growth for 2Q13 will edge up to 8.0%.

- **Weaker-than-expected YTD growth in FAI.** FAI grew 20.9% YTD in 1Q13 but dipped 0.3% from Jan-Feb. Real estate investment saw robust growth of 20.2%, higher than 2012 growth of 16.2%. We believe the growth momentum of real estate investment will soften in 2Q13 amid property tightening measures. The major positives for FAI will lie in robust growth in infrastructure and social housing projects which keeps FAI growth above 21% in 2Q13.
- **Industrial production slowed due to the poor performance of light industries.** Industrial production slowed to 9.5% YoY in 1Q13 versus 10.0% YoY in 2012, mainly due to weaker-than-expected growth in light industry. We expect the pickup in industrial orders reflected by surging New Orders PMI Index and stable external trade will boost the growth momentum of industrial output in 2Q13.
- **Retail sales showed mild growth recovery.** Retail sales reached 12.4% YoY in 1Q13 versus 14.3% YoY in 2012. March's growth of 12.6% YoY surpassed Jan-Feb of 12.3%, reflecting continued recovery of consumption sector. Retail sales growth for 1Q13 was mainly driven by higher sales in furniture, home and electronics appliances while revenue from restaurants only saw YoY growth of 8.5%, down 5.1% compared to 2012's growth.
- **Gradual acceleration in 2Q13F and 2013F GDP.** China will continue to experience cyclical recovery in 2Q13. We view China's economy will continue strengthening on QoQ basis in 2013 by factoring into laggard effect of loosening measures. Domestic economic growth momentum is still healthy and we expect FAI, retail sales and industrial production to hold strong. We reiterate our policy view that economic policies in China will remain accommodative through 2Q13 and 2H13 and the momentum of economic expansion and restructuring remains intact. We stick to our forecast that China's GDP growth will mildly accelerate to 8.0% YoY in 2Q13, primarily due to robust growth in domestic demand.

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ABC INTERNATIONAL

ABC SECURITIES COMPANY LIMITED

China Economic Indicators

	2012										2013		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Real GDP (YoY%)	8.1	---	---	7.6	---	---	7.4	---	---	7.9	---	---	7.7
Export Growth (YoY%)	8.9	4.9	15.3	11.1	1	2.7	9.9	11.6	2.9	14.1	25.0	21.8	10.0
Import Growth (YoY%)	5.3	0.3	12.7	6.3	4.7	-2.6	2.4	2.4	0	6	28.8	-15.2	14.1
Trade Balance (USD/Bn)	5.18	18.53	18.13	31.91	25.28	26.43	27.45	32.11	19.63	31.6	29.2	15.3	-0.9
Retail Sales Growth (YoY%)	15.2	14.1	13.8	13.7	13.1	13.2	14.2	14.5	14.9	15.2	12.3		12.6
Industrial Production (YoY%)	11.9	9.3	9.6	9.5	9.2	8.9	9.2	9.6	10.1	10.3	9.9		8.9
PMI - Manufacturing (%)	53.1	53.3	50.4	50.2	50.1	49.2	49.8	50.2	50.6	50.6	50.4	50.1	50.9
PMI - Non-manufacturing (%)	58	56.1	55.2	56.7	55.6	56.3	53.7	55.5	55.6	56.1	56.2	54.5	55.6
FAI(YTD) (YoY%)	20.9	20.2	20.1	20.4	20.4	20.2	20.5	20.7	20.7	20.6	21.2		20.9
CPI (YoY%)	3.6	3.4	3	2.2	1.8	2	1.9	1.7	2	2.4	2.0	3.2	2.1
PPI (YoY%)	-0.3	-0.7	-1.4	-2.1	-2.9	-3.5	-3.6	-2.8	-2.2	-1.9	-1.6	-1.6	-1.9
M2 (YoY%)	13.4	12.8	13.2	13.6	13.9	13.5	14.8	14.1	13.9	13.8	15.9	15.2	15.7
New Lending (RMB/Bn)	1011.44	681.8	793.23	919.83	540.1	703.9	623.2	505.2	522.9	454.3	1070.0	620.0	1060.0

World Economic/Financial Indicators

Equity Index				Global Commodities				Bond Yields & Key Interest Rates				
	Closing price	Chng. WTD (%)	P/E		Unit	Price	Chng. WTD (%)	Volume (5-day average)		Yield (%)	Chng. WTD (%)	
US				Energy	NYMEX WTI	USD/bbl	89.11	-2.39	248682.60	US Fed Fund Rate	0.25	0.00
DJIA	14865.06	0.00	14.48		ICE Brent	USD/bbl	101.54	-1.52	158679.40	US Prime Rate	3.25	0.00
S&P 500	1588.85	0.00	15.63		NYMEX Natural Gas	USD/MM Btu	4.25	0.69	207796.00	US Discount Window	0.75	0.00
NASDAQ	3294.95	0.00	25.14		Australia Newcastle Steam Coal Spot fob	USD/Metric Tonne	86.75	N/A	N/A	US Treasury (1 Month)	0.0355	-12.56
MSCI US	1517.77	0.00	15.93		LME Aluminum Cash	USD/MT	1818.75	0.00	16373.40	US Treasury (10 Yr)	1.7242	0.20
Europe				Basic Metals	LME Primary Aluminum 3 Month Rolling Forward	USD/MT	1853.50	0.00	27258.40	US Treasury (30 Yr)	2.9253	0.26
FTSE 100	6349.01	-0.55	17.92		CMX Copper Active Contract	USD/lb.	331.15	-1.15	62605.40	Japan 10-Yr Government Bond	0.649	5.70
DAX	7722.30	-0.29	14.34		LME Copper 3 Month Rolling Forward	USD/MT	7406.50	0.00	45217.00	China 10-Yr Government Bond	3.51	-1.40
CAC40	3721.87	-0.20	14.46		TSI CFR China Iron Ore Fines Index	USD	141.00	3.75	N/A	ECB Interest Rate (Refinancing)	0.75	0.00
IBEX 35	8001.30	-0.49	27.73		CMX Gold	USD/T. oz	1438.50	-4.16	525.20	1-Month LIBOR	0.1997	-0.30
FTSE MIB	15728.64	-0.33	36.20	CMX Silver	USD/T. oz	24.38	-7.43	55814.20	3 Month LIBOR	0.2776	-0.64	
Stoxx 600	291.05	-0.46	18.77	NYMEX Platinum	USD/T. oz	1460.00	-2.40	11100.40	3-Month SHIBOR	3.8802	0.00	
MSCI UK	1889.22	0.00	18.18	CBOT Corn	USD/bu	652.75	-0.87	143114.20	3-Month HIBOR	0.3771	-0.19	
MSCI France	104.69	0.00	18.40	CBOT Wheat	USD/bu	707.50	-1.01	61729.80	Corporate Bonds (Moody's Seasoned)			
MSCI Germany	108.78	0.00	13.49	NYB-ICE Sugar	USD/lb.	18.06	0.17	69357.20	Aaa	3.78	2.72	
MSCI Italy	46.40	0.00	24.57	CBOT Soybeans	USD/bu.	1413.50	0.04	113614.00	Baa	4.66	2.64	
Asia				Precious Metals								
NIKKEI 225	13275.66	-1.55	26.88									
S&P/ASX 200	4967.91	-0.91	20.69									
HSI	21772.67	-1.43	10.36									
HSCEI	10440.76	-2.02	8.57									
CSI300	2436.82	-1.03	12.25									
SSE Composite	2181.94	-1.13	11.94									
SZSE Composite	900.46	-1.33	25.94									
MSCI China	59.31	0.00	10.04									
MSCI Hong Kong	11663.29	0.00	10.70									
MSCI Japan	714.71	0.00	25.47									
Currency												
									USD/ CNY			
									NDF 12 Month			
Spot Exchange Rate	1.3059	1.5320	1.0421	97.9700	0.9302	1.0208	6.1873	7.7622	6.2545			
Chng. WTD (%)	-0.41	-0.15	-0.83	0.41	-0.31	-0.71	0.08	0.00	0.05			

- Note:
- Data source: Bloomberg Finance LP, National Bureau of Statistics of China, ABCIS
 - Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey
 - TSI CFR China Iron Ore Fines Index is calculated with the 62% Fe specification, spot price
 - Certain data is not reported as of the date of this report

**Disclosures**

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return - 6% \leq Stock return < Market return rate
Sell	Stock return < Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2007-2011

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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