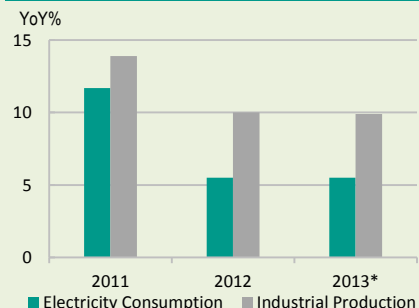




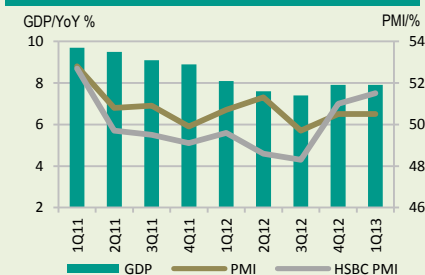
# Economics Weekly

## Electricity consumption stabilized



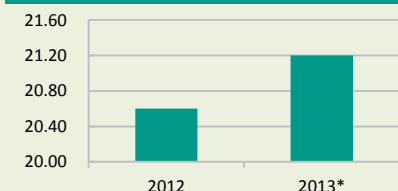
\* Jan. – Feb. aggregate data  
Source: NBS, Bloomberg

## Stable and upward trend of PMI



Note: GDP and PMI for 1Q13 are forecasted value  
Source: NBS, Bloomberg

## Strong growth momentum of FAI



\* Jan. – Feb. aggregate data  
Source: NBS, Bloomberg

### Chief Economist

Banny Lam  
Tel: 852-21478863  
Email: bannylam@abci.com.hk

### Analyst

Paul Pan  
Tel: 852-21478829  
Email: paulpan@abci.com.hk

## Economic activities to stay upbeat

With GDP growth reviving from 4Q12, China’s key macro theme for 1H13 has to be sustaining the economic momentum. After conducting a thorough analysis of China’s recent activities and investment indicators, we determined that as we approach 2Q13, China’s economic trends will strengthen, supported by a more stable policy environment and robust economic recovery. China is likely to report a set of solid indicators for March, which contributes to the country’s growth momentum of 1Q13 at 7.9%.

- **Surging electricity consumption showing the pick-up in economic activities.** Electricity consumption is an excellent gauge of China’s industrial output and is also a convincing evidence to indicate the trend in China’s economic activities. Electricity consumption growth bottomed in 3Q12, down from an average of 11.7% in 2011. 4Q12 consumption rebounded above 7%, which was in line with surging industrial output growth of 10%. Jan-Feb 2013 electricity consumption stayed at 5.5% YoY, in line with slightly softening of industrial output at 9.9% YoY. We expect both indicators will improve in March and 2Q13 amid domestic demand expansion and economic restructuring.
- **Stable and upward trend of PMI.** The HSBC flash manufacturing PMI for China in March rose to a two-month high of 51.7. The rebound was mainly driven by increasing new orders as domestic and external demand picked up. The official PMI stayed above the boom-bust line of 50% for five consecutive months, indicating continued expansion. The expansion of manufacturing activities boosts optimism for a pick-up in China’s economy, suggesting that GDP growth for 1Q13 will remain resilient.
- **Strong growth momentum of FAI in 1H13.** Jan-Feb FAI growth stood at 21.1%, up 0.6% over 2012, spurred by new projects under regional initiatives. Investment in the agricultural sector and service sector surged 37.4% YoY and 25% YoY respectively while investment in the industrial sector grew 15.6%. We expect FAI to maintain above 21% in March and 2Q13 as signalled by a significant acceleration in new FAI project commencements. The infrastructure and manufacturing industries will contribute more than 50% to FAI growth YTD in 1H13. A gradual revival of manufacturing FAI, government support for infrastructure development of China’s rural and western regions and room for railway investment (Jan-Feb investment at RMB 34.3 bn out of targeted annual investment at RMB 600 to 650 bn) will further strengthen modest recovery of China’s economy.



農銀國際

ABC INTERNATIONAL

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### China Economic Indicators

	2012										2013	
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Real GDP (YoY%)	8.1	---	---	7.6	---	---	7.4	---	---	7.9	---	---
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
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
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
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	
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	
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
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
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	
CPI (YoY%)	3.6	3.4	3	2.2	1.8	2	1.9	1.7	2	2.4	2.0	3.2
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
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
New Lending (CNY/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

### 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 (%)	
<b>US</b>				<b>Energy</b>	NYMEX WTI	USD/bbl	96.68	3.17	218918.40	US Fed Fund Rate	0.25	0.00
DJIA	14559.65	0.10	14.18		ICE Brent	USD/bbl	109.80	1.99	197884.20	US Prime Rate	3.25	0.00
S&P 500	1563.77	0.38	15.42		NYMEX Natural Gas	USD/MM Btu	4.09	4.05	105300.80	US Discount Window	0.75	0.00
NASDAQ	3252.48	0.36	24.59		Australia Newcastle Steam Coal Spot fob	USD/Metric Tonne	87.90	N/A	N/A	US Treasury (1 Month)	0.0608	-7.74
MSCI US	1493.08	0.41	15.70		LME Aluminum Cash	USD/MT	1885.75	-1.50	20367.20	US Treasury (10 Yr)	1.8471	-4.05
<b>Europe</b>				<b>Basic Metals</b>	LME Primary Aluminum 3 Month Rolling Forward	USD/MT	1916.00	-1.59	32670.60	US Treasury (30 Yr)	3.0879	-1.90
FTSE 100	6417.48	-0.08	18.26		CMX Copper Active Contract	USD/lb.	343.25	-0.62	323.80	Japan 10-Yr Government Bond	0.515	-9.01
DAX	7914.97	-1.55	14.79		LME Copper 3 Month Rolling Forward	USD/MT	7606.00	-0.64	39439.80	China 10-Yr Government Bond	3.59	-0.55
CAC40	3764.69	-1.56	14.52		TSI CFR China Iron Ore Fines Index	USD	137.40	1.55	N/A	ECB Interest Rate (Refinancing)	0.75	0.00
IBEX 35	8038.30	-5.15	27.75		CMX Gold	USD/T. oz	1604.40	-0.11	143775.20	1-Month LIBOR	0.2037	-0.24
FTSE MIB	15505.41	-4.31	87.01	CMX Silver	USD/T. oz	28.64	-0.08	85.20	3 Month LIBOR	0.2836	-0.35	
Stoxx 600	295.00	-0.54	19.42	NYMEX Platinum	USD/T. oz	759.60	-0.02	4.20	3-Month SHIBOR	3.8811	0.03	
MSCI UK	1890.41	-0.11	18.33	CBOT Corn	USD/bu	734.25	1.10	103865.80	3-Month HIBOR	0.3821	0.19	
MSCI France	104.19	-1.56	18.34	CBOT Wheat	USD/bu	736.50	0.92	41885.60	Corporate Bonds (Moody's Seasoned)			
MSCI Germany	109.52	-1.45	13.58	NYB-ICE Sugar	USD/lb.	17.85	-1.92	43313.60	Aaa	3.91	0.00	
MSCI Italy	45.11	-4.53	N/A	CBOT Soybeans	USD/bu.	1455.00	1.01	72348.40	Baa	4.83	0.00	
<b>Asia</b>				<b>Precious Metals</b>								
NIKKEI 225	12452.28	0.92	25.11									
S&P/ASX 200	4994.99	0.32	20.73									
HSI	22464.82	1.58	10.79									
HSCEI	11033.61	1.26	8.99									
CSI300	2583.53	-1.33	12.82									
SSE Composite	2301.26	-1.16	12.50									
SZSE Composite	955.24	-0.58	27.56									
MSCI China	60.88	1.42	10.24									
MSCI Hong Kong	11725.98	1.66	10.77									
MSCI Japan	646.78	0.76	22.85									
<b>Currency</b>												
									USD/CNY			
	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CAD	USD/CNY	USD/HKD	NDF 12 Month			
Spot Exchange Rate	1.2781	1.5136	1.0447	94.3300	0.9536	1.0160	6.2138	7.7629	6.3040			
Chng. WTD (%)	-1.60	-0.62	0.03	0.14	-1.34	0.71	-0.03	0.01	0.00			

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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Office address: ABCI Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.  
Tel: (852) 2868 2183