



Economics Weekly

China Economic Indicators

YoY% or otherwise specified	April	March
FAI (YTD)	20.6	20.9
Industrial production	9.3	8.9
Retail Sales	12.8	12.6
CPI	2.4	2.1
PPI	-2.6	-1.9
Exports	14.7	10.0
Imports	16.8	14.1
Trade Balance (USDbn)	18.2	-0.9
M2	16.1	15.7
New loans (RMBbn)	792.9	1060
Total social financing (RMBbn)	2540	1750

Source: Bloomberg, ABCIS

Growth headwinds brace for more stimulus

China's April key economic indicators reflected that the country's economy is seeing an alarming slowdown as global and domestic demand is stagnant. The worse-than-expected domestic economic figures precipitated China to step up its policy easing. In 1Q13 when the Chinese government changes hands, China's top priority is to stabilize economic growth momentum through economic structural reforms to encourage domestic investment and consumption. We believe the policy tone will be more positive with greater emphasis on stimulating aggregate demand. Looking further into 2Q13 and 2H13, we expect China to pick up the pace of fiscal and monetary stimulus.

- **FAI moderated on slowdown of manufacturing activities.** The slowdown of FAI from 20.9% in 1Q13 to 20.6% in April was mainly driven by stagnant growth of manufacturing industry at 16.3% (16.2% in March). Despite the slowdown in FAI growth, funding for FAI accelerated, from 19.6% YoY in 1Q13 to 20.9% YoY in April, reflecting the lag between the time liquidity is added to the economy and the actual start of infrastructure projects. Meanwhile, FAI in the industrial and agricultural sectors strengthened, underpinned by local infrastructure and rural area projects. On this basis, we expect FAI to recover in May and June.
- **Strong growth of real estate development remains intact.** Investment in real estate development saw strong growth of 21.1% YTD in April (versus 20.2% in March), partly due to new development of office buildings and buildings for commercial business. We expect a solid growth of real estate investment in 2Q13.
- **Industrial production accelerated slightly on robust growth in light industries.** Industrial production growth picked up pace in April hitting 9.3% YoY against 8.9% YoY in March. Much of the improvement was due to robust growth in China's light industries in April, including textiles (up 10.1% YoY) and general purpose machinery (up 10.5% YoY). Continued weakness in PPI reflects lower input prices, favoring manufacturers of industrial goods. We expect industrial output to accelerate in coming months.
- **Retail sales growth improved by growing 12.8% YoY in April aided by sales growth in gold, silver and jewelry.** The recent gold price drop triggered a gold rush for physical buyers. The growth of gold, silver and jewelry at 72.5% YoY in April compared to 26.3% in March became the major driver of retail sales in April. Revenue from restaurants continued to show weakness as evidenced by YoY growth of 7.9%, down 0.8% compared to March's growth. In sum, we expect retail sales show mild growth recovery in 2Q13.
- **Challenging 2Q13 but brighter path in 2H13 ahead amid stronger stimulus.** Stagnation of economic momentum continues to represent the major risk to the economy in 2013. We anticipate a

Chief Economist

Banny Lam

Tel: 852-21478863

Email: bannylam@abci.com.hk



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

stagnant 2Q13 for China, with economic growth mildly improving to 7.8% from 1Q13 of 7.7% on the back of weakness in economic activities. We view China's economy will continue strengthening on QoQ basis by factoring into laggard effect of consecutive loosening measures. We also look for the government to speed up credit loosening and fiscal spending as a way to ensure sufficient domestic demand to sustain economic growth in 2013.



China Economic Indicators

	2012									2013			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Real GDP (YoY%)	---	---	7.6	---	---	7.4	---	---	7.9	---	---	7.7	---
Export Growth (YoY%)	4.9	15.3	11.1	1	2.7	9.9	11.6	2.9	14.1	25.0	21.8	10.0	14.7
Import Growth (YoY%)	0.3	12.7	6.3	4.7	-2.6	2.4	2.4	0	6	28.8	-15.2	14.1	16.8
Trade Balance (USD/Bn)	18.53	18.13	31.91	25.28	26.43	27.45	32.11	19.63	31.6	29.2	15.3	-0.9	18.2
Retail Sales Growth (YoY%)	14.1	13.8	13.7	13.1	13.2	14.2	14.5	14.9	15.2	12.3	12.6	12.8	
Industrial Production (YoY%)	9.3	9.6	9.5	9.2	8.9	9.2	9.6	10.1	10.3	9.9	8.9	9.3	
PMI - Manufacturing (%)	53.3	50.4	50.2	50.1	49.2	49.8	50.2	50.6	50.6	50.4	50.1	50.9	50.6
PMI - Non-manufacturing (%)	56.1	55.2	56.7	55.6	56.3	53.7	55.5	55.6	56.1	56.2	54.5	55.6	54.5
FAI(YTD) (YoY%)	20.2	20.1	20.4	20.4	20.2	20.5	20.7	20.7	20.6	21.2	20.9	20.6	
CPI (YoY%)	3.4	3	2.2	1.8	2	1.9	1.7	2	2.4	2.0	3.2	2.1	2.4
PPI (YoY%)	-0.7	-1.4	-2.1	-2.9	-3.5	-3.6	-2.8	-2.2	-1.9	-1.6	-1.6	-1.9	-2.6
M2 (YoY%)	12.8	13.2	13.6	13.9	13.5	14.8	14.1	13.9	13.8	15.9	15.2	15.7	16.1
New Lending (RMB/Bn)	681.8	793.23	919.83	540.1	703.9	623.2	505.2	522.9	454.3	1070.0	620.0	1060.0	793

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	95.21	-0.86	286755.00	US Fed Fund Rate	0.25	0.00
DJIA	15118.49	0.00	14.61		ICE Brent	USD/bbl	103.14	-0.74	208297.00	US Prime Rate	3.25	0.00
S&P 500	1633.70	0.00	16.00		NYMEX Natural Gas	USD/MM Btu	3.89	-0.46	115530.60	US Discount Window	0.75	0.00
NASDAQ	3436.58	0.00	24.43		Australia Newcastle Steam Coal Spot fob	USD/Metric Tonne	86.65	N/A	N/A	US Treasury (1 Month)	0.0051	-49.51
MSCI US	1560.87	0.00	16.28		LME Aluminum Cash	USD/MT	1843.25	0.00	14179.40	US Treasury (10 Yr)	1.8999	0.14
Europe				Basic Metals	LME Primary Aluminum 3 Month Rolling Forward	USD/MT	1870.00	0.00	37917.40	US Treasury (30 Yr)	3.1083	0.45
FTSE 100	6610.50	-0.22	16.98		CMX Copper Active Contract	USD/lb.	335.80	0.15	67577.40	Japan 10-Yr Government Bond	0.754	8.33
DAX	8244.57	-0.41	15.47		LME Copper 3 Month Rolling Forward	USD/MT	7375.00	0.00	79183.40	China 10-Yr Government Bond	3.41	-0.87
CAC40	3947.02	-0.17	16.80		TSI CFR China Iron Ore Fines Index	USD	129.60	1.17	N/A	ECB Interest Rate (Refinancing)	0.5	-33.33
IBEX 35	8465.50	-0.92	79.79		CMX Gold	USD/T. oz	1430.70	-0.41	165224.40	1-Month LIBOR	0.1992	0.50
FTSE MIB	17165.28	-0.69	116.93	CMX Silver	USD/T. oz	23.58	-0.33	37901.80	3 Month LIBOR	0.2751	0.00	
Stoxx 600	304.27	-0.24	20.22	NYMEX Platinum	USD/T. oz	1488.00	0.13	8580.00	3-Month SHIBOR	3.88	-0.01	
MSCI UK	1960.06	0.00	17.38	CBOT Corn	USD/bu	639.00	0.43	95011.60	3-Month HIBOR	0.3779	0.19	
MSCI France	110.36	0.00	21.70	CBOT Wheat	USD/bu	704.75	0.07	52693.40	Corporate Bonds (Moody's Seasoned)			
MSCI Germany	114.04	0.00	14.58	NYB-ICE Sugar	USD/lb.	17.51	0.46	44257.20	Aaa	3.8	0.80	
MSCI Italy	50.33	0.00	73.27	CBOT Soybeans	USD/bu.	1398.25	-0.05	80606.60	Baa	4.63	0.65	
Asia												
NIKKEI 225	14782.21	1.20	27.79									
S&P/ASX 200	5210.34	0.08	21.18									
HSI	22989.81	-1.42	10.45									
HSCEI	11109.27	-2.10	8.85									
CSI300	2530.77	-0.40	12.55									
SSE Composite	2241.92	-0.22	12.02									
SZSE Composite	974.20	0.29	28.42									
MSCI China	62.69	0.00	10.37									
MSCI Hong Kong	12268.73	0.00	11.25									
MSCI Japan	748.25	0.00	25.54									
Currency												
										USD/ CNY		
										NDF 12 Month		
Spot Exchange Rate	1.2969	1.5368	0.9985	101.7600	0.9587	1.0109	6.1463	7.7612	6.2273			
Chng. WTD (%)	-0.15	0.07	-0.40	-0.14	-0.20	-0.09	-0.07	0.00	0.03			

- 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**

I, Lam Chiu Kei, Banny, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to any listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of any listed company (ies) covered in this report.

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.

Disclaimer

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, groups or affiliates of ABCI Securities Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2013 ABCI Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

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