



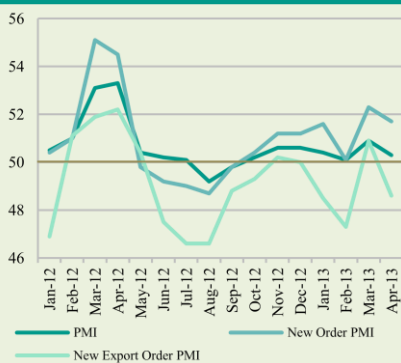
# Economics Weekly

## China Economic Indicators

YoY% or otherwise specified	April 2013F	March 2013
CPI	2.0	2.1
PPI	-1.9	-1.9
Exports	9.2	10.0
Imports	10.6	14.1
Trade Balance (USD/Bn)	18.1	-0.9
FAI (YTD%)	21.5	20.9
Industrial production	9.0	8.9
Retail Sales	12.9	12.6
M2	15.3	15.7
New loans (RMB/Bn)	900	1060

Source: Bloomberg, ABCIS

## Weak April PMI



Source: Bloomberg, ABCIS

## April PMI paints a weak start of 2Q13

China April PMI indicated expansion of manufacturing activities at a weaker pace, falling 0.3ppt to 50.6 versus 50.9 in March. In spite of new order PMI falling to 51.7, the index has been above 50 for seven consecutive months and the continued expansion of domestic demand since 4Q12 will sustain the healthy growth momentum of economic indicators including FAI, retail sales and industrial production in April. Given the deceleration of new export order PMI to below 50 at 48.6, we expect export growth will slow down to below 10% in April and lag behind significantly the double-digit trend growth in 1Q13. We also anticipate CPI will drop slightly to 2.0% YoY in April, as the month-on-month drop in food prices continues.

- **PMI fell to 50.6 in April versus 50.9 in March, reflecting the slower-than-expected recovery in China's manufacturing sector.** Falling PMI was mainly driven by decreasing new orders, reflecting weaker-than-expected demand and sector destocking. New order PMI dropped to 51.7, driven mainly by consumer products and downstream equipment sectors while new export order PMI fell 2.3ppt to 48.6, reflecting falling demand for Chinese exports amid weak global economic recovery.
- **FAI, industrial production and retail sales will rise slightly.** We estimate that FAI growth will rise to 21.5% YTD in April from 20.9% YTD in 1Q13, due to acceleration in infrastructure investment. Industrial production will increase slightly to 9.0% YoY in April (versus 8.9% YoY in March) as production PMI declined by only 0.1ppt to 52.6 in April. Retail sales will rise to 12.9% YoY in April (versus 12.6% YoY in March) as faster urbanization boosts domestic consumption demand.
- **CPI will decline to 2.0% on a moderation in food prices.** Based on April agricultural product price movements, we estimate China's food CPI growth will taper off to 2.4% YoY in April (versus 2.7% YoY in March), resulting in a lower CPI figure of 2.0% YoY, with no change in non-food CPI. We expect bank loan additions to slowly decrease to RMB900b in April (versus RMB1060b in March) while M2 growth will slightly decelerate to 15.3% YTD in April, compared with 15.7% YTD in March.
- **Stronger stimulus in sight in 2Q13.** Weak April PMI signaled slower-than-expected cyclical economic recovery of China, giving urgency to fine-tune economic stimulus. Amid expected weak CPI and PPI in 2Q13, we believe that the total social financing will accelerate to boost the economic growth. Also, policymakers will continue to provide proactive fiscal support for specific industries catering to local infrastructure and consumption. Investor sentiment should improve in the coming weeks as the government's initiatives to support the economy kick in. We expect GDP growth to recover slightly in 2Q13 and to continue to rebound in 2H13.

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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	9.2
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	10.6
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	18.1
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	12.9
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	9.0
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	56.0
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	21.5
CPI (YoY%)	3.4	3	2.2	1.8	2	1.9	1.7	2	2.4	2.0	3.2	2.1	2.0
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	-1.9
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	15.3
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	900

\*April data (excluding PMI - Manufacturing) is forecast

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	91.10	-2.04	267115.20	US Fed Fund Rate	0.25	0.00	
DJIA	14700.95	-0.08	14.27		ICE Brent	USD/bbl	100.32	-2.75	239601.20	US Prime Rate	3.25	0.00	
S&P 500	1582.70	0.03	15.57		NYMEX Natural Gas	USD/MM Btu	4.35	4.84	104862.20	US Discount Window	0.75	0.00	
NASDAQ	3299.13	0.61	26.99		Australia Newcastle Steam Coal Spot fob	USD/Metric Tonne	85.80	N/A	N/A	US Treasury (1 Month)	0.0152	-50.00	
MSCI US	1512.74	0.05	15.83		LME Aluminum Cash	USD/MT	1785.75	-3.21	19990.80	US Treasury (10 Yr)	1.6323	-1.86	
<b>Europe</b>				<b>Basic Metals</b>	LME Primary Aluminum 3 Month Rolling Forward	USD/MT	1824.00	-2.88	38760.20	US Treasury (30 Yr)	2.8346	-0.93	
FTSE 100	6444.54	0.28	16.95		CMX Copper Active Contract	USD/lb.	309.65	-2.76	31736.40	Japan 10-Yr Government Bond	0.565	-4.40	
DAX	7924.14	1.40	15.01		LME Copper 3 Month Rolling Forward	USD/MT	6795.00	-3.34	51643.20	China 10-Yr Government Bond	3.49	1.75	
CAC40	3850.58	1.06	15.67		TSI CFR China Iron Ore Fines Index	USD	134.10	0.00	N/A	ECB Interest Rate (Refinancing)	0.75	0.00	
IBEX 35	8461.80	1.99	N/A		CMX Gold	USD/T. oz	1457.10	0.24	559.60	1-Month LIBOR	0.1982	0.00	
FTSE MIB	16727.40	0.98	66.85	<b>Precious Metals</b>	CMX Silver	USD/T. oz	23.50	-1.11	37252.60	3-Month LIBOR	0.2731	-0.91	
Stoxx 600	296.65	0.26	19.56		NYMEX Platinum	USD/T. oz	1477.80	0.09	11671.60	3-Month SHIBOR	3.883	-0.03	
MSCI UK	1908.33	0.38	17.17		CBOT Corn	USD/bu	686.25	6.56	53270.20	3-Month HIBOR	0.3771	0.00	
MSCI France	107.77	1.13	19.91		CBOT Wheat	USD/bu	712.00	3.38	16396.80	Corporate Bonds (Moody's Seasoned)			
MSCI Germany	109.95	0.67	14.05		NYB-ICE Sugar	USD/lb.	17.67	1.79	31154.20	Aaa	3.7	0.82	
MSCI Italy	48.95	1.26	51.45	<b>Agricultural Products</b>	CBOT Soybeans	USD/bu.	1443.75	0.91	37911.80	Baa	4.53	0.44	
<b>Asia</b>													
NIKKEI 225	13694.04	-1.37	28.06										
S&P/ASX 200	5129.97	0.64	21.24										
HSI	22668.30	0.53	10.63										
HSCEI	10825.35	-0.08	8.66										
CSI300	2449.64	0.10	12.20										
SSE Composite	2174.12	-0.17	11.67										
SZSE Composite	918.48	0.64	27.08										
MSCI China	60.82	0.91	10.09										
MSCI Hong Kong	11982.32	0.25	11.00										
MSCI Japan	715.48	-0.46	26.25										
<b>Currency</b>													
										USD/ CNY			
										NDF 12 Month			
Spot Exchange Rate	1.3171	1.5563	1.0227	97.2400	0.9278	1.0082	6.1556	7.7593	6.2245				
Chng. WTD (%)	1.08	0.58	-0.48	0.83	1.63	0.84	0.15	0.05	0.21				

- 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

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**Definition of equity rating**

<b>Rating</b>	<b>Definition</b>
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**

<b>Rating</b>	<b>Definition</b>
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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