



## Economics Weekly January 4, 2016

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#### Exhibit 1: 2015 annual economic indicators

YoY% or otherwise specified	2015*	2014
GDP	7.0	7.3
CPI	1.4	2.0
PPI	(5.2)	(1.9)
Exports	(2.6)	6.1
Imports	(14.6)	0.4
Trade Balance (US\$/bn)	606.5	382.5
FAI (YTD%)	10.2	15.7
Industrial production	6.1	8.3
Retail Sales	10.6	12.0
M2	13.3	12.2
New loans (RMB/bn)	12,022.1	9,781.3
Aggregate financing (RMB/bn)	14,579.0	16,457.1

\* Forecast

Source(s): Bloomberg, ABCI Securities estimates

#### Exhibit 2: 4Q15 economic indicators

YoY% or otherwise specified	4Q'15*	3Q'15
GDP	7.0	6.9
CPI	1.4	1.7
PPI	(5.8)	(5.7)
Exports	(5.3)	(5.9)
Imports	(13.1)	(14.4)
Trade Balance (US\$/bn)	180.1	163.3
FAI (YTD%)	10.0	10.3
Industrial production	6.0	5.9
Retail Sales	11.3	10.7
M2	13.3	13.1
New loans (RMB/bn)	2,122.5	3,339.6
Aggregate financing (RMB/bn)	2,682.9	3,156.5

\* Forecast

Source(s): Bloomberg, ABCI Securities estimates

#### Exhibit 3: Dec economic indicators

YoY% or otherwise specified	Dec'15*	Nov'15
Manufacturing PMI(%)	49.7	49.6
Non-Manufacturing PMI (%)	54.4	53.6
CPI	1.4	1.5
PPI	(5.7)	(5.9)
Exports	(2.5)	(6.8)
Imports	(11.5)	(8.7)
Trade Balance (US\$/bn)	64.4	54.1
FAI (YTD%)	10.2	10.2
Industrial production	6.2	6.2
Retail Sales	11.6	11.2
M2	13.3	13.7
New loans (RMB/bn)	900	708.9
Aggregate financing (RMB/bn)	1,186.2	1,020

\* Forecast (except Manufacturing PMI and Non-Manufacturing PMI)

Source(s): Bloomberg, ABCI Securities estimates

## Economic data preview for Dec & 2015

2015 was a challenging year for China. The kick-off of U.S. rate hike cycle and slow recovery of the global economy posed external risks to the Chinese economy. Domestically, slower growth induced by economic rebalancing and stock market volatility also exerted significant impacts on the country. Nonetheless, we believe China would post a moderate GDP growth of 6.9%-7.0% for 4Q15E and 2015E. As the government continues to roll out more reforms and stimulus measures, the economic momentum would gather strength and China's long-term outlook remains positive in our view.

**December PMI improved.** China's manufacturing PMI shows a slight rebound in December to 49.7 from November's 49.6%, which could be a sign of recovery despite activities in the manufacturing sector has contracted for the fifth month in a row. Non-manufacturing PMI continued to increase from November's 53.6% to 54.4%, showing accelerated expansion in the services sector. The latest PMI data signal that economic conditions are stabilizing. We expect economic indicators for December to turn stable.

**Negative external trade growth narrowed in December.** As the "New Export Order Index" and the "New Import Order Index" rebounded from 46.4% and 46.7% in November to 47.5% and 47.6% in December, we expect decline in external trade to narrow. For December, we project exports and imports to contract by 2.5% YoY and 11.5% YoY, and trade surplus to be US\$ 64.4bn. For 2015E, exports and imports would decline by 2.6% and 14.6%. (2014 exports and imports: + 6.1% YoY and +0.4% YoY)

**Inflation remained stable.** With the stagnation in economic activities and stable growth in food prices, we believe CPI inflation for December will edge down to 1.4% YoY. The start of a restocking cycle by domestic and overseas retailers should enhance manufacturers' pricing power. Hence, decline in December PPI would narrow to 5.7% YoY. For 2015E, we expect CPI to grow by 1.4% YoY and PPI to decline by 5.2% YoY. (2014's CPI and PPI: +2.0% YoY and -1.9% YoY)

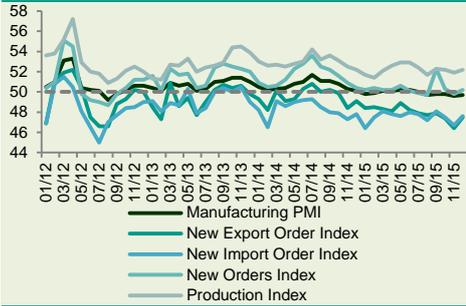
**FAI growth turns stable.** Improvement in the manufacturing sector is expected to lift growth in FAI. Surging investment in infrastructure and railways will help reverse the downtrend in FAI dragged by the low single-digit growth in real estate investment. Hence, we expect YTD FAI growth in December to reach 10.2% YoY. (2014: +15.7%)

**Industrial production is likely to stay flat.** Production Index, the sub-index of the manufacturing PMI, edged up from 51.9% in November to 52.2% in December. We believe the stabilizing PMI and narrowing decline in producer prices hint that industrial output would stabilize. We expect industrial production for December to grow by 6.2% YoY and will continue to improve later in 2016. For 2015E, we expect industrial production to expand by 6.1% YoY. (2014: +8.3%)

**Retail sales will improve steadily.** Improvement in retail sales is expected to broaden as the economy recovers. December retail

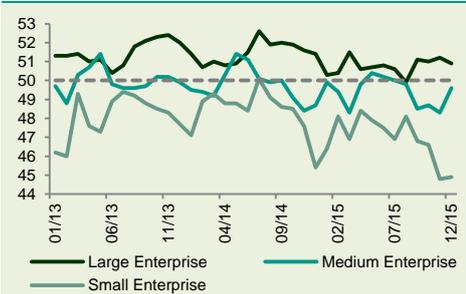


Exhibit 4: China's manufacturing PMI and sub-indices (%)



Source(s): NBS, ABCI Securities

Exhibit 5: Manufacturing PMI for small and medium enterprises



Source(s): NBS, ABCI Securities

sales will grow by 11.6% YoY. Consumption is trending up, and demand for consumer discretionary and staples will continue to climb. For 2015E, we expect retail sales to increase by 10.6% YoY. (2014: +12.0% YoY)

**New loans and aggregate financing will rise steadily on credit loosening measures.** Accommodative monetary policy stimulates loan demand and boosts economic activities. We believe monetary indicators for December will improve. New bank loans would rise to RMB 900bn, while aggregate financing and M2 growth would reach RMB 1186.2bn and 13.3% YoY. For 2015E, we expect total new loans and aggregate financing to be RMB 12,022.1bn and RMB 14,579bn, while M2 growth would rise to 13.3% YoY. (2014's new loans, aggregate financing, and M2 growth: RMB 9,781.3bn, RMB 16,457.1bn, and +12.2% YoY)



China Economic Indicators

	2014				2015											
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec*
Real GDP (YoY%)	7.3	---	---	7.3	---	---	7.0	---	---	7.0	---	---	6.9	---	---	7.0
Export Growth (YoY%)	15.3	11.6	4.7	9.7	(3.2)	48.3	(15.0)	(6.4)	(2.5)	2.8	(8.3)	(5.5)	(3.7)	(6.9)	(6.8)	(2.5)
Import Growth (YoY%)	7.0	4.6	(6.7)	(2.4)	(19.7)	(20.5)	(12.7)	(16.2)	(17.6)	(6.1)	(8.1)	(13.8)	(20.4)	(18.8)	(8.7)	(11.5)
Trade Balance (USD/bn)	30.9	45.4	54.5	49.6	60.0	60.6	3.1	34.1	59.49	46.6	43.0	60.2	60.3	61.6	54.1	64.4
Retail Sales Growth (YoY%)	11.6	11.5	11.7	11.9	10.7	10.2	10.0	10.1	10.6	10.5	10.8	10.9	11.0	11.2	11.6	11.6
Industrial Production (YoY%)	8.0	7.7	7.2	7.9	6.8	5.6	5.9	6.1	6.8	6.0	6.1	5.7	5.6	6.2	6.2	
PMI - Manufacturing (%)	51.1	50.8	50.3	50.1	49.8	49.9	50.1	50.1	50.2	50.2	50.0	49.7	49.8	49.8	49.6	49.7
PMI - Non-manufacturing (%)	54.0	53.8	53.9	54.1	53.7	53.9	53.7	53.4	53.2	53.8	53.9	53.4	53.4	53.1	53.6	54.4
FAI(YTD) (YoY%)	16.1	15.9	15.8	15.7	13.9	13.5	12.0	11.4	11.4	11.2	10.9	10.3	10.2	10.2	10.2	
CPI (YoY%)	1.6	1.6	1.4	1.5	0.8	1.4	1.4	1.5	1.2	1.4	1.6	2.0	1.6	1.3	1.5	1.4
PPI (YoY%)	(1.8)	(2.2)	(2.7)	(3.3)	(4.3)	(4.8)	(4.6)	(4.6)	(4.6)	(4.8)	(5.4)	(5.9)	(5.9)	(5.9)	(5.9)	(5.7)
M2(YoY%)	12.9	12.6	12.3	12.2	10.8	12.5	11.6	10.1	10.8	11.8	13.3	13.3	13.1	13.5	13.7	13.3
New Lending (RMB/bn)	857.2	548.3	852.7	697.3	1,470	1,020	1,180	707.9	900.8	1,280.6	1,480	809.6	1,050	513.6	708.9	900
Aggregate Financing (RMB bn)	1,135.5	662.7	1,146.3	1,690	2,047	1,356	1,241	1,056	1,236	1,833	742	1,082	1,300	476.7	1,020	1,186.2

\* Forecast (excluding Manufacturing PMI & Non-Manufacturing PMI)

World Economic/Financial Indicators

Equity Indices				Global Commodities				Bond Yields & Key Rates			
	Closing price	Chg. WTD (%)	P/E	Unit	Price	Chg. WTD (%)	Volume (5-day avg.)		Yield (%)	Chg. WTD (Bps)	
<b>U.S.</b>				<b>Energy</b>				US Fed Fund Rate	0.50	0.00	
DJIA	17,425.03	0.00	15.36	NYMEX WTI	USD/bbl	36.83	(0.57)	243,999	US Prime Rate	3.50	0.00
S&P 500	2,043.94	0.00	18.26	ICE Brent Oil	USD/bbl	37.07	(0.56)	138,029	US Discount Window	1.00	0.00
NASDAQ	5,007.41	0.00	31.13	NYMEX Natural Gas	USD/MMBtu	2.25	(3.77)	81,066	US Treasury (1 Yr)	0.1271	0.51
MSCI US	1,949.70	0.00	18.91	Australia Newcastle Steam Coal Spot fob <sup>2</sup>	USD/Metric Tonne	61.80	N/A	N/A	US Treasury (5Yr)	1.7122	(4.76)
<b>Europe</b>				<b>Basic Metals</b>				US Treasury (10 Yr)	2.2268	(4.26)	
FTSE 100	6,132.41	(1.76)	27.43	LME Aluminum Cash	USD/MT	1,500.25	(2.07)	17,124	Japan 10-Yr Gov. Bond	0.2620	(0.30)
DAX	10,379.46	(3.38)	21.99	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,507.00	(1.70)	29,886	China 10-Yr Gov. Bond	2.8600	(4.00)
CAC40	4,540.61	(2.08)	20.82	CMX Copper Active	USD/lb.	4,712.50	0.33	5,710	ECB Rate (Refinancing)	0.05	0.00
IBEX 35	9,350.60	(2.03)	17.96	LME Copper 3- mth Rolling Fwd.	USD/MT	4,705.00	0.28	24,150	1-Month LIBOR	0.4295	0.76
FTSE MIB	20,960.55	(2.14)	5.757	<b>Precious Metals</b>				3 Month LIBOR	0.6127	0.96	
Stoxx 600	357.89	(2.17)	22.87	CMX Gold	USD/T. oz	1,072.40	1.15	72,521	O/N SHIBOR	1.9950	0.40
MSCI UK	1,818.40	0.00	28.68	CMX Silver	USD/T. oz	13.96	1.10	22,964	1-mth SHIBOR	3.0010	(0.10)
MSCI France	131.10	0.00	21.46	NYMEX Platinum	USD/T. oz	875.90	(1.94)	9,207	3-mth HIBOR	0.3950	0.14
MSCI Germany	140.65	0.00	22.32	<b>Agricultural Products</b>				Corporate Bonds (Moody's)			
MSCI Italy	61.26	0.00	N/A	CBOT Corn	USD/bu	358.25	(0.14)	92,218	Aaa	4.03	7.00
<b>Asia</b>				CBOT Wheat	USD/bu	469.75	(0.05)	30,699	Baa	5.54	7.00
NIKKEI 225	18,450.98	(3.06)	19.22	NYB-ICE Sugar	USD/lb.	15.21	(0.20)	29,174			
S&P/ASX 200	5,270.48	(0.48)	18.98	CBOT Soybeans	USD/bu.	859.50	(0.55)	87,062			
HSI	21,327.12	(2.68)	9.42								
HSCEI	9,311.18	(3.62)	6.90								
CSI300	3,469.07	(7.02)	14.64								
SSE Composite	3,296.26	(6.86)	17.36								
SZSE Composite	2,119.16	(8.22)	49.16								
MSCI China	59.47	0.00	10.45								
MSCI Hong Kong	12,080.11	0.00	10.09								
MSCI Japan	938.40	0.00	16.07								

\* As of 12:00 AM closing

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-mth Spot pr.
Spot Rate	1.0925	1.4769	0.7217	119.01	0.9944	6.5304	7.7509	6.8590
Chg. WTD (%)	0.64	0.16	(1.18)	1.29	0.70	(0.56)	(0.01)	(1.04)

Note:

1. Data sources: Bloomberg, National Bureau of Statistics of China, ABCIS (updated on date of report)
2. Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey



## 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 2009-2013

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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