



Economics Weekly

2Q13 economic indicators

YoY% or otherwise specified	2Q 2013	1Q 2013
GDP	7.5	7.7
CPI	2.4	2.4
PPI	(2.7)	(1.7)
Exports	3.7	18.4
Imports	5.0	8.4
Trade Balance (US\$/bn)	65.7	43.1
FAI (YTD%)	20.1	20.9
Industrial production	9.1	9.5
Retail Sales	13.0	12.4
M2	14.0	15.7
New loans (RMB/bn)	2,320.8	2,750

Sources: Bloomberg, ABCIS

June economic indicators

YoY% or otherwise specified	June 2013	May 2013
CPI	2.7	2.1
PPI	-2.7	-2.9
Exports	(3.1)	1.0
Imports	(0.7)	(0.3)
Trade Balance (US\$/bn)	27.1	20.4
FAI (YTD%)	20.1	20.4
Industrial production	8.9	9.2
Retail Sales	13.3	12.9
M2	14.0	15.8
New loans (RMB/Bn)	860.5	667.4

Sources: Bloomberg, ABCIS

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Moderation in 2Q13 but better quarters ahead

China announced 2Q13 GDP growth of 7.5%, in line with the consensus but below 1Q13 GDP of 7.7%. Other macro indicators were weakening, including FAI, industrial production and external trade. China's economic growth momentum was stagnant in 1H13, indicating longer-than-expected rebalancing of the world's second-largest economy. Entering 2H13, proactive economic reforms to support domestic demand will be the key to revive growth momentum. We expect cyclical rebound will continue in 2H13 with mild acceleration of GDP growth to 7.7% vs 7.6% in 1H13.

- **CPI inflation remained healthy.** During the first six months of 2013, the CPI inflation fluctuated between 2% and 3.2%, with the YTD CPI inflation reaching 2.4%. Mild CPI hikes were attributed to base effect and agricultural product price inflation. Slowing economic activities will keep inflation within the 3.5% YoY threshold for 2013.
- **Trade data reflected slowing domestic demand.** The negative surprise in June's exports and imports was attributed to decelerating new orders and continued crackdown on misreporting of trade invoices. We expect China's export growth to slow moderately by maintaining high single-digit growth in 2H13 on continued recovery of developed economies' demand for Chinese exports.
- **FAI moderated on slowdown of manufacturing activities.** The slowdown of FAI to 20.1% in June from 20.4% in May was mainly driven by weakening growth of manufacturing industry at 17.1% (17.8% in May). We expect FAI will turn stable in 2H13 as agricultural modernization and urbanization will boost the growth of primary and tertiary industries, offsetting the weakness in manufacturing sector.
- **Industrial production decelerated on poor performance of light industries.** Industrial production growth slowed in June to 8.9% YoY due to weakening growth of light industry. Industrial output growth is likely to stabilize on mild acceleration of economic growth in 2H13.
- **Retail sales improved.** The rebound of retail sales in June was led by strong growth in electronics equipment (up 22.4% YoY). Revenues from restaurants also rose 9.5% YoY vs 9.2% YoY in May. We expect retail sales growth to show mild recovery in 2H13.
- **June new loans rebounded but M2 slowed.** New loans in June reached RMB 860.5bn, higher than RMB 667.4bn in May; M2 growth retreated to 14.0% from 15.8% in May. The slowing momentum of money supply growth reflected impacts of liquidity crunch in June.
- **Policy environment becomes stabilized.** With major GDP drivers softening, we believe the government will maintain an accommodative policy stance in 2H13. More emphasis will be placed on strengthening reform efforts in key policy areas and sustainable economic growth.



農銀國際

ABC INTERNATIONAL

ABC SECURITIES COMPANY LIMITED

China Economic Indicators

	2012							2013					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Real GDP (YoY%)	7.6	---	---	7.4	---	---	7.9	---	---	7.7	---	---	7.5
Export Growth (YoY%)	11.1	1	2.7	9.9	11.6	2.9	14.1	25.0	21.8	10.0	14.7	1.0	(3.1)
Import Growth (YoY%)	6.3	4.7	(2.6)	2.4	2.4	0	6	28.8	(15.2)	14.1	16.8	(0.3)	(0.7)
Trade Balance (USD/Bn)	31.91	25.28	26.43	27.45	32.11	19.63	31.6	29.2	15.3	(0.9)	18.2	20.4	27.1
Retail Sales Growth (YoY%)	13.7	13.1	13.2	14.2	14.5	14.9	15.2	12.3	12.6		12.8	12.9	13.3
Industrial Production (YoY%)	9.5	9.2	8.9	9.2	9.6	10.1	10.3	9.9	8.9		9.3	9.2	8.9
PMI - Manufacturing (%)	50.2	50.1	49.2	49.8	50.2	50.6	50.6	50.4	50.1	50.9	50.6	50.8	50.1
PMI - Non-manufacturing (%)	56.7	55.6	56.3	53.7	55.5	55.6	56.1	56.2	54.5	55.6	54.5	54.3	53.9
FAI(YTD) (YoY%)	20.4	20.4	20.2	20.5	20.7	20.7	20.6	21.2	20.9		20.6	20.4	20.1
CPI (YoY%)	2.2	1.8	2	1.9	1.7	2	2.4	2.0	3.2	2.1	2.4	2.1	2.7
PPI (YoY%)	(2.1)	(2.9)	(3.5)	(3.6)	(2.8)	(2.2)	(1.9)	(1.6)	(1.6)	(1.9)	(2.6)	(2.9)	(2.7)
M2 (YoY%)	13.6	13.9	13.5	14.8	14.1	13.9	13.8	15.9	15.2	15.7	16.1	15.8	14.0
New Lending (RMB/Bn)	919.83	540.1	703.9	623.2	505.2	522.9	454.3	1070.0	620.0	1060.0	792.9	667.4	860.5

World Economic/Financial Indicators

Equity Index				Global Commodities					Bond Yields & Key Interest Rates			
	Closing price	Chng. WTD (%)	P/E		Unit	Price	Chg. WTD (%)	Volume (5-day average)		Yield (%)	Chng. WTD (%)	
US									US Fed Fund Rate	0.25	0.00	
DJIA	15,464.30	0.00	14.98	Energy	NYMEX WTI	USD/bbl	105.41 (0.51)	299,035.80	US Prime Rate	3.25	0.00	
S&P 500	1,680.19	0.00	16.24		ICE Brent	USD/bbl	108.60 (0.19)	172,335.40	US Discount Window	0.75	0.00	
NASDAQ	3,600.08	0.00	22.63		NYMEX Natural Gas	USD/MM Btu	3.68	0.96	109,433.00	US Treasury (1 Month)	0.0203	0.00
MSCI US	1,602.81	0.00	16.60		Australia Newcastle Steam Coal Spot fob	USD/Metric Tonne	76.25	N/A	N/A	US Treasury (10 Yr)	2.5937	0.45
Europe									US Treasury (30 Yr)	3.6441	0.53	
FTSE 100	6,587.58	0.65	16.95	Basic Metals	LME Aluminum Cash	USD/MT	1,802.50	0.00	16,369.60	Japan 10-Yr Government Bond	0.8220	0.00
DAX	8,257.06	0.54	15.65		LME Primary Aluminum 3 Month Rolling Forward	USD/MT	1,845.00	0.00	28,163.60	China 10-Yr Government Bond	3.5800	1.71
CAC40	3,884.68	0.77	16.22		CMX Copper Active Contract	USD/lb.	315.10 (0.62)		489.20	ECB Interest Rate (Refinancing)	0.50	0.00
IBEX 35	7,888.70	0.56	89.33		LME Copper 3 Month Rolling Forward	USD/MT	6,954.00	0.00	58,038.20	1-Month LIBOR	0.1919	(1.46)
FTSE MIB	15,538.51	0.70	193.65	Precious Metals	TSI CFR China Iron Ore Fines Index	USD	126.80	3.43	N/A	3 Month LIBOR	0.2676	(0.85)
Stoxx 600	297.55	0.46	N/A		CMX Gold	USD/T. oz	1,282.20	0.36	168,188.80	3-Month SHIBOR	4.6785	(0.27)
MSCI UK	1,935.73	0.00	16.69	CMX Silver	USD/T. oz	19.79 (0.01)		36,035.00	3-Month HIBOR	0.3821	0.00	
MSCI France	107.79	0.00	19.79	Agricultural Products	NYMEX Platinum	USD/T. oz	1,412.80	0.42	7,650.60	Corporate Bonds (Moody's Seasoned)		
MSCI Germany	112.40	0.00	14.41		CBOT Corn	USD/bu	701.50	0.00	2,904.00	Aaa	4.34	(2.47)
MSCI Italy	44.25	0.00	53.33		CBOT Wheat	USD/bu	669.25 (1.73)		52,368.80	Baa	5.37	(2.36)
Asia												
NIKKEI 225	14,506.25	0.00	26.95									
S&P/ASX 200	4,981.11	0.15	20.31									
HSI	21,303.31	0.12	9.85									
HSCEI	9,445.56	0.13	7.72									
CSI300	2,307.30	1.40	11.48									
SSE Composite	2,059.39	0.98	11.08									
SZSE Composite	961.41	2.26	27.97									
MSCI China	55.28	0.00	9.32									
MSCI Hong Kong	11,267.78	0.00	10.10									
MSCI Japan	746.01	0.00	24.65									
Currency												
									USD/ CNY			
	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CAD	USD/CNY	USD/HKD	NDF			
									12 Month			
Spot Exchange Rate	1.30	1.50	0.91	99.83	0.95	1.04	6.14	7.76	6.29			
Chng. WTD (%)	(0.30)	(0.43)	0.43	(0.61)	(0.50)	(0.19)	0.01	0.01	0.02			

Note:

- Data sources: 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
- Data is updated on the date of the report

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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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