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Economic Acumen

Commentary by CEBI Research Team

In Brief

- The State Council of China unveiled Qianhai Plan and Hengqin Plan to foster mainland links with Hong Kong (HK) and Macau.
- The plans will enrich the implementation of "One Country, Two Systems," deepen reform and expand the scope of opening-up, and enhance the level of cooperation among Guangdong, HK and Macao, thus speeding up their integration into the Greater Bay Area (GBA).
- The size, economic potential and interconnectivity of the GBA will create significant opportunities for a wide range of sectors. The GBA initiative will link the cities by leveraging their collective strengths through coordinated efforts for economic cooperation and financial support to build a dynamic and internationally competitive first-class bay area.
- The promulgation of both plans will further enhance HK-Shenzhen and Macao-Zhuhai cooperation under which the four cities can serve as high-quality growth engines to drive the future expansion of the GBA and integrate into the overall national development plan of China.

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Qianhai Plan and Hengqin Plan speeding up development of HK and Macau in the GBA

The State Council of China unveiled two master plans to foster mainland links with Hong Kong (HK) and Macau. The plans included 'Comprehensive Deepening Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone' (Qianhai Plan) and 'Development of the Guangdong-Macao Intensive Cooperation Zone in Hengqin (Hengqin Plan)'. The Qianhai plan involves the expansion of economic zones by eight times, paving the way for closer business ties between HK and Shenzhen while the Hengqin Plan will allow Macao to apply its governance in neighbouring Hengqin on the mainland over economic affairs. The plans will enrich the implementation of "One Country, Two Systems," deepen reform and expand the scope of opening-up, and enhance the level of cooperation among Guangdong, HK and Macao, thus speeding up their integration into the Greater Bay Area (GBA). In sum, the size, economic potential and interconnectivity of the GBA will create significant opportunities for a wide range of sectors, including financial services, insurance, capital markets, infrastructure, construction, real estate, technology and so on. The GBA initiative will link the cities by leveraging their collective strengths through coordinated efforts for economic cooperation and financial support to build a dynamic and internationally competitive first-class bay area. The promulgation of both Qianhai Plan and Hengqin Plan will further enhance HK-Shenzhen and Macao-Zhuhai cooperation under which the four cities can serve as high-quality growth engines to drive the future expansion of the GBA and integrate into the overall national development plan of China.

Qianhai Plan creating growth opportunities for HK. Qianhai is well-positioned as the Shenzhen-HK modern service industry cooperation zone, benefiting investors with low cost of operation, the ease of talent acquisition, and the infrastructure for business innovation. HK's long-held advantages in high-end professional

services will seize more business opportunities in the wide expansion plan in Qianhai. HK will capitalize on its own advantages to promote the full liberalization of trade in services in Qianhai, greater mutual access of the financial markets and a higher level of opening-up in legal matters, thereby expanding the room for development for professionals in different sectors and enterprises in HK. The plan will create favorable conditions for the diversified development of HK's business. In addition, the favorable policies being applied in Qianhai will accelerate cross-border renminbi and business flow, thereby strengthening HK's position as the leading offshore renminbi center, promoting internationalization of renminbi and further consolidating HK's status as an international financial center.

The master plans strengthening GBA initiative and facilitating sustainable development of HK. HK is one of the world's most open economies characterized by free trade, free flow of capital and information as well as transparent regulatory regimes. HK economy is exposed to global economic conditions with which near-term economic growth is severely affected by coronavirus outbreak. In order to further provide a solid base for the economy to maintain sustainable growth, HK will play a greater economic role in the GBA strengthened under Qianhai Plan and Hengqin Plan, thus acting as a key fundraising and service hub with its rich experience, talents and global networks. The Guangzhou-Shenzhen-HK Express Rail Link and HK-Zhuhai-Macao mega-bridge also support HK's integration into China's trade and economic strategies. Looking forward, HK will work actively to modernize its regulatory framework, strengthen investor protection, and promote the diversification of services and products, thus enhancing growth strengths of the economy.

Hengqin Plan pushing forward economic diversification of Macao's economy. Macao has over-relied on the tourist and gambling industry to drive economic growth. The Hengqin Plan aims to speed up the integrated development of Macao and Hengqin by utilizing the two systems on the foundation of one country in an attempt to promote diversification of Macao's economy and industries. In addition to finance, logistics and cross-border e-commerce, Hengqin has planned to give its top priorities to develop innovation, leisure, tourism, traditional Chinese medicine, culture, convention and exhibition, education and environmentally friendly industries in cooperation with Macao counterparts. In sum, the development of the Guangdong-Macao Intensive Cooperation Zone in Hengqin acts an important initiative for regional development. The plan seeks to create a favorable environment for Macao's industrial diversification, while providing fresh impetus for Macao's long-term development and enhancing long-term prosperity of Macao for its integration into the overall national development plan of China.

China economic indicators

	2019	1Q2020	2Q2020	3Q2020	4Q2020	2020	1Q2021	2Q2021
Real GDP (YoY%)	6.0	(6.8)	3.2	4.9	6.5	2.3	18.3	7.9
PMI Manufacturing (%)	50.2	45.9	50.8	51.2	51.8	51.9	51.3	51.0
PMI Non-Manufacturing (%)	53.5	45.3	53.7	55.1	56.1	55.7	53.4	54.5
Exports (RMB YoY %)	5.0	(11.7)	4.2	9.8	10.9	4.0	38.6	20.1
Imports (RMB YoY %)	1.7	(1.0)	(5.6)	4.7	0.04	(0.4)	20.0	31.6
Trade Balance (RMB/bn)	2912.0	95.9	1068.5	1082.1	1407.7	3654.1	733.4	900.3
Exports (USD YoY %)	0.5	(13.6)	(0.2)	8.4	16.6	3.6	48.9	30.7
Imports (USD YoY %)	(2.7)	(3.1)	(9.5)	3.6	5.4	(0.7)	28.7	43.3
Trade Balance (USD/bn)	421.1	12.7	151.7	153.7	209.3	526.9	112.4	139.2
CPI (YoY %)	2.9	4.9	2.7	2.3	0.1	2.5	0.0	1.1
PPI (YoY %)	(0.3)	(0.6)	(3.3)	(2.2)	(1.3)	(1.8)	2.1	8.2
FAI (YTD/ YOY %)	5.4	(16.1)	(3.1)	0.8	2.9	2.9	25.6	12.6
Real Estate Investment (YTD YoY %)	9.9	(7.7)	1.9	5.6	7.0	7.0	25.6	15.0
Industrial Production (YoY %)	5.7	(8.4)	4.4	5.8	7.1	2.8	24.5	9.0
Retail Sales (YoY%)	8.0	(19.0)	(3.9)	(0.4)	3.2	(3.9)	33.9	13.9
New Lending (RMB/bn)	16817.5	7096.6	4990.9	4166.7	3378.7	19632.9	7667.9	5090.0
M2 (YoY %)	8.7	10.1	11.1	10.9	10.1	10.1	9.4	8.6
Aggregate Financing (RMB bn)	25673.5	11111.0	9757.4	8747.4	5176.0	34791.8	10266.2	7440.7

	Aug 20	Sept 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	July 21	Aug 21
Real GDP (YoY%)	-	4.9	-	-	6.5	-	-	18.3	-	-	7.9	-	-
PMI - Manufacturing %	51.0	51.5	51.4	52.1	51.9	51.3	50.6	51.9	51.1	51.0	50.9	50.4	50.1
PMI - Non-manufacturing%	55.2	55.9	56.2	56.4	55.7	52.4	51.4	56.3	54.9	55.2	53.5	53.3	47.5
Exports (RMB YoY %)	11.2	8.2	7.2	14.5	10.9	16.5	139.3	20.6	22.1	18.0	20.2	8.1	15.7
Imports (RMB YoY %)	(0.8)	11.2	0.6	(1.4)	(0.2)	19.6	11.2	28.1	32.4	39.3	24.2	16.1	23.1
Trade Balance (RMB/bn)	405.0	248.0	395.7	502.8	509.2	412.4	238.3	82.7	272.3	295.2	332.7	362.7	376.3
Export (USD YoY %)	9.1	9.4	10.9	20.6	18.1	24.7	154.7	30.5	32.2	27.8	32.2	19.3	25.6
Import (USD YoY %)	(2.3)	12.7	4.4	3.9	6.5	28.0	18.2	38.5	43.3	50.8	36.7	28.1	33.1
Trade Balance (USD/bn)	57.3	35.6	57.5	74.8	77.0	62.9	36.5	13.0	42.2	45.4	51.5	56.6	58.3
CPI (YoY %)	2.4	1.7	0.5	(0.5)	0.2	(0.3)	(0.2)	0.4	0.9	1.3	1.1	1.0	0.8
PPI (YoY %)	(2.0)	(2.1)	(2.1)	(1.5)	(0.4)	0.3	1.7	4.4	6.8	9.0	8.8	9.0	9.5
FAI (YTD/ YOY %)	(0.3)	0.8	1.8	2.6	2.9	-	35.0	25.6	19.9	15.4	12.6	10.3	-
Real Estate Investment (YTD/ YoY %)	4.6	5.6	6.3	6.8	7.0	-	38.3	25.6	21.6	18.3	15.0	12.7	-
Industrial Production (YoY %)	5.6	6.9	6.9	7.0	7.3	-	35.1	14.1	9.8	8.8	8.3	6.4	-
Retail Sales (YoY%)	0.5	3.3	4.3	5.0	4.6	-	33.8	34.2	17.7	12.4	12.1	8.5	-
New Lending (RMB/bn)	1278.3	1895.7	689.8	1433.7	1255.2	3578.3	1359.4	2730.3	1470.0	1500.0	2120.0	1083.2	-
M2 (YoY %)	10.4	10.9	10.5	10.7	10.1	9.4	10.1	9.4	8.1	8.3	8.6	8.3	-
Aggregate Financing (RMB bn)	3585.3	3469.3	1392.9	2135.5	1647.6	5193.6	1724.5	3372.1	1850.3	1926.3	3668.9	1056.6	-
Urban Unemployment Rate (%)	5.6	5.4	5.3	5.2	5.2	5.4	5.5	5.3	5.1	5.0	5.0	5.1	-
Urban Unemployment Rate in 31 major cities (%)	5.8	5.7	5.5	5.3	5.2	5.1	-	5.5	5.3	5.2	5.2	5.2	-

World Economic/Financial Indicators

Global Indices			
Index	Closing Price	P/E	One Week chg(%)
U.S.			
DJIA	34,879.38	21.09	(1.23)
S&P 500	4,493.28	26.83	(0.68)
NASDAQ	15,248.25	125.52	(0.40)
EUR			
FTSE 100	7,024.21	18.59	(1.95)
DAX	15,623.15	17.88	(1.37)
CAC40S	6,684.72	23.01	(1.16)
STOXX EUR 600	467.57	0.02	(1.48)
Asia			
HSI	25,716.00	10.61	(1.44)
HSCEI	9,183.58	9.88	(1.69)
CSI300	4,970.01	17.04	2.07
SSE Composite	3,693.13	15.75	2.67
SZSE Composite	2,494.28	35.81	2.74
NIKKEI 225	30,008.19	17.31	5.13
KOSPI	3,114.70	16.25	(1.93)
TWSE	17,304.33	15.87	(0.09)
S&P/ASX 200	7,369.53	24.36	(1.55)
MSCI Index			
MSCI WORLD	3,136.04	24.35	(0.80)
MSCI DEVELOPED	739.58	23.00	(0.82)
MSCI EMERGING	1,299.97	16.23	(0.91)
MSCI US	4,372.99	27.58	(0.66)
MSCI UK	1,967.11	17.64	(2.02)
MSCI France	192.11	23.82	(1.11)
MSCI Germany	171.22	18.70	(1.27)
MSCI China	94.96	17.00	(1.05)
MSCI Hong Kong	16,170.13	24.94	(0.70)
MSCI Japan	1,266.30	17.13	4.10

* As of 2021/09/09 closing for all markets.

Global Commodities			
	Unit	Price	One Week chg(%)
Energy			
NYMEX WTI	USD/bbl	68.14	(0.66)
ICE Brent Oil	USD/bbl	71.45	(2.16)
NYMEX Natural	USD/MMBtu	5.03	9.01
Basic Metals			
LME Aluminum	USD/MT	2,828.75	5.24
CMX Copper	USD/lb.	428.55	0.18
LME Steel Rebar	USD/MT	676.50	1.27
LME Lead Cash	USD/MT	2,336.00	(3.43)
Precious Metals			
CMX Gold	USD/T. oz	1,794.86	(1.13)
Gold Futures	USD/T. oz	1,800.00	(0.88)
CMX Silver	USD/T. oz	24.14	(0.10)
NYMEX Platinum	USD/T. oz	982.28	(1.50)
Agricultural			
CBOT Corn	USD/bu	510.00	(2.44)
CBOT Wheat	USD/bu	692.25	(3.08)
NYB-ICE Sugar	USD/lb.	19.92	(2.54)
CBOT Soybeans	USD/bu.	1,270.50	(0.57)

All data sources: Bloomberg

Money market		
	Yield (%)	One Week chg(%)
US Fed Fund Rate	0.25	0.00
US Prime Rate	3.25	0.00
US Discount Window	0.25	0.00
ECB Rate (Refinancing)	0.00	0.00
BOJ Policy Rate	(0.10)	0.00
US Treasury (1 Mth)	0.04	0.01
US Treasury (1 Yr)	0.07	0.005
US Treasury (5 Yr)	0.79	0.02
US Treasury (10 Yr)	1.30	0.01
US Treasury (30 Yr)	1.90	0.001
1-Month LIBOR	0.0848	0.002
3 Month LIBOR	0.1158	(0.003)
Japan 1-Yr Gov. Bond	(0.10)	0.006
Japan 10-Yr Gov. Bond	0.04	0.01
German 1-Yr Gov. Bond	(0.67)	0.002
German 10-Yr Gov. Bond	(0.36)	0.02
China LPR (1-year)	3.85	0.00
China 1-Yr Gov. Bond	2.24	0.01
China 5-Yr Gov. Bond	2.69	0.05
China 10-Yr Gov. Bond	2.87	0.039
O/N SHIBOR	2.03	(0.05)
1-mth SHIBOR	2.31	0.00
HK Base rate	0.50	0.00
O/N HIBOR	0.04	0.0000
1-mth HIBOR	0.07	(0.000)
O/N CNH HIBOR	1.60	(1.15)
1-mth CNH HIBOR	3.26	(0.298)
Corporate Bonds (Moody's)		
Aaa	2.59	0.05
Baa	3.29	0.05

Currency market		
	Spot Rate	One Week chg(%)
US Dollar Index	92.48	0.28
Euro/USD	1.1832	(0.19)
GBP/USD	1.3811	0.13
AUD/USD	0.7368	(0.26)
USD/CAD	1.2696	0.72
USD/JPY	109.90	(0.07)
USD/CHF	0.9194	0.42
USD/CNY Midpoint	6.4615	0.03
USD/CNY	6.4554	(0.02)
USD/CNY NDF-12-mth	6.6339	0.02
USD/CNH	6.4532	0.00
USD/HKD	7.7772	0.06
CNY/HKD	1.2049	0.11
CNH/HKD	1.2052	0.06
USD/KRW	1,169.35	0.68
USD/TWD	27.72	0.00
USD/SGD	1.3438	0.00
USD/INR	73.50	0.59

Disclosures

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