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Economic Acumen

Commentary by CEBI Research Team

In Brief

- The “Made in China 2025” strategy, a blueprint for upgrading the China’s manufacturing sectors, has seen steady progress since 2015.
- The strategy lists mega projects for China manufacturing upgrade by 2025, including construction of national manufacturing innovation centers, intelligent manufacturing, industrial base capacity and quality enhancement, green manufacturing and high-end equipment innovation.
- It emphasizes a deep integration of information technology and industrialization and the development of new-generation information technologies, and calls for promotion of smart equipment, as well as domestic IP for key general chips to ensure national information and cyber security and the growth of China’s electronic product industry.
- The move signals that the China will revitalize growth momentum through quality instead of quantity and ensure that the benefits of economic growth will be shared by a larger population, further boosting domestic demand and improving the livelihood of citizens.

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A new era of quality growth through “Made in China 2025” strategy

The “Made in China 2025” strategy, a blueprint for upgrading the China’s manufacturing sectors, has seen steady progress since 2015. The strategy lists mega projects for China manufacturing upgrade by 2025, including construction of national manufacturing innovation centers, intelligent manufacturing, industrial base capacity and quality enhancement, green manufacturing and high-end equipment innovation. It emphasizes a deep integration of information technology and industrialization and the development of new-generation information technologies, and calls for promotion of smart equipment, as well as domestic IP for key general chips to ensure national information and cyber security and the growth of China’s electronic product industry. The move signals that the China will revitalize growth momentum through quality instead of quantity and ensure that the benefits of economic growth will be shared by a larger population, further boosting domestic demand and improving the livelihood of citizens.

“Made in China 2025” plan to become a world manufacturing superpower. The “Made in China 2025” strategy calls for the nation to move its economic base from manufacturing towards innovation, replacing imports of foreign technology with home-grown versions. It aims to boost manufacturing automation, promote innovation and environmental sustainability, and upgrade railway equipment, engineering machinery, and internet-connected factories. To transform China into a modern manufacturing industry superpower, the initiative would move up the global supply chain while maintaining economic growth at a sustainable level. In the next decade, China will boost efficiency in industrial sectors which include the agricultural equipment, rail equipment, high-end numerical control machinery and automation, new materials, maritime engineering equipment and high-tech vessel manufacturing, aerospace and aviation equipment, electrical equipment, energy-saving vehicles, information technology, as well as biomedicine and high-performance medical apparatus. We believe enterprises with innovative technologies and vision will ride on such transformation.

Suring financial support for major "Made in China 2025" projects. China will step up financial support for major projects of its "Made in China 2025" strategy. According to Ministry of Industry and Information Technology (MIIT), sectors that boost manufacturing innovation, including the internet of things, smart appliances and high-end consumer electronics, are the major priority for funding. The total funding is likely to exceed 10 billion yuan. In addition, The MIIT will also cooperate with China Development Bank to provide financial services including loans, bonds, leasing to support major projects. In sum, the financial support gives a clear direction for future development in China's manufacturing innovation and boosts social confidence in economic restructuring and upgrades.

A new era of quality growth for China's manufacturing sector. The "Made in China 2025" strategy aims at enhancing industry structure and consolidating economic growth of China. The focus is to guide China's manufacturing industries to move away from low value-added activities to medium- and high-end manufacturing operations, rather than pursuing expansion of production capacity. Comprehensive upgrading of China's manufacturing sector revives the growth momentum of China, thus making China's industries more efficient and integrated.

China Economic Indicators

	2016	1Q2017	2Q2017	3Q2017	4Q2017	2017	1Q2018
Real GDP	6.7	6.9	6.9	6.8	6.8	6.9	6.8
PMI							
Manufacturing (%)	51.4	51.8	51.7	52.4	51.6	51.6	51.5
Non-Manufacturing (%)	54.5	55.1	54.9	55.4	55.5	55.5	54.6
Exports (RMB YoY %)	(2.1)	10.5	12.5	7.7	7.1	10.8	7.4
Imports (RMB YoY %)	0.4	30.3	20.8	16.4	9.7	18.7	11.7
Trade Balance (RMB/bn)	3347.3	419.13	809.6	771.0	861.3	2860.6	332.5
Exports (USD YoY %)	(7.7)	7.6	8.7	6.6	10.1	7.9	14.1
Imports (USD YoY %)	(5.5)	24.2	14.2	14.4	12.6	15.9	18.9
Trade Balance (USD/bn)	509.7	62.3	119.7	115.8	133.0	422.5	48.4
CPI (YoY %)	2.0	1.4	1.4	1.6	1.8	1.6	2.2
PPI (YoY %)	(1.4)	7.4	5.8	6.2	5.9	6.3	3.1
FAI (YTD/ YOY %)	8.1	9.2	8.6	7.5	7.2	7.2	7.5
Real Estate Investment (YTD YoY %)	6.9	9.1	8.5	8.1	7.0	7.0	10.4
Industrial Production (YoY %)	6.0	6.8	6.9	6.3	6.2	6.6	6.8
Retail Sales (YoY%)	10.4	10.0	10.8	10.3	9.9	10.2	9.8
New Lending (RMB/bn)	12645.9	4220.0	3750.0	3785.5	2367.6	13523.1	4859.3
M2 (YoY %)	11.3	10.6	9.4	9.2	8.2	8.2	8.2
Aggregate Financing (RMB bn)	17802.2	6906.4	4222.9	4518.6	3795.1	19443.0	5580.0

	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Real GDP	6.9	-	-	6.9	-	-	6.8	-	-	6.8	-	-	6.8
PMI – Manufacturing %	51.8	51.2	51.2	51.7	51.4	51.7	52.4	51.6	51.8	51.6	51.3	50.3	51.5
PMI- Non-manufacturing%	55.1	54.0	54.5	54.9	54.5	53.4	55.4	54.3	54.8	55.5	55.3	54.4	54.6
Exports (RMB YoY %)	21.6	13.3	14.7	16.9	10.6	6.6	9.1	6.0	10.3	7.4	6.0	36.2	(9.8)
Imports (RMB YoY %)	26.1	18.2	21.2	23.0	14.6	14.4	19.4	15.9	15.6	0.9	30.2	(0.2)	5.9
Trade Balance (RMB/bn)	164.3	262.3	281.6	294.3	321.2	286.5	193.0	254.5	263.6	362.0	135.8	224.9	(29.8)
Export (USD YoY %)	15.7	7.0	8.0	10.9	6.6	5.2	8.1	6.8	12.3	10.9	11.1	44.5	(2.7)
Import (USD YoY %)	20.1	11.5	14.0	17.0	11.0	13.3	18.7	17.2	17.7	4.5	36.9	6.3	14.4
Trade Balance (USD/bn)	23.1	36.9	40.5	42.2	45.7	41.4	28.7	38.1	40.2	54.7	20.3	33.7	(5.0)
CPI (YoY %)	0.9	1.2	1.5	1.5	1.4	1.8	1.6	1.9	1.7	1.8	1.5	2.9	2.1
PPI (YoY %)	7.6	6.4	5.5	5.5	5.5	6.3	6.9	6.9	5.8	4.9	4.3	3.7	3.1
FAI (YTD/ YOY %)	9.2	8.9	8.6	8.6	8.3	7.8	7.5	7.3	7.2	7.2	-	7.9	7.5
Real Estate Investment (YTD/ YoY %)	9.1	9.3	8.8	8.5	7.9	7.9	8.1	7.8	7.5	7.0	-	9.9	10.4
Industrial Production (YoY %)	7.6	6.5	6.5	7.6	6.4	6.0	6.6	6.2	6.1	6.2	-	7.2	6.0
Retail Sales (YoY%)	10.9	10.7	10.7	11.0	10.4	10.1	10.3	10.0	10.2	9.4	-	9.7	10.1
New Lending (RMB/bn)	1020.0	1100.0	1110.0	1540.0	825.5	1090.0	1270.0	663.2	1120.0	584.4	2900.0	839.3	1120.0
M2 (YoY %)	10.6	10.5	9.6	9.4	9.2	8.9	9.2	8.8	9.1	8.2	8.6	8.8	8.2
Aggregate Financing (RMB bn)	2118.6	1388.0	1063.1	1771.8	1195.6	1489.5	1833.5	1035.7	1619.6	1139.8	3059.7	1173.6	1330.0

World Economic/Financial Indicators

Global Indices			
Index	Closing Price	P/E	One Week chg(%)
U.S.			
DJIA	24,083.83	18.53	-2.68
S&P 500	2,639.40	20.81	-2.56
NASDAQ	7,003.74	26.25	-4.00
EUR			
FTSE 100	7,379.32	13.71	0.85
DAX	12,422.30	14.05	-1.34
CAC40S	5,413.30	16.79	0.62
STOXX EUR 600	380.17	16.00	-0.44
Asia			
HSI	30,007.68	12.72	-2.28
HSCEI	11,949.38	9.61	-2.37
CSI300	3,755.49	14.89	-1.48
SSE Composite	3,075.03	15.38	-1.36
SZSE Composite	1,770.40	29.11	-2.44
NIKKEI 225	22,319.61	16.28	0.58
KOSPI	2,475.64	11.02	-0.42
TWSE	10,488.58	14.69	-4.40
S&P/ASX 200	5,910.77	17.36	0.84
MSCI Index			
MSCI WORLD	2,076.74	18.88	-2.21
MSCI DEVELOPED	506.32	18.29	-2.31
MSCI EMERGING	1,140.27	14.86	-3.05
MSCI US	2,516.12	21.24	-2.56
MSCI UK	2,135.41	13.85	0.77
MSCI France	155.71	16.69	0.33
MSCI Germany	152.90	14.56	-1.63
MSCI China	89.28	15.91	-1.73
MSCI Hong Kong	15,860.04	11.51	-0.42
MSCI Japan	1,046.44	13.72	1.12

* As of 25/4/2018 closing for US and Europe market, 26/4/2018 closing for others.

Global Commodities			
	Unit	Price	One Week chg(%)
Energy			
NYMEX WTI	USD/bbl	68.20	-0.12
ICE Brent Oil	USD/bbl	74.34	0.76
NYMEX NatGas	USD/MMBtu	2.79	4.74
Basic Metals			
LME Alum.Cash	USD/MT	2,248.50	-11.49
CMX Cop.Active	USD/lb.	311.65	-1.19
LME Steel Rebar	USD/MT	555.00	0.00
LME Lead Cash	USD/MT	2,302.00	-3.02
Precious Metals			
CMX Gold	USD/KRW	1,321.74	-1.92
Gold Futures	USD/KRW	1,323.30	-1.90
CMX Silverbn	USD/KRW	16.52	-4.01
NYMEX Platinum	USD/T. oz	909.70	-3.84
Agri. Products			
CBOT Corn	USD/bu	394.00	0.77
CBOT Wheat	USD/bu	494.00	0.66
NYB-ICE Sugar	USD/lb.	11.14	-6.78
CBOT Soybeans	USD/bu.	1,044.00	-0.48

Money market		
	Yield (%)	One Week chg(%)
US Fed Fund Rate	1.75	0.00
US Prime Rate	4.75	0.00
US Discount Window	2.25	0.00
ECB Rate (Refinancing)	0.00	0.00
BOJ Policy Rate	-0.10	0.00
US Treasury (1 Mth)	1.64	-0.01
US Treasury (1 Yr)	2.24	0.06
US Treasury (5 Yr)	2.82	0.07
US Treasury (10 Yr)	3.01	0.10
US Treasury (30 Yr)	3.19	0.09
1-Month LIBOR	1.90	0.00
3 Month LIBOR	2.36	0.01
Japan 1-Yr Gov. Bond	-0.13	0.01
Japan 10-Yr Gov. Bond	0.06	0.02
German 1-Yr Gov. Bond	-0.64	-0.01
German 10-Yr Gov. Bond	0.62	0.02
China Benchmark Interest	4.35	0.00
China 1-Yr Gov. Bond	3.03	0.02
China 5-Yr Gov. Bond	3.20	0.03
China 10-Yr Gov. Bond	3.62	0.12
O/N SHIBOR	2.77	0.03
1-mth SHIBOR	3.87	0.07
HK Base rate	0.71	0.56
O/N HIBOR	0.71	0.56
1-mth HIBOR	1.31	0.36
O/N CNH HIBOR	3.70	0.49
1-mth CNH HIBOR	4.32	0.58
Corporate Bonds (Moody's)		
Aaa	3.94	0.18
Baa	4.77	0.19

Currency market		
	Spot Rate	One Week chg(%)
US Dollar Index	91.25	1.46
Euro/USD	1.2175	-1.55
GBP/USD	1.3921	-2.10
AUD/USD	0.7560	-3.01
USD/CAD	1.2856	1.96
USD/JPY	109.36	1.82
USD/CHF	0.9839	1.60
USD/CNY Midpoint	6.3283	0.72
USD/CNY	6.3280	0.78
USD/CNY NDF		
12-mth Spot pr.	6.4360	1.08
USD/CNH	6.3244	0.90
USD/HKD	7.8477	-0.01
CNY/HKD	1.2401	-0.78
CNH/HKD	1.2409	-0.89
USD/KRW	1,080.90	1.83
USD/TWD	29.714	1.29
USD/SGD	1.3272	1.37
USD/INR	66.795	1.52

All data sources: Bloomberg, CEBI, NBS

Disclosures

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