

# China Flash

## April activity indicators in line with expected modest pickup

April industrial production, retail sales, and investment data released today are broadly in line with expectations and a modest pickup in growth momentum. Industrial production of 9.3% y/y (BBVA: 9.1%; consensus: 9.4%) improved slightly from 8.9% in March (Chart 1), while nominal retail sales growth edged up to 12.8% y/y (consensus: 12.8% y/y) from 12.6% (from 11.7% y/y to 11.8% in real terms) (Chart 2). On the other hand, urban fixed asset investment slowed down to 20.1% y/y from 20.7% in March, but in real terms it accelerated slight to 23.3% from 23.0% after discounting by PPI (Chart 3). While downside risks remain, taken together with trade, credit data, and inflation released last week (see details in our [China Flash](#)), the full set of April economic indicators reaffirm our 8.0% GDP growth outlook for 2013, based on continued supportive policies, as described in our latest [China/Asia Outlook](#).

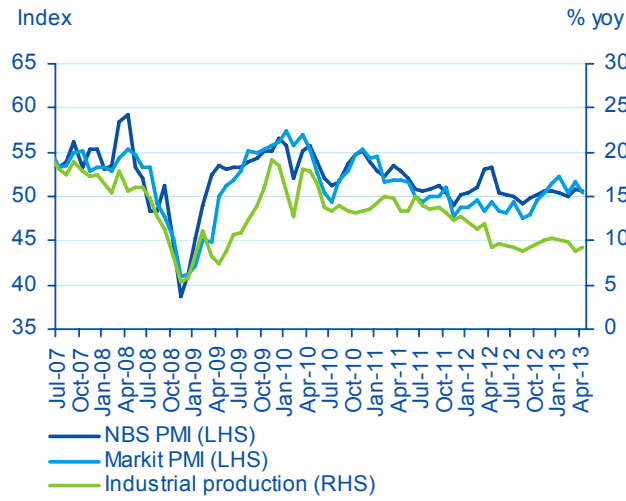
- **Industrial production improved slightly**, as suggested by PMI and electricity consumption data. Meanwhile, a favourable base effect also helped. By sectors, heavy industries growth quickened to 9.6% y/y in April from 9.1% in March, and light industries growth rose to 8.5% from 8.2%. The pickup in industrial production bodes well for a modest recovery in the second quarter after a downside surprise of 7.7% y/y GDP growth in the first quarter.
- **Retail sales and investment point to a stabilizing domestic demand.** The pickup in retail sales attributed to auto sales (13.0% y/y; March: 5.5%) and gold & jewelry sales (72.2% y/y; March: 26.3%). On the investment front, property investment rebounded significantly in April along the surge in sales, rising 23.1% y/y from 17.6% in March, while railway investment growth surged to 62.0% y/y in April from 6.8% in March; nonetheless, manufacturing investment remains sluggish, slowing to 17.9% y/y from previous 19.9%, as the business confidence remains soft due to uncertainties (Chart 4). The mix of strong public investment (on infrastructure) and weak private manufacturing investment continues in April, suggesting a modest recovery with downside risks ahead.
- **Credit remains strong on growth-supportive policies** (released last Friday, see our [Daily Flash](#)). In a summary, new bank loans increased 792.9 bn (consensus: 755 bn; March: 1.06 trn), while total social financing (TSF), a broader gauge of credit, grew by 1.75 trn RMB (consensus: 1.5 trn; March: 2.54 trn). As a result, M2 growth rose to 16.1% y/y (consensus: 15.5%) from 15.7% in March. (Charts 5&6)

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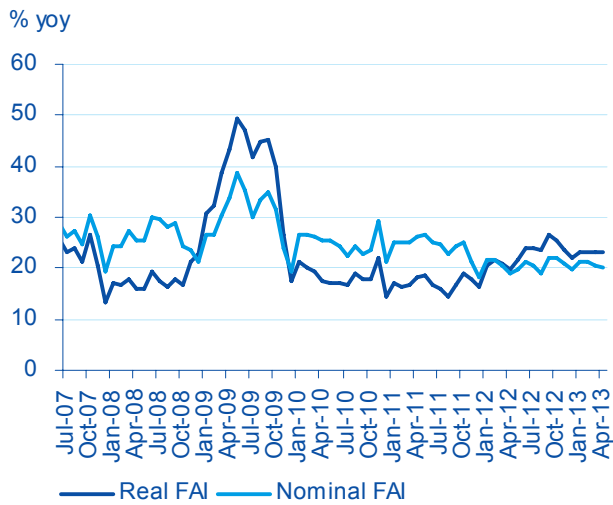
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Chart 1  
**Industrial production accelerated**



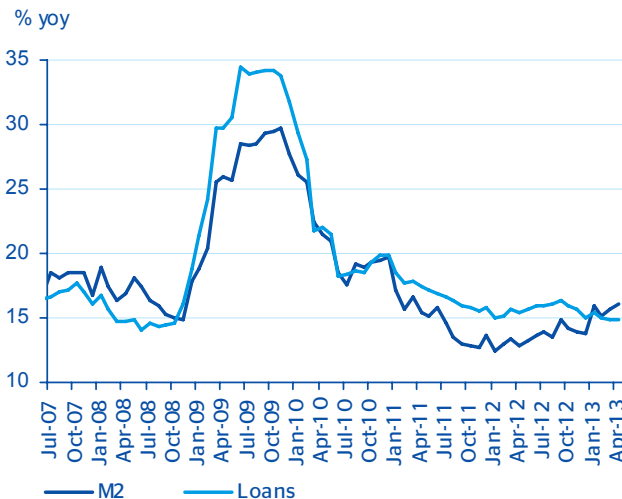
Source: CEIC and BBVA Research

Chart 3  
**Fixed asset investment held up**



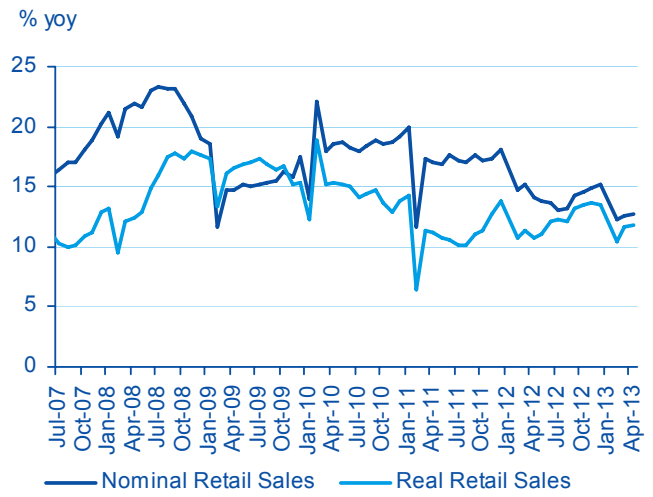
Source: CEIC and BBVA Research

Chart 5  
**M2 growth rose further**



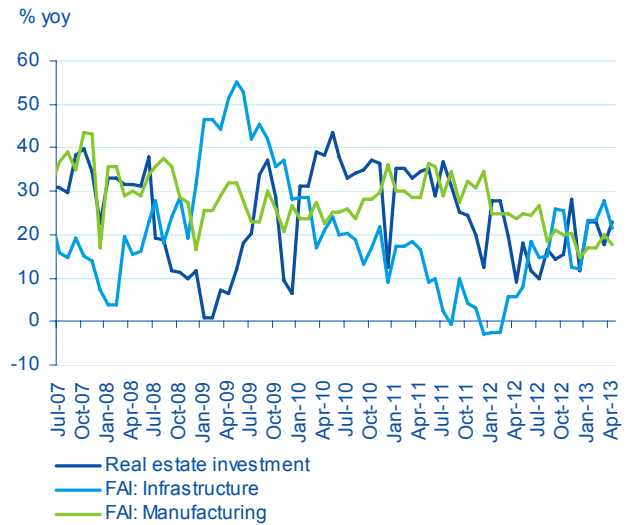
Source: CEIC and BBVA Research

Chart 2  
**Retail sales growth improved**



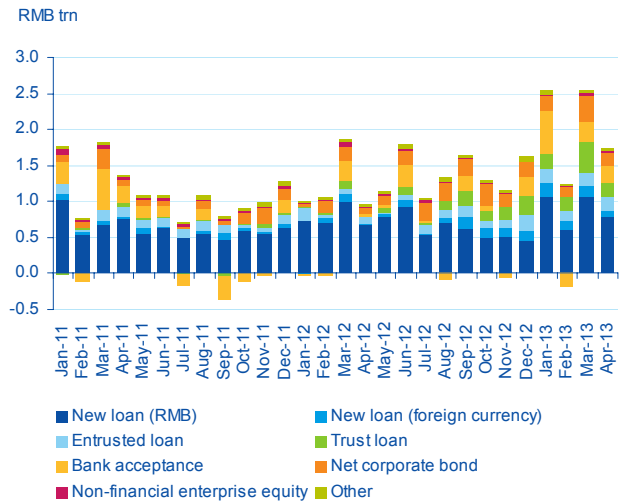
Source: Wind and BBVA Research

Chart 4  
**...while manufacturing investment remains sluggish**



Source: CEIC and BBVA Research

Chart 6  
**...while strong TSF supports growth**



Source: CEIC and BBVA Research

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