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## **Virginie Maisonneuve's Global Insight February 2013**

**By Virginie Maisonneuve, Head of Global and International Equities**

**In the fifth edition of this monthly series, Schroders' Virginie Maisonneuve sheds light on the most recent data out of China and what they mean for Chinese and global growth.**

When the Chinese leadership transition was officially set in motion in November, while we felt comfortable that the economy had troughed in Q3, there were still fears among some investors that China's economy was heading for a hard landing.

Now just weeks away from the official leadership change in March, economic data out of China have improved yet again.

### **Encouraging data\***

On Friday 8<sup>th</sup> February, new figures showed that trade is strong with January exports up 25% from a year earlier while its trade surplus stands at \$29 billion. Imports are also strengthening, up almost 29% in the same month, which translates into a boost in demand for the rest of the world. This is very important for exporters to China, such as Germany and many countries in Asia. Inflation is being kept in check at 2% and loan growth of 15% year-on-year is being driven by a rebound in consumer loans.

All of this supports the case that China's growth is on the right track. This is important not only for investors looking for stock ideas listed in China but, more importantly, for the global economy and the source of growth China provides for many global companies world wide. This will therefore be supportive of a normalisation of the global economic environment in 2013.

### **Keeping expectations in check**

After March, however, it is important to make sure that enthusiasm is kept in check because incoming premier Li Ke Jiang's new long-term economic drivers may take some time to be implemented. The central bank is also keeping a close eye on inflation, and especially inflation expectations, given the seasonal uptick in pork and vegetable prices. This may limit the scope to stimulate the economy further should it be needed.

### **Sustainable growth**

In all, though, the most recent developments have been encouraging and support our view that China will avoid a hard landing as it achieves a healthier and more sustainable level of growth.

**\*Source: Bloomberg**

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