

China Economic Panel (CEP)

// January 2019

Results of the January survey in detail

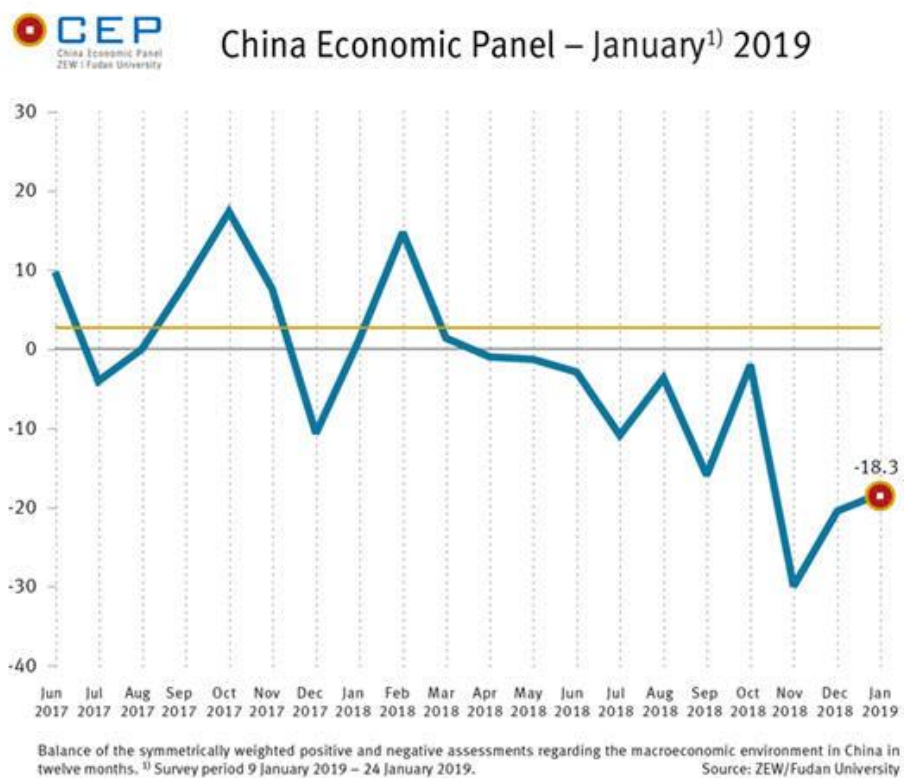
Economic Expectations for China Increase Slightly, But Economic Outlook Still Weak

In the most recent survey for January (9 – 24 January 2019), expectations regarding the Chinese economy have risen by 2.2 points, to a new reading of minus 18.3 points (December 2018: minus 20.5 points).

Despite the renewed increase, the indicator is still clearly in negative territory and remains well below the long-term average of 2.7 points. This sees the CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, pointing to a prolonged period of economic weakness.

On top of this, the assessment of the current economic situation has also deteriorated. With the corresponding indicator falling to minus 4.6 points, a slight majority of respondents considers the economic situation in China to be rather negative.

figure 1: CEP Indicator January 2019



source: ZEW/Fudan

At 6.2 per cent, the point forecast for the Chinese real gross domestic product (GDP) has remained unchanged in the current survey compared to December 2018. Compared to last year's real GDP growth of 6.6 per cent, however, 6.2 per cent growth would mean a further considerable decline. The experts even predict a decrease to 6.0 per cent for 2020.

As the economic outlook deteriorates, inflation forecasts also fall. Over the next twelve months, the surveyed experts expect inflation to drop by 0.3 percentage points to merely 2.3 per cent compared with the forecasts from December 2018.

“The survey participants assume that the Chinese government will take even stronger and more active policy measures to counter the negative growth trend,” explains Dr. Michael Schröder, senior researcher in the “Research Department “International Finance and Financial Management” at the ZEW – Leibniz Centre for European Economic Research in Mannheim and project leader of the CEP survey.

The indicator for government spending has climbed by 18.5 points to a level of 21.4 points, with almost 62 per cent of the experts expecting this figure to increase further over the next twelve months. As a result, 52.4 per cent of the survey participants expect to see additional increase in domestic debt. The indicator for foreign debt has also recorded a rise in the current survey.

The major reason for these bleak economic forecasts is the slowdown in foreign trade, which reflects the negative impact of the trade dispute between the US and China. “Conversely, if all parties were to reach an agreement in this trade dispute, the Chinese economy would experience a quick economic stimulus,” says Michael Schröder.

| ZEW/Fudan China Economic Panel: Results January 2019 | | | | | | | | | | | |
|--|-----------------|-----------|-------------------|---------|-----------------|---------|-------------------|---------|----------|-----------|---------------|
| Current economic situation | very good | | good | | normal | | bad | | very bad | | balance |
| China | 4.5 | (+ 4.5) | 13.6 | (- 4.6) | 50.1 | (-13.5) | 31.8 | (+13.6) | 0.0 | (+/- 0.0) | -4.6 (- 4.6) |
| Eurozone | 0.0 | (+/- 0.0) | 9.5 | (-10.5) | 71.5 | (+ 6.5) | 19.0 | (+ 4.0) | 0.0 | (+/- 0.0) | -4.8 (- 7.3) |
| USA | 4.8 | (- 0.2) | 19.0 | (-16.0) | 57.2 | (+17.2) | 19.0 | (- 1.0) | 0.0 | (+/- 0.0) | 4.8 (- 7.7) |
| Economic expectation (1 Y) | improve | | slightly improve | | not change | | slightly worsen | | worsen | | balance |
| China (CEP-Indicator) | 4.5 | (+ 4.5) | 13.6 | (-13.7) | 31.9 | (+18.3) | 40.9 | (- 9.1) | 9.1 | (+/- 0.0) | -18.3 (+ 2.2) |
| GDP (growth rate) in % | 2019Q1 | | 2019Q2 | | 2019 | | 2020 | | | | |
| China | 6.2 | | 6.1 | | 6.2 | | 6.0 | | | | |
| Eurozone | 1.8 | | 1.7 | | 1.7 | | 1.7 | | | | |
| USA | 3.0 | | 2.9 | | 2.8 | | 2.7 | | | | |
| Inflation (CPI) in % | 3 months | | | | 1 year | | | | | | |
| China | 2.1 (2.6) | | | | 2.3 (2.6) | | | | | | |
| Eurozone | 1.5 (1.7) | | | | 1.5 (1.7) | | | | | | |
| USA | 2.2 (2.4) | | | | 2.4 (2.4) | | | | | | |
| Wage Inflation in % | 3 months | | | | 1 year | | | | | | |
| China | 6.9 (7.3) | | | | 6.8 (6.9) | | | | | | |
| Eurozone | 2.5 (2.3) | | | | 2.4 (2.3) | | | | | | |
| USA | 4.1 (4.2) | | | | 4.0 (4.1) | | | | | | |
| Interest rates | 3 months | | | | 1 year | | | | | | |
| SHIBOR (3 months) | 3.0 (3.1) | | | | 3.0 (3.1) | | | | | | |
| One-year deposit rate | 1.5 (1.5) | | | | 1.5 (1.5) | | | | | | |
| One-year lending rate | 4.4 (4.3) | | | | 4.3 (4.3) | | | | | | |
| Stock market indices | 3 months | | | | 1 year | | | | | | |
| SSE Composite Index | 2,542 (2,537) | | | | 2,676 (2,748) | | | | | | |
| Hang Seng Index | 26,259 (26,221) | | | | 26,418 (27,128) | | | | | | |
| Growth Enterprise Market Index (SZ) | 1,243 (1,313) | | | | 1,288 (1,429) | | | | | | |
| WTI Crude Oil (US-Dollar) | 57 (56) | | | | 60 (60) | | | | | | |
| Monetary aggregate M2 (6 M) | increase | | slightly increase | | not change | | slightly decrease | | decrease | | balance |
| China M2 growth rate | 5.0 | (- 0.6) | 45.0 | (+17.2) | 15.0 | (- 1.6) | 20.0 | (-24.4) | 15.0 | (+ 9.4) | 2.5 (+10.8) |
| Specific indicators China (1 Y) | increase | | slightly increase | | not change | | slightly decrease | | decrease | | balance |
| Foreign exchange reserves | 0.0 | (+/- 0.0) | 35.0 | (+ 1.7) | 15.0 | (- 1.7) | 45.0 | (+ 6.1) | 5.0 | (- 6.1) | -10.0 (+ 3.9) |
| FDI outflow (out of China) | 0.0 | (- 6.3) | 42.1 | (+ 4.6) | 21.0 | (-10.2) | 31.6 | (+ 6.6) | 5.3 | (+ 5.3) | 0.0 (-12.6) |
| FDI inflow (into China) | 0.0 | (- 6.3) | 36.8 | (- 0.7) | 21.1 | (+14.9) | 36.8 | (-13.2) | 5.3 | (+ 5.3) | -5.3 (- 5.4) |
| Export activity | 0.0 | (-11.1) | 19.0 | (-25.4) | 33.4 | (+22.3) | 33.3 | (+ 5.5) | 14.3 | (+ 8.7) | -21.5 (-35.3) |
| Import activity | 0.0 | (+/- 0.0) | 19.0 | (-31.0) | 19.1 | (+ 2.4) | 52.4 | (+30.2) | 9.5 | (- 1.6) | -26.2 (-29.0) |
| Private Consumption | 0.0 | (+/- 0.0) | 52.4 | (- 3.2) | 23.8 | (+ 1.6) | 19.0 | (- 3.2) | 4.8 | (+ 4.8) | 11.9 (- 4.8) |
| Private Investment | 4.8 | (+ 4.8) | 42.9 | (-12.7) | 33.2 | (+11.0) | 14.3 | (- 7.9) | 4.8 | (+ 4.8) | 14.3 (- 2.4) |
| Govt. Consumption | 33.3 | (+ 5.5) | 28.6 | (+11.9) | 0.0 | (-11.1) | 23.8 | (+ 1.6) | 14.3 | (- 7.9) | 21.4 (+18.5) |
| Debt Domestic | 14.3 | (+ 3.2) | 38.1 | (- 6.3) | 14.2 | (+ 8.6) | 28.6 | (+ 0.8) | 4.8 | (- 6.3) | 14.3 (+ 6.0) |
| Debt Foreign | 5.0 | (- 0.6) | 30.0 | (-14.4) | 45.0 | (+33.9) | 15.0 | (-12.8) | 5.0 | (- 6.1) | 7.5 (+ 4.7) |
| Employment rate | 5.3 | (- 6.5) | 36.8 | (- 4.4) | 42.1 | (+ 6.9) | 10.5 | (- 1.3) | 5.3 | (+ 5.3) | 13.2 (-13.3) |
| Growth rate of new car registrations | 5.3 | (- 0.6) | 26.3 | (- 9.0) | 26.3 | (+ 8.7) | 36.8 | (+ 1.5) | 5.3 | (- 0.6) | -5.3 (- 5.3) |
| Total share of world trade | 10.0 | (- 8.8) | 15.0 | (-16.3) | 45.0 | (+26.4) | 25.0 | (- 6.3) | 5.0 | (+ 5.0) | 0.0 (-18.8) |
| Exchange rates | 3 months | | | | 1 year | | | | | | |
| Yuan / US-Dollar | 6.83 (6.98) | | | | 6.98 (7.11) | | | | | | |
| Yuan / Euro | 7.81 (7.89) | | | | 7.94 (8.00) | | | | | | |
| Sectors (1 Y) | increase | | slightly increase | | not change | | slightly decrease | | decrease | | balance |
| Retail banking | 11.1 | (+11.1) | 27.8 | (+ 4.3) | 16.6 | (- 6.9) | 38.9 | (- 8.2) | 5.6 | (- 0.3) | 0.0 (+17.7) |
| Investment banking | 0.0 | (+/- 0.0) | 33.3 | (+15.7) | 27.8 | (- 1.7) | 27.8 | (-25.1) | 11.1 | (+11.1) | -8.4 (+ 9.3) |
| Insurance | 11.1 | (- 1.4) | 33.3 | (+20.8) | 5.6 | (- 6.8) | 44.4 | (-11.9) | 5.6 | (- 0.7) | 0.0 (+15.7) |
| Automotive | 5.3 | (- 0.8) | 26.3 | (- 3.1) | 15.7 | (- 1.9) | 47.4 | (+12.1) | 5.3 | (- 6.5) | -10.6 (- 1.7) |
| Chemical / Pharmaceutical | 5.3 | (- 1.0) | 21.1 | (- 3.9) | 42.0 | (+23.3) | 26.3 | (-11.2) | 5.3 | (- 7.2) | -2.6 (+ 9.9) |
| Machinery / Engineering | 5.3 | (- 0.8) | 26.3 | (- 9.0) | 26.3 | (+ 8.7) | 42.1 | (+ 6.8) | 0.0 | (- 5.9) | -2.6 (- 2.6) |
| Electronics | 10.5 | (- 1.3) | 26.3 | (- 9.0) | 36.9 | (+25.2) | 26.3 | (-14.9) | 0.0 | (+/- 0.0) | 10.5 (+ 1.6) |
| Retail and commerce | 5.0 | (- 6.1) | 40.0 | (+12.2) | 35.0 | (+ 7.2) | 20.0 | (- 2.2) | 0.0 | (-11.1) | 15.0 (+12.2) |
| Construction | 10.0 | (- 1.1) | 25.0 | (-13.9) | 20.0 | (+ 8.9) | 45.0 | (+ 6.1) | 0.0 | (+/- 0.0) | 0.0 (-11.1) |
| Energy | 0.0 | (-12.5) | 36.8 | (- 0.7) | 36.8 | (+24.3) | 21.1 | (- 3.9) | 5.3 | (- 7.2) | 2.6 (- 3.7) |
| Information Technology | 15.8 | (- 3.0) | 31.6 | (+ 6.6) | 26.3 | (+13.9) | 15.8 | (-15.5) | 10.5 | (- 2.0) | 13.2 (+10.0) |
| Services | 10.5 | (- 8.3) | 26.3 | (+ 1.3) | 31.6 | (+19.2) | 31.6 | (+ 6.6) | 0.0 | (-18.8) | 7.9 (+ 7.9) |
| Economic expectation (1 Y) | improve | | slightly improve | | not change | | slightly worsen | | worsen | | balance |
| Beijing | 0.0 | (+/- 0.0) | 30.0 | (+ 0.6) | 40.0 | (+ 4.7) | 30.0 | (- 5.3) | 0.0 | (+/- 0.0) | 0.0 (+ 3.0) |
| Shanghai | 0.0 | (+/- 0.0) | 35.0 | (- 0.3) | 35.0 | (- 0.3) | 30.0 | (+ 0.6) | 0.0 | (+/- 0.0) | 2.5 (- 0.5) |
| Hong Kong | 5.0 | (+ 5.0) | 30.0 | (-17.1) | 20.0 | (+ 2.4) | 45.0 | (+15.6) | 0.0 | (- 5.9) | -2.5 (- 5.5) |
| Guangzhou | 0.0 | (+/- 0.0) | 31.6 | (- 5.9) | 15.8 | (- 9.2) | 52.6 | (+15.1) | 0.0 | (+/- 0.0) | -10.5 (-10.5) |
| Shenzhen | 5.3 | (- 1.0) | 21.1 | (- 3.9) | 26.2 | (+13.8) | 47.4 | (+ 3.6) | 0.0 | (-12.5) | -7.9 (+ 7.7) |
| Tianjin | 10.5 | (+10.5) | 31.6 | (- 5.9) | 36.8 | (+11.9) | 15.8 | (-15.5) | 5.3 | (- 1.0) | 13.1 (+16.3) |
| Chongqing | 5.6 | (+ 5.6) | 50.0 | (+18.7) | 11.1 | (-20.0) | 33.3 | (+ 2.0) | 0.0 | (- 6.3) | 14.0 (+20.3) |
| Real estate price expectation (1 Y) | increase | | slightly increase | | not change | | slightly decrease | | decrease | | balance |
| Beijing | 5.0 | (+ 5.0) | 30.0 | (-17.1) | 30.0 | (+12.4) | 35.0 | (- 0.3) | 0.0 | (+/- 0.0) | 2.5 (- 3.4) |
| Shanghai | 15.0 | (+ 9.1) | 25.0 | (-16.2) | 25.0 | (+ 7.4) | 35.0 | (- 0.3) | 0.0 | (+/- 0.0) | 10.0 (+ 1.1) |
| Hong Kong | 10.0 | (- 1.8) | 35.0 | (- 0.3) | 20.0 | (+14.2) | 35.0 | (- 6.2) | 0.0 | (- 5.9) | 10.0 (+ 7.0) |
| Guangzhou | 10.5 | (+10.5) | 10.5 | (-33.3) | 42.2 | (+23.5) | 36.8 | (- 0.7) | 0.0 | (+/- 0.0) | -2.7 (- 5.9) |
| Shenzhen | 10.5 | (+ 4.2) | 21.1 | (-22.7) | 26.3 | (+13.9) | 42.1 | (+ 4.6) | 0.0 | (+/- 0.0) | 0.0 (- 9.5) |
| Tianjin | 10.5 | (+10.5) | 26.3 | (-11.2) | 31.6 | (- 5.8) | 26.3 | (+ 7.5) | 5.3 | (- 1.0) | 5.2 (+ 2.1) |
| Chongqing | 10.5 | (+10.5) | 21.1 | (-16.4) | 47.3 | (+ 3.6) | 21.1 | (+ 8.6) | 0.0 | (- 6.3) | 10.5 (+ 4.3) |

Note: 22 analysts participated in the January survey, which was conducted during the period 1/9-1/24/2019. The analysts were asked about their expectations for the respective time horizons (Y = year, M = month). Numbers displayed are percentages in case of directional forecasts (change compared to previous survey in parentheses) and numerical values in case of point forecasts (results of previous survey in parentheses). Balances refer to the weighted distributions from positive and negative assessments.