China Economic Panel (CEP)

// January 2020

Results of the January survey in detail

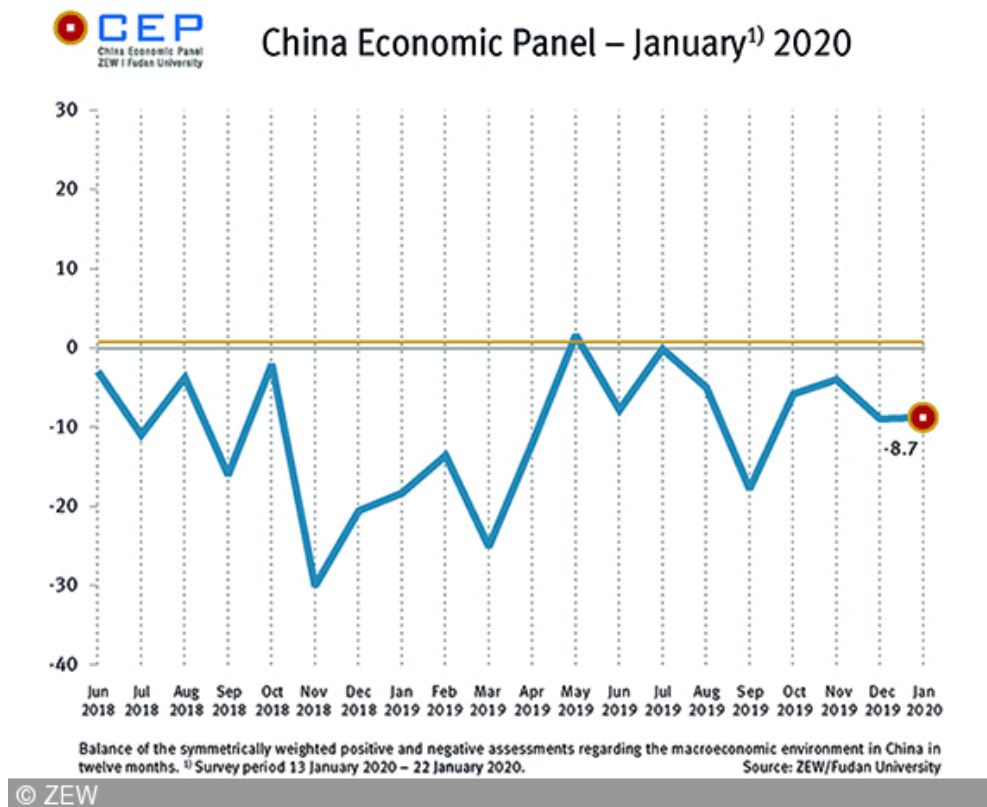## Economic Expectations for China Stagnate – Slightly Negative Outlook for 2020

CEP Indicator Stands at Minus 8.7 Points

According to the most recent survey for January (13 – 22 January 2020), the expectations regarding the Chinese economy have remained almost unchanged. The CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, is currently at minus 8.7 points, 0.2 points higher than in the previous month (December 2019: minus 8.9 points).

Since April 2018, the CEP indicator has thus remained in the negative almost without interruption.

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The current situation of the Chinese economy is estimated to be 0.5 points lower than in December 2019, with the corresponding indicator falling to minus 13.1 points in January.

figure 1:   CEP Indicator January 2020

China Economic Panel – January[1] 2020

Balance of the symmetrically weighted positive and negative assessments regarding the macroeconomic environment in China in twelve months. [1] Survey period 13 January 2020 – 22 January 2020.

Source: ZEW/Fudan University

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"Looking at the development of both the situation and expectation indicator, it becomes clear that the financial experts expect to see a further slight deterioration of the economic development in China over the next twelve months," says Dr. Michael Schröder, senior researcher in the Research Department "International Finance and Financial Management" at ZEW Mannheim and project leader of the CEP survey.

According to the first calculations of the Chinese National Bureau of Statistics, the growth reduction forecast by the experts last year has materialized. On average, real gross domestic product (GDP) grew by 6.1 per cent in 2019. In the first quarter of 2019, the annualised growth rate still stood at 6.4 per cent, before declining to 6.2 per cent (Q2) and 6.0 per cent (Q3 and Q4) in the following quarters.

Expectation indicators for almost all sectors are in the negative range

According to the point forecasts of real GDP, growth of 5.9 per cent is expected for the current year and 5.8 per cent for 2021. "This marks the continuation of the slight downward trend in growth of recent years," says Michael Schröder.

What is remarkable about the current survey is that the expectation indicators for almost all sectors are in the negative range, and even the outlook for the consumer-related sectors of the economy, which have so far been regarded as drivers of growth, has deteriorated considerably. A similar development can be observed with regard to the survey results for the most important Chinese economic regions.

"It seems that the continued efforts of the Chinese government to stimulate the economy through active economic policy measures are no longer considered very successful by the respondents," summarizes Schröder.

ZEW/Fudan China Economic Panel: Results January 2020												
Current economic situation	very good		good		normal		bad		very bad		balance	
China	2.2	(- 4.9)	6.5	(+ 2.9)	54.3	(+ 4.3)	37.0	(+ 1.3)	0.0	(- 3.6)	-13.1	(- 0.5)
Eurozone	4.7	(+ 4.7)	14.0	(+ 6.3)	65.0	(- 0.4)	16.3	(-10.6)	0.0	(+/- 0.0)	3.6	(+13.2)
USA	0.0	(- 3.8)	25.6	(+10.2)	51.2	(-14.2)	20.9	(+ 5.5)	2.3	(+ 2.3)	0.1	(- 3.7)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-Indicator)	4.3	(- 6.4)	28.3	(+10.4)	19.6	(- 5.4)	41.3	(+ 5.6)	6.5	(- 4.2)	-8.7	(+ 0.2)
GDP (growth rate) in %	2020Q1		2020Q2		2020		2021					
China	6.0		6.0		5.9		5.8					
Eurozone	1.4		1.4		1.4		1.4					
USA	2.0		2.0		2.0		2.0					
Inflation (CPI) in %	3 months				1 year							
China	4.4 (3.8)				3.8 (3.5)							
Eurozone	1.6 (1.2)				1.5 (1.2)							
USA	2.1 (1.9)				2.2 (1.9)							
Wage Inflation in %	3 months				1 year							
China	9.4 (8.4)				8.7 (7.5)							
Eurozone	2.9 (2.6)				2.8 (2.5)							
USA	4.6 (3.8)				4.7 (3.8)							
Interest rates	3 months				1 year							
SHIBOR (3 months)	2.8 (3.0)				2.8 (2.9)							
One-year deposit rate	1.5 (1.5)				1.4 (1.4)							
One-year lending rate	4.3 (4.3)				4.2 (4.2)							
Stock market indices	3 months				1 year							
SSE Composite Index	2.991 (2.918)				3.096 (2.942)							
Hang Seng Index	28.539 (26.168)				28.759 (26.694)							
Growth Enterprise Market Index (SZ)	1.880 (1.678)				1.977 (1.699)							
WTI Crude Oil (US-Dollar)	64 (59)				64 (59)							
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	2.4	(- 1.8)	19.5	(- 1.3)	24.4	(-13.1)	36.6	(+ 7.4)	17.1	(+ 8.8)	-23.3	(-15.0)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	5.0	(+ 1.0)	30.0	(+22.0)	25.0	(-15.0)	32.5	(-11.5)	7.5	(+ 3.5)	-3.8	(+14.2)
FDI outflow (out of China)	2.5	(- 5.2)	25.0	(- 9.6)	15.0	(- 4.2)	40.0	(+ 9.2)	17.5	(+ 9.8)	-22.5	(-24.4)
FDI inflow (into China)	5.0	(+ 1.2)	25.0	(- 1.9)	7.5	(- 8.0)	47.5	(+ 5.2)	15.0	(+ 3.5)	-21.3	(- 5.9)
Export activity	4.8	(- 6.7)	28.6	(+ 1.7)	11.9	(-11.2)	45.2	(+14.4)	9.5	(+ 1.8)	-13.0	(-14.9)
Import activity	4.8	(-10.6)	31.0	(+ 4.1)	11.8	(-11.3)	40.5	(+ 9.7)	11.9	(+ 8.1)	-11.9	(-21.6)
Private Consumption	9.5	(+ 5.7)	31.0	(+ 4.1)	7.1	(-35.3)	42.9	(+23.7)	9.5	(+ 1.8)	-6.0	(- 6.0)
Private Investment	4.8	(- 2.9)	35.7	(+12.6)	21.5	(- 9.3)	19.0	(- 7.9)	19.0	(+ 7.5)	-5.9	(- 0.2)
Govt. Consumption	16.7	(+ 1.3)	23.8	(-18.5)	19.1	(- 0.1)	19.0	(+ 3.6)	21.4	(+13.7)	-2.3	(-23.5)
Debt Domestic	11.9	(+ 4.2)	26.2	(-20.0)	19.1	(- 4.0)	21.4	(+ 2.2)	21.4	(+17.6)	-7.1	(-24.5)
Debt Foreign	2.4	(- 1.4)	23.8	(- 3.1)	30.9	(-15.4)	26.2	(+ 7.0)	16.7	(+12.9)	-15.5	(-19.4)
Employment rate	7.3	(- 0.4)	26.8	(+11.4)	36.6	(-13.4)	22.0	(- 1.1)	7.3	(+ 3.5)	2.4	(+ 2.4)
Growth rate of new car registrations	5.0	(- 3.0)	25.0	(+ 5.0)	27.5	(- 4.5)	30.0	(+10.0)	12.5	(- 7.5)	-10.0	(+ 2.0)
Total share of world trade	4.9	(- 6.6)	22.0	(- 1.1)	34.0	(+10.9)	29.3	(- 5.3)	9.8	(+ 2.1)	-8.6	(- 6.6)
Exchange rates	3 months				1 year							
Yuan / US-Dollar	6.97 (7.06)				7.00 (7.15)							
Yuan / Euro	7.74 (7.76)				7.76 (7.84)							
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	0.0	(+/- 0.0)	37.8	(+ 3.0)	13.6	(-21.2)	40.5	(+10.1)	8.1	(+ 8.1)	-9.5	(-11.7)
Investment banking	5.4	(+ 1.1)	37.8	(+16.1)	16.3	(- 9.9)	27.0	(-16.5)	13.5	(+ 9.2)	-2.7	(+ 8.2)
Insurance	8.1	(- 4.9)	16.2	(- 5.5)	27.1	(- 7.8)	32.4	(+ 2.0)	16.2	(+16.2)	-16.2	(-24.9)
Automotive	10.5	(- 2.5)	31.6	(+ 9.9)	23.6	(+ 1.7)	21.1	(-18.0)	13.2	(+ 8.9)	2.6	(+ 2.6)
Chemical / Pharmaceutical	10.5	(+ 6.2)	21.1	(-18.0)	28.9	(+20.1)	31.6	(-11.9)	7.9	(+ 3.6)	-2.7	(- 0.5)
Machinery / Engineering	2.6	(-10.4)	26.3	(+ 8.9)	21.1	(+ 3.7)	34.2	(- 9.3)	15.8	(+ 7.1)	-17.2	(- 8.4)
Electronics	10.5	(- 6.9)	15.8	(- 1.6)	21.1	(- 9.4)	42.1	(+11.7)	10.5	(+ 6.2)	-13.2	(-19.8)
Retail and commerce	2.6	(- 1.7)	33.3	(-14.5)	20.5	(- 5.7)	33.3	(+11.6)	10.3	(+10.3)	-7.7	(-25.1)
Construction	5.3	(- 3.4)	34.2	(+ 8.1)	18.4	(+ 1.0)	31.6	(- 7.5)	10.5	(+ 1.8)	-3.9	(+ 2.6)
Energy	2.7	(- 1.6)	32.4	(+ 6.3)	24.4	(- 6.1)	32.4	(- 2.4)	8.1	(+ 3.8)	-5.4	(- 1.0)
Information Technology	13.5	(+ 0.5)	16.2	(- 9.9)	13.6	(-16.9)	32.4	(+10.7)	24.3	(+15.6)	-18.9	(-25.4)
Services	7.9	(- 5.1)	21.1	(- 0.6)	15.8	(-19.1)	28.9	(+ 2.8)	26.3	(+22.0)	-22.3	(-28.8)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
Beijing	2.6	(+ 2.6)	10.5	(- 6.9)	50.1	(+ 2.3)	26.3	(+ 0.2)	10.5	(+ 1.8)	-15.8	(- 2.7)
Shanghai	0.0	(+/- 0.0)	21.1	(- 0.6)	36.8	(- 6.8)	26.3	(+ 4.6)	15.8	(+ 2.8)	-18.4	(- 5.4)
Hong Kong	21.1	(- 0.6)	18.4	(+ 5.4)	7.9	(+ 7.8)	34.2	(+ 3.8)	18.4	(-16.4)	-5.2	(+16.6)
Guangzhou	2.6	(- 6.1)	18.4	(- 3.3)	39.5	(+ 9.0)	34.2	(- 0.6)	5.3	(+ 1.0)	-10.6	(- 8.4)
Shenzhen	10.5	(+ 1.8)	26.3	(+ 0.2)	15.9	(- 1.5)	36.8	(- 2.3)	10.5	(+ 1.8)	-5.3	(+ 1.2)
Tianjin	5.3	(+ 1.0)	31.6	(+14.2)	31.5	(+ 9.7)	23.7	(-24.1)	7.9	(- 0.8)	1.4	(+21.0)
Chongqing	0.0	(- 8.7)	29.7	(+16.7)	40.6	(+10.1)	21.6	(-17.5)	8.1	(- 0.6)	-4.1	(+ 9.0)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Beijing	5.3	(+ 5.3)	18.4	(+ 1.0)	28.9	(-36.3)	47.4	(+30.0)	0.0	(+/- 0.0)	-9.2	(- 9.2)
Shanghai	0.0	(+/- 0.0)	15.8	(-10.3)	34.2	(-22.3)	50.0	(+32.6)	0.0	(+/- 0.0)	-17.1	(-21.5)
Hong Kong	5.3	(+ 1.0)	28.9	(+ 2.8)	23.7	(+15.0)	28.9	(+ 2.8)	13.2	(-21.6)	-7.9	(+22.6)
Guangzhou	2.6	(+ 2.6)	18.4	(+ 1.0)	42.2	(-23.0)	34.2	(+16.8)	2.6	(+ 2.6)	-7.9	(- 7.9)
Shenzhen	2.6	(- 1.7)	23.7	(-15.4)	26.3	(- 8.6)	39.5	(+17.8)	7.9	(+ 7.9)	-13.2	(-26.2)
Tianjin	13.2	(+ 8.9)	23.7	(+ 6.3)	31.6	(-25.0)	28.9	(+15.9)	2.6	(- 6.1)	8.0	(+10.2)
Chongqing	5.3	(- 3.4)	26.3	(+ 0.2)	34.2	(- 9.3)	34.2	(+16.8)	0.0	(- 4.3)	1.4	(- 7.4)

Note: 46 analysts participated in the January survey, which was conducted during the period 1/13-1/22/2020. 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.