China Economic Panel (CEP)

// February 2019

Results of the February survey in detail

Economic Sentiment for China Continues to Rise Slightly

According to the most recent survey for February (6 – 21 February 2019), the expectations regarding the Chinese economy have risen by 4.8 points to a reading of minus 13.5 points (January 2019: minus 18.3 points).

Despite this renewed increase, the CEP Indicator, which is based on the China Economic Panel and reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, is still in negative territory and remains well below the long-term average of 2.4 points.

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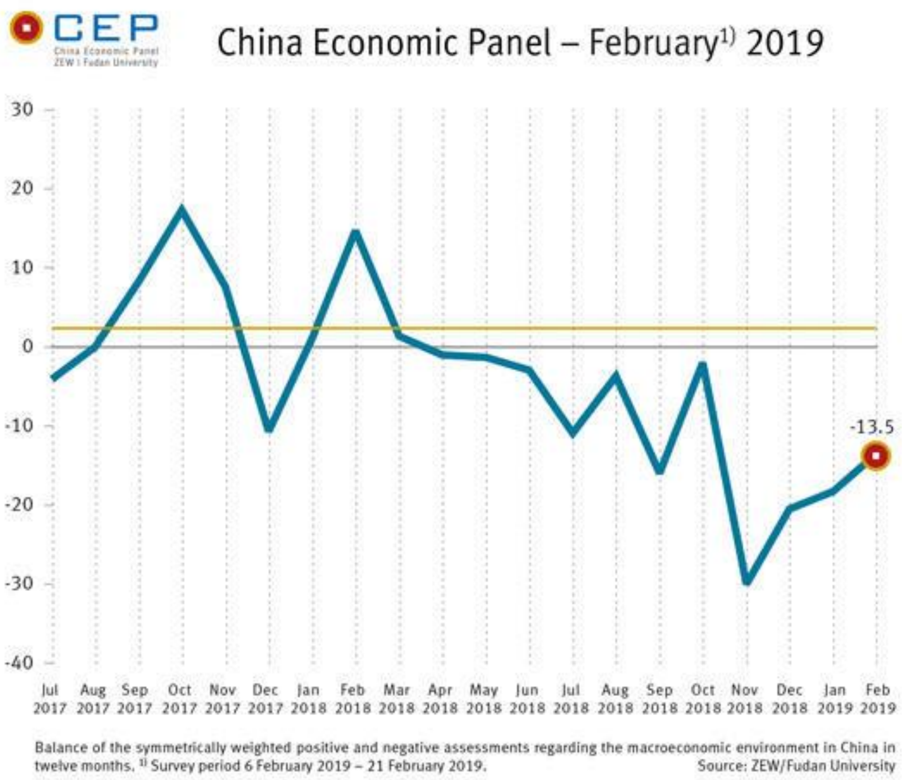
The expectations for the current economic situation have experienced yet another drop, falling by 8.9 points to a level of minus 13.5 points. A total of 34.6 per cent of the respondents evaluated the economic situation as poor, whereas merely 7.7 per cent considered it to be good.

figure 1: CEP Indicator February 2019



source: ZEW/Fudan

With a value of 6.1 per cent, the point forecast for the Chinese gross domestic product (GDP) for 2019 has again experienced a decrease compared to the previous survey. For the year 2020, the surveyed experts expect a growth rate of 6.0 per cent, which is – at least in Chinese terms –relatively low.

“Meanwhile, experts are expecting to see negative developments for almost all major economic regions in China,” says Michael Schröder, senior researcher in the Research Department “International Finance and Financial Management” at the ZEW – Leibniz Centre for European Economic Research and project leader of the CEP survey. With a level of 2.3 points, only the business centre Chongqing has received slightly positive assessments.

Pessimistic outlook for several sectors

According to the survey, the following five sectors are expected to see a relatively strong decline (month-to-month changes in brackets): retail trade (minus 21.5 points), retail banking (minus 15.2 points), electrical engineering (minus 14.9 points), mechanical engineering (minus 12.6 points), investment banking (minus 9.0 points). The corresponding indicators of these sectors have now also entered negative territory.

Especially alarming is the fact that expectations regarding private consumption and private investment have experienced a sharp decline, falling to minus 11.9 points and minus 24.3 points, respectively.

A growing number of survey participants considers it likely that China’s poor economic forecast will have negative implications for employment. At 2.0 points, the corresponding indicator is still in positive territory, but shows a clear decline compared to the previous month (minus 11.2 points).

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ZEW/Fudan China Economic Panel: Results February 2019

Current economic situation	very good		good		normal		bad		very bad		balance	
China	0.0	(- 4.5)	7.7	(- 5.9)	57.7	(+ 7.6)	34.6	(+ 2.8)	0.0	(+/- 0.0)	-13.5	(- 8.9)
Eurozone	0.0	(+/- 0.0)	12.5	(+ 3.0)	66.7	(- 4.8)	20.8	(+ 1.8)	0.0	(+/- 0.0)	-4.2	(+ 0.6)
USA	0.0	(- 4.8)	29.2	(+10.2)	54.1	(- 3.1)	16.7	(- 2.3)	0.0	(+/- 0.0)	6.3	(+ 1.5)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-Indicator)	3.8	(- 0.7)	15.4	(+ 1.8)	38.5	(+ 6.6)	34.6	(- 6.3)	7.7	(- 1.4)	-13.5	(+ 4.8)

GDP (growth rate) in %	2019Q1	2019Q2	2019	2020
China	6.2	6.1	6.1	6.0
Eurozone	1.3	1.3	1.3	1.3
USA	2.9	2.9	2.8	2.6

Inflation (CPI) in %	3 months	1 year
China	2.1 (2.1)	2.2 (2.3)
Eurozone	1.4 (1.5)	1.5 (1.5)
USA	2.1 (2.2)	2.1 (2.4)

Wage Inflation in %	3 months	1 year
China	7.0 (6.9)	7.0 (6.8)
Eurozone	2.5 (2.5)	2.4 (2.4)
USA	3.8 (4.1)	3.7 (4.0)

Interest rates	3 months	1 year
SHIBOR (3 months)	2.9 (3.0)	2.9 (3.0)
One-year deposit rate	1.5 (1.5)	1.5 (1.5)
One-year lending rate	4.4 (4.4)	4.2 (4.3)

Stock market indices	3 months	1 year
SSE Composite Index	2.630 (2.542)	2.762 (2.676)
Hang Seng Index	27.931 (26.259)	28.040 (26.418)
Growth Enterprise Market Index (SZ)	1.294 (1.243)	1.319 (1.288)
WTI Crude Oil (US-Dollar)	55 (57)	59 (60)

Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	8.3	(+ 3.3)	37.5	(- 7.5)	12.6	(- 2.4)	33.3	(+13.3)	8.3	(- 6.7)	2.1	(- 0.4)

Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	0.0	(+/- 0.0)	16.0	(-19.0)	24.0	(+ 9.0)	56.0	(+11.0)	4.0	(- 1.0)	-24.0	(-14.0)
FDI outflow (out of China)	8.0	(+ 8.0)	28.0	(-14.1)	36.0	(+15.0)	24.0	(- 7.6)	4.0	(- 1.3)	6.0	(+ 6.0)
FDI inflow (into China)	8.0	(+ 8.0)	16.0	(-20.8)	40.0	(+18.9)	24.0	(-12.8)	12.0	(+ 6.7)	-8.0	(- 2.7)
Export activity	8.0	(+ 8.0)	28.0	(+ 9.0)	16.0	(-17.4)	40.0	(+ 6.7)	8.0	(- 6.3)	-6.0	(+15.5)
Import activity	0.0	(+/- 0.0)	40.0	(+21.0)	12.0	(- 7.1)	24.0	(-28.4)	24.0	(+14.5)	-16.0	(+10.2)
Private Consumption	0.0	(+/- 0.0)	40.0	(-12.4)	28.0	(+ 4.2)	24.0	(+ 5.0)	8.0	(+ 3.2)	0.0	(-11.9)
Private Investment	0.0	(- 4.8)	36.0	(- 6.9)	20.0	(-13.2)	32.0	(+17.7)	12.0	(+ 7.2)	-10.0	(-24.3)
Govt. Consumption	24.0	(- 9.3)	28.0	(- 0.6)	20.0	(+20.0)	8.0	(-15.8)	20.0	(+ 5.7)	14.0	(- 7.4)
Debt Domestic	16.0	(+ 1.7)	40.0	(+ 1.9)	16.0	(+ 1.8)	16.0	(-12.6)	12.0	(+ 7.2)	16.0	(+ 1.7)
Debt Foreign	0.0	(- 5.0)	24.0	(- 6.0)	52.0	(+ 7.0)	20.0	(+ 5.0)	4.0	(- 1.0)	-2.0	(- 9.5)
Employment rate	0.0	(- 5.3)	36.0	(- 0.8)	40.0	(- 2.1)	16.0	(+ 5.5)	8.0	(+ 2.7)	2.0	(-11.2)
Growth rate of new car registrations	0.0	(- 5.3)	24.0	(- 2.3)	28.0	(+ 1.7)	40.0	(+ 3.2)	8.0	(+ 2.7)	-16.0	(-10.7)
Total share of world trade	12.0	(+ 2.0)	16.0	(+ 1.0)	32.0	(-13.0)	32.0	(+ 7.0)	8.0	(+ 3.0)	-4.0	(- 4.0)

Exchange rates	3 months	1 year
Yuan / US-Dollar	6.77 (6.83)	6.86 (6.98)
Yuan / Euro	7.70 (7.81)	7.75 (7.94)

Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	0.0	(-11.1)	21.7	(- 6.1)	30.5	(+13.9)	43.5	(+ 4.6)	4.3	(- 1.3)	-15.2	(-15.2)
Investment banking	0.0	(+/- 0.0)	26.1	(- 7.2)	21.7	(- 6.1)	43.5	(+15.7)	8.7	(- 2.4)	-17.4	(- 9.0)
Insurance	8.7	(- 2.4)	26.1	(- 7.2)	17.4	(+11.8)	43.5	(- 0.9)	4.3	(- 1.3)	-4.3	(- 4.3)
Automotive	0.0	(- 5.3)	43.5	(+17.2)	8.7	(- 7.0)	39.1	(- 8.3)	8.7	(+ 3.4)	-6.5	(+ 4.1)
Chemical / Pharmaceutical	4.3	(- 1.0)	30.4	(+ 9.3)	30.5	(-11.5)	34.8	(+ 8.5)	0.0	(- 5.3)	2.1	(+ 4.7)
Machinery / Engineering	0.0	(- 5.3)	34.8	(+ 8.5)	13.1	(-13.2)	39.1	(- 3.0)	13.0	(+13.0)	-15.2	(-12.6)
Electronics	0.0	(-10.5)	34.8	(+ 8.5)	21.7	(-15.2)	43.5	(+17.2)	0.0	(+/- 0.0)	-4.4	(-14.9)
Retail and commerce	0.0	(- 5.0)	34.8	(- 5.2)	21.8	(-13.2)	39.1	(+19.1)	4.3	(+ 4.3)	-6.5	(-21.5)
Construction	8.7	(- 1.3)	34.8	(+ 9.8)	21.8	(+ 1.8)	30.4	(-14.6)	4.3	(+ 4.3)	6.6	(+ 6.6)
Energy	4.3	(+ 4.3)	30.4	(- 6.4)	43.6	(+ 6.8)	13.0	(- 8.1)	8.7	(+ 3.4)	4.3	(+ 1.7)
Information Technology	13.0	(- 2.8)	30.4	(- 1.2)	34.9	(+ 8.6)	8.7	(- 7.1)	13.0	(+ 2.5)	10.9	(- 2.3)
Services	13.0	(+ 2.5)	26.1	(- 0.2)	30.5	(- 1.1)	26.1	(- 5.5)	4.3	(+ 4.3)	8.7	(+ 0.8)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
Beijing	4.3	(+ 4.3)	8.7	(-21.3)	60.9	(+20.9)	26.1	(- 3.9)	0.0	(+/- 0.0)	-4.4	(- 4.4)
Shanghai	4.3	(+ 4.3)	13.0	(-22.0)	52.3	(+17.3)	30.4	(+ 0.4)	0.0	(+/- 0.0)	-4.4	(- 6.9)
Hong Kong	4.3	(- 0.7)	21.7	(- 8.3)	43.6	(+23.6)	26.1	(-18.9)	4.3	(+ 4.3)	-2.2	(+ 0.3)
Guangzhou	4.5	(+ 4.5)	13.6	(-18.0)	41.0	(+25.2)	36.4	(-16.2)	4.5	(+ 4.5)	-11.4	(- 0.9)
Shenzhen	9.1	(+ 3.8)	22.7	(+ 1.6)	22.8	(- 3.4)	40.9	(- 6.5)	4.5	(+ 4.5)	-4.5	(+ 3.4)
Tianjin	4.5	(- 6.0)	27.3	(- 4.3)	22.7	(-14.1)	45.5	(+29.7)	0.0	(- 5.3)	-4.6	(-17.7)
Chongqing	4.5	(- 1.1)	27.3	(-22.7)	36.4	(+25.3)	31.8	(- 1.5)	0.0	(+/- 0.0)	2.3	(-11.7)

Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Beijing	4.5	(- 0.5)	27.3	(- 2.7)	45.5	(+15.5)	22.7	(-12.3)	0.0	(+/- 0.0)	6.8	(+ 4.3)
Shanghai	9.1	(- 5.9)	22.7	(- 2.3)	41.0	(+16.0)	22.7	(-12.3)	4.5	(+ 4.5)	4.6	(- 5.4)
Hong Kong	4.5	(- 5.5)	18.2	(-16.8)	36.4	(+16.4)	40.9	(+ 5.9)	0.0	(+/- 0.0)	-6.9	(-16.9)
Guangzhou	4.8	(- 5.7)	23.8	(+13.3)	42.8	(+ 0.6)	28.6	(- 8.2)	0.0	(+/- 0.0)	2.4	(+ 5.1)
Shenzhen	14.3	(+ 3.8)	23.8	(+ 2.7)	38.1	(+11.8)	23.8	(-18.3)	0.0	(+/- 0.0)	14.3	(+14.3)
Tianjin	9.5	(- 1.0)	28.6	(+ 2.3)	23.8	(- 7.8)	38.1	(+11.8)	0.0	(- 5.3)	4.8	(- 0.4)
Chongqing	9.5	(- 1.0)	33.3	(+12.2)	23.9	(-23.4)	33.3	(+12.2)	0.0	(+/- 0.0)	9.5	(- 1.0)

Note: 26 analysts participated in the February survey, which was conducted during the period 2/6-2/21/2019. 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.