China Economic Panel (CEP)

// March 2017

Results of the March survey in detail

Expectations for Chinese Economy Continue to Rise

According to the current survey for March (28 February – 16 March 2017), the economic outlook for China has significantly improved by 18.7 points. 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 14.5 points (February 2017: minus 4.2 points).

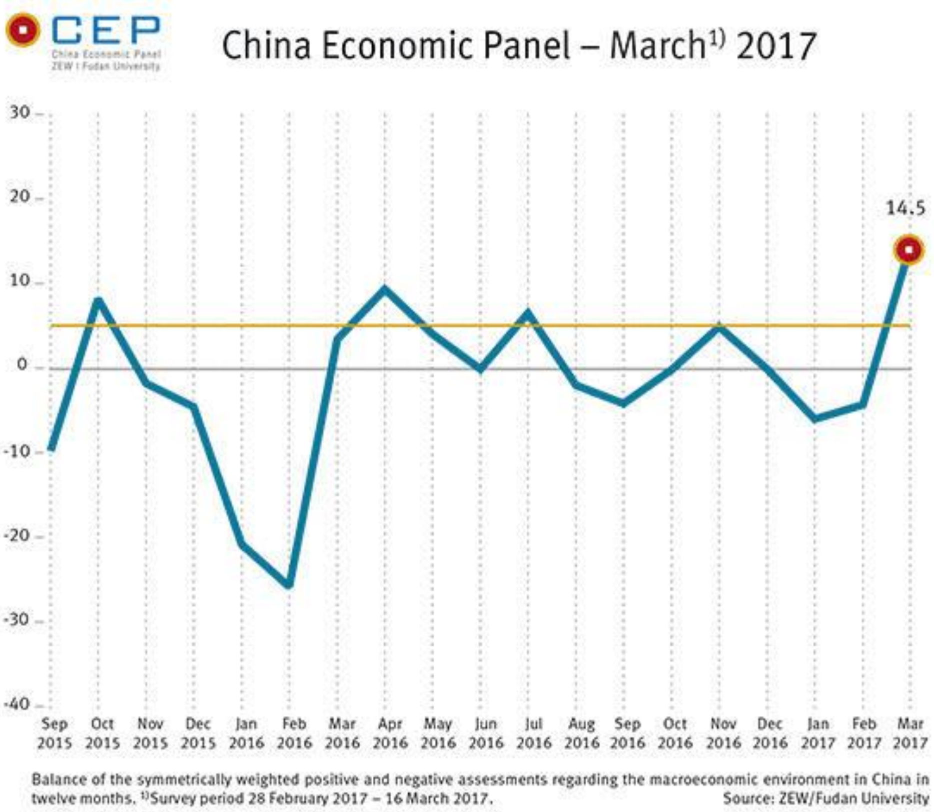
This is the first time since July 2016 that the indicator has significantly exceeded the long-term average of 5.1 points. The surveyed experts' assessment of the current situation at 3.3 points was one point lower than the previous month's assessment.

Centre for European Economic Research (ZEW)
contact: Dr. Michael Schröder
Dept. International Finance and Financial Management
L 7, 1 · 68161 Mannheim
Phone: +49 (0)621 1235-368

michael.schroeder@zew.de · wwww.zew.de

The point forecasts for GDP growth in the first two quarters of 2017 both rose and are now each at a level of 6.6 points. This constitutes an increase of 0.1 percentage points compared to February's forecasts.

figure 1: CEP Indicator March 2017



source: ZEW/Fudan

The forecast for the entire year of 2017, however, remains unchanged at 6.5 per cent. The growth forecast for 2018, meanwhile, rose slightly to 6.4 per cent, though experts still anticipate the yearly growth rate to begin to decline from around mid-2017 onwards.

The surveyed experts consider both domestic consumption and exports to be the main drivers of growth. Predictions for these two sectors have, however, gone down.

When viewed together, the current sentiment and the point forecasts offer a slightly more positive assessment of the economic situation compared to February. The experts seem at least to be of the opinion that the threat of a considerable decline in growth is very small.

ZEW/Fudan China Economic Panel: Results March 2017												
Current economic situation	**very good**		**good**		**normal**		**bad**		**very bad**		**balance**	
China	0.0	(- 2.9)	9.7	(- 1.7)	87.1	(+10.0)	3.2	(- 5.4)	0.0	(+/- 0.0)	3.3	(- 1.0)
USA	0.0	(- 3.4)	48.1	(+ 3.3)	51.9	(+ 7.0)	0.0	(- 6.9)	0.0	(+/- 0.0)	24.1	(+ 1.7)
Economic expectation (1 Y)	**improve**		**slightly improve**		**not change**		**slightly worsen**		**worsen**		**balance**	
China (CEP-Indicator)	0.0	(+/- 0.0)	51.6	(+21.0)	25.8	(-10.2)	22.6	(- 5.2)	0.0	(- 5.6)	14.5	(+18.7)
GDP (growth rate) in %	**2017Q1**			**2017Q2**			**2017**			**2018**		
China	6.6			6.6			6.6			6.5		
USA	2.1			2.1			2.2			2.3		
Inflation (CPI) in %	**3 months**						**1 year**					
China	2.5 (2.3)						2.7 (2.5)					
USA	2.5 (2.2)						2.6 (2.4)					
Interest rates	**3 months**						**1 year**					
SHIBOR (3 months)	4.3 (3.9)						4.4 (3.9)					
One-year deposit rate	1.5 (1.5)						1.6 (1.6)					
One-year lending rate	4.4 (4.4)						4.4 (4.4)					
Stock market indices	**3 months**						**1 year**					
SSE Composite Index	3.294 (3.202)						3.499 (3.436)					
Hang Seng Index	23.801 (23.572)						24.985 (24.320)					
Growth Enterprise Market Index (SZ)	1.625 (1.412)						1.685 (1.466)					
WTI Crude Oil (US-Dollar)	53 (54)						55 (56)					
Monetary aggregate M2 (6 M)	**increase**		**slightly increase**		**not change**		**slightly decrease**		**decrease**		**balance**	
China M2 growth rate	10.3	(+ 0.9)	65.5	(+ 9.2)	10.4	(- 2.0)	13.8	(- 5.0)	0.0	(- 3.1)	36.2	(+11.1)
Specific indicators China (1 Y)	**increase**		**slightly increase**		**not change**		**slightly decrease**		**decrease**		**balance**	
Foreign exchange reserves	0.0	(- 3.0)	24.1	(+15.0)	6.9	(- 2.2)	48.3	(- 0.2)	20.7	(- 9.6)	-32.8	(+14.2)
FDI outflow (out of China)	10.7	(- 8.7)	57.1	(+ 5.5)	10.8	(- 5.3)	21.4	(+ 8.5)	0.0	(+/- 0.0)	28.6	(-10.2)
FDI inflow (into China)	0.0	(- 3.3)	35.7	(+15.7)	28.6	(-14.7)	32.1	(+ 5.4)	3.6	(- 3.1)	-1.8	(+ 5.0)
Export activity	10.3	(+ 7.3)	44.8	(-12.8)	20.8	(- 6.5)	24.1	(+12.0)	0.0	(+/- 0.0)	20.7	(- 5.1)
Import activity	17.2	(+ 8.1)	37.9	(-16.6)	31.1	(+ 9.9)	13.8	(- 1.4)	0.0	(+/- 0.0)	29.3	(+ 0.5)
Domestic consumption	13.8	(- 1.4)	51.7	(- 8.9)	17.3	(- 0.8)	13.8	(+ 7.7)	3.4	(+ 3.4)	29.4	(-13.1)
Employment rate	0.0	(+/- 0.0)	25.0	(- 3.1)	53.5	(+ 0.4)	17.9	(- 0.9)	3.6	(+ 3.6)	0.0	(- 4.7)
Growth rate of new car registrations	6.9	(- 8.3)	75.9	(+21.4)	6.9	(-14.3)	6.9	(- 2.2)	3.4	(+ 3.4)	38.0	(+ 0.1)
Total share of world trade	0.0	(- 9.4)	46.4	(+ 5.8)	42.9	(+ 8.5)	10.7	(- 1.8)	0.0	(- 3.1)	17.9	(- 2.5)
Exchange rates	**3 months**						**1 year**					
Yuan / US-Dollar	6.93 (6.92)						7.05 (7.06)					
US-Dollar / Euro	1.05 (1.06)						1.04 (1.05)					
Sectors (1 Y)	**increase**		**slightly increase**		**not change**		**slightly decrease**		**decrease**		**balance**	
Retail banking	8.0	(+ 0.6)	56.0	(+ 0.4)	28.0	(+ 5.8)	8.0	(- 3.1)	0.0	(- 3.7)	32.0	(+ 6.0)
Investment banking	16.0	(- 2.5)	64.0	(+23.3)	8.0	(-21.7)	12.0	(+ 4.6)	0.0	(- 3.7)	42.0	(+10.5)
Insurance	28.0	(+ 1.1)	52.0	(+13.5)	12.0	(-18.8)	8.0	(+ 4.2)	0.0	(+/- 0.0)	50.0	(+ 5.7)
Automotive	20.0	(+12.3)	64.0	(- 5.2)	12.0	(+ 4.2)	4.0	(- 7.5)	0.0	(- 3.8)	50.0	(+17.2)
Chemical / Pharmaceutical	4.0	(-12.0)	76.0	(+24.0)	16.0	(+/- 0.0)	4.0	(-12.0)	0.0	(+/- 0.0)	40.0	(+ 6.0)
Machinery / Engineering	24.0	(+20.2)	36.0	(-14.0)	32.0	(+ 5.0)	8.0	(-11.2)	0.0	(+/- 0.0)	38.0	(+18.8)
Electronics	16.0	(+/- 0.0)	68.0	(+24.0)	8.0	(-16.0)	8.0	(- 8.0)	0.0	(+/- 0.0)	46.0	(+16.0)
Retail and commerce	12.0	(+/- 0.0)	64.0	(+ 4.0)	12.0	(- 4.0)	8.0	(- 4.0)	4.0	(+ 4.0)	36.0	(+/- 0.0)
Construction	24.0	(+ 9.2)	36.0	(+10.1)	28.0	(- 9.1)	4.0	(-14.5)	8.0	(+ 4.3)	32.0	(+17.2)
Energy	8.0	(+ 0.3)	48.0	(-21.2)	32.0	(+16.6)	12.0	(+ 4.3)	0.0	(+/- 0.0)	26.0	(-12.5)
Information Technology	24.0	(+ 1.8)	64.0	(+ 4.7)	12.0	(- 2.8)	0.0	(- 3.7)	0.0	(+/- 0.0)	56.0	(+ 6.0)
Services	24.0	(+ 1.8)	44.0	(-15.3)	24.0	(+12.9)	8.0	(+ 0.6)	0.0	(+/- 0.0)	42.0	(- 6.2)
Economic expectation (1 Y)	**improve**		**slightly improve**		**not change**		**slightly worsen**		**worsen**		**balance**	
Beijing	11.5	(+11.5)	57.7	(+ 1.7)	23.1	(- 4.9)	7.7	(- 8.3)	0.0	(+/- 0.0)	36.5	(+16.5)
Shanghai	11.5	(+ 7.5)	65.4	(- 2.6)	19.3	(- 0.7)	3.8	(- 4.2)	0.0	(+/- 0.0)	42.3	(+ 8.3)
Hong Kong	3.8	(+ 3.8)	30.8	(+ 2.8)	42.3	(- 1.7)	23.1	(- 4.9)	0.0	(+/- 0.0)	7.7	(+ 7.7)
Guangzhou	11.5	(+ 3.5)	50.0	(+ 6.0)	30.8	(- 5.2)	7.7	(- 4.3)	0.0	(+/- 0.0)	32.7	(+ 8.7)
Shenzhen	30.8	(+10.8)	34.6	(- 9.4)	26.9	(+ 2.9)	7.7	(- 4.3)	0.0	(+/- 0.0)	44.3	(+ 8.3)
Tianjin	11.5	(+ 7.5)	46.2	(+ 2.2)	23.1	(-12.9)	19.2	(+ 3.2)	0.0	(+/- 0.0)	25.0	(+ 7.0)
Chongqing	19.2	(+ 7.2)	46.2	(+18.2)	26.9	(-13.1)	7.7	(-12.3)	0.0	(+/- 0.0)	38.5	(+22.5)
Real estate price expectation (1 Y)	**increase**		**slightly increase**		**not change**		**slightly decrease**		**decrease**		**balance**	
Beijing	15.4	(+ 0.6)	69.2	(+21.1)	11.6	(-14.4)	3.8	(- 7.3)	0.0	(+/- 0.0)	48.1	(+14.8)
Shanghai	15.4	(-10.5)	57.7	(+13.3)	23.1	(+ 4.5)	3.8	(- 7.3)	0.0	(+/- 0.0)	42.4	(- 0.2)
Hong Kong	16.0	(+ 4.5)	32.0	(+ 5.1)	40.0	(+ 1.5)	12.0	(-11.1)	0.0	(+/- 0.0)	26.0	(+12.6)
Guangzhou	15.4	(+/- 0.0)	53.8	(+15.3)	15.4	(- 7.6)	15.4	(- 7.7)	0.0	(+/- 0.0)	34.6	(+11.5)
Shenzhen	7.7	(-10.8)	50.0	(+ 5.6)	23.1	(+19.3)	19.2	(-14.1)	0.0	(+/- 0.0)	23.1	(- 1.0)
Tianjin	15.4	(+/- 0.0)	34.6	(+/- 0.0)	23.1	(- 3.9)	26.9	(+ 7.7)	0.0	(- 3.8)	19.3	(+/- 0.0)
Chongqing	15.4	(+ 3.9)	42.3	(+/- 0.0)	19.3	(-11.5)	19.2	(+11.5)	3.8	(- 3.9)	23.2	(+ 2.1)

Note: 31 analysts participated in the March survey, which was conducted during the period 2/28-3/16/2017. 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.