China Economic Panel (CEP)

// April 2018

Results of the April survey in detail

Economic Outlook for China Declines Further

In the April survey (20.3. – 05.04.2018), expectations for the Chinese economy fell once again, albeit slightly. The CEP indicator has dropped 2.4 points since last month, bringing it to a current level of minus 1.0 points (March 2018: 1.4 points).

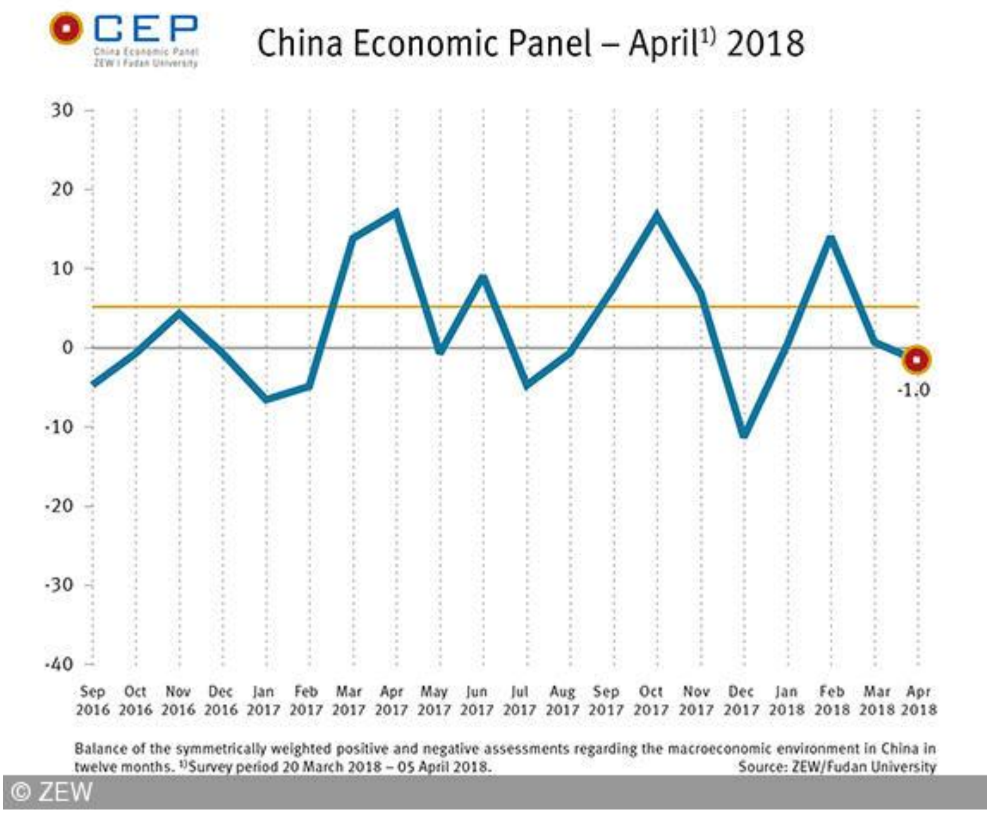
The current results of the CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, show that economic conditions are expected to remain largely unchanged over the current year.

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

By contrast, expert sentiment regarding the present economic environment has improved since March, with the indicator for this question rising by 6.6 points to 30.3 points. This shows that the surveyed experts have a positive assessment of the present economic situation. Looking forward, however, the present economic environment is not expected to improve over the next twelve months.

figure 1: CEP Indicator April 2018



source: ZEW/Fudan

Real GDP expectations remain unchanged in relation to the last month's survey, with the participating experts forecasting growth of 6.6 per cent in 2018 and 6.5 per cent in 2019.

"The current survey results were significantly impacted by international political discussion concerning trade barriers, tariffs, and the looming trade war between the US and China," says Dr. Michael Schröder,senior researcher in ZEW's Research Department "International Finance and Financial Management" and project leader of the CEP survey. Expectations concerning Chinese export growth fell by 41.1 points to minus 19.5 points. "The experts thus expect a considerable decline in Chinese exports," says Schröder.

This decline is even anticipated to impact China's share of global trade, as the current reading of 14.1 points for this question reflects a considerable weakening of expectations in relation to last month's result of 28.4 points.

"Overall, the surveyed experts anticipate a considerable deterioration in Chinese trade activities, as the outlook has also worsened with a view to Chinese direct investment abroad and foreign direct investment in China," Schröder concludes.

ZEW

ZEW/Fudan China Economic Panel: Results April 2018												
Current economic situation	**very good**		**good**		**normal**		**bad**		**very bad**		**balance**	
China	2.1	(- 5.8)	56.3	(+19.5)	41.6	(- 8.4)	0.0	(- 5.3)	0.0	(+/- 0.0)	30.3	(+ 6.6)
Eurozone	10.9	(- 9.1)	41.3	(- 4.4)	47.8	(+16.4)	0.0	(- 2.9)	0.0	(+/- 0.0)	31.6	(- 9.8)
USA	6.7	(- 7.6)	55.6	(-15.8)	37.7	(+23.4)	0.0	(+/- 0.0)	0.0	(+/- 0.0)	34.5	(-15.5)
Economic expectation (1 Y)	**improve**		**slightly improve**		**not change**		**slightly worsen**		**worsen**		**balance**	
China (CEP-Indicator)	2.1	(+ 2.1)	27.1	(- 4.5)	37.5	(- 2.0)	33.3	(+ 4.4)	0.0	(+/- 0.0)	-1.0	(- 2.4)
GDP (growth rate) in %	**2018Q2**	**2018Q3**	**2018**	**2019**								
China	6.7	6.6	6.6	6.5								
Eurozone	2.5	2.5	2.5	2.5								
USA	2.6	2.6	2.6	2.6								
Inflation (CPI) in %	**3 months**	**1 year**										
China	2.7 (1.8)	2.7 (2.1)										
Eurozone	1.3 (1.4)	1.4 (1.5)										
USA	2.3 (2.1)	2.3 (2.2)										
Wage Inflation in %	**3 months**	**1 year**										
China	8.5 (8.5)	8.4 (8.4)										
Eurozone	1.8 (2.4)	1.9 (1.9)										
USA	2.8 (2.8)	2.9 (2.8)										
Interest rates	**3 months**	**1 year**										
SHIBOR (3 months)	4.7 (4.8)	4.7 (4.8)										
One-year deposit rate	1.5 (1.5)	1.6 (1.6)										
One-year lending rate	4.4 (4.4)	4.5 (4.5)										
Stock market indices	**3 months**	**1 year**										
SSE Composite Index	3.303 (3.325)	3.437 (3.553)										
Hang Seng Index	31.171 (31.273)	31.642 (32.495)										
Growth Enterprise Market Index (SZ)	1.861	1.924										
WTI Crude Oil (US-Dollar)	64 (63)	65 (64)										
Monetary aggregate M2 (6 M)	**increase**		**slightly increase**		**not change**		**slightly decrease**		**decrease**		**balance**	
China M2 growth rate	4.9	(+ 1.5)	51.2	(-14.3)	24.4	(+10.5)	19.5	(+ 2.3)	0.0	(+/- 0.0)	20.8	(- 6.8)
Specific indicators China (1 Y)	**increase**		**slightly increase**		**not change**		**slightly decrease**		**decrease**		**balance**	
Foreign exchange reserves	4.9	(+ 1.7)	34.1	(-27.2)	17.1	(+ 1.0)	41.5	(+28.6)	2.4	(- 4.1)	-1.2	(-22.1)
FDI outflow (out of China)	4.9	(-11.2)	56.1	(+10.9)	17.0	(-12.0)	22.0	(+12.3)	0.0	(+/- 0.0)	22.0	(-11.9)
FDI inflow (into China)	0.0	(- 6.5)	34.1	(- 4.6)	26.9	(+ 4.3)	31.7	(+ 2.7)	7.3	(+ 4.1)	-6.1	(-14.3)
Export activity	0.0	(- 6.5)	26.8	(-34.5)	14.7	(+ 5.1)	51.2	(+35.1)	7.3	(+ 0.8)	-19.5	(-42.1)
Import activity	9.8	(-19.2)	41.5	(- 3.7)	24.3	(+11.4)	22.0	(+12.3)	2.4	(- 0.8)	17.2	(-26.4)
Private Consumption	9.8	(- 6.3)	51.2	(-10.1)	31.7	(+18.8)	7.3	(+ 7.3)	0.0	(- 9.7)	31.8	(- 5.3)
Private Investment	4.9	(+ 1.7)	51.2	(+ 6.0)	21.9	(+ 5.8)	17.1	(- 8.7)	4.9	(- 4.8)	17.1	(+13.9)
Govt. Consumption	14.6	(- 4.8)	46.3	(- 2.1)	19.6	(- 6.2)	19.5	(+16.3)	0.0	(- 3.2)	28.0	(-10.8)
Debt Domestic	9.8	(- 3.1)	51.2	(- 6.9)	29.2	(+19.5)	9.8	(- 6.3)	0.0	(- 3.2)	30.5	(- 0.2)
Debt Foreign	2.5	(- 0.9)	37.5	(- 3.9)	47.5	(+ 6.0)	12.5	(+ 2.2)	0.0	(- 3.4)	15.0	(- 0.6)
Employment rate	0.0	(+/- 0.0)	31.7	(+ 1.7)	56.1	(- 0.6)	12.2	(+ 2.2)	0.0	(- 3.3)	9.8	(+ 3.1)
Growth rate of new car registrations	10.3	(+ 0.3)	56.4	(-10.3)	17.9	(+ 4.6)	12.8	(+ 6.1)	2.6	(- 0.7)	29.5	(- 7.2)
Total share of world trade	7.7	(- 2.3)	46.2	(- 7.1)	15.3	(- 8.1)	28.2	(+18.2)	2.6	(- 0.7)	14.1	(-14.3)
Exchange rates	**3 months**	**1 year**										
Yuan / US-Dollar	6.33 (6.39)	6.44 (6.53)										
Yuan / Euro	7.81 (7.78)	7.92 (7.87)										
Sectors (1 Y)	**increase**		**slightly increase**		**not change**		**slightly decrease**		**decrease**		**balance**	
Retail banking	2.6	(- 7.7)	55.3	(+ 7.0)	28.9	(- 5.6)	13.2	(+ 6.3)	0.0	(+/- 0.0)	23.7	(- 7.3)
Investment banking	7.9	(- 2.4)	57.9	(- 0.7)	21.0	(+ 3.7)	13.2	(- 0.6)	0.0	(+/- 0.0)	30.3	(- 2.4)
Insurance	18.4	(- 5.7)	47.4	(+ 2.6)	21.1	(+ 3.8)	10.5	(- 3.3)	2.6	(+ 2.6)	34.3	(- 5.3)
Automotive	15.4	(+ 5.4)	46.2	(-13.8)	20.4	(+ 0.4)	15.4	(+ 5.4)	2.6	(+ 2.6)	28.2	(- 6.8)
Chemical / Pharmaceutical	15.4	(+ 5.4)	48.7	(- 1.3)	23.1	(- 6.9)	12.8	(+ 2.8)	0.0	(+/- 0.0)	33.4	(+ 3.4)
Machinery / Engineering	12.8	(- 0.5)	43.6	(+10.3)	25.7	(- 4.4)	17.9	(- 5.4)	0.0	(+/- 0.0)	25.7	(+ 7.4)
Electronics	10.0	(- 6.7)	52.5	(- 0.8)	27.5	(+ 7.5)	10.0	(+/- 0.0)	0.0	(+/- 0.0)	31.3	(- 7.1)
Retail and commerce	17.5	(+ 4.2)	55.0	(+ 1.7)	12.5	(- 4.3)	15.0	(+ 1.7)	0.0	(- 3.3)	37.5	(+ 7.5)
Construction	5.3	(- 8.0)	42.1	(+12.1)	18.4	(+ 8.3)	28.9	(-14.4)	5.3	(+ 2.0)	6.6	(+ 3.2)
Energy	15.8	(+ 2.0)	42.1	(- 9.6)	36.8	(+ 5.7)	5.3	(+ 1.9)	0.0	(+/- 0.0)	34.2	(- 3.8)
Information Technology	28.9	(+ 1.3)	57.9	(- 0.7)	7.9	(- 2.5)	5.3	(+ 1.9)	0.0	(+/- 0.0)	55.2	(+/- 0.0)
Services	36.8	(+12.7)	55.3	(+ 7.0)	7.9	(-12.8)	0.0	(- 6.9)	0.0	(+/- 0.0)	64.5	(+19.7)
Economic expectation (1 Y)	**improve**		**slightly improve**		**not change**		**slightly worsen**		**worsen**		**balance**	
Beijing	7.9	(+ 4.3)	44.7	(- 8.9)	39.5	(+ 0.3)	7.9	(+ 4.3)	0.0	(+/- 0.0)	26.3	(- 2.3)
Shanghai	13.2	(+ 6.1)	47.4	(- 6.2)	31.5	(- 4.2)	7.9	(+ 4.3)	0.0	(+/- 0.0)	33.0	(+ 0.9)
Hong Kong	2.7	(- 1.0)	29.7	(+ 0.1)	51.4	(+ 3.2)	16.2	(- 2.3)	0.0	(+/- 0.0)	9.5	(+ 0.2)
Guangzhou	10.5	(- 4.3)	52.6	(- 6.7)	29.0	(+ 6.8)	7.9	(+ 4.2)	0.0	(+/- 0.0)	32.9	(- 9.7)
Shenzhen	21.1	(-17.4)	60.5	(+10.5)	13.1	(+ 1.6)	5.3	(+ 5.3)	0.0	(+/- 0.0)	48.7	(-14.8)
Tianjin	13.2	(+ 2.1)	31.6	(+ 5.7)	36.8	(+ 3.4)	15.8	(-13.8)	2.6	(+ 2.6)	18.5	(+ 9.2)
Chongqing	18.4	(- 7.5)	44.7	(+11.4)	26.4	(+ 7.8)	7.9	(-14.3)	2.6	(+ 2.6)	34.2	(+ 2.7)
Real estate price expectation (1 Y)	**increase**		**slightly increase**		**not change**		**slightly decrease**		**decrease**		**balance**	
Beijing	10.3	(+ 6.6)	25.6	(- 0.3)	23.1	(- 6.6)	41.0	(+ 0.3)	0.0	(+/- 0.0)	2.6	(+ 6.3)
Shanghai	15.4	(+ 8.3)	17.9	(- 3.5)	30.8	(- 8.6)	35.9	(+ 3.8)	0.0	(+/- 0.0)	6.4	(+ 4.6)
Hong Kong	12.8	(+ 1.7)	25.6	(-15.1)	41.1	(+ 7.7)	20.5	(+ 5.7)	0.0	(+/- 0.0)	15.4	(- 8.7)
Guangzhou	5.1	(- 6.0)	38.5	(- 2.2)	41.0	(+ 0.2)	15.4	(+ 8.0)	0.0	(+/- 0.0)	16.7	(-11.1)
Shenzhen	7.7	(- 7.1)	38.5	(+12.6)	30.7	(-10.1)	23.1	(+ 4.6)	0.0	(+/- 0.0)	15.4	(- 3.1)
Tianjin	12.8	(+ 1.7)	25.6	(+ 3.4)	25.7	(-15.1)	30.8	(+12.3)	5.1	(- 2.3)	5.1	(- 0.5)
Chongqing	15.8	(+ 4.7)	26.3	(- 7.0)	36.8	(- 0.3)	15.8	(+ 1.0)	5.3	(+ 1.6)	15.8	(- 0.9)

Note: 48 analysts participated in the April survey, which was conducted during the period 3/20-4/5/2018. 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.