

China Economic Panel (CEP)

// May 2018

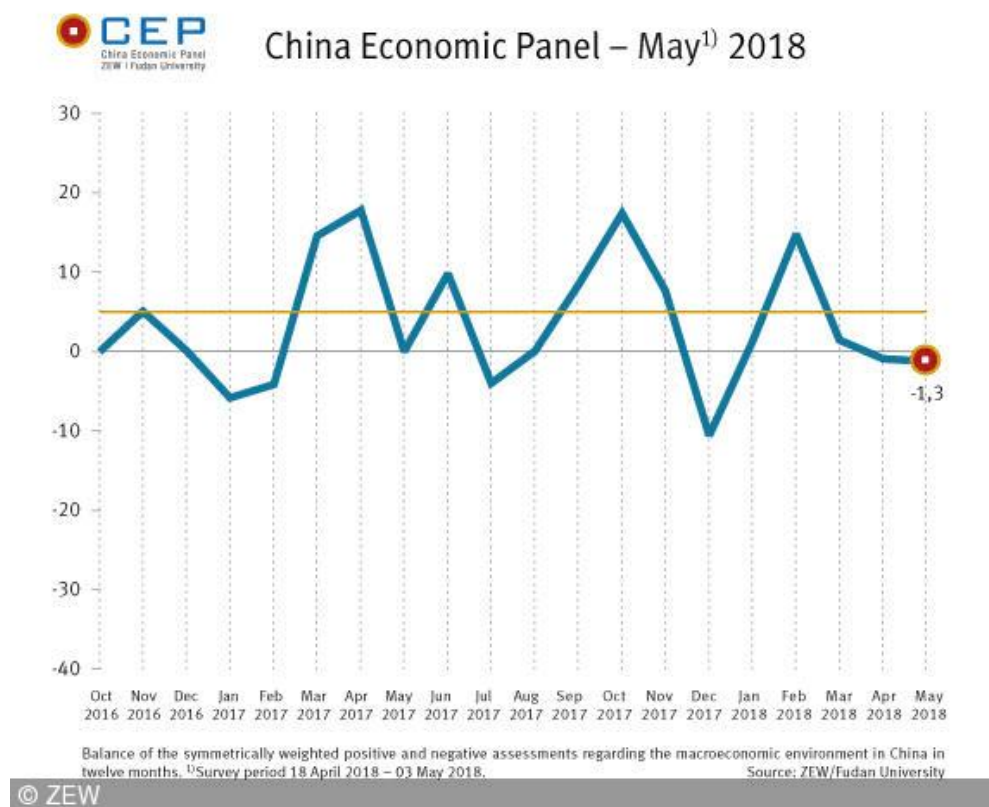
Results of the May survey in detail

Expectations Remain Almost Unchanged

According to the most recent survey for May (18/04/2018–03/05/2018), the economic outlook for China dropped by 0.3 points to a new value of minus 1.3 points. The most recent reading of the CEP indicator, which reflects the expectations of international financial market experts with regard to economic development in China over the coming twelve months, seems to suggest that the current economic situation will likely remain unchanged until well into the year 2019.

Although at 25.0 the reading for the current economic situation in China is 5.3 points lower than for the previous month, this is still a fairly positive assessment and well above the average reading of 2.9 points (since the survey began in May 2013).

figure 1: CEP Indicator May 2018



source: ZEW/Fudan

The financial market experts polled in the current survey predict real GDP in China to grow by 6.7 per cent in 2018 and 6.5 per cent in 2019.

Expectations regarding China's exports have recovered slightly following a steep decline over the previous few months. The corresponding indicator currently stands at minus 10.6 points, 8.9 points higher than in the previous month. The indicator, however, still remains significantly below the long-term average of 18.9 points. "This shows that fears over a potential trade war between the US and China have continued to have a dampening effect on expectations," says Dr. Michael Schröder, senior researcher in the ZEW Research Department "International Finance and Financial Management" and project leader for the CEP survey.

The survey participants seem to be expecting internal economic growth forces to strengthen over the coming twelve months given that their expectations regarding government consumption (current reading: 42.5 points, an increase of 1.45 points compared to last month), private consumption (42.6 points, increase of 10.8 points) and private investment (23.5 points, increase of 6.4 points) have all noticeably improved.

ZEW/Fudan China Economic Panel: Results May 2018											
Current economic situation	very good		good		normal		bad		very bad		balance
China	5.0	(+2.9)	47.5	(-8.8)	42.5	(+0.9)	2.5	(+2.5)	2.5	(+2.5)	25.0 (-5.3)
Eurozone	8.1	(-2.8)	32.4	(-8.9)	56.8	(+9.0)	2.7	(+2.7)	0.0	(+/- 0.0)	23.0 (-8.6)
USA	21.6	(+14.9)	37.8	(-17.8)	37.9	(+0.2)	2.7	(+2.7)	0.0	(+/- 0.0)	39.2 (+4.7)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
China (CEP-Indicator)	2.5	(+0.4)	30.0	(+2.9)	32.5	(-5.0)	32.5	(-0.8)	2.5	(+2.5)	-1.3 (-0.3)
GDP (growth rate) in %	2018Q2		2018Q3		2018		2018		2019		
China	6.7		6.6		6.7		6.7		6.5		
Eurozone	2.4		2.4		2.4		2.4		2.4		
USA	2.6		2.6		2.6		2.6		2.6		
Inflation (CPI) in %	3 months				1 year						
China	2.1 (2.7)				2.3 (2.7)						
Eurozone	1.4 (1.3)				1.5 (1.4)						
USA	2.4 (2.3)				2.5 (2.3)						
Wage Inflation in %	3 months				1 year						
China	8.9 (8.5)				8.8 (8.4)						
Eurozone	1.7 (1.8)				1.8 (1.9)						
USA	2.8 (2.8)				3.0 (2.9)						
Interest rates	3 months				1 year						
SHIBOR (3 months)	4.2 (4.7)				4.3 (4.7)						
One-year deposit rate	1.5 (1.5)				1.6 (1.6)						
One-year lending rate	4.4 (4.4)				4.4 (4.5)						
Stock market indices	3 months				1 year						
SSE Composite Index	3,123 (3,303)				3,328 (3,437)						
Hang Seng Index	30,730 (31,171)				31,429 (31,642)						
Growth Enterprise Market Index (SZ)	1,829 (1,861)				1,951 (1,924)						
WTI Crude Oil (US-Dollar)	69 (64)				69 (65)						
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance
China M2 growth rate	8.8	(+3.9)	52.9	(+1.7)	23.6	(-0.8)	14.7	(-4.8)	0.0	(+/- 0.0)	27.9 (+7.1)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Foreign exchange reserves	6.1	(+1.2)	21.2	(-12.9)	42.4	(+25.3)	27.3	(-14.2)	3.0	(+0.6)	0.0 (+1.2)
FDI outflow (out of China)	15.2	(+10.3)	33.3	(-22.8)	24.2	(+7.2)	27.3	(+5.3)	0.0	(+/- 0.0)	18.2 (-3.8)
FDI inflow (into China)	3.0	(+3.0)	33.3	(-0.8)	30.4	(+3.5)	24.2	(-7.5)	9.1	(+1.8)	-1.6 (+4.5)
Export activity	3.0	(+3.0)	39.4	(+12.6)	3.1	(-11.6)	42.4	(-8.8)	12.1	(+4.8)	-10.6 (+8.9)
Import activity	21.2	(+11.4)	36.4	(-5.1)	15.1	(-9.2)	18.2	(-3.8)	9.1	(+6.7)	21.2 (+4.0)
Private Consumption	14.7	(+4.9)	67.6	(+16.4)	5.9	(-25.8)	11.8	(+4.5)	0.0	(+/- 0.0)	42.6 (+10.8)
Private Investment	8.8	(+3.9)	52.9	(+1.7)	20.6	(-1.3)	11.8	(-5.3)	5.9	(+1.0)	23.5 (+6.4)
Govt. Consumption	18.2	(+3.6)	51.5	(+5.2)	27.3	(+7.7)	3.0	(-16.5)	0.0	(+/- 0.0)	42.5 (+14.5)
Debt Domestic	20.6	(+10.8)	26.5	(-24.7)	29.4	(+0.2)	23.5	(+13.7)	0.0	(+/- 0.0)	22.1 (-8.4)
Debt Foreign	6.1	(+3.6)	30.3	(-7.2)	39.4	(-8.1)	24.2	(+11.7)	0.0	(+/- 0.0)	9.2 (-5.8)
Employment rate	6.1	(+6.1)	30.3	(-1.4)	54.5	(-1.6)	9.1	(-3.1)	0.0	(+/- 0.0)	16.7 (+6.9)
Growth rate of new car registrations	9.1	(-1.2)	51.5	(-4.9)	27.3	(+9.4)	12.1	(-0.7)	0.0	(-2.6)	28.8 (-0.7)
Total share of world trade	8.8	(+1.1)	38.2	(-8.0)	20.7	(+5.4)	29.4	(+1.2)	2.9	(+0.3)	10.3 (-3.8)
Exchange rates	3 months				1 year						
Yuan / US-Dollar	6.31 (6.33)				6.40 (6.44)						
Yuan / Euro	7.78 (7.81)				7.83 (7.92)						
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Retail banking	12.5	(+9.9)	65.6	(+10.3)	12.5	(-16.4)	6.3	(-6.9)	3.1	(+3.1)	39.1 (+15.4)
Investment banking	18.8	(+10.9)	53.1	(-4.8)	12.5	(-8.5)	15.6	(+2.4)	0.0	(+/- 0.0)	37.6 (+7.3)
Insurance	30.3	(+11.9)	45.5	(-1.9)	18.1	(-3.0)	6.1	(-4.4)	0.0	(-2.6)	50.0 (+15.7)
Automotive	12.1	(-3.3)	42.4	(-3.8)	33.4	(+13.0)	9.1	(-6.3)	3.0	(+0.4)	25.8 (-2.4)
Chemical / Pharmaceutical	15.2	(-0.2)	48.5	(-0.2)	30.2	(+7.1)	6.1	(-6.7)	0.0	(+/- 0.0)	36.4 (+3.0)
Machinery / Engineering	15.6	(+2.8)	34.4	(-9.2)	28.1	(+2.4)	21.9	(+4.0)	0.0	(+/- 0.0)	21.9 (-3.8)
Electronics	17.6	(+7.6)	38.2	(-14.3)	32.4	(+4.9)	11.8	(+1.8)	0.0	(+/- 0.0)	30.8 (-0.5)
Retail and commerce	14.7	(-2.8)	61.8	(+6.8)	14.7	(+2.2)	8.8	(-6.2)	0.0	(+/- 0.0)	41.2 (+3.7)
Construction	15.2	(+9.9)	36.4	(-5.7)	21.2	(+2.8)	24.2	(-4.7)	3.0	(-2.3)	18.3 (+11.7)
Energy	12.5	(-3.3)	56.3	(+14.2)	21.8	(-15.0)	9.4	(+4.1)	0.0	(+/- 0.0)	36.0 (+1.8)
Information Technology	25.0	(-3.9)	59.4	(+1.5)	9.3	(+1.4)	6.3	(+1.0)	0.0	(+/- 0.0)	51.6 (-3.6)
Services	31.3	(-5.5)	62.5	(+7.2)	6.2	(-1.7)	0.0	(+/- 0.0)	0.0	(+/- 0.0)	62.6 (-1.9)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
Beijing	9.1	(+1.2)	45.5	(+0.8)	30.2	(-9.3)	15.2	(+7.3)	0.0	(+/- 0.0)	24.3 (-2.0)
Shanghai	18.2	(+5.0)	42.4	(-5.0)	30.3	(-1.2)	9.1	(+1.2)	0.0	(+/- 0.0)	34.9 (+1.9)
Hong Kong	6.1	(+3.4)	36.4	(+6.7)	30.2	(-21.2)	27.3	(+11.1)	0.0	(+/- 0.0)	10.7 (+1.2)
Guangzhou	12.5	(+2.0)	46.9	(-5.7)	34.3	(+5.3)	6.3	(-1.6)	0.0	(+/- 0.0)	32.8 (-0.1)
Shenzhen	37.5	(+16.4)	40.6	(-19.9)	15.6	(+2.5)	6.3	(+1.0)	0.0	(+/- 0.0)	54.7 (+6.0)
Tianjin	12.5	(-0.7)	37.5	(+5.9)	21.8	(-15.0)	18.8	(+3.0)	9.4	(+6.8)	12.5 (-6.0)
Chongqing	21.9	(+3.5)	46.9	(+2.2)	12.5	(-13.9)	15.6	(+7.7)	3.1	(+0.5)	34.5 (+0.3)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Beijing	6.1	(-4.2)	30.3	(+4.7)	33.3	(+10.2)	30.3	(-10.7)	0.0	(+/- 0.0)	6.1 (+3.5)
Shanghai	8.8	(-6.6)	26.5	(+8.6)	38.2	(+7.4)	26.5	(-9.4)	0.0	(+/- 0.0)	8.8 (+2.4)
Hong Kong	20.6	(+7.8)	20.6	(-5.0)	38.3	(-2.8)	17.6	(-2.9)	2.9	(+2.9)	19.2 (+3.8)
Guangzhou	12.1	(+7.0)	27.3	(-11.2)	36.4	(-4.6)	21.2	(+5.8)	3.0	(+3.0)	12.2 (-4.5)
Shenzhen	18.2	(+10.5)	24.2	(-14.3)	36.4	(+5.7)	21.2	(-1.9)	0.0	(+/- 0.0)	19.7 (+4.3)
Tianjin	9.1	(-3.7)	21.2	(-4.4)	36.3	(+10.6)	27.3	(-3.5)	6.1	(+1.0)	-0.1 (-5.2)
Chongqing	9.1	(-6.7)	45.5	(+19.2)	27.2	(-9.6)	12.1	(-3.7)	6.1	(+0.8)	19.7 (+3.9)

Note: 40 analysts participated in the May survey, which was conducted during the period 4/18-5/3/2018. 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.