

China Economic Panel (CEP)

// July 2020

Results of the July survey in detail

Outlook Remains Cautious

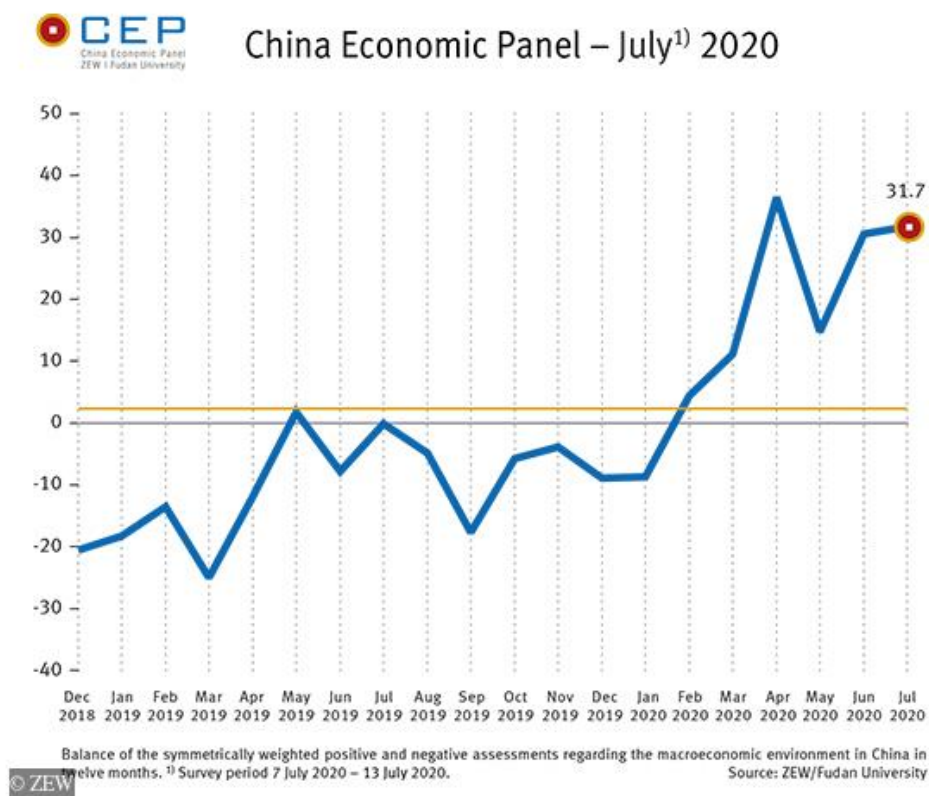
CEP Indicator Rises to a New Reading of 31.7 Points

In the current July survey (7–13 July 2020), the CEP indicator increased slightly by 1.2 points, reaching a new value of 31.7 points.

The CEP indicator, based on the China Economic Panel (CEP) in cooperation with Fudan University, Shanghai, reflects the economic expectations of international financial market experts for China on a 12-month basis.

“This change in month-on-month sentiment indicates that the upward momentum is expected to weaken,” says Dr. Michael Schröder, project manager of the CEP survey and senior researcher in the Research Department “International Finance and Financial Management” at ZEW Mannheim.

figure 1: CEP Indicator July 2020



source: ZEW/Fudan

The share of experts expecting a strong improvement declined from 33.3 per cent to 21.1 per cent. A majority (52.6 per cent) anticipates the economy to improve only slightly over the next 12 months.

“The recently published figures for real gross domestic product (GDP) growth in the second quarter, which was surprisingly high at 3.2 per cent year-on-year, are likely to decline again in the second half of the year, which is in line with these estimates,” says Michael Schröder in light of the current survey data.

For the third quarter, the participants expect real GDP to increase by only 1.0 per cent year-on-year, and by 2.7 per cent for the fourth quarter. This means that growth estimates for the entire year are also continuing to decline and are only at 0.8 per cent in the current survey. Growth forecasts for 2021 are also worsening, currently standing at 4.0 per cent year-on-year. “A major reason for this rather subdued outlook by Chinese standards could be the continued reluctance of private consumers to spend,” assumes Schröder. Expectations for the next 12 months for both private consumption and private investment have fallen significantly. The experts believe that the employment situation will also deteriorate significantly as a result of continuing economic weakness.

The rise in expectations for government consumption shows that the government is expected to remain strongly committed to economic policy. As a result of the continued practice of active economic policy and, nevertheless, relatively weak growth, experts are forecasting a significant increase in debt. In light of these estimates, the surprisingly strong economic growth in the second quarter is put into perspective. The experts surveyed in the context of the CEP Indicator therefore anticipate that the Chinese economy will continue to face problems for some time to come.

ZEW/Fudan China Economic Panel: Results July 2020										
Current economic situation	very good		good		normal		bad		very bad	
China	0.0	(-2.7)	25.0	(+0.7)	40.0	(+21.1)	25.0	(-26.4)	10.0	(+7.3)
Eurozone	5.0	(+2.1)	0.0	(-23.5)	35.0	(+20.3)	50.0	(+17.6)	10.0	(-16.5)
USA	0.0	(-5.9)	10.0	(-10.6)	20.0	(+5.4)	60.0	(+33.5)	10.0	(-22.4)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen	
China (CEP-Indicator)	21.1	(-12.2)	52.6	(+19.3)	5.3	(-0.3)	10.5	(-6.2)	10.5	(-0.6)
GDP (growth rate) in %	2020Q3		2020Q4		2020		2021			
China	1.0		2.7		0.8		4.0			
Eurozone	-2.0		-0.7		-2.2		1.0			
USA	-2.4		-1.1		-2.2		1.2			
Inflation (CPI) in %	3 months				1 year					
China	2.7 (3.6)				2.9 (3.8)					
Eurozone	0.3 (0.8)				0.4 (1.0)					
USA	0.7 (1.1)				1.0 (1.3)					
Wage Inflation in %	3 months				1 year					
China	5.6 (4.4)				6.7 (5.1)					
Eurozone	2.1 (1.0)				2.3 (1.9)					
USA	0.4 (1.1)				1.5 (2.5)					
Interest rates	3 months				1 year					
SHIBOR (3 months)	2.1 (1.8)				2.2 (1.7)					
One-year deposit rate	2.8 (2.5)				2.7 (2.4)					
One-year lending rate	4.3 (4.2)				4.2 (4.1)					
Stock market indices	3 months				1 year					
SSE Composite Index	3,274 (2,849)				3,413 (2,960)					
Hang Seng Index	25,587 (24,613)				25,129 (24,765)					
Growth Enterprise Market Index (SZ)	2,614 (2,043)				2,657 (2,139)					
WTI Crude Oil (US-Dollar)	40 (35)				45 (41)					
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease	
China M2 growth rate	31.6	(+17.8)	47.4	(+12.9)	15.7	(+8.8)	5.3	(-8.5)	0.0	(-31.0)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease	
Foreign exchange reserves	5.0	(-15.7)	20.0	(-11.0)	20.0	(+2.7)	40.0	(+19.3)	15.0	(+4.7)
FDI outflow (out of China)	0.0	(-16.1)	35.0	(+6.0)	5.0	(-1.5)	35.0	(+9.2)	25.0	(+2.4)
FDI inflow (into China)	5.0	(-11.1)	25.0	(+2.4)	5.0	(+5.0)	25.0	(-10.5)	40.0	(+14.2)
Export activity	10.0	(-17.3)	20.0	(-13.3)	10.0	(+4.0)	35.0	(+16.8)	25.0	(+9.8)
Import activity	15.0	(-0.2)	25.0	(-14.4)	0.0	(-2.9)	25.0	(-2.3)	35.0	(+19.8)
Private Consumption	10.0	(-11.2)	40.0	(-2.4)	15.0	(+12.0)	25.0	(-2.3)	10.0	(+3.9)
Private Investment	10.0	(-17.3)	40.0	(+9.7)	10.0	(+0.9)	10.0	(-11.2)	30.0	(+17.9)
Govt. Consumption	55.0	(+12.6)	30.0	(+11.9)	10.0	(+7.0)	0.0	(-18.2)	5.0	(-13.2)
Debt Domestic	45.0	(+17.7)	50.0	(+19.7)	5.0	(-7.1)	0.0	(-12.1)	0.0	(-18.2)
Debt Foreign	30.0	(+23.7)	20.0	(-11.3)	35.0	(-2.4)	15.0	(+2.5)	0.0	(-12.5)
Employment rate	10.0	(-17.3)	15.0	(-15.3)	15.0	(-0.1)	25.0	(+6.8)	35.0	(+25.9)
Growth rate of new car registrations	10.0	(-11.2)	30.0	(-3.3)	20.0	(+7.8)	20.0	(-1.2)	20.0	(+7.9)
Total share of world trade	15.0	(-9.2)	20.0	(-16.4)	15.0	(+5.9)	40.0	(+15.8)	10.0	(+3.9)
Exchange rates	3 months				1 year					
Yuan / US-Dollar	7.02 (7.11)				7.11 (7.22)					
Yuan / Euro	7.92 (7.83)				7.97 (7.93)					
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease	
Retail banking	15.0	(+0.7)	35.0	(+2.9)	5.0	(-16.4)	35.0	(+17.1)	10.0	(-4.3)
Investment banking	35.0	(+20.7)	20.0	(-1.4)	15.0	(-2.9)	20.0	(-15.7)	10.0	(-0.7)
Insurance	25.0	(+0.0)	25.0	(-7.1)	30.0	(+12.1)	10.0	(-0.7)	10.0	(-4.3)
Automotive	10.0	(-10.0)	30.0	(-10.0)	20.0	(+10.0)	25.0	(+8.3)	15.0	(+1.7)
Chemical / Pharmaceutical	25.0	(+11.7)	30.0	(-3.3)	30.0	(+6.6)	10.0	(-10.0)	5.0	(-5.0)
Machinery / Engineering	35.0	(+18.3)	15.0	(-8.3)	30.0	(+6.7)	10.0	(-10.0)	10.0	(-6.7)
Electronics	30.0	(+12.1)	20.0	(-19.3)	30.0	(+12.2)	15.0	(-10.0)	5.0	(+5.0)
Retail and commerce	10.0	(-2.9)	50.0	(+8.1)	15.0	(-4.3)	20.0	(+0.6)	5.0	(-1.5)
Construction	30.0	(+19.7)	35.0	(+4.0)	25.0	(-2.7)	5.0	(-8.8)	5.0	(-12.2)
Energy	15.0	(+1.2)	45.0	(+20.9)	20.0	(-11.1)	10.0	(-7.2)	10.0	(-3.8)
Information Technology	30.0	(+10.0)	55.0	(+25.0)	10.0	(-10.0)	5.0	(-18.3)	0.0	(-6.7)
Services	20.0	(+3.3)	25.0	(-8.3)	25.0	(+11.7)	15.0	(-15.0)	15.0	(+8.3)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen	
Beijing	5.3	(-11.9)	42.1	(+14.5)	15.7	(-8.5)	21.1	(-8.9)	15.8	(+15.8)
Shanghai	21.1	(+10.8)	52.6	(+21.6)	10.5	(-13.8)	15.8	(-15.2)	0.0	(-3.4)
Hong Kong	5.3	(-8.5)	26.3	(-1.3)	21.0	(+17.6)	26.3	(-15.1)	21.1	(+7.3)
Guangzhou	15.8	(+1.5)	42.1	(+20.7)	26.3	(-2.3)	5.3	(-26.8)	10.5	(+6.9)
Shenzhen	26.3	(+12.0)	26.3	(-5.8)	15.8	(-2.1)	21.1	(-11.0)	10.5	(+6.9)
Tianjin	5.3	(-23.3)	31.6	(+13.7)	15.7	(+1.4)	26.3	(-5.8)	21.1	(+14.0)
Chongqing	21.1	(-7.5)	15.8	(+1.5)	15.7	(-9.2)	31.6	(+3.0)	15.8	(+12.2)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease	
Beijing	10.0	(+3.1)	25.0	(+4.3)	40.0	(+2.0)	25.0	(+0.9)	0.0	(-10.3)
Shanghai	10.0	(+3.1)	40.0	(+22.8)	25.0	(-19.9)	25.0	(+4.3)	0.0	(-10.3)
Hong Kong	5.0	(-5.7)	30.0	(+12.1)	0.0	(-25.0)	45.0	(+12.9)	20.0	(+5.7)
Guangzhou	5.0	(-5.3)	30.0	(+19.7)	30.0	(-18.4)	25.0	(+4.3)	10.0	(-0.3)
Shenzhen	5.0	(-5.3)	45.0	(+27.8)	5.0	(-26.1)	35.0	(+7.4)	10.0	(-3.8)
Tianjin	0.0	(-17.2)	10.0	(-3.8)	35.0	(-3.0)	50.0	(+25.9)	5.0	(-1.9)
Chongqing	0.0	(-13.8)	20.0	(+2.8)	35.0	(-3.0)	40.0	(+19.3)	5.0	(-5.3)

Note: 20 analysts participated in the July survey, which was conducted during the period 7/7-7/13/2020. 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.