China Economic Panel (CEP)

// September 2018

Results of the September survey in detail

Economic Outlook for China Nosedives

In the most recent survey for September (05-20/09/2018), economic expectations for China experienced a considerable drop. The CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, currently stands at minus 16.0 points, 12.3 points lower than in the previous month (August 2018: minus 3.7 points).

This means that the indicator has remained below the long-term average of 4.0 points since March 2018. The assessment of the current economic situation in China also worsened compared to the previous month, with the indicator dropping 7.5 points to a reading of 1.8 points. The assessment of the current situation has therefore experienced a decrease of 30.5 points since February 2018, when an interim high of 32.3 points was recorded.

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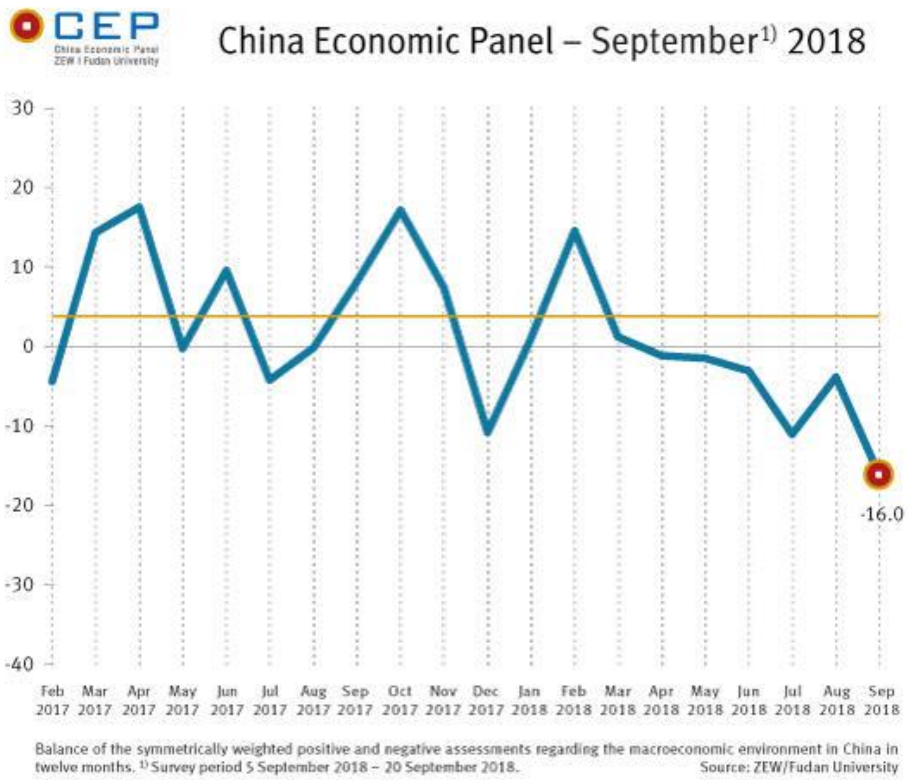
According to the surveyed experts, both exports and private investment are set to develop more negatively over the next six months than previously predicted.

figure 1: CEP Indicator September 2018



source: ZEW/Fudan

Both indicators decreased by 22 points compared to the previous month and currently exhibit negative readings. There is also growing scepticism among the experts over the outlook for China's share in global trade. The corresponding indicator currently stands at 12 points following a drop of 9.7 points compared to the previous month.

The experts' assessment of the medium-term development for China's exports sunk to an historic low of minus 10 points. That being said, this indicator is highly volatile since it is a direct reflection of the latest developments in China's trade dispute with the US. "The renewed tensions in this conflict following the US government's announcement of additional punitive tariffs and the resulting retaliatory measures from the Chinese government have caused this indicator to nosedive once again in the latest survey," says Dr. Michael Schröder, senior researcher in the ZEW Research Department "International Finance and Financial Management" and project leader of the CEP survey.

The surveyed experts expect the yuan to remain fairly stable in relation to the US dollar and the euro both over the course of the next three months and in a year's time. Their assessment of China's foreign exchange reserves (decrease of 30.8 points to a new reading of minus 12.0 points), however, shows that the stability of the currency is partially dependent on supportive measures from the government. It therefore remains to be seen when the latent devaluation pressure on the yuan will actually be reflected in exchange rates.

ZEW/Fudan China Economic Panel: Results September 2018												
Current economic situation	very good		good		normal		bad		very bad		balance	
China	0.0	(+/- 0.0)	17.9	(-15.4)	67.8	(+12.2)	14.3	(+ 6.9)	0.0	(- 3.7)	1.8	(- 7.5)
Eurozone	0.0	(+/- 0.0)	19.2	(-10.0)	69.3	(+15.2)	11.5	(- 5.2)	0.0	(+/- 0.0)	3.9	(- 2.4)
USA	7.7	(- 4.8)	42.3	(+21.5)	15.4	(- 1.3)	26.9	(-10.6)	7.7	(- 4.8)	7.7	(+16.1)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-Indicator)	3.6	(-11.2)	21.4	(- 0.8)	21.5	(+10.3)	46.4	(+ 2.0)	7.1	(- 0.3)	-16.0	(-12.3)
GDP (growth rate) in %	2018Q3				2018Q4				2018		2019	
China	6.5				6.5				6.6		6.4	
Eurozone	2.1				2.1				2.1		2.0	
USA	2.7				2.7				2.6		2.6	
Inflation (CPI) in %			3 months						1 year			
China			2.3 (2.0)						2.4 (2.3)			
Eurozone			1.6 (1.6)						1.7 (1.6)			
USA			2.8 (2.7)						2.8 (2.7)			
Wage Inflation in %			3 months						1 year			
China			7.9 (8.3)						7.8 (8.4)			
Eurozone			1.8 (1.7)						1.8 (1.8)			
USA			2.9 (2.8)						3.0 (2.9)			
Interest rates			3 months						1 year			
SHIBOR (3 months)			2.9 (3.8)						2.9 (3.9)			
One-year deposit rate			1.5 (1.5)						1.5 (1.7)			
One-year lending rate			4.3 (4.4)						4.4 (4.5)			
Stock market indices			3 months						1 year			
SSE Composite Index			2.712 (2.753)						2.837 (2.893)			
Hang Seng Index			27.007 (27.823)						27.853 (28.044)			
Growth Enterprise Market Index (SZ)			1.435 (1.509)						1.462 (1.572)			
WTI Crude Oil (US-Dollar)			70 (69)						71 (73)			
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	8.3	(+ 4.0)	37.5	(+11.4)	12.5	(+ 3.7)	29.2	(- 9.9)	12.5	(- 9.2)	0.0	(+23.9)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	4.0	(- 8.5)	28.0	(-13.7)	16.0	(- 4.8)	44.0	(+23.2)	8.0	(+ 3.8)	-12.0	(-30.8)
FDI outflow (out of China)	0.0	(-12.0)	40.0	(+ 4.0)	24.0	(+ 8.0)	28.0	(- 4.0)	8.0	(+ 4.0)	-2.0	(-12.0)
FDI inflow (into China)	8.0	(-12.0)	24.0	(+/- 0.0)	36.0	(+12.0)	28.0	(+ 4.0)	4.0	(- 4.0)	2.0	(-10.0)
Export activity	4.0	(-12.0)	32.0	(- 8.0)	16.0	(+12.0)	36.0	(+ 4.0)	12.0	(+ 4.0)	-10.0	(-22.0)
Import activity	4.0	(- 4.0)	40.0	(+/- 0.0)	24.0	(+24.0)	20.0	(-20.0)	12.0	(+/- 0.0)	2.0	(+ 6.0)
Private Consumption	0.0	(-16.0)	36.0	(+12.0)	40.0	(+16.0)	16.0	(- 8.0)	8.0	(- 4.0)	2.0	(- 2.0)
Private Investment	4.0	(-12.0)	28.0	(- 8.0)	28.0	(+12.0)	28.0	(+ 4.0)	12.0	(+ 4.0)	-8.0	(-22.0)
Govt. Consumption	20.0	(- 4.0)	28.0	(+/- 0.0)	16.0	(+ 8.0)	20.0	(+ 4.0)	16.0	(- 8.0)	8.0	(+ 2.0)
Debt Domestic	12.5	(- 8.3)	45.8	(+25.0)	4.2	(-16.7)	25.0	(+ 4.2)	12.5	(- 4.2)	10.4	(+ 6.3)
Debt Foreign	4.3	(-13.1)	52.2	(+17.4)	26.1	(- 4.4)	17.4	(+13.1)	0.0	(-13.0)	21.7	(+ 2.0)
Employment rate	0.0	(- 8.7)	33.3	(+11.6)	45.9	(+11.0)	8.3	(-13.4)	12.5	(- 0.5)	0.0	(+ 4.3)
Growth rate of new car registrations	4.0	(- 4.7)	20.0	(-10.4)	44.0	(+35.2)	32.0	(-15.8)	0.0	(- 4.3)	-2.0	(+ 2.3)
Total share of world trade	8.0	(-13.7)	32.0	(- 2.8)	36.0	(+27.3)	24.0	(-10.8)	0.0	(+/- 0.0)	12.0	(- 9.7)
Exchange rates			3 months						1 year			
Yuan / US-Dollar			6.87 (6.91)						6.93 (7.00)			
Yuan / Euro			7.93 (7.98)						8.06 (8.11)			
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	8.7	(- 4.3)	17.4	(- 4.3)	21.7	(+17.3)	52.2	(+/- 0.0)	0.0	(- 8.7)	-8.7	(+ 2.3)
Investment banking	13.0	(+/- 0.0)	34.8	(+ 4.4)	17.4	(+ 8.6)	34.8	(- 4.3)	0.0	(- 8.7)	13.0	(+13.1)
Insurance	8.7	(- 8.7)	30.4	(+ 8.7)	17.5	(+13.1)	39.1	(- 8.7)	4.3	(- 4.4)	0.0	(+ 4.4)
Automotive	8.3	(- 8.4)	25.0	(- 4.2)	20.9	(+ 8.4)	37.5	(+ 4.2)	8.3	(+/- 0.0)	-6.3	(-12.7)
Chemical / Pharmaceutical	0.0	(-16.7)	25.0	(+/- 0.0)	33.3	(+25.0)	37.5	(+ 4.2)	4.2	(-12.5)	-10.5	(- 6.3)
Machinery / Engineering	8.3	(- 8.4)	16.7	(-12.4)	25.0	(+25.0)	45.8	(+ 8.3)	4.2	(-12.5)	-10.5	(- 6.3)
Electronics	8.0	(-21.2)	16.0	(- 4.8)	24.0	(+19.8)	48.0	(+14.7)	4.0	(- 8.5)	-12.0	(-22.5)
Retail and commerce	0.0	(-16.0)	28.0	(- 4.0)	44.0	(+28.0)	24.0	(- 4.0)	4.0	(- 4.0)	-2.0	(-12.0)
Construction	4.2	(- 8.8)	37.5	(+11.4)	12.5	(- 5.0)	37.5	(+ 7.1)	8.3	(- 4.7)	-4.1	(- 1.9)
Energy	4.3	(- 8.7)	26.1	(+/- 0.0)	34.8	(+26.1)	17.4	(- 8.7)	17.4	(- 8.7)	-8.8	(+ 4.3)
Information Technology	13.0	(-13.1)	34.8	(+17.4)	8.7	(+ 4.3)	26.1	(- 4.3)	17.4	(- 4.3)	-0.1	(+ 2.0)
Services	13.0	(- 8.7)	34.8	(+21.8)	17.4	(+ 4.3)	26.1	(- 8.7)	8.7	(- 8.7)	8.7	(+15.3)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
Beijing	4.3	(- 8.2)	26.1	(+ 5.3)	34.8	(+ 9.8)	34.8	(- 2.7)	0.0	(- 4.2)	0.0	(+ 0.1)
Shanghai	8.7	(- 3.8)	21.7	(- 7.5)	30.5	(+ 9.7)	39.1	(+14.1)	0.0	(-12.5)	0.0	(- 2.1)
Hong Kong	4.3	(- 4.0)	13.0	(- 3.7)	30.5	(-11.2)	52.2	(+18.9)	0.0	(+/- 0.0)	-15.3	(-15.3)
Guangzhou	21.7	(+ 9.2)	21.7	(- 7.5)	17.5	(+ 9.2)	34.8	(- 2.7)	4.3	(- 8.2)	10.9	(+15.1)
Shenzhen	26.1	(+17.8)	30.4	(+ 1.2)	17.5	(+ 0.8)	21.7	(+ 0.9)	4.3	(-20.7)	26.2	(+38.7)
Tianjin	17.4	(+ 0.7)	17.4	(-11.8)	34.8	(+18.2)	26.1	(+ 5.3)	4.3	(-12.4)	8.8	(+ 4.6)
Chongqing	21.7	(+ 9.2)	21.7	(- 7.5)	30.5	(+13.9)	26.1	(+ 1.1)	0.0	(-16.7)	19.5	(+21.6)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Beijing	8.3	(- 4.2)	41.7	(+/- 0.0)	8.3	(- 4.2)	37.5	(+16.7)	4.2	(- 8.3)	6.2	(- 4.3)
Shanghai	8.3	(+/- 0.0)	41.7	(+/- 0.0)	12.5	(- 4.2)	33.3	(+12.5)	4.2	(- 8.3)	8.3	(+ 2.0)
Hong Kong	8.3	(+ 4.1)	29.2	(- 4.1)	16.7	(+/- 0.0)	45.8	(+ 8.3)	0.0	(- 8.3)	0.0	(+ 6.2)
Guangzhou	8.3	(- 4.2)	33.3	(+/- 0.0)	25.1	(+/- 0.0)	25.0	(+ 4.2)	8.3	(+/- 0.0)	4.2	(- 6.3)
Shenzhen	4.2	(- 4.1)	41.7	(+/- 0.0)	20.7	(- 8.5)	29.2	(+16.7)	4.2	(- 4.1)	6.3	(- 8.3)
Tianjin	4.2	(- 4.1)	33.3	(-12.5)	41.6	(+24.9)	16.7	(- 8.3)	4.2	(+/- 0.0)	8.3	(- 6.2)
Chongqing	8.3	(+/- 0.0)	37.5	(- 8.3)	41.7	(+20.8)	8.3	(-12.5)	4.2	(+/- 0.0)	18.7	(+ 2.1)

Note: 28 analysts participated in the September survey, which was conducted during the period 9/5-9/20/2018. 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.