

# China Economic Panel (CEP)

// October 2019

Results of the October survey in detail

## Expectations for Chinese Economy Recovering

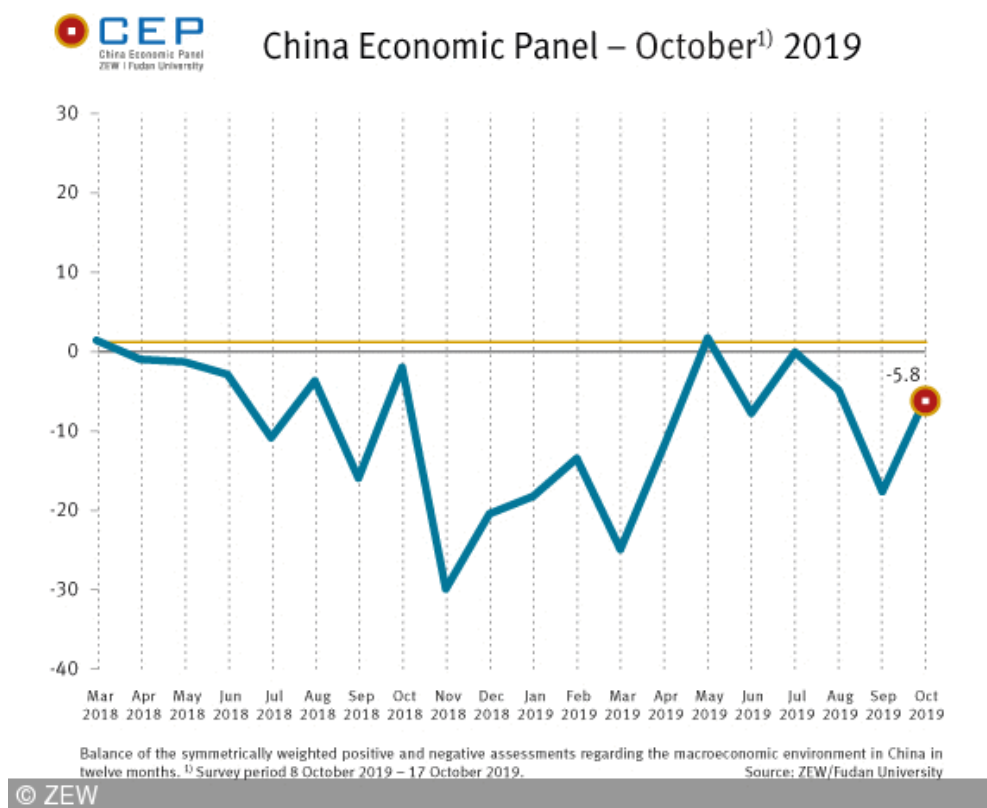
### CEP Indicator Falls to a New Reading of Minus 5.8 Points

In the most recent survey for October (8 – 17 October 2019), the expectations regarding the Chinese economy have increased by 11.9 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 minus 5.8 points (September 2019: minus 17.7 points).

Last month's decline of 12.8 points was thus largely offset by the rise recorded in October.

The CEP indicator has, however, been below its long-term average of 1.2 points for twenty months now and has been experiencing an almost uninterrupted series of negative readings for seven months. The point forecasts for real gross domestic product (GDP) growth are at 6.2 per cent for 2019; for 2020, they are at 6.0 per cent. Both values were slightly revised upwards compared to the previous month.

figure 1: CEP Indicator October 2019



source: ZEW/Fudan

According to the first estimate of the National Bureau of Statistics of China, China's real gross domestic product grew by 6.0 per cent in the third quarter compared to the previous year.

In the first quarter, growth was still at 6.4 per cent, in the second quarter at 6.2 per cent. In order to achieve the growth of 6.2 per cent currently forecast by the experts for 2019, growth in the fourth quarter would have to rise to 6.2 per cent.

“This is a rather optimistic target, unless an end to the trade conflict with the USA is quickly determined and implemented. The clearly negative expectations regarding Chinese exports and imports for the coming months, however, tell another story. The corresponding indicators are both at double-digit negative levels,” says Dr. Michael Schröder, senior researcher in the Research Department “International Finance and Financial Management” at ZEW Mannheim and project leader of the CEP survey.

The assessment of the current economic situation has fallen by 1.8 points, and now stands at minus 11.5 points. The indicator regarding the assessment of the current situation has thus been remaining close to or below zero for thirteen months now. This month it is particularly striking that the share of experts assessing the current situation as “very bad” has increased sharply. 19.2 per cent of the survey participants consider China’s economic situation to be “very bad”; overall, just under 31 per cent believe that it is “bad” or “very bad”.

ZEW/Fudan China Economic Panel: Results October 2019												
Current economic situation	very good		good		normal		bad		very bad		balance	
China	0.0 (+/- 0.0)		26.9 (+ 7.5)		42.4 (- 2.7)		11.5 (-20.8)		19.2 (+16.0)		-11.5 (- 1.8)	
Eurozone	3.8 (+ 0.4)		30.8 (+ 6.7)		42.4 (- 9.4)		19.2 (- 1.5)		3.8 (+ 3.8)		5.8 (+ 0.7)	
USA	0.0 (+/- 0.0)		23.1 (+ 2.4)		53.8 (-25.5)		23.1 (+23.1)		0.0 (+/- 0.0)		0.0 (-10.4)	
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-indicator)	7.7 (+ 7.7)		19.2 (- 0.2)		34.6 (+ 8.8)		30.8 (-24.0)		7.7 (+ 7.7)		-5.8 (+11.9)	
GDP (growth rate) in %	2019Q4		2020Q1		2019		2020					
China	6.1		6.0		6.2		6.0					
Eurozone	1.6		1.5		1.5		1.5					
USA	2.1		2.0		2.2		2.1					
Inflation (CPI) in %	3 months				1 year							
China	2.9(2.8)				3.1(2.9)							
Eurozone	1.6(1.4)				1.6(1.4)							
USA	1.8(1.9)				1.9(1.9)							
Wage Inflation in %	3 months				1 year							
China	7.4(7.1)				7.1(6.9)							
Eurozone	2.6(2.4)				2.5(2.4)							
USA	4.9(4.3)				4.6(4.2)							
Interest rates	3 months				1 year							
SHIBOR (3 months)	3.6(3.0)				3.4(2.9)							
One-year deposit rate	1.5(1.5)				1.5(1.4)							
One-year lending rate	4.3(4.3)				4.2(4.2)							
Stock market indices	3 months				1 year							
SSE Composite Index	2.983(2.991)				3.156(3.160)							
Hang Seng Index	25.354(26.204)				25.497(26.462)							
Growth Enterprise Market Index (SZ)	1.661(1.714)				1.684(1.793)							
WTI Crude Oil (US-Dollar)	54(57)				56(57)							
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	3.8 (+ 3.8)		11.5 (-24.2)		7.8 (-10.1)		57.7 (+18.4)		19.2 (+12.1)		-38.5 (-29.6)	
Specific Indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	7.7 (+ 7.7)		34.6 (+13.9)		7.7 (-16.5)		38.5 (-13.2)		11.5 (+ 8.1)		-5.8 (+13.1)	
FDI outflow (out of China)	4.0 (+ 0.4)		24.0 (+ 6.1)		24.0 (-15.2)		44.0 (+19.0)		4.0 (-10.3)		-10.0 (+ 4.3)	
FDI inflow (into China)	8.0 (+ 8.0)		16.0 (- 9.0)		16.0 (- 5.4)		40.0 (+ 0.7)		20.0 (+ 5.7)		-24.0 (- 2.5)	
Export activity	3.8 (- 2.9)		38.5 (+ 8.5)		7.7 (- 9.0)		30.8 (- 2.5)		19.2 (+ 5.9)		-11.6 (- 3.3)	
Import activity	11.5 (+ 4.8)		7.7 (-25.6)		11.6 (- 5.1)		57.7 (+24.4)		11.5 (+ 1.5)		-25.0 (-21.7)	
Private Consumption	7.7 (+ 7.7)		19.2 (-18.7)		23.1 (+ 2.4)		34.6 (+ 7.0)		15.4 (+ 1.6)		-15.4 (- 6.7)	
Private Investment	15.4 (+15.4)		19.2 (- 4.1)		23.1 (-16.9)		26.9 (+ 0.2)		15.4 (+ 5.4)		-3.9 (+ 7.8)	
Govt. Consumption	15.4 (- 4.6)		7.7 (-22.3)		11.5 (+ 4.8)		42.3 (+12.3)		23.1 (+ 9.8)		-25.0 (-31.7)	
Debt Domestic	8.0 (+ 1.3)		8.0 (-42.0)		12.0 (+ 5.4)		56.0 (+36.0)		16.0 (- 0.7)		-32.0 (-37.0)	
Debt Foreign	0.0 (+/- 0.0)		28.0 (- 6.5)		20.0 (-11.0)		48.0 (+20.4)		4.0 (- 2.9)		-14.0 (-10.5)	
Employment rate	7.7 (+ 4.3)		38.5 (+14.4)		19.2 (-29.2)		23.1 (+ 5.9)		11.5 (+ 4.8)		3.9 (+ 3.9)	
Growth rate of new car registrations	3.8 (- 3.3)		30.8 (+12.9)		23.1 (+ 1.7)		34.6 (- 4.7)		7.7 (- 6.6)		-5.8 (+12.1)	
Total share of world trade	3.8 (+ 0.2)		34.6 (+ 2.5)		15.4 (- 6.1)		30.8 (- 4.9)		15.4 (+ 8.3)		-9.7 (- 4.4)	
Exchange rates	3 months				1 year							
Yuan / US-Dollar	7.13(7.16)				7.24(7.26)							
Yuan / Euro	7.83(7.85)				7.87(7.93)							
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	0.0 (- 3.8)		28.0 (+12.6)		16.0 (-22.5)		44.0 (+ 5.5)		12.0 (+ 8.2)		-20.0 (- 8.4)	
Investment banking	4.0 (+ 4.0)		32.0 (+16.6)		12.0 (-30.3)		44.0 (+ 5.5)		8.0 (+ 4.2)		-10.0 (+ 5.4)	
Insurance	12.0 (+ 0.5)		16.0 (+ 4.5)		16.0 (- 7.2)		40.0 (- 2.3)		16.0 (+ 4.5)		-16.0 (- 0.6)	
Automotive	19.2 (+12.1)		30.8 (+ 5.8)		11.5 (- 6.4)		30.8 (- 8.5)		7.7 (- 3.0)		11.5 (+22.3)	
Chemical / Pharmaceutical	3.8 (+ 0.1)		26.9 (+ 8.4)		19.3 (- 6.7)		38.5 (- 5.9)		11.5 (+ 4.1)		-13.5 (+ 3.2)	
Machinery / Engineering	3.8 (- 3.6)		11.5 (- 3.3)		23.2 (+15.8)		42.3 (-17.0)		19.2 (+ 8.1)		-30.8 (- 4.8)	
Electronics	0.0 (- 7.1)		15.4 (- 6.0)		34.6 (+ 6.0)		34.6 (+ 6.0)		15.4 (+ 1.1)		-25.0 (-14.2)	
Retail and commerce	3.8 (- 3.3)		19.2 (- 9.4)		4.0 (-21.0)		61.5 (+43.6)		11.5 (- 9.9)		-28.9 (-19.9)	
Construction	7.7 (- 3.0)		26.9 (+ 1.9)		7.7 (- 3.1)		46.2 (- 0.2)		11.5 (+ 4.4)		-13.5 (- 6.4)	
Energy	0.0 (- 3.7)		15.4 (- 3.1)		30.7 (- 6.4)		38.5 (+ 8.9)		15.4 (+ 4.3)		-27.0 (-14.0)	
Information Technology	7.7 (-10.2)		7.7 (-13.7)		15.3 (+ 4.6)		38.5 (+ 6.4)		30.8 (+12.9)		-38.5 (-33.1)	
Services	3.8 (- 7.3)		15.4 (-14.2)		19.3 (+ 8.1)		34.6 (+ 5.0)		26.9 (+ 8.4)		-32.7 (-25.3)	
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
Beijing	4.0 (+ 4.0)		20.0 (+ 1.5)		44.0 (- 4.2)		24.0 (- 9.3)		8.0 (+ 8.0)		-6.0 (+ 1.4)	
Shanghai	0.0 (- 7.4)		28.0 (+16.9)		32.0 (-12.5)		24.0 (- 9.3)		16.0 (+12.3)		-14.0 (- 6.6)	
Hong Kong	56.0 (+40.6)		16.0 (- 7.1)		4.0 (- 3.6)		8.0 (-38.2)		16.0 (+ 8.3)		44.0 (+47.9)	
Guangzhou	0.0 (+/- 0.0)		12.0 (+ 0.5)		52.0 (+13.5)		28.0 (- 6.6)		8.0 (- 7.4)		-16.0 (+11.0)	
Shenzhen	0.0 (- 3.8)		12.0 (-14.9)		12.0 (+ 0.4)		56.0 (+17.5)		20.0 (+ 0.8)		-42.0 (-20.8)	
Tianjin	12.0 (+ 8.2)		28.0 (+12.6)		36.0 (+ 1.4)		16.0 (-22.5)		8.0 (+ 0.3)		10.0 (+25.5)	
Chongqing	4.0 (+ 0.2)		28.0 (+ 8.8)		32.0 (+ 1.1)		16.0 (-18.6)		20.0 (+ 8.5)		-10.0 (+ 5.4)	
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Beijing	8.0 (+ 4.3)		32.0 (- 5.0)		40.0 (- 0.8)		16.0 (+ 1.2)		4.0 (+ 0.3)		12.0 (+ 0.9)	
Shanghai	8.0 (+ 0.6)		24.0 (- 9.3)		40.0 (- 0.8)		20.0 (+ 5.2)		8.0 (+ 4.3)		2.0 (-11.0)	
Hong Kong	44.0 (+40.2)		28.0 (- 2.8)		12.0 (-11.1)		12.0 (-26.5)		4.0 (+ 0.2)		48.0 (+51.9)	
Guangzhou	4.0 (+ 4.0)		28.0 (+12.6)		32.0 (-25.7)		36.0 (+12.9)		0.0 (- 3.8)		0.0 (+ 7.7)	
Shenzhen	12.0 (+ 4.3)		16.0 (+ 4.5)		36.0 (-14.1)		32.0 (+ 5.1)		4.0 (+ 0.2)		0.0 (+ 3.8)	
Tianjin	12.0 (+ 4.3)		48.0 (+28.8)		24.0 (-22.2)		16.0 (- 7.1)		0.0 (- 3.8)		28.0 (+26.0)	
Chongqing	12.0 (+ 8.2)		32.0 (+12.8)		28.0 (-14.4)		28.0 (- 2.8)		0.0 (- 3.8)		14.0 (+19.8)	

Note: 26 analysts participated in the October survey, which was conducted during the period 10/08-10/17/2019. 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.