

# China Economic Panel (CEP)

// December 2019

Results of the December survey in detail

## Expectations for Chinese Economy Worsen

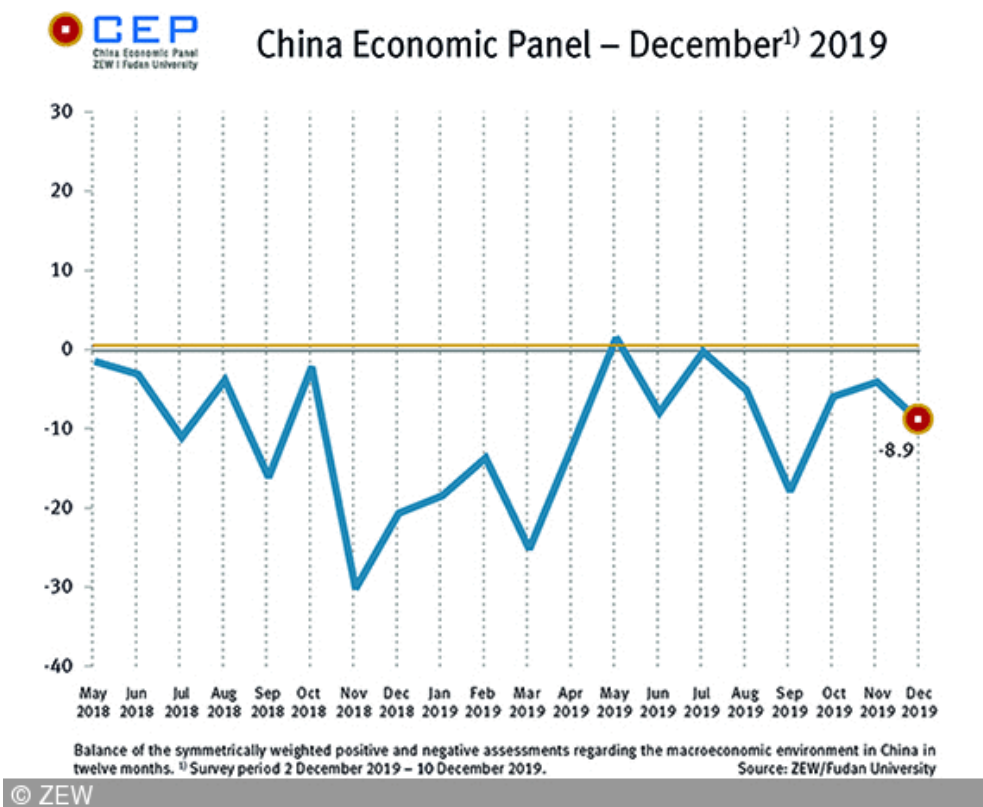
### CEP Indicator Falls to a New Reading of Minus 8,9 Points

In the most recent survey for December (2 – 10 December 2019), the expectations regarding the Chinese economy worsened. 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 8.9 points, 5.0 points below previous month's reading (November 2019: minus 3.9 points).

The point forecasts for 2019 real gross domestic product (GDP) growth were also lowered, to 5.9 per cent, thus even slipping slightly below the six per cent mark. In the previous month, expectations were still at 6.1 points. The GDP forecast for 2020 has been reduced from 5.8 per cent in the previous month to currently 5.5 per cent.

“This is a very marked decline which expresses the growing concern about the further development of China’s economy, 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.

figure 1: CEP Indicator December 2019



source: ZEW/Fudan

What is striking in the current survey is that the indicators for government consumption and for domestic and foreign debt have risen significantly. “This reflects the expectation that the Chinese government will further strengthen its active economic policy and to this end will substantially increase government spending,” says Schröder.

The ongoing protests in Hong Kong against the Chinese government are now clearly manifesting themselves in regional economic expectations, with the corresponding indicator for Hong Kong dropping 23.4 points to minus 21.8 points. At the same time, the protests are expected to have a strong effect on Hong Kong's real estate prices. At minus 30.5 points, the corresponding indicator is currently at a very low level, signalling lasting negative effects on Hong Kong's economy.

ZEW/Fudan China Economic Panel: Results December 2019											
Current economic situation	very good		good		normal		bad		very bad		balance
China	7.1	(+ 4.5)	3.6	(- 9.2)	50.0	(+ 9.0)	35.7	(- 7.9)	3.6	(+ 3.6)	-12.6 (+ 0.2)
Eurozone	0.0	(- 5.6)	7.7	(-14.5)	65.4	(+21.0)	26.9	(- 0.9)	0.0	(+/- 0.0)	-9.6 (-12.4)
USA	3.8	(+ 3.8)	15.4	(- 6.8)	65.4	(- 4.1)	15.4	(+ 7.1)	0.0	(+/- 0.0)	3.8 (- 3.2)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
China (CEP-indicator)	10.7	(+ 3.0)	17.9	(+/- 0.0)	25.0	(-16.1)	35.7	(+10.1)	10.7	(+ 3.0)	-8.9 (- 5.0)
GDP (growth rate) in %	2019Q4		2020Q1		2019		2020				
China	5.8		5.7		5.9		5.5				
Eurozone	1.2		1.2		1.2		1.2				
USA	2.0		2.0		2.1		2.0				
Inflation (CPI) in %	3 months				1 year						
China	3.8(3.5)				3.5(3.3)						
Eurozone	1.2(1.2)				1.2(1.2)						
USA	1.9(1.8)				1.9(1.9)						
Wage Inflation in %	3 months				1 year						
China	8.4(7.8)				7.5(7.1)						
Eurozone	2.6(2.8)				2.5(2.6)						
USA	3.8(4.0)				3.8(3.9)						
Interest rates	3 months				1 year						
SHIBOR (3 months)	3.0(2.9)				2.9(2.8)						
One-year deposit rate	1.5(1.5)				1.4(1.5)						
One-year lending rate	4.3(4.3)				4.2(4.2)						
Stock market indices	3 months				1 year						
SSE Composite Index	2.918(2.981)				2.942(3.095)						
Hang Seng Index	26.168(27.131)				26.694(26.979)						
Growth Enterprise Market Index (SZ)	1.678(1.710)				1.699(1.745)						
WTI Crude Oil (US-Dollar)	59(57)				59(57)						
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance
China M2 growth rate	4.2	(- 4.9)	20.8	(+ 2.6)	37.5	(+16.3)	29.2	(-13.2)	8.3	(- 0.8)	-8.3 (+ 3.8)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Foreign exchange reserves	4.0	(- 4.8)	8.0	(- 6.7)	40.0	(+ 7.6)	44.0	(+ 2.8)	4.0	(+ 1.1)	-18.0 (-10.6)
FDI outflow (out of China)	7.7	(+ 7.7)	34.6	(+ 0.2)	19.2	(+ 6.7)	30.8	(-22.3)	7.7	(+ 7.7)	1.9 (+11.3)
FDI inflow (into China)	3.8	(+ 0.8)	26.9	(+ 5.7)	15.5	(+12.5)	42.3	(-24.4)	11.5	(+ 5.4)	-15.4 (+10.5)
Export activity	11.5	(+ 5.6)	26.9	(+ 6.3)	23.1	(- 3.4)	30.8	(- 7.4)	7.7	(- 1.1)	1.9 (+13.6)
Import activity	15.4	(+ 3.6)	26.9	(+ 9.3)	23.1	(+ 5.4)	30.8	(-13.3)	3.8	(- 5.0)	9.7 (+20.0)
Private Consumption	3.8	(- 1.9)	26.9	(+ 4.0)	42.4	(+ 2.4)	19.2	(- 6.5)	7.7	(+ 2.0)	0.0 (+ 1.4)
Private Investment	7.7	(+ 2.0)	23.1	(- 2.6)	30.8	(- 3.5)	26.9	(+ 4.0)	11.5	(+ 0.1)	-5.7 (- 1.4)
Govt. Consumption	15.4	(- 1.7)	42.3	(+16.6)	19.2	(+ 7.7)	15.4	(-13.2)	7.7	(- 9.4)	21.2 (+22.7)
Debt Domestic	7.7	(- 3.7)	46.2	(+14.8)	23.1	(- 2.7)	19.2	(+ 2.1)	3.8	(-10.5)	17.4 (+13.1)
Debt Foreign	3.8	(+ 3.8)	26.9	(- 4.5)	46.3	(+ 6.3)	19.2	(- 0.8)	3.8	(- 4.8)	3.9 (+ 6.8)
Employment rate	7.7	(+ 4.8)	15.4	(-11.1)	50.0	(+ 8.8)	23.1	(- 6.3)	3.8	(+ 3.8)	0.0 (- 1.5)
Growth rate of new car registrations	8.0	(+ 2.1)	20.0	(-15.3)	32.0	(+17.3)	20.0	(-15.3)	20.0	(+11.2)	-12.0 (- 9.1)
Total share of world trade	11.5	(+ 8.6)	23.1	(- 3.4)	23.1	(- 9.3)	34.6	(- 0.7)	7.7	(+ 4.8)	-2.0 (+ 2.4)
Exchange rates	3 months				1 year						
Yuan / US-Dollar	7.06(7.02)				7.15(7.12)						
Yuan / Euro	7.76(7.79)				7.84(7.86)						
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Retail banking	0.0	(- 3.2)	34.8	(+18.7)	34.8	(+ 5.8)	30.4	(-14.8)	0.0	(- 6.5)	2.2 (+20.1)
Investment banking	4.3	(+ 1.1)	21.7	(- 4.1)	26.2	(-12.5)	43.5	(+24.1)	4.3	(- 8.6)	-10.9 (- 4.4)
Insurance	13.0	(+ 3.3)	21.7	(+ 5.6)	34.9	(+ 9.1)	30.4	(-11.5)	0.0	(- 6.5)	8.7 (+18.4)
Automotive	13.0	(+ 3.3)	21.7	(-20.2)	21.9	(+15.5)	39.1	(+ 6.8)	4.3	(- 5.4)	0.0 (- 4.8)
Chemical / Pharmaceutical	4.3	(- 5.4)	39.1	(+19.7)	8.8	(-20.2)	43.5	(+ 1.6)	4.3	(+ 4.3)	-2.2 (- 0.6)
Machinery / Engineering	13.0	(+ 9.8)	17.4	(+ 4.5)	17.4	(- 8.4)	43.5	(- 4.9)	8.7	(- 1.0)	-8.8 (+15.5)
Electronics	17.4	(+14.2)	17.4	(-14.9)	30.5	(+ 4.7)	30.4	(+ 4.6)	4.3	(- 8.6)	6.6 (+13.1)
Retail and commerce	4.3	(+ 4.3)	47.8	(+16.5)	26.2	(- 8.1)	21.7	(-12.7)	0.0	(+/- 0.0)	17.4 (+19.0)
Construction	8.7	(+ 2.2)	26.1	(+ 3.5)	17.4	(-11.5)	39.1	(+16.5)	8.7	(-10.7)	-6.5 (+ 6.4)
Energy	4.3	(- 2.2)	26.1	(+ 0.3)	30.5	(+ 8.0)	34.8	(- 3.9)	4.3	(- 2.2)	-4.4 (+ 2.1)
Information Technology	13.0	(+ 3.3)	26.1	(- 2.9)	30.5	(+11.1)	21.7	(+ 5.6)	8.7	(-17.1)	6.5 (+16.2)
Services	13.0	(+ 6.5)	21.7	(- 7.3)	34.9	(+15.6)	26.1	(+ 0.3)	4.3	(-15.1)	6.5 (+17.8)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
Beijing	0.0	(+/- 0.0)	17.4	(- 1.4)	47.8	(+ 1.0)	26.1	(- 8.3)	8.7	(+ 8.7)	-13.1 (- 5.3)
Shanghai	0.0	(+/- 0.0)	21.7	(- 3.3)	43.6	(+ 6.1)	21.7	(-12.7)	13.0	(+ 9.9)	-13.0 (- 5.2)
Hong Kong	21.7	(- 0.2)	13.0	(-15.1)	0.1	(- 6.1)	30.4	(+11.6)	34.8	(+ 9.8)	-21.8 (-23.4)
Guangzhou	8.7	(+ 8.7)	21.7	(+ 2.9)	30.5	(- 6.9)	34.8	(- 9.0)	4.3	(+ 4.3)	-2.2 (+10.3)
Shenzhen	8.7	(+ 2.4)	26.1	(- 2.0)	17.4	(- 7.5)	39.1	(+ 4.7)	8.7	(+ 2.4)	-6.5 (- 3.3)
Tianjin	4.3	(- 5.1)	17.4	(+ 4.9)	21.8	(-12.5)	47.8	(+10.3)	8.7	(+ 2.4)	-19.6 (-10.2)
Chongqing	8.7	(+ 5.6)	13.0	(- 2.6)	30.5	(-10.1)	39.1	(+ 4.7)	8.7	(+ 2.4)	-13.1 (- 0.5)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Beijing	0.0	(- 3.1)	17.4	(-13.9)	65.2	(+24.6)	17.4	(- 4.5)	0.0	(- 3.1)	0.0 (- 4.7)
Shanghai	0.0	(- 6.3)	26.1	(- 2.0)	56.5	(+25.3)	17.4	(-13.9)	0.0	(- 3.1)	4.4 (+ 2.8)
Hong Kong	4.3	(- 5.1)	26.1	(- 5.2)	8.7	(- 0.6)	26.1	(- 2.0)	34.8	(+12.9)	-30.5 (-19.6)
Guangzhou	0.0	(- 3.1)	17.4	(- 4.5)	65.2	(+24.6)	17.4	(-13.9)	0.0	(- 3.1)	0.0 (+ 4.7)
Shenzhen	4.3	(- 2.0)	39.1	(+14.1)	34.9	(+ 0.6)	21.7	(- 6.4)	0.0	(- 6.3)	13.0 (+14.6)
Tianjin	4.3	(- 2.0)	17.4	(+ 1.8)	56.6	(+ 3.6)	13.0	(- 5.8)	8.7	(+ 2.4)	-2.2 (- 0.6)
Chongqing	8.7	(+ 2.4)	26.1	(+ 7.3)	43.5	(- 6.3)	17.4	(- 1.4)	4.3	(- 2.0)	8.8 (+ 8.8)

Note: 28 analysts participated in the December survey, which was conducted during the period 12/2-12/10/2019. 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.