China Economic Panel (CEP)

// January 2017

Results of the January survey in detail

Weaker Business Expectations for Chinese Economy

In the most recent January survey (conducted between 3 and 17 January 2017), business expectations for China have declined. The CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, has dropped by 10.9 points compared to November 2016 to a current total of minus 5.9 points.

This falls far below the current long-term average of 5.1 points. The assessment of the current economic situation is more positive: at 2.4 points, the corresponding indicator is currently 7.6 points higher compared to November 2016.

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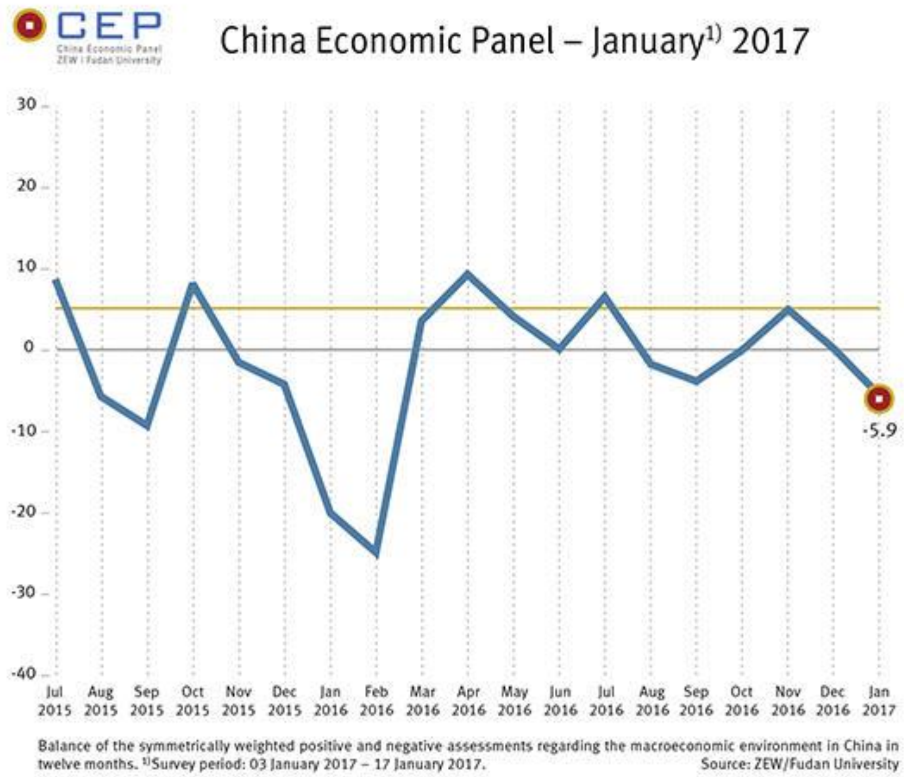
A growth rate of 6.5 per cent is currently being predicted for the current year of 2017. This would constitute a decline of 0.2 percentage points compared to the recently published official growth figures for 2016, which record a 6.7 per cent increase in the GDP.

figure 1: CEP Indicator January 2017



source: ZEW/Fudan

A further reduction in the annual growth rate by 0.1 percentage points down to 6.4 per cent is expected in 2018.

Although business expectations continued to fluctuate quite markedly over the past year, a downward trend in the responses is nevertheless distinguishable. This trend is reflected in the point forecasts. However, the surveyed experts do not currently seem to see any greater dangers to the Chinese economy, for example resulting from a possible decline in exports. The majority of experts continue to predict an increase in exports over the next six months, and even a greater share of world trade for China. Buoyed by healthy domestic consumption, imports are also expected to continue to increase. The current mood among experts thus seems to be "business as usual".

ZEW/Fudan China Economic Panel: Results January 2017												
Current economic situation	**very good**		**good**		**normal**		**bad**		**very bad**		**balance**	
China	0.0	(+/- 0.0)	14.6	(- 2.6)	75.6	(+20.4)	9.8	(-17.8)	0.0	(+/- 0.0)	2.4	(+ 7.6)
USA	0.0	(+/- 0.0)	58.3	(+26.2)	36.1	(-24.7)	5.6	(- 1.5)	0.0	(+/- 0.0)	26.4	(+13.9)
Economic expectation (1 Y)	**improve**		**slightly improve**		**not change**		**slightly worsen**		**worsen**		**balance**	
China (CEP-Indicator)	2.4	(+ 2.4)	28.6	(-11.4)	23.8	(- 6.2)	45.2	(+15.2)	0.0	(+/- 0.0)	-5.9	(-10.9)
GDP (growth rate) in %		**2017Q1**			**2017Q2**			**2017**			**2018**	
China		6.6			6.6			6.5			6.4	
USA		1.2			1.2			1.3			1.4	
Inflation (CPI) in %			**3 months**						**1 year**			
China			2.4 (2.1)						2.6 (2.5)			
USA			1.8 (1.6)						2.0 (1.8)			
Interest rates			**3 months**						**1 year**			
SHIBOR (3 months)			3.3 (3.0)						3.3 (3.0)			
One-year deposit rate			1.5 (1.5)						1.5 (1.5)			
One-year lending rate			4.4 (4.3)						4.3 (4.4)			
Stock market indices			**3 months**						**1 year**			
SSE Composite Index			3.228 (3.231)						3.469 (3.441)			
Hang Seng Index			22.021 (22.991)						23.369 (24.021)			
Growth Enterprise Market Index (SZ)			1.619 (1.727)						1.768 (1.735)			
WTI Crude Oil (US-Dollar)			53 (46)						56 (48)			
Monetary aggregate M2 (6 M)	**increase**		**slightly increase**		**not change**		**slightly decrease**		**decrease**		**balance**	
China M2 growth rate	8.1	(+ 4.1)	59.5	(-16.5)	16.2	(+ 0.2)	16.2	(+12.2)	0.0	(+/- 0.0)	29.8	(-10.2)
Specific indicators China (1 Y)	**increase**		**slightly increase**		**not change**		**slightly decrease**		**decrease**		**balance**	
Foreign exchange reserves	0.0	(+/- 0.0)	15.8	(- 0.2)	5.3	(+ 1.3)	52.6	(-19.4)	26.3	(+18.3)	-44.7	(- 8.7)
FDI outflow (out of China)	18.4	(-13.6)	47.4	(+ 7.4)	15.7	(+ 7.7)	13.2	(- 6.8)	5.3	(+ 5.3)	30.2	(-11.8)
FDI inflow (into China)	5.3	(+ 5.3)	36.8	(+ 0.8)	23.7	(+ 3.7)	26.3	(-13.7)	7.9	(+ 3.9)	2.7	(+ 8.7)
Export activity	7.9	(+ 7.9)	50.0	(+ 7.7)	15.8	(- 7.3)	18.4	(-12.4)	7.9	(+ 4.1)	15.8	(+13.8)
Import activity	13.2	(+ 1.7)	50.0	(+11.5)	21.0	(- 2.1)	10.5	(-16.4)	5.3	(+ 5.3)	27.7	(+10.4)
Domestic consumption	18.4	(+ 6.9)	52.6	(- 8.9)	26.4	(+18.6)	2.6	(-16.6)	0.0	(+/- 0.0)	43.4	(+10.7)
Employment rate	0.0	(- 4.0)	18.4	(- 1.6)	63.2	(+15.2)	18.4	(- 9.6)	0.0	(+/- 0.0)	0.0	(+/- 0.0)
Growth rate of new car registrations	5.6	(- 2.4)	69.4	(+21.4)	19.4	(- 0.6)	5.6	(-18.4)	0.0	(+/- 0.0)	37.5	(+17.5)
Total share of world trade	5.4	(+ 1.2)	51.4	(+18.1)	21.6	(-11.7)	21.6	(- 3.4)	0.0	(- 4.2)	20.3	(+16.1)
Exchange rates			**3 months**						**1 year**			
Yuan / US-Dollar			6.99 (6.91)						7.12 (7.11)			
US-Dollar / Euro			1.04 (1.05)						1.04 (1.03)			
Sectors (1 Y)	**increase**		**slightly increase**		**not change**		**slightly decrease**		**decrease**		**balance**	
Retail banking	3.3	(- 2.0)	63.3	(+26.5)	16.8	(-20.0)	13.3	(- 7.8)	3.3	(+ 3.3)	25.0	(+11.8)
Investment banking	12.9	(+ 7.6)	71.0	(- 2.7)	6.4	(- 4.1)	6.5	(- 4.0)	3.2	(+ 3.2)	42.0	(+ 5.1)
Insurance	35.5	(+ 9.2)	51.6	(-11.6)	3.2	(+ 3.2)	9.7	(- 0.8)	0.0	(+/- 0.0)	56.5	(+ 3.8)
Automotive	9.7	(- 0.3)	61.3	(+16.3)	16.1	(-13.9)	9.7	(- 5.3)	3.2	(+ 3.2)	32.3	(+ 7.3)
Chemical / Pharmaceutical	10.0	(- 5.0)	56.7	(- 3.3)	20.0	(+/- 0.0)	13.3	(+ 8.3)	0.0	(+/- 0.0)	31.7	(-10.8)
Machinery / Engineering	10.0	(- 5.0)	46.7	(+ 6.7)	26.6	(+ 6.6)	16.7	(- 3.3)	0.0	(- 5.0)	25.0	(+ 5.0)
Electronics	16.1	(-13.9)	54.8	(+ 9.8)	19.4	(+ 4.4)	9.7	(- 0.3)	0.0	(+/- 0.0)	38.7	(- 8.8)
Retail and commerce	9.7	(- 0.8)	54.8	(+ 2.2)	25.8	(+10.0)	9.7	(-11.4)	0.0	(+/- 0.0)	32.3	(+ 6.0)
Construction	9.7	(- 0.3)	29.0	(-16.0)	35.4	(+20.4)	19.4	(- 5.6)	6.5	(+ 1.5)	8.0	(- 7.0)
Energy	6.5	(-14.6)	41.9	(+ 5.1)	38.7	(+17.7)	12.9	(- 8.2)	0.0	(+/- 0.0)	21.0	(- 8.0)
Information Technology	45.2	(+ 3.1)	45.2	(- 2.2)	6.4	(+ 1.2)	3.2	(- 2.1)	0.0	(+/- 0.0)	66.2	(+ 3.0)
Services	38.7	(+ 7.1)	45.2	(- 7.4)	9.6	(- 0.9)	6.5	(+ 1.2)	0.0	(+/- 0.0)	58.1	(+ 2.8)
Economic expectation (1 Y)	**improve**		**slightly improve**		**not change**		**slightly worsen**		**worsen**		**balance**	
Beijing	9.7	(+ 9.7)	54.8	(-10.2)	25.8	(+ 5.8)	9.7	(- 5.3)	0.0	(+/- 0.0)	32.3	(+ 7.3)
Shanghai	9.7	(+ 4.7)	74.2	(+ 4.2)	6.4	(+ 1.4)	9.7	(-10.3)	0.0	(+/- 0.0)	42.0	(+12.0)
Hong Kong	9.4	(+ 9.4)	25.0	(-15.0)	37.5	(+12.5)	28.1	(- 6.9)	0.0	(+/- 0.0)	7.9	(+ 5.4)
Guangzhou	19.4	(+ 4.4)	45.2	(+ 5.2)	22.5	(-17.5)	12.9	(+ 7.9)	0.0	(+/- 0.0)	35.6	(+ 3.1)
Shenzhen	38.7	(+13.7)	45.2	(- 9.8)	9.6	(- 0.4)	6.5	(- 3.5)	0.0	(+/- 0.0)	58.1	(+10.6)
Tianjin	12.9	(+ 2.9)	48.4	(+ 3.4)	25.8	(+10.8)	12.9	(-17.1)	0.0	(+/- 0.0)	30.7	(+13.2)
Chongqing	25.8	(+ 5.8)	41.9	(- 3.1)	16.2	(- 8.8)	16.1	(+ 6.1)	0.0	(+/- 0.0)	38.7	(+ 1.2)
Real estate price expectation (1 Y)	**increase**		**slightly increase**		**not change**		**slightly decrease**		**decrease**		**balance**	
Beijing	11.8	(- 3.2)	47.1	(+12.1)	20.5	(-14.5)	20.6	(+ 5.6)	0.0	(+/- 0.0)	25.1	(+ 0.1)
Shanghai	11.8	(- 3.2)	55.9	(+20.9)	14.7	(-10.3)	17.6	(- 7.4)	0.0	(+/- 0.0)	31.0	(+11.0)
Hong Kong	9.1	(- 0.9)	33.3	(+ 8.3)	21.3	(- 3.7)	33.3	(- 1.7)	3.0	(- 2.0)	6.1	(+ 6.1)
Guangzhou	9.4	(- 0.6)	40.6	(+ 5.6)	31.2	(- 3.8)	18.8	(- 1.2)	0.0	(+/- 0.0)	20.3	(+ 2.8)
Shenzhen	12.1	(+ 2.1)	39.4	(+ 4.4)	18.2	(- 6.8)	27.3	(- 2.7)	3.0	(+ 3.0)	15.2	(+ 2.7)
Tianjin	12.5	(+ 7.5)	25.0	(-10.0)	31.2	(+ 1.2)	31.3	(+ 1.3)	0.0	(+/- 0.0)	9.4	(+ 1.9)
Chongqing	18.8	(+13.8)	40.6	(+ 5.6)	28.1	(-16.9)	9.4	(- 5.6)	3.1	(+ 3.1)	31.3	(+16.3)

Note: 42 analysts participated in the January survey, which was conducted during the period 1/3-1/17/2017. 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 the November 2016 survey in parentheses) and numerical values in case of point forecasts (results of the November 2016 survey in parentheses). Balances refer to the weighted distributions from positive and negative assessments.