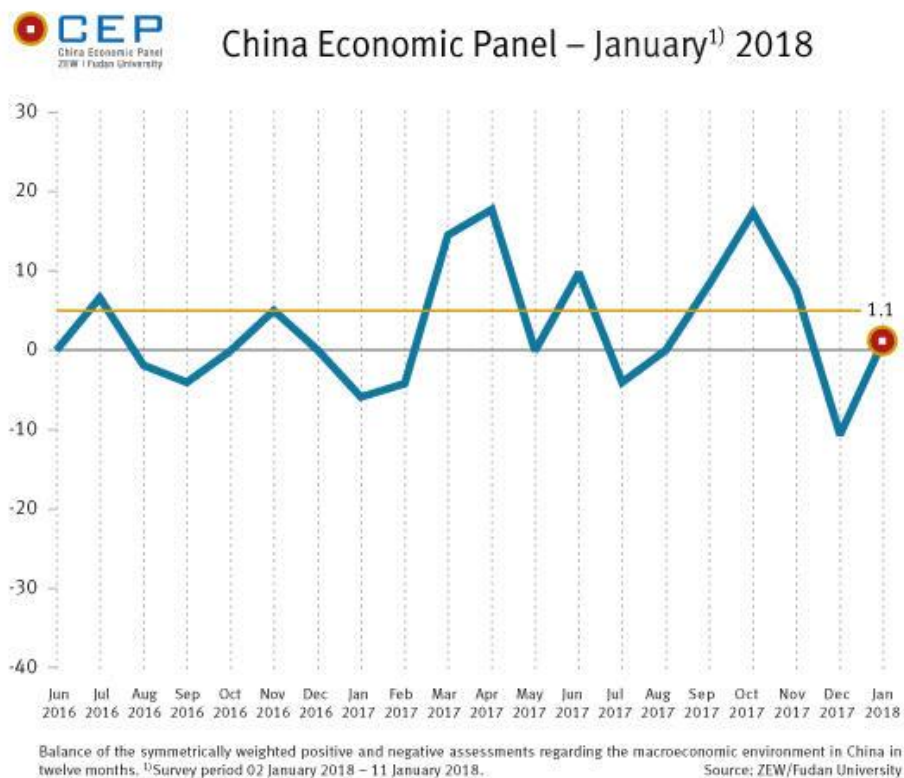# China Economic Panel (CEP)

// January 2018

Results of the January survey in detail

Economic Outlook for China Set to Remain Largely Stable

In the most recent survey conducted in January (2 – 11 January 2018), expectations for the Chinese economy have improved again, rising to 1.1 points. In December, the indicator was still as low as minus 10.7 points. Nevertheless, the CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, is still below the long-term average of 5.0 points. The survey does, however, not reveal a downward trend in expectations. Instead, since around 2014, expectations have been seen to fluctuate around a relatively constant average value.

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The point forecasts for Chinese gross domestic product (GDP) growth show a slight downward correction. According to the predictions, real GDP is expected to grow by 6.6 per cent in 2018, which is 0.1 percentage points less than in the previous month. The current forecast for GDP growth in 2019 is 6.5 per cent.

figure 1:   CEP Indicator January 2018

China Economic Panel – January[1] 2018

Balance of the symmetrically weighted positive and negative assessments regarding the macroeconomic environment in China in twelve months. [1]Survey period 02 January 2018 – 11 January 2018.   Source: ZEW/Fudan University

source: ZEW/Fudan

The assessment of the economic development of each industry in China for the coming twelve months has remained largely unchanged compared to the previous month.

Thereby, the top-performers are the information technology/telecommunication sector, service providers and insurance companies, with the majority of the surveyed experts expecting their economic development to improve considerably. By contrast, the industries which are expected to perform worst are the mechanical engineering, retail banking and construction sector, with the latter, however, being the only sector which is not expected to see any positive development over the coming twelve months. Doing "bad" in this case is synonymous with doing "less good" than the other industries included in the survey.

For 2018, Shenzhen is regarded to have by far the best development prospects among China's most important economic regions. Only for Hong Kong, prospects are slightly negative. All other regions are expected to "improve slightly", according to the majority of the surveyed experts.

"The most recent survey results thus continue to paint a fairly positive view of China's further economic development," says Dr. Michael Schröder, senior researcher in the ZEW Research Department "International Finance and Financial Management" and head of the CEP survey project.

ZEW/Fudan China Economic Panel: Results January 2018											
Current economic situation	very good		good		normal		bad		very bad		balance	
China	2.2	(- 5.2)	50.0	(+13.0)	41.3	(-10.6)	6.5	(+ 2.8)	0.0	(+/- 0.0)	24.0	(- 0.1)
Eurozone	4.7	(--)	51.2	(--)	37.1	(--)	7.0	(--)	0.0	(--)	26.8	(--)
USA	12.5	(- 7.5)	62.5	(+ 2.5)	25.0	(+ 5.0)	0.0	(+/- 0.0)	0.0	(+/-0.0)	43.8	(- 6.2)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-Indicator)	4.3	(+ 0.7)	26.1	(+ 1.1)	37.0	(+19.2)	32.6	(-21.0)	0.0	(+/- 0.0)	1.1	(+11.8)

GDP (growth rate) in %	2018Q1	2018Q2	2018	2019
China	6.7	6.7	6.6	6.5
Eurozone	2.5	2.5	2.5	2.4
USA	2.7	2.8	2.8	2.8

Inflation (CPI) in %	3 months	1 year
China	1.8 (1.9)	2.0 (2.1)
Eurozone	1.5	1.6
USA	2.2 (2.4)	2.3 (2.2)

Wage Inflation in %	3 months	1 year
China	8.6	8.5
Eurozone	1.6	1.7
USA	2.8	2.9

Interest rates	3 months	1 year
SHIBOR (3 months)	4.9 (4.7)	4.9 (4.8)
One-year deposit rate	1.5 (1.5)	1.6 (1.6)
One-year lending rate	4.4 (4.4)	4.5 (4.4)

Stock market indices	3 months	1 year
SSE Composite Index	3.394 (3.369)	3.573 (3.376)
Hang Seng Index	30.361 (29.397)	31.382 (43.679)
Growth Enterprise Market Index (SZ)	1.123 (1.485)	1.162 (1.541)
WTI Crude Oil (US-Dollar)	61 (58)	63 (59)

Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	9.8	(+ 9.8)	53.7	(-11.5)	17.0	(+ 8.3)	19.5	(- 6.6)	0.0	(+/- 0.0)	26.9	(+ 7.3)

Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	5.1	(+ 0.6)	46.2	(- 8.3)	20.5	(- 6.9)	28.2	(+14.6)	0.0	(+/- 0.0)	14.1	(-10.9)
FDI outflow (out of China)	14.6	(+ 5.5)	51.2	(-12.4)	14.7	(+ 1.0)	17.1	(+ 3.5)	2.4	(+ 2.4)	29.3	(- 4.8)
FDI inflow (into China)	7.3	(+ 2.8)	36.6	(+ 4.8)	14.7	(- 8.1)	39.0	(- 1.9)	2.4	(+ 2.4)	3.7	(+ 3.8)
Export activity	9.8	(- 3.8)	68.3	(+ 4.7)	17.0	(+12.4)	4.9	(-13.3)	0.0	(+/- 0.0)	41.5	(+ 5.2)
Import activity	12.2	(- 1.4)	43.9	(-15.2)	24.4	(+15.3)	19.5	(+ 1.3)	0.0	(+/- 0.0)	24.4	(- 9.7)
Private Consumption	14.6	(--)	58.5	(--)	22.0	(--)	4.9	(--)	0.0	(--)	41.4	(--)
Private Investment	7.3	(--)	41.5	(--)	24.4	(--)	24.4	(--)	2.4	(--)	13.5	(--)
Govt. Consumption	17.1	(--)	58.5	(--)	14.6	(--)	9.8	(--)	0.0	(--)	41.5	(--)
Debt Domestic	7.3	(--)	58.5	(--)	19.6	(--)	14.6	(--)	0.0	(--)	29.3	(--)
Debt Foreign	2.5	(--)	40.0	(--)	32.5	(--)	25.0	(--)	0.0	(--)	10.0	(--)
Employment rate	2.4	(+ 2.4)	26.8	(-14.1)	53.7	(+26.4)	17.1	(-14.7)	0.0	(+/- 0.0)	7.3	(+ 2.7)
Growth rate of new car registrations	9.8	(+ 0.7)	56.1	(- 3.0)	19.5	(+ 1.3)	12.2	(+ 3.1)	2.4	(- 2.1)	29.4	(- 0.2)
Total share of world trade	5.0	(+ 0.5)	60.0	(+ 5.5)	30.0	(- 1.9)	5.0	(- 4.1)	0.0	(+/- 0.0)	32.5	(+ 5.3)

Exchange rates	3 months	1 year
Yuan / US-Dollar	6.54 (6.66)	6.66 (6.74)
Yuan / Euro	7.69 (0.00)	7.75 (0.00)

Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	5.4	(- 3.7)	43.2	(-20.4)	32.5	(+23.4)	18.9	(+ 0.7)	0.0	(+/- 0.0)	17.6	(-14.2)
Investment banking	10.8	(- 2.8)	59.5	(+ 9.5)	16.2	(+ 2.5)	13.5	(- 4.7)	0.0	(- 4.5)	33.8	(+ 8.8)
Insurance	18.4	(-20.7)	63.2	(+19.7)	13.1	(+ 8.7)	5.3	(- 7.7)	0.0	(+/- 0.0)	47.4	(- 7.0)
Automotive	23.1	(+14.4)	41.0	(-15.5)	18.0	(- 3.8)	17.9	(+ 9.2)	0.0	(- 4.3)	34.7	(+ 6.4)
Chemical / Pharmaceutical	15.4	(+ 6.3)	59.0	(+13.5)	23.0	(+ 0.3)	2.6	(-20.1)	0.0	(+/- 0.0)	43.6	(+23.1)
Machinery / Engineering	13.2	(+ 4.5)	42.1	(- 1.4)	26.3	(+ 4.6)	18.4	(- 7.7)	0.0	(+/- 0.0)	25.1	(+ 7.7)
Electronics	12.8	(- 0.2)	48.7	(- 7.8)	23.1	(+ 5.6)	15.4	(+ 2.4)	0.0	(+/- 0.0)	29.5	(- 5.3)
Retail and commerce	12.8	(+ 3.7)	59.0	(- 9.2)	18.0	(+ 4.4)	5.1	(- 4.0)	5.1	(+ 5.1)	34.7	(- 4.0)
Construction	10.3	(- 3.3)	30.8	(+ 3.5)	23.0	(+ 4.8)	30.8	(- 1.0)	5.1	(- 4.0)	5.2	(+ 2.9)
Energy	18.4	(+ 0.2)	60.5	(+ 1.4)	10.6	(+ 1.5)	10.5	(- 3.1)	0.0	(+/- 0.0)	43.4	(+ 2.4)
Information Technology	34.2	(- 6.7)	47.4	(+ 1.9)	7.9	(+ 3.4)	10.5	(+ 1.4)	0.0	(+/- 0.0)	52.7	(- 6.4)
Services	26.3	(-10.1)	55.3	(+ 5.3)	13.1	(+ 4.0)	5.3	(+ 0.8)	0.0	(+/- 0.0)	51.3	(- 7.9)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
Beijing	5.0	(+ 5.0)	35.0	(-10.5)	42.5	(+10.7)	15.0	(- 3.2)	2.5	(- 2.0)	12.5	(+ 3.3)
Shanghai	5.0	(+ 0.5)	47.5	(- 2.5)	35.0	(- 1.4)	12.5	(+ 3.4)	0.0	(+/- 0.0)	22.5	(- 2.5)
Hong Kong	5.0	(+ 5.0)	15.0	(- 8.8)	52.5	(+ 9.6)	27.5	(- 5.8)	0.0	(+/- 0.0)	-1.3	(+ 3.5)
Guangzhou	10.3	(+ 5.5)	46.2	(+ 3.3)	30.7	(- 2.6)	12.8	(- 6.2)	0.0	(+/- 0.0)	27.0	(+10.2)
Shenzhen	28.2	(- 5.1)	41.0	(- 1.9)	18.0	(+ 3.7)	12.8	(+ 3.3)	0.0	(+/- 0.0)	42.3	(- 7.7)
Tianjin	12.8	(- 6.2)	38.5	(+14.7)	17.9	(- 6.0)	28.2	(- 5.1)	2.6	(+ 2.6)	15.4	(+ 1.1)
Chongqing	15.4	(- 3.6)	43.6	(+ 0.7)	20.5	(+ 1.4)	17.9	(- 1.1)	2.6	(+ 2.6)	25.7	(- 5.3)

Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Beijing	15.0	(+10.5)	27.5	(+ 9.3)	27.5	(- 8.9)	30.0	(- 6.4)	0.0	(- 4.5)	13.8	(+22.9)
Shanghai	17.5	(+13.0)	32.5	(+ 5.2)	25.0	(- 6.9)	25.0	(- 6.8)	0.0	(- 4.5)	21.3	(+23.6)
Hong Kong	15.8	(+11.3)	28.9	(-12.0)	31.6	(+13.4)	21.1	(- 6.2)	2.6	(- 6.5)	17.1	(+14.9)
Guangzhou	15.4	(+10.4)	28.2	(- 1.8)	38.5	(+ 3.5)	17.9	(- 7.1)	0.0	(- 5.0)	20.6	(+18.1)
Shenzhen	20.5	(+11.0)	20.5	(-12.8)	35.9	(+ 2.5)	23.1	(+ 4.1)	0.0	(- 4.8)	19.2	(+ 7.3)
Tianjin	12.8	(+ 3.3)	25.6	(+ 6.6)	28.3	(- 9.9)	28.2	(+ 4.4)	5.1	(- 4.4)	6.4	(+ 8.8)
Chongqing	10.3	(+10.3)	33.3	(+ 4.7)	41.0	(-11.4)	10.3	(+ 0.8)	5.1	(- 4.4)	16.7	(+16.6)

Note: 46 analysts participated in the January survey, which was conducted during the period 1/2-1/11/2018. 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.