

# China Economic Panel (CEP)

// February 2018

Results of the February survey in detail

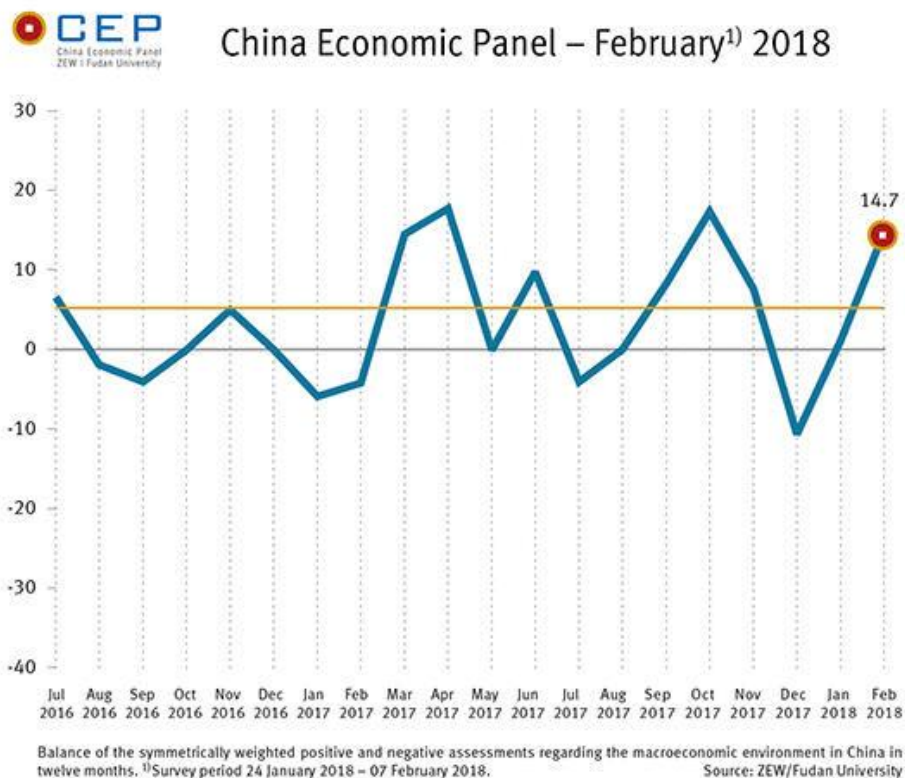
## Indicator of Economic Sentiment for China Continues to Improve Significantly

In the most recent survey conducted in February (24 January – 7 February 2018) expectations for the Chinese economy have improved again, with the CEP indicator climbing to 14.7 points. This corresponds to an increase of 13.6 points compared to January, and an impressive hike of 25.4 points compared to December 2017.

According to the CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, a significant improvement in the economic outlook for China has thus taken place since the end of last year.

This impression is reinforced by the fact that the assessment of the economic situation for China has also recorded an increase of 8.3 points to a current level of 32.3 points. Since the beginning of 2017 the assessment of the economic situation has shown a noticeable upward trend, with the corresponding indicator being well above the long-term average of 1.3 points.

figure 1: CEP Indicator February 2018



source: ZEW/Fudan

The improved outlook for the Chinese economy is also reflected in the increase of the point forecasts for GDP growth in 2018 and 2019.

Both figures climbed 0.1 percentage points compared to the previous month and currently stand at 6.7 per cent for 2018 and 6.6 per cent for 2019.

“Domestic consumption continues to be the main driver of growth in China,” says Dr. Michael Schröder, senior researcher in ZEW’s Research Department “International Finance and Financial Management” and project leader of the CEP survey. The expectations regarding domestic consumption climbed 11.1 points, with the corresponding indicator standing at 52.5 points. With 18.8 points, the indicator for private investments is well below that for domestic consumption; it is, however, still in the positive range. The indicator for public consumption currently stands at 38.8 points. “This underlines the fact that government programmes aimed at providing economic stimulus are still very important for the Chinese economy,” says Schröder.

The indicators for domestic and external debt, which can be used to measure the impact of credit growth on the economy, both increased compared to the previous month. Of the two, however, only the indicator for domestic debt, which currently stands at 35.0 points, is in line with the expectation that economic growth will continue to pick up pace.

ZEW/Fudan China Economic Panel: Results February 2018											
Current economic situation	very good		good		normal		bad		very bad		balance
China	8.3	(+ 6.1)	50.0	(+/- 0.0)	39.6	(- 1.7)	2.1	(- 4.4)	0.0	(+/- 0.0)	32.3 (+ 8.3)
Eurozone	11.1	(+ 6.4)	53.3	(+ 2.1)	35.6	(- 1.5)	0.0	(- 7.0)	0.0	(+/- 0.0)	37.8 (+11.0)
USA	13.3	(+ 0.8)	48.9	(-13.6)	35.6	(+10.6)	2.2	(+ 2.2)	0.0	(+/- 0.0)	36.7 (- 7.1)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
China (CEP-Indicator)	6.3	(+ 2.0)	39.6	(+13.5)	31.2	(- 5.8)	22.9	(- 9.7)	0.0	(+/- 0.0)	14.7 (+13.6)
GDP (growth rate) in %	2018Q1			2018Q2			2018			2019	
China	6.7			6.7			6.7			6.6	
Eurozone	2.6			2.7			2.7			2.7	
USA	2.7			2.7			2.8			2.8	
Inflation (CPI) in %	3 months				1 year						
China				1.9(1.8)						2.1(2.0)	
Eurozone				1.5(1.5)						1.6(1.6)	
USA				2.2(2.2)						2.3(2.3)	
Wage inflation in %	3 months				1 year						
China				8.7(8.6)						8.7(8.5)	
Eurozone				1.6(1.6)						1.7(1.7)	
USA				2.7(2.8)						2.8(2.9)	
Interest rates	3 months				1 year						
SHIBOR (3 months)				4.7(4.9)						4.8(4.9)	
One-year deposit rate				1.5(1.5)						1.6(1.6)	
One-year lending rate				4.4(4.4)						4.4(4.5)	
Stock market indices	3 months				1 year						
SSE Composite Index				3,549(3,394)						3,720(3,573)	
Hang Seng Index				32,264(30,361)						33,230(31,382)	
Growth Enterprise Market Index (SZ)				1,756						1,896	
WTI Crude Oil (US-Dollar)				65(61)						67(63)	
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance
China M2 growth rate	5.1	(- 4.7)	61.5	(+ 7.8)	12.9	(- 4.1)	20.5	(+ 1.0)	0.0	(+/- 0.0)	25.6 (- 1.3)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Foreign exchange reserves	2.5	(- 2.6)	50.0	(+ 3.8)	22.5	(+ 2.0)	25.0	(- 3.2)	0.0	(+/- 0.0)	15.0 (+ 0.9)
FDI outflow (out of China)	15.0	(+ 0.4)	57.5	(+ 8.3)	10.0	(- 4.7)	17.5	(+ 0.4)	0.0	(- 2.4)	35.0 (+ 5.7)
FDI inflow (into China)	7.5	(+ 0.2)	37.5	(+ 0.9)	17.5	(+ 2.8)	35.0	(- 4.0)	2.5	(+ 0.1)	6.3 (+ 2.6)
Export activity	5.0	(- 4.8)	57.5	(-10.8)	15.0	(- 2.0)	22.5	(+17.6)	0.0	(+/- 0.0)	22.5 (-19.0)
Import activity	15.0	(+ 2.8)	60.0	(+16.1)	15.0	(- 9.4)	7.5	(-12.0)	2.5	(+ 2.5)	38.8 (+14.4)
Private Consumption	25.0	(+10.4)	57.5	(- 1.0)	15.0	(- 7.0)	2.5	(- 2.4)	0.0	(+/- 0.0)	52.5 (+11.1)
Private Investment	7.5	(+ 0.2)	47.5	(+ 6.0)	20.0	(- 4.4)	25.0	(+ 0.6)	0.0	(- 2.4)	18.8 (+ 5.3)
Govt. Consumption	20.0	(+ 2.9)	45.0	(-13.5)	27.5	(+12.9)	7.5	(- 2.3)	0.0	(+/- 0.0)	38.8 (- 2.7)
Debt Domestic	17.5	(+10.2)	45.0	(-13.5)	27.5	(+ 7.9)	10.0	(- 4.6)	0.0	(+/- 0.0)	35.0 (+ 5.7)
Debt Foreign	5.3	(+ 2.8)	39.5	(- 0.5)	39.4	(+ 6.9)	15.8	(- 9.2)	0.0	(+/- 0.0)	17.2 (+ 7.2)
Employment rate	5.1	(+ 2.7)	25.6	(- 1.2)	53.9	(+ 0.2)	15.4	(- 1.7)	0.0	(+/- 0.0)	10.2 (+ 2.9)
Growth rate of new car registrations	12.8	(+ 3.0)	64.1	(+ 8.0)	15.4	(- 4.1)	7.7	(- 4.5)	0.0	(- 2.4)	41.0 (+11.6)
Total share of world trade	15.4	(+10.4)	56.4	(- 3.6)	23.1	(- 6.9)	5.1	(+ 0.1)	0.0	(+/- 0.0)	41.1 (+ 8.6)
Exchange rates	3 months				1 year						
Yuan / US-Dollar				6.41(6.54)						6.54(6.66)	
Yuan / Euro				7.87(7.69)						7.95(7.75)	
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Retail banking	17.6	(+12.2)	55.9	(+12.7)	11.8	(-20.7)	11.8	(- 7.1)	2.9	(+ 2.9)	36.8 (+19.2)
Investment banking	11.8	(+ 1.0)	44.1	(-15.4)	17.7	(+ 1.5)	23.5	(+10.0)	2.9	(+ 2.9)	19.2 (-14.6)
Insurance	23.5	(+ 5.1)	47.1	(-16.1)	23.6	(+10.5)	2.9	(- 2.4)	2.9	(+ 2.9)	42.7 (- 4.7)
Automotive	11.8	(-11.3)	61.8	(+20.8)	23.5	(+ 5.5)	2.9	(-15.0)	0.0	(+/- 0.0)	41.3 (+ 6.6)
Chemical / Pharmaceutical	17.1	(+ 1.7)	45.7	(-13.3)	31.5	(+ 8.5)	5.7	(+ 3.1)	0.0	(+/- 0.0)	37.1 (- 6.5)
Machinery / Engineering	22.9	(+ 9.7)	34.3	(- 7.8)	25.7	(- 0.6)	17.1	(- 1.3)	0.0	(+/- 0.0)	31.5 (+ 6.4)
Electronics	25.7	(+12.9)	37.1	(-11.6)	31.5	(+ 8.4)	5.7	(- 9.7)	0.0	(+/- 0.0)	41.4 (+11.9)
Retail and commerce	20.0	(+ 7.2)	51.4	(- 7.6)	20.0	(+ 2.0)	8.6	(+ 3.5)	0.0	(- 5.1)	41.4 (+ 6.7)
Construction	11.8	(+ 1.5)	38.2	(+ 7.4)	23.5	(+ 0.5)	26.5	(- 4.3)	0.0	(- 5.1)	17.7 (+12.5)
Energy	17.6	(- 0.8)	50.0	(-10.5)	29.5	(+18.9)	2.9	(- 7.6)	0.0	(+/- 0.0)	41.2 (- 2.2)
Information Technology	32.4	(- 1.8)	50.0	(+ 2.6)	8.8	(+ 0.9)	8.8	(- 1.7)	0.0	(+/- 0.0)	53.0 (+ 0.3)
Services	32.4	(+ 6.1)	50.0	(- 5.3)	14.7	(+ 1.6)	2.9	(- 2.4)	0.0	(+/- 0.0)	56.0 (+ 4.7)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
Beijing	10.8	(+ 5.8)	45.9	(+10.9)	27.1	(-15.4)	16.2	(+ 1.2)	0.0	(- 2.5)	25.7 (+13.2)
Shanghai	16.2	(+11.2)	48.6	(+ 1.1)	27.1	(- 7.9)	8.1	(- 4.4)	0.0	(+/- 0.0)	36.5 (+14.0)
Hong Kong	5.4	(+ 0.4)	35.1	(+20.1)	35.2	(-17.3)	21.6	(- 5.9)	2.7	(+ 2.7)	9.5 (+10.8)
Guangzhou	13.5	(+ 3.2)	45.9	(- 0.3)	32.5	(+ 1.8)	8.1	(- 4.7)	0.0	(+/- 0.0)	32.4 (+ 5.4)
Shenzhen	27.0	(- 1.2)	56.8	(+15.8)	10.8	(- 7.2)	5.4	(- 7.4)	0.0	(+/- 0.0)	52.7 (+10.4)
Tianjin	13.5	(+ 0.7)	29.7	(- 8.8)	24.4	(+ 6.5)	27.0	(- 1.2)	5.4	(+ 2.8)	9.5 (- 5.9)
Chongqing	27.0	(+11.6)	35.1	(- 8.5)	24.4	(+ 3.9)	13.5	(- 4.4)	0.0	(- 2.6)	37.8 (+12.1)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Beijing	13.5	(- 1.5)	32.4	(+ 4.9)	27.1	(- 0.4)	24.3	(- 5.7)	2.7	(+ 2.7)	14.9 (+ 1.1)
Shanghai	18.9	(+ 1.4)	32.4	(- 0.1)	27.1	(+ 2.1)	21.6	(- 3.4)	0.0	(+/- 0.0)	24.3 (+ 3.0)
Hong Kong	13.9	(- 1.8)	41.7	(+12.8)	30.5	(- 1.1)	11.1	(-10.0)	2.8	(+ 0.2)	26.4 (+ 9.3)
Guangzhou	21.6	(+ 6.2)	37.8	(+ 9.6)	27.1	(-11.4)	13.5	(- 4.4)	0.0	(+/- 0.0)	33.8 (+13.2)
Shenzhen	25.0	(+ 4.5)	33.3	(+12.8)	25.0	(-10.9)	13.9	(- 9.2)	2.8	(+ 2.8)	31.9 (+12.7)
Tianjin	18.9	(+ 6.1)	24.3	(- 1.3)	21.7	(- 6.6)	29.7	(+ 1.5)	5.4	(+ 0.3)	10.8 (+ 4.4)
Chongqing	18.9	(+ 8.6)	37.8	(+ 4.5)	24.4	(-16.6)	16.2	(+ 5.9)	2.7	(- 2.4)	27.0 (+10.3)