

China Economic Panel (CEP)

// February 2020

Results of the February survey in detail

Coronavirus Epidemic: Growth Forecasts for China Drop Significantly

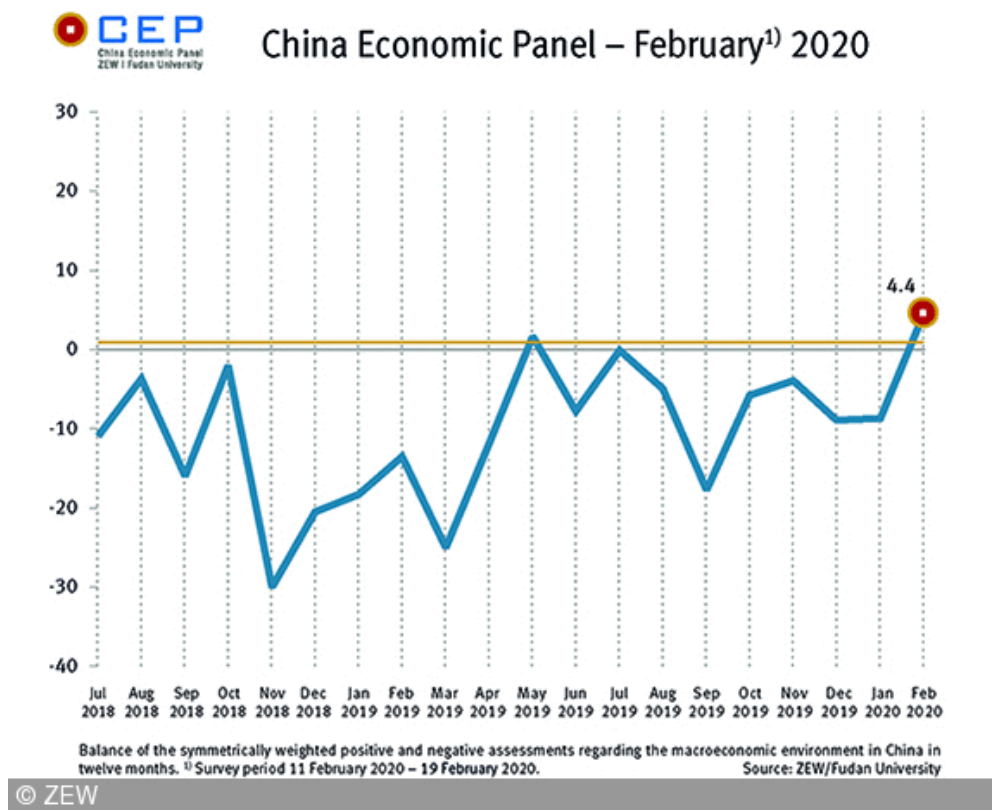
CEP Indicator Stands at 4.4 Points

The most recent survey conducted in February (11 – 19 February 2020) shows the considerable effects the coronavirus epidemic has on growth forecasts for China, with experts expecting real gross domestic product (GDP) to increase by only 5.4 per cent in 2020 and by only 4.2 per cent in the first quarter of this year.

The CEP indicator, which is based on the China Economic Panel (CEP) and reflects the economic expectations of international financial market experts for China, rose to a value of 4.4 points in February 2020, thus again finding itself just outside the negative range.

When interpreting this increase, however, it must be noted that the forecast horizon of the CEP indicator is twelve months. The experts surveyed therefore do not expect a noticeable improvement until the beginning of 2021, and this starting from an already quite weak situation of minus 10.9 points.

figure 1: CEP Indicator February 2020



source: ZEW/Fudan

Current point forecasts for Chinese real gross domestic product are much more revealing when it comes to the economic development in the coming months.

The first quarter of 2020 is expected to see GDP growth of only 4.2 per cent, coming down from the 6.0 per cent forecast in the January survey. “This sharp decline in forecasts is a consequence of the spreading coronavirus epidemic in China,” 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. Although the experts expect a return to more normal economic conditions with GDP growth of 5.4 per cent in the second quarter of 2020, this figure is still significantly below January’s forecast of 6.0 per cent. The experts thus expect negative effects of the coronavirus epidemic to hit the second quarter as well.

The forecast for the entire year of 2020 has dropped to a mere 5.4 per cent. This figure is far below the six per cent target set by the Chinese government. “According to the survey participants, the virus epidemic will have a very significant impact on China’s economic development this year. Not until 2021 do the experts expect to see GDP growth of 5.7 per cent, which is the usual growth rate for China,” Schröder summarises.

ZEW/Fudan China Economic Panel: Results February 2020											
Current economic situation	very good		good		normal		bad		very bad		balance
China	13.0	(+10.8)	21.7	(+15.2)	11.0	(-43.3)	39.1	(+ 2.1)	15.2	(+15.2)	-10.9 (+ 2.2)
Eurozone	0.0	(- 4.7)	14.6	(+ 0.6)	73.2	(+ 8.2)	12.2	(- 4.1)	0.0	(+ 0.0)	1.2 (- 2.4)
USA	0.0	(+ 0.0)	17.9	(- 7.7)	43.7	(- 7.5)	33.3	(+12.4)	5.1	(+ 2.8)	-12.8 (-12.9)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
China (CEP-Indicator)	19.6	(+15.3)	34.8	(+ 6.5)	4.3	(-15.3)	17.4	(-23.9)	23.9	(+17.4)	4.4 (+13.1)
GDP (growth rate) in %	2020Q1			2020Q2			2020			2021	
China	4.2			5.4			5.4			5.7	
Eurozone	1.4			1.4			1.5			1.6	
USA	2.1			2.2			2.2			2.2	
Inflation (CPI) in %	3 months				1 year						
China	4.6(4.4)				4.3(3.8)						
Eurozone	1.6(1.6)				1.6(1.5)						
USA	2.2(2.1)				2.3(2.2)						
Wage Inflation in %	3 months				1 year						
China	7.6(9.4)				8.3(8.7)						
Eurozone	2.8(2.9)				2.9(2.8)						
USA	4.6(4.6)				4.5(4.7)						
Interest rates	3 months				1 year						
SHIBOR (3 months)	2.7(2.8)				2.7(2.8)						
One-year deposit rate	1.5(1.5)				1.4(1.4)						
One-year lending rate	4.2(4.3)				4.2(4.2)						
Stock market indices	3 months				1 year						
SSE Composite Index	2.877 (2.991)				3.071 (3.096)						
Hang Seng Index	26.521 (28.539)				27.240 (28.759)						
Growth Enterprise Market Index (SZ)	2.008 (1.880)				2.137 (1.977)						
WTI Crude Oil (US-Dollar)	55(64)				57(64)						
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance
China M2 growth rate	11.9	(+ 9.5)	19.0	(- 0.5)	14.3	(-10.1)	26.2	(-10.4)	28.6	(+11.5)	-20.3 (+ 3.0)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Foreign exchange reserves	12.8	(+ 7.8)	20.5	(- 9.5)	23.1	(- 1.9)	28.2	(- 4.3)	15.4	(+ 7.9)	- 6.5 (- 2.7)
FDI outflow (out of China)	15.4	(+12.9)	33.3	(+ 8.3)	10.3	(- 4.7)	25.6	(-14.4)	15.4	(- 2.1)	3.9 (+26.4)
FDI inflow (into China)	18.4	(+13.4)	21.1	(- 3.9)	5.3	(- 2.2)	36.8	(-10.7)	18.4	(+ 3.4)	-7.9 (+13.4)
Export activity	14.6	(+ 9.8)	26.8	(- 1.8)	4.9	(- 7.0)	31.7	(-13.5)	22.0	(+12.5)	-9.9 (+ 3.1)
Import activity	14.3	(+ 9.5)	33.3	(+ 2.3)	11.9	(+ 0.1)	23.8	(-16.7)	16.7	(+ 4.8)	2.4 (+14.3)
Private Consumption	16.3	(+ 6.8)	30.2	(- 0.8)	13.9	(+ 6.8)	23.3	(-19.6)	16.3	(+ 6.8)	3.5 (+ 9.5)
Private Investment	18.6	(+13.8)	18.6	(-17.1)	16.2	(- 5.3)	32.6	(+13.6)	14.0	(- 5.0)	-2.4 (+ 3.5)
Govt. Consumption	27.9	(+11.2)	18.6	(- 5.2)	2.3	(-16.8)	23.3	(+ 4.3)	27.9	(+ 6.5)	-2.3 (+ 0.0)
Debt Domestic	11.9	(+ 0.0)	26.2	(+ 0.0)	9.5	(- 9.6)	26.2	(+ 4.8)	26.2	(+ 4.8)	-14.3 (- 7.2)
Debt Foreign	4.8	(+ 2.4)	21.4	(- 2.4)	26.2	(- 4.7)	33.3	(+ 7.1)	14.3	(- 2.4)	-15.5 (+ 0.0)
Employment rate	22.0	(+14.7)	24.4	(- 2.4)	21.8	(-14.8)	22.0	(+ 0.0)	9.8	(+ 2.5)	13.4 (+11.0)
Growth rate of new car registrations	19.5	(+14.5)	9.8	(-15.2)	14.6	(-12.9)	46.3	(+16.3)	9.8	(- 2.7)	-8.6 (+ 1.4)
Total share of world trade	14.3	(+ 9.4)	31.0	(+ 9.0)	19.0	(-15.0)	26.2	(- 3.1)	9.5	(- 0.3)	7.2 (+15.8)
Exchange rates	3 months				1 year						
Yuan / US-Dollar	7.01 (6.97)				7.01 (7.00)						
Yuan / Euro	7.77 (7.74)				7.77 (7.76)						
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Retail banking	7.7	(+ 7.7)	28.2	(- 9.6)	20.5	(+ 6.9)	33.3	(- 7.2)	10.3	(+ 2.2)	-5.2 (+ 4.3)
Investment banking	12.8	(+ 7.4)	20.5	(-17.3)	23.2	(+ 6.9)	25.6	(- 1.4)	17.9	(+ 4.4)	-7.7 (- 5.0)
Insurance	13.2	(+ 5.1)	5.3	(-10.9)	23.6	(- 3.5)	39.5	(+ 7.1)	18.4	(+ 2.2)	-22.3 (- 6.1)
Automotive	20.5	(+10.0)	10.3	(-21.3)	15.4	(- 8.2)	41.0	(+19.9)	12.8	(- 0.4)	-7.7 (-10.3)
Chemical / Pharmaceutical	2.6	(- 7.9)	25.6	(+ 4.5)	12.8	(-16.1)	43.6	(+12.0)	15.4	(+ 7.5)	-21.8 (-19.1)
Machinery / Engineering	5.1	(+ 2.5)	15.4	(-10.9)	20.5	(- 0.6)	43.6	(+ 9.4)	15.4	(- 0.4)	-24.4 (- 7.2)
Electronics	5.1	(- 5.4)	23.1	(+ 7.3)	18.0	(- 3.1)	33.3	(- 8.8)	20.5	(+10.0)	-20.5 (- 7.3)
Retail and commerce	22.5	(+19.9)	17.5	(-15.8)	20.0	(- 0.5)	25.0	(- 8.3)	15.0	(+ 4.7)	3.8 (+11.5)
Construction	12.8	(+ 7.5)	23.1	(-11.1)	10.2	(- 8.2)	43.6	(+12.0)	10.3	(- 0.2)	-7.8 (- 3.9)
Energy	10.3	(+ 7.6)	25.6	(- 6.8)	18.0	(- 6.4)	28.2	(- 4.2)	17.9	(+ 9.8)	-8.9 (- 3.5)
Information Technology	10.3	(- 3.2)	12.8	(- 3.4)	20.5	(+ 6.9)	28.2	(- 4.2)	28.2	(+ 3.9)	-25.6 (- 6.7)
Services	25.6	(+17.7)	23.1	(+ 2.0)	20.6	(+ 4.8)	17.9	(-11.0)	12.8	(-13.5)	15.4 (+37.7)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
Beijing	12.8	(+10.2)	20.5	(+10.0)	18.0	(-32.1)	33.3	(+ 7.0)	15.4	(+ 4.9)	-9.0 (+ 6.8)
Shanghai	7.7	(+ 7.7)	25.6	(+ 4.5)	12.8	(-24.0)	38.5	(+12.2)	15.4	(- 0.4)	-14.2 (+ 4.2)
Hong Kong	17.9	(- 3.2)	17.9	(- 0.5)	15.5	(+ 7.6)	33.3	(- 0.9)	15.4	(- 3.0)	-5.2 (+ 0.0)
Guangzhou	10.3	(+ 7.7)	23.1	(+ 4.7)	17.9	(-21.6)	33.3	(- 0.9)	15.4	(+10.1)	-10.2 (+ 0.4)
Shenzhen	12.8	(+ 2.3)	17.9	(- 8.4)	15.5	(- 0.4)	35.9	(- 0.9)	17.9	(+ 7.4)	-14.1 (- 8.8)
Tianjin	20.5	(+15.2)	25.6	(- 6.0)	18.0	(-13.5)	28.2	(+ 4.5)	7.7	(- 0.2)	11.5 (+10.1)
Chongqing	15.4	(+15.4)	25.6	(- 4.1)	18.0	(-22.6)	28.2	(+ 6.6)	12.8	(+ 4.7)	1.3 (+ 5.4)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Beijing	7.7	(+ 2.4)	33.3	(+14.9)	25.7	(- 3.2)	25.6	(-21.8)	7.7	(+ 7.7)	3.9 (+13.1)
Shanghai	2.6	(+ 2.6)	33.3	(+17.5)	23.1	(-11.1)	33.3	(-16.7)	7.7	(+ 7.7)	-5.1 (+12.0)
Hong Kong	15.4	(+10.1)	28.2	(- 0.7)	15.4	(- 8.3)	35.9	(+ 7.0)	5.1	(- 8.1)	6.5 (+14.4)
Guangzhou	7.7	(+ 5.1)	30.8	(+12.4)	28.2	(-14.0)	28.2	(- 6.0)	5.1	(+ 2.5)	3.9 (+11.8)
Shenzhen	10.3	(+ 7.7)	23.1	(- 0.6)	30.7	(+ 4.4)	28.2	(-11.3)	7.7	(- 0.2)	0.1 (+13.3)
Tianjin	23.7	(+10.5)	18.4	(- 5.3)	34.2	(+ 2.6)	23.7	(- 5.2)	0.0	(- 2.6)	21.1 (+13.1)
Chongqing	15.4	(+10.5)	23.7	(- 2.6)	34.2	(+ 0.0)	26.3	(- 7.9)	0.0	(+ 0.0)	14.5 (+13.1)

Note: 46 analysts participated in the February survey, which was conducted during the period 2/11-2/19/2020. 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.