China Economic Panel (CEP)

// February 2021

Results of the February survey in detail
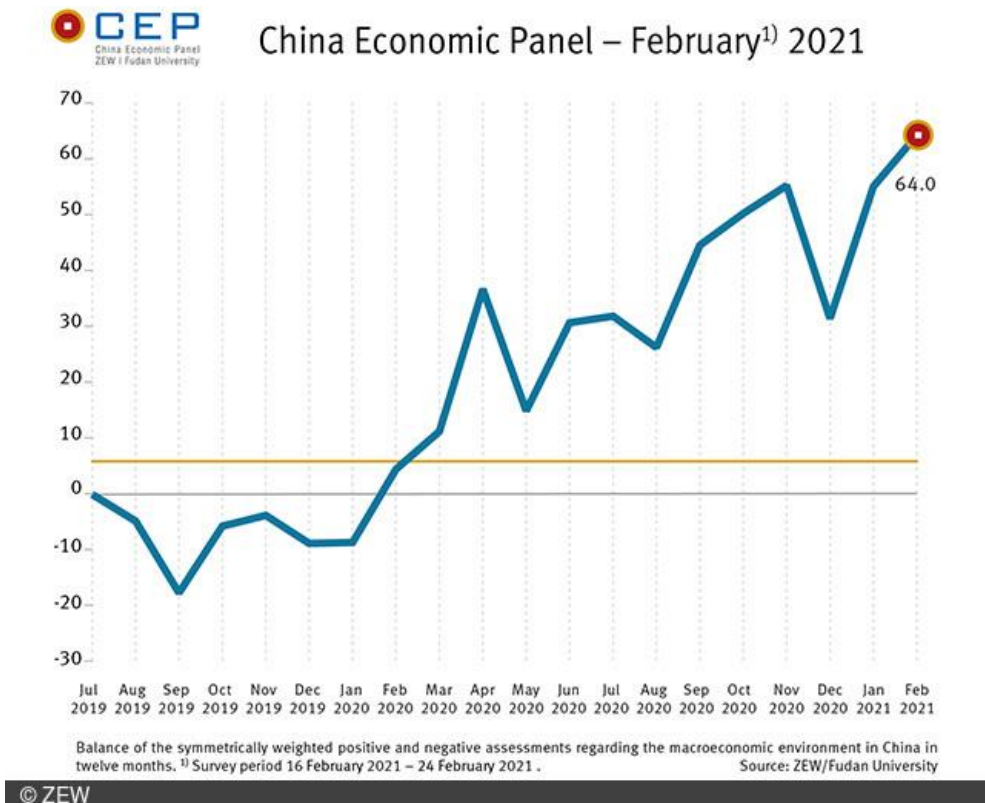
Outlook for China Improves Again

CEP Indicator Stands at 64.0 Points

In the February 2021 survey (16 – 24 February 2021), the CEP indicator increased by 9.1 points to a new value of 64.0 points, its highest value to date since the survey began in mid-2013.

The CEP indicator, based on the China Economic Panel (CEP) and conducted by ZEW Mannheim in cooperation with Fudan University, Shanghai, reflects the economic expectations of international financial market experts for China on a 12-month basis.

The assessment of the current economic situation rose by 13.6 points to 55.8 points, which means that the corresponding indicator has also reached its highest value since the beginning of the survey.

figure 1:   CEP Indicator February 2021

China Economic Panel – February[1] 2021

64.0

Balance of the symmetrically weighted positive and negative assessments regarding the macroeconomic environment in China in twelve months. [1] Survey period 16 February 2021 – 24 February 2021 .   Source: ZEW/Fudan University

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source: ZEW/Fudan

"The significant increase in both the expectations and the assessment of the current situation shows that the experts' economic outlook for China is considerably better than in January," says Dr. Michael Schröder, who coordinates the survey in ZEW's Research Department "International Finance and Financial Management".

The respondents' positive view of the economy is also reflected in their economic growth forecasts, which are now significantly more positive for both the current year and 2022 than they were at the beginning of the year. For 2021, the experts expect an increase in real gross domestic product (GDP) of 6.5 per cent compared to the previous year. In January, this forecast was still at 5.9 per cent. In 2022, real GDP is expected to grow by 5.5 per cent; previously, growth of only 4.9 per cent was expected.

The strong rise in expectations regarding government consumption by 23.4 points to an indicator level of 70.0 points shows that government economic stimulus programmes are likely to be further expanded. In the meantime, 88 per cent of the experts expect an either slight or strong increase in government consumption, and only four per cent anticipate a slight drop.

A similar picture is presented by the indicator for domestic debt, which climbed 11.3 points to a current value of 68.0 points. In fact, all respondents expect at least a slight rise in domestic debt within the next twelve months, and 64 per cent of the experts predict a further increase in foreign debt. "The dichotomy of expectations for the development of China's major economic regions continues to persist in February. While the outlook for Shenzhen, Shanghai, Guangzhou, Beijing and Chongqing is very positive, expectations for Hong Kong and Tianjin remain far below average. In the case of Hong Kong, the relatively weak economic development is also reflected in a predicted decline in property prices," says Schröder.

ZEW/Fudan China Economic Panel: Results February 2021

Current economic situation	very good		good		normal		bad		very bad		balance	
China	30.8	(+15.2)	50.0	(- 3.1)	19.2	(-12.1)	0.0	(+/- 0.0)	0.0	(+/- 0.0)	55.8	(+13.6)
Eurozone	0.0	(- 3.3)	8.7	(+ 2.0)	43.5	(+13.5)	43.5	(- 6.5)	4.3	(- 5.7)	-21.7	(+ 6.7)
USA	4.3	(+ 4.3)	4.3	(- 2.4)	34.9	(+ 8.2)	52.2	(- 1.1)	4.3	(- 9.0)	-24.0	(+12.6)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-Indicator)	56.0	(+20.5)	20.0	(-28.4)	20.0	(+13.6)	4.0	(- 5.7)	0.0	(+/- 0.0)	64.0	(+ 9.1)

GDP (growth rate) in %	2021Q1	2021Q2	2021	2022
China	8.4	6.9	6.5	5.5
Eurozone	-2.2	0.7	0.5	1.3
USA	-0.8	1.7	1.2	2.0

Inflation (CPI) in %	3 months	1 year
China	1.0 (0.5)	2.0 (1.9)
Eurozone	0.8 (-0.1)	1.5 (0.6)
USA	1.3 (1.1)	2.3 (1.6)

Producer Price Index (PPI) in % Starting Jan 2021	3 months	1 year
China	0.9 (59.2)	1.3 (60.7)

Wage Inflation in %	3 months	1 year
China	4.6 (5.3)	5.6 (5.2)
Eurozone	2.0 (2.0)	2.4 (2.5)
USA	2.5 (2.7)	2.9 (3.0)

Interest rates	3 months	1 year
SHIBOR (3 months)	2.9 (2.8)	3.0 (2.8)
One-year deposit rate	1.5 (1.5)	1.6 (1.6)
One-year lending rate	4.1 (4.1)	4.2 (4.1)

Stock market indices	3 months	1 year
SSE Composite Index	3.711 (3.534)	3.882 (3.737)
Hang Seng Index	30.902 (26.883)	32.139 (27.792)
Growth Enterprise Market Index (SZ)	3.481 (2.883)	3.651 (3.032)
Sci-Tech innovation board index (STAR) Starting Jan 2021	1.485 (1.074)	1.665 (1.147)
WTI Crude Oil (US-Dollar)	62 (48)	62 (54)

Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	25.0	(+ 7.1)	50.0	(+/- 0.0)	4.2	(-10.0)	20.8	(+ 2.9)	0.0	(+/- 0.0)	39.6	(+ 5.6)

Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	20.0	(+ 3.3)	60.0	(-13.3)	8.0	(+ 1.3)	12.0	(+ 8.7)	0.0	(+/- 0.0)	44.0	(- 7.7)
FDI outflow (out of China)	8.0	(- 8.7)	52.0	(-21.3)	12.0	(+ 5.3)	24.0	(+20.7)	4.0	(+ 4.0)	18.0	(-33.7)
FDI inflow (into China)	20.0	(+ 3.3)	52.0	(- 8.0)	12.0	(+ 2.0)	16.0	(+ 6.0)	0.0	(- 3.3)	38.0	(- 0.4)
Export activity	52.0	(+15.3)	36.0	(-17.3)	8.0	(+ 1.3)	4.0	(+ 0.7)	0.0	(+/- 0.0)	68.0	(+ 6.3)
Import activity	32.0	(+ 5.3)	40.0	(-16.7)	20.0	(+10.1)	4.0	(- 2.7)	4.0	(+ 4.0)	46.0	(- 5.7)
Private Consumption	32.0	(+18.7)	56.0	(-14.0)	12.0	(- 1.4)	0.0	(- 3.3)	0.0	(+/- 0.0)	60.0	(+13.3)
Private Investment	16.0	(+ 2.7)	52.0	(- 1.3)	16.0	(+ 2.6)	16.0	(- 4.0)	0.0	(+/- 0.0)	34.0	(+ 4.0)
Govt. Consumption	56.0	(+28.4)	32.0	(-19.7)	8.0	(+ 1.1)	4.0	(- 9.8)	0.0	(+/- 0.0)	70.0	(+23.4)
Debt Domestic	36.0	(+ 6.0)	64.0	(+ 7.3)	0.0	(-10.0)	0.0	(- 3.3)	0.0	(+/- 0.0)	68.0	(+11.3)
Debt Foreign	16.0	(+ 6.0)	48.0	(- 2.0)	24.0	(+ 0.6)	12.0	(- 1.3)	0.0	(- 3.3)	34.0	(+ 8.9)
Employment rate	16.0	(+ 2.7)	60.0	(+13.3)	20.0	(+/- 0.0)	4.0	(-16.0)	0.0	(+/- 0.0)	44.0	(+17.3)
Growth rate of new car registrations	32.0	(+12.0)	48.0	(-18.7)	12.0	(+ 5.4)	8.0	(+ 1.3)	0.0	(+/- 0.0)	52.0	(+ 2.0)
Total share of world trade	44.0	(+10.7)	36.0	(-14.0)	8.0	(+ 1.3)	12.0	(+ 2.0)	0.0	(+/- 0.0)	56.0	(+ 2.7)

Exchange rates	3 months	1 year
Yuan / US-Dollar	6.43 (6.45)	6.49 (6.53)
Yuan / Euro	7.79 (7.86)	7.83 (7.85)

Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	13.0	(- 1.3)	56.5	(-18.5)	26.2	(+15.5)	4.3	(+ 4.3)	0.0	(+/- 0.0)	39.1	(-12.7)
Investment banking	34.8	(+ 6.2)	39.1	(-18.0)	21.8	(+18.2)	0.0	(-10.7)	4.3	(+ 4.3)	50.1	(- 1.7)
Insurance	30.4	(+ 1.8)	56.5	(+ 2.9)	8.8	(- 5.4)	4.3	(+ 0.7)	0.0	(+/- 0.0)	56.5	(+ 2.9)
Automotive	26.1	(- 6.0)	60.9	(+ 7.3)	0.0	(- 7.2)	13.0	(+ 5.9)	0.0	(+/- 0.0)	50.1	(- 5.3)
Chemical / Pharmaceutical	52.2	(+ 5.8)	43.5	(-10.1)	4.3	(+ 4.3)	0.0	(+/- 0.0)	0.0	(+/- 0.0)	74.0	(+ 0.8)
Machinery / Engineering	39.1	(- 0.2)	34.8	(-11.6)	21.8	(+ 7.5)	4.3	(+ 4.3)	0.0	(+/- 0.0)	54.4	(- 8.1)
Electronics	43.5	(+ 7.8)	39.1	(-21.6)	17.4	(+17.4)	0.0	(- 3.6)	0.0	(+/- 0.0)	63.1	(- 1.2)
Retail and commerce	30.4	(+ 1.8)	43.5	(- 6.5)	21.8	(+ 7.5)	4.3	(- 2.8)	0.0	(+/- 0.0)	50.0	(- 0.1)
Construction	30.4	(+12.5)	56.5	(+ 6.5)	13.1	(- 8.3)	0.0	(-10.7)	0.0	(+/- 0.0)	58.7	(+21.1)
Energy	39.1	(+17.7)	52.2	(- 8.5)	8.7	(- 9.2)	0.0	(+/- 0.0)	0.0	(+/- 0.0)	65.2	(+13.4)
Information Technology	65.2	(+29.5)	21.7	(-39.0)	13.1	(+13.1)	0.0	(- 3.6)	0.0	(+/- 0.0)	76.1	(+11.8)
Services	45.5	(+ 9.8)	40.9	(- 5.5)	9.1	(- 1.7)	4.5	(- 2.6)	0.0	(+/- 0.0)	63.7	(+ 8.3)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
Beijing	26.1	(+ 4.7)	47.8	(+15.7)	17.4	(-14.8)	8.7	(- 5.6)	0.0	(+/- 0.0)	45.7	(+15.4)
Shanghai	47.8	(+19.2)	43.5	(-10.1)	8.7	(- 2.0)	0.0	(- 7.1)	0.0	(+/- 0.0)	69.6	(+17.7)
Hong Kong	13.0	(+ 9.4)	34.8	(- 4.5)	17.5	(- 0.4)	30.4	(- 1.7)	4.3	(- 2.8)	10.9	(+10.8)
Guangzhou	39.1	(+ 5.8)	39.1	(- 5.3)	21.8	(+ 3.2)	0.0	(- 3.7)	0.0	(+/- 0.0)	58.7	(+ 5.0)
Shenzhen	56.5	(+12.1)	30.4	(-14.0)	13.1	(+ 9.3)	0.0	(- 7.4)	0.0	(+/- 0.0)	71.7	(+ 8.8)
Tianjin	17.4	(+ 6.3)	21.7	(- 7.9)	26.1	(-11.0)	34.8	(+16.3)	0.0	(- 3.7)	10.9	(- 2.1)
Chongqing	34.8	(+12.6)	13.0	(-20.3)	39.2	(+13.2)	13.0	(- 1.8)	0.0	(- 3.7)	34.8	(+ 7.0)

Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Beijing	8.7	(+ 1.6)	60.9	(- 3.4)	21.7	(+ 0.2)	8.7	(+ 1.6)	0.0	(+/- 0.0)	34.8	(- 0.9)
Shanghai	21.7	(- 6.9)	69.6	(+19.6)	4.4	(- 9.9)	4.3	(- 2.8)	0.0	(+/- 0.0)	54.4	(+ 4.3)
Hong Kong	0.0	(- 7.1)	43.5	(+25.6)	17.4	(-18.3)	26.1	(- 2.5)	13.0	(+ 2.3)	-4.3	(+ 4.7)
Guangzhou	4.3	(-17.9)	82.6	(+19.6)	4.4	(- 6.7)	8.7	(+ 5.0)	0.0	(+/- 0.0)	41.3	(-10.6)
Shenzhen	26.1	(- 7.2)	65.2	(+13.3)	0.0	(- 3.7)	8.7	(- 2.4)	0.0	(+/- 0.0)	54.4	(+ 0.7)
Tianjin	8.7	(- 2.4)	26.1	(+ 7.6)	39.1	(- 5.4)	26.1	(+ 3.9)	0.0	(- 3.7)	8.7	(+ 3.1)
Chongqing	8.7	(- 2.4)	34.8	(+ 5.2)	39.1	(+ 2.0)	17.4	(- 4.8)	0.0	(+/- 0.0)	17.4	(+ 2.6)

Note: 26 analysts participated in the February survey, which was conducted during the period 2/16-2/24/2021. 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.