China Economic Panel (CEP)

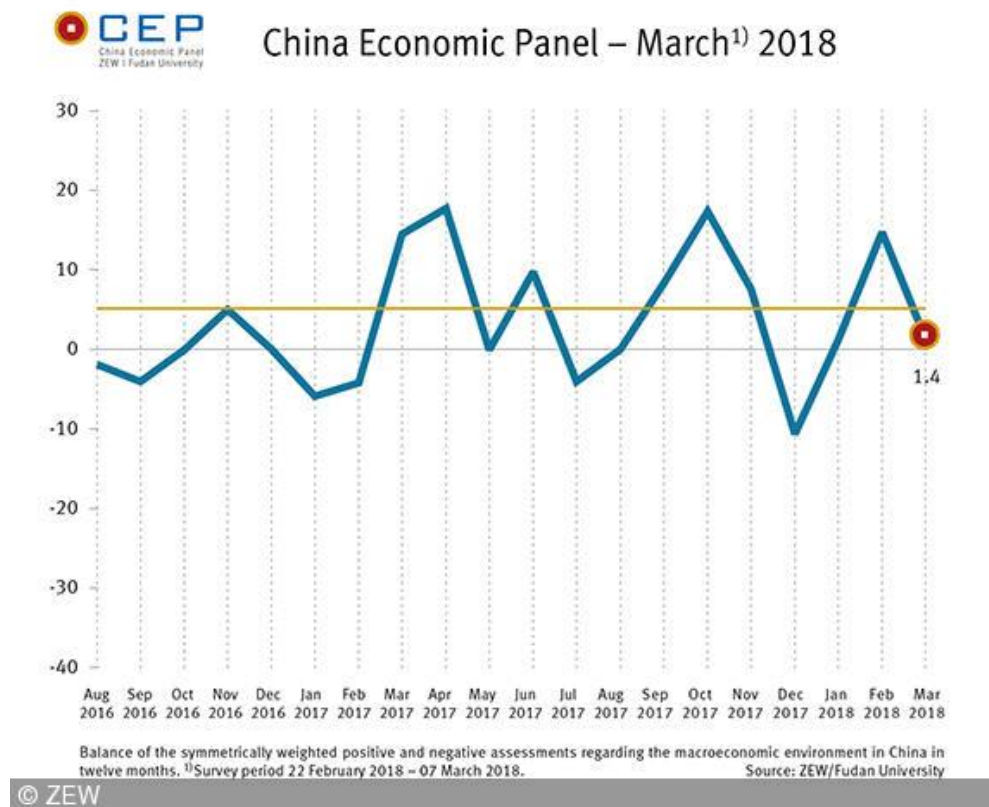## // March 2018

Results of the March survey in detail

Economic Outlook for China Experiences Dramatic Drop

In the March survey (22.02.–07.03.2018), economic expectations for China experienced a considerable drop. The CEP indicator now stands at 1.4 points, 13.3 points lower than in the previous month (February 2018: 14.7 points).

This sees the CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, return to its level from January 2018.

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The experts' assessment of the current economic climate is also less positive than in the previous month, with the corresponding indicator dropping 8.6 points to 23.7 points.

figure 1:   CEP Indicator March 2018

source: ZEW/Fudan

This figure, however, still indicates a largely positive assessment of the economic situation.

"The euphoria in the face of the exorbitant growth of 6.9 per cent exhibited by the Chinese economy last year seems to have evaporated. At 6.6 per cent, the forecast given by our experts with regard to real GDP growth in 2018 is largely in line with the official target of the Chinese government. The current CEP indicator, which reflects economic sentiment over the coming twelve months, has also adjusted itself to this view of things," says Dr. Michael Schröder, senior researcher in the ZEW Research Department "International Finance and Financial Management" and project leader for the CEP survey.

The experts' assessments relating to growth in Chinese exports remained constant in relation to the previous month. This is surprising given that one would have expected the increasing likelihood of a trade war between the US on one side and the EU and China on the other to lead to more pessimistic export expectations. In fact, the level of Chinese exports experienced a strong increase in the first two months of 2018, which may have stabilised expectations. "It remains to be seen how the current tensions over trade will impact China's growth and exports over the coming months," says Michael Schröder.

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ZEW/Fudan China Economic Panel: Results March 2018											
Current economic situation	very good		good		normal		bad		very bad		balance
China	7.9	(- 0.4)	36.8	(-13.2)	50.0	(+10.4)	5.3	(+ 3.2)	0.0	(+/- 0.0)	23.7 (- 8.6)
Eurozone	20.0	(+ 8.9)	45.7	(- 7.6)	31.4	(- 4.2)	2.9	(+ 2.9)	0.0	(+/- 0.0)	41.4 (+ 3.6)
USA	14.3	(+ 1.0)	71.4	(+22.5)	14.3	(-21.3)	0.0	(- 2.2)	0.0	(+/- 0.0)	50.0 (+13.3)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
China (CEP-Indicator)	0.0	(- 6.3)	31.6	(- 8.0)	39.5	(+ 8.3)	28.9	(+ 6.0)	0.0	(+/- 0.0)	1.4 (-13.3)

GDP (growth rate) in %	2018Q1	2018Q2	2018	2019
China	6.7	6.7	6.6	6.5
Eurozone	2.6	2.6	2.6	2.5
USA	2.6	2.7	2.7	2.7

Inflation (CPI) in %	3 months	1 year
China	1.8 (1.9)	2.1 (2.1)
Eurozone	1.4 (1.5)	1.5 (1.6)
USA	2.1 (2.2)	2.2 (2.3)

Wage Inflation in %	3 months	1 year
China	8.5 (8.7)	8.4 (8.7)
Eurozone	2.4 (1.6)	1.9 (1.7)
USA	2.8 (2.7)	2.8 (2.8)

Interest rates	3 months	1 year
SHIBOR (3 months)	4.8 (4.7)	4.8 (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	3.325 (3.549)	3.553 (3.720)
Hang Seng Index	31.273 (32.264)	32.495 (33.230)
WTI Crude Oil (US-Dollar)	63 (65)	64 (67)

Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance
M2 growth rate	3.4	(- 1.7)	65.5	(+ 4.0)	13.9	(+ 1.0)	17.2	(- 3.3)	0.0	(+/- 0.0)	27.6 (+ 2.0)

Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Foreign exchange reserves	3.2	(+ 0.7)	61.3	(+11.3)	16.1	(- 6.4)	12.9	(-12.1)	6.5	(+ 6.5)	20.9 (+ 5.9)
FDI outflow (out of China)	16.1	(+ 1.1)	45.2	(-12.3)	29.0	(+19.0)	9.7	(- 7.8)	0.0	(+/- 0.0)	33.9 (- 1.1)
FDI inflow (into China)	6.5	(- 1.0)	38.7	(+ 1.2)	22.6	(+ 5.1)	29.0	(- 6.0)	3.2	(+ 0.7)	8.2 (+ 1.9)
Export activity	6.5	(+ 1.5)	61.3	(+ 3.8)	9.6	(- 5.4)	16.1	(- 6.4)	6.5	(+ 6.5)	22.6 (+ 0.1)
Import activity	29.0	(+14.0)	45.2	(-14.8)	12.9	(- 2.1)	9.7	(+ 2.2)	3.2	(+ 0.7)	43.6 (+ 4.8)
Private Consumption	16.1	(- 8.9)	61.3	(+ 3.8)	12.9	(- 2.1)	0.0	(- 2.5)	9.7	(+ 9.7)	37.1 (-15.4)
Private Investment	3.2	(- 4.3)	45.2	(- 2.3)	16.1	(- 3.9)	25.8	(+ 0.8)	9.7	(+ 9.7)	3.2 (-15.6)
Govt. Consumption	19.4	(- 0.6)	48.4	(+ 3.4)	25.8	(- 1.7)	3.2	(- 4.3)	3.2	(+ 3.2)	38.8 (+/- 0.0)
Debt Domestic	12.9	(- 4.6)	58.1	(+13.1)	9.7	(-17.8)	16.1	(+ 6.1)	3.2	(+ 3.2)	30.7 (- 4.3)
Debt Foreign	3.4	(- 1.9)	41.4	(+ 1.9)	41.5	(+ 2.1)	10.3	(- 5.5)	3.4	(+ 3.4)	15.6 (- 1.6)
Employment rate	0.0	(- 5.1)	30.0	(+ 4.4)	56.7	(+ 2.8)	10.0	(- 5.4)	3.3	(+ 3.3)	6.7 (- 3.5)
Growth rate of new car registrations Total	10.0	(- 2.8)	66.7	(+ 2.6)	13.3	(- 2.1)	6.7	(- 1.0)	3.3	(+ 3.3)	36.7 (- 4.3)
share of world trade	10.0	(- 5.4)	53.3	(- 3.1)	23.4	(+ 0.3)	10.0	(+ 4.9)	3.3	(+ 3.3)	28.4 (-12.7)

Exchange rates	3 months	1 year
Yuan / US-Dollar	6.39 (6.41)	6.53 (6.54)
Yuan / Euro	7.78 (7.87)	7.87 (7.95)

Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Retail banking	10.3	(- 7.3)	48.3	(- 7.6)	34.5	(+22.7)	6.9	(- 4.9)	0.0	(- 2.9)	31.0 (- 5.8)
Investment banking	10.3	(- 1.5)	58.6	(+14.5)	17.3	(- 0.4)	13.8	(- 9.7)	0.0	(- 2.9)	32.7 (+13.5)
Insurance	24.1	(+ 0.6)	44.8	(- 2.3)	17.3	(- 6.3)	13.8	(+10.9)	0.0	(- 2.9)	39.6 (- 3.1)
Automotive	10.0	(- 1.8)	60.0	(- 1.8)	20.0	(- 3.5)	10.0	(+ 7.1)	0.0	(+/- 0.0)	35.0 (- 6.3)
Chemical / Pharmaceutical	10.0	(- 7.1)	50.0	(+ 4.3)	30.0	(- 1.5)	10.0	(+ 4.3)	0.0	(+/- 0.0)	30.0 (- 7.1)
Machinery / Engineering	13.3	(- 9.6)	33.3	(- 1.0)	30.1	(+ 4.4)	23.3	(+ 6.2)	0.0	(+/- 0.0)	18.3 (-13.2)
Electronics	16.7	(- 9.0)	53.3	(+16.2)	20.0	(-11.5)	10.0	(+ 4.3)	0.0	(+/- 0.0)	38.4 (- 3.0)
Retail and commerce	13.3	(- 6.7)	53.3	(+ 1.9)	16.8	(- 3.2)	13.3	(+ 4.7)	3.3	(+ 3.3)	30.0 (-11.4)
Construction	13.3	(+ 1.5)	30.0	(- 8.2)	10.1	(-13.4)	43.3	(+16.8)	3.3	(+ 3.3)	3.4 (-14.3)
Energy	13.8	(- 3.8)	51.7	(+ 1.7)	31.1	(+ 1.6)	3.4	(+ 0.5)	0.0	(+/- 0.0)	38.0 (- 3.2)
Information Technology	27.6	(- 4.8)	58.6	(+ 8.6)	10.4	(+ 1.6)	3.4	(- 5.4)	0.0	(+/- 0.0)	55.2 (+ 2.2)
Services	24.1	(- 8.3)	48.3	(- 1.7)	20.7	(+ 6.0)	6.9	(+ 4.0)	0.0	(+/- 0.0)	44.8 (-11.2)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
Shanghai	3.6	(- 7.2)	53.6	(+ 7.7)	39.2	(+12.1)	3.6	(-12.6)	0.0	(+/- 0.0)	28.6 (+ 2.9)
Hong Kong	7.1	(- 9.1)	53.6	(+ 5.0)	35.7	(+ 8.6)	3.6	(- 4.5)	0.0	(+/- 0.0)	32.1 (- 4.4)
Guangzhou	3.7	(- 1.7)	29.6	(- 5.5)	48.2	(+13.0)	18.5	(- 3.1)	0.0	(- 2.7)	9.3 (- 0.2)
Shenzhen	14.8	(+ 1.3)	59.3	(+13.4)	22.2	(-10.3)	3.7	(- 4.4)	0.0	(+/- 0.0)	42.6 (+10.2)
Tianjin	38.5	(+11.5)	50.0	(- 6.8)	11.5	(+ 0.7)	0.0	(- 5.4)	0.0	(+/- 0.0)	63.5 (+10.8)
Chongqing	11.1	(- 2.4)	25.9	(- 3.8)	33.4	(+ 9.0)	29.6	(+ 2.6)	0.0	(- 5.4)	9.3 (- 0.2)
	25.9	(- 1.1)	33.3	(- 1.8)	18.6	(- 5.8)	22.2	(+ 8.7)	0.0	(+/- 0.0)	31.5 (- 6.3)

	increase		slightly increase		not change		slightly decrease		decrease		balance
Shanghai	3.7	(- 9.8)	25.9	(- 6.5)	29.7	(+ 2.6)	40.7	(+16.4)	0.0	(- 2.7)	-3.7 (-18.6)
Hong Kong	7.1	(-11.8)	21.4	(-11.0)	39.4	(+12.3)	32.1	(+10.5)	0.0	(+/- 0.0)	1.8 (-22.5)
Guangzhou	11.1	(- 2.8)	40.7	(- 1.0)	33.4	(+ 2.9)	14.8	(+ 3.7)	0.0	(- 2.8)	24.1 (- 2.3)
Shenzhen	11.1	(-10.5)	40.7	(+ 2.9)	40.8	(+13.7)	7.4	(- 6.1)	0.0	(+/- 0.0)	27.8 (- 6.0)
Tianjin	14.8	(-10.2)	25.9	(- 7.4)	40.8	(+15.8)	18.5	(+ 4.6)	0.0	(- 2.8)	18.5 (-13.4)
Chongqing	11.1	(- 7.8)	22.2	(- 2.1)	40.8	(+19.1)	18.5	(-11.2)	7.4	(+ 2.0)	5.6 (- 5.2)
	11.1	(- 7.8)	33.3	(- 4.5)	37.1	(+12.7)	14.8	(- 1.4)	3.7	(+ 1.0)	16.7 (-10.3)

Note: 38 analysts participated in the March survey, which was conducted during the period 2/22-3/7/2018. 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.