

China Economic Panel (CEP)

// March 2019

Results of the March survey in detail

Expectations for Chinese Economy Worsen

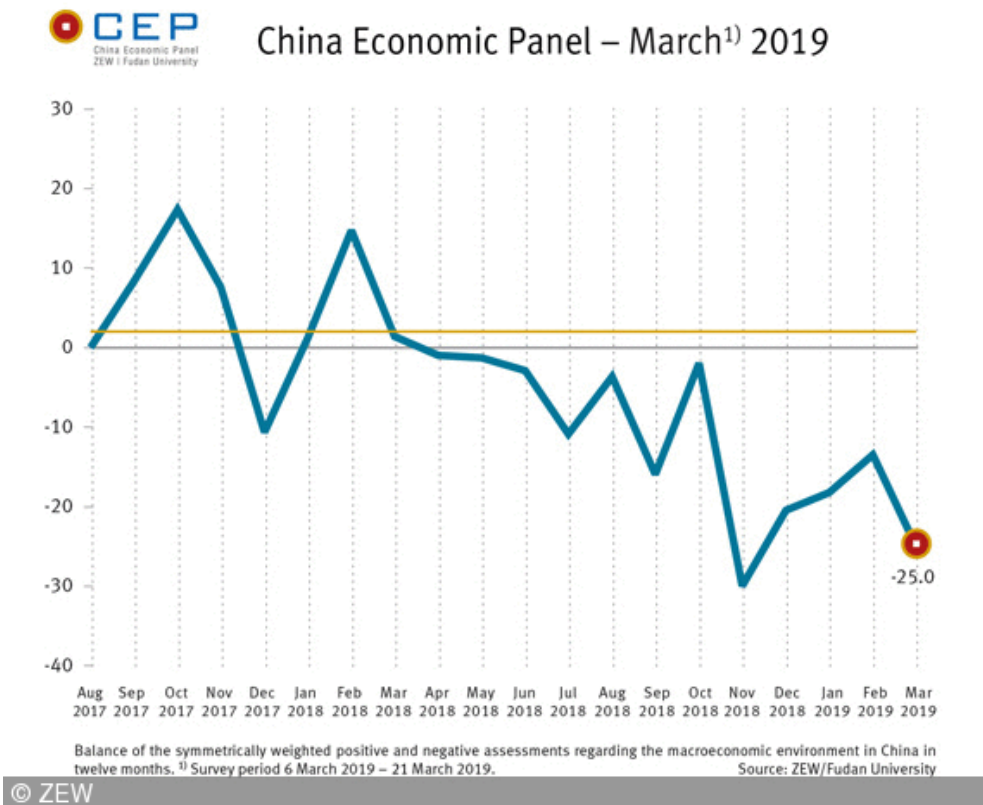
CEP Indicator drops to a level of minus 25.0
points

According to the most recent survey for March (6 – 21 March 2019), the expectations regarding the Chinese economy have decreased significantly by 11.5 points. The CEP Indicator, which is based on the China Economic Panel and reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, is currently at minus 25.0 points (February 2019: minus 13.5 points).

This marks the twelfth month in a row that the CEP indicator has been below its long-term average.

The expectations for the current economic situation have remained almost unchanged, with the corresponding indicator dropping to a level of 13.9 points, 0.4 points below the previous month's level.

figure 1: CEP Indicator March 2019



source: ZEW/Fudan

With a value of 6.2 per cent, the point forecast for the Chinese real gross domestic product for 2019 has experienced a slight increase of 0.1 percentage points compared to the previous month.

The experts' point forecasts are thus in the middle of the target range of 6.0 to 6.5 per cent set by China's Premier Li Keqiang at the National People's Congress. The forecast for 2020, however, remains unchanged at 6.0 per cent.

As announced at the meeting of the National People's Congress, China plans to increase government assistance for the economy through fiscal (e.g. by lowering the value-added tax) and monetary policy measures (e.g. by further cutting banks' reserve requirement ratio).

"The expectations of the experts reflect the decisions made at the National People's Congress. They expect to see a further rise in government consumption as well as an increase in domestic and foreign debt. The planned monetary policy measures are, in turn, reflected in the anticipated surge in stock prices," says Dr. Michael Schröder, senior researcher in the Research Department "International Finance and Financial Management" at the ZEW – Leibniz Centre for European Economic Research and project leader of the CEP survey.

ZEW/Fudan China Economic Panel: Results March 2019										
Current economic situation	very good	good	normal	bad	very bad	balance				
China	0.0 (+/- 0.0)	5.6 (- 2.1)	61.1 (+ 3.4)	33.3 (- 1.3)	0.0 (+/- 0.0)	-13.9 (- 0.4)				
Eurozone	0.0 (+/- 0.0)	18.8 (+ 6.3)	68.7 (+ 2.0)	12.5 (- 8.3)	0.0 (+/- 0.0)	3.2 (+ 7.4)				
USA	0.0 (+/- 0.0)	37.5 (+ 8.3)	37.5 (-16.6)	25.0 (+ 8.3)	0.0 (+/- 0.0)	6.3 (+/- 0.0)				
Economic expectation (1 Y)	improve	slightly improve	not change	slightly worsen	worsen	balance				
China (CEP-Indicator)	0.0 (- 3.8)	22.2 (+ 6.8)	5.6 (-32.9)	72.2 (+37.6)	0.0 (- 7.7)	-25.0 (-11.5)				
GDP (growth rate) in %	2019Q1	2019Q2	2019	2020						
China	6.2	6.2	6.2	6.0						
Eurozone	1.3	1.3	1.4	1.3						
USA	2.9	3.1	2.9	2.9						
Inflation (CPI) in %	3 months			1 year						
China	1.9 (2.1)			2.2 (2.2)						
Eurozone	1.4 (1.4)			1.4 (1.5)						
USA	1.8 (2.1)			1.9 (2.1)						
Wage Inflation in %	3 months			1 year						
China	7.1 (7.0)			6.8 (7.0)						
Eurozone	2.5 (2.5)			2.4 (2.4)						
USA	3.7 (3.8)			3.7 (3.7)						
Interest rates	3 months			1 year						
SHIBOR (3 months)	2.8 (2.9)			2.7 (2.9)						
One-year deposit rate	1.5 (1.5)			1.5 (1.5)						
One-year lending rate	4.4 (4.4)			4.4 (4.2)						
Stock market indices	3 months			1 year						
SSE Composite Index	3,133 (2,630)			3,192 (2,762)						
Hang Seng Index	28,718 (27,931)			29,500 (28,040)						
Growth Enterprise Market Index (SZ)	1,723 (1,294)			1,811 (1,319)						
WTI Crude Oil (US-Dollar)	57 (55)			57 (59)						
Monetary aggregate M2 (6 M)	increase	slightly increase	not change	slightly decrease	decrease	balance				
China M2 growth rate	7.1 (- 1.2)	42.9 (+ 5.4)	21.4 (+ 8.8)	28.6 (- 4.7)	0.0 (- 8.3)	14.3 (+12.2)				
Specific indicators China (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance				
Foreign exchange reserves	0.0 (+/- 0.0)	13.3 (- 2.7)	26.7 (+ 2.7)	40.0 (-16.0)	20.0 (+16.0)	-33.4 (- 9.4)				
FDI outflow (out of China)	0.0 (- 8.0)	40.0 (+12.0)	26.6 (- 9.4)	26.7 (+ 2.7)	6.7 (+ 2.7)	0.0 (- 6.0)				
FDI inflow (into China)	6.7 (- 1.3)	26.7 (+10.7)	19.9 (-20.1)	40.0 (+16.0)	6.7 (- 5.3)	-6.7 (+ 1.3)				
Export activity	6.3 (- 1.7)	31.3 (+ 3.3)	12.3 (- 3.7)	43.8 (+ 3.8)	6.3 (- 1.7)	-6.3 (- 0.3)				
Import activity	0.0 (+/- 0.0)	43.8 (+ 3.8)	6.1 (- 5.9)	31.3 (+ 7.3)	18.8 (- 5.2)	-12.6 (+ 3.4)				
Private Consumption	6.3 (+ 6.3)	37.5 (- 2.5)	18.6 (- 9.4)	31.3 (+ 7.3)	6.3 (- 1.7)	3.1 (+ 3.1)				
Private Investment	6.3 (+ 6.3)	43.8 (+ 7.8)	18.6 (- 1.4)	25.0 (- 7.0)	6.3 (- 5.7)	9.4 (+19.4)				
Govt. Consumption	31.3 (+ 7.3)	37.4 (+ 9.4)	0.0 (-20.0)	25.0 (+17.0)	6.3 (-13.7)	31.2 (+17.2)				
Debt Domestic	6.3 (- 9.7)	62.5 (+22.5)	12.4 (- 3.6)	12.5 (- 3.5)	6.3 (- 5.7)	25.0 (+ 9.0)				
Debt Foreign	6.3 (+ 6.3)	37.5 (+13.5)	43.7 (- 8.3)	12.5 (- 7.5)	0.0 (- 4.0)	18.8 (+20.8)				
Employment rate	12.5 (+12.5)	12.5 (-23.5)	43.7 (+ 3.7)	25.0 (+ 9.0)	6.3 (- 1.7)	0.0 (- 2.0)				
Growth rate of new car registrations	6.7 (+ 6.7)	20.0 (- 4.0)	20.0 (- 8.0)	40.0 (+ 0.0)	13.3 (+ 5.3)	-16.6 (- 0.6)				
Total share of world trade	14.3 (+ 2.3)	28.6 (+12.6)	21.4 (-10.6)	28.6 (- 3.4)	7.1 (- 0.9)	7.2 (+11.2)				
Exchange rates	3 months			1 year						
Yuan / US-Dollar	6.76 (6.77)			6.90 (6.86)						
Yuan / Euro	7.59 (7.70)			7.69 (7.75)						
Sectors (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance				
Retail banking	0.0 (+/- 0.0)	23.1 (+ 1.4)	30.7 (+ 0.2)	46.2 (+ 2.7)	0.0 (- 4.3)	-11.6 (+ 3.6)				
Investment banking	7.7 (+ 7.7)	23.1 (- 3.0)	30.7 (+ 9.0)	30.8 (-12.7)	7.7 (- 1.0)	-3.9 (+13.5)				
Insurance	15.4 (+ 6.7)	7.7 (-18.4)	38.4 (+21.0)	38.5 (- 5.0)	0.0 (- 4.3)	0.0 (+ 4.3)				
Automotive	7.7 (+ 7.7)	30.8 (-12.7)	15.3 (+ 6.6)	38.5 (- 0.6)	7.7 (- 1.0)	-3.9 (+ 2.6)				
Chemical / Pharmaceutical	0.0 (- 4.3)	30.8 (+ 0.4)	15.4 (-15.1)	53.8 (+19.0)	0.0 (+/- 0.0)	-11.5 (-13.6)				
Machinery / Engineering	7.7 (+ 7.7)	30.8 (- 4.0)	23.0 (+ 9.9)	38.5 (- 0.6)	0.0 (-13.0)	3.9 (+19.1)				
Electronics	14.3 (+14.3)	28.6 (- 6.2)	35.7 (+14.0)	21.4 (-22.1)	0.0 (+/- 0.0)	17.9 (+22.3)				
Retail and commerce	14.3 (+14.3)	28.6 (- 6.2)	21.4 (- 0.4)	35.7 (- 3.4)	0.0 (- 4.3)	10.8 (+17.3)				
Construction	15.4 (+ 6.7)	23.1 (-11.7)	15.3 (- 6.5)	46.2 (+15.8)	0.0 (- 4.3)	3.9 (- 2.7)				
Energy	15.4 (+11.1)	38.5 (+ 8.1)	23.0 (-20.6)	15.4 (+ 2.4)	7.7 (- 1.0)	19.3 (+15.0)				
Information Technology	15.4 (+ 2.4)	46.2 (+15.8)	15.3 (-19.6)	15.4 (+ 6.7)	7.7 (- 5.3)	23.1 (+12.2)				
Services	15.4 (+ 2.4)	23.1 (- 3.0)	15.3 (-15.2)	46.2 (+20.1)	0.0 (- 4.3)	3.9 (- 4.8)				
Economic expectation (1 Y)	improve	slightly improve	not change	slightly worsen	worsen	balance				
Beijing	0.0 (- 4.3)	7.1 (- 1.6)	64.3 (+ 3.4)	28.6 (+ 2.5)	0.0 (+/- 0.0)	-10.8 (- 6.4)				
Shanghai	0.0 (- 4.3)	14.3 (+ 1.3)	64.3 (+12.0)	21.4 (- 9.0)	0.0 (+/- 0.0)	-3.6 (+ 0.8)				
Hong Kong	0.0 (- 4.3)	7.1 (-14.6)	28.6 (-15.0)	64.3 (+38.2)	0.0 (- 4.3)	-28.6 (-26.4)				
Guangzhou	0.0 (- 4.5)	14.3 (+ 0.7)	57.1 (+16.1)	28.6 (- 7.8)	0.0 (- 4.5)	-7.2 (+ 4.2)				
Shenzhen	0.0 (- 9.1)	14.3 (- 8.4)	50.0 (+27.2)	28.6 (-12.3)	7.1 (+ 2.6)	-14.3 (- 9.8)				
Tianjin	0.0 (- 4.5)	28.6 (+ 1.3)	50.0 (+27.3)	21.4 (-24.1)	0.0 (+/- 0.0)	3.6 (+ 8.2)				
Chongqing	0.0 (- 4.5)	28.6 (+ 1.3)	42.8 (+ 6.4)	28.6 (- 3.2)	0.0 (+/- 0.0)	0.0 (- 2.3)				
Real estate price expectation (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance				
Beijing	7.1 (+ 2.6)	50.0 (+22.7)	14.3 (-31.2)	28.6 (+ 5.9)	0.0 (+/- 0.0)	17.8 (+11.0)				
Shanghai	7.1 (- 2.0)	50.0 (+27.3)	14.3 (-26.7)	28.6 (+ 5.9)	0.0 (- 4.5)	17.8 (+13.2)				
Hong Kong	7.1 (+ 2.6)	35.7 (+17.5)	28.6 (- 7.8)	28.6 (-12.3)	0.0 (+/- 0.0)	10.7 (+17.6)				
Guangzhou	0.0 (- 4.8)	35.7 (+11.9)	42.9 (+ 0.1)	21.4 (- 7.2)	0.0 (+/- 0.0)	7.2 (+ 4.8)				
Shenzhen	0.0 (-14.3)	42.9 (+19.1)	21.4 (-16.7)	35.7 (+11.9)	0.0 (+/- 0.0)	3.6 (-10.7)				
Tianjin	0.0 (- 9.5)	42.9 (+14.3)	28.5 (+ 4.7)	28.6 (- 9.5)	0.0 (+/- 0.0)	7.2 (+ 2.4)				
Chongqing	0.0 (- 9.5)	42.9 (+ 9.6)	42.8 (+18.9)	14.3 (-19.0)	0.0 (+/- 0.0)	14.3 (+ 4.8)				

Note: 18 analysts participated in the March survey, which was conducted during the period 3/6-3/21/2019. 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.