China Economic Panel (CEP)

// March 2020

Results of the March survey in detail

Growth Forecasts for China Down Again

Effects of the Corona Crisis Unbroken

The coronavirus pandemic continues to leave a deep mark in the growth forecasts for China for 2020 and 2021, with the growth forecasts for real gross domestic product (GDP) dropping heavily again after an already significant decline in the previous month.

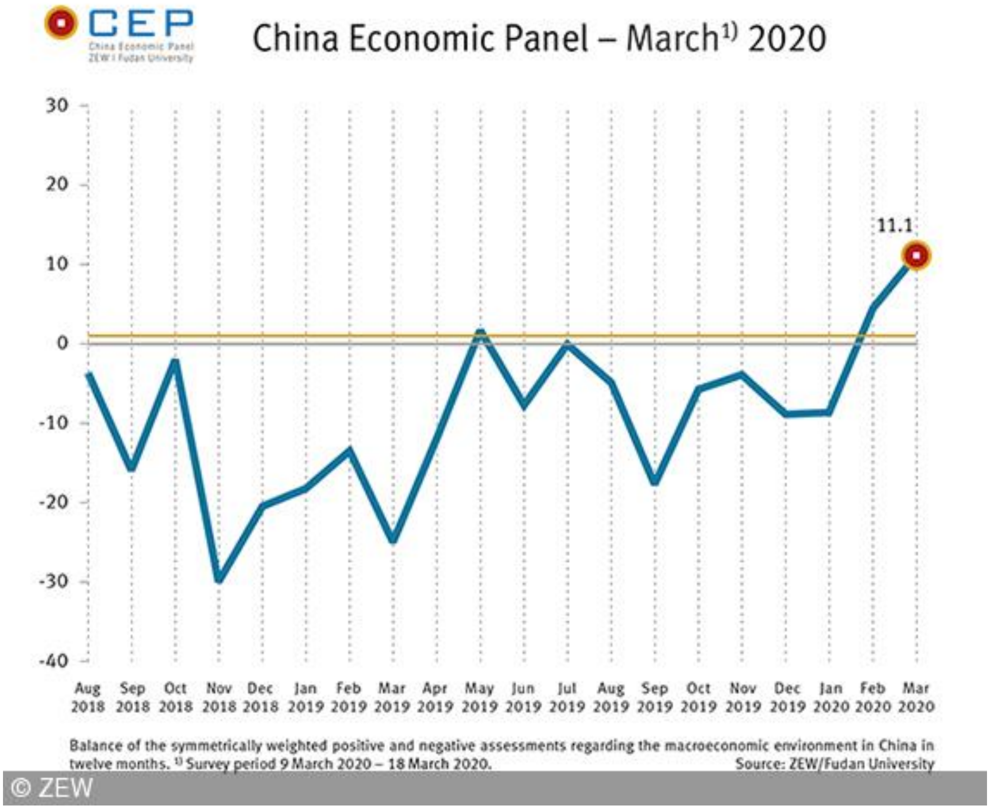
This is the main result of the March survey (9 – 18 March 2020) among international financial market experts for China. The survey is regularly conducted by ZEW Mannheim and Fudan University (Shanghai) on the basis of the China Economic Panel (CEP).

Centre for European Economic Research (ZEW)
contact: Dr. Michael Schröder
Dept. International Finance and Financial Management
L 7, 1 · 68161 Mannheim
Phone: +49 (0)621 1235-368

michael.schroeder@zew.de · wwww.zew.de

In March, experts from the survey lowered their forecasts for GDP growth in the current year to only 4.3 per cent, compared to 5.4 per cent in the previous month and 5.9 per cent in January.

figure 1: CEP Indicator March 2020



source: ZEW/Fudan

According to current forecasts, China’s real GDP is expected to increase by 2.1 per cent in the first quarter of 2020 and by 4.2 per cent in the second quarter, as compared to last year’s first and second quarters. “This would mean an extreme decline in economic growth for 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.

According to the financial market experts, the situation will only start to gradually improve in the second half of 2020, with the survey participants then expecting a return to almost 'normal' growth rates of 5.5 per cent in 2021.

Improvement in the Chinese economy not expected until early 2021

The CEP indicator, which is based on the China Economic Panel and reflects the economic expectations of the international financial market experts for China, has risen – in contrast to growth forecasts – to a value of 11.1 points in March 2020 and is thus 6.7 points higher than February's 4.4 points. "When interpreting this increase, however, it must be kept in mind that the forecast horizon of the CEP indicator is twelve months, and the assessment of the situation has now fallen to a very low value of minus 26.4 points," explains Michael Schröder.

Considering this currently very unfavourable situation, the experts surveyed do not expect a noticeable improvement in the Chinese economy until early 2021. The current point forecasts for the development of real Chinese GDP (mentioned above) are therefore much more revealing with regard to China's economic development in the coming months. "The weakness of China's economic situation is demonstrated, among other things, by the fact that property prices are expected to fall in all major economic regions, which might mark a temporary end to the real estate boom that has already lasted for years," says Schröder.

The survey participants also expect a considerable increase in government spending in China, including a sharp rise in domestic and foreign debt. Employment is expected to decline due to weak growth.

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ZEW/Fudan China Economic Panel: Results March 2020												
Current economic situation	very good		good		normal		bad		very bad		balance	
China	8.3	(- 4.7)	13.9	(- 7.8)	14.0	(+ 3.0)	44.4	(+ 5.3)	19.4	(+ 4.2)	-26.4	(-15.5)
Eurozone	2.9	(+ 2.9)	8.8	(- 5.8)	35.3	(-37.9)	41.2	(+29.0)	11.8	(+11.8)	-25.1	(-26.3)
USA	0.0	(+/- 0.0)	11.8	(- 6.1)	44.1	(+ 0.4)	41.2	(+ 7.9)	2.9	(- 2.2)	-17.6	(- 4.8)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-Indicator)	19.4	(- 0.2)	36.1	(+ 1.3)	8.4	(+ 4.1)	19.4	(+ 2.0)	16.7	(- 7.2)	11.1	(+ 6.7)
GDP (growth rate) in %	2020Q1				2020Q2		2020				2021	
China	2.1				4.2		4.3				5.5	
Eurozone	0.8				0.6		0.8				1.2	
USA	1.9				1.5		1.6				2.0	
Inflation (CPI) in %			3 months						1 year			
China			4.8 (4.6)						4.1 (4.3)			
Eurozone			1.3 (1.6)						1.4 (1.6)			
USA			2.3 (2.2)						2.3 (2.3)			
Wage Inflation in %			3 months						1 year			
China			6.2 (7.6)						7.0 (8.3)			
Eurozone			2.4 (2.8)						2.4 (2.9)			
USA			3.3 (4.6)						3.2 (4.5)			
Interest rates			3 months						1 year			
SHIBOR (3 months)			2.2 (2.7)						2.2 (2.7)			
One-year deposit rate			1.4 (1.5)						1.3 (1.4)			
One-year lending rate			4.2 (4.2)						4.0 (4.2)			
Stock market indices			3 months						1 year			
SSE Composite Index			2.925 (2.877)						3.062 (3.071)			
Hang Seng Index			25.380 (26.521)						25.959 (27.240)			
Growth Enterprise Market Index (SZ)			2.066 (2.008)						2.138 (2.137)			
WTI Crude Oil (US-Dollar)			46 (55)						49 (57)			
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	25.8	(+13.9)	25.8	(+ 6.8)	9.6	(- 4.7)	19.4	(- 6.8)	19.4	(- 9.2)	9.6	(+29.9)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	12.5	(- 0.3)	18.8	(- 1.7)	9.3	(-13.8)	50.0	(+21.8)	9.4	(- 6.0)	-12.5	(- 6.0)
FDI outflow (out of China)	12.5	(- 2.9)	21.9	(-11.4)	6.2	(- 4.1)	31.3	(+ 5.7)	28.1	(+12.7)	-20.3	(-24.2)
FDI inflow (into China)	12.5	(- 5.9)	21.9	(+ 0.8)	6.2	(+ 0.9)	34.4	(- 2.4)	25.0	(+ 6.6)	-18.8	(-10.9)
Export activity	21.2	(+ 6.6)	27.3	(+ 0.5)	3.0	(- 1.9)	30.3	(- 1.4)	18.2	(- 3.8)	1.5	(+11.4)
Import activity	18.2	(+ 3.9)	18.2	(-15.1)	15.1	(+ 3.2)	27.3	(+ 3.5)	21.2	(+ 4.5)	-7.6	(-10.0)
Private Consumption	18.2	(+ 1.9)	18.2	(-12.0)	9.0	(- 4.9)	36.4	(+13.1)	18.2	(+ 1.9)	-9.1	(-12.6)
Private Investment	15.2	(- 3.4)	18.2	(- 0.4)	15.1	(- 1.1)	27.3	(- 5.3)	24.2	(+10.2)	-13.6	(-11.2)
Govt. Consumption	50.0	(+22.1)	20.6	(+ 2.0)	3.0	(+ 0.7)	8.8	(-14.5)	17.6	(-10.3)	38.3	(+40.6)
Debt Domestic	37.5	(+25.6)	28.1	(+ 1.9)	6.2	(- 3.3)	6.3	(-19.9)	21.9	(- 4.3)	26.5	(+40.8)
Debt Foreign	21.9	(+17.1)	28.1	(+ 6.7)	31.2	(+ 5.0)	12.5	(-20.8)	6.3	(- 8.0)	23.4	(+38.9)
Employment rate	24.2	(+ 2.2)	15.2	(- 9.2)	15.2	(- 6.6)	21.2	(- 0.8)	24.2	(+14.4)	-3.0	(-16.4)
Growth rate of new car registrations	21.2	(+ 1.7)	18.2	(+ 8.4)	9.1	(- 5.5)	30.3	(-16.0)	21.2	(+11.4)	-6.1	(+ 2.5)
Total share of world trade	12.1	(- 2.2)	30.3	(- 0.7)	24.3	(+ 5.3)	24.2	(- 2.0)	9.1	(- 0.4)	6.1	(- 1.1)
Exchange rates			3 months						1 year			
Yuan / US-Dollar			6.95 (7.01)						7.00 (7.01)			
Yuan / Euro			7.75 (7.77)						7.77 (7.77)			
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	6.7	(- 1.0)	23.3	(- 4.9)	30.0	(+ 9.5)	30.0	(- 3.3)	10.0	(- 0.3)	-6.7	(- 1.5)
Investment banking	10.0	(- 2.8)	26.7	(+ 6.2)	13.3	(- 9.9)	36.7	(+11.1)	13.3	(- 4.6)	-8.3	(- 0.6)
Insurance	23.3	(+10.1)	16.7	(+11.4)	16.7	(- 6.9)	30.0	(- 9.5)	13.3	(- 5.1)	3.4	(+25.7)
Automotive	13.3	(- 7.2)	16.7	(+ 6.4)	6.7	(- 8.7)	40.0	(- 1.0)	23.3	(+10.5)	-21.7	(-14.0)
Chemical / Pharmaceutical	23.3	(+20.7)	26.7	(+ 1.1)	10.0	(- 2.8)	16.7	(-26.9)	23.3	(+ 7.9)	5.0	(+26.8)
Machinery / Engineering	10.0	(+ 4.9)	23.3	(+ 7.9)	16.7	(- 3.8)	30.0	(-13.6)	20.0	(+ 4.6)	-13.4	(+11.0)
Electronics	12.9	(+ 7.8)	25.8	(+ 2.7)	9.7	(- 8.3)	38.7	(+ 5.4)	12.9	(- 7.6)	-6.5	(+14.0)
Retail and commerce	22.6	(+ 0.1)	19.4	(+ 1.9)	22.5	(+ 2.5)	19.4	(- 5.6)	16.1	(+ 1.1)	6.5	(+ 2.7)
Construction	13.3	(+ 0.5)	23.3	(+ 0.2)	16.7	(+ 6.5)	40.0	(- 3.6)	6.7	(- 3.6)	-1.8	(+ 6.0)
Energy	13.3	(+ 3.0)	20.0	(- 5.6)	33.4	(+15.4)	20.0	(- 8.2)	13.3	(- 4.6)	0.0	(+ 8.9)
Information Technology	23.3	(+13.0)	26.7	(+13.9)	10.0	(-10.5)	20.0	(- 8.2)	20.0	(- 8.2)	6.7	(+32.3)
Services	27.6	(+ 2.0)	20.7	(- 2.4)	20.7	(+ 0.1)	13.8	(- 4.1)	17.2	(+ 4.4)	13.9	(- 1.5)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
Beijing	13.3	(+ 0.5)	40.0	(+19.5)	6.7	(-11.3)	26.7	(- 6.6)	13.3	(- 2.1)	6.7	(+15.7)
Shanghai	10.0	(+ 2.3)	43.3	(+17.7)	6.7	(- 6.1)	26.7	(-11.8)	13.3	(- 2.1)	5.0	(+19.2)
Hong Kong	16.7	(- 1.2)	23.3	(+ 5.4)	20.0	(+ 4.5)	26.7	(- 6.6)	13.3	(- 2.1)	1.7	(+ 6.9)
Guangzhou	13.3	(+ 3.0)	33.3	(+10.2)	13.4	(- 4.5)	30.0	(- 3.3)	10.0	(- 5.4)	5.0	(+15.2)
Shenzhen	13.3	(+ 0.5)	30.0	(+12.1)	13.4	(- 2.1)	30.0	(- 5.9)	13.3	(- 4.6)	0.0	(+14.1)
Tianjin	13.3	(- 7.2)	33.3	(+ 7.7)	13.4	(- 4.6)	36.7	(+ 8.5)	3.3	(- 4.4)	8.3	(- 3.2)
Chongqing	10.0	(- 5.4)	26.7	(+ 1.1)	20.0	(+ 2.0)	40.0	(+11.8)	3.3	(- 9.5)	0.1	(- 1.2)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Beijing	3.3	(- 4.4)	33.3	(+/- 0.0)	23.4	(- 2.3)	36.7	(+11.1)	3.3	(- 4.4)	-1.7	(- 5.6)
Shanghai	3.3	(+ 0.7)	30.0	(- 3.3)	16.7	(- 6.4)	43.3	(+10.0)	6.7	(- 1.0)	-10.1	(- 5.0)
Hong Kong	6.7	(- 8.7)	26.7	(- 1.5)	26.6	(+11.2)	26.7	(- 9.2)	13.3	(+ 8.2)	-6.6	(-13.1)
Guangzhou	3.3	(- 4.4)	33.3	(+ 2.5)	20.1	(- 8.1)	43.3	(+15.1)	0.0	(- 5.1)	-1.7	(- 5.6)
Shenzhen	3.3	(- 7.0)	36.7	(+13.6)	16.7	(-14.0)	43.3	(+15.1)	0.0	(- 7.7)	0.0	(- 0.1)
Tianjin	6.7	(-17.0)	23.3	(+ 4.9)	33.4	(- 0.8)	33.3	(+ 9.6)	3.3	(+ 3.3)	-1.6	(-22.7)
Chongqing	3.3	(-12.5)	26.7	(+ 3.0)	26.7	(- 7.5)	40.0	(+13.7)	3.3	(+ 3.3)	-6.7	(-21.2)

Note: 36 analysts participated in the March survey, which was conducted during the period 3/9-3/18/2020. 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.