

China Economic Panel (CEP)

// April 2019

Results of the April survey in detail

Expectations for Chinese Economy Recovering

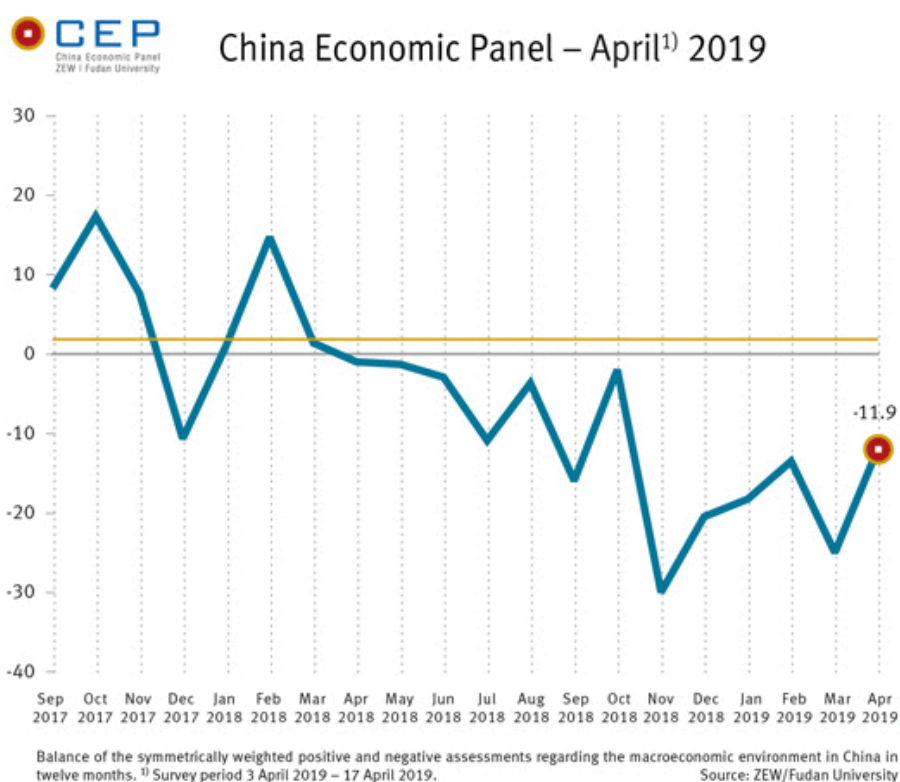
CEP Indicator Has Risen to a New Reading of
Minus 11.9 Points

According to the most recent survey for April (3 – 17 April 2019), the economic outlook for China has improved again. 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 11.9 points, 13.1 points higher compared to the March survey.

Despite this improvement, the indicator remains below its long-term average of 1.8 points and has been doing so for 13 months now. The assessment of the current economic situation has also improved, leaving the index at a level of minus 7.2 points, 6.7 points higher than in the previous month.

“The rise in the CEP indicator shows that the economic policy plans and measures of the Chinese government (reducing the VAT, lowering the minimum reserve ratio, etc.) have led the experts to expect only a moderate decline in economic growth,” 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.

figure 1: CEP Indicator April 2019



source: ZEW/Fudan

With growth expectations of 6.1 per cent for the current year (0.1 percentage points lower than in the March survey), the point forecasts for the Chinese real gross domestic product have dropped to the lower end of the target range of 6 to 6.5 per cent.

The forecast for 2020 remains unchanged at 6.0 per cent. However, the experts were slightly too pessimistic in their expectations for the first quarter of 2019. Forecasts for real GDP growth in the first quarter were 0.2 percentage points below the actual growth rate of 6.4 per cent. It is therefore possible that the point forecast for 2019 could be slightly revised upwards in the next survey.

Assessment regarding the development of Chinese exports deteriorates

Despite the government's support measures, the survey participants expect private consumption and private investment to slow, with both indicators being currently in negative territory. The assessment regarding the development of Chinese exports has also deteriorated further, with the corresponding sub-indicator dropping 6.8 points to a new level of minus 13.1 points. "Apparently, the experts have no confidence that a new trade agreement between China and the USA will quickly show positive effects," says Michael Schröder.

According to the experts, the measures to stimulate the economy are likely to have a significant effect on government consumption as well as on domestic and foreign debt, with all three expectation indicators rising sharply.

Overall, China's economic development in the coming months is still considered to be rather fragile. The expected impact of weaker growth on employment (drop in expectations by 33.4 points from zero points) has become stronger than previously thought, highlighting the urgent need for a successful economic policy in China.

ZEW/Fudan China Economic Panel: Results April 2019												
Current economic situation	very good		good	normal		bad	very bad		balance			
China	0.0	(+/- 0.0)	14.3	(+ 8.7)	57.1	(- 4.0)	28.6	(- 4.7)	0.0	(+/- 0.0)	-7.2	(+ 6.7)
Eurozone	0.0	(+/- 0.0)	20.0	(+ 1.2)	60.0	(- 8.7)	20.0	(+ 7.5)	0.0	(+/- 0.0)	0.0	(- 3.2)
USA	0.0	(+/- 0.0)	35.0	(- 2.5)	55.0	(+17.5)	10.0	(-15.0)	0.0	(+/- 0.0)	12.5	(+ 6.2)
Economic expectation (1 Y)	improve		slightly improve	not change		slightly worsen	worsen		balance			
China (CEP-Indicator)	4.8	(+ 4.8)	28.6	(+ 6.4)	9.4	(+ 3.8)	52.4	(-19.8)	4.8	(+ 4.8)	-11.9	(+13.1)
GDP (growth rate) in %	2019Q2		2019Q3		2019		2020					
China	6.2		6.2		6.1		6.0					
Eurozone	1.3		1.4		1.4		1.4					
USA	2.8		2.7		2.7		2.7					
Inflation (CPI) in %	3 months				1 year							
China	1.7(1.9)				1.7(2.2)							
Eurozone	1.3(1.4)				1.4(1.4)							
USA	1.7(1.8)				1.9(1.9)							
Wage Inflation in %	3 months				1 year							
China	7.7(7.1)				7.5(6.8)							
Eurozone	2.4(2.5)				2.4(2.4)							
USA	3.6(3.7)				3.5(3.7)							
Interest rates	3 months				1 year							
SHIBOR (3 months)	2.8(2.8)				2.8(2.7)							
One-year deposit rate	1.5(1.5)				1.5(1.5)							
One-year lending rate	4.3(4.4)				4.3(4.4)							
Stock market indices	3 months				1 year							
SSE Composite Index	3,154(3,133)				3,238(3,192)							
Hang Seng Index	29,642(28,718)				30,027(29,500)							
Growth Enterprise Market Index (SZ)	1,764(1,723)				1,772(1,811)							
WTI Crude Oil (US-Dollar)	63(57)				64(57)							
Monetary aggregate M2 (6 M)	increase	slightly increase	not change		slightly decrease	decrease		balance				
China M2 growth rate	22.2	(+15.1)	44.4	(+ 1.5)	22.3	(+ 0.9)	11.1	(-17.5)	0.0	(+/- 0.0)	38.9	(+24.6)
Specific indicators China (1 Y)	increase	slightly increase	not change		slightly decrease	decrease		balance				
Foreign exchange reserves	0.0	(+/- 0.0)	27.8	(+14.5)	16.6	(-10.1)	50.0	(+10.0)	5.6	(-14.4)	-16.7	(+16.7)
FDI outflow (out of China)	5.6	(+ 5.6)	44.4	(+ 4.4)	22.2	(- 4.4)	16.7	(-10.0)	11.1	(+ 4.4)	8.4	(+ 8.4)
FDI inflow (into China)	5.9	(- 0.8)	35.3	(+ 8.6)	17.6	(- 2.3)	29.4	(-10.6)	11.8	(+ 5.1)	-3.0	(+ 3.7)
Export activity	5.3	(- 1.0)	31.6	(+ 0.3)	10.5	(- 1.8)	36.8	(- 7.0)	15.8	(+ 9.5)	-13.1	(- 6.8)
Import activity	5.3	(+ 5.3)	15.8	(-28.0)	26.2	(+20.1)	21.1	(-10.2)	31.6	(+12.8)	-29.0	(-16.4)
Private Consumption	5.3	(- 1.0)	26.3	(-11.2)	36.8	(+18.2)	21.1	(-10.2)	10.5	(+ 4.2)	-2.6	(- 5.7)
Private Investment	5.3	(- 1.0)	21.1	(-22.7)	42.0	(+23.4)	21.1	(- 3.9)	10.5	(+ 4.2)	-5.2	(-14.6)
Govt. Consumption	31.6	(+ 0.3)	47.4	(+10.0)	10.5	(+10.5)	10.5	(-14.5)	0.0	(- 6.3)	50.1	(+18.9)
Debt Domestic	31.6	(+25.3)	47.4	(-15.1)	10.5	(- 1.9)	10.5	(- 2.0)	0.0	(- 6.3)	50.1	(+25.1)
Debt Foreign	15.8	(+ 9.5)	36.8	(- 0.7)	47.4	(+ 3.7)	0.0	(-12.5)	0.0	(+/- 0.0)	34.2	(+15.4)
Employment rate	0.0	(-12.5)	5.6	(- 6.9)	38.8	(- 4.9)	38.9	(+13.9)	16.7	(+10.4)	-33.4	(-33.4)
Growth rate of new car registrations	0.0	(- 6.7)	22.2	(+ 2.2)	11.1	(- 8.9)	61.1	(+21.1)	5.6	(- 7.7)	-25.1	(- 8.5)
Total share of world trade	15.8	(+ 1.5)	15.8	(-12.8)	42.0	(+20.6)	21.1	(- 7.5)	5.3	(- 1.8)	7.9	(+ 0.7)
Exchange rates	3 months				1 year							
Yuan / US-Dollar	6.80(6.76)				6.82(6.90)							
Yuan / Euro	7.68(7.59)				7.76(7.69)							
Sectors (1 Y)	increase	slightly increase	not change		slightly decrease	decrease		balance				
Retail banking	0.0	(+/- 0.0)	23.5	(+ 0.4)	47.1	(+16.4)	29.4	(-16.8)	0.0	(+/- 0.0)	-3.0	(+ 8.6)
Investment banking	0.0	(- 7.7)	35.3	(+12.2)	35.3	(+ 4.6)	29.4	(- 1.4)	0.0	(- 7.7)	3.0	(+ 6.9)
Insurance	11.8	(- 3.6)	35.3	(+27.6)	17.6	(-20.8)	35.3	(- 3.2)	0.0	(+/- 0.0)	11.8	(+11.8)
Automotive	0.0	(- 7.7)	23.5	(- 7.3)	23.5	(+ 8.2)	47.1	(+ 8.6)	5.9	(- 1.8)	-17.7	(-13.8)
Chemical / Pharmaceutical	5.9	(+ 5.9)	17.6	(-13.2)	29.4	(+14.0)	41.2	(-12.6)	5.9	(+ 5.9)	-11.8	(- 0.3)
Machinery / Engineering	0.0	(- 7.7)	23.5	(- 7.3)	41.2	(+18.2)	35.3	(- 3.2)	0.0	(+/- 0.0)	-5.9	(- 9.8)
Electronics	0.0	(-14.3)	38.9	(+10.3)	22.2	(-13.5)	38.9	(+17.5)	0.0	(+/- 0.0)	0.0	(-17.9)
Retail and commerce	5.6	(- 8.7)	27.8	(- 0.8)	33.3	(+11.9)	33.3	(- 2.4)	0.0	(+/- 0.0)	2.9	(- 7.9)
Construction	11.8	(- 3.6)	35.3	(+12.2)	17.6	(+ 2.3)	29.4	(-16.8)	5.9	(+ 5.9)	8.9	(+ 5.0)
Energy	5.9	(- 9.5)	47.1	(+ 8.6)	29.4	(+ 6.4)	17.6	(+ 2.2)	0.0	(- 7.7)	20.7	(+ 1.4)
Information Technology	23.5	(+ 8.1)	47.1	(+ 0.9)	5.9	(- 9.4)	23.5	(+ 8.1)	0.0	(- 7.7)	35.3	(+12.2)
Services	17.6	(+ 2.2)	41.2	(+18.1)	29.4	(+14.1)	11.8	(-34.4)	0.0	(+/- 0.0)	32.3	(+28.4)
Economic expectation (1 Y)	improve	slightly improve	not change		slightly worsen	worsen		balance				
Beijing	5.6	(+ 5.6)	22.2	(+15.1)	50.0	(-14.3)	22.2	(- 6.4)	0.0	(+/- 0.0)	5.6	(+16.4)
Shanghai	5.6	(+ 5.6)	33.3	(+19.0)	33.3	(-31.0)	22.2	(+ 0.8)	5.6	(+ 5.6)	5.6	(+ 9.2)
Hong Kong	5.6	(+ 5.6)	11.1	(+ 4.0)	33.3	(+ 4.7)	44.4	(-19.9)	5.6	(+ 5.6)	-16.7	(+11.9)
Guangzhou	5.9	(+ 5.9)	11.8	(- 2.5)	29.3	(-27.8)	41.2	(+12.6)	11.8	(+11.8)	-20.6	(-13.4)
Shenzhen	0.0	(+/- 0.0)	38.9	(+24.6)	11.1	(-38.9)	50.0	(+21.4)	0.0	(- 7.1)	-5.6	(+ 8.7)
Tianjin	5.6	(+ 5.6)	27.8	(- 0.8)	27.7	(-22.3)	33.3	(+11.9)	5.6	(+ 5.6)	-2.8	(- 6.4)
Chongqing	0.0	(+/- 0.0)	38.9	(+10.3)	27.8	(-15.0)	22.2	(- 6.4)	11.1	(+11.1)	-2.8	(- 2.8)
Real estate price expectation (1 Y)	increase	slightly increase	not change		slightly decrease	decrease		balance				
Beijing	11.1	(+ 4.0)	44.4	(- 5.6)	22.3	(+ 8.0)	22.2	(- 6.4)	0.0	(+/- 0.0)	22.2	(+ 4.4)
Shanghai	11.1	(+ 4.0)	38.9	(-11.1)	11.1	(- 3.2)	38.9	(+10.3)	0.0	(+/- 0.0)	11.1	(- 6.7)
Hong Kong	27.8	(+20.7)	16.7	(-19.0)	44.3	(+15.7)	5.6	(-23.0)	5.6	(+ 5.6)	27.8	(+17.1)
Guangzhou	11.1	(+11.1)	33.3	(- 2.4)	27.8	(-15.1)	27.8	(+ 6.4)	0.0	(+/- 0.0)	13.9	(+ 6.7)
Shenzhen	11.1	(+11.1)	38.9	(- 4.0)	11.1	(-10.3)	38.9	(+ 3.2)	0.0	(+/- 0.0)	11.1	(+ 7.5)
Tianjin	5.6	(+ 5.6)	33.3	(- 9.6)	33.3	(+ 4.8)	27.8	(- 0.8)	0.0	(+/- 0.0)	8.4	(+ 1.2)
Chongqing	5.6	(+ 5.6)	16.7	(-26.2)	55.4	(+12.6)	16.7	(+ 2.4)	5.6	(+ 5.6)	0.0	(-14.3)

Note: 21 analysts participated in the April survey, which was conducted during the period 4/3-4/17/2019. 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.