

# China Economic Panel (CEP)

// April 2020

Results of the April survey in detail

## China Economic Expectations Rise Sharply

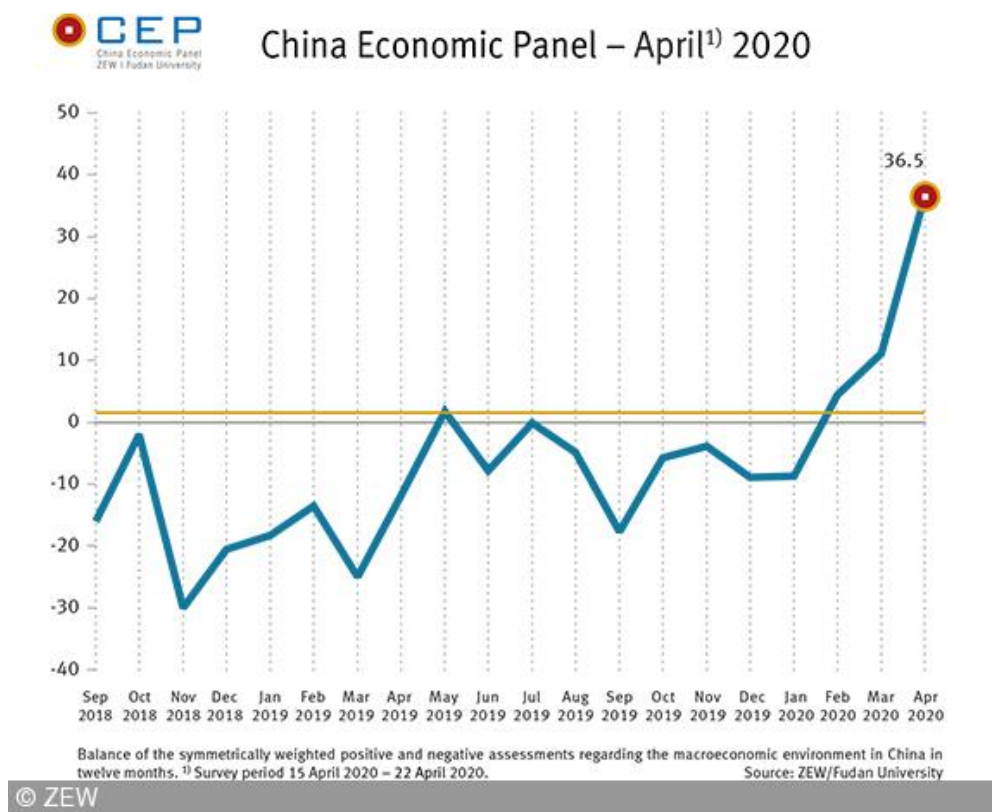
CEP indicator stands at 36.5 points

Following severe economic consequences from the coronavirus pandemic, an improvement now seems to be in sight for the People's Republic of China, with economic expectations rising sharply in the current survey for April (15 – 22 April 2020).

The CEP indicator, based on the China Economic Panel (CEP) and reflecting the economic expectations of international financial market experts for China on a 12-month basis, currently stands at 36.5 points, 25.4 points higher than in the previous month (11.1 points in March 2020).

The current economic situation is still relatively weak for the time being, however: the decline in China’s real gross domestic product (GDP) in the first quarter of 2020 was extraordinarily strong at minus 6.8 per cent, which experts had not expected.

figure 1: CEP Indicator April 2020



source: ZEW/Fudan

The monthly CEP survey among international financial market experts is jointly conducted by ZEW Mannheim and Fudan University (Shanghai).

For the second quarter of 2020, the GDP forecasts from the survey experts are now only 2.0 per cent, compared to 4.2 per cent previously. “This downward revision of GDP forecasts is due to the surprisingly poor performance in the first quarter. China’s economic output in the third quarter, however, is expected to increase again by 4.2 per cent,” says Dr. Michael Schröder, project manager of the CEP survey and senior researcher in the ZEW Research Department “International Finance and Financial Management”.

The survey experts are forecasting real GDP growth of only 3.4 per cent for the entire year, compared with 4.3 per cent in the previous month. Growth forecasts for 2021 have also been reduced by 0.4 percentage points compared to the previous month, currently standing at 5.1 per cent.

It is striking that the positive expectations are only partially reflected at the sector level. Estimates for important industrial sectors (chemical/pharmaceutical, electrical, mechanical engineering, and IT) continued to decline, with only the automotive industry, consumer/retail, and construction sectors showing a significant improvement in expectations.

“It remains to be seen to what extent the economic policy measures, which are primarily related to monetary policy, can contribute to increasing economic growth,” says Schröder.

ZEW/Fudan China Economic Panel: Results April 2020											
Current economic situation	very good		good		normal		bad		very bad		balance
China	11.1	(+2.8)	19.4	(+5.5)	19.5	(+5.5)	36.1	(-8.3)	13.9	(-5.5)	-11.2 (+15.2)
Eurozone	20.0	(+17.1)	20.0	(+11.2)	5.8	(-29.5)	17.1	(-24.1)	37.1	(+25.3)	-15.7 (+9.4)
USA	14.3	(+14.3)	22.9	(+11.1)	8.5	(-35.6)	22.9	(-18.3)	31.4	(+28.5)	-17.1 (+0.5)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
China (CEP-Indicator)	35.1	(+15.7)	35.1	(-1.0)	5.5	(-2.9)	16.2	(-3.2)	8.1	(-8.6)	36.5 (+25.4)
GDP (growth rate) in %	2020Q2			2020Q3			2020			2021	
China	2.0			4.2			3.4			5.1	
Eurozone	-2.4			-1.2			-0.9			1.6	
USA	-2.2			-0.5			-0.3			2.3	
Inflation (CPI) in %	3 months				1 year						
China	5.0(4.8)				4.7(4.1)						
Eurozone	1.2(1.3)				1.5(1.4)						
USA	1.9(2.3)				2.3(2.3)						
Wage Inflation in %	3 months				1 year						
China	4.4(6.2)				6.2(7.0)						
Eurozone	1.1(2.4)				1.8(2.4)						
USA	1.1(3.3)				2.1(3.2)						
Interest rates	3 months				1 year						
SHIBOR (3 months)	1.7(2.2)				1.7(2.2)						
One-year deposit rate	1.4(1.4)				1.3(1.3)						
One-year lending rate	4.1(4.2)				4.0(4.0)						
Stock market indices	3 months				1 year						
SSE Composite Index	2.686(2.925)				2.858(3.062)						
Hang Seng Index	23.251(25.380)				23.873(25.959)						
Growth Enterprise Market Index (SZ)	1.862(2.066)				1.980(2.138)						
WTI Crude Oil (US-Dollar)	27(46)				37(49)						
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance
China M2 growth rate	34.4	(+8.6)	9.3	(-16.5)	0.0	(-9.6)	25.0	(+5.6)	31.3	(+11.9)	-4.8 (-14.4)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Foreign exchange reserves	12.5	(+/- 0.0)	31.3	(+12.5)	6.2	(-3.1)	25.0	(-25.0)	25.0	(+15.6)	-9.4 (+3.1)
FDI outflow (out of China)	28.1	(+15.6)	37.5	(+15.6)	0.0	(-6.2)	18.8	(-12.5)	15.6	(-12.5)	21.9 (+42.2)
FDI inflow (into China)	18.8	(+6.3)	28.1	(+6.2)	9.4	(+3.2)	15.6	(-18.8)	28.1	(+3.1)	-3.1 (+15.7)
Export activity	23.5	(+2.3)	35.3	(+8.0)	0.0	(-3.0)	20.6	(-9.7)	20.6	(+2.4)	10.3 (+8.8)
Import activity	20.6	(+2.4)	35.3	(+17.1)	11.7	(-3.4)	20.6	(-6.7)	11.8	(-9.4)	16.2 (+23.8)
Private Consumption	24.2	(+6.0)	36.4	(+18.2)	3.1	(-5.9)	24.2	(-12.2)	12.1	(-6.1)	18.2 (+27.3)
Private Investment	30.3	(+15.1)	21.2	(+3.0)	9.1	(-6.0)	21.2	(-6.1)	18.2	(-6.0)	12.1 (+25.7)
Gov. Consumption	44.1	(-5.9)	11.8	(-8.9)	0.0	(-3.0)	14.7	(+5.9)	28.4	(+11.9)	13.3 (-25.0)
Debt Domestic	38.2	(+0.7)	11.8	(-16.3)	5.8	(-0.4)	11.8	(+5.5)	32.4	(+10.5)	5.8 (-20.7)
Debt Foreign	9.1	(-12.8)	33.3	(+5.2)	12.2	(-19.0)	24.2	(+11.7)	21.2	(+14.9)	-7.6 (-31.0)
Employment rate	32.4	(+8.2)	17.6	(+2.4)	5.9	(-9.3)	26.5	(+5.3)	17.6	(-6.6)	10.4 (+13.4)
Growth rate of new car registrations	18.2	(-3.0)	27.3	(+9.1)	9.0	(-0.1)	30.3	(+/- 0.0)	15.2	(-6.0)	1.5 (+7.6)
Total share of world trade	20.6	(+8.5)	20.6	(-9.7)	14.7	(-9.6)	23.5	(-0.7)	20.6	(+11.5)	-1.5 (-7.6)
Exchange rates	3 months				1 year						
Yuan / US-Dollar	7.09(6.95)				7.16(7.00)						
Yuan / Euro	7.74(7.75)				7.79(7.77)						
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Retail banking	10.0	(+3.3)	23.3	(+/- 0.0)	13.4	(-16.6)	43.3	(+13.3)	10.0	(+/- 0.0)	-10.0 (-3.3)
Investment banking	20.0	(+10.0)	20.0	(-6.7)	13.3	(+/- 0.0)	30.0	(-6.7)	16.7	(+3.4)	-1.7 (+6.6)
Insurance	13.3	(-10.0)	16.7	(+/- 0.0)	26.6	(+9.9)	36.7	(+6.7)	6.7	(-6.6)	-3.4 (-6.8)
Automotive	16.7	(+3.4)	33.3	(+16.6)	3.3	(-3.4)	26.7	(-13.3)	20.0	(-3.3)	0.0 (+21.7)
Chemical / Pharmaceutical	16.7	(-6.6)	16.7	(-10.0)	20.0	(+10.0)	33.3	(+16.6)	13.3	(-10.0)	-4.9 (-9.9)
Machinery / Engineering	13.3	(+3.3)	10.0	(-13.3)	16.7	(+/- 0.0)	40.0	(+10.0)	20.0	(+/- 0.0)	-21.7 (-8.3)
Electronics	13.3	(+0.4)	13.3	(-12.5)	23.4	(+13.7)	40.0	(+1.3)	10.0	(-2.9)	-10.1 (-3.6)
Retail and commerce	25.8	(+3.2)	29.0	(+9.6)	6.5	(-16.0)	29.0	(+9.6)	9.7	(-6.4)	16.1 (+9.6)
Construction	20.7	(+7.4)	20.7	(-2.6)	13.8	(-2.9)	34.5	(-5.5)	10.3	(+3.6)	3.5 (+5.3)
Energy	13.8	(+0.5)	20.7	(+0.7)	31.0	(-2.4)	20.7	(+0.7)	13.8	(+0.5)	0.0 (+/- 0.0)
Information Technology	13.8	(-9.5)	24.1	(-2.6)	10.4	(+0.4)	34.5	(+14.5)	17.2	(-2.8)	-8.6 (-15.3)
Services	23.3	(-4.3)	23.3	(+2.6)	13.4	(-7.3)	20.0	(+6.2)	20.0	(+2.8)	5.0 (-8.9)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
Beijing	21.9	(+8.6)	37.5	(-2.5)	3.0	(-3.7)	31.3	(+4.6)	6.3	(-7.0)	18.7 (+12.0)
Shanghai	18.8	(+8.8)	28.1	(-15.2)	12.5	(+5.8)	28.1	(+1.4)	12.5	(-0.8)	6.3 (+1.3)
Hong Kong	12.5	(-4.2)	34.4	(+11.1)	12.5	(-7.5)	28.1	(+1.4)	12.5	(-0.8)	3.2 (+1.5)
Guangzhou	18.8	(+5.5)	34.4	(+1.1)	9.2	(-4.2)	31.3	(+1.3)	6.3	(-3.7)	14.1 (+9.1)
Shenzhen	18.8	(+5.5)	25.0	(-5.0)	15.6	(+2.2)	25.0	(-5.0)	15.6	(+2.3)	3.2 (+3.2)
Tianjin	15.6	(+2.3)	37.5	(+4.2)	15.6	(+2.2)	25.0	(-11.7)	6.3	(+3.0)	15.6 (+7.3)
Chongqing	19.4	(+9.4)	35.5	(+8.8)	6.4	(-13.6)	29.0	(-11.0)	9.7	(+6.4)	13.0 (+12.9)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Beijing	9.4	(+6.1)	21.9	(-11.4)	28.1	(+4.7)	37.5	(+0.8)	3.1	(-0.2)	-1.5 (+0.2)
Shanghai	6.3	(+3.0)	12.5	(-17.5)	24.9	(+8.2)	50.0	(+6.7)	6.3	(-0.4)	-18.8 (-8.7)
Hong Kong	9.4	(+2.7)	25.0	(-1.7)	34.3	(+7.7)	21.9	(-4.8)	9.4	(-3.9)	1.6 (+8.2)
Guangzhou	9.4	(+6.1)	12.5	(-20.8)	40.6	(+20.5)	37.5	(-5.8)	0.0	(+/- 0.0)	-3.1 (-1.4)
Shenzhen	6.3	(+3.0)	15.6	(-21.1)	21.9	(+5.2)	53.1	(+9.8)	3.1	(+3.1)	-15.6 (-15.6)
Tianjin	9.4	(+2.7)	25.0	(+1.7)	37.5	(+4.1)	25.0	(-8.3)	3.1	(-0.2)	6.3 (+7.9)
Chongqing	9.4	(+6.1)	18.8	(-7.9)	37.4	(+10.7)	31.3	(-8.7)	3.1	(-0.2)	0.1 (+6.8)

Note: 37 analysts participated in the April survey, which was conducted during the period 4/15-4/22/2020. 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.