

China Economic Panel (CEP)

// May 2017

Results of the May survey in detail

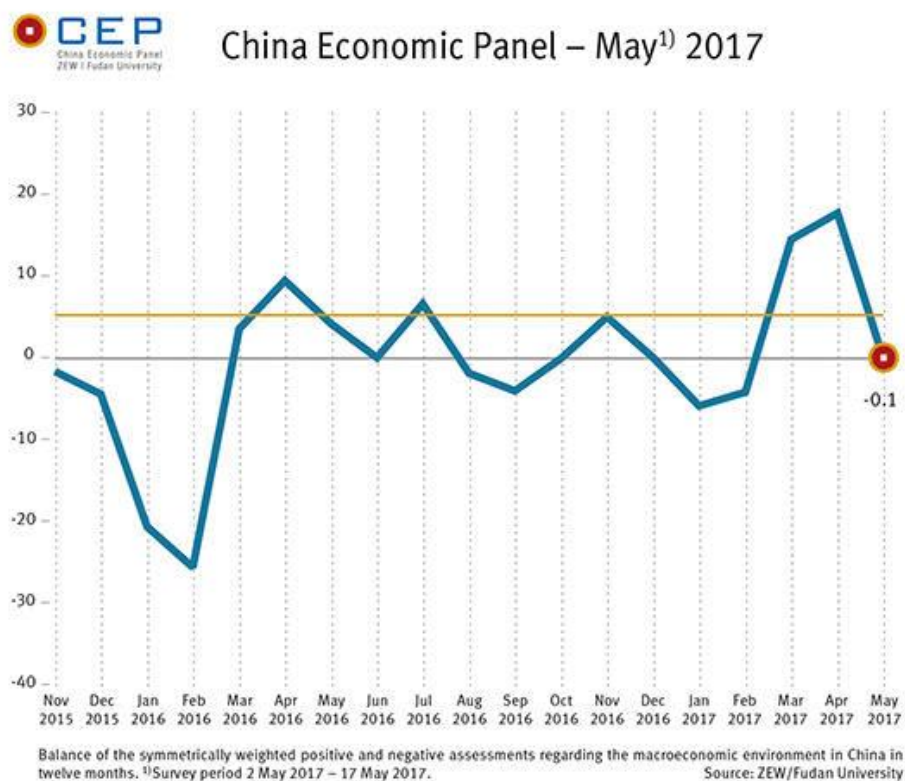
Economic Optimism Dampened Significantly – Outlook Stable in the Long Term

According to the current survey for May (2 – 17 May 2017), the economic outlook for China has declined significantly, falling by 17.8 points (April 2017: 17.7 points).

The rather optimistic sentiment witnessed in the previous survey has thus faded somewhat. The CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, is currently at minus 0.1 points, falling below the long-term average of 5.2 points. The assessment of the current economic situation has also dampened and fell by 5.4 points to a current level of 12.2 points.

What is remarkable, however, is that the point forecasts show a slight improvement. For instance, the forecasts for the third quarter of 2017 increased from 6.6 per cent to 6.7 per cent. The overall forecast for 2017 also improved, climbing from 6.6 to 6.7 per cent.

figure 1: CEP Indicator May 2017



source: ZEW/Fudan

How can these different survey results be explained given that they seem contradictory at first glance?

"The sentiment indicators are probably more susceptible to recent or forthcoming events," explains Dr. Michael Schröder, senior researcher in ZEW's Research Department "International Finance and Financial Management" and project leader of the CEP survey. The economic sentiment dampened somewhat possibly due to the decline in the annual rate of change in industrial production, which fell from 7.6 per cent in March to 6.5 per cent in April. Alongside a quarterly growth rate of the real GDP of 1.3 per cent in the first quarter of 2017 – which is rather weak, at least in Chinese terms – the indicators points towards a rather restrained start to the year. In accordance with China's current five-year plan, however, financial market experts still expect to see strong growth throughout the year.

ZEW/Fudan China Economic Panel: Results May 2017										
Current economic situation	very good		good		normal		bad		very bad	balance
China	0.0	(- 2.9)	27.3	(- 2.1)	69.7	(+ 2.0)	3.0	(+ 3.0)	0.0	(+/- 0.0) 12.2 (- 5.4)
USA	10.3	(+ 7.1)	51.7	(-22.5)	34.6	(+12.0)	3.4	(+ 3.4)	0.0	(+/- 0.0) 34.5 (- 5.8)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen	balance
China (CEP-Indicator)	3.0	(- 2.9)	30.3	(-16.8)	30.3	(+ 6.8)	36.4	(+12.9)	0.0	(+/- 0.0) -0.1 (-17.8)
GDP (growth rate) in %	2017Q2		2017Q3		2017		2018			
China	6.7		6.7		6.7		6.5			
USA	1.4		1.5		1.5		1.7			
Inflation (CPI) in %	3 months				1 year					
China	1.2 (2.2)				1.5 (2.5)					
USA	2.4 (2.5)				2.5 (2.7)					
Interest rates	3 months				1 year					
SHIBOR (3 months)	4.4 (4.3)				4.4 (4.4)					
One-year deposit rate	1.5 (1.5)				1.6 (1.5)					
One-year lending rate	4.4 (4.4)				4.4 (4.4)					
Stock market indices	3 months				1 year					
SSE Composite Index	3,166 (3,299)				3,353 (3,562)					
Hang Seng Index	24,647 (23,865)				25,233 (24,606)					
Growth Enterprise Market Index (SZ)	1,378 (1,944)				1,415 (1,948)					
WTI Crude Oil (US-Dollar)	49 (54)				51 (54)					
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease	balance
China M2 growth rate	3.2	(+ 3.2)	54.8	(- 4.6)	13.0	(+ 3.7)	29.0	(- 2.3)	0.0	(+/- 0.0) 16.1 (+ 2.0)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease	balance
Foreign exchange reserves	0.0	(+/- 0.0)	24.1	(+ 8.5)	10.4	(- 2.1)	62.1	(- 6.7)	3.4	(+ 0.3) -22.4 (+ 7.3)
FDI outflow (out of China)	6.9	(- 9.8)	62.1	(+18.8)	17.2	(- 2.8)	13.8	(- 6.2)	0.0	(+/- 0.0) 31.1 (+ 2.7)
FDI inflow (into China)	3.4	(+ 3.4)	37.9	(+ 4.6)	17.4	(- 6.0)	37.9	(- 2.1)	3.4	(+ 0.1) 0.0 (+ 6.7)
Export activity	10.3	(- 5.3)	55.2	(+ 5.2)	17.3	(+ 7.9)	17.2	(- 7.8)	0.0	(+/- 0.0) 29.3 (+ 1.2)
Import activity	3.4	(-18.5)	65.5	(+ 9.2)	17.3	(+ 8.0)	13.8	(+ 4.4)	0.0	(- 3.1) 29.3 (-13.0)
Domestic consumption	0.0	(-12.5)	69.0	(- 6.0)	20.7	(+14.5)	10.3	(+ 4.0)	0.0	(+/- 0.0) 29.4 (-17.5)
Employment rate	0.0	(- 3.2)	20.7	(-11.6)	55.2	(+16.5)	20.7	(- 1.9)	3.4	(+ 0.2) -3.4 (- 8.3)
Growth rate of new car registrations	7.1	(- 2.9)	64.3	(+ 4.3)	10.7	(-12.6)	14.3	(+ 7.6)	3.6	(+ 3.6) 28.5 (- 8.2)
Total share of world trade	6.9	(+ 3.6)	58.6	(+ 1.9)	20.7	(-16.0)	13.8	(+10.5)	0.0	(+/- 0.0) 29.3 (- 0.7)
Exchange rates	3 months				1 year					
Yuan / US-Dollar	6.93 (6.92)				7.07 (7.07)					
US-Dollar / Euro	1.08 (1.07)				1.07 (1.09)					
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease	balance
Retail banking	3.8	(- 3.3)	53.8	(- 6.9)	23.2	(+ 1.7)	19.2	(+ 8.5)	0.0	(+/- 0.0) 21.1 (-11.0)
Investment banking	3.8	(-21.2)	61.5	(+ 0.8)	27.0	(+23.4)	7.7	(- 3.0)	0.0	(+/- 0.0) 30.7 (-19.3)
Insurance	19.2	(- 5.8)	57.7	(- 6.6)	15.4	(+11.8)	7.7	(+ 0.6)	0.0	(+/- 0.0) 44.2 (- 9.4)
Automotive	20.0	(+ 5.7)	44.0	(-23.9)	20.0	(+ 9.3)	16.0	(+ 8.9)	0.0	(+/- 0.0) 34.0 (-10.7)
Chemical / Pharmaceutical	4.0	(- 3.7)	60.0	(-13.1)	24.0	(+ 8.6)	12.0	(+ 8.2)	0.0	(+/- 0.0) 28.0 (-14.4)
Machinery / Engineering	8.0	(- 6.8)	32.0	(-16.1)	36.0	(+13.7)	24.0	(+ 9.2)	0.0	(+/- 0.0) 12.0 (-19.5)
Electronics	12.0	(+ 0.9)	40.0	(-15.6)	32.0	(+ 9.8)	16.0	(+ 4.9)	0.0	(+/- 0.0) 24.0 (- 9.4)
Retail and commerce	7.7	(- 6.6)	57.7	(- 3.0)	26.9	(+ 9.0)	7.7	(+ 0.6)	0.0	(+/- 0.0) 32.7 (- 8.4)
Construction	15.4	(-13.2)	38.5	(- 4.4)	23.1	(+ 5.3)	19.2	(+ 8.5)	3.8	(+ 3.8) 21.3 (-23.4)
Energy	3.8	(-10.5)	46.2	(- 0.2)	38.5	(+ 9.9)	11.5	(+ 0.8)	0.0	(+/- 0.0) 21.2 (-11.0)
Information Technology	23.1	(- 6.5)	61.5	(+ 2.2)	11.6	(+ 7.9)	3.8	(- 3.6)	0.0	(+/- 0.0) 52.0 (- 3.6)
Services	26.9	(+ 1.0)	42.3	(- 2.1)	27.0	(+12.1)	3.8	(-11.0)	0.0	(+/- 0.0) 46.2 (+ 5.5)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen	balance
Beijing	8.7	(- 9.8)	34.8	(- 5.9)	47.8	(+18.1)	8.7	(- 2.4)	0.0	(+/- 0.0) 21.8 (-11.5)
Shanghai	8.7	(-13.5)	39.1	(- 1.6)	43.5	(+13.8)	8.7	(+ 1.3)	0.0	(+/- 0.0) 23.9 (-15.0)
Hong Kong	0.0	(- 3.7)	39.1	(+ 9.5)	21.8	(-30.1)	39.1	(+24.3)	0.0	(+/- 0.0) 0.0 (-11.1)
Guangzhou	4.5	(- 7.5)	40.9	(- 7.1)	31.9	(+ 3.9)	22.7	(+10.7)	0.0	(+/- 0.0) 13.6 (-16.4)
Shenzhen	23.8	(+ 0.7)	42.9	(-14.8)	23.8	(+12.3)	9.5	(+ 1.8)	0.0	(+/- 0.0) 40.5 (- 7.6)
Tianjin	9.5	(- 2.0)	33.3	(- 5.2)	28.6	(+ 1.6)	23.8	(+ 4.6)	4.8	(+ 1.0) 9.5 (- 7.9)
Chongqing	9.5	(- 6.5)	42.9	(- 5.1)	28.6	(+ 4.6)	19.0	(+ 7.0)	0.0	(+/- 0.0) 21.5 (-12.5)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease	balance
Beijing	12.0	(+ 4.6)	28.0	(-27.6)	32.0	(+ 2.4)	24.0	(+16.6)	4.0	(+ 4.0) 10.0 (-21.5)
Shanghai	12.0	(+ 0.9)	36.0	(- 8.4)	24.0	(- 2.0)	28.0	(+ 9.5)	0.0	(+/- 0.0) 16.0 (- 8.1)
Hong Kong	12.0	(+ 8.2)	36.0	(- 6.3)	28.0	(- 2.8)	24.0	(+ 0.9)	0.0	(+/- 0.0) 18.0 (+ 4.6)
Guangzhou	9.1	(- 2.4)	36.4	(- 5.9)	22.7	(- 4.3)	27.3	(+ 8.1)	4.5	(+ 4.5) 9.2 (-13.9)
Shenzhen	8.3	(- 3.2)	37.5	(+ 2.9)	25.0	(+ 1.9)	25.0	(- 5.8)	4.2	(+ 4.2) 10.4 (- 3.0)
Tianjin	8.7	(+ 1.0)	30.4	(-11.9)	30.5	(+11.3)	21.7	(- 9.1)	8.7	(+ 8.7) 4.4 (- 9.1)
Chongqing	9.1	(+ 5.1)	40.9	(- 3.1)	31.8	(+ 3.8)	9.1	(- 6.9)	9.1	(+ 1.1) 15.9 (+ 5.9)

Note: 33 analysts participated in the May survey, which was conducted during the period 5/2-5/17/2017. 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.