China Economic Panel (CEP)

// May 2019

Results of the May survey in detail

## Expectations for Chinese Economy Continue to Improve

CEP Indicator Has Risen to a New Reading of 1.7 Points

According to the most recent survey for May (2 – 16 May 2019), the economic outlook for China has continued to improve. The CEP Indicator, which 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 1.7 points (April 2019: minus 11.9 points).

For the first time since March 2018, the CEP indicator has thus returned to positive territory and almost lies level with its long-term average of 1.8 points.

At the same time, the expectations for the current economic situation have experienced yet another drop, with the corresponding indicator falling by 4.5 points to a current reading of minus 11.7 points.

figure 1:   CEP Indicator May 2019
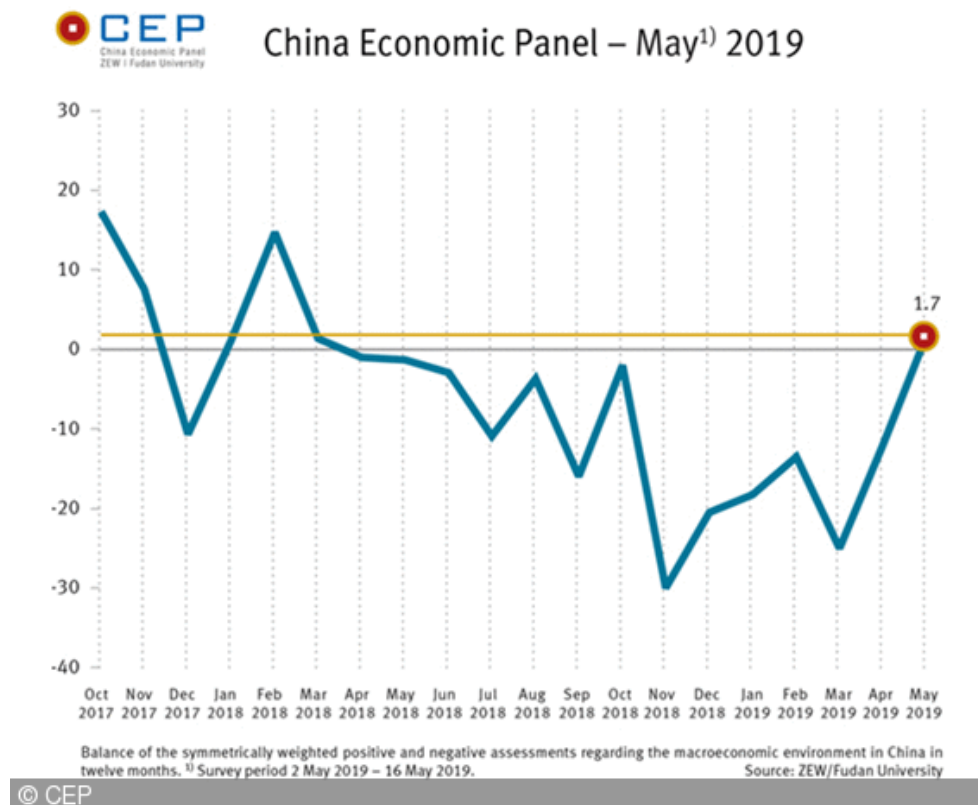
source: ZEW/Fudan

The point forecast for real gross domestic product (GDP) growth for 2019 was raised by 0.1 percentage points to 6.2 per cent, while the forecast for 2020 remains unchanged at 6.0 per cent compared to the previous month.

ZEW

The improved forecast is likely to be attributable to the surprisingly high GDP growth in the first quarter, which with a year-on-year growth of 6.4 per cent was higher than expected. However, the forecast for 2019 of 6.2 per cent also shows that the experts expect somewhat lower growth in the following quarters and that the growth rate of 6.4 per cent seen in the first quarter will most likely remain unmatched.

The forecasts for inflation rates have been raised to 2.4 per cent for the next three months and 2.5 per cent for the next twelve months. So far, forecasts for both time horizons have been at 1.7 per cent. "A driving factor for the inflation forecasts in China is that crude oil prices are expected to rise further. However, the significant increase in liquidity in recent months to support the economy is also likely to have had an impact," 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.

The survey results show once again that the experts expect the active economic policy measures by the Chinese government to have a lasting effect, and that the official growth target of 6.0 per cent to 6.5 per cent will be achieved.

ZEW/Fudan China Economic Panel: Results May 2019

Current economic situation	very good	good	normal	bad	very bad	balance
China	0.0 (+/- 0.0)	13.3 (- 1.0)	50.0 (- 7.1)	36.7 (+ 8.1)	0.0 (+/- 0.0)	-11.7 (- 4.5)
Eurozone	0.0 (+/- 0.0)	17.9 (- 2.1)	67.8 (+ 7.8)	10.7 (- 9.3)	3.6 (+ 3.6)	0.0 (+/- 0.0)
USA	3.4 (+ 3.4)	24.1 (-10.9)	44.9 (-10.1)	13.8 (+ 3.8)	13.8 (+13.8)	-5.3 (-17.8)

Economic expectation (1 Y)	improve	slightly improve	not change	slightly worsen	worsen	balance
China (CEP-Indicator)	3.4 (- 1.4)	31.0 (+ 2.4)	38.0 (+28.6)	20.7 (-31.7)	6.9 (+ 2.1)	1.7 (+13.6)

GDP (growth rate) in %	2019Q2	2019Q3	2019	2020
China	6.2	6.2	6.2	6.0
Eurozone	1.3	1.3	1.3	1.4
USA	3.0	2.9	3.0	2.8

Inflation (CPI) in %	3 months	1 year
China	2.4 (1.7)	2.5 (1.7)
Eurozone	1.5 (1.3)	1.6 (1.4)
USA	1.9 (1.7)	2.0 (1.9)

Wage Inflation in %	3 months	1 year
China	7.2 (7.7)	6.7 (7.5)
Eurozone	2.4 (2.4)	2.3 (2.4)
USA	3.7 (3.6)	3.7 (3.5)

Interest rates	3 months	1 year
SHIBOR (3 months)	2.5 (2.8)	2.5 (2.8)
One-year deposit rate	1.5 (1.5)	1.5 (1.5)
One-year lending rate	4.3 (4.3)	4.3 (4.3)

Stock market indices	3 months	1 year
SSE Composite Index	3.003 (3.154)	3.134 (3.238)
Hang Seng Index	29.564 (29.642)	29.857 (30.027)
Growth Enterprise Market Index (SZ)	1.617 (1.764)	1.632 (1.772)
WTI Crude Oil (US-Dollar)	69 (63)	72 (64)

Monetary aggregate M2 (6 M)	increase	slightly increase	not change	slightly decrease	decrease	balance
China M2 growth rate	3.7 (-18.5)	33.3 (-11.1)	18.6 (- 3.7)	29.6 (+18.5)	14.8 (+14.8)	-9.3 (-48.2)

Specific indicators China (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance
Foreign exchange reserves	7.4 (+ 7.4)	22.2 (- 5.6)	33.4 (+16.8)	22.2 (-27.8)	14.8 (+ 9.2)	-7.4 (+ 9.3)
FDI outflow (out of China)	0.0 (- 5.6)	48.1 (+ 3.7)	22.3 (+ 0.1)	18.5 (+ 1.8)	11.1 (+/- 0.0)	3.7 (- 4.7)
FDI inflow (into China)	7.4 (+ 1.5)	37.0 (+ 1.7)	18.6 (+ 1.0)	22.2 (- 7.2)	14.8 (+ 3.0)	0.0 (+ 3.0)
Export activity	10.7 (+ 5.4)	32.1 (+ 0.5)	7.2 (- 3.3)	42.9 (+ 6.1)	7.1 (- 8.7)	-1.8 (+11.3)
Import activity	7.1 (+ 1.8)	21.4 (+ 5.6)	10.8 (-15.4)	46.4 (+25.3)	14.3 (-17.3)	-19.7 (+ 9.3)
Private Consumption	0.0 (- 5.3)	46.4 (+20.1)	14.3 (-22.5)	35.7 (+14.6)	3.6 (- 6.9)	1.8 (+ 4.4)
Private Investment	3.6 (- 1.7)	35.7 (+14.6)	21.4 (-20.6)	25.0 (+ 3.9)	14.3 (+ 3.8)	-5.4 (- 0.2)
Govt. Consumption	28.6 (- 3.0)	21.4 (-26.0)	10.8 (+ 0.3)	32.1 (+21.6)	7.1 (+ 7.1)	16.2 (-33.9)
Debt Domestic	14.3 (-17.3)	35.7 (-11.7)	21.4 (+10.9)	14.3 (+ 3.8)	14.3 (+14.3)	10.7 (-39.4)
Debt Foreign	3.6 (-12.2)	32.1 (- 4.7)	46.5 (- 0.9)	10.7 (+10.7)	7.1 (+ 7.1)	7.2 (-27.0)
Employment rate	7.4 (+ 7.4)	14.8 (+ 9.2)	44.5 (+ 5.7)	25.9 (-13.0)	7.4 (- 9.3)	-5.6 (+27.8)
Growth rate of new car registrations	7.1 (+ 7.1)	14.3 (- 7.9)	28.6 (+17.5)	39.3 (-21.8)	10.7 (+ 5.1)	-16.1 (+ 9.0)
Total share of world trade	10.7 (- 5.1)	35.7 (+19.9)	14.4 (-27.6)	32.1 (+11.0)	7.1 (+ 1.8)	5.4 (- 2.5)

Exchange rates	3 months	1 year
Yuan / US-Dollar	6.80 (6.80)	6.87 (6.82)
Yuan / Euro	7.61 (7.68)	7.69 (7.76)

Sectors (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance
Retail banking	3.8 (+ 3.8)	19.2 (- 4.3)	27.0 (-20.1)	38.5 (+ 9.1)	11.5 (+11.5)	-17.4 (-14.4)
Investment banking	0.0 (+/- 0.0)	38.5 (+ 3.2)	11.5 (-23.8)	38.5 (+ 9.1)	11.5 (+11.5)	-11.5 (-14.5)
Insurance	19.2 (+ 7.4)	11.5 (-23.8)	11.6 (- 6.0)	38.5 (+ 3.2)	19.2 (+19.2)	-13.5 (-25.3)
Automotive	8.0 (+ 8.0)	24.0 (+ 0.5)	24.0 (+ 0.5)	36.0 (-11.1)	8.0 (+ 2.1)	-6.0 (+11.7)
Chemical / Pharmaceutical	11.5 (+ 5.6)	15.4 (- 2.2)	30.8 (+ 1.4)	34.6 (- 6.6)	7.7 (+ 1.8)	-5.8 (+ 6.0)
Machinery / Engineering	7.7 (+ 7.7)	23.1 (- 0.4)	26.9 (-14.3)	34.6 (- 0.7)	7.7 (+ 7.7)	-5.8 (+ 0.1)
Electronics	11.5 (+11.5)	23.1 (-15.8)	23.1 (+ 0.9)	30.8 (- 8.1)	11.5 (+11.5)	-3.9 (- 3.9)
Retail and commerce	11.1 (+ 5.5)	25.9 (- 1.9)	22.3 (-11.0)	33.3 (+/- 0.0)	7.4 (+ 7.4)	0.0 (- 2.9)
Construction	7.7 (- 4.1)	26.9 (- 8.4)	27.0 (+ 9.4)	34.6 (+ 5.2)	3.8 (- 2.1)	0.0 (- 8.9)
Energy	7.7 (+ 1.8)	19.2 (-27.9)	30.8 (+ 1.4)	30.8 (+13.2)	11.5 (+11.5)	-9.6 (-30.3)
Information Technology	19.2 (- 4.3)	26.9 (-20.2)	15.4 (+ 9.5)	30.8 (+ 7.3)	7.7 (+ 7.7)	9.6 (-25.7)
Services	11.5 (- 6.1)	34.6 (- 6.6)	11.6 (-17.8)	26.9 (+15.1)	15.4 (+15.4)	0.0 (-32.3)

Economic expectation (1 Y)	improve	slightly improve	not change	slightly worsen	worsen	balance
Beijing	7.7 (+ 2.1)	30.8 (+ 8.6)	42.3 (- 7.7)	15.4 (- 6.8)	3.8 (+ 3.8)	11.6 (+ 6.0)
Shanghai	11.5 (+ 5.9)	23.1 (-10.2)	42.4 (+ 9.1)	19.2 (- 3.0)	3.8 (- 1.8)	9.7 (+ 4.1)
Hong Kong	3.8 (- 1.8)	19.2 (+ 8.1)	65.5 (+32.2)	7.7 (-36.7)	3.8 (- 1.8)	5.8 (+22.5)
Guangzhou	8.0 (+ 2.1)	32.0 (+20.2)	32.0 (+ 2.7)	20.0 (-21.2)	8.0 (- 3.8)	6.0 (+26.6)
Shenzhen	8.0 (+ 8.0)	32.0 (- 6.9)	32.0 (+20.9)	16.0 (-34.0)	12.0 (+12.0)	4.0 (+ 9.6)
Tianjin	8.0 (+ 2.4)	40.0 (+12.2)	20.0 (- 7.7)	20.0 (-13.3)	12.0 (+ 6.4)	8.8 (+ 8.8)
Chongqing	8.0 (+ 8.0)	40.0 (+ 1.1)	20.0 (- 7.8)	20.0 (- 2.2)	12.0 (+ 0.9)	6.0 (+ 8.8)

Real estate price expectation (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance
Beijing	7.4 (- 3.7)	44.4 (+/- 0.0)	22.3 (+/- 0.0)	22.2 (+/- 0.0)	3.7 (+ 3.7)	14.8 (- 7.4)
Shanghai	7.4 (- 3.7)	37.0 (- 1.9)	26.0 (+14.9)	25.9 (-13.0)	3.7 (- 3.7)	9.3 (- 1.8)
Hong Kong	3.7 (-24.1)	33.3 (+16.6)	37.1 (- 7.2)	22.2 (+16.6)	3.7 (- 1.9)	5.6 (-22.2)
Guangzhou	4.0 (- 7.1)	40.0 (+ 6.7)	32.0 (+ 4.2)	16.0 (-11.8)	8.0 (+ 8.0)	8.0 (- 5.9)
Shenzhen	7.7 (- 3.4)	46.2 (+ 7.3)	15.4 (+ 4.3)	26.9 (-12.0)	3.8 (+ 3.8)	13.6 (+ 2.5)
Tianjin	16.0 (+10.4)	28.0 (- 5.3)	20.0 (-13.3)	32.0 (+ 4.2)	4.0 (+ 4.0)	10.0 (+ 1.6)
Chongqing	8.0 (+ 2.4)	24.0 (+ 7.3)	40.0 (-15.4)	24.0 (+ 7.3)	4.0 (- 1.6)	4.0 (+ 4.0)

Note: 30 analysts participated in the May survey, which was conducted during the period 5/2-5/16/2019. 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.