

# China Economic Panel (CEP)

// May 2020

Results of the May survey in detail

## Decline in Expectations Reveals Persistent Uncertainty

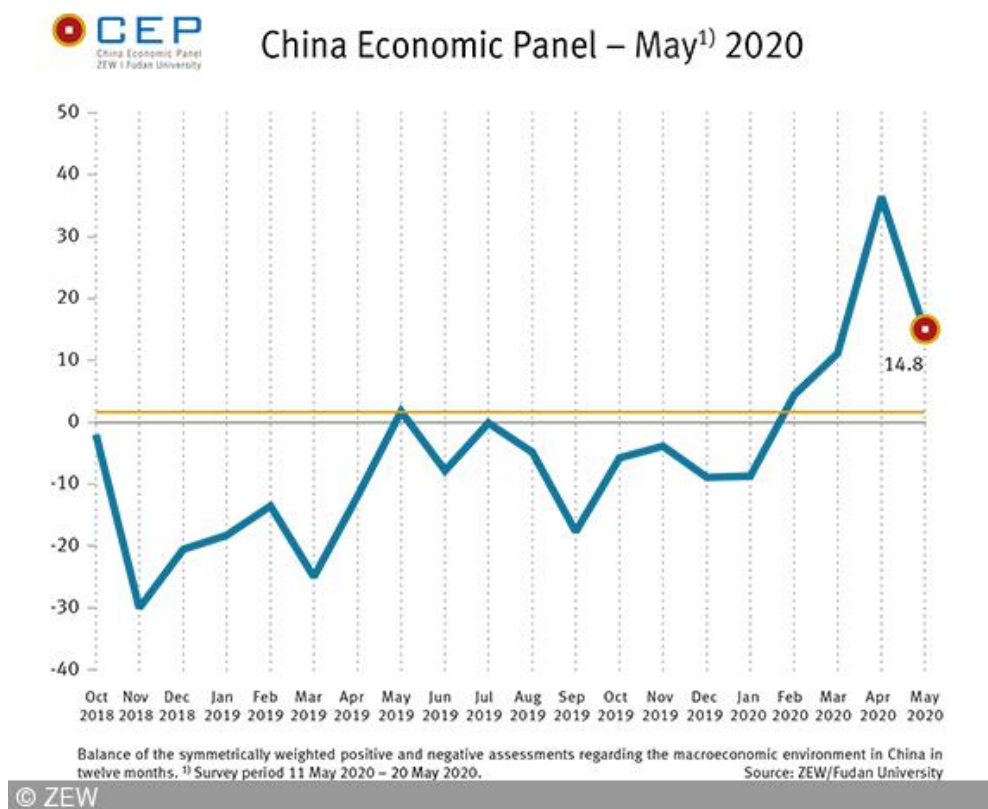
CEP indicator stands at 14.8 points

In the current May survey (11 – 20 May 2020), the CEP indicator falls by 21.7 points to a value of 14.8 points, largely reversing last month's 25.4-point increase.

The CEP indicator, based on the China Economic Panel (CEP) in cooperation with Fudan University, Shanghai, reflects the economic expectations of international financial market experts for China on a 12-month basis.

“The strong fluctuations of the CEP indicator observed in recent months show that experts are currently very uncertain about the future development of the Chinese economy,” says Dr. Michael Schröder, project manager of the CEP survey and senior researcher in the ZEW Research Department “International Finance and Financial Management”.

figure 1: CEP Indicator May 2020



source: ZEW/Fudan

The forecasts for real gross domestic product (GDP) were again revised downwards. The average growth forecast for the second quarter of 2020 is currently only 0.5 per cent, after growth projections were still at 2.0 per cent in April.

The forecast for the third quarter of 2020 was lowered from 4.2 per cent to 3.5 per cent. Although the experts still expect to see a turnaround in economic development this summer, growth levels are lower than originally projected. For the entire year of 2020, the survey experts are forecasting real GDP growth of only 2.1 per cent (previous month: 3.4 per cent).

“According to the experts, such a growth level, which is very low by Chinese standards, can only be achieved by a further significant increase in debt and government consumption. In contrast to private consumption and private investment, both of which are still considered to be quite weak, the government sector is set to become more and more a driving force of economic development,” says Michael Schröder.

The fairly pessimistic outlook for economic development in the coming months is also reflected at the sector level and in the forecasts for China’s key economic regions. Expectations regarding the development of real estate prices have also become largely negative.

ZEW/Fudan China Economic Panel: Results May 2020										
Current economic situation	very good	good	normal	bad	very bad	balance				
China	2.9 (-8.2)	14.3 (-5.1)	31.3 (+11.8)	48.6 (+12.5)	2.9 (-11.0)	-17.2 (-6.0)				
Eurozone	9.1 (-10.9)	21.2 (+1.2)	3.0 (-2.9)	36.4 (+19.3)	30.3 (-6.9)	-28.8 (-13.1)				
USA	12.5 (-1.8)	12.5 (-10.4)	9.3 (+0.8)	21.9 (-1.0)	43.8 (+12.4)	-36.0 (-18.9)				
Economic expectation (1 Y)	improve	slightly improve	not change	slightly worsen	worsen	balance				
China (CEP-Indicator)	26.5 (-8.6)	26.5 (-8.6)	11.7 (+6.2)	20.6 (+4.4)	14.7 (+6.6)	14.8 (-21.7)				
GDP (growth rate) in %	2020Q2	2020Q3	2020	2021						
China	0.5	3.5	2.1	5.6						
Eurozone	-4.6	-1.5	-2.4	2.1						
USA	-5.3	-0.9	-1.8	3.2						
Inflation (CPI) in %	3 months			1 year						
China	4.1(5.0)			3.9(4.7)						
Eurozone	0.9(1.2)			1.2(1.5)						
USA	1.4(1.9)			1.9(2.3)						
Wage Inflation in %	3 months			1 year						
China	4.7(4.4)			5.8(6.2)						
Eurozone	1.0(1.1)			1.9(1.9)						
USA	1.0(1.1)			2.2(2.1)						
Interest rates	3 months			1 year						
SHIBOR (3 months)	1.5(1.7)			1.6(1.7)						
One-year deposit rate	2.4(1.4)			2.3(1.3)						
One-year lending rate	4.3(4.1)			4.2(4.0)						
Stock market indices	3 months			1 year						
SSE Composite Index	2.852(2.686)			3.058(2.858)						
Hang Seng Index	23.799(23.251)			24.718(23.873)						
Growth Enterprise Market Index (SZ)	2.082(1.862)			2.248(1.980)						
WTI Crude Oil (US-Dollar)	27(27)			35(37)						
Monetary aggregate M2 (6 M)	increase	slightly increase	not change	slightly decrease	decrease	balance				
China M2 growth rate	25.0 (-9.4)	32.1 (+22.8)	3.6 (+3.6)	21.4 (-3.6)	17.9 (-13.4)	12.5 (+17.3)				
Specific indicators China (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance				
Foreign exchange reserves	10.3 (-2.2)	24.1 (-7.2)	20.8 (+14.6)	31.0 (+6.0)	13.8 (-11.2)	-7.0 (+2.4)				
FDI outflow (out of China)	3.4 (-24.7)	27.6 (-9.9)	3.5 (+3.5)	44.8 (+26.0)	20.7 (+5.1)	-25.9 (-47.8)				
FDI inflow (into China)	6.9 (-11.9)	20.7 (-7.4)	0.0 (-9.4)	37.9 (+22.3)	34.5 (+6.4)	-36.2 (-33.1)				
Export activity	23.3 (-0.2)	30.0 (-5.3)	0.0 (+/- 0.0)	26.7 (+6.1)	20.0 (-0.6)	5.0 (-5.3)				
Import activity	10.0 (-10.6)	40.0 (+4.7)	6.7 (-5.0)	23.3 (+2.7)	20.0 (+8.2)	-1.7 (-17.9)				
Private Consumption	13.8 (-10.4)	20.7 (-15.7)	6.9 (+3.8)	37.9 (+13.7)	20.7 (+8.6)	-15.5 (-33.7)				
Private Investment	16.7 (-13.6)	23.3 (+2.1)	13.3 (+4.2)	30.0 (+8.8)	16.7 (-1.5)	-3.4 (-15.5)				
Govt. Consumption	36.7 (-7.4)	30.0 (+18.2)	3.3 (+3.3)	6.7 (-8.0)	23.3 (-6.1)	25.1 (+11.9)				
Debt Domestic	26.7 (-11.5)	40.0 (+28.2)	0.0 (-5.9)	10.0 (-1.8)	23.3 (-9.1)	18.4 (+12.6)				
Debt Foreign	13.8 (+4.7)	41.4 (+8.1)	24.1 (+11.9)	6.9 (-17.3)	13.8 (-7.4)	17.3 (+24.9)				
Employment rate	30.0 (-2.4)	13.3 (-4.3)	6.7 (+0.8)	30.0 (+3.5)	20.0 (+2.4)	1.7 (-8.7)				
Growth rate of new car registrations	13.3 (-4.9)	30.0 (+2.7)	10.0 (+1.0)	30.0 (-0.3)	16.7 (+1.5)	-3.4 (-4.9)				
Total share of world trade	16.7 (-3.9)	30.0 (+9.4)	16.6 (+1.9)	30.0 (+6.5)	6.7 (-13.9)	10.0 (+11.5)				
Exchange rates	3 months			1 year						
Yuan / US-Dollar	7.08(7.09)			7.17(7.16)						
Yuan / Euro	7.68(7.74)			7.75(7.79)						
Sectors (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance				
Retail banking	14.8 (+4.8)	25.9 (+2.6)	18.6 (+5.2)	29.6 (-13.7)	11.1 (+1.1)	1.9 (+11.9)				
Investment banking	18.5 (-1.5)	11.1 (-8.9)	18.6 (+5.3)	33.3 (+3.3)	18.5 (+1.8)	-11.1 (-9.4)				
Insurance	22.2 (+8.9)	18.5 (+1.8)	7.5 (-19.1)	33.3 (-3.4)	18.5 (+11.8)	-3.7 (-0.3)				
Automotive	11.1 (-5.6)	33.3 (+/- 0.0)	11.2 (+7.9)	25.9 (-0.8)	18.5 (-1.5)	-3.7 (-8.7)				
Chemical / Pharmaceutical	18.5 (+1.8)	18.5 (+1.8)	18.6 (-1.4)	22.2 (-11.1)	22.2 (+8.9)	-5.6 (-0.7)				
Machinery / Engineering	18.5 (+5.2)	14.8 (+4.8)	14.9 (-1.8)	37.0 (-3.0)	14.8 (-5.2)	-7.4 (+14.3)				
Electronics	7.4 (-5.9)	22.2 (+8.9)	26.0 (+2.6)	25.9 (-14.1)	18.5 (+8.5)	-13.0 (-2.9)				
Retail and commerce	14.3 (-11.5)	25.0 (-4.0)	21.4 (+14.9)	28.6 (-0.4)	10.7 (+1.0)	1.8 (-14.3)				
Construction	7.4 (-13.3)	33.3 (+12.6)	11.2 (-2.6)	29.6 (-4.9)	18.5 (+8.2)	-9.3 (-12.8)				
Energy	14.8 (+1.0)	25.9 (+5.2)	18.6 (-12.4)	29.6 (+8.9)	11.1 (-2.7)	1.9 (+1.9)				
Information Technology	18.5 (+4.7)	18.5 (-5.6)	22.3 (+11.9)	22.2 (-12.3)	18.5 (+1.3)	-1.9 (-6.7)				
Services	22.2 (-1.1)	25.9 (+2.6)	22.3 (+8.9)	14.8 (-5.2)	14.8 (-5.2)	13.0 (+8.0)				
Economic expectation (1 Y)	improve	slightly improve	not change	slightly worsen	worsen	balance				
Beijing	18.5 (-3.4)	22.2 (-15.3)	18.6 (+15.6)	33.3 (+2.0)	7.4 (+1.1)	5.6 (-13.1)				
Shanghai	18.5 (-0.3)	14.8 (-13.3)	11.2 (-1.3)	40.7 (+12.6)	14.8 (+2.3)	-9.3 (-15.6)				
Hong Kong	25.9 (+13.4)	22.2 (-12.2)	7.5 (-5.0)	29.6 (+1.5)	14.8 (+2.3)	7.4 (+4.2)				
Guangzhou	22.2 (+3.4)	18.5 (-15.9)	7.5 (-1.7)	44.4 (+13.1)	7.4 (+1.1)	1.9 (-12.2)				
Shenzhen	14.8 (-4.0)	25.9 (+0.9)	3.8 (-11.8)	37.0 (+12.0)	18.5 (+2.9)	-9.3 (-12.5)				
Tianjin	18.5 (+2.9)	22.2 (-15.3)	26.0 (+10.4)	25.9 (+0.9)	7.4 (+1.1)	9.3 (-6.3)				
Chongqing	18.5 (-0.9)	14.8 (-20.7)	18.6 (+12.2)	37.0 (+8.0)	11.1 (+1.4)	-3.7 (-16.7)				
Real estate price expectation (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance				
Beijing	7.4 (-2.0)	29.6 (+7.7)	22.3 (-5.8)	37.0 (-0.5)	3.7 (+0.6)	0.0 (+1.5)				
Shanghai	3.7 (-2.6)	25.9 (+13.4)	22.3 (-2.6)	40.7 (-9.3)	7.4 (+1.1)	-11.1 (+7.7)				
Hong Kong	7.4 (-2.0)	33.3 (+8.3)	11.2 (-23.1)	44.4 (+22.5)	3.7 (-5.7)	-1.9 (-3.5)				
Guangzhou	7.4 (-2.0)	18.5 (+6.0)	26.0 (-14.6)	40.7 (+3.2)	7.4 (+7.4)	-11.1 (-8.0)				
Shenzhen	11.1 (+4.8)	18.5 (+2.9)	22.3 (+0.4)	40.7 (-12.4)	7.4 (+4.3)	-7.4 (+8.2)				
Tianjin	3.7 (-5.7)	33.3 (+8.3)	26.0 (-11.5)	33.3 (+8.3)	3.7 (+0.6)	0.0 (-6.3)				
Chongqing	11.1 (+1.7)	18.5 (-0.3)	26.0 (-11.4)	25.9 (-5.4)	18.5 (+15.4)	-11.1 (-11.2)				

Note: 35 analysts participated in the May survey, which was conducted during the period 5/11-5/20/2020. 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.