

China Economic Panel (CEP)

// June 2019

Results of the June survey in detail

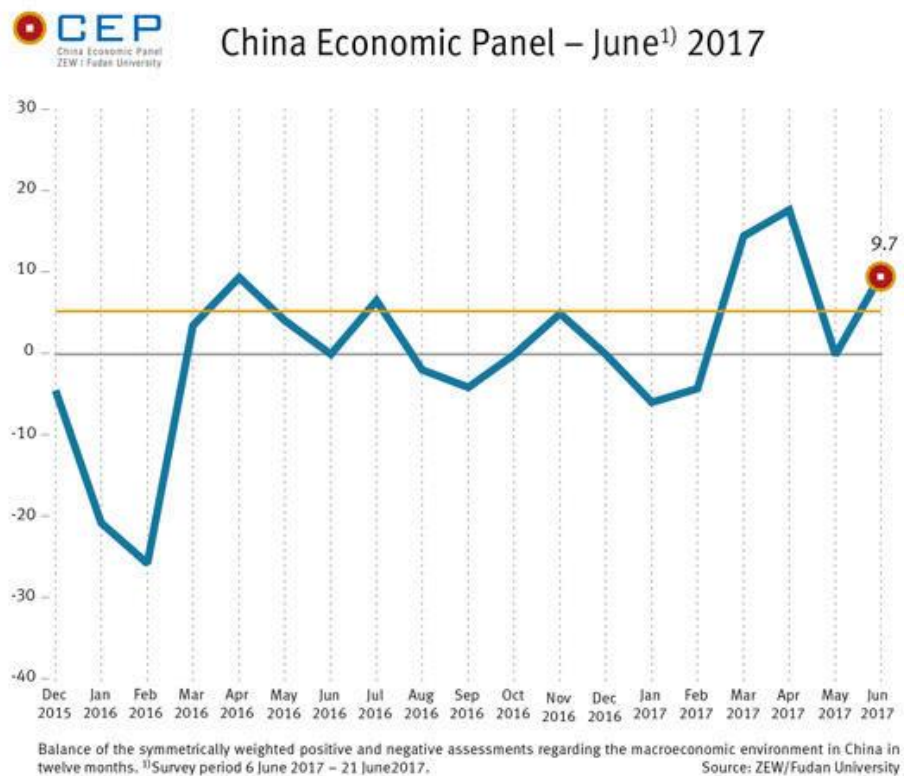
Economic Outlook for China Increases Substantially

According to the current survey for June (6 – 21 June 2017), the economic outlook for China has once again improved significantly, rising by 9.8 points compared to the previous month.

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 9.7 points (May 2017: minus 0.1 points), thus once again rising above the long-term average of 5.3 points.

The CEP Indicator has been highly volatile over the past few months. In February, the indicator was as low as minus 4.2 points, before it rose to 14.5 points in March, then to 17.7 points in April, only to fall back to minus 0.1 points in May.

figure 1: CEP Indicator June 2017



source: ZEW/Fudan

"One should, however, be careful not to read too much into the increase of 9.7 points in June as uncertainty remains high in terms of future growth," says Dr. Michael Schröder, senior researcher in ZEW's Research Department "International Finance and Financial Management" and project leader of the CEP survey.

The point forecasts for the Chinese GDP have also increased, with expectations for the second quarter of 2017 climbing by 0.1 per cent to a level of 6.8 per cent. The forecast for the entire year of 2017, however, remains unchanged at 6.7 per cent. However, a somewhat higher growth of 6.6 per cent is expected for 2018 (the prediction in May was still 6.5 per cent).

There has been a marked improvement in the assessments of China's foreign trade compared to the beginning of the year when there was a great deal of pessimism due to expectations surrounding US President Trump's trade policies. This is reflected in the increase in export expectations, which climbed from 29.3 points to 40.8 points in June.

Expectations regarding China's direct investments overseas rose equally sharply, from 31.1 points to 42.0 points, indicating that experts predict a further increase in company acquisitions and shareholdings.

"Experts no longer see any evidence of a trend that the Chinese economy is reducing its internationalisation and global economic ties," says Schröder.

ZEW/Fudan China Economic Panel: Results June 2017												
Current economic situation	very good		good	normal		bad	very bad		balance			
China	0.0	(+/- 0.0)	32.3	(+ 5.0)	64.5	(- 5.2)	3.2	(+ 0.2)	0.0	(+/- 0.0)	14.6	(+ 2.4)
USA	3.6	(- 6.7)	50.0	(- 1.7)	39.3	(+ 4.7)	7.1	(+ 3.7)	0.0	(+/- 0.0)	25.1	(- 9.4)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-Indicator)	0.0	(- 3.0)	41.9	(+11.6)	35.5	(+ 5.2)	22.6	(-13.8)	0.0	(+/- 0.0)	9.7	(+ 9.8)
GDP (growth rate) in %	2017Q2		2017Q3		2017		2018					
China	6.8		6.7		6.7		6.6					
USA	2.1		2.1		2.1		2.2					
Inflation (CPI) in %	3 months				1 year							
China	1.4 (1.2)				1.7 (1.5)							
USA	1.4 (2.4)				1.2 (2.5)							
Interest rates	3 months				1 year							
SHIBOR (3 months)	4.7 (4.4)				4.8 (4.4)							
One-year deposit rate	1.5 (1.5)				1.6 (1.6)							
One-year lending rate	4.4 (4.4)				4.5 (4.4)							
Stock market indices	3 months				1 year							
SSE Composite Index	3,159 (3,166)				3,325 (3,353)							
Hang Seng Index	25,279 (24,647)				26,088 (25,233)							
Growth Enterprise Market Index (SZ)	1,288 (1,378)				1,295 (1,415)							
WTI Crude Oil (US-Dollar)	49 (49)				50 (51)							
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	7.7	(+ 4.5)	42.3	(-12.5)	19.2	(+ 6.2)	15.4	(-13.6)	15.4	(+15.4)	5.8	(-10.3)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	0.0	(+/- 0.0)	26.9	(+ 2.8)	15.5	(+ 5.1)	53.8	(- 8.3)	3.8	(+ 0.4)	-17.3	(+ 5.1)
FDI outflow (out of China)	16.0	(+ 9.1)	64.0	(+ 1.9)	12.0	(- 5.2)	4.0	(- 9.8)	4.0	(+ 4.0)	42.0	(+10.9)
FDI inflow (into China)	0.0	(- 3.4)	48.0	(+10.1)	20.0	(+ 2.6)	28.0	(- 9.9)	4.0	(+ 0.6)	6.0	(+ 6.0)
Export activity	11.1	(+ 0.8)	70.4	(+15.2)	7.4	(- 9.9)	11.1	(- 6.1)	0.0	(+/- 0.0)	40.8	(+11.5)
Import activity	11.1	(+ 7.7)	55.6	(- 9.9)	25.9	(+ 8.6)	7.4	(- 6.4)	0.0	(+/- 0.0)	35.2	(+ 5.9)
Domestic consumption	7.4	(+ 7.4)	63.0	(- 6.0)	22.2	(+ 1.5)	7.4	(- 2.9)	0.0	(+/- 0.0)	35.2	(+ 5.8)
Employment rate	0.0	(+/- 0.0)	30.8	(+10.1)	53.8	(- 1.4)	15.4	(- 5.3)	0.0	(- 3.4)	7.7	(+11.1)
Growth rate of new car registrations	3.8	(- 3.3)	61.5	(- 2.8)	27.0	(+16.3)	7.7	(- 6.6)	0.0	(- 3.6)	30.7	(+ 2.2)
Total share of world trade	3.8	(- 3.1)	61.5	(+ 2.9)	27.0	(+ 6.3)	7.7	(- 6.1)	0.0	(+/- 0.0)	30.7	(+ 1.4)
Exchange rates	3 months				1 year							
Yuan / US-Dollar	6.87 (6.93)				6.97 (7.07)							
US-Dollar / Euro	1.10 (1.08)				1.11 (1.07)							
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	4.2	(+ 0.4)	54.2	(+ 0.4)	24.9	(+ 1.7)	12.5	(- 6.7)	4.2	(+ 4.2)	20.9	(- 0.2)
Investment banking	4.2	(+ 0.4)	75.0	(+13.5)	8.3	(-18.7)	12.5	(+ 4.8)	0.0	(+/- 0.0)	35.5	(+ 4.8)
Insurance	20.8	(+ 1.6)	62.5	(+ 4.8)	12.5	(- 2.9)	4.2	(- 3.5)	0.0	(+/- 0.0)	50.0	(+ 5.8)
Automotive	4.0	(-16.0)	56.0	(+12.0)	20.0	(+/- 0.0)	16.0	(+/- 0.0)	4.0	(+ 4.0)	20.0	(-14.0)
Chemical / Pharmaceutical	4.0	(+/- 0.0)	68.0	(+ 8.0)	28.0	(+ 4.0)	0.0	(-12.0)	0.0	(+/- 0.0)	38.0	(+10.0)
Machinery / Engineering	12.0	(+ 4.0)	52.0	(+20.0)	24.0	(-12.0)	12.0	(-12.0)	0.0	(+/- 0.0)	32.0	(+20.0)
Electronics	24.0	(+12.0)	36.0	(- 4.0)	28.0	(- 4.0)	12.0	(- 4.0)	0.0	(+/- 0.0)	36.0	(+12.0)
Retail and commerce	13.0	(+ 5.3)	52.2	(- 5.5)	21.8	(- 5.1)	8.7	(+ 1.0)	4.3	(+ 3.3)	30.5	(- 2.2)
Construction	16.0	(+ 0.6)	28.0	(-10.5)	12.0	(-11.1)	36.0	(+16.8)	8.0	(+ 4.2)	4.0	(-17.3)
Energy	8.3	(+ 4.5)	33.3	(-12.9)	37.6	(- 0.9)	20.8	(+ 9.3)	0.0	(+/- 0.0)	14.6	(- 6.6)
Information Technology	33.3	(+10.2)	62.5	(+ 1.0)	4.2	(- 7.4)	0.0	(- 3.8)	0.0	(+/- 0.0)	64.6	(+12.6)
Services	33.3	(+ 6.4)	50.0	(+ 7.7)	16.7	(-10.3)	0.0	(- 3.8)	0.0	(+/- 0.0)	58.3	(+12.1)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
Beijing	8.0	(- 0.7)	36.0	(+ 1.2)	40.0	(- 7.8)	16.0	(+ 7.3)	0.0	(+/- 0.0)	18.0	(- 3.8)
Shanghai	12.0	(+ 3.3)	44.0	(+ 4.9)	36.0	(- 7.5)	8.0	(- 0.7)	0.0	(+/- 0.0)	30.0	(+ 6.1)
Hong Kong	4.0	(+ 4.0)	24.0	(-15.1)	56.0	(+34.2)	12.0	(-27.1)	4.0	(+ 4.0)	6.0	(+ 6.0)
Guangzhou	17.4	(+12.9)	34.8	(- 6.1)	34.8	(+ 2.9)	13.0	(- 9.7)	0.0	(+/- 0.0)	28.3	(+14.7)
Shenzhen	33.3	(+ 9.5)	45.8	(+ 2.9)	16.7	(- 7.1)	4.2	(- 5.3)	0.0	(+/- 0.0)	54.1	(+13.6)
Tianjin	13.0	(+ 3.5)	47.8	(+14.5)	21.8	(- 6.8)	8.7	(-15.1)	8.7	(+ 3.9)	23.9	(+14.4)
Chongqing	26.1	(+16.6)	34.8	(- 8.1)	34.8	(+ 6.2)	4.3	(-14.7)	0.0	(+/- 0.0)	41.4	(+19.9)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Beijing	12.0	(+/- 0.0)	40.0	(+12.0)	24.0	(- 8.0)	20.0	(- 4.0)	4.0	(+/- 0.0)	18.0	(+ 8.0)
Shanghai	12.0	(+/- 0.0)	48.0	(+12.0)	20.0	(- 4.0)	16.0	(-12.0)	4.0	(+ 4.0)	24.0	(+ 8.0)
Hong Kong	4.0	(- 8.0)	48.0	(+12.0)	28.0	(+/- 0.0)	12.0	(-12.0)	8.0	(+ 8.0)	14.0	(- 4.0)
Guangzhou	0.0	(- 9.1)	58.3	(+21.9)	20.8	(- 1.9)	16.7	(-10.6)	4.2	(- 0.3)	16.6	(+ 7.4)
Shenzhen	16.7	(+ 8.4)	45.8	(+ 8.3)	12.5	(-12.5)	20.8	(- 4.2)	4.2	(+/- 0.0)	25.0	(+14.6)
Tianjin	4.3	(- 4.4)	56.5	(+26.1)	21.9	(- 8.6)	4.3	(-17.4)	13.0	(+ 4.3)	17.4	(+13.0)
Chongqing	8.7	(- 0.4)	60.9	(+20.0)	21.8	(-10.0)	4.3	(- 4.8)	4.3	(- 4.8)	32.7	(+16.8)

Note: 31 analysts participated in the June survey, which was conducted during the period 6/6-6/21/2017. 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.