

China Economic Panel (CEP)

// June 2018

Results of the June survey in detail

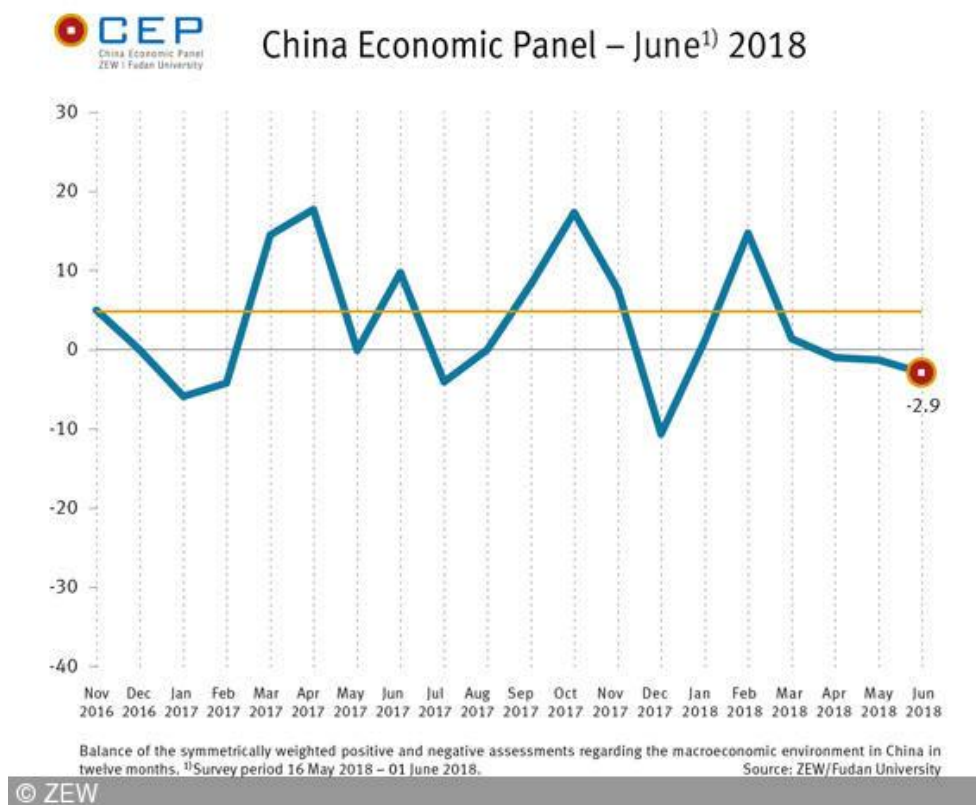
Economic Outlook for China Drops Slightly

According to the most recent survey for June (16/05/2018–01/06/2018), the economic outlook for China dropped slightly by 1.6 points to a new value of minus 2.9 points.

This represents the fourth consecutive decrease in the CEP Indicator, which is currently well below the long-term average of 4.8 points. The CEP Indicator reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months.

Moreover, the assessment of the current economic situation in China experienced a three-point drop down to 22.0 points compared to the previous month. Despite this decrease, the assessment of the economic situation remains largely positive and well above the average reading of 3.1 points (since the survey began in May 2013).

figure 1: CEP Indicator June 2018



source: ZEW/Fudan

The financial market experts polled in the current survey predict that real GDP in China will grow by 6.7 per cent in 2018 and 6.5 per cent in 2019. These are the same as the results from the previous survey. The slight dampening of both the economic expectations as well as the assessments of the economic situation has apparently not yet had an effect on the experts' point forecasts.

One reason for this could be that many expect the Chinese government to introduce an increasing number of economic stimulus measures. The indicator for government consumption has climbed by six points to a level of 48.5 points. There was also a significant increase in the number of survey participants expecting an increase in domestic debt levels (for the government, banks, companies and private households), with the corresponding indicator climbing 23.1 points to a current reading of 45.2 points.

“In the face of already high levels of domestic debt, the sustainability of the Chinese government’s growth ambitions for 2018 and beyond is increasingly being called into question. The economic policy based on ever higher levels of debt could lead to a severe crisis in the financial sector, ultimately causing an economic downturn,” says Dr. Michael Schröder, senior researcher in the ZEW Research Department “International Finance and Financial Management” and project leader for the CEP survey.

The indicator readings for China’s exports, imports and share of global trade have once again seen considerable increases. This suggests that the experts currently expect the country’s ongoing trade dispute with the US to de-escalate.

ZEW/Fudan China Economic Panel: Results June 2018											
Current economic situation	very good		good		normal		bad		very bad		balance
China	2.9	(-2.1)	38.2	(-9.3)	58.9	(+16.4)	0.0	(-2.5)	0.0	(-2.5)	22.0 (-3.0)
Eurozone	5.9	(-2.2)	38.2	(+5.8)	55.9	(-0.9)	0.0	(-2.7)	0.0	(+/- 0.0)	25.0 (+2.0)
USA	11.8	(-9.8)	55.9	(+18.1)	32.3	(-5.6)	0.0	(-2.7)	0.0	(+/- 0.0)	39.8 (+0.6)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
China (CEP-Indicator)	0.0	(-2.5)	32.4	(+2.4)	29.4	(-3.1)	38.2	(+5.7)	0.0	(-2.5)	-2.9 (-1.6)
GDP (growth rate) in %	2018Q2		2018Q3		2018		2019				
China	6.7		6.6		6.7		6.5				
Eurozone	2.5		2.5		2.5		2.4				
USA	2.5		2.5		2.5		2.5				
Inflation (CPI) in %	3 months				1 year						
China	1.9 (2.1)				2.1 (2.3)						
Eurozone	1.3 (1.4)				1.4 (1.5)						
USA	2.5 (2.4)				2.5 (2.5)						
Wage Inflation in %	3 months				1 year						
China	8.8 (8.9)				8.6 (8.8)						
Eurozone	1.7 (1.7)				1.8 (1.8)						
USA	2.9 (2.8)				3.0 (3.0)						
Interest rates	3 months				1 year						
SHIBOR (3 months)	4.1 (4.2)				4.2 (4.3)						
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	3,180 (3,123)				3,358 (3,328)						
Hang Seng Index	31,271 (30,730)				32,364 (31,429)						
Growth Enterprise Market Index (SZ)	1,854 (1,829)				1,908 (1,951)						
WTI Crude Oil (US-Dollar)	74 (69)				77 (69)						
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance
China M2 growth rate	10.0	(+1.2)	53.3	(+0.4)	26.7	(+3.1)	10.0	(-4.7)	0.0	(+/- 0.0)	31.7 (+3.8)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Foreign exchange reserves	0.0	(-6.1)	28.1	(+6.9)	21.9	(-20.5)	46.9	(+19.6)	3.1	(+0.1)	-12.5 (-12.5)
FDI outflow (out of China)	6.7	(-8.5)	56.7	(+23.4)	16.6	(-7.6)	16.7	(-10.6)	3.3	(+3.3)	23.4 (+5.2)
FDI inflow (into China)	6.7	(+3.7)	33.3	(+/- 0.0)	30.0	(-0.4)	26.7	(+2.5)	3.3	(-5.8)	6.7 (+8.3)
Export activity	6.3	(+3.3)	46.9	(+7.5)	12.4	(+9.3)	25.0	(-17.4)	9.4	(-2.7)	7.9 (+18.5)
Import activity	34.4	(+13.2)	34.4	(-2.0)	21.8	(+6.7)	9.4	(-8.8)	0.0	(-9.1)	46.9 (+25.7)
Private Consumption	12.5	(-2.2)	46.9	(-20.7)	34.3	(+28.4)	6.3	(-5.5)	0.0	(+/- 0.0)	32.8 (-9.8)
Private Investment	9.4	(+0.6)	40.6	(-12.3)	34.4	(+13.8)	12.5	(+0.7)	3.1	(-2.8)	20.4 (-3.1)
Govt. Consumption	25.0	(+6.8)	50.0	(-1.5)	21.9	(-5.4)	3.1	(+0.1)	0.0	(+/- 0.0)	48.5 (+6.0)
Debt Domestic	19.4	(-1.2)	54.8	(+28.3)	22.6	(-6.8)	3.2	(-20.3)	0.0	(+/- 0.0)	45.2 (+23.1)
Debt Foreign	3.3	(-2.8)	43.3	(+13.0)	40.1	(+0.7)	13.3	(-10.9)	0.0	(+/- 0.0)	18.3 (+9.1)
Employment rate	6.5	(+0.4)	32.3	(+2.0)	48.3	(-6.2)	12.9	(+3.8)	0.0	(+/- 0.0)	16.2 (-0.5)
Growth rate of new car registrations	9.7	(+0.6)	61.3	(+9.8)	19.3	(-8.0)	9.7	(-2.4)	0.0	(+/- 0.0)	35.5 (+6.7)
Total share of world trade	6.5	(-2.3)	51.6	(+13.4)	25.8	(+5.1)	16.1	(-13.3)	0.0	(-2.9)	24.3 (+14.0)
Exchange rates	3 months				1 year						
Yuan / US-Dollar	6.39 (6.31)				6.52 (6.40)						
Yuan / Euro	7.61 (7.78)				7.69 (7.83)						
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Retail banking	9.4	(-3.1)	59.4	(-6.2)	24.9	(+12.4)	6.3	(+/- 0.0)	0.0	(-3.1)	36.0 (-3.1)
Investment banking	9.4	(-9.4)	43.8	(-9.3)	34.3	(+21.8)	9.4	(-6.2)	3.1	(+3.1)	23.5 (-14.1)
Insurance	25.0	(-5.3)	59.4	(+13.9)	9.3	(-8.8)	6.3	(+0.2)	0.0	(+/- 0.0)	51.6 (+1.6)
Automotive	9.4	(-2.7)	62.5	(+20.1)	21.8	(-11.6)	6.3	(-2.8)	0.0	(-3.0)	37.5 (+11.7)
Chemical / Pharmaceutical	18.8	(+3.6)	56.3	(+7.8)	15.5	(-14.7)	9.4	(+3.3)	0.0	(+/- 0.0)	42.3 (+5.9)
Machinery / Engineering	15.6	(+/- 0.0)	37.5	(+3.1)	31.3	(+3.2)	15.6	(-6.3)	0.0	(+/- 0.0)	26.6 (+4.7)
Electronics	21.9	(+4.3)	40.6	(+2.4)	25.0	(-7.4)	12.5	(+0.7)	0.0	(+/- 0.0)	36.0 (+5.2)
Retail and commerce	15.6	(+0.9)	50.0	(-11.8)	28.1	(+13.4)	6.3	(-2.5)	0.0	(+/- 0.0)	37.5 (-3.7)
Construction	12.5	(-2.7)	21.9	(-14.5)	31.2	(+10.0)	31.3	(+7.1)	3.1	(+0.1)	4.7 (-13.6)
Energy	25.0	(+12.5)	37.5	(-18.8)	28.1	(+6.3)	9.4	(+/- 0.0)	0.0	(+/- 0.0)	39.1 (+3.1)
Information Technology	35.5	(+10.5)	51.6	(-7.8)	12.9	(+3.6)	0.0	(-6.3)	0.0	(+/- 0.0)	61.3 (+9.7)
Services	21.9	(-9.4)	68.8	(+6.3)	6.2	(+/- 0.0)	3.1	(+3.1)	0.0	(+/- 0.0)	54.8 (-7.8)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
Beijing	6.3	(-2.8)	34.4	(-11.1)	49.9	(+19.7)	9.4	(-5.8)	0.0	(+/- 0.0)	18.8 (-5.5)
Shanghai	9.4	(-8.8)	50.0	(+7.6)	28.1	(-2.2)	12.5	(+3.4)	0.0	(+/- 0.0)	28.2 (-6.7)
Hong Kong	6.3	(+0.2)	28.1	(-8.3)	40.6	(+10.4)	21.9	(-5.4)	3.1	(+3.1)	6.3 (-4.4)
Guangzhou	16.1	(+3.6)	45.2	(-1.7)	29.0	(-5.3)	6.5	(+0.2)	3.2	(+3.2)	32.3 (-0.5)
Shenzhen	35.5	(-2.0)	45.2	(+4.6)	12.8	(-2.8)	6.5	(+0.2)	0.0	(+/- 0.0)	54.9 (+0.2)
Tianjin	12.9	(+0.4)	29.0	(-8.5)	35.5	(+13.7)	16.1	(-2.7)	6.5	(-2.9)	12.9 (+0.4)
Chongqing	22.6	(+0.7)	38.7	(-8.2)	25.8	(+13.3)	12.9	(-2.7)	0.0	(-3.1)	35.5 (+1.0)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Beijing	12.5	(+6.4)	34.4	(+4.1)	31.2	(-2.1)	21.9	(-8.4)	0.0	(+/- 0.0)	18.8 (+12.7)
Shanghai	12.5	(+3.7)	37.5	(+11.0)	25.0	(-13.2)	25.0	(-1.5)	0.0	(+/- 0.0)	18.8 (+10.0)
Hong Kong	12.5	(-8.1)	31.3	(+10.7)	40.6	(+2.3)	15.6	(-2.0)	0.0	(-2.9)	20.4 (+1.2)
Guangzhou	9.7	(-2.4)	51.6	(+24.3)	22.6	(-13.8)	12.9	(-8.3)	3.2	(+0.2)	25.9 (+13.7)
Shenzhen	16.1	(-2.1)	45.2	(+21.0)	22.6	(-13.8)	16.1	(-5.1)	0.0	(+/- 0.0)	30.7 (+11.0)
Tianjin	12.9	(+3.8)	25.8	(+4.6)	38.7	(+2.4)	16.1	(-11.2)	6.5	(+0.4)	11.3 (+11.4)
Chongqing	3.2	(-5.9)	48.4	(+2.9)	29.0	(+1.8)	12.9	(+0.8)	6.5	(+0.4)	14.5 (-5.2)

Note: 34 analysts participated in the June survey, which was conducted during the period 5/16-6/1/2018. 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.