

China Economic Panel (CEP)

// June 2019

Results of the June survey in detail

Expectations for Chinese Economy Return to Negative Territory

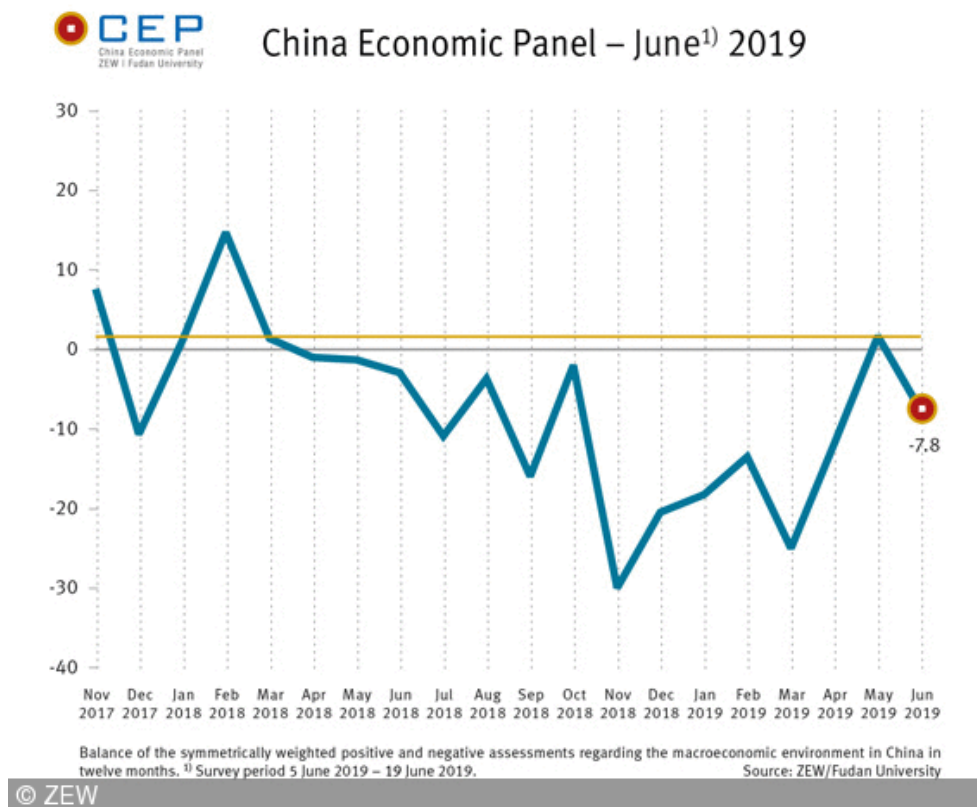
CEP Indicator Falls to a New Reading of Minus 7.8 Points

According to the most recent survey for June (5 – 19 June 2019), the economic outlook for China has decreased by 9.5 points to a reading of minus 7.8 points. The indicator thus finds itself once again in negative territory (May 2019: 1.7 points).

The CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, has thus been experiencing an almost uninterrupted series of negative readings since April 2018. May 2019 was the only month in which the indicator moved into slightly positive territory for a short period of time.

The assessment of the current economic situation has improved slightly, with the corresponding indicator climbing 2.1 points to a current reading of minus 9.6 points. The expectations for the current situation have thus not been in positive territory since November 2018.

figure 1: CEP Indicator June 2019



source: ZEW/Fudan

The point forecasts for real gross domestic product (GDP) growth has remained virtually unchanged compared to last month's forecasts, with experts expecting China's economic growth to slow down to 6.0 per cent in the upcoming year.

The strong increase in the expectations regarding private investments (June: 8.3 points, May: minus 5.4 points) shows that the respondents believe that the active economic policy measures by the Chinese government are likely to have a positive effect on business investments. The expectations regarding future private consumption have also increased by 4.8 points to 6.6 points.

“The overall negative assessment of the economic outlook for the coming twelve months has consequences for the major economic regions. With the exception of Chongqing, all regions received a less positive assessment of economic growth compared to the previous month. With regard to the expectations for Hong Kong, it is remarkable that the current mass protests against the extradition bill that would allow people to be sent to (mainland) China and the increased political uncertainty have so far not lead to a deterioration in economic expectations,” concludes 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.

ZEW/Fudan China Economic Panel: Results June 2019										
Current economic situation		very good	good	normal	bad	very bad	balance			
China	0.0	(+/- 0.0)	15.4	(+ 2.1)	50.0	(+/- 0.0)	34.6	(- 2.1)	0.0	(+/- 0.0)
Eurozone	0.0	(+/- 0.0)	13.0	(- 4.9)	69.6	(+ 1.8)	17.4	(+ 6.7)	0.0	(- 3.6)
USA	0.0	(- 3.4)	26.1	(+ 2.0)	60.9	(+16.0)	13.0	(- 0.8)	0.0	(- 13.8)
Economic expectation (1 Y)		improve	slightly improve	not change	slightly worsen	worsen	balance			
China (CEP-Indicator)	3.8	(+ 0.4)	26.9	(- 4.1)	27.0	(- 11.0)	34.6	(+13.9)	7.7	(+ 0.8)
GDP (growth rate) in %		2019Q2	2019Q3	2019	2020					
China		6.3		6.2		6.2				6.0
Eurozone		1.3		1.3		1.2				1.2
USA		3.1		2.9		2.9				2.8
Inflation (CPI) in %			3 months		1 year					
China			2.5(2.4)		2.6(2.5)					
Eurozone			1.4(1.5)		1.4(1.6)					
USA			2.0(1.9)		2.1(2.0)					
Wage Inflation in %			3 months		1 year					
China			7.8(7.2)		7.3(6.7)					
Eurozone			2.4(2.4)		2.4(2.3)					
USA			3.7(3.7)		3.7(3.7)					
Interest rates			3 months		1 year					
SHIBOR (3 months)			2.9(2.5)		2.7(2.5)					
One-year deposit rate			1.5(1.5)		1.4(1.5)					
One-year lending rate			4.3(4.3)		4.2(4.3)					
Stock market indices			3 months		1 year					
SSE Composite Index			2.816(3.003)		2.936(3.134)					
Hang Seng Index			26.464(29.564)		26.049(29.857)					
Growth Enterprise Market Index (SZ)			1.549(1.617)		1.577(1.632)					
WTI Crude Oil (US-Dollar)			58(69)		58(72)					
Monetary aggregate M2 (6 M)		increase	slightly increase	not change	slightly decrease	decrease	balance			
China M2 growth rate	4.5	(+ 0.8)	27.3	(- 6.0)	22.7	(+ 4.1)	36.4	(+ 6.8)	9.1	(- 5.7)
Specific indicators China (1 Y)		increase	slightly increase	not change	slightly decrease	decrease	balance			
Foreign exchange reserves	4.3	(- 3.1)	26.1	(+ 3.9)	21.8	(- 11.6)	39.1	(+ 16.9)	8.7	(- 6.1)
FDI outflow (out of China)	4.3	(+ 4.3)	34.8	(- 13.3)	43.5	(+ 21.2)	17.4	(- 1.1)	0.0	(- 11.1)
FDI inflow (into China)	8.7	(+ 1.3)	21.7	(- 15.3)	26.1	(+ 7.5)	34.8	(+ 12.6)	8.7	(- 6.1)
Export activity	4.3	(- 6.4)	34.8	(+ 2.7)	4.4	(- 2.8)	56.5	(+ 13.6)	0.0	(- 7.1)
Import activity	8.7	(+ 1.6)	30.4	(+ 9.0)	17.4	(+ 6.6)	34.8	(- 11.6)	8.7	(- 5.6)
Private Consumption	4.3	(+ 4.3)	34.8	(- 11.6)	34.9	(+ 20.6)	21.7	(- 14.0)	4.3	(+ 0.7)
Private Investment	12.5	(+ 8.9)	29.2	(- 6.5)	24.9	(+ 3.5)	29.2	(+ 4.2)	4.2	(- 10.1)
Govt. Consumption	12.5	(- 16.1)	45.8	(+ 24.4)	12.6	(+ 1.8)	20.8	(- 11.3)	8.3	(+ 1.2)
Debt Domestic	4.2	(- 10.1)	54.2	(+ 18.5)	16.6	(- 4.8)	16.7	(+ 2.4)	8.3	(- 6.0)
Debt Foreign	0.0	(- 3.6)	33.3	(+ 1.2)	50.0	(+ 3.5)	16.7	(+ 6.0)	0.0	(- 7.1)
Employment rate	8.7	(+ 1.3)	13.0	(- 1.8)	26.1	(- 18.4)	43.5	(+ 17.6)	8.7	(+ 1.3)
Growth rate of new car registrations	4.2	(- 2.9)	16.7	(+ 2.4)	33.2	(+ 4.6)	41.7	(+ 2.4)	4.2	(- 6.5)
Total share of world trade	12.5	(+ 1.8)	29.2	(- 6.5)	33.3	(+ 18.9)	25.0	(- 7.1)	0.0	(- 7.1)
Exchange rates			3 months		1 year					
Yuan / US-Dollar			6.91(6.80)		6.99(6.87)					
Yuan / Euro			7.78(7.61)		7.83(7.69)					
Sectors (1 Y)		increase	slightly increase	not change	slightly decrease	decrease	balance			
Retail banking	9.1	(+ 5.3)	27.3	(+ 8.1)	27.2	(+ 0.2)	36.4	(- 2.1)	0.0	(- 11.5)
Investment banking	9.1	(+ 9.1)	13.6	(- 24.9)	45.5	(+ 34.0)	27.3	(- 11.2)	4.5	(- 7.0)
Insurance	13.6	(- 5.6)	18.2	(+ 6.7)	22.8	(+ 11.2)	40.9	(+ 2.4)	4.5	(- 14.7)
Automotive	13.6	(+ 5.6)	22.7	(- 1.3)	22.8	(- 1.2)	36.4	(+ 0.4)	4.5	(- 3.5)
Chemical / Pharmaceutical	9.1	(- 2.4)	22.7	(+ 7.3)	27.3	(- 3.5)	36.4	(+ 1.8)	4.5	(- 3.2)
Machinery / Engineering	0.0	(- 7.7)	18.2	(- 4.9)	36.4	(+ 9.5)	40.9	(+ 6.3)	4.5	(- 3.2)
Electronics	4.5	(- 7.0)	31.8	(+ 8.7)	36.5	(+ 13.4)	22.7	(- 8.1)	4.5	(- 7.0)
Retail and commerce	4.3	(- 6.8)	30.4	(+ 4.5)	30.5	(+ 8.2)	34.8	(+ 1.5)	0.0	(- 7.4)
Construction	4.5	(- 3.2)	18.2	(- 8.7)	31.8	(+ 4.8)	36.4	(+ 1.8)	9.1	(+ 5.3)
Energy	9.5	(+ 1.8)	9.5	(- 9.7)	52.5	(+ 21.7)	19.0	(- 11.8)	9.5	(- 2.0)
Information Technology	18.2	(- 1.0)	31.8	(+ 4.9)	22.7	(+ 7.3)	18.2	(- 12.6)	9.1	(+ 1.4)
Services	18.2	(+ 6.7)	27.3	(- 7.3)	22.7	(+ 11.1)	27.3	(+ 0.4)	4.5	(- 10.9)
Economic expectation (1 Y)		improve	slightly improve	not change	slightly worsen	worsen	balance			
Beijing	4.3	(- 3.4)	30.4	(- 0.4)	43.6	(+ 1.3)	21.7	(+ 6.3)	0.0	(- 3.8)
Shanghai	4.3	(- 7.2)	30.4	(+ 7.3)	43.6	(+ 1.2)	21.7	(+ 2.5)	0.0	(- 3.8)
Hong Kong	8.7	(+ 4.9)	26.1	(+ 6.9)	30.4	(- 35.1)	34.8	(+ 27.1)	0.0	(- 3.8)
Guangzhou	4.3	(- 3.7)	26.1	(- 5.9)	30.5	(- 1.5)	39.1	(+ 19.1)	0.0	(- 8.0)
Shenzhen	0.0	(- 8.0)	31.8	(- 0.2)	36.4	(+ 4.4)	27.3	(+ 11.3)	4.5	(- 7.5)
Tianjin	4.3	(- 3.7)	34.8	(- 5.2)	26.1	(+ 6.1)	34.8	(+ 14.8)	0.0	(- 12.0)
Chongqing	8.7	(+ 0.7)	26.1	(- 13.9)	39.2	(+ 19.2)	21.7	(+ 1.7)	4.3	(- 7.7)
Real estate price expectation (1 Y)		increase	slightly increase	not change	slightly decrease	decrease	balance			
Beijing	4.3	(- 3.1)	26.1	(- 18.3)	43.5	(+ 21.2)	26.1	(+ 3.9)	0.0	(- 3.7)
Shanghai	8.7	(+ 1.3)	26.1	(- 10.9)	39.1	(+ 13.1)	26.1	(+ 0.2)	0.0	(- 3.7)
Hong Kong	9.1	(+ 5.4)	27.3	(- 6.0)	18.2	(- 18.9)	40.9	(+ 18.7)	4.5	(+ 0.8)
Guangzhou	0.0	(- 4.0)	17.4	(- 22.6)	52.2	(+ 20.2)	26.1	(+ 10.1)	4.3	(- 3.7)
Shenzhen	4.3	(- 3.4)	26.1	(- 20.1)	30.5	(+ 15.1)	34.8	(+ 7.9)	4.3	(+ 0.5)
Tianjin	0.0	(- 16.0)	30.4	(+ 2.4)	52.2	(+ 32.2)	17.4	(- 14.6)	0.0	(- 4.0)
Chongqing	0.0	(- 8.0)	26.1	(+ 2.1)	47.8	(+ 7.8)	26.1	(+ 2.1)	0.0	(- 4.0)

Note: 26 analysts participated in the June survey, which was conducted during the period 6/5-6/19/2019. 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.