

China Economic Panel (CEP)

// July 2018

Results of the July survey in detail

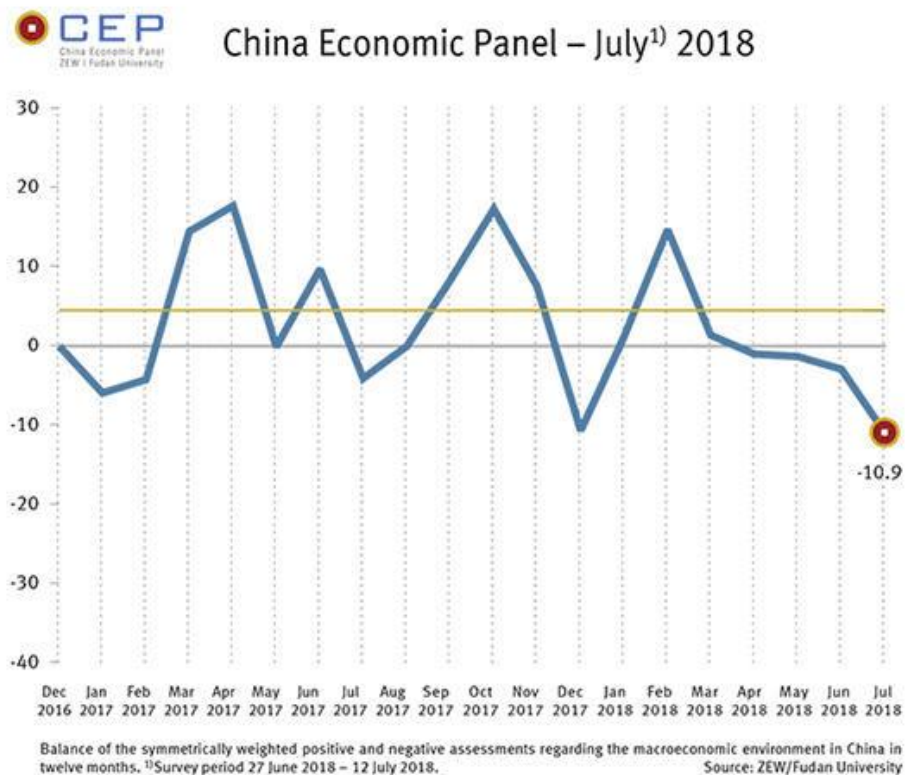
Trade Dispute Hampers Economic Outlook for China

In the recent survey for July (27/06/2018–12/07/2018), economic expectations for China once again dropped considerably to a new level of minus 10.9 points (June 2018: 2.9 points).

This represents the fifth consecutive decrease in the CEP Indicator, which is currently well below the long-term average of 4.5 points. The CEP Indicator reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months.

At 7.6 points, the assessment of the current economic situation in China was also more negative than the previous month. This constitutes a decrease of as much as 14.4 points compared to the assessment in June.

figure 1: CEP Indicator July 2018



source: ZEW/Fudan

“The outlook for the Chinese economy has been in a continual and significant decline for the past five months,” says Dr. Michael Schröder, senior researcher in the ZEW Research Department “International Finance and Financial Management” and project leader of the CEP survey.

The financial market experts polled in the current survey expect China's real GDP to grow by 6.5 per cent in 2018 and 6.3 per cent in 2019. Both figures are 0.2 percentage points lower than those from the previous month.

Expectations regarding exports lower

A central cause behind the worsening economic outlook is the international trade dispute with the US. Expectations regarding exports currently stand at minus 12 points, 19.9 points lower than the reading in June. The surveyed experts also expect this to lead to a reduction in China's share of global trade, with the corresponding indicator dropping 29.6 points to a current reading of minus 5.3 points.

This month's drop in expectations affects every sector of the Chinese economy assessed by the financial market experts and all components of GDP. Both private consumption and private investment exhibited a large two-figure drop in terms of expectations. In the case of private consumption, the indicator experienced a drop of 53.5 points down to minus 20.7 points compared to the previous month. Meanwhile, the latest expectation indicator for private investment stands at minus 1.7 points following a decrease of 22.1 points over the course of the month.

“By weakening the Chinese economy, the trade dispute triggered by the US could end up slowing down economic growth worldwide,” says Michael Schröder.

ZEW/Fudan China Economic Panel: Results July 2018												
Current economic situation	very good		good	normal		bad	very bad		balance			
China	0.0	(- 2.9)	27.3	(-10.9)	60.6	(+ 1.7)	12.1	(+12.1)	0.0	(+/- 0.0)	7.6	(-14.4)
Eurozone	0.0	(- 5.9)	25.0	(-13.2)	62.5	(+ 6.6)	12.5	(+12.5)	0.0	(+/- 0.0)	6.3	(-18.7)
USA	3.1	(- 8.7)	28.1	(-27.8)	28.1	(- 4.2)	34.4	(+34.4)	6.3	(+ 6.3)	-6.4	(-46.2)
Economic expectation (1 Y)	improve		slightly improve	not change		slightly worsen	worsen		balance			
China (CEP-Indicator)	9.4	(+ 9.4)	25.0	(- 7.4)	15.6	(-13.8)	34.4	(- 3.8)	15.6	(+15.6)	-10.9	(- 8.0)
GDP (growth rate) in %	2018Q3		2018Q4		2018		2019					
China	6.5		6.4		6.5		6.3					
Eurozone	2.3		2.3		2.3		2.3					
USA	2.6		2.6		2.6		2.6					
Inflation (CPI) in %	3 months			1 year								
China	1.9 (1.9)			2.0 (2.1)								
Eurozone	1.5 (1.3)			1.5 (1.4)								
USA	2.6 (2.5)			2.7 (2.5)								
Wage Inflation in %	3 months			1 year								
China	8.3 (8.8)			8.1 (8.6)								
Eurozone	1.7 (1.7)			1.7 (1.8)								
USA	2.9 (2.9)			2.9 (3.0)								
Interest rates	3 months			1 year								
SHIBOR (3 months)	4.5 (4.1)			4.5 (4.2)								
One-year deposit rate	1.5 (1.5)			1.5 (1.6)								
One-year lending rate	4.3 (4.4)			4.4 (4.5)								
Stock market indices	3 months			1 year								
SSE Composite Index	2.849 (3.180)			2.966 (3.358)								
Hang Seng Index	28.713 (31.271)			29.359 (32.364)								
Growth Enterprise Market Index (SZ)	1.535 (1.854)			1.588 (1.908)								
WTI Crude Oil (US-Dollar)	71 (74)			72 (77)								
Monetary aggregate M2 (6 M)	increase	slightly increase	not change	slightly decrease	decrease	balance						
China M2 growth rate	3.7	(- 6.3)	18.5	(-34.8)	11.1	(-15.6)	55.6	(+45.6)	11.1	(+11.1)	-26.0	(-57.7)
Specific indicators China (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance						
Foreign exchange reserves	6.9	(+ 6.9)	34.5	(+ 6.4)	24.1	(+ 2.2)	20.7	(-26.2)	13.8	(+10.7)	0.0	(+12.5)
FDI outflow (out of China)	0.0	(- 6.7)	44.8	(-11.9)	24.2	(+ 7.6)	27.6	(+10.9)	3.4	(+ 0.1)	5.2	(-18.2)
FDI inflow (into China)	0.0	(- 6.7)	31.0	(- 2.3)	34.6	(+ 4.6)	31.0	(+ 4.3)	3.4	(+ 0.1)	-3.4	(-10.1)
Export activity	13.8	(+ 7.5)	13.8	(-33.1)	17.3	(+ 4.9)	44.8	(+19.8)	10.3	(+ 0.9)	-12.0	(-19.9)
Import activity	3.4	(-31.0)	24.1	(-10.3)	17.4	(- 4.4)	37.9	(+28.5)	17.2	(+17.2)	-20.7	(-67.6)
Private Consumption	0.0	(-12.5)	24.1	(-22.8)	24.2	(-10.1)	37.9	(+31.6)	13.8	(+13.8)	-20.7	(-53.5)
Private Investment	0.0	(- 9.4)	37.9	(- 2.7)	31.1	(- 3.3)	20.7	(+ 8.2)	10.3	(+ 7.2)	-1.7	(-22.1)
Govt. Consumption	17.2	(- 7.8)	20.7	(-29.3)	20.8	(- 1.1)	24.1	(+21.0)	17.2	(+17.2)	-1.7	(-50.2)
Debt Domestic	6.9	(-12.5)	37.9	(-16.9)	6.9	(-15.7)	41.4	(+38.2)	6.9	(+ 6.9)	-1.8	(-47.0)
Debt Foreign	3.7	(+ 0.4)	37.0	(- 6.3)	26.0	(-14.1)	29.6	(+16.3)	3.7	(+ 3.7)	3.7	(-14.6)
Employment rate	3.6	(- 2.9)	25.0	(- 7.3)	53.5	(+ 5.2)	14.3	(+ 1.4)	3.6	(+ 3.6)	5.4	(-10.8)
Growth rate of new car registrations	3.7	(- 6.0)	37.0	(-24.3)	14.9	(- 4.4)	40.7	(+31.0)	3.7	(+ 3.7)	-1.9	(-37.4)
Total share of world trade	0.0	(- 6.5)	39.3	(-12.3)	17.9	(- 7.9)	35.7	(+19.6)	7.1	(+ 7.1)	-5.3	(-29.6)
Exchange rates	3 months			1 year								
Yuan / US-Dollar	6.63 (6.39)			6.78 (6.52)								
Yuan / Euro	7.65 (7.61)			7.78 (7.69)								
Sectors (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance						
Retail banking	3.7	(- 5.7)	22.2	(-37.2)	26.0	(+ 1.1)	44.4	(+38.1)	3.7	(+ 3.7)	-11.1	(-47.1)
Investment banking	7.4	(- 2.0)	33.3	(-10.5)	14.9	(-19.4)	37.0	(+27.6)	7.4	(+ 4.3)	-1.9	(-25.4)
Insurance	7.4	(-17.6)	25.9	(-33.5)	18.6	(+ 9.3)	33.3	(+27.0)	14.8	(+14.8)	-11.1	(-62.7)
Automotive	3.7	(- 5.7)	40.7	(-21.8)	11.2	(-10.6)	37.0	(+30.7)	7.4	(+ 7.4)	-1.9	(-39.4)
Chemical / Pharmaceutical	0.0	(-18.8)	25.9	(-30.4)	22.3	(+ 6.8)	33.3	(+23.9)	18.5	(+18.5)	-22.2	(-64.5)
Machinery / Engineering	0.0	(-15.6)	37.0	(- 0.5)	22.3	(- 9.0)	33.3	(+17.7)	7.4	(+ 7.4)	-5.6	(-32.2)
Electronics	10.7	(-11.2)	25.0	(-15.6)	17.9	(- 7.1)	39.3	(+26.8)	7.1	(+ 7.1)	-3.6	(-39.6)
Retail and commerce	3.6	(-12.0)	32.1	(-17.9)	25.0	(- 3.1)	28.6	(+22.3)	10.7	(+10.7)	-5.4	(-42.9)
Construction	3.7	(- 8.8)	29.6	(+ 7.7)	22.3	(- 8.9)	29.6	(- 1.7)	14.8	(+11.7)	-11.1	(-15.8)
Energy	0.0	(-25.0)	29.6	(- 7.9)	33.4	(+ 5.3)	25.9	(+16.5)	11.1	(+11.1)	-9.3	(-48.4)
Information Technology	7.4	(-28.1)	29.6	(-22.0)	18.6	(+ 5.7)	33.3	(+33.3)	11.1	(+11.1)	-5.6	(-66.9)
Services	3.7	(-18.2)	29.6	(-39.2)	14.9	(+ 8.7)	40.7	(+37.6)	11.1	(+11.1)	-13.0	(-67.8)
Economic expectation (1 Y)	improve	slightly improve	not change	slightly worsen	worsen	balance						
Beijing	7.4	(+ 1.1)	22.2	(-12.2)	44.5	(- 5.4)	22.2	(+12.8)	3.7	(+ 3.7)	3.7	(-15.1)
Shanghai	11.1	(+ 1.7)	14.8	(-35.2)	48.2	(+20.1)	18.5	(+ 6.0)	7.4	(+ 7.4)	1.9	(-26.3)
Hong Kong	7.4	(+ 1.1)	14.8	(-13.3)	51.9	(+11.3)	22.2	(+ 0.3)	3.7	(+ 0.6)	0.0	(- 6.3)
Guangzhou	11.5	(- 4.6)	23.1	(-22.1)	30.8	(+ 1.8)	23.1	(+16.6)	11.5	(+ 8.3)	0.0	(-32.3)
Shenzhen	11.5	(-24.0)	19.2	(-26.0)	23.2	(+10.4)	26.9	(+20.4)	19.2	(+19.2)	-11.6	(-66.5)
Tianjin	19.2	(+ 6.3)	30.8	(+ 1.8)	23.1	(-12.4)	15.4	(- 0.7)	11.5	(+ 5.0)	15.4	(+ 2.5)
Chongqing	11.5	(-11.1)	30.8	(- 7.9)	23.1	(- 2.7)	19.2	(+ 6.3)	15.4	(+15.4)	1.9	(-33.6)
Real estate price expectation (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance						
Beijing	3.7	(- 8.8)	29.6	(- 4.8)	40.8	(+ 9.6)	22.2	(+ 0.3)	3.7	(+ 3.7)	3.7	(-15.1)
Shanghai	3.7	(- 8.8)	33.3	(- 4.2)	33.4	(+ 8.4)	25.9	(+ 0.9)	3.7	(+ 3.7)	3.7	(-15.1)
Hong Kong	7.7	(- 4.8)	23.1	(- 8.2)	30.8	(- 9.8)	34.6	(+19.0)	3.8	(+ 3.8)	-1.9	(-22.3)
Guangzhou	3.8	(- 5.9)	34.6	(-17.0)	38.6	(+16.0)	19.2	(+ 6.3)	3.8	(+ 0.6)	7.7	(-18.2)
Shenzhen	3.8	(-12.3)	46.2	(+ 1.0)	34.7	(+12.1)	11.5	(- 4.6)	3.8	(+ 3.8)	17.4	(-13.3)
Tianjin	8.0	(- 4.9)	44.0	(+18.2)	28.0	(-10.7)	20.0	(+ 3.9)	0.0	(- 6.5)	20.0	(+ 8.7)
Chongqing	4.0	(+ 0.8)	40.0	(- 8.4)	28.0	(- 1.0)	28.0	(+15.1)	0.0	(- 6.5)	10.0	(- 4.5)

Note: 33 analysts participated in the July survey, which was conducted during the period 6/27-7/12/2018. 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.