China Economic Panel (CEP)

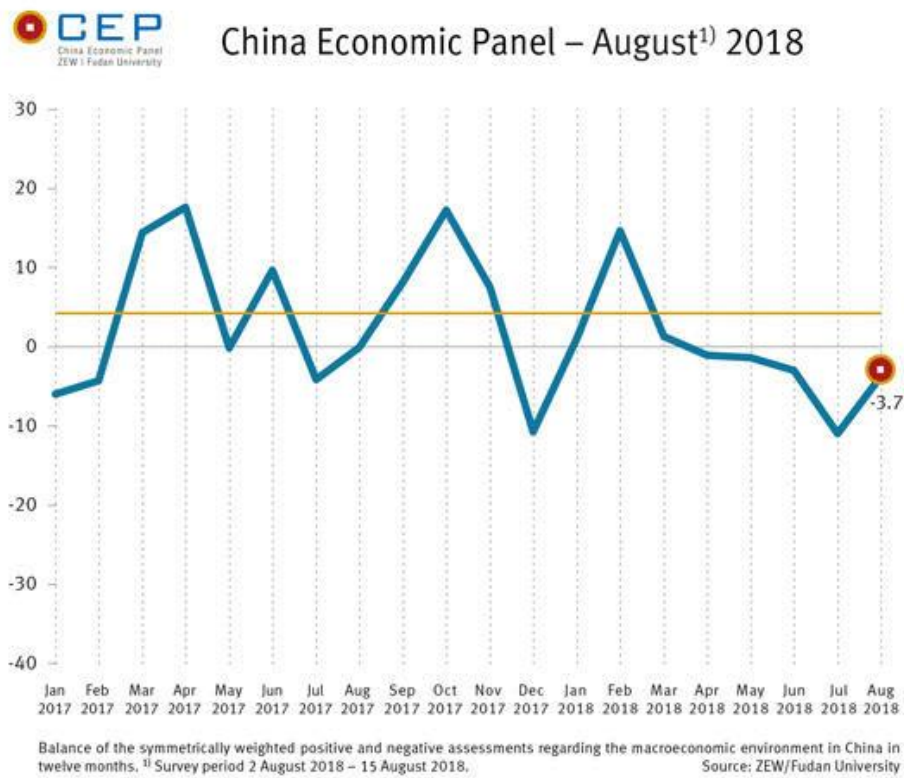## // August 2018

Results of the August survey in detail

Expectations for Chinese Economy Are Recovering Again

According to the most recent survey in August (02/08/2018–15/08/2018), the economic outlook for China has recovered again after having declined considerably in the previous five months. 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 minus 3.7 points (July 2018: minus 10.9 points).

However, the CEP indicator is still well below the long-term average of 4.3 points. Climbing 1.7 points to a level of 9.3 points, the assessment of the current economic situation in China was also more positive than the previous month.

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"The economic outlook is thus still worse than it was before the outbreak of the trade dispute between the United States and China. It remains to be seen whether this slight recovery will last. At the diplomatic level, there has so far been only a slight easing of the tension between China and the United States," says Dr. Michael Schröder, senior researcher in the ZEW Research Department "International Finance and Financial Management" and project leader for the CEP survey.

figure 1:   CEP Indicator August 2018

China Economic Panel – August[1] 2018

Balance of the symmetrically weighted positive and negative assessments regarding the macroeconomic environment in China in twelve months. [1] Survey period 2 August 2018 – 15 August 2018.   Source: ZEW/Fudan University

source: ZEW/Fudan

At the end of August, a Chinese delegation is to resume talks in Washington on possible solutions to the trade dispute.

The Chinese economy, however, still appears to be quite robust, as it has shown hardly any negative effects on growth to date. Accordingly, the forecasts for real gross domestic product (GDP) have remained at the same level as in July, with expectations being 6.5 per cent for 2018 and 6.3 per cent for 2019.

Optimistic picture with regard to the trade conflict

The relative stability of the Chinese economy is certainly based in part on a supportive economic policy, both on the expenditure side (e.g. through government infrastructure expenditure) and on the revenue side (e.g. through tax relief for companies and private households). Decision-makers are also attempting to stabilise the economy in terms of monetary policy by reducing the minimum reserve ratio and by providing banks with additional liquidity in order to stimulate lending to companies. However, the fact that the indicators for domestic and foreign debt have been rising in the current survey signals that such measures cannot be continued for an indefinite period of time.

By contrast, China's exports worldwide and to the USA rose surprisingly strongly in July. The current survey therefore paints a rather optimistic picture with regard to the trade conflict. The indicators for exports and China's share of world trade have each risen very strongly, after having experienced a significant drop in the previous months.

"It remains to be seen whether the developments at the diplomatic level will actually confirm this current optimism," says Michael Schröder.

ZEW/Fudan China Economic Panel: Results August 2018											
Current economic situation	very good		good		normal		bad		very bad		balance	
China	0.0	(+/- 0.0)	33.3	(+ 6.0)	55.6	(- 5.0)	7.4	(- 4.7)	3.7	(+ 3.7)	9.3	(+ 1.7)
Eurozone	0.0	(+/- 0.0)	29.2	(+ 4.2)	54.1	(- 8.4)	16.7	(+ 4.2)	0.0	(+/- 0.0)	6.3	(+/- 0.0)
USA	12.5	(+ 9.4)	20.8	(- 7.3)	16.7	(-11.4)	37.5	(+ 3.1)	12.5	(+ 6.2)	-8.4	(- 2.0)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-Indicator)	14.8	(+ 5.4)	22.2	(- 2.8)	11.2	(- 4.4)	44.4	(+10.0)	7.4	(- 8.2)	-3.7	(+ 7.2)
GDP (growth rate) in %	2018Q3			2018Q4			2018			2019		
China	6.5			6.4			6.5			6.3		
Eurozone	2.2			2.1			2.2			2.1		
USA	2.9			2.9			2.8			2.9		
Inflation (CPI) in %	3 months						1 year					
China	2.0 (1.9)						2.3 (2.0)					
Eurozone	1.6 (1.5)						1.6 (1.5)					
USA	2.7 (2.6)						2.7 (2.7)					
Wage Inflation in %	3 months						1 year					
China	8.3 (8.3)						8.4 (8.1)					
Eurozone	1.7 (1.7)						1.8 (1.7)					
USA	2.8 (2.9)						2.9 (2.9)					
Interest rates	3 months						1 year					
SHIBOR (3 months)	3.8 (4.5)						3.9 (4.5)					
One-year deposit rate	1.5 (1.5)						1.7 (1.5)					
One-year lending rate	4.4 (4.3)						4.5 (4.4)					
Stock market indices	3 months						1 year					
SSE Composite Index	2.753 (2.849)						2.893 (2.966)					
Hang Seng Index	27.823 (28.713)						28.044 (29.359)					
Growth Enterprise Market Index (SZ)	1.509 (1.535)						1.572 (1.588)					
WTI Crude Oil (US-Dollar)	69 (71)						73 (72)					
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	4.3	(+ 0.6)	26.1	(+ 7.6)	8.8	(- 2.3)	39.1	(-16.5)	21.7	(+10.6)	-23.9	(+ 2.1)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	12.5	(+ 5.6)	41.7	(+ 7.2)	20.8	(- 3.3)	20.8	(+ 0.1)	4.2	(- 9.6)	18.8	(+18.8)
FDI outflow (out of China)	12.0	(+12.0)	36.0	(- 8.8)	16.0	(- 8.2)	32.0	(+ 4.4)	4.0	(+ 0.6)	10.0	(+ 4.8)
FDI inflow (into China)	20.0	(+20.0)	24.0	(- 7.0)	24.0	(-10.6)	24.0	(- 7.0)	8.0	(+ 4.6)	12.0	(+15.4)
Export activity	16.0	(+ 2.2)	40.0	(+26.2)	4.0	(-13.3)	32.0	(-12.8)	8.0	(- 2.3)	12.0	(+24.0)
Import activity	8.0	(+ 4.6)	40.0	(+15.9)	0.0	(-17.4)	40.0	(+ 2.1)	12.0	(- 5.2)	-4.0	(+16.7)
Private Consumption	16.0	(+16.0)	24.0	(- 0.1)	24.0	(- 0.2)	24.0	(-13.9)	12.0	(- 1.8)	4.0	(+24.7)
Private Investment	16.0	(+16.0)	36.0	(- 1.9)	16.0	(-15.1)	24.0	(+ 3.3)	8.0	(- 2.3)	14.0	(+15.7)
Govt. Consumption	24.0	(+ 6.8)	28.0	(+ 7.3)	8.0	(-12.8)	16.0	(- 8.1)	24.0	(+ 6.8)	6.0	(+ 7.7)
Debt Domestic	20.8	(+13.9)	20.8	(-17.1)	20.9	(+14.0)	20.8	(-20.6)	16.7	(+ 9.8)	4.1	(+ 5.9)
Debt Foreign	17.4	(+13.7)	34.8	(- 2.2)	30.5	(+ 4.5)	4.3	(-25.3)	13.0	(+ 9.3)	19.7	(+16.0)
Employment rate	8.7	(+ 5.1)	21.7	(- 3.3)	34.9	(-18.6)	21.7	(+ 7.4)	13.0	(+ 9.4)	-4.3	(- 9.7)
Growth rate of new car registrations	8.7	(+ 5.0)	30.4	(- 6.6)	8.8	(- 6.1)	47.8	(+ 7.1)	4.3	(+ 0.6)	-4.3	(- 2.4)
Total share of world trade	21.7	(+21.7)	34.8	(- 4.5)	8.7	(- 9.2)	34.8	(- 0.9)	0.0	(- 7.1)	21.7	(+27.0)
Exchange rates	3 months						1 year					
Yuan / US-Dollar	6.91 (6.63)						7.00 (6.78)					
Yuan / Euro	7.98 (7.65)						8.11 (7.78)					
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	13.0	(+ 9.3)	21.7	(- 0.5)	4.4	(-21.6)	52.2	(+ 7.8)	8.7	(+ 5.0)	-11.0	(+ 0.1)
Investment banking	13.0	(+ 5.6)	30.4	(- 2.9)	8.8	(- 6.1)	39.1	(+ 2.1)	8.7	(+ 1.3)	-0.1	(+ 1.8)
Insurance	17.4	(+10.0)	21.7	(- 4.2)	4.4	(-14.2)	47.8	(+14.5)	8.7	(- 6.1)	-4.4	(+ 6.7)
Automotive	16.7	(+13.0)	29.2	(-11.5)	12.5	(+ 1.3)	33.3	(- 3.7)	8.3	(+ 0.9)	6.4	(+ 8.3)
Chemical / Pharmaceutical	16.7	(+16.7)	25.0	(- 0.9)	8.3	(-14.0)	33.3	(+/- 0.0)	16.7	(- 1.8)	-4.2	(+18.0)
Machinery / Engineering	16.7	(+16.7)	29.1	(- 7.9)	0.0	(-22.3)	37.5	(+ 4.2)	16.7	(+ 9.3)	-4.2	(+ 1.4)
Electronics	29.2	(+18.5)	20.8	(- 4.2)	4.2	(-13.7)	33.3	(- 6.0)	12.5	(+ 5.4)	10.5	(+14.1)
Retail and commerce	16.0	(+12.4)	32.0	(- 0.1)	16.0	(- 9.0)	28.0	(- 0.6)	8.0	(- 2.7)	10.0	(+15.4)
Construction	13.0	(+ 9.3)	26.1	(- 3.5)	17.5	(- 4.8)	30.4	(+ 0.8)	13.0	(- 1.8)	-2.2	(+ 8.9)
Energy	13.0	(+13.0)	26.1	(- 3.5)	8.7	(-24.7)	26.1	(+ 0.2)	26.1	(+15.0)	-13.1	(- 3.8)
Information Technology	26.1	(+18.7)	17.4	(-12.2)	4.4	(-14.2)	30.4	(- 2.9)	21.7	(+10.6)	-2.1	(+ 3.5)
Services	21.7	(+18.0)	13.0	(-16.6)	13.1	(- 1.8)	34.8	(- 5.9)	17.4	(+ 6.3)	-6.6	(+ 6.4)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
Beijing	12.5	(+ 5.1)	20.8	(- 1.4)	25.0	(-19.5)	37.5	(+15.3)	4.2	(+ 0.5)	-0.1	(- 3.8)
Shanghai	12.5	(+ 1.4)	29.2	(+14.4)	20.8	(-27.4)	25.0	(+ 6.5)	12.5	(+ 5.1)	2.1	(+ 0.2)
Hong Kong	8.3	(+ 0.9)	16.7	(+ 1.9)	41.7	(-10.2)	33.3	(+11.1)	0.0	(- 3.7)	0.0	(+/- 0.0)
Guangzhou	12.5	(+ 1.0)	29.2	(+ 6.1)	8.3	(-22.5)	37.5	(+14.4)	12.5	(+ 1.0)	-4.2	(- 4.2)
Shenzhen	8.3	(- 3.2)	29.2	(+10.0)	16.7	(- 6.5)	20.8	(- 6.1)	25.0	(+ 5.8)	-12.5	(- 0.9)
Tianjin	16.7	(- 2.5)	29.2	(- 1.6)	16.6	(- 6.5)	20.8	(+ 5.4)	16.7	(+ 5.2)	4.2	(-11.2)
Chongqing	12.5	(+ 1.0)	29.2	(- 1.6)	16.6	(- 6.5)	25.0	(+ 5.8)	16.7	(+ 1.3)	-2.1	(- 4.0)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Beijing	12.5	(+ 8.8)	41.7	(+12.1)	12.5	(-28.3)	20.8	(- 1.4)	12.5	(+ 8.8)	10.5	(+ 6.8)
Shanghai	8.3	(+ 4.6)	41.7	(+ 8.4)	16.7	(-16.7)	20.8	(- 5.1)	12.5	(+ 8.8)	6.3	(+ 2.6)
Hong Kong	4.2	(- 3.5)	33.3	(+10.2)	16.7	(-14.1)	37.5	(+ 2.9)	8.3	(+ 4.5)	-6.2	(- 4.3)
Guangzhou	12.5	(+ 8.7)	33.3	(- 1.3)	25.1	(-13.5)	20.8	(+ 1.6)	8.3	(+ 4.5)	10.5	(+ 2.8)
Shenzhen	8.3	(+ 4.5)	41.7	(- 4.5)	29.2	(- 5.5)	12.5	(+ 1.0)	8.3	(+ 4.5)	14.6	(- 2.8)
Tianjin	8.3	(+ 0.3)	45.8	(+ 1.8)	16.7	(-11.3)	25.0	(+ 5.0)	4.2	(+ 4.2)	14.5	(- 5.5)
Chongqing	8.3	(+ 4.3)	45.8	(+ 5.8)	20.9	(- 7.1)	20.8	(- 7.2)	4.2	(+ 4.2)	16.6	(+ 6.6)

Note: 27 analysts participated in the August survey, which was conducted during the period 8/2-8/15/2018. 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.