

# China Economic Panel (CEP)

// August 2019

Results of the August survey in detail

## Expectations for Chinese Economy Worsen

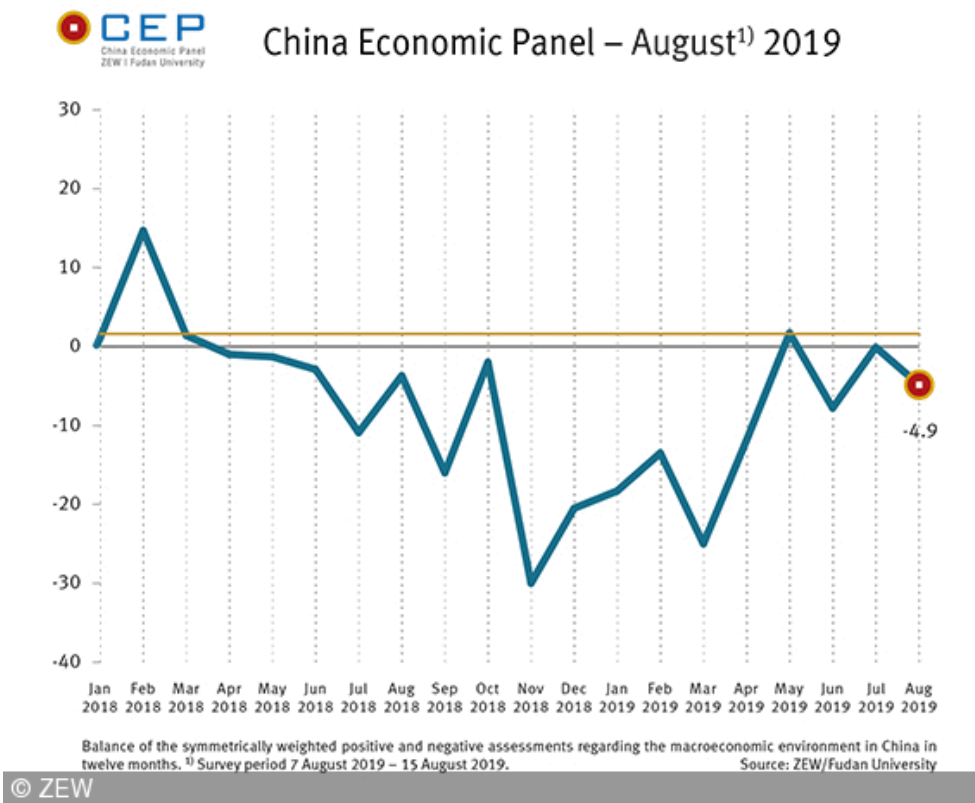
### CEP Indicator Falls to a New Reading of Minus 4.9 Points

In the most recent survey for August (7 – 15 August 2019), the expectations regarding the Chinese economy decreased by 4.8 points. This leaves the CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, at a current level of minus 4.9 points (July 2019: minus 0.1 points).

The CEP indicator has been below its long-term average of 1.5 points since March 2018 and has been experiencing an almost uninterrupted series of negative readings since April 2018.

The assessment of the current economic situation has risen slightly by 2.1 points, and now stands at minus 12.9 points.

figure 1: CEP Indicator August 2019



source: ZEW/Fudan

The point forecasts for real gross domestic product (GDP) growth remain unchanged from those of the previous month, with the experts forecasting a growth rate of 6.1 per cent for the whole of 2019. The average GDP forecast for 2020 is 5.9 per cent.

“Experts expect the depreciation of the yuan against the US dollar to continue. According to forecasts, the current exchange rate will shift from 7.03 yuan per US dollar to 7.07 yuan per US dollar in the next three months, and to 7.14 yuan per US dollar in the next 12 months. This depreciation of the yuan may support China’s exports on the one hand, but could also contribute to a further escalation in the trade dispute with the US,” says 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 August 2019											
Current economic situation	very good		good		normal		bad		very bad		balance
China	0.0	(+/- 0.0)	22.6	(+12.6)	29.0	(-21.0)	48.4	(+ 8.4)	0.0	(+/- 0.0)	-12.9 (+ 2.1)
Eurozone	0.0	(- 3.4)	14.8	(+ 4.5)	55.6	(- 3.2)	25.9	(+ 1.8)	3.7	(+ 0.3)	-9.3 (- 2.4)
USA	0.0	(- 3.6)	11.1	(-17.5)	74.1	(+24.2)	7.4	(-10.5)	7.4	(+ 7.4)	-5.6 (-14.6)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
China (CEP-indicator)	6.5	(+ 3.1)	29.0	(- 2.0)	19.3	(- 8.4)	38.7	(+ 0.8)	6.5	(+ 6.5)	-4.9 (- 4.8)
GDP (growth rate) in %	2019Q3		2019Q4		2019		2020				
China	6.1		6.0		6.1		5.9				
Eurozone	1.3		1.3		1.3		1.3				
USA	2.1		2.1		2.1		2.0				
Inflation (CPI) in %	3 months				1 year						
China	2.7(2.5)				2.9(2.7)						
Eurozone	1.4(1.4)				1.5(1.5)						
USA	1.8(1.7)				1.8(1.7)						
Wage Inflation in %	3 months				1 year						
China	7.0(7.0)				6.8(7.0)						
Eurozone	2.5(2.4)				2.5(2.4)						
USA	4.6(4.0)				4.5(3.9)						
Interest rates	3 months				1 year						
SHIBOR (3 months)	2.6(2.4)				2.5(2.4)						
One-year deposit rate	1.4(1.3)				1.3(1.2)						
One-year lending rate	4.2(4.2)				4.0(4.1)						
Stock market indices	3 months				1 year						
SSE Composite Index	2.758(3.022)				2.747(3.107)						
Hang Seng Index	25.915(28.289)				25.819(28.621)						
Growth Enterprise Market Index (SZ)	1.521(1.587)				1.496(1.603)						
WTI Crude Oil (US-Dollar)	55(59)				57(61)						
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance
China M2 growth rate	3.8	(- 4.5)	30.8	(+10.0)	23.1	(- 6.1)	30.8	(-10.9)	11.5	(+11.5)	-7.7 (- 5.5)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Foreign exchange reserves	11.5	(+11.5)	19.2	(-14.1)	11.7	(- 5.0)	53.8	(+ 3.8)	3.8	(+ 3.8)	-9.6 (- 1.2)
FDI outflow (out of China)	7.7	(- 0.8)	30.8	(+ 5.8)	7.7	(- 9.0)	42.3	(- 3.5)	11.5	(+ 7.3)	-9.6 (- 3.3)
FDI inflow (into China)	7.7	(- 4.8)	23.1	(+ 2.3)	23.0	(- 2.0)	30.8	(- 6.7)	15.4	(+11.2)	-11.6 (-11.5)
Export activity	7.1	(+ 7.1)	28.6	(+ 0.6)	14.3	(-21.7)	32.1	(+12.1)	17.9	(+ 1.9)	-12.6 (- 0.6)
Import activity	7.1	(- 0.9)	39.3	(+23.3)	10.7	(+ 2.7)	28.6	(-23.4)	14.3	(- 1.7)	-1.9 (-24.1)
Private Consumption	0.0	(+/- 0.0)	46.4	(+10.4)	28.6	(+ 8.6)	21.4	(-14.6)	3.6	(- 4.4)	8.9 (+16.9)
Private Investment	7.4	(+ 3.2)	25.9	(+ 0.9)	29.7	(- 3.6)	33.3	(+/- 0.0)	3.7	(- 0.5)	0.0 (+ 4.2)
Govt. Consumption	10.7	(-13.3)	46.4	(+22.4)	10.8	(+ 2.8)	21.4	(-10.6)	10.7	(- 1.3)	12.5 (+ 4.5)
Debt Domestic	11.1	(- 0.9)	33.3	(+ 1.3)	22.3	(+ 6.3)	18.5	(- 9.5)	14.8	(+ 2.8)	3.7 (+ 1.7)
Debt Foreign	0.0	(+/- 0.0)	30.8	(+ 6.8)	46.1	(+ 2.1)	23.1	(- 0.9)	0.0	(- 8.0)	3.9 (+11.9)
Employment rate	7.4	(+ 3.2)	29.6	(+12.9)	40.8	(- 5.0)	11.1	(-13.9)	11.1	(+ 2.8)	5.6 (+13.9)
Growth rate of new car registrations	3.7	(+ 3.7)	25.9	(-11.6)	26.0	(+ 5.2)	44.4	(+15.2)	0.0	(-12.5)	-5.6 (+ 2.8)
Total share of world trade	3.7	(- 5.4)	40.7	(+22.5)	11.2	(- 7.0)	44.4	(-10.1)	0.0	(+/- 0.0)	1.9 (+11.0)
Exchange rates	3 months				1 year						
Yuan / US-Dollar	7.07(6.65)				7.14(6.72)						
Yuan / Euro	7.85(7.66)				7.90(7.75)						
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Retail banking	4.2	(- 0.3)	29.2	(+11.0)	12.4	(- 5.8)	50.0	(+/- 0.0)	4.2	(- 4.9)	-10.4 (+10.1)
Investment banking	8.3	(+ 3.8)	29.2	(+15.6)	8.3	(-19.0)	50.0	(+ 4.5)	4.2	(- 4.9)	-6.3 (+14.3)
Insurance	8.3	(+ 3.8)	12.5	(-14.8)	37.5	(+23.8)	37.5	(- 3.4)	4.2	(- 9.4)	-8.4 (+ 7.5)
Automotive	8.0	(+ 3.7)	32.0	(- 2.8)	24.0	(+ 2.2)	28.0	(+ 1.9)	8.0	(- 5.0)	2.0 (+ 6.4)
Chemical / Pharmaceutical	4.2	(- 0.3)	25.0	(+ 6.8)	16.6	(- 6.2)	50.0	(- 4.5)	4.2	(+ 4.2)	-12.5 (+ 1.2)
Machinery / Engineering	4.0	(- 0.5)	24.0	(- 3.3)	24.0	(+19.4)	36.0	(-23.1)	12.0	(+ 7.5)	-14.0 (+ 1.9)
Electronics	7.7	(- 9.7)	34.6	(+17.2)	19.2	(+ 1.8)	30.8	(- 4.0)	7.7	(- 5.3)	1.9 (+ 6.2)
Retail and commerce	7.7	(+ 7.7)	30.8	(+ 8.1)	23.1	(- 8.8)	34.6	(+ 2.8)	3.8	(- 9.8)	2.0 (+20.2)
Construction	4.0	(- 9.6)	36.0	(+17.8)	32.0	(+13.8)	20.0	(-20.9)	8.0	(- 1.1)	4.0 (+10.9)
Energy	4.0	(- 5.1)	36.0	(+13.3)	28.0	(+ 5.3)	20.0	(- 7.3)	12.0	(- 6.2)	0.0 (+11.4)
Information Technology	8.0	(- 5.6)	44.0	(+12.2)	8.0	(- 1.1)	28.0	(+ 0.7)	12.0	(- 6.2)	4.0 (+ 6.4)
Services	8.0	(- 1.1)	28.0	(+ 5.3)	20.0	(+10.9)	32.0	(-18.0)	12.0	(+ 2.9)	-6.0 (+ 7.7)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
Beijing	4.0	(+ 4.0)	20.0	(-10.4)	36.0	(+ 5.5)	36.0	(+ 1.2)	4.0	(- 0.3)	-8.0 (- 1.5)
Shanghai	4.0	(+ 4.0)	16.0	(-10.1)	32.0	(- 2.8)	44.0	(+17.9)	4.0	(- 9.0)	-14.0 (- 1.0)
Hong Kong	28.0	(+19.3)	16.0	(- 1.4)	8.0	(-13.8)	24.0	(-23.8)	24.0	(+19.7)	0.0 (+10.8)
Guangzhou	0.0	(- 4.3)	29.2	(+ 3.1)	16.6	(- 9.5)	50.0	(+15.2)	4.2	(- 4.5)	-14.6 (- 5.8)
Shenzhen	4.2	(- 0.1)	25.0	(+ 3.3)	20.8	(- 1.0)	37.5	(- 6.0)	12.5	(+ 3.8)	-14.6 (+ 0.7)
Tianjin	12.5	(+ 3.8)	20.8	(- 9.6)	33.4	(+15.9)	33.3	(+ 2.9)	0.0	(-13.0)	6.3 (+10.6)
Chongqing	0.0	(- 8.7)	33.3	(+ 7.2)	20.8	(- 0.9)	29.2	(+ 3.1)	16.7	(- 0.7)	-14.7 (- 6.0)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Beijing	0.0	(- 4.8)	40.0	(+ 6.7)	24.0	(- 9.4)	28.0	(+ 9.0)	8.0	(- 1.5)	-2.0 (- 4.5)
Shanghai	0.0	(- 4.5)	44.0	(+12.2)	16.0	(-15.9)	32.0	(+ 9.3)	8.0	(- 1.1)	-2.0 (- 1.9)
Hong Kong	20.0	(+10.5)	20.0	(- 3.8)	24.0	(+ 0.1)	24.0	(- 9.3)	12.0	(+ 2.5)	6.0 (+10.8)
Guangzhou	0.0	(- 4.5)	29.2	(+15.6)	33.3	(-16.8)	33.3	(+ 6.0)	4.2	(- 0.3)	-6.3 (+ 0.6)
Shenzhen	4.2	(- 0.3)	25.0	(+ 2.3)	25.0	(- 2.3)	37.5	(+ 1.1)	8.3	(- 0.8)	-10.4 (+ 1.1)
Tianjin	8.3	(- 5.3)	29.2	(+11.0)	41.7	(- 3.8)	20.8	(+ 2.6)	0.0	(- 4.5)	12.5 (+ 3.4)
Chongqing	0.0	(-18.2)	29.2	(+11.0)	37.5	(- 3.4)	25.0	(+ 6.8)	8.3	(+ 3.8)	-6.2 (-19.9)

Note: 31 analysts participated in the August survey, which was conducted during the period 8/7-8/15/2019. 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.