

# China Economic Panel (CEP)

// September 2019

Results of the September survey in detail

## Economic Expectations for China Continue to Fall

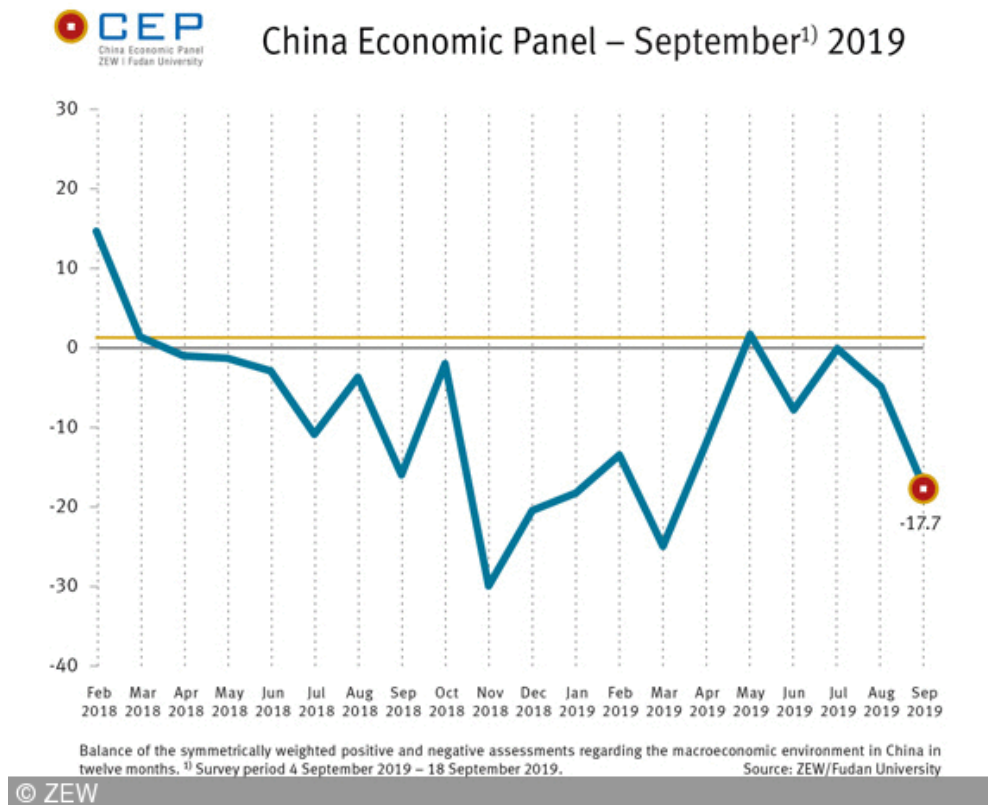
### CEP Indicator Falls to a New Reading of Minus 17.7 Points

In the most recent survey for September (4 – 18 September 2019), the expectations regarding the Chinese economy fell for the second time in a row, with the indicator dropping by 12.8 points. In the previous month, expectations had worsened by 4.8 points. 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 17.7 points (August 2019: minus 4.9 points).

The CEP indicator has been below its long-term average of 1.3 points since March 2018 and has been experiencing an almost uninterrupted series of negative readings since April 2018.

Currently almost 55 per cent of the participants expect a (slight) deterioration of the economy over the next twelve months, while only 19.4 per cent expect a (slight) improvement.

figure 1: CEP Indicator September 2019



source: ZEW/Fudan

The point forecasts for real gross domestic product (GDP) growth remain at 6.1 per cent for 2019; for 2020, however, they fall to 5.8 per cent (previously: 5.9 per cent).

The assessment of the current economic situation has risen by 3.2 points, and now stands at minus 9.7 points. Around 45 per cent of survey participants rate the current situation as normal, 32.3 per cent as poor and 19.4 per cent as good.

## Assessment of Hong Kong's future economic development still positive

The relatively pessimistic assessment of the development of the Chinese economy is also reflected in the forecasts for the most important industrial regions, with the expectation indicators for Guangzhou, Shenzhen, Tianjin and Chongqing having dropped to double-digit negative levels. The survey participants therefore expect the economic situation in these regions to deteriorate significantly over the next twelve months. “Surprisingly, despite the ongoing unrest, participants still assess the future economic development of Hong Kong as relatively positive with an indicator value of minus 3.9 points. Many experts expect a speedy recovery of the economy once the protests have ended,” 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.

About a month ago, the Chinese yuan experienced a devaluation against the US dollar, which came as a surprise to many observers. As predicted by the experts, this devaluation has continued. It is also expected that the yuan will continue to depreciate from the current exchange rate level (around 7.09 CNY/USD). Over the next three months the exchange rate is expected to be 7.16 CNY/USD, in one year 7.26 CNY/USD. This is likely to ease China’s export burden, but could also contribute to a deepening of the trade conflict with the United States.

ZEW/Fudan China Economic Panel: Results September 2019											
Current economic situation	very good		good		normal		bad		very bad		balance
China	0.0	(+/- 0.0)	19.4	(- 3.2)	45.1	(+16.1)	32.3	(-16.1)	3.2	(+ 3.2)	-9.7 (+ 3.2)
Eurozone	3.4	(+ 3.4)	24.1	(+ 9.3)	51.8	(- 3.8)	20.7	(- 5.2)	0.0	(- 3.7)	5.1 (+14.4)
USA	0.0	(+/- 0.0)	20.7	(+ 9.6)	79.3	(+ 5.2)	0.0	(- 7.4)	0.0	(- 7.4)	10.4 (+16.0)
Economic expectation (1 Y)	improve	slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-indicator)	0.0	(- 6.5)	19.4	(- 9.6)	25.8	(+ 6.5)	54.8	(+16.1)	0.0	(- 6.5)	-17.7 (-12.8)
GDP (growth rate) in %	2019Q3		2019Q4		2019		2020				
China	6.1		6.0		6.1		5.8				
Eurozone	1.3		1.3		1.3		1.3				
USA	2.1		2.1		2.2		2.0				
Inflation (CPI) in %	3 months				1 year						
China	2.8(2.7)				2.9(2.9)						
Eurozone	1.4(1.4)				1.4(1.5)						
USA	1.9(1.8)				1.9(1.8)						
Wage Inflation in %	3 months				1 year						
China	7.1(7.0)				6.9(6.8)						
Eurozone	2.4(2.5)				2.4(2.5)						
USA	4.3(4.6)				4.2(4.5)						
Interest rates	3 months				1 year						
SHIBOR (3 months)	3.0(2.6)				2.9(2.5)						
One-year deposit rate	1.5(1.4)				1.4(1.3)						
One-year lending rate	4.3(4.2)				4.2(4.0)						
Stock market indices	3 months				1 year						
SSE Composite Index	2.991 (2.758)				3.160 (2.747)						
Hang Seng Index	26.204 (25.915)				26.462 (25.819)						
Growth Enterprise Market Index (SZ)	1.714 (1.521)				1.793 (1.496)						
WTI Crude Oil (US-Dollar)	57 (55)				57 (57)						
Monetary aggregate M2 (6 M)	increase	slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	0.0	(- 3.8)	35.7	(+ 4.9)	17.9	(- 5.2)	39.3	(+ 8.5)	7.1	(- 4.4)	-8.9 (- 1.2)
Specific indicators China (1 Y)	increase	slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	0.0	(-11.5)	20.7	(+ 1.5)	24.2	(+12.5)	51.7	(- 2.1)	3.4	(- 0.4)	-18.9 (- 9.3)
FDI outflow (out of China)	3.6	(- 4.1)	17.9	(-12.9)	39.2	(+31.5)	25.0	(-17.3)	14.3	(+ 2.8)	-14.3 (- 4.7)
FDI inflow (into China)	0.0	(- 7.7)	25.0	(+ 1.9)	21.4	(- 1.6)	39.3	(+ 8.5)	14.3	(- 1.1)	-21.5 (- 9.9)
Export activity	6.7	(- 0.4)	30.0	(+ 1.4)	16.7	(+ 2.4)	33.3	(+ 1.2)	13.3	(- 4.6)	-8.3 (+ 4.3)
Import activity	6.7	(- 0.4)	33.3	(- 6.0)	16.7	(+ 6.0)	33.3	(+ 4.7)	10.0	(- 4.3)	-3.3 (- 1.4)
Private Consumption	0.0	(+/- 0.0)	37.9	(- 8.5)	20.7	(- 7.9)	27.6	(+ 6.2)	13.8	(+10.2)	-8.7 (-17.6)
Private Investment	0.0	(- 7.4)	23.3	(- 2.6)	40.0	(+10.3)	26.7	(- 6.6)	10.0	(+ 6.3)	-11.7 (-11.7)
Govt. Consumption	20.0	(+ 9.3)	30.0	(-16.4)	6.7	(- 4.1)	30.0	(+ 8.6)	13.3	(+ 2.6)	6.7 (- 5.8)
Debt Domestic	6.7	(- 4.4)	50.0	(+16.7)	6.6	(-15.7)	20.0	(+ 1.5)	16.7	(+ 1.9)	5.0 (+ 1.3)
Debt Foreign	0.0	(+/- 0.0)	34.5	(+ 3.7)	31.0	(-15.1)	27.6	(+ 4.5)	6.9	(+ 6.9)	-3.5 (- 7.4)
Employment rate	3.4	(- 4.0)	24.1	(- 5.5)	48.4	(+ 7.6)	17.2	(+ 6.1)	6.9	(- 4.2)	0.0 (- 5.6)
Growth rate of new car registrations	7.1	(+ 3.4)	17.9	(- 8.0)	21.4	(- 4.6)	39.3	(- 5.1)	14.3	(+14.3)	-17.9 (-12.3)
Total share of world trade	3.6	(- 0.1)	32.1	(- 8.6)	21.5	(+10.3)	35.7	(- 8.7)	7.1	(+ 7.1)	-5.3 (- 7.2)
Exchange rates	3 months				1 year						
Yuan / US-Dollar	7.16 (7.07)				7.26 (7.14)						
Yuan / Euro	7.85 (7.85)				7.93 (7.90)						
Sectors (1 Y)	increase	slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	3.8	(- 0.4)	15.4	(-13.8)	38.5	(+26.1)	38.5	(-11.5)	3.8	(- 0.4)	-11.6 (- 1.2)
Investment banking	0.0	(- 8.3)	15.4	(-13.8)	42.3	(+34.0)	38.5	(-11.5)	3.8	(- 0.4)	-15.4 (- 9.1)
Insurance	11.5	(+ 3.2)	11.5	(- 1.0)	23.2	(-14.3)	42.3	(+ 4.8)	11.5	(+ 7.3)	-15.4 (- 7.0)
Automotive	7.1	(- 0.9)	25.0	(- 7.0)	17.9	(- 6.1)	39.3	(+11.3)	10.7	(+ 7.2)	-10.8 (-12.8)
Chemical / Pharmaceutical	3.7	(- 0.5)	18.5	(- 6.5)	26.0	(+ 9.4)	44.4	(- 5.6)	7.4	(+ 3.2)	-16.7 (- 4.2)
Machinery / Engineering	7.4	(+ 3.4)	14.8	(- 9.2)	7.4	(-16.6)	59.3	(+23.3)	11.1	(- 0.9)	-26.0 (-12.0)
Electronics	7.1	(- 0.6)	21.4	(-13.2)	28.6	(+ 9.4)	28.6	(- 2.2)	14.3	(+ 6.6)	-10.8 (-12.7)
Retail and commerce	7.1	(- 0.6)	28.6	(- 2.2)	25.0	(+ 1.9)	17.9	(-16.7)	21.4	(+17.6)	-9.0 (-11.0)
Construction	10.7	(+ 6.7)	25.0	(-11.0)	10.8	(-21.2)	46.4	(+26.4)	7.1	(- 0.9)	-7.1 (-11.1)
Energy	3.7	(- 0.3)	18.5	(-17.5)	37.1	(+ 9.1)	29.6	(+ 9.6)	11.1	(- 0.9)	-13.0 (-13.0)
Information Technology	17.9	(+ 9.9)	21.4	(-22.6)	10.7	(+ 2.7)	32.1	(+ 4.1)	17.9	(+ 5.9)	-5.4 (- 9.4)
Services	11.1	(+ 3.1)	29.6	(+ 1.6)	11.2	(- 8.8)	29.6	(- 2.4)	18.5	(+ 6.5)	-7.4 (- 1.4)
Economic expectation (1 Y)	improve	slightly improve		not change		slightly worsen		worsen		balance	
Beijing	0.0	(- 4.0)	18.5	(- 1.5)	48.2	(+12.2)	33.3	(- 2.7)	0.0	(- 4.0)	-7.4 (+ 0.6)
Shanghai	7.4	(+ 3.4)	11.1	(- 4.9)	44.5	(+12.5)	33.3	(-10.7)	3.7	(- 0.3)	-7.4 (+ 6.6)
Hong Kong	15.4	(-12.6)	23.1	(+ 7.1)	7.6	(- 0.4)	46.2	(+22.2)	7.7	(-16.3)	-3.9 (- 3.9)
Guangzhou	0.0	(+/- 0.0)	11.5	(-17.7)	38.5	(+21.9)	34.6	(-15.4)	15.4	(+11.2)	-27.0 (-12.4)
Shenzhen	3.8	(- 0.4)	26.9	(+ 1.9)	11.6	(- 9.2)	38.5	(+ 1.0)	19.2	(+ 6.7)	-21.2 (- 6.6)
Tianjin	3.8	(- 8.7)	15.4	(- 5.4)	34.6	(+ 1.2)	38.5	(+ 5.2)	7.7	(+ 7.7)	-15.5 (-21.8)
Chongqing	3.8	(+ 3.8)	19.2	(-14.1)	30.9	(+10.1)	34.6	(+ 5.4)	11.5	(- 5.2)	-15.4 (- 0.7)
Real estate price expectation (1 Y)	increase	slightly increase		not change		slightly decrease		decrease		balance	
Beijing	3.7	(+ 3.7)	37.0	(- 3.0)	40.8	(+16.8)	14.8	(-13.2)	3.7	(- 4.3)	11.1 (+13.1)
Shanghai	7.4	(+ 7.4)	33.3	(-10.7)	40.8	(+24.8)	14.8	(-17.2)	3.7	(- 4.3)	13.0 (+15.0)
Hong Kong	3.8	(-16.2)	30.8	(+10.8)	23.1	(- 0.9)	38.5	(+14.5)	3.8	(- 8.2)	-3.9 (- 9.9)
Guangzhou	0.0	(+/- 0.0)	15.4	(-13.8)	57.7	(+24.4)	23.1	(-10.2)	3.8	(- 0.4)	-7.7 (- 1.4)
Shenzhen	7.7	(+ 3.5)	11.5	(-13.5)	50.1	(+25.1)	26.9	(-10.6)	3.8	(- 4.5)	-3.8 (+ 6.6)
Tianjin	7.7	(- 0.6)	19.2	(-10.0)	46.2	(+ 4.5)	23.1	(+ 2.3)	3.8	(+ 3.8)	2.0 (-10.5)
Chongqing	3.8	(+ 3.8)	19.2	(-10.0)	42.4	(+ 4.9)	30.8	(+ 5.8)	3.8	(- 4.5)	-5.8 (+ 0.4)

Note: 31 analysts participated in the September survey, which was conducted during the period 9/4-9/18/2019. 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.