China Economic Panel (CEP)

// September 2020

Results of the September survey in detail

## Outlook for Chinese Economy Improves Significantly

CEP indicator rises to 44.4 points

In the September survey (7 – 16 September 2020), the CEP indicator rose by 18.3 points to a new level of 44.4 points.

This is by far the highest value of the indicator since the survey began in mid-2013. The CEP indicator, based on the China Economic Panel (CEP) in cooperation with Fudan University, Shanghai, reflects the economic expectations of international financial market experts for China on a 12-month basis.

The assessment of the current economic situation has also improved very strongly, with the corresponding indicator rocketing by 31.1 points to a new reading of 1.9 points, thus signalling a 'normal' economic situation.

figure 1:   CEP Indicator September 2020
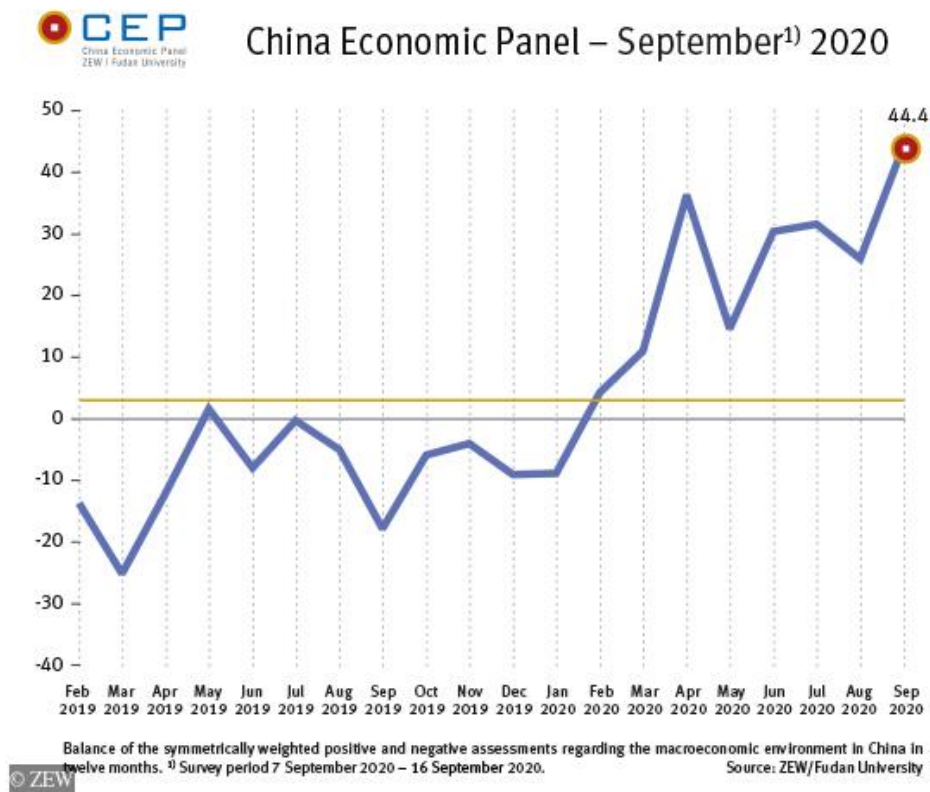
source: ZEW/Fudan

The point forecasts for real gross domestic product (GDP) have also gone up considerably. For the current year, the surveyed experts now expect GDP growth of 2.7 per cent (compared to 2.1 per cent in the previous month), and the forecast for 2021 has been revised upwards from 4.3 per cent to 5.7 per cent.

China could reach pre-COVID-19 growth levels

"According to the forecasts, the Chinese economy would return to pre-COVID-19 growth rates next year," says Dr. Michael Schröder, senior researcher in the "International Finance and Financial Management" Research Department at ZEW Mannheim. Expectations have risen sharply for all components of GDP, including exports, consumption and private investment. The experts are also optimistic regarding the individual sectors as well as the most important economic regions, which means that they are expecting to see a lasting economic recovery. Nevertheless, the indicator values for domestic and foreign debt remain very high. "The Chinese government has indeed managed to revive China's economy through active economic policy measures. However, the improved economy has come at the price of significantly higher debt," says Michael Schröder.

ZEW/Fudan China Economic Panel: Results September 2020

Current economic situation	very good		good		normal		bad		very bad		balance	
China	0.0	(+/- 0.0)	25.9	(+17.6)	51.9	(+22.7)	22.2	(-36.1)	0.0	(- 4.2)	1.9	(+31.1)
Eurozone	4.0	(+ 4.0)	0.0	(- 4.5)	20.0	(+10.8)	68.0	(+ 4.4)	8.0	(-14.7)	-38.0	(+14.3)
USA	0.0	(+/- 0.0)	0.0	(+/- 0.0)	20.0	(+10.5)	48.0	(- 4.4)	32.0	(- 6.1)	-56.0	(+ 8.3)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-Indicator)	25.9	(+ 4.2)	44.4	(- 3.4)	26.0	(+21.5)	0.0	(-13.0)	3.7	(- 9.3)	44.4	(+18.3)

GDP (growth rate) in %	2020Q3	2020Q4	2020	2021
China	3.9	4.5	2.7	5.7
Eurozone	-7.4	-3.9	-7.0	2.0
USA	-5.4	-3.0	-6.2	2.3

Inflation (CPI) in %	3 months	1 year
China	2.5 (2.6)	2.9 (2.9)
Eurozone	0.1 (0.3)	0.7 (0.5)
USA	1.1 (1.0)	1.6 (1.4)

Wage Inflation in %	3 months	1 year
China	4.3 (5.8)	4.6 (5.4)
Eurozone	2.1 (1.4)	2.3 (1.9)
USA	-0.4 (-0.7)	2.1 (1.1)

Interest rates	3 months	1 year
SHIBOR (3 months)	2.6 (2.5)	2.7 (2.5)
One-year deposit rate	2.6 (2.6)	2.6 (2.5)
One-year lending rate	4.3 (4.2)	4.3 (4.1)

Stock market indices	3 months	1 year
SSE Composite Index	3.352 (3.302)	3.532 (3.441)
Hang Seng Index	24.763 (23.403)	25.219 (23.494)
Growth Enterprise Market Index (SZ)	2.715 (2.696)	2.821 (2.883)
WTI Crude Oil (US-Dollar)	41 (42)	45 (47)

Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	8.3	(-26.7)	66.7	(+21.7)	8.4	(- 1.6)	8.3	(- 1.7)	8.3	(+ 8.3)	29.2	(-23.3)

Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	0.0	(+/- 0.0)	54.2	(+35.2)	16.7	(+ 2.3)	20.8	(-26.8)	8.3	(-10.7)	8.4	(+41.7)
FDI outflow (out of China)	8.3	(+ 8.3)	33.3	(+/- 0.0)	25.0	(+10.7)	16.7	(- 7.1)	16.7	(-11.9)	-0.1	(+23.8)
FDI inflow (into China)	0.0	(- 4.8)	45.8	(+31.5)	16.7	(+ 7.3)	25.0	(- 3.6)	12.5	(-30.4)	-2.1	(+43.2)
Export activity	12.5	(+ 8.0)	50.0	(+22.7)	4.1	(-14.1)	29.2	(+ 1.9)	4.2	(-18.5)	18.7	(+36.9)
Import activity	8.3	(+ 8.3)	54.2	(+13.3)	8.3	(- 0.8)	16.7	(-19.7)	12.5	(- 1.1)	14.6	(+26.0)
Private Consumption	12.0	(+ 7.5)	52.0	(+29.3)	12.0	(-24.4)	16.0	(- 2.2)	8.0	(-10.2)	22.0	(+33.5)
Private Investment	12.0	(+12.0)	36.0	(+ 8.7)	16.0	(-15.8)	20.0	(+ 1.8)	16.0	(- 6.7)	4.0	(+22.2)
Govt. Consumption	48.0	(-15.6)	40.0	(+ 8.2)	4.0	(+ 3.9)	4.0	(+ 4.0)	4.0	(- 0.5)	62.0	(-13.0)
Debt Domestic	40.0	(- 5.5)	48.0	(+ 2.5)	12.0	(+ 3.0)	0.0	(+/- 0.0)	0.0	(+/- 0.0)	64.0	(- 4.3)
Debt Foreign	8.0	(-10.2)	32.0	(+ 4.7)	44.0	(+ 7.7)	12.0	(+ 2.9)	4.0	(- 5.1)	14.0	(- 4.2)
Employment rate	16.0	(+11.2)	20.0	(+ 5.7)	12.0	(-21.3)	40.0	(+16.2)	12.0	(-11.8)	-6.0	(+17.8)
Growth rate of new car registrations	20.0	(+10.5)	36.0	(+ 2.7)	16.0	(- 7.9)	24.0	(+ 5.0)	4.0	(-10.3)	22.0	(+19.6)
Total share of world trade	20.8	(+20.8)	37.5	(+ 5.7)	8.3	(-19.0)	29.2	(+ 1.9)	4.2	(- 9.4)	20.8	(+32.2)

Exchange rates	3 months	1 year
Yuan / US-Dollar	6.88 (7.05)	6.90 (7.17)
Yuan / Euro	8.15 (8.19)	8.18 (8.23)

Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	9.1	(+ 9.1)	50.0	(+10.0)	18.2	(- 6.8)	13.6	(-16.4)	9.1	(+ 4.1)	18.2	(+18.2)
Investment banking	18.2	(+ 3.2)	36.4	(+16.4)	27.2	(+ 2.2)	9.1	(-20.9)	9.1	(- 0.9)	22.8	(+22.8)
Insurance	18.2	(+ 8.2)	40.9	(+15.9)	31.8	(- 8.2)	9.1	(-10.9)	0.0	(- 5.0)	34.1	(+26.6)
Automotive	18.2	(+13.2)	45.5	(+10.5)	13.6	(-16.4)	22.7	(+ 7.7)	0.0	(-15.0)	29.6	(+29.6)
Chemical / Pharmaceutical	27.3	(+17.3)	50.0	(+ 5.0)	18.2	(-21.8)	4.5	(- 0.5)	0.0	(+/- 0.0)	50.1	(+20.1)
Machinery / Engineering	31.8	(+26.8)	18.2	(-21.8)	31.9	(+ 6.9)	13.6	(-11.4)	4.5	(- 0.5)	29.6	(+22.1)
Electronics	27.3	(+12.3)	31.8	(- 8.2)	27.3	(- 2.7)	13.6	(+ 3.6)	0.0	(- 5.0)	36.4	(+11.4)
Retail and commerce	13.0	(+ 8.2)	43.5	(+ 5.4)	21.8	(- 2.0)	13.0	(-10.8)	8.7	(- 0.8)	19.6	(+17.1)
Construction	22.7	(+ 7.7)	36.4	(- 3.6)	22.7	(- 2.3)	18.2	(+ 3.2)	0.0	(- 5.0)	31.8	(+ 9.3)
Energy	13.6	(+ 3.6)	45.5	(+ 5.5)	31.8	(- 3.2)	9.1	(+ 4.1)	0.0	(-10.0)	31.8	(+14.3)
Information Technology	36.4	(+16.4)	36.4	(-13.6)	18.1	(- 6.9)	9.1	(+ 9.1)	0.0	(- 5.0)	50.1	(+10.1)
Services	27.3	(+17.3)	40.9	(+ 0.9)	18.2	(+ 3.2)	13.6	(-11.4)	0.0	(-10.0)	41.0	(+33.5)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
Beijing	9.1	(+ 9.1)	45.5	(+16.9)	22.7	(-15.4)	22.7	(- 1.1)	0.0	(- 9.5)	20.5	(+27.6)
Shanghai	22.7	(+22.7)	36.4	(-11.2)	27.3	(+ 3.5)	13.6	(-10.2)	0.0	(- 4.8)	34.1	(+27.0)
Hong Kong	0.0	(+/- 0.0)	22.7	(+13.2)	13.7	(+ 8.9)	31.8	(- 6.3)	31.8	(-15.8)	-36.4	(+25.5)
Guangzhou	18.2	(+18.2)	31.8	(+ 3.2)	18.2	(+ 4.0)	31.8	(-20.6)	0.0	(- 4.8)	18.2	(+34.9)
Shenzhen	22.7	(+17.9)	31.8	(+ 3.2)	31.9	(- 6.1)	13.6	(-15.0)	0.0	(+/- 0.0)	31.8	(+27.0)
Tianjin	0.0	(+/- 0.0)	31.8	(+12.8)	27.3	(+ 3.5)	27.3	(-15.6)	13.6	(- 0.7)	-11.4	(+14.9)
Chongqing	9.1	(+ 4.3)	27.3	(+ 8.3)	36.3	(+ 2.9)	18.2	(-15.1)	9.1	(- 0.4)	4.6	(+16.5)

Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Beijing	9.1	(+ 9.1)	31.8	(+ 8.0)	45.5	(- 6.9)	9.1	(- 9.9)	4.5	(- 0.3)	16.0	(+18.4)
Shanghai	13.6	(+13.6)	31.8	(- 1.5)	36.5	(- 1.6)	13.6	(-10.2)	4.5	(- 0.3)	18.2	(+18.3)
Hong Kong	0.0	(+/- 0.0)	27.3	(+13.0)	13.6	(- 0.6)	45.5	(+ 2.6)	13.6	(-15.0)	-22.7	(+20.2)
Guangzhou	0.0	(+/- 0.0)	27.3	(+ 3.5)	50.0	(+ 7.2)	22.7	(- 5.9)	0.0	(- 4.8)	2.3	(+ 9.5)
Shenzhen	4.5	(- 0.3)	27.3	(+ 8.3)	45.5	(+ 7.4)	22.7	(- 5.9)	0.0	(- 9.5)	6.8	(+16.3)
Tianjin	0.0	(+/- 0.0)	13.6	(- 0.7)	40.9	(+ 7.5)	45.5	(+12.2)	0.0	(-19.0)	-16.0	(+12.5)
Chongqing	0.0	(- 4.8)	31.8	(+22.3)	36.4	(- 1.7)	31.8	(+ 3.2)	0.0	(-19.0)	0.0	(+23.8)

Note: 27 analysts participated in the September survey, which was conducted during the period 9/7-9/16/2020. 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.