

# China Economic Panel (CEP)

// October 2017

Results of the October survey in detail

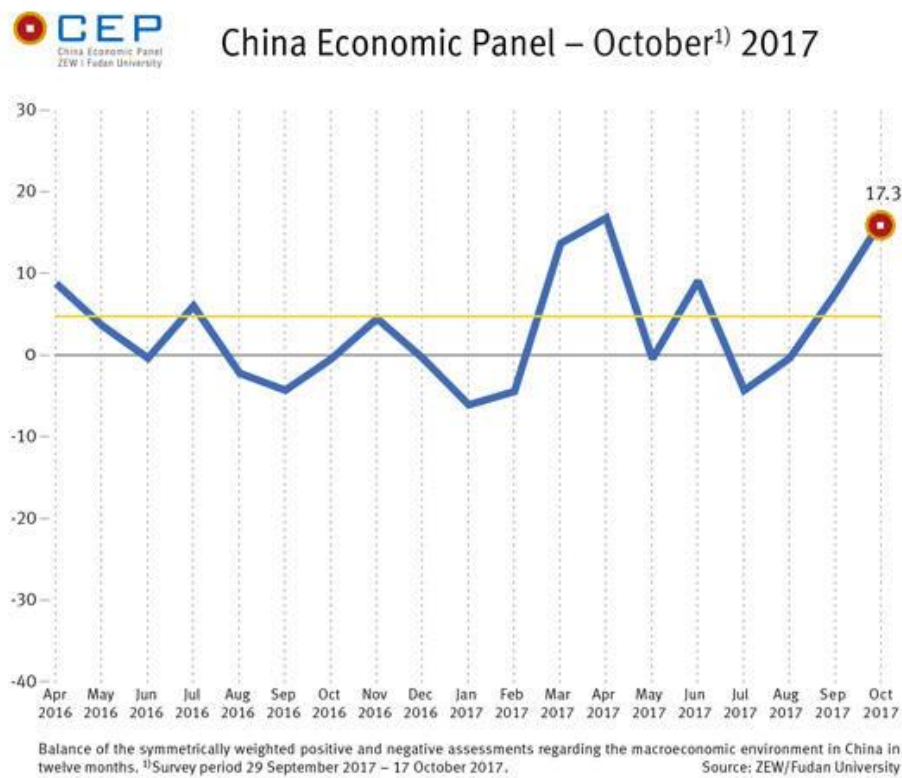
## Economic Expectations for China Once Again Show Considerable Improvement

In the most recent survey for October (29/09 – 17/10/2017) expectations regarding the economic climate in China rose considerably, with the index climbing 9.0 points to a current level of 17.3 points (compared to 8.3 points in September).

The CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, has thus once again come in well above the long-term average of 5.3 points.

The assessment of the current economic situation has also improved and currently stands at 26.9 points. This corresponds to an increase of 1.9 points compared to the previous month. This is once again the highest value recorded since the survey began.

figure 1: CEP Indicator October 2017



source: ZEW/Fudan

While the economic expectations for China, when viewed on their own, seem to be fairly volatile around the average, the assessment of the current economic situation has shown a clear upwards trend from January 2016 onwards.

“When viewed together, we can see that the outlook for the next twelve months has significantly improved – and just in time for the Chinese Communist party’s national congress,” says Dr. Michael Schröder, senior researcher in the ZEW Research Department “International Finance and Financial Management” and project leader for the CEP survey.

Looking at the individual sectors of the Chinese economy, the ICT (65 points), insurance (57.5 points), services (55 points) and electronics (54.8 points) sectors scored the highest. Trailing at the bottom of the leaderboard, however, are the automotive industry (33.3 points), the energy sector (32.5 points) and construction (23.8 points).

The sectors which saw the strongest growth compared to the previous month were retail and investment banking and the insurance industry.

It is notable that the overall positive economic climate has had an impact on almost all the various sectors and regions of the Chinese economy.

ZEW/Fudan China Economic Panel: Results October 2017										
Current economic situation	very good	good	normal	bad	very bad	balance				
China	11.5 (+1.5)	30.8 (-2.5)	57.7 (+4.3)	0.0 (-3.3)	0.0 (+/- 0.0)	26.9 (+1.9)				
USA	4.0 (+0.2)	56.0 (-29.1)	40.0 (-29.3)	0.0 (+/- 0.0)	0.0 (+/- 0.0)	32.0 (+14.7)				
Economic expectation (1 Y)	improve	slightly improve	not change	slightly worsen	worsen	balance				
China (CEP-indicator)	3.8 (+0.5)	50.0 (+6.7)	23.1 (-0.3)	23.1 (-3.6)	0.0 (-3.3)	17.3 (+9.0)				
GDP (growth rate) in %	2017Q4	2018Q1	2017		2018					
China	6.8	6.8	6.8		6.7					
USA	2.6	2.6	2.5		2.7					
Inflation (CPI) in %	3 months			1 year						
China	1.9(1.8)			2.1(2.0)						
USA	1.0(0.8)			1.2(1.0)						
Interest rates	3 months			1 year						
SHIBOR (3 months)	4.4(4.5)			4.4(4.6)						
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	3.444 (3.438)			3.617 (3.639)						
Hang Seng Index	28.488 (27.714)			28.449 (27.953)						
Growth Enterprise Market Index (SZ)	1.546(1.449)			1.609(1.603)						
WTI Crude Oil (US-Dollar)	51(48)			52(48)						
Monetary aggregate M2 (6 M)	increase	slightly increase	not change	slightly decrease	decrease	balance				
China M2 growth rate	9.1 (+5.1)	50.0 (-14.0)	13.6 (+1.6)	27.3 (+11.3)	0.0 (-4.0)	20.5 (-3.5)				
Specific indicators China (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance				
Foreign exchange reserves	4.5 (-7.5)	50.0 (+6.0)	22.8 (-9.2)	18.2 (+6.2)	4.5 (+4.5)	15.9 (-12.1)				
FDI outflow (out of China)	18.2 (+6.2)	50.0 (+10.0)	9.1 (-6.9)	18.2 (-13.8)	4.5 (+4.5)	29.6 (+13.6)				
FDI inflow (into China)	0.0 (+/- 0.0)	59.1 (+3.1)	18.2 (-5.8)	13.6 (-2.4)	9.1 (+5.1)	13.7 (-2.3)				
Export activity	22.7 (+7.3)	45.5 (-16.0)	9.1 (+9.1)	18.2 (-4.9)	4.5 (+4.5)	31.9 (-2.7)				
Import activity	18.2 (+6.7)	40.9 (-1.4)	18.2 (-5.0)	18.2 (-1.0)	4.5 (+0.7)	25.1 (+5.8)				
Domestic consumption	18.2 (+10.5)	63.6 (-13.3)	13.7 (-1.7)	0.0 (+/- 0.0)	4.5 (+4.5)	45.5 (-0.7)				
Employment rate	4.5 (+4.5)	31.8 (-10.5)	50.1 (-7.6)	13.6 (+13.6)	0.0 (+/- 0.0)	13.6 (-7.6)				
Growth rate of new car registrations	4.5 (-7.5)	68.2 (+4.2)	18.2 (-1.8)	9.1 (+5.1)	0.0 (+/- 0.0)	34.1 (-7.9)				
Total share of world trade	13.6 (+13.6)	54.5 (-10.7)	13.7 (-16.8)	18.2 (+13.9)	0.0 (+/- 0.0)	31.8 (+1.3)				
Exchange rates	3 months			1 year						
Yuan / US-Dollar	6.70(6.59)			6.84(6.70)						
US-Dollar / Euro	1.17(1.19)			1.19(1.21)						
Sectors (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance				
Retail banking	15.0 (+10.5)	75.0 (+15.9)	5.0 (-22.4)	0.0 (-4.5)	5.0 (+0.5)	47.5 (+20.2)				
Investment banking	25.0 (+11.4)	60.0 (+5.5)	5.0 (-17.8)	10.0 (+0.9)	0.0 (+/- 0.0)	50.0 (+13.7)				
Insurance	30.0 (+12.6)	65.0 (+8.5)	0.0 (-13.1)	0.0 (-13.0)	5.0 (+5.0)	57.5 (+18.3)				
Automotive	9.5 (+9.5)	61.9 (-3.3)	14.3 (-7.5)	14.3 (+1.3)	0.0 (+/- 0.0)	33.3 (+7.2)				
Chemical / Pharmaceutical	33.3 (+15.9)	38.1 (-9.7)	19.1 (-7.0)	9.5 (+0.8)	0.0 (+/- 0.0)	47.6 (+10.6)				
Machinery / Engineering	23.8 (+10.8)	42.9 (-9.3)	28.5 (-2.0)	0.0 (-4.3)	4.8 (+4.8)	40.5 (+3.5)				
Electronics	38.1 (+16.4)	38.1 (-14.1)	19.0 (-7.1)	4.8 (+4.8)	0.0 (+/- 0.0)	54.8 (+7.0)				
Retail and commerce	19.0 (+1.6)	66.7 (+1.5)	9.5 (+0.7)	4.8 (+0.5)	0.0 (-4.3)	50.0 (+6.4)				
Construction	19.0 (+10.3)	38.1 (-5.4)	14.3 (+1.2)	28.6 (-1.8)	0.0 (-4.3)	23.8 (+12.8)				
Energy	10.0 (-17.3)	55.0 (+5.0)	25.0 (+6.8)	10.0 (+5.5)	0.0 (+/- 0.0)	32.5 (-17.6)				
Information Technology	40.0 (-0.9)	55.0 (+5.0)	0.0 (-4.6)	5.0 (+5.0)	0.0 (-4.5)	65.0 (+3.6)				
Services	35.0 (+12.3)	45.0 (-14.1)	15.0 (+10.4)	5.0 (-8.6)	0.0 (+/- 0.0)	55.0 (+9.5)				
Economic expectation (1 Y)	improve	slightly improve	not change	slightly worsen	worsen	balance				
Beijing	15.0 (+10.5)	45.0 (+8.6)	30.0 (-24.6)	10.0 (+5.5)	0.0 (+/- 0.0)	32.5 (+12.0)				
Shanghai	20.0 (+15.5)	50.0 (-4.5)	25.0 (-11.5)	5.0 (+0.5)	0.0 (+/- 0.0)	42.5 (+13.0)				
Hong Kong	0.0 (+/- 0.0)	40.0 (+17.3)	35.0 (-15.1)	20.0 (-2.7)	5.0 (+0.5)	5.0 (+9.5)				
Guangzhou	21.1 (+11.6)	47.4 (-9.7)	26.2 (+2.3)	5.3 (-4.2)	0.0 (+/- 0.0)	42.2 (+8.9)				
Shenzhen	36.8 (-10.8)	52.6 (+14.5)	10.6 (-3.7)	0.0 (+/- 0.0)	0.0 (+/- 0.0)	63.1 (-3.6)				
Tianjin	26.3 (+12.0)	31.6 (+3.0)	26.3 (-11.8)	15.8 (-3.2)	0.0 (+/- 0.0)	34.2 (+15.1)				
Chongqing	31.6 (+7.8)	36.8 (+8.2)	21.1 (-12.2)	10.5 (-3.8)	0.0 (+/- 0.0)	44.8 (+13.8)				
Real estate price expectation (1 Y)	increase	slightly increase	not change	slightly decrease	decrease	balance				
Beijing	5.0 (-4.1)	20.0 (-11.8)	40.0 (+17.3)	35.0 (-1.4)	0.0 (+/- 0.0)	-2.5 (-9.3)				
Shanghai	5.0 (-8.6)	35.0 (+3.2)	30.0 (+2.7)	25.0 (-2.3)	5.0 (+5.0)	5.0 (-10.9)				
Hong Kong	10.0 (+5.5)	50.0 (+22.7)	25.0 (-20.5)	10.0 (-12.7)	5.0 (+5.0)	25.0 (+18.2)				
Guangzhou	5.3 (-4.2)	36.8 (-6.1)	42.1 (+13.5)	10.5 (-8.5)	5.3 (+5.3)	13.2 (-8.3)				
Shenzhen	5.3 (-4.2)	42.1 (+8.8)	31.5 (+7.7)	15.8 (-12.8)	5.3 (+0.5)	13.2 (+6.1)				
Tianjin	5.3 (-4.2)	26.3 (+7.3)	47.4 (-0.3)	10.5 (-13.3)	10.5 (+10.5)	2.7 (-4.4)				
Chongqing	10.5 (+5.7)	36.8 (-6.1)	31.7 (-1.5)	10.5 (-3.8)	10.5 (+5.7)	13.2 (-1.1)				

Note: 26 analysts participated in the October survey, which was conducted during the period 9/29-10/17/2017. 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.