

China Economic Panel (CEP)

// October 2020

Results of the October survey in detail

Outlook for Chinese Economy Remains Very Positive

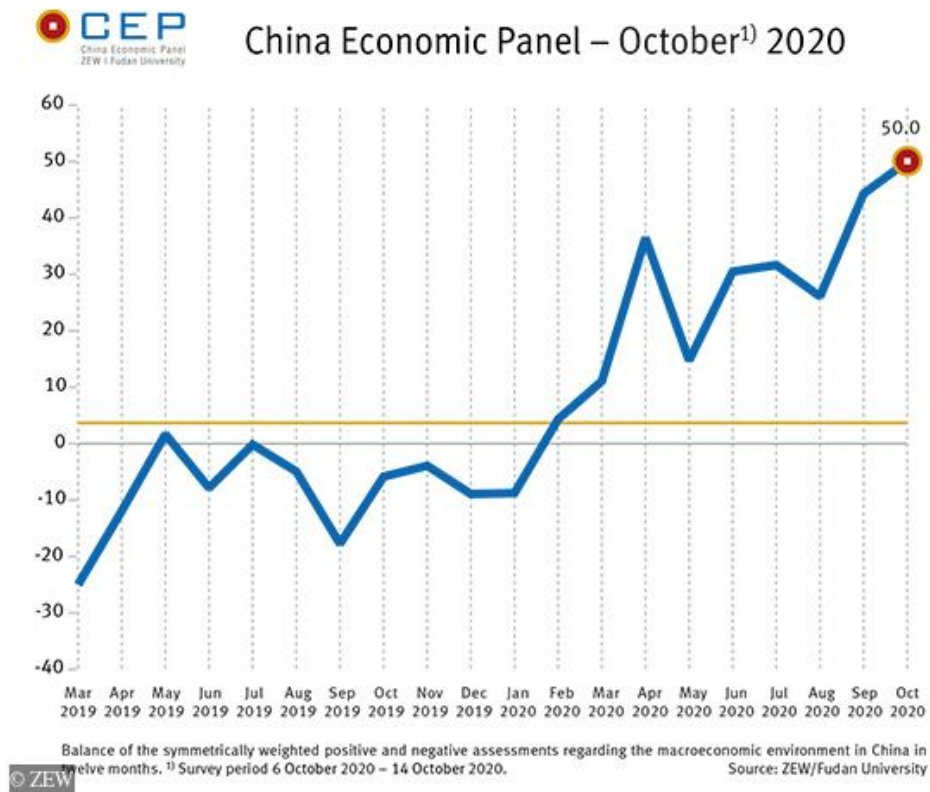
CEP Indicator Rises to 50.0 Points

In the October survey (6 – 14 October 2020), the CEP indicator rose by 5.6 points to a new level of 50.0 points. This marks a new record high of the indicator since the survey began in mid-2013. Although the increase is slightly lower than in the previous month, when the indicator jumped by 18.3 points, optimism regarding the Chinese economy is still growing quite strongly.

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 also continues to improve, with the corresponding indicator currently standing at 5.9 points, 4.0 points higher than in September.

figure 1: CEP Indicator October 2020



source: ZEW/Fudan

“It is striking that by now 84 per cent of the experts assume that the economy will improve either slightly or even strongly. In the previous month, this figure was still at just under 70 per cent,” says Dr. Michael Schröder, researcher in the “International Finance and Financial Management” Research Department at ZEW Mannheim.

Pre-COVID-19 growth path not before 2022

However, experts no longer expect the economy to improve as strongly as they still thought in September 2020. The growth forecast for real gross domestic product (GDP) for the current year is 1.9 per cent, compared with 2.7 per cent in the previous month. The forecast for 2021 has also been revised downwards by one percentage point from 5.7 per cent (September survey) to currently 4.7 per cent. “Although this would still be a great success for the country hit by the coronavirus crisis, growth of 4.7 per cent would be well below the level of six to 6.7 per cent that China is normally used to. According to the experts, the pre-COVID-19 growth path will therefore not be reached again until 2022,” Michael Schröder explains.

Growth expectations for Shenzhen increase at the expense of Hong Kong

With regard to the expectations for the development of the most important economic regions, it is striking that the figures for Hong Kong remain strongly in negative territory at minus 36.9 points. In contrast, growth expectations for the city and region of Shenzhen, which is located on the mainland opposite Hong Kong, are at 39.5 points, an increase of 7.7 points compared to the previous month. “The experts apparently assume that the Chinese government will continue to promote Shenzhen as southern China’s economic hub at the expense of Hong Kong,” says Schröder.

ZEW/Fudan China Economic Panel: Results October 2020											
Current economic situation	very good		good		normal		bad		very bad		balance
China	0.0	(+/- 0.0)	30.8	(+4.9)	53.9	(+2.0)	11.5	(-10.7)	3.8	(+3.8)	5.9 (+4.0)
Eurozone	0.0	(-4.0)	0.0	(+/- 0.0)	15.4	(-4.6)	69.2	(+1.2)	15.4	(+7.4)	-50.0 (-12.0)
USA	0.0	(+/- 0.0)	0.0	(+/- 0.0)	24.0	(+4.0)	64.0	(+16.0)	12.0	(-20.0)	-44.0 (+12.0)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
China (CEP-Indicator)	28.0	(+2.1)	56.0	(+11.6)	8.0	(-18.0)	4.0	(+4.0)	4.0	(+0.3)	50.0 (+5.6)
GDP (growth rate) in %	2020Q4		2021Q1		2020		2021				
China	3.4		6.4		1.9		4.7				
Eurozone	-8.3		-4.3		-8.6		0.0				
USA	-5.1		-3.4		-6.4		0.6				
Inflation (CPI) in %	3 months				1 year						
China	2.4 (2.5)				2.8 (2.9)						
Eurozone	-0.1 (0.1)				0.4 (0.7)						
USA	1.0 (1.1)				1.5 (1.6)						
Wage Inflation in %	3 months				1 year						
China	4.0 (4.3)				4.3 (4.6)						
Eurozone	3.1 (2.1)				3.0 (2.3)						
USA	0.4 (-0.4)				1.5 (2.1)						
Interest rates	3 months				1 year						
SHIBOR (3 months)	2.9 (2.6)				2.8 (2.7)						
One-year deposit rate	3.1 (2.6)				3.0 (2.6)						
One-year lending rate	4.3 (4.3)				4.3 (4.3)						
Stock market indices	3 months				1 year						
SSE Composite Index	3,254 (3,352)				3,392 (3,532)						
Hang Seng Index	24,238 (24,763)				24,754 (25,219)						
Growth Enterprise Market Index (SZ)	2,597 (2,715)				2,671 (2,821)						
WTICrude Oil (US-Dollar)	41 (41)				43 (45)						
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance
China M2 growth rate	16.7	(+8.4)	66.7	(+0.0)	5.5	(-2.9)	11.1	(+2.8)	0.0	(-8.3)	44.5 (+15.3)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Foreign exchange reserves	10.5	(+10.5)	36.8	(-17.4)	21.1	(+4.4)	15.8	(-5.0)	15.8	(+7.5)	5.2 (-3.2)
FDI outflow (out of China)	5.3	(-3.0)	36.8	(+3.5)	5.2	(-19.8)	31.6	(+14.9)	21.1	(+4.4)	-13.2 (-13.1)
FDI inflow (into China)	0.0	(+/- 0.0)	36.8	(-9.0)	26.3	(+9.6)	15.8	(-9.2)	21.1	(+8.6)	-10.6 (-8.5)
Export activity	19.0	(+6.5)	28.6	(-21.4)	9.6	(+5.5)	33.3	(+4.1)	9.5	(+5.3)	7.2 (-11.5)
Import activity	5.0	(-3.3)	45.0	(-9.2)	10.0	(+1.7)	30.0	(+13.3)	10.0	(-2.5)	2.5 (-12.1)
Private Consumption	19.0	(+7.0)	38.1	(-13.9)	23.9	(+11.9)	9.5	(-6.5)	9.5	(+1.5)	23.8 (+1.8)
Private Investment	4.8	(-7.2)	38.1	(+2.1)	19.0	(+3.0)	23.8	(+3.8)	14.3	(-1.7)	-2.4 (-6.4)
Govt. Consumption	33.3	(-14.7)	57.1	(+17.1)	4.8	(+0.8)	0.0	(-4.0)	4.8	(+0.8)	57.1 (-4.9)
Debt Domestic	35.0	(-5.0)	50.0	(+2.0)	10.0	(-2.0)	5.0	(+5.0)	0.0	(+/- 0.0)	57.5 (-6.5)
Debt Foreign	15.8	(+7.8)	31.6	(-0.4)	21.0	(-23.0)	31.6	(+19.6)	0.0	(-4.0)	15.8 (+1.8)
Employment rate	5.0	(-11.0)	40.0	(+20.0)	10.0	(-2.0)	40.0	(+/- 0.0)	5.0	(-7.0)	0.0 (+6.0)
Growth rate of new car registrations	10.0	(-10.0)	40.0	(+4.0)	35.0	(+19.0)	10.0	(-14.0)	5.0	(+1.0)	20.0 (-2.0)
Total share of world trade	21.1	(+0.3)	21.1	(-16.4)	21.0	(+12.7)	26.3	(-2.9)	10.5	(+6.3)	8.0 (-12.8)
Exchange rates	3 months				1 year						
Yuan / US-Dollar	6.83 (6.88)				6.97 (6.90)						
Yuan / Euro	7.96 (8.15)				8.09 (8.18)						
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Retail banking	10.5	(+1.4)	47.4	(-2.6)	21.1	(+2.9)	10.5	(-3.1)	10.5	(+1.4)	18.5 (+0.3)
Investment banking	10.5	(-7.7)	47.4	(+11.0)	15.8	(-11.4)	15.8	(+6.7)	10.5	(+1.4)	15.8 (-7.0)
Insurance	15.8	(-2.4)	47.4	(+6.5)	5.2	(-26.6)	26.3	(+17.2)	5.3	(+5.3)	21.1 (-13.0)
Automotive	10.5	(-7.7)	31.6	(-13.9)	26.3	(+12.7)	26.3	(+3.6)	5.3	(+5.3)	7.9 (-21.7)
Chemical / Pharmaceutical	15.8	(-11.5)	63.1	(+13.1)	0.0	(-18.2)	15.8	(+11.3)	5.3	(+5.3)	34.2 (-15.9)
Machinery / Engineering	26.3	(-5.5)	26.3	(+8.1)	26.3	(-5.6)	15.8	(+2.2)	5.3	(+0.8)	26.3 (-3.3)
Electronics	26.3	(-1.0)	31.6	(-0.2)	21.0	(-6.3)	21.1	(+7.5)	0.0	(+/- 0.0)	31.6 (-4.8)
Retail and commerce	21.1	(+8.1)	42.1	(-1.4)	15.7	(-6.1)	15.8	(+2.8)	5.3	(-3.4)	29.0 (+9.4)
Construction	15.8	(-6.9)	47.4	(+11.0)	26.3	(+3.6)	10.5	(-7.7)	0.0	(+/- 0.0)	34.3 (+2.5)
Energy	21.1	(+7.5)	31.6	(-13.9)	15.7	(-16.1)	26.3	(+17.2)	5.3	(+5.3)	18.5 (-13.3)
Information Technology	26.3	(-10.1)	57.9	(+21.5)	0.0	(-18.1)	15.8	(+6.7)	0.0	(+/- 0.0)	47.4 (-2.7)
Services	26.3	(-1.0)	36.8	(-4.1)	10.5	(-7.7)	21.1	(+7.5)	5.3	(+5.3)	28.9 (-12.1)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
Beijing	15.8	(+6.7)	31.6	(-13.9)	21.0	(-1.7)	31.6	(+8.9)	0.0	(+/- 0.0)	15.8 (-4.7)
Shanghai	31.6	(+8.9)	31.6	(-4.8)	10.5	(-16.8)	26.3	(+12.7)	0.0	(+/- 0.0)	34.3 (+0.2)
Hong Kong	0.0	(+/- 0.0)	15.8	(-6.9)	15.7	(+2.0)	47.4	(+15.6)	21.1	(-10.7)	-36.9 (-0.5)
Guangzhou	15.8	(-2.4)	31.6	(-0.2)	21.0	(+2.8)	31.6	(-0.2)	0.0	(+/- 0.0)	15.8 (-2.4)
Shenzhen	26.3	(+3.6)	42.1	(+10.3)	15.8	(-16.1)	15.8	(+2.2)	0.0	(+/- 0.0)	39.5 (+7.7)
Tianjin	16.7	(+16.7)	22.2	(-9.6)	22.2	(-5.1)	16.7	(-10.6)	22.2	(+8.6)	-2.8 (+8.6)
Chongqing	22.2	(+13.1)	22.2	(-5.1)	33.4	(-2.9)	11.1	(-7.1)	11.1	(+2.0)	16.7 (+12.1)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Beijing	10.5	(+1.4)	36.8	(+5.0)	26.4	(-19.1)	26.3	(+17.2)	0.0	(-4.5)	15.8 (-0.2)
Shanghai	21.1	(+7.5)	36.8	(+5.0)	26.3	(-10.2)	15.8	(+2.2)	0.0	(-4.5)	31.6 (+13.4)
Hong Kong	5.3	(+5.3)	26.3	(-1.0)	10.5	(-3.1)	36.8	(-8.7)	21.1	(+7.5)	-21.1 (+1.6)
Guangzhou	5.3	(+5.3)	36.8	(+9.5)	36.8	(-13.2)	21.1	(-1.6)	0.0	(+/- 0.0)	13.2 (+10.9)
Shenzhen	26.3	(+21.8)	26.3	(-1.0)	31.6	(-13.9)	10.5	(-12.2)	5.3	(+5.3)	28.9 (+22.1)
Tianjin	5.6	(+5.6)	22.2	(+8.6)	39.8	(-2.1)	27.8	(-17.7)	5.6	(+5.6)	-2.8 (+13.2)
Chongqing	11.1	(+11.1)	16.7	(-15.1)	44.4	(+8.0)	16.7	(-15.1)	11.1	(+11.1)	0.0 (+/- 0.0)

Note: 26 analysts participated in the October survey, which was conducted during the period 10/6-10/14/2020. 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.