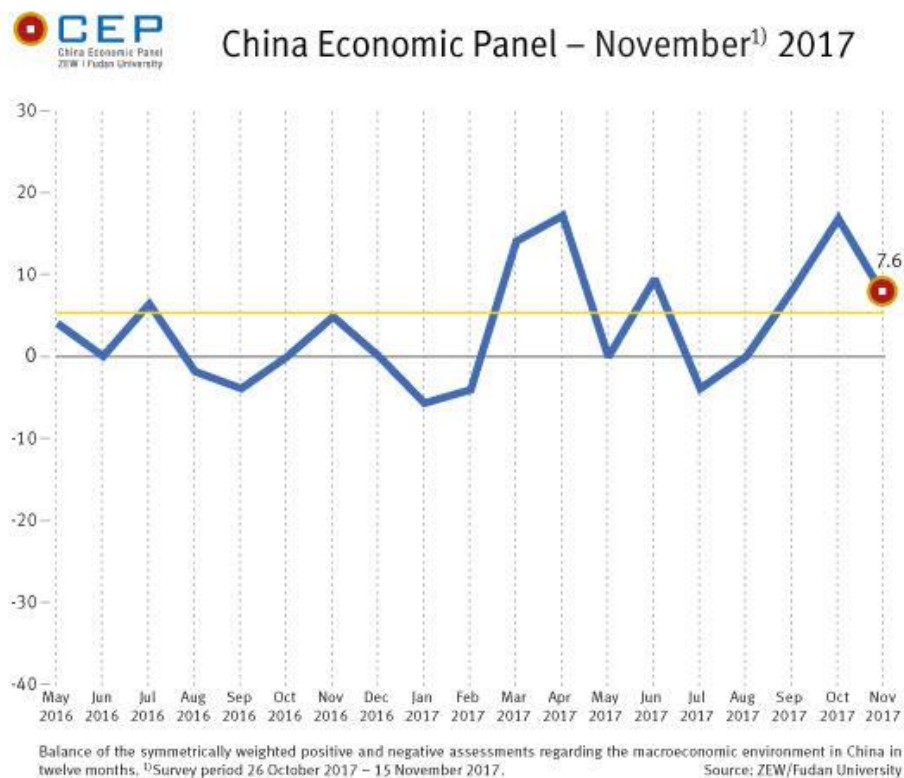# China Economic Panel (CEP)

Economic Expectations for China Bright Despite Decline in CEP Indicator

According to the most recent survey for November (26/10/2017 – 15/11/2017), the economic outlook for China dropped by 9.7 points to a new value of 7.6 points (October: 17.3 points).

The CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, has once again come in well above the long-term average of 5.4 points and signals a comparatively positive outlook for Chinese economic growth.

The assessment of the current economic situation currently stands at 25.8 points, and has remained almost unchanged compared to previous month's value of 26.9 points. The economic situation thus continues to be rated very positively.

figure 1:   CEP Indicator November 2017

China Economic Panel – November[1] 2017

Balance of the symmetrically weighted positive and negative assessments regarding the macroeconomic environment in China in twelve months. [1]Survey period 26 October 2017 – 15 November 2017.   Source: ZEW/Fudan University

source: ZEW/Fudan

Looking at the assessments of the individual sectors of the Chinese economy, the construction sector scored much worse than in the previous month, plummeting from 23.8 points to 10.7 points.

Similarly, in some regions real estate prices are expected to fall dramatically in the next twelve months. For instance, real estate prices in Beijing and Tianjin are expected to dive even further into negative territory, with the corresponding indicators falling to minus 5.6 points and minus 1.9 points, respectively.

This development is, however, somewhat different when considered in the long term. Since the beginning of the survey, the expectations regarding the construction sector have been experiencing a slight upward trend. This trend seems to remain unabated despite the decline currently witnessed. This indicates an increase in real estate supply.

Prices for real estate, by contrast, are showing a negative trend, with expectations having reached a peak around the turn of the year 2015/2016. "It remains to be seen whether this is already an indicator for the price bubble in the Chinese real estate market deflating," says Dr. Michael Schröder, senior researcher in ZEW's Research Department "International Finance and Financial Management" and project leader of the CEP survey.

ZEW/Fudan China Economic Panel: Results November 2017

Current economic situation	very good		good		normal		bad		very bad		balance	
China	6.1	(- 5.4)	45.5	(+14.7)	42.3	(-15.4)	6.1	(+ 6.1)	0.0	(+/- 0.0)	25.8	(- 1.1)
USA	12.9	(+ 8.9)	58.1	(+ 2.1)	25.8	(-14.2)	3.2	(+ 3.2)	0.0	(+/- 0.0)	40.4	(+ 8.4)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-Indicator)	9.1	(+ 5.3)	36.4	(-13.6)	15.1	(- 8.0)	39.4	(+16.3)	0.0	(+/- 0.0)	7.6	(- 9.7)

GDP (growth rate) in %	2017Q4	2018Q1	2017	2018
China	6.8	6.8	6.7	6.7
USA	2.4	2.4	2.3	2.4

Inflation (CPI) in %	3 months	1 year
China	1.8 (1.9)	2.0 (2.1)
USA	2.2 (1.0)	2.3 (1.2)

Interest rates	3 months	1 year
SHIBOR (3 months)	4.4 (4.4)	4.4 (4.4)
One-year deposit rate	1.5 (1.5)	1.5 (1.5)
One-year lending rate	4.3 (4.3)	4.4 (4.4)

Stock market indices	3 months	1 year
SSE Composite Index	3.482 (3.444)	3.807 (3.617)
Hang Seng Index	28.968 (28.488)	29.777 (28.449)
Growth Enterprise Market Index (SZ)	1.663 (1.546)	1.742 (1.609)
WTI Crude Oil (US-Dollar)	57 (51)	58 (52)

Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	3.8	(- 5.3)	61.5	(+11.5)	7.8	(- 5.8)	26.9	(- 0.4)	0.0	(+/- 0.0)	21.1	(+ 0.6)

Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	0.0	(- 4.5)	52.0	(+ 2.0)	16.0	(- 6.8)	32.0	(+13.8)	0.0	(- 4.5)	10.0	(- 5.9)
FDI outflow (out of China)	16.0	(- 2.2)	52.0	(+ 2.0)	20.0	(+10.9)	12.0	(- 6.2)	0.0	(- 4.5)	36.0	(+ 6.4)
FDI inflow (into China)	8.3	(+ 8.3)	58.3	(- 0.8)	16.7	(- 1.5)	16.7	(+ 3.1)	0.0	(- 9.1)	29.1	(+15.4)
Export activity	15.4	(- 7.3)	57.7	(+12.2)	7.7	(- 1.4)	15.4	(- 2.8)	3.8	(- 0.7)	32.8	(+ 0.9)
Import activity	15.4	(- 2.8)	69.2	(+28.3)	0.1	(-18.1)	11.5	(- 6.7)	3.8	(- 0.7)	40.5	(+15.4)
Domestic consumption	25.0	(+ 6.8)	53.6	(-10.0)	10.7	(- 3.0)	10.7	(+10.7)	0.0	(- 4.5)	46.5	(+ 1.0)
Employment rate	3.3	(- 1.2)	26.7	(- 5.1)	50.0	(- 0.1)	20.0	(+ 6.4)	0.0	(+/- 0.0)	6.7	(- 6.9)
Growth rate of new car registrations	10.7	(+ 6.2)	57.1	(-11.1)	25.1	(+ 6.9)	7.1	(- 2.0)	0.0	(+/- 0.0)	35.7	(+ 1.6)
Total share of world trade	10.3	(- 3.3)	48.3	(- 6.2)	27.6	(+13.9)	13.8	(- 4.4)	0.0	(+/- 0.0)	27.6	(- 4.2)

Exchange rates	3 months	1 year
Yuan / US-Dollar	6.68 (6.70)	6.75 (6.84)
US-Dollar / Euro	1.17 (1.17)	1.18 (1.19)

Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	10.3	(- 4.7)	58.6	(-16.4)	20.8	(+15.8)	10.3	(+10.3)	0.0	(- 5.0)	34.5	(-13.0)
Investment banking	13.8	(-11.2)	58.6	(- 1.4)	20.7	(+15.7)	6.9	(- 3.1)	0.0	(+/- 0.0)	39.7	(-10.3)
Insurance	32.0	(+ 2.0)	64.0	(- 1.0)	0.0	(+/- 0.0)	4.0	(+ 4.0)	0.0	(- 5.0)	62.0	(+ 4.5)
Automotive	3.8	(- 5.7)	61.5	(- 0.4)	23.2	(+ 8.9)	11.5	(- 2.8)	0.0	(+/- 0.0)	28.8	(- 4.5)
Chemical / Pharmaceutical	20.7	(-12.6)	48.3	(+10.2)	20.7	(+ 1.6)	10.3	(+ 0.8)	0.0	(+/- 0.0)	39.7	(- 7.9)
Machinery / Engineering	20.7	(- 3.1)	48.3	(+ 5.4)	17.2	(-11.3)	13.8	(+13.8)	0.0	(- 4.8)	38.0	(- 2.5)
Electronics	14.3	(-23.8)	57.1	(+19.0)	21.4	(+ 2.4)	3.6	(- 1.2)	3.6	(+ 3.6)	37.5	(-17.3)
Retail and commerce	25.9	(+ 6.9)	48.1	(-18.6)	18.6	(+ 9.1)	7.4	(+ 2.6)	0.0	(+/- 0.0)	46.3	(- 3.7)
Construction	10.7	(- 8.3)	32.1	(- 6.0)	25.1	(+10.8)	32.1	(+ 3.5)	0.0	(+/- 0.0)	10.7	(-13.1)
Energy	14.8	(+ 4.8)	48.1	(- 6.9)	22.3	(- 2.7)	14.8	(+ 4.8)	0.0	(+/- 0.0)	31.5	(- 1.0)
Information Technology	22.2	(-17.8)	63.0	(+ 8.0)	7.4	(+ 7.4)	7.4	(+ 2.4)	0.0	(+/- 0.0)	50.0	(-15.0)
Services	18.5	(-16.5)	59.3	(+14.3)	14.8	(- 0.2)	7.4	(+ 2.4)	0.0	(+/- 0.0)	44.5	(-10.5)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
Beijing	3.7	(-11.3)	40.7	(- 4.3)	40.8	(+10.8)	14.8	(+ 4.8)	0.0	(+/- 0.0)	16.7	(-15.8)
Shanghai	21.4	(+ 1.4)	35.7	(-14.3)	35.8	(+10.8)	7.1	(+ 2.1)	0.0	(+/- 0.0)	35.7	(- 6.8)
Hong Kong	3.7	(+ 3.7)	22.2	(-17.8)	40.8	(+ 5.8)	29.6	(+ 9.6)	3.7	(- 1.3)	-3.7	(- 8.7)
Guangzhou	11.5	(- 9.6)	42.3	(- 5.1)	30.9	(+ 4.7)	11.5	(+ 6.2)	3.8	(+ 3.8)	23.1	(-19.1)
Shenzhen	37.0	(+ 0.2)	40.7	(-11.9)	14.9	(+ 4.3)	7.4	(+ 7.4)	0.0	(+/- 0.0)	53.7	(- 9.4)
Tianjin	7.7	(-18.6)	50.0	(+18.4)	11.6	(-14.7)	26.9	(+11.1)	3.8	(+ 3.8)	15.5	(-18.7)
Chongqing	19.2	(-12.4)	38.5	(+ 1.7)	26.9	(+ 5.8)	15.4	(+ 4.9)	0.0	(+/- 0.0)	30.8	(-14.0)

Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Beijing	3.7	(- 1.3)	22.2	(+ 2.2)	33.4	(- 6.6)	40.7	(+ 5.7)	0.0	(+/- 0.0)	-5.6	(- 3.1)
Shanghai	7.4	(+ 2.4)	29.6	(- 5.4)	26.0	(- 4.0)	37.0	(+12.0)	0.0	(- 5.0)	3.7	(- 1.3)
Hong Kong	0.0	(-10.0)	40.7	(- 9.3)	37.1	(+12.1)	18.5	(+ 8.5)	3.7	(- 1.3)	7.4	(-17.6)
Guangzhou	0.0	(- 5.3)	42.3	(+ 5.5)	26.9	(-15.2)	30.8	(+20.3)	0.0	(- 5.3)	5.8	(- 7.4)
Shenzhen	7.7	(+ 2.4)	34.6	(- 7.5)	26.9	(- 4.6)	30.8	(+15.0)	0.0	(- 5.3)	9.6	(- 3.6)
Tianjin	7.7	(+ 2.4)	19.2	(- 7.1)	38.5	(- 8.9)	30.8	(+20.3)	3.8	(- 6.7)	-1.9	(- 4.6)
Chongqing	0.0	(+ 6.8)	34.6	(- 2.2)	38.5	(+ 6.8)	23.1	(+12.6)	3.8	(- 6.7)	2.0	(-11.2)

Note: 33 analysts participated in the November survey, which was conducted during the period 10/26-11/15/2017. 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.

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