

China Economic Panel (CEP)

// November 2018

Results of the November survey in detail

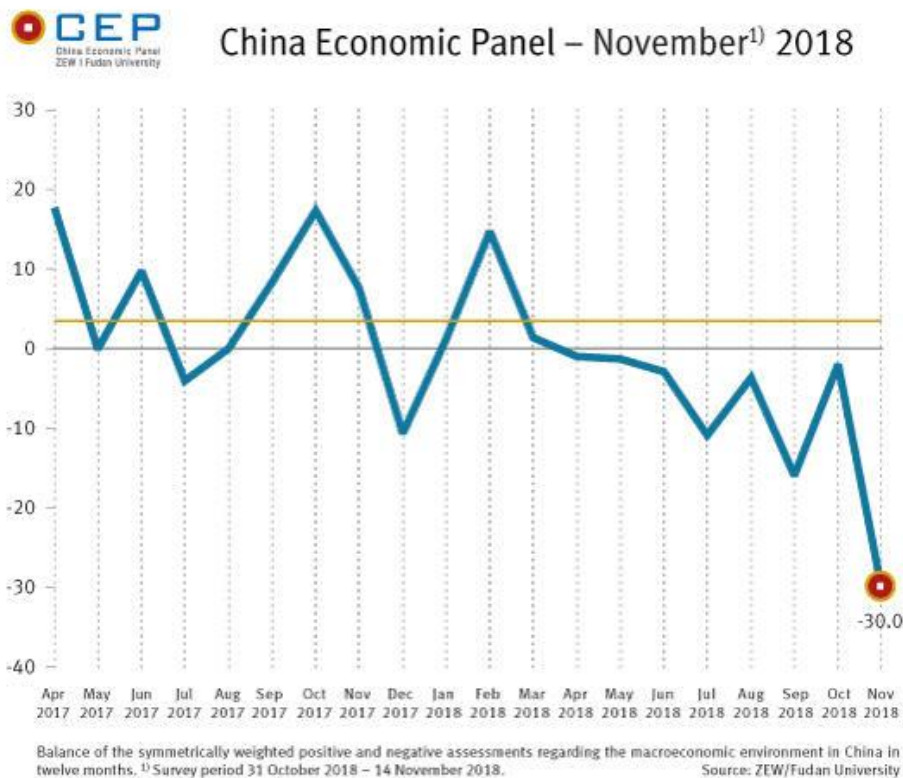
Economic Outlook for China Nosedives

In the most recent survey for November (31/10/2018–14/11/2018), expectations regarding the Chinese economy have taken a nosedive. The CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, has fallen 28 points to a current reading of minus 30.0 points (October 2018: minus 2.0 points).

This is the lowest reading since the survey was begun in mid-2013. The indicator is thus once again well below the long-term average of 3.4 points.

China’s economic situation is also rated considerably worse than in the previous month, with the corresponding indicator decreasing by 15.4 points to a current value of minus 19.3 points.

figure 1: CEP Indicator November 2018



source: ZEW/Fudan

The point forecasts for economic growth in 2018 and 2019 have also been revised downwards, with experts expecting the economy to grow by only 6.4 per cent in 2018 and by 6.2 per cent in 2019.

A look at the June survey of this year shows just how much the forecasts have deteriorated. Whereas in June experts still expected to see a GDP growth of 6.7 per cent for 2018 and 6.5 per cent for 2019, forecasts are now 0.3 percentage points lower, respectively. “The slash in GDP forecasts shows the extent to which the trade conflict with the US could affect the Chinese economy,” explains Dr. Michael Schröder, senior researcher in the ZEW Research Department “International Finance and Financial Management” and project leader of the CEP survey.

Chinese export growth and domestic demand are expected to falter

The survey participants have come to expect both Chinese export growth and domestic demand to falter. The indicator reflecting the assessments of exports has decreased by 18.5 points to a current reading of minus 22.7 points, while the indicator for China’s share of global trade has fallen by 7.3 to minus 7.2 points. In the case of private investment, the indicator has dropped by 27.3 points, leaving it at a level of merely 2.3 points. The indicators for private consumption and new car registrations have also experienced a decline.

The surveyed experts expect that government consumption to support the economy will continue to rise. The corresponding indicator climbed by 19.8 points to a level of 11.4. The forecast for domestic debt has experienced a similar increase, with the corresponding indicator climbing 17.7 points to a level of 11.4 points.

“It may well be only a matter of time before the Chinese government has to abandon its economic stimulus measures and the economy begins to falter,” says Michael Schröder.

ZEW/Fudan China Economic Panel: Results November 2018										
Current economic situation		very good	good	normal	bad	very bad	balance			
China	0.0	(+/- 0.0)	3.8	(-15.4)	61.6	(+ 7.7)	26.9	(+/- 0.0)	7.7	(+ 7.7)
Eurozone	0.0	(+/- 0.0)	4.2	(-15.8)	87.5	(+11.5)	8.3	(+ 4.3)	0.0	(+/- 0.0)
USA	4.2	(+ 0.2)	50.0	(+18.0)	12.4	(-11.6)	29.2	(- 2.8)	4.2	(- 3.8)
Economic expectation (1 Y)		improve	slightly improve	not change	slightly worsen	worsen	balance			
China (CEP-Indicator)	4.0	(- 4.0)	4.0	(-24.0)	32.0	(+ 8.0)	48.0	(+16.0)	12.0	(+ 4.0)
GDP (growth rate) in %		2018Q4		2019Q1		2018		2019		
China		6.4		6.3		6.4		6.2		
Eurozone		2.1		2.1		2.1		2.1		
USA		3.1		3.1		3.1		3.1		
Inflation (CPI) in %			3 months			1 year				
China			2.5(2.4)			2.6(2.5)				
Eurozone			1.7(1.6)			1.8(1.7)				
USA			2.3(2.5)			2.3(2.7)				
Wage Inflation in %			3 months			1 year				
China			7.4(7.8)			6.9(7.6)				
Eurozone			2.2(1.8)			2.2(1.7)				
USA			4.1(3.0)			4.2(3.0)				
Interest rates			3 months			1 year				
SHIBOR (3 months)			3.0(2.8)			3.0(2.8)				
One-year deposit rate			1.5(1.5)			1.5(1.5)				
One-year lending rate			4.4(4.4)			4.4(4.4)				
Stock market indices			3 months			1 year				
SSE Composite Index			2.677(2.739)			2.801(2.875)				
Hang Seng Index			25.682(26.539)			25.958(27.507)				
Growth Enterprise Market Index (SZ)			1.331(1.394)			1.438(1.462)				
WTI Crude Oil (US-Dollar)			68(78)			72(81)				
Monetary aggregate M2 (6 M)		increase	slightly increase	not change	slightly decrease	decrease	balance			
China M2 growth rate	5.0	(+ 5.0)	40.0	(+ 5.2)	15.0	(- 2.4)	30.0	(- 0.4)	10.0	(- 7.4)
Specific indicators China (1 Y)		increase	slightly increase	not change	slightly decrease	decrease	balance			
Foreign exchange reserves	0.0	(- 8.3)	42.9	(+ 9.6)	4.7	(-12.1)	47.6	(+14.3)	4.8	(- 3.5)
FDI outflow (out of China)	9.5	(+ 1.2)	38.1	(+ 4.8)	9.6	(-19.6)	33.3	(+ 8.3)	9.5	(+ 5.3)
FDI inflow (into China)	9.5	(+ 5.3)	14.3	(-14.9)	19.0	(- 6.0)	42.9	(+ 9.6)	14.3	(+ 6.0)
Export activity	9.1	(- 3.4)	13.6	(-11.4)	13.7	(+ 1.2)	50.0	(+ 8.3)	13.6	(+ 5.3)
Import activity	0.0	(+/- 0.0)	27.3	(- 6.0)	9.1	(- 7.6)	54.5	(+29.5)	9.1	(-15.9)
Private Consumption	4.5	(+ 4.5)	27.3	(-10.2)	31.8	(+ 6.8)	27.3	(- 6.0)	9.1	(+ 4.9)
Private Investment	4.5	(-12.2)	36.4	(- 9.4)	18.2	(+ 5.7)	31.8	(+11.0)	9.1	(+ 4.9)
Govt. Consumption	18.2	(+ 9.9)	36.4	(- 5.3)	4.5	(+ 0.4)	31.8	(+15.1)	9.1	(-20.1)
Debt Domestic	9.1	(+ 4.9)	45.5	(+12.2)	13.6	(-11.4)	22.7	(+ 1.9)	9.1	(- 7.6)
Debt Foreign	9.1	(+ 4.8)	27.3	(+ 1.2)	45.5	(- 6.8)	13.6	(+ 0.6)	4.5	(+ 0.2)
Employment rate	0.0	(- 4.2)	25.0	(+ 4.2)	45.0	(-13.3)	30.0	(+13.3)	0.0	(+/- 0.0)
Growth rate of new car registrations	0.0	(+/- 0.0)	28.6	(- 8.9)	28.5	(+ 7.7)	42.9	(+ 1.2)	0.0	(+/- 0.0)
Total share of world trade	0.0	(- 4.2)	28.6	(- 0.6)	33.3	(+ 4.2)	33.3	(- 4.2)	4.8	(+ 4.8)
Exchange rates			3 months			1 year				
Yuan / US-Dollar			6.99(6.94)			7.18(7.08)				
Yuan / Euro			7.94(8.02)			8.05(8.11)				
Sectors (1 Y)		increase	slightly increase	not change	slightly decrease	decrease	balance			
Retail banking	0.0	(+/- 0.0)	30.0	(- 0.4)	20.0	(+ 2.6)	50.0	(+ 6.5)	0.0	(- 8.7)
Investment banking	0.0	(- 8.7)	20.0	(-19.1)	30.0	(+ 3.9)	35.0	(+ 8.9)	15.0	(+15.0)
Insurance	5.0	(+ 5.0)	25.0	(- 9.8)	15.0	(+ 2.0)	50.0	(+ 6.5)	5.0	(- 3.7)
Automotive	9.5	(+ 9.5)	19.0	(-24.5)	19.1	(- 2.6)	47.6	(+21.5)	4.8	(- 3.9)
Chemical / Pharmaceutical	9.5	(+ 9.5)	4.8	(-34.3)	28.5	(+ 2.4)	52.4	(+26.3)	4.8	(- 3.9)
Machinery / Engineering	4.8	(+ 0.5)	9.5	(-25.3)	38.1	(+11.9)	33.3	(+11.6)	14.3	(+ 1.3)
Electronics	4.5	(+ 0.2)	31.8	(+ 5.7)	27.4	(+ 9.9)	22.7	(-25.1)	13.6	(+ 9.3)
Retail and commerce	9.5	(+ 9.5)	23.8	(-17.9)	23.9	(- 1.0)	33.3	(+ 4.1)	9.5	(+ 5.3)
Construction	0.0	(+/- 0.0)	23.8	(-15.3)	33.3	(+11.5)	38.1	(+16.4)	4.8	(-12.6)
Energy	10.0	(+10.0)	20.0	(-10.4)	30.0	(+ 8.2)	25.0	(- 1.1)	15.0	(- 6.7)
Information Technology	10.0	(- 3.0)	25.0	(- 5.4)	15.0	(+10.6)	35.0	(- 8.5)	15.0	(+ 6.3)
Services	5.0	(- 3.7)	20.0	(-14.8)	30.0	(+16.9)	35.0	(+ 4.6)	10.0	(- 3.0)
Economic expectation (1 Y)		improve	slightly improve	not change	slightly worsen	worsen	balance			
Beijing	9.5	(- 3.5)	19.0	(-11.4)	42.9	(+ 3.7)	28.6	(+11.2)	0.0	(+/- 0.0)
Shanghai	9.5	(+ 0.8)	19.0	(-20.1)	33.4	(+ 7.2)	33.3	(+11.6)	4.8	(+ 0.5)
Hong Kong	0.0	(- 4.3)	19.0	(-24.5)	38.1	(+12.0)	42.9	(+16.8)	0.0	(+/- 0.0)
Guangzhou	0.0	(- 9.1)	23.8	(- 3.5)	33.4	(+10.7)	33.3	(- 3.1)	9.5	(+ 5.0)
Shenzhen	4.8	(- 4.3)	19.0	(- 8.3)	28.6	(+ 5.9)	33.3	(+10.6)	14.3	(- 3.9)
Tianjin	4.8	(-13.4)	23.8	(- 3.5)	38.1	(+ 1.7)	19.0	(+ 5.4)	14.3	(+ 9.8)
Chongqing	5.0	(- 8.6)	20.0	(- 7.3)	35.0	(+ 3.2)	25.0	(+ 6.8)	15.0	(+ 5.9)
Real estate price expectation (1 Y)		increase	slightly increase	not change	slightly decrease	decrease	balance			
Beijing	9.5	(- 4.1)	52.4	(- 6.7)	28.6	(+14.9)	9.5	(- 4.1)	0.0	(+/- 0.0)
Shanghai	9.5	(- 3.5)	52.4	(- 4.1)	23.8	(+10.7)	14.3	(- 3.1)	0.0	(+/- 0.0)
Hong Kong	14.3	(+ 1.3)	52.4	(+13.3)	19.0	(- 7.2)	14.3	(- 7.4)	0.0	(+/- 0.0)
Guangzhou	9.5	(- 4.1)	61.9	(+25.5)	9.6	(-22.2)	19.0	(+ 0.8)	0.0	(+/- 0.0)
Shenzhen	9.5	(+ 0.4)	57.1	(+16.2)	14.4	(-17.4)	19.0	(+ 0.8)	0.0	(+/- 0.0)
Tianjin	9.5	(-13.2)	52.4	(+16.0)	19.1	(- 8.2)	19.0	(+ 5.4)	0.0	(+/- 0.0)
Chongqing	9.5	(- 4.1)	47.6	(+ 6.7)	14.3	(-17.6)	28.6	(+15.0)	0.0	(+/- 0.0)