China Economic Panel (CEP)

// December 2017

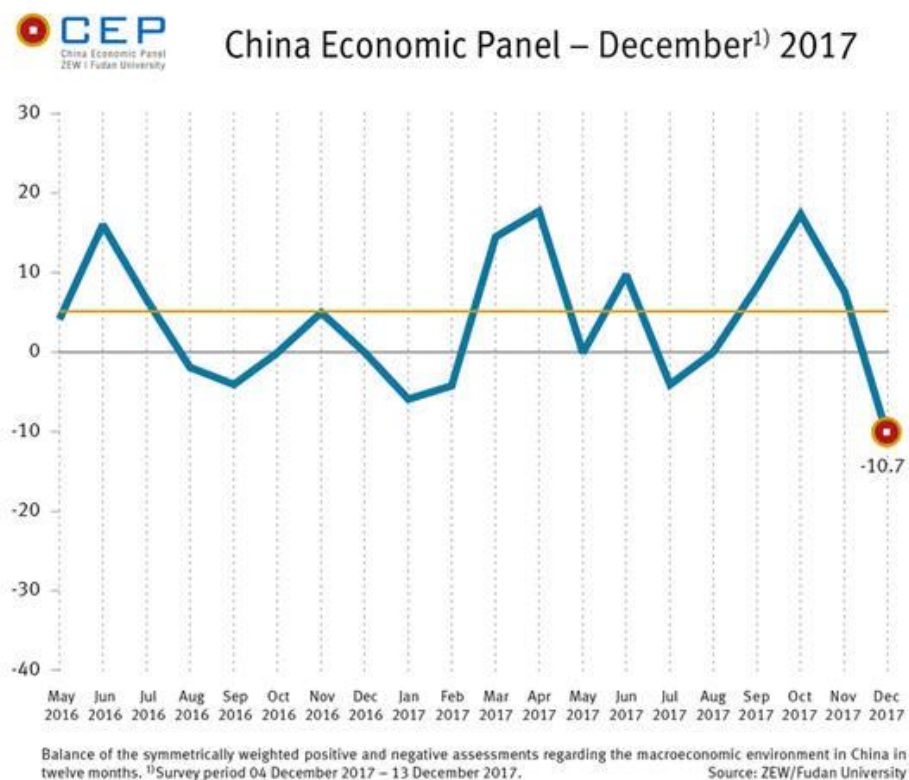Results of the December survey in detail

Economic Expectations Continue to Sink as End of Year Approaches

In the most recent survey conducted in December (4 – 13 December 2017) expectations for the Chinese economy fell once again, leaving the index at a level of minus 10.7 points, 18.3 points lower than in November.

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 below the long-term average of 5.1 points.

However, this decline in the economic sentiment should be put into per-spective. Looking at the answers given by the surveyed economic experts, their responses largely shifted from the category "slight improvement" to "slight decline", with not a single response predicting a "strong decline".

figure 1:   CEP Indicator December 2017

China Economic Panel – December[1] 2017

Balance of the symmetrically weighted positive and negative assessments regarding the macroeconomic environment in China in twelve months. [1]Survey period 04 December 2017 – 13 December 2017.   Source: ZEW/Fudan University

source: ZEW/Fudan

The quantitative growth forecasts for the fourth quarter of 2017 and the first quarter of 2018 saw a downward adjustment, though of only 0.1 percentage points, to give a current level of 6.7 per cent. The decline in the economic sentiment thus only indicates a slight reduction in actual growth.

Meanwhile, the assessment of the economic situation in China from the latest survey remains relatively high at 24.1 points compared to 25.8 points in November.

Growing scepticism

"China's economic prospects are thus overall still relatively positive, despite the growing scepticism indicated by the latest survey results," says Dr. Michael Schröder, senior researcher in the ZEW Research Department "International Finance and Financial Management" and head of the CEP survey project.

According to the survey results, this more subdued sentiment is reflected in almost all sectors of the Chinese economy, with the exception of "utilities and energy", "information technology and telecommunication" and "service providers", which all exhibited an improvement in economic expectations.

There was also a decline in the economic outlook over the next twelve months for almost all of China's important economic regions. According to the assessment of the survey participants, this is likely to have a dampening effect on real estate prices in these regions. The economic sector with the most pessimistic assessment by far was the construction sector, which could be due to Chinese President Xi Jinping's planned introduction of measures intended to restrict real estate speculation.

ZEW/Fudan China Economic Panel: Results December 2017

Current economic situation	very good		good		normal		bad		very bad		balance	
China	7.4	(+ 1.3)	37.0	(- 8.5)	51.9	(+ 9.6)	3.7	(- 2.4)	0.0	(+/- 0.0)	24.1	(- 1.7)
USA	20.0	(+ 7.1)	60.0	(+ 1.9)	20.0	(- 5.8)	0.0	(- 3.2)	0.0	(+/- 0.0)	50.0	(+ 9.6)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
China (CEP-Indicator)	3.6	(- 5.5)	25.0	(-11.4)	17.8	(+ 2.7)	53.6	(+14.2)	0.0	(+/- 0.0)	-10.7	(-18.3)

GDP (growth rate) in %	2017Q4	2018Q1	2017	2018
China	6.7	6.7	6.7	6.7
USA	2.9	2.8	2.8	2.9

Inflation (CPI) in %	3 months	1 year
China	1.9 (1.8)	2.1 (2.0)
USA	2.4 (2.2)	2.2 (2.3)

Interest rates	3 months	1 year
SHIBOR (3 months)	4.7 (4.4)	4.8 (4.4)
One-year deposit rate	1.5 (1.5)	1.6 (1.5)
One-year lending rate	4.4 (4.3)	4.4 (4.4)

Stock market indices	3 months	1 year
SSE Composite Index	3.369 (3.482)	3.376 (3.807)
Hang Seng Index	29.397 (28.968)	43.679 (29.777)
Growth Enterprise Market Index (SZ)	1.485 (1.663)	1.541 (1.742)
WTI Crude Oil (US-Dollar)	58 (57)	59 (58)

Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance	
China M2 growth rate	0.0	(- 3.8)	65.2	(+ 3.7)	8.7	(+ 0.9)	26.1	(- 0.8)	0.0	(+/- 0.0)	19.6	(- 1.5)

Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Foreign exchange reserves	4.5	(+ 4.5)	54.5	(+ 2.5)	27.4	(+11.4)	13.6	(-18.4)	0.0	(+/- 0.0)	25.0	(+15.0)
FDI outflow (out of China)	9.1	(- 6.9)	63.6	(+11.6)	13.7	(- 6.3)	13.6	(+ 1.6)	0.0	(+/- 0.0)	34.1	(- 1.9)
FDI inflow (into China)	4.5	(- 3.8)	31.8	(-26.5)	22.8	(+ 6.1)	40.9	(+24.2)	0.0	(+/- 0.0)	-0.1	(-29.2)
Export activity	13.6	(- 1.8)	63.6	(+ 5.9)	4.6	(- 3.1)	18.2	(+ 2.8)	0.0	(- 3.8)	36.3	(+ 3.5)
Import activity	13.6	(- 1.8)	59.1	(-10.1)	9.1	(+ 9.0)	18.2	(+ 6.7)	0.0	(- 3.8)	34.1	(- 6.4)
Domestic consumption	27.3	(+ 2.3)	54.5	(+ 0.9)	9.1	(- 1.6)	9.1	(- 1.6)	0.0	(+/- 0.0)	50.0	(+ 3.5)
Employment rate	0.0	(- 3.3)	40.9	(+14.2)	27.3	(-22.7)	31.8	(+11.8)	0.0	(+/- 0.0)	4.6	(- 2.1)
Growth rate of new car registrations	9.1	(- 1.6)	59.1	(+ 2.0)	18.2	(- 6.9)	9.1	(- 2.0)	4.5	(+ 4.5)	29.6	(- 6.1)
Total share of world trade	4.5	(- 5.8)	54.5	(+ 6.2)	31.9	(+ 4.3)	9.1	(- 4.7)	0.0	(+/- 0.0)	27.2	(- 0.4)

Exchange rates	3 months	1 year
Yuan / US-Dollar	6.66 (6.68)	6.74 (6.75)
US-Dollar / Euro	1.19 (1.17)	1.24 (1.18)

Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Retail banking	9.1	(- 1.2)	63.6	(+ 5.0)	9.1	(-11.7)	18.2	(+ 7.9)	0.0	(+/- 0.0)	31.8	(- 2.7)
Investment banking	13.6	(- 0.2)	50.0	(- 8.6)	13.7	(- 7.0)	18.2	(+11.3)	4.5	(+ 4.5)	25.0	(-14.7)
Insurance	39.1	(+ 7.1)	43.5	(-20.5)	4.4	(+ 4.4)	13.0	(+ 9.0)	0.0	(+/- 0.0)	54.4	(- 7.6)
Automotive	8.7	(+ 4.9)	56.5	(- 5.0)	21.8	(- 1.4)	8.7	(- 2.8)	4.3	(+ 4.3)	28.3	(- 0.5)
Chemical / Pharmaceutical	9.1	(-11.6)	45.5	(- 2.8)	22.7	(+ 2.0)	22.7	(+12.4)	0.0	(+/- 0.0)	20.5	(-19.2)
Machinery / Engineering	8.7	(-12.0)	43.5	(- 4.8)	21.7	(+ 4.5)	26.1	(+12.3)	0.0	(+/- 0.0)	17.4	(-20.6)
Electronics	13.0	(- 1.3)	56.5	(- 0.6)	17.5	(- 3.9)	13.0	(+ 9.4)	0.0	(- 3.6)	34.8	(- 2.7)
Retail and commerce	9.1	(-16.8)	68.2	(+20.1)	13.6	(- 5.0)	9.1	(+ 1.7)	0.0	(+/- 0.0)	38.7	(- 7.6)
Construction	13.6	(+ 2.9)	27.3	(- 4.8)	18.2	(- 6.9)	31.8	(- 0.3)	9.1	(+ 9.1)	2.3	(- 8.4)
Energy	18.2	(+ 3.4)	59.1	(+11.0)	9.1	(-13.2)	13.6	(- 1.2)	0.0	(+/- 0.0)	41.0	(+ 9.5)
Information Technology	40.9	(+18.7)	45.5	(-17.5)	4.5	(- 2.9)	9.1	(+ 1.7)	0.0	(+/- 0.0)	59.1	(+ 9.1)
Services	36.4	(+17.9)	50.0	(- 9.3)	9.1	(- 5.7)	4.5	(- 2.9)	0.0	(+/- 0.0)	59.2	(+14.7)

Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance	
Beijing	0.0	(- 3.7)	45.5	(+ 4.8)	31.8	(- 9.0)	18.2	(+ 3.4)	4.5	(+ 4.5)	9.2	(- 7.5)
Shanghai	4.5	(-16.9)	50.0	(+14.3)	36.4	(+ 0.6)	9.1	(+ 2.0)	0.0	(+/- 0.0)	25.0	(-10.7)
Hong Kong	0.0	(- 3.7)	23.8	(+ 1.6)	42.9	(+ 2.1)	33.3	(+ 3.7)	0.0	(- 3.7)	-4.8	(- 1.1)
Guangzhou	4.8	(- 6.7)	42.9	(+ 0.6)	33.3	(+ 2.4)	19.0	(+ 7.5)	0.0	(- 3.8)	16.8	(- 6.3)
Shenzhen	33.3	(- 3.7)	42.9	(+ 2.2)	14.3	(- 0.6)	9.5	(+ 2.1)	0.0	(+/- 0.0)	50.0	(- 3.7)
Tianjin	19.0	(+11.3)	23.8	(-26.2)	23.9	(+12.3)	33.3	(+ 6.4)	0.0	(- 3.8)	14.3	(- 1.2)
Chongqing	19.0	(- 0.2)	42.9	(+ 4.4)	19.1	(- 7.8)	19.0	(+ 3.6)	0.0	(+/- 0.0)	31.0	(+ 0.2)

Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance	
Beijing	4.5	(+ 0.8)	18.2	(- 4.0)	36.4	(+ 3.0)	36.4	(- 4.3)	4.5	(+ 4.5)	-9.1	(- 3.5)
Shanghai	4.5	(- 2.9)	27.3	(- 2.3)	31.9	(+ 5.9)	31.8	(- 5.2)	4.5	(+ 4.5)	-2.3	(- 6.0)
Hong Kong	4.5	(+ 4.5)	40.9	(+ 0.2)	18.2	(-18.9)	27.3	(+ 8.8)	9.1	(+ 5.4)	2.2	(- 5.2)
Guangzhou	5.0	(+ 5.0)	30.0	(-12.3)	35.0	(+ 8.1)	25.0	(- 5.8)	5.0	(+ 5.0)	2.5	(- 3.3)
Shenzhen	9.5	(+ 1.8)	33.3	(- 1.3)	33.4	(+ 6.5)	19.0	(-11.8)	4.8	(+ 4.8)	11.9	(+ 2.3)
Tianjin	9.5	(+ 1.8)	19.0	(- 0.2)	38.2	(- 0.3)	23.8	(- 7.0)	9.5	(+ 5.7)	-2.4	(- 0.5)
Chongqing	0.0	(+/- 0.0)	28.6	(- 6.0)	52.4	(+13.9)	9.5	(-13.6)	9.5	(+ 5.7)	0.1	(- 1.9)

Note: 28 analysts participated in the December survey, which was conducted during the period 12/4-12/13/2017. 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.