

# China Economic Panel (CEP)

// December 2019

Results of the December survey in detail

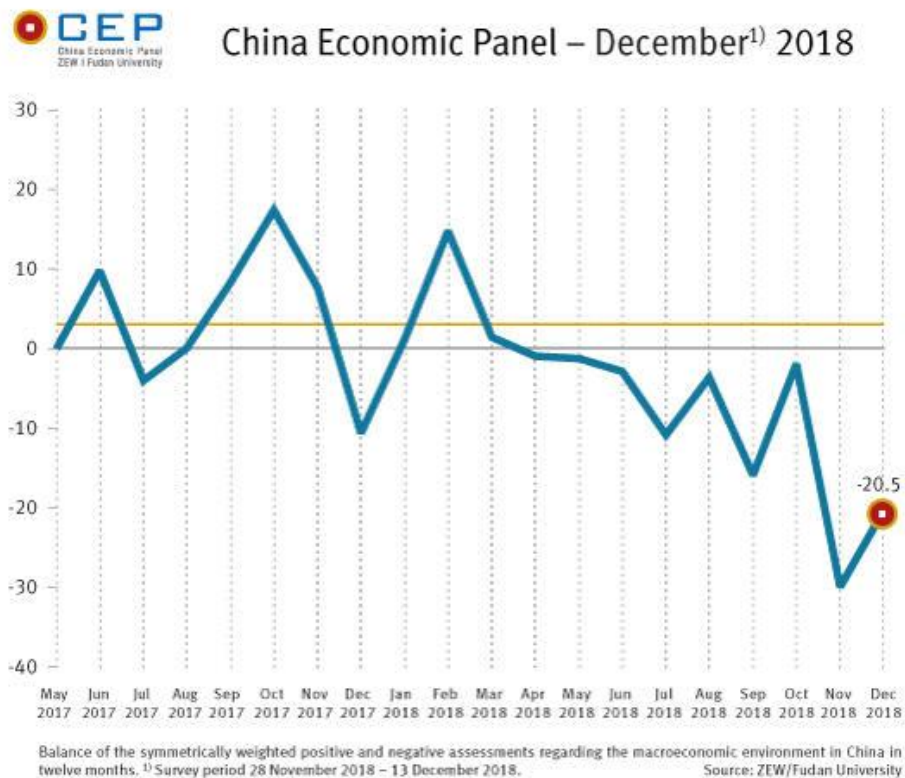
## Economic Expectations for China Rise, but Remain Very Negative

Expectations regarding the Chinese economy improved in the most recent survey for December (28/11/2018 –13/12/2018). With a current reading of minus 20.5 points, the CEP indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, remains, however, clearly in negative territory. Despite its most recent increase of 9.5 points compared to the previous month (November 2018: minus 30.0 points), the indicator continues to signal an economic downturn.

The indicator has thus remained well below the long-term average of 3.0 points, which has not been exceeded since March 2018.

The point forecasts for 2018 and 2019 have remained unchanged compared to the previous month, with experts expecting the economy to grow by only 6.4 per cent in 2018 and by 6.2 per cent in 2019.

figure 1: CEP Indicator December 2018



source: ZEW/Fudan

The experts' assessment of the economic situation has been seeing a clear decrease since January 2018. While at that time the corresponding indicator was still at 24.0 points, today it is down to 0.0 points.

“On the one hand, this indicates that China’s economy grew slower this year than had previously been estimated. At the same time, this means that the economy could again see a rather weak performance in the fourth quarter of 2018,” says Dr. Michael Schröder, senior researcher in the “International Finance and Financial Management” Department at the Centre for European Economic Research (ZEW), Mannheim, and project leader of the CEP survey.

Experts’ views are very nuanced when it comes to the expectations for the major economic regions in China, with estimates being most unfavourable for Shenzhen (minus 15.6 points) and Chongqing (minus 6.3 points). The twelve-month outlook for the other regions is only slightly better, with expectations ranging from minus three to plus three points. “This relatively subdued outlook is reflected in a very sharp decline in real estate price estimates for all regions,” says Michael Schröder.

ZEW/Fudan China Economic Panel: Results December 2018											
Current economic situation	very good		good		normal		bad		very bad		balance
China	0.0	(+/- 0.0)	18.2	(+14.4)	63.6	(+ 2.0)	18.2	(- 8.7)	0.0	(- 7.7)	0.0 (+19.3)
Eurozone	0.0	(+/- 0.0)	20.0	(+15.8)	65.0	(-22.5)	15.0	(+6.7)	0.0	(+/- 0.0)	2.5 (+4.6)
USA	5.0	(+ 0.8)	35.0	(-15.0)	40.0	(+27.6)	20.0	(- 9.2)	0.0	(- 4.2)	12.5 (+2.1)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
China (CEP-Indicator)	0.0	(- 4.0)	27.3	(+23.3)	13.6	(-18.4)	50.0	(+2.0)	9.1	(- 2.9)	-20.5 (+9.5)
GDP (growth rate) in %	2018Q4			2019Q1			2018			2019	
China	6.3			6.3			6.4			6.2	
Eurozone	2.0			2.0			2.1			2.0	
USA	3.2			3.1			3.2			3.0	
Inflation (CPI) in %	3 months				1 year						
China	2.6(2.5)				2.6(2.6)						
Eurozone	1.7(1.7)				1.7(1.8)						
USA	2.4(2.3)				2.4(2.3)						
Wage Inflation in %	3 months				1 year						
China	7.3(7.4)				6.9(6.9)						
Eurozone	2.3(2.2)				2.3(2.2)						
USA	4.2(4.1)				4.1(4.2)						
Interest rates	3 months				1 year						
SHIBOR (3 months)	3.1(3.0)				3.1(3.0)						
One-year deposit rate	1.5(1.5)				1.5(1.5)						
One-year lending rate	4.3(4.4)				4.3(4.4)						
Stock market indices	3 months				1 year						
SSE Composite Index	2.537(2.677)				2.748(2.801)						
Hang Seng Index	26.221(25.682)				27.128(25.958)						
Growth Enterprise Market Index (SZ)	1.313(1.331)				1.429(1.438)						
WTI Crude Oil (US-Dollar)	56(68)				60(72)						
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance
China M2 growth rate	5.6	(+ 0.6)	27.8	(-12.2)	16.6	(+ 1.6)	44.4	(+14.4)	5.6	(- 4.4)	-8.3 (- 8.3)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Foreign exchange reserves	0.0	(+/- 0.0)	33.3	(- 9.6)	16.7	(+12.0)	38.9	(- 8.7)	11.1	(+ 6.3)	-13.9 (- 6.7)
FDI outflow (out of China)	6.3	(- 3.2)	37.5	(- 0.6)	31.2	(+21.6)	25.0	(- 8.3)	0.0	(- 9.5)	12.6 (+10.2)
FDI inflow (into China)	6.3	(- 3.2)	37.5	(+23.2)	6.2	(-12.8)	50.0	(+ 7.1)	0.0	(-14.3)	0.1 (+19.2)
Export activity	11.1	(+ 2.0)	44.4	(+30.8)	11.1	(- 2.6)	27.8	(-22.2)	5.6	(- 8.0)	13.8 (+36.5)
Import activity	0.0	(+/- 0.0)	50.0	(+22.7)	16.7	(+ 7.6)	22.2	(-32.3)	11.1	(+ 2.0)	2.8 (+25.5)
Private Consumption	0.0	(- 4.5)	56.6	(+28.3)	22.2	(- 9.6)	22.2	(- 5.1)	0.0	(- 9.1)	16.7 (+21.3)
Private Investment	0.0	(- 4.5)	56.6	(+19.2)	22.2	(+ 4.0)	22.2	(- 9.6)	0.0	(- 9.1)	16.7 (+19.0)
Govt. Consumption	27.8	(+ 9.6)	16.7	(-19.7)	11.1	(+ 6.6)	22.2	(- 9.6)	22.2	(+13.1)	2.9 (- 8.5)
Debt Domestic	11.1	(+ 2.0)	44.4	(- 1.1)	5.6	(- 8.0)	27.8	(+ 5.1)	11.1	(+ 2.0)	8.3 (- 3.1)
Debt Foreign	5.6	(- 3.5)	44.4	(+17.1)	11.1	(-34.4)	27.8	(+14.2)	11.1	(+ 6.6)	2.8 (- 8.7)
Employment rate	11.8	(+11.8)	41.2	(+16.2)	35.2	(- 9.8)	11.8	(-18.2)	0.0	(+/- 0.0)	26.5 (+29.0)
Growth rate of new car registrations	5.9	(+ 5.9)	35.3	(+ 6.7)	17.6	(-10.9)	35.3	(- 7.6)	5.9	(+ 5.9)	0.0 (+7.2)
Total share of world trade	18.8	(+18.8)	31.3	(+2.7)	18.6	(-14.7)	31.3	(- 2.0)	0.0	(- 4.8)	18.8 (+26.0)
Exchange rates	3 months				1 year						
Yuan / US-Dollar	6.98(6.99)				7.11(7.18)						
Yuan / Euro	7.89(7.84)				8.00(8.05)						
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Retail banking	0.0	(+/- 0.0)	23.5	(- 6.5)	23.5	(+ 3.5)	47.1	(- 2.9)	5.9	(+ 5.9)	-17.7 (- 7.7)
Investment banking	0.0	(+/- 0.0)	17.6	(- 2.4)	29.5	(- 0.5)	52.9	(+17.9)	0.0	(-15.0)	-17.7 (+4.8)
Insurance	12.5	(+ 7.5)	12.5	(-12.5)	12.4	(- 2.6)	56.3	(+6.3)	6.3	(+ 1.3)	-15.7 (- 3.2)
Automotive	5.9	(- 3.6)	29.4	(+10.4)	17.6	(- 1.5)	35.3	(-12.3)	11.8	(+ 7.0)	-8.9 (+0.7)
Chemical / Pharmaceutical	6.3	(- 3.2)	25.0	(+20.2)	18.7	(- 9.8)	37.5	(-14.9)	12.5	(+ 7.7)	-12.5 (+6.6)
Machinery / Engineering	5.9	(+ 1.1)	35.3	(+25.8)	17.6	(-20.5)	35.3	(+ 2.0)	5.9	(- 8.4)	0.0 (+21.4)
Electronics	11.8	(+ 7.3)	35.3	(+ 3.5)	11.7	(-15.7)	41.2	(+18.5)	0.0	(-13.6)	8.9 (+13.5)
Retail and commerce	11.1	(+ 1.6)	27.8	(+ 4.0)	27.8	(+ 3.9)	22.2	(-11.1)	11.1	(+ 1.6)	2.8 (+7.6)
Construction	11.1	(+11.1)	38.9	(+15.1)	11.1	(-22.2)	38.9	(+ 0.8)	0.0	(- 4.8)	11.1 (+23.1)
Energy	12.5	(+ 2.5)	37.5	(+17.5)	12.5	(-17.5)	25.0	(+/- 0.0)	12.5	(- 2.5)	6.3 (+13.8)
Information Technology	18.8	(+ 8.8)	25.0	(+/- 0.0)	12.4	(- 2.6)	31.3	(- 3.7)	12.5	(- 2.5)	3.2 (+13.2)
Services	18.8	(+13.8)	25.0	(+ 5.0)	12.4	(-17.6)	25.0	(-10.0)	18.8	(+ 8.8)	0.0 (+12.5)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
Beijing	0.0	(- 9.5)	29.4	(+10.4)	35.3	(- 7.6)	35.3	(+ 6.7)	0.0	(+/- 0.0)	-3.0 (- 7.7)
Shanghai	0.0	(- 9.5)	35.3	(+16.3)	35.3	(+ 1.9)	29.4	(- 3.9)	0.0	(- 4.8)	3.0 (+5.5)
Hong Kong	0.0	(+/- 0.0)	47.1	(+28.1)	17.6	(-20.5)	29.4	(-13.5)	5.9	(+ 5.9)	3.0 (+15.0)
Guangzhou	0.0	(+/- 0.0)	37.5	(+13.7)	25.0	(- 8.4)	37.5	(+ 4.2)	0.0	(- 9.5)	0.0 (+14.3)
Shenzhen	6.3	(+ 1.5)	25.0	(+ 6.0)	12.4	(-16.2)	43.8	(+10.5)	12.5	(- 1.8)	-15.6 (+1.1)
Tianjin	0.0	(- 4.8)	37.5	(+13.7)	24.9	(-13.2)	31.3	(+12.3)	6.3	(- 8.0)	-3.2 (+3.9)
Chongqing	0.0	(- 5.0)	31.3	(+11.3)	31.1	(- 3.9)	31.3	(+ 6.3)	6.3	(- 8.7)	-6.3 (+6.2)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Beijing	0.0	(- 9.5)	47.1	(- 5.3)	17.6	(-11.0)	35.3	(+25.8)	0.0	(+/- 0.0)	5.9 (-25.1)
Shanghai	5.9	(- 3.6)	41.2	(-11.2)	17.6	(- 6.2)	35.3	(+21.0)	0.0	(+/- 0.0)	8.9 (-19.7)
Hong Kong	11.8	(- 2.5)	35.3	(-17.1)	5.8	(-13.2)	41.2	(+26.9)	5.9	(+ 5.9)	3.0 (-30.4)
Guangzhou	0.0	(- 9.5)	43.8	(-18.1)	18.7	(+ 9.1)	37.5	(+18.5)	0.0	(+/- 0.0)	3.2 (-27.8)
Shenzhen	6.3	(- 3.2)	43.8	(-13.3)	12.4	(- 2.0)	37.5	(+18.5)	0.0	(+/- 0.0)	9.5 (-19.1)
Tianjin	0.0	(- 9.5)	37.5	(-14.9)	37.4	(+18.3)	18.8	(- 0.2)	6.3	(+ 6.3)	3.1 (-23.1)
Chongqing	0.0	(- 9.5)	37.5	(-10.1)	43.7	(+29.4)	12.5	(-16.1)	6.3	(+ 6.3)	6.2 (-12.8)

Note: 22 analysts participated in the December survey, which was conducted during the period 11/28-12/13/2018. 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.