

China Economic Panel (CEP)

// December 2020

Results of the December survey in detail

Outlook for China Remains Very Positive

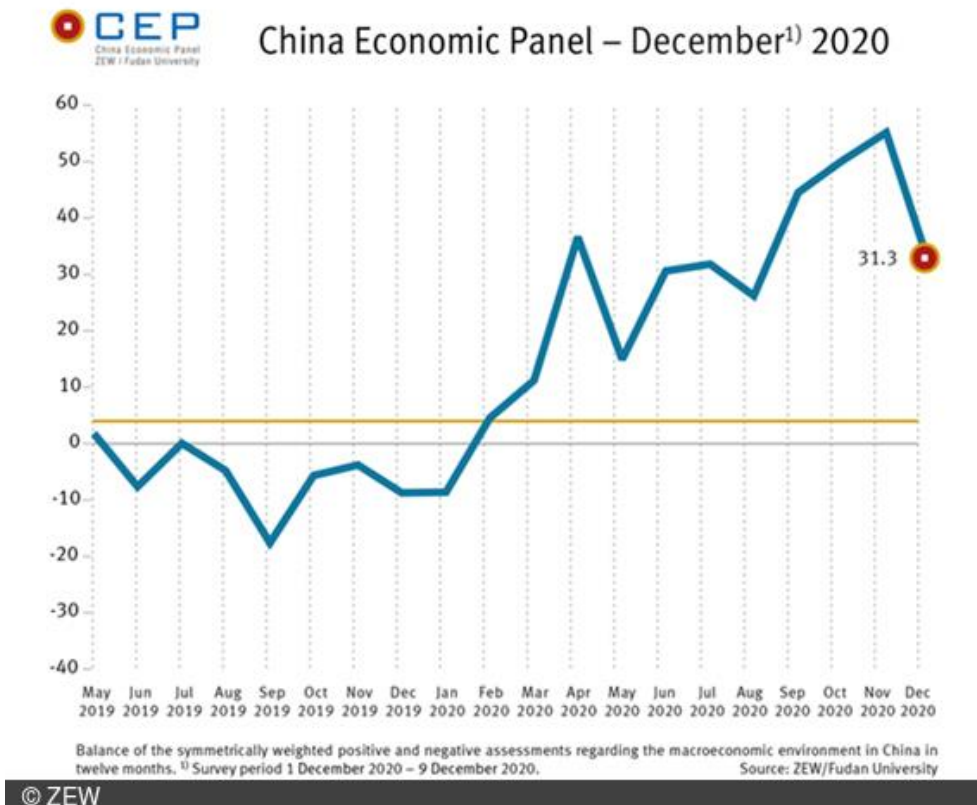
CEP Indicator Currently Stands at 31.3 Points

In the December survey (1 – 9 December 2020), the CEP indicator decreased by 23.7 points to a new reading of 31.3 points.

Although this marks a sharp decline, expectations are still at a historically high level. 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 again rose significantly. The corresponding indicator gained 13.8 points and climbed to a level of 43.8 points, reaching the highest value since the survey began in 2013.

figure 1: CEP Indicator December 2020



source: ZEW/Fudan

“The outlook according to both the CEP indicator and the situation indicator remains very positive. For the coming year 2021, the experts expect growth rates to return to Chinese pre-COVID-19 levels,” comments Dr. Michael Schröder, researcher in the “International Finance and Financial Management” Research Department at ZEW Mannheim, on the survey results.

State measures to support the economy expected to continue

With a few exceptions – in construction and among service providers – the assessments of the individual sectors have improved very significantly. At the top of the list is the chemicals/pharmaceuticals sector, which is likely to benefit in particular from increased demand for vaccines against the coronavirus. However, earnings are also expected to develop at a high level in the other sectors. The majority of experts continue to expect a further increase in both government consumption and domestic debt. They thus predict a continuation of the government’s interventionist economic policy.

“With regard to the major economic regions, it is becoming increasingly apparent that the importance of Hong Kong is likely to decline significantly. For some time now, expectations concerning the development of Hong Kong’s economic output have been in negative territory. This contrasts sharply with expectations for the economic region of Shenzhen, for example, which is located close to Hong Kong,” says Michael Schröder. This result is supported by the forecast for real estate prices. While the corresponding indicator for Hong Kong has been strongly negative for months, signaling a decline in property prices, Shenzhen is expected to see a sharp increase.

ZEW/Fudan China Economic Panel: Results December 2020											
Current economic situation	very good		good		normal		bad		very bad		balance
China	12.5	(+ 7.5)	62.5	(+ 7.5)	25.0	(-10.0)	0.0	(- 5.0)	0.0	(+ 0.0)	43.8 (+13.8)
Eurozone	7.1	(+ 7.1)	0.0	(+ 0.0)	35.7	(+19.0)	42.9	(-40.4)	14.3	(+14.3)	-28.7 (+13.0)
USA	0.0	(+ 0.0)	14.3	(+14.3)	28.6	(-15.6)	35.7	(-14.3)	21.4	(+15.8)	-32.1 (- 1.5)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
China (CEP-Indicator)	31.3	(+ 1.3)	18.8	(-31.2)	31.1	(+11.1)	18.8	(+18.8)	0.0	(+ 0.0)	31.3 (-23.7)
GDP (growth rate) in %	2020Q4			2021Q1			2020			2021	
China	5.1			10.4			2.9			6.6	
Eurozone	-4.6			-1.9			-5.3			1.8	
USA	-2.7			-2.2			-3.4			2.3	
Inflation (CPI) in %	3 months					1 year					
China	0.9(1.4)					1.9(2.1)					
Eurozone	0.2(0.0)					0.5(0.6)					
USA	1.1(1.2)					1.7(1.6)					
Wage Inflation in %	3 months					1 year					
China	5.0(5.5)					6.0(6.4)					
Eurozone	3.5(3.4)					3.4(3.3)					
USA	2.6(1.9)					2.8(2.5)					
Interest rates	3 months					1 year					
SHIBOR (3 months)	3.1(3.0)					3.0(2.9)					
One-year deposit rate	1.5(1.6)					1.6(1.6)					
One-year lending rate	4.2(4.2)					4.1(4.2)					
Stock market indices	3 months					1 year					
SSE Composite Index	3,108(3,367)					3,313(3,496)					
Hang Seng Index	26,450(25,188)					27,654(25,725)					
Growth Enterprise Market Index (SZ)	2,726(2,735)					2,929(2,840)					
WTI Crude Oil (US-Dollar)	45(39)					48(45)					
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance
China M2 growth rate	15.4	(+ 3.6)	53.8	(+ 6.7)	30.8	(+ 7.3)	0.0	(-17.6)	0.0	(+ 0.0)	42.3 (+15.7)
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Foreign exchange reserves	0.0	(-11.1)	57.1	(+18.2)	21.5	(-11.8)	21.4	(+ 4.7)	0.0	(+ 0.0)	17.9 (- 4.3)
FDI outflow (out of China)	0.0	(- 5.6)	64.3	(+ 3.2)	7.2	(- 9.4)	21.4	(+10.3)	7.1	(+ 1.5)	14.4 (-10.6)
FDI inflow (into China)	14.3	(+ 8.7)	50.0	(+11.1)	7.1	(- 9.5)	28.6	(-10.3)	0.0	(+ 0.0)	25.0 (+19.4)
Export activity	26.7	(+ 4.5)	53.3	(+ 3.3)	13.3	(- 3.4)	6.7	(- 4.4)	0.0	(+ 0.0)	50.0 (+ 8.3)
Import activity	0.0	(-22.2)	73.3	(+40.0)	6.7	(-15.6)	13.3	(- 8.9)	6.7	(+ 6.7)	23.3 (- 4.5)
Private Consumption	13.3	(- 2.5)	40.0	(-12.6)	40.0	(+13.7)	6.7	(+ 1.4)	0.0	(+ 0.0)	30.0 (- 9.5)
Private Investment	13.3	(+ 2.8)	40.0	(-12.6)	20.0	(- 1.1)	20.0	(+ 9.5)	6.7	(+ 1.4)	16.6 (- 9.7)
Govt. Consumption	33.3	(- 3.5)	60.0	(+12.6)	6.7	(+ 1.4)	0.0	(-10.5)	0.0	(+ 0.0)	63.3 (+ 8.0)
Debt Domestic	42.9	(+ 4.0)	57.1	(+ 1.6)	0.0	(+ 0.0)	0.0	(- 5.6)	0.0	(+ 0.0)	71.5 (+ 7.6)
Debt Foreign	7.1	(+ 1.5)	50.0	(- 5.6)	28.6	(+ 0.9)	14.3	(+ 3.2)	0.0	(+ 0.0)	25.0 (- 2.9)
Employment rate	13.3	(- 3.4)	46.7	(+ 7.8)	20.0	(- 7.7)	13.3	(+ 2.2)	6.7	(+ 1.1)	23.3 (- 1.7)
Growth rate of new car registrations	20.0	(- 2.2)	40.0	(+ 1.1)	26.7	(- 1.1)	13.3	(+ 2.2)	0.0	(+ 0.0)	33.4 (- 2.7)
Total share of world trade	40.0	(+12.2)	40.0	(-10.0)	13.3	(+ 2.2)	6.7	(- 4.4)	0.0	(+ 0.0)	56.7 (+ 9.4)
Exchange rates	3 months					1 year					
Yuan / US-Dollar	6.55(6.71)					6.64(6.76)					
Yuan / Euro	7.78(7.68)					7.83(7.76)					
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Retail banking	0.0	(-12.5)	69.7	(+29.2)	25.0	(-12.5)	8.3	(- 4.2)	0.0	(+ 0.0)	29.2 (+ 4.2)
Investment banking	0.0	(-12.5)	75.0	(+25.0)	16.7	(- 8.3)	8.3	(- 4.2)	0.0	(+ 0.0)	33.4 (+ 2.1)
Insurance	18.2	(+ 5.7)	63.6	(+ 7.3)	9.1	(-22.1)	9.1	(+ 9.1)	0.0	(+ 0.0)	45.5 (+ 4.8)
Automotive	25.0	(+12.5)	41.7	(- 8.3)	8.3	(-10.4)	25.0	(+ 6.2)	0.0	(+ 0.0)	33.4 (+ 3.4)
Chemical / Pharmaceutical	33.3	(+14.5)	50.0	(- 6.3)	16.7	(+ 4.3)	0.0	(-12.5)	0.0	(+ 0.0)	58.3 (+17.6)
Machinery / Engineering	33.3	(+ 8.3)	41.7	(- 8.3)	8.3	(- 4.2)	16.7	(+ 4.2)	0.0	(+ 0.0)	45.8 (+ 2.0)
Electronics	33.3	(+14.5)	25.0	(-25.0)	33.4	(+ 8.5)	8.3	(+ 2.0)	0.0	(+ 0.0)	41.7 (+ 1.0)
Retail and commerce	16.7	(+ 4.9)	50.0	(- 8.8)	33.3	(+ 3.9)	0.0	(+ 0.0)	0.0	(+ 0.0)	41.7 (+ 0.5)
Construction	16.7	(- 8.3)	50.0	(-18.8)	16.6	(+10.4)	16.7	(+16.7)	0.0	(+ 0.0)	33.4 (-26.0)
Energy	25.0	(+ 6.2)	41.7	(-20.8)	33.3	(+27.1)	0.0	(-12.5)	0.0	(+ 0.0)	45.9 (+ 2.1)
Information Technology	41.7	(+10.4)	41.7	(- 8.3)	8.3	(-10.4)	8.3	(+ 8.3)	0.0	(+ 0.0)	58.4 (+ 2.1)
Services	33.3	(+ 2.0)	41.7	(- 8.3)	25.0	(+ 6.3)	0.0	(+ 0.0)	0.0	(+ 0.0)	54.2 (- 2.1)
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance
Beijing	25.0	(+ 6.2)	25.0	(-25.0)	41.7	(+16.8)	8.3	(+ 2.0)	0.0	(+ 0.0)	33.4 (- 7.3)
Shanghai	25.0	(+ 0.0)	33.3	(-10.5)	41.7	(+16.8)	0.0	(- 6.3)	0.0	(+ 0.0)	41.7 (- 2.1)
Hong Kong	16.7	(+16.7)	8.3	(-16.7)	25.0	(- 6.2)	41.7	(+10.4)	8.3	(- 4.2)	-8.3 (+ 7.4)
Guangzhou	25.0	(+11.7)	41.7	(+ 1.7)	25.0	(-15.0)	8.3	(+ 1.6)	0.0	(+ 0.0)	41.7 (+11.7)
Shenzhen	25.0	(+11.7)	58.3	(- 1.7)	16.7	(-10.0)	0.0	(+ 0.0)	0.0	(+ 0.0)	54.2 (+10.9)
Tianjin	16.7	(+ 3.4)	0.0	(-26.7)	58.3	(+38.3)	25.0	(- 8.3)	0.0	(- 6.7)	4.2 (+ 0.9)
Chongqing	25.0	(+11.7)	8.3	(-18.4)	50.0	(+16.7)	16.7	(-10.0)	0.0	(+ 0.0)	20.8 (+ 7.5)
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance
Beijing	0.0	(-12.5)	50.0	(+18.7)	33.3	(-16.6)	16.7	(+10.4)	0.0	(+ 0.0)	16.7 (- 8.3)
Shanghai	8.3	(- 4.2)	66.7	(+29.2)	16.7	(-33.3)	8.3	(+ 8.3)	0.0	(+ 0.0)	37.5 (+ 6.2)
Hong Kong	0.0	(+ 0.0)	25.0	(+12.5)	8.3	(-22.9)	50.0	(+ 0.0)	16.7	(+10.4)	-29.2 (- 4.1)
Guangzhou	0.0	(-13.3)	66.7	(+33.4)	16.6	(-23.5)	16.7	(+ 3.4)	0.0	(+ 0.0)	25.0 (+ 1.7)
Shenzhen	8.3	(-18.4)	75.0	(+28.3)	16.7	(+ 3.4)	0.0	(-13.3)	0.0	(+ 0.0)	45.8 (+ 2.4)
Tianjin	8.3	(- 5.0)	8.3	(-11.7)	33.4	(+13.3)	41.7	(+ 8.4)	8.3	(- 5.0)	-16.7 (-10.0)
Chongqing	0.0	(-13.3)	33.3	(+13.3)	33.4	(- 6.6)	33.3	(+13.3)	0.0	(- 6.7)	0.0 (- 6.6)

Note: 16 analysts participated in the December survey, which was conducted during the period 12/1-12/9/2020. The analysts were asked about their expectations for the respective time horizons (1 = 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.