

Press Release

ZEW

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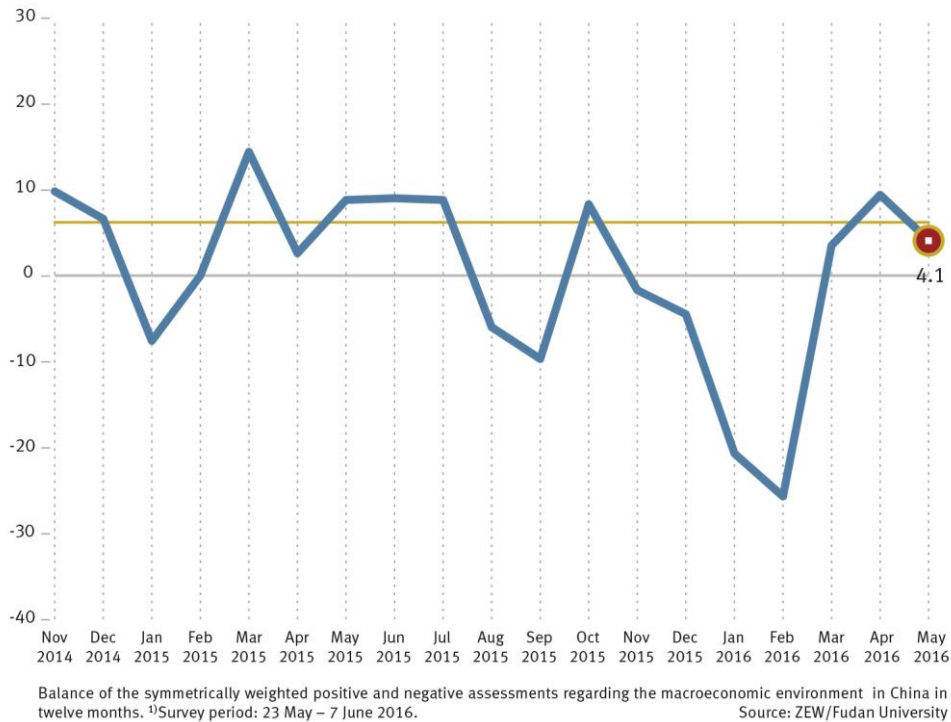
**China Economic Panel (CEP) of ZEW and Fudan
University, Shanghai**

Economic Expectations for China Slightly Worsen

Expectations for the Chinese business cycle have slightly worsened in the current survey period (23/05/2016 – 07/06/2016). The CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, has dropped by 5.3 points to a current reading of 4.1 points.

For three months, the indicator has been fluctuating within a relatively narrow range around its long-term average of 6.2 points. This means that the surveyed experts expect a similarly strong growth as in recent years. To be precise, the respondents predict an annual GDP growth rate of 6.6 per cent for the current year and 6.4 per cent for 2017.

The principle drivers of economic growth are private consumption and consumer-related services such as information technology and telecommunications, as well as the insurance sector. For the chemicals and automobile industries, growth expectations have improved drastically compared to the April survey. With regard to the individual economic regions, the forecasts for Chongqing, Shenzhen and Shanghai are particularly positive.



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The Mannheim Centre for European Economic Research (ZEW)

ZEW works in the field of frontier empirical research in economics. The institute especially distinguished itself by working on internationally comparative studies in the context of Europe and by creating important scientific data bases, e.g. the Mannheim Innovation Panel (MIP) and the ZEW Start-up Panel. ZEW's key objectives are to conduct excellent economic research, provide science-based economic policy advice and transfer knowledge. ZEW was founded in 1991. ZEW currently has a staff of approximately 190 employees, two thirds of whom are researchers.

Research at ZEW:

Labour Markets, Human Resources and Social Policy; Industrial Economics and International Management; Information and Communication Technologies; International Finance and Financial Management; Environmental and Resource Economics, Environmental Management; Corporate Taxation and Public Finance; International Distribution and Redistribution; Competition and Regulation; Market Design.

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ZEW/Fudan China Economic Panel: Results May 2016

Current economic situation	very good		good		normal		bad		very bad		balance					
China	4.3	(+ 4.3)	0.0	(- 9.4)	82.7	(+10.9)	13.0	(- 5.8)	0.0	(+/- 0.0)	-2.2	(+ 2.5)				
Eurozone	0.0	(+/- 0.0)	9.1	(+ 5.8)	72.7	(+19.3)	18.2	(-25.1)	0.0	(+/- 0.0)	-4.6	(+15.4)				
USA	4.5	(+ 1.2)	36.4	(+ 9.7)	45.5	(-17.8)	13.6	(+ 6.9)	0.0	(+/- 0.0)	15.9	(+ 2.6)				
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance					
China (CEP-Indicator)	0.0	(- 3.1)	45.8	(+ 5.2)	20.8	(- 7.4)	29.2	(+ 1.1)	4.2	(+ 4.2)	4.1	(- 5.3)				
GDP (growth rate) in %	2016Q2				2016Q3				2016				2017			
China	6.6				6.5				6.6				6.4			
Eurozone	1.5				1.5				1.5				1.5			
USA	0.8				0.9				0.9				1.2			
Inflation (CPI) in %	3 months								1 year							
China	2.6 (2.4)								2.8 (2.5)							
Eurozone	-0.1 (0.0)								0.1 (0.1)							
USA	1.1 (1.0)								1.3 (1.1)							
Interest rates	3 months								1 year							
SHIBOR (3 months)	2.9 (2.8)								3.1 (2.8)							
One-year deposit rate	1.4 (1.4)								1.4 (1.4)							
One-year lending rate	4.3 (4.3)								4.3 (4.2)							
Stock market indices	3 months								1 year							
SSE Composite Index	2.906 (2.986)								3.095 (3.202)							
Hang Seng Index	20.245 (20.575)								20.897 (20.073)							
Growth Enterprise Market Index (SZ)	2.094 (1.987)								2.156 (2.115)							
WTI Crude Oil (US-Dollar)	46 (41)								49 (43)							
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance					
China M2 growth rate	14.3	(- 9.0)	57.1	(+ 0.4)	19.0	(+12.3)	4.8	(- 8.5)	4.8	(+ 4.8)	35.7	(- 9.3)				
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance					
Foreign exchange reserves	14.3	(+14.3)	14.3	(- 7.1)	23.8	(+ 2.3)	38.1	(-19.0)	9.5	(+ 9.5)	-7.1	(+10.8)				
FDI outflow (out of China)	23.8	(+ 9.0)	47.6	(-19.1)	19.1	(+15.4)	9.5	(- 5.3)	0.0	(+/- 0.0)	42.9	(+ 2.1)				
FDI inflow (into China)	4.8	(- 2.3)	19.0	(-13.1)	33.3	(+ 4.6)	38.1	(+ 6.0)	4.8	(+ 4.8)	-9.6	(-16.7)				
Export activity	0.0	(- 3.6)	52.4	(- 4.7)	19.0	(- 2.4)	23.8	(+ 5.9)	4.8	(+ 4.8)	9.5	(-13.7)				
Import activity	0.0	(- 3.6)	38.1	(-22.6)	42.8	(+28.6)	14.3	(- 3.6)	4.8	(+ 1.2)	7.1	(-14.3)				
Domestic consumption	19.0	(+ 4.7)	57.1	(- 3.6)	23.9	(+ 6.0)	0.0	(- 7.1)	0.0	(+/- 0.0)	47.6	(+ 6.5)				
Employment rate	0.0	(+/- 0.0)	42.9	(+ 7.2)	38.1	(- 8.3)	19.0	(+ 1.1)	0.0	(+/- 0.0)	12.0	(+ 3.1)				
Growth rate of new car registrations	9.5	(- 3.8)	57.1	(+23.8)	19.1	(-17.6)	14.3	(- 2.4)	0.0	(+/- 0.0)	30.9	(+ 9.3)				
Total share of world trade	0.0	(- 3.3)	52.4	(- 4.3)	38.1	(+ 8.1)	9.5	(- 0.5)	0.0	(+/- 0.0)	21.5	(- 5.2)				
Exchange rates	3 months								1 year							
Yuan / US-Dollar	6.51 (6.16)								6.60 (6.24)							
US-Dollar / Euro	1.12 (1.34)								1.11 (1.42)							
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance					
Retail banking	5.3	(+ 5.3)	36.8	(-16.8)	31.6	(+17.3)	15.8	(-16.3)	10.5	(+10.5)	5.3	(- 5.5)				
Investment banking	10.5	(- 3.8)	52.6	(- 4.5)	26.4	(+15.7)	10.5	(- 7.4)	0.0	(+/- 0.0)	31.6	(- 2.3)				
Insurance	30.0	(+12.1)	50.0	(-14.3)	15.0	(+ 7.9)	5.0	(- 5.7)	0.0	(+/- 0.0)	52.5	(+ 7.8)				
Automotive	10.5	(+ 0.2)	57.9	(+26.9)	10.5	(-24.1)	21.1	(- 3.0)	0.0	(+/- 0.0)	28.9	(+15.1)				
Chemical / Pharmaceutical	10.5	(- 0.2)	47.4	(+15.3)	31.6	(- 7.7)	10.5	(- 7.4)	0.0	(+/- 0.0)	29.0	(+11.2)				
Machinery / Engineering	5.3	(- 1.6)	26.3	(+ 5.6)	42.0	(+ 7.5)	21.1	(-13.4)	5.3	(+ 1.9)	2.6	(+ 6.0)				
Electronics	11.1	(- 6.1)	55.6	(+ 7.3)	22.2	(- 2.0)	11.1	(+ 0.8)	0.0	(+/- 0.0)	33.4	(- 2.8)				
Retail and commerce	15.8	(- 4.9)	52.6	(+11.2)	26.3	(+ 2.2)	5.3	(- 8.5)	0.0	(+/- 0.0)	39.5	(+ 5.0)				
Construction	11.1	(+ 7.4)	38.9	(+16.7)	22.2	(-14.9)	16.7	(-20.3)	11.1	(+11.1)	11.1	(+14.8)				
Energy	0.0	(- 7.4)	31.6	(+13.1)	42.1	(- 6.1)	15.8	(-10.1)	10.5	(+10.5)	-2.6	(- 6.3)				
Information Technology	27.8	(- 3.0)	44.4	(- 5.6)	27.8	(+20.1)	0.0	(-11.5)	0.0	(+/- 0.0)	50.0	(- 0.1)				
Services	27.8	(-12.9)	50.0	(+20.4)	16.6	(- 2.0)	5.6	(- 5.5)	0.0	(+/- 0.0)	50.0	(+/- 0.0)				
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance					
Beijing	5.0	(+ 1.2)	45.0	(- 1.2)	30.0	(- 4.6)	20.0	(+ 4.6)	0.0	(+/- 0.0)	17.5	(- 1.7)				
Shanghai	5.0	(- 2.7)	50.0	(+/- 0.0)	30.0	(+ 3.1)	15.0	(- 0.4)	0.0	(+/- 0.0)	22.5	(- 2.5)				
Hong Kong	0.0	(- 3.8)	20.0	(- 3.1)	25.0	(+ 5.7)	50.0	(+/- 0.0)	5.0	(+ 1.2)	-20.0	(- 6.5)				
Guangzhou	5.0	(- 2.7)	40.0	(- 6.2)	35.0	(+11.9)	20.0	(+ 0.8)	0.0	(- 3.8)	15.0	(- 2.4)				
Shenzhen	20.0	(+ 8.5)	35.0	(-22.7)	35.0	(+23.4)	10.0	(- 5.4)	0.0	(- 3.8)	32.5	(+ 3.6)				
Tianjin	10.0	(- 2.5)	35.0	(- 2.5)	25.0	(- 8.3)	30.0	(+13.3)	0.0	(+/- 0.0)	12.5	(-10.4)				
Chongqing	20.0	(- 8.0)	40.0	(- 8.0)	30.0	(+22.0)	10.0	(- 6.0)	0.0	(+/- 0.0)	35.0	(- 9.0)				
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance					
Beijing	4.8	(+ 0.8)	57.1	(+ 5.1)	23.8	(-16.2)	9.5	(+ 5.5)	4.8	(+ 4.8)	23.8	(- 4.2)				
Shanghai	4.8	(- 3.2)	57.1	(+13.1)	23.8	(-12.2)	9.5	(- 2.5)	4.8	(+ 4.8)	23.8	(- 0.2)				
Hong Kong	4.8	(+ 4.8)	38.1	(+30.1)	33.3	(- 2.7)	23.8	(-28.2)	0.0	(- 4.0)	12.0	(+38.0)				
Guangzhou	4.8	(+ 4.8)	47.6	(+ 3.6)	28.6	(-11.4)	19.0	(+ 3.0)	0.0	(+/- 0.0)	19.1	(+ 5.1)				
Shenzhen	9.5	(+ 5.5)	33.3	(-10.7)	38.2	(+10.2)	9.5	(-14.5)	9.5	(+ 9.5)	11.9	(- 2.1)				
Tianjin	4.8	(+ 0.6)	33.3	(- 4.2)	42.8	(+ 1.2)	14.3	(- 2.4)	4.8	(+ 4.8)	9.5	(- 5.1)				
Chongqing	14.3	(+10.1)	33.3	(- 8.4)	38.1	(+ 0.7)	14.3	(- 2.4)	0.0	(+/- 0.0)	23.8	(+ 7.1)				

Note: 24 analysts participated in the May survey, which was conducted during the period 5/23-6/7/2016. 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.