

Press Release

Contact:

Gunter Grittmann

Phone +49(0)621-1235-132, Fax -255

E-mail grittmann@zew.de

Felix Kretz

Phone +49(0)621-1235-103, Fax -255

E-mail kretz@zew.de

40/2016

11 May 2016

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

Economic Expectations for China

Characterised by Cautious Optimism

Expectations regarding the development of the Chinese economy have slightly improved in the current survey period (19/04/2016 – 03/05/2016). Rising to a level of 9.4 points, the CEP Indicator, which reflects the expectations of international financial market experts regarding China's macroeconomic development over the coming twelve months, has exceeded its long-term average of 6.2 points for the first time in many months.

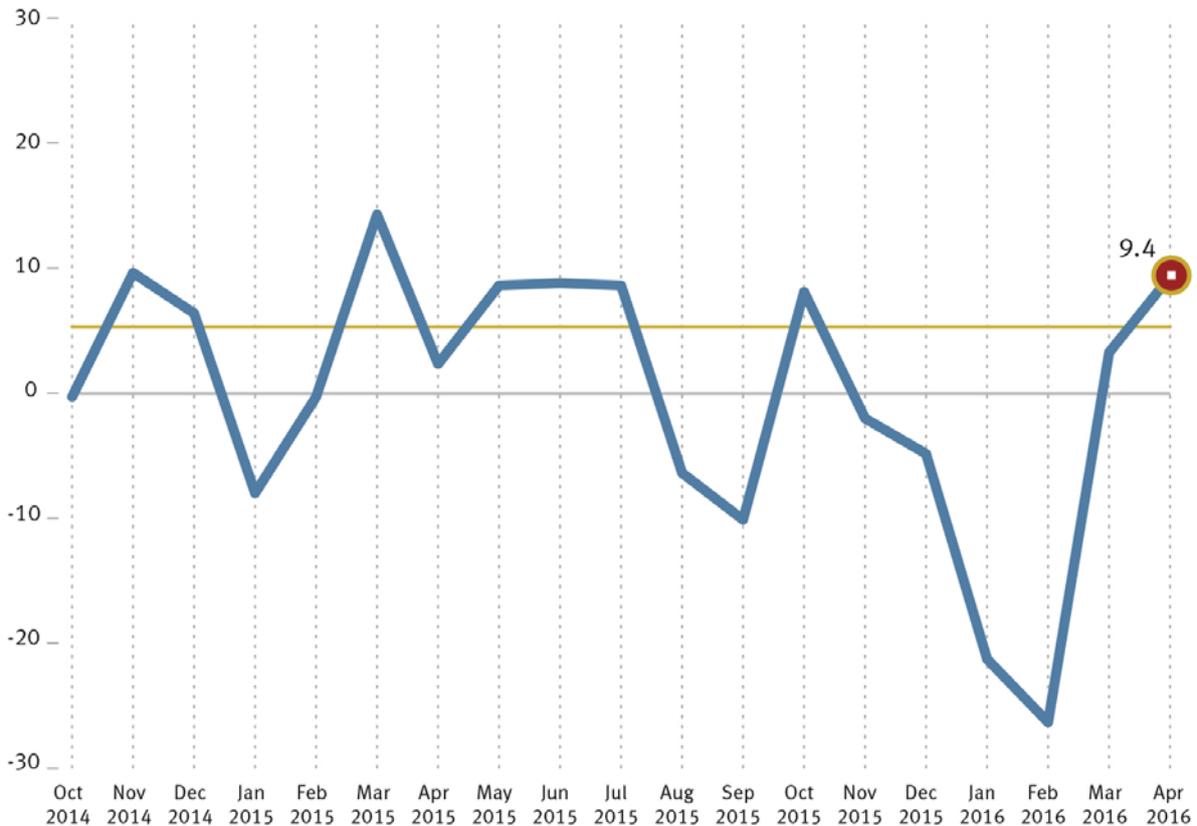
However, the point forecasts for the Chinese GDP have remained unaffected by the fluctuations displayed by the CEP Indicator in the past few months, and now stand at 6.6 per cent for the current year and at 6.5 per cent for 2017.

It seems therefore that private consumption remains the central pillar of the Chinese economy. The moment the expectations of the experts materialise and employment

increases, the income of households will continue to rise and private spending will go up. In total, the results of the survey show that the survey participants expect the economy to stabilise at a moderate level.

Despite the hint of optimism regarding the further economic development, the experts only show little confidence in Chinese stock markets in their twelve-month forecasts. On average, share indexes are expected to see a decline in prices. This holds particularly true for the Hang Seng Index and the Growth Enterprise Market Index.

Given the slightly improved economic outlook, the experts also expect an appreciation of the Yuan against the USD, associated with a lower outflow of foreign currency deposits.



Balance of the symmetrically weighted positive and negative assessments regarding the macroeconomic environment in China in twelve months. ¹⁾Survey period: 19/04/2016 until 03/05/2016. Source: ZEW/Fudan University

For more information please contact:

Dr. Michael Schröder, Phone +49(0)621/1235-368, E-mail: schroeder@zew.de

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

ZEW/Fudan China Economic Panel: Results April 2016

Current economic situation	very good		good		normal		bad		very bad		balance					
China	0.0	(+/- 0.0)	9.4	(+ 2.5)	71.8	(+ 6.3)	18.8	(- 8.8)	0.0	(+/- 0.0)	-4.7	(+ 5.7)				
Eurozone	0.0	(+/- 0.0)	3.3	(- 0.4)	53.4	(- 2.2)	43.3	(+ 2.6)	0.0	(+/- 0.0)	-20.0	(- 1.5)				
USA	3.3	(- 0.4)	26.7	(-17.7)	63.3	(+11.4)	6.7	(+ 6.7)	0.0	(+/- 0.0)	13.3	(-12.6)				
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance					
China (CEP-Indicator)	3.1	(+ 3.1)	40.6	(- 4.2)	28.2	(+ 7.4)	28.1	(- 2.9)	0.0	(- 3.4)	9.4	(+ 5.9)				
GDP (growth rate) in %	2016Q2				2016Q3				2016				2017			
China	6.6				6.6				6.6				6.5			
Eurozone	1.5				1.6				1.5				1.6			
USA	2.0				2.0				1.9				2.1			
Inflation (CPI) in %	3 months								1 year							
China	2.4 (2.4)								2.5 (2.6)							
Eurozone	0.0 (0.0)								0.1 (0.2)							
USA	1.0 (1.1)								1.1 (1.3)							
Interest rates	3 months								1 year							
SHIBOR (3 months)	2.8 (2.7)								2.8 (2.6)							
One-year deposit rate	1.4 (1.5)								1.4 (1.3)							
One-year lending rate	4.3 (4.3)								4.2 (4.1)							
Stock market indices	3 months								1 year							
SSE Composite Index	2,986 (3,111)								3,202 (3,299)							
Hang Seng Index	20,575 (20,511)								20,073 (20,970)							
Growth Enterprise Market Index (SZ)	1,987 (2,296)								2,115 (2,386)							
WTI Crude Oil (US-Dollar)	41 (40)								43 (42)							
Monetary aggregate M2 (6 M)	increase		slightly increase		not change		slightly decrease		decrease		balance					
China M2 growth rate	23.3	(- 4.7)	56.7	(+ 0.7)	6.7	(- 5.3)	13.3	(+ 9.3)	0.0	(+/- 0.0)	45.0	(- 9.0)				
Specific indicators China (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance					
Foreign exchange reserves	0.0	(+/- 0.0)	21.4	(+ 9.9)	21.5	(- 1.6)	57.1	(+14.8)	0.0	(-23.1)	-17.9	(+20.6)				
FDI outflow (out of China)	14.8	(- 1.2)	66.7	(+14.7)	3.7	(-12.3)	14.8	(+ 2.8)	0.0	(- 4.0)	40.8	(+ 8.8)				
FDI inflow (into China)	7.1	(+ 7.1)	32.1	(-11.9)	28.7	(+12.7)	32.1	(+ 0.1)	0.0	(- 8.0)	7.1	(+ 9.1)				
Export activity	3.6	(+ 3.6)	57.1	(+18.6)	21.4	(+ 6.1)	17.9	(-20.6)	0.0	(- 7.7)	23.2	(+30.9)				
Import activity	3.6	(- 4.1)	60.7	(+14.5)	14.2	(- 1.2)	17.9	(- 9.0)	3.6	(- 0.2)	21.4	(+ 7.8)				
Domestic consumption	14.3	(- 1.1)	60.7	(+ 3.0)	17.9	(- 5.2)	7.1	(+ 3.3)	0.0	(+/- 0.0)	41.1	(- 1.3)				
Employment rate	0.0	(+/- 0.0)	35.7	(+20.3)	46.4	(-15.1)	17.9	(- 5.2)	0.0	(+/- 0.0)	8.9	(+12.8)				
Growth rate of new car registrations	13.3	(+ 9.3)	33.3	(-30.7)	36.7	(+20.7)	16.7	(+ 0.7)	0.0	(+/- 0.0)	21.6	(- 6.4)				
Total share of world trade	3.3	(- 0.7)	56.7	(+ 0.7)	30.0	(+ 6.0)	10.0	(- 2.0)	0.0	(- 4.0)	26.7	(+ 4.7)				
Exchange rates	3 months								1 year							
Yuan / US-Dollar	6.16 (6.54)								6.24 (6.67)							
US-Dollar / Euro	1.34 (1.12)								1.42 (1.14)							
Sectors (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance					
Retail banking	0.0	(+/- 0.0)	53.6	(+ 8.1)	14.3	(- 8.4)	32.1	(+13.9)	0.0	(-13.6)	10.8	(+10.7)				
Investment banking	14.3	(+ 0.7)	57.1	(+11.6)	10.7	(-16.6)	17.9	(+ 8.8)	0.0	(- 4.5)	33.9	(+ 6.6)				
Insurance	17.9	(- 8.2)	64.3	(+ 7.8)	7.1	(- 1.6)	10.7	(+ 2.0)	0.0	(+/- 0.0)	44.7	(- 5.3)				
Automotive	10.3	(- 2.7)	31.0	(- 3.8)	34.6	(+17.2)	24.1	(-10.7)	0.0	(+/- 0.0)	13.8	(+ 0.8)				
Chemical / Pharmaceutical	10.7	(+ 6.4)	32.1	(-11.4)	39.3	(+ 8.8)	17.9	(- 3.8)	0.0	(+/- 0.0)	17.8	(+ 2.6)				
Machinery / Engineering	6.9	(+ 6.9)	20.7	(- 6.6)	34.5	(+ 2.7)	34.5	(- 1.9)	3.4	(- 1.1)	-3.4	(+ 5.7)				
Electronics	17.2	(+ 3.6)	48.3	(+11.9)	24.2	(- 7.6)	10.3	(- 7.9)	0.0	(+/- 0.0)	36.2	(+13.5)				
Retail and commerce	20.7	(+ 2.5)	41.4	(+ 5.0)	24.1	(- 7.7)	13.8	(+ 0.2)	0.0	(+/- 0.0)	34.5	(+ 4.9)				
Construction	3.7	(+ 3.7)	22.2	(-25.6)	37.1	(+15.3)	37.0	(+19.6)	0.0	(-13.0)	-3.7	(- 5.9)				
Energy	7.4	(+ 7.4)	18.5	(+ 4.2)	48.2	(+ 0.6)	25.9	(- 7.4)	0.0	(- 4.8)	3.7	(+18.0)				
Information Technology	30.8	(- 1.0)	50.0	(+ 4.5)	7.7	(-10.5)	11.5	(+ 7.0)	0.0	(+/- 0.0)	50.1	(- 2.2)				
Services	40.7	(+ 4.3)	29.6	(- 2.2)	18.6	(- 4.1)	11.1	(+ 2.0)	0.0	(+/- 0.0)	50.0	(+ 2.2)				
Economic expectation (1 Y)	improve		slightly improve		not change		slightly worsen		worsen		balance					
Beijing	3.8	(+ 3.8)	46.2	(- 6.0)	34.6	(- 0.2)	15.4	(+ 2.4)	0.0	(+/- 0.0)	19.2	(- 0.4)				
Shanghai	7.7	(+ 7.7)	50.0	(-10.9)	26.9	(+ 5.2)	15.4	(- 2.0)	0.0	(+/- 0.0)	25.0	(+ 3.2)				
Hong Kong	3.8	(+ 3.8)	23.1	(+14.4)	19.3	(-19.8)	50.0	(+15.2)	3.8	(-13.6)	-13.5	(+17.0)				
Guangzhou	7.7	(+ 7.7)	46.2	(+15.8)	23.1	(-33.5)	19.2	(+ 6.2)	3.8	(+ 3.8)	17.4	(+ 8.7)				
Shenzhen	11.5	(- 1.5)	57.7	(+14.2)	11.6	(-14.5)	15.4	(- 2.0)	3.8	(+ 3.8)	28.9	(+ 2.8)				
Tianjin	12.5	(+ 3.8)	37.5	(+15.8)	33.3	(-14.6)	16.7	(- 5.0)	0.0	(+/- 0.0)	22.9	(+14.2)				
Chongqing	28.0	(+ 1.9)	48.0	(+21.9)	8.0	(-26.8)	16.0	(+ 3.0)	0.0	(+/- 0.0)	44.0	(+11.3)				
Real estate price expectation (1 Y)	increase		slightly increase		not change		slightly decrease		decrease		balance					
Beijing	4.0	(- 9.0)	52.0	(-17.6)	40.0	(+31.3)	4.0	(- 4.7)	0.0	(+/- 0.0)	28.0	(-15.5)				
Shanghai	8.0	(-13.7)	44.0	(- 8.2)	36.0	(+27.2)	12.0	(- 1.0)	0.0	(- 4.3)	24.0	(-13.0)				
Hong Kong	0.0	(- 4.3)	8.0	(- 9.4)	36.0	(+ 9.9)	52.0	(+17.2)	4.0	(-13.4)	-26.0	(- 4.2)				
Guangzhou	0.0	(- 8.7)	44.0	(+ 0.5)	40.0	(+13.9)	16.0	(- 5.7)	0.0	(+/- 0.0)	14.0	(- 5.6)				
Shenzhen	4.0	(- 9.0)	44.0	(+ 0.5)	28.0	(+ 1.9)	24.0	(+15.3)	0.0	(- 8.7)	14.0	(- 7.7)				
Tianjin	4.2	(- 4.5)	37.5	(+20.1)	41.6	(-10.6)	16.7	(- 5.0)	0.0	(+/- 0.0)	14.6	(+ 8.0)				
Chongqing	4.2	(-13.2)	41.7	(+20.0)	37.4	(- 1.8)	16.7	(- 0.7)	0.0	(- 4.3)	16.7	(+ 1.4)				

Note: 32 analysts participated in the April survey, which was conducted during the period 4/19-5/3/2016. 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.