

Current Chinese Economic Report Series

Center for Macroeconomic
Research at Xiamen University

China's Macroeconomic Outlook

Quarterly Forecast and Analysis Report,
February 2018

 Springer

Current Chinese Economic Report Series

The Current Chinese Economic Reports series provides insights into the economic development of one of the largest and fastest growing economies in the world; though widely discussed internationally, many facets of its current development remain unknown to the English speaking world. All reports contain new data, which was previously unknown or unavailable outside of China. The series covers regional development, industry reports, as well as special topics like environmental or demographical issues.

More information about this series at <http://www.springer.com/series/11028>

Center for Macroeconomic Research at
Xiamen University

China's Macroeconomic Outlook

Quarterly Forecast and Analysis Report,
February 2018

Center for Macroeconomic Research at
Xiamen University
Xiamen University
Xiamen, Fujian, China

ISSN 2194-7937 ISSN 2194-7945 (electronic)
Current Chinese Economic Report Series
ISBN 978-981-13-1004-1 ISBN 978-981-13-1005-8 (eBook)
<https://doi.org/10.1007/978-981-13-1005-8>

Library of Congress Control Number: 2018945447

© Springer Nature Singapore Pte Ltd. 2018

This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, express or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Printed on acid-free paper

This Springer imprint is published by the registered company Springer Nature Singapore Pte Ltd. The registered company address is: 152 Beach Road, #21-01/04 Gateway East, Singapore 189721, Singapore

Preface

This report is a partial result of the China's Quarterly Macroeconomic Model (CQMM), a project developed and maintained by the Center for Macroeconomic Research (CMR) at Xiamen University. The CMR, one of the Key Research Institutes of Humanities and Social Sciences sponsored by the Ministry of Education of China, has been focusing on China's economic forecast and macroeconomic policy analysis, and it started to develop the CQMM for the purpose of short-term forecasting, policy analysis, and simulation in 2005.

Based on the CQMM, the CMR and its partners hold press conferences to release forecasts for China's major macroeconomic variables. Since July 2006, 23 quarterly reports on China's macroeconomic outlook have been presented and 12 annual reports have been published.

This report, the twenty-fourth quarterly report, has been presented at the Forum on China's Macroeconomic Outlook and Press Conference of CQMM on February 27, 2018. This conference was jointly held at Beijing, China by Center for Macroeconomic Research at Xiamen University, and Economic Information Daily at Xinhua News Agency.

Xiamen, China

Center for Macroeconomic Research at Xiamen University

Acknowledgements

According to the Chinese Pinyin order of their names, the 128 experts who joined this questionnaire survey were: Bai Peiwen, Chang Xin, Chen Changbing, Chen Gong, Chen Heng, Chen Jianbao, Chen Jinmei, Chen Kunting, Chen Langnan, Chen Menggen, Chen Shoudong, Chen Xikang, Chen Yanbin, Chen Zhiyong, Dai Kuizao, Dong Ximiao, Fan Conglai, Fan Ziyang, Gao Bo, Geng Qiang, Guo Qiyong, Guo Xibao, Guo Xiaohe, Guo Zhiyi, Han Zhaozhou, Hu Ridong, Hwa Erh-cheng, Huang Jianfeng, Huang Maoxing, Huang Xianfeng, Kan Kamhon, Jian Xinhua, Jiang Yongmu, Jin Tao, Li Chunqi, Li Haizheng, Li Jianwei, Li Jun, Li Shi, Li Xuesong, Li Yingdong, Leung Ka Yui Charles, Lin Xuegui, Liu Jianping, Liu Jinqian, Liu Qiongzhi, Liu Shiguo, Liu Yunzhong, Liu Zhibiao, Lui Hon-kwong, Ma Ying, Peng Suling, Qi Jindong, Qin Wei, Chu Wan-wen, Ren Baoping, Ren Ruoen, Shao Yihang, Shen Guobing, Shen Kunrong, Shen Lisheng, Shi Kang, Shi Junyi, Shi Jinchuan, Su Jian, Sun Wei, Tang Jijun, Wang Changyun, Wang Tongshan, Wang Yida, Wang Cheng, Wang Dashu, Wang Guocheng, Wang Jiping, Wang Junbin, Wang Junbo, Wang Liyong, Wang Susheng, Wang Xi, Wang Yanhang, Wang Yueheng, Wen Chuanhao, Wu Kaichao, Wu Xinru, Wu Kangping, Xiao Xingzhi, Xie Danyang, Xie Di, Xie Pan, Xu Xianxiang, Xu Yifan, Xu Bin, Xu Wenbin, Yan Ping, Yang Chengyu, Yang Cuihong, Yang Zhiyong, Yin Heng, Yi Xianrong, Yin Xiongmin, Yu Li, Yu Zuo, Yuan Fuhua, Zang Xuheng, Zeng Wuyi, Zhang Donghui, Zhang Fan, Zhang Liqun, Zhang Liancheng, Zhang Long, Zhang Mingzhi, Zhang Ping, Zhang Shuguang, Chang Gene, Zhang Yifan, Zhao Minghao, Zhao Xijun, Zhao Xiaolei, Zhao Zhenquan, Zhao Zhijun, Zheng Chaoyu, Zhong Chunping, Zhou Liqun, Zhou Zejiang, Zhu, Baohua, Zhu Jianping, Zhu Qigui, and Zhuang Zongming.

The experts who joined this questionnaire survey are from institutions like Baoshang Bank, Ministry of Finance, National Bureau of Statistics, Development Research Center of the State Council, Research Institute of Hengfeng Bank, Research Institute of Minsheng Bank, Tianze Institute of Economic Research, International Department, Central Committee of CPC, Academy of Mathematics and Systems Science of CAS, Center for Forecasting Science of CAS, National

Academy of Economic Strategy of CASS, Institute of Finance and Banking of CASS, Institute of Economics of CASS, Institute of World Economics and Politics of CASS, Institute of Quantitative and Technical Economics of CASS, China Banking Association, Taiwan Chung-Hua Institution for Economic Research, Taiwan Academia Sinica and universities like Anhui University of Finance and Economics, Peking University, Beihang University, Beijing Normal University, Chongqing Technology and Business University, Dongbei University of Finance and Economics, Fujian Normal University, Fudan University, Guangxi University, Hunan University, East China Normal University, Huaqiao University, Huazhong University of Science and Technology, Jilin University, Jinan University, Lanzhou University, Liaoning University, Georgia Institute of Technology, Nanjing University, Nankai University, Qingdao University, Tsinghua University, Shandong University, Shaanxi Normal University, Shanghai University of Finance and Economics, Shanghai University of International Business and Economics, Shanghai Jiao Tong University, Capital University of Economics and Business, Sichuan University, Taiwan University, Tianjin University of Finance and Economics, Tianjin University of Commerce, Wuhan University, Xi'an Jiao Tong University, Northwest University, Southwestern University of Finance and Economics, Xiamen University, City University of Hongkong, University of Hongkong, Hongkong University of Science and Technology, Lingnan University in Hongkong, Chinese University of Hongkong, Yunnan University of Finance and Economics, Zhejiang University of Finance and Economics, Zhejiang University, Zhejiang University of Technology, Renmin University of China, Zhongnan University of Economics and Law, Central South University, China Europe International Business School, Sun Yat-sen University, Central University of Finance and Economics, etc.

For the active participation and insights of all abovementioned experts, we wish to extend our deep thanks.

Contents

1	Review of China's Macroeconomy in 2017	1
1.1	The Economic Structure Continues to Be Optimized, and the Contribution Rate of the Tertiary Industry to GDP Growth Had Increased Substantially	1
1.2	The Contribution of Foreign Trade to GDP Growth Turned to Positive from Negative	3
1.3	The Growth Rate of Investment in Fixed Assets Continues to Fall, and the Growth Rate of State-Owned and Private Investment Continues to Diverge	5
1.4	Industrial Production Growth Continues to Stabilize, and Profit Growth Between State-Owned and Private Enterprises Continues to Diverge	11
1.5	The Growth Rate of Import and Export Rebounded and the RMB Exchange Rate Continued to Rise	14
1.6	CPI Rises Moderately, PPI Begins to Rise, and Residents' Real Income Increases Steadily	16
1.7	The Overall Tightening of Monetary Policy and the Composition of Financial Resources Need to Be Adjusted	18
1.8	The Growth Rate of Fiscal Revenue and Expenditure Had Rebounded and the Income from Land Transfer Had Increased Significantly	20
2	China's Macroeconomic Forecast for 2018–2019	25
2.1	Assumptions of Model Exogenous Variables	25
2.1.1	Economic Growth Rate in the United States and the Eurozone	25
2.1.2	The Main Exchange Rates	26
2.1.3	Growth Rate of Broad Money Supply (M2)	27
2.2	Prediction of China's Main Macroeconomic Indicators for 2018–2019	28

2.2.1	GDP Growth Forecast	28
2.2.2	Major Price Index Forecast	29
2.2.3	Forecast of Other Major Macroeconomic Indicators Growth	30
2.3	Analysis of Potential Factors Affecting Forecast Results	36
2.3.1	Forecast Errors of Several Indicators of China's Economy in 2017	36
2.3.2	Potential Factors Affecting the Outcome of This Forecast	36
3	Policy Effect Simulation	39
3.1	Background Analysis	39
3.2	Simulation Scenario Setting	42
3.3	Policy Simulation Results	43
3.3.1	Scenario 1: Macroeconomic Impact of Leverage Reduction in State-Owned Enterprises	43
4	Policy Recommendations	49
5	Comments and Discussions	55
5.1	The Basic Connotation of High Quality Development	55
5.2	Several Features of Economic Operation	57
5.3	The Connotation of China's Economic Development with High Quality	59
5.4	High Quality Development and Prevention of Systemic Risk	61
5.5	The Local Debt and Prevention of Financial Risk	62
5.6	Being Vigilant on the Continued Downward Risk of Economy	63
5.7	Fighting a Hard Battle for Prevention and Control of Finance Risks	66
5.8	The Pressures of Downward Economic Growth and Institutional Reform	68
5.9	Innovation Actuation and the New Kinetic Energy in China's Economy	70
5.10	New Foundations Formed Preliminarily, and New Features Appearing Gradually—The Analysis and Forecast of Economic Situation in 2018	71
6	Questionnaire Survey on the Macroeconomy of China in 2018	75
6.1	The Economic Situation of the World in 2018	75
6.2	The Forecast of Some Major Indicators of China's Macro-economy in 2018	77
6.3	The Macroeconomic Policies May Be Taken by China in the Future	80
Appendix: The Forecast Made by the 128 Experts on Major Indicators of China's Macro-economy		83