



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (BEIJING TIME), WEDNESDAY, DECEMBER 15, 2010

The Conference Board[®]
China Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX[®]
(LEI) FOR CHINA
AND RELATED COMPOSITE ECONOMIC INDEXES FOR OCTOBER 2010

Next month's release will incorporate annual benchmark revisions to the composite indexes. These regular benchmark revisions bring the indexes up-to-date with revisions in the source data. The revisions do not change the cyclical properties of the indexes. The indexes are updated throughout the year, but only for the previous six months. Data revisions that fall outside of the moving six-month window are incorporated when the benchmark revision is made and the entire histories of the indexes are recomputed. As a result, the revised indexes and their month-over-month changes will no longer be directly comparable to those issued prior to the benchmark revision.

For more information, please visit our website at <http://www.conference-board.org/data/bci.cfm> or contact indicators@conference-board.org.

The Conference Board Leading Economic Index[®] (LEI) for China increased 0.9 percent, and **The Conference Board Coincident Economic Index[®] (CEI)** increased 0.1 percent in October.

- The Conference Board LEI for China increased again in October, with all components except consumer expectations advancing this month. With the gain in October, the six-month growth rate of the leading economic index continued to pick up, to 5.2 percent (a 10.6 percent annual rate) from April to October 2010, from 2.6 percent (a 5.3 percent annual rate) for the previous six months. The strengths among the leading indicators have remained widespread in recent months.
- The Conference Board CEI for China, a measure of current economic activity, increased slightly in October. Electricity production, which has declined for two consecutive months, made a large negative contribution to the index this month. With the small gain in October, the six-month growth rate of the coincident economic index has moderated somewhat, to 4.8 percent (a 9.8 percent annual rate) from April to October 2010, from 6.8 percent (a 14.0 percent annual rate) for the previous six months. In addition, the strengths among the coincident indicators have become slightly less widespread in the last six months, for the first time since April 2009.
- The Conference Board LEI for China continued its upward trend, with its six-month growth rate picking up slightly in recent months. Nonetheless, the consumer expectations index has declined for four consecutive months through October. In addition, this month The Conference Board CEI for China grew at the slowest monthly rate since early 2009, and its six-month growth rate has moderated slightly as a result. Taken together, the behavior of the composite indexes and their components suggest that despite moderating somewhat recently, the economic expansion should continue into 2011.

The next release is scheduled for Friday, January 14, 2011 at 10:00 A.M. (Beijing time)

In New York – Thursday, January 13, 2011 at 9:00 P.M. (ET)

LEADING INDICATORS. Five of the six components that make up The Conference Board LEI for China increased in October. The positive contributors to the index – in order from the largest positive contributor to the smallest – include total loans issued by financial institutions, the (inverted) PMI supplier delivery index, total floor space started, the 5000 industry enterprises diffusion index: raw materials supply index*, and the PMI new export orders. The consumer expectations index decreased in October.

With the increase of 0.9 percent in October, The Conference Board LEI for China now stands at 152.1 (2004=100). This index increased 0.6 percent in September and increased 0.7 percent in August. During the six-month span through October, The Conference Board LEI for China increased 5.2 percent, and five of the six components advanced (diffusion index, six-month span equals 83.3 percent).

COINCIDENT INDICATORS. Two of the five components that make up The Conference Board CEI for China increased in October. The positive contributors to the index include manufacturing employment* and value-added industrial production. Electricity production and retail sales of consumer goods declined, while volume of passenger traffic remained unchanged in October.

With the increase of 0.1 percent in October, The Conference Board CEI for China now stands at 191.8 (2004=100). This index increased 0.7 percent in September and increased 1.0 percent in August. During the six-month span through October, The Conference Board CEI for China increased 4.8 percent, and four of the five components advanced (diffusion index, six-month span equals 80.0 percent).

FOR TABLES AND CHARTS, SEE BELOW

DATA AVAILABILITY AND NOTES. The data series used to compute **The Conference Board Leading Economic Index®** for China and **The Conference Board Coincident Economic Index®** for China reported in this release are those available “as of” 5:00 P.M. (ET) on December 10, 2010.

* The series in The Conference Board LEI for China that is based on our estimates is the 5000 industry enterprises diffusion index: raw materials supply index. The series in The Conference Board CEI for China that is based on our estimates is manufacturing employment.

Because of an outlier in November 2009, the contribution to The Conference Board Leading Economic Index® (**LEI**) for China from the total floor space started component has been set to 0 in both November and December 2009. The monthly change in April, originally reported to be 1.7 percent was corrected June 29, 2010, to 0.3 percent, and was further revised to 0.0 due to a technical adjustment and also to regular updates from data sources in the July 14, 2010 release (For further information: <http://www.conference-board.org/data/bcicountry.cfm?cid=11>).

For further information:

The Conference Board China Center for Economics and Business, Beijing:

Claire Xia: 86 10 8532 4688/ claire.xia@conference-board.org

The Conference Board New York:

Barbara Rosen: 1-973-979-5912/ Barbara.rosen@conference-board.org

Carol Courter: 1- 732-672-2817/ carol.courter@conference-board.org

Indicators Program: 1 212 339 0330/ indicators@conference-board.org

The Conference Board Brussels:

Andrew Tank: 32 2 675 5405/ andrew.tank@conference-board.org

THE CYCLICAL INDICATOR APPROACH. The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading and coincident economic indexes are essentially composite averages of several individual leading or coincident indicators. (See page 3 for details.) They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component—primarily because they smooth out some of the volatility of individual components.

Historically, the cyclical turning points in The Conference Board LEI for China have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for China have occurred at about the same time as those in aggregate economic activity.

Further explanations of the cyclical indicator approach and the composite economic index methodology appear in The Conference Board's *Business Cycle Indicators* report and website: www.conference-board.org/data/bci.cfm

China Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Consumer Expectations Index	0.0900
2. NBS Manufacturing PMI Sub-Indices: Export Orders	0.0814
3. NBS Manufacturing PMI Sub-Indices: PMI Supplier Deliveries, inverted	0.2074
4. Total Loans Issued by Financial Institutions	0.1502
5. 5000 Industry Enterprises Diffusion Index: Raw Materials Supply Index	0.4532
6. Total Floor Space Started	0.0178

<u>Coincident Economic Index</u>	
1. Value Added of Industrial Production	0.1809
2. Retail Sales of Consumer Goods	0.1712
3. Electricity Production	0.1730
4. Volume of Passenger Traffic	0.0905
5. Manufacturing Employment	0.3844

Notes:

The component factors are inversely related to the standard deviation of the month-to-month changes in each component. They are used to equalize the volatility of the contribution from each component and are normalized to sum to 1.

These factors were revised effective on the release for July 2010. Updates to the leading and coincident indexes normally only incorporate revisions to data over the past six months. The factors above for the leading economic index were calculated using the February 2005 to December 2008 period as the sample period for measuring volatility. Separate sets of factors for the January 2005, February 1996 to December 2004, June 1992 to January 1996, February 1990 to May 1992, and the February 1986 to January 1990 period, are available upon request. The factors above for coincident economic index were calculated using the February 2000 to December 2008 period as the sample period. Separate sets of factors for the February 1990 to January 2000, January 1990, July 1986 to December 1989, and the February 1986 to June 1986 period, are available upon request. These multiple sample periods are the result of different starting dates for the component data. When one or more components are missing, the other factors are adjusted proportionately to ensure that the total continues to sum to 1. For additional information on the standardization factors and the index methodology, visit our Web site: www.conference-board.org/data/bci.cfm

The trend adjustment factor for the leading economic index is 0.2860, calculated over the 1986-2008 period.

To address the problem of lags in available data, those leading and coincident indicators that are not available at the time of publication are estimated using statistical imputation. An autoregressive model is used to estimate each component. The resulting indexes are constructed using real and estimated data, and will be revised as the data unavailable at the time of publication become available. Such monthly data revisions are now a regular part of the U.S. Business Cycle and Global Indicators program. The main advantage of this procedure is to utilize in the leading economic index the data such as bond yields, stock prices, and change in consumer confidence that are available sooner than other data on real aspects of the economy such as housing starts and new orders. Empirical research by The Conference Board suggests there are real gains in adopting this procedure to make all the indicator series as up-to-date as possible.

NOTICES

The 2011 schedule* for “The Conference Board Leading Economic Index® for China” updates is:

November 2010 Data ... Friday, January 14, 2011

All releases are at 10:00 A.M. (Beijing Time)

**The schedule for “The Conference Board Leading Economic Index® for China” from February to December 2011 will be available by the end of January 2011.*

ABOUT THE CONFERENCE BOARD

The Conference Board is a global, independent business membership and research association working in the public interest. Our mission is unique: to provide the world’s leading organizations with the practical knowledge they need to improve their performance and better serve society. The Conference Board is a non-advocacy, not-for-profit entity holding 501 (c) (3) tax-exempt status in the U.S. For additional information about The Conference Board and how it can meet your needs, visit our website at www.conference-board.org.

AVAILABLE FROM THE CONFERENCE BOARD:

China Business Cycle Indicators Internet Subscription

(Includes monthly release, data, charts and commentary)

\$ 565 (for TCB members)/\$ 715 (for non-TCB members) per year (1 user)

Individual Data Series

\$ 45 (for TCB members)/\$ 50 (for non-TCB members) per series downloaded

Monthly BCI Report

(Sample available at <http://www.conference-board.org/data/monthlybci.cfm>)

\$ 230 (for TCB members)/\$ 285 (for non-TCB members) per year

BCI Handbook (published 2001)

\$ 25

Corporate Site License

contact Indicators Program at (212) 339-0330

Business Cycle Indicators for Euro Area, France, Germany, Japan, Korea, Mexico, Spain, the U.K., and the U.S. are available at \$ 565 (for TCB members)/\$ 715 (for non-TCB members) per country per year (1 user). Discounts are available to accredited academic institutions.

THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING, DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

The Conference Board China Business Cycle Indicators

Table 1.--Summary of China Composite Economic Indexes

	2010						
	Apr	May	Jun	Jul	Aug	Sep	Oct
Leading index	144.6	145.8	147.6	148.8	149.9	150.8 p	152.1 p
Percent change	0.0	0.8	1.2	0.8	0.7	0.6 p	0.9 p
Diffusion index	16.7	83.3	66.7	50.0	50.0	83.3	83.3
Coincident index	183.0	184.6	187.3	188.3	190.2	191.6 p	191.8 p
Percent change	1.4	0.9	1.5	0.5	1.0	0.7 p	0.1 p
Diffusion index	100.0	80.0	80.0	80.0	100.0	80.0	50.0
	Oct to Apr	Nov to May	Dec to Jun	Jan to Jul	Feb to Aug	Mar to Sep	Apr to Oct
Leading index							
Percent change	2.6	3.2	4.1	4.2	4.4	4.3 p	5.2 p
Diffusion index	66.7	50.0	83.3	66.7	66.7	83.3	83.3
Coincident index							
Percent change	6.8	6.7	8.1	7.1	5.9	6.1 p	4.8 p
Diffusion index	100.0	100.0	100.0	100.0	100.0	100.0	80.0

p Preliminary. r Revised (noted only for index levels and one-month percent changes).

CALCULATION NOTE: The diffusion indexes measure the proportion of the components that are rising. Components that rise more than 0.05 percent are given a value of 10, components that change less than 0.05 percent are given a value of 0.5, and components that fall more than 0.05 percent are given a value of 0.0.

For more information, visit our Web site at www.conference-board.org/data/bci.cfm

Source: The Conference Board All Rights Reserved

© The Conference Board

These data are protected by copyright and are for news analysis purposes only. The data and analysis are not for databasing by any means, redistribution, publishing, or public posting without express written permission from The Conference Board.

THESE DATA ARE FOR ANALYSIS PURPOSES ONLY. NOT FOR REDISTRIBUTION, PUBLISHING,
DATABASING, OR PUBLIC POSTING WITHOUT EXPRESS WRITTEN PERMISSION.

The Conference Board China Business Cycle Indicators

Table 2.--Data and Net Contributions for Components of the China Leading Economic Index

Component	Apr.	May.	Jun.	2010			
				Jul.	Aug.	Sep.	Oct.
China Leading Economic Index Component Data							
Consumer Expectations Index.....	106.80	108.17	108.90	108.60	107.90	104.50 r	104.14
Total Loans Issued by Financial Institutions (Billions of 2004 Yuan, deflated by PPI, S.A.).....	36107.54	36651.02	37157.58	38199.06	38875.27	39289.81 r	39804.78
5000 Ind Enterp Diffusion Index:							
Raw Materials Supply (S.A., Q).....	63.41	63.12	64.12	64.90	65.47	65.83 **	66.08 **
PMI: Manufacturing Supplier Delivery* (S.A.).....	51.1	50.8	49.4	50.4	50.8	49.8	49.0
PMI: Manufacturing New Export Orders (S.A.).....	50.82	52.12	51.56	52.37	52.01	52.45	52.95
Floor Space Started: Total (Thousands of Sq M, S.A.).....	146819.77	162690.85	160833.16	154664.99	162526.32	166428.09	177593.43
LEADING INDEX (2004=100).....	144.6	145.8	147.6	148.8	149.9	150.8 p	152.1 p
Percent change from preceding month.....	0.0	0.8	1.2	0.8	0.7	0.6 p	0.9 p
China Leading Economic Index Net Contributions							
Consumer Expectations Index.....	....	0.12	0.07	-0.03	-0.06	-0.31 r	-0.03
Total Loans Issued by Financial Institutions (Billions of 2004 Yuan, deflated by PPI, S.A.).....	....	0.22	0.21	0.42	0.26	0.16 r	0.20
5000 Ind Enterp Diffusion Index:							
Raw Materials Supply (S.A., Q).....	....	-0.13	0.45	0.35	0.26	0.17 **	0.11 **
PMI: Manufacturing Supplier Delivery* (S.A.).....	....	0.06	0.30	-0.22	-0.07	0.20	0.18
PMI: Manufacturing New Export Orders (S.A.).....	....	0.11	-0.05	0.07	-0.03	0.04	0.04
Floor Space Started: Total (Thousands of Sq M, S.A.).....	....	0.18	-0.02	-0.07	0.09	0.04	0.12

p Preliminary. r Revised. n.a. Not available. c Corrected. * Inverted series; a negative change in this component makes a positive contribution.

** Statistical Imputation – Q: Quarterly series; these series are converted to monthly through a linear interpolation

Data Sources: CEIC, NBS, PBOC, The Conference Board

CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

Source: The Conference Board All Rights Reserved

© The Conference Board

These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution, publishing, or public posting without express written permission from The Conference Board.

The Conference Board China Business Cycle Indicators

Table 3.--Data and Net Contributions for China Coincident Economic Index

Component	2010						
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
China Coincident Economic Index Component Data							
Value-Added Industrial Production (Billions of 2004 Yuan, deflated by PPI, S.A.)....	976	987	1005	990	1002	1013	1024
Retail Sales of Consumer Goods (Billions of 2004 Yuan, deflated by RPI, S.A.)....	1093.4	1112.4	1134.5	1149.5	1170.6	1184.9	1182.0
Volume of Passenger Traffic (Person Bn-Kilo, S.A.).....	226.1	224.1	233.6	234.7	235.7	242.7	242.6
Electricity Production (Billions of KWH, S.A.).....	345.2	348.3	342.7	348.7	353.8	350.4	344.5
Manufacturing Employment (Person Mn, S.A., Q).....	72.9	73.5	74.8	75.3	75.6	76.1 **	76.6 **
COINCIDENT INDEX (2004=100).....	183.0	184.6	187.3	188.3	190.2	191.6 p	191.8 p
Percent change from preceding month.....	1.4	0.9	1.5	0.5	1.0	0.7 p	0.1 p
China Coincident Economic Index Net Contributions							
Value-Added Industrial Production (Billions of 2004 Yuan, deflated by PPI, S.A.)....	....	0.20	0.33	-0.28	0.23	0.18	0.21
Retail Sales of Consumer Goods (Billions of 2004 Yuan, deflated by RPI, S.A.)....	....	0.29	0.34	0.22	0.31	0.21	-0.04
Volume of Passenger Traffic (Person Bn-Kilo, S.A.).....	....	-0.08	0.37	0.04	0.04	0.27	0.00
Electricity Production (Billions of KWH, S.A.).....	....	0.15	-0.28	0.30	0.25	-0.17	-0.29
Manufacturing Employment (Person Mn, S.A., Q).....	....	0.31	0.68	0.23	0.19	0.24 **	0.22 **

p Preliminary. r Revised. n.a. Not available. c Corrected. * Inverted series; a negative change in this component makes a positive contribution.

** Statistical Imputation – Q: Quarterly series; these series are converted to monthly through a linear interpolation

Data Sources: CEC, NBS, Thomson Financial, The Conference Board

CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

Source: The Conference Board All Rights Reserved

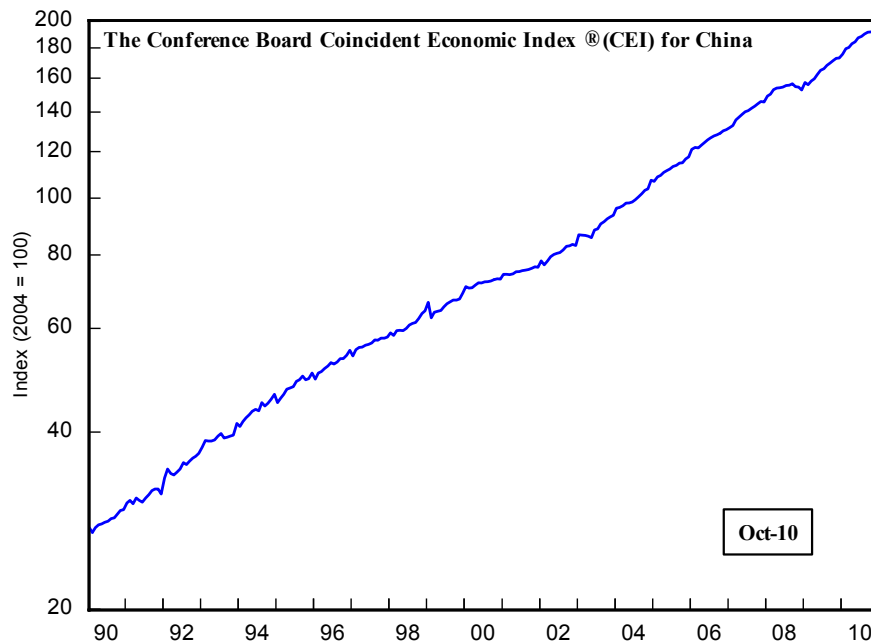
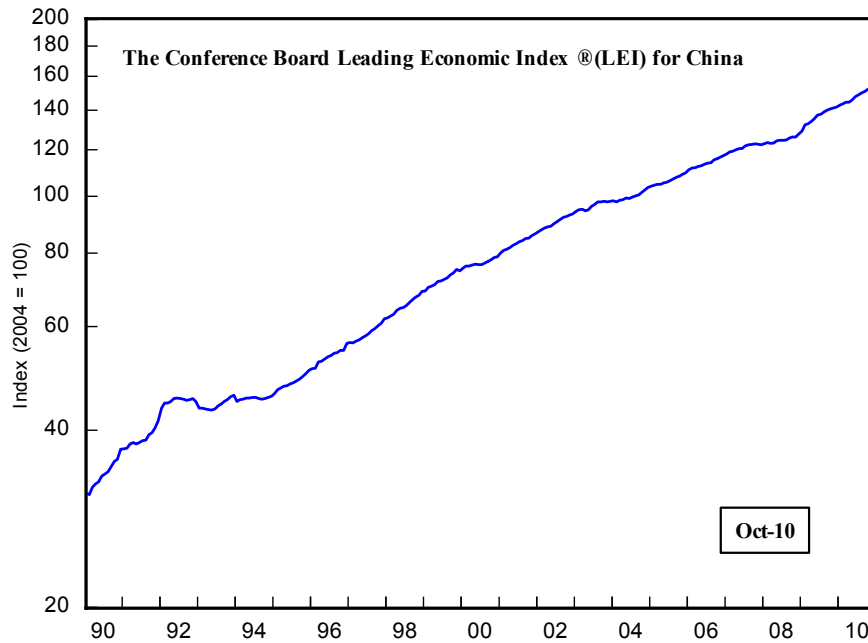
© The Conference Board

These data are protected by copyright and are for news analysis purposes only.

The data and analysis are not for databasing by any means, redistribution,

publishing, or public posting without express written permission from The Conference Board.

China



Note: The shaded areas represent business cycle recessions. The peaks and troughs are designated by The Conference Board based on the coincident index for China.

Source: The Conference Board