THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (BEIJING TIME), THURSDAY, JULY 15, 2010

The Conference Board®
China Business Cycle Indicators℠

THE CONFERENCE BOARD LEADING ECONOMIC INDEX® (LEI) FOR CHINA

AND RELATED COMPOSITE ECONOMIC INDEXES FOR MAY 2010

NOTE: This release incorporates a technical adjustment to ***The Conference Board Leading Economic Index®*** (LEI) for China. The PMI Supplier Deliveries component is now inverted for inclusion in the LEI; it previously was included in its as-published form. This adjustment has a small impact on the index back to 2005, when the component first became available; the prior history is only marginally affected. It does not impact the LEI's historical trend or ***The Conference Board Coincident Economic Index®*** (CEI) for China. For further details, please refer to page 9 and page 10, or contact us at: indicators@conference-board.org

The Conference Board Leading Economic Index® (LEI) for China increased 0.8 percent, and **The Conference Board Coincident Economic Index®** (CEI) increased 0.9 percent in May.

- The Conference Board LEI for China increased again in May, following no change in April. Apart from the 5000 industry enterprises diffusion index: raw materials supply component, all the leading indicators contributed positively to the index this month. The six-month growth rate of the leading economic index has moderated to 3.2 percent (a 6.5 percent annual rate) in the period through May 2010, down from 4.1 percent (about an 8.7 percent annual rate) for the previous six months. In addition, the strengths among the leading indicators have become less widespread, and have become balanced with the weaknesses in recent months.

- The Conference Board CEI for China, a measure of current economic activity, also increased in May. Except for the volume of passenger traffic, all the coincident indicators made positive contributions to the index this month. With May's gain, the six-month growth in the coincident economic index stands at 6.7 percent (a 13.9 percent annual rate) in the period through May 2010 –the same rate as the previous six months. Moreover, the strengths among the coincident indicators have remained very widespread, with all the components advancing in recent months.

- The Conference Board LEI for China continued to increase in May. However, the strengths among its components have become less widespread, and its six-month growth rate has moderated considerably from the third quarter of last year. At the same time, The Conference Board CEI for China has remained on an upward trend, amid very widespread strength among its components. All in all, the behavior of the composite indexes and their components suggest that China's economic expansion should continue, but growth in economic activity is likely to moderate in coming months.

The next release is scheduled for Tuesday, August 17, 2010 at 10:00 A.M. (Beijing Time)
In New York – Monday, August 16, 2010 at 10:00 P.M. (ET)

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

With the increase of 0.8 percent in May, The Conference Board LEI for China now stands at 145.8 (2004=100). With revisions, this index remained unchanged in April and increased 0.7 percent in March. During the six-month span through May, The Conference Board LEI for China increased 3.2 percent, and three of the six components advanced (diffusion index, six-month span equals 50.0 percent).

COINCIDENT INDICATORS. Four of the five components that make up The Conference Board CEI for China increased in May. The positive contributors to the index – in order from the largest positive contributor to the smallest – include manufacturing employment, retail sales of consumer goods, value-added industrial production, and electricity production. Volume of passenger traffic declined in May.

With the increase of 0.9 percent in May, The Conference Board CEI for China now stands at 184.6 (2004=100). This index increased 1.4 percent in April and increased 0.5 percent in March. During the six-month span through April, The Conference Board CEI for China increased 6.7 percent, and all five components advanced (diffusion index, six-month span equals 100.0 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 July 9, 2010.

***** There are no series in The Conference Board LEI and The Conference Board CEI for China that are based on our estimates.

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 and corrected June 29, 2010, to 0.3 percent, becomes 0 due in part to this technical adjustment and also to regular updates from data sources.

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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

Leading Economic Index	Factor
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
Coincident Economic Index	
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 2010 schedule for "The Conference Board Leading Economic Index® for China" updates is:

June 2010 Data ... Tuesday, August 17, 2010
July 2010 Data ... Tuesday, September 14, 2010
August 2010 Data ... Friday, October 15, 2010
September 2010 Data ... Tuesday, November 16, 2010
October 2010 Data ... Wednesday, December 15, 2010

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

ABOUT THE CONFERENCE BOARD

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The Conference Board China Business Cycle Indicators

Table 1.--Summary of China Composite Economic Indexes

	2009						2010
	Nov	Dec	Jan	Feb	Mar	Apr	May
Leading index	141.3	141.8	142.8	143.6	144.6	144.6	145.8
Percent change	0.3	0.4	0.7	0.6	0.7	0.0	0.8
Diffusion index	66.7	33.3	91.7	50.0	50.0	16.7	83.3
Coincident index	173.0	173.2 r	175.8 r	179.6 r	180.5 r	183.0 r	184.6
Percent change	0.9	0.1	1.5 r	2.2 r	0.5 r	1.4 r	0.9
Diffusion index	80.0	80.0	80.0	80.0	60.0	100.0	80.0

	May to	Jun to	Jul to	Aug to	Sep to	Oct to	Nov to
	Nov	Dec	Jan	Feb	Mar	Apr	May
Leading index							
Percent change	4.1	3.1	3.5	3.2	3.2	2.6	3.2
Diffusion index	66.7	83.3	83.3	100.0	75.0	66.7	50.0
Coincident index							
Percent change	6.7	5.0	5.9	6.8 r	6.3 r	6.8 r	6.7
Diffusion index	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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 1.0, 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 http://www.conference-board.org/data/bci.cfm

Source: The Conference Board

The Conference Board China Business Cycle Indicators

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

Component	Nov.	2009 Dec.	Jan.	Feb.	Mar.	Apr.	2010 May.
		China Leading Economic Index Component Data					
Consumer Expectations Index.....	102.99	103.98	104.60	104.50	108.20	106.80	108.17
Total Loans Issued by Financial Institutions (Billions of 2004 Yuan, deflated by PPI, S.A.).....	35321.32	35233.21	35401.26	35620.42	35727.04	36107.54	36609.71
5000 Ind Enterp Diffusion Index: Raw Materials Supply (S.A., Q).....	59.70	59.81	60.12	60.78	60.25 **r**	60.07 **r**	59.86
PMI: Manufacturing Supplier Delivery* (S.A.).....	50.2	50.4	50.5	50.2	50.8	51.1	50.8
PMI: Manufacturing New Export Orders (S.A.).....	54.34	53.90	55.13	53.60	52.29	50.82	52.12
Floor Space Started: Total (Thousands of Sq M, S.A.).....	237594.12	112575.18	116817.41	115330.25	154743.44	146819.77	162690.85
**LEADING INDEX (2004=100)..... **	**141.3**	**141.8**	**142.8**	**143.6**	**144.6**	**144.6**	**145.8**
Percent change from preceding month.....	0.3	0.4	0.7	0.6	0.7	0.0	0.8
		China Leading Economic Index Net Contributions					
Consumer Expectations Index.....	....	0.09	0.06	-0.01	0.33	-0.13	0.12
Total Loans Issued by Financial Institutions (Billions of 2004 Yuan, deflated by PPI, S.A.).....	....	-0.04	0.07	0.09	0.04	0.16	0.21
5000 Ind Enterp Diffusion Index: Raw Materials Supply (S.A., Q).....	....	0.05	0.14	0.30	-0.24 r	-0.08 r	-0.10
PMI: Manufacturing Supplier Delivery* (S.A.).....	....	-0.03 r	0.00 r	0.03 r	-0.12 r	-0.07 r	0.06
PMI: Manufacturing New Export Orders (S.A.).....	....	-0.04	0.10	-0.12	-0.11	-0.12	0.11
Floor Space Started: Total (Thousands of Sq M, S.A.).....	....	0.00	0.07	-0.02	0.52	-0.09	0.18

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).

The Conference Board China Business Cycle Indicators

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

Component	2009 Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	2010 May.
China Coincident Economic Index Component Data							
Value-Added Industrial Production (Billions of 2004 Yuan, deflated by PPI, S.A.)....	914	926	913	953	966 r	976 r	987
Retail Sales of Consumer Goods (Billions of 2004 Yuan, deflated by RPI, S.A.)....	1007.0	973.4 r	1046.8 r	1099.9	1073.8 r	1093.4 r	1112.4
Volume of Passenger Traffic (Person Bn-Kilo, S.A.).....	210.7	213.4	213.6	223.6	223.0	226.1	224.1
Electricity Production (Billions of KWH, S.A.).....	329.0	333.0	336.0	332.2	337.6	345.2	348.3
Manufacturing Employment (Person Mn, S.A., Q).....	70.0 r	70.3 r	70.9 r	71.4 r	72.2 r	72.9 r	73.5
COINCIDENT INDEX (2004=100).....	**173.0**	**173.2** r	**175.8** r	**179.6** r	**180.5** r	**183.0** r	**184.6**
Percent change from preceding month.....	0.9	0.1	1.5 r	2.2 r	0.5 r	1.4 r	0.9
China Coincident Economic Index Net Contributions							
Value-Added Industrial Production (Billions of 2004 Yuan, deflated by PPI, S.A.)....	....	0.22	-0.25	0.77	0.25	0.19 r	0.20
Retail Sales of Consumer Goods (Billions of 2004 Yuan, deflated by RPI, S.A.)....	....	-0.58 r	1.24	0.85	-0.41 r	0.31	0.29
Volume of Passenger Traffic (Person Bn-Kilo, S.A.).....	....	0.12	0.01	0.41	-0.02	0.13	-0.08
Electricity Production (Billions of KWH, S.A.).....	....	0.21	0.15	-0.20	0.28	0.39	0.15
Manufacturing Employment (Person Mn, S.A., Q).....	....	0.18	0.34 r	0.28 r	0.43 r	0.36 r	0.31

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

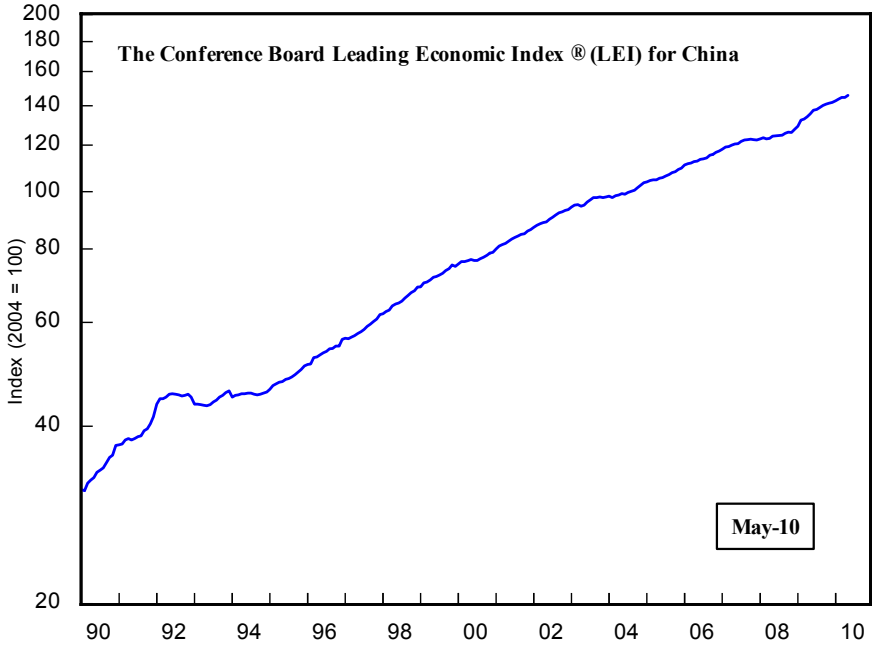
** Statistical Imputation -- Q: Quarterly series; these series are converted to monthly through a linear interpolation

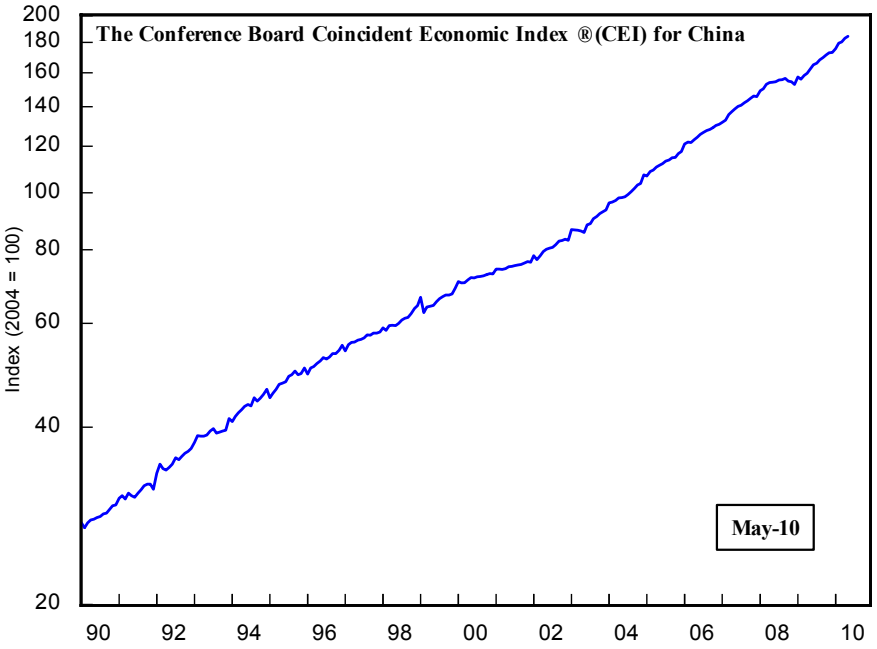
Data Sources: CEIC, NBS, Thomson Financial, The Conference Board

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

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

Summary of the technical adjustment (inversion of the PMI Supplier Deliveries component) to *The Conference Board Leading Economic Index*® (LEI) for China

Starting with the July 15, 2010, release, ***The Conference Board Leading Economic Index*®** (LEI) for China will reflect a technical adjustment with regard to one of the components, the PMI Supplier Deliveries. The adjustment involves "inverting" the PMI Supplier Deliveries component before including it in the LEI. Indexes of supplier deliveries measure the relative speed at which industrial companies receive deliveries from their suppliers. When purchasing managers indicate that their suppliers have been taking longer to deliver, this indicates a strengthening of demand conditions because their suppliers have more difficulty and less capacity to meet their needs. The reverse is true when demand conditions weaken because the suppliers can deal more easily with orders from their clients and shorten delivery times. This index, therefore, tends to lead the business cycle.

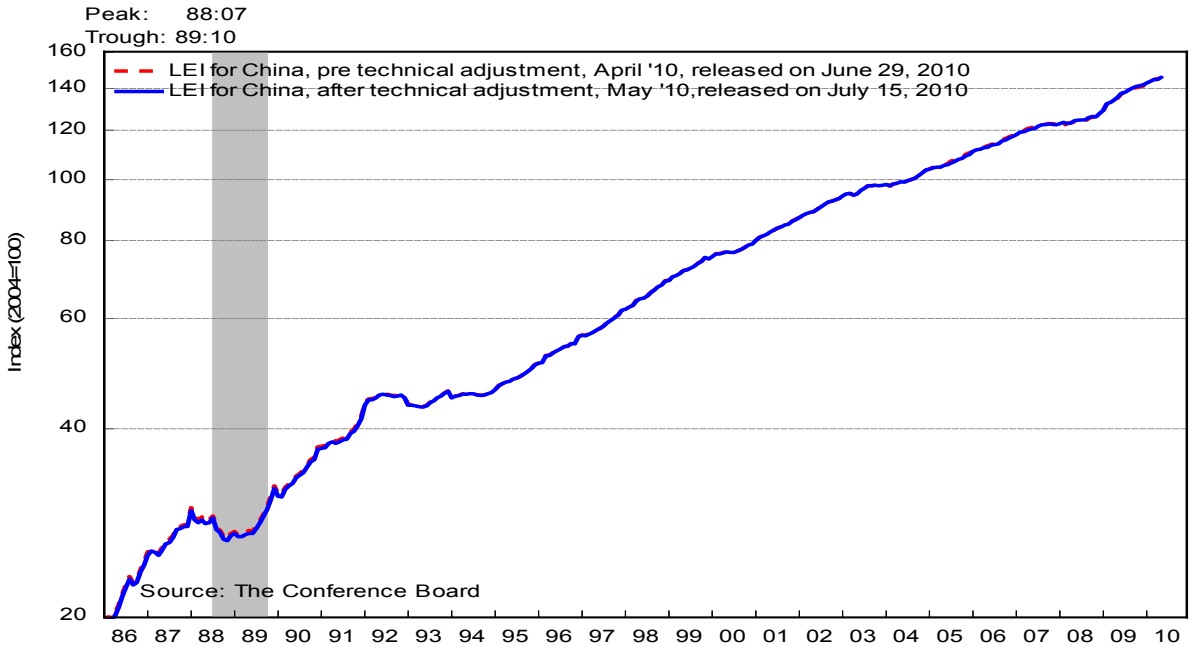
The way this kind of index is used depends on its precise calculation. In some cases, such as in the United States, the diffusion index based on this information moves in accordance with the proportion of respondents reporting slower deliveries (plus one-half of the proportion reporting no change in delivery speed). In these cases, this indicator can be directly included in an aggregated leading economic index, as the rise in the indicator reflects strengthening demand conditions and signals an expansion of future economic activity. However, in other cases, such as in many European countries, the diffusion index moves in accordance with the proportion of respondents that indicates that delivery times are getting faster (shortening) or remaining the same. In these cases, the index needs to be inverted for inclusion in an aggregated leading economic index, since a shortening in delivery times means slowing demand conditions.

Originally The Conference Board decided not to invert on the basis of our interpretation of the information available to us. Further exploration of the description from the original source of the data, the China Federation of Logistics and Purchasing (CFLP), has led to a change in that decision. We also conducted two conversations with experts close to the sources (from CFLP and the National Bureau of Statistics), which confirmed the need to make the adjustment.

This technical adjustment has a small impact on the LEI for China back to 2005, when the component first became available; the prior history of the LEI is only marginally affected. The adjustment does not impact the LEI's historical trend or The Conference Board outlook for China's economy. Chart 1 illustrates that, although there are minor differences in levels, the trend of long-run growth in the LEI remains the same. During the 2008 growth cycle, the 6-month growth rate of the China LEI now stays positive, slowing to near zero, but it does not turn negative as it did before the adjustment. During the last three months, the 6-month growth rate now shows slightly more moderation than it did before the adjustment (this is also partly due to regular updates from data sources.) However, in both cases, the cyclical movements remain the same (Chart 2).

The monthly change in April, originally reported to be 1.7 percent and corrected June 29, 2010, to 0.3 percent, becomes 0 due in part to this technical adjustment and also to regular updates from data sources.

Chart 1: ***The Conference Board Leading Economic Index*®** **(LEI)** for China, before and after technical adjustment



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

Chart 2: The six-month growth rate of ***The Conference Board Leading Economic Index*®** **(LEI)** for China, before and after technical adjustment