THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (BEIJING TIME), FRIDAY, MARCH 23, 2012

The Conference Board®
China Business Cycle Indicators℠

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

AND RELATED COMPOSITE ECONOMIC INDEXES FOR FEBRUARY 2012

The Conference Board Leading Economic Index® (LEI) for China increased 0.8 percent, and **The Conference Board Coincident Economic Index®** (CEI) increased 4.1 percent in February.

- The Conference Board LEI for China increased again in February, with consumer expectations index and total loans both making large positive contributions to the index. With the gain in February, the leading economic index increased by 5.0 percent (about a 9.8 percent annual rate) between August 2011 and February 2012 – it is down from the 5.7 percent increase (about an 11.7 percent annual rate) during the six month period from February to August 2011. However, the strengths among the leading indicators were slightly more widespread than the weaknesses in the last six months.

- The Conference Board CEI for China, a measure of current economic activity, increased sharply in February. However, there was a large downward revision to the index in January, as actual data for value-added industrial output and electricity production for the first two months of 2012 became available. With the sharp gain this month, the six-month growth in the coincident economic index picked up to 4.8 percent (about an 9.8 percent annual rate), from 1.1 percent (about a 2.1 percent annual rate) in the six-month period ending January 2012, but its growth is still at about the same rate as the six month period from February to August 2011. Moreover, the strengths among the coincident indicators became very widespread in the last six months with all components increasing during this period.

- The Conference Board LEI for China continued its upward trend through February this year; however, its six-month growth rate remained slower than in the first half of last year. Meanwhile, The Conference Board CEI for China increased sharply in February after a large decline in January, but the rate of its six-month growth is also below the first half of 2011. Taken together, the recent behavior of the composite indexes and their components suggest that, although economic expansion will continue, the pace of economic growth may be moderate in the near term.

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

The next release is scheduled for Tuesday, April 24, 2012 at 10:00 A.M. (Beijing time)
In New York – Monday, April 23, 2012 at 10:00 P.M. (ET)

With the increase of 0.8 percent in February, The Conference Board LEI for China now stands at 227.2 (2004=100). Based on revised data, this index increased 1.5 percent in January and increased 0.8 percent in December. During the six-month span through February, The Conference Board LEI for China increased 5.0 percent, and four of the six components advanced (diffusion index, six-month span equals 66.7 percent).

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

With the increase of 4.1 percent in February, The Conference Board CEI for China now stands at 220.0 (2004=100). Based on revised data, this index declined 2.0 percent in January and increased 1.0 percent in December. During the six-month span through February, The Conference Board CEI for China increased 4.8 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" 10:00 A.M. (ET) on March 21, 2012.

* 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 and total floor space started. The series in The Conference Board CEI for China that are based on our estimates are: volume of passenger traffic and manufacturing employment.

** The total floor space started component in The Conference Board Leading Economic Index ® for China has been statistically imputed in both January and February 2012. The seasonal adjustment and imputation procedures help to better address the seasonality in the data due to the Chinese New Year holiday and help to smooth excess volatility due to outliers in the data. The observations for this component will be revised when more data becomes available.

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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	0.0917
2. NBS Manufacturing PMI Sub-Indices: Export Orders	0.0813
3. NBS Manufacturing PMI Sub-Indices: PMI Supplier Deliveries, inverted	0.2589
4. Total Loans Issued by Financial Institutions	0.1460
5. 5000 Industry Enterprises Diffusion Index: Raw Materials Supply Index	0.4046
6. Total Floor Space Started	0.0175

Coincident Economic Index	
1. Value Added of Industrial Production	0.1912
2. Retail Sales of Consumer Goods	0.1969
3. Electricity Production	0.2256
4. Volume of Passenger Traffic	0.1073
5. Manufacturing Employment	0.2790

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 January 2012. 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 2010 period as the sample period for measuring volatility. Separate sets of factors for the February 1996 to January 2005, 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 2010 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 factors for the leading economic index are 0.6658 (calculated over the 2002 – 2010 period), 0.4193 (calculated over the 1992 – 2001 period), and -0.3793 (calculated over the 1986 – 1991 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 2012 schedule for "The Conference Board Leading Economic Index® for China" updates is:

March 2012 Data ... Monday, April 23, 2012
April 2012 Data ... Monday, May 21, 2012
May 2012 Data ... Thursday, June 21, 2012
June 2012 Data ... Monday, July 23, 2012
July 2012 Data ... Wednesday, August 22, 2012
August 2012 Data ... Monday, September 24, 2012
September 2012 Data ... Wednesday, October 24, 2012
October 2012 Data ... Tuesday, November 20, 2012
November 2012 Data ... Wednesday, December 19, 2012

All releases are at 9:00 P.M. (10:00 P.M. EST) ET, 10:00 A.M. (Beijing time, following day).

ABOUT THE CONFERENCE BOARD

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The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for China

Table 1.--Summary of China Composite Economic Indexes

	2011 Aug	Sep	Oct	Nov	Dec	Jan	2012 Feb
Leading index	216.3	218.3 r	219.2	220.3 r	222.1 p	225.5 p	227.2 p
Percent change	0.9	0.9 r	0.4	0.5	0.8 p	1.5 p	0.8 p
Diffusion index	50.0	66.7	33.3	58.3	83.3	83.3	66.7
Coincident index	210.0	211.3	211.2 r	213.7 r	215.8 r	211.4 p	220.0 p
Percent change	0.4	0.6	0.0	1.2	1.0 r	-2.0 p	4.1 p
Diffusion index	60.0	100.0	50.0	100.0	80.0	20.0	100.0

	Feb to Aug	Mar to Sep	Apr to Oct	May to Nov	Jun to Dec	Jul to Jan	Aug to Feb
Leading index							
Percent change	5.7	5.5	5.3	5.1	4.6 p	5.2 p	5.0 p
Diffusion index	50.0	83.3	50.0	33.3	50.0	41.7	66.7
Coincident index							
Percent change	4.9	4.3	3.1 r	3.8 r	3.5	1.1 p	4.8 p
Diffusion index	100.0	100.0	100.0	100.0	100.0	60.0	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 www.conference-board.org/data/bci.cfm

The Conference Board Leading Economic Index® (LEI) and The Conference Board Coincident Economic Index® (CEI) for China

Table 2.--Data and Net Contributions for Components of The Conference Board Leading Economic Index® (LEI) for China

Component	2011 Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	2012 Feb.
		China Leading Economic Index Component Data					
Consumer Expectations Index……………………………	110.43	108.85	106.25	101.71	105.32	109.31	110.93
Total Loans Issued by Financial Institutions (Billions of 2004 Yuan, deflated by PPI, S.A.)..................	41393.16 r	41843.30 r	42601.69 r	43555.25 r	44322.90 r	44449.25 r	44898.69
5000 Ind Enterp Diffusion Index: Raw Materials Supply (S.A., Q)..	62.59	62.81	63.41	63.64	63.79 **	63.89 **	63.96 **
PMI: Manufacturing Supplier Delivery* (S.A.)...	49.8 r	49.0	50.6	50.6	50.0 r	** 50.4	50.6
PMI: Manufacturing New Export Orders (S.A.)...	49.32 r	50.51 r	49.25 r	47.02 r	49.29 r	50.06 r	50.64
Floor Space Started: Total (Thousands of Sq M, S.A.)..	194446.40	179720.40	175600.93	178771.07	108993.66	141449.21 **	126104.84 **
LEADING INDEX (2004=100)..................................	**216.3**	**218.3 r**	**219.2**	**220.3 r**	**222.1 p**	**225.5 p**	**227.2 p**
Percent change from preceding month..........................	0.9	0.9 r	0.4	0.5	0.8 p	1.5 p	0.8 p
		China Leading Economic Index Net Contributions					
Consumer Expectations Index……………………………	....	-0.14	-0.24	-0.42	0.33	0.37	0.15
Total Loans Issued by Financial Institutions (Billions of 2004 Yuan, deflated by PPI, S.A.)..................	....	0.16	0.26 r	0.32	0.26 r	0.04 r	0.15
5000 Ind Enterp Diffusion Index: Raw Materials Supply (S.A., Q)..	....	0.09	0.24	0.09	0.06 **	0.04 **	0.03 **
PMI: Manufacturing Supplier Delivery* (S.A.)...	....	0.21 r	-0.40 r	0.00	0.13	-0.08 r	-0.07
PMI: Manufacturing New Export Orders (S.A.)...	....	0.10 r	-0.10 r	-0.18 r	0.18 r	0.06	0.05
Floor Space Started: Total (Thousands of Sq M, S.A.)..	....	-0.14	-0.04	0.03	-0.85	0.45 **	-0.20 **

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 Leading Economic Index® (LEI) and The Conference Board Coincident Economic Index® (CEI) for China

Table 3.--Data and Net Contributions for Components of The Conference Board Coincident Economic Index® (CEI) for China

Component	2011 Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	2012 Feb.
	China Coincident Economic Index Component Data						
Value-Added of Industrial Production (Billions of 2004 Yuan, deflated by PPI, S.A.)...................................	1143 r	1156 r	1166 r	1177 r	1194 r	1115 p	1229 p
Retail Sales of Consumer Goods (Billions of 2004 Yuan, deflated by RPI, S.A.)...................................	1277.0 r	1289.6 r	1289.5 r	1311.6 r	1322.6 r	1306.4 r	1358.7
Volume of Passenger Traffic (Person Bn-Kilo, S.A.)...	260.1 r	262.1 r	261.0 r	268.7 r	274.0 r	272.3 r	275.8 **
Electricity Production (Billions of KWH, S.A.)...	384.1 r	385.3 r	381.6 r	383.5 r	389.7 r	380.3 r	399.4
Manufacturing Employment (Person Mn, S.A.)...	74.2	74.3	74.5	75.0	75.0	75.3 **	75.6 **
COINCIDENT INDEX (2004=100)................................	**210.0**	**211.3** r	**211.2** r	**213.7** r	**215.8** r	**211.4** p	**220.0** p
Percent change from preceding month.................	0.4	0.6	0.0 r	1.2	1.0 r	-2.0 p	4.1 p
	China Coincident Economic Index Net Contributions						
Value-Added of Industrial Production (Billions of 2004 Yuan, deflated by PPI, S.A.)...................................	....	0.21 r	0.17 r	0.18	0.26 r	-1.30 p	1.86 p
Retail Sales of Consumer Goods (Billions of 2004 Yuan, deflated by RPI, S.A.)...................................	....	0.19 r	0.00	0.33 r	0.16	-0.24 r	0.77
Volume of Passenger Traffic (Person Bn-Kilo, S.A.)...	....	0.08	-0.05 r	0.31 r	0.21 r	-0.07 r	0.14 **
Electricity Production (Billions of KWH, S.A.)...	....	0.07 r	-0.22 r	0.11 r	0.36 r	-0.55 r	1.10
Manufacturing Employment (Person Mn, S.A.)...	....	0.06	0.07	0.20	-0.01	0.12 **	0.09 **

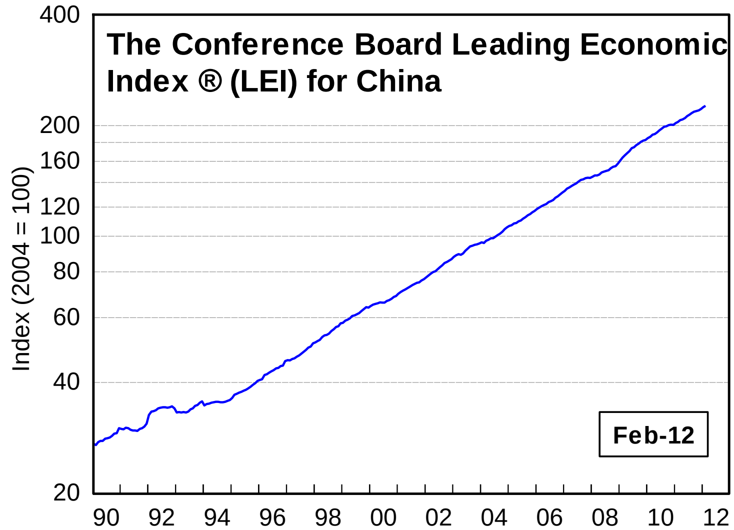
p Preliminary. r Revised. n.a. Not available. c Corrected. * Inverted series; a negative change in this component makes a positive contribution.

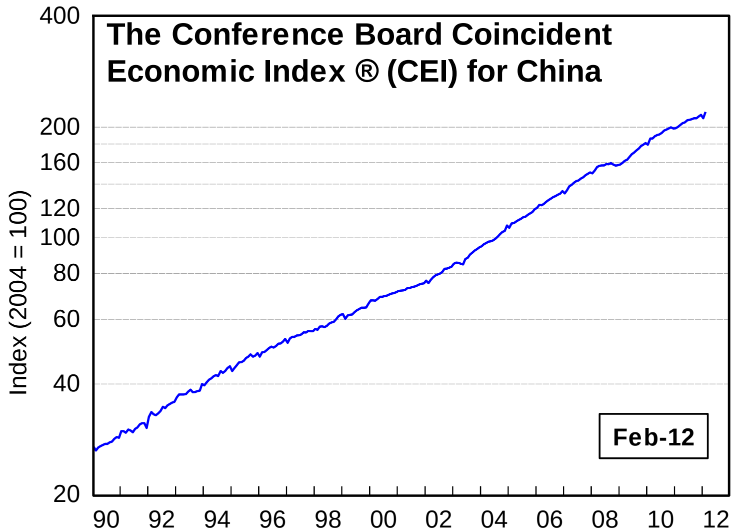
** Statistical Imputation - - Q: Quarterly series; these series are converted to monthly through a linear interpolation

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).

China Composite Economic Indexes





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