



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (BEIJING TIME), SEPTEMBER 22, 2015

The Conference Board®
China Business Cycle IndicatorsSM
THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR CHINA
AND RELATED COMPOSITE ECONOMIC INDEXES FOR AUGUST 2015

The Conference Board Leading Economic Index® (LEI) for China increased 1.0 percent and **The Conference Board Coincident Economic Index® (CEI)** increased 0.8 percent in August.

- The Conference Board LEI for China increased again in August, with total loans issued by financial institutions again making the largest positive contribution. Between February and August 2015, the leading economic index grew 5.4 percent (about an 11.0 percent annual rate), down from 5.8 percent (about an 11.9 percent annual rate) during the previous six-month period. The strengths among the leading indicators remain balanced with the weaknesses in recent months.
- The Conference Board CEI for China, a measure of current economic activity, also increased in August. The six-month growth rate of the coincident economic index picked up sharply to 6.0 percent (about a 12.4 percent annual rate) between February and August 2015, up from just 0.1 percent (about a 0.2 percent annual rate) over the prior six months. Meanwhile, according to the National Bureau of Statistics of China, real GDP grew by 7.0 percent (annual rate) in the second quarter—the same as in the first quarter.
- The LEI for China continued to increase through August, driven mainly by bank loans as exports, manufacturing, and consumer sentiment all remained subdued. Despite the August gain, the six-month growth rate of the LEI has moderated from the first half of the year. The lack of support from the real economy leading indicators over the last several months continues to suggest that credit expansion has not helped improve China's economy, and that economic conditions are likely to slow further in the near term.

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

The next release is scheduled for Friday, October 23, 2015 at 10:00 A.M. (Beijing time)

In New York – Thursday, October 22, 2015 at 10:00 P.M. (ET)

With the increase of 1.0 percent in August, The Conference Board LEI for China now stands at 334.4 (2004=100). Based on revised data, this index increased 0.9 percent in July and increased 0.5 percent in June. During the six-month span through August, The Conference Board LEI for China increased 5.4 percent, and three of the six components advanced (diffusion index, six-month span equals 50.0 percent).

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

With the increase of 0.8 percent in August, The Conference Board CEI for China now stands at 281.0 (2004=100). Based on revised data, this index increased 1.1 percent in July and increased 0.2 percent in June. During the six-month span through August, The Conference Board CEI for China increased 6.0 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 September 18, 2015.

* The series in The Conference Board LEI for China that is based on our estimate 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.

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:

Jonathan Liu: 1-732- 991-1754 / jonathan.liu@conference-board.org

Carol Courter: 1-732-672-2817 / 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	0.0872
2. NBS Manufacturing PMI Sub-Indices: Export Orders	0.0836
3. NBS Manufacturing PMI Sub-Indices: PMI Supplier Deliveries, inverted	0.2558
4. Total Loans Issued by Financial Institutions	0.1462
5. 5000 Industry Enterprises Diffusion Index: Raw Materials Supply Index	0.4092
6. Total Floor Space Started	0.0180
 <u>Coincident Economic Index</u>	
1. Value Added of Industrial Production	0.1935
2. Retail Sales of Consumer Goods	0.2009
3. Electricity Production	0.2230
4. Volume of Passenger Traffic	0.1080
5. Manufacturing Employment	0.2746

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 with the release in January 2013. 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 2011 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 2011 as the sample period. Separate sets of factors for the January 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 0.6649 (calculated over the 2002 – 2011 period), 0.4178 (calculated over the 1992 – 2001 period), and -0.3803 (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 Conference Board Leading Economic Index[®] (LEI) for China news release schedule for 2015:

Friday, October 23, 2015	For September 2015 data
Friday, November 20, 2015	For October 2015 data
Tuesday, December 22, 2015	For November 2015 data

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

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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

	2015						
	Feb	Mar	Apr	May	Jun	Jul	Aug
Leading index	317.4	317.8 p	322.6 p	326.4 p	328.1 p	331.1 p	334.4 p
Percent change	1.5	0.1 p	1.5 p	1.2 p	0.5 p	0.9 p	1.0 p
Diffusion index	83.3	41.7	100.0	83.3	66.7	50.0	58.3
Coincident index	265.1	273.7 p	273.7 p	275.4 p	276.0 p	278.9 p	281.0 p
Percent change	-0.6	3.2 p	0.0 p	0.6 p	0.2 p	1.1 p	0.8 p
Diffusion index	60.0	100.0	60.0	100.0	80.0	80.0	100.0
	Aug to	Sep to	Oct to	Nov to	Dec to	Jan to	Feb to
	Feb	Mar	Apr	May	Jun	Jul	Aug
Leading index							
Percent change	5.8	4.8 p	5.2 p	5.9 p	5.5 p	5.9 p	5.4 p
Diffusion index	50.0	50.0	50.0	66.7	33.3	50.0	50.0
Coincident index							
Percent change	0.1	3.0 p	2.9 p	3.4 p	1.2 p	4.6 p	6.0 p
Diffusion index	80.0	80.0	100.0	100.0	80.0	80.0	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

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**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	2015						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
China Leading Economic Index Component Data							
Consumer Expectations Index.....	113.00	110.30	110.90	113.40	108.00	106.98	106.80
Total Loans Issued by Financial Institutions (Billions of 2004 Yuan, deflated by PPI, S.A.).....	73683.94 r	75175.43 r	75822.88 r	76818.12 r	77987.29 r	79803.45 r	81243.92
5000 Ind Enterp Diffusion Index: Raw Materials Supply (S.A., Q).....	69.46	69.58 **	69.70 **	69.82 **	69.94 **	70.06 **	70.18 **
PMI: Manufacturing Supplier Delivery* (S.A.).....	50.4	50.4	50.3	50.7	50.4	50.5	50.6
PMI: Manufacturing New Export Orders (S.A.).....	50.13	47.51	48.20	48.68	48.56	47.91 r	47.70
Floor Space Started: Total (Thousands of Sq M, S.A.).....	124856.90 r	99723.94 r	132329.93 r	139491.83 r	140337.29 r	141234.20 r	147337.21
LEADING INDEX (2004=100).....	317.4	317.8 p	322.6 p	326.4 p	328.1 p	331.1 p	334.4 p
Percent change from preceding month.....	1.5	0.1 p	1.5 p	1.2 p	0.5 p	0.9 p	1.0 p
China Leading Economic Index Net Contributions							
Consumer Expectations Index.....	....	-0.24	0.05	0.22	-0.47	-0.09	-0.02
Total Loans Issued by Financial Institutions (Billions of 2004 Yuan, deflated by PPI, S.A.).....	....	0.29 r	0.13 r	0.19	0.22	0.34 r	0.26
5000 Ind Enterp Diffusion Index: Raw Materials Supply (S.A., Q).....	....	0.05 **	0.05 **	0.05 **	0.05 **	0.05 **	0.05 **
PMI: Manufacturing Supplier Delivery* (S.A.).....	....	0.00	0.04	-0.11	0.06	-0.02	-0.01
PMI: Manufacturing New Export Orders (S.A.).....	....	-0.22	0.06	0.04	-0.01	-0.05	-0.02
Floor Space Started: Total (Thousands of Sq M, S.A.).....	....	-0.40 r	0.51 r	0.09 r	0.01 r	0.01 r	0.08

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).

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**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	2015						
	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
China Coincident Economic Index Component Data							
Value-Added of Industrial Production (Billions of 2004 Yuan, deflated by PPI, S.A.).....	1536 r	1549 r	1552 r	1562 r	1576 r	1579 r	1584
Retail Sales of Consumer Goods (Billions of 2004 Yuan, deflated by RPI, S.A.).....	1797.0 r	1952.7 r	1937.3 r	1965.1 r	1997.7 r	2045.2 r	2074.9
Volume of Passenger Traffic (Person Bn-Kilo, S.A.).....	249.6 r	278.6 r	263.7 r	264.7 r	254.3 r	271.8 r	273.3
Electricity Production (Billions of KWH, S.A.).....	452.2 r	453.8 r	466.2 r	467.1 r	468.7 r	462.2 r	467.1
Manufacturing Employment (Person Mn, S.A.).....	90.0 r	90.3 r	90.7 **	91.0 **	91.4 **	91.7 **	92.1 **
COINCIDENT INDEX (2004=100)	265.1 r	273.7 p	273.7 p	275.4 p	276.0 p	278.9 p	281.0 p
Percent change from preceding month.....	-0.6 r	3.2 p	0.0 p	0.6 p	0.2 p	1.1 p	0.8 p
China Coincident Economic Index Net Contributions							
Value-Added of Industrial Production (Billions of 2004 Yuan, deflated by PPI, S.A.).....	....	0.15 r	0.04 r	0.13 r	0.16 r	0.04 r	0.06
Retail Sales of Consumer Goods (Billions of 2004 Yuan, deflated by RPI, S.A.).....	....	1.67 r	-0.16 r	0.29 r	0.33 r	0.47 r	0.29
Volume of Passenger Traffic (Person Bn-Kilo, S.A.).....	....	1.19 r	-0.59 r	0.04 r	-0.44 r	0.72 r	0.06
Electricity Production (Billions of KWH, S.A.).....	....	0.08 r	0.60 r	0.04 r	0.07 r	-0.31 r	0.23
Manufacturing Employment (Person Mn, S.A.).....	....	0.11 r	0.11 **	0.11 **	0.11 **	0.11 **	0.11 **

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

The level of this series before January 2012 is an aggregate of employment data in 31 manufacturing industries. After January 2012 this series is extrapolated from the monthly growth rate of the aggregated employment data in 24 manufacturing industries

Data Sources: CEIC, NBS, 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).

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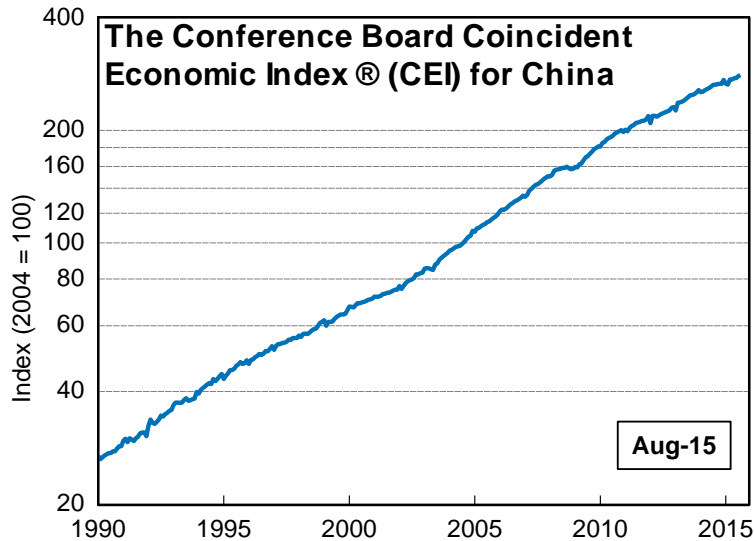
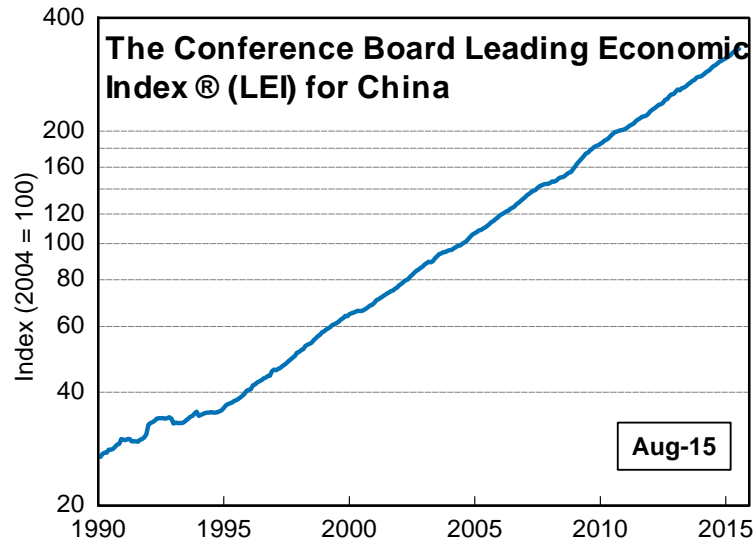
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中国先行与同步经济指数



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

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