



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (BEIJING TIME), TUESDAY, SEPTEMBER 14, 2010

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

The Conference Board Leading Economic Index[®] (LEI) for China increased 0.5 percent, and **The Conference Board Coincident Economic Index[®] (CEI)** also increased 0.5 percent in July.

- The Conference Board LEI for China increased again in July, but the strengths among the leading indicators were less widespread than the weaknesses this month. Only total loans issued by financial institutions and the PMI export orders index made positive contributions in July. With this month's gain, the leading economic index has increased by 3.4 percent (a 6.8 percent annual rate) in the six-month period through July 2010, about the same rate as the previous six months. However, the strengths among the leading indicators have become less widespread, and have just been balanced with the weaknesses over the past six months.
- The Conference Board CEI for China, a measure of current economic activity, also increased in July. Value-added industrial production declined for the first time since January this year, but all the other coincident indicators advanced in July. With this month's gain, the coincident economic index increased by 6.5 percent (a 13.5 percent annual rate) in the six-month period through July 2010, slightly up from the gain of 5.9 percent (about a 12.2 percent annual rate) for the previous six months. Moreover, the strengths among the coincident indicators have remained very widespread, with all components advancing in recent months.
- The Conference Board LEI for China continued to increase in July. Its six-month growth rate has been fairly steady this year, but it is considerably below the growth rate in the first half of 2009. In addition, the strengths among the leading indicators have also become less widespread. At the same time, The Conference Board CEI for China has been on an upward trend, and the strengths among its components have remained very widespread. All in all, the behavior of the composite indexes and their components suggest that China's economic activity should continue expanding in the coming months.

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

With the increase of 0.5 percent in July, The Conference Board LEI for China now stands at 147.6 (2004=100). With data revisions, this index increased 0.7 percent in June and increased 0.9 percent in May. During the six-month span through July, The Conference Board LEI for China increased 3.4 percent, and three of the six components advanced (diffusion index, six-month span equals 50.0 percent).

The next release is scheduled for Friday, October 15, 2010 at 10:00 A.M. (Beijing Time)
In New York – Thursday, October 14, 2010 at 10:00 P.M. (ET)

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

With the increase of 0.5 percent in July, The Conference Board CEI for China now stands at 187.3 (2004=100). This index increased 1.0 percent in June and increased 0.9 percent in May. During the six-month span through July, The Conference Board CEI for China increased 6.5 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 September 9, 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>).

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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

<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 2010 schedule for “The Conference Board Leading Economic Index[®] for China” updates is:

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)

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The Conference Board China Business Cycle Indicators

Table 1.--Summary of China Composite Economic Indexes

	2010						
	Jan	Feb	Mar	Apr	May	Jun	Jul
Leading index	142.8	143.6	144.6	144.6	145.9	146.9 p	147.6 p
Percent change	0.7	0.6	0.7	0.0	0.9	0.7 p	0.5 p
Diffusion index	91.7	50.0	50.0	16.7	83.3	50.0	33.3
Coincident index	175.8	179.6	180.5	183.0	184.6	186.4 p	187.3 p
Percent change	1.5	2.2	0.5	1.4	0.9	1.0 p	0.5 p
Diffusion index	75.0	75.0	50.0	100.0	75.0	75.0	75.0
	Jul to Jan	Aug to Feb	Sep to Mar	Oct to Apr	Nov to May	Dec to Jun	Jan to Jul
Leading index							
Percent change	3.5	3.2	3.2	2.6	3.3	3.6 p	3.4 p
Diffusion index	83.3	100.0	75.0	66.7	50.0	66.7	50.0
Coincident index							
Percent change	5.9	6.8	6.3	6.8	6.7	7.6 p	6.5 p
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 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

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The Conference Board China Business Cycle Indicators

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

Component	2010						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
China Leading Economic Index Component Data							
Consumer Expectations Index.....	104.60	104.50	108.20	106.80	108.17	108.90 r	108.60
Total Loans Issued by Financial Institutions (Billions of 2004 Yuan, deflated by PPI, S.A.).....	35401.26	35620.42	35727.04	36107.54	36651.02	37157.58	38199.06
5000 Ind Enterp Diffusion Index:							
Raw Materials Supply (S.A., Q).....	60.12	60.78	60.25	60.07	59.86	59.73 **	59.65 **
PMI: Manufacturing							
Supplier Delivery* (S.A.).....	50.4	50.2	50.8	51.1	50.8	49.4	50.4
PMI: Manufacturing							
New Export Orders (S.A.).....	55.13	53.60	52.29	50.82	52.12	51.56	52.37
Floor Space Started: Total (Thousands of Sq M, S.A.).....	116817.41	115330.25	154743.44	146819.77	162690.85	160833.16	154664.99
LEADING INDEX (2004=100).....	142.8	143.6	144.6	144.6	145.9	146.9 p	147.6 p
Percent change from preceding month.....	0.7	0.6	0.7	0.0	0.9	0.7 p	0.5 p
China Leading Economic Index Net Contributions							
Consumer Expectations Index.....	....	-0.01	0.33	-0.13	0.12	0.07 r	-0.03
Total Loans Issued by Financial Institutions (Billions of 2004 Yuan, deflated by PPI, S.A.).....	....	0.09	0.04	0.16	0.22	0.21	0.42
5000 Ind Enterp Diffusion Index:							
Raw Materials Supply (S.A., Q).....	....	0.30	-0.24	-0.08	-0.10	-0.06 **	-0.04 **
PMI: Manufacturing							
Supplier Delivery* (S.A.).....	....	0.03	-0.12	-0.07	0.06	0.30	-0.22
PMI: Manufacturing							
New Export Orders (S.A.).....	....	-0.12	-0.11	-0.12	0.11	-0.05	0.07
Floor Space Started: Total (Thousands of Sq M, S.A.).....	....	-0.02	0.52	-0.09	0.18	-0.02	-0.07

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 China Business Cycle Indicators

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

Component	2010						
	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.
China Coincident Economic Index Component Data							
Value-Added Industrial Production (Billions of 2004 Yuan, deflated by PPI, S.A.).....	913	953	966	976	987	1005	990
Retail Sales of Consumer Goods (Billions of 2004 Yuan, deflated by RPI, S.A.)....	1046.8	1099.9	1073.8	1093.4	1112.4	1134.5	1149.5
Volume of Passenger Traffic (Person Bn-Kilo, S.A.).....	213.6	223.6	223.0	226.1	224.1	233.6	234.7
Electricity Production (Billions of KWH, S.A.).....	336.0	332.2	337.6	345.2	348.3	342.7	348.7
Manufacturing Employment (Person Mh, S.A., Q).....	70.9	71.4	72.2	72.9	73.5	73.8 **	74.3 **
COINCIDENT INDEX (2004=100).....	175.8	179.6	180.5	183.0	184.6	186.4 p	187.3 p
Percent change from preceding month.....	1.5	2.2	0.5	1.4	0.9	1.0 p	0.5 p
China Coincident Economic Index Net Contributions							
Value-Added Industrial Production (Billions of 2004 Yuan, deflated by PPI, S.A.).....	....	0.77	0.25	0.19	0.20	0.33	-0.28
Retail Sales of Consumer Goods (Billions of 2004 Yuan, deflated by RPI, S.A.)....	....	0.85	-0.41	0.31	0.29	0.34	0.22
Volume of Passenger Traffic (Person Bn-Kilo, S.A.).....	....	0.41	-0.02	0.13	-0.08	0.37	0.04
Electricity Production (Billions of KWH, S.A.).....	....	-0.20	0.28	0.39	0.15	-0.28	0.30
Manufacturing Employment (Person Mh, S.A., Q).....	....	0.28	0.43	0.36	0.31	0.17 **	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: 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).

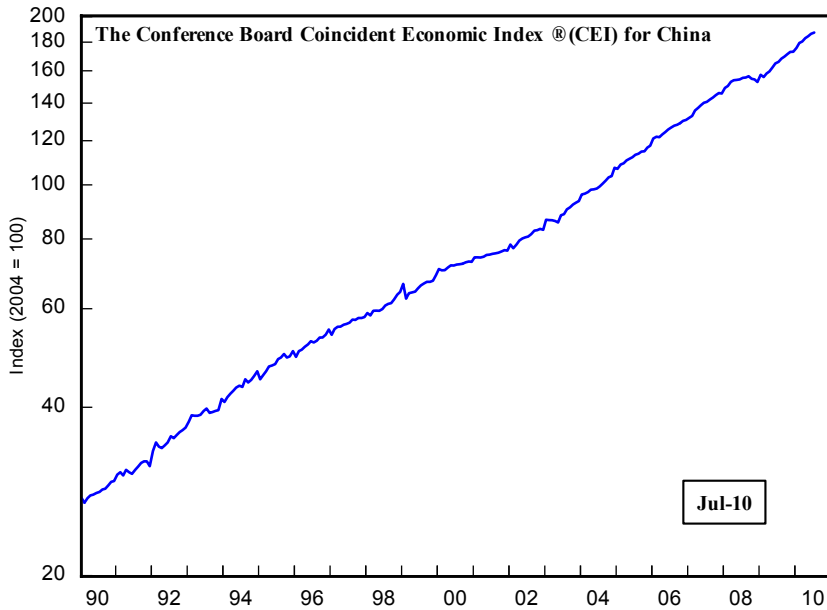
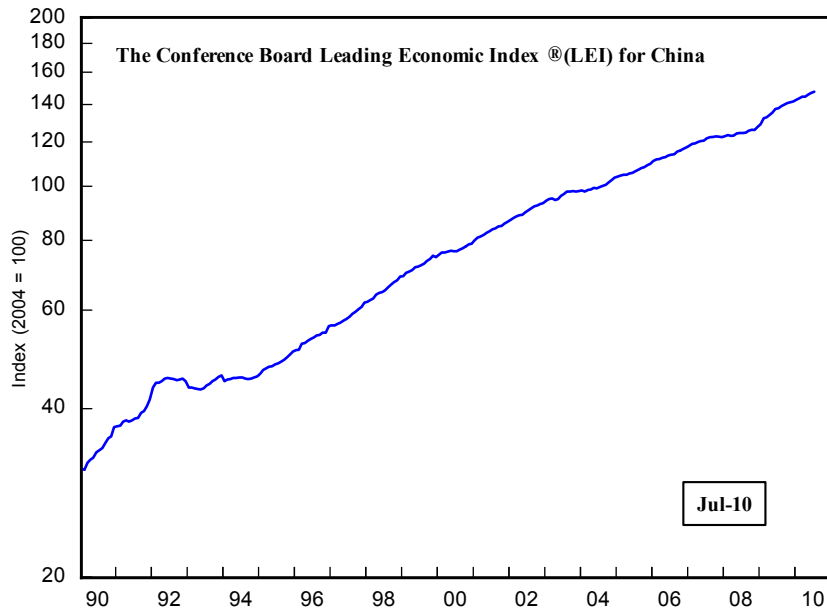
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China



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