



THE CONFERENCE BOARD

CORRECTED RELEASE: 10:00 A.M. (BEIJING TIME), TUESDAY, JUNE 29, 2010

The Conference Board®  
China Business Cycle Indicators<sup>SM</sup>  
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX®**  
**(LEI) FOR CHINA**  
**AND RELATED COMPOSITE ECONOMIC INDEXES FOR APRIL 2010**

NOTE: This release corrects and replaces the June 15, 2010 release of *The Conference Board Leading Economic Index*® (LEI) for China.

The LEI for China was previously reported to have increased 1.7 percent in April but has been revised to correct a calculation error: the Total Floor Space Started component contributed a negative value, minus 0.1 percent in April, rather than a positive 1.3 percent as originally reported. The correction has produced a lower value and monthly change in the LEI, but does not affect the outlook or the historical cyclical behavior of the index. Only the values of the April LEI for China itself and the Total Floor Space Started component have changed. The correction does not affect any of the other LEI components, nor does it impact **The Conference Board Coincident Economic Index**® (CEI) for China.

**The Conference Board Leading Economic Index**® (LEI) for China increased 0.3 percent, and **The Conference Board Coincident Economic Index**® (CEI) increased 1.2 percent in April.

- The Conference Board LEI for China increased again in April. Gains in total loans issued by financial institutions and the PMI sub-index of manufacturing supplier deliveries offset the negative contributions from consumer expectations, the PMI sub-index of new export orders, and total floor space started. The moderation in the six-month growth rate of the leading economic index continued, down to 3.3 percent (a 6.8 percent annual rate) between October 2009 to April 2010, from 4.9 percent (about a 10.0 percent annual rate) in the previous six months. At the same time, the strengths among the leading indicators have been widespread in recent months.
- The Conference Board CEI for China, a measure of current economic activity, also increased in April. Electricity production continued to make the largest positive contribution to the coincident economic index this month. With April's gain, the coincident economic index grew by 6.2 percent (a 12.9 percent annual rate) in the six months ending in April 2010, moderating from 7.3 percent (a 15.2 percent annual rate) in the previous six months. Nevertheless, the strengths among the coincident indicators have remained very widespread as all components have advanced in recent months.
- The Conference Board LEI for China increased moderately in April. Although the strength in the leading economic index has been widespread during the last six months, its growth rate has moderated since the middle of last year. At the same time, The Conference Board CEI for China has remained on an upward trend, with very widespread strengths among its components. All in all, the behavior of the composite indexes and their components suggest that China's economic expansion should continue and that growth in economic activity is likely to moderate in coming months.

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

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

With the increase of 0.3 percent in April, The Conference Board LEI for China now stands at 145.0 (2004=100). This index increased 1.2 percent in March and increased 0.4 percent in February. During the six-month span through April, The Conference Board LEI for China increased 3.3 percent, and five of the six components advanced (diffusion index, six-month span equals 83.3 percent).

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

With the increase of 1.2 percent in April, The Conference Board CEI for China now stands at 182.1 (2004=100). This index increased 0.4 percent in March and increased 1.8 percent in February. During the six-month span through April, The Conference Board CEI for China increased 6.2 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 June 25, 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.

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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: <http://www.conference-board.org/economics/bci/>.

China Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Consumer Expectations Index	0.0880
2. NBS Manufacturing PMI Sub-Indices: Export Orders	0.0795
3. NBS Manufacturing PMI Sub-Indices: PMI Supplier Deliveries	0.2191
4. Total Loans Issued by Financial Institutions	0.1460
5. 5000 Industry Enterprises Diffusion Index: Raw Materials Supply Index	0.4475
6. Total Floor Space Started	0.0199
<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 May 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: <http://www.conference-board.org/economics/bci>.

The trend adjustment factor for the leading economic index is 0.2825, 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<sup>®</sup> for China” updates is:

May 2010 Data ... Thursday, July 15, 2010  
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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### **AVAILABLE FROM THE CONFERENCE BOARD:**

China Business Cycle Indicators Internet Subscription <i>(Includes monthly release, data, charts and commentary)</i>	\$ 635 per year (1 user)
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Monthly BCI Report <i>(Sample available at <a href="http://www.conference-board.org/publications/describeBCI.cfm">http://www.conference-board.org/publications/describeBCI.cfm</a>)</i>	\$ 275 per year
BCI Handbook (published 2001)	\$ 20
Corporate Site License	contact Indicators Program at (212) 339-0330

Business Cycle Indicators for the Euro Area, France, Germany, Japan, Korea, Mexico, Spain, the U.K. and the U.S. are available at \$635 per country per year (1 user). Discounts are available to Associates of The Conference Board and accredited academic institutions.

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## The Conference Board China Business Cycle Indicators

**Table 1.--Summary of China Composite Economic Indexes**

	2009							2010
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Leading index	140.3	140.7	141.2	142.4	142.9	144.6 p	145.0 p	
Percent change	0.4	0.3	0.4	0.8	0.4	1.2 p	0.3 p	
Diffusion index	50.0	50.0	50.0	100.0	50.0	66.7	50.0	
Coincident index	171.4	173.0	173.1	176.0 r	179.1	179.9 p	182.1 p	
Percent change	0.9	0.9	0.1	1.7 r	1.8	0.4 p	1.2 p	
Diffusion index	90.0	80.0	80.0	80.0	70.0	60.0	100.0	
	Apr to	May to	Jun to	Jul to	Aug to	Sep to	Oct to	
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Leading index								
Percent change	4.9	4.1	2.8	3.3	3.0	3.5 p	3.3 p	
Diffusion index	66.7	66.7	50.0	66.7	100.0	100.0	83.3	
Coincident index								
Percent change	7.3	6.7	5.0	6.0	6.5	5.9 p	6.2 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/economics/bci](http://www.conference-board.org/economics/bci)

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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	2009							2010
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
<b>China Leading Economic Index Component Data</b>								
Consumer Expectations Index.....	102.64	102.99	103.98	104.60	104.50	108.20	106.80	
Total Loans Issued by Financial Institutions (Billions of 2004 Yuan, deflated by PPI, S.A.).....	35130.05	35336.19	35224.95	35383.31	35585.08	35674.95	36026.97	
5000 Ind Enterp Diffusion Index:								
Raw Materials Supply (S.A., Q).....	59.82	59.71	59.83	60.15	60.44	60.64 **	60.78 **	
PMI: Manufacturing								
Supplier Delivery (S.A.).....	50.2	50.0	50.2	50.8	50.7	50.5	51.2	
PMI: Manufacturing								
New Export Orders (S.A.).....	54.93	54.30	53.91	55.20	53.67	52.50	51.23	
Floor Space Started: Total (Thousands of Sq M, S.A.).....	119245.88	237599.57	112582.99	116471.38	115994.51	154354.27	146878.06	
<b>LEADING INDEX (2004=100).....</b>	<b>140.3</b>	<b>140.7</b>	<b>141.2</b>	<b>142.4</b>	<b>142.9</b>	<b>144.6 p</b>	<b>145.0 p</b>	
Percent change from preceding month.....	0.4	0.3	0.4	0.8	0.4	1.2 p	0.3 p	
<b>China Leading Economic Index Net Contributions</b>								
Consumer Expectations Index.....	....	0.03	0.09	0.05	-0.01	0.33	-0.12	
Total Loans Issued by Financial Institutions (Billions of 2004 Yuan, deflated by PPI, S.A.).....	....	0.09	-0.05	0.07	0.08	0.04	0.14	
5000 Ind Enterp Diffusion Index:								
Raw Materials Supply (S.A., Q).....	....	-0.05	0.05	0.14	0.13	0.09 **	0.06 **	
PMI: Manufacturing								
Supplier Delivery (S.A.).....	....	-0.05	0.04 r	0.13	-0.01	-0.03	0.14	
PMI: Manufacturing								
New Export Orders (S.A.).....	....	-0.05	-0.03 r	0.10	-0.12 r	-0.09 r	-0.10	
Floor Space Started: Total (Thousands of Sq M, S.A.).....	....	0.00	0.00	0.07 r	-0.01 r	0.56 r	-0.10	

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	2009						2010
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
<b>China Coincident Economic Index Component Data</b>							
Value-Added Industrial Production (Billions of 2004 Yuan, deflated by PPI, S.A.).....	899	915	927	913	954	968	979
Retail Sales of Consumer Goods (Billions of 2004 Yuan, deflated by RPI, S.A.)....	997.0	1005.7	974.5	1048.1	1096.5	1076.0	1095.9
Volume of Passenger Traffic (Person Bn-Kilo, S.A.).....	219.1	210.7	213.5 r	213.7 r	223.9 r	223.3 r	226.2
Electricity Production (Billions of KWH, S.A.).....	318.6	329.2	333.2	336.2	332.4	337.8	345.4
Manufacturing Employment (Person Mn, S.A., Q).....	69.8	70.3	70.4	71.3	71.3	71.7 **	72.1 **
<b>COINCIDENT INDEX (2004=100).....</b>	<b>171.4</b>	<b>173.0</b>	<b>173.1</b>	<b>176.0 r</b>	<b>179.1</b>	<b>179.9 p</b>	<b>182.1 p</b>
Percent change from preceding month.....	0.9	0.9	0.1	1.7 r	1.8	0.4 p	1.2 p
<b>China Coincident Economic Index Net Contributions</b>							
Value-Added Industrial Production (Billions of 2004 Yuan, deflated by PPI, S.A.).....	....	0.32	0.22	-0.26	0.78	0.26	0.22
Retail Sales of Consumer Goods (Billions of 2004 Yuan, deflated by RPI, S.A.)....	....	0.15	-0.54	1.25	0.77	-0.32	0.31
Volume of Passenger Traffic (Person Bn-Kilo, S.A.).....	....	-0.35	0.12	0.01 r	0.42	-0.02 r	0.12
Electricity Production (Billions of KWH, S.A.).....	....	0.57	0.21	0.15	-0.20	0.28	0.39
Manufacturing Employment (Person Mn, S.A., Q).....	....	0.23	0.08 r	0.48 r	0.00	0.25 **	0.17 **

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).

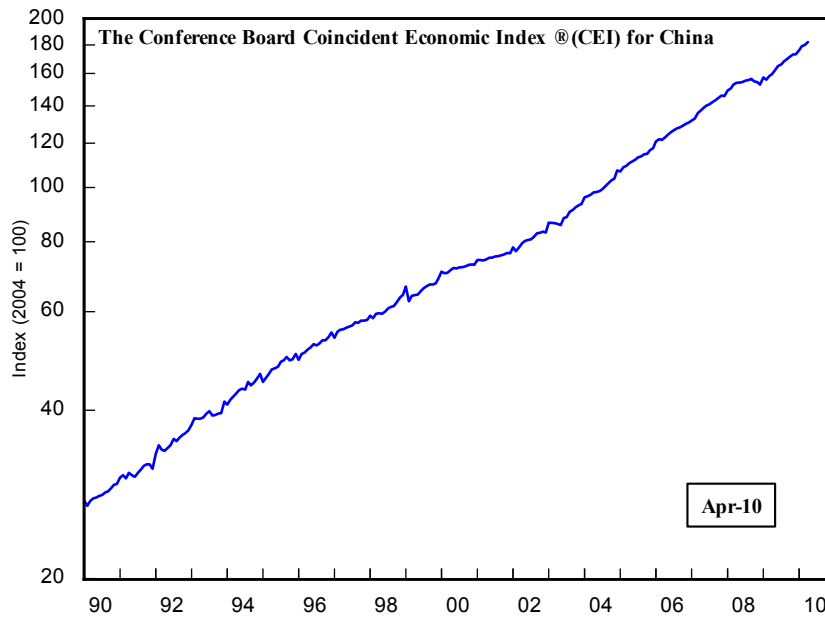
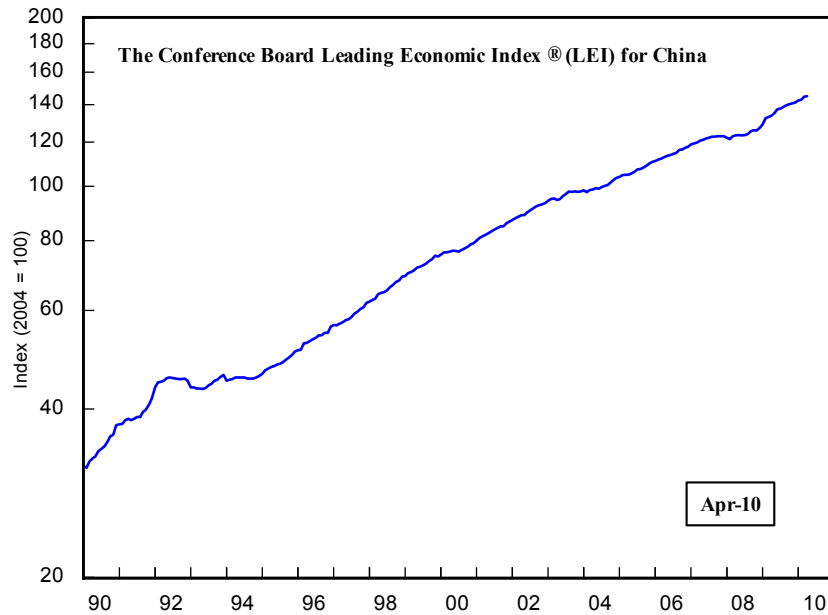
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# China



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