

China NCI™
Now-Casting Index

Released: 12:00 GMT, 20th January, 2016

Next release: 12:00 GMT, 15th February, 2016

www.now-casting.com

Bloomberg: NCIXCN

China growth rate shows modest improvement

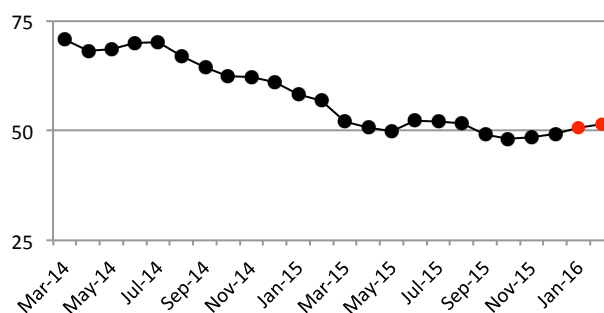
- The China NCI™ is at 50.74 for January, compared to 49.32 for December, and is forecast at 51.45 for February, indicating a modest pick-up in growth. The model is expecting GDP growth at 6.8% and 7.0% for Q1 and Q2, respectively.
- Although the model accurately predicted GDP growth in Q4, figures released for Industrial Production and the Services PMI, both for December, caused the level of the NCI™ series to be revised downwards

NCI™ release data

reference period	NCI™ Release Dates	
	12/12/15	20/1/16
Dec-15	51.07 (A)	49.32 (U)
Jan-16	53.89 (F)	50.74 (A)
Feb-16	--	51.45 (F)

Notes: (A), ACTUAL, denotes the estimate of economic activity for the current month; (F), FORECAST, the forecast for next month; (U) UPDATED, denotes updates reflecting data released since the last NCI publication date. Source: Now-Casting Economics Ltd

Revised NCI™ history



The newsflow: macroeconomic data releases since last month's NCI™

Release Date	Release Name	Reference Period	Model Unit	Release Value*	Model Expectation	Impact of Data Releases	
						China NCI™ December	China NCI™ January
19/1/16	Real GDP	Q4'15	Y-o-Y %	6.80	6.82	0.08	0.09
19/1/16	Electricity Production	Dec-15	YoY %	0.16	3.22	-0.19	-0.61
19/1/16	Industrial Production	Dec-15	Y-o-Y %	5.90	6.53	-1.29	-2.08
19/1/16	Newly Started Construction	Dec-15	YoY %	-14.00	-13.98	0.04	0.07
13/1/16	Imports	Dec-15	YoY %	-7.60	-9.20	0.10	0.19
13/1/16	Exports	Dec-15	YoY %	-1.40	-6.17	0.39	0.74
6/1/16	HSBC/Markit PMI: Services	Dec-15	Index	50.21	51.52	-0.54	-1.04
4/1/16	HSBC/Markit PMI: Manufacturing	Dec-15	Index	48.25	48.48	-0.21	-0.40
1/1/16	Official PMI: Nonmanufacturing	Dec-15	Index	54.40	54.03	0.03	0.04
1/1/16	Official PMI: Manufacturing	Dec-15	Index	49.70	49.41	0.15	0.28
25/12/16	Freight Traffic	Nov-15	YoY %	-1.70	1.99	-0.23	-0.35
						-1.44	-2.72

Note: Released values are expressed in Model Units
Source: Now-Casting Economics Ltd and Official Data Sources



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Notes

What is the NCI™? The Now-Casting Index - NCI™ - is an index that measures the state of the business cycle. It is calculated from a broad set of economic indicators.

How to read the NCI™? The NCI™ is normalized to have a mean value of 100 and a standard deviation of 25 calculated over the estimation sample, which starts in 1995. Values above 100 indicate that real activity is growing above the mean.

NCI™ updates The NCI™ is updated in relation to surprises in data releases (*news*) computed as the difference between the release value and model-based now-cast for each input indicator. The weights attached to each *news* are also model-based.

Impact of data releases The impact of each data release on the NCI™ is the product of the economic *news* associated with that release and a model-based weight which reflects the importance of each variable and is a function of its timeliness. 'News' is defined in this context as the difference between the actual value of a release and the model's expectation of that value.

Impact of revisions The difference between the value of the NCI™ released today and the forecast of it made a month ago may be more or less than the total impact of all the releases listed in the table on page 1, because of the impact of any revisions to prior data releases made during this period.

Source of data The Now-Casting Index for China is produced by Now-Casting Economics Limited and is based on a model built on monthly and quarterly economic indicators covering production, labour, construction, domestic and international trade, services and surveys. Raw data are supplied by Haver Analytics. Now-Casting Economics releases the China NCI™ monthly for the current month together with a forecast for the next month and updates to the previous release. Forecast updates are based on data released since the last NCI™ publication. The model is estimated in real-time at each data release; now-casts of GDP and other macroeconomic series are published live within 30 minutes of the data release.

Now-Casting model The NCI™ is an output of the Now-Casting model, which is designed to capture commonalities among macroeconomic data while filtering out idiosyncratic noise. The model produces estimates of the real economic conditions in different countries in real time, taking into account non-synchronous data sampled at mixed frequency. The NCI™ and its revisions are produced automatically, without judgment or other intervention. The deep parameters of Now-Casting model are estimated at the beginning of every year; the NCI™ is the result of a pure out-of-sample forecast. Normalization is updated at the beginning of every year in concomitance with updates of deep parameters.

Now-Casting Economics Limited is a company delivering high-frequency information on current conditions in the world's major economies. The service covers the US, the Euro Area, China, Japan, Germany, France, Italy, Spain, the UK, Canada and Brazil, and is available by subscription. Weekly now-casts for the Euro Area are available free on the Now-Casting web site (www.now-casting.com).

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