

China's Li-ding Indicator



Source: Bloomberg

Monthly data from January 2005 through March 2018

- Investors have been skeptical of officially reported Chinese economic data forever. Like Mark Twain famously said, “Lies, damn lies and statistics.” Those skeptics are in good company as China’s current Premier of the State Council (Li Keqiang) famously shared his distrust of China’s “man-made” published data, favoring a blend of bank lending, rail freight and electricity consumption.
- The Li Keqiang Index has been a very good proxy for Chinese Real GDP Growth over the past 10 years and currently suggests that skeptics of Chinese data should ratchet up their estimates of economic growth to be more in line with underlying activity measures.
- We are long-term believers in the continued development of the Chinese economy and the emerging middle class consumer. ***This index gives us confidence that real growth may be higher than what’s being reported.***

The Li Keqiang Index takes the weighted average of annual growth rates in outstanding bank loans (40%), electricity production (40%) and rail freight volume (20%). Electricity production is used rather than electricity consumption as they are conceptually similar and a longer historical series exists for electricity production. (Source: Bloomberg)

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