The NBS survey in Q2 had an average composite index of 52.0, which was consistent with a forecast GDP growth rate of 6.7% (the point on the regression line in Figure 9). In Q3, this survey had an average composite index of 52.1, essentially unchanged as depicted in Figure 6. Somewhere between 6.7% and 7.0% for Q3 GDP growth seems a reasonable expectation.

The Markit survey in Q2 had an average composite index of 51.4, which was consistent with 8.0% growth based on the historical relationship between this survey and GDP growth. The Q3 average of 50.5 implies a point forecast of 7.6%. If we take the change in the index and apply that to Q2 GDP growth, we might expect growth of 6.6% (0.4% lower than the 7.0% figure reported in Q2) instead of assuming a return to the regression line. So this survey would suggest a growth rate in the 6.6% to 7.6% range would be a reasonable forecast.

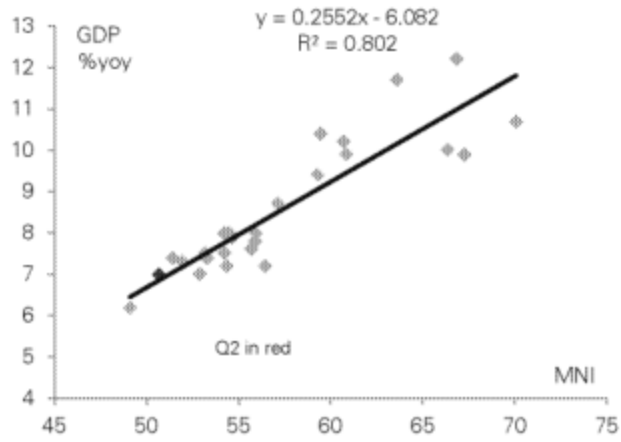
There is a third monthly survey of business activity published by MNI Deutsche Börse, which drew a lot of attention in August when it spiked up. It is even more volatile on a monthly basis than the market survey, but has a better track record in 'nowcasting' GDP growth as Figure 11 shows. On average, this index was 1.7 points higher in Q3 than in Q2, which would imply Q3 growth of about 7.3%.

Note that our long-standing forecast for Q3 GDP growth is 7.0% and both these surveys seem to suggest this is a reasonable forecast with perhaps some downside risk according to the NBS survey.

Figure 10: MNI-DB survey of business conditions

Sources: MNI-Deutsche Börse and Deutsche Bank Research

Figure 11: ... versus GDP growth



Sources: MNI-Deutsche Börse and Deutsche Bank Research

Every economist it seems has a version of the "Li Keqiang Index", so called because it refers to the comment attributed to the Premier back in 2007 that the most reliable data in China are credit growth, electricity consumption and rail freight traffic. But as with the PMI surveys, just plotting these offers no basis for a view on GDP growth. We combine these three variables in a composite index by choosing weights so as to maximize the fit to the GDP growth rate. If the purpose of looking at these variables is to form a view on what GDP growth 'really' is, then one can only do so by examining their usefulness in explaining growth historically.