

# **Nowcasting Chinese GDP: Information Content of Economic and Financial Data**

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## **Summary**

From the perspective of policy makers, a clear understanding of the state of current economic activity is crucial to making policy decisions. However, GDP data, the broadest measure of economic activity, are available only with a long lag and are subject to several rounds of revisions. The aim of this paper is to estimate the annual growth rate of China's current-quarter GDP (the so-called nowcasts of GDP) from other timely economic and financial data. By applying a factor model proposed by Giannone, Reichlin, and Small (2005) and a large dataset of 189 indicator series of different categories, such as prices, industrial production, and financial markets, this paper successfully generates out-of-sample nowcasts for China's GDP growth rate with smaller forecast errors than those of the Random Walk benchmark. This paper also finds that interest rate data is the most important block in improving the performance of the nowcasting model. Consumer and retail prices data, and fixed asset investment indicators are also important.