

Special Report

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Editorial Board

Jing Sima  
China Strategist

Arthur Budaghyan  
Chief EM/China Strategist

Xiangyu Wang  
Research Analyst

Ziyuan Huang  
Research Analyst

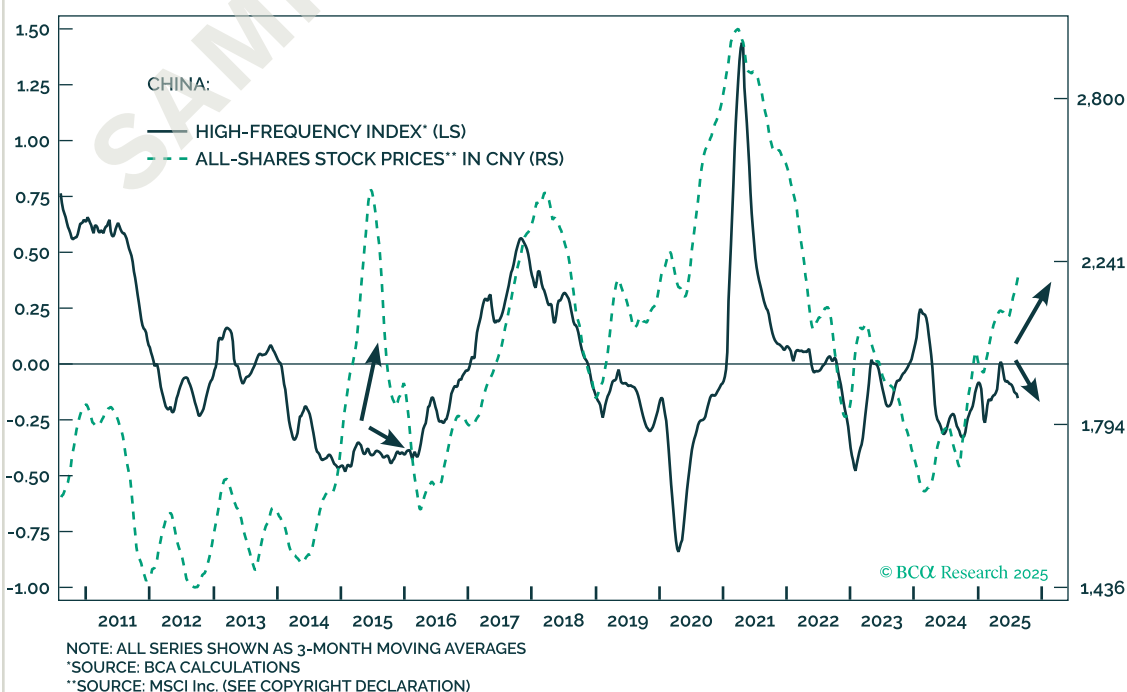
# Tracking China's Economy With High-Frequency Indicators

## Executive Summary

**Top Takeaway:** Our newly constructed High-Frequency Index (HFI) provides an early read on China's economic conditions. Investor optimism in Chinese equities may persist in the near term, but stock prices have diverged further from corporate profit trends, raising the risk of pullbacks.

- The current reading of the HFI signals a production rebound in August but further deterioration in housing and consumption.
- Much of the pickup in production in recent weeks reflects payback from weather-related disruptions in the previous month.
- High-frequency housing indicators deteriorated further this month from July.
- Consumptions remain soft, and exports will relapse, underscoring fragile domestic and global demand.

## Chinese Stock Prices Have Diverged Further From The China HFI

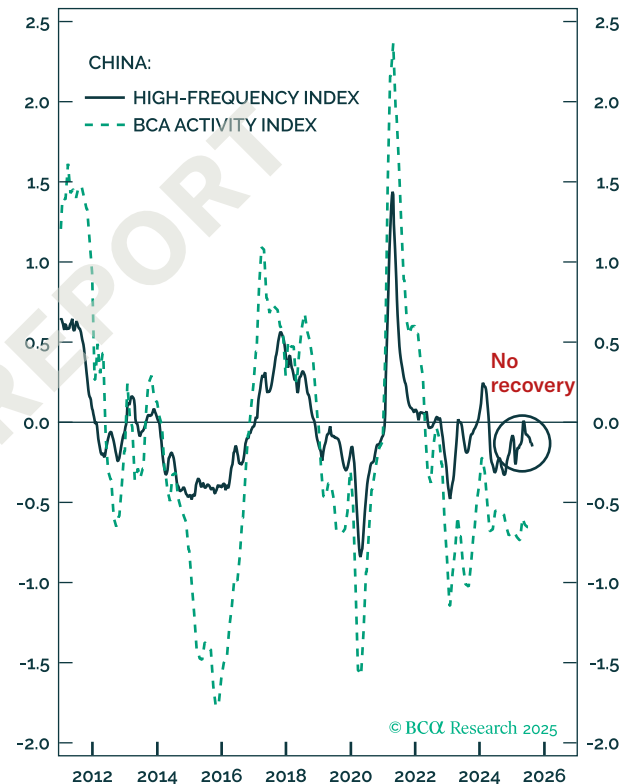


# Tracking China's Economy With High-Frequency Indicators

Last week, [we introduced the China Economic Pressure Indicator \(EPI\)](#)—a quantitative gauge of household stress. The latest reading in the EPI has breached the  $-1.0$  standard deviation “pain threshold.” Historically, such pressure levels have triggered sizeable reflationary responses from Beijing, and we expect new property-focused measures within the next one to two months.

This week, we launch the China **High-Frequency Index (HFI)**. The HFI is a composite index of daily and weekly indicators across five key sectors of China's economy. It provides a timely measurement of China's current economic conditions, helping investors to gauge cyclical turning points in the economy earlier and identify mini swings within a business cycle.

CHART 1  
China High-Frequency Index  
Versus BCA China Activity Index



NOTE: ALL SERIES SHOWN AS 3-MONTH MOVING AVERAGES;  
SOURCE: BCA CALCULATIONS

## The Big Picture

BCA'S 45<sup>TH</sup> ANNUAL NYC CONFERENCE  
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**PETER BEREZIN**  
Chief Global Strategist  
BCA Research

**FRANCOIS TRAHAN**  
President and Founding Partner of  
The Macro Institute

**ANNA WONG**  
Chief US Economist  
for Bloomberg Economics

**MARTIN BARNES**  
Former Chief Economist  
BCA Research

## A Brief Introduction Of The HFI

The China HFI comprises five components which in turn consist of 15 sub-components with daily, weekly, and bi-weekly frequencies. Four of these capture the major areas of mainland economy: Industrial Production, Housing, Exports, and Household Consumption (**Table 1**). In addition, we include a high-frequency measurement of Producer Prices, as the latter reflects the supply-demand dynamics and complement activity indicators.

Descriptions of the sector indexes and their sub-components are provided in the **Appendix**, along with the rationale for their inclusion.

The China HFI will be updated and published in **the final week of each month**, giving investors an early read a couple of weeks ahead of official data releases.

As **Chart 1** illustrates, the China HFI closely tracks the BCA China Activity Index, our monthly proxy for the country's business cycle. Both measure current economic conditions.

Importantly, both the China HFI and the monthly China Activity Index should be viewed as a *directional* signal rather than a gauge of *growth rate*.

## Tracking Real-Time Economic Activity

The latest readings of the China HFI paint a subdued picture of current economic conditions. With the exception of production, high-frequency subindexes across all four

TABLE 1  
List Of Subcomponents Included In The China HFI

Production HF Index		Frequency
1	Total Outbound Volume of Coal Dispatch at Bohai Rim Ports	Daily
2	Operating Rate: PAF (Petroleum Asphalt Facilities)	Weekly
3	Crude Steel Output of Key Steel Enterprises	Bi-weekly
4	Operating Rate: PTA (Purified Terephthalic Acid)	Weekly
Housing Market HF Index		
5	Residential Housing Transactions in 30 Major Cities	Daily
6	Land Sales: Premium Rate	Weekly
7	Land Sales: Transactions	Weekly
Consumption HF Index		
8	Passenger Car Sales In Volume	Weekly
9	Sales of Home Appliances, In Volume	Weekly
10	Index of 21 Major City Traffic Congestion	Daily
Export HF Index		
11	Average Export Containerized Freight Index: China and Shanghai	Weekly
12	National Highway Freight Truck Traffic in Volume	Weekly
Producer Price HF Index		
13	Shengze Chemical Fiber Price Index	Daily
14	National Prices of Production Materials	Weekly
15	Linyi Wholesale Market Prices	Weekly

Sources: CCTDA, OILCHEM.NET, XIBEN INFO, CRIC, CHOICE, CPICA, CHINA IOL, METRO DATABASE, SSE, MoT, MoF, AND BCA CALCULATIONS

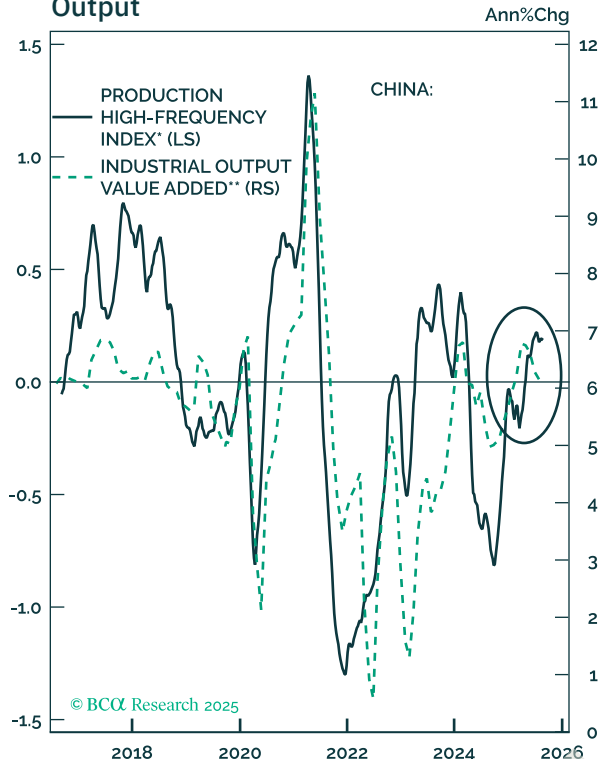
NOTE: ALL SERIES MEASURED ARE INCLUDED AS STANDARDIZED LEVELS.

other sectors are pointing to ongoing weakness in the economy in August.

The production HFI rebounded somewhat in recent weeks (**Chart 2**). The series closely tracks the NBS monthly industrial output figures, suggesting that industrial-sector economic data would be stronger in August than in July.

However, much of the pickup in recent weeks reflects payback from the weather-related disruptions of the previous month. Record heat and unusually heavy rainfall in July, including flooding, disrupted activity during that period.

CHART 2  
Production HF Index And Industrial  
Output



NOTE: ALL SERIES SHOWN AS 3-MONTH MOVING AVERAGES  
\* SOURCE: BCA CALCULATIONS  
\*\*SOURCE: NBS

Improvement in the three production subcomponents in August therefore appears to be a one-off mean reversion following an unusually weak July, rather than evidence of a sustained rebound in industrial activity.

By contrast, the housing HFI, which historically leads housing starts by about six months, has extended its July decline into the third week of August (**Chart 3**). The contraction in housing starts will likely deepen in the coming months.

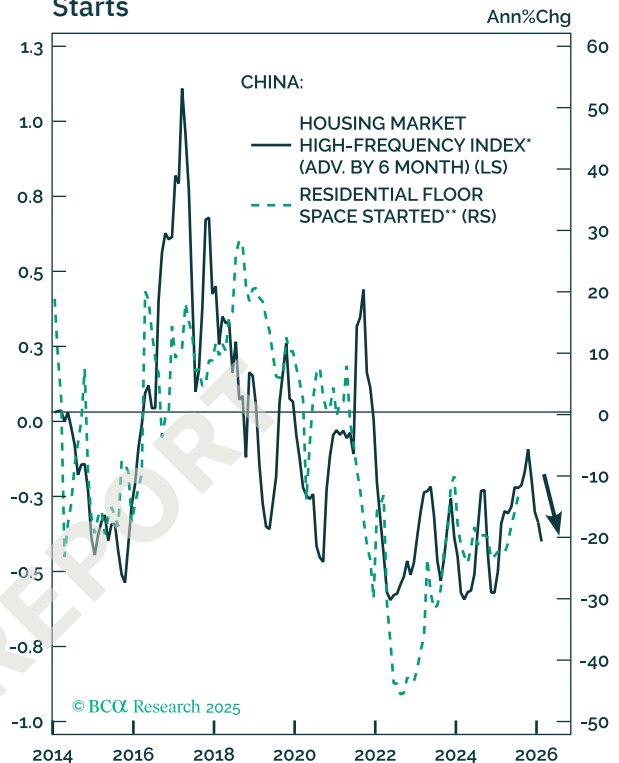
## THIS IS A SAMPLE REPORT.

Our team will be in touch shortly with the full report.

If you do not receive a call, please contact our Client Success team

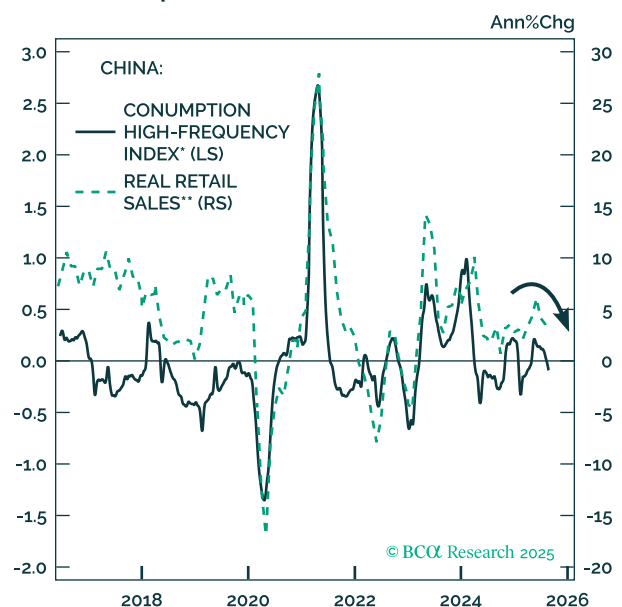
[clientsuccess@bcaresearch.com](mailto:clientsuccess@bcaresearch.com)

CHART 3  
Housing Market HF Index And Housing  
Starts



NOTE: ALL SERIES SHOWN AS 3-MONTH MOVING AVERAGES  
\* SOURCE: BCA CALCULATIONS  
\*\*SOURCE: NBS

CHART 4  
Consumption HF Index And Retail Sales



NOTE: ALL SERIES SHOWN AS 3-MONTH MOVING AVERAGES  
\* SOURCE: BCA CALCULATIONS  
\*\*DEFLATED BY CORE CPI; SOURCE: NBS