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THE WALL STREET JOURNAL.
WSJ.com

MAY 7, 2009

China Revamps Data to Boost Credibility

by ANDREW BATSON

BEIJING -- China is working to improve its much-maligned system for compiling statistics, as the downturn throws a harsh light on the gaps in the official portrait of the world's third-largest economy.

Helping to build a better foundation for future numbers is a network of people such as Feng Lijun, a 49-year-old civil servant who sports dark suits and yellow-tinted glasses. She was drafted to oversee a team of workers in China's economic census -- a massive survey that is the centerpiece of the government's effort to overhaul a crude counting system inherited from the planned economy.

Concerns about the reliability of China's data have been highlighted in recent months by the government's declarations that it will achieve the traditional annual growth target of 8% this year, part of its desire to paint a smooth picture of continued economic progress even amid the global slowdown.

Some outside economists say the current slowdown in China has been sharper than the headline figures indicate: In 2008, fourth-quarter gross domestic product expanded 6.8% from the year-earlier period, though indicators such as construction, car sales, tax revenue and electricity production showed declines.

The debate echoes back to a similar situation during 1998 downturn. The statistics bureau eventually declared GDP that year grew 7.8% -- a figure most economists outside the government say was too high to be consistent with other, weak indicators.

The episodes cast a shadow over the credibility of China's statistics, illustrating how the political importance of economic numbers creates incentives to distort them.

China's statisticians defend the accuracy of their work. "It's normal for people to have doubts. Many people also have doubts about the statistics of the U.S. government," Li Qiang, chief statistician of the National Bureau of Statistics, said in an interview. "But as someone doing statistical work, I can say that no one is interfering with me."

For the census, Ms. Feng is in charge of obtaining and checking detailed financial statements from every commercial operation in her corner of northwestern Beijing, a subdistrict of about 200,000 people. She started with lists of businesses from the tax bureau and utilities, but her surveyors had to pound the pavement to track down many small businesses.

"Some companies we have to call 10 or 20 times, and go to their door every day. If we keep calling, eventually the company feels it," she said in an interview.

The Chinese government's ability to organize this labor-intensive effort speaks to the resources it can devote to statistics. The nationwide census aims to get complete financial statements from around eight million businesses and organizations, as well as 40 million sole proprietors.

China's statisticians have made much progress in the past decade, but discerning trends in a nation of 1.3 billion is an enormous challenge. The census happens only once every five years, and more frequent surveys can still miss key segments of China's increasingly complex economy. The bureaucracy remains better at counting the output of state enterprises than figuring out what private-sector businesses and individual households are up to.

As the economy started to slide last year, pressure on the statistics bureau rose. In a speech in early October, China's Vice Premier Li Keqiang told bureau officials: "The basis of our statistics is still weak, and the quality of statistical data needs to be further improved." The next month, the statistics bureau held a study session on improving its economic analysis to better help policy makers.

During the current downturn, China's National Bureau of Statistics has tried to provide more and better information. It is publishing data on food prices more frequently, and promises more detailed figures on output, jobs and wages. New penalties for falsifying statistical reports are also now in force.

But the real test will be whether higher authorities permit the numbers to show politically inconvenient fluctuations in China's economy.

"I think the check is less technical ability and resources, and more whether they are allowed to announce bad news, instead of only good news and okay news," said Derek Scissors, a fellow at the Heritage Foundation in Washington.

There are signs the government is more open about bad economic news. As factories started to close last year, officials ordered special surveys of migrants in January, and publicized the shocking tally: around 20 million lost jobs.

The economic census has been commended as a serious effort to grasp the contours of China's economy. But it's not clear how the census results are reconciled with existing figures based on less-comprehensive surveys, and the statistics bureau publishes little information about its calculations. Among outside analysts, confusion persists over internal inconsistencies in the numbers.

"China is becoming such a big country that we expect some normalcy and some international standards," said Carsten Holz, an economist at the Hong Kong University of Science and Technology who has written about Chinese statistics. "I would describe it as a rather professional bureaucracy, but the final stage is political."

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Printed in The Wall Street Journal, page A11

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