



Is the short-term international capital flows a leading indicator? — Evidence from China

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In this paper, we use the improved direct method and improved residual method to re-measure the annual scale and measure the quarterly scale of the short-term international capital flow based on the Chinese BOP table. At the same time we use the residual method to calculate the monthly scale of the short-term international capital flow as well. Then we explain and test these calculated results. To judge whether the short-term international capital flows is a leading indicator in China, we apply the K-L (Kullback-Leibler) information method and time difference correlation analysis method to analyze the lagging-leading relationship between the short-term international capital flow and macro-economy by selecting some representative macroeconomic indicators as its counterpart. Our empirical analysis shows that in China, the short-term international capital flow is a leading indicator to macro-economy, and a coincident indicator to PMI (Purchasing Managers' Index). In the end we give some conclusions and policy proposals.

Keywords: short-term international capital flow; leading indicator; improved residual method.