

# CKGSB BCI

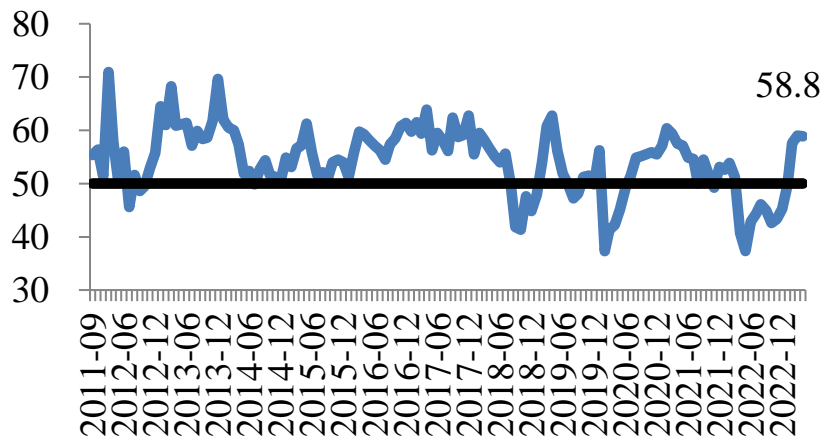
## April 2023

27 April 2023

CKGSB Case Center and Center for Economic Research

In April, the CKGSB Business Conditions Index (BCI) registered 58.8, one percentage point down from March's score of 58.9 (Figure 1), remaining stable at a fairly optimistic level that pushes towards 60.0.

**Figure 1 Business Conditions Index (BCI)**



Source: CKGSB Case Center and Center for Economic Research

The CKGSB BCI comprises four sub-indices: sales, profit, financing environment and inventory. Three measure prospects and one, the corporate financing index, measures current conditions. In April 2023, the sub-indices performed as follows:

**Figure 2 Corporate Sales Index**



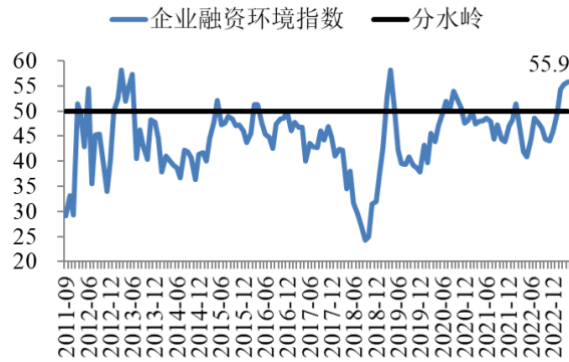
Source: CKGSB Case Center and Center for Economic Research

**Figure 3 Corporate Profit Index**

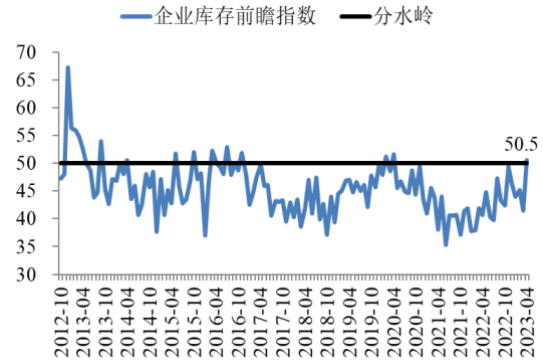


Source: CKGSB Case Center and Center for Economic Research

Of these, two rose and two fell this month. The corporate sales index fell definitely, from 75.7 to 70.4 (Figure 2), while the corporate profit index declined from 64.2 to 59.6 (Figure 3).

**Figure 4 Corporate Financing Index**


Source: CKGSB Case Center and Center for Economic Research

**Figure 5 Inventory Index**


Source: CKGSB Case Center and Center for Economic Research

Corporate financing prospects rose slightly from 55.3 to 55.9 (Figure 4), staying above the confidence threshold. The index for inventory rose from 41.5 to 50.5 (Figure 5). A rise above the confidence line of 50.0 was unseen in the past year.

Unlike for the other subindices —sales and profit— where a positive trajectory indicates growth, when it comes to inventory, a positive trajectory indicates falling stock held in warehouses while a falling index means goods are not being shifted fast enough,

Aside from the main BCI, we also forecast costs, prices, investment and recruitment demand over the next six months. We begin with costs:

**Figure 6 Labor Costs Index**


Source: CKGSB Case Center and Center for Economic Research

**Figure 7 Overall Costs Index**


Source: CKGSB Case Center and Center for Economic Research

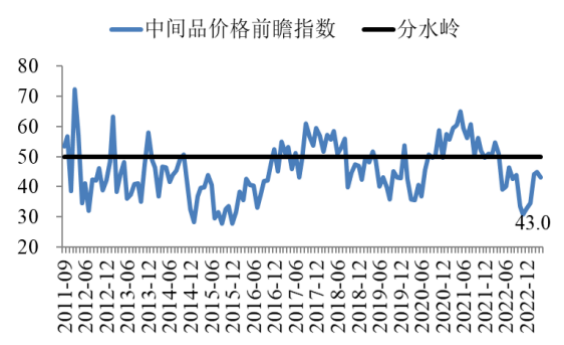
This month, labor cost expectations rose from 73.7 to 78.0, and the overall business costs index fell slightly, from 77.3 to 76.1. The rise in these two means more companies expect costs to pick up over the next six months, increasing pressure on their bottom lines. It may also suggest the economy is picking up: companies are encouraged to spend as demand warms up. When the economy is heating up, output or sales from enterprises increase, and more people and materials need to be invested in

production, which may mean that company operating conditions improve. Only when the unit costs of production or sales rise do companies feel the impact of worsening conditions of doing business. For specific data, see Figures 6 and 7.

Turning to prices, consumer price expectations fell from 58.6 to 56.5 (Figure 8). The producer price forecast tipped downwards from 44.9 to 43.0 (Figure 9).

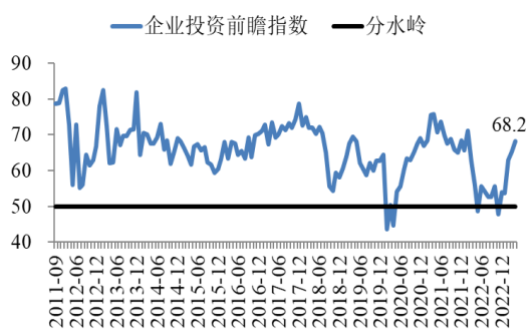
**Figure 8 Consumer Price Index**


Source: CKGSB Case Center and Center for Economic Research

**Figure 9 Producer Price Index**


Source: CKGSB Case Center and Center for Economic Research

We now turn to investment and recruitment. These indices have both been at the more confident end of the scale since the BCI began. In the past few months, they trended downwards, now hovering at the confidence threshold. These two indicators have generally performed poorly in recent times. One of the two rose this month and the other fell, but neither moved much. Both remain above 60.0. Since the Chinese economy is largely investment-driven, and investment has a strong link with job recruitment, these figures imply that the Chinese economy is on the mend. In other words, these two indicators look at plans for expansion in China's business world. The index for investment rose from 65.2 to 68.2 this month (Figure 10), while the index for employment fell slightly, from 66.1 to 64.6 in April (Figure 11).

**Figure 10 Investment Index**


Source: CKGSB Case Center and Center for Economic Research

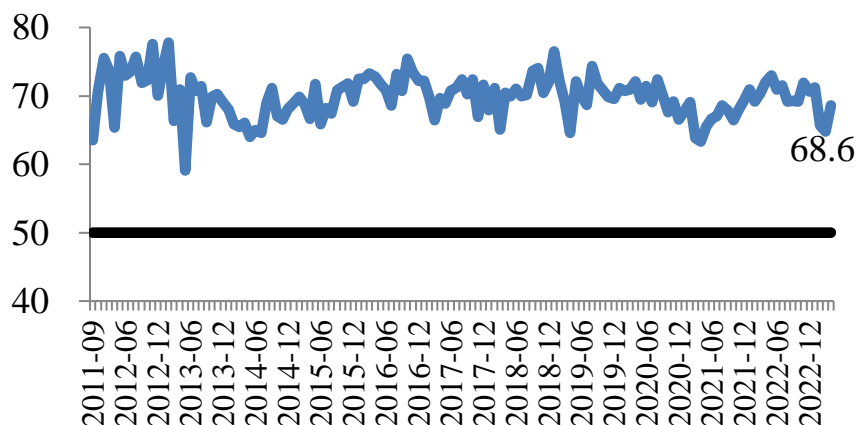
**Figure 11 Recruitment Index**


Source: CKGSB Case Center and Center for Economic Research

We conclude with an index recording our sample's relative strength in the marketplace. Figure 12 shows self-reported competitiveness compared with industry peers. This has risen to 68.6 this month.

As our sample is mainly excellent private firms run by CKGSB alumni, their competitiveness is higher than average (50 points) in their respective cohorts. This suggests that Chinese industry is, on the whole, having a harder time than our BCI sample.

Figure 12 Company Competitiveness



Source: CKGSB Case Center and Center for Economic Research

### CKGSB BCI Introduction

In June 2011, the CKGSB Case Center and the Center for Economic Research initiated a project to gauge the business sentiment of executives regarding the macro-economic environment in China – calling it a business conditions index.

Under the direction of Professor Li Wei, the two research centers designed and tested the BCI survey in July 2011. In September 2011, the first survey was carried out. 137 surveys have now been completed between May 2012 and April 2023 and 132 reports published (Three months at the beginning resulted in no report).

### Explanation of the Index

The CKGSB Business Conditions Index (CKBCI) is a set of forward-looking diffusion indicators. The index takes 50 as its threshold, so a value above 50 means that the variable that the index measures is expected to increase, while a value below 50 means that the variable is expected to fall. The CKGSB BCI uses the same methodology as the PMI index.

The survey asks senior executives of companies whether their main products are for consumers or non-consumers, and then asks how they think product prices will change in the next six months. Based on survey responses, we have been able to report expectant changes in consumer and producer prices.

We ask companies for information pertaining to their relative competitive positions in their respective industries. Based on survey responses, we compute a competitiveness index for our sample. The higher the competitiveness index, the more competitive our sample firms are in their respective industries.

### **Method of Calculation**

During each survey, respondents are asked to indicate whether certain aspects of their business (e.g., sales) are expected to increase, remain unchanged, or decrease over the forthcoming six months as compared to the same time period last year. The diffusion index is calculated by summing the percentage of “increase” responses and half of the “remain unchanged” responses.

Of all the indices measured for the CKGSB BCI, the overall business conditions index is an aggregate index, which has been calculated, since December 2012, by averaging its four constituent indices of sales, profit, financing environment and inventory. The aggregate BCI index before December 2012 used a different composition of constituent indices, and is therefore not directly comparable to the current BCI index.

### **About Cheung Kong Graduate School of Business**

#### *Education for a New Era of Global Business*

Established in Beijing in November 2002 with generous support from the Li Ka Shing Foundation, CKGSB is China’s leading non-profit, independent educational institution. The school offers innovative English MBA, Chinese MBA, Executive MBA and Executive Education programs. In addition to its campus in the center of Beijing, it has teaching sites in Shanghai and Shenzhen and representative offices in Hong Kong, London and New York.

#### *Thought Leaders on Business in China*

CKGSB faculty, through their on-the-ground research and close relationships with leading domestic executives, provide global thought leadership on both the theory and the practical reality of real-life business in China. They consistently generate important insights into areas that are poorly understood outside of China, such as the globalization strategies of Chinese companies and competition and collaboration among state-owned enterprises, private businesses and multinationals.

#### *World-Class Faculty with a Global Perspective*

CKGSB is the only business school in China with the reputation and resources to attract faculty from top business schools such as Wharton, Stanford, NYU and INSEAD. The majority of CKGSB faculty members were born and raised in China before leaving to study and teach abroad. Their bicultural backgrounds have endowed them with a valuable capacity to interpret global business in the context of both China and the West.

### **The Research Team**

**Li Wei** - Director, CKGSB Case Center and Center for Economic Research; CKGSB Economics Professor; Associate Dean for MBA, +86 10 8518 8858 ext. 3235 [wli@ckgsb.edu.cn](mailto:wli@ckgsb.edu.cn)

**Gu Chongqing** - Senior Researcher, CKGSB Case Center and Center for Economic Research  
+86 2162696677 [cqgu@ckgsb.edu.cn](mailto:cqgu@ckgsb.edu.cn)

**Ya’nan Lei** – Research Assistant, CKGSB Case Center and Center for Economic Research  
+86 10 85378477 [cc-pt@ckgsb.edu.cn](mailto:cc-pt@ckgsb.edu.cn)

**Yi Zhou** – Assistant Case Researcher, CKGSB Case Center and Center for Economic Research  
+86 10 8518 8858 yizhou-pt@ckgsb.edu.cn

**Disclaimer**

This report is based on public information and field research carried out by CKGSB Case Center and CKGSB Center for Economic Research. Sources of these data are deemed reliable, but the two Centers do not guarantee their accuracy and completeness. Opinions expressed in this report reflect only the judgment of the researchers in the two Centers on the day when the report is released, and are subject to change without prior notice. CKGSB holds no liability for any loss that might be brought about by using this report. Readers are advised to use their own discretion and to consider whether any comment or suggestion given in this report is suitable for their personal situation.