

CKGSB BCI

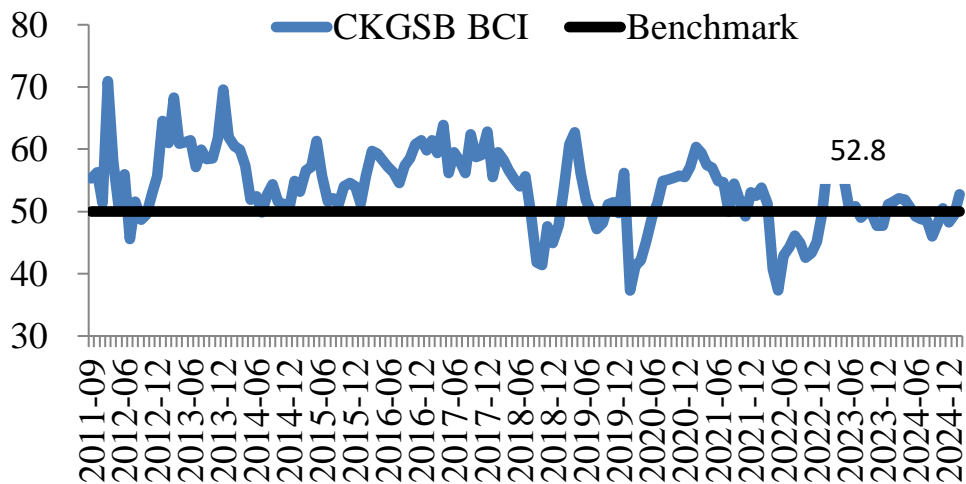
February 2025

February 26, 2025

Case Center and Big Data Economic
Research Center

The CKGSB Business Conditions Index (BCI) for February 2025 registered at 52.8, reflecting a slight recovery from the 49.4 recorded January 2025 (Error! Reference source not found.). Crossing the 50-point benchmark this month is indeed a commendable milestone.

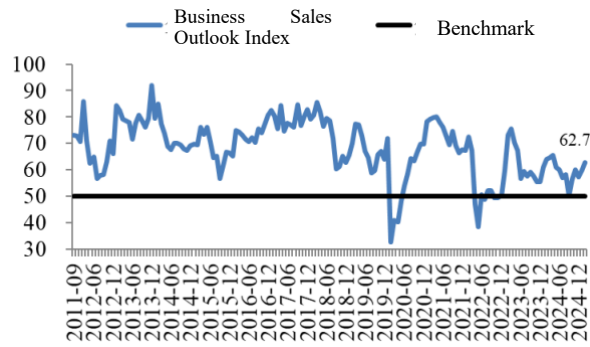
Figure 1



Source: CKGSB Case Center and Big Data Economic Research Center

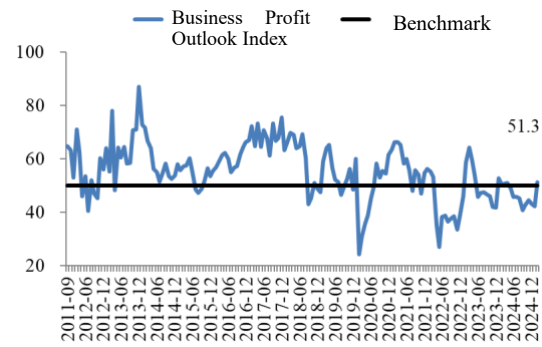
The CKGSB BCI is an arithmetic mean of four component indices: the Business Sales Outlook Index, the Business Profit Outlook Index, the Business Financing Environment Index, and the Business Inventory Outlook Index. Among these, three are forward-looking indices, while only the Financing Environment Index reflects the current state. Let's delve into the performance of these four indices for February 2025:

Figure 2



Source: CKGSB Case Center and Big Data Economic Research Center

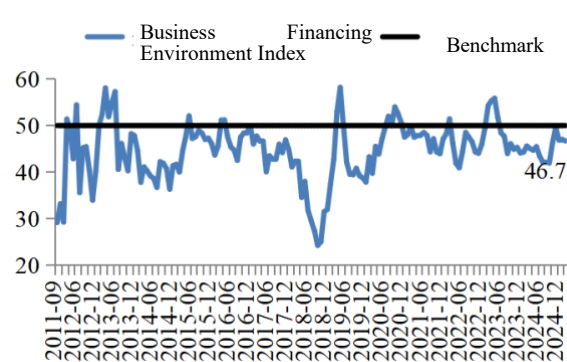
Figure 3



Source: CKGSB Case Center and Big Data Economic Research Center

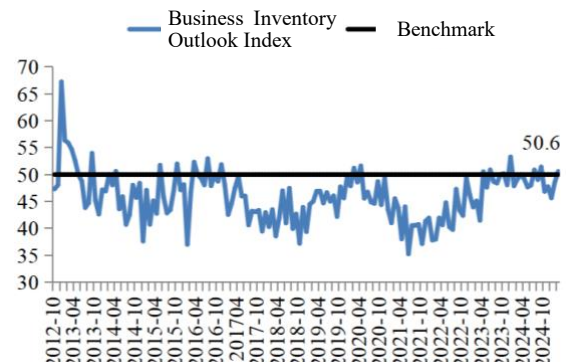
This month, the four sub-indices saw three increases and one decrease. The Business Sales Outlook Index registered a modest uptick, rising from 59.9 last month to 62.7 this month (**Error! Reference source not found.**). The Business Profit Outlook Index demonstrated a notable surge, reaching 51.3 this month compared to 42.2 last month. (**Error! Reference source not found.**)

Figure 4



Source: CKGSB Case Center and Big Data Economic Research Center

Figure 5



Source: CKGSB Case Center and Big Data Economic Research Center

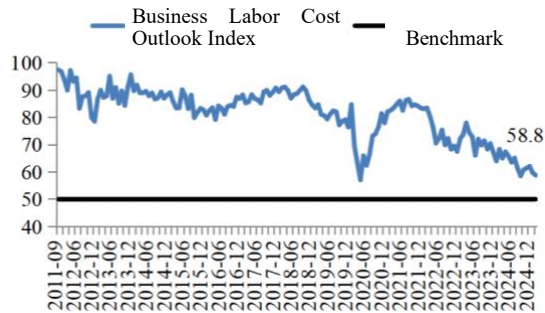
The Business Financing Environment Index recorded a marginal decrease this month, falling to 46.7 from 47.1 last month (**Error! Reference source not found.**). On the other hand, the Business Inventory Outlook Index exhibited a slight rise, reaching 50.6 this month compared to 48.6 last month (**Error! Reference source not found.**).

It is crucial to understand the specific meanings of the four sub-indices: sales, profits, financing, and inventory. Simply put, an increase in the first three sub-indices signals an improvement in business conditions, while a decrease points to a worsening situation. On the other hand, a rise in the Inventory Outlook Index reflects a decrease in inventory levels, whereas a decline suggests an accumulation of inventory.

Beyond the BCI, our survey also captured companies' expectations concerning costs, prices, investment, and employment, creating the following indices that complement the

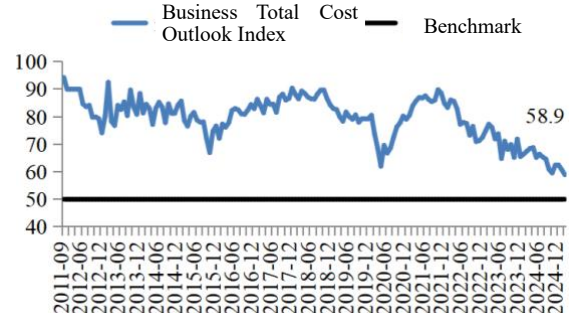
BCI. We will begin by analyzing the indices on costs:

Figure 6



Source: CKGSB Case Center and Big Data Economic Research Center

Figure 7

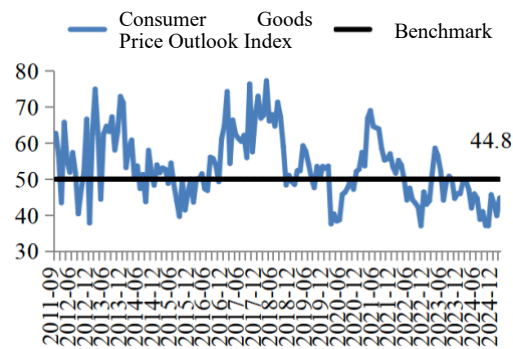


Source: CKGSB Case Center and Big Data Economic Research Center

The Business Labor Cost Outlook Index saw a marginal decline this month, decreasing from 59.7 last month to 58.8. Similarly, the Business Total Cost Outlook Index registered a slight drop, from 60.8 last month to 58.9 this month. A rise in the Labor Cost Outlook Index suggests that more companies expect an increase in total labor costs over the next six months, and the same logic applies to the Total Cost Outlook Index. It is crucial to recognize that an increase in cost-related indices does not inherently signal a deterioration in business conditions. When the economy is on an upswing, companies may ramp up production or sales, necessitating more significant inputs of labor and materials, which could actually indicate an improvement in business health. Only when the cost per unit of production or sales escalates does it genuinely signify a worsening of business conditions. For detailed figures, please consult **Error! Reference source not found.** and **Error! Reference source not found.**

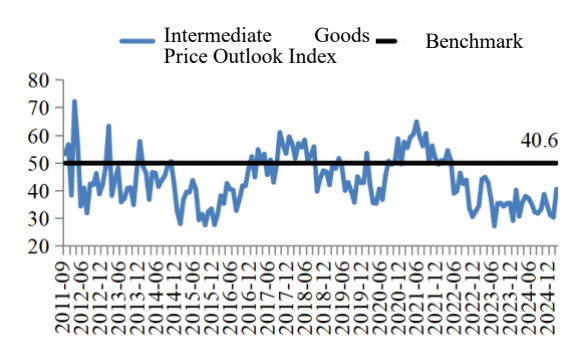
Now, let's delve into the pricing landscape. The Consumer Goods Price Outlook Index registered a slight uptick this month, ascending from 39.9 last month to 44.8 (**Error! Reference source not found.**). Meanwhile, the Intermediate Goods Price Outlook Index marked a substantial surge, escalating from 30.5 last month to 40.6 this month (**Error! Reference source not found.**). Currently, both the Consumer Goods Price Outlook Index and the Intermediate Goods Price Outlook Index linger at subdued levels, underscoring China's persistent and significant pricing pressures. Nonetheless, should the upward trajectory of prices be sustained, the prospects of China extricating itself from the pricing predicament are likely to improve.

Figure 8



Source: CKGSB Case Center and Big Data Economic Research Center

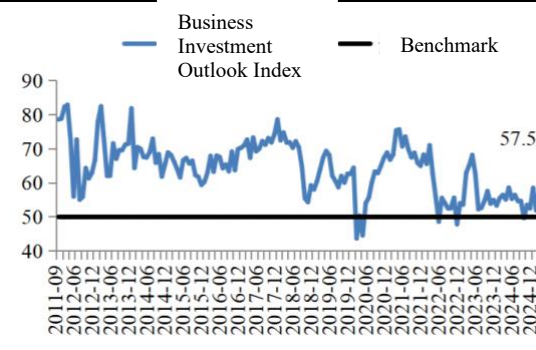
Figure 9



Source: CKGSB Case Center and Big Data Economic Research Center

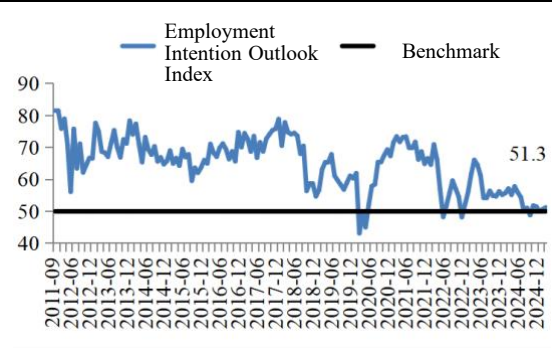
Having reviewed the cost and price indices, we now turn our attention to the Investment and Employment Intention Outlook Indices as the following focal points of discussion. Since the inception of our survey, the Investment Outlook Index and the Employment Intention Outlook Index had consistently maintained high levels; however, both indices have now dipped into a period of stagnation. Considering that China's economy is predominantly fueled by investment and the strong correlation between investment and employment, the current scenario is particularly noteworthy. This month, the Investment Outlook Index has seen a notable increase, climbing to 57.5 from 51.9 last month (**Error! Reference source not found.**); Concurrently, the Employment Intention Outlook Index has edged up slightly, reaching 51.3 compared to 50.6 in the previous month (**Error! Reference source not found.**).

Figure 10



Source: CKGSB Case Center and Big Data Economic Research Center

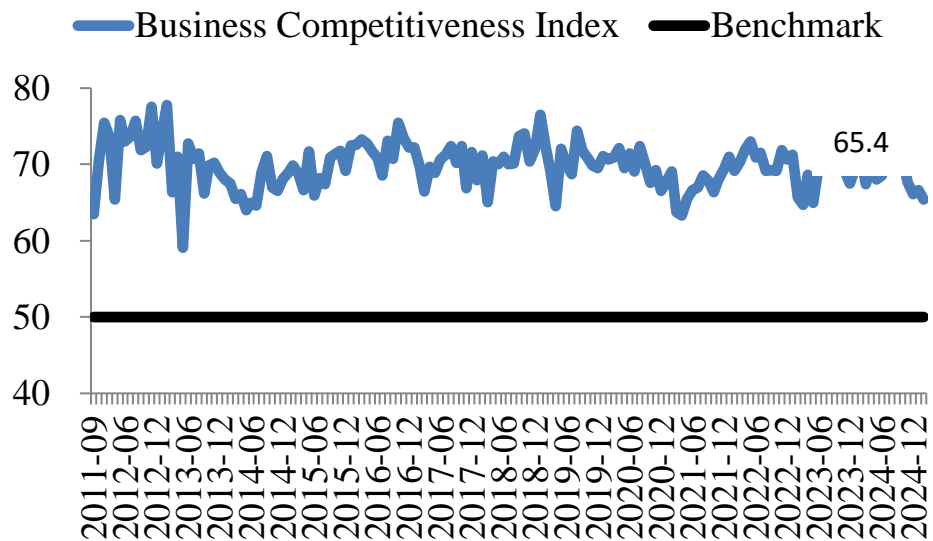
Figure 11



Source: CKGSB Case Center and Big Data Economic Research Center

Lastly, our survey included a question designed to gauge business competitiveness. It specifically asks businesses to assess their standing within their respective industries—whether they are above, below, or on par with the industry average. Utilizing the responses to this question, we have developed the Business Competitiveness Index; a higher index value denotes a more dominant position of the business within its industry. The survey data reveals that most sampled enterprises rank among the elite in their industries (**Error! Reference source not found.**). This implies that our sample comprises relatively high-performing small and medium-sized private enterprises. In contrast, it suggests that the overall state of Chinese enterprises may be direr than what is indicated by our indices.

Figure 12



Source: CKGSB Case Center and Big Data Economic Research Center

Notes:

1. Survey Introduction

In June 2011, Cheung Kong Graduate School of Business (CKGSB) initiated the “CKGSB Business Conditions Index” project. This initiative aims to collect first-hand data on business operations through questionnaire surveys and create a series of indices reflecting the overall trends of China's macro economy. The survey targets CKGSB's executive education participants.

Starting in July 2011, under the guidance of Professor Wei Li, the Case Center and the Big Data Economic Research Center began the preliminary work, including questionnaire design and testing. In September 2011, the first round of the survey was successfully launched. From then until February 2025, the Case Research Center and the Big Data Economic Research Center conducted 159 rounds of surveys among participants (with a 3-month hiatus during the early stages of the project). As of now, the centers have published 154 rounds of survey results, covering the period from May 2012 to February 2025.

2. Index Explanation

All indices discussed in this report are diffusion indices, with the majority being forward-looking, thereby offering strong predictive capabilities. The indices use 50 as the benchmark: values above 50 indicate improvement or positive trends, while values below 50 signify deterioration or negative trends. This standard aligns with the Purchasing Managers' Index (PMI).

In the survey, we ask companies whether their products are consumer-facing or producer-facing, as well as their expectations regarding the price trends of their primary products over the next six months. By synthesizing the responses to these two questions, we can determine the future price trends for consumer goods and intermediate goods. The price trend index for consumer goods is referred to as the Consumer Goods Price Outlook Index, while that for intermediate goods is termed the Intermediate Goods Price Outlook Index.

Additionally, the survey asked companies to evaluate their performance relative to their industry—whether they are performing better, worse, or similarly compared to the industry average. Based on these responses, we calculate the Business Competitiveness Index. A higher index indicates a more significant proportion of sampled companies outperforming the overall industry conditions.

3. Calculation Methodology

In the survey, we asked all respondents (the sample population) whether a specific operational index of their company is expected to “increase”, “remain unchanged”, or “decrease” over the next six months compared to the same period last year. Based on the collected data, we calculated the percentages of responses for “increase”, “remain unchanged”, or “decrease”. We then computed the diffusion index for each question, which is the percentage of “increase” responses plus half of the percentage of “remain unchanged” responses. It is important to note that an “increase” sometimes signifies an improvement in the index, such as in the case of the Business Sales Outlook Index, but at other times, it indicates a deterioration, such as with the Business Labor Cost Outlook Index.

Among all the indices, the CKGSB Business Conditions Index (BCI) is the most important. This index is derived from the arithmetic mean of four sub-indices: sales, profits, financing environment, and inventory. Due to multiple adjustments in the composition of the sub-indices throughout the survey, the statistical caliber has varied over time, making simple comparisons inappropriate. However, the specific calculation method for this index has remained consistent. It entails first calculating the BCI for each questionnaire, followed by calculating the BCI for all questionnaires within the same round. In both instances, the arithmetic mean is employed as the calculation method.



About CKGSB

Cheung Kong Graduate School of Business (CKGSB) is a non-profit educational institution established with a donation from the Li Ka Shing Foundation and officially approved by the Chinese government. It holds independent legal entity status and is a member of the Association to Advance Collegiate Schools of Business (AACSB) and the European Foundation for Management Development (EFMD). CKGSB is also accredited by the Academic Degrees Committee of the State Council as a “Master of Business Administration Degree-Granting Institution” (including EMBA and MBA programs). Since its inception, CKGSB has consistently upheld its mission to “cultivate a group of world-class business leaders for China and the world, who are equipped with a global perspective and the ability to integrate global resources, demonstrate humanistic concern and a sense of social responsibility, and embrace the spirit of innovation”. The school strives to build a new generation of global business schools by fostering new perspectives, innovative thinking, broader horizons, higher aspirations, and value-driven orientations while actively promoting and leading the development of a new business civilization.

The establishment of CKGSB aims to seize the opportunities presented by China's sustained and rapid economic growth. Through its strategic approach of “capturing trends, understanding principles, and refining practices” and its educational philosophy of “integrating Chinese and Western perspectives”, CKGSB seeks to create a world-class business school with global recognition. The school promotes integrating the latest Western management research with cutting-edge local practices by attracting a group of internationally renowned professors to reside at CKGSB and immerse themselves in China. This approach aims to nurture a large number of world-class business leaders for the Greater China region and provide new thinking, perspectives, and strategies for Chinese enterprises as they expand globally.

Disclaimer

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