

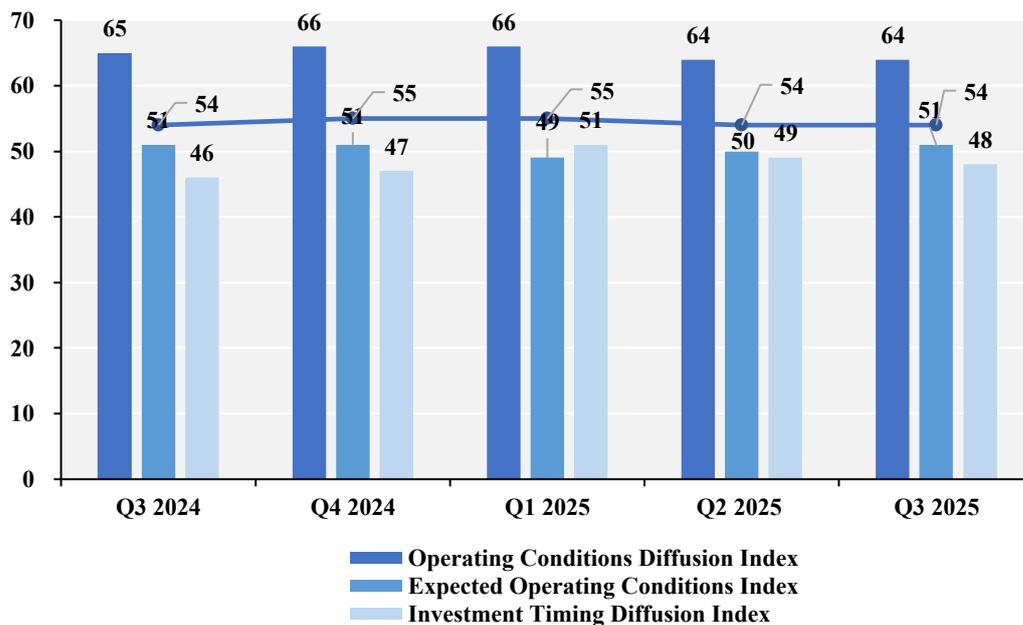
CKGSB Business Sentiment Index Report, Q4 2025

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Introduction and Key Findings of the Business Sentiment Index in Q4 2025

As 2025 concludes, China's industrial economy continues to adjust under persistent external pressure, including geopolitical realignment and restructuring of global trade rules. Observed through CKGSB's Business Sentiment Index (BSI), the data indicate resilience, operational stability, and a gradual normalization of corporate behavior.

In Q4 2025, the Business Sentiment Index registered 53, slightly lower than Q3 but still above the boom-bust line. This confirms that China's manufacturing base remains stable, with expansion momentum intact and no systemic contraction signal.



Although expectation indicators weakened, production activity remained firm. Enterprises continued to prioritize operational execution over sentiment signaling, maintaining output and capacity utilization despite cautious forward-looking assessments.

Review of 2025

China's 2025 economic trajectory reflects adaptive adjustment rather than cyclical expansion. BSI quarterly data show a consistent pattern of behavioral resilience and strategic recalibration.

Q1 2025

The Investment Timing Diffusion Index reached 51, reflecting early confidence linked to policy support. Firms stabilized expectations despite weak macro conditions, laying the foundation for operational resilience.

Q2 2025

Tariff-related uncertainty tightened global supply chains. Production and pricing indicators weakened, but firms focused on cost control, efficiency improvement, and balance-sheet protection.

Q3 2025

Capital market recovery and easing trade tensions supported confidence. BSI data showed “stockpiling-style recovery” dynamics: expectations remained cautious, while production and inventory began to recover. Enterprises repaired balance sheets and positioned for year-end execution.

Q4 2025

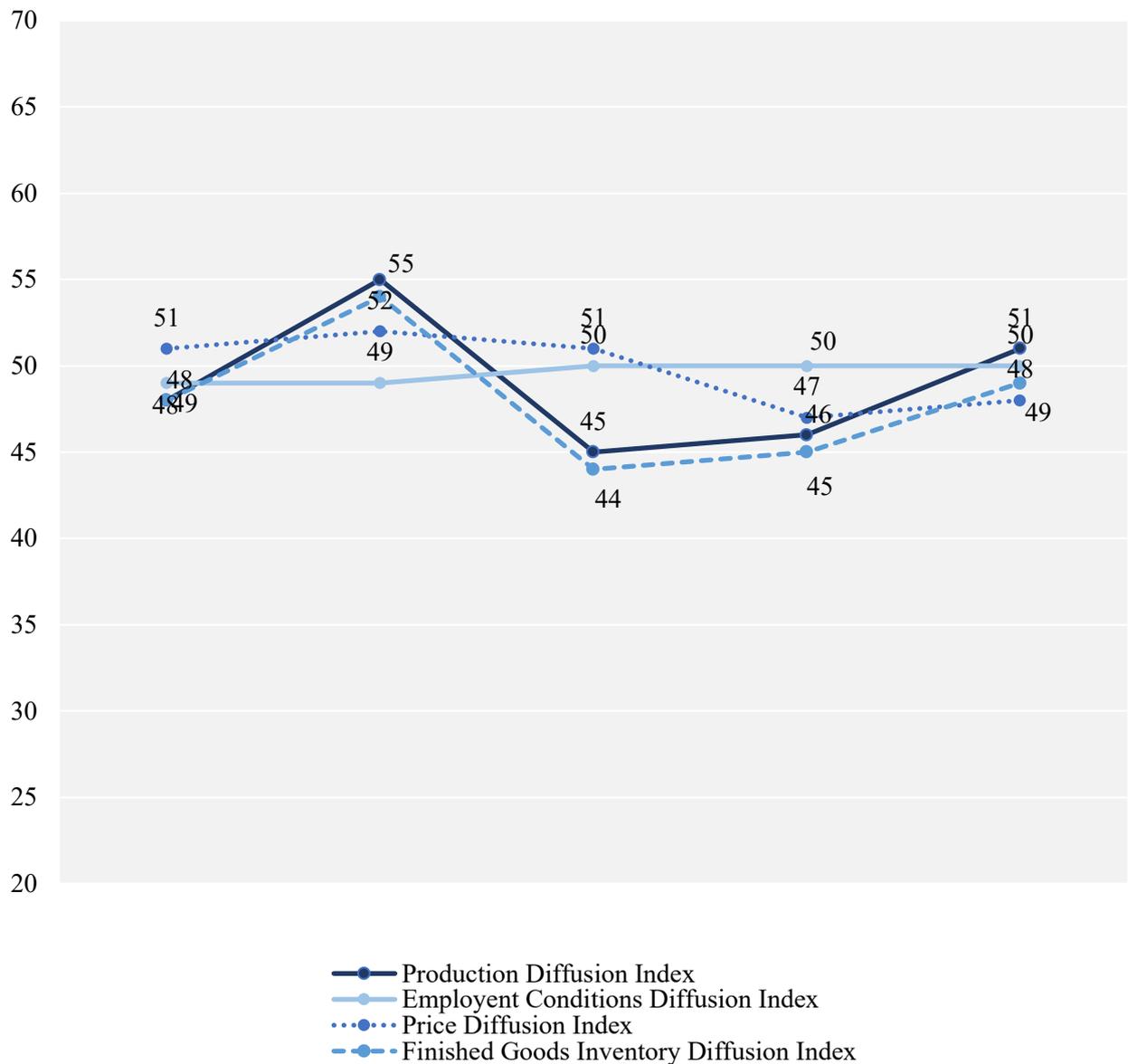
The BSI stabilized at 53, reflecting normalization rather than acceleration. Divergence across indicators shows a rational adjustment process: expectations weakened, production strengthened, and financial conditions eased.

Q4 Core Indicators

Indicator	Q3	Q4	Change	Interpretation
Business Sentiment Index	54	53	↓1	Remains above boom-bust line; stable fundamentals
Operating Conditions Diffusion Index	64	63	↓1	Majority of firms report stable operations
Expected Operating Conditions Diffusion Index	51	48	↓3	Forward expectations weaken amid macro lag
Investment Timing Diffusion Index	48	47	↓1	Firms prioritize liquidity and balance-sheet flexibility

Production and Inventory Dynamics

Contrary to seasonal patterns, the Production Diffusion Index increased from 51 to 53, while the Finished Goods Inventory Diffusion Index rose to 50. Firms expanded output and inventories in anticipation of early 2026 demand. This reflects pre-emptive capacity positioning rather than demand-driven expansion.



Expectations

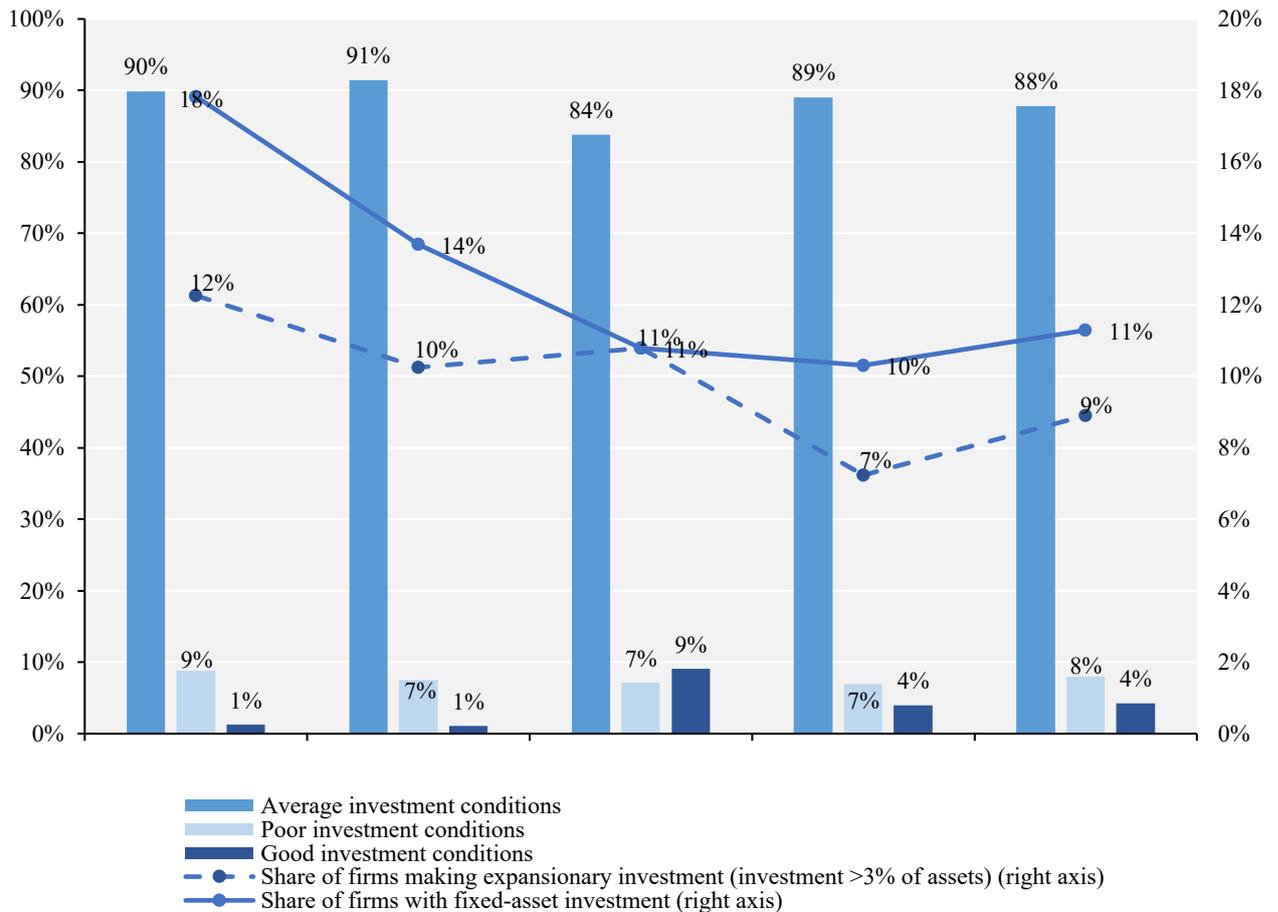
The Expected Operating Conditions Diffusion Index declined to 48, indicating increased caution. However, macro survey data show that 57.6% of firms expect GDP growth next quarter, suggesting confidence in macro stability despite micro-level conservatism. This reflects delayed transmission of policy expectations into operational planning.

Supplementary Indicators

Dimension	Indicator	Q4	Trend	Interpretation
Production & Inventory	Production Diffusion Index	53	↑2	High utilization supports cost efficiency
	Finished Goods Inventory Diffusion Index	50	↑1	Entry into mild restocking phase
Cost & Prices	Raw Material Cost Index	63	↑1	Cost pressure from upstream inputs

	Price Diffusion Index	47	↓1	Weak terminal pricing power
Finance & Credit	Bank Lending Attitude Index	100	↑6	Peak financial accommodation
	Share of Firms Taking New Loans	2.1%	↓0.3%	Low credit demand; balance-sheet discipline

Financial conditions are highly accommodative, but corporate borrowing remains limited. The divergence between credit supply and credit demand reflects a strategic shift toward internally funded growth rather than leverage-driven expansion.



Entrepreneurial Behavior: Risk Pricing and Execution

BSI data show a persistent structural pattern:

- Conservative forward expectations
- Stable or improving operational performance
- Continued investment in capacity and efficiency

Firms apply conservative risk assumptions at the planning stage while maintaining execution discipline at the operational level. This results in cautious guidance but sustained production and investment activity.

2026 Outlook

1. Balance-Sheet Repair and Demand Transmission

Capital market recovery in 2025 primarily supported confidence and asset stability. In 2026, wealth effects are expected to transmit into consumption and investment. Q4 production expansion positions firms for potential demand recovery.

2. High-Tech and Productivity Investment

Rising cost indices partly reflect investment in green technology and digital transformation. These investments are expected to improve structural efficiency and strengthen competitive barriers. High-tech manufacturing is expected to lead industrial recovery.

3. Globalization Strategy ("Glocal")

Firms continue transitioning from product exports to capacity exports through overseas production. Localized manufacturing structures reduce geopolitical risk exposure and stabilize revenue sources.

Conclusion

Q4 2025 reflects operational stability, cautious expectations, and strategic capacity positioning. Enterprises are prioritizing balance-sheet resilience, controlled expansion, and efficiency gains rather than leverage-driven growth.

Production, inventory, and investment indicators suggest preparation for recovery rather than contraction. If macro demand improves in 2026, firms are structurally positioned to respond through existing capacity, financial stability, and operational readiness.