

# CKGSB BCI

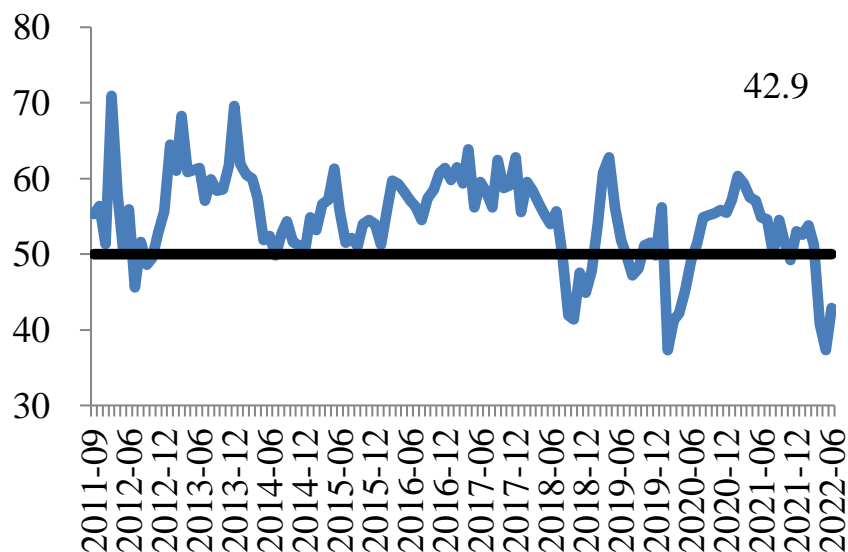
## June 2022

28 June 2022

CKGSB Case Center and Center for Economic Research

In June, the CKGSB Business Conditions Index (BCI) rebounded from 37.3 to 42.9 (Figure 1), well below the confidence threshold of 50.0. This means two things – First, the impact of the pandemic on the economy has waned as the spread of Covid-19 comes slightly under control. Second, the government’s policies to stimulate economic growth are changing the expectations of China’s entrepreneurs.

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



Source: CKGSB Case Center and Center for Economic Research

The CKGSB BCI comprises four sub-indices: corporate sales, corporate profits, corporate financing environment and inventory levels. Three measure future prospects and one, the corporate financing index, measures the current climate. In June 2022, these sub-indices performed as follows:

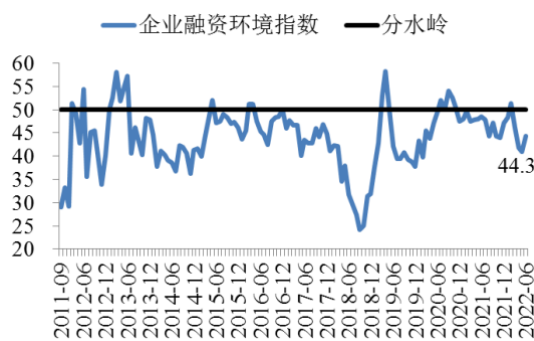
**Figure 2 Corporate Sales Index**


Source: CKGSB Case Center and Center for Economic Research

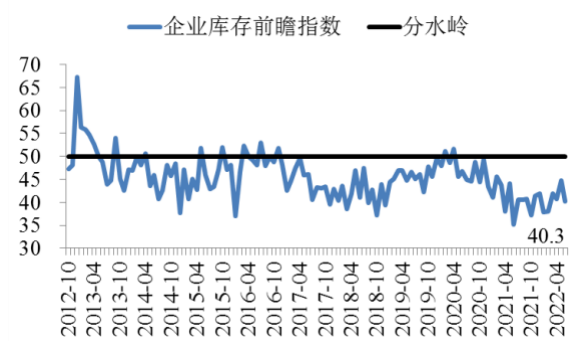
**Figure 3 Corporate Profit Index**


Source: CKGSB Case Center and Center for Economic Research

This month, three rose and one fell. The corporate sales index rebounded significantly from 38.7 to 50.7 (Figure 2), while the corporate profit index improved similarly from 27.0 to 38.2 (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 continued to improve, with the index rising to 44.3 from 40.9 this month (Figure 4). Last month, the inventory index was the only one to rise, but this month it was the only one to fall, dropping from 44.8 to 40.3 this month (Figure 5). In terms of inventory and finance, the companies in our sample have had a persistently negative outlook ever since our survey began in 2012, and this month is no exception.

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**

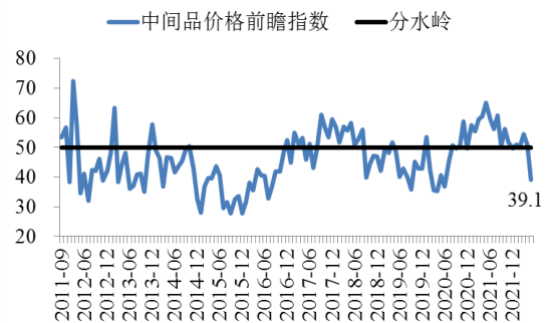

Source: CKGSB Case Center and Center for Economic Research

The CKGSB BCI labor cost forecast rose from 70.6 to 72.3. The overall costs forecast rose from 77.2 to 78.0. See Figures 6 and 7 for more.

Turning to prices, the consumer price forecast rebounded somewhat this month, from 44.2 to 47.5 (Figure 8) while the producer price index remained level, with last month's 39.1 becoming 40.0 (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 been consistently at the more confident end of the scale since the BCI began. In recent months, both have trended downwards, especially recruitment. Both indices rebounded this month, with confidence in investment prospects rising from 48.6 to 55.6 (Figure 10), and the recruitment score rising from 48.3 to 51.7 this month (Figure 11).

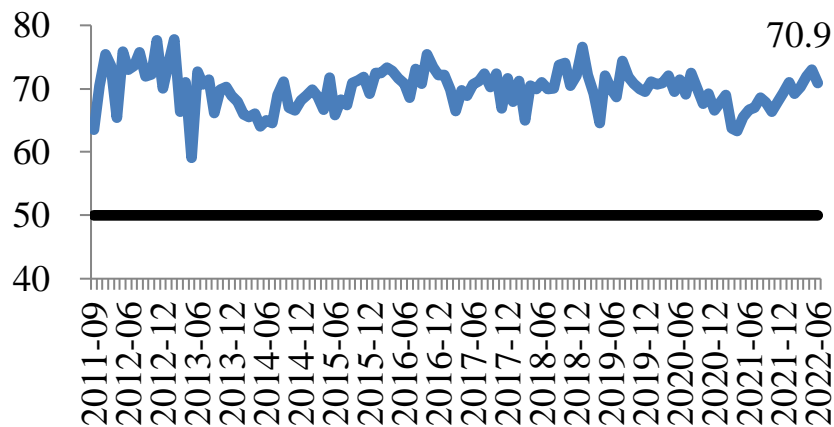
**Figure 10 Investment Index**


Source: CKGSB Case Center and Center for Economic Research

**Figure 11 Recruitment Index**


Source: CKGSB Case Center and Center for Economic Research

Finally, we include an index recording our sample's relative strength in the marketplace. Figure 12 shows surveyed companies' self-reported competitiveness compared with peers. As our sample mostly comprises of excellent private firms headed by CKGSB alumni, their competitiveness is higher than average (50 points) in their respective cohorts. This suggests that Chinese industry as a whole is facing a harder time than the BCI sample.

**Figure 12 Industry 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. 127 surveys have now been completed between May 2012 and April 2022 and 122 reports published (There were three months at the beginning for which no report was issued).

### 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)

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