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## China Equity Strategy | Asia Pacific

# 4Q25 A-share Earnings Final Cut – Revenue Miss Narrows, but Margin Headwinds Weigh on Earnings

MSCI China-A 4Q25 results missed by company count but were in line on a weighted basis, softer vs. 3Q25. Revenue remained a net miss by company count, though the miss magnitude has narrowed. Earnings trailed revenue, hampered by upstream cost pressures and RMB appreciation headwinds for exporters.

The A-share final cut earnings review is based on 68% of MSCI China A Onshore index market cap (what we consider as quality data with consensus estimates available), with the following takeaways.

**MSCI China A-shares showed a net miss by number of companies but remained broadly in line on weighted surprise, similar to 3Q25:** Reported earnings missed consensus forecasts by number of companies (-23.2%) while showing in-line results by weighted surprise (-3.4%), slightly weaker compared to 3Q25 (-20.3% and -2.9%, respectively) ( Exhibit 1 , Exhibit 2 ). *The earnings trend came in weaker than revenue, hampered by upstream cost pressures and RMB appreciation headwinds for exporters.*

**Revenue – net miss by number of companies (-14.9%) and in line by weighted surprise (-2.4%):** 4Q25 revenue surprise improved from 3Q25, which stood at -27.0% by number of companies and -3.8% by weighted surprise ( Exhibit 7 ).

**Sector observations:** Similar to MSCI China, MSCI China A-shares showed pronounced sector divergence. Upstream sectors (Energy) and Financials showed solid results, while Consumer Staples, Healthcare, IT and Real Estate had weaker results.

**Earnings estimate revision breadth (ERB) is signaling renewed deterioration:** Earnings momentum improved through late 2025, but has since reversed, re-entering negative territory in early 2026 and accelerating to the downside more recently. The bulk of reductions are in real estate, consumption, autos, and consumer services, where rising energy and raw material costs are squeezing margins and weak end demand is making it difficult for companies to pass those costs through. We see two key swing factors for the earnings outlook: 1) whether regulatory tightening on e-commerce leads to a more rational competitive environment; and 2) progress on cost pass-through. Without a meaningful consumption stimulus, earnings momentum may remain constrained by delayed cost pass-through ( Exhibit 9 ).


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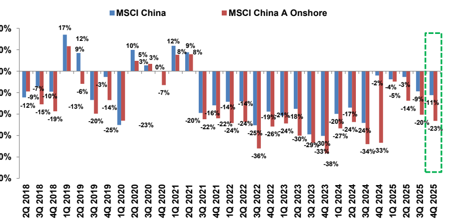
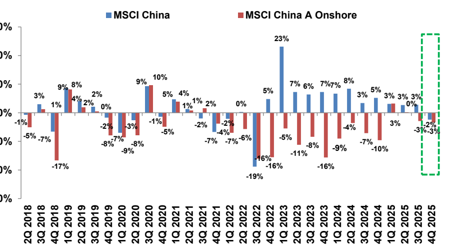
**Exhibit 1 :** History of Chinese equity market quarterly earnings surprises by number of companies (MSCI China and A-shares) – MSCI China A-shares recorded a 23% net miss in 4Q25, softening vs. 3Q25's trend




Source: MSCI, Bloomberg, RIMES, Factset, Morgan Stanley Research. Data as of April 27, 2026.

**Exhibit 2 :** History of Chinese equity market quarterly earnings surprises by weighted surprise (MSCI China and A-shares) – MSCI China A-shares reported in-line results at -3% in 4Q25, similar to 3Q25 trend




Source: MSCI, Bloomberg, RIMES, Factset, Morgan Stanley Research. Data as of April 27, 2026.

# A-share Earnings Surprises 4Q25 Final Cut: Net Misses by Company Count, but In Line on Weighted Surprise, Similar to 3Q25

*Note: We use constituents of MSCI China A Onshore Index as a proxy for the A-share stock universe. As of April 26, 2026, 444 companies in MSCI China A Onshore had reported 4Q25 results. Our analysis of A-share earnings surprises is based on constituent companies that have reasonable quality data for consensus estimates, comprising 276 companies in MSCI China A Onshore, representing 49% of the index by number of companies and 68% by index weight.*

## Key observations

**1) At the aggregate index level, reported earnings missed consensus by number of companies (-23.2%) but were broadly in line on a weighted basis (-3.4%) ( Exhibit 4 ):** This is slightly weaker compared to 3Q25 (-20% by number of companies and -3% by weighted surprise).

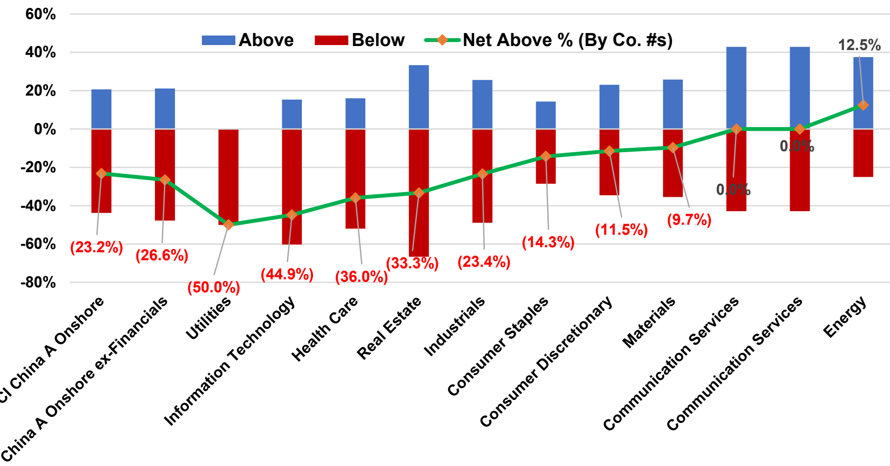
**2) Sectors with earnings beats:**

- Financials and Energy showed a net beat by either weighted surprise or number of companies. Key contributors are Industrial Bank, China Pacific Insurance, and COSCO Shipping Energy.

**3) Sectors with earnings misses:**

- Consumer Staples, Healthcare, IT, Real Estate showed a net miss by both number of companies and weighted surprise. Key contributors are Kweichou Moutai, Mindray Bio-medical, NAURA Technology, and Vanke.
- Communications Services, Consumer Discretionary, Industrials, Materials and Utilities showed a net miss by either number of companies or weighted surprise. Key contributors are China Telecom, BYD, Sany Heavy Industry, Envicool, Shandong Gold Mining.

**Exhibit 3:** MSCI China A Onshore sector-level earnings surprises for 4Q25 by number of companies – 23% net miss at the aggregate level; eight out of 11 sectors posted a net miss



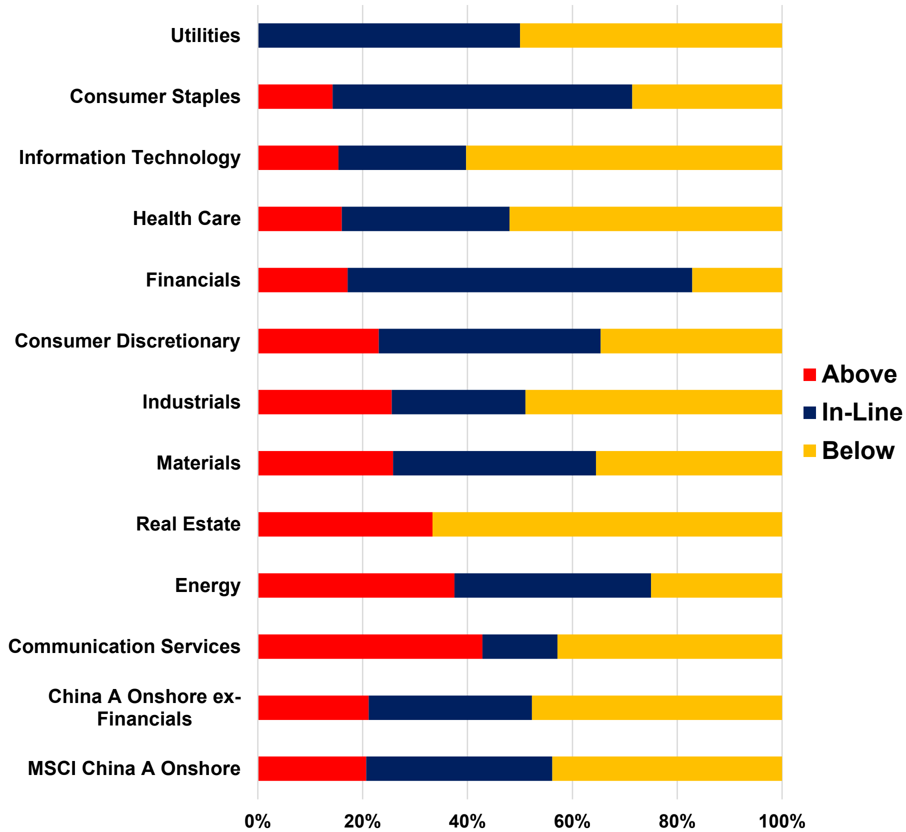

Source: MSCI, Bloomberg, RIMES, Factset, Morgan Stanley Research. Data as of April 27, 2026.

**Exhibit 4:** MSCI China A Onshore detailed sector- and industry-level 4Q25 earnings – net miss by number of companies and in-line results by weighted surprise

| Earnings | | | | Surprise Ratios | | | | |
|---|---|---|---|---|---|---|---|---|
| Sector/ Industry Group | # of Cos. Reported | % of Cos. Reported | % Mkt Cap reported | Above | In-Line | Below | Net +ve | Market Cap Wtd Surprise (%) |
| **China** | **276** | **49%** | **68%** | **21%** | **36%** | **44%** | **(23.2%)** | **(3.4%)** |
| **China ex-Financials** | **241** | **49%** | **65%** | **21%** | **31%** | **48%** | **(26.6%)** | **(6.0%)** |
| **Communication Services** | **7** | **41%** | **49%** | **43%** | **14%** | **43%** | **0.0%** | **(10.7%)** |
| Media & Entertainment | 5 | 36% | 39% | 60% | 20% | 20% | 40.0% | 5.4% |
| Telecommunication Services | 2 | 67% | 64% | 0% | 0% | 100% | (100.0%) | (26.5%) |
| **Consumer Discretionary** | **26** | **65%** | **80%** | **23%** | **42%** | **35%** | **(11.5%)** | **(3.0%)** |
| Automobiles & Components | 16 | 70% | 85% | 19% | 50% | 31% | (12.5%) | (5.1%) |
| Consumer Durables & Apparel | 6 | 60% | 72% | 17% | 33% | 50% | (33.3%) | 0.3% |
| Consumer Services | 2 | 100% | 100% | 100% | 0% | 0% | 100.0% | 53.5% |
| Consumer Discretionary Distribution & Retail | 2 | 40% | 73% | 0% | 50% | 50% | (50.0%) | (5.7%) |
| **Consumer Staples** | **14** | **56%** | **71%** | **14%** | **57%** | **29%** | **(14.3%)** | **(8.3%)** |
| Consumer Staples Distribution & Retail | 2 | 100% | 100% | 0% | 50% | 50% | (50.0%) | (61.8%) |
| Food Beverage & Tobacco | 11 | 50% | 71% | 18% | 55% | 27% | (9.1%) | (7.0%) |
| Household & Personal Products | 1 | 100% | 100% | 0% | 100% | 0% | 0.0% | (3.6%) |
| **Energy** | **8** | **53%** | **79%** | **38%** | **38%** | **25%** | **12.5%** | **(0.4%)** |
| Coal & Consumable Fuels | 3 | 43% | 77% | 33% | 33% | 33% | 0.0% | 1.3% |
| Integrated Oil & Gas | 2 | 67% | 93% | 0% | 100% | 0% | 0.0% | 0.0% |
| Oil & Gas Exploration & Production | 2 | 67% | 57% | 100% | 0% | 0% | 100.0% | 6.4% |
| Oil & Gas Refining & Marketing | 0 | - | - | - | - | - | - | - |
| Others | 1 | 50% | 75% | 0% | 0% | 100% | (100.0%) | (27.1%) |
| **Financials** | **35** | **47%** | **78%** | **17%** | **66%** | **17%** | **0.0%** | **5.6%** |
| Banks | 17 | 59% | 81% | 18% | 65% | 18% | 0.0% | 1.3% |
| Financial Services | 13 | 33% | 64% | 23% | 54% | 23% | 0.0% | 19.4% |
| Insurance | 5 | 100% | 100% | 0% | 100% | 0% | 0.0% | (1.2%) |
| **Health Care** | **25** | **53%** | **65%** | **16%** | **32%** | **52%** | **(36.0%)** | **(6.5%)** |
| Pharmaceuticals Biotechnology & Life Science | 18 | 50% | 62% | 17% | 44% | 39% | (22.2%) | (1.5%) |
| Health Care Equipment & Services | 7 | 64% | 73% | 14% | 0% | 86% | (71.4%) | (17.4%) |
| **Industrials** | **47** | **47%** | **63%** | **26%** | **26%** | **49%** | **(23.4%)** | **1.3%** |
| Capital Goods | 38 | 46% | 61% | 18% | 24% | 58% | (39.5%) | (2.2%) |
| Commercial & Professional Services | 1 | 33% | 14% | 0% | 100% | 0% | 0.0% | 1.3% |
| Transportation | 8 | 62% | 77% | 63% | 25% | 13% | 50.0% | 16.3% |
| **Information Technology** | **78** | **54%** | **74%** | **15%** | **24%** | **60%** | **(44.9%)** | **(11.4%)** |
| Semiconductors & Semiconductor Equipment | 35 | 58% | 74% | 14% | 23% | 63% | (48.6%) | (18.5%) |
| Software & Services | 6 | 35% | 39% | 17% | 33% | 50% | (33.3%) | (14.3%) |
| Technology Hardware & Equipment | 37 | 54% | 79% | 16% | 24% | 59% | (43.2%) | (6.8%) |
| **Materials** | **31** | **38%** | **52%** | **26%** | **39%** | **35%** | **(9.7%)** | **(1.2%)** |
| Chemicals | 20 | 51% | 60% | 30% | 35% | 35% | (5.0%) | 1.4% |
| Construction Materials | 3 | 100% | 100% | 0% | 67% | 33% | (33.3%) | (8.0%) |
| Metals & Mining | 8 | 21% | 45% | 25% | 38% | 38% | (12.5%) | (3.0%) |
| Others | 0 | - | - | - | - | - | - | - |
| Paper & Forest Products | 0 | 0% | 0% | - | - | - | - | - |
| **Real Estate** | **3** | **38%** | **46%** | **33%** | **0%** | **67%** | **(33.3%)** | **(58.2%)** |
| **Utilities** | **2** | **13%** | **8%** | **0%** | **50%** | **50%** | **(50.0%)** | **(4.1%)** |

Source: MSCI, Bloomberg, RIMES, Factset, Morgan Stanley Research. Data as of April 27, 2026. For a given sector/industry group, "Market Cap Wtd Surprise (%)" is calculated as sum of products of stock level earnings beat / miss % and index weight of the stock in MSCI China divided by % of market cap reported within the given sector/industry group.

**Exhibit 5:** MSCI China A Onshore 4Q25 earnings surprises by sector, measured by number of companies




Source: MSCI, Bloomberg, RIMES, Factset, Morgan Stanley Research. Data as of April 27, 2026.

# A-share Revenue Surprises 4Q25 Final Cut: Still Net Miss by Number of Companies, but the Magnitude Has Narrowed

*Note: We use constituents of MSCI China A Onshore Index as a proxy for the A-share stock universe. As of April 27, 2026, 444 companies in MSCI China A Onshore had reported 4Q25 results. Our analysis of A-share revenue surprises is based on non-financial constituent companies that have reasonable quality data for consensus estimates, comprising 215 companies in MSCI China A Onshore, representing 44% of the index by number of companies and 49% by index weight.*

## Key observations

**1) At the aggregate index level, reported revenue missed consensus by number of companies (-14.9%) and was in line by weighted surprise (-2.4%):** 4Q25 improved slightly vs. 3Q25 (-27% by number of companies and -4% by weighted surprise).

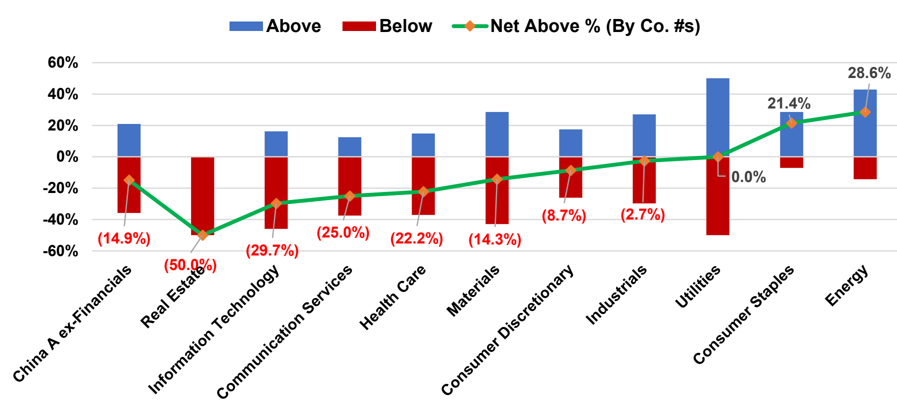
**2) Sector-level beats:**

- Consumer Staples and Energy recorded a net beat by number of companies.

**3) Sector-level misses:**

- Real Estate showed a net miss by both number of companies and weighted surprise.
- Communication Services, Consumer Discretionary, Consumer Staples, Healthcare, IT, Materials and Utilities had net misses either by number of companies or weighted surprise.

**Exhibit 6:** MSCI China A Onshore sector-level (ex-financials) revenue surprises for 4Q25 by number of companies – 15% net miss at the aggregate level; seven out of 10 sectors posted a net miss



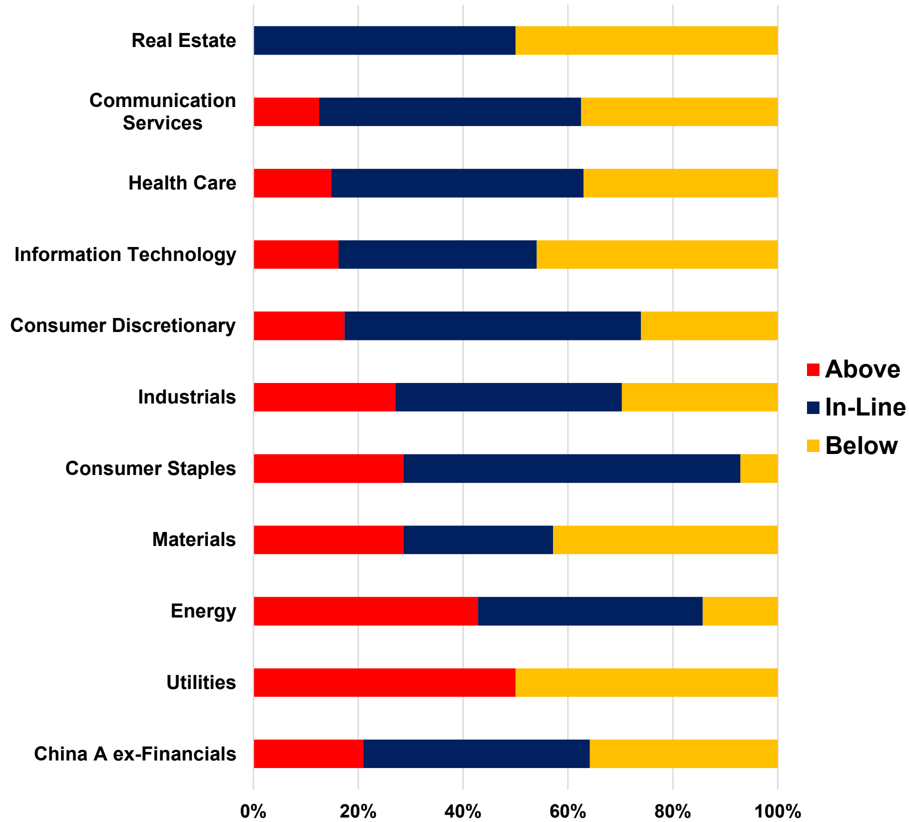

Source: MSCI, Bloomberg, RIMES, Factset, Morgan Stanley Research. Data as of April 27, 2026.

**Exhibit 7:** MSCI China A Onshore detailed sector- and industry-level (ex-financials) 4Q25 revenue – Net misses by number of companies and in line by weighted surprise, similar trend vs. 3Q25

| Revenue | | | | Surprise Ratios | | | | |
|---|---|---|---|---|---|---|---|---|
| Sector/ Industry Group | # of Cos. Reported | % of Cos. Reported | % Mkt Cap reported | Above | In-Line | Below | Net +ve | Market Cap Wtd Surprise (%) |
| **China A ex-Financials** | **215** | **44%** | **49%** | **21%** | **43%** | **36%** | **(14.9%)** | **(2.4%)** |
| **Communication Services** | **8** | **47%** | **62%** | **13%** | **50%** | **38%** | **(25.0%)** | **(2.0%)** |
| Media & Entertainment | 5 | 36% | 39% | 20% | 40% | 40% | (20.0%) | 1.3% |
| Telecommunication Services | 3 | 100% | 100% | 0% | 67% | 33% | (33.3%) | (4.1%) |
| **Consumer Discretionary** | **23** | **58%** | **75%** | **17%** | **57%** | **26%** | **(8.7%)** | **(2.2%)** |
| Automobiles & Components | 13 | 57% | 76% | 15% | 54% | 31% | (15.4%) | (2.8%) |
| Consumer Durables & Apparel | 6 | 60% | 72% | 0% | 67% | 33% | (33.3%) | (2.9%) |
| Consumer Services | 2 | 100% | 100% | 100% | 0% | 0% | 100.0% | 7.3% |
| Consumer Discretionary Distribution & Retail | 2 | 40% | 73% | 0% | 100% | 0% | 0.0% | 1.2% |
| **Consumer Staples** | **14** | **56%** | **71%** | **29%** | **64%** | **7%** | **21.4%** | **(6.6%)** |
| Consumer Staples Distribution & Retail | 2 | 100% | 100% | 0% | 100% | 0% | 0.0% | (0.9%) |
| Food Beverage & Tobacco | 11 | 50% | 71% | 36% | 55% | 9% | 27.3% | (6.8%) |
| Household & Personal Products | 1 | 100% | 100% | 0% | 100% | 0% | 0.0% | 2.8% |
| **Energy** | **7** | **47%** | **75%** | **43%** | **43%** | **14%** | **28.6%** | **2.4%** |
| Coal & Consumable Fuels | 2 | 29% | 66% | 100% | 0% | 0% | 100.0% | 8.0% |
| Integrated Oil & Gas | 2 | 67% | 93% | 0% | 100% | 0% | 0.0% | (2.4%) |
| Oil & Gas Exploration & Production | 3 | 100% | 100% | 33% | 33% | 33% | 0.0% | (0.8%) |
| Oil & Gas Refining & Marketing | 0 | - | - | - | - | - | - | - |
| Others | 0 | 0% | 0% | - | - | - | - | - |
| **Health Care** | **27** | **57%** | **68%** | **15%** | **48%** | **37%** | **(22.2%)** | **(2.1%)** |
| Pharmaceuticals Biotechnology & Life Sciences | 20 | 56% | 66% | 20% | 45% | 35% | (15.0%) | (0.6%) |
| Health Care Equipment & Services | 7 | 64% | 73% | 0% | 57% | 43% | (42.9%) | (5.7%) |
| **Industrials** | **37** | **37%** | **57%** | **27%** | **43%** | **30%** | **(2.7%)** | **0.9%** |
| Capital Goods | 29 | 35% | 54% | 28% | 34% | 38% | (10.3%) | 1.0% |
| Commercial & Professional Services | 1 | 33% | 14% | 0% | 100% | 0% | 0.0% | 1.4% |
| Transportation | 7 | 54% | 73% | 29% | 71% | 0% | 28.6% | 0.6% |
| **Information Technology** | **74** | **51%** | **73%** | **16%** | **38%** | **46%** | **(29.7%)** | **(3.6%)** |
| Semiconductors & Semiconductor Equipment | 33 | 55% | 72% | 21% | 24% | 55% | (33.3%) | (5.5%) |
| Software & Services | 6 | 35% | 39% | 17% | 83% | 0% | 16.7% | 1.3% |
| Technology Hardware & Equipment | 35 | 51% | 78% | 11% | 43% | 46% | (34.3%) | (2.8%) |
| **Materials** | **21** | **26%** | **39%** | **29%** | **29%** | **43%** | **(14.3%)** | **(1.6%)** |
| Chemicals | 16 | 41% | 50% | 31% | 31% | 38% | (6.3%) | 1.0% |
| Construction Materials | 2 | 67% | 49% | 0% | 50% | 50% | (50.0%) | (9.7%) |
| Metals & Mining | 3 | 8% | 31% | 33% | 0% | 67% | (33.3%) | (4.1%) |
| Others | 0 | - | - | - | - | - | - | - |
| Paper & Forest Products | 0 | 0% | 0% | - | - | - | - | - |
| **Real Estate** | **2** | **25%** | **36%** | **0%** | **50%** | **50%** | **(50.0%)** | **(8.3%)** |
| **Utilities** | **2** | **13%** | **8%** | **50%** | **0%** | **50%** | **0.0%** | **(6.5%)** |

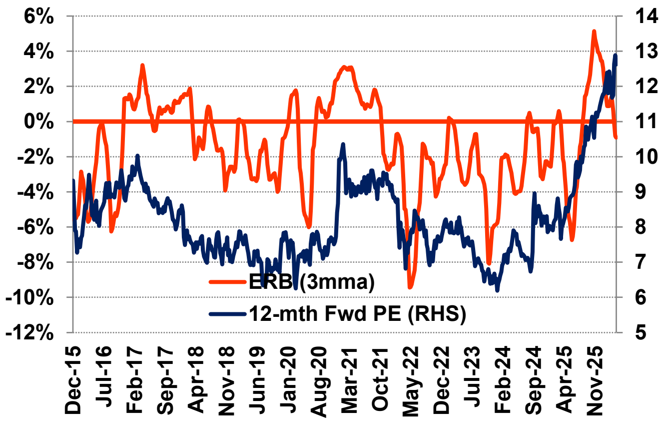
Source: MSCI, Bloomberg, RIMES, Factset, Morgan Stanley Research. Data as of April 27, 2026. For a given sector/industry group, "Market Cap Wtd Surprise (%)" is calculated as sum of products of stock level revenue beat / miss % and index weight of the stock in MSCI China A Onshore divided by % of market cap reported within the given sector/industry group.

**Exhibit 8:** MSCI China A Onshore 4Q25 revenue surprise by sector, measured by number of companies



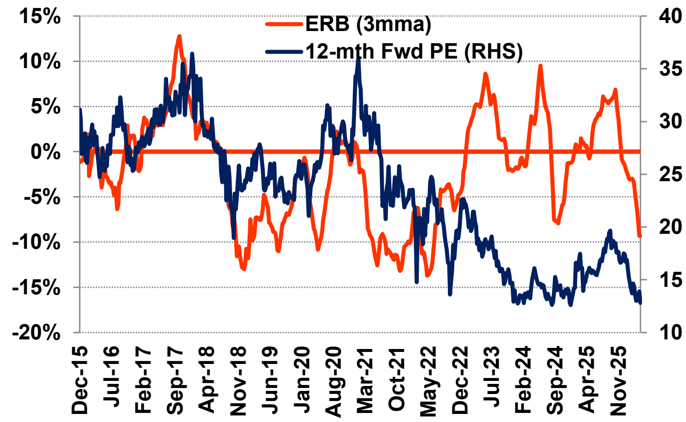

Source: MSCI, Bloomberg, RIMES, Factset, Morgan Stanley Research. Data as of April 27, 2026.

**Exhibit 12:** Capital Goods – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend



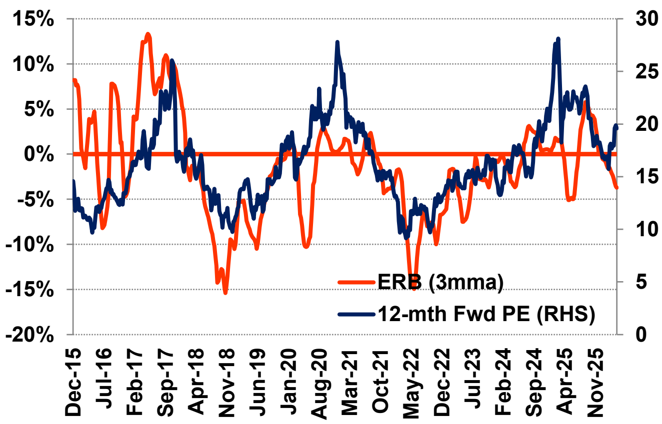

Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 13:** Media & Entertainment – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend



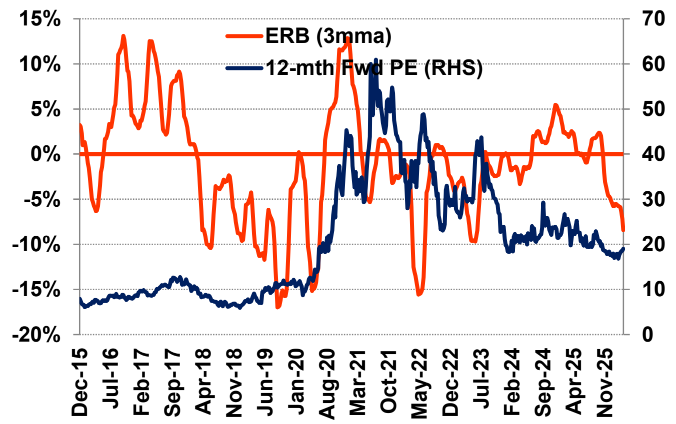

Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 14:** Tech Hardware – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend



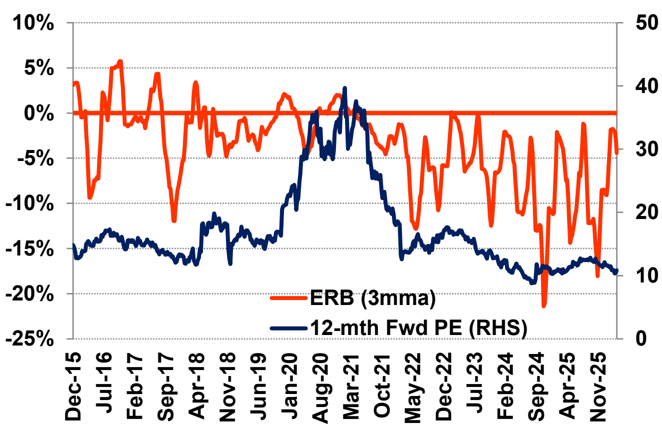

Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 15:** Auto – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend



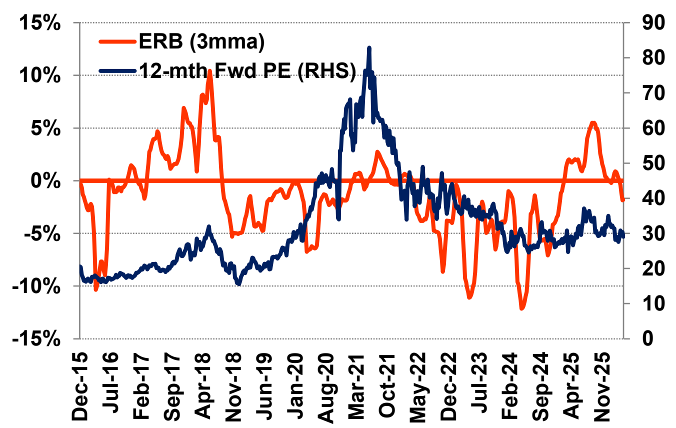

Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 16:** Healthcare – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend



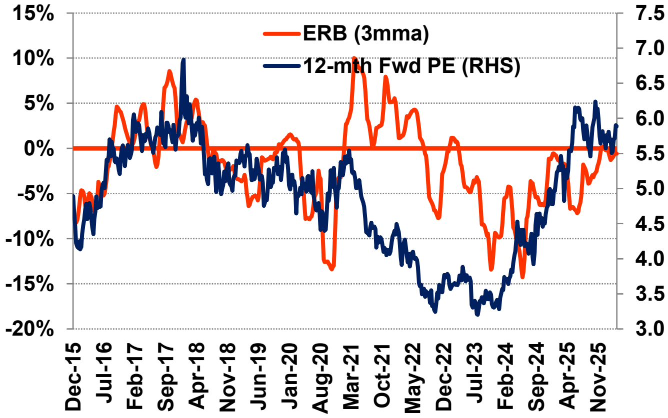

Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 17:** Pharma – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend



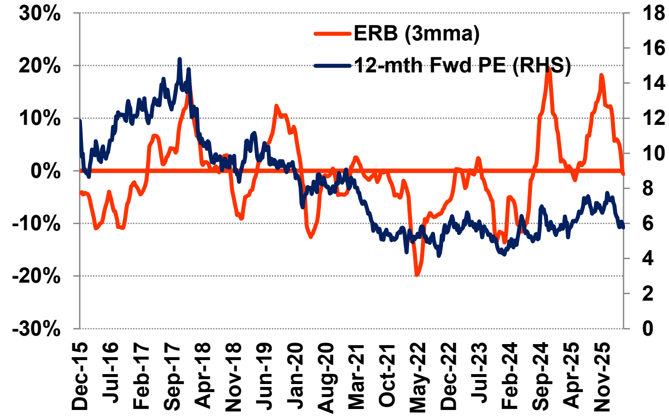

Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 18:** Banks – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend



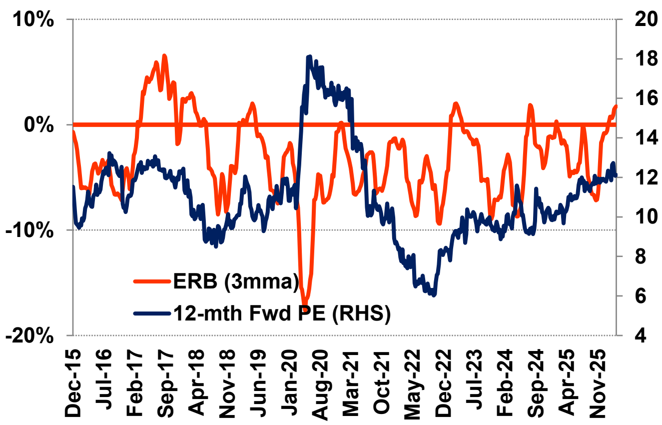

Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 19** Insurance – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend



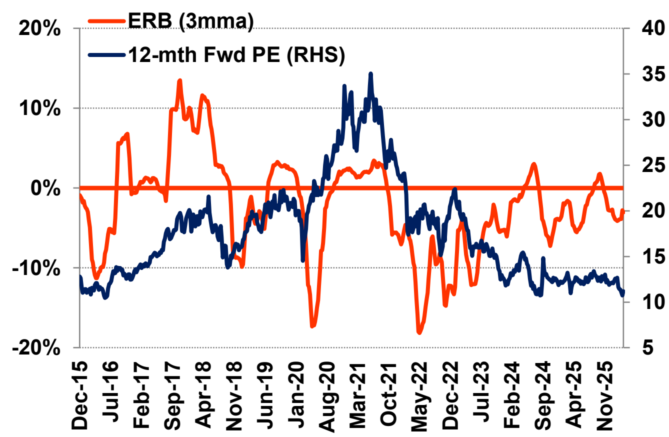

Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 19:** Transportation – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend



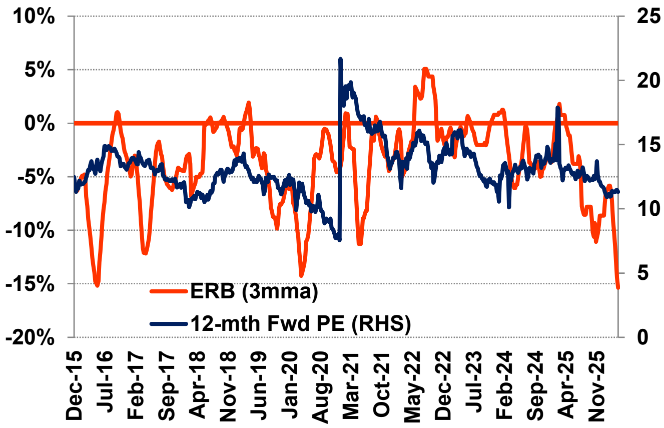

Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 20:** Consumer Durables – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend



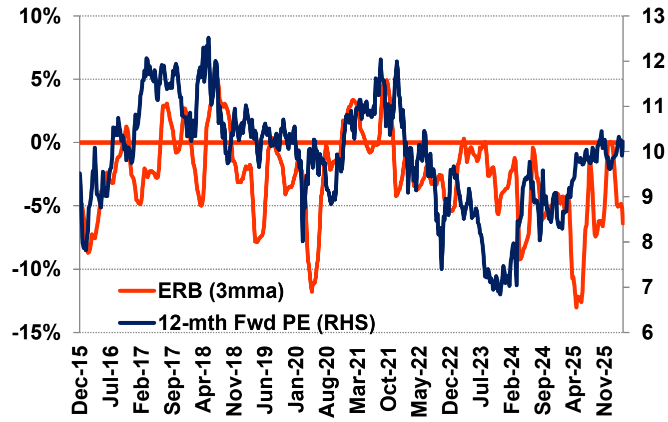

Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 21:** Telecom – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend



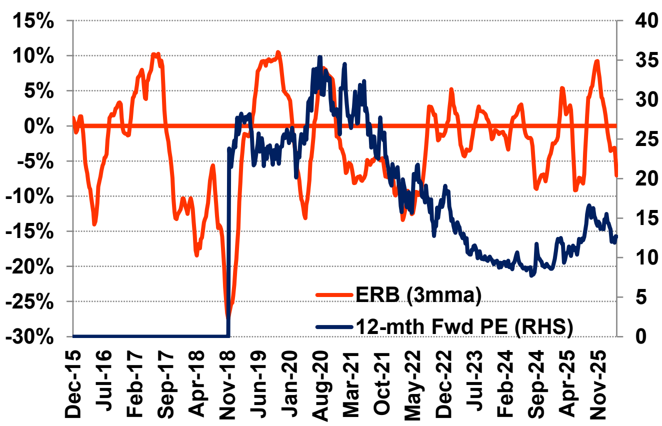

Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 22:** Utilities – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend



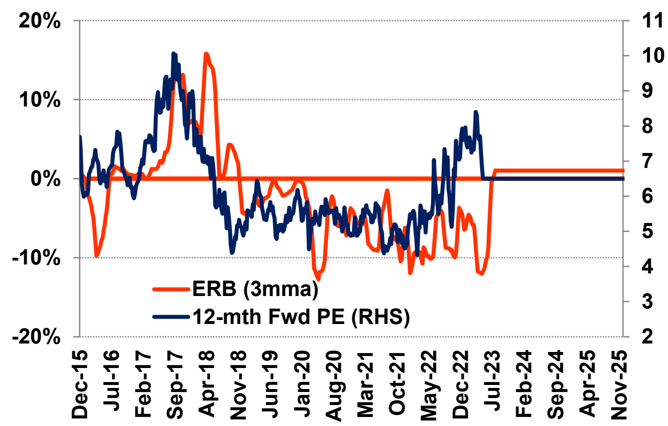

Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 23:** Retailing – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend




Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

**Exhibit 24:** Real Estate – Earnings estimate revision breadth (ERB) vs. 12-month P/E trend




Source: IBES, Rimes, MSCI, Morgan Stanley Research. Weekly data as of April 28, 2026. Earnings Estimate Revision Breadth (ERB) = (number of upward revisions - number of downward revisions) / total number of estimates.

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| | Coverage Universe | | Investment Banking Clients (IBC) | | | Other Material Investment Services Clients (MISC) | |
|---|---|---|---|---|---|---|---|
| Stock Rating Category | Count | % of Total | Count | % of Total IBC | % of Rating Category | Count | % of Total Other MISC |
| Overweight/Buy | 1534 | 42% | 461 | 50% | 30% | 698 | 43% |
| Equal-weight/Hold | 1573 | 43% | 372 | 40% | 24% | 716 | 44% |
| Not-Rated/Hold | 4 | 0% | 1 | 0% | 25% | 1 | 0% |
| Underweight/Sell | 568 | 15% | 89 | 10% | 16% | 209 | 13% |
| Total | 3,679 | | 923 | | | 1624 | |

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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