

# China's Industrial Economy Report, Q4 2024

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## Key findings, Q4 2024

In the fourth quarter of 2024, according to the CKGSB China's Industrial Economy Report, the Business Sentiment Index (BSI) registered at 55, a marginal increase from the previous period's 54, maintaining overall stability. The diffusion index of operating conditions climbed to 66, reflecting a positive performance. The diffusion index of expected change in operating conditions stood at 51, comparable to the previous period and marginally above the 50 threshold that demarcates growth from recession. The investment timing diffusion index advanced from 46 to 47; although still beneath the 50 mark, it signaled improvement.

Overall, these figures suggest that market operating conditions are steadily improving, with companies expressing optimism about the short term, but less so about the future. However, investment remains lackluster, primarily due to intense market competition and insufficient demand.

The production diffusion index (55) and the finished goods inventory diffusion index (54) saw a notable increase in Q4 compared to the previous quarter. Similar to the last quarter, production growth remained the dominant trend this quarter. This quarter, the cost diffusion index (60) and the price diffusion index (52) both rose. The growing market demand is driving up both prices and production costs, indicating a reduced risk of deflation.

Under the influence of countercyclical monetary policy adjustments, new corporate loans (5%) fell for two quarters in a row, with the countercyclical monetary policy adjustments, despite still being higher than the levels of the last quarter of the previous year and the first quarter in 2024. Financial institutions' willingness to lend (98) remained stable as the last quarter. Industrial companies in China still generally perceive the macroeconomic sentiment as 'cool' or subdued. As the authors pointed out in the last edition of the report, regularly injecting stability into the market, making efforts to boost consumer confidence and encourage producers are all ways to help get economic recovery back on track.

**The Business Sentiment Index (BSI) and the investment timing diffusion index rose, as the production diffusion index showed a significant increase.**

In the fourth quarter of 2024, the BSI (55) slightly increased from the previous quarter, remaining at the threshold demarcating expansion and contraction, which reflects the sustainability of economic recovery (Figure 1). Regionally, the top five provinces in China with the highest BSI are: Shanxi, Guizhou, Sichuan, Jiangxi, and Hubei (Table 1). Compared to the previous period, Guizhou, Sichuan, and Jiangxi have moved into to the top five, replacing Hunan, Beijing, and Guangdong, while Shanxi and Hubei remain in the first and

fifth positions, respectively. According to the reports from provincial governments in China and publicly available data from its tax authorities, in the fourth quarter of 2024, Guizhou showed positive factors for economic growth, driven by both existing and new policies that continued to stimulate investment growth and consumer potential; Sichuan performed well in infrastructure investment and consumption, particularly in foreign trade-related sectors such as ocean freight and cargo transportation, where sales increased by 31.4% and 31.3%, respectively; Jiangxi showed strong performance in industrial production and consumption, particularly in the retail of furniture and sanitary ware, which grew by 39.4% and 26.3% year-on-year, respectively. When breaking down the figures by industry, the top five industries by BSI are: electricity and heat production and supply, water production and supply, ferrous metal mining and processing, coal mining and processing, and gas production and supply (Table 2). Compared to the previous period, ferrous metal mining and processing replaced the IT, communications, and other electronic equipment manufacturing industry in the top five, while water production and supply rose to second place.

The BSI is determined by three diffusion indices: the operating conditions diffusion index, the diffusion index of expected change in operating conditions, and the investment timing diffusion index (Table 3). The operating conditions diffusion index (66) saw steady rise compared to the previous period (65) and the same period last year (63), signaling more vitality among businesses in their current business operations. The diffusion index of expected change in operating conditions (51) remained slightly above the threshold of expansion and recession for 15 consecutive quarters, but still lags far behind the operating prospects diffusion index. The ongoing divergence between the two indices indicates a mismatch between businesses' current performance and future expectations.

Factors limiting business operations in the next quarter have changed from the previous period, represented by insufficient market demand, intense competition, high costs of raw materials and components, policy uncertainty, and lack of funding (Figure 2). 72.13% and 71.18% of surveyed companies worry that weak domestic and foreign market demand and intense competition will have a strong impact on their short-term operations. Additionally, 20.08%, 18.31%, and 5.35% of companies, respectively, view high raw material and component costs, policy uncertainty, and lack of funding as limitations for their short-term operations.

For companies when looking ahead to their mid- and long-term development, the limiting factors are broader, including green production (54.88%), technological innovation (50%), and policy uncertainty (49.95%). Compared to the previous period, due to the recent geopolitical turmoil, more companies believe that geopolitical factors (21.46%) will impact their mid- and long-term development (Figure 3). Whether in short-term operations or mid- and long-term development, policy uncertainty is a key factor for companies to consider.

Enterprises with different ownership types (state-owned, private, foreign, collective) face both similar and different limitations for short- and long-term operations (Table 4). The common factors limiting next-quarter operations include intense competition, insufficient market demand, and policy uncertainty. Green production, technological innovation, and policy

uncertainty are the top three factors influencing mid- and long-term development across companies of all ownership types. However, foreign-funded enterprises, compared to companies of other ownership types (state-owned, private, and collective), consider high raw material and component costs and geopolitical factors as important restrictions for their next-quarter operations and mid- and long-term development. state-owned (controlling/participating) and collective enterprises think financial resources and policy uncertainty have less impact on their mid- and long-term development.

The investment timing diffusion index (47) slightly rose from the previous period (46), with 1% of companies considering now as a good time for investment, down from the 2% in the same period last year, indicating a decline in investment confidence. In practice, there is a lack of willingness among businesses to expand assets, with the proportion of companies making fixed asset investments being 14%, down 4% from the previous period (18%). The proportion of companies making expansionary investments (10%) also decreased from 12% in the previous period (Figure 4).

Overall, the increase in the BSI in the fourth quarter of 2024 is mainly driven by the operating conditions diffusion index and investment timing diffusion index. Businesses have shown steady improvement in their current operations compared to the same period last year, with a slight rebound in investment sentiment. However, uncertainties in international affairs and domestic policies will influence companies' expectations for the future and their investment decisions.

The production diffusion index, an important indicator reflecting actual production conditions, increased significantly this quarter, rising from 48 to 55 (Figure 5), gradually returning to near the level of the same period last year.

### **Weak demand continues to be a key driver of overcapacity, while improved expectations are contributing to rising inventories**

In the fourth quarter of 2024, both the domestic oversupply diffusion index (97) and the overseas oversupply diffusion index (100) remained unchanged from the previous quarter, staying at historically high levels (Figure 6). Meanwhile, the finished goods inventory diffusion index increased from 48 to 54 (Table 5). Both the production diffusion index and finished goods inventory diffusion index saw significant rises, mainly due to factors such as policy support, improved market demand expectations, the growth of emerging industries, and smooth inter-provincial trade. In the future, as the effects of policies take hold and domestic demand gradually recovers, China's economy is expected to stabilize and prosper, driven by industrial upgrading and new growth drivers. Exports will likely maintain their resilience.

The top five industries with severe overcapacity are: paper and paper products, non-metallic mineral mining and selection, leather, fur, feathers and related products and footwear manufacturing, automobile manufacturing, and furniture manufacturing. Compared to the third quarter, it is worth noting that the paper and paper products industry has become the

number one industry, surpassing non-metallic mineral mining and selection, with 62% of companies report having over 20% overcapacity. The industry of leather, fur, feathers and related products and footwear manufacturing has pushed metal products manufacturing out of the top five.

From a regional perspective, the top five regions with severe overcapacity are: Shanghai, Hunan, Tianjin, Beijing, and Hubei. These regions have replaced Heilongjiang, Jilin, Guangxi, Sichuan, and Tianjin, where were the top five in the previous quarter (Table 7). Compared to the previous period, Tianjin has risen to third place, while Shanghai, Hunan, Beijing, and Hubei have replaced Heilongjiang, Jilin, Guangxi, and Sichuan in the top five.

This quarter, the proportion of companies with finished product inventory increased by 1 percentage point to 78%. Additionally, the proportion of companies with increased raw material and finished goods inventory rose significantly from 20% to 28%, as companies expanded their inventories in anticipation of rising demand (Figure 7). This trend has a mixed impact on company operations. On the one hand, the increase in finished product and raw material inventory allows companies to meet market demand, respond to production uncertainties, and enhance their market competitiveness. It also enables them to leverage bulk purchasing advantages to reduce costs. On the other hand, this could lead to higher capital occupancy and storage costs, potentially causing product loss and reducing the efficiency of resource utilization.

### **Price diffusion index and unit cost diffusion index are both rising**

In the fourth quarter (Figure 8), companies experienced a slight increase in cost pressures. The unit cost diffusion index (60) and raw material cost diffusion index (60) both increased by 3 compared to the previous period, while the labor cost diffusion index (51) and price diffusion index (52) each increased by 1 (Table 8). The increase in cost diffusion indices reflects companies' expectations of higher market demand. As companies ramp up production and labor demand, they aim to improve their capacity utilization and production efficiency, which, in turn, boosts economic growth. However, companies also face challenges, including shrinking profit margins and heightened market competition.

### **Increased loan issuances and relaxed bank credit attitudes boost investment**

Financial institutions' lending attitudes remain relaxed, as reflected by the unchanged lending attitude diffusion index of the banking sector (98) compared to the previous period. The proportion of companies with loans decreased to 45%, down 1 percentage point compared to the previous period (46%), and the share of companies with new loans dropped by 2.2 percentage points, from 7.2% to 5%. Among companies not seeking new loans, the percentage of those citing no funding demand has remained near 100% for six consecutive quarters (Figure 9).

In the fourth quarter, most companies (91.4%) considered the current investment climate to be average, while 1.1% viewed it as a good time for investment, a slight decrease from 1.3% in

the previous quarter. However, the proportion of companies with a negative outlook on investment rose to 7.5%, up 1.3 percentage points from the previous period (Figure 4). Among companies making fixed asset investments, the proportion of those obtaining new loans increased from 8% to 9%, and the proportion of companies with relaxed lending attitudes from financial institutions rose from 97 to 98. Meanwhile, loan interest rates, an indicator of loan costs, decreased from 41 to 32 (Table 9). Overall, investment confidence of companies has increased this quarter, with a slight rise in new loans, and the continued relaxed lending attitude from financial institutions provides strong support for corporate financing.

### **Government-business relations and legal environment improve business expectations**

Regarding business-government relations, 60% of companies benefited from tax support, income tax reductions, VAT relief, or other services provided by local governments in 2024, a significant increase from the previous year. Additionally, 1.7% of surveyed companies received assistance from government-linked customers or business partners in 2024, marking a notable increase over the past few years. In recent years, governments have also supported business operations by providing loans, offering low-cost land ownership or usage rights, and funding industrial innovation. However, local governments have rarely provided secured loans to businesses directly (Figure 12).

The legal environment score for 2024 was 8.19, up from 7.86 in 2023. This score has fluctuated over the past decade, with the lowest score in 2018, followed by an upward trend in the following years. The score peaked in 2022 before falling back, but it remained in the high range overall, reflecting a steady improvement in recent years (Figure 13). This indicates that businesses are generally satisfied with the current legal framework and market environment.

Overall, businesses were relatively optimistic about the next 3-5 years. The proportion of companies with a cautious but optimistic outlook for 2024 (68%) was significantly higher than the previous year (41%), while the proportion of those with a pessimistic outlook decreased from 38% than last year to 20%. This means nearly 80% companies are optimistic or cautiously optimistic, suggesting a generally positive outlook for the future economic situation. At the same time, the proportion of companies investing in R&D has fluctuated from 2014 to 2024 (Figure 15). While most companies invest less than 5% in R&D, fewer companies fell in that category. Instead, the number of those that invested 5%-9.9% has steadily increased since 2020, and as of 2024, 29.25% companies were investing 5%-9.9% in R&D. The proportion of companies investing over 15% in R&D rose significantly in 2024, reaching 1.67%. This reflects businesses' growing focus on R&D investment, which will accelerate product innovation and technological progress.

Apart from paying taxes, 36% of surveyed companies in 2024 made donations to government agencies, organizations, or related activities. 92% of companies expect other enterprises in their regions to have donated similar amounts, with 6% believing their own donation expenses will be higher than those of other companies (Figure 16).

Regarding the potential impact of Donald Trump's re-election as U.S. president, who could levy significantly higher tariffs on Chinese products, 70% of companies believe that Trump's potential tariff policies (and the consequential production capacity relocation) will have a limited impact on their operations over the next 2-3 years, while 17% of enterprises explicitly stated that they will be affected, and 13% indicated that the impact is uncertain. To mitigate potential negative effects, most companies are considering exploring new markets, with some exploring indirect exporting or relocating production capacity. These trends reflect companies rethinking their strategies for market diversification and global expansion.

## Appendix

Figure 1. Business Sentiment Index

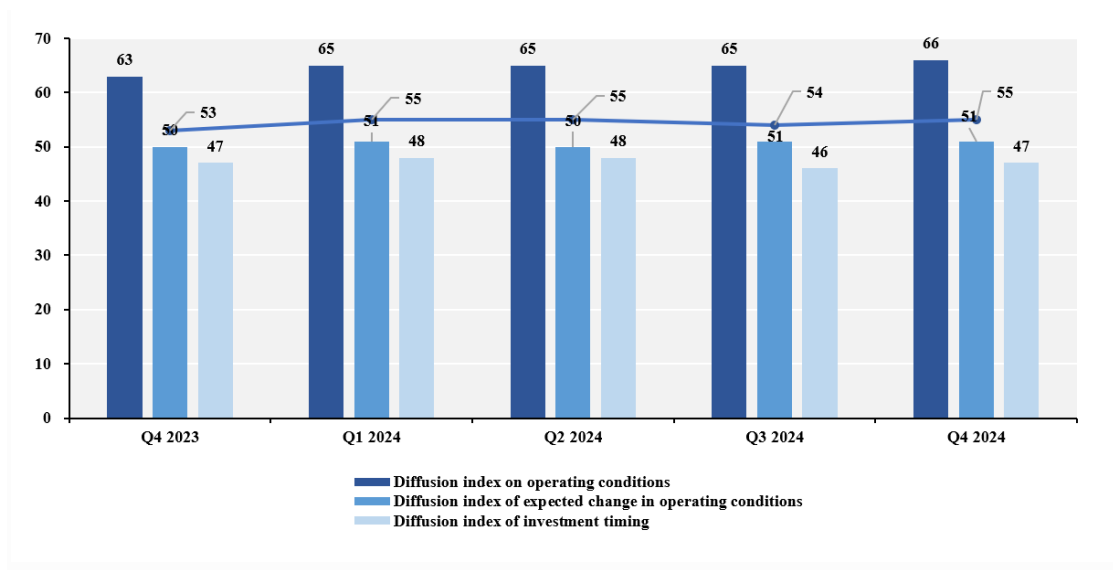
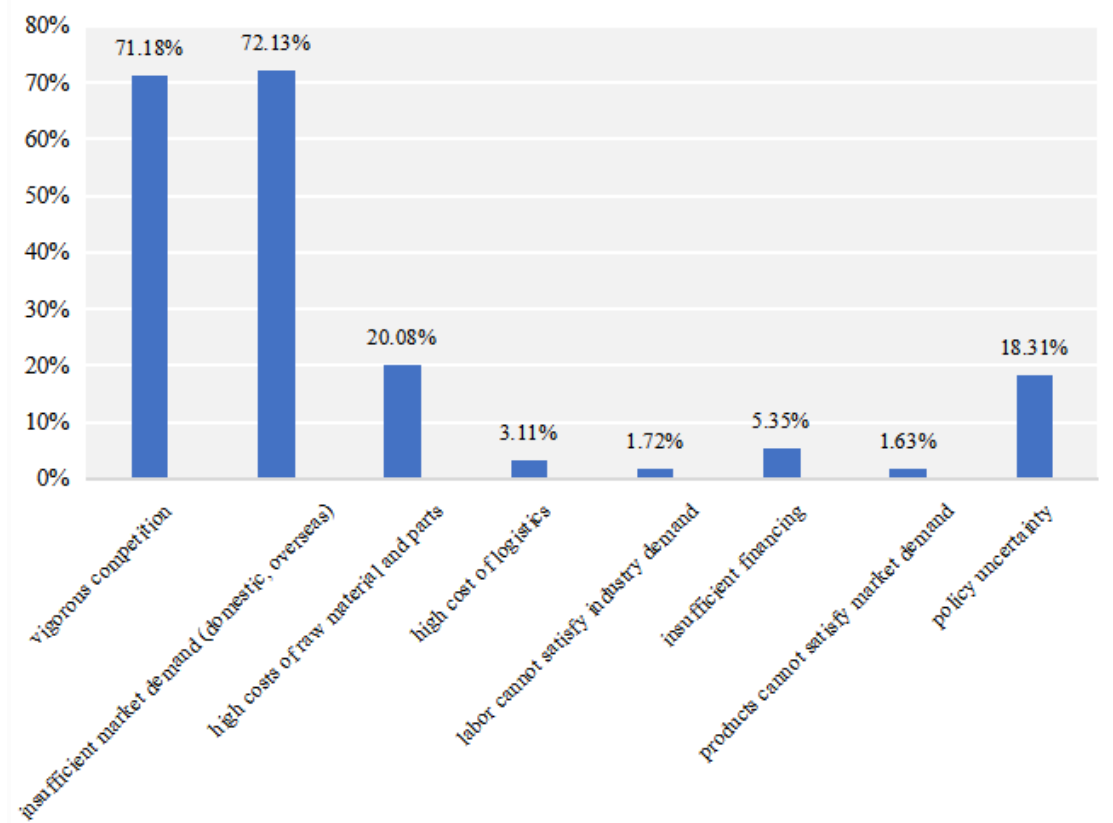
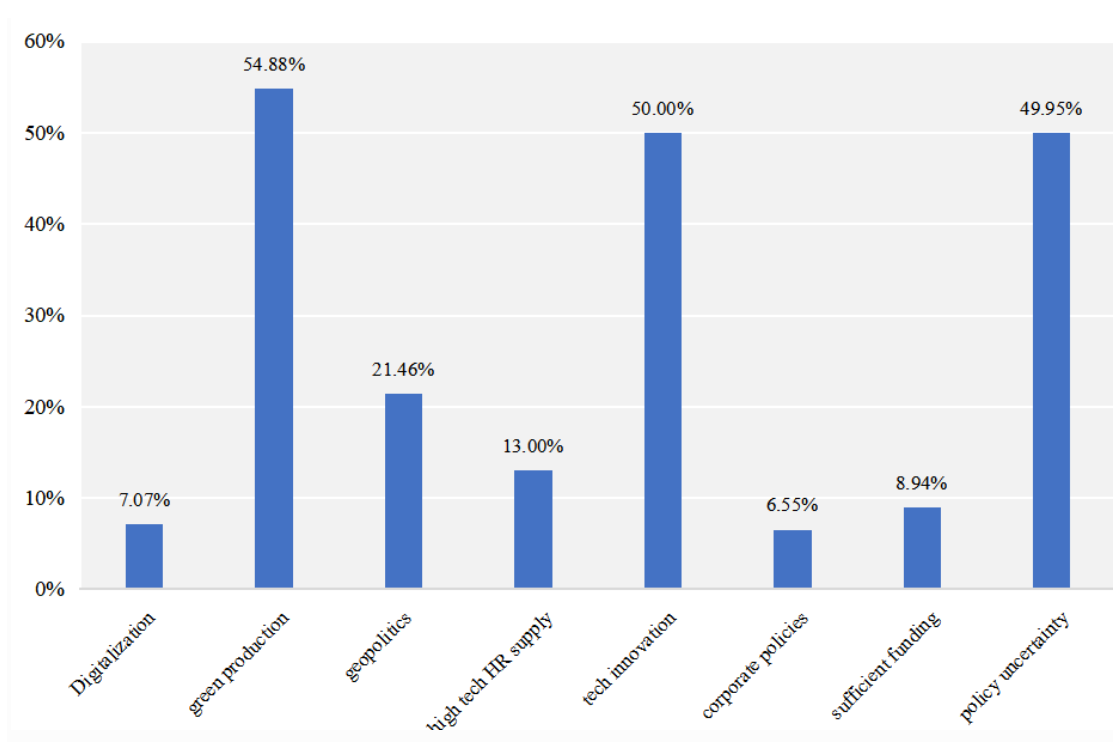


Figure 2. Operating prospects



Note: This is based on answers to a multiple-choice question, with the graph drawn from the number of times each option was selected (taking 71.18% for fierce competition as an example, 71.18% of the 2,031 surveyed companies believed that fierce competition was one of the factors curtailing production and operations in the next quarter.) The same applies to the graph below.

Figure 3. Long-term limiting factors on development



Note: As with above, this figure is produced based on answers to a multiple-choice question.

Figure 4. Investment conditions

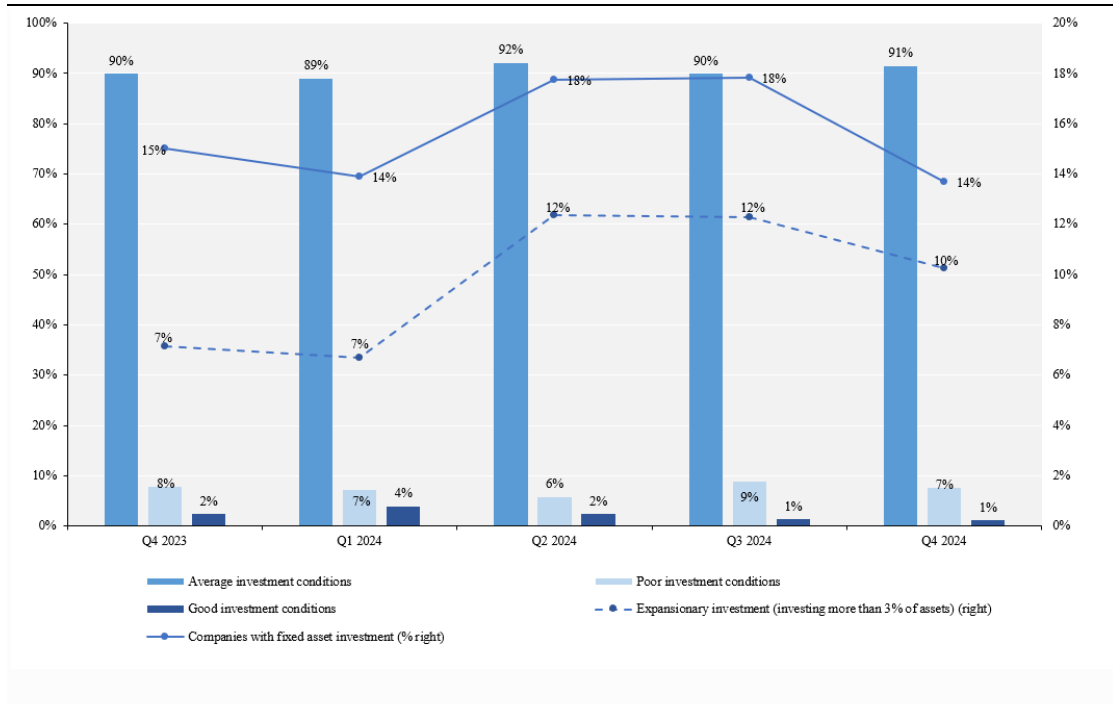




Figure 5. Diffusion indices

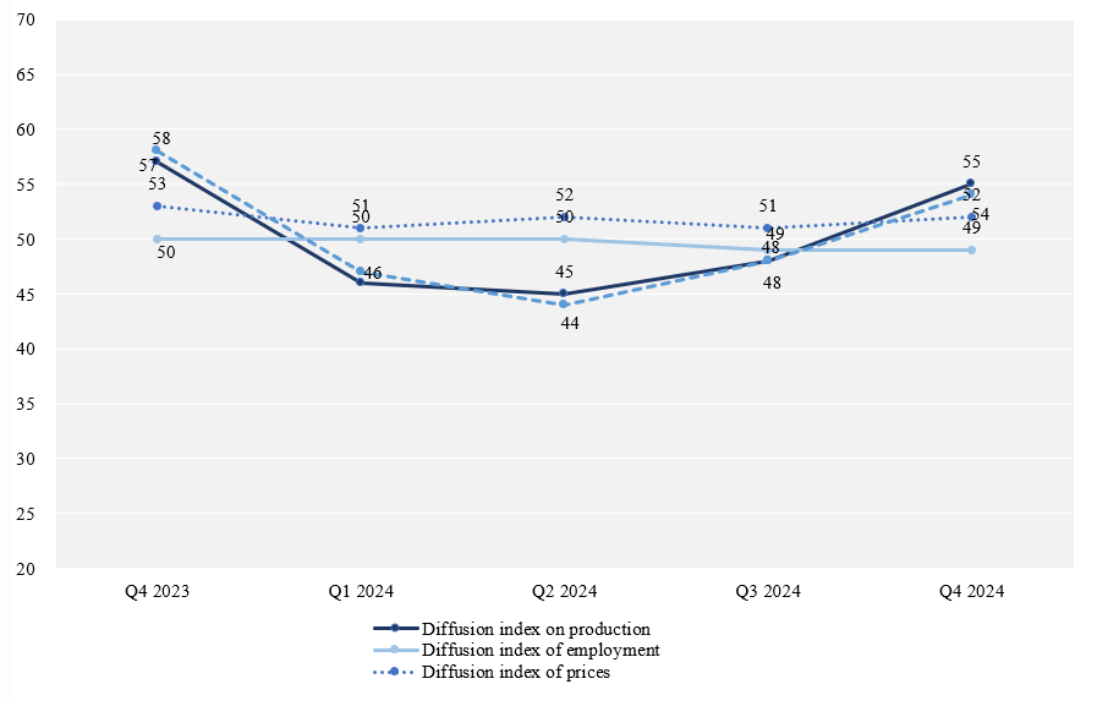


Figure 6. Domestic and overseas supply trends over the past decade

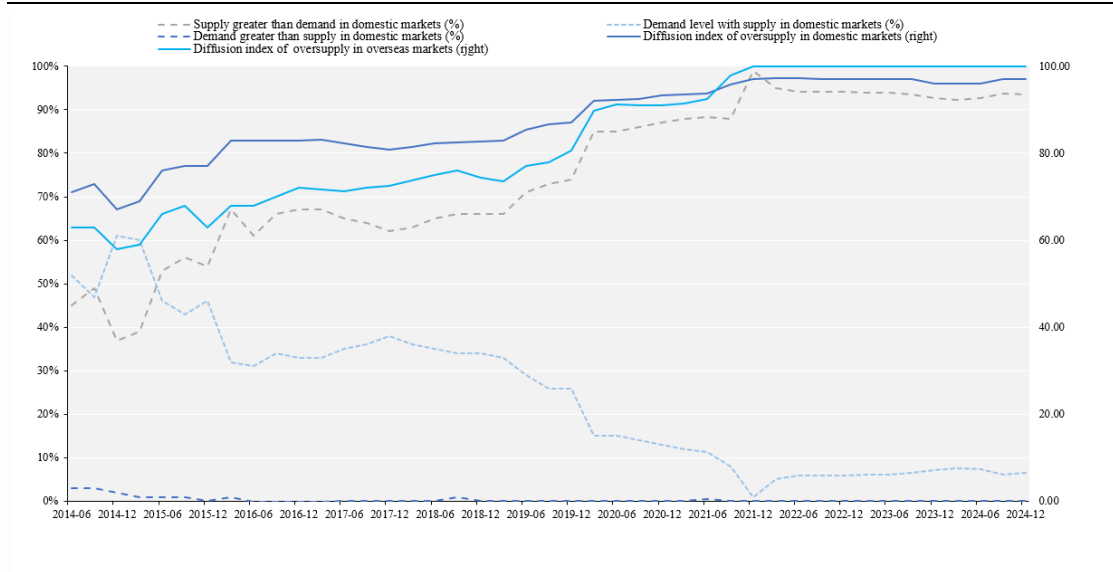


Figure 7. Finished product inventory

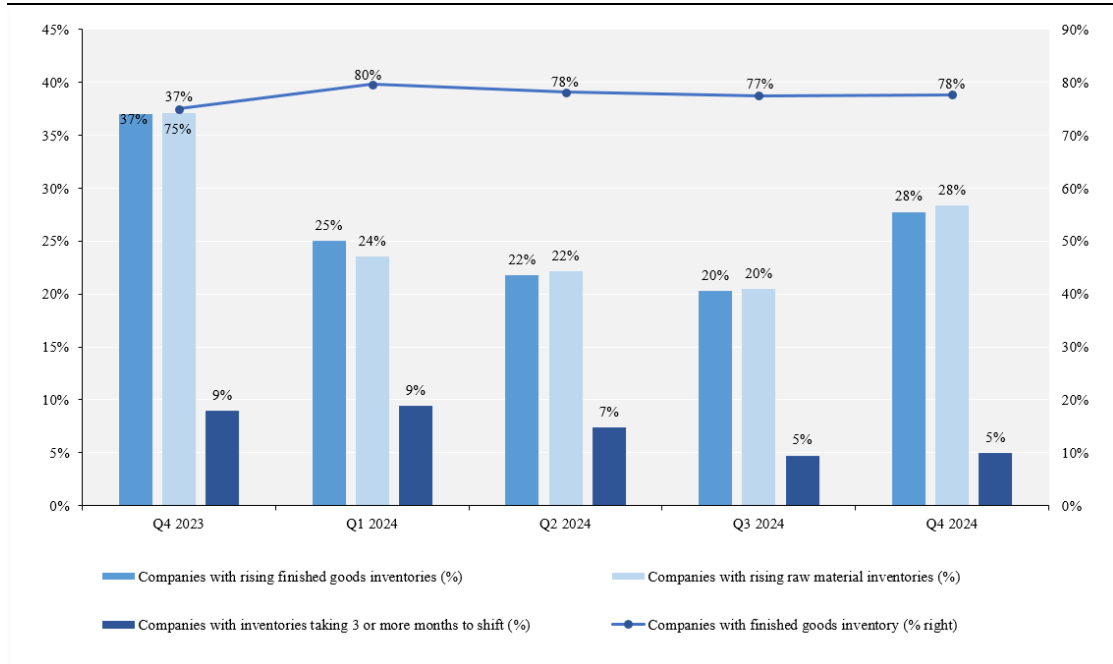


Figure 8. Production costs

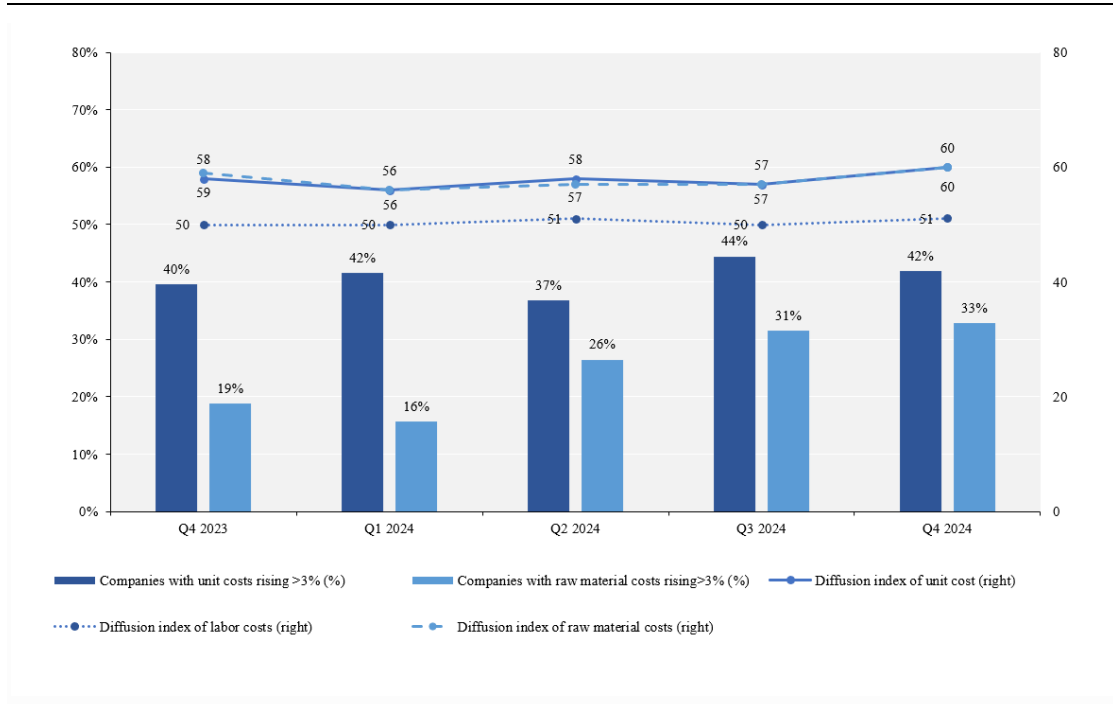


Figure 9. New loans

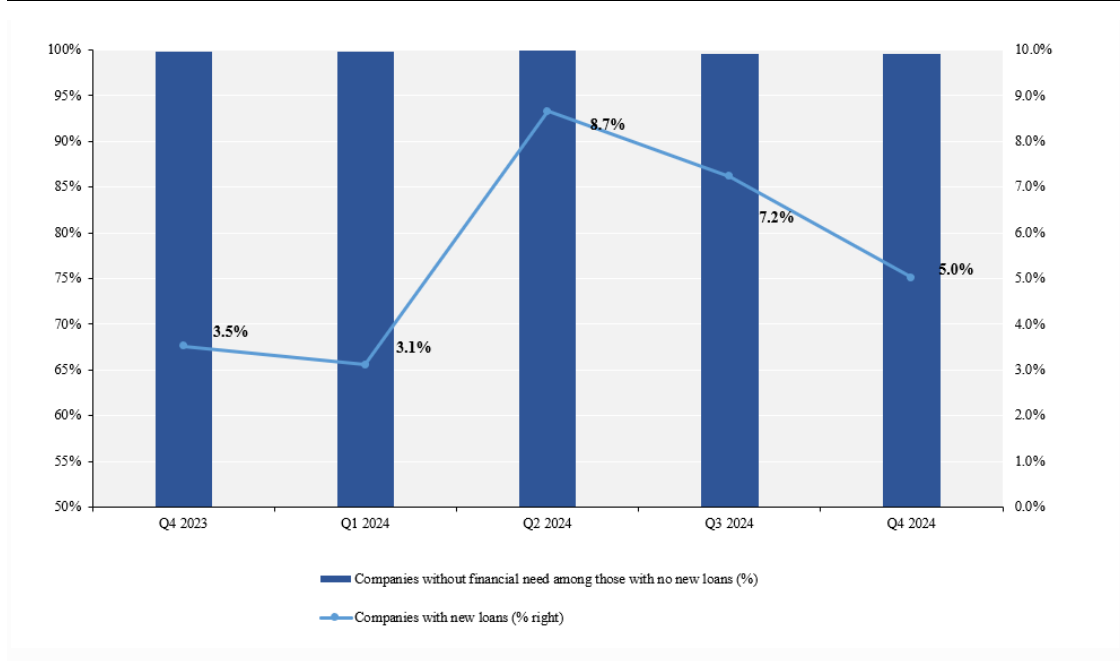


Figure 10. Macroeconomic conditions

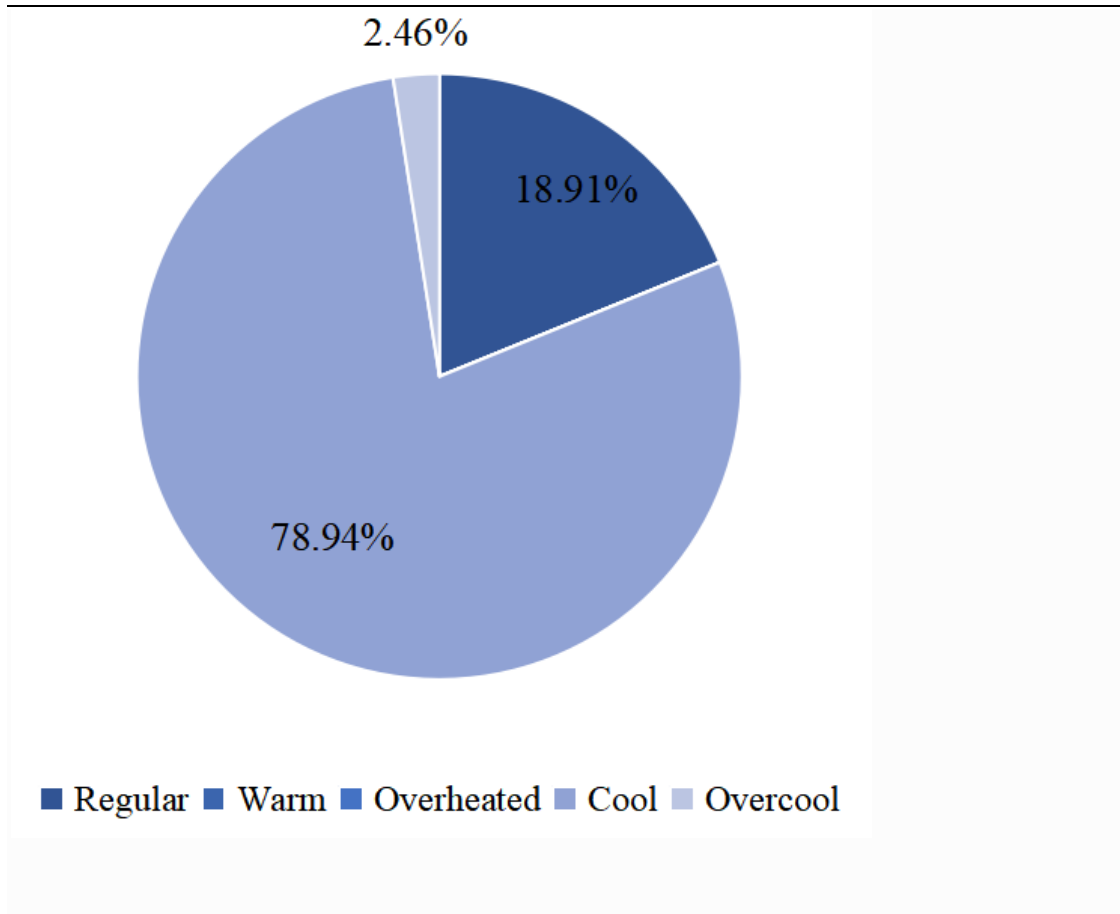


Figure 11. Views on prices

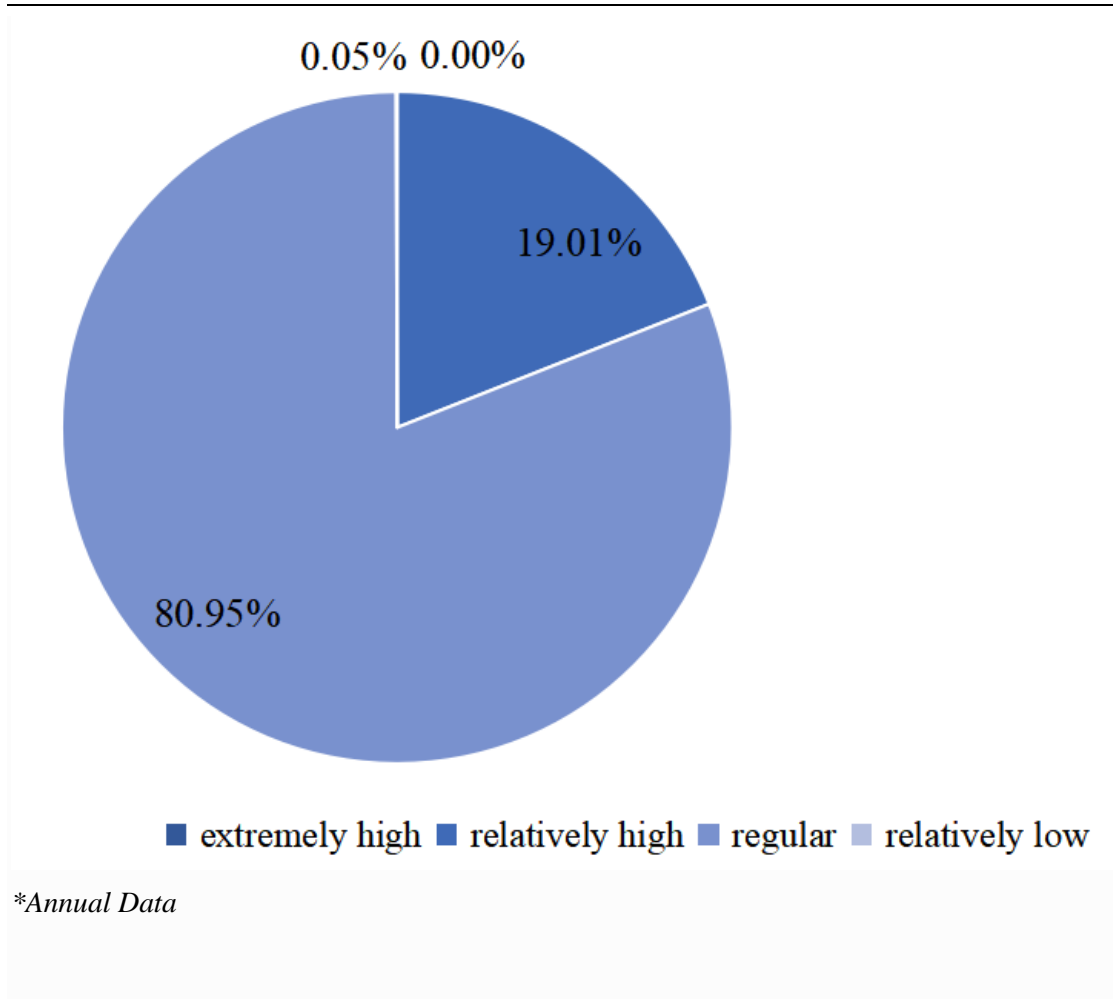


Figure 12. Government Relations: Corporate Benefits from Government Services

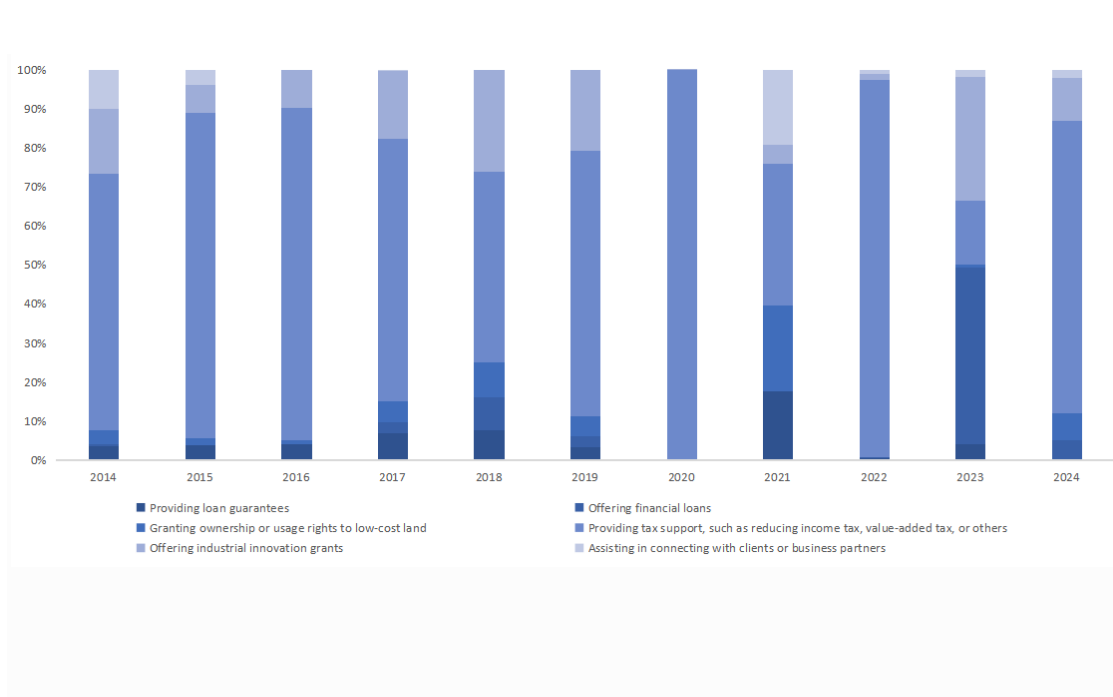
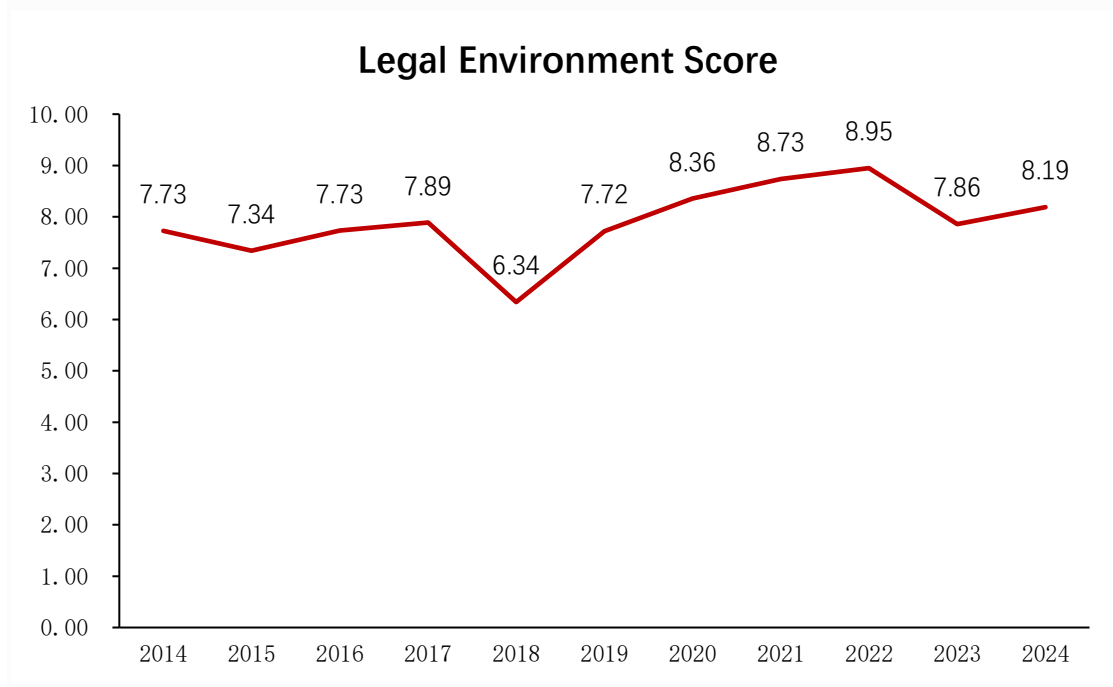


Figure 13. Legal Environment Score



Note: In business disputes, the likelihood that the legal system will protect your contractual and property rights is measured on a scale of 0 to 10, with 0 representing the least likely.

Figure 14. Expectations for Corporate Outlook in the Next 3–5 Years

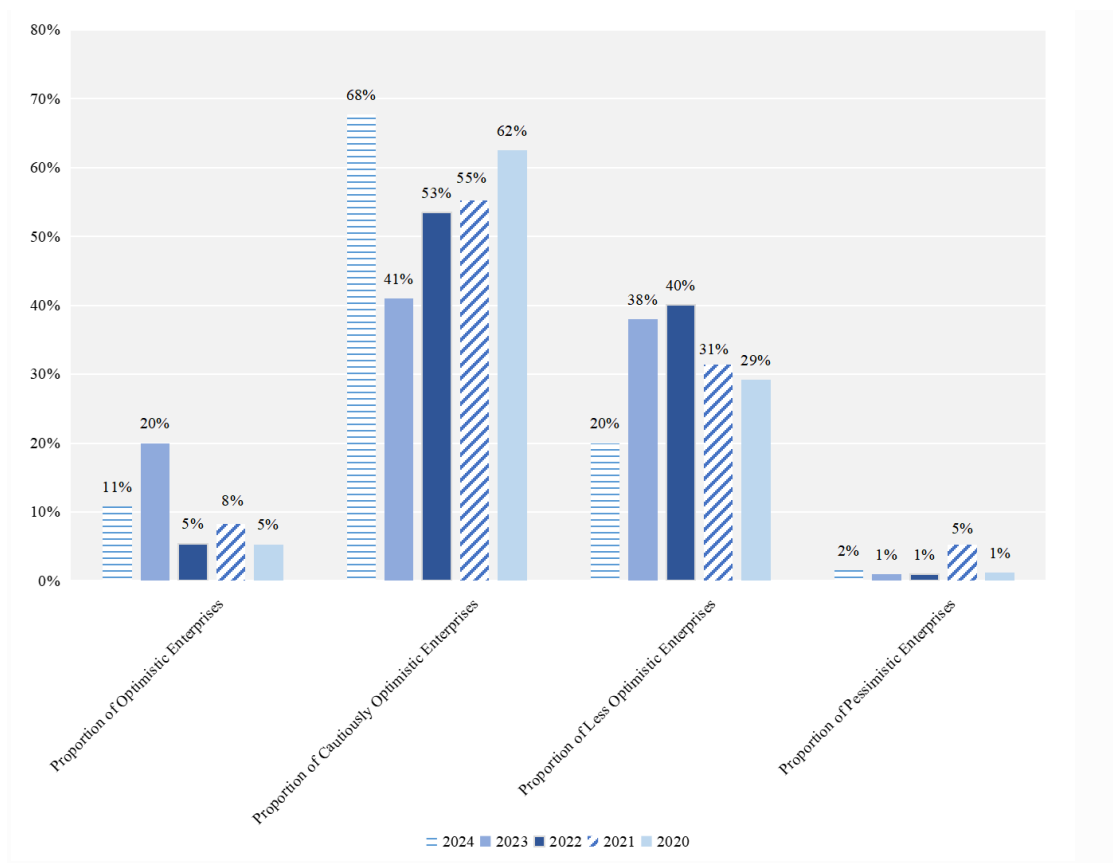


Figure 15. Corporate R&D Expenditure

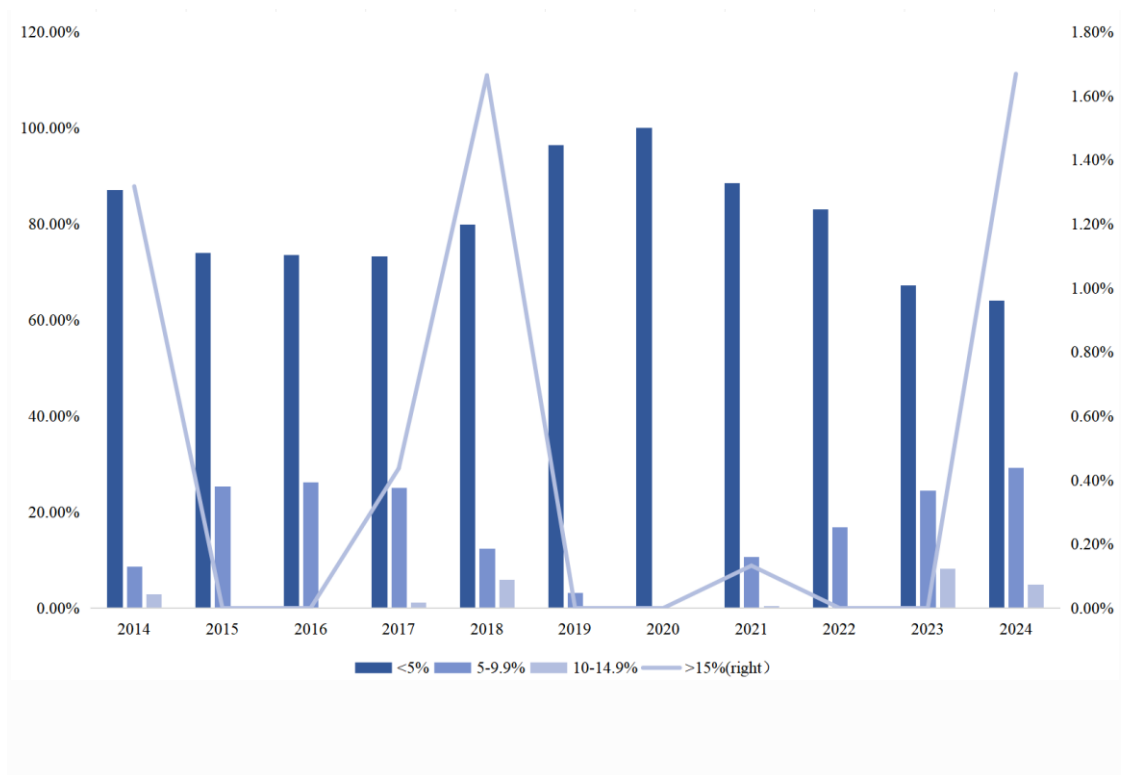
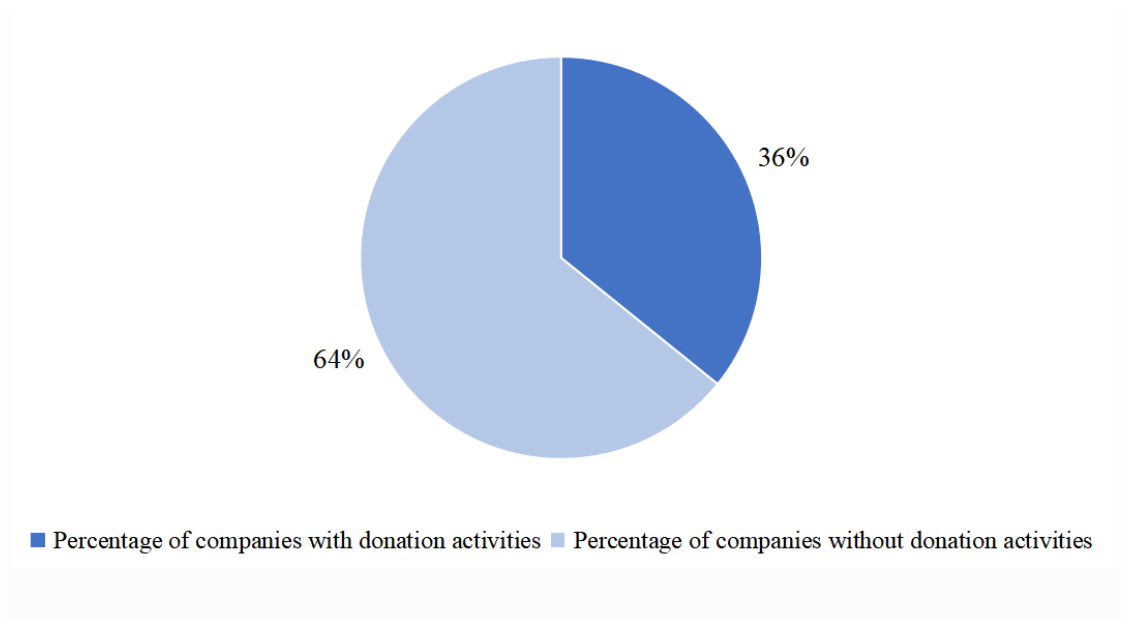


Figure 16. Corporate Spending on Donations and Relevant Activities Beyond Tax Obligations



### Expected Donation Spending of Other Companies (in Surveyed Regions)

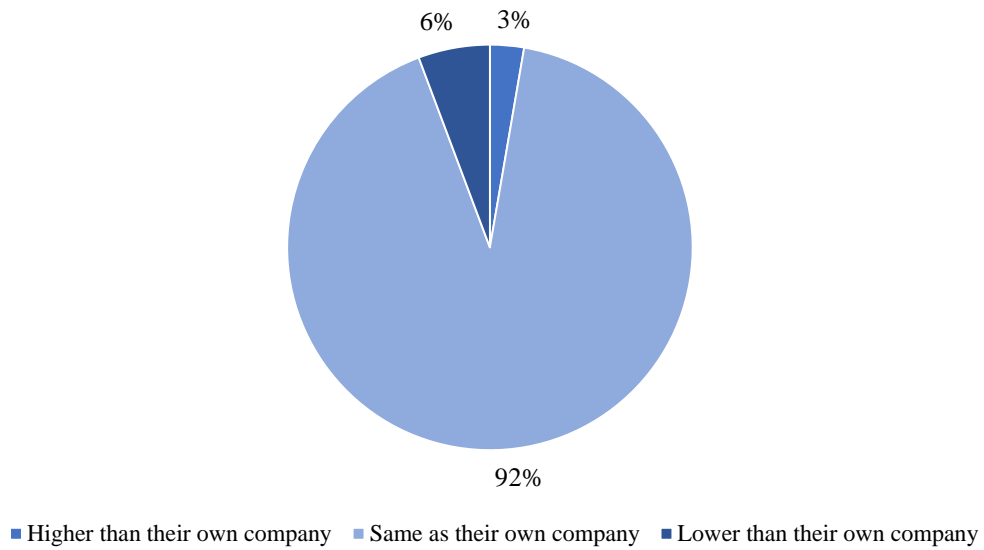


Figure 17. Impact of a Potential Significant Tariff Increase on Chinese Products Following Trump's Election as the Next U.S. President, as Perceived by Corporations Over the Next 2–3 Years

### Impact of Trump's Election as the Next U.S. President on Companies in the Next 2-3 Years

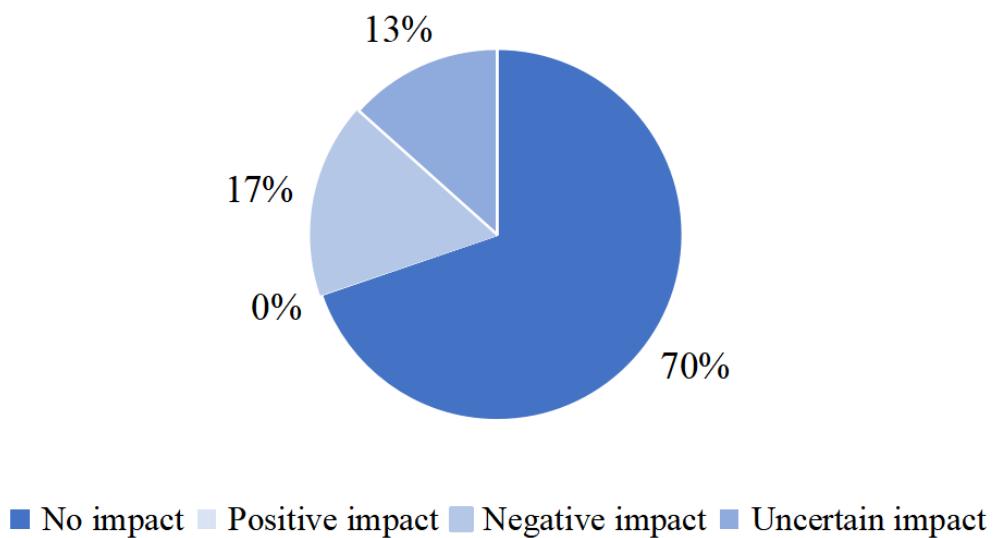


Table 1. Regional operating conditions ranking

		No. of companies	Business Sentiment Index	Diffusion index: Operating conditions	Diffusion index: Investment timing
Top five	National	2031	55	66	47
	Shanxi	8	63	69	63
	Guizhou	5	60	80	50
	Sichuan	34	58	71	49
	Jiangxi	18	57	67	53
	Hubei	26	56	71	48
Last five	Gansu	4	42	38	38
	Shanghai	20	50	58	43
	Shaanxi	18	51	56	47
	Yunnan	11	52	50	50
	Liaoning	40	53	60	46

Table 2. Industry operating conditions ranking

		No. of companies	Business Sentiment Index	Diffusion index: Operating conditions	Diffusion index: Investment timing
	national	2031	55	66	47
Top five	Electric Power and Heat Production and Supply Industry	36	66	81	50
	Water Production and Supply Industry	19	64	92	50
	Ferrous Metal Mining and Dressing Industry	5	63	90	50
	Coal Mining and Washing Industry	5	63	70	70
	Gas Production and Supply Industry	11	62	86	45
	Last five	Leather, Fur, Feather Products, and Footwear Industry	7	43	43
Metal Products Industry		29	49	53	45
Chemical Fiber Manufacturing Industry		6	50	58	42
Non-Metallic Mineral Products Industry		59	50	53	47
Railway, Shipbuilding, Aerospace, and Other		16	51	56	47
Transportation Equipment Manufacturing Industry					



Table 3. Manufacturing conditions

	No. of companies		Business Sentiment Index		Diffusion Index of Operating Conditions		Diffusion Index of Expected Change in Operating Conditions		Diffusion Index of Investment Timing	
	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3
national	2031	2047	55	54	66	65	51	51	47	46
large	677	683	57	56	73	70	51	51	47	47
medium	677	682	54	54	65	65	51	51	48	48
small	677	682	53	51	62	59	50	50	46	44
State	225	206	59	58	76	72	53	55	49	47
Collective	8	10	48	47	56	55	56	50	31	35
Private	1579	1607	54	53	65	64	50	50	47	46
Foreign-invested	219	224	54	54	67	65	50	51	46	45
State monopoly	194	177	60	59	77	73	54	56	49	47
State-invested	33	31	55	56	67	69	50	52	48	47
Collective	8	10	48	47	56	55	56	50	31	35
Private	1579	1607	54	53	65	64	50	50	47	46
Foreign-invested	271	278	55	54	68	67	50	51	46	45
Long-lasting consumer products	199	189	53	53	62	61	50	49	46	47
Short-term consumer products	589	575	56	56	69	67	52	53	48	47
Capital goods	152	158	56	55	69	66	50	50	48	48
Producer goods	1091	1125	54	53	65	64	50	49	46	46

Table 4. Short- and mid- term limitations

	State-Owned (Holding/Part)	Private	Foreign-Funded	Collective
<b>Reasons Limiting Enterprises' Production and Operations for the Next Quarter</b>				
Intense Competition	58.15%	68.33%	97.48%	87.50%
Insufficient Market Demand (Domestic Demand, Overseas Demand)	52.86%	75.62%	69.78%	12.50%
High Costs of Raw Materials and Components	7.49%	12.10%	75.90%	12.50%
High Logistics Costs	1.76%	3.29%	2.52%	25.00%
Labor Shortages to Meet Enterprise Needs	0.44%	1.96%	1.44%	0.00%
Insufficient Funding	2.64%	5.64%	6.12%	0.00%
Products Unable to Meet Market Demand	1.32%	1.65%	1.80%	0.00%
High Policy Uncertainty	19.38%	17.67%	20.86%	25.00%
Others	26.87%	9.06%	10.07%	12.50%
<b>Factors Affecting Enterprises' Medium- and Long-Term Development</b>				
Digital Transformation	3.08%	7.98%	5.40%	0.00%
Green Production	47.58%	55.60%	56.47%	62.50%
Geopolitics	10.57%	21.66%	29.50%	12.50%
Supply of High-End Technical Talent	12.78%	12.60%	15.47%	12.50%
Technological Innovation	54.63%	48.96%	52.16%	50.00%
Corporate Systems	3.96%	6.97%	6.12%	12.50%
Funding Adequacy	1.76%	10.32%	7.19%	0.00%
Policy Uncertainty	36.12%	52.12%	49.28%	37.50%
Others	27.75%	10.83%	8.99%	12.50%

Table 5. Market supply and demand conditions

		No. of companies		Diffusion Index of Oversupply in Domestic Markets		Diffusion Index of Oversupply in Overseas Markets		Diffusion Index of Finished Goods Inventory	
		Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3
		<b>By Scale</b>	national	2031	2047	97	97	100	100
	large	677	683	97	96	100	100	58	51
	medium	677	682	96	97	100	100	54	47
	small	677	682	97	97	100	100	51	44
<b>By Ownership Type</b>	State	225	206	81	82	100	100	57	49
	Collective	8	10	93	94	100	100	36	29
	Private	1579	1607	99	99	100	100	54	47
	Foreign-invested	219	224	99	99	100	100	56	49
	State monopoly	194	177	81	82	100	100	57	50
	State-invested	33	31	83	84	100	100	58	50
	Collective	8	10	93	94	100	100	36	29
	Private	1579	1607	99	99	100	100	54	47
	Foreign-invested	271	278	99	99	100	100	53	49
<b>By Product Type</b>	Long-lasting consumer products	199	189	100	100	100	100	50	43
	Short-term consumer products	589	575	89	90	100	100	59	49
	Capital goods	152	158	100	100	100	100	57	42
	Producer goods	1091	1125	100	99	100	100	53	48

Table 6. Industries with severe overcapacity

	No. of companies	Proportion of Enterprises with Over 20% Overcapacity	Proportion of Enterprises with Over 10% Overcapacity
Paper and Paper Products Industry	21	62	76
Non-Metallic Mineral Products Industry	59	47	66
Leather, Fur, Feather Products, and Footwear Industry	7	43	71
Automobile Manufacturing Industry	21	43	67
Furniture Manufacturing Industry	14	43	50
Printing and Reproduction of Recorded Media Industry	19	42	63
Agricultural and Sideline Food Processing Industry	55	42	64
Textile, Apparel, and Accessories Industry	12	42	67
Metal Products Industry	29	41	62
Non-Metallic Mineral Mining and Dressing Industry	8	38	50

Table 7. Regions with severe overcapacity

	No. of companies	Proportion of Enterprises with Over 20% Overcapacity	Proportion of Enterprises with Over 10% Overcapacity
Shanghai	20	65	75
Hunan	24	54	58
Tianjin	24	50	79
Beijing	8	50	63
Hubei	26	50	58
Chongqing	16	44	50
Xinjiang	5	40	60
Shaanxi	18	39	61
Guangdong	93	38	59
Yunnan	11	36	45

Table 8. Costs and prices

		No. of companies		Unit Cost Diffusion Index		Labor Cost Diffusion Index		Raw Material Cost Diffusion Index		Price Diffusion Index	
		Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3
<b>By Scale</b>	national	2031	2047	60	57	51	50	60	57	52	51
	large	677	683	63	59	51	51	62	58	51	51
	medium	677	682	60	56	50	50	60	56	52	51
	small	677	682	58	56	51	50	58	56	52	51
<b>By Ownership Type</b>	State	225	206	56	56	50	50	58	56	50	50
	Collective	8	10	50	45	44	45	56	50	50	50
	Private	1579	1607	61	57	51	50	61	57	52	51
	Foreign-invested	219	224	60	56	51	51	59	56	52	52
	State monopoly	194	177	56	55	50	50	57	56	50	50
<b>By Product Type</b>	State-invested	33	31	59	61	50	52	63	60	53	55
	Collective	8	10	50	45	44	45	56	50	50	50
	Private	1579	1607	61	57	51	50	61	57	52	51
	Foreign-invested	271	278	60	57	51	51	60	57	52	52
	Long-lasting consumer	199	189	63	56	50	49	63	57	52	51
	Short-term consumer	589	575	62	58	51	50	62	58	52	51
	Capital goods	152	158	57	53	51	50	56	53	50	50
Producer goods	1091	1125	60	57	51	50	59	57	52	51	

Table 9. Corporate financing conditions

		No. of companies		Proportion of Enterprises with Loans		Proportion of Enterprises with New Loans		Lending Attitude Diffusion Index of the Banking Sector		Changes in Loan Interest Rates	
		Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3
	national	2031	2047	45	46	5	7	98	98	32	41
	With Fixed Asset Investment	278	365	53	51	9	8	98	97	24	28
<b>By Scale</b>	large	677	683	48	52	5	8	97	97	28	38
	medium	677	682	43	46	6	8	98	99	34	46
<b>By Ownership Type</b>	small	677	682	44	41	4	5	100	97	33	36
	State	225	206	36	34	4	4	100	100	28	50
	Collective	8	10	38	40	0	0				
	Private	1579	1607	47	48	5	7	98	98	31	39
	Foreign-invested	219	224	40	42	6	11	100	98	38	46
<b>By Product Type</b>	State monopoly	194	177	34	30	5	3	100	100	28	50
	State-invested	33	31	48	55	0	10		100		50
	Collective	8	10	38	40	0	0				
	Private	1579	1607	47	48	5	7	98	98	31	39
	Foreign-invested	271	278	41	44	6	10	97	96	38	45
	Long-lasting consumer products	199	189	46	48	8	7	100	100	33	38
	Short-term consumer products	589	575	41	43	5	7	98	99	32	39
	Capital goods	152	158	45	47	4	7	100	100	25	41
	Producer goods	1091	1125	47	47	5	7	97	97	32	42

1. Business Sentiment Index= (the operating conditions diffusion index + the operating prospects diffusion index + the investment possibilities diffusion index)/3
2. Diffusion Indices are mostly calculated based on multiple-choice survey questions with options such as "Good," "Neutral," "Poor," or "Increase," "Same," and "Decrease," according to the formula: (%"Increase"+0.5×%"Same"). The diffusion index ranges from 0 to 100, where a higher value indicates a better condition, and 50 serves as the threshold between growth and contraction.
3. Data Sources: Guizhou Provincial People's Government, State Administration of Taxation of China
4. Expansionary Investment: Defined as investments exceeding 3% of total assets.