

How do Stimulus Policies Move Firms' Expectations? Evidence from Chinese Micro and Small Enterprises

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Impressive Data

- Online Survey of Micro-and-Small Enterprises in China (OSOME)
- Expectations about both **macro** variables and **own-firm** outcomes
- High frequency: before and after September 2024 announcement
 - Why this is an advantage over RCTs
- Link survey responses to subsequent Alipay transaction records
- Very large (around 6000) number of participants per wave

Other papers show Announcements → Expectations or
Expectations → Firm Behavior.

This paper does both!

Results

- Expectations respond rapidly, and suggest firms expect stronger aggregate demand.
- Firms become more optimistic about their own business conditions.
- Macro and own-firm expectations become more synchronized.
- Expectations become more aligned with subsequent realized performance.
- Current price changes become more closely aligned with expected future price changes after the announcement.

Exact treatment date

- September 24: substantial PBoC stimulus announcement
- September 26: Politburo meeting
- September 27: actual rate /RRR action

Could distinguish pre-September 24, September 24–25, and post-September 26 respondents. That would tell us whether the Politburo announcement added substantially to the initial monetary signal, and it would avoid contaminating the control group with already-treated firms.

Anything else between September 18 and October 7 that might have affected expectations?

Deflation Expectations

- Inflation expectations were negative in most quarters.
- Do other surveys find similar inflation expectations for that time period?
- Authors interpret post-announcement increase of about 0.6 percentage point in expected inflation as “reducing near-term deflationary pressure.”
- Is this primarily movement from $[-1, -1]$ to $[-1, 0]$, movement from negative to positive bins, or movement across the distribution?

Coding the forecasts

Relative to the current quarter, how do you expect the following items to change in the next quarter?

	decrease > 10%	decrease < 10%	unchanged	increase < 10%	increase > 10%	uncertain
New orders						
Sales						
Operation cost						
Employment						

Relative to the current quarter, how do you expect the following items to change in the next quarter?

	decrease > 5%	decrease < 5%	unchanged	increase < 5%	increase > 5%	uncertain
Product price						
Average wage						
Raw material price						

What is your expectation on China's GDP growth rate in the next 12 months?

<-3	[-3,0]	[0,3]	[3,4]	[4,5]	[5,6]	[6,8]	>8	uncertain
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Interval responses are converted to midpoints, but how are the open-ended categories treated?

With very wide intervals, midpoint coding may matter a lot, especially for the synchronization and extrapolation results.

$$\mathbb{E}_i[\Delta \text{Order}_i^{t+1}] = \beta_{\text{order-gdp},t} \cdot \mathbb{E}_i[\Delta \text{GDP}^{t+1}] + \gamma X_i + \text{FE} + \mu_i$$

$$\mathbb{E}_i[\Delta \text{Price}_i^{t+1}] = \beta_{\text{price-cpi},t} \cdot \mathbb{E}_i[\Delta \text{CPI}^{t+1}] + \gamma X_i + \text{FE} + \mu_i$$

For example, what if many respondents initially expected 9% growth in new orders, and announcement moved them to 11%. They would be coded as moving from 5% to 15%.

Try reporting Spearman rank-correlations between micro and macro variables in each time period.

Related Literature

- **Enders, Hünnekes, and Müller (2019) “Monetary Policy Announcements and Expectations: Evidence from German Firms.”**

Exploit the exact day German firms submit survey responses and compare expectations before and after ECB announcements. Production and price expectations respond to monetary-policy surprises, with nonlinear responses depending on surprise size.

- **Di Pace, Mangiante, and Masolo (2025) “Do Firm Expectations Respond to Monetary Policy Announcements?”**

Compare firms answering immediately before and after Bank of England meetings and show expected price growth responds particularly to large policy moves.

- **Altig et al. (2022) “Surveying Business Uncertainty”**

Own-firm growth expectations predict realized growth. Subjective uncertainty predicts forecast errors and subsequent revisions.

- **Tanaka, Bloom, David, and Koga (2018) “Firm Performance and Macro Forecast Accuracy”**

Link Japanese firms’ GDP forecasts to company outcomes and show macro forecast accuracy is related to later firm performance.

- **Bloom, Codreanu, and Fletcher (2026), “Rationalizing Firm Forecasts”**

Smaller US firms have especially poor forecast accuracy and bias.

Minor Suggestions

- Maybe replace “stimulus policies” with “stimulus announcements” in the title.
 - Paper identifies announcement effect specifically, not longer-run effects of the policy as implemented
- Help us understand more the implications of synchronization.
- Is partial equilibrium thinking the only explanation, or are input prices more sticky for a time?
- The paper suggests the monetary stimulus was likely quite effective. Does that seem to be the case in the macro data?
- For next time: preregistration is becoming a norm with these types of studies.