**Data Appendix**

Detailed firm-level data, based on which we calculate individual firms’ productivity, come from the Chinese Industrial Census (CIC), also referred to as Annual Survey of Industrial Firms. An annual firm-level survey conducted by China’s National Bureau of Statistics (NBS), the dataset covers mining, manufacturing, and public utility industries. In this paper, we focus on manufacturing firms, and the decade between 1998 and 2007 in which the surveys contain necessary variables for standard productivity measurements.

Firms presented in datasets are relatively large. According to the official documentation, the surveys include all state-owned enterprises (SOEs), and non-state firms with sales greater than 5 million CNY ("above-scale" firms). Yet, in fact, a significant number of below-5-million non-state firms, accounting for about 5% of the unbalanced panel, are also included. In comparison with the 2004 Economic Census that covers the universe of industrial firms, the CIC excludes 80% of firms, yet these “below-scale” firms only accounted for 28.8% of industrial workforce, 9.9% of output, and 2.5% of exports (Brandt et al., 2012).

A substantial amount of data work is necessary before empirical analysis. Key issues include standardizing industry codes and address IDs, matching individual firms over time, deflating nominal variables, etc. Brandt et al. (2012) provides a comprehensive description of such data work in their online appendix. This paper follows their steps and has largely replicated their results.

Table 1(A) lists aggregates of individual firms’ balance sheet items. In our sample period, the total number of manufacturing firms doubled from about 165k to 337k. Aggregate (nominal) industrial output, value added, and export experienced an impressive 6-fold increase, while total employment grew by 40%, suggesting considerable productivity gains.