

# The Private Sector Advances in China

Tianlei Huang (PIIE) & Nicolas Véron (Bruegel and PIIE)

Bruegel

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# Two Samples of China's Largest Companies

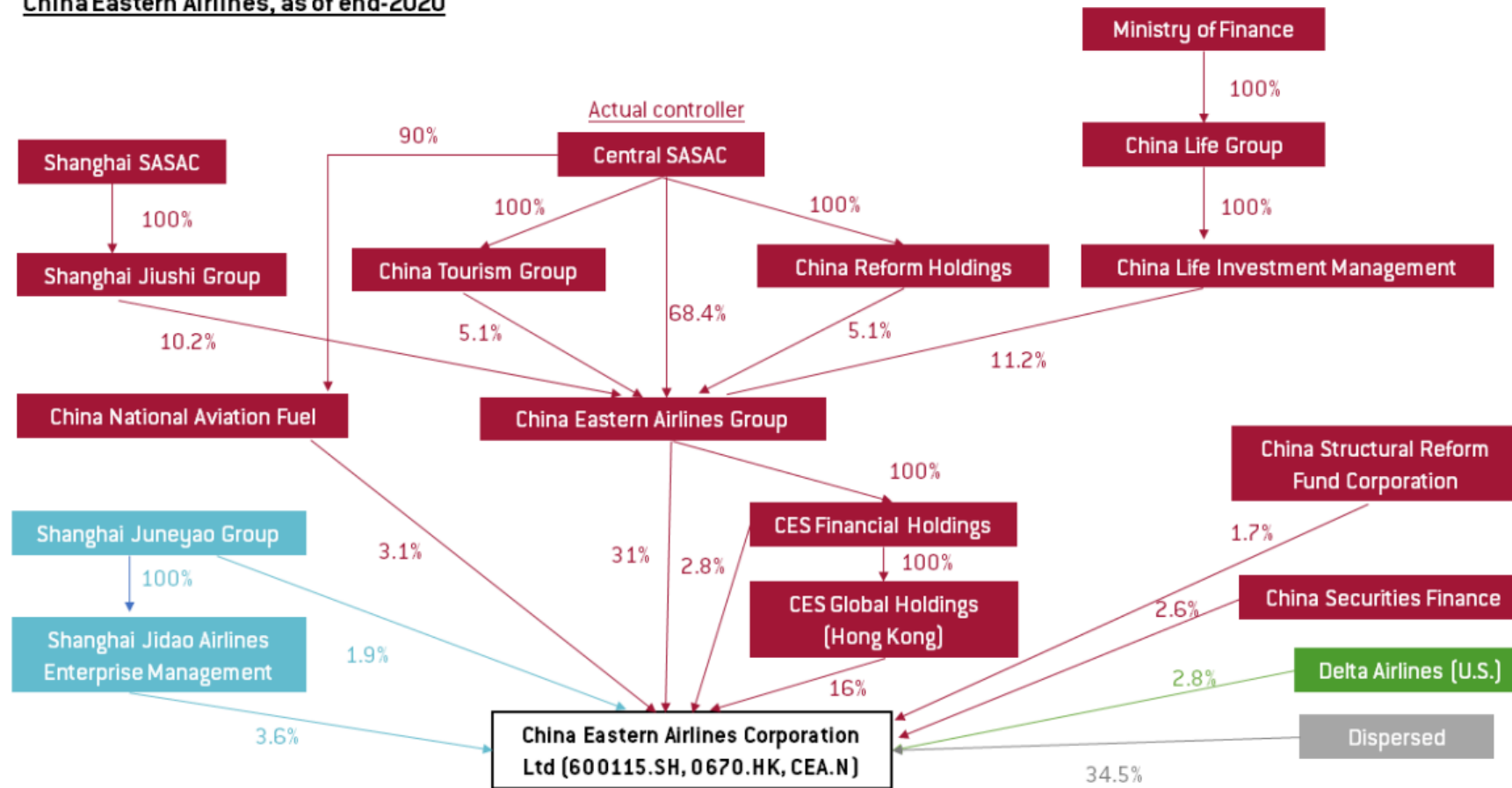
- Chinese companies in Fortune Global 500
  - Sample has grown from 15 in 2005 to 130 in 2021
- Top 100 Chinese listed companies by market capitalization
  - All listing venues: Shanghai, Shenzhen, Hong Kong, New York, including Variable Interest Entities
- Three ownership categories
  - SOEs: state owns more than 50 percent of equity
  - Nonpublic enterprises (NPEs): state owns less than 10 percent
  - Mixed ownership enterprises (MOEs): between 10 and 50 percent

# Ownership Structures in China

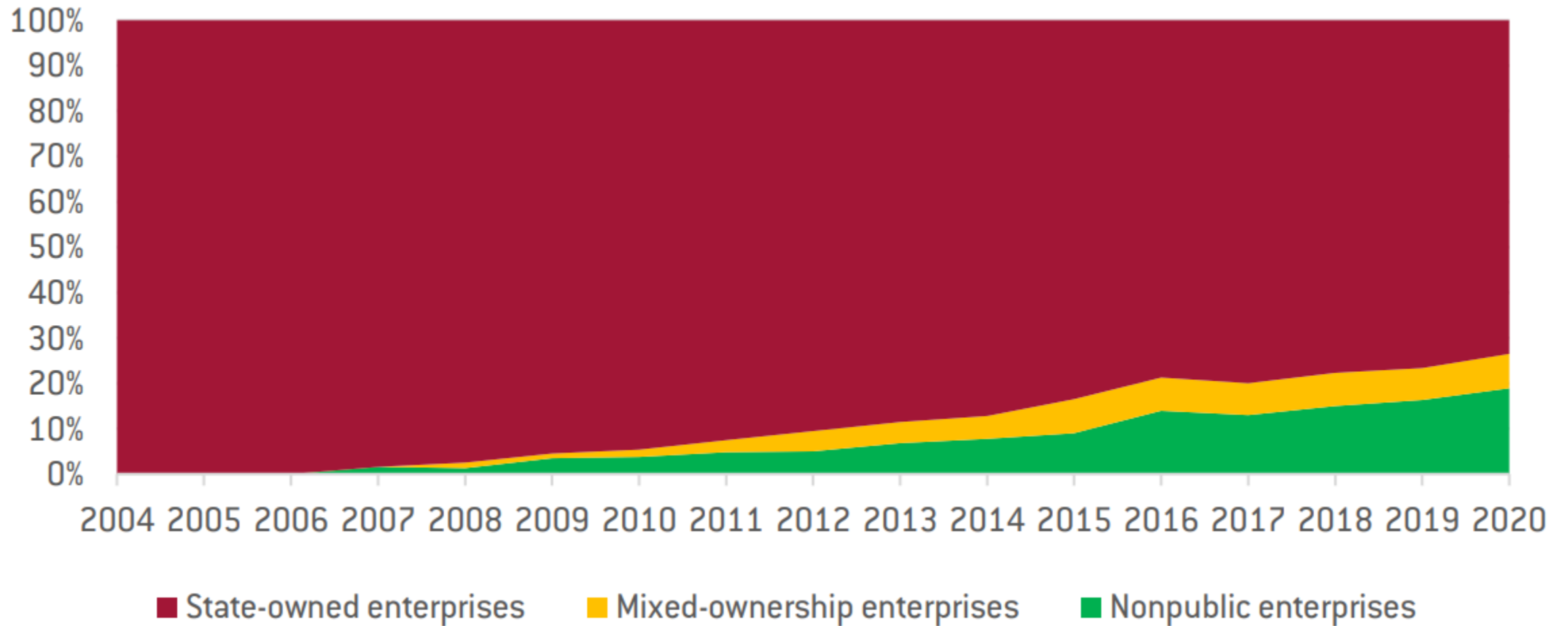
- Can be very complex, including different state entities
- But available information nearly always sufficient to have confidence in SOE / MOE / NPE categorization
- Rarely change: few “nationalizations” or “privatizations”
- Fact-based categorization, unlike “influence” or “control”
  - one share = one vote
  - Occasionally problematic Chinese concept of “actual control” in statistics and securities law
  - Our definition of nonpublic sector is more restrictive
  - Paper also discusses Communist Party influence

# Example: China Eastern Airlines (SOE)

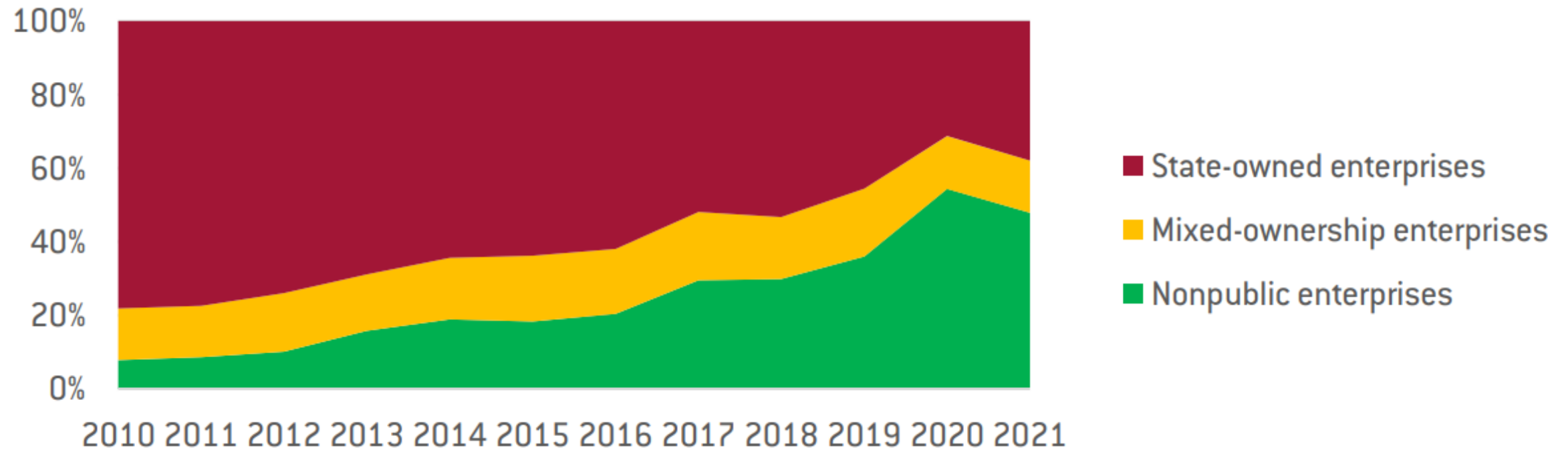
China Eastern Airlines, as of end-2020



# Share of Aggregate Revenue

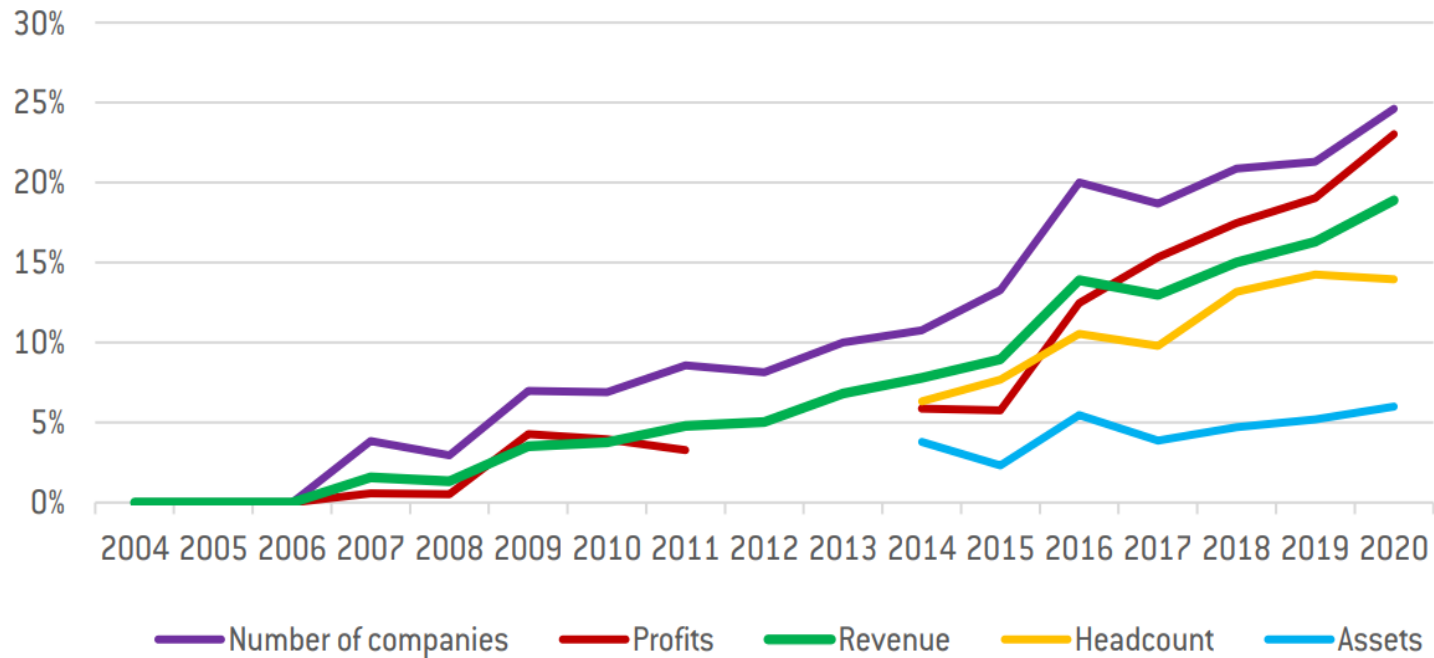


# Share of Market Capitalization

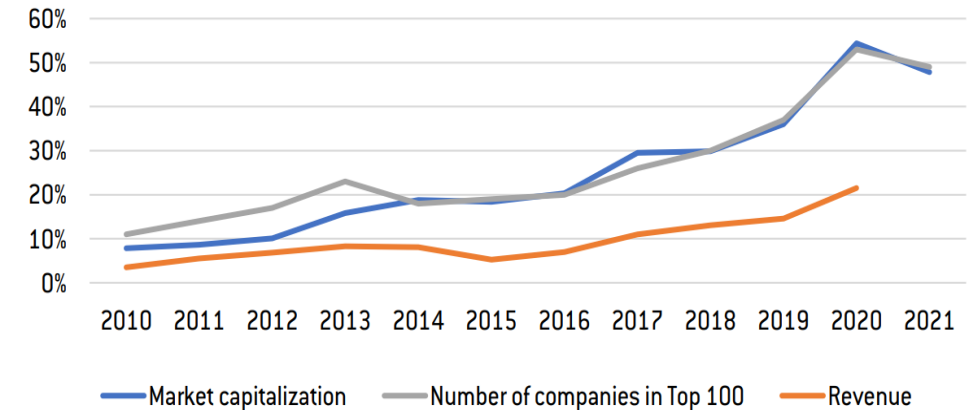


# Additional Metrics Show Similar Trends

**Figure 3: Share of the private sector (nonpublic enterprises) in subset of Chinese Fortune 500 companies across different metrics, 2004-20**



**Figure 8: Share of the private sector (nonpublic enterprises) in Chinese Listed Top 100 companies across different aggregates, 2010-21**



Sources: Wind; Bloomberg; authors' calculations. Note: Revenue data as of end-2021 are not available yet at the time of writing and therefore not shown in the figure.

# Interpretations?

- Xi Jinping's policy orientation is (most likely) statist
- But the policy bias is more than offset by private sector dynamism
- Trend reversal is thinkable, but would take more radical policy shifts than even the 2021 “regulatory storm”



# The Full Paper Has Much More

- On [www.bruegel.org](http://www.bruegel.org) (and [www.piie.com](http://www.piie.com))
- Future dataset updates

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## THE PRIVATE SECTOR ADVANCES IN CHINA: THE EVOLVING OWNERSHIP STRUCTURES OF THE LARGEST COMPANIES IN THE XI JINPING ERA

TIANLEI HUANG AND NICOLAS VÉRON, ASSISTED BY DAVID XU

This paper documents recent structural changes in China's corporate landscape, based on company-level data, providing a complementary perspective to that of official Chinese statistics. We classify China's largest companies by revenue since 2004 (based on Fortune Global 500 rankings), and largest listed companies by market capitalisation since 2010, into state and private-sector categories, using a conservative definition of the private sector. Among the largest companies by revenue, the private sector was non-existent in the mid-2000s but has grown steadily in the past decade, even though the state sector still dominates. The aggregate revenue of private-sector companies grew from zero in Fortune's ranking in 2005 (based on 2004 revenue) to \$104 billion in the 2011 ranking, or merely 3.8 percent of the \$2.78 trillion in aggregate revenue for all Chinese companies in the ranking, and to \$1.7 trillion in the latest 2021 ranking (based on 2020 revenue), or 19 percent of the Chinese companies' aggregate revenue. As for market value of the largest listed firms, the private sector's share in the top 100 listed Chinese companies was only 8 percent at end-2010 but crossed the 50 percent threshold in 2020 and retreated slightly in 2021 to 48 percent, following that year's regulatory crackdown on several private-sector-dominated industries. These findings do not support a narrative of broad-based rollback in recent years of previous private-sector expansion.

JEL Codes: G32, L33, O53, P27 Keywords: ownership structure, state-owned enterprise, private-sector enterprise, China

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