Rhodium Group

China

Fire Sale: Prospects for SOE Privatization in China

May 9, 2025

Daniel H. Rosen (dhrosen@rhg.com), Charles Austin Jordan (cajordan@rhg.com), Laura Gormley (lgormley@rhg.com), Matthew Mingey (mmingey@rhg.com)

China's deteriorating fiscal situation and trade war pressures leave policymakers facing some unpleasant options. Although not the most likely, one of these is selling off state-owned assets. What could a hypothetical privatization scenario mean for China's fiscal and growth picture? To answer this, we look at comparable historical privatization experiences in China and elsewhere, outline the scope and size of China's public sector, and estimate how much fiscal revenue Chinese SOE asset sales could raise. Selling off 10% of SOE assets could raise revenue equivalent to roughly 11%–21% of GDP, while more ambitious privatizations (25% or 50% of SOE assets) could yield between 29%–43% and 58%–85% of GDP.

Unpleasant options

Could Beijing sell off state-owned enterprises (SOEs)? There is some historical precedent: China privatized tens of thousands of SOEs in the 1990s to raise revenue, reduce fiscal burdens, and reorient the economy toward a more productive, competitive market structure. But that was a long time ago. Since the last effort at SOE rationalization between 2013 and 2015, the public sector has been ascendent. SOEs' share of aggregate market capitalization among China's 100 largest listed firms has increased from roughly 31% in 2021 to around 54% in 2024. SOEs account for 85% of all bond issuance in China. Chinese SOEs collectively account for some 4-5% of global GDP.

The advance of the state in the economy has sapped China's productivity. As the outlook for global trade continues to deteriorate, domestic productivity has assumed greater importance as a driver of China's growth. While measures such as fiscal stimulus can provide a short-term boost, restoring potential long-term growth requires grappling with deeper, structural issues in the economy, including the underperformance of the SOE sector. Xi Jinping himself previously acknowledged further SOE reform would be needed in 2013, before suspending plans to deal with it. Absent major reforms to liberalize factor markets and strengthen market discipline, China has relied on credit to prop up unsustainable growth in property, infrastructure, and local government spending. As China's trillion-dollar trade surplus comes under trade war pressure, Beijing must revisit structural reform. Leadership statements and recent policies, particularly on rebalancing

the economy toward consumption and supporting the role of the private sector, already reflect this.

Serious SOE reform has been off the table for some time, but China's fiscal situation could provide some motivation. Tax revenues have dropped sharply and high debt loads are weighing on local government balance sheets. In 2024, senior officials began privately discussing state infrastructure asset sales. The funds raised through even modest sales could offer some fiscal relief, especially for cash-strapped local governments. While no panacea, SOE divestitures could also unlock productivity gains.

Privatizing state-owned assets in China and beyond

China has made several attempts to address lagging SOE performance over the decades.[1] Beginning in the early 1980s, China introduced reforms to improve productivity and profitability by decentralizing control and introducing managerial autonomy, though the state maintained its core ownership role in most firms. The first attempt at what could properly be called privatization (though Beijing avoided this term, preferring to emphasize "corporatization") started in the 1990s under the slogan "Grasp the Large, Release the Small." This campaign targeted small- and medium-sized SOEs, particularly in competitive, non-strategic sectors. Between 1995 and 2001, tens of thousands of smaller SOEs were sold, merged, or declared bankrupt. The central government retained control of large enterprises in key sectors such as energy, finance, telecommunications, and transportation.

This wave of selloffs brought both gains and costs. By the end of the 1990s, SOEs had ceased to be reliable sources of revenue for local governments. In 1978, industrial SOE profits were 15% of GDP, but by 1997, they had fallen below 2% of GDP. Local governments saw few advantages in possessing SOEs that couldn't be had from a privatized local economy. This eased the choice to downsize the public sector. The state could reduce its liabilities and improve the domestic economy without losing a major source of revenue (and in fact, most localities anticipated an increase in income through growing corporate tax receipts). The cost of this, however, was employment. Labor in China benefited greatly from the "iron rice bowl" of SOE employment. Publicly owned enterprises generally could not lay off workers, an urban social compact that reformers were nervous to alter. Employment in all state-owned enterprises stood around 24% of total employment in 1996. By 2003, this dropped to 7%. Tens of millions of public sector jobs were cut, an enormous change in the structure of the economy.

Under Xi Jinping's leadership since 2012, privatization has effectively halted, replaced by renewed state emphasis on SOE consolidation, Party oversight, and leveraging SOEs to achieve political and strategic objectives domestically and internationally. Some efforts at reform were launched in 2013 on "mixed ownership" models for SOEs, inviting private capital into SOEs to improve corporate governance and competitiveness. But these came with an insistence that the state-owned sector is the "core" of the socialist market economy and should in fact grow.

In the decade since then, SOE reform waned, and leadership has reinforced this line with regular public statements (see Appendix Table A1). While China's ideological bias is toward

[1] For a comprehensive review of these efforts, see: Barry Naughton, *The Chinese Economy: Transitions and Growth*, 2007, chapters 4, 8, and 13.

statism, economic pressures have grown and may force Beijing's hand. This was the case in other slowing economies, and the proceeds from those privatization processes reached more than 5% of GDP in some cases (Table 1).

TABLE 1
Comparative experiences in privatization

	UK	EU	Soviet Union	Latin America
Timeframe	1980s-1990s	Late 1980s—2000s	Early-mid 1990s, partial reassertion of state control in 2000s	1980s-1990s, partial reversals in the 2000s
Targeted sectors	Utilities (telecom, gas, water, electricity), transport (airlines, rail), steel, oil, housing	Telecoms, energy (oil, gas, electricity), airlines, banking, manufacturing	Almost all sectors; certain strategic defense industries were exempt	Utilities (telecom, electricity, water), natural resources (oil, mining), banks, airlines, rail, manufacturing
Extent of privatization	Comprehensive: most state industries sold.	Significant but varied by country.	Extensive and rapid.	Comprehensive, but with some exceptions for select industries.
Key economic outcomes	Improved profitability of firms in many sectors (e.g., telecoms); one-off revenues improved fiscal health. Some controversy surrounding rail and water privatization	Telecom and airline costs fell with increased competition. Employment was not significantly affected in France and Italy due to strength of unions. Outcomes varied widely in Eastern Europe, with some countries experiencing steep short-term declines in output.	Initial outcomes included a severe economic downturn (GDP down ~40% in early 1990s), hyperinflation, and rapid wealth concentration among a few oligarchs. Public discontent soared. Privatization widely viewed as unfair and corrupt.	Mixed results. Positives: improved infrastructure, large capital inflows, modernized enterprise operations. Negatives: Large job losses, higher utility taxes, public dissatisfaction over foreign ownership. Some countries (i.e., Argentina, Bolivia) renationalized certain industries amid protests over service prices.
Privatization proceeds (period average % GDP)*	1-2%	5.4%	0.4%	5.7%

Source: Rhodium Group compilation. See Clifton, Comín, and Fuentes (2003) for analysis of the privatization process in the UK and EU; Boycko, Shleifer, and Vishny (1997) for discussion of the former Soviet Union.
*Average over the period described in respective timeframes

These historical privatizations involved large-scale selloffs of state-owned assets in core sectors and combined goals for generating government income with broader objectives for pro-market reforms. However, the CCP's goals for privatization would likely differ from these cases.

Thatcher-era privatization involved an aggressive dismantling of inefficient SOEs in critical infrastructure sectors such as energy, rail, and telecoms. The campaign pursued rapid restructuring and downsizing of SOEs at the cost of short-term social disruptions from mass layoffs in industries including coal mining and steel. A state-owned asset sale in China would likely take a more narrow and phased approach based on precedent set by reforms of the 1990s. It would also likely occur in a small set of sectors deemed less significant for party priorities. For China, certain sectors would almost certainly remain off-limits, including energy, rail, and telecoms. China would also have to study how

disruptions to social stability encountered in these cases compares to its own previous experience and current conditions.

Another core feature of the UK and EU privatization experiences was their twofold aim of generating government income and creating competitive markets and market institutions. The desire to introduce systemic market reform allowed the EU to use more liberal methods to promote privatization. The foundation of stable market institutions increased the effectiveness of privatization in the UK and EU's experiences, as well as in China's past experience of privatization by laying the groundwork for firm expansion, managerial improvements, property rights protections, and access to financing post-privatization. Without complementary reforms, SOE valuations may suffer from investor skepticism of firm performance.

China's privatization experience of the 1990s also did not end the importance of state-directed policy financing for firm performance or the politicization of local government allocation of capital and support to specific industries. This may pose its own challenges for privatization, as it did for the Soviet Union, where state influence over capital allocation remained politicized and the expropriation of government assets by shareholders resulted in low returns on shares purchased. China is likely to face similar challenges from local government actors who may be incentivized to engage in privatization rent seeking or politicize the hierarchical shareholder buyout, reducing returns.

Overall, there is precedent both within China and in other economies with large public sectors to undergo privatization. There are clear risks involved, particularly related to employment, politicization, and rent seeking, but the economic benefits are potentially large.

Defining China's state-owned enterprise sector

China's public sector is the largest in the world, but its precise size—both the number and size of enterprises—is a matter of debate. At one extreme, counting only firms registered at the central level directly owned and controlled by the central State-owned Assets and Supervision Administration Commission (SASAC) would encompass 97 entities as of 2024. Including all their wholly-owned subsidiaries and firms owned by provincial and municipal governments increases the count to over 100,000. More expansive definitions, such as companies where an SOE has at least a 30% equity stake or is in any way indirectly connected to the state through ownership links with other private firms with SOE ties, would increase that number to between 600,000 and 3.5 million firms.

For this work, we use Ministry of Finance (MOF) data for our estimation procedure. To that end, we use the definition used by the MOF in its own data collection and reporting on SOEs. This definition classifies an enterprise as state-owned if the government is the controlling shareholder, defined by any of the following criteria:

1. **Absolute state-holding:** State-owned shareholders control more than 50% of the enterprise's paid-in capital.
2. **Relative state-holding:** State-owned shareholders own less than or equal to 50% of paid-in capital, but still possess the largest share compared to other shareholders.
3. **Agreed holding:** State-owned shareholders, despite not having the largest stake, maintain effected control through formal agreements.

4. **Equal shareholding:** Should two shareholders each possess exactly 50% of an entity and it is unclear who exercises absolute control, the enterprise is classified as state-held if either shareholder represents state-owned capital.

Notably, this definition excludes many enterprises that are sometimes counted by other researchers, including enterprises with "golden share" arrangements, minority state investments where the state holds substantial stakes but is not the largest shareholder, and public-private partnerships. Based on the MOF's own accounting as of 2022, China has around 300,000 state-owned enterprises with combined assets of more than RMB 372 trillion (Figures 1 and 2).[2]

FIGURE 1
Number of central and local SOEs
Thousands

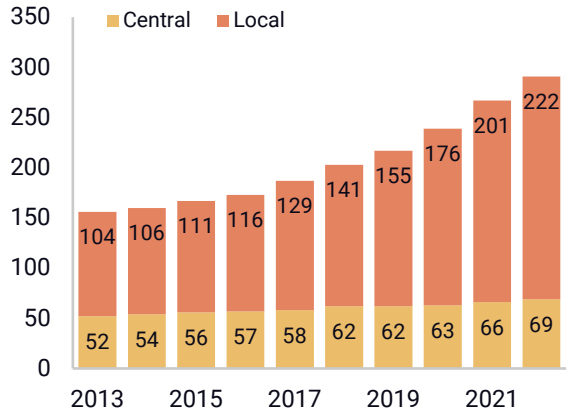
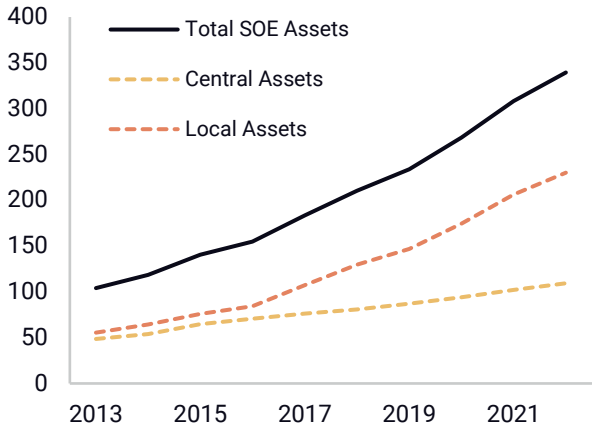


FIGURE 2
SOE total assets
Trillions RMB



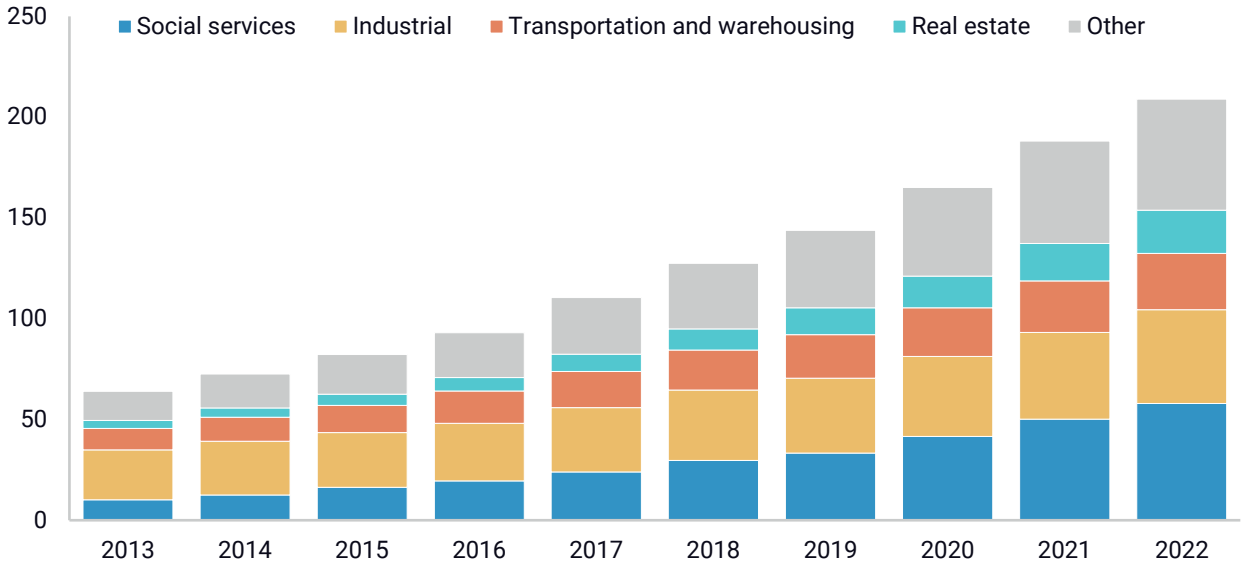
Source: China Ministry of Finance

The rising number of firms classified as state-owned in China is partially explained by a growing use of minority shareholding arrangements by provincial and local governments, rather than expansion of existing SOEs. Over the past two decades, government actors below the central level have increasingly acquired equity stakes in enterprises. While the share of total corporate capital held by wholly state-owned enterprises has declined over time, the number of firms with any degree of state ownership has grown markedly. This indicates that the expansion of SOEs is being driven not by a surge in the scale or number of traditional SOEs, but by a redefinition of what counts as state ownership to include firms with minority, indirect, or locally held government stakes.

This growth of state-owned assets has been uneven across industries (Figure 3). Between 2013 and 2022, SOEs expanded rapidly in the social services industry, with assets growing 5.7 times from 10.1 trillion RMB to 57.9 trillion RMB (a CAGR of 19%). State assets in real estate grew at a similar pace, notching a CAGR of 18.5% in this period, increasing from 3.9 trillion RMB to 21.6 trillion RMB. Net assets in the industrial sector are large, but have grown more slowly, merely doubling from 24.8 trillion RMB to 46.5 trillion RMB, a CAGR of 6.5% over the decade.

[2] For further discussion on the sensitivity of these figures to alternative definitions, see Table A2 in the appendix.

FIGURE 3
Value of SOE net assets by sector
RMB trillions



Source: Rhodium Group calculations of Ministry of Finance Statistical Yearbook data. Net assets reflect the book value of total assets minus total liabilities. This may include both state and non-state ownership portions. In wholly state-owned firms, this equals state equity; in mixed-ownership firms, it does not. These figures thus represent an upper bound on state ownership equity.

The large share of assets in social services and real estate are roadblocks to privatization. These industries are either politically sensitive or face significant policy distortions. Selling off these assets may pose too large a risk of social upheaval by affecting urban services and affordability. Industrials have traditionally been easier to sell, but the growth of state ownership equity in these firms has been relatively slower, leaving fewer clear candidates for privatization than have existed in the past.

Estimating the market value of China's SOEs

To estimate the market value of SOE assets and the fiscal revenue that could be generated in a sale, we use a standard market-based valuation approach. Buyers looking to purchase whole firms or some portion of their assets must estimate what they believe to be a fair enterprise value. Depending on industry characteristics, firm specifics, and investor beliefs, valuation approaches can differ substantially. The basic method used is to take book values of a firm's reported financial indicators (for example, revenue or profit), and multiply that number by a suitable valuation multiple, typically drawn from comparable firms and transactions in the industry. A buyer purchasing a firm in an asset-heavy industrial sector may prefer to value firms using an asset multiple. If the firm in question possesses $100 million in total assets, and the average firm in its industry may be valued at three times their total assets, an investor might value it at $300 million. Thus, estimating the market value of China's SOEs requires both financial information reported by firms and estimates of valuation multiples.

To obtain these figures, we rely on two sources of data. First, the most complete and authoritative reporting on SOE finances in the Chinese economy is available via the Public Finance Yearbook released annually by the MOF. This publication includes aggregated

data on SOE financials (including total assets, liabilities, and revenue) nationwide by industry. We use the latest data available from the 2023 version of the yearbook, covering SOE financials from 2022.

We estimate several types of valuation multiples at the industry level using historical data from asset sales in China and apply them to our aggregated SOE financial indicators. Because the choice of valuation multiple depends on industry, firm, and investor-specific characteristics, we calculate valuations based on three different methods and present our results as a possible range. These multiples are:

- **Revenue to enterprise value (the "revenue multiple")**: This multiple is useful when evaluating firms that have significant growth potential but have yet to achieve profitability. Since these companies may not have positive earnings or stable cash flows, traditional profit-based metrics (like EBITDA or net income multiples) are less informative. Investors thus rely on revenues to gauge market sentiment, competitive positioning, and the scalability of future operations, particularly in sectors such as technology, biotech, or startups with rapid revenue growth trajectories.

- **Total assets to enterprise value (the "asset multiple")**: This metric is primarily used in capital-intensive industries (such as manufacturing, logistics, or real estate) where a firm's core value resides substantially in tangible, asset-based infrastructure rather than immediate earnings. In such industries, profitability can fluctuate due to cyclical demand or commodity price swings, making asset multiples a more stable and reliable measure for evaluating long-term intrinsic value and potential liquidation value.

- **Stockholder equity to enterprise value (the "stockholder equity multiple")**: Investors often employ this multiple to assess the gap between the company's accounting book value of stockholder equity and its market valuation. It highlights how the market perceives management effectiveness, growth opportunities, intangible assets (e.g., brand value, intellectual property, or proprietary technology), and potential discrepancies due to accounting practices. A substantial difference between equity book value and market valuation can signal investor optimism or pessimism about the firm's future performance.

Data on historical asset sales is drawn from Bloomberg and covers all transactions involving a Chinese-domiciled company as the target from 2020-2025. While the total number of records exceeds 25,000, only around 2,000 entries record complete information on the three transaction multiples outlined above. From this subset, we calculate the median revenue, asset, and stockholder equity multiples for all transactions in the date range by industry. These estimates are then applied to the corresponding aggregated industry-level data from the MOF yearbook to estimate total market value by industry. Summing these estimates of individual industries then yields the total hypothetical value that could be raised if all SOE assets were sold off across all industries at market rates.

We then apply two final adjustments. First, while it is likely that only a small portion of SOE assets would be privatized, it is unclear exactly what proportion of assets the Chinese state would be willing to sell off. We consider three scenarios where 10%, 25%, and 50% of the total market value of SOE assets are sold. Second, the premise of our argument is that Beijing will need to take urgent measures in the coming years to reduce its fiscal deficit. This likely means that asset sales would need to happen quickly across the public

sector. Widespread selloffs would create "fire sale" conditions and put downward pressure on valuations for all companies being sold. We apply a flat 20% reduction in our final estimates to account for this dynamic. As a result, we believe these estimates are conservative and represent a lower bound on the total amount of fiscal revenue that could be raised in the event of large-scale state asset sales.

There are two further methodological choices to note. First, our results are generated from industry-level estimates. The industrial classification scheme used in the Bloomberg data does not align exactly with that used in the MOF yearbook data. We have exercised our discretion in aligning data from the two sources across industries. A table with details of how we did this in the Appendix.

Second, we have excluded data from certain sectors where policymakers have explicitly or implicitly pledged to maintain state majority control. Even mature liberal market economies block or restrict private sector participation in some sectors, including aerospace, oil and gas, and utilities. Starting in the mid-2000s, China's policymakers classified sectors into three categories according to their sensitivity, which we adopt as a baseline in deciding what assets would be off-limits (Table 2).[3]

These categories are somewhat antiquated and are rarely mentioned in recent policies, plus structural shifts in China's economy mean that majority-private firms are now widely active throughout previous "pillar" sectors like autos and electronics. However, we argue the most restrictive classification—"key industries"—still likely represent a red line where China will be reluctant to allow majority or plurality private ownership. China Mobile, for example, remains 70% owned by government actors, almost thirty years after its initial "privatization."[4] We thus exclude, for example, defense firms from the sample entirely. Lastly, we exclude banks and insurance firms which have regulatory and accounting differences and differences in balance sheet structures compared to non-financial entities.

TABLE 2
Enterprise classification

Industry Type	Examples	Discussion
Key	Military, defense, electricity, oil & gas, telecoms, coal, shipping, aviation, rail, cultural industries	"Absolute majority shares can be held by state-owned capital for SOEs in major industries and key fields that are the lifeblood of the economy…;" "State-owned capital investment and operation should…invest more important industries and key areas related to national security."
Pillar	Machinery, automobiles, electronics & information, architecture & construction, iron & steel, nonferrous metals, chemical engineering, survey & design, science & technology	"State capital can hold a relative majority of shares for important SOEs in pillar sectors and new and high technology industries"

[3] These were discussed by then-SASAC head Li Rongrong in 2006. See "SASCAC: State-owned economy should maintain absolute control over seven industries," Xinhua, December 18, 2006, https://www.gov.cn/jrzg/2013-11/15/content_2528179.htm.
[4] China Mobile Limited, Developing New Quality Productive Forces: Annual Report 2023.

Basic/Normal	All other	"State capital can…hold minority shares in (or fully exit from) SOEs that do not need to be controlled by state capital, and whose majority shares can be held by capital from other sources."

Source: Rhodium Group research; Daniel H. Rosen, *Avoiding the Blind Alley* (2014); SASAC (2018).

Methodological limitations

There are clear methodological limitations to our approach, mostly related to data availability and inherent challenges in estimations of this scope and corporate valuation in general. Ideally, the market value of public sector assets would be aggregated from calculations at the firm level. This would allow one to apply discounts to valuations based on specific firm characteristics. For example, highly indebted firms at some threshold (e.g., 20 times total debt to EBITDA) may receive a penalty to their valuation. Restricting the analysis to publicly listed firms only would enable this approach but comes at the cost of being untranslatable to the far larger universe of unlisted SOE assets, which do not have sufficient reporting to perform such calculations. We have chosen instead to adopt a simpler methodology relying on the estimation of multiples at the industry level based on historical data, which is directly applied to the financial indicators available for the broader state-owned sector.

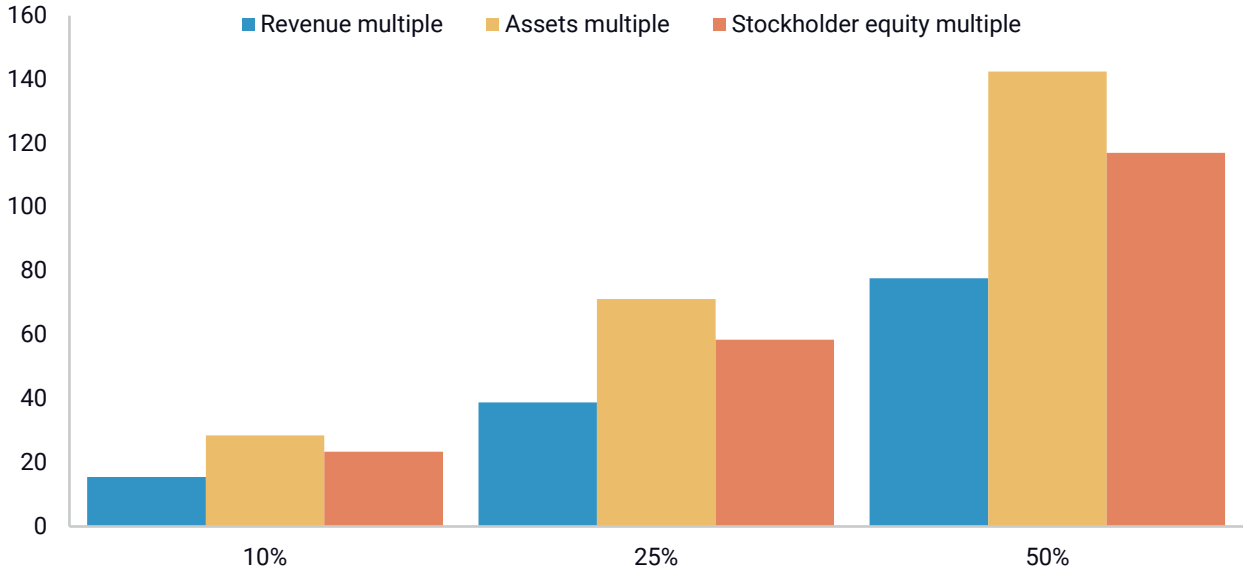
Additionally, to calculate our valuation multiples, we rely on data from transactions of both SOEs and non-SOEs that are publicly listed. While it may be more accurate to restrict the subset of historical data to just SOE transactions, this would significantly reduce the sample size. For some industries, it would then not be possible to calculate a multiple based on SOE data alone. To avoid mixing data types, we simply take the full universe of transactions in the period under consideration. For industries where a subset of SOE data is of sufficient size, we do find significant differences in our valuation multiples estimates, but we have chosen to prioritize consistency in our methodology. This has the additional benefit of allowing us to remain neutral as to whether SOEs would trade at a substantial markup or discount across industries in our hypothetical scenario.

Lastly, significant distortions exist throughout China's financial system, including pervasive credit misallocation, the presence of state subsidies and below-market finance, and idiosyncratic price discovery mechanisms, all of which add considerable uncertainty to any estimate of value. We take the reported book values from the MOF at face value, but realize these baselines are likely misrepresentations to some extent.

Results

Figure 4 presents our results. We estimate that if Beijing were to privatize only 10% of state-owned assets, it would generate between 15.5-28.5 trillion RMB. Were 25% of assets identified in our methodology to be sold, this range would increase to 38.8-58.5 trillion RMB. In a high-end scenario, where 50% of assets are sold off, that range would be 77.7 trillion to 117 trillion RMB.

FIGURE 4
Market value of SOE assets under varying valuation approaches and privatization scenarios
RMB trillions



Source: Rhodium Group analysis of SOE financial data via Ministry of Finance data.

These privatization scenarios show that asset sales could general potentially significant revenues relative to China's total economy. To illustrate, in 2024, China's nominal GDP was approximately 134.9 trillion RMB; thus, selling off 10% of SOE assets could raise revenue equivalent to roughly 11%–21% of GDP, while more ambitious privatizations (25% or 50%) could yield between 29%–43% and 58%–85% of GDP, respectively.

The realistic potential to achieve these valuations remains uncertain, as many SOE assets may lack clear commercial viability, suffer from operational inefficiencies, or face significant regulatory risks. Moreover, political costs complicate large-scale privatization significantly: Divesting from sectors with substantial social or employment implications could trigger strong resistance, posing questions about whether the potential revenue sufficiently offsets these risks. And finally, identifying willing buyers also poses a challenge. While industrial and technology assets may attract both domestic and international interest, real estate assets would depend heavily on domestic investor confidence and stable policy signals. Assets linked to politically sensitive or less profitable services are unlikely to be attractive to domestic private Chinese buyers, likely limiting the ultimate scope of any reform.

Expectations for the future

Growing economic pressures facing China's economy mean that policymakers will need to consider an increasing scope of policy responses, including ones that may be ideologically distasteful. SOE privatization is a potent option to address both slowing growth and fiscal challenges. Actual fiscal deficits now run 7-8% of GDP. Current IMF research shows that local government debt problems remain severe, and larger than the 14 trillion RMB officially messaged last year. The PBOC's reported calculation put total debt obligations at 44 trillion yuan as of the end of 2023 (a relatively conservative

estimate), including 10 trillion yuan of implicit debt, 14 trillion yuan of non-interest-bearing debt, and 20 trillion yuan of operational debt. China's representative to the IMF Zhang Tao recently enumerated several channels that could be used to address these debts, including mobilizing funding, cutting spending, and selling assets. But the main problem is still that tax revenue growth has been slowing if not outright falling, while spending obligations stay the same. Asset sales are probably the only tool that can generate enough revenue for local governments to meet repayment obligations, stabilize their balance sheets, and decouple from overleveraged local government financing vehicles (LGFVs). The fact that officials are now openly discussing selling assets and converting LGFVs into market-oriented firms signals that SOE reform may be under consideration.

The road to selling state assets is fraught. Political resistance from vested interests, concerns about employment dislocation, and the limited marketability of many SOE assets (especially in social services or other sensitive sectors) will constrain a 'fire sale' scenario. Privatization at this scale has limited precedent in China. Even in the late 1990s, reforms focused on smaller firms, while important, large, and strategic SOEs remained in state hands. Today's asset stock is more complex and likely less commercially attractive, meaning that investors may not be willing to step up.

If China did ultimately decide to sell off state assets, we would expect several signposts to appear first, for example:

- **Explicit fiscal directives tying asset sales to local debt swap eligibility:** The central government could compel local governments to undertake serious efforts by making SOE asset disposal a precondition for access to debt refinancing or swap quotas.

- **Emergence of a formal asset registry or public database:** Entries for SOE property, land, or equity stakes would be particularly telling.

- **Creation of regional or sectoral SOE holding companies tasked with asset optimization or divestitures:** This was practiced previously by SASAC at the central level and would indicate future sales.

- **Surge in mixed-ownership reform activity**: This could include private capital entering SOEs via auctions or negotiated deals, especially in sectors previously dominated by state firms.

- **Accelerated IPO or listing activity by larger SOEs:** Activity among second-tier or municipal-level firms to raise capital and improve valuations ahead of divestment would allow the state to dilute ownership gradually.

Appendix

TABLE A1
Major official statements on SOE reform and privatization under Xi Jinping

Document	Content
2013 CPC Third Plenum Decision	▪ Affirmed "letting the market play a decisive role in resource allocation" as a core goal of reform. ▪ Encouraged "diversified ownership" of enterprises (state, collective, and mixed), but reiterated that state ownership remains the "pillar" of the socialist market economy. ▪ Called for modern corporate systems for SOEs and higher dividend payouts to the public budget ▪ Promised equal treatment for private firms in the economy.

2015 Guidelines on Deepening SOE Reform	▪ Outlined a comprehensive SOE reform agenda calling to:
	  ▪ Modernize SOEs and make them "independent market entities"
	  ▪ Improve efficiency and competitiveness
	  ▪ Promote mixed ownership
	  ▪ Prevent the loss of state assets
	▪ Aimed to achieve major reform targets by 2020.
	▪ Emphasized that SOEs should be creative, internationally competitive, and operate with market-based management.
	▪ Encouraged non-state investors to buy stakes and pushed SOEs to IPO gradually.
	▪ China should "clearly oppose all kinds of privatization...and other wrong views...and strive to strengthen, optimize and expand state-owned enterprises."

2016 Comments from Xi Jinping during the National SOE Reform Symposium	▪ SOEs must be made "stronger better, and bigger" and "their vitality, influence and risk resistance must be continuously enhanced to maintain and increase the value of state-owned assets." ▪ The Party should insist on its control and strict governance of SOEs give full play to the political core role of Party organizations in corporate governance. ▪ SOEs should play a "leading role in supply-side structural reform" and should "resolutely prevent the loss of state-owned assets."
2017 19th National Congress Report	▪ China will seek to "develop mixed-ownership economic entities" and cultivate world-class enterprises with global competitiveness. ▪ The Party will work to "see that state assets maintain and increase their value" and "take effective measures to prevent the loss of state assets."
2018 Xi Jinping's Speech at the Symposium on Private Enterprise	▪ Xi reinforced that the "basic economic system with public ownership as the main body and the common development of multiple ownership economies is an important part of the socialist system with Chinese characteristics and an inevitable requirement for improving the socialist market economic system." ▪ There is a track record of major decisions at National Congresses affirming this view: the 15th CPC National Congress established "public ownership as the main body and the common development of multiple ownership economies" as the country's basic economic system and clearly stated that "non-public ownership economy is an important part of my country's socialist market economy". The 16th CPC National Congress proposed "unwaveringly consolidating and developing the public ownership economy" and "unwaveringly encouraging, supporting and guiding the development of the non-public ownership economy".
2020 Three-year action plan to revitalize SOEs	▪ Outlined mixed-ownership reform, digitalization, and asset securitization as the main elements of the SOE reform agenda for 2020-2022

	▪ Mixed-ownership reform aimed to "allow shareholders from all backgrounds, including State, private, and foreign investors to invest in SOEs, creating an efficient market-oriented mechanism to improve profitability. ▪ State-owned capital "should gravitate more toward emerging industries and advanced manufacturing, as well as other sectors that have a bearing on people's well-being and national security."
2022 Goals of the three-year action plan are to be 'fully achieved'	▪ As of 2021, "70 percent of the goals of the three-year action plan" had been achieved. ▪ More efforts should be made to "further mixed-ownership reform, introduce strategic investors from the outside to SOEs and explore flexible and market-oriented salary systems." ▪ SOEs "should be given full play in their vital roles in making breakthroughs in core technologies."
2022 20th National Congress Report	▪ Emphasized dual and differentiated roles for the public and private sector ▪ The Party seeks to "unswervingly consolidate and develop the public sector…and will work to see that the market plays the decisive role in resource allocation and that the government better plays it role." ▪ The Party will "deepen the reform of state-owned capital and state-owned enterprises; accelerate efforts to improve the layout of the state-owned sector and adjust its structure; work to see state-owned capital and enterprises get stronger, do better, and grow bigger; and enhance the core competitiveness of SOEs."
2024 Chairman of SASAC Zhang Yuzhuo's comments during the Third Plenum	▪ SOEs are the "material and political foundation of socialism with Chinese characteristics…and play an irreplaceable and important role in the process of comprehensively promoting China's modernization." ▪ The Party must "give priority to enhancing the strategic function of state-owned enterprises…[and] better play a role in scientific and technological innovation." ▪ It "must be clearly recognized that some stubborn diseases that affect the vitality of SOEs has not been resolved. Some enterprises still have low return on assets, insufficient innovative capabilities, and weak value creation capabilities." ▪ "…adhere to the bottom line of preventing the loss of state-owned assets, firmly control what should be controlled, implement the responsibility of maintaining and increasing the value of state-owned assets, improve the system to prevent the loss of assets…"

TABLE A2
Mapping of Chinese industry classifications to BICs sectors

China's National Economic Industry Classification	BICs industry group
Agriculture, forestry, animal husbandry, and fishery	Consumer staple products
Manufacturing: coal	Materials
Manufacturing: petroleum and petrochemical	Energy
Manufacturing: metallurgy	Materials
Manufacturing: building materials	Materials
Manufacturing: chemicals	Materials
Manufacturing: forestry products	Materials
Manufacturing: food	Consumer staple products
Manufacturing: tobacco	Consumer staple products
Manufacturing: textiles	Consumer discretionary products
Manufacturing: pharmaceuticals	Health care
Manufacturing: machinery	Industrial products
Manufacturing: machinery—automobiles	Consumer discretionary products
Manufacturing: electronics	Tech hardware & semiconductors
Manufacturing: electrical power	Utilities
Manufacturing: municipal utilities	Utilities
Manufacturing: other	Materials
Services: construction	Materials
Services: geological survey and water conservancy	Industrials
Services: transportation and warehousing	Materials
Services: postal and telecommunications	Telecommunications

Services: wholesale and retail, catering	Consumer discretionary products
Services: real estate	Real estate
Services: information technology	Software & tech services
Services: social services	Industrial services
Services: health, sports and welfare	Health care
Services: education, culture and broadcasting	Media
Services: scientific research and technical services	Industrial services
Services: institutions, associations, and other	Industrial services

Note: We determine industry multiples based on Bloomberg's Industry Classification Standard (BICS), which offers a much larger coverage of Chinese firms than other available industry classifications, allowing for a larger sample size to improve the accuracy of multiple estimates. The MOF's Statistical Yearbook uses 13 major industry classifications that do not have precise equivalents in other industry classification systems. We match BICs industry multipliers to MOF industries based on industry definitions for each system provided by Bloomberg and the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and the Standardization Administration of the People's Republic of China. Bloomberg's BICS definitional information is only available to subscribers. Industry mapping will lead to some differences in estimates, discussed in text.

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