



China's economy: state versus private

**Just a few decades ago China's private sector was almost non-existent.
How important is it today?**

1. In 2014 China economy specialist Professor Nicholas Lardy concluded that the private sector now produces at least two-thirds of China's GDP.¹

2. In some industry sectors where state-owned enterprises (SOEs) remain prominent, such as steel and coal production, competitive conditions prevail. State monopolies only survive in a few sectors such as oil and utilities. Regulated utility prices mean that profit margins can be thin.²

3. In 2015 there were 54.08 million self-employed businesses in China, a 44 percent increase from 2011. Over the same period the number of privately-owned firms nearly doubled to reach 19.08 million.^{3,4}

4. In China 25 percent of the working age population own and manage a private business.⁵ This compares with:

- 22.9 percent in Australia⁶
- 15.9 percent in South Korea⁷
- 34.7 percent in Brazil⁸
- 20.9 percent in Turkey⁹

5. In 2014 China's economy created 13.2 million new jobs. More than 90 percent were in the private sector.¹⁰

6. The public sector, including SOEs, employs 11 percent of China's labour force.¹¹ This compares with:¹²

- 14.3 percent in Australia
- 7.4 percent in South Korea
- 12.1 percent in Brazil
- 11.7 percent in Turkey

7. In 2014 the top 100 Chinese brands increased 22 percent in value compared with a year earlier. The value of privately-owned brands increased by 97 percent while that of state-owned brands fell by nine percent. Three of the top five Chinese brands are privately-owned – Tencent, Alibaba and Baidu – compared to 2010 when all five were state-owned.¹³

8. In 2014 the value of Chinese investment in Australia by privately-owned companies was twice that of SOEs. In terms of the number of deals completed, privately-owned firms outnumbered SOEs by 5:1.¹⁴

¹ Lardy, N., 2014. *Markets over Mao: The Rise of Private Business in China*, Peterson Institute for International Economics.

² <http://www.eastasiaforum.org/2015/12/16/chinese-industry-a-tale-of-two-sectors/>

³ http://news.xinhuanet.com/english/2016-02/08/c_135084962.htm

⁴ According to Chinese regulations, the distinction between a self-employed business and a privately-owned firm is that the former employs fewer than seven workers.

⁵ <http://www.gemconsortium.org/country-profile/51>

⁶ <http://www.gemconsortium.org/country-profile/37>

⁷ <http://www.gemconsortium.org/country-profile/125>

⁸ <http://www.gemconsortium.org/country-profile/46>

⁹ <http://www.gemconsortium.org/country-profile/116>

¹⁰ http://news.xinhuanet.com/english/2015-01/29/c_133956880.htm

¹¹ The figure is for 2011. Nicholas Lardy, 2014. *Markets over Mao: The Rise of Private Business in China*, Institute for International Economics.

¹² The figures for Australia, South Korea, Brazil and Turkey are for 2013.

<http://stats.oecd.org/Index.aspx?QueryId=66856>

¹³ http://www.millwardbrown.com/docs/default-source/global-brandz-downloads/china/BrandZ_2015_China_Top100_PressRelease_EN.pdf

¹⁴ <http://demystifyingchina.com.au/reports/demystifying-chinese-investment-2015.pdf>