China Pledged Economic Reform. How is it doing?

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Not a Picture of Progress
Net assessment Winter 2019, quarterly movement

Source: Rhodium Group and Asia Society Policy Institute.
Innovation: Innovative Industrial Value-Added
Percentage of innovation industrial value-added in total industrial value-added, 4qma

Source: National Bureau of Statistics, Rhodium Group
Environment: Environmental Impacts
Movement down indicates improved air and water quality, Index Values

Source: U.S. Department of State, Ministry of Environmental Protection, Rhodium Group
State-Owned Enterprises: The State’s Share
SOE revenue shares (listed companies) in normal versus officially identified special industry categories, 4qma, percent

- Key industries (defense, electricity, oil & gas, telecom, coal, shipping, aviation, rail)
- Pillar (auto, chemicals, construction, electronics, equipment manufacturing, nonferrous metals, prospecting, steel, technology)
- Normal (agriculture, pharmaceutical, real estate, tourism, investment, professional services, general trade, general manufacturing)

Sources: Bloomberg, Rhodium Group
**Competition: Merger Reviews**

Merger reviews as a percent of total mergers for foreign-involved and domestic transactions

Source: Ministry of Commerce, Bloomberg, Rhodium Group
Financial: Quarterly Incremental Capital Output Ratio (ICOR)
Ratio of gross capital formation to GDP growth (two quarters lag), IMF best practice for context 4qma

Source: National Bureau of Statistics, Rhodium Group
Main Takeaways

1. Concerns about China’s structural reform progress are legitimate, not a pretense for tensions.
2. Challenges accomplishing these goals are normal; but if you can’t talk about it, you can’t fix it.
3. OECD policy should be data driven: an objective basis for expectations is possible.