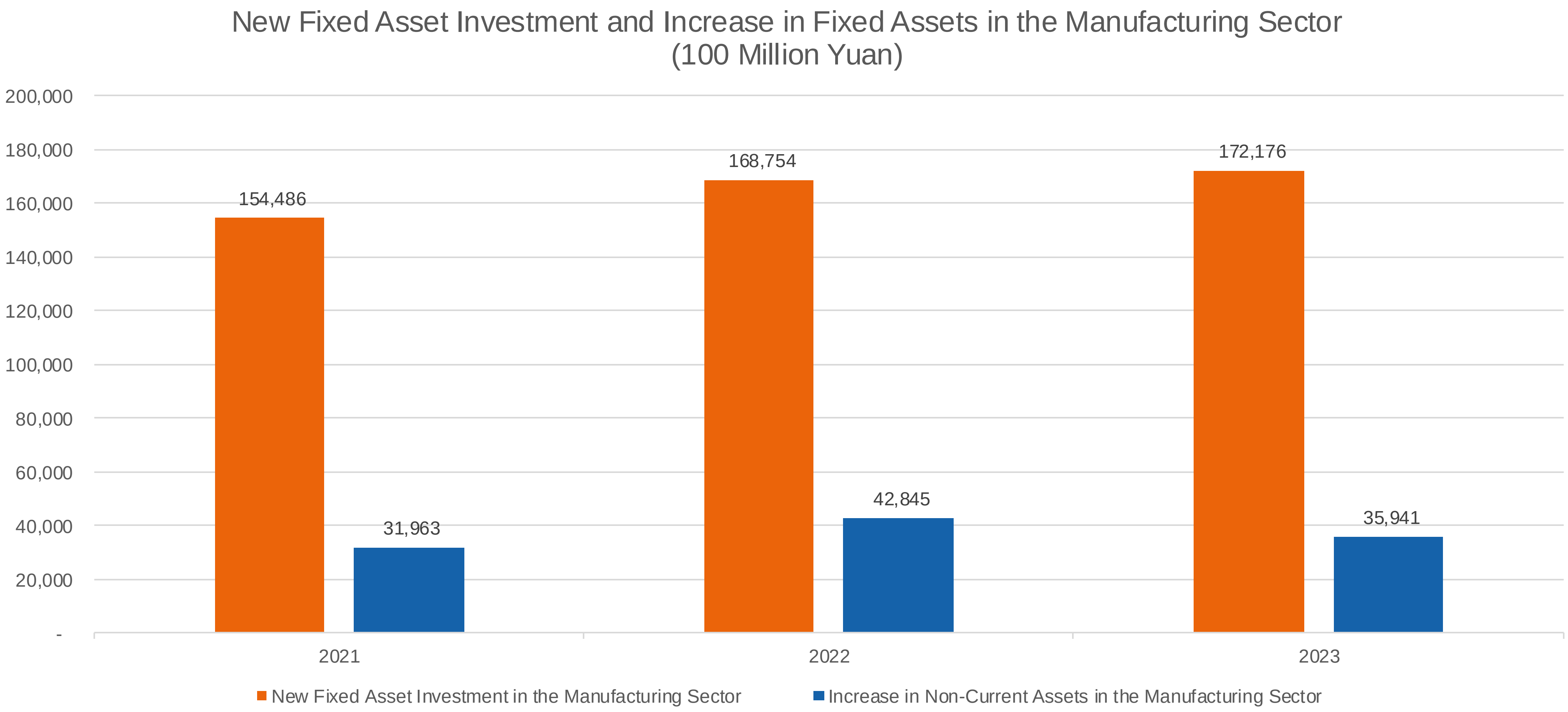
OVERCAPACITIY: Narratives vs. Facts

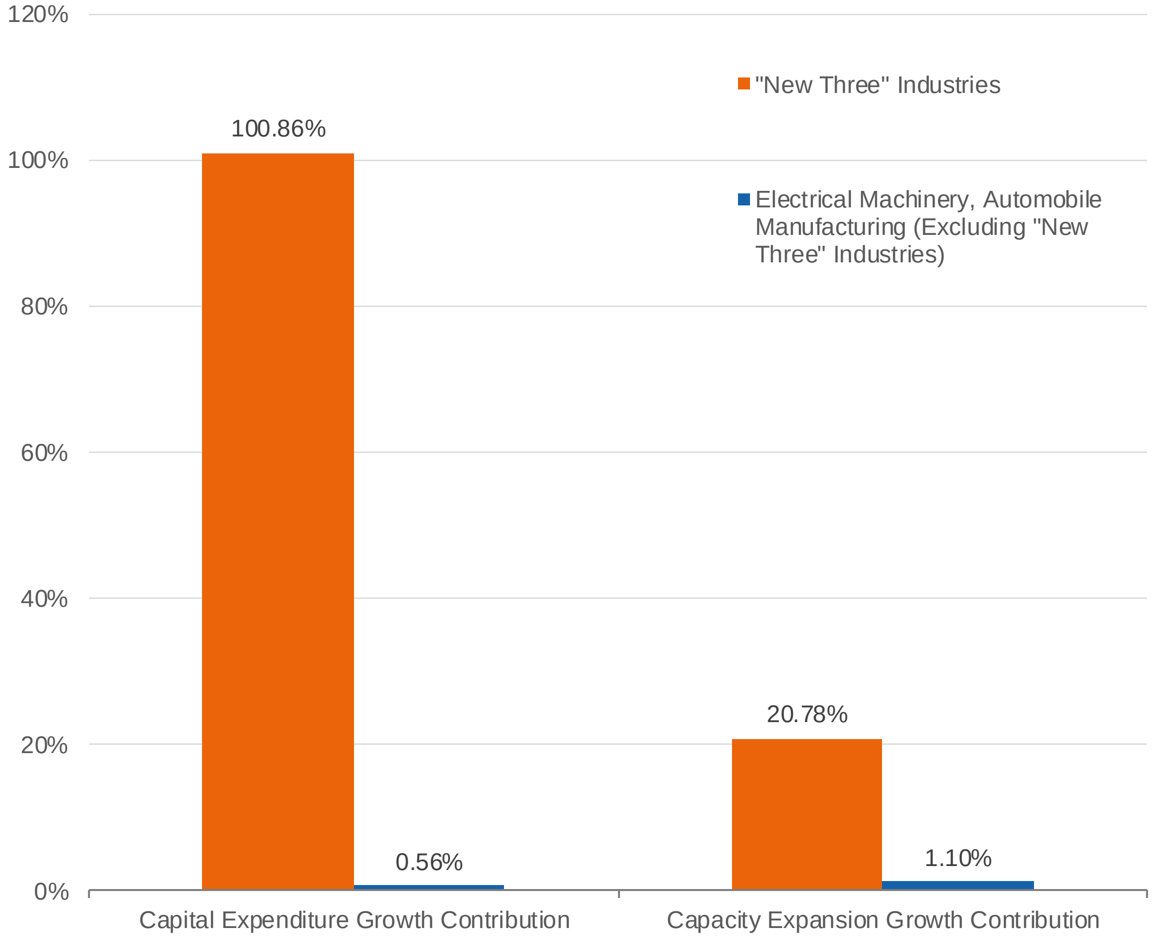
Kai Guo | CF40 Institute

Narrative 1: Massive Manufacturing Investment Equals Massive Capacity Buildup



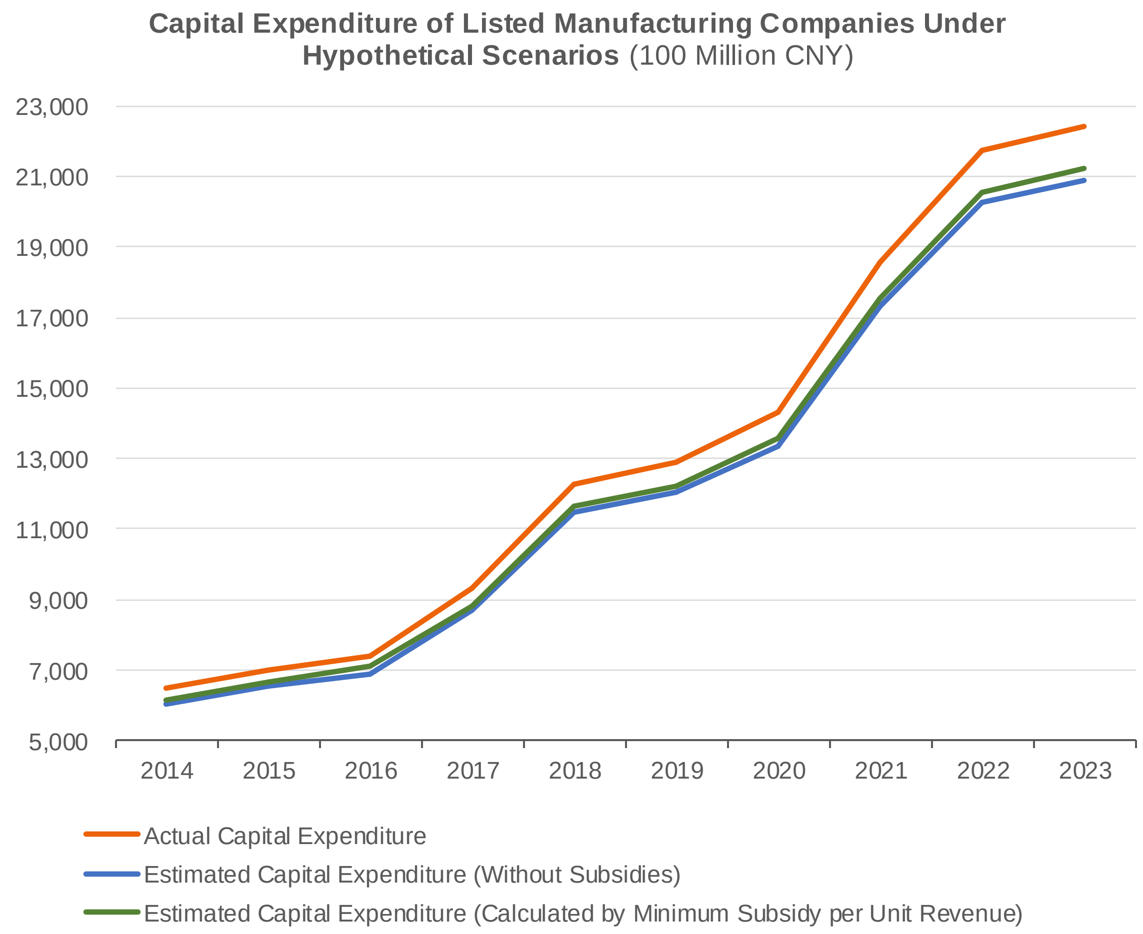
Source: *The Power of Depreciation*, CF40 Institute Policy Brief No. 50, April 2024

Narrative 2: Widespread Overinvestment in the Manufacturing Sector



Source: *Why the U.S. Narrative of China's "Overcapacity" Is Misguided*, CF40 Institute Policy Brief No. 67, Aug 2024

Narrative 3: Government Subsidies Led to Overinvestment

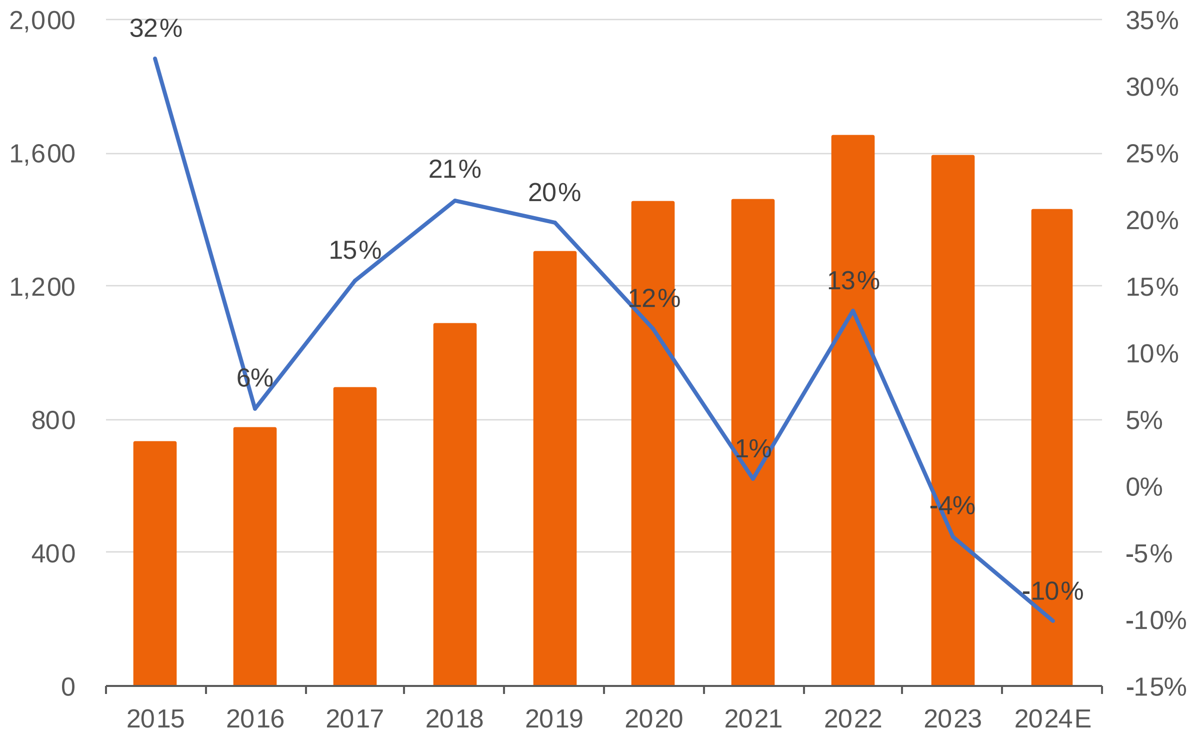


Capital Expenditure Increment and Its Driving Factors

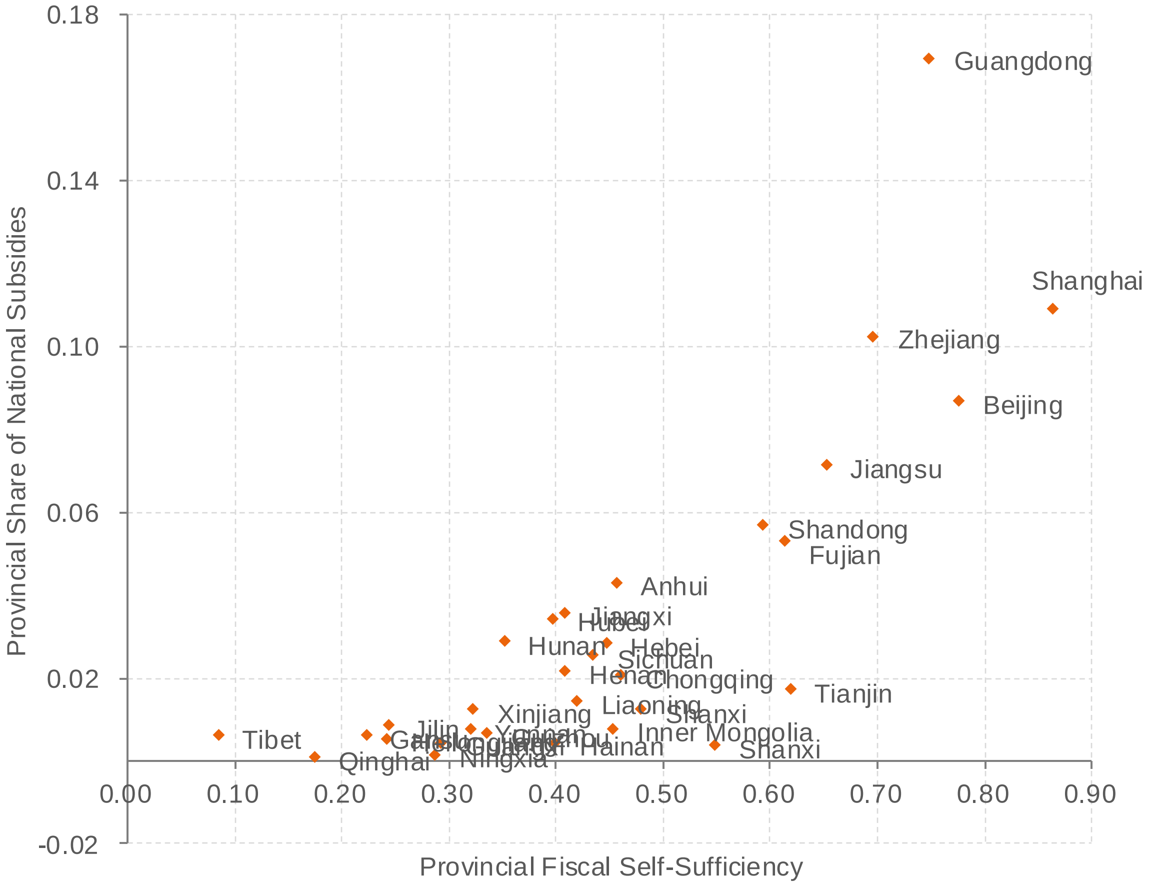
Sample Period	2014-2023	2014-2018	2019-2023
Capital Expenditure Increment (100 million CNY)	15,930	5,823	9,483
Driven by Government Subsidy Growth	5%	6%	1%
Driven by Operating Revenue Growth	**84%**	**81%**	**85%**

Narrative 4: Chinese Government Continues to Increase Manufacturing Subsidies

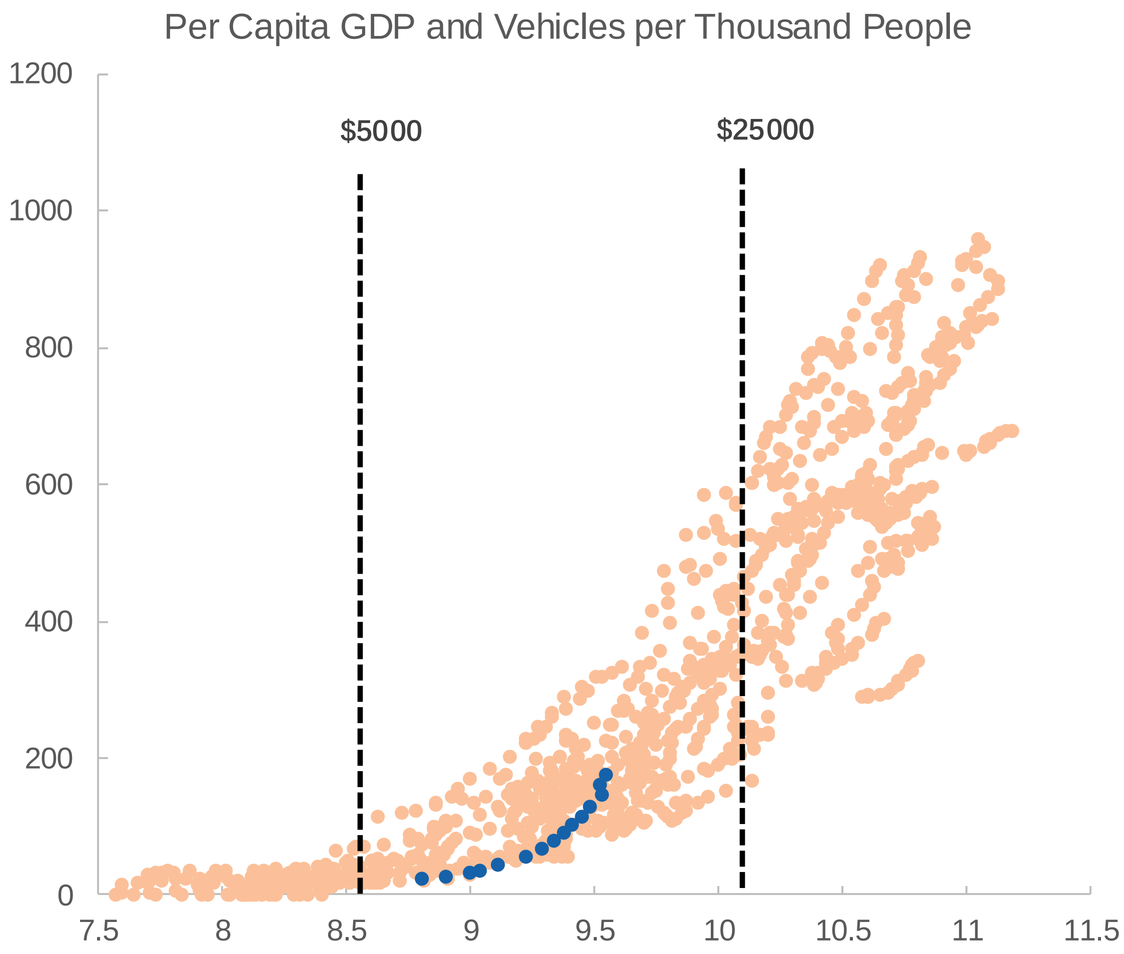
Government Subsidies Received by Listed Manufacturing Companies (100 Million Yuan) and Growth Rate

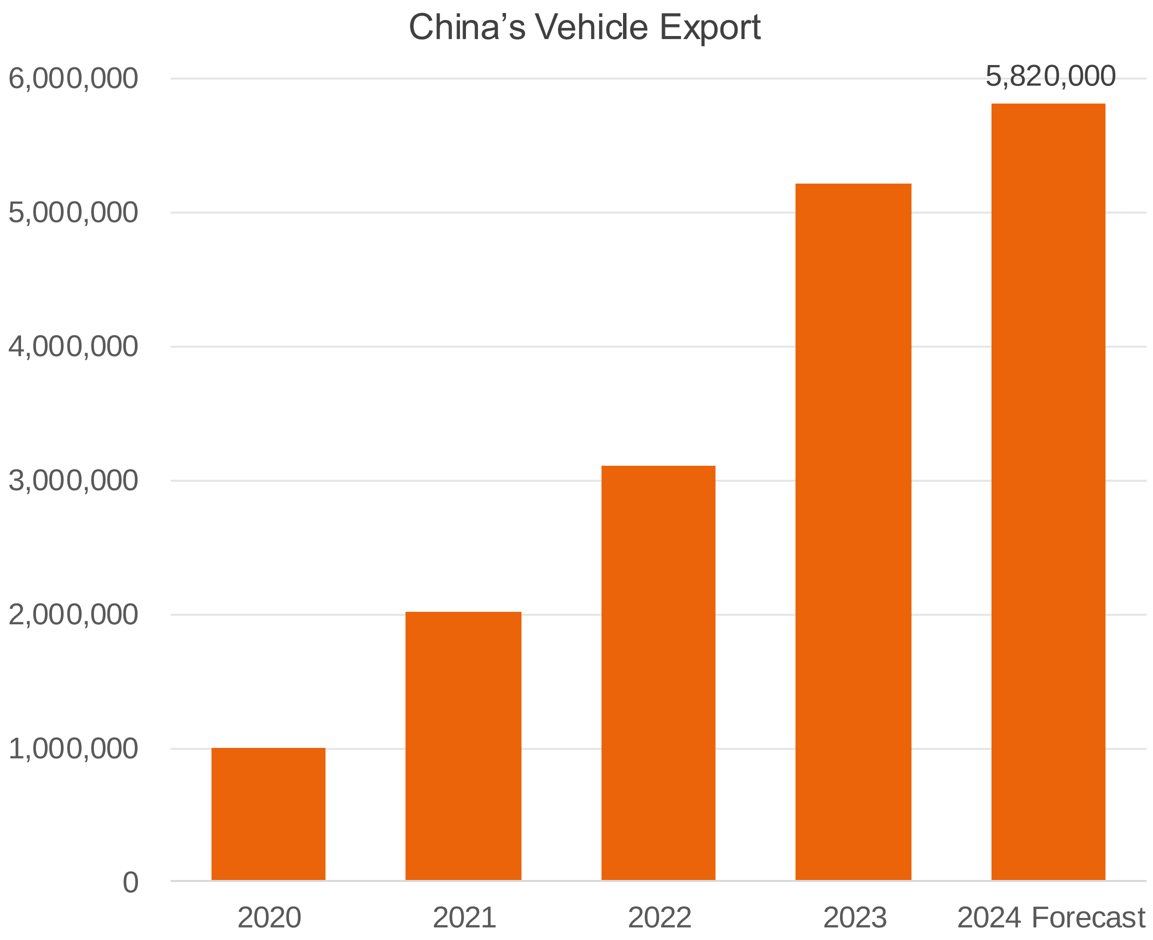


Provincial Fiscal Self-Sufficiency and Share of National Subsidies



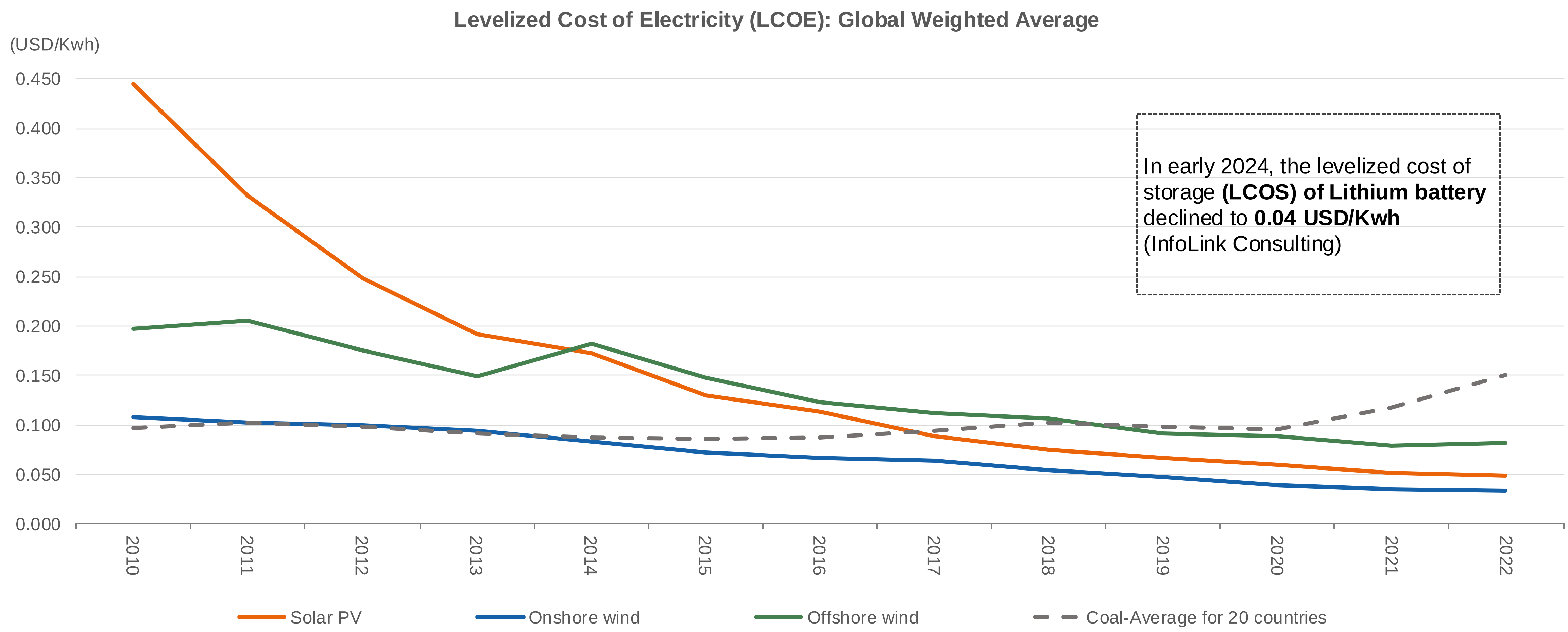
Narrative 5: China’s EV Sector Has Significant Overcapacity





Source: *China's Potential Annual Car Sales Could Reach 40 Million Units in Next Five Years*, CF40 Institute Policy Brief No. 57, May 2024

Fact 6: Overcapacity in the New Energy Sector Has Negative Spillovers



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Thanks