

Depreciation Rate by Industrial Sector in China¹

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Abstract

In this paper, we estimate the investment and depreciation rates of 37 industrial sectors in China from 2001 to 2016. The average depreciation rate is 0.074, which is close to the US depreciation rate of 0.077, estimated by Hulten and Wykoff (1979, 1981), even though it fluctuates significantly with respect to industrial sector and time. We found that governmental tax policy and enterprise profit have a significant effect on the depreciation rate by analyzing the ratio of depreciation expense to the book value of fixed assets, which we use as a proxy for tax policy, and carrying out panel regression.

JEL classification: O14, D92, E22, L6

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