

## Credit Opportunities in China

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## 1. Introduction

With a population exceeding 1.2 billion and a 2003 GDP of \$1.414 trillion, (Table 1), China is one of the world's largest economies and an attractive market for global credit card companies seeking new growth opportunities. During the last 25 years, China's GDP has grown continuously (Exhibit 1) reaching 9.1 percent growth rate in 2003. This phenomenal economic growth was triggered by China's economic policy change in late 1978 from a closed, socialist economy to a market-oriented system called the "socialist market economy." During this 25-year period, China has received significant direct foreign investment and increased its trade.

The country is receiving increased attention from card associations, issuers, and processors as the Chinese government and the private sector continue to introduce and improve the legislation, regulations, and infrastructure that will enable the growth of a credit card market. This report examines the Chinese Credit Card Market and its challenges by, looking at the historical development of the bankcard market; market growth trends; industry players including local and foreign issuers, processors, and associations; and regulations and credit information availability. In addition, the report provides an estimate for the market's potential and a SWOT analysis.

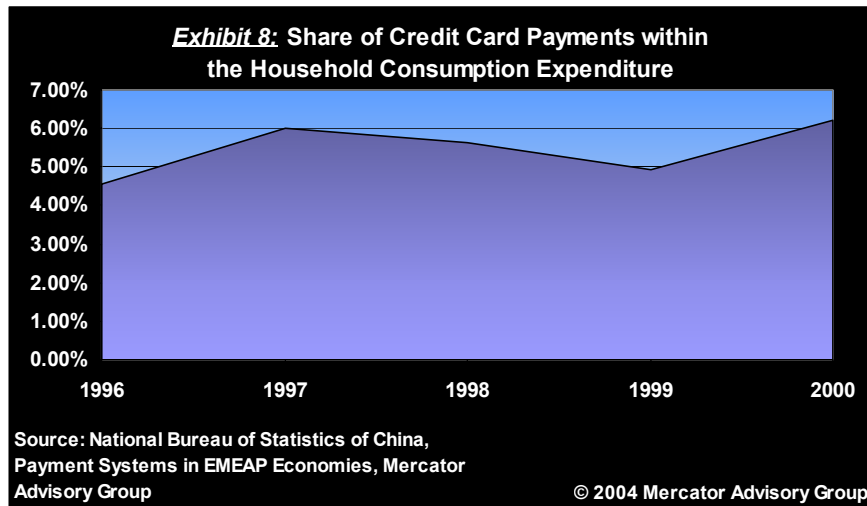
### Report Highlights:

This report provides:

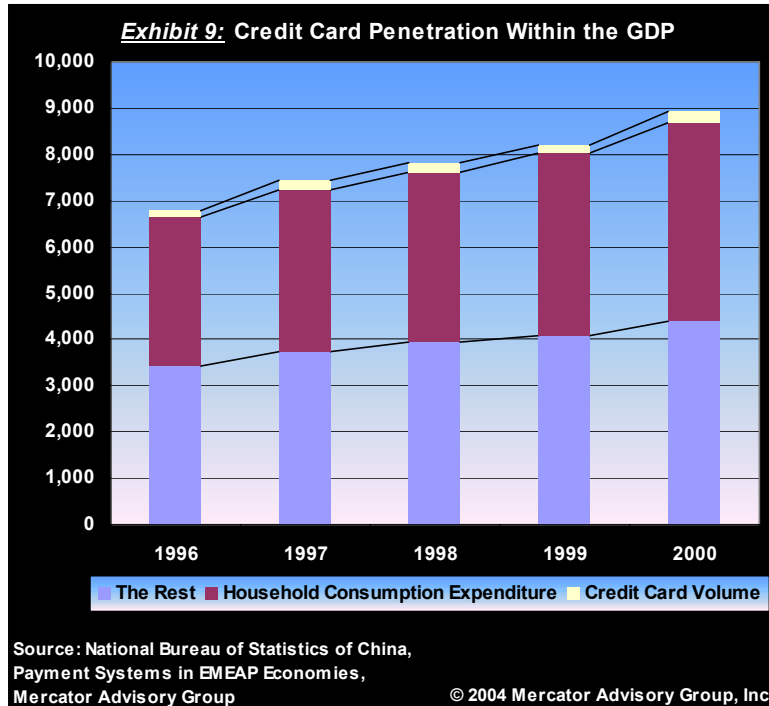
- ▶ A review of top bankcard programs of Chinese issuers including The Industrial and Commercial Bank of China (Peony, Mudan Card), Bank of China (Great Wall Card), China Construction Bank (Long Card), The Agricultural Bank of China (Jinsui Card);
- ▶ A look at the industry of cards from 1978, when China initiated the change in its economic policy to today;
- ▶ A discussion on "Golden Card Project" which resulted in issuance of more than 400 million bankcards in the last ten years;
- ▶ An update on the foreign investment including HSBC, Citibank, and American Express; and
- ▶ A look at credit information providers including Shanghai Credit Information Services Co. Ltd.



During 1996 – 1999, the share of credit card payments within household consumption expenditure<sup>1</sup> fluctuated between 4 percent and 6 percent reaching 6.22 percent in 2000 (Exhibit 8<sup>2</sup>).



During 1996 – 2000, household consumption expenditure and credit card payments increased along with the GDP, but their relative shares have not significantly changed (Exhibit 9). There is an enormous credit card opportunity in terms of untapped potential in the Chinese market.



<sup>1</sup> Household consumption expenditure refers to the incurred by resident households on consumption goods or services, excluding expenditure on fixed assets in the form of dwellings or on valuables.

<sup>2</sup> See footnote 5