



# 2009 China Market Report

The Securities Association of China

RESILIENCE | CONFIDENCE | OPPORTUNITY



# I. Economic Performance in 2008

	Growth Rate of GDP
First Quarter	10.6%
Second Quarter	10.1%
Third Quarter	9.0%
Fourth Quarter	6.8%



# I. Economic Performance in 2008

Total Value Added	Value(Trillion RMB)	Growth Rate
First Industry	3.4	5.5%
Second Industry	14.61	9.3%
Third Industry	12.04	9.5%

# I. Economic Performance in 2008

- ▼ 1. The agriculture production grew steadily and food production increased for five consecutive years
- ▼ 2. The growth of industrial production slowed down and the growth rate of enterprises' profit decreased.
- ▼ 3. The investment maintained fast growth and the investment structure was improved to some extent.
- ▼ 4. The sales of domestic market kept fast increase and the urban and rural consumption enjoyed robust growth.
- ▼ 5. The growth rate of CPI experienced ups and downs, and kept a steady growth in the second half of the year.

# I. Economic Performance in 2008

- 6. The import and export for the whole year grew rapidly and steadily, and the growth rate for the fourth quarter declined sharply.

	2008(\$) (Trillion)	Growth Rate
The total volume of import and export	2.56	17.8%
Export	1.43	17.2%
Import	1.13	18.5%
Trading Surplus	295.5	32.8 billion +
Foreign Exchange Reserve	1.95	27.3%

# I. Economic Performance in 2008

- 7. The number of new jobs added in the urban and rural area kept steady in general and the income of urban and rural residents continued to increase.

	RMB(Yuan)	Growth Rate	Adjusted
Per Capita disposable income	15781	14.5%	8.4%
Per Capita net income of rural residents	4761	15%	8.0%
Balance of residential savings deposits	21.8 trillion	4.53trillion more	



# I. Economic Performance in 2008

- ▼ 8. The growth rate of broad money supply increased and the amount of loans grew largely .

	2008(Trillion RMB)	Growth Rate	Over last year
The balance of M2	47.5	17.8%	+1.1points
Balance of M1	16.6	9.1%	+12.0points
Balance of Money in circulation(Mo)	3.4	12.7%	+0.6points

# I. Economic Performance in 2008

Balance of loans of financial Institutions	30.35	+4.91 trillion than that in the beginning of the year
Balance of Savings deposits of financial Institutions	46.62	+7.69 trillion than that in the beginning of the year
Money in circulation	384.4 billion	54.1 billion than that of last year



# I. Economic Performance in 2009

- ▼ The GDP in the first half of the year reached 13.99 trillion RMB, up 7.1% over the same period of last year
- ▼ The growth rate for the first quarter and the second quarter was 6.1% and 7.9% respectively.
- ▼ The value added in the first industry was 1.2 trillion RMB, an increase of 3.8%; the value added in the second industry was 7 trillion RMB, an increase of 6.6%, and the value added in the third industry was 5.77 trillion RMB, an increase of 8.3%.

# I. Economic Performance in 2009

- ▼ 1. Summer harvest was realized for 6 consecutive years
- ▼ 2. Growth of industrial production was accelerated and the decline of industrial profit was slowed down.
- ▼ 3. The investment in fixed asset grew fast and the investment structure was improved to some extent.
- ▼ 4. The sales of domestic market grew rapidly and steadily and the growth in rural area was faster than that in urban area.
- ▼ 5. The CPI continued to fall and the production price declined sharply over the same period of last year.

# I. Economic Performance in 2009

- ▼ 6. The foreign trade continued to decrease sharply and the trading surplus declined a little.
- ▼ 7. The rural and urban residential income continued to grow and the transferred income increased greatly.
- ▼ 8. The money supply grew fast and the loans issued by financial institutions increased remarkably.



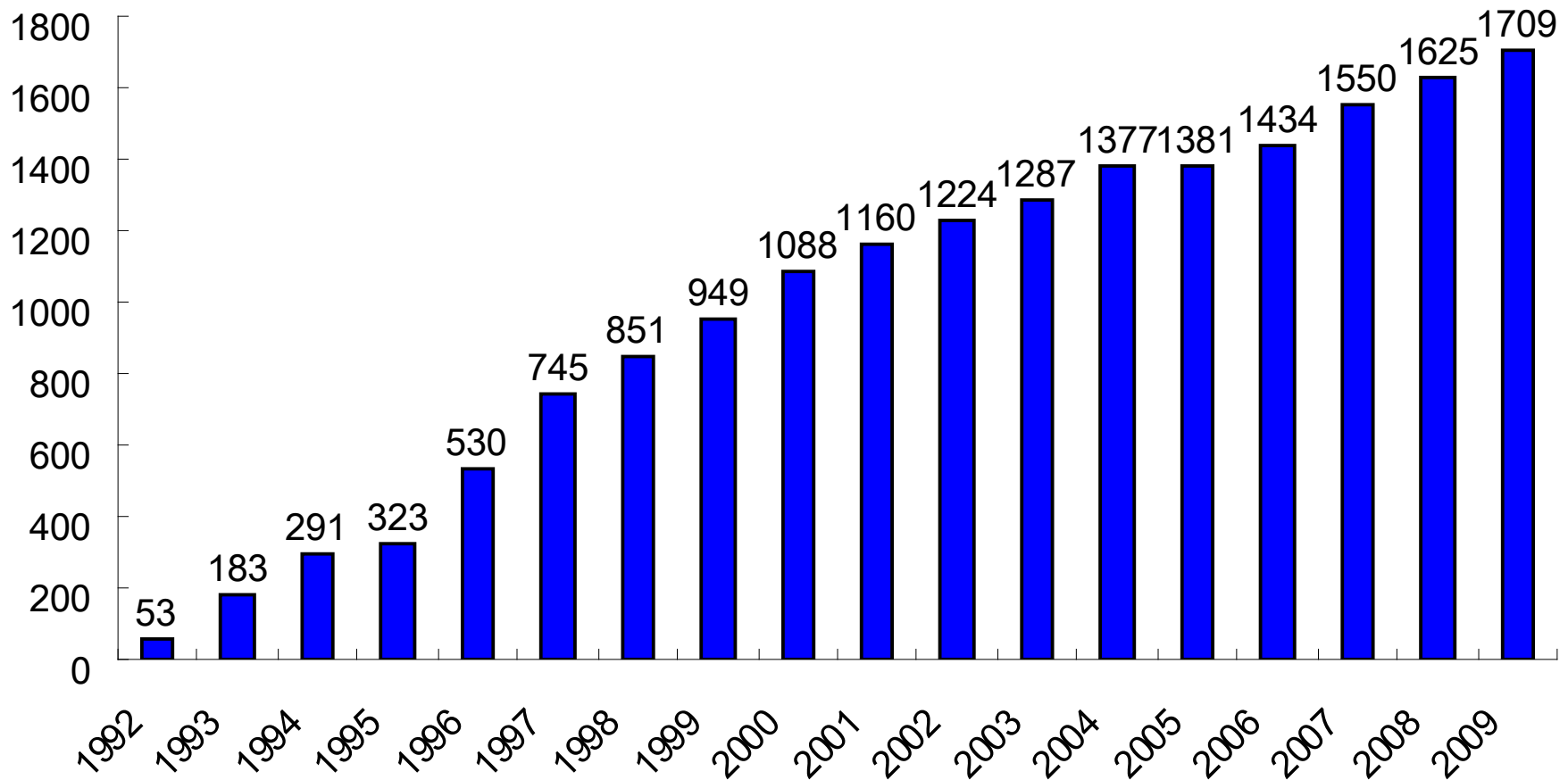
## II. China's Capital Market in 2008 and the first half of 2009

- ▼ 1. The stock market started to recovery after sharp decline and the valuation of the market become reasonable





## II. China's Capital Market in 2008 and the first half of 2009 (The number of listed companies)



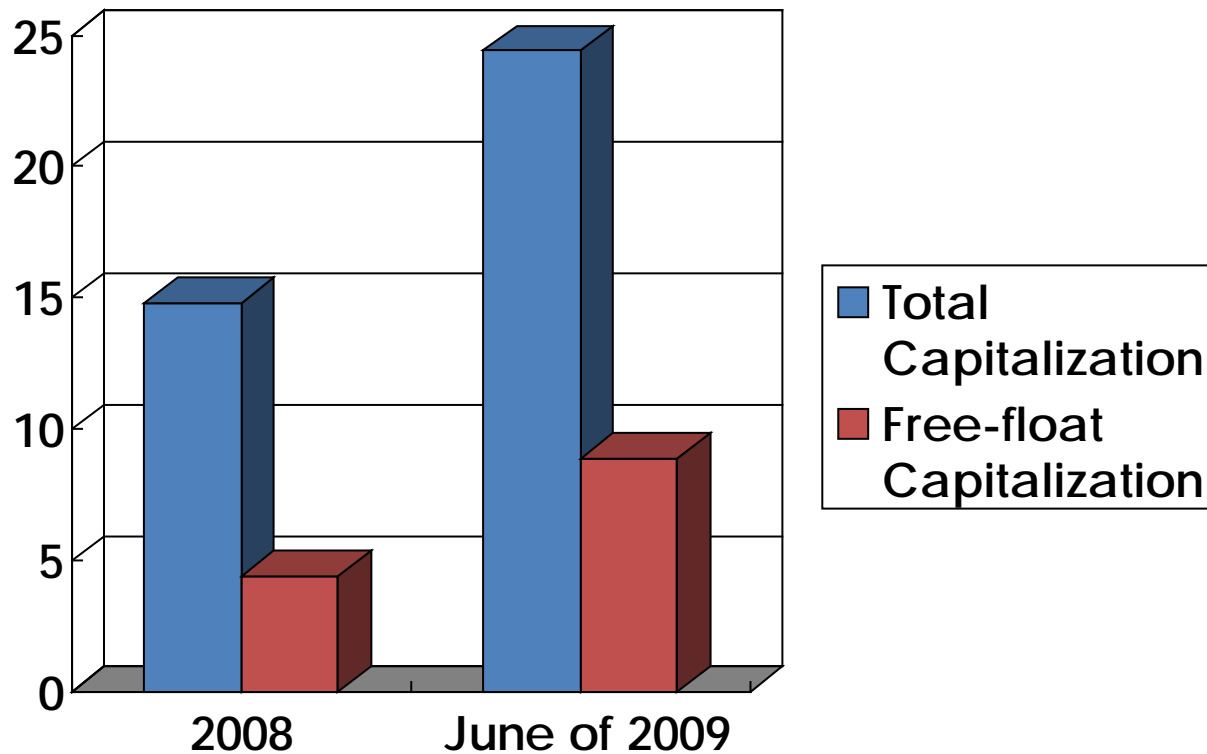
## II. China's Capital Market in 2008 and the first half of 2009

- 1. The capitalization of market decreased sharply due to the sharp decline of the stock market

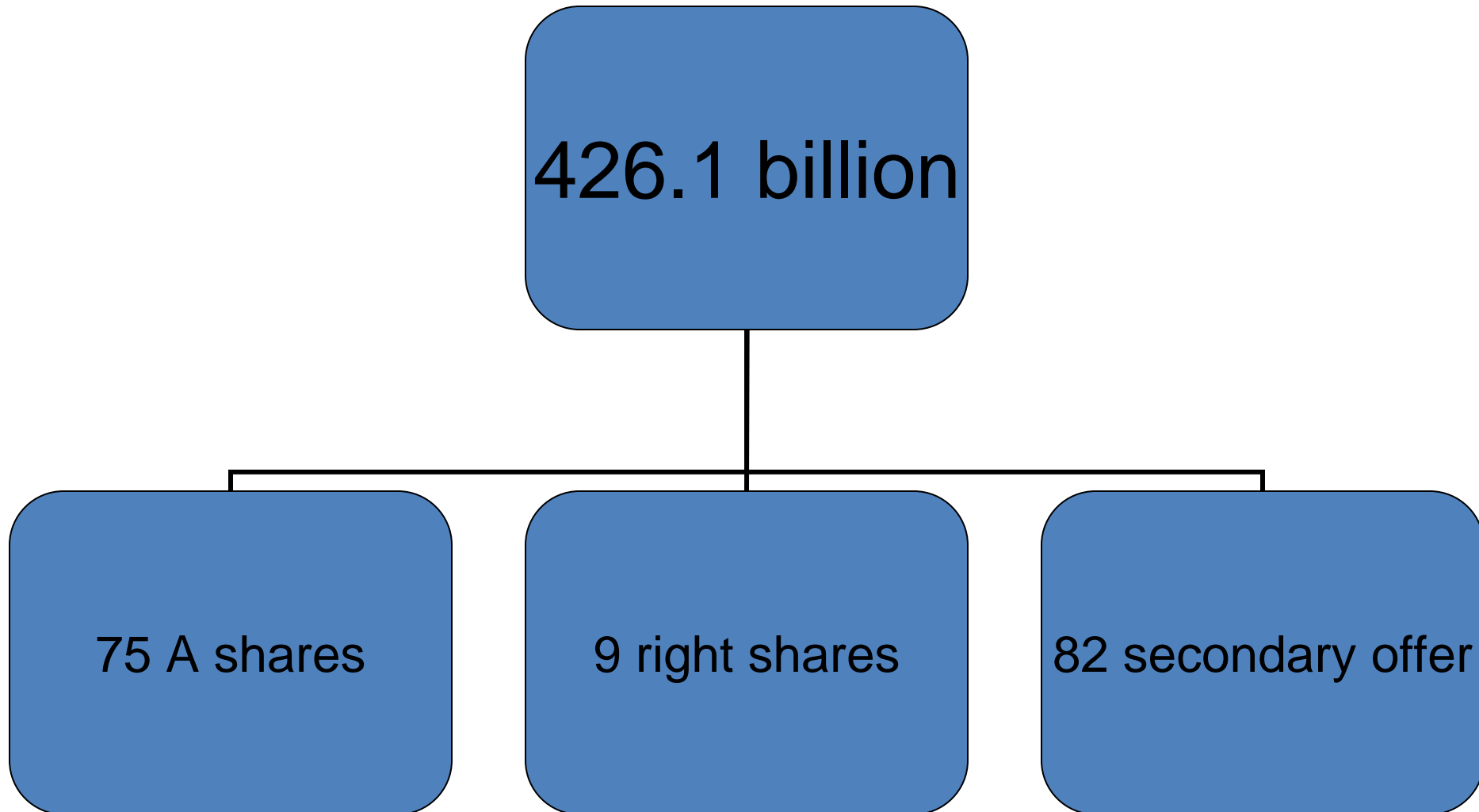
	2008 (RMB Trillion)	Growth Rate	First Half of 2009(RMB Trillion)	Growth Rate
Total Capitalization	14.83	-54.66%	24.42	+64.67%
Current Capitalization	4.43	-52.42%	8.89	+102.71%



## II. China's Capital Market in 2008 and the first half of 2009



## 2. volume of capital raised in 2008 decreased slightly





### **3. The market structure was improved remarkably and the quality of listed companies was enhanced steadily.**

- ▼ Blue chips take the leading position in the stock market, and a number of listed companies with strong abilities of earning profit become the main force in the market.
- ▼ The mechanism construction of listed companies was reinforced and the quality of listed companies was improved by strengthening the corporate governance and information disclosure of listed companies.

## 4. The group of institutional investors is expanding continuously

	As of June, 2008	As of end of 2008	As of June, 2009
AUM	70.6 billion RMB	2.15 trillion RMB	103.1 billion RMB
The Number of Funds		365(10 QDII Funds)	536(10 QDII Funds)

# 5. The bond market developed deeply and the way of financing by issuing bonds become active

	Outstanding bonds	Existing volume of bonds in second market
By the end of 2008	7.25 trillion RMB	18.95 trillion RMB
By the end of June,2009	3.43 trillion RMB	23.49 trillion RMB

## 6. The structure of futures market was optimized further and foundation for the development of market was strengthened

- ▼ The golden futures was listed in the stock exchange in 2008
- ▼ A total of 17 commodity futures products had been launched.
- ▼ The total trading volume in the futures market reached 1.364 billion lots in 2008, and the trading value reached 71 trillion RMB, hitting the historical new high;
- ▼ The trading volume of futures contract reached 578 million lots and the trading value reached 3549.3 trillion RMB in the first half of 2009, an increase of 45.58% and 40.86% over the same period of last year.
- ▼ The preparation work for the futures index was propelled steadily and the regulatory framework and technical basis have also been completed.

## 7. The construction of fundamental mechanism of the capital market was promoted steadily

- ▼ The major regulatory policies and initiatives in 2008 included:
- ▼ 1). Encouraging paying cash dividends by listed companies
- ▼ 2). Encouraging repurchases of shares
- ▼ 3). Improving block trading system
- ▼ 4). Coordinating tax cuts
- ▼ 5). Launching GEB (Growth Enterprise Board)
- ▼ 6). Enhancing Agent Share Transfer System and improving multi-tiered equity market
- ▼ 7). Strengthening the legislative mechanism and punishing illegal behavior severely.

## 8. Risk disclosure and investors education were reinforced

- ▼ 1). Intensifying special inspection
- ▼ 2). Implementing fair trading system
- ▼ 3). Raising risk reserve ratio of fund management companies
- ▼ 4). Standardizing fund valuation
- ▼ 5). Encouraging low-risk fund products and optimizing product mix

## 9. The opening of China's capital market was promoted steadily

- ▼ 21 fund management companies and 9 securities firms obtained the licenses for QDII business(Qualified Domestic Institutional Investor)
- ▼ 11 QDII products launched by 11 QDII fund management companies and one wealth management product launched by one securities company were approved.
- ▼ In 2008, 8 securities companies and 6 futures companies were approved by Chinese government to establish branch offices in Hong Kong
- ▼ The approval of joint adventure securities companies was resumed and their business scope was expanded.
- ▼ The investment quota for QFII(Qualified Foreign Institutional Investors) was expanded to US\$ 30 billion. As of the end of June, 2009, the quota already used by QFII reached US\$10.77 billion.

# III. Outlook of China's Capital Market

- ▼ Though impacted by international crisis and domestic adversity, many favourable conditions still existed
- ▼ With the gradual enhancement of legislation and regulation system, the expansion of market scale and improvement of market efficiency, China's capital market will play more and more important role in China's economy