

China credit card market moves into profits for the first time

China's credit cards industry recorded a small pre-tax profit in 2010 for the first time in its history, according to Lafferty Group's *World Cards Intelligence* (WCI) research service.

The industry's \$251m overall profit represents a demarcation line for China's cards business as issuers finally begin to see a return on the enormous investment pumped into the market over the last 10 years. *World Cards Intelligence* forecasts pre-tax profits to continue to expand, reaching \$1.8 billion by the end of 2015.

China's credit cards industry represents one of the fastest growing markets in the world and has the potential to become one of the most lucrative. Between 2002 and 2010, the total number of credit cards in China grew almost six fold to 230 million, while billed volume increased from \$4.8 billion to \$748 billion in the same period. By 2015, Lafferty Group forecasts China will be the largest market in the world in terms of the number of credit cards in issue.

Despite rapid growth, profit per card of just \$1 is a long way behind most other credit cards markets. A traditional savings culture in China has discouraged borrowing and consequently net interest income, a key revenue driver for credit cards around the world, is still loss-making. With more than four-fifths of customers paying off their entire bill each month – encouraging consumers to rollover their balances will be an important requirement in driving China into the world's top tier in terms of credit cards profits.

Michael Lafferty, Chairman of the Lafferty Group, comments: *"This is great news for China's credit card industry, which has historically been plagued in its early development by over-expansion. In particular, the drive to grow market share has seen banks go on an issuing frenzy, often giving cards to customers who did not request one or who were unaware of how to use it. Consequently profits have been held back by high costs. As the ratio of operating costs to revenue continues to decline in China, the outlook for the industry is very positive."*

To subscribe to, or for more information about Lafferty Group's *World Cards Intelligence* service, please contact Nigel Barclay on +44 (0)20 3008 8420 or email nigel.barclay@lafferty.com.

World Cards Intelligence is a global research and advisory service that provides senior cards industry management with customised research on the consumer finance and payment cards market in over 65 countries.

Lafferty Group's China research comprises detailed qualitative and quantitative analysis and data on the country's consumer finance, retail banking and payment cards market – including both industry-level analysis (and profitability) and analysis of the key players in the industry's value chain.