

Financial Markets

Foreign Financial Institutions

Hong Kong is the leading international financial centre in China. Approximately 180 foreign banks are active in Hong Kong. The main financial markets in the Chinese Mainland are found in Shanghai and Shenzhen. According to the 2005 edition of the Almanac of China's Finance & Banking, Shanghai was the home of 48 foreign bank branches in 2004, while Shenzhen was the home of 20 branches. Guangzhou was the home of another 16 branches, and Zhuhai another 4 branches.

Equity Markets

In 2005, Hong Kong was the world's fifth largest market by total equity funds raised, and the largest fund raising centre in the Asia Pacific, reflecting an influx of Mainland Chinese firms seeking to raise foreign capital in Hong Kong.²³ Hong Kong's stock market capitalisation of the equivalent of US\$1 trillion was the second largest in Asia after Japan's. The Hong Kong Exchange registered an average daily turnover of US\$2.33 billion in 2005. The Shenzhen Stock Exchange had 544 listed companies, a market capitalisation of 933 billion yuan (US\$114 billion), and average daily turnover of 5.13 billion yuan (US\$0.63 billion) as of the end of 2005. As of the same time, the Shanghai Stock Exchange had 834 listed companies, a market capitalisation of 2,310 billion yuan (US\$282 billion), and an average daily turnover of 7.95 billion yuan (US\$0.97 billion).

²³ *Annual Report and Statistics 2005, World Federation of Exchanges, 2006.*

Comments

Hong Kong remains the largest financial centre in China and its main international financial centre. Shanghai has a strong position as a domestic financial centre, with Shenzhen as a secondary domestic financial centre. One problem in judging the importance of Shenzhen and Shanghai as international financial centres is that the figures for foreign financial institutions do not come with a clear definition of precisely what the foreign financial institutions are doing. Media reports often contain figures on the numbers of foreign financial institutions in Shanghai and Shenzhen that do not tally with official data. It is often difficult, therefore, to ascertain what is being measured, while tight restrictions continue to limit the activities of foreign financial institutions in these cities.

Selected Financial Markets

	Number of Foreign Banking Institutions 2004	Number of Listed Companies, as at year end 2005	Stock Market Capitalisation, as at year end 2005		Daily Turnover Stocks Average 2005	
			RMB billion	US\$ billion	RMB billion	US\$ billion
Hong Kong	(a) 183	934	8,519.00	1,040.17	19.12	2.33
Shenzhen	(b) 20	544	933.41	113.97	5.13	0.63
Guangzhou	(b) 16	N/A	N/A	N/A	N/A	N/A
Shanghai	(b) 48	834	2,309.61	282.00	7.95	0.97

Notes: (a) Hong Kong figure is the total number of licensed banks, restricted license banks, and deposit taking companies.

(b) Shanghai, Shenzhen, and Guangzhou figures are numbers of foreign bank branches (branches only, excluding representative offices).

Hong Kong figures converted for comparison. Exchange rate 1 HK\$ = 1.05 RMB, 1 US\$ = 8.19 RMB.

Sources: Hong Kong Monetary Authority Annual Report 2005, Hong Kong Exchange and Clearing Ltd., Shenzhen Stock Exchange, Shanghai Stock Exchange, Shanghai Statistics Bureau, and Almanac of China's Finance & Banking 2005.