

China Software Industry Report, 2007-2008



- The operating revenue of China software industry reached RMB378.499 billion in the first three quarters of 2007, up 23.6 percent compared to the same period last year and being higher than the growth rate of 20.1 percent for electronic information industry.

- Since 2006, the Ministry of Information and relevant Ministries have issued a series of policies to support the development of large well-known software enterprises. With the increasing saturation of informatization demand by large enterprises, the informatization demand of medium and small sized enterprises will be the new market growth. According to our forecast, the investment into the information construction of medium-small sized enterprises will be up to US\$15.87 billion by 2010. As the agriculture tax, animal husbandry tax and tax on special agricultural products have been cancelled, the disposable income of farmers increases considerably. With the further opening of agriculture, the growth of farmers' income and the progression of urbanization, information construction in rural areas will be the new potential of the market.
- It is the handsome profit model and the demand for informatization that conduce to the fast development of China software industry. Chinese manufacturers have comparative advantages in software service and mixed profit model. Based on market scale, profit margin and comparative advantages, we are confident about the development of software outsourcing and management software pattern.

- In 1H 2007, China's offshore outsourcing revenue amounted to RMB6.53 billion. The annual compound growth rate in the coming five years can be up to 37.9 percent. Since application software is characterized by strict barriers and being quite attractive to users, the famous related enterprises will get exceedingly developed. The steady supply of rich qualified talents in China secures the strong growth of China's offshore outsourcing business.

Revenues from Management Software Industry in China, 2003-2010



Source: CCW

- Chinese management software market is gradually entering the maturity period, and the cooperation and acquisition become trends. There is steady rising of market concentration. The endogenous growth of profit model, barriers, scale economy and positive feedback effect of management software industry result in that the large companies will grow ever larger. We believe that the manufacturers with self-developed products, rich experience and client resources will possess comparative advantages, and the advantages of leading enterprises and special product enterprises will be obvious.



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