Mastercard Caixin BBD China New Economy Index

Overview

In September 2021, the Mastercard Caixin BBD New Economy Index (NEI) reading came in at 28.2, indicating that the New Economy accounted for 28.2% of overall economic input activities that month, down 0.3 ppts from August 2021 (Chart 1). After the outbreak of COVID-19 in early 2020, NEI kept going up for several consecutive months. However, with the post pandemic economic recovery triggered in the second quarter last year, the old economy showed stronger growth, suppressing the new economy.


Chart 1: China Monthly New Economy Index

The NEI includes labor, capital and technology inputs that account for 40%, 35% and 25% of the total weights of the index, respectively. The decreasing NEI was attributed to the decrease in labor inputs. Labor input index decreased to 20.8 this month, with 3.4 MoM decrease. Capital input increased to 37.3 this month, with 3.0 MoM increase. Technology input index came in at 27.4 this month, with 0.1 MoM decrease (Chart 2). Taking the weights into account, percentage changes in labor, capital and technology inputs were -1.4, 1.1, and 0.0 ppts, respectively. The net NEI change was -0.3 ppts in total.

Chart 2: NEI Primary Input Index

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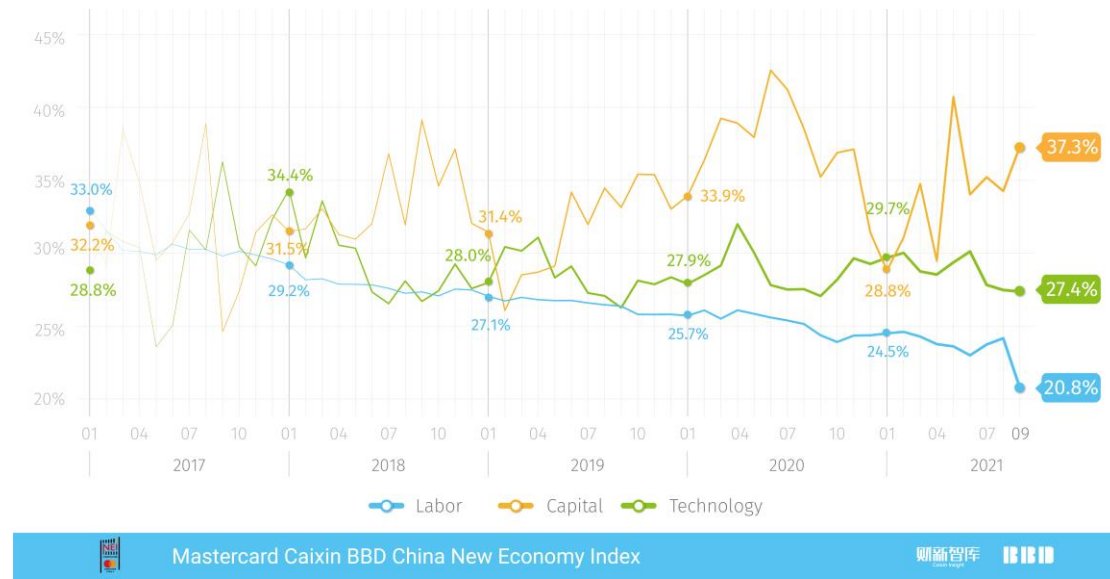
The labor input index is composites of two sub-indicators: the ratio of income of employees and the ratio of post in new economy industries. This month, the ratio of salary and ratio of employment of enterprises in new economy industries decreased significantly, which accounted for the decrease in NEI in September.

New Economy Sector

New economy is defined as following: 1) human capital intensive, technology intensive and capital light, 2) sustainable rapid growth, and 3) in line with the strategic new industries defined by the government. New economy covers 10 categories (Energy Conservation & Environmental Protection, New IT, Biotech, Advanced Equipment Manufacturing, New Energy, Advanced Materials, New Energy Vehicles, Science Research and Hi-tech Services, Finance & Legal Services, Culture, Sports & Entertainment) and 145 sub-industries. Please refer to our previous reports (March 2016 and March 2017) for the list of NEI sectors.

As for sectors, the New IT industry contributed 11.3 ppts to New Economy Index, slightly higher than that in August, the share of Advanced Materials increased as well (Chart 3). However, the share of Advanced Equipment Manufacturing decreased significantly, down 5.2 ppts from

August. Detailed data indicated that, the increase in New IT ratio was due to higher venture capital of enterprises.

Chart 3: New Economy Sector Contribution Breakdown

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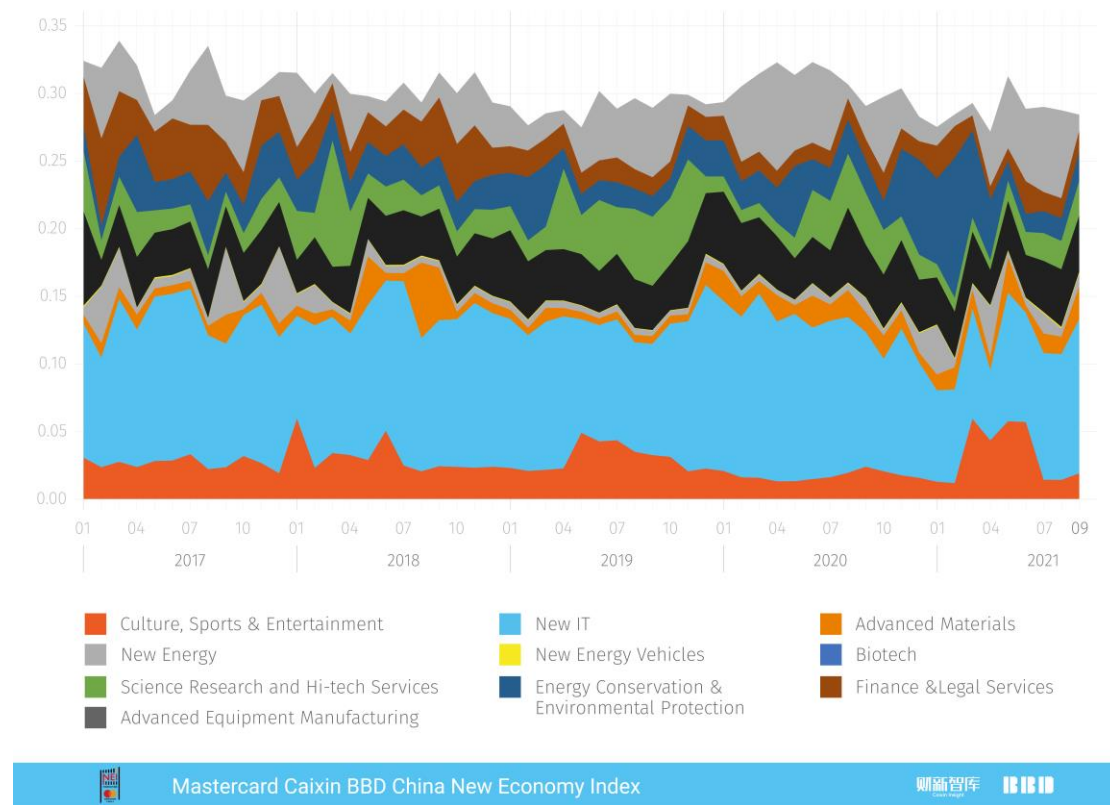
New Economy Employment

In September 2021, the average monthly entry-level salary of the New Economy was RMB 12,905, decreasing from last month's level of RMB 12,933 (Chart 4). And the entry-level salary premium of the New Economy which is the ratio of average entry salary level of New Economy to that of the whole economy, decreased to 2.6%, compared to 2.8% in August 2021 (Chart 5). The wages are compiled from online websites of career platforms and recruitment services including 51job and Zhaopin, as well as other sites that list job openings.

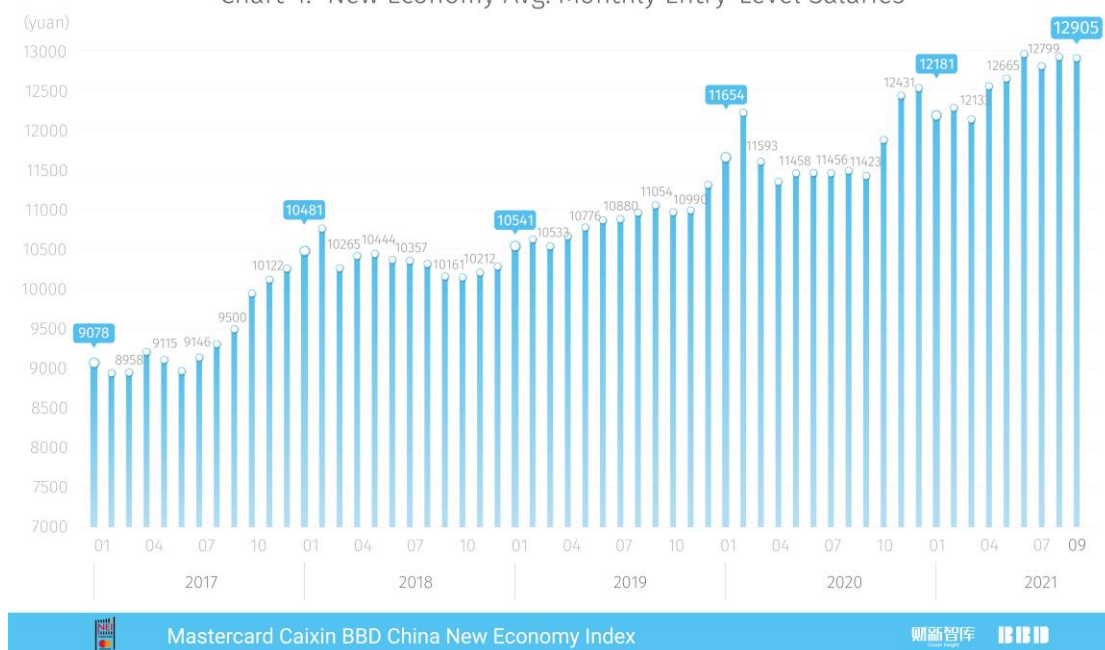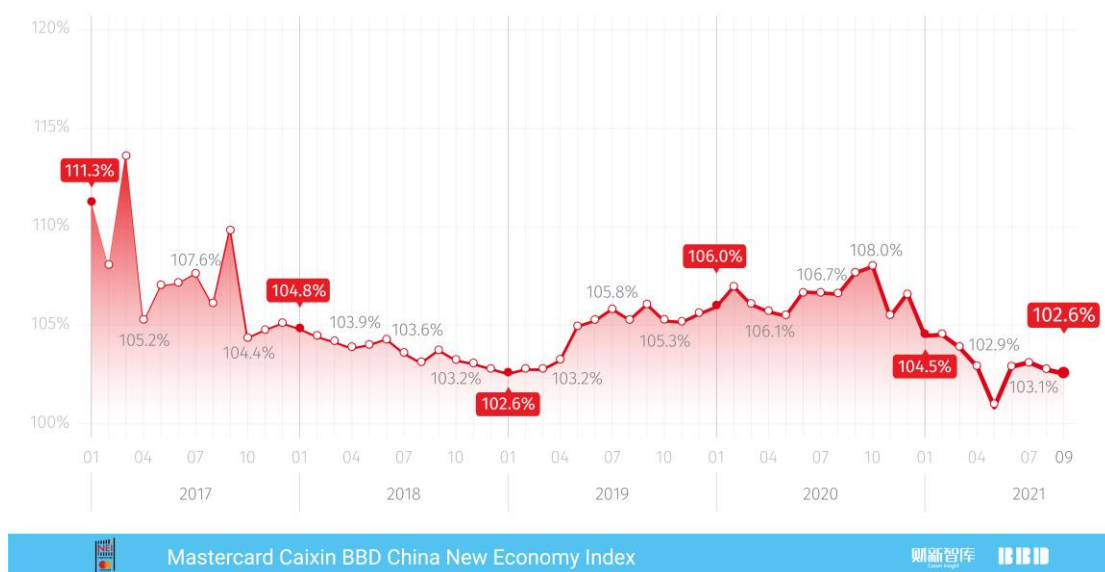Chart 4: New Economy Avg. Monthly Entry-Level Salaries

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Chart 5: New Economy Entry-Level Salary Premium over Economy-wide Entry Level Salaries

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Economic Trend Based on Enterprise Data

This month, we focused on the employment of new energy enterprises and fossil energy enterprises. The ratios of employment of the two types of enterprises were shown in Chart 6. The ratio reached its peak in the second half of 2018, and then fluctuated downward, but rebounded rapidly in the second half of 2021. In recent years, new energy enterprises' employment was significantly larger than that of fossil energy counterparts, and new energy

firms hired more than 6 times as many workers as the fossil energy enterprises in September 2021.

Chart 6: Employment Ratio of New Energy to Fossil Energy Enterprises

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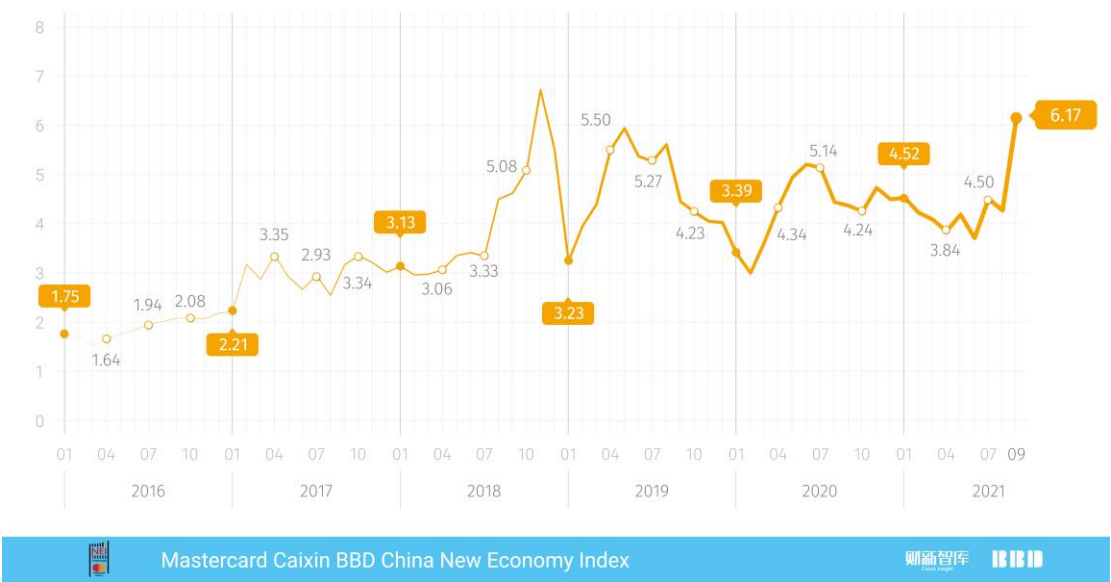
We categorized all manufacturing enterprises into ten groups by the share of products exported. We found the ratio of employment of the largest 10% enterprises to that of the smallest 10% ones increased sharply in the past three months (Chart 7), surpassing the peak in the second half of 2019, due to the skyrocketing global demand for goods made in China.

Chart 7: Employment Ratio of High Export to Low Export Enterprises

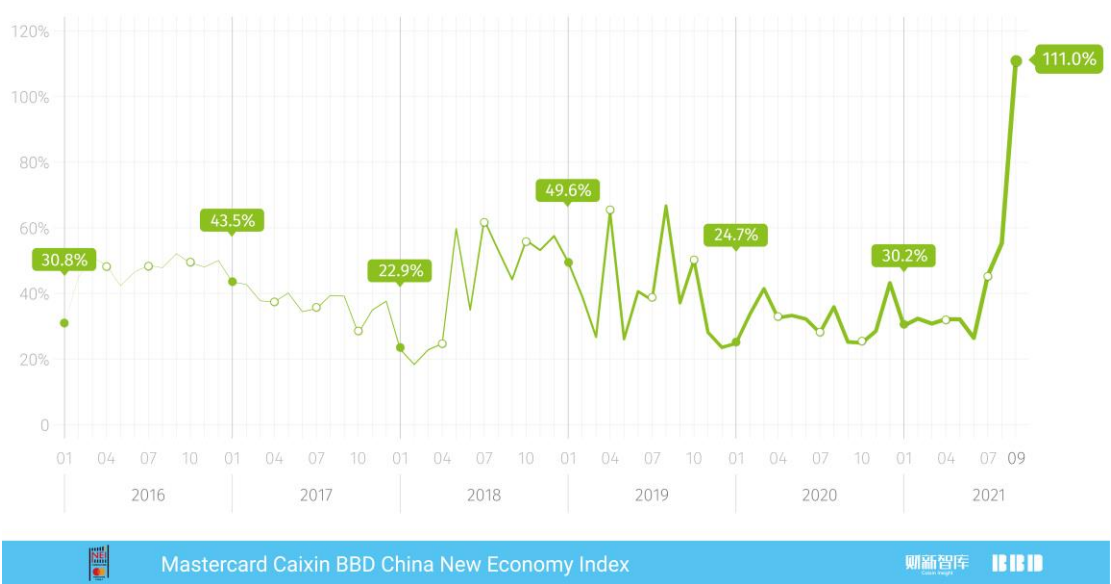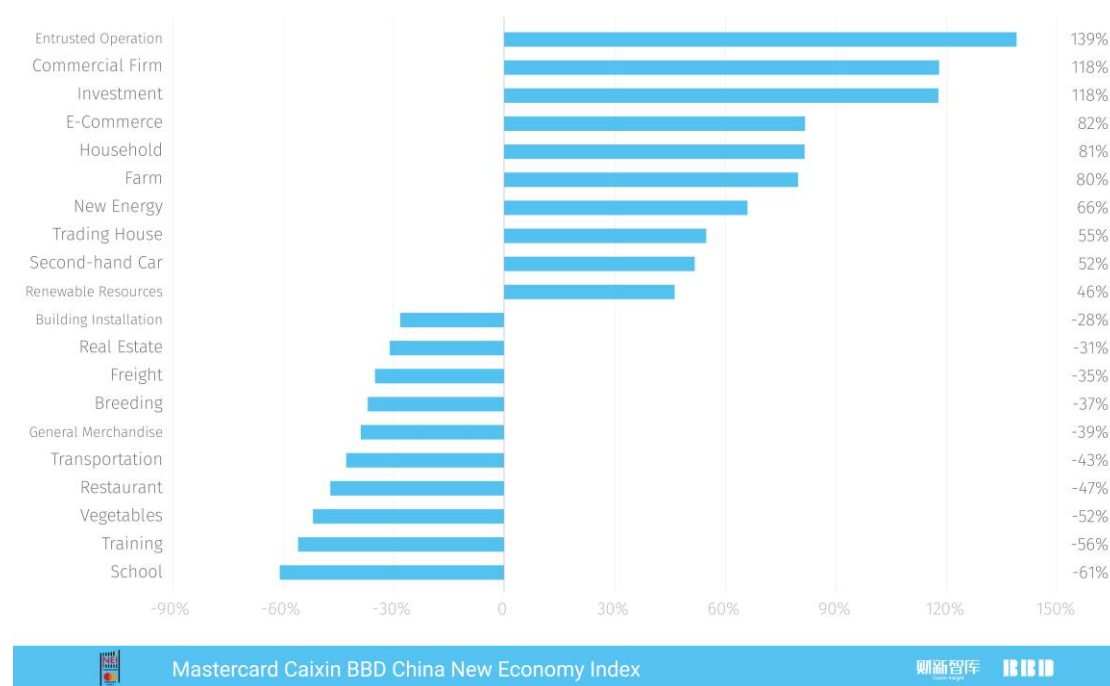Mastercard Caixin BBD China New Economy Index

Chart 8 showed the keywords of new enterprises with the fastest and slowest growth in the past

year. Entrusted operation, commercial firm and investment, the declining industries in the previous years, rebounded sharply in the past year. Meanwhile, energy-related enterprises such as new energy and renewable resources increased significantly as well. In addition, second-hand car enterprises experienced fast growth due to bottleneck of new car production capacity and strong consumer demand. Among the keywords with slowest growth, school and training enterprises declined significantly, followed by retail enterprises such as vegetables, restaurant, and general merchandise. Keywords of industries related to real estate, including real estate and building installation, also declined significantly. The shrinking of the above keywords was closely relevant to China's policies. Unexpectedly, transportation and freight experienced negative growth, which might be attributed to local policies containing Covid-19.

Chart 8: Change of Keywords of New Enterprises

Keyword	Change
Entrusted Operation	139%
Commercial Firm	118%
Investment	118%
E-Commerce	82%
Household	81%
Farm	80%
New Energy	66%
Trading House	55%
Second-hand Car	52%
Renewable Resources	46%
Building Installation	-28%
Real Estate	-31%
Freight	-35%
Breeding	-37%
General Merchandise	-39%
Transportation	-43%
Restaurant	-47%
Vegetables	-52%
Training	-56%
School	-61%

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City Rankings of the New Economy

Overall New Economy Rankings are based on a weighted average of the percentile ranks of indicators for the city in the past six months. The top twenty cities were shown in Chart 9. In September, the top five cities were Beijing, Shanghai, Guangzhou, Hangzhou and Shenzhen.

Chart 9: China's Top 20 Cities Ranked by New Economy Sector Output

Average Percentiles for Aggregate New Economy Inputs（Mar 2021 – Sep 2021）
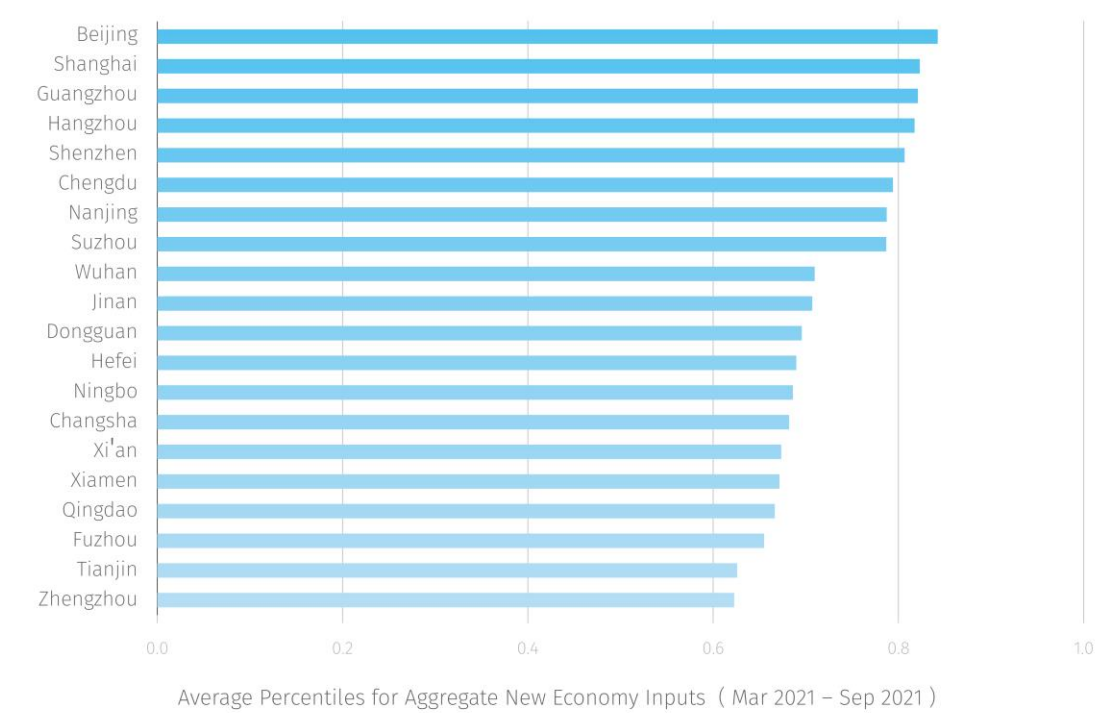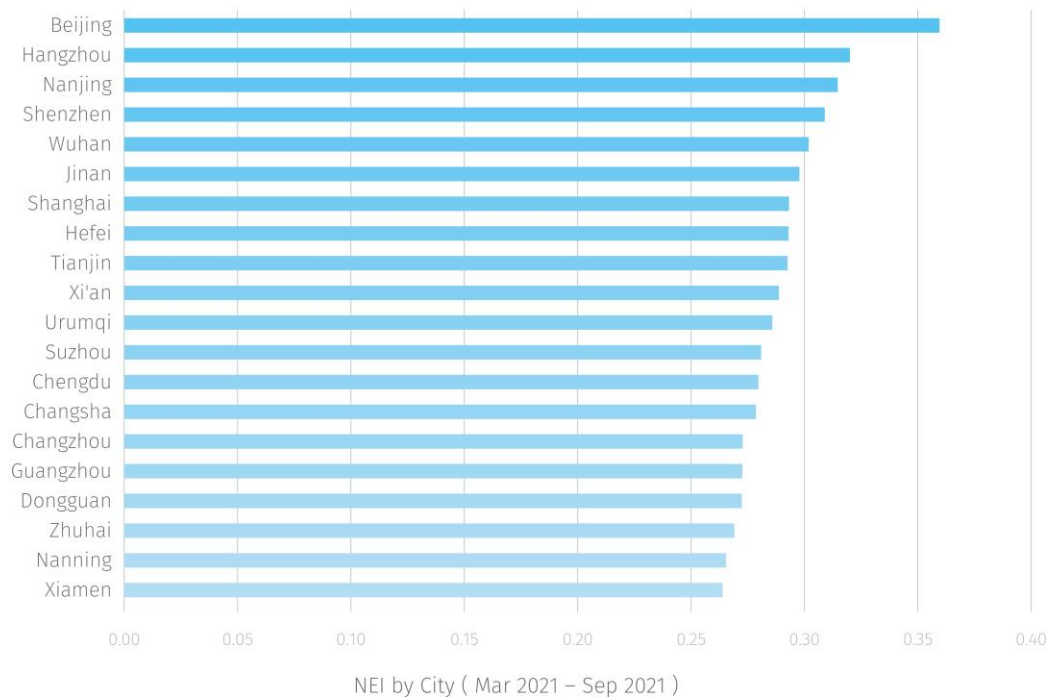
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Chart 10 showed the average NEI city rankings between March 2021 and September 2021. The top five cities were Beijing, Hangzhou, Nanjing, Shenzhen and Wuhan.

Chart 10 China's Top 20 Cities Ranked by Average NEI

NEI by City（Mar 2021 – Sep 2021）

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In addition, we showed the city rankings adjusted by living cost by taking housing price, minimum wage and disposable income per capita into account (Chart 11). After the adjustment, the top five cities were Beijing, Chengdu, Hangzhou, Nanjing and Xi'an, following by Hefei and Shanghai.

Chart 11: China's Top 20 Cities Ranked by New Economy Sector Output Adjusted by Living Cost
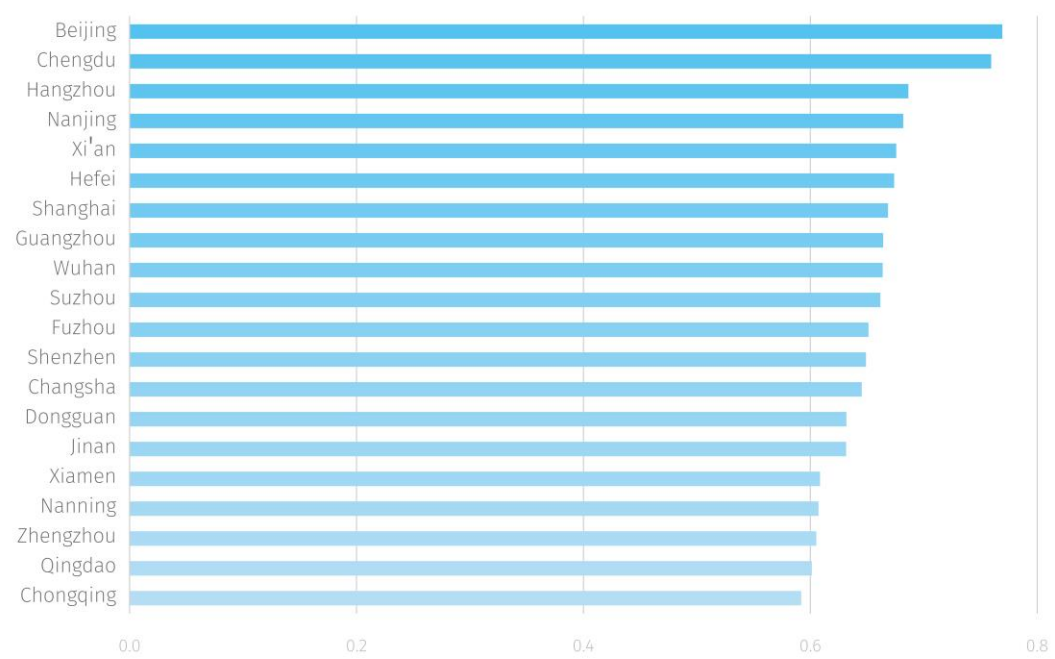
Average Percentiles for Aggregate New Economy Inputs Adjusted by Living Cost（Mar 2021 – Sep 2021）

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About Mastercard

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