



January 2022

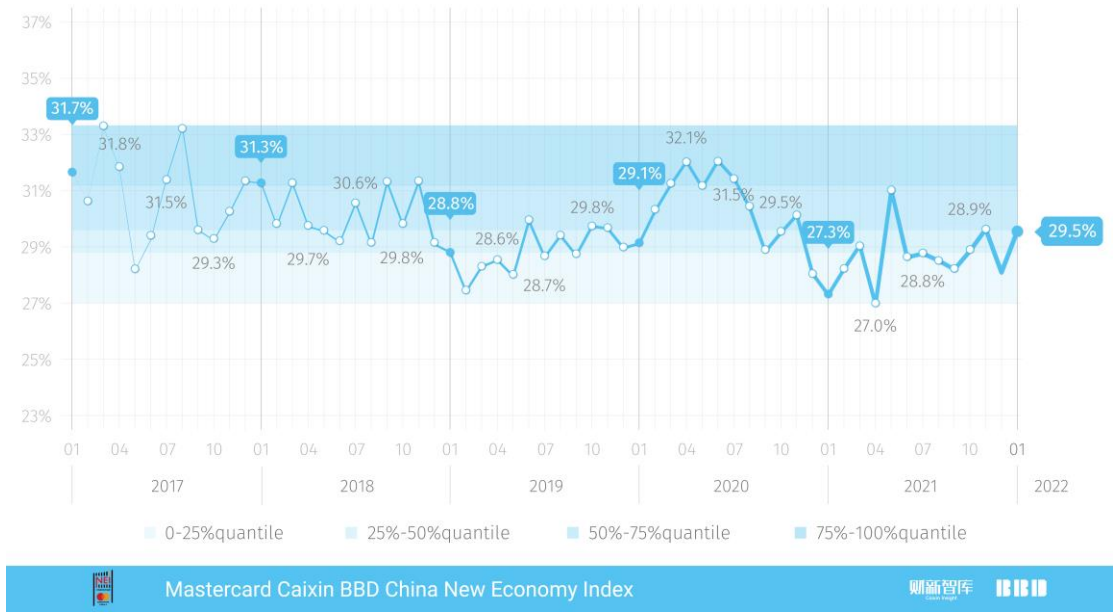
Mastercard Caixin BBD China New Economy Index

Released: 10:00 am Beijing Time February-02-2022

Overview

In January 2022, the Mastercard Caixin BBD New Economy Index (NEI) reading came in at 29.5, indicating that the New Economy accounted for 29.5% of overall economic input activities that month, up 1.4 ppts from December 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 of 2020, the old economy showed stronger growth, suppressing the new economy.

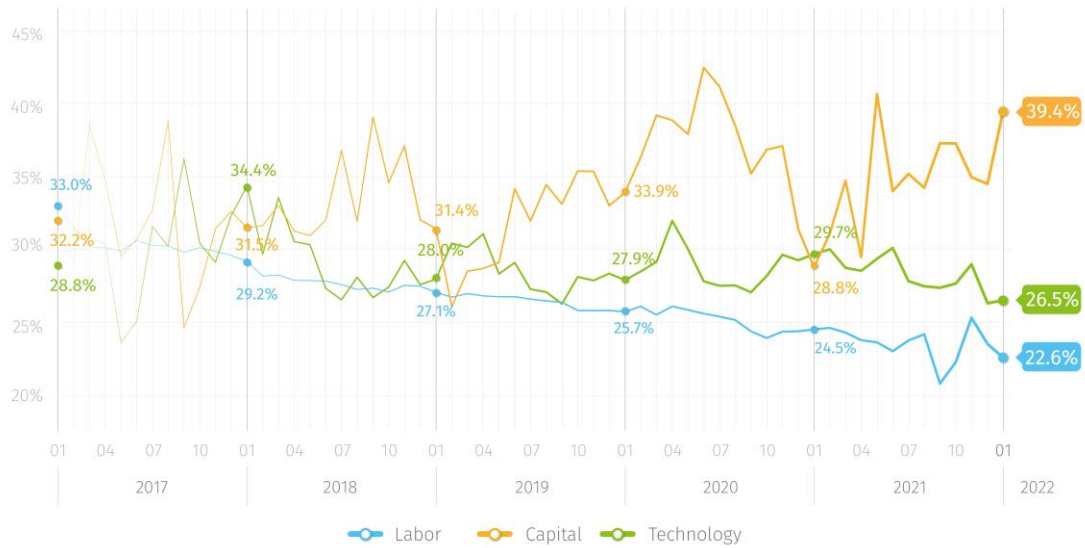
Chart 1: China Monthly New Economy Index



The NEI includes labor, capital and technology inputs that account for 40%, 35% and 25% of the total weights of the index, respectively. The increasing NEI was attributed to the increase in capital inputs. Capital input increased to 39.4 this month, with 4.9 MoM increase. Labor input index decreased to 22.6 this month, with 0.9 MoM decrease. Technology input index came in at 26.5 this month, with 0.2 MoM increase (Chart 2). Taking the weights into account, percentage changes in labor, capital and technology inputs were -0.3, 1.7, and 0.0 ppts, respectively. The net NEI change was 1.4 ppts in total.



Chart 2: NEI Primary Input Index



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The capital input index is composites of four sub-indicators: the ratio of venture capital in new economy industries, the ratio of invitation for bid in new economy industries, the ratio of capitalization of enterprises applying for the "New Three Board" in new economy industries, and scale of new enterprises in new economy industries. This month, the ratio of capitalization of enterprises applying for the "New Three Board" in new economy industries increased significantly, which accounted for the increase in NEI.

New Economy Sector

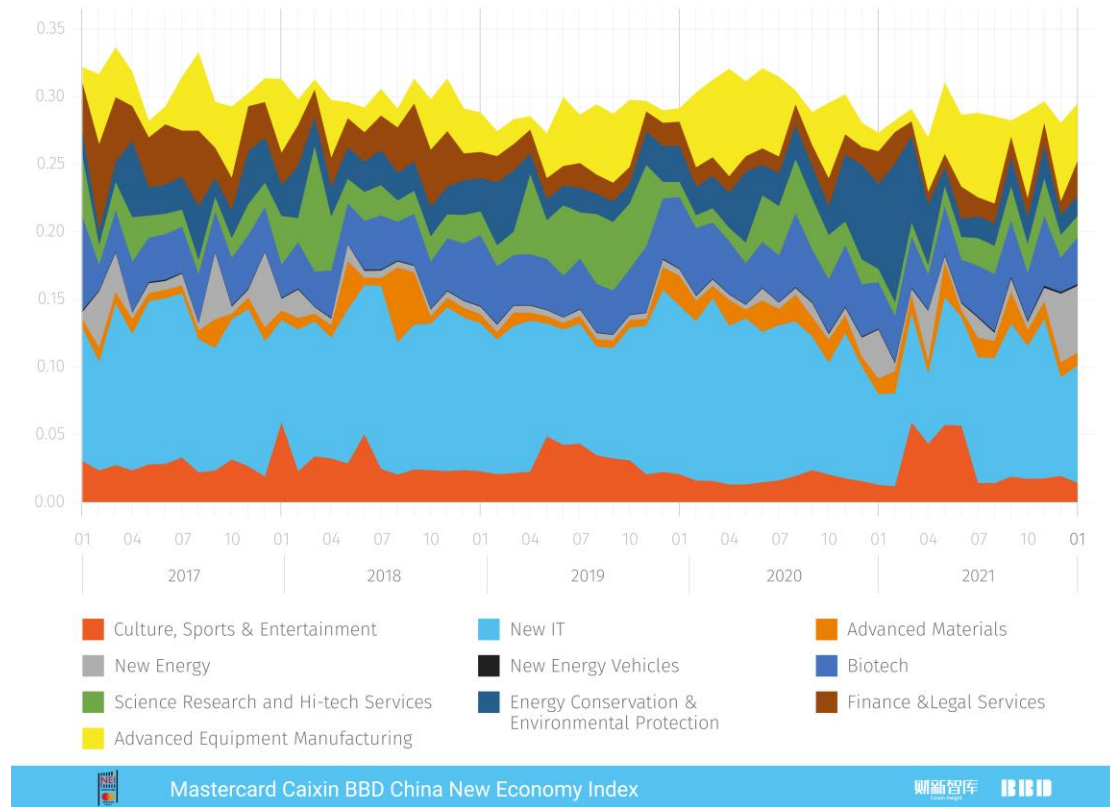
New economy is defined as following: 1) human capital intensive, technology intensive and capital light, 2) sustainable rapid growth, and 3) in line with the strategic new industries defined by the government. New economy covers 10 categories (Energy Conservation & Environmental Protection, New IT, Biotech, 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 8.7 ppts to New Economy Index, significantly



higher than that in December (Chart 3). However, the share of Finance & Legal Services increased significantly, up 1.6 ppts from December. Detailed data indicated that, the increase in Finance & Legal Services was due to higher venture capital ratio.

Chart 3: New Economy Sector Contribution Breakdown



New Economy Employment

In January 2022, the average monthly entry-level salary of the New Economy was RMB 13,242, increasing from last month's level of RMB 13,125 (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, increased to 4.2%, compared to 2.1% in December 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

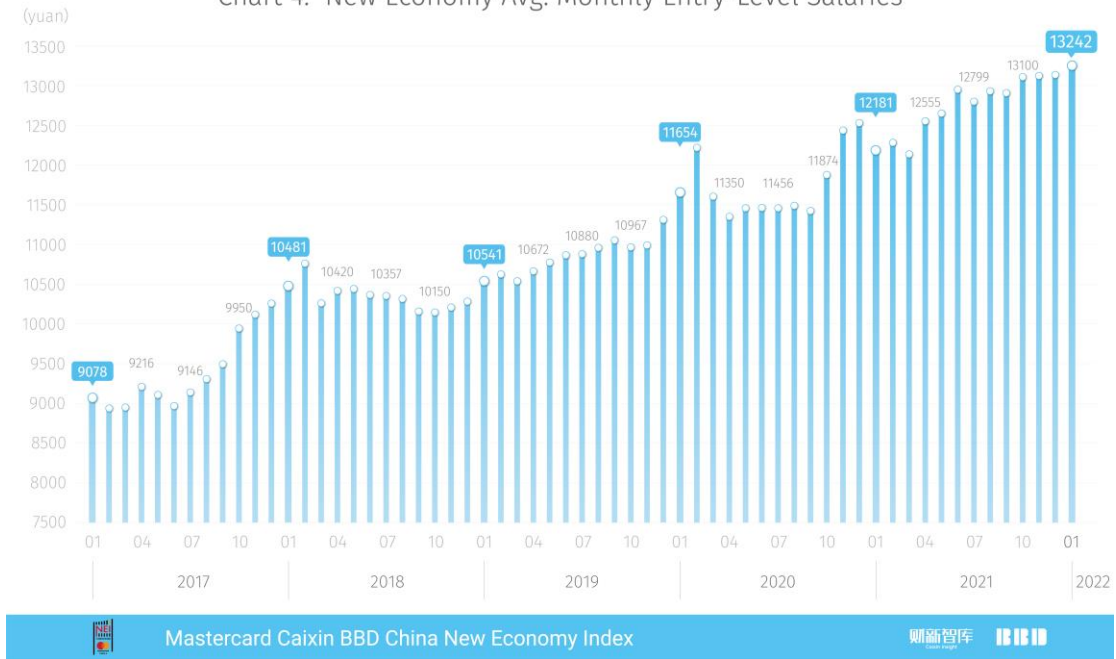
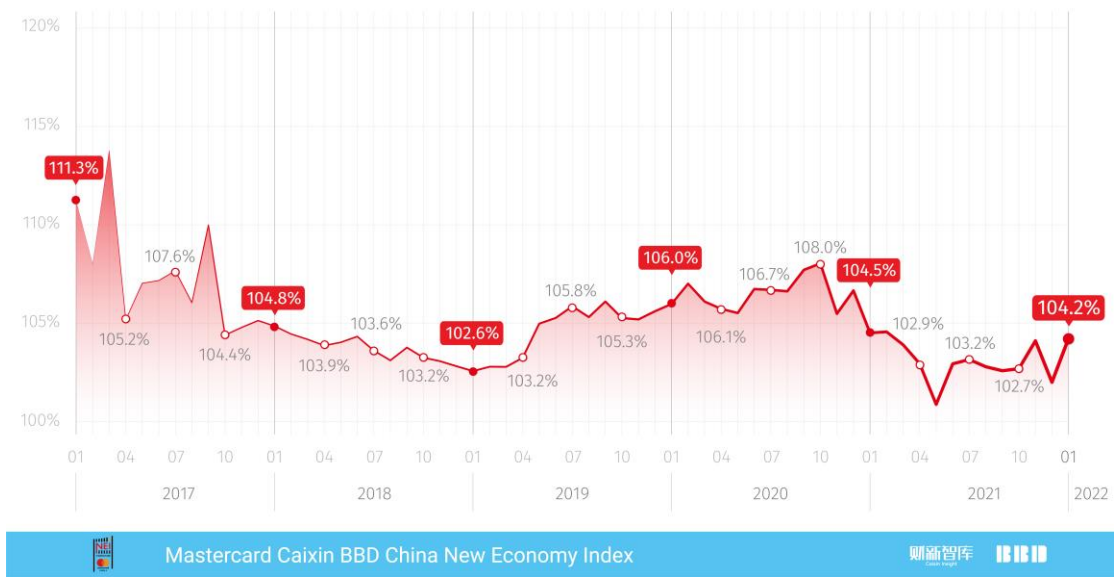


Chart 5: New Economy Entry-Level Salary Premium over Economy-wide Entry Level Salaries



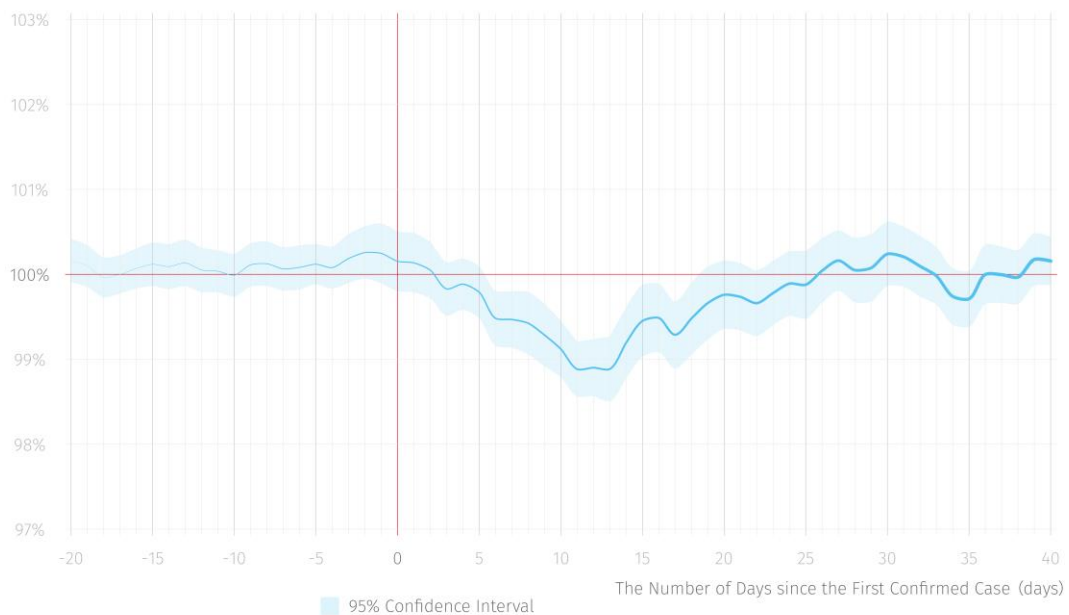
The Impact of COVID-19 on Consumption

This month, we explored the impact of epidemic prevention and control on consumption. We categorized the epidemics into 2 groups: epidemic with less than 10 confirmed cases in first 5 days and epidemic with 10+ confirmed cases in first 5 days. We followed the consumption changes with different confirmed cases in first 5 days by the people flow in business areas in various cities.



During the small outbreak of epidemic (Chart 6), the people flow in the local business districts did not drop significantly when the epidemic first hit. After 11 days of epidemic, compared to the national average level, the people flow decreased by 1.1% for each additional case, which was more significant when the epidemic occurred 6-18 days. The flow of people restored 20 days later.

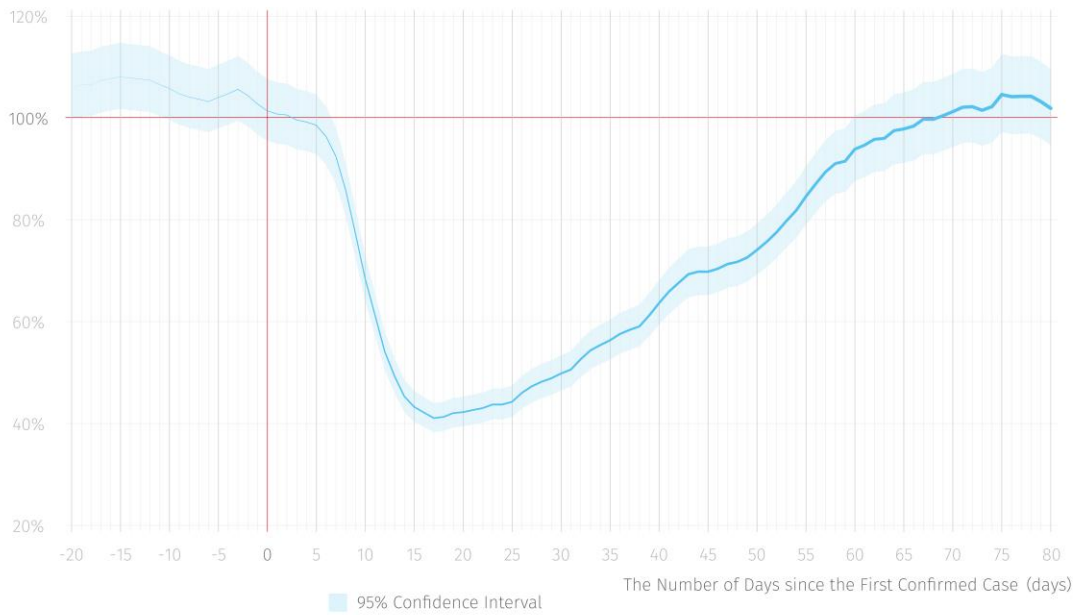
Chart 6: Offline Consumption Change with 10- Confirmed Cases in First 5 Days



Harbin, Yangzhou, Xi'an and other cities imposed lockdowns and stay-at-home orders due to the outbreak of COVID-19, which brought negative impact on offline consumption. If confirmed cases surged across the city (Chart 7), the people flow of local business district dropped rapidly after 5 days of outbreak and reached the bottom 18 days later, decreasing to 58.7% of averaged flow. With the control of the epidemic, the flow of people recovered slowly, rebounding to the level before epidemic two months later. Therefore, the intensity of loss and the duration of impact of the epidemic with 10+ confirmed cases in first 5 days were far greater than that of the small outbreaks, and the cost of prevention and control was higher under zero-COVID strategy as well. Based on the average loss of two months' people flow, offline consumption will decrease by 5.5% in annual sense.

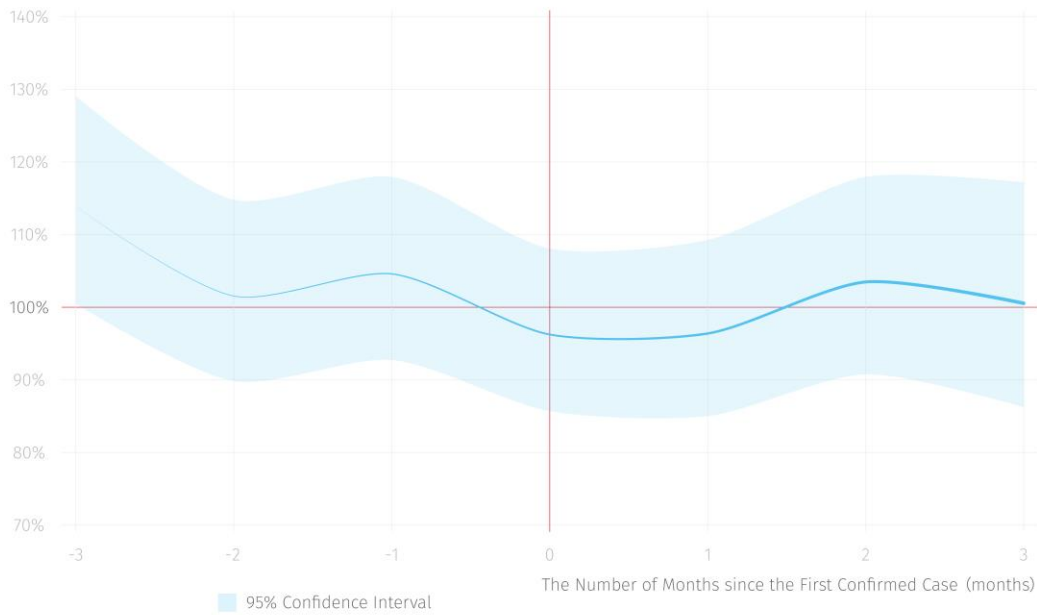


Chart 7: Offline Consumption Change with 10+ Confirmed Cases in First 5 Days



Different from offline consumption, online consumption was basically not affected by the epidemic (Chart 8). Online consumption decreased slightly in the first two months of outbreak, and rebounded to its normal level in the following month. Data showed the outbreak of epidemic brought greater negative impacts on offline consumption than online consumption, and the loss of offline consumption was not offset by gains in online consumption in epidemic days.

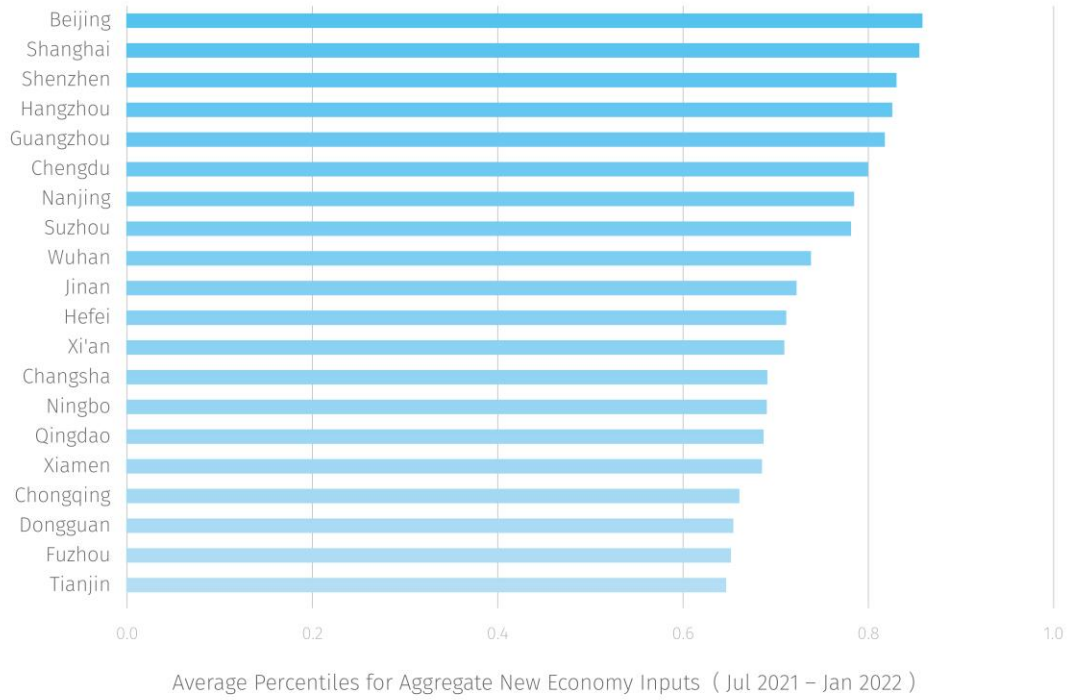
Chart 8: Impact of Epidemic on Online Consumption



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 January, the top five cities were Beijing, Shanghai, Shenzhen, Hangzhou and Guangzhou.

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

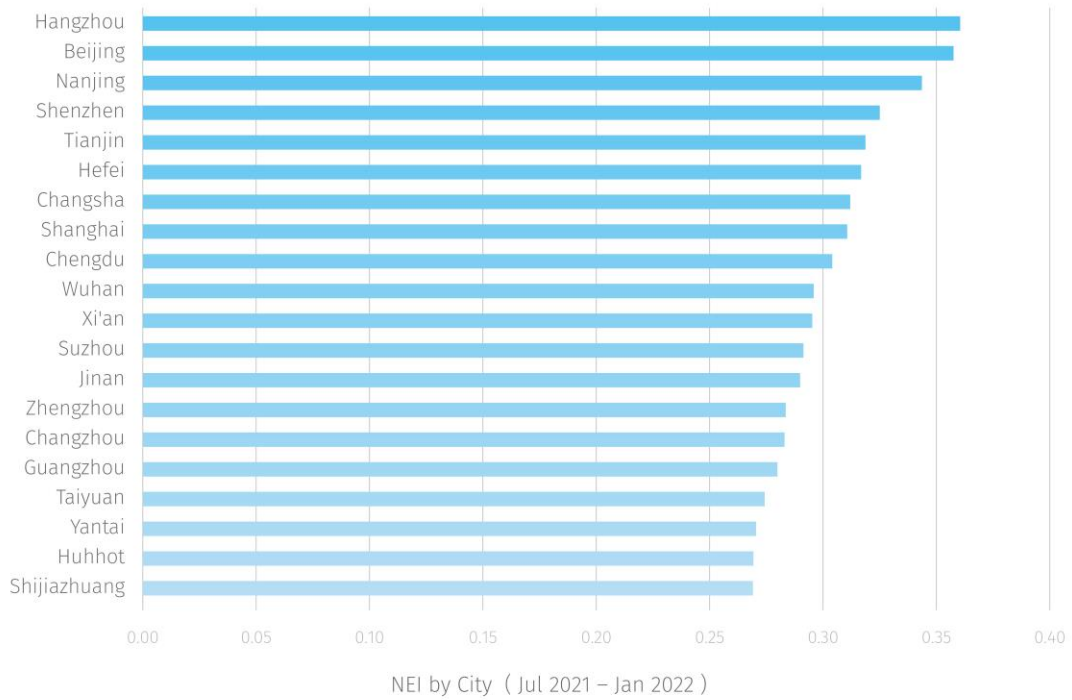


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Chart 10 showed the average NEI city rankings between July 2021 and January 2022. The top five cities were Hangzhou, Beijing, Nanjing, Shenzhen and Tianjin.



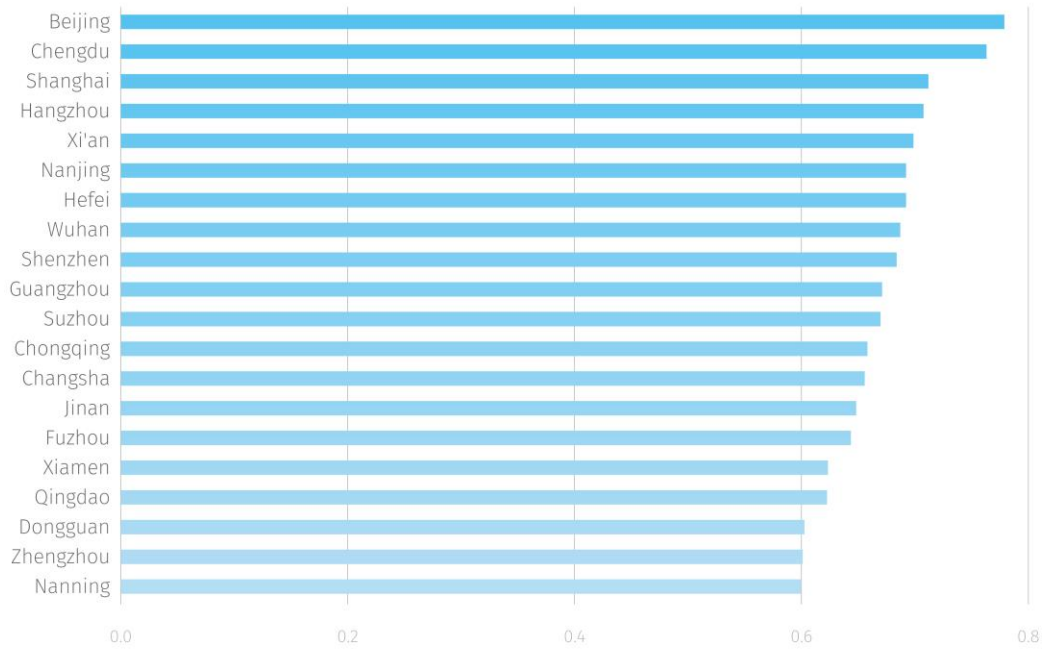
Chart 10: China's Top 20 Cities Ranked by Average NEI



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, Shanghai, Hangzhou and Xi'an, following by Nanjing and Hefei.



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 (Jul 2021 – Jan 2022)

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The Mastercard Caixin BBD China New Economy Index is the fruit of a research partnership between Caixin Insight Group and BBD, in collaboration with the National Development School, Peking University. The subject of a year of research, the NEI was first publically released on March 2, 2016 and will be issued the 2nd of every month at 10:00am China Standard Time.

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