



May 2022

# Mastercard Caixin BBD China New Economy Index

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## Overview

In May 2022, the Mastercard Caixin BBD New Economy Index (NEI) reading came in at 28.5, indicating that the new economy accounted for 28.5% of overall economic input activities that month, down 0.3 ppts from April 2022 (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. From 2021 to the first quarter of 2022, NEI has rebounded, but declined recently due to local epidemics.

Chart 1: China Monthly New Economy Index

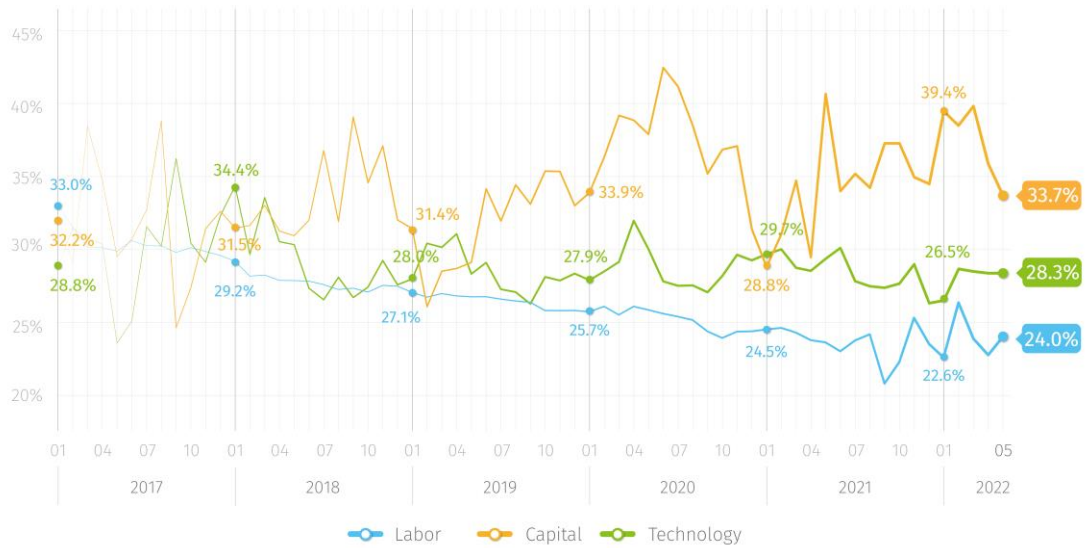


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The NEI includes labor, capital and technology inputs that account for 40%, 35% and 25% of the total weights of the index, respectively. The decreasing NEI was attributed to the decrease in capital inputs. Capital input decreased to 33.7 this month, with 2.2 MoM decrease. Labor input index increased to 24.0 this month, with 1.2 MoM increase. Technology input index came in at 28.3 this month, same as last month (Chart 2). Taking the weights into account, percentage changes in labor, capital and technology inputs were 0.5, -0.8, and 0.0 ppts, respectively. The net NEI change was -0.3 ppts in total.



Chart 2: NEI Primary Input Index



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 venture capital in new economy industries decreased continuously, which accounted for the most decrease in NEI.

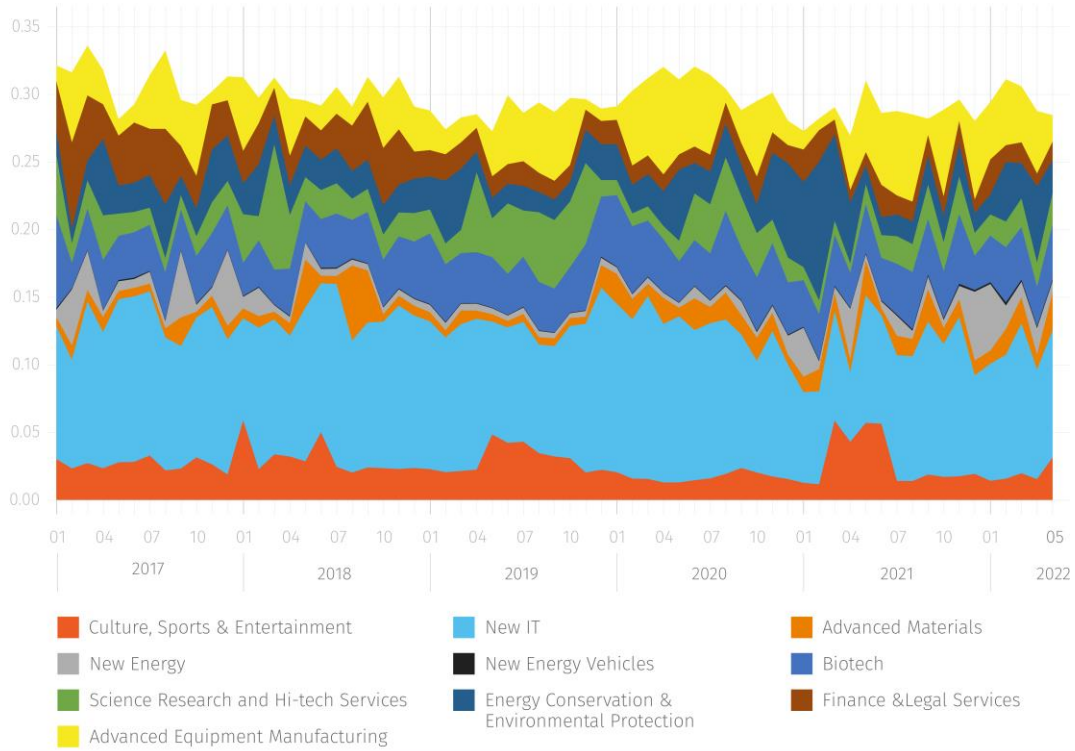
### New Economy Sector

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 9.4 pts to New Economy Index, up 1.3 pts (Chart 3). Energy Conservation & Environmental Protection and Advanced Equipment Manufacturing industries declined significantly this month, with 3.1 and 2.7 pts decrease respectively. Detailed data indicated that, the decrease was due to the decline of the ratio of venture capital in these industries.



Chart 3: New Economy Sector Contribution Breakdown



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### New Economy Employment

In May 2022, the average monthly entry-level salary of the new economy was RMB 13,550, decreasing from last month's level of RMB 13,768 (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 4.6%, compared to 2.8% in April 2022 (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

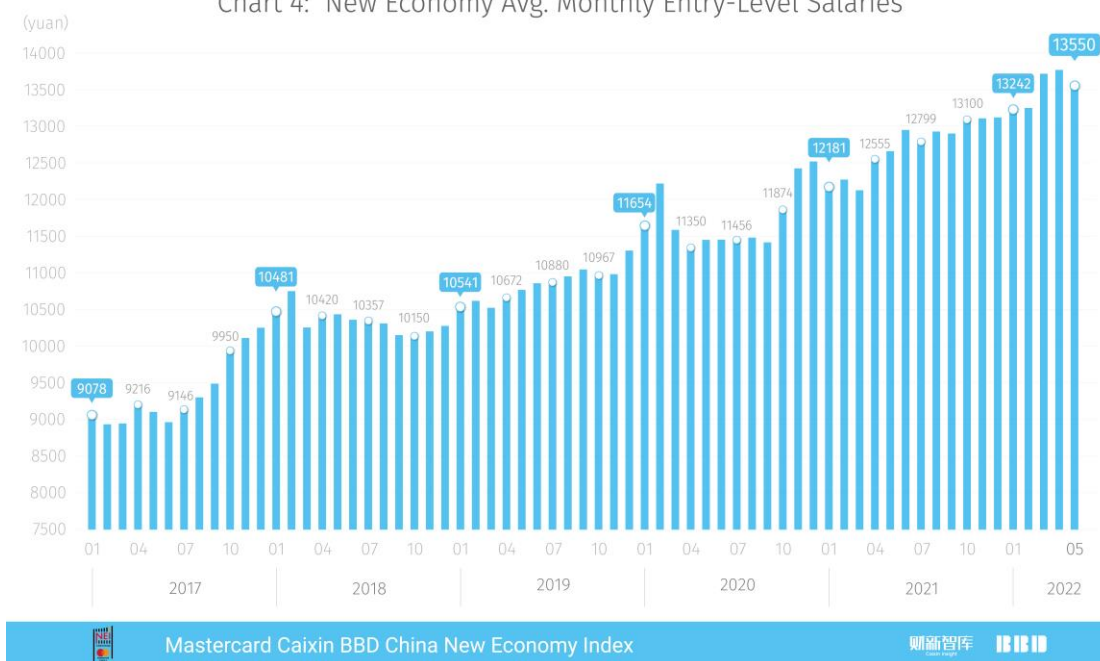
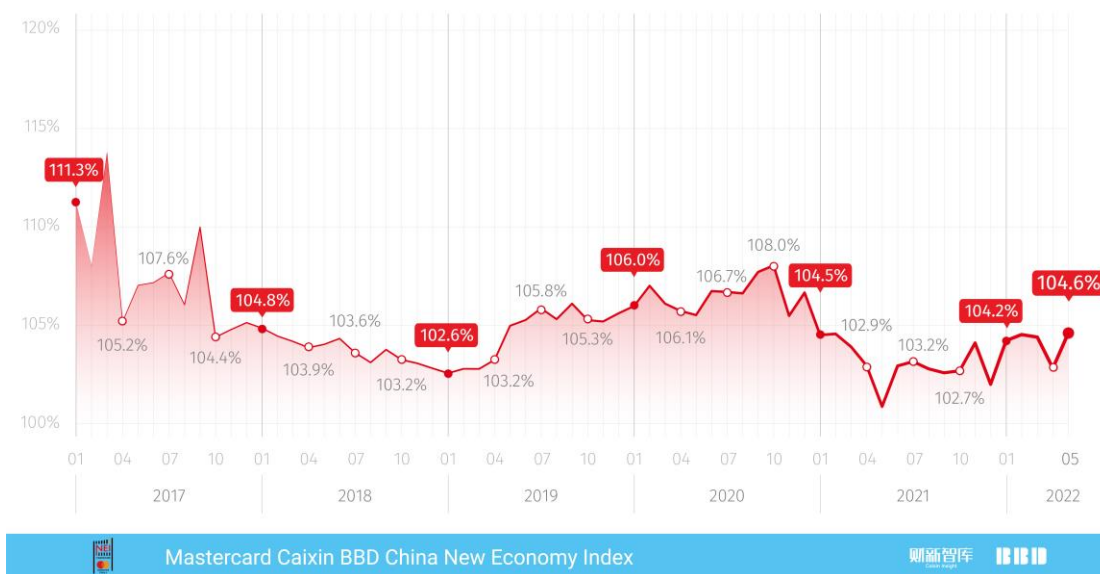


Chart 5: New Economy Entry-Level Salary Premium over Economy-wide Entry Level Salaries



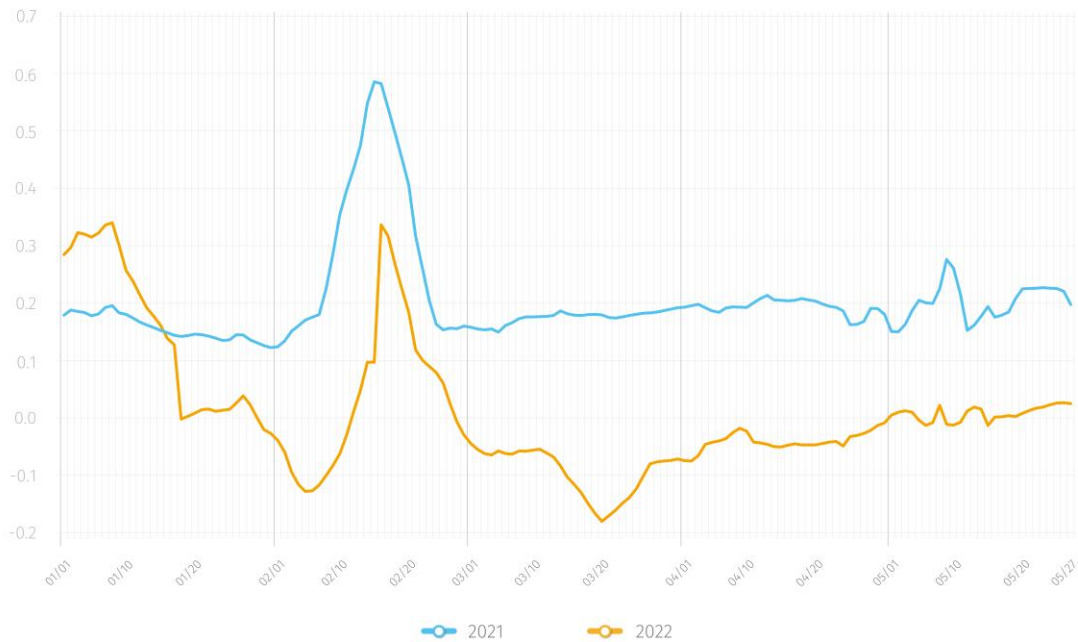
### The Impact of COVID-19 on Economy

This month, we explored the change in consumption after the epidemic. In early June, The epidemics in Beijing and Shanghai were ending, and major cities returned to normal life with normalized nucleic acid testing in near future. Comparing the daily consumption data of Shenzhen in 2021 and 2022 (Chart 6), the consumption in 2022 remained weak and did not fully recover even if there were no local confirmed cases in the last month and a half, which might



be due to the changes in income expectation.

Chart 6: Consumption of Shenzhen



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Chart 7 and Chart 8 showed the comparison of consumption by category before and after multiple epidemics in past three years. After the epidemics in 2020 and 2021, the consumption of medicine recovered fastest, while kitchenware, shoes, daily accessories and fresh food recovered slowly. However, after the recent Omicron epidemic, the categories with fastest recovery rate were shoes, book, kitchenware and food and beverage. After the outbreak in 2020 and 2021, people preferred to buy products that helped them return to the normal life, but in 2022, people would prepare for the next outbreak by purchase of necessities. The impact of the epidemic on consumer purchasing behavior might be far-reaching.

Chart 7: Post-Pandemic Recovery on Consumer Goods in 2021

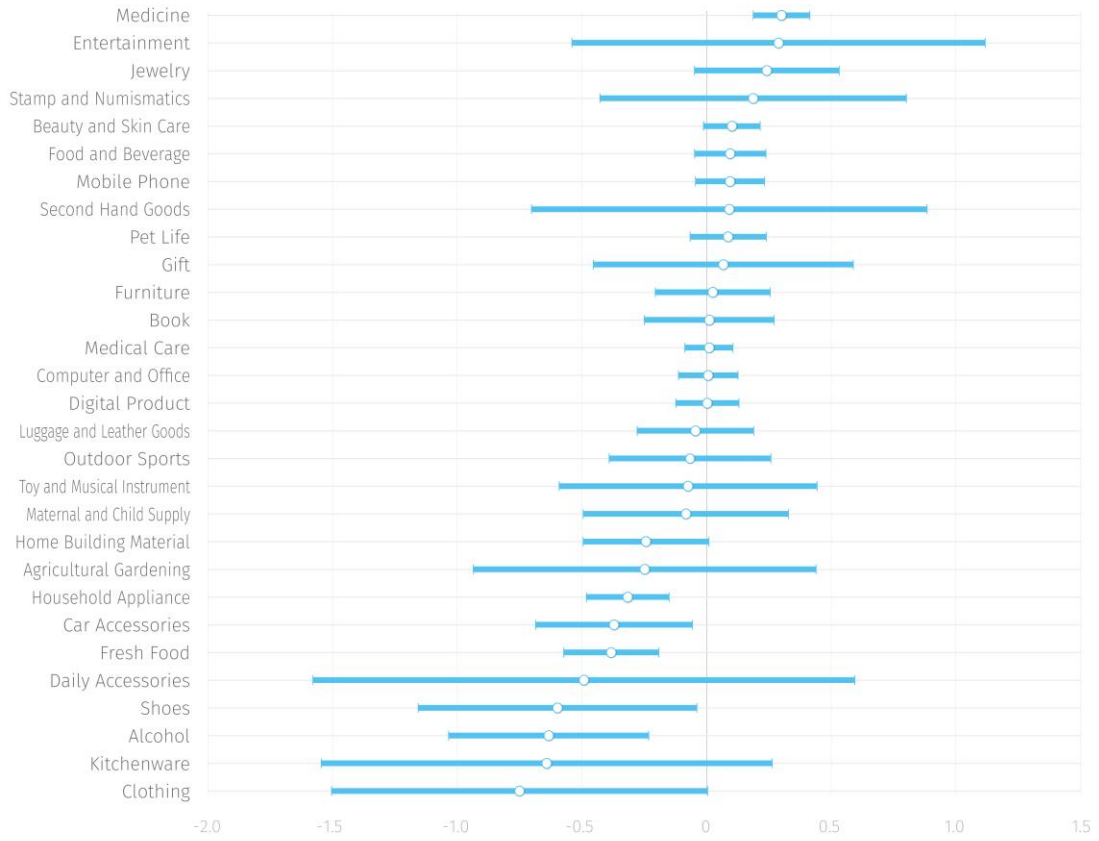
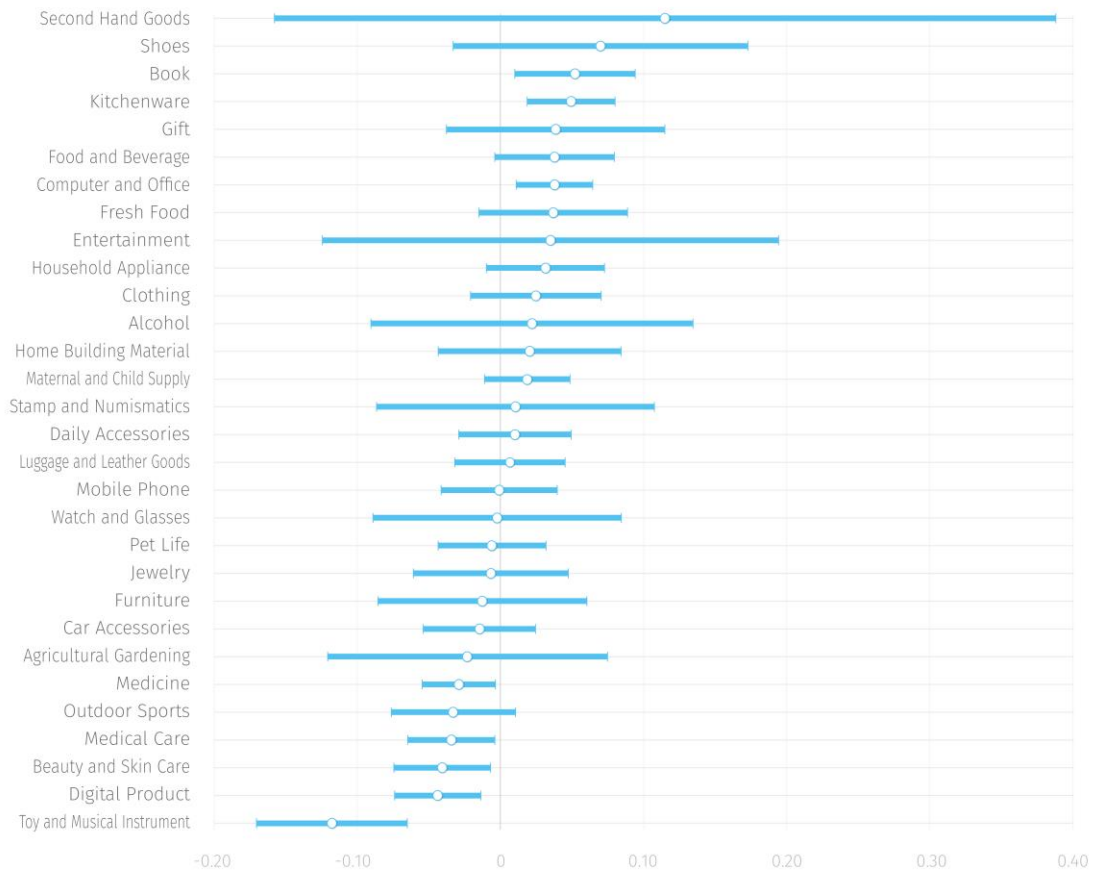


Chart 8: Post-Pandemic Recovery on Consumer Goods in 2022



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

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

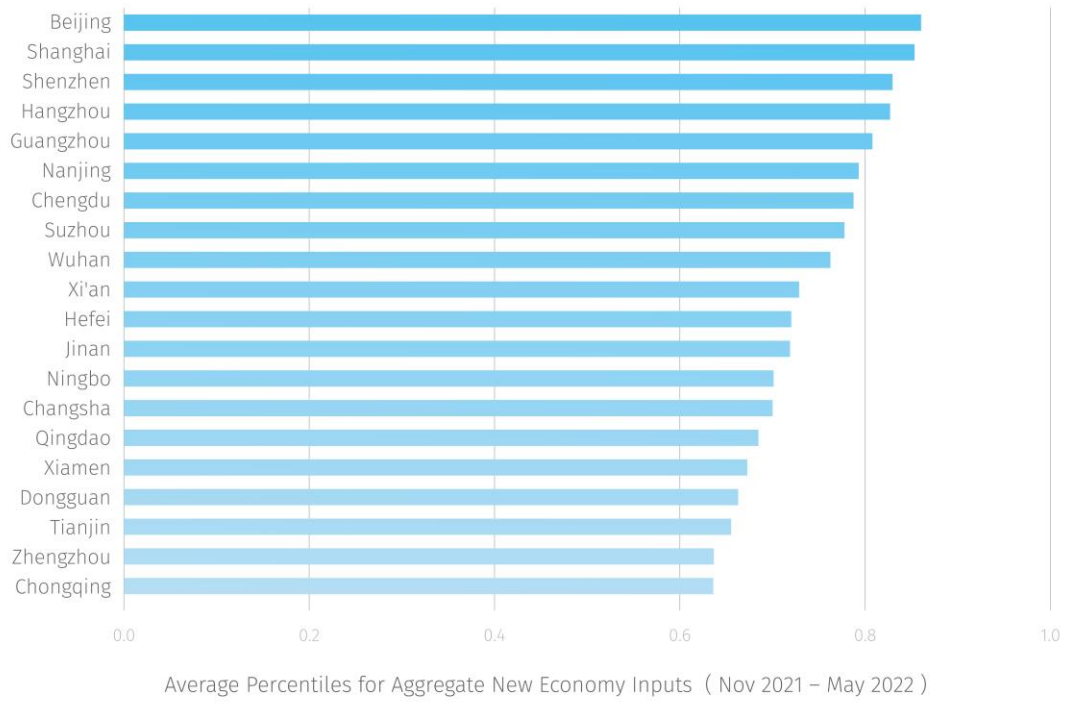
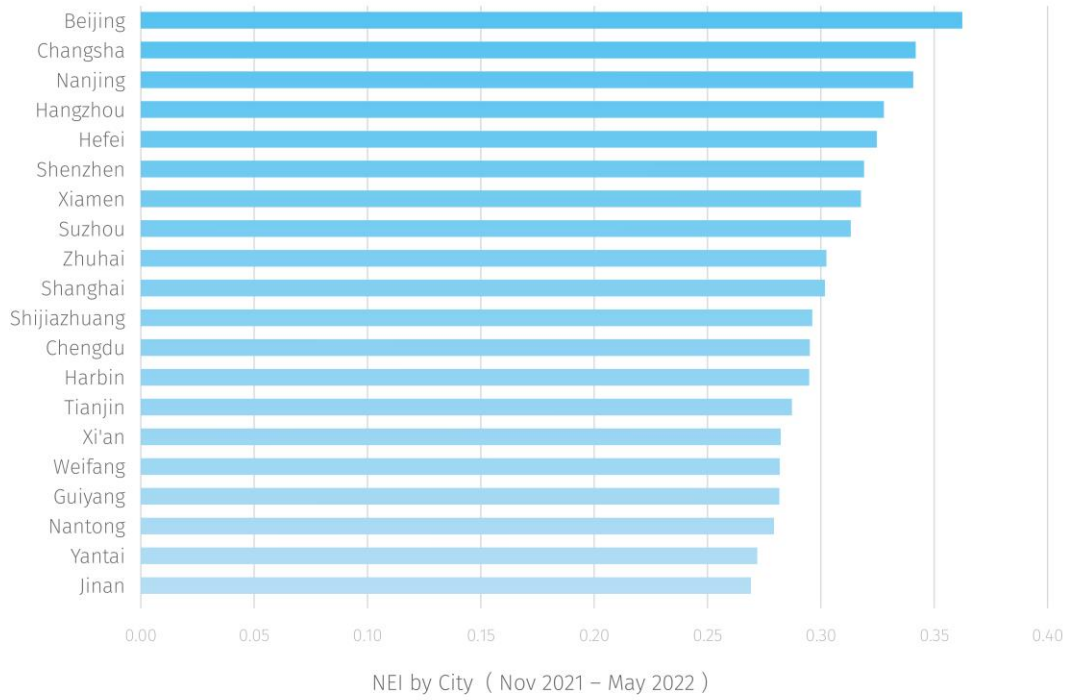


Chart 10 showed the average NEI city rankings between November 2021 and May 2022. The top five cities were Beijing, Changsha, Nanjing, Hangzhou, and Hefei.





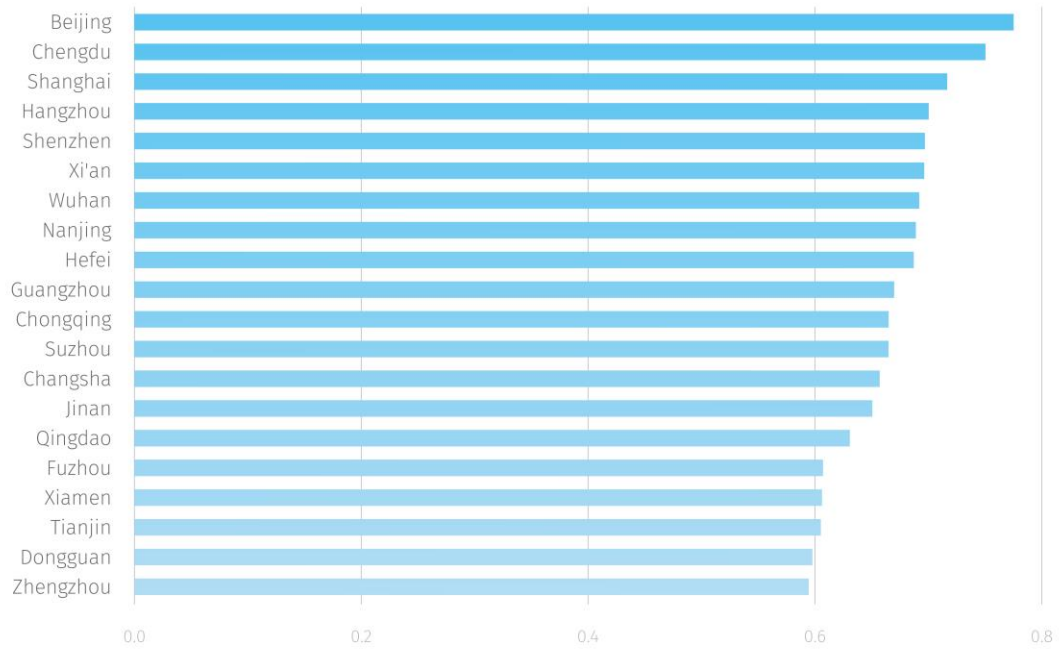
Chart 10: China's Top 20 Cities Ranked by Average NEI



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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, Shanghai, Hangzhou and Shenzhen, following by Xi'an and Wuhan.

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 (Nov 2021 – May 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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