

October 2022

Caixin BBD China New Economy Index

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Overview

In October 2022, the 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 1.8 ppts from September 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. NEI has rebounded since 2021.

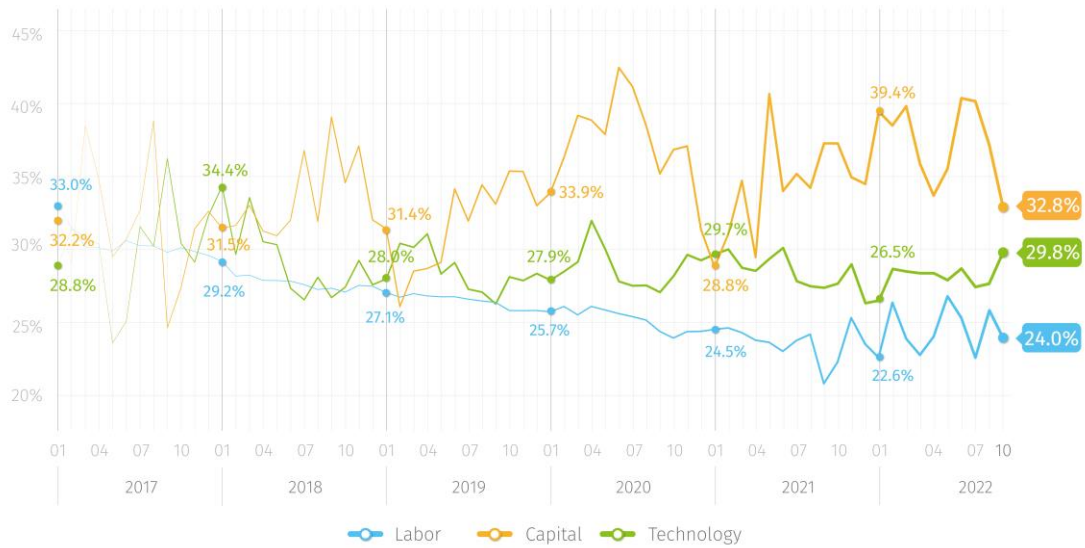
Chart 1: China Monthly New Economy Index



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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 32.8 this month, with 4.4 MoM decrease. Labor input index decreased to 24.0 this month, with 1.9 MoM decrease. Technology input index came in at 29.8 this month, with 2.1 MoM increase (Chart 2). Taking the weights into account, percentage changes in labor, capital and technology inputs were -0.8, -1.5, and 0.5 ppts, respectively. The net NEI change was -1.8 ppts in total.

Chart 2: NEI Primary Input Index



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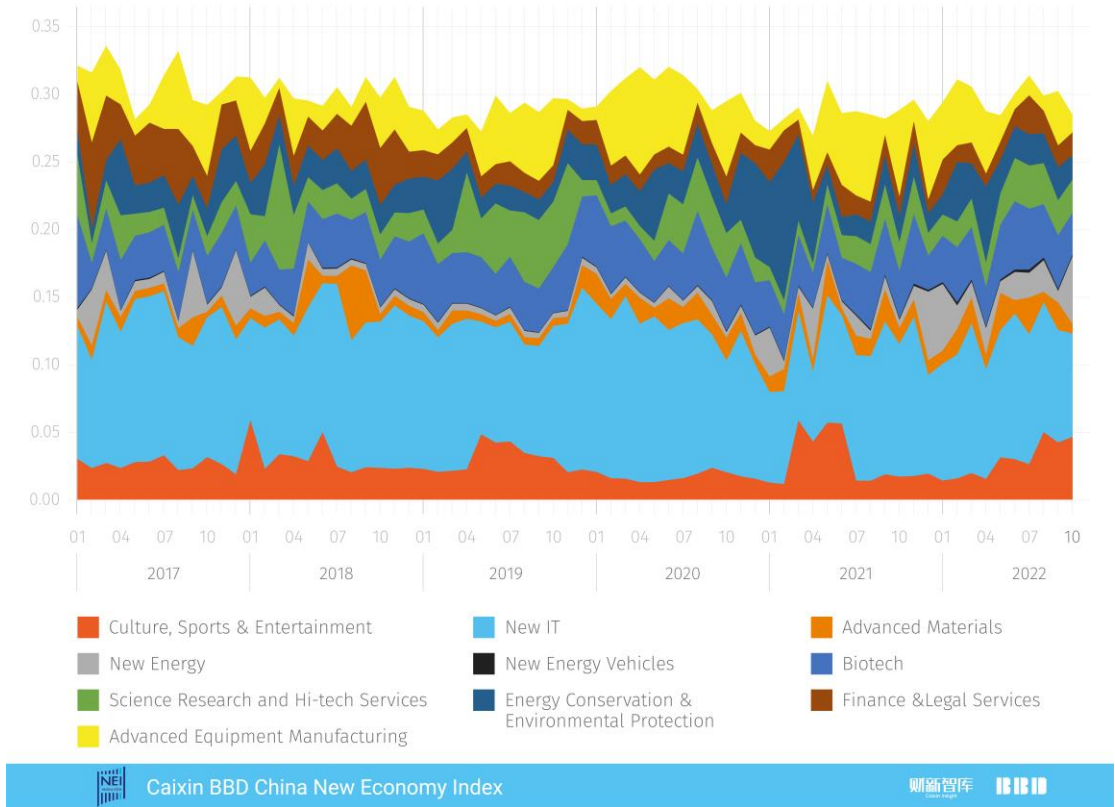
The capital input index is composites of four sub-indicators: the ratio of venture capital in new economy industries, the ratio of invitation for bid in new economy industries, the ratio of capitalization of enterprises applying for the "New Three Board" in new economy industries, and scale of new enterprises in new economy industries. This month, the ratio of venture capital in new economy industries decreased significantly, 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 7.7 ppts to New Economy Index, accounting for the largest proportion of the New Economy Index (Chart 3). New Energy increased significantly this month, with 4.2 ppts increase. Detailed data indicated that, the increase of New Energy was due to the increase of the scale of new enterprises.

Chart 3: New Economy Sector Contribution Breakdown



New Economy Employment

In October 2022, the average monthly entry-level salary of the new economy was 14,218 RMB, increasing from last month's level of RMB 14,057 (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, came in at 3.7%, the same as September 2022 (Chart 5). The wages are compiled from online websites of career platforms and recruitment services where job openings are listed.

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

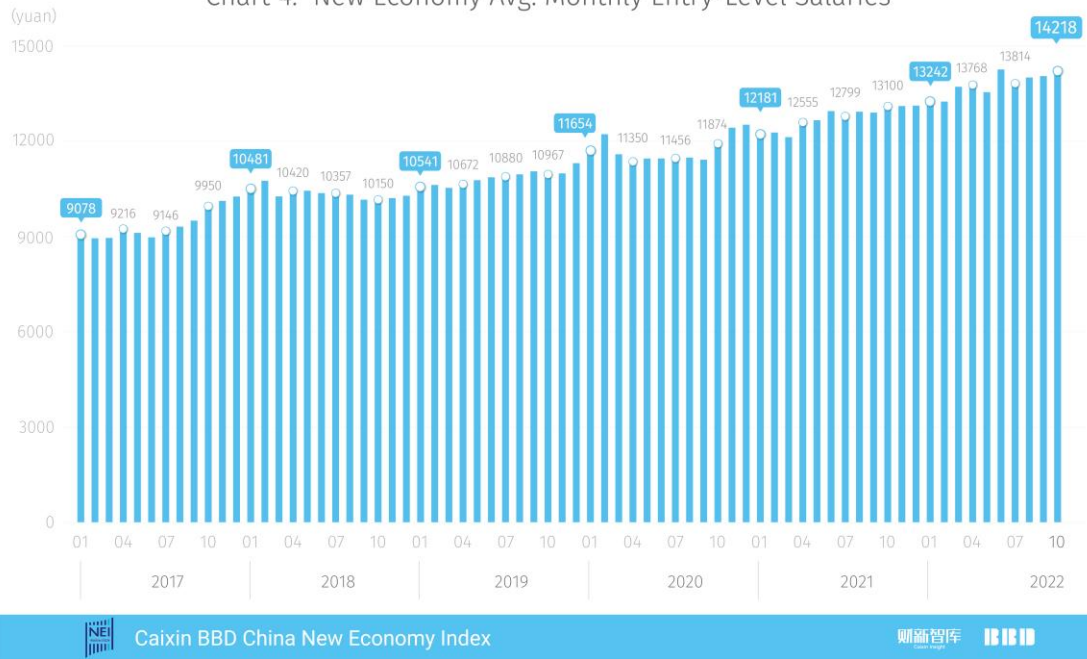
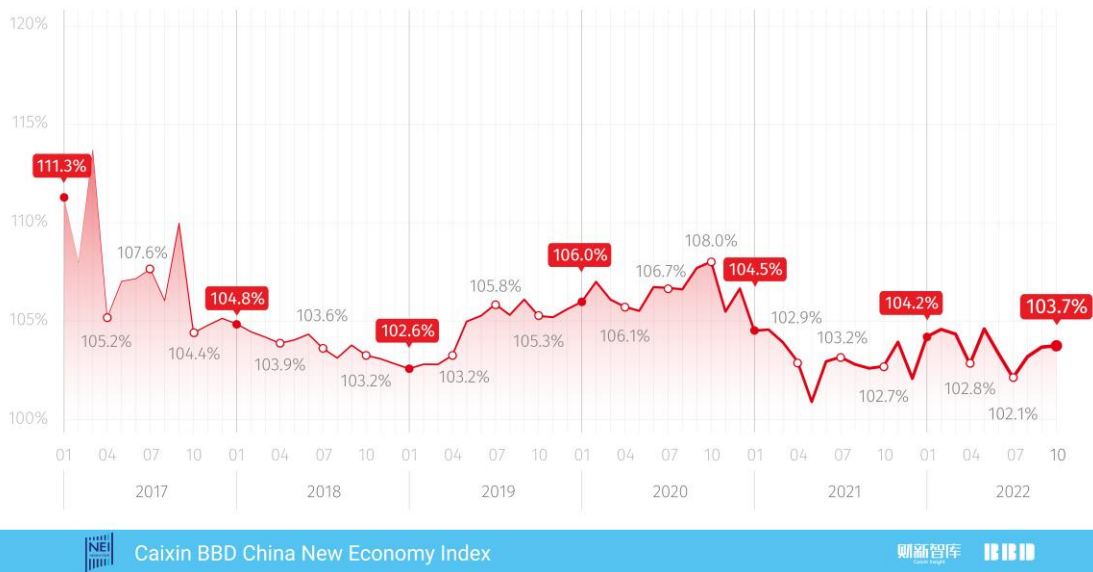


Chart 5: New Economy Entry-Level Salary Premium over Economy-wide Entry Level Salaries



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 6. In October, the top five cities were Beijing, Shanghai, Hangzhou, Guangzhou and Shenzhen.

Chart 6: China's Top 20 Cities Ranked by New Economy Sector Output

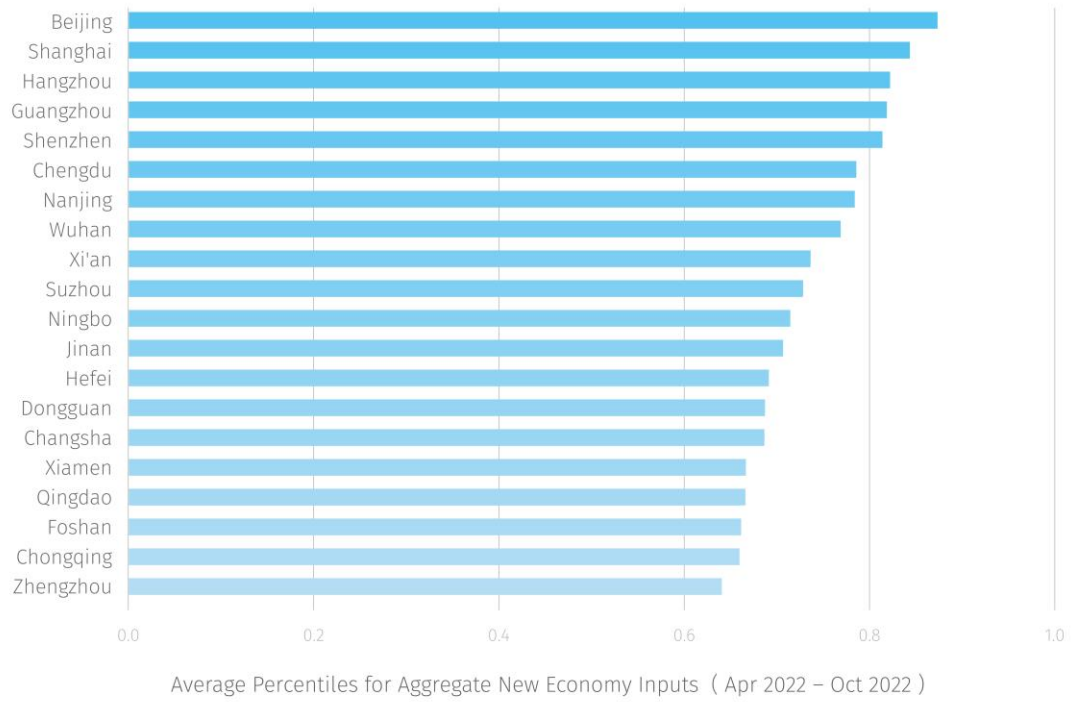
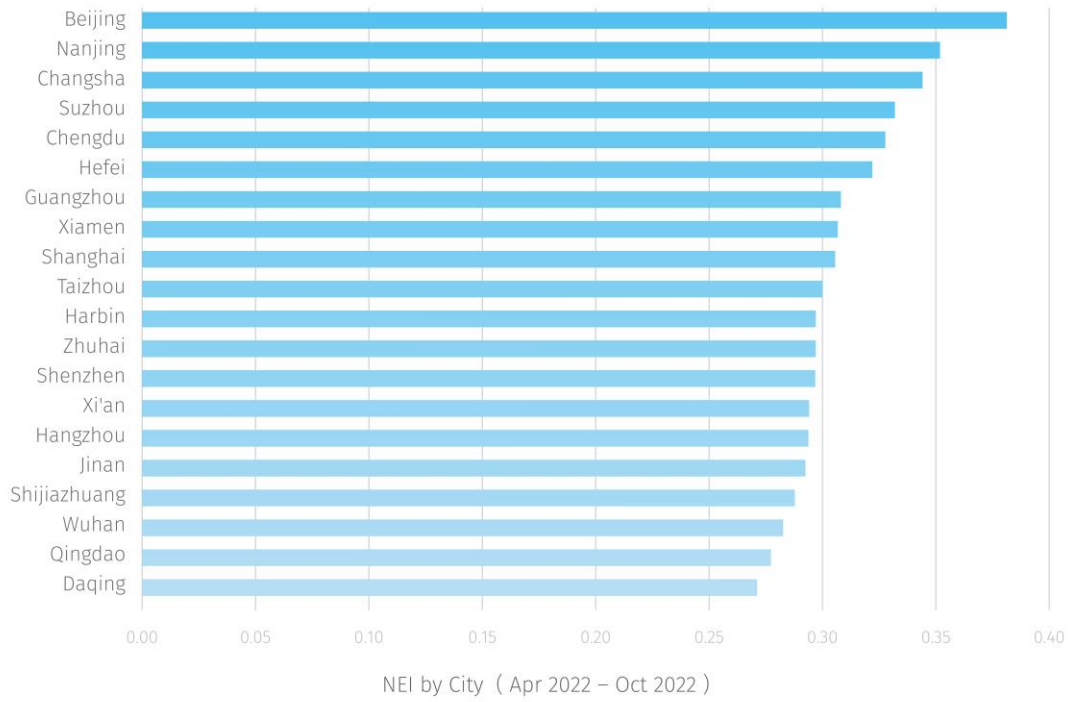


Chart 7 showed the average NEI city rankings between April 2022 and October 2022. The top five cities were Beijing, Nanjing, Changsha, Suzhou and Chengdu.



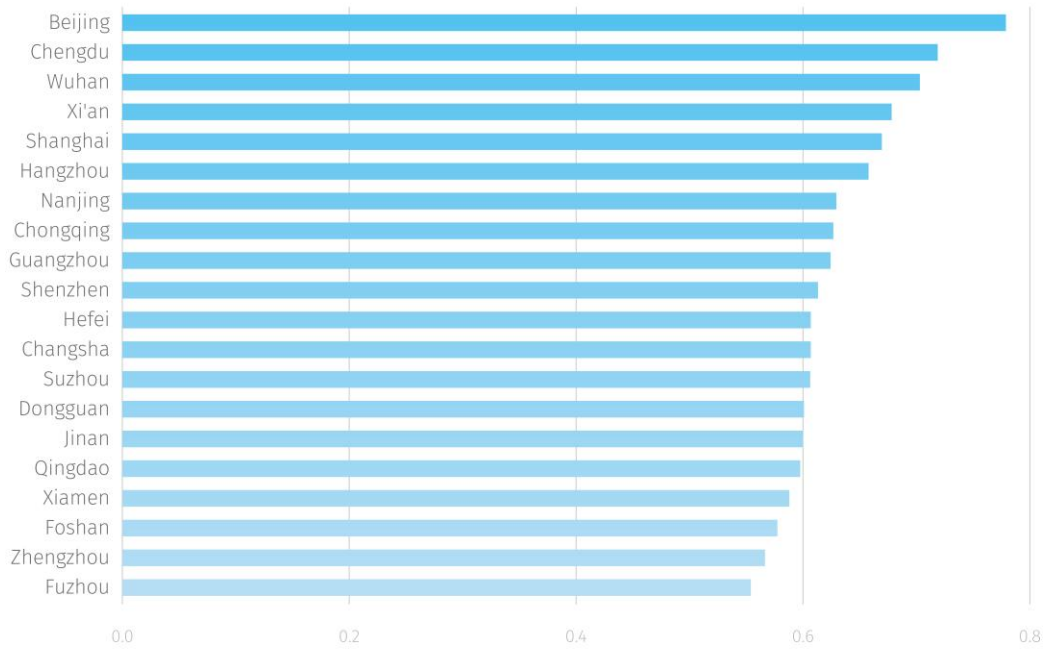
Chart 7: China's Top 20 Cities Ranked by Average NEI



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 8). After the adjustment, the top five cities were Beijing, Chengdu, Wuhan, Xi'an and Shanghai, following by Hangzhou and Nanjing.



Chart 8: 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 (Apr 2022 – Oct 2022)



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The 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.

About Caixin

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