

December 2022

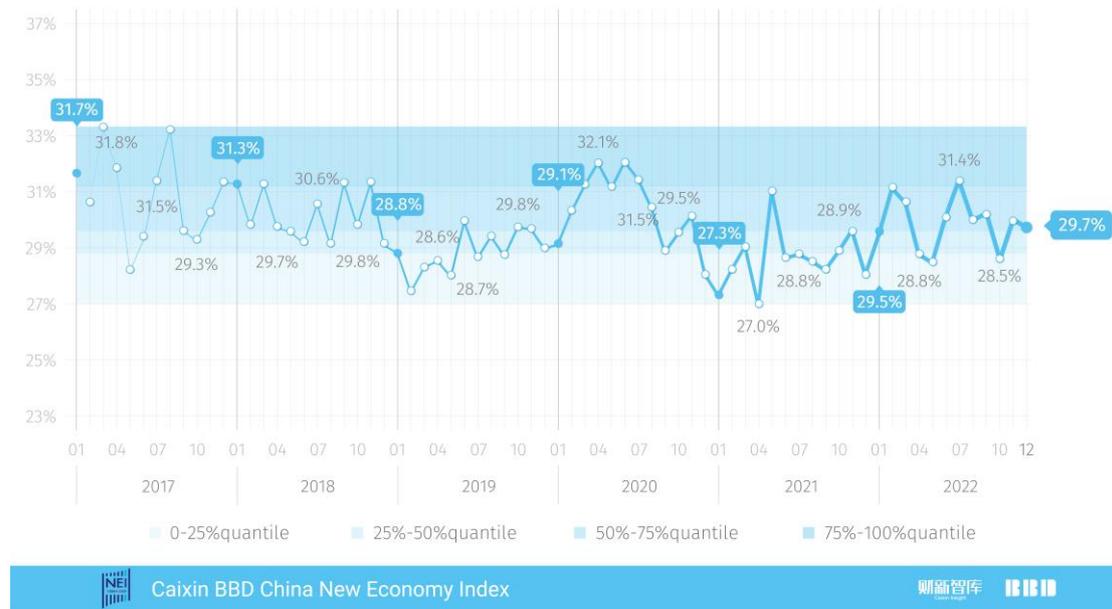
Caixin BBD China New Economy Index

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Overview

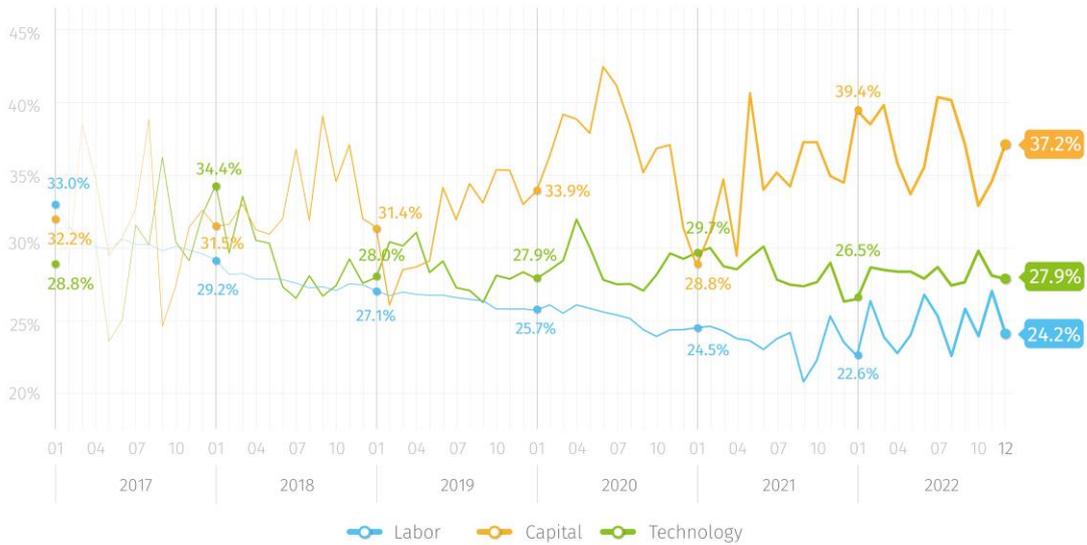
In December 2022, the Caixin BBD New Economy Index (NEI) reading came in at 29.7, indicating that the new economy accounted for 29.7% of overall economic input activities that month, down 0.3 pts from November 2022 (Chart 1). After the outbreak of COVID-19 in early 2020, NEI kept going up for several 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



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 24.2 this month, with 2.9 MoM decrease. Capital input index came in at 37.2 this month, with 2.5 MoM increase. Technology input decreased to 27.9 this month, with 0.3 MoM decrease (Chart 2). Taking the weights into account, percentage changes in labor, capital and technology inputs were -1.2, 0.9, and -0.1 pts, respectively. The net NEI change was -0.3 pts in total.

Chart 2: NEI Primary Input Index



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 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 9.6 pts to New Economy Index, accounting for the largest proportion of the New Economy Index (Chart 3). Scientific research and technology services industry increased significantly this month, with 0.8 pts increase. Detailed data indicated that, the increase of Scientific research and technology services industry was due to the increase of the ratio of registered capital of enterprises applying for the New Third Board and the Science and Technology Innovation Board.



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

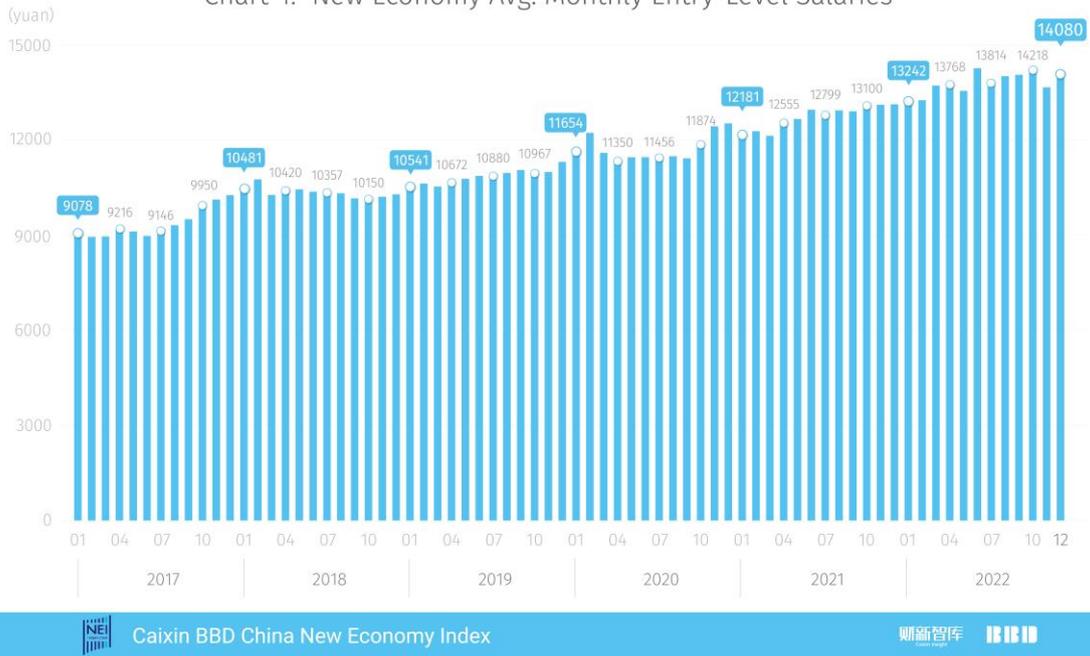
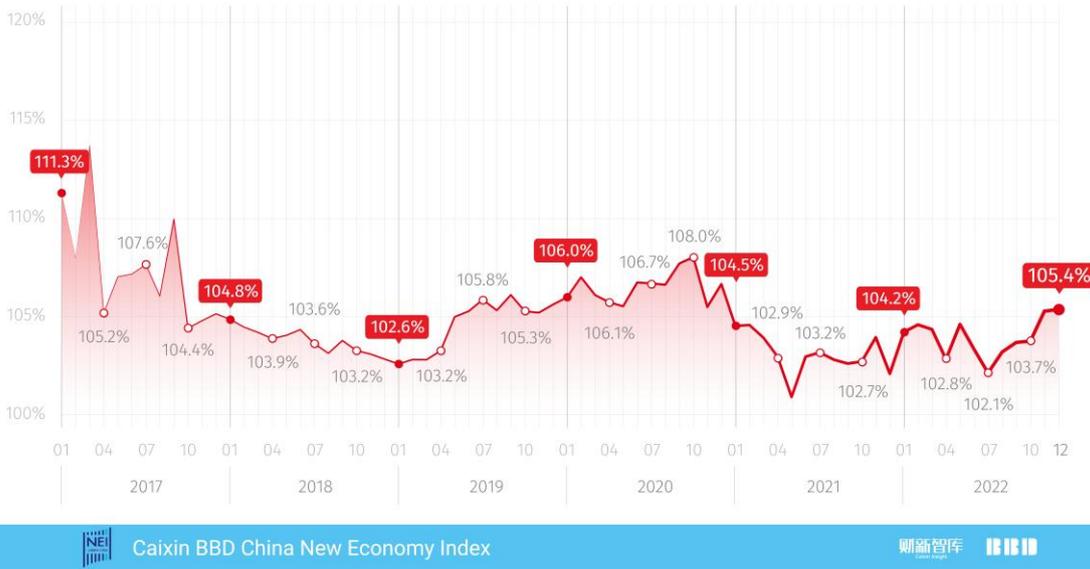


Chart 5: New Economy Entry-Level Salary Premium over Economy-wide Entry Level Salaries



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

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

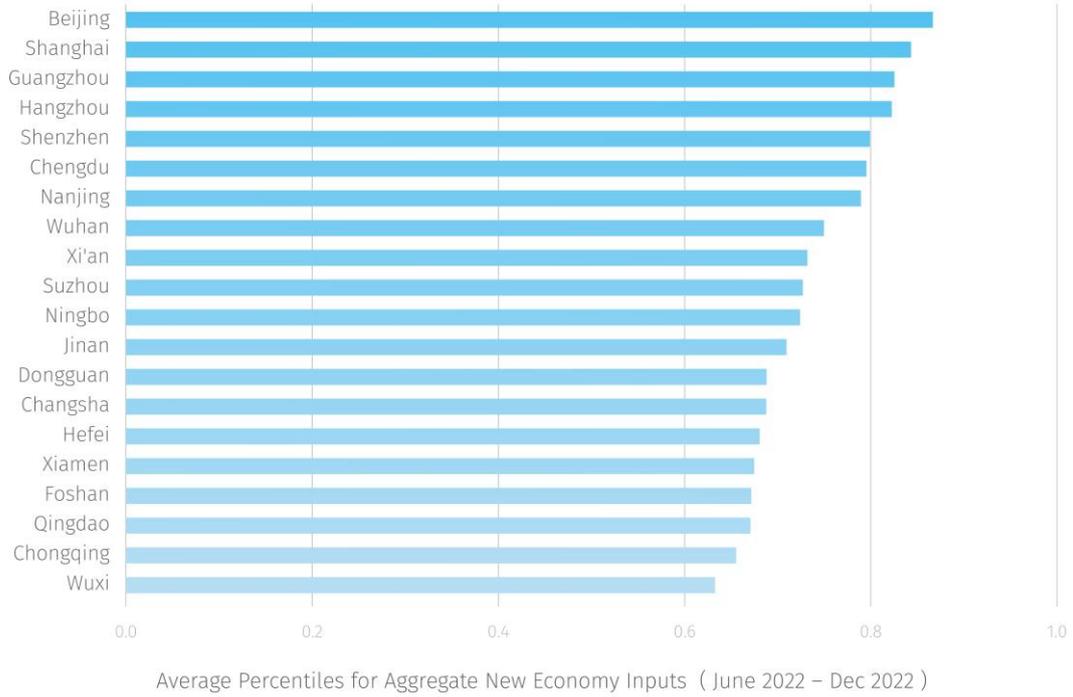
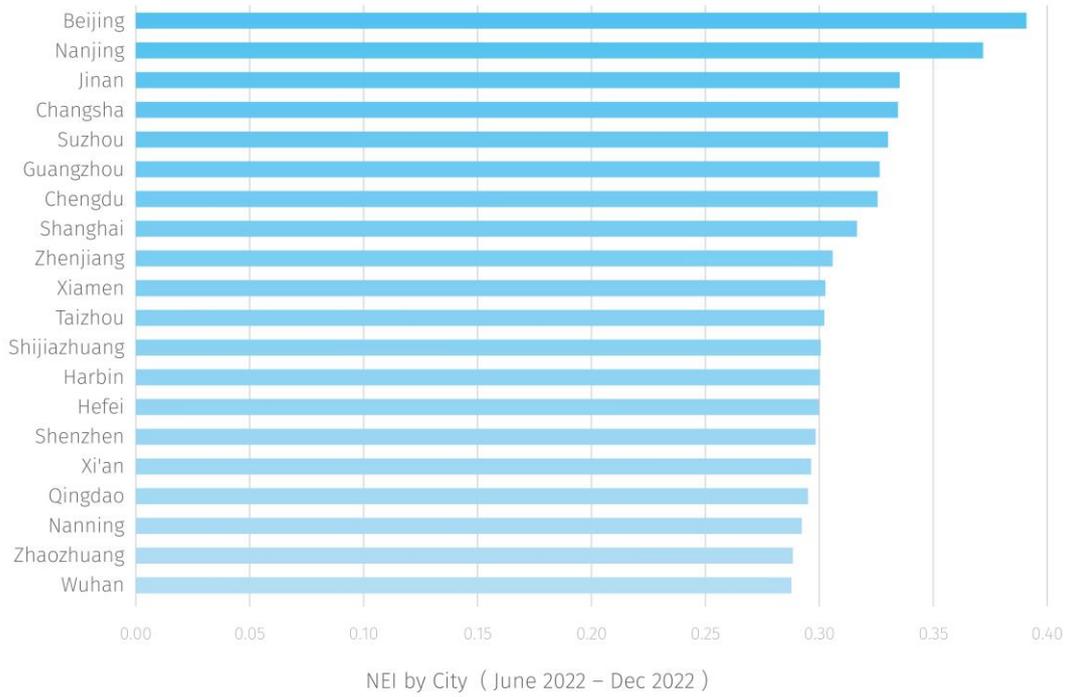


Chart 7 showed the average NEI city rankings between June 2022 and December 2022. The top five cities were Beijing, Nanjing, Jinan, Changsha and Suzhou.



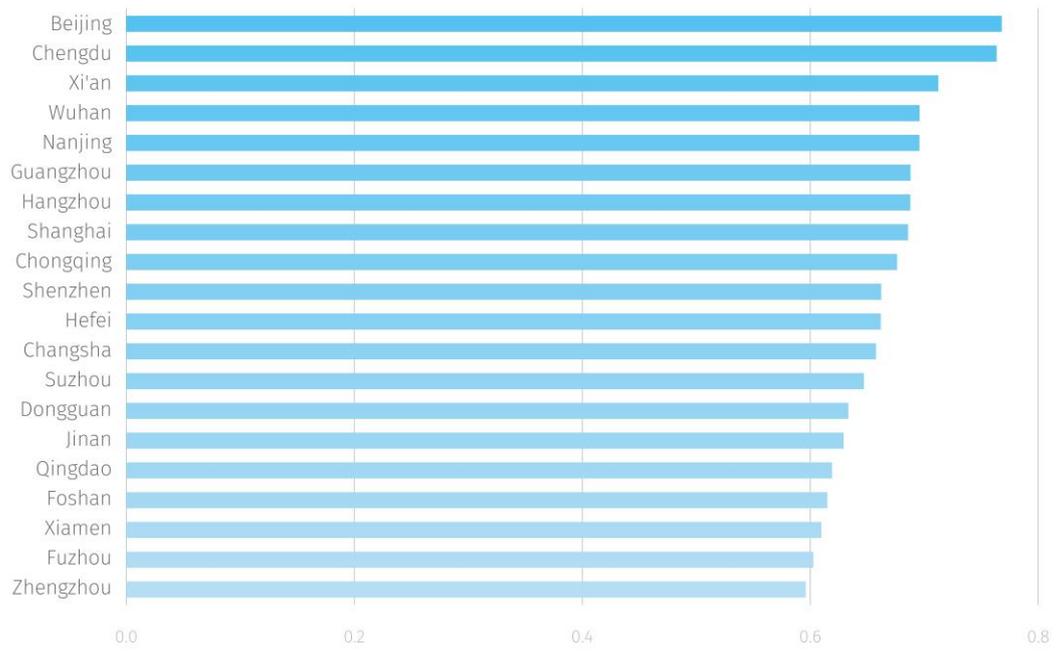
Chart 7: China's Top 20 Cities Ranked by Average NEI



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, Xi'an, Wuhan and Nanjing, following by Guangzhou and Hangzhou.



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 (June 2022 – Dec 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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