

May 2020

Mastercard Caixin BBD China New Economy Index

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Overview

In May 2020, the Mastercard Caixin BBD New Economy Index (NEI) reading came in at 31.1, indicating that the New Economy accounted for 31.1% of overall economic input activities that month, down 1.0 ppts from April (Chart 1). The declining NEI was attributed to the decrease in technology inputs. 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. Please refer to our previous reports (March 2016 and March 2017) for the list of NEI sectors.

Chart 1: China Monthly New Economy Index



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Primary Inputs

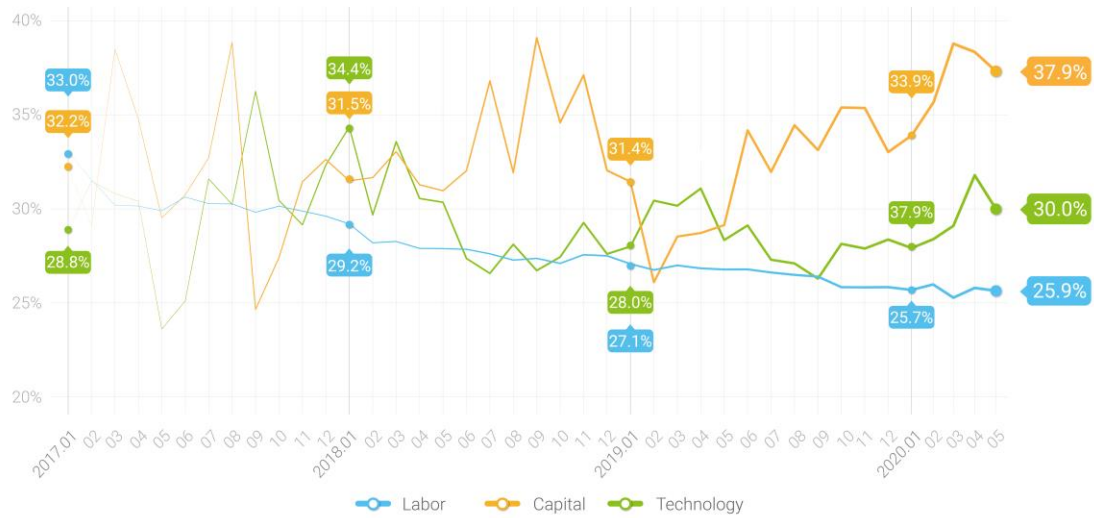
The NEI includes labor, capital and technology inputs that account for 40%, 35% and 25% of the total weights of the index, respectively. The declining NEI was attributed to the decrease in technology inputs (Chart 2). Technology input index was on an uptrend since September 2019, coming in at 30.0 this month, with 2.0 MoM decrease. Capital input fluctuated widely in recent year, decreasing to 37.9 this month, with 1.0 MoM decrease. Labor input index declined moderately in the recent year, decreasing to 25.9 this month, with 0.2 MoM decrease.



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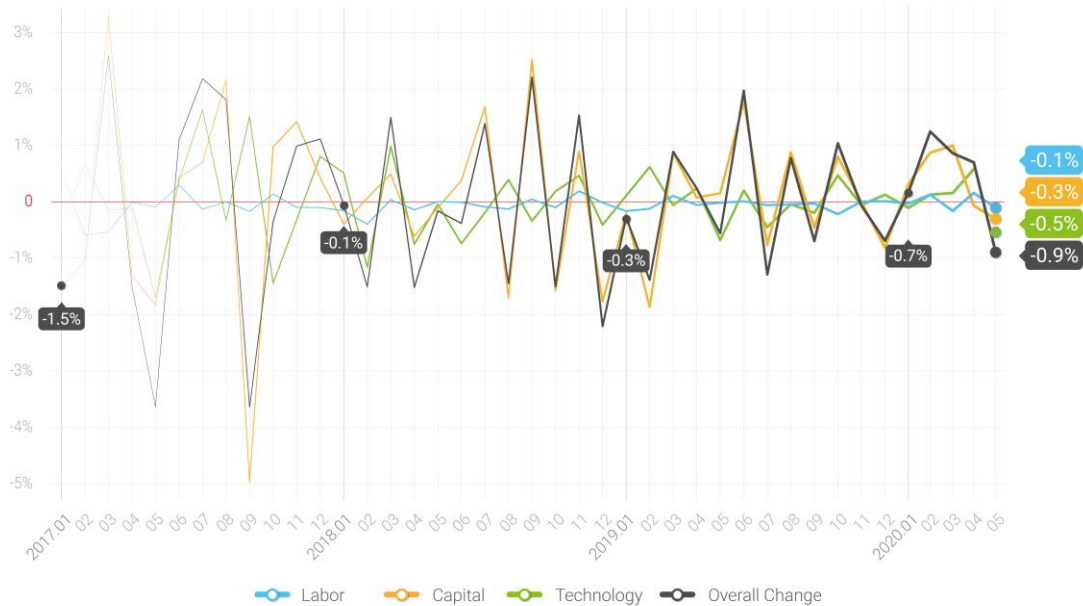
Chart 2: NEI Primary Input Index



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Taking the weights into account, percentage changes in labor, capital and technology inputs were -0.1, -0.3, and -0.5 ppts, respectively. The net NEI change was -0.9 ppts in total (Chart 3).

Chart 3: Primary Input Contribution to NEI

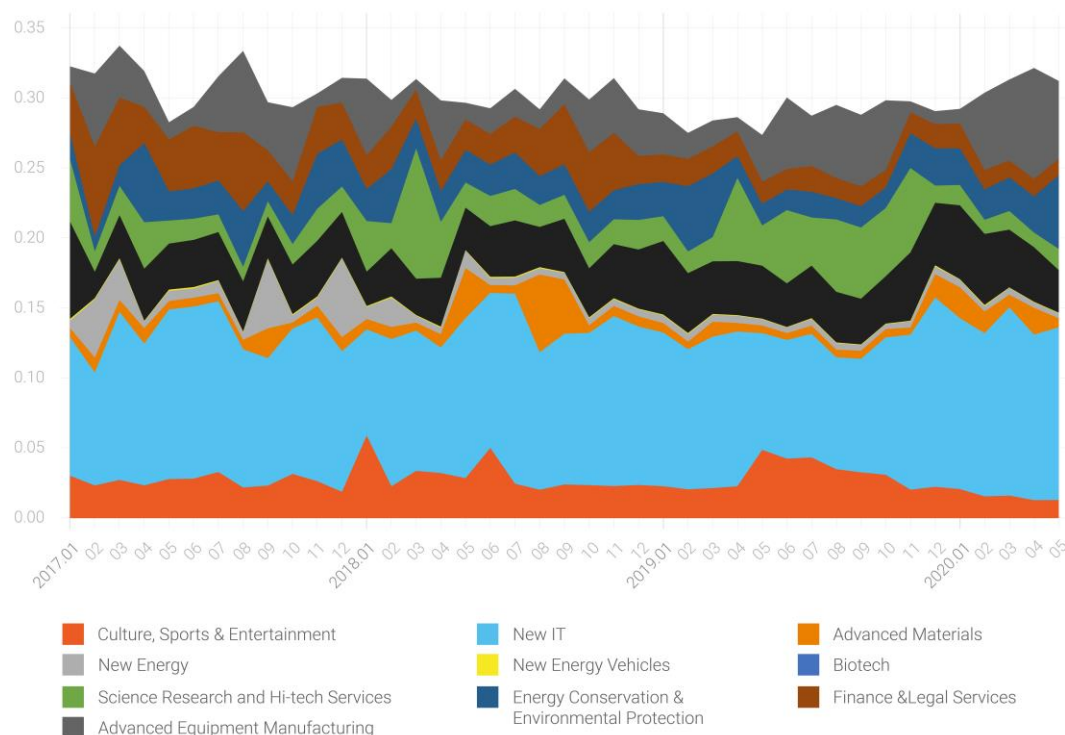


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As for sectors, the New IT industry formed the largest proportion of the New Economy Index, contributing 12.3 ppts to NEI. Science Research and Hi-tech Services was the industry with fastest growth in May, contributing 1.5 ppts and ranking the fifth. Advanced Materials came

eighth from fifth, the biggest drop in ranking, contributing 0.6 ppts in May (Chart 4).

Chart 4: New Economy Sector Contribution Breakdown



New Economy Employment

In May 2020, the average monthly entry-level salary of the New Economy was RMB 11,458, increasing from last month's level of RMB 11,350 (Chart 5), 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, dropped to 5.5%, compared to 5.7% in April (Chart 6). 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 5: New Economy Avg. Monthly Entry-Level Salaries



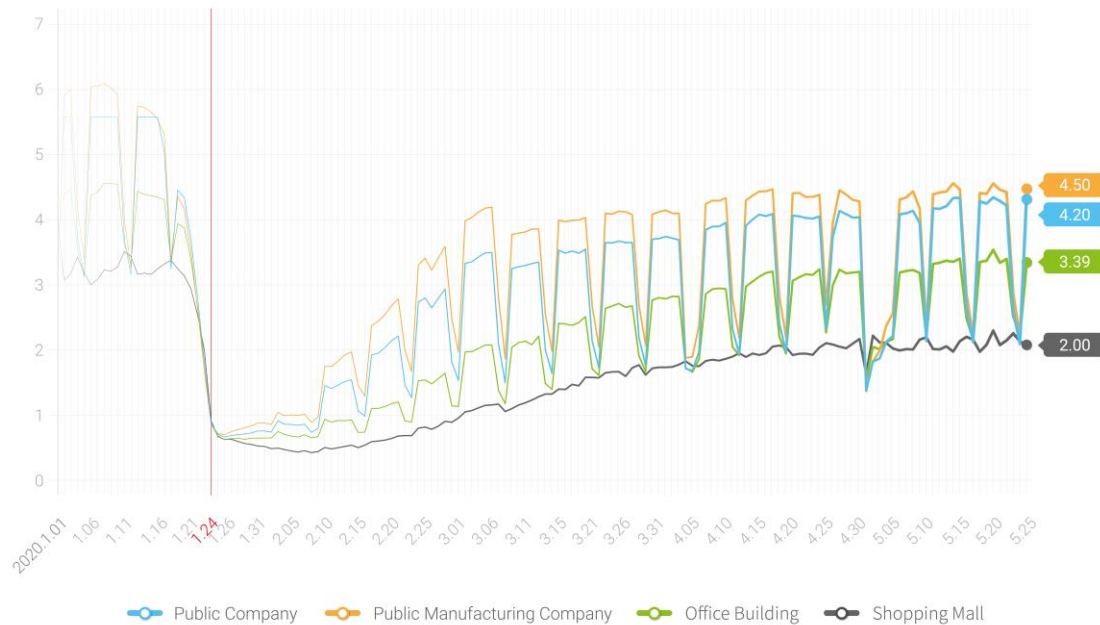
Chart 6: New Economy Entry-Level Salary Premium over Economy-wide Entry Level Salaries



Return to Work Ratio Based on Employment Data

With the outbreak of COVID-19 under control, domestic economic activity gradually returned to normal. However, the recovery of public companies, public manufacturing companies and shopping malls slowed down, which meant people flow in and out of these places in May was almost the same as that in April (Chart 7-1). The flow of people in office buildings increased to 80% of its peak in early 2020 this month. At present, in sense of both production and consumption, the return to work ratio of industries related to people flow reached 80%.

Chart 7-1: Return to Work Ratio (January 24 as Basic Period)



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By region (Chart 7-2), Tibet had the highest return to work ratios, and the people flow exceeded the level of the same period in 2019. Fujian and Zhejiang were the provinces with the best recovery in May. Business resumed rapidly in Hubei, the recovery rate of its public manufacturing companies reached three-quarters of its peak in early 2020.

Chart 7-2: Return to Work Ratio by Province

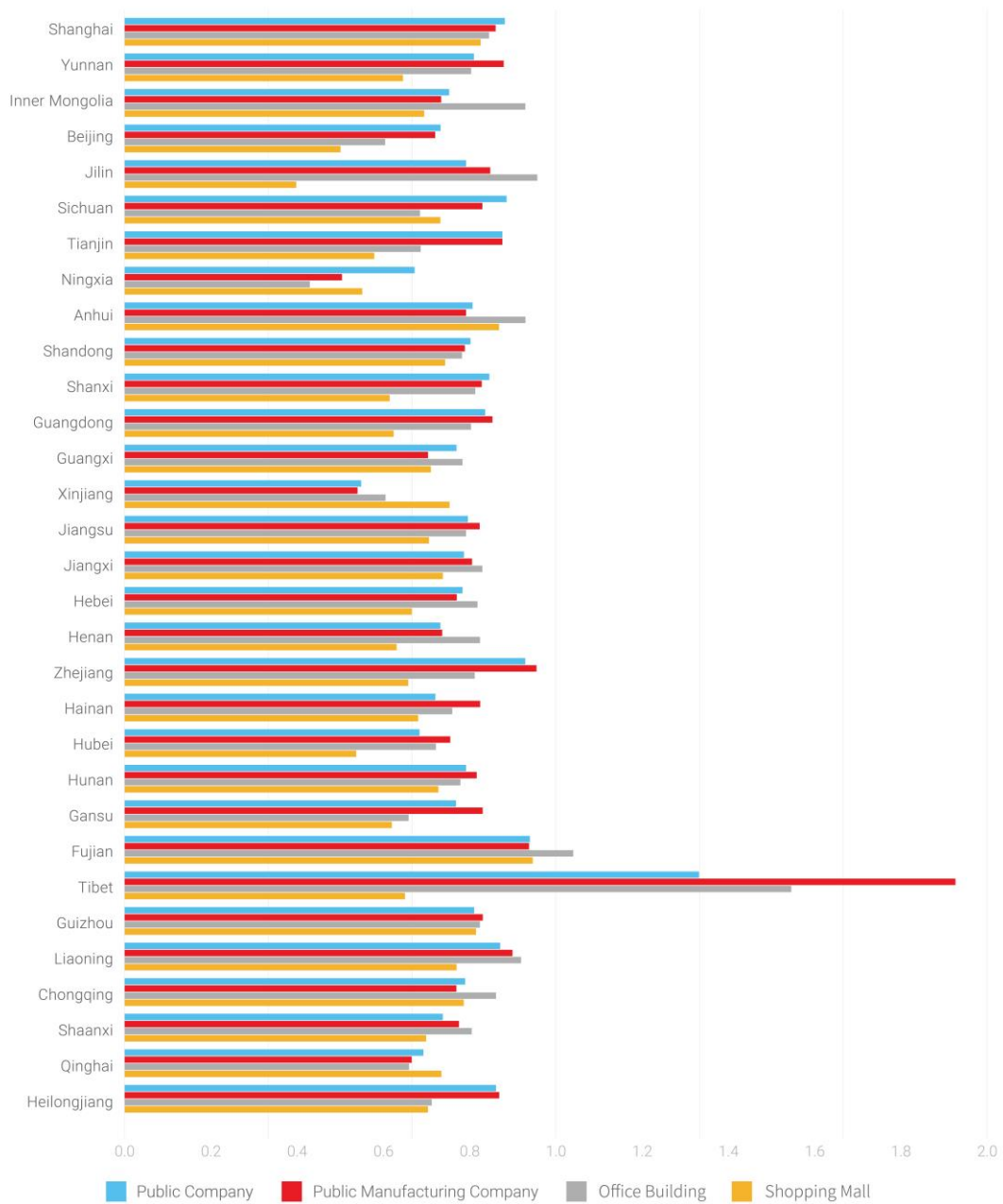
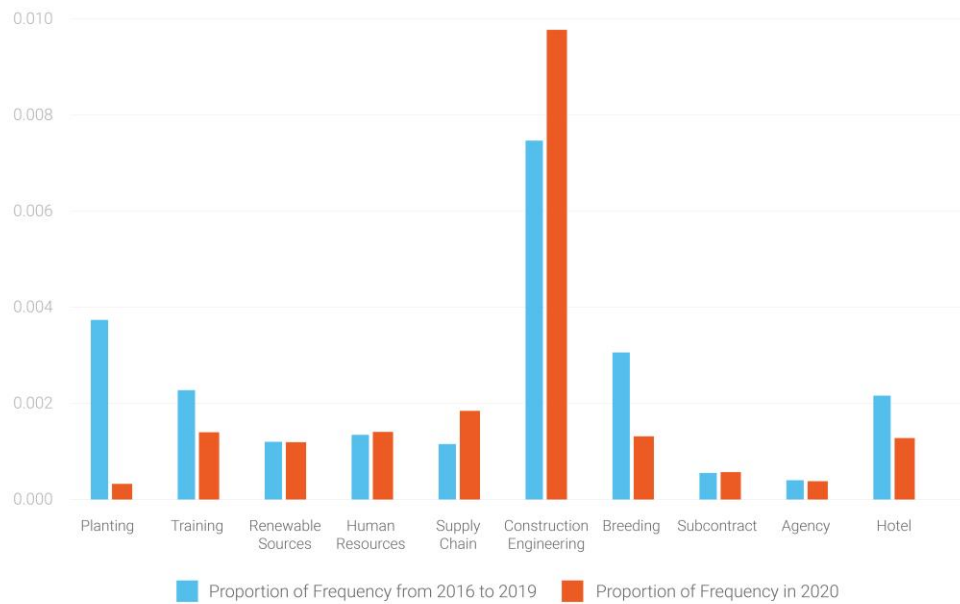


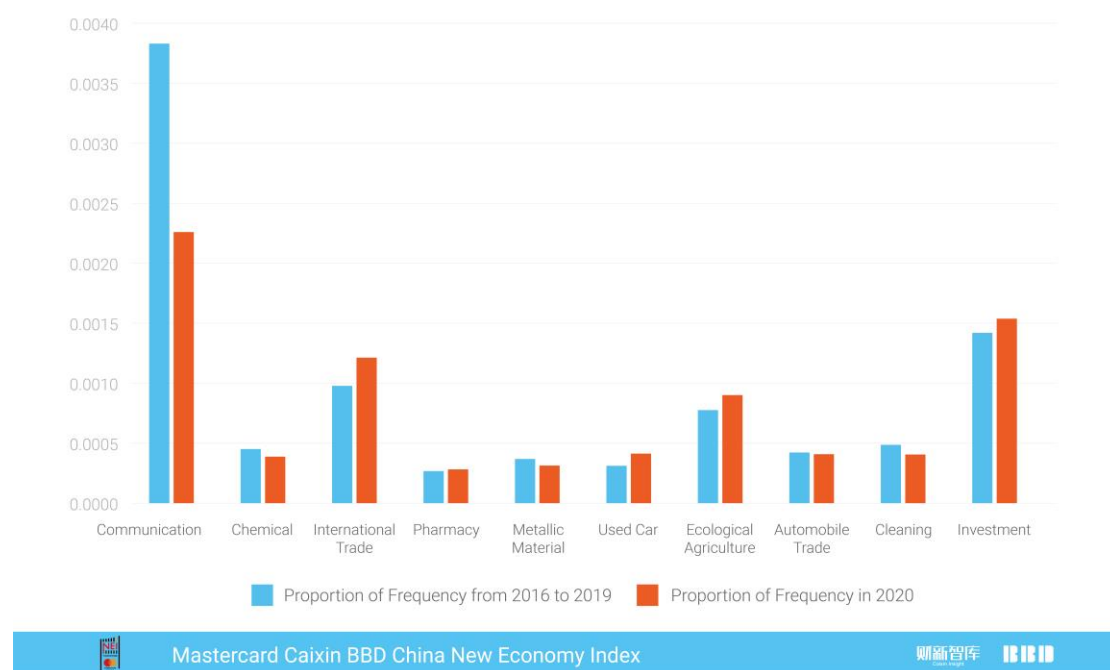
Chart 8-1 and Chart 8-2 showed the performance in 2020 among the enterprise keywords with the fastest and slowest growth in 2016-2019. For the keywords with the fastest growth in the past four years, only 40% kept rising, which included Supply Chain, Construction Engineering, Human Resources and Subcontract. The other 60% keywords dropped significantly in 2020 due to economic structural change and COVID-19 (Chart 8-1).

Chart 8-1: Enterprise Keywords with Fastest Growth (2016-2020)



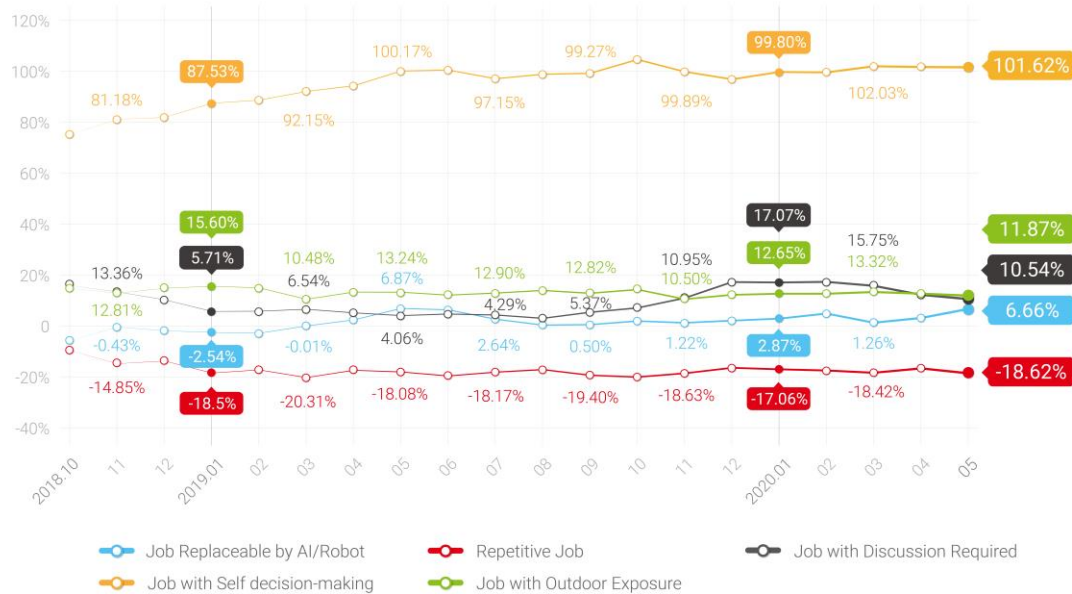
Half of enterprise keywords with the slowest growth in 2016-2019 rebounded (Chart 8-2), including Used Car, Ecological Agriculture, International Trade, Pharmacy and Investment. Among them, the recovery of Used Car was worth of attention. After years of declining sales of new cars, it was worth noting that whether the outbreak of COVID-19 will lead to the recovery of family cars' sale, especially new energy vehicles.

Chart 8-2: Enterprise Keywords with Slowest Growth (2016-2020)



Based on O*NET Online database and recruitment data, we calculated the salary change for featured jobs (Chart 9), which is the elasticity of salary with respect to change of specific feature. We found that salary change for jobs with self-decision-making was higher and continued to increase after 2018, which indicated the employers were willing to pay higher salary for such positions, showing its irreplaceability. Salary change for repetitive jobs dropped from about -10% at the end of 2018 to about -20% in recent months, which meant the salary declined further with increase for repetitive work. The changes are yet to explore with the demand structure of China's labor market changes.

Chart 9: Salary Change for Featured Jobs



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 10. In May, the top five cities were Beijing, Shanghai, Shenzhen, Guangzhou and Nanjing.

Chart 10: China's Top 20 Cities Ranked by New Economy Sector Output

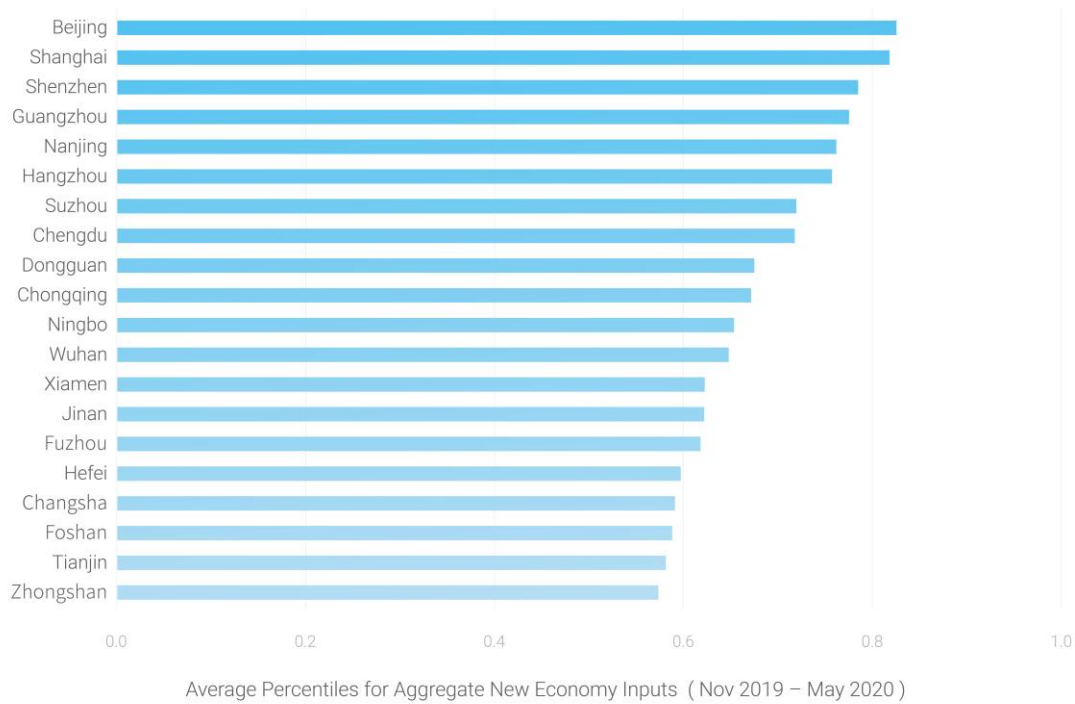
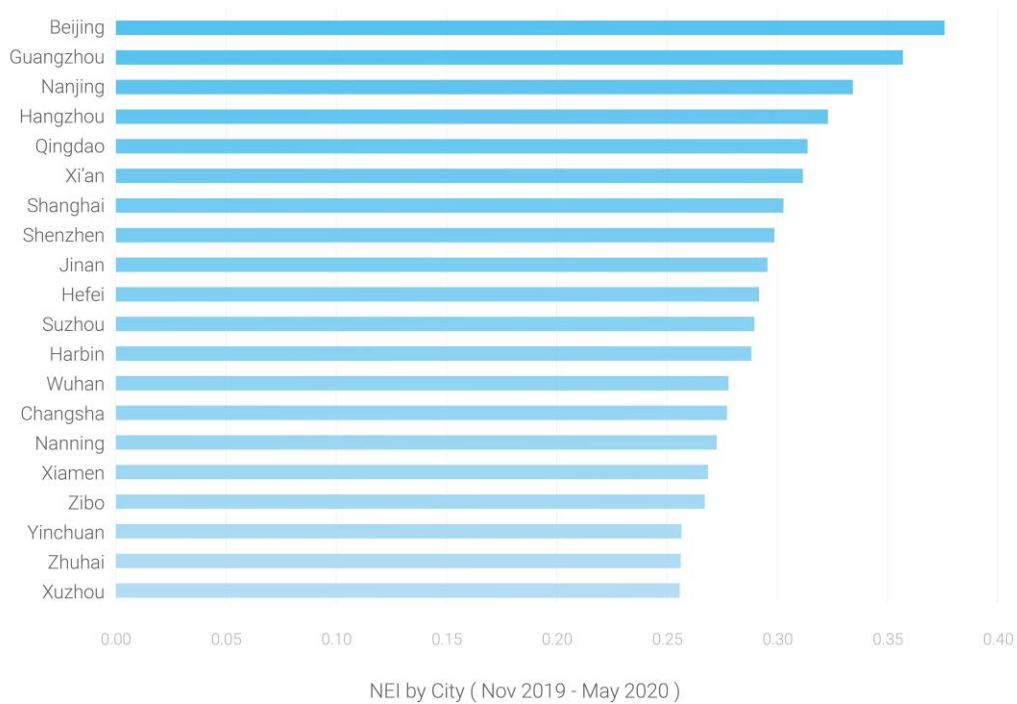


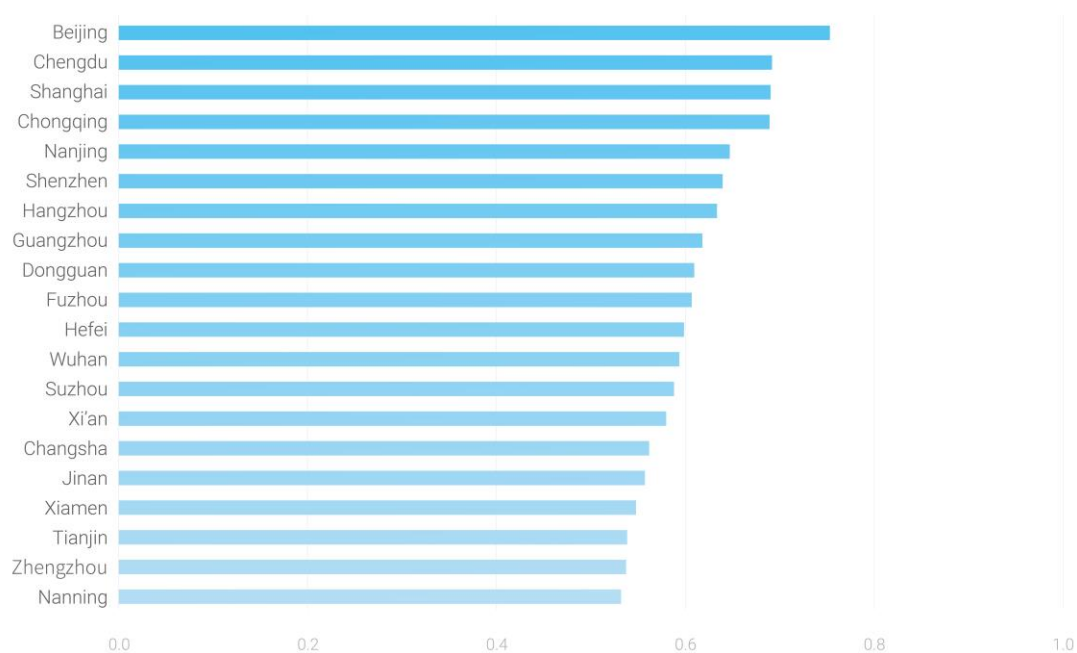
Chart 11 showed the average NEI city rankings between November 2019 and May 2020. The top five cities were Beijing, Guangzhou, Nanjing, Hangzhou and Qingdao.

Chart 11: 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 12). After the adjustment, the top five cities were Beijing, Chengdu, Shanghai, Chongqing and Nanjing, following by Shenzhen, Hangzhou and Guangzhou.

Chart 12: 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 2019 – May 2020)

Data Visualization Design by Wu Yi



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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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