



July 2021

# Mastercard Caixin BBD China New Economy Index

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## Overview

In July 2021, the Mastercard Caixin BBD New Economy Index (NEI) reading came in at 28.8, indicating that the New Economy accounted for 28.8% of overall economic input activities that month, up 0.2 ppts from June 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 last year, the old economy showed stronger growth, suppressing the new economy.

Chart 1: China Monthly New Economy Index

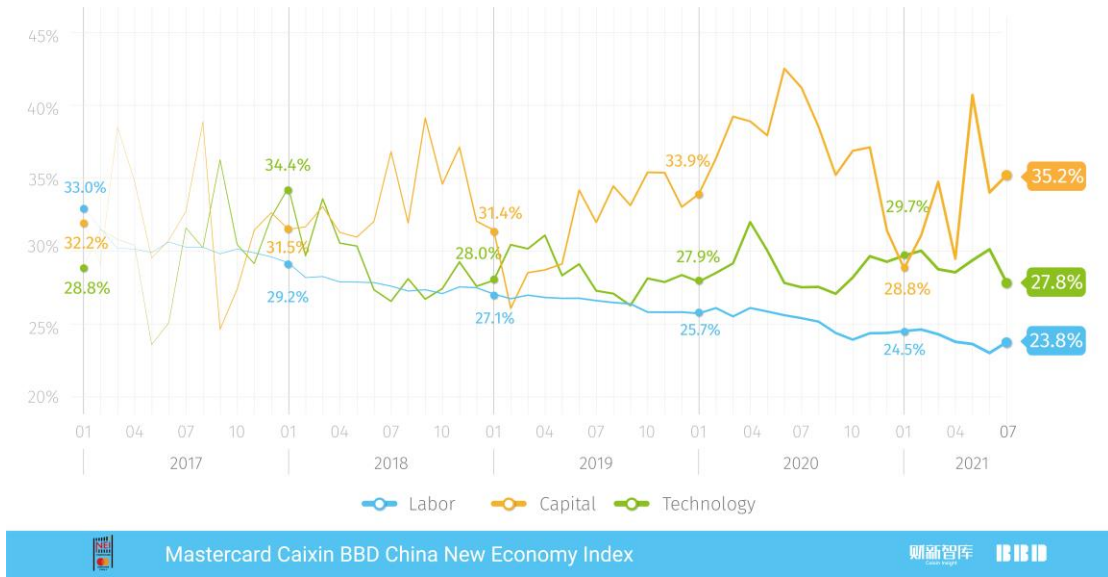


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The NEI includes labor, capital and technology inputs that account for 40%, 35% and 25% of the total weights of the index, respectively. The increasing NEI was attributed to the increase in capital inputs. Capital input increased to 35.2 this month, with 1.2 MoM increase. Technology input index came in at 27.8 this month, with 2.3 MoM decrease. Labor input index increased to 23.8 this month, with 0.8 MoM increase (Chart 2). Taking the weights into account, percentage changes in labor, capital and technology inputs were 0.3, 0.4, and -0.6 ppts, respectively. The net NEI change was 0.2 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 and ratio of capitalization of enterprises applying for the "New Three Board" in new economy industries increased significantly, which accounted for the increase in NEI in July.

### New Economy Sector

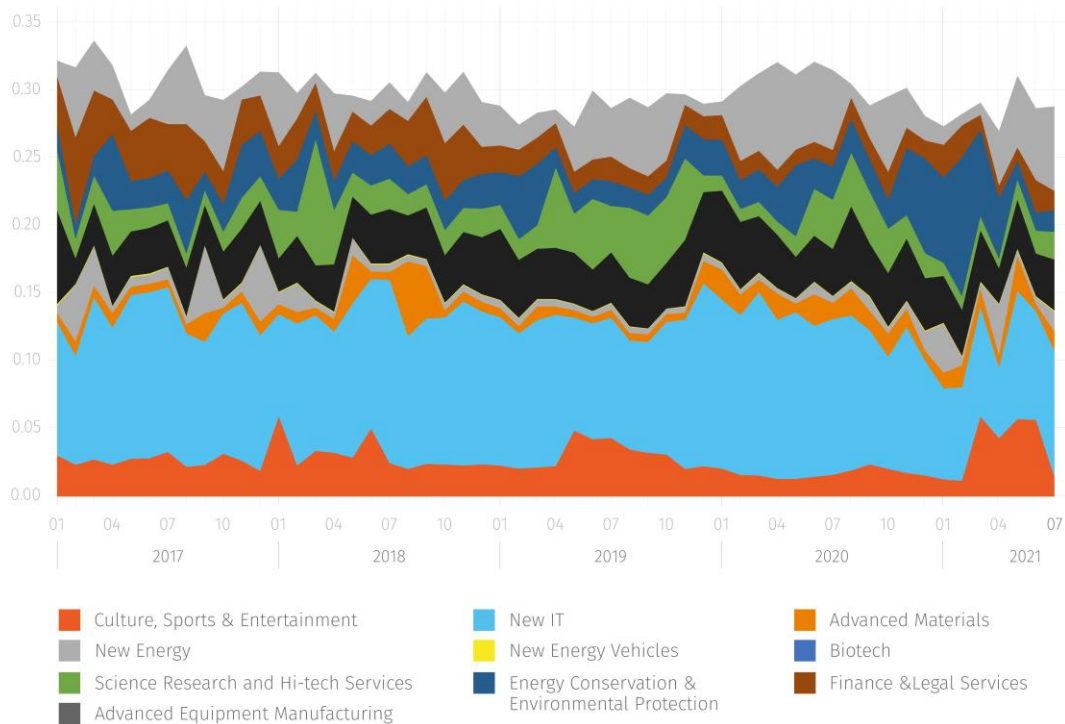
New economy is defined as following: 1) human capital intensive, technology intensive and capital light, 2) sustainable rapid growth, and 3) in line with the strategic new industries defined by the government. New economy covers 10 categories (Energy Conservation & Environmental Protection, New IT, Biotech, 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 9.3 ppts to New Economy Index, slightly higher



than that in June, the share of New Energy increased significantly as well (Chart 3). Detailed data indicated that, the increase in New IT ratio was due to higher capitalization of enterprises applying for the "New Three Board". The ratio of venture capital in New Energy increased as well.

Chart 3: New Economy Sector Contribution Breakdown



### New Economy Employment

In July 2021, the average monthly entry-level salary of the New Economy was RMB 12,799, decreasing from last month's level of RMB 12,954 (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 3.1%, compared to 2.9% in June 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

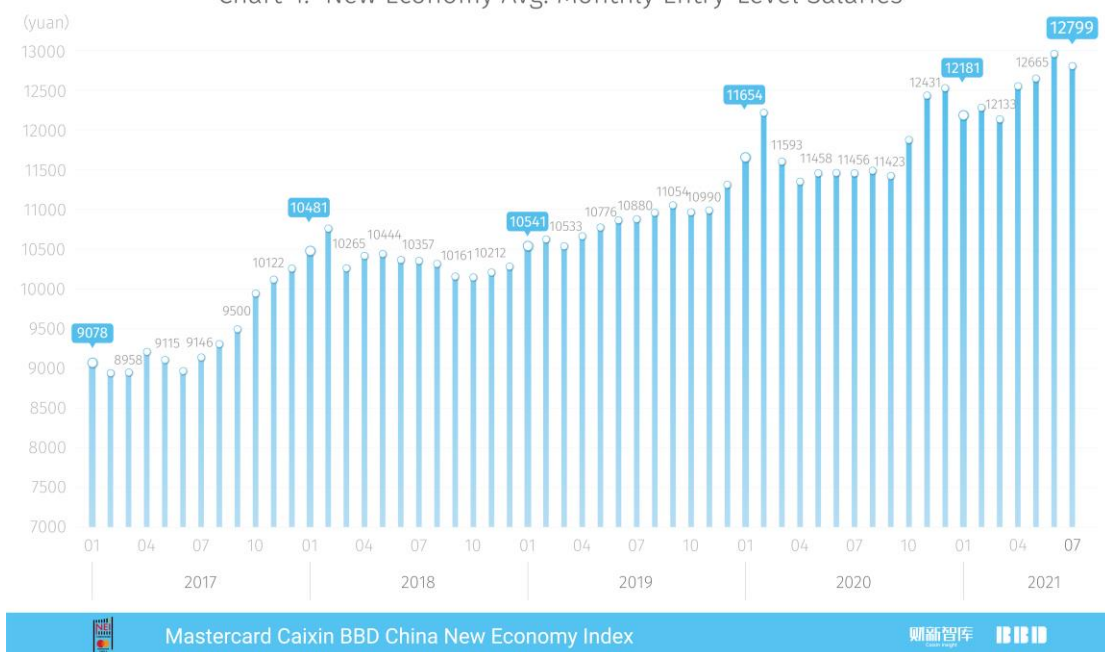
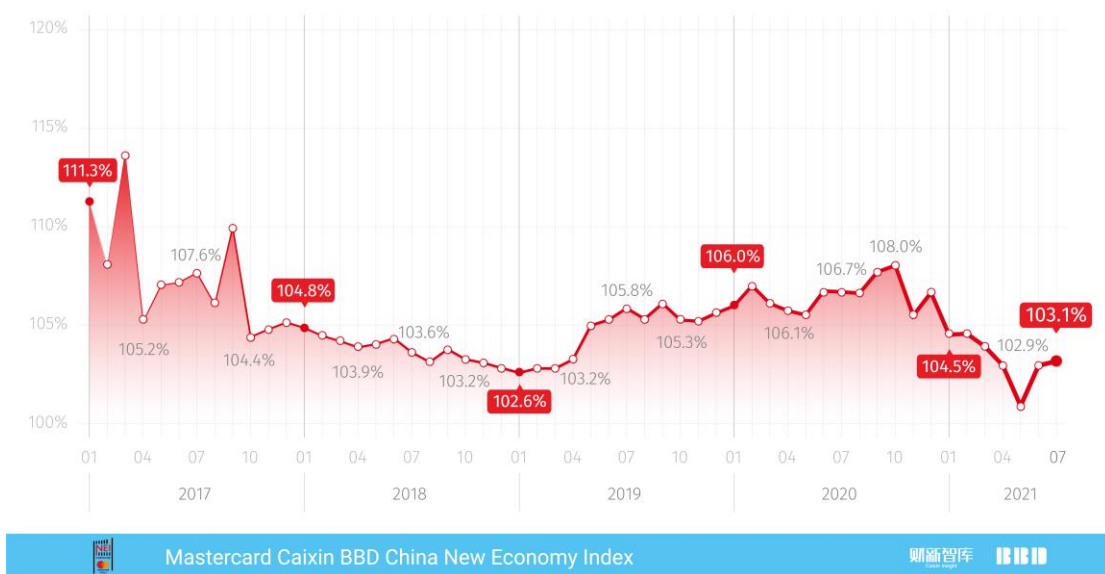


Chart 5: New Economy Entry-Level Salary Premium over Economy-wide Entry Level Salaries

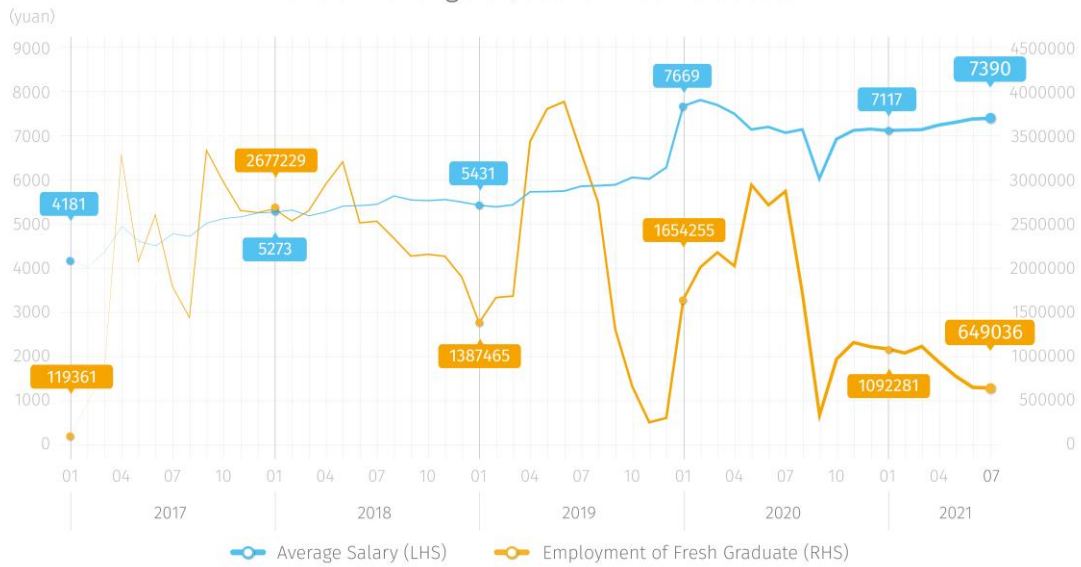


### Economic Trend Based on Enterprise Employment

This month, we analyzed the employment and average salary of fresh graduate. In June and July of 2019 and 2020, the jobs for fresh graduate both increased significantly. The numbers went down in July 2021 (Chart 6). At present, the average salary of fresh graduates was rather flat, reaching 7,390 yuan in July 2021, which almost stayed unchanged compared to early 2020.

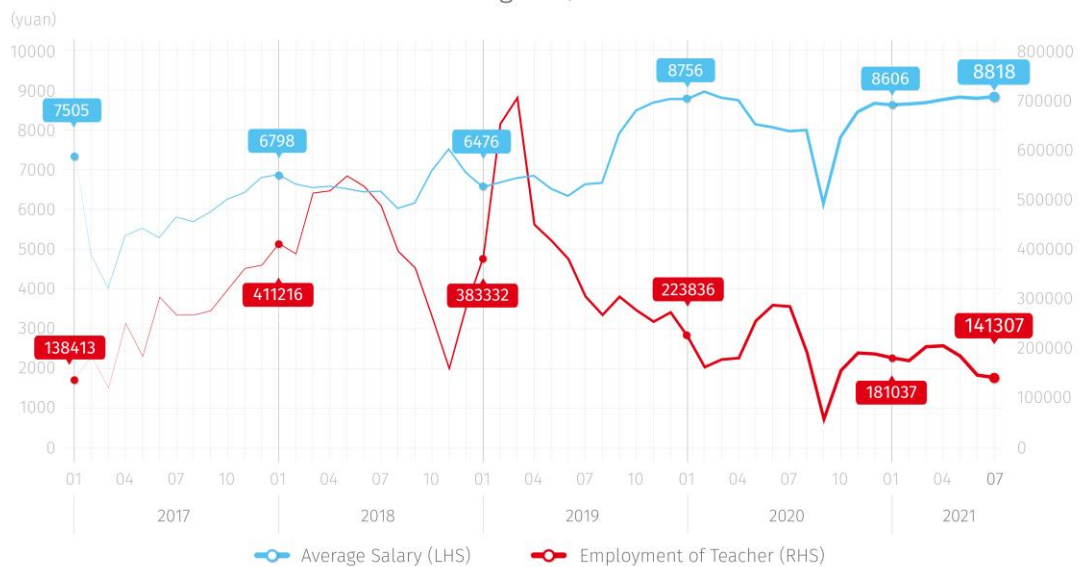


Chart 6: Change of Jobs for Fresh Graduate



A series of education reform policies were published recently and the market demands for teachers shifted with that (Chart 7-1). Similar to the demand of fresh graduate, the employment of teachers experienced a downward trend, dropping from 700,000 in March 2019 to 140,000 in July 2021. Meanwhile, the average salary of teachers has stagnated after 2020.

Chart 7-1: Change of Jobs for Teacher



Demands for teachers might be classified into groups of secondary, primary and preschool teachers (Chart 7-2 and Chart 7-3). In terms of wage, the salary of primary school teachers was higher than the other two positions, but the gap continued to narrow down. We normalized the

employment of different groups of teachers in January 2017 to 100. It showed that the growth rate of employment in primary school teachers was lower than that of secondary school teachers and preschool teachers and the demand for three positions declined gradually since 2019. In July 2021, the demands for secondary, primary and preschool teachers were 97.3, 89.7 and 64.5 respectively, lower than that in January 2017. With the deepening reform of 'double reduction', the demand for off-campus tutoring may be further declined in the future.

Chart 7-2: Average Salary of Different Teacher

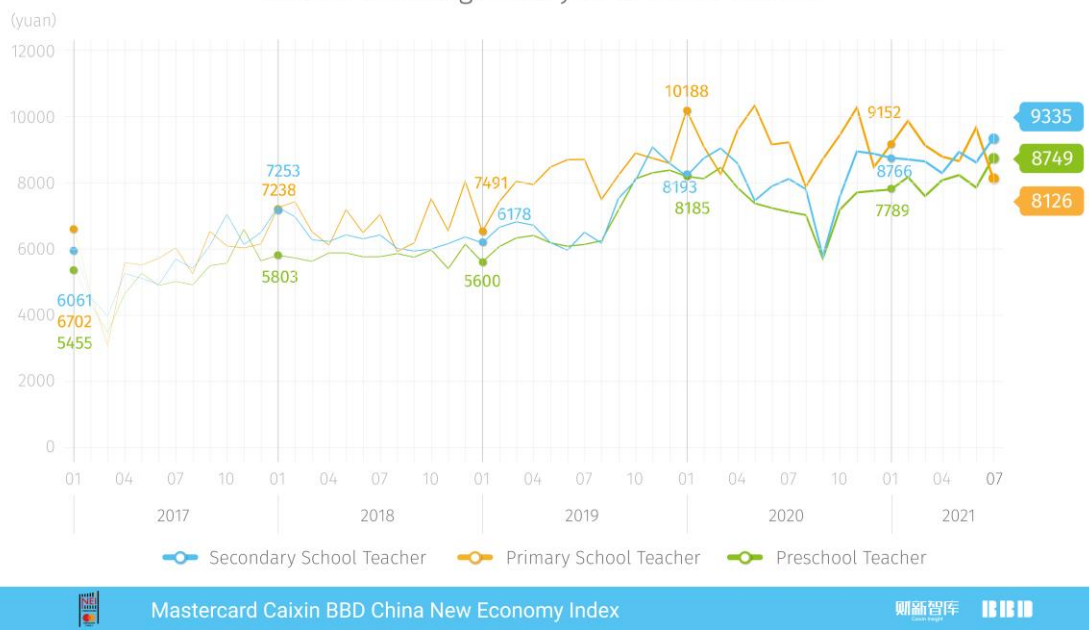


Chart 7-3: Employment of Different Teacher

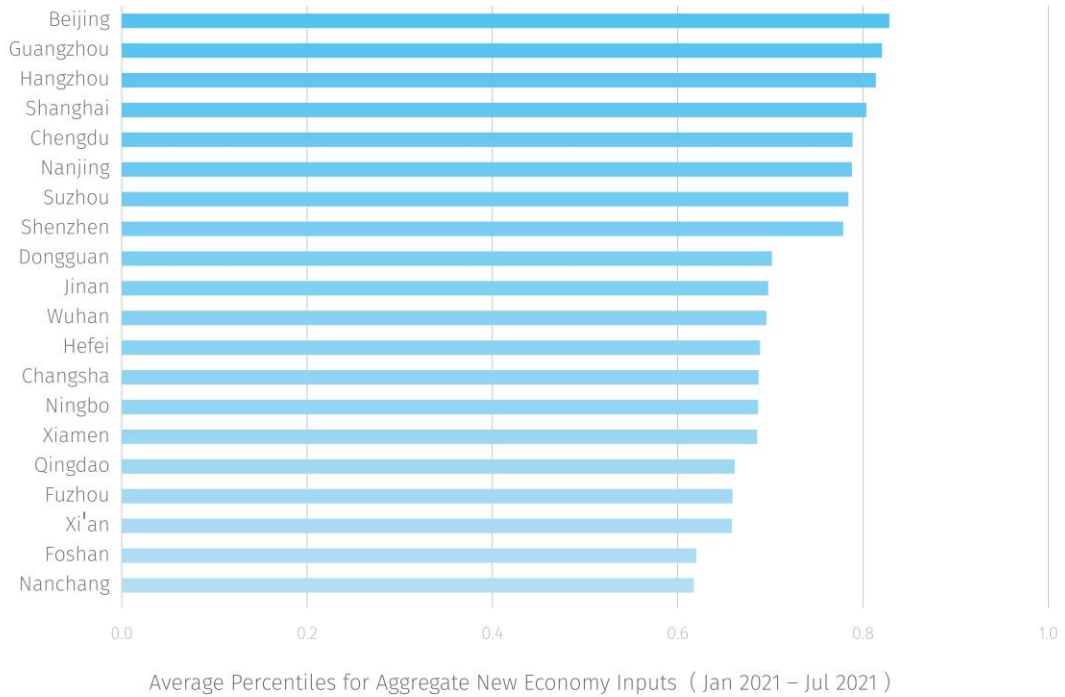


### City Rankings of the New Economy



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 8. In July, the top five cities were Beijing, Guangzhou, Hangzhou, Shanghai and Chengdu.

Chart 8: China's Top 20 Cities Ranked by New Economy Sector Output

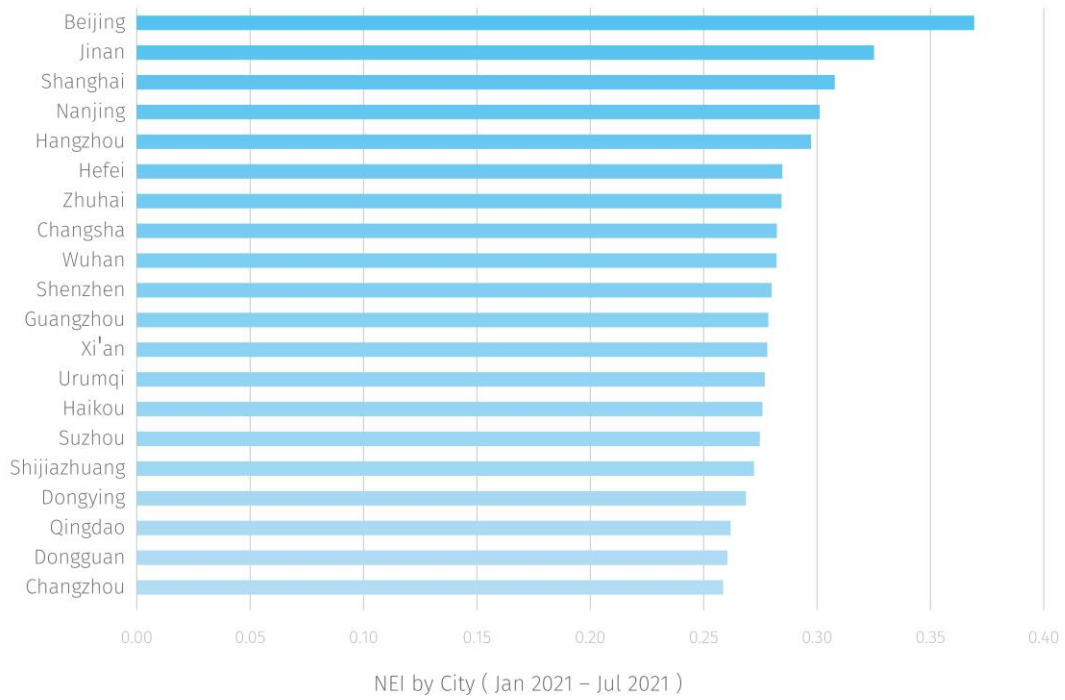


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Chart 9 showed the average NEI city rankings between January 2021 and July 2021. The top five cities were Beijing, Jinan, Shanghai, Nanjing and Hangzhou.



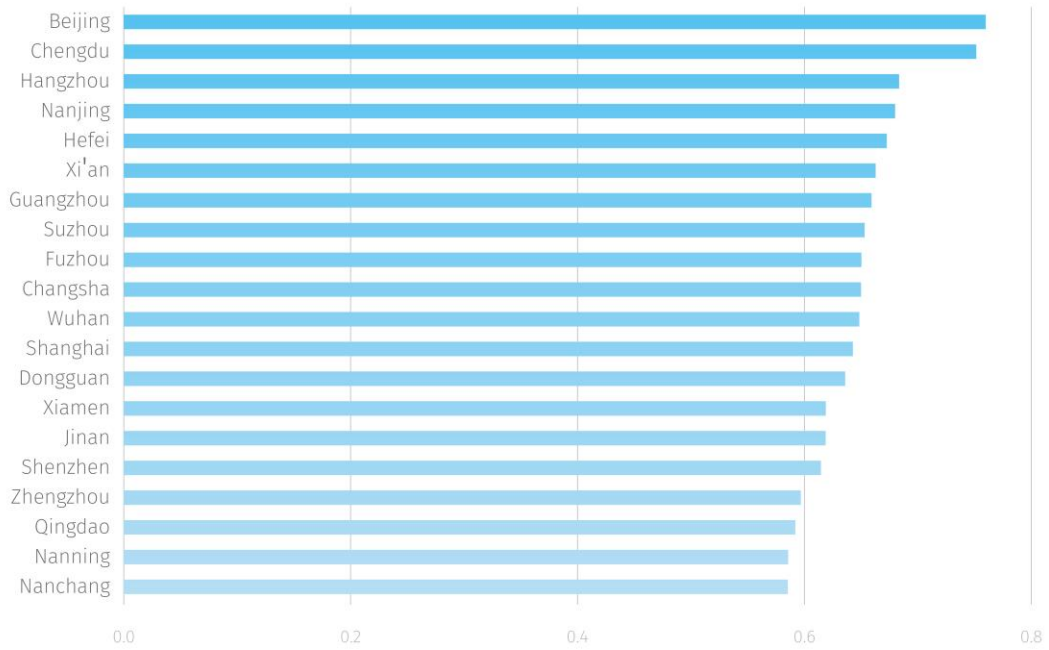
Chart 9: China's Top 20 Cities Ranked by Average NEI



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 10). After the adjustment, the top five cities were Beijing, Chengdu, Hangzhou, Nanjing and Hefei, following by Xi'an and Guangzhou.



Chart 10: 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 ( Jan 2021 – Jul 2021 )

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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