

August 2021

## Mastercard Caixin BBD China New Economy Index

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### Overview

In August 2021, 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 July 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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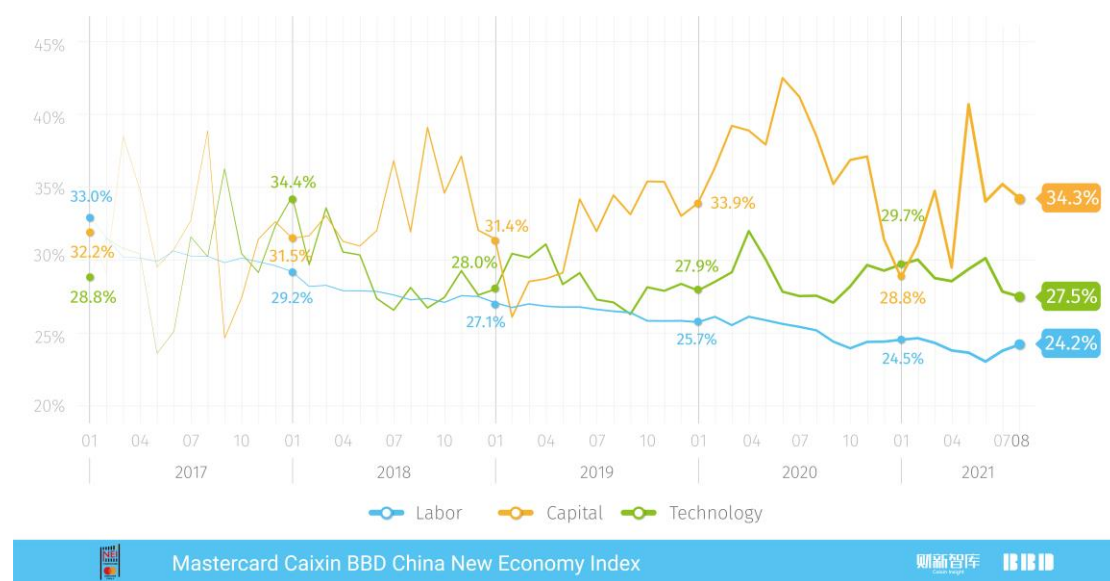
The NEI includes labor, capital and technology inputs that account for 40%, 35% and 25% of the total weights of the index, respectively. The decreasing NEI was attributed to the decrease in capital inputs. Capital input decreased to 34.3 this month, with 0.9 MoM decrease. Technology input index came in at 27.5 this month, with 0.3 MoM decrease. Labor input index increased to 24.2 this month, with 0.4 MoM increase (Chart 2). Taking the weights into account, percentage changes in labor, capital and technology inputs were 0.2, -0.9, and -0.1 ppts, respectively. The net NEI change was -0.3 ppts in total.



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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 patent and ratio of invitation to tender of enterprises in new economy industries decreased significantly, which accounted for the decrease in NEI in August.

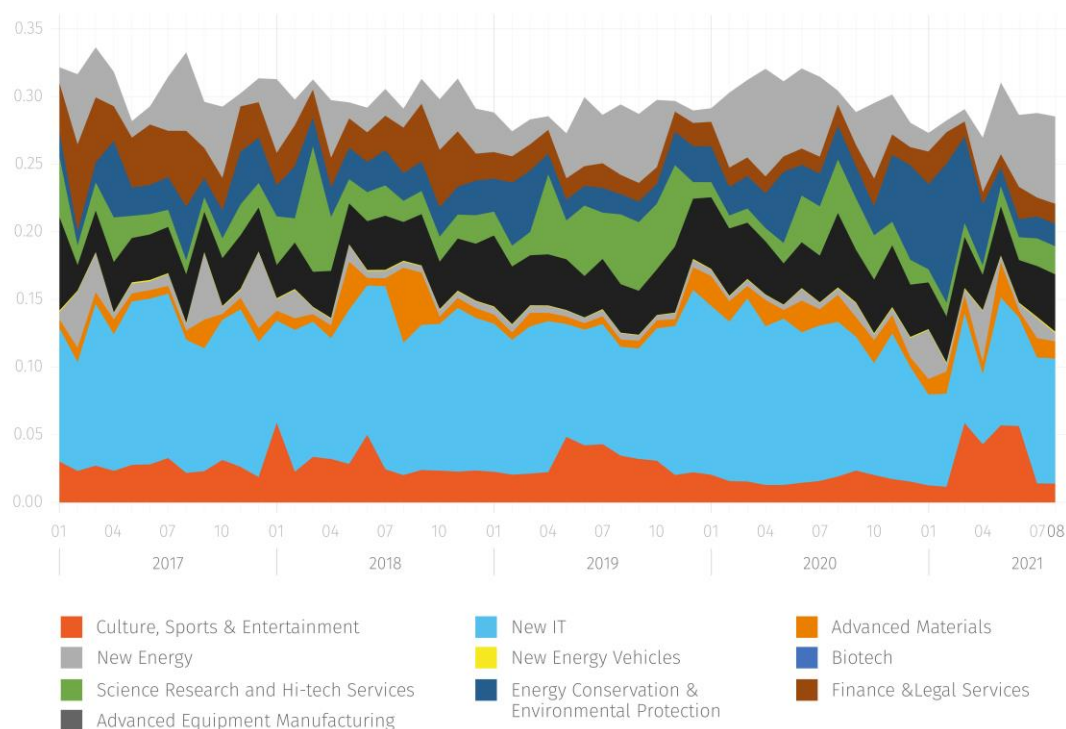
## New Economy Sector

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 9.2 pts to New Economy Index, slightly lower

than that in July, the share of New Energy decreased as well (Chart 3). Detailed data indicated that, the decrease in New IT and New Energy ratio was due to lower invitation to tender of enterprises.

Chart 3: New Economy Sector Contribution Breakdown



## New Economy Employment

In August 2021, the average monthly entry-level salary of the New Economy was RMB 12,933, increasing from last month's level of RMB 12,799 (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, decreased to 2.8%, compared to 3.1% in July 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

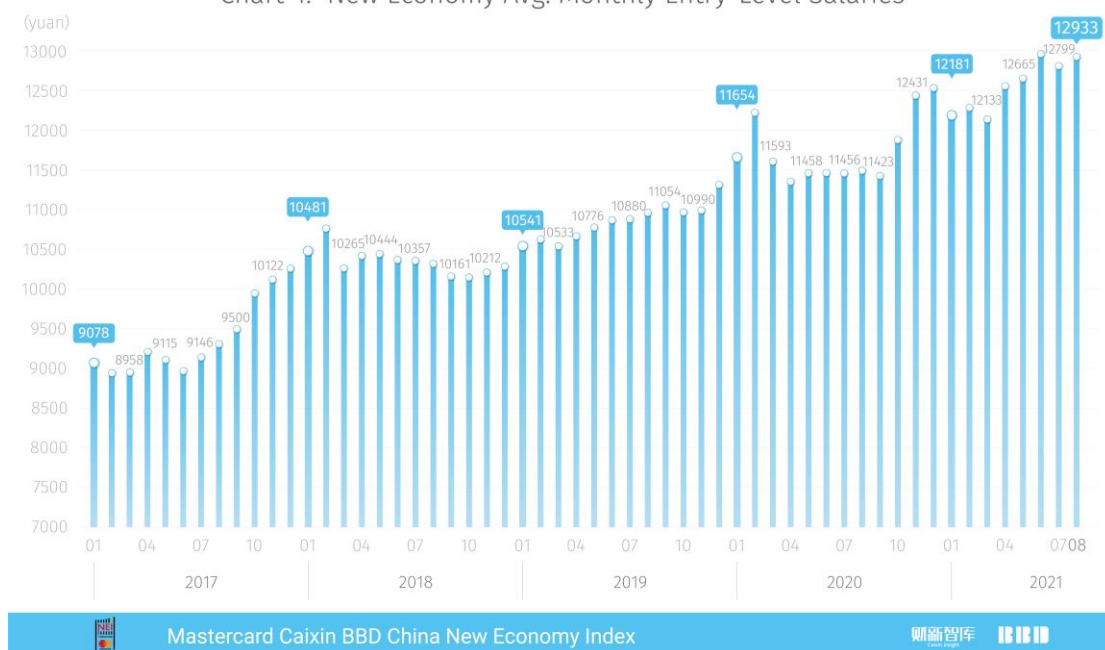
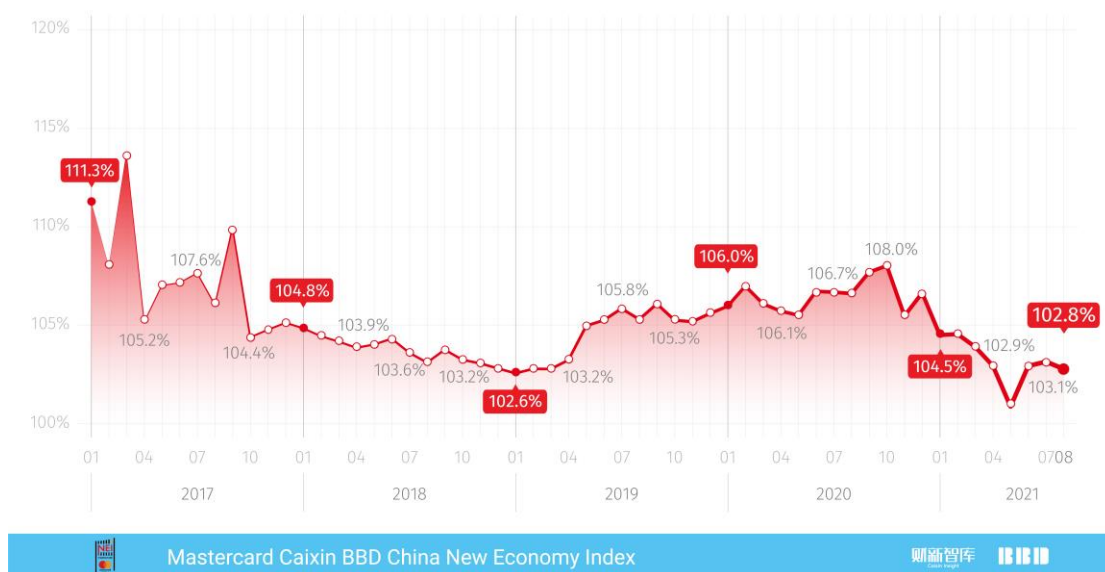


Chart 5: New Economy Entry-Level Salary Premium over Economy-wide Entry Level Salaries



## Economic Trend Based on Enterprise Establishment and Death

This month, we focused on the establishment and death of enterprises in past 15 years, especially the entrance and exit of small and medium-sized enterprises, whose registered capital were less than 5 million. Data implied that more and more enterprises were registered and deregistered since 2006, in reflection of larger scale and higher activities of China macroeconomy (Chart 6-1, Chart 6-2). Over the past 15 years, new enterprises increased by 8

times, compared to 6 times of small and medium-sized enterprises, which indicated that the enterprises grew larger on average. Meanwhile, the exit to entry rates of enterprise increased as well (Chart 6-3). Specifically, the exit-entry ratios for all enterprises was higher than those for small and medium-sized ones before July 2018, indicating stronger adaptability in small and medium-sized enterprises. Since then the exit-entry rates for small and medium-sized enterprises increased significantly surpassing those for all enterprises. Economic environment for small and medium-sized enterprises worsened, who turned to be more fragile.

Chart 6-1: Enterprise Establishment and Termination

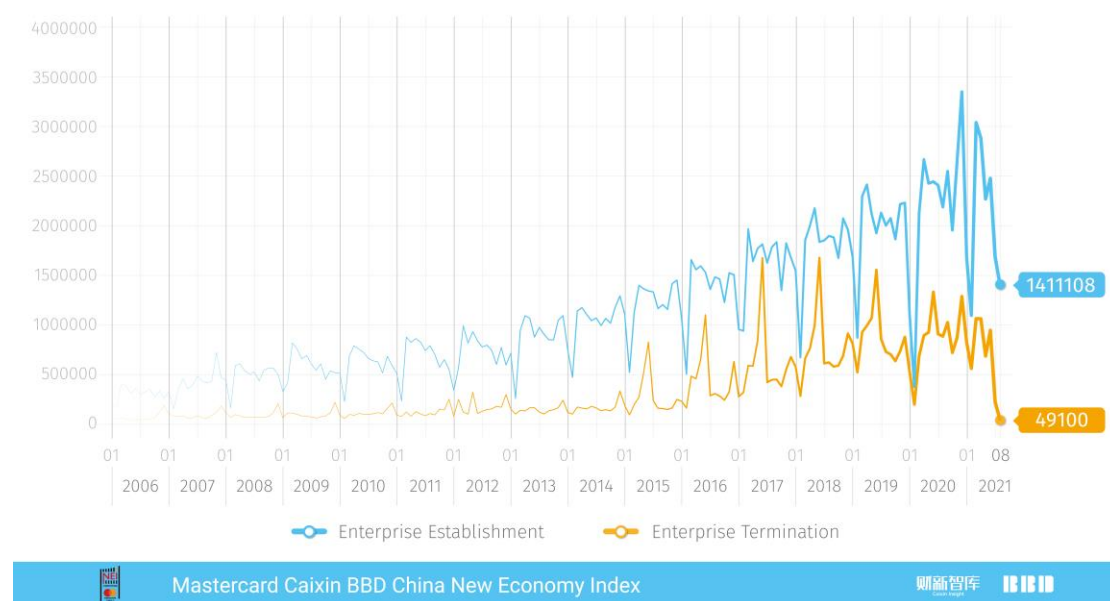


Chart 6-2: Small and Medium-sized Enterprise Establishment and Termination

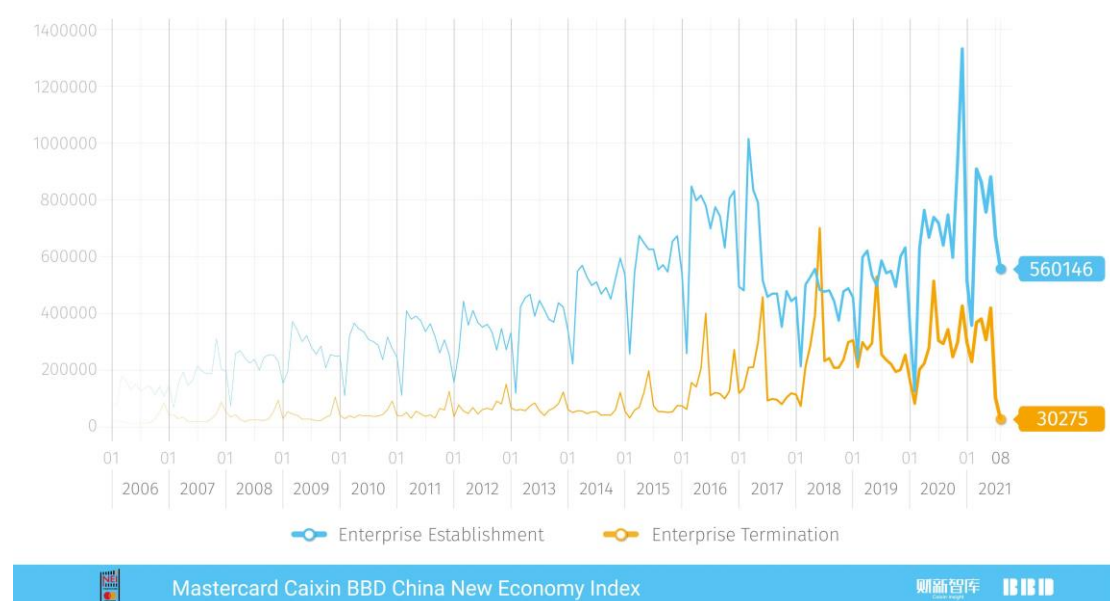
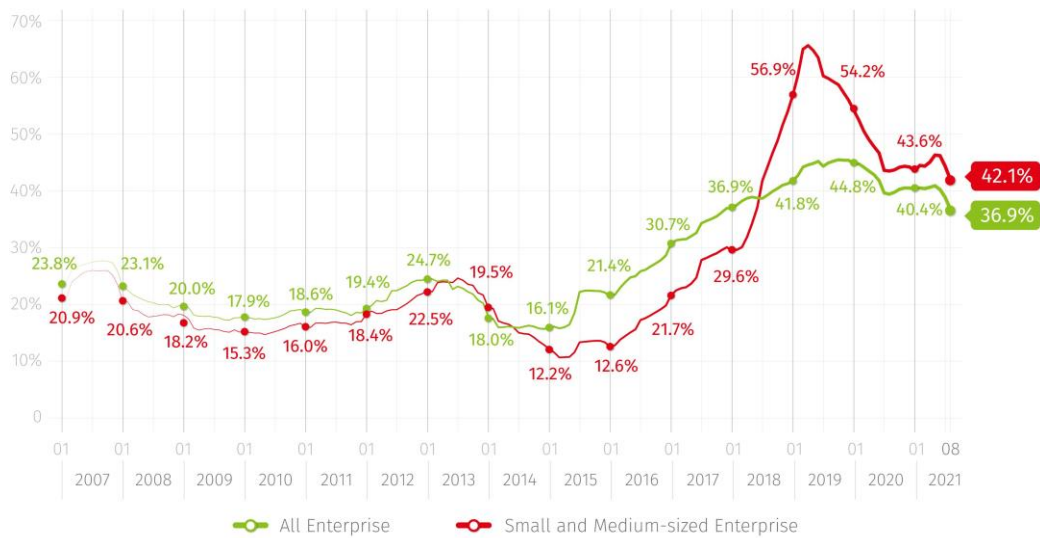


Chart 6-3: The Exit to Entry Rate of Enterprise



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The exit to entry rates of enterprises varied across provinces. In most provinces, the exit-entry rates of small and medium-sized enterprises were higher than those of all enterprises (Chart 7-1, Chart 7-2, Chart 7-3). In 2020, the provinces far above 45° line included Inner Mongolia, Xinjiang, Ningxia, Heilongjiang etc., while Jiangsu and Hainan were below the line. Similar to 2020, Xinjiang, Inner Mongolia, Ningxia and Liaoning were the top four provinces above the 45° line in 2021. Small and medium-sized enterprises in the country were under significant survival pressure in 2020 and 2021, especially the ones located in underdeveloped western area.

Chart 7-1: The Exit to Entry Rate of Enterprise by Province in 2020

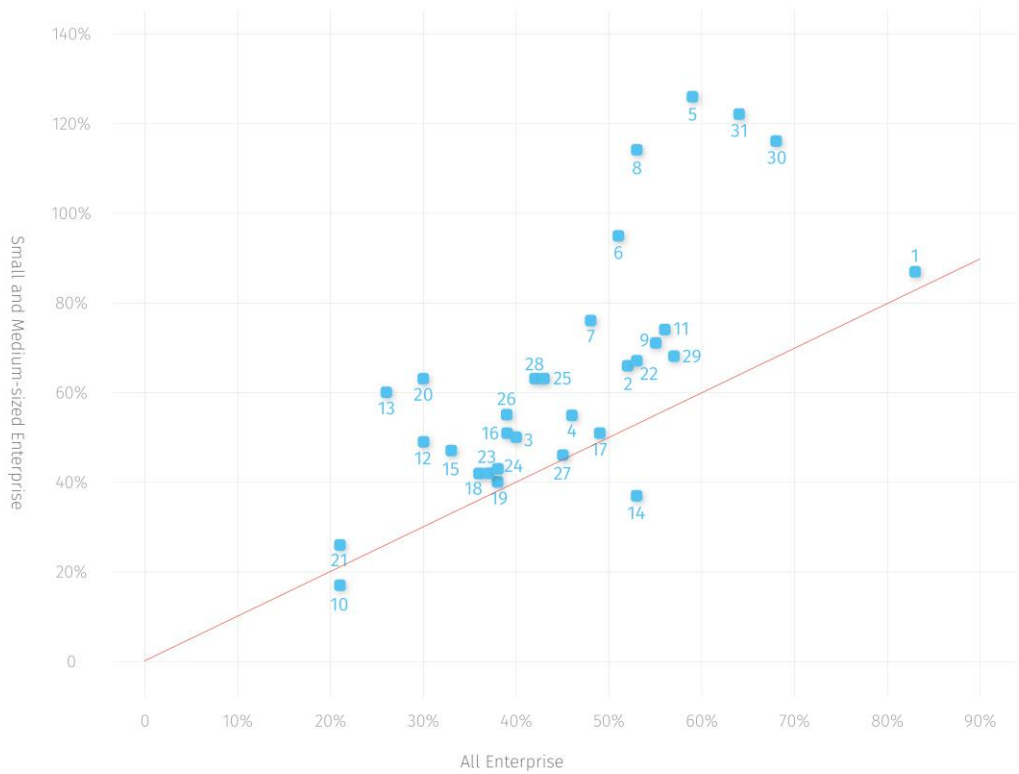




Chart 7-2: The Exit to Entry Rate of Enterprise by Province in 2021



Chart 7-3: Province Code

- |                  |              |
|------------------|--------------|
| 1 Beijing        | 17 Hubei     |
| 2 Tianjin        | 18 Hunan     |
| 3 Hebei          | 19 Guangdong |
| 4 Shanxi         | 20 Guangxi   |
| 5 Inner Mongolia | 21 Hainan    |
| 6 Liaoning       | 22 Chongqing |
| 7 Jilin          | 23 Sichuan   |
| 8 Heilongjiang   | 24 Guizhou   |
| 9 Shanghai       | 25 Yunnan    |
| 10 Jiangsu       | 26 Tibet     |
| 11 Zhejiang      | 27 Shaanxi   |
| 12 Anhui         | 28 Gansu     |
| 13 Fujian        | 29 Qinghai   |
| 14 Jiangxi       | 30 Ningxia   |
| 15 Shandong      | 31 Xinjiang  |
| 16 Henan         |              |

## 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 August, the top five cities were Beijing, Guangzhou, Hangzhou, Shanghai and Chengdu.

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

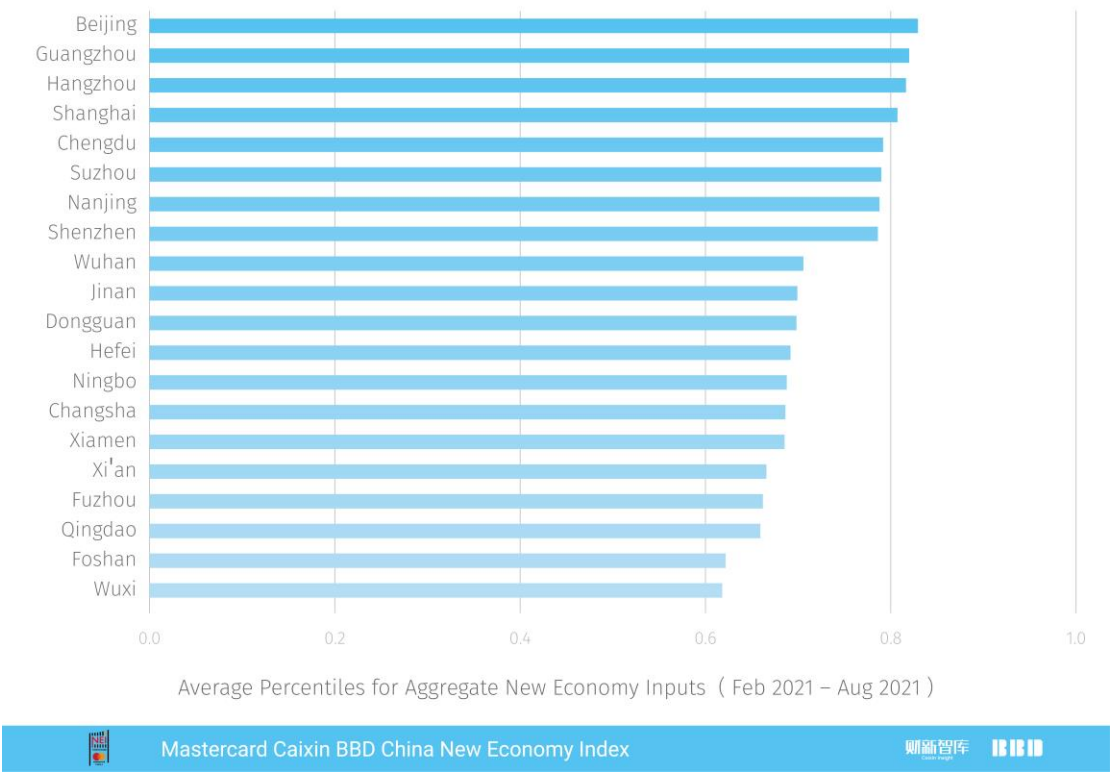
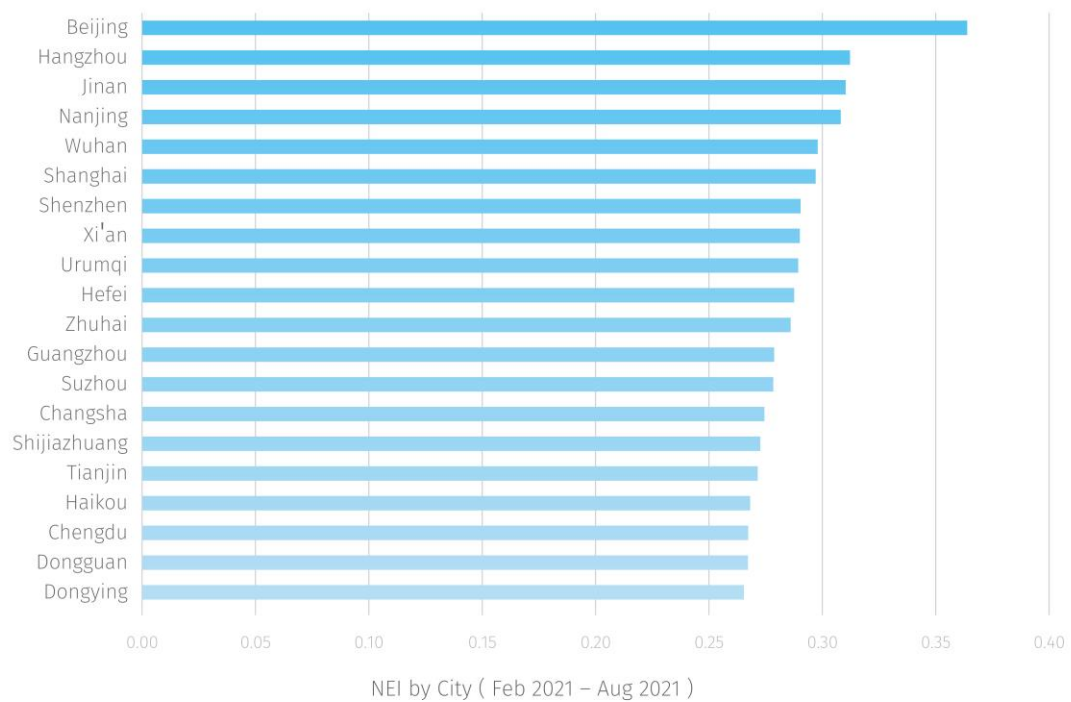


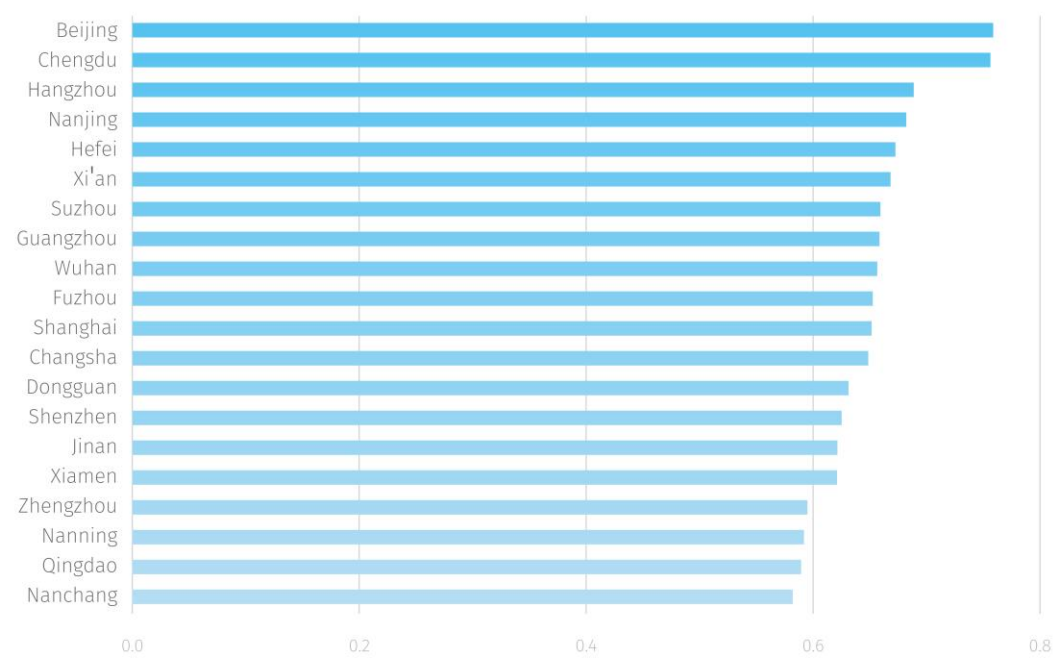
Chart 9 showed the average NEI city rankings between February 2021 and August 2021. The top five cities were Beijing, Hangzhou, Jinan, Nanjing and Wuhan.

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 Suzhou.

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 ( Feb 2021 – Aug 2021 )

Data Visualization Design by He Xiao

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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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