

June 2020

## Mastercard Caixin BBD China New Economy Index

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### Overview

In June 2020, the Mastercard Caixin BBD New Economy Index (NEI) reading came in at 32.1, indicating that the New Economy accounted for 32.1% of overall economic input activities that month, up 1.0 ppts from May (Chart 1). The rising NEI was attributed to the increase in capital 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.

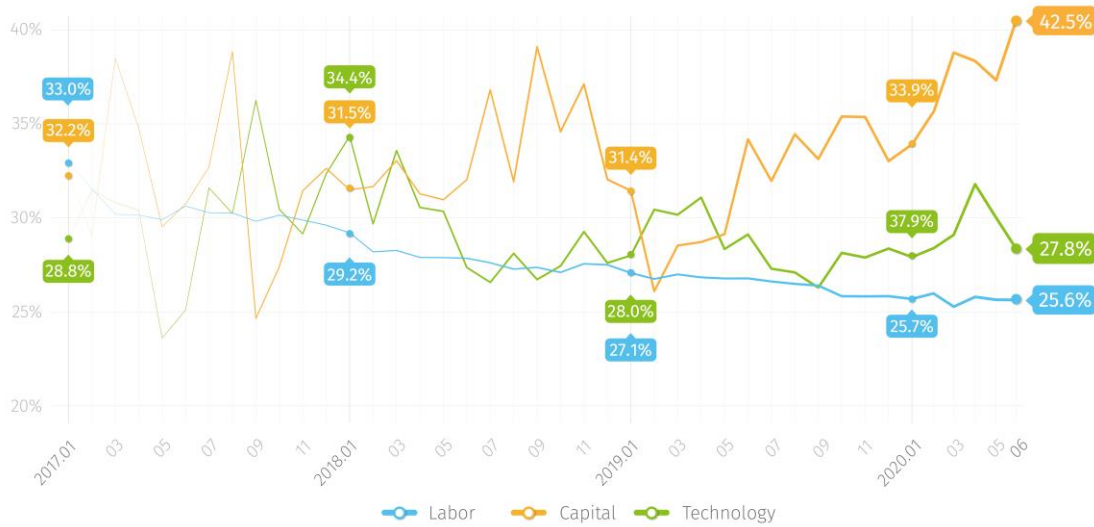
Chart 1: China Monthly New Economy Index



### 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 rising NEI was attributed to the increase in capital inputs (Chart 2). Capital input fluctuated widely in recent year, increasing to 42.5 this month, with 4.6 MoM increase. Technology input index was on a downtrend since April 2020, coming in at 27.8 this month, with 2.2 MoM decrease. Labor input index declined moderately in the recent year, decreasing to 25.6 this month, with 0.3 MoM decrease.

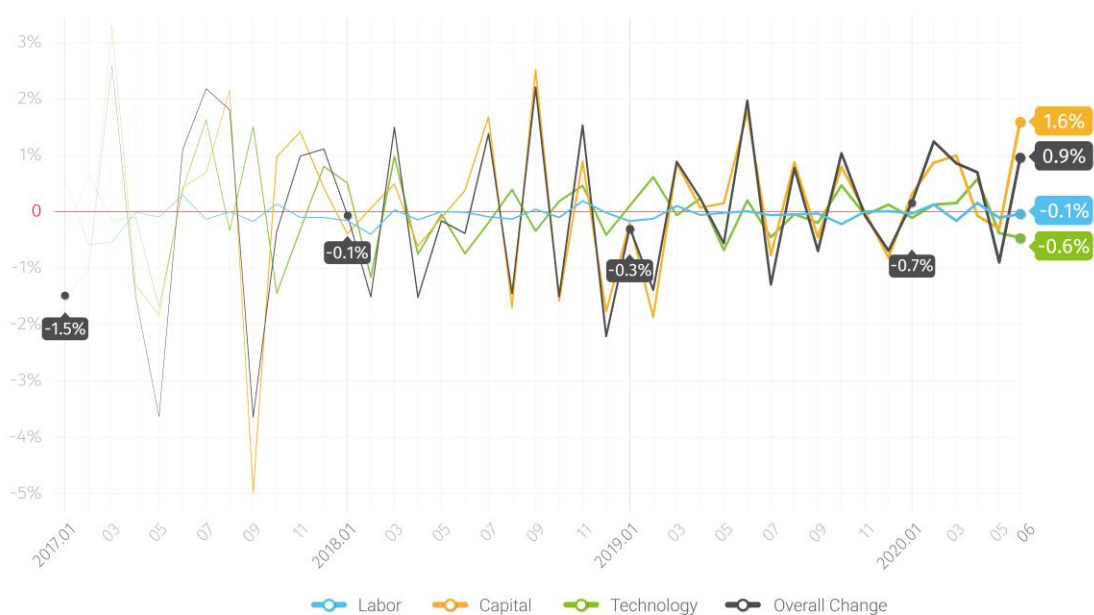
Chart 2: NEI Primary Input Index



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Taking the weights into account, percentage changes in labor, capital and technology inputs were -0.1, 1.6, and -0.6 ppts, respectively. The net NEI change was 0.9 ppts in total (Chart 3).

Chart 3: Primary Input Contribution to NEI

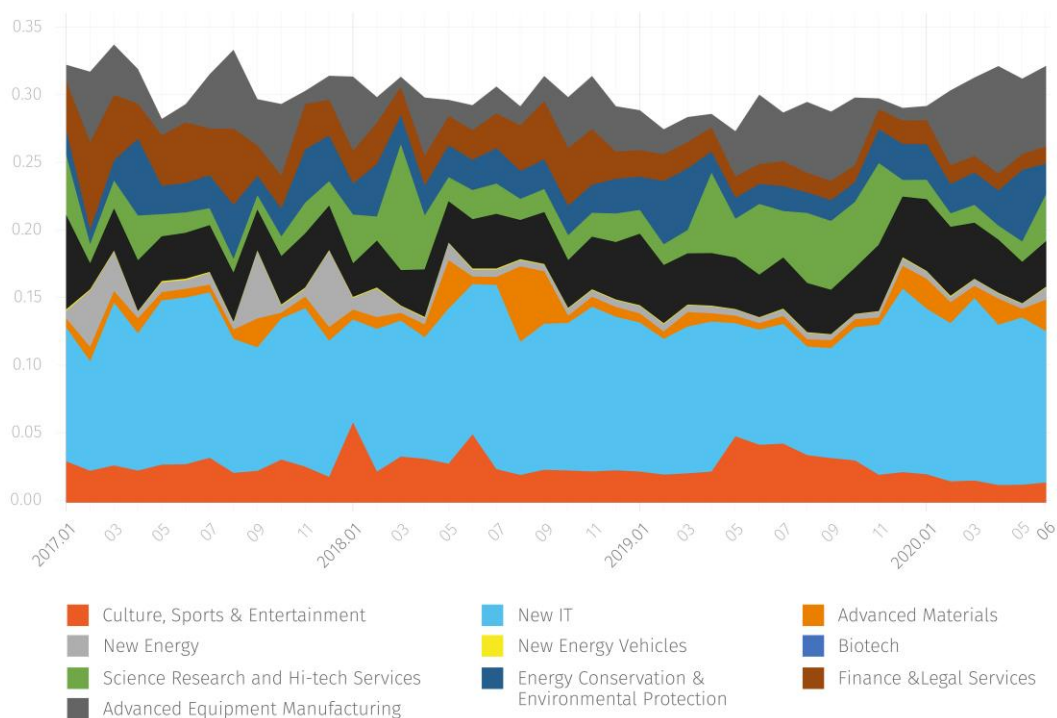


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As for sectors, the New IT industry formed the largest proportion of the New Economy Index, contributing 11.1 ppts to NEI. Advanced Materials was the industry with fastest growth in June, contributing 2.3 ppts and ranking the fifth. Energy Conservation & Environmental Protection

came sixth from third, the biggest drop in ranking, contributing 2.3 ppts in June (Chart 4).

Chart 4: New Economy Sector Contribution Breakdown



## New Economy Employment

In June 2020, the average monthly entry-level salary of the New Economy was RMB 11,460, increasing from last month's level of RMB 11,458 (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, increased to 6.7%, compared to 5.5% in May (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

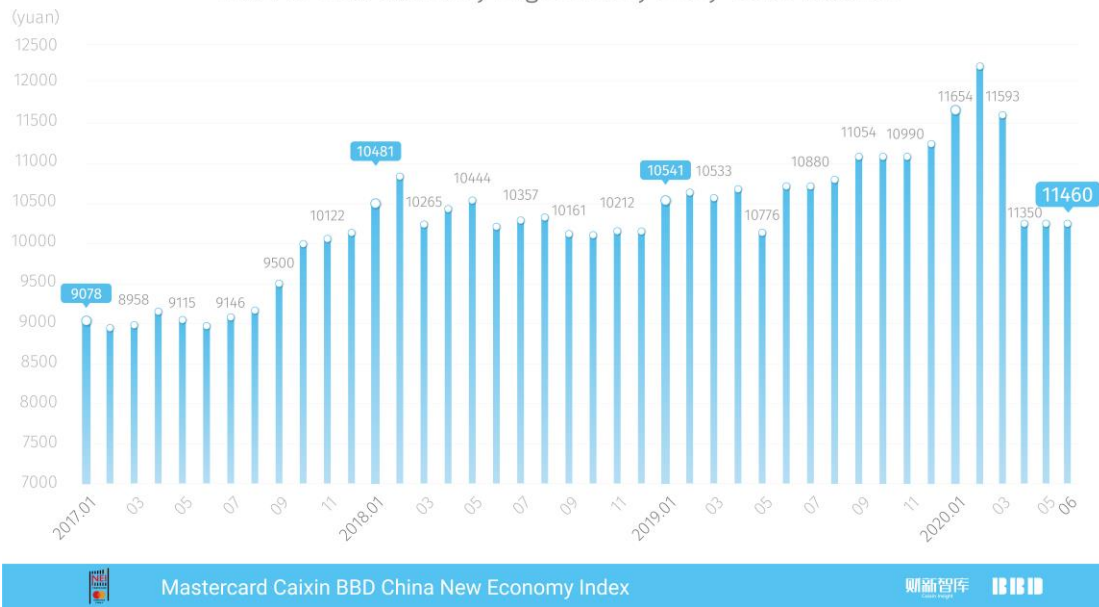


Chart 6: New Economy Entry-Level Salary Premium over Economy-wide Entry Level Salaries



## Economic Trend Based on Employment Data

This month, NEI rebounded to its highest value since September 2017. The new economy played an increasingly important role in post-COVID-19 recovery.

The employment shares of the largest 25% and smallest 25% enterprises were shown in Chart 7, and so was the ratios. The employment proportions of smallest 25% enterprises rebounded since February, while that of largest 25% ones declined, resulting the large-to-small ratio dropped to

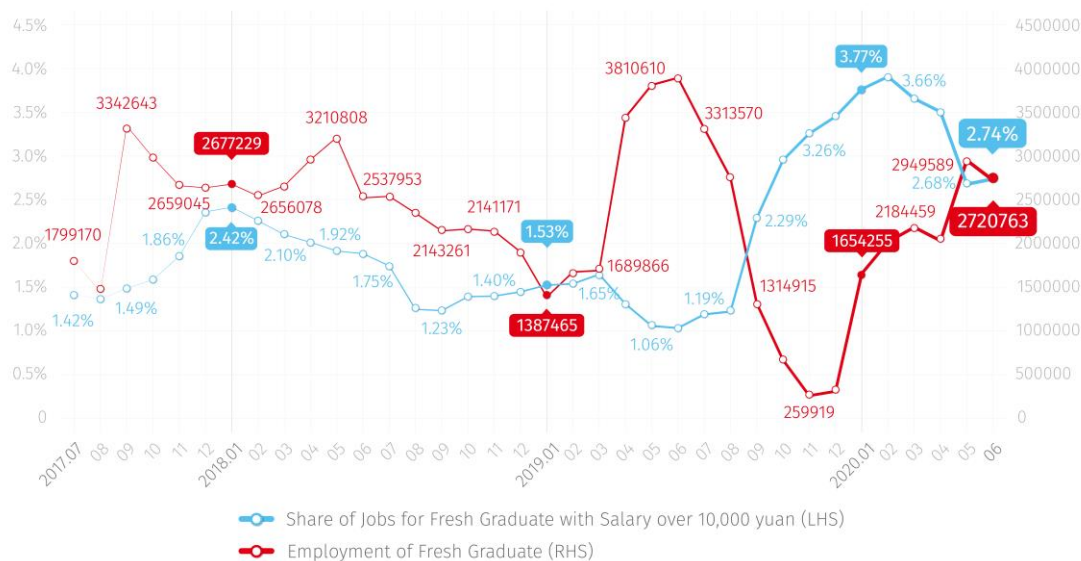
the lowest value since February 2019. The employment of large and small companies was directly related to economic activity. Generally, smallest enterprises with more employment indicated higher economic activities.

Chart 7: Share of Jobs Creation by Enterprises Categorized by Size



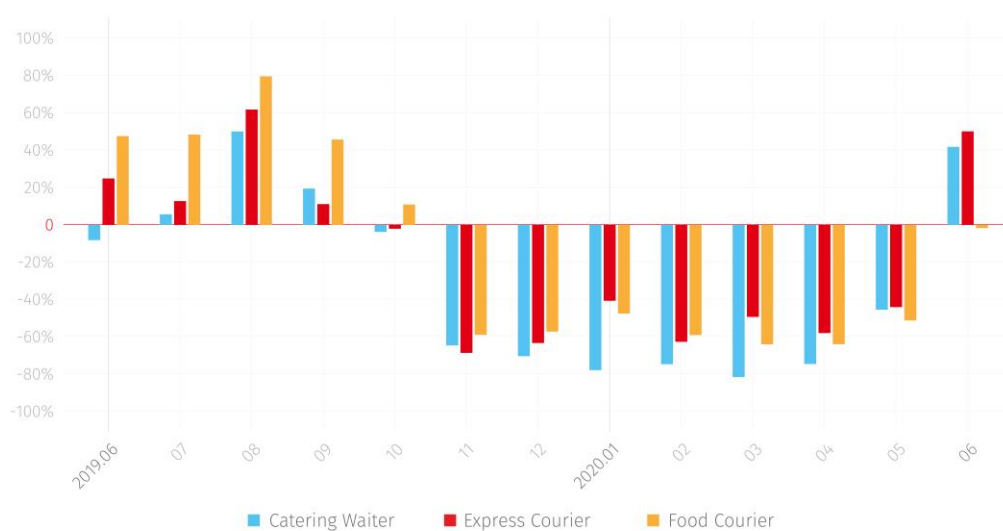
It's well noted that the toughest graduation season arrived on schedule after COVID-19 outbreak. The jobs for fresh graduates declined since June 2019 and reached its lowest value in November 2019 (Chart 8). During the outbreak of COVID-19, the growth of jobs for fresh graduates slowed down. It's starting to increase sharply in recent months but jobs for fresh graduates remained about 26% lower year-on-year. However, if we focused on well-paid jobs, we found the share of jobs for fresh graduates with salary over 10,000 yuan increased to 2.7% in June 2020, compared to 1% in June 2019, indicating the decrease of low-end positions.

Chart 8: Change of Jobs for Fresh Graduate



Service industry is recovering (Chart 9). After the outbreak of COVID-19, the employment of catering waiter, express courier and food courier experienced negative YoY growth for months. In June, the YoY growth rate of catering waiter and express courier increased to 42% and 50% respectively, indicating the offline service industry recovered for the first time.

Chart 9: YoY Growth Rate of Employment in Typical Service Industry



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

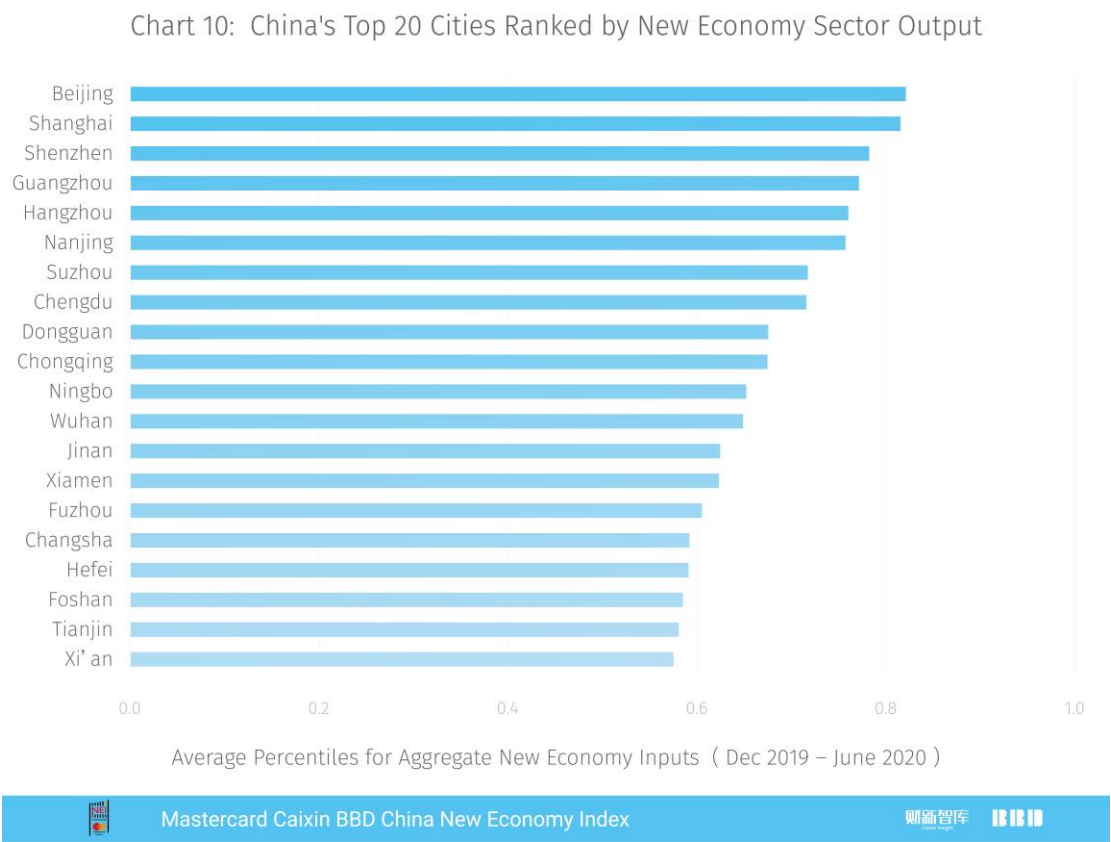
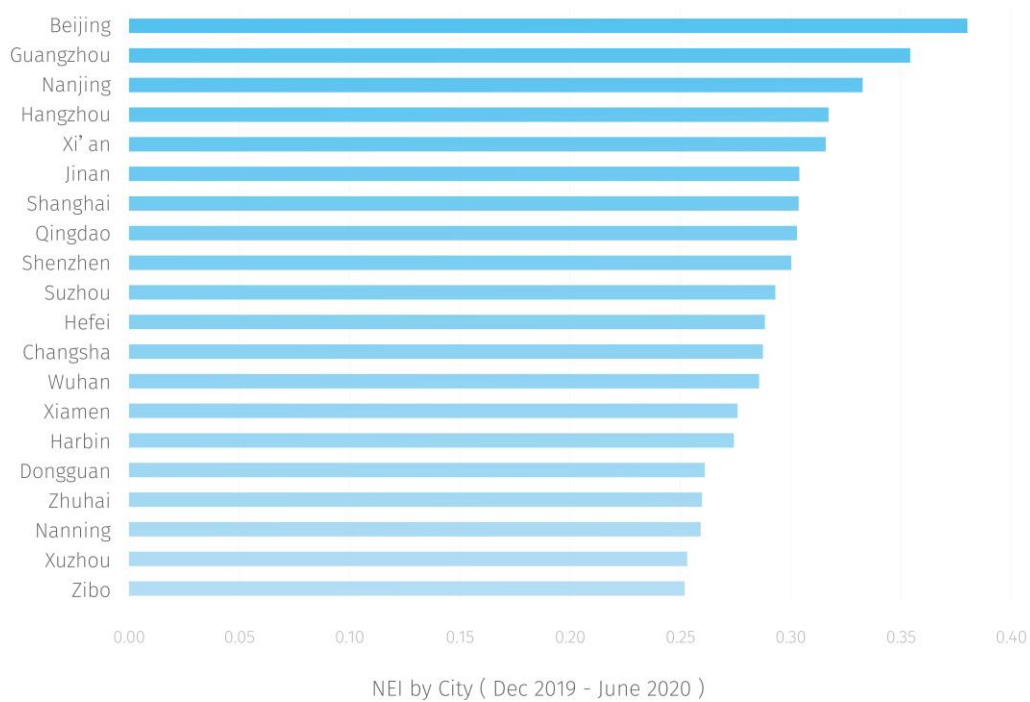


Chart 11 showed the average NEI city rankings between December 2019 and June 2020. The top five cities were Beijing, Guangzhou, Nanjing, Hangzhou and Xi'an.

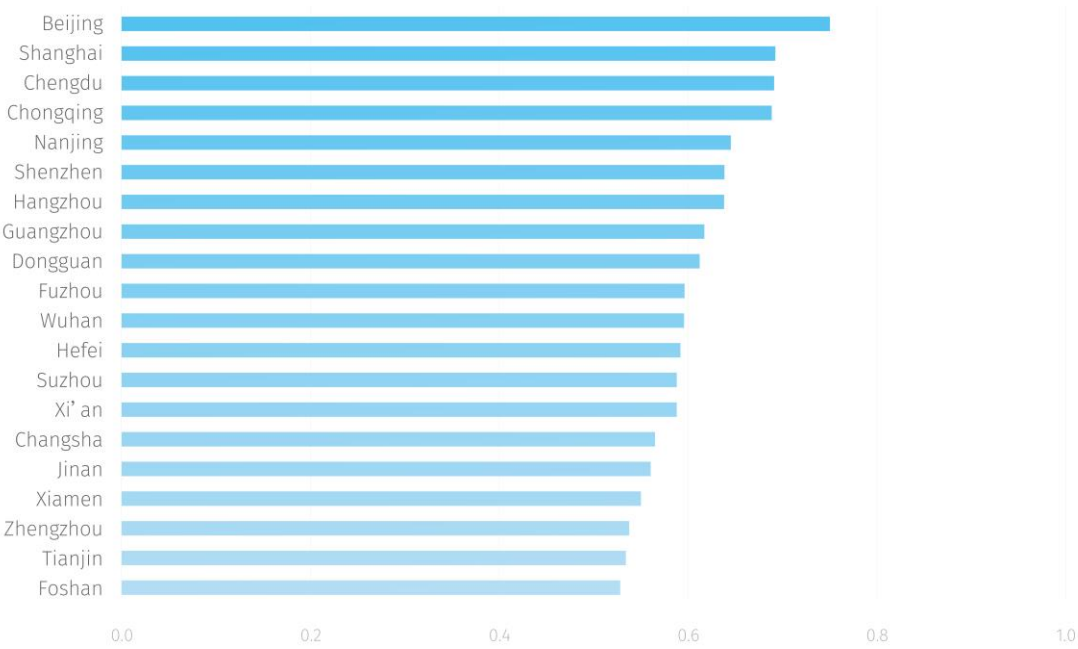
Chart 11: China's Top 20 Cities Ranked by Average NEI



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, Shanghai, Chengdu, Chongqing and Nanjing, following by Shenzhen and Hangzhou.



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 ( Dec 2019 – June 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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