

November 2021

Mastercard Caixin BBD China New Economy Index

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Overview

In November 2021, the Mastercard Caixin BBD New Economy Index (NEI) reading came in at 29.6, indicating that the New Economy accounted for 29.6% of overall economic input activities that month, up 0.7 ppts from October 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.

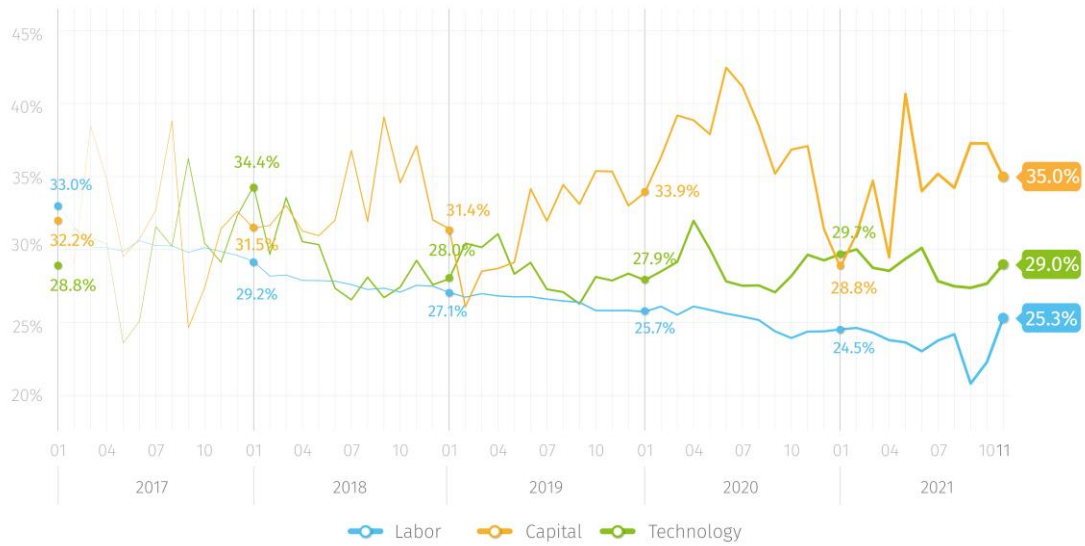
Chart 1: China Monthly New Economy Index



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 labor inputs. Labor input index increased to 25.3 this month, with 3.0 MoM increase. Capital input declined to 35.0 this month, with 2.3 MoM decrease. Technology input index came in at 29.0 this month, with 1.3 MoM increase (Chart 2). Taking the weights into account, percentage changes in labor, capital and technology inputs were 1.2, -0.8, and 0.3 ppts, respectively. The net NEI change was 0.7 ppts in total.



Chart 2: NEI Primary Input Index



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The labor input index is composite 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 increased significantly, which accounted for most increase in NEI in November.

New Economy Sector

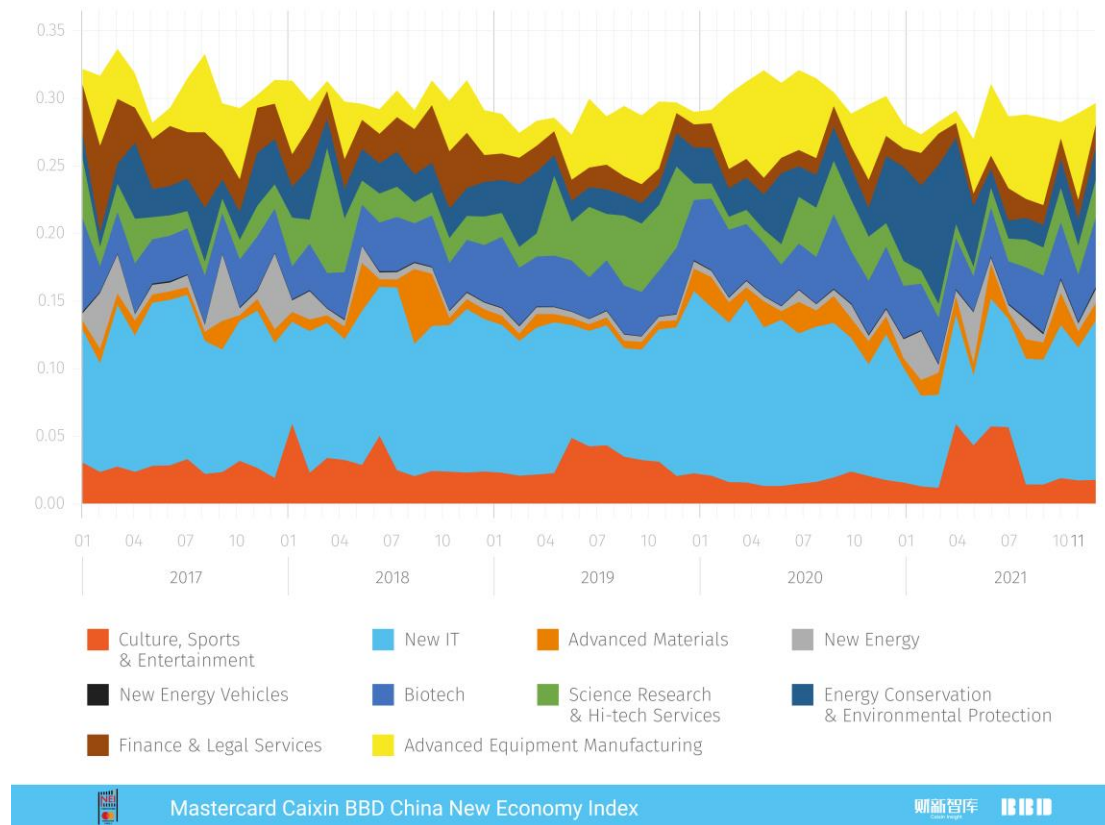
New economy is defined as following: 1) human capital intensive, technology intensive and capital light, 2) sustainable rapid growth, and 3) in line with the strategic new industries defined by the government. New economy covers 10 categories (Energy Conservation & Environmental Protection, New IT, Biotech, 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 11.8 ppts to New Economy Index, slightly higher than that in October (Chart 3). However, the share of Biotech increased significantly, up 1.7 ppts from October. Detailed data indicated that, the increase in Biotech industry was due to higher



salary and employment ratio.

Chart 3: New Economy Sector Contribution Breakdown



New Economy Employment

In November 2021, the average monthly entry-level salary of the New Economy was RMB 13,112, increasing from last month's level of RMB 13,100 (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 3.9%, compared to 2.7% in October 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

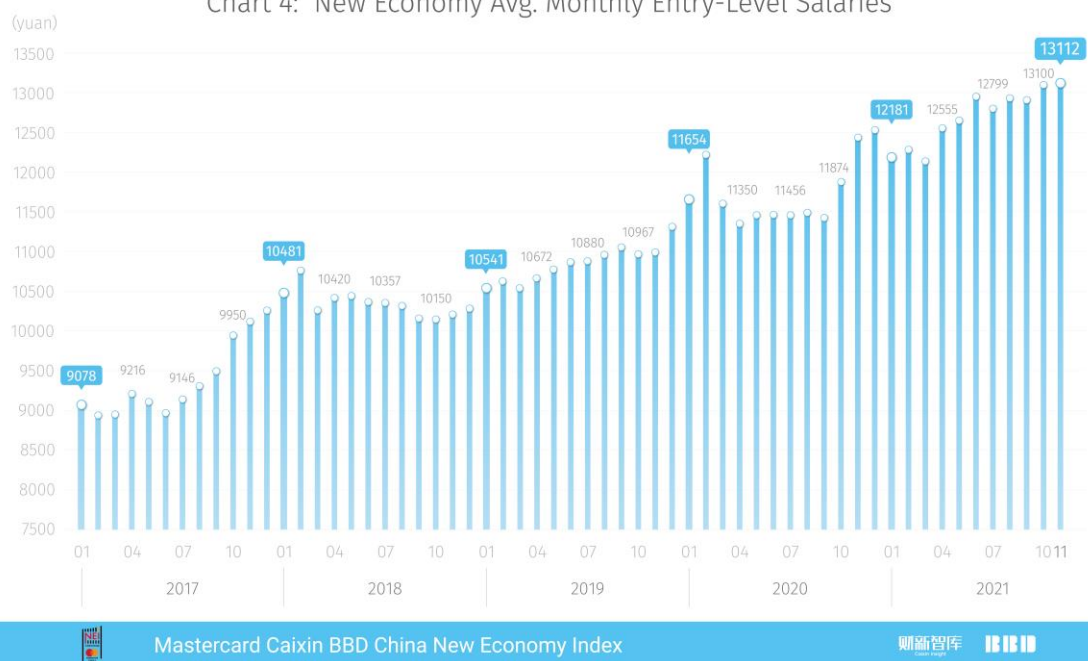
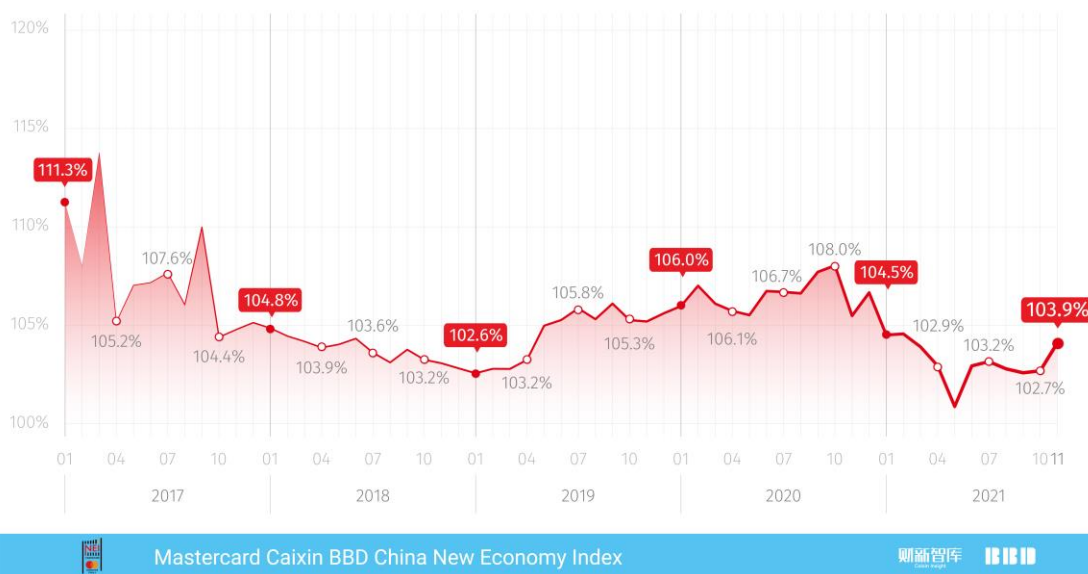


Chart 5: New Economy Entry-Level Salary Premium over Economy-wide Entry Level Salaries



Economic Trend Based on Employment Data

This month we explored the changes of real estate market in the context of changing policies and occasional crises. Data indicated that the change of the proportion of construction employees was not consistent with the investment in real estate development in 2017 - 2018 (Chart 6). However, the nationwide investment in real estate development experienced a downward trend in 2019 and declined further in 2020 due to the epidemic, and fluctuated upward

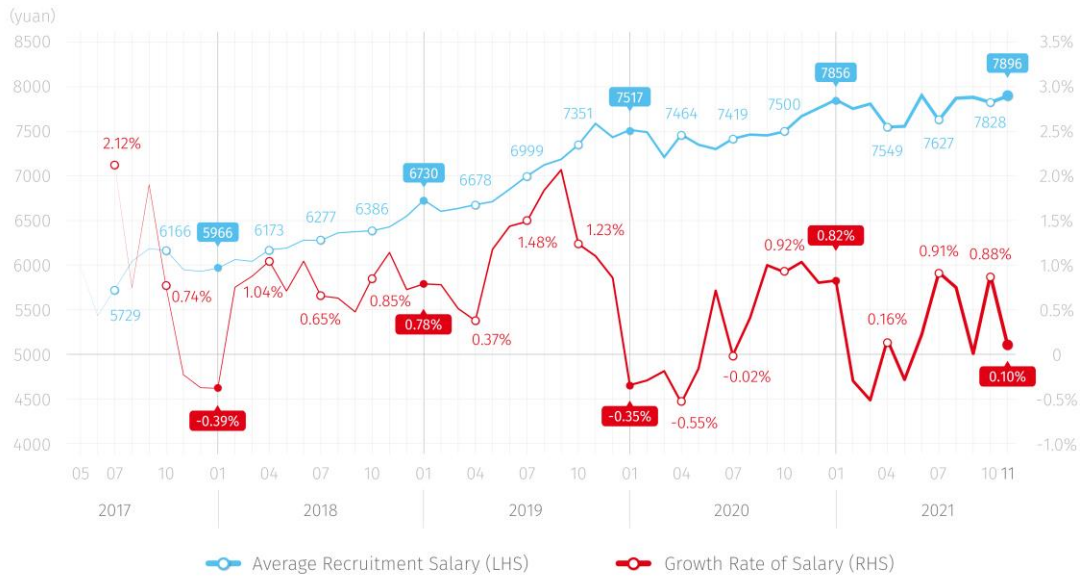
after that in 2021, all of which were consistent with the employment of construction industry. It was apparent that the housing construction maintained at high levels shown by this indicator.

Chart 6: Proportion of Construction Employees



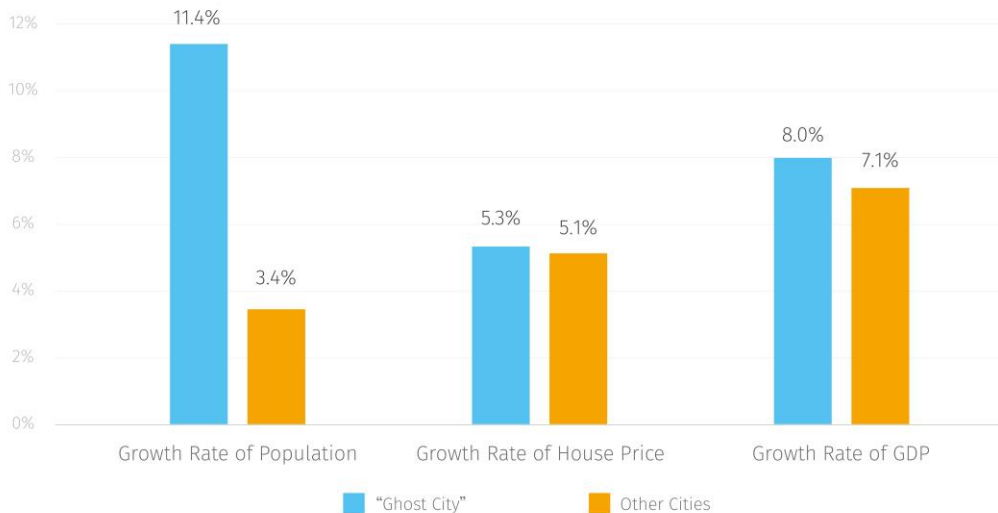
We found the salary growth rate of construction employees was closely relevant to the investment in real estate development (Chart 7). The average salary of construction employees was only about 6,000 yuan in 2017, but reaching more than 7,500 yuan now. The growth rate of salary declined after 2020, falling to the half of that in 2019. It seemed that the efficiency and returns of China's real estate market were stagnating although new investments remained considerable.

Chart 7: Average Recruitment Salary and Growth Rate of Construction Employees



"Ghost cities", words coined by the media before 2014, were cities with much more floor space of houses than living demands by local population, among which were Dongying and Ordos in 2014, for example. Data showed that these "ghost cities" picked up momentum in the past 7 years, with higher growth rate of population, house price and GDP than the average of other cities. Some "ghost cities" boomed again and did not drag down the economy significantly.

Chart 8: Comparison of "Ghost City" and Other Cities since 2015

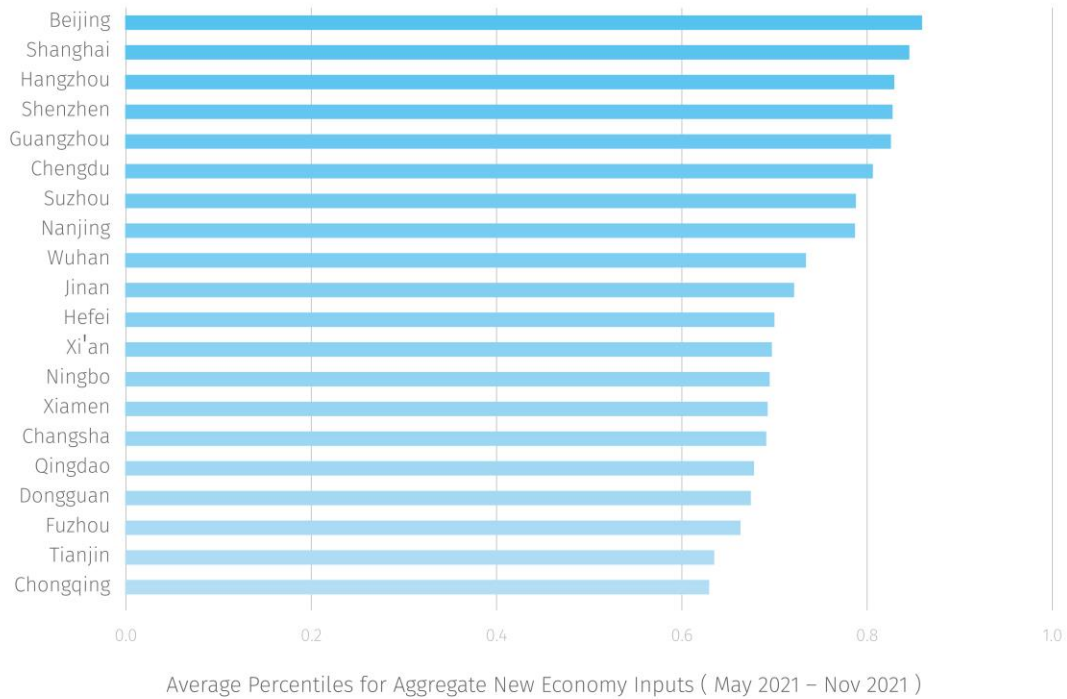


City Rankings of the New Economy



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 9. In November, the top five cities were Beijing, Shanghai, Hangzhou, Shenzhen and Guangzhou.

Chart 9: China's Top 20 Cities Ranked by New Economy Sector Output

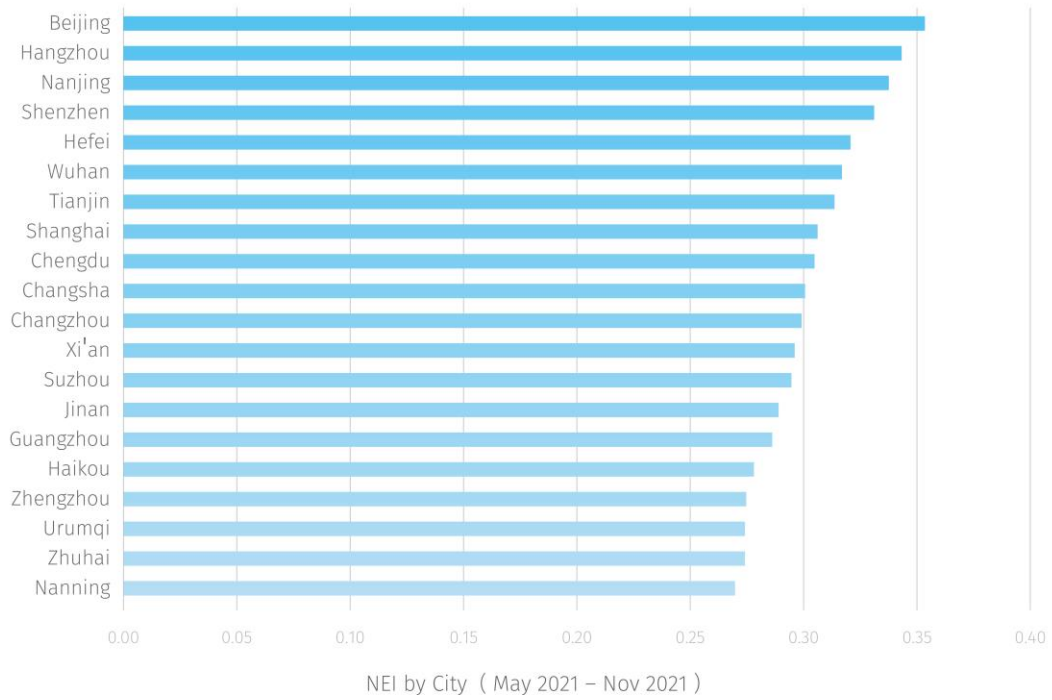


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Chart 10 showed the average NEI city rankings between May 2021 and November 2021. The top five cities were Beijing, Hangzhou, Nanjing, Shenzhen and Hefei.



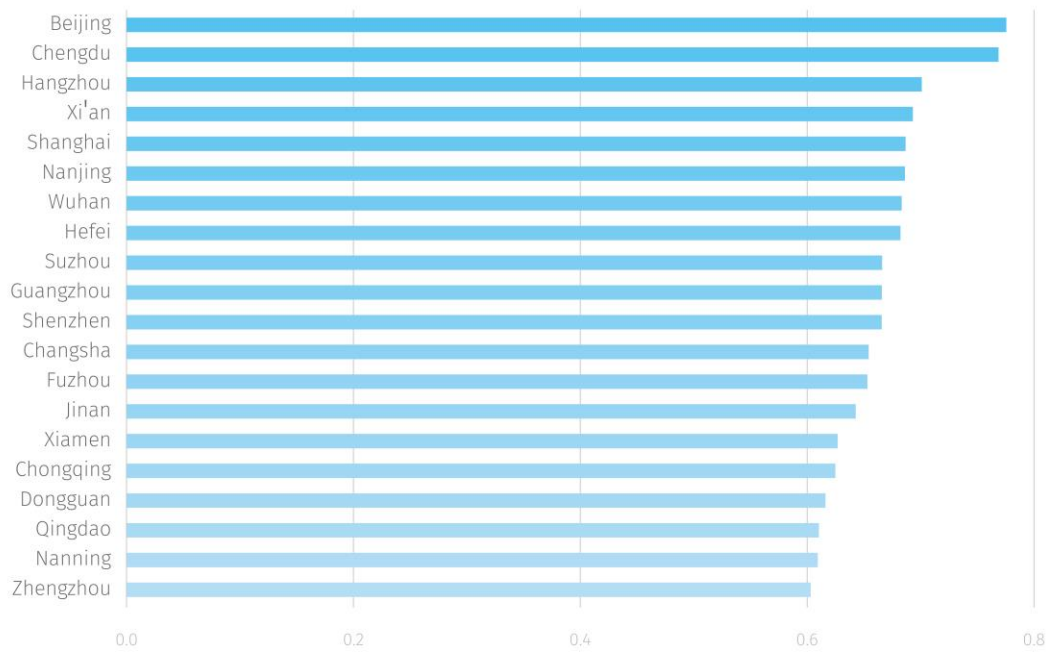
Chart 10: China's Top 20 Cities Ranked by Average NEI



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 11). After the adjustment, the top five cities were Beijing, Chengdu, Hangzhou, Xi'an and Shanghai, following by Nanjing and Wuhan.



Chart 11: 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 (May 2021 – Nov 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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