



June 2021

Mastercard Caixin BBD China New Economy Index

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Overview

In June 2021, the Mastercard Caixin BBD New Economy Index (NEI) reading came in at 28.6, indicating that the New Economy accounted for 28.6% of overall economic input activities that month, down 2.4 pts from May 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

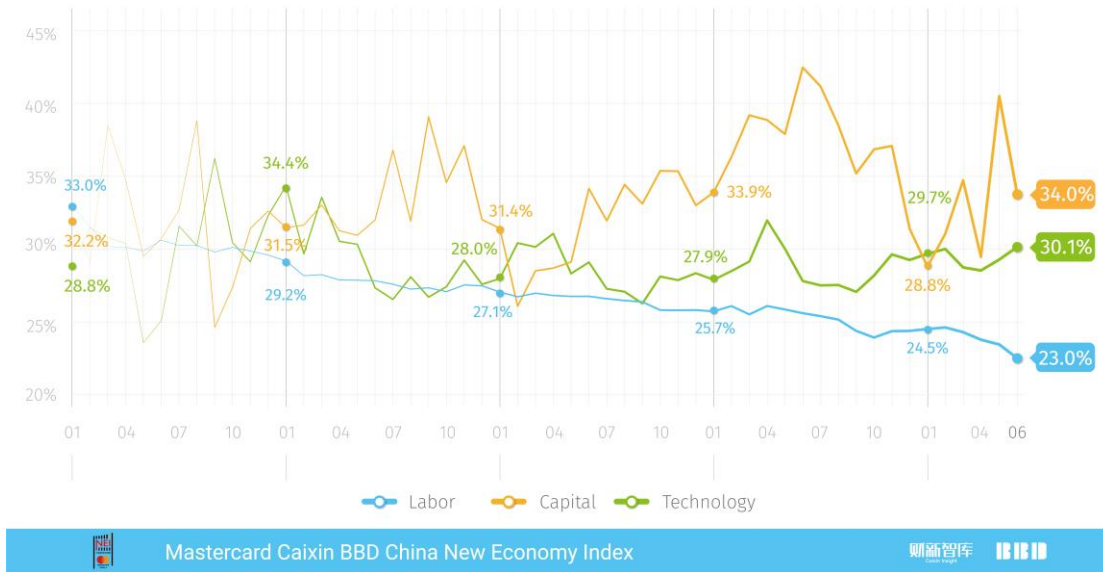


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The NEI includes labor, capital and technology inputs that account for 40%, 35% and 25% of the total weights of the index, respectively. The decreasing NEI was attributed to the decrease in capital inputs. Capital input decreased to 34.0 this month, with 6.7 MoM decrease. Technology input index came in at 30.1 this month, with 0.7 MoM increase. Labor input index declined to 23.0 this month, with 0.6 MoM decrease (Chart 2). Taking the weights into account, percentage changes in labor, capital and technology inputs were -0.2, -2.3, and 0.2 pts, respectively. The net NEI change was -2.4 pts 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 decreased significantly, which accounted for the decrease in NEI in June.

New Economy Sector

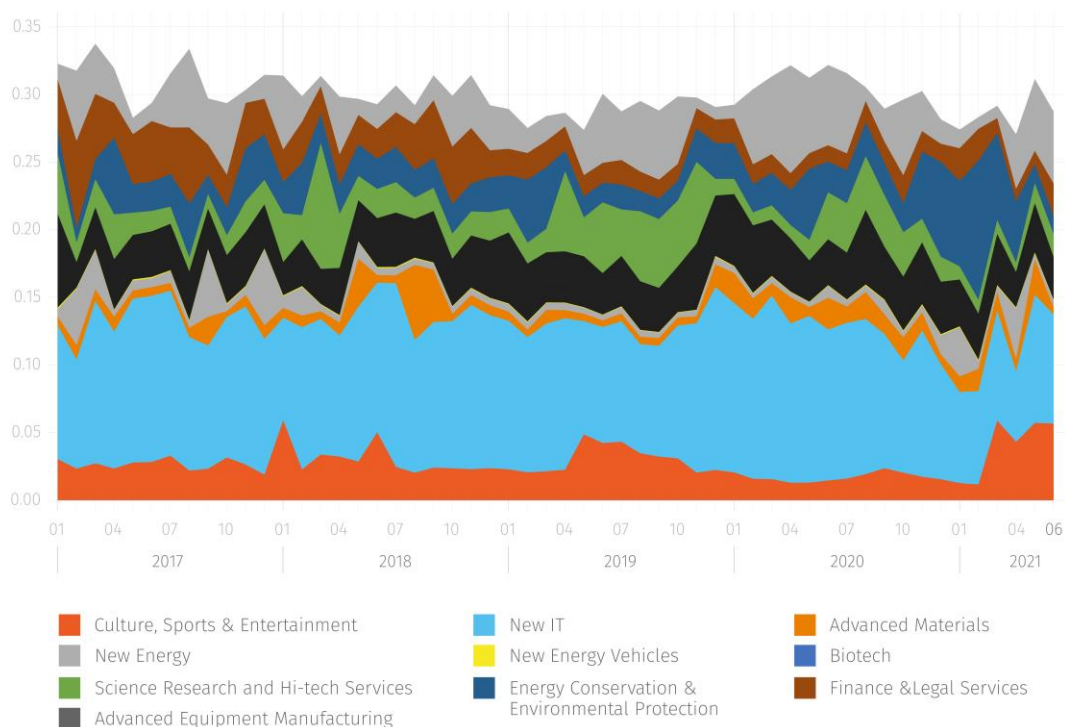
New economy is defined as following: 1) human capital intensive, technology intensive and capital light, 2) sustainable rapid growth, and 3) in line with the strategic new industries defined by the government. New economy covers 10 categories (Energy Conservation & Environmental Protection, New IT, Biotech, 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 8.0 ppts to New Economy Index, slightly lower



than that in May, the share of Advanced Materials decreased significantly as well (Chart 3). Detailed data indicated that, the decrease in New IT ratio was due to fewer capitalization of enterprises applying for the "New Three Board". The ratio of venture capital in Advanced Equipment Manufacturing dropped as well.

Chart 3: New Economy Sector Contribution Breakdown



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New Economy Employment

In June 2021, the average monthly entry-level salary of the New Economy was RMB 12,954, increasing from last month's level of RMB 12,665 (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 2.9%, compared to 0.9% in May 2021 (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 4: New Economy Avg. Monthly Entry-Level Salaries

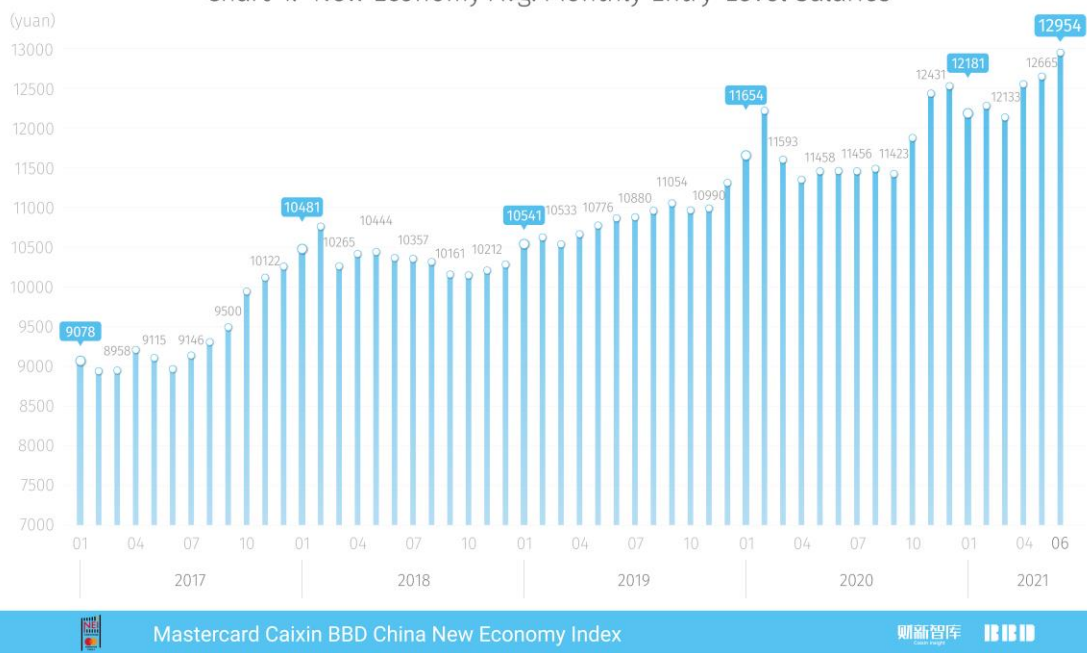
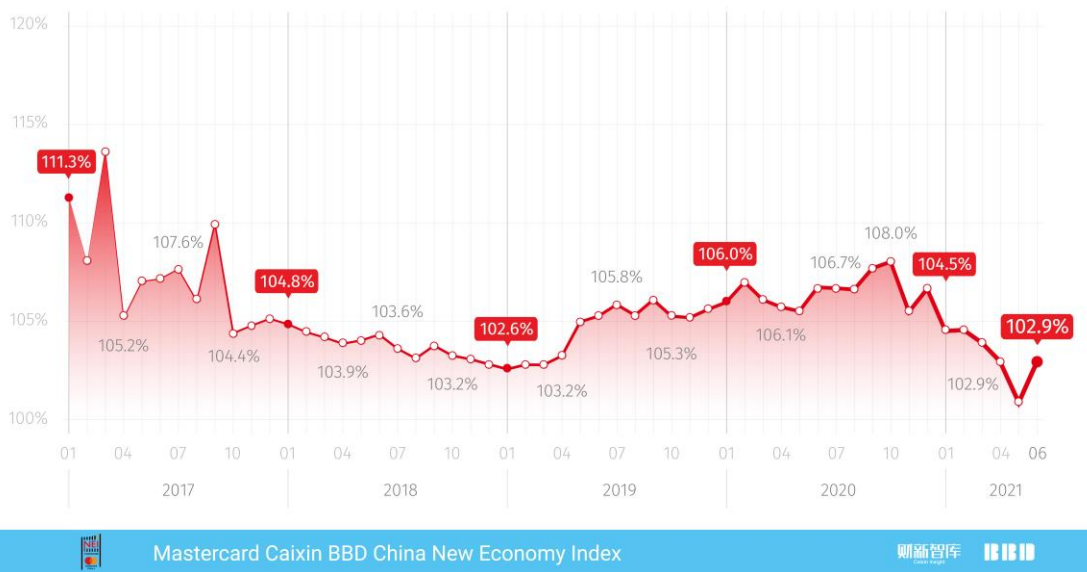


Chart 5: New Economy Entry-Level Salary Premium over Economy-wide Entry Level Salaries



Economic Trend Based on Enterprise Employment

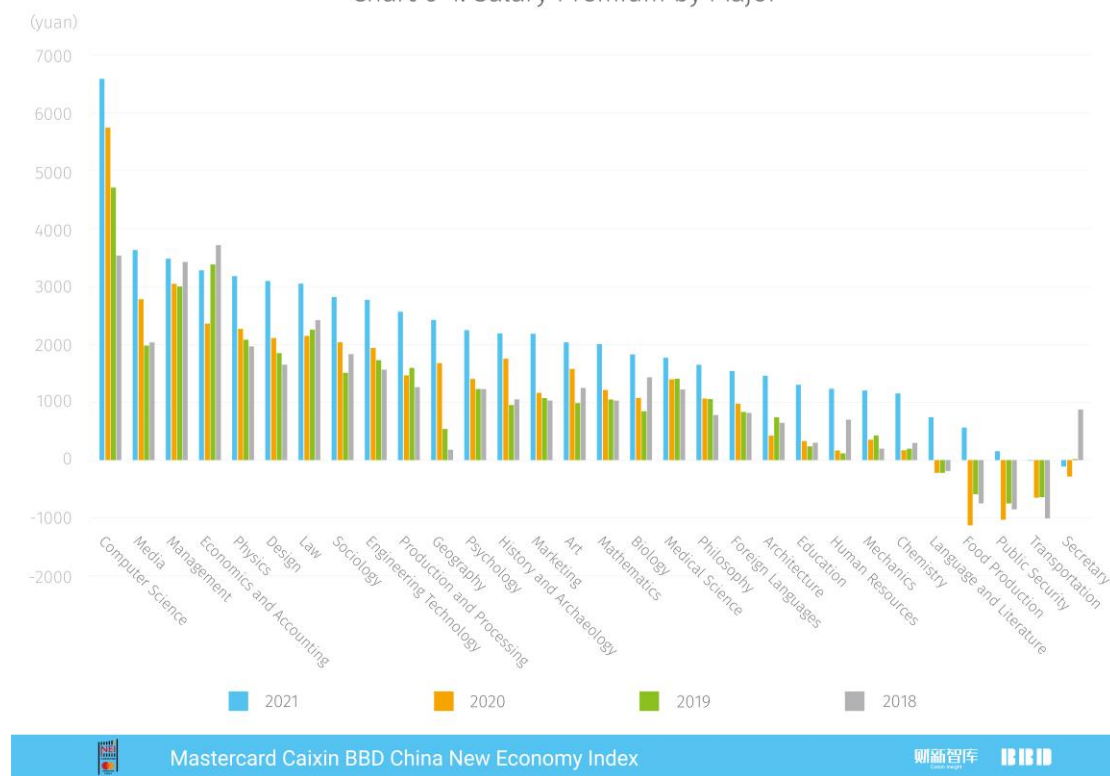
This month, we analyzed the salary premium by major. According to recruitment data over the years, we explored for each position how the salary was determined by requirement of professional knowledge. For example, how significant the salary of a position where computer science knowledge is fully required is different from that of a position without computer science prerequisites? And how much difference can be observed for positions with and without biology



knowledge in terms of salary. The wage gap between the two types of positions is defined as salary premium of knowledge or major.

The salary premiums and rankings of 30 majors were shown in Chart 6-1 and Chart 6-2. Data implied that computer science was the major with highest salary premium, reaching 6,589 yuan in 2021. Except for 2018, the salary premium of computer science ranked the top from 2019 to 2021, which was attributed to the popularity of information technology in economic activities. The jobs with unnecessary computer use were mostly paid lower, resulting in higher salary premium of computer science.

Chart 6-1: Salary Premium by Major



The salary premium of media ranked fifth and sixth respectively in 2018 and 2019, and then rose to third and second. The lift came from the rapid popularity of live broadcasts and short videos in recent years. In 2021, the salary premium of economics and accounting was only 3,281 yuan and ranked the fourth place, decreasing from the first place in 2018. The salary premiums of law decreased as well, and its ranking dropped to seventh in 2021 from fourth in 2018. It can be seen that the salary premiums and rankings of different majors changed significantly with the economic structural change and industrial transformation in China.



Chart 6-2: Ranking of Salary Premium by Major

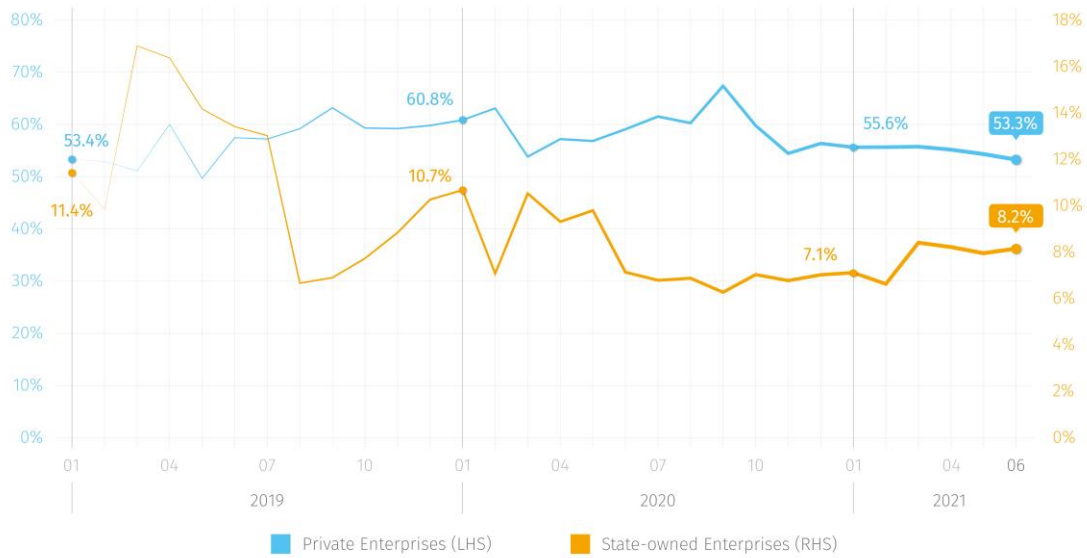
Major	2021	2020	2019	2018
Computer Science	1	1	1	2
Media	2	3	6	5
Management	3	2	3	3
Economics and Accounting	4	4	2	1
Physics	5	5	5	6
Design	6	7	7	8
Law	7	6	4	4
Sociology	8	8	10	7
Engineering Technology	9	9	8	9
Production and Processing	10	13	9	11
Geography	11	11	21	26
Psychology	12	14	12	13
History and Archaeology	13	10	17	15
Marketing	14	17	13	16
Art	15	12	16	12
Mathematics	16	16	15	17
Biology	17	18	18	10
Medical Science	18	15	11	14
Philosophy	19	19	14	20
Foreign Languages	20	20	19	19
Architecture	21	21	20	22
Education	22	23	23	23
Human Resources	23	25	25	21
Mechanics	24	22	22	25
Chemistry	25	24	24	24
Language and Literature	26	26	27	27
Food Production	27	30	28	28
Public Security	28	29	30	29
Transportation	29	28	29	30
Secretary	30	27	26	18



This month, we also focused on the share of job creation by state-owned and private enterprises (Chart 7). The employment proportion of private enterprises reached the peak of 67.3% in September 2020, and then gradually decreased to 53.2% this month. Meanwhile, that of state-owned enterprises increased from 6.3% in September 2020 to 8.2% this month. And more jobs were created by collective enterprises and foreign-funded enterprises as well. Based on the past analysis, we found the recruitments of private enterprises was closely related to China's economic activity. Recent decline of this indicator was not a positive sign of economic progress.



Chart 7: Share of Job Creation by State-owned and Private Enterprises

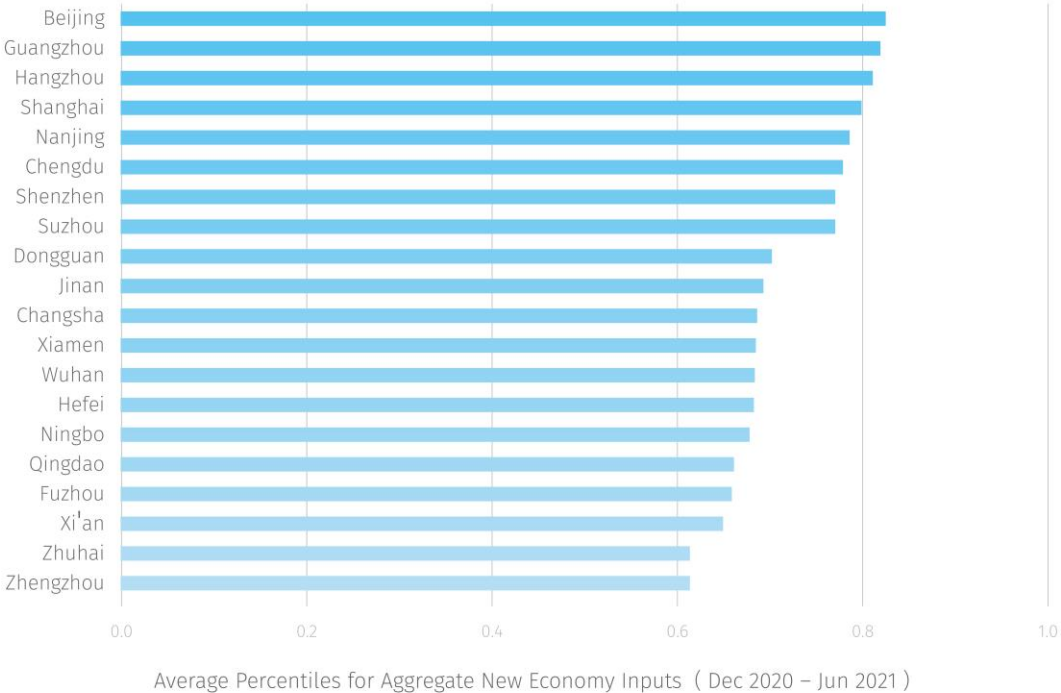


City Rankings of the New Economy

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



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

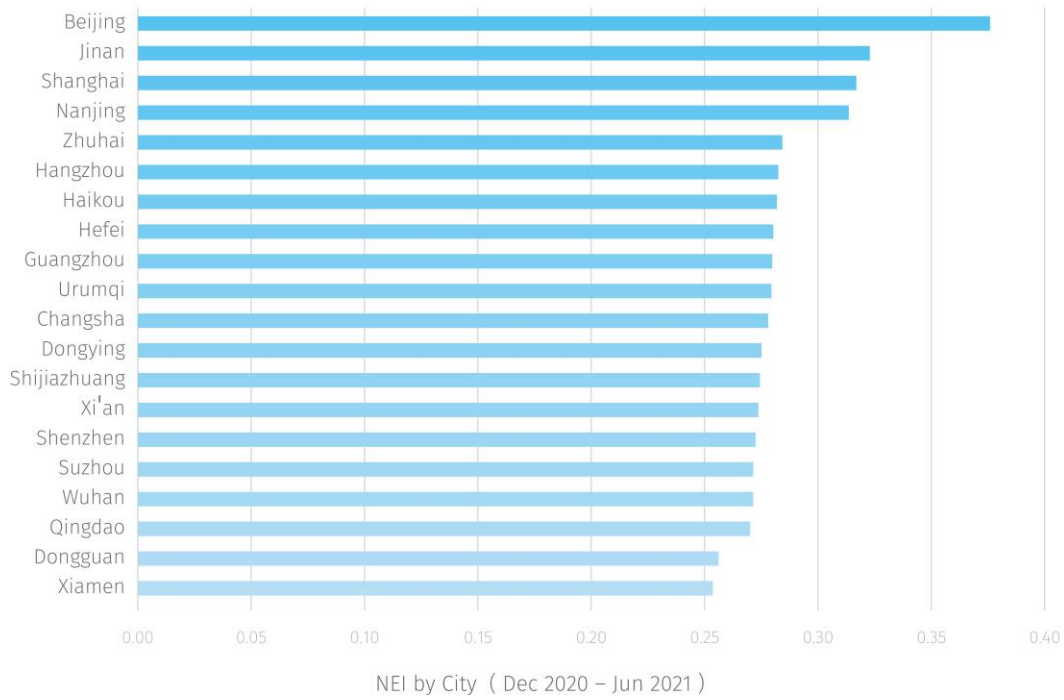


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Chart 9 showed the average NEI city rankings between December 2020 and June 2021. The top five cities were Beijing, Jinan, Shanghai, Nanjing and Zhuhai.

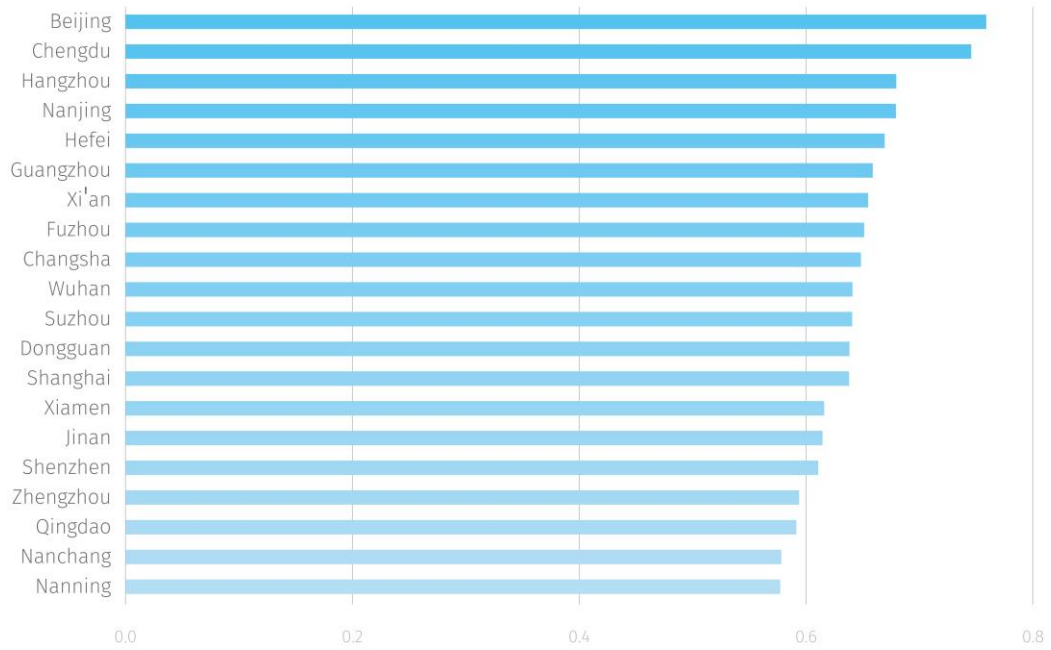


Chart 9: China's Top 20 Cities Ranked by Average NEI



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 Guangzhou and Xi'an.

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 (Dec 2020 – Jun 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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