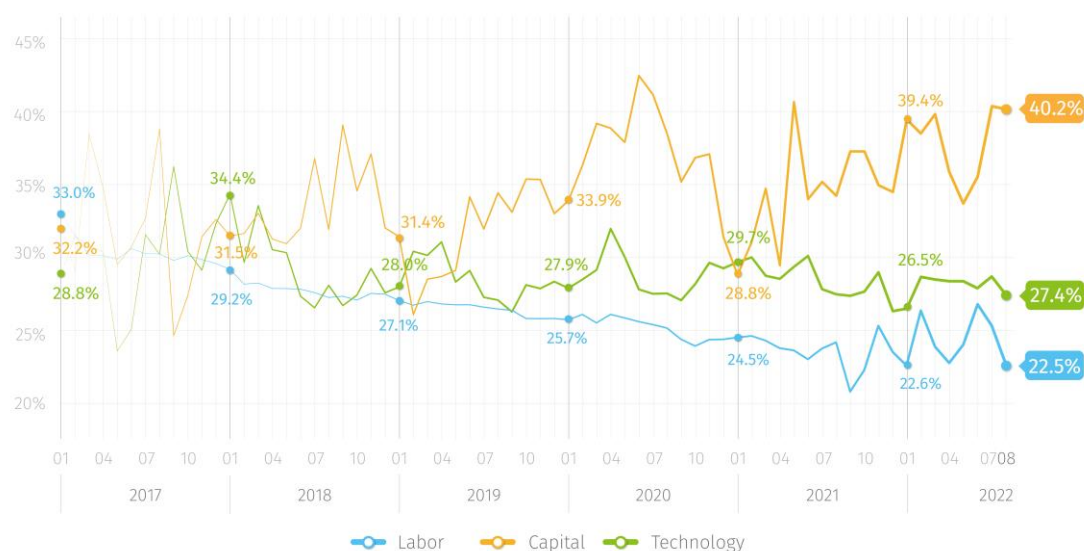# Caixin BBD China New Economy Index

Overview

In August 2022, the Caixin BBD New Economy Index (NEI) reading came in at 29.9, indicating that the new economy accounted for 29.9% of overall economic input activities that month, down 1.5 ppts from July 2022 (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 of 2020, the old economy showed stronger growth, suppressing the new economy. From 2021, NEI has rebounded.

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 decreasing NEI was attributed to the decrease in labor inputs. Labor input index decreased to 22.5 this month, with 2.8 MoM decrease. Technology input index came in at 27.4 this month, with 1.3 MoM decrease. Capital input decreased to 40.2 this month, with 0.2 MoM decrease (Chart 2). Taking the weights into account, percentage changes in labor, capital and technology inputs were -1.1, -0.1, and -0.3 ppts, respectively. The net NEI change was -1.5 ppts in total.

Chart 2: NEI Primary Input Index
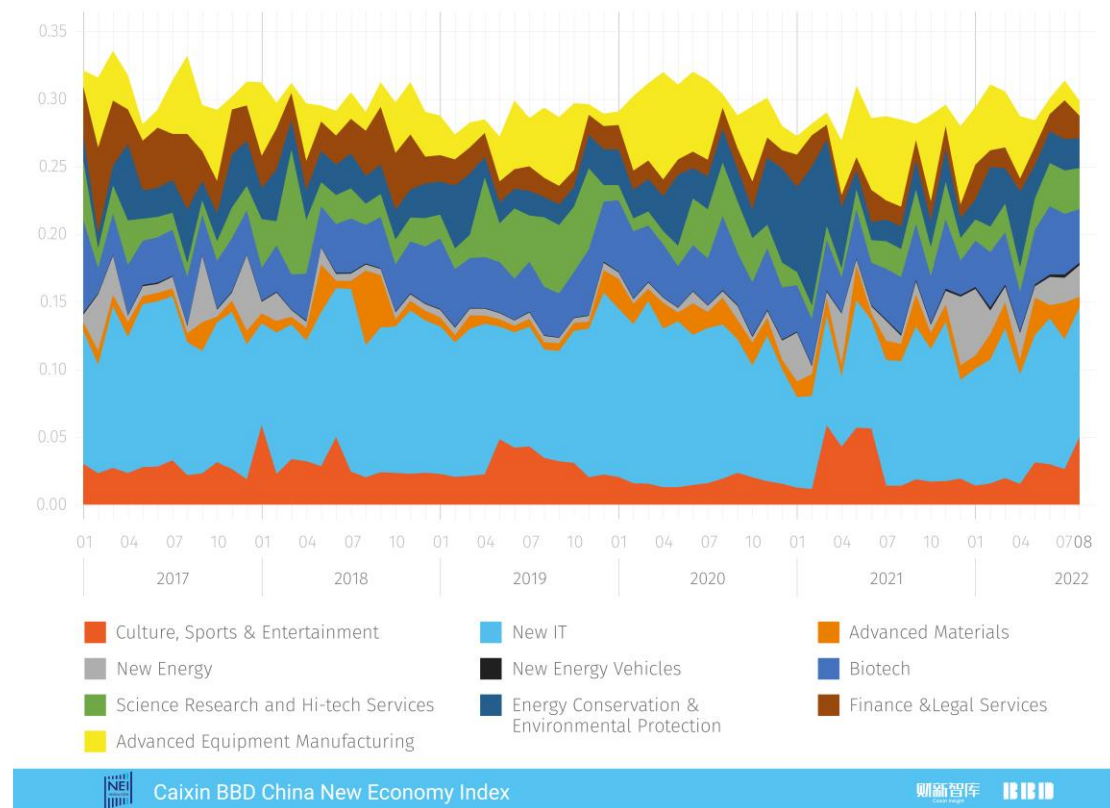

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The labor input index is composites of two sub-indicators: the ratio of income of employees and the ratio of post in new economy industries. This month, the ratio of salary and ratio of employment of enterprises in new economy industries decreased significantly, which accounted for the most decrease in NEI.

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 9.6 ppts to New Economy Index, almost the same as that in July (Chart 3). Advanced Materials industry decreased significantly this month, with 2.0 ppts decrease. Detailed data indicated that, the decrease of Advanced Materials was due to the decrease of the ratio of venture capital.

Chart 3: New Economy Sector Contribution Breakdown

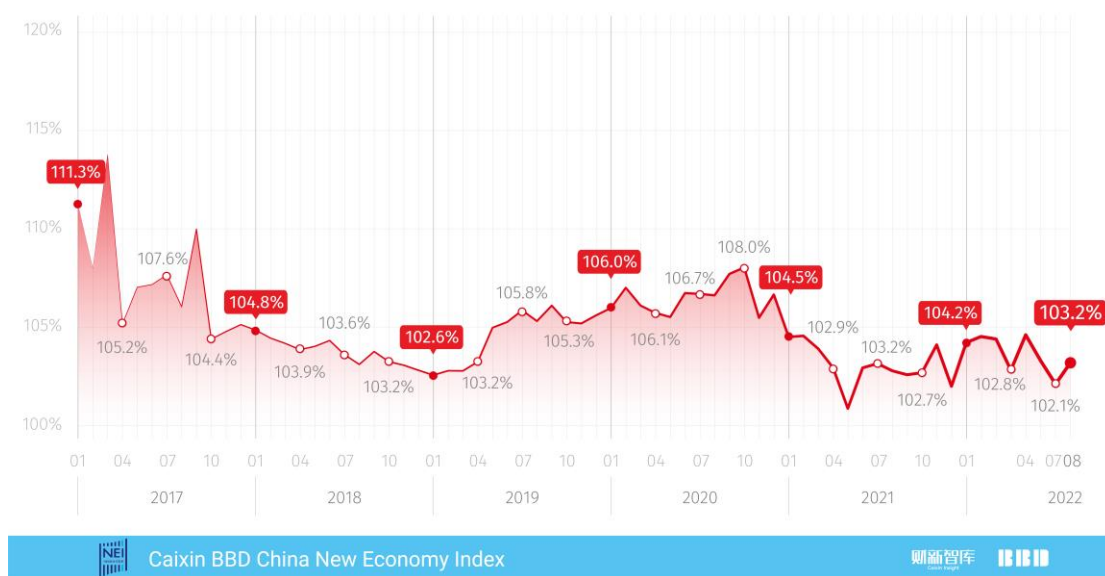|		
■ Culture, Sports & Entertainment	■ New IT	■ Advanced Materials
■ New Energy	■ New Energy Vehicles	■ Biotech
■ Science Research and Hi-tech Services	■ Energy Conservation & Environmental Protection	■ Finance &Legal Services
■ Advanced Equipment Manufacturing		

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New Economy Employment

In August 2022, the average monthly entry-level salary of the new economy was 14,013 RMB, decreasing from last month's level of RMB 13,814 (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 3.2%, compared to 2.1% in July 2022 (Chart 5). The wages are compiled from online websites of career platforms and recruitment services where job openings are listed.

Chart 4: New Economy Avg. Monthly Entry-Level Salaries

(yuan)

Values shown: 9078, 9216, 9146, 9950, 10481, 10420, 10357, 10150, 10541, 10672, 10880, 10967, 11654, 11350, 11456, 118, 12181, 12555, 12799, 13100, 13242, 13768, 13814, 14013

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

Values shown: 111.3%, 105.2%, 107.6%, 104.4%, 104.8%, 103.9%, 103.6%, 103.2%, 102.6%, 103.2%, 105.8%, 105.3%, 106.0%, 106.1%, 106.7%, 108.0%, 104.5%, 102.9%, 103.2%, 102.7%, 104.2%, 102.8%, 103.2%, 102.1%

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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 6. In August, the top five cities were Beijing, Shanghai, Hangzhou, Shenzhen and Guangzhou.

Chart 6: China's Top 20 Cities Ranked by New Economy Sector Output

Average Percentiles for Aggregate New Economy Inputs（Feb 2022 – Aug 2022）

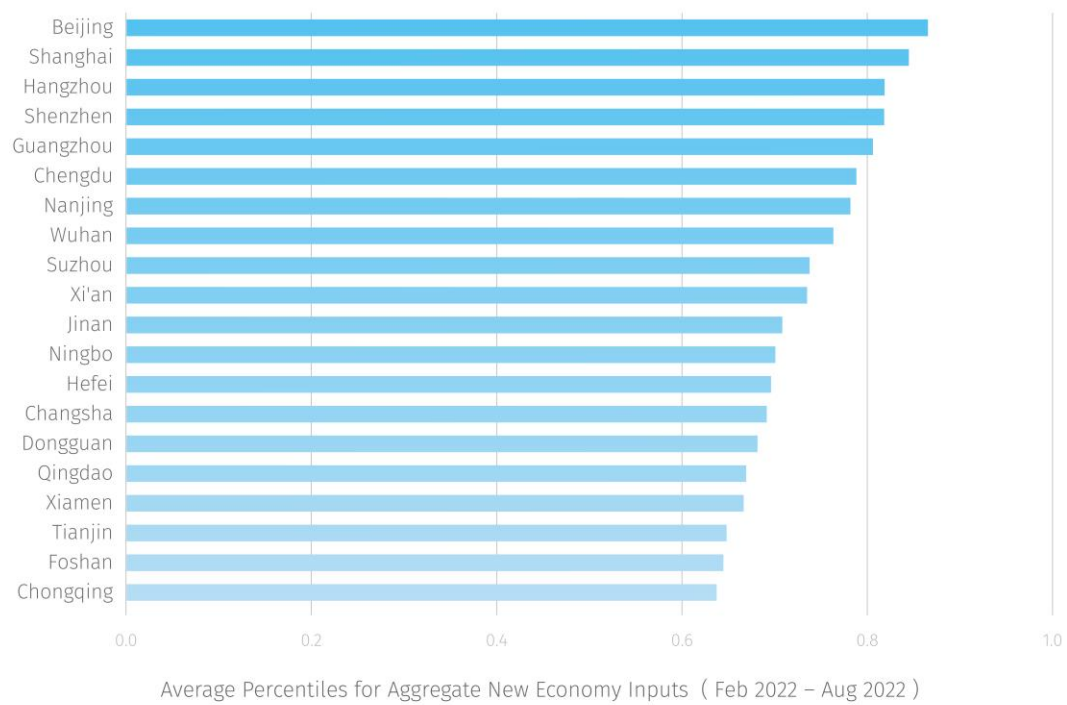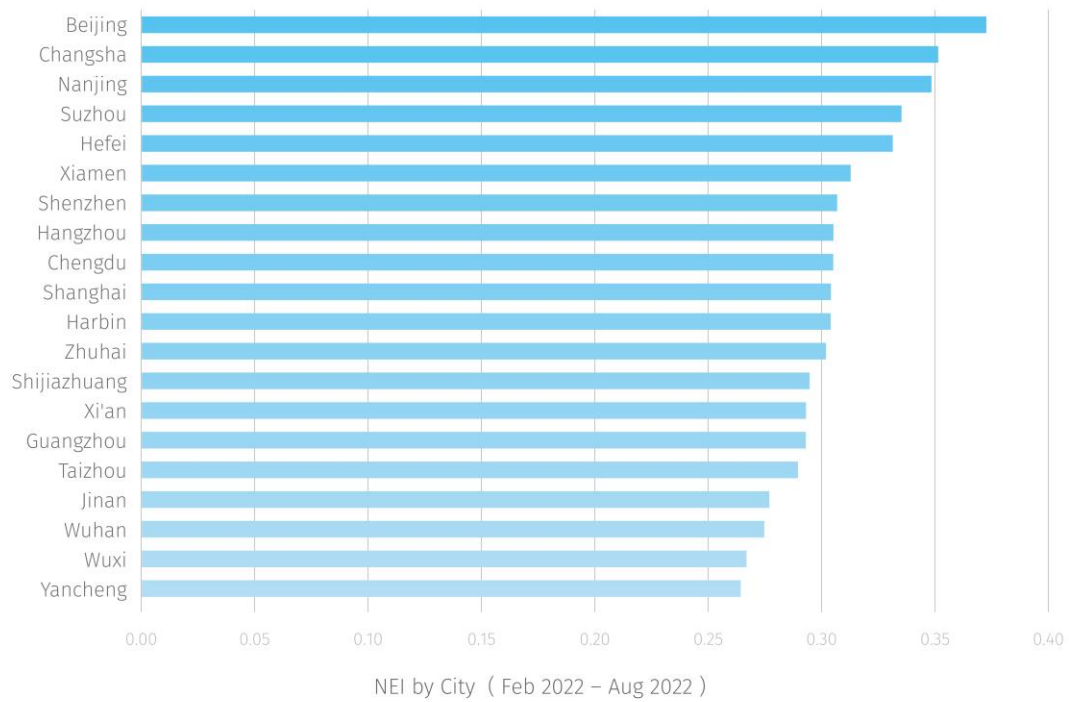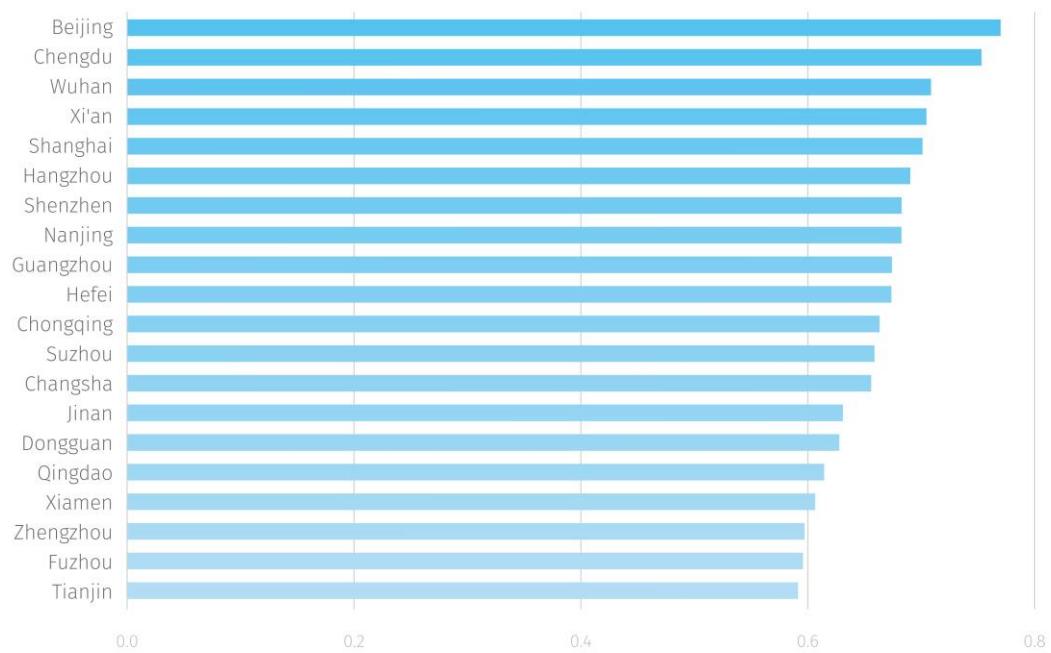Caixin BBD China New Economy Index

Chart 7 showed the average NEI city rankings between February 2022 and August 2022. The top five cities were Beijing, Changsha, Nanjing, Suzhou and Hefei.

Chart 7: China's Top 20 Cities Ranked by Average NEI

NEI by City（Feb 2022 – Aug 2022）

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

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

City	Value
Beijing	
Chengdu	
Wuhan	
Xi'an	
Shanghai	
Hangzhou	
Shenzhen	
Nanjing	
Guangzhou	
Hefei	
Chongqing	
Suzhou	
Changsha	
Jinan	
Dongguan	
Qingdao	
Xiamen	
Zhengzhou	
Fuzhou	
Tianjin	

0.0   0.2   0.4   0.6   0.8

Average Percentiles for Aggregate New Economy Inputs Adjusted by Living Cost （Feb 2022 – Aug 2022）

NEI Caixin BBD China New Economy Index

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The 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.

About Caixin

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About BBD (Business Big Data)

BBD is a leading Big Data and quantitative business analytics firm specializing in the analysis of the high-growth industries emerging in Mainland China. Through dynamic data tracking, credit analysis, risk pricing and economic index construction, BBD provides its clients with a wide range of services at both the macro and micro level. For more information, please visit http://www.bbdservice.com/.