

June 2017

## Mastercard Caixin BBD China New Economy Index

Released: 10:00 am Beijing Time July-02-2017

### Overview

In June 2017, the Mastercard Caixin-BBD New Economy Index (NEI) reading came in at 29.3, indicating that the New Economy accounted for 29.3% of overall economic input activities that month, up 1.1 pts from May but well below its January to April average (Chart 1). The rising NEI was due to the rebound of labor, capital and technology. 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.

Chart1: China Monthly New Economy Index



NEI Mastercard Caixin BBD China New Economy Index

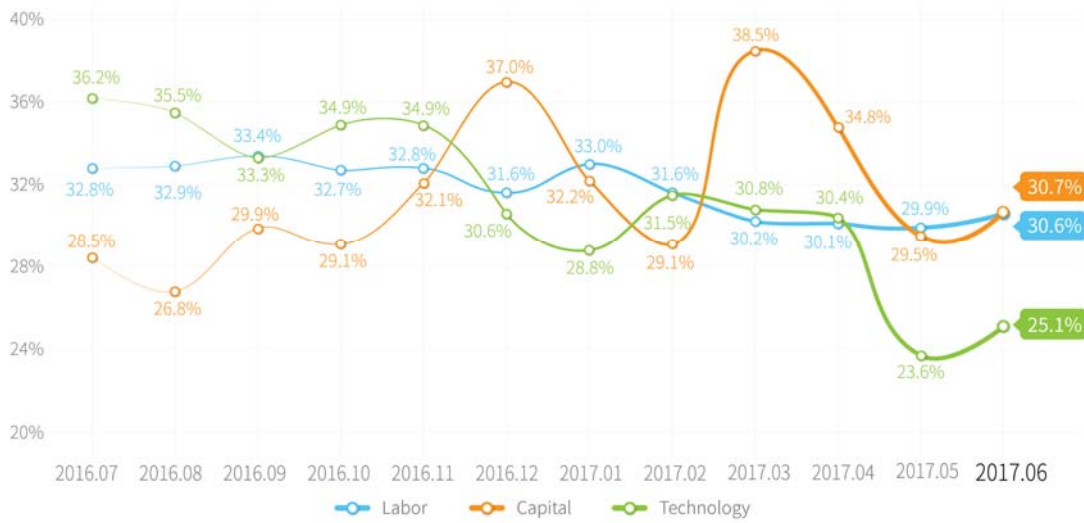


### Primary Inputs

The NEI includes labor, capital and technology inputs that account for 40%, 35% and 25% of the total weight of the index, respectively. The rise in the June NEI reading came from the recovery of labor, capital and technology inputs. Technology input index rose fastest, increasing to 25.1 from 23.6 in May. Capital investment showed wide fluctuations in the recent half year; it bounced to 29.5 in June after declining in April and May. Labor input rose slightly from May. It was 30.6 this month, back to the level of 30+.

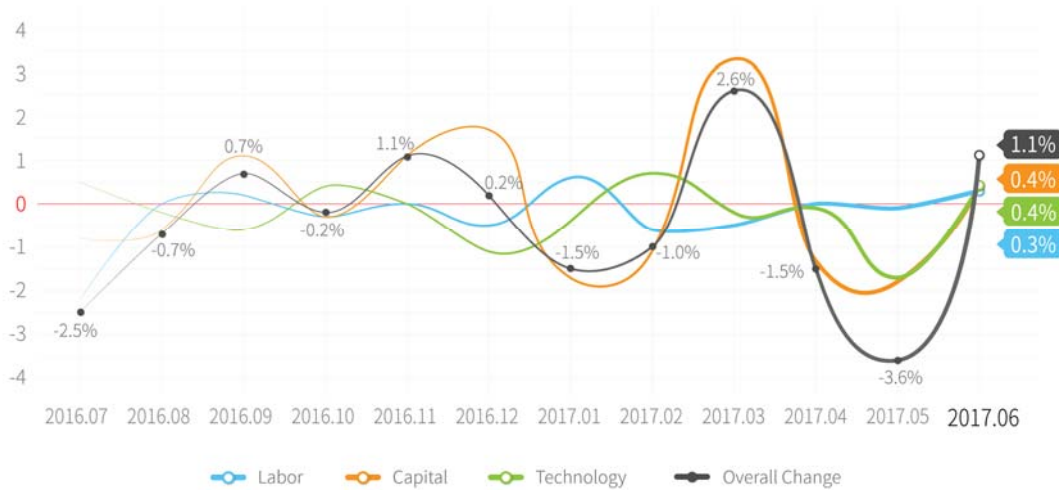


Chart2: NEI Primary Input Ratios



Percentage changes in labor, capital and technology inputs were 0.3, 0.4 and 0.4 pts, respectively. After accounting for the sum of their weightings, the net NEI change was a 1.1 pts increase from May (Chart 3).

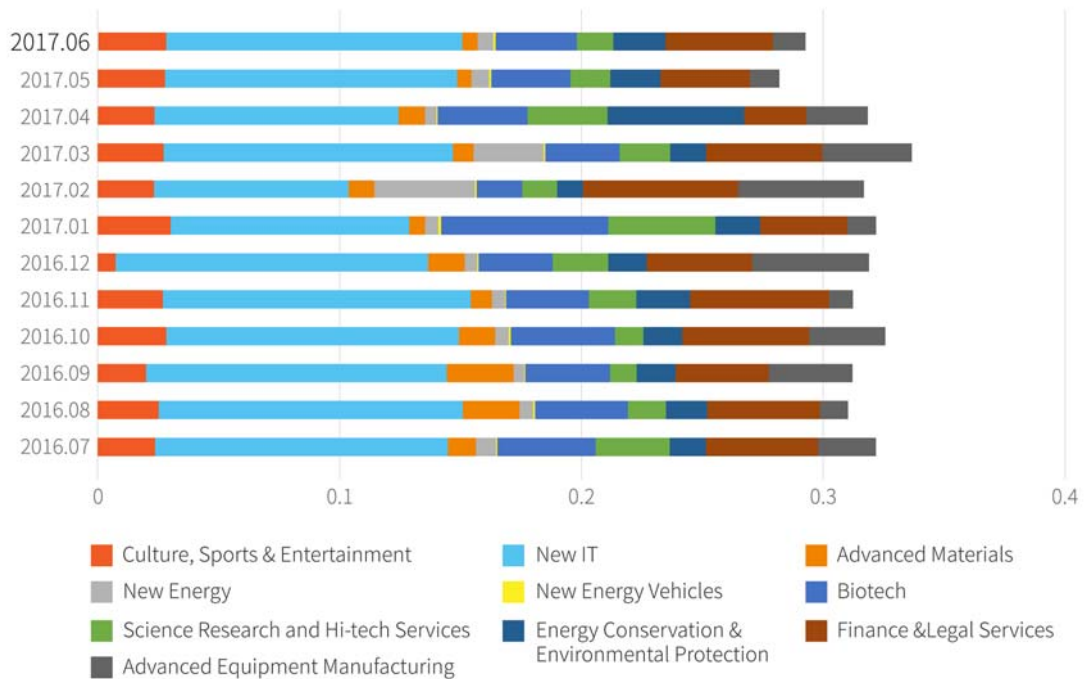
Chart3: Influence of Each Primary Input on NEI (pps)



Looking at the sectors, the New IT industry formed the largest proportion of the New Economy Index, contributing 12.2 pts to NEI. Financial & Legal Services came second, contributing 4.5 pts. Biotech ranked the third in recent three months, contributing 3.3 pts in June (Chart 4).



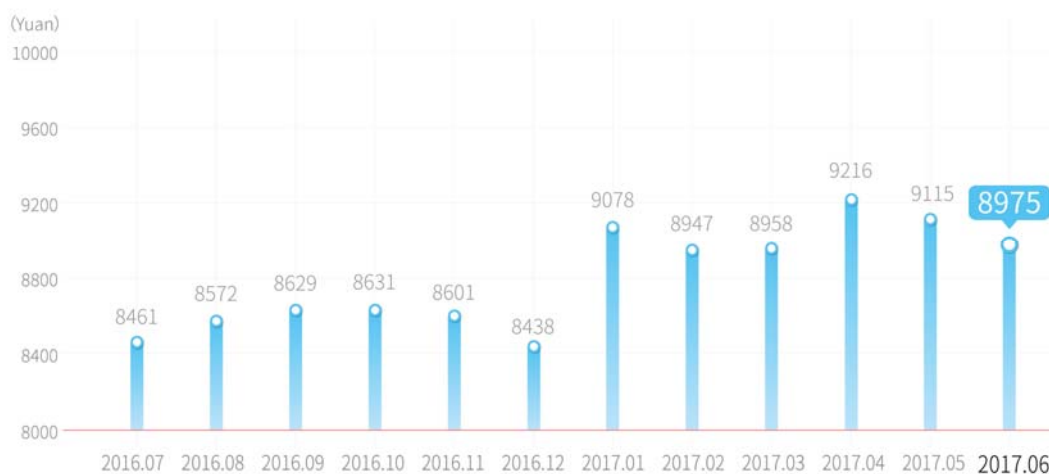
Chart4: New Economy Sector Contribution Breakdown



### New Economy Employment

In June 2017, the average monthly entry level salary of the New Economy was RMB 8,975 per month, dropping slightly from last month's level of RMB 9,115 (Chart 5). New Economy wage information is compiled from online websites of career platforms and recruitment services including 51job and Zhaopin, as well as other sites that list job demands.

Chart5: New Economy Avg. Monthly Entry-Level Salaries



Hiring in the New Economy sectors accounted for 29.5% of total hiring in June, a rise from the previous month's 28.9%. At the same time, the compensation share of New Economy sectors rose slightly to 31.7%, which meant the average entry salary level of New Economy remained stable compared to national average entry wage level. The entry level salary premium of the New Economy was 7.2% as compared to economy-wide counterparts, an increase from 7.0% in May (Chart 6). In the recent half year, the average salary premium of the New Economy saw a decrease in Feb and Apr, respectively, while other months experienced a solid increase.

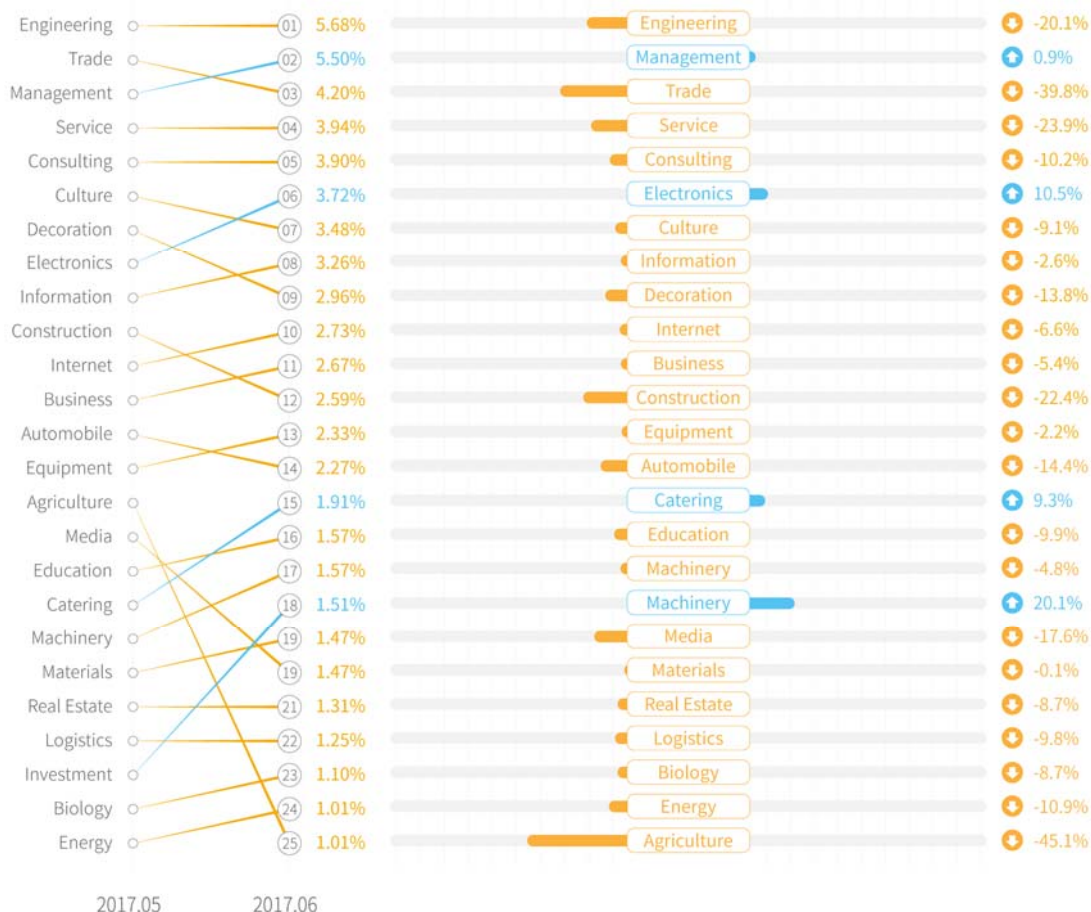
Chart6: New Economy Entry-Level Salary Premium over Economy-wide Entry Level Salaries



## Decomposition of New Established Enterprises

We use newly-established enterprises data to monitor new enterprises in sectors (Chart 7).

Chart7: Decomposition of New Enterprises by Sub-Sector



Ranking up sub-sectors (from May 2017 to June 2017) include the following. Business (No.12 to No.11, 5.4% decreases in proportion), Education (No.17 to No.16, 9.9% decreases in proportion), Investment (No.23 to No.18, 20.1% increases in proportion), Management (No.3 to No.2, 0.9% increases in proportion), Information (No.9 to No.8, 2.6% decreases in proportion), Internet (No.11 to No.10, 6.6% decreases in proportion). Key words in the change of rankings indicated that industries with light capital was developing, enterprises in which focused on the market reaction speed and the rapid integration of resources, and enjoyed a higher return-on-investment ratio.

Moreover, Machinery saw a ranking-up to No.17 from No.19 with a proportion decrease of 4.8 pts. Equipment also saw a ranking-up to No.13 from No.14 with a proportion



decrease of 2.2 pts. The ranking-ups of Machinery and Equipment indicated that investment in fixed assets began to rise.

Ranking down sub-sectors (from May 2017 to June 2017) include the following. Trade (No.2 to No.3, 39.8% decreases in proportion), Agriculture (No.15 to No.25, 45.1% decreases in proportion), Media (No.16 to No.19, 17.6% decreases in proportion).

### **Changes in New Job Openings**

In June we explored new job openings based on recruitment data. Recruitment involves three elements: enterprise, location/city, and opening. An opening is defined as a “New Job Opening” when it’s first posted in a span of three months. This indicator was used in our report last month.

New job openings are of significant difference from “old” job opening in many aspects. Existence of old job opening indicates that the opening has been posted before in the same city. Three potential scenarios arise here: 1) the continuous growth in related business requires an increase in personnel; 2) the high turnover rate of employees requires new labor input; 3) previous offers are not good enough to attract qualified candidates. A new job opening implies that one of three elements (enterprise, location/city, and opening) is new, at least. In this sense, new job openings are closely related to New Economy Index.

Chart 8 shows that the ratio of new job openings to total job openings rose rapidly from February 2016 and climaxed in March 2016, when approximately 60% of the job openings were new. The ratio stayed above 40% in April and May 2016 and dropped afterwards. From July 2016 on, the ratio stabilized around 35% to 40%.

The ratio climbed to 42.8% in March 2017, and dropped again afterwards. We might conclude that the pattern of ratio in spring is related to Chinese New Year. Generally, labor market demands peaks after Spring Festival. However, the ratio experienced a significant YoY decrease in April and May 2017. In June 2017, the proportion of new jobs was 20.2%, slightly lower than last month.



Chart8: Ratio of New Job Openings to Total Job Openings



### Recovery in Investment Based on Employment Data

We use monthly completed investment in real estate development and demand for construction employees to analyze the current state of investment. As shown in Chart 9, the two indexes showed a similar trend. They diverged in April 2017 but synchronized afterwards. In May 2017, ration of demand for construction employees reached 7.05%, an increase by 0.3% from 6.75% in April. At the same time, completed investment in real estate development in May was RMB 986.31 billion, an increase from RMB 843.97 billion in April, or a 16.9% MoM increase.

This month continues seeing an increase in demand for construction employees, reaching its highest level in history at 7.90% (Chart 9). Given the historical accuracy of the index, we still predict that real estate investment increases next month.

Chart9: Demand for Construction-related Employees



### City Rankings of the New Economy

Based on overall New Economy rankings, the top twenty cities are shown in Chart 10. The top five cities are Shanghai, Beijing, Guangzhou, Chongqing, and Shenzhen. Rankings are based on a weighted average of the percentile rank of indicators for the city in the past 6 months.

Chart10: China's Top 20 City Rankings by New Economy Sector Output

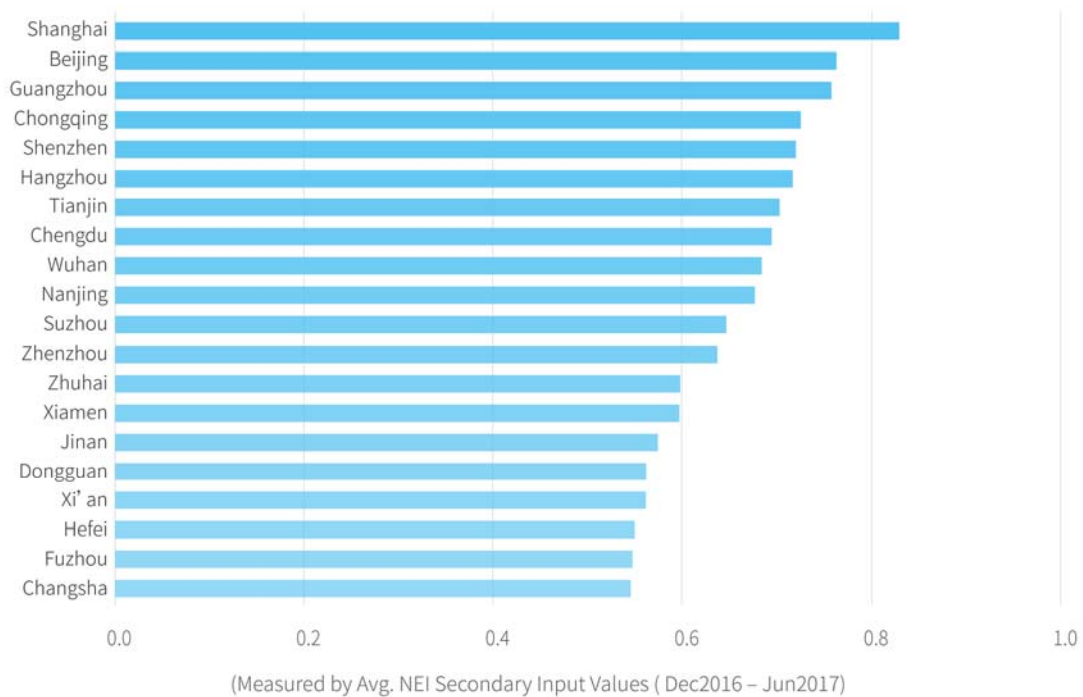
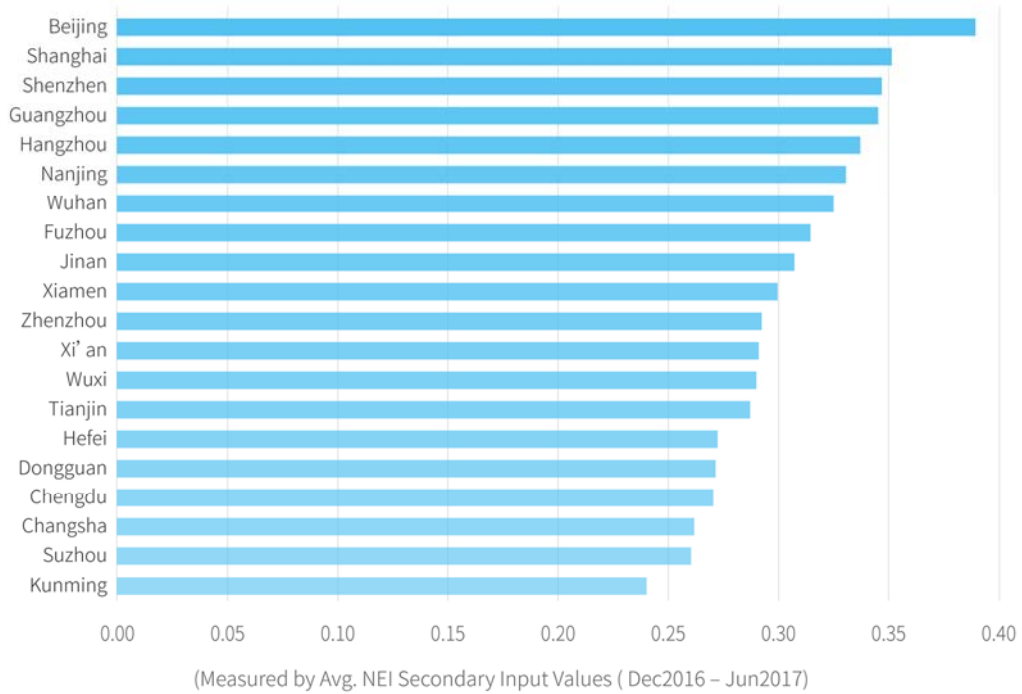




Chart 11 showed the average NEI city rankings between Dec 2016 and June 2017. The top five cities are Beijing, Shanghai, Shenzhen, Guangzhou and Hangzhou.

Chart11: China's Top 20 City Rankings by Average NEI



Information graphic design - Wuyi

NEI Mastercard Caixin BBD China New Economy Index  财新智库 



**For further information please contact:**

**Mastercard**

Mr. Wu Huanyu, Vice President of Public Relations

Tel : +86-10-8519-9304

Email : [Huanyu\\_wu@mastercard.com](mailto:Huanyu_wu@mastercard.com)

**Caixin Insight Group**

Dr. Wang Zhe, Senior Economist

Tel : +86-10-85905019

Emails : [zhewang@caixin.com](mailto:zhewang@caixin.com)

Ma Ling, Public Relations

Tel : +86-10-8590-5204

Email : [lingma@caixin.com](mailto:lingma@caixin.com)

**BBD**

Dr. Chen Qin, Chief Economist

Tel : +86-28-65290823

Emails : [chenqin@bbdservice.com](mailto:chenqin@bbdservice.com)

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 2<sup>nd</sup> of every month at 10:00am China Standard Time.

**About Caixin**

Caixin Media is China's leading media group dedicated to providing financial and business news through periodicals, online content, mobile applications, conferences, books and TV/video programs. Caixin Media aims to blaze a trail that helps traditional media prosper in the new media age through integrated multimedia platforms. Caixin Insight Group is a high-end financial data and analysis platform. For more information, please visit [www.caixin.com](http://www.caixin.com).

**About Mastercard**

Mastercard (NYSE: MA), [www.mastercard.com](http://www.mastercard.com), is a technology company in the global payments industry. We operate the world's fastest payments processing network, connecting consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories. Mastercard's products and solutions make everyday commerce activities – such as shopping, traveling, running a business and managing finances – easier, more secure and more efficient for everyone. Follow us on Twitter [@MastercardAP](https://twitter.com/MastercardAP) and [@MastercardNews](https://twitter.com/MastercardNews), join the discussion on the [Beyond the Transaction Blog](#) and [subscribe](#) for the latest news on the



## Engagement Bureau.

### **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/>.

