Overview
In January 2018, the Mastercard Caixin BBD New Economy Index (NEI) reading came in at 31.3, indicating that the New Economy accounted for 31.3% of overall economic input activities that month, down 0.1 ppts from December (Chart 1). The declining NEI was due to the decrease of capital input. 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.

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 decline in the January NEI reading came from the decrease of capital inputs (Chart 2). Capital investment fluctuated widely since 2017. After rebounding in October 2017, it decreased to 31.5 this month, with 1.1 MoM decrease. Technology input index showed strong growth trend since June 2017. In January, it continued to rise to 34.4, with 2.1 MoM increase. Labor input index declined moderately since July 2017, dropping to 29.2 this month, with 0.4 MoM decrease.
Taking the weight into account, percentage changes in labor, capital and technology inputs were -0.2, -0.4, and 0.5 ppts, respectively. The net NEI change was -0.1 ppts in total (Chart 3).

Looking at the sectors, the New IT industry formed the largest proportion of the New Economy Index, contributing 7.6 ppts to NEI. Advanced Equipment Manufacturing was the industry with fast growth in January, contributing 5.5 ppts and ranking the third. New Energy came eighth from second, the biggest drop in ranking, contributing 0.9 ppts in January (Chart 4).
New Economy Employment

In January 2018, the average monthly entry level salary of the New Economy was RMB 10,481 per month, increasing from last month’s level of RMB 10,261 and reaching the highest level since 2016 (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.
Hiring in the New Economy sectors accounted for 28.5% of total hiring in January, slightly lower than the previous month’s 28.9%. At the same time, the total compensation share of New Economy sectors decreased to 29.9%, which meant the average entry salary level of New Economy grew slower than national level. The entry level salary premium of the New Economy was 4.8% as compared to economy-wide counterparts, decreasing from 5.1% in December (Chart 6). In the recent half year, the average salary premium of the New Economy was lower than the first half year generally, while we saw an uptrend.
Change of Labor Compensation across Industries

Chart 7, 8 and 9 in this month illustrated the changes of labor compensation, capital input and passengers inflow from 2015 to 2017 by scatter plots, respectively.

The changes of salaries in 2016 and 2017 by two-digit industries were shown in Chart 7. Most industries laid in the first quadrant, indicating two consecutives years of rising salaries. A couple of industries were found in the second or the fourth quadrant. They either experience declining salaries in 2016 and rising ones in 2017, or vice versa. It showed that there were more industries in the fourth quadrant than in the second, among which were industries of Business Service, Insurance, Securities and Catering. In 2017, there were less industries expanding from recessions in previous year.

The macroeconomic recovery in 2017 was attributed to industries in the first quadrant which expanded in 2016 and 2017. Salaries in multiple industries showed strong growth trend since 2015, for example, in Real Estate, Leasing as well as Manufacturing. The stable and solid growth in
these industries guaranteed China’s economic growth.

It’s noted that the scatter plot showed a significant negative correlation. Lines of x+y=0 and x+y=15% categorized industries into three groups and recession of traditional financial industries and recovery of traditional manufacturing industries were main observations. Industries located between the two lines found moderate growth rates in past two years.

Change of Passengers Inflow Based on Major Airports
The changes of passenger inflow by city were shown in Chart 8 (Spring Festival seasonal effects were excluded). We found similar patterns here: a negative relationship was found and there were more cities in the fourth quadrant than that in the second. Cities of Guiyang, Wuhan, Zhengzhou and other airports with rapid passenger inflow growth in 2017 experienced outflows in January 2018. Shanghai and Guangzhou kept attracting people but Harbin, Changchun and Dalian were losing people in two consecutive years. The population inflow and outflow in second-tier cities in the eastern and midwest China were still subject to cyclical effects, in contrast to the attractive first-tier cities.

Chart8: Change of Net Passenger Inflow by City (2017 vs. 2018/1)
Capital Input across Industries

Capital inflow statistics were shown in Chart 9, where we denoted the change in rankings by industries. Capital input in Architectural Engineering rose fast, ranking up from No. 30 to No.13 in two years, while E-commerce and Communication saw consecutive ranking-downs in the meantime. Similar to our observations in Chart 7 and 8, capital inflow saw a negative trend, or a cyclical effect, in the past two years.
City Rankings of the New Economy

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

Chart 10: China’s Top 20 Cities Ranked by New Economy Sector Output

Measured by Avg. NEI Secondary Input Values (July 2017 – Jan 2018)

Chart 11 showed the average NEI city rankings between July 2017 and January 2018. The top five cities were Beijing, Shanghai, Hangzhou, Guangzhou and Shenzhen.
Chart 11: China's Top 20 Cities Ranked by Average NEI

Measured by Avg. NEI Secondary Input Values (July 2017 – Jan 2018)

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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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