

February 2018

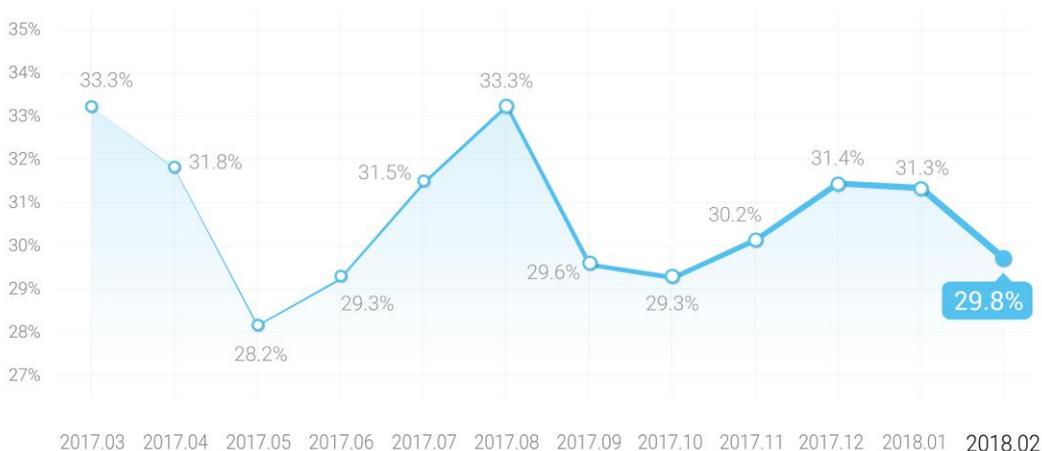
Mastercard Caixin BBD China New Economy Index

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Overview

In February 2018, the Mastercard Caixin BBD New Economy Index (NEI) reading came in at 29.8, indicating that the New Economy accounted for 29.8% of overall economic input activities that month, down 1.5 ppts from January (Chart 1). The declining NEI was due to the decrease of technology 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.

Chart1: China Monthly New Economy Index



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Primary Inputs

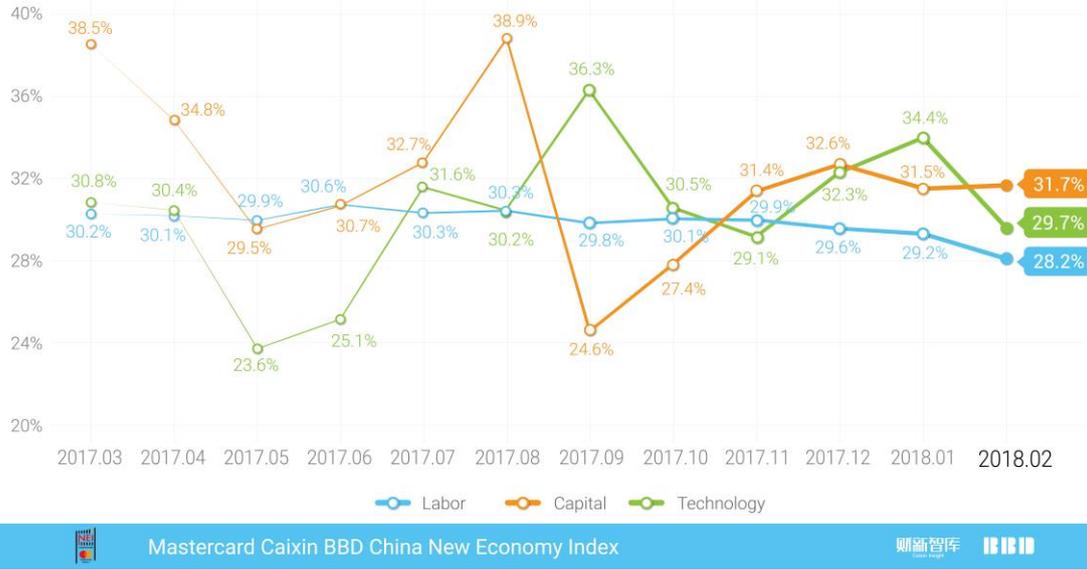
The NEI includes labor, capital and technology inputs that account for 40%, 35% and 25% of the total weights of the index, respectively. The decline in the February NEI reading came from the decrease of technology inputs (Chart 2). Technology input index fluctuated widely since October 2017, coming in at 29.7, with 4.7 MoM decrease. Capital investment showed a slow growth trend since September 2017. It continued to rise to 31.7 this month, with 0.2 MoM increase. Labor input index declined moderately since July 2017, dropping to 28.2 this month, with 1.0 MoM decrease.



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Chart2: NEI Primary Input Index



Taking the weight into account, percentage changes in labor, capital and technology inputs were -0.4, 0.1, and -1.2 ppts, respectively. The net NEI change was -1.5 ppts in total (Chart 3).

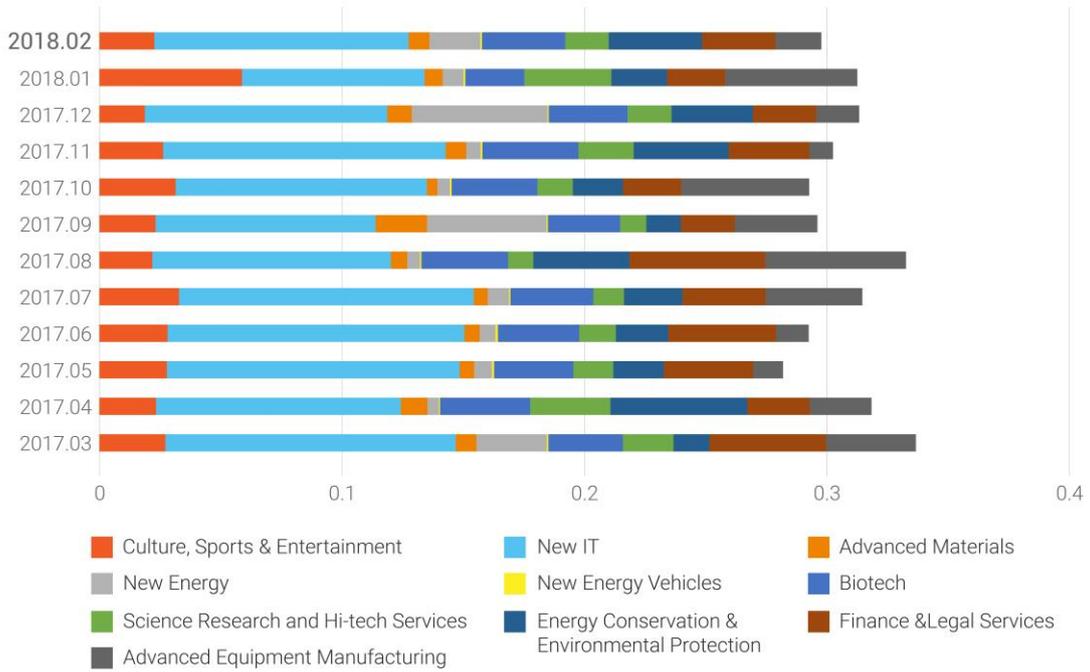
Chart3: Primary Input Contribution to NEI



Looking at the sectors, the New IT industry formed the largest proportion of the New Economy Index, contributing 10.5 ppts to NEI. Energy Conservation & Environment Protection was the industry with fast growth in February, contributing 3.9 ppts and ranking the second. Advanced Equipment Manufacturing came seventh from third, the biggest drop in ranking, contributing 1.9 ppts in January (Chart 4).



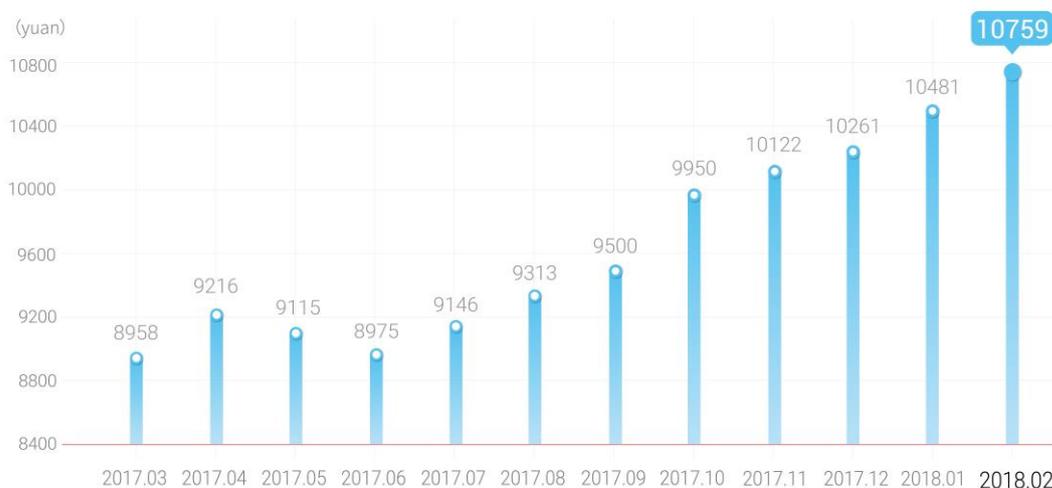
Chart4: New Economy Sector Contribution Breakdown



New Economy Employment

In February 2018, the average monthly entry level salary of the New Economy was RMB 10,759 per month, increasing from last month’s level of RMB 10,481 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.

Chart5: New Economy Avg. Monthly Entry-Level Salaries



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Hiring in the New Economy sectors accounted for 27.6% of total hiring in February, much lower than the previous month's 28.5%. At the same time, the total compensation share of New Economy sectors decreased slightly to 28.8%, which meant the average entry salary level of New Economy was lower than national average entry wage level. The entry level salary premium of the New Economy was 4.4% as compared to economy-wide counterparts, decreasing from 4.8% in January (Chart 6). In the recent half year, the average salary premium of the New Economy was lower than the first half of 2017 generally.

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



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Change in Ratio of Non-resident Employees Based on Major Airports



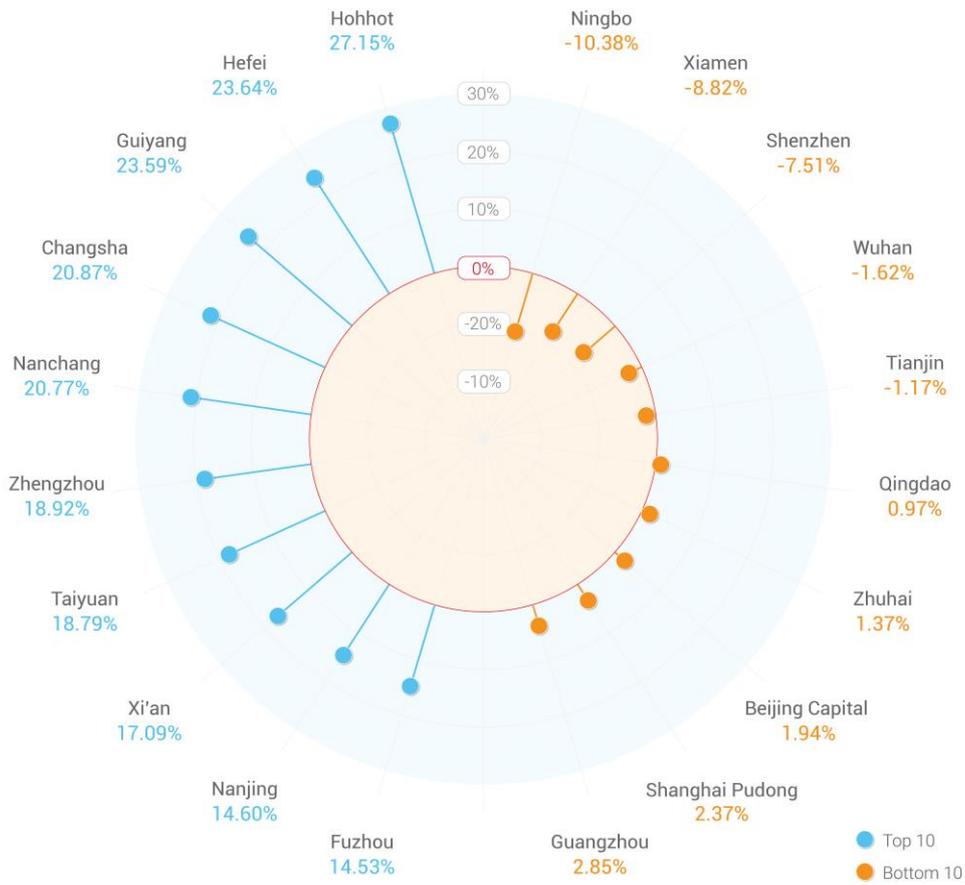
Based on Spring Festival travel season (a.k.a. Chunyun period) data, we analyzed the population flow and change in labor market.

Daily passengers outflow at major airports in the Chunyun period were used in our research. We calculated the averages of passengers outflows in 16-30 days and 1-15 days before Chinese New Year respectively and defined the difference as “Chunyun population”. The ratio of Chunyun population to daily passenger outflow was highly related to the ratio of non-resident employees since most of non-resident working population were travelling back home for holidays.

The ratios of non-resident employees in different cities had changed from 2017 to 2018 (Chart 7). Hohhot, Hefei and Guiyang saw the largest increase in the ratio. However, Beijing, Shanghai and Guangzhou were among cities with slight increase and Ningbo, Xiamen and other cities were even losing people in the past year. It could be seen that the ratio of non-resident employees in provincial capitals of central and western provinces experienced the fastest increase in 2018. It was worth mentioning that, although the capitals of the northeastern provinces did not show up in the top 10 cities, they were also among the cities attracting more migrant people. Specifically, the ratio in Changchun increased by 10% and that in Harbin increased by 8.8% in 2018.



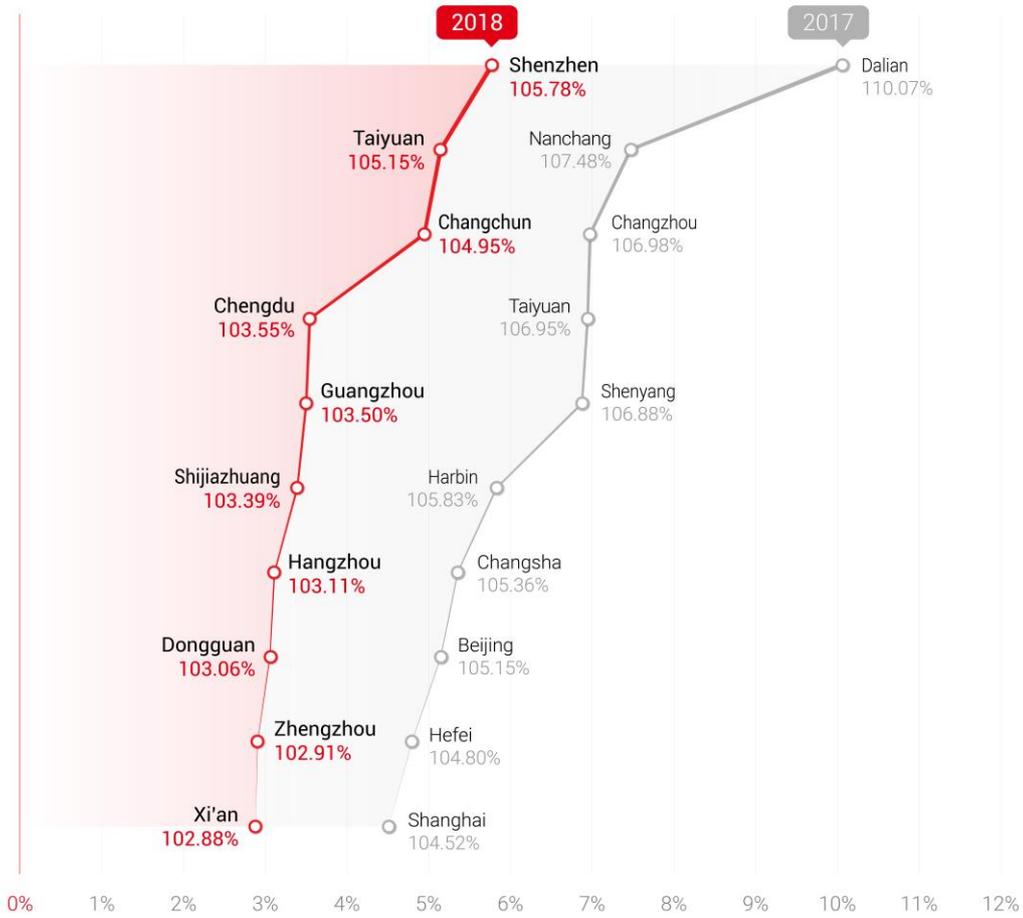
Chart7: Growth of Non-resident Employees by City



Salary Premium during Spring Festival across Cities

In general, labor supply dropped in Spring Festival due to outflow of non-residents and the average salary went up in the meantime. We might define the increase as “Spring Festival salary premium”. Spring Festival salary premium across industries and cities was shown in Chart 8 and 9.

Chart8: Change of Salaries in Spring Festival Travel Season by City



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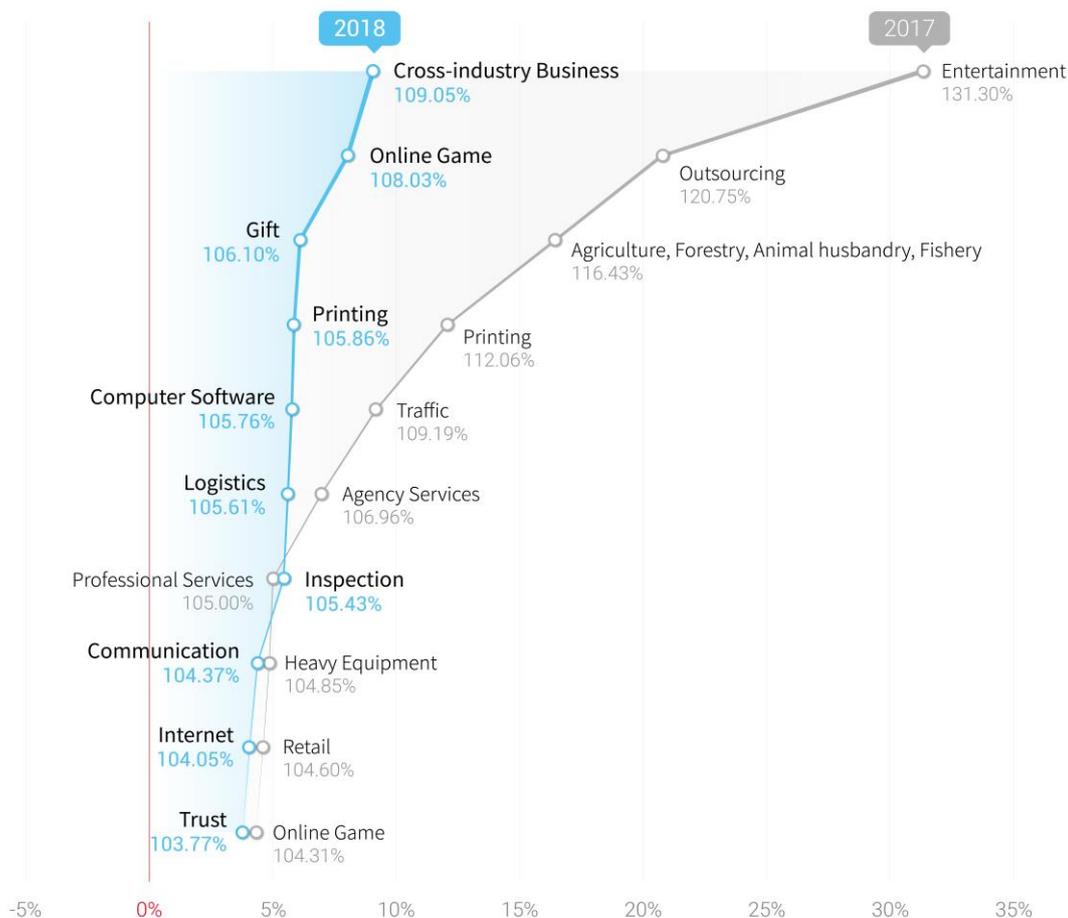
In 2018 Spring Festival, Shenzhen was the city with the highest salary premium, followed by Taiyuan and Changchun. In addition, by comparing the top 10 cities with the highest premium in 2017 and 2018, we had only Taiyuan staying in top ten cities in both years, with decreasing salary premium.

Salary Premium during Spring Festival across Industries

Spring Festival salary premium across industries was explored in Chart 9. Same as that across cities, the salary premium across industries declined as well. In Spring Festival of 2017, employees were paid 20% more in some industries and it's not the case in 2018. Among industries with highest increases in salary premium in 2017 Spring Festival, did only Printing and Online Game stay in top ten one year later.



Chart9: Change of Salaries by Industry in Spring Festival Travel Season



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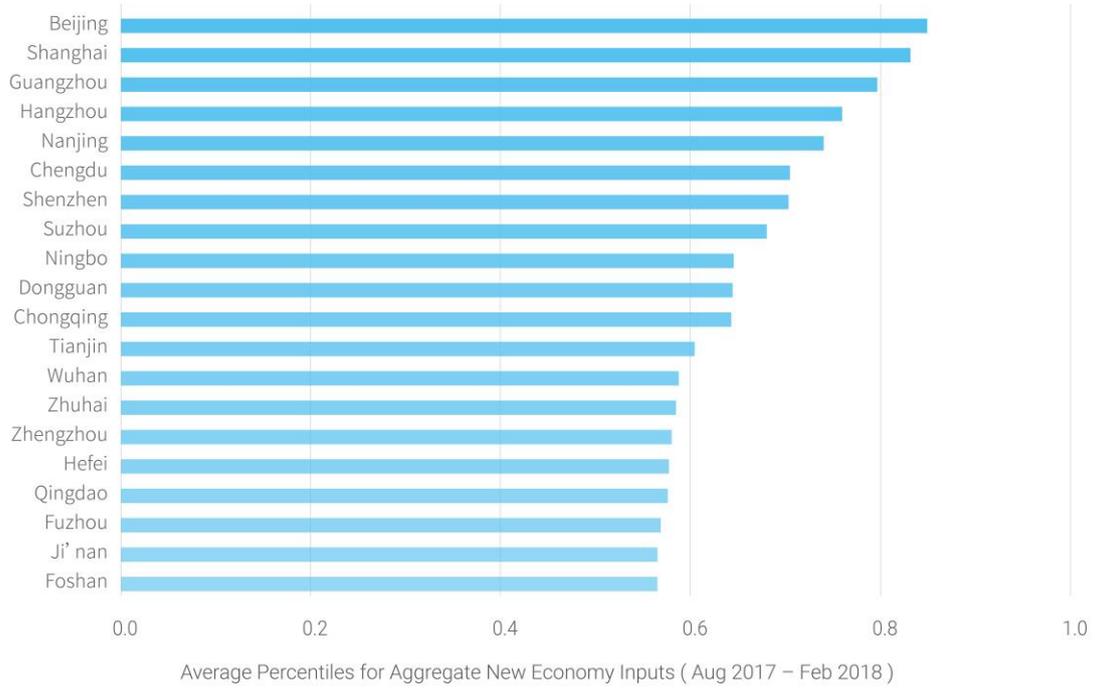
In summary, the population flow in China was less concentrated in eastern major cities recently and the second-tier cities in the central and western regions were attracting more people. At the same time, specific cities (especially first-tier cities) and industries relied less on non-resident working population, reflected in lowering non-resident employees ratio and Spring Festival salary premium. We conjectured that it was in part due to urbanization of rural population.

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.



Chart10: China's Top 20 Cities Ranked by New Economy Sector Output

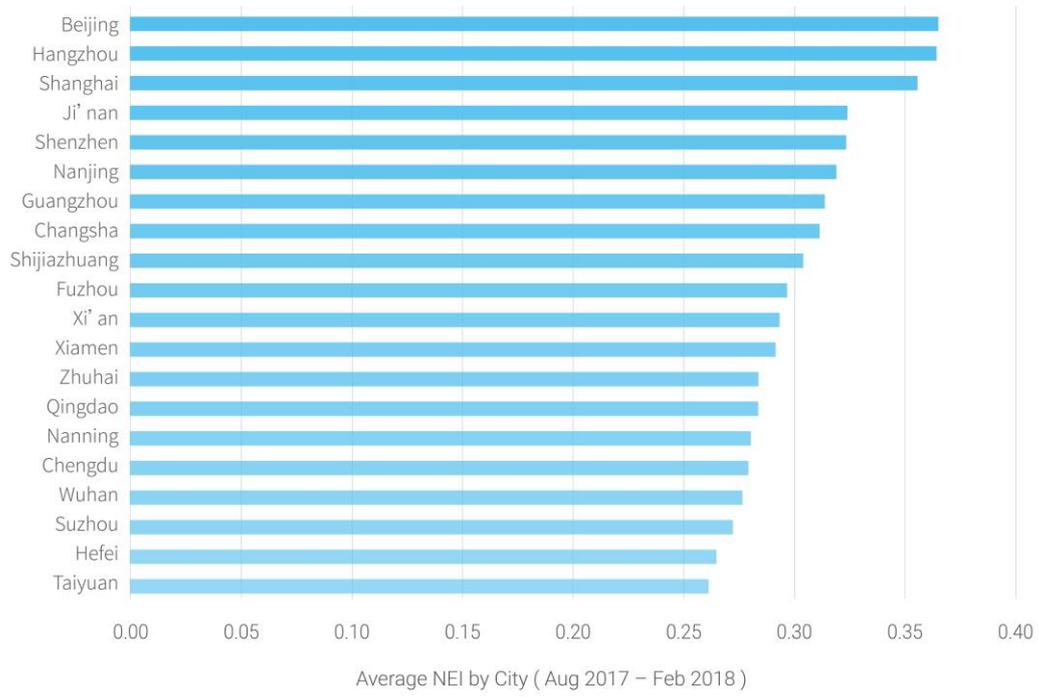


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Chart 11 showed the average NEI city rankings between July 2017 and January 2018. The top five cities were Beijing, Hangzhou, Shanghai, Ji'nan and Shenzhen.



Chart11: China's Top 20 Cities Ranked by Average NEI



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.

About Caixin

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