



China Sourcing Update

June 28, 2017

Labour Cost

1. Minimum wage levels in a number of provinces/ municipalities/ cities are adjusted upward

From April to June 2017, local governments in six provinces/ municipalities/ cities raised the minimum wage levels in their jurisdictions. Besides, local governments in five provinces/ municipalities announced to increase the minimum wage levels in their jurisdictions, effective from 1 July 2017. See below for details:

Shanghai

On 1 April, the minimum monthly wage level in Shanghai was adjusted to 2,300 yuan, compared with the previous level of 2,190 yuan.¹

Shaanxi province

On 1 May, the minimum monthly wage levels in various districts within Shaanxi province were adjusted to 1,680 yuan, 1,580 yuan, 1,480 yuan and 1,380 yuan, compared with the previous levels of 1,480 yuan, 1,370 yuan, 1,260 yuan and 1,190 yuan respectively.²

¹ See http://www.12333sh.gov.cn/201412333/xwzx/zxdt/201703/t20170331_1253344.shtml

² See http://sn.xinhuanet.com/snnews1/20170325/3684869_c.html

Qinghai province

On 1 May, the minimum monthly wage level in Qinghai province was adjusted to 1,500 yuan. Before the adjustment, the minimum wage levels in various districts within the province were 1,270 yuan, 1,260 yuan and 1,250 yuan.³

Shenzhen

On 1 June, the minimum monthly wage level in Shenzhen was adjusted to 2,130 yuan, compared with the previous level of 2,030 yuan.⁴

Shandong province

On 1 June, the minimum monthly wage levels in various districts within Shandong province were adjusted to 1,810 yuan, 1,640 yuan and 1,470 yuan, compared with the previous levels of 1,710 yuan, 1,550 yuan and 1,390 yuan respectively.⁵

Gansu province

On 1 June, the minimum monthly wage levels in various districts within Gansu province were adjusted to 1,620 yuan, 1,570 yuan, 1,520 yuan and 1,470 yuan, compared with the previous levels of 1,470 yuan, 1,420 yuan, 1,370 yuan and 1,320 yuan respectively.⁶

Fujian province

The minimum monthly wage levels in various districts within Fujian province will be adjusted to 1,700 yuan, 1,650 yuan, 1,500 yuan, 1,380 yuan and 1,280 yuan starting from 1 July.⁷ Before the adjustment, the minimum wage levels in various districts within the province were 1,500 yuan, 1,350 yuan, 1,230 yuan and 1,130 yuan.⁸

Hunan province

The minimum monthly wage levels in various districts within Hunan province will be adjusted to 1,580 yuan, 1,430 yuan, 1,280 yuan and 1,130 yuan starting from 1 July, compared with the previous levels of 1,390 yuan, 1,250 yuan, 1,130 yuan and 1,030 yuan respectively.⁹

³ See <http://xxgk.qh.gov.cn/html/1664/300130.html>

⁴ See http://www.szhrss.gov.cn/tzgg/201704/t20170405_6115409.htm

⁵ See http://www.shandong.gov.cn/art/2017/5/27/art_285_13261.html; also see http://www.shandong.gov.cn/art/2016/5/25/art_285_9765.html

⁶ See http://www.gansu.gov.cn/art/2017/6/17/art_35_310781.html

⁷ See http://www.fujian.gov.cn/zc/zxwj/szfwj/201705/t20170518_1525381.htm

⁸ See http://www.fujian.gov.cn/fw/zfxxgkl/xxgkml/jgzj/jmgjgz/201507/t20150717_1010331.htm

⁹ See http://www.gov.cn/shuju/2017-06/20/content_5203906.htm; also see http://www.hn12333.com/site/ldgz/ldgzgjj/201507/t20150707_1792448.html

Jiangsu province

The minimum monthly wage levels in various districts within Jiangsu province will be adjusted to 1,890 yuan, 1,720 yuan and 1,520 yuan starting from 1 July, compared with the previous levels of 1,770 yuan, 1,600 yuan and 1,400 yuan respectively.¹⁰

Guizhou province

The minimum monthly wage levels in various districts within Guizhou province will be adjusted to 1,680 yuan, 1,570 yuan and 1,470 yuan starting from 1 July, compared with the previous levels of 1,600 yuan, 1,500 yuan and 1,400 yuan respectively.¹¹

Tianjin

The minimum monthly wage level in Tianjin will be adjusted to 2,050 yuan starting from 1 July, compared with the previous level of 1,950 yuan.¹²

Besides, the Sichuan provincial government has announced to freeze the minimum wage levels in its jurisdiction for 2017, according to a report published on 26 April.¹³

2. Local governments in a number of provinces/ regions/ municipalities issue new guidelines on salary rise

From April to June 2017, local governments in five provinces/ regions/ municipalities issued new guidelines on salary rise (*see exhibit 1*).

For example, according to the announcement issued by the Beijing municipal government, enterprises with normal operations and improving performance in Beijing are recommended to raise the salaries of their workers by 8.5%, the pay rise benchmark for 2017. Enterprises with rapidly improving performance can offer higher pay rise of at most 14%, the upper limit of the pay rise benchmark, to their workers in 2017. Enterprises with flat or slightly worsening performance can consider raising the salaries of their workers by 4%, the lower limit of the pay rise benchmark. Meanwhile, with the agreement of labour unions or employee representatives, enterprises with operating losses or difficulties in paying salaries can consider freezing or even reducing

¹⁰ See http://www.gov.cn/shuju/2017-06/24/content_5205135.htm

¹¹ See http://www.gzgov.gov.cn/xwzx/gzxw/201706/t20170624_743802.html; also see http://gz.hrss.gov.cn/xxgk/jcms_files/jcms1/web1/site/art/2015/10/9/art_19_2109.html

¹² See <http://www.xq.gov.cn/xqxwzx/system/2017/06/12/010008792.shtml>

¹³ <http://www.sc.gov.cn/10462/12771/2017/4/26/10421081.shtml>

the salaries of their workers, though the salaries should not be set lower than the minimum wage levels.¹⁴

Although these guidelines are not mandatory for employers to follow, they will affect workers' expectations of salary rise and are thus regarded as an important reference of labour cost.

Exhibit 1: Guidelines on 2017 salary rise issued by local governments, April to June 2017

Province/ autonomous region/ municipality	Upper limit	Benchmark	Lower limit	Month of issue
Shandong	12%	7.5%	3%	May-17
Inner Mongolia	12%	8%	2%	May-17
Shanxi	12%	8%	4%	May-17
Henan	12%	7.5%	3%	June-17
Beijing	14%	8.5%	4%	June-17

Source: Various local governments

3. Income of migrant workers gains 6.4% yoy as of end-February 2017

According to China's National Bureau of Statistics (NBS), the number of rural migrant workers in China in 2016 totalled 281.71 million. Of which, the numbers of local migrant workers and outside migrant workers were 112.37 million and 169.34 million respectively.¹⁵ Also, according to the NBS, the average monthly income of migrant workers increased by 6.4% yoy to 3,482 yuan as of end-February 2017.¹⁶

We notice two major trends in the migrant worker market. First, the supply of migrant workers in China has increased at a slower pace in recent years. According to the NBS, the year-on-year growth of the number of migrant workers registered 1.5% in 2016, compared with the growth of 2.4% in 2013 and 1.9% in 2014. The other trend is the ageing of migrant workers. According to the NBS, the average age of migrant workers increased from 35.5 in 2010 to 39.0 in 2016.¹⁷

¹⁴ <http://finance.sina.com.cn/china/dfjj/2017-06-24/doc-ifyhmpew3174318.shtml>

¹⁵ http://www.stats.gov.cn/tjsj/zxfb/201704/t20170428_1489334.html

¹⁶ http://www.stats.gov.cn/english/PressRelease/201704/t20170417_1484966.html

¹⁷ http://www.stats.gov.cn/tjsj/zxfb/201704/t20170428_1489334.html

Looking forward, we expect that the wages of migrant workers will continue to rise due to the limited supply of migrant workers. The continuous increase in labour costs will keep posing challenges to manufacturers in China in the foreseeable future.

4. Wages in urban private units grow 8.2% last year

The average annual wage of employees in urban private units grew by 8.2% yoy to 42,833 yuan in 2016.¹⁸

Amongst regions in the country, the average annual wage of employees in urban private units in the eastern region reached 47,347 yuan in 2016, significantly higher than that in the central region (35,000 yuan), the western region (39,047 yuan) and the northeastern region (33,184 yuan). Except the northeastern region, all regions witnessed wage growth of above 6% yoy last year, which ranged from 6.8% yoy to 9.0% yoy, while the wage growth in the northeastern region was markedly lower at 3.1% yoy in 2016 (see exhibit 2).

Exhibit 2: Average annual wage of employees in urban private units, 2015 to 2016

	2015	2016	
	Average annual wage (RMB)	Average annual wage (RMB)	yoy growth (%)
China (overall)	39,589	42,833	8.2
<i>Of which:</i> Manufacturing sector	38,948	42,115	8.1
Eastern region	43,439	47,347	9.0
Central region	32,773	35,000	6.8
Western region	36,478	39,047	7.0
Northeastern region	32,176	33,184	3.1

Source: National Bureau of Statistics, PRC

¹⁸ http://www.stats.gov.cn/tjsj/zxfb/201705/t20170527_1498373.html

5. Wages in urban non-private units rise 8.9% last year

The average annual wage of employees in urban non-private units rose by 8.9% yoy to reach 67,569 yuan in 2016.¹⁹ Amongst various regions, the eastern region saw the strongest growth of 9.1% yoy, while the growth in the northeastern region was the slowest (7.5% yoy) (see exhibit 3).

Exhibit 3: Average annual wage of employees in urban non-private units, 2015 to 2016

	2015	2016	
	Average annual wage (RMB)	Average annual wage (RMB)	yoy growth (%)
China (overall)	62,029	67,569	8.9
<i>Of which:</i> Manufacturing sector	55,324	59,470	7.5
Eastern region	70,611	77,013	9.1
Central region	50,842	55,299	8.8
Western region	57,319	62,453	9.0
Northeastern region	51,064	54,872	7.5

Source: National Bureau of Statistics, PRC

¹⁹ http://www.stats.gov.cn/tjsj/zxfb/201705/t20170527_1498372.html

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