



China Sourcing Update

June 26, 2019

Labour Cost

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

From April to June 2019, local governments in Shaanxi province and Shanghai raised the minimum wage levels in their jurisdictions. Besides, the Beijing municipal government announced the adjustment of the minimum wage level effective from 1 July 2019. See below for details:

Shanghai

On 1 April, the minimum monthly wage level in Shanghai was adjusted to 2,480 yuan, compared with the previous level of 2,420 yuan.¹

Shaanxi province

On 1 May, the minimum monthly wage levels in various districts within Shaanxi province were adjusted to 1,800 yuan, 1,700 yuan and 1,600 yuan, compared with the previous levels of 1,680 yuan, 1,580 yuan, 1,480 yuan and 1,380 yuan respectively.² Note that the classification of districts was revised, down to three districts from four previously.

¹ See http://www.gov.cn/xinwen/2019-03/25/content_5376699.htm

² See <http://www.shaanxihrss.gov.cn/html/100478/1011847.html>

Beijing

On 8 May, the Beijing municipal government announced that the minimum monthly wage level will be adjusted to 2,200 yuan starting from 1 July, compared with the current level of 2,120 yuan.³

2. Income of migrant workers gains 6.8 % yoy in 2018

According to China's National Bureau of Statistics (NBS), the number of rural migrant workers in China in 2018 totalled 288.36 million, a year-on-year growth of 0.6%, compared to the 1.7% yoy growth recorded in 2017. Of which, the numbers of local migrant workers (who work in their own localities) and outside migrant workers (who work outside their localities) were 115.70 million and 172.66 million respectively. The average monthly income of migrant workers in China increased by 6.8% yoy to 3,721 yuan in 2018, compared to the growth of 6.4% yoy in 2017.⁴

We have noticed three major trends in the migrant worker market. First, the migrant workforce is ageing. According to the NBS, the average age of migrant workers was 40.2 in 2018, compared to 39.7 in 2017 and 35.5 in 2010. Second, most of the growth in migrant workers is attributed to central and western regions, whereas the eastern region has seen a decrease in number of migrant workers. For example, the number of migrant workers in the Pearl River Delta decreased by 1.86 million (or 3.9% yoy) to 45.36 million in 2018. In the same period, the central and western regions recorded 1.39 million and 2.39 million increases in the number of migrant workers respectively. Third, the level of education of migrant workers is rising. According to the NBS, the proportion of migrant workers with tertiary or above education is 10.9% in 2018, a 0.6 percentage point increase compared to 2017.

Looking ahead, we expect that the wages of migrant workers will continue to rise in line with the overall wage trend in China. The continuous increase in labour costs will keep posing challenges to manufacturers in China in the near future.

³ <http://www.beijing.gov.cn/zhengce/wenjian/192/33/50/438650/1574614/index.html>

⁴ http://www.stats.gov.cn/tjsj/zxfb/201904/t20190429_1662268.html

3. Wages in urban private units rise 8.3% last year

The average annual wage of employees in urban private units grew by 8.3% yoy to 49,575 yuan in 2018.⁵

Amongst regions in the country, the average annual wage of employees in urban private units in the eastern region reached 55,230 yuan in 2018, significantly higher than those in the central region (41,047 yuan), the western region (43,842 yuan) and the northeastern region (37,071 yuan). The eastern region saw the strongest wage growth at 9.2% yoy, followed by the central region (8.8% yoy) (see exhibit 2).

Exhibit 2: Average annual wage of employees in urban private units, 2017 to 2018

	2017	2018	
	Average annual wage (RMB)	Average annual wage (RMB)	yoy growth (%)
China (overall)	45,761	49,575	8.3
<i>Of which:</i>			
Manufacturing sector	44,991	49,275	9.5
Eastern region	50,592	55,230	9.2
Central region	37,723	41,047	8.8
Western region	41,242	43,842	6.3
Northeastern region	34,694	37,071	6.9

Source: National Bureau of Statistics, PRC

4. Wages in urban non-private units jump 11.0% last year

The average annual wage of employees in urban non-private units rose by 11.0% yoy to reach 82,461 yuan in 2018.⁶ Amongst various regions, the central region saw the strongest wage growth at 12.7% yoy, while the wage growth in the northeastern region was the slowest (9.9% yoy) (see exhibit 3).

⁵ http://www.stats.gov.cn/zjtj/qjd/tjdt/201905/t20190514_1664779.html

⁶ http://www.stats.gov.cn/zjtj/qjd/tjdt/201905/t20190514_1664781.html

Exhibit 3: Average annual wage of employees in urban non-private units, 2017 to 2018

	2017	2018	
	Average annual wage (RMB)	Average annual wage (RMB)	yoy growth (%)
China (overall)	74,318	82,461	11.0
<i>Of which:</i> Manufacturing sector	64,452	72,088	11.8
Eastern region	84,809	93,253	10.0
Central region	61,193	68,969	12.7
Western region	68,323	75,755	10.9
Northeastern region	59,514	65,411	9.9

Source: National Bureau of Statistics, PRC

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including trading, logistics, distribution and retail. **The Fung Group** comprises 42,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

Listed entities of the Group include Li & Fung Limited (SEHK: 00494), Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys "R" Us (Asia) and Suhyang Networks.

For more information, please visit www.funggroup.com.

CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

Denise Cheung
Senior Research Manager
denisecheungwy@fung1937.com
(852) 2300 2463

Global Sourcing
Fung Business Intelligence
10/F LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



© Copyright 2019 Fung Business Intelligence. All rights reserved.
Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.