China Sourcing Update

March 31, 2017

Labour Cost

1. Minimum wage levels in Shanghai and Shaanxi to be adjusted upward

From January to March 2017, local governments in two provinces/ municipalities announced to raise the minimum wage levels in their jurisdictions. See below for details:

Shanghai
The minimum monthly wage level in Shanghai will be adjusted to 2,300 yuan starting from 1 April, compared with the previous level of 2,190 yuan.[1]

Shaanxi province
The minimum monthly wage levels in various districts within Shaanxi province will be adjusted to 1,680 yuan, 1,580 yuan, 1,480 yuan and 1,380 yuan starting from 1 May, compared with the previous levels of 1,480 yuan, 1,370 yuan, 1,260 yuan and 1,190 yuan respectively.[2]

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[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

2. Income of migrant workers gains 6.6% yoy in 2016

According to China's National Bureau of Statistics (NBS), the average monthly income of migrant workers in China increased by 6.6% yoy to 3,275 yuan in 2016, compared to the growth of 7.2% yoy in 2015.[3]

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 number of migrant workers registered 1.5% in 2016, compared to the growth of 2.4% in 2013 and 1.9% in 2014. The other trend is the ageing of the migrant workers. According to the NBS, the average age of migrant workers increased from 35.5 in 2010 to 38.6 in 2015.[4]

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.

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[3] http://www.stats.gov.cn/english/PressRelease/201701/t20170120_1455922.html
[4] http://www.stats.gov.cn/tjsj/zxfb/201604/t20160428_1349713.html

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