

China Wages Seen Jumping in 2014 Amid Shift to Services

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China's wages are set to increase by 10 percent or more in 2014, driving more low-cost manufacturers out of the country and boosting [consumption](#), according to analysts at firms including Bank of America Corp.

[Lu Ting](#), a Hong Kong-based economist for Bank of America, said in an e-mail that he sees wage growth of 11 percent this year after an estimated 10.7 percent gain in 2013. JPMorgan Chase & Co. and Mizuho Securities Asia Ltd. analysts said in interviews that they predict 10 percent to 15 percent increases.

China's ruling Communist Party is pushing for pay increases to retain public support and to accelerate the nation's shift away from polluting and capital-intensive manufacturing to a more services-driven economy. In minimum-wage increases so far announced for 2014, workers in Shenzhen in Guangdong province get a 13 percent boost and the gain for those in Yangzhou, Jiangsu province, is 15.6 percent.

"The trend of shifting low-end manufacturing bases to southeast Asian countries will only accelerate," said [Shen Jianguang](#), chief Asia economist at Mizuho in Hong Kong, who formerly worked at the European Central Bank and International Monetary Fund. Shen sees a strengthening currency and tougher controls on pollution also contributing to factories exiting for nations such as Bangladesh, Vietnam and Cambodia.

Demographic shifts will limit the labor force in coming years as the population ages. The party in November pledged to loosen the one-child policy and also to ease the household registration, or hukou, system, which has served to constrain labor mobility.

Vietnam's Appeal

Rising wages have pushed companies such as Nike Inc. to seek lower labor costs in countries such as Vietnam. The risk for China and President [Xi Jinping](#) is a deeper economic slowdown, should the nation stumble during the transition to higher-value manufacturing.

The Shanghai Composite [Index](#) fell 2.1 percent as of 2:08 p.m. local time today, after a retreat of about 7 percent last year amid concern that an economic slowdown will deepen. A services-industry gauge released today by HSBC Holdings Plc and Markit Economics showed a decline for December.

In Shenzhen, the 13 percent rise in the minimum wage to 1,808 yuan a month as of February is almost double the pace of the previous increase. According to the central government's five-year [plan](#) from 2011-2015, minimum wages should increase by 13 percent a year.

Fee Collector

In Beijing, Wu Yonghong, 28, a fee collector at a parking lot, earns 1,400 yuan (\$231) per month, sending 1,000 yuan back to his wife back in Shanxi province.

"My salary has always been the minimum wage," said Wu, who has worked at the parking lot for four years and benefits from his employer providing accommodation and [food](#).

"My dream is to earn a bit more every month and go back to Shanxi to raise a child," said Wu, adding that if he got a raise this year he could buy a new mobile phone or some clothes during the Chinese New Year holiday.

Minimum wages should rise until they reach at least 40 percent of average urban salaries by 2015, according to a guideline in a 35-point income-distribution plan issued by the State Council in February 2013 to tackle the country's widening wealth gap.

As of May 1, 2013, the highest monthly minimum wage was in Shanghai, at 1,620 yuan, and the lowest was in Anhui province at 1,010 yuan, according to [data](#) from China Labour Bulletin, a Hong Kong-based worker-rights organization.

Urban Salaries

More broadly, China's wage gains have been slowing. Average urban salaries rose 11.9 percent to 46,769 yuan in 2012, down from a 14.4 percent pace in 2011, according to [data](#) from the National Bureau of Statistics. Salary figures from the first three quarters of 2013 show a gain of about 11 percent from the comparable period in 2012.

The 2012 gains were, in nominal terms, the second-lowest in the past decade. The highest increase was 18.5 percent in 2007, when gross domestic product [rose](#) 14.2 percent in real terms, the most since 1992.

Other places reporting minimum-wage increases for 2014 include the city of Xi'an in Shaanxi province, whose 11.3 percent gain compares with 15 percent in 2013. Changsha in Hunan province increased its minimum wage by 9.1 percent as of Dec. 1, down from a prior 10.5 percent jump.

The increase in Yangzhou stemmed from the city's salary category being elevated to first-tier status within Jiangsu, which carries a higher minimum wage than the previous second-tier status.

Bai Fan, 24, says he earned the same amount as Wu when he started working at the Beijing parking lot two years ago. Promoted last year to manager, his salary more than doubled to 2,500 yuan per month.

"It's because I have stronger managerial skills," Bai said, as he directed the collectors at the parking lot. "Now I can save some money, save for the big things," he said, referring to getting married and raising a child.

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