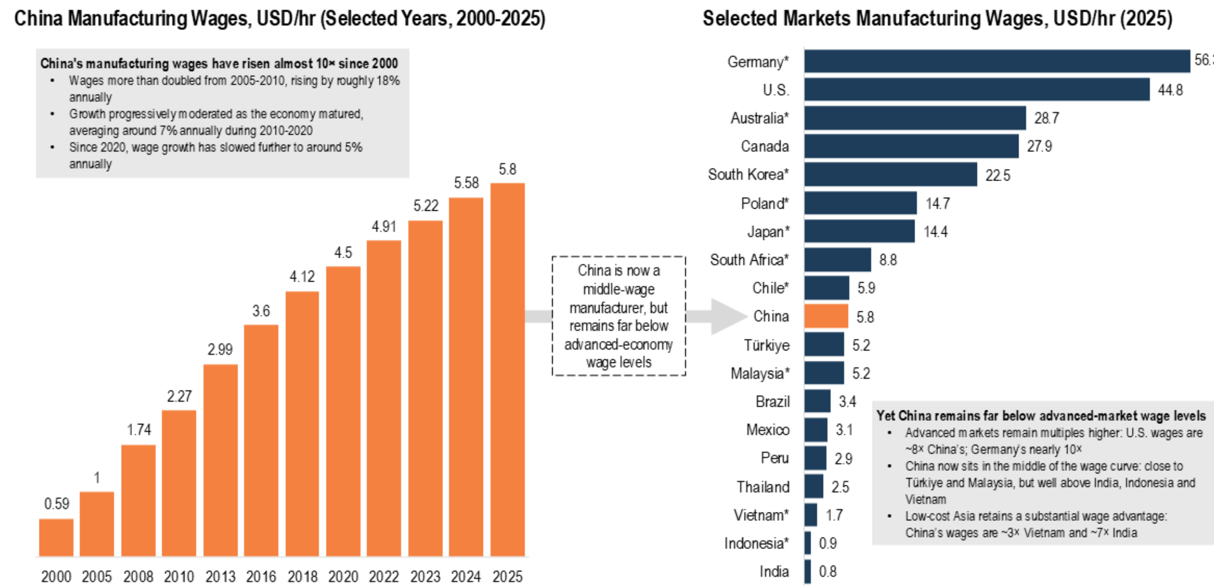
China’s Wages Have Risen, But Its Cost Advantage Remains

Manufacturing wages have risen almost tenfold since 2000, but remain around one-eighth of U.S. levels and well below other advanced manufacturing economies.



Note: Countries marked with * denote 2024 data. Source: International Labour Organisation, NBS, ANDAMAN PARTNERS Analysis

China’s days as an ultra-low-wage manufacturing economy are over. Factory wages have risen almost tenfold since 2000, transforming what Chinese workers earn and steadily narrowing one of the cost advantages that helped underpin the country’s manufacturing rise.

But the comparison with the rest of the world is revealing. At around USD 5.80 per hour, Chinese manufacturing wages are now roughly three times Vietnam’s and seven times India’s, placing China firmly above Asia’s lowest-cost manufacturing locations. Yet they remain only around one-eighth of U.S. levels, while German manufacturing wages are almost ten times higher.

The pace of change is also slowing. Wage growth exceeded 18% annually during 2005-2010, moderated to around 7% during 2010-2020, and has fallen to roughly 5% since 2020. China has effectively moved into the middle of the global manufacturing wage curve, less able to compete on cheap labour alone, but still retaining a substantial wage advantage over advanced economies.

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