

China wages seen jumping in 2014 amid shift to services

BLOOMBERG NEWS

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 labour 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 labour mobility.

Vietnam's Appeal

Rising wages have pushed companies such as Nike Inc. to seek lower labour 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



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Women holding umbrellas walk back to work after a lunch break in the Futian district of Shenzhen. 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.

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.

India court says govt can audit telecoms firms

BBC NEWS

THE Delhi High Court has ruled that government auditors can audit the accounts of private telecoms firms.

The telecoms companies had argued that the Comptroller and Auditor General (CAG) could not investigate private entities.

The CAG is investigating several firms in connection with the alleged mis-selling of telecoms licences.

The scandal has dented the image of the government and cost the country about \$40bn (£24.5bn), says the CAG.

In 2010, the auditors had demanded to see the revenue details of telecoms companies to assess whether they had under-reported their revenues.

The auditors said since the firms were in a revenue sharing arrangement with the government, they could be audited by the state.

Taiwan's HTC back to profit in Q4

AFP, Taipei

TAIWAN'S leading smartphone maker HTC said Sunday that it had swung to profit in the three months to December after a quarterly net loss, the first since listing in 2002.

The company reported a net profit of Tw\$310 million (\$10.3 million) in the fourth quarter despite an operating loss of Tw\$1.56 billion, buoyed by its non-operating income, it said in a statement without giving details.

Analysts say the income was from its decision in September to sell its remaining 24.84 percent stake in US headphone maker Beats Electronics LLC back to the firm for \$265 million.

Despite the quarterly profit, the company remained in the red on the operational level.

The company reported a net loss of Tw\$3 billion in the third quarter as it struggled to increase its foothold in the highly competitive smartphone market dominated by rivals Samsung and Apple.

It had a marginal net profit of Tw\$85 million in the first quarter and Tw\$1.25 billion in the second quarter.

HTC launched its latest plus-sized handset "One Max" in Beijing in October, hoping to cash in on the fast-growing Chinese market, where users are demanding increasingly larger screens.

But its sales have not been lifted by the gadget, which boasts the widest display in the HTC family at 5.9 inches, as well as a fingerprint scanner.

Its revenues in the fourth quarter came in at Tw\$42.89 billion, down from Tw\$47.05 billion seen in the third quarter.

US car makers report disappointing December sales

BBC NEWS

GENERAL Motors (GM) has reported a fall in car sales in December in what was a disappointing month for US car makers.

GM shares fell 2.4 percent after it reported a 6.3 percent fall in sales compared with December 2012.

Ford and Chrysler both reported rising sales, but not the increases that industry analysts were expecting.

Chrysler sold 161,000 cars and trucks in December, up 5.7 percent on the same period in 2012 and Ford reported a 1.8 percent rise in December sales.

Analysts said that poor weather in parts of the US kept customers away from dealerships in December.

"At the very beginning of the month the pace of buying was slow because there were so many storms around the country," said Edmunds.com senior analyst Michelle Krebs.

"Now what we're seeing is some of the automakers are stretching their December deals into January."

Kurt McNeil, vice president, of US sales for GM, said: "December started a little slow but sales were stronger later in the month, especially in the week between Christmas and New Year."

Meanwhile Ford said that a four-day weekend for Thanksgiving late in November may have brought forward sales that would have fallen in December.

For Chrysler the Jeep brand continued to be a strong performer with a 34 percent rise in sales last month.

With a 9 percent rise in annual sales, 2013 was the strongest year for Chrysler since 2007.

"Our Jeep and Ram truck brands had a strong finish led by the all new 2014 Jeep Cherokee and the Ram pickup truck," said Reid Bigland, head of US sales.

Overall, sales in 2013 were strong for the big three Detroit car manufacturers, who were helped along by strong sales of their truck offerings.

Truck sales tend to increase in relation to home sales, which were strong for much of the year as the US economic recovery spurred long-delayed housing activity.

"Trucks on the road are even older than cars on the road," said Ms Krebs.

She added: "There are lots of new products: Chrysler came out with a new Ram pick-up truck, GM introduced its new trucks this fall and Toyota had a new Tundra model" which further enticed consumers.

The Mint countries: Next economic giants?

BBC NEWS MAGAZINE

IN 2001 the world began talking about the Bric countries - Brazil, Russia, India and China - as potential powerhouses of the world economy. The term was coined by economist Jim O'Neill, who has now identified the "Mint" countries - Mexico, Indonesia, Nigeria and Turkey - as emerging economic giants. Here he explains why.

So what is it about the so-called Mint countries that make them so special? Why these four countries?

A friend who has followed the Bric story noted sardonically that they are probably "fresher" than the Brics. What they really share beyond having a lot of people, is that at least for the next 20 years, they have really good "inner" demographics - they are all going to see a rise in the number of people eligible to work relative to those not working.

This is the envy of many developed countries but also two of the Bric countries, China and Russia. So, if Mexico, Indonesia, Nigeria and Turkey get their act together, some of them could match Chinese-style double-digit rates between 2003 and 2008.

Something else three of them share, which Mexican Foreign Minister Jose Antonio Meade Kuribrena pointed out to me, is that they all have geographical positions that should be an advantage as patterns of world trade change.

For example, Mexico is next door to the US, but also Latin America. Indonesia is in the heart of South-east Asia but also has deep connections with China.

And as we all know, Turkey is in both the West and East. Nigeria is not really similar in this regard for now, partly because of Africa's lack of development, but it could be in the future if African countries stop fighting and trade with each other.

This might in fact be the basis for the Mint countries developing their own economic-political club just as the Bric countries did - one of the biggest surprises of the whole Bric thing for me. I can smell the possibility of a Mint club already.

What I also realised after talking to Meade Kuribrena, is that the creation of the Mint acronym could spur pressure for Nigeria to become a member of the G20, as the other Mints already are.



BBC NEWS

Building an Ikea for the 28 million people living in greater Jakarta.

This was something the charismatic Nigerian finance minister, Ngozi Okonjo-Iweala was keen to talk about: "We know our time will come," she said. "We think they are missing something by not having us."

Meade Kuribrena went so far as to suggest that, as a group of four countries, the Mints have more in common than the Brics. I am not sure about that, but it is an interesting idea.

Economically three of them - Mexico, Indonesia and Nigeria - are commodity producers and only Turkey isn't. This contrasts with the Bric countries where two - Brazil and Russia - are commodity producers and the other two - China and India - aren't.

In terms of wealth, Mexico and Turkey are at about the same level, earning annually about \$10,000 (£6,100) per head. This compares with \$3,500 (£2,100) per head in Indonesia and \$1,500 (£900) per head in Nigeria, which is on a par with India. They are a bit behind Russia - \$14,000 (£8,500) per head - and Brazil on \$11,300 (£6,800), but still a bit ahead of China - \$6,000 (£3,600).

A big question that guided my thinking on visits to these countries for the BBC was - "How do these countries actually feel on the ground, compared to my own

expectations and the general consensus of opinion?"

When expectations are low - as one might generally say about Nigeria for example (although not in recent years among specialist investors in Africa) - it is easier to be positively surprised.

But the opposite is also true - and this could be a problem for Mexico, which financial investors are really quite excited about.

I returned from my travels thinking it won't be so difficult for Nigeria and Turkey to positively surprise people, as many put far too much weight on the negative issues that are well-known - crime and corruption in Nigeria, for example, or heavy-handed government in Turkey.

Indonesia, I am less sure about. The country's challenges are as big as I thought and I didn't hear too many things that made me go "Wow" in terms of trying to deal with them. The country needs more of a sense of commercial purpose beyond commodities, and has to improve its infrastructure.

In Turkey, visits to white goods manufacturer Beko and Turkish Airlines, the world's fastest growing airline, definitely made me go "Wow", and in Nigeria, I was saying it all the time.

The creativity in that place is so easy to

get enthused about, at least it was for me, and I returned full of excitement about different personal investments I might follow up on.

In Mexico I was all set to be disappointed, as expectations are so high, but the young president and his equally young colleagues are full of determination to change the place.

If you thought Maggie Thatcher stood for serious reforms, these guys make her seem like a kitten. They are reforming everything from education, energy and fiscal policy to the institution of government itself.

What about all the challenges and things that usually scare people? Well corruption is obviously one topic that all four would seem to share, and I had many interesting discussions about it in each country.

In Nigeria, Central Bank Governor Lamido Sanusi argued that corruption rarely prevents economic development - and that the growth of the economy, accompanied by improvements in education, will lead to better governance and greater transparency.

Such views are important to listen to, as an alternative to our often simplistic Western way of thinking. For many credible people in the Mint countries, corruption is a consequence of their weak past, not a cause of a weak future, and certainly not the number one challenge. It falls way down a list compared with the costs of energy and the breadth of its availability and, of course, infrastructure.

Sorting out energy policy was seen in both Mexico and Nigeria as a top priority and each country has launched a major initiative this year, which if implemented, will accelerate growth rates significantly. Here is an amazing statistic. About 170 million people in Nigeria share about the same amount of power that is used by about 1.5 million people in the UK. Almost every business has to generate its own power. The costs are enormous.

"Can you imagine, can you believe, that this country has been growing at 7 percent with no power, with zero power? It's a joke," says Africa's richest man, Aliko Dangote.

He's right. I reckon Nigeria could grow at 10-12 percent by sorting out this problem alone. That would double the size of its economy in six or seven years.