

ECONOMY

LAY-OFFS IN PEARL RIVER DELTA FUEL SLOWDOWN FEARS

Manufacturers struggle with supply chain woes caused by coronavirus controls and declining demand at home and in key overseas markets

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In the Pearl River Delta, China's export manufacturing heartland, migrant workers are watching their incomes plummet and jobs disappear overnight, as local businesses grapple with challenges ranging from Covid-19 outbreaks to tumbling international orders.

Two years ago, tens of thousands of migrant workers were cast out of work as employers scaled back production due to the US-China trade war and the initial coronavirus outbreak.

Few people then would have anticipated the pace of China's recovery, with exports hitting new highs in the past year and even migrant workers older than 50 in demand in the region's factories.

Now, the story is being rewritten again, with factories laying off workers and young people unable to find casual jobs.

From the footwear industry to electronics to garments, insiders say they are facing a rare combination of pressures: supply chain disruptions caused by coronavirus controls; declining demand in the domestic, European and US markets; and a massive shift in overseas orders to Southeast Asia.

China's export growth rebounded in May from a slump in April as manufacturing activity in Shanghai gradually returned to normal after a two-month lockdown was lifted. But analysts have called it a "temporary blip", with most predicting momentum to fade as headwinds grow.

On May 31, in Qingxi township in the manufacturing hub of Dongguan, workers at Tecum Electronic Technology were told they would have to take five months' holiday without pay.

Management said domestic and global orders had fallen off a

cliff, inventory costs were surging because finished goods could not be shipped abroad and there was a shortage of raw materials.

A senior executive surnamed Hu said this week the company was rethinking the unpaid leave plan, but acknowledged the production problems.

Another electronic precision firm in the area plans to cut its workforce from 6,000 to 4,000, according to a source close to management, who did not want to identify the company or themselves.

"When the pandemic first started, the US government was providing money to ordinary Americans, so our orders were gorgeous," said W.Y. Wang, who runs an export-oriented pet product factory that employs a few thousand workers in Guangdong.

"But orders in the second quarter of this year fell by 60 per cent from last year. We have had no overtime or weekend shifts for weeks, which means workers can only take home the minimum wage set by the city - about 2,000 yuan [HK\$2,340] or 3,000 yuan."

Xie Yifei, a Shenzhen-based migrant worker, said his workplace was letting staff off at weekends this month and would not hire production-line workers under 35 years old.

"If you drive to the industrial area on the border of Dongguan

Orders fell by 60 per cent. We have had no overtime or weekend shifts for weeks

W.Y. WANG, WHO RUNS A FACTORY

and Shenzhen now, you will see a lot of vacancies and rentals again," he said.

Trouble in China's manufacturing heartland has the potential to ripple through the wider economy. The export sector provides jobs for 180 million people, over a third of the country's 530 million non-farming jobs, according to the commerce ministry. Slowing export momentum will add to job pressure caused by lockdowns.

The surveyed urban unemployment rate, which does not count the 290 million migrant workers, was 5.9 per cent in May, compared with 6.1 per cent in April, which was the highest level since March 2020, according to the National Bureau of Statistics.

In the 16-24 age group, the jobless rate continued to climb to a record 18.4 per cent last month.

Sentiment among manufacturers improved in May, with the official manufacturing purchasing managers' index rising to 49.6 from 47.4 in April. But that was still below the 50 mark that separates expansion from contraction.

Overall, the outlook remains gloomy. Academics at Peking University warned last week that, under zero-Covid controls, the country could see unemployment reach levels similar to 2020 when up to 12 per cent of the working population was out of a job.

Factory closures usually meant "a whole community will be idle", said Liang Lu, who runs a consultancy in Dongguan helping local firms promote their business. "In Shijie township, on a road well known for producing speakers, most of the factories, stores and restaurants are half-shut down."

Xie, the migrant worker, said workers in Shenzhen had seen their incomes drop by at least 1,000 yuan a month from last year, with many earning about 4,000 yuan a month. In his hometown of Baise, Guangxi, wages can be as low as 2,000 yuan, while jobs in the countryside pay even less.

"For those who have children, parents and mortgages, it's hard to get by," he said.