

## China's value-chain climb to help India, others: Fitch

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China's move up the value chain and the relocation of low-end manufacturing to lower-cost countries will continue to create opportunities and support strong economic growth in some of Asia's "frontier" emerging markets including India, according to Fitch Ratings.

### Conducive environment

The countries best-placed to take advantage over the next few decades will be those offering workable business environments and relative macroeconomic and political stability to complement low wages, strong demographics and geographical advantages, it said in a report released on Tuesday.

The average Chinese manufacturing wage is now higher than in Asia's other major emerging economies, including India, it said. Finding cheap labour in China is only likely to become harder, with urbanisation rates already high and the working-age population set to shrink by 0.4% a year on average over 2015-2035.

A significant drop in China's low-end manufacturing over the coming decades would leave a large gap for lower-cost countries to exploit. China's global share of exports of clothing, footwear and furniture is still almost 40%, up from 34% in 2010, and only peaked in 2014, according to UN Comtrade.

The decline now appears to be gathering momentum — China's exports of these labour-intensive goods fell by 10% in U.S. dollar terms in 2016, Fitch said. Bangladesh and Vietnam already have strong footholds in these sectors — together they accounted for 8% of global clothing, footwear and furniture exports in 2015, up from 3% in 2010, it added.

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