

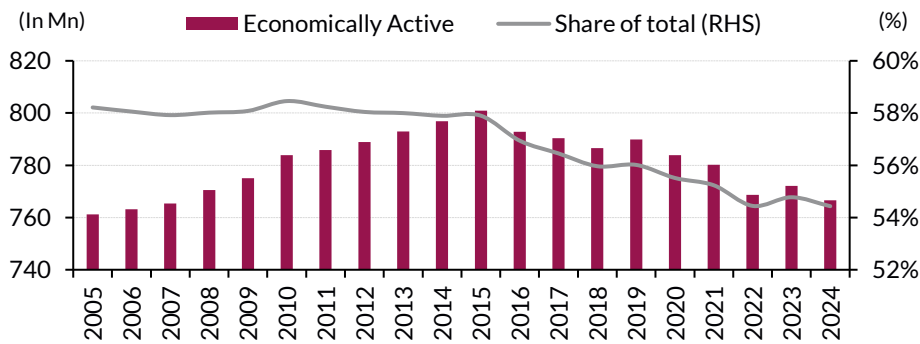
China's weak job market → lower consumption, higher exports

December 03, 2025

China Growth

Labour Market

China's economically active population is shrinking; it fell 34mn (4%) over 2015-24. This is likely due to and a cause of real wage growth slowing to 3% YoY, vs. 8-9% annually over 2011-22. Monthly indicators of hiring remain subdued. High-tech manufacturing is unlikely to absorb the 15mn annual addition, keeping wages weak, and reducing prospects of raising the retirement age. Weak income growth compounds the balance sheet stress from a weak housing market: consumption may remain depressed. China's dumping in export markets is thus a continuing longer-term risk. It may retain its labor-intensive exports even as it gains global share in capital intensive, high-tech sectors.

Exhibit 1 - China's labour participation fell 4% between 2015 and 2024


Source: CEIC; Axis Bank Research

China's slow-moving jobs crisis: participation falls as real wage growth slows

Between 2015-24, China's economically active population shrank by 34mn (-4%), vs. a 25mn (2%) rise in total population (Fig 1). Now only 54% of population is active, vs. 58% in 2015. Worryingly, demand for labour fell faster, as real wage growth has slowed to 3% YoY (Fig 3), with urban unemployment higher than in 2019 (Fig 5). From handily beating job-creation targets, cities are now barely meeting them (Fig 4). Higher-frequency indicators on hiring intentions (Fig 10) and PMIs have been consistently weak (Fig 11). The remarkably low and stable headline unemployment rate (Fig 6) masks these slow-moving jobs crisis.

High-tech manufacturing unlikely to absorb ~15Mn new entrants annually

Between 2019 and 2022, the number of people pursuing higher degrees and thus out of the job market rose sharply (Fig 9). This cohort is now re-entering the workforce, adding 10-12 Mn workers annually (Fig 8). For those who drop out of education sooner, an additional 4-5 Mn of lower-skill jobs will be needed annually. China's policy push towards high-tech manufacturing is unlikely to create sufficient demand for these joiners, in our view. With the number of jobs not keeping pace with new joiners, and per unit employment in industry falling consistently since 2011 (Fig 12), there is limited scope to raise the retirement age.

Consumption to remain weak; China retaining share in labour-intensive exports

A shrinking workforce and falling wage growth compound the problem of balance-sheet pain for households from a weak housing market. Prospects for consumption thus continue to look bleak, further elevating the risk of Chinese dumping in export markets. China's trade surplus in manufactured goods is already over US\$ 2 Tn (Fig 13), with much of the post-2019 growth driven by rising exports of autos, machines and heavy transport equipment (Fig 14). However, its trade surplus in labour-intensive goods such as textiles, plastics and consumer goods has also remained stable or expanded, suggesting that growth in capital-intensive, high-tech manufacturing is not in lieu of lower competitiveness in labour-intensive sectors.

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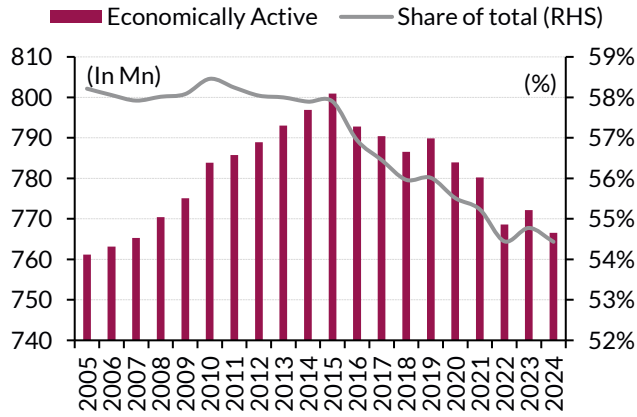
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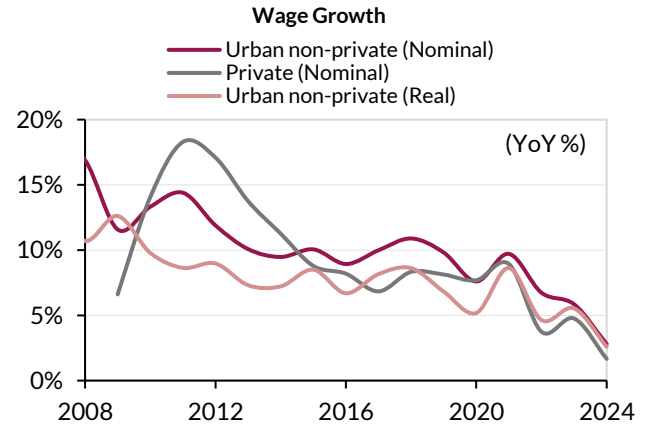
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Exhibit 2 - China's economically active population is falling faster than its total population



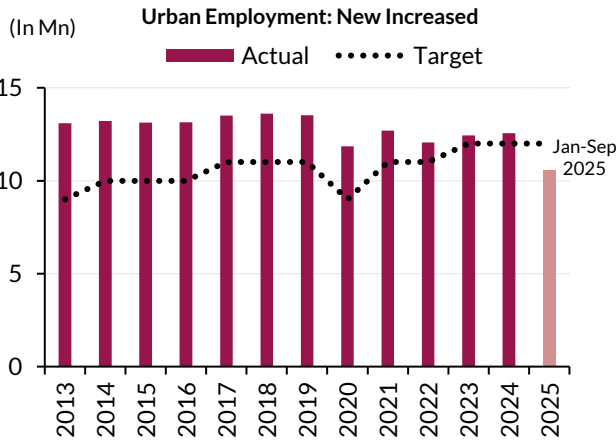
Source: CEIC; Axis Bank Research

Exhibit 3 - Yet wage growth has slowed sharply post 2019 → more voluntary dropouts from the labor force?



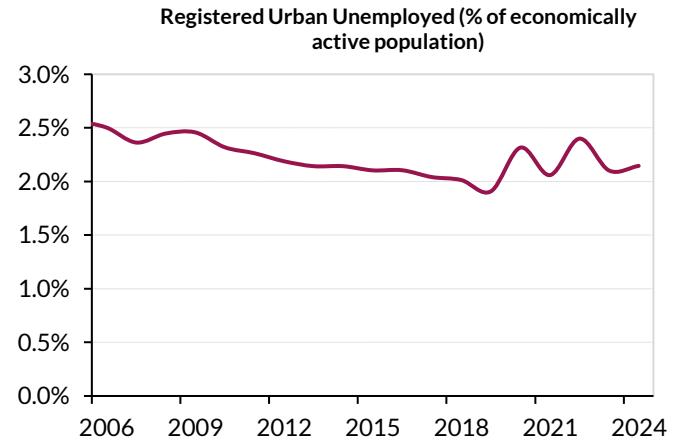
Source: CEIC; Axis Bank Research

Exhibit 4 - Employment targets are met but barely, indicating a greater difficulty in generating new jobs



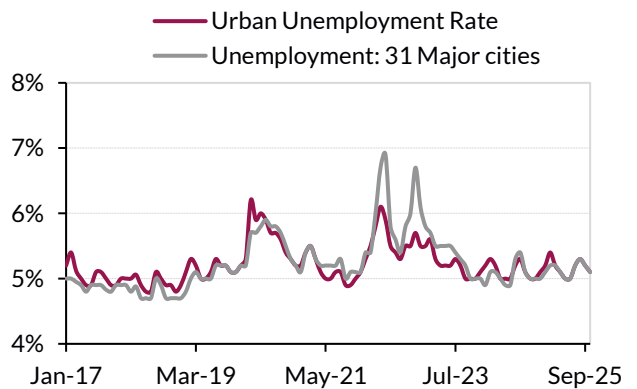
Source: CEIC; Axis Bank Research

Exhibit 5 - The trend decline in registered urban unemployed has also reversed post-Covid



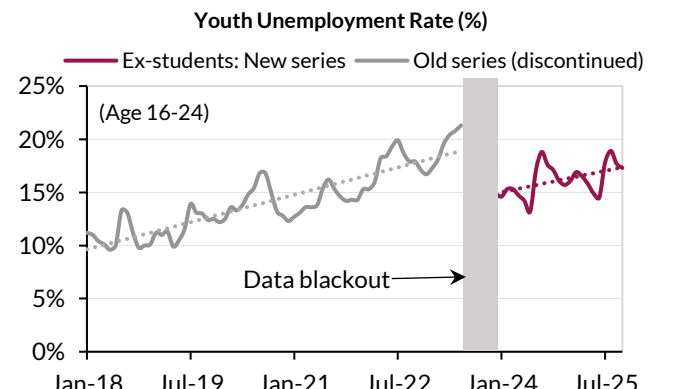
Source: CEIC; Axis Bank Research

Exhibit 6 - Headline unemployment rate, remarkably stable around 5%, masks underlying weaknesses



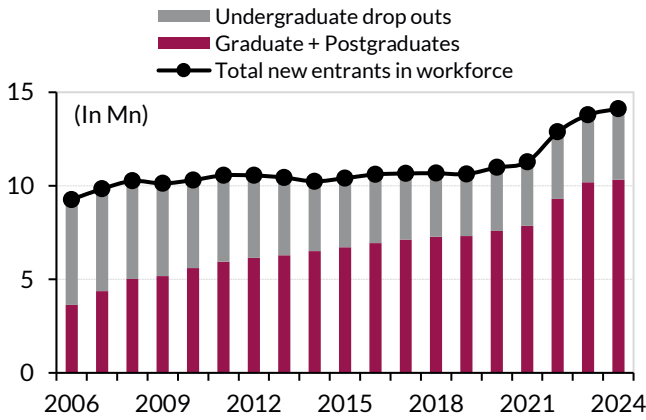
Source: CEIC; Axis Bank Research

Exhibit 7 - Youth unemployment rate (first time job seekers) is particularly high and rising



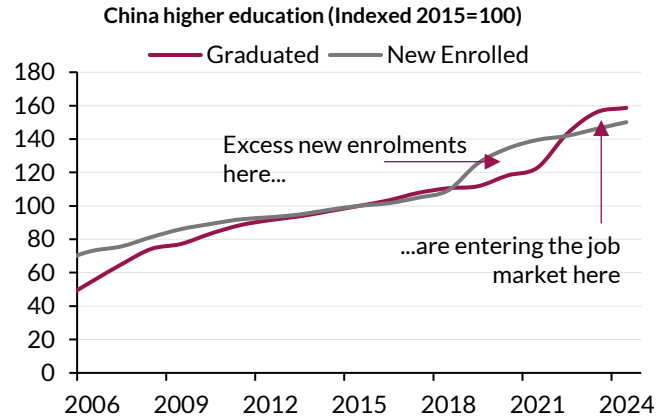
Source: CEIC; Axis Bank Research

Exhibit 8 - 10-12 Mn graduates/postgraduates enter China's workforce annually; total new entrants: ~15Mn



Source: CEIC; Axis Bank Research

Exhibit 9 - More enrollments between 2019-22 → an excess of higher degree holders seeking jobs now



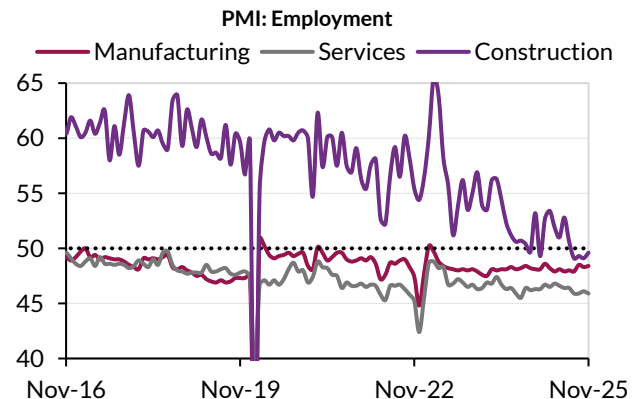
Source: CEIC; Axis Bank Research

Exhibit 10 - Though recovering, hiring intentions are near their historic lows



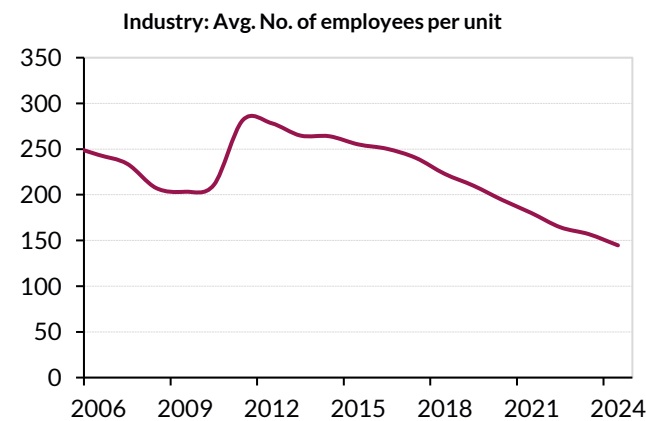
Source: CEIC; Axis Bank Research

Exhibit 11 - Employment PMIs continue to suggest weakness in the jobs market



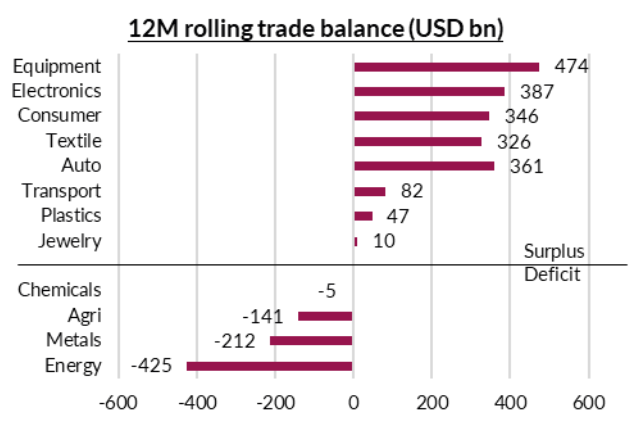
Source: CEIC; Axis Bank Research

Exhibit 12 - Industry needs fewer employees for each new unit: avg. employee/unit has halved since 2012

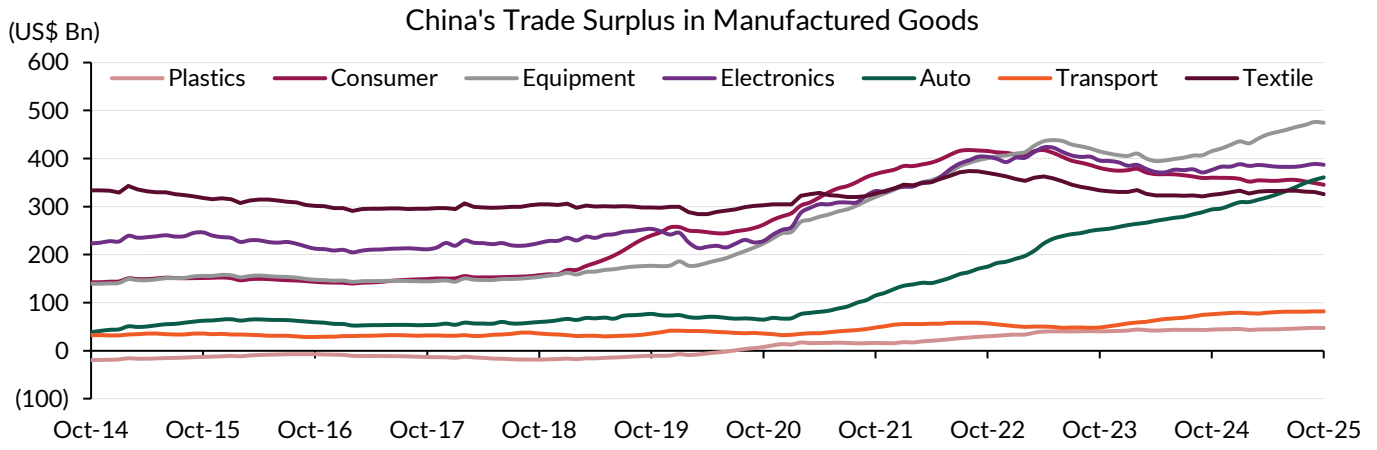


Source: CEIC; Axis Bank Research

Exhibit 13 - China runs a massive trade surplus in manufactured goods, including labor-intensive sectors



Source: CEIC; Axis Bank Research

Exhibit 14 - China's manufacturing surplus in labour-intensive sectors stable


Source: CEIC; Axis Bank Research

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