

Toy prices rise as wages up

HUNDREDS of toymakers at the China Import and Export Fair, the country's largest, are charging more as China battles inflation that soared to an almost three-year high of 5.4 percent in March.

Mattel Inc., which makes Barbie dolls, and Hasbro Inc., owner of the Transformers brand, raised prices earlier this year as Chinese factories pass on higher costs for raw materials and labor.

"If you take into account everything Chinese toymakers are dealing with — labor, material, the exchange rate — a price hike is only a natural consequence," said Hua Zhongwei, a macroeconomic analyst with Huachuang Securities in Beijing. "There is a big chance for shoppers in the United States to face higher prices for Christmas gifts this year."

Li & Fung Ltd., the world's biggest supplier of toys to retailers including Walmart Stores Inc. and Target Corp., will pass on any factory cost increases to its customers, chief executive officer Bruce Rockowitz said.

"Definitely, prices are going up on everything," Rockowitz said in a May 19 interview in Hong Kong, where Li & Fung is based.

Toys "R" Us Inc., the world's biggest toy retailer, anticipates "some price increases," Kathleen Waugh, a spokeswoman for the Wayne, New Jersey-based company, said in an e-mailed statement.

There are about 8,000 toy companies in China, according to the government-affiliated China Toy Association. The country exported US\$2.6 billion worth of toys in the first four months of the year, 17 percent more than last year.

Growth slowed from the first four months of 2010, when toy exports surged 22 percent to US\$2.2 billion, according to data from the General Administration of Customs. The world's biggest toymaker exported US\$10.1 billion worth of toys last year.

The 109th Canton fair, which ended early this month, reported a 5.8 percent increase in export orders from the previous one held in September, the weakest growth since the second half of 2009, Dong Tao, chief analyst for Asia excluding Japan at Credit Suisse Group AG in Hong Kong, wrote in a May 17 report. Orders from Europe were up 14 percent and the United States 12 percent, while orders from Japan



Employees of a toymaker display its products at a toy exhibition in Shenzhen in this file photo. Surging costs of labor, materials and exchange rate uncertainty have driven up the price of made-in-China toys.
Liu Mixxia

and Hong Kong were down. "Surging labor costs and a labor shortage were the biggest concerns, along with a sharp rise in material costs," Tao wrote. "Exchange rate uncertainty is also rising."

Worker salaries have almost doubled in the past year to 2,000 yuan (US\$308) per month in factories in Guangdong, according to toymakers attending the fair. Wages for the millions of

migrant workers running China's factories soared 40 percent in 2010, Tao said earlier this year. Guangdong raised minimum wages this year, with workers in Guangzhou earning at least 1,300 yuan a month as of March 1, *Guangzhou Daily* said.

Higher commodity costs are also hurting manufacturers' profits. Crude oil, the source for chemicals used in toymaking, has risen 42

percent in the year through Tuesday on the New York Mercantile Exchange. Cotton prices surged 90 percent in the same period.

About 7 to 8 percent of the average 10 percent price increase is because of higher material and labor costs, with the rest attributed to yuan appreciation, said Wang Jianhu, an analyst at Southwest Securities Co. in Beijing.

(SD-Agencies)