

Sourcing Costs on the Rise: Wage Increases Set to Impact 2019

By [Tara Donaldson](#)

Apparel sourcing won't catch a break in the coming year where costs are concerned.

Here's a look at wage rates that have risen this year or are on track to increase when 2019 hits. As companies look to scale back on China sourcing to mitigate the impacts of the U.S.-China trade war and the higher tariffs and costs of uncertainty that have come with it, they'll also be grappling with higher costs in the alternative sourcing countries they're looking to.

Vietnam

Vietnam, perhaps the biggest beneficiary of the U.S.-China trade fallout, will see its minimum wage increase in 2019, adding costs for companies looking to find sourcing solace away from China.

Though lower than its last 6.5 percent increase, Vietnam's National Wage Council has proposed raising the minimum wage by 5.3 percent in 2019, hiking the pay rate in four regions by \$7-\$9 a month.

In January, monthly minimum [wages](#) will increase in Vietnam—depending on the cost of living in each region—to between 2.92 million Vietnamese dong (\$125) to \$4.18 million dong (\$180).

Mexico

While the industry has gotten over one would-be hurdle with Mexico over the only recently settled United States Mexico Canada Agreement, now it will have to contend with higher [sourcing costs](#) out of the country in 2019.

Mexico's wage commission said in mid-December that it will [raise the minimum wage](#) in the country by 16 percent to roughly \$5 a day—and the hikes will continue in line with inflation, according to Reuters.

It's a 71 cents per day increase and the largest percentage pay raise Mexico has seen since 1996. The new rate will be 102.68 pesos (\$5.12) a day, which works out to roughly \$122 a month based on a six-day work week. In regions closest to the United States, the daily rate will be 176.72 pesos (\$8.81).

Beyond improving worker welfare, the wage bump is also about boosting low income earners' purchasing power in the country.

Honduras

By 2023, the minimum wage in Honduras will have increased by 38.5 percent.

In an announcement last month, the Honduran Maquila Association, which represents apparel manufacturers in the country, said the [minimum wage will increase](#) by 8 percent this year, 7.5 percent for each of the following three years through 2022, and in 2023 the wage will go up by another 8 percent.

According to AHM, the current monthly minimum wage for garment workers in Honduras is \$446.

Bangladesh

Since 2013, the monthly minimum wage rate in Bangladesh has been 5,300 taka (\$63), but as per an agreement made in September the rate was supposed to rise to 8,000 taka (\$95) in December.

However, workers have yet to see the increase take effect, and as many as 50 factories have shuttered amid [worker strikes](#).

According to local news reports, factory owners are working on the new pay structure and are expected to implement the wage hike in January. If so, it will mark a 51 percent increase in labor costs for Bangladesh.

Cambodia

In October, garment workers in [Cambodia got a 7 percent increase](#) to their minimum monthly pay, taking the rate up \$12 to \$182.

The increase is smaller than the 11 percent increase in October last year, which came following months of labor unrest in the country. However, a new International Labour Organization report said conditions in Cambodia's garment and footwear sector have improved, with areas like child labor and payment of wages showing progress, though "sustainable change" is still required, according to the report.

Myanmar

As of April this year, the minimum wage in Myanmar went up 33 percent to 4,800 kyat (\$3) a day.

Previously, the wage rate hadn't been raised since 2013. The new pay came in lower than the 55 percent increase to 5,500 kyat (\$3.47) daily rate that workers had been seeking as it still doesn't make a living wage.

With the already-in-place increase, workers in Myanmar are earning roughly \$73 a month.

Tunisia

In October, the Tunisian Federation of Textiles and Clothing (FTTH) and the Tunisian General Labor Union (UGTT), reached an agreement to raise minimum wages 6.5 percent in 2019. In 2020, the wage rate will go up by another 6.5 percent.

The most recent reports on the country's monthly minimum wage, according to [Minimum-Wage.org](#), peg the rate ranging from 290 dinars (\$96) 340 Tunisian dinars (\$112), so the new increase should take the rate up to between \$102 and \$120 a month.

Lesotho

For those looking to Africa for their sourcing needs, [labor rates in Lesotho](#), in particular, have gotten more costly.

In August, following months of negotiations, the monthly minimum wage in the southern African country increased 62 percent to \$138 a month from \$85 before the hike. The increased amount came as the result of pushback from workers and unions after the country's Ministry of Labor had earlier suggest just a 7 percent increase, which unions deemed insufficient to accommodate inflation.

South Africa

In the same region, wages in South Africa will rise again in 2019.

August saw the Southern African Clothing and Textile Workers' Union (SACTWU) settle its wage negotiations for the year, agreeing on a 7.75 percent increase that was retroactive to July 1, 2018. In 2019, the rate will increase another 7.5 percent to 20 South African rand (\$1.39) an hour, which amounts to a monthly wage rate of 3,900 (\$271) based on a 9-hour work day.