CHINA'S ADVANTAGE: DRASTICALLY FALLING PRODUCTION COSTS

Textile Production prices are drastically falling in China except some of the apparel units. Production costs in China have fallen in November, due to significant reduction of energy prices and a slowing down of economic growth. According to the latest survey undertaken by HSBC-Markit manufacturing, the purchasing manager's index's (PMI) reading fell to 49.5 in December from November's final reading of 50. A reading above 50 indicates expansion, while one below 50 points to contraction on a monthly basis. This fall marks a seven-month low in the index.

Growth in the world's second largest economy fell to 7.3% in the third quarter, which was the slowest pace since the global financial crisis. The risk that China might miss its official growth target of 7.5% this year for the first time in 15 years is growing because economic data is weaker than expected, economists said.

Although production prices are even plunging by 3.5% if considering all industrial goods, they are rising 0.5% in the clothing industry. This is not a surprise, considering the sharp rise of wages in China which has been planned by authorities in order to develop the domestic market. However, the rise of labour costs is rapidly deteriorating the competitiveness of China on foreign markets, with exports slowing down, as a result.