



China Sourcing Update

May 25, 2017

Price index for US imports from China

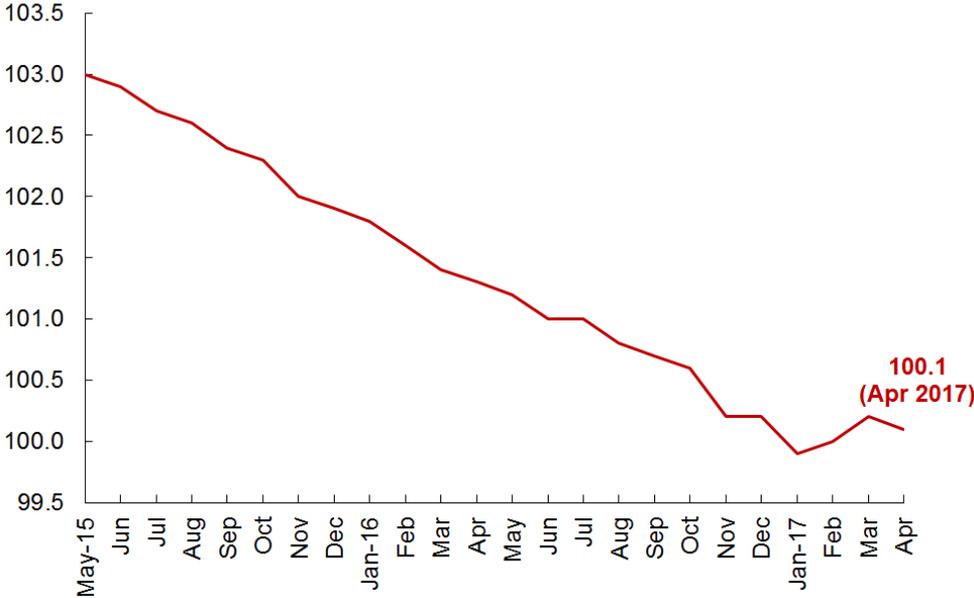
Price index for US imports from China edges down in April

Compiled by the US Department of Labor, the price index for US imports from China dropped slightly to 100.1 in April from 100.2 in March (*see exhibit 1*).

In our view, the index readings in the last few months indicate that the prices of US imports from China have stabilized after almost five years of continuous fall. Possible reasons include a relatively stable exchange rate of the Chinese yuan against the US dollar and the bottoming-out of the ex-factory prices of Chinese products in Renminbi terms in recent months.

Looking ahead, we expect the price index for US imports from China to stabilize or even rise slightly in the near future, in line with the movement of the ex-factory prices of Chinese products.

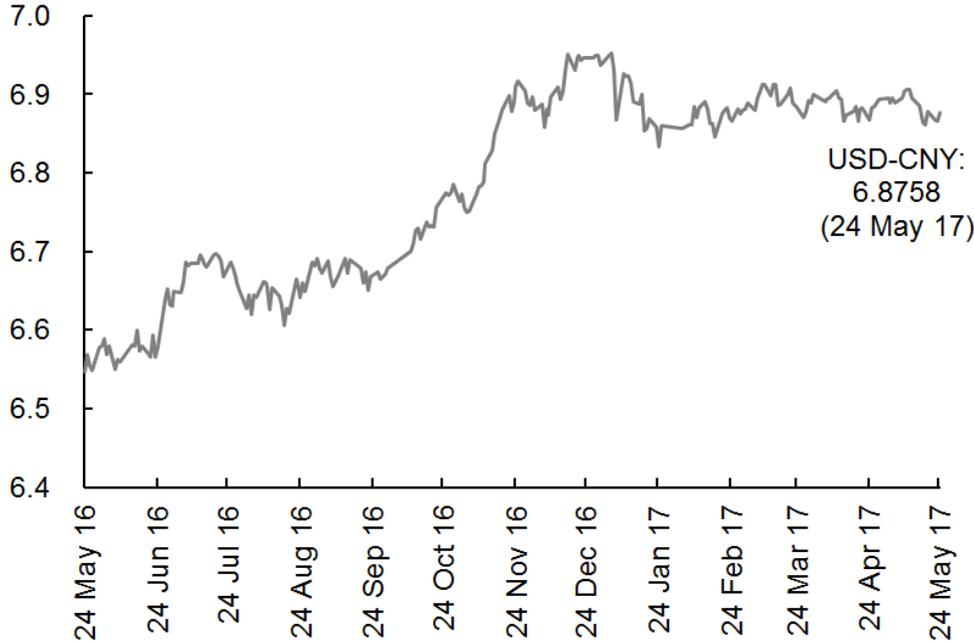
Exhibit 1: Price index for US imports from China, May 2015 to April 2017



Source: US Department of Labor

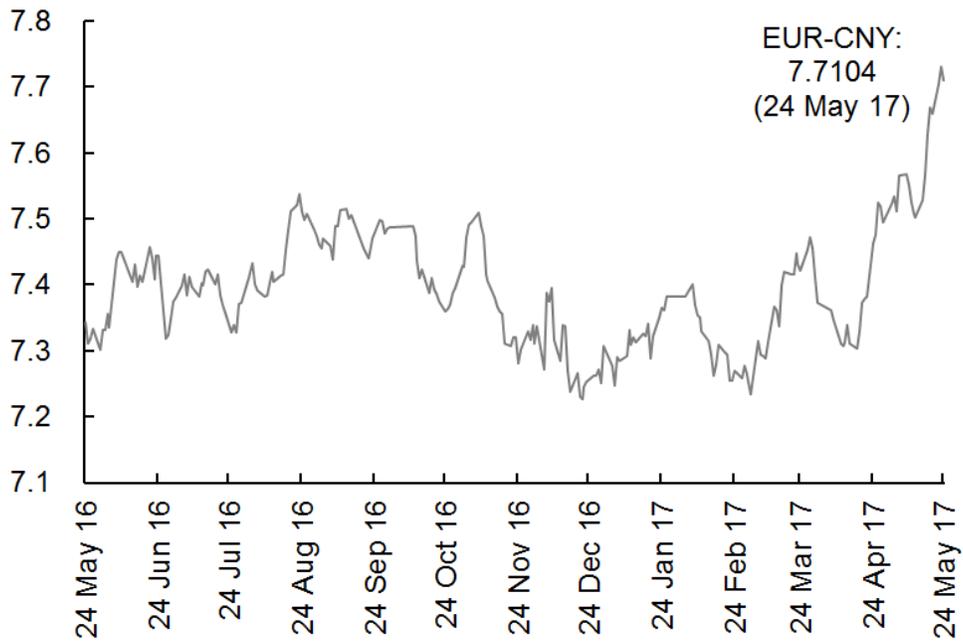
Exchange Rates

Exhibit 1: USD-CNY daily fixing rate, May 2016 to May 2017



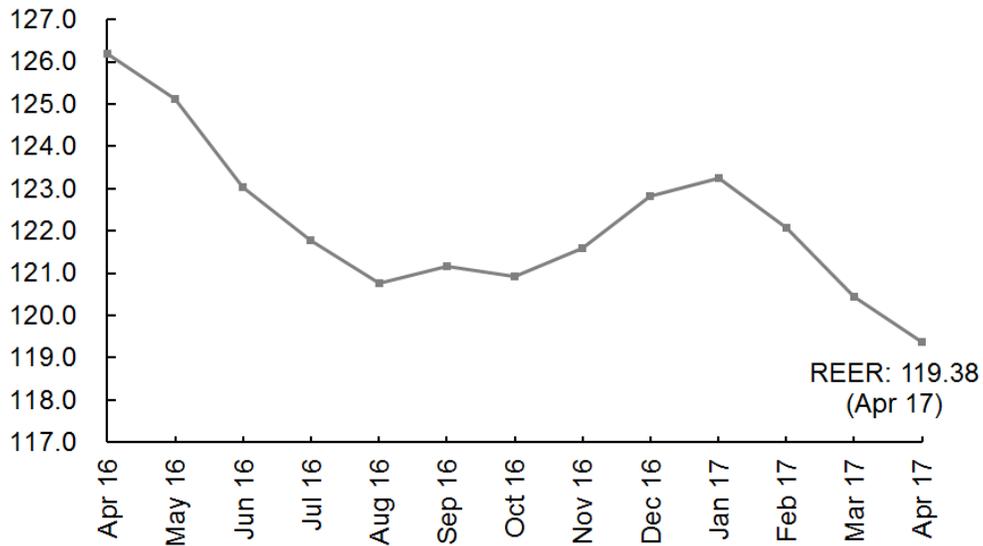
Source: State Administration of Foreign Exchange

Exhibit 2: EUR-CNY daily fixing rate, May 2016 to May 2017



Source: State Administration of Foreign Exchange

Exhibit 3: Real effective exchange rate of the Chinese yuan, April 2016 to April 2017



Source: Bank of International Settlements

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