China Sourcing Update

May 29, 2018

Price index for US imports from China

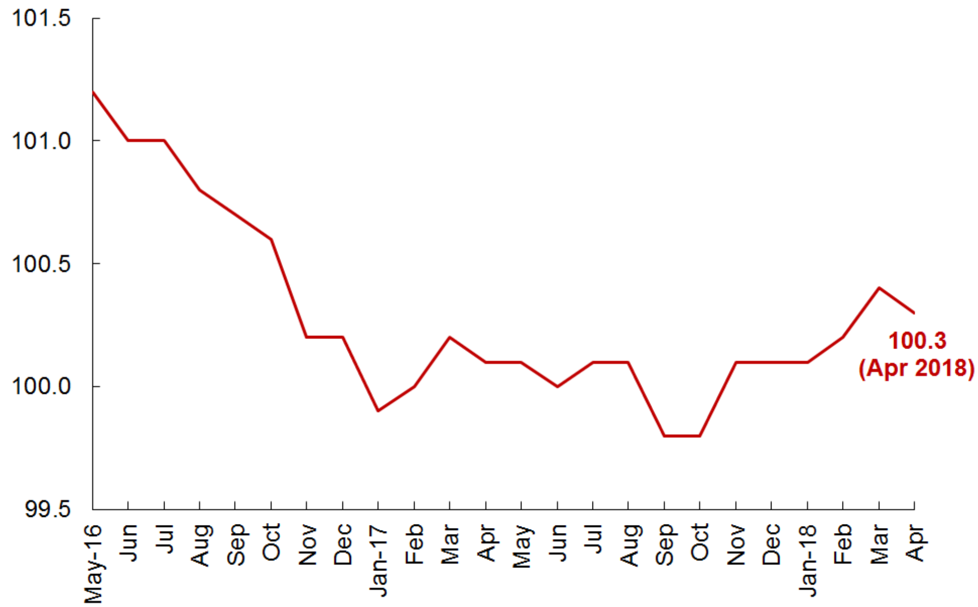
Price index for US imports from China edges down in April

Compiled by the US Department of Labor, the price index for US imports from China fell slightly from 100.4 in March to 100.3 in April *(see exhibit 1)*.

In our view, the slight drop in the price index in April was mainly due to a depreciation of the Chinese yuan against the US dollar in the month: the daily fixing rate of the Chinese yuan against the US dollar weakened by 0.8% in April. Moreover, China’s producer price index of industrial products (PPI), a major indicator of ex-factory prices of Chinese industrial products, also edged down by 0.2% mom in the month.

Looking ahead, we expect that the price index for US imports from China will stay stable or trend slightly downward in the coming months, as both the exchange rate of the Chinese yuan against the US dollar and the ex-factory prices of Chinese products are likely to remain weak in the near term.

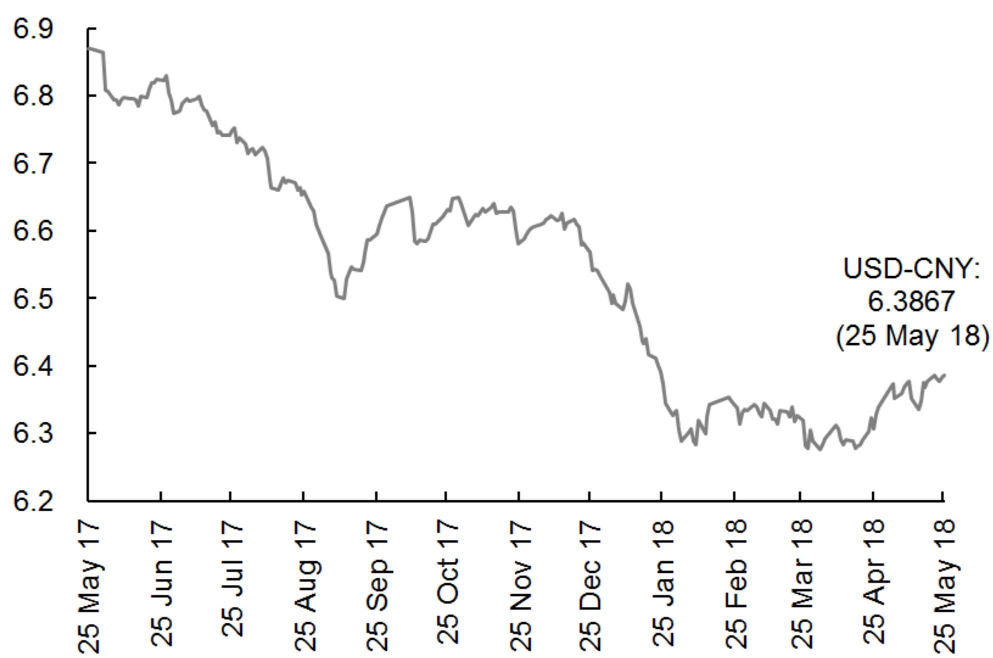
Exhibit 1: Price index for US imports from China, May 2016 to April 2018



Source: US Department of Labor

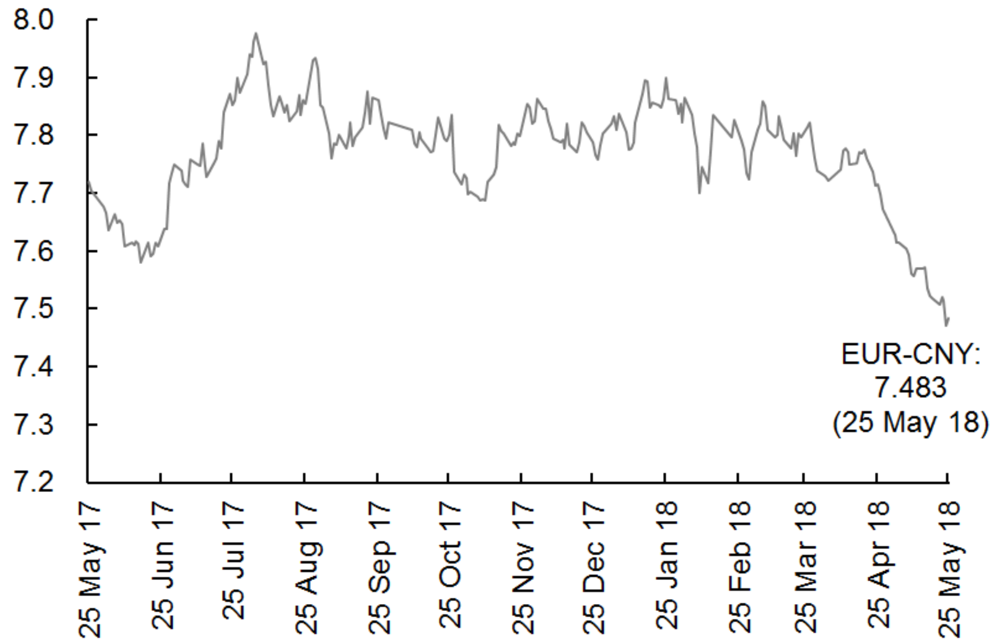
Exchange Rates

Exhibit 1: USD-CNY daily fixing rate, May 2017 to May 2018



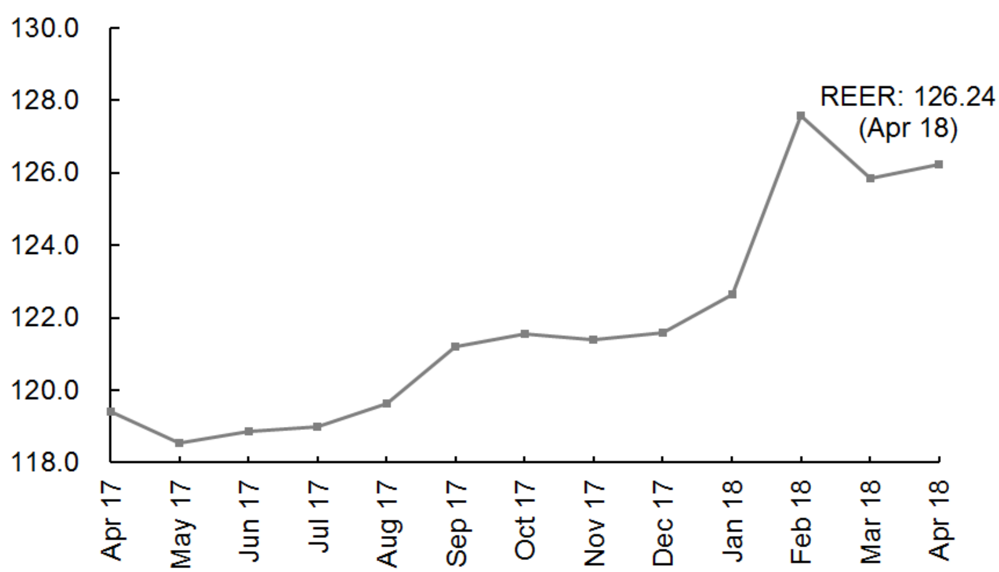
Source: State Administration of Foreign Exchange

Exhibit 2: EUR-CNY daily fixing rate, May 2017 to May 2018



Source: State Administration of Foreign Exchange

Exhibit 3: Real effective exchange rate of the Chinese yuan, April 2017 to April 2018



Source: Bank of International Settlements

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