



China Sourcing Update

May 27, 2019

Price index for US imports from China

Price index for US imports from China drops in April

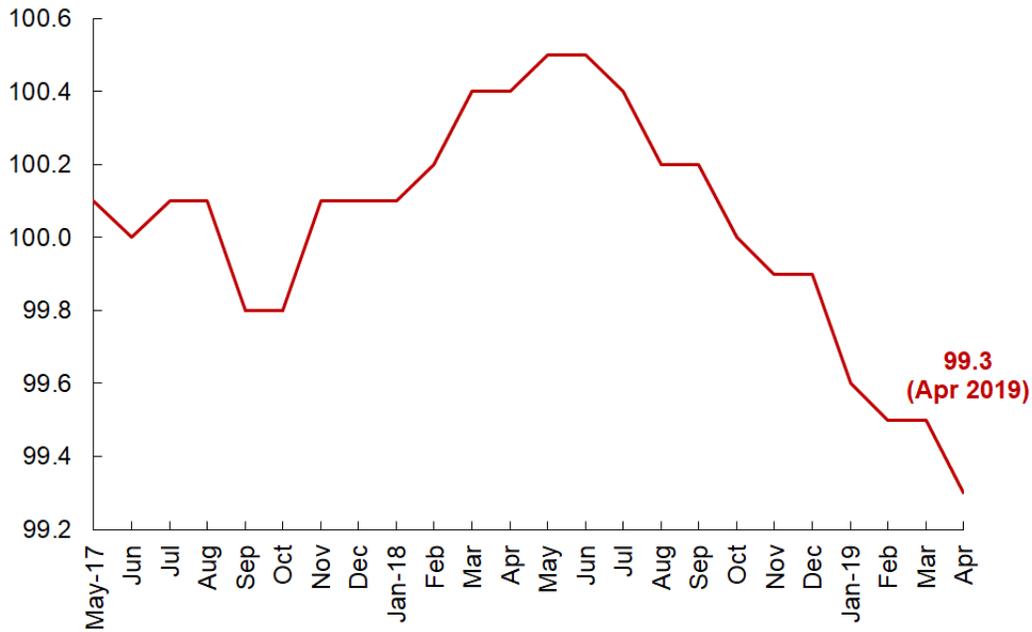
Compiled by the US Department of Labor, the price index for US imports from China fell from 99.5 in March to 99.3 in April (*see exhibit 1*).¹

A possible reason for the decline in the price index in April was that some Chinese suppliers cut the prices of their exports to remain competitive in the US market, amid the US additional tariffs on a total of US\$250 billion worth of Chinese imports.

After the US raised the additional tariff rate on US\$200 billion of Chinese imports from 10% to 25% on 10 May, it is likely that more Chinese exporters would lower their product prices. Moreover, the Chinese yuan Thus, we expect that the price index for US imports from China will continue to decline in the coming months.

¹ The price index does not reflect tariff-related prices increases since they are not included in the calculation of import prices.

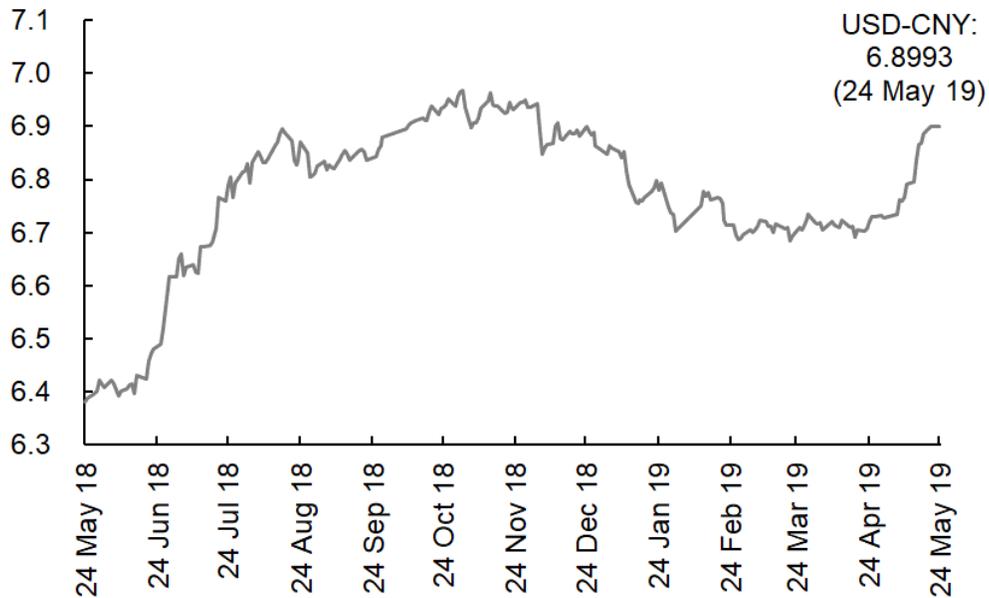
Exhibit 1: Price index for US imports from China, May 2017 to April 2019



Source: US Department of Labor

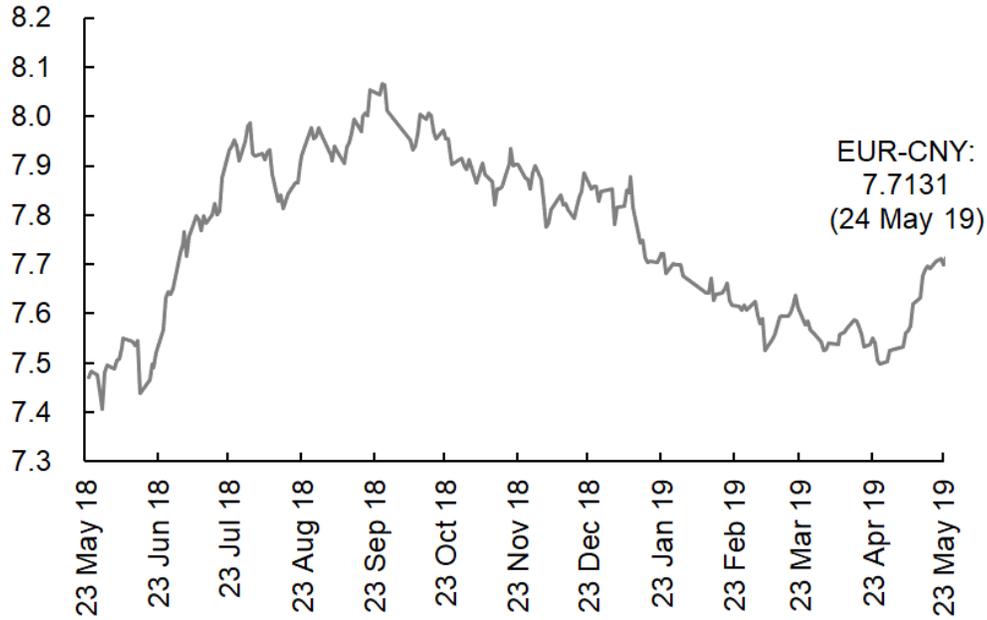
Exchange Rates

Exhibit 1: USD-CNY daily fixing rate, May 2018 to May 2019



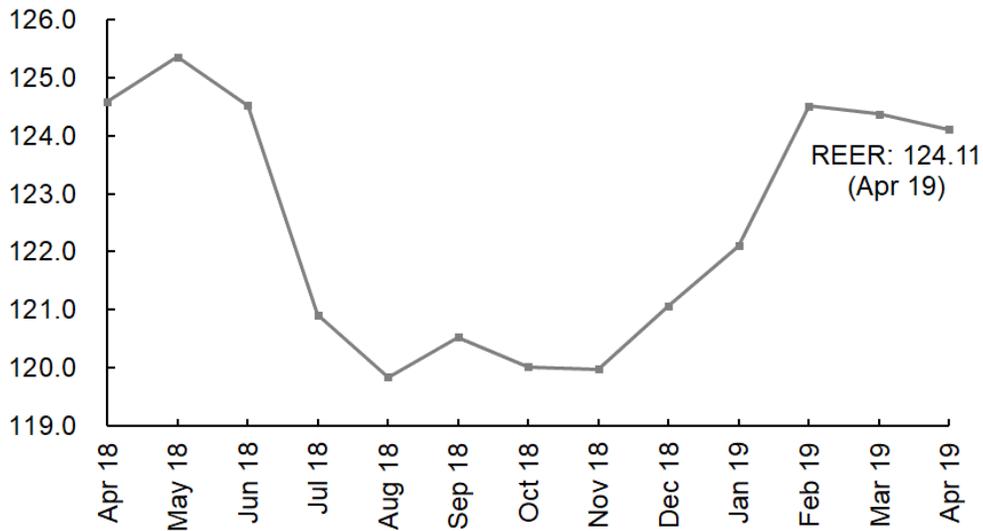
Source: State Administration of Foreign Exchange

Exhibit 2: EUR-CNY daily fixing rate, May 2018 to May 2019



Source: State Administration of Foreign Exchange

Exhibit 3: Real effective exchange rate of the Chinese yuan, April 2018 to April 2019



Source: Bank of International Settlements

FUNG BUSINESS INTELLIGENCE

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