



## China Sourcing Update

September 20, 2016

### Price index for US imports from China

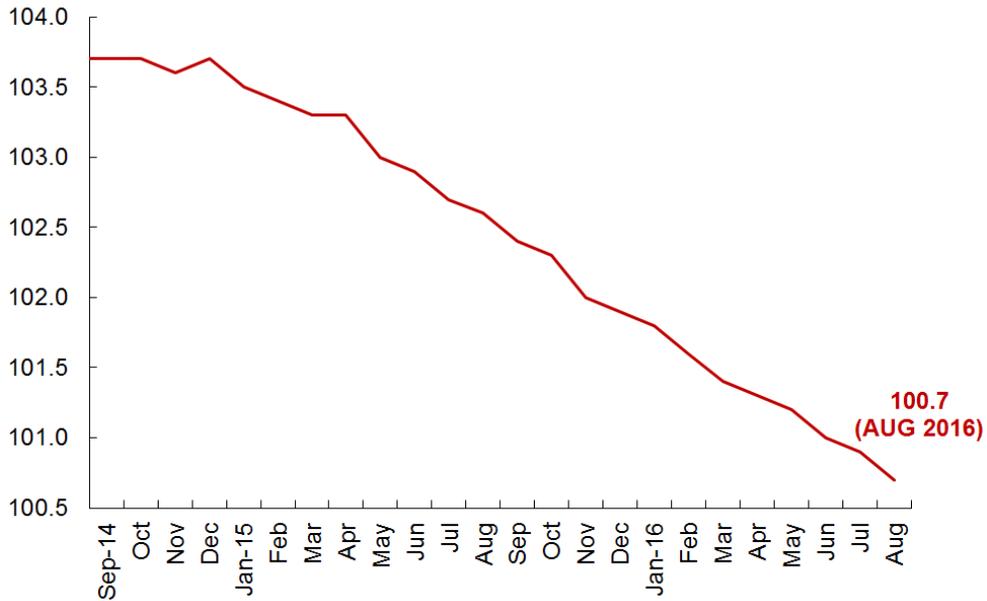
#### Price index for US imports from China drops further

Compiled by the US Department of Labor, the price index for US imports from China fell to 100.7 in August, the lowest level since October 2010 (see *exhibit 1*).

In our view, the drop in the price index in August was mainly due to the depreciation of the Chinese yuan against the US dollar during the month; the daily fixing rate of the Chinese yuan depreciated against the US dollar by 0.59% in August.

Going forward, the ex-factory prices of Chinese products are expected to stabilize in the near term. However, the Chinese yuan may further depreciate against the US dollar. All in all, we predict that the price index for US imports from China will stay low in the coming months.

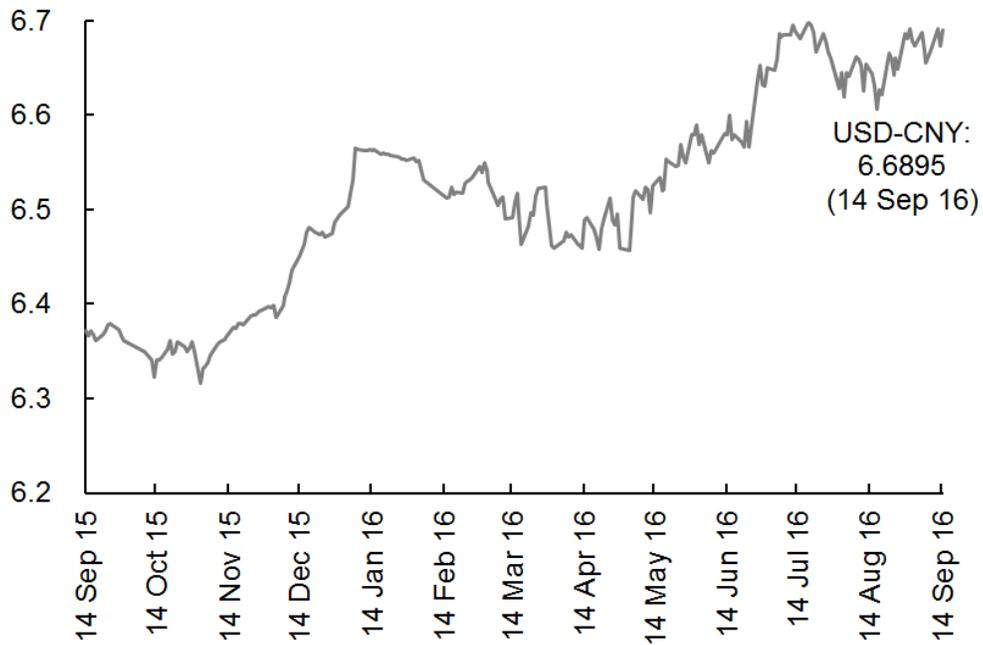
**Exhibit 1: Price index for US imports from China, September 2014 to August 2016**



Source: US Department of Labor

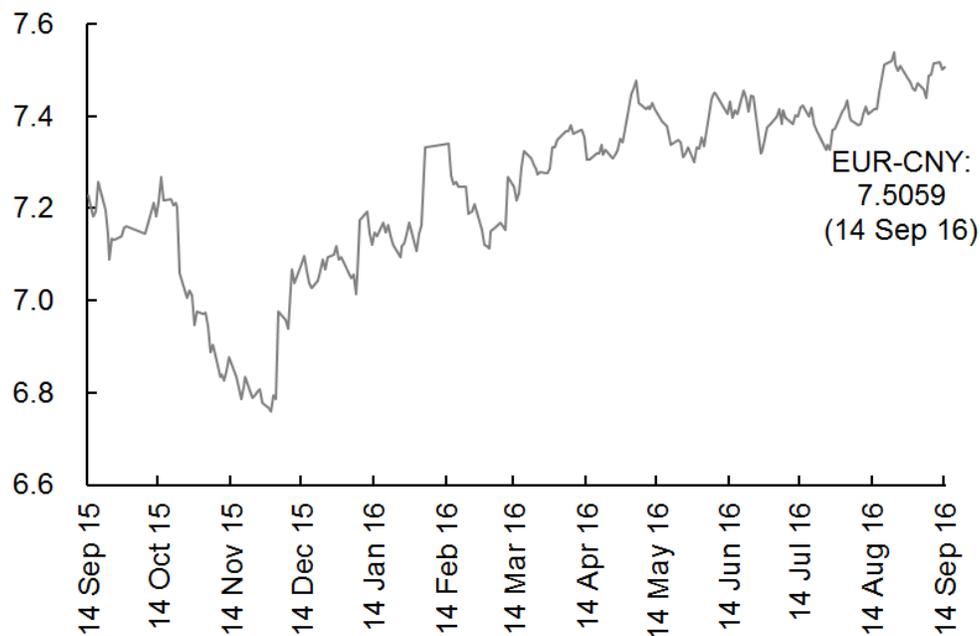
## Exchange Rates

**Exhibit 1: USD-CNY daily fixing rate, September 2015 to September 2016**



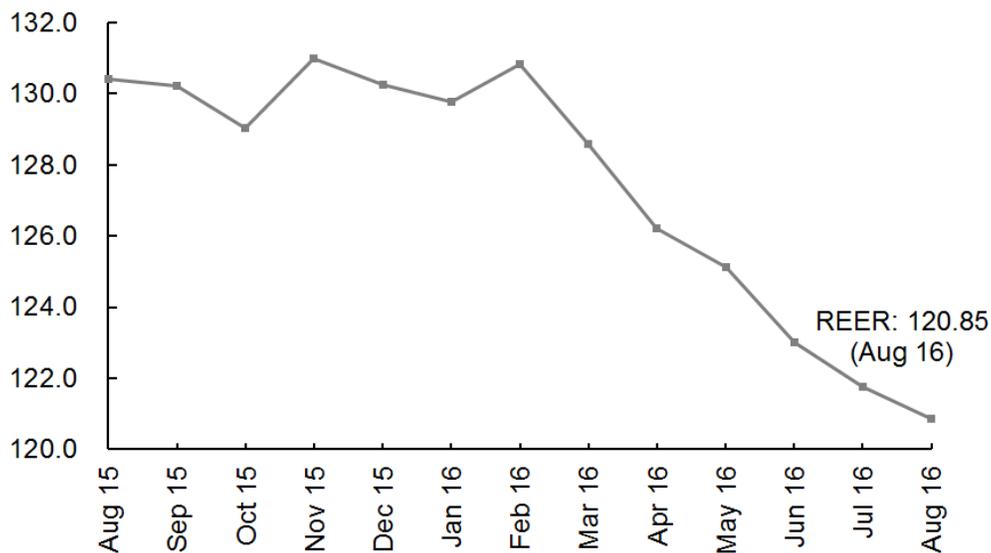
Source: State Administration of Foreign Exchange

**Exhibit 2: EUR-CNY daily fixing rate, September 2015 to September 2016**



Source: State Administration of Foreign Exchange

**Exhibit 3: Real effective exchange rate of the Chinese yuan, August 2015 to August 2016**



Source: Bank of International Settlements

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