



# China Sourcing Update

October 2, 2019

## Price index for US imports from China

### Price index for US imports from China edges down in August

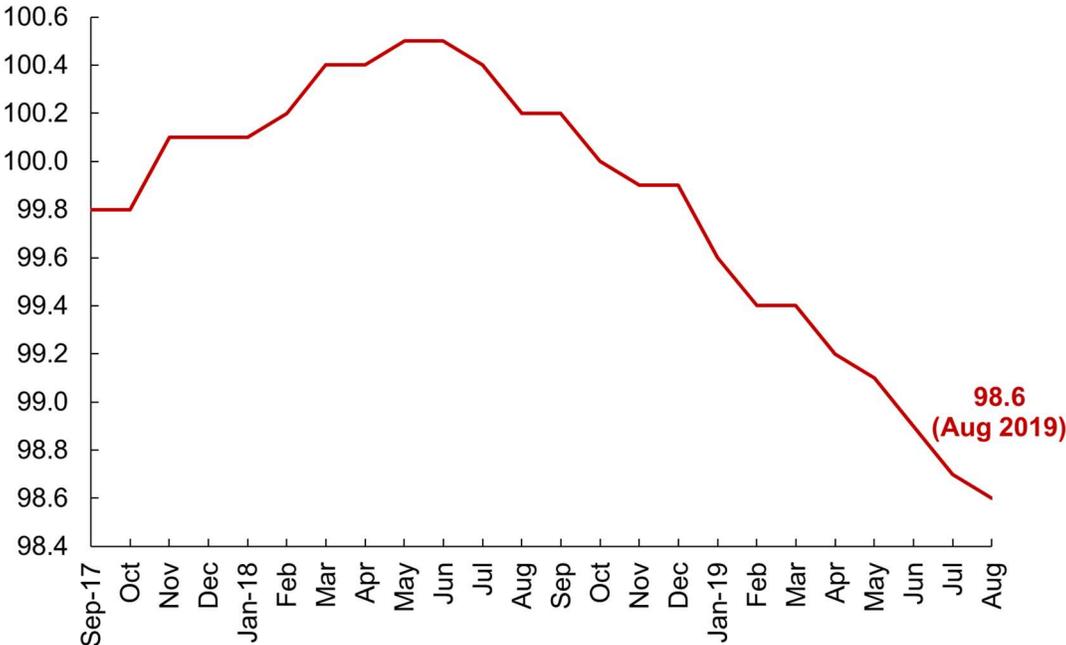
Compiled by the US Department of Labor, the price index for US imports from China fell slightly from 98.7 in July to 98.6 in August, continuing the downward trend which started in July 2018. (see *exhibit 1*).<sup>1</sup>

In our view, the decline in the price index in August was mainly due to the depreciation of the Chinese yuan against the US dollar. Another possible reason for the decline in the price index was that some Chinese suppliers lowered their export prices in order to remain competitive in the US market in view of the US additional tariffs on a total of US\$250 billion worth of Chinese imports effective from 10 May.

Going forward, we expect that the price index for US imports from China will continue to fall in the coming months, as Chinese exporters are likely to further reduce their product prices amid the hikes in US tariffs. 15% additional tariffs on US\$107 billion of Chinese imports took effect on 1 September. Additional tariff rates on US\$250 billion of Chinese imports will increase from the existing 25% to 30% on 15 October, while additional tariffs on another US\$156 billion of Chinese imports are set to go into effect on 15 December.

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

**Exhibit 1: Price index for US imports from China,  
September 2017 to August 2019**



Source: US Department of Labor

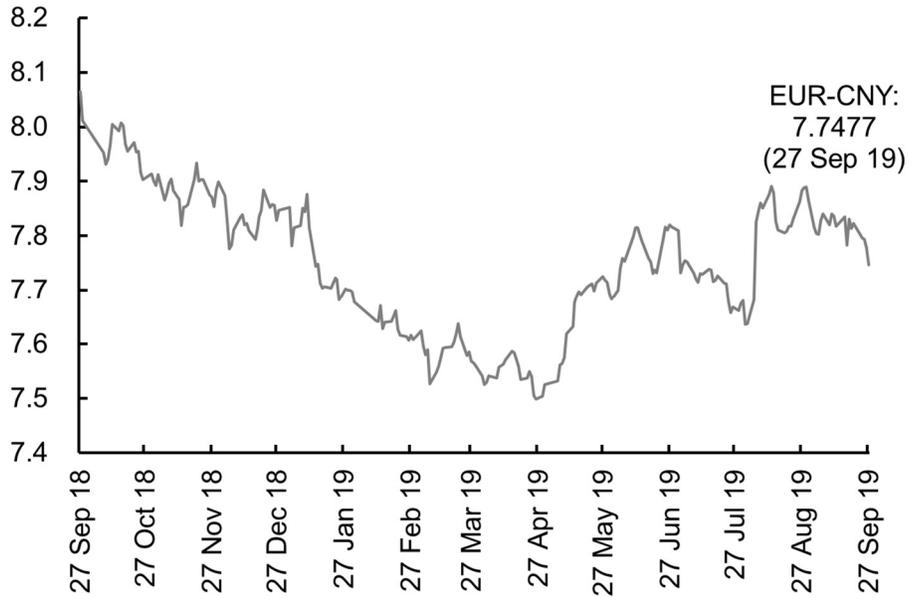
### Exchange Rates

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



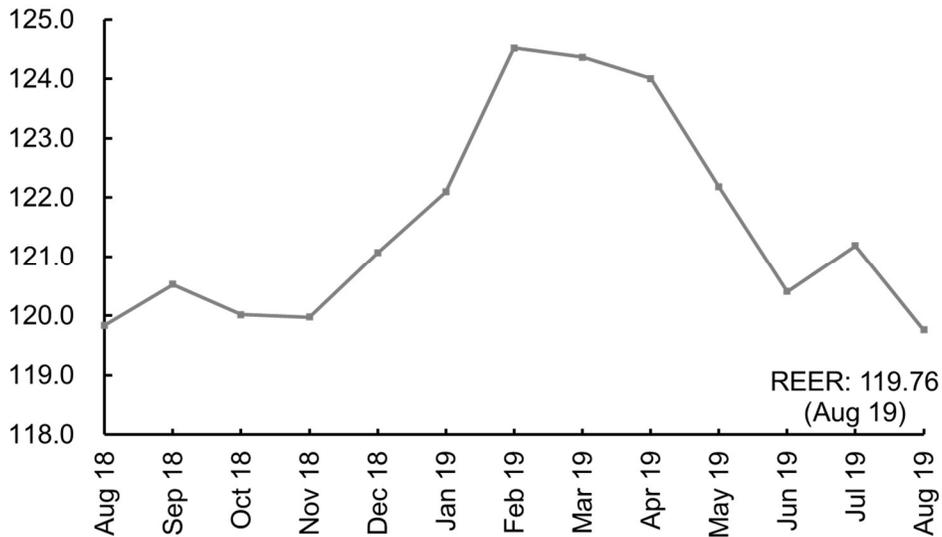
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

## FUNG BUSINESS INTELLIGENCE

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