



China Sourcing Update

December 16, 2015

Price index for US imports from China

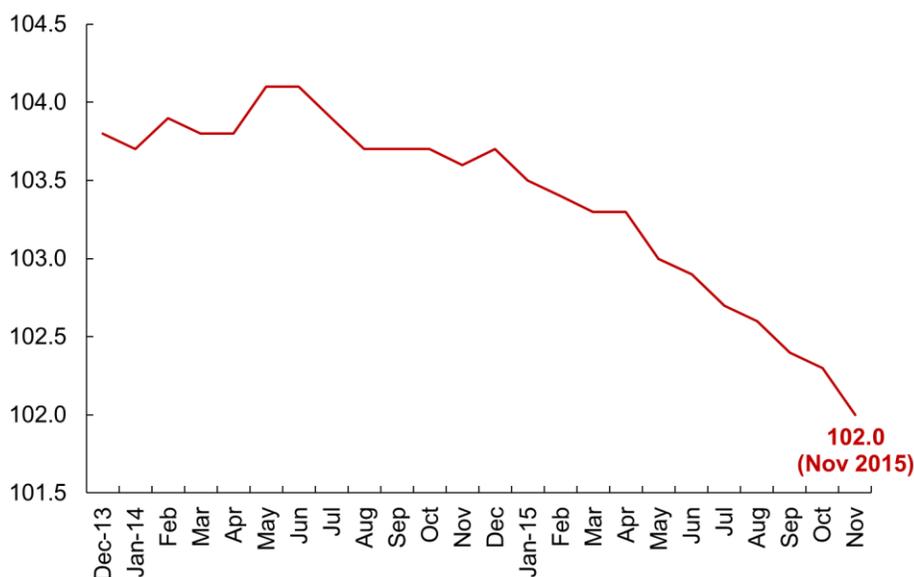
Price index for US imports from China continues to fall

Compiled by the US Department of Labor, the price index for US imports from China fell to 102.0 in November, the lowest level since February 2011 (see exhibit 1).

One of the main reasons for the drop in the price index in the past few months was the fall in ex-factory prices of Chinese products in renminbi terms. The recent depreciation of the Chinese yuan against the US dollar also contributed to the decline.

Going forward, we predict that the price index will stay low in the near future, in view of the weak ex-factory prices of Chinese products and the Chinese yuan.

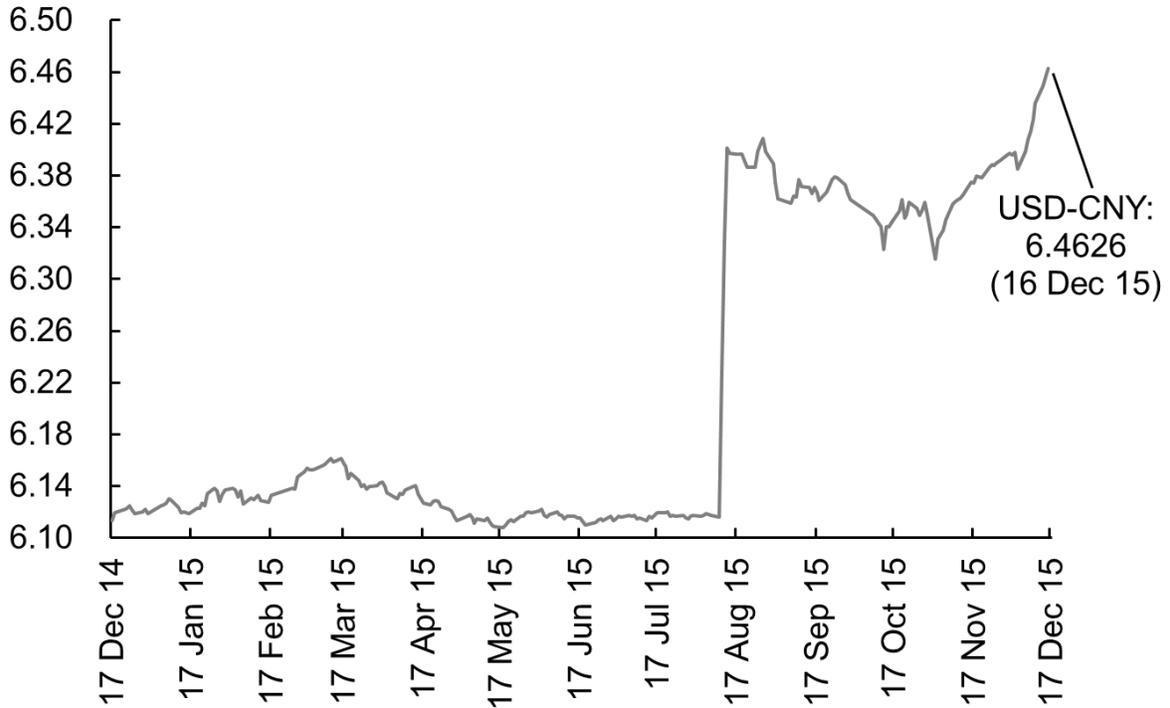
Exhibit 1: Price index for US imports from China, December 2013 to November 2015



Source: US Department of Labor

Exchange Rates

Exhibit 1: USD-CNY daily fixing rate, December 2014 to December 2015



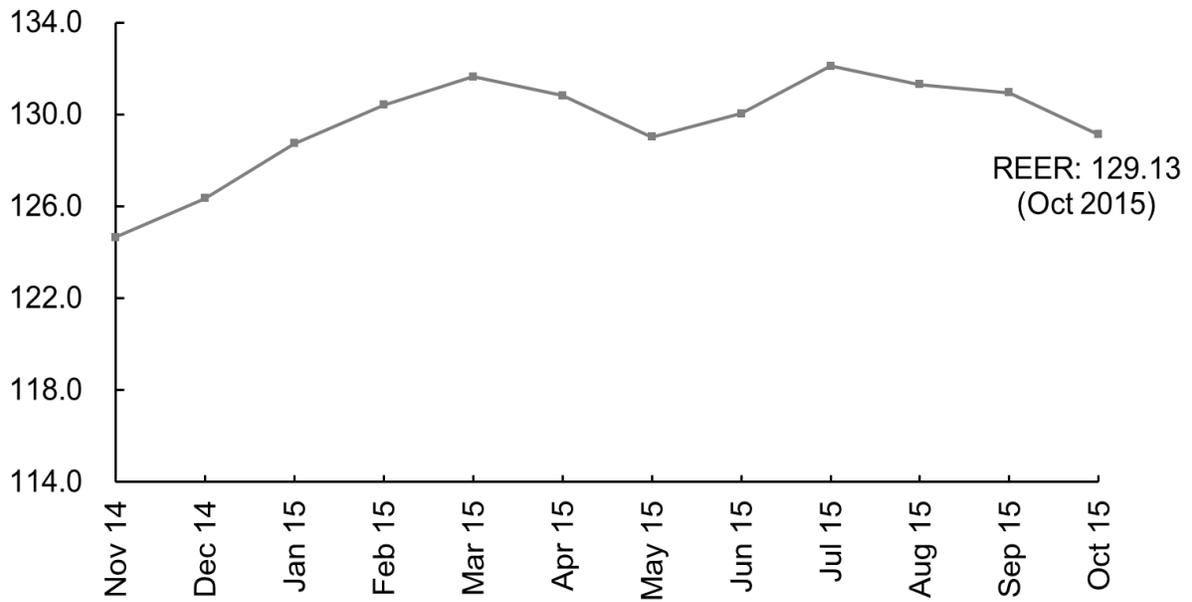
Source: State Administration of Foreign Exchange

Exhibit 2: EUR-CNY daily fixing rate, December 2014 to December 2015



Source: State Administration of Foreign Exchange

**Exhibit 3: Real effective exchange rate of the Chinese yuan,
November 2014 to October 2015**



Source: Bank of International Settlements

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CONTACT

Helen Chin
Vice President
Global Sourcing

Fung Business Intelligence Centre
10/F LiFung Tower,
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>

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