



China Sourcing Update

March 30, 2017

Price index for US imports from China

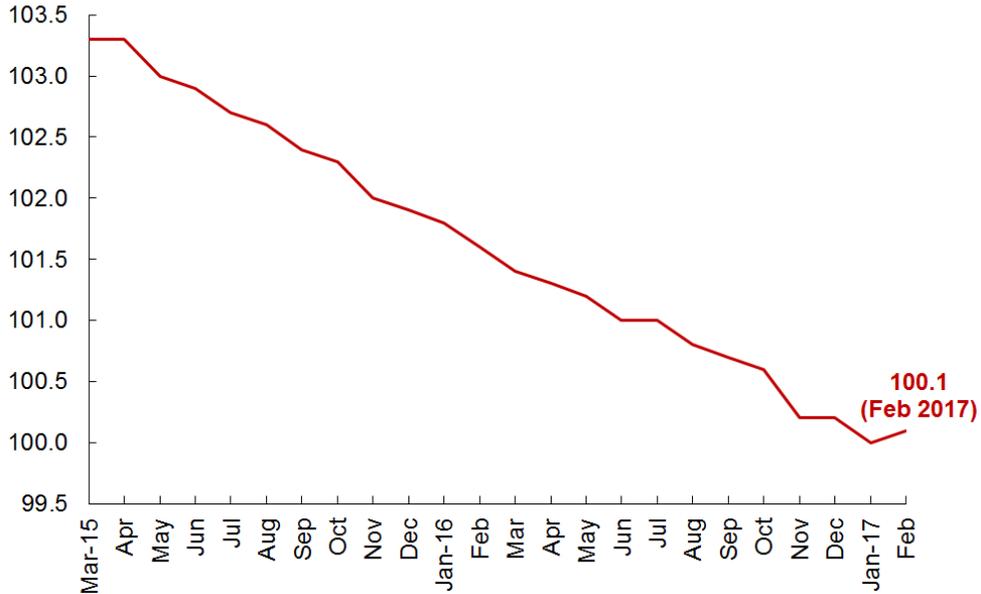
Price index for US imports from China rebounds slightly

Compiled by the US Department of Labor, the price index for US imports from China edged up to 100.1 in February from a nine-year low of 100.0 (revised downward from the previously released figure of 100.1) in January (see *exhibit 1*).

In our view, the latest index reading indicates a slight rebound in prices of US imports from China after nearly five years of continuous fall. Possible reasons include a relatively stable exchange rate of the Chinese yuan against the US dollar, and the bottoming-out of ex-factory prices of Chinese products in Renminbi terms in recent months.

Looking ahead, as material costs have continued to climb, the ex-factory prices of Chinese products are expected to increase further in the foreseeable future. Therefore, we predict that the price index for US imports from China will continue to rise in the coming months.

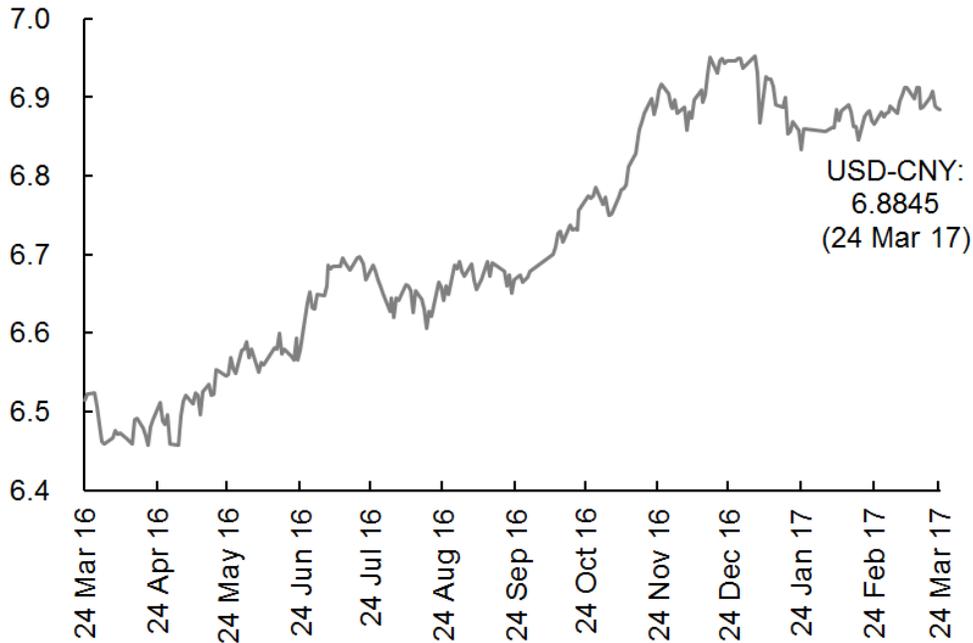
**Exhibit 1: Price index for US imports from China,
March 2015 to February 2017**



Source: US Department of Labor

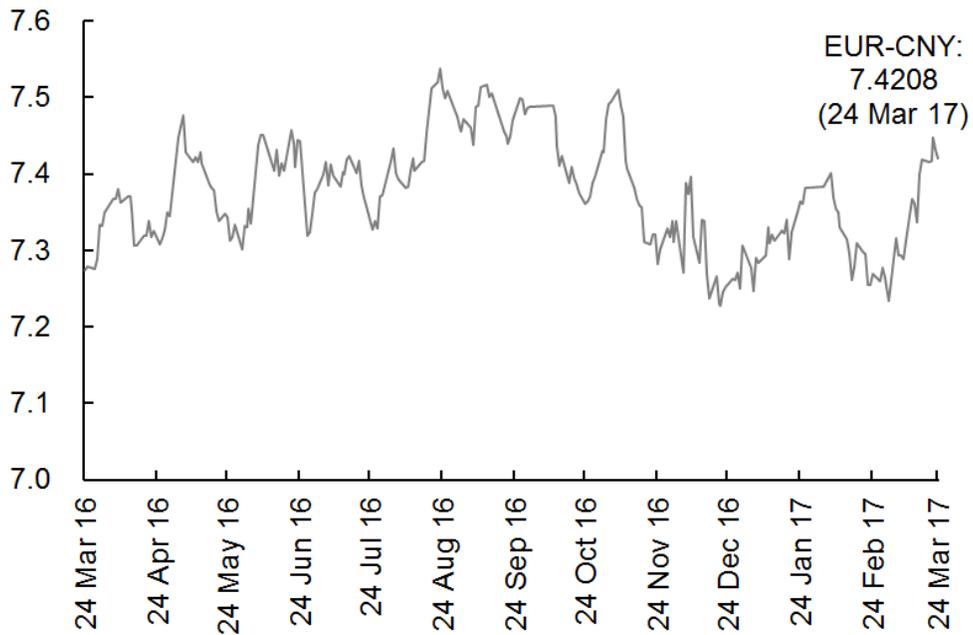
Exchange Rates

Exhibit 1: USD-CNY daily fixing rate, March 2016 to March 2017



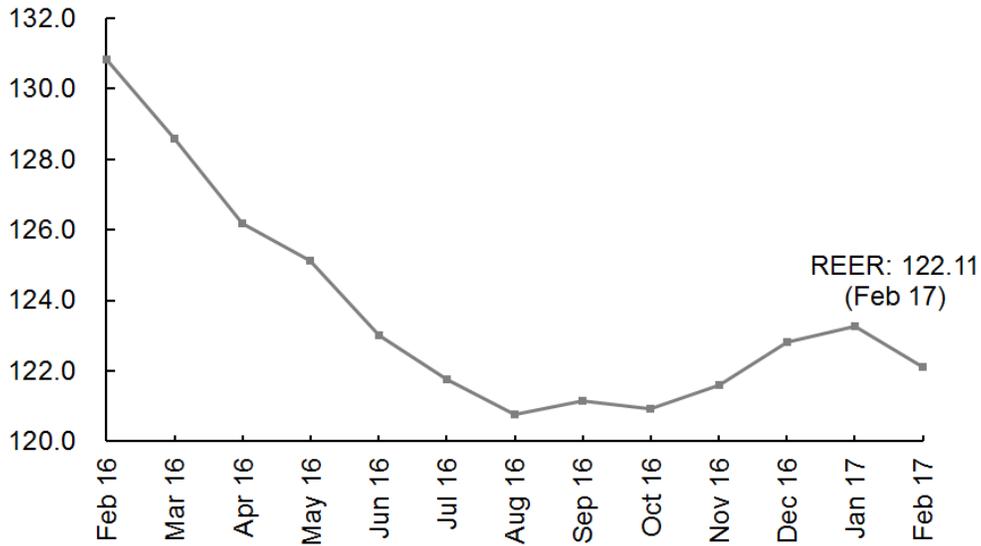
Source: State Administration of Foreign Exchange

Exhibit 2: EUR-CNY daily fixing rate, March 2016 to March 2017



Source: State Administration of Foreign Exchange

Exhibit 3: Real effective exchange rate of the Chinese yuan, February 2016 to February 2017



Source: Bank of International Settlements

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