



China Sourcing Update

March 18, 2019

Price index for US imports from China

Price index for US imports from China stabilises in February

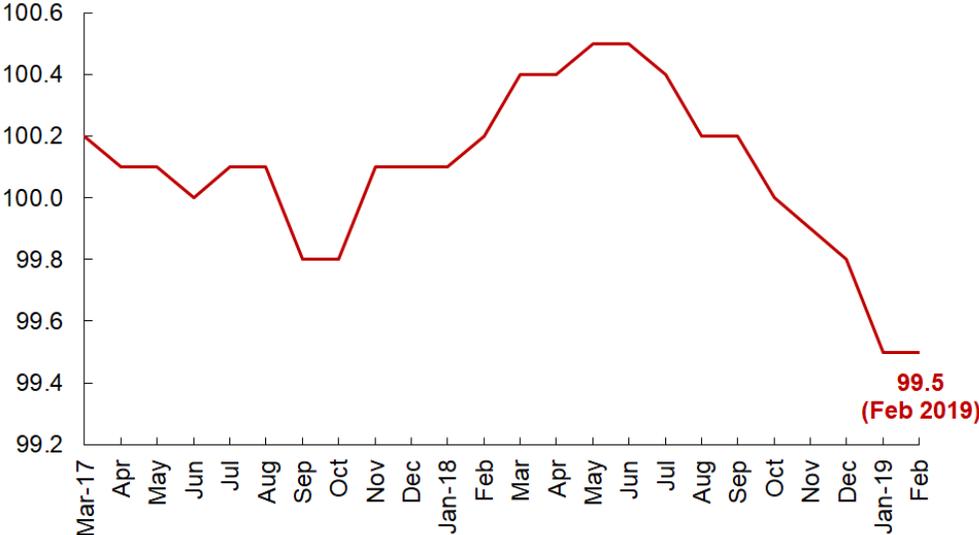
Compiled by the US Department of Labor, the price index for US imports from China stabilised at 99.5 in February, after trending downward throughout July 2018 to January 2019 (see exhibit 1).¹

In our view, a major reason for the stabilisation in the price index in February was that ex-factory prices of Chinese industrial products dropped at a slower pace in the month: China's producer price index of industrial products fell by 0.1% in February, after falling by 0.6% mom in January. Also noteworthy is that the Chinese yuan appreciated slightly against the US dollar in February: the daily fixing rate of the Chinese yuan against the US dollar appreciated by 0.2% in February.

Looking ahead, we expect that the movement of the price index for US imports from China will depend largely on the final outcome of the trade negotiations between China and the US, which would have a strong impact on the demand for Chinese products from the US.

¹ The price index would not reflect tariff-related prices increases since they are removed from the equation.

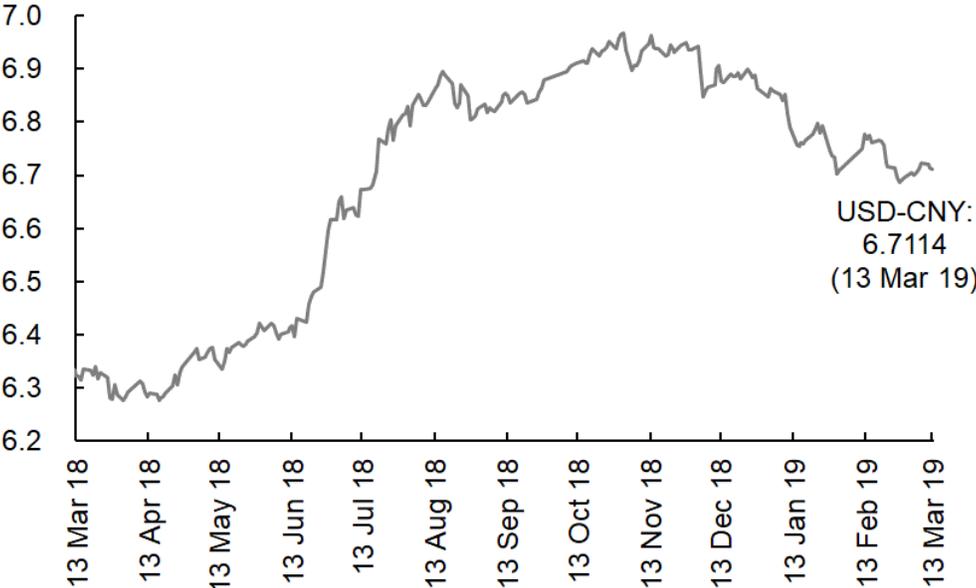
Exhibit 1: Price index for US imports from China, March 2017 to February 2019



Source: US Department of Labor

Exchange Rates

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



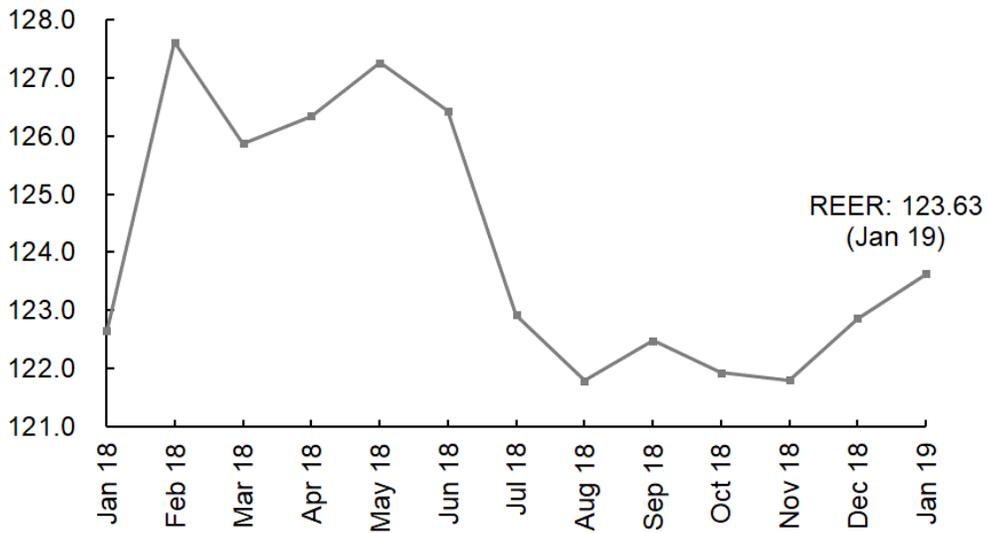
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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