



China Sourcing Update

January 20, 2016

Price index for US imports from China

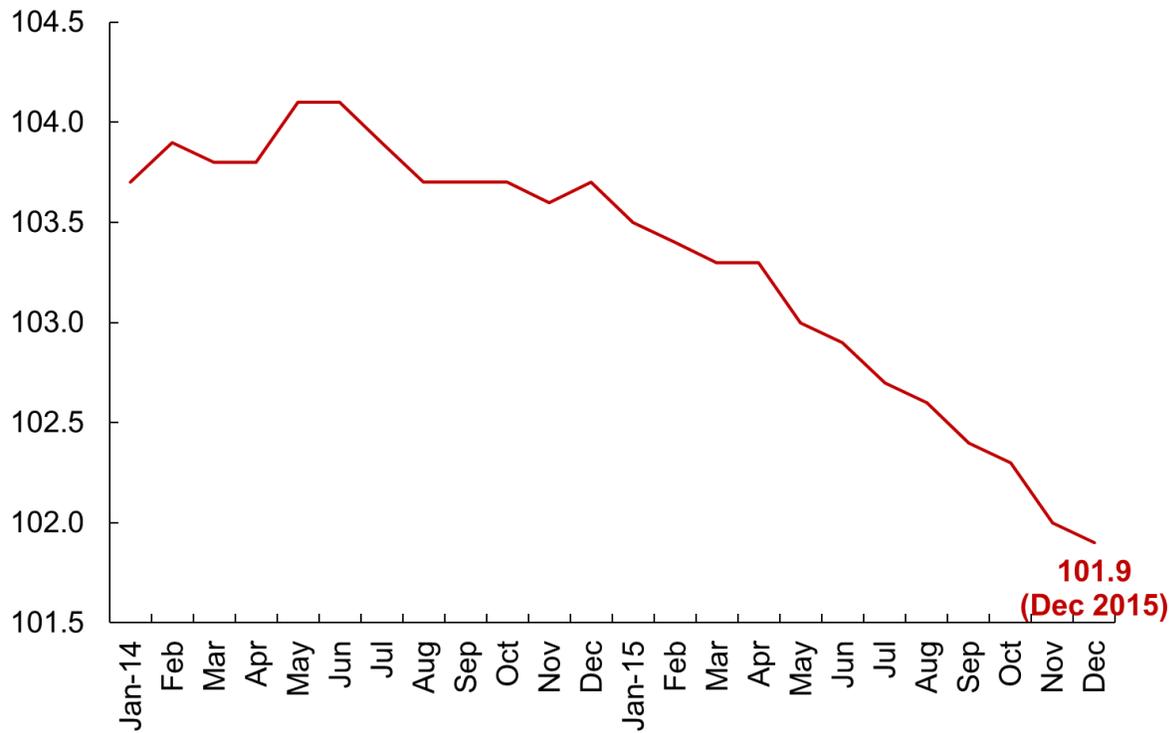
Price index for US imports from China continues to fall

Compiled by the US Department of Labor, the price index for US imports from China fell to 101.9 in December, 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; the producer price index of industrial products (PPI) fell by 0.6% mom in December 2015. Another reason is the recent depreciation of the Chinese yuan against the US dollar: The fixing rate of the Chinese yuan depreciated against the US dollar by 1.51% during December 2015.

Going forward, the PPI is expected to stay weak in the near term; and the fixing rate of Chinese yuan has further depreciated against the US dollar by 0.86% since 1 January 2016. Thus, we predict that the price index for US imports from China will stay low for January and the coming months.

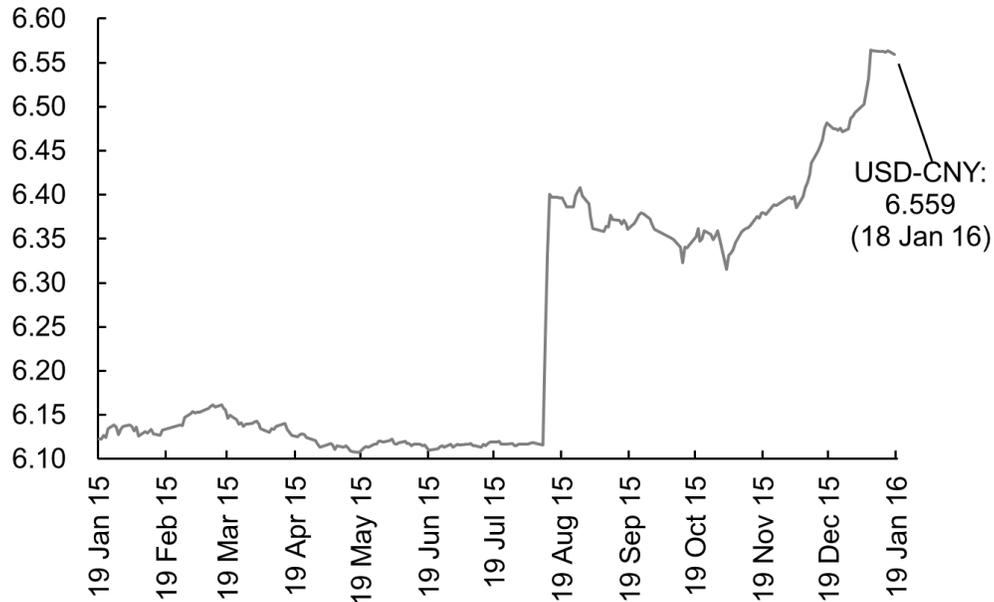
**Exhibit 1: Price index for US imports from China,
January 2014 to December 2015**



Source: US Department of Labor

Exchange Rates

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



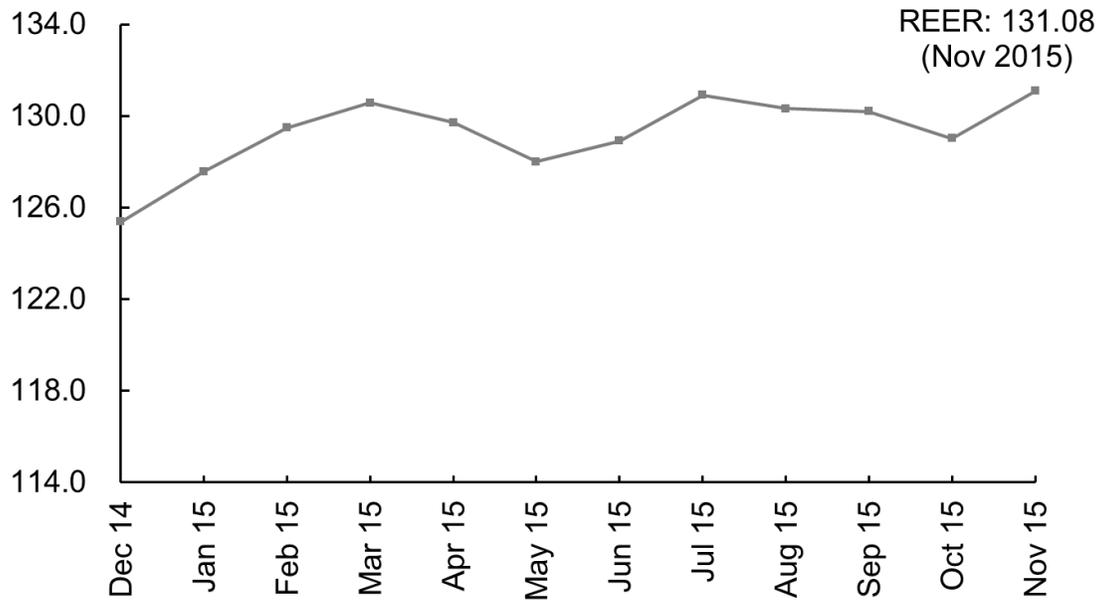
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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