



# China Sourcing Update

February 27, 2017

## Price index for US imports from China

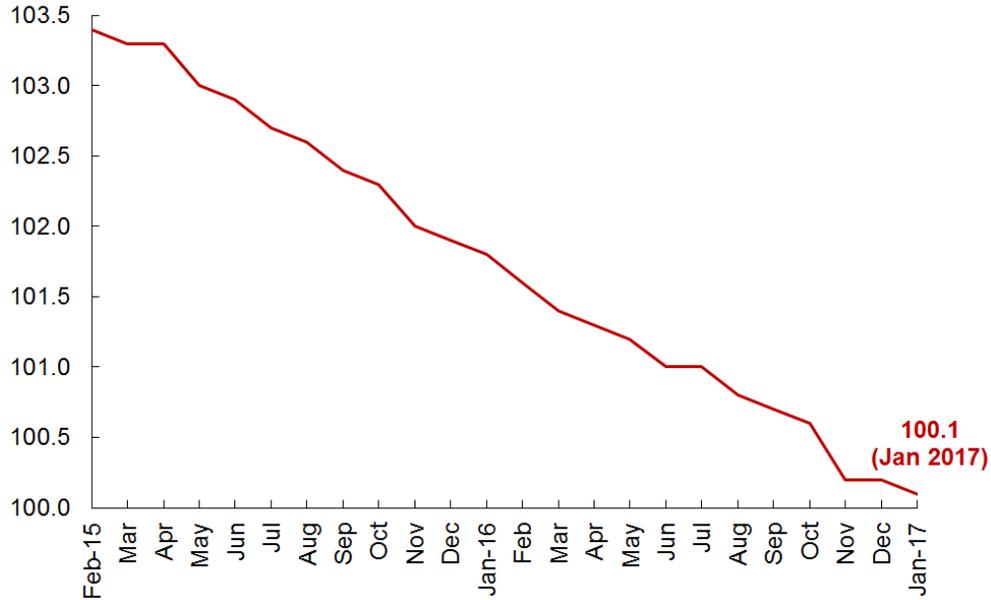
### Price index for US imports from China drops slightly

Compiled by the US Department of Labor, the price index for US imports from China edged down to 100.1 in January 2017, the lowest level since March 2010, after staying flat in December 2016 (*see exhibit 1*).

In our view, the index readings in the last couple of months indicate stabilization in the prices of US imports from China, which came after nearly five years of continuous decline. Possible reasons include a relatively stable exchange rate of the Chinese yuan against the US dollar in recent months, and the bottoming-out of ex-factory prices of Chinese products in Renminbi terms.

Going forward, as material costs have continued to rise, the ex-factory prices of Chinese products are expected to increase further in the near future. Thus, we predict that the price index for US imports from China will stabilize or even pick up slightly in the coming months.

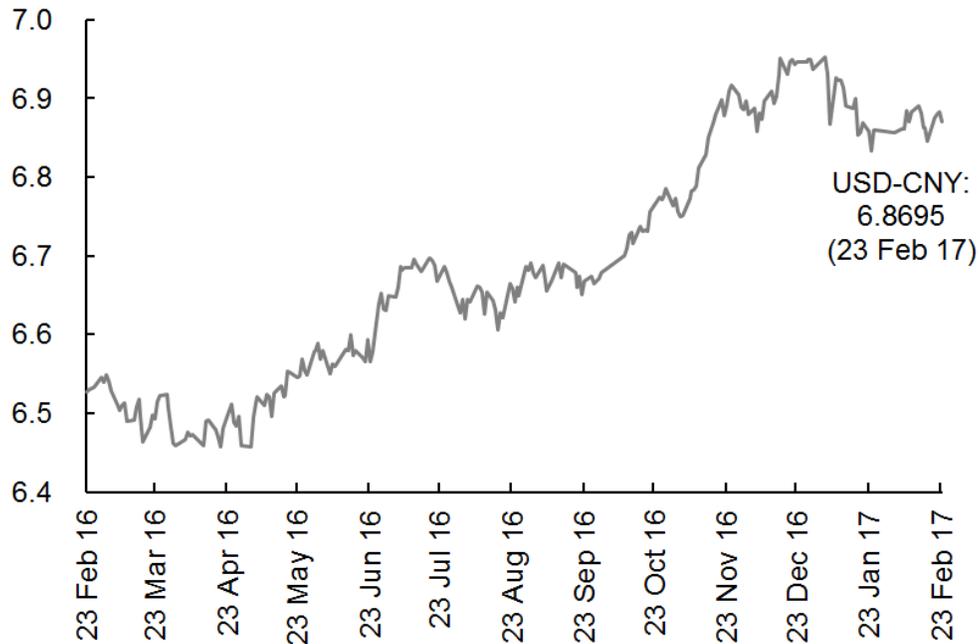
**Exhibit 1: Price index for US imports from China, February 2015 to January 2017**



Source: US Department of Labor

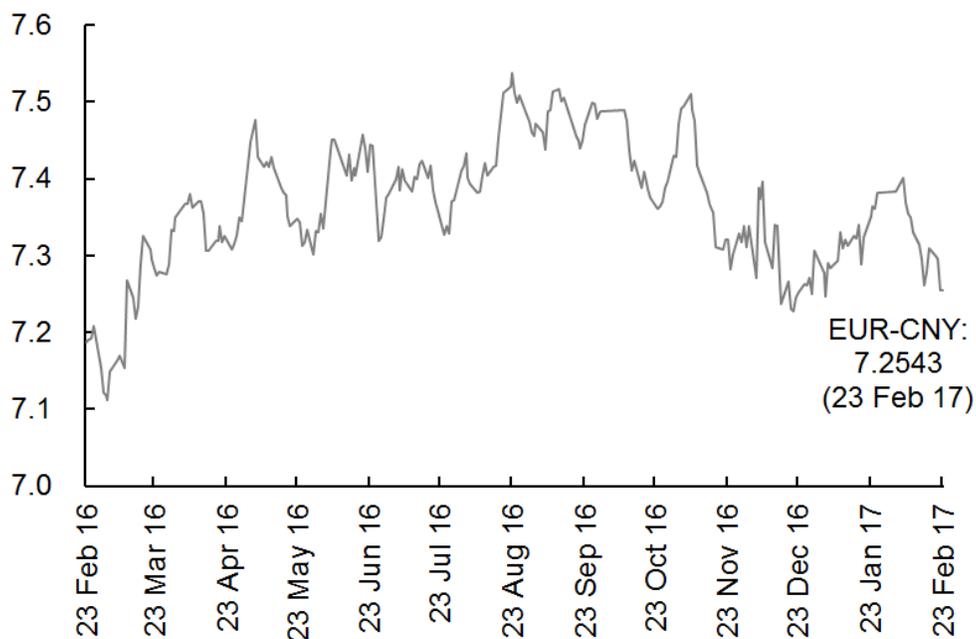
## Exchange Rates

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



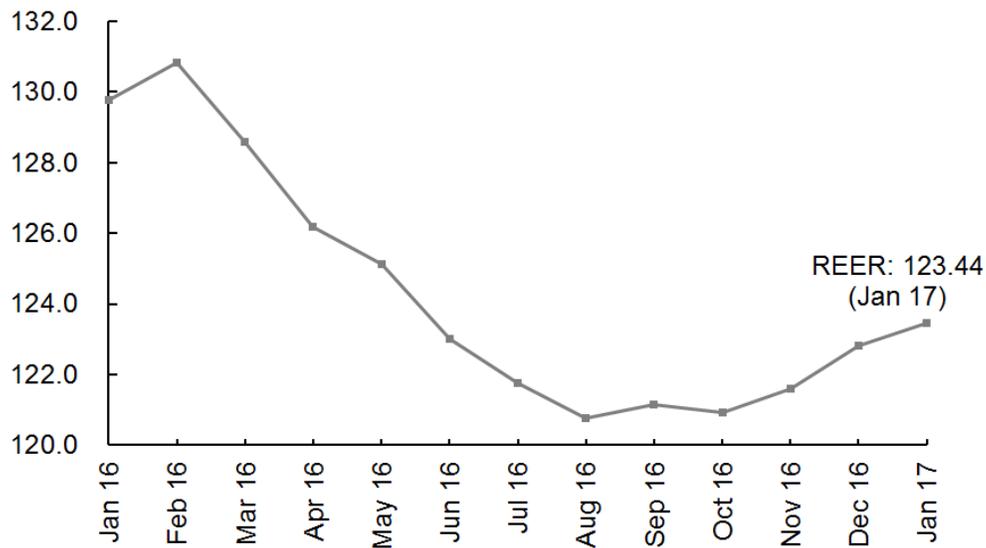
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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