



China Sourcing Update

August 22, 2016

Price index for US imports from China

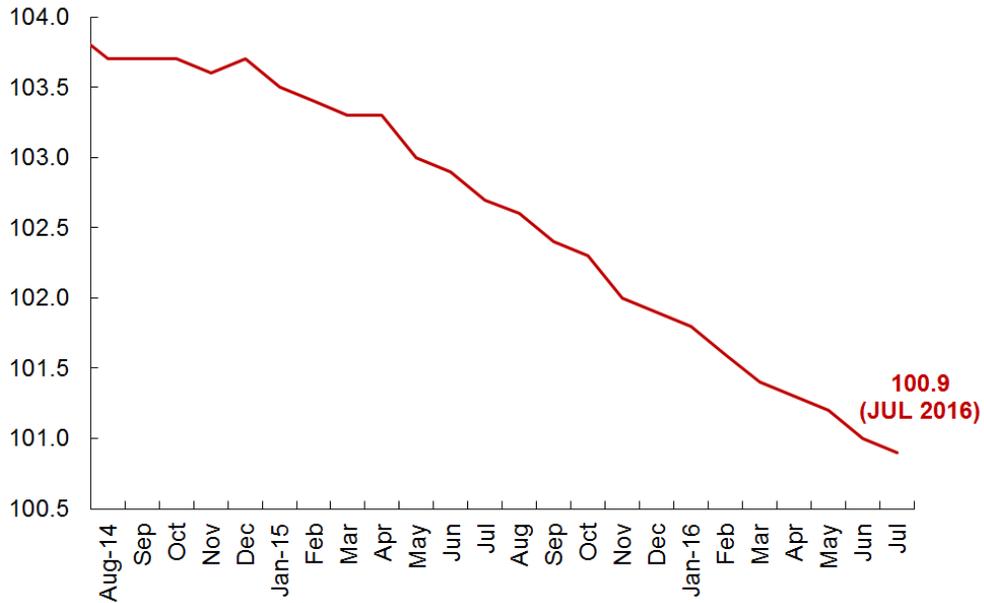
Price index for US imports from China drops further

Compiled by the US Department of Labor, the price index for US imports from China fell to 100.9 in July, the lowest level since October 2010 (*see exhibit 1*).

In our view, the drop in the price index in July was mainly due to the depreciation of the Chinese yuan against the US dollar during the month; the daily fixing rate of the Chinese yuan depreciated against the US dollar by 0.3% in July.

Going forward, the ex-factory prices of Chinese products are expected to stabilize in the near term. However, the Chinese yuan may further depreciate against the US dollar. All in all, we predict that the price index for US imports from China will stay low in the coming months.

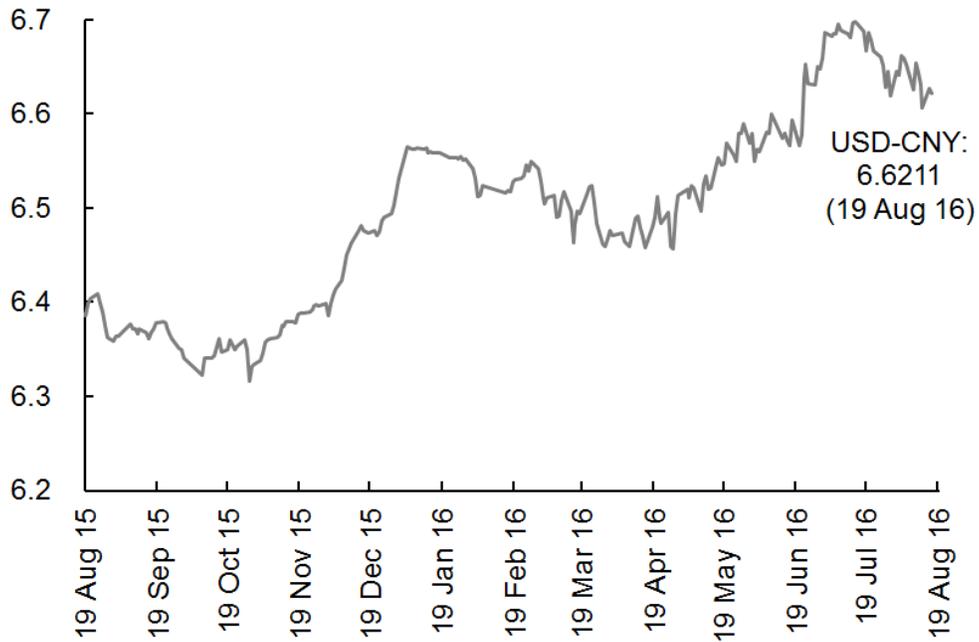
Exhibit 1: Price index for US imports from China, August 2014 to July 2016



Source: US Department of Labor

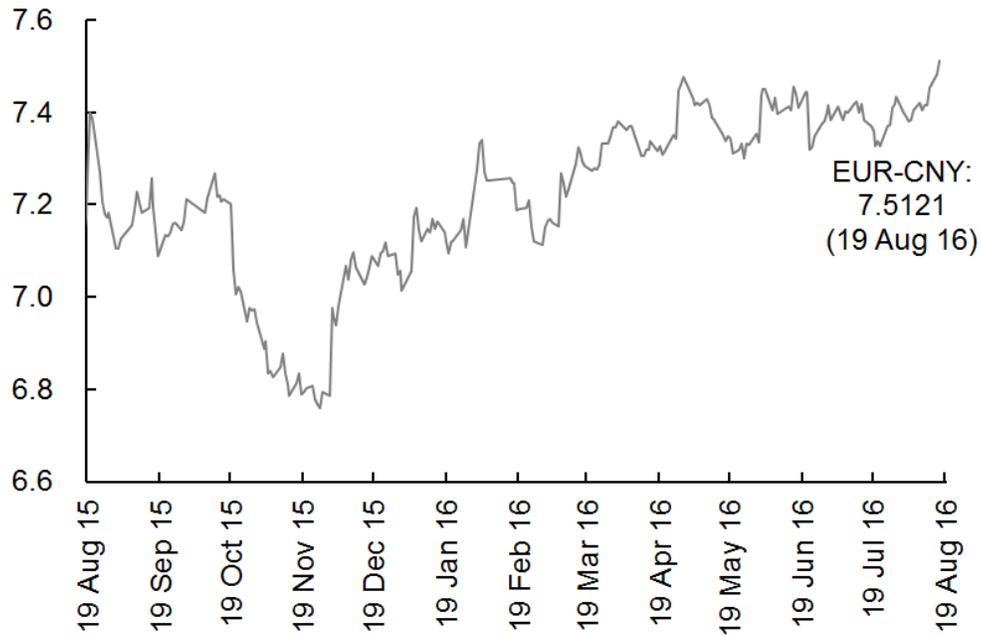
Exchange Rates

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



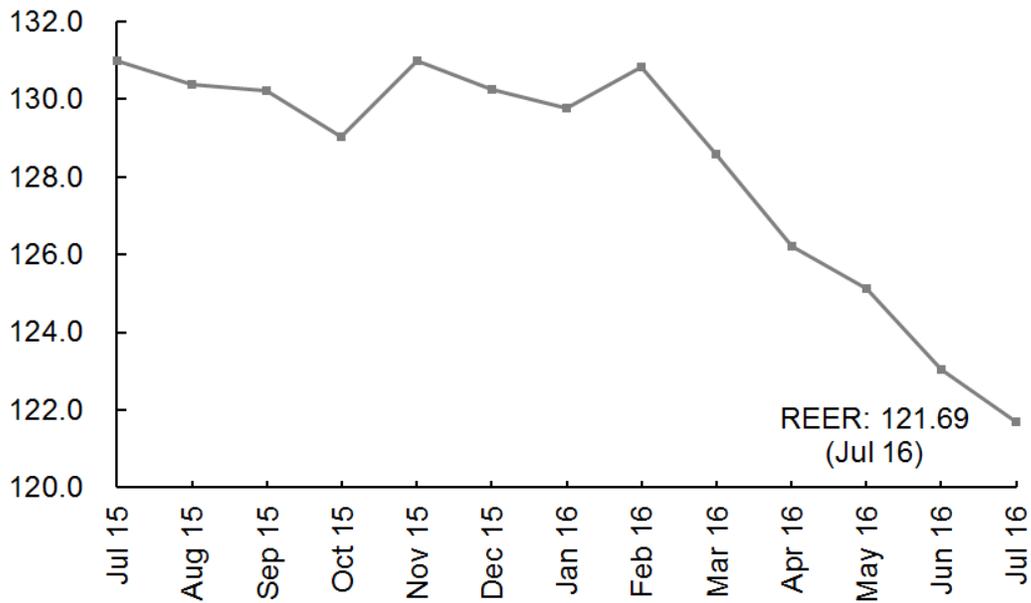
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

Exhibit 3: Real effective exchange rate of the Chinese yuan, July 2015 to July 2016



Source: Bank of International Settlements

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