



China Sourcing Update

April 26, 2017

Price index for US imports from China

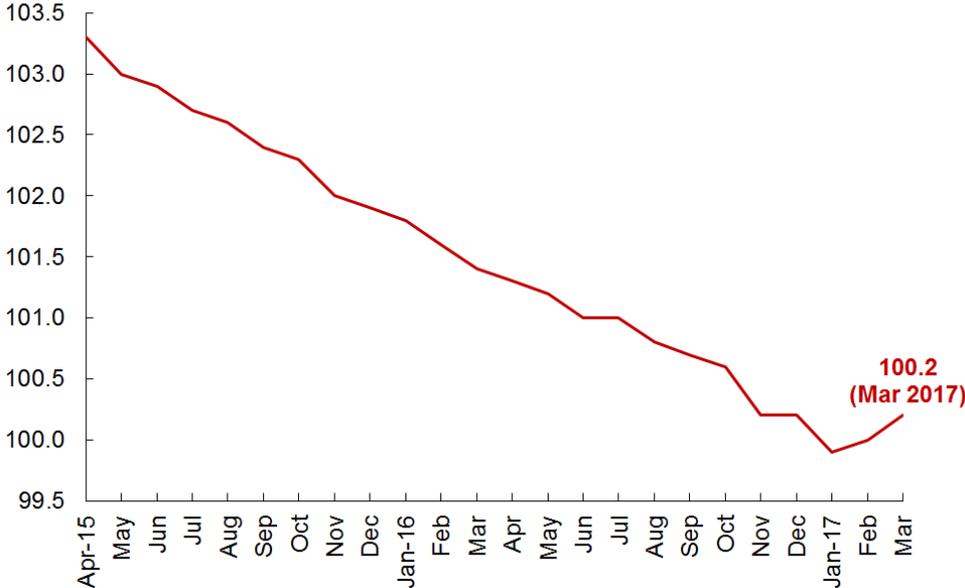
Price index for US imports from China rises slightly in March

Compiled by the US Department of Labor, the price index for US imports from China edged up to 100.2 in March from 100.0 (revised downward from the previously released figure of 100.1) in February (see *exhibit 1*).

In our view, the index readings in the last couple of months indicate the bottoming-out of 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 a rise in 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 near future. Therefore, we predict that the price index for US imports from China will continue to rise in the coming months.

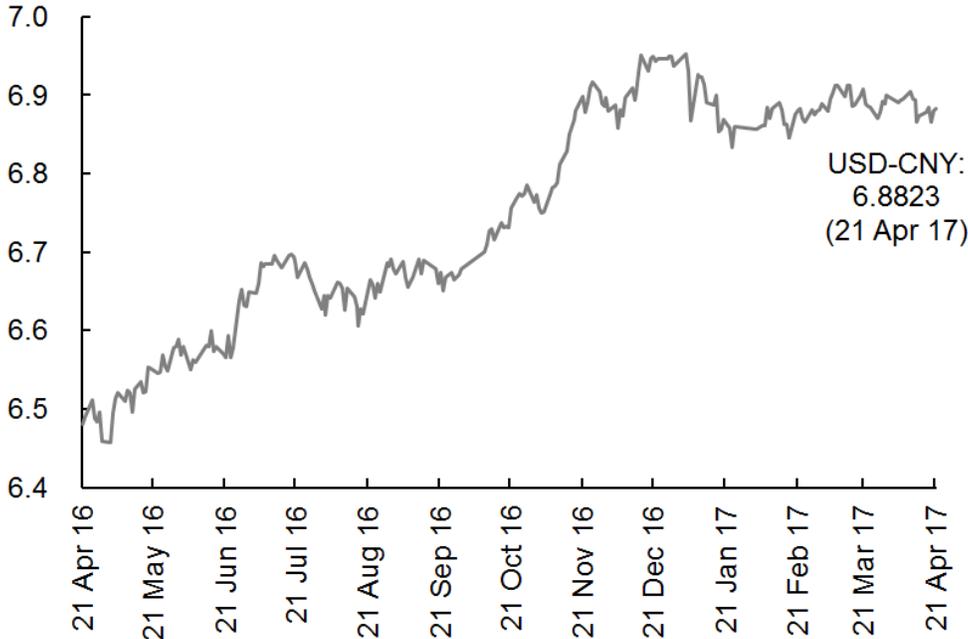
Exhibit 1: Price index for US imports from China, April 2015 to March 2017



Source: US Department of Labor

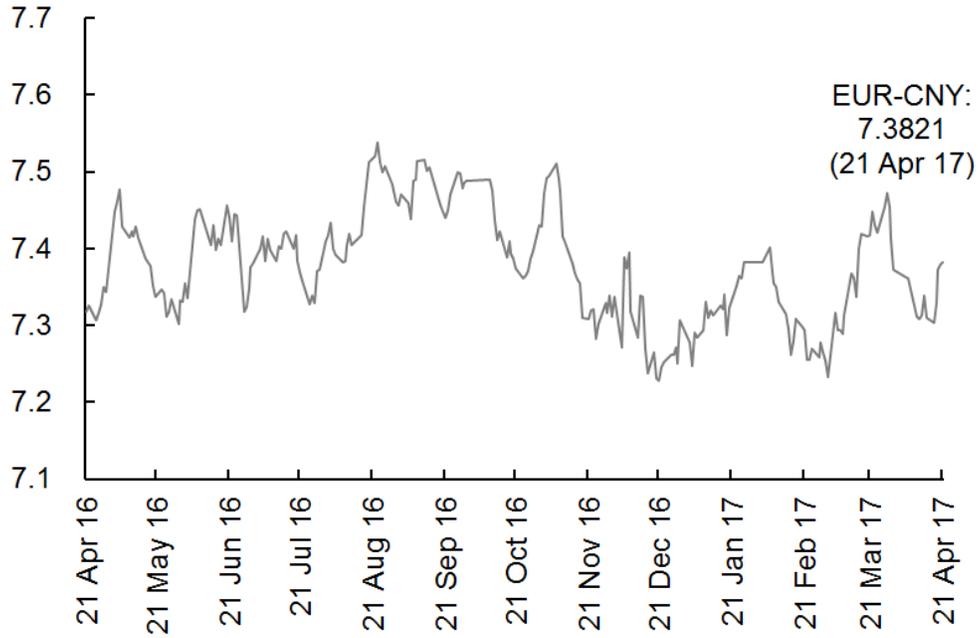
Exchange Rates

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



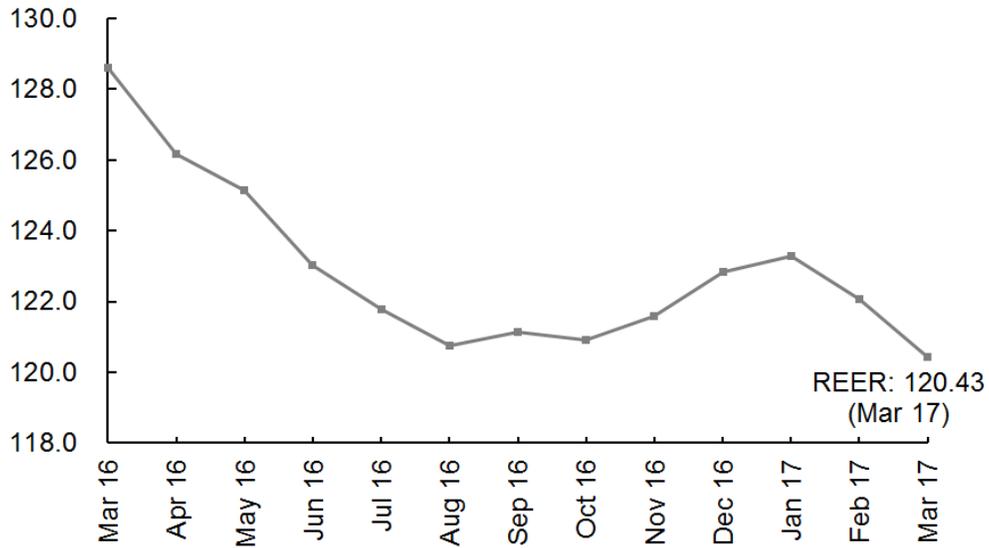
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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CONTACT

Helen Chin
Vice President
Global Sourcing

Fung Business Intelligence
10/F LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



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