



China Sourcing Update

April 26, 2019

Price index for US imports from China

Price index for US imports from China stabilises in March

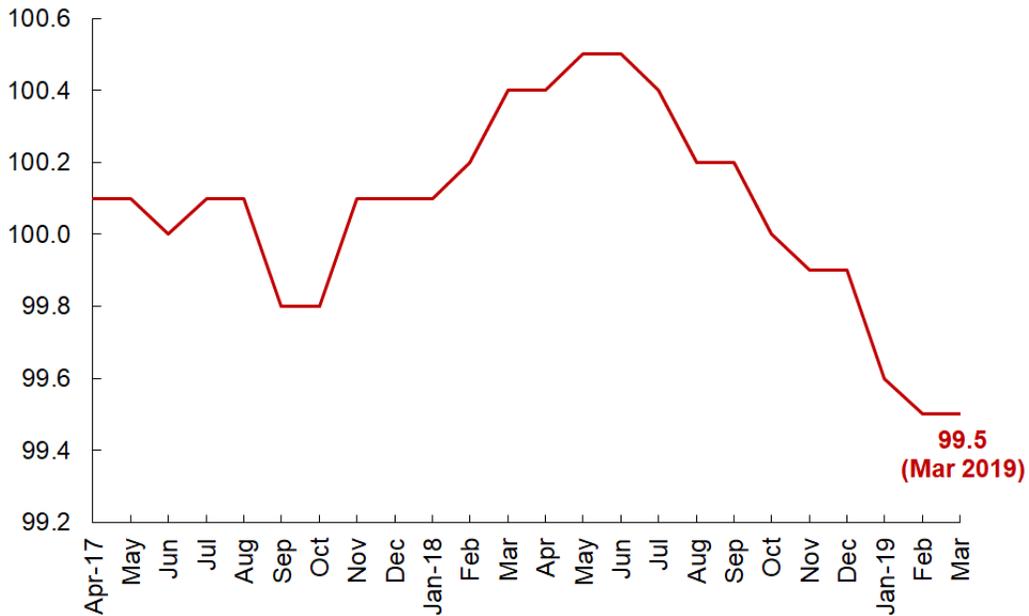
Compiled by the US Department of Labor, the price index for US imports from China stabilised at 99.5 in March, after trending downward throughout June 2018 to February 2019 (see exhibit 1).¹

In our view, the index reading in March indicates that the prices of US imports from China started to stabilise, supported by an increase in the ex-factory prices of Chinese products in Renminbi terms and a relatively stable exchange rate of the Chinese yuan against the US dollar in the month.

Going forward, Chinese suppliers are likely to keep product prices down to remain competitive in the US market amid the US additional tariffs on a total of US\$250 billion worth of Chinese imports. Therefore, we expect that the price index for US imports from China will stay low in the near term.

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

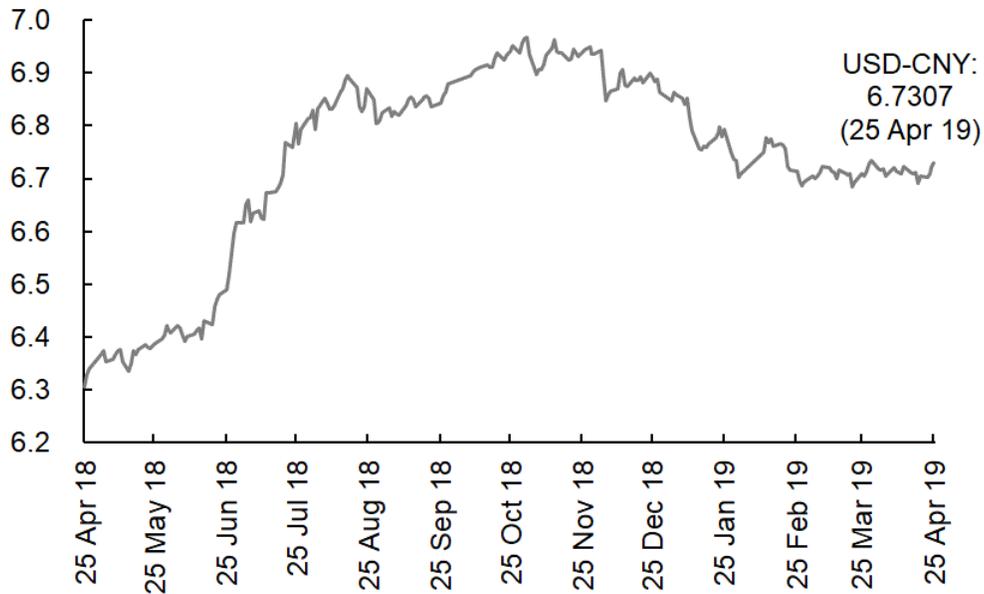
Exhibit 1: Price index for US imports from China, April 2017 to March 2019



Source: US Department of Labor

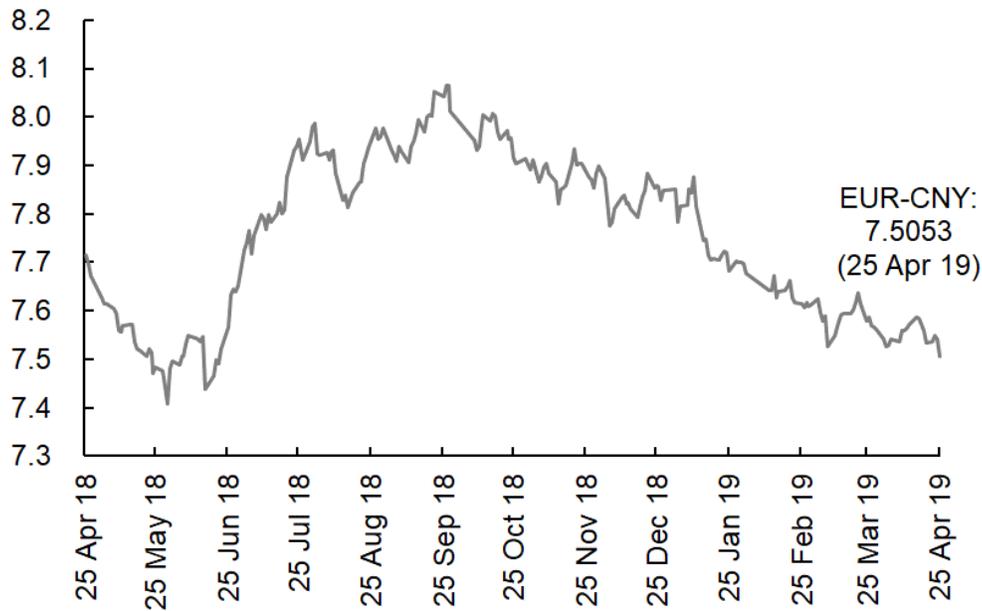
Exchange Rates

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



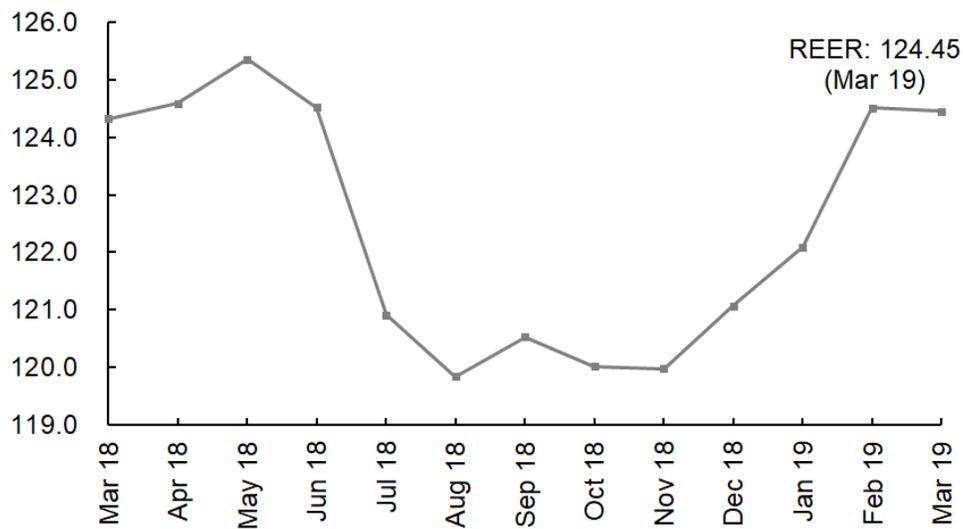
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including trading, logistics, distribution and retail. The **Fung Group** comprises 42,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

Listed entities of the Group include Li & Fung Limited (SEHK: 00494), Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys "R" Us (Asia) and Suhyang Networks.

For more information, please visit www.funggroup.com.

CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

William Kong
Research Manager
williamkong@fung1937.com
(852) 2300 2404

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>



© Copyright 2019 Fung Business Intelligence. All rights reserved.
Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.