



China Sourcing Update

June 27, 2018

Price index for US imports from China

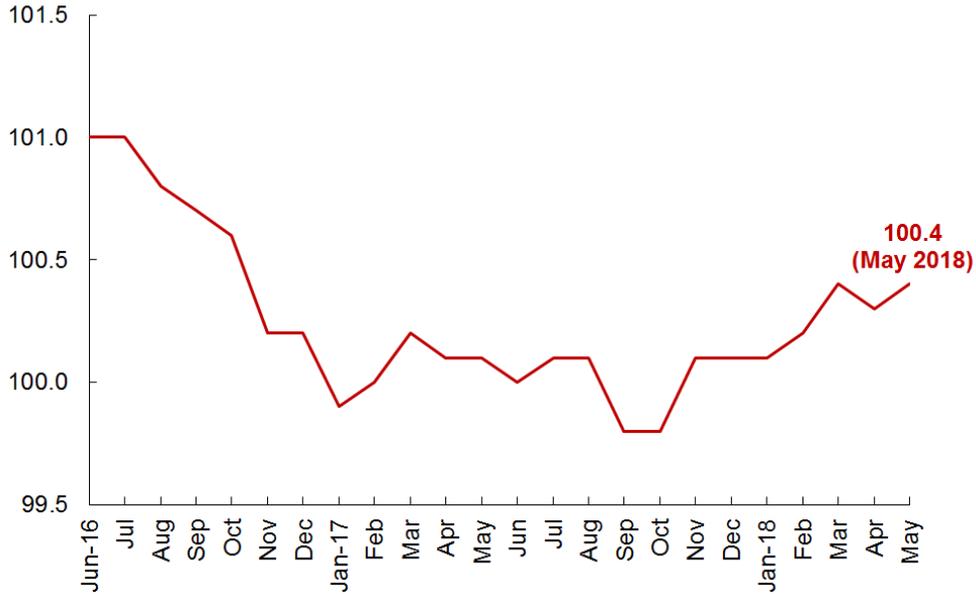
Price index for US imports from China rises slightly in May

Compiled by the US Department of Labor, the price index for US imports from China edged up from 100.3 in April to 100.4 in May (*see exhibit 1*).

In our view, the slight increase in the price index in May was mainly attributable to a rise in the ex-factory prices of Chinese products in Renminbi terms: China's producer price index of industrial products (PPI), a major indicator of ex-factory prices of industrial products, rose by 0.4% mom in the month.

Looking ahead, we expect that the price index for US imports from China will stay relatively stable in the coming months, as the recent depreciation of the Chinese yuan against the US dollar is likely to offset the mild increase in the ex-factory prices of Chinese products in Renminbi terms.

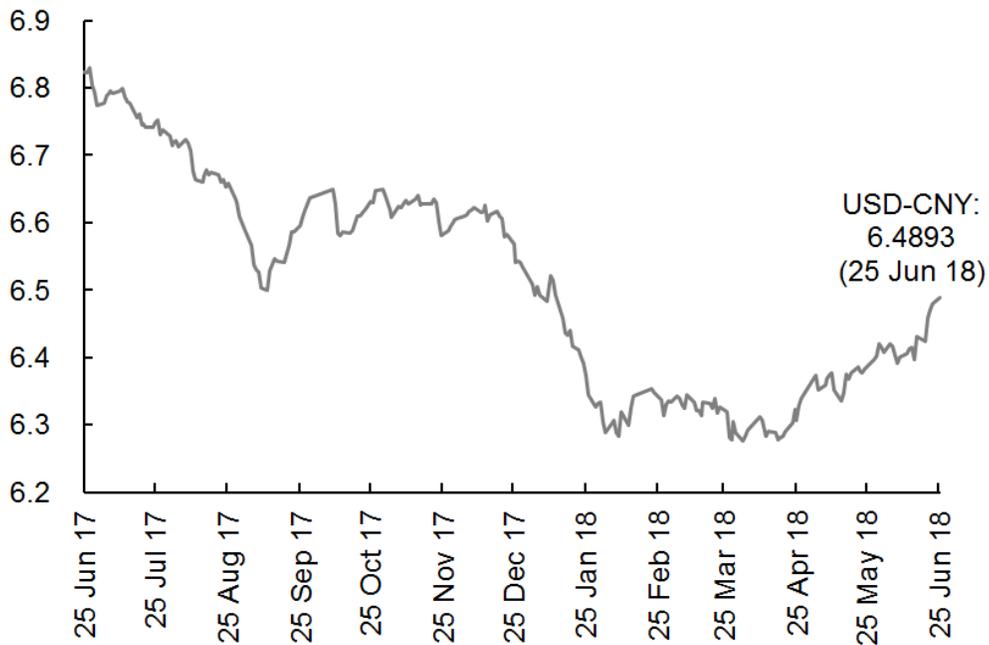
Exhibit 1: Price index for US imports from China, June 2016 to May 2018



Source: US Department of Labor

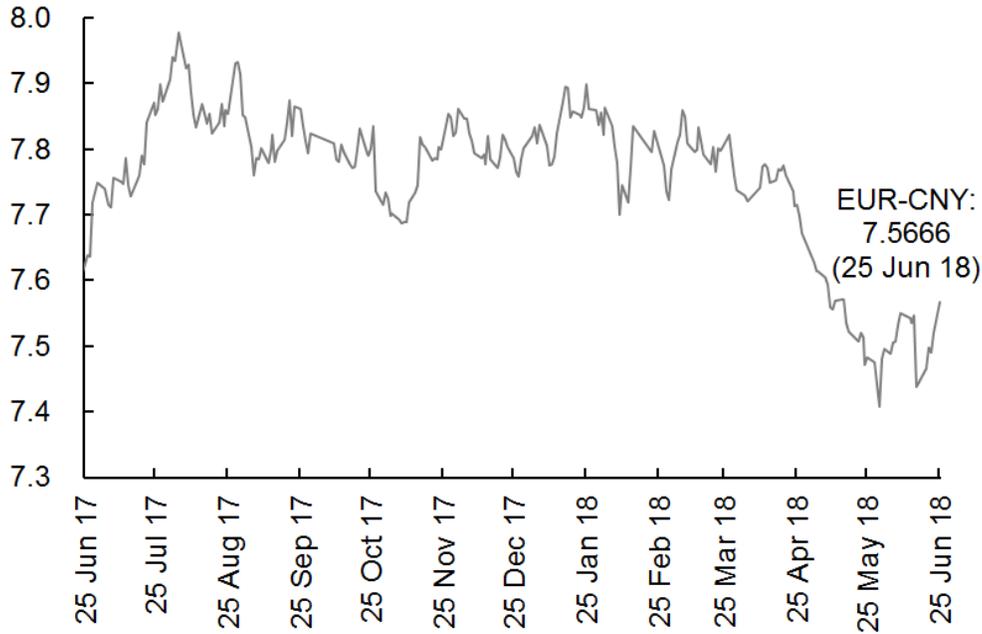
Exchange Rates

Exhibit 1: USD-CNY daily fixing rate, June 2017 to June 2018



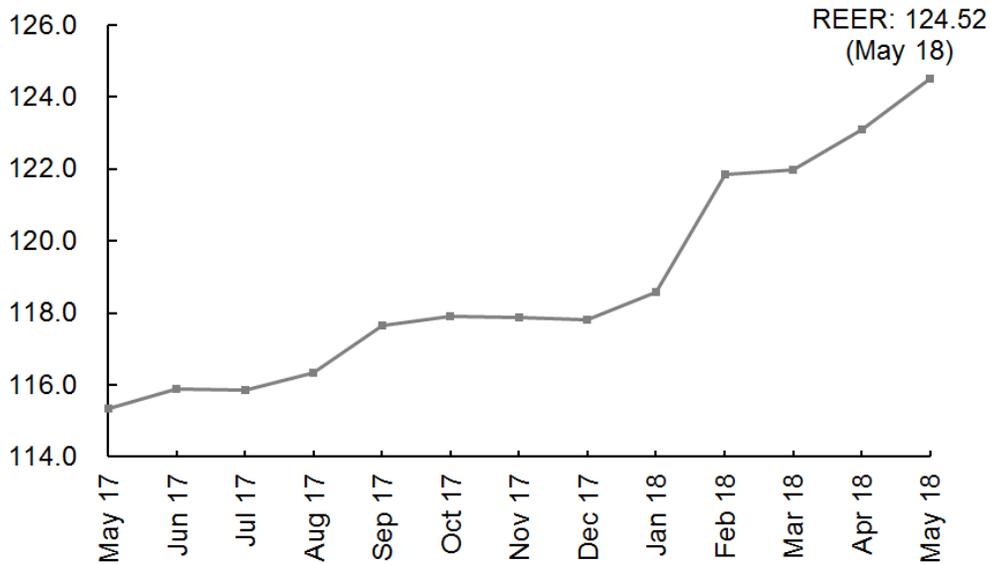
Source: State Administration of Foreign Exchange

Exhibit 2: EUR-CNY daily fixing rate, June 2017 to June 2018



Source: State Administration of Foreign Exchange

Exhibit 3: Real effective exchange rate of the Chinese yuan, May 2017 to May 2018



Source: Bank of International Settlements

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