



# China Sourcing Update

June 27, 2019

## Price index for US imports from China

### Price index for US imports from China drops in May

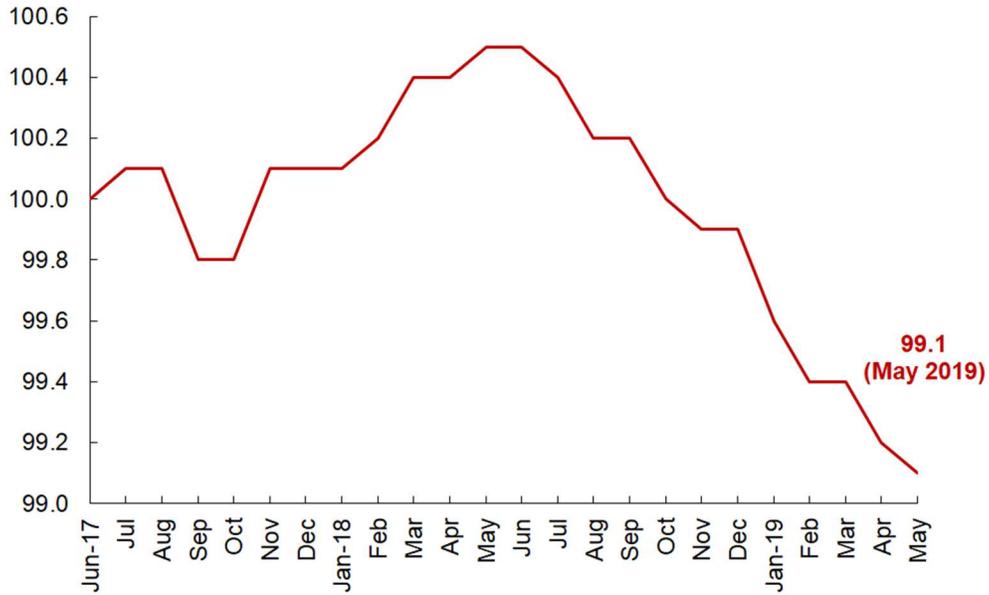
Compiled by the US Department of Labor, the price index for US imports from China fell from 99.2 in April (revised) to 99.1 in May, continuing the downward trend which started in July 2018. (see *exhibit 1*).<sup>1</sup>

In our view, the decline in the price index in May was mainly due to the depreciation of the Chinese yuan against the US dollar during the month. Another possible reason for the decline in the price index was that some Chinese suppliers lower their export prices in order to remain competitive in the US market in view of the US additional tariffs on a total of US\$250 billion worth of Chinese imports effective from 10 May.

Going forward, we expect that the price index for US imports from China will remain low in the near term as the as the May reading of the ex-factory prices sub-index of China's manufacturing PMI went down to 49.0, indicating deflationary pressures on ex-factory prices. Moreover, we expect that the outcome of the trade negotiations between China and the US will continue to be a major factor affecting the movement of the price index.

<sup>1</sup> The price index does not reflect tariff-related prices increases since they are not included in the calculation of import prices.

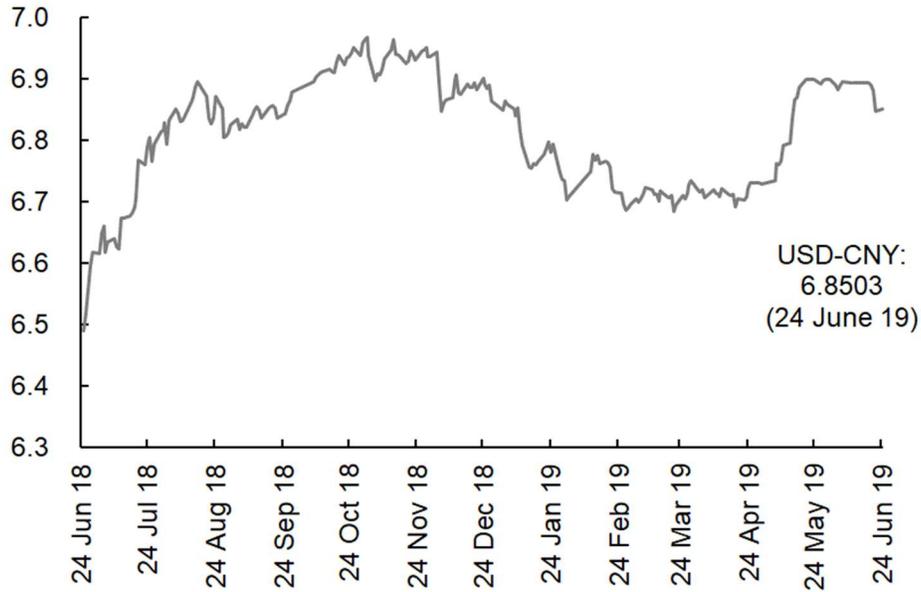
**Exhibit 1: Price index for US imports from China, June 2017 to May 2019**



Source: US Department of Labor

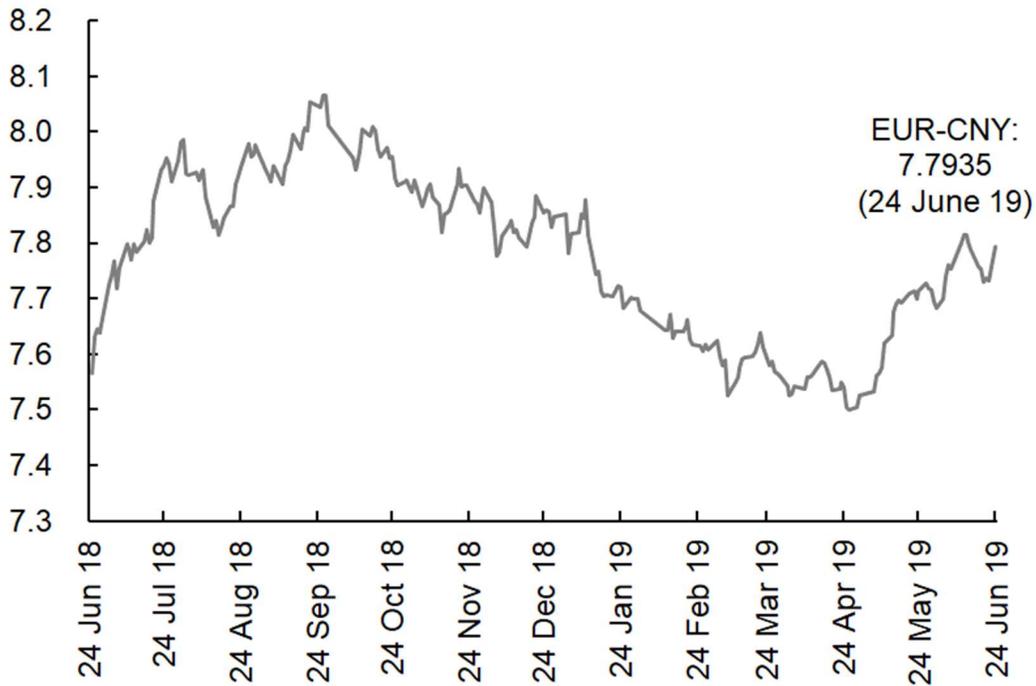
## Exchange Rates

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



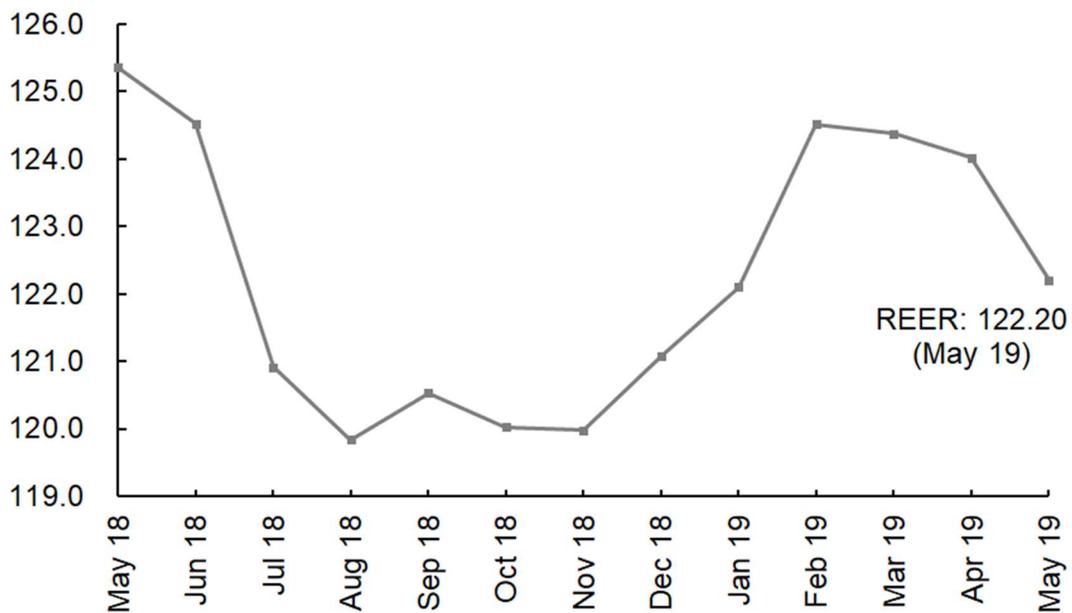
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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