



China Sourcing Update

December 22, 2017

Price index for US imports from China

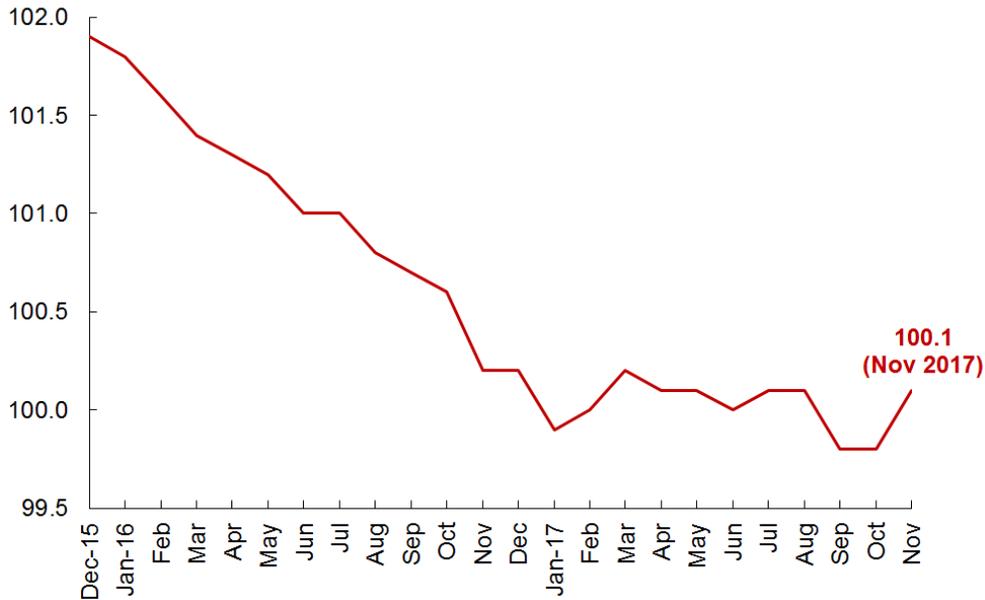
Price index for US imports from China rises in November

Compiled by the US Department of Labor, the price index for US imports from China went up from a nine-year low of 99.8 in October to 100.1 in November (*see exhibit 1*).

In our view, the increase in the price index in November was due largely to the appreciation of the Chinese yuan against the US dollar and a rise in ex-factory prices of Chinese products in Renminbi terms. In the month, the Chinese yuan appreciated by 0.5% against the US dollar, while China's producer price index of industrial products (PPI), a major indicator of ex-factory prices of industrial products, rose by 0.5% mom.

Looking ahead, we expect the price index for US imports from China to trend slightly upward in the coming months, as the ex-factory prices of Chinese products are likely to go up further in the near future.

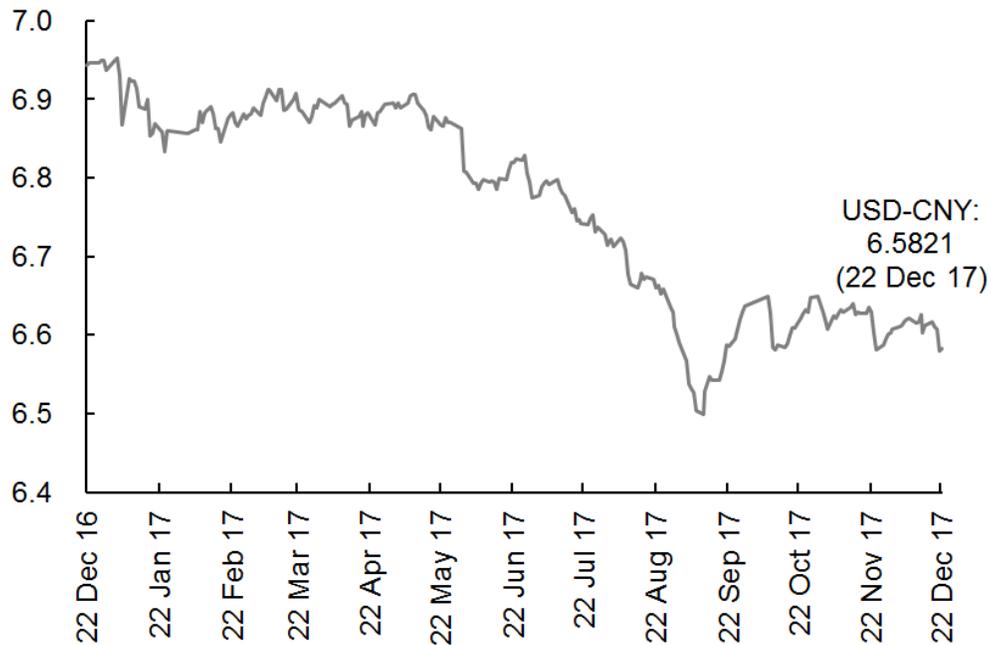
**Exhibit 1: Price index for US imports from China,
December 2015 to November 2017**



Source: US Department of Labor

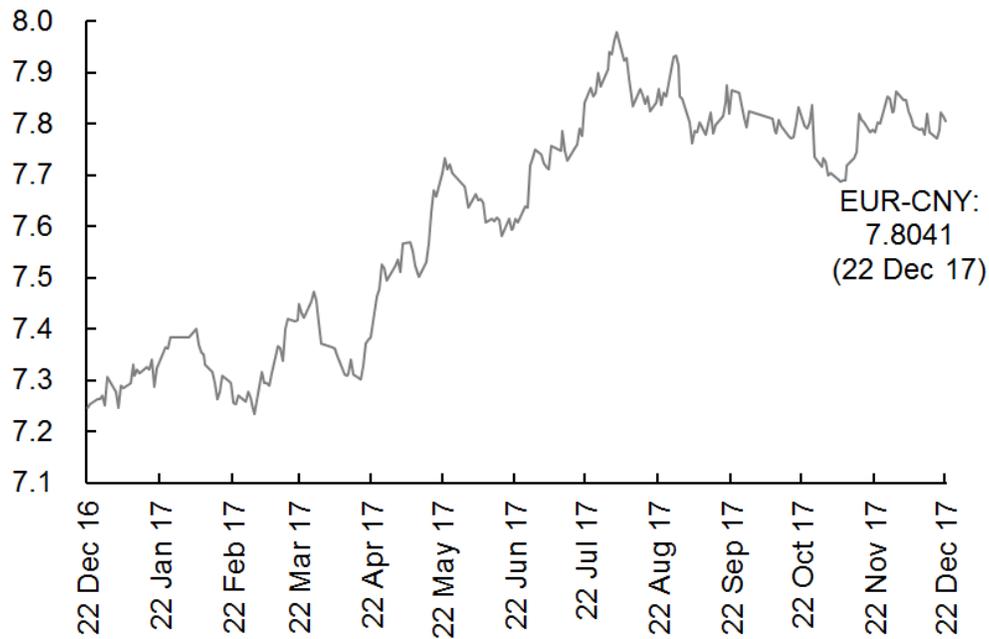
Exchange Rates

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



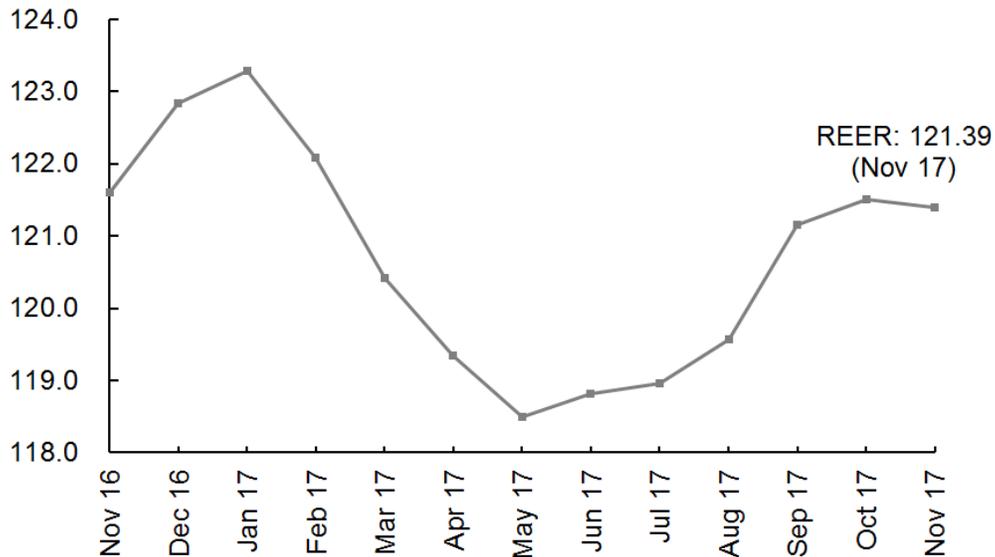
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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