



## China Sourcing Update

December 21, 2018

### Price index for US imports from China

#### Price index for US imports from China falls to a 13-month low in November

Compiled by the US Department of Labor, the price index for US imports from China fell from 99.9 in October to a 13-month low of 99.8 in November (*see exhibit 1*).

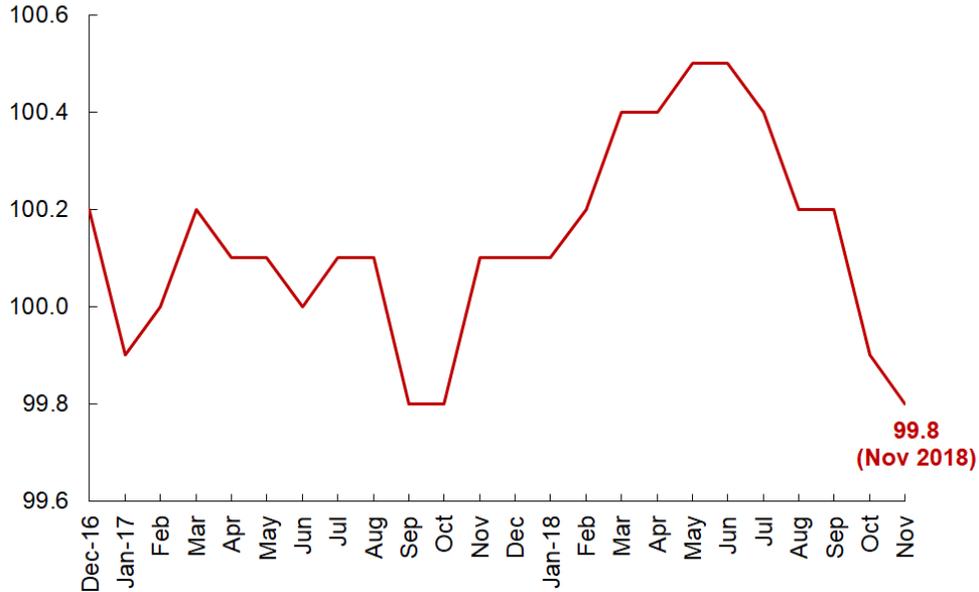
In our view, a possible reason for the drop in the price index in November was that some Chinese suppliers might have cut the prices of their exports to keep prices down and remain competitive in the US market, in response to the US additional tariffs on a total of US\$250 billion worth of Chinese imports.<sup>1</sup>

Looking ahead, we expect that the price index for US imports from China will continue to decline in the coming months, due largely to a weakening demand for Chinese exports. Besides, upstream prices are likely to fall in the near future. The input prices sub-index of China's manufacturing PMI, a leading indicator of upstream prices, dropped markedly from 58.0 in October to 50.3 in November, the lowest level since June last year.

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

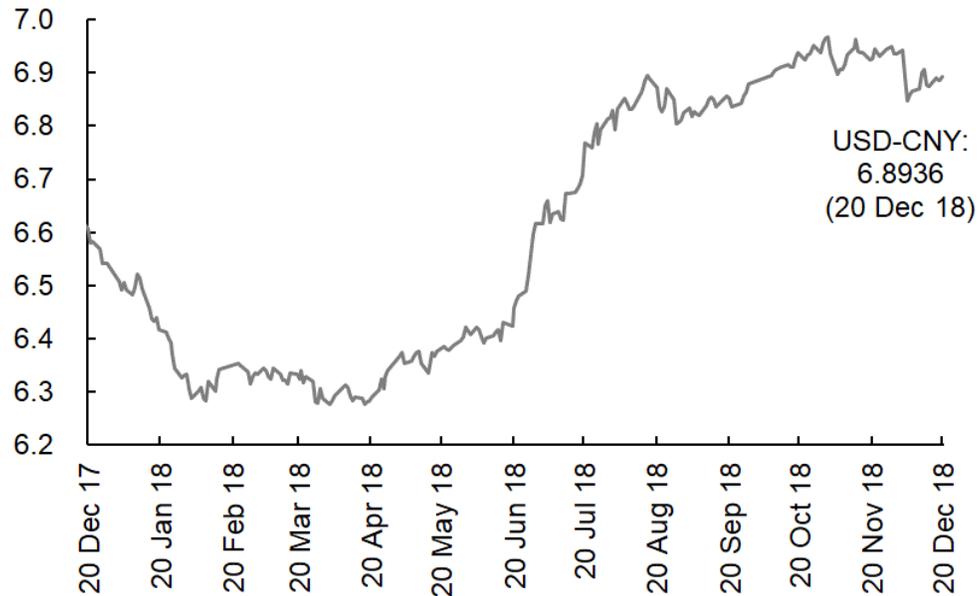
**Exhibit 1: Price index for US imports from China,  
December 2016 to November 2018**



Source: US Department of Labor

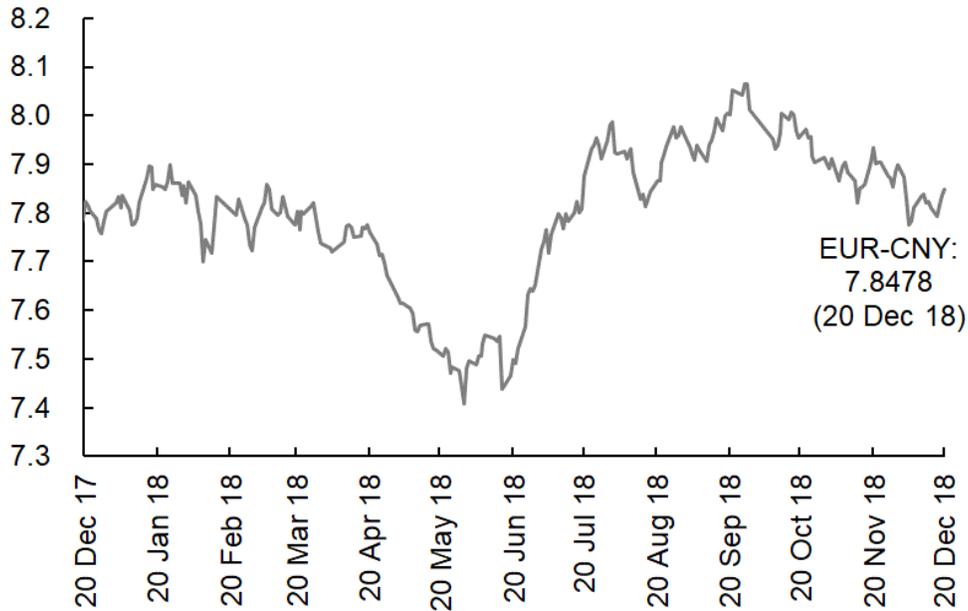
## Exchange Rates

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



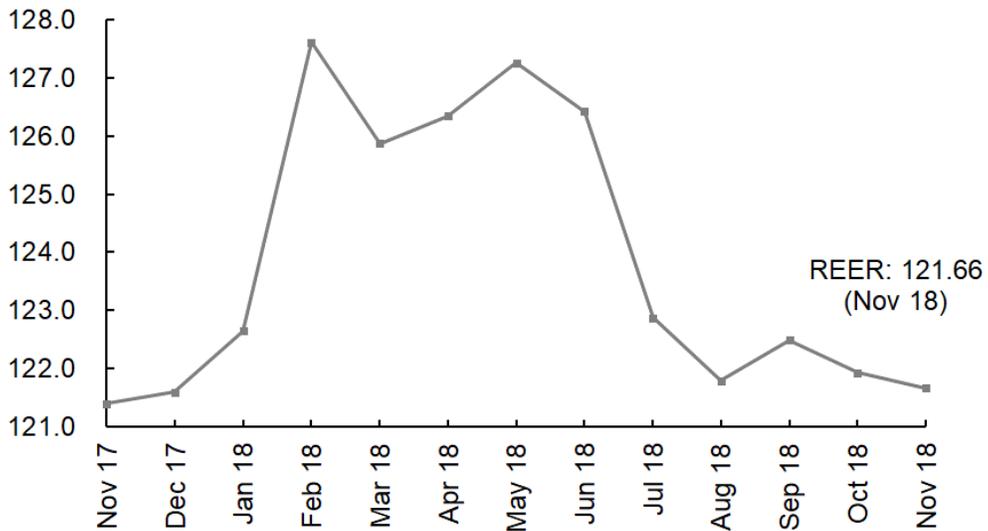
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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