



China Sourcing Update

November 22, 2017

Price index for US imports from China

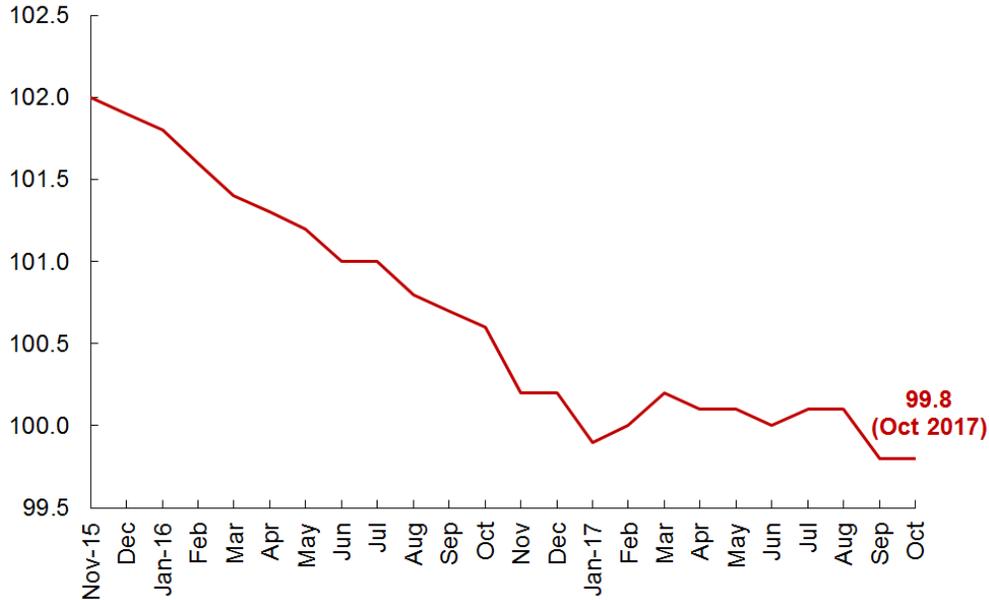
Price index for US imports from China stays stable in October

Compiled by the US Department of Labor, the price index for US imports from China stayed flat at a nine-year low of 99.8 in October (*see exhibit 1*).

In our view, the index readings in the last couple of months show that the prices of US imports from China have stabilized. A possible reason was that the impact of the recent depreciation of the Chinese yuan against the US dollar was offset by the rise in ex-factory prices of Chinese products in Renminbi terms. During the two-month period from September to October, the Chinese yuan depreciated by 0.6% 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 1.0% mom and 0.7% mom in September and October, respectively.

Looking ahead, we expect the price index for US imports from China to stay around the current level or trend upward slightly in the coming months, as the ex-factory prices of Chinese products are likely to continue their upward trend in the near term.

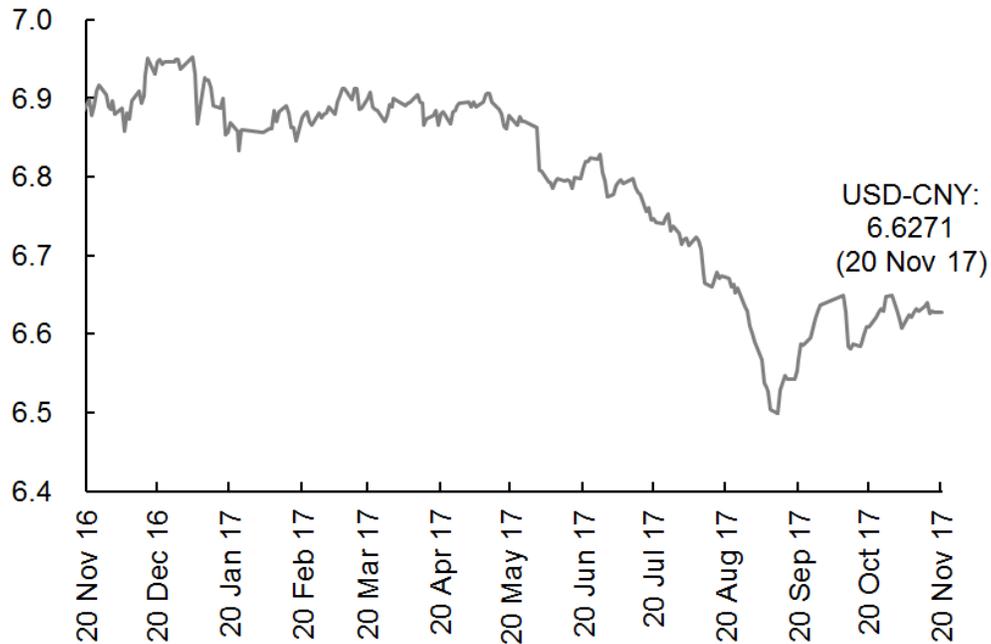
**Exhibit 1: Price index for US imports from China,
November 2015 to October 2017**



Source: US Department of Labor

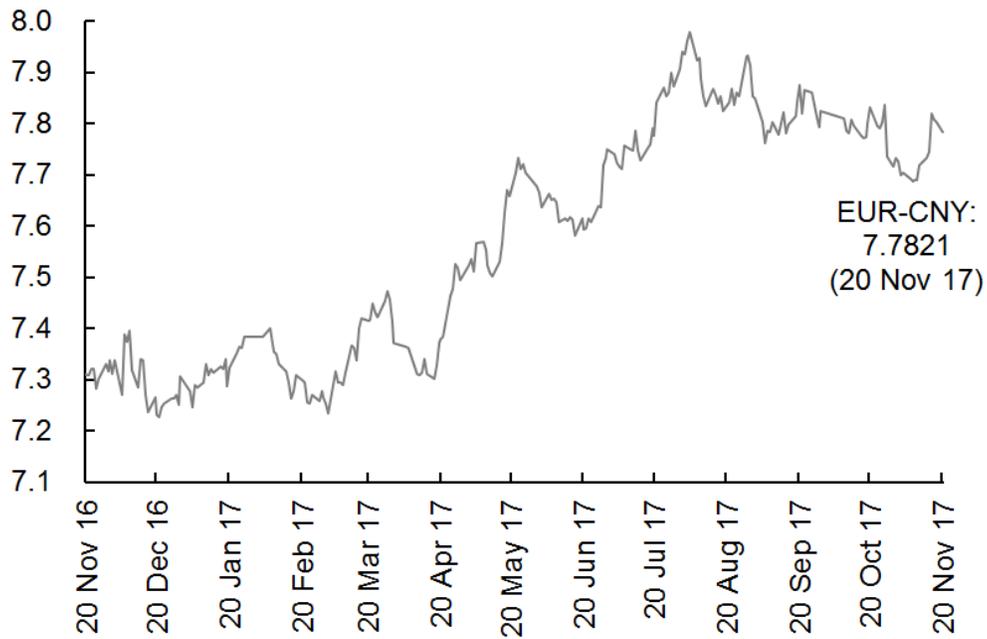
Exchange Rates

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



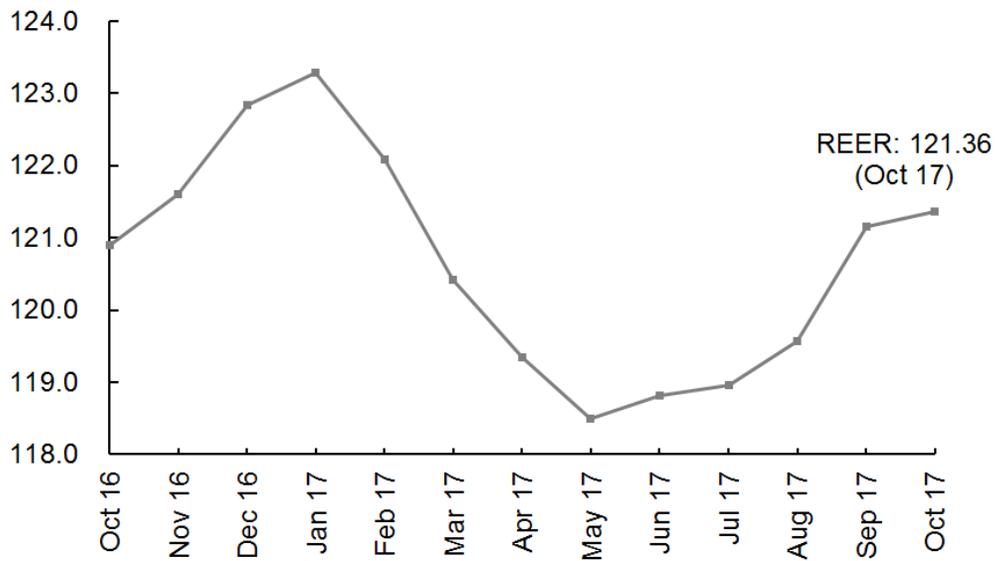
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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