



## China Sourcing Update

November 23, 2018

### Price index for US imports from China

#### Price index for US imports from China goes down further in October

Compiled by the US Department of Labor, the price index for US imports from China fell from 100.2 in September to 100.1 in October, the lowest level since January this year (see exhibit 1).

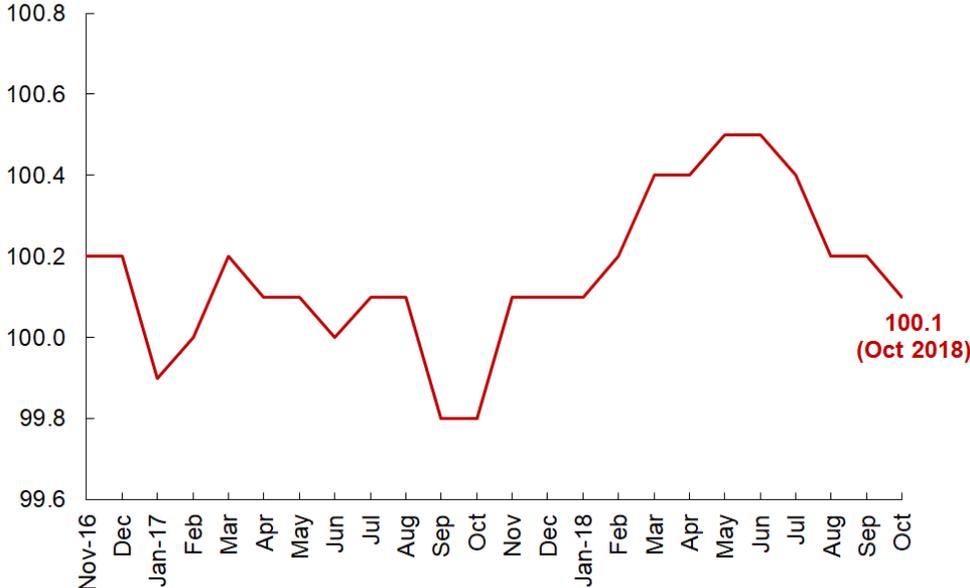
A possible reason for the drop in the price index in October was that some Chinese suppliers might have cut the prices of their exports to keep prices down and remain competitive in the US market, amid the US additional tariffs on a total of US\$250 billion worth of Chinese imports.<sup>1</sup>

Looking ahead, we expect that the price index for US imports from China will continue to decline in the coming months, as export demand has shown signs of slowing down. The new export orders sub-index of China's manufacturing PMI dropped all the way from 49.4 in August to 46.9 in October, the lowest level since February 2016. The low index reading in October shows that new export orders have decreased at a faster pace recently, apparently due to the escalating China-US trade frictions.

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

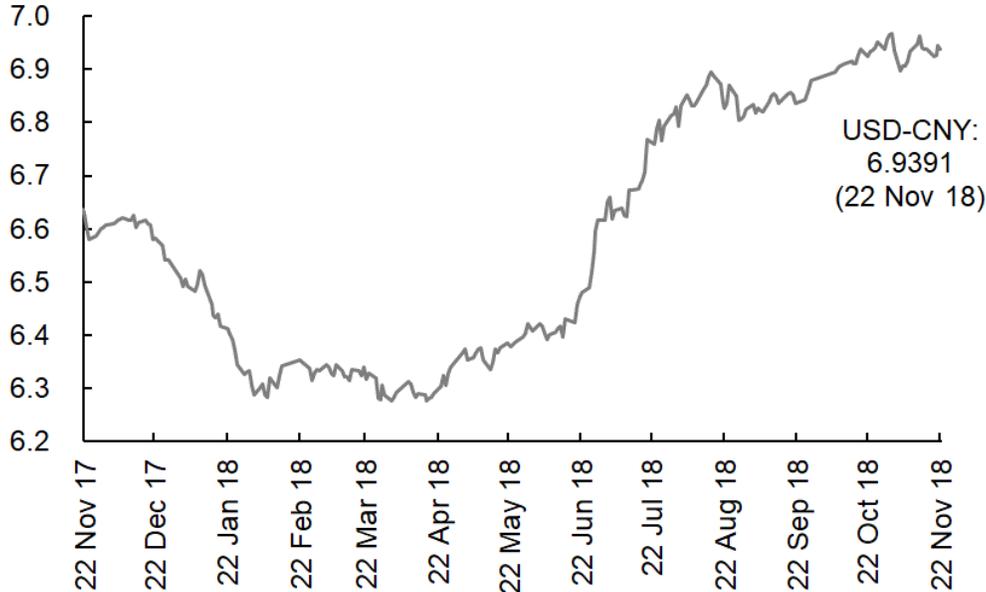
**Exhibit 1: Price index for US imports from China, November 2016 to October 2018**



Source: US Department of Labor

**Exchange Rates**

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



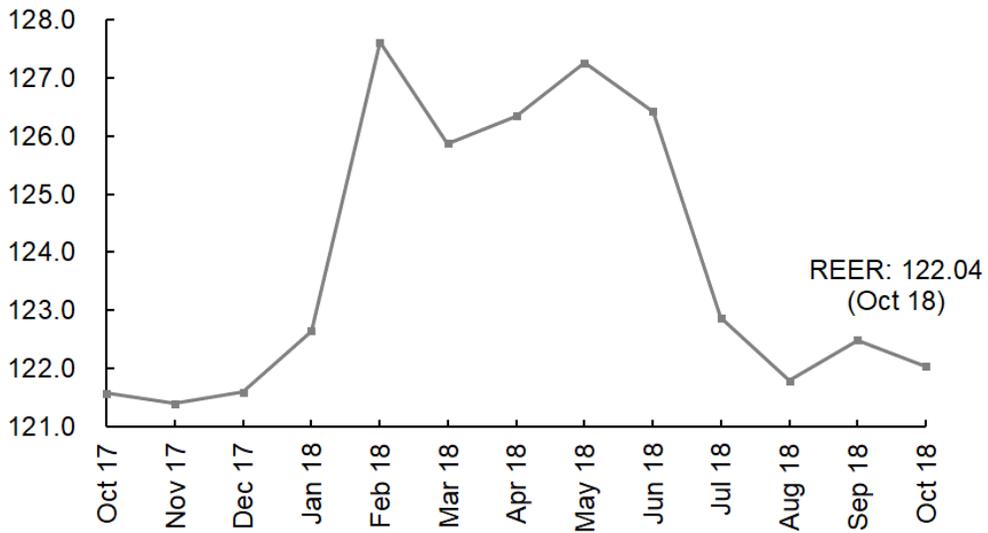
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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