



China Sourcing Update

October 24, 2016

Price index for US imports from China

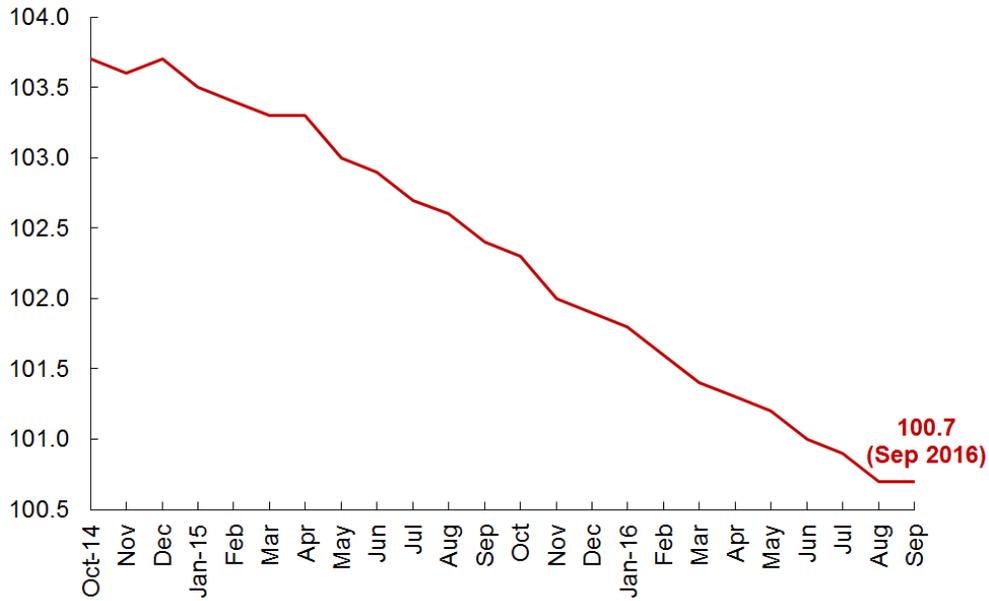
Price index for US imports from China stays stable

Compiled by the US Department of Labor, the price index for US imports from China stayed flat at 100.7 in September, the same as in the previous month (*see exhibit 1*).

In our view, the flat reading in September was due largely to the bottoming out of ex-factory prices of Chinese products in Renminbi terms: China's producer price index of industrial products (PPI) rose by 0.5% mom in September.

Going forward, the ex-factory prices of Chinese products are expected to rise further in the near term. However, the daily fixing rate of the Chinese yuan depreciated against the US dollar by 0.81% from end-September to 19 October, and is expected to depreciate further in the near future. All in all, we predict that the price index for US imports from China will stay low in October and in the coming months.

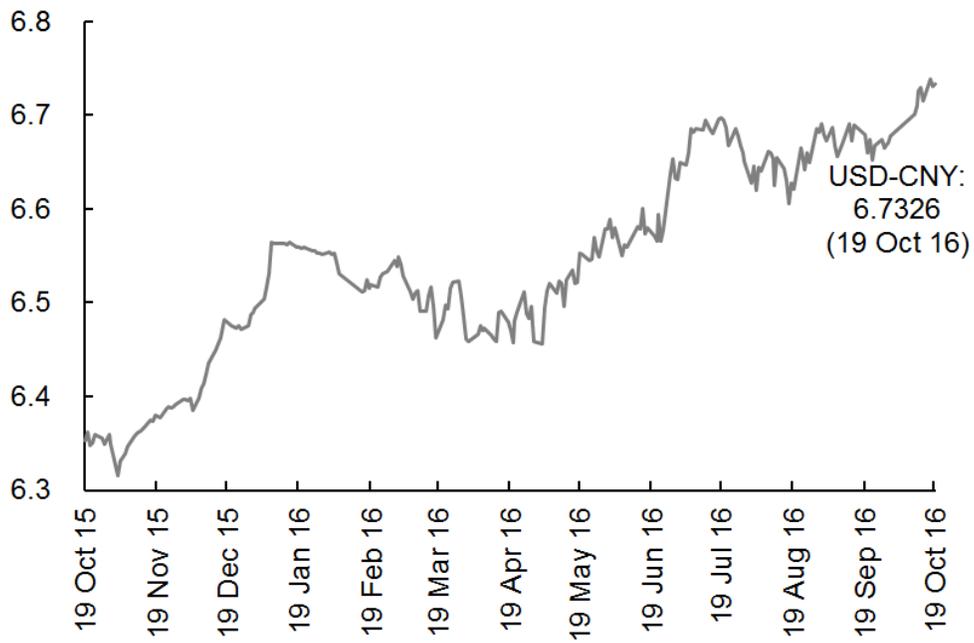
Exhibit 1: Price index for US imports from China, October 2014 to September 2016



Source: US Department of Labor

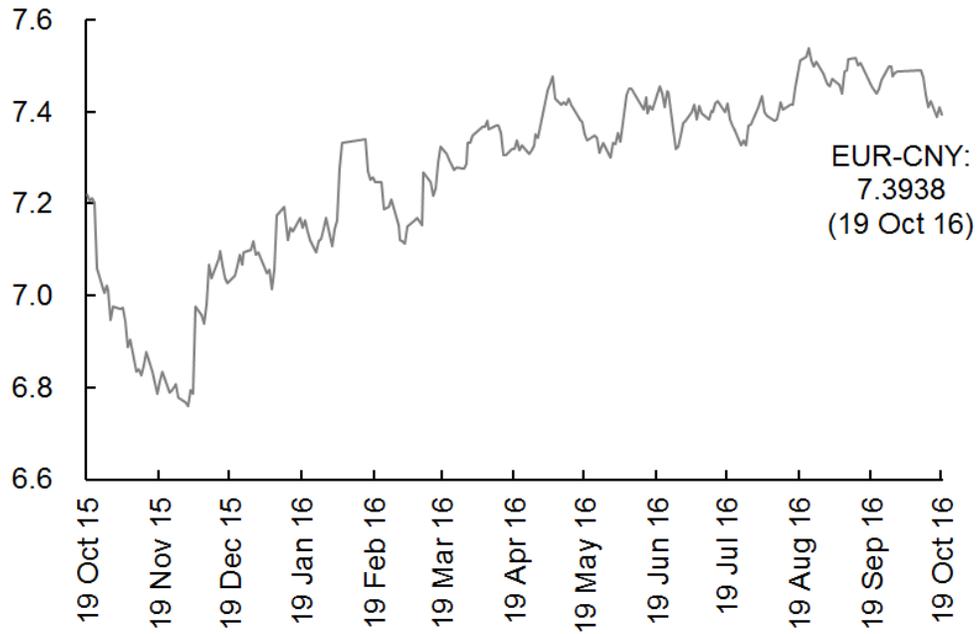
Exchange Rates

Exhibit 1: USD-CNY daily fixing rate, October 2015 to October 2016



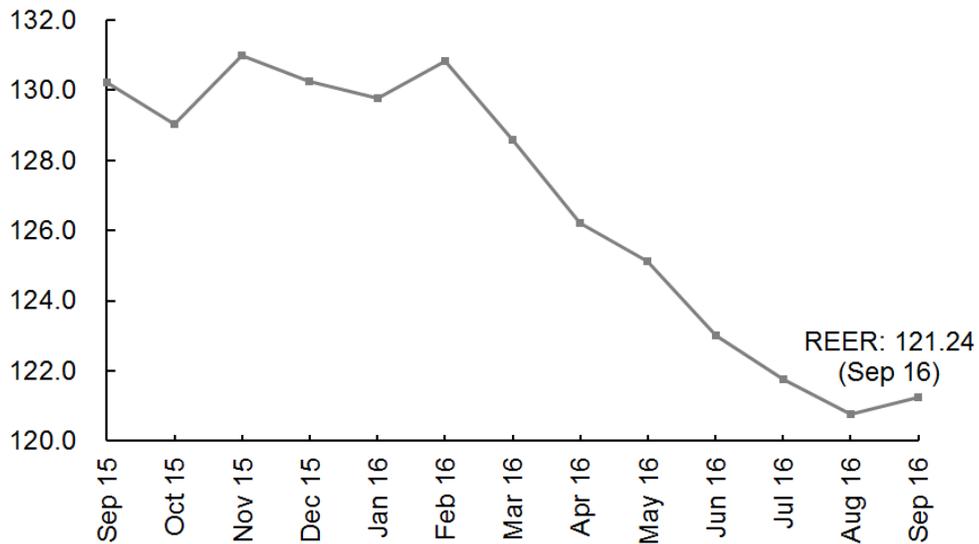
Source: State Administration of Foreign Exchange

Exhibit 2: EUR-CNY daily fixing rate, October 2015 to October 2016



Source: State Administration of Foreign Exchange

Exhibit 3: Real effective exchange rate of the Chinese yuan, September 2015 to September 2016



Source: Bank of International Settlements

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