



China Sourcing Update

October 26, 2018

Price index for US imports from China

Price index for US imports from China goes down further in September

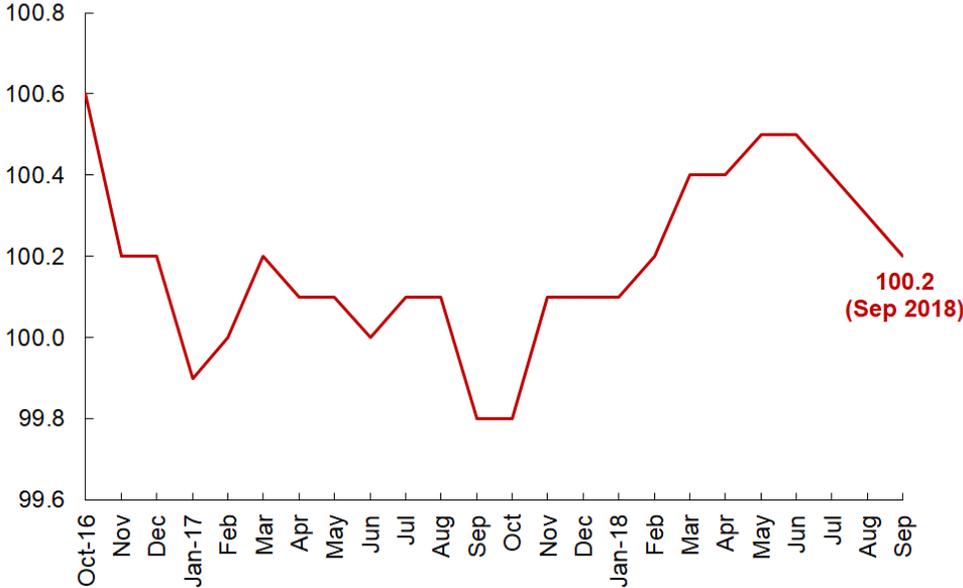
Compiled by the US Department of Labor, the price index for US imports from China fell from 100.3 in August to a seven-month low of 100.2 in September (*see exhibit 1*).

A possible reason for the drop in the price index in September 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.

After the US extra tariffs on US\$200 billion worth of Chinese imports kicked in on 24 September, it is likely that more Chinese exporters would lower their product prices. Thus, we expect that the price index for US imports from China will continue to decline in the coming months.¹

¹ The price index would not reflect tariff-related price increases since they are removed from the equation.

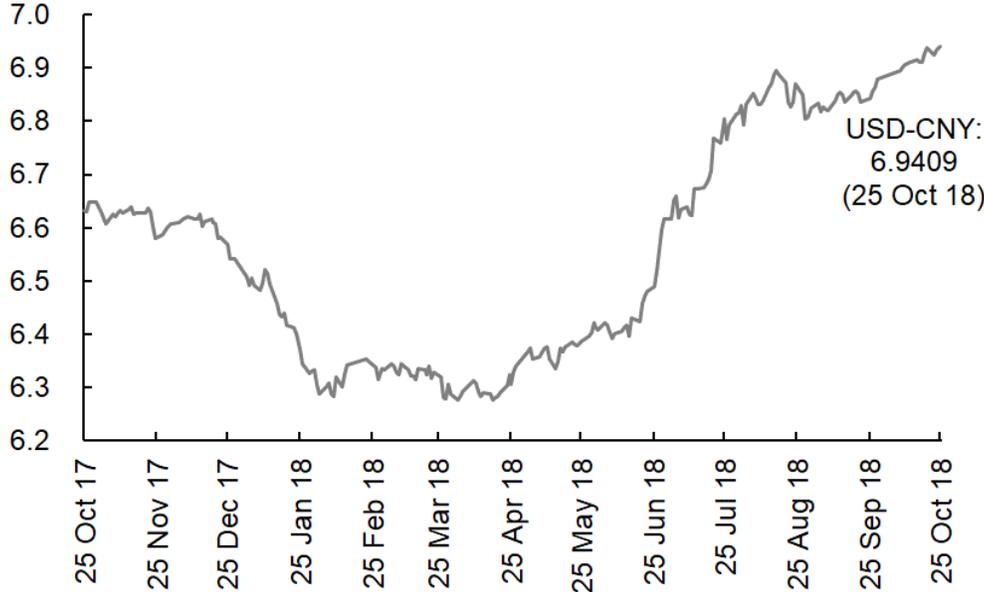
**Exhibit 1: Price index for US imports from China,
October 2016 to September 2018**



Source: US Department of Labor

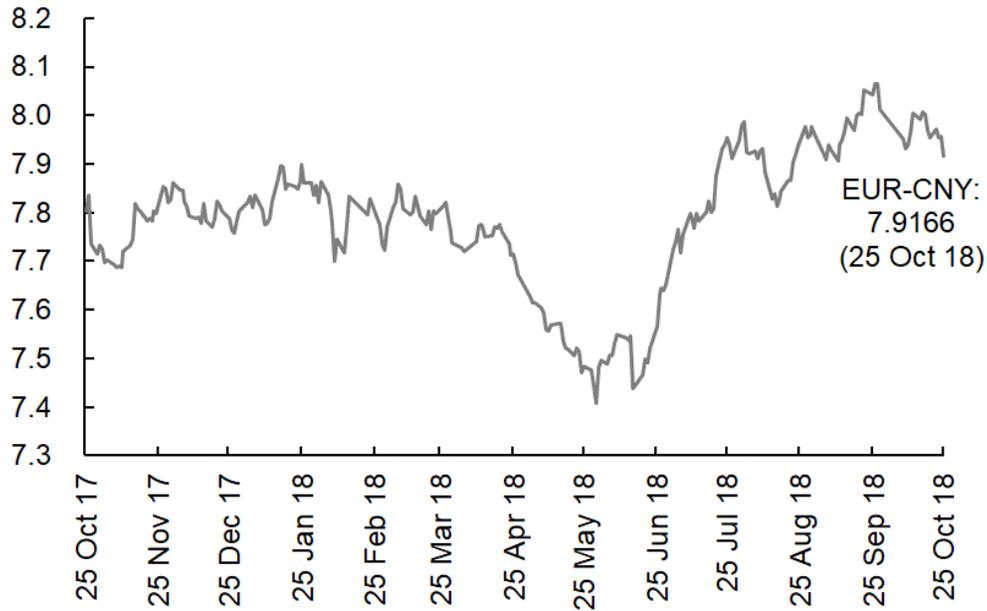
Exchange Rates

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



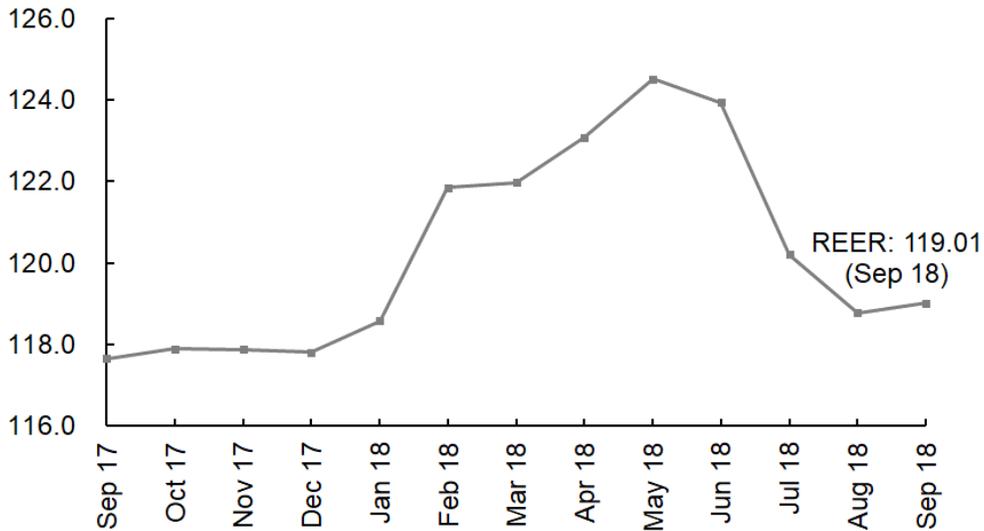
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

The **Fung Group** is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs 42,150 people across 40 economies worldwide, generating total revenue of US\$22.66 billion in 2017. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

William Kong
Research Manager
williamkong@fung1937.com
(852) 2300 2404

Global Sourcing
Fung Business Intelligence
10/F LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



© Copyright 2018 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.