



China Sourcing Update

October 23, 2019

Price index for US imports from China

Price index for US imports from China continues to fall in September

Compiled by the US Department of Labor, the price index for US imports from China fell slightly from 98.6 in August to 98.4 in September, continuing the downward trend which started in July 2018. (see exhibit 1).¹

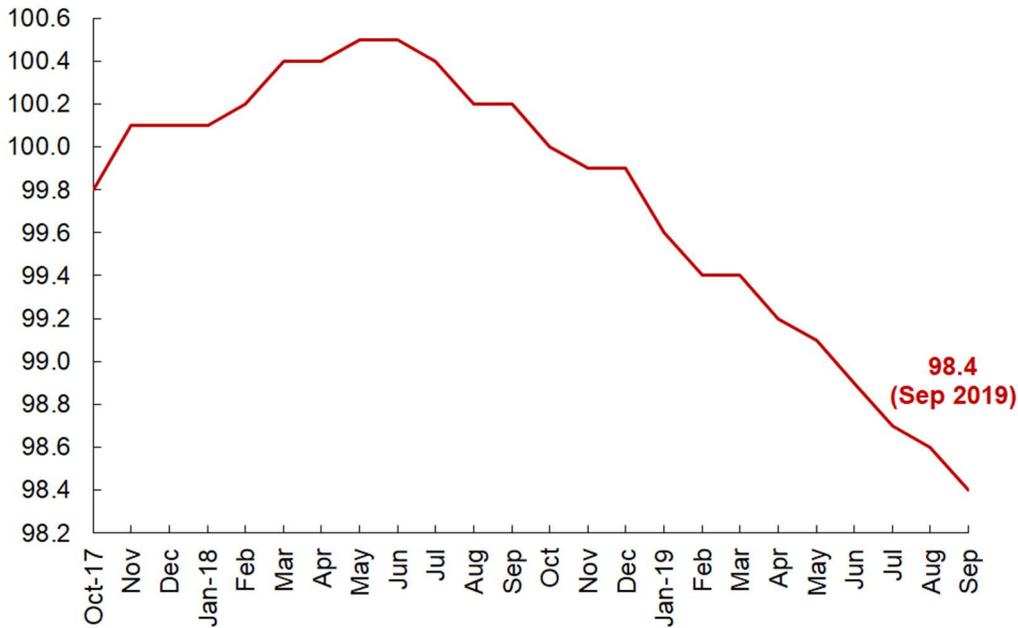
In our view, the decline in the price index in September was mainly due to the additional US tariffs imposed on Chinese goods. Some Chinese suppliers lowered their export prices in order to remain competitive in the US market in view of the 15% additional tariffs on US\$107 billion of Chinese imports effective from 1 September.

Going forward, we expect that the price index for US imports from China will continue to fall in the coming months in face of softening global demands and a bleak outlook for international trade. ²

¹ The price index does not reflect tariff-related price increases since they are not included in the calculation of import prices.

² The US agreed not to proceed with a hike in tariffs to 30% from 25% on about US\$250 billion of Chinese imports that was originally scheduled to take effect on 15 October. However, US President Donald Trump has not yet announced a decision about the tariff hike, which is set to go into effect on 15 December, on another US\$156 billion worth of Chinese goods.

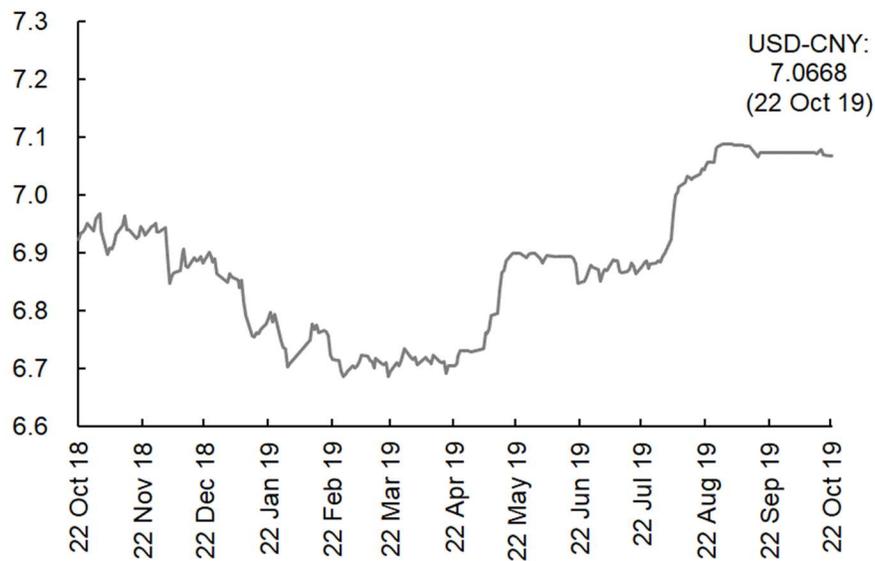
**Exhibit 1: Price index for US imports from China,
October 2017 to September 2019**



Source: US Department of Labor

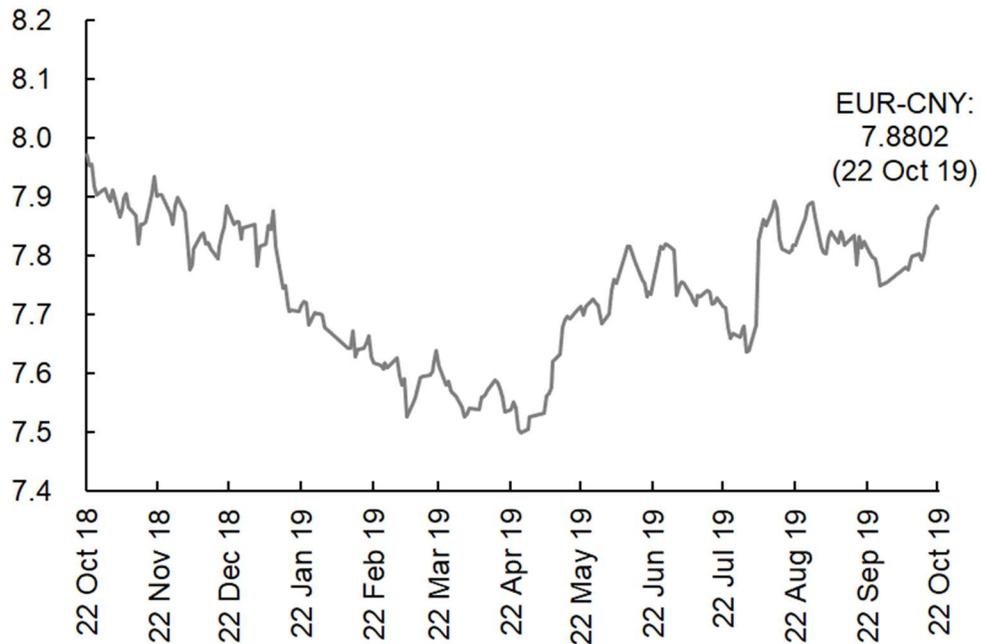
Exchange Rates

Exhibit 1: USD-CNY daily fixing rate, October 2018 to October 2019



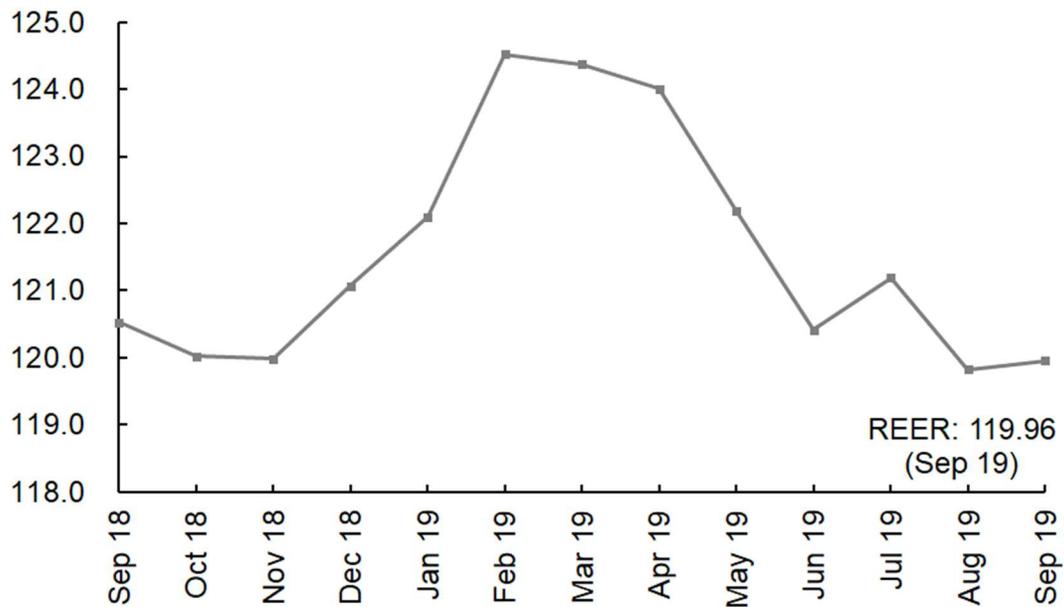
Source: State Administration of Foreign Exchange

Exhibit 2: EUR-CNY daily fixing rate, October 2018 to October 2019



Source: State Administration of Foreign Exchange

Exhibit 3: Real effective exchange rate of the Chinese yuan, September 2018 to September 2019



Source: Bank of International Settlements

FUNG BUSINESS INTELLIGENCE

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