

## China Sourcing Update

October 4, 2018

### Price index for US imports from China

#### Price index for US imports from China continues to drop in August

Compiled by the US Department of Labor, the price index for US imports from China went down from 100.4 (revised) in July to a six-month low of 100.3 in August (see *exhibit 1*).

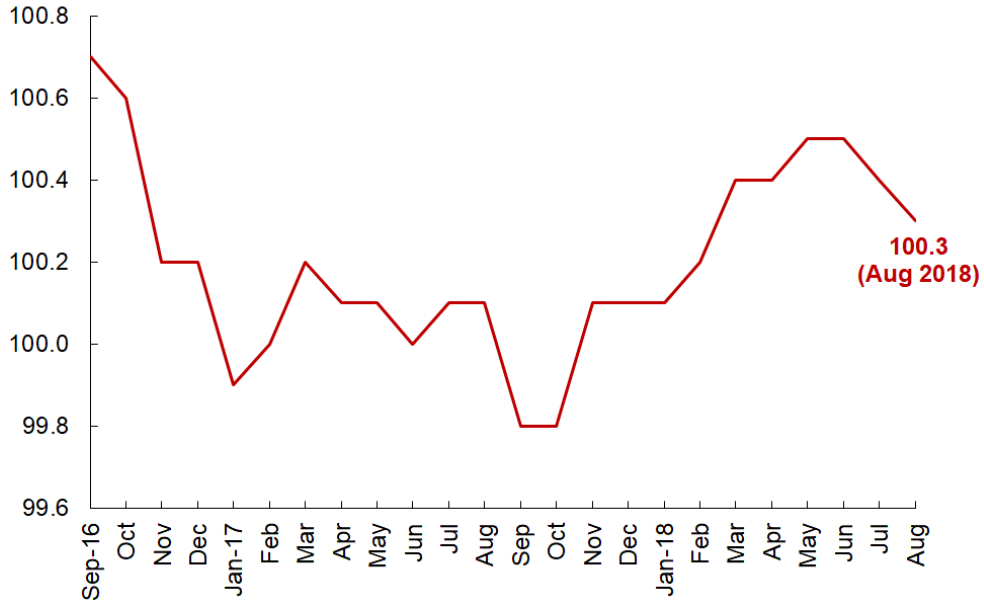
A possible reason for the drop in the price index in August was that some Chinese suppliers might have cut the prices of their exports to keep prices down and remain competitive in the US market, amid the US additional tariffs on US\$50 billion worth of Chinese imports.

Going forward, it is likely that more Chinese exporters would lower their product prices after the US extra tariffs on US\$200 billion worth of Chinese imports kicked in on 24 September. Therefore, we expect that the price index for US imports from China will trend downward in the coming months.<sup>1</sup>

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

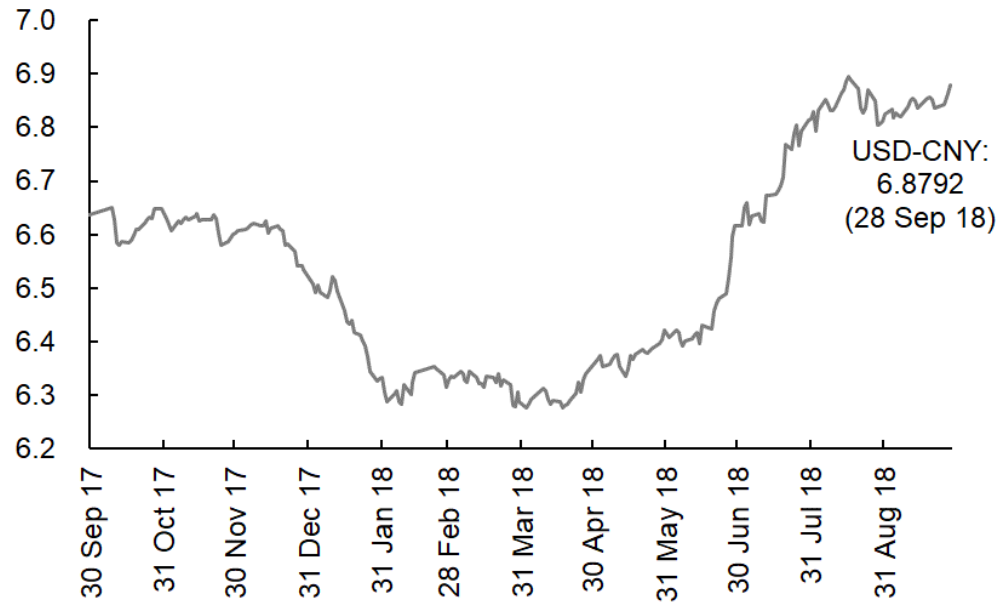
**Exhibit 1: Price index for US imports from China, September 2016 to August 2018**



Source: US Department of Labor

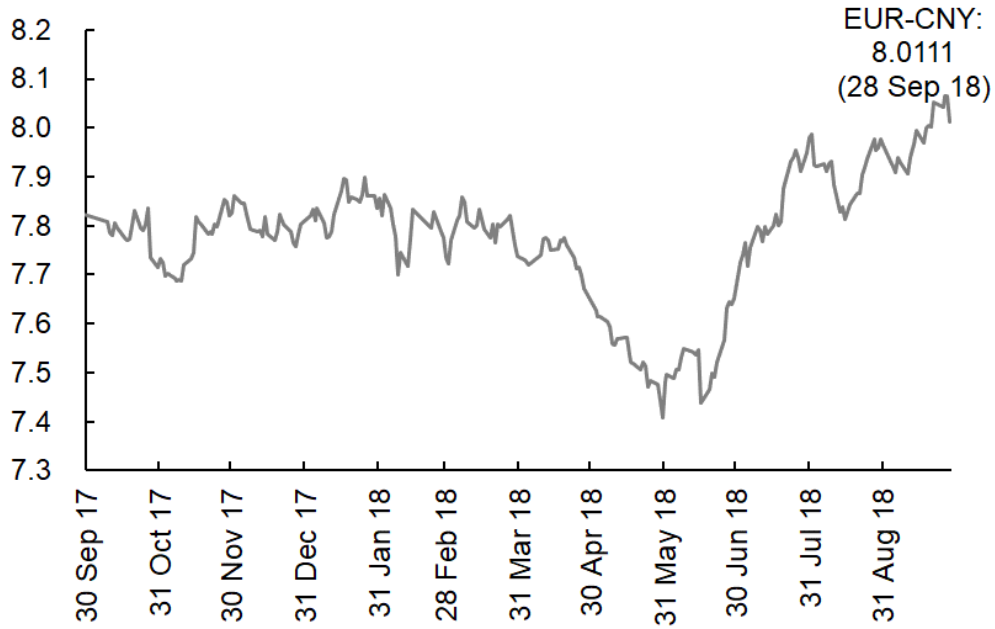
## Exchange Rates

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



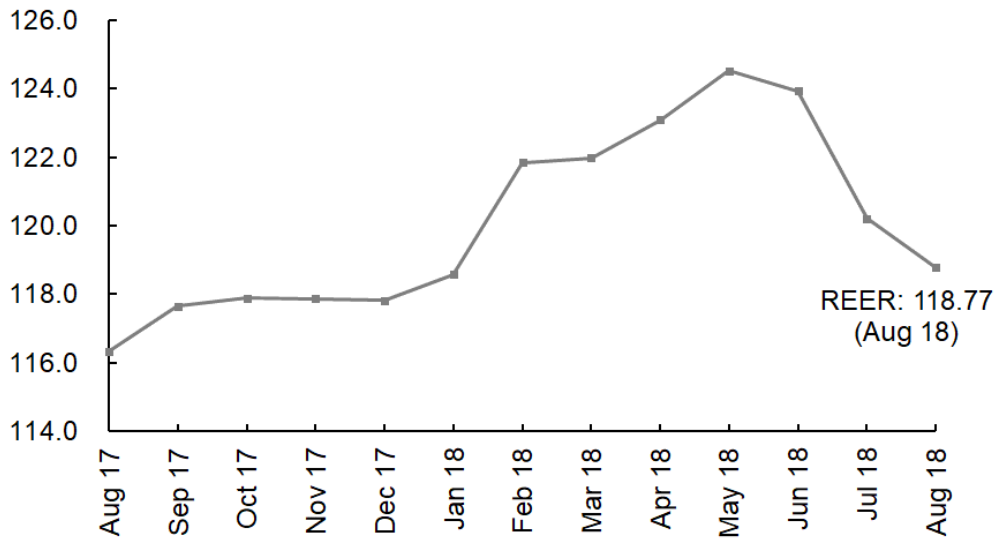
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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