



China Sourcing Update

January 21, 2019

Price index for US imports from China

Price index for US imports from China stays stable in December

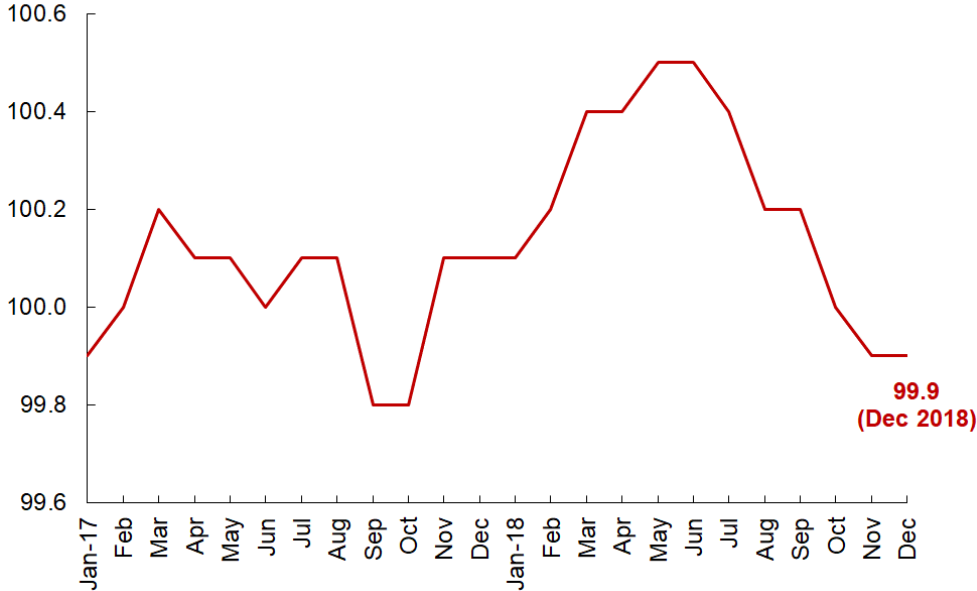
Compiled by the US Department of Labor, the price index for US imports from China stayed stable at 99.9 in December, the same as in November (*see exhibit 1*).

In our view, a possible reason for the stabilisation in the price index in December was that the fall in ex-factory prices of Chinese products was offset by the appreciation of the Chinese yuan against the US dollar in the month.¹

Looking ahead, we expect that the movement of the price index for US imports from China will depend largely on the final outcome of the trade negotiations between China and the US, which would have a strong impact on the demand for Chinese products from the US. At the meeting between Chinese President Xi Jinping and US President Donald Trump held on 1 December last year, the two countries agreed to hold negotiations within the next 90 days (by 1 March). After a US government delegation visited Beijing to hold trade talks with Chinese officials during 7-9 January, Chinese Vice-Premier Liu He will visit Washington on 30-31 January to continue trade talks with US government officials.

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

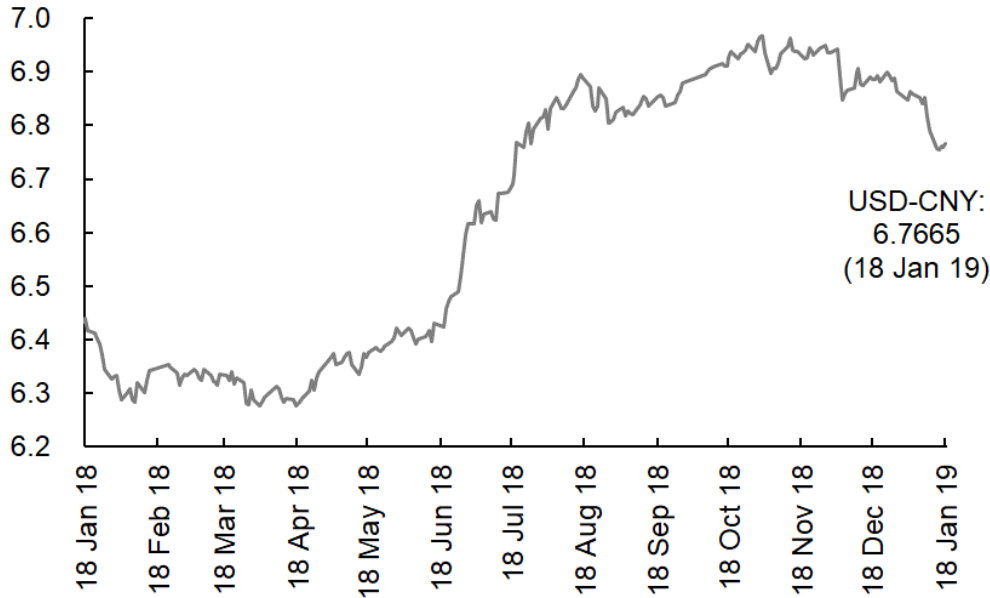
**Exhibit 1: Price index for US imports from China,
January 2017 to December 2018**



Source: US Department of Labor

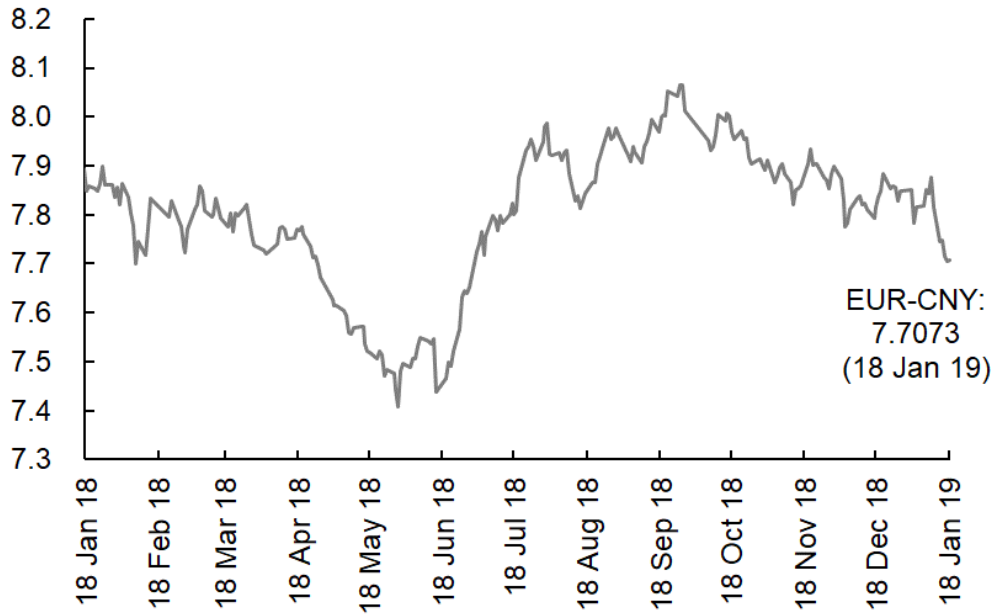
Exchange Rates

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



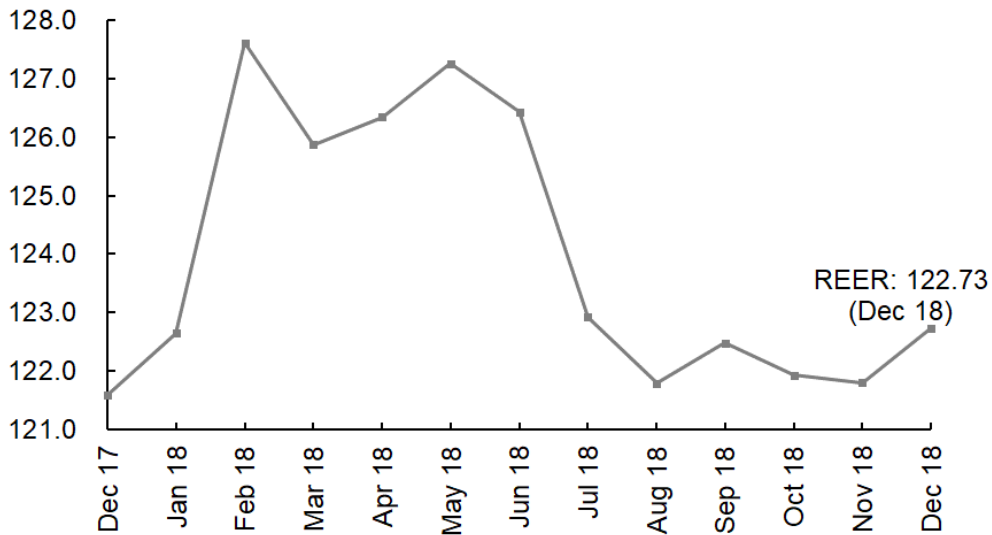
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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