Editor’s note: China is presently experiencing widespread economic disruption owing to the coronavirus disease 2019 (COVID-19) outbreak and stringent government measures to contain it. While comparisons are inevitable with the economic toll taken by another coronavirus, SARS (2002-03), the difference for China, now, is that its economic fundamentals are more robust, its technology more advanced, its services more diverse, and its consumers more resilient, as illustrated by its thriving e-commerce sector. For these and other reasons we believe the COVID-19 outbreak, while currently a jolt to China and the world, will not leave a long-term scar on the Chinese economy.

Price index for US imports from China

Price index for US imports from China declines in January

Compiled by the US Department of Labor, the price index for US imports from China declined from 98.1 in December to 97.9 in January (see exhibit 1). The index has not risen on a month-on-month basis since May 2018.

The fall in the price index for US imports from China in January was mainly driven by the decline in prices of computer and electronic equipment, electrical appliances, and mineral products. These are in line with the overall movement of US import prices in these product categories from the world.

The coronavirus (COVID-19) outbreak has led to prolonged Chinese New Year factory closures and transport restrictions, causing serious disruptions to the country’s production. As such, we expect that a temporary supply crunch may cause a spike in the prices of US imports from China in the near term.

1 The price index does not reflect tariff-related prices increases since they are not included in the calculation of import prices.
Exhibit 1: Price index for US imports from China,
February 2018 to January 2020

Source: US Department of Labor

Exchange Rates

Exhibit 1: USD-CNY daily fixing rate, February 2019 to February 2020

Source: State Administration of Foreign Exchange
Exhibit 2: EUR-CNY daily fixing rate, February 2019 to February 2020

Exhibit 3: Real effective exchange rate of the Chinese yuan, January 2019 to January 2020

Source: State Administration of Foreign Exchange

Source: Bank of International Settlements
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.

About Fung Group

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including trading, logistics, distribution and retail. The Fung Group comprises 42,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world’s foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

Listed entities of the Group include Li & Fung Limited (SEHK: 00494), Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys “R” Us (Asia) and Suhyang Networks.

For more information, please visit www.funggroup.com.