

China Sourcing Update

June 21, 2017

Price index for US imports from China

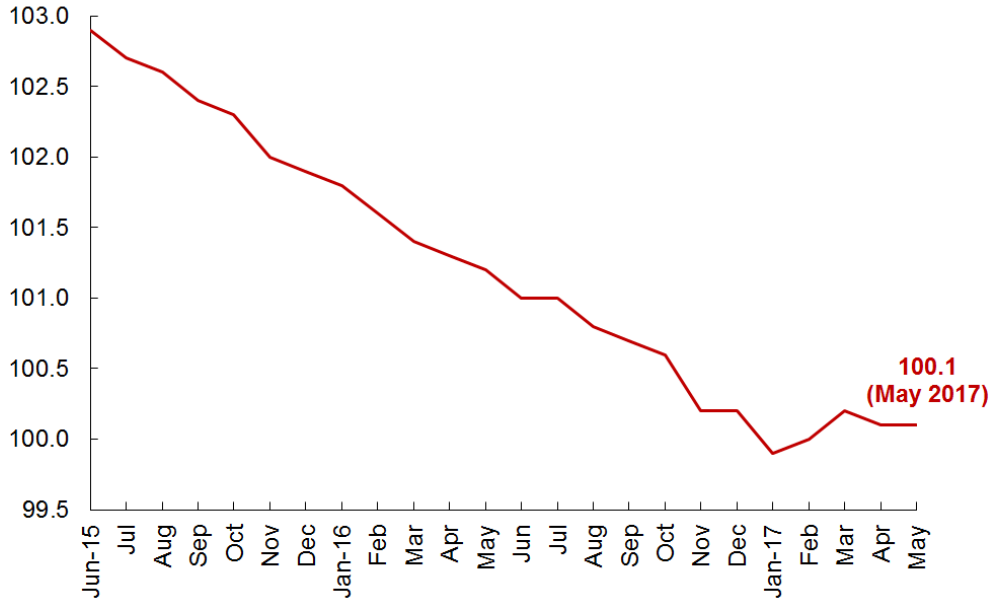
Price index for US imports from China stays stable in May

Compiled by the US Department of Labor, the price index for US imports from China stayed flat at 100.1 in May (*see exhibit 1*).

In our view, the index readings in recent months indicate the stabilization of prices of US imports from China after nearly five years of continuous fall. Possible reasons include a relatively stable exchange rate of the Chinese yuan against the US dollar and the bottoming-out of the ex-factory prices of Chinese products in Renminbi terms in the last few months.

Looking ahead, we expect the price index for US imports from China to stay around the current level in the near future, in line with the movement of the ex-factory prices of Chinese products.

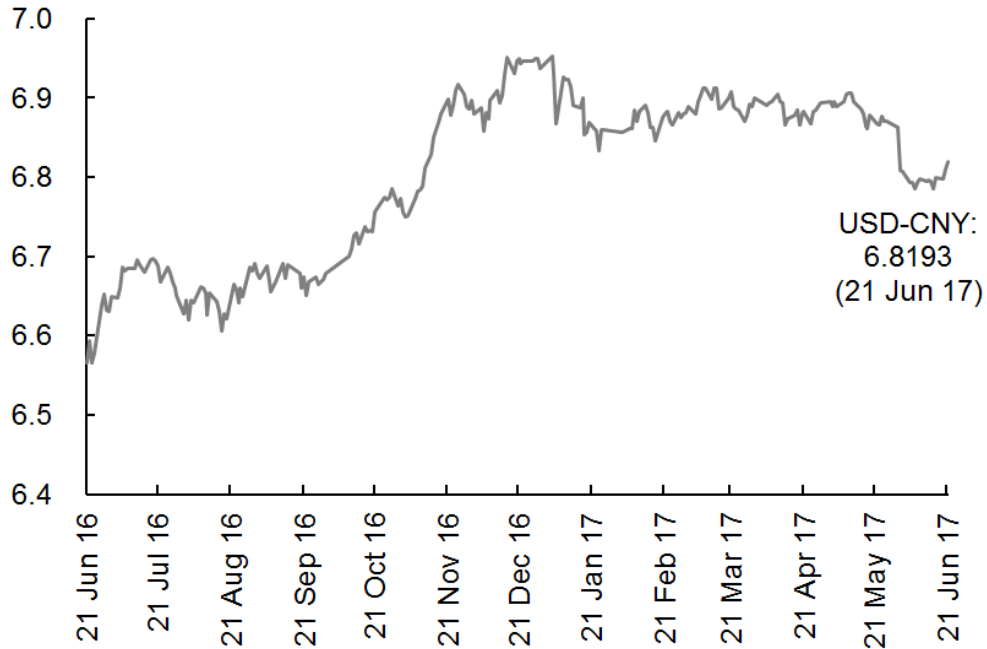
Exhibit 1: Price index for US imports from China, June 2015 to May 2017



Source: US Department of Labor

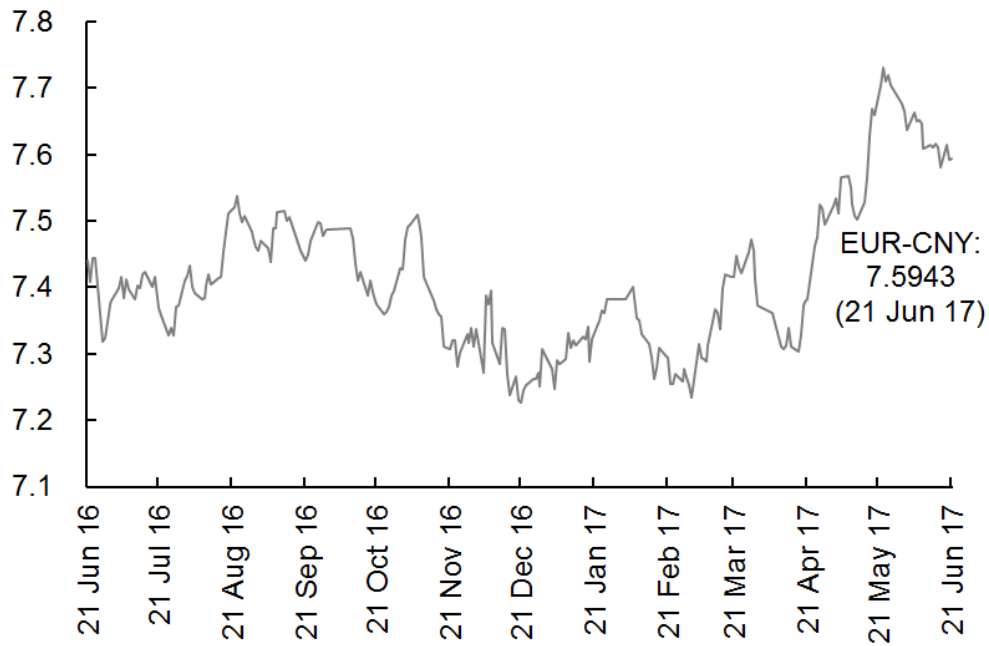
Exchange Rates

Exhibit 1: USD-CNY daily fixing rate, June 2016 to June 2017



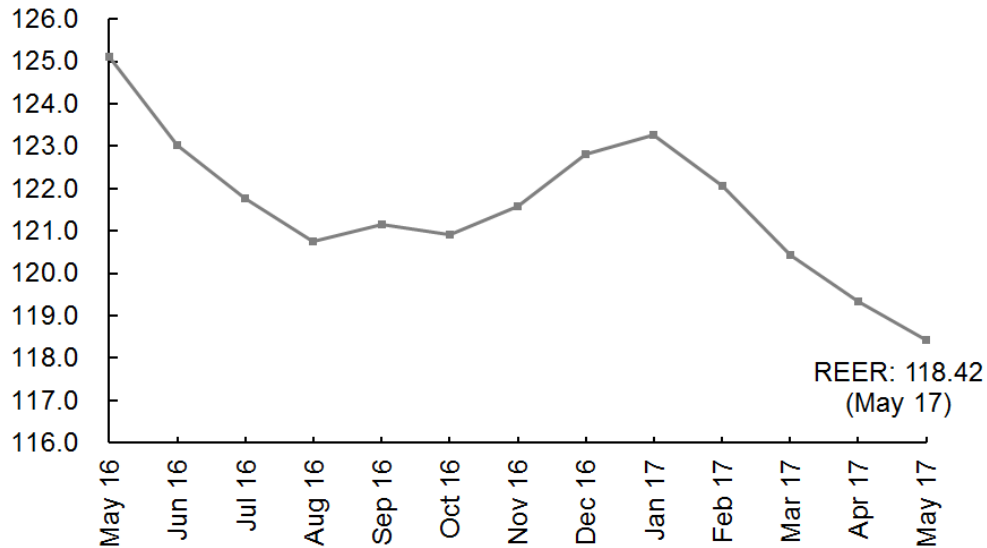
Source: State Administration of Foreign Exchange

Exhibit 2: EUR-CNY daily fixing rate, June 2016 to June 2017



Source: State Administration of Foreign Exchange

Exhibit 3: Real effective exchange rate of the Chinese yuan, May 2016 to May 2017



Source: Bank of International Settlements

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