



China Sourcing Update

June 23, 2020

Price index for US imports from China

Price index for US imports from China edges up in April and stays flat in May

Compiled by the US Department of Labor, the price index for US imports from China in March stood at 98.0, the same level as in February (revised), before it edged up to 98.1 in April and stayed flat in May (see exhibit 1)¹.

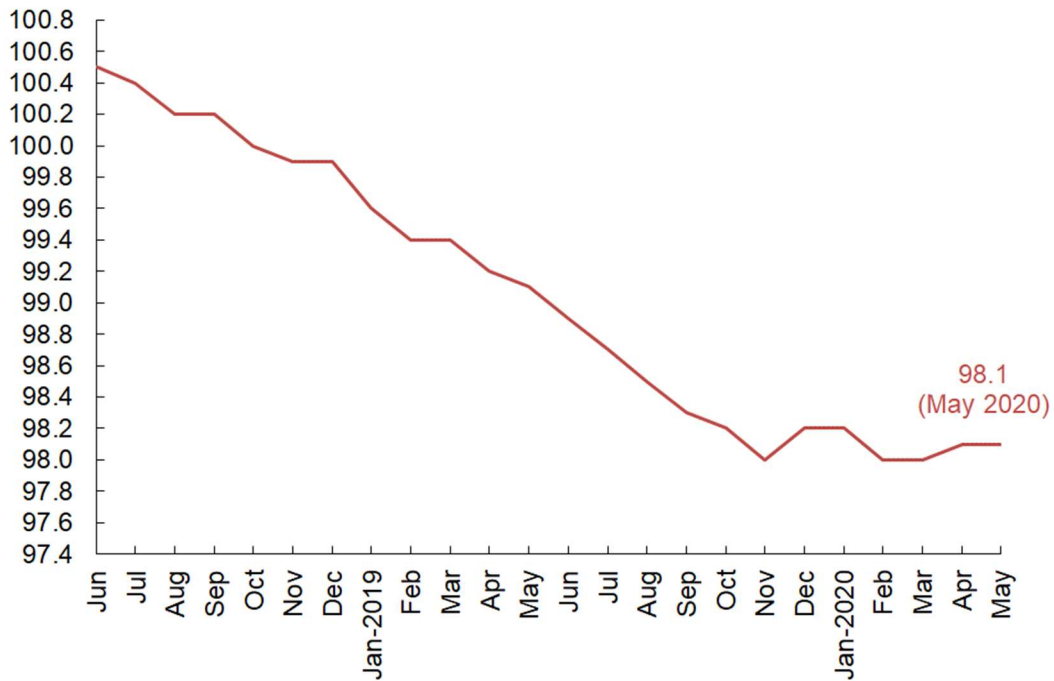
On a year-on-year basis, the price index for US imports from China declined 1.4%, 1.1% and 1.0% in March, April and May respectively. The 1.0% yoy decline recorded in May was the smallest year-on-year decrease recorded since March 2019.

The decline in the index has been relatively moderate compared to the movement of the US' overall import price index, which registered a year-on-year decline of 6.0% in May. The coronavirus (COVID-19) outbreak led to prolonged Chinese New Year factory closures and transport restrictions in the past few months, causing serious disruptions to the country's production. As such, a temporary supply crunch may have provided support to the prices of US imports from China.

Going forward, however, sluggish consumption in the US is likely to continue to drag down the exfactory prices of industrial products in China. Therefore, we expect that the prices of US imports from China to stay low in the next few months.

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

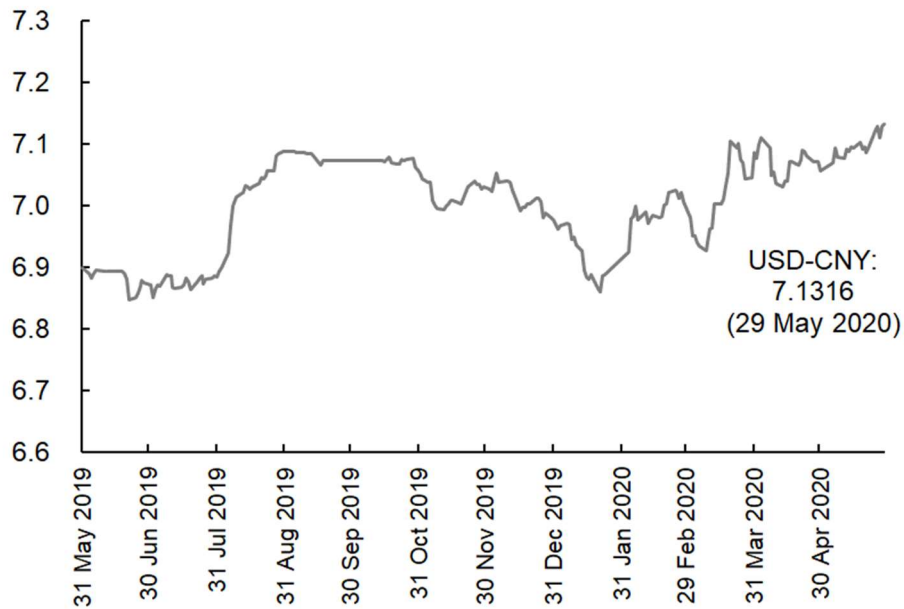
**Exhibit 1: Price index for US imports from China,
June 2018 to May 2020**



Source: US Department of Labor

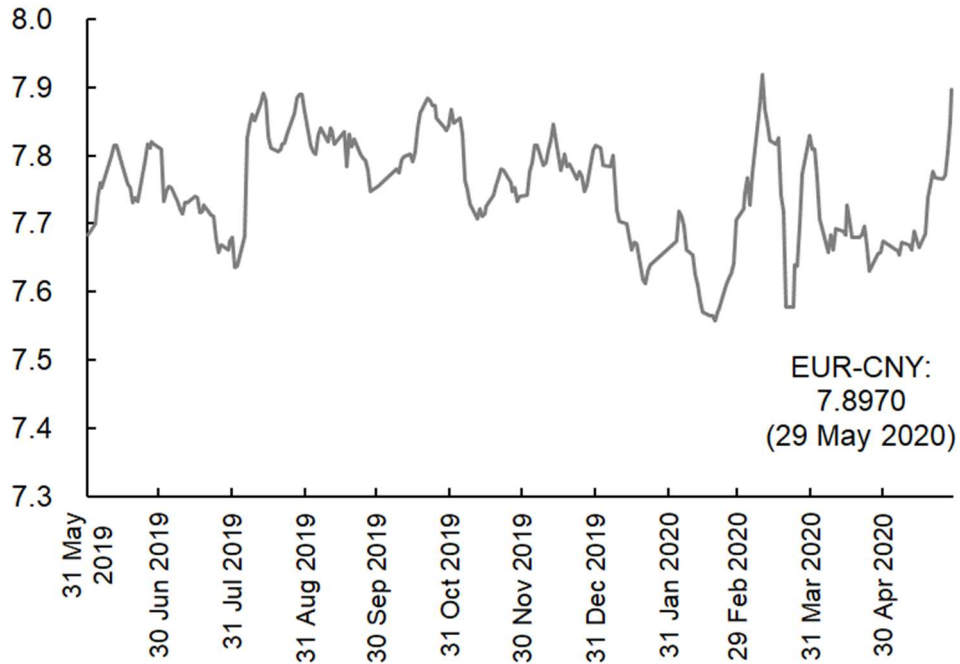
Exchange Rates

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



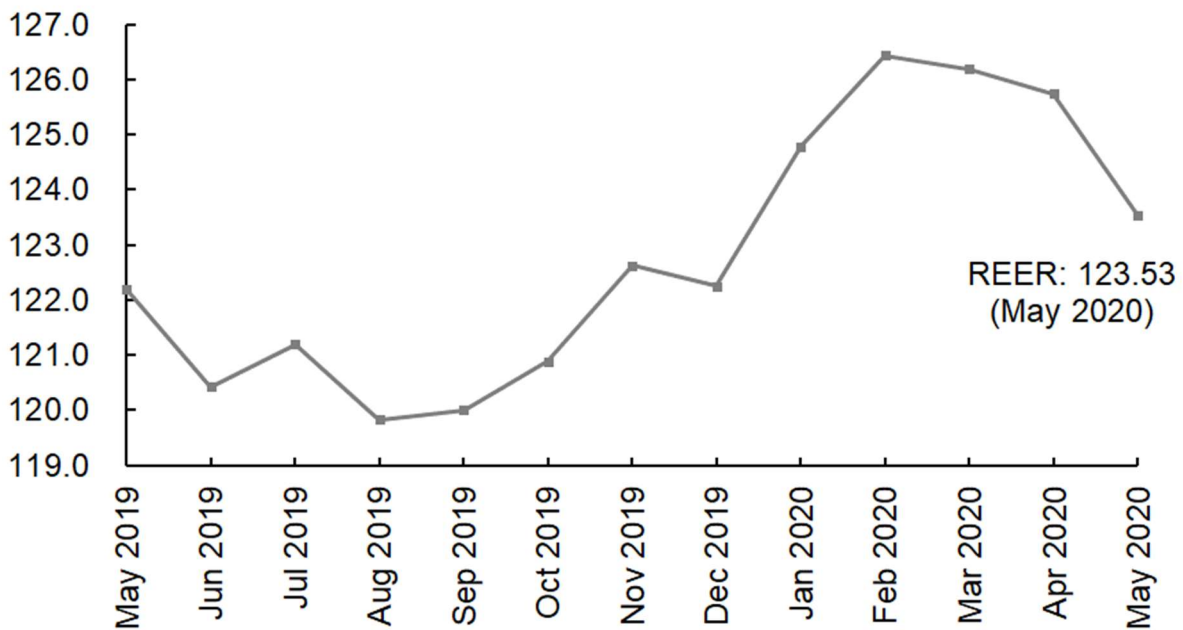
Source: State Administration of Foreign Exchange

Exhibit 2: EUR-CNY daily fixing rate, May 2019 to May 2020



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

FUNG BUSINESS INTELLIGENCE

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