



China Sourcing Update

December 2, 2019

Price index for US imports from China

Price index for US imports from China continues to fall in October

Compiled by the US Department of Labor, the price index for US imports from China edged down from 98.5 in September to 98.4 in October, continuing the downward trend which started in July 2018. (see exhibit 1).¹

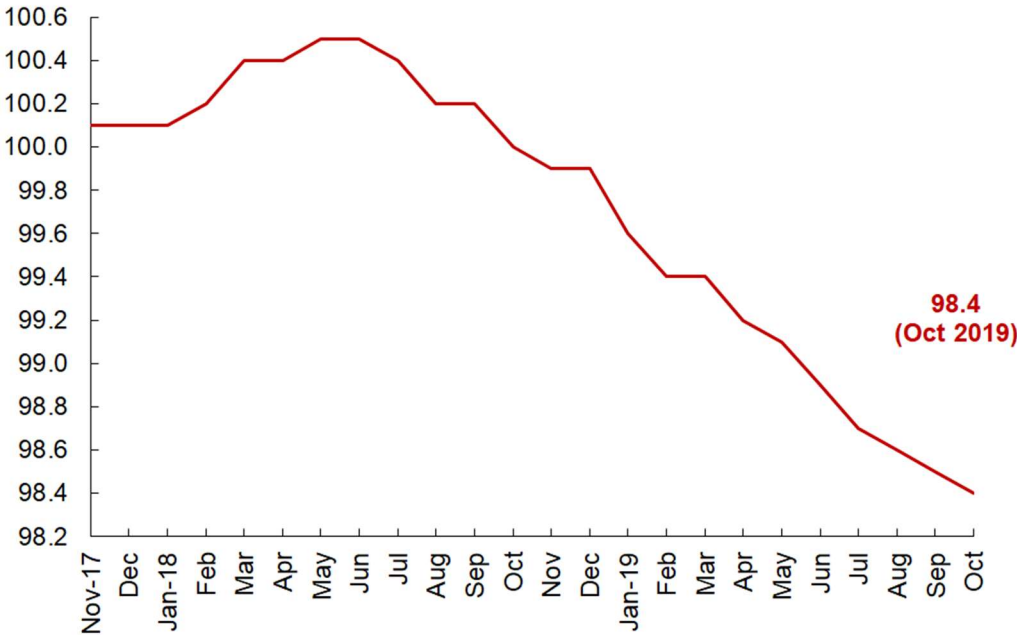
The slight decline in the price index for US imports from China was in line with the overall drop in US non-fuel import prices, which slipped 0.2% mom in October. Moreover, China's producer price index of industrial products (PPI), a major indicator of ex-factory prices of Chinese industrial products, fell steeply by 1.6% yoy in October (+0.1% mom), indicating deflation in ex-factory prices of Chinese industrial products.

Going forward, we expect that the price index for US imports from China will continue to stay soft in the coming months in face of softening global demand and bleak outlook for international trade.²

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

² The US agreed not to proceed with a hike in tariffs to 30% from 25% on about US\$250 billion of Chinese imports that was originally scheduled to take effect on 15 October. However, US President Donald Trump has not yet announced a decision about the tariff hike, which is set to go into effect on 15 December, on another US\$156 billion worth of Chinese goods.

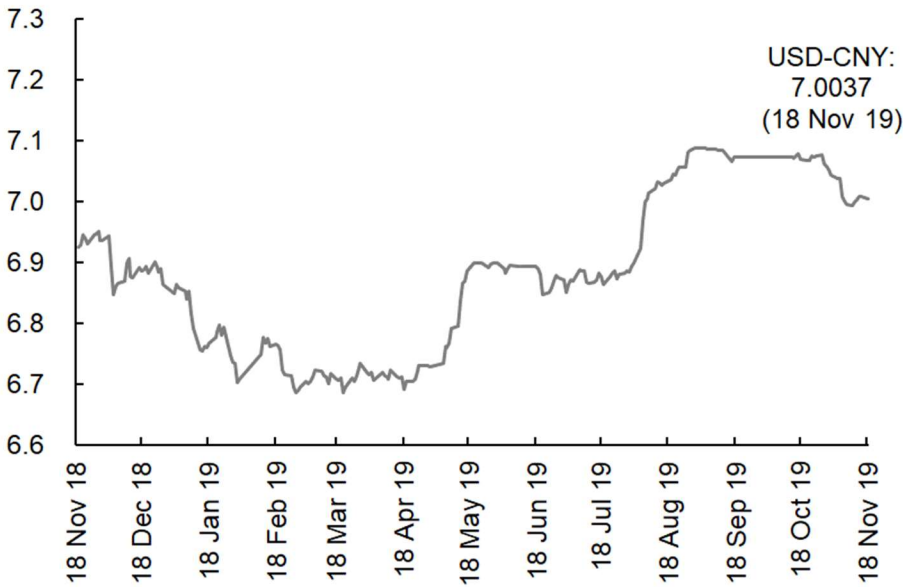
Exhibit 1: Price index for US imports from China, November 2017 to October 2019



Source: US Department of Labor

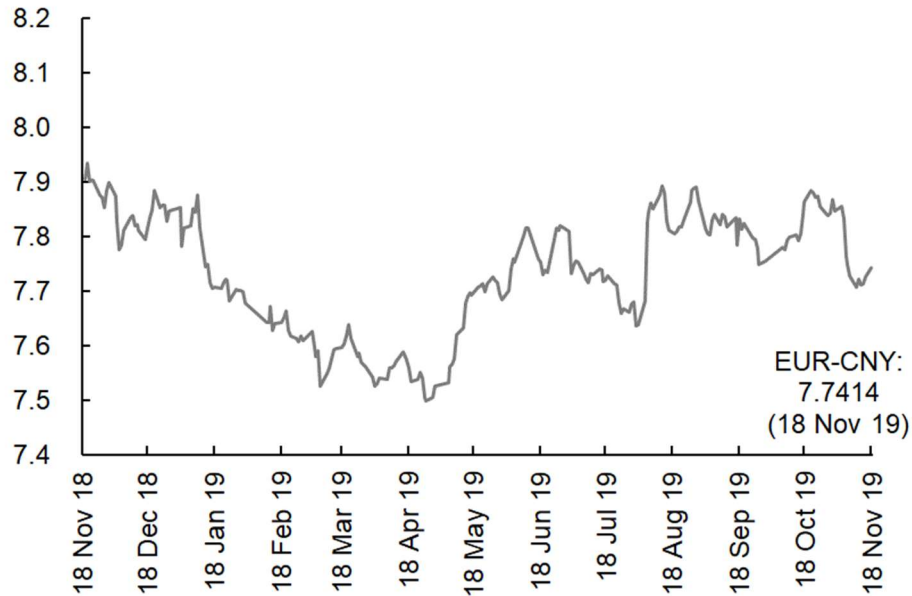
Exchange Rates

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



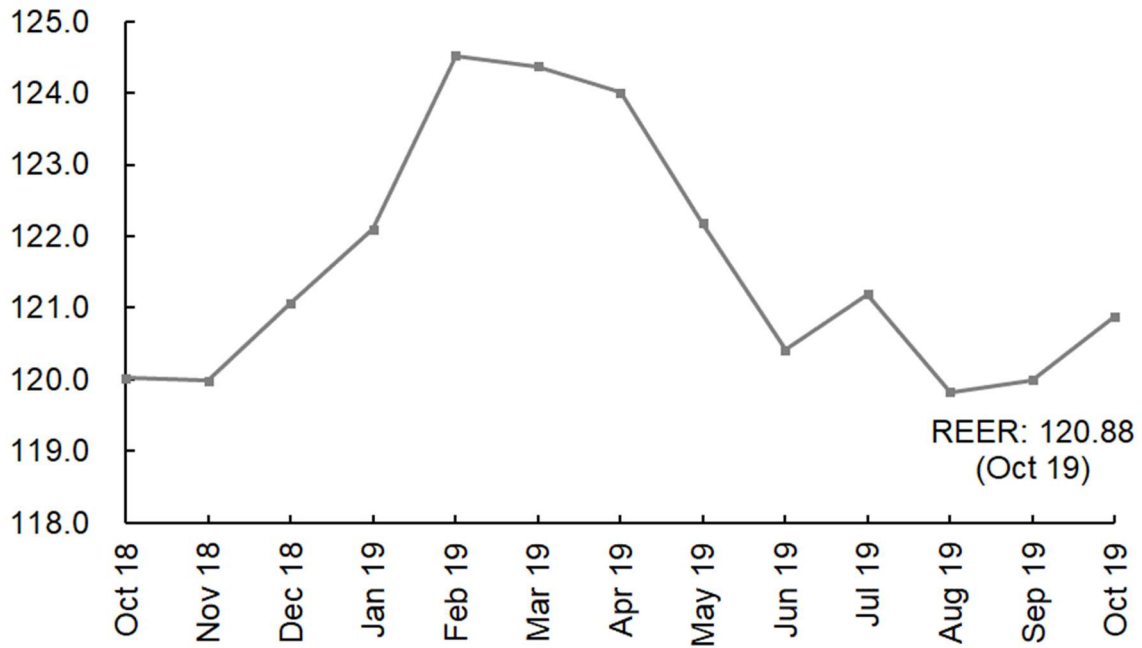
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

Exhibit 3: Real effective exchange rate of the Chinese yuan, October 2018 to October 2019



Source: Bank of International Settlements

FUNG BUSINESS INTELLIGENCE

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