China’s Exchange Rate Policy Reflected in U.S. Import Prices: An Update

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OPLC Focus Quarterly Article: China?

Why China?

Everyone is interested in China.
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Why China?

Potential for exchange rate “revaluation” was THE big story in 2010
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The Relationship Between Exchange Rates and Prices

Yuan \[\uparrow\] Import Prices from China \[\downarrow\]

Export Prices \[\uparrow\]
News Headlines from Spring 2010: A Sample

Barack Obama to press China on currency – The Telegraph


Geithner criticizes China's currency policy – CNN Money

China Won’t Revalue Yuan If Labeled ‘Manipulator’ - Bloomberg

Bernanke blasts China for currency manipulation – The Christian Science Monitor

China hints at allowing Yuan to rise – The Globe and Mail

Market waits for Yuan move – Wall Street Journal
China LOO and Yuan/Dollar Exchange Rate 2003-2010

(Exchange Rate Source: Federal Reserve Bank, December 2003 = 100)
Japan LOO and Yen/Dollar Exchange Rate 2003-2010

Chart 2. Japan Locality of Origin index and Japanese yen / U.S. dollar exchange rate
December 2003–June 2010
(Exchange Rate Source: Federal Reserve Bank, December 2003 = 100)
China LOO and Yuan/Dollar Exchange Rate 2003-2010

That was then...
China LOO and Yuan/Dollar Exchange Rate 2003-2011

This is now...
Yuan has appreciated 4.3% against dollar since June 2010*

China LOO index has increased 2.7%*
Implications of Dramatic Appreciation of Yuan

China
Inflationary pressures
Unemployment
Domestic instability

USA
Import price increases (consumers & business)
China’s holding of US securities
IPP Quarterly Focus on Prices and Spending

http://www.bls.gov/opub/focus/

The Price Competitiveness of U.S. Exports
China’s Exchange Rate Policy Reflected in Import Prices
The Impact of the European Debt Crisis on U.S. Import Prices
U.S. Export Prices Up As World Grain Stockpiles Decline
U.S. Import and Export Prices and the Terms of Trade
The Relationship Between Cotton and Import Apparel Prices
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