

IPP DISCUSSION SERIES

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.



OPLC Focus Quarterly Article: China?

Why China?

Potential for exchange rate
“revaluation” was THE big story in
2010



OPLC Focus Quarterly Article: China?

The Relationship Between Exchange Rates and Prices



News Headlines from Spring 2010: A Sample

Barack Obama to press China on currency – The Telegraph

China Rejects U.S. Complaints on Its Currency – The New York Times

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

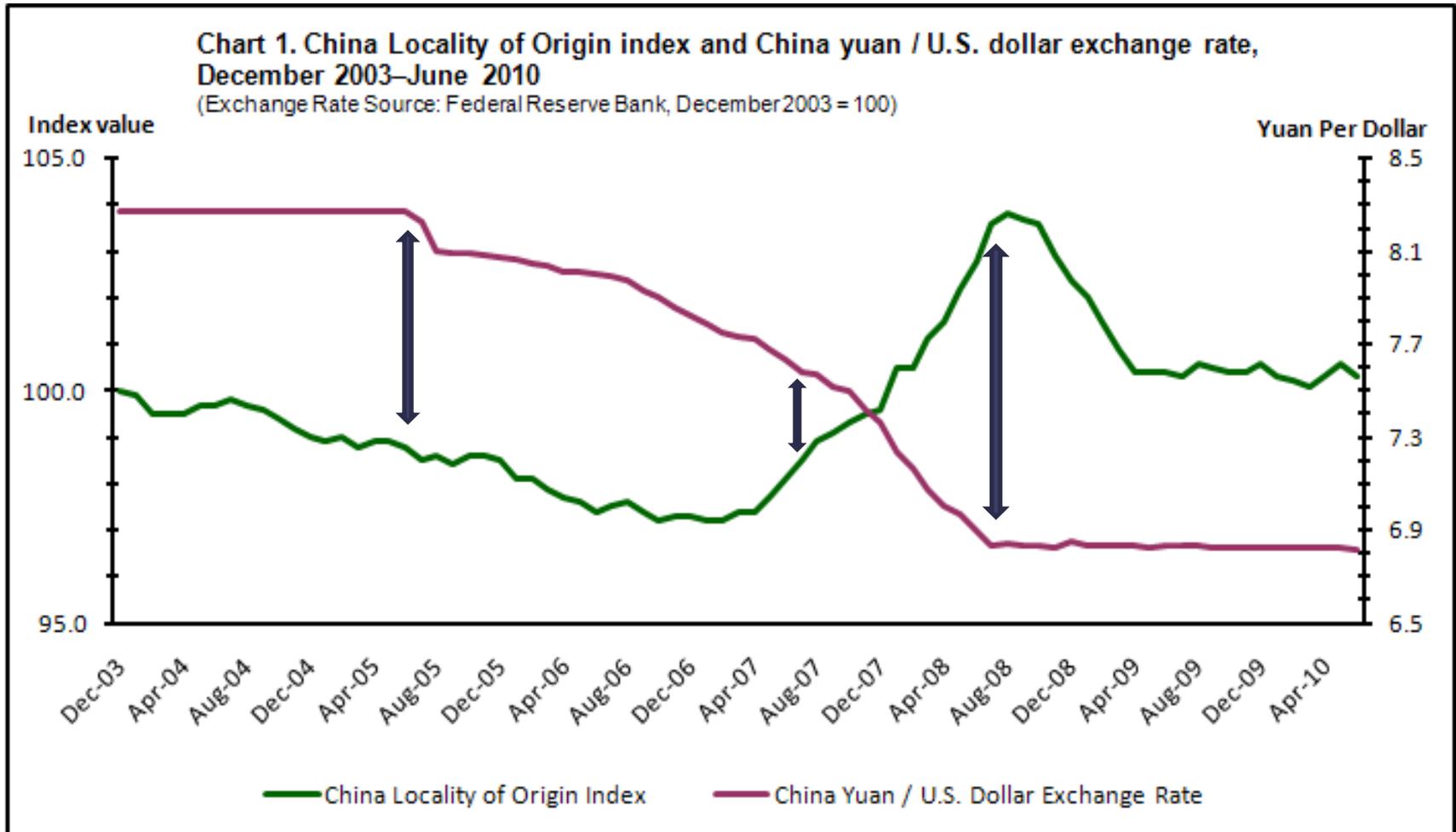
China hints at allowing Yuan to rise – The Globe and Mail

Market waits for Yuan move – Wall Street Journal

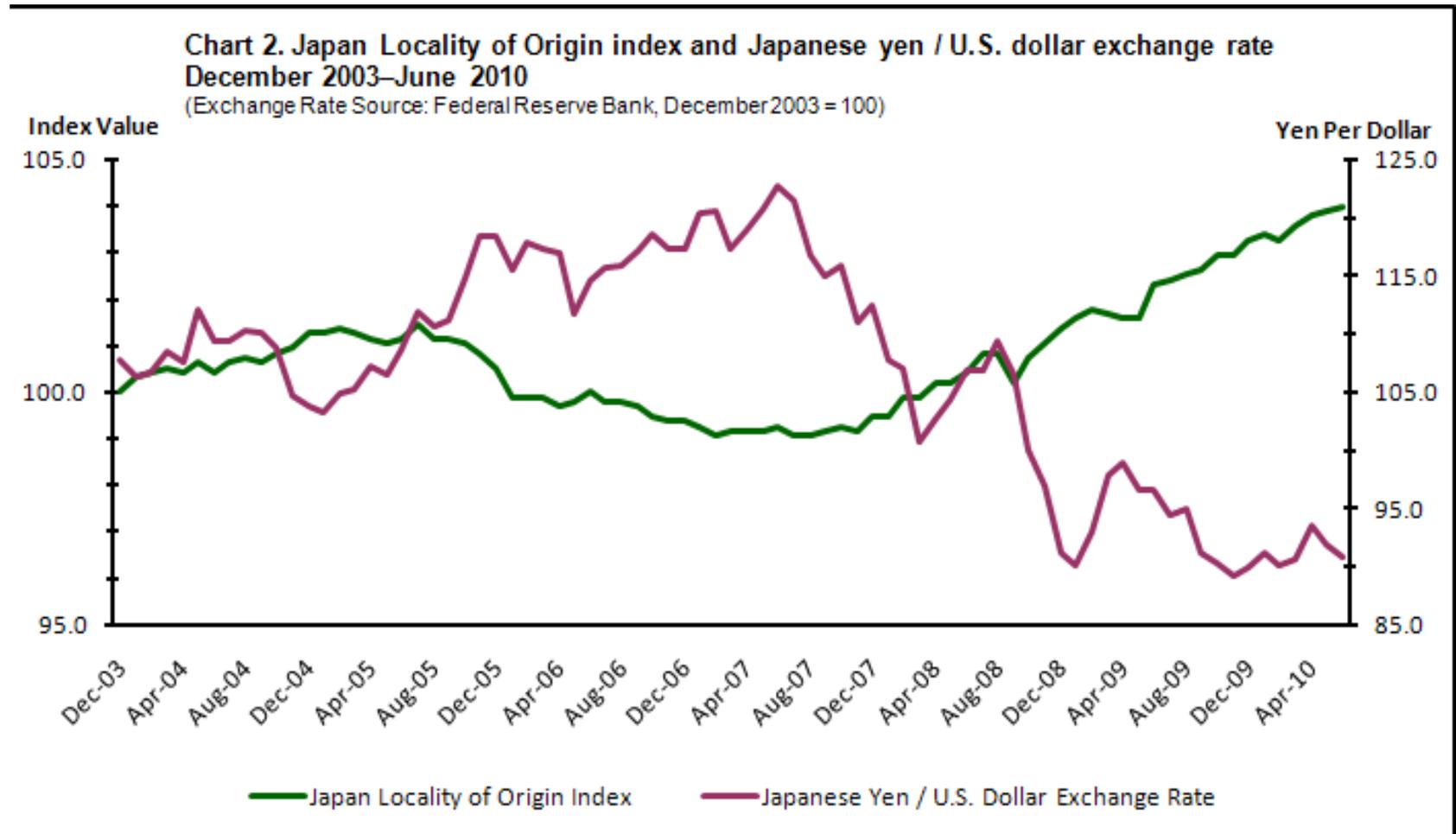
China LOO and Yuan/Dollar Exchange Rate 2003-2010

Chart 1. China Locality of Origin index and China yuan / U.S. dollar exchange rate, December 2003–June 2010

(Exchange Rate Source: Federal Reserve Bank, December 2003 = 100)

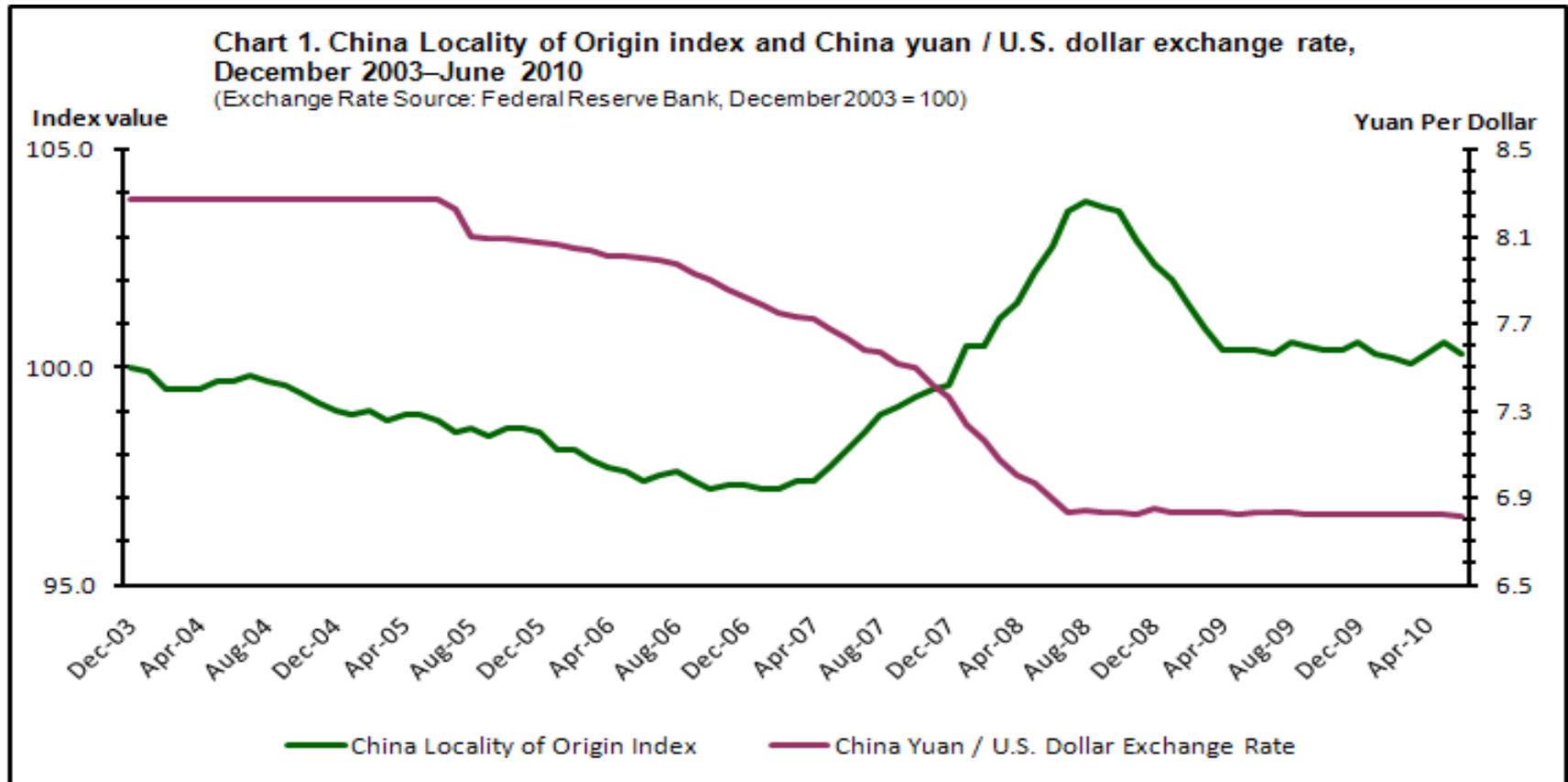


Japan LOO and Yen/Dollar Exchange Rate 2003-2010



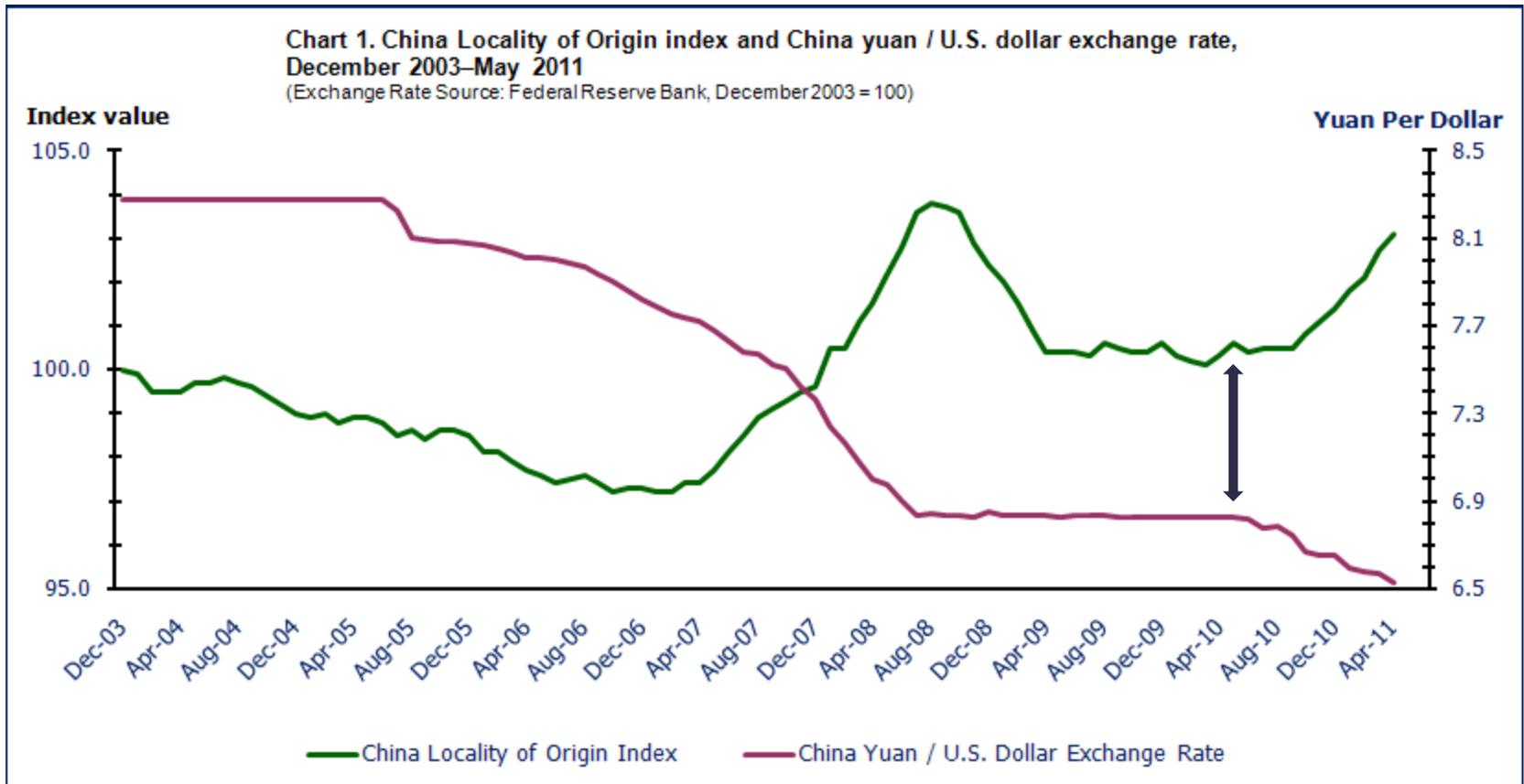
China LOO and Yuan/Dollar Exchange Rate 2003-2010

That was then...



China LOO and Yuan/Dollar Exchange Rate 2003-2011

This is now...



China LOO and Yuan/Dollar Exchange Rate: Update 2011

- 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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