

China woes pushing Canadian importers to find alternatives (15 September 2015)

Economic Conditions in China

- Renminbi has fell to its lowest level since mid-2011.
 - This fall reduced the cost creep of Chinese-made goods.
 - The fall also cut the value of foreign investments in the world's second-largest economy.
- Chinese government has a history of moving swiftly to adjust to challenges, making it difficult to forecast how conditions will settle.

The Effect of China Woes on Canadian Companies

- Canadian customers are closely watching China's economic slowdown, currency devaluation and stock market volatility.
- Companies are increasingly looking at alternatives in Asia, the Indian subcontinent and Latin America.
- Chinese imports to Canada have been growing, but imports from other low-cost countries have seen their exports grow even faster.
- It's nonetheless considering hiking its top price from \$3 to \$4 because a sharp decrease in the value of the Canadian dollar far outweighs the small price discounts flowing from the Chinese currency devaluation.

Interested Parties' Comments

- Stockwell Day, former federal trade minister for the Asia Pacific region:
 - *It's understandable that unpredictability about China's growth will create nervousness. But it isn't enough to offset the benefits of doing business with China*
 - *Any business person will be looking around but the fact is China is such a giant market, and it will continue to be so.*
 - *As costs in China rises, importers naturally look to other regions, but more factors need to be considered other than simply chasing cheaper labour.*
- Dollarama, which sources more than half of its goods from more than 25 countries outside North America - mainly China:
 - *It hasn't been adversely impacted by Chinese economic developments.*
- CEO Larry Rossy:
 - *They're still the best source of supply (for cheap products).*

¹http://www.ctvnews.ca/business/china-woes-pushing-canadian-importers-to-find-alternatives-says-delmar-ceo-1.2563505#_gus&_gucid=&_gup=twitter&_gsc=oyF7NoY

