



China Sourcing Update

May 20, 2020

Transportation Cost

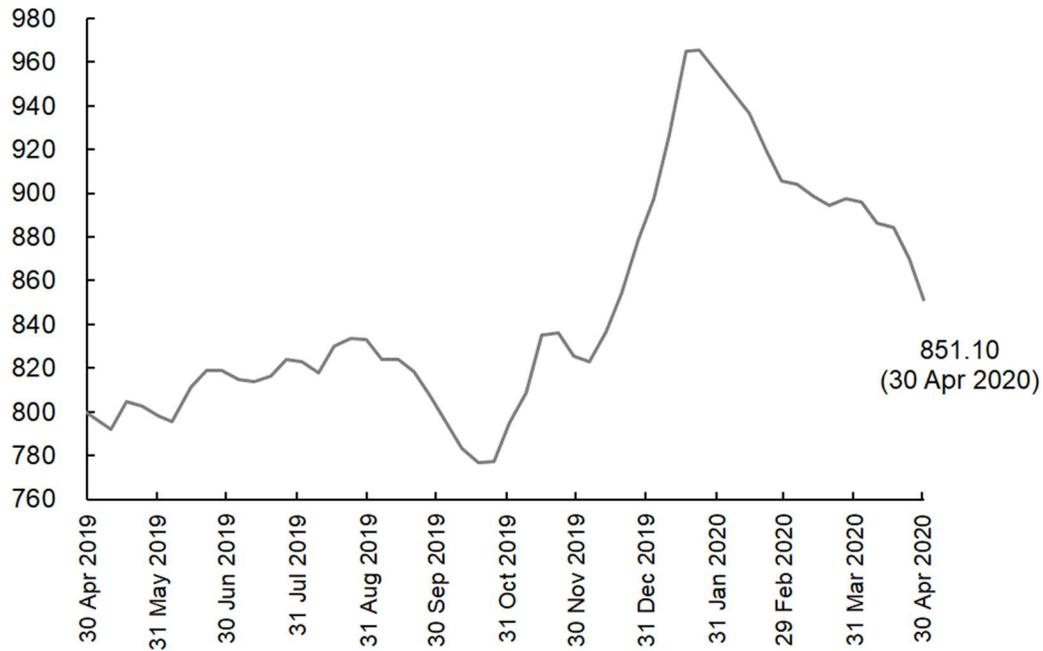
China Containerized Freight Index declines by 11.8% in three months

The China Containerized Freight Index (CCFI) fell from 965.31 on 23 January to 851.10 on 30 April, registering a 11.8% decline over the three-month period. (See *exhibit 1*).

The CCFI dropped by 6.2% in February due to a plunge in demand for containerized freight services amid the Chinese government's measures to curb the spread of COVID-19, including prolonged Chinese New Year factory closures and domestic travel restrictions. The decline temporarily leveled off in March, with the CCFI falling by 0.9% during the month, as factory production gradually resumed. The decline in CCFI steepened again in April, falling 5.2% during the month, as international trade plummeted due to the COVID-19 pandemic and some scheduled sailings were cancelled in response to restrictive measures imposed globally to fight the pandemic.

Looking ahead, we expect the China Containerized Freight Index to stay low due to sluggish demand for maritime freight services as the economic impact of the COVID-19 pandemic is likely to linger on for the next few months.

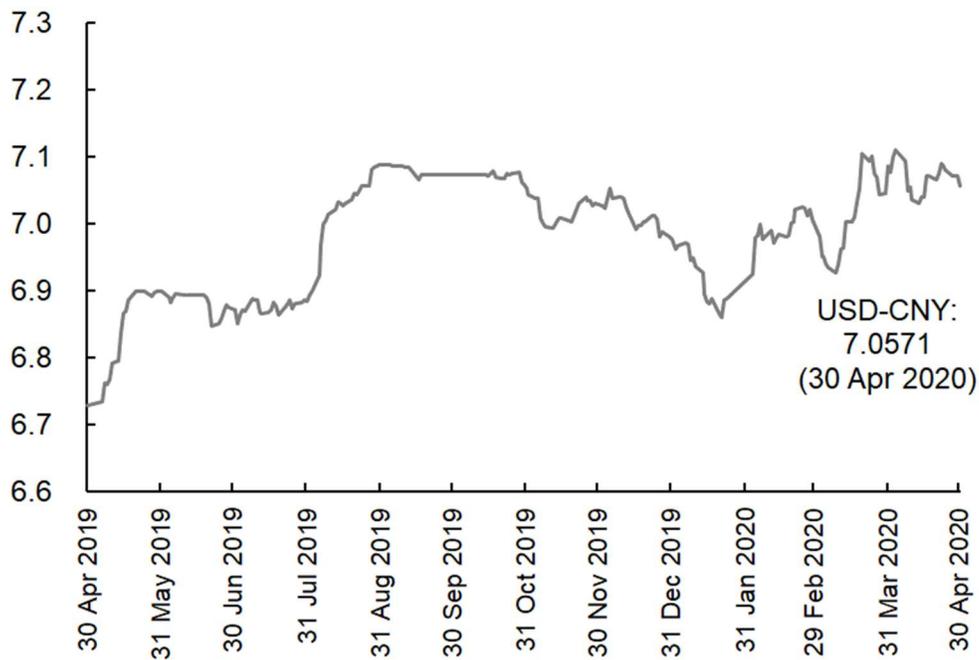
Exhibit 1: China Containerized Freight Index, April 2019 to April 2020



Source: Shanghai Shipping Exchange

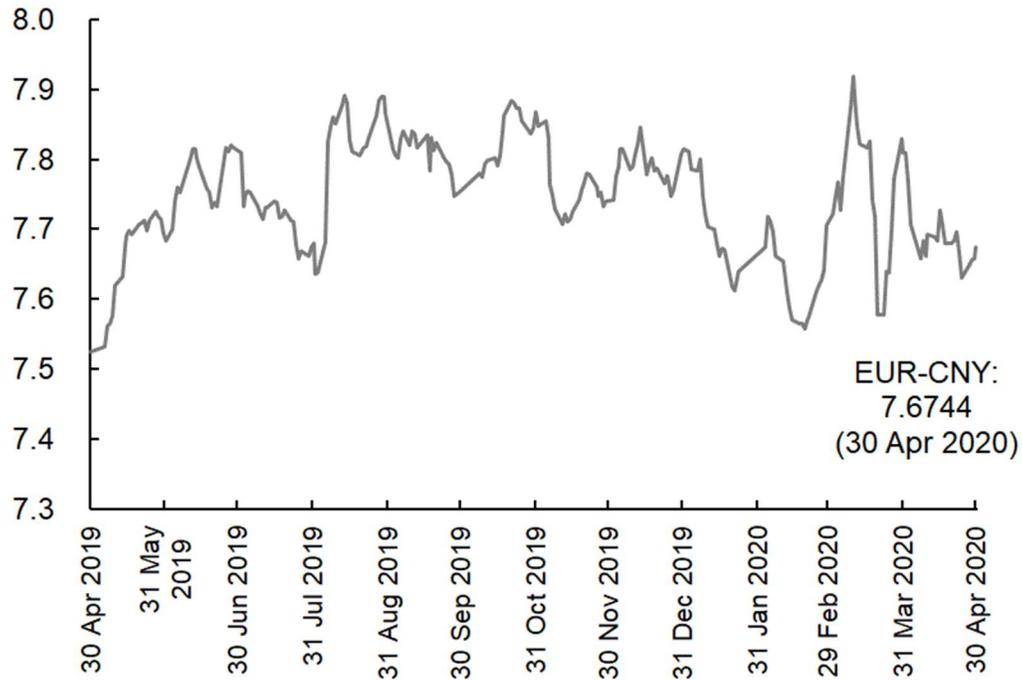
Exchange Rates

Exhibit 2: USD-CNY daily fixing rate, April 2019 to April 2020



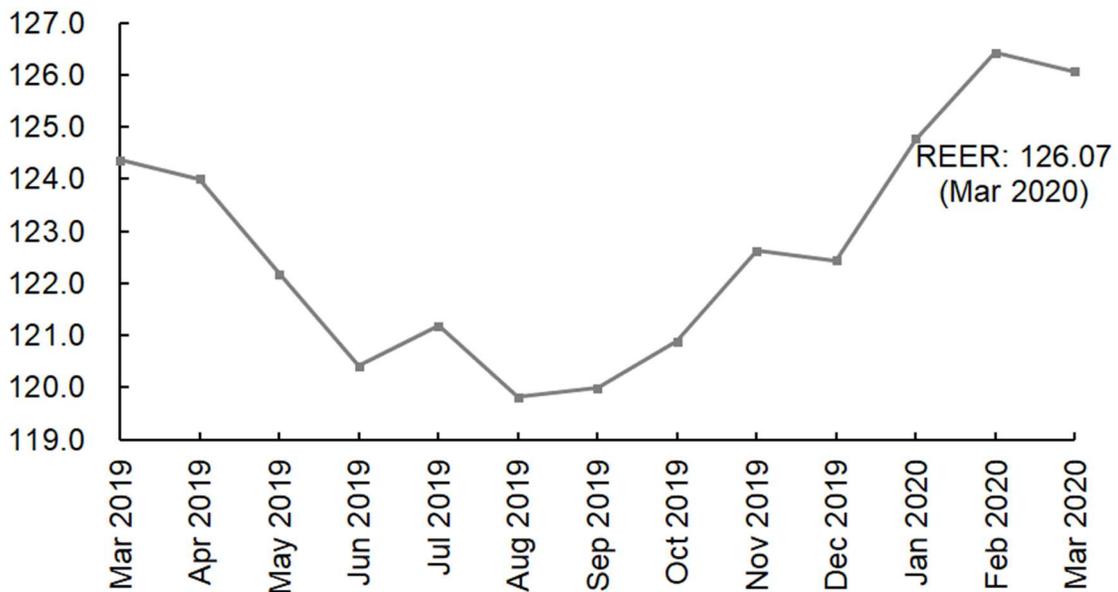
Source: State Administration of Foreign Exchange

Exhibit 3: EUR-CNY daily fixing rate, January 2019 to January 2020



Source: State Administration of Foreign Exchange

Exhibit 4: Real effective exchange rate of the Chinese yuan, March 2019 to March 2020



Source: Bank of International Settlements

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

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Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including trading, logistics, distribution and retail.

The Fung Group has over 34,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

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For more information, please visit www.funggroup.com.

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