



China Sourcing Update

September 4, 2017

Transportation Cost

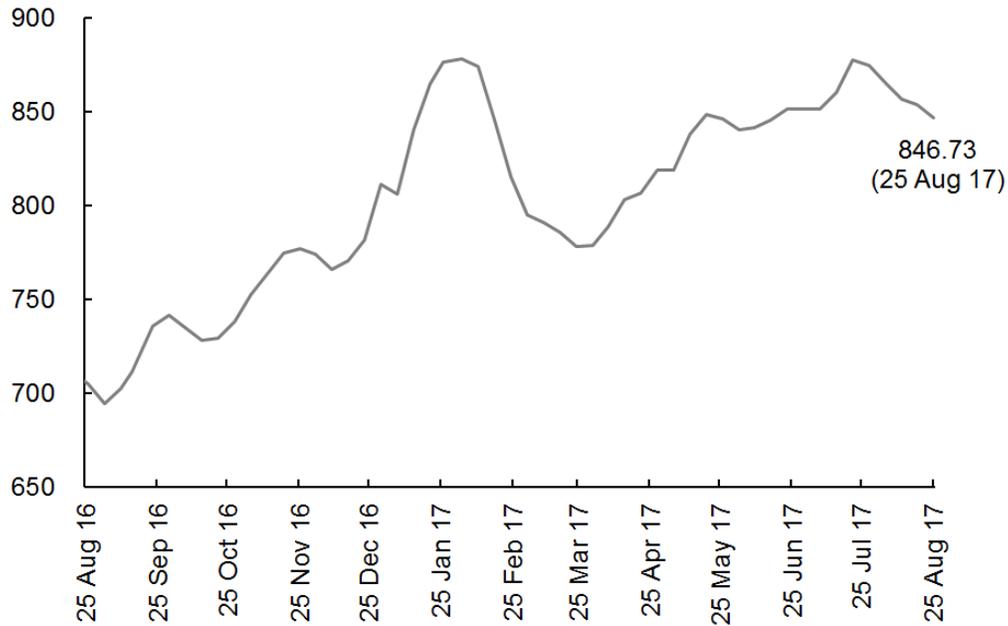
China Containerized Freight Index declines in August

The China Containerized Freight Index (CCFI) fell from 874.38 on 28 July to 846.73 on 25 August (*see exhibit 1*).

The main reasons for the drop in the price index were a serious overcapacity problem among carriers on the Persian Gulf / Red Sea routes and a slump in the market demand for West African routes, which led to a plunge in the container freight rates for these routes in the month. Meanwhile, freight rates for European and North American routes stayed high as market demand remained robust.

In our view, the demand for containerized freight services for European and North American routes is expected to stay stable; meanwhile, the freight rates for the Persian Gulf / Red Sea routes and West African routes are likely to fall further. All in all, we believe that the China Containerized Freight Index will continue to trend downward in the near term.

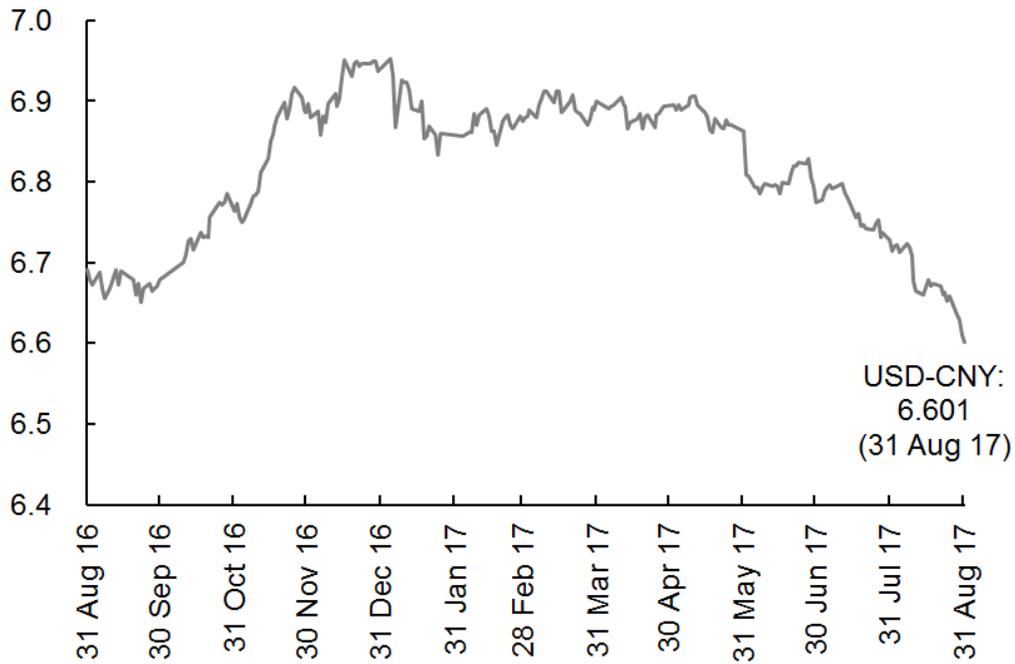
Exhibit 1: China Containerized Freight Index, August 2016 to August 2017



Source: Shanghai Shipping Exchange

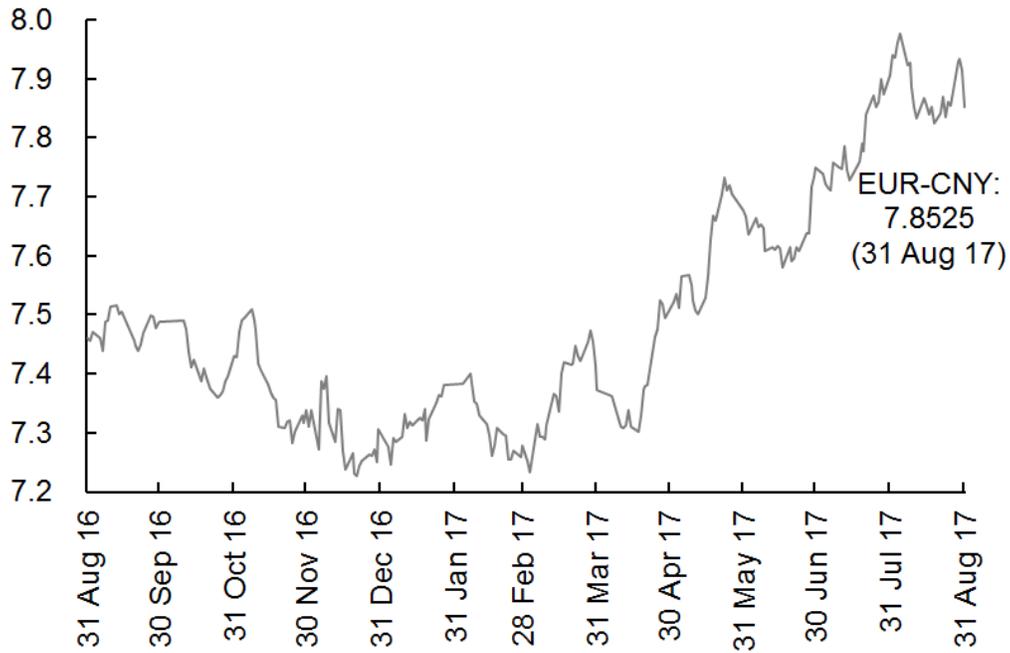
Exchange Rates

Exhibit 2: USD-CNY daily fixing rate, August 2016 to August 2017



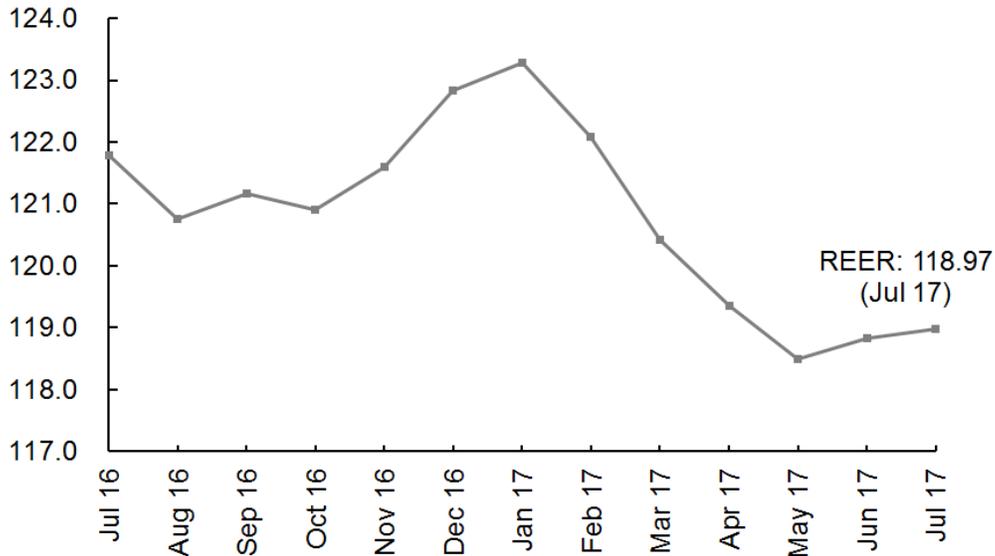
Source: State Administration of Foreign Exchange

Exhibit 3: EUR-CNY daily fixing rate, August 2016 to August 2017



Source: State Administration of Foreign Exchange

Exhibit 4: Real effective exchange rate of the Chinese yuan, July 2016 to July 2017



Source: Bank of International Settlements

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