



China Sourcing Update

January 6, 2017

Transportation Cost

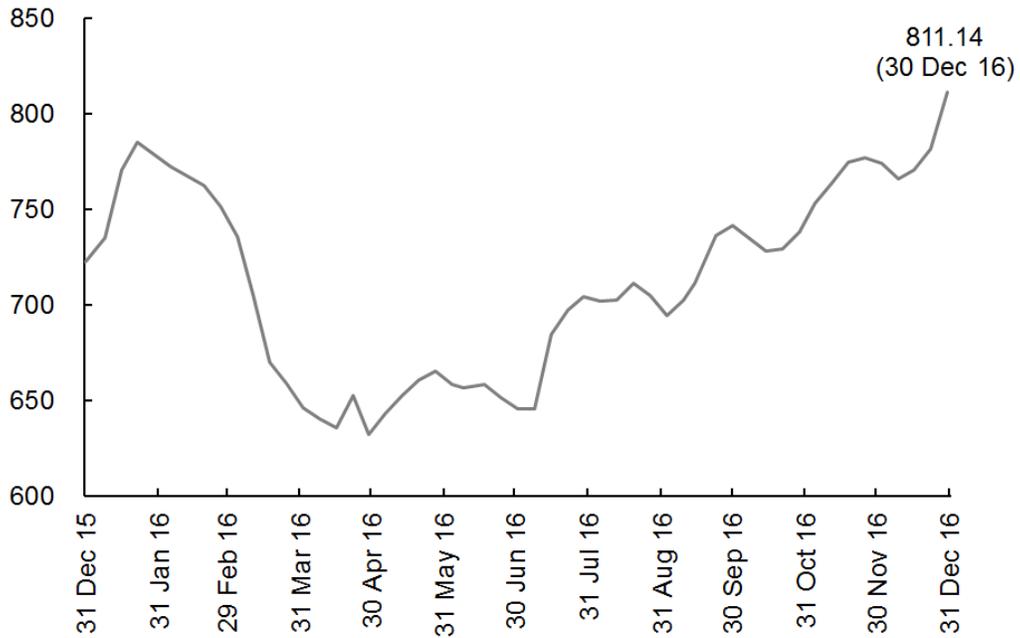
China Containerized Freight Index rises in December

The China Containerized Freight Index (CCFI) fell from 777.13 on 25 November to 766.15 on 9 December, and then went up markedly to 811.14 on 30 December, the highest level since September 2015 (see *exhibit 1*).

The decline in freight rates in early December was caused by a seasonal fall in the market demand for containerized freight services. The rebound in freight rates afterwards was boosted by a surge in shipments as exporters rushed to send their goods out of China before the Chinese New Year holiday.

According to the latest media reports, a number of carriers raised freight rates in early January amid the improving demand, and the demand for containerized freight services is expected to remain strong before the Chinese New Year holiday. Thus, we expect the China Containerized Freight Index to rise further in the near future.

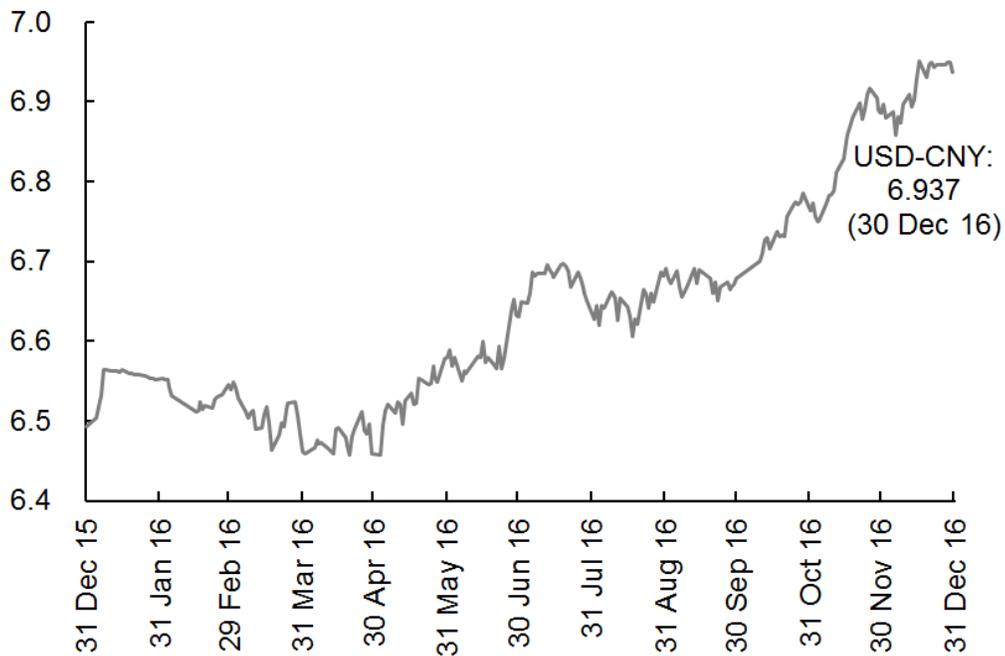
Exhibit 1: China Containerized Freight Index, December 2015 to December 2016



Source: Shanghai Shipping Exchange

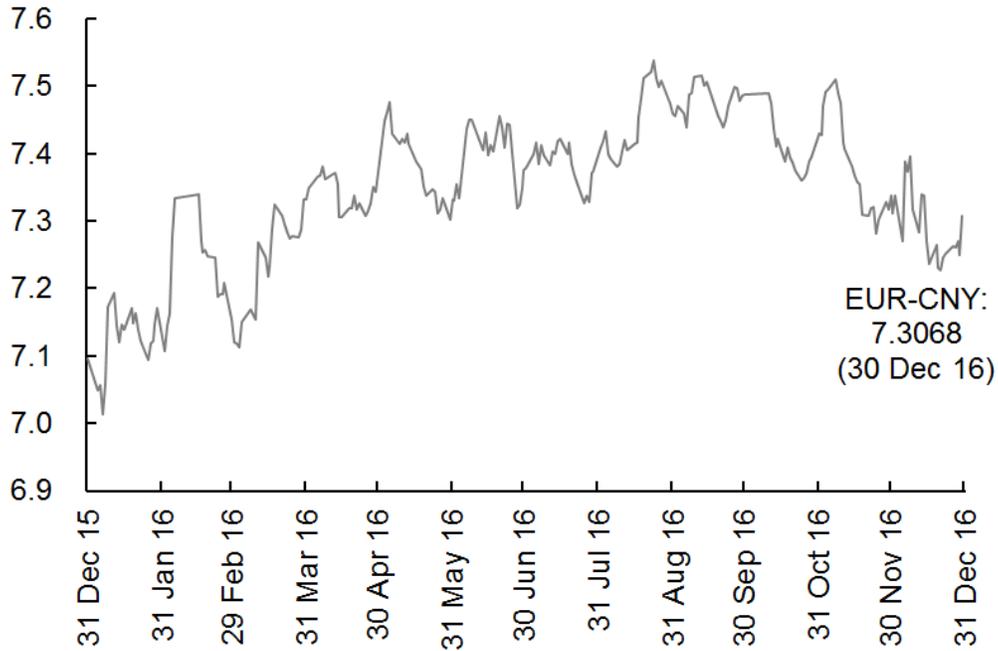
Exchange Rates

Exhibit 2: USD-CNY daily fixing rate, December 2015 to December 2016



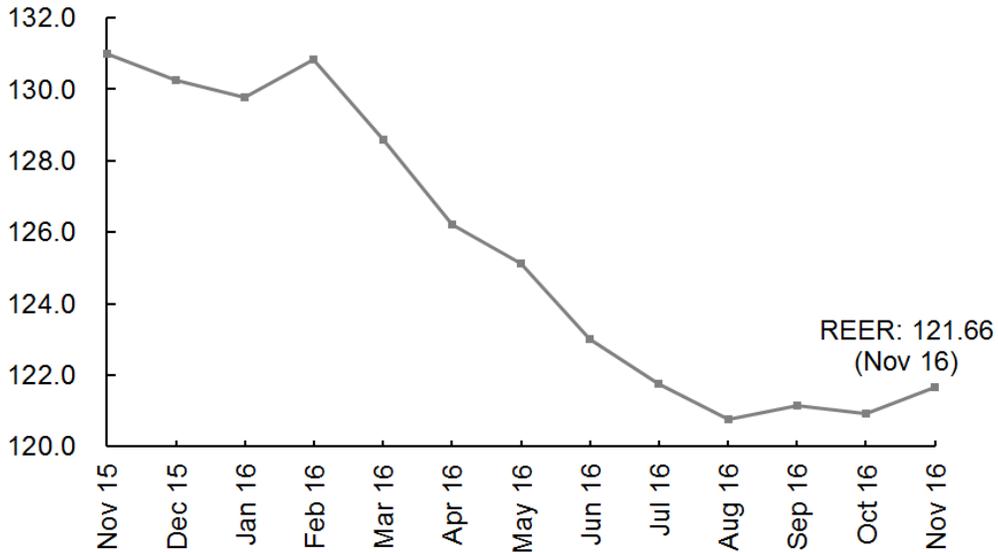
Source: State Administration of Foreign Exchange

Exhibit 3: EUR-CNY daily fixing rate, December 2015 to December 2016



Source: State Administration of Foreign Exchange

Exhibit 4: Real effective exchange rate of the Chinese yuan, November 2015 to November 2016



Source: Bank of International Settlements

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