



China Sourcing Update

January 3, 2018

Transportation Cost

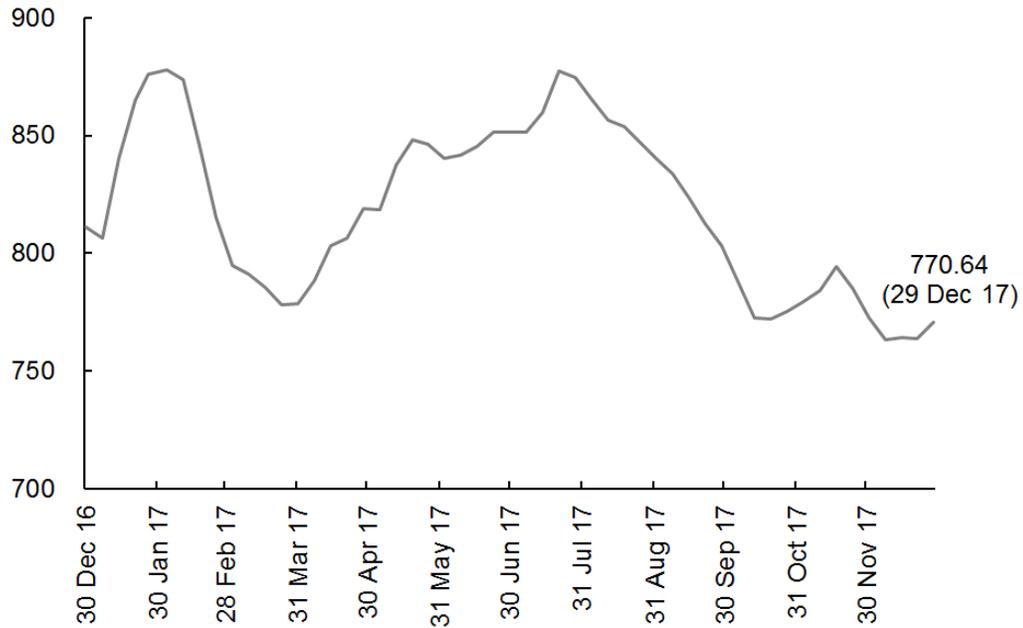
China Containerized Freight Index drops in December

The China Containerized Freight Index (CCFI) fell from 785.20 on 24 November to a one-year low of 763.14 on 8 December, and then stayed low for two weeks, before rebounding to 770.64 on 29 December (see *exhibit 1*).

The decline in freight rates in early December was triggered by an excess capacity of the carriers. Afterwards, the pick-up in freight rates in late December was boosted by a surge in shipments as exporters rushed to send their cargos out of China before the Chinese New Year holiday.

Going forward, the demand for containerized freight services is expected to remain strong before the Chinese New Year. Therefore, we expect the China Containerized Freight Index to rise further in the near future.

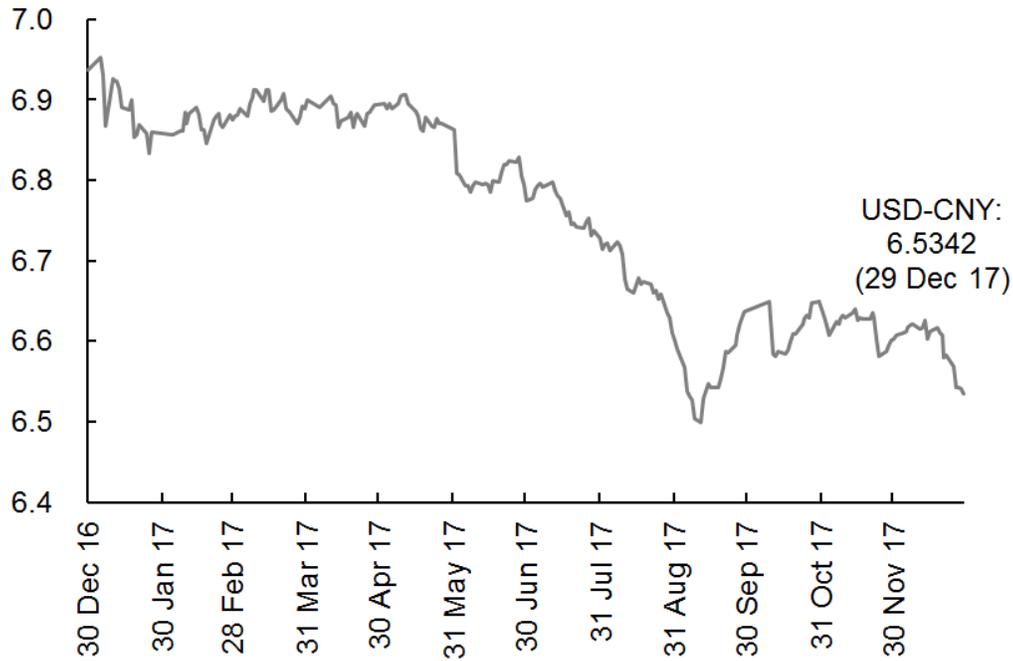
Exhibit 1: China Containerized Freight Index, December 2016 to December 2017



Source: Shanghai Shipping Exchange

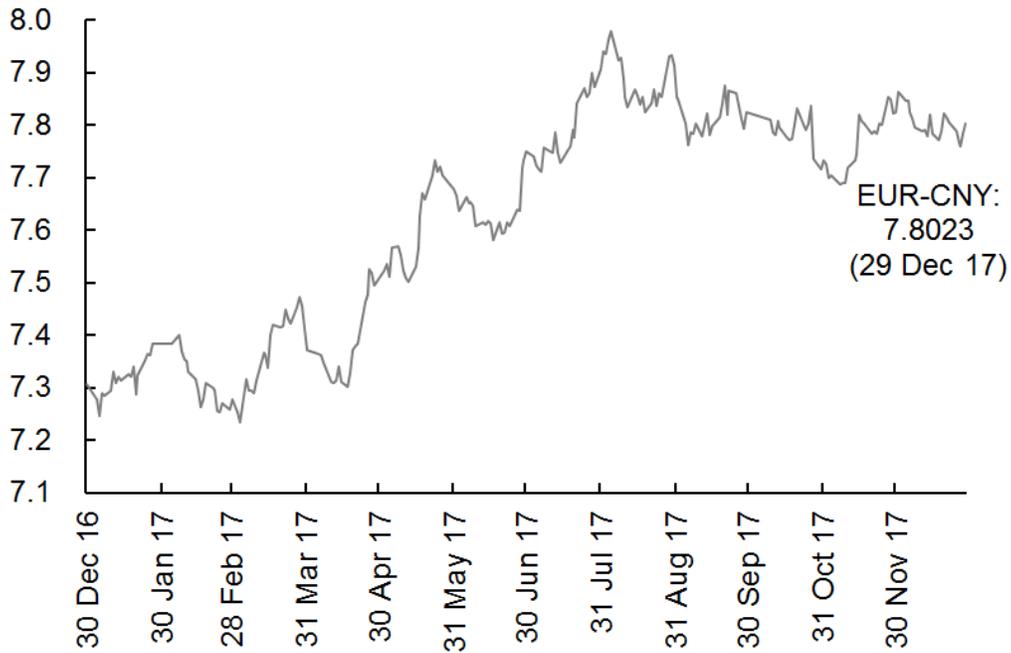
Exchange Rates

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



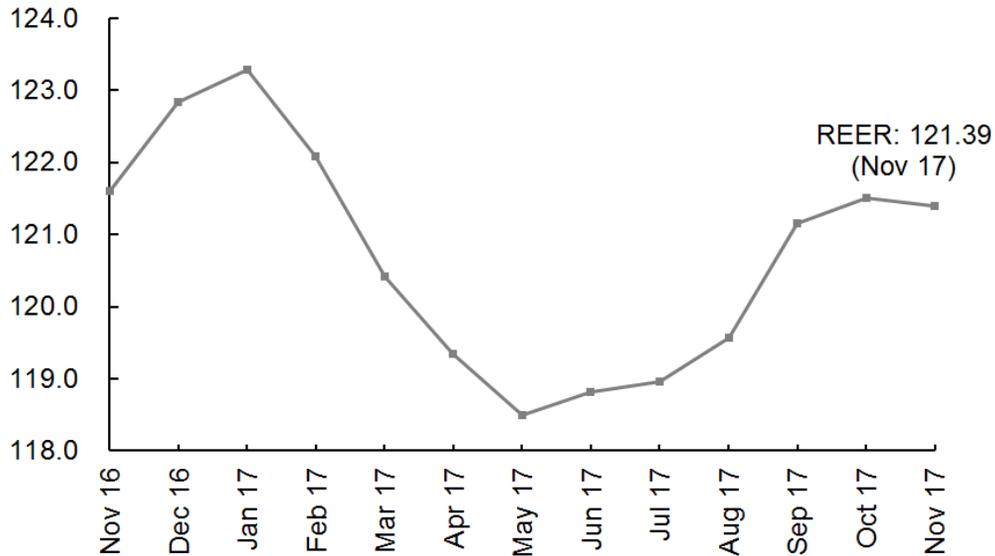
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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