



China Sourcing Update

March 9, 2017

Transportation Cost

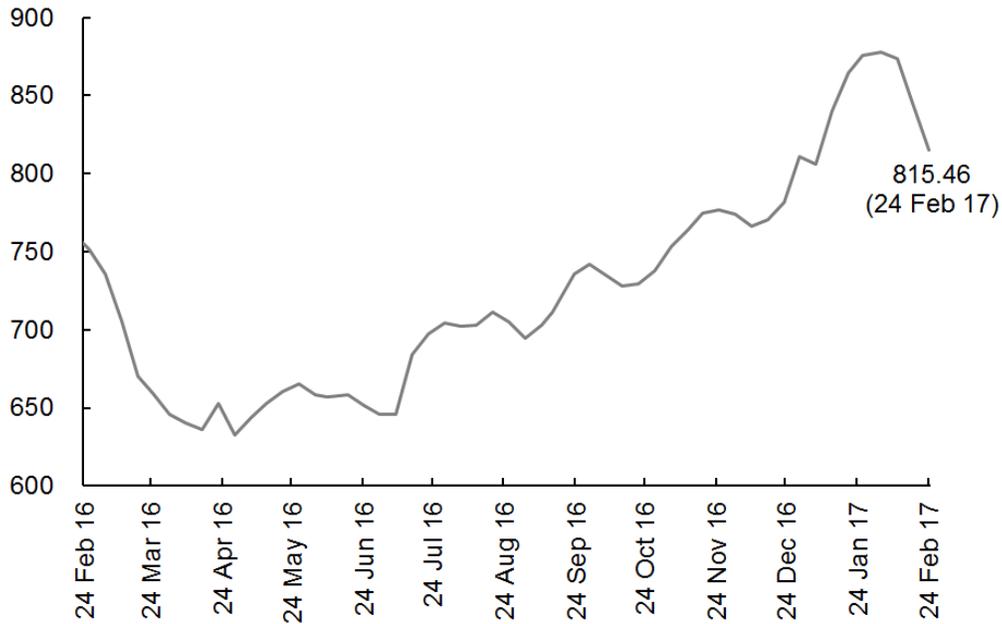
China Containerized Freight Index drops in February

The China Containerized Freight Index (CCFI) edged up from 876.10 on 26 January to a 20-month high of 877.89 on 3 February, and then fell to 815.46 on 24 February (see *exhibit 1*).

The main reason for the decline in freight rates in the month was a seasonal fall in the market demand for containerized freight services after the Chinese New Year holidays.

According to the latest media reports, a number of carriers will cancel some sailings in the next few weeks. That being said, we expect the China Containerized Freight Index to continue to fall in the coming months, as the market demand for containerized freight services is likely to slow significantly further in the current low season.

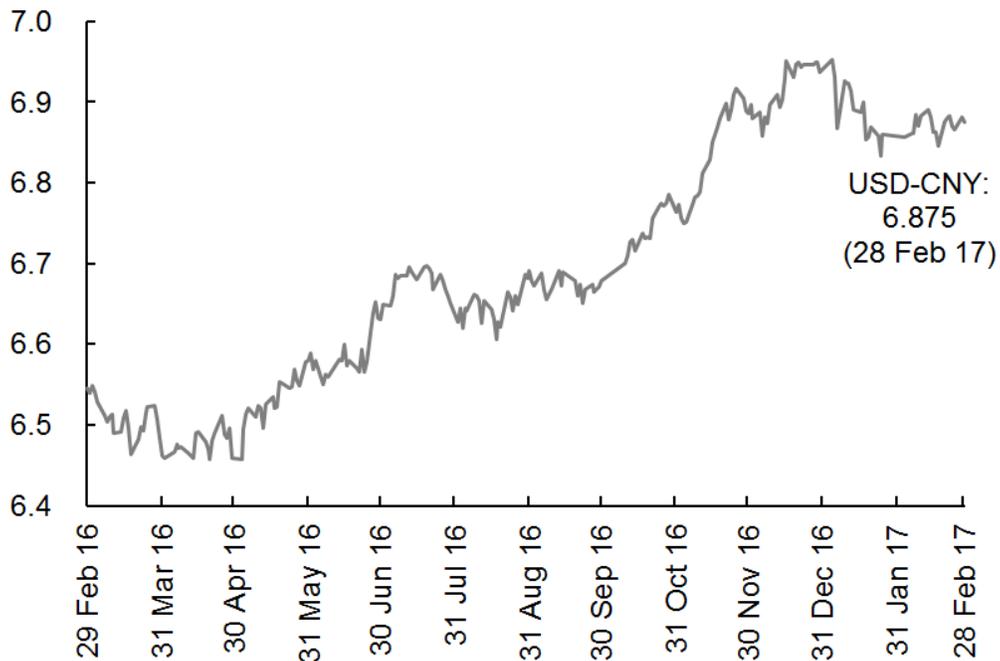
Exhibit 1: China Containerized Freight Index, February 2016 to February 2017



Source: Shanghai Shipping Exchange

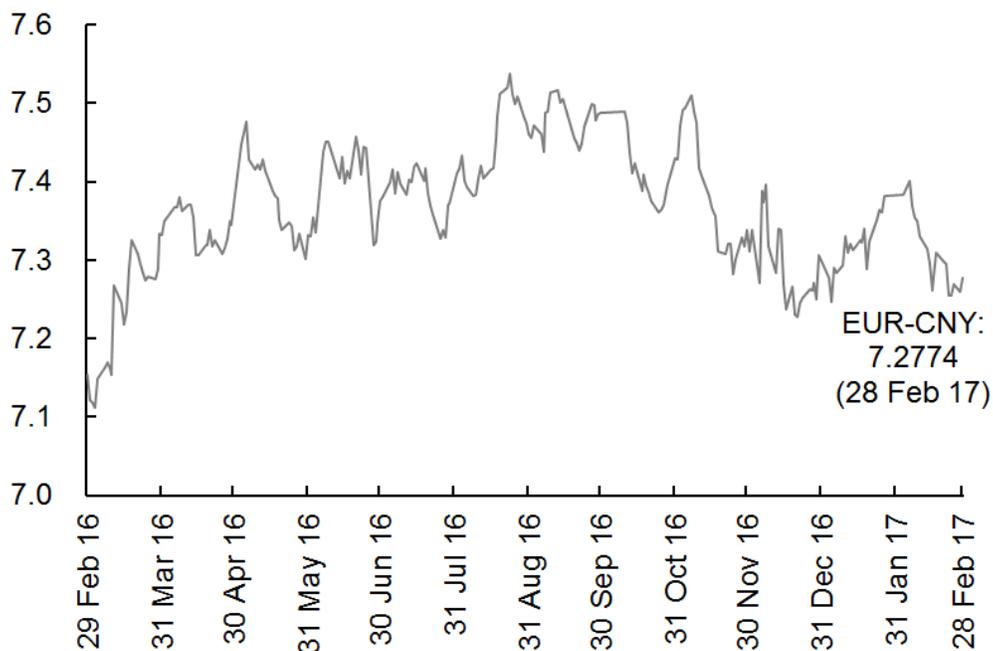
Exchange Rates

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



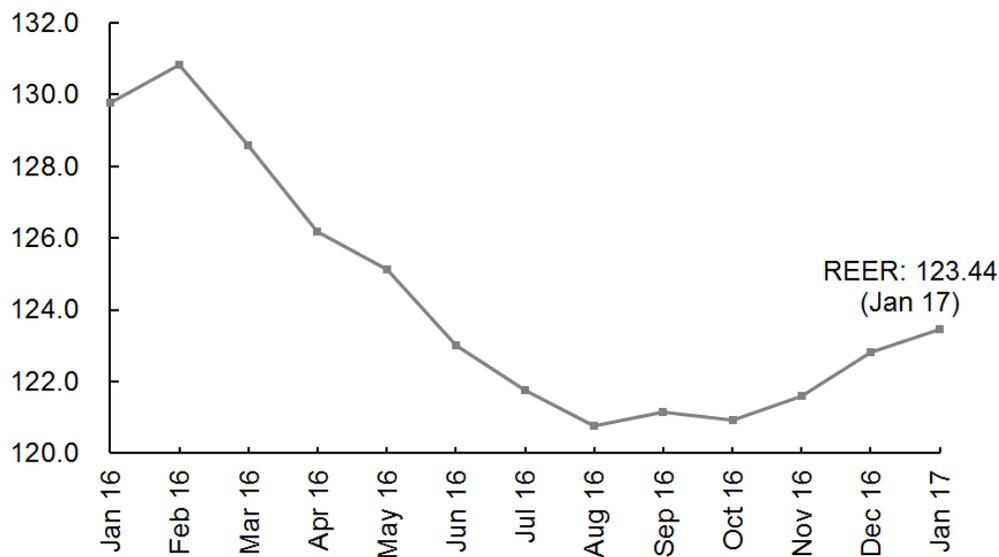
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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