



China Sourcing Update

August 3, 2018

Transportation Cost

China Containerized Freight Index climbs in July

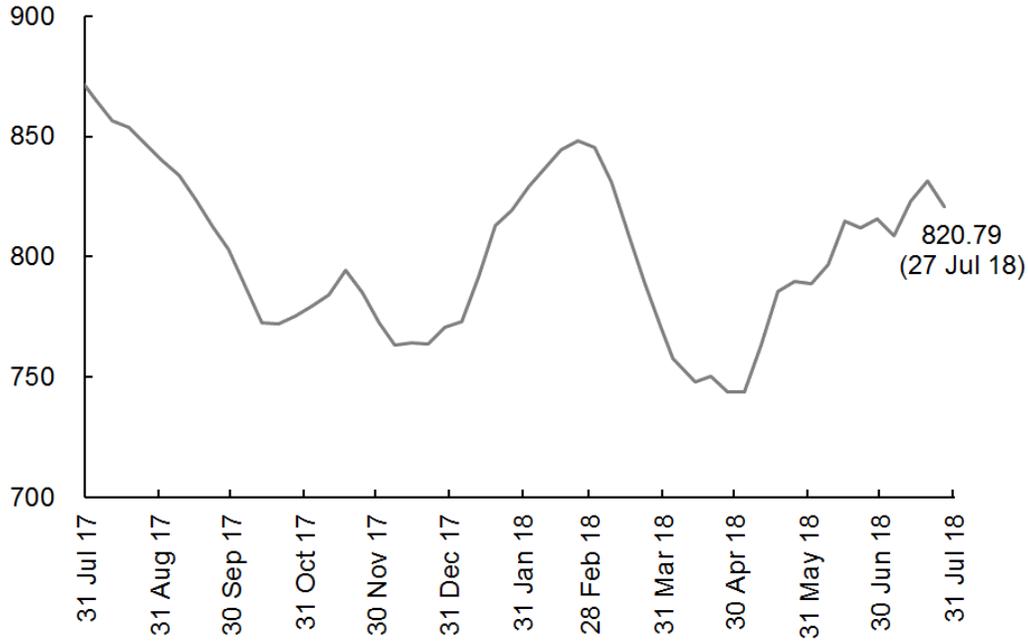
The China Containerized Freight Index (CCFI) went up from 815.89 on 29 June to 831.42 on 20 July, before retreating to 820.79 on 27 July (*see exhibit 1*).

The rise in freight rates in the month was due largely to a strong market demand for containerized freight services for European and North American routes.

It is noteworthy that a China-US trade war started on 6 July when the US and China began to impose additional tariffs of 25% on imports worth US\$34 billion from each other. Although it has had minimal negative impacts on the market demand for North American routes thus far, the market demand is likely to decline markedly if the trade war escalates further.

That being said, we expect the China Containerized Freight Index to stay high in the near term, as the overall market demand for containerized freight services is likely to remain strong during the current high season.

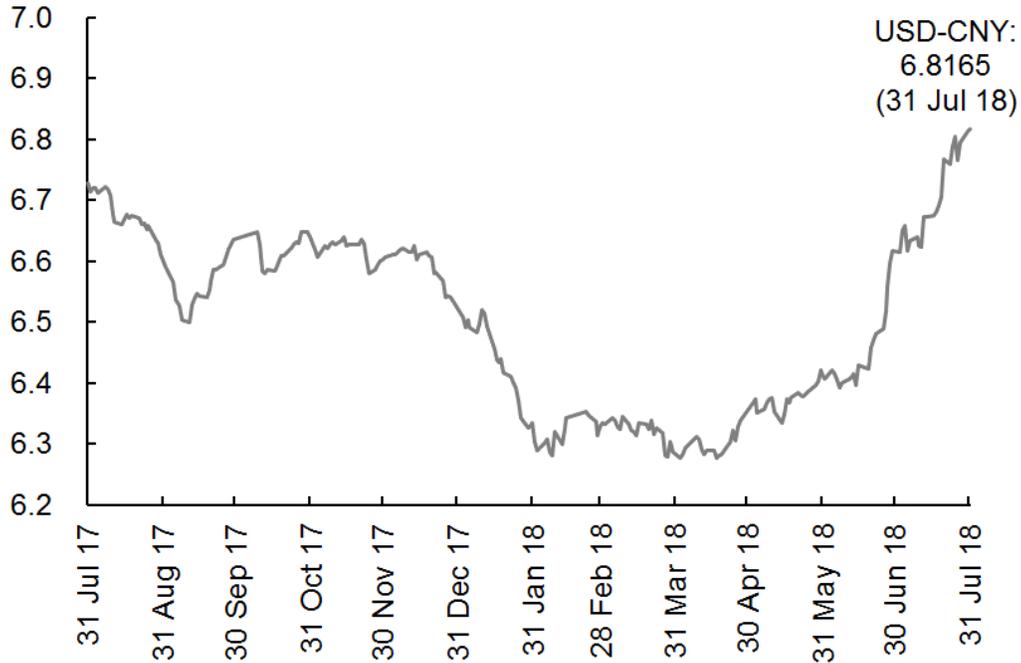
Exhibit 1: China Containerized Freight Index, July 2017 to July 2018



Source: Shanghai Shipping Exchange

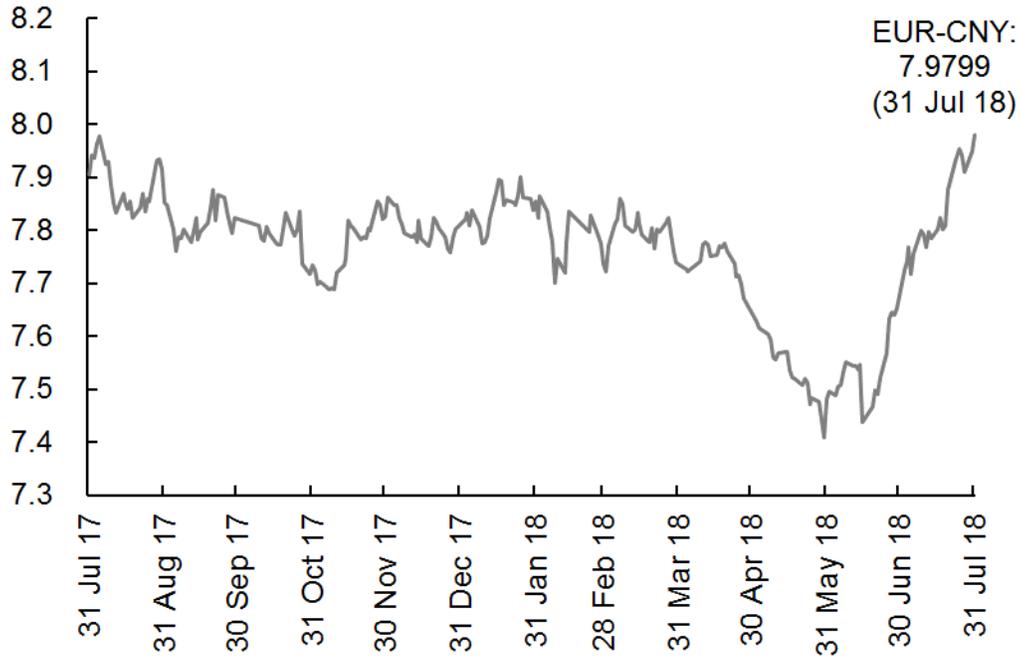
Exchange Rates

Exhibit 2: USD-CNY daily fixing rate, July 2017 to July 2018



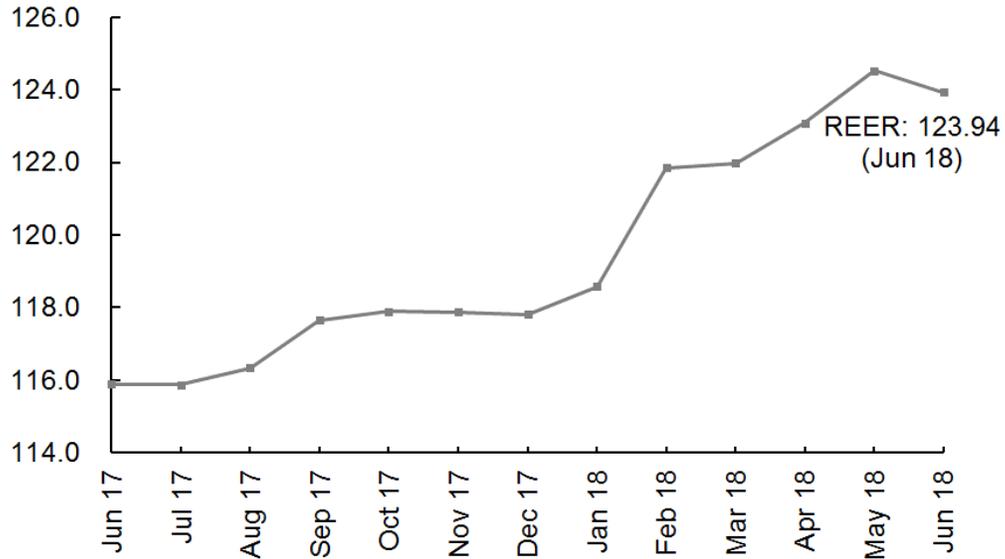
Source: State Administration of Foreign Exchange

Exhibit 3: EUR-CNY daily fixing rate, July 2017 to July 2018



Source: State Administration of Foreign Exchange

Exhibit 4: Real effective exchange rate of the Chinese yuan, June 2017 to June 2018



Source: Bank of International Settlements

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CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

William Kong
Research Manager
williamkong@fung1937.com
(852) 2300 2404

Global Sourcing
Fung Business Intelligence
10/F LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



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