



# China Sourcing Update

July 8, 2016

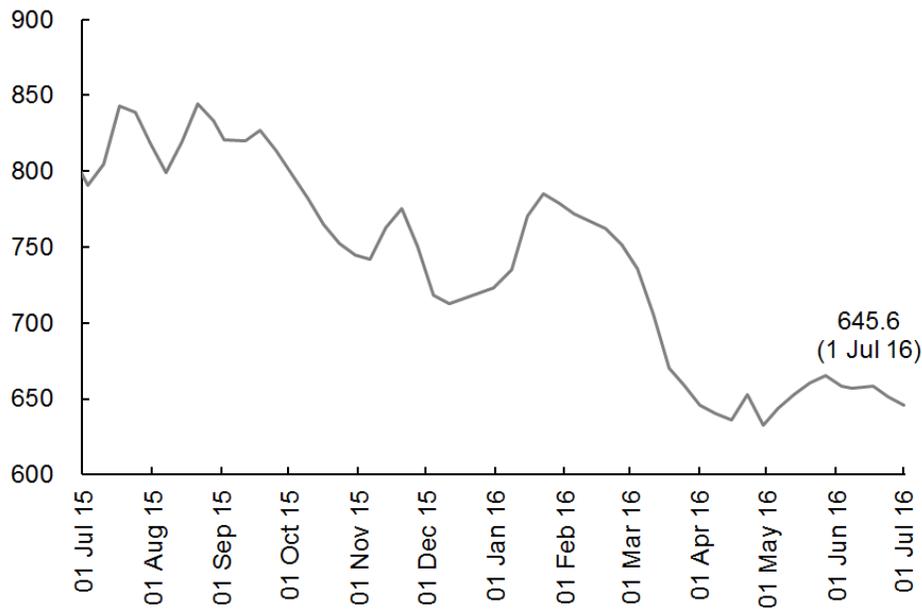
## Transportation Cost

### China Containerized Freight Index drops

The China Containerized Freight Index (CCFI) fell from the recent high of 665.44 on 27 May to 645.6 on 1 July (see exhibit 1). The main reasons for the drop in the price index were that the overcapacity problem among carriers persisted and the market demand was weak, in particular for Mediterranean and Persian Gulf / Red Sea routes, during the Islamic fasting month of Ramadan.

According to the latest media reports, a number of carriers have raised freight rates lately; and the demand for containerized freight services is expected to gradually recover in the coming months, due largely to the seasonal factors. Thus, we expect the China Containerized Freight Index to rebound in the near term.

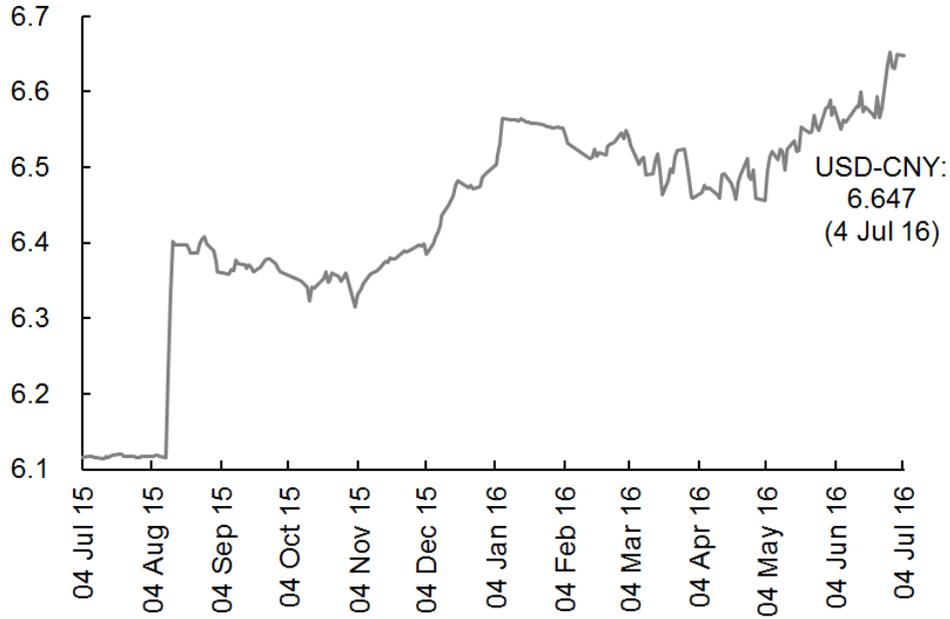
**Exhibit 1: China Containerized Freight Index, July 2015 to July 2016**



Source: Shanghai Shipping Exchange

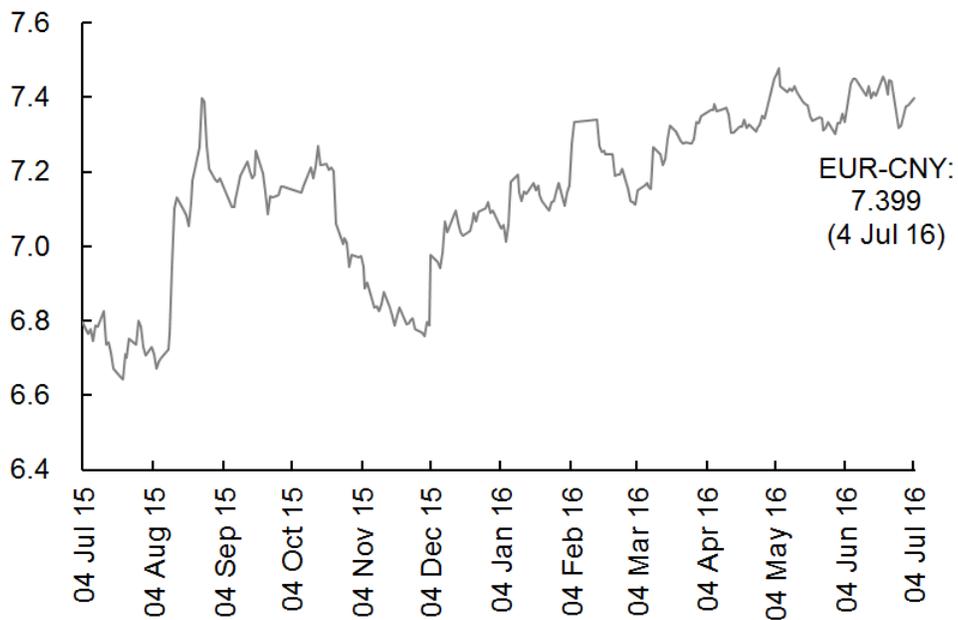
## Exchange Rates

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



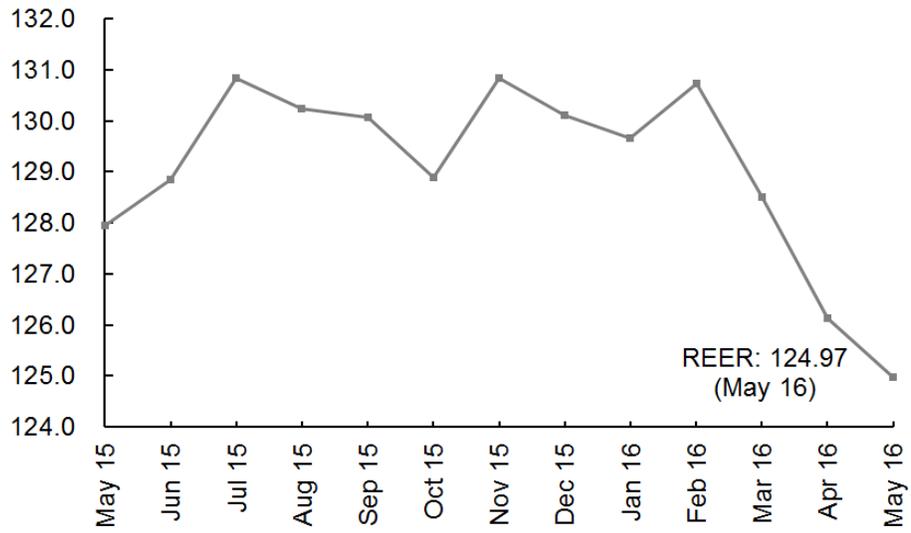
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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