



China Sourcing Update

May 5, 2016

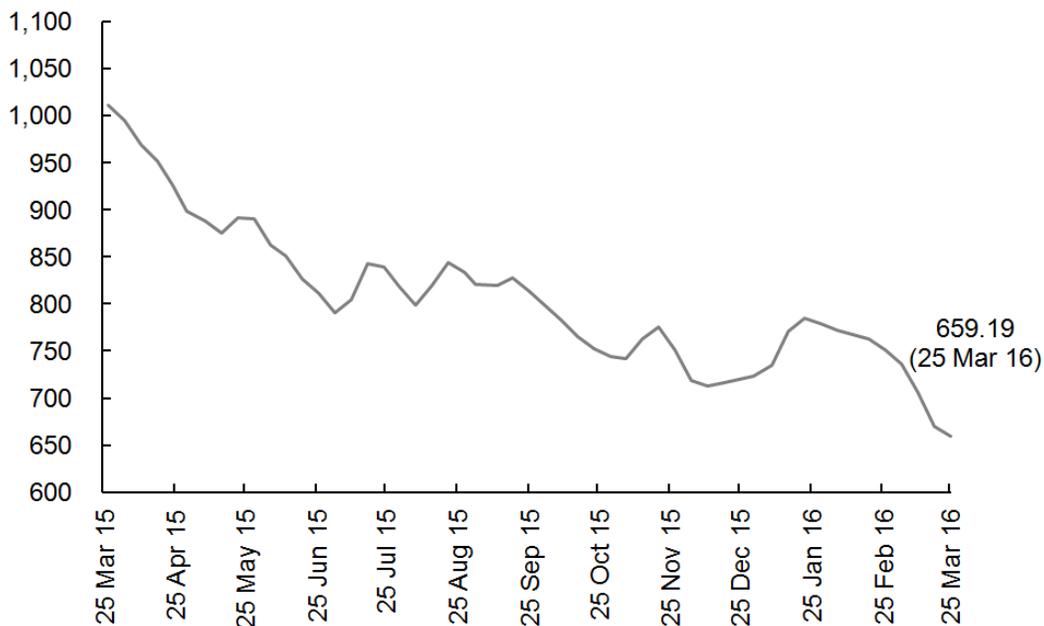
Transportation Cost

China Containerized Freight Index drops

The China Containerized Freight Index (CCFI) went down all the way from the recent high of 785.11 on 22 January to 659.19 on 25 March (see *exhibit 1*). The overcapacity problem among carriers has persisted and the demand for containerized freight has been sluggish in recent months.

According to the latest media report, the overcapacity problem remains and shipping companies are not optimistic about the prospect of the sector. Looking ahead, we predict the container freight rates to stay low in the near term.

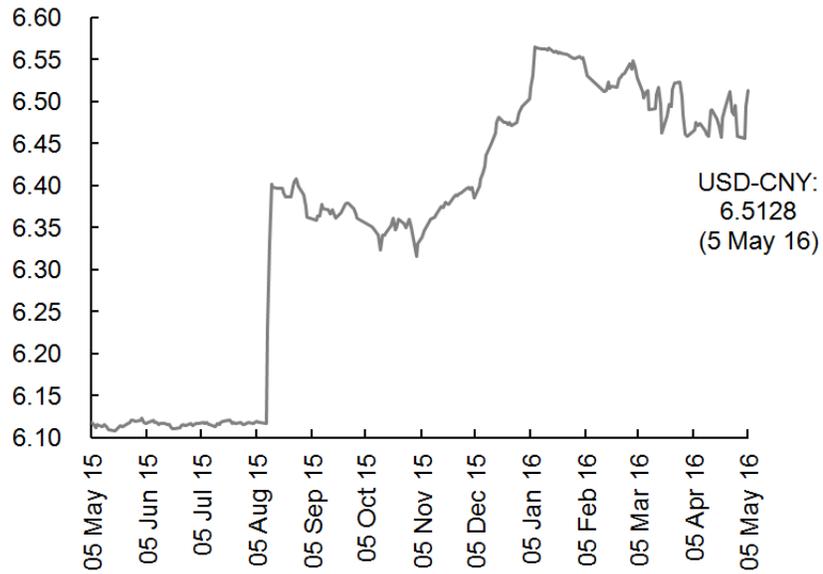
Exhibit 1: China Containerized Freight Index, March 2015 to March 2016



Source: Shanghai Shipping Exchange

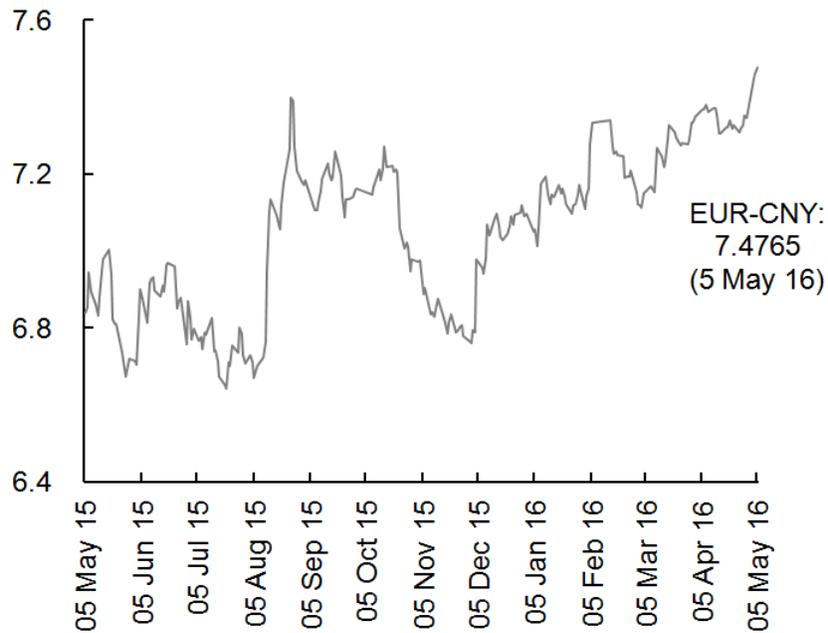
Exchange Rates

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



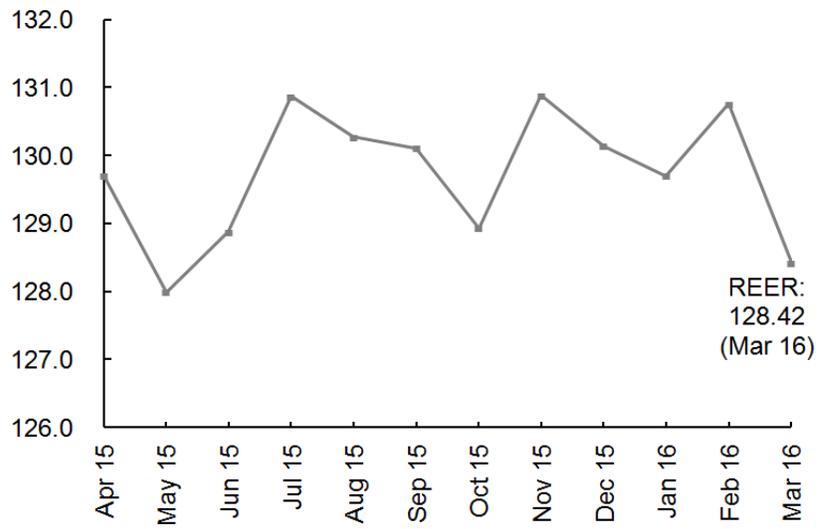
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: *Bank of International Settlements*

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