



China Sourcing Update

November 3, 2017

Transportation Cost

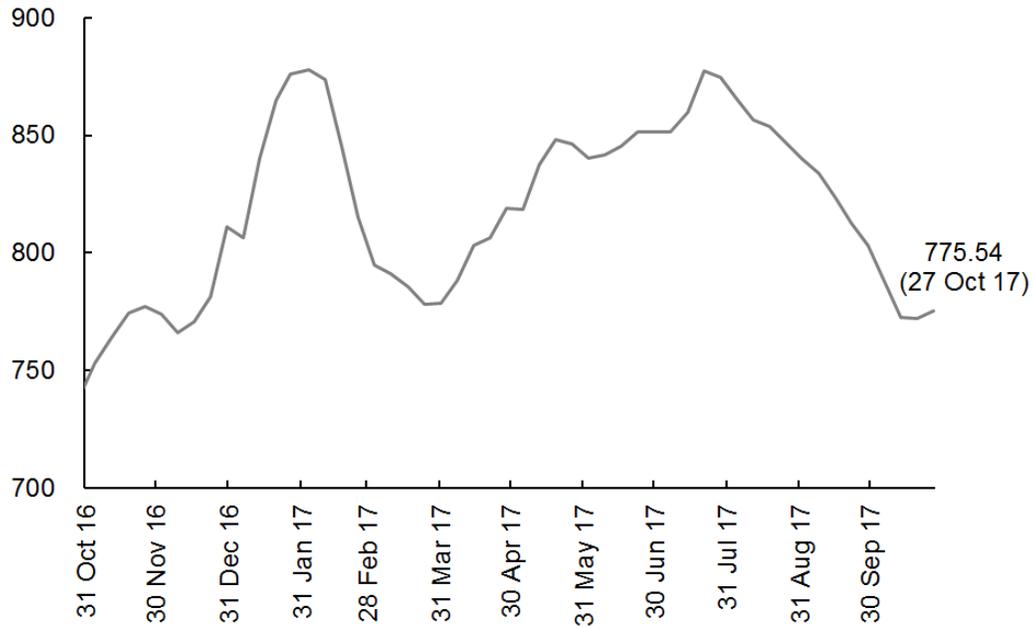
China Containerized Freight Index goes down in October

The China Containerized Freight Index (CCFI) dropped from 803.25 on 29 September to 772.27 on 20 October, before picking up to 775.54 on 27 October (*see exhibit 1*).

According to the local media, a number of carriers lowered their freight rates in the month in order to maintain their market shares, as the market demand for containerized freight services for major routes, including those in Europe, Mediterranean Sea and the North America, slowed.

Looking ahead, we expect that the China Containerized Freight Index will rebound in the foreseeable future, as the demand for containerized freight services has recovered since late October.

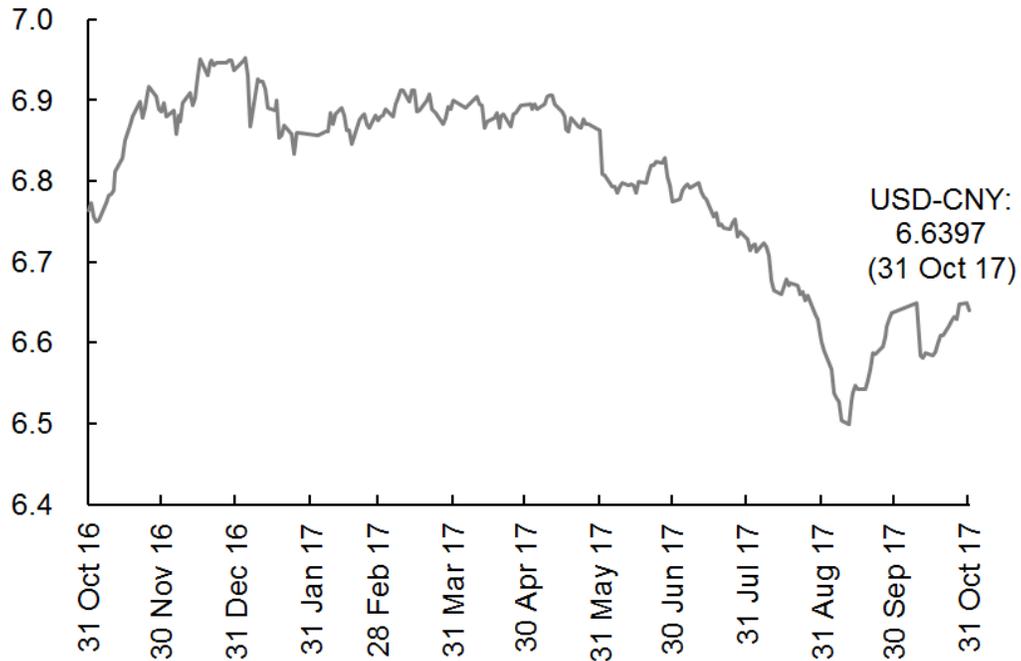
Exhibit 1: China Containerized Freight Index, October 2016 to October 2017



Source: Shanghai Shipping Exchange

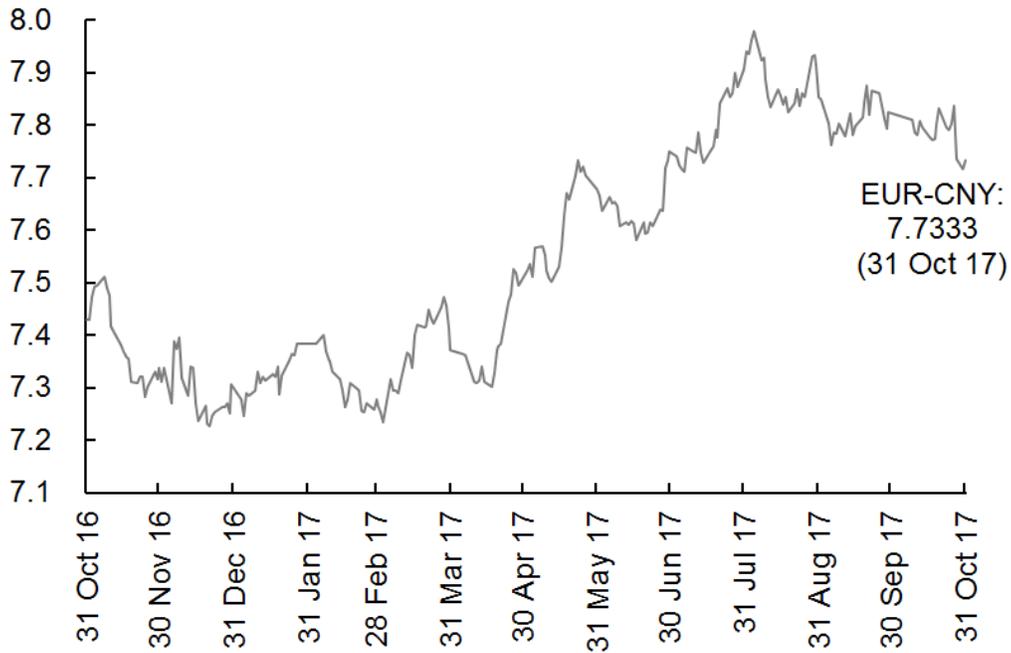
Exchange Rates

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



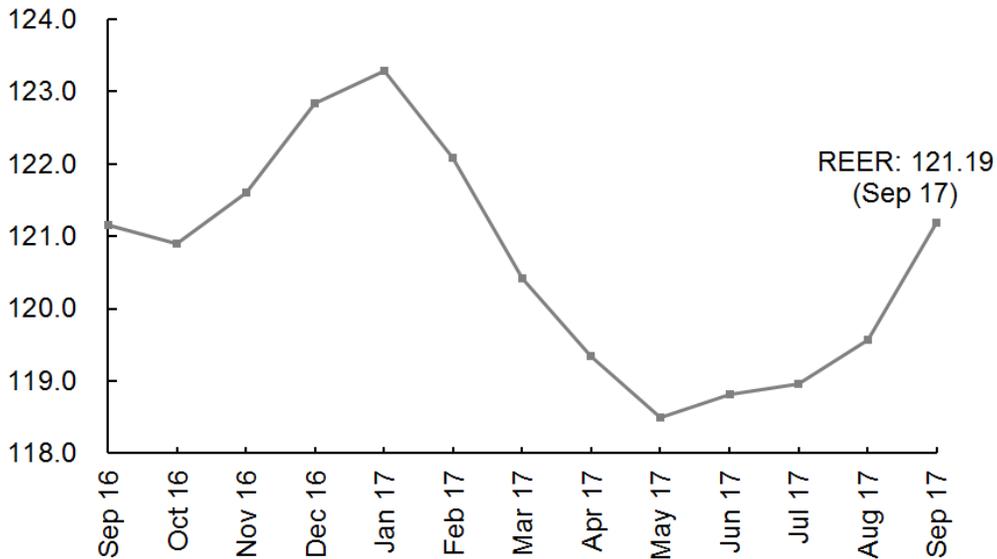
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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