



## China Sourcing Update

November 7, 2018

### Transportation Cost

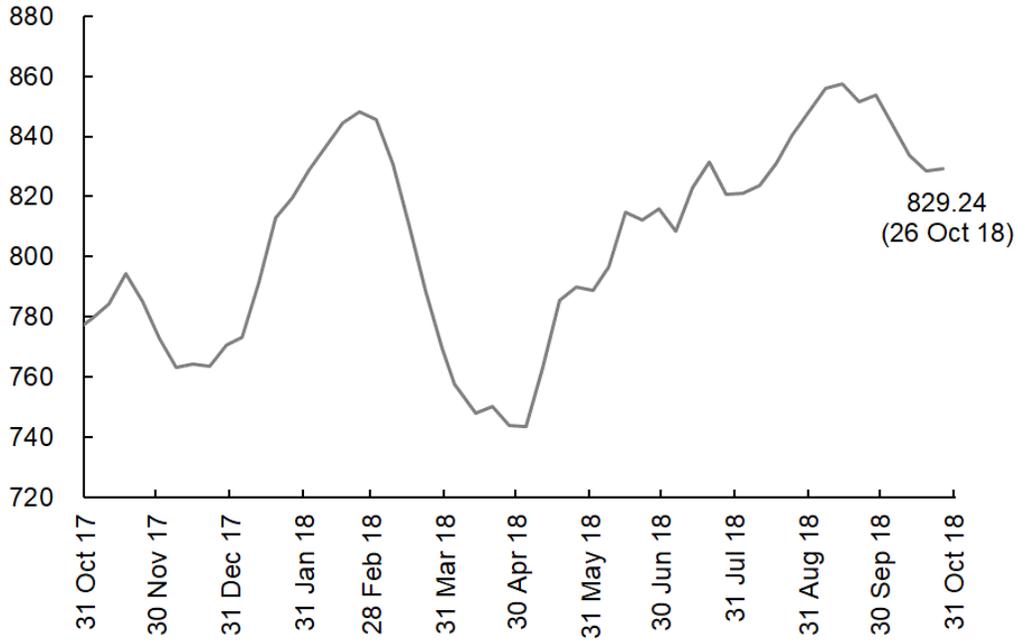
#### China Containerized Freight Index drops in October

The China Containerized Freight Index (CCFI) dropped from 853.61 on 28 September to 828.59 on 19 October, and then stayed low at 829.24 on 26 October (*see exhibit 1*).

The drop in the index in the month was highly associated with the fall in the market demand for containerized freight services for European routes due partly to seasonal factors. Meanwhile, the market demand for containerized freight services for North American routes remained strong. Since the US extra tariff rate on US\$200 billion of Chinese imports will rise from 10% to 25% on 1 January 2019, US importers and retailers pushed forward shipments from China to the US to avoid paying higher tariffs.

Looking ahead, we expect that the China Containerized Freight Index will show a rebound in the near future, as the market demand for containerized freight services for European routes has recovered and major shipping companies have decreased the active capacities of their carriers recently.

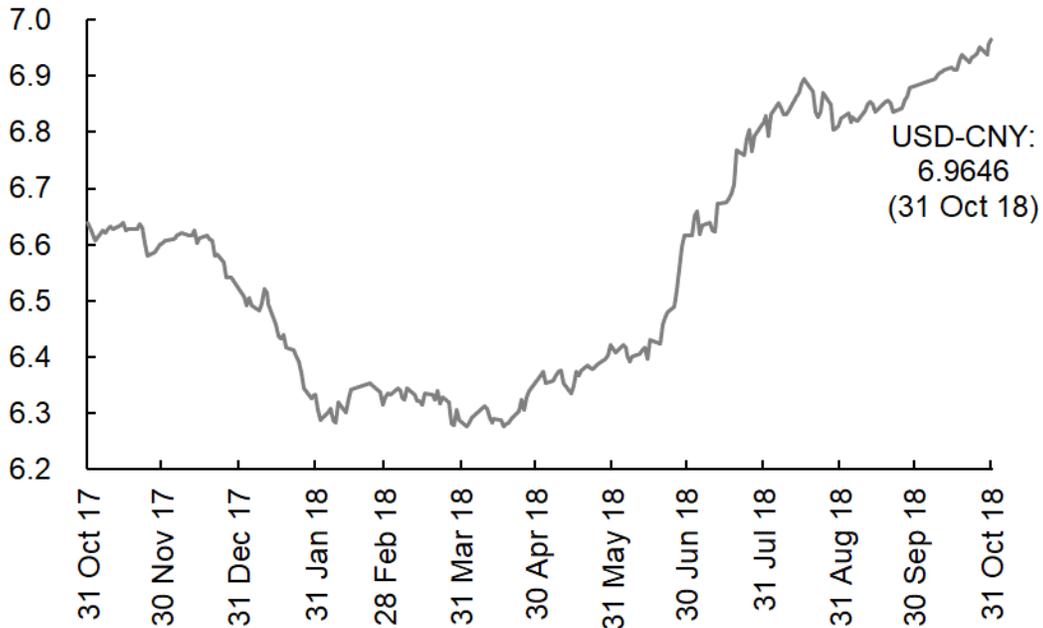
**Exhibit 1: China Containerized Freight Index, October 2017 to October 2018**



Source: Shanghai Shipping Exchange

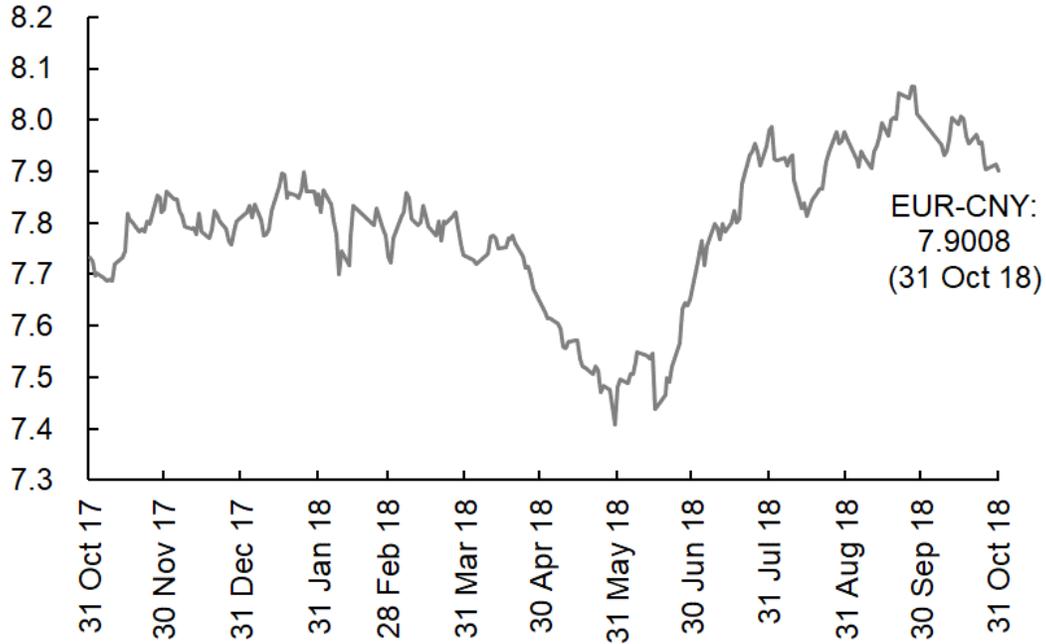
## Exchange Rates

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



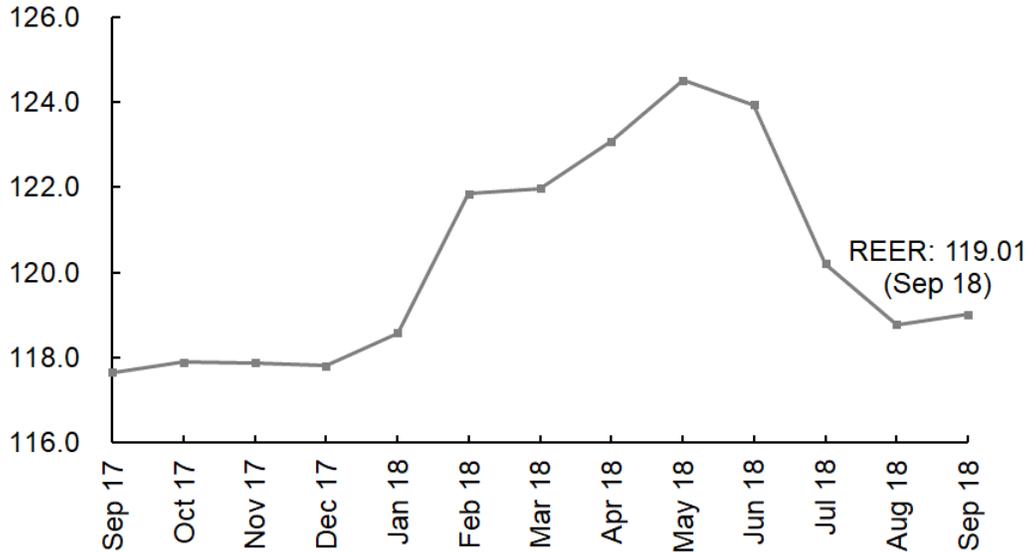
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

## FUNG BUSINESS INTELLIGENCE

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