



China Sourcing Update

October 11, 2016

Transportation Cost

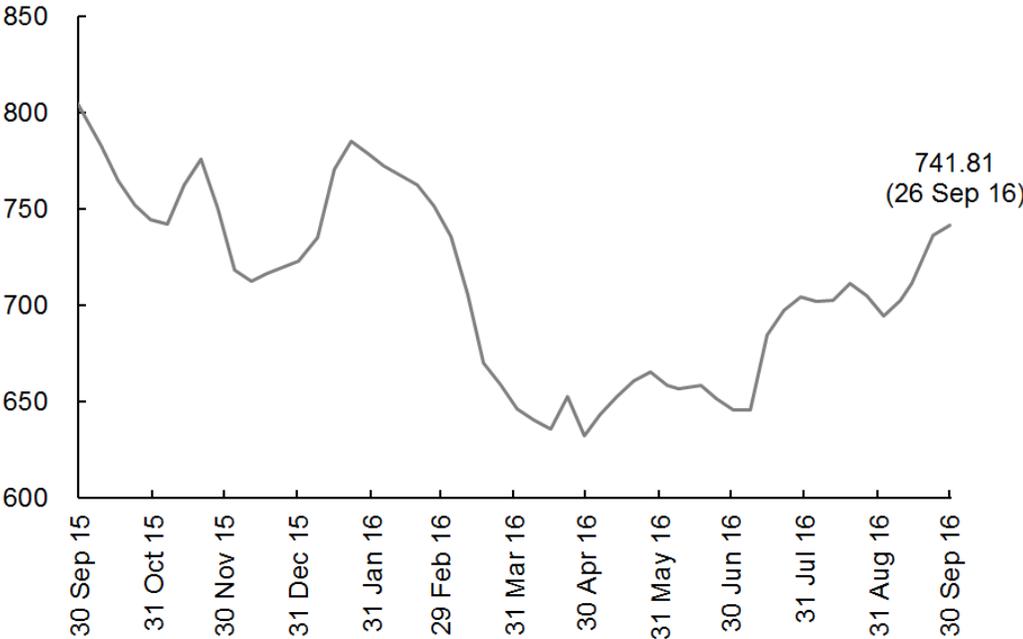
China Containerized Freight Index rises in September

The China Containerized Freight Index (CCFI) went up from the recent low of 694.59 on 2 September to 741.81 on 30 September, the highest level since late February (see *exhibit 1*).

The main reason for the increase in freight rates in the month was the reduced active capacities of carriers, in particular in European routes and North American routes, due to the bankruptcy filing of South Korea's Hanjin Shipping Co. Ltd in South Korea on 31 August. Hanjin Shipping, the world's seventh-largest container carrier, accounted for 10% of Asia-Europe container trade and 7% of Asia-North America container trade before its collapse, according to an industry source.

In our view, the temporary removal from service of Hanjin's vessels will keep freight rates high in the near term. Thus, we predict the China Containerized Freight Index to stay at high levels in the coming future.

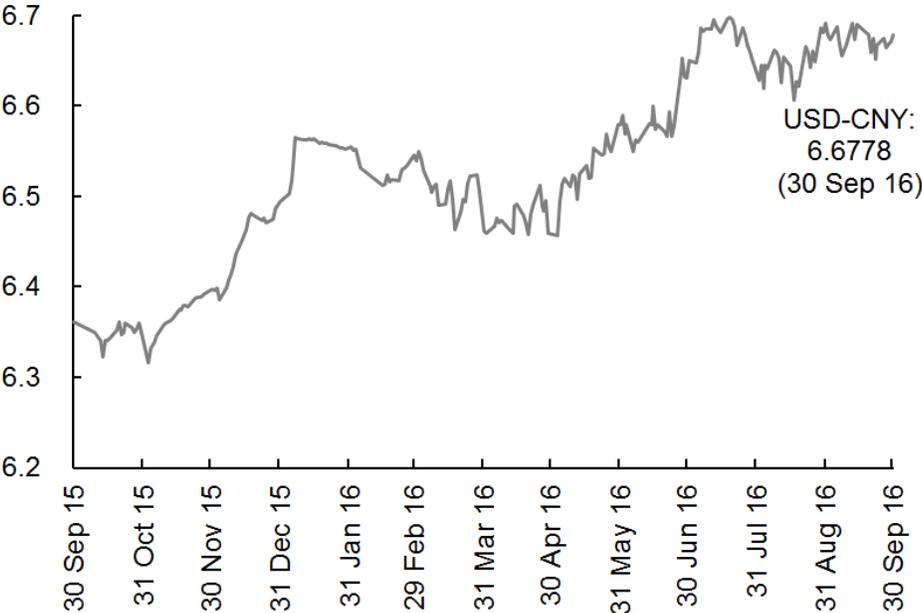
Exhibit 1: China Containerized Freight Index, September 2015 to September 2016



Source: Shanghai Shipping Exchange

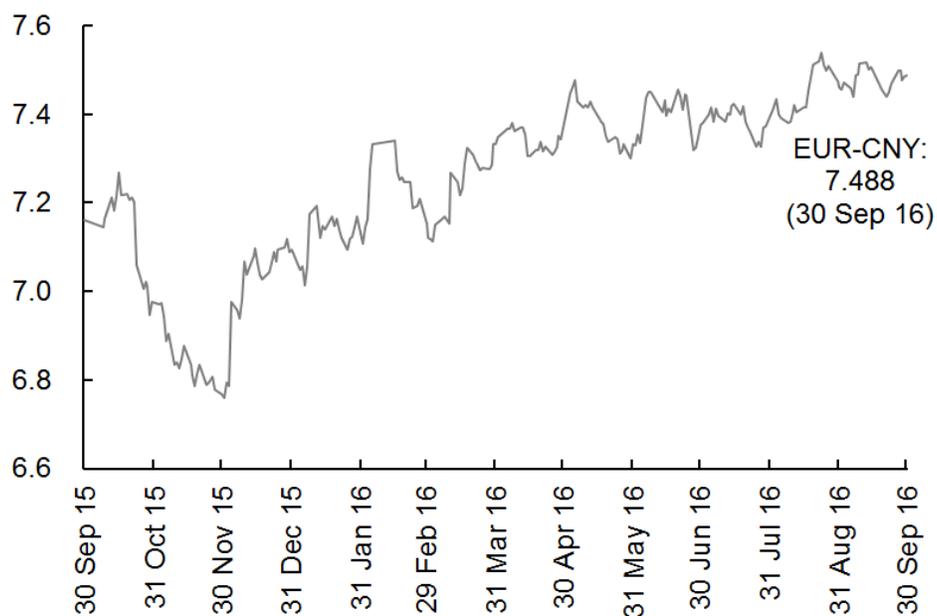
Exchange Rates

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



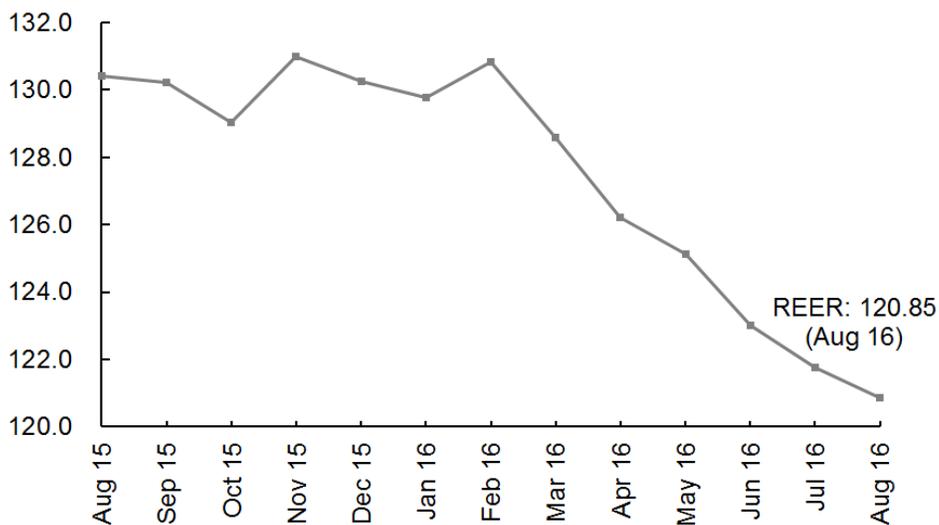
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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