



China Sourcing Update

October 6, 2017

Transportation Cost

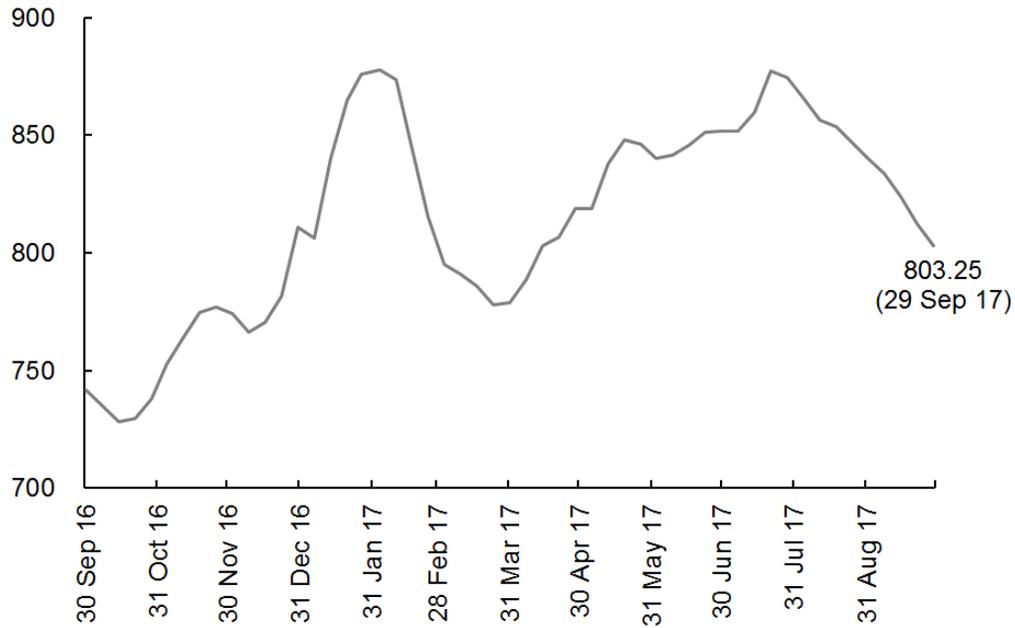
China Containerized Freight Index falls further in September

The China Containerized Freight Index (CCFI) went down from 846.73 on 25 August to 803.25 on 29 September (see *exhibit 1*).

The market demand for containerized freight services for various routes, except those in the Asia-Pacific region, slowed in the month. Fighting to maintain their market shares, a lot of carriers lowered their freight rates, which led to a sharp fall in the index.

Looking forward, we believe that the China Containerized Freight Index will continue to decline as the demand for containerized freight services is likely to remain weak in the foreseeable future.

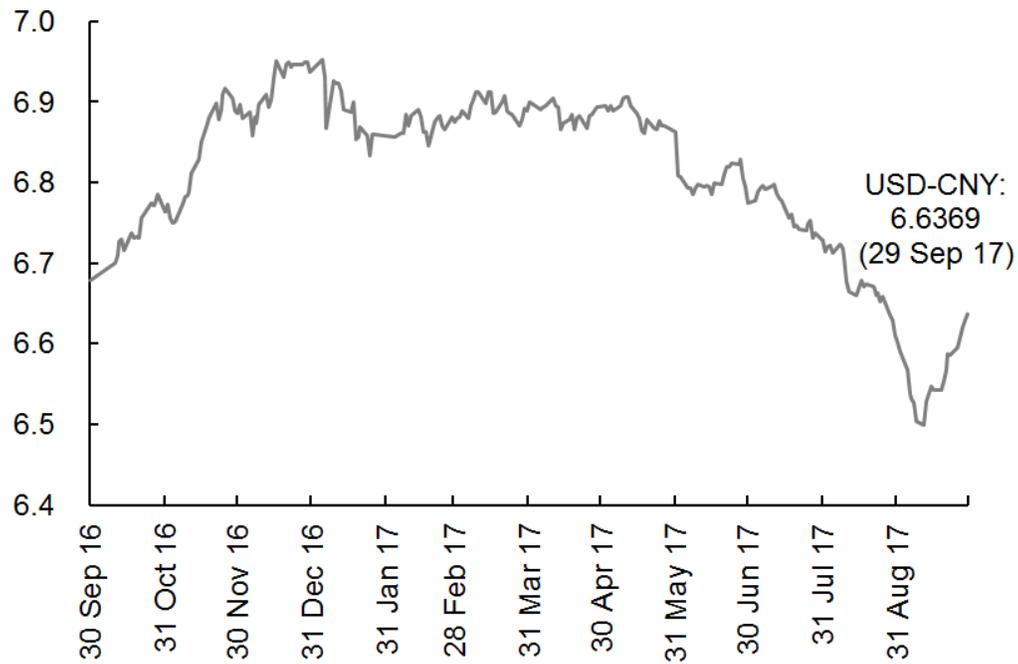
Exhibit 1: China Containerized Freight Index, September 2016 to September 2017



Source: Shanghai Shipping Exchange

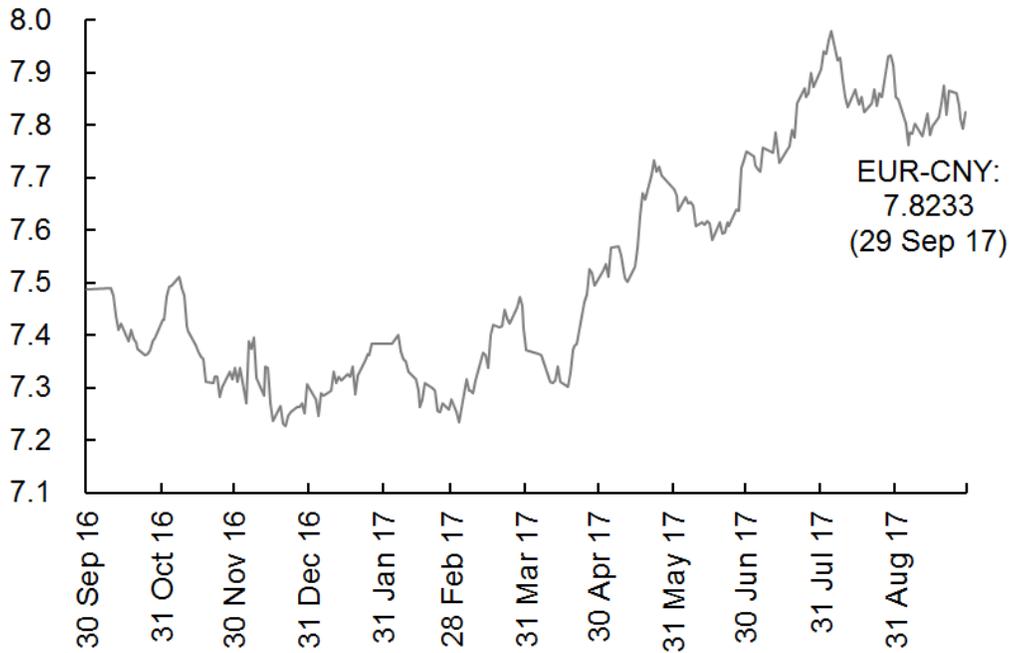
Exchange Rates

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



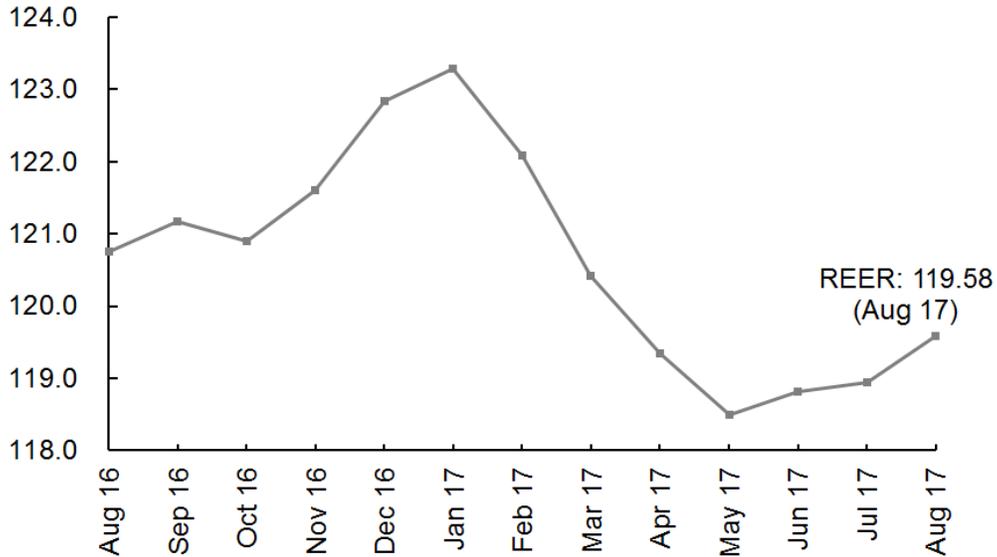
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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