



# China Sourcing Update

October 9, 2018

## Transportation Cost

### China Containerized Freight Index goes up slightly in September

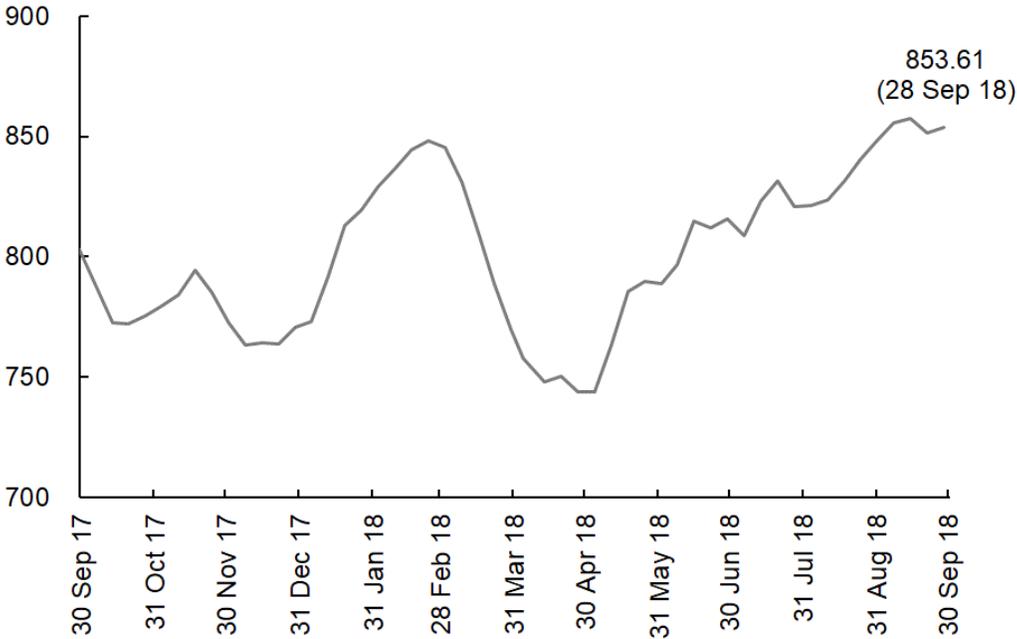
The China Containerized Freight Index (CCFI) rose from 848.16 on 31 August to a one-year high of 857.37 on 14 September, before retreating a bit to 853.61 on 28 September (see *exhibit 1*).

The increase in the index in the month was due largely to a strong market demand for containerized freight services for North American routes amid the China-US trade war. As the US additional tariffs of 10% on US\$200 billion of Chinese imports were set to kick in on 24 September, US importers pushed forward shipments from China that would normally arrive later in the year to avoid the extra tariffs, thus driving up freight rates for North American routes to a nearly four-year high.

Since the extra tariff rate on US\$200 billion of Chinese imports will rise to 25% on 1 January 2019, US importers and retailers have until the end of the year to load up on these Chinese goods. In addition, US President Donald Trump has threatened to levy extra tariffs on another US\$267 billion of Chinese products, which could also prompt US companies to preemptively stockpile these goods. Therefore, the market demand for containerized freight services for North American routes is likely to remain strong in the coming months.

That being said, we expect that the China Containerized Freight Index will trend downward in the foreseeable future, as the overall market demand for containerized freight services, except for North American routes, is likely to decline in the near term due to seasonal factors.

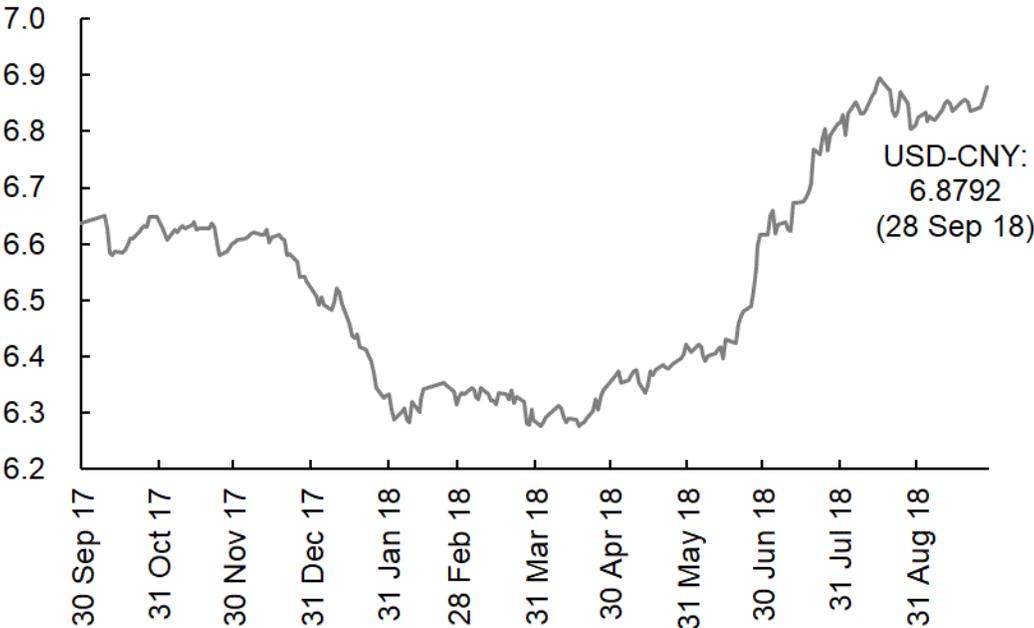
Exhibit 1: China Containerized Freight Index, September 2017 to September 2018



Source: Shanghai Shipping Exchange

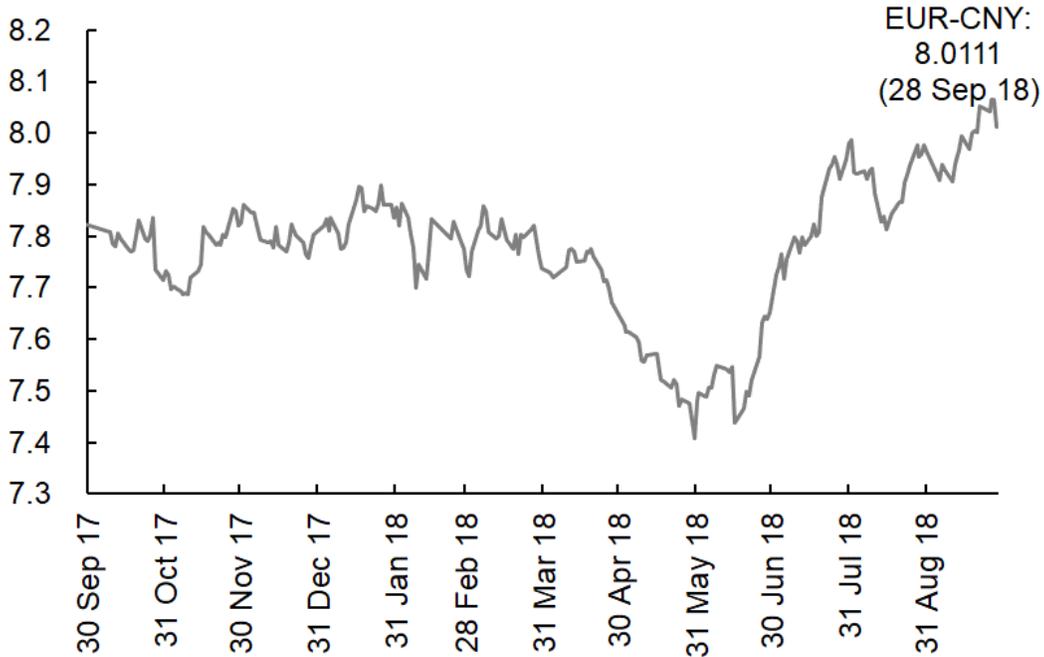
### Exchange Rates

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



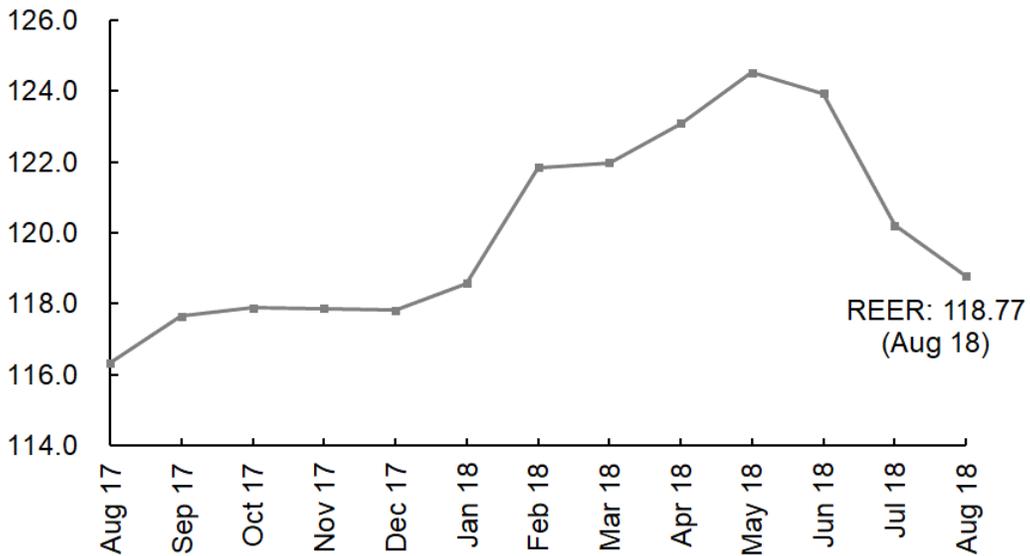
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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