

China Sourcing Update

January 11, 2019

Transportation Cost

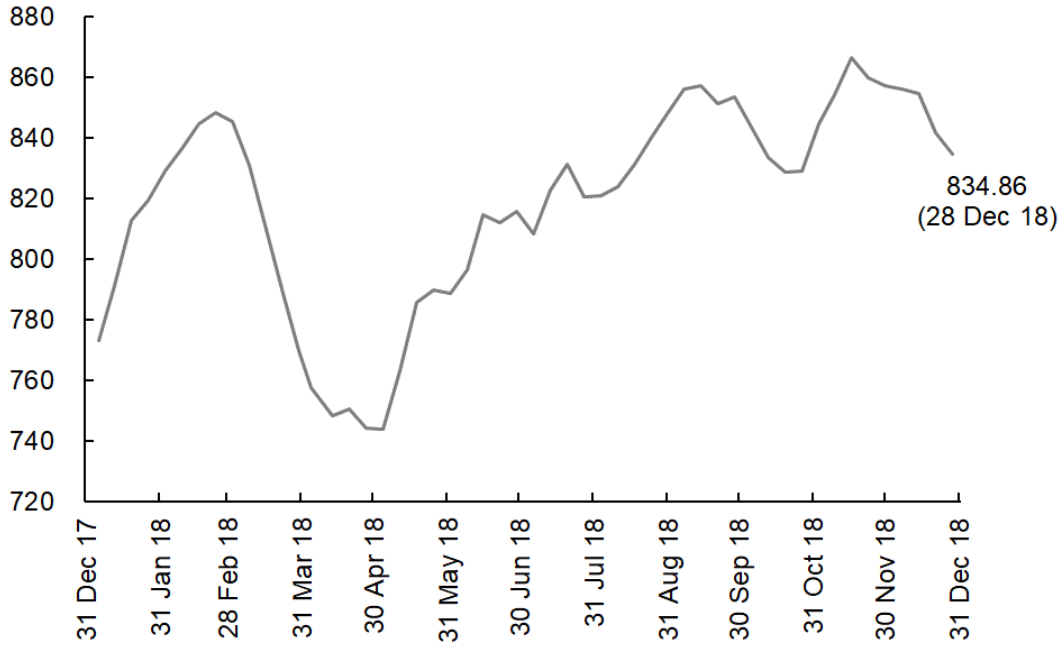
China Containerized Freight Index drops in December

The China Containerized Freight Index (CCFI) fell from 857.45 on 30 November to 834.86 on 28 December (see exhibit 1).

The fall in the index in December was due largely to a moderation in market demand for containerized freight services for most routes, including North American routes. According to media reports, as most Christmas orders had been fulfilled and the US agreed not to raise the tariff rate on US\$200 billion of Chinese imports from 10% to 25% on 1 January 2019, some exporters sent out their goods to the US at a slower pace in December.

Looking ahead, we do not expect the China Containerized Freight Index to drop much in the near future, as the market demand for containerized freight services is likely to rise before the Chinese New Year holiday.

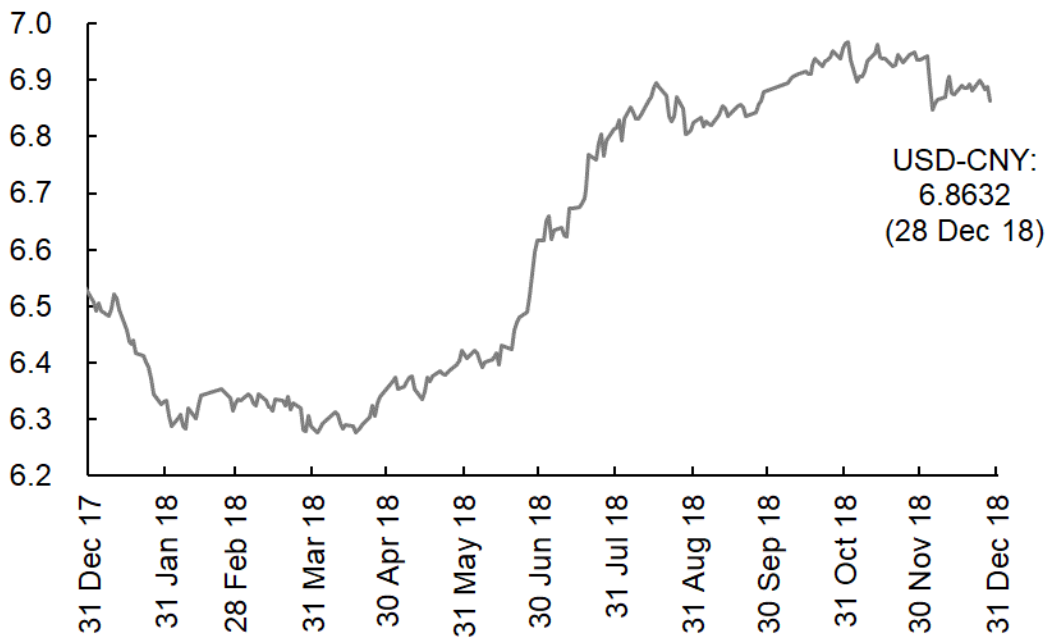
Exhibit 1: China Containerized Freight Index, December 2017 to December 2018



Source: Shanghai Shipping Exchange

Exchange Rates

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



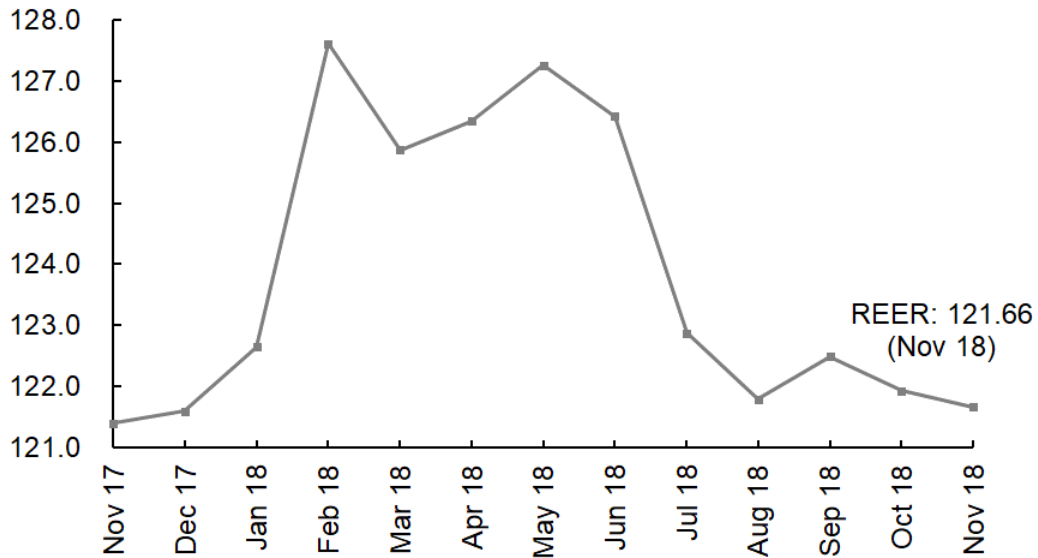
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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