



China Sourcing Update

June 2, 2017

Transportation Cost

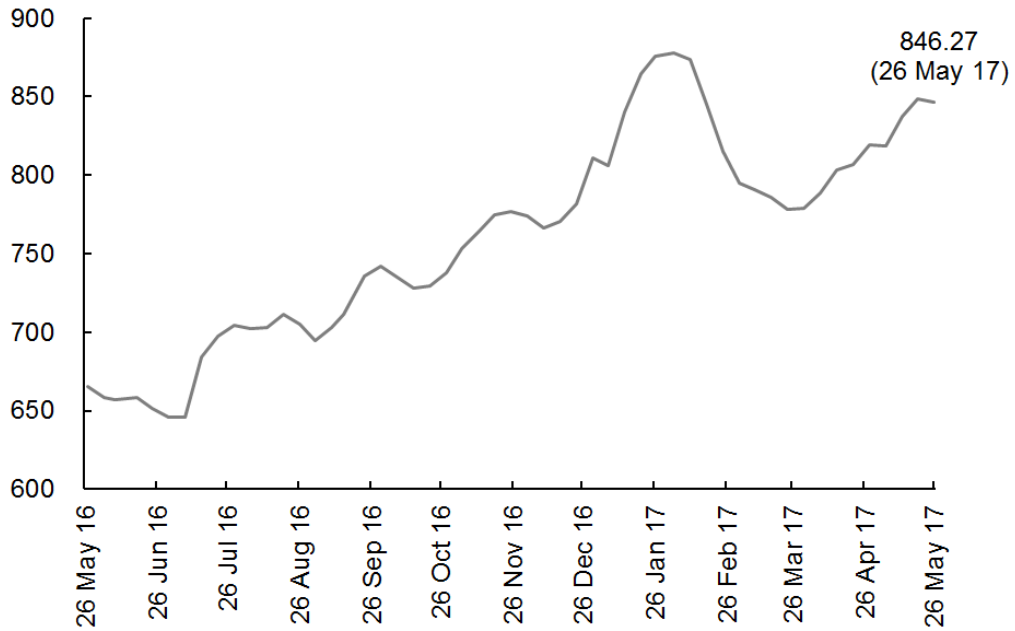
China Containerized Freight Index goes up in May

The China Containerized Freight Index (CCFI) rose from 818.99 on 28 April to a three-month high of 848.27 on 19 May, before retreating a bit to 846.27 on 26 May (see *exhibit 1*).

The main reason for the rise in the index in the month was that a number of carriers raised freight rates amid an improvement in the market demand for containerized freight services, in particular for European routes.

Looking forward, the containerized freight demand for Persian Gulf / Red Sea routes is expected to fall during the Islamic fasting month of Ramadan, which will end in late June this year. That being said, we expect the China Containerized Freight Index to stay high in the foreseeable future as the market demand for European routes and North American routes is likely to remain strong in the near term.

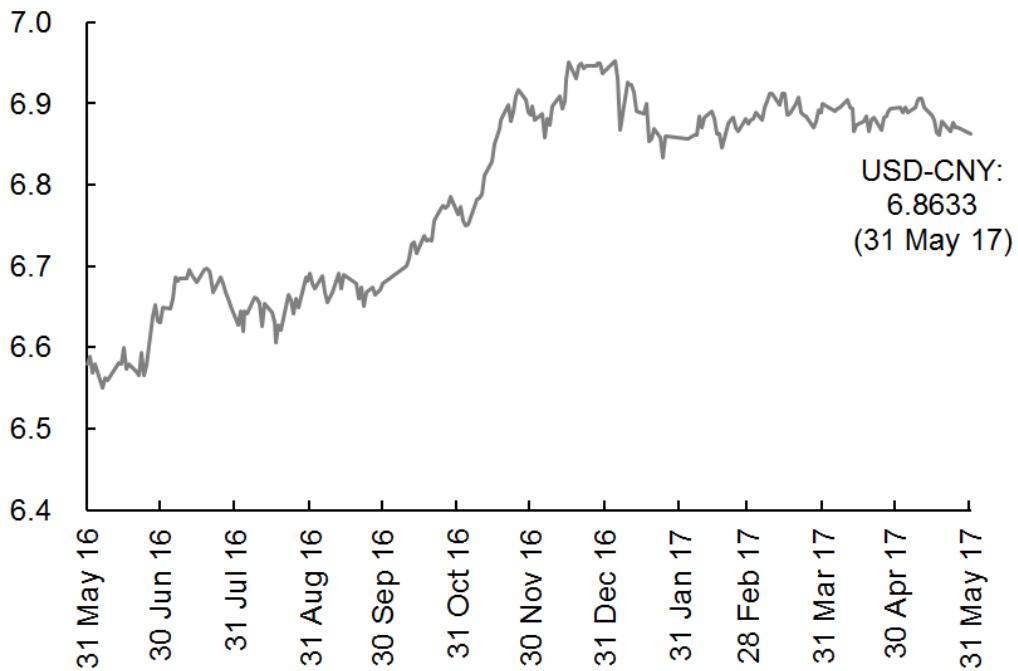
Exhibit 1: China Containerized Freight Index, May 2016 to May 2017



Source: Shanghai Shipping Exchange

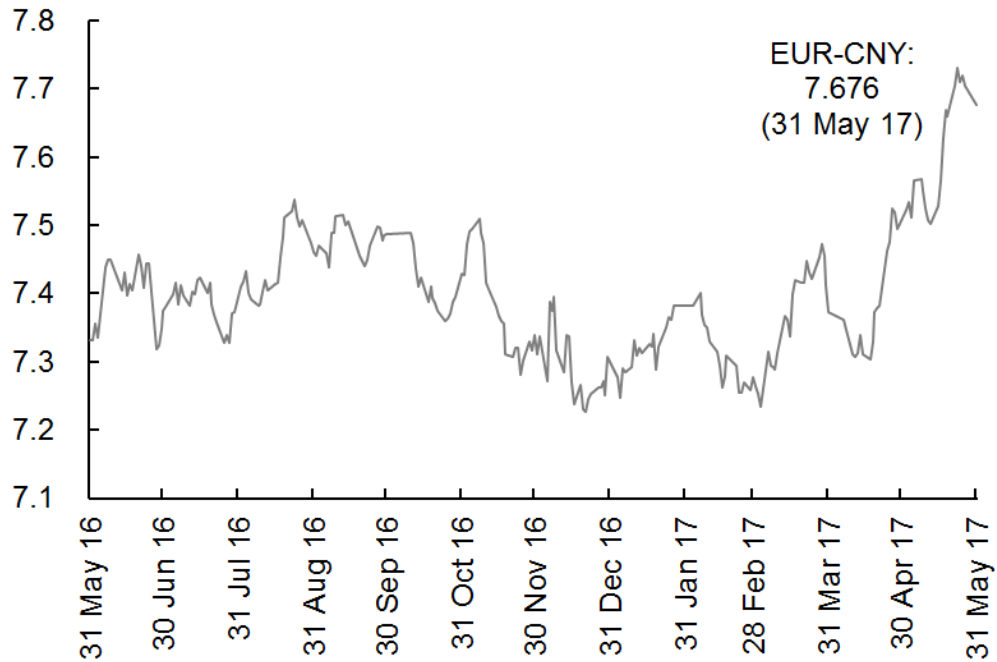
Exchange Rates

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



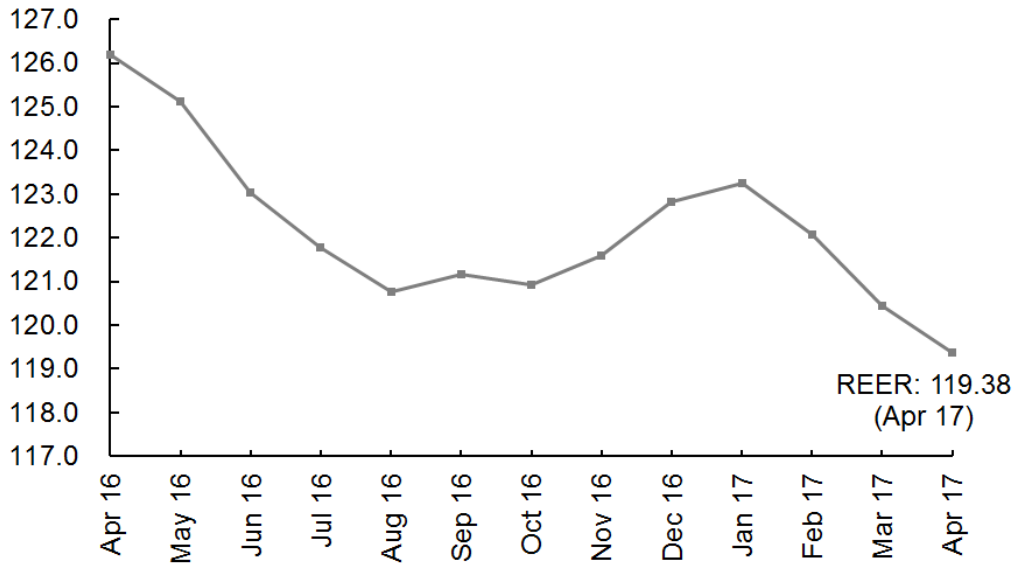
Source: State Administration of Foreign Exchange

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



Source: State Administration of Foreign Exchange

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



Source: Bank of International Settlements

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