

Q3
2017



Retail Sourcing Report

Facts & Insight



FORWARD

RETAIL SOURCING REPORT

CBX Software's Retail Sourcing Report provides research and analysis aimed at informing global sourcing and buying decisions for retailers, brands and other sourcing professionals. Each issue includes a snapshot of key information impacting global sourcing, such as economic conditions in sourcing countries, container shipping prices, currency exchange rates and commodity costs. We also cover hot topics ourselves and include insight from analysts and other experts.

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Purchasing Manager's Index (PMI)

To help understand industry and economic conditions in a country, the PMI Index tracks variables such as output, new orders, stock levels, employment and prices across private companies in the manufacturing, construction, retail and service sectors. Over 30 countries and regions participate in various PMI surveys.

A reading below 50 indicates contraction from the previous month, while a reading above 50 indicates growth. This update looks at a selection of emerging economies and key sourcing countries, providing indicators for recent months based on data provided by IHS Markit, NIKKEI, CAIXIN and other sources.

<https://www.markiteconomics.com/public/page.mvc/pressreleases>

Q2 News & Analysis: Q2 was a tough quarter for manufacturing, especially in many Asian countries which saw contraction or slower growth heading into Q3 based on slower demand for their products. The bright spots for global manufacturing were Eastern Europe, Turkey and Mexico, which all saw strong growth. Europe saw stronger growth based on rising exports, solid domestic demand and a weaker Euro. Overall developed markets outperformed developing markets into Q3, signaling what might be a solid second half of the year for manufacturing and global sourcing.

Country	Apr 2017	May 2017	Jun 2017	Summary of Indicators
Brazil	50.1	52.0	50.5	While Brazil's manufacturing economy remained positive through Q2, there was some easing in June, with a slowdown in new orders and output.
China	50.3	49.6	50.4	Chinese manufacturing recovered slightly in late Q2 with stronger production, new orders and increased purchasing and a more positive economic outlook.
Czech Republic	57.5	56.4	56.4	The Czech economy continued to perform well though Q2, with no easing in June, based on growth in demand, new orders and production increases.
Egypt	47.4	47.3	47.2	Business conditions in Egypt's private sector deteriorated in June, in line with a deteriorating trend in Q2, with currency weakness and slowing demand.
India	52.5	51.6	50.9	India's manufacturing sector experienced a slowdown in growth on weakness in new orders, slowing production and signs of inflationary pressure.
Indonesia	51.2	50.6	49.5	Indonesian manufacturing deteriorated steadily through Q2 and into Q3 based on stagnant growth in new orders/output and weak domestic demand.
Malaysia	48.7	48.7	46.9	June saw the worst downturn in Malaysian manufacturing in 5 years, with falling new orders and output, stagnant employment and weak demand.
Mexico	50.7	51.2	52.3	Mexico underwent a sustained rebound in their manufacturing sector through Q2, following a soft Q1, based on rising production and new order growth.
Myanmar	52.9	52.0	49.4	The end of Q2 saw a decline in Myanmar's manufacturing sector, with deteriorating output and new orders, increased costs and less buying activity.
Poland	54.1	52.7	53.1	Business conditions in Poland improved through Q2, with rises in output, growth in employment and new export orders, with some easing in prices.
Russia	50.8	52.4	50.3	Russian manufacturing experienced a slowdown in late Q2, with slower expansion in new orders, falling employment and input cost inflation.
South Africa	50.3	50.2	49.0	PMI fell below 50 in June, marking the 6 th consecutive monthly decline in South African manufacturing activity, with falling output and new orders.
South Korea	49.4	49.2	50.1	South Korea experience a weak Q2 for manufacturing with reductions in output and employment and decreases in export demand from China.
Turkey	51.7	53.5	54.7	Turkey experienced one of the strongest quarters in over 3 years for manufacturing based on strong new orders, output and economic growth.
Vietnam	54.1	51.6	52.5	Vietnamese manufacturing improved through Q2 with increases in new orders, employment and purchasing activity and a strong overall economy.

Sources: **IHS Markit Economics, Nikkei, Caixin**

Major Economic Indicators

This section looks at major economic indicators from key “low-cost” sourcing destinations, also pulling out highlights and sourcing trends in these countries.

Q2 News & Analysis: The second half of 2017 looks optimistic for global trade as exports from Turkey, India, Thailand, Cambodia and other countries all saw yoy increases. China has concluded trade and development agreements with various countries which will support infrastructure growth and further economic development, giving China increasing global influence.

Selected Highlights:

Bangladesh – Bangladesh exports grew from July 2016 – April 2017 by 3.92%, to US\$ 28.72 billion.

Cambodia – Exports grew 7.2% yoy to US\$ 7.3 billion in 2016, compared to 14.5% growth in 2015.

India – Indian merchandise exports rose by 19.8% yoy to US\$ 24.6 billion in April 2017.

Indonesia – Indonesian signed cooperation agreements with China on projects from 2017-2021.

Pakistan – Pakistan signed new development deals with China worth over US\$ 500 million under the CPEC.

Philippines – Philippines’ GDP grew by 6.4% yoy in Q1 2017, slower than the 6.6% growth in Q1 2016.

Thailand – Thai exports grew increased by 12.7% to US\$19.9 billion yoy in May, a high since Jan. 2013.

Turkey – Turkish exports rose by 13.6% yoy to US\$ 14.5 billion in March; Q1 exports rose to US\$ 37.9 bln.

Vietnam – 11 Trans-Pacific Partnership (TPP) countries to meet in July to discuss the deal without the U.S.

CPI (% yoy growth)	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017
Bangladesh	5.4	5.0	5.2	5.3	5.4	-
Cambodia	3.6	3.9	4.4	4.0	4.2	-
India	3.6	3.4	3.2	3.7	3.9	3.0
Indonesia	3.6	3.0	3.5	3.8	3.6	4.2
Pakistan	3.8	3.7	3.7	4.2	4.9	4.8
Philippines	2.5	2.6	2.7	3.3	3.4	3.4
Thailand	0.6	1.1	1.6	1.4	0.8	0.4
Turkey	7.0	8.5	9.2	10.1	11.3	11.9
Vietnam	4.5	4.7	5.2	5.0	4.7	4.3
Exports (% yoy growth)	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017
Bangladesh	5.5	-3.0	4.0	-4.5	9.8	3.5
Cambodia	9.4	14.0	-4.8	6.2	48.6	-
India	0.0	5.7	4.3	17.5	27.6	19.8
Indonesia	21.4	16.0	27.9	11.5	24.3	13.6
Pakistan	6.2	-3.1	0.7	-8.3	3.6	5.2
Philippines	-7.5	6.6	22.0	8.7	18.1	12.1
Thailand	10.2	6.3	9.0	-2.7	9.0	8.0
Turkey	9.5	8.8	17.9	-2.0	13.6	-
Vietnam	7.8	9.0	5.7	15.8	15.1	16.8
Imports (% yoy growth)	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017
Bangladesh	16.5	-0.5	20.8	12.3	18.2	-
Cambodia	2.2	2.9	9.0	28.1	8.7	-
India	10.8	0.5	10.7	21.8	45.3	49.1
Indonesia	10.0	5.8	14.3	11.6	17.5	10.5
Pakistan	10.2	17.6	36.7	34.7	41.2	30.8
Philippines	19.7	19.0	12.2	15.2	18.0	-0.1
Thailand	3.0	10.0	5.1	20.4	19.2	13.3
Turkey	6.0	2.3	15.9	1.6	6.9	-
Vietnam	3.5	5.2	3.9	23.3	24.9	24.0

Sources: Fung Group, Various Statistical Bureaus

Global Competitiveness Index

The Global Competitiveness Index is a ranking of countries based on their competitiveness across different measures such as government regulations, labor market efficiency, education, infrastructure and other measures important to doing business in a country. Below is a selection of emerging economies which are important sourcing locations. Most of these countries are increasing in their competitiveness on various measures every year, while China remains ahead, but with few relative gains.

Note: The below chart was updated based on data released in January 2017

Global Competitiveness Index: Selected Indicators, 2016-2017 (Ranking of 138 countries)

Rank/138	Bangladesh	Cambodia	China	India	Indonesia	Pakistan	Philippines	Thailand	Turkey	Vietnam
Overall competitiveness	106(↑3)	89(↑4)	28(-)	39(↑41)	41(↑8)	122(↑9)	57(↑9)	34(↑8)	55(↑2)	60(↑12)
Institutions	125(↑7)	104(↑7)	45(↑6)	42(↑18)	56(↓1)	111(↑8)	91(↓14)	84(↓2)	74(↑1)	82(↑3)
<i>Intellectual property protection</i>	129(↑16)	130(↑2)	62(↑1)	42(↑8)	50(↓2)	109(↑3)	74(↓3)	121(↓8)	95(↓13)	92(↓4)
<i>Burden of government regulation</i>	93(↑14)	65(↑4)	21(↑5)	23(↑4)	37(↑4)	75(↑11)	117(↓16)	61(↑20)	71(↓6)	88(↑2)
<i>Strength of investor protection</i>	79(↓37)	94(↓13)	108(↑2)	8(↓2)	79(↓37)	25(↓4)	120(↑1)	36(↓11)	20(↓7)	101(↓1)
Infrastructure	114(↑9)	106(↓5)	42(↓3)	68(↑13)	60(↑2)	116(↑1)	95(↓5)	49(↓5)	48(↑5)	79(↓3)
<i>Quality of roads</i>	113(-)	93(↑1)	39(↑3)	51(↑10)	75(↑5)	77(-)	106(↓9)	60(↓9)	28(↑8)	89(↑4)
<i>Quality of railroad</i>	72(↑3)	98(↑2)	14(↑2)	23(↑6)	39(↑4)	53(↑7)	89(↓5)	77(↑1)	55(↓2)	52(↓4)
<i>Quality of port</i>	89(↑4)	76(↑7)	43(↑7)	48(↑12)	75(↑7)	84(↓18)	113(↓10)	65(↓13)	52(↑1)	77(↓1)
<i>Quality of air transport</i>	115(↑6)	99(↑1)	49(↑2)	63(↑8)	62(↑4)	91(↓12)	116(↓18)	42(↓4)	29(↑4)	86(↓11)
<i>Quality of electricity supply</i>	110(↑10)	106(↑2)	56(↓3)	88(↑10)	89(↓3)	121(↑8)	94(↓5)	61(↓5)	84(↓4)	85(↑2)
Macroeconomic environment	65(↓16)	50(↑14)	8(-)	75(↑16)	30(↑3)	116(↑12)	20(↑4)	13(↑14)	54(↑14)	77(↓8)
Health & primary education	105(↓4)	103(↓16)	41(↑3)	85(↓1)	100(↓20)	128(↓1)	81(↑5)	86(↓19)	79(↓6)	65(↓4)
Higher education & training	118(↑4)	134(↓11)	54(↑14)	81(↑9)	63(↑2)	123(↑1)	58(↑5)	62(↓6)	50(↑5)	83(↑12)
Goods market efficiency	96(↑5)	76(↑17)	56(↑2)	60(↑31)	58(↓3)	117(↓1)	99(↓19)	37(↓7)	52(↓7)	81(↑2)
<i>Prevalence of trade barriers</i>	56(↓12)	86(↓3)	78(-)	47(↑35)	91(↑22)	112(↓6)	60(↓17)	75(↓2)	44(↓2)	108(↓8)
<i>Trade tariffs, %duty</i>	125(↑3)	96(↑1)	118(↓1)	123(↑1)	62(↑2)	134(↑3)	49(↑2)	85(↑6)	76(↓4)	91(↓5)
<i>Burden of customs procedures</i>	116(↑7)	127(↑1)	55(↑1)	37(↑17)	73(↓1)	113(↓2)	121(↓14)	82(↑3)	74(↑8)	103(↓13)
Labor market efficiency	120(↑1)	58(↓20)	39(↓2)	84(↑19)	108(↑7)	129(↑3)	86(↓4)	71(↓4)	126(↑1)	63(↓11)
<i>Cooperation in labor-employer relations</i>	91(↑11)	70(↑6)	47(↑15)	67(↑19)	45(↑4)	134(↓3)	27(↓1)	36(↓2)	119(↓7)	79(↓8)
<i>Flexibility of wage determination</i>	69(↑16)	104(↑3)	82(↓9)	112(↑8)	109(↓24)	120(↓6)	97(↓1)	107(↑4)	62(↓10)	84(↓17)
<i>Pay and productivity</i>	83(↑24)	63(↓6)	27(↓7)	33(↑14)	29(↑4)	97(↓2)	37(↓18)	52(↑1)	94(↓8)	62(↓17)
Business sophistication	107(↑10)	114(↑8)	34(↑4)	35(↑17)	39(↓3)	95(↓9)	52(↓10)	43(↓8)	65(↓7)	96(↑4)
<i>Local supplier quantity</i>	47(↑18)	125(↑6)	16(↓1)	36(↑18)	40(↓1)	102(↓49)	60(↑4)	59(↓25)	41(↓14)	86(↓16)
<i>Local supplier quality</i>	78(↑15)	125(↑3)	57(↑6)	59(↑7)	70(↑4)	111(↓13)	74(↓10)	77(↓18)	48(↑1)	109(↓4)
<i>State of cluster development</i>	77(↓15)	46(↑19)	21(↑3)	27(↑2)	29(↓1)	76(↓8)	66(↓21)	62(↓23)	57(↓5)	53(↑6)

Source: World Economic Forum (WEF)

China Wage Trend Snapshot

Q2 News & Analysis:

In the first half of 2017 the authorities in Shanghai, Shenzhen, Shandong, Fujian, Shaanxi and several other provinces all raised their minimum wage levels. The rest of China has not done so yet, reflecting a sentiment of keeping wage growth in check to maintain competitiveness. The increases so far in 2017 reflect a slowing down of wage increases relative to recent years, however despite attempts to cool wage inflation, fewer Chinese workers are being paid at minimum levels due to an aging labor pool and growing demand for skilled workers. In fact, labor shortages are having a greater impact on wage levels than government mandated minimum wage levels.

While many provinces are freezing wages in an attempt to stay competitive with growing manufacturing countries in the ASEAN region, due to demographic and macro-economic conditions, rising costs of workers in China will continue to put pressure on manufacturers through 2017.

Note: These are official wage guidelines mandated by each province or region based on information publicly available as of July 1, 2017. As such these numbers serve as an indicator. Actual wages may include benefits, food, housing and other costs. Minimum wage is typically 40-60% of average total wage.

2015/2016 Minimum Wage Updates (official) Asterisk (*) Shows Variance By District			
City/Region/Province	Monthly Min Avg Wage (RMB)	Increase %	Effective Date
Anhui	1,520	20.6%	Nov 1, 2015
Beijing	1,890	9.8%	Sep 1, 2016
Fujian	1,700	13.3%	Jul 1, 2017
Chongqing	1,500	n/a	Jan 1, 2015
Gansu	1,620	10.2%	Jun 1, 2017
Guangxi	1,400	16.7%	Jan 1, 2015
Guangdong	1,895	22.3%	May 1, 2015
Guizhou	1,680	5.0%	Jul 1, 2017
Hainan	1,430	12.6%	Feb 1, 2016
Heilongjiang	1,480	27.6%	Oct 1, 2015
Henan	1,600	14.3%	Jul 1, 2015
Hebei	1,650	12.5%	Jul 1, 2016
Hubei	1,550	19.2%	Sep 1, 2015
Hunan	1,580	13.6%	Jul 1, 2017
Inner Mongolia	1,640	9.3%	Jul 1, 2015
Jiangxi	1,530	10.1%	Oct 1, 2015
Jilin	1,480	12.1%	Dec 1, 2015
Ningxia	1,480	34.5%	Nov 1, 2015
Shaanxi	1,680	11.7%	May 1, 2017
Shandong	1,810	6.7%	Jun 1, 2017
Shanghai	2,300	5%	Apr 1, 2017
Shenzhen	2,130	4.9%	Jun 1, 2017
Sichuan	1,500	7.1%	Jul 1, 2015
Tianjin	2,050	5.1%	Jul 1, 2017
Tibet	1,400	16.7%	Jan 1, 2015
Xinjiang Uyghur	1,670	12.9%	Jul 1, 2015
Yunnan	1,570	10.6%	Sep 1, 2015
Zhejiang	1,860	12.7%	Nov 1, 2015

Global Low Cost Sourcing Country Wage Snapshot

Below is a snapshot of minimum wages in selected Asian sourcing locations, with the addition of Egypt and Ethiopia. Wages vary by region or province and indicate either an estimated or actual/official rate. In cases with a distinct variance, we provide an average. With greater visibility into social conditions in low cost countries, currency fluctuations, increasing unrest and union pressure, wages in traditional low cost sourcing countries are on the rise. Currency fluctuations mean that these figures are approximate at the time of finalizing this report.

Q3 News & Analysis: As China's focus has shifted to medium to high tech manufacturing, wages have increased 80 percent since 2010, shifted the focus away from low cost production. The 5 key countries that have filled the void are Malaysia, India, Thailand, Indonesia and Vietnam, with India a particular focus for low-cost manufacturing growth.

Notes: Figures are provided in USD/month based on currency exchange as of April 1, 2017. Minimum wage policies are updated as per data available by January 1, 2017 and are based primarily on unskilled wages. Consult sources such as [Fair Wage Guide](#) or [Wageindicator.org](#) to assess and calculate benchmarks for wages in particular countries and regions.

BANGLADESH	CAMBODIA	CHINA	EGYPT	ETHIOPIA
\$68 (Jan 2017)	\$153/month (Jan 2017)	\$137-\$639 (Jan 2017)	\$172 (Jan 2017)	\$20-\$40 (Jan 2017)
Bangladesh raised the minimum wage for garment workers – up by 77%. To 5,300 Taka (\$68) following a labor dispute that shut factories in the Ashulia industrial zone.	Finally yielding to union pressure and ongoing unrest, Cambodia will raise the minimum wage for textile, garment and footwear workers from US \$140 to \$153 as of January 2017, still lower than demanded.	Minimum wages in China are set by local governments and vary widely by region and how wages are calculated (with housing, food, overtime etc.) Wages continue to increase each year.	Egypt's official minimum wage (for public workers) was raised to 1,200 EGP/month as of Jan 2017 according to CAPMAS. Actual wages for non-public workers are mostly below this amount.	Many government institutions and public enterprises set their own minimum wages which accounts for variations. Public sector employees are on the low end (\$23) while the private sector is higher (+/- \$40)
INDIA	INDONESIA	LAO PDR	MALAYSIA	MYANMAR
\$40-\$130 (Jan 2017)	\$106-\$252 (Jan 2017)	\$111 (Jan 2017)	\$233-\$253 (Jan 2017)	\$80 (Jan 2017)
Indian min. wages vary by region and skill level; however, the central Indian labor ministry has proposed fixing minimum wages at 15k Rupees/month (\$242) as of late 2014 - a big gap between actual rates.	Indonesia wages vary widely by their 34 provinces and regions and skill levels. The provinces suggest an increase for 2017 based on inflation of 3.07% and economic growth of 5.18%, which means a raise of 8.25% for 2017.	Talks are still underway to increase the min. wage, based on rising living costs from a 2011 min. of 626,000 Lao kip (\$78) per month to a proposal by labor unions to raise wages to 900,000 Lao kip (\$99) in key provinces.	Wages vary by region and are supposed to be review every 2 years. Malaysian officials increased the monthly min. wage from RM 900 (\$202) to RM 1,000 - (+/- \$225) in 2016. This excludes foreign textile workers (the majority).	Myanmar set a minimum wage of 3,600 kkyat (\$2.80) for an eight-hour work day, in 2015, mostly impacting garment workers. As of 2017, a committee is evaluating a new wage increase.
PHILIPPINES	SRI LANKA	THAILAND	VIETNAM	
\$110-220 (Jan 2017)	\$67 (Jan 2017)	\$190-\$196 (Jan 2017)	\$113-165 (Jan 2017)	
Wages in the Philippines vary by region skills level and wage classification. Wage agreements are constantly being renegotiated in the different regions. We provide an estimate of factory workers across the country.	Sri Lanka's adopted two laws on minimum wages as of early 2016, mandating a minimum wage of Rs 10,000 (+/- \$67) and an increase of Rs 2,500 (+/- \$17) for workers earning less than Rs 40,000 per month (+/- \$270)	Thailand implemented a new minimum wage policy as of January 2017, under which min. wages will vary across the 69 provinces. This is the first adjustment since 2013. Wages range from 300 to 310 THB (\$8.50-\$9) per day for unskilled workers.	Vietnam announced a 7.3% wage increase for 2017, where workers must be compensated between VND 2.58 million (\$113) and VND 3,75 million (\$165). This is a compromise on worker's demands for an 11% increase.	

Sources: [WageIndicator.org](#), [SAFSA](#), [Wikipedia](#), [Local News Reports](#)

Container Freight Rates for Major Routes

The outlook for the global shipping industry remained stable heading into the second half of 2017 as we head into the peak season.

Continued scrapping of Panamax class vessels due to the expansion of the Panama Canal and of older ships is likely to continue, which will somewhat offset global capacity. Rates are expected to remain low in 2017, yet will be higher than 2016.

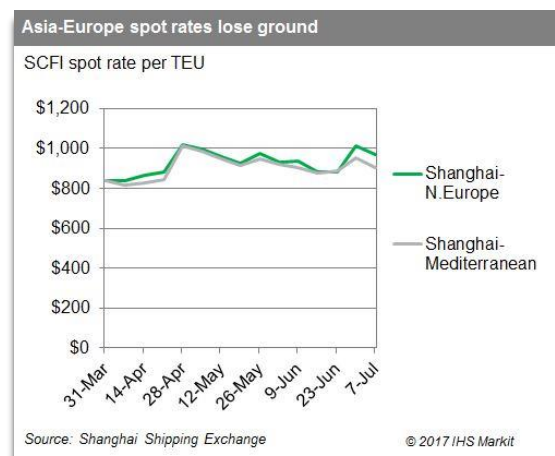
European exports are expected to grow based on a stronger Eurozone economy, driving demand for shipping to and from Europe. Global container trade grew at the fastest rate since 2010 during Q2.

Asia - Europe Trade Lanes

Spot freight rates on the Asia-North Europe and Mediterranean trade lanes declined as we head into the second half of 2017, despite the peak season and closely managed capacity and space constraints.

China-North Europe rate fell to \$969 per TEU in late June, while China-Mediterranean spot rates dropped to \$906 per TEU, according to the Shanghai Shipping Exchange's Containerized Freight Index.

Forecasts from analysts are the third quarter, which is traditionally a peak season, will see increases in volume and with limited capacity, shippers will see space constraints for their cargo. Carriers are strictly managing their capacity, with idle container ships at a record high.

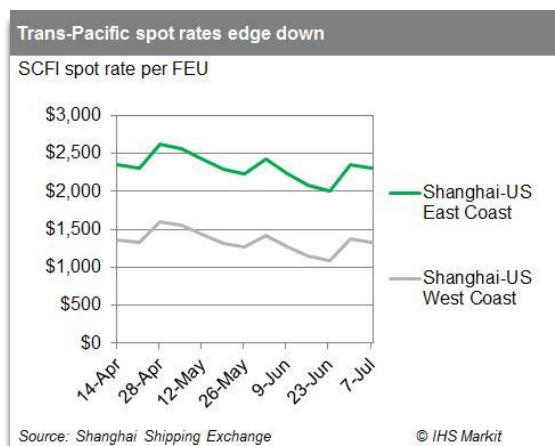


Asia – North America Trade Lanes

Rates from Asia the volatile trans-Pacific tradelanes to the U.S. East and West coast reached a 10 month low despite growing volumes and the approach of the peak season. Indications from analysts are that cargo volumes are building and vessel space will become tighter, with the expectation of a strong peak season ahead.

Carriers are increasing capacity to the both the East and West coast of the U.S. which should keep pressure on rates. While rates have been low since 2010, but on-time performance, at 75-80 percent has suffered, an indication of attempts by carriers to make cuts in service to ensure profitability and make up for low rates.

The merger of “K” Line, MOL and NYK, three Japanese carriers, will go through in April 2018, under the trade name, Ocean Network Express (ONE), making it the largest carrier on the Transp-Pacific route.



Currency Exchange Rates

Following are exchange rates and indicators for major currencies commonly factored into global sourcing costing estimations. The Euro which started the year on a weak note with concerns of an EU collapse, had its best quarter in 7 years in Q2. In contrast, the dollar lost favor amid concerns over Trump's policies and weaker U.S. economic indicators. USD depreciation is expected to continue as is a stronger Euro. China's economy has grown at a steady pace, indicating moderate appreciation in the Chinese Yuan through the remainder of 2017.

EUR to USD (April 2016 – April 2017)



Most analysts believe that the bull trend in the USD has run its course amid uncertain U.S. policy and less perceived risk in the Eurozone, driving growth in the EUR.

EUR/USD - Rate	
2 years	1.19
1 year	1.07
6 months	1.11
3 months	1.12
30 days	1.06

EUR to CNY (April 2016 – April 2017)



The EUR gained ground through the 1H of 2017 as populist policies failed to take hold and the Eurozone is a stable alternative for investment.

EUR/CNY - Rate	
2 years	7.33
1 year	7.04
6 months	7.42
3 months	7.47
30 days	7.43

USD / CNY (April 2016 – April 2017)



A softer U.S. economy has led to gains for the Chinese Yuan, a trend which is expected to continue into 2H 2017 as the Chinese economy continues to perform well.

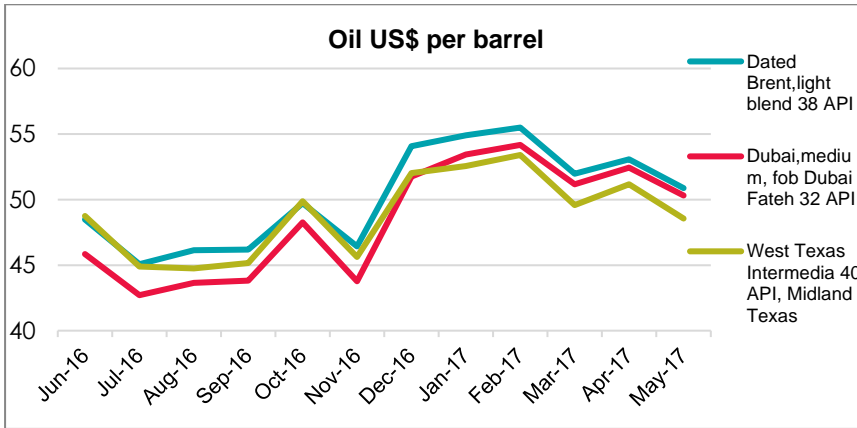
USD/CNY - Rate	
2 years	6.14
1 year	6.52
6 months	6.46
3 months	6.67
30 days	6.98

Sources: Oanda.com, XE.com, News/Analyst Reports

Global Commodity Rates

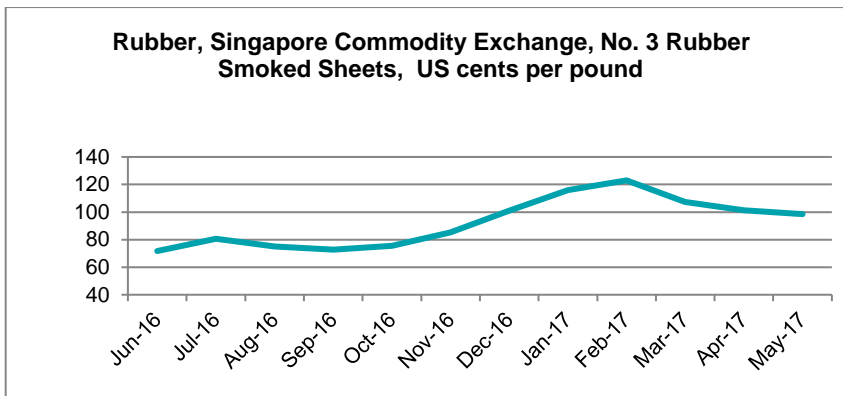
Q2 News & Analysis: After a five-year period of mediocre performance, analysts predict that commodity prices have finally bottomed out, an impact felt in stronger prices amongst most commodities. China is also affecting commodity prices with lower demand and growth in domestic commodity production. Some analysts are predicting that oil prices will increase by up to 20% by late 2017, with ongoing conflict in the Middle-East and attempts by OPEC countries to limit supply. Natural fibers such as cotton and wool have trended up, reflecting stronger consumer demand and healthier global economic conditions.

Crude Oil



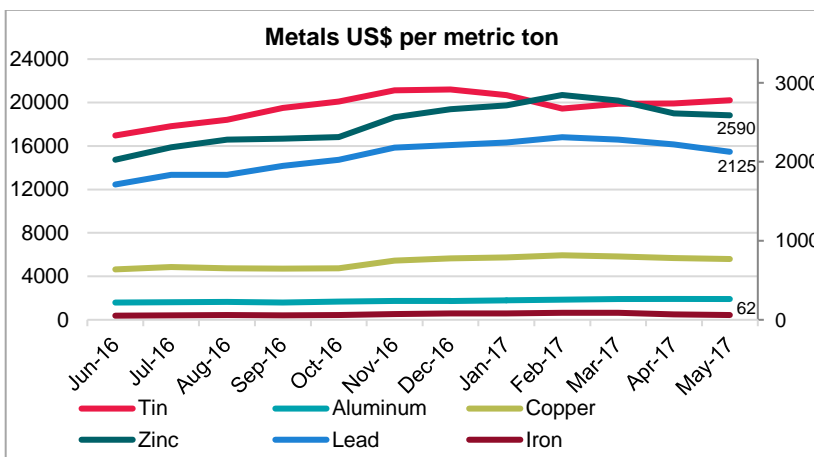
Oil prices fell through Q2 into Q3 based on strong supply despite attempts by OPEC members to cut production. U.S production grew more than 10% yoy. Some analysts predict that oil prices could increase to around \$60 by the end of the year, however there is still the problem of over-supply of +/- 1.5 mln barrels/day.

Rubber



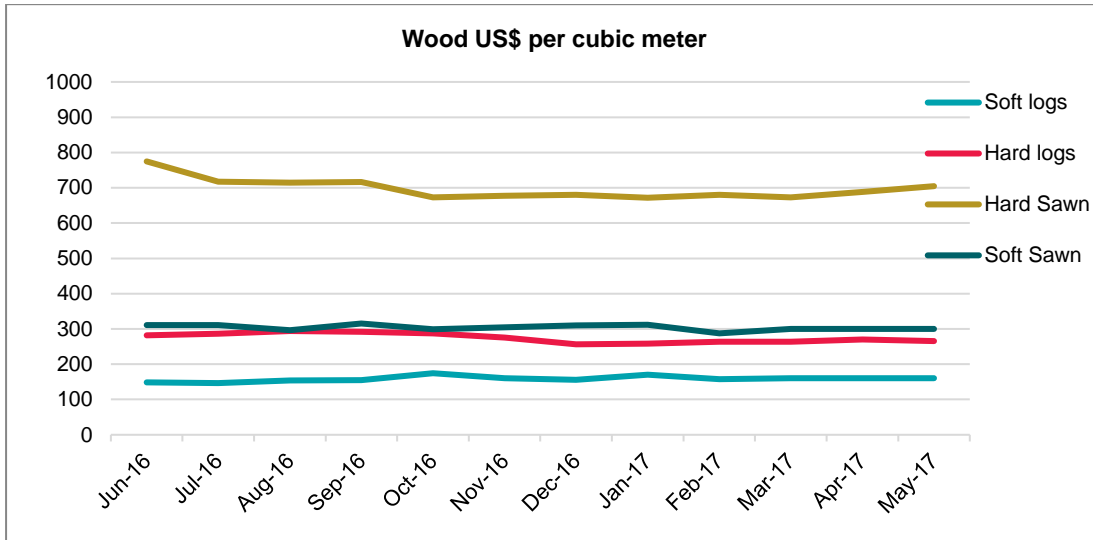
Natural rubber prices have slumped by around 40% this year based on falling demand, especially from China, the top consumer. Sustained low oil prices have also impacted prices by offering a cheaper synthetic alternative to natural rubber.

Metals



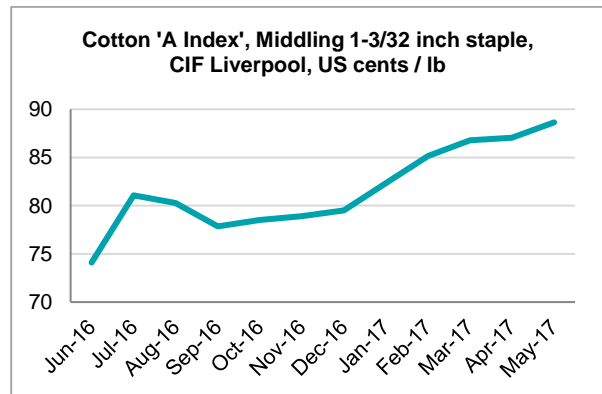
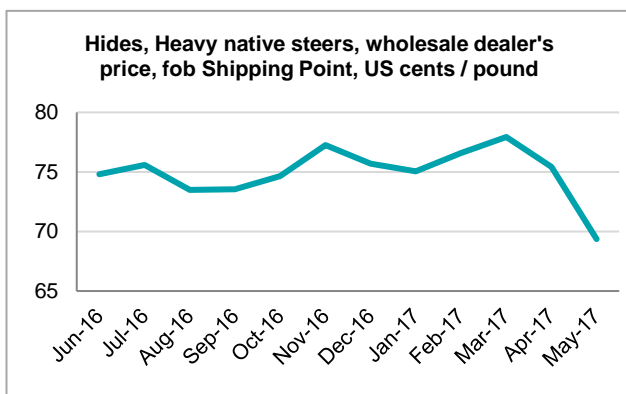
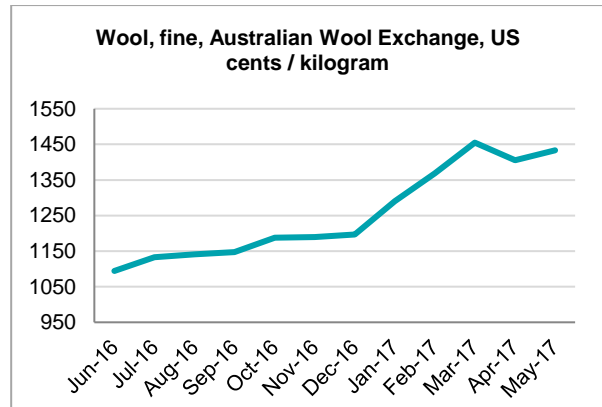
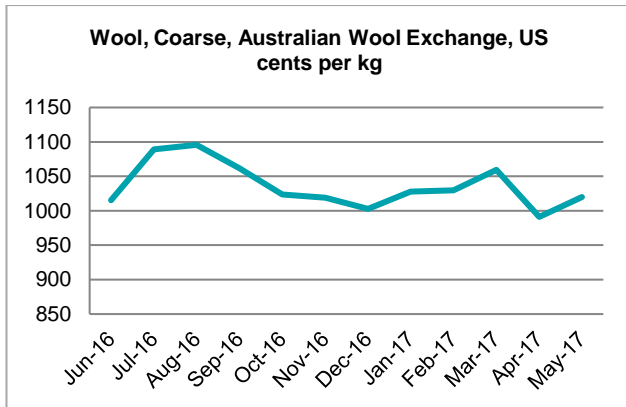
Metal prices were on a flat to downward trend through Q2 and into Q3, largely due to falling demand from China, which accounts for around 50% of global metal consumption. This trend is expected to continue as China shifts focus to less resource intensive economic activities.

Wood



Wool, Hides, Cotton

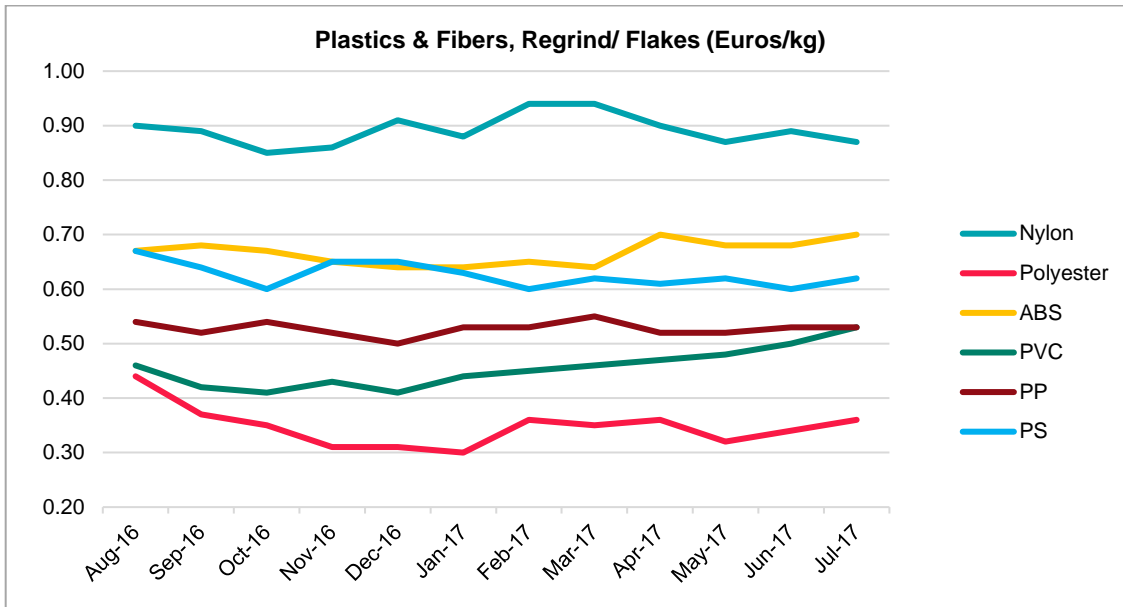
The global cotton market gained steadily through Q2 and into Q3, reaching 87 cents a pound in May and then returning to around 70 cents. There is expected to be a large surplus of cotton production this year, however demand is expected to exceed supply, keeping prices steady. Wool prices followed a similar trend to cotton, climbing based on demand from China and Europe, especially for fine wools.



Plastics and Fibers

A selection of plastic related prices is provided below. These are calculated from offer prices in the Plastics Material Exchange, which provide an indication of trends.

Analysis: With the exception of nylon, synthetic fiber commodity input prices trended flat to up through Q2 and into Q3, with steady demand due to sustained low oil prices.

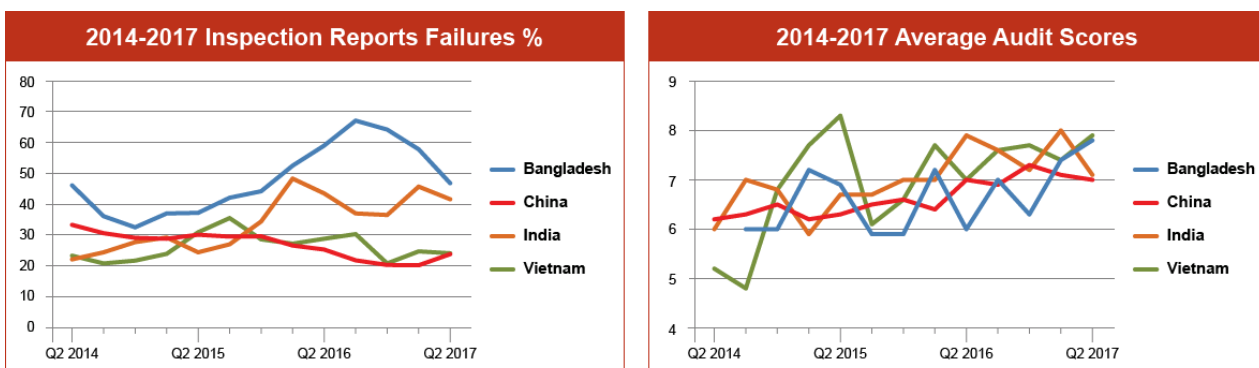


Sources of above commodity charts: IMF data, Index Mundi, Plastics

Quality Focus

This report frequently covers quality control and quality assurance issues. Audit and inspection data provide an indicator of activity in various sourcing regions. According to [Asia Inspection \(AI\)](#) data, China's GDP growth of 6.5% is driving inspection and quality audit growth of +15% with other Asian competitors following closely. Inspection demand in Vietnam and Cambodia rose by 10.4% and 25.4% respectively, whereas inspections in South Asia were more sluggish, with Pakistan growing at 6.6% yoy.

Key Quality KPIs



Source: AsiaInspection data

Special Focus Topics

European Union Expands Global Trade Deals

In contrast to the protectionist global trade stance of a Trump led United States, the European Union (EU), the world's second largest economic region is in the midst of signing and negotiating several important trade deals which could drive considerable economic growth for the EU.

Japan - EU Free Trade Deal

Japan the European Union recently concluded a free trade deal which is scheduled to take effect in early 2019, guaranteeing tariff-free trade between the two.

The deal was signed by Japanese Prime Minister, Shinzo Abe, European Council President, Donald Tusk and European Commission President, Jean Claude Juncker in Brussels, in early July. The deal is expected to liberalize 99 percent of trade between Japan and the EU, benefitting Japan's auto industry and the EU farming sector in particular.

The deal also involves cooperation on issues including climate change and terrorism. The deal may also encourage progress towards the Trans-Pacific Partnership (TPP) agreement between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru and Singapore. Trump withdrew the U.S. from the TPP soon after he became President.



Canada – EU Free Trade Deal

Canada and the European Union approved the Comprehensive Economic and Trade Agreement (CETA) which provides a framework for free trade between Canada and the EU.

This deal which was first discussed in 2009 will eliminate 98% of tariffs for both partners and is projected to increase bilateral trade by 20 percent annually.

Canada is the EU's 12th biggest trading partner and the EU is Canada's second largest trading partner after the United States. Canada exports around \$40 billion in products to the EU and imports around \$53 billion products annually.

Mercosur – EU Free Trade Deal

The European Union Mercosur (Southern Common Market) whose members include Argentina, Brazil, Uruguay and Paraguay are currently in negotiations on a free trade deal. This deal should help member countries such as Brazil to receive cheaper inputs for production of industrial goods and will help boost their exports to the EU.

The planned deal which has been under negotiation since 2010 and recently received a renewed push towards completion could double European exports to the Mercosur region within five years and quadruple Mercosur exports to the EU region.

The Top Five U.S. Importers

For the issue, we look at some of the biggest importers in the United States based on Journal of Commerce rankings of the Top 100 Importers and Exporters. The top 5 importers combined to handle 2.2 million TEUs, with U.S. imports increasing by 8.2 percent and exports increasing by 3.3 percent to 921,600 TEUs. Imports which make up the largest part of U.S. container trade are expected to grow by 6 percent in 2017.

The top five biggest trading partners of the U.S. in 2016 in terms of imports (millions of US dollar) were China (462,813), Canada (278,067), Mexico (294,151) and Japan (132,202) and Germany (114,227).

In 2016 the U.S. imported over \$2.25 trillion in goods, which represented 13 percent of global imports. Almost half of these imports came from Asian countries. The biggest U.S. imports by category include oil, electronic equipment, machinery and vehicles.

The Largest Importers

1. Walmart – 825,300 TEU

The world's largest retailer by a long way, Wal-Mart is still growing. To stay competitive against Amazon Wal-Mart has ramped up its e-commerce capabilities, acquiring online retailers such as Shoebuy, Moosejaw, Modcloth and Jet.com.

2. Target – 556,900

Despite a recent failure and bankruptcy in Canada, Target is doing well in its home market. The retail giant is shifting into e-commerce and is testing next-day home delivery service as well as experimenting with store redesigns to appeal more to customers.

3. Home Depot – 366,000 TEU

This home improvement retailer has made a successful shift to focus also on e-commerce. They now offer a service which allows customers to order online or in store and receive delivery from the store that is closest to their location, effectively turning their stores into fulfillment centers.

4. Lowe's – 271,200

This competitor to Home Depot in the DIY and home renovation market is growing both organically and through acquisitions. It recently acquired Maintenance Supply Headquarters with 13 distribution centers and in 2016 purchased Central Wholesalers.

5. Dole Food – 226,700 TEU

Founded in Hawaii in 1851, Dole is one on the largest producers and seller of fruit and agricultural products. They are currently working on an initial public offering.



Don't miss the 10th Edition of **CBX Global Sourcing Day** on December 8, 2017



This exclusive event brings together over 100 sourcing executives at leading retailers and brands to learn and exchange ideas on the most pressing issues in retail global sourcing today.

Topics Include: Strategies for Optimizing your Sourcing Operations, Private Label Sourcing Done Right, Effective Quality Control, Leveraging Technology for Global Sourcing and more.

Past Attendees Include: Alliance Boots, Berghaus, Dollar General, El Corte Ingles, Marks & Spencer, MGB Metro, Pets at Home, Poundland, Target, Tchibo – and many more.

To pre-register for a complimentary seat (*qualified attendees only*):

Contact: Judy Mak at +852 2378 6300 or email judy.mak@cbxsoftware.com.

About CBX Software



CBX Software is the world's leading Total Sourcing Management solution provider, from concept, to delivery – combining people, process and solutions. CBX helps retailers and brands streamline product development and sourcing, all the way through order & production. Through innovative Sourcing Management, Product Lifecycle Management (PLM), and Production & Order Management technology solutions, CBX empowers the supply chain network by driving collaboration to over 15,000 retail & supplier partners, 30,000 users in more than 50 countries. For more information, visit www.cbxsoftware.com.

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