



China Logistics Prosperity Index

August 2017

China Federation of Logistics & Purchasing 中國物流與採購聯合會

China Federation of Logistics & Purchasing (CFLP) is the logistics and purchasing industry association approved by the State Council. CFLP's mission is to push forward the development of the logistics industry and the procurement businesses of both government and enterprises, as well as the circulation of factors of production in China. The government authorizes the CFLP to produce industry statistics and set industry standards. CFLP is also China's representative in the Asian-Pacific Logistics Federation (APLF) and the International Federation of Purchasing and Supply Management (IFPSM).

The China Logistics Prosperity Index 中國物流業景氣指數

The China Logistics Prosperity Index (LPI), first launched in March 2013, provides an early indication each month of logistics activities in the Chinese logistics sector. The LPI is useful as a fore-indicator of economic and business conditions in China. It is published by China Federation of Logistics & Purchasing (CFLP). The Fung Business Intelligence Centre is responsible for drafting and disseminating the English LPI report.

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The business volume index of China Logistics Prosperity Index (LPI) came in at 53.8 in July, down from 55.8 in June.¹ 9 of the 12 sub-indices were in the expansionary zone in July.

1. Deceleration in the growth in logistics activities

The business volume index dropped by 2.0 pts from the previous month to a five-month low of 53.8 in July, affected adversely by hot weather and frequent rain across China in the month. The latest reading indicates a deceleration in the growth in logistics activities. Meanwhile, the new orders index fell from 54.9 in June to 52.9 in July, showing that the growth in new orders has moderated recently.

The employment index went down from 52.9 in June to 49.8 in July, dipping into the contractionary zone for the first time since February this year. The July reading indicates a slight drop in the employment in the logistics sector. In the meantime, the capacity utilization index came in at 52.0 in July, staying above 50. Logistics enterprises have continued to see enhanced utilization of their facilities.

2. Smaller increase in inventories in warehouses

The inventory turnover index was 52.4 in July, above the critical 50-mark, pointing to faster inventory turnover. Meanwhile, the average inventory index fell by 1.4 pts from the previous month to 51.8 in July, showing a smaller increase in inventories in warehouses in the month.

3. Faster turnover of cash

The cash flow index stayed above 50, registering 51.0 in July. The latest reading indicates faster turnover of cash for the logistics enterprises surveyed.

4. Drop in logistics service charges

The operating cost index registered 57.0 in July, the same as in June. The index was still well above 50 in July, showing that cost pressure on logistics enterprises remained intense in the month. Meanwhile, as indicated by the logistics service charges index, logistics service charges dropped in July. The logistics service charges index remained below 50, registering 48.5 in July.

The operating profit index fell from 51.9 in June to 48.3 in July, below 50, indicating that the month-on-month growth in logistics enterprises' profits turned negative in July.

5. Logistics enterprises continue to be optimistic

The fixed asset investment index dropped from 54.2 in June to 53.7 in July, indicating that fixed asset investment by logistics enterprises has increased at a slower pace lately. Meanwhile, the business expectations index stayed high at 57.2 in July, showing that enterprises in the logistics industry continued to be optimistic about the business outlook for the next three months.

¹ From May 2014 onwards, the 'composite index' of the LPI is no longer used as an indicator for the overall performance of the logistics sector. Instead, the business volume index is now used as the overall indicator. The business volume index indicates the direction and rate of change in business volume of the logistics sector.

China Logistics at a Glance – July 2017

	LPI and sub-indices	Index	Index Compared with the Previous Month	Direction
1	Business Volume	53.8	Lower	Expanding
2	New Orders	52.9	Lower	Expanding
3	Average Inventory	51.8	Lower	Expanding
4	Inventory Turnover	52.4	Lower	Accelerating
5	Cash Flow	51.0	Lower	Accelerating
6	Capacity Utilization	52.0	Lower	Rising
7	Logistics Service Charges	48.5	Lower	Falling
8	Operating Profit	48.3	Lower	Falling
9	Operating Cost	57.0	Unchanged	Rising
10	Investment in Fixed Asset	53.7	Lower	Expanding
11	Employment	49.8	Lower	Contracting
12	Business Expectations	57.2	Higher	Optimistic

For the Chinese version, please refer to the website of China Federation of Logistics & Purchasing at <http://www.clic.org.cn>

About China Logistics Prosperity Index, LPI:

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Every month questionnaires are sent to over 300 logistics enterprises all over China. The data presented herein is compiled from the enterprises' responses about their logistics activities and inventory situations. No data of individual enterprises should be disclosed. The LPI should be compared to other economic data sources when used in decision-making.

Over 300 logistics enterprises in China are surveyed. The sampling of the enterprises involves the use of Probability Proportional to Size Sampling (PPS), which means the selection of enterprises surveyed is largely based on each sub-sector's contribution to the operating revenue of the logistics sector, and the representation of each geographical region.

There are 12 sub-indicators in the survey: Business Volume, New Orders, Average Inventory, Inventory Turnover, Cash Flow, Capacity Utilization, Logistics Service Charges, Operating Profit, Operating Cost, Investment in Fixed Asset, Employment and Business Expectations. An index reading above 50 indicates an overall positive change in a sub-indicator; below 50, an overall negative change.

About the Organisations:

China Federation of Logistics & Purchasing

China Federation of Logistics & Purchasing (CFLP) is the logistics and purchasing industry association approved by the State Council. CFLP's mission is to push forward the development of the logistics industry and the procurement businesses of both government and enterprises, as well as the circulation of factors of production in China. The government authorizes the CFLP to produce industry statistics and set industry standards. CFLP is also China's representative in the Asian-Pacific Logistics Federation (APLF) and the International Federation of Purchasing and Supply Management (IFPSM).

Fung Business Intelligence

Fung Business Intelligence collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

The Fung Group

The Fung Group is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs over 45,100 people across 40 economies worldwide, generating total revenue of over US\$24.8 billion in 2015. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

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