



China Logistics Prosperity Index

December 2015

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 54.2 in November, up from 53.5 in October.¹ 10 of the 12 sub-indices were in the expansionary zone in November.

1. Continuous expansion of logistics activities

The business volume index rose from 53.5 in October to 54.2 in November, showing continuous expansion of logistics activities. Meanwhile, the new orders index went up from 53.0 in October to 53.7 in November, indicating that the growth of new orders for logistics services has accelerated.

The employment index came in at 52.8 in November, staying in the expansionary zone. The November reading shows that enterprises have continued to increase employment. Meanwhile, the capacity utilization index went up to 52.1 in November from 51.7 in October, still above the critical 50-mark. Logistics enterprises witnessed an enhanced utilization of their facilities in November.

2. Deceleration in the growth of warehousing activities

The growth of warehousing activities has decelerated. The inventory turnover index dropped to 52.9 in November from 54.7 in October. Meanwhile, the average inventory index registered 54.0 in November, staying above 50. The November reading indicates an increase in inventories in warehouses in the month.

3. Faster turnover of cash

The cash flow index rose above the neutral level of 50, recording 51.4 in November. The figure indicates faster turnover of cash for the logistics enterprises surveyed.

4. Intense cost pressures on logistics enterprises

The operating cost index went up slightly from 54.0 in October to 54.2 in November. Cost pressures on logistics enterprises are still intense. Nevertheless, logistics enterprises are not able to raise their service charges. The logistics service charges index came in at 49.5 in November, falling below the critical 50-mark.

The operating profit index came in at 49.5 in November, staying below the critical 50-line. Profits made by logistics enterprises have been shrinking.

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.

5. Logistics enterprises become less optimistic about business outlook

The fixed asset investment index rose to 61.1 in November from 60.8 in October, indicating that fixed asset investment by logistics enterprises has increased at a faster pace. Meanwhile, the business expectations index fell sharply from 55.2 in October to 51.9 in November. Enterprises in the logistics industry have become less optimistic about the business outlook for the next three months.

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

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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 46,800 people across 40 economies worldwide, generating total revenue of over US\$24.65 billion in 2014. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

Please visit www.funggroup.com for more about the Fung Group.

The Fung Business Intelligence Centre

The Fung Business Intelligence Centre (FBIC) collects and analyses market data on sourcing, supply chains, distribution and retail. It also provides thought leadership on technology and other key issues shaping their future.

Headquartered in Hong Kong, the FBIC leverages unique relationships and information networks to track and report on trends and developments in China and other Asian countries. In addition, its New York-based Global Retail & Technology research team follows broader retail and technology trends, specialising in how they intersect and building collaborative knowledge communities around the revolution occurring worldwide at the retail interface.

Since its establishment in 2000, the FBIC (formerly known as the Li & Fung Research Centre) has served as the knowledge bank and think tank for the Fung Group. Through regular research reports and other publications, it makes its market data, impartial analysis and expertise available to businesses, scholars and governments around the world. It also provides advice and consultancy services to colleagues and business partners of the Fung Group on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.



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