



## China Logistics Prosperity Index

December 2016

### 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 59.3 in November, up slightly from 59.2 in October.<sup>1</sup> Except the fixed asset investment index, all sub-indices were in the expansionary zone in November.

#### 1. Growth in new orders for logistics services accelerates

The business volume index edged up from 59.2 in October to 59.3 in November, well above the critical 50-mark. The latest index reading indicates that logistics activities have increased at a fast pace recently. Meanwhile, the new orders index improved from 56.1 in October to 56.6 in November, showing acceleration in the growth in new orders for logistics services.

The employment index rose from 52.8 in October to 54.8 in November. The employment index has been above the critical 50-mark for three consecutive months, indicating that employment in the logistics industry has increased continuously. The capacity utilization index came in at 58.5 in November, remaining above 50. Logistics enterprises have continued to see enhanced utilization of their facilities.

#### 2. Faster inventory turnover

The inventory turnover index climbed from 57.1 in October to 58.0 in November, pointing to faster inventory turnover. Meanwhile, the average inventory index went up from 57.8 in October to 58.8 in November, indicating a rise in inventory levels in warehouses in the month.

#### 3. Quicker turnover of cash

The cash flow index stayed above 50, registering 51.2 in November. The latest reading indicates quicker turnover of cash for the logistics enterprises surveyed.

#### 4. Costs on logistics enterprises increase at a very fast pace

The operating cost index went up from 57.4 in October to 61.4 in November, well above 50, indicating that costs on logistics enterprises have increased at a very fast pace. In response, logistics enterprises have raised their service charges. The logistics service charges index rose from 50.4 in October to 51.5 in November.

The operating profit index went up from 49.8 in October to 50.8 in November, indicating an increase in profits made by logistics enterprises.

<sup>1</sup> 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 are quite optimistic about business outlook**

The fixed asset investment index fell from 52.6 in October to 49.8 in November, below the critical 50-mark, indicating that the month-on-month growth in fixed asset investment by logistics enterprises has turned negative lately. Meanwhile, the business expectations index rose from 58.3 in October to 59.3 in November, well above the critical 50-mark. Enterprises in the logistics industry are quite 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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### 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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