



China Logistics Prosperity Index

December 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 58.6 in November, up from 54.0 in October.¹ Except the logistics service charges index, all sub-indices were in the expansionary zone in November.

1. Logistics activities expand at a fast pace

The business volume index rose strongly by 4.6 pts from the previous month to 58.6 in November, well above the critical 50-mark, indicating that the logistics activities expanded at a fast pace boosted by promotion activities of Chinese online retailers in the month. In contrast, the new orders index dropped from 58.1 in October to 55.3 in November, showing a deceleration in growth in new orders for logistics services.

The employment index improved to 51.4 in November from 50.4 in October, indicating a quicker growth in the employment in the logistics sector. In the meantime, the capacity utilization index came in at 56.1 in November, staying above the critical 50-mark. Logistics enterprises have continued to see enhanced utilization of their facilities.

2. Quicker inventory turnover

The inventory turnover index picked up by 3.7 pts from the previous month to 53.8 in November, pointing to quicker inventory turnover. Meanwhile, the average inventory index fell to 52.6 in November from 54.0 in October, indicating a slower increase in inventories in warehouses in the month.

3. Faster turnover of cash

The cash flow index stayed above 50, registering 54.0 in November. The latest reading indicates faster turnover of cash for the logistics enterprises surveyed.

4. Quicker rise in costs on logistics enterprises

The operating cost index went up to 60.0 in November from 57.0 in October, indicating a faster rise in costs on logistics enterprises in November. However, logistics enterprises were unable to pass through the higher costs to their customers during the same period: the logistics service charges index came in at 50.0 in November, showing that service charges of logistics enterprises stayed stable in the month.

The operating profit index went up from 50.1 in October to 54.4 in November, indicating an acceleration in growth in profits of logistics enterprises in November.

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 remain optimistic about the business outlook

The fixed asset investment index rose slightly from 52.4 in October to 52.7 in November, indicating that fixed asset investment by logistics enterprises maintained relatively stable growth in the month. Meanwhile, the business expectations index remained high at 60.0 in November, showing that logistics enterprises have remained optimistic about the business outlook for the next three months.

China Logistics at a Glance – November 2017

	LPI and sub-indices	Index	Index Compared with the Previous Month	Direction
1	Business Volume	58.6	Higher	Expanding
2	New Orders	55.3	Lower	Expanding
3	Average Inventory	52.6	Lower	Expanding
4	Inventory Turnover	53.8	Higher	Accelerating
5	Cash Flow	54.0	Lower	Accelerating
6	Capacity Utilization	56.1	Higher	Rising
7	Logistics Service Charges	50.0	Higher	Unchanged
8	Operating Profit	54.4	Higher	Rising
9	Operating Cost	60.0	Higher	Rising
10	Investment in Fixed Asset	52.7	Higher	Expanding
11	Employment	51.4	Higher	Expanding
12	Business Expectations	60.0	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 39,900 people across 40 economies worldwide, generating total revenue of over US\$22.5 billion in 2016. 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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