



China Logistics Prosperity Index

February 2018

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.

Global Sourcing
Fung Business Intelligence
Helen Chin, Timothy Cheung
Tel: (852) 2300 2470
E-mail: fbicgroup@fung1937.com
<http://www.fbicgroup.com>

The business volume index of China Logistics Prosperity Index (LPI) came in at 54.2 in January, down from 56.6 in December.¹ 10 of the 12 sub-indices were in expansionary zone in January.

1. Growth deceleration in logistics activities

The business volume index fell by 2.4 pts from the previous month to 54.2 in January, indicating a deceleration in the growth of logistics activities in the month. This was partly due to the snowy and rainy weather in Southern China. Meanwhile, the new orders index rose from 53.0 in December to 54.1 in January, showing that the growth in new orders for logistics services has accelerated recently.

The employment index registered 48.9 in January, staying below the critical 50-mark for two consecutive months. The latest figure indicates a continuous decrease in the employment in the logistics sector. In the meantime, the capacity utilization index came in at 52.2 in January, staying above the critical 50-mark. Logistics enterprises have continued to see enhanced utilization of their facilities.

2. Small increase in inventories in warehouses

The inventory turnover index was 53.0 in January, above 50, pointing to a quicker inventory turnover. Meanwhile, the average inventory index fell to 50.7 in January, slightly above the critical 50-mark, indicating a small increase in inventories in warehouses in the month.

3. Faster turnover of cash

The cash flow index stayed above 50, registering 50.3 in January. The latest reading indicates faster turnover of cash for the logistics enterprises surveyed.

4. Costs on logistics enterprises increase at a slower pace

The operating cost index went down to 54.9 in January from 55.9 in December, indicating that costs on logistics enterprises increased at a slower pace in the month. Meanwhile, the logistics service charges index rose by 0.7 pts from the previous month to 49.9 in January, close to 50, showing that service charges of logistics enterprises have stayed relatively stable recently.

The operating profit index went down from 51.6 in December to 50.3 in January, indicating a deceleration in growth in profits of logistics enterprises in the month.

5. Business expectations index falls to a two-year low

The fixed asset investment index went up from 49.3 in December to 50.2 in January, indicating that fixed asset investment by logistics enterprises registered a weak month-on-month growth in January. Meanwhile, the business expectations index fell by 0.8 pts from the previous month to 55.0 in January, the lowest level since February 2016, showing the relatively low confidence among logistics enterprises.

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.

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 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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