The business volume index of China Logistics Prosperity Index (LPI) came in at 49.9 in January, down from 58.6 in December 2019.¹

1. Logistics activities show remarkable seasonal slowdown

The business volume index plummeted by 8.7 pts to 49.9 in January. The plunge is mainly due to a temporary halt of manufacturing and logistics activities before and during the Chinese New Year holiday.

Industry sub-indices showed that road transport, cargo handling, and express delivery services were able to maintain relatively high levels of business activity. In terms of categories of goods, demand for logistics services for consumer-related goods, including clothing, food and daily necessities, remained robust.

2. Inventory-related indices drop

The average inventory index fell by 2.7 pts to 47.5 in January, while the inventory turnover index declined by 5.1 pts to 51.9. The drop in both indices is attributable to cyclical downturn, and a rebound is expected in the coming months.

3. Employment index falls

The employment index fell by 3.6 pts to 48.6 in January. The decline is driven by various factors including a slowdown in manufacturing and construction, decelerating growth of logistics activities, and workers traveling home during the Chinese New Year holiday.

4. Business outlook remains cautiously optimistic

The new orders index slipped from 56.8 to 50.1 pts in January, albeit still above the 50-point threshold, indicating expectation of a positive yet decelerating growth in logistics services going forward.

The present coronavirus epidemic is likely to negatively impact the demand for logistics services in the short run. In the medium term, the logistics industry is expected to resume steady growth as production and consumption recover with the end of the epidemic.
About China Logistics Prosperity Index, LPI:

China Logistics Prosperity Index (LPI) 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 is responsible for drafting and disseminating the English LPI report. The first LPI was launched in March 2013.

Every month questionnaires are sent to 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.

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.

Fung Group

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including trading, logistics, distribution and retail. The Fung Group comprises 42,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world’s foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

Listed entities of the Group include Li & Fung Limited (SEHK: 00494), Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys “R” Us (Asia) and Suhyang Networks.

For more information, please visit www.funggroup.com.