



## China Logistics Prosperity Index

January 2019

### **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 54.7 in December, down from 55.9 in November.<sup>1</sup>

#### 1. Growth deceleration in logistics activities

The business volume index dropped by 1.2 pts from the previous month to 54.7 in December, indicating a deceleration in the growth of logistics activities in the month. In our view, this was largely attributable to a seasonal fall in activities in the online retailing sector after the Double Eleven Shopping Festival in November. Meanwhile, the new orders index fell slightly from 55.1 in November to 55.0 in December, showing that the growth of the new orders for logistics services has shown slight deceleration lately.

The employment index dropped by 2.9 pts from the previous month to around 51 in December, close to the critical 50-mark, indicating a small increase in employment in the logistics sector in the month. In the meantime, the capacity utilization index remained above the critical 50-mark, registering 56.0 in December. Logistics enterprises have seen enhanced utilization of their facilities lately.

#### 2. Logistics enterprises are optimistic about business outlook

The fixed asset investment index rose by 0.1 pts from the previous month to 53.0 in December, indicating a slight acceleration in the growth of fixed asset investment by logistics enterprises in December. Meanwhile, the business expectations index stayed above 60 in December, showing that logistics enterprises have remained optimistic about the business outlook for the next three months.

<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.

## **About China Logistics Prosperity Index, LPI:**

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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**

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### **Fung Business Intelligence**

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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**

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