



China Logistics Prosperity Index

July 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 55.8 in June, down from 57.7 in May.¹ Except the logistics service charges index, all sub-indices were in the expansionary zone in June.

1. Growth in logistics activities decelerates

The business volume index came in at 55.8 in June, falling for the second consecutive month. The downtrend of the index indicates a deceleration in the growth in logistics activities. This was in line with a weaker growth in new orders in June. The new orders index dropped from 57.4 in May to 54.9 in June.

The employment index rose from 52.5 in May to 52.9 in June, indicating that the employment in the logistics industry has increased at a faster pace lately. In the meantime, the capacity utilization index came in at 53.1 in June, staying above 50. Logistics enterprises have continued to see enhanced utilization of their facilities.

2. Inventories in warehouses increase

The inventory turnover index came in at 52.5 in June, above the critical 50-mark, pointing to faster inventory turnover. Meanwhile, the average inventory index was 53.2 in June. The index was above 50, showing that inventories in warehouses increased in the month.

3. Faster turnover of cash

The cash flow index stayed above 50, registering 52.9 in June. The latest reading indicates faster turnover of cash for the logistics enterprises surveyed.

4. Cost pressure on logistics enterprises remains intense

The operating cost index went down slightly from 57.4 in May to 57.0 in June. The index was still well above 50 in June, showing that cost pressure on logistics enterprises remained intense in the month. Meanwhile, logistics enterprises were unable to pass through the higher costs to their customers. The logistics service charges index came in at 49.8 in June, staying below 50 in four of the past five months. Against this backdrop, the operating profit index fell from 52.3 in May to 51.9 in June, indicating a slower growth in profits made by logistics enterprises.

5. Growth in fixed asset investment reaccelerates

The fixed asset investment index rebounded from 53.4 in May to 54.2 in June, indicating that the month-on-month growth in fixed asset investment by logistics enterprises has reaccelerated. Meanwhile, the business expectations index stayed high at 57.0 in June, showing that enterprises in the logistics industry continued to be optimistic about the business outlook for the next three months.

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.

China Logistics at a Glance – June 2017

| | LPI and sub-indices | Index | Index Compared with the Previous Month | Direction |
|----|---------------------------|-------|--|--------------|
| 1 | Business Volume | 55.8 | Lower | Expanding |
| 2 | New Orders | 54.9 | Lower | Expanding |
| 3 | Average Inventory | 53.2 | Lower | Expanding |
| 4 | Inventory Turnover | 52.5 | Lower | Accelerating |
| 5 | Cash Flow | 52.9 | Lower | Accelerating |
| 6 | Capacity Utilization | 53.1 | Lower | Rising |
| 7 | Logistics Service Charges | 49.8 | Higher | Falling |
| 8 | Operating Profit | 51.9 | Lower | Rising |
| 9 | Operating Cost | 57.0 | Lower | Rising |
| 10 | Investment in Fixed Asset | 54.2 | Higher | Expanding |
| 11 | Employment | 52.9 | Higher | Expanding |
| 12 | Business Expectations | 57.0 | Lower | 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 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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