



China Logistics Prosperity Index

June 2016

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 54.2 in May, the same as in April.¹ Except the logistics service charges index, all sub-indices were in the expansionary zone in May.

1. Faster growth in new orders for logistics services

After registering 54.2 in April, the business volume index stayed at the same level in May, showing a steady growth of logistics activities in recent months. Meanwhile, the new orders index went up to a 12-month high of 55.0 in May from 53.5 in April, indicating that growth in new orders for logistics services has accelerated.

The employment index came in at 51.1 in May, still above the critical 50-mark, showing a continuous increase in employment in the logistics industry. The capacity utilization index also stayed above 50, registering 53.3 in May. Logistics enterprises have seen enhanced utilization of their facilities.

2. Higher inventory levels in warehouses

The inventory turnover index came in at 52.1 in May, above the critical 50-mark, pointing to faster inventory turnover. Meanwhile, the average inventory index also stayed above the critical 50-mark in May, indicating higher inventory levels in warehouses in the month.

3. Faster turnover of cash

The cash flow index remained above 50, registering 52.0 in May. The May reading indicates faster turnover of cash for the logistics enterprises surveyed.

4. Costs on logistics enterprises increase at a faster pace

The operating cost index rose from 56.0 in April to 57.0 in May, indicating that costs on logistics enterprises have increased at a faster pace. Nevertheless, the logistics service charges index dropped below the critical 50-mark, registering 49.8 in May. The latest index reading indicates that logistics enterprises have slightly reduced their service charges recently.

The operating profit index went down from 52.2 in April to 51.1 in May, indicating a deceleration in the growth in profits made by logistics enterprises in May.

5. Logistics enterprises become more optimistic about business outlook

The fixed asset investment index went up to 54.7 in May from 54.1 in April, indicating that growth in fixed asset investment by logistics enterprises accelerated in May. Meanwhile, the business expectations index climbed from 62.4 in April to a 13-month high of 63.8 in May. Enterprises in the logistics industry have become more 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.



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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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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 46,800 people across 40 economies worldwide, generating total revenue of over US\$24.65 billion in 2014. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

Please visit www.funggroup.com for more about the Fung Group.

The Fung Business Intelligence

The Fung Business Intelligence collects and analyses market data on sourcing, supply chains, distribution and retail. It also provides thought leadership on technology and other key issues shaping their future. Headquartered in Hong Kong, the Fung Business Intelligence leverages unique relationships and information networks to track and report on trends and developments in China and other Asian countries.

Since its establishment in 2000, the Fung Business Intelligence (formerly known as the Li & Fung Research Centre) has served as the knowledge bank and think tank for the Fung Group. Through regular research reports and other publications, it makes its market data, impartial analysis and expertise available to businesses, scholars and governments around the world. It also provides advice and consultancy services to colleagues and business partners of the Fung Group on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.



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