



## China Logistics Prosperity Index

June 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.

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The business volume index of China Logistics Prosperity Index (LPI) came in at 56.1 in May, up from 54.6 in April.<sup>1</sup> 10 of the 12 sub-indices were in expansionary zone in May.

#### 1. Growth acceleration in logistics activities

The business volume index rose by 1.5 pts from the previous month to 56.1 in May, indicating an acceleration in the growth of logistics activities in the month. Meanwhile, the new orders index went up from 52.9 in April to 54.5 in May, showing that the new orders for logistics services have increased at a faster pace recently.

The employment index rose slightly from 51.7 in April to 51.8 in May, indicating a mild increase in the employment in the logistics sector in May. In the meantime, the capacity utilization index remained above the critical 50-mark, registering 56.0 in May. Logistics enterprises have seen enhanced utilization of their facilities lately.

#### 2. Drop in inventories in warehouses

The inventory turnover index was 52.0 in May, above 50, pointing to a faster inventory turnover. Meanwhile, the average inventory index dropped markedly from 54.6 in April to 48.9 in May, below the critical 50-mark, indicating a drop in inventories in warehouses in the month.

#### 3. Faster turnover of cash

The cash flow index came in at 50.6 in May, above 50. The latest reading indicates a faster turnover of cash for the logistics enterprises surveyed.

#### 4. Slight fall in service charges of logistics enterprises

The operating cost index fell to 54.6 in May from 56.7 in April, indicating that the costs on logistics enterprises have increased at a slower pace recently. Meanwhile, the logistics service charges index dropped below 50, registering 49.5 in May. The latest reading indicates a slight fall in the service charges of logistics enterprises.

The operating profit index went down from 51.6 in April to 50.3 in May, indicating a deceleration in the profit growth of logistics enterprises in May.

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

The fixed asset investment index went up markedly from 52.4 in April to 57.5 in May, indicating an acceleration in the growth of the fixed asset investment by logistics enterprises in May. Meanwhile, the business expectations index came in at 60.8 in May, well above 50, showing that logistics enterprises have been 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

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

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