



## China Logistics Prosperity Index

June 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.

### Global Sourcing Fung Business Intelligence

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The business volume index of China Logistics Prosperity Index (LPI) came in at 52.8 in May, down from 53.5 in April.<sup>1</sup>

#### 1. Growth in logistics activities stabilises

The business volume index reached 52.8 in May, down by 0.7 pt from the previous month. However, the index remained above the critical 50-mark, indicating continued strength in logistics activities as growth stabilised.

#### 2. Deceleration in new orders and employment growth indicate downward pressure

The new orders index declined by 2.1 pts to 53.1 in May, indicating deceleration in the demand for logistics services. Meanwhile, the employment index rose to 49.3, up 0.3 pt from the previous month, but remained below the 50-mark. The cash flow index recorded a decline in May. All these trends suggest an accumulation of downward pressure on the logistics sector.

#### 3. Average inventory and inventory turnover decrease

The average inventory index decreased 1.2 pts to 48.1 in May, while the inventory turnover index dropped 3.3 pts to 51.7. The figures indicate strong consumer demand in May, especially for home appliances and agricultural by-products, leading to reduction in average inventory. At the same time, demand for logistics services for bulk commodities declined, resulting in a slowdown in inventory turnover.

#### 4. Logistics enterprises remain positive about business outlook

The business expectations index remained relatively high at 58.6 in May, indicating continued optimism. The business outlook for the logistics sector is expected to be stable in the near future.

<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

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.

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