



China Logistics Prosperity Index

March 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 50.0 in February, down from 54.2 in January.¹ 9 of the 12 sub-indices were in contractionary zone in February.

1. Growth deceleration in logistics activities

The business volume index fell by 4.2 pts from the previous month to 50.0 in February, indicating a deceleration in the growth of logistics activities around and during the Chinese New Year holidays this year. Meanwhile, the new orders index fell from 54.1 in January to 50.4 in February, showing that the new orders for logistics services have increased at a slower pace recently.

The employment index registered 45.0 in February, below the critical 50-mark, indicating a decrease in the employment in the logistics sector. In the meantime, the capacity utilization index dropped below the critical 50-mark, registering 49.1 in February. Logistics enterprises have seen reduced utilization of their facilities lately.

2. Drop in inventories in warehouses

The inventory turnover index was 45.6 in February, below 50, pointing to a slower inventory turnover. Meanwhile, the average inventory index fell to 48.2 in February, below the critical 50-mark, indicating a drop in inventories in warehouses in the month.

3. Slower turnover of cash

The cash flow index fell below 50, registering 45.0 in February. The latest reading indicates a slower turnover of cash for the logistics enterprises surveyed.

4. Service charges of logistics enterprises decrease

The operating cost index went down to 48.0 in February from 54.9 in January, indicating that the uptrend of costs on logistics enterprises has reversed recently. Meanwhile, the logistics service charges index went down by 2.1 pts from the previous month to 47.8 in February, below 50, showing that service charges of logistics enterprises have decreased recently.

The operating profit index dropped from 50.3 in January to 46.8 in February, indicating a fall in profits of logistics enterprises in the month.

5. Logistics enterprises become more optimistic about business outlook

The fixed asset investment index went down from 50.2 in January to 47.3 in February, indicating that the month-on-month growth of fixed asset investment by logistics enterprises turned negative in February. Meanwhile, the business expectations index rebounded strongly by 10.8 pts from the previous month to 65.8 in February, showing that logistics enterprises 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.

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

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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

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 39,900 people across 40 economies worldwide, generating total revenue of over US\$22.5 billion in 2016. 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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