



China Logistics Prosperity Index

November 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 54.0 in October, down from 54.3 in September.¹ Except the logistics service charges index, all sub-indices were in the expansionary zone in October.

1. New orders for logistics services increase at a faster pace

The business volume index dropped slightly by 0.3 pts from the previous month to 54.0 in October, indicating that the growth in logistics activities has softened recently. In contrast, the new orders index rose strongly from 54.3 in September to 58.1 in October, showing that the new orders for logistics services have increased at a faster pace lately. This was boosted by restocking activities of online retailers ahead of the Double Eleven Shopping Festival on 11 November.

The employment index came in at 50.4 in October, the same as in September, indicating a stable growth in the employment in the logistics sector. In the meantime, the capacity utilization index came in at 52.5 in October, staying above the critical 50-mark. Logistics enterprises have continued to see enhanced utilization of their facilities.

2. Strong increase in inventories in warehouses

The inventory turnover index fell by 0.1 pts from the previous month to 50.1 in October, close to the critical 50-mark, showing that inventory turnover has stayed almost stable. Meanwhile, the average inventory index jumped to 54.0 in October from 50.4 in September, indicating a strong increase in inventories in warehouses in the month.

3. Faster turnover of cash

The cash flow index stayed above 50, registering 56.5 in October. The latest reading indicates faster turnover of cash for the logistics enterprises surveyed.

4. Quicker rise in costs on logistics enterprises

The operating cost index went up to 57.0 in October from 55.4 in September, indicating that costs on logistics enterprises rose at a quicker pace in October. However, logistics enterprises were unable to pass through the higher costs to their customers during the same period: the logistics service charges index came in at 49.9 in October, slightly below 50.

The operating profit index went up from 49.8 in September to 50.1 in October. The latest reading was close to the critical 50-mark, indicating that profits of logistics enterprises stayed almost stable in October.

5. Confidence among enterprises in the logistics industry greatly improves

The fixed asset investment index dropped from 53.3 in September to 52.4 in October, indicating a deceleration in the month-on-month growth in fixed asset investment by logistics enterprises. Meanwhile, the business expectations index rose markedly by 4.1 pts from the previous month to 59.9 in October, showing that confidence among enterprises in the logistics industry has greatly improved.

China Logistics at a Glance – October 2017

	LPI and sub-indices	Index	Index Compared with the Previous Month	Direction
1	Business Volume	54.0	Lower	Expanding
2	New Orders	58.1	Higher	Expanding
3	Average Inventory	54.0	Higher	Expanding
4	Inventory Turnover	50.1	Lower	Accelerating
5	Cash Flow	56.5	Higher	Accelerating
6	Capacity Utilization	52.5	Lower	Rising
7	Logistics Service Charges	49.9	Higher	Falling
8	Operating Profit	50.1	Higher	Rising
9	Operating Cost	57.0	Higher	Rising
10	Investment in Fixed Asset	52.4	Lower	Expanding
11	Employment	50.4	Unchanged	Expanding
12	Business Expectations	59.9	Higher	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 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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