



China Logistics Prosperity Index

September 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 53.5 in August, down from 53.8 in July.¹ Except the logistics service charges index, all sub-indices were in the expansionary zone in August.

1. Demand for logistics services improves

The business volume index dropped by 0.3 pts from the previous month to 53.5 in August, indicating a deceleration in the growth in logistics activities. Meanwhile, the new orders index rebounded from 52.9 in July to 53.5 in August, showing that the demand for logistics services has improved with the approach of the peak season for the construction industry.

The employment index went up from 49.8 in July to 50.9 in August, returning to the expansionary zone. The August reading indicates a rise in the employment in the logistics sector. In the meantime, the capacity utilization index came in at 54.8 in August, staying above the critical 50-mark. Logistics enterprises have continued to see enhanced utilization of their facilities.

2. Smaller increase in inventories in warehouses

The inventory turnover index was 52.1 in August, above the critical 50-mark, pointing to faster inventory turnover. Meanwhile, the average inventory index fell by 1.4 pts from the previous month to 50.4 in August, showing a smaller increase in inventories in warehouses in the month.

3. Faster turnover of cash

The cash flow index stayed above 50, registering 53.5 in August. The latest reading indicates faster turnover of cash for the logistics enterprises surveyed.

4. Costs on logistics enterprises increase at a slower pace

The operating cost index fell to 55.9 in August from 57.0 in July, showing that costs on logistics enterprises have increased at a slower pace lately. Meanwhile, the logistics service charges index rose from 48.5 in July to 49.8 in August, below 50, indicating a slighter drop in logistics service charges in August.

The operating profit index went up from 48.3 in July to 52.2 in August, returning to the expansionary zone. The latest reading indicated that the month-on-month growth in logistics enterprises' profits turned positive in August.

5. Growth in fixed asset investment by logistics enterprises decelerates

The fixed asset investment index dropped from 53.7 in July to 50.9 in August, indicating a deceleration in the month-on-month growth in fixed asset investment by logistics enterprises. Meanwhile, the business expectations index stayed high at 58.7 in August, showing that enterprises in the logistics industry continued to be 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.

China Logistics at a Glance – August 2017

	LPI and sub-indices	Index	Index Compared with the Previous Month	Direction
1	Business Volume	53.5	Lower	Expanding
2	New Orders	53.5	Higher	Expanding
3	Average Inventory	50.4	Lower	Expanding
4	Inventory Turnover	52.1	Lower	Accelerating
5	Cash Flow	53.5	Higher	Accelerating
6	Capacity Utilization	54.8	Higher	Rising
7	Logistics Service Charges	49.8	Higher	Falling
8	Operating Profit	52.2	Higher	Rising
9	Operating Cost	55.9	Lower	Rising
10	Investment in Fixed Asset	50.9	Lower	Expanding
11	Employment	50.9	Higher	Expanding
12	Business Expectations	58.7	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 45,100 people across 40 economies worldwide, generating total revenue of over US\$24.8 billion in 2015. 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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