



China Logistics Prosperity Index

September 2016

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 54.3 in August, down from 54.8 in July.¹ 7 of the 12 sub-indices were in the expansionary zone in August.

1. Growth in logistics activities decelerates

The business volume index came in at 54.3 in August, falling for two consecutive months. The downtrend in the index indicates the recent deceleration in growth in logistics activities. Meanwhile, the new orders index went down from 54.8 in July to 53.6 in August, indicating that new orders for logistics services have increased at a slower pace.

The employment index rose from 49.1 in July to 49.8 in August, getting closer to the critical 50-mark and showing a slight drop in employment in the logistics industry. The capacity utilization index came in at 54.9 in August, staying above 50 for six consecutive months. Logistics enterprises have continued to see enhanced utilization of their facilities.

2. Rise in inventory levels in warehouses

The inventory turnover index fell from 55.9 in July to 54.4 in August, but was still well above 50. The latest figure points to faster inventory turnover. Meanwhile, the average inventory index was 55.0 in August, indicating a rise in inventory levels in warehouses in the month.

3. Slower turnover of cash

The cash flow index dropped below 50, registering 49.8 in August. The August reading indicates slower turnover of cash for the logistics enterprises surveyed.

4. Costs on logistics enterprises increase

The operating cost index rose slightly from 52.7 in July to 52.9 in August, indicating an increase in costs on logistics enterprises. Meanwhile, the logistics service charges index remained below 50 in August, indicating that logistics enterprises have continued to reduce their service charges recently.

The operating profit index went up from 47.5 in July to 48.7 in August. The index was still below 50 in August, indicating a continuous drop in profits made by logistics enterprises.

5. Logistics enterprises are more optimistic about business outlook

The fixed asset investment index went down to 49.7 in August from 50.8 in July, indicating that the month-on month growth in fixed asset investment by logistics enterprises has turned negative lately. Meanwhile, the business expectations index improved from 58.6 in July to 60.5 in August. Enterprises in the logistics industry 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.



China Logistics at a Glance – August 2016

	LPI and sub-indices	Index	Index Compared with the Previous Month	Direction
1	Business Volume	54.3	Lower	Expanding
2	New Orders	53.6	Lower	Expanding
3	Average Inventory	55.0	Lower	Expanding
4	Inventory Turnover	54.4	Lower	Accelerating
5	Cash Flow	49.8	Lower	Decelerating
6	Capacity Utilization	54.9	Lower	Rising
7	Logistics Service Charges	49.1	Higher	Falling
8	Operating Profit	48.7	Higher	Falling
9	Operating Cost	52.9	Higher	Rising
10	Investment in Fixed Asset	49.7	Lower	Contracting
11	Employment	49.8	Higher	Contracting
12	Business Expectations	60.5	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.

Please visit www.funggroup.com for more about the Fung Group.

