



China Logistics Prosperity Index

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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).

The Fung Business Intelligence Centre

Through exceptional relationships and deep networks, the Fung Business Intelligence Centre (formerly known as the Li & Fung Research Centre) collects and analyses market data on China's economy, with special reference to sourcing, supply chains, distribution and retail. It also produces reports on sourcing and trading in other Asian countries. Serving as a knowledge bank for the Fung Group, the Centre makes its market data and analysis available to businesses, scholars and governments around the world. It has become an impartial thought leader on issues shaping the future of manufacturing, distribution, logistics and retailing in China, and regularly provides advice and consultancy services to internal and external clients.

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China Logistics Prosperity Index (LPI) came in at 53.0 in March, up from 51.9 in February. All sub-indices stayed in the expansionary zone in March. Only 2 of the 12 sub-indices were lower than their respective levels in the previous month, including average inventory index and operating cost index.

1. Improvement in demand for logistics services

The business volume index was 55.8 in March, up slightly from 55.5 in February. The figure suggests an accelerating growth in logistics activities. The new orders index also rose from 52.2 in February to 53.0 in March, indicating an increase in the demand for logistics services.

Amid the increasing demand, the employment index gained 2.3 pts from the previous month to 50.1 in March, showing an improvement in employment situation. Meanwhile, the capacity utilization index rose by 1.5 pts from the previous month to 51.9 in March. Logistics enterprises saw enhanced utilization of their facilities.

2. Moderate growth in warehousing activities

In March, warehousing activities saw moderate growth. The inventory turnover index went up slightly from 52.8 in February to 53.0 in March, pointing to faster inventory turnover. The figures reflect stronger demand for warehousing services by manufacturers and retailers. The average inventory index was 51.7 in March, slightly down by 0.5 pts from the previous month.

3. Faster turnover of cash

The cash flow index picked up from 52.4 in February to 52.7 in March. The index reading reflects faster turnover of cash for the logistics enterprises surveyed.

4. Faster growth in profits

The logistics service charges index edged up to 52.7 in March, compared to 52.5 in February. Meanwhile, after registering 58.8 in February, the operating cost index stayed high at 58.5 in March, pointing to mounting cost pressure on logistics enterprises. It is noteworthy that the operating cost index was higher than the logistics service charges index, hinting that logistics enterprises found it difficult to fully pass on the higher costs to their customers.

Nevertheless, the operating profit index improved from 51.7 in February to 52.0 in March, showing that logistics enterprises witnessed a faster growth in profits in the month.

5. Optimistic business outlook by logistics enterprises

The investment in fixed asset index came in at 50.1 in March, up slightly by 0.1 pts from the previous month. The reading shows that fixed asset investments made by logistics enterprises were almost unchanged in March. The business expectations index climbed from 55.5 in February to 63.1 in March. Enterprises in the logistics industry have become more optimistic about the business outlook in the next three months.



About China Logistics Prosperity Index, LPI:

China Logistics Prosperity Index (LPI) 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). And the Fung Business Intelligence Centre is responsible for drafting and disseminating the English LPI report. The first LPI was launched in March 2013.

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 logistics sector, and the representation of each geographical region.

Survey responses reflect the change of each indicator, if any, in the current month compared to the previous month. There are 12 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. For each of the indicators, this report shows the percentage of enterprises reporting each response, the difference between the percentage of responses in the positive economic direction and the negative economic direction, and the diffusion index.

The diffusion index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indices have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. An index reading above 50 indicates an overall positive change in that variable; below 50, an overall negative change.