



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).

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The Fung Business Intelligence Centre

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China Logistics Prosperity Index (LPI) fell to 51.5 in January from 52.4 in December. 6 of the 12 sub-indices were higher than their respective levels in the previous month, including average inventory index, inventory turnover index, cash flow index, logistics service charges index, operating profit index and operating cost index.

1. Slower growth in demand for logistics services

The new orders index fell from 52.5 in December to 51.8 in January, indicating slower growth in demand for logistics services. Meanwhile, the business volume index fell slightly from 55.7 in December to 55.2 in January. Logistics activities have maintained steady growth.

Amid slowing demand, the employment index fell by 3.0 pts from the previous month to 47.0 in January, reflecting a drop in employment before the Chinese New Year holidays. Besides, the capacity utilization index edged down by 0.1 pts from December to 50.0 in January. Logistics enterprises saw no change in utilization of their facilities.

2. Stronger growth in warehousing activities

In January, warehousing activities showed stronger growth, which could be associated with the greater consumption demand before the holidays. The inventory turnover index rose from 51.6 in December to 52.3 in January, pointing to faster inventory turnover. Moreover, the average inventory index was 51.5 in January, up by 1.2 pts from the previous month.

3. Faster turnover of cash

The cash flow index went up from 50.3 in December to 52.3 in January. Logistics enterprises reported faster turnover of cash in the month.

4. Rising profits

The logistics service charges index climbed from 50.3 in December to 52.1 in January, showing that logistics enterprises have raised their service charges. Meanwhile, the operating cost index rose by 0.8 pts from the previous month to 60.2 in January, indicating intense cost pressure on logistics enterprises. The operating cost index was much higher than the logistics service charges index, hinting that logistics enterprises found it difficult to pass on the higher costs to their customers.

Nevertheless, the operating profit index went up from 50.3 in December to 52.1 in January. The figures indicate that more logistics enterprises witnessed an increase in profits in the month.

5. Logistics enterprises have become slightly pessimistic about the business outlook

The investment in fixed asset index came in at 50.0 in January, showing stable fixed asset investments made by the surveyed logistics enterprises. Meanwhile, the business expectations index dropped from 53.4 in December to 49.4 in January, marginally below the critical 50-mark. Surveyed enterprises in the logistics industry have become slightly pessimistic 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.

The LPI is a composite index based on the diffusion indices for five of the indicators with varying weights: New Orders—30%; Business Volume—25%; Employment—20%; Capacity Utilization—15%; and Inventory Turnover—10%. A LPI reading above 50 indicates an overall expansion in the logistics sector; below 50, an overall contraction.