



# 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

The Fung Business Intelligence Centre, through its unique relationships, 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 and has recently expanded its research services on the global retail industry, where unprecedented change is being driven by technological innovation, the advent of multi-sales channels and greater supply chain efficiency.

Serving as a knowledge bank for the Fung Group, the Centre also makes its market data and analysis available to businesses, scholars and governments around the world. It is an impartial thought leader on issues shaping the future of manufacturing, distribution, logistics and retailing in China, and retailing globally. It regularly provides advice and consultancy services to internal and external clients.

### The Fung Business Intelligence Centre

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The business volume index of China Logistics Prosperity Index (LPI) came in at 57.5 in December, up from 56.5 in November.<sup>1</sup> 11 of the 12 sub-indices were in the expansionary zone in December.

### 1. Acceleration in growth of logistics activities

The business volume index rose from 56.5 in November to 57.5 in December, suggesting that the growth of logistics activities accelerated in the month. In the meantime, demand for logistics services moderated in December: The new orders index went down from 54.5 in November to 53.7 in December.

The employment index edged down from 52.2 in November to 51.8 in December, showing a slower growth in employment. Meanwhile, the capacity utilization index came in at 56.5 in December, the same as in November. Logistics enterprises have continued to see enhanced utilization of their facilities.

### 2. Quicker growth in warehousing activities

Growth of warehousing activities accelerated in December. The inventory turnover index rose to 53.3 in December from 50.8 in November. Meanwhile, the average inventory index came in at 54.5 in December, staying above the critical 50-mark for three consecutive months. Inventories in warehouses have continued to increase.

### 3. Faster turnover of cash

After staying below the neutral 50-mark for two months, the cash flow index rose sharply to 56.6 in December. The latest index reading indicates faster turnover of cash for the logistics enterprises surveyed.

### 4. Ease in cost pressures on logistics enterprises

The operating cost index went down from 57.3 in November to 54.8 in December, indicating that cost pressures on logistics enterprises have eased. Meanwhile, logistics enterprises raised their service charges in December: The logistics service charges index rose above the neutral 50-line, registering 50.6 in the month.

The operating profit index edged up from 49.8 in November to 50.0 in December, indicating that profits made by logistics enterprises have been stable in recent months.

### 5. Logistics enterprises become more optimistic about the business outlook

The fixed asset investment index soared to 58.5 in December from 50.5 in November, showing that investments in fixed assets by logistics enterprises have greatly accelerated lately. Correspondingly, the business expectations index went up to 59.9 in December from 54.4 in November. Enterprises in the logistics industry have become more optimistic about the business outlook in the next three months.

<sup>1</sup> 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.



## 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.