



China Logistics Prosperity Index

March 2014

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) went up to 51.9 in February from 51.5 in January. 9 of the 12 sub-indices were higher than their respective levels in the previous month. Operating profit index, operating cost index and investment in fixed asset index were the exceptions.

1. Improvement in demand for logistics services

The new orders index increased from 51.8 in January to 52.2 in February, indicating an improvement in demand for logistics services. At the same time, the business volume index also edged up by 0.3 pts from the previous month to 55.5 in February. This suggests a steady growth in logistics activities.

The employment index gained 0.8 pts from the previous month to 47.8 in February, suggesting that employment declined at a slower rate in the month. Meanwhile, the capacity utilization index rose by 0.4 pts from January to 50.4 in February. Logistics enterprises saw enhanced utilization of their facilities.

2. Moderate growth in warehousing activities

In February, warehousing activities saw moderate growth. The inventory turnover index rose from 52.3 in January to 52.8 in February, pointing to faster inventory turnover. The figures reflect stronger demand for warehousing services by manufacturers and retailers. The average inventory index also went up to 52.2 in February, up by 0.7 pts from the previous month.

3. Faster turnover of cash

The cash flow index went up slightly to 52.4 in February from 52.3 in January. Logistics enterprises reported faster turnover of cash in the month. This may suggest that the credit conditions in China have improved lately.

4. Rising service charges

The logistics service charges index climbed from 52.1 in January to 52.5 in February, showing that more logistics enterprises have raised their service charges. Meanwhile, the operating cost index dropped by 1.4 pts from the previous month, but remained high at 58.8 in February. These two indices suggest that logistics enterprises have still been unable to fully pass on the higher costs to their customers. In February, the operating profit index fell to 51.7 from 52.1 in January. Logistics enterprises have seen slower growth in profits in the month.

5. Optimistic business outlook by logistics enterprises

The investment in fixed asset index came in at 50.0 in February, showing stable fixed asset investments made by the surveyed logistics enterprises. Meanwhile, the business expectations index rebounded strongly from 49.4 in January to 55.5 in February, returning to the above-50 zone. More surveyed enterprises in the logistics industry foresee good business 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.