



China Logistics Prosperity Index

March 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 50.0 in February, down from 53.3 in January.¹ 4 of the 12 sub-indices were in the expansionary zone in February.

1. Growth of new orders for logistics services decelerates

The business volume index dropped markedly from 53.3 in January to 50.0 in February, showing that the logistics activities showed no growth in February. Meanwhile, the new orders index went down to 50.7 in February from 52.3 in January, indicating that the growth of new orders for logistics services has been decelerating.

The employment index fell from 47.9 in January to 47.6 in February, staying in the contractionary zone. The February reading shows that enterprises have continued to reduce employment. The capacity utilization index dropped below the critical 50-mark, registering 49.4 in February. Logistics enterprises have seen reduced utilization of their facilities in the month.

2. Drop in inventories in warehouses

Warehousing activities have continued to slow. The inventory turnover index stayed below the critical 50-mark, registering 48.8 in February. Meanwhile, the average inventory index went down from 52.8 in January to 49.1 in February, below the critical 50-mark. The latest reading indicates a drop in inventories in warehouses in February.

3. Slower turnover of cash

The cash flow index fell below 50, going down to 47.6 in February from 50.7 in January. The February reading indicates slower turnover of cash for the logistics enterprises surveyed.

4. Logistics enterprises start to raise their service charges

The operating cost index was 52.6 in February, staying above the critical 50-mark. Costs on logistics enterprises have continued to increase. In response, logistics enterprises have started to raise their service charges. The logistics service charges index rose above the critical 50-mark, registering 51.7 in February.

The operating profit index fell to 44.2 in February from 46.1 in January. Profits made by logistics enterprises have been decreasing at a faster pace.

5. Logistics enterprises become more optimistic about business outlook

The fixed asset investment index fell sharply to 48.5 in February from 54.1 in January, indicating that the growth of fixed asset investment by logistics enterprises has turned negative recently. Meanwhile, the business expectations index went up from 54.9 in January to 59.7 in February. 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.

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

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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 46,800 people across 40 economies worldwide, generating total revenue of over US\$24.65 billion in 2014. 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.

The Fung Business Intelligence Centre

The Fung Business Intelligence Centre (FBIC) collects and analyses market data on sourcing, supply chains, distribution and retail. It also provides thought leadership on technology and other key issues shaping their future.

Headquartered in Hong Kong, the FBIC leverages unique relationships and information networks to track and report on trends and developments in China and other Asian countries. In addition, its New York-based Global Retail & Technology research team follows broader retail and technology trends, specialising in how they intersect and building collaborative knowledge communities around the revolution occurring worldwide at the retail interface.

Since its establishment in 2000, the FBIC (formerly known as the Li & Fung Research Centre) has served as the knowledge bank and think tank for the Fung Group. Through regular research reports and other publications, it makes its market data, impartial analysis and expertise available to businesses, scholars and governments around the world. It also provides advice and consultancy services to colleagues and business partners of the Fung Group on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

