



China Logistics Prosperity Index

February 2015

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 56.3 in January, down from 57.5 in December.¹ 8 of the 12 sub-indices were in the expansionary zone in January.

1. Deceleration in growth of logistics activities

The business volume index fell from 57.5 in December to 56.3 in January, suggesting that the growth of logistics activities has decelerated. Demand for logistics services has moderated: The new orders index went down from 53.7 in December to 53.2 in January, falling for two consecutive months.

The employment index declined from 51.8 in December to 50.7 in January, showing that growth in employment has softened. Meanwhile, logistics enterprises have continued to see enhanced utilization of their facilities. The capacity utilization index came in at 54.7 in January, above the critical 50-mark.

2. Slowing warehousing activities

Warehousing activities have slowed. The inventory turnover index fell below the neutral level of 50, registering 49.0 in January. The drop in the index may reflect the weakening demand for warehousing services by manufacturers. Meanwhile, the average inventory index dropped markedly by 4.8 pts from the previous month to 49.8 in January, indicating that inventories in warehouses dropped slightly in the month.

3. Faster turnover of cash

The cash flow index came in at 54.4 in January. The index reading indicates faster turnover of cash for the logistics enterprises surveyed.

4. Increase in cost pressures on logistics enterprises

The operating cost index went up from 54.8 in December to 56.9 in January, indicating an increase in cost pressures on logistics enterprises. However, logistics enterprises have failed to raise their service charges: The logistics service charges index dropped below the neutral 50-line, registering 49.3 in January. Correspondingly, logistics enterprises saw a fall in profits. The operating profit index went down from 50.0 in December to 44.4 in January.

5. Logistics enterprises stay optimistic about the business outlook

The fixed asset investment index dropped markedly to 52.4 in January from 58.5 in December, showing that growth of investments in fixed assets by logistics enterprises has decelerated. Meanwhile, the business expectations index remained high at 59.4 in January. Enterprises in the logistics industry have stayed 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.

China Logistics at a Glance – January 2015

	LPI and sub-indices	Index	Index Compared with the Previous Month	Direction
1	Business Volume	56.3	Lower	Expanding
2	New Orders	53.2	Lower	Expanding
3	Average Inventory	49.8	Lower	Contracting
4	Inventory Turnover	49.0	Lower	Decelerating
5	Cash Flow	54.4	Lower	Accelerating
6	Capacity Utilization	54.7	Lower	Rising
7	Logistics Service Charges	49.3	Lower	Falling
8	Operating Profit	44.4	Lower	Falling
9	Operating Cost	56.9	Higher	Rising
10	Investment in Fixed Asset	52.4	Lower	Expanding
11	Employment	50.7	Lower	Expanding
12	Business Expectations	59.4	Lower	Optimistic

For the Chinese version, please refer to the website of China Federation of Logistics & Purchasing at <http://www.clic.org.cn>

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.