



# China Logistics Prosperity Index

March 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 54.9 in February, down from 56.3 in January.<sup>1</sup> 5 of the 12 sub-indices were in the expansionary zone in February.

### 1. Deceleration in growth of logistics activities

The business volume index came in at 54.9 in February, falling for the second consecutive month. The downtrend of the index suggests that the growth of logistics activities has continued to decelerate. Meanwhile, the new orders index went up from 53.2 in January to 55.3 in February, indicating an improvement in the demand for logistics services.

The employment index declined markedly from 50.7 in January to 44.4 in February, dipping into the contractionary zone. The February reading indicates that employment decreased in the month. In the meantime, logistics enterprises have continued to see enhanced utilization of their facilities. The capacity utilization index came in at 52.1 in February, above the critical 50-mark.

### 2. Slowing warehousing activities

Warehousing activities have been slowing down. The inventory turnover index has stayed below the neutral level of 50, registering 48.2 in February. Meanwhile, the average inventory index came in at 49.8 in February, the same as in January. The figure indicates a slight fall in inventories in warehouses.

### 3. Slower turnover of cash

The cash flow index dropped sharply by 6.7 pts from the previous month to 47.7 in February, below the critical 50-mark. The index reading indicates slower turnover of cash for the logistics enterprises surveyed.

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

The operating cost index fell markedly from 56.9 in January to 51.6 in February, indicating an ease in cost pressures on logistics enterprises. Meanwhile, logistics enterprises have slightly reduced their service charges. The logistics service charges index have remained below the neutral 50-line, registering 49.5 in February.

Logistics enterprises have continued to witness a fall in profits. The operating profit index have remained below 50, going down to 43.2 in February.

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

The fixed asset investment index dropped to 49.4 in February from 52.4 in January, showing that investments in fixed assets by logistics enterprises have started to decrease. Meanwhile, the business expectations index jumped from 59.4 in January to 65.0 in February. Enterprises in the logistics industry have become more optimistic about the business outlook for 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.

### China Logistics at a Glance – February 2015

	LPI and sub-indices	Index	Index Compared with the Previous Month	Direction
1	Business Volume	54.9	Lower	Expanding
2	New Orders	55.3	Higher	Expanding
3	Average Inventory	49.8	Lower	Contracting
4	Inventory Turnover	48.2	Lower	Decelerating
5	Cash Flow	47.7	Lower	Decelerating
6	Capacity Utilization	52.1	Lower	Rising
7	Logistics Service Charges	49.5	Higher	Falling
8	Operating Profit	43.2	Lower	Falling
9	Operating Cost	51.6	Lower	Rising
10	Investment in Fixed Asset	49.4	Lower	Contracting
11	Employment	44.4	Lower	Contracting
12	Business Expectations	65.0	Higher	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.