



China Logistics Prosperity Index

July 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

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 56.7 in June, up from 55.2 in May.¹ 11 of the 12 sub-indices stayed in the expansionary zone in June. Logistics service charges index was the exception.

1. Robust growth in demand for logistics services

The business volume index rose to 56.7 in June from 55.2 in May, suggesting accelerating growth in logistics activities. Besides, the new orders index went up from 53.7 in May to 55.3 in June, indicating a stronger growth in demand for logistics services.

The employment index edged up from 51.0 in May to 51.1 in June, continuing to show a modest increase in employment. Meanwhile, the capacity utilization index gained 1 pt from the previous month to 54.4 in June, well above the neutral 50 mark. Logistics enterprises saw enhanced utilization of their facilities.

2. Quicker growth in warehousing activities

In June, warehousing activities showed a quicker growth. The inventory turnover index went up from 50.1 in May to 52.5 in June, pointing to faster inventory turnover. The average inventory index came in at 52.9 in June, falling by 1.7 pts from the previous month. Inventories in the warehouses have continued to increase, albeit at a slower pace.

3. Faster turnover of cash

The cash flow index rose from 50.8 in May to 51.4 in June, reflecting faster turnover of cash for the logistics enterprises surveyed. This may suggest the credit conditions in China have improved lately.

4. Stronger cost pressure on logistics enterprises

The operating cost index went up from 55.6 in May to 57.5 in June, indicating stronger cost pressure on logistics enterprises. On the other hand, the logistics service charges index was 49.1 in June, still below the critical 50 mark. Logistics enterprises have continued to reduce their service charges.

Nevertheless, logistics enterprises have seen an increase in profits. The operating profit index rose from 49.5 in May to 52.2 in June.

5. Logistics enterprises are less optimistic about the business outlook

The investment in fixed asset index came in at 51.9 in June, down by 1.1 pts from the previous month. The reading shows that fewer logistics enterprises increased their investment in fixed assets in June, compared to the previous month. The business expectations index was 52.4 in June, down sharply from 57.4 in May. Enterprises in the logistics industry are less optimistic about the business outlook in 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 – June 2014

	LPI and sub-indices	Index	Index Compared with the Previous Month	Direction
1	Business Volume	56.7	Higher	Expanding
2	New Orders	55.3	Higher	Expanding
3	Average Inventory	52.9	Lower	Expanding
4	Inventory Turnover	52.5	Higher	Accelerating
5	Cash Flow	51.4	Higher	Accelerating
6	Capacity Utilization	54.4	Higher	Rising
7	Logistics Service Charges	49.1	Lower	Falling
8	Operating Profit	52.2	Higher	Rising
9	Operating Cost	57.5	Higher	Rising
10	Investment in Fixed Asset	51.9	Lower	Expanding
11	Employment	51.1	Higher	Expanding
12	Business Expectations	52.4	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.