



DHL Hong Kong Air Trade Leading Index (DTI)

2016 Q1 REPORT

Commissioned by DHL Express (Hong Kong) Limited, DTI is implemented independently by the Hong Kong Productivity Council to measure air traders' forward-looking business outlook, presented in the form of an Index. Please visit u.hkpc.org/dti_eng for details.

Background

Hong Kong is one of the major regional and aviation hubs in Asia Pacific, and Hong Kong International Airport is globally recognized as one of the busiest airports in terms of international cargo throughput. The city's dynamic air trade industry generates income of over HK\$120bn annually and employs nearly 25,000 people ^(1, 2, 3) in the territory.

In the absence of a leading performance indicator for the industry, DHL Express (Hong Kong) Limited (DHL) has commissioned Hong Kong Productivity Council (HKPC) to conduct independent air trade research – the result of which is the DHL Hong Kong Air Trade Leading Index (DTI).

DTI, compiled after months of preparation and pilot studies, contains quarterly findings on air trade and its related attributes, market sentiment and key types of commodities.

DTI is the first of its kind in Hong Kong, offering publicly available market intelligence for local enterprises, especially SMEs which typically have limited resources or access to information, enabling all to take reference from a comprehensive business review of the sector in which they operate.

DTI was first conducted for Q2 of 2014 and will continue to be published on a quarterly basis.

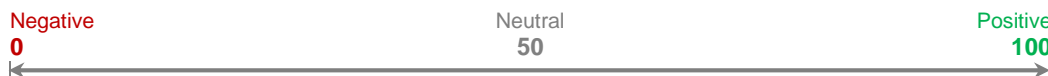
Methodology

$DTI = [100 \times (\text{Percentage of samples responded "Positive"})] + [50 \times (\text{Percentage of samples responded "Neutral"})] + [0 \times (\text{Percentage of samples responded "Negative"})]$

Readings

An index of 50 or above indicates a positive outlook while a reading of 50 or below represents a negative outlook for the surveyed quarter against the same period last year.

As such, the further the reading is from 50, the more positive or negative the outlook.



Demographics

¹ Hong Kong Trade Development Council Research

² Quarterly Report of Employment and Vacancies Statistics, Census and Statistics Department, March 2013

³ Key Statistics on Business Performance and Operating Characteristics of the Transportation, Storage and Courier Services Sector in 2011, Census and Statistics Department

Respondents are Hong Kong based companies with either in- or out-bound air trade. Sectors include Watches, Clocks & Jewellery, Apparel & Clothing Accessories, Electronics Products & Parts, Gifts, Toys & Houseware, Food & Beverage and Others (including courier services and other items which do not belong to the categories listed above).

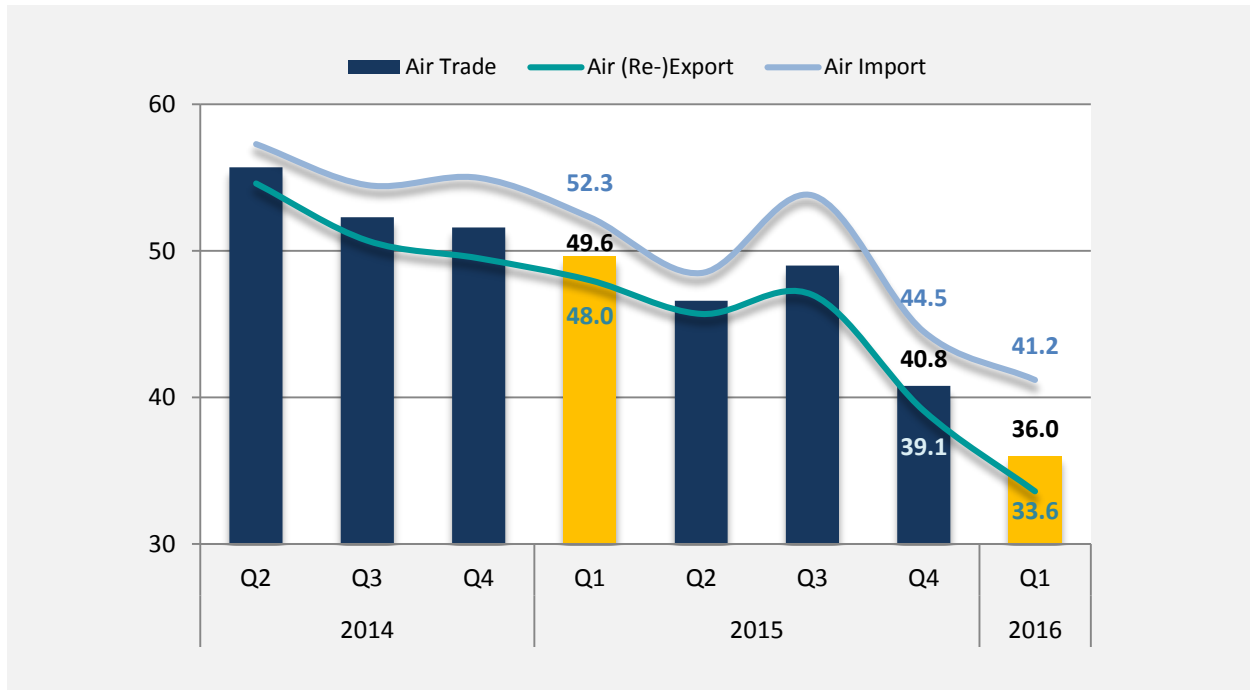
Since the first reading in March 2014, every quarter 600 samples are randomly selected from over 10,000 entries. The survey is conducted by telephone. Each of the 600 samples represents a combination of company and product type which has need of air trade. Each sample has the same weighting in calculating the index, regardless of the size of the company.

After the plunge in previous quarter, 2016 Q1 air trade showed a downbeat outlook owing to volatile global economy, albeit at a much slower rate.

- Compared to the index score of 40.8 in 2015 Q4, local air traders remain cautious in the outlook for the quarter due to the subdued demand in Europe and the emerging markets.
- Despite the general conservatism, improvement can be observed in export demand to Americas. Commodity-wise, Food & Beverage and Gift & Houseware recorded a fair increase in scores.
- Mr Gordon Lo, Director (Business Management) of Hong Kong Productivity Council, said, “Facing fierce market conditions, businesses need to explore more trade opportunities through product innovations and new market development. By promoting innovations with latest technology, some companies have successfully tapped into the underserved markets. Developing presence in the online B2C world also fuels the growth for enterprises.”

Air Trade Volume Index

Air trade's near term outlook continued to be overshadowed by the gloomy global economy. Although moderated, respondents foresee decline in air trade with lessened demand in both imports and exports in 2016 Q1.



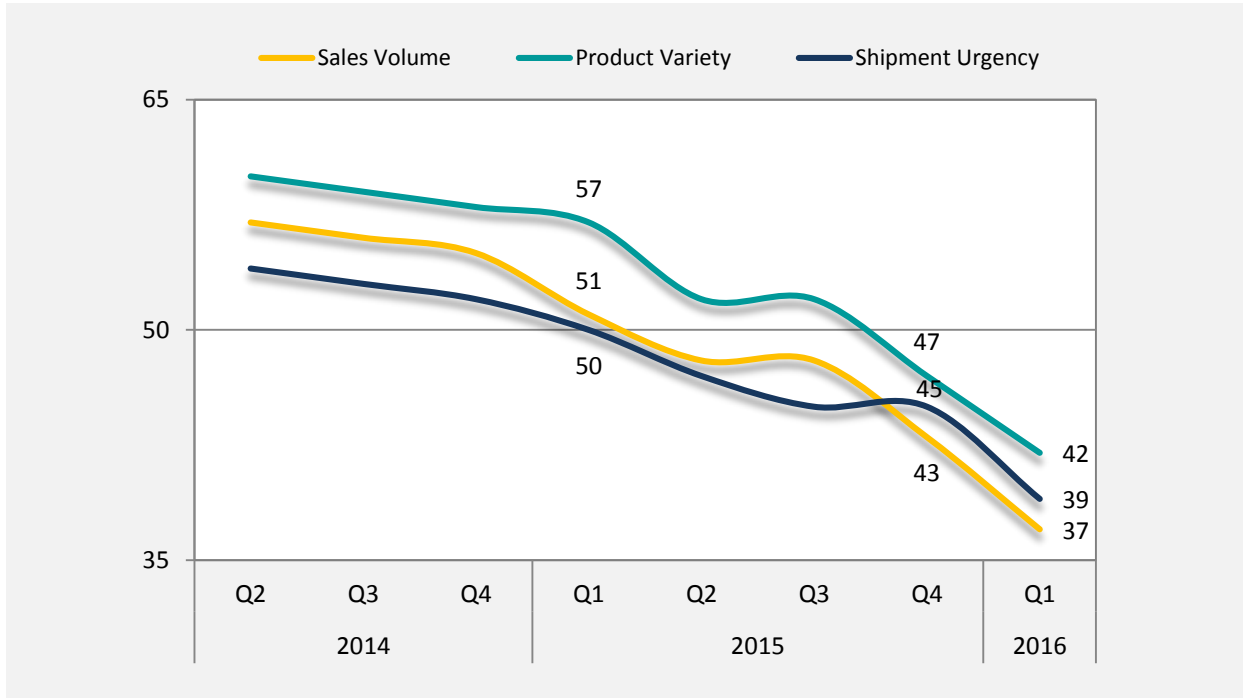
The **Overall index** fell from 40.8 in 2015 Q4 to 36.0 in 2016 Q1.

Subdued demand from Asia Pacific and European markets weighed on the **(Re-) Export Index** to 33.6 in the first quarter. Confidence over demand from the Americas gained slight improvement, although remaining below the 50-point neutral line.

Import Index decreased to 41.2 in this quarter, indicating that air traders continue to stay conservative over the inbound trade activity. Import demand from Asia Pacific is expected to be more resilient when compared to other markets.

Attributes

Attributes continued to trend downward. Air traders are less confident on sales volume in this quarter, as demand from the European markets is struggled to recover.

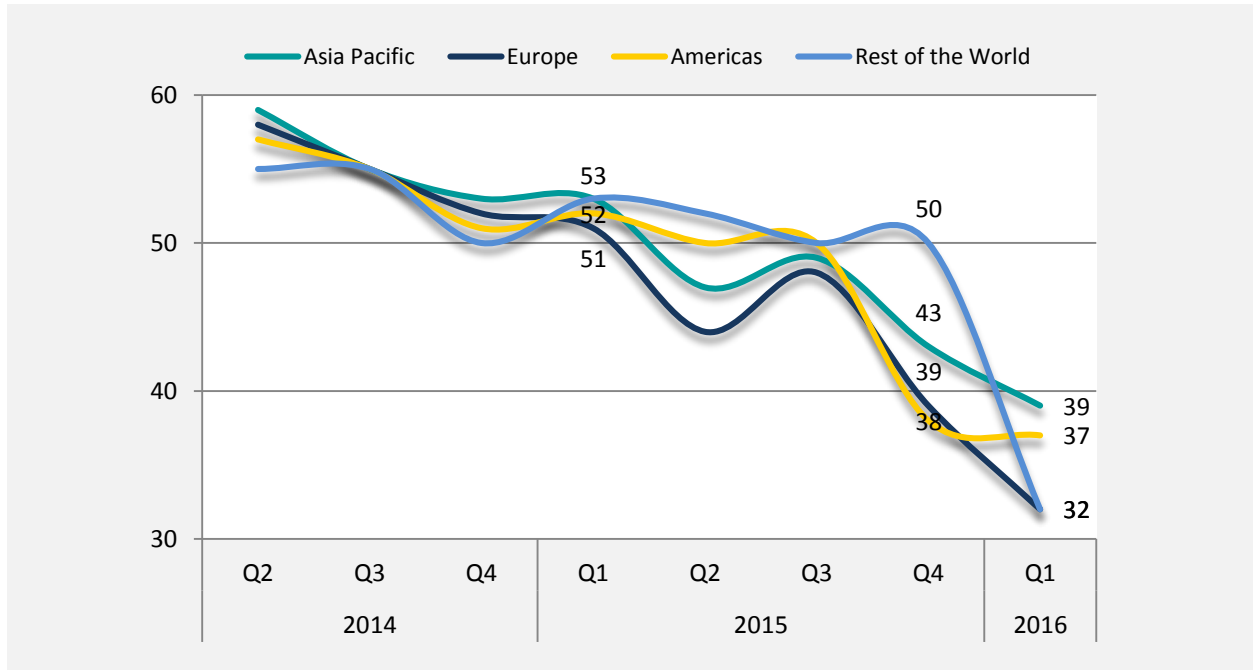


Sales Volume and **Product Variety** dropped to 37 and 42 respectively in this quarter. Demands from all markets are expected to soften in different degrees, yet both attributes on trade with the Americas has largely moderated when compared to the previous quarter.

Shipment Urgency fell from 45 in Q4 to 39 in Q1, while Asia Pacific is likely to be impacted by the decline in urgent orders.

Markets

Air traders' confidence reflected a more restrained market outlook for the first quarter of 2016, nevertheless the decline has generally eased.



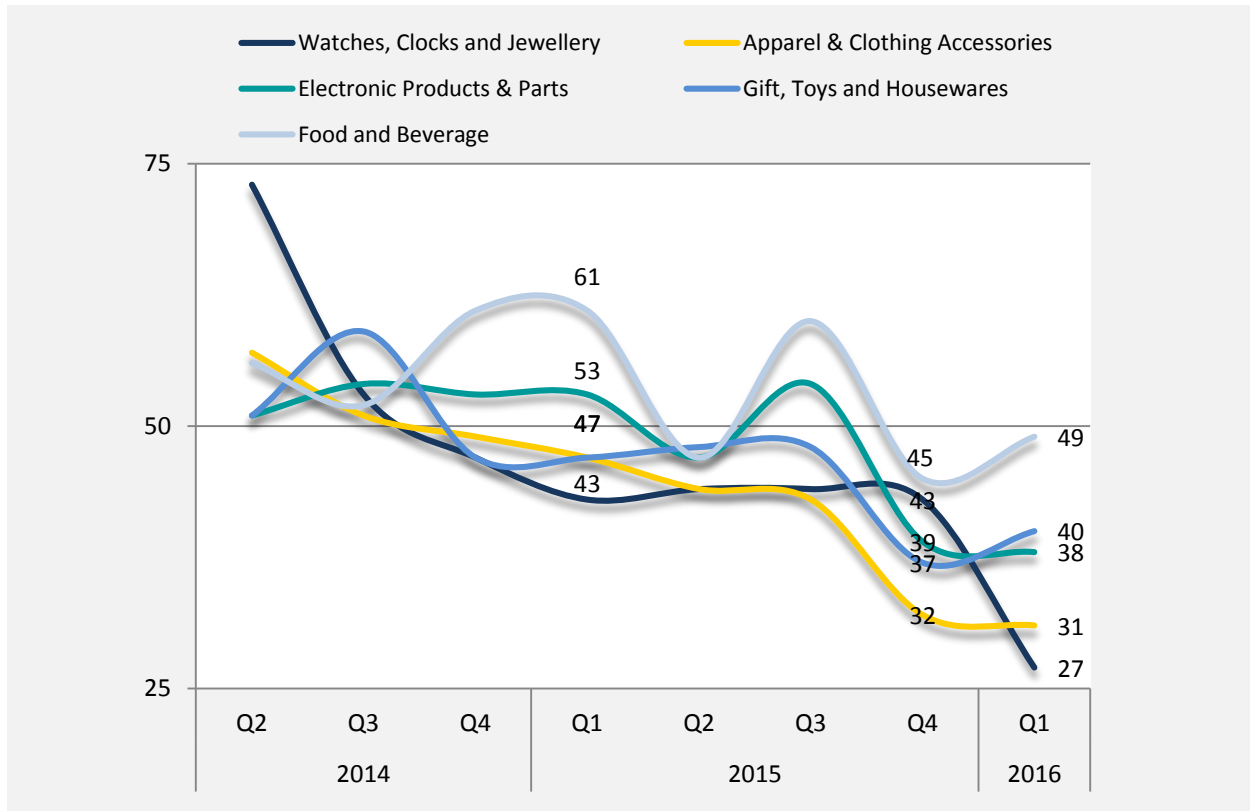
Air traders predict trade with **European** markets and the **Rest of the World** to slow further in the first quarter, with the indices of both markets down to 32 points. Despite a more cautious outlook on European markets, respondents foresee further monetary policy easing by the European Central Bank (ECB) can sustain the imports from Europe, to a certain extent, in near future.

After the 12-point drop in previous quarter, index of **American market** had a marginal fall to 37 in Q1 from 38 in Q4. However, air traders foresee a slight improvement on the exports to the Americas in this quarter.

The index score of **Asia Pacific** markets decreased from 43 to 39 in Q1, mainly dragged by reduced confidence on export trade. Imports indicate a stabilized trend and less conservative outlook.

Air-Freighted Commodities

First quarter outlook sees diverging trends in different commodities. Although generally remaining conservative, most of the commodities show signs of bottoming out, except Luxury goods sank further after staying stagnant through 2015.



The index score of **Watches, Clocks & Jewellery** dipped to 27 in the first quarter, consistent with the weakening global demand for luxury goods.

Electronic Product & Parts and **Apparel & Clothing Accessories** indices have levelled out in Q1, as both fell marginally by 1 point to 38 and 31 respectively.

Gift, Toys & Housewares and **Food & Beverage** improved to 40 and 49 in Q1, with the later rising to just below the 50 point neutral level, as air traders foresee trade with Asia Pacific to pick up.

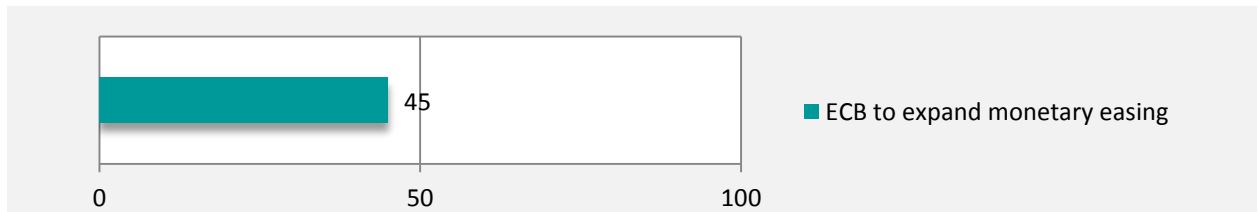
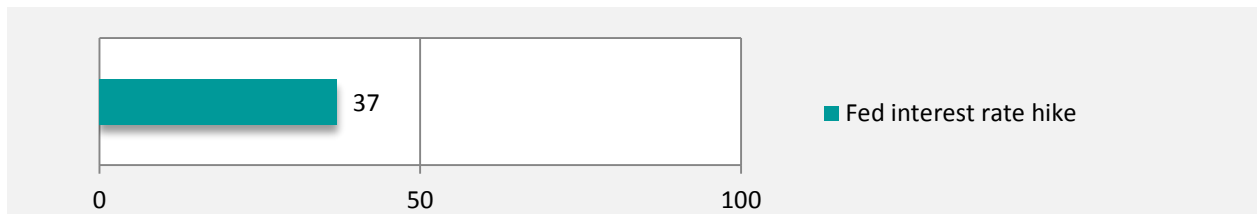
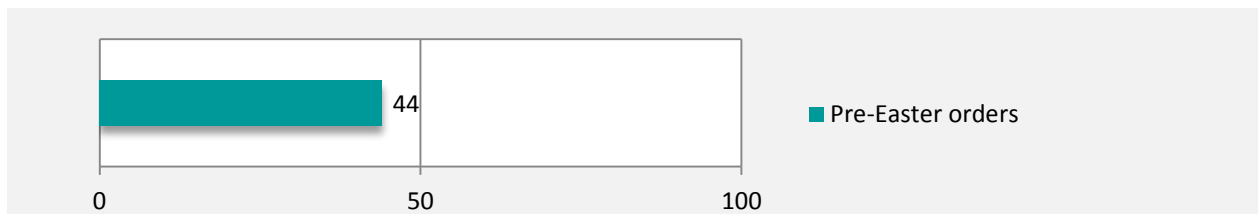
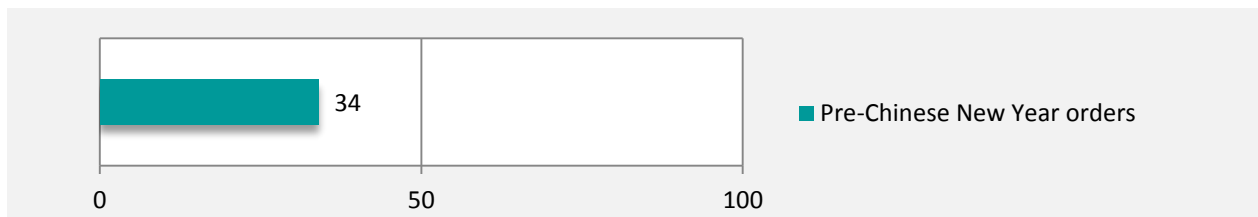
Effect of Recent Market News on Air Trade

Featured topics for this quarter surveyed the effect of pre-holiday orders, US Federal Reserve (Fed) interest rate hike, and European Central Bank's (ECB) monetary easing policy expansion.

Respondents did not anticipate year-on-year increase in orders in the traditional peak seasons, Chinese New Year and Easter holiday, which has weighed on the overall air trade outlook.

Neither were the respondents encouraged about interest rate hike in the United States. Air traders in fact see the higher rate to put pressure on the prospects of air trade, exports in particular, in the near term.

On the contrary, ECB's potential expansion of monetary easing policy may further weaken the value of Euro, providing local air traders opportunity on a stronger import demand from Europe.



About Hong Kong Productivity Council

The Hong Kong Productivity Council (HKPC) is a multi-disciplinary organization established by statute in 1967. HKPC's mission is to promote productivity excellence through the provision of integrated support across the value chain of Hong Kong firms, in order to achieve a more effective utilization of resources, to enhance the value-added content of products and services, and to increase international competitiveness. For more information, please visit the HKPC website at www.hkpc.org.

Enquiry

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