



# DHL Hong Kong Air Trade Leading Index (DTI)

2017 Q2 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](http://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 <sup>(1, 2, 3)</sup> 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 x (Percentage of samples responded “Positive”)] + [50 x (Percentage of samples responded “Neutral”)] + [0 x (Percentage of samples responded “Negative”)]

## Readings

An index value above 50 indicates an overall positive outlook while a reading below 50 represents an overall negative outlook for the surveyed quarter.

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



<sup>1</sup> Hong Kong Trade Development Council Research

<sup>2</sup> Quarterly Report of Employment and Vacancies Statistics, Census and Statistics Department, March 2013

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

## *Demographics*

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).

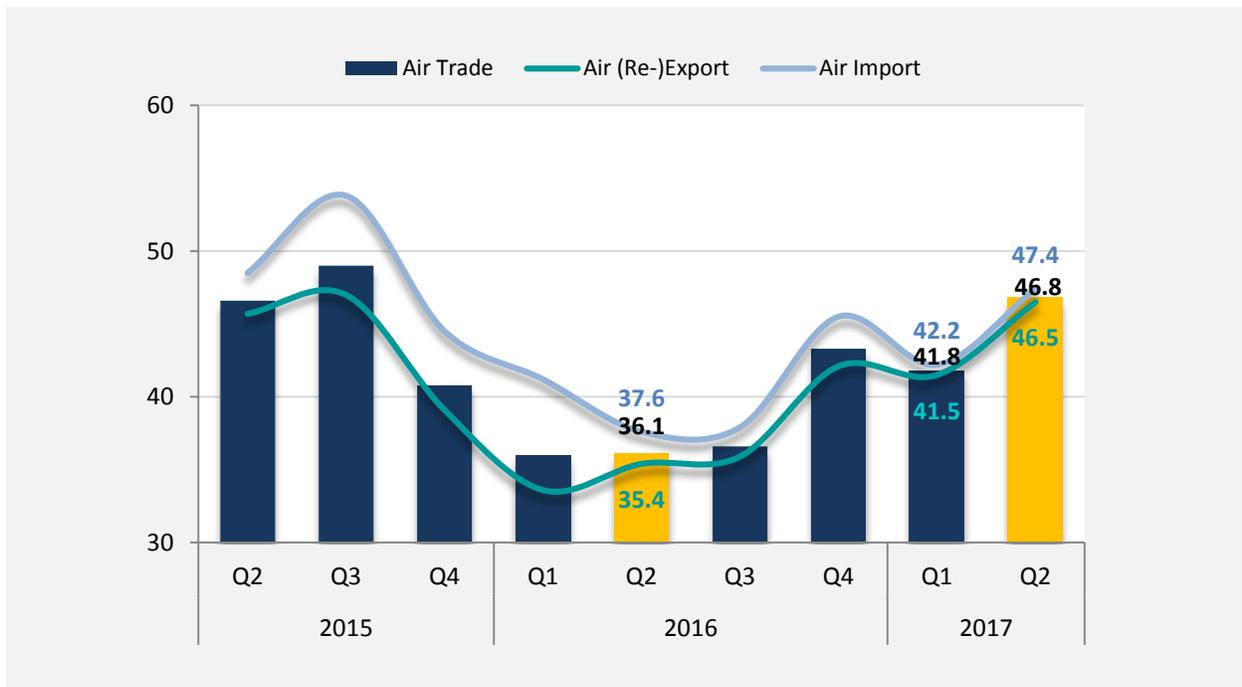
Since the first reading in March 2014, every quarter over 600 samples are randomly selected from over 10,000 entries. The survey is conducted by telephone. Each of the 600 samples represents a combination of company and product type which has need of air trade. Each sample has the same weighting in calculating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

*Q2 2017 saw rising optimism in general among local air traders. Despite the disappointing results for the same period in 2016 – and the momentary dip of confidence for Q1 2017 due to increased uncertainty stemmed from the election of Donald Trump – it is expected that Q2 2017 will continue on the road to recovery, bolstered not least by growing confidence in the European markets.*

- Expectations for the second quarter of 2017 indicate that recovery is gaining traction, with well-balanced improvements expected across the gamut of sectors.
- Following on from the downward adjustment witnessed in the first quarter of the year, Q2 2017 will see confidence in air trade begin to strengthen. The DTI score is up 5.0 points from Q1 2017 to 46.8, which represents one of the greatest positive movements in the past seven quarters, and is at its highest since Q4 2015.
- Air exports has been catching up with air imports as the gap between the two index scores continues to narrow in recent quarters thanks to growing confidence.
- Improving stability in the European markets has led to a more positive outlook for the second quarter, and sentiment in air imports and air exports has strengthened considerably. The index score for Europe reached 50 points, which outperformed other markets and indicates sustained confidence.
- Mr Gordon Lo, Director (Business Management) of Hong Kong Productivity Council, said, “Most of the index have gone up and the sentiment is becoming positive, even better than the performance one year ago. However, enterprises should note the variation of index changes in different markets and air-freighted commodities. Index related to online B2C business continued to fair well with steady performance. In the new financial year, enterprises are advised to study the application of new technologies and address the needs of target customers, in order to develop or enhance related online business.”

## Air Trade Volume Index

As global economic conditions have stabilized generally, air trade in Q2 2017 has seen an uptick compared with the last quarter. Growth has been strong since the same period under review in 2016, which is a welcome trend.



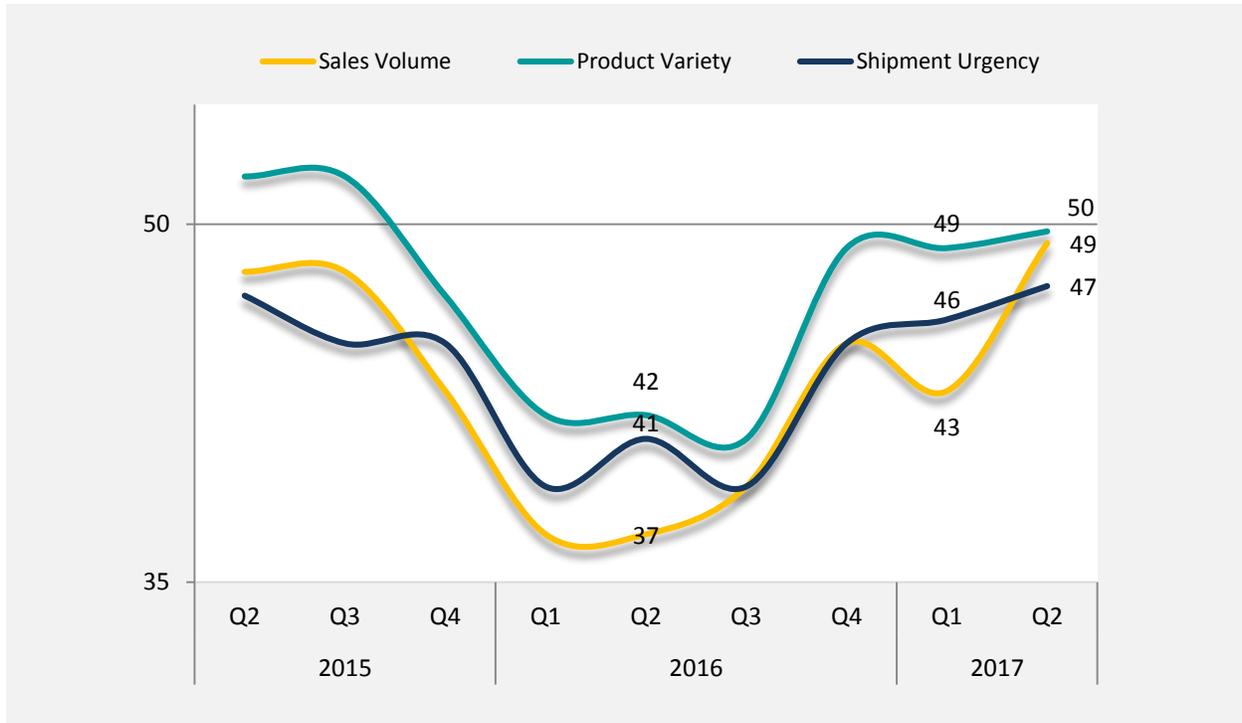
In Q2 2017, **Overall Air Trade** rose to 46.8, up from 41.8 in the previous quarter, representing a 5.0-point climb compared with Q1 2017. Furthermore, in the 12 months since the same period in 2016, the index score has increased over 10 points, a clear indication of tangible improvements across all sectors.

During the period under review, demand for **Air (Re-) Exports** increased noticeably. The Q2 2017 index score is 46.5 points, up 5.0 points from 41.5 in the previous quarter. This is the result of optimism in the Electronics Products and Parts sector.

Another upswing in Q2 2017 is from **Air Imports**. The index score of 47.4 compares favorably with 42.2 in Q1 2017, representing a jump of 5.2 points. This increase is driven by improved prospects for traders in markets in Europe and the Americas.

## Attributes

*The outlook remains solidly positive for key attributes, displaying a dramatic improvement from Q2 2016, and up from the previous quarter.*

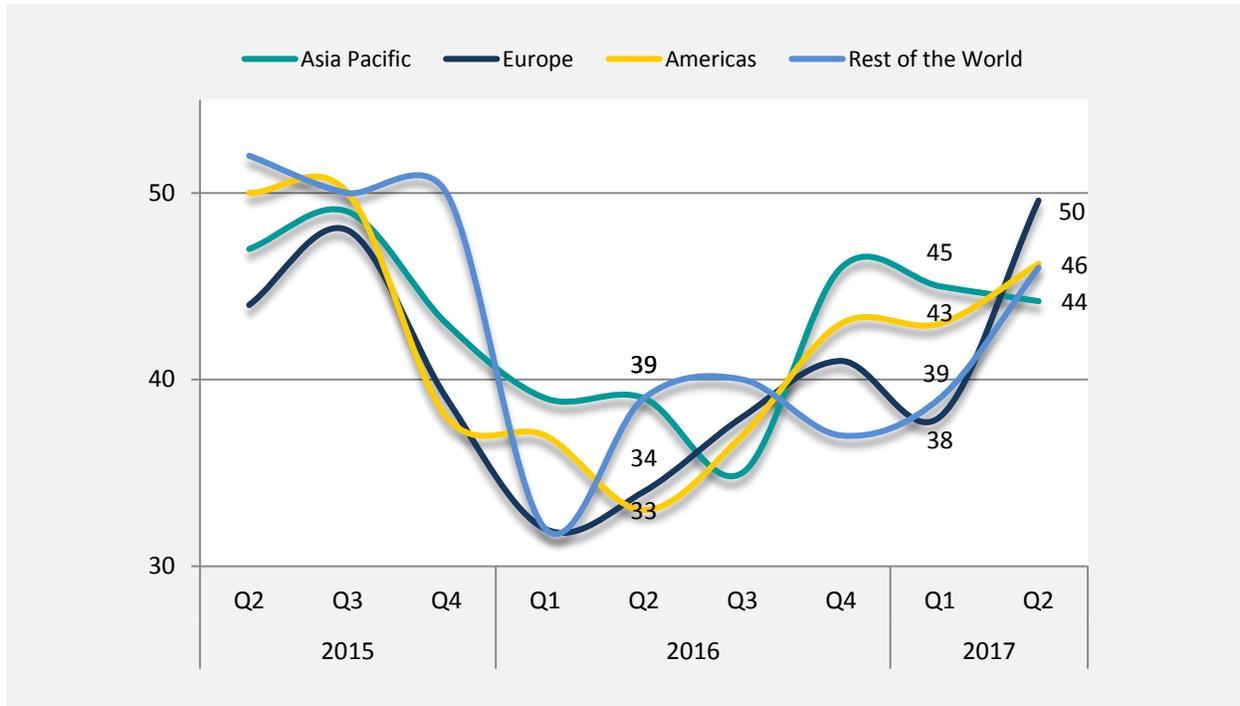


In Q2 2017, **Sales Volume** rose by 6 points to 49, compared with 43 in Q1 2017. In Q1 2017, respondents posited a decrease in demand from European markets, but this is anticipated to rebound in Q2 2017 to improve sales volume overall.

During the period under review, **Product Variety** and **Shipment Urgency** are both up by a point to 50 and 47 respectively. This is attributable to improvements across both air imports and air exports.

## Markets

*A dramatic improvement was seen across most markets, with the exception of Asia Pacific, which has remained steady.*



In the **Americas**, the index score in Q1 2017 rose by 3 points to 46, a 13-point hike compared with the same period in 2016. Air traders have shown signs of optimism regarding air imports, which accounts for the climb in points between the two periods this year.

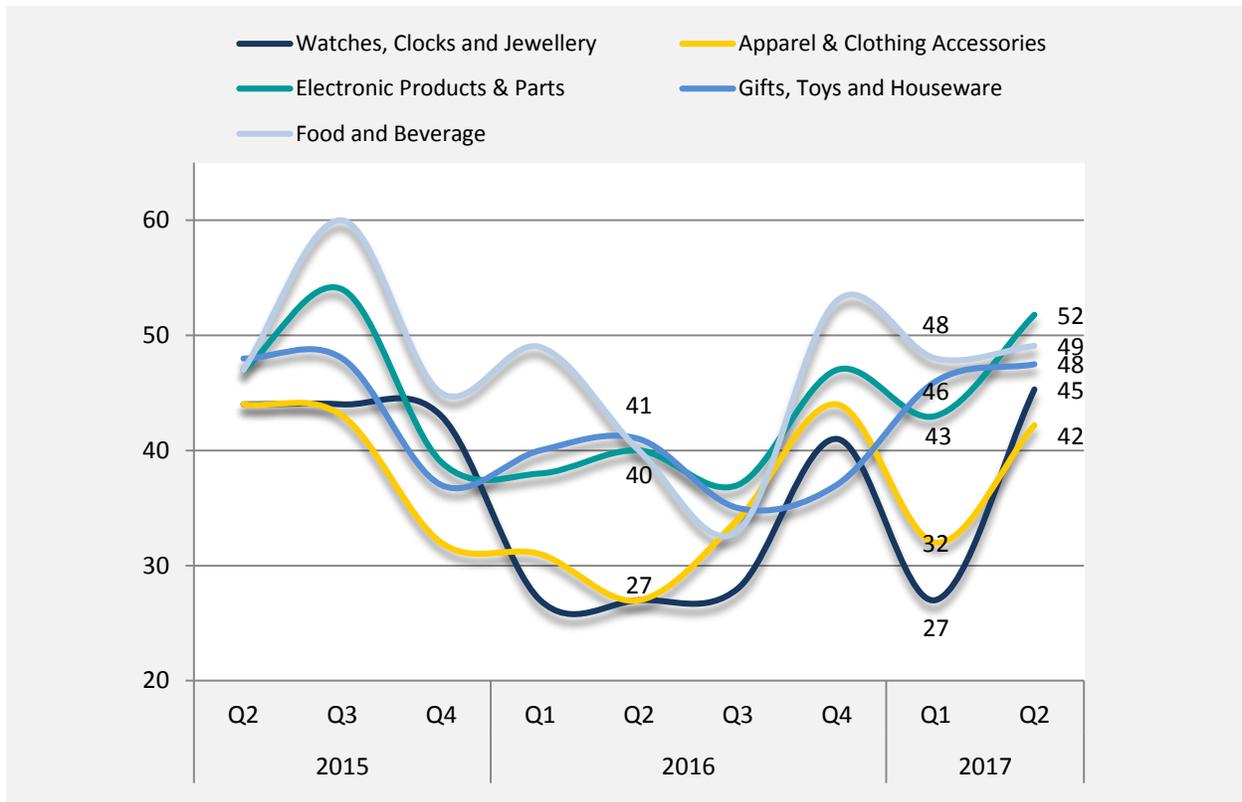
In **Europe**, the index score climbed strongly to a neutral score of 50 index points, up by 12 points from Q1 2017. While this phenomenal increase can be explained by an overall improvement in both air trade imports and air trade exports, respondents are also keenly optimistic about future prospects for Electronic Products and the Food & Beverage.

The index score for the **Asia Pacific** markets slipped by a single point to 44 in Q2 2017. Although there was a notable increase in demand from China during the period under review, this has been offset by a more conservative outlook in the Japanese market.

The **Rest of the World** continued the general trend of increased index score points witnessed in the last quarter. In Q2 2017, the score was 46, up from 39 recorded for Q1 2017. Better sales volume and expanded product variety are behind this strong improvement.

## Air-Freighted Commodities

*Huge improvements have been noted across several sectors, mainly due to improved demand from key markets in Europe and the Americas.*



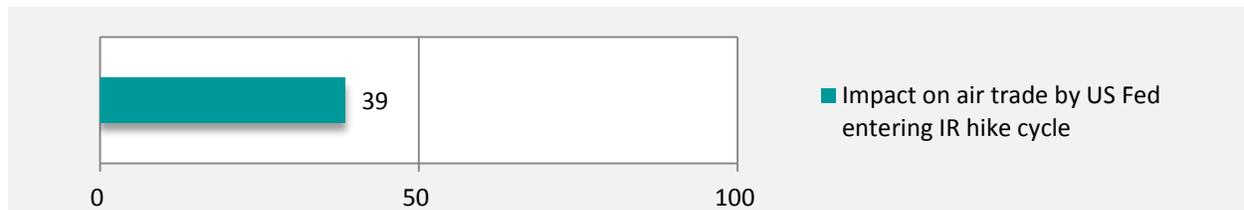
The index score for **Apparel & Clothing Accessories** soared by 10 points to 42 in Q2 2017. Once more, this is the result of stronger demand from European markets. It is a similar story for **Electronic Products & Parts**, which are up by 9 points from the previous quarter to 52, again driven by optimism in European and American markets. This segment is the highest scoring of all commodities in the period under review.

Demand for the **Food & Beverage** and **Gifts, Toys & Houseware** scored 49 and 48 respectively, which is mainly backed by stronger demand for imports.

This quarter saw greater confidence in **Watches, Clocks & Jewellery** thanks to better prospects in the Americas. The index score for this segment rose to 45 compared with last quarter's score of 27.

**Effect of Recent Market News on Air Trade**

**Majority of the respondents do not anticipate much impact from the US Fed entering the IR hike cycle, but a return to US manufacturing under Mr. Trump’s administration might be cause for concern.**



The score given by air traders to the effect of the US Fed entering the IR hike cycle on business is 39, which, on the surface, indicates a generally negative impact on air trade during Q2 2017. Nevertheless, 74% of air traders don’t expect this to hit hard, mainly because their main currency for settling payments is US dollars.

In response to questions about which of Mr. Trump’s policies are expected to affect air trade in 2017, only 10% of respondents cited the US’s withdrawal from the TPP trade agreement. A greater number (39%) are more concerned about the proposed 20% border-adjustment tax (BAT) on imports as part of a general tax reform, plus the possibility that US companies will relocate production back to the United States, in line with Mr. Trump’s vision for the US manufacturing industry.

### *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](http://www.hkpc.org).

### *Enquiry*

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### *Disclaimer*

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