



# DHL Hong Kong Air Trade Leading Index (DTI)

2018 Q3 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.

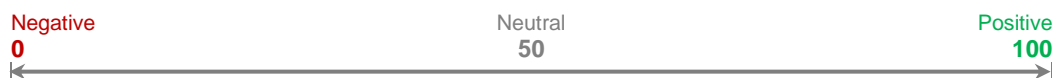
## Methodology

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 a positive outlook while a reading below 50 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.



<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).

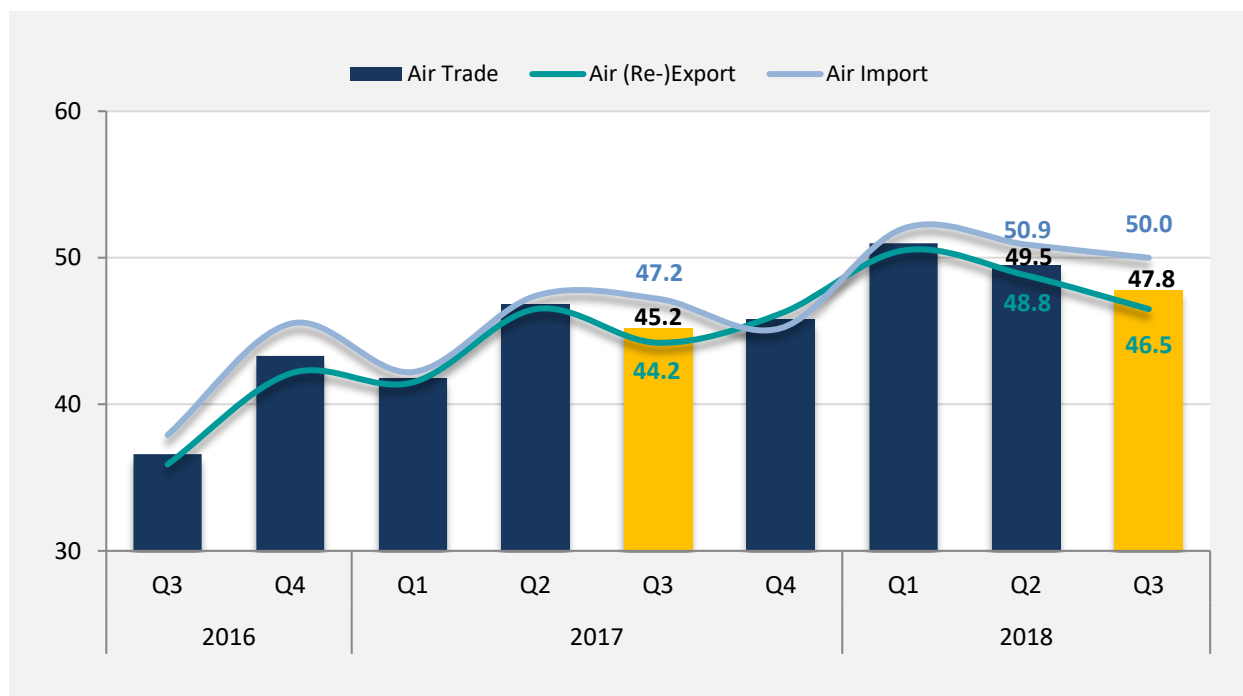
Since the first reading in March 2014, every quarter 600 samples are randomly selected from over 10,000 entries. The survey is conducted by telephone. Each of the 600 samples represents a combination of company and product type which has need of air trade. Each sample has the same weighting in calculating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

*Challenges persist as we shift into the second half of 2018. Concerns over trade tariffs have intensified, though positive sentiments prevail for certain imports.*

- Amid escalating trade tensions across the globe, overall air trade sentiment cooled by 1.7 points in Q3 2018, particularly among exporters, though levels remain higher than those at the same time last year.
- In a survey conducted prior to the China-US additional tariffs become effective, importers voted in favor of positive electronic goods imports from the Americas among other subdued trades.
- Escalated trade tensions have rendered air traders more cautious about demand from China, though imports generally appear more neutral.
- The outlook remains resilient for e-commerce, adding a silver lining to the quarter's cloudy prospects.
- Mr Gordon Lo, Director (Business Management) of the Hong Kong Productivity Council, said, "When the survey for this quarter was conducted, the China-US trade conflict was imminent. Companies were conservative towards the economic outlook. The overall index dropped to 47.8 from the previous quarter. With China and US beginning to impose tariffs on each other since the start of July, to cope with the changing global market environment, companies need to explore new opportunities and new markets. SMEs can make use of various government funding schemes to strengthen business promotion or integrate and upgrade existing products and services in order to keep pace with the latest market situation and develop new markets."

## Air Trade Volume Index

*Global trade dynamics has changed substantially since earlier this year, leading Hong Kong air traders to reflect subdued sentiments for the coming quarter. Nevertheless, the Q3 2018 index remains higher than last year's levels.*



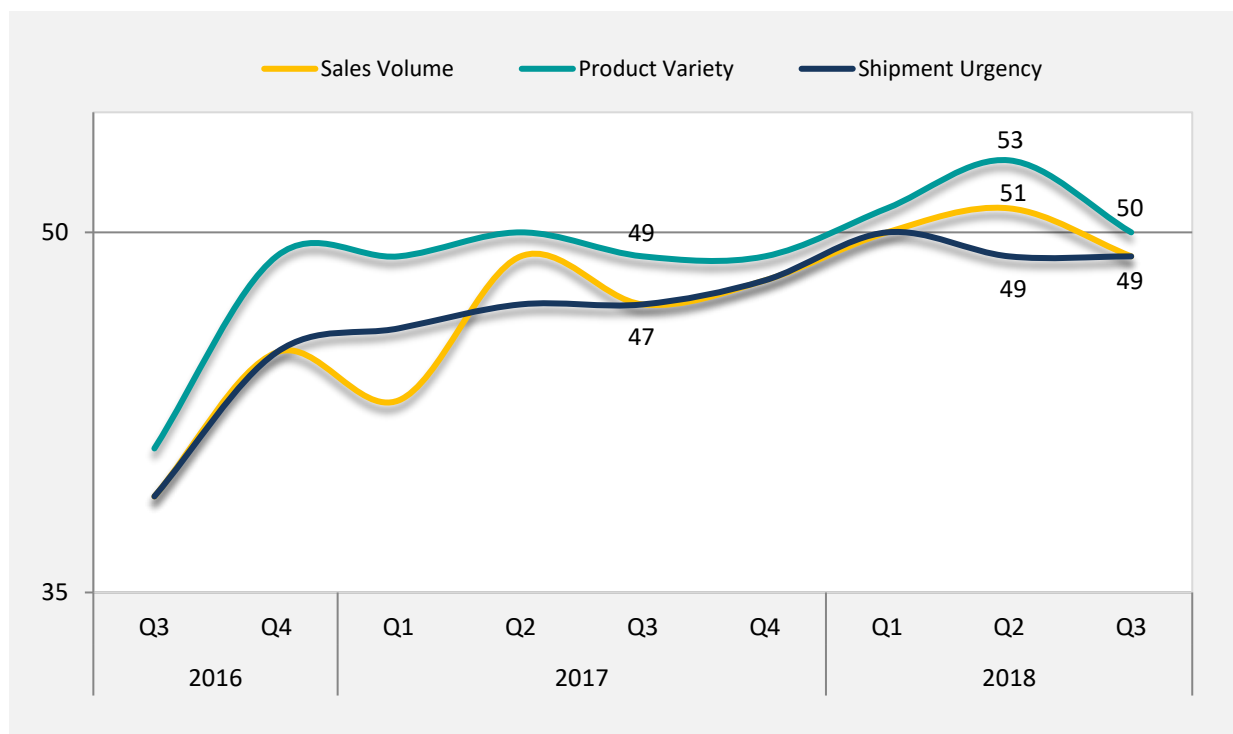
During the period under review, overall **Air Trade** cooled to 47.8, representing a 1.7-point drop from the previous quarter's 49.5 as trade dynamics continue to shift.

The outlook for exports contracted during the quarter as **Air (Re-) Exports** fell to 46.5, dropping 2.6 points from last quarter's 48.8. The sentiment is the same across major destinations in the Americas, Europe and Asia Pacific.

Finally, **Air Imports** saw a slight dip from the previous quarter, falling 0.9 points to 50.0. Imports from the Americas in particular remain optimistic, bolstered by demand for electronic goods.

## Attributes

*Rising geopolitical tensions have caused the key attributes to adjust downwards, though all three remain steadily higher than in the previous years.*



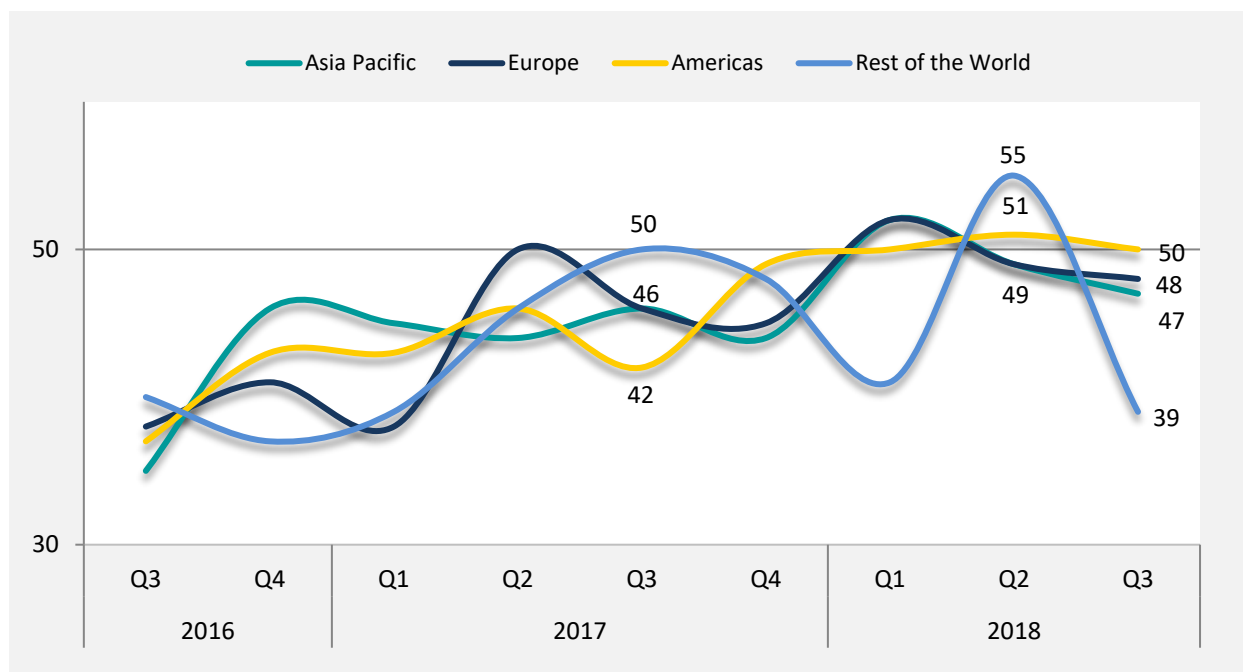
**Shipment urgency** plateaued from the last quarter at 49 points, with continued support from more urgent imports.

**Product variety** remains the top scoring attribute at a neutral 50, though it posted 3 points lower than last quarter's 53.

**Sales volume** fell by 2 points to 49 from 51 in the previous quarter, reflecting softened exports that were insufficiently offset by the import gains from the western markets.

## Markets

*Although air trade is marked by greater uncertainty in Q3 2018, the outlook among the major western economies only fell marginally.*



The **Americas** reflected a trade reading that is slightly down to 50 from 51 last quarter, with the outlook on imports continuing to take the lead.

Index of **European** markets had fallen modestly by 1 point to 48 from last quarter's 49, impeded by slower exports in apparel.

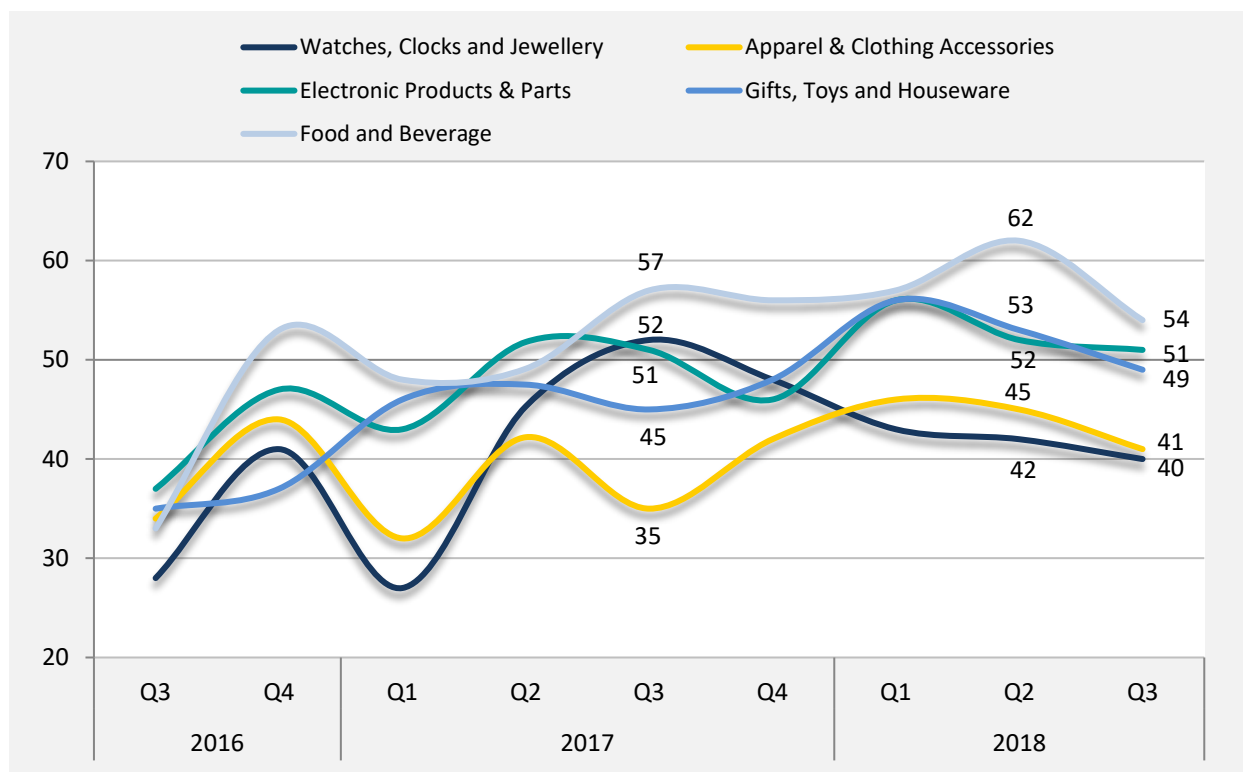
In **Asia Pacific**, the score continued to drop from its recent peak of 52 in Q1 2018, falling 2 points since last quarter to 47. This was due primarily to weaker demand for electronic goods in the Asia Pacific markets.

Remaining vulnerable to the volatile global economy, the markets of the **Rest of the World** dropped back down to 39 from its peak in Q2 2018, returning to its previous levels in Q1 2018 prior to the recent escalation of global trade tensions.



## Air-Freighted Commodities

*Reflecting the subdued climate in the market overall, the mounting demand for key trading commodities seen in the first two quarters of 2018 has stalled, though optimism prevails in some areas.*



**Apparel & Clothing Accessories** saw a drop of 4 points to 41 in the third quarter, owing to weak demand in the Asia Pacific markets.

**Electronic Products & Parts** dipped slightly by 1 point since last quarter to 51. Sentiment remains positive, though stronger imports, particularly from the Americas, was not able to compensate for the loss in exports.

**Food and Beverage** was once again the most optimistic of the trading commodities in Q3 2018, even though it registered a significant downward adjustment of 8 points from last quarter's 62 to 54 in this quarter.

Demand for **Gifts, Toys and Housewares** also slid 4 points in the third quarter from 53 to 49, though prospects in the Americas and Asia Pacific remain positive nonetheless.

**Watches, Clocks and Jewelry** dropped 2 points to 40 from last quarter's 42. This stemmed largely from weakened demand in the Americas, despite general improvements in the European and Asia Pacific markets.



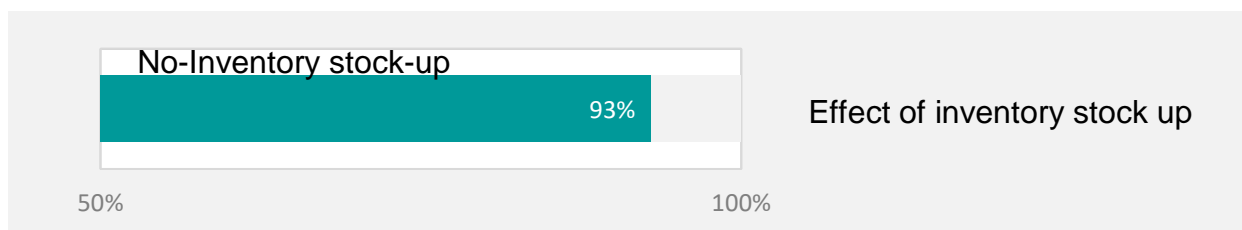
## Effect of Recent Market News on Air Trade

*The recent months have been dominated by trade friction encompassing the United States, Europe, China and Asia Pacific. This has put constant pressure on local air trade, though the overall sentiment remains more optimistic than the same period last year.*

Respondents were pessimistic about the effects of the looming global trade friction on the local air trade sector, with 46% believing this will have a somewhat negative effect on air trade in the third quarter.



Furthermore, the majority of respondents have seen no inventory stock-up prior to the effective date of the additional trade tariff between Hong Kong's two major trading partners, the United States and China.



### ***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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