



## **DHL Hong Kong Air Trade Leading Index (DTI)**

**2019 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](http://u.hkpc.org/dti_eng) for details.

## Background

Hong Kong is one of the major regional aviation hubs in Asia Pacific. 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 the 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.

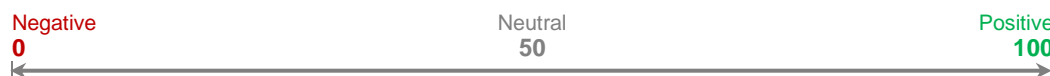
## Methodology

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, Electronic Products & Parts, Gifts, Toys & Houseware, Food & Beverage and Others (including courier services and other items which do not belong to the categories listed above).

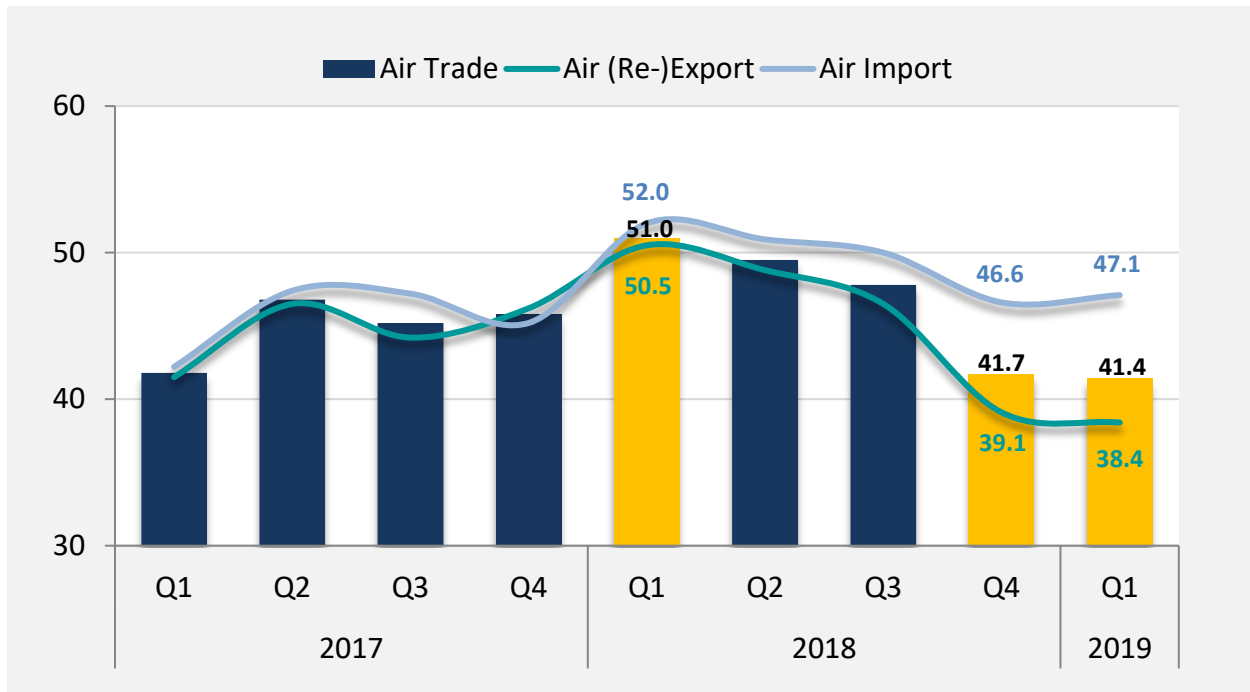
Since the first reading in March 2014, every quarter over 600 samples are randomly selected from over 10,000 entries. The survey is conducted by telephone. Each of the 600 samples represents a combination of company and product type which has need of air trade. Each sample has the same weighting in calculating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

*Local air traders remain watchful this quarter as US tariffs on Mainland Chinese goods were deferred for 90 days to March 2019. The overall outlook is stable in Q1 2019, with optimism recovering slightly for the Americas and Europe, though this is offset by an equal measure of caution for the Asia Pacific markets.*

- Treading above the score observed during the BREXIT vote in 2016, air trade sentiment is holding steady at 41.4 points this quarter, with imports edging up by 0.5 points to 47.1.
- Despite continued caution over Sino-US trade tensions, overall sentiment has not dipped significantly compared to last quarter, with 35% of respondents foreseeing no negative impact on their trading activities.
- Amid ongoing trade tensions, Mainland China introduced supportive tax relief and at the time of Renminbi depreciation, which 42% of respondents predict will only relieve pressure, rather than delivering a trade boost.
- Compared to the same period in 2018, local air traders are reflecting less optimism for this year's peak period over Chinese New Year, though the overall sentiment has returned to the levels posted in 2017.
- Mr Gordon Lo, Director (Business Management) of the Hong Kong Productivity Council, said, "The global economic outlook is still blurry. Enterprises should take the chance to grasp the opportunities and tackle the challenges. The HKSAR Government has launched various support programmes for enterprises to leverage. These would be helpful to companies in preparing the strategies and implementing the plans that suit their new business direction the most."

## Air Trade Volume Index

*Despite persisting tensions in the global trade arena, local air traders see the deferral of US tariffs on Mainland Chinese goods as a positive development.*



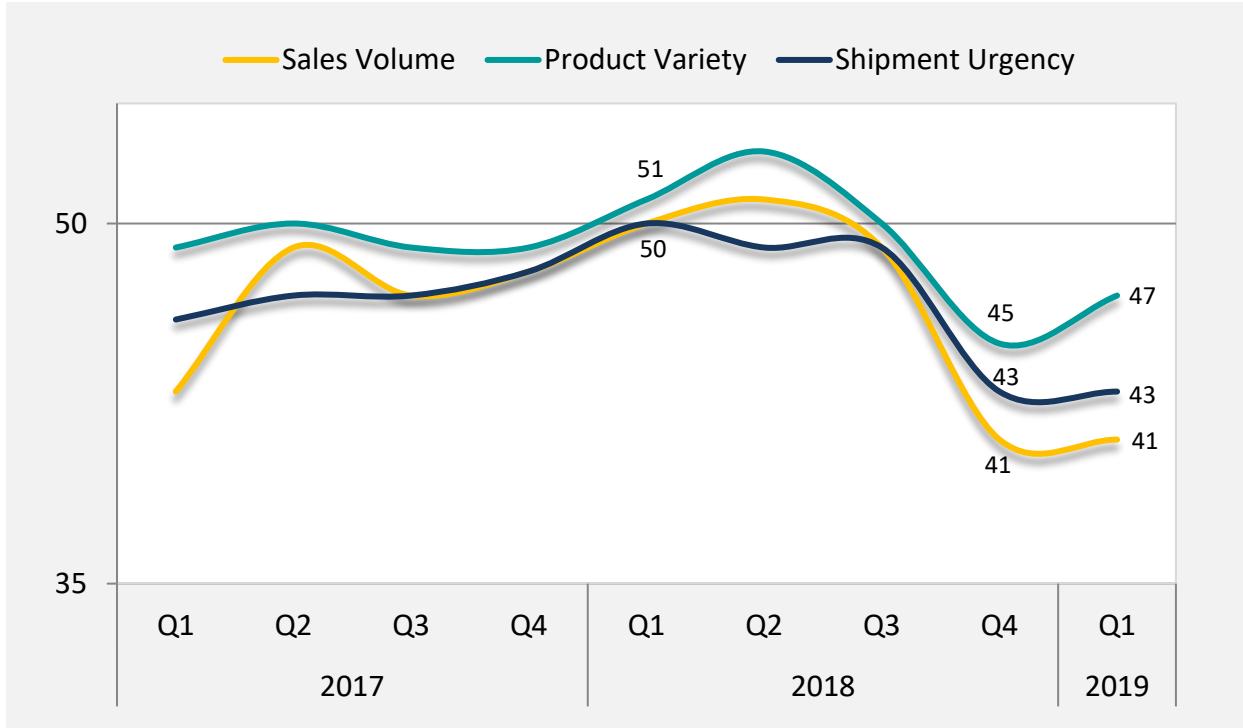
Reflecting this cautious optimism, the outlook for Q1 2019 sees **Air Trade** hold relatively steady with a score of 41.4 points, down just 0.3 points from 41.7 last quarter.

Even though strong demand is anticipated from the Americas and Europe, the outlook for **Air Exports** remains conservative at a score of 38.4 in this quarter, which is down slightly by 0.7 points compared to Q4 2018.

A more positive sentiment for **Air Imports** brings its score up 0.5 points over the last quarter to 47.1 points in Q1 2019. This is driven by enough optimism for the Americas to offset the weak demand from Asia Pacific and Europe, attributable mainly to slack demand in the Electronic Products & Parts segment.

## Attributes

*Key attributes hold steady over the past quarter, with Product Variety maintaining its historical position as the strongest growth driver.*

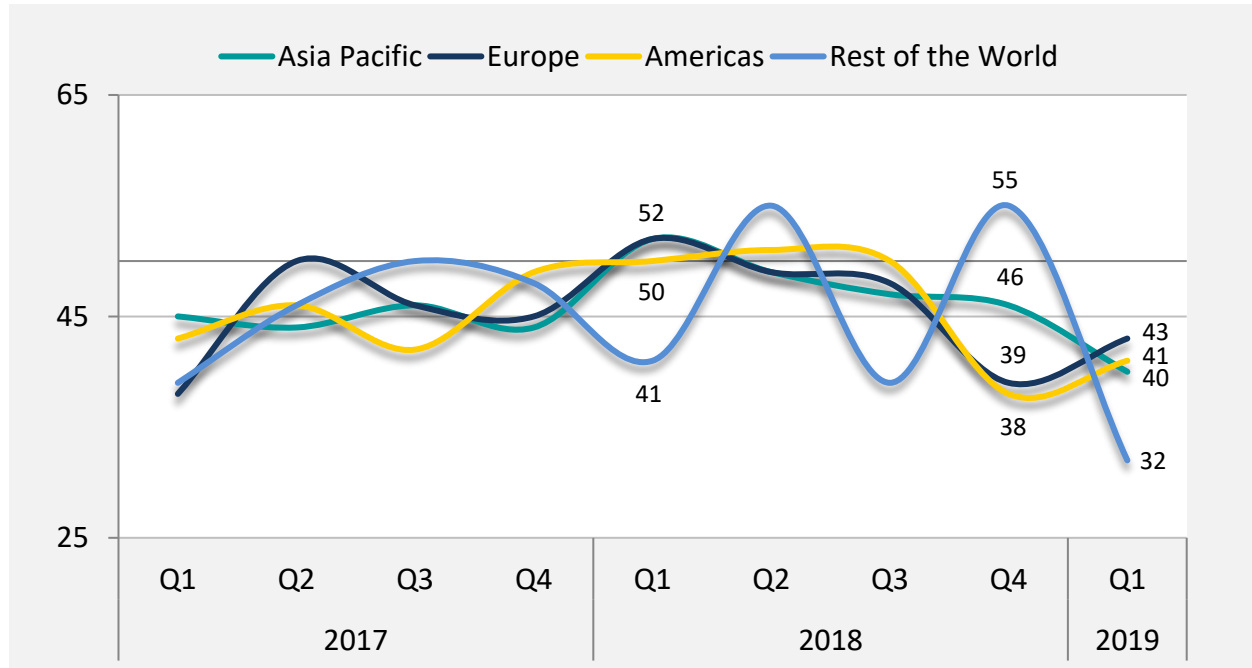


Thanks to heightened demand in both exports and imports, **Product Variety** is up 2 points to 47, compared with a score of 45 points in Q4 2018.

**Sales Volume** and **Shipment Urgency** have both remained stable over the past quarter, posting scores of 41 and 43 points, respectively.

## Markets

*Confidence has adjusted upward for the Americas and Europe this quarter, tempering what might have been an over-conservative outlook in Q4 2018.*



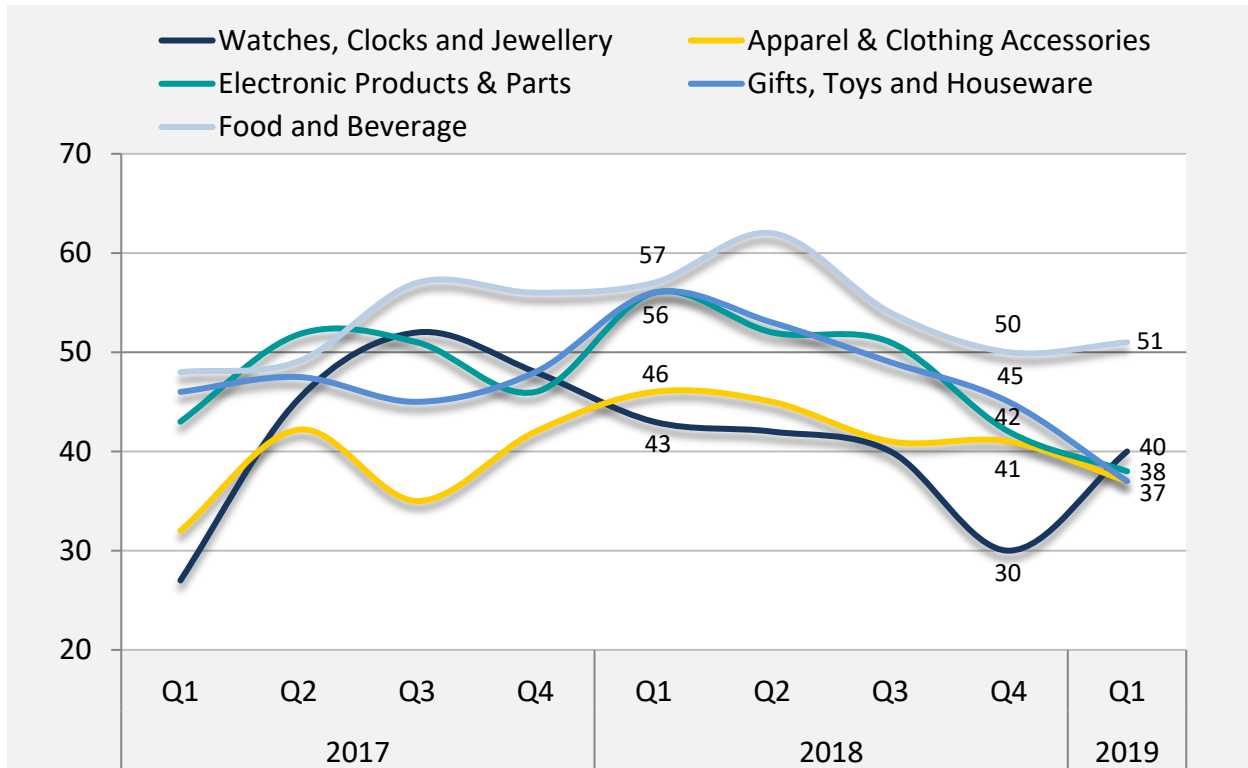
Air traders revise their outlook for **the Americas**, bringing the score up 3 points from 38 to 41 over the past quarter to reflect a surge in Product Variety and Urgency.

Supported by a strong Apparel & Clothing Accessories segment, the markets in **Europe** are recording a similar uptick, bringing the score up 4 points from 39 to 43 over the past quarter.

However, owing to falling demand for Electronic Products & Parts, the markets for **Asia Pacific** are dipping 6 points to 40 in Q1 2019, with **the Rest of the World** dropping back down to a score of 32, representing the same levels observed during the BREXIT vote in 2016.

## Air-Freighted Commodities

Although the overall index has stabilized at 41.4 points, Apparel & Clothing Accessories is registering the most conservative readings among all the commodities surveyed, along with Gifts, Toys and Houseware.



As observed for several successive quarters now, **Food and Beverage** remains the top scoring attribute, rising 1 point over the past quarter to a score of 51 in Q1 2019.

**Apparel & Clothing Accessories** sees a general improvement in Europe, though this is offset by weakened demand in the Americas and Asia Pacific, bringing the index down 4 points from 41 to 37 over the past quarter.

Softening demand in Asia Pacific also sees the index for **Electronic Products & Parts** drop to 38 points in Q1 2019.

Slack demand in Europe and Asia Pacific also sees **Gifts, Toys and Houseware** fall 8 points to 37 from 45 in Q4 2018.

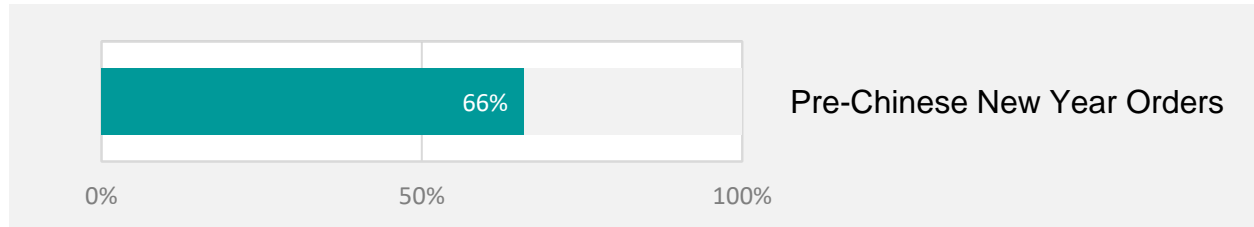
The index for **Watches, Clocks and Jewellery** takes a step 10-point climb from 30 to 40 points over the past quarter, as demand burgeons across the markets in the Americas, Europe and Asia Pacific.



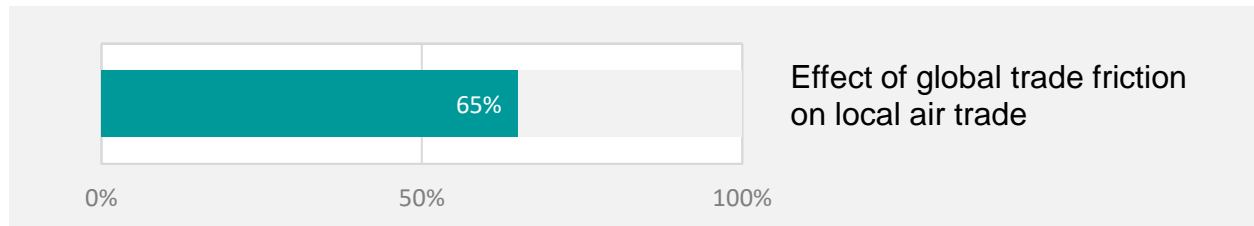
**Effect of Recent Market News on Air Trade**

*Continuing for the second consecutive quarter, Sino-US trade tensions are dampening the outlook for local air trade.*

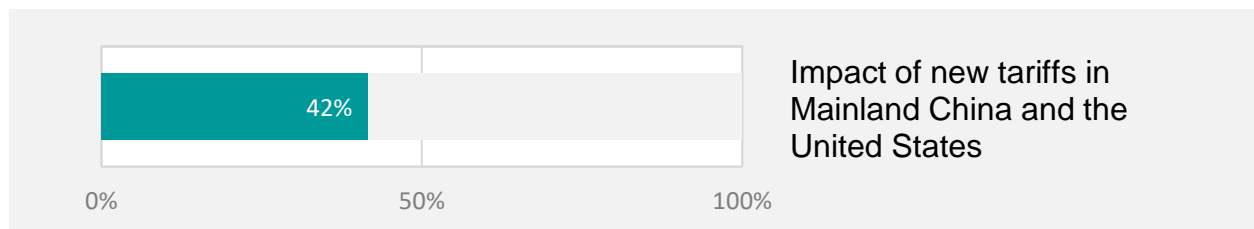
Regarding Pre-Chinese New Year Orders, two-thirds of local air traders report trade activities on par with or even better than figures posted last year.



Nevertheless, last quarter’s sentiments regarding the effect of the trade friction have carried over to Q1 2019, with 35% of respondents foreseeing no negative impact resulting from it.



Owing to the general depreciation of the Renminbi in 2018, some exporters are benefiting from tax relief measures from Mainland China. Even so, respondents only expect these measures to relieve pressure, rather than providing a boost in trade.



### *About Hong Kong Productivity Council*

The Hong Kong Productivity Council (HKPC) is a multi-disciplinary organisation established by statute in 1967, to promote productivity excellence through integrated advanced technologies and innovative service offerings to support Hong Kong enterprises. HKPC is the champion and expert in facilitating Hong Kong's reindustrialisation empowered by i4.0 – focusing on R&D, IoT, big data analytics, AI and Robotics technology development, digital manufacturing, etc., to help enterprises and industries upgrade their business performance, lower operating costs, increase productivity and enhance competitiveness.

HKPC is a trusted partner with all-rounded innovative solutions for Hong Kong industries and enterprises, enabling them to achieve resources and productivity utilisation, effectiveness and cost reduction, and enhanced competitiveness in both local and international marketplaces.

In addition, HKPC partners and collaborates with local industries and enterprises to develop applied technology solutions for value creation. It also benefits a variety of sectors both locally and internationally through product innovation and technology transfer, with commercialisation of multiple market-driven patents and technologies, bringing enormous opportunities abound for licensing and transferring technology.

For more information, please visit [www.hkpc.org](http://www.hkpc.org).

### *Enquiry*

For more details about the Index, please contact Mr. Simon Kung at tel. (852) 2788 5306 or email: [simonkung@hkpc.org](mailto:simonkung@hkpc.org)

### *Disclaimer*

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