



DHL Hong Kong Air Trade Leading Index (DTI)

2020 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 aviation hubs in Asia Pacific. Hong Kong International Airport is globally recognised as one of the busiest airports in terms of international cargo throughput. The city's dynamic air trade industry generates a total revenue of over HK\$150bn annually, with HK\$37bn from freight revenue, and creates nearly 29,000 job opportunities ⁽¹⁾ in the territory.

DHL Express (Hong Kong) Limited (DHL) has commissioned the Hong Kong Productivity Council (HKPC) to conduct an 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 preliminary studies, contained quarterly findings on air trade, and its related attributes, market sentiment, as well as key types of commodities.

DTI is the first of its kind in Hong Kong, offering publicly available market intelligence for local enterprises, especially SMEs that 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 in the second quarter of 2014 and has been publishing on a quarterly basis since then.

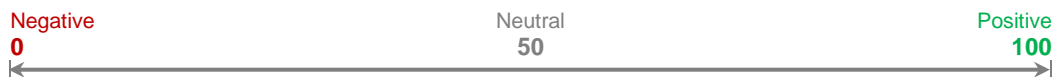
Methodology

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

Readings

An index 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.



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 that do not belong to the categories listed above).

Since the first reading in the second quarter of 2014, over 600 samples are randomly selected from over 10,000 entries every quarter to reveal the respondents' expectation on air trade. The survey is conducted by telephone. Each sample has the same weighting in calculating the index, regardless of the size of the company.

REPORT SUMMARY

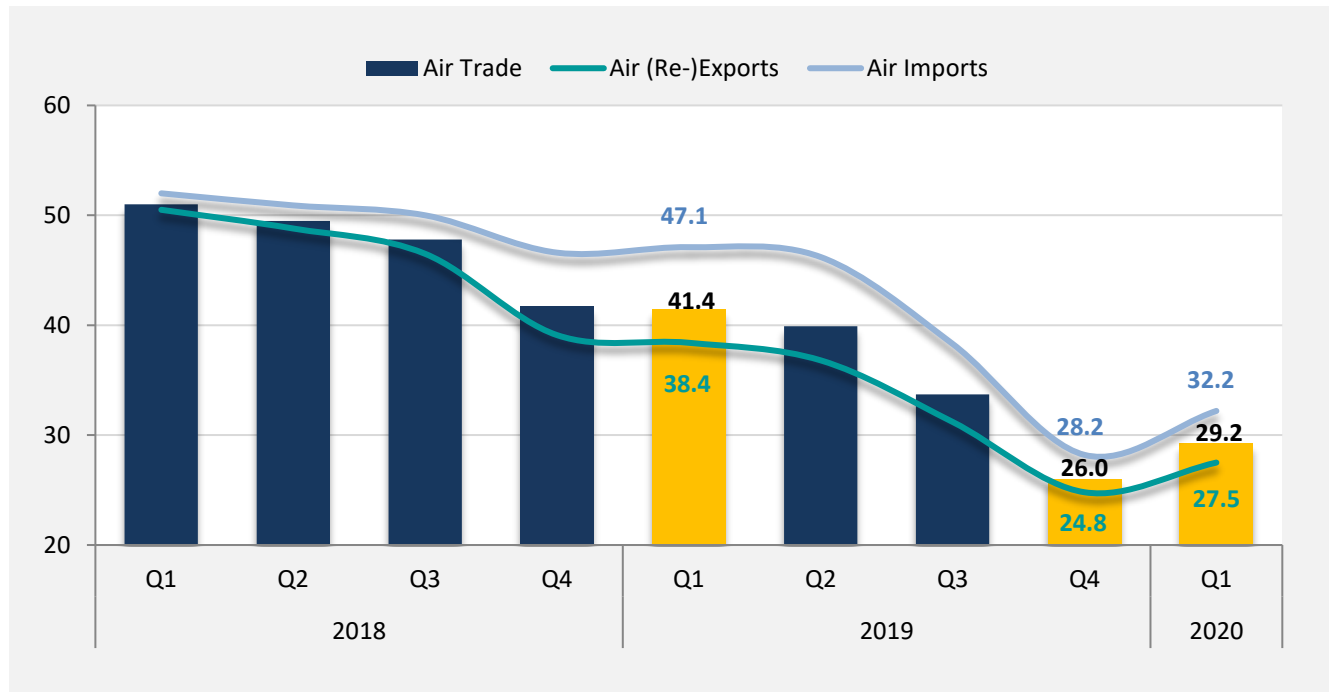
As the US-China trade tension had been easing since December 2019, air traders were expecting a slight recovery in trade for 2020 Q1. However, their expectation level was 10 points lower compared to the same period of last year.

- Air Trade outlook went up by 3.2 to 29.2 point and recorded a slight increase when compared to last quarter's 26 point. The indices for Air Trade, Air Imports and Air (Re-) Exports all recorded an upward trend, reading at 29.2, 32.2 and 27.5 respectively.
- In the Asia Pacific and Europe regions, Air Imports and Air (Re-) Exports indicated an upward trend. The industry had a more optimistic view due to some encouraging news, for example, the consensus on US-China trade deal, Brexit will enter a transition period, and the kick-off of the Tokyo 2020 Olympic Games promotion.
- Air Traders continue to explore solutions on sales channels and market development. 45% of survey respondents indicated "e-commerce" as their first choice, followed by exploring the Asia Pacific market, and tapping into the European market.
- Since key countries around the globe rolled out 5G networks in 2019 Q4, an upward trend in the air trade industry driven by related electronic goods was expected. For the electronic industry, 18% of the respondents expected their export shipment volume will increase in 2020.

Dr Lawrence Cheung, Chief Innovation Officer of the Hong Kong Productivity Council (HKPC) said, "Between December 2019 and January 2020 when the survey was conducted, the Air Trade Leading Index slightly rebounded due to various improving macro economic factors. Nonetheless due to the survey timing, its findings did not cover the impact brought by the recent coronavirus epidemic. Whilst the index still stands at a relatively low end, air traders are driving to expand more channels for market sales. In view of that, nearly half (45%) of the respondents are going to deploy 'e-commerce' solution. As an Enterprise 4.0 expert, HKPC endeavors to provide comprehensive solutions for SMEs by assisting them to implement digital transformation, enhance business efficiency, lower operation cost so as to maintain its competitive edge in local and global regimes."

Air Trade Volume Index

All key indicators of the Air Trade Index showed an upward trend in the 2020 Q1 survey. Positive news on the US-China trade deal had alleviated air traders' worries about the market outlook.



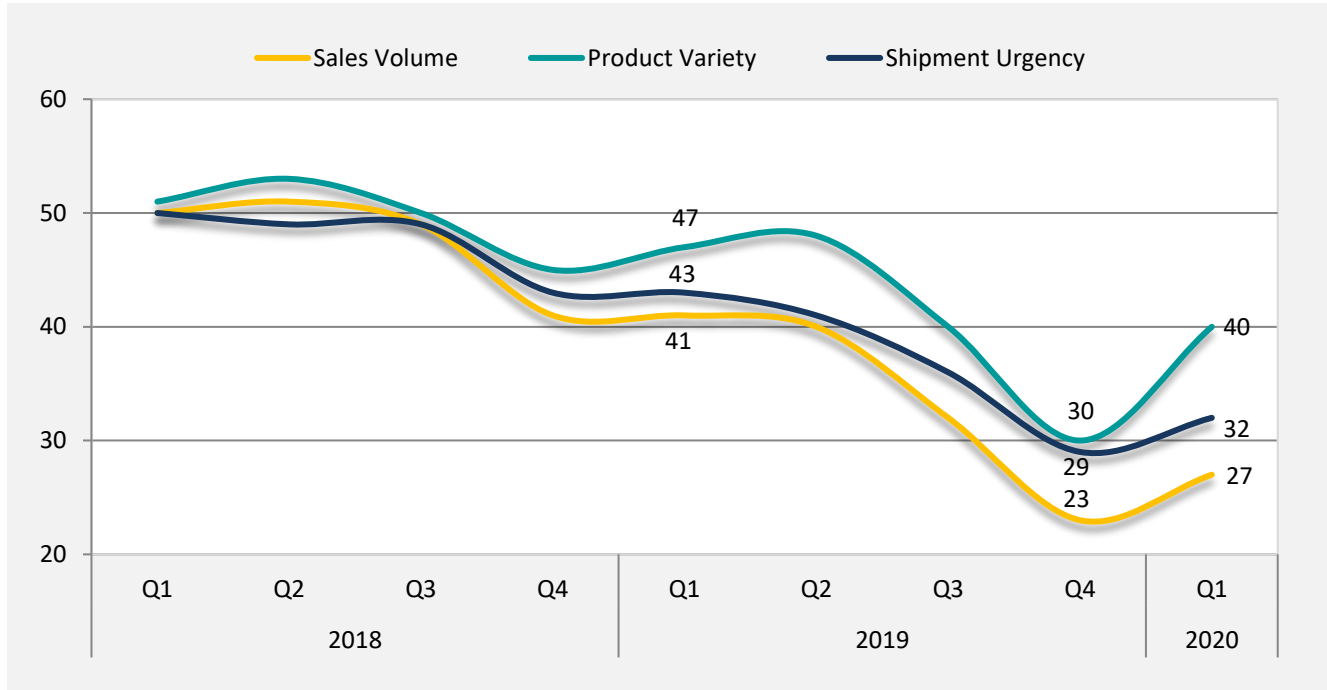
The **Air Trade** index increased 3.2 points to 29.2 points, up from last quarter's 26 points.

The **Air (Re-) Exports** index increased 2.7 points to 27.5 points, mainly driven by increasing demand in the Asia Pacific region.

The **Air Imports** index increased 4 points to 32.2 points, driven by the expectations of both export and import trade increase in Europe and Asia Pacific markets.

Attributes

Survey results indicated that there would be increasing demand in key markets including Asia Pacific and Europe, driving all three key attributes moved upward this quarter.



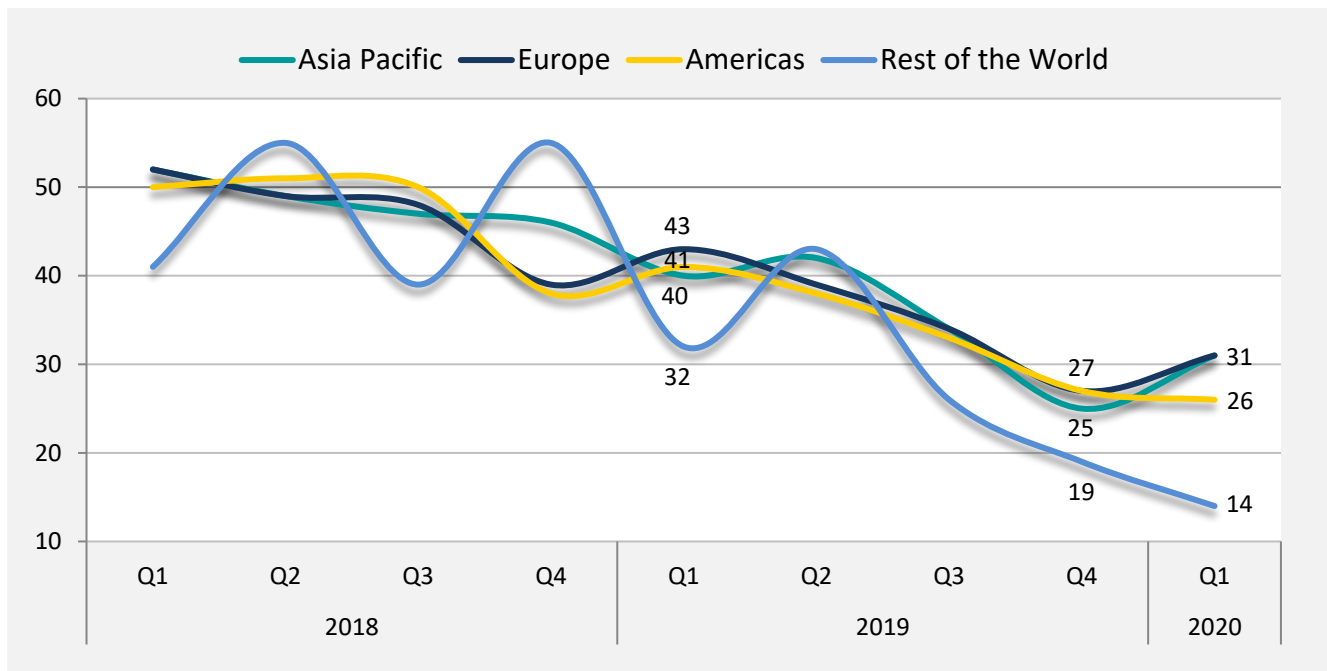
The **Sales Volume** index increased 4 points to 27 points, up from 23 points compared to last quarter.

The **Product Variety** index surged 10 points to 40 points, resuming to the same score record as two quarters ago (2019 Q3).

The **Shipment Urgency** index increased 3 points to 32 points, indicating that air traders expected a higher demand on urgent shipment.

Markets

The downward trend of market expectation in previous quarters was alleviated in this quarter. Positive view of the industry was brought on by various encouraging news, including the US-China trade deal, Brexit will enter a transition period, and the kick-off of the Tokyo 2020 Olympic Games promotion.



The **Asia Pacific** index increased 6 points to 31 points, which was relatively the most notable increase among all markets.

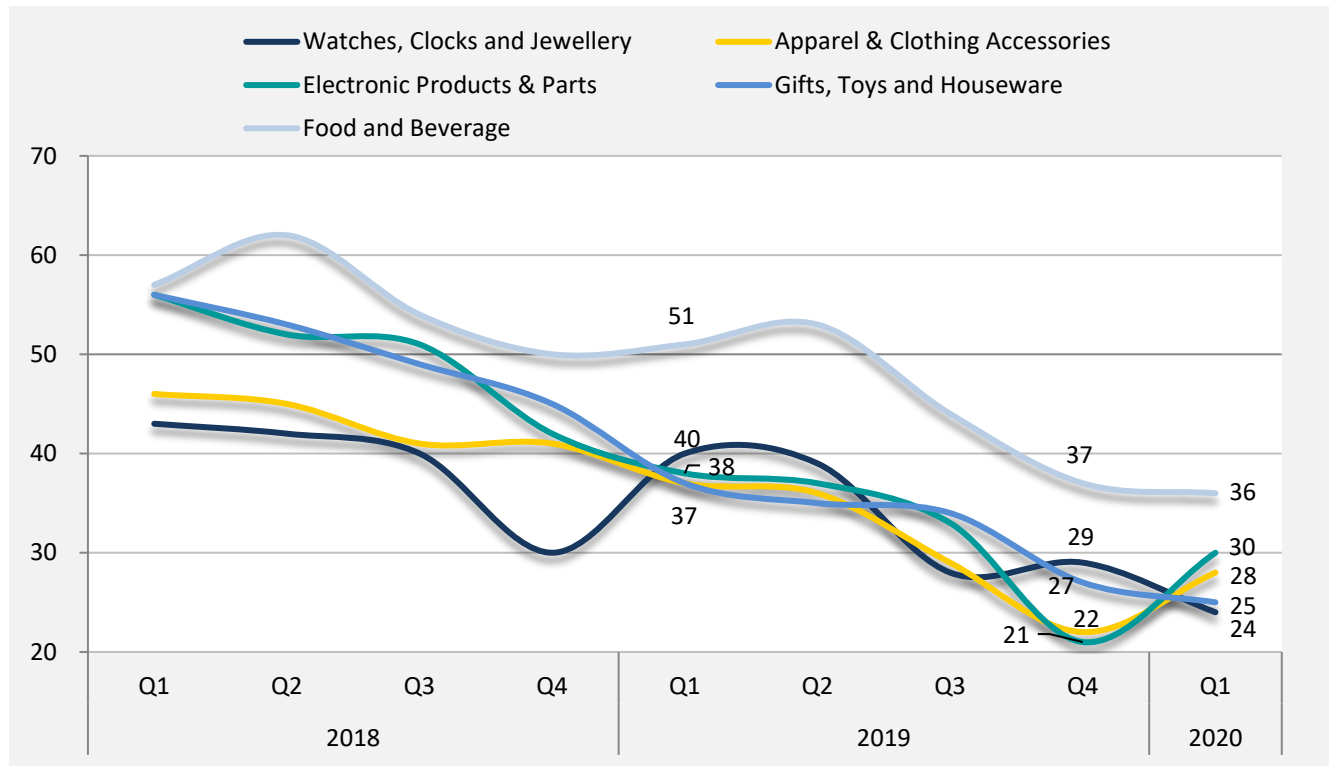
The **Europe** index increased 4 points to 31 points, up from 27 points in the previous quarter.

The **Americas** index dropped 1 point to 26 points, recording a slight decrease from last quarter's 27 points.

The **Rest of the World** index dropped 5 points to 14 points.

Air-Freighted Commodities

Despite a relatively high demand of food and beverage goods was maintained, outlook on electronic goods and apparel goods had also improved this quarter. It is believed that key countries rolled out the 5G network had led to a positive impact on electronic goods' import and export trade volume.



The **Watches, Clocks and Jewellery** index dropped 5 points to 24 points, continuing the downward trend since 2019.

The **Apparel & Clothing Accessories** index increased 6 points to 28 points, with a notable bounce back from 22 points in the previous quarter (2019 Q4).

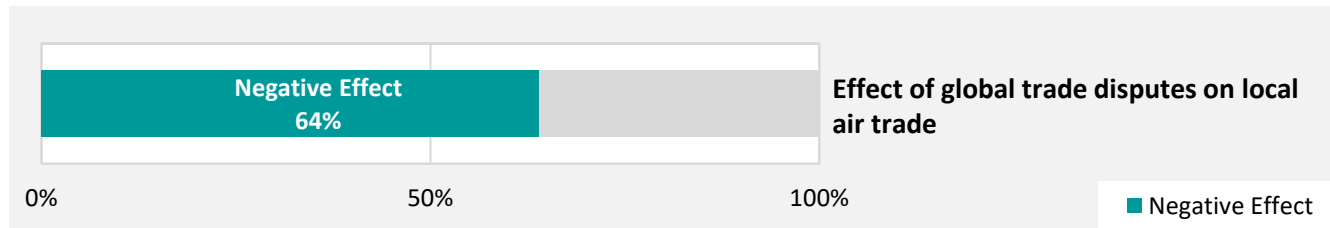
The **Electronic Products & Parts** index increased 9 point to 30 points.

The **Gifts, Toys and Houseware** index dropped 2 points to 25 points.

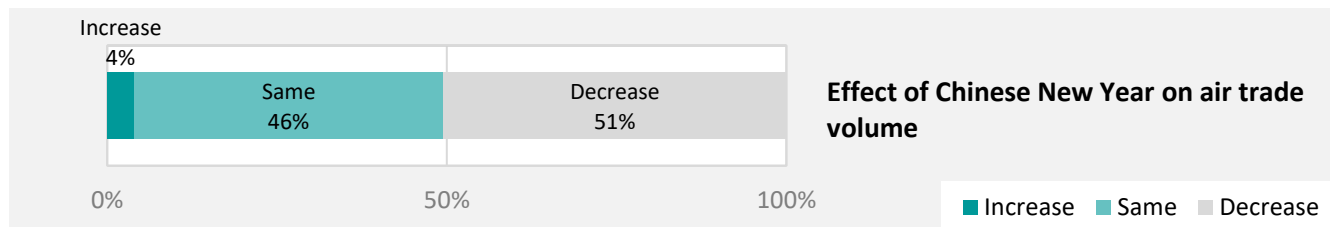
The **Food and Beverage** index slightly dropped 1 point to 36 points. However, this score remained the highest among all the commodities in this quarter.

Recent Market News' impact on Air Trade Outlook

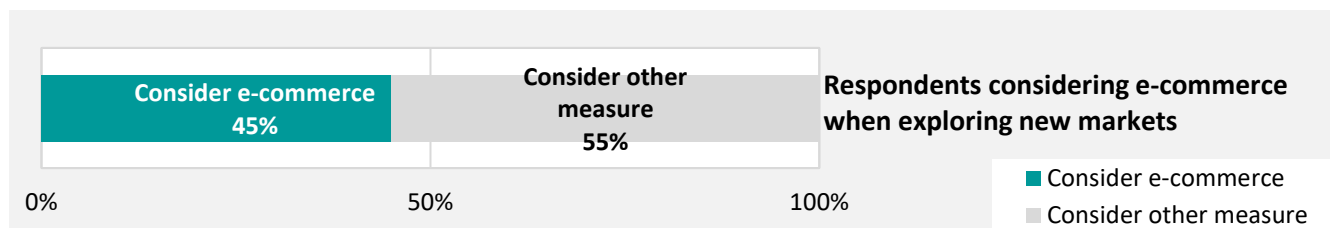
The industry was looking forward to the signing of the phase one US-China trade deal in January 2020.



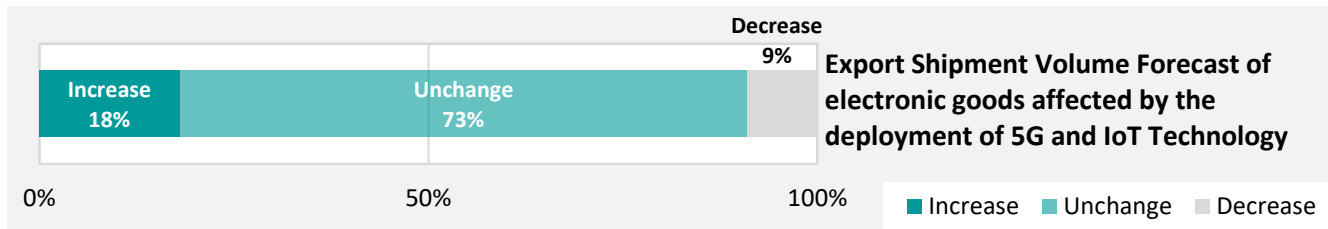
During the survey period, there was no further conflict between China and the United States over the imposition of additional tariffs or trade negotiation, in view of that, air traders maintained positive outlook on global trade. 64% of the respondents indicated that trade frictions had negative impact on local air trade, which was improved from last quarter's 81%.



Around 50% of the respondents said they expected the air trade orders will increase or remain the same due to Chinese New Year.



When exploring alternative sales and market solutions, 45% of survey respondents indicated that "e-commerce" as their first preference, followed by exploring the Asia Pacific market, and tapping into the European market.



With countries such as South Korea, the United States and the United Kingdom, having rolled out the 5G networks, it is expected to have better development on electronic goods, including the production of equipment and devices in connection to the Internet of Things (IoT). For the electronic industry, 18% of the respondents expected their export shipment volume will increase in 2020.

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 and e4.0 – focusing on R&D, IoT, big data analytics, AI and Robotic technology development, digital manufacturing, etc., to help enterprises and industries upgrade their business performance, lower operating costs, increase productivity and enhance competitiveness.

The Council is a trusted partner with comprehensive 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 marketplace. It offers SMEs and startups immediate and timely assistance in coping with the ever-changing business environment, accompanying them on their innovation and transformation journey.

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 through product innovation and technology transfer, with commercialisation of multiple market-driven patents and technologies, bringing enormous opportunities abound for licensing and technology transfer, both locally and internationally.

For more information, please visit HKPC's website: www.hkpc.org.

Enquiry

For more details about the Index, please contact HKPC at tel. (852) 2788 5306.

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