



DHL Hong Kong Air Trade Leading Index (DTI)

2015 Q1 REPORT

Commissioned by DHL Express (Hong Kong) Limited, DTI is implemented independently by Hong Kong Productivity Council to measure air trader's forward-looking business outlook and presented in a form of 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 the 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 also generates an income of over HK\$120bn annually and employs nearly 25,000 people^(1,2,3) in the territory.

In 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, covering and reviewing 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 quarterly basis.

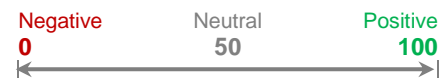
Methodology

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

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. It includes Watches, Clocks & Jewellery, Apparel & Clothing Accessories, Electronics Products & parts, Gifts, Toys & Houseware, Food & Beverage and Others (including courier service and other items which do not belong to the categories listed above).

Since the first reading in March 2014, 600 samples are randomly selected from over 10,000 entries in each quarter. The survey is conducted in telephone format for the outlook for air trade. 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.

Notes: 1) Source: 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

With market fundamentals remaining broadly unchanged, Air Traders are conservative on their outlook in the first quarter of 2015 despite signals indicating acceleration of trade activities in certain markets.

Overall index score for 2015 Q1 is 49.6, below the 50 mark:

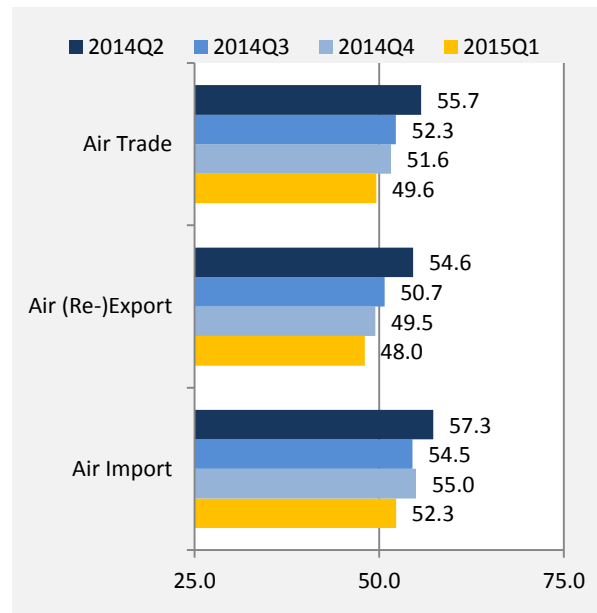
- **Air Trade Volume Index** fell below 50 points at 49.6 for this quarter
- Air Traders appear to be more optimistic about **Import** trade across commodities
- **(Re-)Export** deteriorated to 48.0 mainly due to soft demand from Europe, with uncertainty surrounding the trade of high-value commodities
- Air trade with AM and ROW markets may gather pace

Air Trade Volume Index

The **Overall index** for 2015 Q1 is 49.6, down from 51.6 points in the previous quarter, marginally below the 50-point mark denoting neutrality.

(Re-)Export index fell to 48.0 points, moving the same way as trade with the Europe market and respective sales volume. However, data also point to a broad-based increase in demand of commodities from emerging markets.

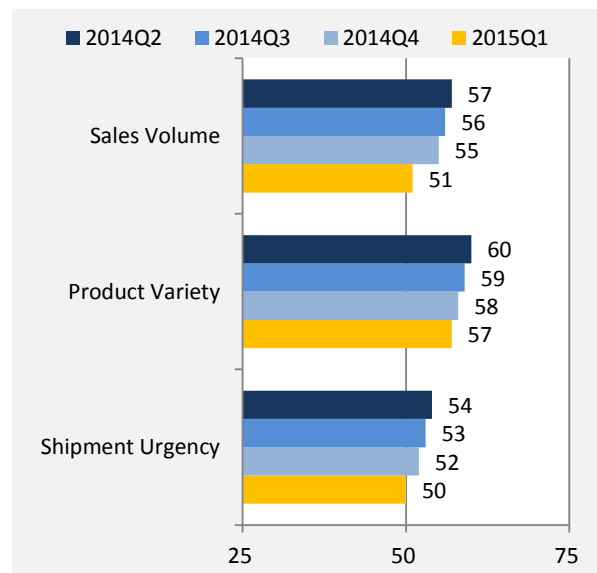
Import index stands at 52.3, remaining above 50.0, but lower than in the previous quarter as Europe's demand for imports remains soft.



Attributes

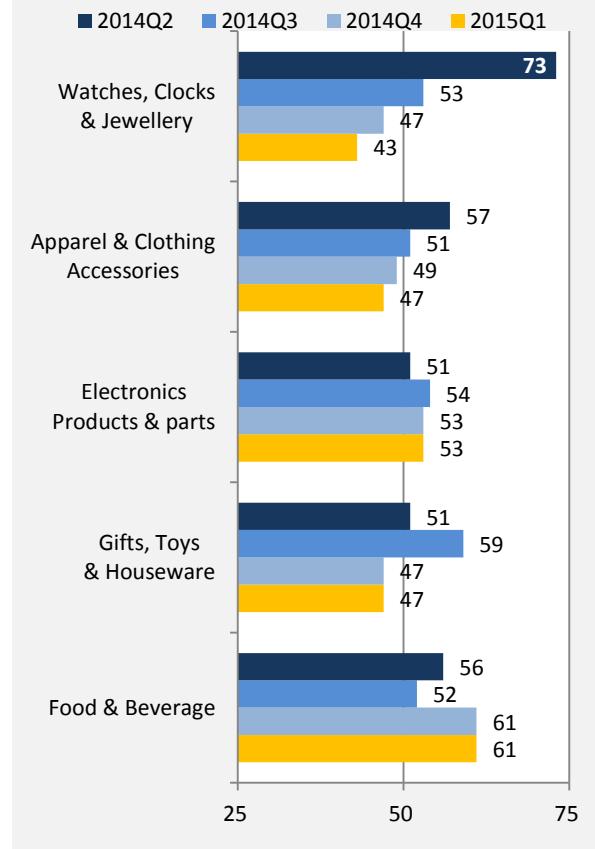
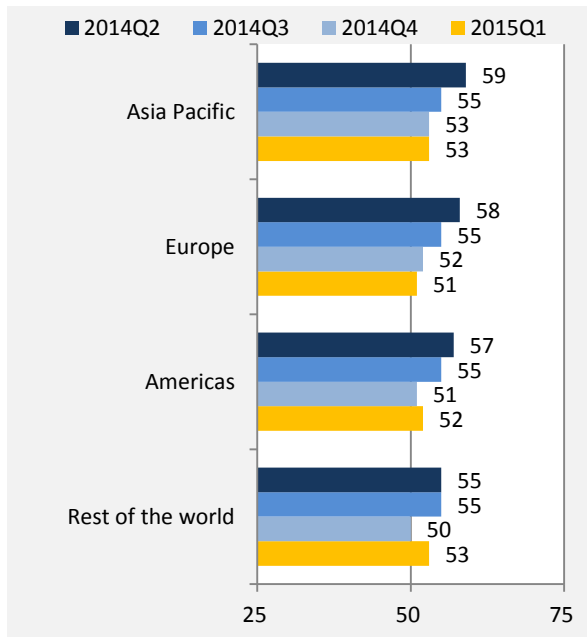
Sales Volume outlook is less positive particularly for trade with Advanced Economies markets. However, businesses expect **Urgent Orders** to remain at around the same level as before.

At 57 points, **Product Variety** outperformed all other attributes, led by Electronic Products & Parts and Food & Beverage.



Market

Air trade with **The Americas** and **Rest of the world** is gathering pace, as reflected by higher readings. Exports to The Americas trended higher across commodities, while demand from Europe, particularly that of high-value commodities, remains fragile.



Air-Freighted Commodities

Watches, Clocks & Jewellery and **Apparel & Clothing Accessories** deteriorated due to falling demand from Europe.

Among all commodity types, **Food & Beverage** and **Electronics Products & Parts** posted the highest readings of 61 and 53 respectively. However, air traders are staying cautious about the trade volume of most commodities types, continuing the trend from the last quarter.

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

For more details about the Index, please contact Mr. Eric Cheung at tel. (852) 2788 6008 or email: ericcheung@hkpc.org

Disclaimer

This report contains survey result based on research findings. HKPC will not be liable for any loss, mistake, delay, action or non-action by viewers of this report.