



DHL Hong Kong Air Trade Leading Index (DTI)

2016 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 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 ^(1, 2, 3) 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.

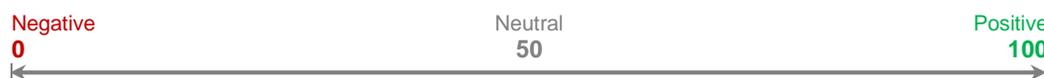
Methodology

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 of 50 or above indicates a positive outlook while a reading of 50 or below 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.



¹ 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

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).

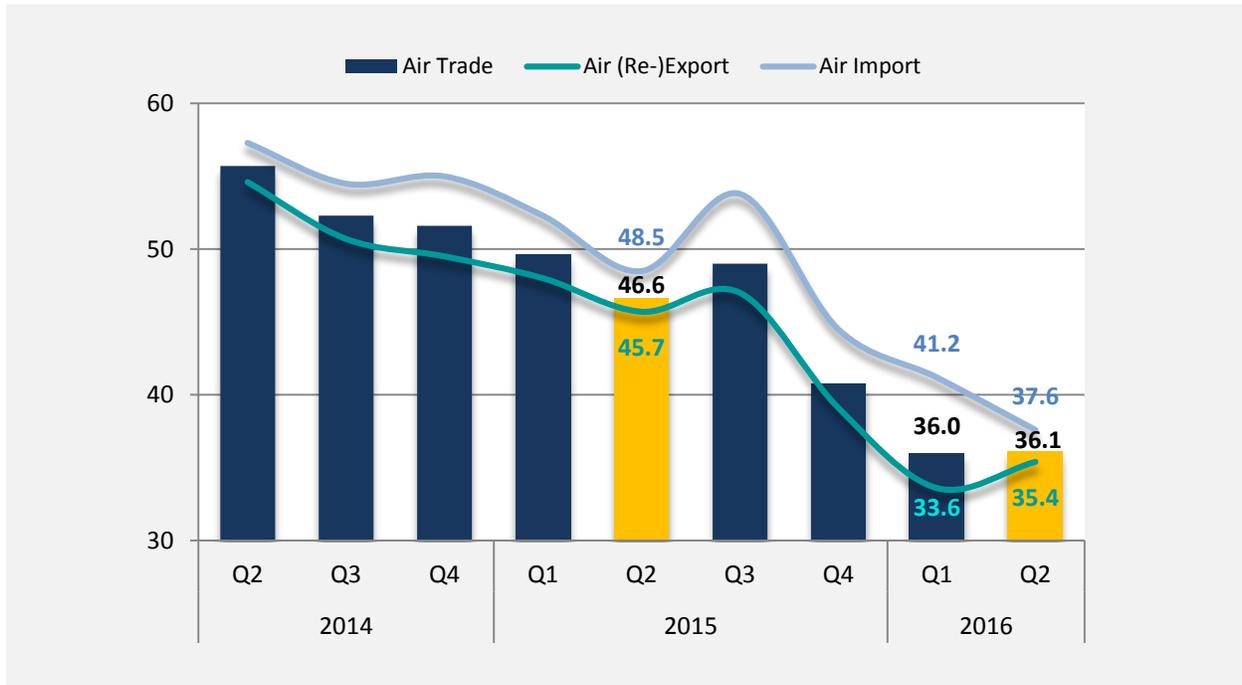
Since the first reading in March 2014, every quarter 600 samples are randomly selected from over 10,000 entries. The survey is conducted by telephone. Each of the 600 samples represents a combination of company and product type which has need of air trade. Each sample has the same weighting in calculating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

As Global economy appears to be making gradual progress towards recovery, conservative sentiment on air trade has therefore moderated in the second quarter. Although 2016 Q2 overall air trade outlook remains at similar level, exports show improvement especially on the European and Asia Pacific markets.

- The index of Air (Re-) Exports alone rose by 1.8 points compared to previous quarter, as key attributes rose and demand for Electronic Product & Parts rebounded.
- Air Imports remains volatile, dragged by weakened sales volume and soft demand for luxury commodities. The findings align with this quarter's special topic on retail industry performance which indicates that subdued retail sales impacts air imports volume.
- Mr Gordon Lo, Director (Business Management) of Hong Kong Productivity Council, said, "The industry is conservative on the growth of the order volume. Businesses are suggested to deploy new growth strategy via performing market data analysis. For example, companies can make use of O2O platforms to integrate offline business operation with online marketing coverage, or leverage customized products to enhance the uniqueness and value, in order to provide a new boost for business growth."

Air Trade Volume Index

2016 Q2 Air trade outlook remains conservative as global demand continued to be weak. Air exports improved while air imports continued a downtrend, and therefore the gap between the two indices significantly narrowed.



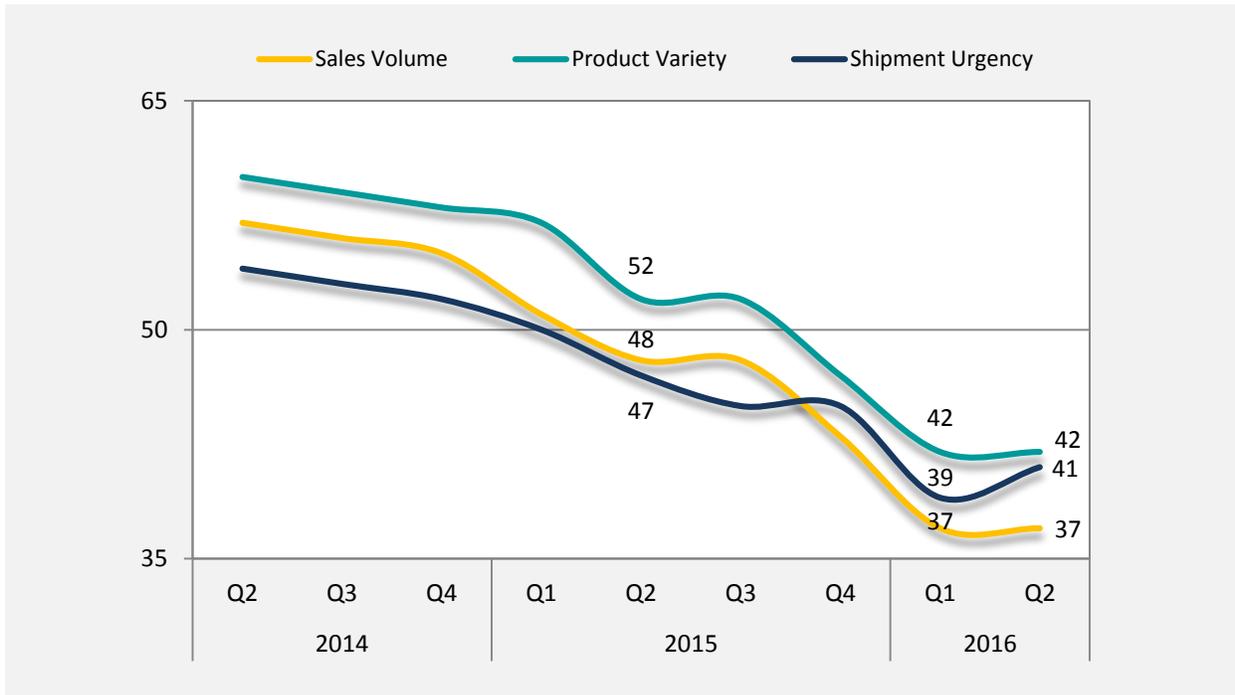
The **Overall index** edged up to 36.1 in 2016 Q2 from 36.0 in 2016 Q1.

(Re-) Export Index rose to 35.4 in Q2 from 33.6 in Q1. Although remaining conservative, air traders are more confident on the demand from Europe and Asia Pacific markets.

Diminished demand for major markets imports weighed on the outlook, reflected on the **Import Index** which fell to 37.6 in the second quarter, as it suffers from reduced sales volume.

Attributes

Key attributes are generally stabilised in the second quarter. Shipment urgency improved while sales volume and product variety remain at the same level as the previous quarter. Respondents expected that improvements across all export attributes would provide support to air exports.

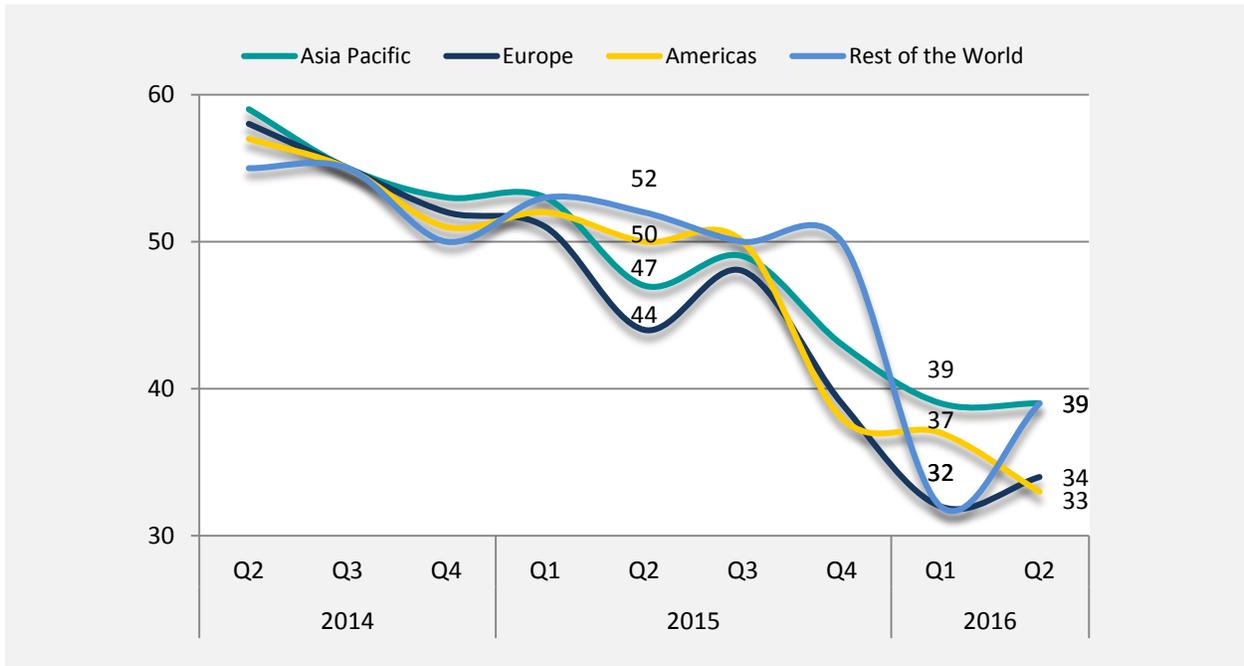


Sales Volume and **Product Variety** stood at 37 and 42 respectively in this quarter. Air traders foresee a rebound on the demand from European markets and expect the respective export sales volume to be strengthened. On the other hand, air traders foresee that the reduced sales volume would impact the air imports, in particular demand for imports from Americas and Asia Pacific.

Shipment Urgency rose from 39 in Q1 to 41 in Q2, reflecting an increased demand to fulfil urgent export orders to all markets.

Markets

In general, market outlook is stabilising and there are signs of improvement despite a subdued demand from the Americas. The improved outlook is mainly supported by upswing export demand.



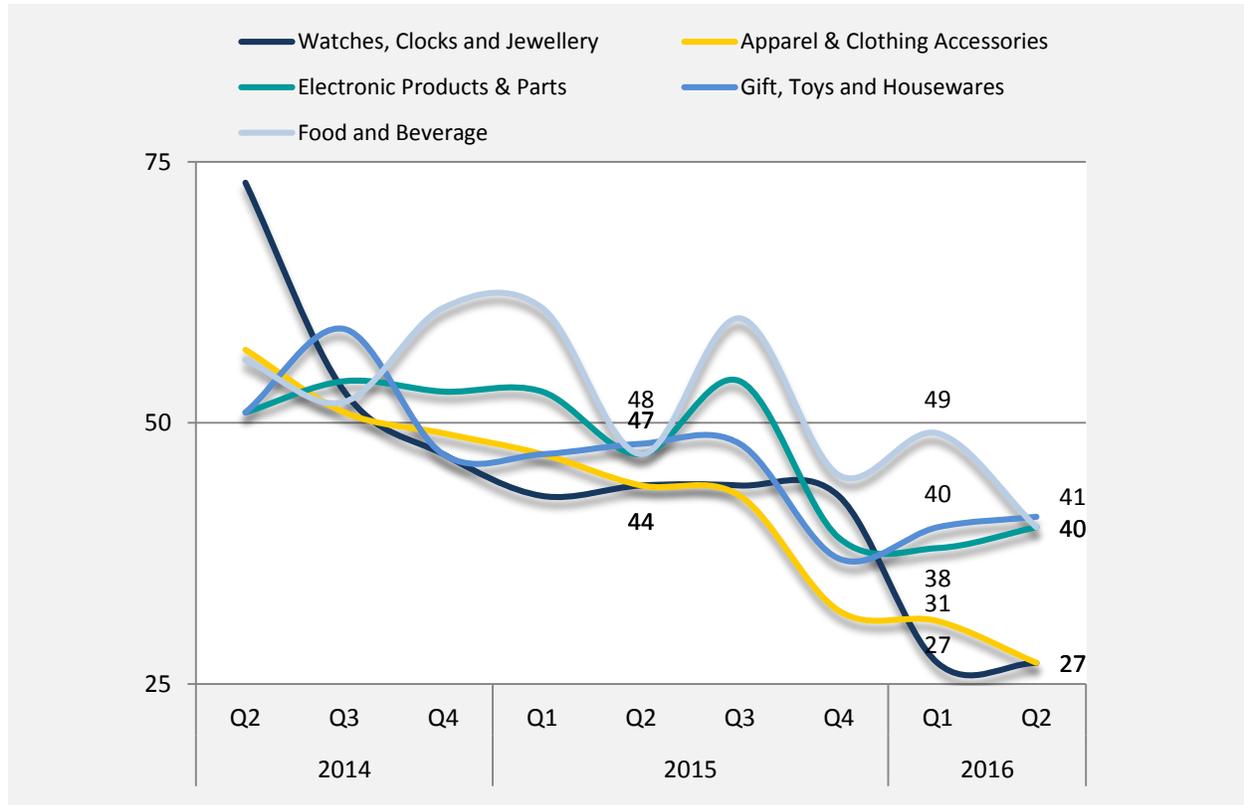
Trade to **European** markets and the **Rest of the World** saw improvements to different extent in 2016 Q2, as the indices rose to 34 and 39 respectively. European markets in particular showed strengthened air exports outstripping air imports due to an upsurge demand for Electronic Product & Parts.

Asia Pacific markets maintained a stable index score of 39 in the second quarter. Increased demand to satisfy urgent export orders would support a more positive outlook.

Americas is the only market that reflects a more cautious outlook compared to previous quarter. The index fell to 33 in Q2 from 37 in Q1, due to the subdued demand for Apparel & Clothing Accessories.

Air-Freighted Commodities

Despite a slow pace, some commodities picked up in the second quarter. Demand has lessened in the Americas for the Apparel market.



The index score of **Electronic Product & Parts** and **Gift, Toys & Housewares** rose to 40 and 41 respectively. Demand from European and Asia Pacific markets is expected to provide support for the improved outlook.

Watches, Clocks & Jewellery index score remained unchanged in the second quarter. Respondents foresee retail sales performance to weigh on the air trade outlook, while imports from European markets would remain soft, reflecting a dim outlook on luxury goods trade.

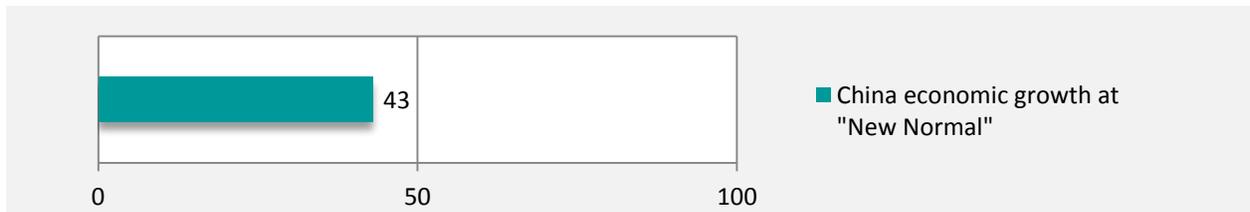
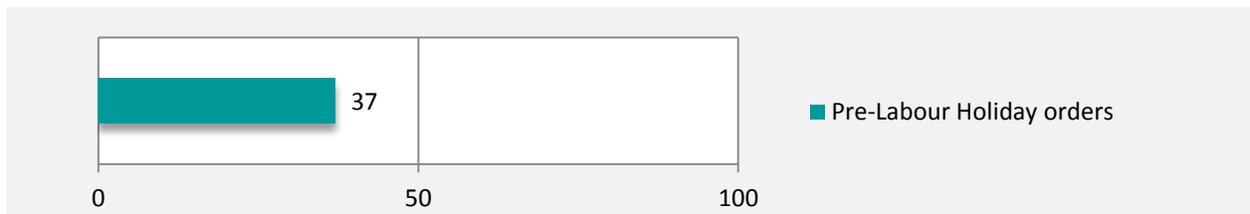
Confidence on **Food & Beverage** and **Apparel & Clothing Accessories** deteriorated, with a dip to the index scores of 40 and 27 in Q2. Soft demand from Americas considerably suppressed the outlook on Apparel & Clothing Accessories.

Effect of Recent Market News on Air Trade

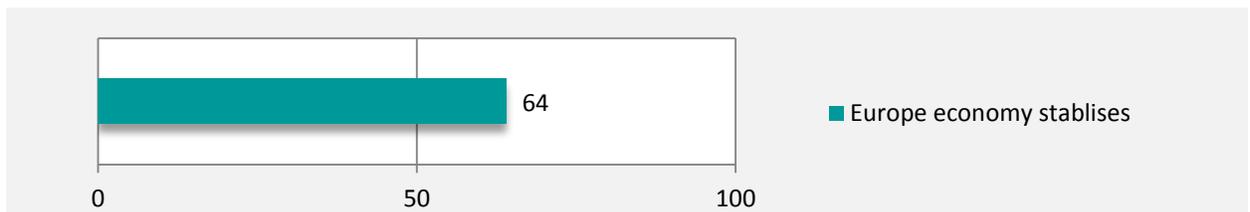
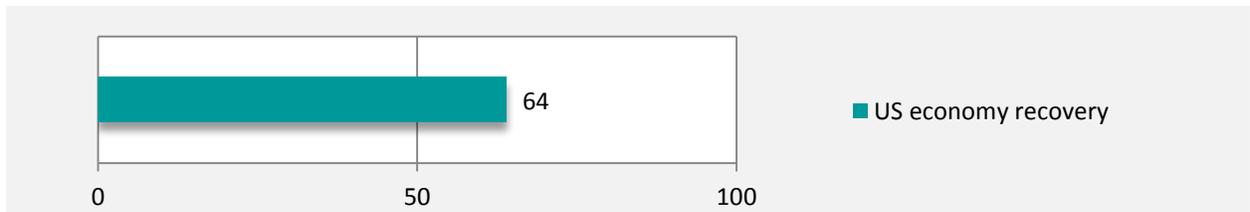
Featured topics for this quarter surveyed the effect of pre-holiday orders, Hong Kong's retail sales performance and the latest economic development in the region and other major economies.

Compared to the previous year, respondents anticipated fewer orders in the traditional peak season prior to the Labour holiday.

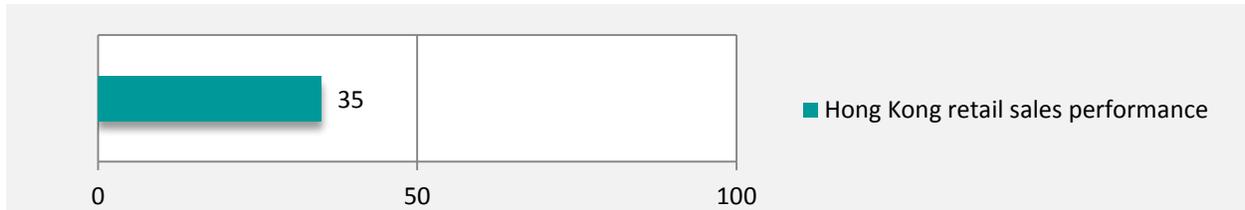
China's economy is transitioning into a “new normal” underpinned by the structural changes to target a moderated but sustainable growth. Nevertheless over half of the respondents remain neutral of its effect on their air trade.



Responses on the effect of latest development of major economies provide insights into the improved confidence in air exports. Bolstered by the reviving US economy and the stabilising European economy, over 40% of the air traders expected positive impact on their exports volume in Q2.



Amid the challenging environment, respondents predicts air imports to be negatively impacted by the local retail sales performance, while 24% of air traders expected downtrend on overall air trade volume.



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

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