



# DHL Hong Kong Air Trade Leading Index (DTI)

2016 Q4 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.

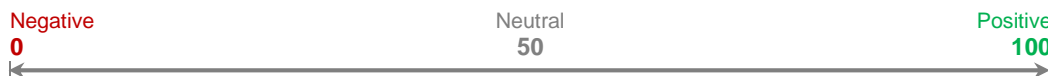
## Methodology

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).

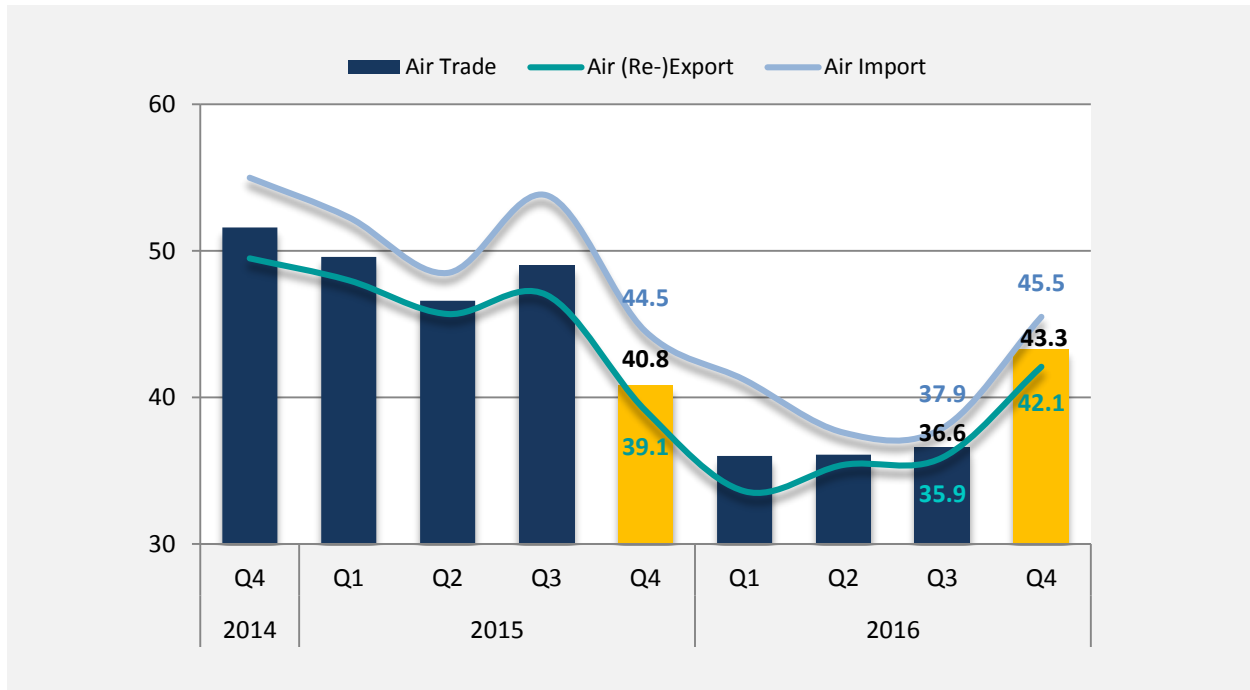
Since the first reading in March 2014, every quarter 600 samples are randomly selected from over 10,000 entries. The survey is conducted by telephone. Each of the 600 samples represents a combination of company and product type which has need of air trade. Each sample has the same weighting in calculating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

*Although the uncertainties surrounding Britain's exit from the European Union (Brexit) overshadow the global economy, the survey result in fourth quarter continues to show upward momentum at an accelerated pace. Air trade volume index climbed to the highest in the past five quarters with significant improvements across markets and commodities.*

- Air trade outlook has become notably less conservative in Q4, posting at 43.3. Solid recovery is observed from both Air Imports and Exports in Q4. Other sub-indices generally exceed 40 points and rose above the level of the same quarter last year.
- Confidence in Asia Pacific trade rebounds as air traders expected notable improvement in the prospects across all key attributes.
- Mr Gordon Lo, Director (Business Management) of Hong Kong Productivity Council, said, "Enterprises should continue to be cautious while dynamic in the deployment and planning of business strategies. For example, the application of innovative technology can enhance the customer experience, creating new demands and new markets. Enterprises are advised to earmark special resources for product development or to collaborate with other research institutes or experts to develop impactful and innovative products or services."

## Air Trade Volume Index

*Local air trade recovered at accelerated pace in the quarter. Air trade outlook surpasses the level of the same quarter last year, mainly brought by a surge in demand from Asia Pacific.*



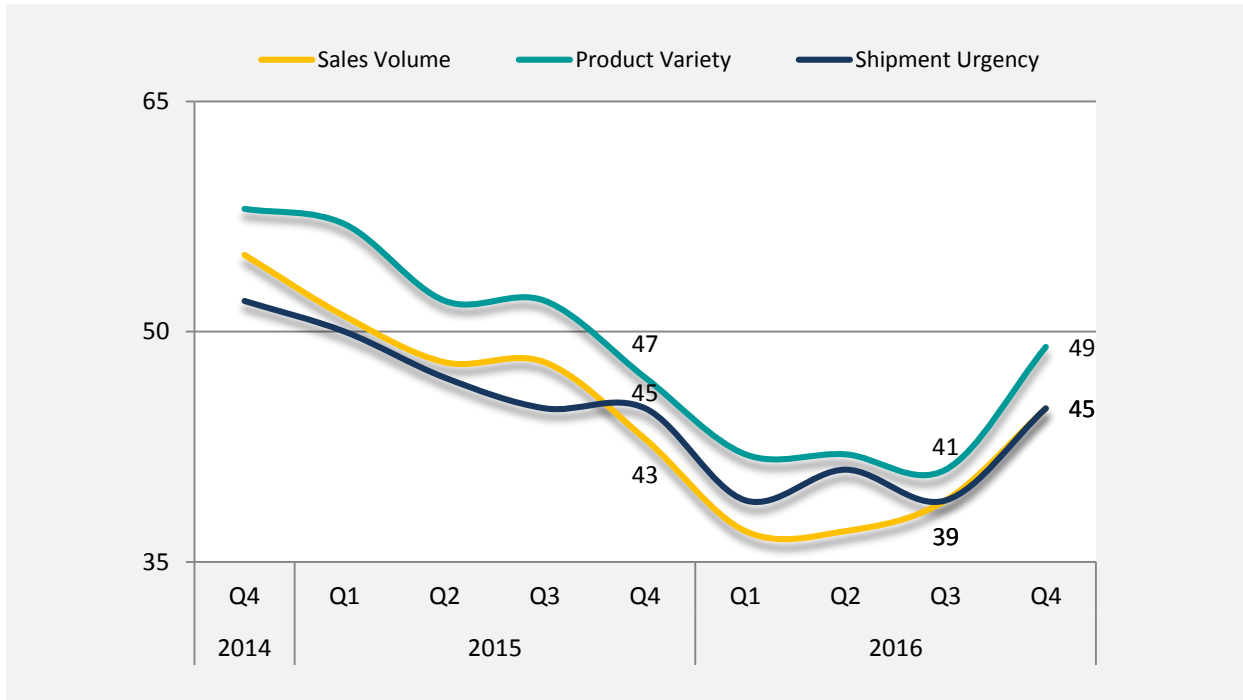
The **Overall index** rose substantially to 43.3 in 2016 Q4 from 36.6 in Q3. This is the strongest upswing in 2016 and overtook the score of the same quarter last year.

Similar to the overall trend, significant improvement in **(Re-) Export Index** was seen and the index rose to 42.1 in Q4 from 35.9 in previous quarter, backed by demand from Americas and Asia Pacific.

Demand for European imports strengthened while demand for Asia Pacific products rebounded. **Import Index** increased to 45.5 in this quarter from 37.9 in last quarter.

## Attributes

*Air traders posed an improved outlook on key attributes, while Asia Pacific trade showed a notable upward trend.*

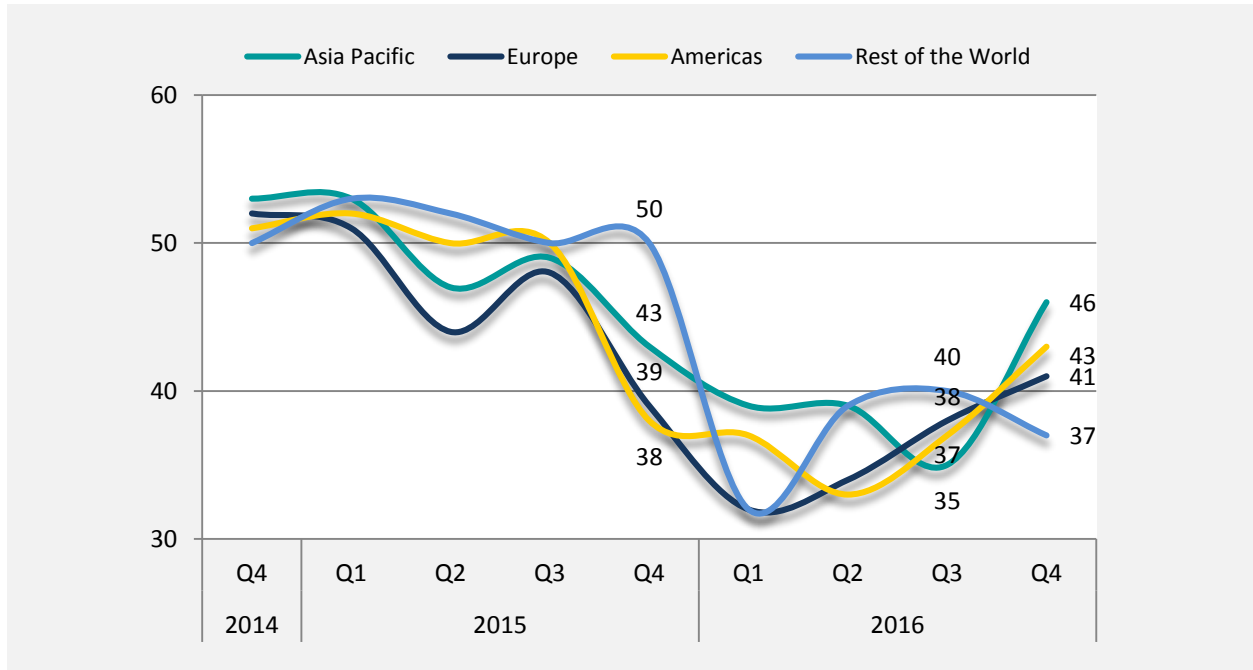


The index score of **Sales Volume** and **Shipment Urgency** improved to 45 in Q4 from 39 in Q3. Respondents anticipated growth in sales volume backed by the uptick demand from Asia Pacific. Solid increase in demand from Americas and Asia Pacific markets is expected to drive more urgent orders.

After a marginal fall in previous quarter, **Product Variety** rose to 49 in the fourth quarter, slightly below the 50-point neutral line. Demand for product variety in Asia Pacific is expected to be strongest across key markets.

## Markets

*Respondents foresaw a rebound in trade with Asia Pacific while the trade with Advanced Economies restored momentum in the fourth quarter.*



The index of **Asia Pacific** rebounded to 46 in Q4 from its record-low score, 35 in Q3, which topped all major markets. Air traders foresaw better prospects in exports in particular, fuelled by the growth in demand for Electronic products.

An upswing of urgent shipments is expected to support the improved outlook on the trade to the **Americas**. The index score rose to 43 from 37 in Q3, as air traders expected trade to pick up at a faster pace in Q4.

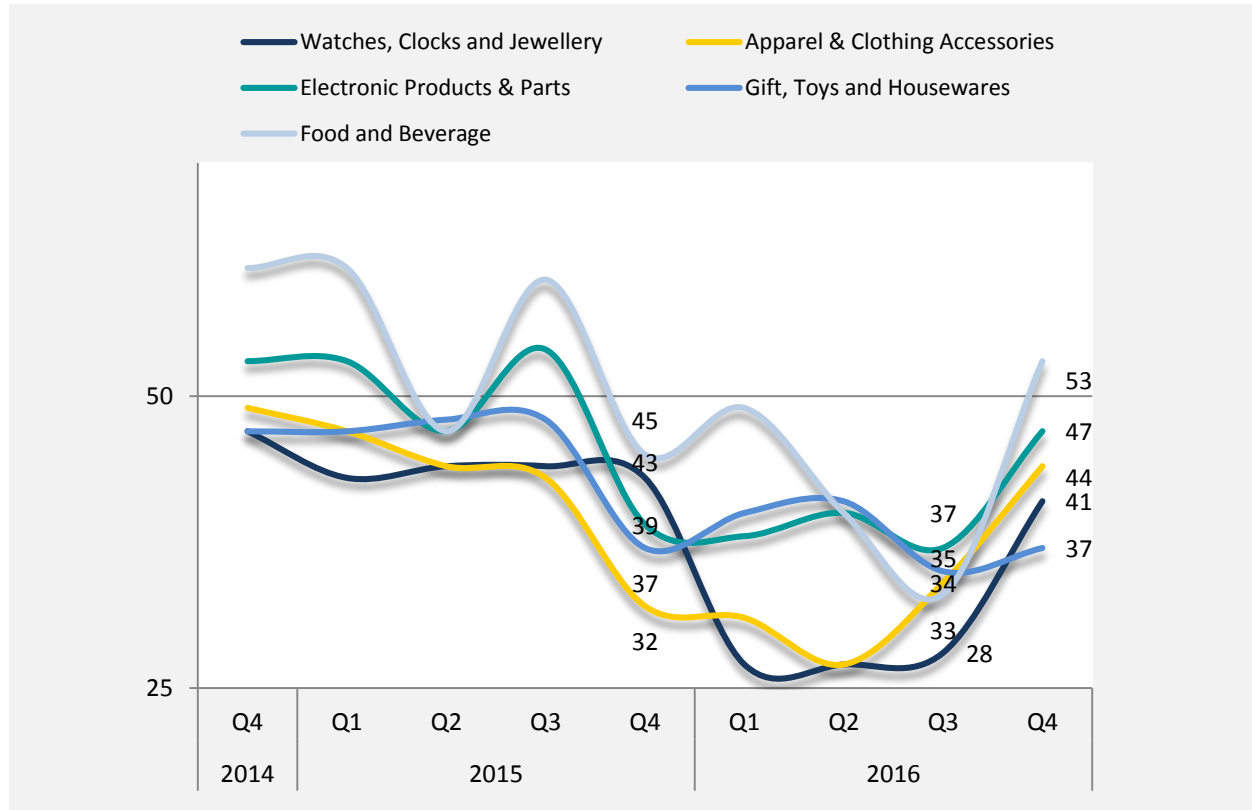
Despite the concerns on Brexit and British pound depreciation against USD, strengthened demand for **European** imports is expected to sustain in this quarter. The index continued to rise to 41 in the fourth quarter.

The **Rest of the World** index slipped to 37 in Q4, mainly due to a more conservative outlook in sales volume.



## Air-Freighted Commodities

Fourth quarter saw a broad-based recovery in key commodities. Most of the index scores surpassed those over the same quarter last year.



Demand for **Apparel & Clothing Accessories** and **Food & Beverage** is expected to be supported by solid recovery in import demand. The index scores rose to 44 and 53 respectively in Q4. The above 50-point score reflected an optimistic view on Food & Beverage, particularly in European imports.

Outlook on **Electronic Product & Parts** saw notable improvement, underpinned by an upswing of demand from Americas and Asia Pacific market. The index score increased to 47 in Q4 from 37 in Q3.

**Watches, Clocks & Jewellery** is also recovering at an accelerated pace with a rising index score of 41 in Q4 from 28 in Q3.

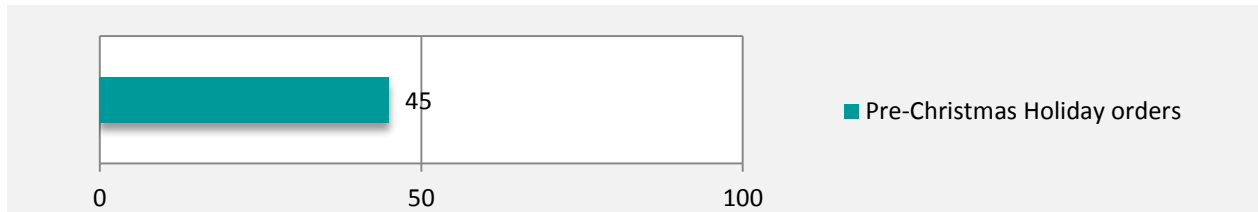
**Gift, Toys & Housewares** edged up to 37 in the fourth quarter. Better export demand is expected to be offset by softened imports.



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

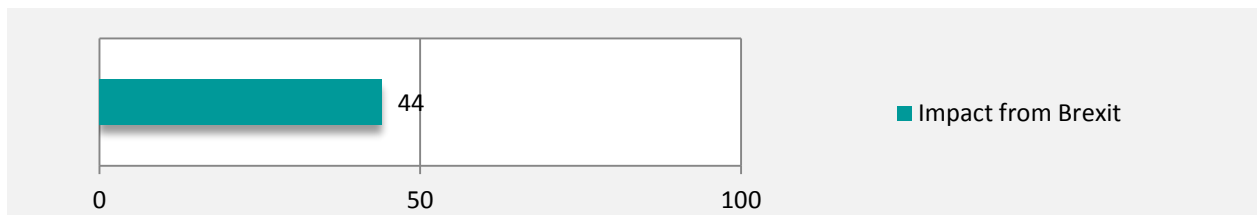
*Featured topics for this quarter surveyed the effect of pre-holiday orders and potential impact of Brexit.*

Air traders generally do not expect increase in orders prior to the Christmas holiday in December compared to last year.



Respondents indicated that Brexit may pose a certain degree of negative impact on the quarter’s air trade, however, they also saw the upside. 16% respondents expected Brexit to negatively affect this quarter’s air export and expressed concerns over demand from the U.K. and the rest of Europe. Other markets are generally unaffected.

On the upside, some respondents foresaw positive impact on air imports from the U.K. and rest of Europe.



### *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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