



DHL Hong Kong Air Trade Leading Index (DTI)

2020 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 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.

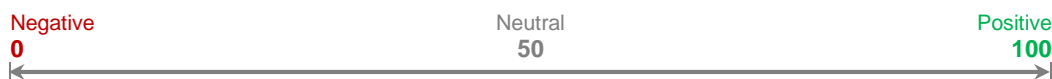
Methodology

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

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.



¹ Key Statistics on Business Performance and Operating Characteristics of the Transportation, Storage and Courier Services Sector in 2018, 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 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

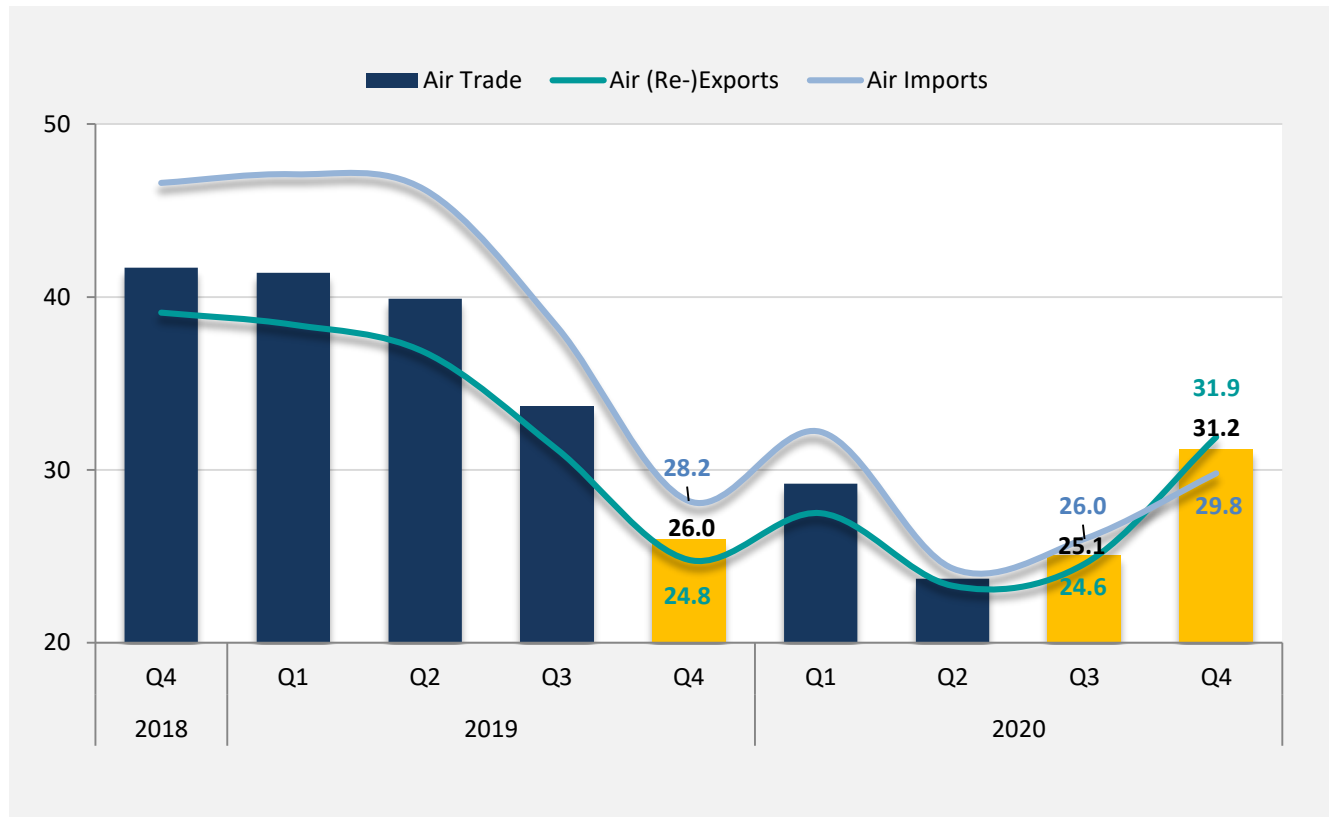
According to the phone interviews conducted in September, when most of the major markets are still affected by different levels of fluctuation as a result of the pandemic, air traders retain the positive momentum from 2020 Q3 and presented another quarter of upward expectation to the end of this year.

- Overall sentiment recovered to the pre-pandemic level at 31.2 with concerns over the Sino-US trade tension continues to suppress the trade outlook. With the reading stayed below 50, HK air traders are still holding a cautiously optimistic attitude towards 2020Q4.
- Underlying the improving outlook, local air traders are optimistic of export across the major markets and commodities, which particularly driven by the demand from the Americas, Europe and Asia Pacific.
- As we approach traditional festive season, a remarkable improvement is seen on Gift & Houseware and Electronics. The accelerated e-Commerce development is expected to continuously drive the demand on international air transportation.
- Despite COVID-19 continue to bite, 55% traders reflected that they were still making loss in the third quarter, yet 21% said they witnessed a better operating condition than the previous quarter.

Mr Edmond Lai, Chief Digital Officer of the Hong Kong Productivity Council (HKPC), shared, “Even if the global pandemic fluctuates, companies flexibly turn to e-commerce to maintain their business operations, which will gradually improve the income of air trade. It is anticipated that the festive season in the fourth quarter may drive growth in import and export trade, so that the overall index can return to the pre-epidemic level. However, China-US trade friction is still one of the factors that affects the industry’s sentiment. Also, the epidemic is accelerating the changes in global trade and consumption patterns with local enterprises tackling these challenges with digital transformation. Amid this difficult business environment, HKPC is committed to providing timely and appropriate support to the local industrial and commercial sectors, encouraging businesses to be more agile and innovative and make effective use of available resources, to overcome adversity and develop new business opportunities.”

Air Trade Volume Index

After having a small recovery with all indices since last quarter during the pandemic, a further improvement saw in Q4.



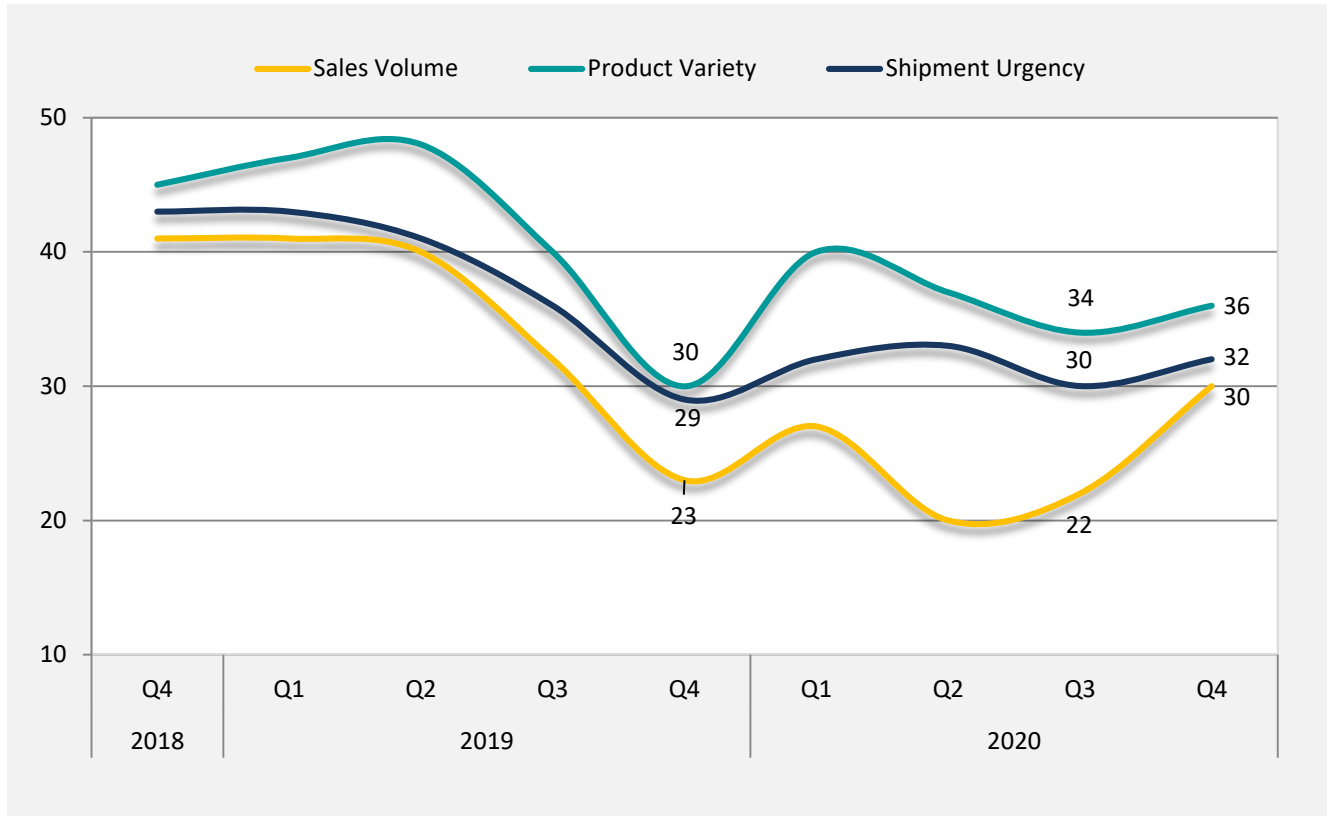
The overall **Air Trade** index grew 6.1 points from 25.1 in 2020 Q3 to 31.2 in 2020 Q4, while (Re-) Exports represented a stronger rebound than imports.

The **Air (Re-) Exports** index rose 7.3 points to 31.9 points. Most of the markets have seen improvements, with Mainland China taking the lead.

The **Air Imports** index increased 3.8 points to 29.8 points with Mainland China posting the biggest jump.

Attributes

The first time since 2020 Q1 with all attributes - sales volume, product variety and shipment urgency - experienced an uptick.



The **Sales Volume** index rose 8 points to 30 points, the largest jump since the pandemic began.

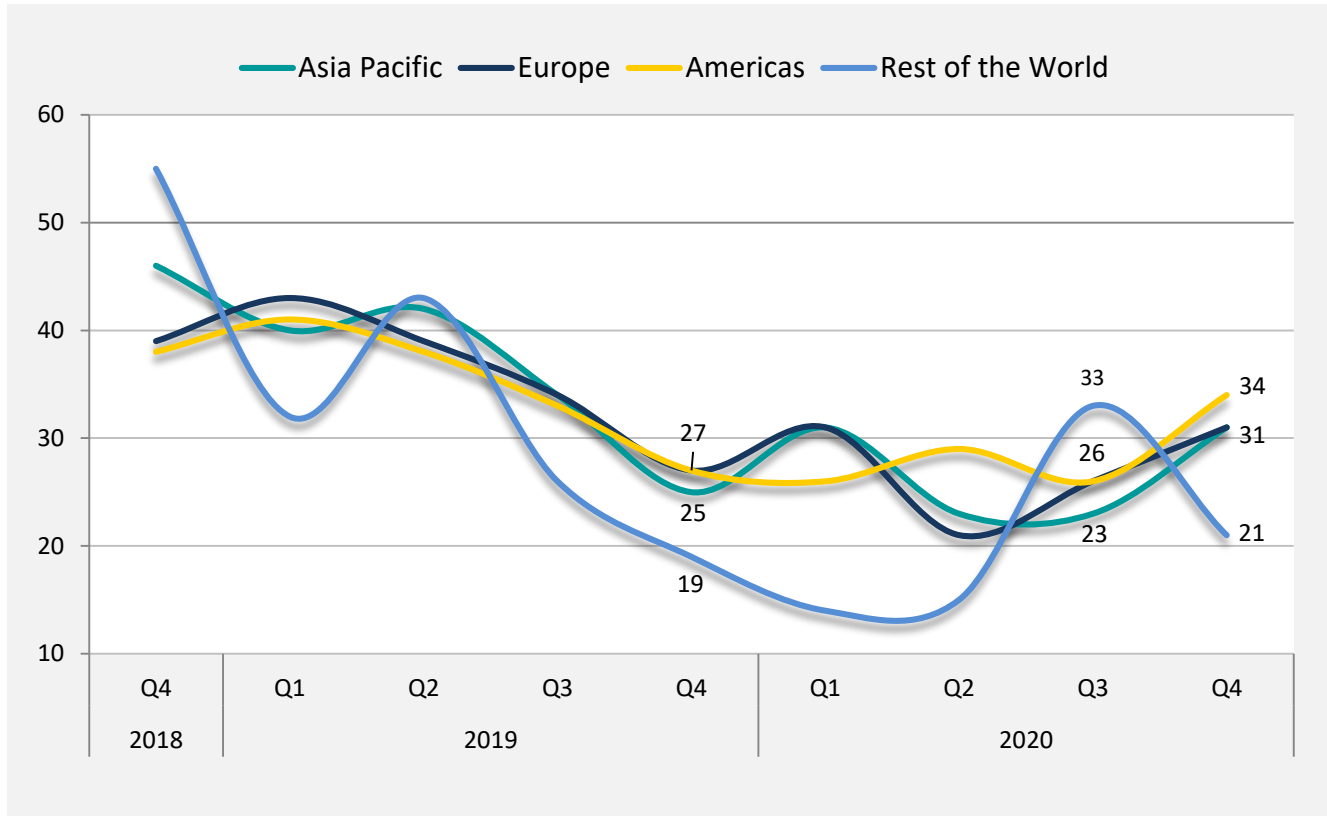
The **Product Variety** index rose 2 points to 36 points.

The **Shipment Urgency** index rose 2 points to 32 points as the market looks ahead to the traditional festive season.

The improvement of the attributes was mainly driven by Americas and Europe markets. Yet despite the positive trend across the three sub-indices, the current reading remains under 50, still indicating that many air traders remain conservative in the outlook.

Markets

All major markets posted their highest readings since the pandemic began in 2020 Q2, which even exceeded the levels of the same period last year.



The **Americas** index rose 8 points to 34 points, driven by the growth in Electronic and Gifts, Toys & Houseware. More 5G product launches boosted the demand, as in the run-up to Thanksgiving and Christmas.

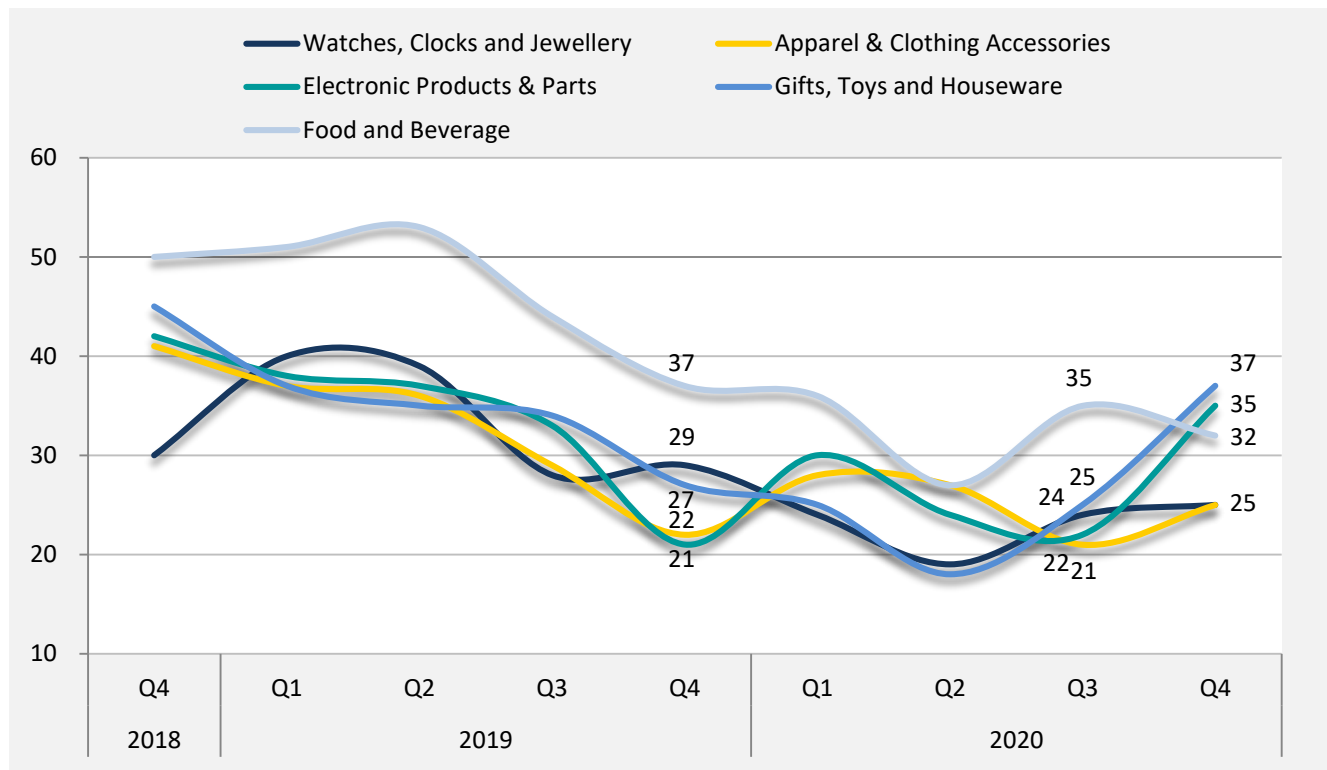
The **Europe** index rose 5 points to 31 points. Gift & Houseware led the growth with electronics came second.

The **Asia Pacific** index rose 8 points to 31 points with both exports and imports of China improved.

The **Rest of World** index dropped by 12 points to 21 points.

Air-Freighted Commodities

Gifts, Toys & Houseware and Electronic Products, which are usually the top-selling products in the traditional festive season, posted the strongest growth among the categories.



The **Gifts, Toys and Houseware** index rose 12 points to 37 points, contributed by exports growth in nearly every market.

The **Electronic Products & Parts** index rose 12 points to 35 points, supported by more product launches of 5G devices and high-tech equipment in the fourth quarter.

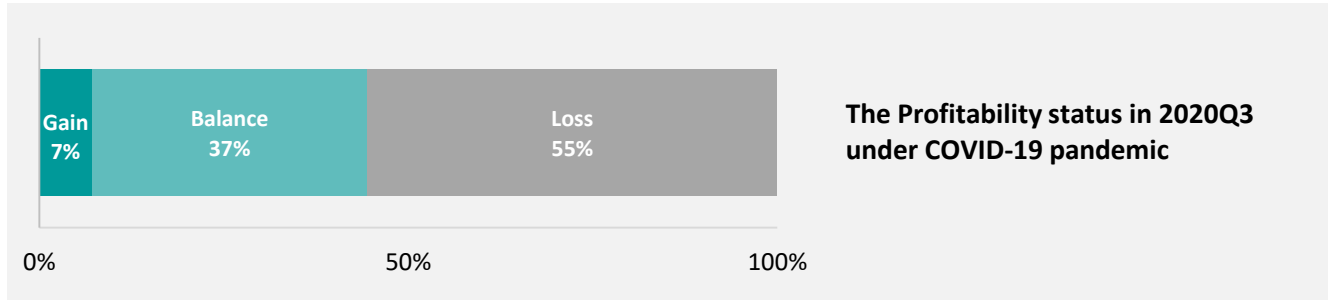
The **Food and Beverage** index fell 3 points to 32 points, caused by decline of the imports of Asia Pacific markets.

The **Apparel & Clothing Accessories** index rose 4 points to 25 points, driven by the export growth in Asia Pacific.

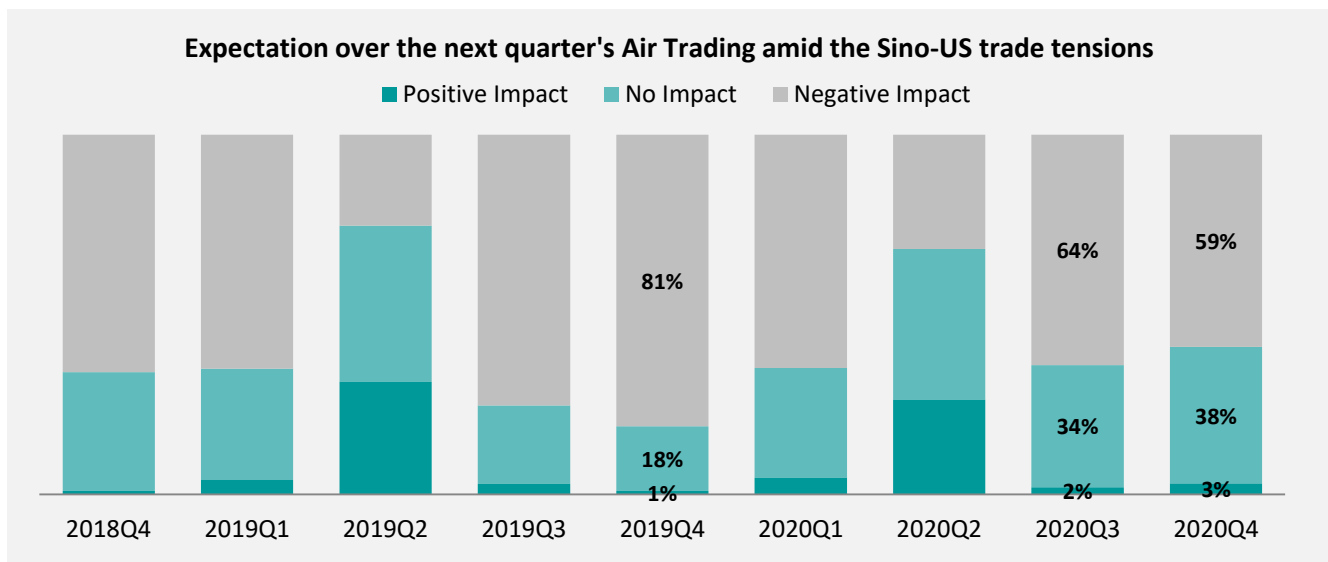
The **Watches, Clocks and Jewellery** index rose 1 point to 25 points, supported by the improvement on imports.

Air Trade Outlook Affected by Recent Market News

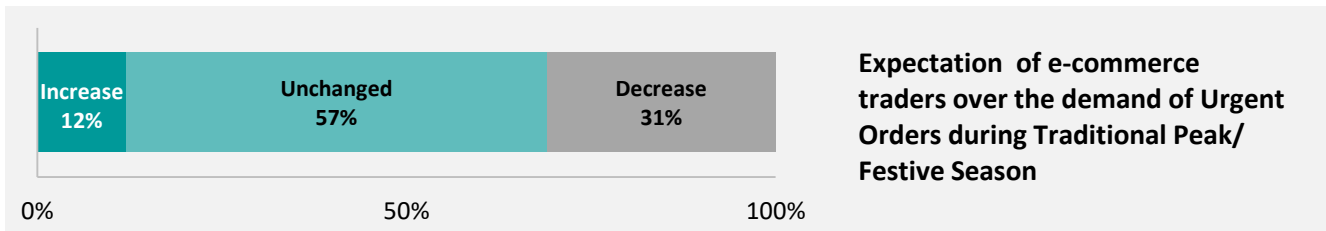
Undoubtedly, businesses in Hong Kong have been facing headwinds of COVID-19 and China-US trade tensions in 2020. Hong Kong air traders are holding a cautiously optimistic attitude towards the year-end festive seasons amid the better trade outlook.



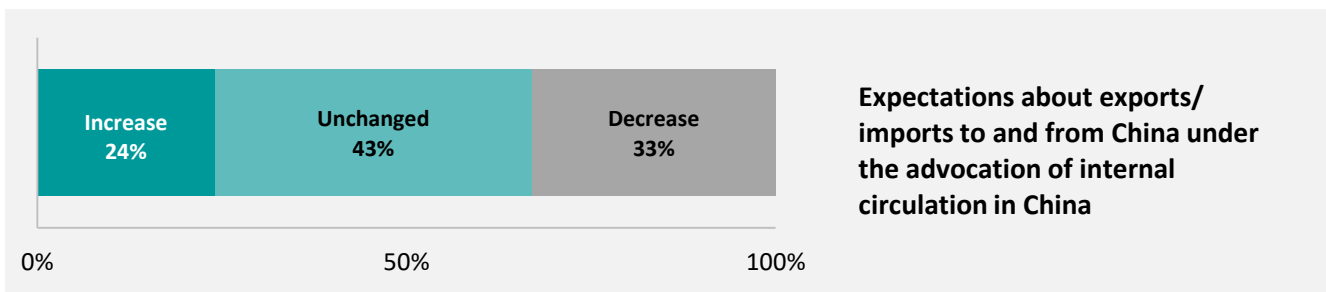
Amid the COVID-19 pandemic, 44% air traders reported a surplus or breakeven in 2020 Q3, of which 72% said their business performance is better or maintained compared to 2020 Q2. At the same time, 55% air traders recorded loss in 2020 Q3, while 65% of them reported the deficit widened compared to 2020 Q2.



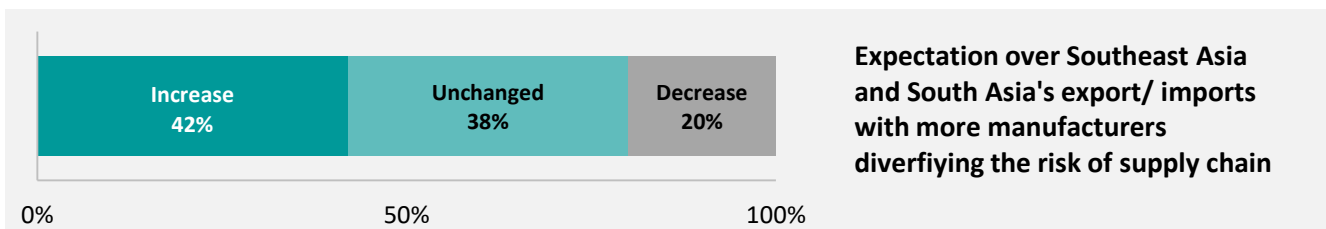
As the China-US trade tension continued, air traders held similar attitude as previous quarter. 59% of them expected negative impact on trading in 2020 Q4. 38% expected no change in air trade while 3% expected the situation would have a positive impact.



Traditional retailers plan to launch their pre-Thanksgiving and Christmas offers earlier and will be closed during the holidays. 57% of e-commerce traders expected the demand of urgent orders to remain unchanged while only 12% expected an increase.



China advocates internal circulation and it is expected there will be less dependence over the external economy. 24% of air traders anticipate an increase in exports to, or imports from, China. Furthermore, 33% anticipate a drop and 43% expect a similar volume.



With manufacturers diversifying the supply chain to other Asia Pacific countries to mitigate the risk from China-US trade tensions, 42% air traders expected an increase in the exports/imports from Southeast Asia and South Asia in the next one-year period.

Note: Figures may not add up to 100% due to rounding.

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.

Disclaimer

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