



DHL Hong Kong Air Trade Leading Index (DTI)

Q1 2021 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.

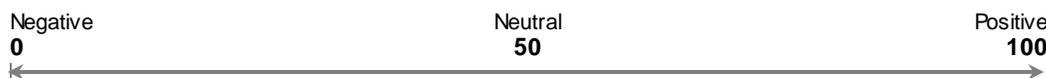
Methodology

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

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

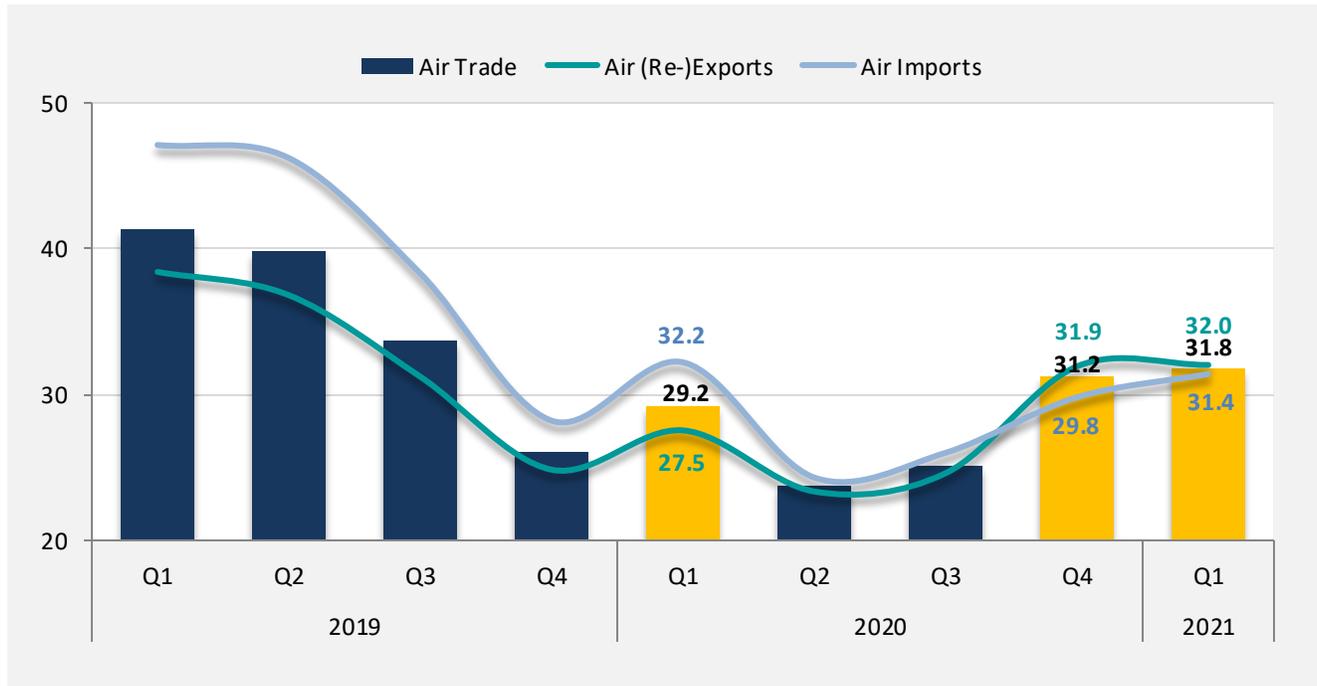
Air traders remain cautiously optimistic on the outlook for 2021 Q1 amid improvement in the prospect over China-US relations and profitability in 2020 Q4 even though the COVID-19 pandemic is still rampant across the globe. The overall air trade index edged up 0.6 points to 31.8 points for 2021 Q1.

- A more optimistic outlook is prevalent among air traders, specifically regarding China-U.S. relations with the conclusion of the U.S. presidential election and the confirmation of Joe Biden as the next U.S. president.
- Americas and Asia Pacific saw improvements on air trade volume in Q1 2021 while Europe is the only region to have recorded a decline.
- The rampant nature of the pandemic across the world has posed unprecedented challenges on the business environment. To sustain the business during COVID-19, the most common measures adopted by Hong Kong air traders in the past 12 months were cost-cutting, capital injection and digitalisation.
- Two-third of the Hong Kong air traders agreed that it would be beneficial to their businesses if Hong Kong joins the Regional Comprehensive Economic Partnership Agreement (RCEP) as a member state in the future.

Mr Edmond Lai, Chief Digital Officer of the Hong Kong Productivity Council (HKPC), shared, “The COVID-19 pandemic continues to affect people’s life and economy globally. However, the rolling out of vaccines in regions and the relatively more optimistic view towards the China-US relations have made the market more positive on air trade outlook for the start of 2021, ensuring the overall index to go up continuously. As continuous digital transformation becomes a key point for doing business, enterprises should prepare themselves and be agile to tackle business challenges and capture new opportunities on any likely recoveries in the economy. HKPC strives to provide local industries with all-round support, including remote business operations, epidemic prevention and funding schemes, to grasp the nettle together and develop new directions using new technologies.”

Air Trade Volume Index

The indices maintained at similar level as the previous quarter. Market confidence gradually stabilised but remained below the neutral point of 50.



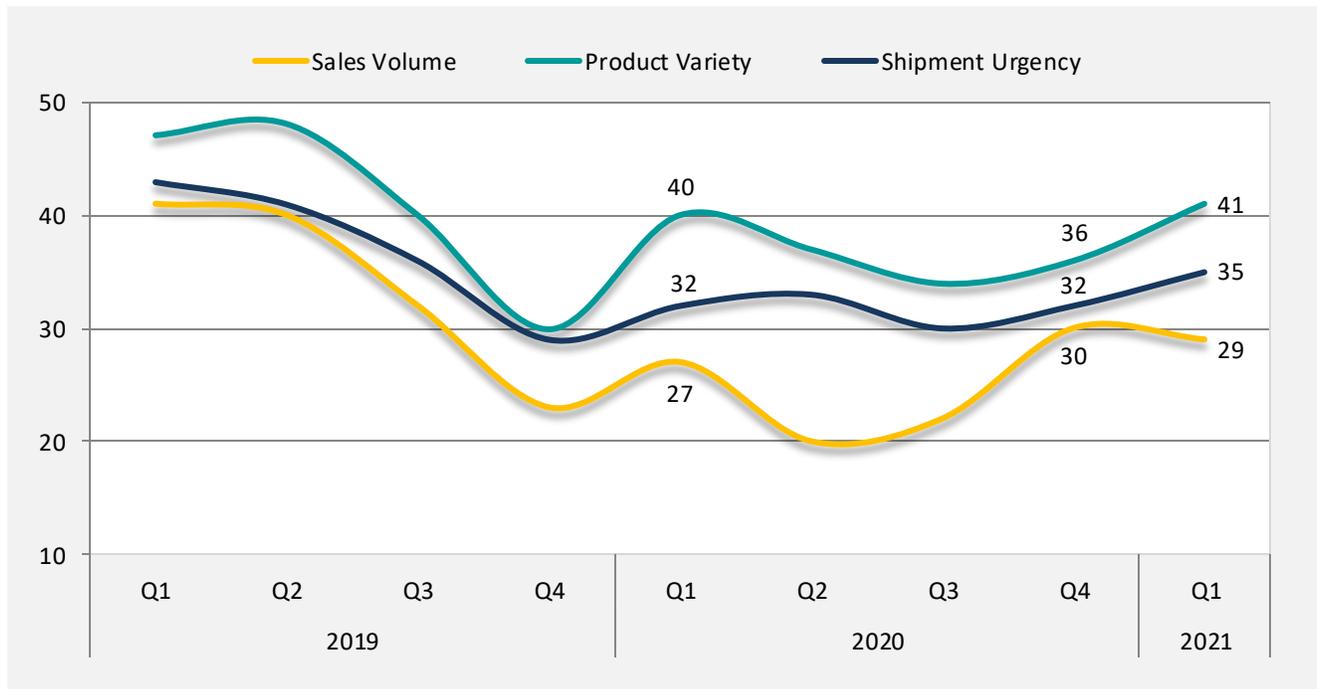
The overall **Air Trade** index edged up by 0.6 points from 31.2 in 2020 Q4 to 31.8 in 2021 Q1. Both Air imports and Air (Re-) Exports improved.

The **Air (Re-) Exports** index rose marginally by 0.1 point from 31.9 points in 2020 Q4 to 32 points in 2021 Q1 while Americas and Japan recorded the largest jump.

The **Air Imports** index rose 1.6 points from 29.8 points in the previous quarter to 31.4 points in the current quarter, with Americas and Asia Pacific excluding Mainland China showing improvement in 2021 Q1.

Attributes

All attributes posted higher readings over the same quarter last year while product variety and shipment urgency recorded an uptick in Q1 2021 compared with previous quarter.



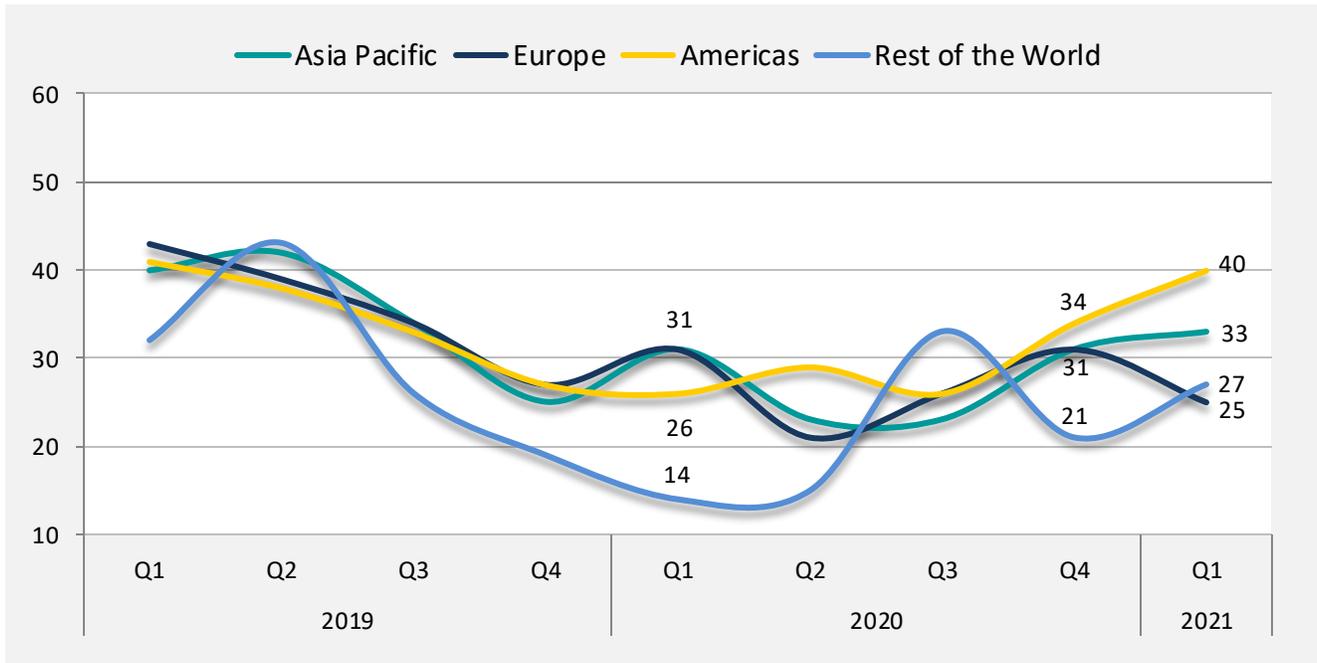
The **Product Variety** index rose 5 points to 41 points, with an increase from Americas and Asia Pacific regions except Mainland China.

The **Shipment Urgency** index rose 3 points to 35 points. The markets in Americas, Europe and Japan improved compared with 2020 Q4.

The **Sales Volume** index saw a drop in 2021 Q1, down 1 point to 29 points as the growth of exports and imports in Americas was unable to offset the shortfall in Europe.

Markets

Market performance varies across regions. The indices for Americas and Asia Pacific grew while Europe has seen a decline.



The **Americas** index rose 6 points to 40 points, being the best performing market and continuing to record an upward trend.

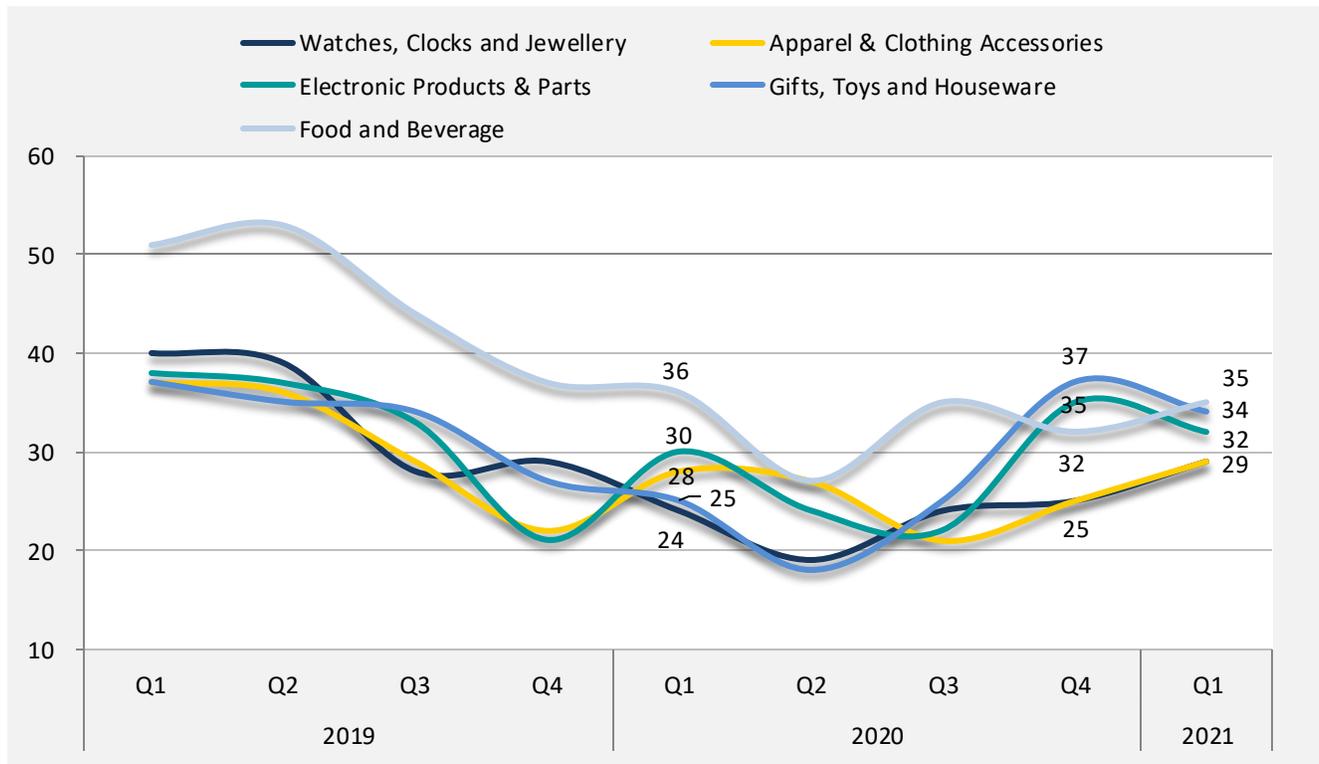
The **Asia Pacific** index rose 2 points to 33 points. Its increase was dragged down by the respondents' conservative attitude towards Mainland China market in 2021 Q1.

The **Europe** index fell 6 points to 25 points, returning to the level of 2020 Q3. Despite the positive outlook in Shipment Urgency, the forecast on imports and exports of Europe dropped. It was the only market showing a decline.

The **Rest of World** index rose to 27 points.

Air-Freighted Commodities

Electronic products and Gifts, Toys and Houseware have seen drops which are usually expected with the end of the traditional festive season while all other commodities recorded growth.



The **Food and Beverage** index rose 3 points to 35 points. The better performance on (Re-) Exports more than offset the slight decline on imports.

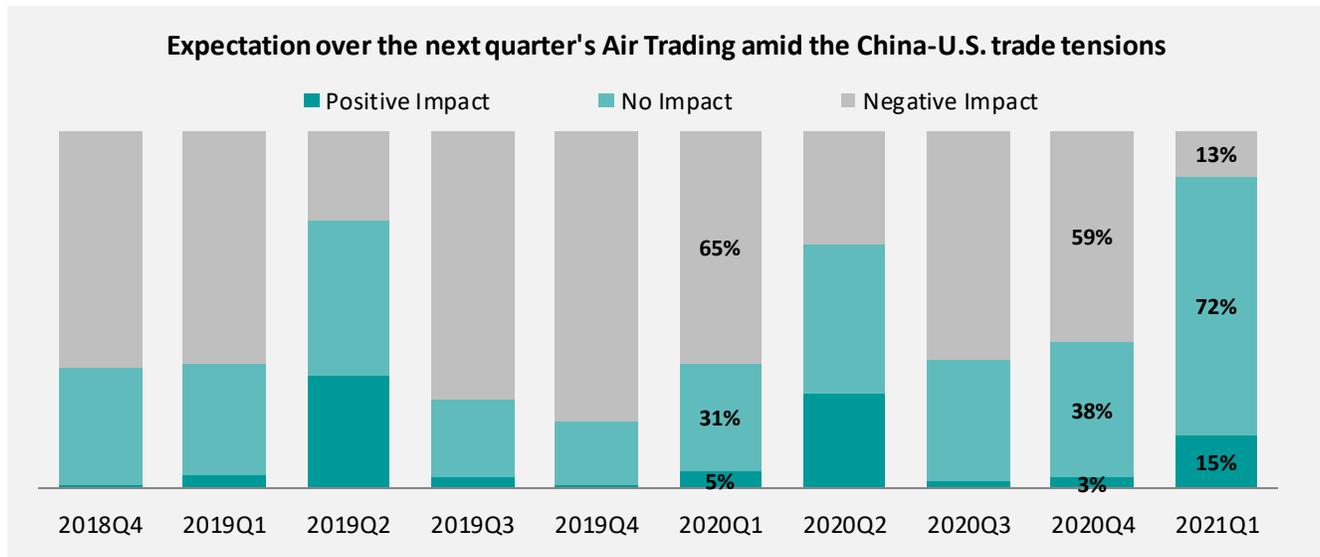
The **Gifts, Toys and Houseware** index dropped 3 points to 34 points. The growth of Americas market was unable to offset the shortfall in the Europe market.

The **Electronic Products & Parts** index dropped 3 points to 32 points. The demands for both (Re-) Exports and Imports were softened from their highs in the Q4 2020.

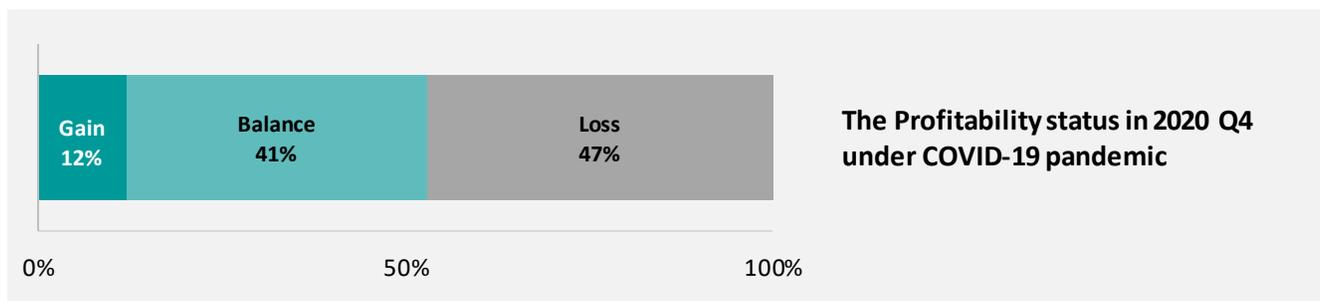
Both the **Apparel & Clothing Accessories** and **Watches, Clocks and Jewellery** have seen improvements for two consecutive quarters, standing at 29 points together. They were also the only commodities recording notable growth in the Mainland China.

Air Trade Outlook Affected by Recent Market News

Local air traders reported improvement in profitability and held a more optimistic view towards the China-U.S. trade tension when compared with the previous quarter. 8% less reported loss in Q4 2020 and 12% more expected a positive impact over the air trade this quarter.



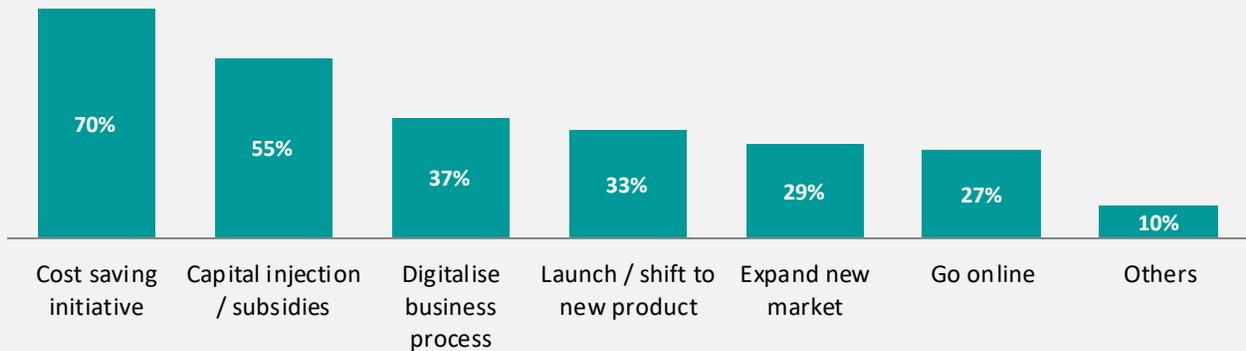
With the confirmation of the results of the U.S. presidential election, local air traders were asked about their views on the China-U.S. trade tensions after Biden's inauguration on 20 January 2021. They struck a more optimistic view, with fewer respondents showing pessimism, falling from 59% in the last quarter to 13% in this quarter. Although over 70% of respondents expected no change in relations, those showing optimism have increased by 12%.



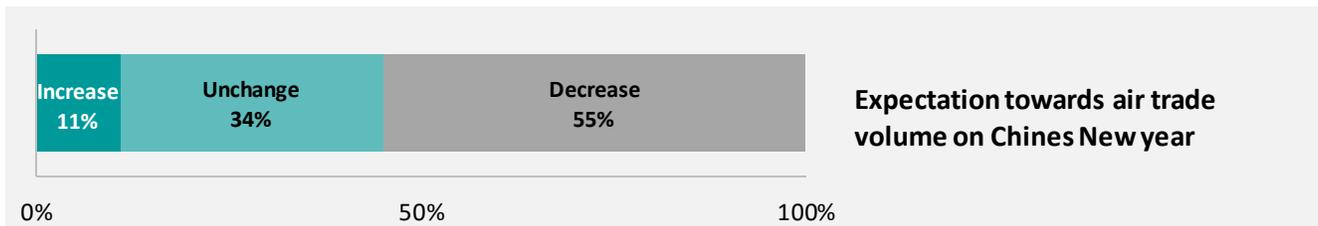
With the COVID-19 pandemic still affecting many parts of the world, 12% of air traders recorded profits in 2020 Q4, 41% broke even and 47% reported a loss.

Also, 18% of air traders revealed improvement in the business operation when compared with 2020 Q3, while 41% reported unchanged and 41% reflected worsening situation.

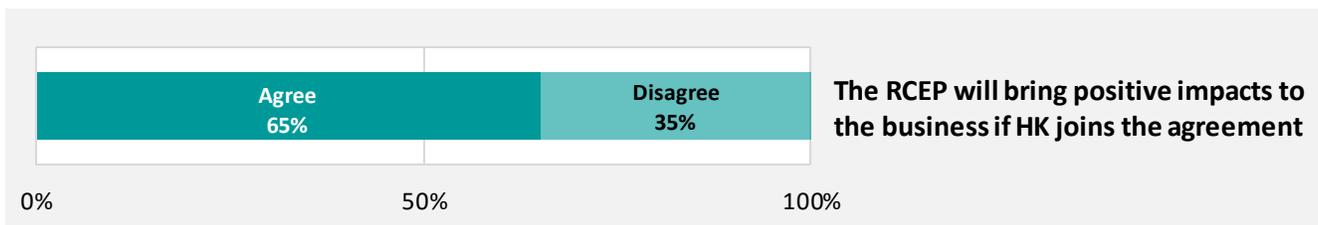
Responding Measures that HK Air Traders have been taking in the past one year to sustain their businesses amid the COVID-19



Facing the headwinds brought by the pandemic, air traders in Hong Kong implemented various measures to keep their business afloat. “Cost saving initiative” and “Capital injection / subsidies” were the most common ones, adopted by 70% and 55% of respondents respectively. “Digitalise business process” ranked third with 37% respondents undertaking such measure.



11% of respondents expected an increase in air trade before the Chinese New Year holiday, while 34% favoured unchanged and 55% anticipated a drop.



The “Regional Comprehensive Economic Partnership Agreement” (RCEP) is a mega trade deal among China, Japan, South Korea, Australia, New Zealand and the ten ASEAN states. The deal was officially signed in mid-Nov 2020, covering areas including the removal of tariff, opening up of finance, telecommunication and professional service as well as the adoption of “negative list”. Although Hong Kong is not yet a member, 65% of respondents agreed that its participation of RCEP in the future would be beneficial to their business while 35% disagreed.

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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