



DHL Hong Kong Air Trade Leading Index (DTI)

Q2 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.

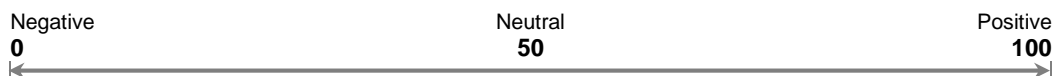
Methodology

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

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

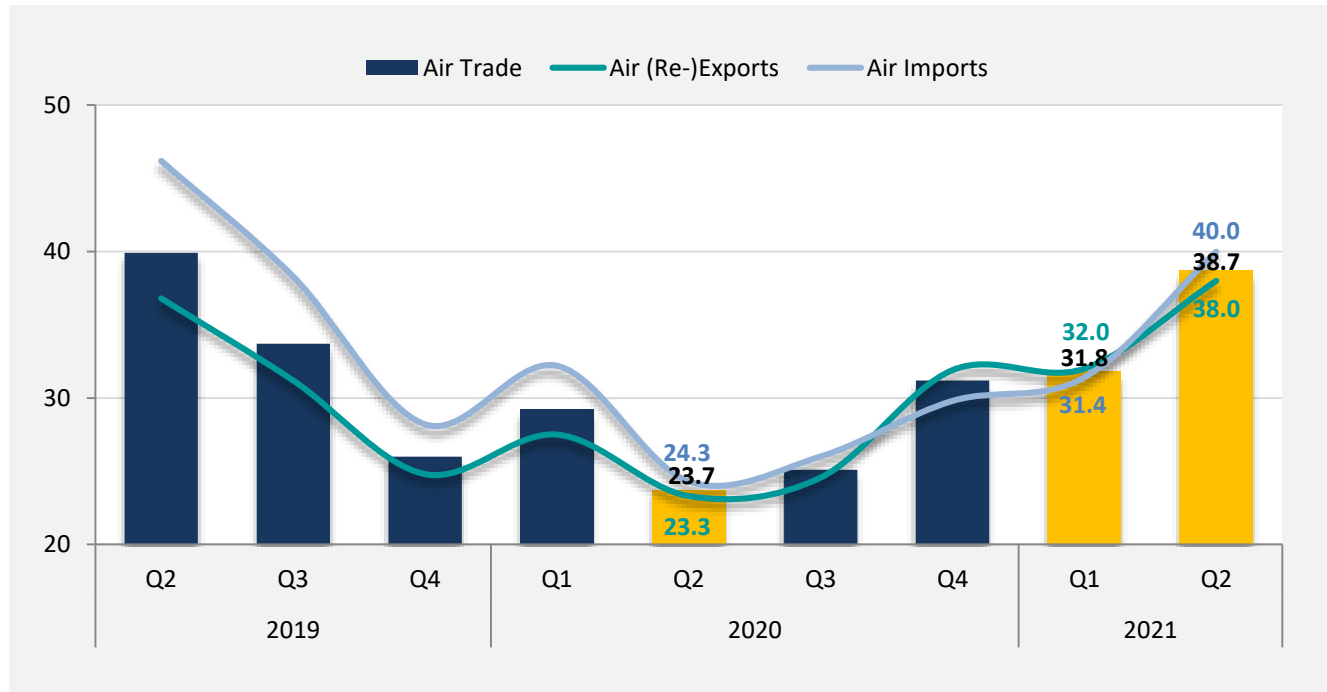
A notable improvement was seen in the overall results across all areas. Local air traders are in general conservatively optimistic towards the development of international trade in Q2 2021 with the index rising to 38.7.

- Positive momentum was seen across the regions. Supported by the strong growth on imports and exports, Americas recorded the highest index among the regions. Another noteworthy development is the shipment urgency attribute reaching the level of 50, which is the first time since mid-2018.
- As the pandemic has been reshaping how people live, more importance has been attached to business-to-commerce (B2C). In this quarter, the B2C market recorded a significant jump to 49 which almost hit the 50 neutral point.
- Food & Beverages remains to be the best performing among the commodities, followed by Watches, Clocks & Jewellery.
- Further improvement has been observed in the local air traders' business profitability as fewer traders reported loss in Q1 2021.
- The tightened quarantine policy for aircrews flying into Hong Kong and the severe weather in Americas and Europe in early 2021 have tensed up the air and sea freight capacities, 70% of local air traders still prefer to bear a higher cost over relocating exports points, lowering their trade volume or delaying the shipments.

Mr Edmond Lai, Chief Digital Officer of the Hong Kong Productivity Council (HKPC), shared, "With COVID-19 showing signs of softening from its peak after the rolling out of vaccination programs since the start of the year, the world is foreseeing a better control of the pandemic moving forward. This has made local air traders more optimistic about the economic outlook. To be in a position to make hay of the anticipated upturn, enterprises must work out 'resumption plan' in advance, given the possible challenges from the market rebound on the supply chain operations, market capacity and logistics costs. Digitalisation would remain a key in business operation. To assist Hong Kong enterprises in undertaking this path, the HKSAR Government has announced various support initiatives in the 2021-22 Budget. Enterprises are strongly advised to leverage on the available supports for continuous investment in the development and application of technologies to enhance competitiveness."

Air Trade Volume Index

A notable improvement was seen in this quarter in the overall results across all areas. Air traders are generally optimistic towards the international trade outlook in Q2 2021.



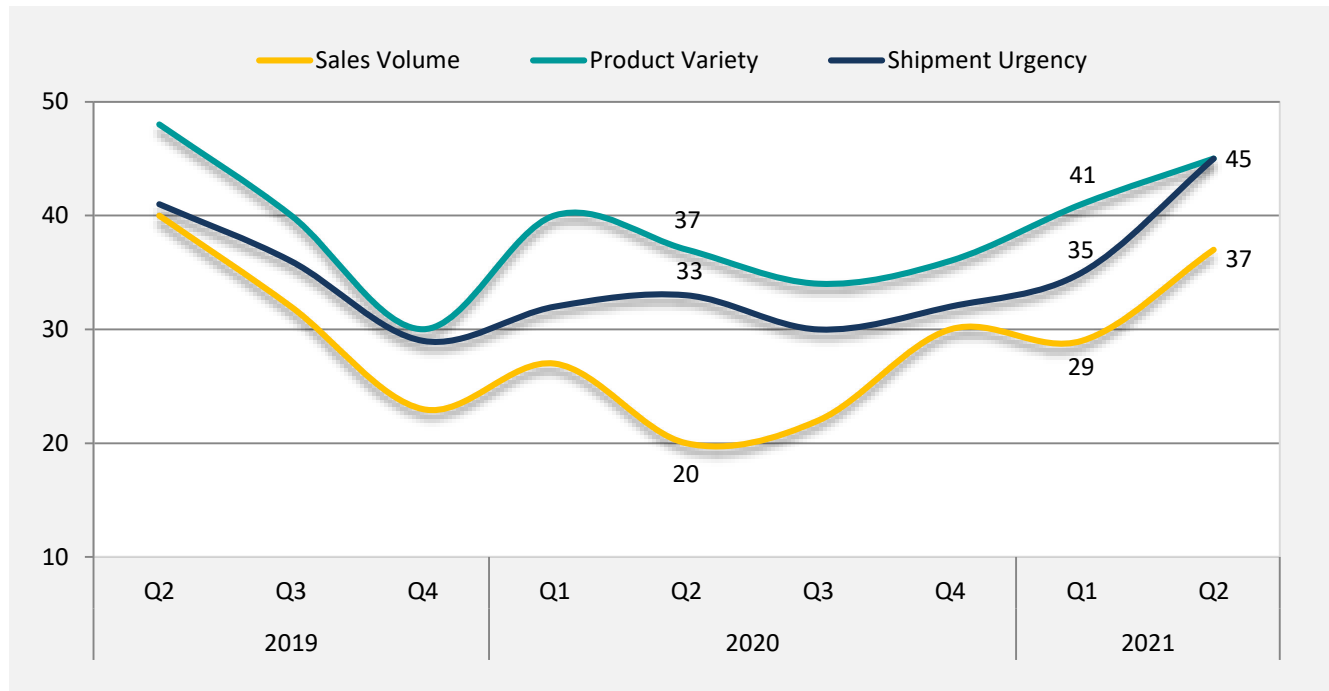
The overall **Air Trade** index rose 6.9 points from 31.8 in Q1 2021 to 38.7 in Q2 2021. Both Air imports and Air (Re-) Exports showed notable improvements.

The **Air (Re-) Exports** index rose by 6.0 points from 32.0 points in Q1 2021 to 38 points in Q2 2021, while the uptrend was observed across multiple regions.

The **Air Imports** index rose 8.6 points from 31.4 points in Q1 2021 to 40.0 points in Q2 2021, with growth reported in most regions. Europe and Americas were expected to have the strongest rebound among the continents.

Attributes

All three attributes - Sales Volume, Product Variety and Shipment Urgency, rose in Q2 2021, returning to the mid-2019 level.

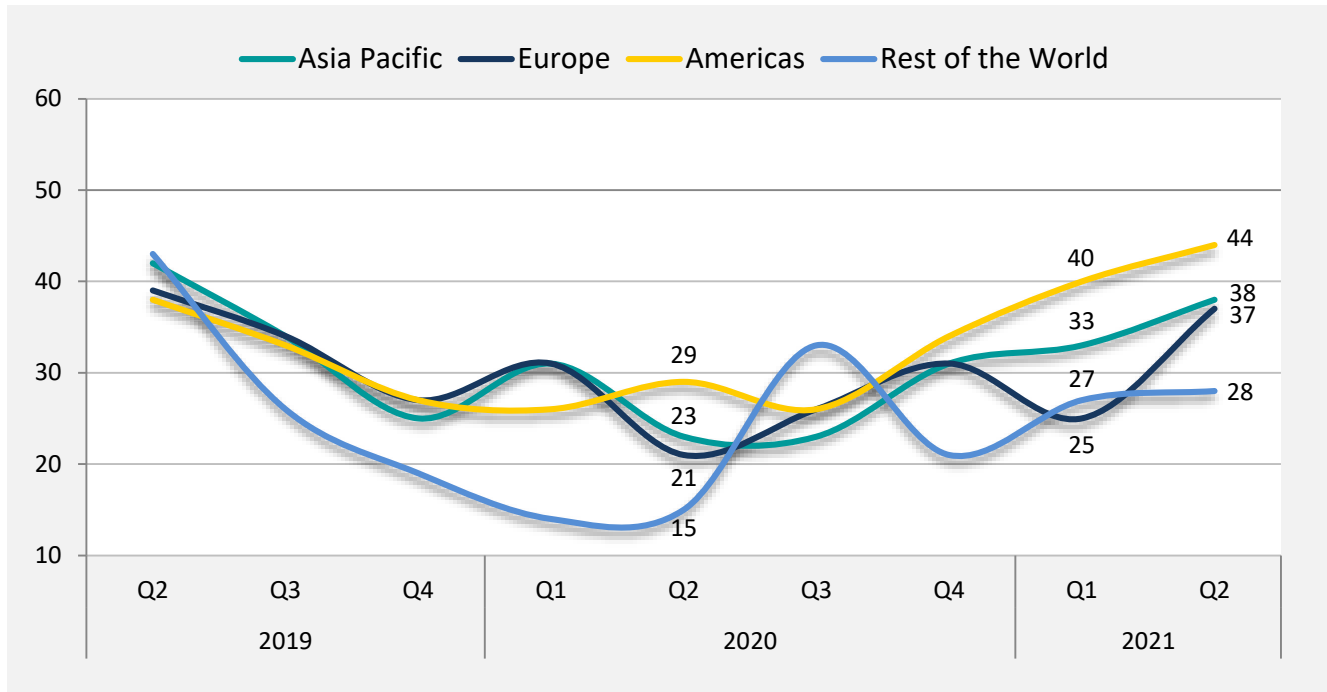


Both **Shipment Urgency** and **Product Variety** indices rose to 45 in Q2 2021, going up 10 points and 4 points respectively. Americas and Mainland China are the key contributors to the growth of two attributes with indices close to or exceeding 50 neutral point.

The **Sales Volume** index rebounded by 8 points to 37 points after a slight drop in the previous quarter. Growth was registered in all regions while Mainland China recorded the most significant increase.

Markets

Rises in regional indices were across-the-board. While Americas had the highest index in Q2 2021, Europe reported the greatest improvement from Q1.



The **Americas** index rose 4 points to 44 points, the highest reading among the regions and saw a continuous rebound for three consecutive quarters on both exports and imports.

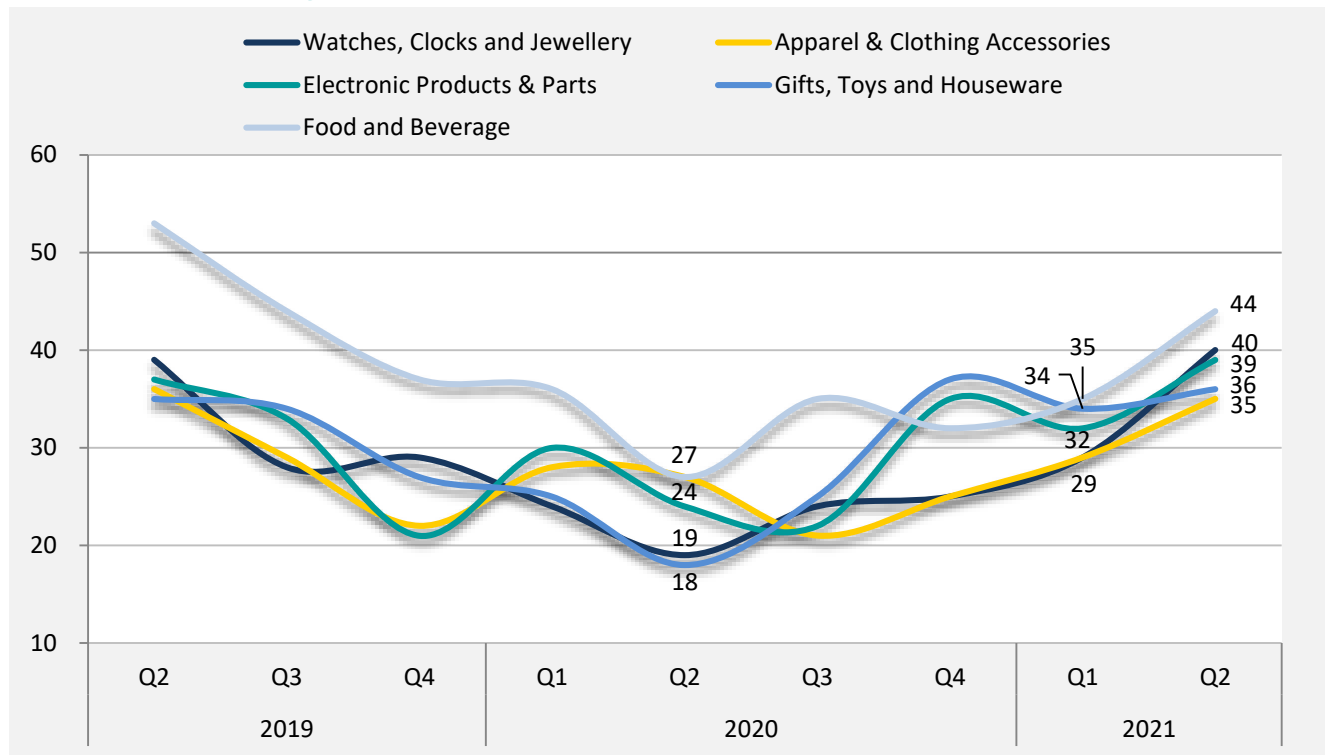
The **Asia Pacific** index rose 5 points to 38 points, while exports and imports have improved for three quarters in a row.

The **Europe** index rose 12 points to 37 points. The degree of improvement was the highest among the major markets, after a shortfall in the previous quarter.

The **Rest of World** index rose slightly to 28 points.

Air-Freighted Commodities

The indices of major shipping commodities increased from last quarter. Food and Beverage recorded the highest index while Watches, Clocks and Jewellery saw significant increase in Q2 2021.



The **Food and Beverage** index rose 9 points to 44 points and remained to be the best performing commodity in most of the quarters.

The **Watches, Clocks and Jewellery** index rose significantly by 11 points to 40 points, supported by the strong rebound in the Americas region.

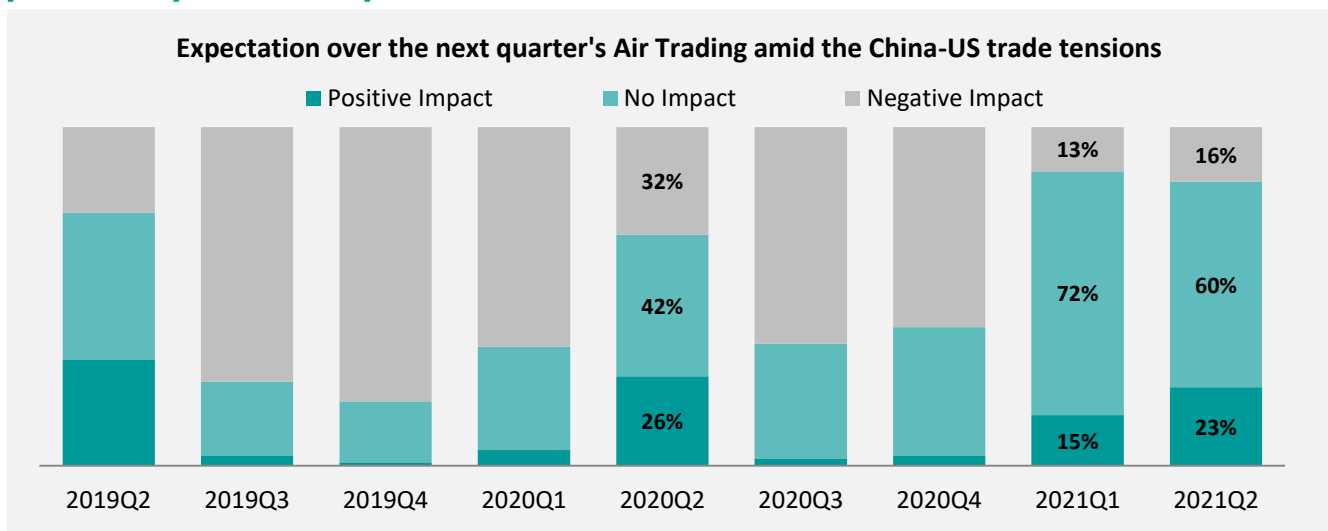
The **Electronic Products & Parts** index rose 7 points to 39 points after a shortfall in the previous quarter. Rebound was observed in Europe and Mainland China market.

The **Gifts, Toys and Houseware** index rose slightly by 2 points to 36 points, mainly driven by the demand in Europe and Japan.

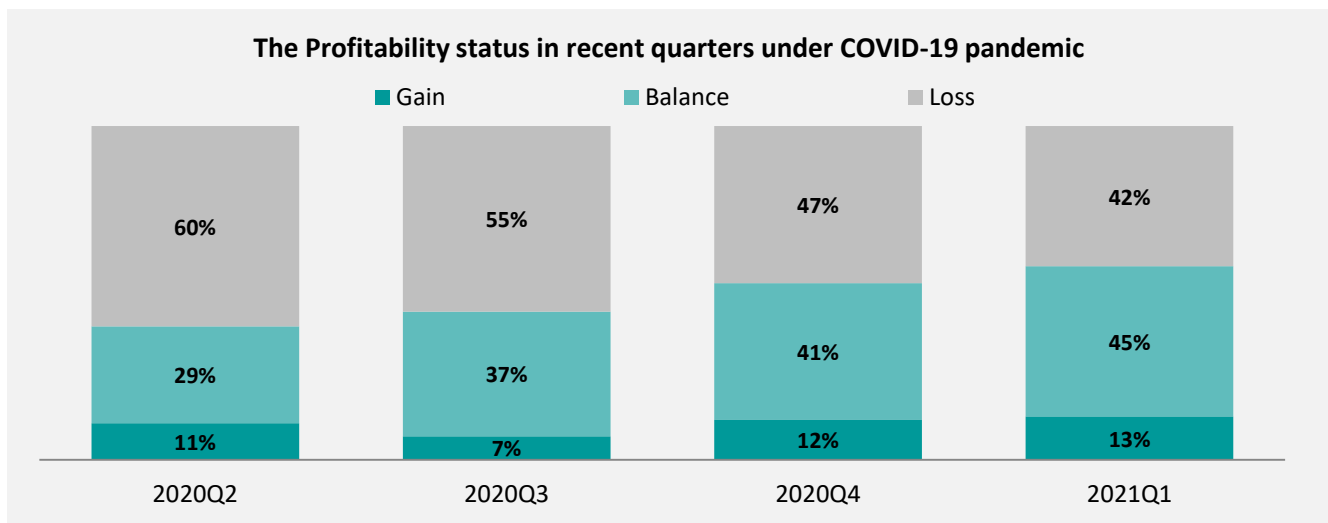
The **Apparel & Clothing Accessories** index rose 6 points to 35 points, supported by both exports and imports in Europe.

Air Trade Outlook Affected by Recent Market News

There has been higher positive expectation on China-US trade relation after the swearing-in of the new US president. The demand for international air and sea freight remains strong even though a few market factors have pushed up the transportation costs.

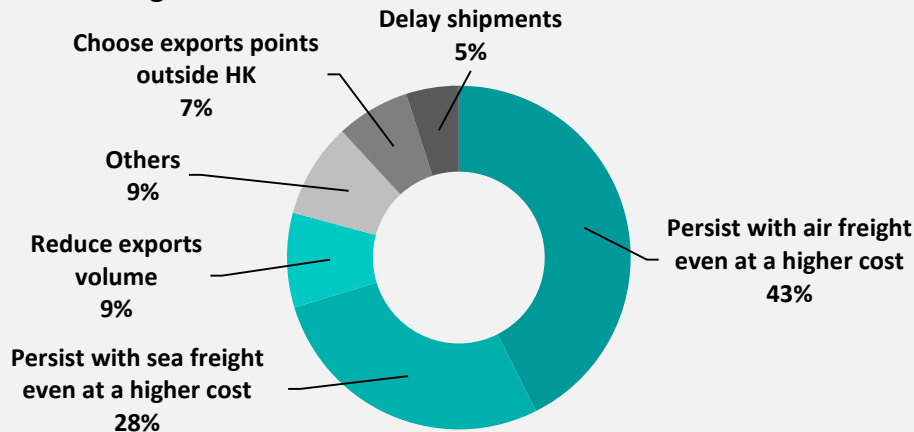


After the presidential inauguration of Joe Biden in January 2021, 23% of the respondents expected to have a positive impact on international trade in Q2 2021, while 60% saw no change and 16% anticipated a negative impact. The proportion of optimistic air traders maintained an upward trend in the last few quarters.

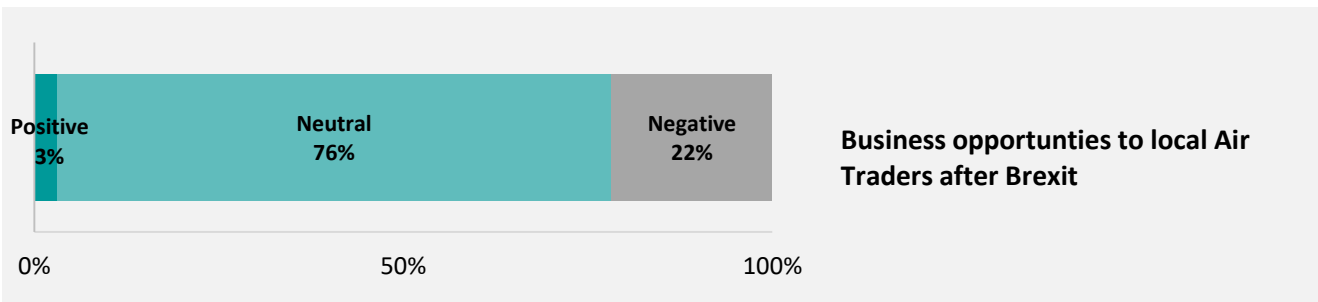


Amid the persistent COVID-19 pandemic, a gradual improvement has been observed quarter over quarter. Fewer local air traders have been reporting losses, and those who reported a balance finally overtook those who experienced loss while the percentage of those who reported gains remains steady.

Actions Local Air Traders to take under limited Air and Sea capacity caused by tightened Quarantine Measures and Severe Weather



The capacity supply of air and sea transportation were tense owing to the tightened quarantine arrangement for aircrews flying into Hong Kong and severe weather in the Americas and Europe early this year. As a result, the shipping cost has gone up. However, 70% of local air traders still prefer to bear higher cost over relocating exports points, lowering their trade volume or delaying the shipments.



With Brexit coming into effect on 1 Jan 2021, the changes on the customs clearance between UK and Europe has slowed down the bilateral trade flow. Although 40% of the respondents in this quarter revealed Europe was their major market, of which, only 3% saw business opportunities after Brexit while 22% expected to have negative impact. Overall, 76% saw no impacts to their businesses.

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 committed to 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., and helping 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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