



## **DHL Hong Kong Air Trade Leading Index (DTI)**

**Q3 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](http://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 <sup>(1)</sup> 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.

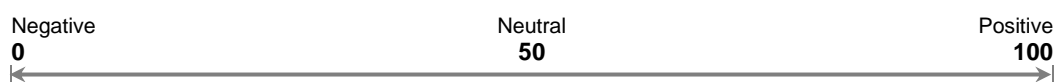
## Methodology

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

## 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.



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<sup>1</sup> 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-bound 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**

***Driven by improved expectation over the Americas and Electronics & Parts markets, the Index has continued with its recovery from preceding quarters with further growth across all areas. The overall index of 42.9 in Q3 2021 showed that local air traders were more upbeat about the recent business environment and economic outlook but remained cautious.***

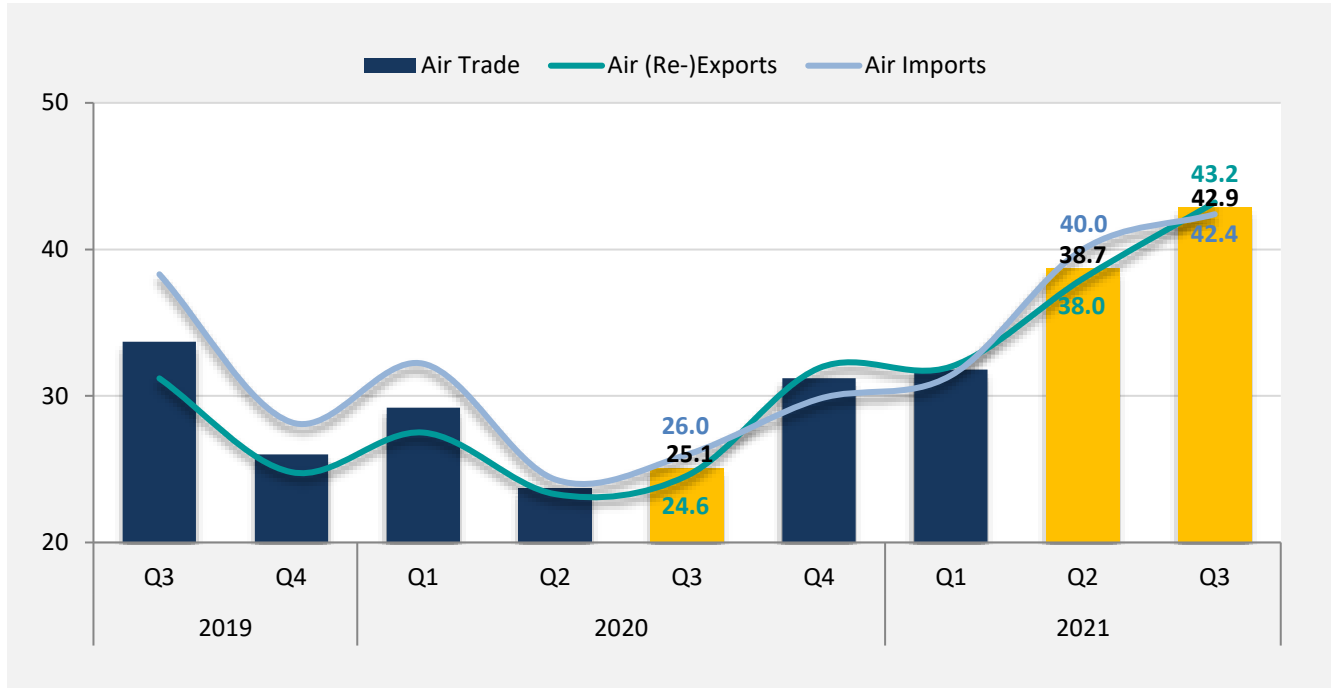
- Americas was the first market since Q3 2018 whose index posted above the neutral 50 threshold and has outperformed the rest of the regions. Europe and Asia Pacific were also picking up the pace.
- B2C market continued to prosper and climbed to 55 points this quarter, far exceeding the neutral 50 threshold and driving up overall exports growth. Sentiment of air traders who exported low value shipments to Europe were slightly impacted due to the abolishment of EUR 22 de Minimis by the European Union (EU) on 1 July 2021.
- Impacted by the uneven supply and demand of semiconductor chips, about half of the traders who engage in the trading of chip-related raw materials / semi-finished goods / finished goods expressed concern over global chip shortage.
- Locally, over a quarter of importers foresaw the Consumption Voucher Scheme to have a positive impact on their business.

Mr Edmond Lai, Chief Digital Officer of HKPC, shared, "The overall index reached its 3-year peak since Q3 2018 and marked the fifth consecutive quarterly increase in Q3 2021. With the vaccination programme in full swing in key developed economies, the optimism among local air traders have started to gather momentum with the improved business environment. The players in the semiconductor industry was however impacted by the shortage of supply, which was specifically asked in this quarter's survey, with Hong Kong being the largest importer and 13th largest exporter of semiconductor devices in the world in 2019."

"Survey results in recent quarters have demonstrated an ongoing strength of e-commerce development in the new normal and many local air traders are taking the opportunity to expand their business with the sign of improvement in recent months. The national 14th Five-Year Plan coupled with the 'dual circulation' development model stimulating domestic demand in the mainland has provided enormous opportunities for Hong Kong businesses since Hong Kong remains the vital aviation hub as Greater Bay Area develops. Locally, the Consumption Voucher Scheme will boost online payment and accelerate local overall consumption, this may contribute to a boost in domestic consumption and imports." Edmond said.

## Air Trade Volume Index

**Both exports and imports have exceeded the 40-point level for the first time – marking its fifth consecutive growth quarter.**



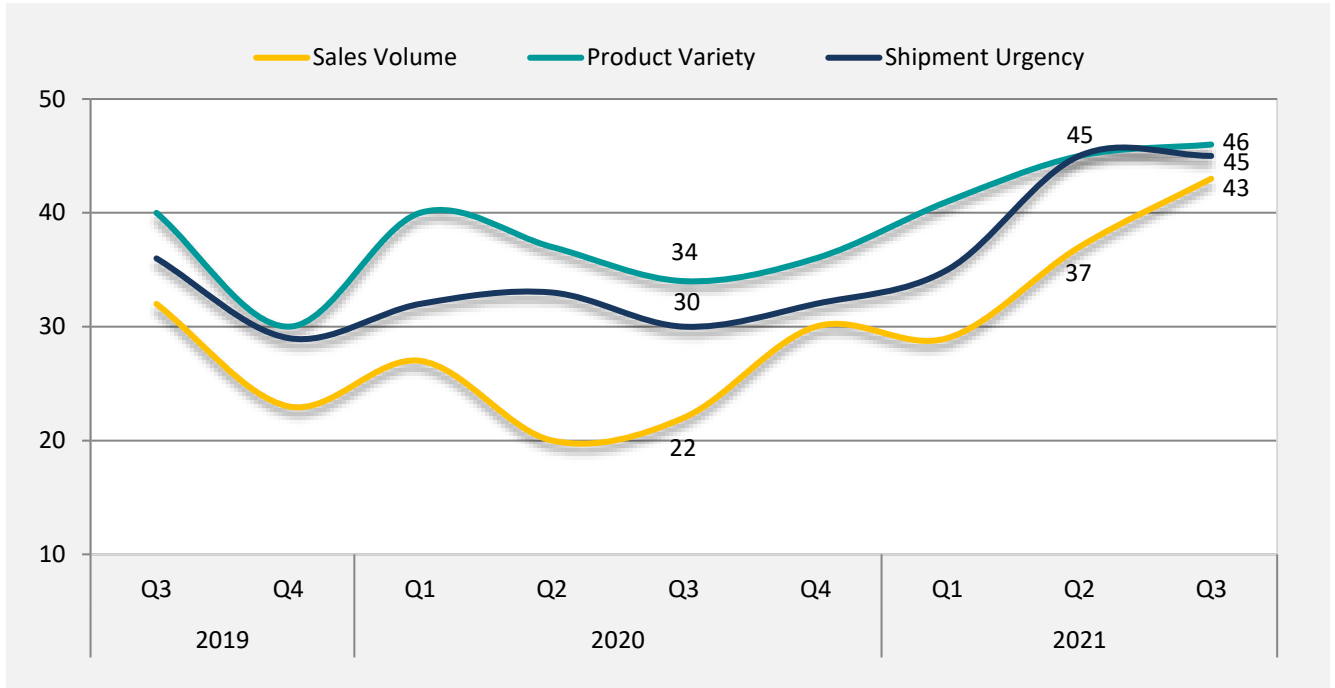
The overall **Air Trade** index rose 4.2 points to 42.9 in Q3 2021.

The **Air (Re-) Exports** index outperformed imports and rose 5.2 points to 43.2 points, after a robust 6.9 points increase in the previous quarter. All regions, barring Japan, have seen improvements.

The **Air Imports** index rose 2.4 points to 42.4 points. Again all regions have reported improvements with drastic growth being observed in Americas market.

## Attributes

*After a strong recovery last quarter, sales volume continued with another big jump in Q3 2021 with a mild increase in product variety.*



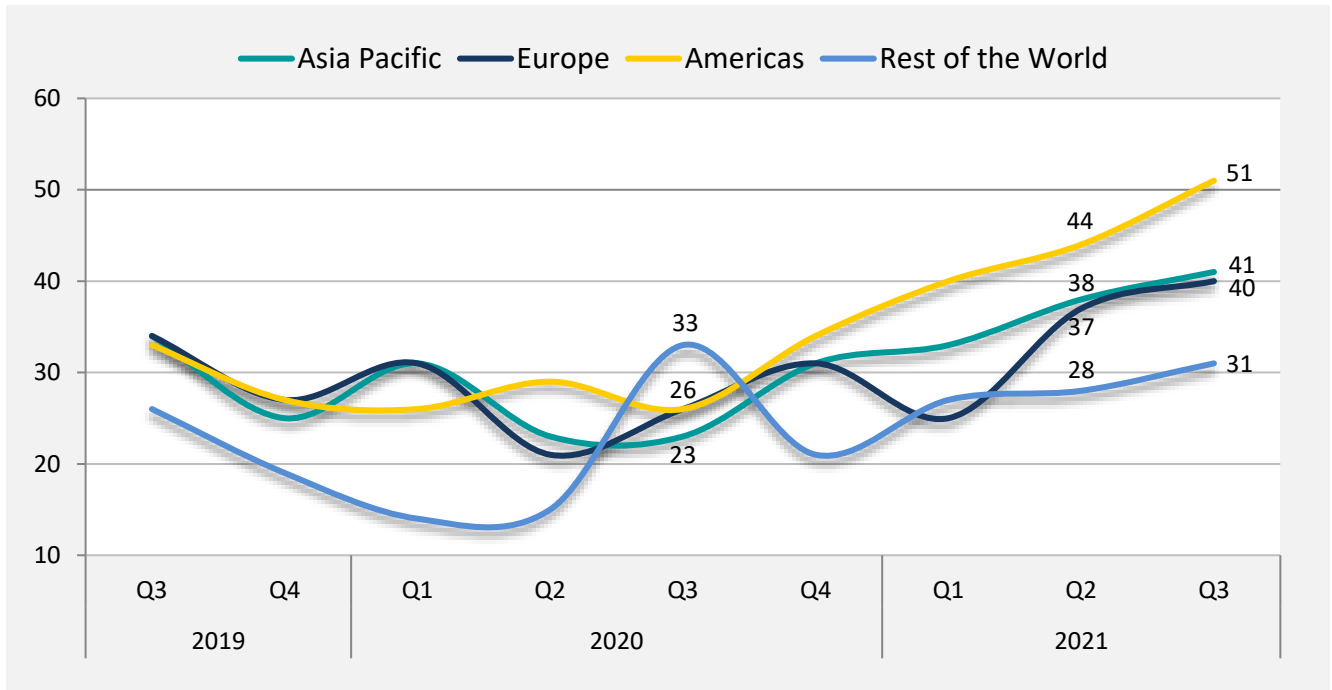
The **Sales Volume** index rose 6 points to 43 points and continued to grow at a faster pace than the other two attributes. All markets have seen improvements with Americas and Europe leading the charge.

**Product Variety** index rose slightly by 1 point to 46 points. The reading remained stable in both air exports and imports.

**Shipment Urgency** remained at 45 points as the Mainland China market slowed down in this quarter after a strong increase in the previous one.

## Markets

*The steady growth across the major markets signalled a broad-based recovery. Americas region not only continued to lead the way but also became the first major market to exceed the 50-point neutral line since Q3 2018.*



All four major markets have seen growth in both exports and imports without exception.

The **Americas** index rose 7 points to 51 points, the first time that the index has reached the neutral 50 threshold since Q3 2018. Imports reported a better outlook than exports.

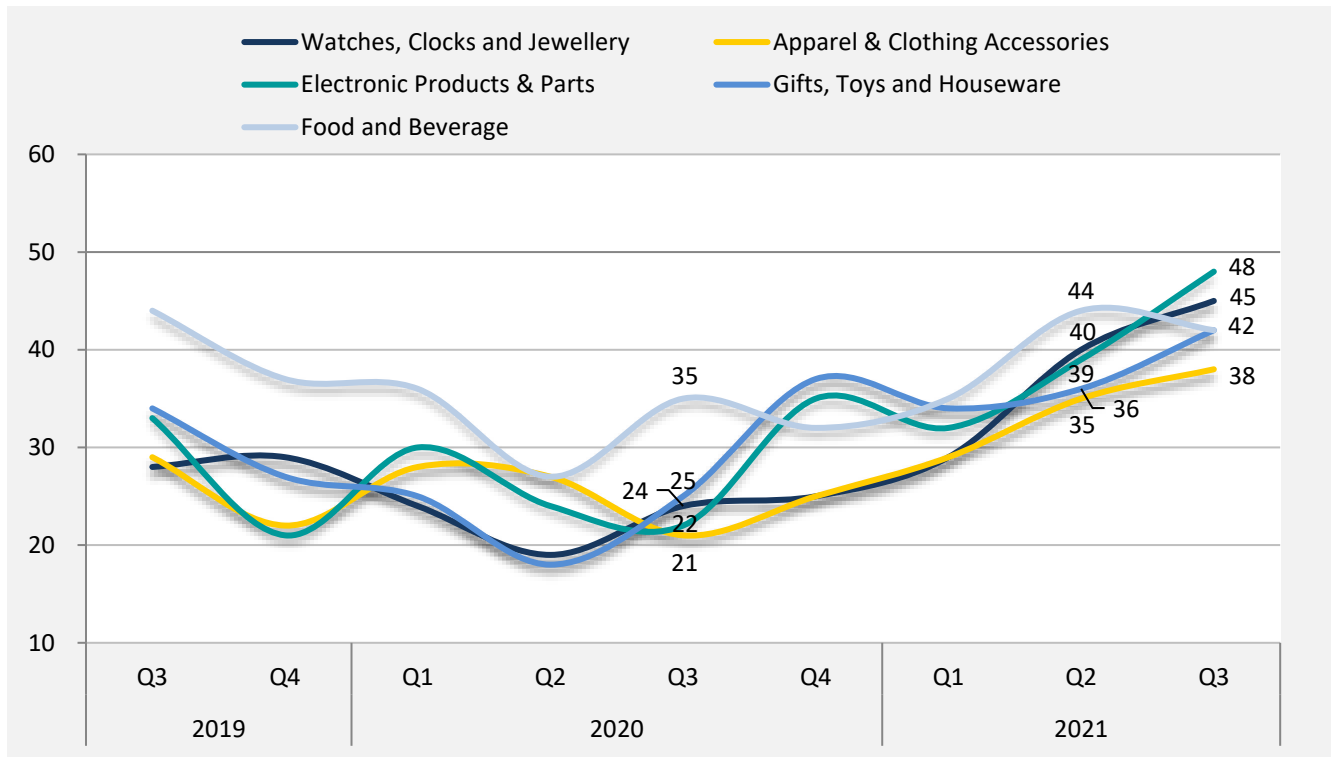
The **Asia Pacific** and **Europe** index rose 3 points to 41 points and 40 points respectively, with exports a major growth driver in both regions.

The **Rest of World** index rose 3 points to 31 points.



## Air-Freighted Commodities

**Almost all commodities continued the positive momentum in this quarter with Electronic Products & Parts registering the highest growth.**



The **Electronic Products and Parts** index rose 9 points to 48 points. The global demand from both exports and imports has recovered further with Asia Pacific a major key driver.

The **Watches, Clocks and Jewellery** index rose 5 points to 45 points, supported by strong growth in exports.

The **Food and Beverage** is the only commodity to have reported a drop, declining marginally by 2 points to 42 points due to sluggish exports.

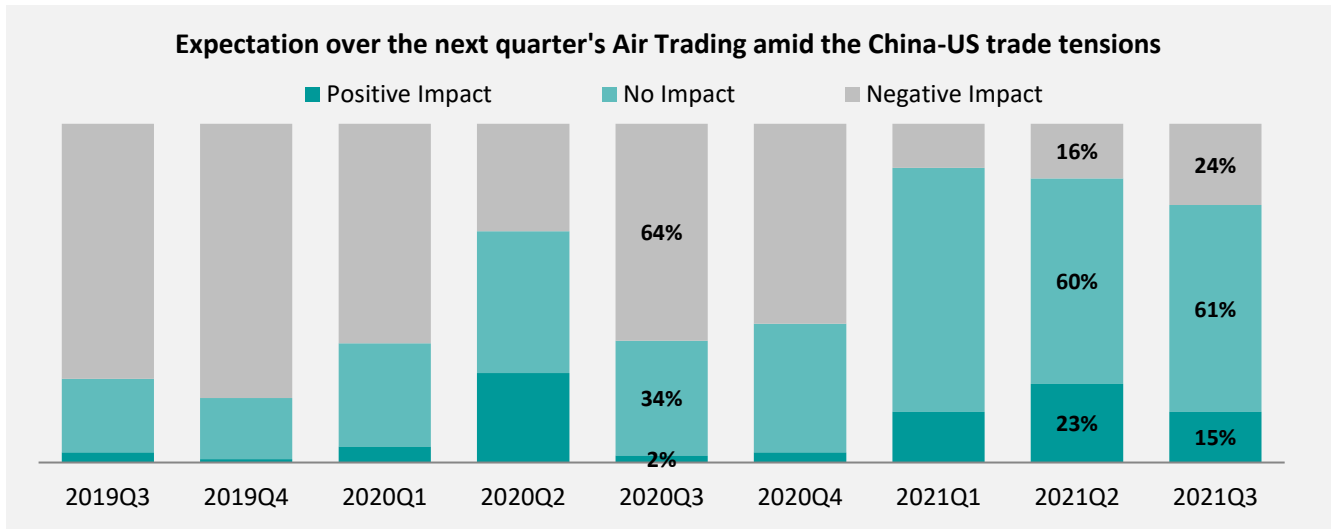
The **Apparel and Clothing Accessories** index rose 3 points to 38 points, with Americas mainly supporting the growth.

The **Gifts, Toys and Houseware** index rose 6 points to 42 points as Americas and Asia Pacific regions led the uptrend.

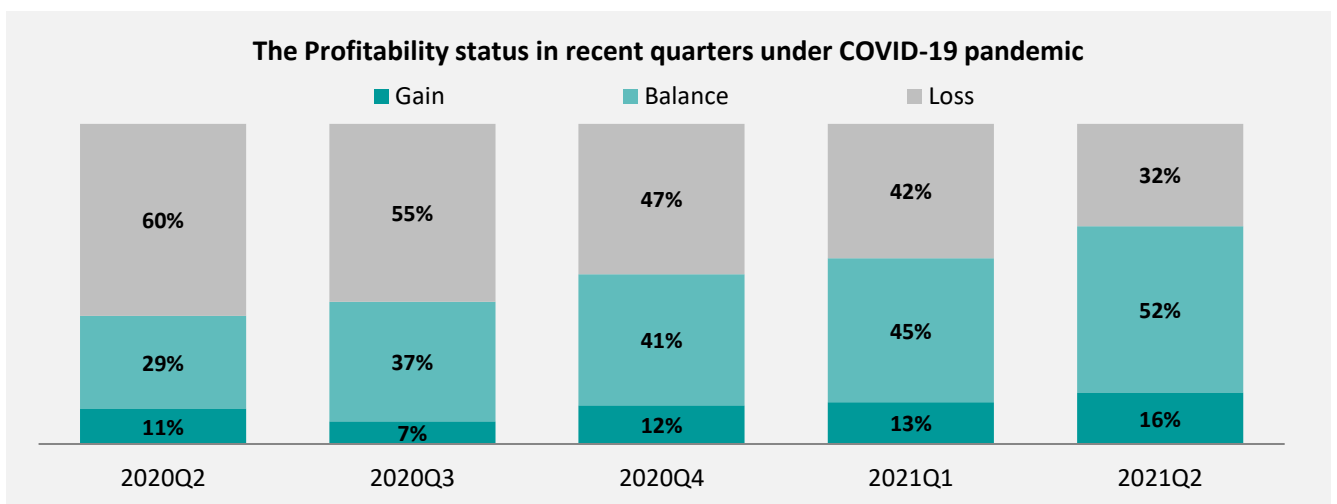


### Air Trade Outlook Affected by Recent Market News

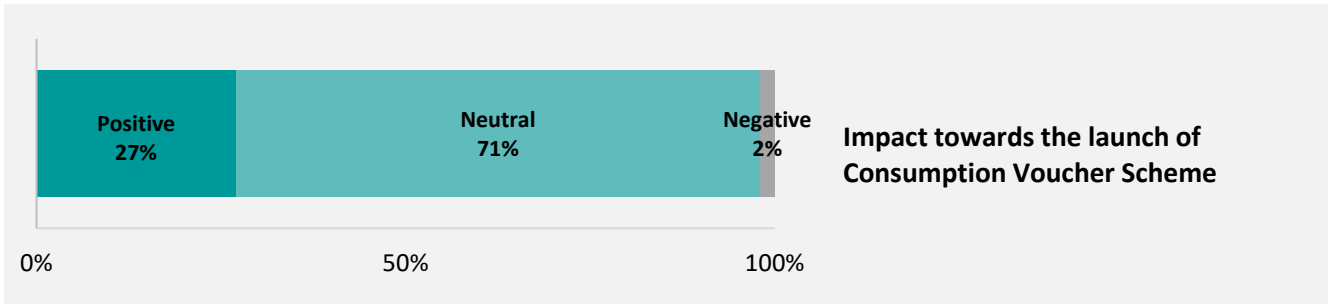
Although local air traders have expressed concerns on external factors such as the global chips shortage and the abolishment of Eur 22 de minis, improvements were observed across all areas.



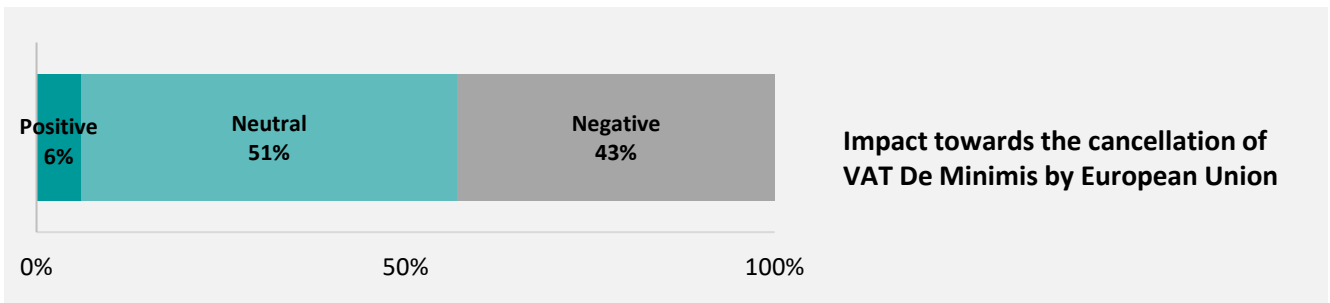
Lingering China-US trade tension has led to an 8% point drop in optimistic air traders and a 8% point rise in pessimistic ones with a gentle increase in those who stayed neutral.



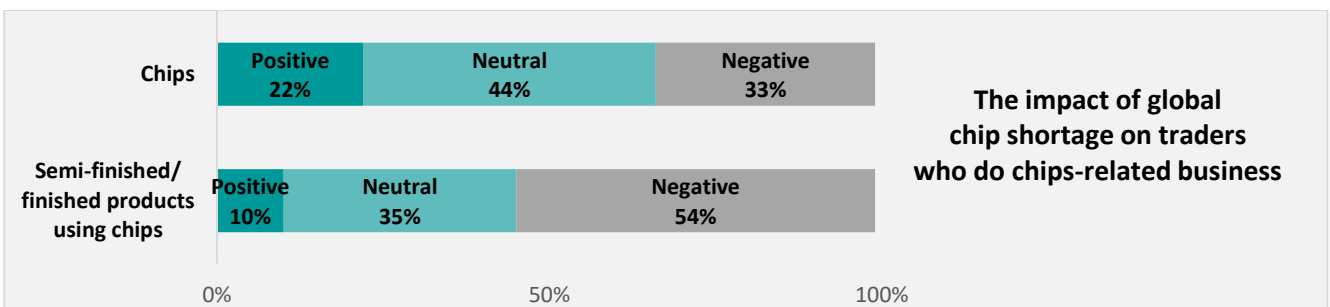
When enquired about the profitability status in Q2 2021, 68% reported a gain or balance. In line with the improved global demand and increase in air freight activities, the proportion of air traders reporting a loss continued to shrink for successive quarters.



Locally, the HKSAR Government rolled out the Consumption Voucher Scheme to stimulate domestic consumption. With its potential contribution to the local demand, 27% of the importers expected the initiative to have a positive impact on their business in Q3 2021.



EU abolished the VAT de Minimis on 1 July 2021. Previously non-EU sellers could import goods into EU with VAT exemption if the consignment of good(s) was valued at €22 or below. Now all imports are subject to EU VAT. 43% exporters with EU business said this would have a negative impact on their freight volume in Q3 2021, while 57% expect no change or positive impact.



The global chip shortage affected the export and import of chips and chip-related products. More than half of the air traders who ship chip-related products said the shortage has a negative impact on their businesses and only 10% claimed it has been positive. The situation fares slightly better for chips traders. 33% expressed that it would have a negative impact on their line of business, against 22% saying positive.

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 relentless drive of integrated advanced technologies and innovative service offerings to support Hong Kong enterprises. Being a key enabler and catalyst of innovation, applied technology and value creation, HKPC facilitates Hong Kong's reindustrialisation empowered by Industry 4.0 and Enterprise 4.0, as well as to develop smart and green living applications for bolstering Hong Kong as an international innovation and technology hub and a smart city.

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 enhance 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. Moreover, a variety of FutureSkills training are offered for enterprises to upskill and nurture talents with digital capabilities and STEM competencies to enhance their competitive edge.

In addition, HKPC partners and collaborates with local industries and enterprises and world-class R&D institutes 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](http://www.hkpc.org).

## ***Enquiry***

For more details about the Index, please contact HKPC at (852) 2788 5306.

## ***Disclaimer***

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