



DHL Hong Kong Air Trade Leading Index (DTI)

Q4 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 some 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 scarce resources or limited access to information, enabling all to take reference from a comprehensive business review of the sector in which they operate.

First conducted in the second quarter of 2014, DTI has been published on a quarterly basis since then.

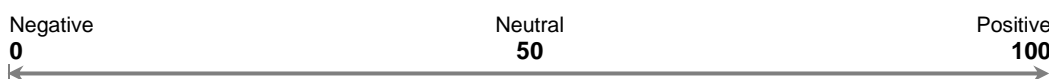
Methodology

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

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-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

The overall index hit its three-and-a-half-year high, thanks to strong export to US, robust consumption, and growing freight demand in the upcoming traditional peak season. Rises were observed in multiple areas.

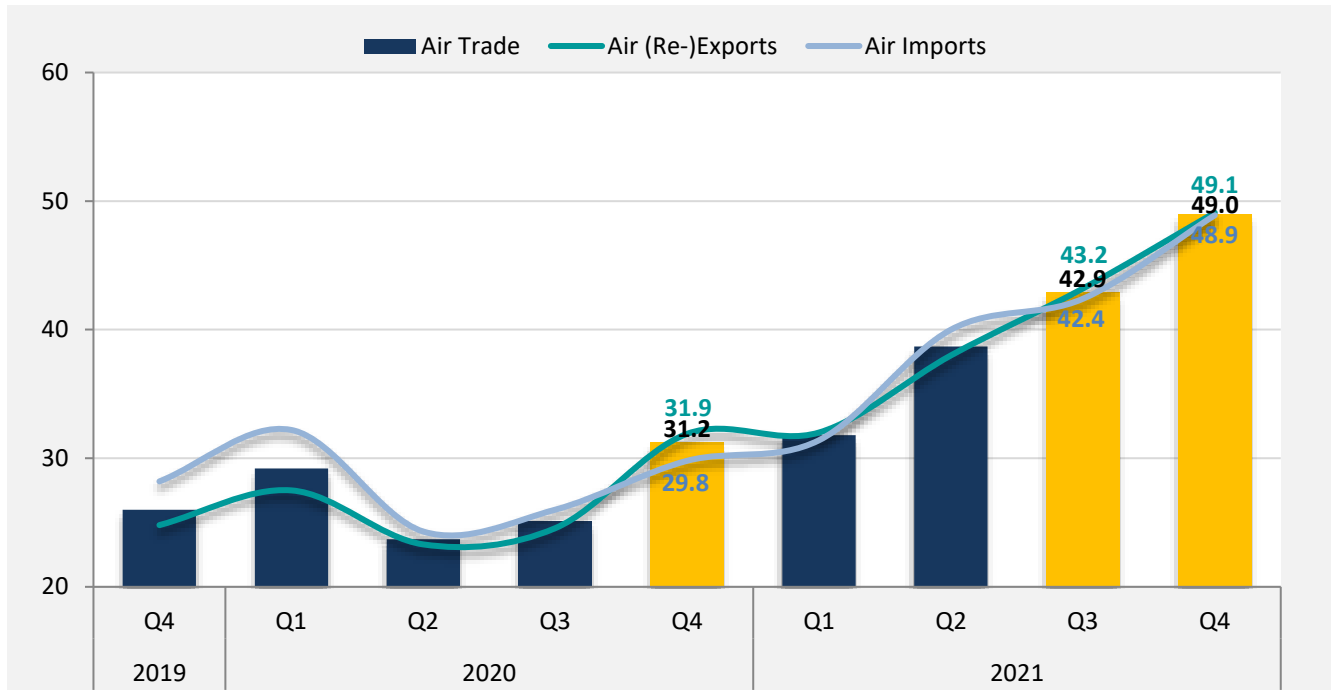
- The overall air trade index rose to 49.0 points with noticeable increases in both exports and imports.
- International air trade saw gains to its highest level this year across multiple regions though the respondents struck a slightly more negative note over the China-US trade relation.
- Although the air trade index undergoes a swift recovery, local air traders' profitability status of Q3 was similar to the previous quarter with 70% reported a gain or breakeven in their business, indicating no significant improvement on the operating environment.
- The persistent COVID-19 pandemic continues to impact the global freight capacity. However, 68% of the respondents said they would keep using air or ocean freight as usual despite the increase in costs.

Mr Edmond Lai, Chief Digital Officer of HKPC, shared, "As the impact of the pandemic has diminished in major global economies, the overall index reached its three-and-a-half-year peak and had risen for sixth consecutive quarters. Traditional festive seasons such as Thanksgiving, Christmas and Chinese New Year are expected to lead to strong demand again for international trade in the last quarter of 2021. Meanwhile, the long-term competitiveness of local air traders is going to receive a boost as the Chief Executive sets out in her latest Policy Address to promote wider application of digital technology in business processes and operations by the maritime and port industry for the development of a 'Smart Port', in enhancing the city's status as an international transportation centre."

"As such, global traders and cross-border retailers need to formulate long-term strategy and strengthen their agility to cope with both predictable and unforeseeable market changes. Hong Kong enterprises have already demonstrated their exceptional abilities in capturing the e-commerce growth, but handling the demand surge in peak season has never been easy without advance planning and proper tools. By leveraging technologies such as data analytics, robotic process automation, collaboration tools and digital customer experience enhancement solutions, enterprises can build the cornerstones to map out their future successes," he added.

Air Trade Volume Index

The upward trend continued in Q4 2021. The three indices were approaching to the neutral line.



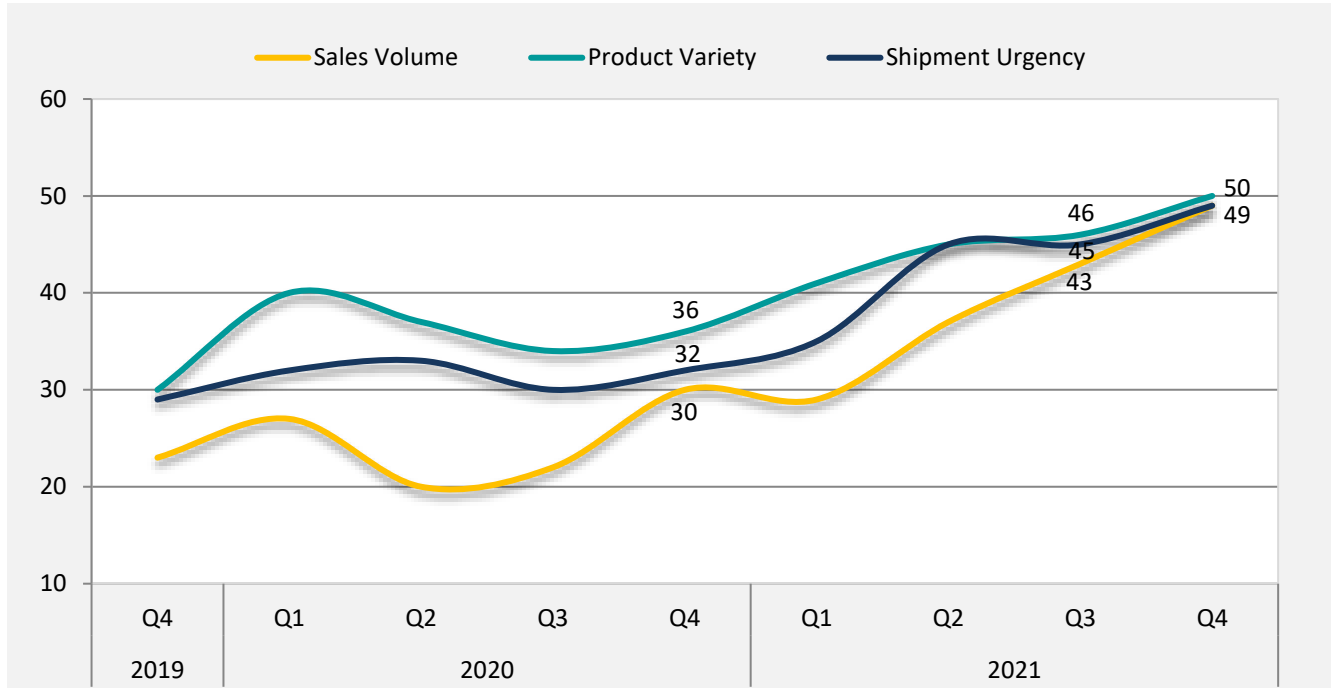
The overall **Air Trade** index rose 6.1 points to 49.0 in Q4 2021.

The **Air (Re-)Exports** index rose 5.9 points to 49.1 points. Americas region took the lead while Europe demonstrated a continuous improvement for 3 consecutive quarters.

The **Air Imports** index rose 6.5 points to 48.9 points and improved in a faster pace than (Re-)Exports, with Mainland China saw the largest growth among the regions.

Attributes

All indices increased. Product variety returned to the neutral line since Q2 2018.

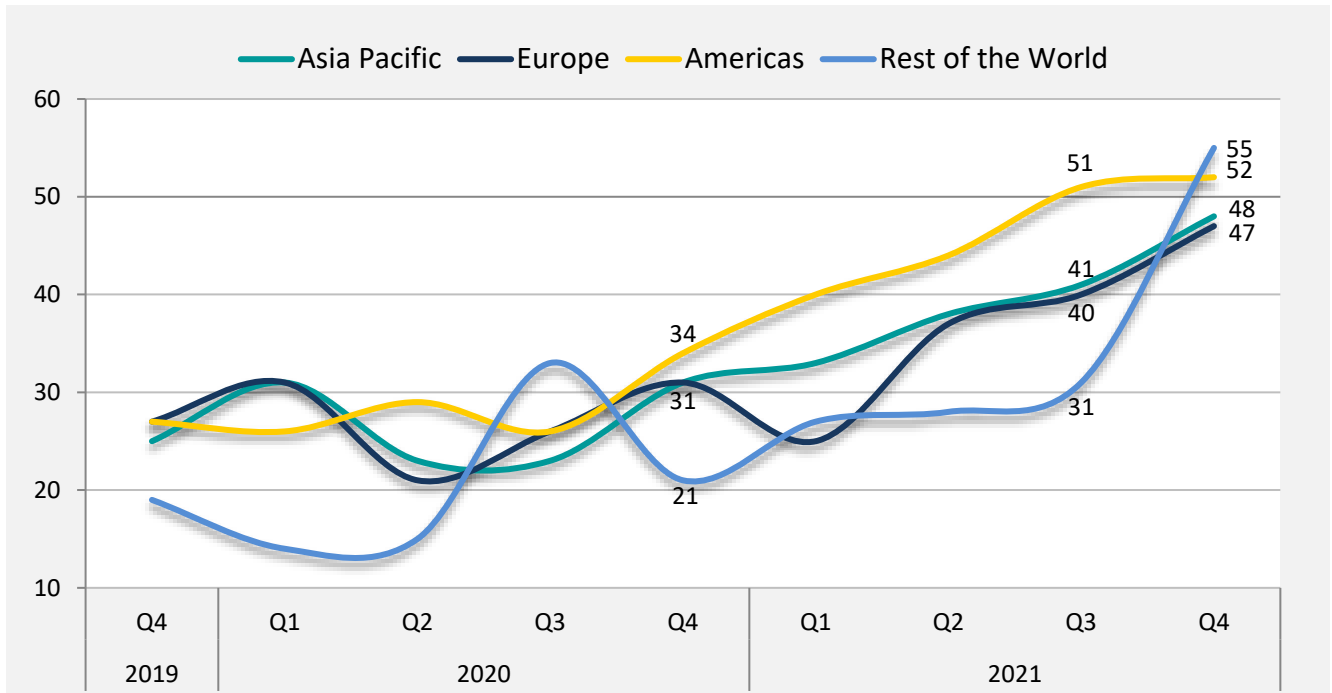


Product Variety index rose 4 points to 50 points in Q4 2021, with most regions up from the previous quarter.

The **Sales Volume** index and **Shipment Urgency** index both reached 49 points, which was only 1 point below the neutral line. The increase was driven by the uptick of Mainland China market.

Markets

The global air trade market maintained stable improvement. Continuing the positive momentum from Q3 2021, all the markets showed an uptrend again in Q4.



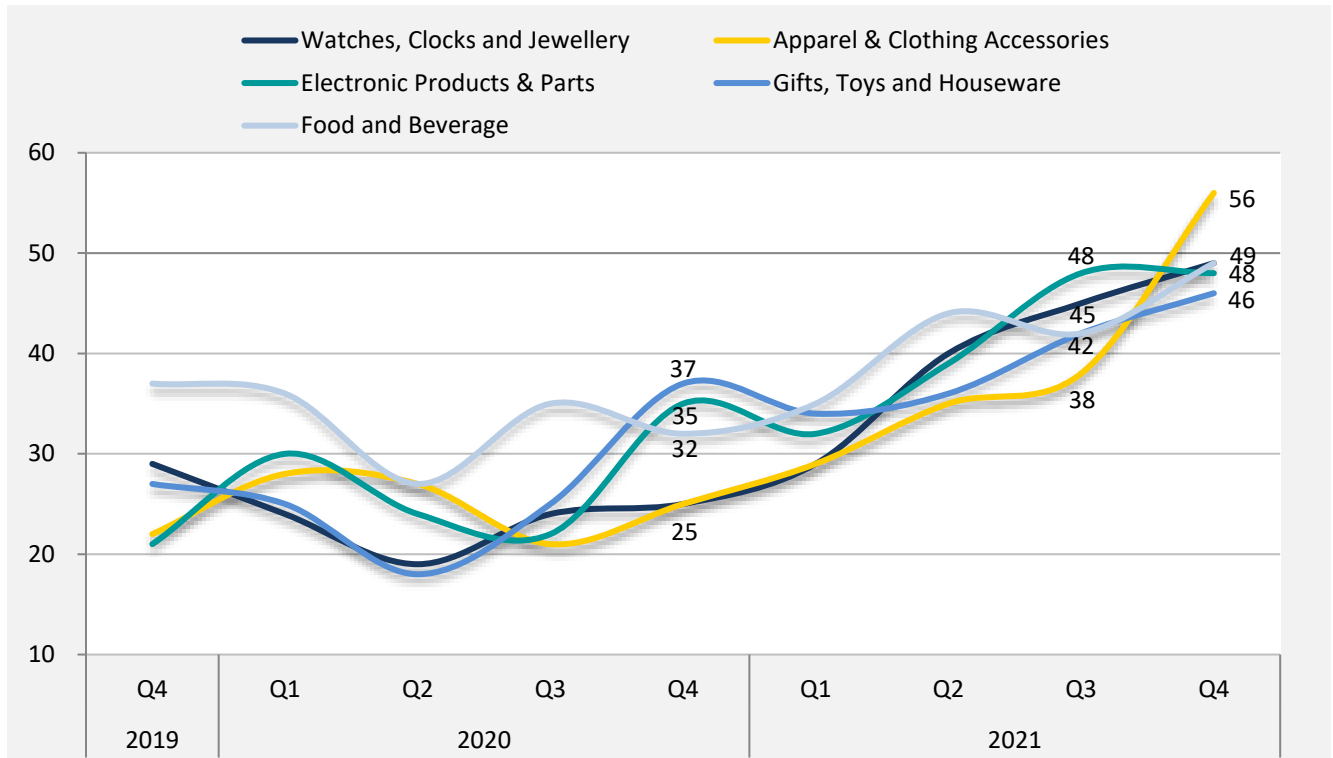
The **Americas** index rose slightly 1 point to 52 points. Supported by export growth and strong urgent orders, it has stayed above the neutral line.

The **Asia Pacific** and **Europe** indices both rose 7 points to 48 points and 47 points respectively, with improvement on both export and import.

The **Rest of World** index saw a significant boost from 24 points to 55 points.

Air-Freighted Commodities

All commodities demonstrated a continued the upward trend. Index of Apparel & Clothing Accessories exceeded the neutral line while others climbed further in this quarter.



The **Apparel and Clothing Accessories** index rose 18 points to 56 points, posting the greatest increase in Q4 2021 among all the commodities with Asia Pacific region being the key driver to the growth.

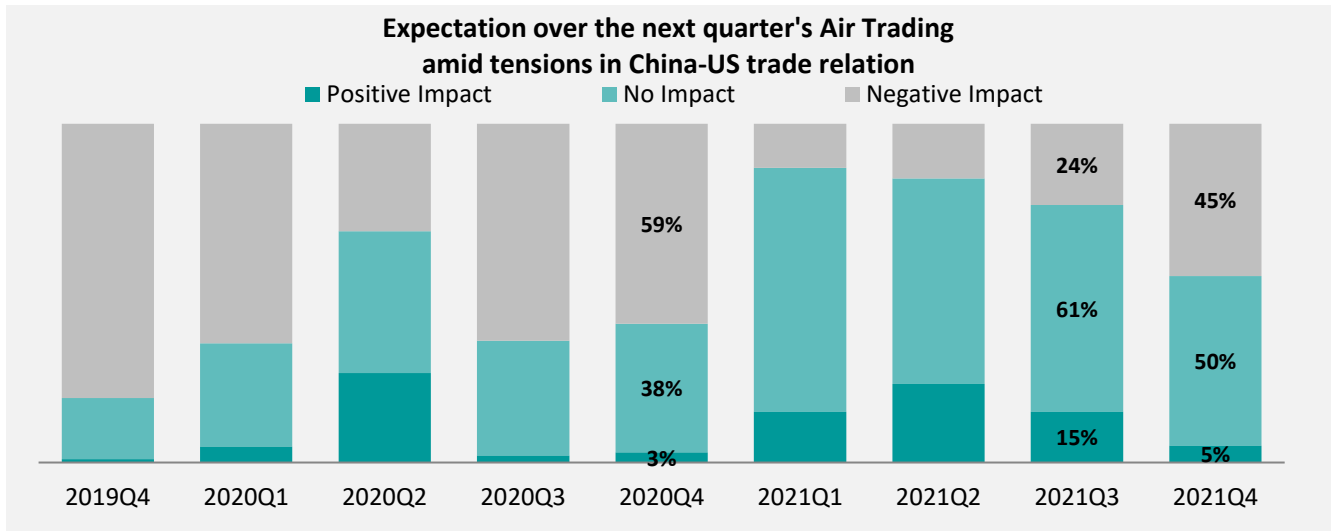
The **Watches, Clocks and Jewellery** index and the **Food and Beverage** both rose to 49 points, while export outperformed the import.

The **Electronic Products and Parts** index maintained at 48 points.

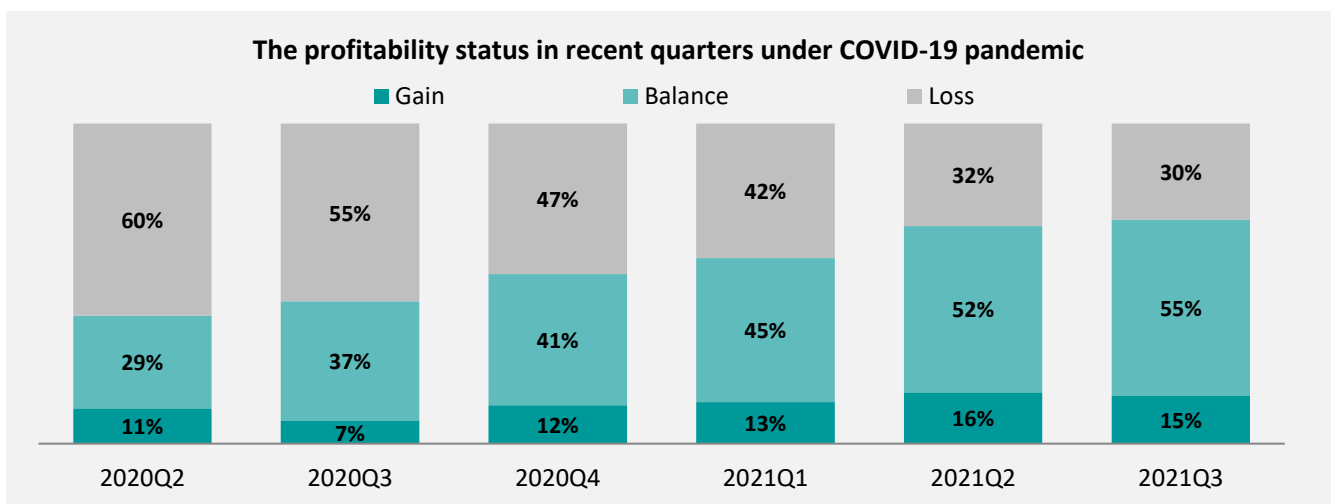
The **Gifts, Toys and Houseware** index rose 4 points to 46 points.

Air Trade Outlook Affected by Recent Market News

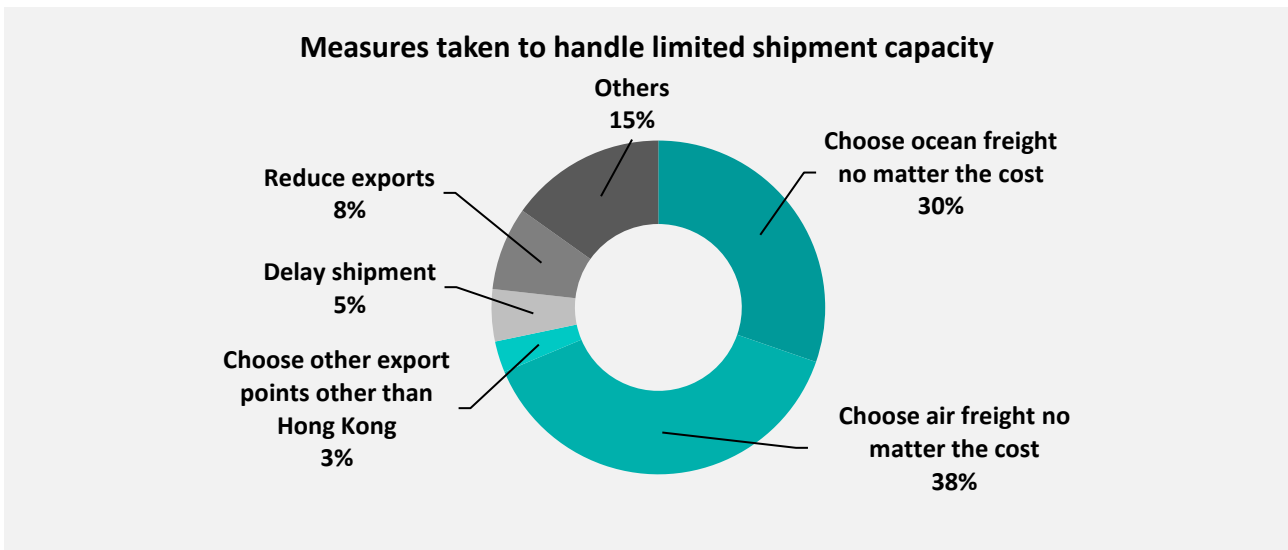
Limited shipment capacity has put pressure and cost impact on air and sea trade. However, the majority still opted to bear the high cost than relocate exports locations or delay shipments.



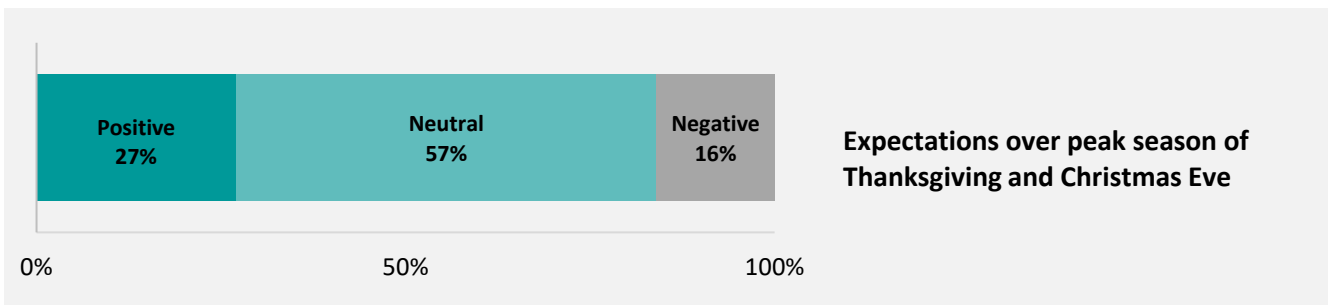
Local air traders reflected a more downbeat outlook towards the China-US trade relation in Q4 2021. Only 5% of respondents expected a positive impact on global air trade, down 10% point from the last quarter; while negative impact accounted for 45%, up 21% point from Q3 2021.



The profitability status has been stabilized further in Q3 2021 as 70% of air traders reported a gain or balance, up 2% from Q2 2021.

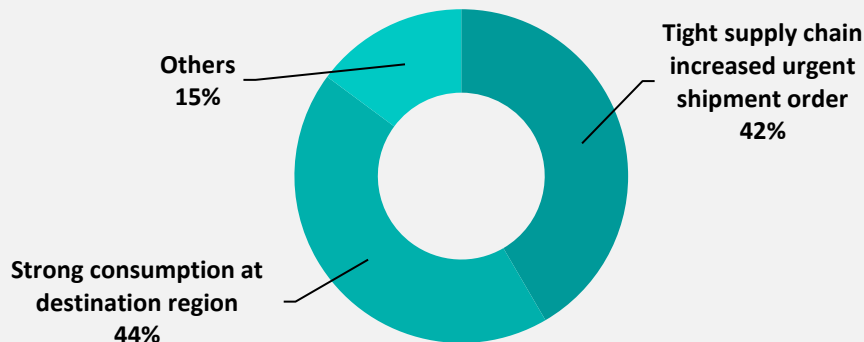


The still ongoing COVID-19 pandemic continues to impact the global freight capacity. Even so, 38% and 30% of respondents would continue to use air and ocean freight respectively as usual despite the increase in transportation costs. At the same time, 8% would reduce the export volume while 5% would delay their shipments. Only 3% would choose other export locations other than Hong Kong.



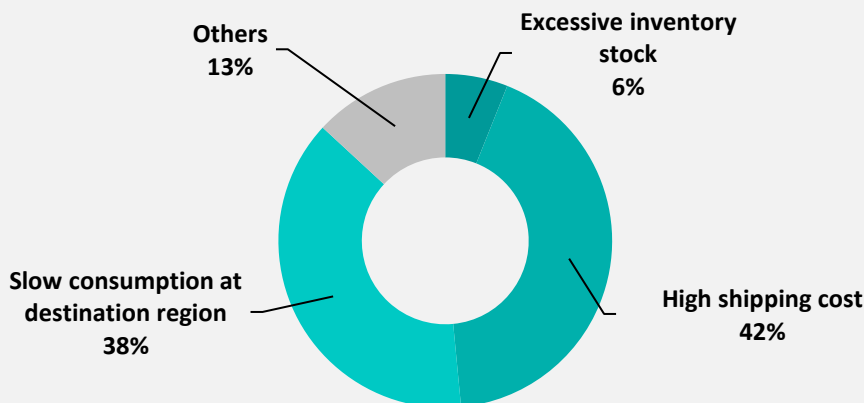
Approaching Thanksgiving Day and Christmas Eve, the traditional peak season for the international logistics market, 27% of respondents expected positive impact on the air trade volume, when 57% expected no change and 16% had a negative view.

Reasons for positive expectation towards the Traditional Peak season in 2021



When asked about the reasons for their positive expectation, 44% of respondents cited strong consumption at destination region as the main reason, while 42% claimed it was due to increase in urgent shipment orders from a tight supply chain.

Reasons for negative expectation towards the Traditional Peak season in 2021



On the other hand, among those respondents with negative expectation, 42% stressed high shipping cost as the main reason while 38% pointed to slow consumption at destination region and 6% cited excessive inventory stock.

Note: Percentages 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.

Enquiry

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

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