



DHL Hong Kong Air Trade Leading Index (DTI)

Q1 2022 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.

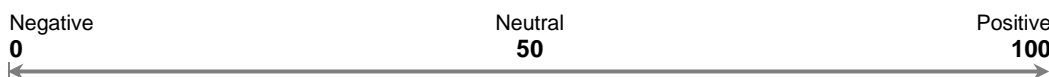
Methodology

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

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

After reaching a three-and-a-half-year high in Q4 2021, the overall index after the traditional peak season has come down slightly. Yet it is still the second highest reading since Q3 2018. A continuous improvement in local air traders' profitability status was seen this quarter. The latest survey marked for the very first time since the COVID-19 outbreak that equal proportion of local air traders has reported gains and losses in their profitability status.

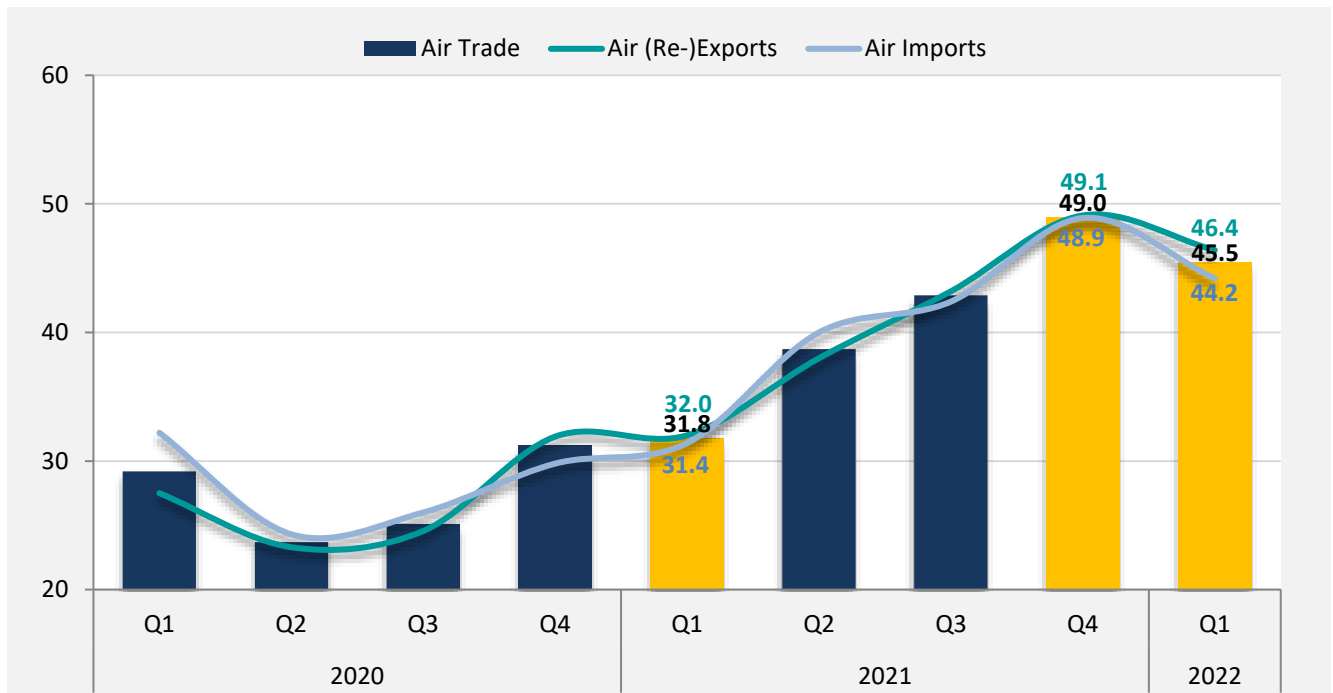
- The dip in most of the indices is reflected in air traders' outlook, with the new wave of COVID-19 affecting their businesses being the top concern, followed by the high market shipping cost.
- Local air traders reported a much better outlook on Chinese New Year-related orders, surging 15.8 points, to 43.7 points when compared to the same period last year.
- Most local air traders reported that the Regional Comprehensive Economic Partnership (RCEP), which came into effect from 1 January 2022 and whom Hong Kong is not yet a member, had no immediate effect in their business.
- Local air traders' profitability status has gradually improved, with Q4 2021 the biggest jump in the percentage of local air traders reporting gain since the COVID-19 outbreak.

Mr Edmond Lai, Chief Digital Officer of HKPC, shared, "With COVID-19 resurgence across the world, high fuel costs and continuous supply chain disruption to transportation networks, all indices showed slight downward adjustments in Q1 2022, indicating that air traders have become more cautious towards the business environment this year. Despite the slight downward adjustment and there were signs of recurrence of the COVID-19 pandemic recently, the impact on market outlook and business sentiment has been minimal so far in Hong Kong. As Hong Kong enterprises already have considerable experience in handling the lingering pandemic-related business disruptions, most are able to ensure business continuity with the adoption of e-commerce and digital technology."

He continued, "In the present survey, 80% of respondents said that the entering into force of RCEP had no impact on their freight orders in the first quarter of 2022. However, its full implementation is expected to further boost trade relation between member economies. Hence, Hong Kong must join RCEP as soon as possible in order to maintain or even strengthen its role as a regional logistics centre. RCEP can also provide favourable conditions for the reindustrialisation of Hong Kong. By enabling Hong Kong to establish Free Trade Agreements with current or future RCEP signatories whom it has yet to forge such agreements, for example, Japan and South Korea, will help "made in Hong Kong" products open up their markets."

Air Trade Volume Index

After a gradual recovery for six consecutive quarters, the overall air trade index saw a slight drop this quarter. Despite the small retreat, this is still above the level of Q3 2021, and is the second-best reading since the Q3 2018 when the China-US trade tension escalated.



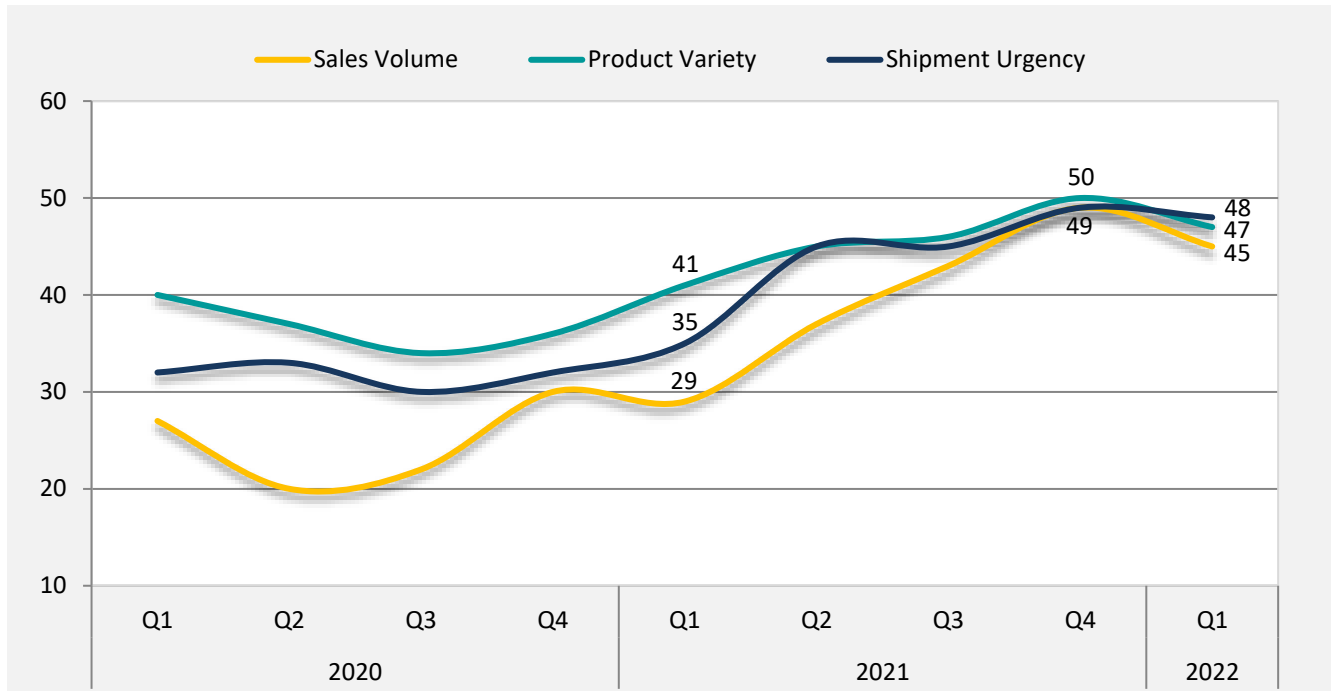
The overall **Air Trade** index went down 3.5 points to 45.5 points in Q1 2022.

The **Air (Re-)Exports** index fell 2.7 points to 46.4 points. All regions except Japan saw decrease this quarter.

The **Air Imports** index dropped by 4.7 points to 44.2 points. All regions, except Americas market, have seen decline in this quarter. The drop was mainly driven by the Mainland China market.

Attributes

After a strong recovery in 2021, the indices fell slightly in this quarter. Sales volume index went down 4 points to 45 points in Q1 2022 which was the largest decline among the indices.



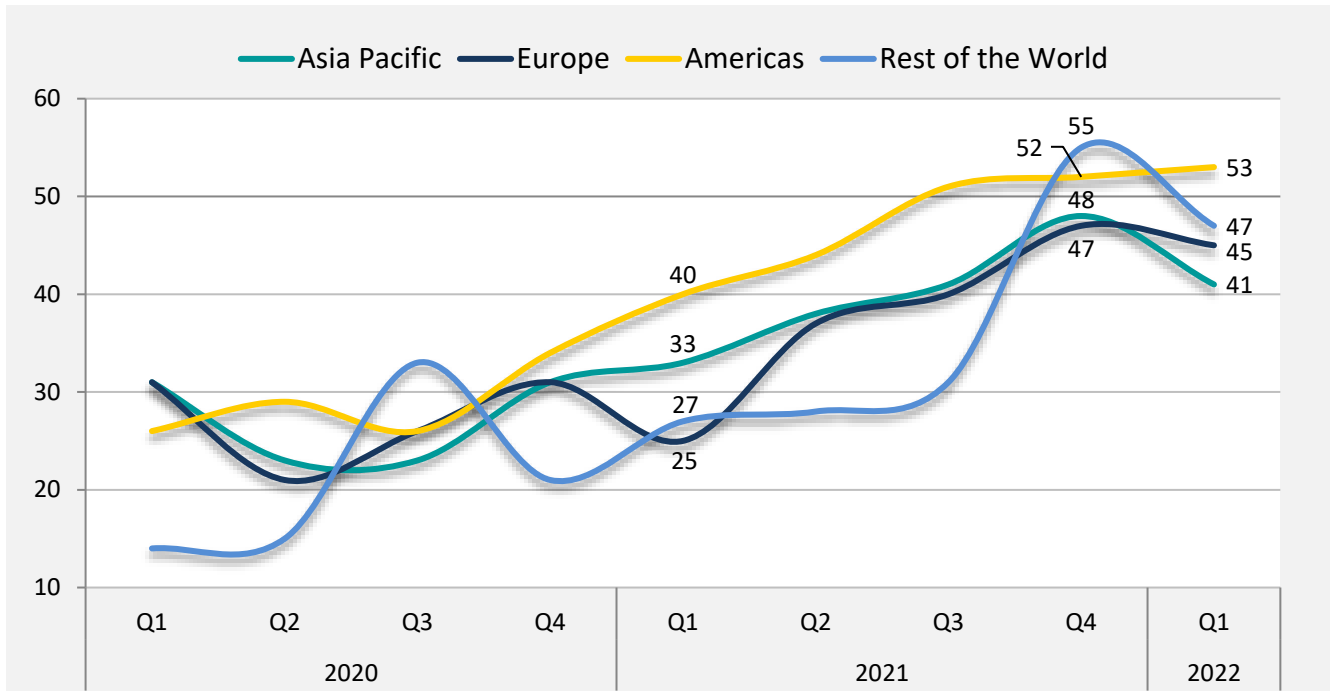
Shipment Urgency index dropped marginally by 1 point to 48 points in Q1 2022. Lower demand for urgent orders were expected in the Asia Pacific while the demand from Europe strengthened.

Product Variety index fell 3 points to 47 points. Americas is the only region to have reported growth.

Sales Volume index went down 4 points to 45 points.

Markets

The Americas index continued its positive momentum and exceeded the 50-point neutral line. Other regions' indices indicated a retreat after the all-time-high traditional peak season.



The **Americas** index rose slightly by 1 point to 53 points in Q1 2022, continuing the upward trend since Q3 2020. The rise mainly supported the import growth and kept the index above the neutral line.

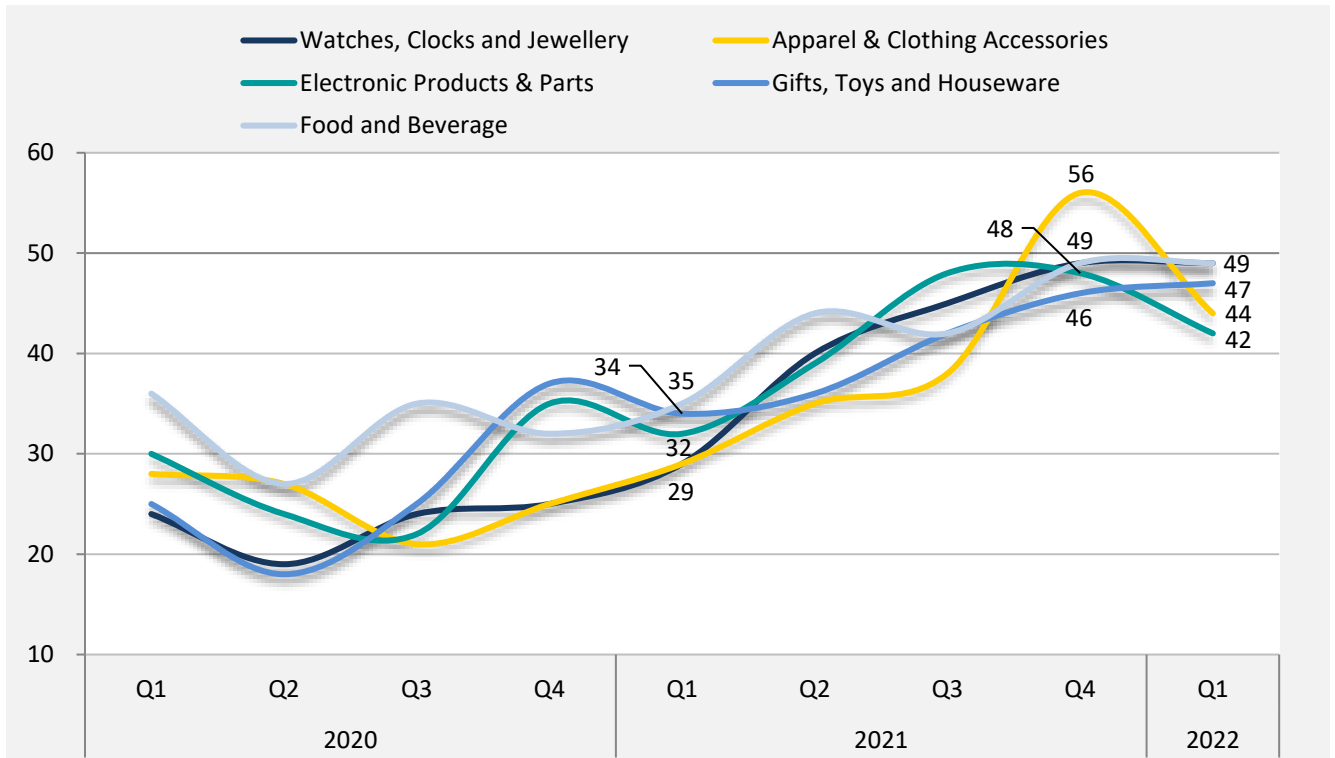
The **Europe** index dropped by 2 point to 45 points. Apparel in both export and import reported the greatest drop among all.

The **Asia Pacific** index fell 7 points to 41 points, mainly due to the sharp decline in Mainland China market. The index returned to the same level of Q3 2021.

The **Rest of World** index dropped by 8 points to 47 points.

Air-Freighted Commodities

Luxury and Food & Beverage indices remained stable as the highest commodities among all the indices. A significant drop was observed in Apparel and Clothing Accessories.



Both **Watches, Clocks and Jewellery** and **Food and Beverage** indices remained stable at 49 points in Q1 2022.

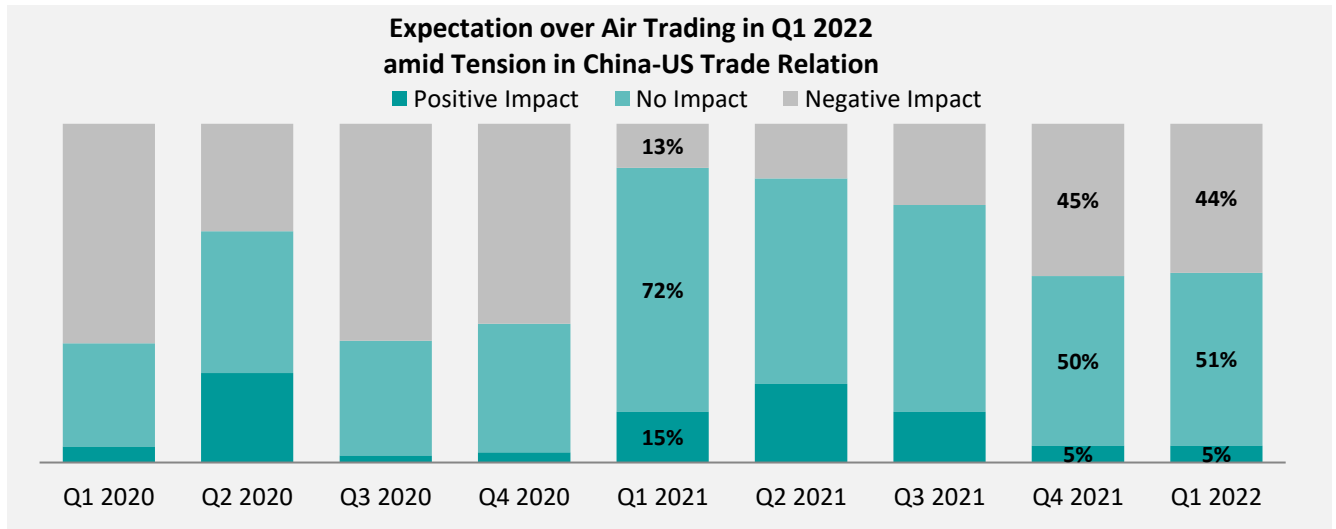
The **Gifts, Toys and Houseware** index rose marginally by 1 point to 47 points.

A double-digit drop was recorded for the **Apparel and Clothing Accessories**. The index plummeted 12 points to 44 points.

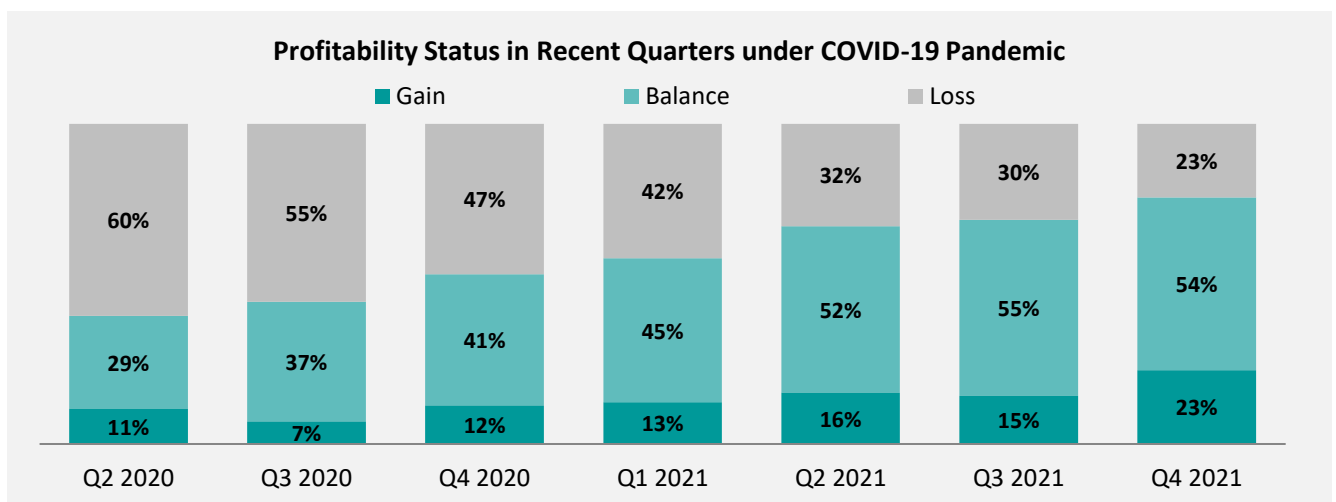
The **Electronic Products and Parts** index dropped by 6 points to 42 points.

Air Trade Outlook Affected by Recent Market News

COVID-19 resurgence, high fuel costs and continuous supply chain disruption brought uncertainties to air traders' business and air freight capacity.

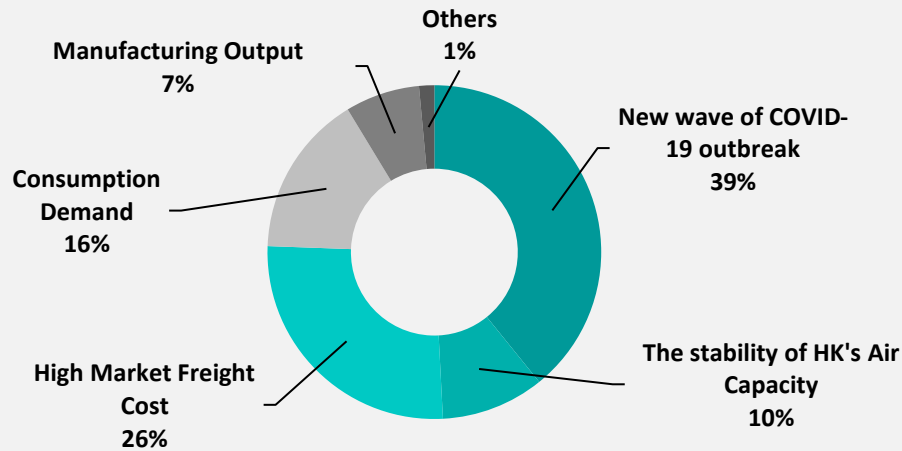


The expectation on air trade over China-US trade relation in Q1 2022 was on par with the previous quarter. Only 5% respondents expressed a positive impact on global air trade while 44% indicated a negative impact.

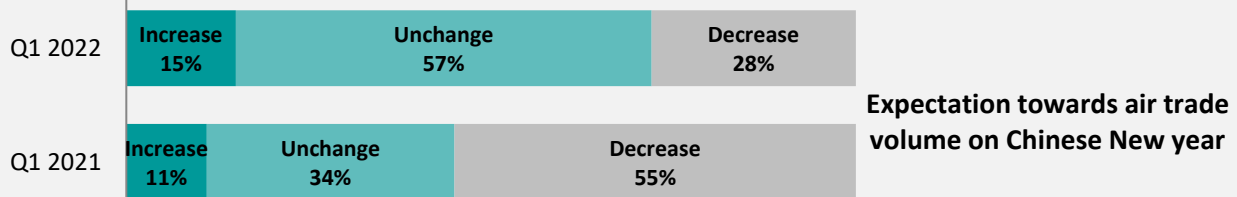


A continuous improvement in local air traders' profitability status was seen this quarter, with the biggest number of local air traders reporting gains and the least number reporting loss, while 54% reported a balance.

Expected Factors Affecting Business in Q1 2022



In Q1 2022, the top concerns impacting the businesses of local air traders were the new wave of COVID-19 outbreak (39%), followed by high market freight cost (26%) and the consumption demand (16%).



Air traders reported a much-improved outlook for the upcoming Chinese New Year. Those expecting a rise in air trade volume this year were 4 percentage points higher than last year, whereas those expecting lower air trade volume have gone down 27 percentage points. Meanwhile, those expecting no change were 23 percentage points higher than last year. In terms of Index, the outlook was improved from 27.9 same period last year to 47.3 this year, with a 15.8-point jump recorded.



RCEP was put into effect from 1 January 2022 with Hong Kong not being a member yet. No immediate effect was observed in most local air traders' businesses with 80% reporting no effect on sales orders in Q1 2022, while 14% reporting positive and 6% reporting negative.

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 world-class 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. HKPC's world-class R&D achievements have been widely recognised over the years, winning an array of local and international accolades.

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.

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.