



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

**Q4 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](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 some 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 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.

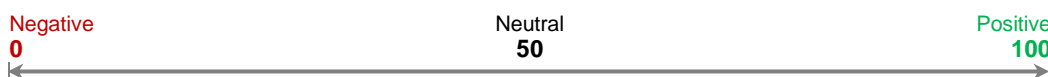
## Methodology

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

## 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.



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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

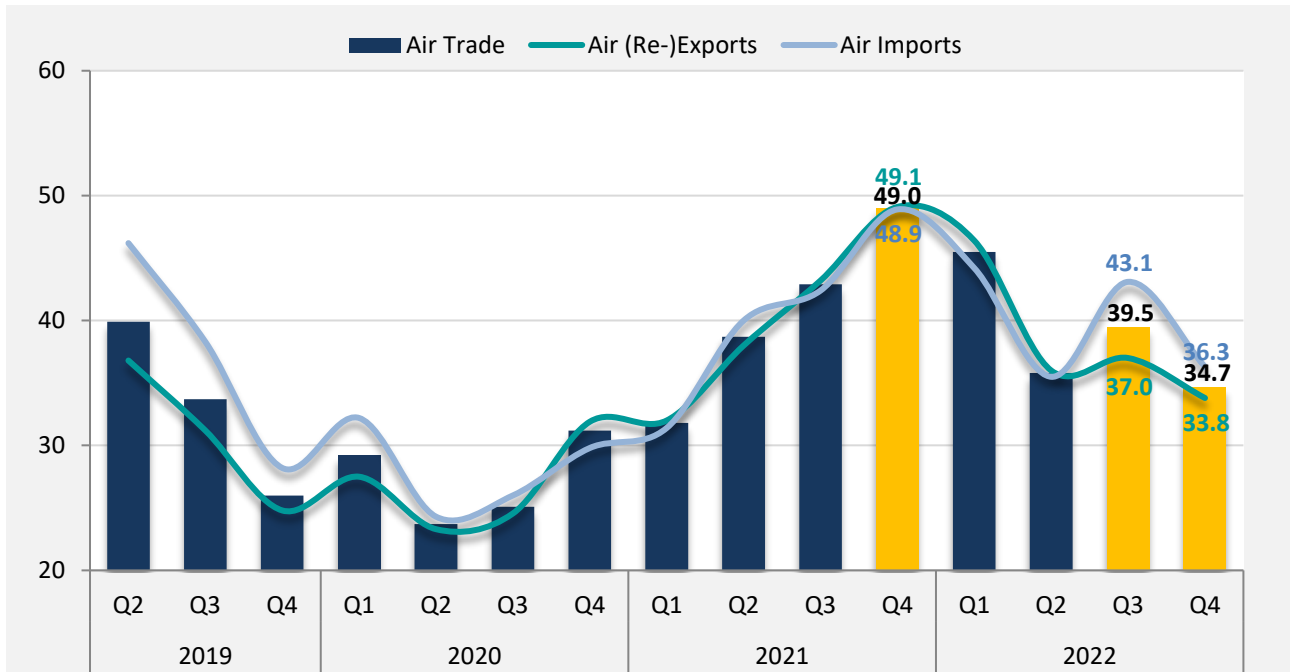
***Despite approaching the traditional peak season, concerns among air traders over weak consumption demand, high logistic cost, as well as inflation have made the overall trade index retreat again in Q4 2022.***

- The Overall Air Trade Index retreated again after a recovery from Q3 2022. Traders have bigger concerns on import, with a plunge of 6.8 points in Air Imports Index observed. On the other hand, Europe and Apparel and Clothing were the most suffered market and air-freighted goods respectively. Although the index for Americas has reached its lowest point over the past 2 years, it was still the second highest among markets.
- All sub-indices, i.e. Sales Volume Index, Product Variety and Shipment Urgency Index dropped by 3 to 5 points respectively.
- Online B2C business outlook has fallen back to the pre-booming level in Q1 2021. In particular, the proportion of air traders expecting an increase in online B2C business in Q4 2022 (8%) has fallen back to a similar level in Q1 2021, after accounting for 24%-32% over the preceding six quarters.
- 27% of local air traders held negative expectation towards the coming traditional peak (Thanksgiving and Christmas Eve). Over half (56%) of them cited “weak consumption demand” as the reason, while over one-third mentioned “high shipping cost” (36%) and “inflation” (34%) respectively. On the other hand, more than half (56%) of the air traders expect their business to be negatively affected by the latest developments of the China-US relations.
- 18% of air traders are optimistic about the coming traditional peak due to the perceived return to normalcy after COVID (43%).

Mr Edmond Lai, Chief Digital Officer of HKPC, commented, “Although the profitability of local air traders remained relatively stable in Q3 2022, all key indices recorded significant declines in the traditional peak season of Q4 2022, reflecting the impacts associated with inflation driven by the appreciation of US dollars, such as high logistic cost and weak consumption demand. Air traders need to be prepared to survive under these tough conditions. On the other hand, the expectations that Hong Kong will be joining the Regional Comprehensive Economic Partnership Agreement will create new opportunities for the local air trade industry in the long-run. Hence, air traders must formulate medium-to-long-term plans to be ready to seize on these opportunities.”

## Air Trade Index

After the recovery in Q3 2022, the Overall Air Trade Index retreated again in Q4 2022, dipping down to a level below Q2 2022 when the 5<sup>th</sup> wave of the pandemic took place. While drops were observed in both Air Imports and Air (Re-)Exports Indices, Air Imports Index dropped at a greater magnitude.



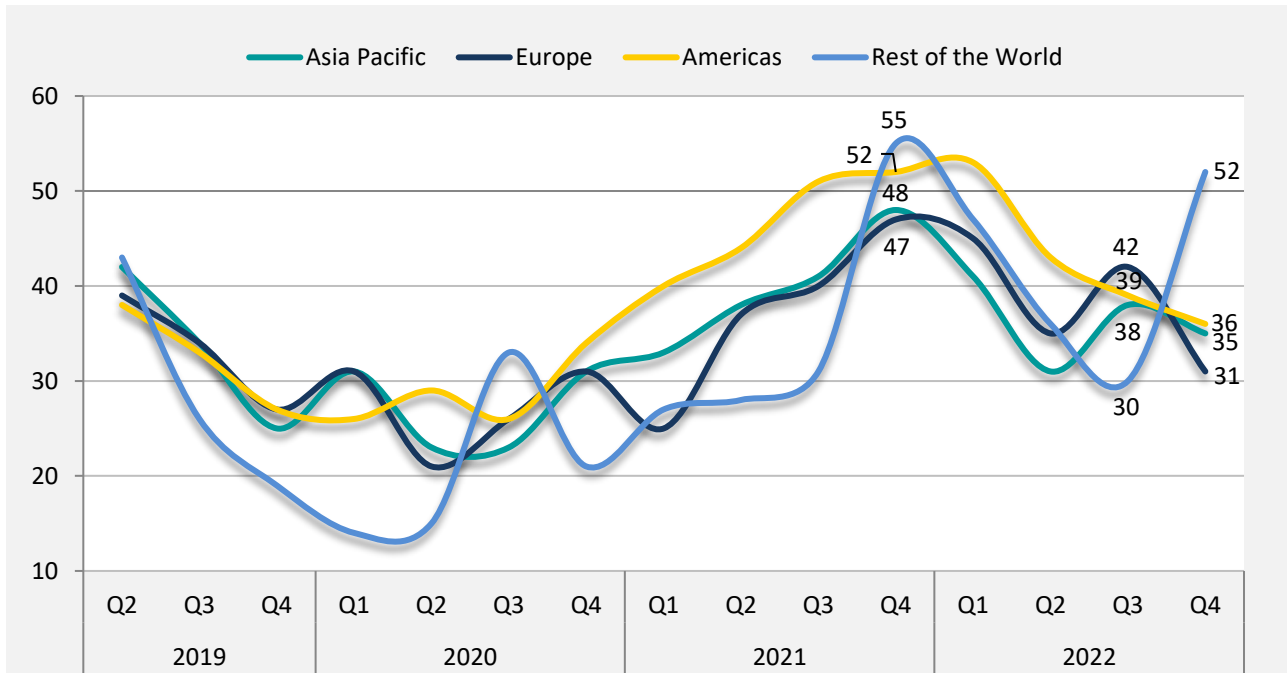
**Overall Air Trade Index** dropped by 4.8 points to 34.7 points in Q4 2022. Both Air Imports and Air (Re-)Export Indices suffered drops.

After the 7.6-point rebound to 43.1 points in Q3 2022, **Air Imports** plunged again in Q4 2022 to 36.3 points (-6.8 points), slightly higher than the level when the fifth wave of the pandemic took place (35.5 points in Q2 2022).

**Air (Re-)Exports** Index retreated by 3.2 points to 33.8 points, which was even lower than Q2 2022 (36.0 points).

## Markets

*All indices in key markets (Asia Pacific, Europe and Americas) declined at various magnitudes, with Europe suffering the most. Index for Americas dropped further, reaching its record-low over the past 2 years.*



**Europe's** index dropped by 11 points to 31 points, and it was the market with the lowest index in this quarter. The drop in Europe index was more significant in imports (-18 points) while a 5-point decline in (re-)exports was also observed.

**Asia Pacific's** index declined by 3 points to 35 points, but different developments within the region were observed:

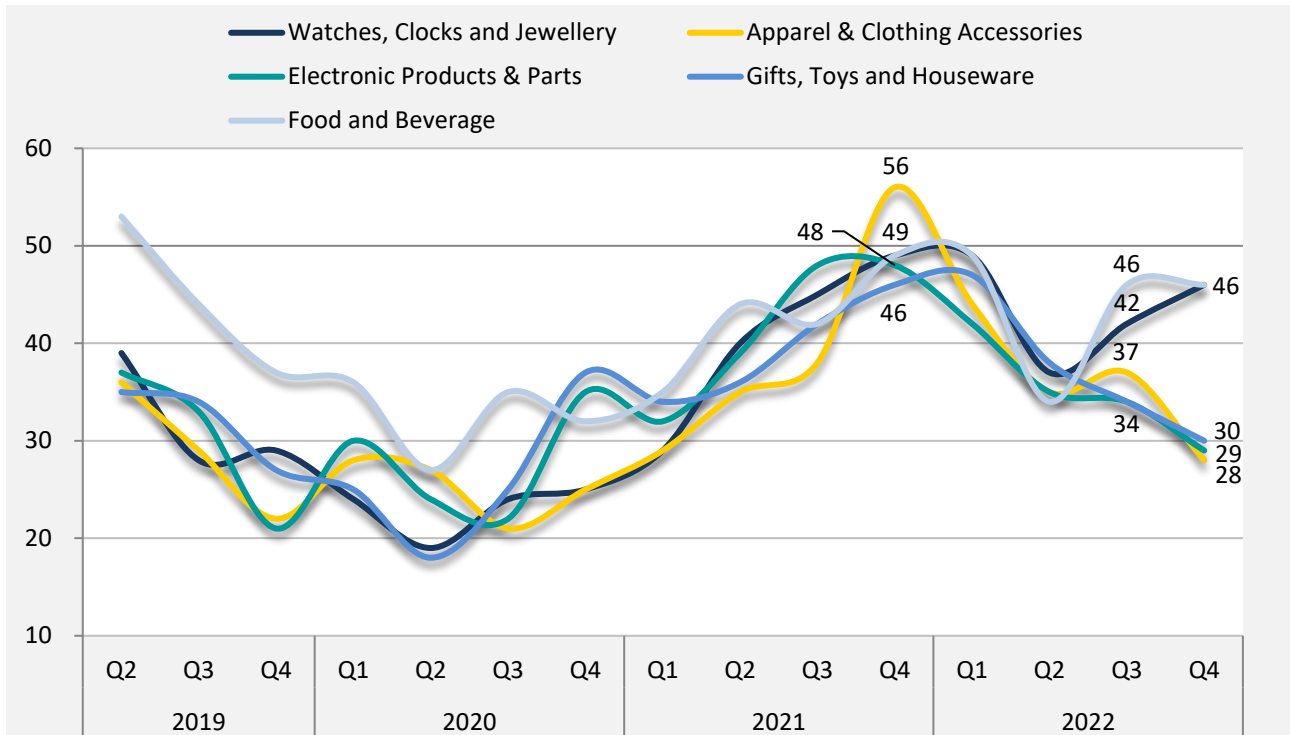
- **China's** index dropped by 6 points after the recovery of 9-point in Q3 2022. While the drop was more significant in imports (-11 points), its (re-)export performance also weakened (-3 points).
- **Japan's** index remained relatively stable (-1 point), with a rebound in its (re-)export performance (+5 points).
- Index for **Other Asia Pacific regions** also dipped by 3 points, mainly driven by the weakened imports performance (-3 points).

Despite the rebound in imports (+6 points), index for **Americas** further declined by another 3 points to its 2-year low of 36 points due to the further weakening in (re-)exports (-6 points) performance.

Similar to Q4 last year, index for the **Rest of the World** marked an upturn to 55 points.

## Air-Freighted Commodities

**Not all air-freighted commodities suffered amid the plunge in overall Air Trade Index. While declines were observed in the indices for Apparel and Clothing, Gifts, Toys and Houseware, as well as Electronic Products and Parts, index performance for Food and Beverage maintained, and Watches, Clocks and Jewellery registered uplift in index.**



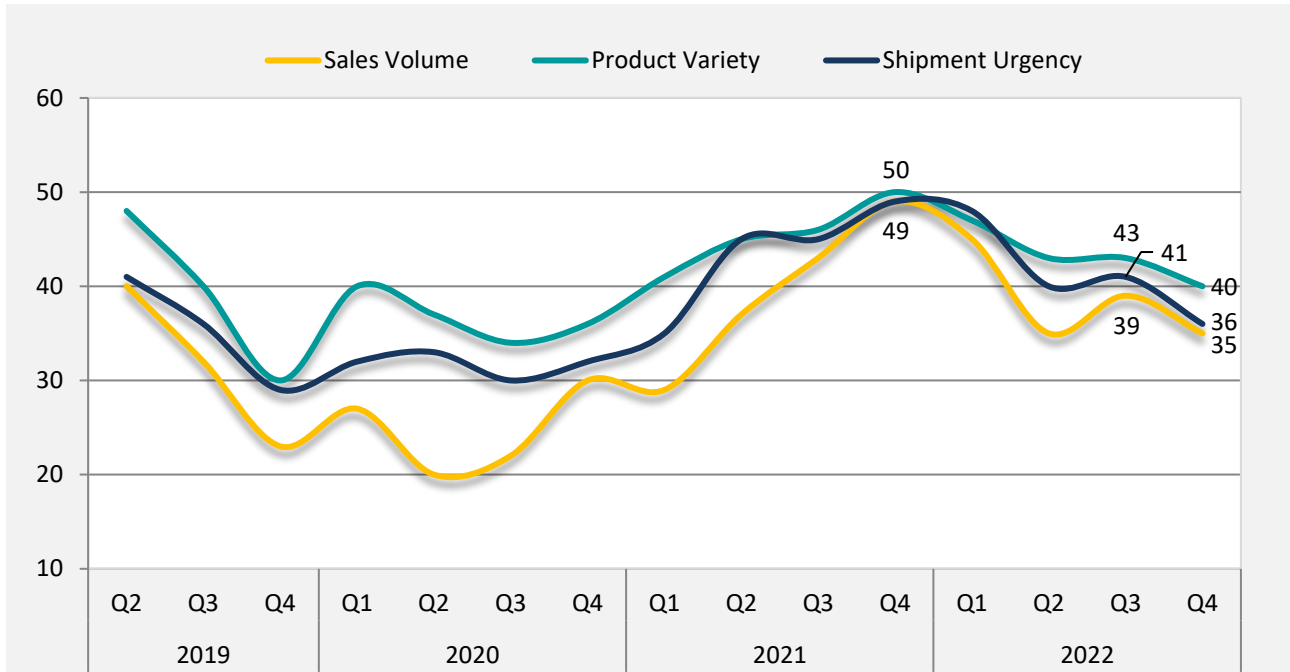
**Food and Beverage** had its index remain at a high level of 46 points and continued to record the highest index along with **Watches, Clocks and Jewellery**, which marked a further uplift of 4 points mainly from its strong (re)-export performance.

**Apparel and Clothing** index saw the biggest drop of 9 points to 28 points and hit its lowest point over the past 2 years.

Indices for **Gifts, Toys and Houseware** and **Electronics Products and Parts** dropped by 4 points and 5 points respectively to 30 points and 29 points.

## Sub-Indices

**All sub-indices saw declines of 3 to 5 points in Q4 2022. Both imports and (Re)-exports weakened at similar magnitude across all sub-indices.**



**Sales Volume** Index dropped by 4 points to 35 points while **Product Variety** Index dropped by 3 points to 40 points.

**Shipment Urgency** Index suffered by the largest drop of 5 points to 36 points.

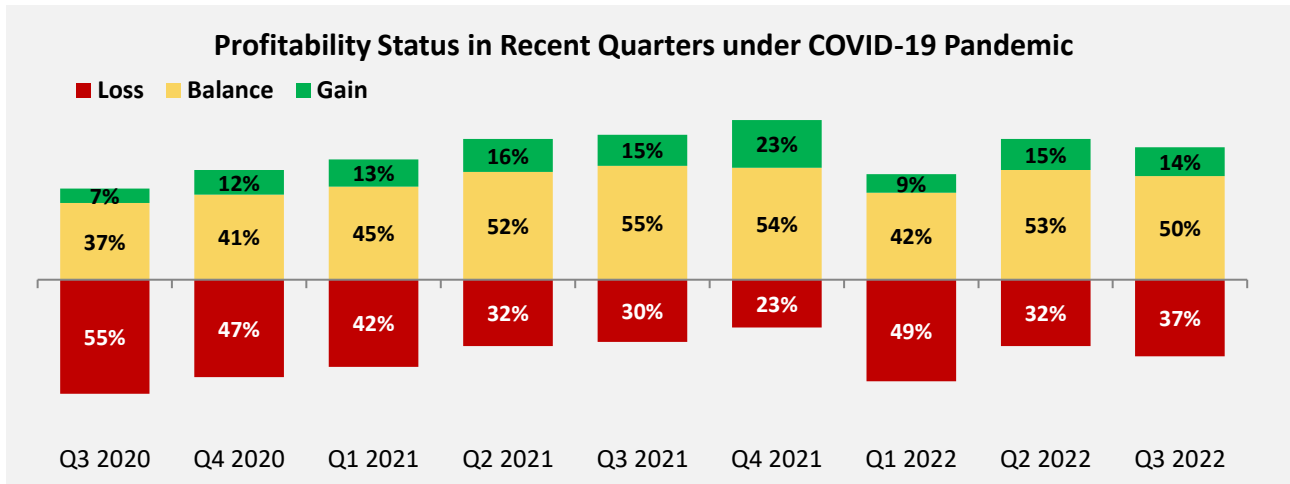
Sub-index development by market:

- **Asia Pacific:** Both **Japan** and **Other Asia Pacific regions** suffered declines across all sub-indices but the declines in Japan were rather mild. For **China**, its retreat in overall Air Trade Index was mainly due to the drop in Sales Volume Index. On the other hand, its Product Variety Index rebounded (+4 points).
- **Europe:** Sales Volume Index plunged by 9 points. Its Shipment Urgency Index and Product Variety Index also weakened by 7 points and 6 points respectively.
- **Americas:** Declines across all sub-indices were observed and reached their respective record-low over the past 2 years.
- The uplift of **Rest of the World** Index was mainly driven by the uplift in Sales Volume (+30 points) and Urgent Shipments (+13 points).



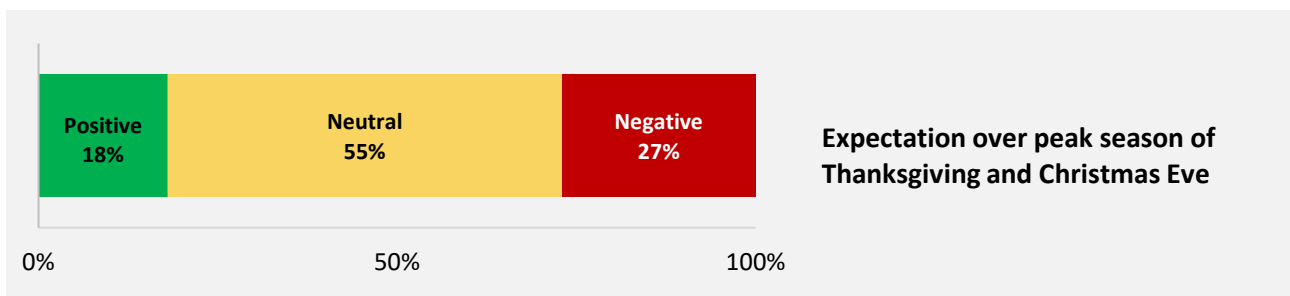
## Air Trade Outlook Affected by Recent Market News

**Profitability remained relatively stable in Q3 2022. However, concerns over “weak consumption”, “high logistic cost” and “inflation” have surfaced among local air traders, affecting their business outlook in Q4 2022 amid the traditional peak with Thanksgiving and Christmas Eve.**



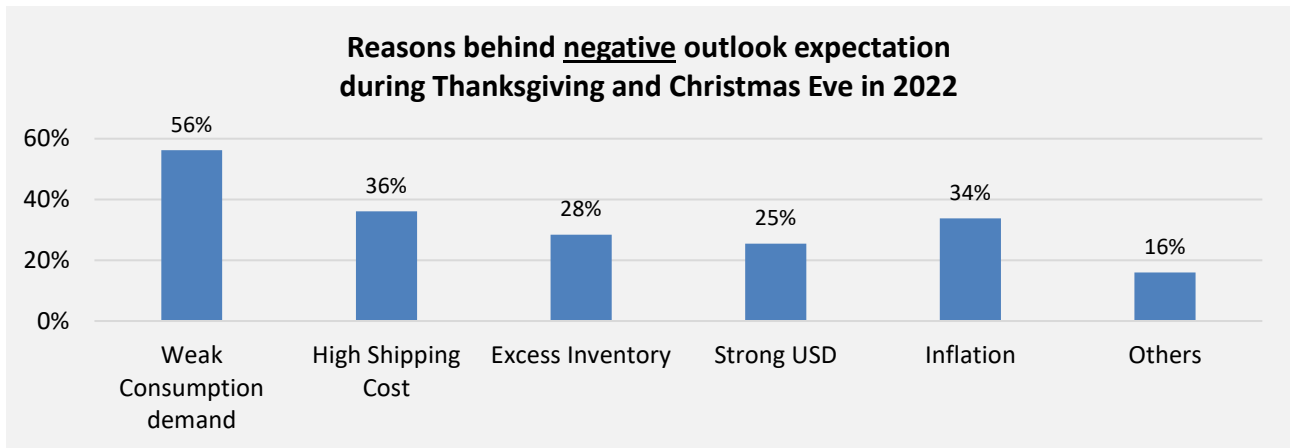
Note: Percentages may not add up to 100% due to rounding.

Profitability in Q3 2022 slightly weakened compared with the previous quarter, with the proportion of respondents reporting “Gain” or “Balance” status decreased by 4%-points from 68% to 64%.

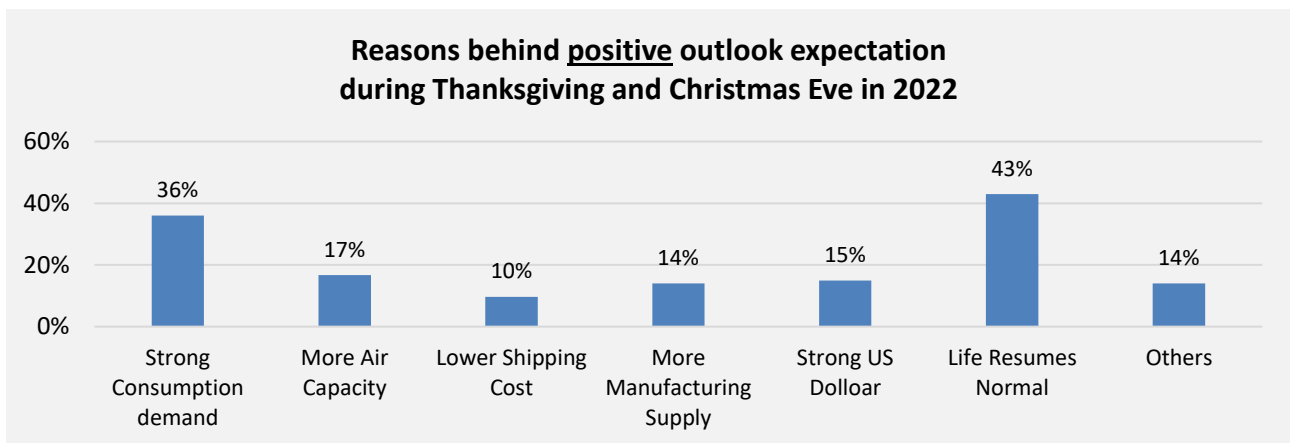


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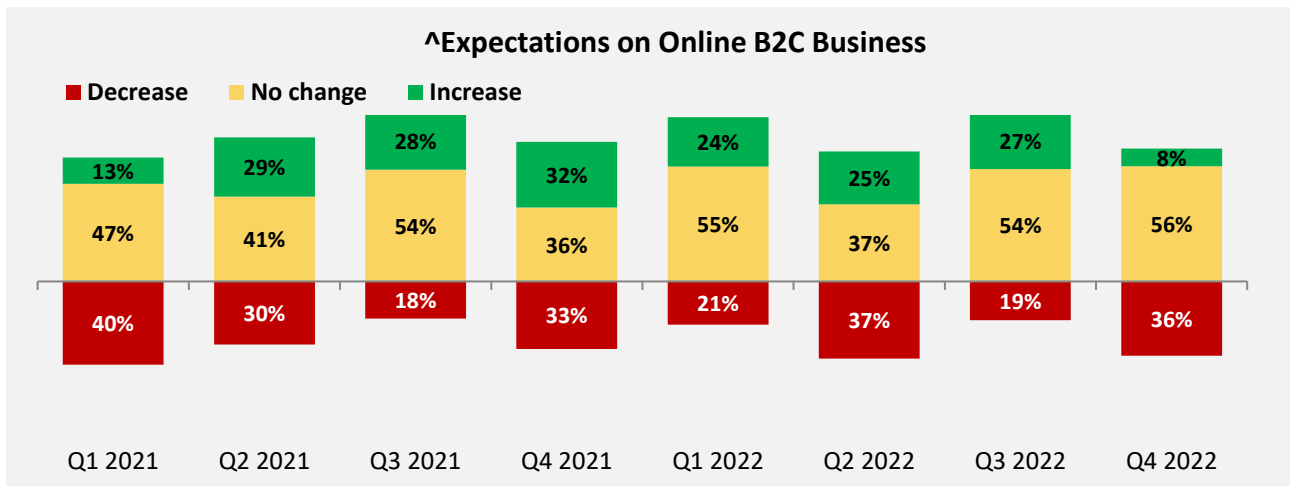
Business expectation for the traditional peak (Thanksgiving and Christmas Eve) this year was not as optimistic as in previous years. In particular, only 18% of the air traders held positive expectations while 27% held negative expectations. Compared with other markets, air traders trading with Americas were more optimistic towards their business over the traditional peak this year. In terms of commodities, air traders engaged in Food and Beverage and Watches, Clocks and Jewellery had better expectations than those engaged in other commodities.



“Weak consumption demand” (56%) at destinations was the key reason among those who had negative expectation for this year’s traditional peak, particularly for Europe and Americas. “High shipping cost” (36%) and “inflation” (34%) were other key reasons behind the negative outlook.



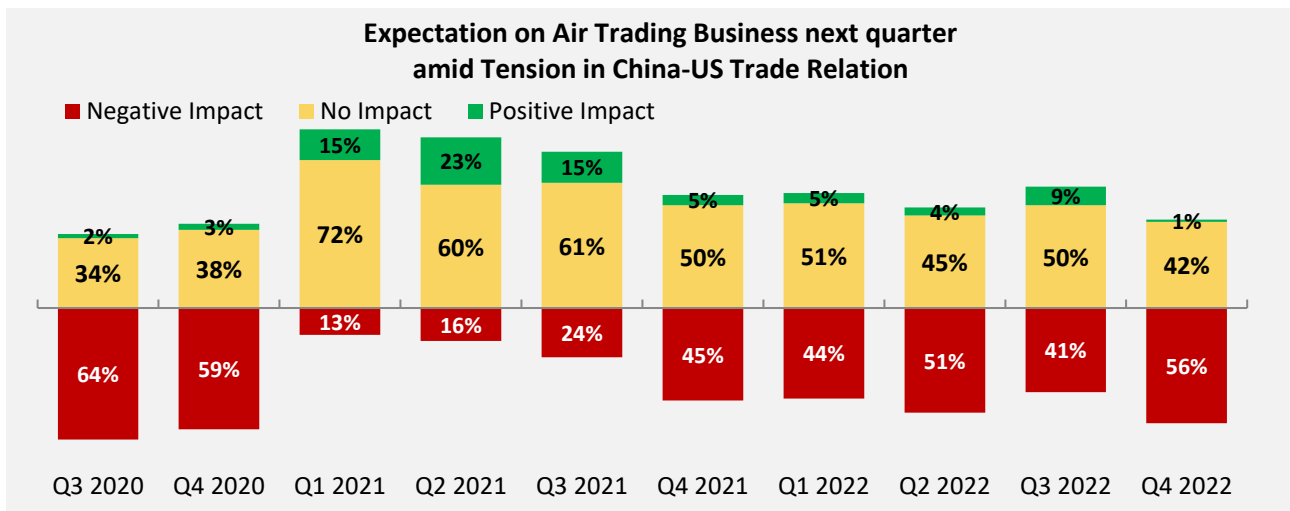
With more markets gradually re-open, “life resumes normal” (43%) and “strong consumption demand” (36%) were the top reasons contributing to the positive business outlook for this year’s traditional peak.



Note: Percentages may not add up to 100% due to rounding.

^ Based on air traders with B2C Business Operations only

Similar results were observed from the expectations on online B2C business for Q4 2022 which have returned to the level before online B2C business started booming in Q1 2021 when many markets were under lockdown. In particular, only 8% expected an increase in online B2C sales in Q4 2022, down from 27% in Q3 2022.



Note: Percentages may not add up to 100% due to rounding.

Aside from inflation, the worsened China-US relations in Q3 2022 also posed negative impacts on air traders' business outlook, reaching the worst point over the past 2 years. In particular, 56% of the air traders expected their air trade business to be negatively affected in Q4 2022 due to latest developments in the China-US relations, showing a 15%-point rebound from Q3 2022. The proportion of respondents expecting "no impacts" also decreased to 42%, compared with 50% in Q3 2022.

## ***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 of Industry 4.0 and Enterprise 4.0, HKPC strives to facilitate Hong Kong's reindustrialisation, as well as bolstering Hong Kong to be an international innovation and technology hub and a smart city. The Council offers 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 overseas marketplace. The Council 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, technology transfer, and commercialisation, bringing enormous business opportunities ahead. HKPC's world-class R&D achievements have been widely recognised over the years, winning an array of local and overseas accolades.

In addition, HKPC offers SMEs and startups immediate and timely assistance in coping with the ever-changing business environment, as well as enhancing their competitive edge by providing a variety of FutureSkills trainings to upskill and nurture talents with digital capabilities and STEM competencies.

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.

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