



DHL Hong Kong Air Trade Leading Index (DTI)

Q1 2023 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\$78 billion annually, with HK\$47 billion from freight revenue, and creates over 40,000 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.

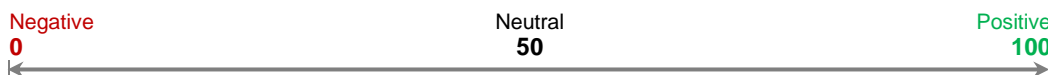
Methodology

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

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 2021, Census and Statistics Department

Demographics

Respondents are Hong Kong based companies with either in-bound or out-bound air trade. Sectors cover air-freighted commodities including 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 have been randomly selected from over 10,000 targeted entries every quarter to reveal the respondents' expectation on air trade. The survey is conducted by telephone. Completed samples are based on company and air-freighted commodity; and each sample has the same weighting in calculating the index, regardless of the size of the company.

REPORT SUMMARY

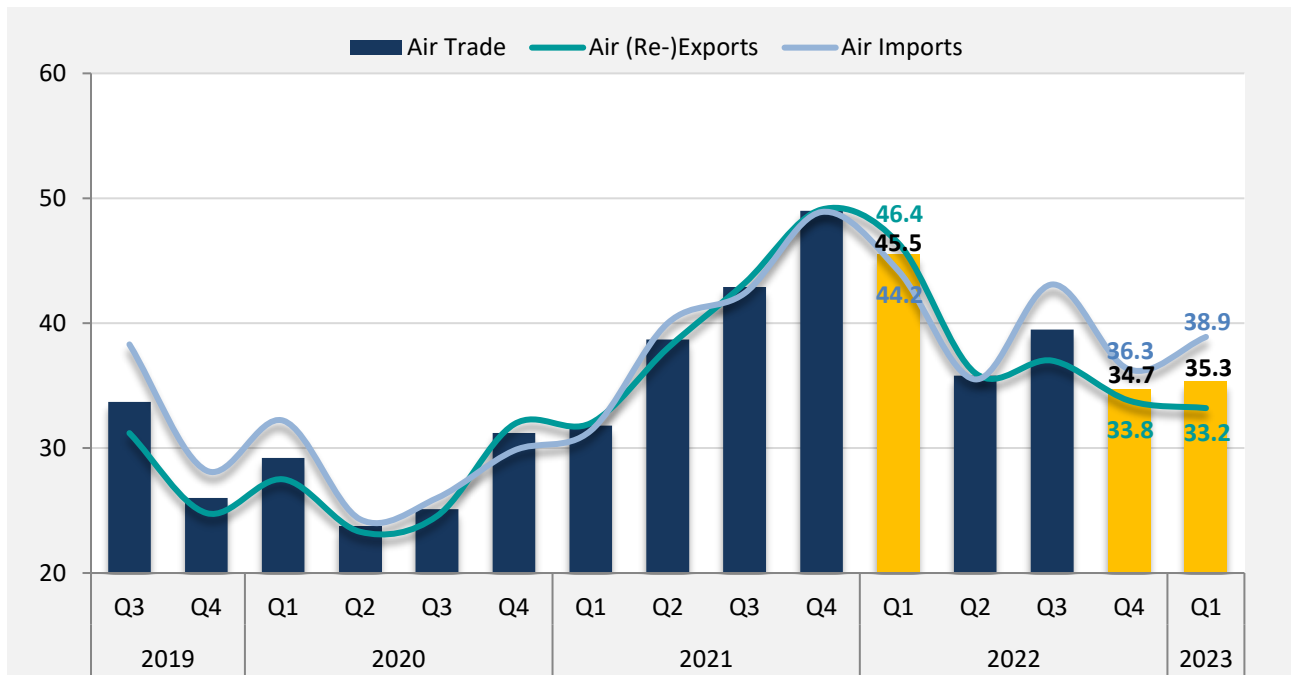
The Overall Air Trade Index has stabilised in Q1 2023 as a result of the improvement in import performance and a more positive outlook on B2C business. Despite the global economic uncertainties, nearly 60% of local air traders identified new potential markets in 2023.

- Contributed by the growth in imports (+2.6 points), the Overall Air Trade Index slightly stabilised (+0.6 points) after the retreat in the previous quarter. Also, all sub-indices rebounded, especially Product Variety Index and Shipment Urgency Index, both of which rose by 4 points.
- A strong recovery in Online B2C business outlook was observed, as the proportion of local air traders with online business expecting an increase in its sales in Q1 2023 rebounded by 10 percentage points.
- Local traders had a better outlook on European (+4 points) and Asia Pacific (+2 points) markets at the start of 2023, while their outlook on the Americas markets has been on a downward trend since Q1 2022. Nevertheless, the United States was identified as the market with the highest potential in 2023 among the local air traders, followed by China and Germany.
- Although global inflation is strongly affecting all aspects of the economy, over half (54%) of the local air traders had no plan to adjust their shipping prices in Q1 2023. Also, 23% indicated they would maintain their previous price adjustment range. The proportions of air traders who expected to increase or lower their shipping prices more than usual or lower were 10% and 13% respectively.
- When asked to identify the market(s) with the highest potential in 2023, 57% of local air traders identified 1 to 2 market(s) outside of their main import / (re-)export markets, which implies the possibility of expansions to new markets.

Mr Edmond Lai, Chief Digital Officer of HKPC, commented, “Mixed results from this quarter’s Air Trade Index have been observed. On the positive side, the Overall Air Trade Index has slightly stabilised. Air traders had an improved outlook towards the European and Asia Pacific markets, and expectations towards online B2C business also became more positive. All these suggest that the worst time may be over. However, the declining trend in the Americas Index as well as the economic recession in the European markets have also brought along a gloomy outlook to the air trade business. Nevertheless, the United States was chosen to be the top market with the highest potentials in 2023, reflecting that air traders are still confident towards this traditional air trade market. On the other hand, with China re-opening to the world and Hong Kong lifting almost all its quarantine and social distancing measures, air traders are advised to get prepared for the increasing demand. They should also expand to other markets to minimise the impacts on business by the economic recession in Europe and continuous inflation in the United States.”

Air Trade Index

The Overall Air Trade Index slightly recovered in Q1 2023, but was still 10 points behind the same period last year before the start of the fifth wave of the pandemic. While Air Imports Index improved, Air (Re-)Exports Index fell further to its lowest over the past eight quarters.



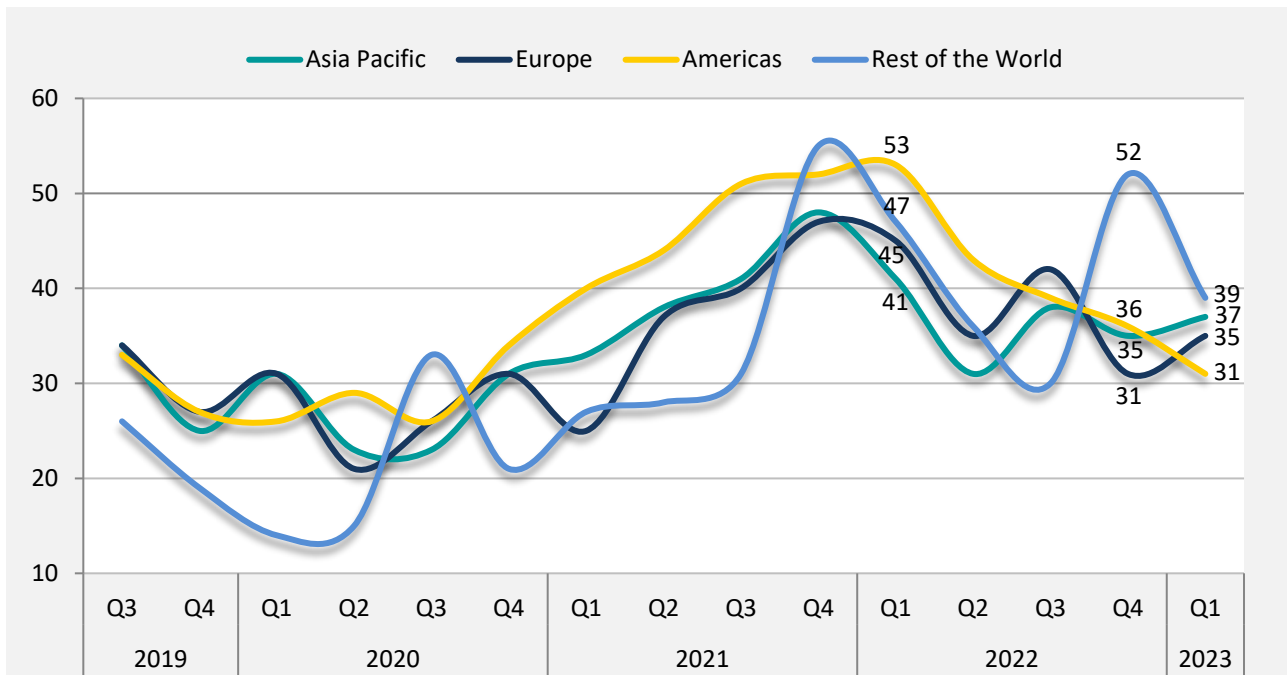
Overall Air Trade Index recovered marginally by 0.6 points to 35.3 points in Q1 2023, which was driven by the improvements in Air Imports. However, Air (Re-)Exports had further declined.

Air Imports Index improved by 2.6 points to 38.9 points after suffering a 6.8-point drop in Q4 2022. However, the index was still 5.3 points lower than the same period last year.

On the other hand, **Air (Re-)Exports Index** was down by another 0.6 points to its two-year low at 33.2. Since Q1 2022, the index has already dropped by 13.2 points.

Markets

Europe and certain markets in Asia Pacific rebounded in Q1 2023, mainly attributed to improvements in imports. However, the market index in the Americas continued to drop, accumulating to a decline of over 20 points over the past four quarters.



After suffering a 11-point drop in Q4 2022, **Europe's** index recovered to 35 points (+4 points), which was contributed by the rebound in its performance in imports (+12 points).

Asia Pacific's index (37 points) also recovered by 2 points, but such development varied within the region:

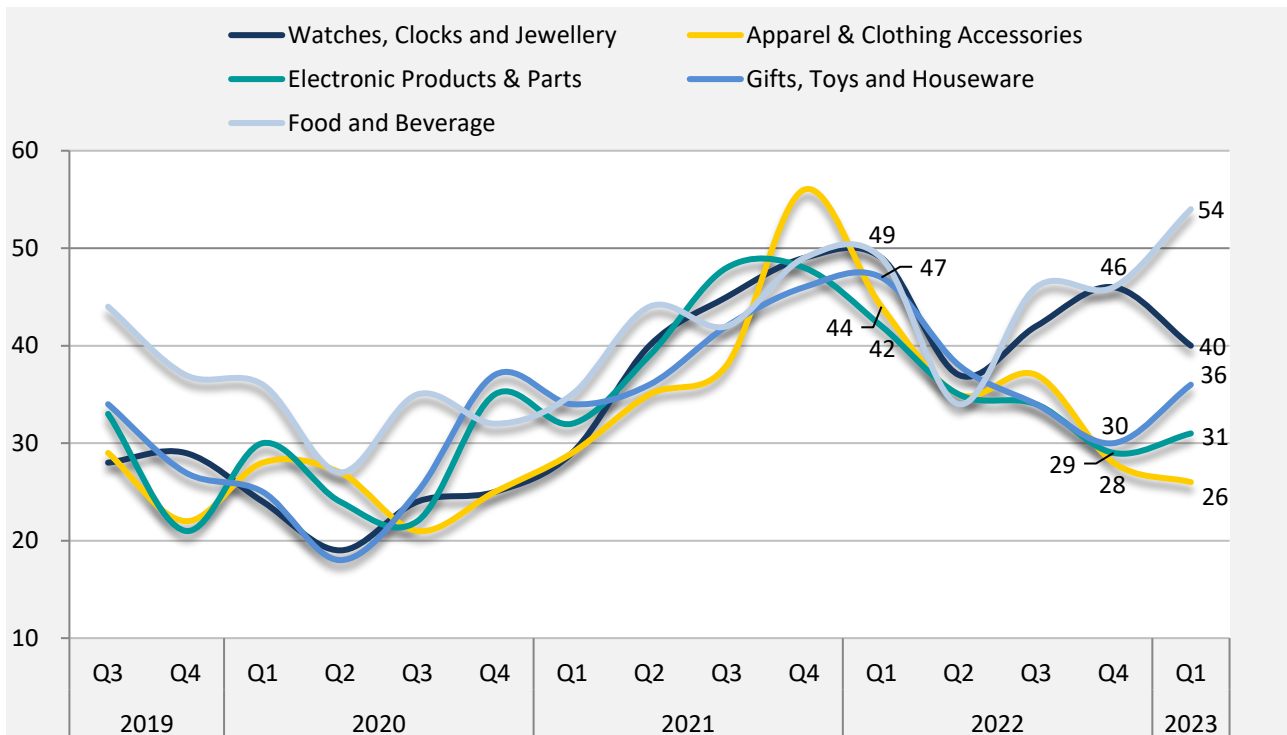
- **China's** index (36 points) dropped by 2 more points, where further decline in its (re-)export performance (-3 points) was observed.
- **Japan's** index slightly improved by 1 point to 34 points, as the further recovery in (re-)exports offset the further weakened performance in imports.
- Index for **Other Asia Pacific regions** rebounded to 39 points (+5 points). Improvements in both imports (+2 points) and (re-)exports (+6 points) were observed.

However, the drop in **America's** index continued in Q1 2023. In particular, its index dropped by another 5 points to 31 points, the lowest among all markets. While both imports and (re-)exports dropped at similar magnitude, its (re-)export index (28 points) is currently below the 30-point level.

On the other hand, the index for **Rest of the World** retreated to 39 points.

Air-Freighted Commodities

Index development of different air-freighted commodities varied. The Food & Beverage index saw a continuous increase, while the indices for Gifts, Toys & Houseware as well as Electronic Products & Parts rebounded. On the other hand, the index for Watches, Clock and Jewellery retreated. Index for Apparel and Clothing, which was down to its two-year low in the previous quarter, recorded a 2-point dip in Q1 2023.



Food and Beverage continued to be the air-freighted community with the highest index. In Q1 2023, its index climbed up by another 8 points with strong performance in both imports and (re-)exports, reaching the highest point over the past two years.

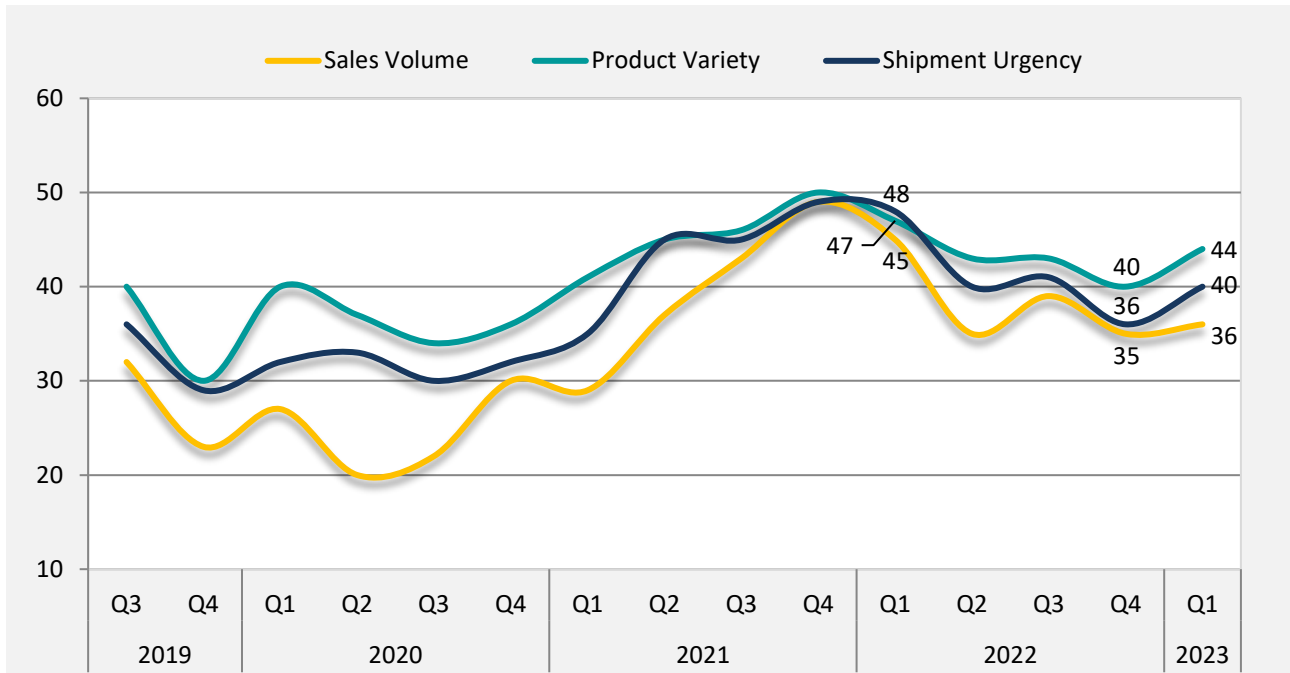
With improved imports and (re-)exports performance, the index for **Gift, Toys and Houseware** rebounded 6 points to 36 points; and the **Electronic Products and Parts** index also marked a similar rebound of 2 points to 31 points.

However, index for **Apparel and Clothing** reached its two-year low, suffering 2-point dip to 26 points as its (re-)export performance further weakened in Q1 2023.

On the other hand, the index for **Watches, Clocks and Jewellery** retreated from its recent high of 46 points to 40 points, mainly due to weakened (re-)export performance.

Sub-Indices

All indices picked up again after the decline in the previous quarter. Product Variety Index and Urgent Shipment Index rebounded at a faster pace.



Both **Product Variety** Index and **Shipment Urgency** Index rebounded by four points to 44 points and 40 points respectively. In particular, the rebound in Product Variety Index was observed across all markets.

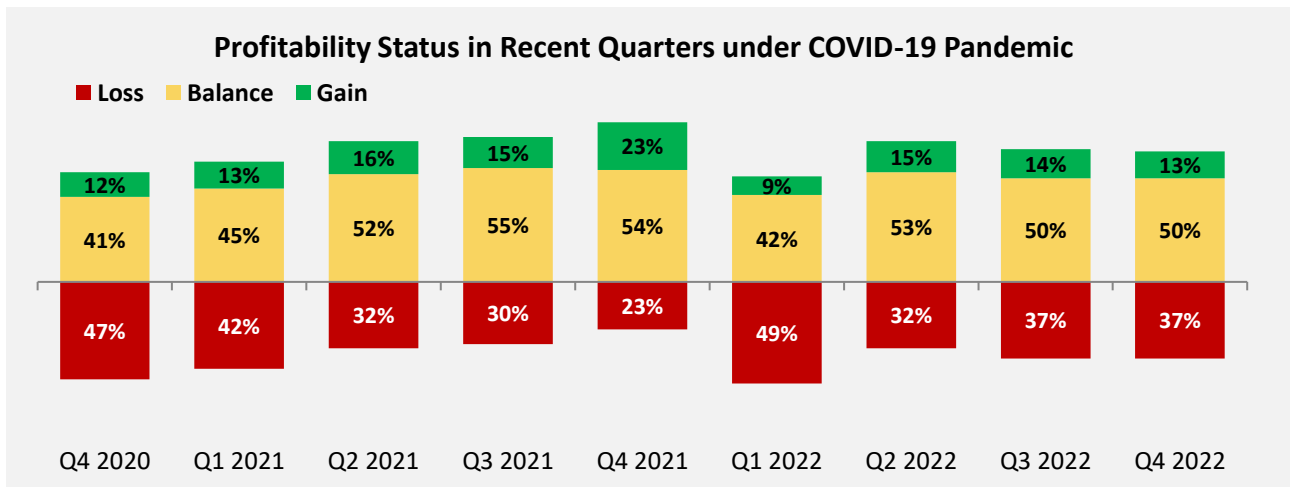
Sales Volume Index recovered by 1 point to 36 points.

Looking into the sub-index development by market:

- **Asia Pacific:** All indices recorded increments for **Japan** and **Other Asia Pacific** regions, while **China's** sub-indices remained relatively stable.
- **Europe:** All sub-indices recovered by 3 to 4 points after the drop in Q4 2022.
- **Americas:** A further drop in Sales Volume Index (-4 points) was observed amid the slight recovery in Urgent Shipment Index (+3 points).
- The retreat of the **Rest of the World** Index was mainly driven by the dip in its Sales Volume Index (-12 points).

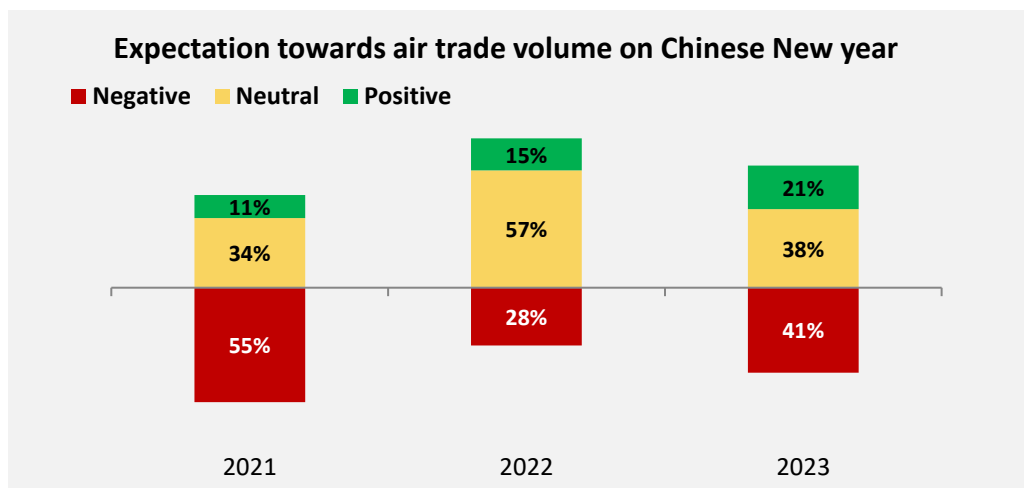
Air Trade Outlook Affected by Recent Market News

Profitability status of local air traders in Q4 2022, also marked as the traditional peak season, was similar as the previous quarter whereas they had more positive outlook towards the trade volume in the forthcoming Chinese New Year as well as B2C business. However, they stayed cautious in price increase amid the inflation pressure. On the other hand, over half of the air traders identified business opportunities outside of their main import / (re-)export markets.



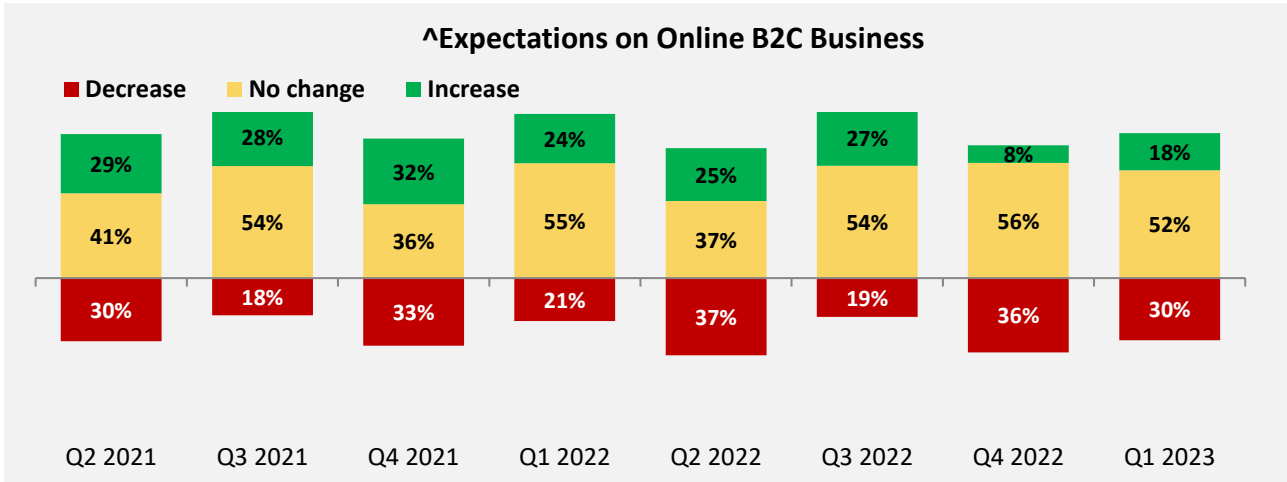
Note: Percentages may not add up to 100% due to rounding.

The plunge in local air traders' profitability in Q1 2022 marked a significant improvement in the following quarter with 17 percentage points more air traders reporting "growth" or "balance" status. However, such improvement was then followed by a mild retreat in Q3 2022, while the profitability status of Q4 2022 remained flat, with half of the local air traders reporting "balance" and over one-third (37%) reporting "loss".



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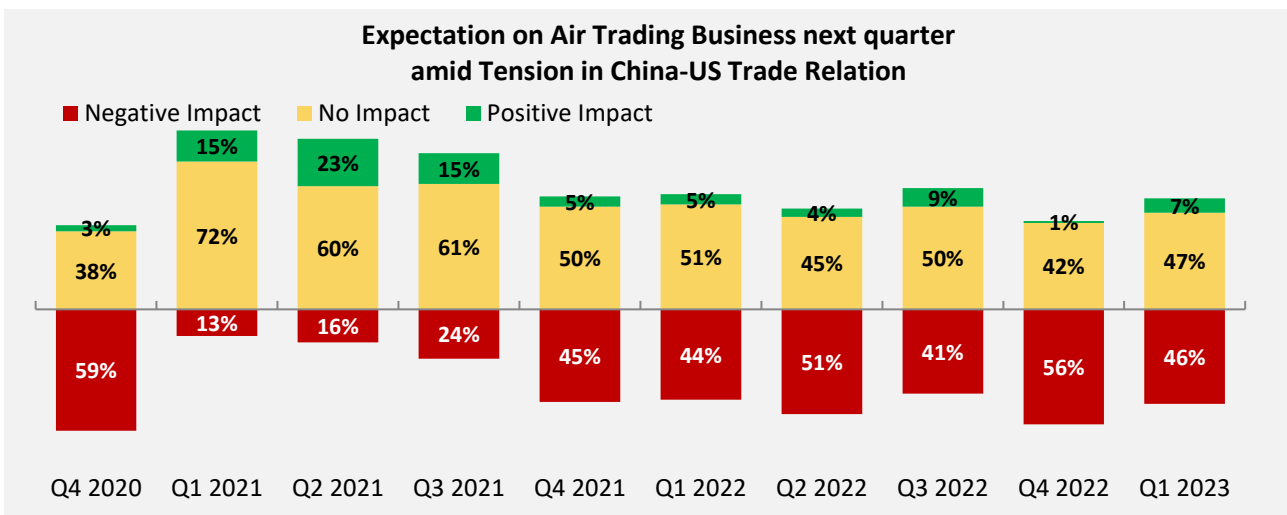
Looking at the business expectations towards the forthcoming Chinese New Year, local air traders were much more optimistic this year when comparing against the view obtained two years ago. However, such view was mixed when comparing against 2022. While there were 6 percentage points more traders holding a “positive” view, the proportions of air traders having “neutral” and “negative” views dropped by 19 percentage points and increased by 13 percentage points respectively.



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

^ Based on air traders with B2C Business Operations only

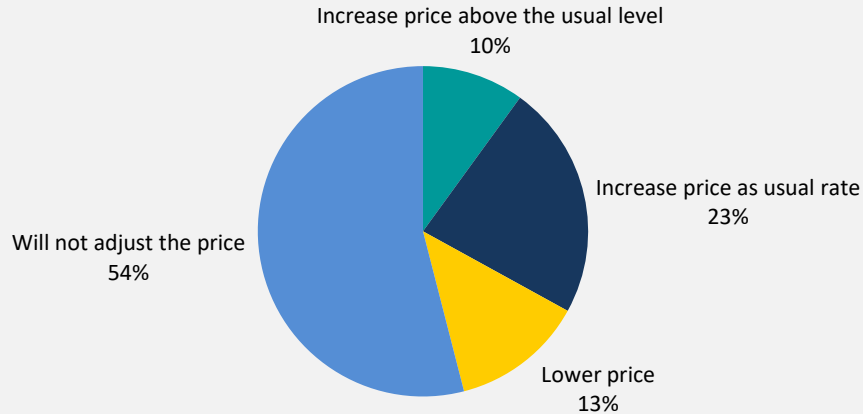
Expectations towards online B2C business in Q1 2023 have also improved. In particular, those air traders expecting a decrease in online B2C sales narrowed from 36% in Q4 2022 to 30% in Q1 2023; while those expecting an increase rebounded by 10 percentage points.



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

The worsening business expectations among air traders amid the tension in China-US trade relations ceased. However, it was still at an unfavourable position as 46% of respondents expected negative impact on their businesses in Q1 2023 due to the latest developments of the China-US relations.

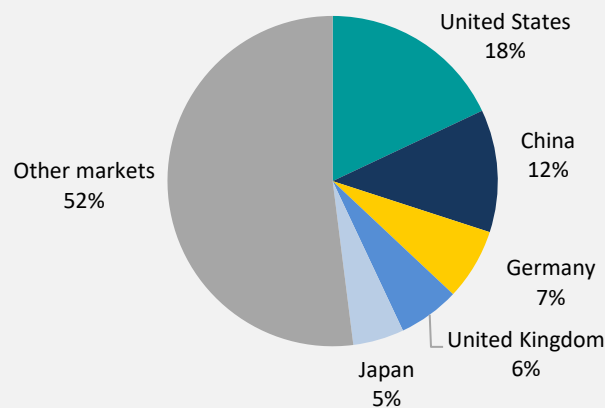
Action taken by respondent in 2023Q1 in respond to high global inflation



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

Inflation has pressurised air traders in terms of shipping costs. However, only 10% of the air traders would increase their price above the usual level due to inflation. For the remaining majority, 54% chose not to adjust their price in Q1 2023, and another 23% would increase their price at usual rate, among which close to six in ten considered inflation was not as serious as perceived.

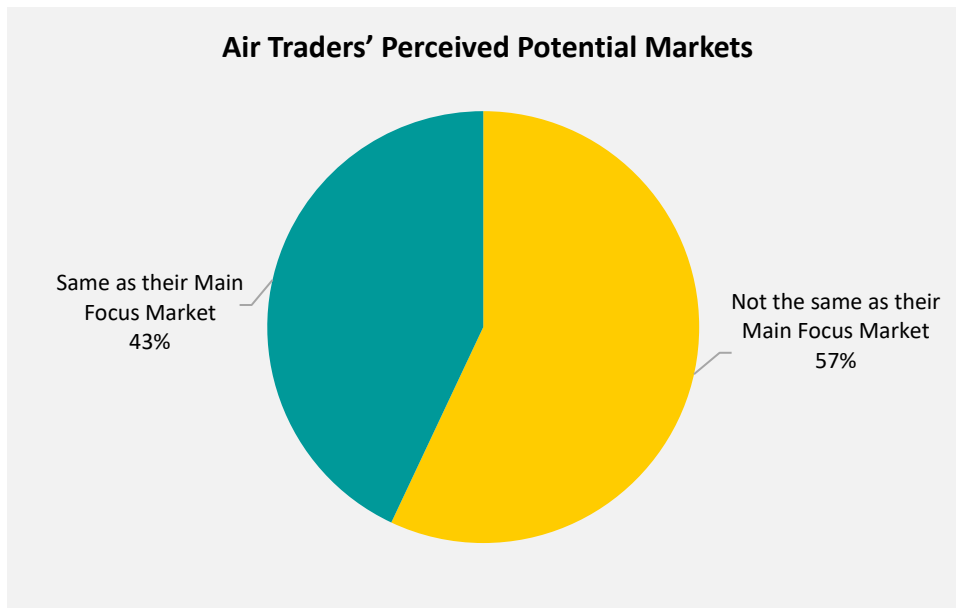
Top 5 potential markets



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

^ Based on the total number of votes

Air traders were also asked about the potential markets in 2023. Among all the markets in the poll, the top five markets have already shared nearly half of the votes. In particular, the United States was chosen as the top market with the highest potential, receiving 18% of the votes. This was followed by China (12%), Germany (7%), United Kingdom (6%) and Japan (5%) respectively.



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

On the other hand, close to 60% identified markets outside of their main import / (re-)export regions, implying the possible expansions to new markets.

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 “new industrialisation” in Hong Kong, 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.

Enquiry

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