



# DHL Hong Kong Air Trade Leading Index (DTI)

Q2 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](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\$78 billion annually, with HK\$47 billion from freight revenue, and creates over 40,000 job opportunities <sup>(1)</sup> in the city.

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.

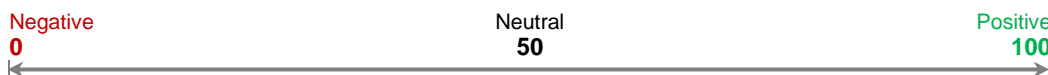
## Methodology

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

## 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 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 items 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

***A promising rebound to the level before the pandemic's fifth wave is seen across all indices with the Overall Air Trade Index reaching its five-quarter high at 45.6. This follows the HKSAR Government's lifting up of all social distancing measures in Hong Kong and inbound travel control arrangements.***

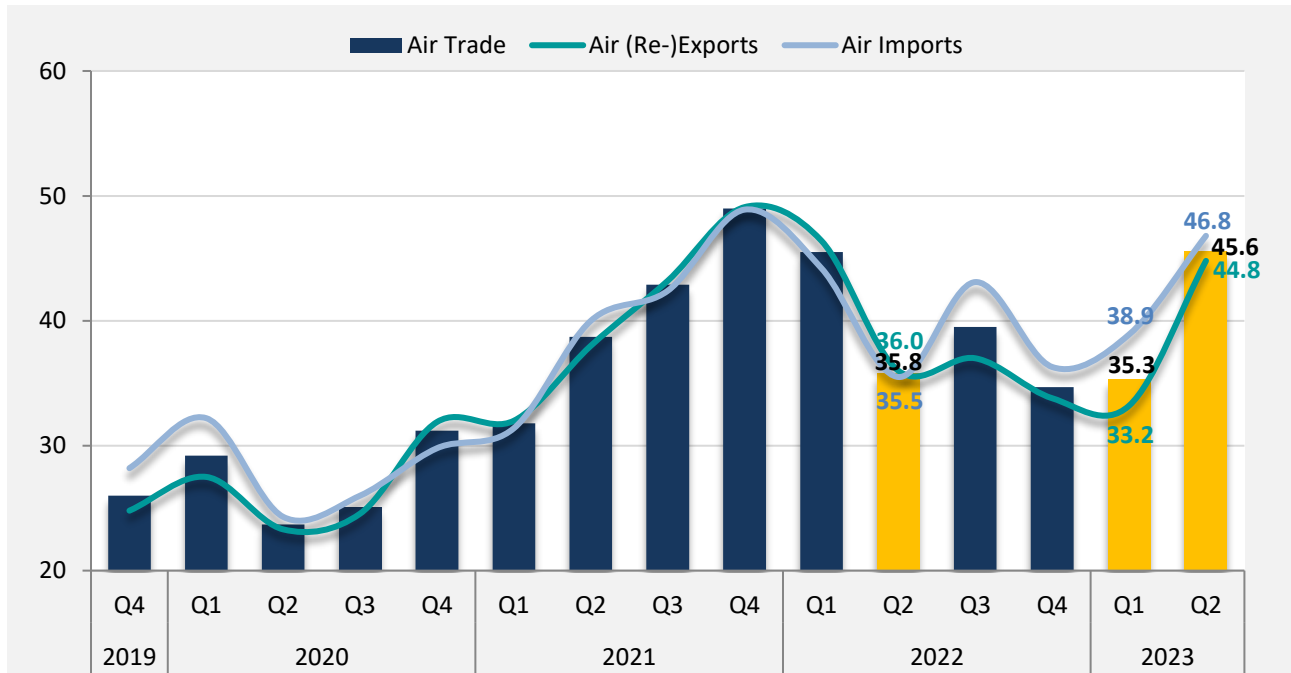
- Both Air Imports Index (46.8 points) and Air (Re-)exports Index (44.8 points) recorded increases of 7.9 points and 11.6 points respectively. With positive signs including the resumption of normalcy with all social distancing measures being lifted and the HKSAR Government's initiative in promoting inbound tourism, 38% of air importers has expressed positive expectations on their trade businesses.
- All market indices registered uplifts, with Americas Index registering a significant rebound of 18 points to 49 points, though it still had not returned to its level before the fifth wave of the pandemic. Both imports and (re-)exports showed significant recovery even though the concerns over China-US tension returned to a high level with 51% of air traders expecting the China-US tension would negatively impact their businesses.
- All sub-indices uplifted simultaneously, with Sales Volume Index showing the largest increments (+11 points).
- With social and economic activities resumed normal, over one-third (35%) of the air traders surveyed expected better sales volume than last quarter, among which 60% of them expected such growth could sustain in the second half of 2023. The remaining two-thirds (65%) did not expect immediate increase in sales volume this quarter, among which around a quarter (26%) of them were optimistic towards their sales volume in the second half due to the resumption of normalcy.
- 37% of air traders expected that the Hong Kong International Airport (HKIA) Logistics Park, to be established by the HKSAR Government in Dongguan, could help enhance their current logistic model, particularly among air traders with key markets in the Americas (46%) and other Asia Pacific region (43%). The key perceived benefits cited by these air traders included time saving (51%), logistics cost saving (40%) and easier customs and tax refund procedures (40%). As for the remaining 63%, either they had a more mature logistics plan in place, or they were still waiting for more detailed information about the HKIA Logistics Park.

Mr Edmond Lai, Chief Digital Officer of HKPC, commented, "With Hong Kong's resumption to normalcy, most of the key indices registered significant uplifts and returned to the level before the outbreak of the fifth wave of the pandemic. In addition, over one-third of the

surveyed air traders expected the resumption of normalcy could immediately lead to increase in sales volume this quarter. All these indicated that air traders had become more optimistic towards the outlook of the air trade industry. Air traders are advised to get prepared for the demand from increasing external trade activities. They are also advised to pay attention to the challenges posed by the latest developments of the China-US trade relation, high inflation, as well as the economic downturn in Europe and the US.”

## Air Trade Index

*The Overall Air Trade Index registered a significant uplift in Q2 2023, returning to the level before the pandemic's fifth wave. Both Air Imports Index and Air (Re-)Exports Index uplifted significantly.*



**Overall Air Trade Index** rose significantly by 10.3 points to 45.6 points in Q2 2023, contributed by the significant increase in both Air Imports Index and Air (Re-)Exports Index.

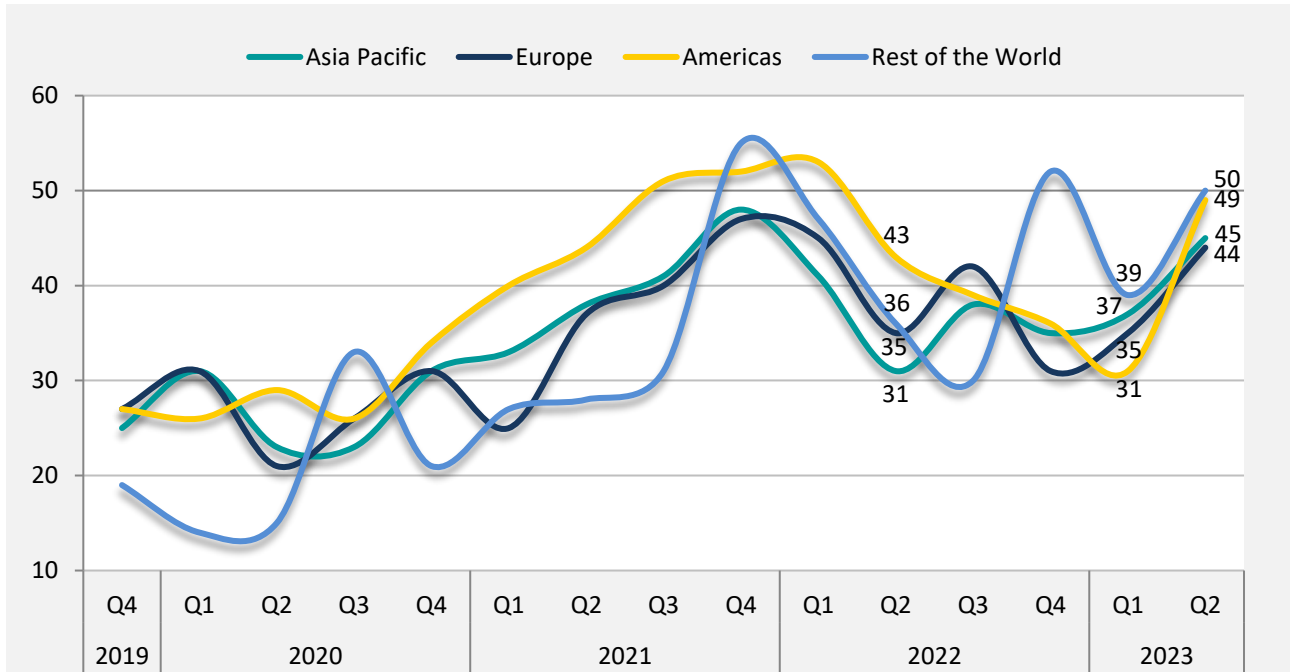
**Air Imports Index** significantly further uplifted by 7.9 points to 46.8 Q2 2023, returning to level before the pandemic's fifth wave.

After hitting its two-year low at 33.2 points in Q1 2023, **Air (Re-)Exports Index** rebounded 11.6 points to 44.8 points and is currently slightly below pre-fifth wave level.



## Markets

*All markets saw growths in Q2 2023. Except Americas, all markets had returned to the level before the pandemic's fifth wave.*



The continuous drop in **Americas'** index had ceased in Q2 2023. In particular, Americas regained the status as the market having the highest index due to the significant rebound of 18 points to 49 points, which was contributed by the recovery of both imports and (re-)exports performance. However, it was the only market that had not returned to its level before the pandemic's fifth wave.

**Europe's** index rose 9 points to 44 points, with more remarkable gains in imports (+11 points).

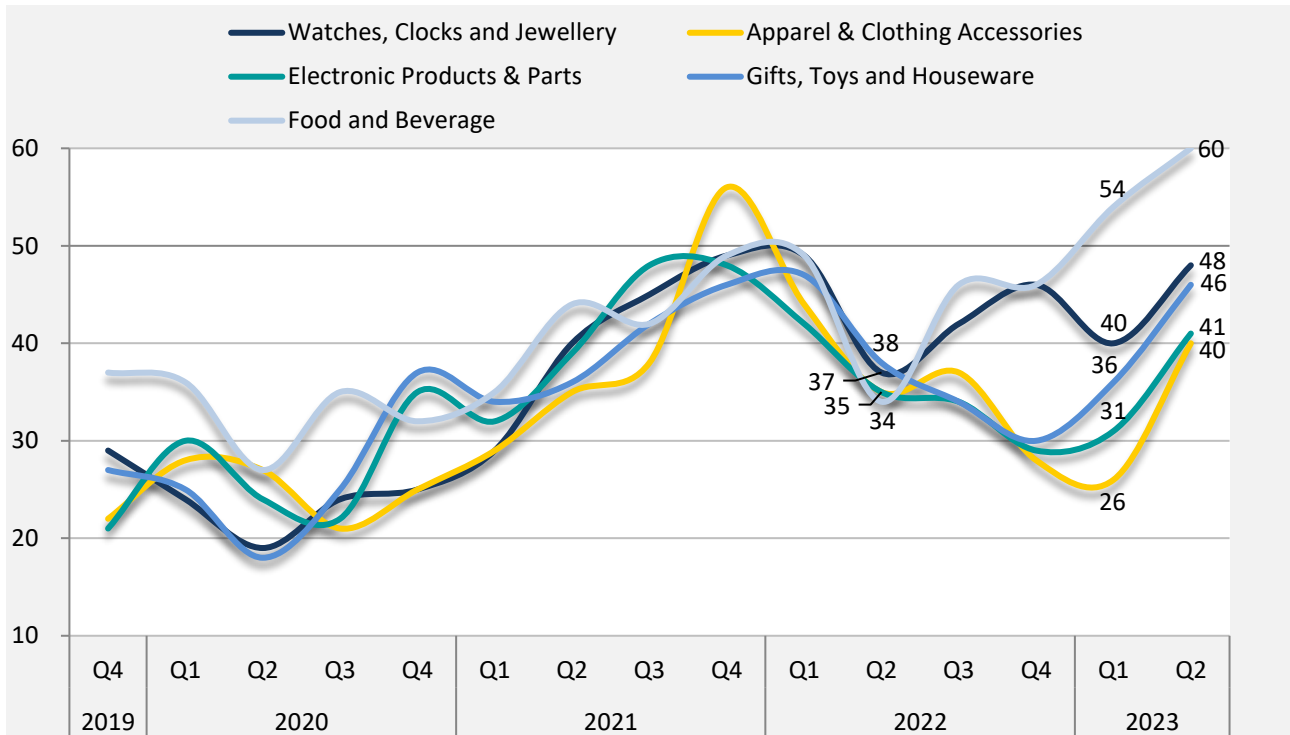
**Asia Pacific's** index (45 points) also went up by 8 points, driven by the strong (re-)exports performance (+12 points) across the region. Slight variance in index development within the region was observed:

- Index for **other Asia Pacific region** further uplifted to 49 points (+10 points), mainly driven by its strong (re-)exports performance (+13 points). Its imports performance also showed further improvements (+4 points).
- **China's** index (40 points) saw a 4-point jump, with slight improvements in both imports (+3 points) and (re-)exports (+4 points) observed.
- **Japan's** index was slightly up by 1 point to 34 points, driven by its strong (re-)exports performance (+20 points). However, it was the only market that recorded further decline in imports (-1 point).

On the other hand, index for **Rest of the World** rebounded to 50 points (+11 points).

## Air-Freighted Commodities

**All air-freighted commodities saw growths in their indices with Food & Beverage continuing register the highest index – climbing to its recent high at 60 points. Except Apparel and Clothing Accessories, indices for all air-freighted commodities had returned to the similar level prior to the pandemic’s fifth wave.**



**Food and Beverage** continued to have the highest index among all air-freighted commodities in Q2 2023. Its index marked a 6-point uplift to 60 points, reaching its recent high since 2019. In particular, its imports and (re-)exports grew at similar magnitude.

Index for **Watches, Clocks and Jewellery** was up by 8 points, contributed by the rebound in its (re-)export performance (+11 points).

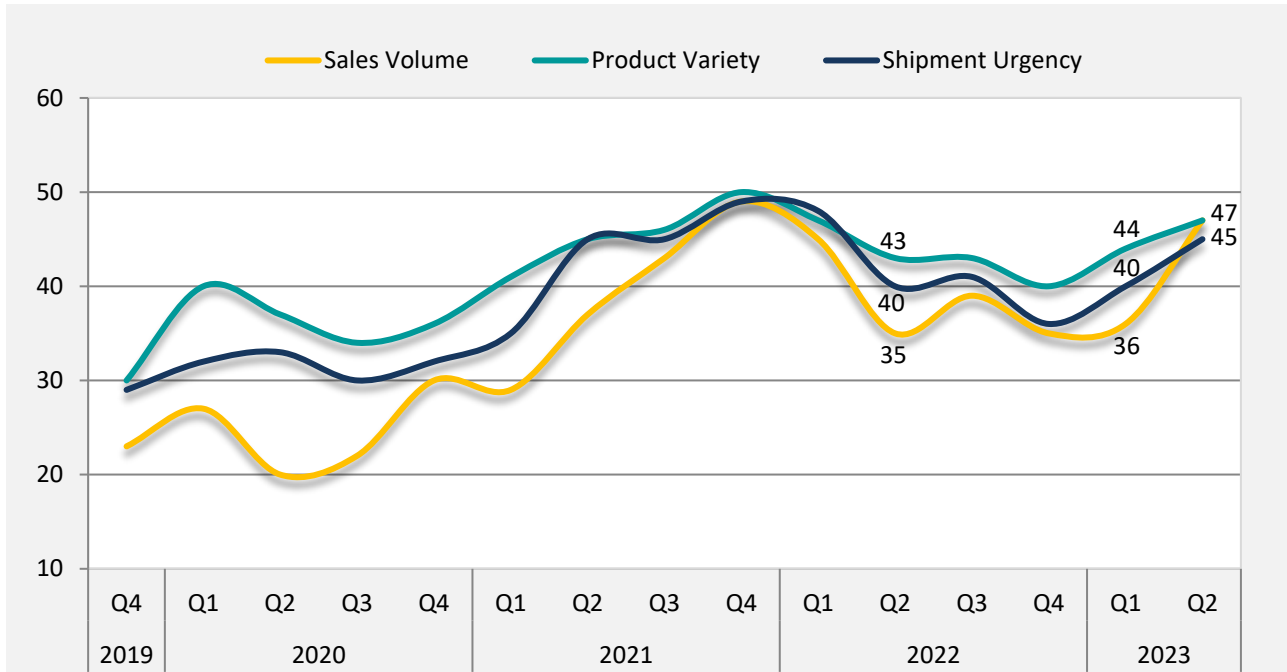
Similarly, indices for **Gifts, Toys and Houseware** and **Electronic Products and Parts** increased by 10 points to 46 points and 41 points respectively, where such growth was mainly driven by the strong (re-)export performance (+13 points and +11 points respectively).

The declining trend in the index for **Apparel and Clothing Accessories** had ceased with a rebound of 14 points to 40 points, yet it still had not returned to its level before the pandemic’s fifth wave. Both imports (+16 points) and (re-)exports (+13 points) rebounded at similar magnitude.



## Sub-Indices

**All indices picked up further in Q2 2023. Sales Volume Index, which grew at a faster pace, had caught up with Product Variety Index.**



**Sales Volume** Index had caught up with Product Variety Index with a remarkable growth of 11 points to 47 points. Improvement was observed in both imports and (re-)exports, with (re-)exports picking up at a faster pace (+13 points).

**Product Variety** Index (47 points) registered a 3-point increment, which was driven by the growth in (re-)exports. However, its performance in imports remained stable.

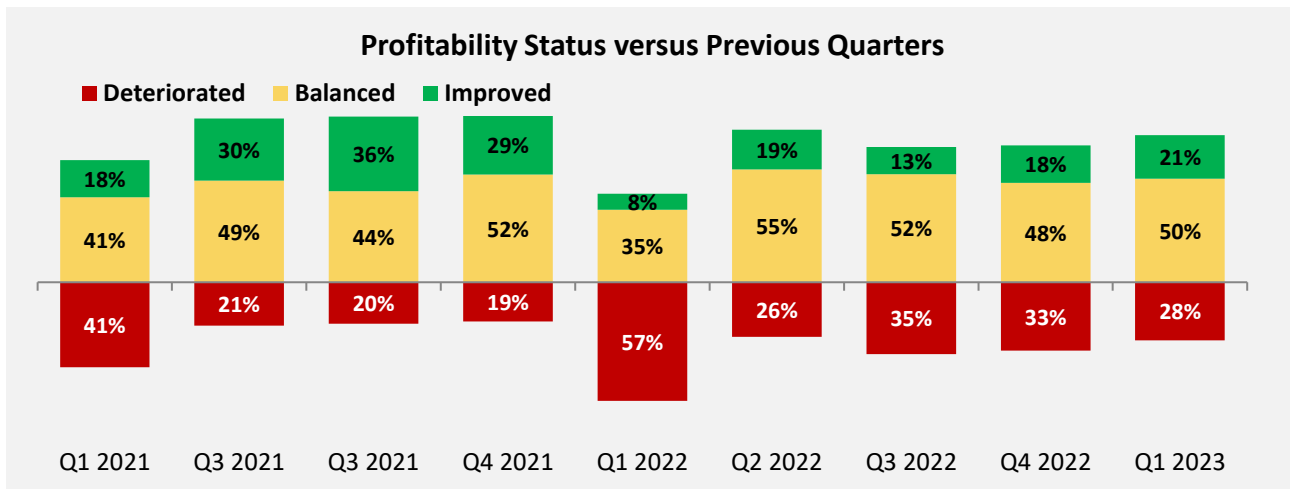
**Shipment Urgency** Index increased 5 points to 45 points. All markets registered growth at similar magnitude.

Looking into the sub-index development by market:

- **Americas:** Growths across all indices were observed. In particular, its uplift in Sales Volume Index (+19 points) and Product Variety Index (+8 points) outpaced other markets, making it the market with the highest index in Q2 2023. However, all sub-indices had not returned to the level before the pandemic's fifth wave.
- **Asia Pacific:** While both Sales Volume Index and Shipment Urgency Index further picked up, its Product Variety Index was slightly down by 1 point due to the decline in China (-3 points).
- **Europe:** All sub-indices increased at similar magnitude as overall indices.
- **Rest of the World:** Uplifts in all indices were observed, but its increase in Sales Volume Index was slower than that of other markets.

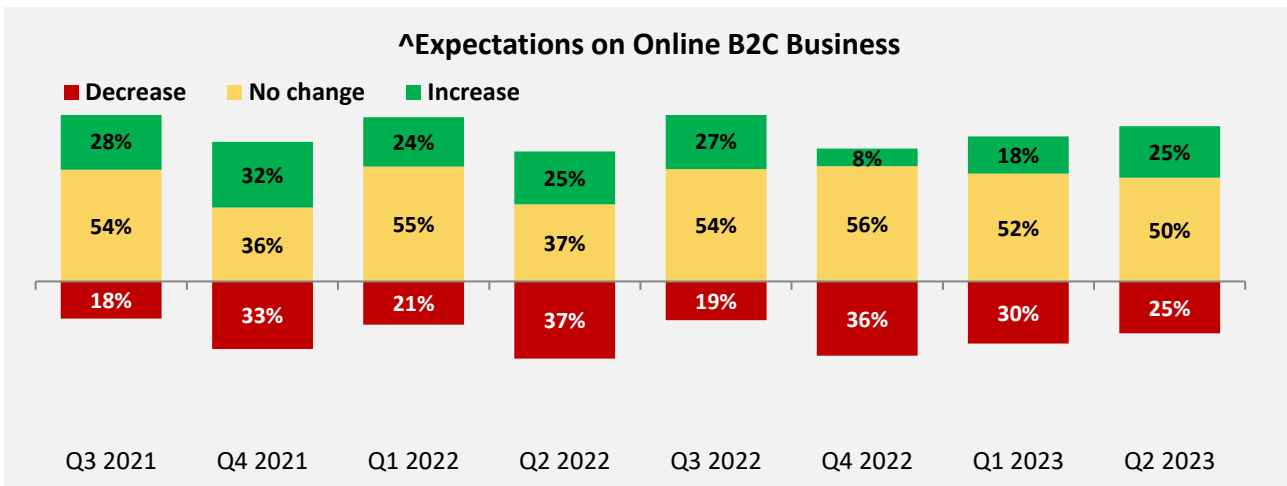
## Air Trade Outlook Affected by Recent Market News

Although the intensified China-US trade relations has sparked concerns among the air traders, a more promising outlook on Q2 2023 is expected with all indices showing significant growths amid the lifting of social distancing measures in Hong Kong and around the world. Over one-third of air traders held an optimistic view in Q2 2023 with 60% of them expected the growth could sustain till the second half of 2023 with the resumption to normalcy.



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

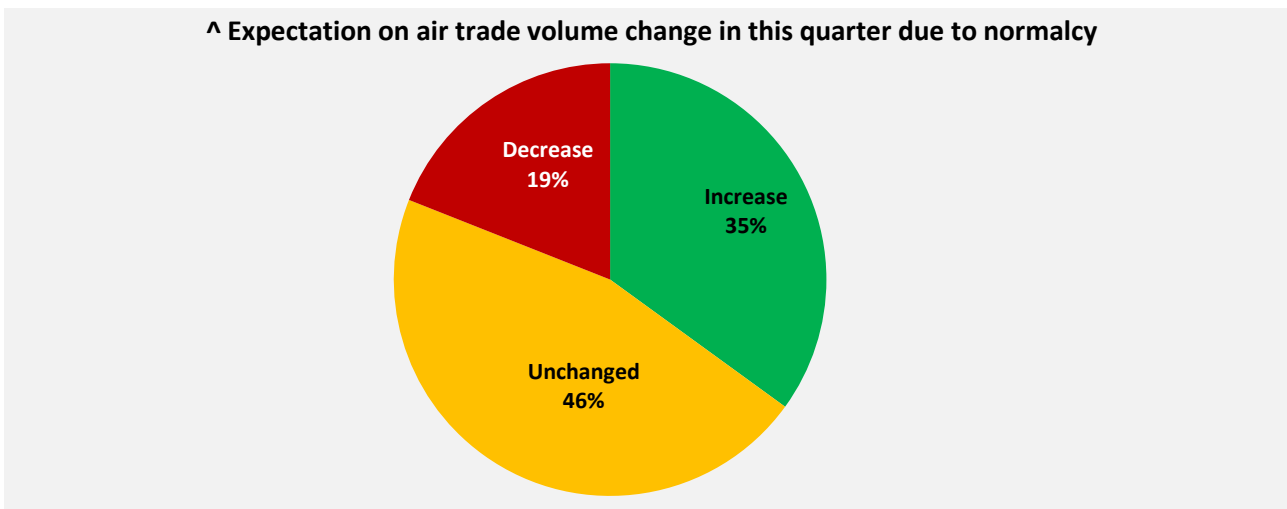
Profitability improved in Q1 2023 as a result of the relaxation of social distancing measures in Hong Kong and inbound travel control arrangements. In particular, 71% of the surveyed respondents reported “unchanged” or “improved” profitability in Q1 2023, up 5 percentage points from previous quarter.



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

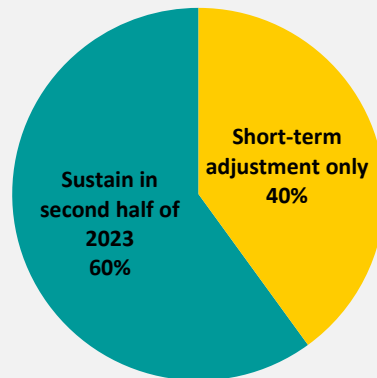
^ Based on air traders with B2C Business Operations only

In addition, air traders' expectations towards online B2C business also improved. In particular, the proportion of air traders expecting an increase in online B2C sales increased from 18% in Q1 2023 to 25% in Q2 2023; while the proportion of those expecting decrease dropped by 5 percentage points to 25%.



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

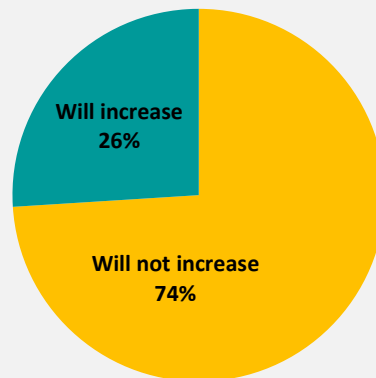
**^ Expectation over second half of 2023 from Air Traders who expected STRONGER volume in Q2 2023**



^ Based on air traders expecting increase in volume in Q2 2023  
Note: Percentages may not add up to 100% due to rounding.

As Hong Kong resumes to normalcy, 35% of the surveyed air traders expected immediate increase in trade volume in Q2 2023, among which 60% of them foreseeing that such growth could sustain in the second half of 2023.

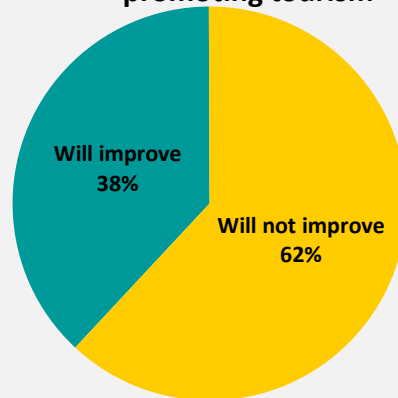
**^ Expectation over second half of 2023 from Air Traders who expected NO IMMEDIATE volume INCREASE in Q2 2023**



^ Based on air traders expecting no immediate volume increase in Q2 2023  
Note: Percentages may not add up to 100% due to rounding.

For the remaining two-thirds (65%) who did not expect immediate increase in sales volume this quarter, 26% of them expected that such increase would take place in the second half of the year.

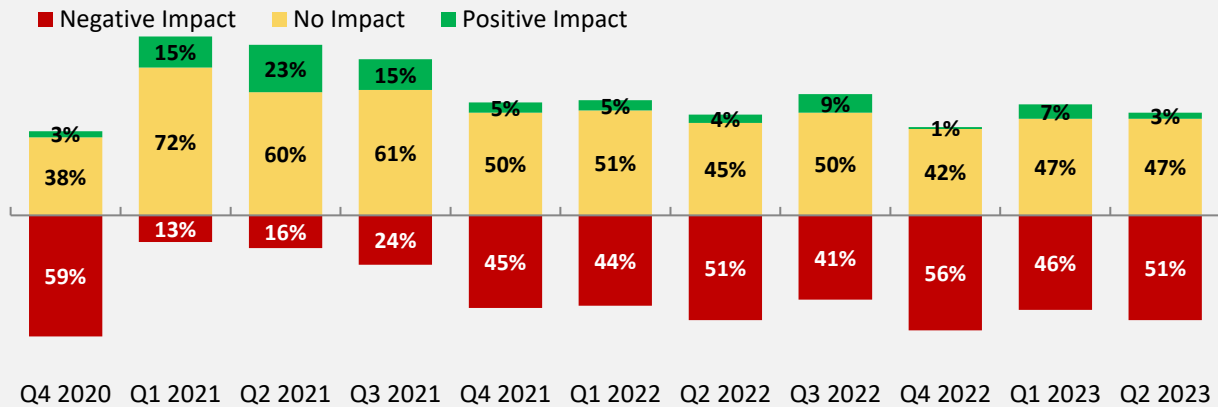
**^ Expectation on air trade volume with HKSAR Government promoting tourism**



^ Based on all air importers  
Note: Percentages may not add up to 100% due to rounding.

The Government's initiative to promote tourism also boosted air importers' confidence towards their air trade volume, with 38% of them expecting a positive impact due to such initiative. Such proportion was higher among air traders who imported from Europe (41%).

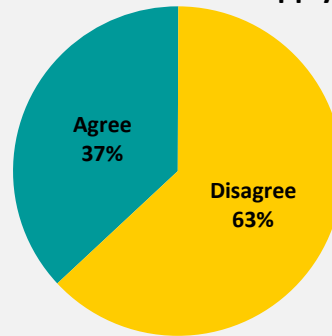
**Expectation on Air Trading Business next quarter amid Tension in China-US Trade Relation**



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

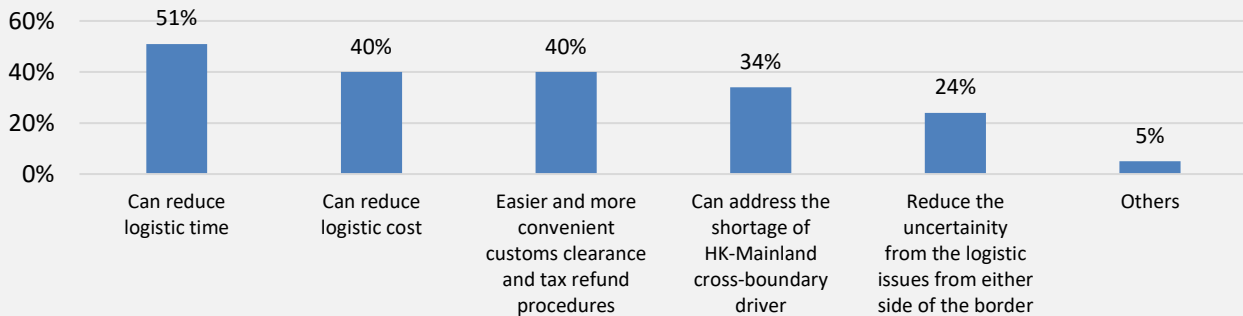
However, the worsened trade relationship between China and the US has negatively impacted air traders' expectations on their businesses. In particular, the proportion of respondents expecting negative impacts on their business in Q2 2023 increased by 5 percentage points to 51% due to the latest development of the China-US relations.

**Agreement whether the establishment of HKIA Logistic Park in Dongguan can enhance air traders' current supply chain model**



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

**^ Factors that HKIA Logistic Park can enhance air traders' current supply chain model**

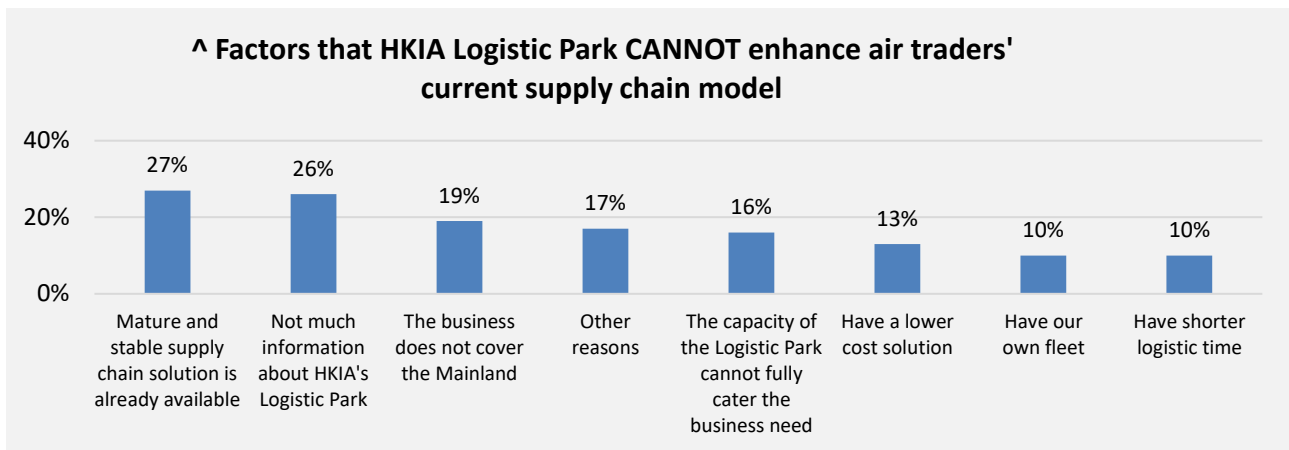


^ Based on air traders agreeing that the setup of HKIA Logistic Park can enhance their supply chain model  
Multiple answers allowed

The HKIA Logistic Park, to be established by the Hong Kong Government in Dongguan, enables sea-to-air transshipment between the Mainland and other markets via Hong Kong. 37% of the air traders with some understanding about the HKIA Logistic Park indicated that it could help enhance their current supply chain model, particularly among air traders engaging with key markets including Americas (46%) and other Asia Pacific region (43%).

Among these air traders, the key perceived benefits associated with the HKIA Logistic Park included “logistic time saving” (51%), “logistic cost saving” (40%) and “easier customs clearance and tax refund procedures” (40%).





^ Based on air traders disagreeing that the setup of HKIA Logistic Park can enhance their supply chain model  
Multiple answers allowed

On the other hand, 63% of air traders expressed that the HKIA Logistic Park could not enhance their current supply chain model. Their key considerations included “having mature and stable supply chain in place” (27%), “not having detailed information on HKIA Logistic Park” (26%) and “business not covering the Mainland” (19%).

## ***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 centre 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, and strengthens talent nurturing and Hong Kong's competitiveness with FutureSkills training for enterprises and academia to enhance digital capabilities and TechEd competencies.

For more information, please visit HKPC's website: [www.hkpc.org/en](http://www.hkpc.org/en).

## ***Enquiry***

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

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