



# DHL Hong Kong Air Trade Leading Index (DTI)

Q3 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 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.

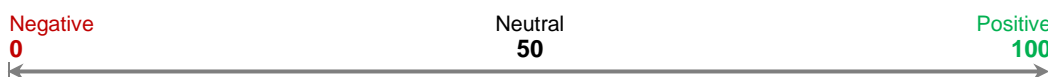
## Methodology

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

## 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' expectations 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

***In Q3 2023, Overall Air Trade Index retreated after a big jump last quarter under declining sales volume. However, it was still at a higher level compared with the time during the fifth wave of the pandemic which took place early last year.***

- Exports showed a relatively strong drop which was mainly dragged down by Americas market and Food & Beverages.
- Only 15% of local air traders expected additional sales volume before the Golden Week in October.
- All sub-indices, markets and commodities suffered drops when compared with last quarter while online B2C registered growths in Product Variety and Urgent Shipment but slipped in Sales Volume. This aligns with the general trend that sales volume is the factor showing the largest drop.
- The removal of the mask mandate in Hong Kong in March 2023 enabled the society to resume normalcy in full. Along with this, 5 percentage points more air traders reported profitability improvement in Q2 2023. Looking back at the COVID-19 pandemic period, the start of COVID-19 in February 2020 hit local air traders the hardest with 68% reported deteriorated business performance and 10% reflected growth. Their profitability was getting better in the following quarters before the fifth wave of the pandemic (Q1 2022).
- With Hong Kong eyeing a green and sustainable future, zero emissions have emerged as one of the big trends in the city. 64% of local air traders revealed they were willing to take part in initiatives to reduce carbon emissions.

Mr Edmond Lai, Chief Digital Officer of HKPC, commented, “This quarter’s results align with the downtrend in External Merchandise Trade Statistics in April and May 2023 announced by C&SD<sup>2</sup> that the air trade industry in Hong Kong is facing challenges from the external environment. Retreats in indices were discovered in most markets, covering the majority of the air-freighted commodities. In particular, a larger drop was discovered in Americas which was dragged down by its (re-)export performance. As the risk of economic recession in the US persists, enterprises are advised to prepare themselves by proactively expanding into other markets to address mid-to-long-term challenges. On the other hand, we are pleased

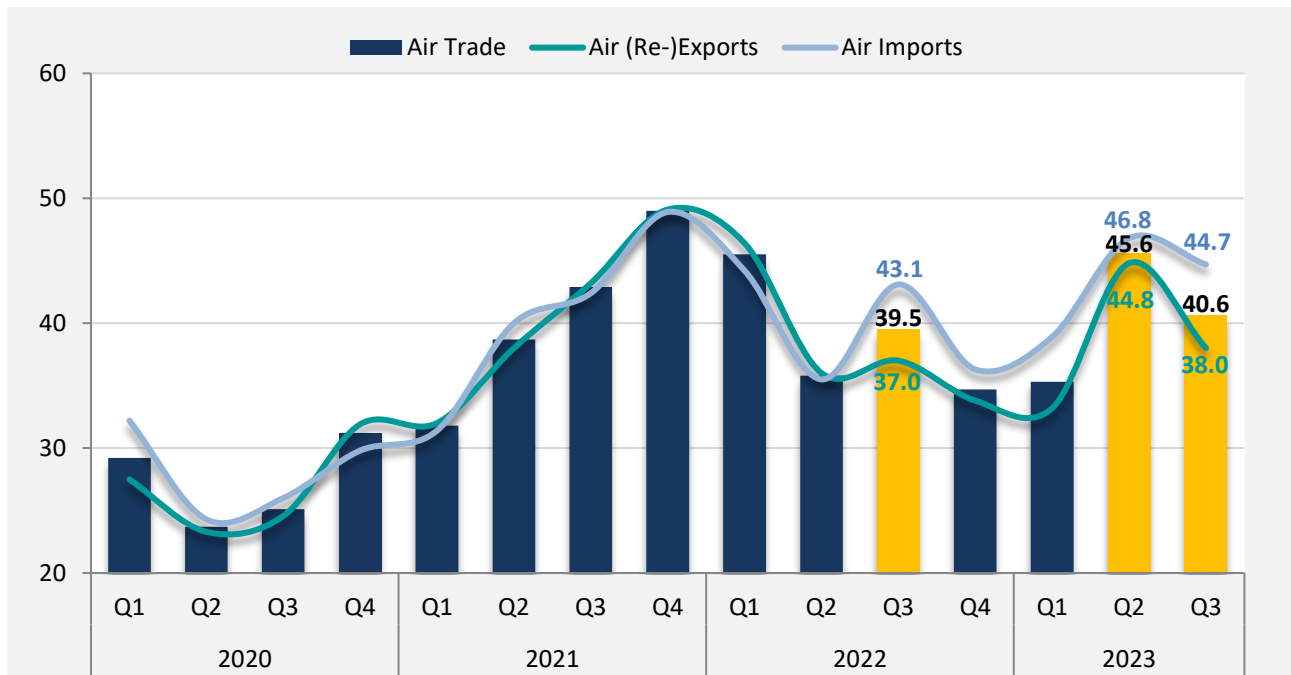
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<sup>2</sup> Source: [https://gia.info.gov.hk/general/202306/27/P2023062700342\\_423526\\_1\\_1687851919339.pdf](https://gia.info.gov.hk/general/202306/27/P2023062700342_423526_1_1687851919339.pdf)

to see that nearly two-thirds of the surveyed air traders are willing to take part in reducing emissions. Given the HKSAR Government’s commitment to halving its carbon emissions by 2035, the air trade industry is set to become one of the key drivers of sustainable development. Enterprises are advised to start reviewing their daily operations for areas that can reduce their carbon footprint. HKPC will also support enterprises in setting appropriate carbon reduction targets and adopting more low-carbon technologies to facilitate the green transformation of industries.”

## Air Trade Index

The Overall Air Trade Index retreated by 5.0 points to 40.6 points in Q3 2023, mainly due to the weakened (re-)export performance. However, it was still at a higher level than Q2 2022 when the fifth wave of the pandemic took place.



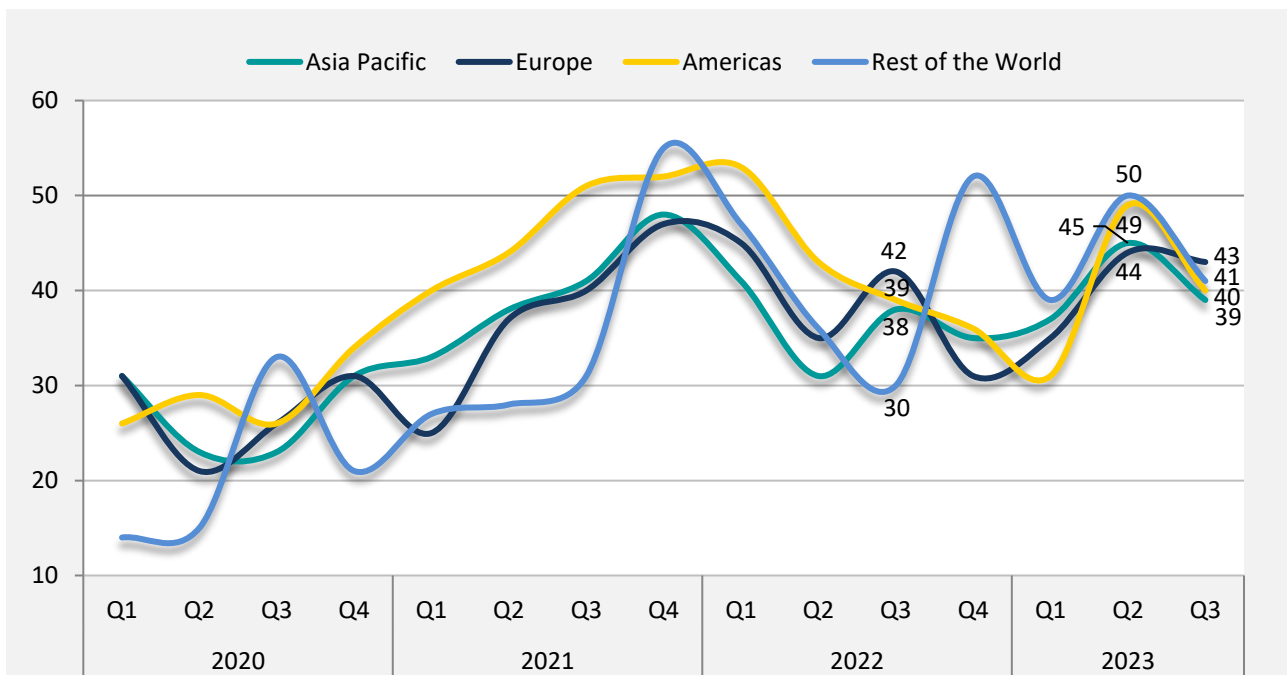
**Overall Air Trade Index** was down by 5.0 points to 40.6 points in Q3 2023, which was mainly from the drop in Air (Re-)Exports Index.

Following a significant uplift of 11.6 points in Q2 2023, **Air (Re-)Exports Index** went down by 6.8 points to 38.0 points.

**Air Imports Index** stayed at its relatively high level at 44.7 points amid the slight retreat of 2.1 points.

## Markets

*America's Index plunged again by 9 points from the weakened export performance following a 18-point spike in Q2 2023 while Europe's Index remained relatively stable on the high side. Although indices for China and Japan remained relatively stable, the slip in other Asia Pacific regions caused Asia Pacific's index to drop by 6 points. Except for Europe and China, all markets suffered drops in (re-)export performance, with Americas recording a more significant drop in this aspect.*



**Americas'** index plunged again in Q3 2023 by 9 points to 40 points immediately following its spike in Q2 of 2023, resulting from the slippage in (re-)export performance which dropped at a higher magnitude than other markets. On the other hand, its imports performance remained stable at its recent high level.

**Europe** took over Americas as the market with the highest index this quarter. Its index stayed at its high of 43 points (-1 point) with stable performance in both imports and (re-)exports.

**Asia Pacific's** index (39 points) was also down by 6 points due to the weakened performance observed in other Asia Pacific regions:

- The Index for **other Asia Pacific regions** plunged significantly to 37 points (-12 points), where weakened performance in both (re-)exports (-12 points) and imports (-10 points) were observed.
- **China's** index (40 points) remained stable, with both imports and (re-)exports performance remaining flat.

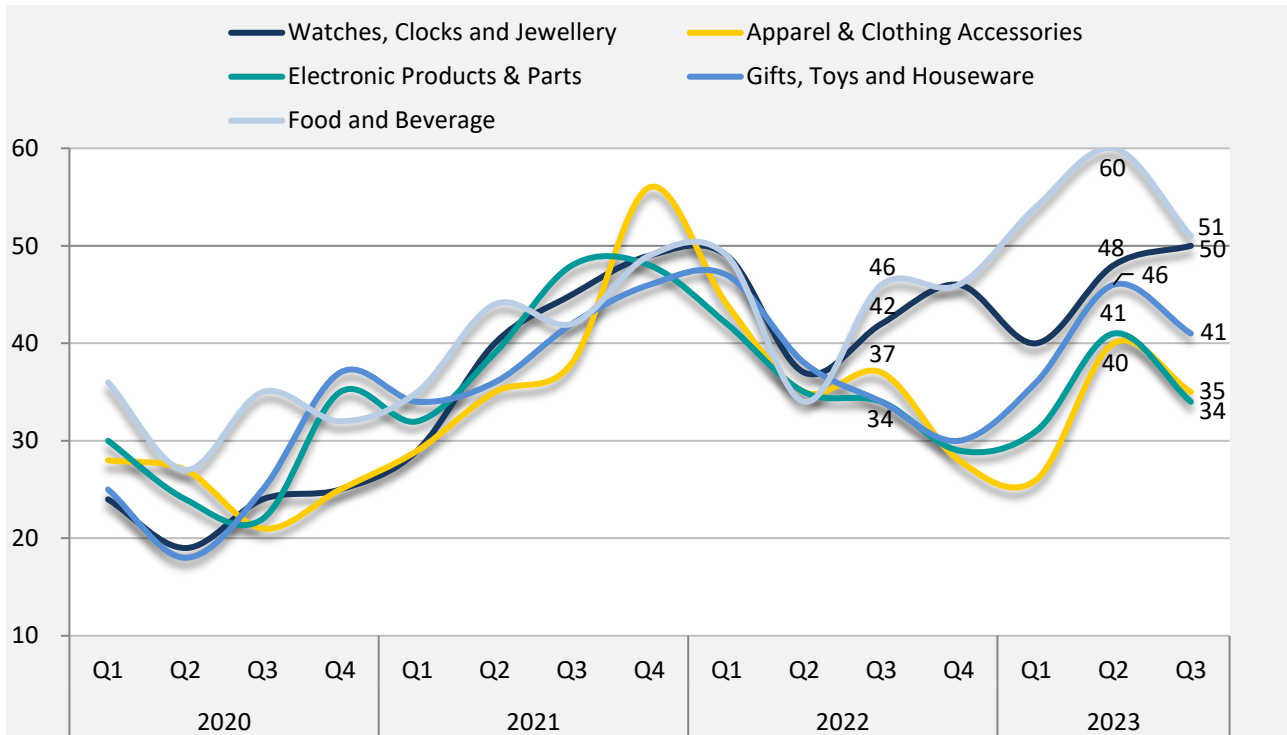
- **Japan's** index was further up by 2 points to 44 points. The market made a remarkable uplift in imports performance (+10 points), offsetting the slippage in (re-)export performance (-9 points).

The index for the **Rest of the World** was down again to 41 points (-9 points).



## Air-Freighted Commodities

**Except for Watches, Clocks and Jewellery which picked up further by another 2 points, all air-freighted commodities suffered drops in indices. Food & Beverage continued to register the highest index despite a retreat of 9 points from its peak. Similarly, (re-)export performance weakened across all air-freighted commodities.**



**Watches, Clocks and Jewellery** was the only air-freighted commodity which registered increment in index in Q3 2023. Amid a slight retreat in (re-)export performance (-3 points), its strong import performance (+13 points) contributed to a further 2-point increment in index to 50 points.

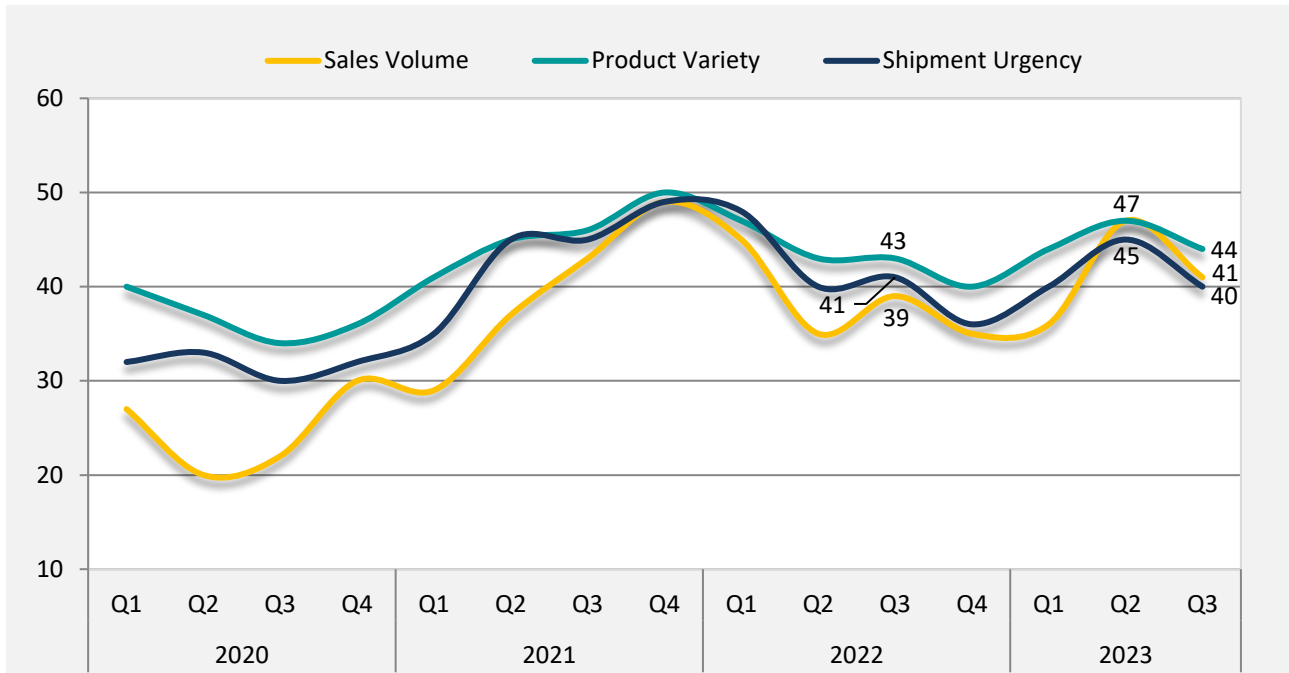
**Food and Beverage** continued to have the highest index among all air-freighted commodities at 51 points in Q3 2023 despite the 9-point retreat from its recent peak. Both imports and (re-)exports suffered drops, but the drop in the latter was more drastic (-20 points).

The Index for **Gifts, Toys and Houseware** also retreated by 5 points to 41 points, mainly from the slippage in (re-)export performance (-8 points).

Similarly, indices for **Apparel and Clothing Accessories** and **Electronic Products and Parts** dipped by 5 points and 7 points to 35 points and 34 points respectively, where both imports and (re-)exports retreated at similar magnitude.

## Sub-Indices

**All sub-indices retreated in Q3 2023 due to the retreat in (re-)export performance. Sales Volume Index decreased at a faster pace than other sub-indices.**



**Sales Volume** Index retreated by 6 points to 41 points. On top of the slippage in (re-)export, it was also slightly weakened at import side.

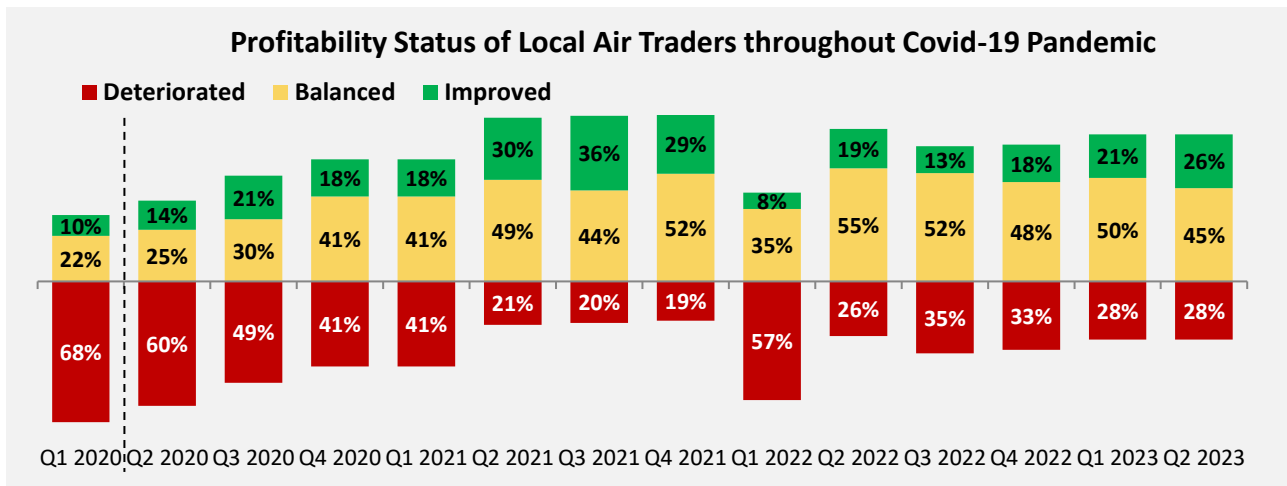
**Product Variety** Index (44 points) and **Shipment Urgency** Index (40 points) were down by 3 points and 5 points respectively, both were driven by the slippage in (re-)exports. Meanwhile, both remained stable on the import side.

Looking into the sub-index development by market:

- **Americas:** All sub-indices retreated at a similar magnitude.
- **Asia Pacific:** All sub-indices for **other Asia Pacific regions** retreated across the board. **Japan's** Sales Volume Index went down but Urgent Shipment was maintained, while an opposite trend was observed in **China**. On the other hand, both markets registered increments in Product Variety Index.
- **Europe:** All sub-indices remained more or less stable at their respective high levels.
- **Rest of the World:** Slight declines in Sales Volume Index and Urgent Shipment Index were observed.

## Air Trade Outlook Affected by Recent Market News

With the mask mandate in Hong Kong being lifted in March 2023, the society was able to resume normalcy. A big jump in the Overall Air Trade index was witnessed in Q2 2023, with 5 percentage points more air traders reported improvement in profitability. In this quarter, a retreat under soft sales volume was observed. Moreover, only a 15% expected increase in sales volume before the long holiday in Mainland China from 1<sup>st</sup> October for Golden Week. Although the business outlook does not seem promising, 64% of air traders are willing to take part in reducing carbon emissions, of which 87% of them are willing to pay extra up to 10% of logistic costs for reducing carbon emissions.



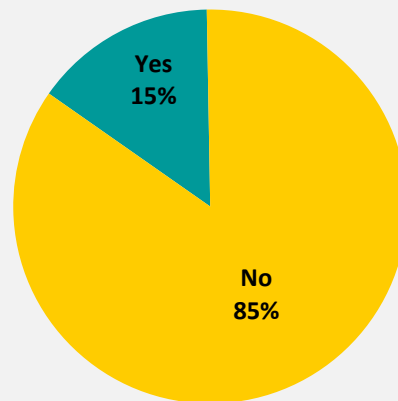
Note 1: Percentages may not add up to 100% due to rounding.

Note 2: The comparison in profitability status in Q1 2020 was about air traders' profitability status in February 2020. Since Q2 2020, air traders were asked for their profitability status against the previous quarter

With the society resumed normalcy by the end of Q1 2023, the proportion of air traders reporting profitability improvement in Q2 2023 increased by 5 percentage points, while the proportion of air traders reporting deteriorated business remained the same as last quarter. Looking back at air traders' profitability status throughout the COVID-19 pandemic period, the start of COVID-19 in February 2020 hit local air traders the hardest with 68% reported deteriorated business performance. The business environment of the following quarters seemed to get better quarter by quarter until the fifth wave (in Q1 2022) of the pandemic when 57% reported deteriorated business and only 8% reported improvement.

Overall, the 3 quarters before the fifth wave of the pandemic were the best performing period. In particular, Q3 2021 showed the best profitability status with 36% of air traders reporting improved profitability and the second lowest percentage (20%) in deteriorating profitability.

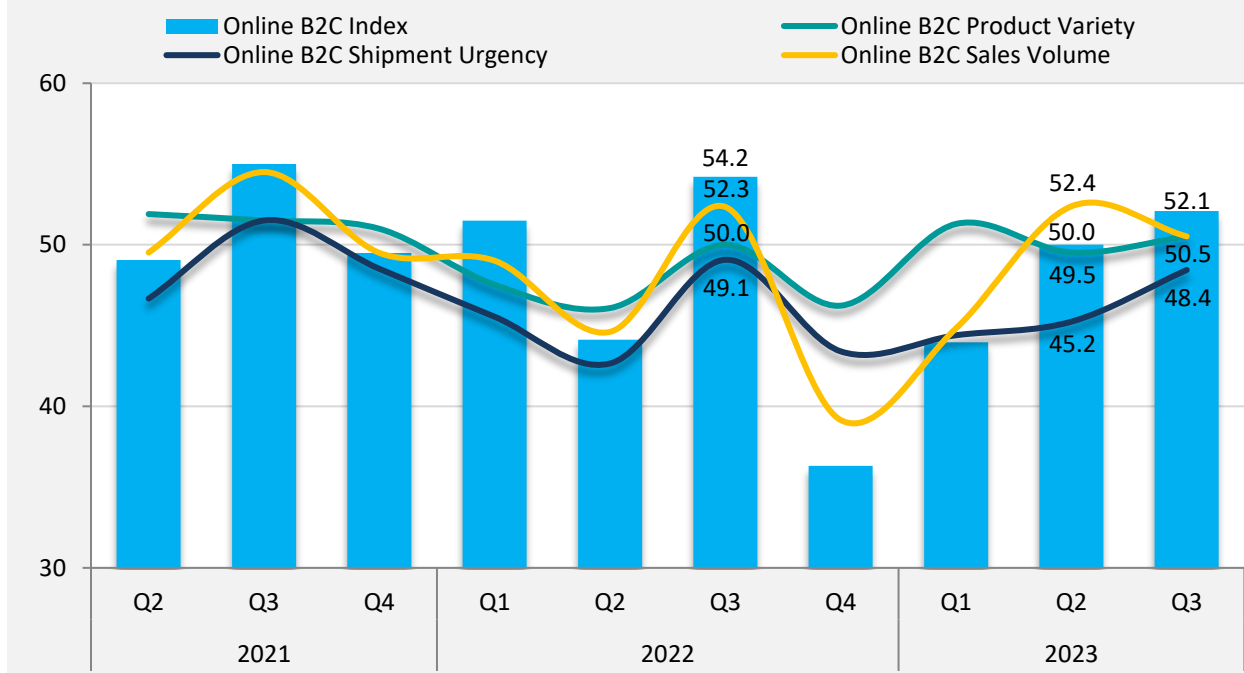
### Whether expecting upsides in trade before the 1st October Golden Week Holiday



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

Only 15% of the surveyed air traders expected an increase in sales volume before the 1<sup>st</sup> October Golden Week – the long holiday in Mainland China.

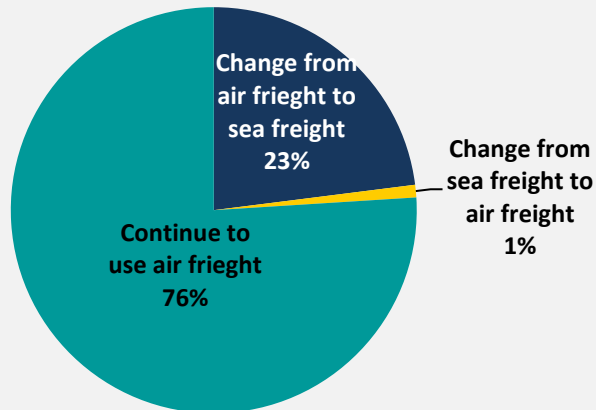
### Online B2C Business



Note: Based on air traders with online B2C business

Amid the retreat in Overall Air Trade Index, Online B2C Index picked up further by 2.1 points to 52.1 points, contributed to by the improvements in Product Variety (+3.2 points) and Shipment Urgency (+1.0 point). However, Online B2C Sales Volume weakened (-1.9 points), which aligns with the general trend that sales volume is the factor showing the largest drop.

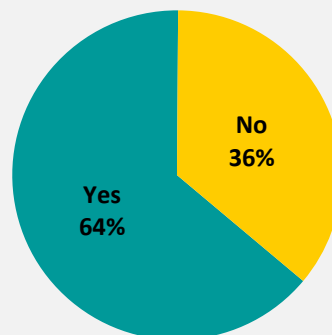
### Changes in air traders' major transportation mode with freight capacity returned to normal



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

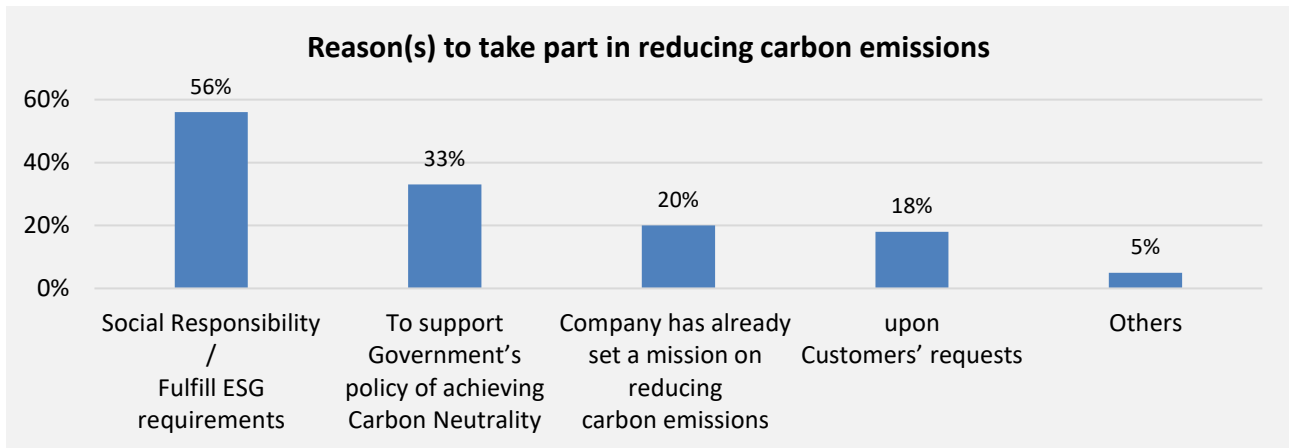
Freight capacity has returned to normal with the freight rates of both sea and air having been adjusted accordingly. 76% of air traders would continue using air freight while 23% would consider switching to sea freight. The switch was more common among air traders operating in the Americas (29%).

### Percentage of air traders who will take part in reducing carbon emissions



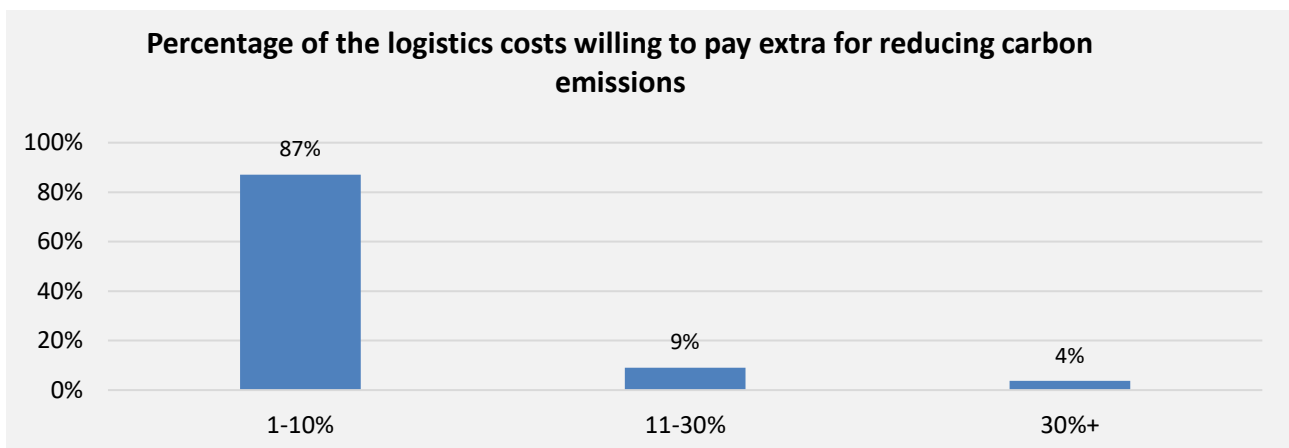
Note: Percentages may not add up to 100% due to rounding.

Close to two-thirds (64%) of the surveyed air traders claimed that they were willing to take part in reducing carbon emissions.



^ Based on air traders willing to take part in reducing carbon emissions  
Multiple answers allowed

“Social responsibility / Fulfilling ESG requirement” (56%) and “Supporting Government’s policy of achieving carbon neutrality” (33%) were the key reasons among air traders willing to participate in reducing carbon emissions. On the other hand, 20% of these air traders had already set their own mission to reduce their carbon emissions.



^ Based on air traders willing to take part in reducing carbon emissions  
Note: Percentages may not add up to 100% due to rounding.

The majority (87%) were willing to pay up to 10% of their logistic costs for reducing their carbon emissions while 9% were willing to pay an extra 11-30% There were even 4% who were willing to pay more than one-third of their logistic costs just for achieving lower emissions.

## ***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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