



# DHL Hong Kong Air Trade Leading Index (DTI)

Q4 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.

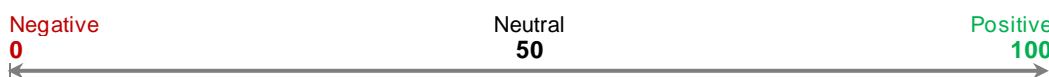
## Methodology

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

## 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

***Air trade market remained soft in traditional peak season. Yet, the market outlook is better than the same period last year with a more positive view towards the festive season this year.***

- The air trade market in this quarter was soft and filled with uncertainties, where mixed outlook was observed in most of the areas. However, local air traders expected a “better” peak than last year, reaching a similar level in Q4 2018.
- Looking further into 2024, unlike last year’s result that local air traders saw potential in European markets and the United States, they saw Asia (especially Vietnam, Malaysia, Thailand and India) and China as the top potential markets in the coming year.
- The proportion of local air traders expected to raise their price as usual or at a higher degree next year is 49%, a surge of 16 percentage points compared to 2023Q1 when air traders were asked about their pricing strategy in 2023. In other words, more traders would increase their price in 2024.
- A stable two-third of air traders were interested in “Go-Green” products or services, and over nine in ten of them were willing to pay up to an additional 10% spending on reducing carbon emissions.

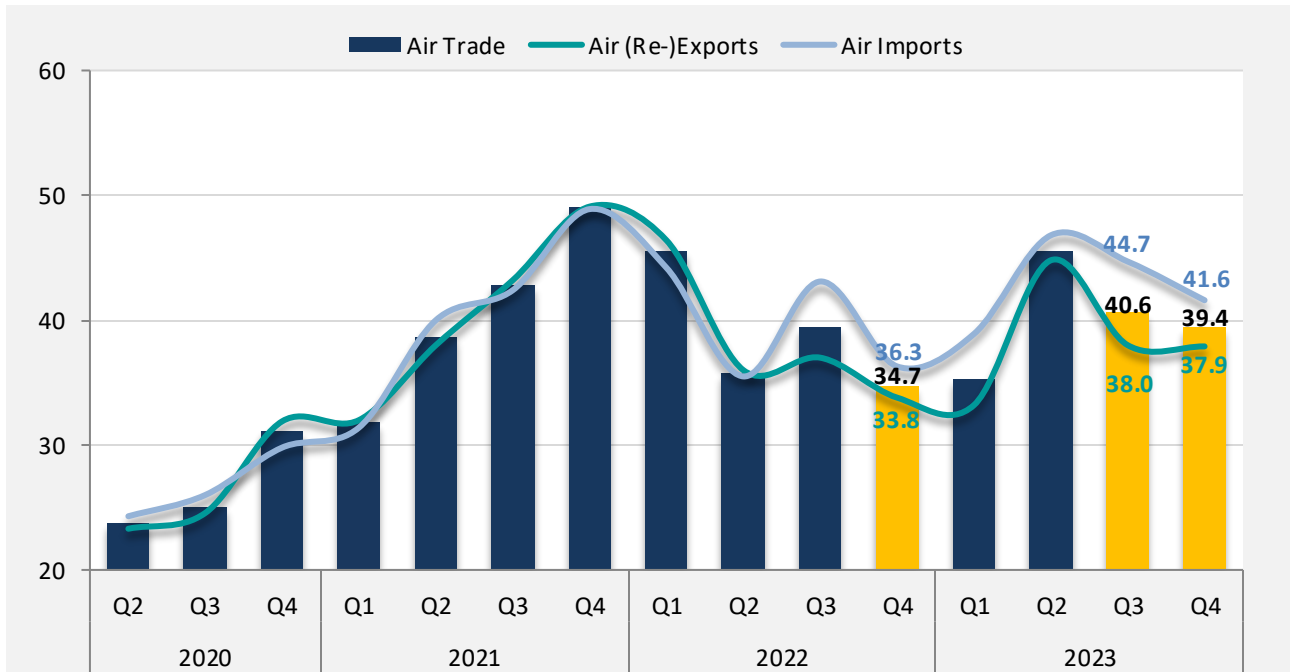
Mr Edmond Lai, Chief Digital Officer of HKPC, commented, “The decline in the Overall Air Trade Index has narrowed down this quarter, falling only by 1.2 points to 39.4 points. The overall air trade market remains soft as air traders are still facing various challenges such as continuous inflation and increasing fuel costs. The Census and Statistics Department has also expected that the weak external demand for goods is expected to continue for a certain period, pressurising Hong Kong’s export performance<sup>2</sup>. In view of this, half of the surveyed air traders have already planned for 2024 to cope with such challenges. On top of looking out for opportunities from markets in China and other Asian regions (especially Vietnam, Malaysia, Thailand and India), air traders are also advised to review their cost structure and pricing strategies, as well as to formulate strategies to deal with the increasing fuel costs and logistic costs.”

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<sup>2</sup> Source: Census and Statistics Department, External merchandise trade statistics for August 2023  
[https://www.censtatd.gov.hk/en/press\\_release\\_detail.html?id=5284](https://www.censtatd.gov.hk/en/press_release_detail.html?id=5284)

## Air Trade Index

*The Overall Air Trade Index remained soft at 39.4 points in Q4 2023. A further retreat of 1.2 points was recorded, mainly due to weakening import performance. However, the outlook was still better than Q4 2022 (34.7 points), prior to the removal of social distancing measures and travel restrictions.*



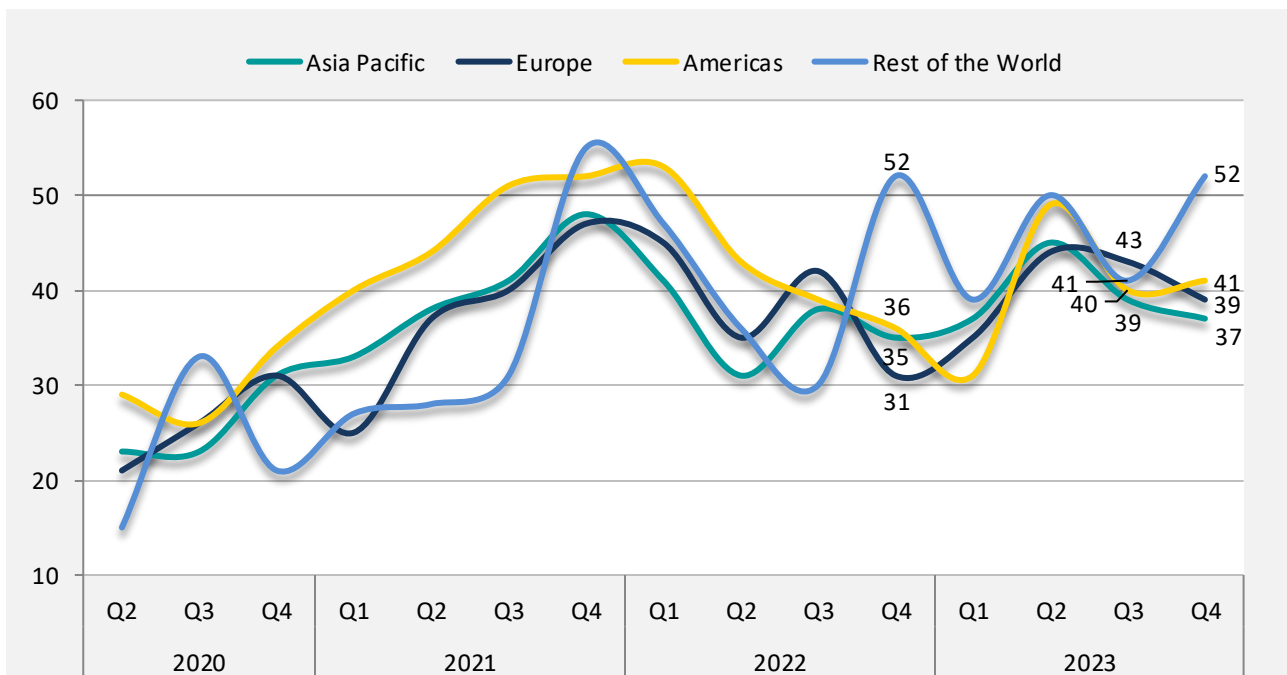
**Overall Air Trade Index** was further down by 1.2 points to 39.4 points in Q4 2023, which was mainly due to the further retreat in Air Imports Index.

Following a retreat of 2.1 points in the previous quarter, **Air Imports Index** dipped further by 3.1 points to 41.6 points in Q4 2023.

**Air (Re-)Exports Index** stayed a relatively low level at 37.9 points (-0.1 points) following 6.8-point retreat in the previous quarter. However, it was still much better than the same period last year (33.8 points).

## Markets

*Index development varied among markets. Europe's Index dipped again to 39 points from its recent high. Although America's Index stayed at its relatively low level at 41 points, it ranked top among all markets again with more stable performance. On the other hand, Asia Pacific's Index was further down by 2 points where both indices for China and Japan decline after the uplift in the last two quarters. Except China, all markets slipped in import performance.*



**Europe's** Index dipped by 4 points to 39 points from its recent high. Although both import and (re-)export performance weakened at similar magnitude, its import performance sustained at a relatively high side.

**Americas'** index topped among markets in Q4 2023 with its performance stabilised after a drop of 9 points in the previous quarter, though it was still at a relatively low level at 41 points. In particular, the slight recovery in its (re-)export performance offset the decline in import performance.

**Asia Pacific's** index (37 points) was further down by 2 points due to the slippage in China and Japan. In particular:

- **Japan's** index dipped by 7 points to 37 points after reaching its recent peak of 44 points in the previous quarter. In particular, its imports retreated sharply by 10 points after reaching the recent high in the previous quarter. Its (re-)export was also down by another 4 points.

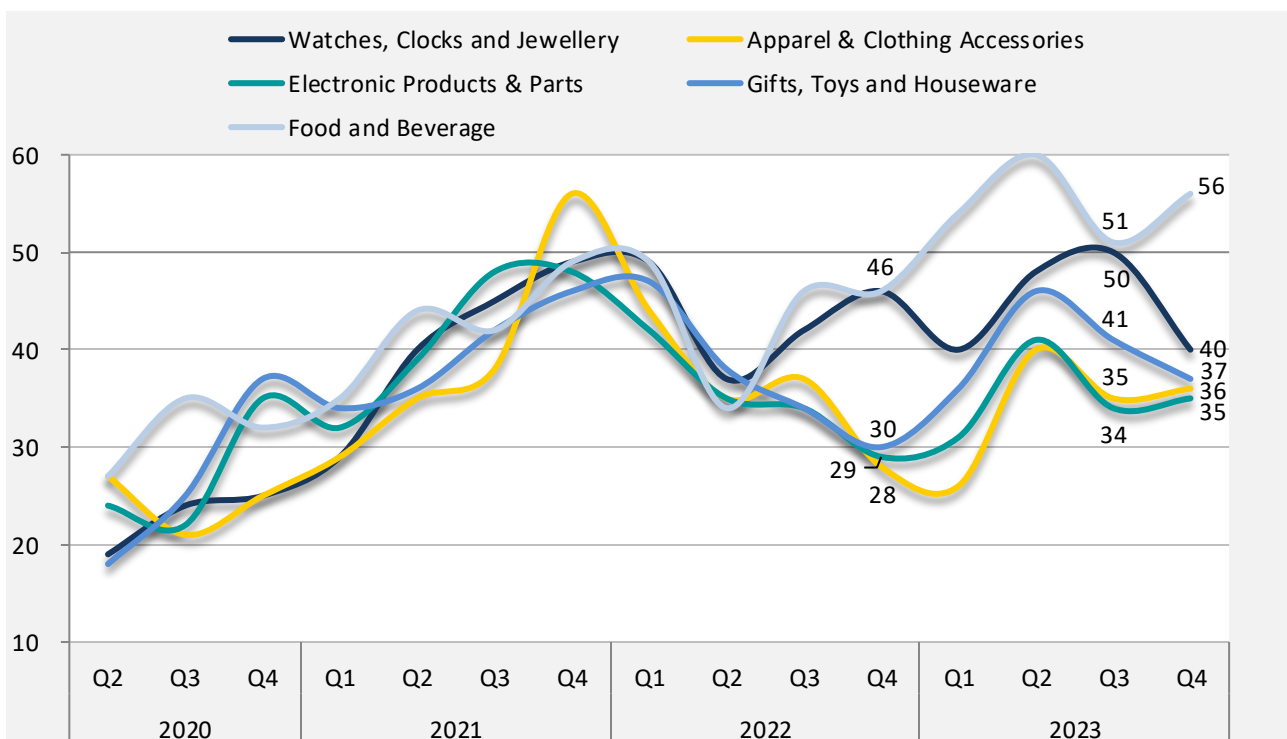


- **China's** index (36 points) retreated by 4 points due to the slippage in (re-)export performance (-7 points). On the other hand, its import performance remained stable over the past three quarters.
- The Index for **other Asia Pacific regions** (37 points) remained low after the plunge in Q3 2023. Despite the stabilised (re-)export performance, its import performance dropped further to its two-year low.

The index for the **Rest of the World** rebounded to 52 points (+11 points).

## Air-Freighted Commodities

Mixed development was observed in the index for different air-freighted commodities in this quarter. Index for Food and Beverage saw a rebound of 5 points and continued to be the highest among all air-freighted commodities, while the indices for Watches, Clocks and Jewellery and Gifts, Toys and Houseware dipped by 10 points and 4 points respectively. On the other hand, indices for Apparel and Clothing Accessories and Electronic Products and Parts stabilised with 1-point recovery.



**Food and Beverage** (56 points) was the only air-freighted commodity seeing growth this quarter. With the 5-point rebound contributed by the recovery in both import and (re-)export performance, its index ranked top among all air-freighted commodities.

Indices for **Watches, Clocks and Jewellery** (40 points) and **Gifts, Toys and Houseware** (37 points) dipped by 10 points and 4 points respectively. Slippage in both import and (re-)export performance was observed for both air-freighted commodities, but the magnitude of decline in import was larger.

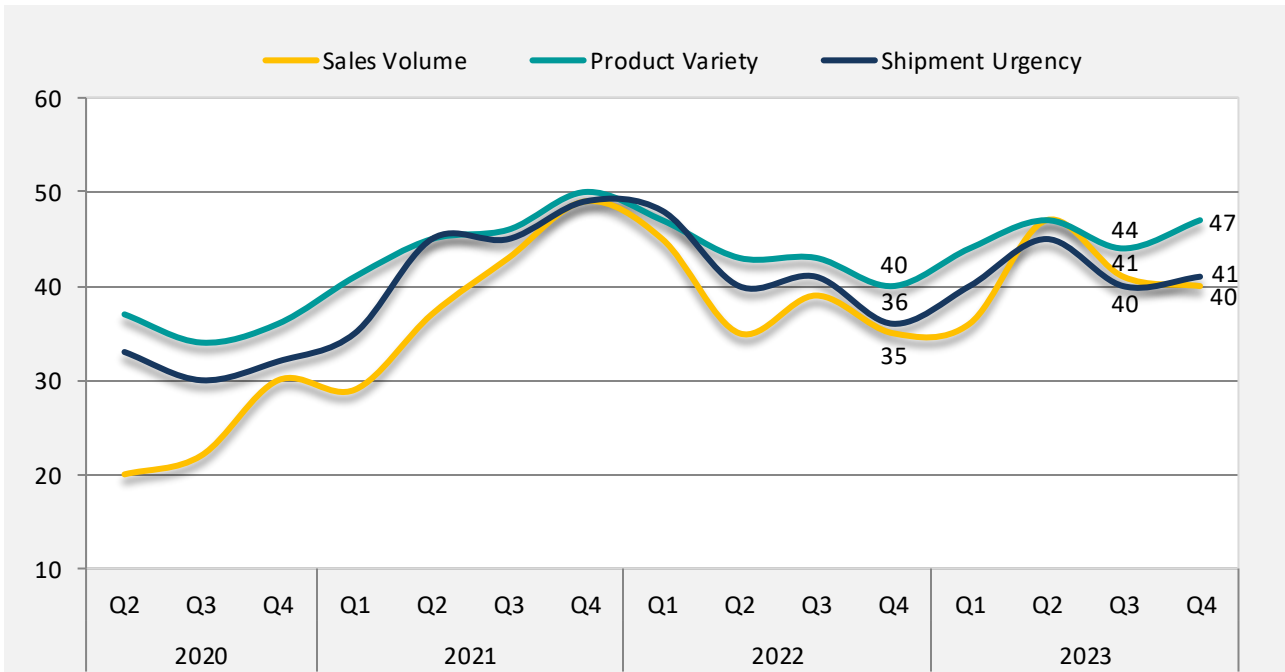
Index for **Apparel and Clothing Accessories** stabilised at 36 points (+1 point) after the retreat in the previous quarter, with a slight improvement in its import performance (+2 points).

Likewise, **Electronic Products and Parts** remained stable at 35 points (+1 point), following a 7-point decline in Q3 2023. A two-point recovery in import performance was also observed.



## Sub-Indices

*On the other hand, Product Variety Index went up to 47 points with improved (re-)export performance. Meanwhile, both Sales Volume and Shipment Urgency Indices stayed flat. Looking at the sub-index development by market, all markets except other Asia Pacific regions suffered decline in Sales Volume Index.*



**Product Variety** Index (47 points) picked up by 3 points with improved (re-)export performance. Meanwhile, its import performance sustained at a relatively high side over the past four quarters.

**Sales Volume** Index remained relatively stable at 40 points (-1 point). In particular, its import performance further declined while its (re-)export performance stayed flat after the slippage last quarter.

**Shipment Urgency** Index (41 points) also remained stable (+1 point), with the improvement in (re-)export offsetting the weakened import performance.

Looking into the sub-index development by market:

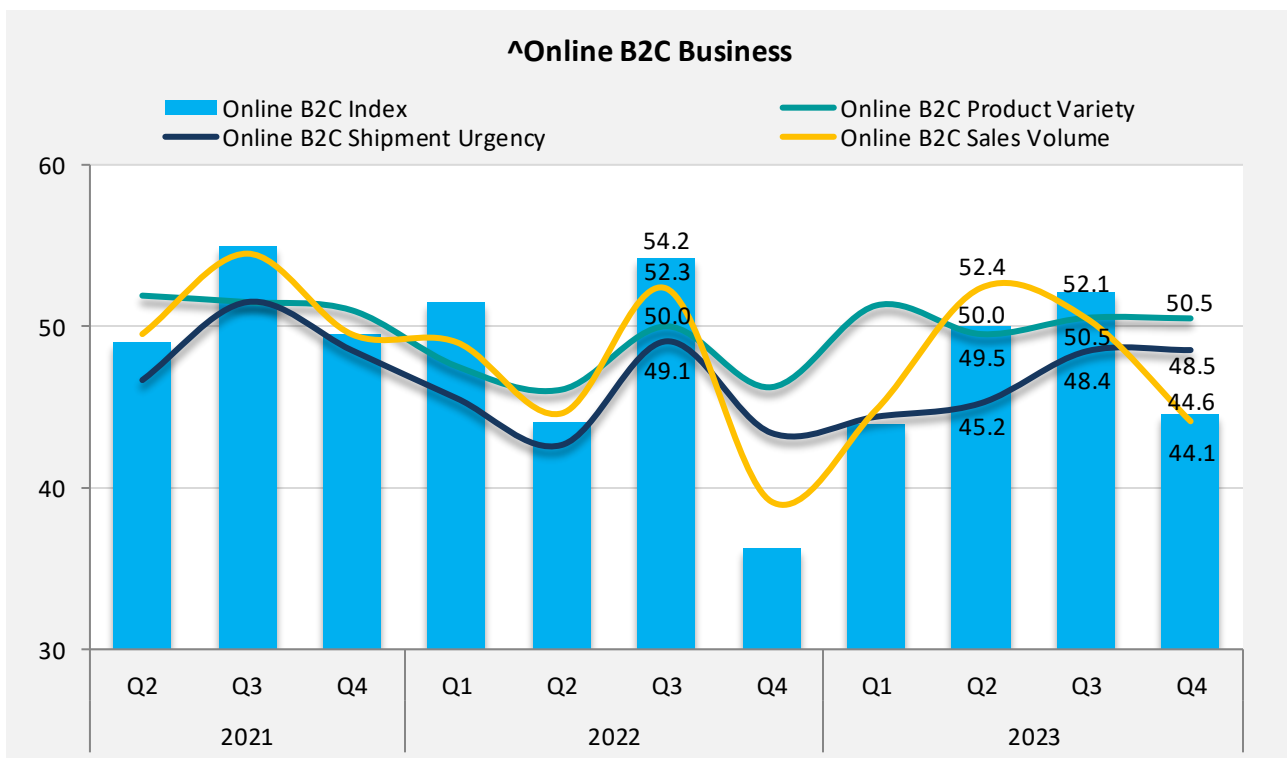
- **Americas:** Rebound across all sub-indices were observed, though Sales Volume Index recovered at a slower pace.
- **Asia Pacific:** Sub-index development varied within the Asia Pacific region. China slipped in both Sales Volume Index and Product Variety Index, while Japan registered improvements in Product Variety Index and maintained stable performance in Sales Volume and Shipment Urgency Indices. On the other hand, improved performance in

Sales Volume and Product Variety was observed in Other Asia Pacific regions, despite the decline in Shipment Urgency.

- **Europe:** The retreat in Sales Volume led to the dip in Europe's Index. Meanwhile, its Shipment Urgency Index remained stable while Product Variety Index slightly picked up.
- **Rest of the World:** Except Sales Volume Index, other sub-indices registered growth.

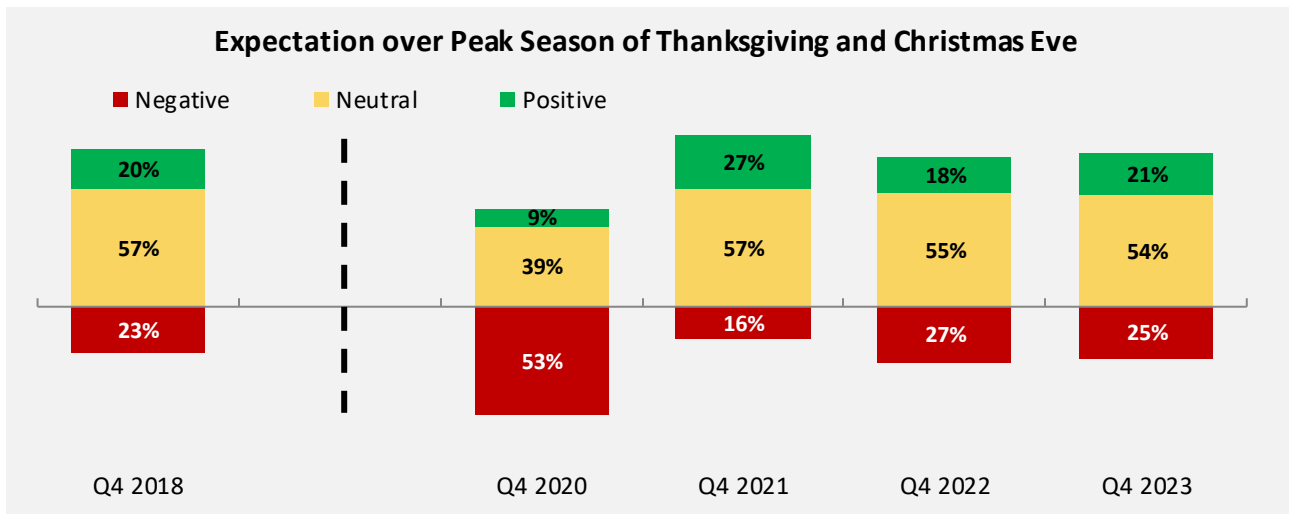
## Air Trade Outlook Affected by Recent Market News

Overall Air Trade market remained soft in the traditional peak season this year with slippage in Online B2C Sales Volume. Yet, the outlook towards the traditional peak is more positive than that of last year. Looking into 2024, nearly half of the air traders would increase their price under high inflation. With that, logistic cost reduction was also air traders' key priority next year. Amid all the uncertainties, two-thirds of the air traders were still willing to pay up to an additional 10% on reducing carbon emissions.



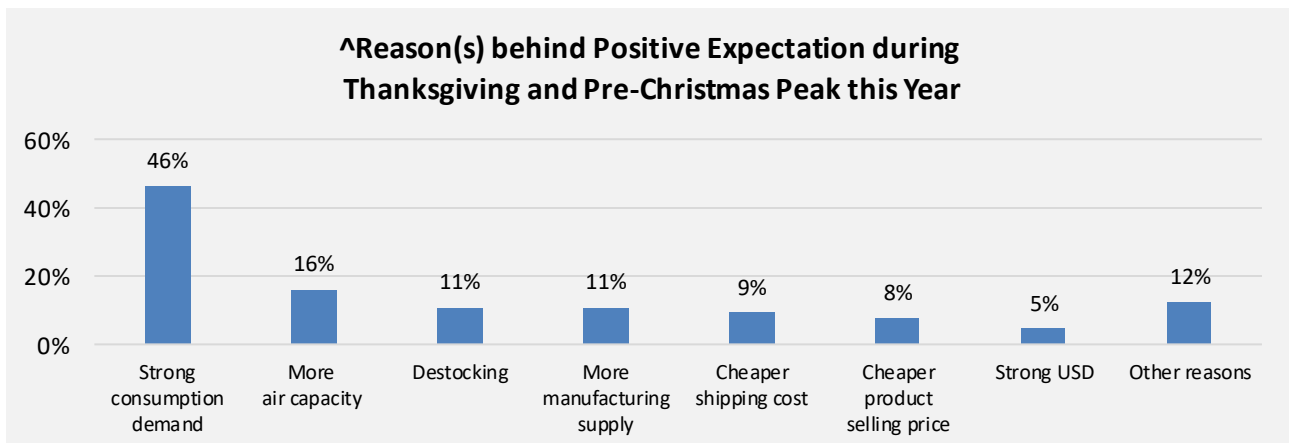
^ Based on air traders with online B2C business

Similar to Overall Air Trade Index, Online B2C Index plunged by 7.5 points to 44.6 points due to a slippage in Online B2C Sales Volume (-6.4 points). Meanwhile, Product Variety and Shipment Urgency sustained.



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

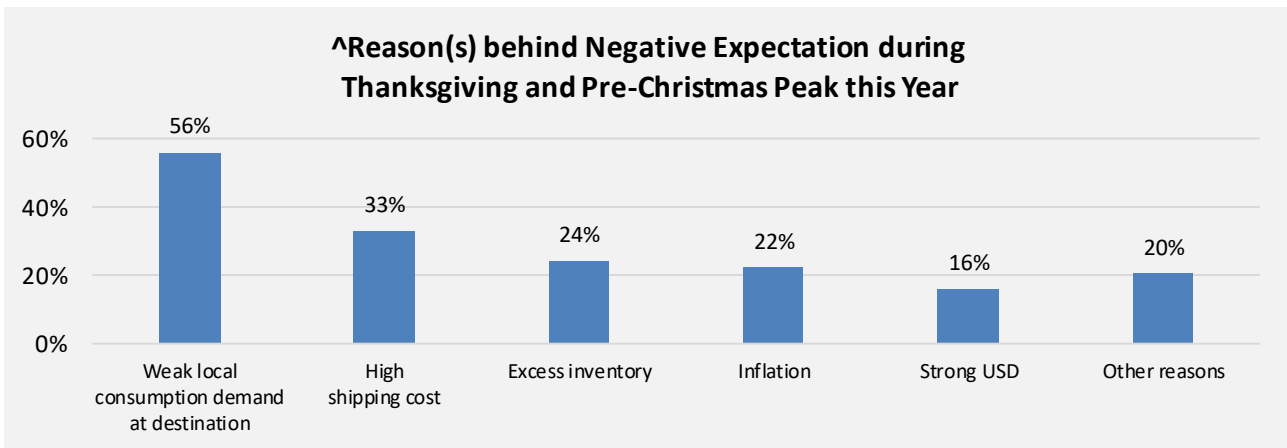
Compared with last year, air traders had better expectation for the traditional peak (Thanksgiving and Christmas Eve) this year, returning to a similar level in Q4 2018. In particular, 21% held positive expectations towards the traditional peak this year, up 3 percentage points from last year. Meanwhile, 25% had negative expectations, down by 2 percentage points from 27% last year.



^ Based on air traders with positive expectations towards the traditional peak in 2023

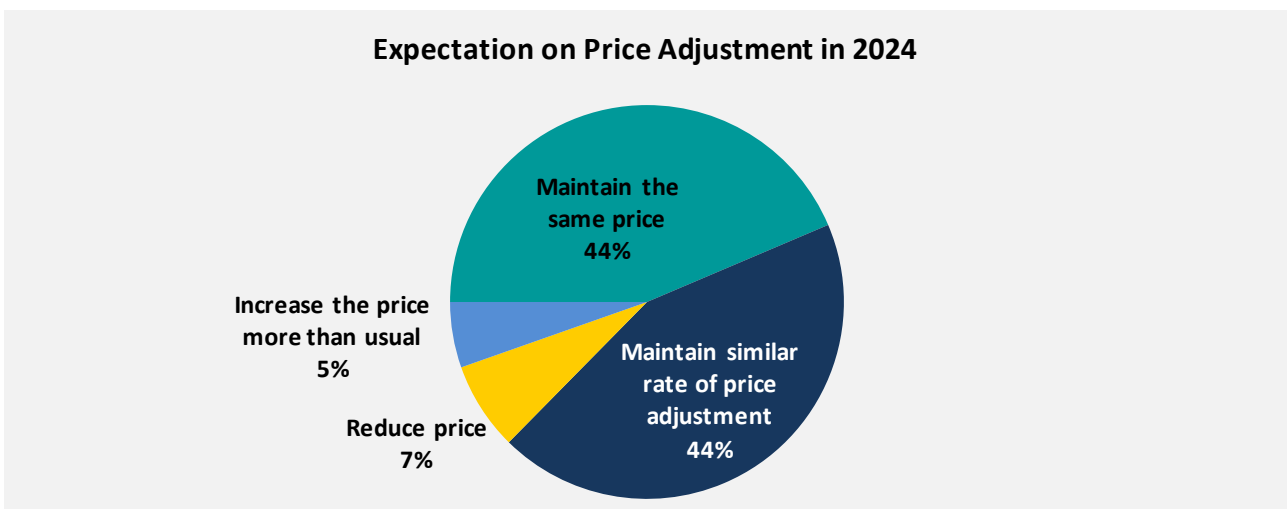
Note: Multiple answers allowed

“Strong consumption demand” (46%) was the top reason, contributing to the positive business outlook for this year’s traditional peak.



^ Based on air traders with negative expectations towards the traditional peak in 2023  
 Note: Multiple answers allowed

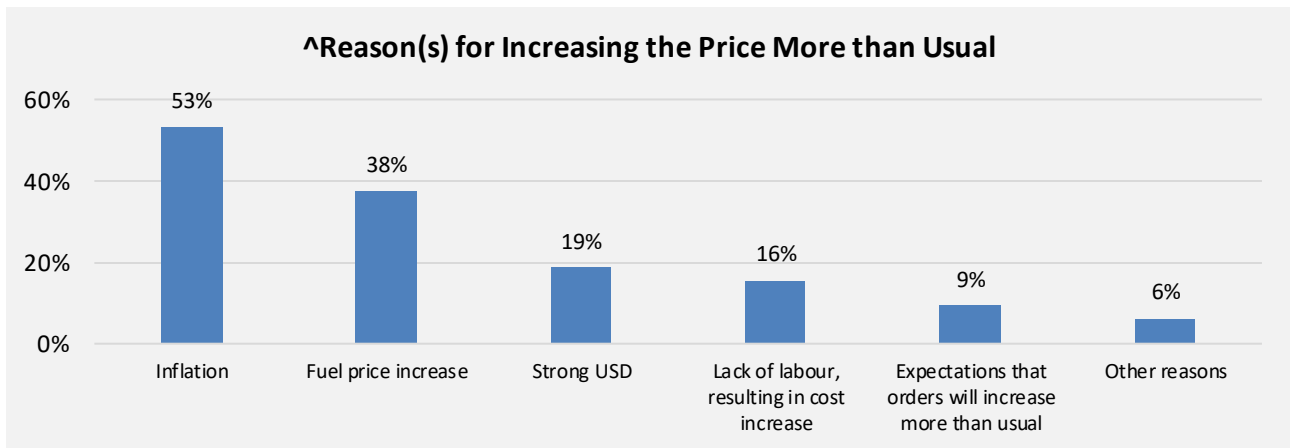
On the other hand, “weak consumption demand” (56%) at destinations was the top reason among those who had negative expectation for this year’s traditional peak, particularly those operating in Asia Pacific markets such as China and Japan. “High shipping cost” (33%) and “excess inventory” (24%) were other key reasons for the negative outlook.



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

Looking into 2024, nearly half (49%) of the surveyed air traders would increase their price, of which 5% would increase their price more than usual. The result was 16 percentage points higher than Q1 2023 (33%) where air traders were asked about their pricing strategy in 2023. On the other hand, another 44% claimed that they would maintain the same price and 7% claimed to decrease their price.

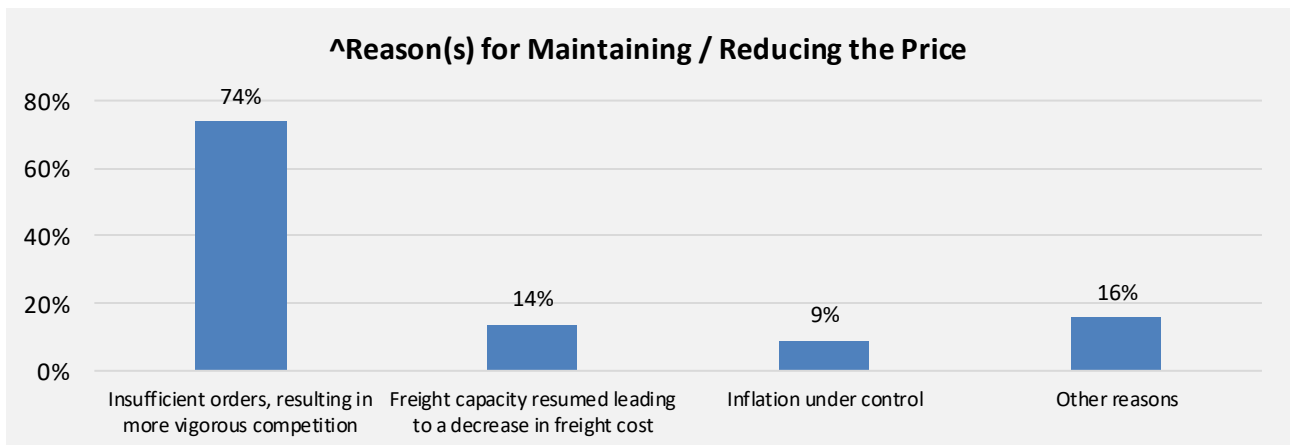
In terms of market, it was found that air traders operating in the Americas were more likely to increase their price (64%). Meanwhile, less air traders operating in China and Other Asia Pacific regions were less likely to increase their price, with 36% and 40% claimed to increase their price respectively.



^ Based on air traders claiming to increase the price more than usual in 2024

Note: Multiple answers allowed

“Inflation” was the key factor (53%) leading air traders to increase their price more than usual, followed by “fuel price increase” (38%).



^ Based on air traders claiming to maintain/reduce the price in 2024

Note: Multiple answers allowed

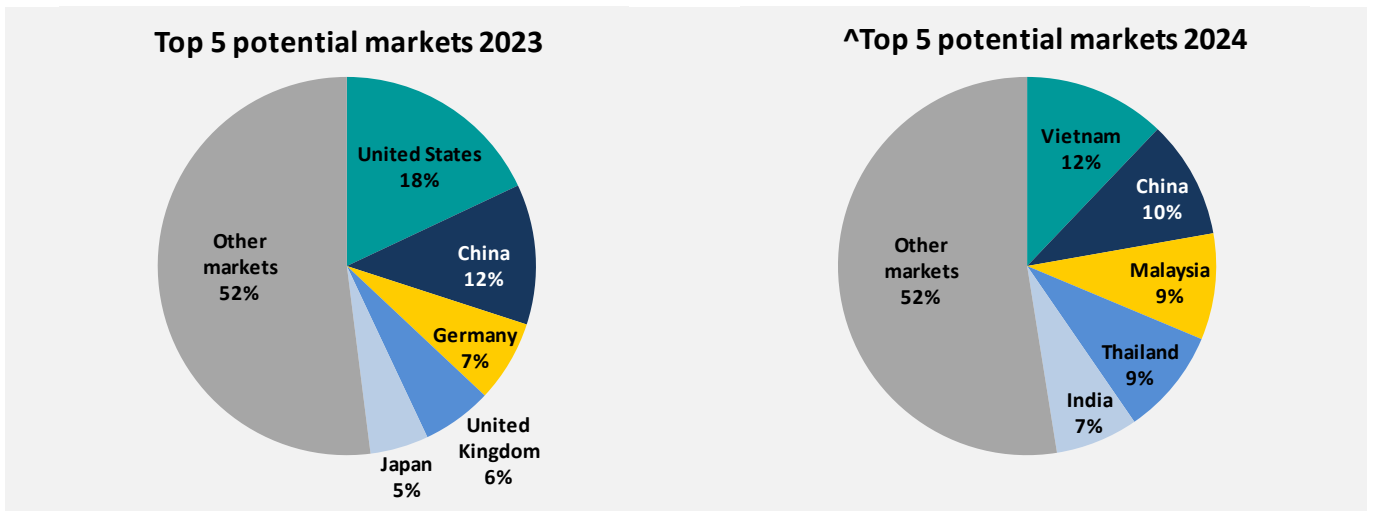
Meanwhile, among those air traders who would maintain or even lower their price, “insufficient orders resulting in more vigorous competition” (74%) was their main concern across all markets.





Note: Multiple answers allowed

Half (50%) of the surveyed air traders have already planned for 2024. In particular, “developing other markets” (22%) was one of their top priorities. With increasing fuel cost, air traders started looking into cost reduction measures, where 22% would “research on other solutions to further reduce logistic cost”, 17% would “develop / look for lower-cost logistic solution”, and 15% would “use more sea freight”.

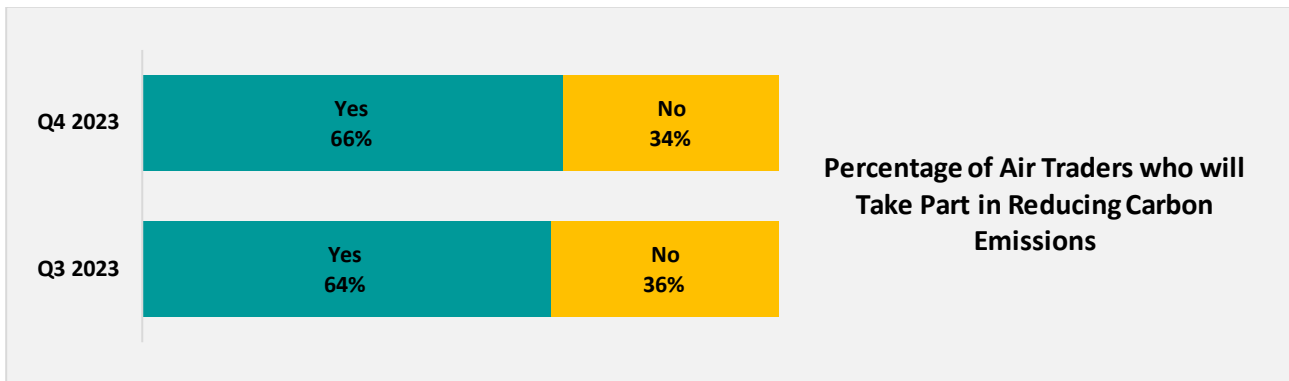


^ Based on the total number of mentions

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

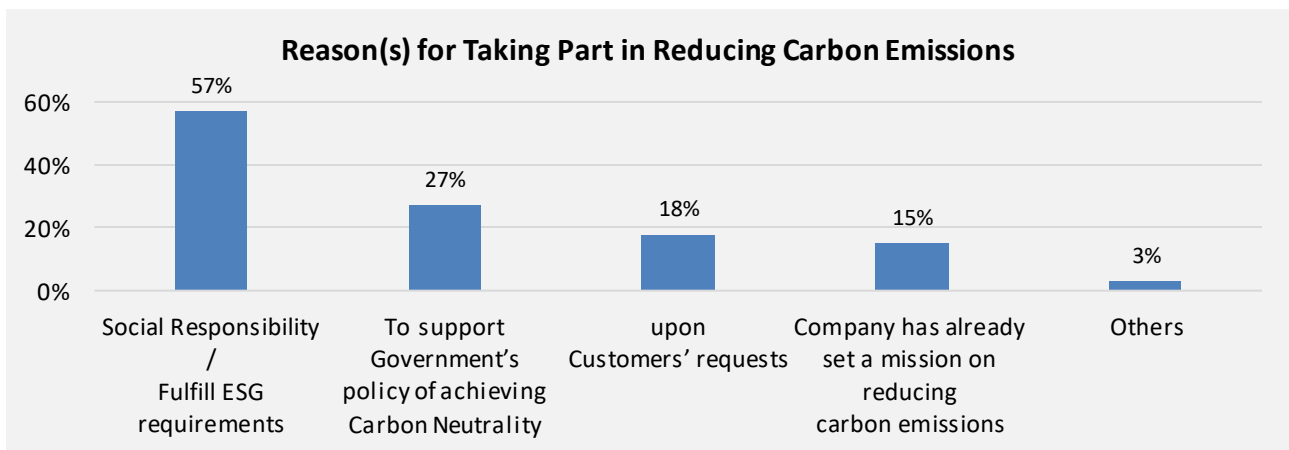
Air traders who would be developing other markets considered Vietnam (12%), China (10%), Malaysia (9%), Thailand (9%) and India (7%) as the top 5 markets with the highest potentials in 2024.

Among those air traders who would be developing other markets, instead of the European markets and the United States (from 18% to 12%) which were polled in last year’s survey, more of them were switching to develop Southeast Asian markets like Vietnam (from 7% to 12%), Malaysia (from 5% to 9%), Thailand (from 4% to 9%) and India (from 3% to 7%), while China continued ranking as one of the top 5 markets.



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

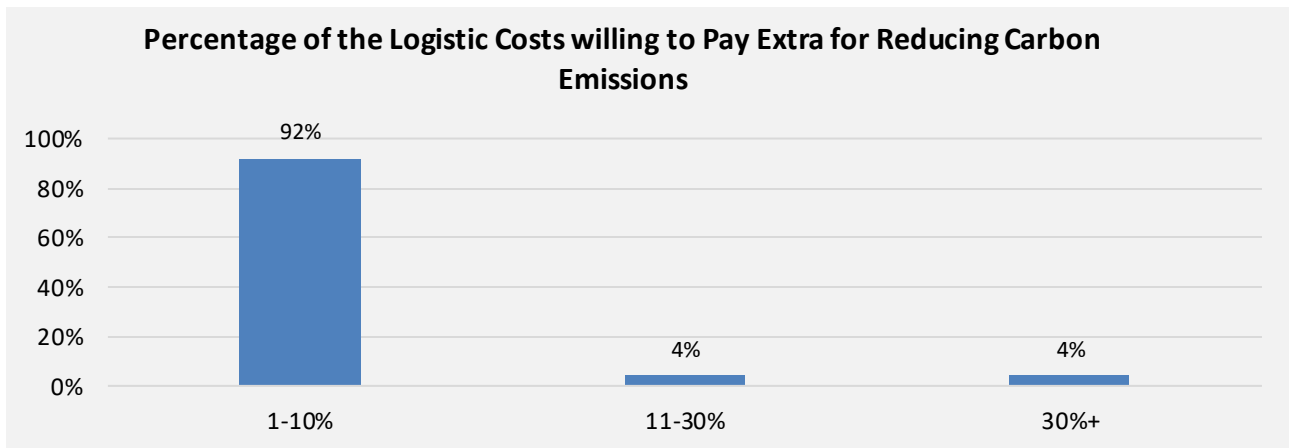
Similar to the results in the last quarter, around two-thirds (66%) of the surveyed air traders claimed that they were willing to take part in reducing carbon emissions.



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

Note: Multiple answers allowed

“Social responsibility / Fulfilling ESG requirement” (57%) and “Supporting Government’s policy of achieving carbon neutrality” (27%) continued to be the key reasons among air traders who are willing to participate in reducing carbon emissions. On the other hand, 15% 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 (92%) of these air traders who are keen to take part in reducing carbon emissions were willing to pay up to 10% of their logistic costs to achieve such purpose, while 4% were willing to pay an extra 11-30%.

## ***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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