



DHL Hong Kong Air Trade Leading Index (DTI)

Q1 2024 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.

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

Local Air Traders anticipated Q1 2024 trade outlook to be just slightly better than that of the same period in 2023.

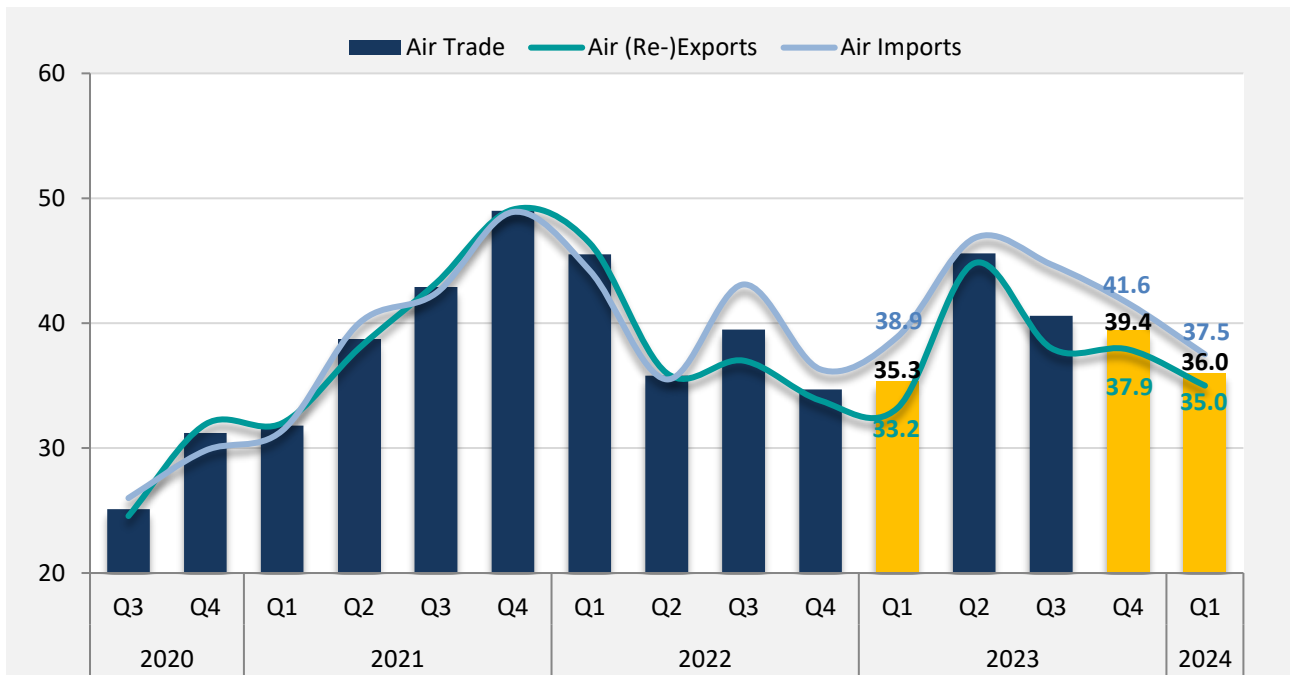
- Overall Air Trade Index retreated by 3.4 points from the traditional peak season last quarter.
- 10% of local air traders stated that the outcome of the latest traditional peak season, i.e. Q4 2023, was better than their initial expectations, while 45% reported that the performance was worse than expected. The remaining 45% of respondents indicated that their actual numbers were close to their expectations.
- 24% of local air traders expressed a positive outlook towards the pre-Chinese New Year (CNY) holiday when compared to the same period in 2023, while 36% had a negative outlook.
- In looking towards to post-CNY period until the end of Q1 2024, local air traders were more conservative, with 20% expecting more sales orders than last year and 46% expecting a similar number of sales orders.
- The other Asia Pacific market⁽²⁾, Gifts, Toys and Houseware, as well as B2C were the three key drivers of Q1 2024 sales. The rest were expected to be softer than last quarter, but most of them were at similar levels as the same period last year.

Mr Edmond Lai, Chief Digital Officer of HKPC, commented, “The overall air trade market remains soft in Q1 2024, with the Overall Trade Index further fell by 3.4 points to 36.0 points. All markets, except for the other Asia Pacific markets, suffered declines at different magnitudes, and the Americas is the market suffering the greatest drop of 9 points. With the business outcome in the Q4 traditional peak season of 2023 behind expectations, air traders have become conservative towards their trade outlook this quarter, especially business after the Chinese New Year. With the risk of economic downturn expected to continue for a certain period, air traders should get themselves prepared for this long-term challenge. They are also advised to explore opportunities in other markets, particularly in the other Asia Pacific region.”

² The “other Asia Pacific market” in this study refers to other markets in the Asia-Pacific region besides China and Japan, i.e. Southeast Asia (for example, Singapore, Malaysia, Thailand, Vietnam), India, Taiwan, South Korea, and Australia, etc.

Air Trade Index

Both import and (re-)export performance softened, leading to a further weakening of the Overall Air Trade Index by 3.4 points to 36.0 points in Q1 2024. However, it remained slightly stronger than the level reported in Q1 2023 (35.3 points).



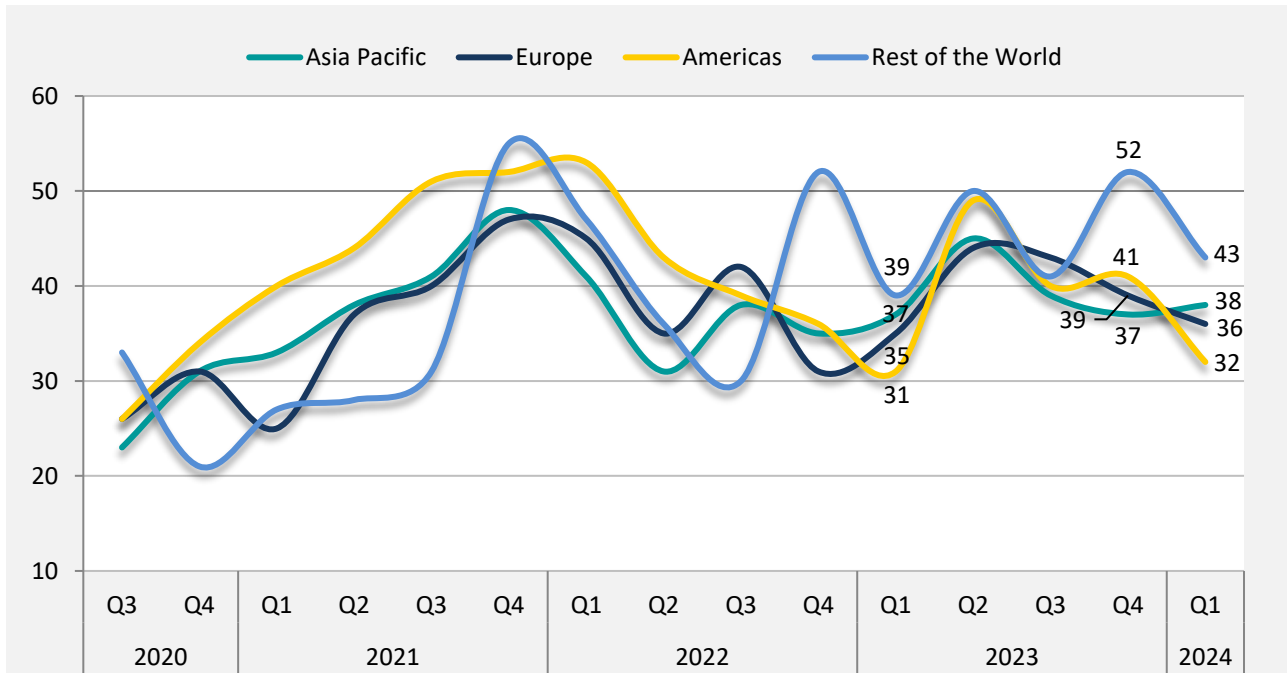
Overall Air Trade Index further softened by another 3.4 points to 36.0 points in Q1 2024. Both Air Imports Index and Air (Re-)Exports Index softened.

Following a flat performance at 37.9 points in Q4 2023, **Air (Re-)Exports Index** retreated again by another 2.9 points to 35.0 points in Q1 2024. However, it was still slightly better than the same period last year (33.2 points).

Air Imports Index saw a more significant drop of 4.1 points to 37.5 points. It is worth noting that this index fell to a level lower than Q1 2023 (38.9 points).

Markets

Except for Asia Pacific's Index, which has remained flat over the past three quarters, all markets experienced drops at different magnitudes, returning to levels similar to those of Q1 2023.



Americas' index (32 points) plunged again by 9 points in Q1 2024 after stabilising at 41 points in the previous quarter, marking the largest drop among all markets. Notably, both import and (re-)export performances slipped, with the drop in import being more significant (-16 points).

Europe's index also declined by another 3 points to 36 points. Both import and (re-)export performance softened at similar magnitudes.

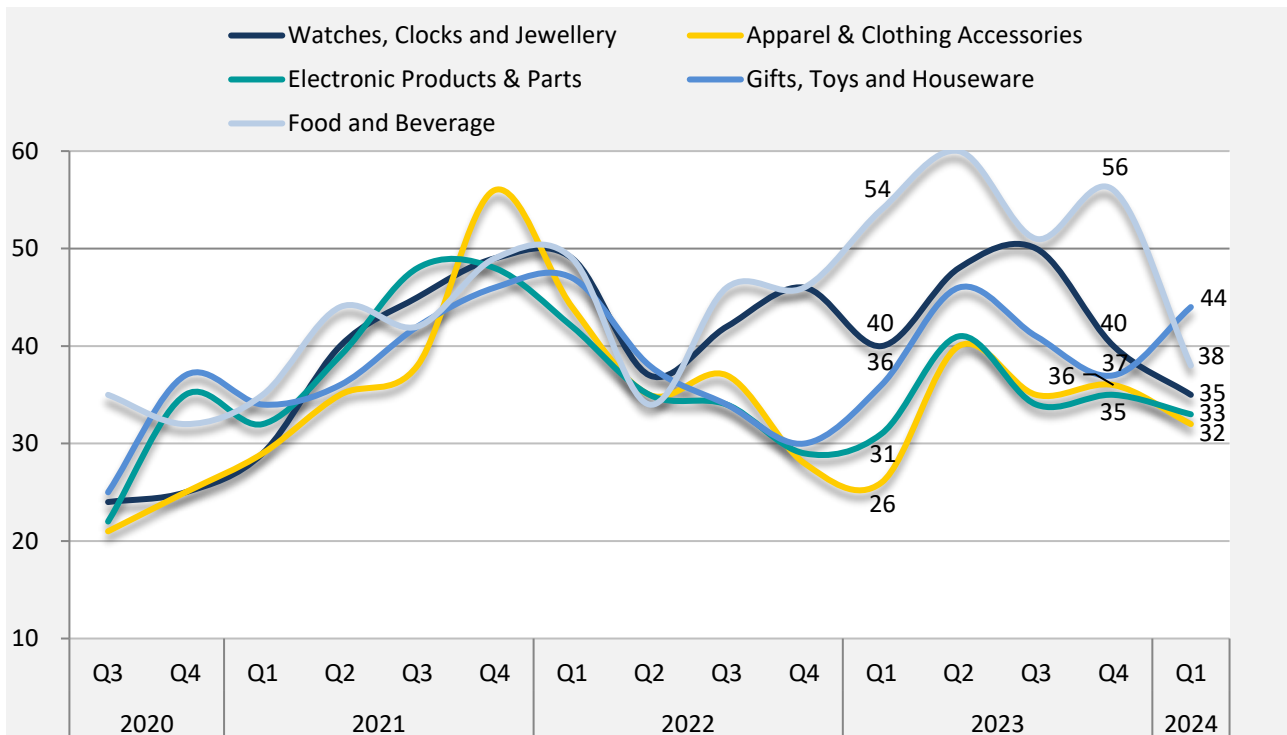
Asia Pacific's index (38 points) stayed flat over the past three quarters (+1 point). In particular:

- **China's** index (32 points) retreated further by 4 points. Despite the recovery in (re-)export performance (+6 points), a dip of 15 points was recorded in import this quarter, leading to the drop in index.
- **Japan's** index remained flat at 37 points this quarter, with the dip in import performance offset by the uplift in (re-)export performance.
- The Index for **other Asia Pacific regions** (41 points) slightly rebounded by 4 points in Q1 2024, mainly due to the rebound in import performance.

The index for the **Rest of the World** retreated to 43 points (-9 points).

Air-Freighted Commodities

Mixed developments were observed this quarter. Index for Food and Beverage plunged by 18 points due to a drop in imports amid stable export performance. Indices for Electronics Products and Parts, Apparel and Clothing Accessories, and Watches, Clocks and Jewellery also declined at different magnitudes. On the other hand, Gifts, Toys and Houseware was the only air-freighted commodity that registered an uplift this quarter, and it ranked top among all air-freighted commodities.



Gifts, Toys and Houseware (44 points) was the only air-freighted commodity that registered growth this quarter (+7 points) and ranked top in index performance. Specifically, growth was observed in both import and (re-)export performance, with the growth at import being more significant (+11 points).

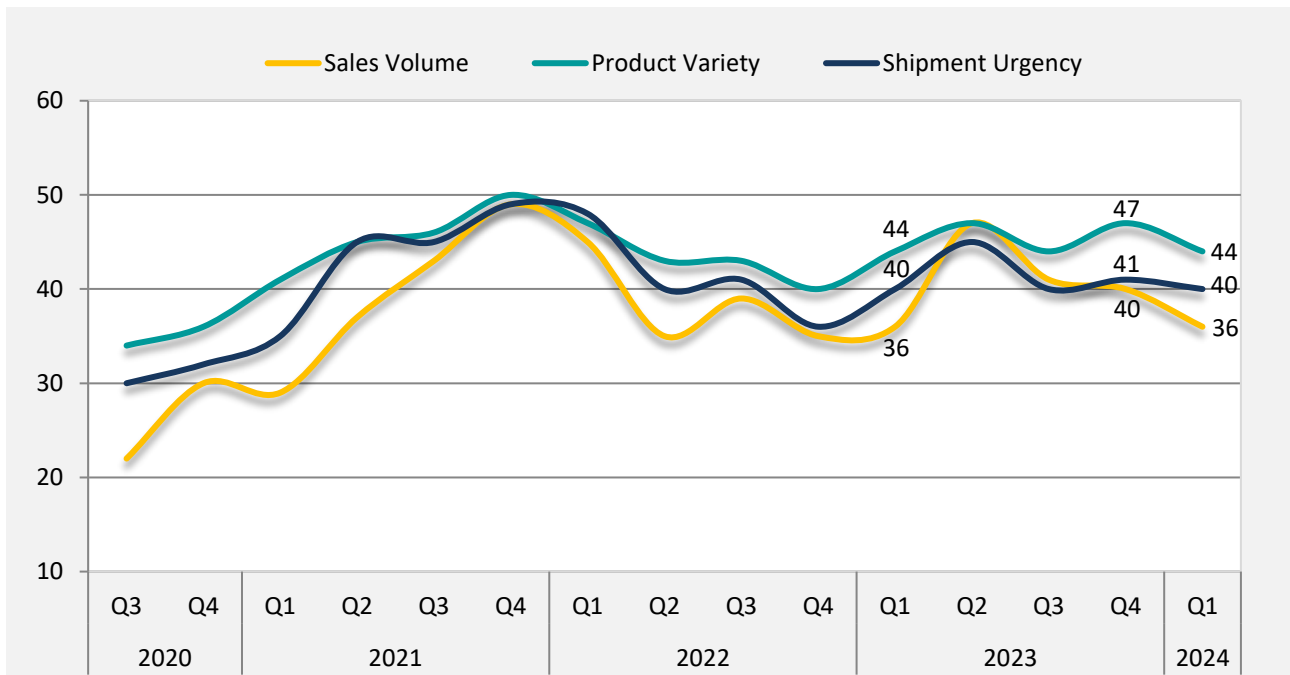
Food and Beverage (38 points) plunged by 18 points in Q1 2024. Although the (re-)export performance remained stable, a significant drop of 22 points in its import performance resulted in the plunge in Food and Beverage Index.

Indices for **Electronic Products and Parts** (33 points) and **Apparel and Clothing Accessories** (32 points) were down by 2 points and 4 points respectively, with a slight weakening in both import and (re-)export performance.

Similarly, index for **Watches, Clocks and Jewellery** (35 points) also retreated by 5 points. Despite improved import performance (+3 points), it could not offset the further drop in (re-)export performance (-8 points).

Sub-Indices

The decline in Overall Air Trade Index was primarily due to the slippage in both Sales Volume Index and Product Variety Index. However, Shipment Urgency Index remained stable over the past three quarters. All markets suffered declines in Sales Volume Index.



Sales Volume Index (36 points) dipped by another 4 points after remaining flat in the previous quarter. Performance at import and (re-)export weakened at a similar magnitude.

Similarly, **Product Variety** Index (44 points) also decreased by 3 points due to the slightly weakened (re-)export performance.

On the other hand, **Shipment Urgency** Index (40 points) remained stable (-1 point) over the past three quarters.

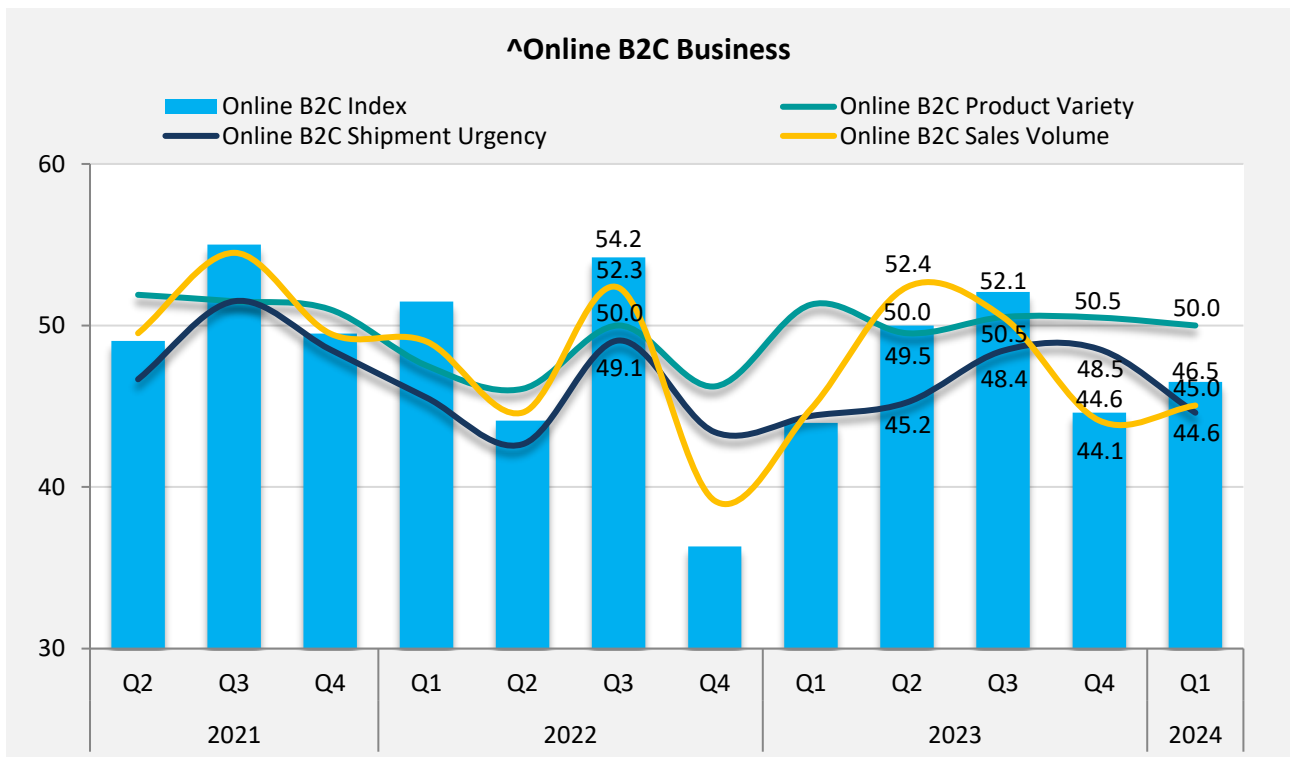
Looking into the sub-index development by market:

- **Americas:** A decline across all sub-indices was observed, with the drops in Sales Volume Index (-11 points) and Shipment Urgency Index (-9 points) being more significant.
- **Asia Pacific:** Sub-index development varied within the Asia Pacific region:
 - **China** further slipped in both Sales Volume Index and Shipment Urgency Index, and notably, its Sales Volume Index (32 points) was even lower than that in Q1 2023 (37 points). On the other hand, its Product Variety Index stabilized at 42 points after the dip in the previous quarter.

- **Japan** experienced a further decline in Sales Volume Index, and its Product Variety Index also retreated. However, its Shipment Urgency Index improved further (+2 points).
- **Other Asia Pacific** was the only market which registered increments across all metrics. Notably, its Product Variety Index reached its two-year high (49 points).
- **Europe:** All indices were down, with Product Variety Index falling at a larger magnitude (-5 points).
- **Rest of the World:** Except for Product Variety Index, which slightly picked up (+3 points), other sub-indices retreated.

Air Trade Outlook Affected by Recent Market News

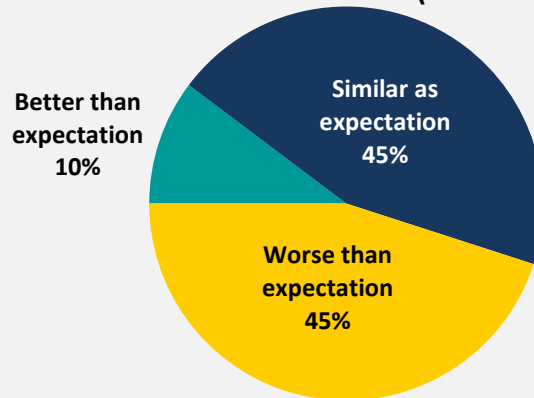
The traditional peak (Thanksgiving and Christmas) of 2023 did not align well with air traders' expectations, with 10% of them reporting better-than-expected business performance and 45% reporting worse-than-expected business outcomes. Bearing this in mind, air traders were not as positive towards their business expectations in Q1 2024 compared to Q1 2023, with 24% of air traders holding positive business expectations for the upcoming Chinese New Year and 20% maintaining a positive view towards their business after the Chinese New Year. Amid these uncertainties, more air traders were willing to participate in reducing carbon emissions, reaching 75% this quarter.



^ Based on air traders with online B2C business

Online B2C Index has recovered by 1.9 points to 46.5 points. This improvement was due to a slight recovery in Online B2C Sales Volume (+0.9 points) and a sustained performance in Online Product Variety. Nevertheless, Online Shipment Urgency saw a decrease (-3.9 points).

Comparison between Actual and Expectations on Traditional Peak Season (Oct-Dec 2023)



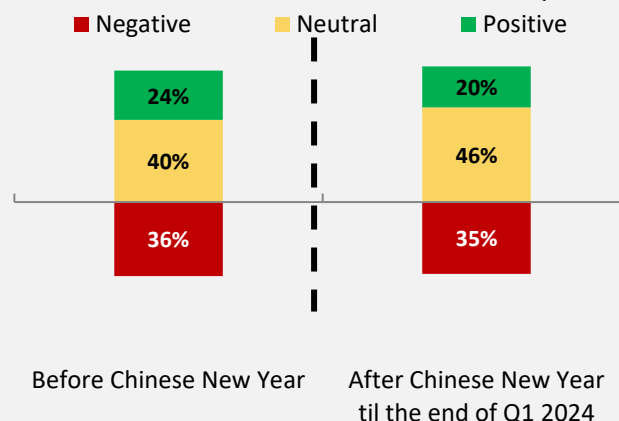
Note: Percentages may not add up to 100% due to rounding.

Based on the results of the previous quarter's survey, air traders had higher expectations for the traditional peak (Thanksgiving and Christmas Eve) in 2023. However, only 10% of the air traders reported their traditional peak in 2023 to be better than expected, while another 45% reported it to be as expected.

Looking at the results by market, more air traders operating in China (52%) and the Americas (48%) reported that their traditional peak in 2023 was worse than expected.

In terms of air-freighted commodities, over half (52%) of the air traders shipping Food and Beverage reported that their traditional peak performance was below expectations. Comparatively, fewer air traders shipping Gifts, Toys and Houseware (40%) and Watches, Clocks and Jewellery (41%) reported a "worse-than-expected" outcome for their traditional peak business.

Expectation of Air Trade Volume before Chinese New Year and after Chinese New Year til the End of Q1 2024

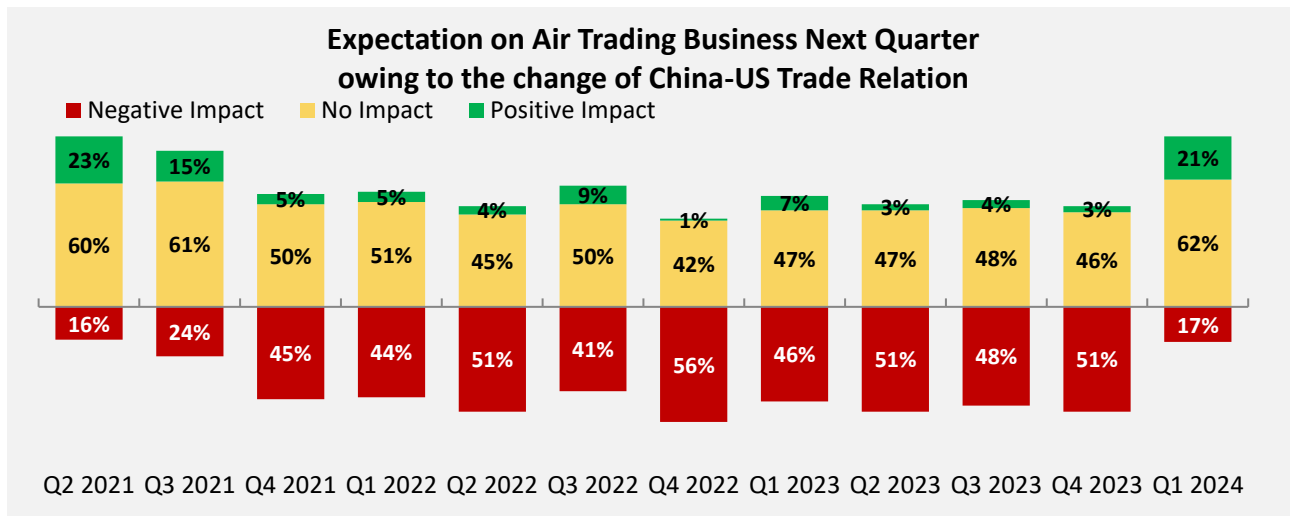


Note: Percentages may not add up to 100% due to rounding.

Looking into air traders' business expectations in Q1 2024, 24% of the surveyed air traders held positive business expectations for the forthcoming pre-Chinese New Year compared to the same period in 2023. Meanwhile, 40% held a neutral view, and the remaining 36% had negative expectations.

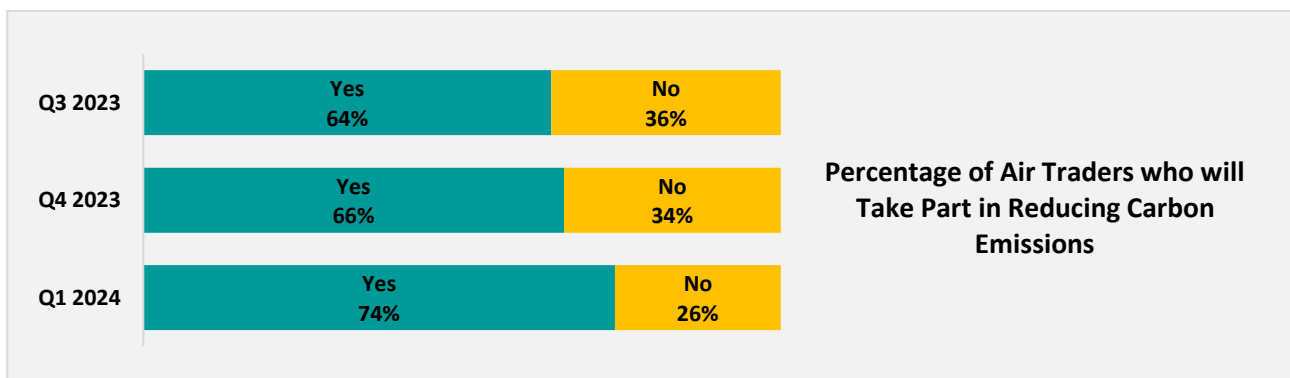
After the CNY until the end of Q1 2024, air traders' outlook was more conversative, with the proportion of air traders having positive business expectations compared to 2023 decreasing to 20%.

When compared with other markets, it was found that more air traders operating in Other Asia Pacific markets had positive business expectations towards the forthcoming pre-CNY (33%) and post-CNY (25%) periods. However, the optimism was lower among air traders operating in the Americas, with 21% having positive business expectations towards the forthcoming CNY and 15% having positive business expectations post-CNY.



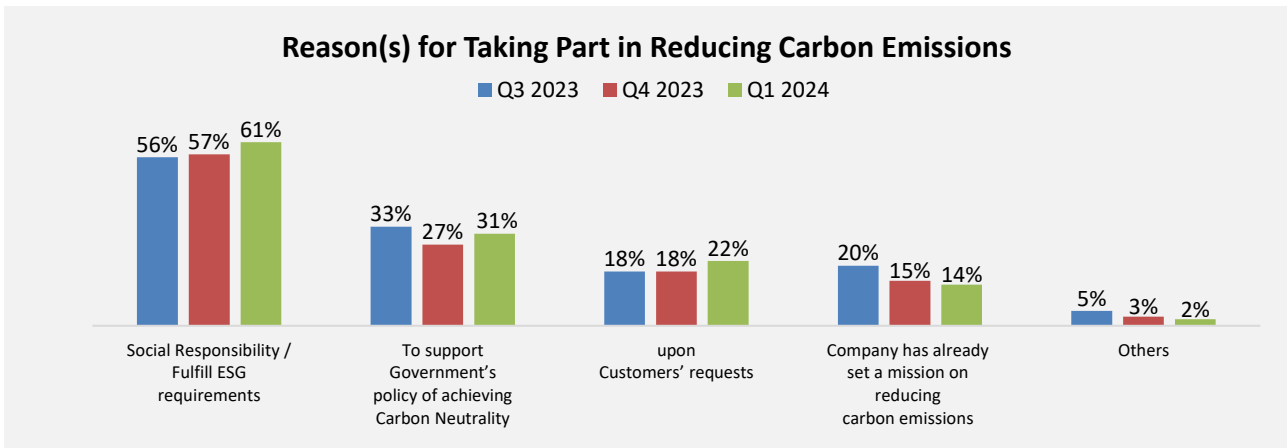
Note: Percentages may not add up to 100% due to rounding.

The proportion of air traders expecting a positive impact on their businesses in Q1 2024 due to the latest developments in the China-US relations increased to a 2-year high at 21%. Meanwhile, the proportion of air traders who foresee a negative impact on their business dropped drastically to 17%.



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

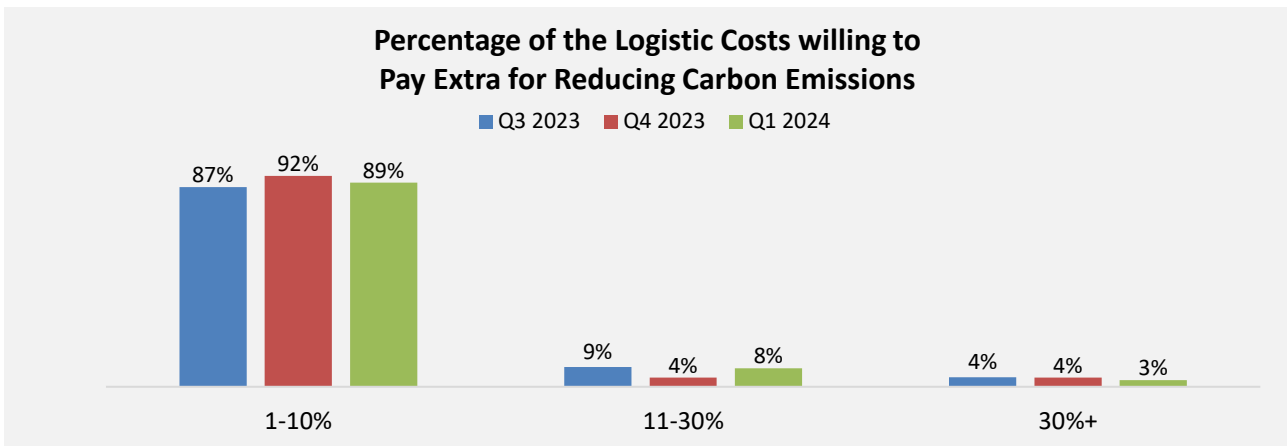
The proportion of surveyed air traders willing to take part in reducing carbon emissions increased by 8%-points to 74% this quarter.



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

Note: Multiple answers allowed

“Social responsibility / Fulfilling ESG requirement” (61%) and “Supporting Government’s policy of achieving carbon neutrality” (31%) continue to be the key reasons among air traders who are willing to participate in reducing carbon emissions. Compared to the previous quarter, a slightly higher number of air traders have begun to reduce carbon emissions “upon their customer’s request” (+4%-points).



^ 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 (89%) of these air traders, who were keen on participating in reducing carbon emissions, were willing to pay up to an additional of 10% of their logistic costs to achieve such purpose. Meanwhile, 8% 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.

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