



DHL Hong Kong Air Trade Leading Index (DTI)

Q4 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.

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 or its international cargo throughput. The city's dynamic air trade industry generates a total revenue of over HK\$87.4 billion annually, with HK\$52.6 billion from freight revenue, and creates over 28,000 job opportunities ⁽¹⁾.

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 is developed, after months of preparation and preliminary studies, and compiled findings on air trade across multiple quarters. It reflects and investigates on respondents' outlook on Hong Kong's 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 accessible market intelligence for local enterprises to take reference from a comprehensive business review of the sector which they operate, especially SMEs that typically have scarce resources or limited access to information.

DTI first launched in the second quarter of 2014, and has been published on a quarterly basis since then.

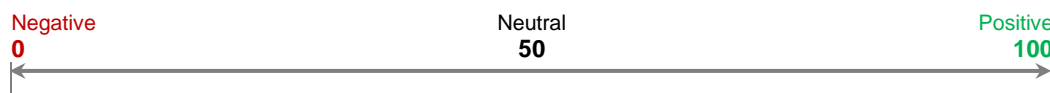
Methodology

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

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 deviates from 50, the more pronounced the positive or negative outlook becomes.



¹ Key Statistics on Business Performance and Operating Characteristics of the Transportation, Storage and Courier Services Sector in 2022, 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 by telephone. Surveyed samples are based on company and air-freighted commodity without weighting adjustments for the business size of companies

REPORT SUMMARY

The outlook for the Air Trade Index in Q4 2024 presents a mixed picture. While the overall Air Trade Index shows a decline, the majority of local air traders anticipate a peak season that is either stronger or comparable to the previous year.

- The overall trade index experiences a notable decline of 6 points, with both (Re-)Exports and Imports indices declined. The drop in the Import index was more pronounced (-8.7 points).
- Similar to the previous year, approximately 70% of local air traders have a positive or neutral outlook for the upcoming traditional peak season (Thanksgiving and Christmas Eve), with 20% of local air traders holding a positive view and 49% of them holding a neutral view.
- Online B2C index showed an increase in product variety (+2.2 points) while experiencing a decline in sales volume (-1.8 points), indicating that “lots of variety in fewer quantities” is becoming the new normal.
- Regarding price adjustments in 2025, around a third of air traders indicated the plan to adjust their price at the usual rate (35%), while 5% expect to implement price increases beyond the usual rate.
- In terms of the most promising markets in 2025, air traders still consider Asian markets to have greater potential, with China remaining the top choice, followed by Malaysia and Thailand in second place, Vietnam in third place.
- In 2024, the percentage of air traders who are willing to engage in carbon emission reduction reached 75% on average, marking a 10 percentage-point increase from 65% in 2023, indicating a higher level of concern on carbon emission reduction in air traders.

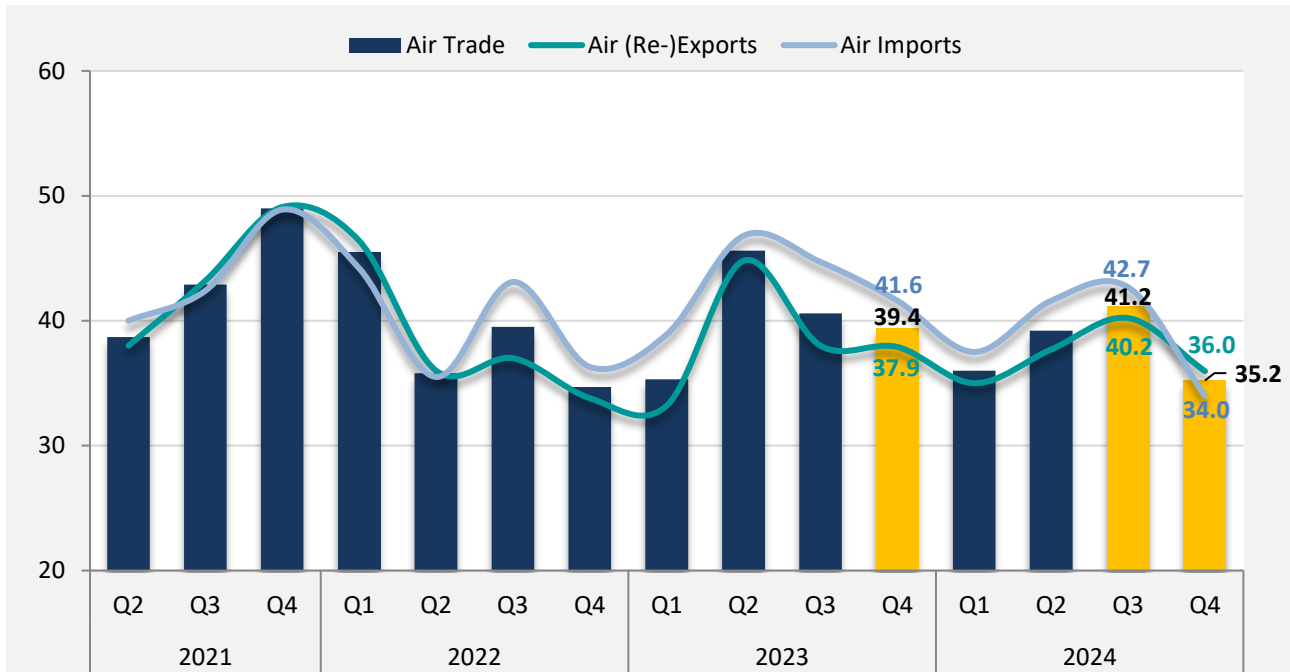
Mr Edmond LAI, Chief Digital Officer of HKPC, commented, “The air trade index declined by 6 points in 2024 Q4, with the import index experiencing a more significant drop (-8.7 points), indicating weakened confidence among air traders. Market indices fell generally, particularly the downturn in Europe reflecting economic recession. Looking ahead to the upcoming year, local air traders are adopting a more conservative pricing strategy for 2025, over half of the local air traders are reluctant to raise prices under insufficient orders and intensified market competition. In terms of the most potential markets in 2025, 11% air traders still consider China as the single market with the greatest potential. Additionally, the online B2C index saw an increase in product variety alongside a decrease in sales volume, suggesting that a wider range of products with lower quantities is becoming the new market trend, and small orders and customisation have become the new norm.

In terms of sustainable development, the overall willingness of air traders to participate in carbon emission reduction increased by 10-percentage points compared to the second half of the previous year, highlighting a positive trend towards green operations among

enterprises. Despite this, among local air traders who are not participating in carbon emission reduction (30%), half cited the lack of ESG implementation as the reason for inaction. This suggests that companies may lack the necessary frameworks, policies, or strategies to address these challenges. To support this, HKPC will assist enterprises in setting appropriate ESG goals, providing comprehensive support and resources through its ESG One platform, as well as comply with regulatory requirements to assist enterprises in achieving both environmental and economic benefits through the application of innovative technologies and solutions.”

Air Trade Index

In Q4 2024, the Overall Air Trade Index decreased by 6.0 points to 35.2 points, both the (Re-)Exports and Imports indices fell after two consecutive quarters of growth, reaching their lowest levels since 2023, with the Import Index experienced the most significant drop. This trend indicates a decline in confidence among air traders regarding future prospects.



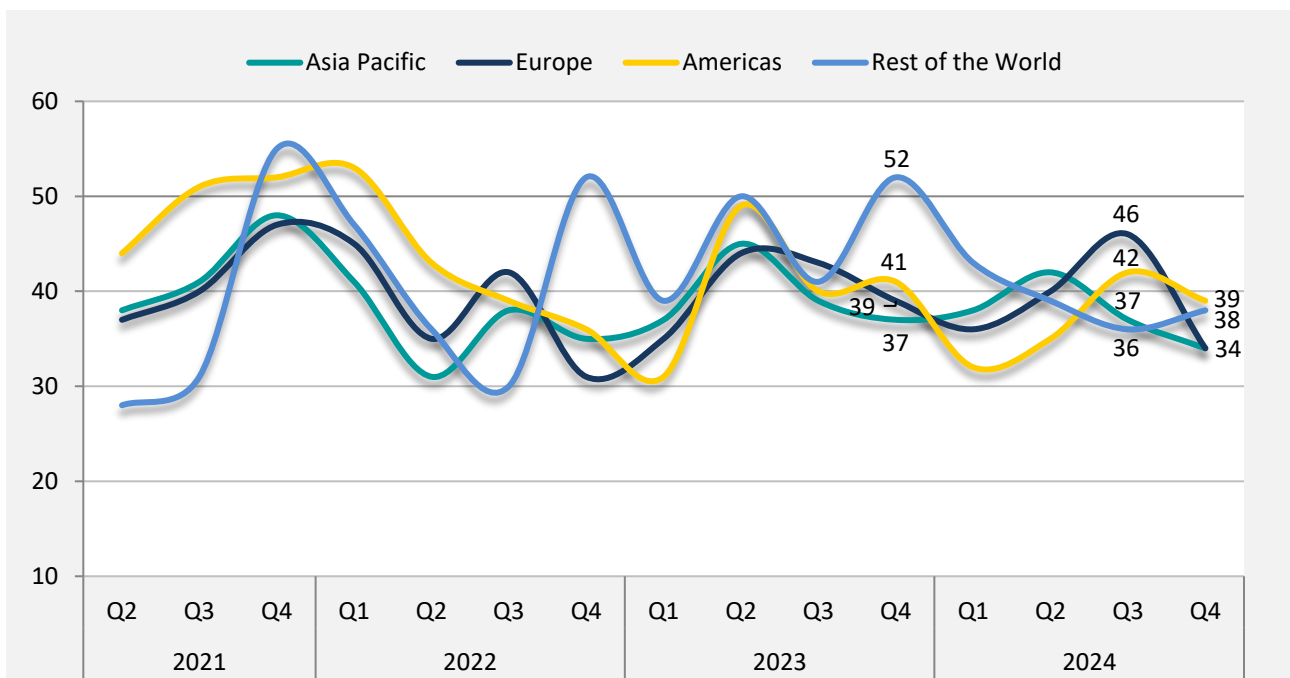
After a modest increase in the previous quarter, the **Overall Air Trade** Index fell by 6.0 points to 35.2 points in Q4 2024. Both (Re-) Export and Import recorded declines, with the drop in the Import Index was more pronounced (-8.7 points).

After two consecutive quarters of growth, **Air (Re-)Exports** Index experienced a decline in Q4 2024, falling by 4.2 points. Despite this decrease, its performance still outperformed the first quarter of 2024.

As for the **Air Imports** Index, it saw a significant decrease of 8.7 points after two quarters of growth, settling at 34.0 points.

Markets

A varying degree of retreats was observed in the indices across all regions in Q4 2024. The Americas' index registered a decline this quarter; however, it continues to outperform its performance in the first half of 2024. Europe recorded the largest drop across all regions in both imports and (re-)exports. The Asia Pacific index further declined, driven by a notable drop in China. Japan's index fell to the same level observed in Q1 2023, primarily due to a significant decrease in (re-)exports.



The **Americas'** index fell by 3 points to 39 points. Despite the decline observed in this quarter, the performance remained stronger than in the first half of 2024.

The **Asia Pacific's** index further dropped by 3 points to 34 points, negatively affected by Imports in Other Asia Pacific regions and China:

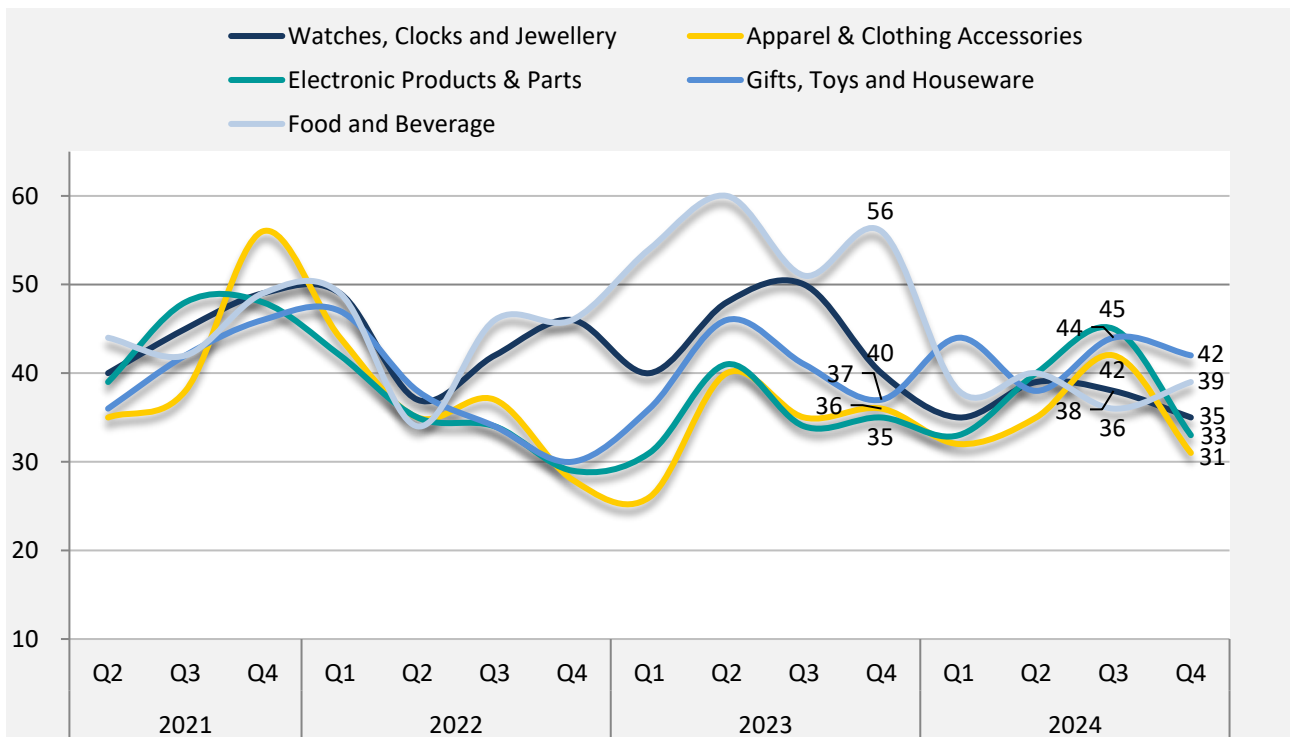
- The index of **China** experienced a significant decline (-7 points), reaching 32 points, falling back to the same level observed in Q1 2024.
- **Other Asia Pacific regions** slipped by another 1 point, primarily due to the decline in Imports (-11 points). On the other hand, (re-)exports showed a modest increase of 5 points.
- **Japan's** index declined by 2 points to 34 points, falling back to the same level as in the first quarter of 2023. This overall downward trend was influenced by a significant 7-point drop in the (re-)exports index in Q4 2024. However, the import sector experienced a slight increase of 1 point.

Following a robust recovery in the previous quarter, **Europe's** index experienced a substantial decline in Q4 2024, falling to 34 points (-12 points). This downturn was pronounced in both (re-)exports and imports, which saw declines of 11 and 12 points respectively, marking the largest drops across all regions.

The index of **Rest of the World** increased by 2 points to 38 points this quarter.

Air-Freighted Commodities

In Q4 2024, the Gifts, Toys & Houseware category saw a slight decline, yet remained the best-performing sector and outperformed the same period last year. Food & Beverage recovered modestly, driven by a rise in (re-)exports. Watches, Clocks & Jewellery dropped 3 points to 35, while Electronic Products & Parts plummeted 12 points to 33, with the increase in tariff costs in the US contributing to this negative performance. Apparel & Clothing Accessories fell back to the level observed in the first quarter of 2024, primarily influenced by the drop in imports.



Gifts, Toys & Houseware experienced a slight decline of 2 points, settling at 42 points in Q4 2024. Despite this decrease, it remains the best-performing category in Q4 2024 and represents a notable improvement (+5 points) compared to Q4 2023.

After hitting its 2-year low, the Index of **Food & Beverage** showed a modest recovery, rising by 3 points to 39 points. Notably, (re-)exports made the most significant contribution to this improvement, accounting for an increase of 14 points.

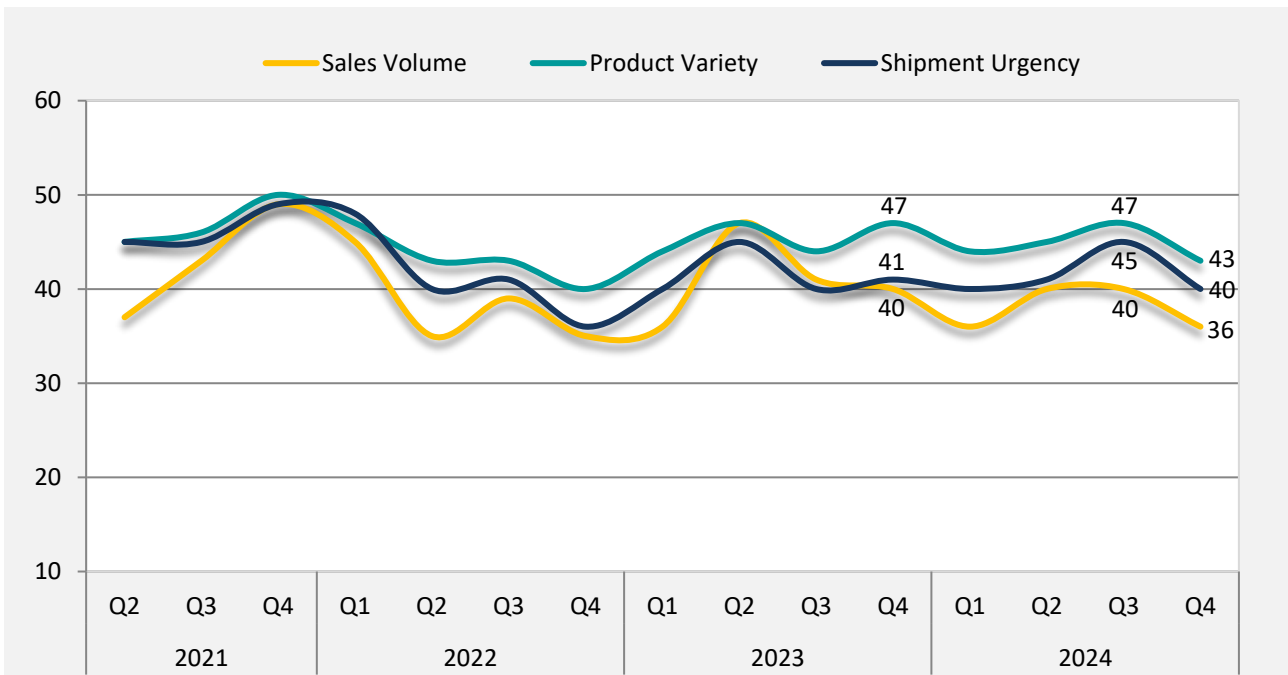
The **Watches, Clocks & Jewellery** index declined by 3 points to 35 points, returning to the same level observed in Q1 2024. Both imports and (re-)exports experienced a decline, with imports showing a more significant decrease (-5 points).

Electronic Products & Parts experienced a significant decline, dipping by 12 points to 33 points this quarter, marking the largest drop observed in this quarter. It was observed that the primary contributing factor was the decline in imports (-18 points).

After two consecutive quarters of rise, the index of **Apparel & Clothing Accessories** in Q4 2024 (31 points) fell back to a level similar to Q1 2024 (32 points). The performance was primarily affected by the significant drop in imports (-18 points).

Sub-Indices

In Q4 2024, the Product Variety Index dropped 4 points to 43, though it remained the best-performing sub-index for six consecutive quarters. Shipment Urgency decreased by 5 points to 40, and Sales Volume declined 4 points to 36 points. Regionally, Asia Pacific saw a modest decline, with mixed performance across indices. The Americas experienced a modest decline, particularly in Shipment Urgency and Product Variety. Europe faced a significant drop, affecting all indices.



Product Variety Index experienced a 4-point drop from 47 points in Q3 2024 to 43 points in Q4 2024. Notably, the Product Variety has been the best-performing aspect in sub-indices for six consecutive quarters.

Shipment Urgency exhibited a significant decrease of 5 points compared with Q3 2024, yet remained steady at 40 points, returning to the same level observed in Q1 2024. Additionally, it showed a slight decline of 1 point when compared with Q4 2023.

Similarly, **Sales Volume** slipped back to the same level as Q1 2024, with both imports and (re-)exports remaining at 36 points.

Looking into the sub-index development by market:

- The sub-index of **Asia Pacific** experienced a modest decline (-3 points), with increases and decreases in different indices this quarter, yet it has been considered relatively stable when compared to other markets.
 - A slight increase of 1 point in Shipment Urgency was observed, primarily driven by the 9-point rise in Japan's imports level.

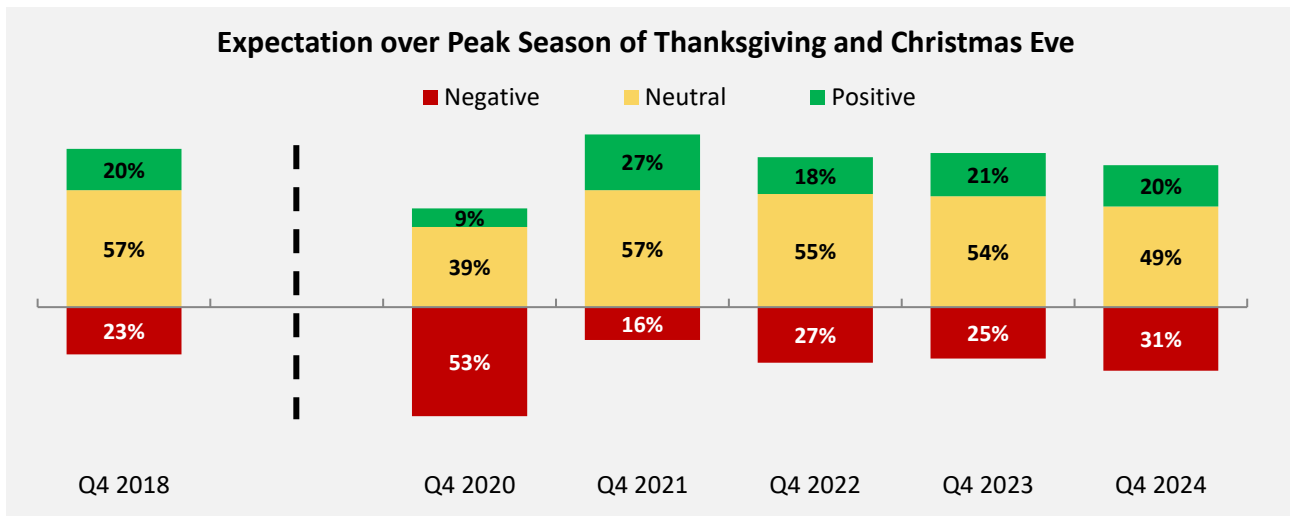
- Product Variety decreased by 2 points, mainly attributed to the 10-point decline in imports from China and Other Asia Pacific regions.
- The Sales Volume Index experienced a decline of 2 points, primarily due to a 7-point reduction in (re-)exports in Japan and a 10-point decrease in imports from other Asia-Pacific regions.

- The sub-index of **Americas** exhibited a modest decline. The most notable decrease was observed in the Shipment Urgency index, which dropped by 7 points, followed by a 5-point reduction in the Product Variety index. Despite a slight decline in Sales Volume (-2 points), its overall performance exceeded the first half of 2024.

- After experiencing robust growth over the previous two consecutive quarters, **Europe's** sub-index saw a significant decline of 12 points in Q4 2024. This downturn was notable across all indices, indicating a broad-based contraction sign in the market.
 - The Shipment Urgency Index experienced the most significant decline in Europe, with Imports dropping by 14 points. This was followed by a decrease of 11 points in (re-)exports.
 - (Re-)exports in Product Variety experienced a decline of 9 points, while imports saw a decrease of 7 points.
 - Sales volume also experienced a significant decline in both imports and (re-)exports, by 7 points and 8 points respectively.

Air Trade Outlook Affected by Recent Market News

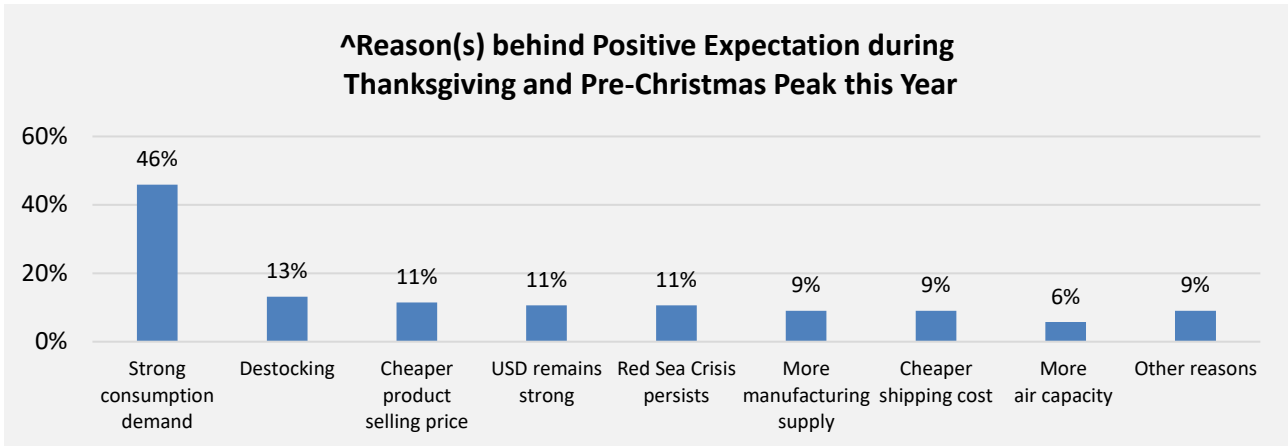
Overall, air traders' expectations for Thanksgiving and Christmas Eve remained as stable as in the previous two years, with one-fifth maintaining a positive outlook. Looking ahead to 2025, 40% of air traders indicated plans to raise their prices in the upcoming year, primarily driven by considerations of inflation and labour shortages. In terms of top potential markets in 2025, China was identified as the top choice, with Malaysia and Thailand ranking second, Vietnam coming in third.



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

In Q4 2024, air traders' expectations for traditional peak season (Thanksgiving and Christmas Eve) remained relatively stable, with 20% of traders maintaining a positive outlook similar to that of the previous two years.

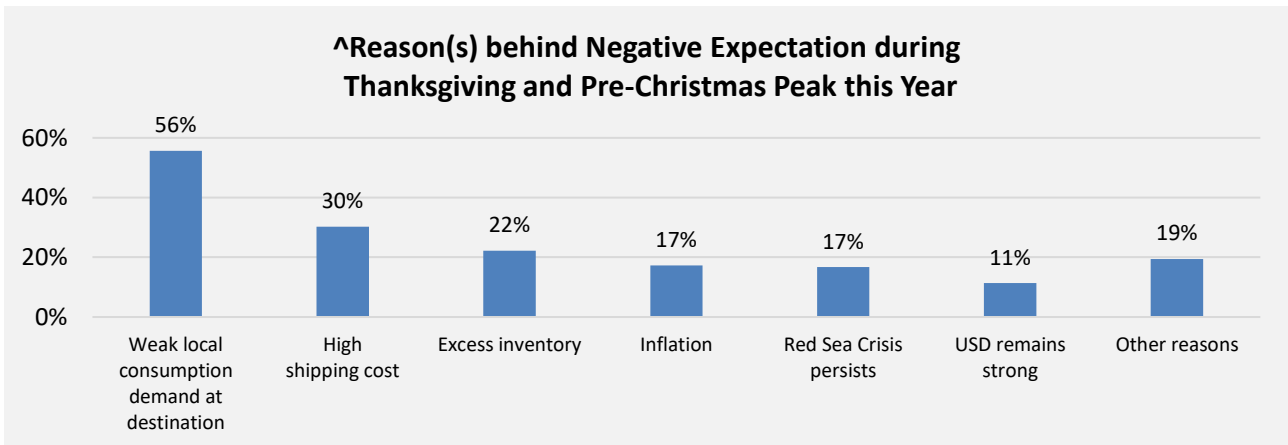
However, the proportion of air traders holding negative expectations increased by 6%, reaching 31% this year, primarily due to a shift from neutral to negative sentiment. By commodity, respondents have the most negative outlook for Electronic Products and Parts, reaching 37%. At the market level, air traders operating in Japan showed a pronounced shift from a neutral to a negative outlook, with an increase of 14% compared to Q4 2023.



^ Based on air traders with positive expectations towards the traditional peak in 2024

Note: Multiple answers allowed

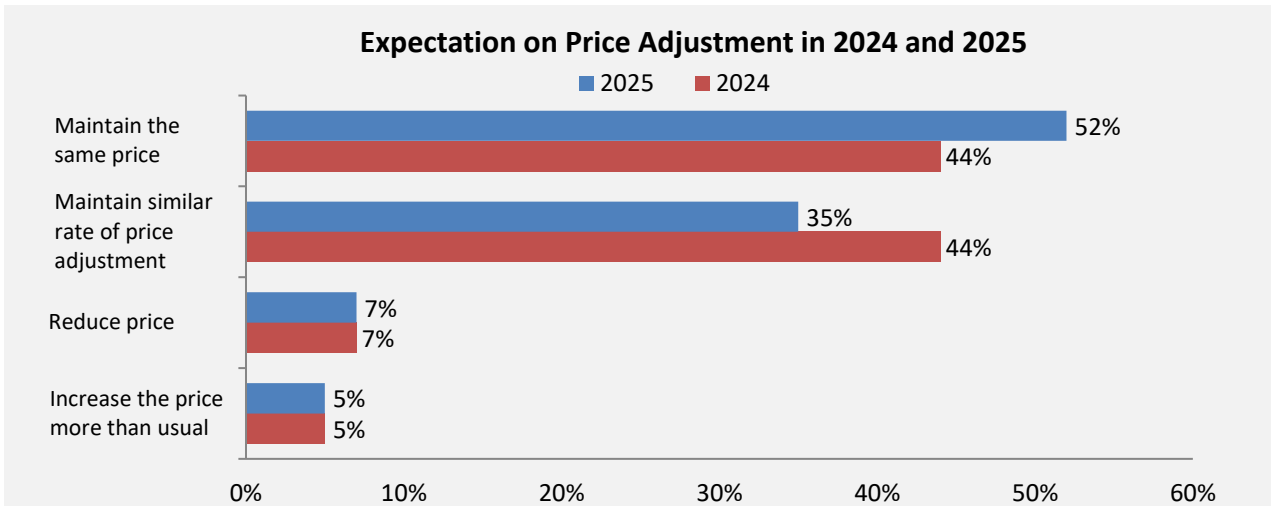
The primary driver of positive outlook was "strong consumption demand" (46%). This factor reflects the significant influence of robust consumer spending on market dynamics.



^ Based on air traders with negative expectations towards the traditional peak in 2024

Note: Multiple answers allowed

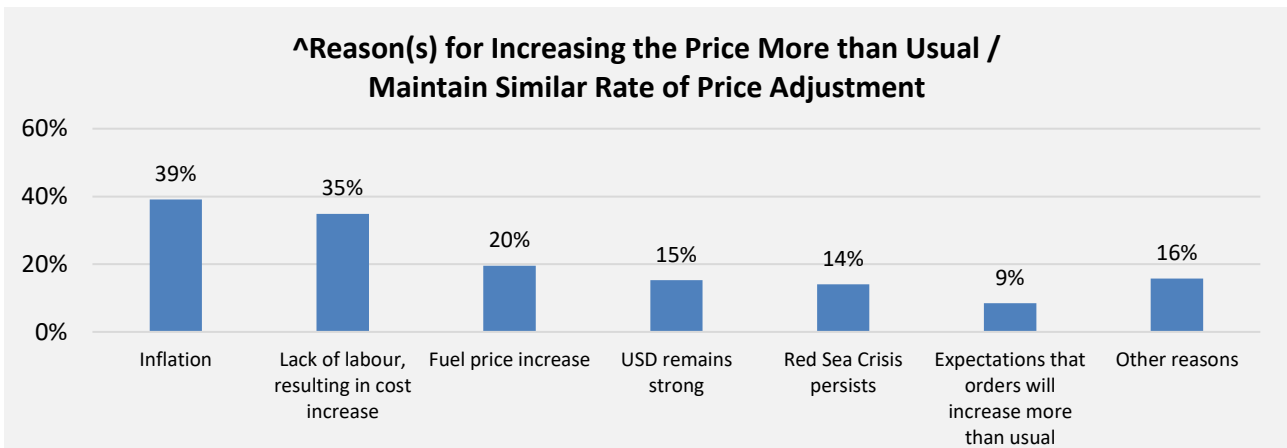
Among air traders who held a negative outlook for this year's peak season, the predominant reason was "weak consumption demand" (56%) at the destination. This was followed by "high shipping costs" (30%). Regarding "other reasons" (19%) category, 28% attributed their negative outlook to "economic downturns".



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

Looking ahead to 2025, around a third (35%) of air traders indicated the plan to adjust their price at the usual rate, while 5% expecting to implement price increases beyond the usual rate.

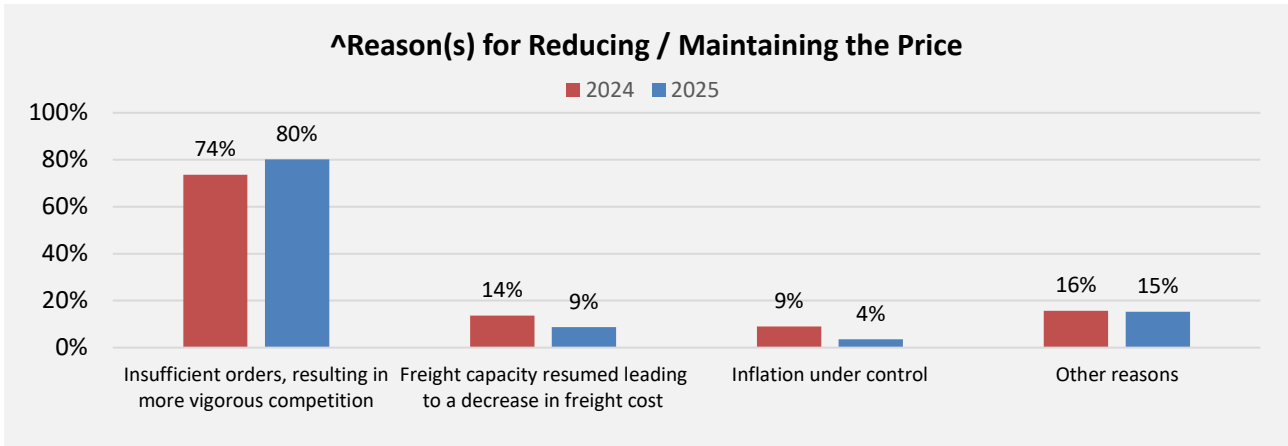
In terms of market, air traders operating in China and Europe were more likely to raise their prices, with 44% of respondents from both regions indicating an intention to do so. Meanwhile, air traders operating in Japan and Rest of the World regions showed a lower likelihood of increasing prices, with 34% and 29% of respondents planning to increase the price respectively.



^ Based on air traders claiming to increase the price more than usual or maintain usual rate in 2025

Note: Multiple answers allowed

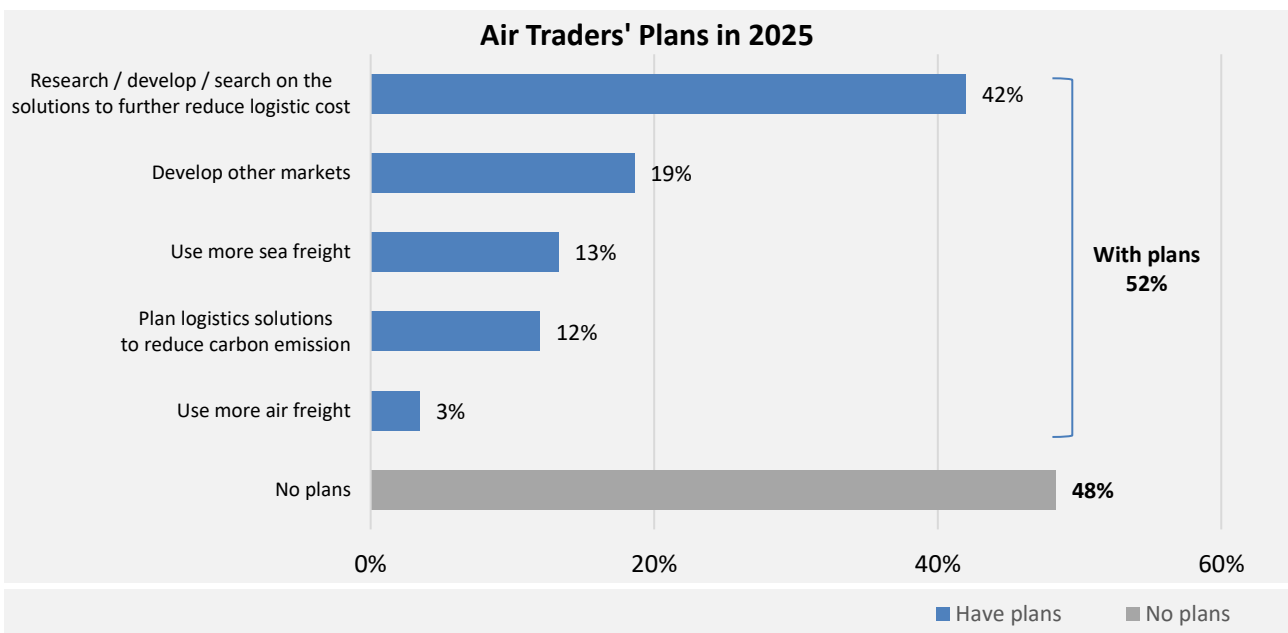
"Inflation" (39%) and "labour shortages, resulting in increased costs" (35%) were the key reasons for air traders to raise their prices.



^ Based on air traders claiming to maintain/ reduce the price in 2024 and 2025

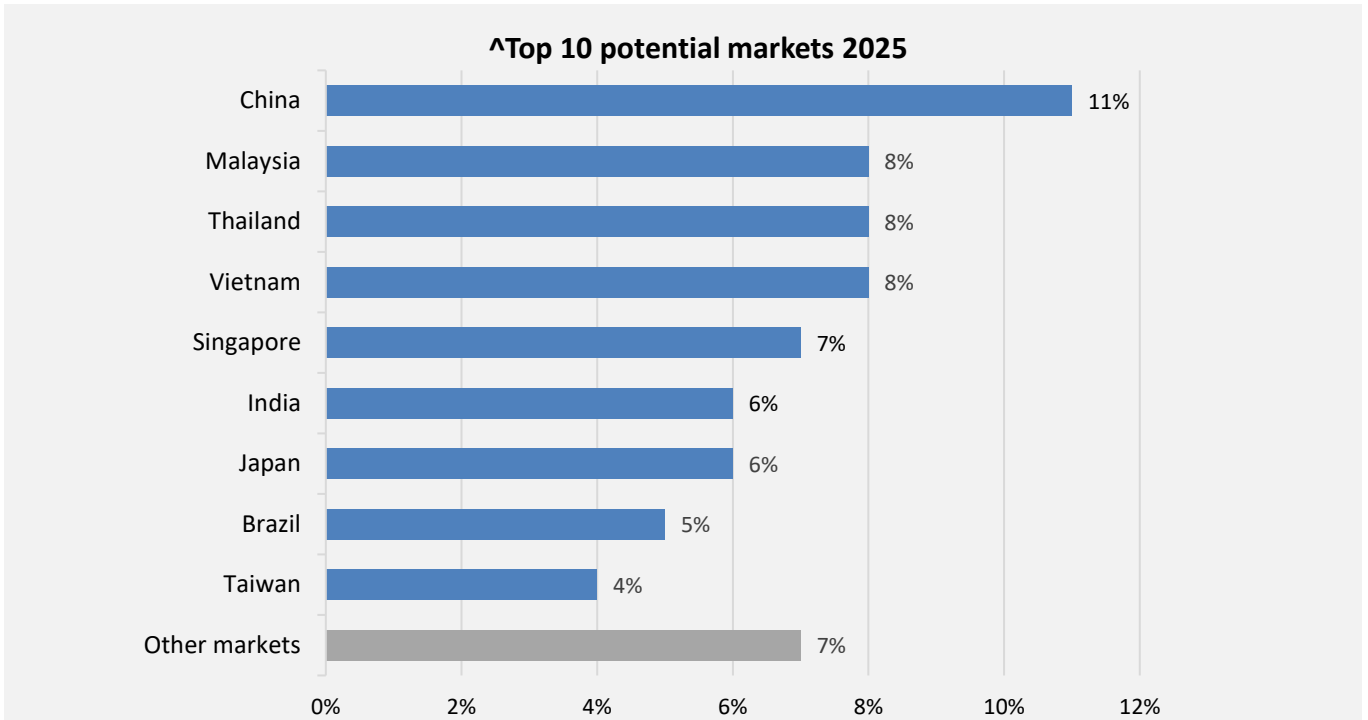
Note: Multiple answers allowed

Among the air traders who planned to maintain or reduce their prices in the coming year, the majority cited "insufficient orders resulting in more vigorous competition" (80%) as their primary concern. This represents a 6% increase from the previous year, indicating that the air trade sector has become increasingly competitive.



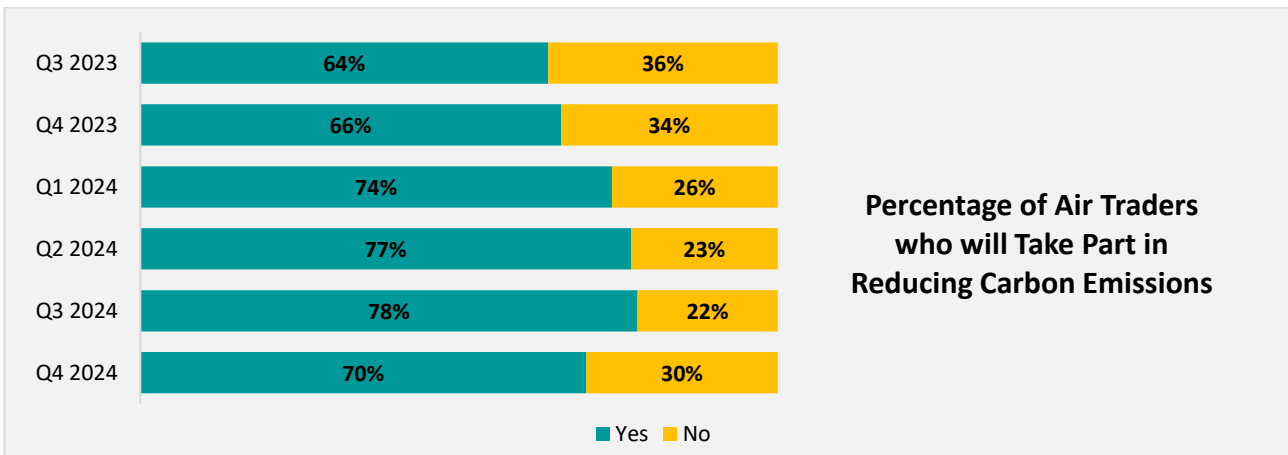
Note: Multiple answers allowed

Over half of the surveyed air traders (52%) have outlined their plans for the coming year with almost half of them decided to research/ develop solutions to further reduce logistics costs and one-fifth of them decided to develop other markets.



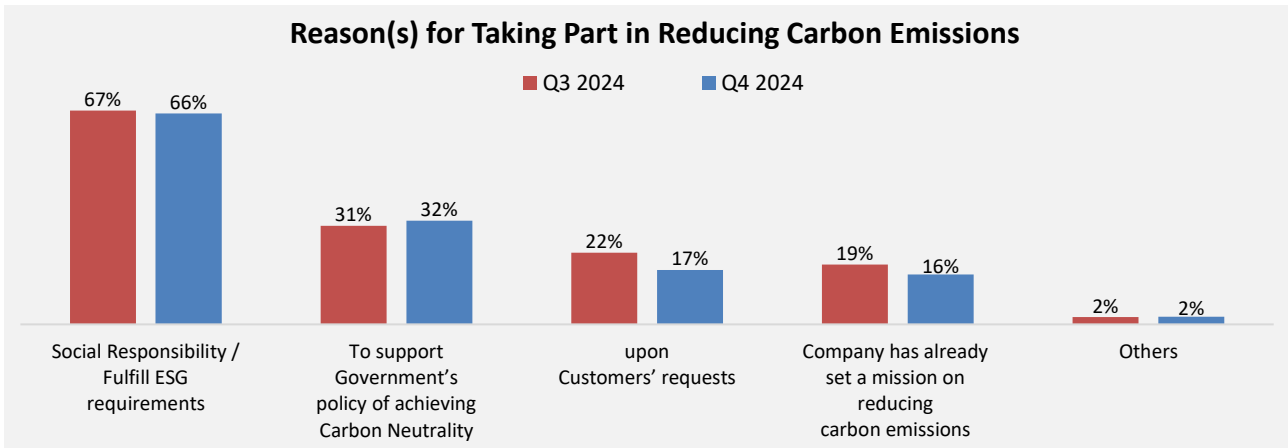
^ Based on the total number of mentions
 Note: Percentages may not add up to 100% due to rounding.

Among the air traders planning to develop other markets, the top three markets identified as having potential remained consistent – China continued to rank as top, followed by Southeast Asian markets – Malaysia and Thailand in second place, Vietnam in third place, which indicated that air traders still consider Asian markets to have greater potential.



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

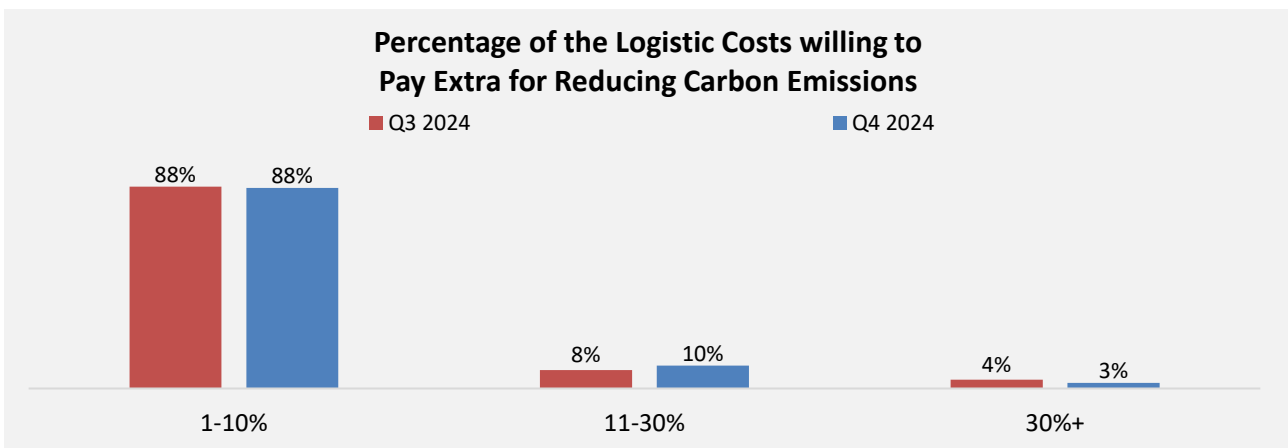
In 2024, the percentage of air traders who are willing to engage in carbon emission reduction reached 75% on average, which is an increase of 10 percentage points from 65% in 2023. This indicates a significant rise in the importance that air transport users place on reducing carbon emissions.



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

Note: Multiple answers allowed

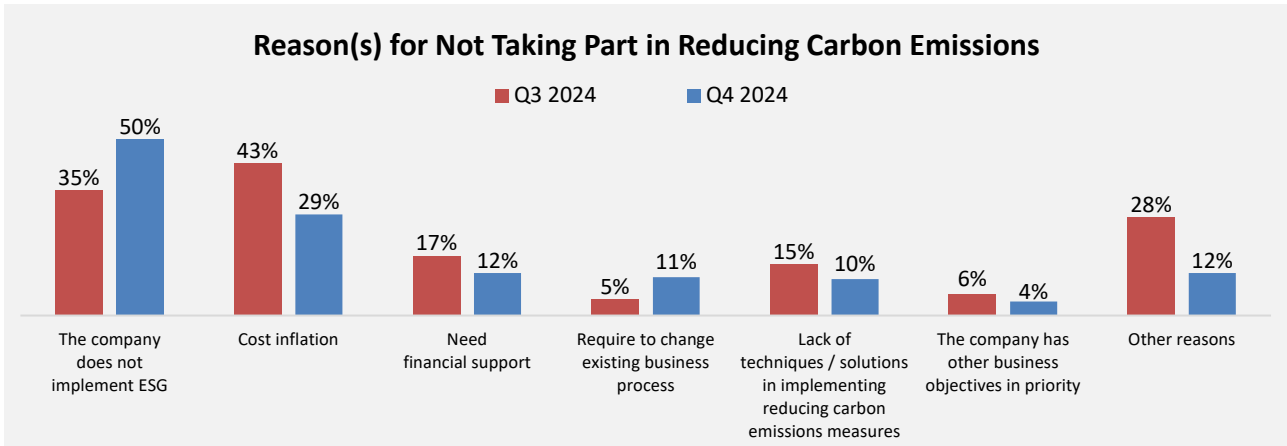
Among air traders who are willing to participate in reducing carbon emissions, “Social responsibility / Fulfilling ESG requirement” (66%) and “Supporting Government’s policy of achieving carbon neutrality” (32%) continue to be the key drivers.



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

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

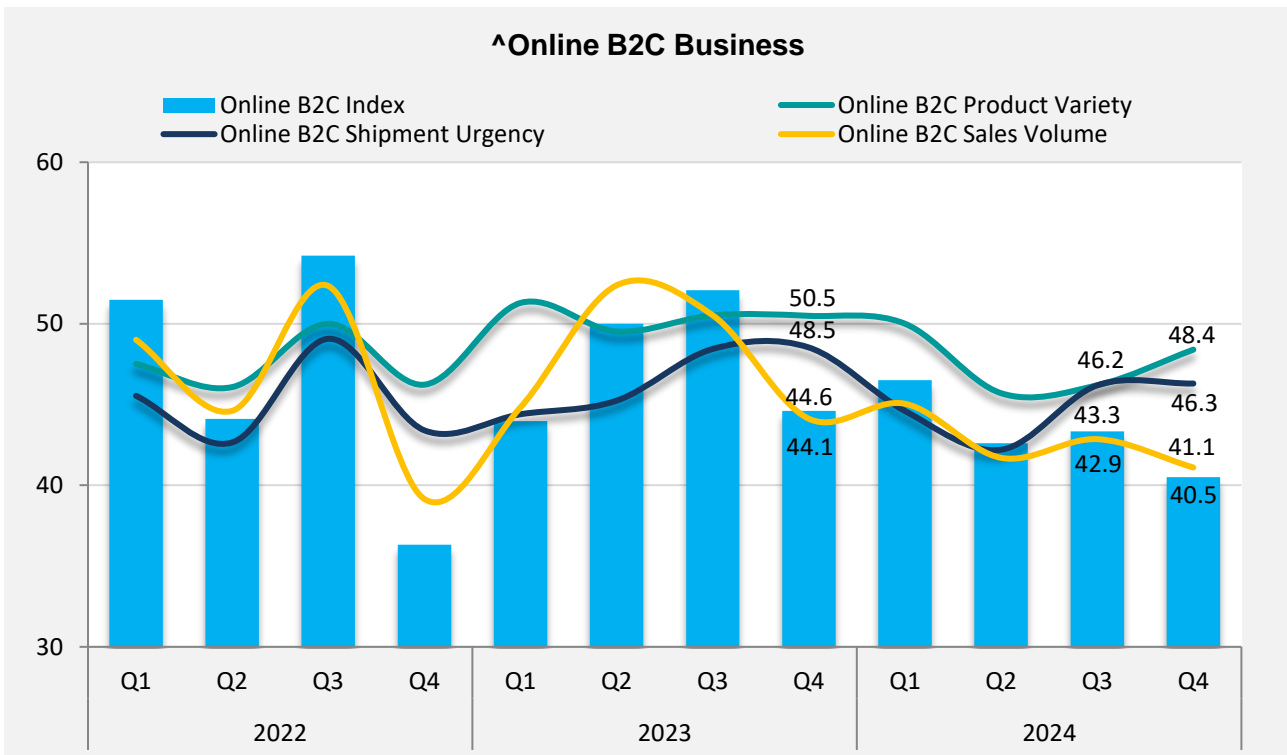
Among those willing to pay extra to reduce carbon emissions, 88% are willing to allocate up to 10% of their logistic costs towards this goal. Meanwhile, 10% are willing to pay up to 30%, and 3% are willing to pay over 30%.



Note: Based on air traders not willing to take part in reducing carbon emissions

Note: Multiple answers allowed

In Q4 2024, half of the surveyed air traders expressed that "the company does not implement ESG" (50%) was the primary reason for not participating in reducing carbon emissions, reflecting the crucial role of corporate leadership in promoting ESG. The next most common reason was "cost inflation" (29%).



^ Based on air traders with online B2C business

The Online B2C Index experienced a decline of 2.8 points, settling at 40.5 points. This decrease was primarily attributed to a reduction in Sale Volume, which dropped by 1.8 points. In contrast, there were modest increases observed in Product Variety (+2.2 points) and Shipment Urgency (+0.1 points). The increase in product variety but decrease in sales volume in Online B2C reflects a new market trend of "lots of variety in fewer quantities", small order volume and customisation have become the new norm.

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. As a nationwide leader in innovative, market-driven research and development (R&D), specialising in leading technologies and all-rounded manufacturing services, HKPC promotes new industrialisation in Hong Kong and the Greater Bay Area and facilitates the development of new productive forces, leveraging innovation and technology (I&T), 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 STEM competencies.

For more information, please visit HKPC's website: www.hkpc.org/en.

Enquiry

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

Disclaimer

This report contains survey results based on research findings. HKPC will not be liable for any loss, mistake, delay, action, or non-action by viewers of this report.