



DHL Hong Kong Air Trade Leading Index (DTI)

2015 Q3 REPORT

Commissioned by DHL Express (Hong Kong) Limited, DTI is implemented independently by 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 and aviation hubs in Asia Pacific and Hong Kong International Airport is globally recognized as one of the busiest airports in terms of international cargo throughput. The city’s dynamic air trade industry generates income of over HK\$120bn annually and employs nearly 25,000 people ^(1,2,3) in the territory.

In the absence of a leading performance indicator for the industry, DHL Express (Hong Kong) Limited (DHL) has commissioned 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 pilot studies, contains quarterly findings on air trade and its related attributes, market sentiment and key types of commodities.

DTI is the first of its kind in Hong Kong, offering publicly available market intelligence for local enterprises, especially SMEs which typically have limited resources or access to information, enabling all to take reference from a comprehensive business review of the sector in which they operate.

DTI was first conducted for Q2 of 2014 and will continue to be published on a quarterly basis.

Methodology

DTI = [100 x (Percentage of samples responded “Positive”)] + [50 x (Percentage of samples responded “Neutral”)] + [0 x (Percentage of samples responded “Negative”)]

Readings

An index of 50 or above indicates a positive outlook while a reading of 50 or below represents a negative outlook for the surveyed quarter against the same period last year.

As such, the further the reading is from 50, the more positive or negative the outlook.



Demographics

¹ Hong Kong Trade Development Council Research

² Quarterly Report of Employment and Vacancies Statistics, Census and Statistics Department, March 2013

³ Key Statistics on Business Performance and Operating Characteristics of the Transportation, Storage and Courier Services Sector in 2011, Census and Statistics Department

Respondents are Hong Kong based companies with either in- or out- bound air trade. Sectors include Watches, Clocks & Jewelry, Apparel & Clothing Accessories, Electronics Products & Parts, Gifts, Toys & Houseware, Food & Beverage and Others (including courier services and other items which do not belong to the categories listed above).

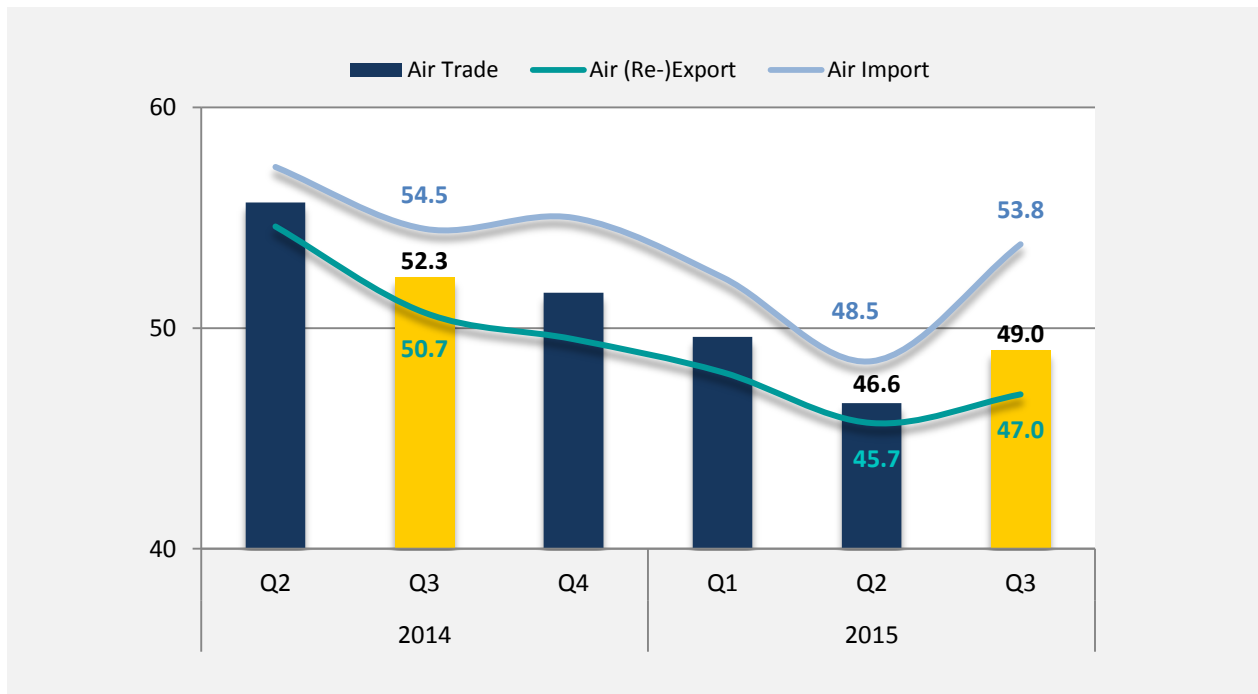
Since the first reading in March 2014, each quarter 600 samples are randomly selected from over 10,000 entries. The survey is conducted in telephone format. Each of the 600 samples represents a combination of company and product type which has need of air trade. Each sample has the same weighting in calculating the index, regardless of the size of the company.

For the first time since the index was launched, air traders are seeing an improvement in the overall trade environment as the index scores bottomed out in Q3. Trade momentum, especially in the European market, has rallied with an upswing observed across nearly all sub-indices.

- As earlier market tensions in the Europe have subsided, nearly all sub-indices rebounded, with some recovering to levels from the same quarter last year.
- The improving outlook is more notable in the European and Asia Pacific markets, while air traders foresee trades with the American market will remain stable. Such steady growth in European and Asia Pacific trade is mainly driven by stronger demand for Food & Beverage and Electronic Products & Parts.
- Mr. Kim Chan, General Manager (Enterprise Innovation) of HKPC, said, “We observed an improvement in air trade with the majority of index scores rising close to the 50 neutral line. Demand and orders from the European and Asia Pacific markets are encouraging, especially for Food & Beverage products in Europe, and Electronic Products & Parts in Asia Pacific. Traders looking to mitigate risks or exposure in single regions or products in different seasons should further step up efforts to diversify their product variety.”

Air Trade Volume Index

Compared with the cautiously conservative outlook in the previous quarters, air traders are gaining confidence this quarter, reflected in the across-the-board rebound. The Import index was especially encouraging with a score approaching that achieved in the same quarter last year, backed by strengthened demand from all markets.



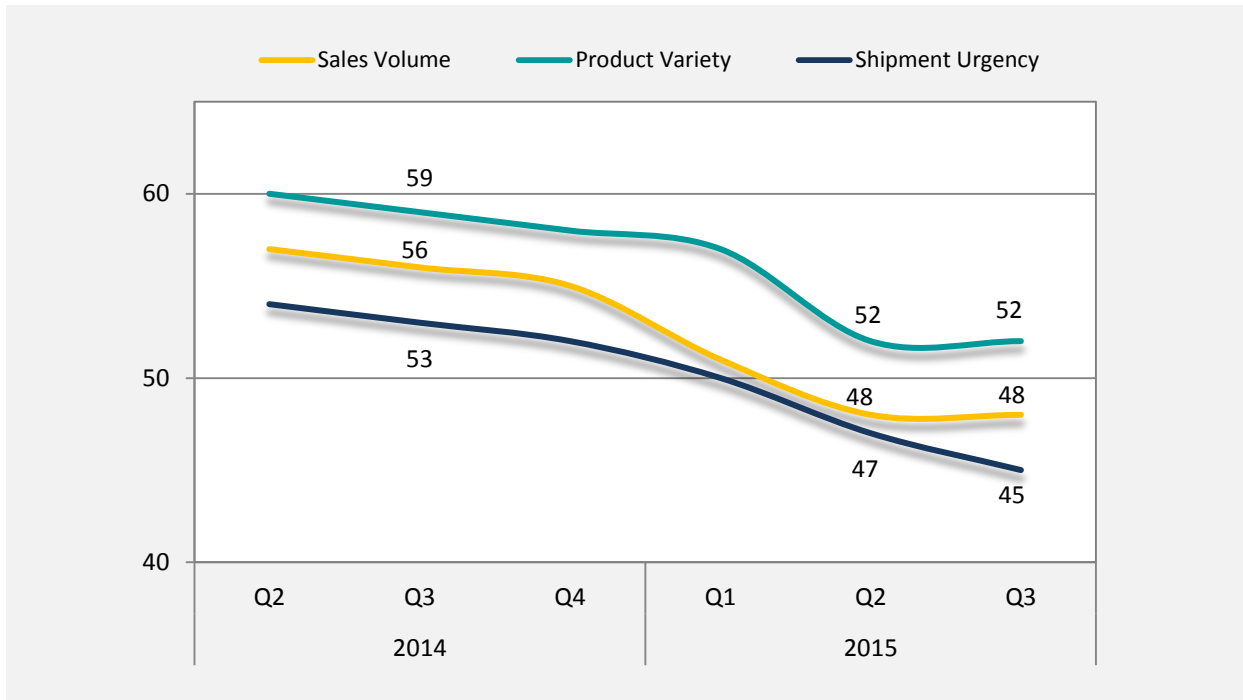
Overall index for 2015 Q3 rose to 49.0 from 46.6 in the previous quarter, closer to the 50 neutral line, indicating a generally improved outlook.

Stronger demand from Europe and Americas supported the **(Re-) Exports Index**, with the reading increased to 47.0 for 2015 Q3 after consecutive drops since the index was launched.

A strong rebound was observed in the **Import Index** as the score increased to 53.8, compared with 48.5 in the last quarter, indicating an optimistic outlook for imports. The positive outlook is supported by strong demand from all markets, especially from Europe and Asia Pacific, which made notable improvements.

Attributes

Similar to the previous quarters, air traders still saw the need to enhance product variety while being less positive on sales volume, with these index scores remaining unchanged in the quarter.



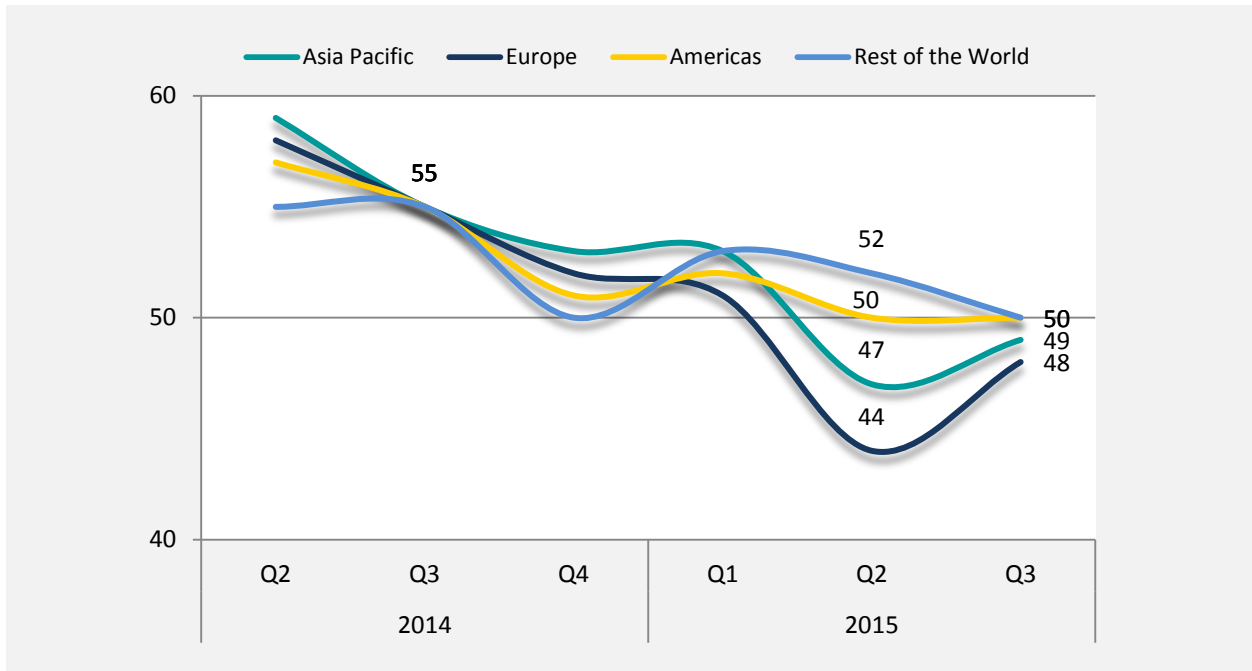
Product Variety index score topped all attributes and remained at 52 this quarter, reflecting air traders' continued optimism particularly towards market prospects in the Americas and Asia Pacific.

Sales Volume stood at 48 in 2015 Q3 and continued to stay below the 50 neutral line. Despite this stagnation, a better recovery in trade with the European market was observed in the quarter.

Shipment urgency was the only attribute that continued its downtrend this quarter, slightly dropped from 47 in 2015 Q2 to 45 in 2015 Q3, indicating that air traders do not foresee the need to fulfill urgent shipment orders as much as to other attributes.

Market

A strong rebound was observed in the European and Asia Pacific markets after a record-low reading in the previous quarter, as air traders are particularly optimistic towards these markets' import prospects. Outlook for the American market remained steady.

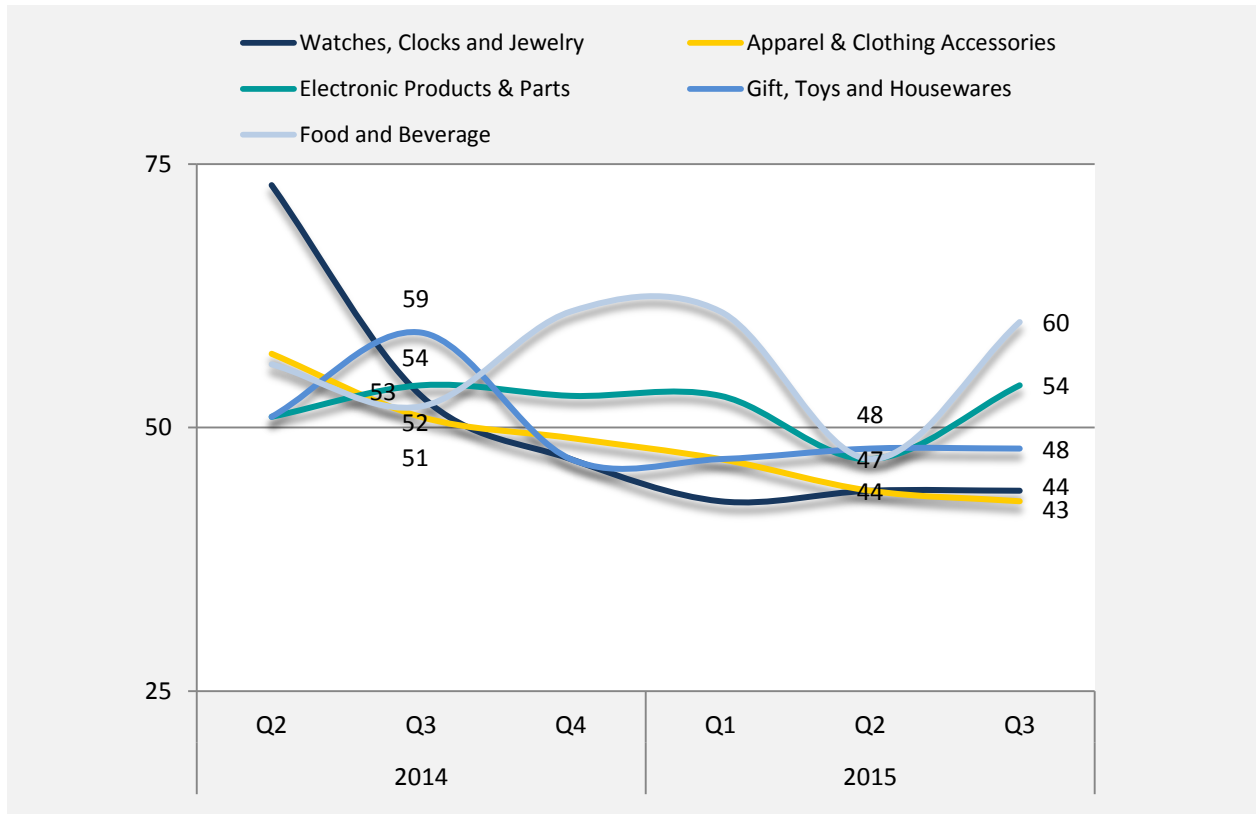


Air traders expected the **European** and **Asia Pacific** markets to rebound despite remaining slightly conservative. Index scores rose to 48 and 49 respectively in 2015 Q3 after dipping in Q2, fueled by higher demand for Food & Beverage from Europe and Electronic Product & Parts in Asia Pacific.

Unlike some other sub-indices, where imports are more promising than exports, air traders are more consistent in terms of the market prospects for imports and exports in the **Americas** and the **Rest of the World**, which both remained the same at neutral or 50 points.

Air-Freighted Commodities

This quarter's index scores showed a strong recovery in confidence in Food & Beverage and Electronic Products and Parts, while outlook for other commodities remained stable.



Bolstered by strong demand from the European market, **Food & Beverage** recorded a major upswing to 60 index points in the quarter, surpassing the score in the same quarter last year.

Air traders were also positive on the outlook for **Electronic Product & Parts**, with higher demand from the Asia Pacific market. The index score up to 54 this quarter, above the 50 neutral line and back to the same level as 2014 Q3.

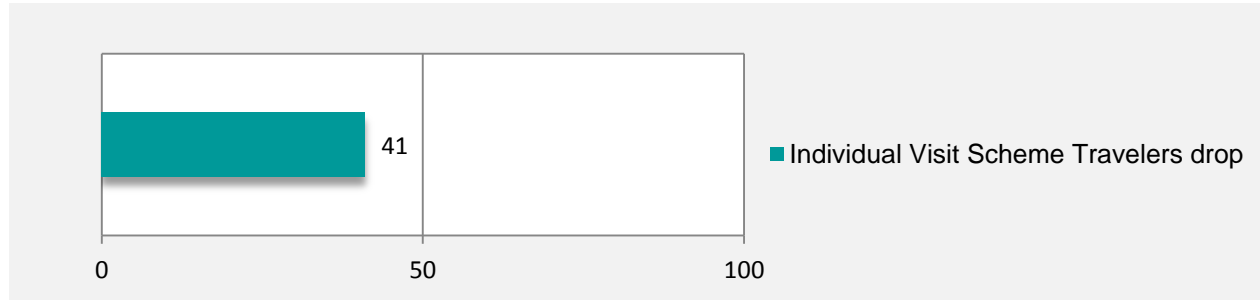
In general, air traders foresee a similar outlook for **Watches, Clocks & Jewellery** and **Gift, Toys & Housewares**, which held index scores of 44 and 48 respectively. While exports of these products show signs of improvement, opportunity for imports is relatively more positive and stable.

Apparel & Clothing Accessories is the only commodity which continued dropping this quarter, mainly dragged down by further weakened demand in all markets except Europe.

Effect of recent market news on air trade

This quarter's report also looks into the effect of the drop in Individual Visit Scheme travelers visiting Hong Kong from Mainland China.

Some pessimistic traders reported that the drop in mainland tourists would pose negative impact on their import outlook, mainly expecting reduced sales volumes. However, more than three-quarters of the respondents did not foresee any impact on their overall air trade volumes.



About Hong Kong Productivity Council

The Hong Kong Productivity Council (HKPC) is a multi-disciplinary organization established by statute in 1967. HKPC's mission is to promote productivity excellence through the provision of integrated support across the value chain of Hong Kong firms, in order to achieve a more effective utilization of resources, to enhance the value-added content of products and services, and to increase international competitiveness. For more information, please visit the HKPC website at www.hkpc.org.

Enquiry

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