



DHL Hong Kong Air Trade Leading Index (DTI)

2014 Q4 REPORT

Commissioned by DHL Express (Hong Kong) Limited, DTI is implemented independently by Hong Kong Productivity Council to measure air trader's forward-looking business outlook and presented in a form of Index.

Background

Hong Kong is one of the major regional and aviation hubs in Asia-Pacific and the 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 also generates an income of over HK\$120bn annually and employs nearly 25,000 people^(1,2,3) in the territory.

In 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, covering and reviewing 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 quarterly basis.

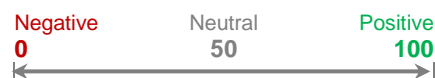
Methodology

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 surveying quarter against the same period last year.

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



Demographics

Respondents are Hong Kong based companies with either in- or out- bound air trade.

Since the first reading in 2014 Q2, 600 samples have been randomly collected each quarter.

Notes: 1) Source: 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

Air Trade outlook less positive overall in final quarter due to fragile demand from Europe and dwindling trade of high value commodities.

Overall index score in 2014 Q4 is 51.6, representing a reduction since the two previous quarters:

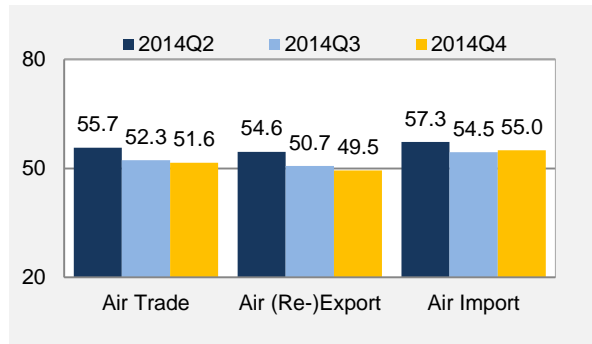
- Export fell below 50
- Shipment Urgency has the lowest reading among other attributes
- Exporters estimate weak demand from Europe and Emerging Economies
- Luxury goods and certain durable consumer categories plunged from the previous quarter
- Air Traders anticipate pre-Christmas orders as a positive lever for growth during the traditional peak associated with the winter quarter

Air Trade Volume Index

The overall index showed a decline of 4.1 points since Q2 this year, to 51.6 points in Q4. The (Re-)Export index posted below the 50 mark while the import index marked improvement from the preceding quarter with an increase of 0.5 points.

(Re-)Export index fell to 49.5 points due to declining sales orders and weak external demand, especially from Europe and emerging markets.

The **Import index** slightly increased to 55.0 in the fourth quarter, underpinned by a modest demand on durable consumer goods.

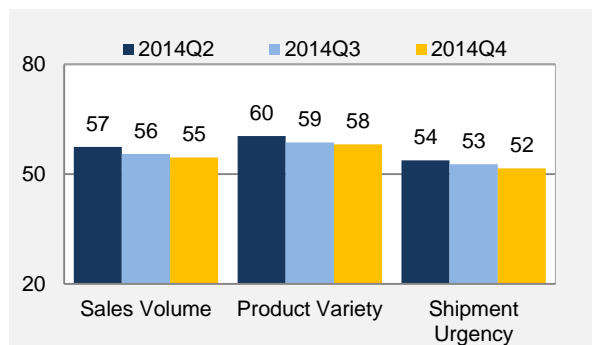


Attributes

All key attributes for air-freighted shipments narrowed in the fourth quarter, a continuing trend since the launch of DTI yet the outlook remains positive.

Product Variety was ranked most highly of all attributes with a reading of 58 points, followed by **Sales Volume** (55 points) and **Urgent Order** (52 points).

Air traders point to pre-Christmas orders as a favorable factor to impact on greater Product Variety.

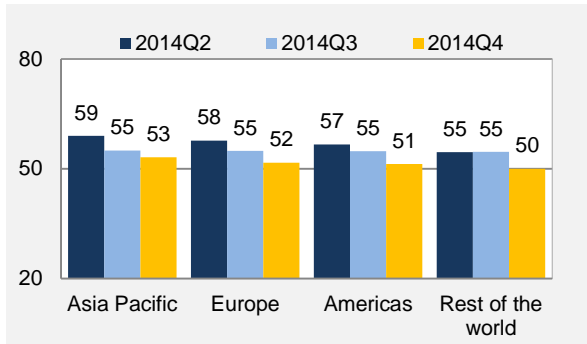


Market

Business sentiment declined unevenly across trading markets albeit all still scoring above 50 points and so remaining positive.

An uncertain outlook for **Europe and Emerging Economies** has dampened exporters' confidence to trade with these markets. On the other hand, importers

indicated that local demand for **Asia** imports remains robust.

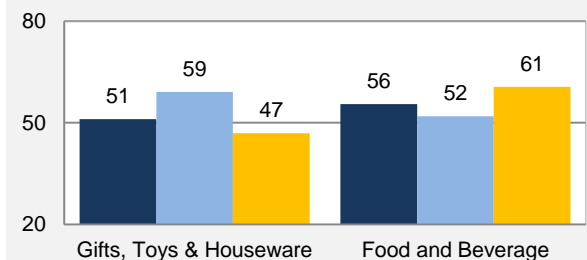
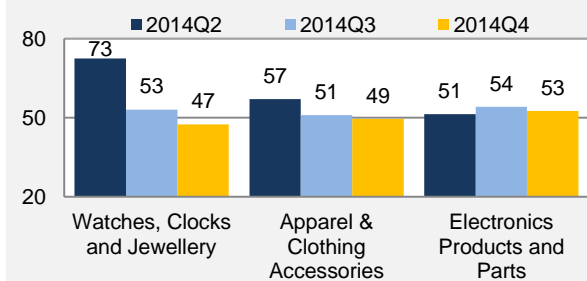


Air-Freighted Commodities

An increase in **Food and Beverage** sales signaled confidence in the sector, particularly as imports from the European market have continued to surge for the last three quarters.

Demand for luxury goods like **Watches, Clocks and Jewellery** weakened to 47 in the fourth quarter, largely due to the softening demand, especially from Europe.

Gifts/Toys and Houseware imports decline following cooling retail sales, with the respective index posting below 50 marking a significant turnaround from the previous quarter.



Air trade confidence has declined overall due to lackluster retail sales, notwithstanding air traders' anticipation that pre-Christmas orders may enhance growth during the winter quarter which traditionally peaks.

While **Electronics Products and Parts** trade may enjoy the coming seasonal peak, there remain differences across commodities, for instance **Apparel and Clothing Accessories** do not appear to benefit.

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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