



DHL Hong Kong Air Trade Leading Index (DTI)

Q3 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 in terms of 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⁾ 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.

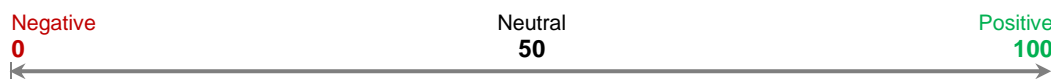
Methodology

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

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.



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. 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

The Overall Air Trade Index showed a slight recovery and has reached its highest level since the beginning of 2024. However, local air traders are anticipating a higher air freight price in the second half of 2024 due to Red Sea incident.

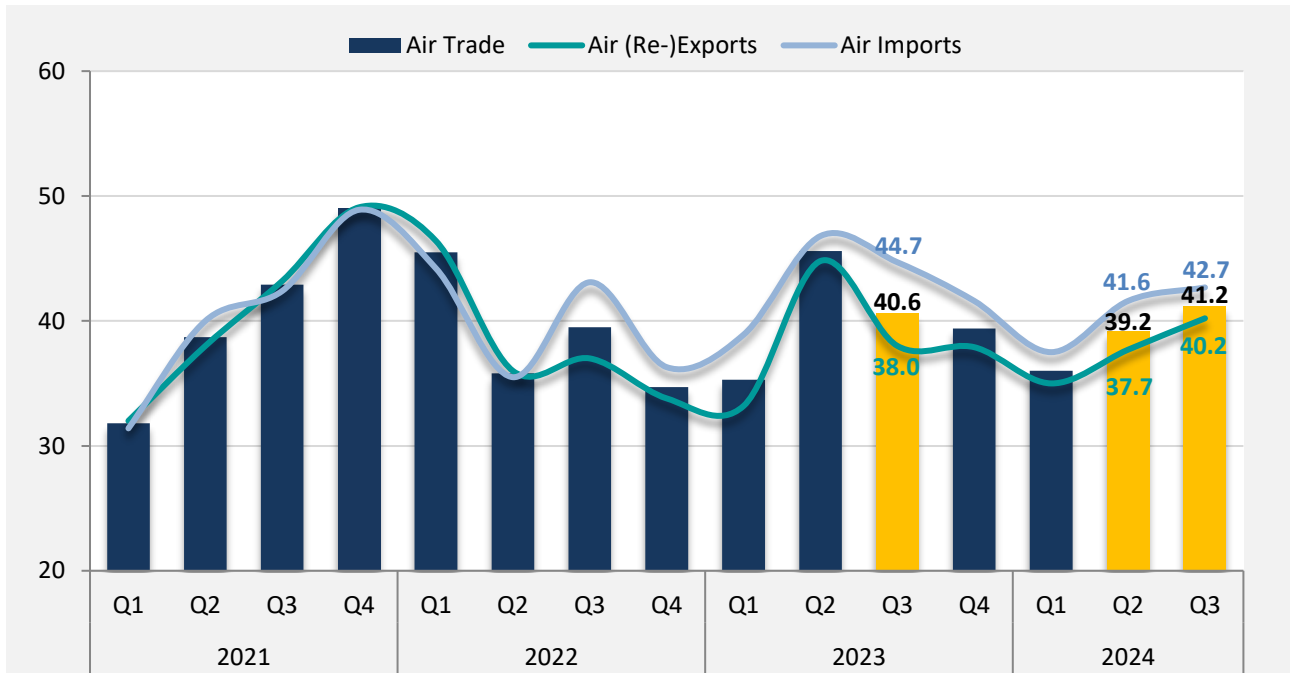
- Overall Air Trade Index increased by 2.0 points to 41.2 points in Q3 2024. The growth was driven by (Re)-Exports, Urgent orders, positive performance in Europe and Americas.
- Online Index showed a modest improvement with 0.7 point increment, primarily driven by Urgent Shipment.
- Due to the Red Sea incident, 70% of local air traders expected an upward pressure on the air freight price in the second half of 2024.
- The US recently announced an increase in imported tariffs on certain China-made products or parts. Among the 45% of air traders who were affected by the new tariffs, 35% of them plan to raise their prices to offset the extra tariff costs, and 26% of them intend to expedite the shipment delivery.
- 78% of local air traders are willing to contribute to reducing carbon emissions and 88% of them are willing to spend up to 10% of their logistics costs in achieving this mission.

Mr Edmond Lai, Chief Digital Officer of HKPC, commented, “The latest overall Air Trade Index continues to rise, recording the highest level in the past five quarters, primarily driven by the increase in the (re)-export index, which narrows the gap with the import index. In terms of market, the growth in the overall Air Trade Index was mainly driven by European and American markets, offsetting the decline in the Asia-Pacific region. Moreover, the China-U.S. trade relationship remains uncertain this quarter, with 70% of the surveyed air traders indicating upward pressure on air trade prices. As the U.S. has recently imposed higher tariffs on more Chinese imported products, 45% of the respondents said they were affected, of which one-third (35%) stated that they would raise prices to offset the additional tariffs. Among the remaining 55% of respondents who were not affected, 28% of them would explore other markets. We encourage air traders to deploy contingency plans in advance.

On the other hand, the air trade industry remains committed to sustainability and the reduction of carbon emissions. Nearly 90% of air traders are willing to raise an additional 10% of logistics costs for this goal. In contrast, 22% have not yet participated in carbon emission reduction, nearly half due to the pressure of cost increases, and one-third (35%) stated that their companies have not yet implemented ESG. This suggests that companies taking the lead in ESG implementation can help drive related developments. Therefore, HKPC steadfastly backs the green transformation on the industry-wide level. Innovative solutions and more leveraging of low-carbon technologies are offered to firms in helping them to achieve sustainability and cope with relevant challenges.”

Air Trade Index

The Overall Air Trade Index showed a slight recovery in Q3 2024, reaching 41.2 points. All indices also reached above 40 points. This marks the highest level since the beginning of 2024 and the performance closely aligns with the results recorded in Q3 2023 (40.6 points).



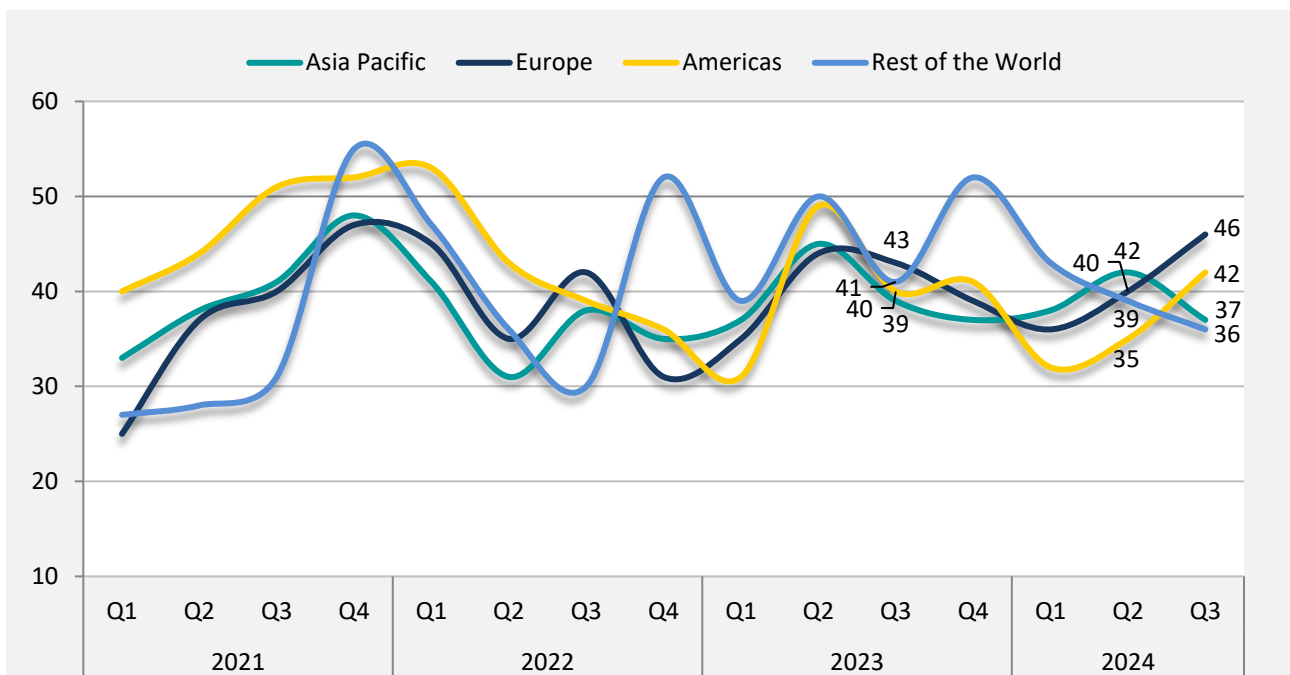
Overall Air Trade Index increased slightly by 2.0 points to 41.2 points in Q3 2024. Both Air Imports and Air (Re-) Exports improved.

The growth observed in this quarter was mainly driven by the 2.5-point increment in **Air (Re-)Exports Index**, reaching 40.2 points. This indicates the most significant growth observed among the indices. Notably, this performance surpasses the results recorded during the same period last year.

Air Imports Index maintained a relatively high level at 42.7 points, with a modest increment of 1.1 points. However, the performance was slightly lower compared to the 44.7 points recorded in Q3 2023.

Markets

Overall, the indices of Europe and Americas have mitigated the challenges faced by the Asia Pacific and Rest of the World markets. Europe's index rose by 6 points, reaching 46 points, surpassing the level of the previous year and emerging as the highest among market indices. Similarly, America experienced a significant increment, primarily driven by export growth. In contrast, the Asia Pacific market reported a decline, with significant drops observed in China and Japan. The Other Asia Pacific recorded a 3-point decline, despite experiencing growth in imports.



Europe's Index showed a notable rise, increased by 6 points to reach 46 points, which was the highest among the Market Indices. This performance surpasses the 43 points recorded in Q3 2023.

Americas' Index also experienced a substantial increase (+7 points), reaching 42 points in Q3 2024, up from 35 points in Q2 2024. The growth was primarily driven by Exports, which saw a notable increase of 9 points. Imports also demonstrated healthy expansion, climbing 3 points from 40 in Q2 2024 to 43 in Q3 2024.

The upward trend of **Asia Pacific's** Index halted as it dropped by 5 points to reach 37 points in Q3 2024. This level was also lower than the 39 points seen in Q3 2023, indicating a contraction in air trade within the region.

Within the Asia Pacific region:

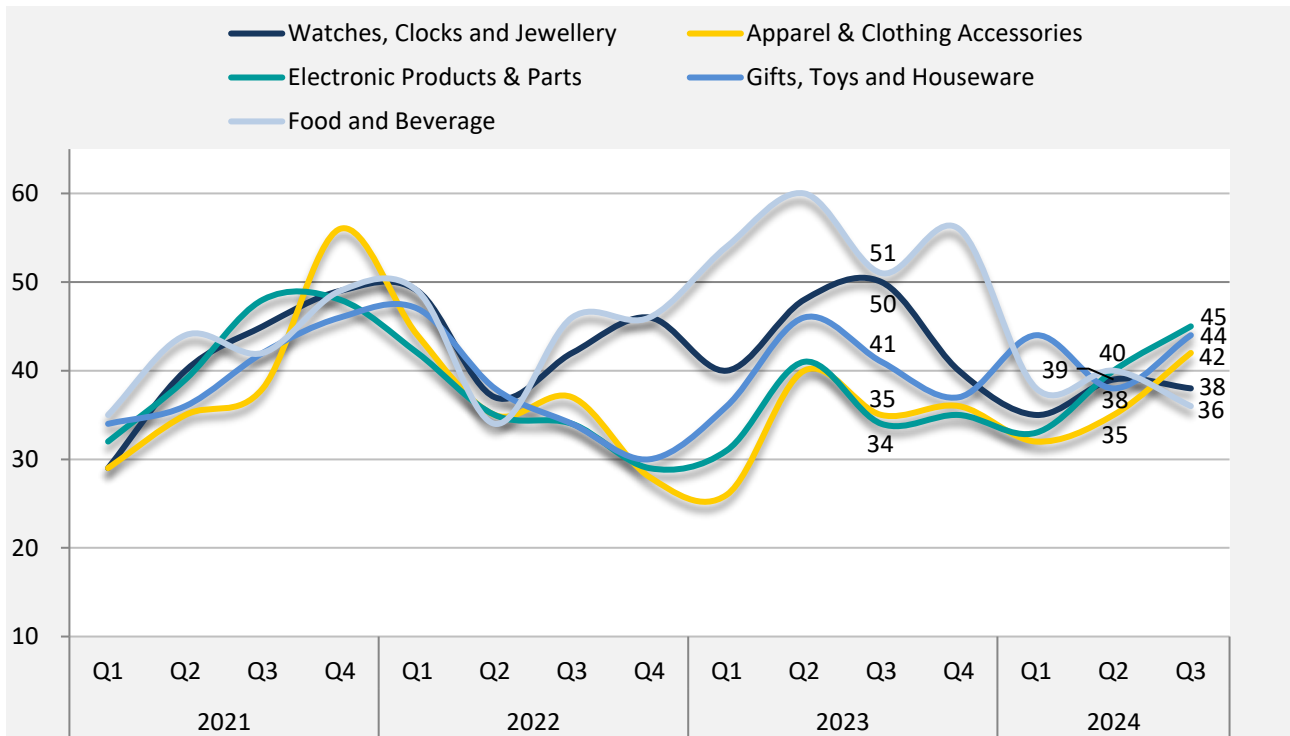
- **China's** index (39 points) declined by 7 points, primarily due to a sharp decrease (-11 points) in the import index. Similarly, (re-)export index registered a 4-point decline although its performance was relatively stable compared to import index.

- A significant decrease (-5 points) was observed in **Japan's** index (36 points). The re-export index for APAC (Japan) in Q3 2024 remained relatively stable from both Q2 2024 and Q3 2023. In contrast, the import index had a substantial decline (-8 points), which had a significant adverse effect on the overall index decline for Japan.
- The **Other Asia Pacific** regions (36 points) saw a reduction in its index (-4 points) with a decline in the (re-)export index contributing to the overall downward trend, dropping by 11 points in Q3 2024. Despite this reduction, the import index demonstrated robust growth, increasing by 7 points from Q2 2024.

The index for **Rest of the World** declined by 3 points to 36 points in Q3 2024.

Air-Freighted Commodities

Notable growth was observed in the “Gifts, Toys & Houseware”, “Electronic Products & Parts”, and “Apparel & Clothing Accessories”, which recorded over 40 points. On the other hand, “Food & Beverage” experienced a decline, with a decrease of 4 points. “Watches, Clocks & Jewellery” demonstrated a relatively stable performance.



The Index of **Electronic Products and Parts** demonstrated consecutive growth, rising to 45 points in Q3 2024 from 40 points in Q2 2024. This substantial increase highlights a strong sectoral recovery, compared to the 34 points observed in Q3 2023.

The index of **Gifts, Toys and Houseware** increased to 44 points in Q3 2024, up from 38 points in Q2 2024, reaching a level similar to that of Q1 2024. This performance represents a marked improvement over the 41 points recorded in Q3 2023.

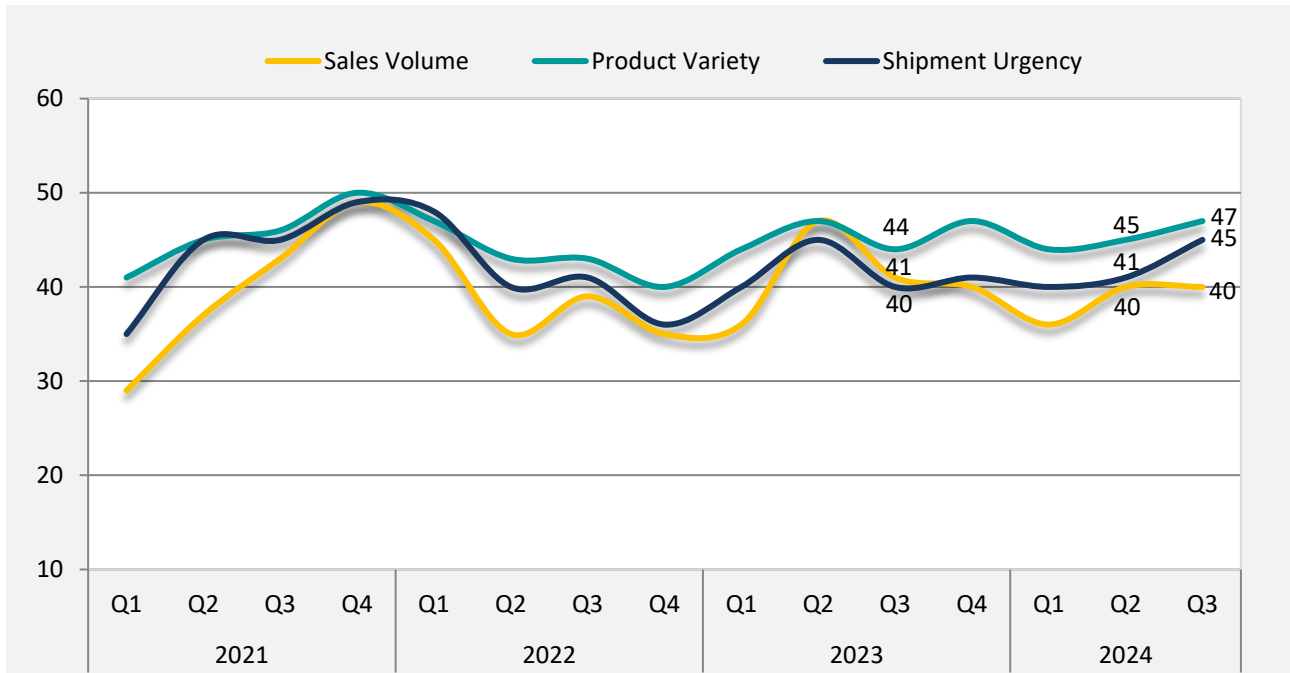
The index of **Apparel and Clothing Accessories** showed notable enhancement, with a +7 point increase to reach 42 points in Q3 2024. This marks the highest index level observed in the past five quarters.

In contrast, the index of **Watches, Clocks and Jewellery** saw a minor decline (-1 point), reaching 38 points in Q3 2024. This is a notable decrease from the 50 points recorded in Q3 2023, indicating a contraction in trade activities.

Food & Beverage experienced a decline of 4 points in Q3 2024, dropping to 36 points from 40 points in Q2 2024. The decline was mainly driven by (re)-export sector, which saw a reduction of 14 points. Additionally, a significant decline of -15 points from 51 points in Q3 2023 was observed, reflecting a continuous downward trend since Q4 2023.

Sub-Indices

Positive signs of increase were observed in product variety and shipment urgency while sales volumes remained relatively stable. Closer examination revealed regional trends, with robust performance observed in the Americas and Europe, while Asia Pacific faced declines. These findings highlight the complex and uneven nature of the industry's recovery.



Product Variety Index climbed to 47 points in Q3 2024, increasing by 2 points from Q2 2024. This uptick was observed in both the (re)-exports and imports.

Shipment Urgency Index (45 points) recorded a significant increase in this quarter. The index increased by 4 points to 45 points. Compared to the same period last year, which was at 40 points, the current level represents a 5-point increment.

The **Sales Volume** Index held steady at 40 points in Q3 2024, the same as the previous quarter. However, compared to 41 points in Q3 2023, the current level represents a minor decrease (-1 point).

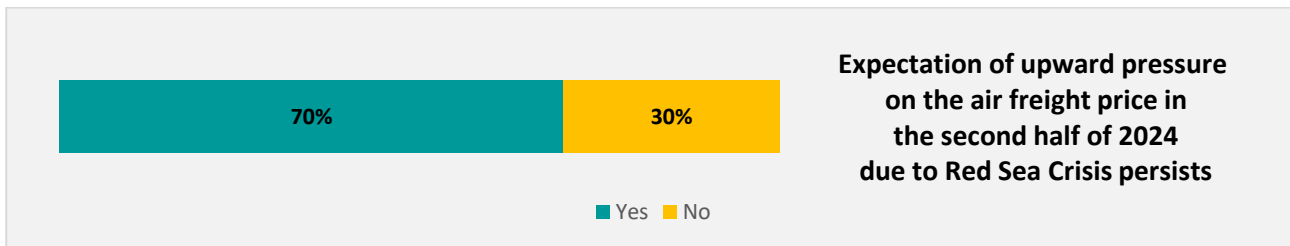
Looking into the sub-index development by market:

- The **Americas** exhibited a robust enhancement (6-9 points) in all indices.
- The **Asia Pacific** region saw varying degrees of decline across all sub-indices, with a notable drop in the Sales Volume Index, which declined by 8 points. The performance represents the lowest level since 2023 at the overall level.
- In **Europe**, all sub-indices experienced a certain degree of increment. Notably, Urgent Shipment Index and Product Variety Index in Q3 2024 reached their highest levels since 2021.
- The **Rest of the World** index exhibited a modest decline (-3 points), primarily driven by the decreases in Sales Volume Index (-5 points) and Urgent Shipment Index (-7

points). However, the Product Variety Index remained consistent with the level of the previous quarter.

Air Trade Outlook Affected by Recent Market News

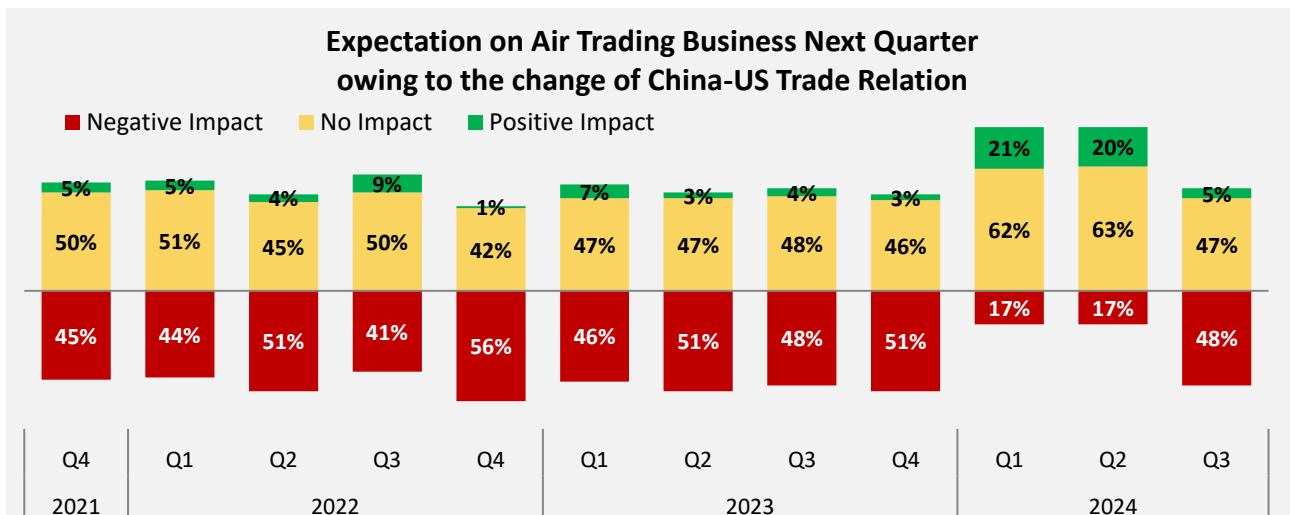
The Red Sea incident continues to persist whereas the US recently announced an increase in imported tariffs on certain China-made products or parts. As a result, the market is anticipating more urgent orders and increased volume on Europe and America routes in Q3 2024. Additionally, local air traders are expecting higher air freight price in the second half of 2024 due to Red Sea incident. Furthermore, 35% of those who are affected by the latest US tariffs are planning to raise their prices for offsetting the extra tariffs.



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

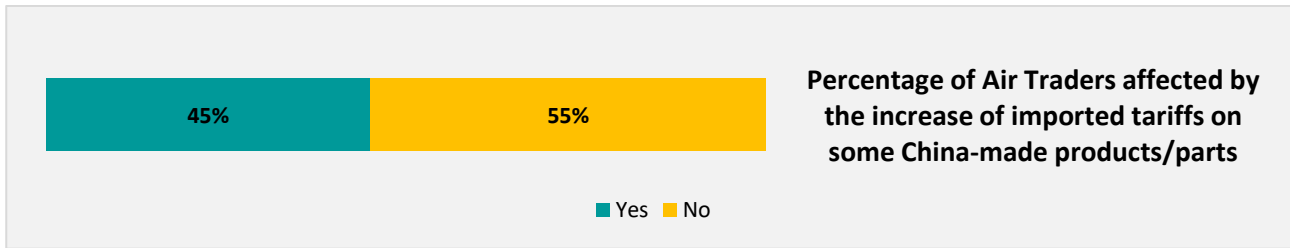
Note: Percentages excluded NA.

The Red Sea incident persisted, and 70% of the air traders expected upward pressure on the air freight price in the second half of this year, while 30% anticipate a more stable price environment.



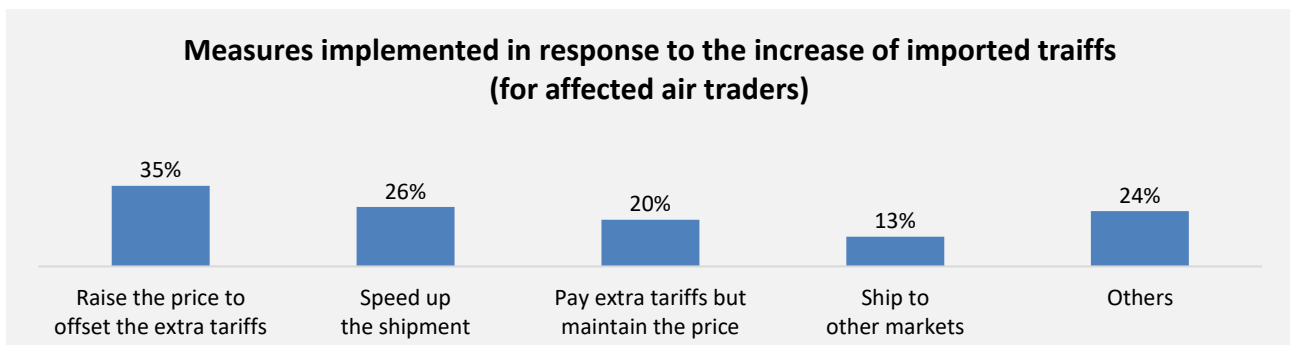
Note: Percentages may not add up to 100% due to rounding.

The China-US trade atmosphere remains uncertain, and the percentage of air traders expecting a positive impact has dropped back down to 5%, a level more consistent with the earlier quarters. Meanwhile, the proportion of those forecasting a negative impact has risen from 17% to 48%, a level not seen since the latter half of 2023. This shift in sentiment reflects the ongoing challenges and uncertainties that continue to characterise the China-US trade relationship. Overall, the business expectation has deteriorated after two consecutive quarters of stable performance.



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

The United States recently announced an increase in imported tariffs on some China-made products/parts. This increase in imported tariffs has affected 45% of air traders whose business is focused on US market.

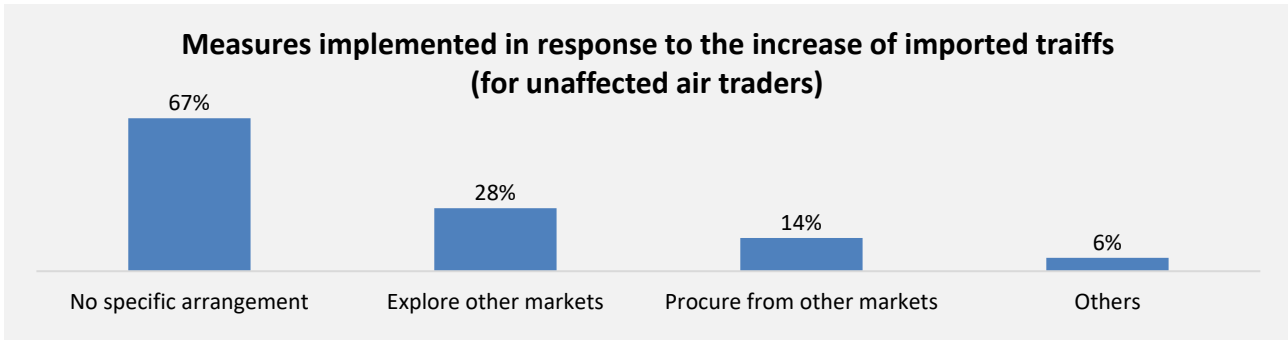


Note: Based on air traders affected by the increase of imported tariffs on some China-made products/parts

Note: Multiple answers allowed

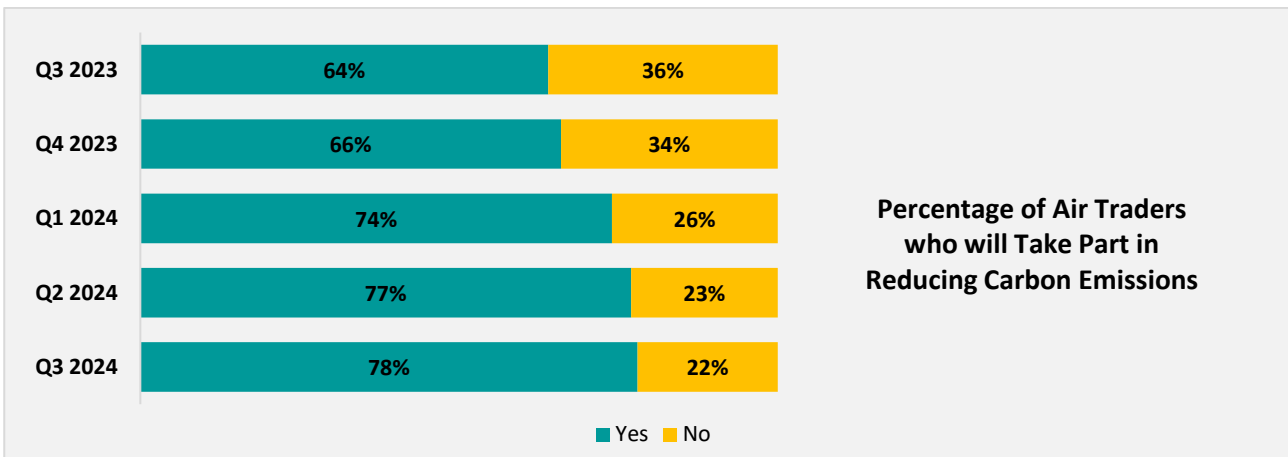
Among the air traders affected by the new tariffs, different strategic responses have been employed to mitigate the impact. The most common approach, undertaken by 35% of affected air traders, is to pass on the additional costs to consumers by raising prices. However, a sizable proportion (20%) of respondents have chosen to maintain their existing pricing despite having to pay the extra tariffs.

Another notable response has been the acceleration of shipments, with 26% of affected air traders choosing to speed up the delivery of relevant goods. This tactic aims to get products into the market before the tariffs take full effect, thereby minimising the financial impact. Additionally, 13% of air traders have opted to redirect their shipments to other regions that are not subject to the new tariffs, as a means of mitigating the impact of the increased tariffs.



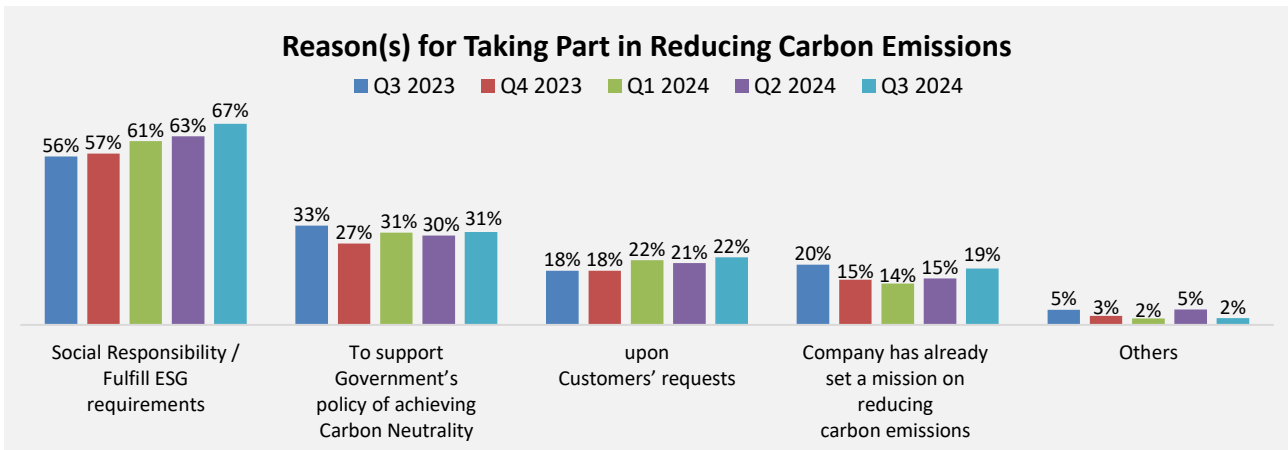
Note: Based on air traders not affected by the increase of imported tariffs on some China-made products/parts
 Note: Multiple answers allowed

For air traders whose business was not affected by the increase in imported tariff, 67% of them have not implemented any specific measures in response to the new tariffs. Nevertheless, the data also revealed that a sizable proportion of the unaffected air traders (28%) have opted to explore opportunities in other markets. This proactive strategy suggests that these air traders may be taking precautionary measures.



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

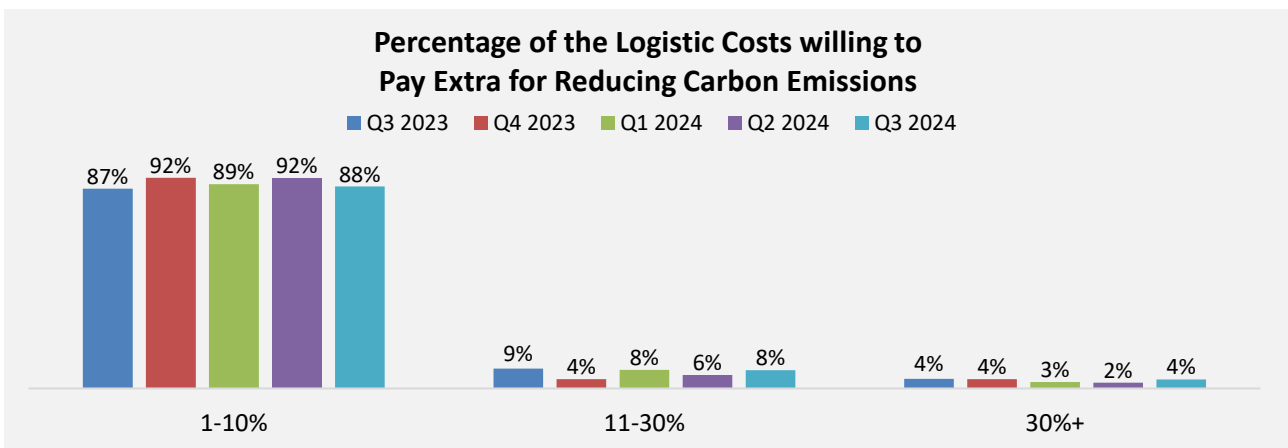
Furthermore, there has been a steady rise in the number of air traders who are willing to contribute to reducing carbon emission, with 1% point increment in this quarter. The consistent upward trend reflects the growing traction of initiatives promoting sustainable practices.



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

Note: Multiple answers allowed

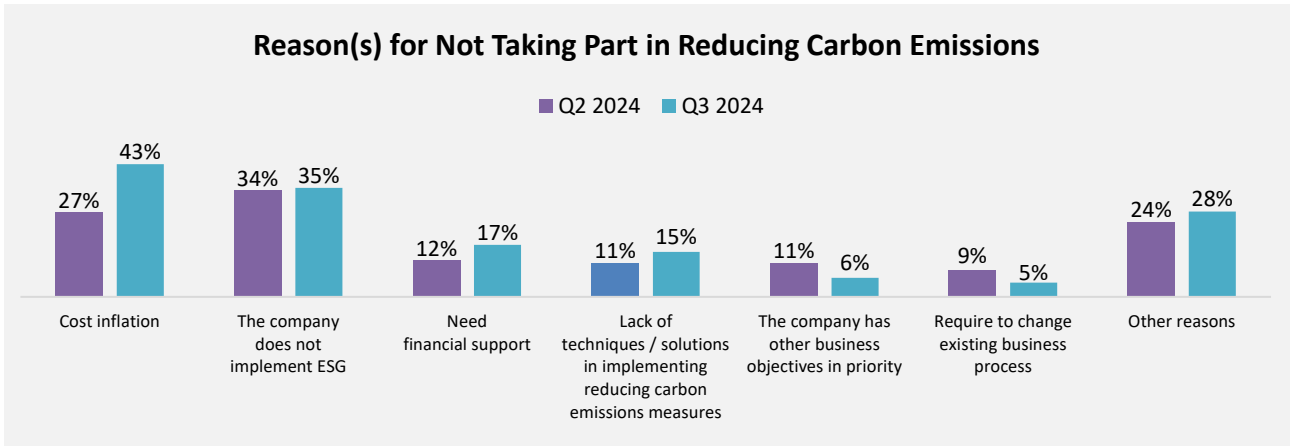
Among air traders who are willing to participate in reducing carbon emissions, “Social responsibility / Fulfilling ESG requirement” (67%) and “Supporting Government’s policy of achieving carbon neutrality” (31%) continue to be the key drivers.



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

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

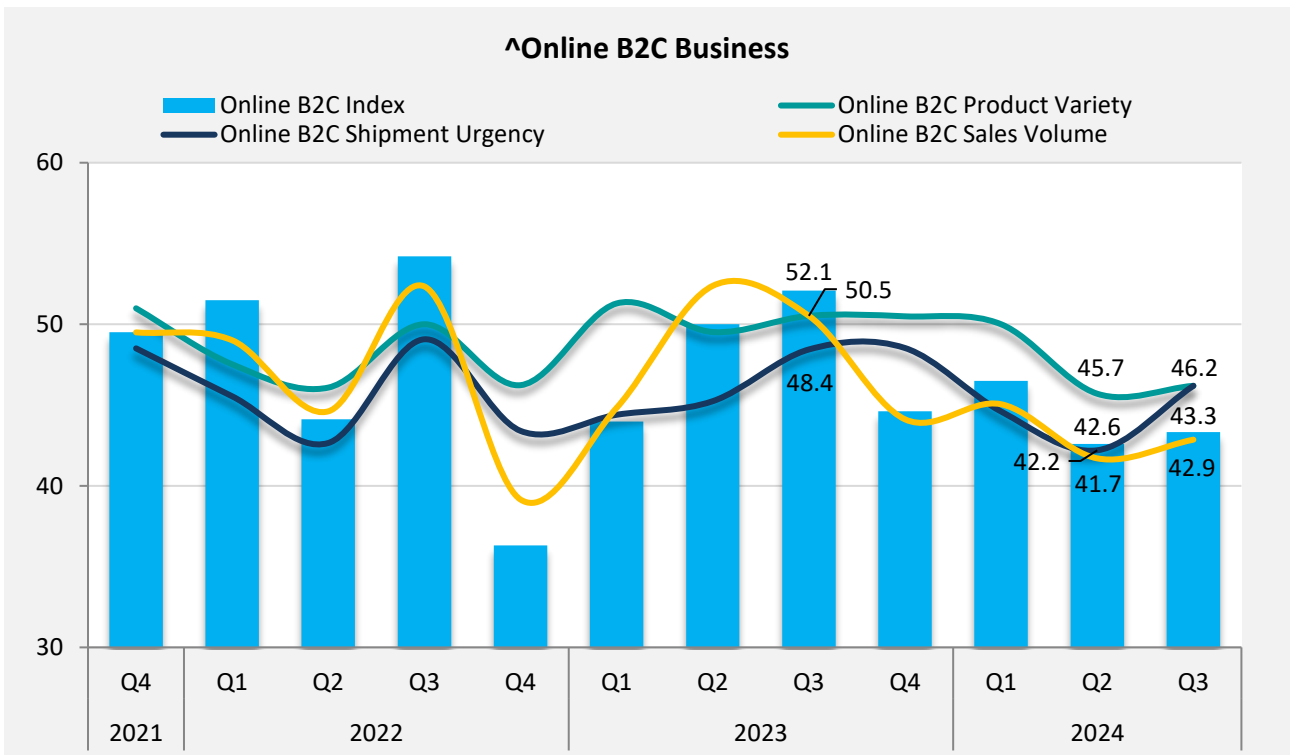
The majority (88%) of these air traders are willing to pay up to 10% of their logistics costs to achieve this carbon reduction goal, while 8% of them are willing to pay an additional of 11-30% and 4% are willing to pay an additional of more than 30%.



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

Note: Multiple answers allowed

As in the previous quarter, the key reasons for not taking part in reducing carbon emissions were “cost inflation” (43%) and “The company does not implement ESG” (35%) in Q3 2024. Moreover, within the group of air traders who cited "Other reasons," 31% of them identified “the absence of proper planning” as the obstacle to their efforts to reduce carbon emissions.



^ Based on air traders with online B2C business

The Online B2C Index has increased by 0.7 point to 43.3 points, primarily driven by the surge in Urgent Shipment (+4.0 points). Sales Volume Index stood at 42.9, marking an increase of 1.1 points from the previous quarter. A minor increase (+0.5 point) was observed in Product Variety. Generally, the Online B2C Business has experienced some fluctuations over the past few quarters.

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 market-driven applied research and development organisation, 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 I&T 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 marketplaces. 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.

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