

LOGISTICS

Asia-Pacific to lead way for DHL Express

Meredith Chen and Salina Li

DHL Express expects its business in the Asia-Pacific market to outperform other regions this year, driven by a volume recovery in Southeast Asia, which benefits from an inflow of supply-chain businesses moving out of China amid geopolitical tensions.

These trends, which began in 2018 after then US president Donald Trump launched a trade war against China, have gathered pace with even mainland firms moving supply chains out of the country to manage business risks.

"Asia-Pacific is probably the most promising region because we see quite a recovery in the volumes moving forward," Ken Lee, CEO at DHL Express Asia-Pacific, said in an interview.

While worldwide supply chains are disintegrating amid changing trade policies, coronavirus pandemic disruptions and rising geopolitical tensions, these businesses are moving towards Southeast and South Asian countries, which are not only close to China, but have friendly foreign

investment policies, according to Lee, who cited Malaysia, India, Thailand, Vietnam and Indonesia.

"Our customers guide us to where we want to invest," Lee said. "Whenever businesses decide to expand their base beyond China to new locations, we come into play."

The company recently added a new flight from Australia to Hong Kong as it saw a "big capacity crunch between Asia and Australia", Lee said.

"Australia has got a lot of volumes going in. But there isn't enough capacity. Putting this extra plane would increase our load by at least five times," he said.

A new facility in Kuala Lumpur and Adelaide will be ready in the second half of the year.

DHL Express recorded €632 million (HK\$5.3 billion) in earnings before interest and taxes in the first quarter, a year-on-year drop of 30 per cent, according to a company statement on Tuesday.

Weak demand led to a slight fall in shipment volumes, but Lee said the numbers were "within expectations".

"We expect this year to be a year of normalisation, and a year of opportunities for us," he added.

DHL Express had said it would invest around €750 million in Asia-Pacific as the region benefited from an e-commerce boom. Towards this, it spent HK\$3.2 billion expanding its Central Asia hub last November, with Hong Kong one of its three global hubs.

The Central Asia hub has seen a total investment of HK\$4.9 billion since 2004, making it DHL Express' largest infrastructure investment in Asia-Pacific. Last month, the firm announced the launch of the HK\$1.5 billion West Service Centre in Tuen Mun.

Hong Kong's airport was one of the world's busiest for cargo and the company was confident the city would efficiently serve as a centre of its Asian logistics network, given its connectivity and infrastructure, Lee said.

"Whenever we invest in infrastructure and facilities, we look at a span of five years and beyond. As long as China continues to trade with the world, Hong Kong will play a very important role," he said.