HKECIC – D&B Export Credit Risk Index

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ISSUED BY:

Hong Kong Export Credit Insurance Corporation

Dun & Bradstreet (HK) Limited

DISCLAIMER

CONTENTS

1. FOREWORD

In an era marked by geopolitical complexity and a volatile global trade environment, grasping the intricacies of export risks is essential. Leveraging the expertise of the Hong Kong Export Credit Insurance Corporation (HKECIC) in export credit insurance alongside Dun & Bradstreet (D&B)'s extensive global data, the "HKECIC - D&B Export Credit Risk Index" offers a clear snapshot of the latest international business landscape and associated market risks.

This market analysis delivers clear and data-driven insights on key trends, industry sentiment, and market conditions, equipping Hong Kong exporters with the intelligence required to navigate uncertainty, mitigate risks, and seize new opportunities with confidence in overseas markets.

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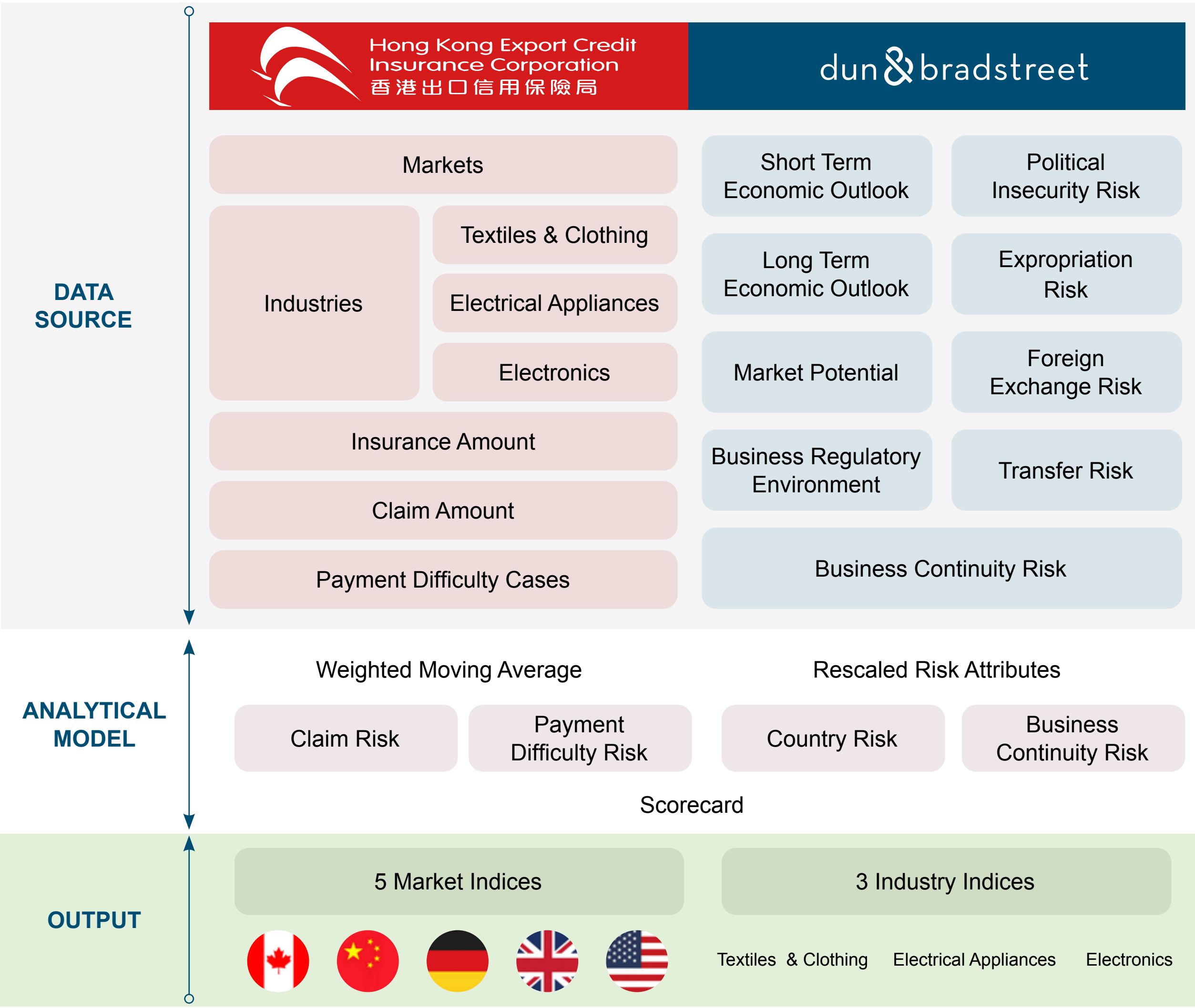
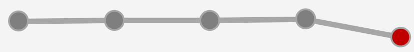
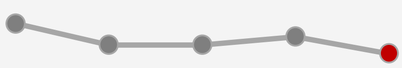
2. INDEX METHODOLOGY



HKECIC - D&B Export Credit Risk Index was created referencing data from both the Hong Kong Export Credit Insurance Corporation (HKECIC) and Dun & Bradstreet (D&B). HKECIC's insurance business data, including insurance amount, claim amount, and payment difficulty cases were analysed using weighted moving average to generate two risk indicators – claim risk and payment difficulty risk. The D&B country insights, including short term economic outlook, long term economic outlook, market potential, business regulatory environment, political insecurity risk, expropriation risk, foreign exchange risk, transfer risk and business continuity risk, were precisely developed indicators. The indicators were rescaled to reflect general risk in country level. In preparation for analytical modelling and calculations, the data are further normalised, processed, and weighted within scorecard. The outputs are 5 market indices as well as 3 industry indices in each market on 1-10 scale, where 1 represents the highest risk and 10 represents the lowest risk.

3. INDEX SUMMARY

▲ Improving quarter-on-quarter
▼ Deteriorating quarter-on-quarter
▶ Flat quarter-on-quarter

Market	Credit Risk Index	Industry	Industry Index	
			2025 Q1	2025 Q2
Canada	 5.5	Textiles & Clothing	5.8	▼ 5.5
		Electrical Appliances	6.2	▼ 6.1
		Electronics	6.2	▼ 6.1
China	 6.0	Textiles & Clothing	6.9	▼ 6.4
		Electrical Appliances	6.9	▼ 6.4
		Electronics	6.9	▼ 6.4
Germany	 5.5	Textiles & Clothing	4.9	▲ 5.5
		Electrical Appliances	5.9	▲ 6.0
		Electronics	5.8	▲ 5.9
UK	 6.7	Textiles & Clothing	6.7	▲ 6.7
		Electrical Appliances	6.7	▲ 6.7
		Electronics	6.7	▲ 6.7
USA	 6.4	Textiles & Clothing	8.0	▼ 6.7
		Electrical Appliances	8.5	▼ 8.4
		Electronics	8.1	▲ 8.3

Remarks: The Country Credit Risk Index covers more than the three industries in the Industry Index.

4. INDEX DETAILS AND INSIGHTS

4.1 Canada

CREDIT RISK INDICES

▲ Improving quarter-on-quarter
▼ Deteriorating quarter-on-quarter
▶ Flat quarter-on-quarter

Market	Credit Risk Index	Industry	Industry Index 2025 Q1	Industry Index 2025 Q2
Canada		Textiles & Clothing	5.8	▼ 5.5
		Electrical Appliances	6.2	▼ 6.1
		Electronics	6.2	▼ 6.1

Source: Dun & Bradstreet / HKECIC

Recent Developments

- Canada's overall credit risk index shows a **slight downward** trend from Q2 2024 to Q2 2025. After a minor decline in Q3 2024, it rebounded modestly in Q4 2024 before continuing to edge lower thereafter. Fluctuations occurred across quarters, but the general direction indicates a gradual deterioration of risk levels within the moderate risk range.
- Canadian businesses are entering a period of deepening financial instability, as data indicates sustained corporate insolvency levels and growing concerns over US trade policy. Although business insolvencies in Q2 2025 fell by 4.1% compared with the first quarter and 17.1% y/y, with construction, accommodation and food services, and retail trade sectors particularly affected, filing volumes remain approximately 33.4% higher than the pre-pandemic second-quarter average, highlighting continued strain on the business community. Global trade uncertainty, coupled with elevated debt burdens and input costs, is making it increasingly difficult for many small and medium-sized businesses to stay afloat.
- The termination of USD 800 de minimis rule by the US in late August 2025 is likely to take a toll on international e-commerce activities.
- To exercise greater caution, it is advisable to actively monitor customer's business operations, shorten the reconciliation cycle, and prioritise payment collection.

Statistical Reference

Metric	2019	2020	2021	2022	2023	2024	2025e	2026e
Real GDP Growth (%)	1.9	-5.1	5.0	3.4	1.2	1.4	1.3	1.8
GDP per Capita in USD	46,470	43,479	52,469	55,590	55,275	55,824	58,184	61,504
Exchange Rate (yr avge, USD-CAD)	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.3
Inflation (annual avge, %)	2.0	0.7	3.4	6.8	3.9	2.2	2.4	2.1
Purchasing Managers' Index (PMI)	54.0	51.2	61.3	57.5	53.7	48.4	N/A	N/A

*Source: Haver Analytics / Dun & Bradstreet**

** Data may be adjusted and normalised for the purpose of comparisons across different countries, and therefore may not be entirely the same as those released by national statistical offices.*

Outlook Forecast

- Uncertainty over US trade policy is keeping Canadian businesses cautious about expansion and hiring, generating ripple effects across wages, interest rates, and economic growth. Even with exemptions under the United States-Mexico-Canada Agreement (USMCA), the 35% tariffs on non-USMCA compliant goods and sector-specific levies pose major risks to important industries such as automobiles, energy, and agriculture.
- Tariff-related uncertainty will continue to dampen business investment while weighing on private consumption and exports, despite on-going trade discussions between Canada and the US.
- With the termination of the US de minimis exemption in late August 2025, small businesses in Canada could be hit hard. The Canadian Federation of Independent Business (CFIB) expects that 1 in 5 businesses could be at risk of closing in the next six months due to tariffs and other changes.
- The banking sector is stable, well-capitalised and liquid, allowing it to perform its usual role in providing credit to the market.

Business Updates

- Canada's economy contracted sharply in Q2 2025 as tariffs weighed on exports. Exports declined sharply in Q2 2025, while manufacturing contracted at an annual rate of 8%. US imports of steel and aluminium products from Canada, targeted with 50% tariffs, decreased almost 50% y/y in July 2025.
- In June 2025, Parliament passed the One Canadian Economy Act, which empowers the federal government to remove barriers to internal trade and labour mobility. This legislation will allow more goods and services to be transported across the nation, create new opportunities for Canadian businesses, and lower costs for Canadian consumers.
- In September 2025, Canada rolled out a series of measures to aid industries under pressure from the Trump administration's sectoral tariffs, as the Liberal government seeks to reverse economic deterioration. Among the measures, Carney announced billions in support for affected sectors, a new Buy-Canadian policy mandating the use of domestic steel and aluminium in government-funded projects, and immediate liquidity for small and medium-sized firms.

Industry Trends

Textiles & Clothing

- The index for the Canadian textile and apparel industry has shown a downward trend from Q2 2024 to Q2 2025, signalling an increasing risk over time.
- The vulnerability of Canadian textile and apparel enterprises to shifts in US trade policy is exemplified by Sheertex, a Montreal-based shapewear manufacturer. Relying on the US market for 85% of its sales, the company was compelled to reduce its workforce by approximately 40% in February 2025, owing to the imminent threat of the new US tariffs.
- Montreal-based luxury clothing online platform SSENSE filed for bankruptcy protection in August 2025, citing limited market liquidity, increased commercial pressures and changes in US tariffs as the primary reasons for the decision.
- Leading Canadian specialty apparel retailer Reitmans reported a widening net loss and a downward sales trend for Q1 ended May 2025, with gains in e-commerce revenue insufficient to offset lower in-store traffic caused by adverse weather conditions and ongoing economic uncertainty.

Electrical Appliances and Electronics

- Since Q2 2024, the indices for Canada's electrical appliances and electronics industries have remained relatively stable through Q2 2025.
- Canada has imposed 25% counter-tariffs on steel and aluminium imports from the US. These counter-tariffs, coupled with rising US sheet-steel prices, have driven up consumer electronics prices. The average cost of refrigerators and freezers rose by 2% in June 2025 compared with same time last year, while that for dishwashing and laundry appliances went up 4.5%, according to Statistics Canada.
- The Canadian household appliance market is experiencing steady growth, primarily driven by innovations in electrical appliances. As the customer base skews younger, there is a growing preference for multifunctional smart small appliances, which are attracting increasing attention and gaining widespread recognition from consumers. New entrants can target the market by offering higher-quality small appliances.

4.2 Mainland China

CREDIT RISK INDICES

▲ Improving quarter-on-quarter
▼ Deteriorating quarter-on-quarter
▶ Flat quarter-on-quarter

Market	Credit Risk Index	Industry	Industry Index	
			2025 Q1	2025 Q2
China	 6.0	Textiles & Clothing	6.9	▼ 6.4
		Electrical Appliances	6.9	▼ 6.4
		Electronics	6.9	▼ 6.4

Source: Dun & Bradstreet / HKECIC

Recent Developments

- The credit risk index remained steady overall until Q1 2025, before experiencing a **downward shift** in Q2 2025. Nonetheless, the credit risk index of 6 for Mainland China indicates a relatively low risk level.
- GDP growth is steady amid moderating momentum. Mainland China reported 5.3% GDP growth for the first half of the year, exceeding both the 5% annual target and the goal outlined in the 14th Five-Year Plan (2021-25). Trade growth has accelerated, driven by front-loading and trade diversion to non-US markets.
- However, concerns are rising regarding deflation and weak pricing power in upstream industries, as the Consumer Price Index (CPI) declined by 0.1% y/y in April and May 2025, while the Producer Price Index (PPI) dropped by 3.3% in May 2025.
- Foreign Direct Investment (FDI) in Mainland China saw a decline in net terms, plunging to USD 18.6 billion in 2024, down from USD 344.0 billion in 2021.
- The operating environment for foreign firms in Mainland China may reshape, following the State Council's release of its legislative agenda in May 2025, which outlines 16 laws and 30 additional amendments slated for submission or drafting within the year. These include revisions to the Foreign Trade Law and the Exit and Entry Administration Law, along with new provisions under the Anti-Foreign Sanctions Law, signalling a potential overhaul of the policy and regulatory.
- On 30 July 2025, Mainland China's top policymaking body, the Politburo, held its quarterly economic policy meeting to assess the current macro environment and set the policy tone for the remainder of the year. The meeting acknowledged the mounting risks embedded in Mainland China's economy but ruled out an immediate large-scale stimulus package.

Statistical Reference

Metric	2019	2020	2021	2022	2023	2024	2025e	2026e
Real GDP Growth (%)	5.9	2.2	8.4	3.0	5.2	5.0	4.7	4.8
GDP per Capita in USD	10,045	10,309	12,496	12,610	12,489	13,209	13,773	14,577
Exchange Rate (yr avge, USD-CNY)	6.9	6.9	6.4	6.7	7.1	7.2	7.3	7.3
Inflation (annual avge, %)	2.9	2.5	0.8	1.9	0.3	0.2	0.4	0.8
Purchasing Managers' Index (PMI)	49.7	49.9	50.5	49.1	52.6	52.1	N/A	N/A

*Source: Haver Analytics / Dun & Bradstreet**

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Outlook Forecast

- The US and Mainland China reached a renewed trade truce in August 2025, reinforcing their Geneva agreement. While tariffs currently remain reduced, both sides have voiced concerns over issues such as rare earths and export controls, which could flare up again.
- Mainland China's economic prospects will face headwinds in 2025, although government stimulus measures and trade front-loading will offset some of the pressure. Higher US tariffs and US policy uncertainty will not only hurt exports but also dampen factory investment and consumer spending. Some of these shocks may be mitigated by increased government stimulus aimed at supporting private consumption and fixed investment.
- Be aware of the deflationary pressures gripping the country, policymakers will attempt to reflate the economy through public spending and monetary easing. However, the deflationary impact of the trade war will be a dominant factor in shaping the near-term inflation outlook.
- Domestic demand, driven by subsidies, is surging, while investment opportunities are expected in healthcare, services, and telecoms in 2025, despite tariff-induced demand suppression affecting exports of consumer electronics such as laptops and mobile phones in H1 2025. With ultra-long special treasury bonds of CNY 300 billion (USD 42 billion) supporting the consumer goods trade-in programme, growth in electric vehicles (EVs) and consumer electronics sales is likely to continue.
- Mainland China and the EU are in the final stages of talks on EV pricing and subsidy rules, following months of tensions over industrial overcapacity and trade fairness.
- The next Five-Year Plan offers a policy window to refocus growth on innovation, supply-chain localisation and climate adaptation, aiming to partially offset demographic pressures and embed long-term productivity gains.

Business Updates

- Lending activity remained subdued in H1 2025 across both the household and corporate sectors. Corporate lending recorded its lowest activity in five years, reflecting tepid consumption and investment growth.
- The EU and the US have gradually intensified import controls on Chinese EVs. While the EU is currently negotiating to replace high tariffs with minimum prices, the US maintains high tariffs on EVs, which are excluded from temporary rollback, thus continuing to block market access.
- The government's "anti-involution" campaign, targeting excessive competition in industrial sectors, has suppressed production. Since early July 2025, the government has intervened in the solar panels, coal, cement, and glass industries through production cuts and consolidation efforts.

Industry Trends

Textiles & Clothing

- The index for Mainland China's textiles and clothing industry exhibited a downward trajectory in H1 2025, indicating a gradual escalation of industry-related risks over the period.
- Traditional sectors, such as textiles & clothing, have faced headwinds from global inventory adjustments. According to the latest data released by the General Administration of Customs on 7 March 2025, the cumulative export of textiles and clothing in the first two months totalled USD 42.9 billion, marking a 4.5% decline y/y. Of this, textile exports totalled USD 21.2 billion, a 2% decline, while clothing exports amounted to USD 21.7 billion, marking a 6.9% decrease.
- In terms of domestic demand, data from the National Bureau of Statistics of China shows that among the total retail sales of consumer goods in Mainland China, retail sales of clothing, footwear, hats, and knitted and textile products increased by 3.1% y/y in H1 2025.
- The sportswear sector appears to be outperforming the market, driven by government initiatives like the Outdoor Sports Industry Development Plan. Local brands ANTA and Bosideng dominated China's sportswear industry with their multi-brand strategies, strong consumer loyalty, and effective digital initiatives.

Electrical Appliances and Electronics

- The index for Mainland China electrical appliances industry exhibited a downward trajectory in H1 2025, reflecting the heightened risk associated with uncertainties in international trade policies.
- The temporary tariff rollback has eased near-term uncertainty and reopened space for stable trade flows. While deeper tensions persist, especially in the tech and strategic sectors, Mainland China is actively strengthening ties with emerging markets and negotiating with Europe to maintain open export channels.
- Mainland China Government aims to stabilise the EV market through regulatory measures and subsidies. In 2025, it is urging the EV industry to halt price cuts and curb overproduction to mitigate deflation pressure. Policymakers have also warned automakers to maintain a 60-day supplier payment cycle to address payment delays, as automakers seek to extend working capital in light of steep price cuts. At the same time, the Government launched a renewed EV trade-in scheme, spurring significant domestic sales and supporting exporters by boosting inventory absorption and mid-range demand.
- Mainland China is doubling down on its investment in advanced technologies and emerging industries, supported by state funding. Artificial intelligence (AI), defence, advanced chips (and associated manufacturing equipment), as well as aviation and space technologies will be major areas of focus.
- The Mainland government has recently unveiled an action plan to stabilise growth in the electronic information manufacturing sector from 2025 to 2026, The plan, issued by the Ministry of Industry and Information Technology and the State Administration for Market Regulation, targets an average annual growth rate of about 7% in industrial output from large-scale manufacturers of computers, communications equipment, and other electronic devices.

4.3 Germany

CREDIT RISK INDICES

▲ Improving quarter-on-quarter
▼ Deteriorating quarter-on-quarter
▶ Flat quarter-on-quarter

Market	Credit Risk Index	Industry	Industry Index	
			2025 Q1	2025 Q2
Germany	 5.5	Textiles & Clothing	4.9	▲ 5.5
		Electrical Appliances	5.9	▲ 6.0
		Electronics	5.8	▲ 5.9

Source: Dun & Bradstreet / HKECIC

Recent Developments

- The credit risk index showed an **upward shift** in H1 2025, though the index value remained at the lower end of the moderate risk range.
- The German economy contracted by 0.3% in Q2 2025, offsetting the 0.3% growth in the previous quarter, as demand from the US slowed following months of strong purchases in anticipation of tariffs. The contraction left German GDP at its pre-pandemic level.
- In May 2025, industrial production returned to positive growth, increasing by 1.2% y/y, marking its first expansion since May 2023. Output of transport equipment manufacturers surged, indicating renewed growth across key German industries.
- In July 2025, the US and the EU reached an agreement to impose a 15% tariff on most US imports from the EU (although some goods, such as aircraft, chips and certain chemicals, will remain tariff-free). In exchange for concessions, the EU has agreed to increase its purchase of US goods and make more extensive investments in the US.
- Despite signs of improvement in certain economic indicators, companies continued to struggle with weak demand, rising costs, and persistent uncertainty. The number of company insolvencies maintained an upward trend in H1 2025, rising 12% from the same period a year earlier, according to Germany's Federal Statistical Office.

Statistical Reference

Metric	2019	2020	2021	2022	2023	2024	2025e	2026e
Real GDP Growth (%)	1.1	-3.8	3.2	1.8	-0.2	-0.2	0.3	1.3
GDP per Capita in USD	46,858	46,463	51,176	47,375	53,255	54,369	54,730	57,523
Exchange Rate (yr avge, USD-EUR)	0.9	0.9	0.8	1.0	0.9	0.9	1.0	1.0
Inflation (annual avge, %)	1.4	0.4	3.2	8.7	6.0	2.3	2.2	2.2
Purchasing Managers' Index (PMI)	51.1	46.3	55.3	50.4	49.4	48.6	N/A	N/A

*Source: Haver Analytics / Dun & Bradstreet**

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Outlook Forecast

- The 2025 fiscal budget unveiled the government's spending plan until 2029. The highest priority for infrastructure spending is the rail network, with state-owned Deutsche Bahn (DB) earmarked to receive EUR 10.5 billion out of the EUR 115.0 billion investment package this year.
- With the passing of major debt-brake reforms and a pro-investment 2025 budget underscoring the government's commitment to supporting growth through investment promotion, a gradual and uneven recovery is expected, supported by growth-oriented tax cuts and new infrastructure spending.
- Starting from January 2026, the electricity tax will be reduced to the EU minimum for sectors such as manufacturing, agriculture and forestry. This will support long-term growth in sectors struggling with high costs that undermine their competitiveness.

Business Updates

- Border checks have increased at Germany's borders with many neighbouring countries, further intensifying pressure on the supply chain and distribution network. Businesses will be impacted by these additional checks and the subsequent decline in overseas workers.
- Major German companies such as Volkswagen, Bosch and ThyssenKrupp are reducing their workforces due to rising costs and global competition. These layoffs reflect broader economic challenges, including energy and security concerns.
- In July 2025, 61 leading German companies, including Siemens and Deutsche Bank, pledged to invest EUR 631 billion in Germany by 2028 under an investment initiative called "Made for Germany". The initiative aims to boost the German economy by enhancing investment climate and stimulating domestic demand.

Industry Trends

Textiles & Clothing

- In H1 2025, the index for the German textiles and clothing industry showed a steady upward trend, indicating a positive shift in the level of risk.
- Major German retailers are navigating a complex environment, with overall retail sales showing mixed performance as customers are buying more consciously. Key players like Edeka, Aldi, Lidl & Kaufland remain dominant in the discounter sector, while Amazon leads in e-commerce.
- While the large fashion chains are stabilising through price and process optimisation, small boutiques and German fashion retailers in particular are struggling with falling sales. Gerry Weber, Closed and Pepco are among the fashion brands that have filed for insolvency during the year. The Germany fashion market may be in a difficult situation.
- The German textiles and clothing market, particularly the high-end segment, has remained relatively robust. As a key player in Germany's high-end men's clothing industry, Hugo Boss achieved an all-time high of EUR 4.3 billion in annual sales in 2024.
- The National Circular Economy Strategy (NCES) adopted by the German government in December 2024 designates clothing and textiles as a priority area, aiming to raise green production standards. The total revenue of Adidas saw a 13% y/y increase in Q1 2025, driving by its sustainable product line using 'Primeblue' fabric made from ocean plastic waste.
- However, recent data from the German Federal Statistical Office (Destatis) reveals that the German textiles and clothing industry as a whole remains under considerable pressure, with falling sales, volatile exports and a persistent downturn in new orders.

Electrical Appliances and Electronics

- The index for the German electrical appliances and electronics industry remained largely steady with a slight upward trend in H1 2025, reflecting a mild positive shift fuelled by a relatively stable domestic electronics market.
- Leading German electronics manufacturer Siemens managed to deliver robust results in 2025 so far despite the volatile global market. The group expected limited impact from the tariff hike as they had a strong global production footprint helping to cushion the effects.
- Fiscal policies present opportunities for the electrical appliances and electronics industry, with substantial tax breaks and energy subsidies included in the 2025 fiscal budget. Notably, businesses can apply for tax deductions for the cost of new machinery and equipment, and depreciate 75% of the price of new EVs in the first year.
- German automotive supplier Robert Bosch has announced several rounds of layoffs in recent years, as mounting competition, higher energy costs, and slowing demand have combined to pressure profit margins. The company anticipates flat business growth in FY 2025.
- The German electrical appliances and electronics industry is achieving structural upgrades through technological iterations and green transformations. The industrial AI computing centre, a collaboration between Deutsche Telekom and NVIDIA since May 2025, will deploy 10,000 NVIDIA AI chips, focusing on industrial automation and intelligent manufacturing applications. Upon completion of the platform in 2026, Deutsche Telekom will undergo a strategic transformation and ramp up its investments in AI infrastructure.

4.4 The United Kingdom

CREDIT RISK INDICES

▲ Improving quarter-on-quarter
▼ Deteriorating quarter-on-quarter
▶ Flat quarter-on-quarter

Market	Credit Risk Index	Industry	Industry Index 2025 Q1	Industry Index 2025 Q2
UK	 6.7	Textiles & Clothing	6.7	▲ 6.7
		Electrical Appliances	6.7	▲ 6.7
		Electronics	6.7	▲ 6.7

Source: Dun & Bradstreet / HKECIC

Recent Developments

- The credit risk index has exhibited an **upward trend** since Q2 2024, reflecting improvement over the past year.
- The UK economy expanded at a sluggish 0.7% and 0.3% in the first and second quarters of 2025, respectively. Tax changes in the 2024 autumn budget have dampened business sentiment and reduced job creation, while the government's 2025 spending will mostly go towards improving public services rather than growth-enhancing investment.
- The cost of living crisis and economic uncertainty continue to be key drivers of mixed retail sentiment. Retailers are facing a challenging environment and scaling back investment plans.
- Retail development is characterised by the rise of online sales, and the transformation of public/retail space into mix-used development/environment incorporating physical, digital, or artistic experiences.
- The S&P’s purchasing managers’ index (PMI) for the UK services sector surged to 55.0 in April 2025, the highest since May 2023, signalling that the UK’s economic recovery from recession over the last two years has continued gaining momentum.
- According to UK official statistics, the number of company insolvencies and liquidations remained stable in H1 2025, down slightly by 0.5% compared with the same period in 2024.
- The UK-US Economic Prosperity Deal (EPD) was officially signed in June 2025, under which 100,000 car exports to the US will face a 10.0% tariff, compared with 25.0% for the rest of world. Furthermore, UK aerospace products will be exempt from US import tariffs. The UK will establish duty-free import quota for 13,000 tonnes of US beef, up from 1,000 tonnes previously, and 1.4 billion litres of US ethanol per year.

Statistical Reference

Metric	2019	2020	2021	2022	2023	2024	2025e	2026e
Real GDP Growth (%)	1.6	-10.4	8.7	4.3	0.4	0.9	1.0	1.4
GDP per Capita in USD	42,699	40,230	46,692	45,758	49,309	52,649	54,026	53,152
Exchange Rate (yr avge, USD-GBP)	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.8
Inflation (annual avge, %)	1.8	0.9	2.6	9.1	7.3	2.7	3.2	2.5
Purchasing Managers' Index (PMI)	N/A	52.0	55.9	53.0	46.4	52.5	N/A	N/A

*Source: Haver Analytics / Dun & Bradstreet**

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Outlook Forecast

- In August 2025, the Bank of England (BoE) cut interest rates by a further 25bps at 4.0%. However, external developments such as the conflict in the Middle East may force the bank to maintain restrictive interest rates for longer than markets anticipate.
- The new British Industrial Competitiveness Scheme will reduce energy costs for approximately 7,000 UK businesses starting in 2027 by granting an exemption from fees related to green energy. With sluggish economic growth in the UK, cautions should be exercised when negotiating payment terms with UK businesses, as overall credit risk remains at a moderate level.

Business Updates

- Direct exposure of the UK retail and consumer goods sector to higher US tariffs is fairly modest. The baseline 10% rate is lower than the 15% levied on the EU, implying slightly more favourable market access for the UK.
- Industrial action, including strikes on the public transport network, remains a persistent element of the UK business environment as workers seek higher wages to offset real-term income losses.
- The labour market remains tight, exacerbated by tighter immigration rules. There are insufficient construction workers to meet Labour's house-building targets, which will push wages higher in this sector. Rising adoption of artificial intelligence (AI) has resulted in some shifts in skill demand among white-collar workers.
- Should the Israel-Iran ceasefire break down and Iran blockade the Strait of Hormuz, UK businesses reliant on imports from the region would be affected. In 2024, the UK imported 25.0% of its refined oil from Kuwait, the UAE and Saudi Arabia.

Industry Trends

Textiles & Clothing

- In H1 2025, the UK's textiles and clothing market index remained flat over the two quarters and showed a slight upward trend in Q2 2025, driven by a gentle rebound in domestic consumption.
- The high street clothing retail sector is experiencing a long-term structural decline, as reflected in the net decrease in store numbers across the UK. Online sales are gaining shares, with social commerce and brand strategies shifting towards personalised experiences, and integration of digital and physical retail. Retailers are adapting to these shifts by focusing on sustainable practices.
- In March 2025, the sudden heatwave in the UK caused the consumers' online spending to soar to GBP 8.8 billion, with summer clothing sales increasing sharply by 30% y/y.
- The UK retail market remained challenging amid the full-blown cost of living crisis. High street clothing chain Select Fashion went bust in April 2025 after closing 35 stores. Clothing brand Quiz shut 23 stores, a third of its total, in February 2025 after falling into administration.

Electrical Appliances and Electronics

- The index for the UK's electrical appliances and electronics remained flat over the first two quarters in 2025 before showing a slight upward trend in Q2 2025, driven by steady policy support, such as housing and government initiatives.
- British electrical and personal electronics retailers, such as AO World and Currys, reported strong sales growth and profitability in 2024/25.
- Overall consumer electronics retail sales are growing in value, though volume growth has slowed due to economic uncertainty. Key drivers include demand for AI-enabled devices, smartphones, and new appliances, with portable electronics performing well.
- The government is likely to ease onerous regulations in high-growth sectors to stimulate economic activity. In particular, the electrical appliances and electronics industry, being technology-intensive, is expected to benefit.

4.5 The United States

CREDIT RISK INDICES

▲ Improving quarter-on-quarter
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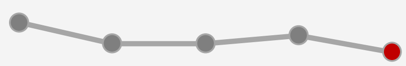
▶ Flat quarter-on-quarter

Market	Credit Risk Index	Industry	Industry Index 2025 Q1	Industry Index 2025 Q2
USA	 6.4	Textiles & Clothing	8.0	▼ 6.7
		Electrical Appliances	8.5	▼ 8.4
		Electronics	8.1	▲ 8.3

Source: Dun & Bradstreet / HKECIC

Recent Developments

- The credit risk index has **dropped to its lowest level** since Q2 2024. Despite a slight improvement in Q1 2025, the overall outlook remains clouded by a certain degree of uncertainty.
- The US economy grew at an annual rate of 3.3% in Q2 2025, recovering from a decline (-0.5%) in Q1 2025, largely driven by a boom in AI-related investments. Core CPI held steady at 3.1% in August 2025. Some tariff-exposed categories showed a modest acceleration in prices, including apparel and new vehicles. The delay in the pass-through of tariffs suggests that retailers are slow to pass on price increases owing to uncertainty regarding the legality of the tariffs and fear of losing customers.
- The US Dollar has trended down for much of the year, seemingly in line with the Trump administration's goal of benefiting US exporters. The risk is that consumers, as massive importers of global goods, could feel a pinch.
- For the 12-month period ended 30 June 2025, total US bankruptcy filings rose 11.5% y/y, with business cases up 4.5%, as macroeconomic pressures persisted. Just seven months into 2025, there has been a notable rise in large-company bankruptcies, with 446 companies (public companies with at least USD 2 million in debt or assets and private firms with liabilities of USD 10 million or more) declaring bankruptcy, the highest year-to-date total in 15 years, according to the S&P. The bankruptcy surge has been most pronounced in the industrials and consumer discretionary sectors.
- In early June 2025, the US announced it would double tariffs on steel and aluminium imports from 25% to 50%. Although different arrangements are in place with some countries, such as the UK, the sudden change in tariff policies has heightened trade uncertainties, impacting enterprises' import-export activities and market confidence.

Statistical Reference

Metric	2019	2020	2021	2022	2023	2024	2025e	2026e
Real GDP Growth (%)	2.5	-2.2	5.8	1.9	2.5	2.8	1.5	1.6
GDP per Capita in USD	64,374	63,472	70,013	76,101	80,474	84,486	88,028	91,071
Exchange Rate (yr avge, USD)	-	-	-	-	-	-	-	-
Inflation (annual avge, %)	1.8	1.2	4.7	8.0	4.1	2.5	3.2	2.3
Purchasing Managers' Index (PMI)	N/A	56.1	59.7	50.7	51.2	53.7	N/A	N/A

*Source: Haver Analytics / Dun & Bradstreet**

** Data may be adjusted and normalised for the purpose of comparisons across different countries, and therefore may not be entirely the same as those released by national statistical offices.*

Outlook Forecast

- The regulatory environment in the US may still undergo significant changes in H2 2025, with little advance warning. Regulations may change in response to evolving market dynamics related to tariffs, trade negotiations, deregulation and immigration.
- In July 2025, the Fed kept rates on hold at 4.25%-4.50%. The intentions of Fed policymakers indicate expectations of two additional 25bps rate cuts by year-end.
- The US-Mainland China agreement on tariff reductions and a negotiated truce to facilitate future discussions may signal a broader willingness to improve bilateral relations.
- In August 2025, an array of steep reciprocal tariffs on most countries, levied by the US, came into effect. The Trump administration also ended de minimis treatment for all countries. These trade rules, especially the de minimis elimination, will affect consumers and retailers alike, especially small businesses and online retailers.

Business Updates

- After negative growth in retail sales in April and May 2025, US retail sales showed positive growth in the period between June and August 2025.
- Some firms may be establishing or relocating production to the US to circumvent potential tariff penalties.
- Supply chains connected with the US may undergo radical shifts amid the realignment to new trade arrangements and relationships.
- Chip supplies and rare-earth/critical minerals remain vulnerable to policy-driven disruption.
- The bulk of the import tariffs imposed in 2025 under the International Emergency Economic Powers Act (IEEPA) were ruled unlawful by the US Federal Circuit Court of Appeals in a decision that judged they had exceeded Trump's authority under IEEPA. However, the tariffs remain in place and enforceable while the Supreme Court considers the appeal in November 2025.

Industry Trends

Textiles & Clothing

- In H1 2025, risk in the US textiles and clothing industry increased significantly across the two quarters, driven by uncertainties related to supply chains and tariffs.
- The industry as a whole is facing challenges from macroeconomic headwinds, changing consumer spending habits, and tariff impacts etc. Department-store chains continue to face declining foot traffic and have been losing customers for years to discount, specialty and online stores. Heavy-hitters like JC Penney and Kohl's have seen sales decline and shuttered stores, while some brands like TJX, Urban Outfitters and Gap have shown an ability to adapt to changing consumer preferences and market trends and stood out as outperformers.Yet, uncertainty over tariff policies has made it difficult for enterprises to formulate long-term plans.
- Owing to changing tariff policies under the Trump administration, the volume of US imports declined after tariff-driven frontloading in April and May 2025. It was reported that Bangladesh experienced a 25.1% increase in clothing export volume to the US in H1 2025, due to competitive pricing and logistics arrangement ahead of the tariff hikes.
- According to the CNBC/NRF Retail Monitor, US clothing and accessories stores experienced a 1.75% month-over-month rise in July 2025, after seasonal adjustments, driven by successful summer promotions by retailers and shoppers advancing purchases ahead of upcoming tariffs.

Electrical Appliances and Electronics

- In H1 2025, the overall risk in the US electrical appliances and electronics industry remained relatively stable, with no significant fluctuations observed in Q2 2025.
- The electrical appliances and consumer electronics markets are showing modest growth in 2025, driven by smart home products and upgrades to energy-efficient products. Online retail has become an important channel for all key players, such as Amazon, Best Buy, Walmart, and other specialised E-stores.
- Leading consumer electronics retailer Best Buy cut its annual revenue and profit forecasts in May 2025 amid concerns that US tariffs would weigh on consumer demand for big-ticket items. Nonetheless, tariffs did not have a material impact on the company's quarterly results ended 2 August 2025.
- NVIDIA, a semiconductor group, has committed to spending hundreds of billions of US dollars on US-made chips and electronics over the next four years. The spending pledge coincides with announcements that the firm is shifting its supply chain to the US and away from Asia.
- Strategic sectors, including semiconductor manufacturing and green technologies, have received considerable legislative support. On 23 July 2025, the US released its AI strategic action plan, "Winning the Race: AMERICA'S AI ACTION PLAN", which aims to further solidify its global leadership in artificial intelligence.
- Inbound/outbound investments from/to the Mainland China will continue to face heightened scrutiny, especially in sectors considered sensitive to national security, including AI and quantum computing.
- President Donald Trump said the US will impose a tariff of about 100% on imports of semiconductors but offered a major exemption—it will not apply to companies manufacturing in the US or those committed to doing so.

ABOUT US

The Hong Kong Export Credit Insurance Corporation was established in 1966 under the Hong Kong Export Credit Insurance Corporation Ordinance (Chapter 1115). It was created by statute with the aim of encouraging and supporting export trade by providing Hong Kong exporters with insurance protection against non-payment risks arising from commercial and political events. Its contingent liability under contracts of insurance is guaranteed by the Government of the Hong Kong Special Administrative Region, with the statutory maximum liability currently standing at $80 billion. For more information on HKECIC, please visit http://www.hkecic.com/en

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