Hong Kong Export Credit Insurance Corporation
香港出口信用保險局

dun & bradstreet

HKECIC – D&B Export Credit Risk Index

APRIL 2026

ISSUED BY:
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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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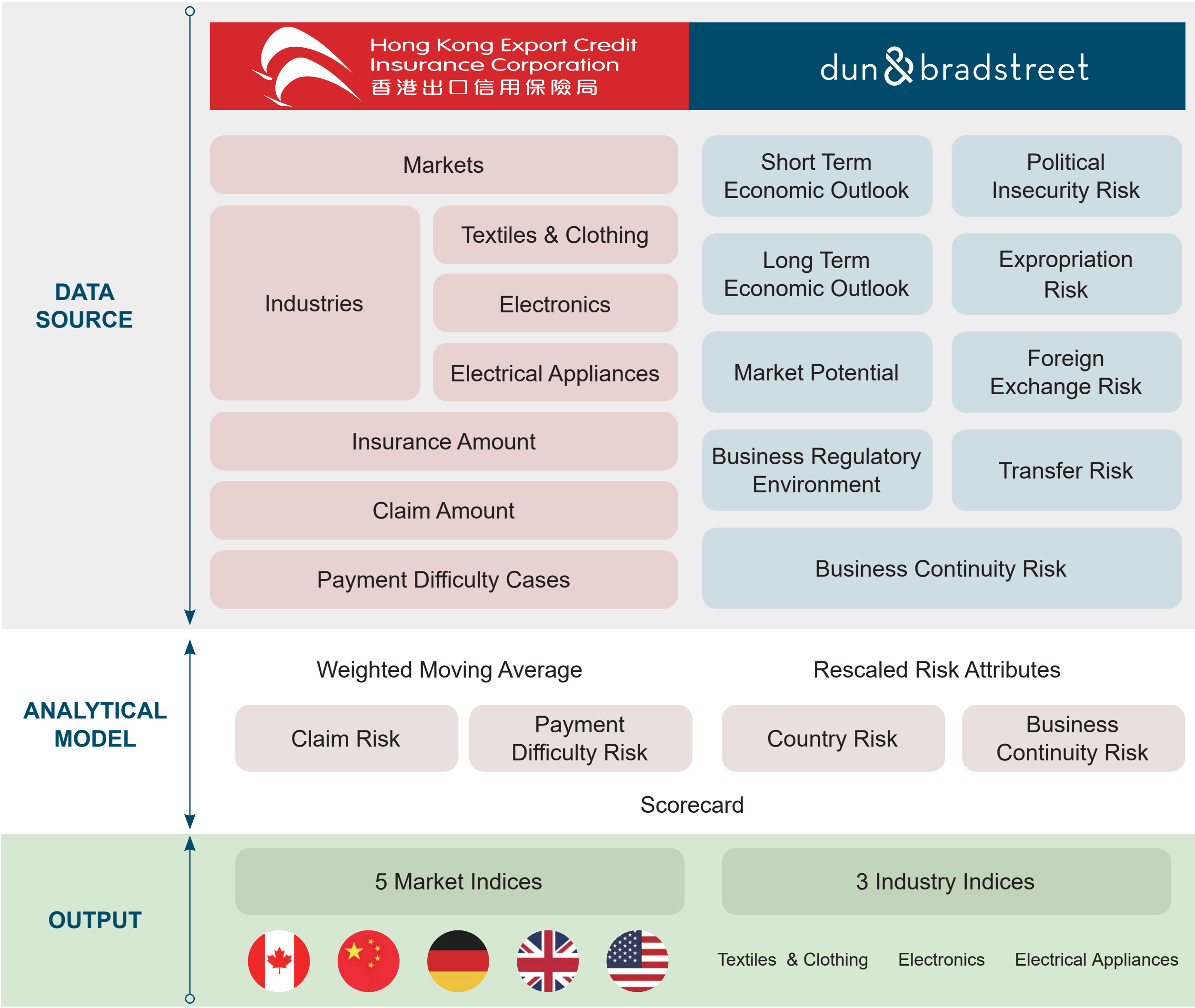
2. INDEX METHODOLOGY



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 Q3	Industry Index 2025 Q4
Canada		Textiles & Clothing	5.5	▲ 5.8
		Electronics	6.1	▶ 6.1
		Electrical Appliances	6.1	▶ 6.1
Chinese Mainland		Textiles & Clothing	6.4	▲ 6.5
		Electronics	6.4	▲ 6.5
		Electrical Appliances	6.4	▲ 6.5
Germany		Textiles & Clothing	5.2	▼ 5.1
		Electronics	5.9	▶ 5.9
		Electrical Appliances	5.9	▶ 5.9
UK		Textiles & Clothing	5.8	▲ 6.3
		Electronics	6.6	▶ 6.6
		Electrical Appliances	6.6	▼ 6.2
USA		Textiles & Clothing	7.5	▼ 5.7
		Electronics	7.3	▼ 6.0
		Electrical Appliances	8.4	▼ 6.5

Remarks: The Country Credit Risk Index covers a broader range of industries beyond the three sectors included 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 Q3	2025 Q4
Canada		Textiles & Clothing	5.5	▲ 5.8
		Electronics	6.1	▶ 6.1
		Electrical Appliances	6.1	▶ 6.1

Source: Dun & Bradstreet / HKECIC

Recent Developments

- Canada's overall credit risk index remained **broadly stable, with a slight upward adjustment** from Q3 2025 to Q4 2025. While quarterly fluctuations were minimal, the overall trajectory points to a modest improvement in risk conditions, which continue to fall within the moderate risk range.
- Canada's economy demonstrated resilience in 2025. Real GDP grew by 1.7% over the year, supported by a strong rebound in Q3 2025, with annualised growth of 2.6%. However, there was a contraction in Q4, largely due to corporate inventory drawdowns, signalled a softer end to the year and highlighting underlying fragility in domestic demand despite positive headline growth.
- In mid-November 2025, the Canadian government passed a federal budget proposing CAD 140 billion in new spending over five years, including measures to support clean-tech incentives, upgrade trade infrastructure, and assist businesses affected by US tariffs.
- In Q4 2025, the Government appeared to move towards warmer relations with the Chinese Mainland. In late October 2025, the Canadian Prime Minister met with the President of China to address trade issues. Building on this momentum, the Prime Minister visited the Chinese Mainland in mid-January 2026, during which both sides signed a series of Memoranda of Understanding (MoUs), further strengthening bilateral economic and trade cooperation.
- After four rate cuts in 2025, the Bank of Canada held its policy rate at 2.25% in December 2025, citing fragile growth and inflation close to target. With inflation easing to 2.20%, pressure for further monetary easing has diminished.

- Labour market conditions have weakened at the start of 2026. According to the Government of Canada's Labour Force Survey, more than 100,000 full-time jobs have been lost since the beginning of the year, and the unemployment rate rose to 6.7% in February. The extent to which this trend persists will be a key determinant for domestic demand and credit performance, particularly in consumer-facing sectors.
- The USMCA remains in force, but attention is increasingly shifting to the mandated "joint review" due by July 2026 particularly in relation to Article 34.7. Under this mechanism, the trade ministers of the three parties are required to assess how the agreement is operating and decide whether to extend it for another 16 years to 2042, subject it to annual reviews, or allow it to continue on a path that could culminate in its expiry in 2036 if extensions are not agreed. Against a backdrop of heightened tariff uncertainty and the use of active trade policy across North America, this forthcoming review is becoming a focal point for businesses, as it may shape the durability of preferential market access and the predictability of rules of origin and compliance requirements over the medium term.

Statistical Reference

Metric	2019	2020	2021	2022	2023	2024	2025	2026e
Real GDP Growth (%)	1.9	-5.1	5.0	3.4	1.2	1.4	1.7	1.3
GDP per Capita in USD	46,470	43,479	52,469	55,590	55,275	55,824	54,935	60,271
Exchange Rate (yr avge, USD-CAD)	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4
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	51.9	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 defection of Member of Parliament Chris d'Entremont to the governing Liberal Party in mid-November 2025 sparked speculation about further defections from the Conservative Party. Although the passage of the budget averted a snap election, increasing political fragmentation poses risks to policy continuity in 2026.
- In late November 2025, protests in Ottawa and Vancouver against US tariffs and pipeline disputes were largely peaceful. However, security agencies have flagged the risk of localised disruptions to transport and government services should the unrest escalate.
- On 4 December 2025, Ottawa announced a new immigration strategy targeting 500,000 annual arrivals by 2030, prioritising skilled workers in the tech and healthcare sectors. This is expected to strengthen demand-side consumption. Higher-income migrant households typically demonstrate stronger purchasing power, contributing to growth in mid- to highend consumer segments.

- Canada's economy is expected to grow at a steady but moderate pace, with GDP projected to increase by up to 1.3% in 2026. Policy support, including major fiscal spending and stabilising inflation, should help sustain resilience despite fragile domestic demand. While trade tensions may persist, improving external relations and targeted investment should underpin a gradually firmer outlook.
- Implementation of the CAD 1.2 billion Northern Transport Corridor Funding programme is set to commence in Q2 2026. This is expected to play a critical role in enhancing logistics resilience and supporting resource export strategies.
- Businesses in financial services sector should prepare for stricter enforcement and expanded reporting obligations from mid-2026.

Business Updates

- Tepid retail sales growth of 0.1% was recorded in the fourth quarter of 2025, reflecting cautious household spending amid high levels of debt and moderating wage growth.
- Canada Post's rotating strikes continued through late November 2025, disrupting parcel delivery and e-commerce logistics in the run-up to the holiday season. Businesses reliant on domestic and cross-border shipping may face delays and adopt contingency measures, including the use of alternative carriers.
- In December 2025, merchandise exports increased by 2.6% to CAD 65.6 billion, while imports rose by 0.6% to CAD 66.9 billion. The Canada's merchandise trade deficit narrowed from CAD 2.6 billion in November to CAD 1.3 billion in December. The monthly increase in export was driven primarily by a sharp rebound in metal and nonmetallic mineral products, which rose by 18.0%, while energy exports edged down by 1.0%.
- In 2025, business insolvencies in Canada declined, although volumes remained elevated compared with pre-pandemic baselines. According to data from the Office of the Superintendent of Bankruptcy (OSB), total business insolvencies in 2025 fell by 21.8% compared with the previous year.

Industry Trends

Textiles & Clothing

- The index for Canada's textile and apparel industry showed a modest uptick from Q3 2025 to Q4 2025, indicating a mild improvement in industry conditions while remaining within the moderaterisk range.
- Canada's holiday retail landscape in 2025 reflects an increasingly pronounced K-shaped economy, with affluent and older consumers continuing to spend confidently, while younger and lower-income groups rein in spending amid financial pressures. Overall holiday retail spending rose by 4.4% y/y, with clothing and accessories among the fastest-growing categories. Several higher-end retailers reported exceptional results, most notably Maguire Shoes, which achieved the best sales month on record in November 2025.
- On 12 January 2026, Canadian fashion e-commerce company SSENSE announced that its co-founders Rami Atallah, Bassel Atallah and Firas Atallah would regain control of the company following its filing for bankruptcy protection in August 2025. In an internal memo, the company stated that its leadership structure would remain unchanged. This outcome is expected to enable the company to continue providing stable and reliable services and support to its customers, suppliers and partners.

Electronics and Electrical Appliances

- Canada's electronics and electrical appliances industries continued to demonstrate stability, with industry indices remaining steady from Q3 2025 to Q4 2025.
- Growth in Canada's television market is being driven by advances in display technology, rising consumer demand for high-definition content, and the continued evolution of smart TV features. The growing preference for immersive viewing experiences has led to a surge in demand for televisions with enhanced display resolutions, such as 4K and 8K Ultra HD. As a result, the television segment has become one of the steady-growth segments within consumer electronics.
- In 2025, Canada's electrical industry remained resilience, and demand for electrical infrastructure is expected to grow in 2026, according to the CEO of Electro-Federation Canada Inc. This means increased opportunities in energy-efficient electrical products, components and smart-infrastructure technologies aligned with Canada's long-term electrification agenda.

4.2 Chinese Mainland

CREDIT RISK INDICES

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

Market	Credit Risk Index	Industry	Industry Index	
			2025 Q3	2025 Q4
Chinese Mainland		Textiles & Clothing	6.4	▲ 6.5
		Electronics	6.4	▲ 6.5
		Electrical Appliances	6.4	▲ 6.5

Source: Dun & Bradstreet / HKECIC

Recent Developments

- After declining in Q2 2025, the credit risk index for the Chinese Mainland **recovered** in H2 2025, continuing to reflect a comparatively low level of risk.
- In 2025, GDP in the Chinese Mainland grew by 5.0%, meeting the official annual growth target despite heightened external uncertainty and domestic structural adjustments.
- The Chinese Mainland is undergoing a gradual phase of monetary accommodation. Maintaining low borrowing costs remains necessary to support the economy, while the People's Bank of China (PBC, the central bank) has indicated that "a reasonable rise in prices" is an important policy objective. Exports grew by 5.5% in 2025, defying expectations of a tariff-induced downturn. Signs of stress emerged in certain low value-added sectors, such as clothing, footwear, toys and bags, which faced elevated US tariffs and intense competition both at home and abroad. However, China's move up the value chain, together with firms' outbound investment—including supply-chain re-organisation—drove strong growth in capital and intermediate goods, more than offsetting the weaker performance in consumption goods.
- The tariff reprieve between the Chinese Mainland and the United States, together with a one-year pause on rare earth restrictions, provides near-term relief on pricing pressures. Yet, the risk of a snapback remains, necessitating flexible sourcing strategies and penalty-free exit clauses.
- By late 2025, Chinese open-source AI footprint has expanded to roughly 30.0% of global usage, with Qwen, DeepSeek and Moonshot (Kimi) seeing widespread adoption. This momentum in open-source AI has reduced adoption costs and accelerated localisation, creating an innovation pathway for industrial upgrading even amid chip constraints.

- The 15th Five-Year Plan covering 2026–2030 for the Chinese Mainland was approved in March 2026 and represents a critical stage towards socialist modernisation by 2035. The Plan prioritises high-quality development, new productive forces, technological self-reliance, green transition, domestic demand expansion and common prosperity. It also emphasises high-level opening-up, as well as the security of industrial, energy and supply chains. An important update is the enactment of the National Development Planning Law, which institutionalises and codifies the planning framework, thereby enhancing policy stability and governance efficiency.

Statistical Reference

Metric	2019	2020	2021	2022	2023	2024	2025	2026e
Real GDP Growth (%)	5.9	2.2	8.4	3.0	5.2	5.0	5.0	4.9
GDP per Capita in USD	10,045	10,309	12,496	12,610	12,489	13,209	14.521	14,514
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	0.0	0.5
Purchasing Managers' Index (PMI)	49.7	49.9	50.5	49.1	52.6	52.1	50.5	N/A

*Source: Haver Analytics/Dun & Bradstreet**

Data may be adjusted and normalised for the purpose of comparisons across different countries, and may therefore differ from those published by national statistical offices.

Outlook Forecast

- In December 2025, the Politburo signalled a "more proactive fiscal" stance and an "appropriately loose monetary" policy for 2026. This is likely to entail lower borrowing costs and support refinancing, although policy crowding may widen credit dispersion.
- The rollout of 2026 stimulus measures for 2026, as outlined at the Central Economic Work Conference(CEWC), will determine the timing of ultra-long bond issuance, trade-in schemes and structural policy tools,with equipment, infrastructure and retail segments likely to see phased increases in demand.
- On 1 March 2026, the revised Foreign Trade Law came into effect, formalising negative list approaches,strengthening IP protection in trade, and expanding counter-measure toolkits, to respond to external restrictions and manage strategic exports.
- With capacity cuts on Chinese Mainland–Japan routes in Q1 2026, air cargo and passenger flows are likely to be rerouted through alternative hubs such as Seoul, Taipei, Hong Kong S.A.R., and Bangkok. This may lead to increased transshipment demand, enabling them to capture additional cargo volumes, make use of expanded buffer capacity, and strengthen their role as a strategic regional logistics hub.
- In the longer term, Chinese Mainland is likely to face structurally slower growth over the next decade, with real GDP growth forecast to fall slightly below the offiicial 5% target through 2029.

Business Updates

- Debate over the undervaluation of renminbi (RMB) continues amid a record trade surplus of USD 1.1 trillion from January to November in 2025. While this supports exporters' liquidity, it also raises the risk of retaliatory measures, complicating hedging strategies and covenant compliance.
- Full-year 2025 data for the Chinese Mainland showed retail sales rising by 3.7% y/y and industrial output increasing by 5.9% y/y, while fixed-asset investment declined by 3.8% y/y, reinforcing the pattern of weak domestic demand and a cautious credit environment.
- Policy support for consumer electronics and new-energy-related demand is being reinforced via domestic stimulus measures. In 2025, the Chinese Mainland expanded the scope of its trade-in subsidy programme to cover electronics, home appliances and vehicles, aiming to encourage replacement demand. The extent to which this translates into higher production and upstream orders will depend on the pace of implementation and levels of consumer confidence; however the overall direction remains supportive for selected consumer electronics and EV-related supply chains.
- Value-added tax export rebates for photovoltaic products has been abolished from 1 April 2026, while rebates for batteries will be reduced from 9% to 6% from April and subsequently withdrawn from 1 January 2027.

Industry Trends

Textiles & Clothing

- The index for the Chinese Mainland's textiles and clothing industry rose from 6.4 in Q3 2025 to 6.5 in Q4 2025, signalling a modest improvement in sector conditions and a slight easing of industry-related risks.
- Exports of clothing and accessories ended the year with a year-on-year decline of 5%, reflecting weak demand in major international markets, particularly in Europe and the United States. Domestic demand for apparel also grew modestly by 3.2% y/y, compared with a 3.7% rise in total retail sales of consumer goods.
- The sector accelerated its transition towards high-end, intelligent and green development, with a focus on improvements in efficiency and quality.
- The rise of *"Guochao"* - a national trend in fashion on the Chinese Mainland continued to stimulate consumer demand, with products that combine intangible cultural heritage craftsmanship and contemporary design enjoying strong market appeal. By leveraging cultural intellectual property, the sector has further enhanced the international visibility and influence of Chinese fashion brands. Collaboration with partners on the Chinese Mainland in developing culturally inspired collections can help Hong Kong exporters tap into the premium segment driven by the *"Guochao"* trend.

Electronics and Electrical Appliances

- The indices for the Chinese Mainland's electronics and electrical appliances industries both rose from 6.4 in Q3 2025 to 6.5 in Q4 2025, indicating a modest improvement in performance and suggesting a stabilisation of risks across both sectors.
- Following the Kuala Lumpur talks, Chinese Mainland authorities indicated that, from 10 November 2025, the additional 24% retaliatory tariffs on selected US-origin goods would remain suspended for one year, while a 10% rate would be retained. While this may ease near-term cost volatility for categories including consumer electronics and machinery, cross-border supply chains may still face material regulatory frictions. In particular, certain advanced or defence-adjacent electronics may remain subject to US export-control licensing, case-by-case review and end-use or end-user checks, which could add documentation burden and timing uncertainty, with potential spillovers to EV and battery value chains.
- Subsidy policies for electrical appliances on the Chinese Mainland in 2025 substantially boosted domestic consumption, accelerated smart-home upgrades, and strengthened the strategic electronics manufacturing ecosystem. While US tariff risks continue to constrain certain export categories, overall market momentum, particularly in smart, high-end and energy-efficient appliances remains strong.
- The US has approved exports of Nvidia's H200 chips to the Chinese Mainland. The resulting shift in supply dynamics—alongside domestic procurement mandates—may reshape accelerator lead times and pricing, with knock-on effects for AI server builds, demand for high-bandwidth memory (HBM), and advanced packaging capacity. While this development is presented as supportive of domestic industry objectives, H200 shipments are not a blanket authorisation; they remain subject to case-by-case licensing outcomes, compliance with additional security requirements, and potential future policy changes.
- Investment in AI-related assets—such as data centres, energy infrastructure, platforms and software—is already accelerating, led by companies such as Alibaba, Tencent and ByteDance. China is also investing abroad to strengthen its technological capabilities, including chip design, testing and packaging, as US export controls tighten. At the same time, Chinese technologies face intensifying regulatory and security scrutiny, ranging from restrictions on cross-border data flows to closer oversight of digital infrastructure.

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 Q3	2025 Q4
Germany		Textiles & Clothing	5.2	▼ 5.1
		Electronics	5.9	▶ 5.9
		Electrical Appliances	5.9	▶ 5.9

Source: Dun & Bradstreet / HKECIC

Recent Developments

- After deteriorating in Q3 2025, German's credit risk index recovered slightly in Q4 2025, with the latest index indicating that overall risk remains broadly **moderate**.
- According to the Federal Statistical Office (Destatis), Germany's priceadjusted gross domestic product (GDP) grew by 0.2% in 2025 compared with 2024, marking a modest return to growth after two consecutive years of contraction.
- The EU Entry/Exist System (EES) began to be phased in from October 2025, leading to additional border checks for entry from outside the EU.
- In November 2025, consumer price inflation (CPI) remained flat compared with October at 2.3%. Core inflation, which excludes food and energy prices, eased marginally to 2.7%.
- The 2026 fiscal budget was approved by the Bundestag in November 2025, with government borrowing projected at EUR 98.0 billion, up from the initial estimate of EUR 89.9 billion and significantly higher than the EUR 82.0 billion estimated for 2025. This represents a substantial "spend and invest" package aimed at supporting an economy in dire need of stimulus.
- The government is placing greater emphasis on AI, automation and digital infrastructure, in line with Germany's push for digital transformation and Industry 4.0.

- The Federal Minister for Economic Affairs and Energy, Katherina Reiche, stated that from 2026, Germany's energy-intensive industries will be able to reduce part of their costs through a state-subsidised electricity tariff. This will involve the introduction of an "industrial electricity price" specifically designed to support the development of these sectors.
- In February 2026, Chancellor Friedrich Merz made his first official visit to the Chinese Mainland, holding talks in Beijing before travelling on to Hangzhou for company and technology-focused visits. He was accompanied by a 30-strong business delegation, signalling a renewed emphasis on maintaining commercial ties and addressing trade frictions through dialogue, while underscoring that the economic relationship remains strategically important but politically sensitive.

Statistical Reference

Metric	2019	2020	2021	2022	2023	2024	2025	2026e
Real GDP Growth (%)	1.1	-3.8	3.2	1.8	-0.2	-0.2	0.2	1.2
GDP per Capita in USD	46,858	46,463	51,176	47,375	53,255	54,369	61,372	64,415
Exchange Rate (yr avge, USD-EUR)	0.9	0.9	0.8	1.0	0.9	0.9	0.9	0.8
Inflation (annual avge, %)	1.4	0.4	3.2	8.7	6.0	2.3	2.2	2.1
Purchasing Managers' Index (PMI)	51.1	46.3	55.3	50.4	49.4	48.6	51.0	N/A

*Source: Haver Analytics/Dun & Bradstreet**

Data may be adjusted and normalised for the purpose of comparisons across different countries, and may therefore differ from those published by national statistical offices.

Outlook Forecast

- Germany's medium-term economic forecast points to a gradual recovery, driven mainly by public investment, improving exports, and real income growth.
- GDP growth is likely to peak in 2027 as major investment projects come on stream. Thereafter, between 2028 and 2029, productive investments should start to pay off, with GDP growth stabilising at around 1.5%–1.6%.
- As the government prioritises a pro-growth strategy, some regulations may be relaxed or scrapped entirely. Chancellor Merz has advocated that the EU suspend its commitment to a global 15% minimum corporate tax rate and reduce the corporate income tax rate by 1pp annually over five years from 2028.
- The EU's new steel safeguard regime—featuring sharply reduced tariff-free quotas by 47% and strict "melt-and-pour" origin verification — is likely to raise landed costs and compliance burden for affected steel and steel-containing products. In practical terms, tighter quotas increase the probability that shipments exceed available quota and incur safeguard duties, while more stringent origin checks may constrain the use of transshipment or rerouting strategies where the underlying melt-and-pour origin cannot be substantiated.

Business Updates

- German retail sales increased by 2.7% in real terms in 2025 compared with 2024, with growth driven by mail-order and e-commerce channels, according to provisional data from the Federal Statistical Office (Destatis).
- In 2025, the number of German business insolvencies reached its highest level in over a decade, marking an 8.3% increase over 2024. The manufacturing and trade sectors experienced the sharpest increases, each rising by more than 10%.
- The Hamburg Commercial Bank (HCOB) Manufacturing PMI was revised upwards to 49.1 in January 2026, its highest level in three months, up from 47.0 in December 2025. Output returned to growth following a brief contraction in December 2025, supported by an improvement in demand conditions, with new orders rising for the first time in three months.
- The government's 2025-2029 plan to invest substantially in physical and digital infrastructure across transport, energy and logistics is expected to improve the supply chain environment and reduce disruption to business activity.
- Some disruption to transportation and communication networks is likely as the government rolls out major infrastructure upgrades. The national railway company, Deutsche Bahn (DB), will closing certain train routes, which may affect the transport of goods. These upgrades are expected to be completed by 2036.
- To enhance competitiveness, the electricity tax will be reduced from 2026 for sectors such as manufacturing and agriculture.

Industry Trends

Textiles & Clothing

- In Q3 2025, the index for German's textiles and clothing industry weakened, before easing further in Q4, indicating a gradual deterioration in sector conditions and a modest increase in industry-related risk.
- Store Concept GmbH & Co. KG, a key player in the German fashion market known for its Heimatliebe brand, declared insolvency in October 2025 amid declining sales and shifting consumer habits. This case typifies broader distress within the German textile industry, where multiple notable brands have collapsed.
- Traditional German apparel retailers are facing intense margin pressure, while brands are losing visibility to ultra-low-cost online platforms such as Temu. In October 2025, the Bundeskartellamt (Germany's competition authority) launched an investigation into Temu, suspecting that it may be imposing pricing requirements on its third-party merchants--for example, limiting how much or how little they can charge elsewhere--which could restrict competition.
- E-commerce in Germany is growing strongly in the fashion segment. FatFace's launch in Germany via Zalando is a good example of a brand entering the market via e-commerce rather than through large standalone stores.

Electronics and Electrical Appliances

- In H2 2025, the indices for German's electronics and electrical appliances industries remained largely unchanged, pointing to broadly stable quarter-on-quarter conditions, with risks in both sectors holding steady within the moderate range.
- Energy costs are expected to continue to fall, supported by the EU's Action Plan for Affordable Energy and the expanded use of renewables in electricity production.
- It is advisable to focus on sectors aligned with Germany's green and digital transition, including renewable energy, EVs and technology infrastructure.
- Investment in AI is intended to help businesses in Germany keep pace with rapid developments in the US and the Chinese Mainland. Bitkom forecasts data centre investment of around EUR 12.0 billion, while Google plans to invest EUR 5.5 billion in building data centres in Germany. Deutsche Telekom and Nvidia have also partnered on a EUR 1.0 billion data centre project in Germany.
- Easing EU–China policies on electric vehicles are reducing trade uncertainty for Germany's electronics and electrical appliances sectors, supporting more stable production and investment.

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 Q3	2025 Q4
UK		Textiles & Clothing	5.8	▲ 6.3
		Electronics	6.6	▶ 6.6
		Electrical Appliances	6.6	▼ 6.2

Source: Dun & Bradstreet / HKECIC

Recent Developments

- After declining in Q3 2025, the UK's credit risk index rose slightly in Q4 2025, signalling a modest easing of overall market risk towards the end of the year.
- According to Liz McKeown, Director of Economic Statistics at the Office for National Statistics (ONS), the UK's growth slowed further in the third quarter of the year, with both services and construction weaker than in the previous period, alongside a further contraction in production. The real annual GDP increased by 1.3% in 2025, following growth of 1.1% in 2024.
- The 2025 Autumn Budget introduced GBP 26 billion in tax increases to offset GBP 16 billion in lost revenue following revisions by the Office for Budget Responsibility (OBR), fund an additional GBP 12 billion in spending, and create fiscal "headroom" of GBP 21.7 billion to help keep the public finances on track to meet their fiscal targets.
- A generous assessment by the OBR of the UK economy's future trajectory enabled the Treasury to deliver a less severe Autumn Budget in November 2025 than had been anticipated in the preceding weeks, with major tax increases either avoided or deferred.
- In November 2025, a strategic plan to upgrade the UK's faster payments system was set out, enabling account-to-account (A2A) transactions. This initiative is expected to support the development of a safer and more efficient A2A payment ecosystem, with potential implications for cross-border merchants.
- At its meeting on 18 December 2025, the Bank of England (BoE) cut the interest rate by 25 bp from 4.00% to 3.75%. This marked the fourth rate cut in 2025, broadly in line with the market expectations, driven by the dual factors of lower-than-expected inflation and weak economic growth.

- The government has also unveiled measures to support the AI sector, including investment pledges in specific “growth zones”, such as a GBP 10 billion Microsoft data centre in South Wales.
- Prime Minister Sir Keir Starmer paid an official visit to Beijing and Shanghai from 28 to 31 January 2026, accompanied by the Secretary of State for Business and Trade and the Economic Secretary to the Treasury. The visit aimed to deepen engagement with a key trading partner, with discussions alongside business delegation activities spanning sectors such as finance, pharmaceuticals, manufacturing and the creative industries.

Statistical Reference

Metric	2019	2020	2021	2022	2023	2024	2025	2026e
Real GDP Growth (%)	1.6	-10.4	8.7	4.3	0.4	0.9	1.3	1.2
GDP per Capita in USD	42,699	40,230	46,692	45,758	49,309	52,649	56,927	58,472
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	3.4	2.6
Purchasing Managers’ Index (PMI)	N/A	52.0	55.9	53.0	46.4	52.5	50.5	N/A

*Source: Haver Analytics/Dun & Bradstreet**

**Data may be adjusted and normalised for the purpose of comparisons across different countries, and may therefore differ from those published by national statistical offices.*

Outlook Forecast

- Alongside increases in the National Minimum Wage and National Living Wage, the GDP growth forecast for 2026 has been revised upwards from 1.1% to 1.2%.
- The Bank of England (BoE) is likely to cut rates several times in 2026 if disinflation remains on track and domestic demand continues to soften. The pace and extent of any easing is expected to remain recent-data dependent, given ongoing uncertainty around services inflation and wage dynamics.
- A combination of lower inflation, reduced interest rates and diminished uncertainty is expected to support economic growth in 2026.
- Measures announced in the Autumn Budget, such as efforts to lower energy prices and a rail fare freeze, are expected to contribute to falling inflation. The Bank of England (BoE) is likely to reduce the Bank Rate several times over the next 18 months, ushering in a broader economic growth after H2 2026.
- Although demand should recover modestly in late 2026 as interest rates fall, growth is likely to remain moderate in the medium term due to fiscal consolidation.
- The UK Government’s 2035 Critical Minerals Strategy is expected to strengthen supply chain resilience as demand for critical minerals such as tungsten and lithium increases.

Business Updates

- Retail sales fell by 1.1% m/m in October 2025, the first decline since May 2025, as shoppers delayed spending ahead of Black Friday discounts in November 2025 and amid uncertainty surrounding the Budget. Consumer sentiment weakened further in Q4 2025, with the Deloitte UK Consumer Confidence Index falling to its lowest level in two years, reflecting pressure on household disposable incomes, rising debt concerns, and cautious spending behaviour across both essential and discretionary categories.
- In 2025, UK business insolvencies remained elevated, with approximately 24,000 companies failing—a figure similar to 2024, but still close to the 30-year high recorded in 2023.
- Exporters may wish to monitor their exposure to strategically sensitive sectors, in light of the government's recent interventions in private markets, as seen in the cases of British Steel and SSUK. Such actions may undermine incentives for foreign investors to invest in the UK.
- It is advisable to take advantage of new policy initiatives to support growth across the eight high-growth sectors identified in the 10-year Industrial Strategy, including advanced manufacturing, clean energy industries and financial services.
- The 2025 AI Index Report by Stanford University found that, between 2013 and 2024, private sector AI investment in the UK ranked third globally, behind the US and the Chinese Mainland, suggesting that UK businesses are well placed to benefit from a potential productivity boom driven by AI.
- The Treasury will conclude a consultation in March 2026 on expanding the scope of import duties to cover packages valued at less than GBP 135. Implementation is targeted for April 2029 and is expected to reduce the competitiveness of low-value products in the UK market.

Industry Trends

Textiles & Clothing

- In H2 2025, the UK's textiles and clothing industry index softened in Q3 before rising in Q4 2025, indicating a modest improvement in sector conditions, supported by a mild recovery in market demand.
- The UK apparel market generated approximately GBP 68.7 billion in revenue by the end of 2025, maintaining its position as the third-largest apparel and footwear market globally. Per capita spending on apparel reached approximately GBP 1,003 in 2025, with the average Briton purchasing approximately 61.2 items annually.
- On the e-commerce front, the UK remains Europe's leading market. Its online fashion market was valued at around GBP 52.8 billion in 2025, accounting for approximately 73% of total fashion sales, with strong growth forecast through to 2032.
- Several UK clothing retailers faced financial distress or entered liquidation in 2025-2026, driven by rising costs and weakening consumer spending. Notably, fashion retailers L.K.Bennett and The Original Factory Shop entered administration in early 2026.

Electronics and Electrical Appliances

- In H2 2025, the UK's electrical appliances index declined from Q3 to Q4, reflecting a mild deterioration in the sector as softer demand weighed on performance. Meanwhile, the electronics index remained unchanged over the same period, indicating broadly stable conditions with no significant shift in industryrelated risk.
- In the UK's electronics market, demand for smart, AI-powered and multifunctional devices remained strong.
- In H2 2025, performance across the UK electronics retail sector diverged. Large, well-capitalised players such as Currys and AO World outperformed the broader market, supported by market share gains, growing service-led revenues and stronger cash generation, while the technology segment of John Lewis & Partners also recorded comparatively resilient sales. In contrast, financial pressures persisted among smaller and mid-sized electronics retailers, with Ebuyer entering administration and other independent retailers facing elevated credit risk amid weak consumer demand, high operating costs and intense price competition.
- The modest decline in the UK's electrical appliances index was driven by weaker demand for new products. A key challenge facing the market is the growing prominence of pre-owned options, with around one-third of consumers planning to purchase second-hand or refurbished electronic products.

4.5 The United States

CREDIT RISK INDICES

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

Market	Credit Risk Index	Industry	Industry Index	
			2025 Q3	2025 Q4
USA		Textiles & Clothing	7.5	▼ 5.7
		Electronics	7.3	▼ 6.0
		Electrical Appliances	8.4	▼ 6.5

Source: Dun & Bradstreet / HKECIC

Recent Developments

- The US credit risk index deteriorated further in Q4 2025, following weakness in the preceding quarters, underscoring a renewed increase in market risk and highlighting the need for enhanced forward-looking risk management amid persistent macroeconomic and policy uncertainties.
- In 2025, US GDP grew by 2.2% y/y in real terms. In Q4, real GDP increased at an annualised rate of 1.4%, marking a sharp slowdown from the 4.4% growth recorded in Q3 2025. Nevertheless, private sector demand remained relatively firm, with consumer spending and business investment continuing to contribute positively to the annual growth.
- Since the second half of 2025, the Federal Reserve has embarked on a cautious easing cycle, delivering three consecutive 25-basis-point rate cuts between September and December, bringing the federal funds rate down to 3.50%–3.75%. The cuts were driven primarily by rising downside risks to employment rather than a decisive easing of inflationary pressures.
- The US federal government's 43-day shutdown concluded on 12 November 2025. The impasse stemmed from disagreements over Affordable Care Act subsidies and led to delays in the publication of key economic indicators, heightening uncertainty and complicating credit assessment, underwriting timelines, and risk management for lenders, suppliers and cross-border counterparties.
- Entering early 2026, the Fed has paused further easing and signalled a higher bar for additional cuts as inflation remains sticky and internal views diverge. Escalation in the Middle East may further complicate the outlook by fuelling energy-price volatility and heightening upside inflation risks.

- In February 2026, the US administration announced a renewed escalation in tariff policy towards major trading partners. Following a Supreme Court ruling that limited the use of emergency powers for trade actions, President Donald Trump stated that the United States would raise its global baseline import tariff from 10% to 15%, invoking authority under Section 122 of the Trade Act of 1974.

- Escalating tensions with Venezuela these days have increased geopolitical risks and the potential for disruption to regional trade routes and energy supply chains. Business sentiment among US companies is increasingly shaped by heightened volatility and potential strains in credit supply arising from the conflict in the Middle East. While many US business leaders entered the year with renewed optimism, recent coordinated military actions have prompted a shift toward safe-haven assets and heightened concerns that sustained energy price spikes could reignite domestic inflation. This geopolitical instability poses a direct threat to corporate credit quality by potentially tightening financing conditions and disrupting global trade routes, particularly for firms with significant international exposure.

Statistical Reference

Metric	2019	2020	2021	2022	2023	2024	2025	2026e
Real GDP Growth (%)	2.5	-2.2	5.8	1.9	2.5	2.8	2.2	2.0
GDP per Capita in USD	64,374	63,472	70,013	76,101	80,474	84,486	88,574	92,022
Exchange Rate (yr avge, USD)	-	-	-	-	-	-	-	-
Inflation (annual avge, %)	1.8	1.2	4.7	8.0	4.1	2.5	2.6	2.4
Purchasing Managers' Index (PMI)	N/A	56.1	59.7	50.7	51.2	53.7	53.4	N/A

*Source: Haver Analytics/Dun & Bradstreet**

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Outlook Forecast

- The short-term economic outlook reflects a shift in monetary policy, with the Federal Reserve moving from a tightening cycle that began in early 2022 to an easing phase starting in September 2024. However, credit conditions remain relatively tight and may continue to constrain economic activity in the coming quarters. Expectations of robust third-quarter growth, fuelled by increased AI-related spending, have led to an upward revision of real GDP growth forecasts to 2.0% for both 2025 and 2026.

- Despite a temporary funding deal signed in November 2025, long-term US budget negotiations remain unresolved, leaving businesses reliant on public sector contracts or regulatory clarity facing heightened uncertainty.

- Looking ahead to 2026, the Fed may opt to ease policy more quickly than currently expected if labour market conditions weaken and disinflation continues; however, the policy path is likely to remain data-dependent. Upside inflation risks, including renewed energy or freight shocks stemming from geopolitical tensions, could limit the scope for faster cuts or delay further easing.

- FX volatility is likely to remain elevated as markets reprice the timing and extent of Fed easing and respond to episodic geopolitical risks. Exporters may consider maintaining disciplined USD hedging, given the HKD's peg to the US dollar under the Linked Exchange Rate System.
- Heightened geopolitical engagement has elevated US political risk as a material macroeconomic factor. The United States' direct military involvement in the Iran conflict on 28 February 2026 marks a significant escalation in foreign policy risk, increasing the prominence of political decision-making as a driver of economic and market outcomes. With the potential for prolonged engagement and uncertain exit pathways, geopolitical considerations are expected to exert a sustained influence on its fiscal priorities, energy policy and investor confidence, thereby raising the overall risk.
- The ongoing AI investment boom presents a balanced set of risks to the US economic outlook. While strong capital expenditure on AI infrastructure, data centres and semiconductors continues to support productivity gains, corporate earnings and medium-term growth, it also raises the risks of asset price volatility, overinvestment and tighter regulatory scrutiny, which could amplify downside risks if financial conditions tighten or demand weakens.

Business Updates

- In mid-November 2025, the US federal regulators began enhanced inspections for hazardous materials at major rail terminals, extending clearance times by up to 36 hours.
- Retail sales growth slowed in late 2025. In October, sales recorded only modest gains with 0.4% m/m, as US consumer confidence fell to its second-lowest level in four years. Confidence deteriorated further in January 2026, dropping to its lowest level in more than 12 years. According to The Conference Board, the Consumer Confidence Index fell by 9.7 points to 84.5, its lowest level since 2014
- According to the US government, business insolvencies reached 24,737 cases in 2025, up 7.1% compared with 2024, marking a second consecutive year above pre-pandemic levels.
- While the US announced in November 2025 that the additional tariff rate applied to Hong Kong-origin goods would be adjusted to 10%, effective from 10 November 2025, the US Supreme Court's-February 2026 ruling that IEEPA does not authorize tariffs has introduced legal and operational uncertainty. In practice, the tariff burden on Hong Kong/Chinese Mainland exports may remain elevated due to the use of alternative tariff authorities and rapid policy substitution; however, the durability, scope, and administrative treatment of the IEEPA-linked component, including possible refunds or transitional rules remain unclear.
- The stopgap funding measure expired on 30 January 2026 and was followed by a brief partial government shutdown from 31 January, which ended with the signing of a funding package on 3 February. However, fiscal brinkmanship has not been resolved. Funding for the Department of Homeland Security subsequently expired in mid-February, creating renewed shutdown risks for affected functions. This remains a material concern for firms reliant on federal contracts or regulatory approvals, given the potential for service disruption and payment delays during funding lapses.

Industry Trends

Textiles & Clothing

- In 2025, the US textiles and clothing industry experienced volatile risk conditions, with a short-lived improvement in Q3 giving way to a deterioration in Q4, underscoring heightened pressures in H2 as demand weakened.
- The US apparel market reached a value of nearly USD 361.68 billion in 2025. It is projected to grow at a CAGR of 2.40% over the forecast period from 2026 to 2035, reaching nearly USD 458.48 billion by 2035.
- Exporters may wish to adapt sales and inventory strategies in response to slowing retail sales and softer consumer demand, focusing on value-driven offerings and flexible promotional calendars to capture cautious spending.
- In H2 2025, US clothing retailers such as Ross, TJX, Abercrombie & Fitch, American Eagle, and Gap outperformed expectations, recording strong revenue and comparable sales growth, driven by value-focused strategies, brand reinvention, and effective marketing. In contrast, several apparel retailers including Saks Global (Saks/Neiman Marcus), Forever 21, Eddie Bauer, Francesca's, and J.Crew faced financial distress, with some entering bankruptcy or closing stores due to high debt, weak sales, and intense competitive pressures.

Electronics and Electrical Appliances

- In H2 2025, the risk in the US electronics and electrical appliances industry increased markedly from Q3 2025 to Q4 2025, indicating a deterioration and heightened risk across the overall electrical sector conditions.
- AI-driven optimism fuelled sharp swings in tech valuations. Nvidia, a US tech company and developer of chips and graphics processing units, hit a USD 5 trillion valuation in early November 2025, before declining by 10% in a single week, despite posting record earnings. Such volatility increases systemic risk and heightens the likelihood of stricter regulation in the tech sector.
- In late November 2025, Meta reiterated plans to invest USD 600 billion in US infrastructure and jobs by 2028, focusing on immersive technologies and connectivity. This is expected to boost employment and technological leadership over the next decade.
- Announced mega-investments, including AI data centre build-outs and large-scale digital tech plans, are set to bolster long-term cash flow prospects in tech-adjacent sectors. Lenders may favour firms with resilient margins, diversified funding and robust compliance controls.
- It is advisable to capitalise on this sectoral investment momentum – particularly in AI, digital infrastructure and immersive technologies – by aligning capital expenditure plans with these areas of strong long-term growth.

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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