Chairman’s Foreword

Sluggish Growth in Global Economy

In 2013-14, the global economy recorded a sluggish growth as expected, with the core traditional markets, Europe and the US, showing a mixed performance. Despite a gradual improvement in the US unemployment rate and a steady economic recovery, the US debt crisis continues to beset global markets; and the Federal Reserve’s commitment to reducing the scale of the bond-purchasing programme at the end of 2013, as well as terminating progressively the quantitative easing policy, contributes to volatilities in major financial markets.

As the debt crisis gradually fades away, Europe is regaining its growth momentum. Individual EU member states, such as Germany, are on track for a solid recovery while monetary easing in the UK has strengthened consumer confidence, which is beneficial to the revival of the retail market. However, struggling with high unemployment rates and sovereign debt crisis, some European countries were not performing satisfactorily. A complete and sustained economic recovery in Europe will take some time.

Japan adopted an expansionary economic policy through fiscal stimulus, monetary easing and structural reforms to boost the economy and drag up inflation. However, substantial depreciation of the Japanese Yen gave rise to currency shock within the region. Impacted by the falling commodity prices and US tapering, the emerging markets are combating against problems of capital outflows and currency depreciation.

Furthermore, extreme weather conditions brought natural disasters to many countries, such as floods, drought, and even worse, cold snap and snowstorms caused by the occurrence of polar vortex. These were hard hits on normal sales schedule and retail consumption sentiment, making Hong Kong exporters worry about the impact of slow-moving sales on buyers’ ability to pay.

Economic Momentum Shifts Towards Mainland China and ASEAN

In view of the slow pace of growth in traditional markets and the economic slowdown in emerging markets, Mainland China and ASEAN countries became the main bastion of the trading industry. Urbanisation in Mainland China not only improved economic structure, but also stimulated consumption, gaining support for domestic demand. ASEAN countries are highly populated with strong domestic purchasing power and great potential for economic growth, representing a golden opportunity which Hong Kong enterprises should not ignore. Although local export trade to Mainland China and ASEAN countries performed quite well, this cannot replace our trade with other places in the world.

Hong Kong Enterprises Flexible in Obtaining Orders

Although the number of orders from the traditional markets remained stable amid a stagnant global economic growth, Hong Kong enterprises, especially SMEs, lacked bargaining power to raise prices, and long credit terms further increased cost pressure. While Hong Kong enterprises are striving to survive in a muted global economy, the Corporation provides them with credit management services, which enable them to secure orders flexibly.
Chairman’s Foreword

The Corporation Continues to Play a Role in Supporting Export Trade

In response to the fluctuations in the external environment and needs of Hong Kong exporters, especially SMEs, the Corporation supports local export trade with concrete actions including extension of enhanced measures, providing better credit risk protection and relieving operating cost pressures. In addition, the Corporation continues to strengthen the interaction and cooperation with local trade and business associations, as well as overseas export credit agencies, in order to maintain effective liaison and communications, and keep a close eye on business opportunities in Mainland China and other markets. Apart from supporting the industry to develop their business, the Corporation also assists exporters in managing buyer risks.

Looking Ahead to Stable Global Trade

The global economy is out of recession and moving towards a moderate recovery. However, downside risks remain especially because the end of US quantitative easing had bearing on the global economy which could not be neglected. Besides, sovereign credit risk of the 28 EU member nations still remains, which may lead to cash tightening in enterprises or consumers if the EU follows the Fed’s exit strategy. Moreover, general elections and geopolitical instability in many countries are worrying the neighbouring countries, leading to hiking country risk. In addition, disruption in consumer spending behaviour due to global climate changes casts a shadow over trade activities. Therefore, as the global economy is climbing out of the trough and the Europe and US economic recovery are on track, the Corporation will continue to support Hong Kong enterprises to obtain orders prudently.

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I would like to express my gratitude for the steadfast efforts of the Corporation’s management and staff. Thanks to their hard work and spirit of business innovation, the Corporation has been able to continually develop its service and improve the service quality. I would also like to thank the Advisory Board Members, the Commerce and Economic Development Bureau of the Hong Kong Special Administrative Region Government, the Corporation’s reinsurers and reinsurance broker, banks, trade and industry associations and the International Union of Credit & Investment Insurers (Berne Union) for their support. Lastly, I would like to offer sincere thanks to our policyholders for choosing the Corporation as their business partner.

Willy Lin, SBS, JP
Chairman, Advisory Board