This year, the global economy clearly lacked vitality while major economies focused on their own policies and the monetary policies of major central banks diverged. Nevertheless, following the completion of quantitative easing policy, the US alone has been able to remain on a moderate recovery track with a lower unemployment rate. Although a timetable for an interest rate hike is not yet in place, the steep fall in oil prices has had a positive impact on US economic activities in the short run.

RISKS REMAIN FOR EUROPEAN ECONOMY

The euro economy failed to achieve the expected recovery pace and has instead continued to struggle, lingering on the brink of contraction facing deflationary pressure. Individual countries, such as Italy and Spain, continued to find themselves facing very high unemployment rates; while Greece pursued a haircut and anti-austerity measures, and the European Central Bank (ECB) launched an unprecedentedly large-scale monetary easing programme, all leading up to the devaluation of the euro, adding to fragility of the euro economy and raising risks. Soft oil prices should have been regarded as a positive factor but it was offset by weak investment prospects. Germany remained the anchor of the euro area while UK employment and retail sales showed improvements during the year.

Geopolitical tensions are mounting in various regions, with an unstable situation in Ukraine and EU-imposed sanctions on Russia. The oil price plunge not only initiated a ruble free-fall, but also dealt a blow to the economic activities of oil-export-dependent emerging countries. In addition, some commodity-driven emerging markets that suffered from the continuous...
fall in commodity prices, capital outflow and currency depreciation had to increase interest rates to support their currencies and combat inflation. As for Japan, which printed money to implement its quantitative easing policy, sank into a technical recession during the year. In the deflationary environment, the depreciation of the yen exerted contagion effects on Asian currencies.

Mainland China has been in a transformation process from a foreign investment-driven economy to a domestic consumption-based economy. Despite a slowdown in economic growth, Mainland China is still an indispensable global economic engine. Individual Asian markets, such as Vietnam and India, also maintained decent performances.

**HONG KONG ENTERPRISES SEEK CHANGE IN RESPONSE TO EXPORT MARKET DOWNTURN**

Despite the evident recovery in the US economy, other major advanced economies were experiencing stagnation, with weak consumption, limited orders, low price, long credit terms and rising cost pressure. Obviously, the business environment for Hong Kong enterprises was still in the doldrums. In view of the strong US dollar, deteriorating price competitiveness and the disadvantages in producing low-end products as compared to other competitors, Hong Kong enterprises could only find a foothold in the competition in manufacturing higher value-added export goods.

Time flies and I have now been the Chairman for six years. Over the course of my six-year tenure, I have witnessed the Corporation shouldering its social responsibilities in providing support for Hong Kong exporters, and working with them to overcome various kinds of unexpected trading challenges in the wake of the financial tsunami. We always remind ourselves to maintain close communication with SMEs, offering them assistance tailored to their needs and timely export credit insurance protection. As a public body, the Corporation shows solicitude for Hong Kong exporters, especially SMEs, and understands their needs. The Corporation extends various measures to uphold the industry in lowering its operating costs, helping it expand business while managing risks cautiously.

**ECONOMIC OUTLOOK PRUDENTLY OPTIMISTIC**

Mainland China has been moderately loosening control of its monetary policy to stimulate domestic demand in support of the economy, a policy to the advantage of Hong Kong enterprises. The ECB announced it would expand its massive asset purchase programme to bolster the euro economy and fight deflation. Looking forward, the global trade is expected to further improve, with the US economy taking the lead in recovery, giving exporters hope of a retail sales rebound. However, there are too many uncertainties in the global economy, downside risks still exist and the currency war is not yet over, therefore, Hong Kong exporters must proceed with caution. The Corporation will continue to support them to obtain orders amid the unsteady global economy.

**ACKNOWLEDGMENTS**

The Corporation’s management and staff have long devoted to providing assistance to the Hong Kong export community. Their robust spirit of commitment and unwavering care that underpins Hong Kong exporters with professional and high-quality export credit insurance service should be appreciated. I would like to express my earnest gratitude for their dedication, effort and commitment, which spearhead the Corporation to advance. Meanwhile, 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 continuous support. Finally, on behalf of the Corporation, I would like to express my sincere thanks to our policyholders for choosing the Corporation as their business partner.

**Willy Lin, SBS, JP**
Chairman, Advisory Board