

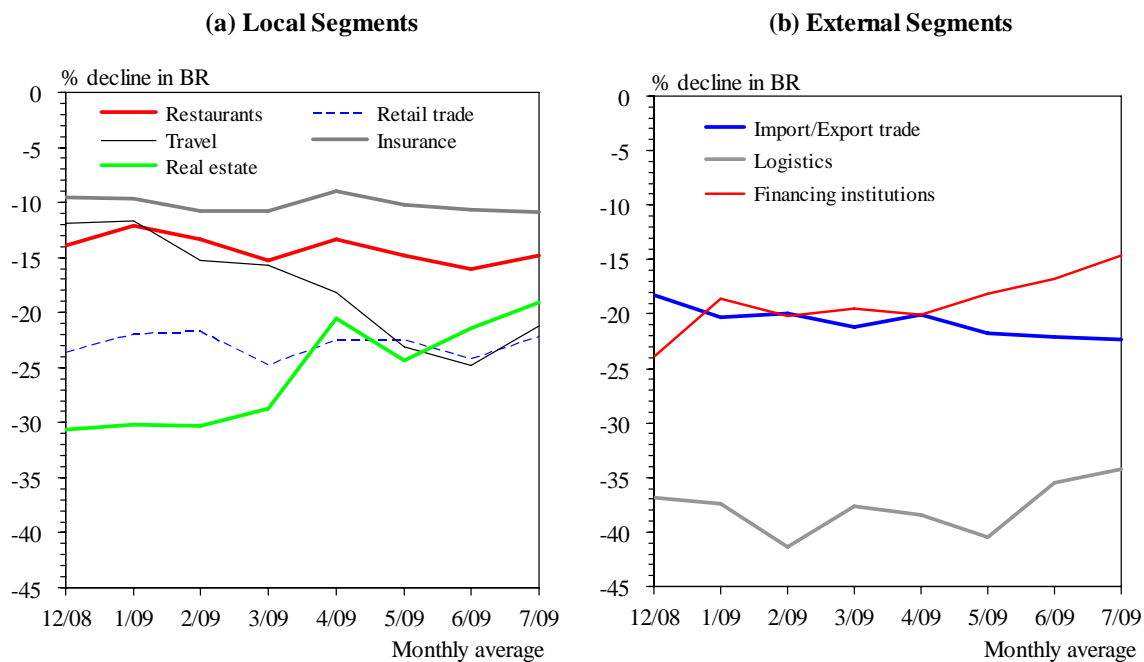
Box 1.2**Impact of financial tsunami on small and medium-sized enterprises (An update)**

Last September's global financial turbulence has led to a severe global economic downturn. It is one of the priorities of the Government to support enterprises, especially the small and medium-sized enterprises (SMEs)¹. To attain a better understanding on the impact of the financial tsunami on the business receipts, employment and credit access situations of the SMEs, an ad-hoc weekly consultation exercise has been conducted by the Census and Statistics Department on behalf of the Economic Analysis and Business Facilitation Unit since late November 2008 on a sample panel of around 500 SMEs to solicit their relevant feedback information. This note provides an update of the results reported in Box 1.2 in the First Quarter Economic Report 2009.

The results of the weekly consultation available up to July 2009 indicated that many SMEs continued to feel that their business situation was significantly hit by the financial tsunami and the ensuing economic downturn (*Table 1*). Analysed by sectors, those related to local demand tended to fare relatively better than those more related to the external demand. Specifically, business situation in travel agents deteriorated further on entering May, reflecting the dampening effect of human swine flu on tourism. Probably for the same reason, business sentiments in the restaurants and retail trade also weakened somewhat in May and June, but showed some relative improvement lately. On the other hand, business situation in real estate improved visibly in tandem with the rebound in the local property market (*Chart 1a*). Business situation for SMEs in financing institutions and logistics also saw some relative improvement more recently, this tallied with the rebounds in global stock markets and the stabilisation in the external trading environment. However, SMEs in the import/export trade had yet to report more discernible improvement (*Chart 1b*). It should be noted that given the coverage and nature of the consultation exercise, the consultation findings should be interpreted with considerable caution. They nevertheless can serve as rough indicator to enable high frequency monitoring of SMEs' situation.

On the employment front, the results of the consultation indicated that SMEs' employment situation weakened slightly on entering June, having stabilised in March to May. Among the various sectors, employment in real estate and construction, logistics, financing institutions and business services remained more severely hit than the others (*Table 2*).

(1) Manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees are regarded as SMEs in Hong Kong.

Box 1.2 (Cont'd)**Chart 1: Impact of Financial Tsunami on SMEs' Business Receipts (BR)****Table 1: Impact on business receipts as compared with normal situation**% decline as compared with normal situation (Monthly average)

<u>SMEs by sectors</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>
Wholesale trade	-16.3	-8.3	-9.3	-16.2	-18.7	-19.4	-15.2	-15.4
Retail trade	-23.6	-22.0	-21.8	-24.8	-22.5	-22.6	-24.2	-22.2
Import and export trade	-18.2	-20.3	-20.0	-21.2	-20.1	-21.7	-22.2	-22.3
Restaurants	-13.9	-12.1	-13.4	-15.3	-13.4	-14.8	-16.1	-14.8
Logistics	-36.9	-37.4	-41.4	-37.7	-38.5	-40.5	-35.5	-34.2
Travel agents	-11.9	-11.7	-15.3	-15.8	-18.2	-23.1	-24.8	-21.2
Financing institutions	-23.9	-18.6	-20.2	-19.5	-20.1	-18.1	-16.8	-14.6
Insurance agents and brokers	-9.6	-9.7	-10.8	-10.8	-9.0	-10.2	-10.7	-10.9
Real estate and construction	-30.7	-30.2	-30.3	-28.7	-20.5	-24.3	-21.5	-19.1
Business services	-9.0	-10.6	-14.2	-14.8	-15.1	-15.0	-13.7	-11.9
All the above sectors	-18.3	-19.3	-19.4	-20.9	-20.0	-21.5	-21.5	-21.4

Note: The monthly figures refer to the averages of declines reported weekly by the SMEs in the month concerned.

Box 1.2 (Cont'd)**Table 2: Impact on employment as compared with normal situation**

	<u>% change as compared with normal situation (Monthly average)</u>							
<u>SMEs by sectors</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>
Wholesale trade	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3
Retail trade	-0.5	-0.5	-0.6	-0.4	-0.2	-0.2	-0.4	-0.5
Import and export trade	-1.1	-0.9	-1.0	-0.6	-0.9	-1.2	-1.4	-1.4
Restaurants	-3.1	-3.2	-3.7	-2.6	-1.7	-1.2	-1.8	-2.0
Logistics	-6.5	-3.7	-3.0	-3.2	-3.4	-3.3	-4.8	-5.8
Travel agents	0.2	-0.1	0.1	0.2	0.2	0.2	0.4	0.3
Financing institutions	-0.9	-0.7	-1.4	-1.6	-2.3	-3.9	-3.7	-3.0
Insurance agents and brokers	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.9
Real estate and construction	-7.3	-8.2	-8.0	-8.0	-8.0	-8.4	-9.9	-9.1
Business services	-3.0	-3.0	-3.7	-3.8	-3.8	-4.1	-3.4	-2.6
All the above sectors	-1.8	-1.6	-1.8	-1.5	-1.5	-1.6	-1.8	-1.8

Credit access situation continued to improve. The proportion of SMEs reporting tighter-than-normal credit access went down to around 7% in recent weeks from above 12% in late November last year (*Table 3* and *Chart 2*). Moreover, supplementary information provided by SMEs surveyed indicated that credit pricing had also eased notably over the past few months. Amongst the sectors covered in the consultation, SMEs in restaurants, retail trade, wholesale trade, logistics and financing institutions saw more discernible improvements. This encouraging development, in some measure, reflected the effectiveness of the Government's efforts to help to ease credit strains facing SMEs, especially those under the enhanced and special loan guarantee schemes. As at end-July, some 11 000 firms have benefited under these schemes, involving approved loan amount of over 36.5 billion. Nevertheless, SMEs in some harder-hit sectors, especially import/export trade, continued to face tighter access to credit than other sectors.

Box 1.2 (Cont'd)**Table 3: Impact on access to credit as compared with normal situation**

<u>SMEs by sectors</u>	<u>% SMEs reporting very tight/tighter credit access</u>								
	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>
Wholesale trade	12.0	10.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0
Retail trade	10.0	8.8	6.5	6.6	4.6	3.5	3.5	2.7	1.8
Import and export trade	17.1	17.0	15.7	14.0	14.5	13.7	11.3	12.1	12.1
Restaurants	19.0	10.7	11.8	11.8	8.6	7.1	5.5	5.2	5.4
Logistics	0.0	11.8	17.6	12.5	26.3	16.7	11.1	10.5	10.5
Travel agents	3.3	3.8	3.7	3.6	3.7	3.7	3.6	3.3	3.3
Financing institutions	12.5	10.8	7.9	7.7	8.3	7.9	7.7	7.7	2.6
Insurance agents and brokers	15.0	10.0	5.6	10.0	10.5	10.0	10.0	10.0	5.3
Real estate and construction	11.4	5.9	5.7	6.1	8.8	8.8	8.8	8.8	8.8
Business services	5.7	6.1	0.0	0.0	2.9	3.1	2.9	3.0	3.0
All the above sectors	12.5	11.9	10.2	9.0	9.7	8.5	7.2	7.3	7.0

Chart 2: Access to credit showed some gradual improvement**Impact on Access to Credit**