

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

To attain a better understanding on the impact of the financial tsunami on the business receipts, employment and credit access situations of the small and medium-sized enterprises (SMEs)⁽¹⁾, an ad-hoc 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 Half-yearly Economic Report 2009.

The findings of the consultation exercise available up to October 2009 indicated that business situation in many sectors was still worse than that before the outbreak of the financial tsunami. Nevertheless, the overall situation had stabilized with some sectors showing more discernible improvement in recent months (*Table 1*). Specifically, business situation in travel agents saw some visible improvement in business situation on entering June, along with the rebound in inbound tourism, while SMEs in restaurants and retail trade had largely steady business situation amid improved local consumer sentiment. Business situation in real estate turned markedly better during the third quarter in tandem with the increased activity in the property market, before showing some deterioration on entering October (*Chart 1a*). With the revival of financial market activities, business situation for financing institutions improved notably in recent months compared with the early months of the year. The declines in business receipts for SMEs in trading and logistics, though narrowed, remained significant in recent months, as external demand continued to be weak (*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.

Regarding the employment situation, the results of the consultation indicated that SMEs' employment situation remained weak in recent months. 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*).

Credit access situation turned stable more recently, having improved notably in the previous months. The proportion of SMEs reporting tighter-than-normal credit access went down distinctly to about 6.6% in October from above 12% in late November last year (*Table 3* and *Chart 2*). The supplementary information provided by SMEs surveyed indicated that credit pricing likewise held broadly stable over the past few months. This encouraging development reflected the improved financial conditions as well as 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-October, some 14 600 companies benefited under these schemes, involving approved loan amount of about 59.4 billion. This also indirectly helped to secure the jobs for those employed by these companies, totaling over 250 000.

(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)

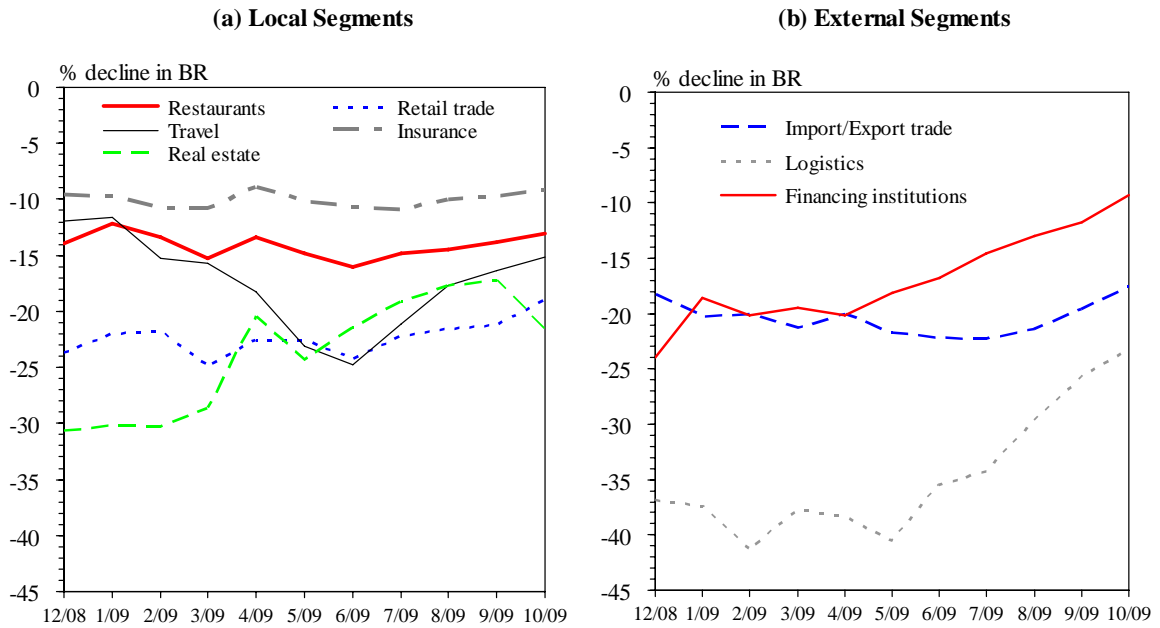


Table 1: Impact on business receipts as compared with normal situation

SMEs by sectors	<u>% decline as compared with normal situation</u>										
	<u>2008</u>	<u>2009</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>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>
Wholesale trade	-16.3	-8.3	-9.3	-16.2	-18.7	-19.4	-15.2	-15.4	-16.9	-16.3	-13.8
Retail trade	-23.6	-22.0	-21.8	-24.8	-22.5	-22.6	-24.2	-22.2	-21.6	-21.2	-19.0
Import and export trade	-18.2	-20.3	-20.0	-21.2	-20.1	-21.7	-22.2	-22.3	-21.3	-19.6	-17.6
Restaurants	-13.9	-12.1	-13.4	-15.3	-13.4	-14.8	-16.1	-14.8	-14.5	-13.8	-13.1
Logistics	-36.9	-37.4	-41.4	-37.7	-38.5	-40.5	-35.5	-34.2	-29.7	-25.7	-23.2
Travel agents	-11.9	-11.7	-15.3	-15.8	-18.2	-23.1	-24.8	-21.2	-17.7	-16.4	-15.2
Financing institutions	-23.9	-18.6	-20.2	-19.5	-20.1	-18.1	-16.8	-14.6	-13.0	-11.8	-9.3
Insurance agents and brokers	-9.6	-9.7	-10.8	-10.8	-9.0	-10.2	-10.7	-10.9	-10.0	-9.7	-9.2
Real estate and construction	-30.7	-30.2	-30.3	-28.7	-20.5	-24.3	-21.5	-19.1	-17.7	-17.2	-21.7
Business services	-9.0	-10.6	-14.2	-14.8	-15.1	-15.0	-13.7	-11.9	-11.6	-11.2	-9.4
All the above sectors	-18.3	-19.3	-19.4	-20.9	-20.0	-21.5	-21.5	-21.4	-20.5	-19.0	-17.0

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

<u>SMEs by sectors</u>	<u>% change as compared with normal situation</u>										
	<u>2008</u>	<u>2009</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>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>
Wholesale trade	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-1.8	-2.6	-2.4
Retail trade	-0.5	-0.5	-0.6	-0.4	-0.2	-0.2	-0.4	-0.5	-0.7	-0.8	-0.9
Import and export trade	-1.1	-0.9	-1.0	-0.6	-0.9	-1.2	-1.4	-1.4	-1.4	-1.8	-1.7
Restaurants	-3.1	-3.2	-3.7	-2.6	-1.7	-1.2	-1.8	-2.0	-1.8	-2.0	-1.8
Logistics	-6.5	-3.7	-3.0	-3.2	-3.4	-3.3	-4.8	-5.8	-5.8	-6.0	-6.9
Travel agents	0.2	-0.1	0.1	0.2	0.2	0.2	0.4	0.3	0.7	0.7	0.5
Financing institutions	-0.9	-0.7	-1.4	-1.6	-2.3	-3.9	-3.7	-3.0	-2.9	-2.8	-2.8
Insurance agents and brokers	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.9	1.0	0.8	0.8
Real estate and construction	-7.3	-8.2	-8.0	-8.0	-8.0	-8.4	-9.9	-9.1	-7.7	-8.6	-8.4
Business services	-3.0	-3.0	-3.7	-3.8	-3.8	-4.1	-3.4	-2.6	-2.7	-2.9	-2.3
All the above sectors	-1.8	-1.6	-1.8	-1.5	-1.5	-1.6	-1.8	-1.8	-1.9	-2.2	-2.1

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>2008</u>	<u>2009</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>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>
Wholesale trade	10.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retail trade	8.8	6.5	6.6	4.6	3.5	3.5	2.7	1.8	2.5	2.6	2.6
Import and export trade	17.0	15.7	14.0	14.5	13.7	11.3	12.1	12.1	11.3	10.4	10.6
Restaurants	10.7	11.8	11.8	8.6	7.1	5.5	5.2	5.4	5.1	5.2	5.2
Logistics	11.8	17.6	12.5	26.3	16.7	11.1	10.5	10.5	10.5	10.5	10.5
Travel agents	3.8	3.7	3.6	3.7	3.7	3.6	3.3	3.3	3.3	3.3	3.3
Financing institutions	10.8	7.9	7.7	8.3	7.9	7.7	7.7	2.6	2.6	2.6	2.6
Insurance agents and brokers	10.0	5.6	10.0	10.5	10.0	10.0	10.0	5.3	5.3	5.3	5.3
Real estate and construction	5.9	5.7	6.1	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Business services	6.1	0.0	0.0	2.9	3.1	2.9	3.0	3.0	3.0	3.1	3.1
All the above sectors	11.9	10.2	9.0	9.7	8.5	7.2	7.3	7.0	6.8	6.5	6.6

Chart 2: Access to credit turned stable

Impact on Access to Credit

