

**Box 1.1****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)<sup>(1)</sup>, 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 Third Quarter Economic Report 2009.

The results of the consultation exercise available up to January 2010 indicated that the overall situation in business receipts had been improving successively since July 2009, and markedly more towards the end of 2009 and early 2010. Analysed by sectors, SMEs in retail trade and restaurants saw some notable improvement in business receipts, supported by the strengthening of local consumer sentiment as well as inbound tourism, and so did the travel agents. Business receipts in real estate turned markedly better more recently after the pullback in October 2009, while those in insurance remained stable for some months before improving distinctly in January 2010 (*Chart 1a*). Business situation in financing institutions continued to improve notably in recent months, thanks to the increasing financial market activities. The decline in business receipts for SMEs in import/export trades narrowed substantially in tandem with the relative improvement in merchandise exports. Nevertheless, the decline in business receipts in the logistics sector remained substantial (*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 held stable in overall terms in recent months. Among the various sectors, employment in real estate and construction, financing institutions, travel agents and import/export trade reported more discernible improvements than the others.

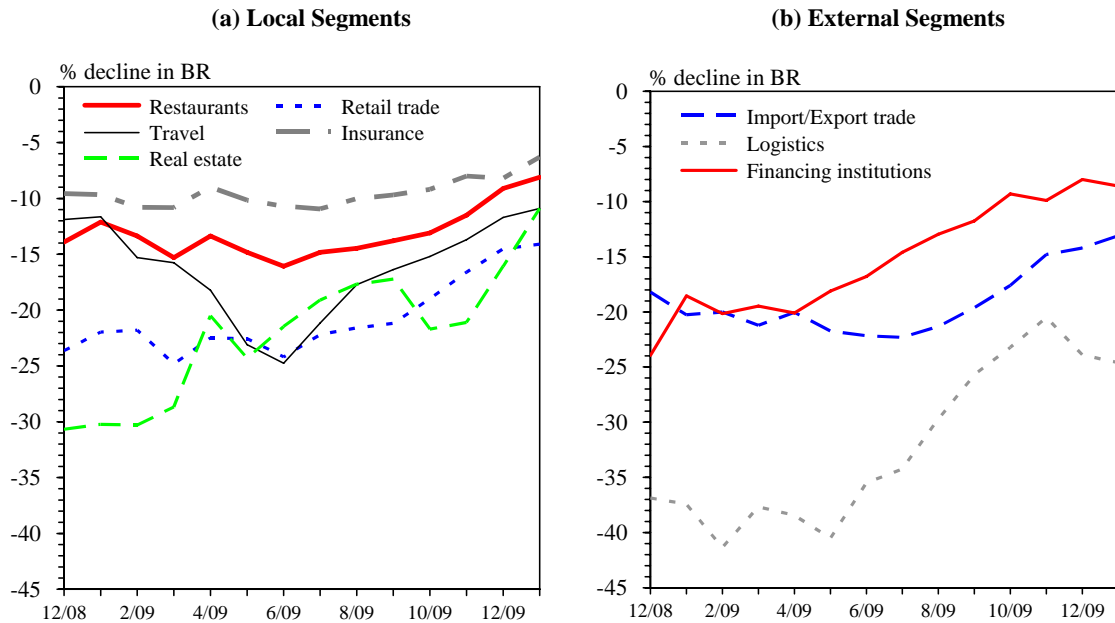
Credit access situation improved notably further in the recent months. The proportion of SMEs reporting tighter-than-normal credit access went down distinctly to only 5.2% in January 2010 from above 12% in late November 2008, also the lowest since the consultation exercise started (*Chart 2*). The supplementary information provided by SMEs surveyed indicated that credit pricing continued to hold broadly stable over the past few months, reflecting 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-January, some 16 600 companies benefited under these schemes, involving approved loan amount of 72.4 billion. This also indirectly helped to secure the jobs for those employed by these companies, totaling over 280 000.

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(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 1.1 (Cont'd)

**Chart 1: Impact of Financial Tsunami on SMEs' Business Receipts (BR)**



**Chart 2: Access to credit continued to improve**

