

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

To gain a better understanding of the impact of the financial tsunami on business receipts, employment and credit access situations of 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 feedback. This note provides a further update of the results reported in *Box 1.1* in the *2009 Economic Background and 2010 Prospects*.

The results of the consultation exercise available up to April 2010 indicated that the overall situation in business receipts continued to improve markedly since the beginning of 2010. Business situation in the local segments attained across-the-board improvement, with SMEs in the insurance sector showing the fastest recovery. Travel agents and retail trade saw a notable rebound in business receipts, as did restaurants, thanks to the firmer consumer sentiment over the period. On the other hand, the improvement in business receipts of real estate stalled in recent months after the earlier sharp rebound, following the Government's recently announced measures to forestall the risk of a property market bubble (*Chart 1a*). As for the external segments, business receipts for SMEs in import/export trades also regained most of the lost ground over the past several months in tandem with the strong revival of trade flows within the region. Business situation in financing institutions also improved firmly further. However, business receipts in the logistics sector were still notably down from the normal level (*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.

The results of the consultation also indicated that SMEs' employment situation gradually improved. More discernable improvements were recorded in the financing institutions, restaurants, retail trade, and travel agents sectors. Many SMEs also indicated the intention of hiring additional hands in the more recent months.

Credit access situation continued to improve in recent months. The proportion of SMEs reporting tighter-than-normal credit access came down successively further to 4% in April 2010 from above 12% in late November 2008, 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, as the monetary conditions remained accommodative and thanks in part to the Government's efforts to relieve credit strains via the enhanced and special loan guarantee schemes. As at the end of April, some 18 200 companies benefited under these schemes, involving approved loan amount of \$83 billion. This also indirectly helped to secure the jobs of those employed by these companies, totaling over 300 000.

(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)

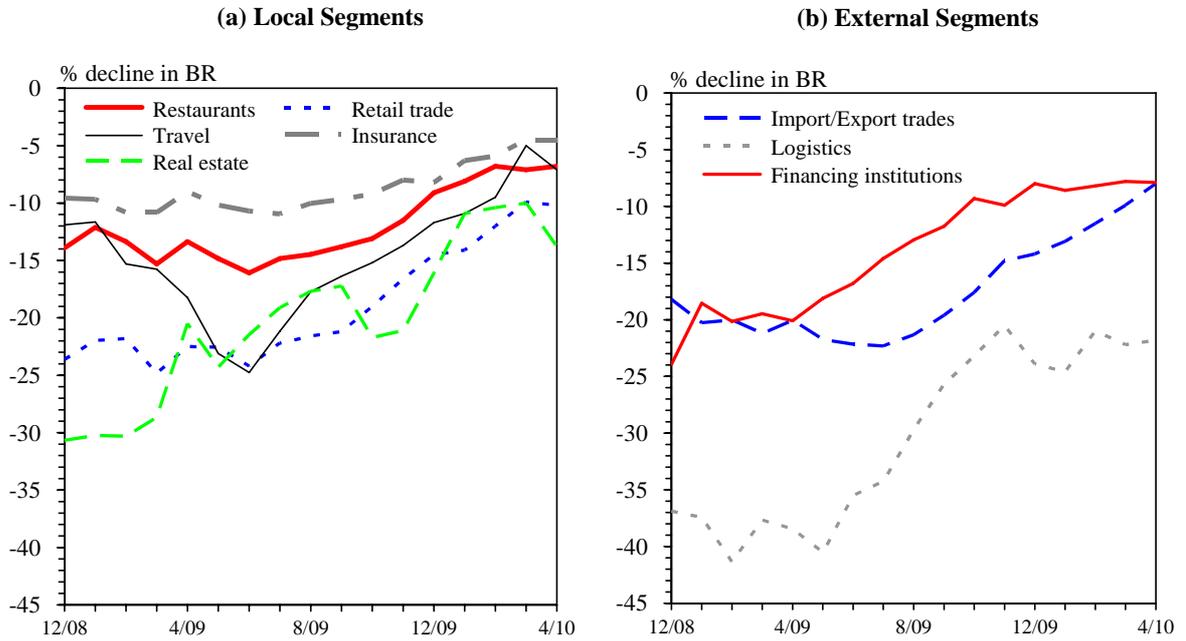


Chart 2: Access to credit improved further

