Box 1.2

Diffusion indices on small and medium-sized enterprises (an update)

To gain a better understanding of the current situation of business receipts, employment and credit access for 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 *First Quarter Economic Report 2013.*

From June 2011 onwards, the industry coverage and questionnaire design for the exercise have been modified. Specifically, three sectors (viz. travel agents, financing institutions, and insurance agents and brokers) are dropped from the exercise, while questions on access to credit have been modified to gauge SMEs' views as to whether the current and expected credit access situation are "easy", "fair" or "tight", rather than in respect of a comparison with the normal times. The sample size of the panel has consequently been reduced to around 400.

A set of diffusion indices is compiled to indicate the general directions of change in the respondents' views on business receipts and employment versus the preceding month. While the findings should be interpreted with considerable caution given the coverage and nature of the consultation exercise, they can serve as a rough indicator to enable high frequency monitoring of SMEs' situation.

Business receipts of the SMEs surveyed, as depicted by the set of diffusion indices, showed that the overall situation remained rather sluggish in recent months (*Table 1*). In July 2013, the readings for all surveyed sectors were lower than the boom-bust threshold of 50, indicating a relatively weak business situation. The diffusion index for the real estate sector, though seeing some relative improvement since May, remained well below 50 as the property market turned quiet after the Government's rolling out of further demand management measures earlier this year. Meanwhile, SMEs in the import/export trade and logistics sectors also saw some deterioration in business situation compared with the preceding month, reflecting a challenging external trading environment. As to the employment situation, the feedback from SMEs indicated broadly stable development in recent months (*Table 2*).

Specifically for import and export trading firms, their views on new export orders were sought separately to gauge the export performance. The diffusion index on new export orders edged up from 49.0 in April 2013 to 49.5 in May and June, but subsequently fell back to 48.5 in July, suggesting a still-unsteady external demand amid the fiscal consolidation in Europe and the US, as well as the mixed performance across many major Asian markets.

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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 1.2 (Cont'd)

The proportion of SMEs reporting tight credit access remained low, at 0.6% in July 2013, thanks to the generally accommodative monetary conditions and the Government's continued efforts to support SMEs through various loan guarantee schemes.

Table 1 : Diffusion indices^ on business receipts

	2012					2013						
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Local segments												
Restaurants	51.0	47.1	49.0	48.0	48.4	49.2	48.4	48.3	45.8	46.7	45.8	48.2
Real estate	55.9	54.4	47.1	39.7	50.0	51.5	39.7	39.7	38.2	42.6	44.1	44.1
Retail trade	46.8	49.1	47.2	48.6	48.1	46.3	47.7	48.1	47.6	47.6	47.1	49.0
Wholesale trade	44.7	44.7	42.1	47.2	47.2	47.2	47.2	47.2	44.4	50.0	47.1	41.2
Business services	48.5	45.5	50.0	45.5	47.0	50.0	53.0	47.0	43.9	48.5	48.5	45.5
External segments												
Import/export trade	45.9	47.2	47.7	50.5	50.0	50.0	49.0	51.0	49.0	50.0	50.0	48.1
Logistics	38.2	44.1	41.2	43.8	45.0	50.0	44.7	47.4	47.4	44.7	50.0	47.4
All the above sectors*	**46.9**	**47.6**	**47.2**	**48.2**	**48.7**	**48.9**	**48.2**	**48.6**	**47.0**	**48.4**	**48.3**	**47.3**

Notes : (^) The diffusion index is computed by adding the percentage of SMEs reporting "up" to one half of the percentage of SMEs reporting "same". A diffusion index reading above 50 indicates that the business condition is generally favourable, whereas an index below 50 indicates otherwise. Respondents were requested to exclude seasonal effects in reporting their views.

(*) Weighted average using total number of SMEs in individual sectors as weights.

Table 2 : Diffusion indices on employment situation

	2012					2013						
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Local segments												
Restaurants	50.0	48.1	50.0	48.0	48.4	49.2	49.2	49.2	49.2	50.0	48.3	50.0
Real estate	52.9	50.0	50.0	47.1	51.5	50.0	50.0	50.0	50.0	50.0	48.5	50.0
Retail trade	49.5	50.0	50.0	50.0	49.5	50.5	50.0	50.0	50.0	50.0	50.0	50.0
Wholesale trade	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Business services	50.0	50.0	53.0	51.5	48.5	50.0	54.5	53.0	51.5	50.0	50.0	48.5
External segments												
Import/export trade	49.5	50.0	50.0	49.1	50.0	49.1	50.0	50.5	50.0	50.5	51.0	49.0
Logistics	50.0	47.1	47.1	50.0	50.0	50.0	50.0	50.0	50.0	50.0	47.4	47.4
All the above sectors*	**49.9**	**49.7**	**50.2**	**49.5**	**49.7**	**49.7**	**50.4**	**50.5**	**50.1**	**50.2**	**50.1**	**49.3**

Note : (*) Weighted average using total number of SMEs in individual sectors as weights.

Table 3 : Diffusion index on current new export orders

	2012					2013						
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Import/export trade	46.4	46.8	46.8	49.1	50.0	49.1	50.0	50.5	49.0	49.5	49.5	48.5

Table 4 : Percentage of SMEs reporting tight current access to credit

	2012					2013						
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
All selected sectors*	0.7	0.7	0.7	0.9	1.3	1.3	1.2	0.7	0.9	0.6	0.6	0.6

Note : (*) Weighted average using total number of SMEs in individual sectors as weights.