

Survey on Small and Medium-Sized Enterprises' Credit Conditions for Second Quarter 2020

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) published today (July 29) the results of Survey on Small and Medium-Sized Enterprises (SMEs)' Credit Conditions for the second quarter of 2020.

Regarding SMEs' perception of banks' credit approval stance relative to six months ago, excluding respondents who answered "no idea / don't know", 64 per cent perceived similar or easier credit approval stance in the second quarter of 2020, compared with 69 per cent in the previous quarter. 36 per cent perceived more difficult credit approval stance, compared with 31 per cent in the previous quarter (Chart 1 in the Annex). The increase in the percentage was mainly contributed by SMEs who did not apply for or enquire about new credit during the quarter. Among those who applied for or enquired about new credit, the percentage of respondents perceiving more difficult credit approval stance remained stable. Therefore, the perception of more difficult credit approval stance may not necessarily reflect actual difficulties faced by SMEs in obtaining bank credit as the perception could be affected by a number of factors, such as media/news reports, business conditions and opinions of relatives and friends.

Of those respondents with existing credit lines, 95 per cent reported that banks' stance on existing credit lines was easier or unchanged in the second quarter of 2020, up from 83 per cent in the previous quarter (Chart 2 in the Annex). 5 per cent of the respondents reported tightened banks' stance on existing credit lines in the second quarter of 2020, down from 17 per cent in the previous quarter. In this survey, tightened stance on existing credit lines denotes a range of possible measures or arrangements, such as reducing unused and used credit lines, raising the interest rate, imposing additional collateral requirements, or shortening loan tenor. Therefore, respondents' indication of banks' stance on existing credit lines may not directly reflect banks' supply of credit to SMEs.

The survey also gauged the results of new credit applications from SMEs. 7 per cent of the respondents reported that they had applied for new bank credit during the second quarter of 2020. Among the respondents who had already known their application outcomes, 90 per cent reported fully or partially successful applications, up from 84 per cent in the previous quarter (Chart 3 in the Annex). 10 per cent reported unsuccessful applications, down from 16 per cent in the previous quarter.

Owing to small sample sizes of SMEs with existing credit lines (23 per cent of surveyed SMEs) and with new credit applications (7 per cent of

surveyed SMEs) during the quarter, the results could be prone to large fluctuations, and hence should be interpreted with care.

About Survey on Small and Medium-Sized Enterprises' Credit Conditions

In light of the importance of SMEs to the Hong Kong economy and concerns about potential funding difficulties facing SMEs over the past few years, the HKMA has appointed the Hong Kong Productivity Council (HKPC) to carry out this survey, starting from the third quarter of 2016. This survey is conducted on a quarterly basis, covering about 2 500 SMEs from different economic sectors each time. The results of this survey can help monitor the development of SMEs' access to bank credit from a demand-side perspective.

The results of this survey should be interpreted with caution. Similar to other opinion surveys, views collected in this survey may be affected by changes in sentiment due to idiosyncratic events that occurred over the survey period, which can make the results prone to fluctuations. Readers are advised to interpret the results together with other economic and financial information. In addition, views collected are limited to the expected direction of inter-quarter changes (e.g. "tighter", "similar" or "easier") without providing information about the magnitude of these changes.

Detailed tables and technical information of this survey are published on the website of the HKPC (www.hkpc.org).

[HAD to open temporary night heat shelters](#)

â€‹The Home Affairs Department will open 19 temporary night heat shelters tonight (July 29) for people in need of the service.

The shelters will be open from 10.30pm until 8am tomorrow.

For further information, please call the department's hotline before midnight on 2572 8427.

The 19 night heat shelters are located at:

Hong Kong Districts:

Central and Western –
Sai Ying Pun Community Complex Community Hall
3/F, Sai Ying Pun Community Complex,
2 High Street, Sai Ying Pun

Eastern –

Causeway Bay Community Centre
3/F, 7 Fook Yum Road, Causeway Bay

Southern –

Lei Tung Community Hall
Lei Tung Estate, Ap Lei Chau

Wan Chai –

Wan Chai Activities Centre
LG/F, Wan Chai Market, 258 Queen's Road East, Wan Chai

Kowloon Districts:

Kowloon City –

Hung Hom Community Hall
1/F, Kowloon City Government Offices,
42 Bailey Street, Hung Hom

Kwun Tong –

Lam Tin (West) Estate Community Centre
71 Kai Tin Road, Lam Tin

Sham Shui Po –

Shek Kip Mei Community Hall
G/F, Block 42, Shek Kip Mei Estate, Sham Shui Po

Wong Tai Sin –

Tsz Wan Shan (South) Estate Community Centre
45 Wan Wah Street, Tsz Wan Shan

Yau Tsim Mong –

Henry G Leong Yaumatei Community Centre
60 Public Square Street, Yau Ma Tei

New Territories Districts:

Islands –

Tung Chung Community Hall
G/F, Tung Chung Municipal Services Building,
39 Man Tung Road, Tung Chung

Kwai Tsing –

Kwai Shing Community Hall
Podium, Block 6, Kwai Shing West Estate, Kwai Chung

North –

Cheung Wah Community Hall
Cheung Wah Estate, Fanling

Sai Kung –

Hang Hau Community Hall
G/F, Sai Kung Tseung Kwan O Government Complex,
38 Pui Shing Road, Hang Hau, Tseung Kwan O

Sha Tin –
Hin Keng Neighbourhood Community Centre
5 Hin Wo Lane, Sha Tin

Tai Po –
Tai Po Community Centre
2 Heung Sze Wui Street, Tai Po

Tsuen Wan –
Lei Muk Shue Community Hall
G/F, Hong Shue House, Lei Muk Shue Estate, Tsuen Wan

Tuen Mun –
Butterfly Bay Community Centre
Butterfly Estate (near Tip Sum House), Tuen Mun

Yuen Long –
Long Ping Community Hall
Long Ping Estate, Yuen Long

Yuen Long –
Tin Yiu Community Centre
Tin Yiu Estate, Tin Shui Wai

Advance estimates on Gross Domestic Product for second quarter of 2020

The Census and Statistics Department (C&SD) released today (July 29) the advance estimates on Gross Domestic Product (GDP) for the second quarter of 2020.

According to the advance estimates, GDP decreased by 9.0% in real terms in the second quarter of 2020 from a year earlier, compared with the decrease of 9.1% in the first quarter of 2020. The decline of GDP was mainly attributable to the continued weak performance in both domestic and external demand.

Analysed by major GDP component, private consumption expenditure decreased by 14.5% in real terms in the second quarter of 2020 from a year earlier, deteriorating from the 10.6% decline in the first quarter.

Government consumption expenditure measured in national accounts terms

grew by 9.6% in real terms in the second quarter of 2020 over a year earlier, after the increase of 8.8% in the first quarter.

Gross domestic fixed capital formation decreased by 20.6% in real terms in the second quarter of 2020 from a year earlier, compared with the decrease of 15.8% in the first quarter.

Over the same period, total exports of goods measured in national accounts terms recorded a decline of 2.1% in real terms from a year earlier, compared with the decrease of 9.7% in the first quarter. Imports of goods measured in national accounts terms dropped by 6.8% in real terms in the second quarter of 2020, compared with the decline of 11.1% in the first quarter.

Exports of services fell significantly by 46.6% in real terms in the second quarter of 2020 from a year earlier, compared with the decrease of 37.4% in the first quarter. Imports of services decreased by 43.5% in real terms in the second quarter of 2020, compared with the decrease of 24.5% in the first quarter.

On a seasonally adjusted quarter-to-quarter comparison basis, GDP decreased marginally by 0.1% in real terms in the second quarter of 2020 when compared with the first quarter.

Commentary

A Government spokesman said that Hong Kong's overall economic conditions remained very weak in the second quarter of 2020, as the COVID-19 pandemic continued to severely hit global and local economic activities. According to the advance estimates, on a year-on-year comparison, GDP contracted by 9.0% in real terms in the second quarter, narrowing marginally from the 9.1% contraction in the first quarter. Yet, as the epidemic situation was largely under control in Hong Kong in May and June, and the recovery of the Mainland economy also helped partly offset the external headwinds facing Hong Kong's exports of goods, the overall economic situation showed signs of stabilisation during the quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP fell marginally by 0.1%.

Analysed by major component, Hong Kong's total exports of goods saw a visibly narrower decline in the second quarter despite the global recession, as production activities in the Mainland largely resumed. Exports of services plunged further, with inbound tourism remaining at a standstill. As regards domestic demand, private consumption expenditure recorded the steepest ever decline, as local consumption activities were severely disrupted by the threat of COVID-19 and social distancing requirements throughout the quarter, while outbound tourism came to a halt amid stringent travel restrictions. The sharp deterioration of labour market conditions also added strains on consumer sentiment. Overall investment expenditure continued to tumble amid the austere business environment and a highly uncertain economic outlook.

Looking ahead, the COVID-19 pandemic will remain a key threat to the

global economic outlook. While the US and the euro area economies seem to have got out of their troughs, their recovery paths could be slow and bumpy until an effective vaccine or treatment is found. The evolving China-US relations and heightened geopolitical tensions also add to uncertainties. Thus the challenging external environment will likely constrain Hong Kong's export performance in the near term. Locally, the recent surge in COVID-19 cases has clouded the near-term outlook for domestic economic activity. Nonetheless, once the local epidemic is contained again and external environment continues to improve, the Hong Kong economy hopefully will gradually recover in the rest of the year. The Government has been implementing the relief measures under the Anti-epidemic Fund and the 2020-21 Budget at full steam, which have helped safeguard jobs, support enterprises and relieve people's financial burdens.

The revised figures on GDP and more detailed statistics for the second quarter of 2020, as well as the revised GDP forecast for 2020 will be released on August 14, 2020.

Further information

The year-on-year percentage changes of GDP and selected major expenditure components in real terms from the second quarter of 2019 to the second quarter of 2020 are shown in Table 1.

When more data become available, the C&SD will compile revised figures on GDP. The revised figures on GDP and more detailed statistics for the second quarter of 2020 will be released at the C&SD website (www.censtatd.gov.hk/hkstat/sub/sp250.jsp) and the Gross Domestic Product (Quarterly) Report (www.censtatd.gov.hk/hkstat/sub/sp250.jsp?productCode=B1030001) on August 14, 2020.

For enquiries about statistics on GDP by expenditure component, please contact the National Income Branch (1) of the C&SD (Tel: 2582 5077 or email: gdp-e@censtatd.gov.hk).

Effective Exchange Rate Index

The effective exchange rate index for the Hong Kong dollar on Wednesday, July 29, 2020 is 106.4 (down 0.1 against yesterday's index).

US Dollar Liquidity Facility tender result

The following is issued on behalf of the Hong Kong Monetary Authority:

US Dollar Liquidity Facility tender result:

Tender date	:	July 29, 2020 (Wednesday)
Settlement date	:	July 30, 2020 (Thursday)
Repayment date	:	August 6, 2020 (Thursday)
Tenor	:	7 Days
Amount applied	:	Nil
Amount allotted	:	Nil
Lowest interest rate accepted	:	Nil
Highest interest rate accepted	:	Nil