

Survey on Small and Medium-Sized Enterprises' Credit Conditions for Fourth Quarter 2019

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

The Hong Kong Monetary Authority (HKMA) published today (March 2) the results of Survey on Small and Medium-Sized Enterprises (SMEs)' Credit Conditions for the fourth quarter of 2019.

Regarding SMEs' perception of banks' credit approval stance relative to 6 months ago, 73 per cent of respondents perceived similar or easier credit approval stance in the fourth quarter of 2019, compared with 75 per cent in the previous quarter. 27 per cent of respondents perceived more difficult credit approval stance, compared with 25 per cent in the previous quarter (Chart 1 in the Annex). While a higher percentage of respondents perceived more difficult credit approval stance relative to 6 months ago in the fourth quarter than in the previous quarter, the situation was better than that in the second half of 2016 and broadly the same as the average results in both 2017 and 2018. It should also be noted that most respondents did not apply for new credit from banks during the fourth quarter, and SMEs' perception of banks' credit approval stance could be subject to a number of factors. Therefore, the perception of more difficult credit stance may not necessarily reflect any actual difficulties faced by SMEs in obtaining bank credit.

Of those respondents with existing credit lines, 86 per cent reported that banks' stance on existing credit lines was easier or unchanged in the fourth quarter of 2019, up from 68 per cent in the previous quarter (Chart 2 in the Annex). 14 per cent of respondents reported tightened banks' stance on existing credit lines in the fourth quarter of 2019, compared with 32 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. 3 per cent of the respondents reported that they had applied for new bank credit during the fourth quarter of 2019. Among the respondents who had already known their application outcomes, 87 per cent reported fully or partially successful applications while 13 per cent reported unsuccessful application, similar to the results recorded in the second and third quarters (Chart 3 in the Annex).

Owing to small sample sizes of SMEs with existing credit lines (9 per cent of surveyed SMEs) and with new credit applications (3 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 SMEs' 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 (smecc.hkpc.org).

Provisional statistics of retail sales for January 2020

The Census and Statistics Department (C&SD) released the latest figures on retail sales today (March 2).

The value of total retail sales in January 2020, provisionally estimated at \$37.8 billion, decreased by 21.4% compared with the same month in 2019. The revised estimate of the value of total retail sales in December 2019 decreased by 19.4% compared with a year earlier.

After netting out the effect of price changes over the same period, the provisional estimate of the volume of total retail sales in January 2020 decreased by 23.0% compared with a year earlier. The revised estimate of the volume of total retail sales in December 2019 decreased by 21.1% compared with a year earlier.

In interpreting the figures for January, it should be noted that retail sales tend to show greater volatility in the first two months of a year due to the timing of the Lunar New Year. Local consumer spending normally attains a seasonal high before the festival. As the Lunar New Year fell on January 25

this year but on February 5 last year, the year-on-year comparison of the figures for January 2020 with those for January 2019 might have been affected by this factor to a certain extent.

Analysed by broad type of retail outlet in descending order of the provisional estimate of the value of sales and comparing January 2020 with January 2019, and also bearing in mind the effect due to the difference in the timing of the Lunar New Year as mentioned above, the value of sales of jewellery, watches and clocks, and valuable gifts decreased by 41.6%. This was followed by sales of food, alcoholic drinks and tobacco (-6.8% in value); other consumer goods, not elsewhere classified (-12.1%); medicines and cosmetics (-32.3%); wearing apparel (-28.9%); commodities in department stores (-27.0%); electrical goods and other consumer durable goods, not elsewhere classified (-20.4%); motor vehicles and parts (-20.2%); footwear, allied products and other clothing accessories (-21.6%); furniture and fixtures (-22.0%); Chinese drugs and herbs (-16.2%); books, newspapers, stationery and gifts (-25.9%); and optical shops (-23.9%).

On the other hand, the value of sales of commodities in supermarkets increased by 10.2% in January 2020 over a year earlier. This was followed by sales of fuels (+12.3% in value).

Based on the seasonally adjusted series, the provisional estimate of the value of total retail sales decreased by 2.7% in the three months ending January 2020 compared with the preceding three-month period, while the provisional estimate of the volume of total retail sales decreased by 2.5%.

These retail sales statistics measure the sales receipts in respect of goods sold by local retail establishments and are primarily intended for gauging the short-term business performance of the local retail sector. Data on retail sales are collected from local retail establishments through the Monthly Survey of Retail Sales (MRS). Local retail establishments with and without physical shops are covered in MRS and their sales, both through conventional shops and online channels, are included in the retail sales statistics.

The retail sales statistics cover consumer spending on goods but not on services (such as those on housing, catering, medical care and health services, transport and communication, financial services, education and entertainment) which account for over 50% of the overall consumer spending. Moreover, they include spending on goods in Hong Kong by visitors but exclude spending outside Hong Kong by Hong Kong residents. Hence they should not be regarded as indicators for measuring overall consumer spending.

Users interested in the trend of overall consumer spending should refer to the data series of private consumption expenditure (PCE), which is a major component of the Gross Domestic Product published at quarterly intervals. Compiled from a wide range of data sources, PCE covers consumer spending on both goods (including goods purchased from all channels) and services by Hong Kong residents whether locally or abroad. Please refer to the C&SD publication "Gross Domestic Product (Quarterly)" for more details.

Commentary

A government spokesman said that retail sales continued to record a sharp fall in January 2020 notwithstanding the possible boost from the Lunar New Year, which fell in late January this year but early February last year.

The spokesman further pointed out that the business environment of retail trade has turned even more austere lately, as the threat of COVID-19 has brought inbound tourism almost to a standstill and caused severe disruptions to consumption-related activities. The Government will closely monitor the situation and its repercussion on the overall economy and the employment market.

Further information

Table 1 presents the revised figures on value index and value of retail sales for all retail outlets and by broad type of retail outlet for December 2019 as well as the provisional figures for January 2020.

Table 2 presents the revised figures on volume index of retail sales for all retail outlets and by broad type of retail outlet for December 2019 as well as the provisional figures for January 2020.

Table 3 shows the movements of the value and volume of total retail sales in terms of the year-on-year rate of change for a month compared with the same month in the preceding year based on the original series, and in terms of the rate of change for a three-month period compared with the preceding three-month period based on the seasonally adjusted series.

The classification of retail establishments follows the Hong Kong Standard Industrial Classification (HSIC) Version 2.0, which is used in various economic surveys for classifying economic units into different industry classes.

More detailed statistics are given in the "Report on Monthly Survey of Retail Sales". Users can download this publication free of charge at the website of the C&SD (www.censtatd.gov.hk/hkstat/sub/sp320.jsp?productCode=B1080003). Alternatively, the historical series of retail sales statistics can be downloaded in the form of a statistical table at the website of the C&SD (www.censtatd.gov.hk/hkstat/sub/sp320.jsp?productCode=D5600089).

Users who have enquiries about the survey results may contact the Distribution Services Statistics Section of C&SD (Tel: 3903 7400; email: mrs@censtatd.gov.hk).

Professional Services Advancement Support Scheme invites new round of applications after enhancements

With a number of new measures introduced to enhance its operation and user-friendliness, the Professional Services Advancement Support Scheme (PASS) is inviting a new round of applications starting today (March 2) from non-profit-distributing organisations such as professional bodies, trade and industrial organisations and research institutes.

The PASS, with a total allocation of \$200 million, aims at funding non-profit-making industry-led projects to increase exchanges and co-operation between Hong Kong's professional services and external counterparts, promote relevant publicity activities, and enhance the standards and external competitiveness of Hong Kong's professional services.

A number of enhancement measures have been incorporated since December 2019 which include (a) disbursing PASS grants up front on a lump sum basis to all smaller-scale projects of shorter duration; (b) reducing the number of quotations required for lower-cost items; and (c) extending funding support for travel and accommodation costs incurred for attending PASS-funded events outside Hong Kong to participants with active roles in such events (e.g. speakers and panellists) and participants taking part in relatively longer PASS-funded professional internship or attachment programmes.

The maximum grant under the PASS for each approved project is \$3 million or 90 per cent of the total eligible project cost, whichever is lower. The PASS covers a wide range of professional services, including accounting, legal and dispute resolution, architecture, engineering, healthcare, information and communications technology, design and technical testing and analysis. Sector-specific projects and cross-sectoral projects are both welcome. Expenses directly incurred for implementing a project such as manpower costs, venue and set-up costs, production and promotion costs and the project team's travel and accommodation costs outside Hong Kong are typically eligible for funding support under the Scheme.

The PASS funds a variety of projects. Up to the end of February 2020, some 60 projects have been funded under the PASS, including activities in and outside Hong Kong. The activities include capacity-building programmes for enhancing the standards of local professionals, such as training programmes, workshops and study tours; outreach and promotional activities for showcasing the strengths of Hong Kong's professional services, such as roadshows, promotional seminars and participation in exhibitions outside Hong Kong; exchange activities for deepening interaction between Hong Kong professionals and their external counterparts, such as visits to other economies, and international conferences and seminars held in Hong Kong; and research projects on potential external markets for Hong Kong professional services

and development of best practice guidelines and manuals for professionals. Details about the PASS and its funded projects are available at www.pass.gov.hk/en/home/index.html.

The PASS receives applications all year round and they are processed on a quarterly basis. The deadline for the new round of applications is May 31, 2020.

A briefing session will be held in mid-April 2020 for organisations interested in applying for PASS funding. Details of the briefing will be uploaded to the PASS website in due course. For registration for the briefing session or other enquiries, please contact the PASS Secretariat at 3655 5418 or pass@cedb.gov.hk.

Effective Exchange Rate Index

The effective exchange rate index for the Hong Kong dollar on Monday, March 2, 2020 is 106.6 (same as last Saturday's index).

The effective exchange rate index for the Hong Kong dollar on Saturday, February 29, 2020 was 106.6 (down 0.3 against last Friday's index).

Import of poultry meat and products from Zgierski District of Łódzkie in Poland suspended

The Centre for Food Safety (CFS) of the Food and Environmental Hygiene Department announced today (March 2) that in view of a notification from the General Veterinary Inspectorate of Poland about an outbreak of highly pathogenic H5N8 avian influenza in the Zgierski District of Łódzkie in Poland, the CFS has instructed the trade to suspend the import of poultry meat and products, including poultry eggs, from the district with immediate effect to protect public health in Hong Kong.

A CFS spokesman said that Hong Kong imported about 17 720 tonnes of frozen poultry meat and 34.26 million poultry eggs from Poland last year, according to the Census and Statistics Department.

"The CFS has contacted the Polish authorities over the issue and will

closely monitor information issued by the World Organisation for Animal Health and the relevant authorities on avian influenza outbreaks. Appropriate action will be taken in response to the development of the situation," the spokesman said.