

# 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](http://smecc.hkpc.org)).