

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