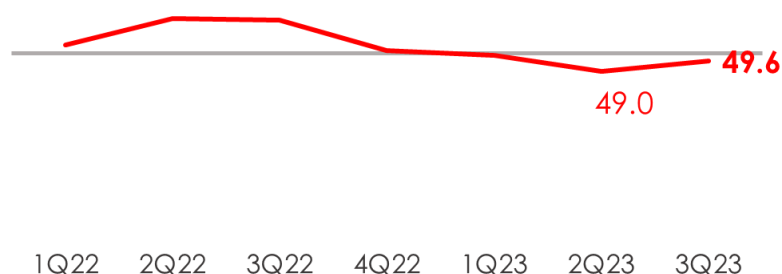


The OCBC SME Index registered a reading of 49.6 in 3Q 2023, improving by 0.6 from 2Q but remaining contractionary for the third consecutive quarter. Against the backdrop of weak external demand, SME collections and payments dropped by 5.7% and 6.3% respectively in 3Q on a year-on-year basis. A reading above 50 indicates improved activity while below 50 indicates a deterioration relative to the same period a year ago.

OCBC SME Index



The 3Q 2023 GDP Nowcast is projected at 1.4%, an improvement over the 0.5% growth registered last quarter. For reference, advance estimates released by the Ministry of Trade and Industry indicated that GDP grew by 0.7% in the third quarter. *The GDP Nowcast estimates GDP using the latest OCBC SME Index.*

The extended slowdown in the outward oriented industries — Transport & Logistics, Wholesale Trade and ICT — have dragged the overall performance of SMEs. However, the consumer-driven industries especially F&B and Education continued to enjoy healthy growth buoyed by private consumption and a sustained recovery in international tourist arrivals.

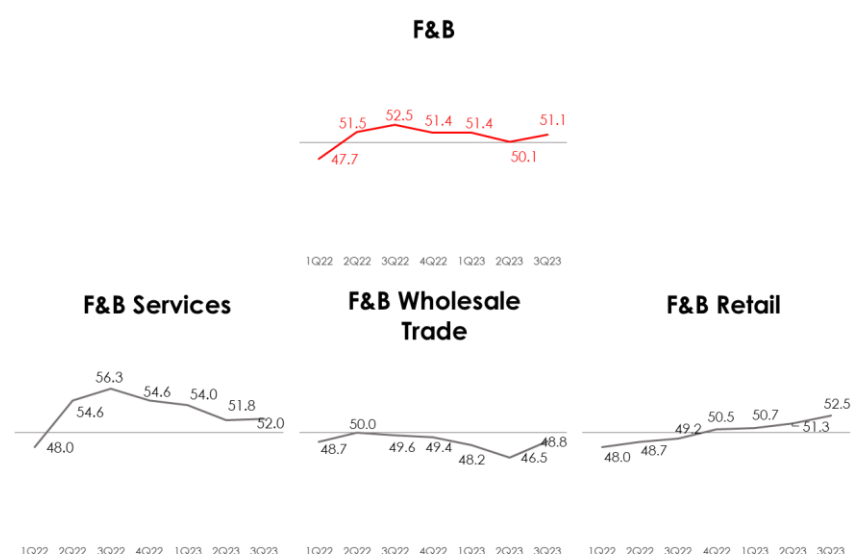
Industry	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
F&B	51.5	52.5	51.4	51.4	50.1	51.1
Education	50.1	51.2	50.5	50.9	50.8	51.0
Retail	51.0	50.9	49.6	49.7	49.7	50.9
Building & Construction	51.2	51.8	51.8	52.0	51.3	50.8
Business Services	52.8	53.6	51.9	51.5	50.2	50.0
Healthcare	50.4	50.7	50.5	50.7	49.9	49.8
Manufacturing	52.5	52.3	51.3	50.5	49.3	49.7
Resources	51.7	51.1	48.8	49.3	48.0	48.8
ICT	51.4	49.4	48.5	48.9	47.7	48.6
Wholesale Trade	52.1	51.0	48.3	47.1	46.4	47.9
Transport & Logistics	52.0	50.1	46.9	46.6	45.6	46.9

The OCBC SME Index is expected stay slightly contractionary for the rest of the year as external headwinds persist. The ongoing slowdown in global electronics and decline in factory output will constrain growth in manufacturing and the trade-related sectors. The consumer sectors will continue to lead the growth momentum for SMEs, benefitting from inbound tourism and seasonal spending.

Half of the 1,400 SME business owners polled in the 3Q 2023 OCBC SME Business Outlook expect their businesses to perform better over the next 6 months.

A further 38% expect it to stay the same, leaving only 13% expecting a weaker performance. 6 in 10 SME business owners in F&B and Education were optimistic about the next 6 months. On the other hand, business owners in ICT and Transport & Logistics had less confidence amidst the lingering external headwinds and expected slowdown in Singapore’s key trading partners.

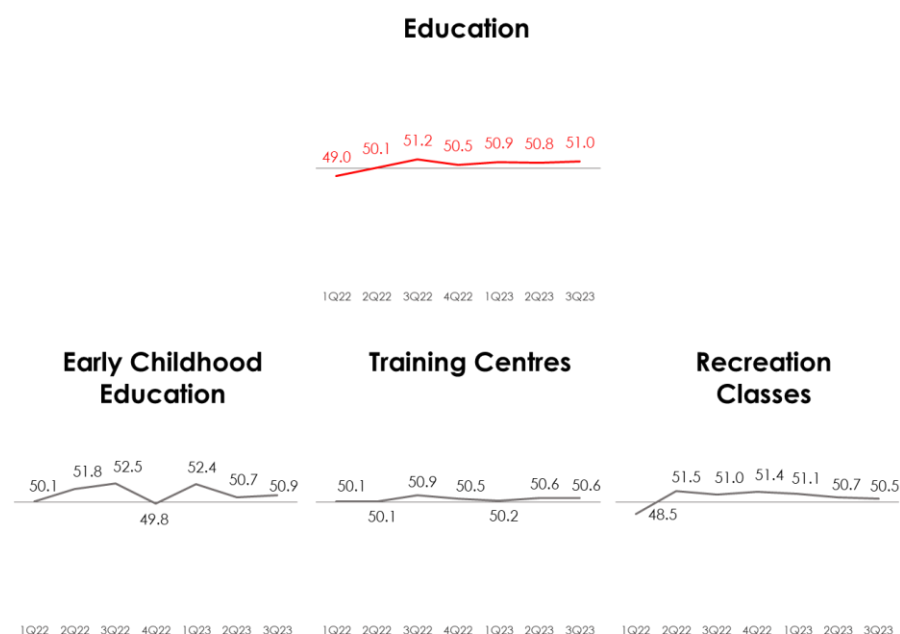
Food & Beverage rose to 51.1 in 3Q 2023, an uptick from the 50.1 registered in the previous quarter.



The overall reading for the F&B industry was supported by steady expansion in F&B Services (52.0) and F&B Retail (52.5), with as overall collections increased by 9.6% and 12.5% on-year respectively. SMEs within the segments have benefited from the ongoing recovery of the inbound tourism and large-scale conference and events such as Formula 1 Grand Prix in Singapore. On the other hand, F&B Wholesale Trade saw a sizeable decline in collections and payment of 23.3% and 23.1% respectively, in turn resulting in a contractionary reading of 48.8.

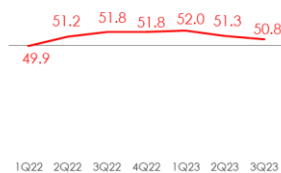
Education extended its gains into 3Q 2023 and edged higher to 51.0 from the 50.8 recorded last quarter. Growth was broad-based across the segments, led by an overall 14.6% on-year increase in collections and 12.0% on-year increase in payments.

In the OCBC SME Business Outlook poll, 44% of the business owners in the Education industry saw manpower shortage as the biggest challenge in the next 6 months. This suggests that SMEs in the sector are currently facing labor constraints and difficulty in hiring.

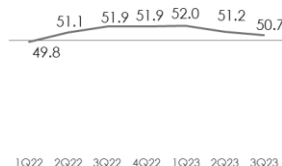


Building & Construction moderated to 50.8 but remained expansionary this quarter. On a year-on-year basis, collections and payments grew by 8.4% and 7.6% respectively. Growth in the sector has seen remained sanguine over the past quarters, on the back of steady public and private sector construction demand and improving manpower conditions. Nonetheless, some SMEs within the sector continue to be weighed down by elevated prices of building materials and higher production costs with the pickup in global construction activity.

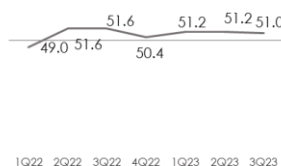
Building & Construction



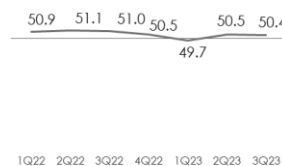
Construction



Investment Companies and Operators

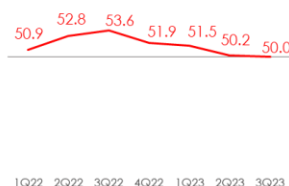


Building Materials

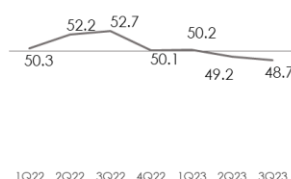


Business Services stayed neutral at 50.0 this quarter, down from the 50.2 recorded in 2Q 2023. Gains in the Advertising and Exhibition (51.6) and Accounting and Legal (50.6) segment were offset by weaknesses in the Business Consultancy (48.7) segment, which saw a decline in collections and payments by 8.8% and 4.4% year-on-year respectively. Meanwhile, the Advertising and Exhibition segment remains a key driver of growth within the sector as SMEs receive a boost from the line up of business, hospitality and entertainment related events taking place in the recent and upcoming months.

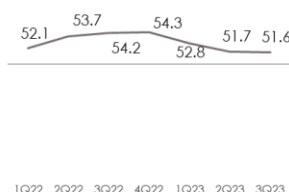
Business Services



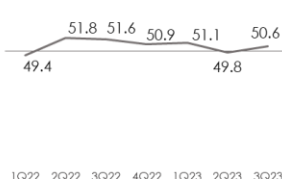
Business Consultancy



Advertising and Exhibition

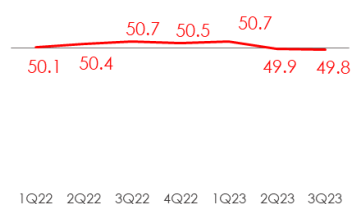


Accounting and Legal

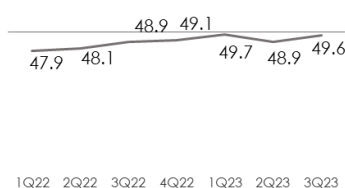


Healthcare slipped to 49.8 in 3Q 2023, a marginal decline from the 49.9 registered last quarter. While Healthcare Providers (49.8) contracted for first time since the launch of the OCBC SME Index in 1Q 2021, overall performance of the sector was further weighed down by soft demand for Healthcare Distributors (49.6). Nonetheless, SMEs remain optimistic on the near term as 53% of the respondents from the OCBC SME Business Outlook poll expect business conditions to improve in the next 6 months.

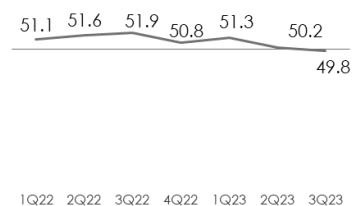
Healthcare



Healthcare Distributor

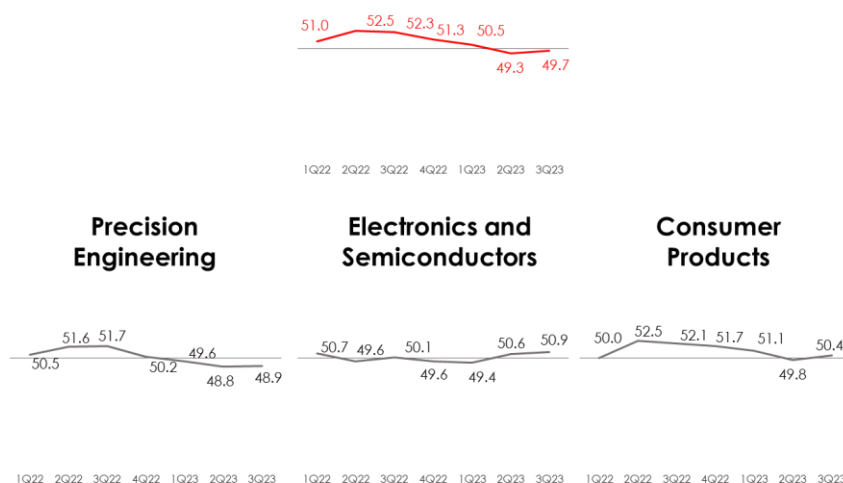


Healthcare Provider



Manufacturing remained in contraction in 2Q 2023 with a reading of 49.7, despite an uplift from the 49.3 recorded in the previous quarter. Overall collections fell by 1.6% on-year, while payments grew slightly by 0.3% on-year.

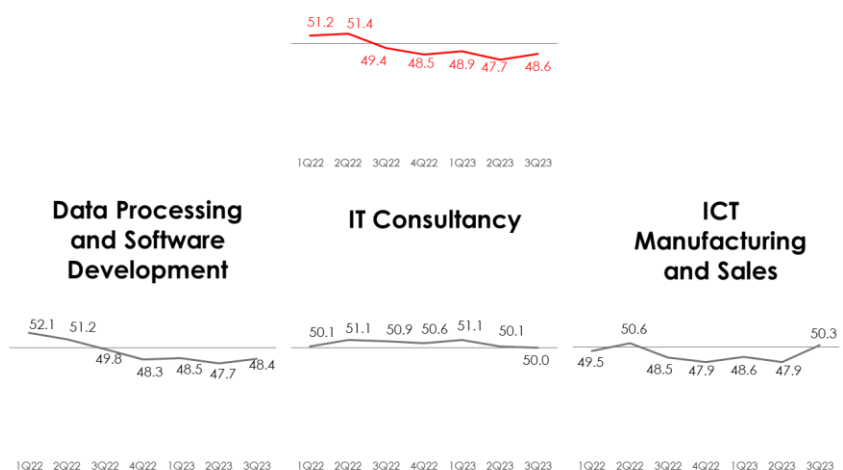
Manufacturing



Growth in the Electronics and Semiconductor (50.9) and Consumer Products (50.4) segments have been outweighed by weaknesses in the Precision Engineering (48.9) segment. Given the protracted chip downturn and weak external trade demand, SMEs in Precision Engineering are likely to lower their production volume and factory output. On a year-on-year basis, collections and payments for the segment also slipped by 3.8% and 3.3% respectively.

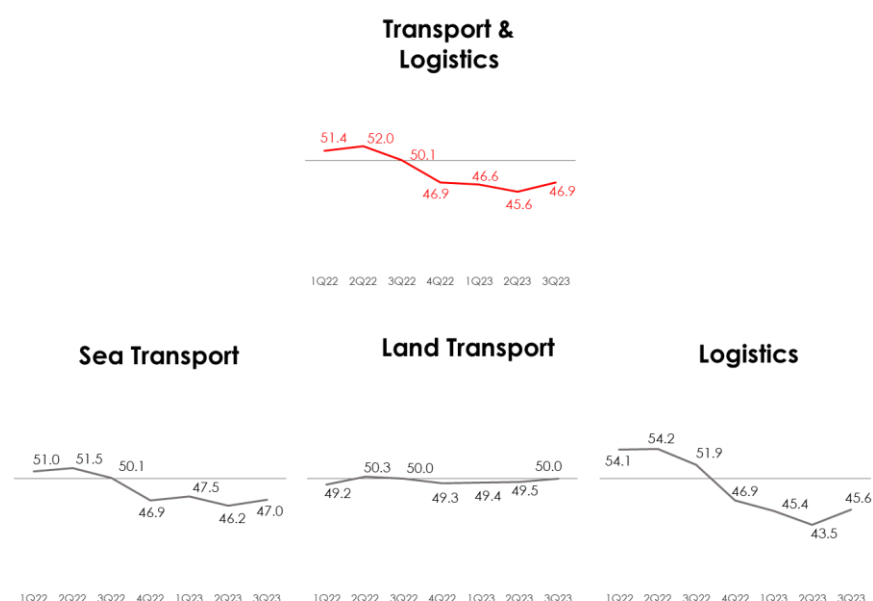
The ICT sector edged higher to 48.6 but remained contractionary this quarter. On a year-on-year basis, collections and payments fell significantly by 33.6% and 31.4% respectively. Overseas collections dipped by a greater extent with a 41.9% on-year decline.

ICT



Overall performance for the ICT sector was dragged down by the contraction in the Data Processing and Software Development (48.4) segment with tech companies seeking to cut costs to stay competitive. Despite weak global demand conditions putting pressure on the sales of ICT companies, 53% of the SME business owners in ICT are optimistic and see business conditions improving in the near term.

Transport & Logistics slowed to 46.9 in 3Q 2023, an improvement from the 45.6 registered in the previous quarter.



Against the backdrop of the extended slump in global shipping market and contraction in Singapore's trade volumes, weak performance in the Logistics (45.6) and Sea Transport (47.0) segment has hampered the overall pace of growth in the sector. The slowdown in demand for containers and vessels, coupled with an anticipated increase in shipping capacity in the near term, has also put further pressure on sea freight rates. Overseas collections and payments fell by 37.3% and 36.0% on-year respectively, dampening overall collections (-21.4%) and payments (-19.7%) in the sector.

Industry	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Building & Construction	51.2	51.8	51.8	52.0	51.3	50.8
Construction	51.1	51.9	51.9	52.0	51.2	50.7
Investment Companies and Operators	51.6	51.6	50.4	51.2	51.2	51.0
Building Materials	51.1	51.0	50.5	49.7	50.5	50.4
Other Building & Construction	50.8	50.9	51.2	51.9	51.7	51.2
Business Services	52.8	53.6	51.9	51.5	50.2	50.0
Business Consultancy	52.2	52.7	50.1	50.2	49.2	48.7
Advertising and Exhibition	53.7	54.2	54.3	52.8	51.7	51.6
Accounting and Legal	51.8	51.6	50.9	51.1	49.8	50.6
Other Business Services	51.9	53.5	52.6	53.7	52.0	51.9
Education	50.1	51.2	50.5	50.9	50.8	51.0
Early Childhood Education	51.8	52.5	49.8	52.4	50.7	50.9
Training Centres	50.1	50.9	50.5	50.2	50.6	50.6
Recreation Classes	51.5	51.0	51.4	51.1	50.7	50.5
Formal Education & Commercial Schools	50.1	51.0	49.8	49.3	49.4	49.4
Other Education	49.4	50.2	50.6	51.5	51.2	51.9
F&B	51.5	52.5	51.4	51.4	50.1	51.1
F&B Services	54.6	56.3	54.6	54.0	51.8	52.0
F&B Wholesale Trade	50.0	49.6	49.4	48.2	46.5	48.8
F&B Retail	48.7	49.2	50.5	50.7	51.3	52.5
Other F&B	49.7	50.7	48.5	50.7	51.6	51.7
Healthcare	50.4	50.7	50.5	50.7	49.9	49.8
Healthcare Distributor	48.1	48.9	49.1	49.7	48.9	49.6
Healthcare Provider	51.6	51.9	50.8	51.3	50.3	49.8
Other Healthcare	51.1	50.8	51.3	49.9	50.8	50.9
ICT	51.4	49.4	48.5	48.9	47.7	48.6
Data Processing and Software Development	51.2	49.8	48.3	48.5	47.7	48.4
IT Consultancy	51.1	50.9	50.6	51.1	50.1	50.0
ICT Manufacturing and Sales	50.6	48.5	47.9	48.6	48.0	50.3
Web Portals and Hosting	50.4	50.3	49.3	48.8	49.1	49.3
Other ICT	50.9	50.5	52.6	50.5	49.6	48.5
Manufacturing	52.5	52.3	51.3	50.5	49.3	49.7
Precision Engineering	51.6	51.7	50.2	49.6	48.8	48.9
Electronics and Semiconductors	49.6	50.1	49.6	49.4	50.6	50.9
Consumer Products	52.5	52.1	51.7	51.1	49.8	50.4
Others Manufacturing	52.7	52.4	51.8	50.8	49.5	49.4
Transport & Logistics	52.0	50.1	46.9	46.6	45.6	46.9
Sea Transport	51.5	50.1	46.9	47.5	46.2	47.0
Land Transport	50.3	50.0	49.3	49.4	49.5	50.0
Logistics	54.2	51.9	46.9	45.4	43.5	45.6
Other Transport & Logistics	51.0	50.8	50.0	49.7	49.6	48.4
Wholesale Trade	52.1	51.0	48.3	47.1	46.4	47.9
Retail	51.0	50.9	49.6	49.7	49.7	50.9
Resources	51.7	51.1	48.8	49.3	48.0	48.8
Others	53.2	53.7	52.3	52.0	50.6	50.7
Overall SMEI	52.0	51.9	50.2	49.9	49.0	49.6

A score above 50 signifies improved health and a score of below 50 shows a deterioration relative to the same period a year ago.

About the OCBC SME Index

The OCBC SME Index is the first data-driven SME-focused index in Singapore based on the transactional data of SMEs, providing a barometer of SME business health and performance. The index is derived using the SME transactional data of over 100,000 OCBC Bank SME customers in Singapore with annual sales turnover of up to S\$30 million. The OCBC SME Index is centered on a score of 50 which represents zero change in the inputs from a year ago. A score above 50 signifies improved health and a score of below 50 shows a deterioration relative to the same period a year ago.

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About the OCBC SME Business Outlook poll

The OCBC SME Business Outlook poll was conducted with the objective of understanding how the Business Owners have fared in the recent months, their business outlook and key challenges they are likely to face in the next 6 months. More than 1,400 responses were collected during the survey period between 5 Sep 2023 and 3 Oct 2023.