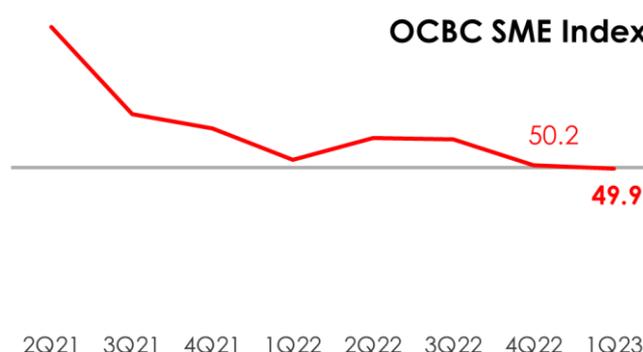


The OCBC SME Index turned contractionary for the first time in 1Q 2023 after eight consecutive quarters in expansion.

The Index was down slightly at 49.9 from 50.2 in 4Q 2022. Against a weakening economic backdrop, 1Q 2023 SME collections and payments dropped by 5.0% and 3.4% respectively 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.



The 1Q 2023 GDP Nowcast is projected to be at 2.0%, close to the 2.1% growth recorded in 4Q 2022. The MTI advanced estimate for 1Q 2023 GDP growth released on 14 April was 0.1%, significantly lower than the median consensus of 1.3% from the MAS Survey of Professional Forecasters (March 2023). The GDP Nowcast estimates GDP using the latest OCBC SME Index.

Building & Construction, F&B and Services continued to register expansionary readings in 1Q 2023, but the overall SME index was weighed down by weaknesses in the externally oriented industries – Transport & Logistics, Wholesale Trade and ICT.

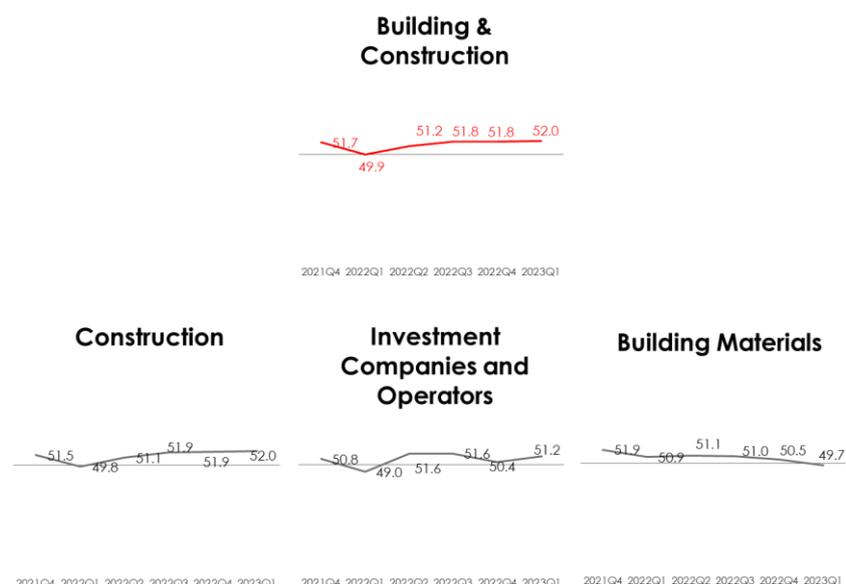
Industry	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Building & Construction	51.7	49.9	51.2	51.8	51.8	52.0
Transport & Logistics	54.3	51.4	52.0	50.1	46.9	46.6
F&B	47.9	47.7	51.5	52.5	51.4	51.4
Healthcare	50.0	50.1	50.4	50.7	50.5	50.7
Education	50.0	49.0	50.1	51.2	50.5	50.9
ICT	52.3	51.2	51.4	49.4	48.5	48.9
Business Services	52.5	50.9	52.8	53.6	51.9	51.5
Manufacturing	53.0	51.0	52.5	52.3	51.3	50.5
Resources	53.1	50.1	51.7	51.1	48.8	49.3
Retail	51.5	49.8	51.0	50.9	49.6	49.7
Wholesale Trade	52.7	51.4	52.1	51.0	48.3	47.1

The OCBC SME Index is likely to ease slightly moving in 2Q 2023. Although the economic outlook in the region has improved somewhat with the re-opening of China's economy, the continued weakness in manufacturing and trade globally, with persistent inflation, is likely to slow the business momentum.

SME business owners polled in Mar 2023 continued to be optimistic about business over the next 6 months.

47% of over 950 business owners who participated in the OCBC SME Business Outlook poll expect an improvement in their business performance for the next two quarters, with another 37% expecting performance to remain the same. Only 17% expect a decline in performance, slightly higher than the 15% recorded in 4Q 2022.

Building & Construction grew at a healthy pace of 52.0 this quarter, with a 7.1% on-year increase in collections and 7.0% on-year increase in payments.

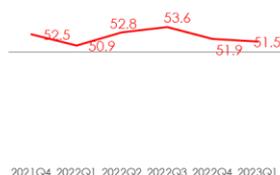


As in the past quarter, gains in the Building & Construction industry was mainly driven by Construction (52.0), as collections and payments grew by 17.9% and 18.4% respectively on a year-on-year basis. The stable growth registered in 1Q 2023 is in line with the findings from the OCBC SME Business Outlook poll, with 28% of SME business owners experiencing an improvement in business performance compared to 3 months ago.

Outlook for the segment remains positive as demand is expected to be sustained, supported by upcoming public and private sector construction projects. High manpower and raw material costs remain key concerns.

Business Services remained expansionary at 51.5 in 1Q 2023, moderating slightly from the 51.9 recorded last quarter.

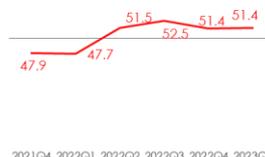
Business Services



Growth was primarily supported by Advertising and Exhibition as the segment extended another quarter of strong performance with a reading of 52.8. SMEs benefitted from the steady recovery of the MICE industry and growing demand for business events. Meanwhile, the Business Consultancy and Accounting & Legal segments also registered slight gains this quarter, edging up to 50.2 and 51.1 respectively.

Food & Beverage held steady at 51.4 in 1Q 2023, driven by robust performance in the F&B Services segment.

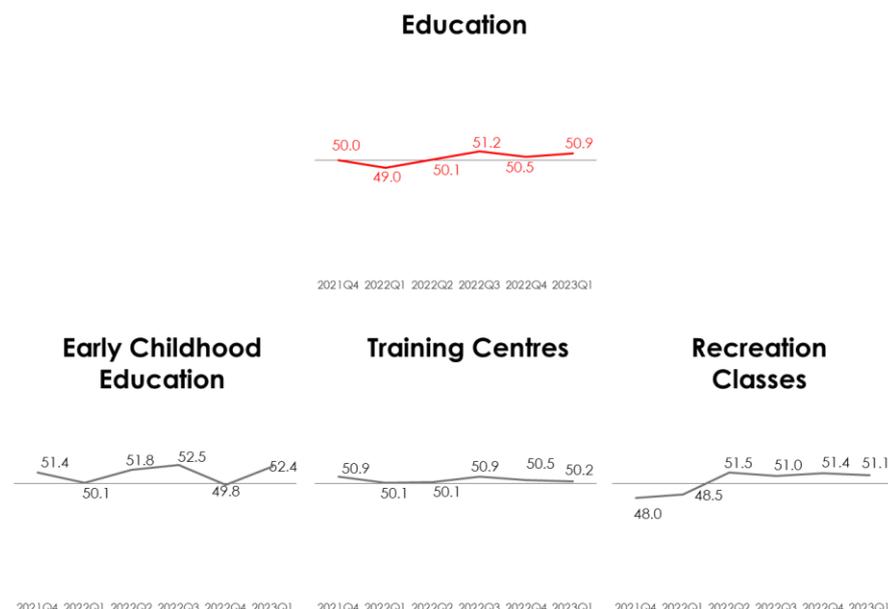
F&B



F&B Services registered another quarter of solid expansion penciling in a reading of 54.0, led by a 21.4% increase in collections and 16.8% increase in payments. Domestic demand appears to remain robust despite the recent GST hike and high food inflation. The return of large-scale events, corporate functions and international travel have also provided F&B Services with positive growth momentum. On the other hand, F&B Wholesale Trade weakened further to 48.2 in 1Q 2023, possibly weighed down by steeper import prices.

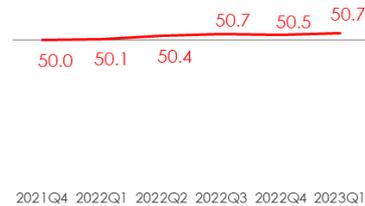
Besides the high inflation that small F&B businesses have to cope with, manpower crunch persists. In the OCBC SME Business Outlook poll, 42% of the SME business owners cited manpower shortage as their main challenge in the next 6 months.

Education ticked higher to 50.9 from 50.5 recorded in the previous quarter. Early Childhood Education saw the highest jump from 49.8 in 4Q 2022 to 52.4, while the Training Centres and Recreation Class segments contracted slightly. 41% of the SMEs in the Education industry saw manpower shortage as the biggest challenge to their businesses in the next 6 months in the OCBC SME Business Outlook poll.

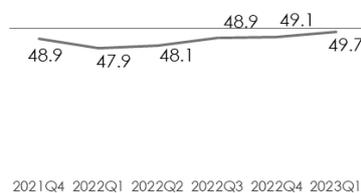


Healthcare edged higher to 50.7 in 1Q 2023, up from the 50.5 registered last quarter. The Healthcare Provider segment grew to 51.3, outperforming the Healthcare Distributor segment (49.7). The rise in influenza cases in the recent months following the resumption of post-COVID travel and the removal of mask mandate could have led to higher demand for services from healthcare providers. Based on findings from the OCBC SME Business Outlook poll, 47% of the SMEs expect an improvement in business in the next 6 months.

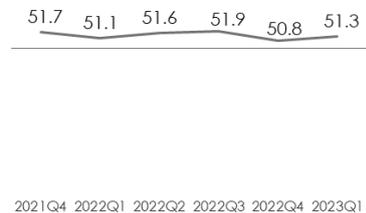
Healthcare



Healthcare Distributor

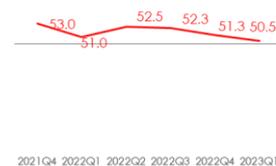


Healthcare Provider

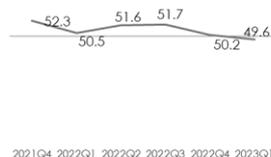


Manufacturing eased to 50.5 in 1Q 2023, a decline from the 51.3 registered in 4Q 2022. While growth remains uneven across segments, the manufacturing sector saw an overall 0.3% on-year increase in collections and a 5.4% on-year increase in payments.

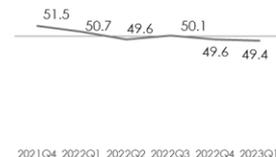
Manufacturing



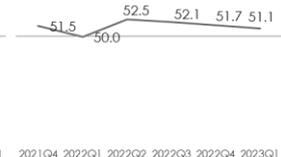
Precision Engineering



Electronics and Semiconductors



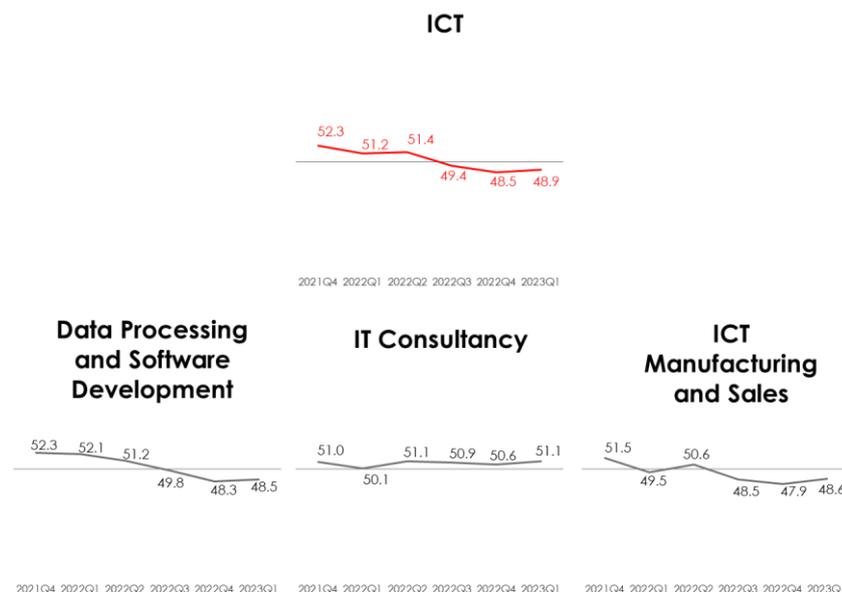
Consumer Products



Although the Consumer Products segment registered a modest expansion at 51.1, weak external demand and the electronics downcycle have resulted in a contraction in factory activity, dampening the performance of SMEs in Precision Engineering (49.6) and Electronics & Semiconductors (49.4). The downturn also led to poor export performance, in line with the decline in Singapore's electronic and non-electronic NODX this year.

In the OCBC SME Business Outlook poll, 55% of the business owners in Manufacturing cited the global economic slowdown as the key challenge for the business in the near term.

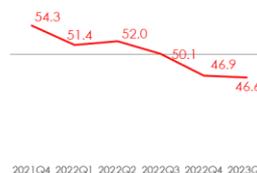
The ICT sector remains in contractionary territory, despite a modest improvement in reading from 48.5 in 4Q 2022 to 48.9 in 1Q 2023.



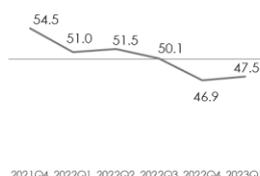
Performance was mixed across the segments, as the expansion in IT Consultancy (51.1) was outweighed by weaknesses in Data Processing & Software Development (48.5) and ICT Manufacturing & Sales (48.6), following the cooling of the tech industry and slump in the global chip industry. 52% of the business owners in this industry see the slowing global economy as the key challenge for their business, up from 44% in the past quarter.

The Transport & Logistics sector weakened further in 1Q 2023 with a reading of 46.4, extending its decline since the 2021. On a year-on-year basis, collections and payments data fell by 26.7% and 24.7% respectively.

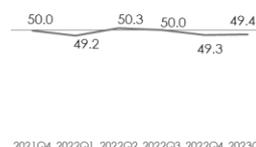
Transport & Logistics



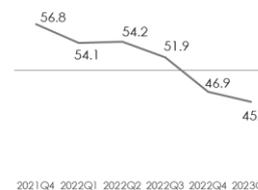
Sea Transport



Land Transport



Logistics



The poor performance in the Logistics segment posed a drag on overall growth of the sector, with a deterioration in reading from 46.9 in 4Q 2022 to 45.4. Collections and payments of SMEs in Logistics fell sharply by 43.3% and 41.4% respectively. The industry continues to be impacted by weaker demand amid the slowdown in global trade as well as higher energy costs.

Despite the slowing performance, more than half of the business owners (53%) captured in the OCBC SME Business Outlook poll expect to see an improvement in their business in the next 6 months.

Industry	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Building & Construction	51.7	49.9	51.2	51.8	51.8	52.0
Construction	51.5	49.8	51.1	51.9	51.9	52.0
Investment Companies and Operators	50.8	49.0	51.6	51.6	50.4	51.2
Building Materials	51.9	50.9	51.1	51.0	50.5	49.7
Other Building & Construction	51.3	49.9	50.8	50.9	51.2	51.9
Business Services	52.5	50.9	52.8	53.6	51.9	51.5
Business Consultancy	51.7	50.3	52.2	52.7	50.1	50.2
Advertising and Exhibition	54.4	52.1	53.7	54.2	54.3	52.8
Accounting and Legal	49.9	49.4	51.8	51.6	50.9	51.1
Other Business Services	51.1	50.5	51.9	53.5	52.6	53.7
Education	50.0	49.0	50.1	51.2	50.5	50.9
Early Childhood Education	51.4	50.1	51.8	52.5	49.8	52.4
Training Centres	50.9	50.1	50.1	50.9	50.5	50.2
Recreation Classes	48.0	48.5	51.5	51.0	51.4	51.1
Formal Education & Commercial Schools	50.7	50.4	50.1	51.0	49.8	49.3
Other Education	50.2	49.0	49.4	50.2	50.6	51.5
F&B	47.9	47.7	51.5	52.5	51.4	51.4
F&B Services	48.0	48.0	54.6	56.3	54.6	54.0
F&B Wholesale Trade	48.6	48.7	50.0	49.6	49.4	48.2
F&B Retail	47.8	48.0	48.7	49.2	50.5	50.7
Other F&B	50.4	48.6	49.7	50.7	48.5	50.7
Healthcare	50.0	50.1	50.4	50.7	50.5	50.7
Healthcare Distributor	48.9	47.9	48.1	48.9	49.1	49.7
Healthcare Provider	51.7	51.1	51.6	51.9	50.8	51.3
Other Healthcare	49.4	51.7	51.1	50.8	51.3	49.9
ICT	52.3	51.2	51.4	49.4	48.5	48.9
Data Processing and Software Development	52.3	52.1	51.2	49.8	48.3	48.5
IT Consultancy	51.0	50.1	51.1	50.9	50.6	51.1
ICT Manufacturing and Sales	51.5	49.5	50.6	48.5	47.9	48.6
Web Portals and Hosting	49.8	51.3	50.4	50.3	49.3	48.8
Other ICT	50.7	50.1	50.9	50.5	52.6	50.5
Manufacturing	53.0	51.0	52.5	52.3	51.3	50.5
Precision Engineering	52.3	50.5	51.6	51.7	50.2	49.6
Electronics and Semiconductors	51.5	50.7	49.6	50.1	49.6	49.4
Consumer Products	51.5	50.0	52.5	52.1	51.7	51.1
Others Manufacturing	53.1	51.4	52.7	52.4	51.8	50.8
Transport & Logistics	54.3	51.4	52.0	50.1	46.9	46.6
Sea Transport	54.5	51.0	51.5	50.1	46.9	47.5
Land Transport	50.0	49.2	50.3	50.0	49.3	49.4
Logistics	56.8	54.1	54.2	51.9	46.9	45.4
Other Transport & Logistics	52.5	51.4	51.0	50.8	50.0	49.7
Wholesale Trade	52.7	51.4	52.1	51.0	48.3	47.1
Retail	51.5	49.8	51.0	50.9	49.6	49.7
Resources	53.1	50.1	51.7	51.1	48.8	49.3
Others	53.7	51.3	53.2	53.7	52.3	52.0
Overall SMEI	52.6	50.5	52.0	51.9	50.2	49.9

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 950 responses were collected during the survey period between 6 Mar 2023 and 3 Apr 2023.