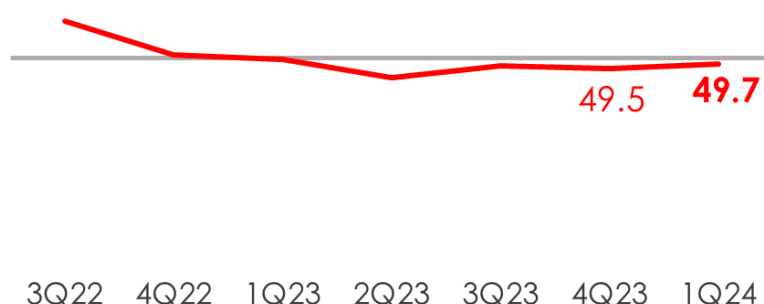


The OCBC SME Index registered a reading of 49.7 in 1Q 2024, edging up by 0.2 from 4Q 2023 but remaining contractionary for the fifth consecutive quarter. SME collections and payments grew by 1.4% and 1.9% year-on-year against the backdrop of bumpy disinflation trends and elevated cost pressures. A reading above 50 indicates improved activity while below 50 indicates a deterioration relative to the same period a year ago.

OCBC SME Index



The 1Q 2024 GDP Nowcast is projected at 2.5%, lower than the 2.8% growth in the previous quarter. The Nowcast is aligned to the 1Q 2024 GDP advance estimates released by the Ministry of Trade and Industry at 2.7%. The GDP Nowcast estimates GDP using the latest OCBC SME Index.

While the performance of outward-oriented industries such as Manufacturing, Transport & Logistics and Wholesale Trade have improved slightly as compared to the previous quarter, SMEs in the domestically oriented sectors such as Education and F&B continue to outperform. Retail has also shown signs of resilience and registered modest growth over the past quarters, supported by sustained international visitor arrivals and healthy non-discretionary spending.

Industry	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Retail	49.6	49.7	49.7	50.9	50.9	50.9
Education	50.5	50.9	50.8	51.0	49.7	50.5
F&B	51.4	51.4	50.1	51.1	49.6	50.2
Resources	48.8	49.3	48.0	48.8	49.7	49.9
Building & Construction	51.8	52.0	51.3	50.8	50.3	49.9
Manufacturing	51.3	50.5	49.3	49.7	49.4	49.8
Transport & Logistics	46.9	46.6	45.6	46.9	47.8	49.7
Business Services	51.9	51.5	50.2	50.0	49.3	49.4
Healthcare	50.5	50.7	49.9	49.8	50.2	49.4
Wholesale Trade	48.3	47.1	46.4	47.9	49.1	49.4
ICT	48.5	48.9	47.7	48.6	48.3	48.5

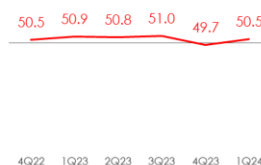
The OCBC SME Index is likely to remain flat in the near term before a gradual upturn towards the second half of this year. The turnaround in global electronics and a positive outlook for the ASEAN economies is expected to have a positive impact on the outward-oriented sectors in Singapore. However, downside risks remain with sluggish domestic consumption and export growth from the Chinese market amid lingering geopolitical tensions.

51% of the 1,200 SME business owners surveyed in the 1Q 2024 OCBC SME Business Outlook poll expect their businesses to perform better over the next 6 months.

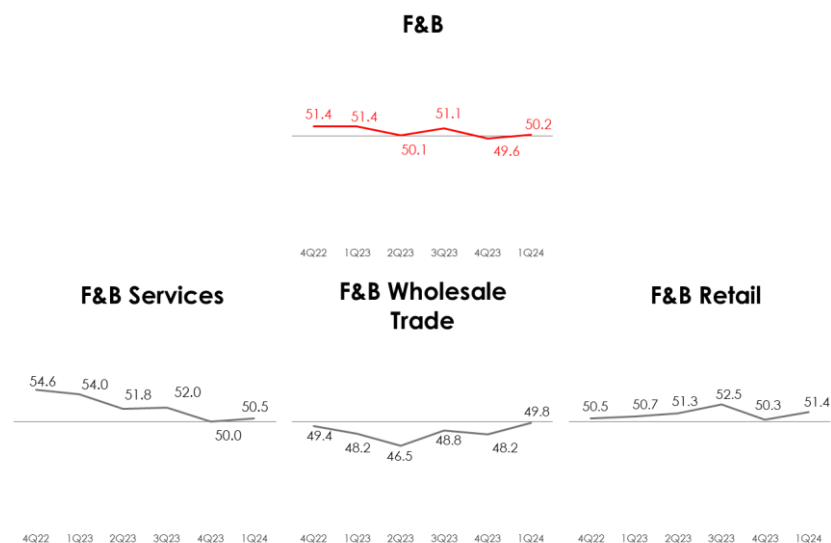
Another 37% are expecting it to remain the same, while 12% of the respondents are expecting a weaker performance. Business sentiments have turned more optimistic as compared to the previous quarter, but sectoral outlook is mixed as SMEs in industries such as Building & Construction and ICT showed less confidence in the economic conditions moving ahead.

Education turned expansionary to 50.5 this quarter, an improvement from the 49.7 recorded in 4Q 2023. The sector saw an 8.2% increase in collections and 16.0% increase in payments on a year-on-year basis. Growth was supported by expansions in the Training Centers (50.2) and Recreation Classes (50.5) segment. Based on findings from the OCBC SME Business Outlook poll, a sizeable share of SMEs sees inflation as the top challenge that they will face in the next 6 months.

Education



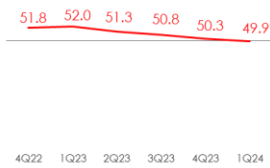
Food & Beverage grew to 50.2 in 1Q 2024, improving from the 49.6 registered last quarter. This was accompanied by a 2.8% on-year increase in collections and a 0.9% on-year increase in payments.



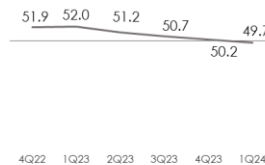
In line with the modest expansion in the Retail sector (50.9), performance in the F&B Retail segment was also robust as SMEs penciled in a reading of 51.4 this quarter. F&B Services (50.5) saw its eighth consecutive quarter of expansion, with businesses likely to have benefitted from higher domestic consumption during the CNY festive season and tourism receipts.

Building & Construction contracted marginally at 49.9 as the reading continues on a slight downward trend since 1Q 2023. Growth in the Investment Companies and Operators (50.5) and Building Materials (50.5) segment was outweighed by a weaker reading in the Construction segment (49.7). The increase in tender prices over the course of 2023 might suggest that Construction companies continue to be affected by elevated manpower and material prices.

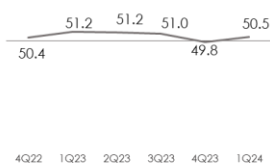
Building & Construction



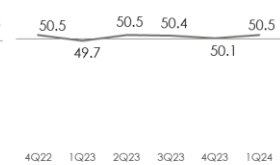
Construction



Investment Companies and Operators

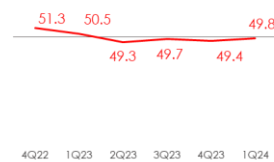


Building Materials

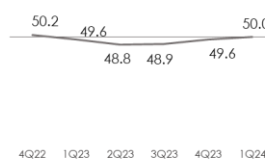


Manufacturing saw an uptick in the index from 49.4 to 49.8 this quarter but remained in contractionary territory. This was led by a 4.7% increase in overall collections, while overall payments fell slightly by 0.3%.

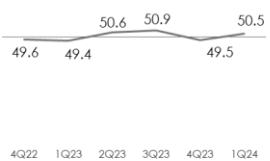
Manufacturing



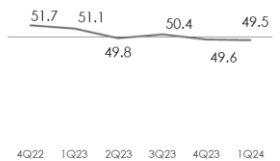
Precision Engineering



Electronics and Semiconductors



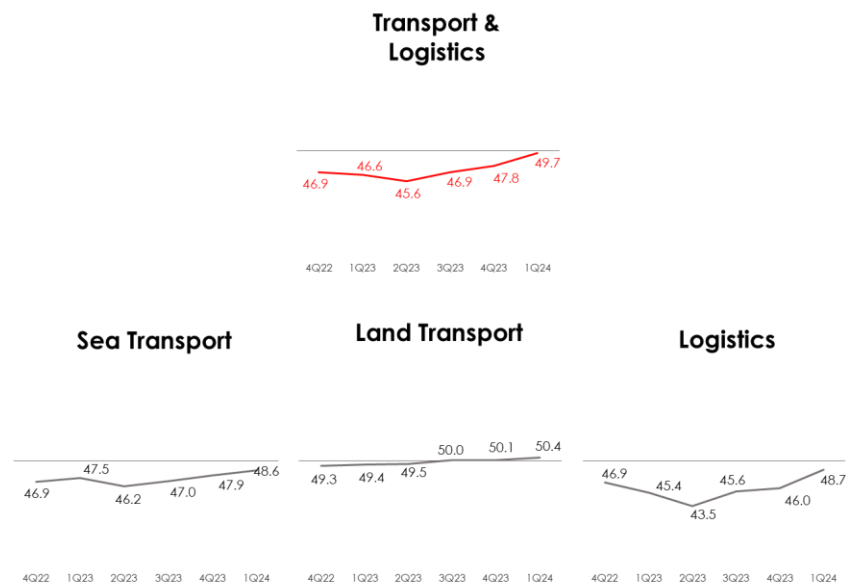
Consumer Products



Overall growth in the sector was dampened by weak performance in the Consumer Products (49.5) segment, while the Electronics & Semiconductors (50.5) and Precision Engineering (50.0) segment expanded this quarter. As the bigger manufacturing players are expected to benefit from the upturn in global electronics cycle and demand, SMEs should also start to see higher factory activity. Though it may take time for gains to trickle down to smaller enterprises, the expansion in PMI in the recent months reflects the gradual improvement in external demand.

Contraction in Transport & Logistics narrowed to 49.7 in 1Q 2024, as the sector continues on an upward trajectory.

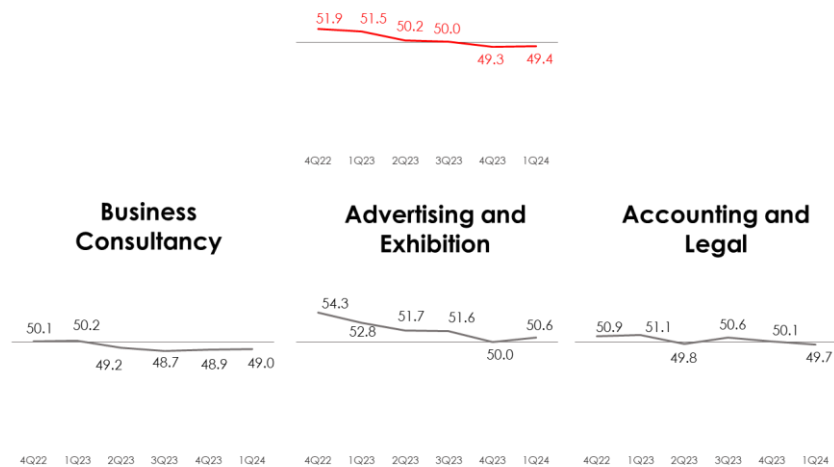
On a year-on-year basis, overall collections and payments fell by 6.2% and 4.3% respectively, dragged down by a fall in overseas collections and payments of 15.1% and 11.2% respectively.



While weaknesses in the Sea Transport (48.6) and Logistics (48.7) segment have hampered the overall pace of growth, the sector seems to be on a recovery track supported by a pickup in exports based on the first 2 months of NODX figures in 2024. However, even as the external outlook brightens, growth remains fragile as lingering geopolitical risks and supply chain disruptions present as potential downside risks to SMEs.

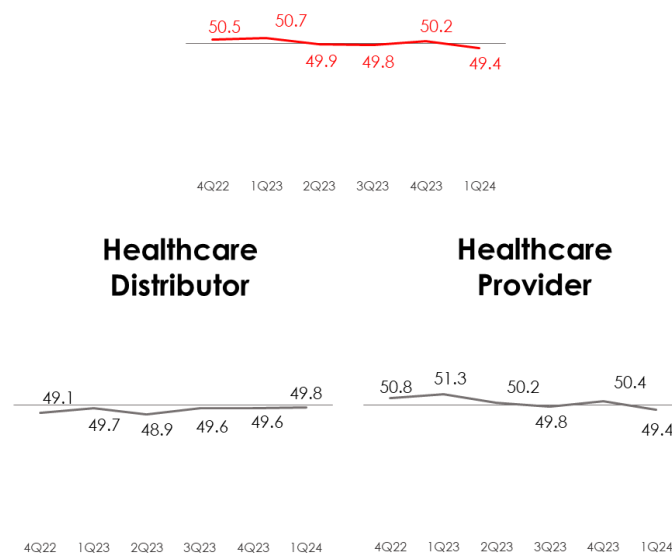
Business Services contracted for another quarter with a reading of 49.4 dampened by weaknesses in the Business Consultancy segment (49.0). With the advancement in technology allowing businesses to handle tasks in-house and more companies focus on cost-cutting initiatives, the demand for consulting services could have waned against the backdrop of heightened economic uncertainty. Meanwhile, SMES in the Advertising and Exhibition segment continue to see healthy expansions, with a rise in reading to 50.6 in 1Q 2024.

Business Services

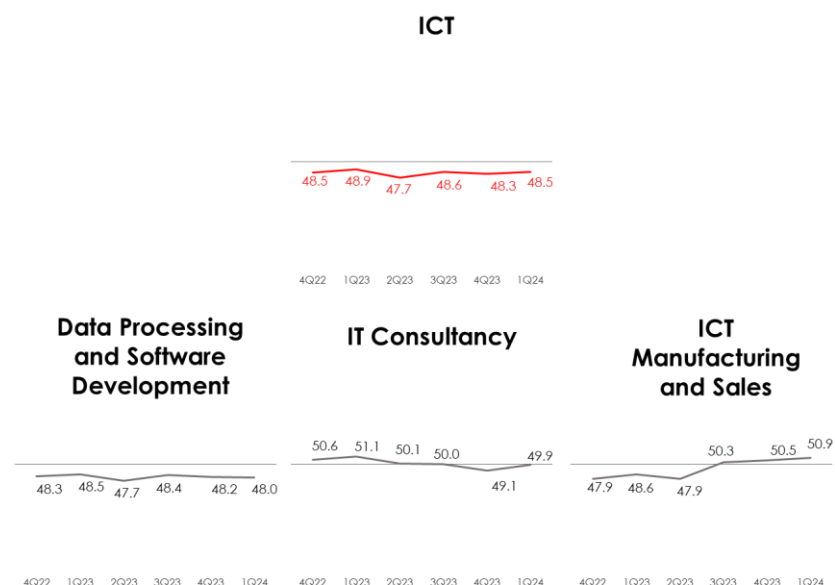


Healthcare slipped to 49.4 in 1Q 2024. SMEs in both the Healthcare Distributor (49.8) and Healthcare Provider (49.4) segment underperformed against the challenging domestic operating environment with medical costs on the rise. Total wage bill of Healthcare also rose at the fastest pace across industries at 15.8%, and especially so in the Healthcare Provider segment. In the OCBC SME Business Outlook poll, respondents have cited manpower shortage and inflation as their top concern in the next 6 months.

Healthcare



The ICT sector slowed to 48.5 and contracted for the seventh consecutive quarter, led by a 28.4% drop in overall collections and 25.3% drop in overall payments in 1Q 2024. Overseas collections and payments also saw a sizeable decline of 51.0% and 49.9% on-year respectively. As tech demand eases across time, total wage bill of ICT has fell by 9.0% and this is also accompanied by a fall in overall employment count in the sector by 8.5%.



Overall SME performance was weighed down by Data Processing & Software Development as reading for segment slowed to 48.0 in 1Q 2024. On the other hand, the ICT Manufacturing and Sales segment climbed to 50.9, extending on an upward trend. Overall collections and payments for the segment also grew by 39.3% and 50.9% on-year respectively, following the pickup in electronics manufacturing activity.

Industry	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Building & Construction	51.8	52.0	51.3	50.8	50.3	49.9
Construction	51.9	52.0	51.2	50.7	50.2	49.7
Investment Companies and Operators	50.4	51.2	51.2	51.0	49.8	50.5
Building Materials	50.5	49.7	50.5	50.4	50.1	50.5
Other Building & Construction	51.2	51.9	51.7	51.2	51.0	49.6
Business Services	51.9	51.5	50.2	50.0	49.3	49.4
Business Consultancy	50.1	50.2	49.2	48.7	48.9	49.0
Advertising and Exhibition	54.3	52.8	51.7	51.6	50.0	50.6
Accounting and Legal	50.9	51.1	49.8	50.6	50.1	49.7
Other Business Services	52.6	53.7	52.0	51.9	51.2	50.0
Education	50.5	50.9	50.8	51.0	49.7	50.5
Early Childhood Education	49.8	52.4	50.7	50.9	49.5	49.4
Training Centres	50.5	50.2	50.6	50.6	49.2	50.2
Recreation Classes	51.4	51.1	50.7	50.5	50.2	50.5
Formal Education & Commercial Schools	49.8	49.3	49.4	49.4	51.1	50.5
Other Education	50.6	51.5	51.2	51.9	50.8	51.2
F&B	51.4	51.4	50.1	51.1	49.6	50.2
F&B Services	54.6	54.0	51.8	52.0	50.0	50.5
F&B Wholesale Trade	49.4	48.2	46.5	48.8	48.2	49.8
F&B Retail	50.5	50.7	51.3	52.5	50.3	51.4
Other F&B	48.5	50.7	51.6	51.7	50.9	50.8
Healthcare	50.5	50.7	49.9	49.8	50.2	49.4
Healthcare Distributor	49.1	49.7	48.9	49.6	49.6	49.8
Healthcare Provider	50.8	51.3	50.2	49.8	50.4	49.4
Other Healthcare	51.3	49.9	50.8	50.9	50.3	50.0
ICT	48.5	48.9	47.7	48.6	48.3	48.5
Data Processing and Software Development	48.3	48.5	47.7	48.4	48.2	48.0
IT Consultancy	50.6	51.1	50.1	50.0	49.1	49.9
ICT Manufacturing and Sales	47.9	48.6	47.9	50.3	50.5	50.9
Web Portals and Hosting	49.3	48.8	49.1	49.3	49.6	49.3
Other ICT	52.6	50.5	49.6	48.5	47.1	48.5
Manufacturing	51.3	50.5	49.3	49.7	49.4	49.8
Precision Engineering	50.2	49.6	48.8	48.9	49.6	50.0
Electronics and Semiconductors	49.6	49.4	50.6	50.9	49.5	50.5
Consumer Products	51.7	51.1	49.8	50.4	49.6	49.5
Others Manufacturing	51.8	50.8	49.5	49.4	49.3	49.9
Transport & Logistics	46.9	46.6	45.6	46.9	47.8	49.7
Sea Transport	46.9	47.5	46.2	47.0	47.9	48.6
Land Transport	49.3	49.4	49.5	50.0	50.1	50.4
Logistics	46.9	45.4	43.5	45.6	46.0	48.7
Other Transport & Logistics	50.0	49.7	49.6	48.4	48.6	50.5
Wholesale Trade	48.3	47.1	46.4	47.9	49.1	49.4
Retail	49.6	49.7	49.7	50.9	50.9	50.9
Resources	48.8	49.3	48.0	48.8	49.7	49.9
Others	52.3	52.0	50.6	50.7	50.4	50.0
Overall SMEI	50.2	49.9	49.0	49.6	49.5	49.7

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 1,200 responses were collected during the survey period between 4 Mar and 1 Apr 2024.