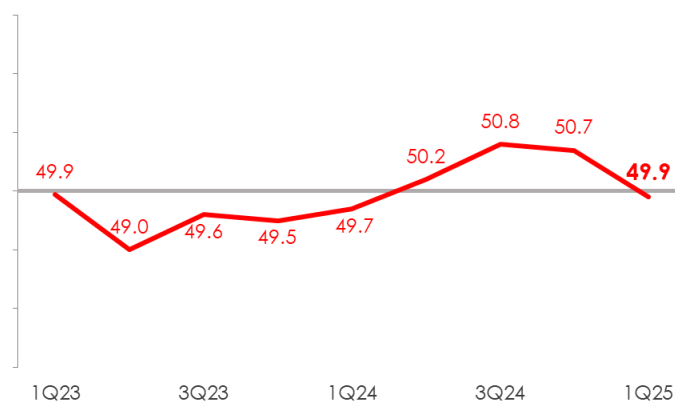


The OCBC SME Index for 1Q 2025 contracted marginally to 49.9, slipping from 50.7 in 4Q 2024.

This decline marks an entry into contractionary territory after three consecutive quarters of expansion, signalling a downward shift due to the weakening outlook which is now exacerbated by the US trade tariffs and uncertainties in global trade. Overall collections grew by 1.7% on-year, while payments remained flat with no increase.

OCBC SME Index

(>50 indicates an **Expansion**, <50 indicates a **Contraction**)



The GDP Nowcast based on the OCBC Index for 1Q 2025 is 3.7%, down from the 5.0% registered in 4Q 2024. This is aligned to the 1Q 2025 GDP advance estimates released by the Ministry of Trade and Industry at 3.8%.

Following the April 2nd announcement on the US tariff measures, the business outlook for SMEs is expected to weaken further in the quarters ahead. The dampening of trade flows on a global scale and subdued outlook on the US Dollar will likely impact local SMEs in the outward-oriented sectors such as ICT, Transport & Logistics and Wholesale Trade. These industries have on average over 40% of collections accounted for by overseas customers, of which 7% are direct received from payers based in US. Majority of these overseas collections are also denominated in US Dollar.

About the OCBC SME Index

Launched in 2021, the OCBC SME Index is the first data-driven index in Singapore that provides a barometer of SME business health and performance. The index is derived using the transactional data of over 100,000 OCBC Bank SME customers in Singapore with annual sales turnover of up to S\$30 million.

Centred around a score of 50, which indicates no change relative to the same period from the previous year, scores above 50 reflect improved business health, while scores below 50 indicate deterioration. A reading of the index and its historical trends offers insights into the economic conditions faced by SMEs and how they have performed across various industries.

The 1Q 2025 OCBC SME Business Outlook poll taken before the April 2nd US tariffs did not reflect the concerns of SME business owners that have emerged since then.

The sentiments of the 1,000 SME business owners in this survey remained largely unchanged from the previous quarter. 41% of the respondents felt business conditions were the same, with 36% seeing improvements and 23% noting a deterioration.

Across industries, responses were the most downbeat for business owners from the Education, Retail and F&B. Close to 3 in 4 of SME business owners in these consumer-facing industries saw no improvements or worsening business performance over the last 3 months, with the remaining reporting an improvement in business. Among the export-oriented industries, over 60% of business owners saw no improvements or worsening business performance over the quarter. As the trade environment remains volatile and tariff measures imposed by major economies continue to evolve, business owners' sentiments are likely to shift in the coming months.

The ongoing disruption in global trade flows and the reconfiguration of supply chains have left over 1 in 4 business owners identifying geopolitical uncertainties and market competition as the biggest challenge to their companies in the next 6 months. Business owners from the Transport & Logistics, Business Services and Wholesale Trade industries have indicated that they will be most affected by these factors moving forward.

While larger macroeconomic pressures have overshadowed domestic concerns this quarter, the imposition of trade barriers and tariffs is likely to exacerbate inflationary pressures for local SMEs. In 1Q 2025, SMEs experienced an average wage bill increase of 9.7%, with sectors like Transport & Logistics, Healthcare, and Business Services witnessing even steeper wage growth of over 15%.

Compared to 3 months ago, do you think your company's business has improved, worsened, or stayed the same?



Which one of the following pose the biggest challenge to your company in the next 6 months?



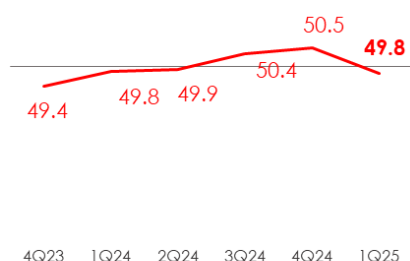
About the OCBC SME Business Outlook poll

The OCBC SME Business Outlook poll is conducted quarterly with the objective of understanding how SME Business Owners have fared in the recent months, their business outlook and key challenges they are likely to face in the next 6 months. 1,145 responses were collected for the 1Q poll, during the survey period between 3 Mar and 31 Mar 2025.

The OCBC SME Index was weighed down by weaknesses in both externally oriented and domestic industries.

Externally Oriented

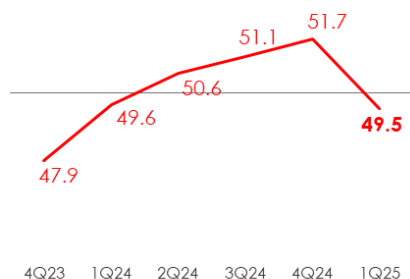
Manufacturing



Manufacturing contracted to 49.8 this quarter, with the fall in reading primarily attributed to weakness in the Precision Engineering (49.6) and Consumer Products (49.6) segments. Meanwhile, SMEs in Electronics and Semiconductors (50.7) saw a healthy pace of growth, with businesses benefitting from resilient external demand in the past quarter. Collections and payments for the segment increased 37.1% on-year and 18.9% on-year respectively, driven by strong growth in overseas collections and payments.

Against the uncertain economic backdrop and trade environment, performance of the Manufacturing industry is expected to be negatively impacted in the medium term, especially so for those embedded in global value chains.

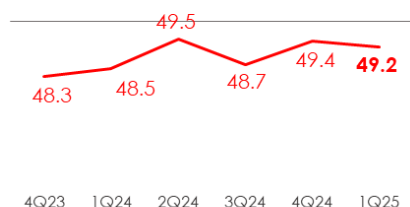
Transport & Logistics



Transport & Logistics reversed its upward growth trajectory and deteriorated to 49.5 in 1Q 2025, down from the 51.7 registered last quarter. This was accompanied by a 0.9% on-year increase in collections and 0.8% on-year drop in payments. While overseas collections rose by 3.1% on-year, overseas payments saw a drop of 2.4% on-year.

The reversal in trend can be attributed to weakness in the Sea Transport (48.8) and Land Transport (49.3). SMEs in both segments are likely affected by weaker global trade and stronger economic headwinds over the next quarter.

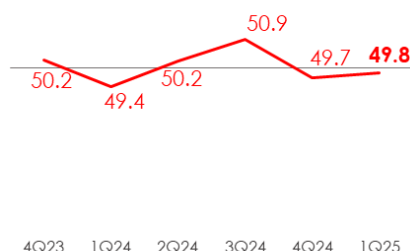
ICT



ICT remains in contractionary territory at 49.2, marking the industry's eleventh consecutive quarter in contraction. The overall reading was weighed down by a slower pace of growth in the Data Processing & Software Development (49.3) and the IT Consultancy (49.4) segment. As a significant share of the industry's collections comes from overseas customers, businesses are likely to be adversely affected by the tariff measures imposed moving ahead.

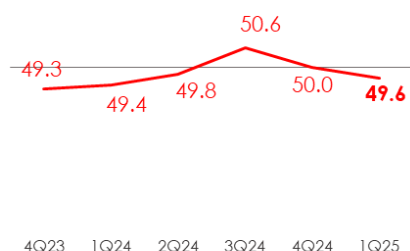
Domestic facing

Healthcare



Healthcare flat lined at 49.8 this quarter and stayed in contraction, even as collections and payments rose by 3.8% and 4.0% on-year respectively. Weakness in the Healthcare Distributors segment (48.9) posed a drag on overall growth of the industry with SMEs in the segment registering a 5.8% decline in collections. Manpower-related issues continue to be a key concern faced by businesses in the Healthcare industry, with SMEs registering a 15.5% increase in wage bill in 1Q 2025.

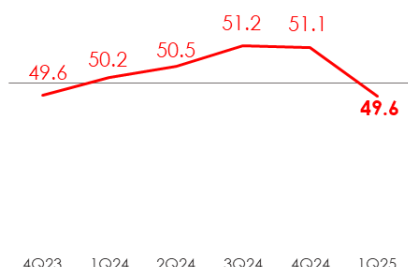
Business Services



Business Services slowed to 49.6 in 1Q 2025, down from the 50.0 recorded last quarter. This was accompanied by a sizeable drop in collections and payments at 15.1% and 15.9% respectively. Based on the OCBC Business Outlook poll, only 29% of respondents cited an improvement in business conditions over the last 3 months, lower than the overall proportion of 36%.

Similar to the previous quarter, expansions in Advertising & Exhibition and Accounting & Legal were outweighed by weaknesses in the Business Consultancy segment which contracted at 49.0 this quarter.

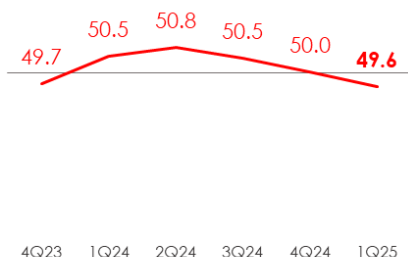
F&B



Food & Beverage softened to 49.6 this quarter, a sizeable decline from the 51.1 registered in 4Q 2024. Overall growth was dampened by a slowdown in the F&B Services (48.3) segment, as collections and payments fell by 1.7% on-year and 0.9% on-year respectively. Meanwhile, F&B Wholesale Trade grew at a healthy pace with a reading of 51.8, accompanied by a 17.4% increase in collections and a 17.6% increase in payments year-on-year.

Based on the OCBC Business Outlook poll, 1 in 5 of the F&B business owners are expecting conditions to worsen in the near-term. Performance of the industry could weaken further given that consumers may turn more cautious in terms of domestic spending.

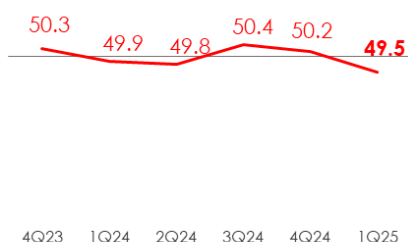
Education



Education dipped to 49.6 this quarter and fell into the contraction territory after 4 consecutive quarters of expansion. This was led by a 3.0% increase in collections and 2.0% fall in payments. In line with the weaker business activity, 32% of respondents from the OCBC Business Outlook poll cited a worsening in company performance as compared to three months ago.

Overall performance in the industry was hampered by weaknesses in the Formal Education & commercial Schools (47.5) segments, which has been on a downward trend over the recent quarters.

Building & Construction



Building & Construction fell to 49.5 this quarter, down from the 50.2 registered in 4Q 2024. This is led by a contraction in the Construction (49.4) and Investment Companies and Operators (49.8) segment.

While the anticipated wave of interest rate cuts was supposed to improve liquidity conditions for SMEs in the industry, the imposition of tariffs measures would potentially drive inflationary pressures up and make the operating environment more challenging for businesses.

Looking ahead, the OCBC SME Index is likely to ease further as SMEs grapple with new global trade norms and lower business confidence.

Challenges lie ahead

Trump's tariffs

Trump's imposition of blanket tariff rates on all imports into the US, followed by China's tit-for-tat strategy, has intensified US-China trade tensions. This has also injected greater instability to the rules-based multilateral trading system and more disruptions could unfold in the coming months. The resulting shifts in supply chains and shipping routes are likely to have a direct impact on business activity of SMEs in externally oriented sectors such as Manufacturing, ICT, Transport & Logistics and Wholesale Trade.

On the domestic front, the new tariff policy will also impose higher cost and inflationary pressures on local businesses. Coupled with a potential fall in demand from the US market, this would slow growth and dampen consumer spending. Businesses may consequently face challenges in maintaining their competitiveness and find themselves operating in a much more cautious business environment.

Opportunities to be captured

Regional collaboration

New global trade norms have called for a greater need for regional collaboration. The integration of ASEAN economies is key to sustain industries involved in cross border commerce and trading activities. The new Johor-Singapore Special Economic Zone and the Rapid Transit System (RTS) Link project could help enhance connectivity and spur new business ventures amongst enterprises across the neighboring borders. Digital trade platforms also enable SMEs to expand their international market access cost-effectively.

Sustainability

With the rise in sustainability trends, enterprises are now able to gain access to more green financing and ESG incentives. Close to 1 in 4 of the respondents in the OCBC SME Business Outlook poll are taking steps to improve their current sustainability practices, or already have sustainability practices in place. The increase in focus on sustainable development will provide more growth opportunities for SMEs in the Construction, Real Estate or Energy sectors, not only a differentiating factor for large organizations.

	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Building & Construction	50.3	49.9	49.8	50.4	50.2	49.5
Construction	50.2	49.7	49.8	50.2	50.0	49.4
Investment Companies and Operators	49.8	50.5	49.0	50.7	51.0	49.8
Building Materials	50.1	50.5	49.9	51.4	51.5	50.5
Other Building & Construction	51.0	49.6	49.6	50.2	49.3	49.7
Business Services	49.3	49.4	49.8	50.6	50.0	49.6
Business Consultancy	48.9	49.0	48.9	50.0	49.2	49.0
Advertising and Exhibition	50.0	50.6	51.0	51.3	50.9	50.1
Accounting and Legal	50.1	49.7	50.8	51.2	50.5	50.2
Other Business Services	51.2	50.0	49.8	50.5	50.8	51.4
Education	49.7	50.5	50.8	50.5	50.0	49.6
Early Childhood Education	49.5	49.4	50.6	50.0	49.4	50.2
Training Centres	49.2	50.2	49.9	50.3	50.5	50.5
Recreation Classes	50.2	50.5	50.6	50.6	50.5	50.5
Formal Education & Commercial Schools	51.1	50.5	50.5	49.1	48.7	47.5
Other Education	50.8	51.2	51.1	50.8	50.1	49.3
F&B	49.6	50.2	50.6	51.2	51.1	49.6
F&B Services	50.0	50.5	50.0	50.7	50.6	48.3
F&B Wholesale Trade	48.2	49.8	50.9	51.3	52.4	51.8
F&B Retail	50.3	51.4	51.2	52.1	51.5	49.8
Other F&B	50.9	50.8	50.3	50.6	50.3	50.4
Healthcare	50.2	49.4	50.2	50.9	49.7	49.8
Healthcare Distributor	49.6	49.8	50.6	50.1	50.0	48.9
Healthcare Provider	50.4	49.4	50.6	51.9	50.2	50.5
Other Healthcare	50.3	50.0	49.0	49.2	49.0	49.7
ICT	48.3	48.5	49.5	48.7	49.4	49.2
Data Processing and Software Development	48.2	48.0	50.0	48.1	49.3	49.3
IT Consultancy	49.1	49.9	49.0	50.2	49.9	49.4
ICT Manufacturing and Sales	50.5	50.9	51.4	50.5	50.0	50.0
Web Portals and Hosting	49.6	49.3	48.1	48.3	49.5	50.0
Other ICT	47.1	48.5	49.4	49.3	49.8	49.6
Manufacturing	49.4	49.8	49.9	50.4	50.5	49.8
Precision Engineering	49.6	50.0	50.7	50.3	50.6	49.6
Electronics and Semiconductors	49.5	50.5	51.3	50.4	50.9	50.7
Consumer Products	49.6	49.5	49.1	49.8	50.4	49.6
Others Manufacturing	49.3	49.9	49.4	50.8	50.2	49.9
Transport & Logistics	47.8	49.7	50.6	51.2	51.7	49.5
Sea Transport	47.9	48.6	49.2	49.6	50.4	48.8
Land Transport	50.1	50.4	50.6	50.4	50.1	49.3
Logistics	46.0	48.7	51.0	52.6	54.7	51.7
Other Transport & Logistics	48.6	50.5	51.5	51.8	52.0	51.7
Resources	49.7	49.9	51.1	50.9	50.2	49.9
Retail	50.9	50.9	50.3	50.8	50.5	49.0
Wholesale Trade	49.1	49.4	50.4	50.7	51.1	51.1
Others	50.4	50.0	50.5	50.3	50.2	50.1
Overall SME Index	49.5	49.7	50.2	50.8	50.7	49.9

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