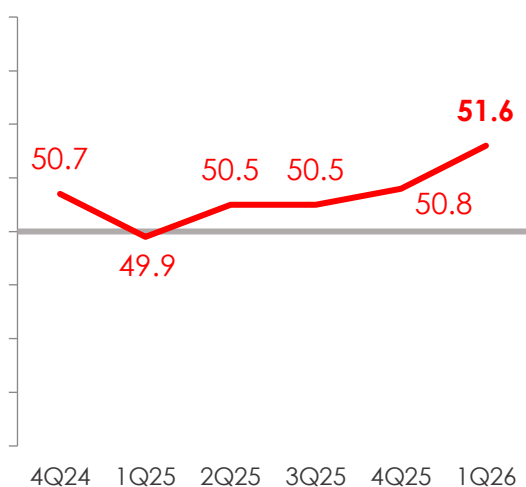


While the OCBC SME Index registered a reading of 51.6 in 1Q 2026, sentiments were weighed down by a gloomy outlook amid heightened geopolitical tensions in the Middle East since March.

OCBC SME Index

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



Following the US-Israel-Iran conflict that took place on 28th Feb 2026, the geopolitical environment has turned fragile as the conflict continues to unfold. Businesses are now faced with higher operating costs coming from higher oil, energy and freight prices. Abrupt disruptions in supplies and shipping flows have affected supply chains and put pressure on SMEs, especially those in the Transport & Logistics and F&B supply chains.

Given the short time window since the onset of the conflict, the full impact on SME performance has yet to play out. Ramifications of the ongoing situation might take time to manifest, particularly if the crisis becomes prolonged.

Persistently higher prices could generate ripple effects across production chains, exacerbating inflationary pressures. Moving forward, business activity could see a pullback and the impact on profit margins would depend on the ability of businesses to pivot or pass down these costs to end consumers. Strong inflationary pressures may prompt central banks to turn hawkish, tighten monetary policy and raise funding costs, resulting in broader implications for businesses.

In 1Q 2026, overall collections rose by 16.9% while overall payments rose by 16.0% on a year-on-year basis. SMEs' direct exposure to the Middle East is relatively contained, as more than 97% of SME's overseas collections and payments flows are outside the Middle East region.

Growth was broad-based, buoyed by SMEs in both domestic facing and outward-oriented industries. Retail delivered the stronger performance while Manufacturing and ICT underpin growth among outward-oriented industries. The 1Q 2026 GDP growth Nowcast based on the OCBC SME Index indicates that the pace of growth would remain broadly unchanged from the previous quarter albeit moderated by a weakening outlook amid the Middle East tensions.

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.

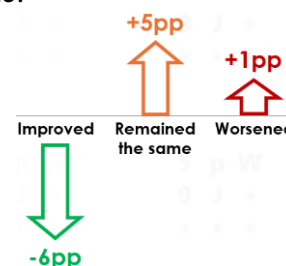
Sentiment on business outlook has turned cautious, reflecting growing concerns among SMEs arising from geopolitical uncertainty.

As compared to 3 months ago, 43% of respondents from the latest OCBC Business Outlook poll conducted in Mar 2026 cited that business conditions remained the same, a 5-percentage point (pp) increase from the poll held in Dec 2025. Another 26% noted a deterioration, a 1 pp rise quarter-on-quarter. Despite the improvement in SME index reading in 1Q 2026, the share of respondents who saw improvements dropped by 6pp.

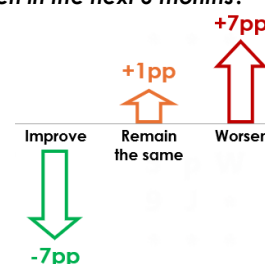
Looking ahead, nearly 1 in 4 of respondents (22%) expect business conditions to deteriorate in the next 6 months, representing a 7-percentage point increase in from the previous quarter. This indicates a weakening in business sentiment, with SME owners becoming more pessimistic about near-term conditions. Meanwhile, there was a corresponding 7-percentage point decline in share of respondents expecting an improvement, with the rest anticipating business conditions to remain the same. Domestic facing SMEs were slightly more pessimistic as compared to those in the outward oriented industries.

Amidst heightened tensions in the Middle East, geopolitical uncertainty emerged as the top challenge for SMEs in the near-term, particularly among outward-oriented industries. Higher energy prices and freight rates could lengthen delivery times and disrupt supply chains, potentially eroding the competitiveness of SMEs that are reliant on the external economy.

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



Do you think your company's business will improve, remain the same, or worsen in the next 6 months?



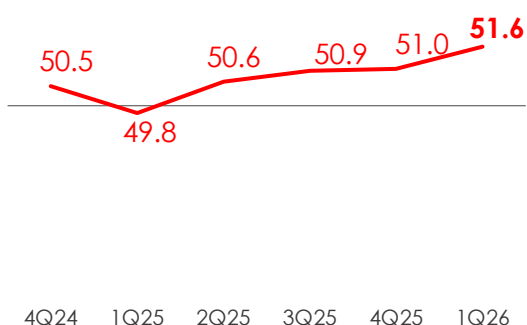
About the OCBC SME Business Outlook poll

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. About 800 responses were collected for the 1Q poll, during the survey period between 2 March and 31 March 2026.

SMEs benefited from sustained business momentum in 1Q 2026 but face heightened downside risks in the near term.

Outward Oriented

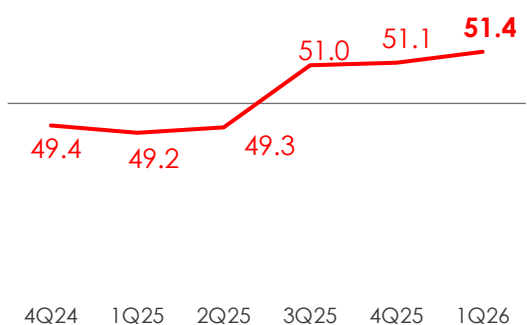
Manufacturing



Manufacturing remained in expansionary territory for the fourth consecutive quarter with a reading of 51.6 in 1Q 2026. This was accompanied by a 6.1% on-year increase in collections and 7.0% on-year increase in payments. Strong performance of the sector is primarily attributed to the Precision Engineering (52.3) and Consumer Products (51.3) segments.

While Singapore maintains an energy stockpile sufficient to last for several months, a prolonged closure of the Straits of Hormuz continue to pose risks. This is especially so for manufacturing segments that are reliant on LNG for power generation as a significant share of Singapore's LNG imports comes from Qatar.

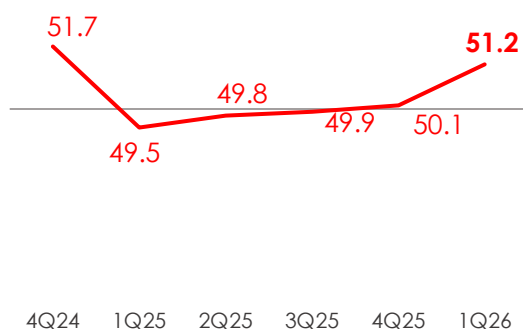
ICT



ICT registered its third consecutive quarter of expansion with a reading of 51.4 in 1Q 2026. Overall collections and payments rose by 22.2% and 16.5% respectively as SMEs in the sector continue to see robust business activity. Growth in the sector was driven by the ICT Manufacturing and Sales (51.3), the Web Portals and Hosting (51.4), and the Data Processing and Software Development (50.7) segments.

Resource-intensive segments of the ICT sector face elevated risks of disruption due to high electricity consumption if the crisis is prolonged.

Transport & Logistics

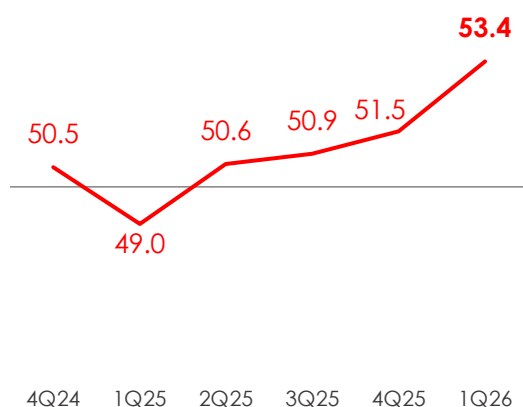


Transport & Logistics grew to 51.2 in 1Q 2026, up from the 50.1 recorded in last quarter. Collections and payments for the sector grew by 14.1% and 16.1% respectively on a year-on-year basis. Growth this quarter was driven by expansions in the Sea Transport (51.1), Land Transport (51.0), and Logistics (50.4) segments.

The surge in energy prices arising from the Middle East situation would inevitably weigh on the SMEs in Transport & Logistics, given their heavy reliance on fuel to operate and maintain vehicle and vessel fleet. This includes last mile delivery companies, private bus operators, and shipping companies within the broader supply chain.

Domestic Facing

Retail

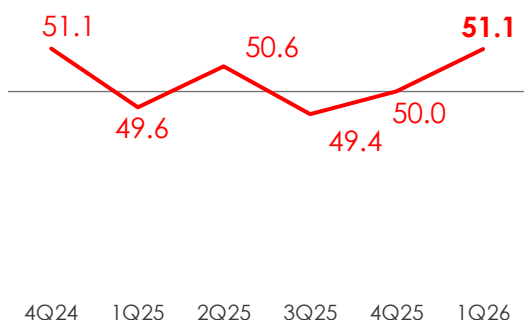


Retail extended its upward trajectory in 1Q 2026, registering at an all-time high of 53.4. This was accompanied by a year-on-year increase in overall collections and payments of 15.2% and 15.5% respectively.

Inbound tourism spending continues to provide strong uplift for the retail landscape, while a firm domestic labor market and stable macroeconomic conditions offer broad-based support to SMEs in the retail sector.

Nonetheless, the Middle East conflict poses near-term downside risks to SMEs within the Retail sector particularly when input cost pressures are passed through to consumers, and high inflation erodes consumer's purchasing power.

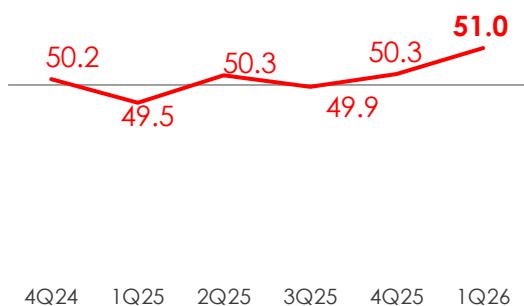
F&B



F&B registered an expansion of 51.1 in 1Q 2026 buoyed by growth across all segments. Overall collections and payments grew by 7.6% and 6.2% respectively.

While the blockage of the Straits of Hormuz has disrupted the flow of fertilizers which are essential in agriculture and food production, the impact on SMEs in F&B is likely to be contained. This is partly because relatively few SMEs are involved in food farming and only a very small share of Singapore's food supply is sourced from Middle East.

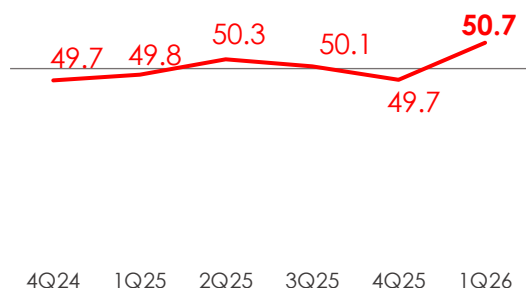
Building & Construction



Building and Construction rose to 51.0 in 1Q 2026, up from the 50.3 recorded last quarter. Growth was primarily supported by SMEs in Construction (50.9), with collections and payments for the segment growing by 13.8% and 10.7% respectively. Based on the OCBC Business Outlook poll, 45% of the respondents from the Building and Construction sector cited that their business conditions have improved as compared to 3 months ago, the highest proportion across sectors.

Despite the optimism, rising energy prices are expected to impact SMEs that rely heavily on trucks and heavy equipment for construction activities, particularly those powered by diesel. This includes businesses involved in earthworks and piling. As overall construction costs rise, SMEs have taken measures to mitigate or optimize diesel consumption.

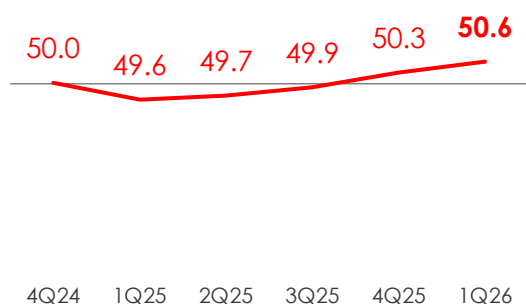
Healthcare



Healthcare registered an expansion at 50.7 in 1Q 2026, recovering from the contraction in the previous quarter. Growth was primarily driven by growth in the Healthcare Distributor (52.2) segment. Overall collections grew by 6.4% year-on-year, outpaced by the growth in payments of 9.5%.

From the OCBC Business Outlook poll, respondents from the Healthcare sector were most pessimistic about the outlook with 31% of SME owners expecting business conditions to worsen in the near term.

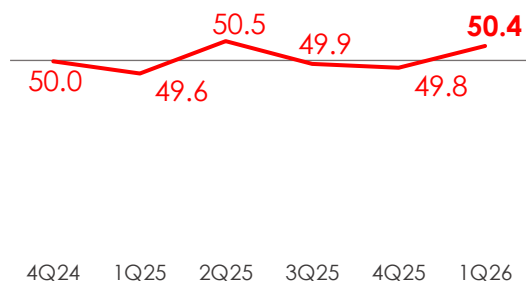
Education



Education rose to 50.6 in 1Q 2026, with a steady year-on-year increase in overall collections and payments at 5.2% and 4.8% respectively.

The pickup in performance of the sector can be attributed to expansions in Early Childhood Education (50.4), Training Centers (50.9), and Recreation Classes (50.5). Meanwhile, the Formal Education & Commercial Schools (49.5) segment remained in contraction for the seventh consecutive quarter.

Business Services



Business Services grew to 50.4 in 1Q 2026, up from the 49.8 registered in the previous quarter. This was accompanied by a 10.4% increase in collections and 9.2% increase in payments. Expansions in the Accounting & Legal (50.9) and Business Consultancy (50.7) segment outweighed the contraction in the Advertising and Exhibition (49.5) segment.

The OCBC SME Index is likely to ease as the Middle East situation drives up costs and impedes SME competitiveness.

Challenges ahead

Cost Inflation

While SMEs have limited exposure to the Middle Eastern countries, they continue to be affected by elevated energy prices and logistics disruptions. Diverted shipping routes have lengthened delivery times, in turn increasing working capital requirements.

Oil prices have far exceeded pre-conflict levels and inflationary pressures are bound to rise. As higher costs eventually feed into consumer prices, discretionary spending will likely to soften and reduce price-sensitive demand. This would weigh on SME profitability as margins are squeezed, dampening overall business activity.

The Transport & Logistics, Resources and Building & Construction sectors are likely to be disproportionately impacted, where businesses are more exposed to volatility in fuel, freight and insurance costs.

Opportunities

Strategic Expansion

Past crises have demonstrated SMEs' adaptability and agility in navigating challenging conditions. The knock-on impact of the current geopolitical uncertainties could serve as a catalyst for businesses to improve energy efficiency by transitioning into more sustainable solutions and optimise energy needs. This is in line with OCBC's longer-term sustainable finance commitments aimed at helping SMEs integrate sustainability into their business models.

As the situation in Middle East unfolds, SMEs may also look to regional markets to diversify their supplier networks and end markets. Such diversification would place them in a stronger position to cushion the impact of future macroeconomic shocks.

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
Building & Construction	50.2	49.5	50.3	49.9	50.3	51.0
Construction	50.0	49.4	50.1	50.0	50.3	50.9
Investment Companies and Operators	51.0	49.8	50.4	49.4	49.6	49.1
Building Materials	51.5	50.5	50.5	49.3	49.4	50.5
Other Building & Construction	49.3	49.7	50.6	50.2	50.7	51.7
Business Services	50.0	49.6	50.5	49.9	49.8	50.4
Business Consultancy	49.2	49.0	50.2	49.8	49.7	50.7
Advertising and Exhibition	50.9	50.1	49.8	49.2	49.2	49.5
Accounting and Legal	50.5	50.2	51.6	50.5	50.4	50.9
Other Business Services	50.8	51.4	52.0	51.5	52.0	51.3
Education	50.0	49.6	49.7	49.9	50.3	50.6
Early Childhood Education	49.4	50.2	49.3	49.3	50.6	50.4
Training Centres	50.5	50.5	50.6	50.9	50.8	50.9
Recreation Classes	50.5	50.5	50.8	50.5	50.1	50.5
Formal Education & Commercial Schools	48.7	47.5	48.0	49.2	49.5	49.5
Other Education	50.1	49.3	49.9	49.8	50.4	50.5
F&B	51.1	49.6	50.6	49.4	50.0	51.1
F&B Services	50.6	48.3	50.3	49.0	49.9	51.2
F&B Wholesale Trade	52.4	51.8	51.7	50.7	49.8	50.4
F&B Retail	51.5	49.8	49.9	48.4	49.2	50.6
Other F&B	50.3	50.4	51.6	51.2	50.5	51.5
Healthcare	49.7	49.8	50.3	50.1	49.7	50.7
Healthcare Distributor	50.0	48.9	49.1	50.2	49.7	52.2
Healthcare Provider	50.2	50.5	50.9	49.6	49.8	50.3
Other Healthcare	49.0	49.7	50.2	50.3	49.8	49.7
ICT	49.4	49.2	49.3	51.0	51.1	51.4
Data Processing and Software Development	49.3	49.3	48.6	50.6	50.9	50.7
IT Consultancy	49.9	49.4	49.6	50.0	49.6	50.1
ICT Manufacturing and Sales	50.0	50.0	50.4	50.8	50.5	51.3
Web Portals and Hosting	49.5	50.0	51.3	51.0	51.7	51.4
Other ICT	49.8	49.6	49.9	49.9	50.6	51.0
Manufacturing	50.5	49.8	50.6	50.9	51.0	51.6
Precision Engineering	50.6	49.6	50.0	51.3	50.9	52.3
Electronics and Semiconductors	50.9	50.7	50.0	50.2	51.9	50.1
Consumer Products	50.4	49.6	51.3	50.7	50.8	51.3
Others Manufacturing	50.2	49.9	50.9	50.3	50.6	51.0
Transport & Logistics	51.7	49.5	49.8	49.9	50.1	51.2
Sea Transport	50.4	48.8	49.7	49.9	49.8	51.1
Land Transport	50.1	49.3	49.6	49.9	50.6	51.0
Logistics	54.7	51.7	50.8	49.4	48.6	50.4
Other Transport & Logistics	52.0	51.7	50.9	51.9	51.2	49.9
Resources	50.2	49.9	50.1	50.2	50.6	50.4
Retail	50.5	49.0	50.6	50.9	51.5	53.4
Wholesale Trade	51.1	51.1	51.3	51.2	50.9	51.4
Others	50.2	50.1	50.7	50.9	51.3	51.3
Overall SME Index	50.7	49.9	50.5	50.5	50.8	51.6

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