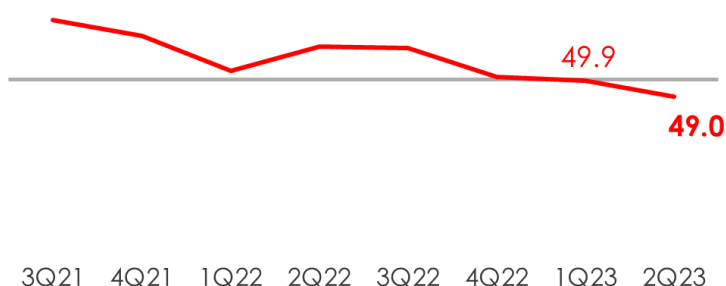


The OCBC SME Index fell to 49.0 in 2Q 2023 and contracted for the second consecutive quarter, down

from the 49.9 registered in 1Q. Against the backdrop of a soft external environment, SME collections and payments dropped by 11.3% and 9.5% respectively in 2Q 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 2Q 2023 GDP Nowcast is projected to be at -0.3%, lower than the 0.4% growth registered last quarter. This is the first negative GDP projection since the first report on the OCBC SME Index was launched for 1Q 2021. For reference, the latest 2Q 2023 median consensus forecast from the MAS Survey of Professional Forecasters (June 2023) stands at 1.5%. *The GDP Nowcast estimates GDP using the latest OCBC SME Index.*

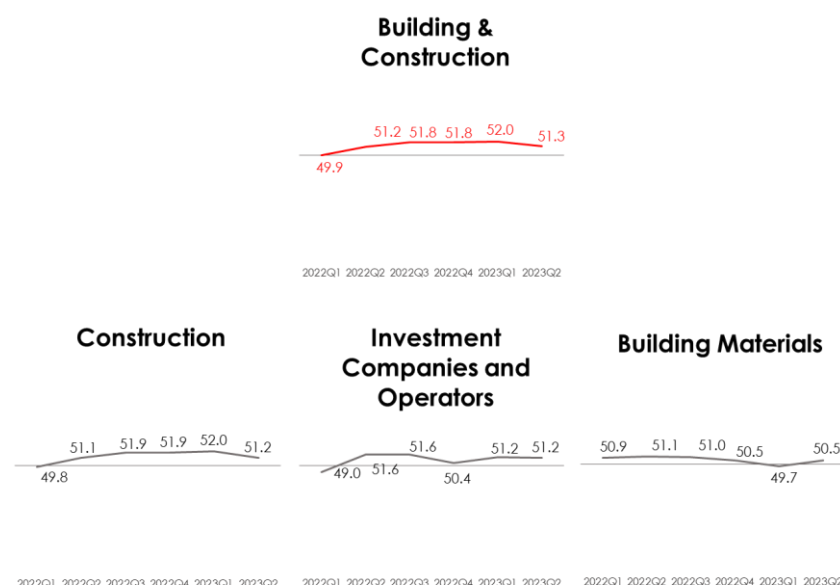
As in the previous quarter, the expansion in the domestic sectors of the economy such as Building & Construction, Education and Business Services was outweighed by weaknesses in the externally oriented industries amidst the ongoing downturn in global trade. Sluggish external demand continued to drag on the business activity of SMEs especially in the ICT, Transport & Logistics and Wholesale Trade industries.

Industry	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Building & Construction	49.9	51.2	51.8	51.8	52.0	51.3
Education	49.0	50.1	51.2	50.5	50.9	50.8
Business Services	50.9	52.8	53.6	51.9	51.5	50.2
F&B	47.7	51.5	52.5	51.4	51.4	50.1
Healthcare	50.1	50.4	50.7	50.5	50.7	49.9
Retail	49.8	51.0	50.9	49.6	49.7	49.7
Manufacturing	51.0	52.5	52.3	51.3	50.5	49.3
Resources	50.1	51.7	51.1	48.8	49.3	48.0
ICT	51.2	51.4	49.4	48.5	48.9	47.7
Wholesale Trade	51.4	52.1	51.0	48.3	47.1	46.4
Transport & Logistics	51.4	52.0	50.1	46.9	46.6	45.6

The OCBC SME Index is likely to continue to ease moving into 3Q 2023, as economic uncertainties persist. Prospects for the manufacturing and trade-related sectors remains dim given the ongoing electronics and semiconductor downcycle. Before inflation starts to slow discernibly in the second half of the year, higher prices are likely to cut into the purchasing power of consumers, reducing the pace of growth in industries such as F&B and Retail.

Based on the OCBC SME Business Outlook poll conducted in June 2023, business sentiments remain positive. 32% of over 1,400 business owners polled saw an improvement in business performance as compared to 3 months ago. 49% of the respondents also expect their company's business to improve for the rest of 2023 and 38% expect it to remain the same. 12% expect a decline in performance, lower than the 17% recorded in last quarter.

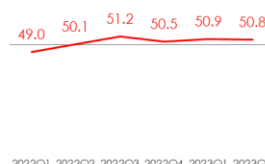
Building & Construction grew at a healthy pace at 51.3 in 2Q 2023, moderating from the 52.0 registered last quarter. This was led by a 5.9% on-year increase in collections and 4.5% on-year increase in payments.



SMEs in the Building & Construction industry have benefitted from the steady pipeline of public and private sector construction projects. In particular, collections and payments in the Construction segment grew by 15.0% and 13.0% respectively on a year-on-year basis in 2Q 2023. With the recovery in manpower to pre-pandemic levels, construction demand is expected to remain strong for the rest of 2023.

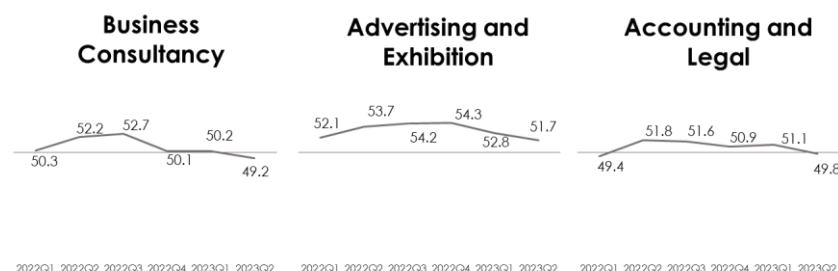
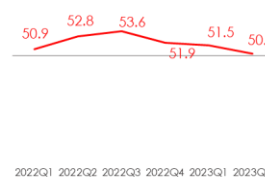
Education edged lower to 50.8 but remained expansionary this quarter. This was led by a 9.1% on-year increase in collections and 15.9% on-year increase in payments even as overseas collections fell by 27% as compared to the same period last year. In the OCBC SME Business Outlook poll, 40% of the business owners in the Education industry saw inflation as the biggest challenge in the next 6 months signaling that the increase operating expenses and consumer prices is starting to put pressure on growth in the sector.

Education



Business Services eased to 50.2 this quarter, down from the 51.5 recorded in 1Q 2023.

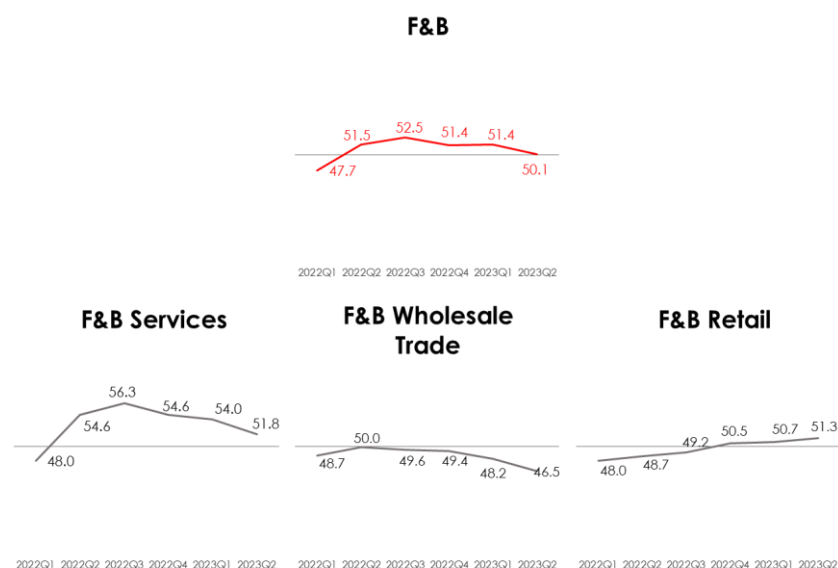
Business Services



The Advertising and Exhibition segment remains strong with a reading of 51.7 in 2Q 2023, overall SME index for the sector was weighed down by slower growth in the Business Consultancy

(49.2) and Accounting and Legal (49.8) segments. The strong line up of large-scale conferences, music concerts and corporate events taking place for the rest of the year and into 2024 will provide further boost for businesses in the Advertising and Exhibition segment.

Food & Beverage expanded marginally at 50.1 in 2Q 2023, a moderation from the 51.4 registered in the previous quarter.



The overall reading for the F&B industry was dragged down by the contraction in F&B Wholesale Trade (46.5) as F&B Services and F&B Retail remained sanguine. The weakness in F&B Wholesale Trade was led by a sizeable decline in collections and payments, of 26.8% and 25.4% respectively.

In the OCBC SME Business Outlook poll, SME business owners in F&B were more pessimistic. 35% of the respondents reported a worse quarter than 3 months ago, higher than the overall average at 21% across all industries. Almost a third of the F&B businesses would have insufficient cash balances to cover 6-months of operations.

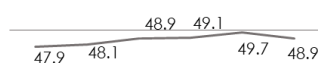
Healthcare saw a slight contraction of 49.9 in 2Q 2023, a decline from the 50.7 registered last quarter. Healthcare Distributors (48.9) led the decline while the Healthcare service providers remained in expansion. In the OCBC SME Business Outlook poll, 31% of the Healthcare SMEs cited inflation as their top concern for the next 6 months. The new 'Healthier SG' initiative for a more sustainable healthcare system should have a positive impact on the industry over the medium term.

Healthcare



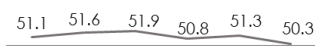
2022Q1 2022Q2 2022Q3 2022Q4 2023Q1 2023Q2

Healthcare Distributor



2022Q1 2022Q2 2022Q3 2022Q4 2023Q1 2023Q2

Healthcare Provider



2022Q1 2022Q2 2022Q3 2022Q4 2023Q1 2023Q2

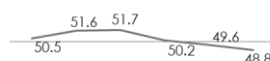
Manufacturing tipped into contractionary territory in 2Q 2023 with a reading of 49.3, extending its decline since the 2Q 22. Overseas collections fell by 9.8% on-year, dampening overall collections in the sector which saw a 1.3% on-year decline. The softening of global demand has led to fall in factory production and slower growth in the sector.

Manufacturing



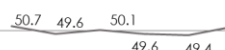
2022Q1 2022Q2 2022Q3 2022Q4 2023Q1 2023Q2

Precision Engineering



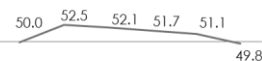
2022Q1 2022Q2 2022Q3 2022Q4 2023Q1 2023Q2

Electronics and Semiconductors



2022Q1 2022Q2 2022Q3 2022Q4 2023Q1 2023Q2

Consumer Products



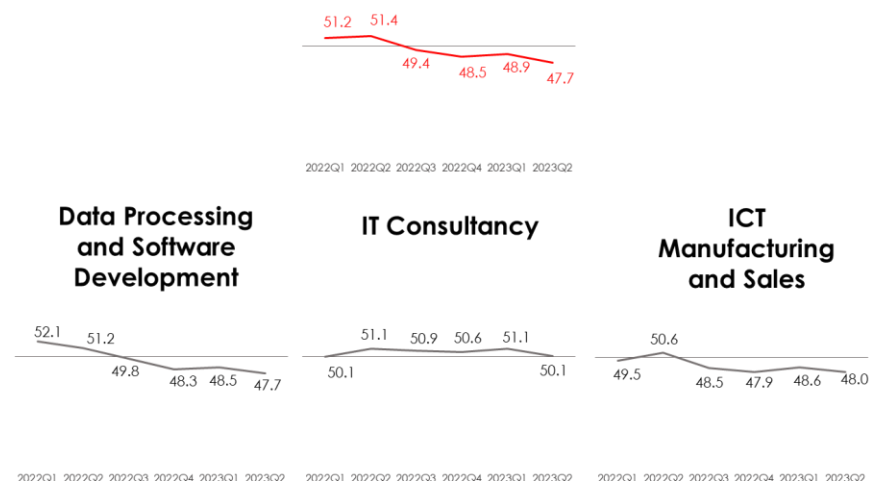
2022Q1 2022Q2 2022Q3 2022Q4 2023Q1 2023Q2

Although the Electronics and Semiconductors segment registered a modest expansion at 50.6, overall performance was weighed down by weaker performance in the Consumer Products (49.8) and Precision Engineering (48.8) segment. Specifically, the Precision Engineering segment recorded a 6.4%

on-year fall in collections and 6.5% on-year fall in payments in 2Q 2023.

The ICT sector contracted for the fourth consecutive quarter, with a drop in reading from 48.9 in 1Q 2023 to 47.7 in 2Q 2023. On a year-on-year basis, collections and payments also slipped by 18.6% and 13.0% respectively.

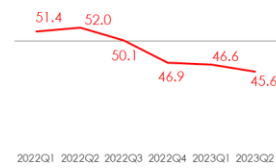
ICT



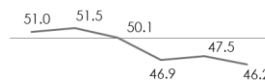
The poor performance in the Data Processing and Software Development (47.7) and in ICT Manufacturing and Sales (48.0) weighed down on the sector. Despite the longer term optimism in the sector, especially with new technologies for AI, IOT and 6G, 53% of the SME business owners in ICT see the global economic slowdown as a key challenge hindering growth in the near term.

The Transport & Logistics sunk deeper into contraction in 2Q 2023 with deterioration in reading from 46.6 in the previous quarter to 45.6. On a year-on-year basis, collections and payments data fell significantly by 27.2% and 25.5% respectively. Overseas collections dipped by a greater extent with a 39.3% on-year decline.

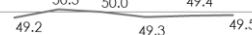
Transport & Logistics



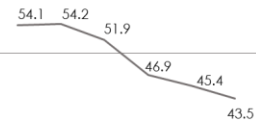
Sea Transport



Land Transport



Logistics



The slowing SME performance was the most severe in Logistics (43.5) and Sea Transport (46.2), as the slump in global export volumes saw very weak demand for containers and vessels. Compounded by falling sea freight rates, the sector registered a sharp drop in overseas collections and payments, especially in Logistics where collections fell by 47.7% on-year.

Despite the poor showing, more than half of the Transport & Logistics business owners polled (61%) continue to expect an improvement in their business in the next 6 months.

Industry	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Building & Construction	49.9	51.2	51.8	51.8	52.0	51.3
Construction	49.8	51.1	51.9	51.9	52.0	51.2
Investment Companies and Operators	49.0	51.6	51.6	50.4	51.2	51.2
Building Materials	50.9	51.1	51.0	50.5	49.7	50.5
Other Building & Construction	49.9	50.8	50.9	51.2	51.9	51.7
Business Services	50.9	52.8	53.6	51.9	51.5	50.2
Business Consultancy	50.3	52.2	52.7	50.1	50.2	49.2
Advertising and Exhibition	52.1	53.7	54.2	54.3	52.8	51.7
Accounting and Legal	49.4	51.8	51.6	50.9	51.1	49.8
Other Business Services	50.5	51.9	53.5	52.6	53.7	52.0
Education	49.0	50.1	51.2	50.5	50.9	50.8
Early Childhood Education	50.1	51.8	52.5	49.8	52.4	50.7
Training Centres	50.1	50.1	50.9	50.5	50.2	50.6
Recreation Classes	48.5	51.5	51.0	51.4	51.1	50.7
Formal Education & Commercial Schools	50.4	50.1	51.0	49.8	49.3	49.4
Other Education	49.0	49.4	50.2	50.6	51.5	51.2
F&B	47.7	51.5	52.5	51.4	51.4	50.1
F&B Services	48.0	54.6	56.3	54.6	54.0	51.8
F&B Wholesale Trade	48.7	50.0	49.6	49.4	48.2	46.5
F&B Retail	48.0	48.7	49.2	50.5	50.7	51.3
Other F&B	48.6	49.7	50.7	48.5	50.7	51.6
Healthcare	50.1	50.4	50.7	50.5	50.7	49.9
Healthcare Distributor	47.9	48.1	48.9	49.1	49.7	48.9
Healthcare Provider	51.1	51.6	51.9	50.8	51.3	50.3
Other Healthcare	51.7	51.1	50.8	51.3	49.9	50.8
ICT	51.2	51.4	49.4	48.5	48.9	47.7
Data Processing and Software Development	52.1	51.2	49.8	48.3	48.5	47.7
IT Consultancy	50.1	51.1	50.9	50.6	51.1	50.1
ICT Manufacturing and Sales	49.5	50.6	48.5	47.9	48.6	48.0
Web Portals and Hosting	51.3	50.4	50.3	49.3	48.8	49.1
Other ICT	50.1	50.9	50.5	52.6	50.5	49.6
Manufacturing	51.0	52.5	52.3	51.3	50.5	49.3
Precision Engineering	50.5	51.6	51.7	50.2	49.6	48.8
Electronics and Semiconductors	50.7	49.6	50.1	49.6	49.4	50.6
Consumer Products	50.0	52.5	52.1	51.7	51.1	49.8
Others Manufacturing	51.4	52.7	52.4	51.8	50.8	49.5
Transport & Logistics	51.4	52.0	50.1	46.9	46.6	45.6
Sea Transport	51.0	51.5	50.1	46.9	47.5	46.2
Land Transport	49.2	50.3	50.0	49.3	49.4	49.5
Logistics	54.1	54.2	51.9	46.9	45.4	43.5
Other Transport & Logistics	51.4	51.0	50.8	50.0	49.7	49.6
Wholesale Trade	51.4	52.1	51.0	48.3	47.1	46.4
Retail	49.8	51.0	50.9	49.6	49.7	49.7
Resources	50.1	51.7	51.1	48.8	49.3	48.0
Others	51.3	53.2	53.7	52.3	52.0	50.6
Overall SMEI	50.5	52.0	51.9	50.2	49.9	49.0

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 June 2023 and 3 July 2023.