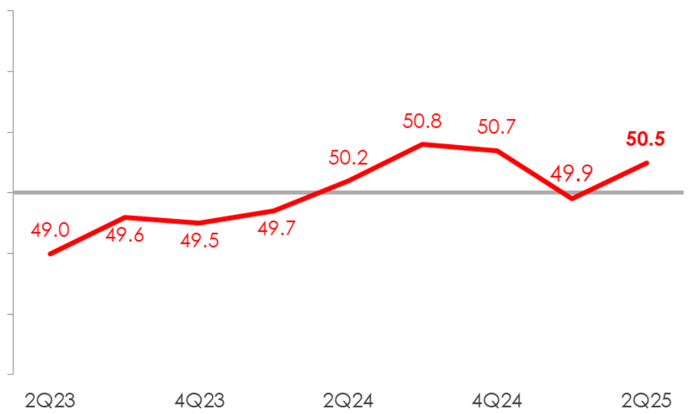
The OCBC SME Index improved in 2Q 2025, signaling a shift to expansion range at 50.5, up from 49.9 in the previous quarter.

The performance of SMEs held up relatively well against challenging economic conditions and a volatile geopolitical landscape, with broad-based improvements across industries. Overall collections grew by 5.8% on-year, while payments grew by 4.5% on-year.

In the externally oriented sector, Wholesale Trade, Manufacturing and Resources were in expansion with improved performance from the previous quarter. Domestic facing industries such as F&B, Business Services and Building & Construction also supported growth. Meanwhile, Transport & Logistics, Education and ICT lagged growth and were in contraction.

OCBC SME Index

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



The GDP growth Nowcast based on the OCBC SME Index for 2Q 2025 is around 4.5%, up from the 4.1% registered in the previous quarter. This is aligned to the 2Q 2025 GDP advance estimates released by the Ministry of Trade and Industry at 4.3%.

The business outlook for SMEs in the second half of the year however is likely to remain subdued as tariff-related uncertainties persist. Additionally, the front-loading of exports over the past two quarters will probably give way to lower demand from further trade disruptions and the weakening 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.

Against the backdrop of the US tariff negotiations, 57% of the 1,600 SME business owners polled in 2Q 2025 expect the outlook for the rest of the year to worsen or remain unchanged.

Only 43% expect an improvement in the second half of the year. This was down by 8 percentage points.

Significantly, close to 50% of the respondents reported being negatively impacted by the ongoing US tariff issues and uncertainties. This was reflected equally from SMEs in both the external, export oriented as well as the domestic segments of the economy. 44% reported no impact to their businesses and 8% expect to benefit from unfolding tariff situation.

SMEs expect to face continued challenges in an increasingly volatile operating environment as the tariff negotiations unfold before the new deadline of August 1, 2025. Most respondents have had to adopt a wait-and-see approach as the US tariffs have not been finalised and though anticipating changes and evaluating options in global supply chains, businesses have largely been unable to act at this point.

Beyond the overriding concerns on global trade and risks of a weakening of the global economy, SME business owners also expect to face greater fluctuations in exchange rates and interest rates (31%), and further disruptions to supply chains (28%).

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

Remain the same/Worsen 57% (+8pp)

Improve 43% (-8pp)

How has the recent announcement of Trump tariffs affected your business operations in the past 3 months?

44% **No impact**

35% **Moderately negative impact**

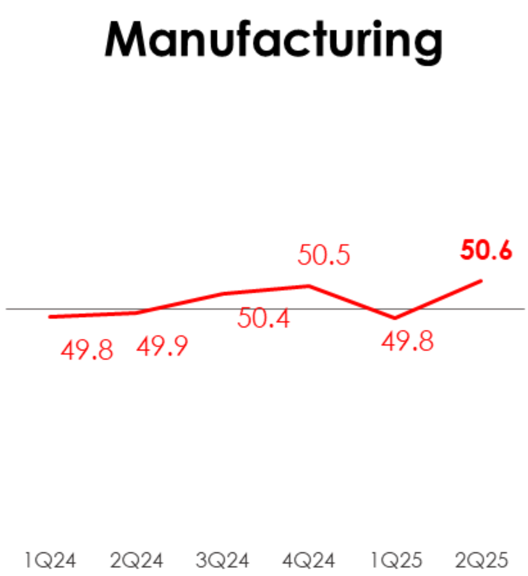
12% **Significantly negative impact**

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. 1,682 responses were collected for the 2Q poll, during the survey period between 2 Jun and 30 Jun 2025.

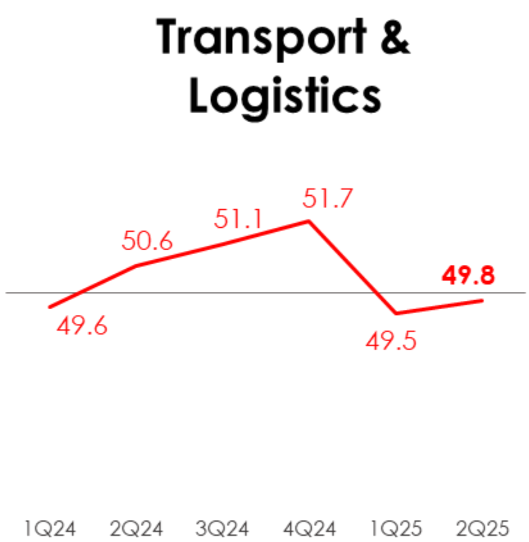
The expansionary reading in the 2Q 2025 OCBC SME Index was supported by both domestic and externally oriented industries, though the improvements were in narrow ranges.

Externally Oriented



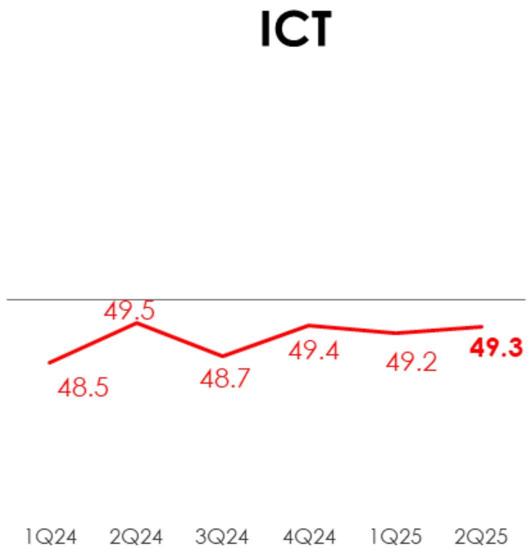
Manufacturing grew to 50.6 this quarter, with growth primarily attributed to the strong performance in the Consumer Products (51.3) segment. Meanwhile, SMEs in Precision Engineering (49.9) and Electronics and Semiconductors (49.9) weighed down on the overall performance of the industry, likely due to the global slowdown in demand for these goods. Collections and payments for the industry increased 1.0% on-year and 0.4% on-year respectively.

The performance of the Manufacturing industry came as a surprise as the overhang of the US reciprocal tariff issues and the challenging economic environment were expected to impede growth. SMEs here are likely to have benefited from continued front-loading of orders in the second quarter.



Transport & Logistics remained in contraction but improved marginally to 49.8 in 2Q 2025, up from 49.5 registered last quarter. This was accompanied by a 1.5% on-year drop in collections and 0.4% on-year drop in payments. While overseas collections dropped by 6.0% on-year, overseas payments grew by 1.1% on-year.

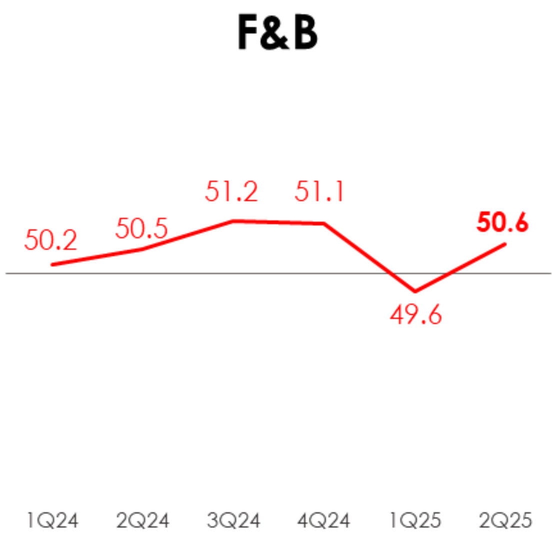
SMEs in the Logistics segment registered an expansionary reading of 50.8, while businesses in the Sea Transport (49.7) and Land Transport (49.6) segments were contractionary, dragging the overall performance of the industry.



ICT remained in contractionary territory at 49.3, marking the industry's twelfth consecutive quarter in contraction. The overall reading was weighed down by the Data Processing & Software Development (48.6) and the IT Consultancy (49.6) segment.

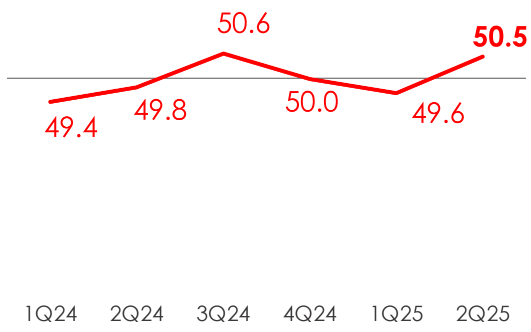
Outlook for SMEs in the ICT industry remains clouded as the U.S. tariffs come into full effect in the next quarter. Business activity may remain slow, as about 50% of collections in the industry comes from overseas customers. The rise in cost of cross border trade will make it more difficult for SMEs to maintain their margins and thrive.

Domestic facing



Food & Beverage expanded to 50.6 this quarter, a sizeable increase from the 49.6 registered in 1Q 2025. This was accompanied by a 4.2% on-year increase in collections, and 5.0% on-year increase in payments. The pickup in reading was driven by strong growth in the F&B Wholesale Trade segment (51.7), as collections and payments also increased by 10.4% and 10.7% respectively year-on-year. F&B Services which had seen closures of several notable restaurants this quarter in fact registered a significant recovery to 50.3, up from the dip to 48.3 in the last quarter.

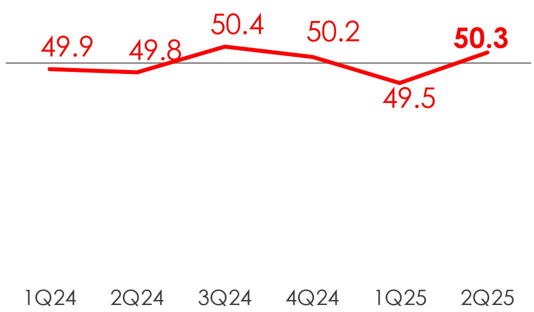
Business Services



Business Services rose to 50.5 in 2Q 2025, and this was led by a 4.7% on-year increase in collections and 0.3% on-year increase in payments. Overall growth was supported by steady performance in the Business Consultancy (50.2) and Accounting & Legal (51.6) segments. Meanwhile, Advertising & Exhibition fell into contraction at 49.8 for the first time after 4 years in expansion.

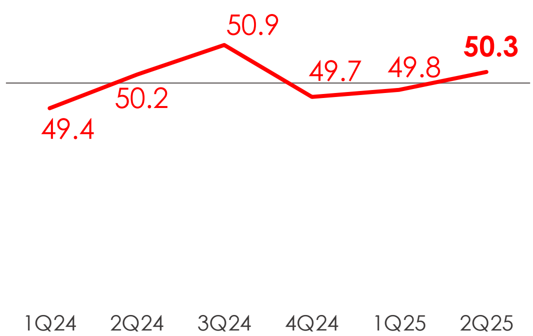
Similar to the previous quarter, SMEs in the industry registered a double digit increase in total wage bill at 11.1% this quarter even as growth in overall payments is flat.

Building & Construction



Building & Construction grew to 50.3 this quarter, an improvement from the 49.5 registered in 1Q 2025. Overall collections and payments rose by 13.1% and 10.8% respectively year-on-year. Expansion was broad-based across all key segments within the Construction industry, with the Building Materials segment registering the strongest reading at 50.5.

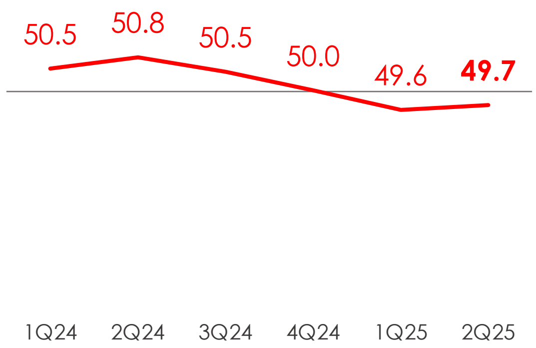
Healthcare



Healthcare rose to 50.3 this quarter and moved into the expansion territory after two quarters of contraction. Collections grew by 7.9% on-year while payments dropped by 2.4% on-year. Weakness in the Healthcare Distributors segment persists as it remains contractionary at 49.1 and posed a drag on overall growth of the industry with SMEs in the segment.

Manpower-related issues continue to be a key concern faced by businesses in the Healthcare industry, with SMEs registering a 12.7% increase in wage bill in 2Q 2025.

Education



Education extended another quarter of contraction at 49.7, led by a 1.1% drop in collections and 1.8% drop in payments year-on-year. Overall performance was primarily weighed down by weaknesses Formal Education & Commercial Schools (48.0), as SMEs in the segment registered its fourth consecutive quarter of contraction. Early Childhood Education also saw a slowdown in business activity, with a decline in reading to 49.3 this quarter.

Moving ahead, the OCBC SME Index is likely to ease as SMEs face a fluid and complex macroeconomic landscape

Challenges ahead

Trump's tariffs

Trump's extension of the "Liberation Day" tariff pause to August 2025 had given countries more time for trade negotiations to happen, but new and higher tariff rates have also been announced on key economies such as South Korea and Japan. This suggests the trade environment remains dynamic and far from stabilising. SMEs will continue to operate in an uncertain climate for the next two quarters of the year. Businesses, especially those in the externally oriented sectors, are likely to hold off major strategic decisions on supply chains and market expansions until there is more stability and predictability.

As a second order impact, SMEs may also have to deal with a higher level of market competition as the US turns more protectionist. While this is not unique to SMEs situation in Singapore, major global players from tariff-hit countries may have to look for alternative export destinations and end-demand markets. These MNCs and foreign companies tend to have significant capital and well-developed technology, making it harder for SMEs to thrive.

Opportunities

Growth prospects in the region

As the macro environment and geopolitical ties within the ASEAN region are relatively more certain and stronger, SMEs in Singapore are well-positioned to tap on new opportunities emerging from the growth of intra-ASEAN trade and Johor-Singapore Special Economic Zone (JSSEZ). The regional integration drive and reconfiguration of supply chains in response to new global trade norms is likely to encourage more cross-border flows to take place between Singapore and its neighboring countries, creating new markets that SMEs can venture into. Nonetheless, it might take time for some of these longer-term trends to materialize, given that some projects are only in the early development stages. That being said, ASEAN's young and growing population forms one of the key drivers of demand for consumer goods and lifestyle services where SMEs can grow and innovate.

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Building & Construction	**49.9**	**49.8**	**50.4**	**50.2**	**49.5**	**50.3**
Construction	*49.7*	*49.8*	*50.2*	*50.0*	*49.4*	*50.1*
Investment Companies and Operators	*50.5*	*49.0*	*50.7*	*51.0*	*49.8*	*50.4*
Building Materials	*50.5*	*49.9*	*51.4*	*51.5*	*50.5*	*50.5*
Other Building & Construction	*49.6*	*49.6*	*50.2*	*49.3*	*49.7*	*50.6*
Business Services	**49.4**	**49.8**	**50.6**	**50.0**	**49.6**	**50.5**
Business Consultancy	*49.0*	*48.9*	*50.0*	*49.2*	*49.0*	*50.2*
Advertising and Exhibition	*50.6*	*51.0*	*51.3*	*50.9*	*50.1*	*49.8*
Accounting and Legal	*49.7*	*50.8*	*51.2*	*50.5*	*50.2*	*51.6*
Other Business Services	*50.0*	*49.8*	*50.5*	*50.8*	*51.4*	*52.0*
Education	**50.5**	**50.8**	**50.5**	**50.0**	**49.6**	**49.7**
Early Childhood Education	*49.4*	*50.6*	*50.0*	*49.4*	*50.2*	*49.3*
Training Centres	*50.2*	*49.9*	*50.3*	*50.5*	*50.5*	*50.6*
Recreation Classes	*50.5*	*50.6*	*50.6*	*50.5*	*50.5*	*50.8*
Formal Education & Commercial Schools	*50.5*	*50.5*	*49.1*	*48.7*	*47.5*	*48.0*
Other Education	*51.2*	*51.1*	*50.8*	*50.1*	*49.3*	*49.9*
F&B	**50.2**	**50.6**	**51.2**	**51.1**	**49.6**	**50.6**
F&B Services	*50.5*	*50.0*	*50.7*	*50.6*	*48.3*	*50.3*
F&B Wholesale Trade	*49.8*	*50.9*	*51.3*	*52.4*	*51.8*	*51.7*
F&B Retail	*51.4*	*51.2*	*52.1*	*51.5*	*49.8*	*49.9*
Other F&B	*50.8*	*50.3*	*50.6*	*50.3*	*50.4*	*51.6*
Healthcare	**49.4**	**50.2**	**50.9**	**49.7**	**49.8**	**50.3**
Healthcare Distributor	*49.8*	*50.6*	*50.1*	*50.0*	*48.9*	*49.1*
Healthcare Provider	*49.4*	*50.6*	*51.9*	*50.2*	*50.5*	*50.9*
Other Healthcare	*50.0*	*49.0*	*49.2*	*49.0*	*49.7*	*50.2*
ICT	**48.5**	**49.5**	**48.7**	**49.4**	**49.2**	**49.3**
Data Processing and Software Development	*48.0*	*50.0*	*48.1*	*49.3*	*49.3*	*48.6*
IT Consultancy	*49.9*	*49.0*	*50.2*	*49.9*	*49.4*	*49.6*
ICT Manufacturing and Sales	*50.9*	*51.4*	*50.5*	*50.0*	*50.0*	*50.4*
Web Portals and Hosting	*49.3*	*48.1*	*48.3*	*49.5*	*50.0*	*51.3*
Other ICT	*48.5*	*49.4*	*49.3*	*49.8*	*49.6*	*49.9*
Manufacturing	**49.8**	**49.9**	**50.4**	**50.5**	**49.8**	**50.6**
Precision Engineering	*50.0*	*50.7*	*50.3*	*50.6*	*49.6*	*50.0*
Electronics and Semiconductors	*50.5*	*51.3*	*50.4*	*50.9*	*50.7*	*50.0*
Consumer Products	*49.5*	*49.1*	*49.8*	*50.4*	*49.6*	*51.3*
Others Manufacturing	*49.9*	*49.4*	*50.8*	*50.2*	*49.9*	*50.9*
Transport & Logistics	**49.7**	**50.6**	**51.2**	**51.7**	**49.5**	**49.8**
Sea Transport	*48.6*	*49.2*	*49.6*	*50.4*	*48.8*	*49.7*
Land Transport	*50.4*	*50.6*	*50.4*	*50.1*	*49.3*	*49.6*
Logistics	*48.7*	*51.0*	*52.6*	*54.7*	*51.7*	*50.8*
Other Transport & Logistics	*50.5*	*51.5*	*51.8*	*52.0*	*51.7*	*50.9*
Resources	**49.9**	**51.1**	**50.9**	**50.2**	**49.9**	**50.1**
Retail	**50.9**	**50.3**	**50.8**	**50.5**	**49.0**	**50.6**
Wholesale Trade	**49.4**	**50.4**	**50.7**	**51.1**	**51.1**	**51.3**
Others	**50.0**	**50.5**	**50.3**	**50.2**	**50.1**	**50.7**
Overall SME Index	**49.7**	**50.2**	**50.8**	**50.7**	**49.9**	**50.5**

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