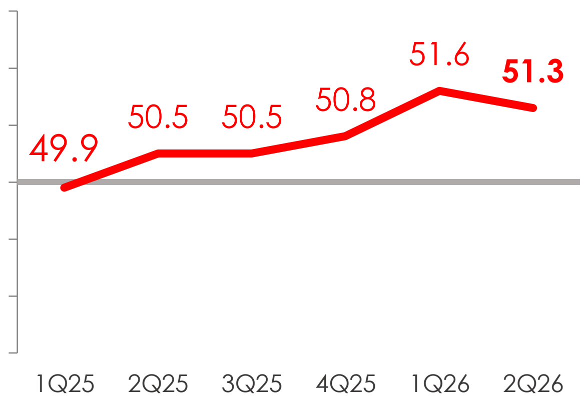
The OCBC SME Index moderated to 51.3 in 2Q 2026, remaining in expansion amid prolonged geopolitical uncertainty arising from the Middle East conflict.

OCBC SME Index

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



Growth was primarily driven by a broad-based expansion across the outward-oriented sectors such as Manufacturing, ICT and Transport & Logistics, supported by healthy trade and investment activity. Among domestically oriented sectors, performance was more mixed. Retail recorded the strongest growth across all sectors, benefiting from stable consumer demand. Meanwhile, Business Services and Education fell into contraction.

Despite the expansion in 2Q 2026, SMEs continued to navigate challenging business conditions. Fuel and freight costs remained elevated following disruptions to Middle East shipping routes earlier in the year, with crude oil prices and global container shipping rates remaining significantly above year-ago levels. Although geopolitical tensions showed signs of easing during the quarter, uncertainty surrounding the conflict persisted and supply chain costs remained elevated.

Against this backdrop, overall payments increased by 19.4% year-on-year in 2Q 2026, while collections rose by 19.1%. In addition to the underlying growth in business activity, part of the expansionary reading may reflect the pass-through of higher input and operating costs through the value chain to downstream businesses and consumers. This effect is likely to be more evident in goods-producing and goods-trading sectors (e.g., Manufacturing and Wholesale Trade) as these sectors are more exposed to commodity, fuel and freight costs.

Nonetheless, broader economic indicators suggest that underlying demand conditions remained supportive. Singapore's PMI reached 51.3 in June 2026, its highest reading since 2018 while non-oil domestic exports (NODX) maintain strong momentum in recent months. Retail sales continue to grow with domestic demand benefiting from a resilient labour market. Taken together, the GDP nowcast based on the OCBC SME Index for 2Q 2026 is around 5%, broadly in line with the advance GDP estimate released by the Ministry of Trade and Industry at 5.7%.

Even as the OCBC SME Index remained in expansionary territory in 2Q 2026, businesses remain cautiously optimistic with demand remaining a key driver of growth. Ongoing geopolitical risks arising from the renewed conflict in the Middle East could further elevate business costs and create uncertainty, potentially weighing on demand and bringing the OCBC SME index closer towards neutral territory in the upcoming quarters.

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.

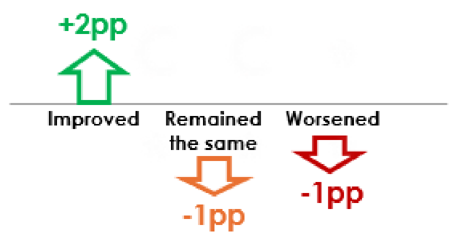
Of the 700 responses collected from the SME Business Outlook Survey, sentiments among SMEs have improved marginally.

33% of respondents cited an improvement in their businesses and this represents a 2-percentage point rise from the poll conducted in March. In line with the OCBC SME Index reading, businesses from the outward-oriented sectors (37%) seems to be more optimistic compared to their peers in the domestically oriented sectors (29%). Meanwhile, majority of respondents (42%) indicated that business conditions have remained the same, and this is a 1-percentage point drop from the poll conducted in March.

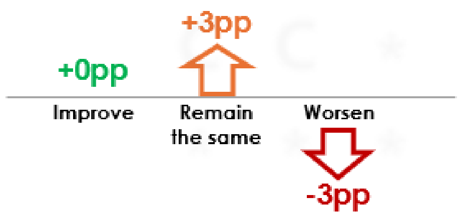
Looking ahead, sentiments on the outlook have also improved slightly with fewer business owners expecting conditions to deteriorate in the near-term. 19% of the respondents see conditions worsening, and this is a 3-percentage point drop from 3 months ago. At the same time, there has been a corresponding 3-percentage point increase to SMEs expecting business conditions to remain status quo.

The survey findings were broadly consistent with trends observed in the OCBC SME Index and other economic indicators such as the PMI and NODX. Together, these point to resilient demand conditions continuing to support business activity despite elevated cost pressures.

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?



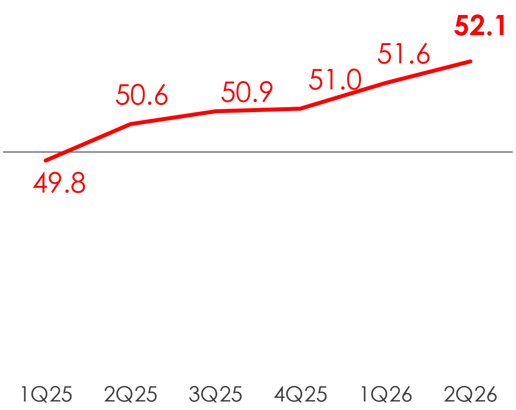
About the OCBC SME Business Outlook poll

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 720 responses were collected for the 2Q poll, during the survey period between 2 June and 30 June 2026.

Overall expansion in 2Q 2026 was supported by a broad-based growth within the outward-oriented sectors.

Outward Oriented

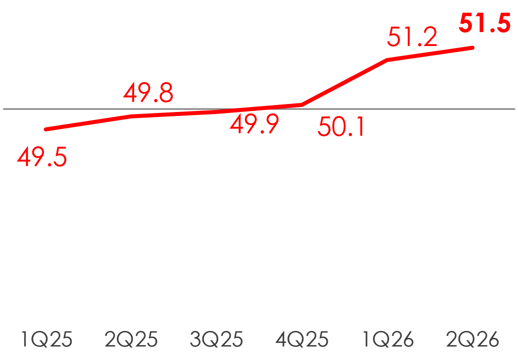
Manufacturing



Manufacturing extended its upward trajectory in 2Q 2026 and registered its fifth consecutive quarter of expansion. This was accompanied by a 14.5% increase in collections and 11.5% increase in payments on a year-on-year basis. Strong performance of the sector is primarily attributed to the Precision Engineering (53.1) segment. SMEs in the Consumer Products and Electronics & Semiconductors segments also both registered a robust reading of 50.7.

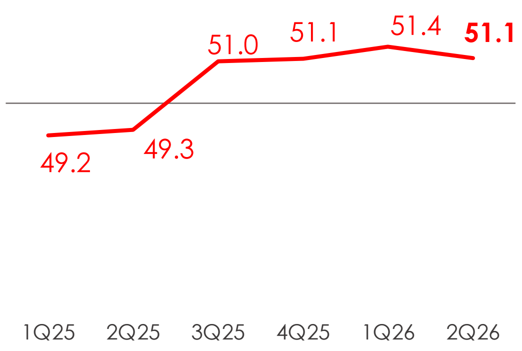
SMEs in industry are likely benefiting from the ongoing demand for AI related hardware and advanced electronics manufacturing equipment, which has supported business activity.

Transport & Logistics



Transport & Logistics registered its third consecutive quarter of expansion with a reading of 51.5 in 2Q 2026. Overall collections and payments rose by 15.4% year-on-year and 14.4% year-on-year respectively, as SMEs in the sector benefitted from increased trade activity. Growth in the sector was supported by expansions in Sea Transport (50.9), Land Transport (50.9) and Logistics (51.5).

ICT

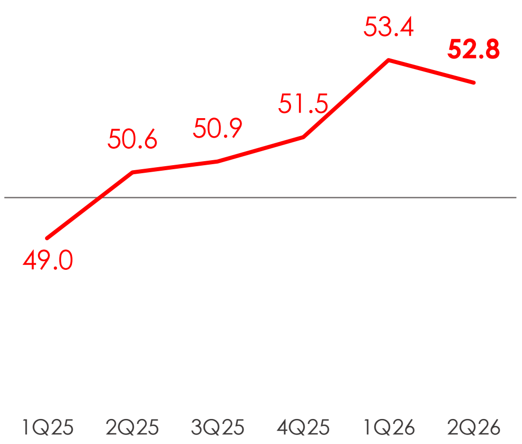


ICT eased to 51.1 in 2Q 2026 but remained in expansionary territory for the fourth consecutive quarter. Growth this quarter was driven by expansions in IT Consultancy (50.4) and Manufacturing & Sales (51.9).

Increased spending on technology and the growing adoption of AI and automation has created opportunities for SMEs in the industry, supporting demand for digital infrastructure and ICT services.

Domestic Facing

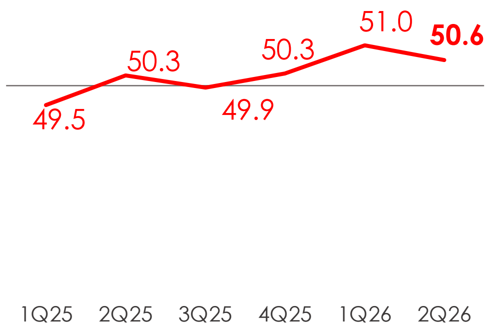
Retail



Retail moderated from the peak last quarter to 52.8 in 2Q 2026. This was accompanied by a year-on-year increase in overall collections and payments of 17.2% and 17.5% respectively.

In the second quarter, SMEs in the Retail sector were supported by healthy consumer spending, underpinned by a resilient domestic labor market. This was also reflected at the overall economic level, with the Retail Sales Index expanding by 5.4% and 3.0% year-on-year in April and May 2026 respectively, broadly in line with the sector's performance in our data.

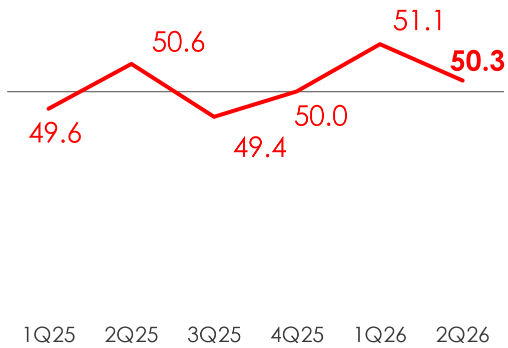
Building & Construction



Building & Construction eased to 50.6 in 2Q 2026, with overall growth supported by businesses in the Construction (50.5) and Building Materials (50.8) segments.

SMEs in the industry saw a sizable increase in both collections and payments, rising by 34.6% and 35.2% year-on-year respectively. This pronounced increase partly reflects a higher-cost operating environment, with elevated fuel, freight and construction material costs. Prices for key inputs such as ready-mixed concrete and steel reinforcement bars have increased following supply chain disruptions linked to the Middle East conflict, while freight costs also rose sharply, putting upward pressure on costs across the value chain.

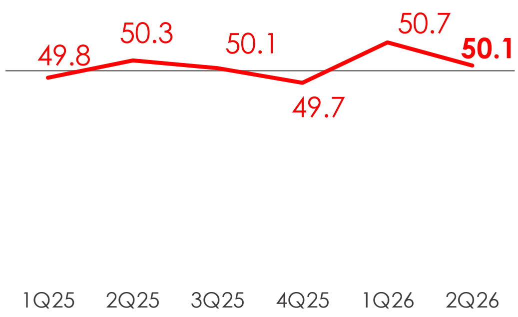
F&B



F&B moderated to 50.3 in 2Q 2026, down from the 51.1 recorded last quarter. Growth was primarily driven by the F&B Wholesale Trade segment (50.7). Overall collections and payments grew year-on-year by 8.9% and 7.7%, respectively.

SMEs in the industry experienced stronger business activity in June, supported by increased demand across the retail, services and wholesale trade segments compared to earlier months in the quarter.

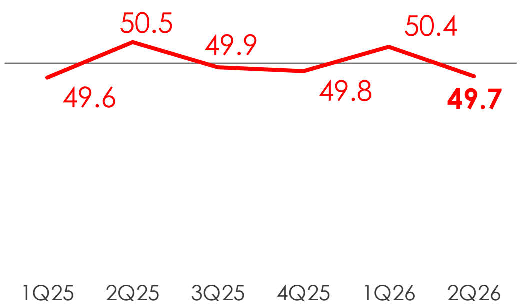
Healthcare



Healthcare registered an expansion of 50.1 in 2Q 2026 and saw a slowdown in the pace of growth from the previous quarter. Strong performance in the Healthcare Distributor segment (51.9) was partially offset by contraction in the Healthcare Provider segment (49.4).

While overall collections increased by 7.3% year-on-year, payments grew at a faster pace of 12.4%. The strong growth in payments could suggest that cost pressures may be outpacing revenue growth for Healthcare SMEs.

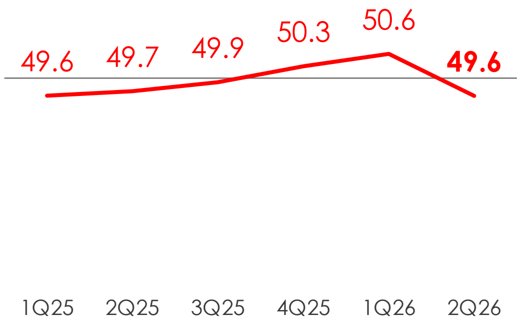
Business Services



Business Services slipped into contraction with a reading of 49.7 in 2Q 2026. Overall performance was weighed down by Business Consultancy (49.9) and Advertising & Exhibition (49.2). SMEs in the latter segment have remained in contraction for the fifth consecutive quarter.

Overall collections and payments grew year-on-year by 7.3% and 8.8%, respectively. The stronger growth in payments compared to collections suggests that SMEs in the services sector continue to face cost pressures but have limited their ability to pass these costs through to customers due to stickier prices.

Education



Education registered at 49.6, dropping into contractionary territory in 2Q 2026. Growth in Early Childhood Education (51.8) was outweighed by the contractions in Training Centers (48.4) and Formal Education & Commercial Schools (49.5).

Looking ahead, SMEs may continue to face near-term cost pressures, even as they pursue longer-term strategies.

Challenges ahead

Cost pressures remain

Cost pressures remain elevated, with SMEs facing the prospect of higher electricity, fuel and freight costs in 3Q 2026. While tensions in the Middle East have eased from recent peaks, the situation remains fluid and volatile. Any renewed escalation or breakdown in diplomatic efforts could disrupt supply chains and place further upward pressure on energy and transportation costs. The resilience of SMEs will depend partly on their ability to manage cost pressures, including passing on higher costs where market conditions permit.

External demand risks have also re-emerged amid uncertainty surrounding U.S. tariff policies, which could weigh on global trade activity and business sentiment, particularly among outward-oriented SMEs.

Risk Management

SMEs can explore risk management solutions to mitigate the impact of volatile energy, commodity and currency markets on their operating margins. Financial instruments such as forward contracts and foreign exchange hedging products may help businesses manage input cost fluctuations and currency risks. By reducing exposure to market volatility, these tools can provide greater cost certainty and enhance business resilience, particularly for SMEs with limited capacity to absorb sudden price shocks.

Opportunities

AI adoption

AI adoption presents a growing opportunity for SMEs to enhance productivity and strengthen competitiveness. Businesses are increasingly applying AI-enabled solutions across functions to improve operational efficiency and lower costs. As AI adoption matures beyond experimentation and becomes more embedded in day-to-day processes, SMEs may also be able to unlock new growth opportunities through enhanced decision-making, service innovation and the development of new business models.

	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
Building & Construction	**49.5**	**50.3**	**49.9**	**50.3**	**51.0**	**50.6**
Construction	49.4	50.1	50.0	50.3	50.9	50.5
Investment Companies and Operators	49.8	50.4	49.4	49.6	49.1	49.3
Building Materials	50.5	50.5	49.3	49.4	50.5	50.8
Other Building & Construction	49.7	50.6	50.2	50.7	51.7	50.4
Business Services	**49.6**	**50.5**	**49.9**	**49.8**	**50.4**	**49.7**
Business Consultancy	49.0	50.2	49.8	49.7	50.7	49.9
Advertising and Exhibition	50.1	49.8	49.2	49.2	49.5	49.2
Accounting and Legal	50.2	51.6	50.5	50.4	50.9	50.1
Other Business Services	51.4	52.0	51.5	52.0	51.3	50.7
Education	**49.6**	**49.7**	**49.9**	**50.3**	**50.6**	**49.6**
Early Childhood Education	50.2	49.3	49.3	50.6	50.4	51.8
Training Centres	50.5	50.6	50.9	50.8	50.9	48.4
Recreation Classes	50.5	50.8	50.5	50.1	50.5	50.0
Formal Education & Commercial Schools	47.5	48.0	49.2	49.5	49.5	49.5
Other Education	49.3	49.9	49.8	50.4	50.5	49.5
F&B	**49.6**	**50.6**	**49.4**	**50.0**	**51.1**	**50.3**
F&B Services	48.3	50.3	49.0	49.9	51.2	50.1
F&B Wholesale Trade	51.8	51.7	50.7	49.8	50.4	50.7
F&B Retail	49.8	49.9	48.4	49.2	50.6	49.7
Other F&B	50.4	51.6	51.2	50.5	51.5	50.0
Healthcare	**49.8**	**50.3**	**50.1**	**49.7**	**50.7**	**50.1**
Healthcare Distributor	48.9	49.1	50.2	49.7	52.2	51.9
Healthcare Provider	50.5	50.9	49.6	49.8	50.3	49.4
Other Healthcare	49.7	50.2	50.3	49.8	49.7	49.4
ICT	**49.2**	**49.3**	**51.0**	**51.1**	**51.4**	**51.1**
Data Processing and Software Development	49.3	48.6	50.6	50.9	50.7	49.8
IT Consultancy	49.4	49.6	50.0	49.6	50.1	50.4
ICT Manufacturing and Sales	50.0	50.4	50.8	50.5	51.3	51.9
Web Portals and Hosting	50.0	51.3	51.0	51.7	51.4	50.1
Other ICT	49.6	49.9	49.9	50.6	51.0	50.7
Manufacturing	**49.8**	**50.6**	**50.9**	**51.0**	**51.6**	**52.1**
Precision Engineering	49.6	50.0	51.3	50.9	52.3	53.1
Electronics and Semiconductors	50.7	50.0	50.2	51.9	50.1	50.7
Consumer Products	49.6	51.3	50.7	50.8	51.3	50.7
Others Manufacturing	49.9	50.9	50.3	50.6	51.0	51.4
Transport & Logistics	**49.5**	**49.8**	**49.9**	**50.1**	**51.2**	**51.5**
Sea Transport	48.8	49.7	49.9	49.8	51.1	**50.9**
Land Transport	49.3	49.6	49.9	50.6	51.0	**50.9**
Logistics	51.7	50.8	49.4	48.6	50.4	**51.1**
Other Transport & Logistics	51.7	50.9	51.9	51.2	49.9	50.1
Resources	**49.9**	**50.1**	**50.2**	**50.6**	**50.4**	**50.8**
Retail	**49.0**	**50.6**	**50.9**	**51.5**	**53.4**	**52.8**
Wholesale Trade	**51.1**	**51.3**	**51.2**	**50.9**	**51.4**	**51.7**
Others	**50.1**	**50.7**	**50.9**	**51.3**	**51.3**	**50.4**
Overall SME Index	**49.9**	**50.5**	**50.5**	**50.8**	**51.6**	**51.3**

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