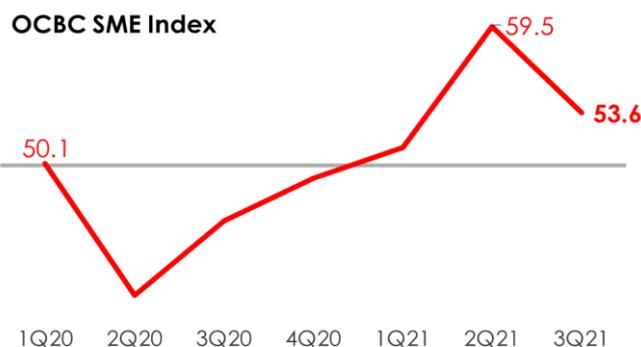


The OCBC SME Index expanded for the third consecutive quarter at 53.6 in 3Q 21, despite the impact from the Heightened Alert measures in July and August. A reading above 50 indicates improved activity while below 50 indicates a deterioration relative to the same period a year ago.



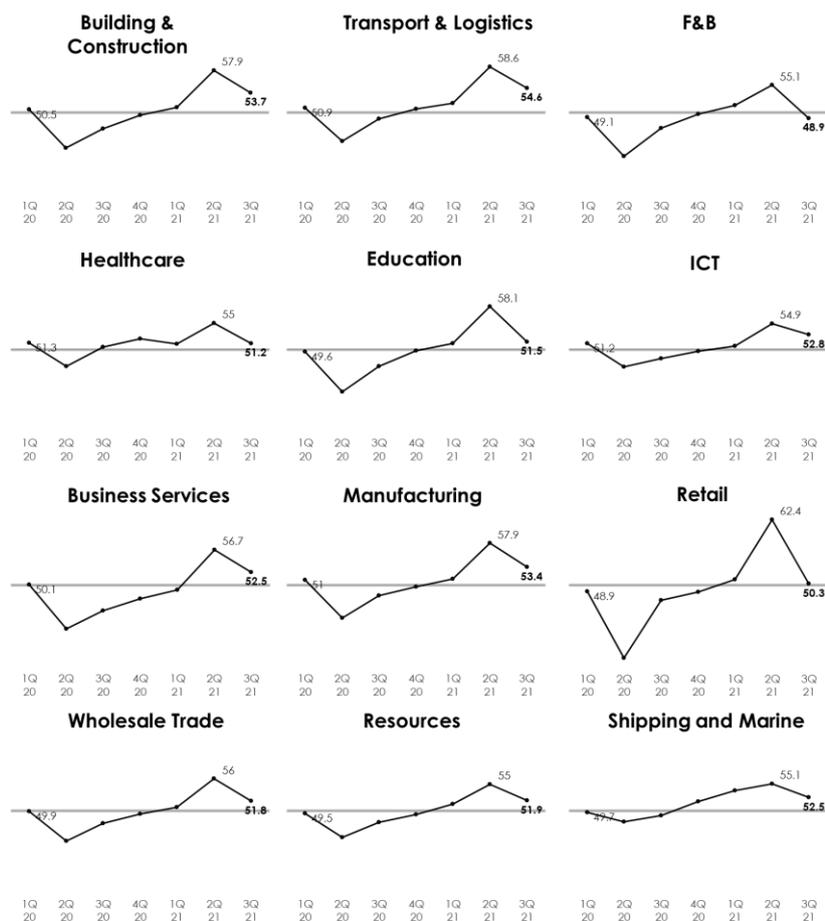
Notwithstanding a moderation of the Index from 2Q 21 due to a lower 2Q 20 base, **3Q 21 collections grew by 4%** compared to the last quarter in tandem with the sequential recovery of the economy.

The **3Q 21 GDP Nowcast came in at 6.5%**, a slowdown from the 15.2% GDP growth in 2Q 21. This estimates GDP using the latest OCBC SME Index and is aligned with the advance estimates of 6.5% released by the Ministry of Trade and Industry and the consensus of 7% in the Monetary Authority of Singapore's Survey of Professional Forecasters in September.

The positive reading in 3Q 21 was largely broad-based as all industries except for F&B had Index readings exceeding 50. Manufacturing, ICT and Transport & Logistics continues to see strong growth, riding on secular trends such as digitalisation, e-commerce and the recovery of global demand; green shoots first observed in Healthcare and Transport & Logistics in 2020 extended their positive momentum, recording 5 and 4 consecutive quarters in expansionary territory respectively; the recovery in Building & Construction remains on track albeit held back by supply chain issues, registering the third highest reading at 53.7.

With the reversion of Phase 2 (Heightened Alert) in July 2021, the impact was greatest in F&B and Retail as they registered the weakest SME Index readings, with F&B turning contractionary. This negative impact is likely to persist in 4Q 21 as restrictions were tightened again in end-September.

While the SME Index is expected to continue its expansionary trajectory in 4Q 21, recovery would be uneven with industries like F&B and Retail being more vulnerable. Downside risks that could derail recovery for SMEs include re-tightening of restrictions and persistent supply shocks.

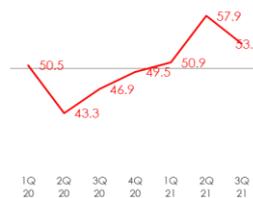


Building & Construction remained expansionary with the SME Index registering 53.7 in 3Q 21. This was boosted by a 39% improvement in YoY collections resulting in better cash coverage.

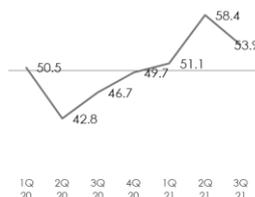
The Construction segment being the largest, led the recovery as its sub-industry index was the highest in the industry at 53.9. This also positively impacted other supporting segments including Building Materials and Engineering Services. However, there remains evidence of construction project delays arising from supply disruptions and manpower challenges.

Other segments such as Investment Companies and Operators were also expansionary at 50.1 and remain resilient.

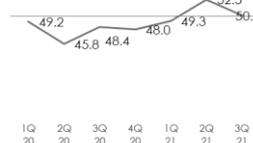
Building & Construction



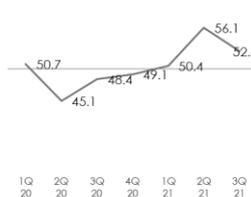
Construction



Investment Companies and Operators

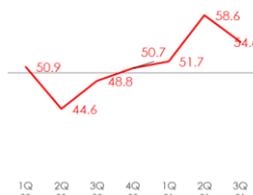


Building Materials

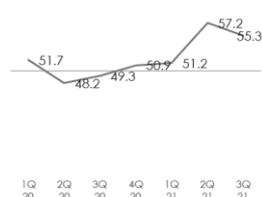


The Transport & Logistics industry had its 4th consecutive quarter of expansion at 54.6 in 3Q 21, led by a 57% YoY increase in collections.

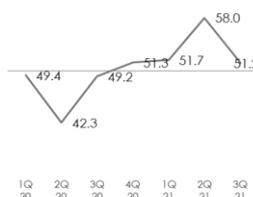
Transport & Logistics



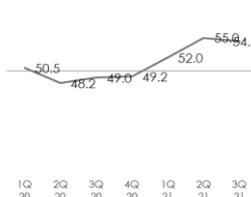
Sea Transport



Land Transport



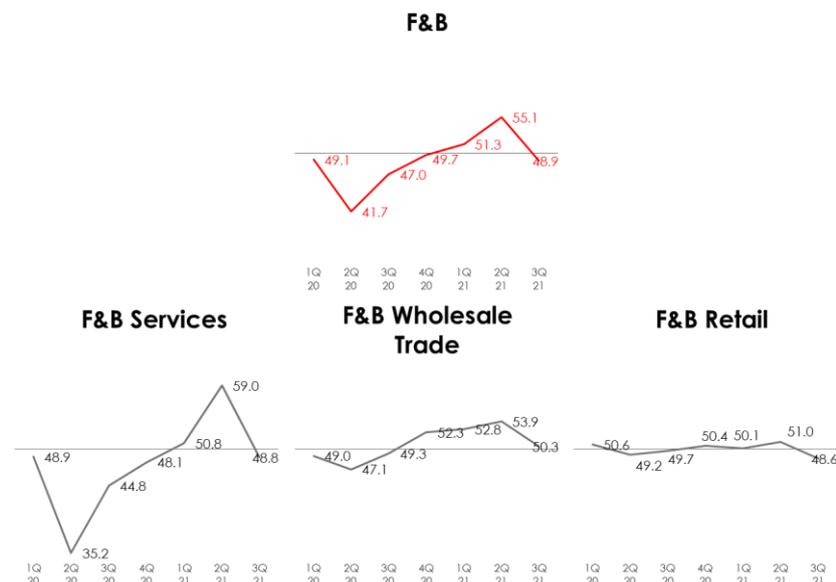
Logistics



The industry was driven by the Logistics and Sea Transport segments which registered higher readings at 54.5 and 55.3, lifted by growth in trade and e-commerce as well as the rise in shipping costs. The Drewry World Container Index on 30th September showed that freight rates for a 40-ft container grew by 2X compared to 2Q 21 and by 5X compared to last year to ~US\$10,000.

Land Transport remained expansionary in 3Q 21 at 51.2, despite the impact on demand from the shift to increased work from home during the quarter.

The F&B industry contracted in 3Q 21 at 48.9 due mainly to the impact of heightened restrictions.



F&B Services saw the sharpest drop in its Index to 48.8. Collections dropped YoY in line with the lower customer traffic, resulting in deteriorating cash coverage positions. Firms with insufficient cash balances to cover 6-months of operations rose by 6%-pts to 32% YoY. F&B Wholesale Trade and F&B Retail also registered a slowdown in 3Q 21.

Increased online sales and deliveries offered some support for the industry with a significant growth in collections from digital platforms since 2019.

Healthcare has been one of the most resilient industries and registered its 5th consecutive quarter of expansion at 51.2 in 3Q 21.

This was driven by an increase in demand for healthcare supplies (e.g., test kits) and services, as Healthcare Distributors and Providers both remained expansionary at 50.6 and 52.0, and saw their collections rose QoQ at 4% and 13% respectively.

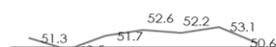
The industry is likely to remain buoyant in the near term as demand of healthcare supplies and services is expected to remain strong. In the medium term, the industry is expected to be supported by increased healthcare spending driven by Singapore's ageing population and increased government expenditures.

Healthcare



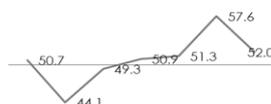
1Q 20 2Q 20 3Q 20 4Q 20 1Q 21 2Q 21 3Q 21

Healthcare Distributor



1Q 20 2Q 20 3Q 20 4Q 20 1Q 21 2Q 21 3Q 21

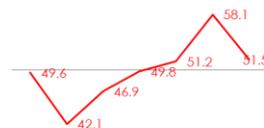
Healthcare Provider



1Q 20 2Q 20 3Q 20 4Q 20 1Q 21 2Q 21 3Q 21

Education remained expansionary for the 3rd consecutive quarter at 51.5 in 3Q 21, driven by 21% increase in collections.

Education



1Q 20 2Q 20 3Q 20 4Q 20 1Q 21 2Q 21 3Q 21

Early Childhood Education



1Q 20 2Q 20 3Q 20 4Q 20 1Q 21 2Q 21 3Q 21

Skills Training



1Q 20 2Q 20 3Q 20 4Q 20 1Q 21 2Q 21 3Q 21

Tuition and Recreation Classes



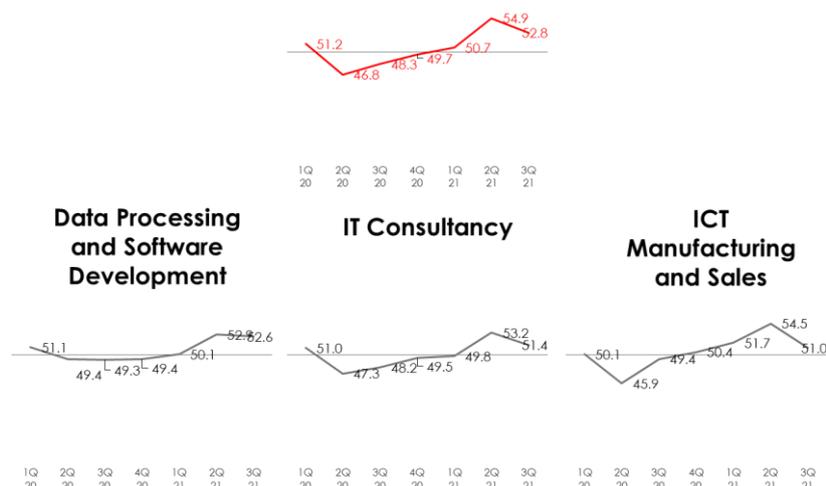
1Q 20 2Q 20 3Q 20 4Q 20 1Q 21 2Q 21 3Q 21

Early Childhood Education, Tuition & Recreation Classes remained expansionary at 50.4 and 50.7 respectively. Both segments are seeing cautious recovery from tightened safety measures which were in place in Q2 and Q3 due to increase in cases linked to tuition centers and care centers in May and June.

Skills Training continues to see robust growth in 3Q 21 at 52.9 as the pandemic saw a push for up-skilling/re-skilling by the government and increased uptake by workers. For example, Singaporeans utilising SkillsFuture increased by 21% YoY to 188,000 in 2020, and the scheme was also extended to 80,000 micro-learning courses in September 21.

Information, Communications and Technology is expected to remain buoyant registering 52.8 in 3Q 21 driven by a strong increase in collections of 64% YoY.

ICT

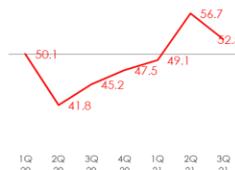


The industry continues to be driven by the acceleration of digitalisation of businesses and the shift to remote work. In particular, Software Development continued a strong showing at 52.6, and IT Consultancy and Manufacturing & Sales were also expansionary at 51.4 and 51.0.

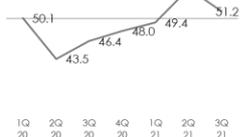
Business Services continued its expansion in this quarter at 52.5, after turning expansionary for the first time in the last quarter since the pandemic started. This was driven by an 18% increase in collections YoY.

The positive reading was broad-based. Advertising and Exhibition began to show signs of a gradual recovery albeit from a low base and the expansion of Vaccinated Travel Lanes will be a positive catalyst for the industry in the quarters ahead.

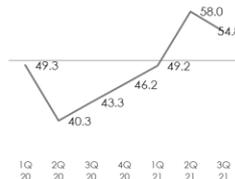
Business Services



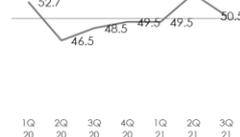
Business Consultancy



Advertising and Exhibition

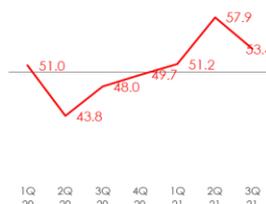


Accounting and Legal

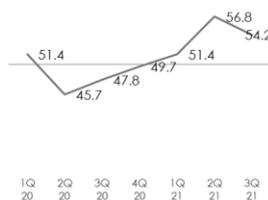


Manufacturing rose to 53.4 in 3Q 21, remaining expansionary for 3 consecutive quarters, supported by a 24% increase in YoY collections. This expansionary reading was seen in all segments. More advanced manufacturing segments such as Electronics and Precision Engineering saw readings of 50.5 and 54.2 on the back of robust demand, while Consumer Products was also expansionary at 51.8.

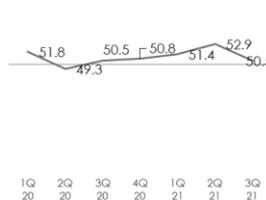
Manufacturing



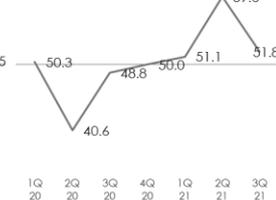
Precision Engineering



Electronics and Semiconductors



Consumer Products



The September Purchasing Managers' Index showed the readings for overall Manufacturing and Electronics expanding for the 15th and 14th consecutive month at 50.9 and 51.2 respectively. While demand has been strong, supply-side issues have also begun to weigh on the industry.

Industry	2Q 20	3Q20	4Q20	1Q21	2Q21	3Q21
Building & Construction	43.3	46.9	49.5	50.9	57.9	53.7
Construction	42.8	46.7	49.7	51.1	58.4	53.9
Investment Companies and Operators	45.8	48.4	48.0	49.3	52.5	50.1
Building Materials	45.1	48.4	49.1	50.4	56.1	52.6
Other Building & Construction	46.5	48.2	49.3	49.7	53.8	52.3
Business Services	41.8	45.2	47.5	49.1	56.7	52.5
Business Consultancy	43.5	46.4	48.0	49.4	54.9	51.2
Advertising and Exhibition	40.3	43.3	46.2	49.2	58.0	54.8
Accounting and Legal	46.5	48.5	49.5	49.5	54.0	50.5
Other Business Services	45.1	47.4	49.3	50.3	55.2	51.3
Education	42.1	46.9	49.8	51.2	58.1	51.5
Early Childhood Education	45.7	49.6	50.8	49.9	55.8	50.4
Skills Training	46.8	47.4	49.1	51.8	54.4	52.9
Tuition and Recreation Classes	43.0	47.8	49.6	51.1	55.9	50.7
Formal Education	44.6	48.2	51.8	52.4	56.6	51.7
Other Education	43.0	46.3	49.0	50.8	57.1	51.6
F&B	41.7	47.0	49.7	51.3	55.1	48.9
F&B Services	35.2	44.8	48.1	50.8	59.0	48.8
F&B Wholesale Trade	47.1	49.3	52.3	52.8	53.9	50.3
F&B Retail	49.2	49.7	50.4	50.1	51.0	48.6
Other F&B	48.9	48.2	49.1	50.3	50.3	49.7
Healthcare	46.9	50.5	52.1	51.1	55.0	51.2
Healthcare Distributor	49.5	51.7	52.6	52.2	53.1	50.6
Healthcare Provider	44.1	49.3	50.9	51.3	57.6	52.0
Other Healthcare	49.7	49.3	49.7	48.0	50.0	50.2
ICT	46.8	48.3	49.7	50.7	54.9	52.8
Data Processing and Software Development	49.4	49.3	49.4	50.1	52.9	52.6
IT Consultancy	47.3	48.2	49.5	49.8	53.2	51.4
ICT Manufacturing and Sales	45.9	49.4	50.4	51.7	54.5	51.0
Web Portals and Hosting	50.3	49.8	51.7	50.2	50.9	50.3
Other ICT	46.8	47.5	48.9	49.5	53.5	52.1
Manufacturing	43.8	48.0	49.7	51.2	57.9	53.4
Precision Engineering	45.7	47.8	49.7	51.4	56.8	54.2
Electronics and Semiconductors	49.3	50.5	50.8	51.4	52.9	50.5
Consumer Products	40.6	48.8	50.0	51.1	59.6	51.8
Others Manufacturing	44.0	46.2	48.1	50.2	54.6	52.8
Transport & Logistics	44.6	48.8	50.7	51.7	58.6	54.6
Sea Transport	48.2	49.3	50.9	51.2	57.2	55.3
Land Transport	42.3	49.2	51.3	51.7	58.0	51.2
Logistics	48.2	49.0	49.2	52.0	55.0	54.5
Other Transport & Logistics	45.1	46.5	49.2	49.2	53.5	53.1
Wholesale Trade	44.3	47.6	49.4	50.7	56.0	51.8
Retail	36.3	47.2	48.8	51.1	62.4	50.3
Resources	45.0	47.8	49.3	51.2	55.0	51.9
Shipping & Marine	47.9	49.1	51.7	53.8	55.1	52.5
Others	37.4	43.4	46.6	51.3	61.6	54.9
Overall SMEI	41.1	46.2	49.1	51.2	59.5	53.6

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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