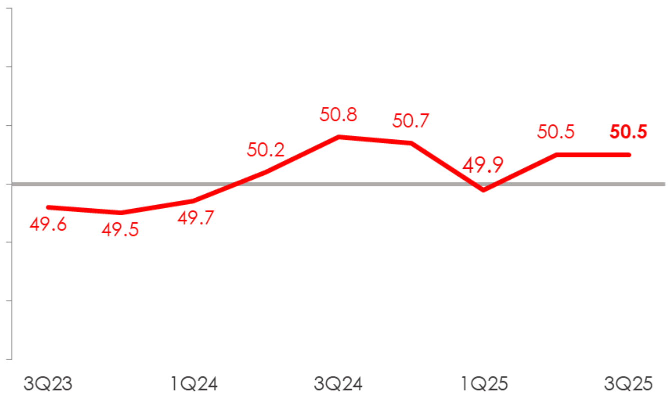
The OCBC SME Index remained in expansionary territory and stood at 50.5 in 3Q 2025, unchanged from the previous quarter.

SMEs have shown a relatively healthy pace of growth this quarter, with an increase in overall collections by 8.5% on-year and increase in overall payments by 6.4% on-year. Growth was mainly supported by SMEs in the externally oriented sectors such as Wholesale Trade, ICT and Manufacturing, where businesses have outperformed and demonstrated resilience. Meanwhile, most of the domestic-facing industries saw a slight contraction in reading. Despite subdued headline inflation, local demand was softer this quarter, impacting industries such as F&B and Building & Construction.

OCBC SME Index

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



The GDP growth Nowcast based on the OCBC SME Index for 3Q 2025 is slightly above 3.5%, moderating from the 4.4% registered in the previous quarter. This is aligned with the trend observed in the GDP advance estimates released by the Ministry of Trade and Industry, which moderated to 2.9% in 3Q 2025.

Looking ahead, the outlook for SMEs is expected to ease in the upcoming quarters. Cautious consumer sentiments and the normalization of tourism growth are likely to weigh down on consuming-facing sectors. Given the unpredictability of tariff-related measures, businesses engaged in external trade would also have to restructure supply chains and adapt to new market norms. Nonetheless, upside risks remain as selected downstream segments stand to benefit from stronger demand in AI-related applications and manufacturing.

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.

As compared to the previous quarter, SME business owners were marginally more optimistic in 3Q 2025.

Based on the OCBC SME Business Outlook poll, 53% of the 800 SME business owners polled in 3Q 2025 expect the outlook to remain the same or worsen in the next 6 months. The remaining 47% expect the outlook to improve despite the challenging operating environment.

Faced with elevated cost pressures and manpower constraints, SME business owners from domestic facing sectors were less optimistic as compared to those from externally oriented sectors. Weaker domestic demand may also have clouded the outlook of SMEs within these industries. In 3Q 2025, total wage bill of SMEs from the domestic facing industries grew by 5.2% year-on-year, higher than the wage increases in externally oriented sectors of 4.8%.

On the external front, 44% of the respondents reported being negatively impacted by ongoing US tariff issues and this is mainly be attributed to the reduction in demand for goods and services. Majority of these business owners are adopting a wait-and-see approach as the tariff situation unfolds, with a sizeable share of SMEs attempting to explore alternative end-demand markets to make up for the fall in demand.

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

Remain the same/Worsen **53%** (-4pp)

Improve **47%** (+4pp)

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

45% No impact

31% Moderately negative impact

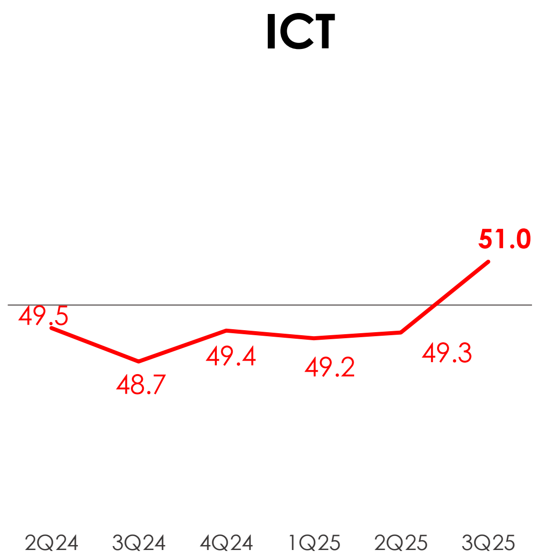
13% Significantly negative impact

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. 861 responses were collected for the 3Q poll, during the survey period between 1 Sep and 29 Sep 2025.

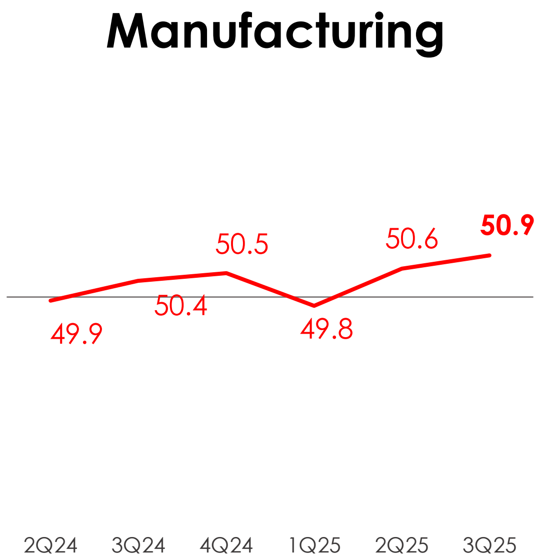
Sustained business activity in externally oriented industries provided an uplift to overall SME performance.

Externally Oriented



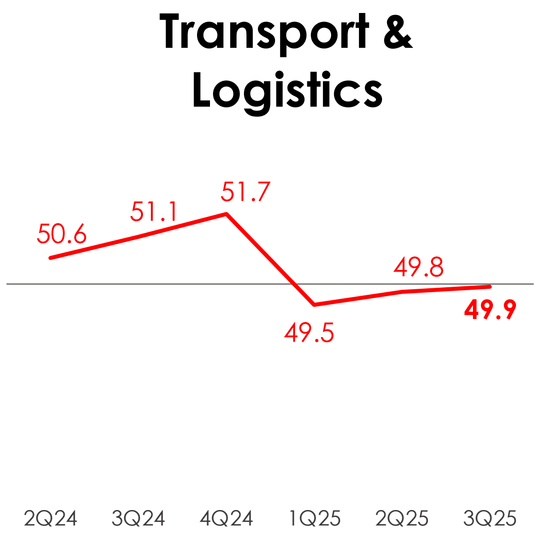
After twelve consecutive quarters in contractionary territory, the ICT reversed into expansion this quarter with a reading of 51.0. This was accompanied by a 14.3% on-year increase in collections and 12.0% on-year increase in payments. Overseas collections grew by 29.7%, with a corresponding rise in overall payments of 21.6%.

Overall reading was supported by the ICT Manufacturing and Sales (50.8) and Data Processing & Software Development (50.6) segments. The reversal in trend signals renewed growth momentum in local SMEs active in the digital economic activities.



Manufacturing grew to 50.9 this quarter, with the expansion primarily attributed to Precision Engineering (51.3). SMEs in the Electronics & Semiconductors (50.2) and Consumer Products (50.7) segment also saw a healthy pace of growth.

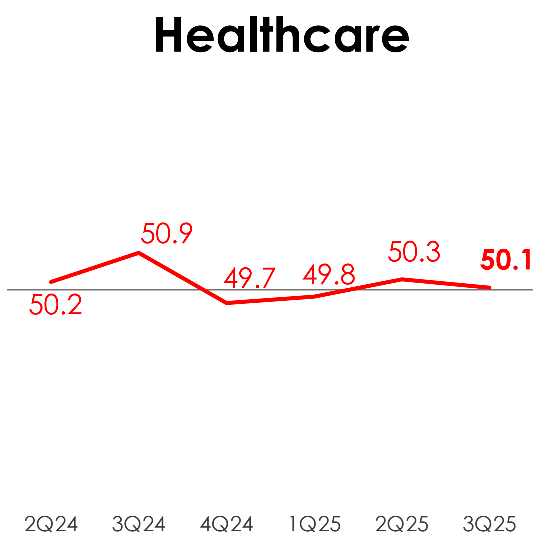
The uptick in performance could likely reflect orders booked earlier or front-loading activities where demand cycles have offset trade frictions arising from tariffs. The tech upcycle may have also provided some lift to SMEs embedded in electronics manufacturing.



Transport & Logistics contracted marginally in 3Q 2025 with a reading of 49.9, a 0.1 improvement from the last quarter. Softer global maritime trade seemed to have weighed down on the Transport & Logstics industry for the third consecutive quarter.

SMEs across all segments of the industry, including Logistics (49.4), Sea Transport (49.9) and Land Transport (49.9), saw stronger external headwinds which posed a drag on the overall performance of the industry.

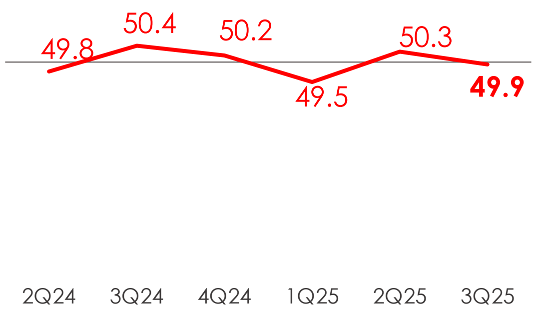
Domestic facing



Healthcare moderated to 50.1 this quarter, remaining in the expansion territory given a 0.2-point drop from the last quarter. The Healthcare Distributors segment registered an expansion at 50.2, reversing 3 consecutive quarters of contraction. Healthcare providers on the other hand registered a contraction at 49.6 and weighed down on the overall performance of the industry.

The Healthcare industry continues to face rising costs and a shortage of skilled professionals. SMEs in the industry registered a 8.3% increase in total wage bills this quarter.

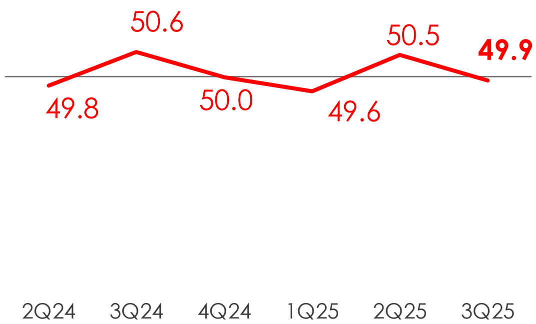
Building & Construction



Building & Construction contracted at 49.9 this quarter, a decline from last quarter's result of 50.3. In contrast to the strong performance last quarter, the Building Materials (49.3) and Investment Companies and Operators (49.4) segments showed a decline in performance. Construction remained in expansion despite easing marginally by 0.1 to 50.0.

While the overall score for Building & Construction shows a contraction, SMEs in the industry are supported by the strong pipeline of public and private sector infrastructure and residential projects.

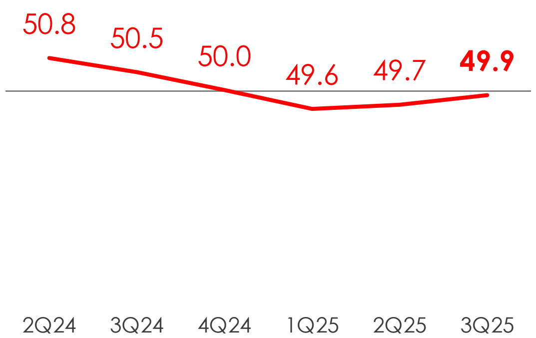
Business Services



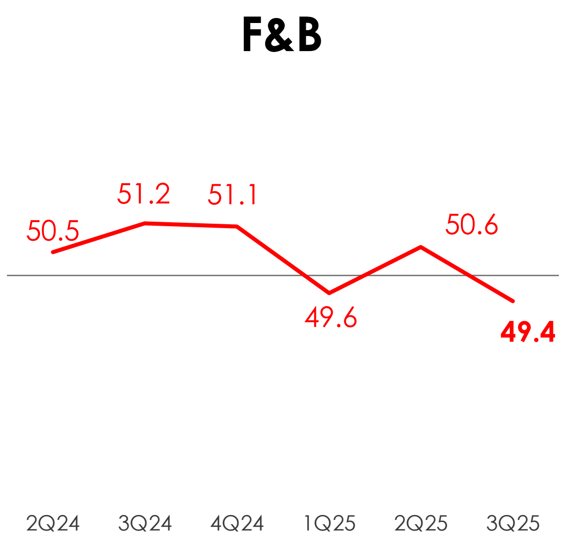
Business Services contracted to 49.9 in 3Q 2025. The overall decline in performance can be attributed to contraction in the Business Consultancy (49.8) and the Advertising & Exhibition (49.2) segments. Meanwhile, Accounting & Legal continues to remain in expansion, although moderating to 50.5.

The industry registered another quarter of double digit increase in total wage bill at 12.6%, underscoring the increasing cost pressures that SMEs face.

Education



Education extended yet another quarter of contraction at 49.9. Overall performance of the industry was primarily weighed down by weaknesses in Early Childhood Education (49.3) and Formal Education & Commercial Schools (49.3). The latter segment registered it's fifth consecutive quarter of contraction. The Training Centres and Recreation Classes segments registered expansionary results at 50.9 and 50.5 respectively.



Food & Beverage reversed its expansion from last quarter and dropped into contraction at 49.4 in 3Q 2025. The decline in reading was driven by poor performance in the F&B Services (49.0) and F&B Retail (48.4) segment. F&B Wholesale Trade remained in expansion but moderated to 50.7, down from 51.7 in the last quarter. This was accompanied with a 6.4% on-year increase in collections and a 7.2% on-year increase in payments, respectively.

The industry has seen a wave of closures recently, and SMEs registered a 1.0% increase in total wage bill. Businesses in the industry will have to manage their costs as global economic uncertainties and a softening labor market are creating more price-sensitive and cautious consumers.

Looking ahead, the OCBC SME Index is likely to ease as global trade dynamics evolve

Challenges ahead

Tightening margins

While a significant share of business owners cite that they have no revenue generated from the US market based on the OCBC Business Outlook poll, SMEs are still exposed to second and third order impact from the U.S. tariffs. As external demand weakens, SMEs, particularly those in the export-oriented industries, may find their margins eroding further.

As compared to large MNCs, SMEs have less room to absorb the rise in upstream input cost and will find it more challenging to navigate the increase in complexity of global supply chains. The flood of cheap Chinese exports into the region's economies, including Singapore, would intensify competition and could drive prices downwards. This adds onto the challenges that SMEs have to manage.

The coming months are crucial as greater clarity on the impact of the U.S. tariffs will emerge. This would incentivize SMEs to reassess and restructure their supply chains and decide on their next market strategy.

Opportunities

Plugging SMEs into frontier industries

While it remains to be seen whether the expansion in SME index for the ICT industry can be sustained in the quarters ahead, the shift reflects not only a cyclical recovery but a structural demand for technology-enabled solutions. While smaller businesses typically operate in industries with lower barriers to entries such as F&B and Wholesale Trade, this trend presents SMEs with opportunities to participate in frontier sectors such as AI, digital platforms and software development.

With demand rising in tech, SMEs pivoting to these emerging value chains could capture new growth engines that are central to the next phase of economic expansion.

	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25
Building & Construction	**49.8**	**50.4**	**50.2**	**49.5**	**50.3**	**49.9**
Construction	49.8	50.2	50.0	49.4	50.1	50.0
Investment Companies and Operators	49.0	50.7	51.0	49.8	50.4	49.4
Building Materials	49.9	51.4	51.5	50.5	50.5	49.3
Other Building & Construction	49.6	50.2	49.3	49.7	50.6	50.2
Business Services	**49.8**	**50.6**	**50.0**	**49.6**	**50.5**	**49.9**
Business Consultancy	48.9	50.0	49.2	49.0	50.2	49.8
Advertising and Exhibition	51.0	51.3	50.9	50.1	49.8	49.2
Accounting and Legal	50.8	51.2	50.5	50.2	51.6	50.5
Other Business Services	49.8	50.5	50.8	51.4	52.0	51.5
Education	**50.8**	**50.5**	**50.0**	**49.6**	**49.7**	**49.9**
Early Childhood Education	50.6	50.0	49.4	50.2	49.3	49.3
Training Centres	49.9	50.3	50.5	50.5	50.6	50.9
Recreation Classes	50.6	50.6	50.5	50.5	50.8	50.5
Formal Education & Commercial Schools	50.5	49.1	48.7	47.5	48.0	49.2
Other Education	51.1	50.8	50.1	49.3	49.9	49.8
F&B	**50.6**	**51.2**	**51.1**	**49.6**	**50.6**	**49.4**
F&B Services	50.0	50.7	50.6	48.3	50.3	49.0
F&B Wholesale Trade	50.9	51.3	52.4	51.8	51.7	50.7
F&B Retail	51.2	52.1	51.5	49.8	49.9	48.4
Other F&B	50.3	50.6	50.3	50.4	51.6	51.2
Healthcare	**50.2**	**50.9**	**49.7**	**49.8**	**50.3**	**50.1**
Healthcare Distributor	50.6	50.1	50.0	48.9	49.1	50.2
Healthcare Provider	50.6	51.9	50.2	50.5	50.9	49.6
Other Healthcare	49.0	49.2	49.0	49.7	50.2	50.3
ICT	**49.5**	**48.7**	**49.4**	**49.2**	**49.3**	**51.0**
Data Processing and Software Development	50.0	48.1	49.3	49.3	48.6	50.6
IT Consultancy	49.0	50.2	49.9	49.4	49.6	50.0
ICT Manufacturing and Sales	51.4	50.5	50.0	50.0	50.4	50.8
Web Portals and Hosting	48.1	48.3	49.5	50.0	51.3	51.0
Other ICT	49.4	49.3	49.8	49.6	49.9	49.9
Manufacturing	**49.9**	**50.4**	**50.5**	**49.8**	**50.6**	**50.9**
Precision Engineering	50.7	50.3	50.6	49.6	50.0	51.3
Electronics and Semiconductors	51.3	50.4	50.9	50.7	50.0	50.2
Consumer Products	49.1	49.8	50.4	49.6	51.3	50.7
Others Manufacturing	49.4	50.8	50.2	49.9	50.9	50.3
Transport & Logistics	**50.6**	**51.2**	**51.7**	**49.5**	**49.8**	**49.9**
Sea Transport	49.2	49.6	50.4	48.8	49.7	49.9
Land Transport	50.6	50.4	50.1	49.3	49.6	49.9
Logistics	51.0	52.6	54.7	51.7	50.8	49.4
Other Transport & Logistics	51.5	51.8	52.0	51.7	50.9	51.9
Resources	**51.1**	**50.9**	**50.2**	**49.9**	**50.1**	**50.2**
Retail	**50.3**	**50.8**	**50.5**	**49.0**	**50.6**	**50.9**
Wholesale Trade	**50.4**	**50.7**	**51.1**	**51.1**	**51.3**	**51.2**
Others	**50.5**	**50.3**	**50.2**	**50.1**	**50.7**	**50.9**
Overall SME Index	**50.2**	**50.8**	**50.7**	**49.9**	**50.5**	**50.5**

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