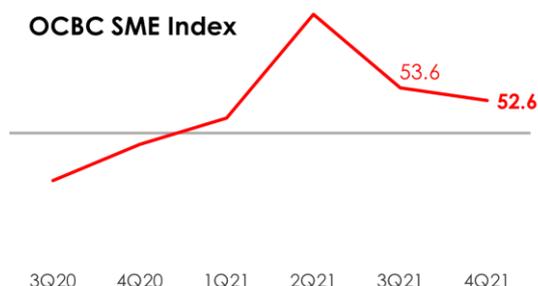


The OCBC SME Index expanded for the fourth consecutive quarter at 52.6 in 4Q 21

as restrictions eased with the end of the Stabilisation Phase in November. A reading above 50 indicates improved activity while below 50 indicates a deterioration relative to the same period a year ago.



4Q 21 collections grew by 13% compared to the last quarter, in tandem with the sequential recovery of the economy.

The 4Q 21 GDP Nowcast came in at 5.8%, a slowdown from the 7.1% GDP growth in 3Q 21. The reading is aligned with the advance estimate of 5.9% released by the Ministry of Trade and Industry and the consensus of 4.6% in the Monetary Authority of Singapore's Survey of Professional Forecasters in December. The GDP Nowcast estimates GDP using the latest OCBC SME Index.

The positive reading in 4Q 21 was largely broad-based with the only contractionary reading registered in the F&B industry value chain. Manufacturing, Wholesale Trade, Resources and Transport & Logistics continued to see robust growth on the back of strong cross-border trade. ICT growth remained healthy with the continued momentum in digitalisation and Business Services benefited from the strong pickup in demand with the recovery of the economy.

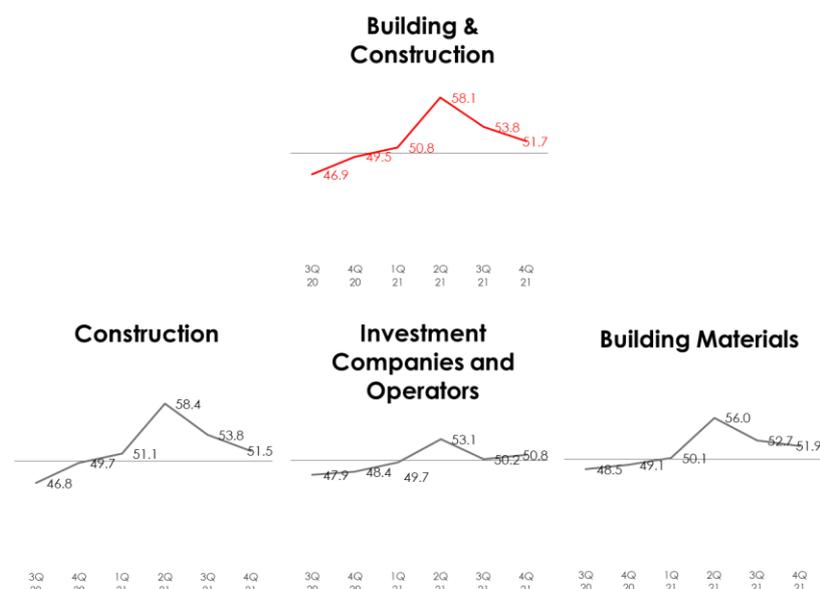
The F&B industry registered its second consecutive quarter of contraction as the F&B retail and services were impacted by the lower traffic in 4Q 21. Other service-oriented industries such as Retail and Education also saw tepid activity. Building & Construction growth slowed as labour shortages persisted.

The OCBC SME Index is expected to continue its expansionary trajectory in 1Q 22 though challenges remain in F&B and Building & Construction. Beyond these industries, the downside risks that could derail the recovery for SMEs include any tightening of safe management measures if the Omicron spread becomes unmanageable, as well as faster-than-expected tightening of monetary policy which could affect financing costs and cash flow.

Industry	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Building & Construction	46.9	49.5	50.8	58.1	53.8	51.7
Transport & Logistics	48.6	50.6	51.9	58.8	54.6	54.3
F&B	46.9	49.5	51.1	54.7	48.9	47.9
Healthcare	50.4	52.1	51.3	55.0	51.2	50.0
Education	46.9	49.8	51.2	58.1	51.5	50.0
ICT	48.3	49.8	50.6	54.7	52.5	52.3
Business Services	45.5	47.7	49.5	56.8	52.6	52.5
Manufacturing	47.9	49.6	50.9	57.8	53.4	53.0
Resources	48.1	49.3	51.3	54.7	51.6	52.8
Retail	47.3	48.8	51.4	62.9	50.6	51.5
Wholesale Trade	47.9	49.6	50.8	56.1	51.7	52.7

Values <48 and >52 are highlighted in darker shades to indicate weaker/stronger performances

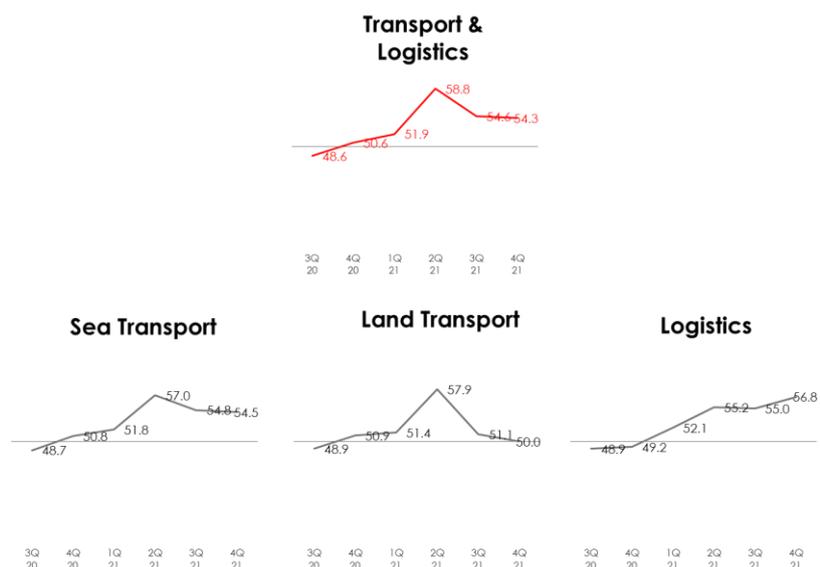
Building & Construction slowed to 51.7 in 4Q 21 from 53.8 in 3Q 21. However, the industry remained expansionary above 50 as collections grew 29% over the same period last year.



While the Construction segment saw strong recovery in 2Q 21, expansion continued to moderate as its Index dropped further to 51.5, bogged down by project delays arising mainly from manpower shortages. Building Materials saw a gentler decline to 51.9, supported by rising material prices. Other segments such as Investment Companies and Operators were expansionary at 50.8 and remained resilient.

On top of supply-side challenges, the industry is likely to see lower demand and sales with the property cooling measures announced in December.

Transport & Logistics had its 5th consecutive quarter of expansion at 54.3 in 4Q 21, led by a 53% YoY increase in collections.



The industry continues to be driven by the Logistics and Sea Transport segments which registered stellar readings of 54.5 and 56.8 respectively. Logistics saw accelerating expansion lifted by growth in trade and e-commerce as collections rose significantly by 97% YoY. Supply, plagued by disruptions, has struggled to keep pace with the robust demand and shipping costs have remain elevated with freight costs more than doubling over the year (*Drewry World Container Index, 23 Dec 2021*).

Land Transport remained flat at 50.0 with tighter restrictions for most of 4Q 21.

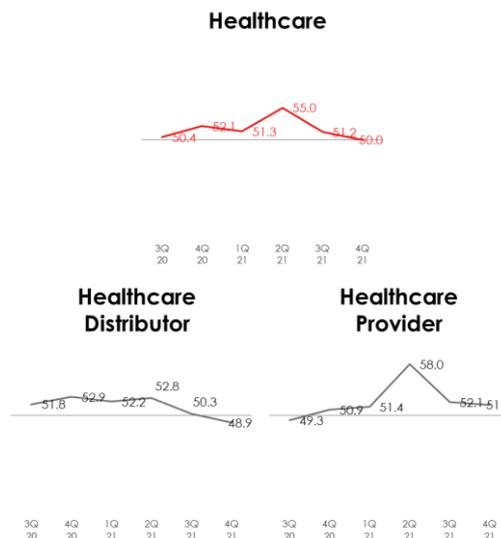
F&B contracted for the 2nd consecutive quarter in 4Q 21 at 47.9 due mainly to the impact of heightened restrictions.

Most segments saw declining and contractionary readings, with F&B Services and Retail recording their second consecutive quarter of contraction at 48.0 and 47.8 respectively. F&B Services saw collections dropped YoY in line with lower customer traffic, resulting in deteriorating cash coverage positions as firms with insufficient cash balances to cover 6-months of operations rose to 35% in 4Q 21, compared to 33% last quarter and 28% a year ago. F&B Wholesale Trade also contracted for the first time since 4Q 20. Other F&B segments (e.g., Manufacturing, Farming) remained flat.

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



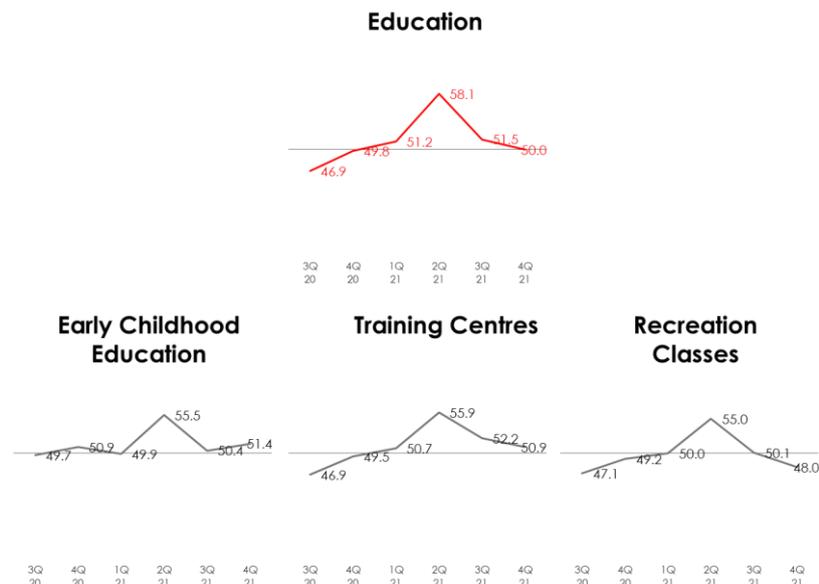
Healthcare slowed in 4Q 21 compared to the previous quarter, with a flat reading of 50.0.



The industry was weighed down by Healthcare Distributors, with its Index turning contractionary for the first time since 1Q 19 at 48.9 as demand for healthcare supplies softened. On the other hand, Healthcare Providers (e.g., Clinics) continued to see sustained expansionary activity, registering 5 consecutive quarters of expansion at 51.7 with collections rising 18% YoY. Other Healthcare segments (e.g., Manufacturing, R&D) remained relatively flat.

The industry is likely to remain resilient, supported by increased healthcare spending driven by secular trends such as Singapore's ageing population and the growth in HealthTech.

Education moderated in 4Q 21 compared to the previous quarter, with a flat reading of 50.0.



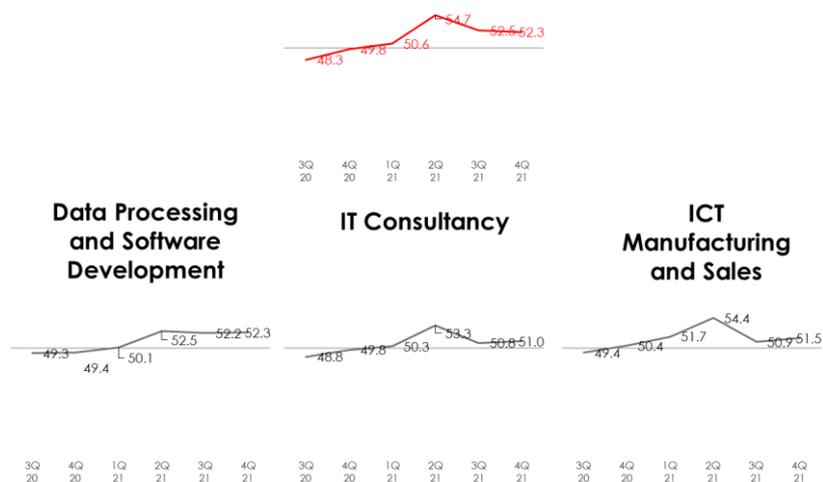
Early Childhood Education and Training Centres (which includes Training Courses and Academic Tuition) remained expansionary at 51.4 and 50.9 respectively, with collections growing 26% and 21% YoY.

Conversely, Recreation Classes saw a steep decline and contracted at 48.0, partly affected by the restriction of group sizes during the Stabilisation Phase.

Information, Communications and Technology remained buoyant at 52.3 in 4Q 21, supported by a strong increase in collections of 49% YoY.

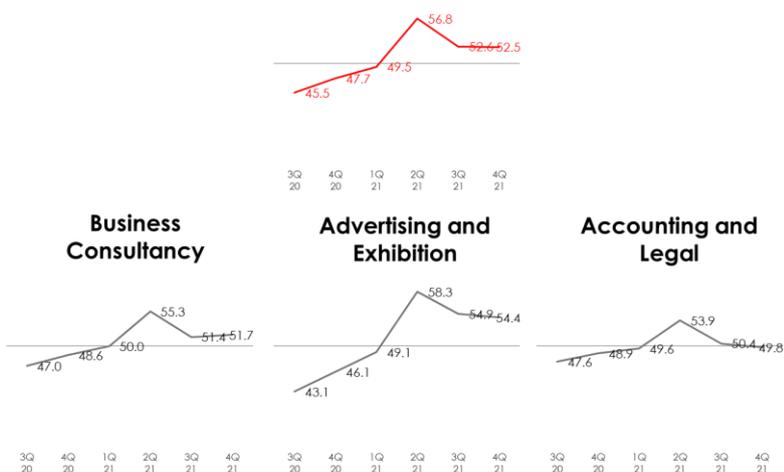
The industry continues to be lifted by the acceleration of digitalisation of businesses and the trend of remote work. Data Processing and Software Development (52.3), IT Consultancy (51.0) and ICT Manufacturing & Sales (51.5) continue to see either sustained or accelerating expansionary Index readings, supported by strong collections.

ICT



Business Services continued its expansion in 4Q 21 at 52.5, supported by an 36% increase in collections YoY.

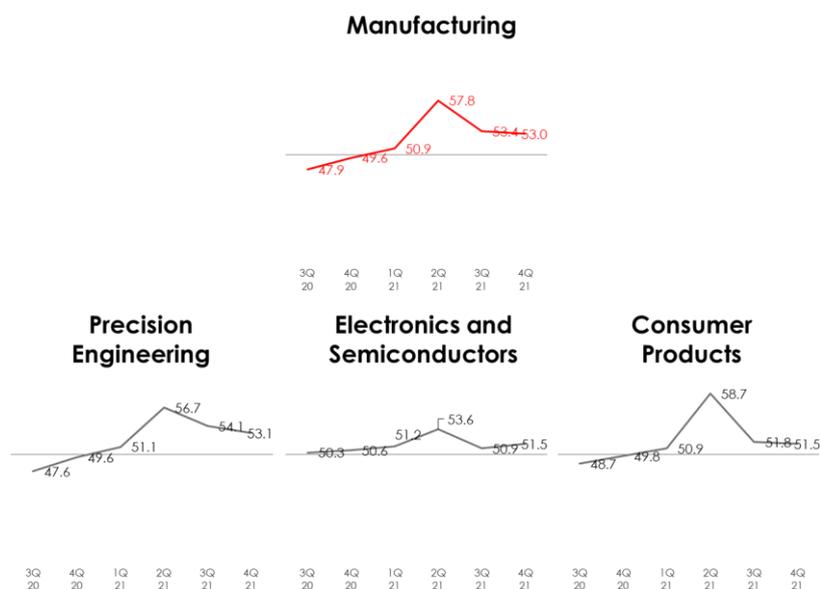
Business Services



Business Consultancy and Advertising and Exhibition saw sustained expansionary readings at 51.7 and 54.4 respectively supported by collections growth of 14% and 9% YoY, as demand for business services improved with the recovery of the economy and the gradual resumption of business travel. Accounting and Legal remained resilient albeit contracting slightly at 49.8.

The broadening of Vaccinated Travel Lanes and easing of travel in the medium term is expected to continue despite the temporary suspension of ticket sales in late December, which would provide a boost to the industry and the broader economy.

Manufacturing continued its robust growth in 4Q 21 at 53.0, expanding for 4 consecutive quarters supported by a 17% increase in YoY collections. The expansion was seen in all segments. More advanced manufacturing segments such as Electronics and Precision Engineering continued growing at 53.1 and 51.5 on the back strong demand, while Consumer Products was also expansionary at 51.5.



The December Purchasing Managers' Index also showed the readings for overall Manufacturing and Electronics expanding for the 18th and 17th consecutive month at 50.7 and 51.0 respectively. While the industry has performed well, manufacturing growth could moderate in light of the growth slowdown in China, as well as continued supply-side drags such as rising input and shipping costs.

Industry	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Building & Construction	46.9	49.5	50.8	58.1	53.8	51.7
Construction	46.8	49.7	51.1	58.4	53.8	51.5
Investment Companies and Operators	47.9	48.4	49.7	53.1	50.2	50.8
Building Materials	48.5	49.1	50.1	56.0	52.7	51.9
Other Building & Construction	47.5	49.0	49.5	55.0	53.1	51.3
Business Services	45.5	47.7	49.5	56.8	52.6	52.5
Business Consultancy	47.0	48.6	50.0	55.3	51.4	51.7
Advertising and Exhibition	43.1	46.1	49.1	58.3	54.9	54.4
Accounting and Legal	47.6	48.9	49.6	53.9	50.4	49.8
Other Business Services	48.1	49.2	50.0	54.1	51.1	51.1
Education	46.9	49.8	51.2	58.1	51.5	50.0
Early Childhood Education	49.7	50.9	49.9	55.5	50.4	51.4
Training Centres	46.9	49.5	50.7	55.9	52.2	50.9
Recreation Classes	47.1	49.2	50.0	55.0	50.1	48.0
Formal Education & Commercial Schools	48.0	49.9	52.7	53.5	51.6	50.7
Other Education	47.4	49.5	51.2	57.1	51.9	50.2
F&B	46.9	49.5	51.1	54.7	48.9	47.9
F&B Services	44.7	48.1	50.8	59.3	48.9	48.0
F&B Wholesale Trade	49.5	51.7	52.2	53.5	50.1	48.6
F&B Retail	49.5	50.3	49.8	51.0	48.5	47.8
Other F&B	48.1	49.0	50.5	49.5	49.8	50.4
Healthcare	50.4	52.1	51.3	55.0	51.2	50.0
Healthcare Distributor	51.8	52.9	52.2	52.8	50.3	48.9
Healthcare Provider	49.3	50.9	51.4	58.0	52.1	51.7
Other Healthcare	49.1	49.5	48.5	49.9	50.3	49.4
ICT	48.3	49.8	50.6	54.7	52.5	52.3
Data Processing and Software Development	49.3	49.4	50.1	52.5	52.2	52.3
IT Consultancy	48.8	49.8	50.3	53.3	50.8	51.0
ICT Manufacturing and Sales	49.4	50.4	51.7	54.4	50.9	51.5
Web Portals and Hosting	50.0	51.9	50.0	51.2	50.5	49.8
Other ICT	47.3	48.6	49.3	52.6	52.2	50.7
Manufacturing	47.9	49.6	50.9	57.8	53.4	53.0
Precision Engineering	47.6	49.6	51.1	56.7	54.1	53.1
Electronics and Semiconductors	50.3	50.6	51.2	53.6	50.9	51.5
Consumer Products	48.7	49.8	50.9	58.7	51.8	51.5
Others Manufacturing	46.8	48.5	50.4	55.1	52.9	52.0
Transport & Logistics	48.6	50.6	51.9	58.8	54.6	54.3
Sea Transport	48.7	50.8	51.8	57.0	54.8	54.5
Land Transport	48.9	50.9	51.4	57.9	51.1	50.0
Logistics	48.9	49.2	52.1	55.2	55.0	56.8
Other Transport & Logistics	48.7	49.2	49.2	53.6	52.1	52.5
Wholesale Trade	47.9	49.6	50.8	56.1	51.7	52.7
Retail	47.3	48.8	51.4	62.9	50.6	51.5
Resources	48.1	49.3	51.3	54.7	51.6	52.8
Others	43.6	46.5	50.9	61.0	54.6	53.8
Overall SMEI	46.2	49.1	51.2	59.5	53.6	52.6

A score above 50 signifies improved health and a score of below 50 shows a deterioration relative to the same period a year ago. Historical values at industry level have been revised slightly due to the transition to SSIC2020.

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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