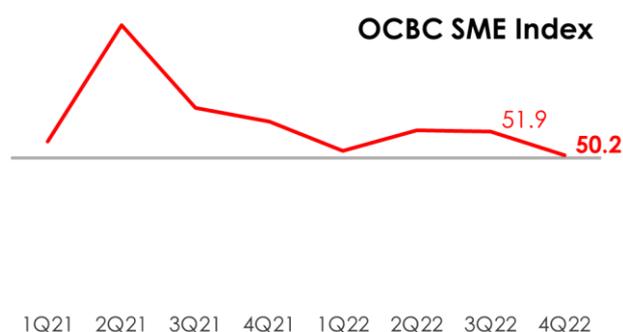


The OCBC SME Index remained slightly expansionary at 50.2 for the eighth consecutive quarter in 4Q 2022, although down from the 51.9 registered in the third quarter.

The weakening global economy and growing inflation dampened the performance of trade-dependent industries, but several other sectors of the economy remained positive and resilient against the challenging operating environment. A reading above 50 indicates improved activity while below 50 indicates a deterioration relative to the same period a year ago.



4Q 2022 sales collections dropped 3.5% year-on-year, but were 17.1% higher than 4Q 2019, significantly exceeding pre-pandemic levels. Growth in collections remained stable through the year, with a marginal on-quarter decline of 1.3% in 4Q 2022.

The 4Q 2022 GDP Nowcast is projected to be at 2.0%, down from the 4.1% growth recorded in 3Q 2022. For reference, the advance estimates released by the Ministry of Trade and Industry indicated that GDP grew by 2.2% in the fourth quarter. *The GDP Nowcast estimates GDP using the latest OCBC SME Index.*

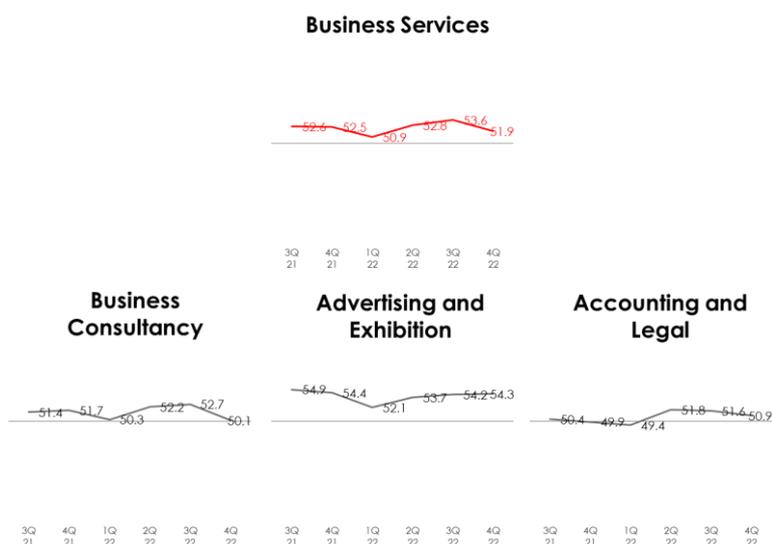
Growth was mixed across industries. Business Services, Building & Construction, F&B and Manufacturing led the growth in 4Q 2022 while externally oriented sectors such as Transport & Logistics, Wholesale Trade and ICT were slower, dragged down by weaker global demand.

Industry	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Building & Construction	53.8	51.7	49.9	51.2	51.8	51.8
Transport & Logistics	54.6	54.3	51.4	52.0	50.1	46.9
F&B	48.9	47.9	47.7	51.5	52.5	51.4
Healthcare	51.2	50.0	50.1	50.4	50.7	50.5
Education	51.5	50.0	49.0	50.1	51.2	50.5
ICT	52.5	52.3	51.2	51.4	49.4	48.5
Business Services	52.6	52.5	50.9	52.8	53.6	51.9
Manufacturing	53.4	53.0	51.0	52.5	52.3	51.3
Resources	51.9	53.1	50.1	51.7	51.1	48.8
Retail	50.6	51.5	49.8	51.0	50.9	49.6
Wholesale Trade	51.7	52.7	51.4	52.1	51.0	48.3

The OCBC SME Index is likely to stay unchanged within a narrow range or ease slightly in 1Q 2023 as global macro risks remain.

The OCBC SME Business Outlook poll was completed in Jan 2023 with responses from over 2,000 SME business owners. SMEs were positive about the business outlook in the near term, ahead of the festive season in January. 47% of the companies expect an improvement in their business over the first half of 2023, while 38% expect their performance to remain the same. Only 15% expect a decline in performance. The SMEs with higher growth expectations were in Business Services, Building & Construction, Education, and ICT.

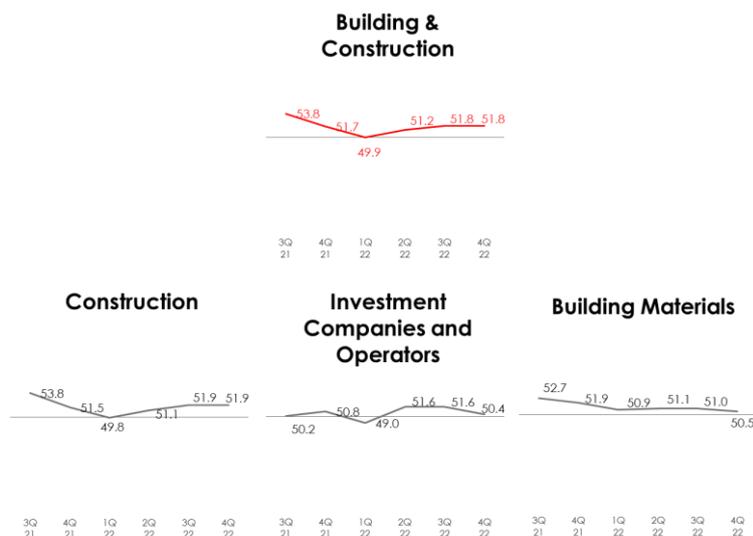
Business Services extended its gains in 4Q 2022, though moderating down from 53.6 to 51.9 on-quarter.



Performance in the industry remained robust, driven by the expansion in the Advertising and Exhibition segment with the strong lineup of MICE events in the quarter. 4Q 2022 collections grew by 19.3% compared to the last quarter, with the segment penciling in a reading of 54.3.

The other two segments, Business Consultancy and Accounting & Legal slipped to 50.1 and 50.9 respectively with the slowdown in business activity in the month of December.

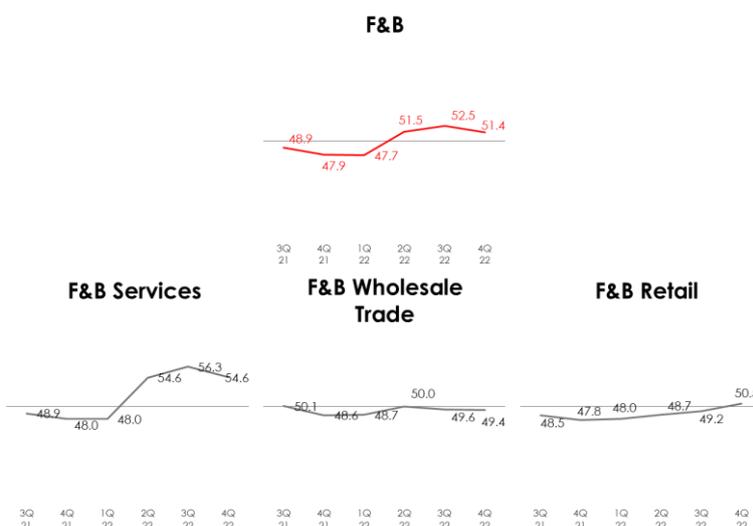
Building & Construction remained expansionary at 51.8 this quarter, with a 3.4% on-quarter increase in collections.



This is mostly driven by Construction (51.9) which saw a 7.9% increase in collections and 7.4% in payments on-quarter. Demand for construction is expected to remain elevated, supported by the healthy pipeline of public housing and commercial projects. Prices of construction materials have started to taper down from the highs recorded in early 2022 following the outbreak of the Russia-Ukraine war.

In the OCBC SME poll, 27% of the SME business owners cited manpower shortage remains a major challenge that they will face. Labour costs for SMEs in Construction grew by 10.8% in 2022.

F&B expanded steadily at 51.4 driven by robust performance in the F&B Services segment.

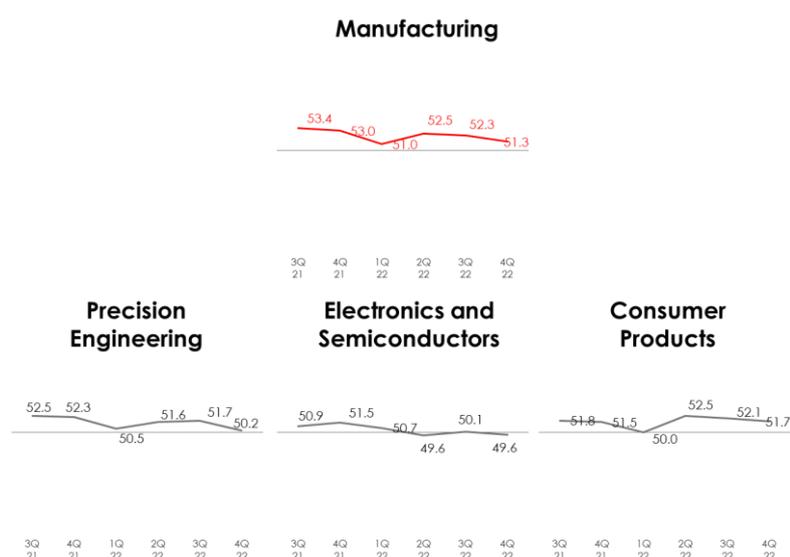


The F&B industry was lifted by the F&B services segment which registered a strong 54.6, benefitting from the continued rebound

in international visitor arrivals and the sustained demand domestically.

The other two segments F&B Wholesale Trade and F&B Retail remained weak at 49.4 and 50.5 respectively amid supply shortages and price increases. This is in line with the OCBC SME business outlook poll where 32% of the SME business owners in F&B rank inflation as their main challenge for the first half of the year.

Manufacturing grew at a healthy pace, registering a reading of 51.3 in 4Q 2022 with a 7.1% on-quarter increase in collections.

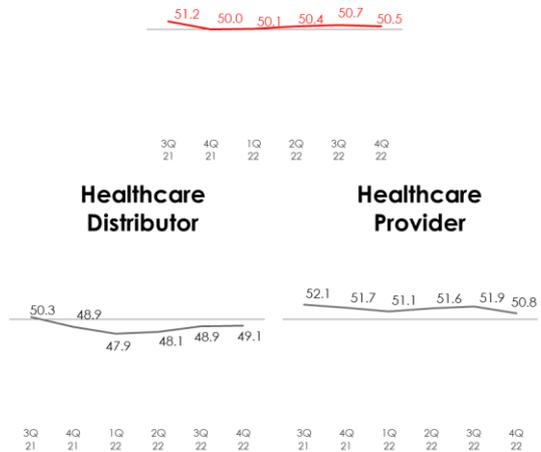


Growth was however uneven across segments. Electronics and Semiconductors contracted at 49.6 and Precision Engineering segment closed in at 50.2. This was on the back of weakening external demand for electronics, evident in the decline in Singapore's electronic NODX in the recent months.

Meanwhile, Consumer Products continued to expand, as cross-border collections from international sales jumped 77.4% compared to the same quarter last year.

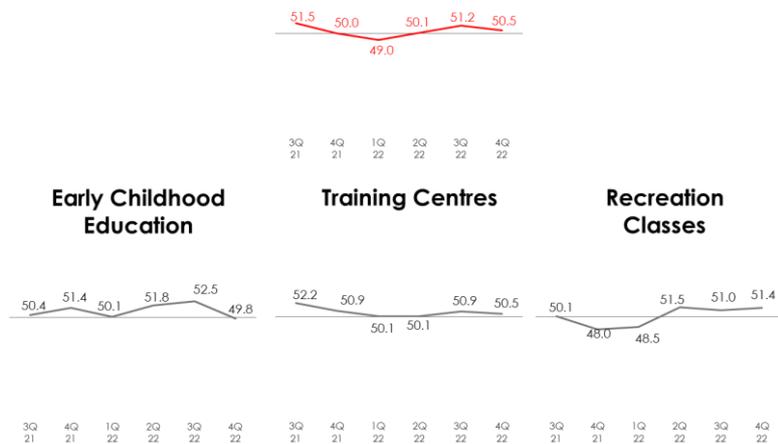
Healthcare edged down slightly to 50.5 in 4Q 2022, with collections slipping by 0.3% on-quarter. The Healthcare Provider segment remained resilient and experienced consecutive quarters of expansion but the Healthcare Distributor segment (49.1) contracted as wholesale and retail sales of medical and pharmaceutical supplies slumped.

Healthcare

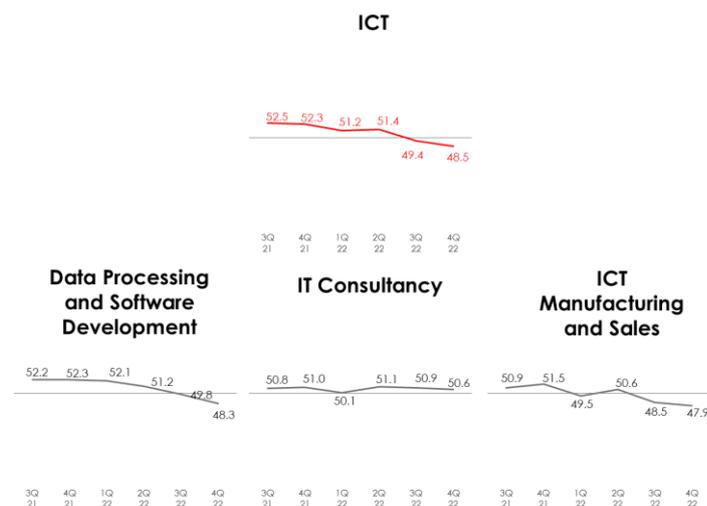


Education moderated to 50.5, down from 51.2 in 3Q 2022. Recreation Classes ticked higher to 51.4 in 4Q 2022, but the Early Childhood Education segment shrunk marginally at 49.8. In the OCBC SME Business Outlook poll, over 50% of the SMEs expect an improvement in business in the first half of 2023.

Education



Growth in the ICT sector slowed further, as its reading slipped from 49.4 in 3Q 2022 to 48.5 in 4Q 2022.

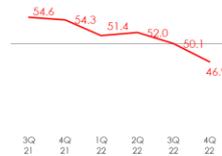


Contractions in Data Processing & Software Development (48.3) and ICT Manufacturing & Sales (47.9) outweighed the growth in IT Consultancy (50.6), resulting in a drag on the overall performance of the industry. Overseas collections for the ICT Manufacturing & Sales segment also fell by 47.7% on-year.

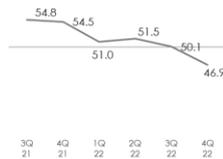
Although supply chain bottlenecks are beginning to show signs of easing, businesses are currently faced with a slump in demand for computer and telecommunication equipment as offices steadily reduce the proportion of employees working from home. 44% of the SMEs in ICT see the global economic slowdown as a key factor hindering business growth in the near term.

The Transport & Logistics sector tipped into contractionary territory with a reading of 46.9 in 4Q 2022, continuing a straight-line declining trend since the start of 2021. On a QoQ basis, collections and payments data fell by 12.5% and 11.7% respectively.

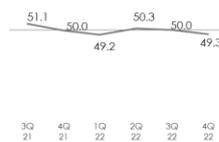
Transport & Logistics



Sea Transport



Land Transport



Logistics



Performance across key segments deteriorated, and businesses across the industry are likely to see stronger headwinds in the upcoming months. Sea Transport slumped to 46.9 as the dampening global shipping outlook and decline in Singapore's exports have affected SMEs in the business adversely. SMEs in Logistics also registered a sharp slowdown dropping to 46.9, as higher energy prices take a toll on logistics operators and freight forwarders.

Industry	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Building & Construction	53.8	51.7	49.9	51.2	51.8	51.8
Construction	53.8	51.5	49.8	51.1	51.9	51.9
Investment Companies and Operators	50.2	50.8	49.0	51.6	51.6	50.4
Building Materials	52.7	51.9	50.9	51.1	51.0	50.5
Other Building & Construction	53.1	51.3	49.9	50.8	50.9	51.2
Business Services	52.6	52.5	50.9	52.8	53.6	51.9
Business Consultancy	51.4	51.7	50.3	52.2	52.7	50.1
Advertising and Exhibition	54.9	54.4	52.1	53.7	54.2	54.3
Accounting and Legal	50.4	49.9	49.4	51.8	51.6	50.9
Other Business Services	51.1	51.1	50.5	51.9	53.5	52.6
Education	51.5	50.0	49.0	50.1	51.2	50.5
Early Childhood Education	50.4	51.4	50.1	51.8	52.5	49.8
Training Centres	52.2	50.9	50.1	50.1	50.9	50.5
Recreation Classes	50.1	48.0	48.5	51.5	51.0	51.4
Formal Education & Commercial Schools	51.6	50.7	50.4	50.1	51.0	49.8
Other Education	51.9	50.2	49.0	49.4	50.2	50.6
F&B	48.9	47.9	47.7	51.5	52.5	51.4
F&B Services	48.9	48.0	48.0	54.6	56.3	54.6
F&B Wholesale Trade	50.1	48.6	48.7	50.0	49.6	49.4
F&B Retail	48.5	47.8	48.0	48.7	49.2	50.5
Other F&B	49.8	50.4	48.6	49.7	50.7	48.5
Healthcare	51.2	50.0	50.1	50.4	50.7	50.5
Healthcare Distributor	50.3	48.9	47.9	48.1	48.9	49.1
Healthcare Provider	52.1	51.7	51.1	51.6	51.9	50.8
Other Healthcare	50.3	49.4	51.7	51.1	50.8	51.3
ICT	52.5	52.3	51.2	51.4	49.4	48.5
Data Processing and Software Development	52.2	52.3	52.1	51.2	49.8	48.3
IT Consultancy	50.8	51.0	50.1	51.1	50.9	50.6
ICT Manufacturing and Sales	50.9	51.5	49.5	50.6	48.5	47.9
Web Portals and Hosting	50.5	49.8	51.3	50.4	50.3	49.3
Other ICT	52.2	50.7	50.1	50.9	50.5	52.6
Manufacturing	53.4	53.0	51.0	52.5	52.3	51.3
Precision Engineering	52.5	52.3	50.5	51.6	51.7	50.2
Electronics and Semiconductors	50.9	51.5	50.7	49.6	50.1	49.6
Consumer Products	51.8	51.5	50.0	52.5	52.1	51.7
Others Manufacturing	54.7	53.1	51.4	52.7	52.4	51.8
Transport & Logistics	54.6	54.3	51.4	52.0	50.1	46.9
Sea Transport	54.8	54.5	51.0	51.5	50.1	46.9
Land Transport	51.1	50.0	49.2	50.3	50.0	49.3
Logistics	55.0	56.8	54.1	54.2	51.9	46.9
Other Transport & Logistics	52.1	52.5	51.4	51.0	50.8	50.0
Wholesale Trade	51.7	52.7	51.4	52.1	51.0	48.3
Retail	50.6	51.5	49.8	51.0	50.9	49.6
Resources	51.9	53.1	50.1	51.7	51.1	48.8
Others	54.7	53.7	51.3	53.2	53.7	52.3
Overall SMEI	53.6	52.6	50.5	52.0	51.9	50.2

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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About the OCBC SME Business Outlook poll

The OCBC SME Business Outlook poll was conducted with the objective of understanding how the Business Owners have fared in the recent months, their business outlook and key challenges they are likely to face in the next 6 months. More than 2,000 responses were collected during the survey period of 28 Nov 2022 and 4 Jan 2023.