

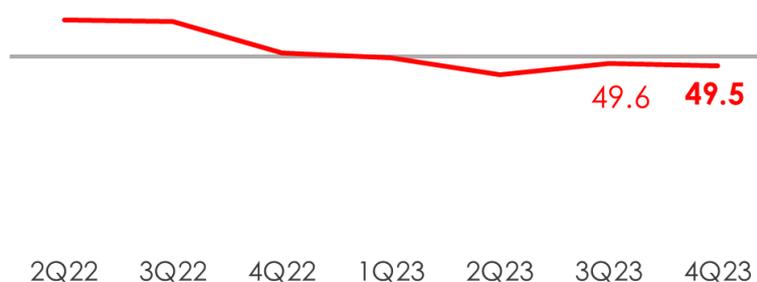
The OCBC SME Index contracted for the fourth consecutive quarter in 4Q 2023 with a reading of 49.5.

This was marginally lower than the 49.6 in 3Q 2023. SME collections and payments dropped by 3.1% and 2.0% year-on-year against the backdrop of soft external demand and domestic cost challenges.

Since its launch in the first quarter of 2021, the Index had been in expansionary range for eight consecutive quarters over 2021 and 2022 before dropping into contraction in 2023.

A reading above 50 indicates improved activity while below 50 indicates a deterioration relative to the same period a year ago.

OCBC SME Index



The 4Q 2023 GDP Nowcast is projected at 1.3%, faster than the 1.0% growth in the previous quarter. For reference, advance estimates released by the Ministry of Trade and Industry indicated that GDP grew by 2.8% in the fourth quarter. *The GDP Nowcast estimates GDP using the latest OCBC SME Index.*

SMEs in the domestically oriented industries such as Retail and Building & Construction continue to outperform those in the outward oriented sectors affected by the weaker global and regional market conditions. However, as headwinds emerge in the domestic economy, several consumer-facing industries such as F&B, Education and Business Services have also turned slightly contractionary for the first time after multiple quarters in expansion.

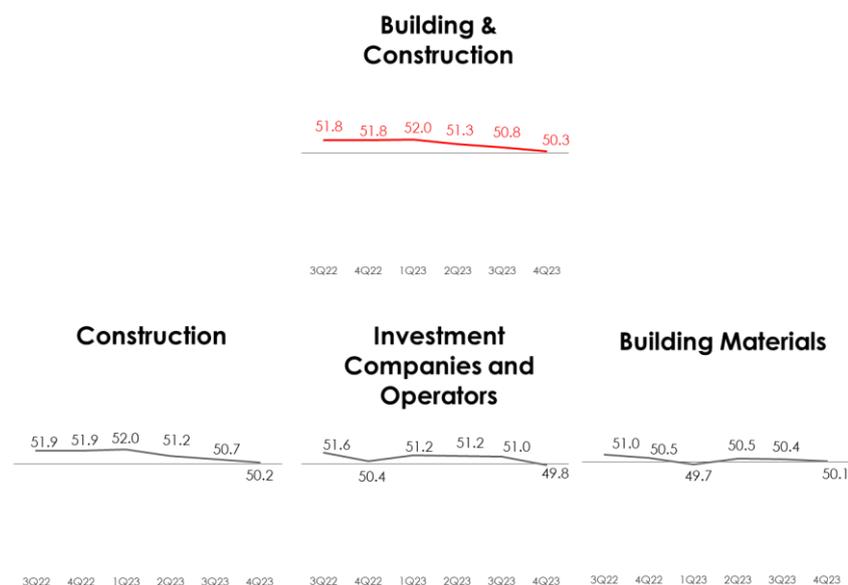
Industry	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Retail	50.9	49.6	49.7	49.7	50.9	50.9
Building & Construction	51.8	51.8	52.0	51.3	50.8	50.3
Healthcare	50.7	50.5	50.7	49.9	49.8	50.2
Education	51.2	50.5	50.9	50.8	51.0	49.7
Resources	51.1	48.8	49.3	48.0	48.8	49.7
F&B	52.5	51.4	51.4	50.1	51.1	49.6
Manufacturing	52.3	51.3	50.5	49.3	49.7	49.4
Business Services	53.6	51.9	51.5	50.2	50.0	49.3
Wholesale Trade	51.0	48.3	47.1	46.4	47.9	49.1
ICT	49.4	48.5	48.9	47.7	48.6	48.3
Transport & Logistics	50.1	46.9	46.6	45.6	46.9	47.8

The OCBC SME Index is likely to remain flat in the near term due to weak demand and growing business costs, before potentially turning expansionary in the latter part of the year with a recovery in manufacturing and the externally oriented sectors.

47% of the 1,400 SME business owners polled in the 4Q 2023 OCBC SME Business Outlook expect their businesses to perform better over the next 6 months.

Another 39% are expecting it to remain the same, while 14% of the respondents are expecting a weaker performance. As compared to the poll conducted in 3Q, business outlook sentiments were softer in 4Q especially in F&B, Healthcare and Building & Construction as SMEs within these sectors are faced with upside cost pressures.

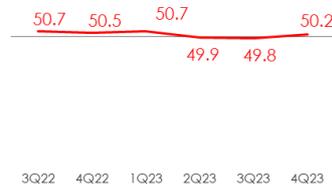
Building & Construction eased to 50.3 but remained expansionary this quarter. On a year-on-year basis, collections and payments grew by 14.1% and 14.0% respectively.



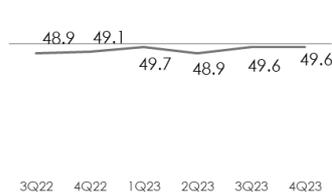
Gains were mainly driven by the Construction (50.2) and Building Materials (50.1) segment. While a steady pipeline of public and private construction projects has helped to support growth within the sector over the past year, the reading has been on a downward trend since 1Q 2023. In the OCBC SME Business Outlook poll, SME owners in Building and Construction were also more pessimistic about their business performance in the near term, as the economic slowdown and inflationary concerns pose as key challenges to these businesses.

Healthcare grew to 50.2 in 4Q 2023 after two quarters in contraction, as collections and payments grew by 9.2% and 3.7% on-year respectively. While Healthcare Distributors (49.6) continue to underperform, Healthcare Providers (50.4) were the main driver of growth in the sector as the latest wave of COVID-19 would have generated modest demand for healthcare services this quarter.

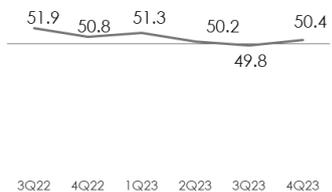
Healthcare



Healthcare Distributor

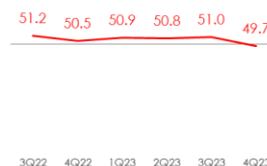


Healthcare Provider

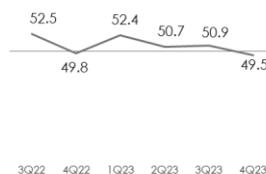


Education slipped to 49.7 this quarter, a decline from the 51.0 recorded in 3Q 2023. Growth was weighed down by weaknesses within the Training Centers segment (49.2) which saw a 5.9% decline in collections and 7.8% decline in payments on a year-on-year basis. The poorer performance registered in 4Q is in line with the findings from the OCBC SME Business Outlook poll, with only a quarter of the respondents within the Education sector experiencing an improvement in business performance compared to 3 months ago, the lowest share across all sectors.

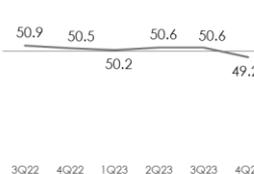
Education



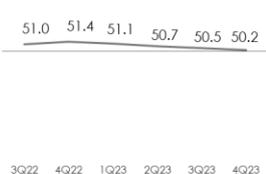
Early Childhood Education



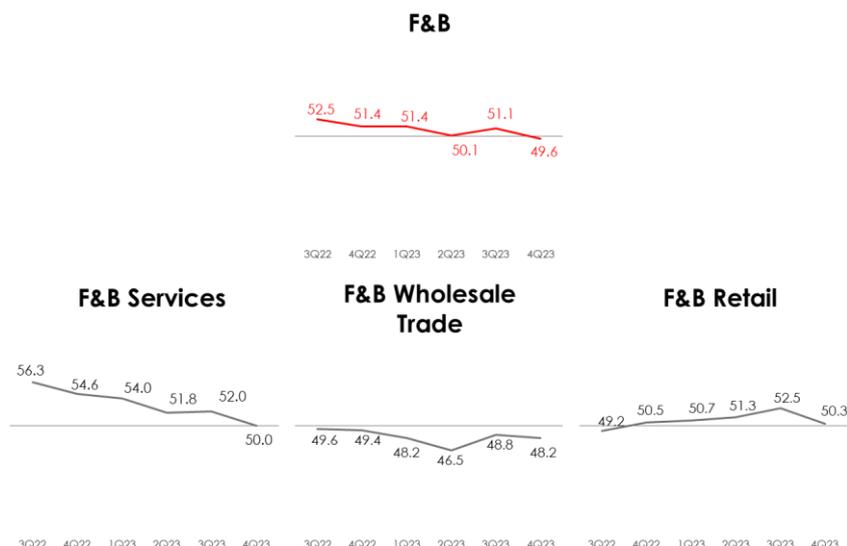
Training Centres



Recreation Classes



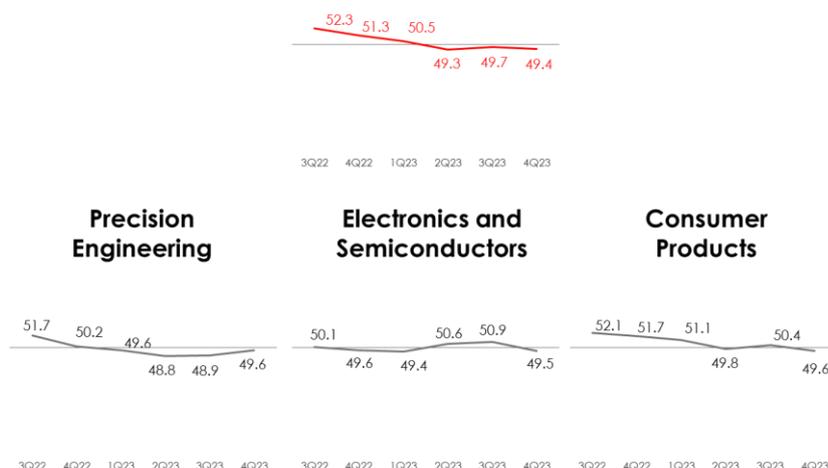
Food & Beverage turned contractionary in 4Q 2023, with a fall in reading from 51.1 to 49.6. This was accompanied by a 4.3% on-year decline in collections and a 5.8% on-year decline in payments.



Overall performance was weighed down by the slowdown in F&B Wholesale Trade (48.2) as collections and payments fell by 21.3% and 19.7% on-year respectively. Meanwhile, the reading for F&B Services and F&B Retail also slipped to 50.0 and 50.3 respectively despite remaining slightly expansionary. Domestic spending during the year-end festive season was most likely moderated by an increase in outbound travel and higher prices.

Manufacturing edged lower to 49.4 and remained in contraction for another quarter. Broad-based weakness across all key segments of the sector led to a 4.4% on-year decline in overall collections and 3.1% decline in overall payments. At the same time, overseas collections fell by 6.2% with a corresponding increase in overseas payments by 11.4%.

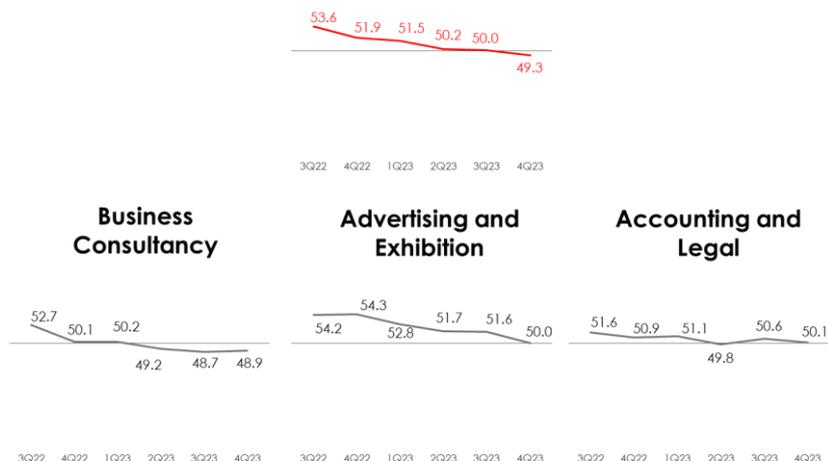
Manufacturing



While Precision Engineering extends its fourth consecutive quarter of contraction, Electronics & Semiconductors and Consumer Products also tipped into contractionary territory in 4Q. Given the improvement in manufacturing performance and turnaround in factory output in the overall economy over the past few months, there are signs that the sector will experience a gradual recovery in 2024. However, it may take some time for the gains to spillover from the larger companies to SMEs as majority (43%) of the SME business owners expect business performance to remain the same in the next 6 months.

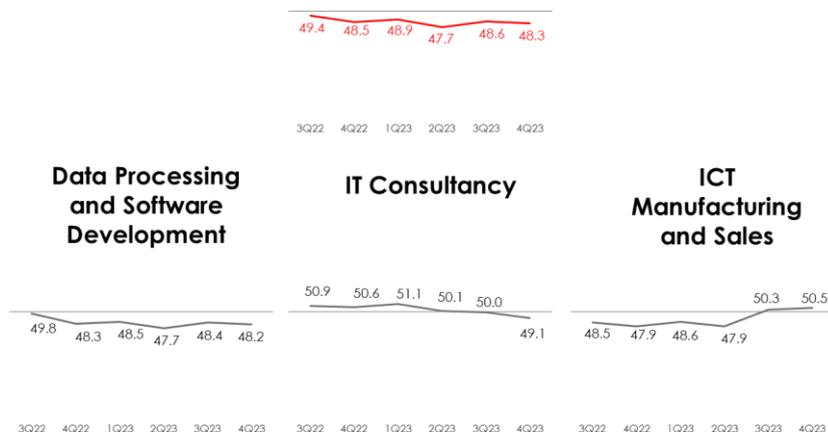
Business Services fell into contraction at 49.3 this quarter, down from the 50.0 recorded in 3Q 2023. Collections and payments dropped by 1.1% on-year and 3.7% on-year respectively and overall performance was dampened by the slowdown in the Business Consultancy (48.9) segment. Demand for advisory, consultancy and HR services are likely to have fallen against the backdrop of softer hiring sentiments and businesses seeking to reduce costs. Meanwhile, the Advertising & Exhibition (50.0) and Accounting & Legal (50.1) segments saw a slight expansion.

Business Services



The ICT sector slowed to **48.3** and contracted for the **sixth consecutive quarter**, as the protracted electronics downturn hampered business activity within the sector. On a year-on-year basis, overall collections and payments fell significantly by 36.8% and 37.8% respectively.

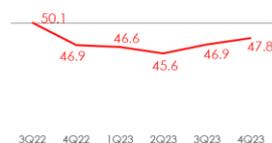
ICT



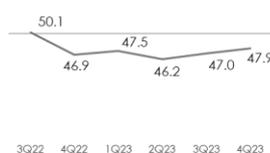
Weaknesses within the Data Processing and Software Development (48.2) and IT consultancy (49.1) segment posed a drag on overall performance of the sector. SMEs belonging to the Data Processing & Software Development segment are likely weighed down by the slowdown in global demand and economic uncertainties given the sizeable decline in overseas collections and payments by 70.2% and 70.0% on-year respectively.

Transport & Logistics improved to 47.8 in 4Q 2023 from the 46.9 registered last quarter but remain in contractionary territory for the past year. This was led by a 14.1% on-year decrease in overall collections and 10.8% on-year decrease in overall payments. Overseas collections and payments dropped by a greater extent by 27.5% and 20.9% on-year respectively.

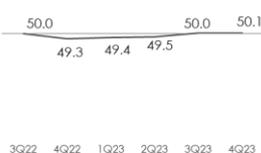
Transport & Logistics



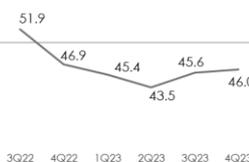
Sea Transport



Land Transport



Logistics



While weak performance in the Sea Transport (47.9) and Logistics (46.0) segment has hampered the overall pace of growth, the sector has shown indications of bottoming out and is likely to benefit from an external led recovery as the economic outlook brightens towards the later part of 2024.

Industry	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Building & Construction	51.8	51.8	52.0	51.3	50.8	50.3
Construction	51.9	51.9	52.0	51.2	50.7	50.2
Investment Companies and Operators	51.6	50.4	51.2	51.2	51.0	49.8
Building Materials	51.0	50.5	49.7	50.5	50.4	50.1
Other Building & Construction	50.9	51.2	51.9	51.7	51.2	51.0
Business Services	53.6	51.9	51.5	50.2	50.0	49.3
Business Consultancy	52.7	50.1	50.2	49.2	48.7	48.9
Advertising and Exhibition	54.2	54.3	52.8	51.7	51.6	50.0
Accounting and Legal	51.6	50.9	51.1	49.8	50.6	50.1
Other Business Services	53.5	52.6	53.7	52.0	51.9	51.2
Education	51.2	50.5	50.9	50.8	51.0	49.7
Early Childhood Education	52.5	49.8	52.4	50.7	50.9	49.5
Training Centres	50.9	50.5	50.2	50.6	50.6	49.2
Recreation Classes	51.0	51.4	51.1	50.7	50.5	50.2
Formal Education & Commercial Schools	51.0	49.8	49.3	49.4	49.4	51.1
Other Education	50.2	50.6	51.5	51.2	51.9	50.8
F&B	52.5	51.4	51.4	50.1	51.1	49.6
F&B Services	56.3	54.6	54.0	51.8	52.0	50.0
F&B Wholesale Trade	49.6	49.4	48.2	46.5	48.8	48.2
F&B Retail	49.2	50.5	50.7	51.3	52.5	50.3
Other F&B	50.7	48.5	50.7	51.6	51.7	50.9
Healthcare	50.7	50.5	50.7	49.9	49.8	50.2
Healthcare Distributor	48.9	49.1	49.7	48.9	49.6	49.6
Healthcare Provider	51.9	50.8	51.3	50.2	49.8	50.4
Other Healthcare	50.8	51.3	49.9	50.8	50.9	50.3
ICT	49.4	48.5	48.9	47.7	48.6	48.3
Data Processing and Software Development	49.8	48.3	48.5	47.7	48.4	48.2
IT Consultancy	50.9	50.6	51.1	50.1	50.0	49.1
ICT Manufacturing and Sales	48.5	47.9	48.6	47.9	50.3	50.5
Web Portals and Hosting	50.3	49.3	48.8	49.1	49.3	49.6
Other ICT	50.5	52.6	50.5	49.6	48.5	47.1
Manufacturing	52.3	51.3	50.5	49.3	49.7	49.4
Precision Engineering	51.7	50.2	49.6	48.8	48.9	49.6
Electronics and Semiconductors	50.1	49.6	49.4	50.6	50.9	49.5
Consumer Products	52.1	51.7	51.1	49.8	50.4	49.6
Others Manufacturing	52.4	51.8	50.8	49.5	49.4	49.3
Transport & Logistics	50.1	46.9	46.6	45.6	46.9	47.8
Sea Transport	50.1	46.9	47.5	46.2	47.0	47.9
Land Transport	50.0	49.3	49.4	49.5	50.0	50.1
Logistics	51.9	46.9	45.4	43.5	45.6	46.0
Other Transport & Logistics	50.8	50.0	49.7	49.6	48.4	48.6
Wholesale Trade	51.0	48.3	47.1	46.4	47.9	49.1
Retail	50.9	49.6	49.7	49.7	50.9	50.9
Resources	51.1	48.8	49.3	48.0	48.8	49.7
Others	53.7	52.3	52.0	50.6	50.7	50.4
Overall SMEI	51.9	50.2	49.9	49.0	49.6	49.5

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 1,400 responses were collected during the survey period between 4 Dec 2023 and 1 Jan 2024.