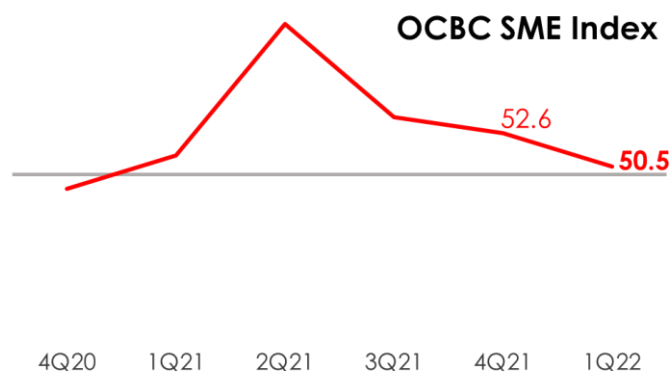


**The OCBC SME Index expanded for the fifth consecutive quarter at 50.5 in 1Q 22** as restrictions eased further, though with emerging concerns from the Russia-Ukraine conflict and rising prices. A reading above 50 indicates improved activity while below 50 indicates a deterioration relative to the same period a year ago.



**1Q 22 collections declined slightly by 2%** compared to a seasonally stronger 4Q 21.

**The 1Q 22 GDP Nowcast came in at 3.3%**, a slowdown from the 6.1% GDP growth in 4Q 21. The reading is aligned with the consensus of 3.7% in the Monetary Authority of Singapore's Survey of Professional Forecasters in March. The GDP Nowcast estimates GDP using the latest OCBC SME Index.

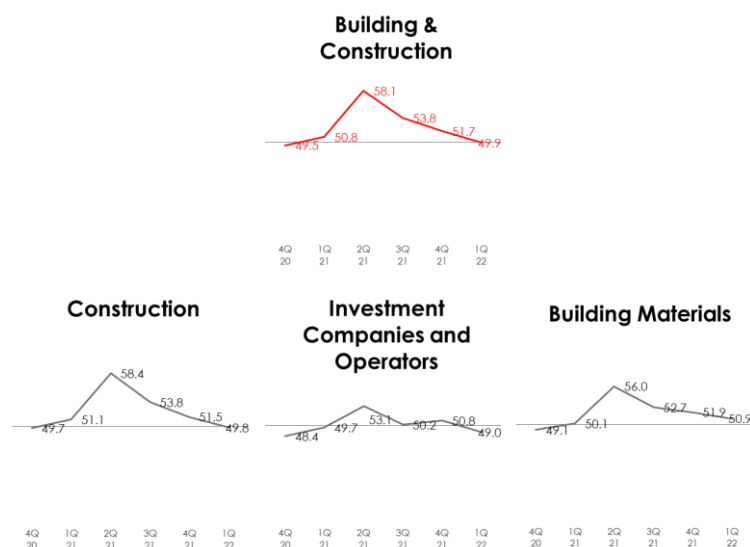
**The positive reading in 1Q 22 was mixed.** F&B, Education, Retail and Building & Construction saw contractionary readings as restrictions, labour shortages, supply chain disruption and rising prices persisted. Wholesale Trade, Transport & Logistics and Manufacturing continued to see growth on the back of strong cross-border trade. ICT growth remained healthy with the continued momentum in digitalisation. Business Services benefited from the strong pickup in demand with the recovery of the economy.

The OCBC SME Index is expected to remain slightly expansionary in 2Q 22, though subject to downside risks that could derail the recovery of SMEs. These include a faster pace of monetary policy tightening which could affect financing costs and cash flow of SMEs, further escalation of geopolitical conflicts, and the emergence of any new COVID variants.

Industry	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Building & Construction	49.5	50.8	58.1	53.8	51.7	49.9
Transport & Logistics	50.6	51.9	58.8	54.6	54.3	51.4
F&B	49.5	51.1	54.7	48.9	47.9	47.7
Healthcare	52.1	51.3	55.0	51.2	50.0	50.1
Education	49.8	51.2	58.1	51.5	50.0	49.0
ICT	49.8	50.6	54.7	52.5	52.3	51.2
Business Services	47.7	49.5	56.8	52.6	52.5	51.0
Manufacturing	49.6	50.9	57.8	53.4	53.0	51.0
Resources	49.3	51.3	54.7	51.6	52.8	50.1
Retail	48.8	51.4	62.9	50.6	51.5	49.8
Wholesale Trade	49.6	50.8	56.1	51.7	52.7	51.4

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

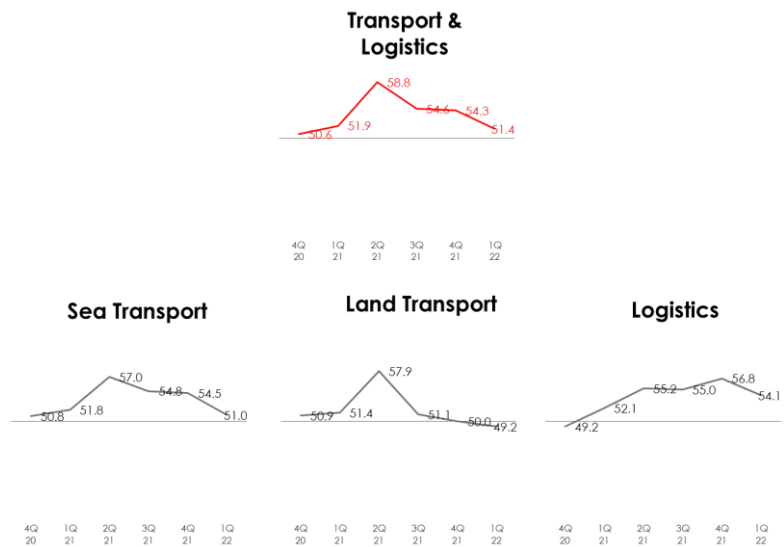
**Building & Construction slowed to 49.9** from 51.7 last quarter.



The Construction segment saw its 3<sup>rd</sup> consecutive quarter of slowdown and dipped below 50 for the first time since 4Q 20. Building Materials saw a gentler decline to 50.9, supported by rising material prices. Other segments such as Investment Companies and Operators also fell into contractionary territory at 49.0.

The industry continues to be bogged down by lingering manpower shortages, higher commodity/energy prices and supply chain disruptions, while property cooling measures announced last quarter weigh on the industry.

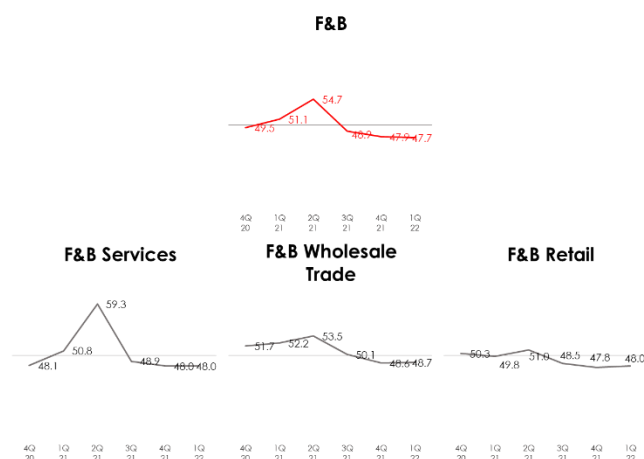
**Transport & Logistics continued its expansion at 51.4 for the 6th consecutive quarter**, as collections rose 33% YoY.



The industry continues to be driven by robust growth in Logistics which registered a strong reading of 54.1, lifted by growth in trade and e-commerce as collections rose significantly by 67% YoY. Sea Transport slowed significantly but remained expansionary, as supply chains remained under stress from labour shortages and the Russian-Ukraine conflict. Nevertheless, shipping costs have started to ease, falling 10% from the previous quarter but remained 60% higher compared to a year ago (*Drewry World Container Index, 31 Mar 2022*).

Land Transport slipped into contractionary territory at 49.2, but is expected to improve as restriction eased in end-March.

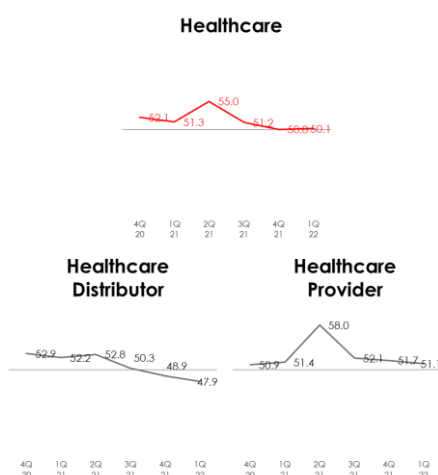
**F&B contracted for the 3rd consecutive quarter to 47.7** as restrictions persisted and firms faced higher costs.



Most segments remained contractionary but did not see activity worsening compared to the previous quarter, as SMEs saw margins compressing from rising energy and food prices. F&B Services saw collections dropped YoY due to a lower 5-pax restriction compared to 8-pax last year, while cash coverage remained worse as firms with insufficient cash balances to cover 6-months of operations rose to 35% from 27% a year ago. F&B Retail and Wholesale Trade also saw contractions at 48.0 and 48.7 respectively, weighed down by rising costs.

Nevertheless, the industry is expected to see a boost in activity from both locals and tourists, as domestic and border restrictions eased significantly in end-March.

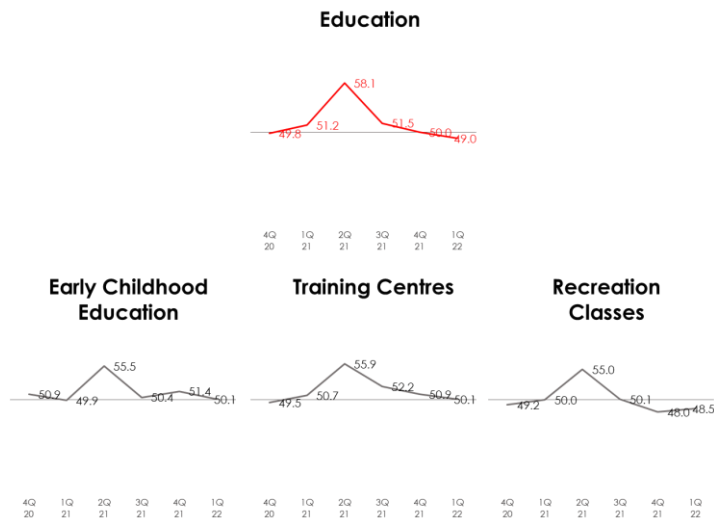
**Healthcare remained flat** compared to the previous quarter, with a reading of 50.1.



The industry was weighed down by Healthcare Distributors, with an accelerated pace of decline to 47.9 as demand for healthcare supplies continue to drop. On the other hand, Healthcare Providers (e.g., Clinics) saw sustained expansionary activity from the Omicron surge, registering an expansionary reading of 51.1 with collections rising 18% YoY. Other Healthcare segments (i.e., Manufacturing, R&D) saw a slight improvement in activity.

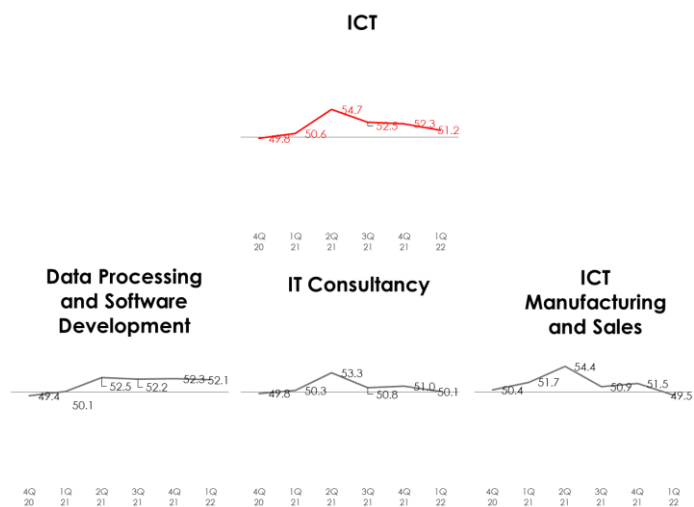
While demand for healthcare supplies such as masks and test kits are expected to ease further as restrictions are lifted, the industry will likely be supported by increased healthcare spending driven by secular trends such as Singapore's ageing population and the growth in HealthTech.

**Education fell into contractionary territory** with a reading of 49.0.



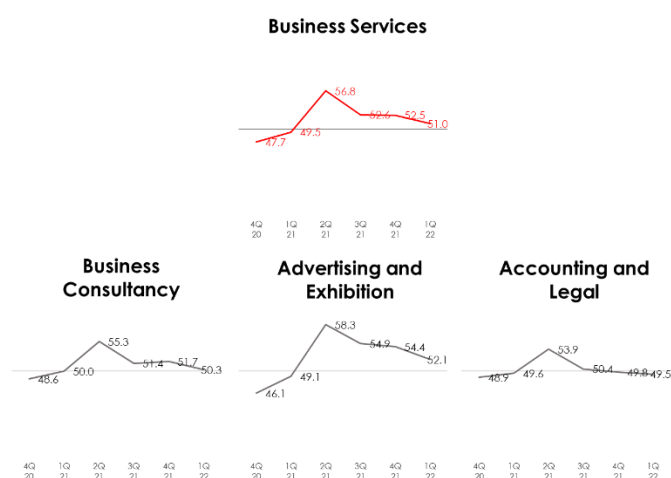
Training Centres (which includes Training Courses and Academic Tuition) continues to see a slowdown in growth since 3Q 21 as demand slowed. While Recreation Classes remained contractionary at 48.5, it has seen a slight uptick as restrictions eased in late November, and should improve further with the lifting of class size limits. Early Childhood Education remained relatively flat with a reading of 50.1.

**Information, Communications and Technology remained buoyant at 51.2**, supported by a strong increase in collections of 57% YoY.



The industry continues to be lifted by the acceleration of digitalisation across businesses. Data Processing and Software Development maintained strong growth at 52.1 while IT Consultancy saw a slight slowdown to 50.1. ICT Manufacturing & Sales dipped into contractionary territory at 49.5, as the segment continues to face supply chain challenges such as chip shortages exacerbated by the Russia-Ukraine conflict and the COVID situation in China.

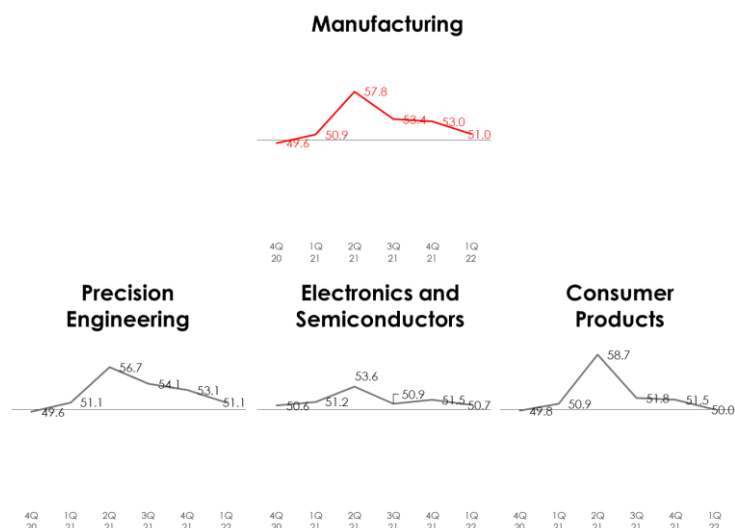
**Business Services continued its expansion at 51.0,** supported by a 42% increase in collections YoY.



Business Consultancy and Advertising and Exhibition saw sustained expansionary readings at 50.3 and 52.1 respectively, 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 49.5.

Singapore's opening of its borders to all vaccinated travelers is expected to provide a significant boost to certain segments, such as SMEs in meetings, incentives, conferences & exhibitions (MICE).

**Manufacturing saw a slowdown in growth to 51.0**, albeit still expansionary supported by a 7% increase in YoY collections. Precision Engineering and Consumer Products moderated to 51.1 and 50.0 respectively, while Electronics remained relatively resilient at 50.7.



March's Purchasing Managers' Index showed similar trends, as overall Manufacturing and Electronics expanded for the 21<sup>st</sup> and 20<sup>th</sup> consecutive month at 50.1 and 50.4 respectively but moderated from previous months. The industry continues to wrestle supply-side drags such as rising energy/input costs and supply disruptions, amid increased uncertainty due to the Russia-Ukraine conflict.

Industry	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
<b>Building &amp; Construction</b>	<b>49.5</b>	<b>50.8</b>	<b>58.1</b>	<b>53.8</b>	<b>51.7</b>	<b>49.9</b>
Construction	49.7	51.1	58.4	53.8	51.5	49.8
Investment Companies and Operators	48.4	49.7	53.1	50.2	50.8	49.0
Building Materials	49.1	50.1	56.0	52.7	51.9	50.9
Other Building & Construction	49.0	49.5	55.0	53.1	51.3	49.9
<b>Business Services</b>	<b>47.7</b>	<b>49.5</b>	<b>56.8</b>	<b>52.6</b>	<b>52.5</b>	<b>51.0</b>
Business Consultancy	48.6	50.0	55.3	51.4	51.7	50.3
Advertising and Exhibition	46.1	49.1	58.3	54.9	54.4	52.1
Accounting and Legal	48.9	49.6	53.9	50.4	49.8	49.5
Other Business Services	49.2	50.0	54.1	51.1	51.1	50.5
<b>Education</b>	<b>49.8</b>	<b>51.2</b>	<b>58.1</b>	<b>51.5</b>	<b>50.0</b>	<b>49.0</b>
Early Childhood Education	50.9	49.9	55.5	50.4	51.4	50.1
Training Centres	49.5	50.7	55.9	52.2	50.9	50.1
Recreation Classes	49.2	50.0	55.0	50.1	48.0	48.5
Formal Education & Commercial Schools	49.9	52.7	53.5	51.6	50.7	50.4
Other Education	49.5	51.2	57.1	51.9	50.2	49.0
<b>F&amp;B</b>	<b>49.5</b>	<b>51.1</b>	<b>54.7</b>	<b>48.9</b>	<b>47.9</b>	<b>47.7</b>
F&B Services	48.1	50.8	59.3	48.9	48.0	48.0
F&B Wholesale Trade	51.7	52.2	53.5	50.1	48.6	48.7
F&B Retail	50.3	49.8	51.0	48.5	47.8	48.0
Other F&B	49.0	50.5	49.5	49.8	50.4	48.6
<b>Healthcare</b>	<b>52.1</b>	<b>51.3</b>	<b>55.0</b>	<b>51.2</b>	<b>50.0</b>	<b>50.1</b>
Healthcare Distributor	52.9	52.2	52.8	50.3	48.9	47.9
Healthcare Provider	50.9	51.4	58.0	52.1	51.7	51.1
Other Healthcare	49.5	48.5	49.9	50.3	49.4	51.7
<b>ICT</b>	<b>49.8</b>	<b>50.6</b>	<b>54.7</b>	<b>52.5</b>	<b>52.3</b>	<b>51.2</b>
Data Processing and Software Development	49.4	50.1	52.5	52.2	52.3	52.1
IT Consultancy	49.8	50.3	53.3	50.8	51.0	50.1
ICT Manufacturing and Sales	50.4	51.7	54.4	50.9	51.5	49.5
Web Portals and Hosting	51.9	50.0	51.2	50.5	49.8	51.3
Other ICT	48.6	49.3	52.6	52.2	50.7	50.1
<b>Manufacturing</b>	<b>49.6</b>	<b>50.9</b>	<b>57.8</b>	<b>53.4</b>	<b>53.0</b>	<b>51.0</b>
Precision Engineering	49.6	51.1	56.7	54.1	53.1	51.1
Electronics and Semiconductors	50.6	51.2	53.6	50.9	51.5	50.7
Consumer Products	49.8	50.9	58.7	51.8	51.5	50.0
Others Manufacturing	48.5	50.4	55.1	52.9	52.0	50.6
<b>Transport &amp; Logistics</b>	<b>50.6</b>	<b>51.9</b>	<b>58.8</b>	<b>54.6</b>	<b>54.3</b>	<b>51.4</b>
Sea Transport	50.8	51.8	57.0	54.8	54.5	51.0
Land Transport	50.9	51.4	57.9	51.1	50.0	49.2
Logistics	49.2	52.1	55.2	55.0	56.8	54.1
Other Transport & Logistics	49.2	49.2	53.6	52.1	52.5	51.4
<b>Wholesale Trade</b>	<b>49.6</b>	<b>50.8</b>	<b>56.1</b>	<b>51.7</b>	<b>52.7</b>	<b>51.4</b>
<b>Retail</b>	<b>48.8</b>	<b>51.4</b>	<b>62.9</b>	<b>50.6</b>	<b>51.5</b>	<b>49.8</b>
<b>Resources</b>	<b>49.3</b>	<b>51.3</b>	<b>54.7</b>	<b>51.6</b>	<b>52.8</b>	<b>50.1</b>
<b>Others</b>	<b>46.5</b>	<b>50.9</b>	<b>61.0</b>	<b>54.6</b>	<b>53.8</b>	<b>51.2</b>
<b>Overall SMEI</b>	<b>49.1</b>	<b>51.2</b>	<b>59.5</b>	<b>53.6</b>	<b>52.6</b>	<b>50.5</b>

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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