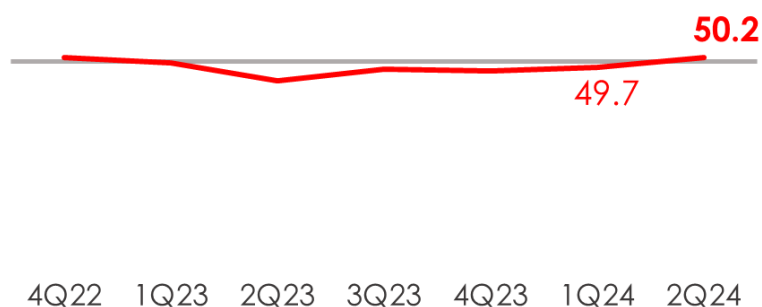


The OCBC SME Index registered a reading of 50.2 in 2Q 2024, turning marginally expansionary for the first time since 4Q 2022, after 5 consecutive quarters of contraction.

The improvements were broad-based with 7 of the 11 industries in expansion range, of which 4 industries – Resources, Transport & Logistics, Wholesale Trade and Healthcare – turned positive this quarter. SME collections across the board grew by 1.4% year-on-year while payments dropped by 1.3%.

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 GDP growth Nowcast for 2Q 2024 is slightly above 3%, higher than the 1Q 2024 GDP growth of 2.7%. For reference, the latest 2Q 2024 median consensus forecast from the MAS Survey of Professional Forecasters (June 2024) stands at 2.7%. *The GDP Nowcast estimates GDP using the latest OCBC SME Index.*

The OCBC SME Index this quarter continued to be supported by the performance of the domestic industries including Education, F&B and Retail which remained expansionary. SMEs in these industries sustained their growth despite intense competition for manpower and rising cost pressures.

Meanwhile, the export-oriented sectors, notably Transport & Logistics, Wholesale Trade and Resources turned expansionary in 2Q 2024, after 6 consecutive quarters in contraction. This lift contributed to the overall improvement in the SME Index.

Industry	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Resources	49.3	48.0	48.8	49.7	49.9	51.1
Education	50.9	50.8	51.0	49.7	50.5	50.8
Transport & Logistics	46.6	45.6	46.9	47.8	49.7	50.6
F&B	51.4	50.1	51.1	49.6	50.2	50.6
Retail	49.7	49.7	50.9	50.9	50.9	50.3
Wholesale Trade	47.1	46.4	47.9	49.1	49.4	50.4
Healthcare	50.7	49.9	49.8	50.2	49.4	50.2
Manufacturing	50.5	49.3	49.7	49.4	49.8	49.9
Business Services	51.5	50.2	50.0	49.3	49.4	49.8
Building & Construction	52.0	51.3	50.8	50.3	49.9	49.8
ICT	48.9	47.7	48.6	48.3	48.5	49.5

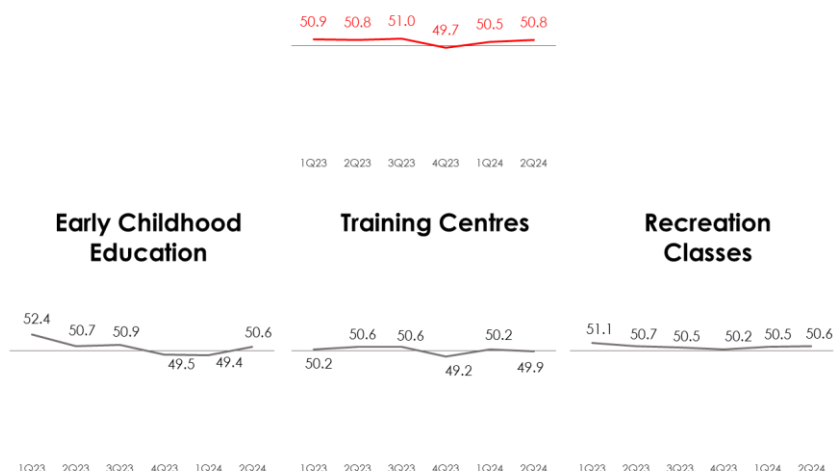
The OCBC SME Index is likely to remain relatively flat and range-bound for the rest of 2024 despite the improvements registered this quarter as the uncertainties in the macroeconomic environment persist.

The externally oriented industries are likely to benefit from the turnaround in global electronics, with potential improvements in broader manufacturing and wholesale trade. However, downside risks persist given the continued disruptions to the global supply chain and higher costs particularly in sea transport. Further geopolitical tensions could also disrupt the disinflationary momentum, depressing domestic demand.

SME business owners appeared less optimistic in the 2Q 2024 OCBC SME Business Outlook poll. 47% of the 800 business owners surveyed expect their business to perform better over the next 6 months. This was lower than the 51% recorded in the first quarter. Another 40% are expecting it to remain the same, while 13% of the respondents are expecting a weaker near-term outlook. Across industries, SME business confidence was also relatively lower in consumer-facing sectors such as F&B and Retail.

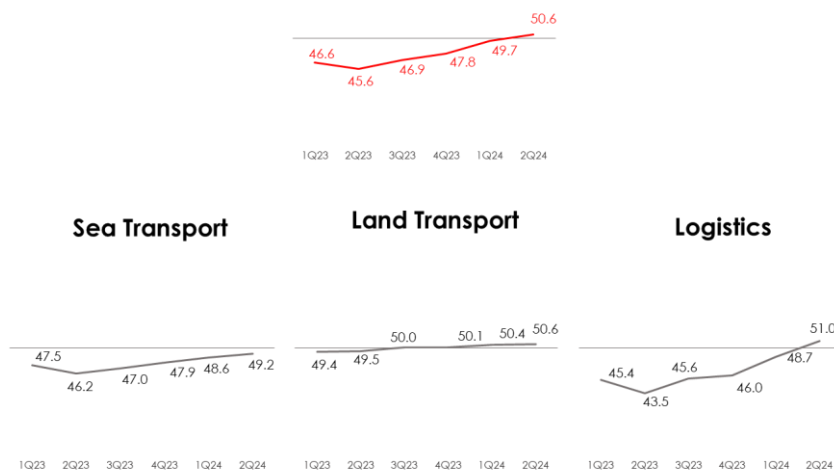
Education extended its gains to 50.8 this quarter, accompanied by a 16.0% increase in collections and 11.9% increase in payments on a year-on-year basis. Growth was supported by healthy improvements in the Early Childhood Education (50.6) and Recreation Classes (50.6) segment. While domestic demand for education services appears to remain strong, some SMEs in the industry are facing higher staffing costs and shortage of qualified educators, making it tougher for them to navigate in this operating environment.

Education



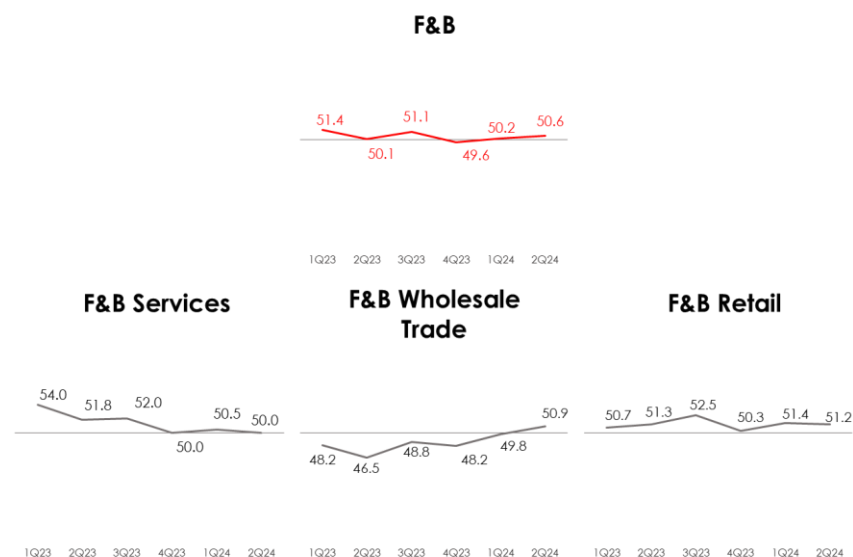
Transport & Logistics turned expansionary at 50.6 in 2Q 2024, higher than the 49.7 recorded in the last quarter as the industry continues on a recovery trajectory.

Transport & Logistics



Growth was mainly driven by the Logistics (51.0) and Land Transport (50.6) segments, even as the contraction in Sea Transport narrowed to 49.2 this quarter. As the slump in key exports eases with the pick-up in external demand, growth prospects of the industry should strengthen. Nonetheless, SMEs in this industry are likely to face uncertainties ahead with higher container prices and sea freight costs. Close to 1-in-2 of the business owners expect performance to remain the same in the near term.

Food & Beverage expanded to 50.6 in 2Q 2024, higher than the 50.2 registered last quarter. Collections and payments for the industry increased by 4.2% on-year and 2.8% on-year respectively.

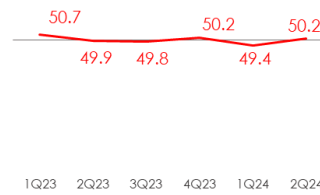


Growth in the F&B industry was supported by a modest expansion in F&B Retail (51.2) and F&B Wholesale Trade (50.9). Significantly, the performance of SMEs in F&B Wholesale Trade turned expansionary in 2Q 2024 after 10 quarters in contraction. F&B Services eased from 50.5 to 50.0, suggesting that SMEs within the segment could be facing slower demand with increased travel and also as consumers become increasingly budget conscious. Higher operating expenses and manpower costs might also weigh down the business performance of SMEs in these labor-intensive sectors.

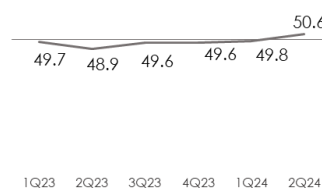
Healthcare grew to 50.2 in 2Q 2024 with SMEs in both the Healthcare Distributor (50.6) and Healthcare Provider (50.6) segments in expansion, even as total wage bill of the industry rose sizably in the past few months. Healthcare Distributors turned expansionary for the first time after being in contraction since 4Q 2021.

Based on the OCBC SME Business Outlook poll, respondents from the healthcare industry seemed relatively pessimistic as close to a quarter of them expect business conditions to worsen in the near-term.

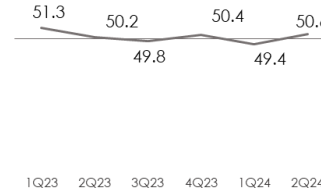
Healthcare



Healthcare Distributor

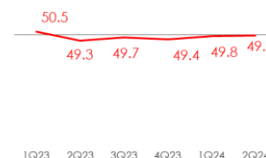


Healthcare Provider

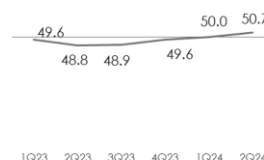


Manufacturing edged up to 49.9 this quarter but remained in contractionary territory. This was led by a 2.6% increase in overall collections and 1.5% increase in overall payments.

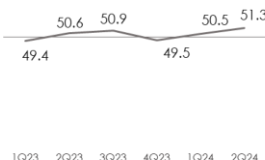
Manufacturing



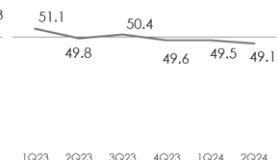
Precision Engineering



Electronics and Semiconductors



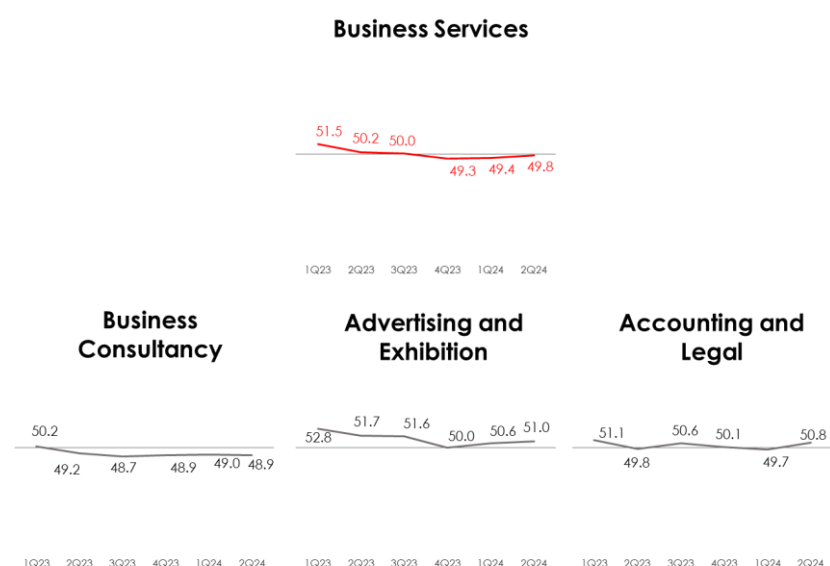
Consumer Products



In line with the recovery in global electronics demand, SMEs in the Electronics and Semiconductors segment saw a pickup from 50.5 last quarter to 51.3 in 2Q 2024. The segment also registered a 27.2% on-year increase in collections, as well as a 16.8% on-year increase in payments. Positive spillover effects were observed in Precision Engineering, with SMEs growing from 50.0 in the previous quarter to 50.7 in 2Q.

Nonetheless, overall growth in the Manufacturing industry was hampered by weak performance in the Consumer Products segment (49.1). In the OCBC SME Business Outlook poll, close to 3 in 5 of the respondents have also expect business conditions to improve in the near-term.

Business Services contracted slightly at 49.8, edging up from the 49.4 registered in the previous quarter. This was led by a 12.1% on-year drop in collections and an 8.8% on-year drop in payments. About 1 in 3 of the business owners from the industry have cited global economic slowdown as their top concern in the next 6 months.



Weakness in the Business Consultancy segment (48.9) continued to outweigh growth in the Advertising and Exhibition (51.0) and Accounting and Legal (50.8) segments, with SMEs within the Business Consultancy segment underperforming for the fifth consecutive quarter.

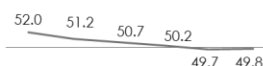
Building & Construction dipped marginally from 49.9 in 1Q 2024 to 49.8 this quarter. Despite the steady construction demand forecasts at the start of the year, SMEs within the Construction segment remained in a slight contraction (49.8), similar to that in Building Materials (49.9). Profit margins of SMEs in the industry could have been impacted by higher financing costs, even as construction material market prices seem to have stabilized.

Building & Construction



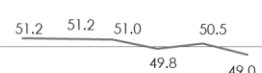
1Q23 2Q23 3Q23 4Q23 1Q24 2Q24

Construction



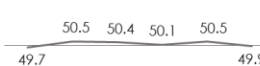
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Investment Companies and Operators



1Q23 2Q23 3Q23 4Q23 1Q24 2Q24

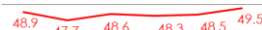
Building Materials



1Q23 2Q23 3Q23 4Q23 1Q24 2Q24

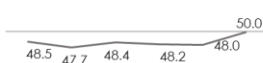
The ICT industry rose to 49.5 but remained in contraction for the eighth consecutive quarter. Overall collections slipped by 18.1% on-year, while overall payments declined by 23.8% on-year.

ICT



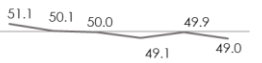
1Q23 2Q23 3Q23 4Q23 1Q24 2Q24

Data Processing and Software Development



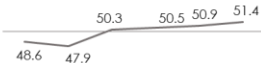
1Q23 2Q23 3Q23 4Q23 1Q24 2Q24

IT Consultancy



1Q23 2Q23 3Q23 4Q23 1Q24 2Q24

ICT Manufacturing and Sales



1Q23 2Q23 3Q23 4Q23 1Q24 2Q24

The improvement in performance of the ICT industry was mainly driven by ICT Manufacturing and Sales (51.4), as SMEs within the segment benefited from the ongoing pick up in semiconductor demand. On the other hand, the IT Consultancy segment continues to underperform, in line with the contractionary reading observed in the Business Consultancy segment.

Industry	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Building & Construction	52.0	51.3	50.8	50.3	49.9	49.8
Construction	52.0	51.2	50.7	50.2	49.7	49.8
Investment Companies and Operators	51.2	51.2	51.0	49.8	50.5	49.0
Building Materials	49.7	50.5	50.4	50.1	50.5	49.9
Other Building & Construction	51.9	51.7	51.2	51.0	49.6	49.6
Business Services	51.5	50.2	50.0	49.3	49.4	49.8
Business Consultancy	50.2	49.2	48.7	48.9	49.0	48.9
Advertising and Exhibition	52.8	51.7	51.6	50.0	50.6	51.0
Accounting and Legal	51.1	49.8	50.6	50.1	49.7	50.8
Other Business Services	53.7	52.0	51.9	51.2	50.0	49.8
Education	50.9	50.8	51.0	49.7	50.5	50.8
Early Childhood Education	52.4	50.7	50.9	49.5	49.4	50.6
Training Centres	50.2	50.6	50.6	49.2	50.2	49.9
Recreation Classes	51.1	50.7	50.5	50.2	50.5	50.6
Formal Education & Commercial Schools	49.3	49.4	49.4	51.1	50.5	50.5
Other Education	51.5	51.2	51.9	50.8	51.2	51.1
F&B	51.4	50.1	51.1	49.6	50.2	50.6
F&B Services	54.0	51.8	52.0	50.0	50.5	50.0
F&B Wholesale Trade	48.2	46.5	48.8	48.2	49.8	50.9
F&B Retail	50.7	51.3	52.5	50.3	51.4	51.2
Other F&B	50.7	51.6	51.7	50.9	50.8	50.3
Healthcare	50.7	49.9	49.8	50.2	49.4	50.2
Healthcare Distributor	49.7	48.9	49.6	49.6	49.8	50.6
Healthcare Provider	51.3	50.2	49.8	50.4	49.4	50.6
Other Healthcare	49.9	50.8	50.9	50.3	50.0	49.0
ICT	48.9	47.7	48.6	48.3	48.5	49.5
Data Processing and Software Development	48.5	47.7	48.4	48.2	48.0	50.0
IT Consultancy	51.1	50.1	50.0	49.1	49.9	49.0
ICT Manufacturing and Sales	48.6	47.9	50.3	50.5	50.9	51.4
Web Portals and Hosting	48.8	49.1	49.3	49.6	49.3	48.1
Other ICT	50.5	49.6	48.5	47.1	48.5	49.4
Manufacturing	50.5	49.3	49.7	49.4	49.8	49.9
Precision Engineering	49.6	48.8	48.9	49.6	50.0	50.7
Electronics and Semiconductors	49.4	50.6	50.9	49.5	50.5	51.3
Consumer Products	51.1	49.8	50.4	49.6	49.5	49.1
Others Manufacturing	50.8	49.5	49.4	49.3	49.9	49.4
Transport & Logistics	46.6	45.6	46.9	47.8	49.7	50.6
Sea Transport	47.5	46.2	47.0	47.9	48.6	49.2
Land Transport	49.4	49.5	50.0	50.1	50.4	50.6
Logistics	45.4	43.5	45.6	46.0	48.7	51.0
Other Transport & Logistics	49.7	49.6	48.4	48.6	50.5	51.5
Wholesale Trade	47.1	46.4	47.9	49.1	49.4	50.4
Retail	49.7	49.7	50.9	50.9	50.9	50.3
Resources	49.3	48.0	48.8	49.7	49.9	51.1
Others	52.0	50.6	50.7	50.4	50.0	50.4
Overall SMEI	49.9	49.0	49.6	49.5	49.7	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 800 responses were collected during the survey period between 3 Jun and 2 Jul 2024.