



TAKING THE RISK OUT OF
SMALL BUSINESS LENDING

U.S. Small Business Lending Declines Sharply *January Data Signals Declining Investment*

(March 1, 2016) —The January 2016 data release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI), which is a leading economic indicator of GDP, registered 118.2, 13% lower than the revised December value of 135. Compared to one year ago, the index decreased 3% from the January 2015 value of 122.4.

“Small businesses don’t like these business conditions so they’re hunkering down further,” states William Phelan, president of PayNet, Inc.

The sharp decline in small business lending shows a trend towards less optimism among small businesses. Three of the past four months have exhibited flat to lower investment as U.S. small businesses held cash rather than put it to work.

The health of business financials stands strong but is starting to show some signs of erosion. The Thomson Reuters/PayNet Small Business Delinquency Index increased 2 basis points in January to 1.22%.

Loan past dues were up or flat in all industry sectors in January, including Construction, which increased 7 bps. While good now, the underlying sectors most sensitive to economic inflections are starting to exhibit stress through higher loan past dues. Transportation companies show loans 30-91 days past due up 5 bps to 1.21%, the 11th consecutive month of increase and its highest level since May 2013.

“This release confirms the past few months are no fluke,” Phelan added. “We will be watching for upcoming releases on investment and delinquencies for more definitive views of the business and credit cycles.”

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About

PayNet Inc. is the leading provider of credit ratings on small businesses enabling lenders to achieve optimal risk management, growth and operational efficiencies. PayNet maintains the largest proprietary database of small business loans, leases and lines of credit encompassing over 23 Million contracts worth over \$1.3 Trillion. Using state-of-the-art analytics, PayNet converts raw data into real-time marketing intelligence and predictive information that subscribing lenders use to make informed small business financial decisions and improve their business strategy. For more information, visit paynetonline.com and sbinsights.net.

Thomson Reuters/PayNet Small Business Lending Index (SBLI)

The Small Business Lending Index (SBLI) is based on new commercial loan and lease originations by major U.S. lenders in PayNet’s proprietary database. This index measures the volume of loans to small businesses normalized to January 2005. Small businesses generally respond to changes in economic conditions more rapidly than do larger businesses, so this statistic is a leading indicator of the economy and predicts changes in GDP between 2-5 months.

Thomson Reuters/PayNet Small Business Delinquency Index (SBDI)

The Small Business Delinquency Index (SBDI) measures the financial stress of small businesses with \$1mm or less in credit outstanding.

PayNet Small Business Default Index (SBDFI)

The PayNet Small Business Default Index (SBDFI) measures small business defaults and signal insolvency across multiple sectors of the economy at the national, state and industry levels. Default is a point-in-time measurement of borrowers that have failed to remain current and as such is a vital piece of information to assess risk exposure and evaluate the health of the overall economy.



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