



TAKING THE RISK OUT OF  
SMALL BUSINESS LENDING

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## **U.S. Small Business Lending Remains Cautious** *Economic Uncertainty Impacting Investment Decisions*

(August 4, 2016) —The June 2016 data release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI), which is a leading economic indicator of GDP, increased to 138.9 in June from 131.1 in May. Although this illustrates the largest monthly increase in the SBLI since February 2016, the index is down 5% compared to June 2015. June is now the third month of consecutive year-over-year decrease, which had not occurred since January 2010 and is the second largest decrease since January 2010.

“In a further demonstration of caution in business spending, U.S. small business once again pulled back on investment in June,” says William Phelan, president of PayNet, Inc. “Small businesses currently lack the drive to invest to create more goods and services.”

The growing sectors of the small business economy are Construction (+8%); Arts, Entertainment, & Recreation (+8.1%); Administrative, Support, Waste Management and Remediation Services (+5.9%). While Construction remains positive, the pace of growth is slowing from a 9.2% rate in the prior month. Arts, Entertainment & Recreation also exhibited a slowdown from 8.2% in the prior month.

Industry sectors showing the largest decreases remain Mining, Quarrying, and Oil & Gas Extraction (-13.5%) and Agriculture, Forestry, Fishing and Hunting (-14.2%). The trend continues to shift mainly to decreases with the big groups of Wholesale Trade (-3.7%), Transportation & Warehousing (-6.6%) and Accommodation & Food Services (-8.7%). Florida (+7.6%), Georgia (+3.4%), Michigan (+2.5%) and New York (+2.2%) show the best increases among the largest populated states.

Small businesses appear risk averse as evidenced in their still relatively low past dues. The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) 31-90 days past due increased 2 basis points to 1.27% in June 2016 from 1.25% in May 2016, which is its highest level since September 2014. As compared to one year ago, delinquency increased by 5 bps, the largest year-over-year increase since March 2015.

Transportation delinquency is up 13 bps to 1.67%, its 16th consecutive month of increase and its highest level since November 2011. Agriculture delinquency went from 0.66% to 0.64%, its first decrease since August 2015. Every other segment was within 1 bp of May's delinquency.

“This latest data release confirms that the U.S. economy will continue to tread water over the next quarter, albeit with credit quality of small business remaining above average for the remainder of 2016,” Phelan noted.

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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 24 Million contracts worth over \$1.4 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](http://paynetonline.com) and [sbinsights.net](http://sbinsights.net).



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**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.