



TAKING THE RISK OUT OF  
SMALL BUSINESS LENDING

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## **U.S. Small Business Investment Declines** ***Increasing Delinquency Signals Changing Business Cycle***

(September 1, 2016) —The July 2016 data release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI), which is a leading economic indicator of GDP, decreased to 121.5 in July from 139.2 in June. Compared to the same month one year ago, the SBLI is down 16%, the largest decrease since October 2009.

“While July trends are not as bad as they appear at first glance, the cumulative effect from the last few month’s data is small businesses are becoming increasingly bearish on the economy.” says William Phelan, president of PayNet, Inc.

July’s small business credit trends show increased financial stress. The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) 31-90 days past due increased 6 basis points from 1.27% in June 2016 to 1.33% in July, which is its highest level since December 2012. As compared to one year ago, delinquency increased by 13 bps, the largest year-over-year increase since December 2009.

Transportation delinquency is up 14 bps to 1.81%, its 17th consecutive month of increase and its highest level since September 2011. Every other segment increased by at least 3 bps from June 2016.

“It’s too early to call a change in the business cycle, but the collective wisdom of millions of small business owners is to hold off on borrowing and investing in their businesses,” Phelan added. “This all means greater risk for the underlying credits and most likely rising defaults of private companies over the next 12 months.”

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### **About**

PayNet Inc. is the leading provider of credit ratings on small businesses enabling lenders to manage credit risk, grow earning assets and operate credit at lower cost. PayNet maintains the largest proprietary database of small business loans, leases and lines of credit encompassing over 23 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 [www.paynet.com](http://www.paynet.com).

### **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.