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U.S. Small Business Lending Building Momentum ***PayNet sees investment improving as strong financial health persists***

CHICAGO – Jan. 8, 2018 – Small business lending expanded in November, according to the latest [U.S. Small Business Credit Monthly Report](#) from [PayNet](#), the leading provider of small business credit data and analysis. The [Thomson Reuters/PayNet Small Business Lending Index](#) (SBLI) rose 4.1 percent – from 133.2 (revised) in October to 138.7 in November –and now sits more than 7 percent above year-ago levels. The SBLI 3-month moving average also increased, and is nearly 6 percent above its November 2016 level.

From an industry perspective, 11 of 18 sectors have seen lending increase over the last 12 months, including seven that grew by more than 4 percent. These fast-growing industries include Construction (+5.3 percent), which has experienced positive growth for 11 consecutive months. Meanwhile, only two sectors experienced significant declines: Healthcare (-8.8 percent); and Finance and Insurance (-3.6 percent).

“After lagging for most of the year, small business investment is finally starting to pick up,” said PayNet President William Phelan. “Financial health remains solid, and small businesses are well-positioned to expand through responsible borrowing.”

The [Thomson Reuters/PayNet Small Business Delinquency Index](#) (SBDI) 31 – 90 days past due held steady at 1.4 percent from October to November. Though the SBDI ticked up three basis points over the past year, this modest increase is consistent with the Federal Reserve’s decision to raise the federal funds rate three times in the 12 months leading up to November. Compared to October, delinquencies fell nine basis points in the Transportation sector and were essentially unchanged in other industries, signaling continued strength in small businesses’ financial health. From a regional perspective, states affected by Hurricanes Harvey and Irma (e.g., Florida, Georgia, Texas) should be closely monitored in the months ahead, as these areas are already starting to see increased delinquencies — which may eventually translate to higher default rates.

The [PayNet Small Business Default Index](#) (SBDFI) fell two basis points to 1.8 percent in November. Only five of the 18 industrial sectors saw defaults rise from October, although 10 sectors experienced higher defaults over the last 12 months, including Information (+73bp Y/Y), Accommodation and Food (+36bp Y/Y), and Finance and Insurance (+18bp Y/Y). However, defaults fell substantially for Mining (-172bp Y/Y) and Professional Services (-36bp Y/Y) over the same period, and the overall default rate is essentially unchanged from a year ago.

“The economy appears to be firing on all cylinders, and the stock market surge shows that large public companies have been taking advantage of the pro-business environment,” added Phelan. “Now, small businesses are stepping in to get a piece of the pie.”

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About PayNet

[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 \$1.5 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.

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) is designed to gauge small business financial stress at the national and state levels, including industry segmentation. The SBDI provides insight to financial services executives, economists, policy makers and regulators in order to understand the stage of the business cycle and to set credit oversight policies.

PayNet Small Business Default Index (SBDFI)

The Small Business Default Index (SBDFI) measures small business defaults and signals 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.
