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PayNet Sees Small Business Lending Reaching New Heights ***U.S. Small Business Lending Hit a Record High in May***

CHICAGO – (July 3, 2018) – Small business lending climbed to an all-time high in May, according to the latest Strategic Insights Report from [PayNet](#), the leading provider of small business credit data and analysis. The [Thomson Reuters / PayNet Small Business Lending Index](#) (SBLI) jumped 9.4 points to 152.7 in May and is up more than 10% on the year. The SBLI 3-month moving average also rose in May and is 11% above its year-ago level.

“Times are unusually good for Main Street businesses and their lenders now,” said William Phelan, president of PayNet, Inc. “The combination of record-high credit demand and low credit risk for main street businesses signals that higher profitability is in store for commercial lenders — especially those with technology systems currently in place that can minimize costs.”

Small business lending saw broad-based growth in May, as nearly every state saw lending increase on an annual basis. Of the ten largest states, growth was led by Texas (+12.9% Y/Y) and North Carolina (+12.3% Y/Y), which both climbed to record highs. The majority of industries also experienced growth in May, led by Transportation & Warehousing (+15.0% Y/Y), Mining (+9.4% Y/Y), and Construction (+7.5% Y/Y). Notably, all four of the industries that declined on a year-over-year basis are in the service sector, including Information (-9.3% Y/Y) and Accommodation & Food Services (-8.1% Y/Y). However, Health Care posted its third consecutive monthly gain (+4.1% Y/Y) after a steady two-year decline.

Small business financial stress edged down in May for the first time in nine months. The [Thomson Reuters / PayNet Small Business Delinquency Index](#) (SBDI) 31–90 Days Past Due moderated to 1.41% in May, but remains six basis points above its year-ago level. Eight of the ten largest states experienced fewer delinquencies relative to April, though only two saw delinquencies fall on an annual basis: Pennsylvania (-6bp Y/Y) and California (-3bp Y/Y). Similarly, while half of the major industries saw delinquencies fall or remain unchanged on a monthly basis, most saw delinquencies rise on an annual basis, led by Health Care (+10bp Y/Y).

The [PayNet Small Business Default Index](#) (SBDFI) fell two basis points to 1.82% in May and is down seven basis points compared to a year ago, its sharpest annual decline since late 2014. On an annual basis, more than half of the major industries saw defaults fall in May, led by Mining (-183bp Y/Y), Transportation & Warehousing (-133bp Y/Y), and Professional Services (-32bp Y/Y). Regionally, defaults fell in eight of the ten largest states on a monthly basis, but were up in half of the largest states relative to year-ago levels. Notably, Texas (-36bp Y/Y) has seen defaults fall by double-digits in each of the last nine months.

“Financial stress among small businesses remains low, especially for this stage of the business cycle,” added Phelan. “While it’s possible that credit risk may begin to creep up if the Fed continues raising rates, main street lending should continue to fill the sails of the U.S. economy.”

[PayNet, Inc.](http://www.paynet.com), 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 \$1.6 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) 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 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.