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PayNet Sees Main Street Resume Blistering Pace of Investment in July

After Brief Respite, U.S. Private Business Lending Sees Another Double-Digit Increase in Capital Investment

CHICAGO – (Sept. 5, 2018) – Small business lending grew in the double digits in July, 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) seasonally adjusted originations ticked down from 145.3 in June 2018 to 144.7 in July 2018, but has increased 17% over the last 12 months. Similarly, the SBLI rolling three-month index held steady at 148.4, but is up 11% compared with July 2017.

“Main Street companies took a breather in June to consolidate the considerable investments made over the previous two quarters,” said William Phelan, president of PayNet, Inc. “With July’s release, we see a resumption of the blistering pace of investment. The June pause was short lived and is replaced by another double-digit year-over-year increase in capital investment. Main Street companies — enabled by their continued strong balance sheets — are planning to build and deliver more goods and provide more services.”

The SBLI remains above 140 for the seventh consecutive month. Compared with July last year, the top investing sectors are Transportation & Warehousing (+17.9%), Mining & Quarrying (+7.8%), and Construction (+7.8%). Year-over-year, all of the major 18 industry sectors are expanding investments with the exception of three: Accommodation & Food (-13.1%), Information (-6.9%), and Professional Services (-1.4%). Private businesses in all the largest 10 states are increasing investments.

The [Thomson Reuters/PayNet Small Business Delinquency Index](#) (SBDI) showing loans 31-90 days past due remained flat at 1.41% from June 2018 to July 2018. Compared to one year ago, delinquencies increased by 6 basis points (+4%). Agriculture (-1bp M/M), Health Care (-1bp M/M), and Construction (-3bp M/M) were down while Retail (+3bp M/M) was up and Transportation and General remained flat. Seven of the ten largest states saw delinquencies rise on a year-over-year basis, led by Florida (+27bp Y/Y), Georgia (+26bp Y/Y), and Ohio (+15bp Y/Y). However, Pennsylvania posted its strongest annual decline since January 2013 (-26bp Y/Y).

Compared to June, the [Thomson Reuters/PayNet Small Business Default Index](#) (SBDFI) held steady at 1.83% in July but fell three basis points on the year, marking its seventh consecutive annual decline. The majority of industries saw defaults fall on a year-over-year basis, led by Transportation & Warehousing (-146bp Y/Y), Mining (-135bp Y/Y), and Professional Services (-30bp Y/Y), though defaults in Information rose on an annual basis for the 17th straight month (+121bp Y/Y). Regionally, defaults decreased in half of the ten largest states, led by Illinois (-38bp Y/Y), which fell to an all-time low in July. However, all five large states that experienced year-over-year increases posted double-digit gains, led by Georgia (+28bp Y/Y), North Carolina (+17bp Y/Y), and Florida (+17bp Y/Y).

“With hindsight, 2018 will look like a lay-up year for Main Street companies,” added Phelan. “Their credit quality is very good, they are going up against a soft 2017, and the new tax laws changed the economics of their businesses. We expect good business conditions throughout the remainder of 2018, but we also think it prudent to start preparing for lower lending volumes and increased credit losses in 2019.”

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 24 million contracts worth over \$1.6 Trillion. Using state-of-the-art analytics, PayNet converts raw data into real-time market 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.
