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## U.S. Small Business Lending Keeps Rolling in August, According to PayNet

### *Blistering Pace of Capital Investment Continues Alongside Strong Financial Health*

CHICAGO – (Oct. 3, 2018) – Small business lending continued its blistering pace in August, 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 increased 7% from 145.1 in July 2018 to 154.7 in August 2018, its second-highest reading ever. Year-over-year, the index is up 16%, marking its 11<sup>th</sup> consecutive increase over the prior year and the fourth double-digit year-over-year gain in the last five months. The rolling three-month index at 148.3 is relatively flat compared to July 2018 but is up 12% on the year.

“The rapid pace of small business investment we reported last month continues in this month’s release,” said PayNet, Inc., President William Phelan. “Recent gains in the SBLI are echoed by the National Federation of Independent Business (NFIB) Small Business Optimism Index, which climbed to a record high in August as the net share of small business owners planning to increase inventories in the next three to six months reached its highest level since 2005. All this is occurring against the backdrop of improved financial health, as PayNet’s data suggest that small businesses are not overextended and that financial stress remains muted. As a result, credit conditions for lenders are particularly healthy right now.”

The SBLI remained above 140 for the eighth consecutive month. The majority of industries experienced lending growth on an annual basis in August, led by Transportation & Warehousing (+20.4% Y/Y) and Mining (+9.7% Y/Y). Lending in Arts & Entertainment (+4.6% Y/Y) climbed to an all-time high in August, and more than half of industries achieved index readings in the top 25<sup>th</sup> percentile of all readings since 2005. Construction (+8.0% Y/Y) saw its strongest annual growth since November 2016 (despite weakening residential investment) due to strong investment in commercial and industrial structures. Regionally, lending increased across all ten of the largest states in August, continuing the widespread expansion seen in July. On an annual basis, regional growth was led by Texas (+15.3% Y/Y), Illinois (+12.3% Y/Y), North Carolina (+9.9% Y/Y) and Michigan (+9.4% Y/Y) — each of which saw lending reach record highs in August. Meanwhile, Pennsylvania (+7.9% Y/Y) and New York (+6.2% Y/Y) experienced their fastest year-over-year growth since mid-2015.

The [Thomson Reuters/PayNet Small Business Delinquency Index](#) (SBDI) showing loans 31-90 days past due edged down one basis point to 1.40% in August, but remains seven basis points above its year-ago level. Year-over-year growth in delinquencies was a mixed bag, with half of the major industries seeing increases and half experiencing declines or holding steady. Notably, Retail delinquencies fell on an annual basis for the first time in over two years (-2bp Y/Y). Seven of the largest states saw delinquencies rise compared to year-ago levels, with three posting double-digit increases: Florida (+28bp Y/Y), Georgia (+25bp Y/Y) and Ohio (+17bp Y/Y).

Compared to July, the [Thomson Reuters/PayNet Small Business Default Index](#) (SBDFI) ticked up two basis points to 1.85% in August, but held steady on a year-over-year basis. The majority of industries experienced a decline in defaults on an annual basis, led by Transportation & Warehousing (-147bp Y/Y) and Mining (-114bp Y/Y). Meanwhile, Finance (-14bp Y/Y) posted its fifth straight double-digit annual decrease, and Education (-

14bp Y/Y) saw its fifth consecutive decline on an annual basis after increasing in each of the prior 16 months. Regionally, half of the ten largest states experienced declines in defaults on the year, with four seeing double-digit decreases: Texas (-31bp Y/Y), Illinois (-27bp Y/Y), New York (-22bp Y/Y), and Michigan (-14bp Y/Y). All ten of the largest states remain more than 300 basis points below historic highs.

“This winning streak for private companies is marked by exceptionally robust investment at low risk, signaling unusually good conditions for Main Street and commercial lending,” added Phelan. “Private businesses are in good shape financially and see business opportunity in taking risks. Lenders are finding increased demand for credit while loss provisions remain stable. While nothing on the horizon shows rising credit risks now, the additional money Main Street is putting to work will likely result in increased delinquencies as investment projects mature.”

### **About PayNet**

[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 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](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 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.

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