



TAKING THE RISK OUT OF  
SMALL BUSINESS LENDING

## **U.S. Small Business Lending Data Points To Continued GDP Growth in Months Ahead**

*Higher small business investment in June means more expansion ahead for the U.S.*

(CHICAGO, IL — August 5, 2014) —The June release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI), which anticipates leading economic indicators and GDP, increased 15% over June 2013. Although the June Index fell 4% to 120.6 versus May, it marks the fourth consecutive double digit year-over-year increase which began in March and has continued through June, after a slow start earlier this year. In another positive sign, small business investment momentum continued at the same 14% growth rate as last month which bodes well for further economic growth.

The financial health of small businesses held firm, even as credit quality fell slightly last month. The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) for 31-90 days past due increased 2 basis points to 1.21%. The Small Business Delinquency Index for 91-180 days has been stable the past 6 months but inched up 1 basis point to 0.30% in June. Loan delinquencies remain near all-time lows supporting the strong financial health of these companies.

Businesses in sectors that have shown higher risk historically remain in good financial shape. Moderate delinquencies of small businesses that specialize in the Transportation and Agriculture sectors are again at all-time lows (0.89% and 0.31% respectively) while the Construction, General, Healthcare and Retail sectors increased slightly. Severe delinquencies in the Healthcare sector decreased 1 basis point, while Agriculture and Construction remained flat, and Retail, Transportation and General each increased 1 basis point.

Despite the slight rise in loan delinquencies this past month, lower credit risk is spreading among more states. In this latest report small businesses in 18 states now experience very low loan delinquencies. This is an improvement from last quarter when very low delinquencies appeared in only 11 states. The number of states with businesses experiencing severely delinquent loans fell as well.

“This report is the 5<sup>th</sup> straight quarter with higher investment and low credit risk by small businesses,” notes William Phelan, President of PayNet. “More investment means more hours for workers, new orders for durable goods and more purchases of supplies. This report is a positive for the economy.”

### **About**

PayNet Inc. is the leading provider of credit ratings on small businesses enabling lenders to achieve optimal risk management, growth and operational efficiencies. PayNet maintains the largest proprietary database of small business loans, leases and lines of credit encompassing over 22 Million contracts worth over \$1.2 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 [paynetonline.com](http://paynetonline.com).

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### **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.

### **Press Contact:**

Jamie Born, Senior Director, Corporate Communications, PayNet, Inc.  
847-853-6117  
[jborn@paynetonline.com](mailto:jborn@paynetonline.com)