



TAKING THE RISK OUT OF  
SMALL BUSINESS LENDING

## **U.S. Small Business Lending Investment Reaches All Time High** *Increased Investment in Diverse Segments Drives Growth*

(June 2, 2015) —The April data release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI), which is a leading economic indicator of GDP, increased 8% from 130.5 in March 2015 to 141.5 in April 2015, reaching an all-time maximum value. Compared to the same month one year ago, the SBLI is up 13%.

This latest report shows more investment by more industry groups. After a disappointing 1<sup>st</sup> quarter, consumer demand is gathering steam. Those hit the hardest by the Great Recession were the high level consumers but they are starting to spend more. Accommodation & Food Service is up 16% reflecting more traveling and dining out by this consumer sector while Transportation & Warehousing, with a 25% increase, shows more delivery of goods. In a positive sign, Construction businesses are ramping up investment in response to road and infrastructure building and a firming home market.

“This release suggests that the production gap between small business and GDP will close at a more rapid pace. Previously the trend-line for small business and GDP was to converge in 2017,” states William Phelan, president of PayNet.

Improving financial health of small businesses further supports the strengthening theme. The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) 31-90 days past due decreased 2 basis points from 1.25% in March 2015 to 1.23% in April 2015. Transportation, Retail and Construction show steady financial health with almost no change in loans past due over last year while Farms and Manufacturing have experienced higher delinquencies. Improved financial health is resulting from stronger sales and balance sheets.

This latest data release shows small businesses are the growth engine for the U.S. economy. Fortunately, they are making these investments in response to consumer demand, at a time when big companies are busy dealing with forex issues and buying back shares to increase their stock price. Above normal investment and improving financial health mean the expansion phase of the business cycle will continue. It bodes well for positive GDP in 2<sup>nd</sup> quarter and for continued growth for the remainder of 2015.

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### **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 23 Million contracts worth over \$1.3 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