U.S. Small Business Lending Falls
Investment by Small Businesses Loses Momentum

(June 2, 2016) —The April 2016 data release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI), which is a leading economic indicator of GDP, for the second consecutive month, decreased 5% to 129.0 in April 2016 from 135.1 in March 2016. Compared to the same month one year ago, the index is down 8%, the largest year-over-year decrease since December 2009. The trend line has fallen to a 1% rate increase from 3%.

"Flat line best describes current small business investment activity," states William Phelan, president of PayNet, Inc. "Small businesses abruptly took a bearish view of the economy at the end of 2015 and, while not an inflection point, this release is concerning," Phelan noted.

Sectors that carried this economy are slowing while few growing sectors are filling the gap. The growth sectors show a slowdown trend - Retail was 6.5%, now 5.4%; Real Estate Services (housing) was 5.4%, now 5.8%; Construction was +9.5%, now +8.5%. Agriculture continues in recession -18.0%. Key sectors are effectively in contraction mode - Transportation 0.6%; Education 0.7%; Manufacturing 1.1%.   Several sectors remain in maintenance mode - Finance +3%, Arts + 3.8%.

Financial health of small businesses has not changed materially in this release and loans past due stand exactly at the same levels they did in April 2015. The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) 31-90 days past due increased 2 bps to 1.23% in April 2016 from 1.21% in the prior month. Transportation delinquency is up 8 bps to 1.37%, its 14th consecutive month of increase and its highest level since March 2013. Construction delinquency is up 6 bps to 1.85%, its seventh consecutive month of increase and its highest level since February 2013. Agriculture +1bps, Retail +2bps and HealthCare +3bps round out rises in all major sectors.

Small businesses reluctance to invest will hold back GDP for the next quarter. "While the trend for small business investment is moving towards negative, it is not there yet on an absolute basis and we could see this flat line continue for some time," Phelan added.

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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 24 Million contracts worth over $1.4 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 and sbinsights.net.

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 signal 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.