



TAKING THE RISK OUT OF
SMALL BUSINESS LENDING

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U.S. Small Business Lending Remains Cautious *Economic Uncertainty Impacting Investment Decisions*

(August 4, 2016) —The June 2016 data release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI), which is a leading economic indicator of GDP, increased to 138.9 in June from 131.1 in May. Although this illustrates the largest monthly increase in the SBLI since February 2016, the index is down 5% compared to June 2015. June is now the third month of consecutive year-over-year decrease, which had not occurred since January 2010 and is the second largest decrease since January 2010.

“In a further demonstration of caution in business spending, U.S. small business once again pulled back on investment in June,” says William Phelan, president of PayNet, Inc. “Small businesses currently lack the drive to invest to create more goods and services.”

The growing sectors of the small business economy are Construction (+8%); Arts, Entertainment, & Recreation (+8.1%); Administrative, Support, Waste Management and Remediation Services (+5.9%). While Construction remains positive, the pace of growth is slowing from a 9.2% rate in the prior month. Arts, Entertainment & Recreation also exhibited a slowdown from 8.2% in the prior month.

Industry sectors showing the largest decreases remain Mining, Quarrying, and Oil & Gas Extraction (-13.5%) and Agriculture, Forestry, Fishing and Hunting (-14.2%). The trend continues to shift mainly to decreases with the big groups of Wholesale Trade (-3.7%), Transportation & Warehousing (-6.6%) and Accommodation & Food Services (-8.7%). Florida (+7.6%), Georgia (+3.4%), Michigan (+2.5%) and New York (+2.2%) show the best increases among the largest populated states.

Small businesses appear risk averse as evidenced in their still relatively low past dues. The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) 31-90 days past due increased 2 basis points to 1.27% in June 2016 from 1.25% in May 2016, which is its highest level since September 2014. As compared to one year ago, delinquency increased by 5 bps, the largest year-over-year increase since March 2015.

Transportation delinquency is up 13 bps to 1.67%, its 16th consecutive month of increase and its highest level since November 2011. Agriculture delinquency went from 0.66% to 0.64%, its first decrease since August 2015. Every other segment was within 1 bp of May's delinquency.

"This latest data release confirms that the U.S. economy will continue to tread water over the next quarter, albeit with credit quality of small business remaining above average for the remainder of 2016," Phelan noted.

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About

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