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U.S. Small Business Investment Malaise Continues

(October 4, 2016) —The August 2016 data release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI), which is a leading economic indicator of GDP, increased to 133.7 in August from 123.1 in July.

This is the largest monthly increase in the SBLI since February 2016, but it follows a 12% decrease last month. Compared to the August 2015, the index is down 1%, the third consecutive month of year-over-year decreases and sixth in the last 11.

In August, investment activity in 14 of 18 industries fell compared to a year ago. Major sectors exhibiting declines include Transportation (-11%), Accommodation & Food Service (-8%), Healthcare (-5%), Agriculture (-16%) and Mining (-13%). Positive growth resulted in Construction (+7%) and Arts & Entertainment (+9%).

"The election The election is putting some business on hold," states William Phelan, president of PayNet, Inc. "Small business made an abrupt halt probably because of uncertainty on policies like health care and taxes."

August's small business credit trends continue to show some rising financial stress. The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) 31-90 days past due increased 1 bp to 1.32% in August 2016 from 1.31% in July 2016; that is its highest level since December 2012. As compared to one year ago, delinquency increased by 13 bps which is the largest year-over-year increase since December 2009. Construction delinquency decreased 3 bps, its largest decrease since July 2015. Transportation delinquency is up 6 bps to 1.83%, its 18th consecutive month of increase and its highest level since September 2011.

"Politics are the dominant factor now," Phelan added. "Once we get some clarity, small businesses can get back to looking for opportunities."

About
PayNet Inc. 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 23 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 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 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.