PAYNET® | TAKING THE RISK OUT OF SMALL BUSINESS LENDING

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U.S. Small Business Investment Rose Slightly In December, 2016

(February 1, 2017) — The December 2016 data release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI) rose slightly to 129.7 in December 2016 from 129.1 in November 2016. Compared to December 2015, the index is down 4%.

"Small businesses are cautiously optimistic but don't expect immediate relief from lower taxes, reduced regulations and changes on health care costs," states William Phelan, president of PayNet.

Non-traditional industries in the small business economy are driving expansion: Arts, Entertainment, & Recreation (+14 %) is growing faster than last year as is Public Administration (+11%). Contraction in traditional industries in the small business sector remain the key reason for the fall in the Index on a national basis. Accommodation & Food Services (-9%) reflects relatively weak consumer consumption; Agriculture, Forestry, Fishing & Hunting (-12%) registers a slight improvement over last year; Mining, Quarrying, & Oil and Gas Extraction (-14%) declined further versus last year; and Transportation and Warehousing (-14%) remains the most worrisome sector taking a nose dive from two years ago when it led the small business sector.

Financial health of small businesses deteriorated at the end of the year. The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) 31-90 days past due rose slightly in December to 1.35% from 1.33% in November 2016. Compared to December 2015, delinquency increased 16 basis points.

Sector loan delinquencies overall signal increased credit risk with Retail delinquency increasing 5 bps to reach its highest level since March 2013. But in a good sign, we see improvement in the sensitive sectors. Transportation delinquency fell 6 bps to 1.76%, its second straight decrease; it previously had not decreased for 21 months.

"Last year will likely stand as one of the all-time low levels of risk for small business defaults at 1.5%%. Higher, more frequent delinquencies, riskier industry sectors and macroeconomic factors point to higher risk for small business credit over the next year," Phelan noted.

PayNet predicts default rates will rise in 2017 to 1.9% from 1.5% in 2016, returning to more normal risk levels for small business credit.

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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.

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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.