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U.S. Small Businesses Remain Optimistic but Patient

(April 5, 2017) — After a mild burst of activity, new investment by small businesses fell. The February 2017 data release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI) decreased 4% from February 2016. While down versus last year, the index rose 7% to 132.9 compared to January 2017.

"Public company stocks have rallied and PE firms are throwing money at new technologies," said William Phelan, president of PayNet, Inc. "But small businesses are waiting for the right time and conditions to start ramping up investment."

The sectors currently driving small business expansion with positive growth rates compared to February 2016 are Arts, Entertainment & Recreation (16.3%), Administrative & Support & Waste Management & Remediation Services (7.1%), Public Administration (7.9%) and Construction (5.6%). Industry sectors that are lagging with lower investment on a year-over-year basis are Transportation (-15.2%), Mining, Quarrying & Oil & Gas Extraction (-7.4%), Agriculture (-9.4%), and Healthcare & Social Assistance (-10.7%).

The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) remained flat in February 2017 at 1.33% from January 2017. The industry sectors displaying higher delinquencies are Agriculture (+3 bps), Construction (+2 bps) and Health Care (+2 bps). Three sectors had lower delinquencies: Retail (-1 bp), Transportation (-2 bps), and General Industries (-1 bp). Over the past year, overall delinquencies increased 12 bps.

The PayNet Small Business Default Index (SBDFI) registered 1.9% in February 2017 compared to 1.6% in February 2016. Increased defaults in Mining (+225 bps), Transportation (+132 bps) and Accommodation & Food Services (+58 bps) are concerning. In contrast, the Retail segment had lower defaults (-8 bps) compared to February 2016.

"When they sense the timing and economic conditions are right to start investing, small businesses are well positioned for growth because their financial condition is so strong," notes Phelan.

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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.

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