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PayNet Sees Main Street Businesses Continuing to Impress *U.S. Small Business Lending Eased in April, But Remains Elevated*

CHICAGO – (June 6, 2018) – Small business lending edged down in April but remains near historic highs, according to the latest Strategic Insights Report from [PayNet](#), the leading provider of small business credit data and analysis. The [Thomson Reuters / PayNet Small Business Lending Index](#) (SBLI) fell 3.5 points to 141.7 in April, but remains in the top 5% of all readings and is up nearly 13% over the last 12 months. The SBLI 3-month moving average also declined slightly but is still 11% above its year-ago level.

“We’ve seen small business lending really start to take off this year, and we don’t see things slowing down anytime soon,” said William Phelan, president of PayNet, Inc. “Main Street businesses are taking advantage of the strong economic climate and steady consumer demand, so we expect that robust lending to small businesses will continue as they look to expand by investing in equipment, employees, and innovation.”

Most large industries saw lending expand in April, led by Mining (+14.0% Y/Y), Transportation & Warehousing (+13.1% Y/Y), and Construction (+7.8% Y/Y). Notably, lending in the Manufacturing industry increased on an annual basis for the third consecutive month after falling consistently for a year. Lending to small businesses in service industries was mixed, and several sectors declined year-over-year, including Information (-11.4% Y/Y), Accommodation & Food Services (-6.1% Y/Y), and Professional Services (-2.6% Y/Y). Regionally, all ten of the largest states saw lending increase on both a monthly and annual basis in April, with North Carolina (+12.4% Y/Y) and Texas (+11.5% Y/Y) posting double-digit gains.

Small business financial stress eased in April, reversing the trend of steady increases in recent months. The [Thomson Reuters / PayNet Small Business Delinquency Index](#) (SBDI) 31–90 Days Past Due moderated to 1.41% in April, the first monthly decline since August 2017, but remains five basis points above its year-ago level. All ten of the largest states experienced fewer delinquencies, though delinquencies in most large states are still above levels from a year ago, with the exception of Michigan (-6 basis points Y/Y) and North Carolina (-4bp Y/Y). Similarly, delinquencies declined or were unchanged on a monthly basis for most major industries, but rose on an annual basis with the exception of Transportation (-50bp Y/Y).

The [PayNet Small Business Default Index](#) (SBDFI) fell three basis points to 1.83% in April and is down six basis points compared to a year ago, matching its lowest level since October 2016. On an annual basis, roughly half of the major industries saw declines in April, led by Mining (-218bp), Transportation & Warehousing (-114bp), and Professional Services (-32bp). Meanwhile, defaults in the Information industry continued to climb (+92bp Y/Y), reaching the highest level in nearly six years. Regionally, defaults fell in seven of the ten largest states compared to the previous month, but rose in half of the largest states on an annual basis.

“Part of the strength in the current small business lending boom is that although credit risk is slowly rising, it remains quite low in most industries,” added Phelan. “Over the next year or two, we expect delinquencies and defaults to continue to tick up and return to more normal levels. But for now, the small business sector has the wind at its back, which should provide a big lift to US GDP over the next 2-5 months.”



About PayNet

[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 \$1.6 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 signals 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.