



# Market Pulse



Main Street Lending Report

May 2024



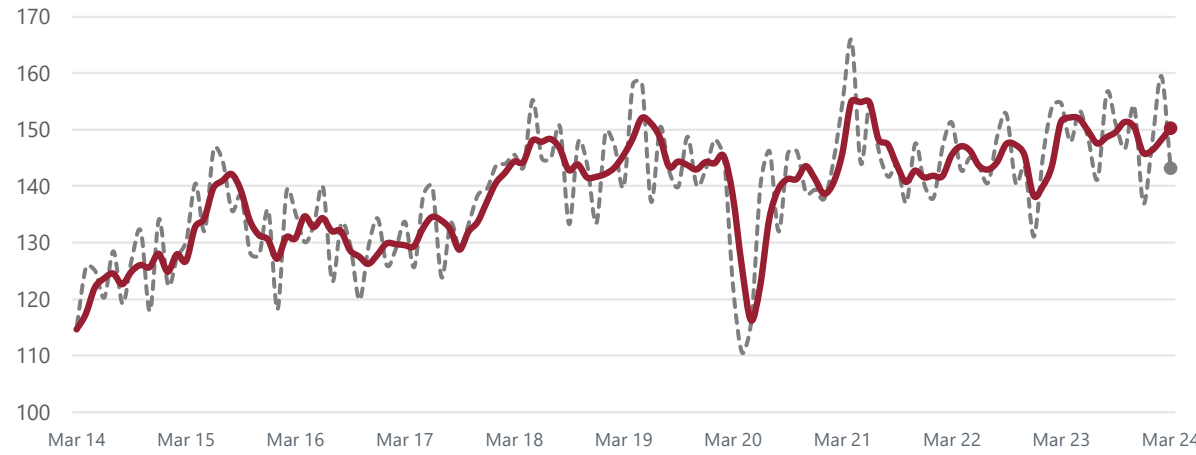
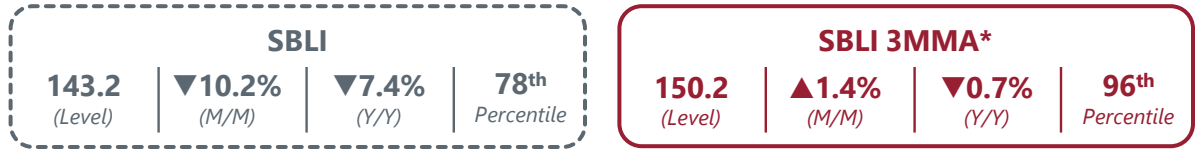
# Equifax Main Street Lending Report — May 2024

## Summary for Executives

### Key Takeaways

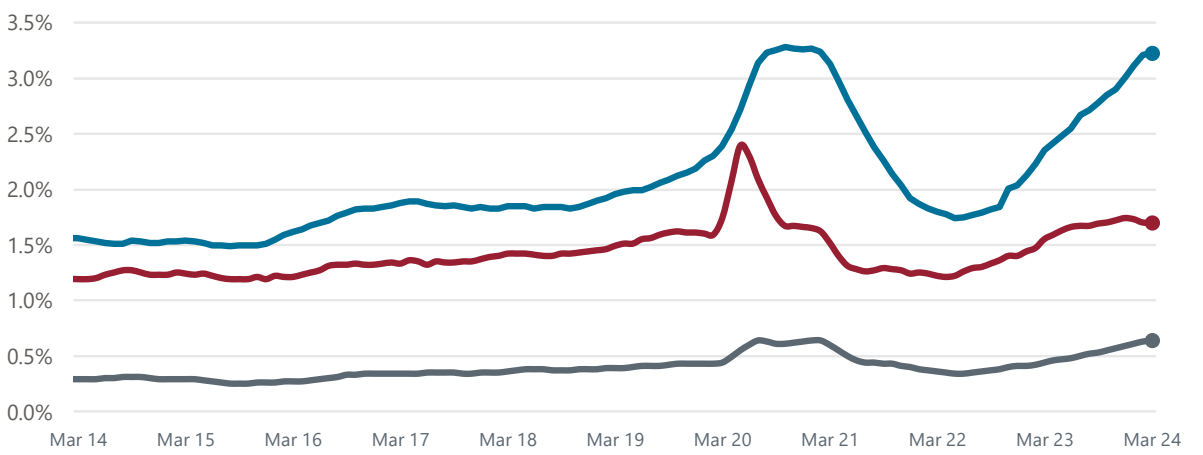
- Nominal small business lending activity weakened in March (-10.2% M/M; -7.4% Y/Y), causing the three-month moving average to dip slightly on a Y/Y basis. Overall, lending growth has been mostly flat over the last year, while financial stress continues to slowly but steadily increase.
- Progress toward achieving the Fed's inflation target has stalled, but recent data on employment and economic growth are encouraging signs that the soft landing remains on track. Still, inflation remains a significant concern for Main Street business owners, and the possibility of a near-term slowdown in consumer demand is a key factor to watch.

### Equifax Small Business Lending Index (SBLI)




Volume of new commercial loans and leases to small businesses, seasonally adjusted index (January 2005 = 100)  
\*Three-month moving average

### Equifax Small Business Delinquency (SBDI) & Default Indices (SBDFI)




SBDFI calculated as a 12-month rolling average

### Factors to Watch



**Small Businesses Pay Out on Credit Card Debt**  
Credit card balances are up as lending conditions have tightened, leaving small business owners with elevated debt servicing costs.



**Consumer Spending Growth Outpacing Income Growth**  
A near-record low personal savings rate and rising debt suggest consumers may be overstretched.



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## Economic Trends

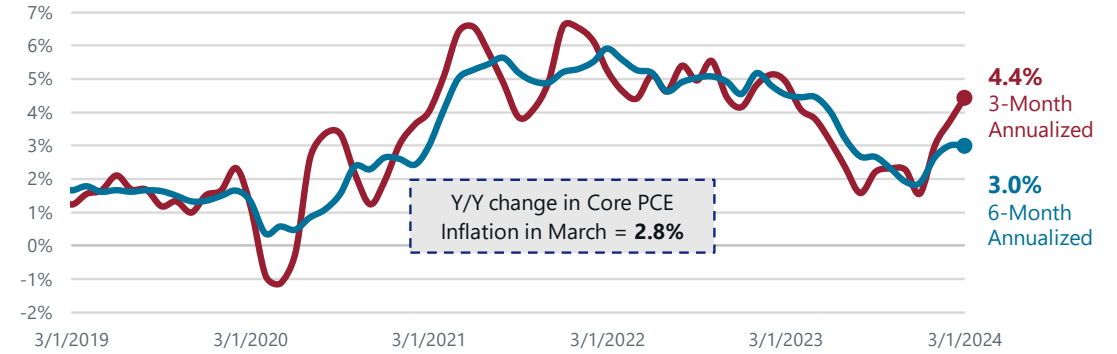
### Economic Context

The U.S. economy moderated to 1.6% growth (annualized) in the first quarter, below expectations but consistent with its sustainable long-term potential. The labor market also moderated somewhat: after averaging a torrid 270,000 jobs/month in Q1, 175,000 jobs were created in April. Given that progress toward achieving the Fed's inflation target has stalled or even reversed thus far in 2024, the Q1 GDP report and April employment report are both encouraging signs that the soft landing remains on track and that core inflation should resume its downward trajectory this year.

- Inflation:** For Main Street, slower price growth would be a welcome development, as inflation appears to have accelerated in recent months (see top chart). Reflecting this trend, inflation has reemerged as the top concern for small business owners and is a major reason why NFIB's Small Business Optimism Index is at its lowest level since 2012. Stubbornly high price growth has also caused the Fed to table plans to cut interest rates until at least the summer and possibly later, meaning that small business owners are unlikely to see borrowing costs fall anytime soon. Equifax's Small Business Lending Index demonstrates that high borrowing costs are taking their toll: the index's three-month moving average has essentially sidewinded for the last year.
- Financial Stress:** Meanwhile, small business financial stress continues to build. Since bottoming out two years ago, Equifax's Small Business Default Index has climbed steadily, and the latest reading is nearly equal to its pandemic-era peak. Similarly, Equifax's Small Business Delinquency Index for long-term delinquencies is at its highest level since the start of the pandemic. One factor driving financial stress is lagging sales: per NFIB, the share of small business owners who report improving sales has been underwater for 22 consecutive months, and near-term sales expectations are at their lowest point in nearly a year. Another factor is the cost of servicing debt. In addition to high interest rates for traditional commercial loans, a recent analysis conducted by the Bank of America Institute found that tighter lending standards are leading many small businesses to turn to credit cards as a financing tool. With APRs at or near all-time highs, continually revolving a credit card balance can be a costly proposition for small firm owners.
- Consumer Demand:** Looking ahead, the capacity for consumers to maintain spending levels will be a key factor to watch. Spending activity remained healthy in Q1, representing the biggest contribution to GDP growth even as it decelerated compared to previous quarters. However, it is unclear whether consumers can continue to spend at this level: spending growth has now outpaced disposable income growth for most of the last year (see bottom chart), driving the personal saving rate to 3.2%, less than half its pre-pandemic average. Small business owners' hiring plans may reflect this concern: the net share of owners who intend to hire in the next three months, while still positive, is now at its lowest level since May 2020.

### Core PCE Inflation Accelerated in Recent Months

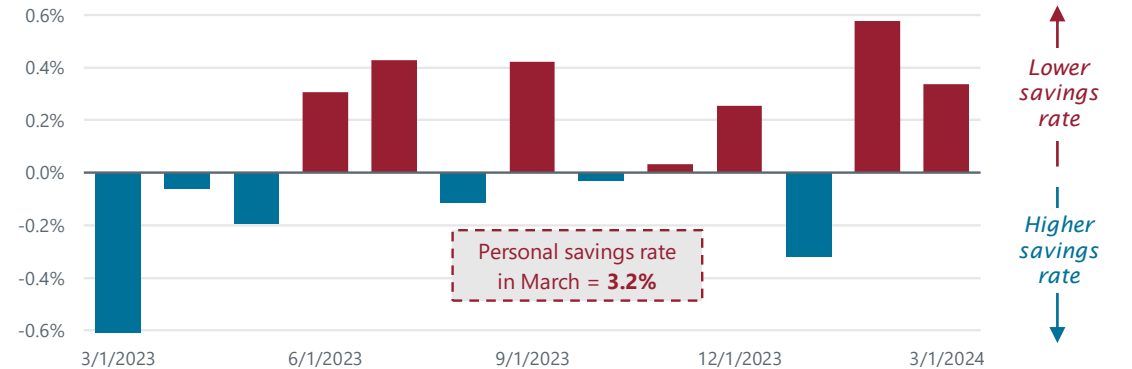
Core PCE Inflation, 6-Month and 3-Month Annualized Growth Rates



Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey; National Federation of Independent Businesses

### Consumer Spending Growth Exceeds Income Growth

Percentage Point Difference in Month-Over-Month Growth of Real PCE and Real DPI



Source: Bureau of Economic Analysis, Income and Personal Outlays



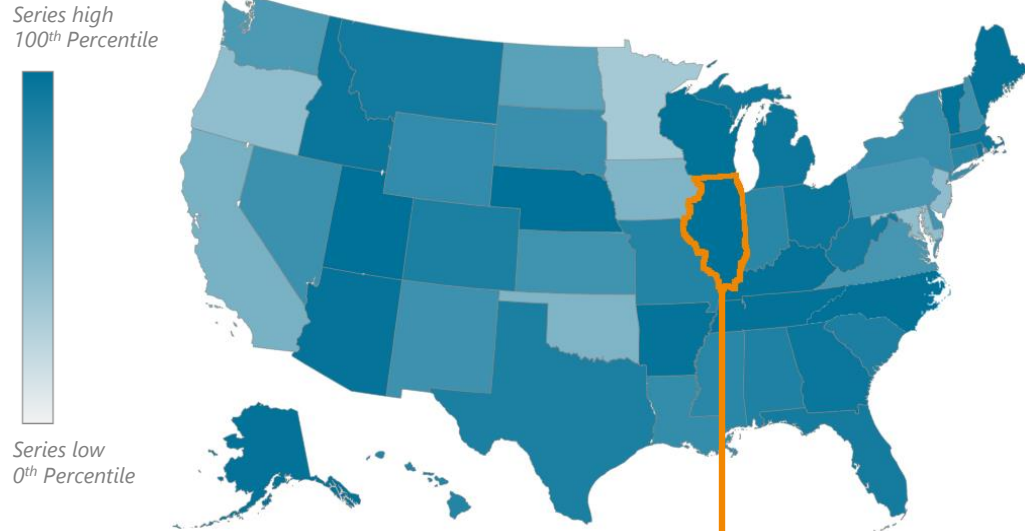
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## State & Industry Trends

### Regions at a Glance

Three states reached series-high levels of nominal lending activity in March, including this month's featured state: Illinois (see callout below).

#### Small Business Lending Index



Map created using Equifax data. Powered by Bing. © GeoNames, Microsoft, TomTom.

Illinois

<b>Lending</b>	131.1	▲ 0.3% <small>(M/M)</small>	▲ 5.9% <small>(Y/Y)</small>	<b>Series High</b>
<b>Delinquency*</b>	1.72%	▼ 4bps <small>(M/M)</small>	▼ 14bps <small>(Y/Y)</small>	63 <sup>rd</sup> <small>Percentile</small>
<b>Default</b>	3.42%	▲ 1bps <small>(M/M)</small>	▲ 96bps <small>(Y/Y)</small>	80 <sup>th</sup> <small>Percentile</small>

### Industries at a Glance

In March, lending expanded to a record high for the health care and social assistance sector while decreasing again for transportation and warehousing. Both industries have seen large year-over-year increases in defaults, particularly transportation.

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**Health Care & Social Assistance**

<b>Lending</b>	167.8	▲ 0.93% <small>(M/M)</small>	▲ 18.1% <small>(Y/Y)</small>	<b>Series High</b>
<b>Delinquency*</b>	1.78%	0bps <small>(M/M)</small>	▲ 13bps <small>(Y/Y)</small>	78 <sup>th</sup> <small>Percentile</small>
<b>Default</b>	3.43%	▼ 1bps <small>(M/M)</small>	▲ 81bps <small>(Y/Y)</small>	80 <sup>th</sup> <small>Percentile</small>

🚚

**Transportation and Warehousing**

<b>Lending</b>	100.9	▼ 1.20% <small>(M/M)</small>	▼ 10.5% <small>(Y/Y)</small>	40 <sup>th</sup> <small>Percentile</small>
<b>Delinquency*</b>	3.16%	▼ 2bps <small>(M/M)</small>	▲ 86bps <small>(Y/Y)</small>	81 <sup>st</sup> <small>Percentile</small>
<b>Default</b>	7.43%	▲ 7bps <small>(M/M)</small>	▲ 383bps <small>(Y/Y)</small>	83 <sup>rd</sup> <small>Percentile</small>

\*31-90 Days Delinquent

To learn more about Equifax full suite of state, industry, and state/industry commercial business data, please [contact a sales specialist today](#).