



Market **Pulse**

Main Street Lending Report

May 2025





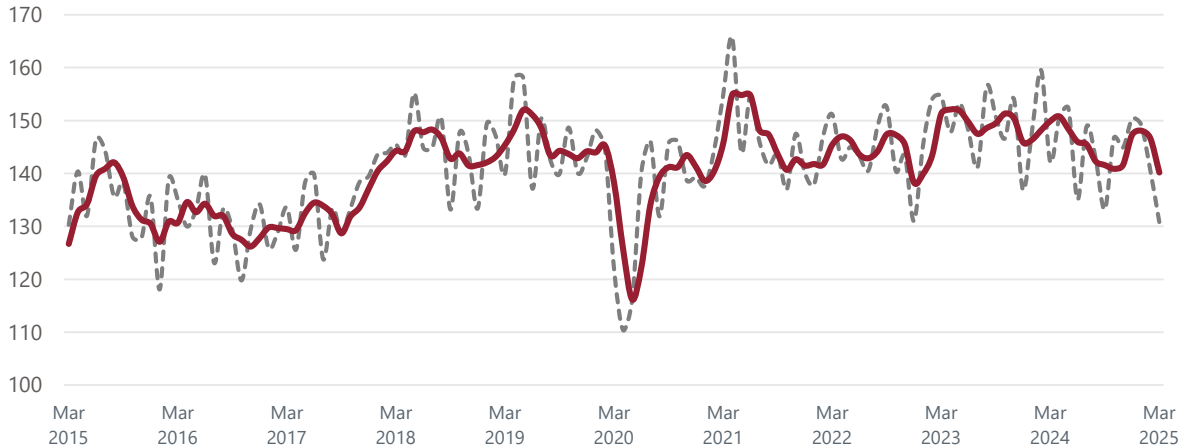
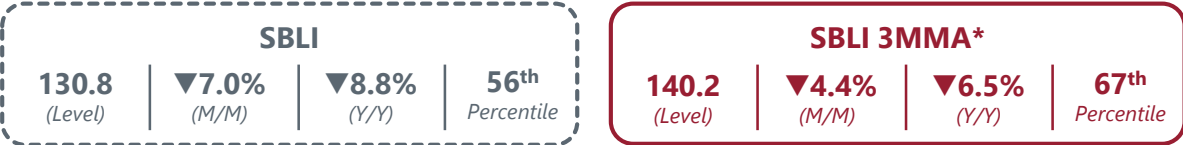
Equifax Main Street Lending Report — May 2025

Summary for Executives

Key Takeaways

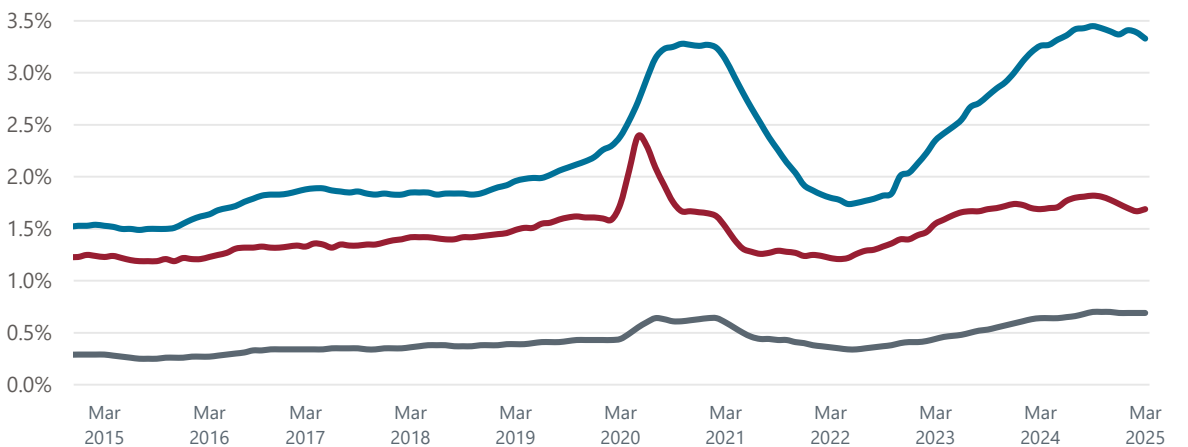
- Small business lending fell in March (-7.0% M/M, -8.8% Y/Y), reflecting mounting caution among businesses and lenders in the face of heightened economic uncertainty. Over the last two months, the SBLI has fallen 12.3%, the largest two-month decline since March and April 2020 (and among the largest in series history).
- U.S. economic data over the last month have been mixed. Consumer and small business sentiment measures (i.e., “soft data”) have declined steadily for several months , while “hard data” such as hiring and consumer spending are more positive and suggest that economic conditions, while somewhat weaker than in 2024, remain healthy overall.

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

Labor Market Momentum

The Labor market continues to expand solidly, providing a degree of reassurance about the underlying economy amid heightened uncertainty.

Tariff Policy Negotiations

Business leaders are monitoring trade negotiations closely, particularly with China, as tariffs drive up manufacturing and production costs.



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Economic Trends

Economic Context

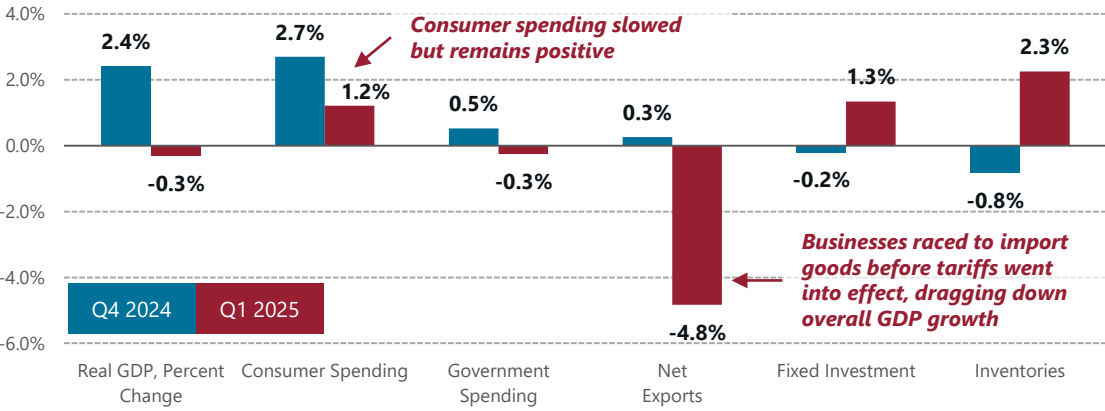
Driven by a surge in imports ahead of expected tariffs, the U.S. economy contracted 0.3% in Q1 (see top chart). While generally in line with forecasters' expectations, the negative print has raised anxieties about the potential for recession, with tariff policy and its related uncertainty continuing to dominate the conversation. A growing gap has emerged between soft data and hard data: subjective measures like consumer confidence have fallen to pandemic-era levels, while hard data like the monthly jobs reports continue to reflect solid economic fundamentals. This gap is most apparent in two key areas of the economy:

- Labor market** — Despite deteriorating business sentiment, job growth remains healthy. Multiple surveys of small business owners point to declining confidence in the economic outlook, including the WSJ/Vistage Small Business CEO Confidence Index, which dropped in April to its lowest level since June 2020. NFIB also reported that small business hiring plans continued to soften, with the share of owners planning to add jobs over the next three months falling to its second-lowest reading since the pandemic (see bottom chart). Despite this, the U.S. economy added 177,000 jobs in April, the unemployment rate held at 4.2%, and wages rose a solid 3.8% Y/Y.
- Consumer spending** — Consumer sentiment has fallen sharply as households are increasingly pessimistic about the future. The Conference Board's Expectations Index (which reflects the short-term outlook for income, business, and labor market conditions) fell to a 13-year low in April. Notably, the share of consumers expecting fewer jobs in the next few months is now on par with levels seen during the height of the Great Recession. Nonetheless, consumer spending has been resilient through the first three months of 2025, in part due to "pull-forward" spending as consumers front-run tariffs.

All told, although some economic indicators have softened, the Q1 contraction was primarily driven by a surge in imports rather than a broad-based economic slowdown. While soft data suggest that storm clouds may be on the horizon, near-term economic conditions are heavily dependent on the extent to which currently paused "reciprocal" tariffs are enacted. If those measures are mitigated through bilateral trade negotiations, economic growth would likely rebound and many small businesses would benefit. If fully implemented, however, a consumer spending slowdown later this year would be increasingly likely. For now, uncertainty reigns supreme, and many small business owners appear to be content playing the waiting game on new borrowing activity until the outlook for trade policy becomes clearer.

Imports Drag on GDP Growth in Q1 2025

Contributions to percent change in Real GDP, Q4 2024 & Q1 2025 (categories sum to overall GDP growth)



Source: Bureau of Economic Analysis.

Small Business Hiring Plans Continue to Slide

Net percent of respondents that anticipate an increase hiring plans over the next three months, SA



Source: NFIB

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