

EQUIFAX[®]

Market **Pulse**

Main Street Lending Report

March 2025





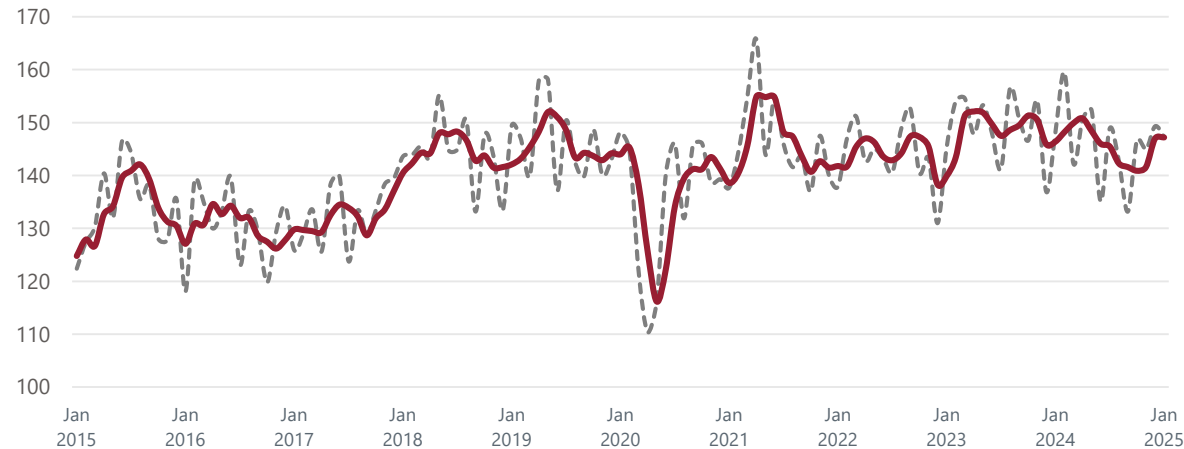
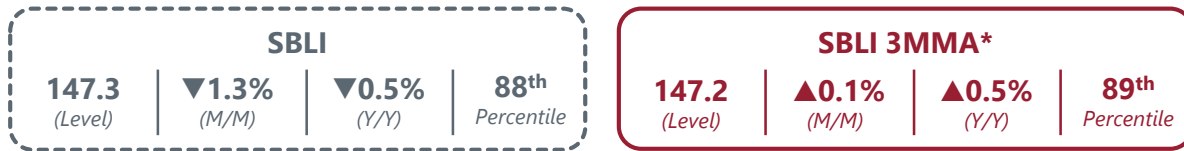
Equifax Main Street Lending Report — March 2025

Summary for Executives

Key Takeaways

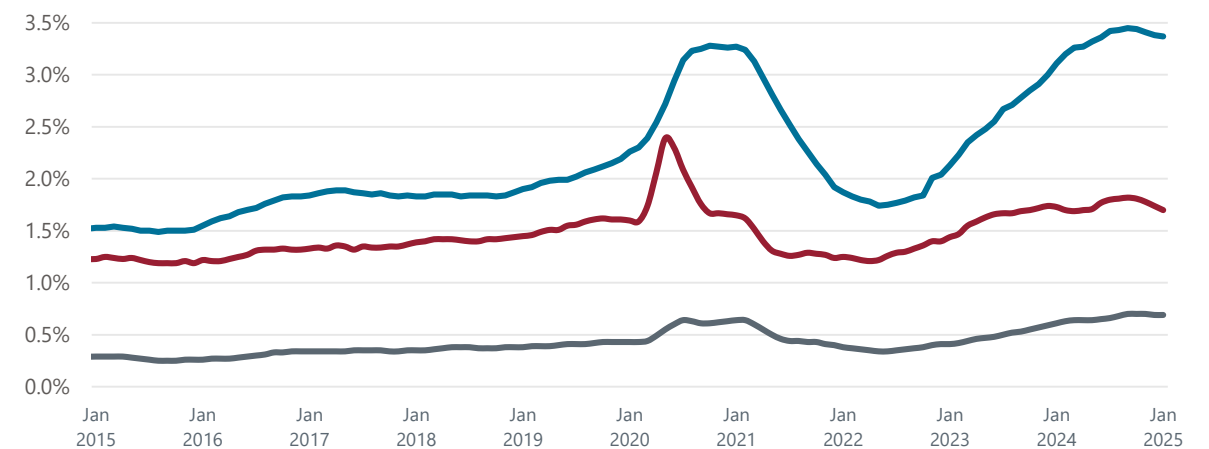
- Equifax data indicates that small business lending activity is generally holding up, while delinquency and default rates are trending down. Further, the labor market remains healthy even though job growth has slowed, and while consumer spending has weakened somewhat in Q1, it remains above water, largely due to higher-income households.
- However, uncertainty is unusually high, largely due to the increasingly likely possibility of broad-based tariffs targeting major U.S. trading partners. While some industries may benefit, trade policy disruptions are already disrupting economic growth projections and are at least partly to blame for recent declines in both consumer and business confidence.

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



Broad-Based Tariffs

Trade policy uncertainty is a new complication for business owners and has led to recent declines in consumer and business confidence.



Easing Regulatory Burdens

The likelihood of a lighter-touch regulatory regime is a tailwind for small business growth.



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Economic Trends

Economic Context

Current economic conditions are broadly similar to last year's pre-election period. The labor market is generally healthy: monthly job growth has slowed but remains solid, unemployment is low, and weekly jobless claims are nearly identical to pre-pandemic levels. Although consumer spending has weakened somewhat in 2025, it remains above water: per Bank of America, spending rose 0.3% M/M in February, driven by higher-income households. Additionally, the Core PCE Price Index (the Fed's preferred measure of inflation) fell to 2.6% in January and continues to trend toward the Fed's 2% target. Bank of America recently reported that small business profitability grew 1.5% Y/Y in January, and Equifax data indicates that small business lending activity is generally holding up while delinquency and default rates are trending down.

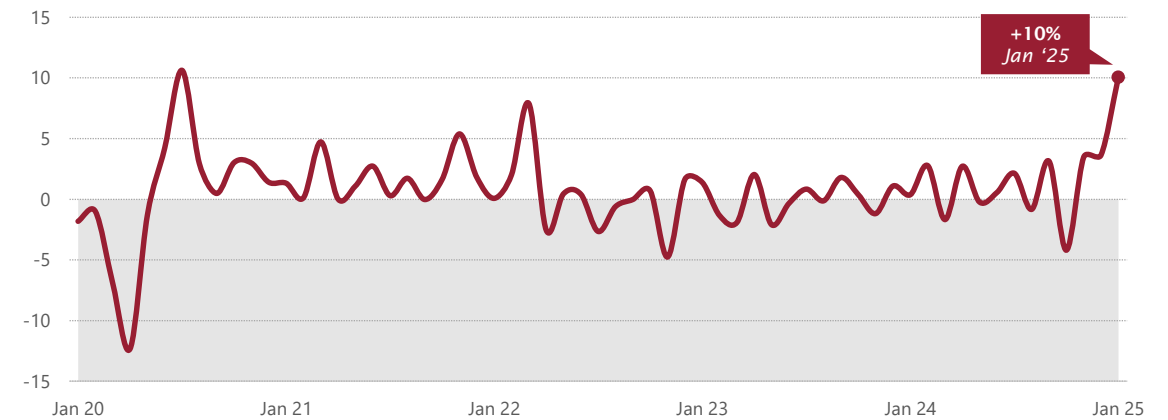
However, despite the relative strength of these core fundamentals, there is a heightened sense of uncertainty in the air, largely due to the increasingly likely possibility of broad-based tariffs targeting major U.S. trading partners. Tariff threats led to a historic surge in goods imports in January (see top chart), which triggered a sharp decline in projected Q1 GDP growth: indeed, the Atlanta Fed's GDPNow tool currently forecasts an economic contraction of -2.4% over the first three months of the year. Tariffs also threaten to unwind recent progress on inflation: while a slight majority of small business owners indicated that they would not raise prices in response to higher tariffs, nearly one-third said they would (see bottom chart).

Notably, it is unclear whether all, some, or any of the threatened tariffs will be ultimately implemented. Either way, the "will they or won't they" posture is a new complication for many business owners and is likely at least partly to blame for recent declines in both consumer and business confidence metrics. Over the last two months, the NFIB Uncertainty Index has jumped 18 points to its second-highest reading in four decades, and per the WSJ/Vistage Small Business Index, less than half of small business owners expect the economy to improve over the next year, down from 63% as of late last year.

Notwithstanding economic uncertainty, there are reasons to be cautiously optimistic about the economic climate for small businesses in the medium-term. Many provisions of the 2017 Tax Cuts and Jobs Act are likely to be extended or made permanent, and a reduced federal regulatory burden should encourage new investment and hiring. Market expectations for lower interest rates have also improved: as of early March, the implied probability of three or more rate cuts in 2025 is roughly 75%. The path ahead could be bumpy, but most small business owners appear to be well-positioned to confront these challenges.

Imports Surge Ahead of Tariff Deadlines

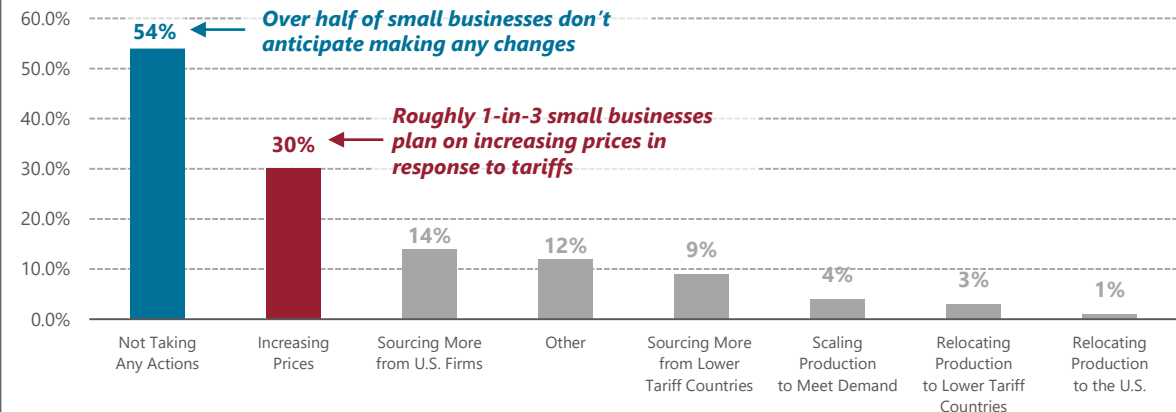
Month-over-month percent change in imports of goods and services, balance of payments basis



Source: U.S. Bureau of Economic Analysis.

Small Business Owners Split on Tariff Decision-Making

What actions are small business owners taking in response to higher tariffs (select all that apply question)



Source: Wall Street Journal/Vistage Small Business Index, February 2025.

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