

EQUIFAX[®]

Market **Pulse**

Main Street Lending Report

September 2024





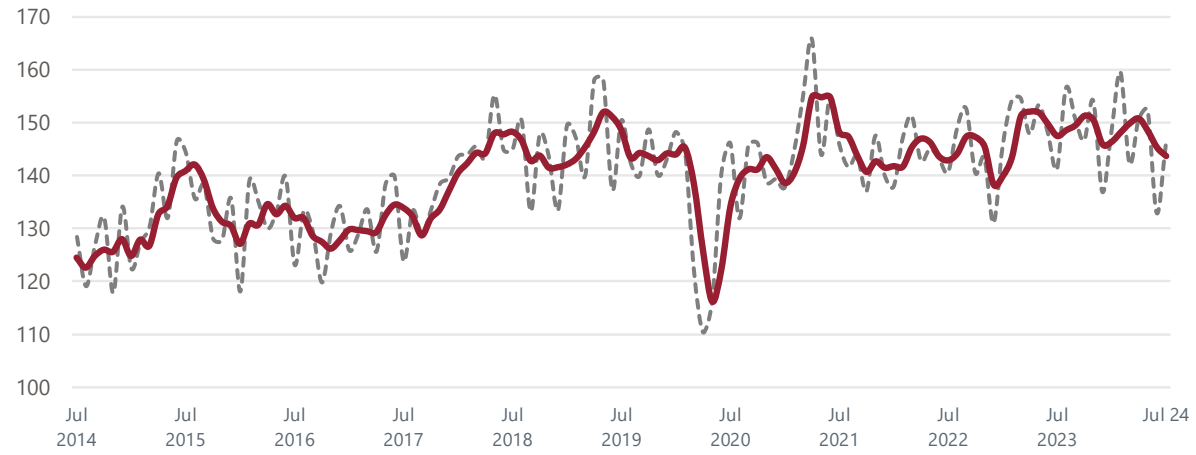
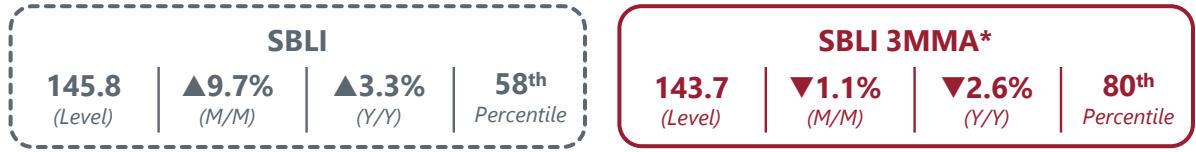
Equifax Main Street Lending Report — September 2024

Summary for Executives

Key Takeaways

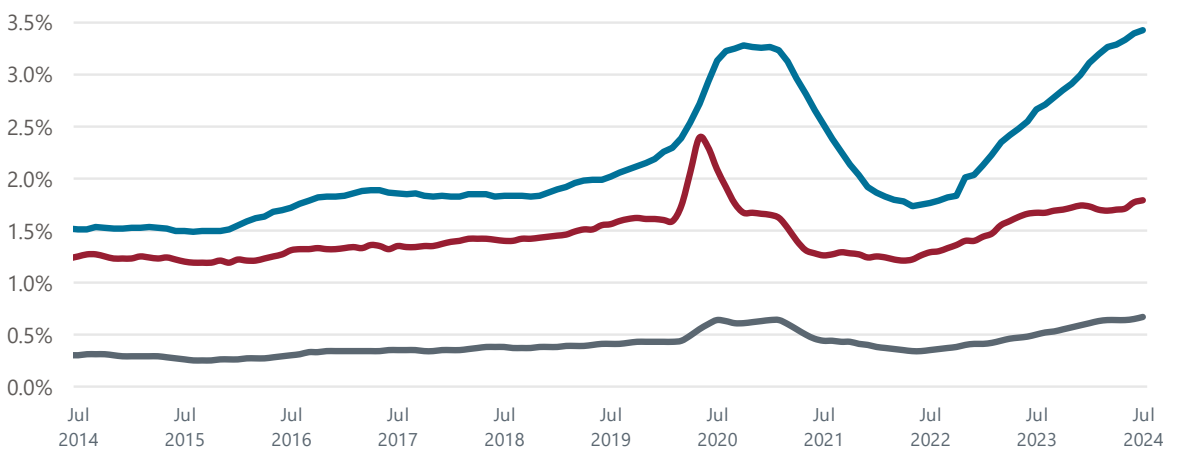
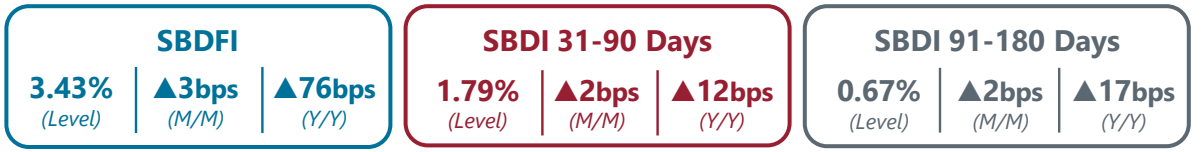
- Equifax’s latest SBLI reading suggests that small business lending continues to be constrained by high interest rates. However, with the Federal Reserve likely to cut rates this fall, optimism is on the rise and there appears to be an increased appetite among small business owners to expand their operations through borrowing.
- Small business owners continue to benefit from solid consumer spending growth. However, evidence is building that spending may slow in the months ahead as consumers pull back on credit card use and consumption levels come back into alignment with disposable income.

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 Looking to Expand?
Recent business investment trends are solid, particularly for equipment. Meanwhile, more small business owners are looking to borrow.

▼ % September Rate Cuts on the Horizon
The Federal Reserve is expected to cut rates at their September meeting, likely by 25 bps (though a 50-bps cut is possible).



Economic Context

Small business optimism appears to be picking up steam as markets anticipate a September rate cut, and the economy continues to track toward a soft landing. Inflation has cooled considerably and the labor market has shifted to a slower but more sustainable growth trajectory: a healthy 142,000 jobs were added in August, while the unemployment rate fell to 4.2% and remains low historically. Consumer spending and business investment have also been solid and are driving growth this quarter: the Atlanta Fed's *GDPNow* forecast suggests that consumer spending will eclipse 3% annualized growth in Q3, while equipment investment is on track to expand at a robust double-digit annualized rate.

- Consumer Spending:** Consumers have driven economic growth throughout the post-pandemic recovery. However, evidence is building that spending may slow in the months ahead. Although wage growth has exceeded inflation for 17 consecutive months, real spending growth has exceeded real disposable income growth in each of the last 6 months (and 12 of the last 14). As a result, the personal savings rate dipped to 2.9% in July, the lowest level since June 2022 and less than half its pre-pandemic average (see top chart). Some of the post-pandemic spending surge can be attributed to an increased dependence on credit cards, as revolving credit rates spiked in 2021 and 2022 and remained elevated last year. This trend appears to be changing, however: the annualized growth rate in revolving credit fell to a three-year low of 1.2% in Q2 — not a recessionary reading, but consistent with a spending pullback. Simply put, consistently spending more money than one has available is unlikely to be sustainable.
- Small Business Optimism:** Main Street confidence has been muted in recent years, but recent data from this summer point to a more optimistic outlook. PNC's latest survey of small and middle-market business owners revealed a sharp increase in sentiment, including the finding that more than half of small business owners are "highly optimistic" about the economy. One-third of surveyed firms expect to increase their capital spending in the next six months, and a similar share expect to seek out a new loan — both substantially higher than they were just six months ago. Meanwhile, although the NFIB Small Business Optimism Index remains below its long-term average, it jumped in July to its highest reading in more than two years.

Overall, despite concern that some consumers may be overstretched, near-term prospects for Main Street and the overall US economy are generally positive.

Personal Savings Rate Falls to 2.9%

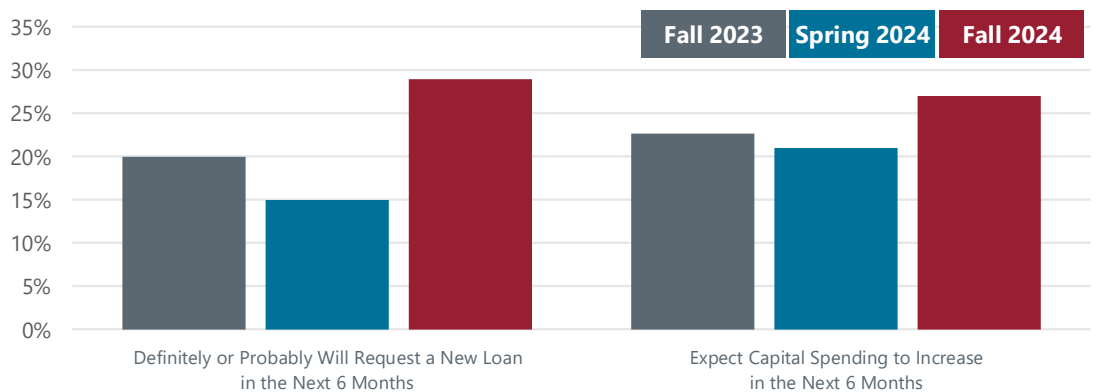
Percent, Seasonally Adjusted at an Annual Rate (Recessions Shaded in Grey)



Source: U.S. Bureau of Economic Analysis, Personal Income and Outlays

More Small Businesses Are Looking for Financing

Percentage



Source: PNC Survey of Small and Middle-Market Businesses



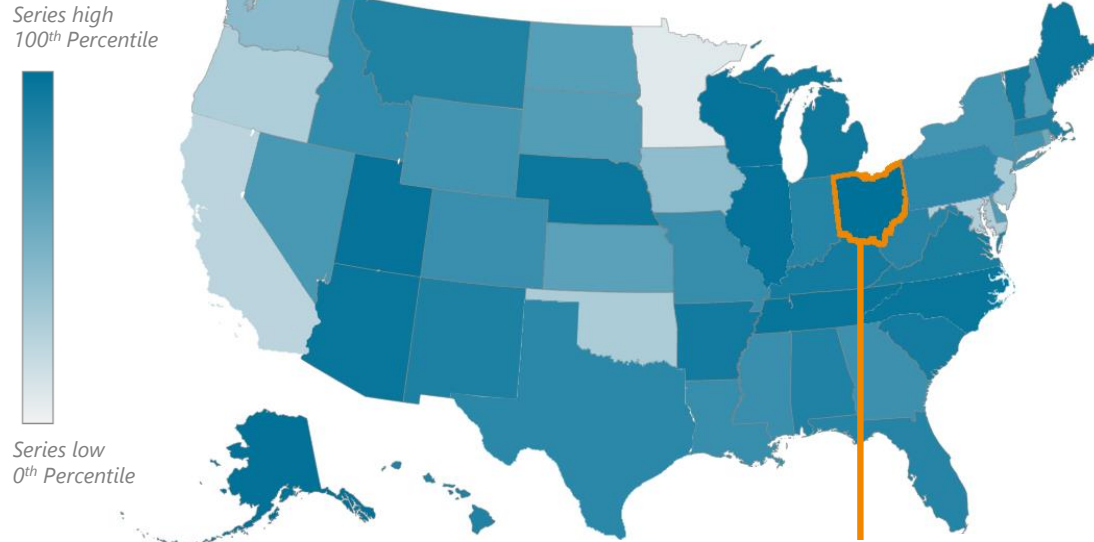
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State & Industry Trends

Regions at a Glance

In July, small business lending activity decreased in several states but reached a series high in this month's featured state, Ohio.

Small Business Lending Index



Ohio

Lending	113.68	▲ 2.0% <small>(M/M)</small>	▲ 1.6% <small>(Y/Y)</small>	Series High
Delinquency*	1.14%	▲ 4bps <small>(M/M)</small>	▲ 13bps <small>(Y/Y)</small>	63rd <small>Percentile</small>
Default	2.61%	▲ 8bps <small>(M/M)</small>	▲ 70bps <small>(Y/Y)</small>	80th <small>Percentile</small>

*31-90 Days Delinquent

Industries at a Glance

Lending activity declined to a series low for the Mining, Quarrying, and Oil & Gas Extraction industry. Meanwhile, Transportation & Warehousing defaults increased to their highest level since 2010.



Mining, Quarrying, & Oil and Gas Extraction

Lending	48.48	▼ 1.2% <small>(M/M)</small>	▼ 19% <small>(Y/Y)</small>	Series Low
Default	2.9%	▲ 22bps <small>(M/M)</small>	▲ 114bps <small>(Y/Y)</small>	64th <small>Percentile</small>



Transportation & Warehousing

Lending	97.4	▼ 0.4% <small>(M/M)</small>	▼ 10% <small>(Y/Y)</small>	38th <small>Percentile</small>
Delinquency*	3.34%	▲ 3bps <small>(M/M)</small>	▲ 51bps <small>(Y/Y)</small>	85th <small>Percentile</small>
Default	8.08%	▲ 4bps <small>(M/M)</small>	▲ 300bps <small>(Y/Y)</small>	84th <small>Percentile</small>

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