EQUIFAX®

# Market **Pulse**

## Main Street Lending Report

December 2025

Data through October 2025

# Equifax Main Street Lending Report — December 2025

## *Summary for Executives*

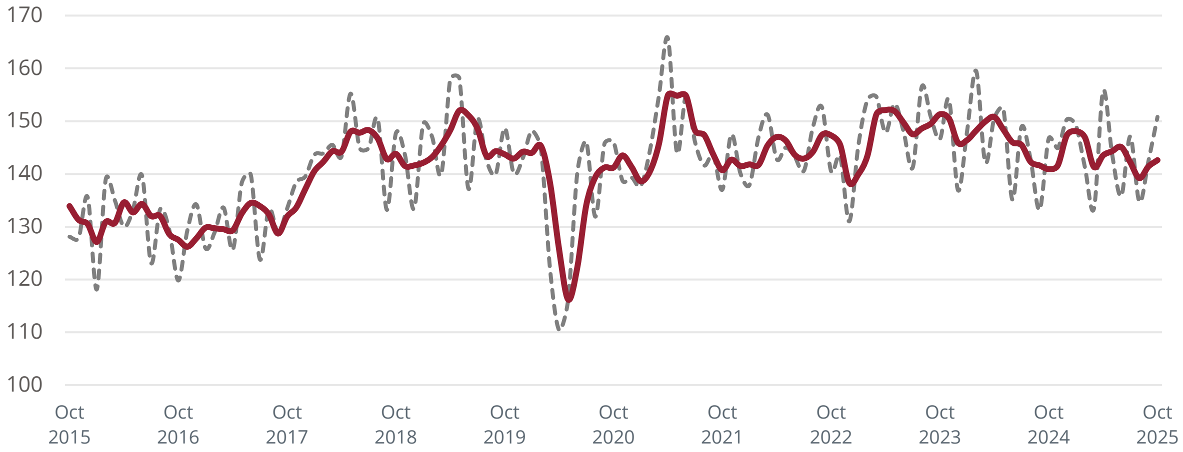
## Key Takeaways

- In October, small business lending increased 5.9% from September and is up 2.8% year-over-year. Small business credit quality continues to improve: while severe delinquencies (91-180) days remain flat, short-term delinquencies (31-90 days) and defaults are falling, with defaults down 20bps compared to last October.
- Although the U.S. economy has been resilient to a range of headwinds in 2025, there are emerging signs that growth is slowing, particularly among small businesses (which tend to be more exposed to shifts in economic momentum). Looking to 2026, Main Street will be closely monitoring the Supreme Court's decision on the legality of emergency tariffs and the extent to which the Fed continues to ease monetary policy, particularly given the prospect of a new, potentially more "dovish" Fed chair.

## Equifax Small Business Lending Index (SBLI)

| SBLI | | | |
|---|---|---|---|
| 150.8 (Level) | ▲5.9% (M/M) | ▲2.8% (Y/Y) | 93rd Percentile |

| SBLI 3MMA | | | |
|---|---|---|---|
| 142.6 (Level) | ▲0.8% (M/M) | ▲1.2% (Y/Y) | 74th Percentile |



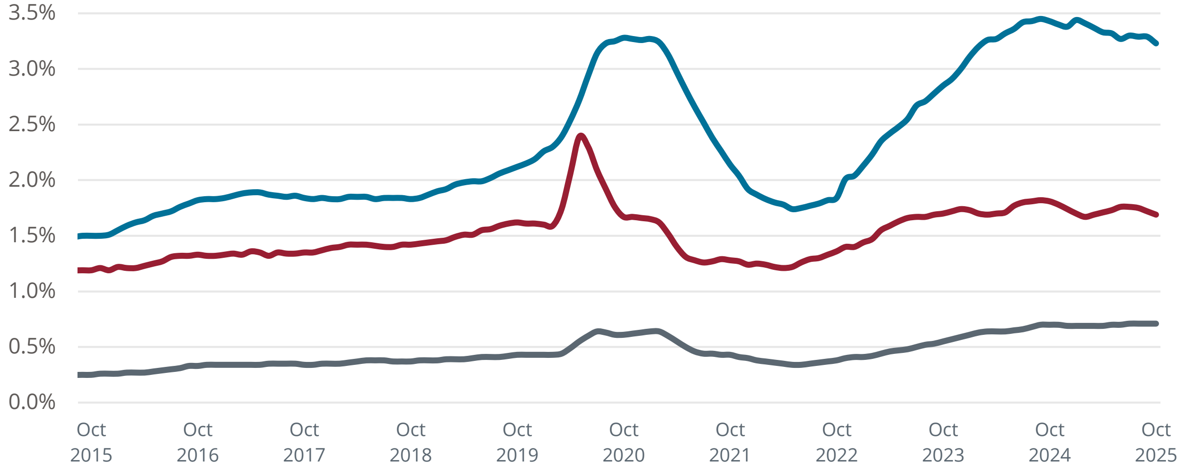

Volume of new commercial loans and leases to small businesses, seasonally adjusted index (January 2005 = 100)

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

| SBDFI | | |
|---|---|---|
| 3.23% (Level) | ▼6bps (M/M) | ▼20bps (Y/Y) |

| SBDI 31-90 Days | | |
|---|---|---|
| 1.69% (Level) | ▼3bps (M/M) | ▼12bps (Y/Y) |

| SBDI 91-180 Days | | |
|---|---|---|
| 0.71% (Level) | ▲0bps (M/M) | ▲1bps (Y/Y) |




SBDFI calculated as a 12-month rolling average

## Factors to Watch

### Supreme Court Decision on Tariffs

If IEEPA-justified tariffs are struck down, uncertainty could follow as firms seek refunds and the administration restructures its approach.

### The Fed's Path Forward in 2026

Concerned over labor market weakness, the Fed has cut three times in the last 4 months. Markets expect two or more reductions across 2026.

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## *Economic Trends*

## Economic Context

The U.S. economy has shown surprising resilience in 2025 despite heightened uncertainty and ongoing trade policy turbulence. Although several key official data releases remain delayed due to the government shutdown, available indicators suggest that the economy likely expanded at a strong pace in Q3 (though Q4 may be weaker). Overall, the OECD estimates that the U.S. expanded by roughly 2% in 2025 — significantly slower than the 2.8% in 2024, but still healthy (see top chart). However, there are reasons to be wary about Main Street economic health moving into 2026, as small businesses could be starting to waver.

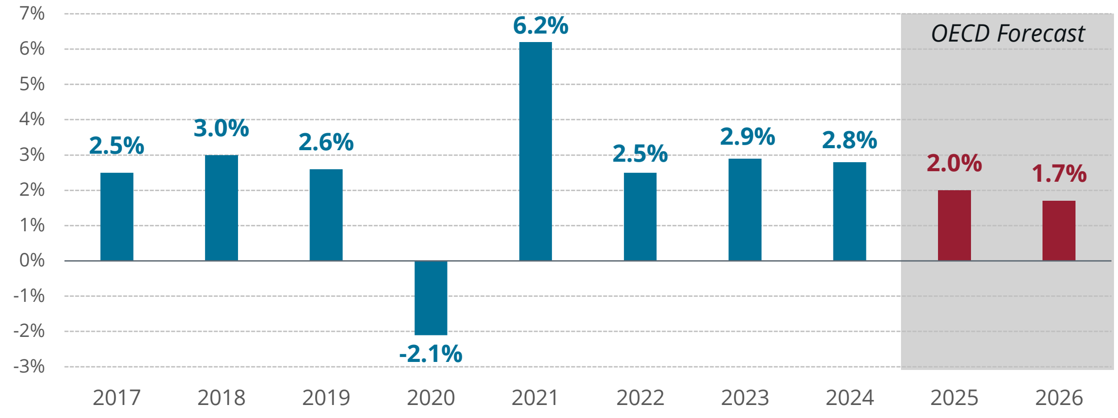
The clearest sign of mounting pressure is in the labor market. ADP's November jobs report estimates the private sector lost a net 32,000 jobs, driven almost entirely by firms with less than 50 employees (larger employers, meanwhile, continued to hire). Small firms shed 120,000 jobs in November and have seen an average decline of 37,000 roles per month since May. According to WSJ/Vistage Small Business CEO Index, 51% of small business respondents feel the economy is worse than a year ago, an 8-point increase from last month and the highest level since June (see bottom chart). Holiday shopping may provide a temporary boost to hiring, but for current trends to reverse, small firms will likely require improved economic clarity, lower cost pressures, and stronger consumer demand.

Two major policy paths will be key factors for Main Street to watch in 2026:

- **Tariffs:** The Supreme Court is currently reviewing the administration's authority to impose tariffs under the International Emergency Economic Powers Act (IEEPA). If IEEPA-justified tariffs (which account for more than half of active tariffs) are upheld, businesses should expect current rates to persist and potentially broaden. If they are struck down, however, the administration has indicated it would use alternative authorities to implement new tariffs. That transition could create uncertainty, as firms seek refunds for previously paid duties or accelerate imports to front-run the prospect of replacement tariffs.
- **Interest Rates:** While the Fed is wary of tariff-related inflation, continued labor market weakness has tilted the balance of risks. As a result, FOMC members cut rates for the third time this year at its December meeting. Concerns over labor market sluggishness are also driving expectations for at least two more rate cuts in 2026. Moreover, after Jay Powell's term ends in May, a new chair could result in a more dovish FOMC. This could lead to more rate cuts but could also spook bond markets and paradoxically lead to higher long-term borrowing costs.

### Growth is expected to slow in 2025 and 2026

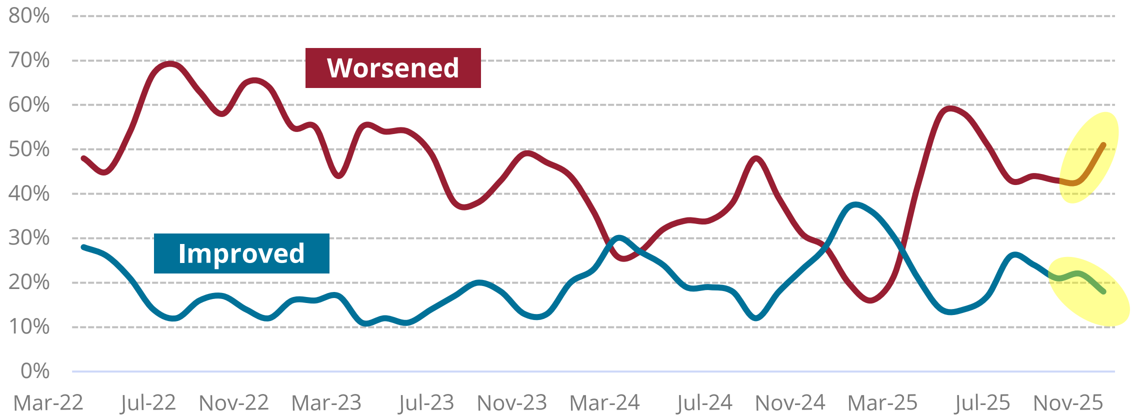
*Gross Domestic Product, percent change from preceeding period, seasonally and inflation-adjusted*




Source: Bureau of Economic Analysis, Organization for Economic Cooperation and Development (OECD)

### Small Businesses Grow Increasingly Pessimistic About the Economy

*Share of responses: compared to last year, economic conditions in the U.S. have improved or worsened*




Source: WSJ Vistage Small Business CEO Confidence Index.

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