EQUIFAX®

Market **Pulse**

Main Street Lending Report

July 2026

Data through May 2026

Equafax Main Street Lending Report — July 2026

Summary for Executives

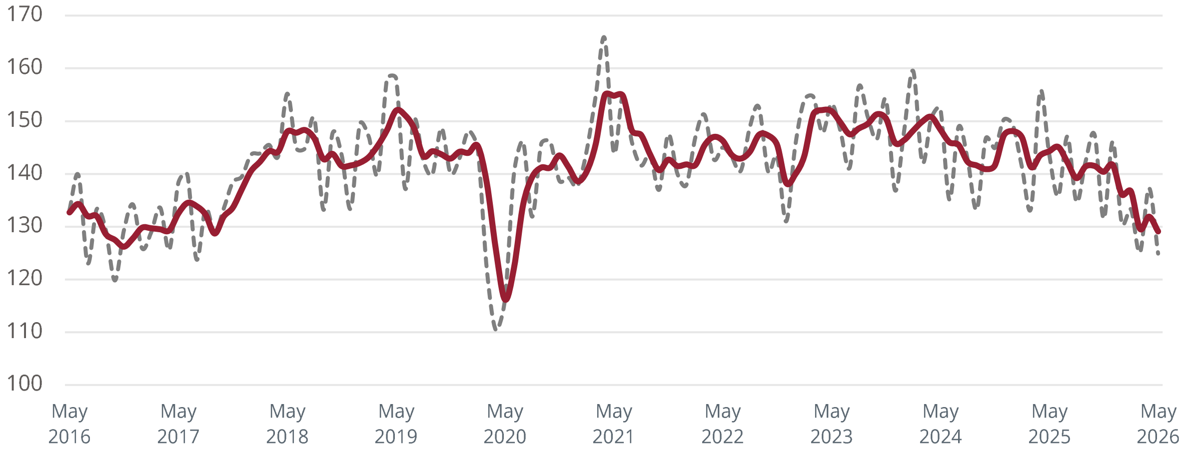
Key Takeaways

- In May, the Small Business Lending Index decreased 9.0% M/M and is down 13.1% over the last year. The M/M drop is the largest since January 2026. Short-term delinquencies (31-90 days) rose three basis points compared to April, while serious delinquencies (91-180 days) were unchanged.
- While the economy appears to have regained its footing, two factors will shape the near-term outlook for small business owners. First, inflation remains elevated in part due to the Iran conflict, raising input costs and pressuring profit margins. And second, the AI capex boom has been a central engine of economic growth, but investment is heavily concentrated. If investment slows (or if equity markets falter), it could spell trouble for Main Street.

Equifax Small Business Lending Index (SBLI)

SBLI			
124.9 (Level)	▼9.0% (M/M)	▼13.1% (Y/Y)	46th Percentile

SBLI 3MMA			
129.1 (Level)	▼2.1% (M/M)	▼10.5% (Y/Y)	52nd Percentile



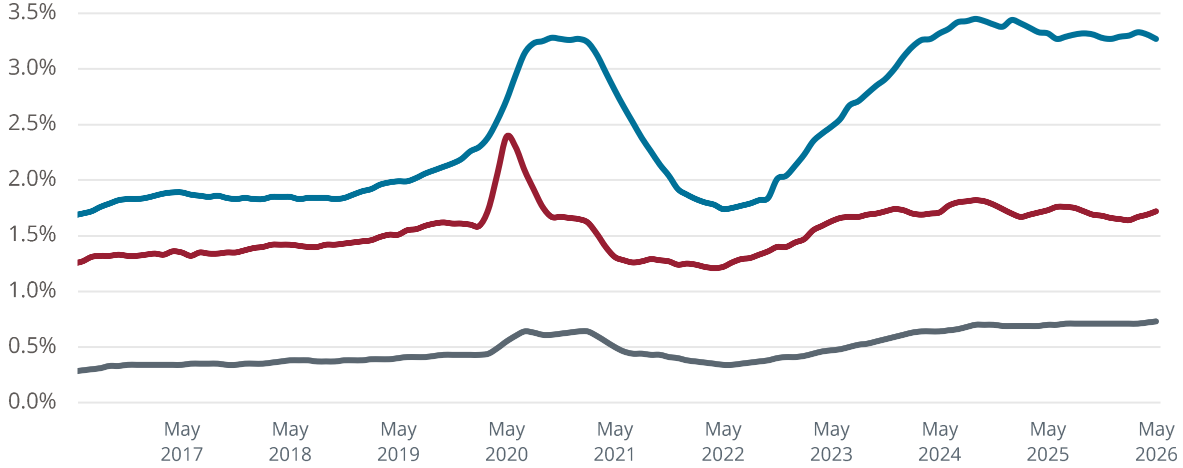
Volume of new commercial loans and leases to small businesses, seasonally adjusted index (January 2005 = 100)

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

SBDFI		
3.27% (Level)	▼4bps (M/M)	▼5bps (Y/Y)

SBDI 31-90 Days		
1.72% (Level)	▲3bps (M/M)	▼1bps (Y/Y)

SBDI 91-180 Days		
0.73% (Level)	▲1bps (M/M)	▲3bps (Y/Y)



SBDFI calculated as a 12-month rolling average

Factors to Watch

Inflation Remains Elevated as Iran Conflict Continues

Recent events suggest the U.S. – Iran ceasefire may not hold, renewing concerns of higher energy prices and rising inflation.

AI Investment Continues to Dominate CapEx Spending

The AI-driven boom in capex continues, but its outsized importance to the economy could be a double-edged sword if investment slows.

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Economic Trends

Economic Context

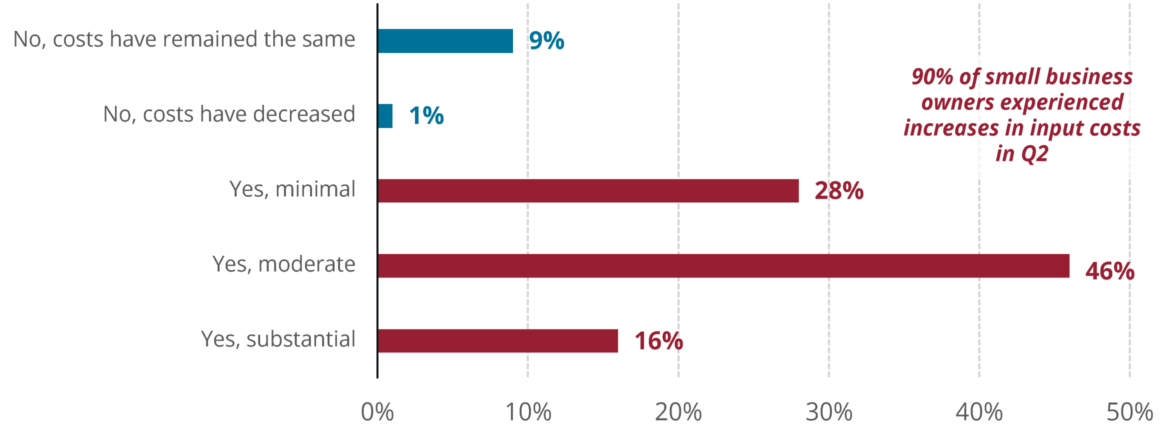
After a sluggish close to 2025 and turbulent start to 2026, the U.S. economy appears to have regained its footing, at least for now. GDP rebounded to a 2.1% annualized rate in the first quarter (from just 0.5% in Q4 2025) and is expected to expand a decent 1.4% annualized in Q2 per the Atlanta Fed. The labor market is also healthy: although job growth in June was below expectations (57,000), employers have added nearly 100,000 jobs per month on average thus far in 2026, and the unemployment rate remains low (4.2%). Consumer spending is also holding up, expanding 2.1% Y/Y in May in inflation-adjusted terms.

Over the remainder of the year, economic health will hinge on inflation and AI investment.

- **Inflation:** The U.S. – Iran conflict that drove oil prices to nearly $120 a barrel in March continues to muddle the inflationary outlook. After the two countries signed a Memorandum of Understanding in mid-May, markets were initially mollified and oil prices fell below $75/barrel. However, recent events suggest the ceasefire may not hold, tempering expectations for the return of free-flowing goods through the Strait of Hormuz and putting upward pressure on oil, gas, and fertilizer prices. Meanwhile, inflation remains elevated: the Consumer Price Index (CPI) rose 4.2% Y/Y in May, while Core CPI (which removes food and energy prices) climbed to 2.8% Y/Y. Such cost pressures are wearing on Main Street, with 90% of small business owners reporting higher input costs across Q2 (see top chart). According to the Bank of America Institute, cost pressures are outpacing revenue growth and dragging on margins, particularly among the smallest firms. If sustained, this could lead to reduced hiring on Main Street.
- **AI Investment:** The AI-driven investment boom has been a central driver of economic growth in recent years, both directly (via capital expenditures in computing and data centers) and indirectly (via equity market gains that have boosted household wealth and spending). The AI buildout shows no signs of slowing: the Goldman Sachs Global Institute estimates that AI capital expenditures will reach $765 billion in 2026 and reach $1.6 trillion by 2031 (see bottom chart). If these investments generate the expected returns — cost reductions, labor productivity, and increased profits — AI will remain an important tailwind. However, the risks to the economy are as concentrated as the gains. The Goldman analysis recognizes that the scale of investment is sensitive to many assumptions, including costs, equipment bottlenecks, and realized gains. Given how dependent the ongoing economic expansion has been on the AI investment surge, an unexpected slowdown in capex or downturn in equity markets would likely spell trouble for the economy and Main Street alike.

Small Business' Input Costs are Rising as Inflation Remains Elevated

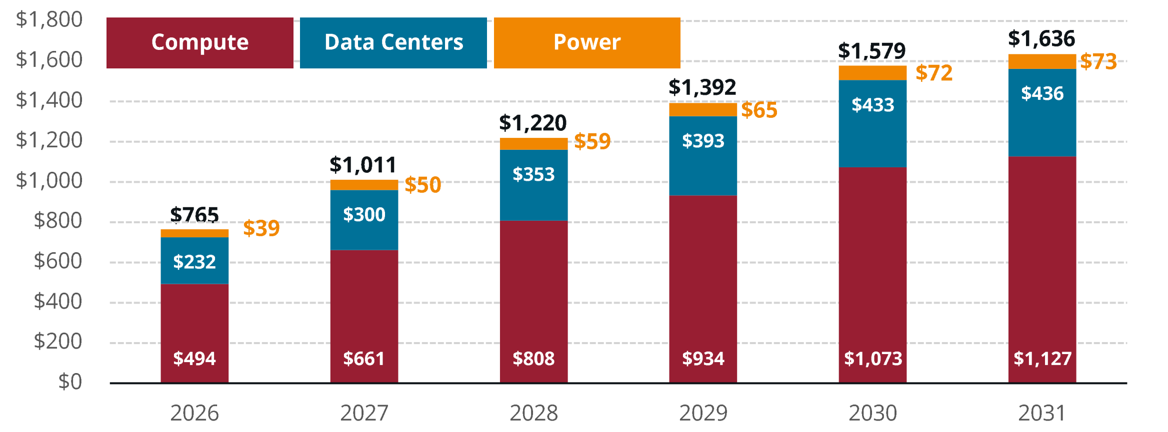
Share of respondents: Have you faced increases in input costs in the last quarter?



Source: WSJ/Vistage Small Business Index Current Events: June 2026

AI Investment is Expected to Climb, Providing a Boost to GDP

Billions, baseline aggregate AI capital expenditures estimates



Source: Goldman Sachs Institute: *Tracking Trillions: The Assumptions Shaping the Scale of the AI Build-Out.*

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