



COMMERCIAL PULSE

COVID Small Business Impacts

Executive Summary

US Economic Highlights

- The Conference Board index of consumer confidence shows a rise to 101.8 in September, a significant rise of 15.5 points from the previous month. While still short of the 132.6 recorded in February, the new figure marks the first rise above 100 in six months. – The Hill, CBA
- **73% of US consumers are uncomfortable** with returning to regular out of home activities - McKinsey August 2020 Survey of US Sentiment
- **Home sales:** In August sales of new single-family homes exceeded an annual rate of 1 million for the first time since 2006 as low rates and working from home pushes consumers to adjust.
- Jobless claims rose 4,000 to 870,000.
- Retail spending: According to the NRF's annual back-to-class survey, 34% of consumers expect to spend more than they initially thought, and 54% attribute the increase to greater spend on electronics and computer equipment to support virtual learning. In the first six months of 2020, 18 retailers filed for Chapter 11 bankruptcy, with an additional 11 filing in July through mid-August . These defaults were concentrated in apparel and footwear, home furnishings, food and department stores. Retailers must also consider the web of impacts COVID-19 has had on the industry at large, including its influence on competitors, peer and partners. For example, the closings of anchor and other stores in shopping malls will likely make visits to them less appealing and depress mall traffic overall, unless landlords are able to quickly fill these vacancies with attractive alternatives. - NRF
- The forgiveness application for Paycheck Protection Program loans is more complicated than federal officials said it would be, with about 80% of the forms submitted needing to have errors or missing information reconciled, says Consumer Bankers Association President and CEO Richard Hunt. This forgiveness program is needed as new details of a \$2.2 trillion package are being proposed this week. - CBA, Experian

US Credit Trend Highlights

- As commercial credit card 60 and 90DPD delinquencies increase, the velocity of those account rolling to higher delinquency buckets has been rising month over month
- Businesses who took advantage of PPP program were less delinquent than similar businesses that did not participate, but as the program ends delinquencies are on the rise.
- 60% of temporary business closures will become permanent. - Yelp
- Number of consumer trades reported in accommodations is significantly down for auto and bankcard in the last month.
- Consumer delinquencies have been down across all products; student loans are close to zero given deferral on federal loans. Auto starting to see increases and bankcard and auto expected to see more next month as consumers accommodations end.

Macroeconomic Highlights

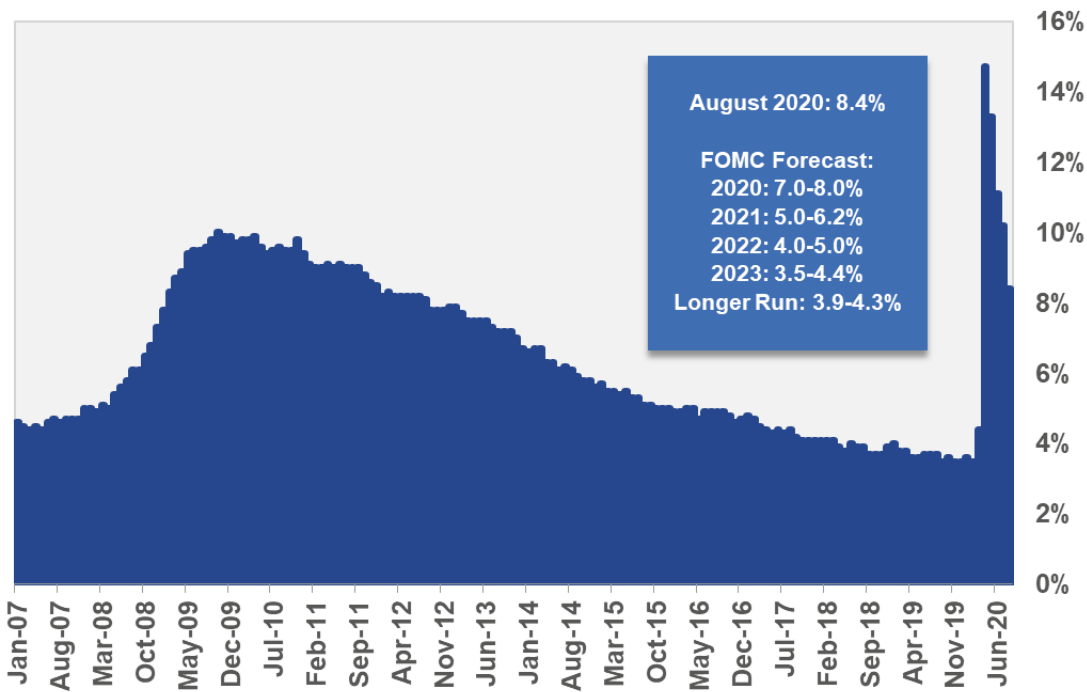
Real GDP **-31.7%**

September investor confidence up **5% YoY**

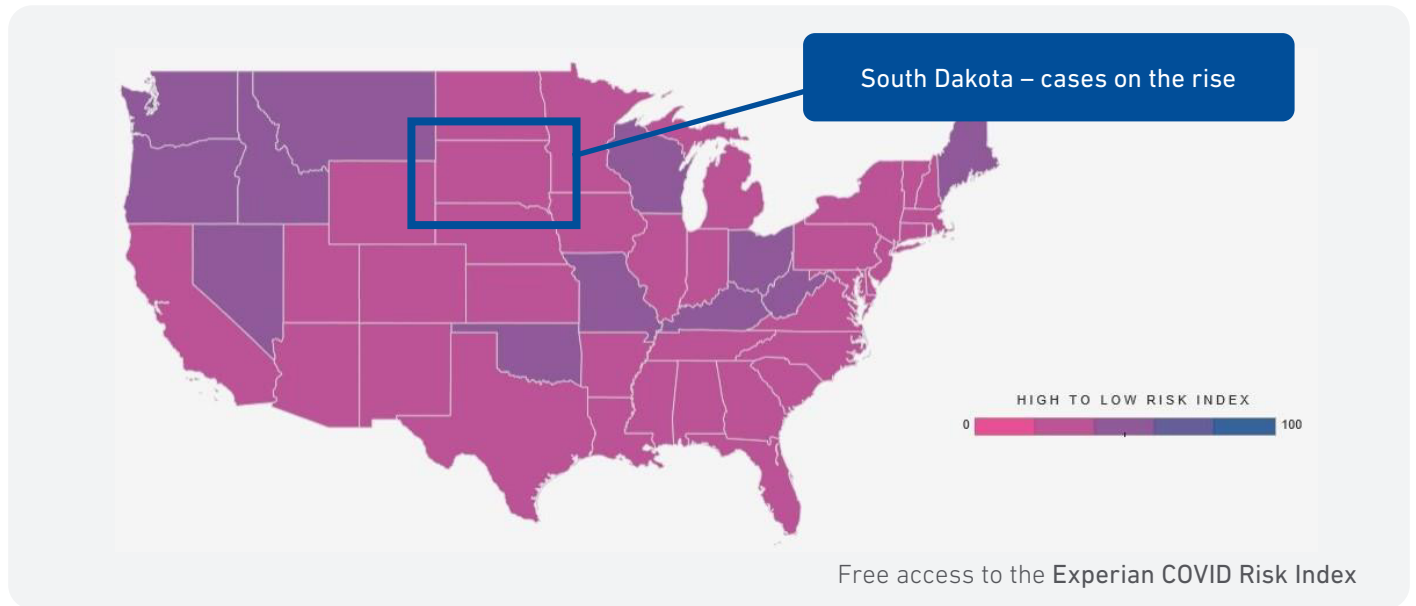
US consumer **confidence** September on the rise

August US inflation 1.31% **Down 25% YoY**

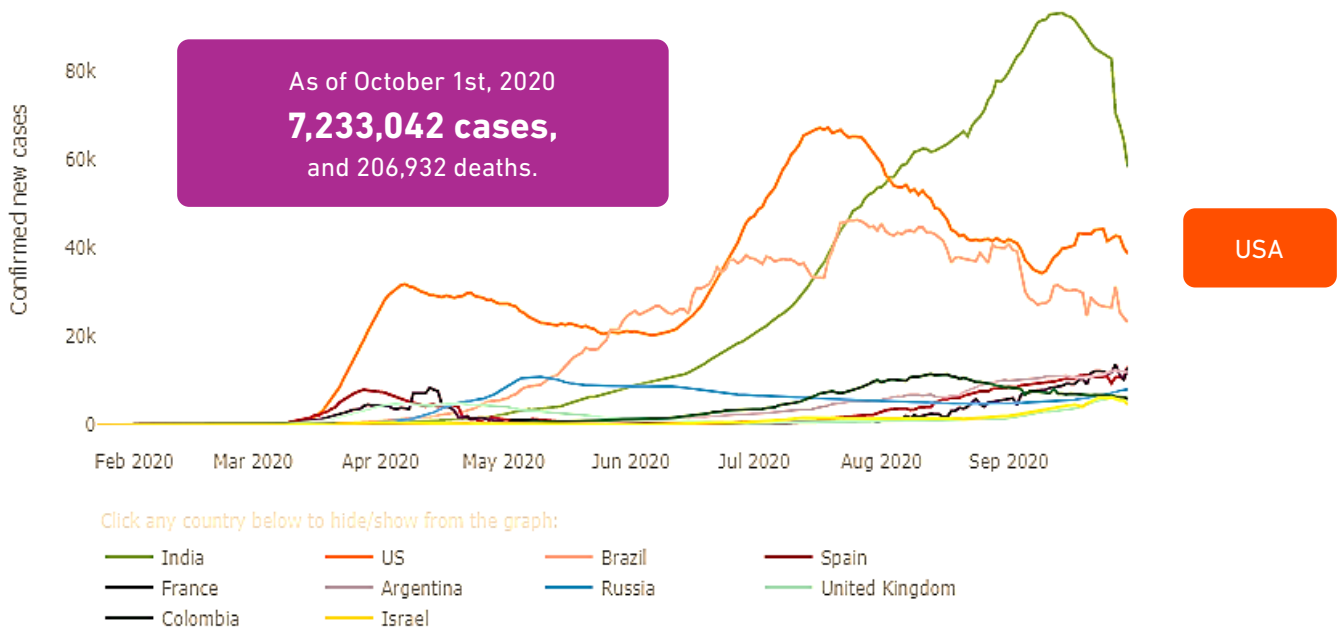
September unemployment rate expected to flatten



Tracking COVID-19 Impacting small business



Impact of COVID19 is no longer just impacting highly dense urban populations. Rural regions are experiencing an uptick in cases.



<https://coronavirus.jhu.edu/data/new-cases>

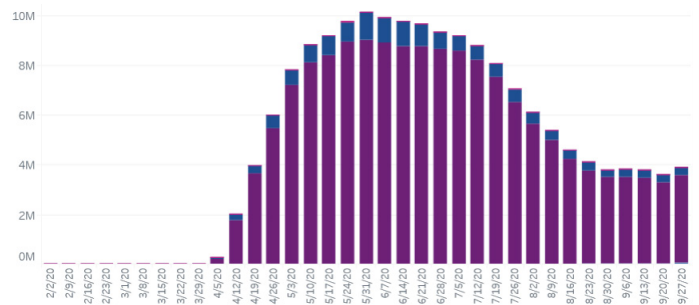
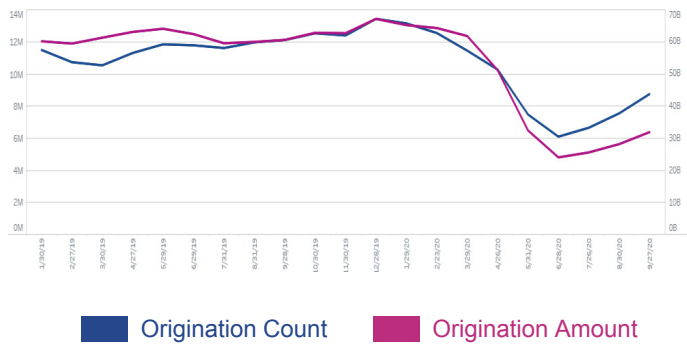


Owner access to personal credit

Tightened consumer credit means less cash available for small business emergency



Bankcard



■ Origination Count

■ Origination Amount

■ Natural or Declared Disaster (54)

■ Forbearance (CP)

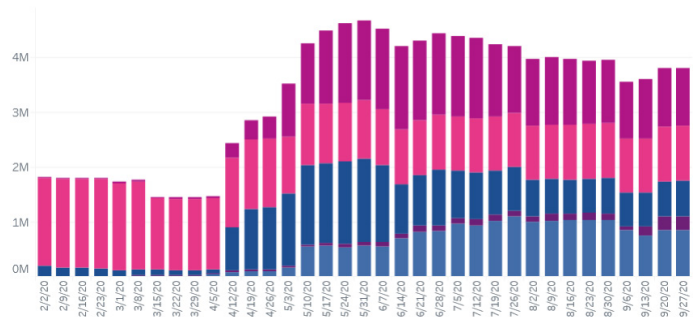
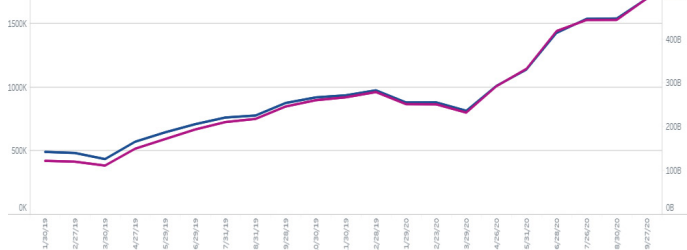
■ Payment Deferred (29, D)

■ Loan Modified (CN, CO)

■ No Scheduled Payment



Mortgage



■ Origination Count

■ Origination Amount

■ Natural or Declared Disaster (54)

■ Forbearance (CP)

■ Payment Deferred (29, D)

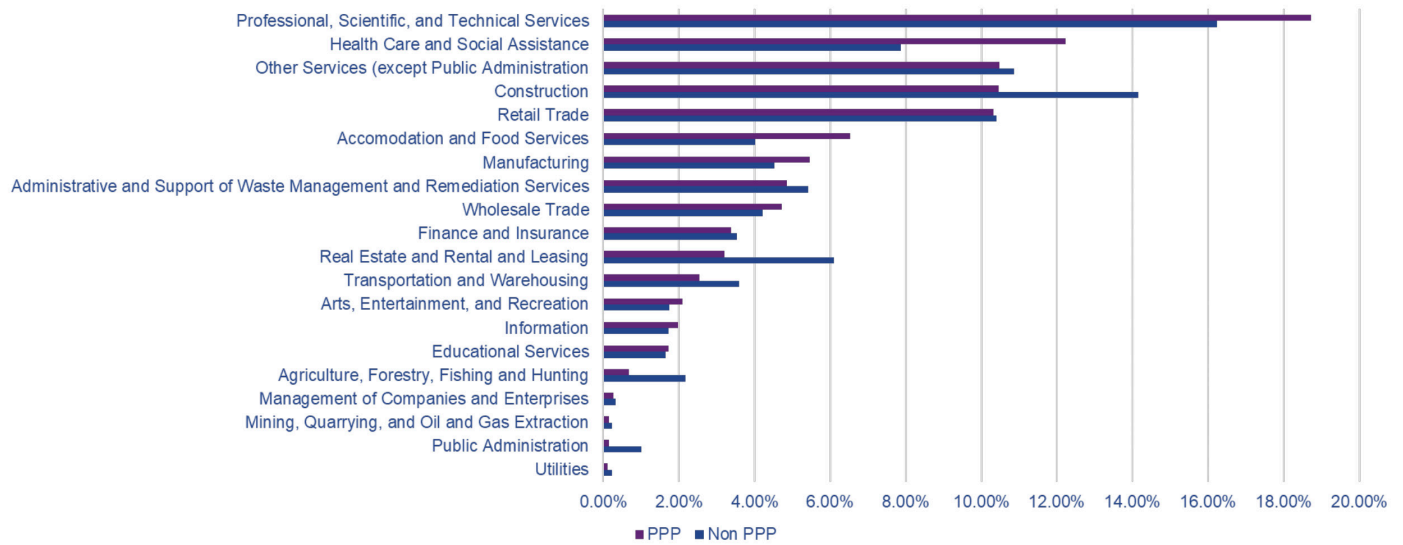
■ Loan Modified (CN, CO)

■ No Scheduled Payment

Businesses who took advantage of PPP program

Delinquencies rise as the stimulus run its course – know where your portfolio stands

Profiling commercial borrowers by industry



State of Market - Wrapping it up

Commercial Credit

Macro economic trends show **slow but recovering trends through 2022**

Consumer delinquencies on the rise as forbearance and modifications end in December

Increased velocity to consumer and commercial **collection** activities and treatment

Bankruptcy up **36%**

Permanent business closures up as **Zombie** businesses begin to close their doors



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