



Webinar



# Quarterly Business Credit Review

Q1 2022

Presented by:

**Brodie Oldham**  
Experian

**Oren Klachkin**  
Oxford Economics



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The image illustrates the process of downloading slides from a report. On the left, a report cover for the 'MAIN STREET REPORT' is shown, featuring the Experian and Oxford Economics logos and the tagline 'Your window into small business health'. A pink banner at the bottom of the cover says 'Download Q1 2022 report now'. A grey arrow points from the report cover to a presentation handout window on the right. The handout window has a title bar that reads 'Handouts: 0 of 5' and contains a button labeled 'Download Slides' with a pink cloud and download arrow icon.



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# MAIN STREET REPORT

Your window into small business health

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# Our Presenters



**Brodie Oldham**  
VP Commercial Data Science  
Experian



**Oren Klachkin**  
Lead Economist  
Oxford Economics



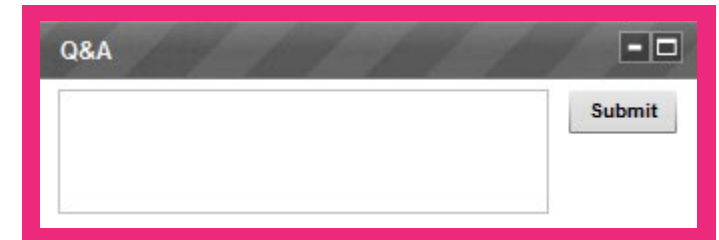
# Send us your questions

## Have questions?

- We encourage you to submit your questions for the panel throughout today's webinar

**Audio** – will be delivered exclusively through your computer's speakers/headphones. No dial in number.

**Technical Issues** – please type your questions into the chat box on the left side of the console.

A screenshot of a Q&A chat box interface. The window has a dark grey title bar with the text "Q&A" on the left and standard window control buttons (minimize, maximize, close) on the right. Below the title bar is a large, empty white text input field. To the right of the input field is a grey "Submit" button.



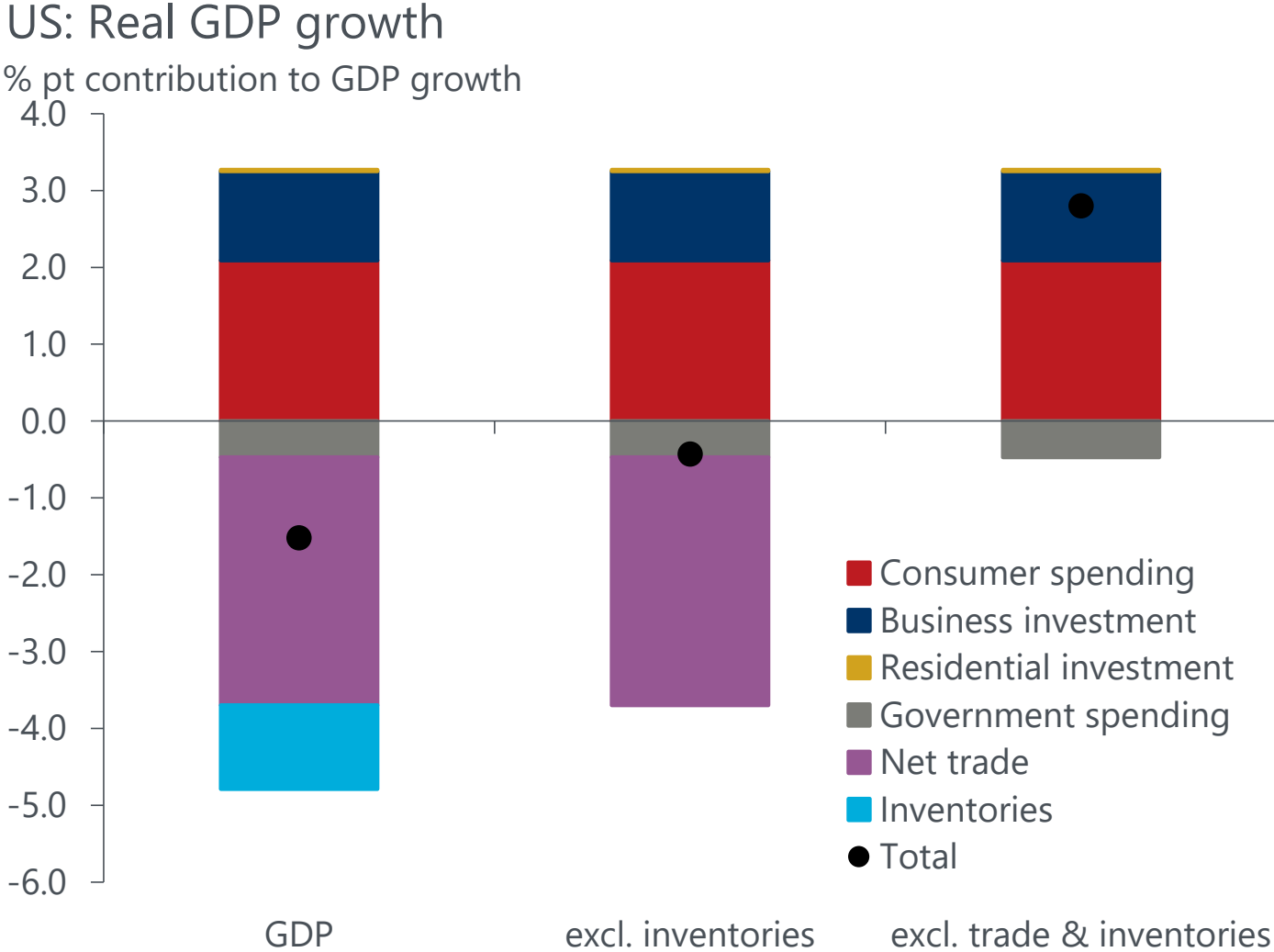
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**Oren Klachkin**  
Lead Economist



# Economic momentum is stronger than headlines suggest

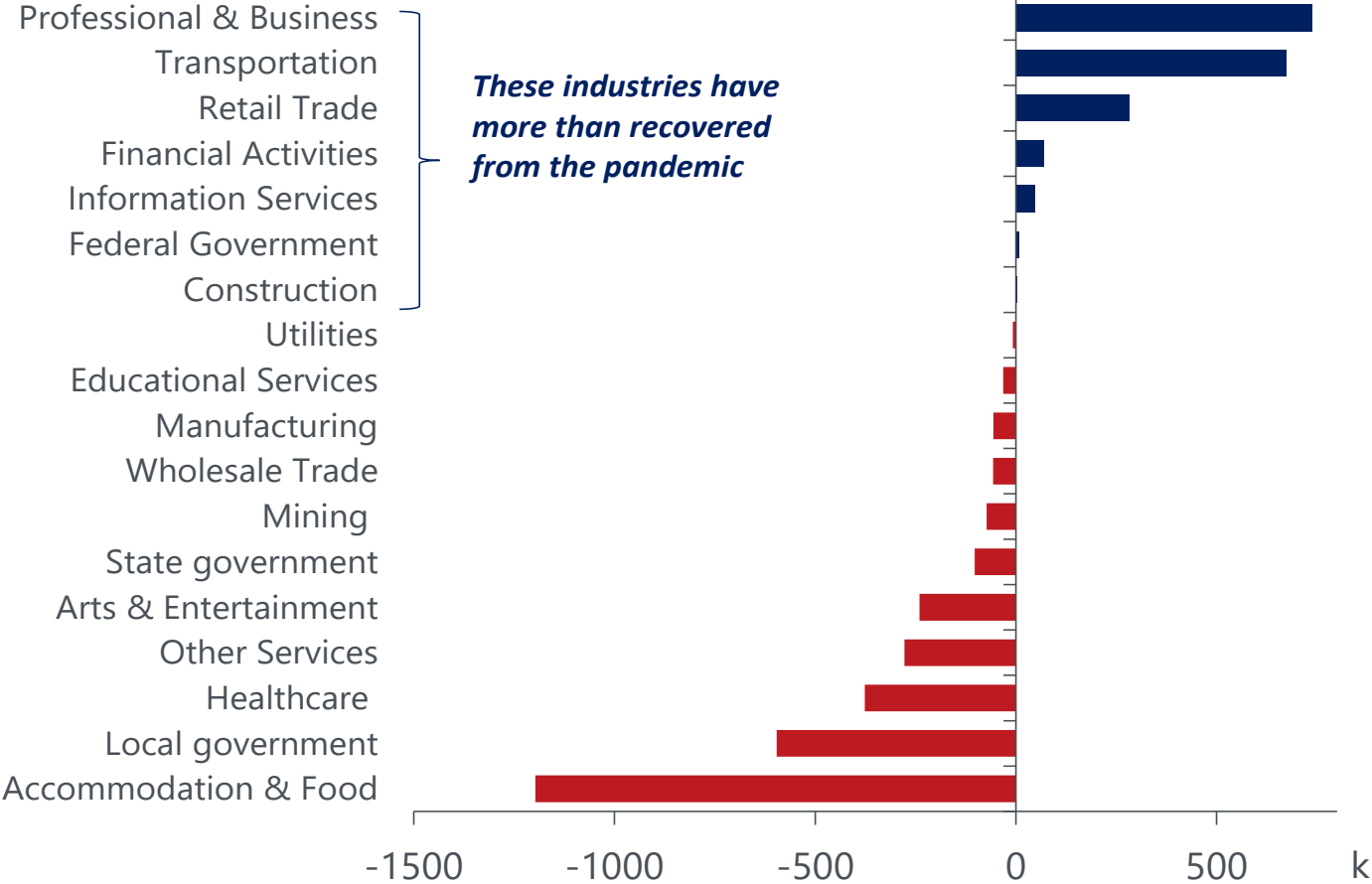


Source: Oxford Economics/Haver Analytics

# Hiring is strong, but massive dislocations remain

## US: Employment recovery by industry

Employment change by industry, from Feb 2020 level

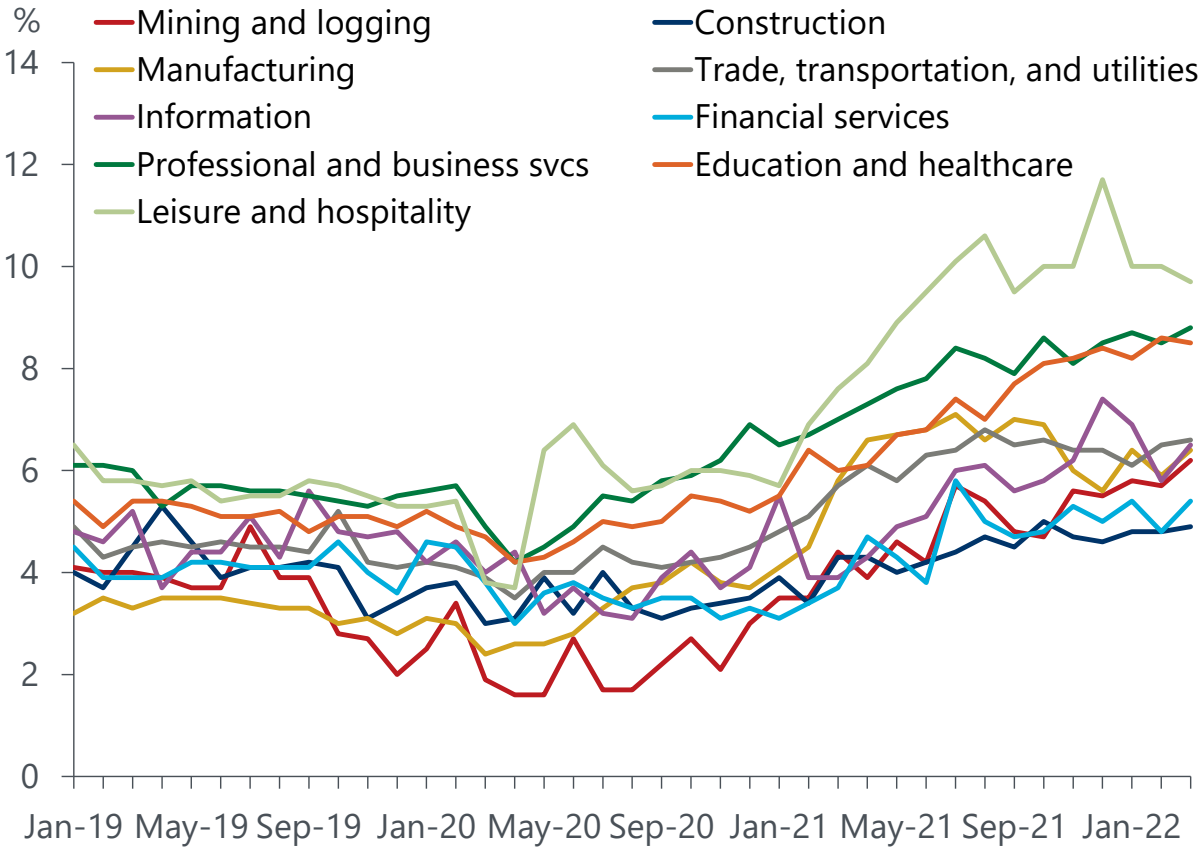


Source: Oxford Economics/Haver Analytics



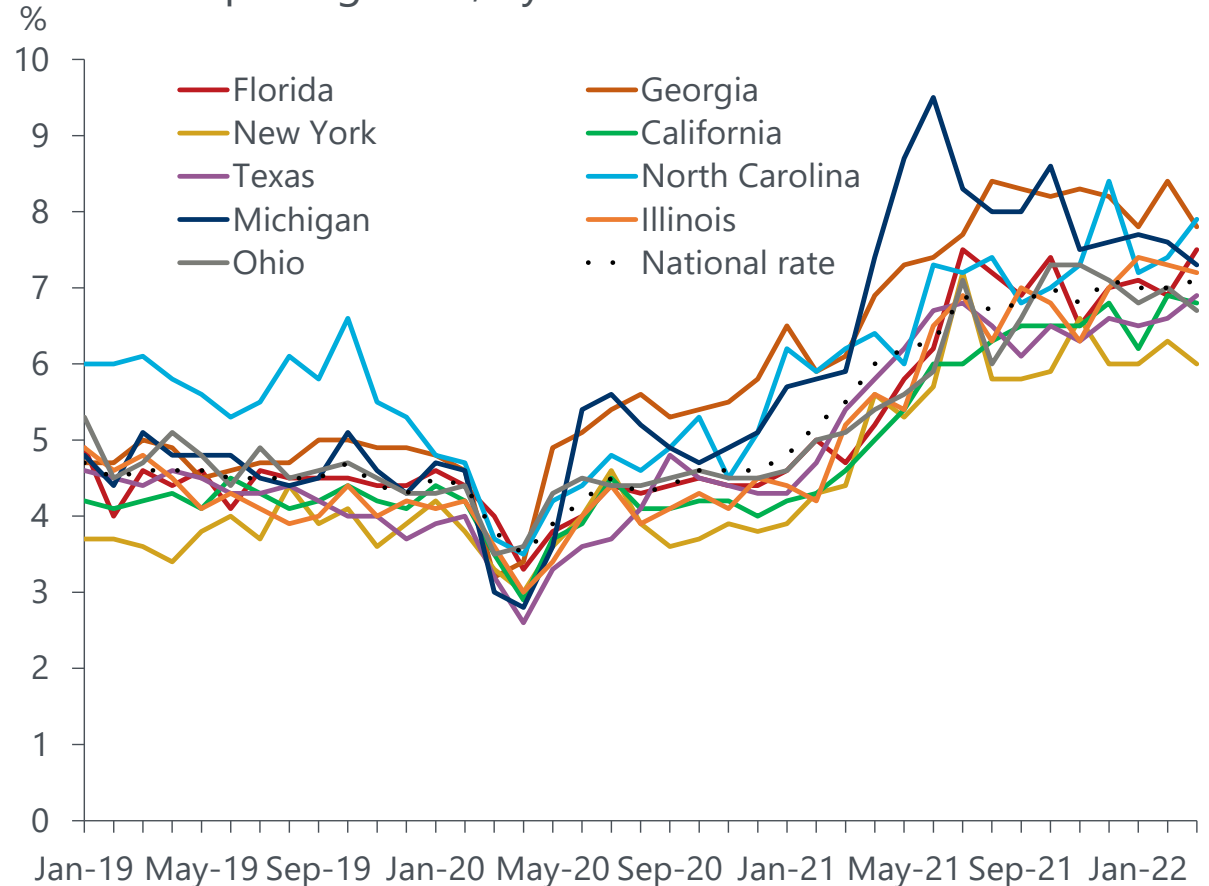
# Businesses are eager to hire

US: Job openings rate, by industry



Source: Oxford Economics/Haver Analytics

US: Jobs openings rate, by US state

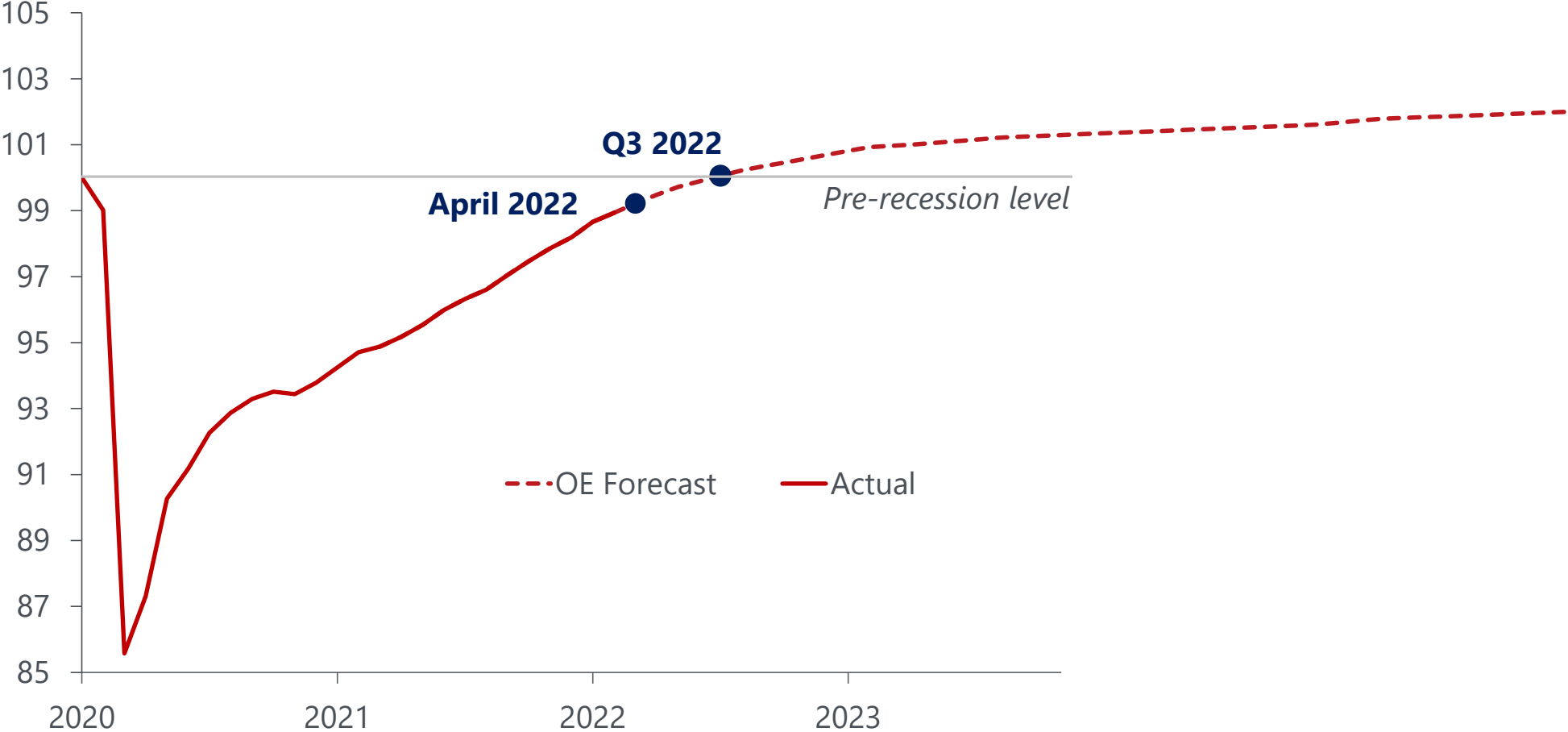


Source: Oxford Economics/Haver Analytics

# Covid job losses will be recouped this year

## US: Employment recovery

Peak pre-recession employment = 100

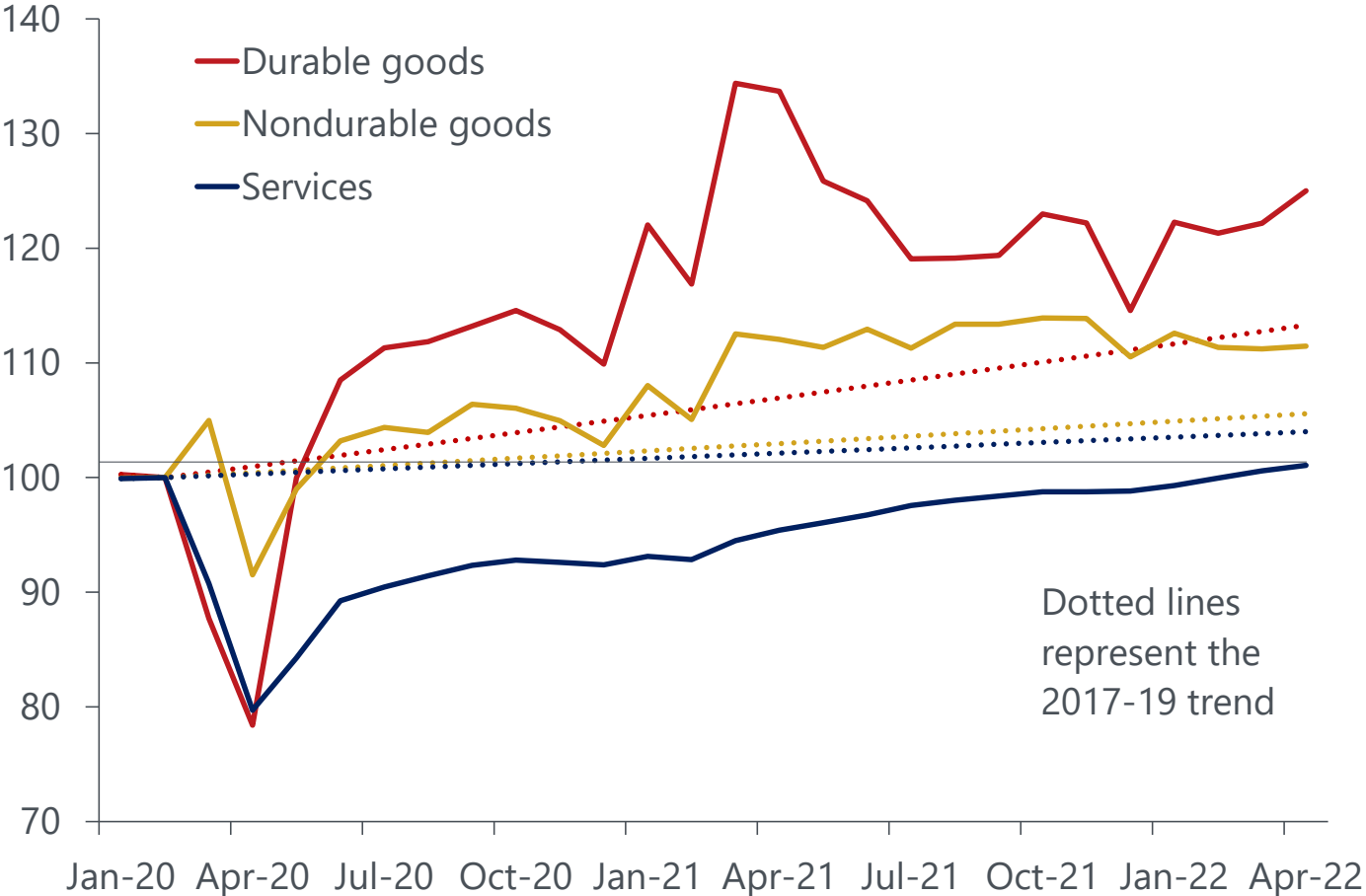


Source: BLS/Oxford Economics/Haver Analytics

# Consumers are still willing to spend

## US: Consumer spending

Feb 2020 = 100

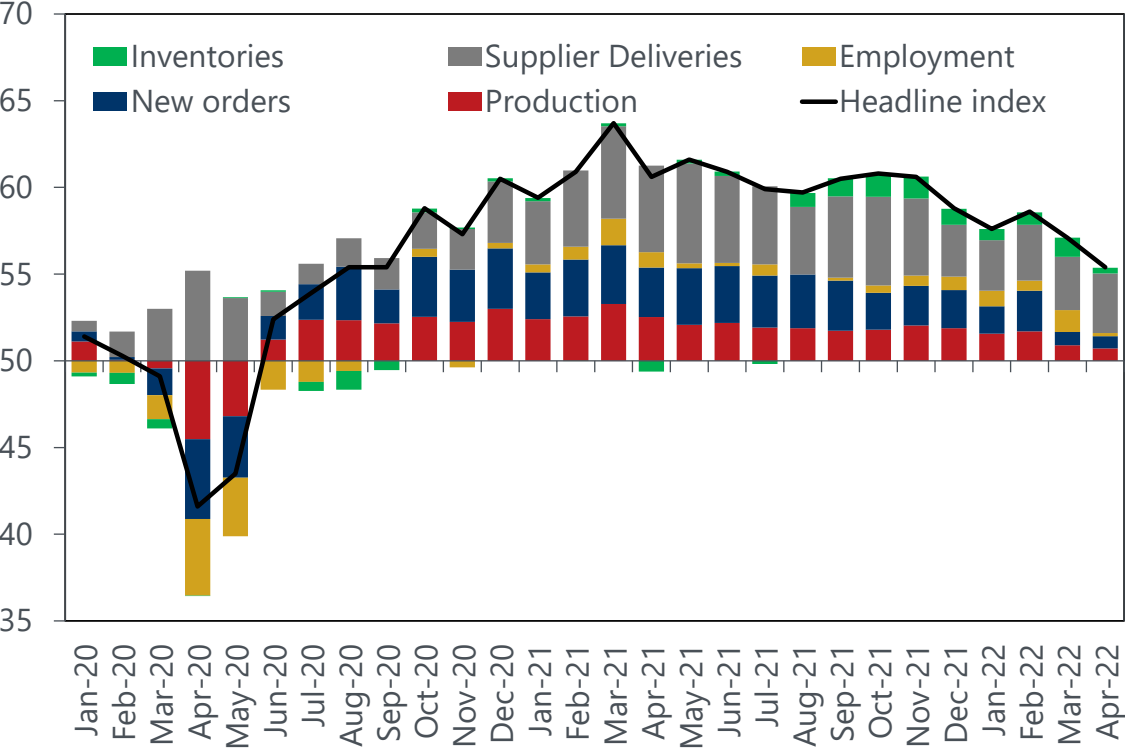


Source: Oxford Economics/Haver Analytics

# Manufacturing and services haven't stalled

US: Contribution to headline ISM Manufacturing

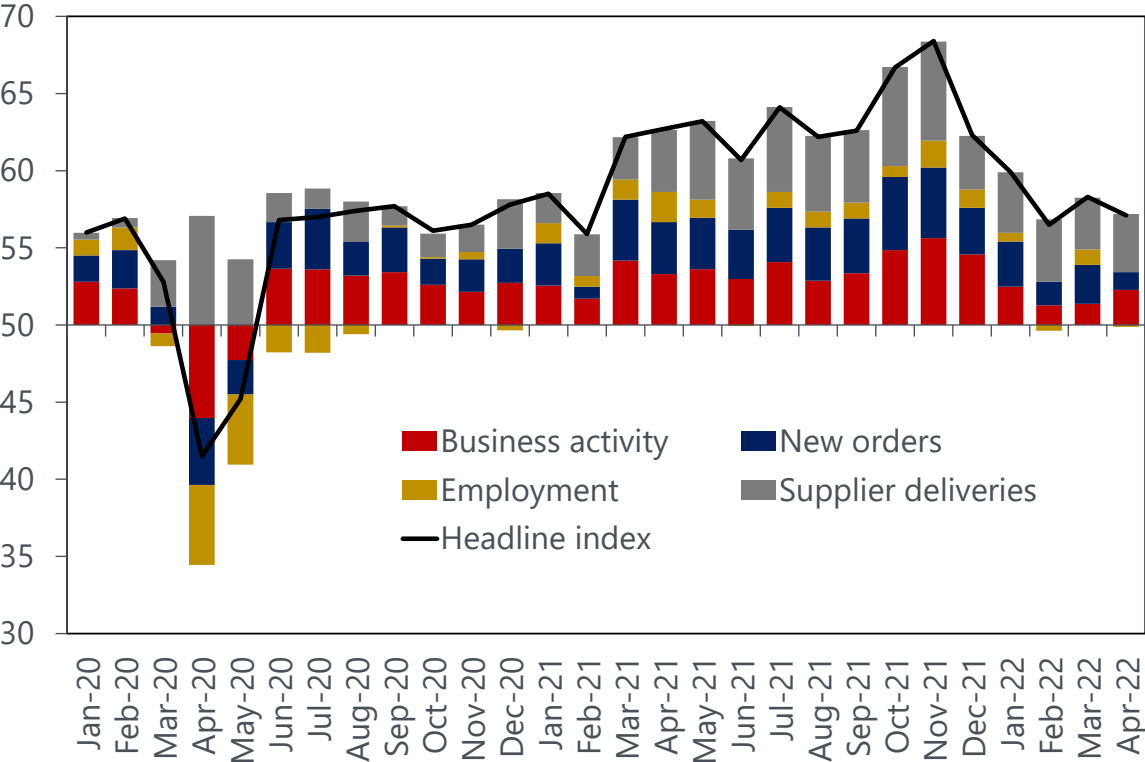
Index; above 50=expansion



Source: ISM/Oxford Economics/Haver Analytics

US: Contribution to headline ISM Services

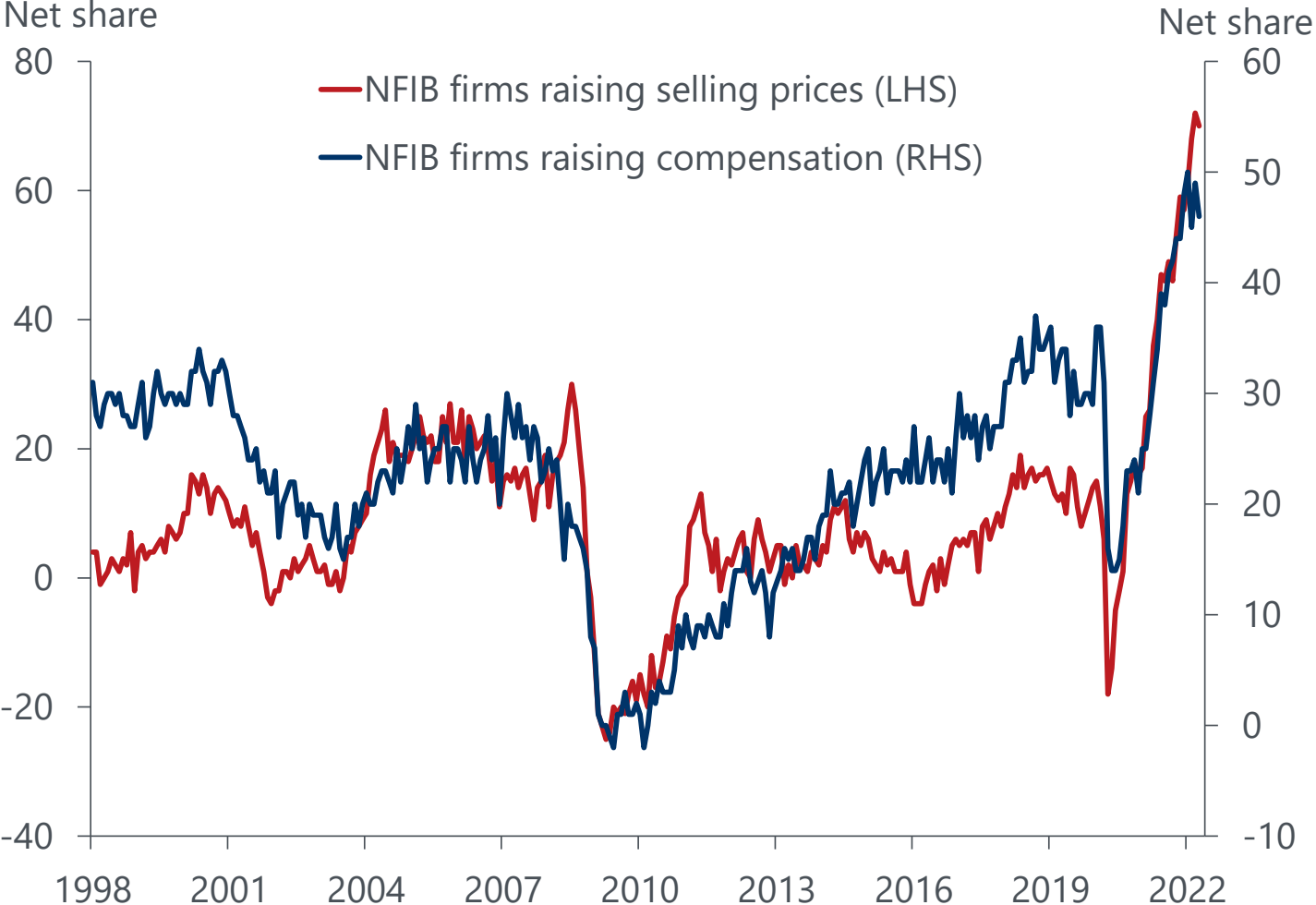
Index; above 50=increasing



Source: ISM/Oxford Economics/Haver Analytics

# Price pressures may be peaking

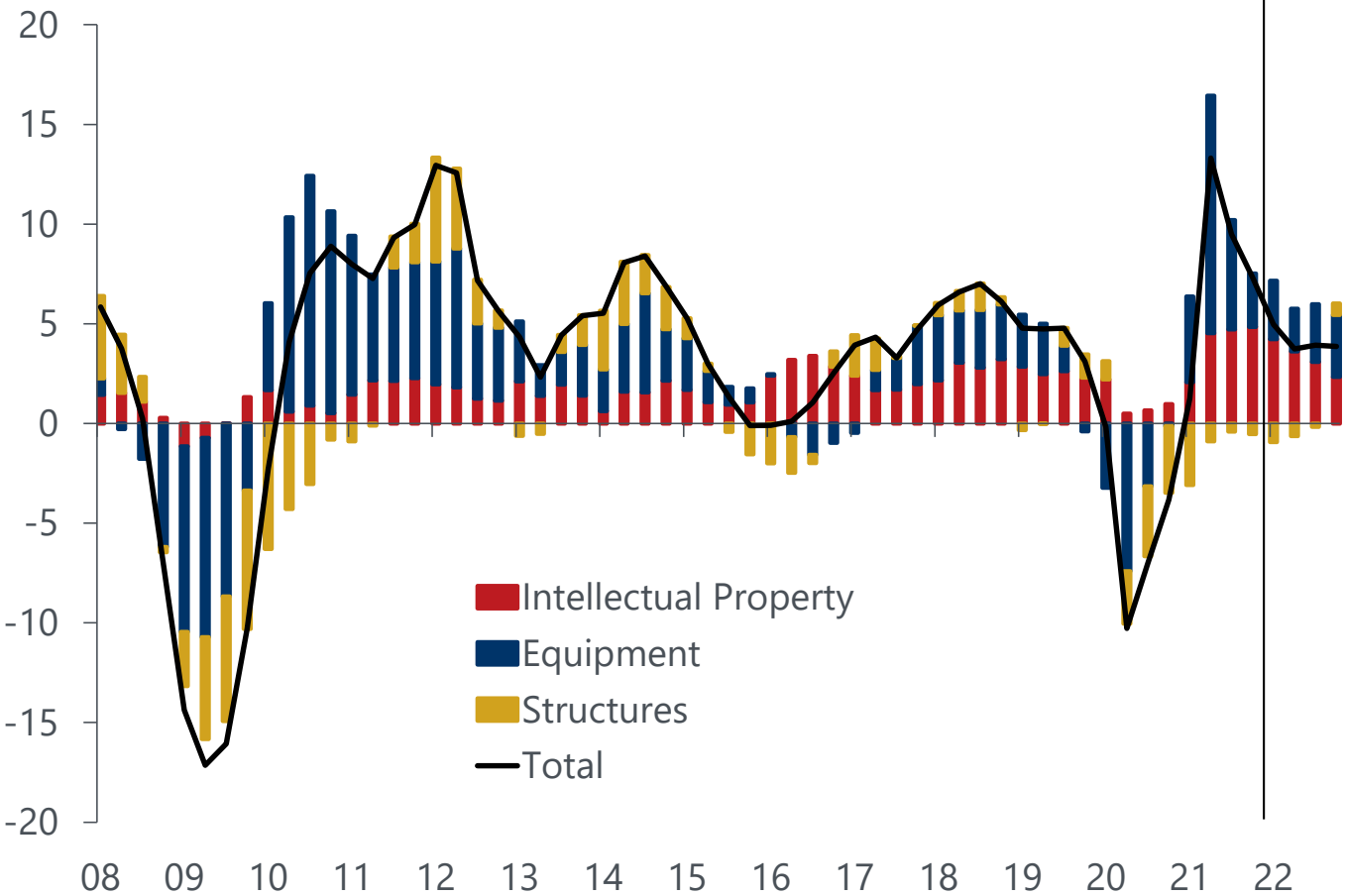
US: Small business price gauges



Source: Oxford Economics/Haver Analytics

# Business investment will grow

US: Real business investment  
Contribution to y/y growth, percentage points

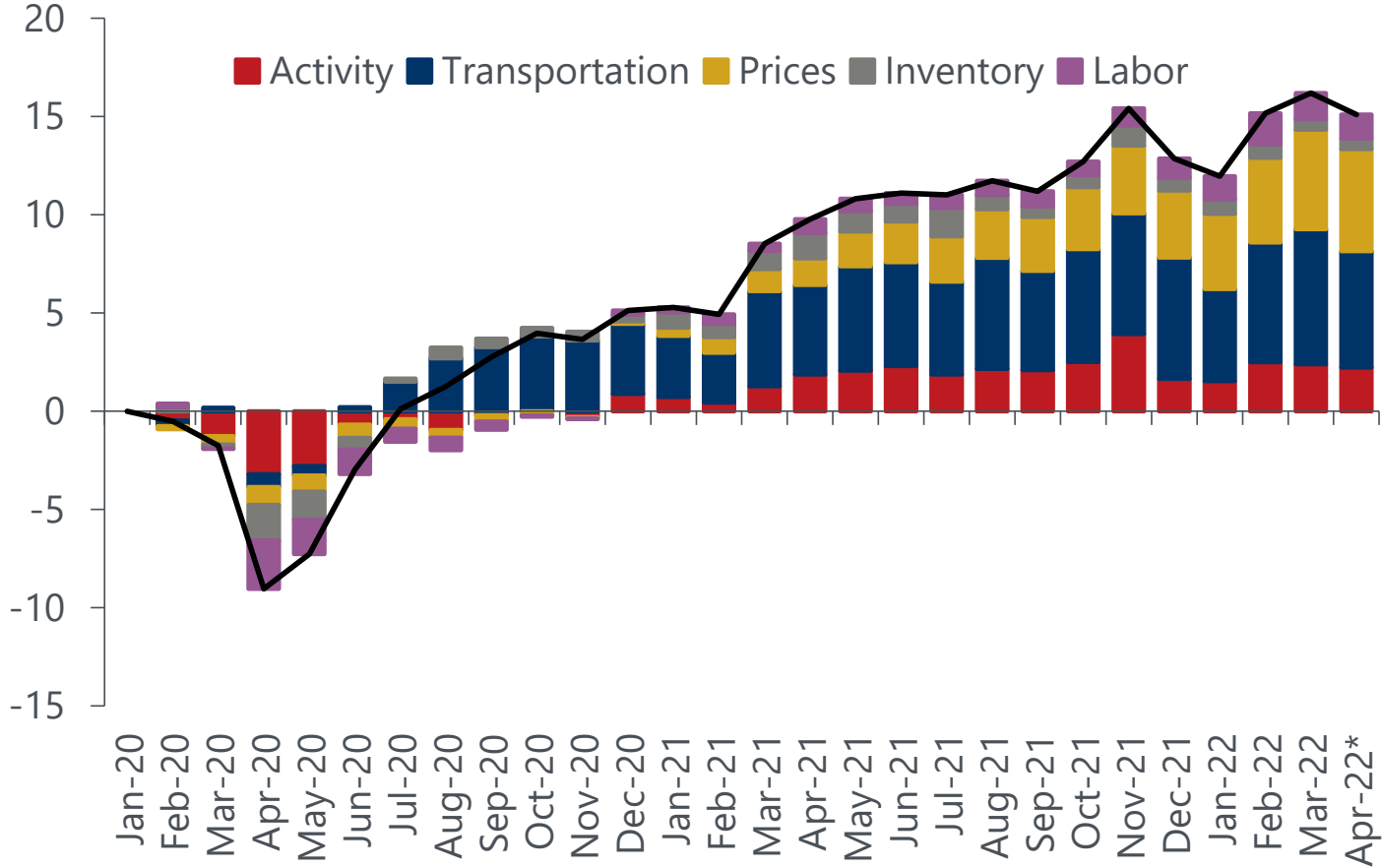


Source: Oxford Economics/Haver Analytics

# Supply chains are very stressed

US: Supply chain stress tracker

Index; > 0 = rising stress



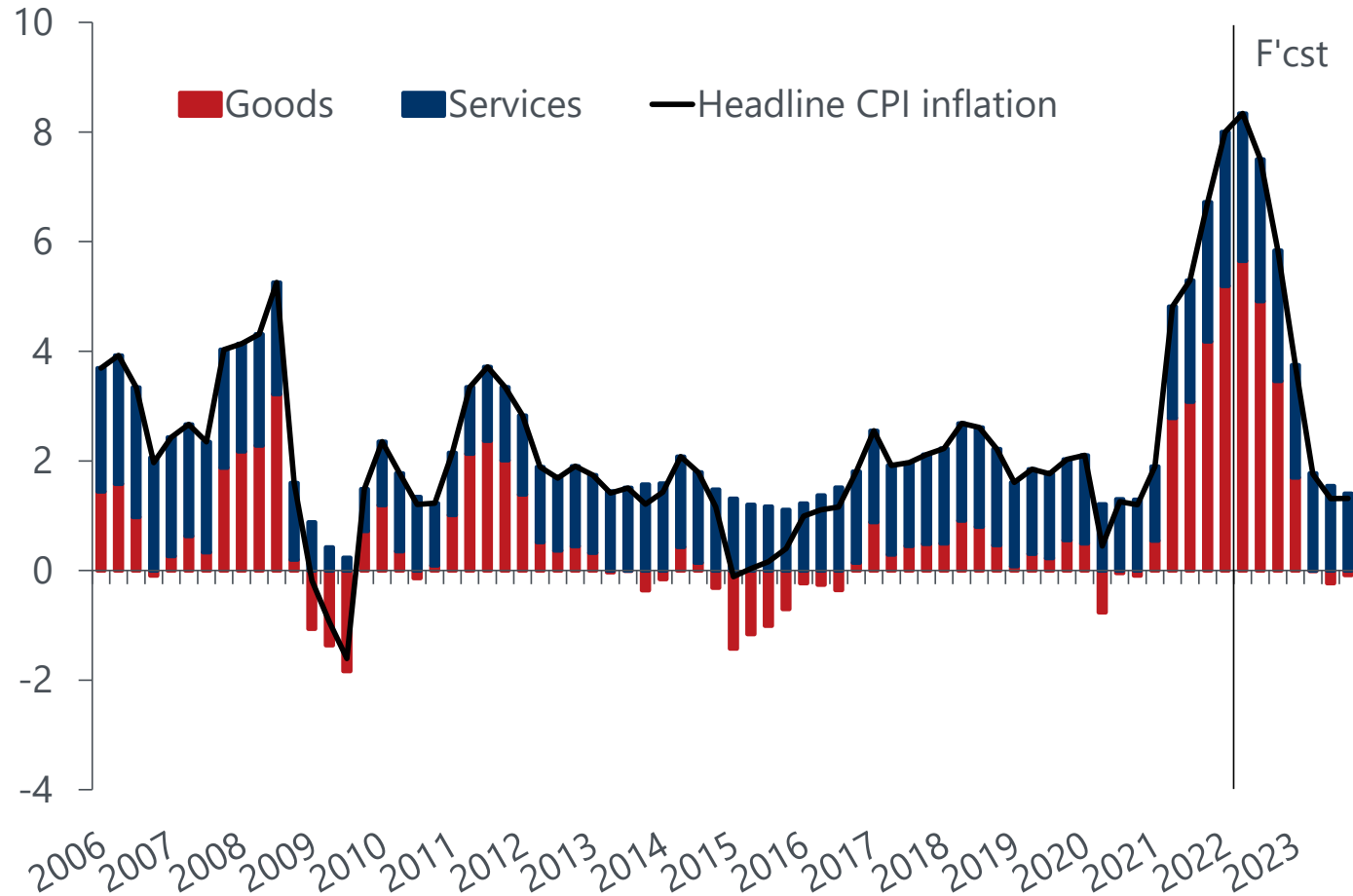
Note: \* estimate based on preliminary data and OE forecasts

Source: Oxford Economics/Haver Analytics

# Inflation will slow only gradually

US: Goods and services inflation

PPT contribution to headline CPI inflation

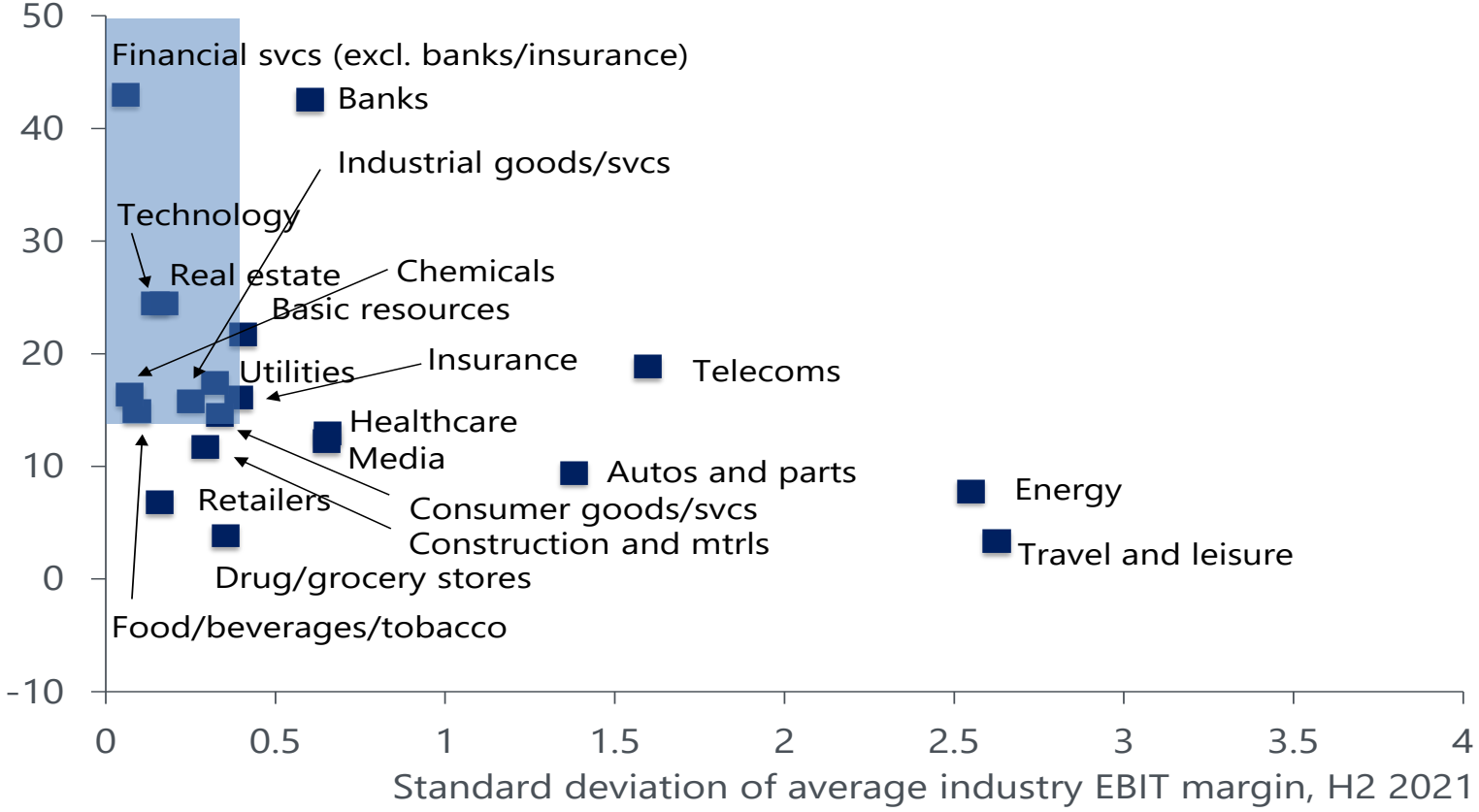


Note: Based on OE calculations  
Source: Oxford Economics



# Which industries have pricing power?

US: Gross margins (EBIT), by industry  
 Median across industries of average EBIT margin, H2 2021



Note: Shaded area represents margins that are higher and with a lower standard deviation than average across industries

Source: Oxford Economics/Refinitiv Datastream

# Margins have peaked

## US: NIPA profit margins and recessions

Corporate profits before tax with IVA and CCadj % GDP

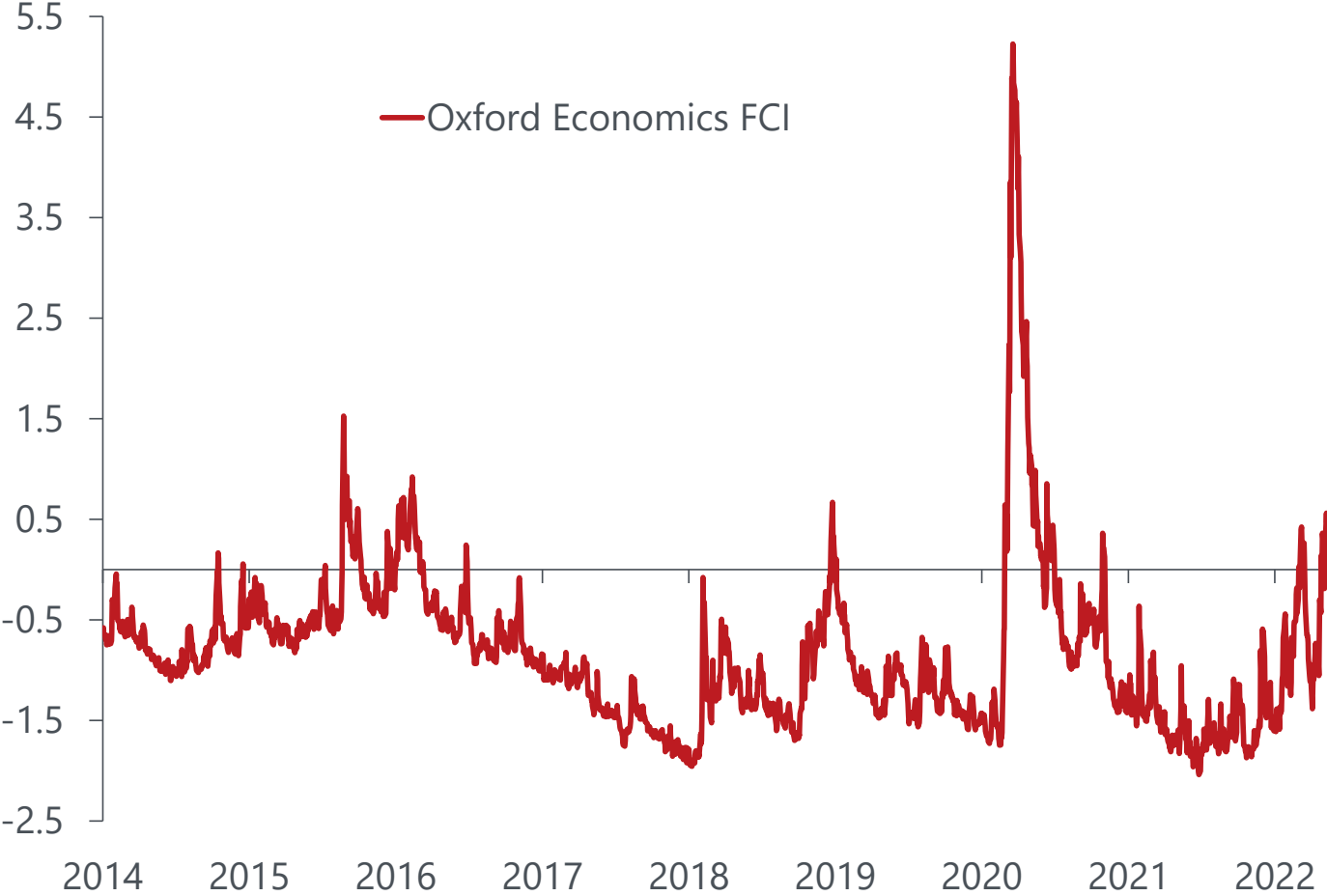


Source: Oxford Economics/Haver Analytics

# Tighter financial conditions will weigh on businesses

## US: Financial conditions

0 = Average stress

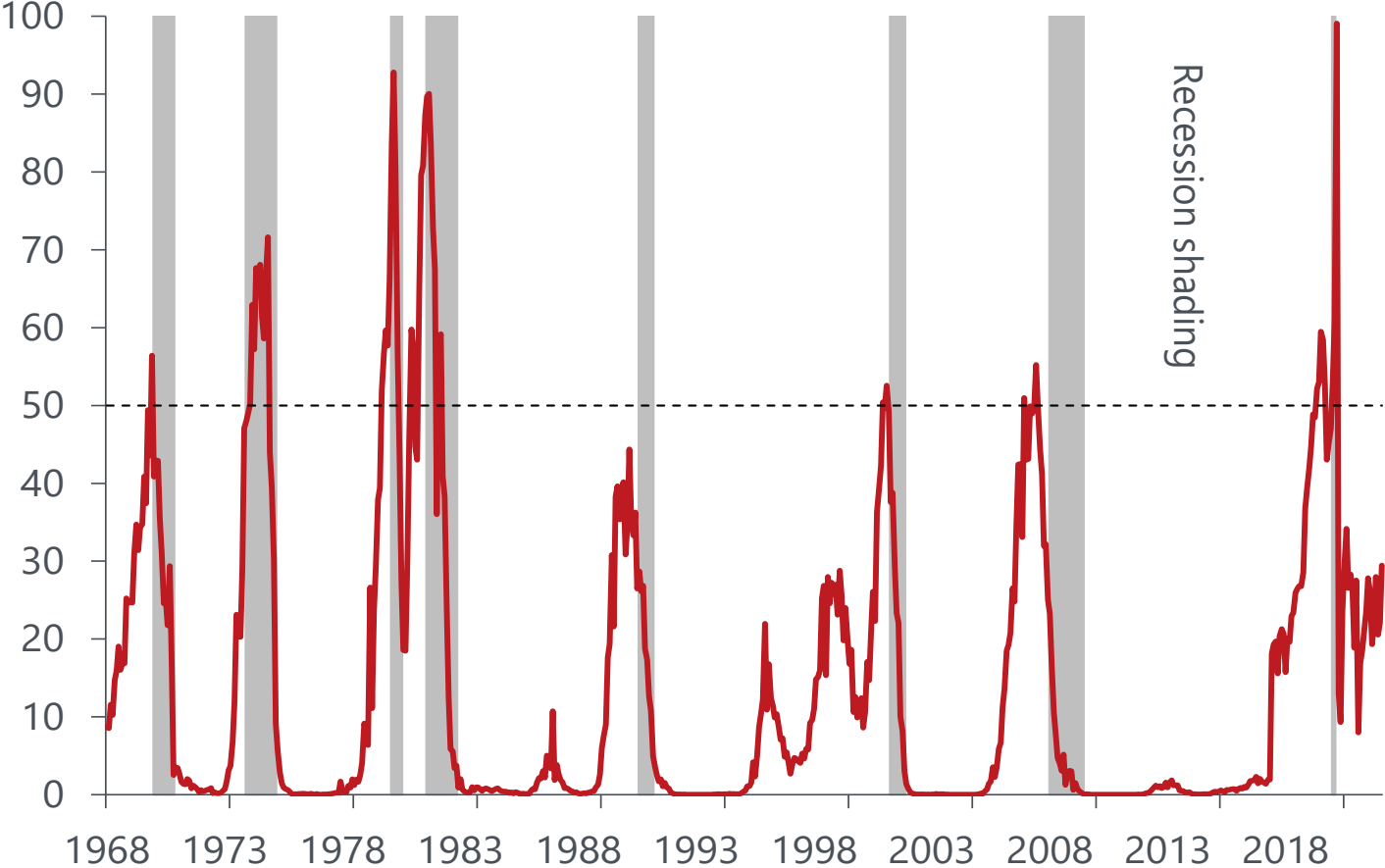


Source: Oxford Economics

# Recession risks are up, but not flashing red

US: Probability of a recession 6 months ahead

Percent, 6-month lead



Source: Oxford Economics

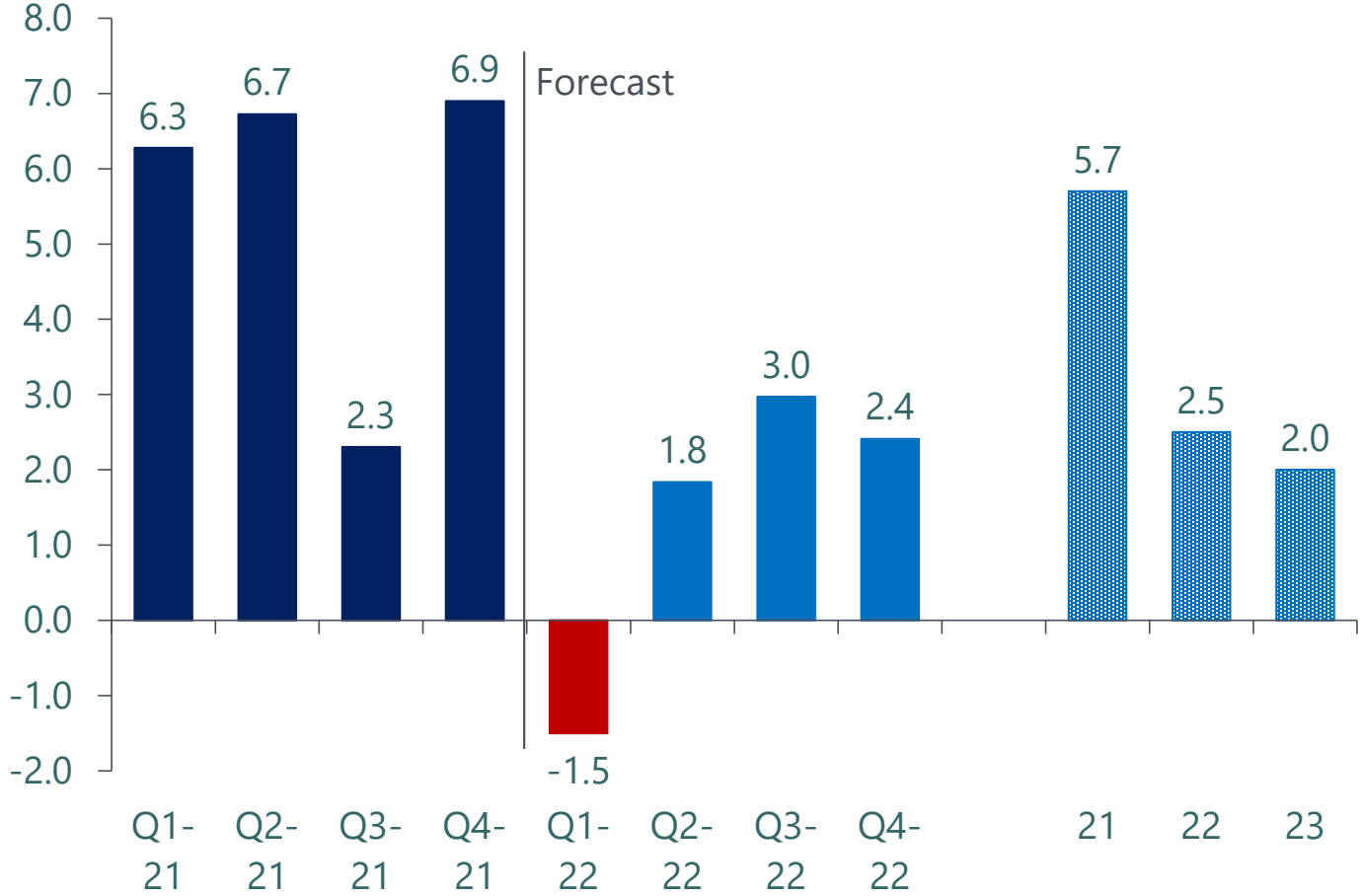
Using the Chicago Fed National Activity Index, the real federal funds rate & the yield curve



# Economy won't fall into recession in 2022

## US: GDP Forecast

Real GDP growth, % annualized

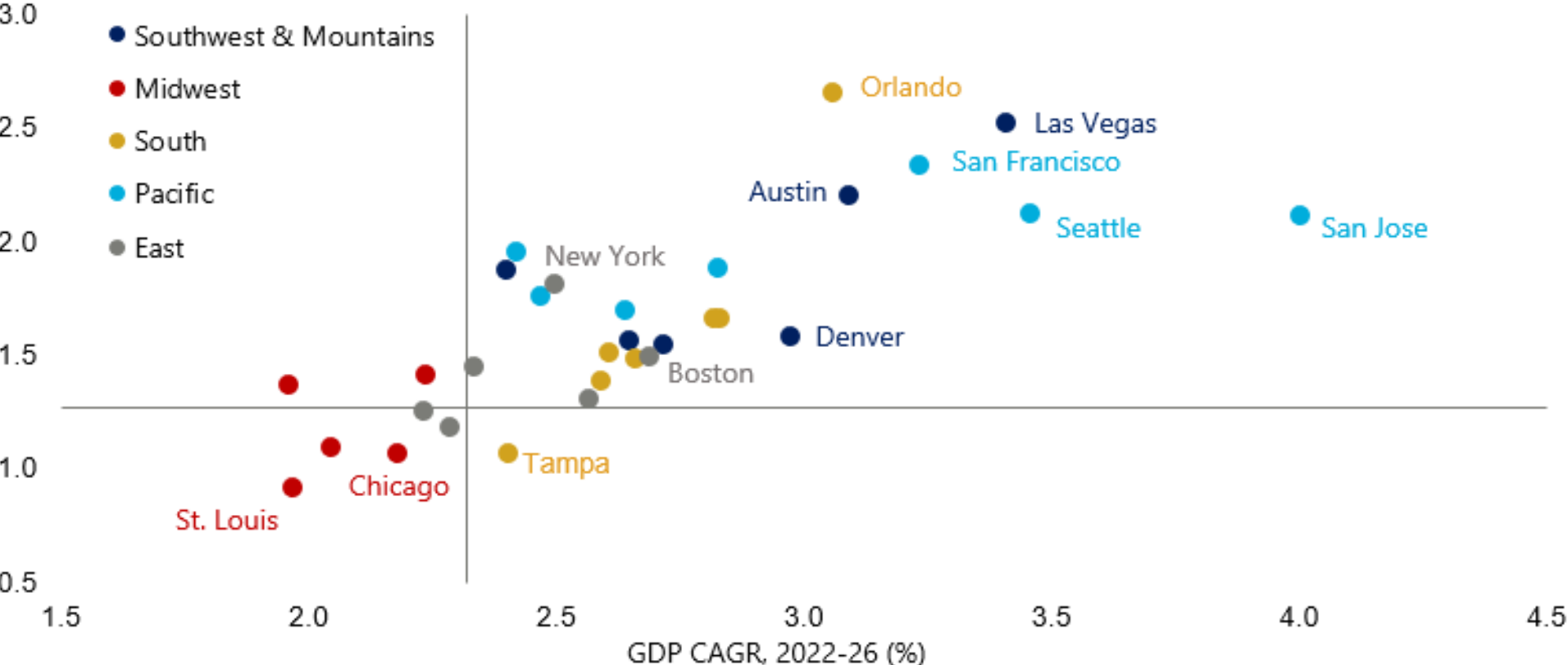


Source: Oxford Economics

# West and South will lead the growth charge

## US: Metro growth outlook

Employment CAGR, 2022-26 (%)



Source: Oxford Economics \*Axis intersection denotes the US aggregate. Note: Data from latest Cities & Regions forecast

# Infrastructure legislation will deliver a fillip to growth

## US: GDP growth - IJJA impacts

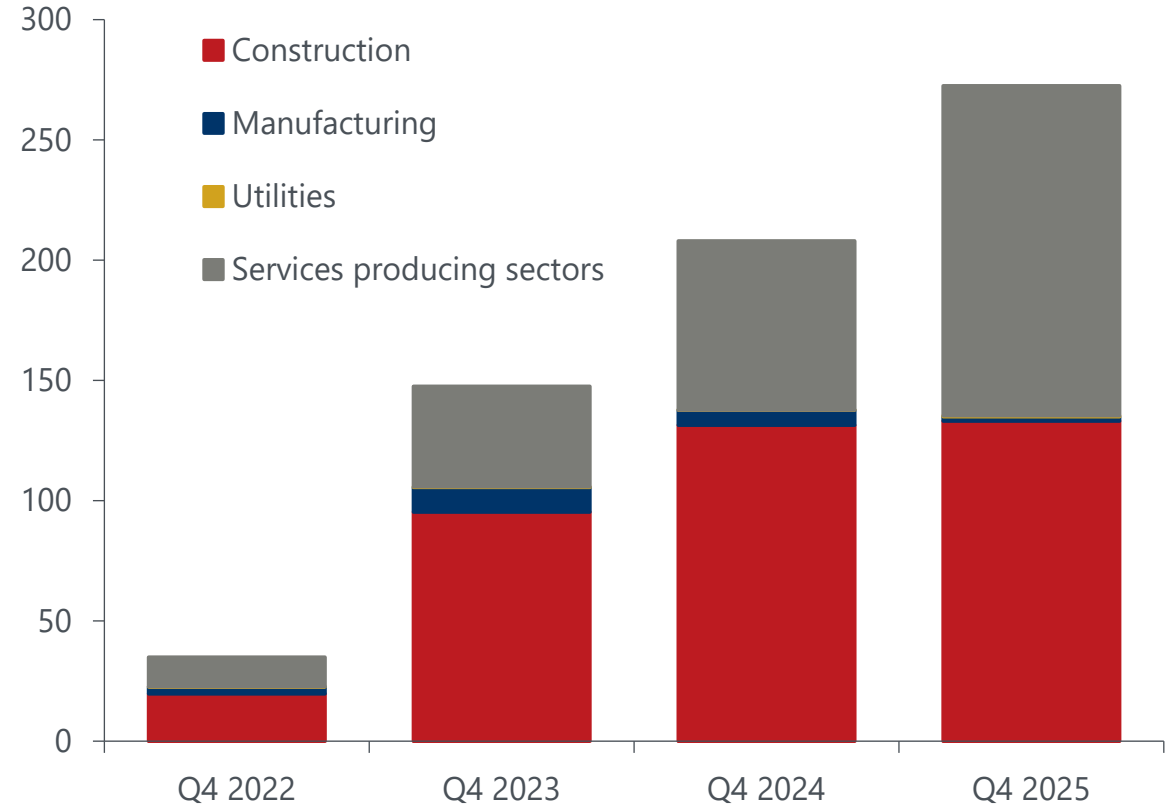
Average ppt boost to annual growth in 2022 and 2023, IJJA relative to no stimulus



Source: Oxford Economics

## US: Employment - IJJA impacts

Thousands of jobs; IJJA relative to no stimulus scenario



Source: Oxford Economics



**Brodie Oldham**  
VP Commercial Data Science





# Small Business Credit

Supporting our mission

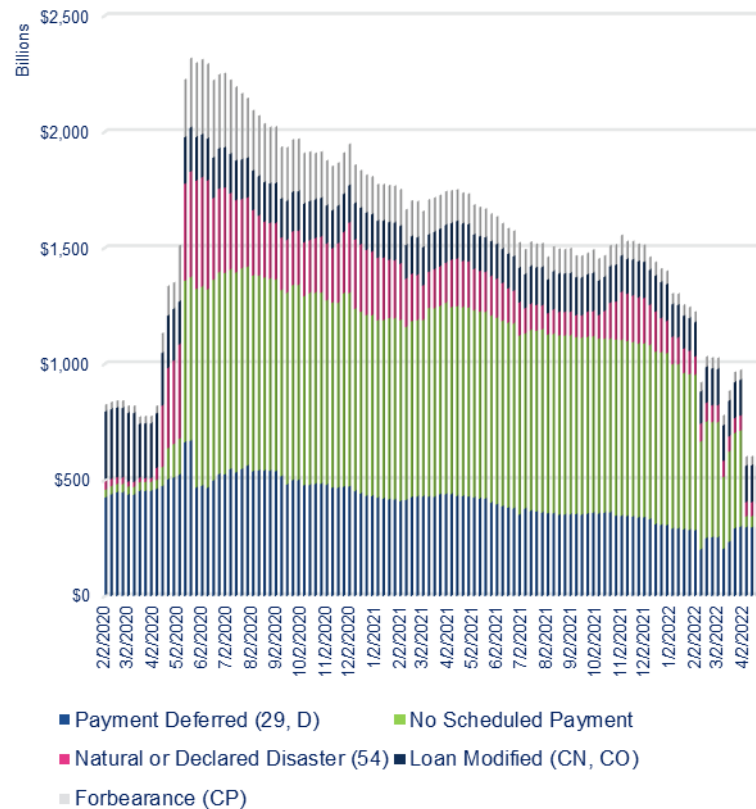
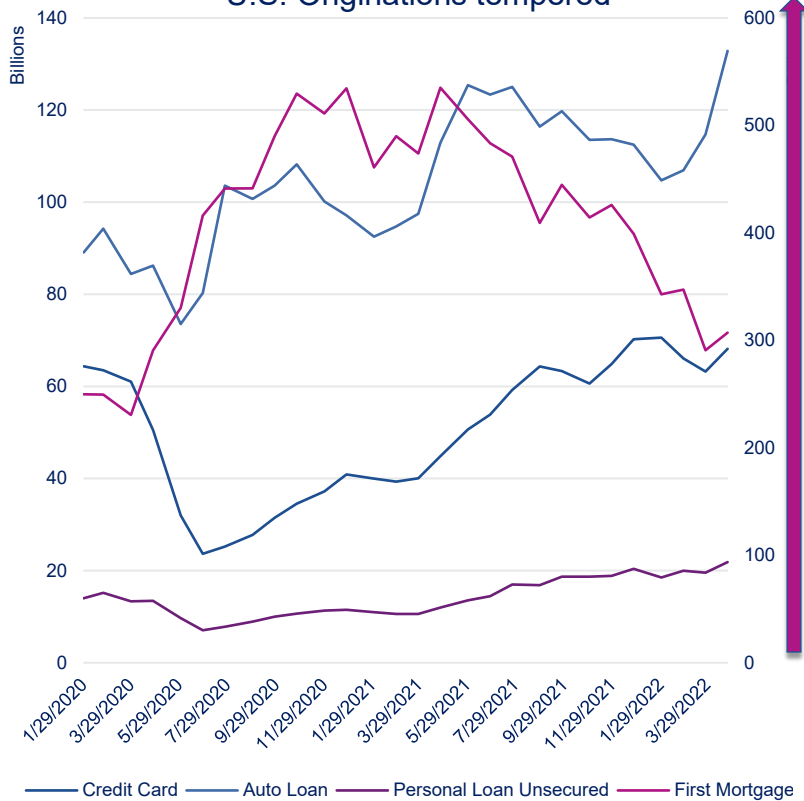
- ✓ A **consortium** of banks, credit card, leasing agencies, utilities, telecommunications and other companies, contributing detailed credit, financial and non-financial data
- ✓ Millions of transactions across a wide range of small businesses
- ✓ A clearer, more comprehensive picture of **small business borrowers**



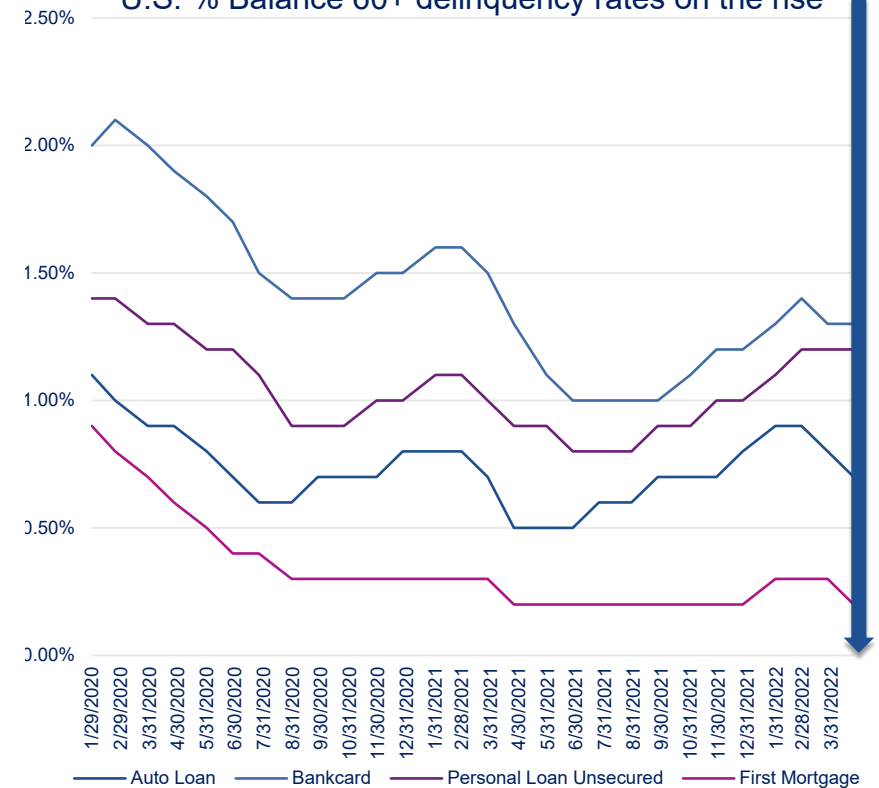
# Consumer performance still strong

Consumer confidence not reflective of performance

U.S. Originations tempered



U.S. % Balance 60+ delinquency rates on the rise



Consumer Originations

Consumer Forbearance Participation

Consumer Delinquency

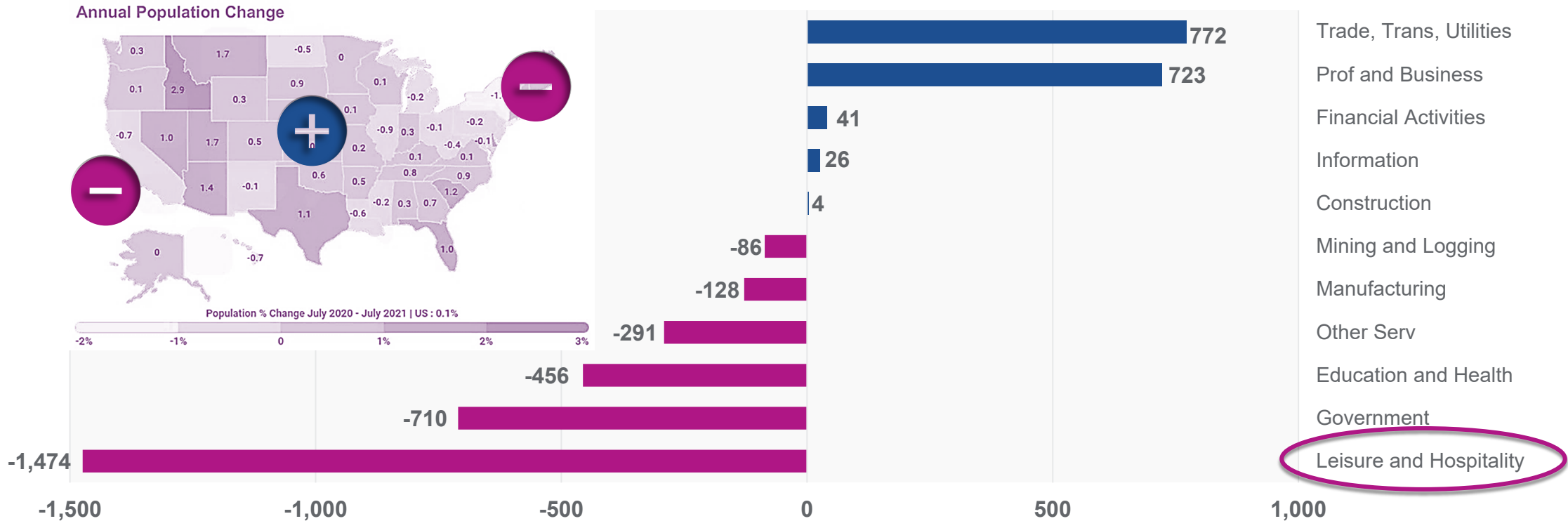
Source: Experian State of the Market



# More industries moving into the positive

Strong gains across many industries but labor shortages continue to impact some segments

Employment change in thousands:  
Feb 2020 – March 2022

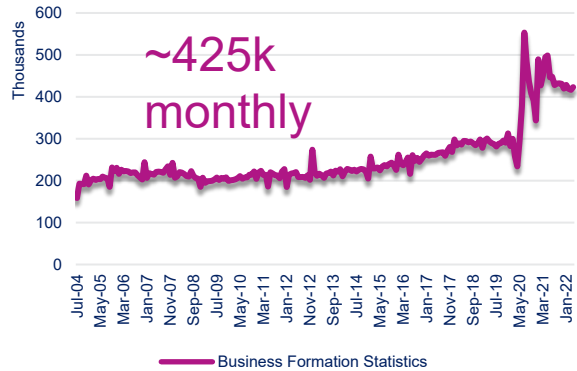


Source: Bureau of Labor Statistics

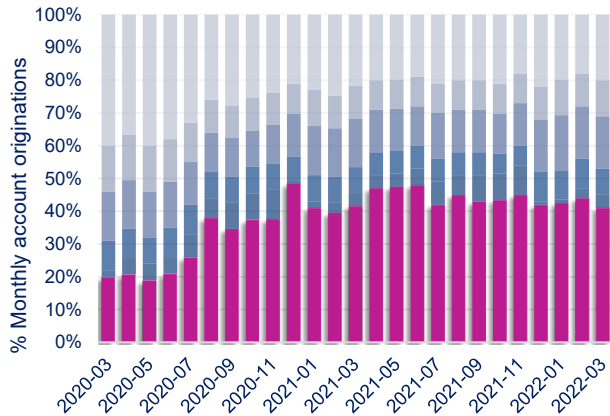
# I have not seen you before...

New business volumes are creating risk and underwriting challenges

## Business Formation Statistics



Source: Census.gov

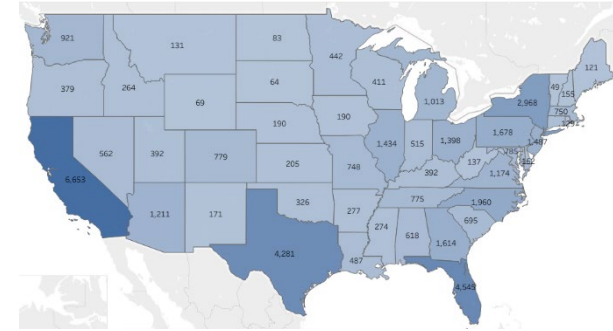


Source: Experian Commercial Benchmark

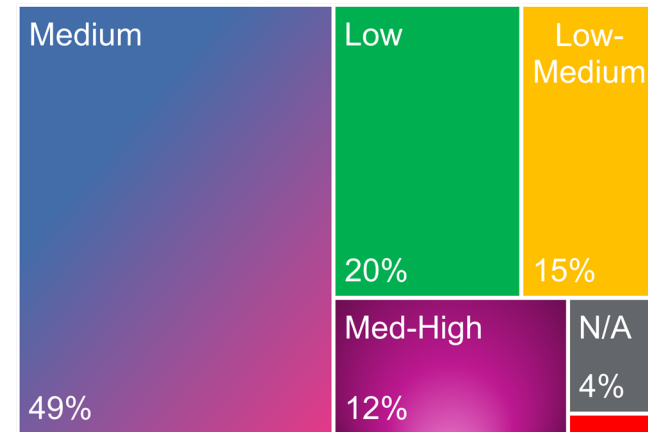


**40%**  
less than a  
year old

## Market Size Map



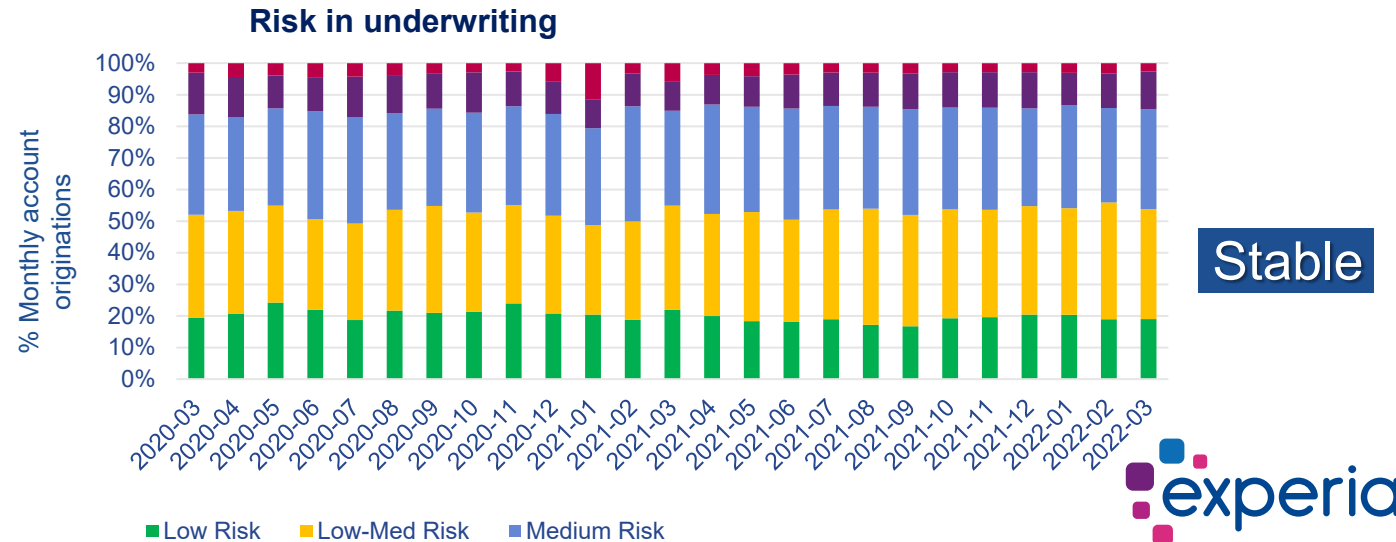
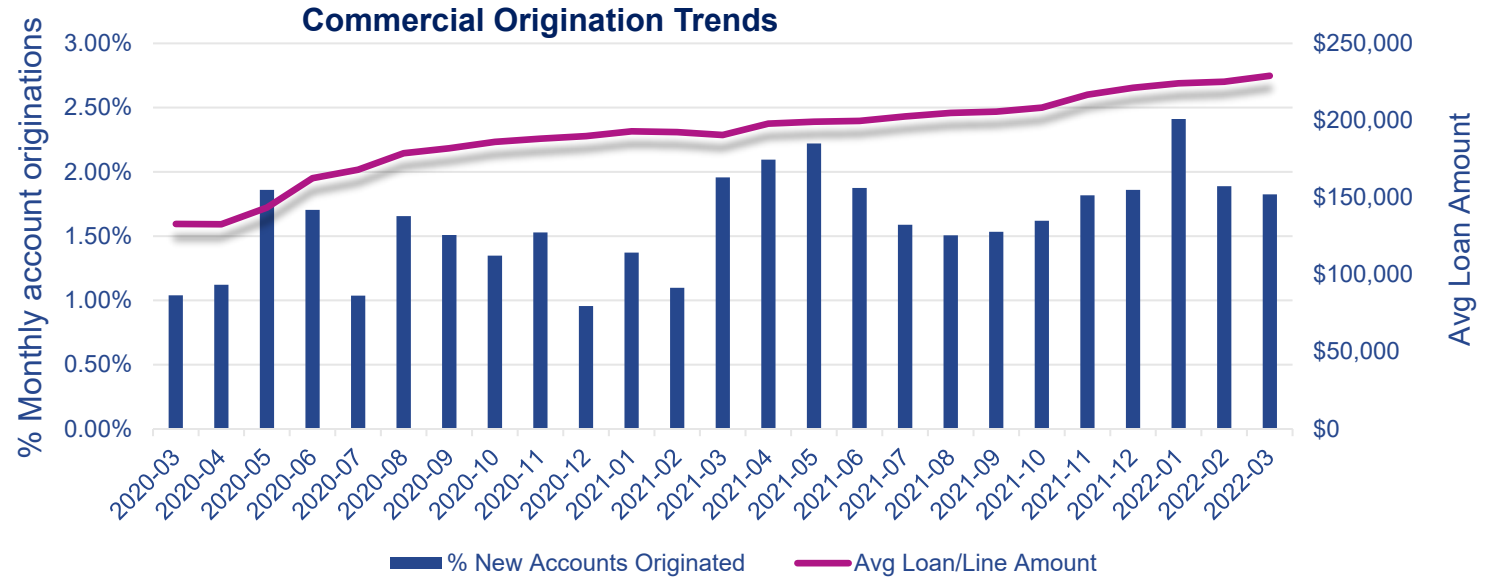
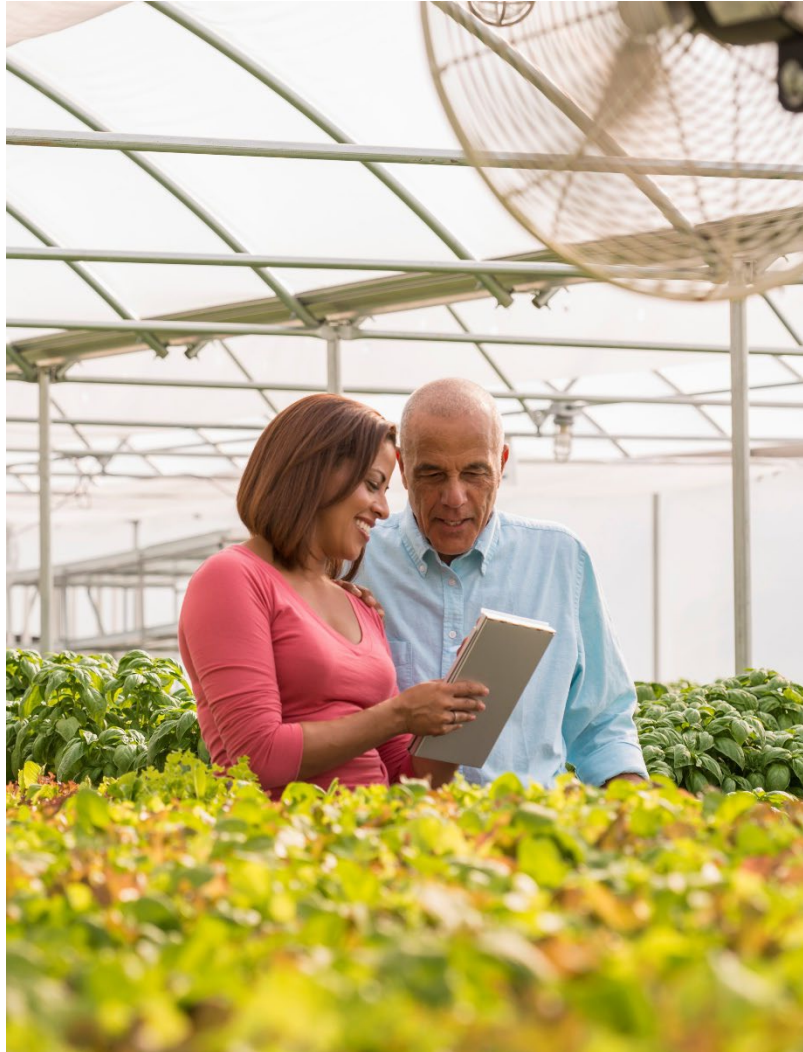
## Mapping New Business Risk



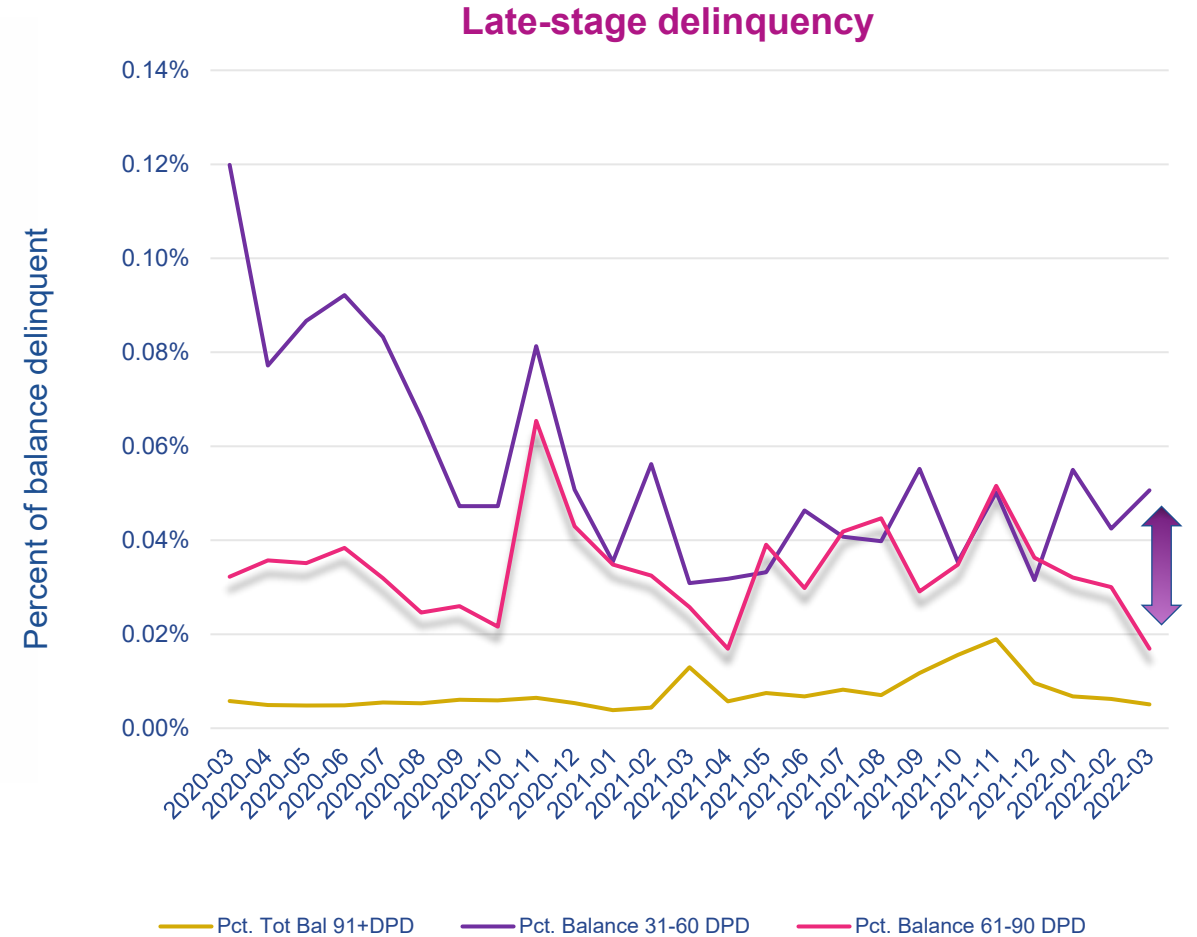
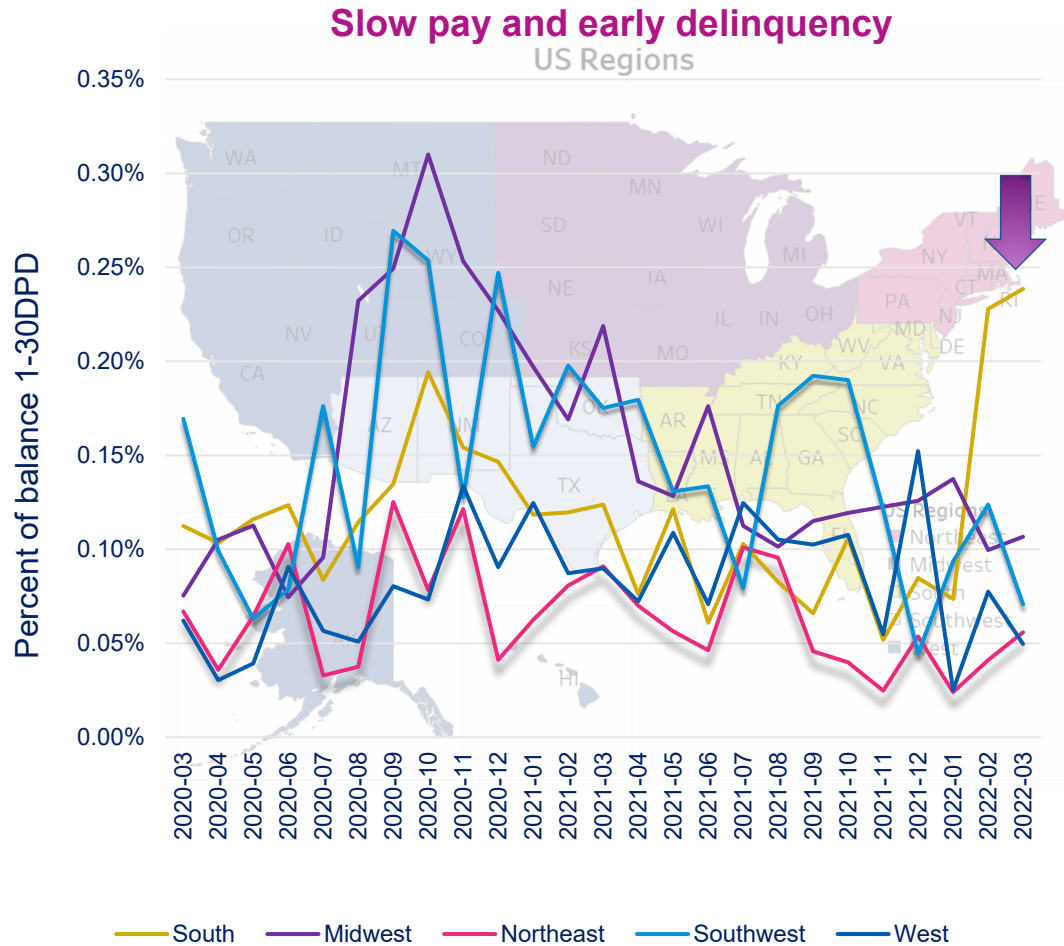
Minority risk profile for young entrepreneurs

# Commercial health

## Installment lending continues steady growth

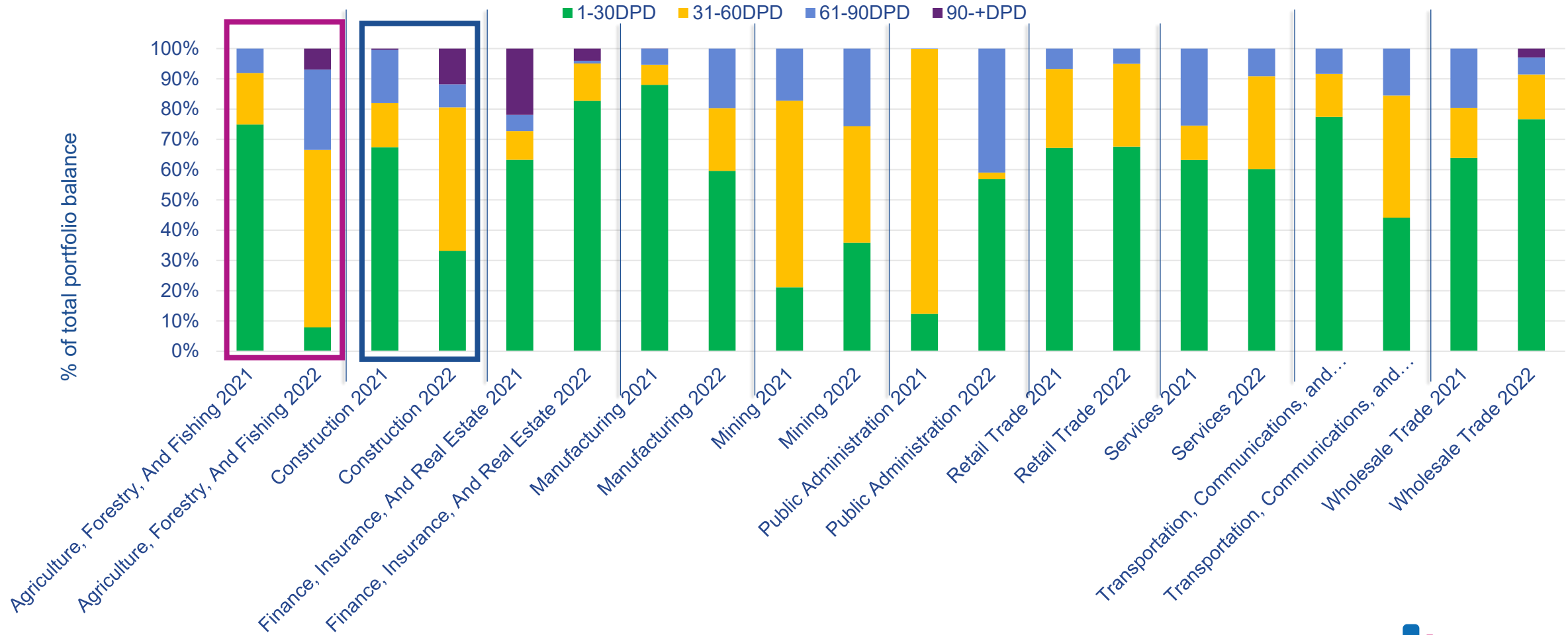


# Delinquency trends for Commercial Installment Lending



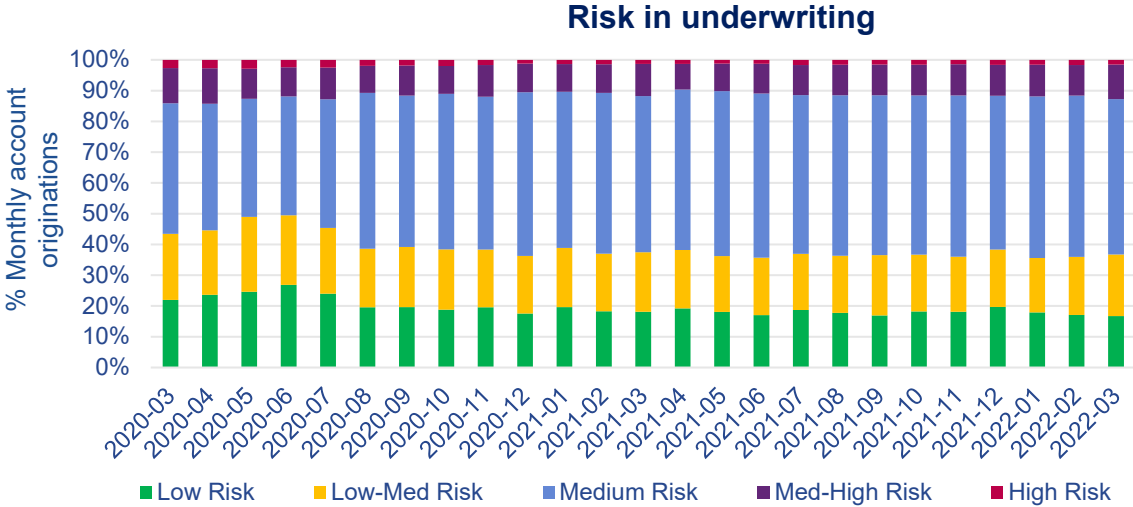
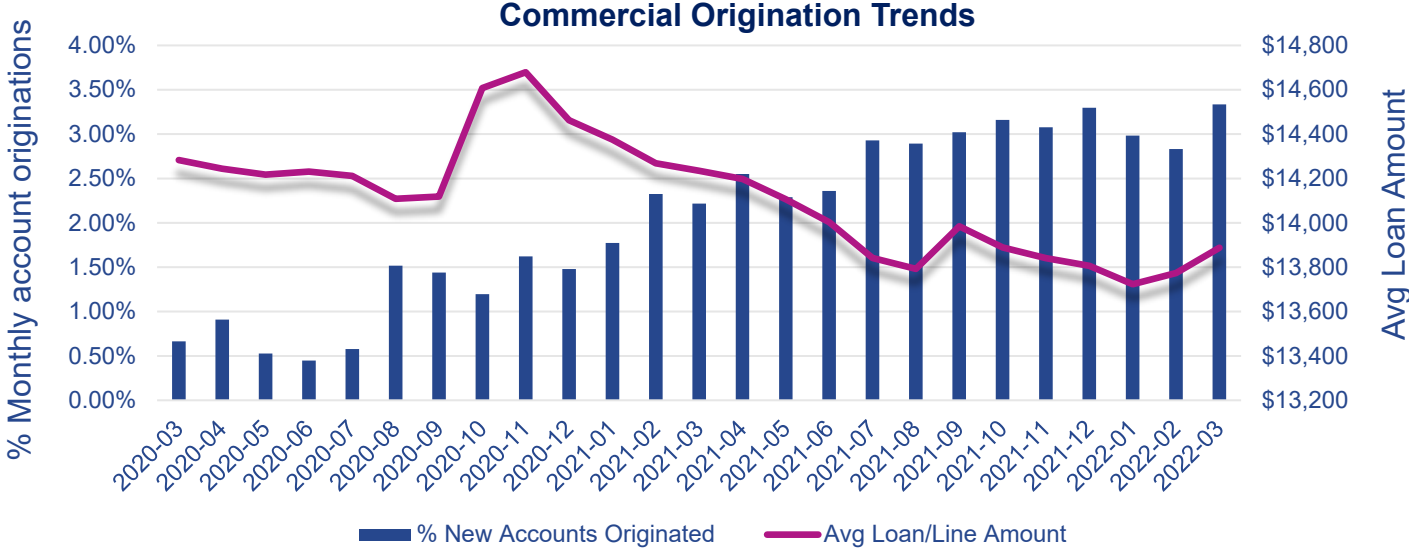
# Industry focused portfolios

Most industries seeing increased delinquency rates on **installment lending**



# Commercial health

Commercial Card stable unsecured credit, but watch delinquencies

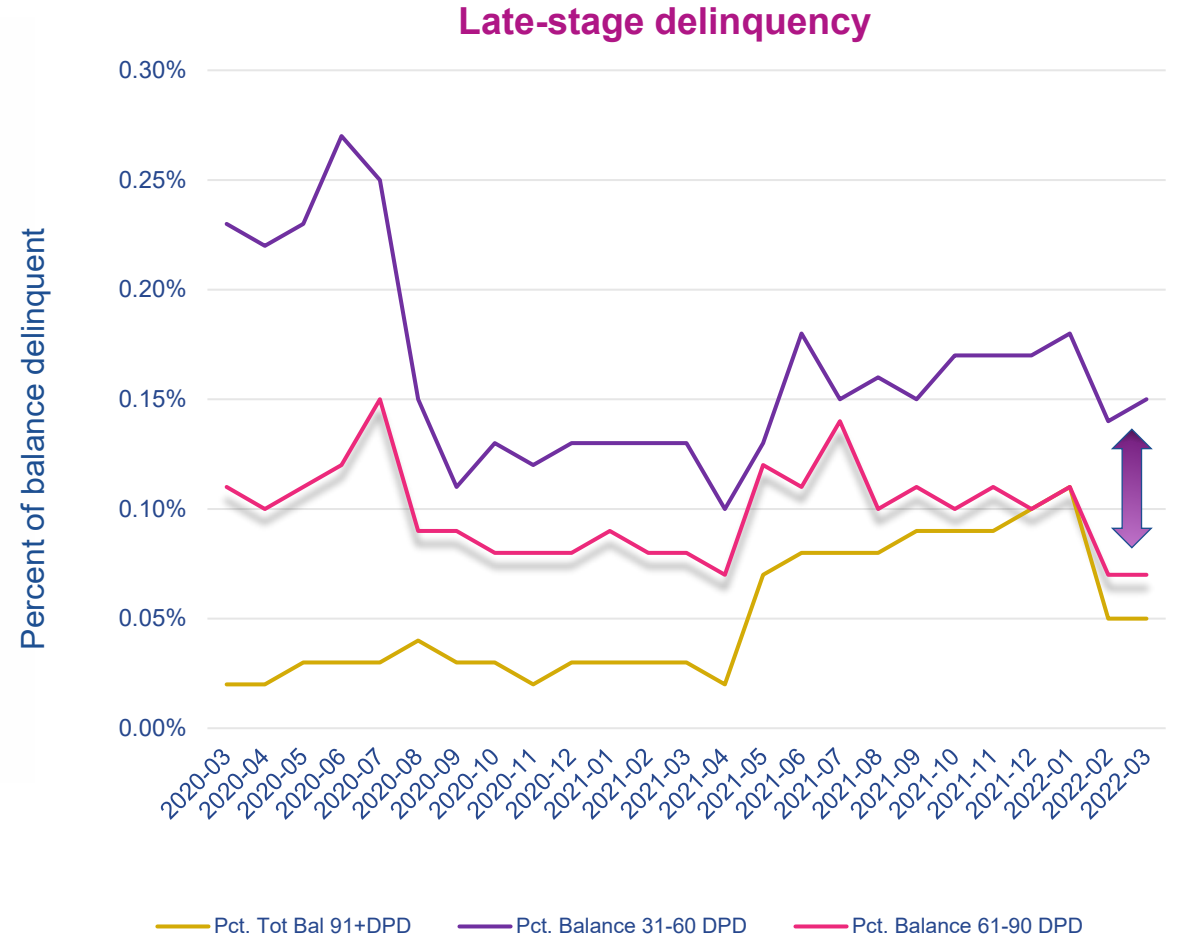
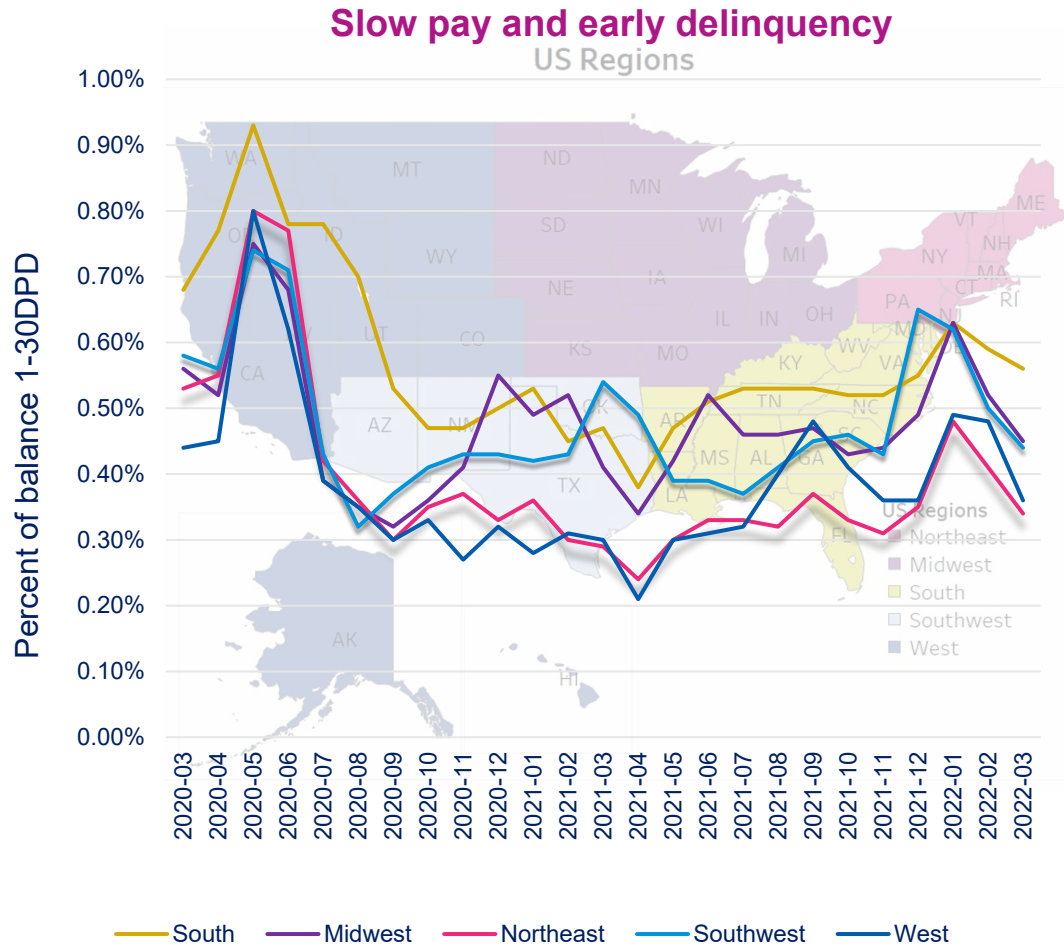


Stable



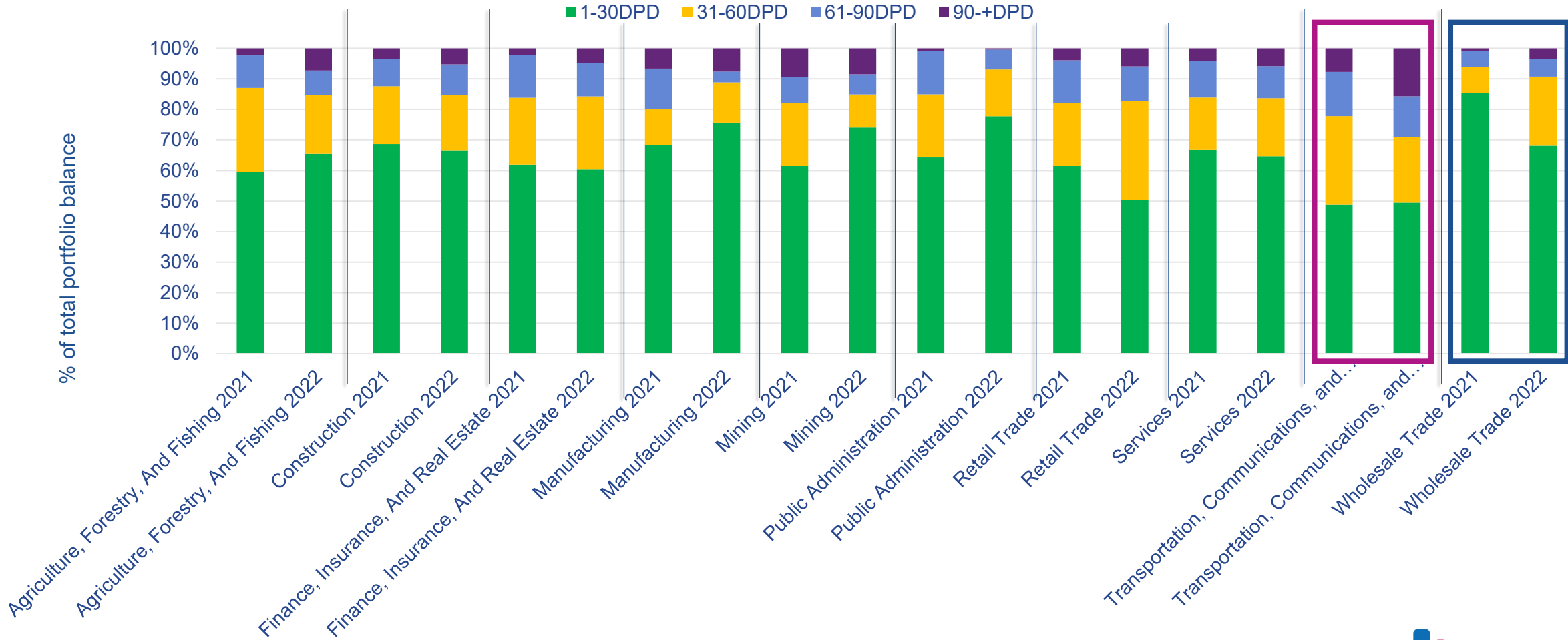


# Delinquency trends for Commercial Card Lending



# Industry focused portfolios

Supply chain engaged industries seeing increased delinquency rates on **commercial cards**

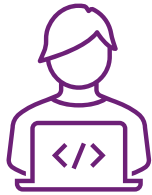


# SMB Thinning wallet dilemma

Preparing for recession and treatment strategies



# Reactions to insights



## Digital first demand:

Competitors edging out incumbents with speed to market



## Influx in new business creation:

Rapid changes in how new customers look and do business



**Changing labor trends & market volume:** Increasing the cost of doing business

The post-pandemic market for small business lenders is multi-faceted and moves fast...

# Questions

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