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Webinar



Quarterly Business Credit Review

Q2 2022

Presented by:

Brodie Oldham
Experian

Kathy Bostjancic
Oxford Economics



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Our Presenters



Brodie Oldham
VP Commercial Data Science
Experian



Kathy Bostjancic
U.S. Chief Economist
Oxford Economics

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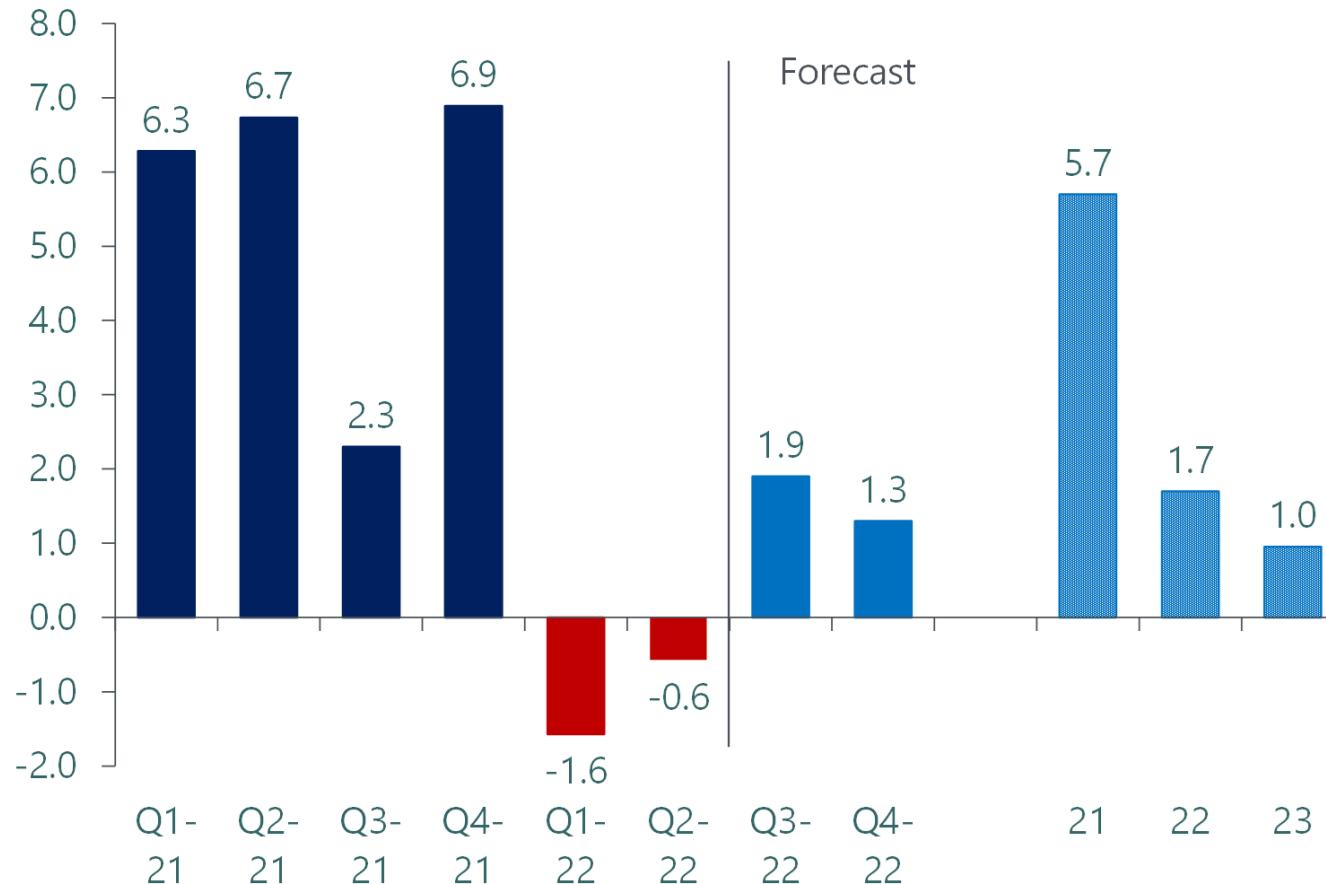
Kathy Bostjancic
US Chief Economist



Economy is not in recession despite “technical” definition

US: GDP Forecast

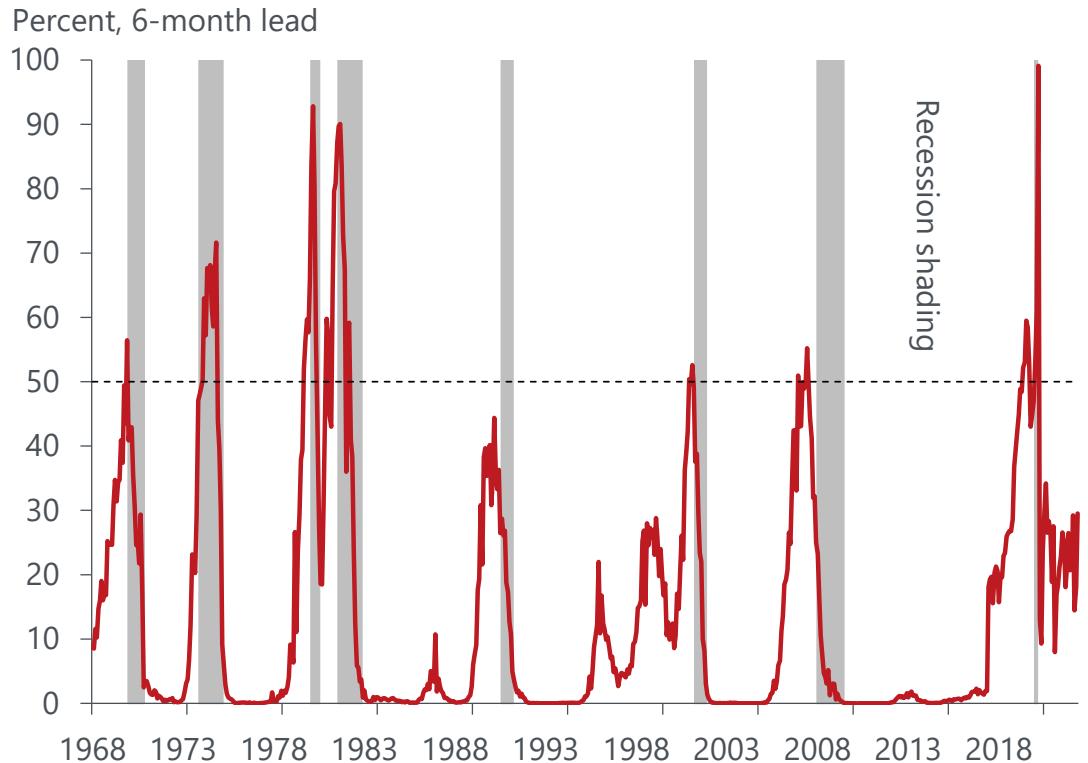
Real GDP growth, % annualized



Source: Oxford Economics

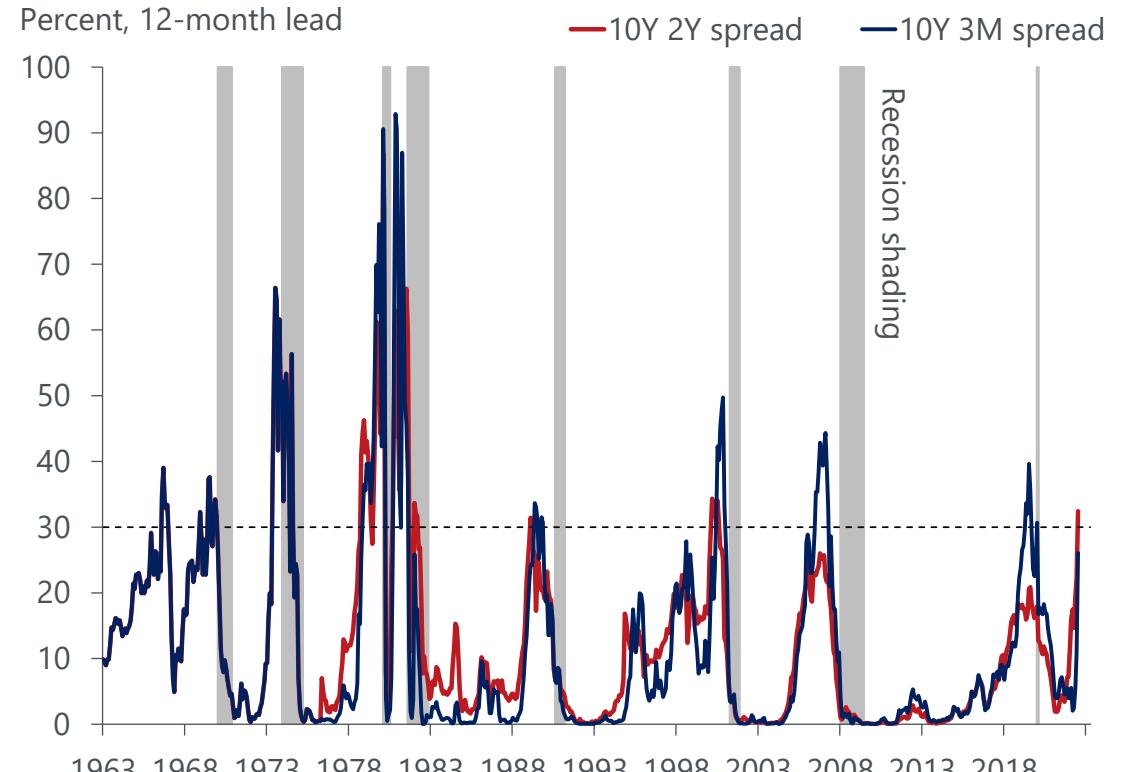
Risk of a recession is elevated

US: Probability of a recession 6 months ahead



Source: Oxford Economics

US: Probability of a US recession 12-mo ahead

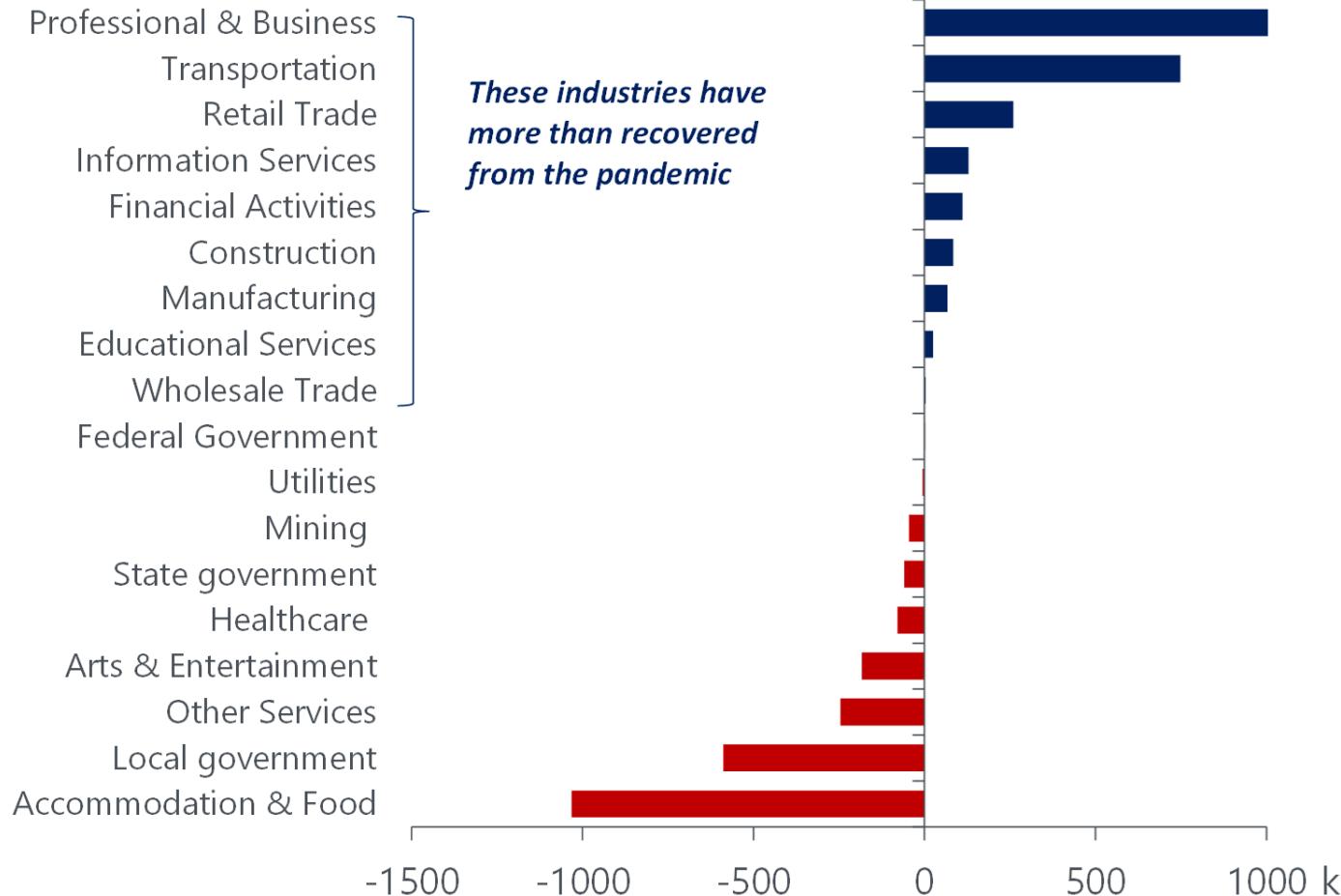


Source: Oxford Economics/New York Federal Reserve

Hiring is strong, but jobs recovery is uneven

US: Employment recovery by industry

Employment change by industry, from Feb 2020 level

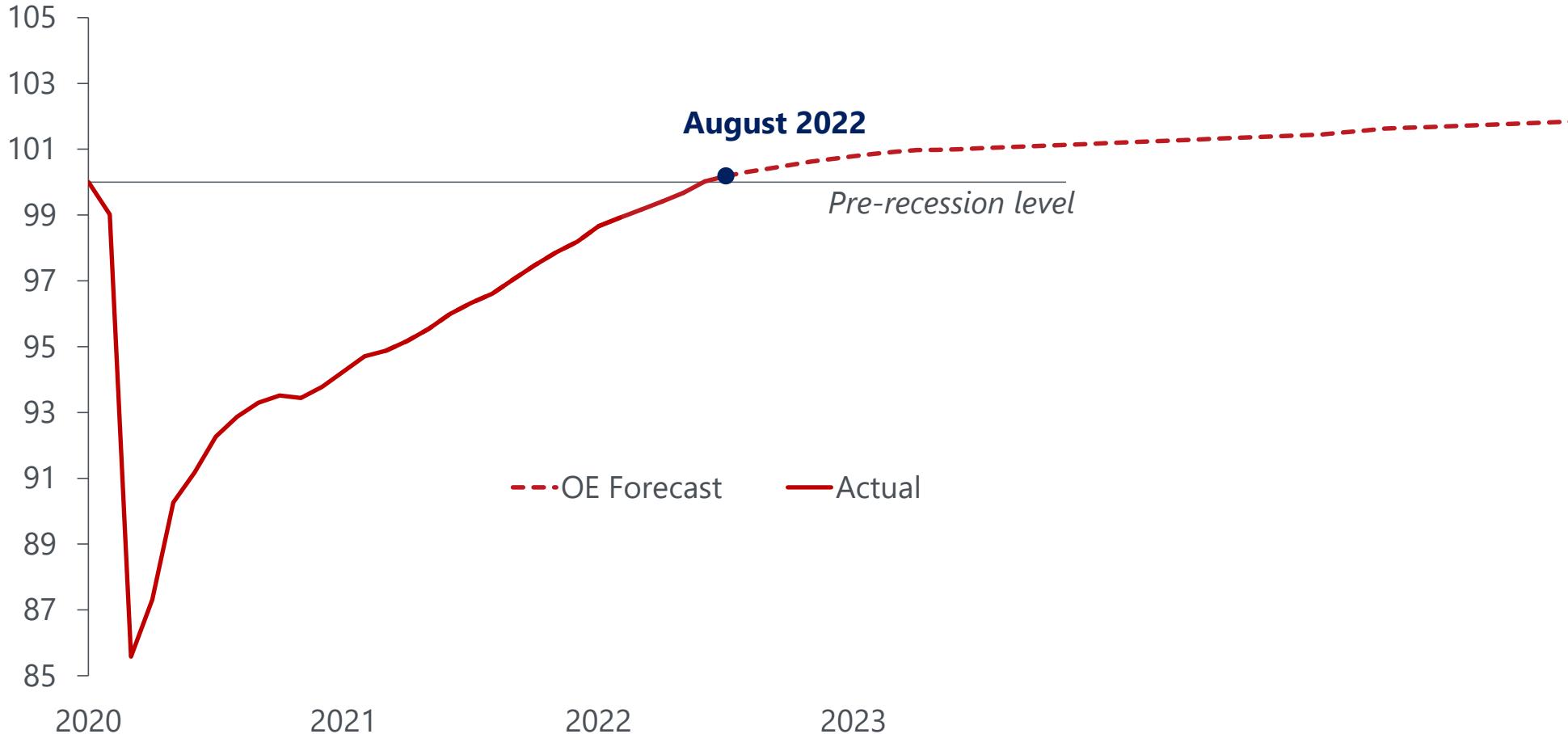


Source: Oxford Economics/Haver Analytics

Covid job losses have been recouped

US: Employment recovery

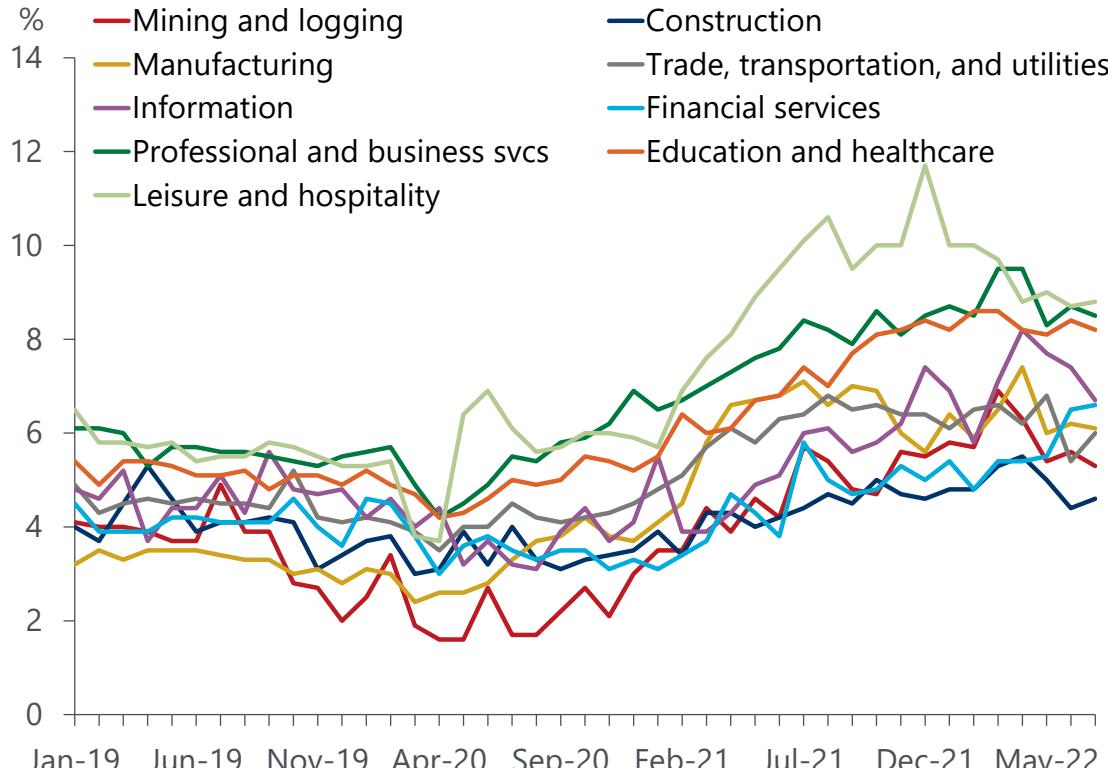
Peak pre-recession employment = 100



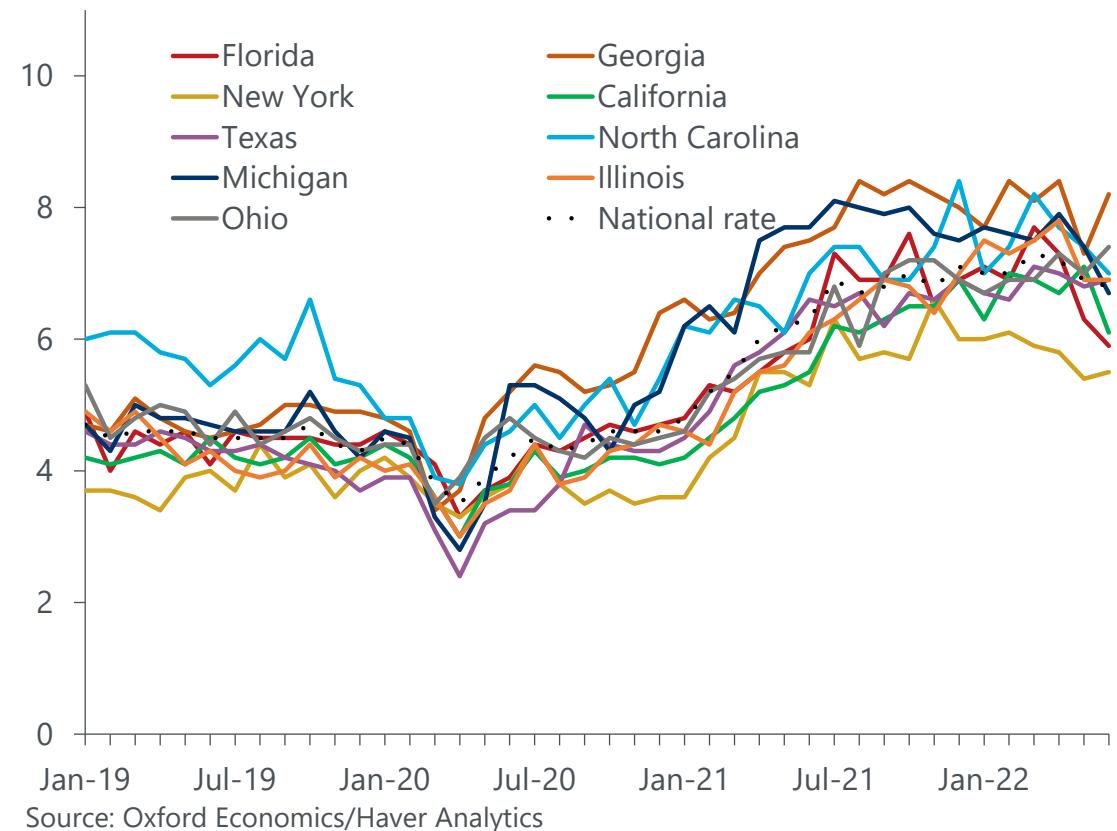
Source: Oxford Economics/Haver Analytics

Labor demand is robust, but starting to cool

US: Job openings rate, by industry

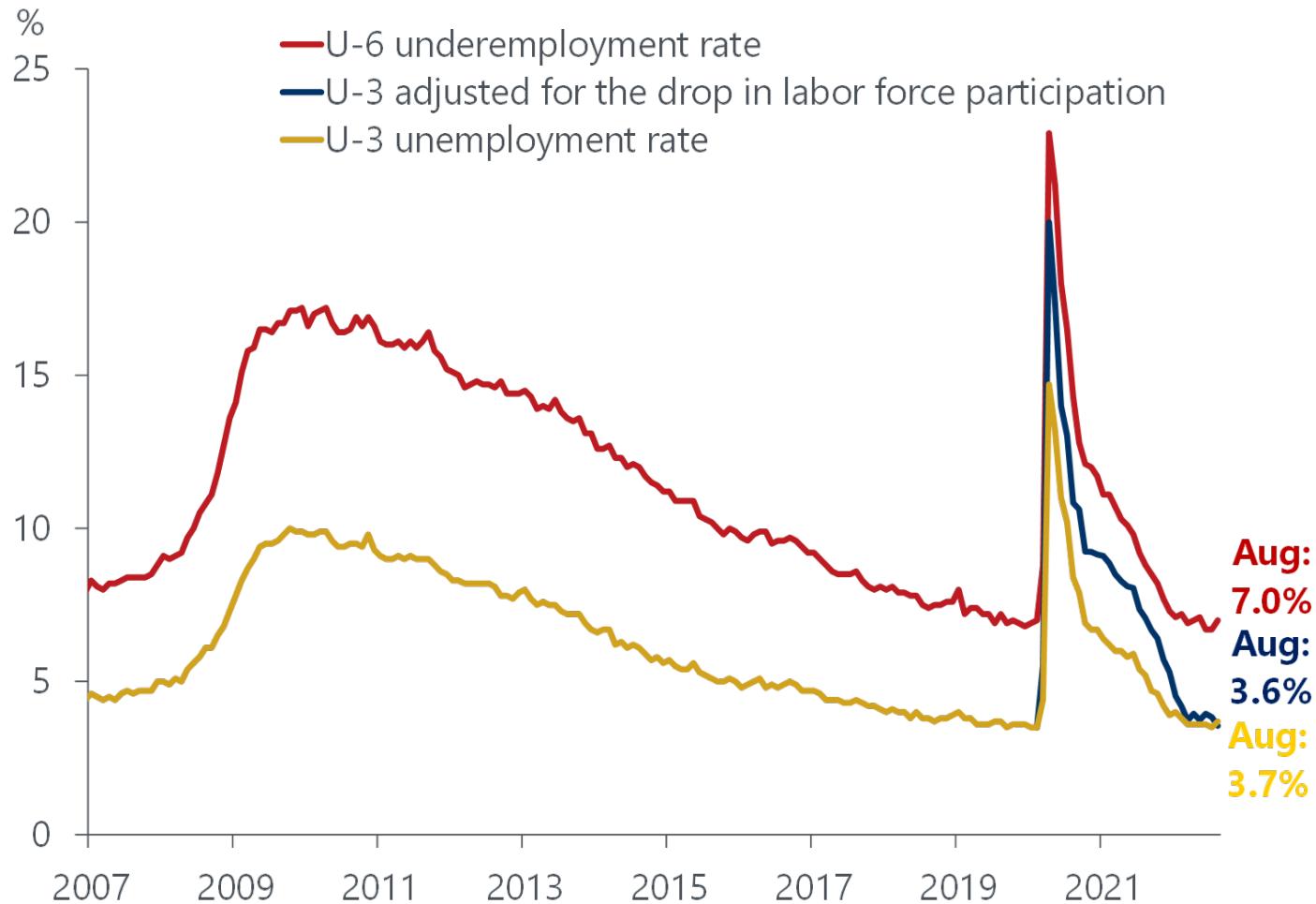


US: Jobs openings rate, by US state



Unemployment rate is near historic lows

US: Unemployment rates

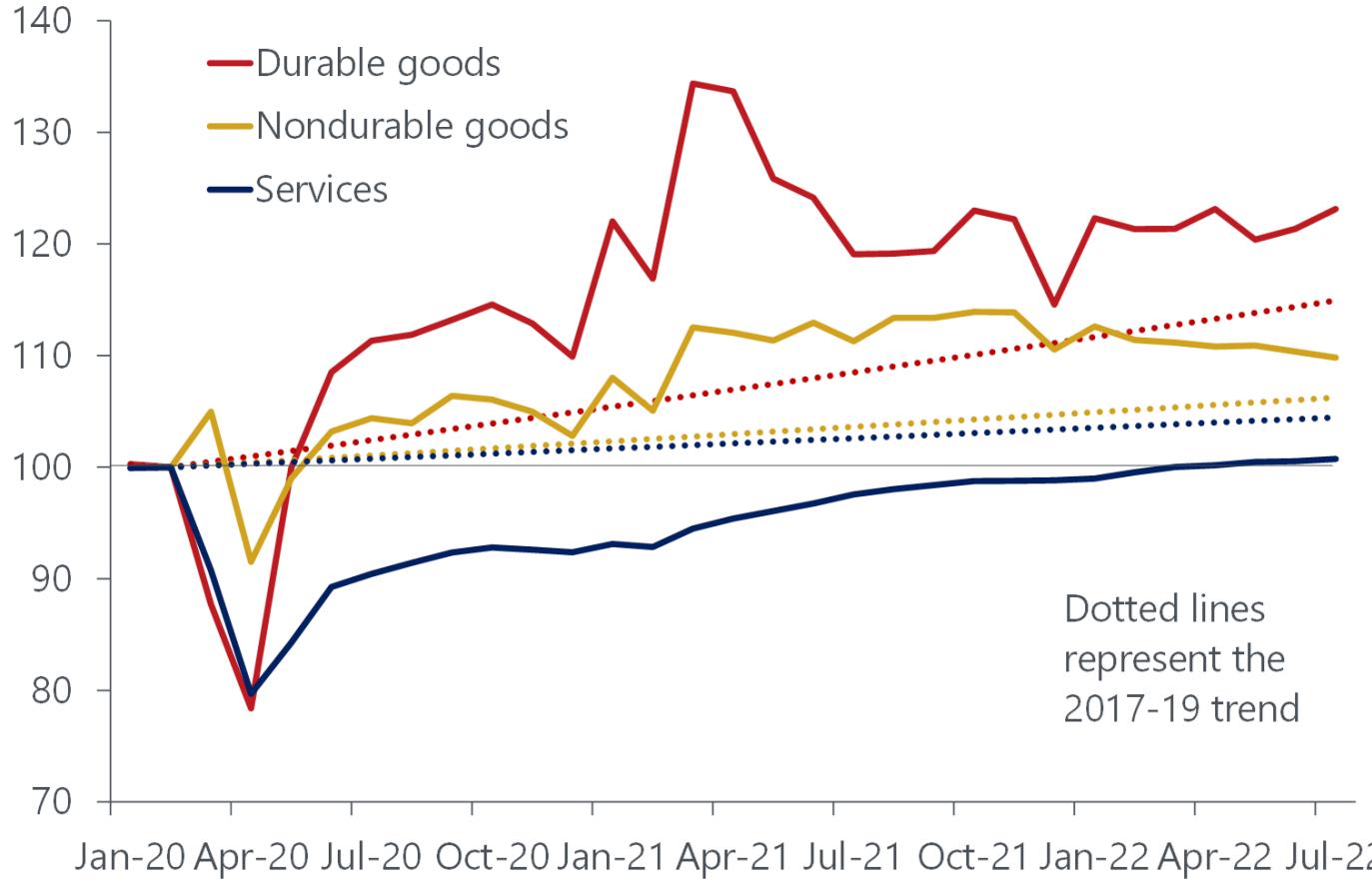


Source: Oxford Economics/Haver Analytics

Consumers spend cautiously even as inflation cools

US: Real consumer spending

Feb 2020 = 100

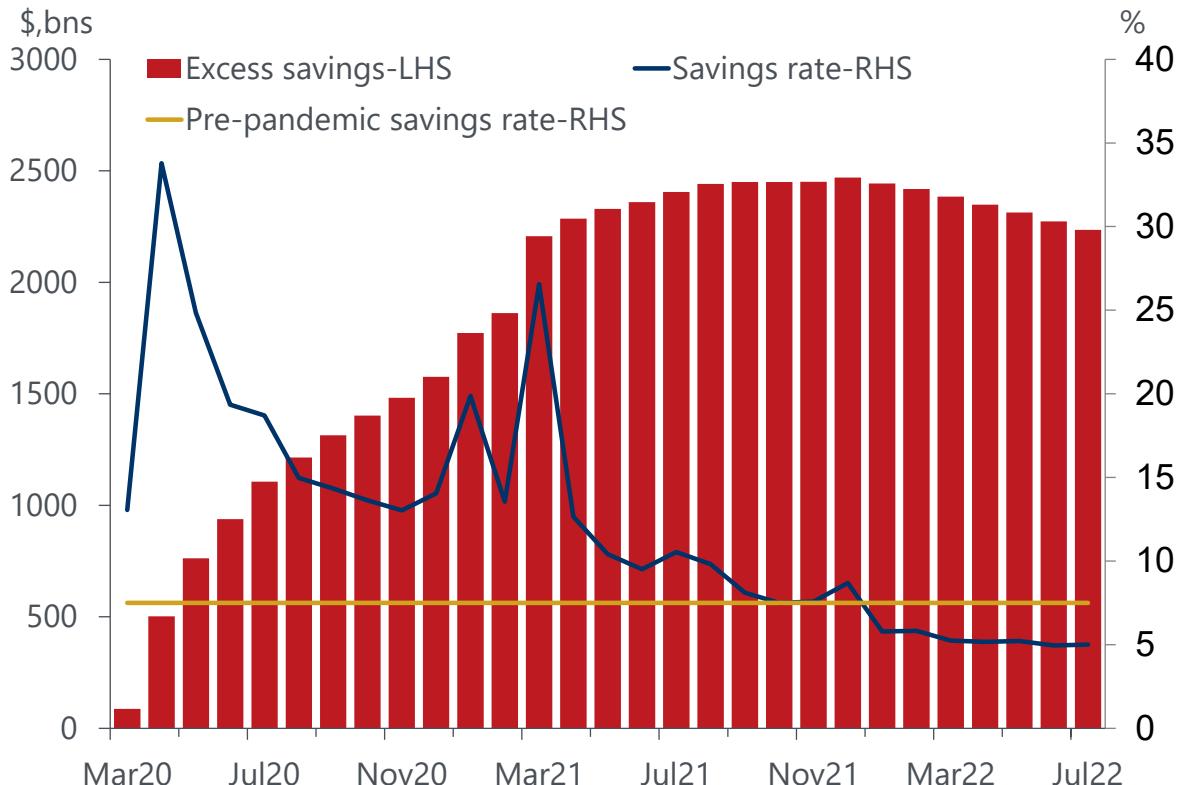


Dotted lines
represent the
2017-19 trend

Source: Oxford Economics/Haver Analytics

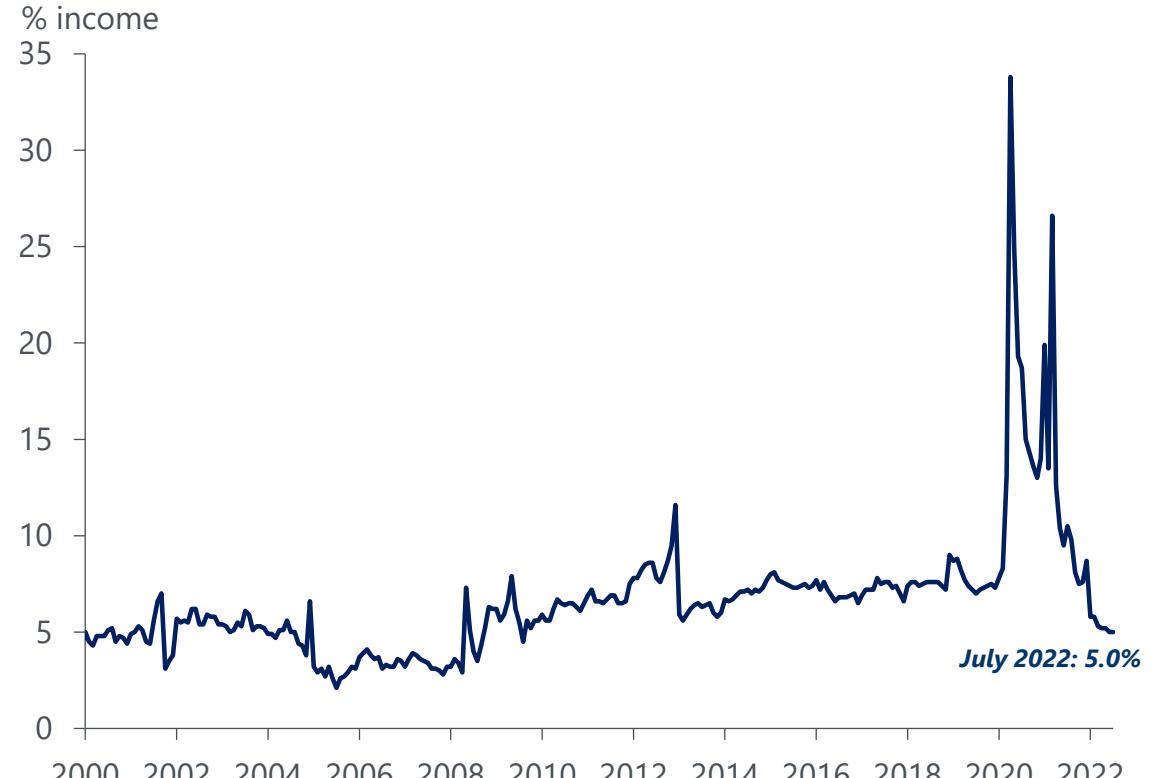
Consumers are using their savings to fuel spending

US: Excess savings based on reported personal income data



Source: Oxford Economics/Haver Analytics

US: Personal savings rate

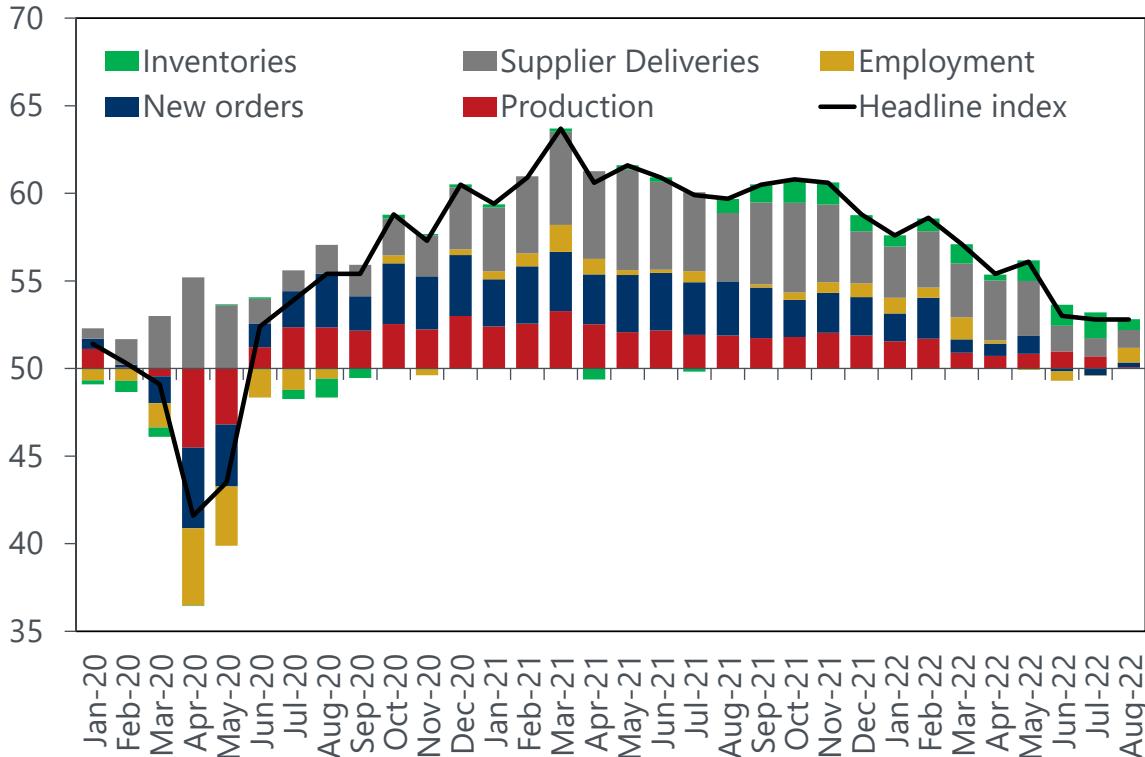


Source: Oxford Economics/Haver Analytics

Slower growth across manufacturing and services

US: Contribution to headline ISM Manufacturing

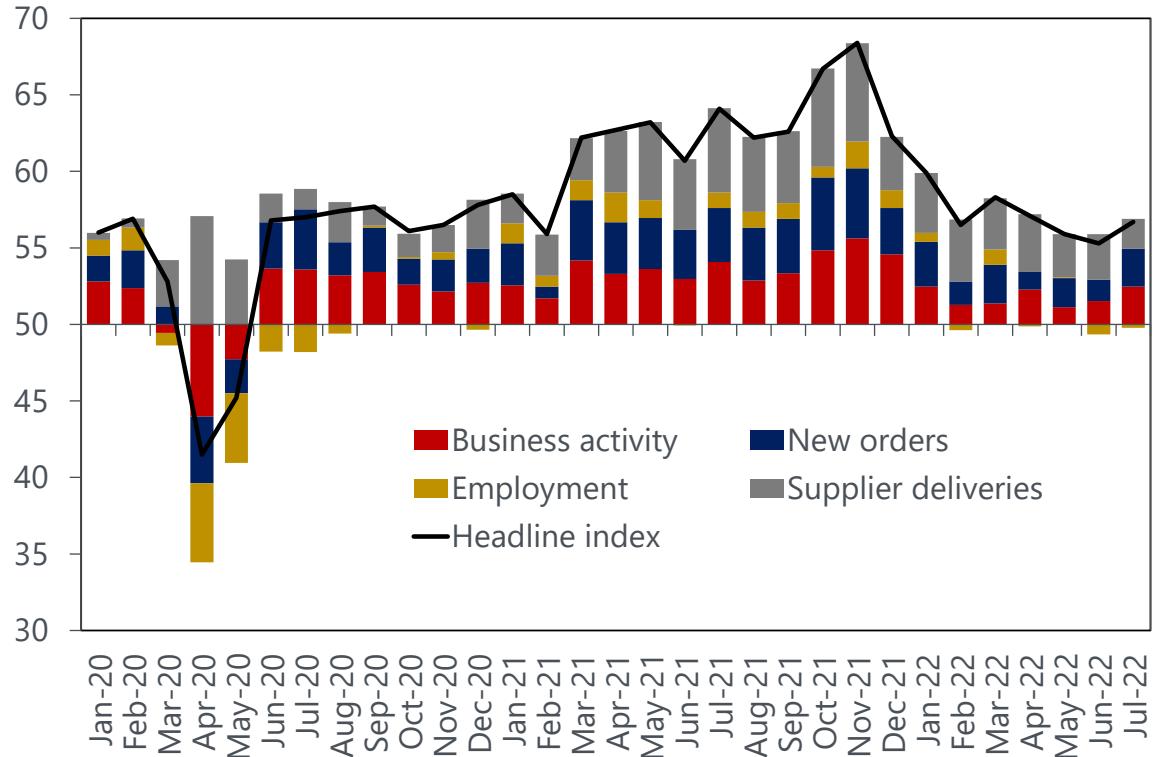
Index; above 50=expansion



Source: ISM/Oxford Economics/Haver Analytics

US: Contribution to headline ISM Services

Index; above 50=increasing

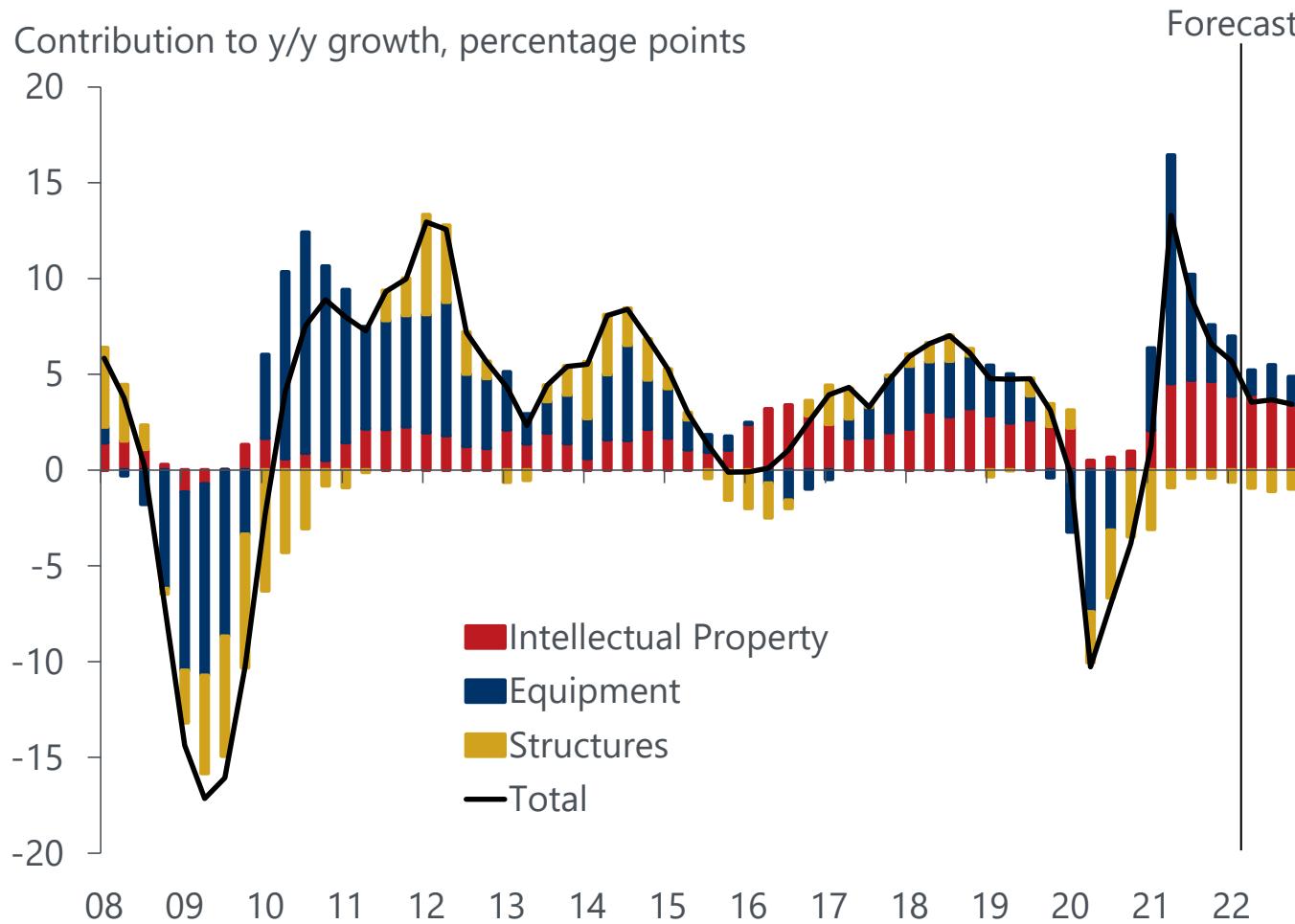


Source: ISM/Oxford Economics/Haver Analytics

Business investment will expand at a moderate clip

US: Real business investment

Contribution to y/y growth, percentage points

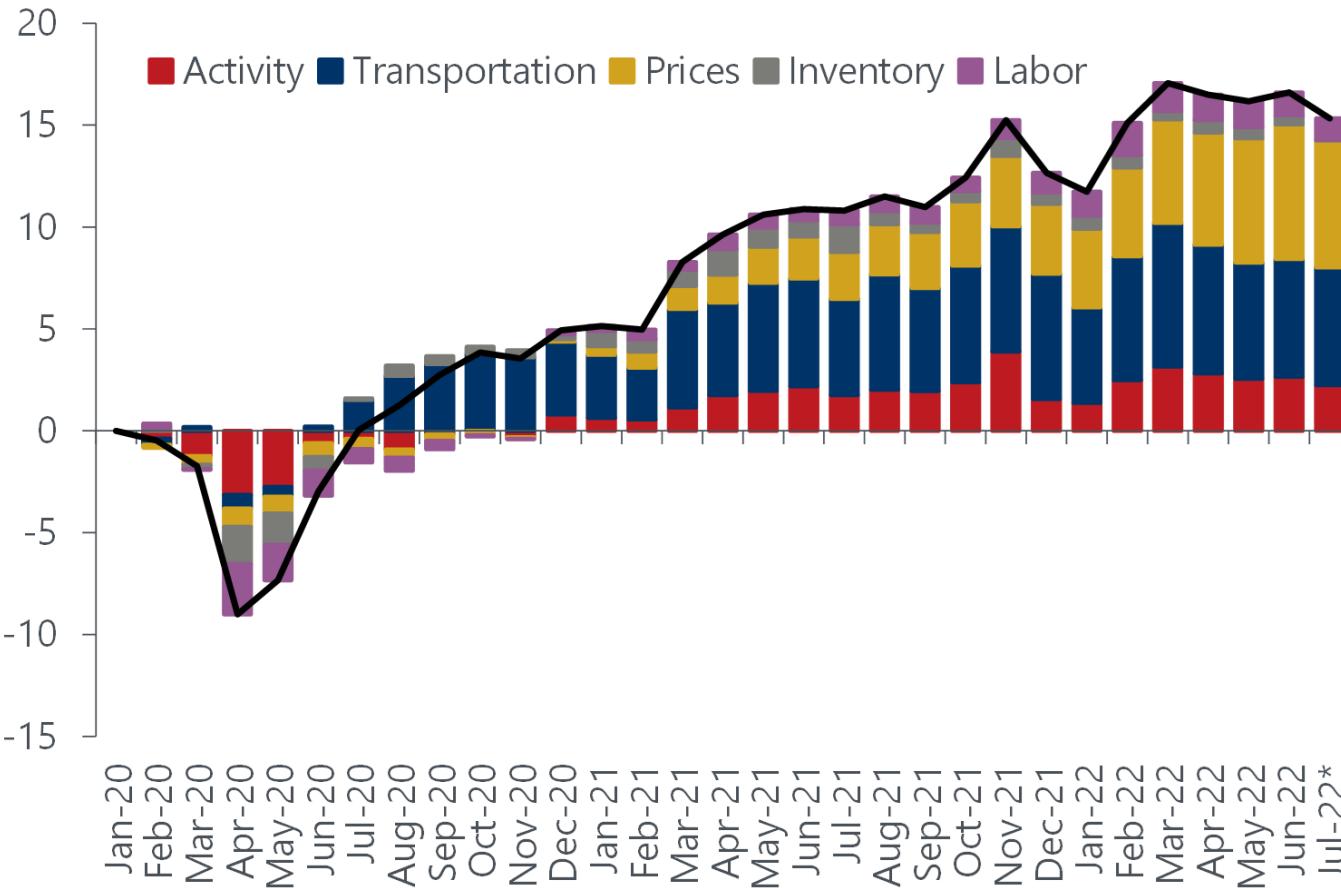


Source: Oxford Economics/Haver Analytics

Supply chain conditions are improving

US: Supply chain stress tracker

Index; > 0 = rising stress



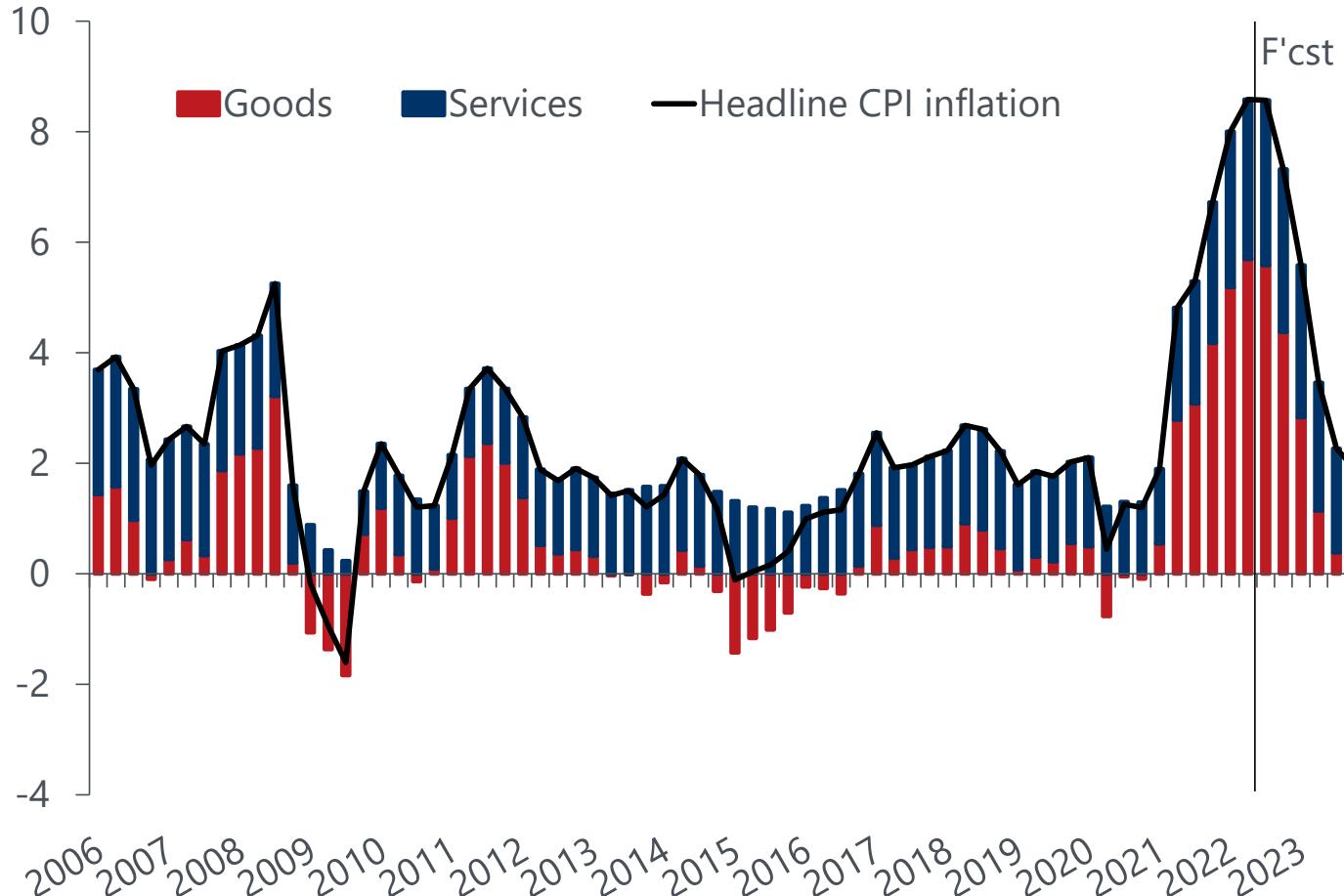
Note: * estimate based on preliminary data and OE forecasts

Source: Oxford Economics/Haver Analytics

Inflation will gradually moderate

US: Goods and services inflation

PPT contribution to headline CPI inflation



Note: Based on OE calculations
Source: Oxford Economics

Long-term inflation expectations have eased

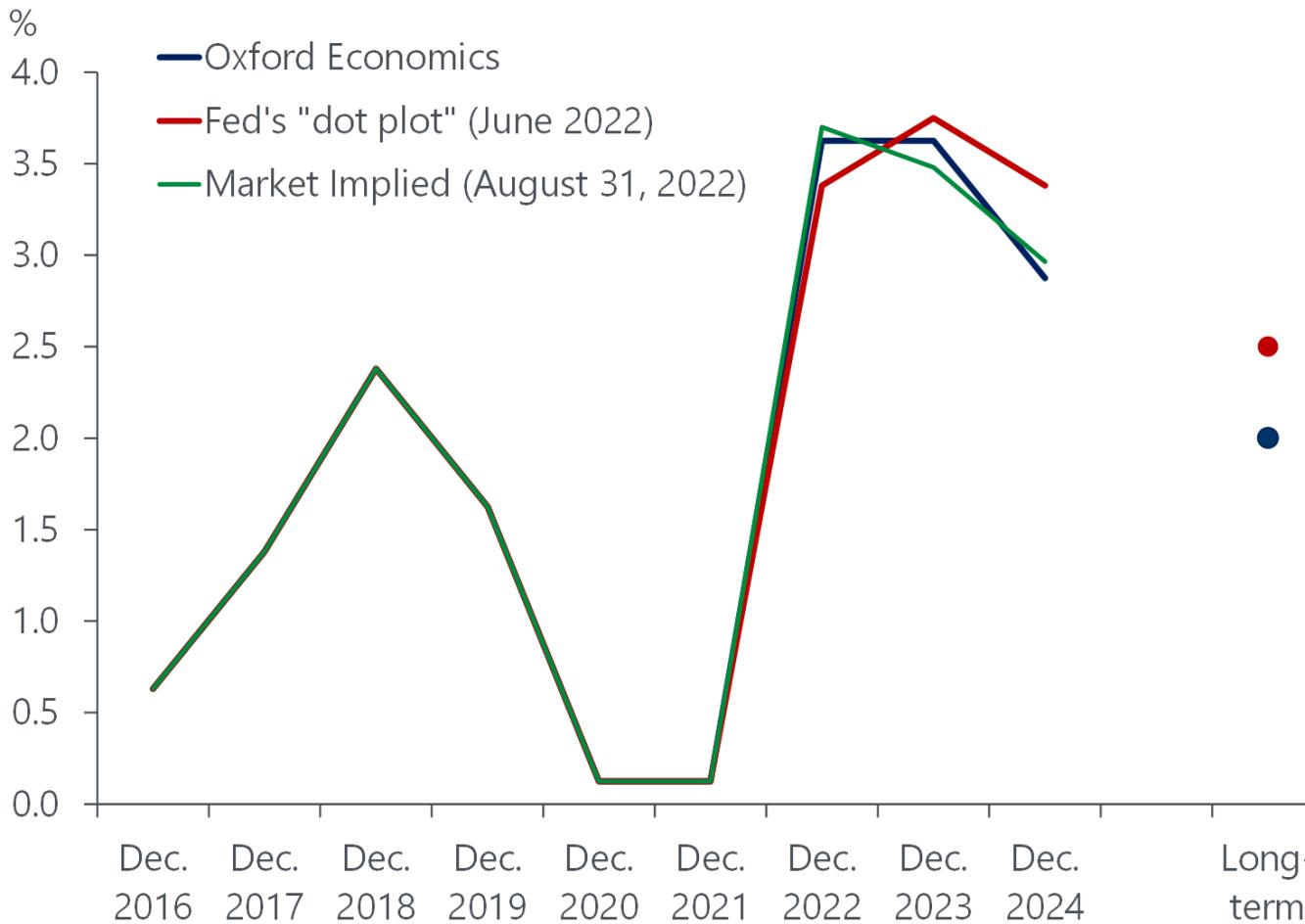
US: Inflation expectations show signs of moderation



Source: Oxford Economics/Haver Analytics/University of Michigan

Fed will raise rates and keep them elevated

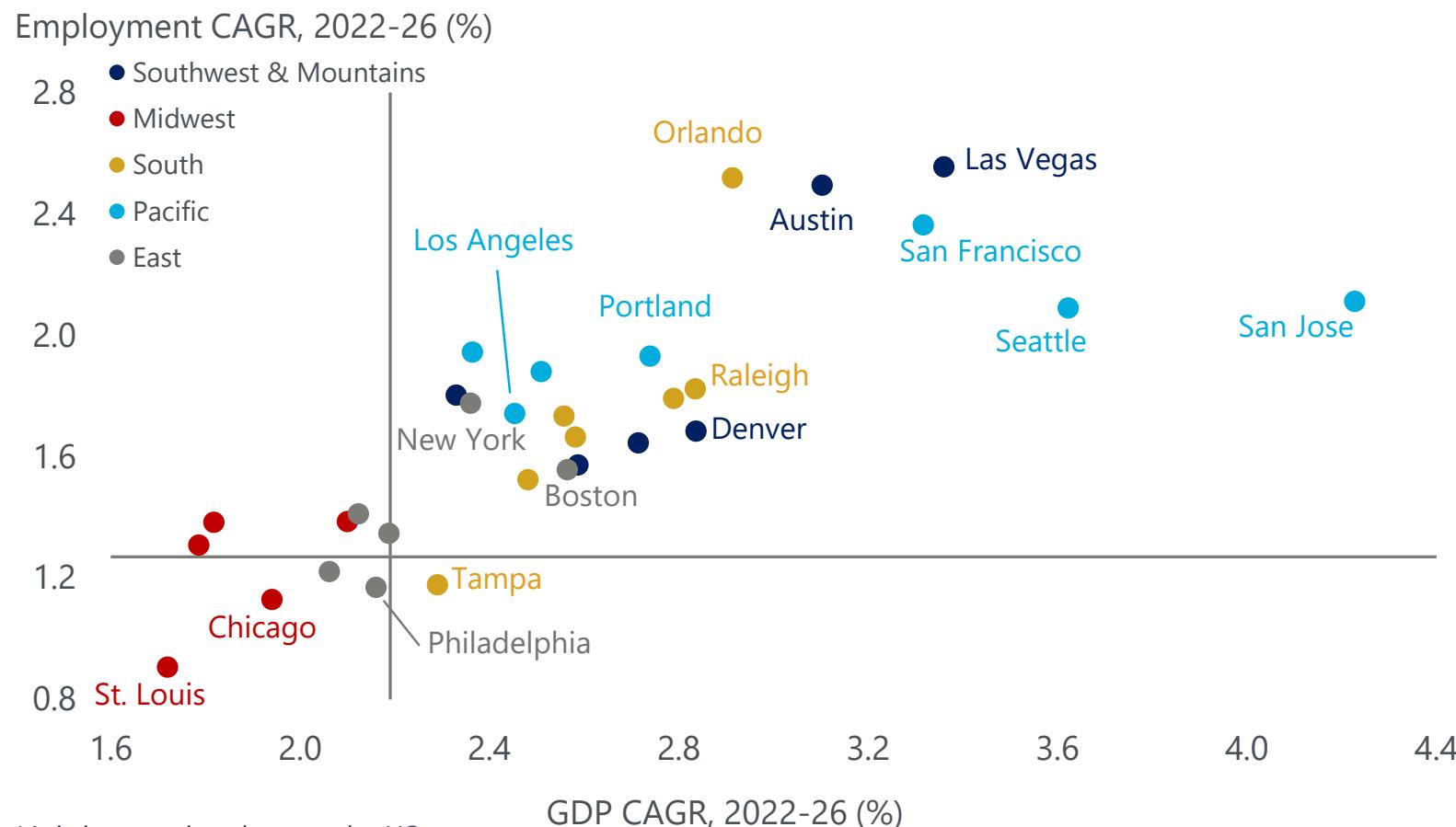
US: Federal funds rate expectations



Source: CME/Federal Reserve/Oxford Economics

Tech and tourism metros to lead medium-term growth

Major US metros: medium-term forecast



*Axis intersection denotes the US aggregate

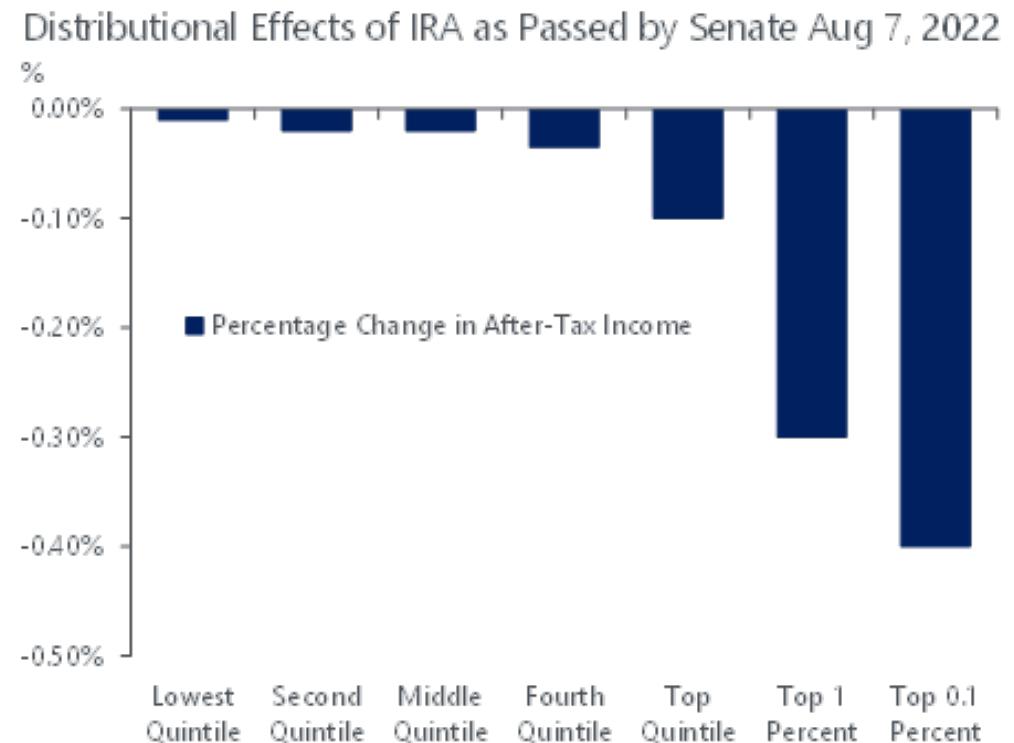
Forecasts completed June 2022

Source: Oxford Economics

IRA bill reduces the deficit and raises taxes while boosting investment and GDP

Inflation Reduction Act	10-year cost (bns)
Spending	
Energy and climate	\$370
Extend health insurance subsidies for 3 years	\$64
Funding for drought resiliency	\$5
Total new spending	\$439
Savings	
15% corporate minimum tax	\$273
Prescription drug savings	\$288
Enhanced tax enforcement	\$124
1% excise tax on stock buybacks	\$73
Total savings	\$758
Net deficit reduction	\$319

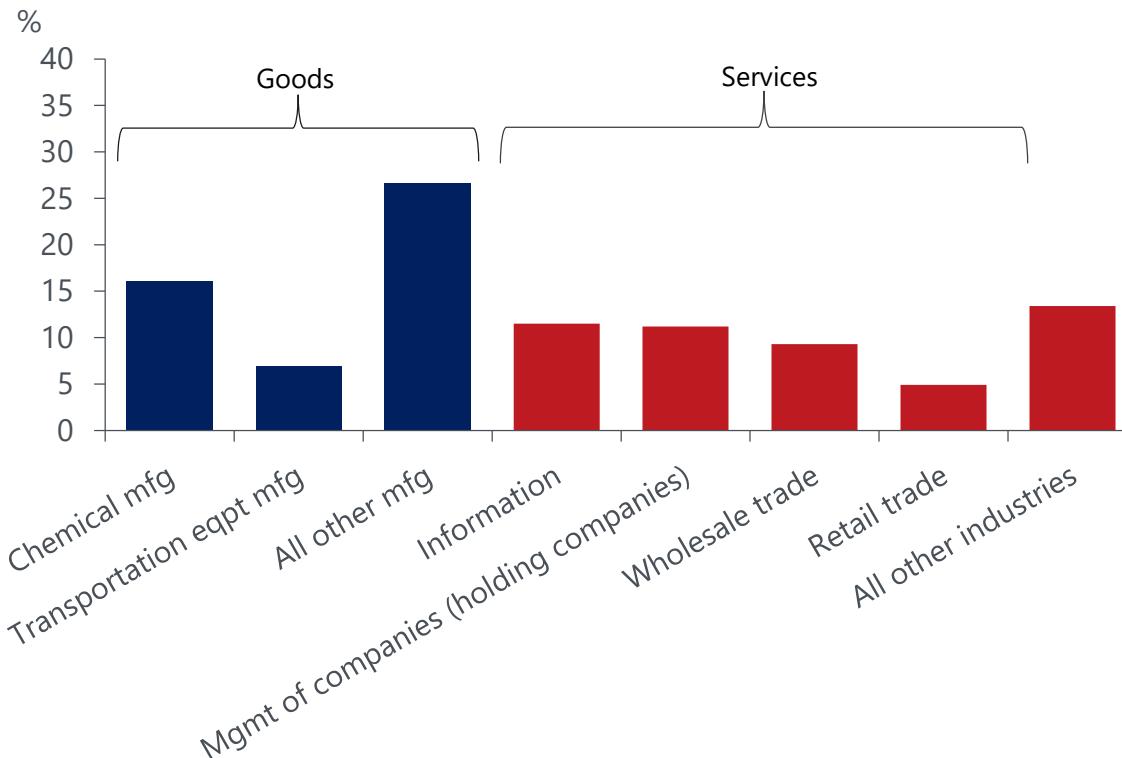
Source: Oxford Economics/CBO/JCT



Source: Oxford Economics/Urban-Brookings Tax Policy Center

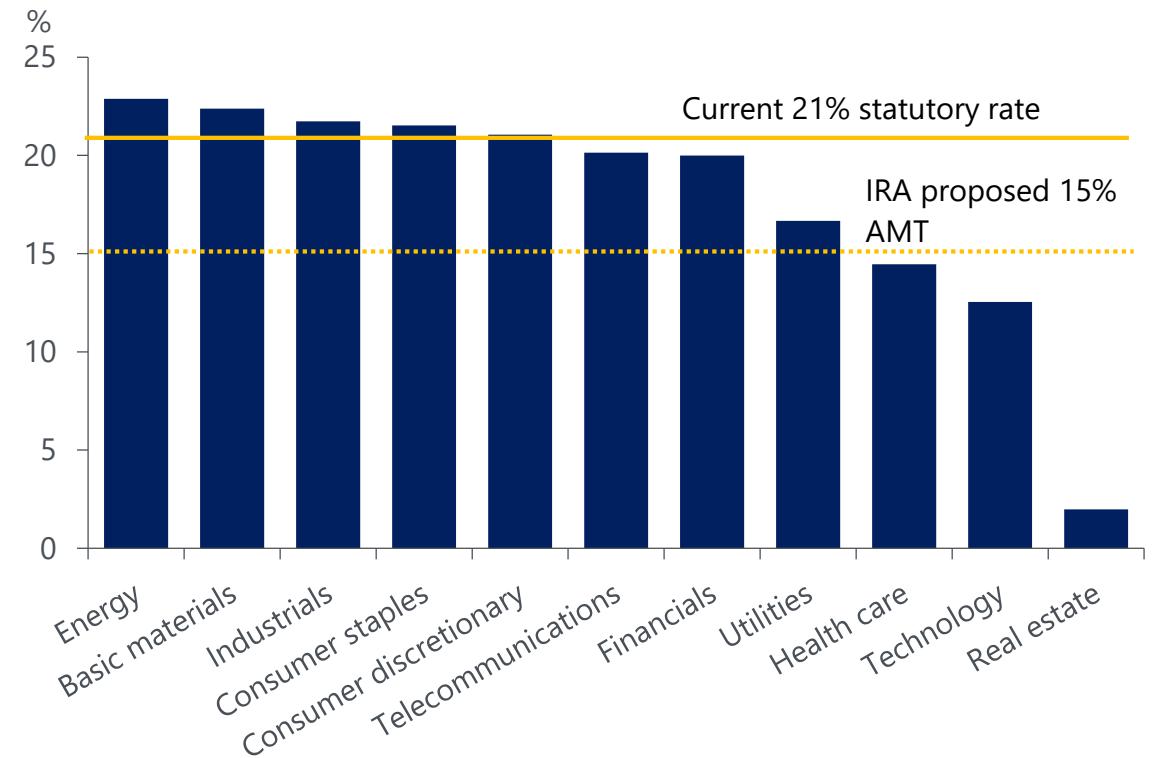
Impact of the 15% AMT across corporate sectors

US: Share of tax revenue raised by the IRA, 2022-2031



Source: Joint Committee on Taxation/Oxford Economics

US: Median effective corporate tax rate, by industry



Source: Oxford Economics/Refinitiv Datastream



Brodie Oldham
VP Commercial Data Science



Small Business Credit

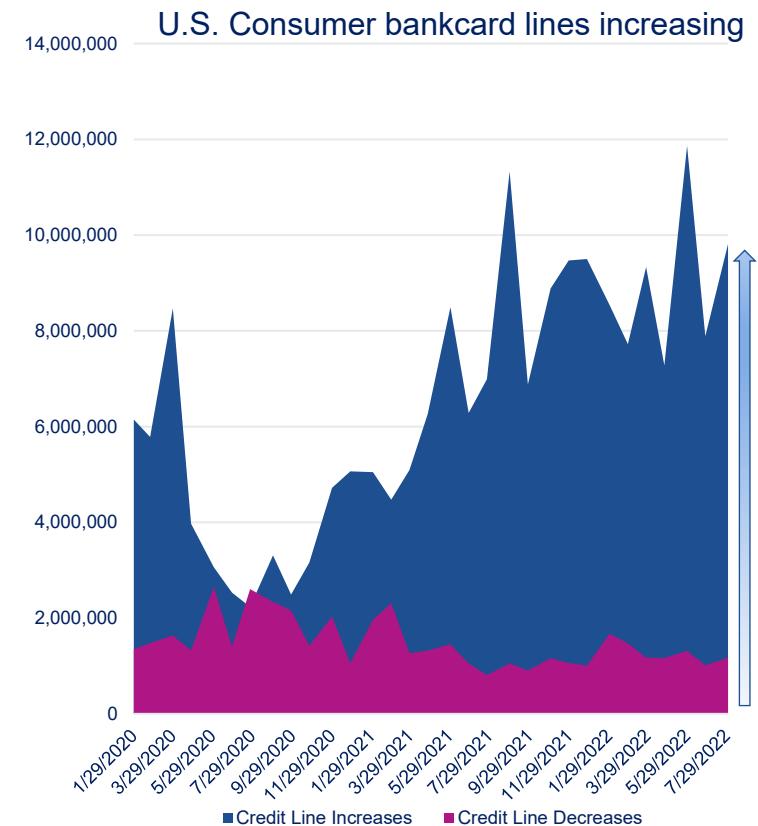
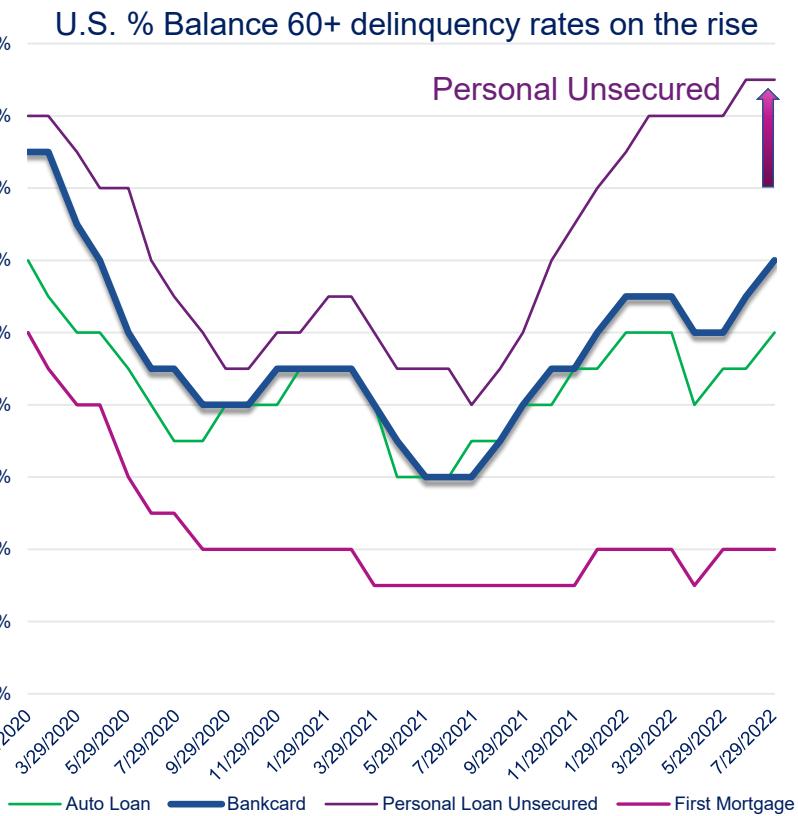
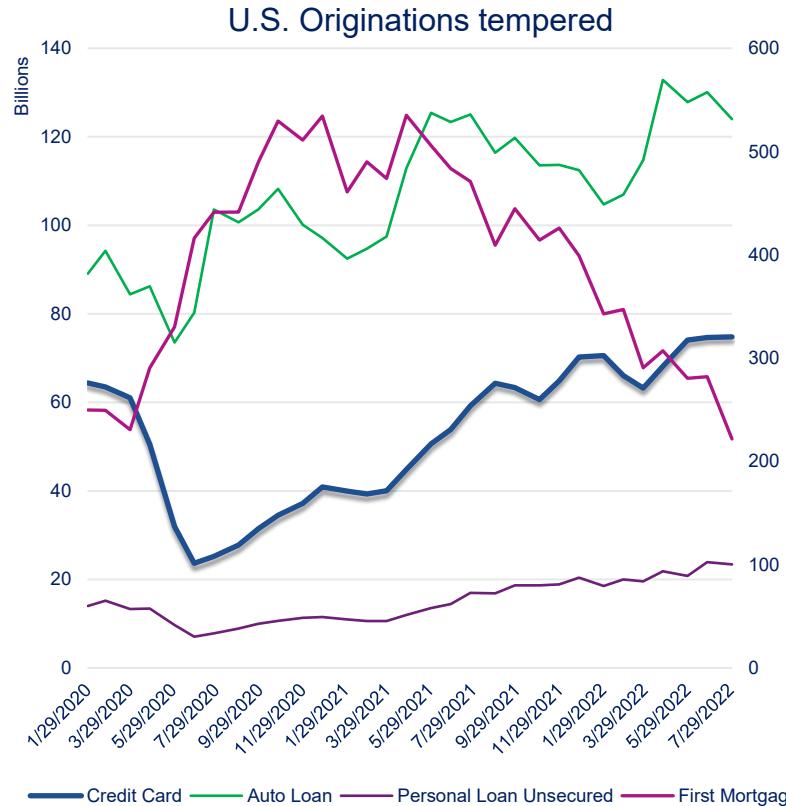
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- ✓ A **consortium** of banks, credit card, leasing agencies, utilities, telecommunications and other companies, contributing detailed credit, financial and non-financial data
- ✓ Millions of transactions across a wide range of small businesses
- ✓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



Consumer performance still strong

Business owner equity in home may not be enough



Consumer Originations

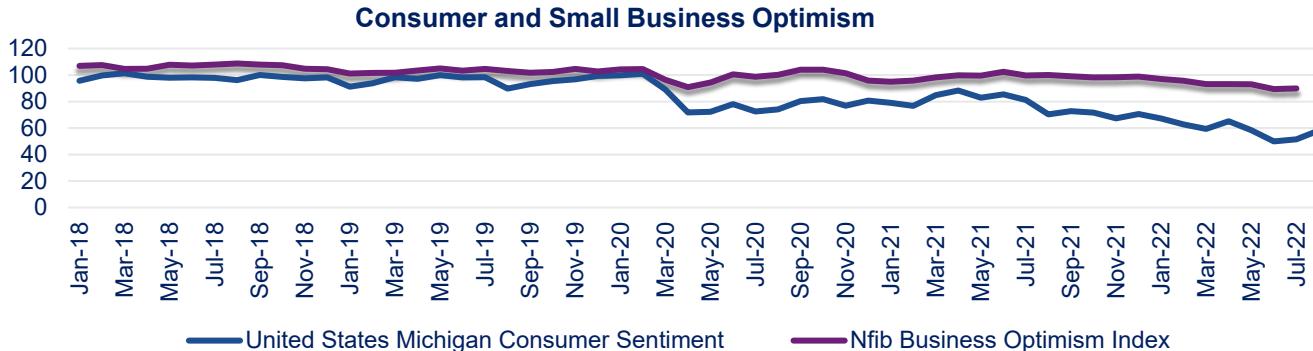
Source: Experian State of the Market

Consumer Delinquency

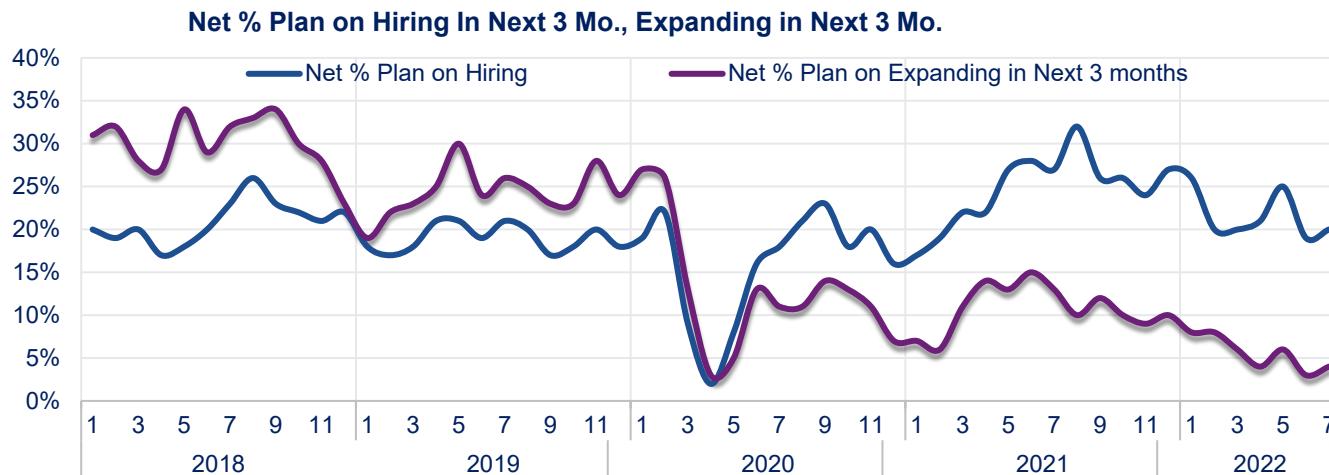
Consumer Lines

Commercial health

Commercial optimism beginning to impact business decisions



Source: NFIB, Small Business Monthly Optimism Survey

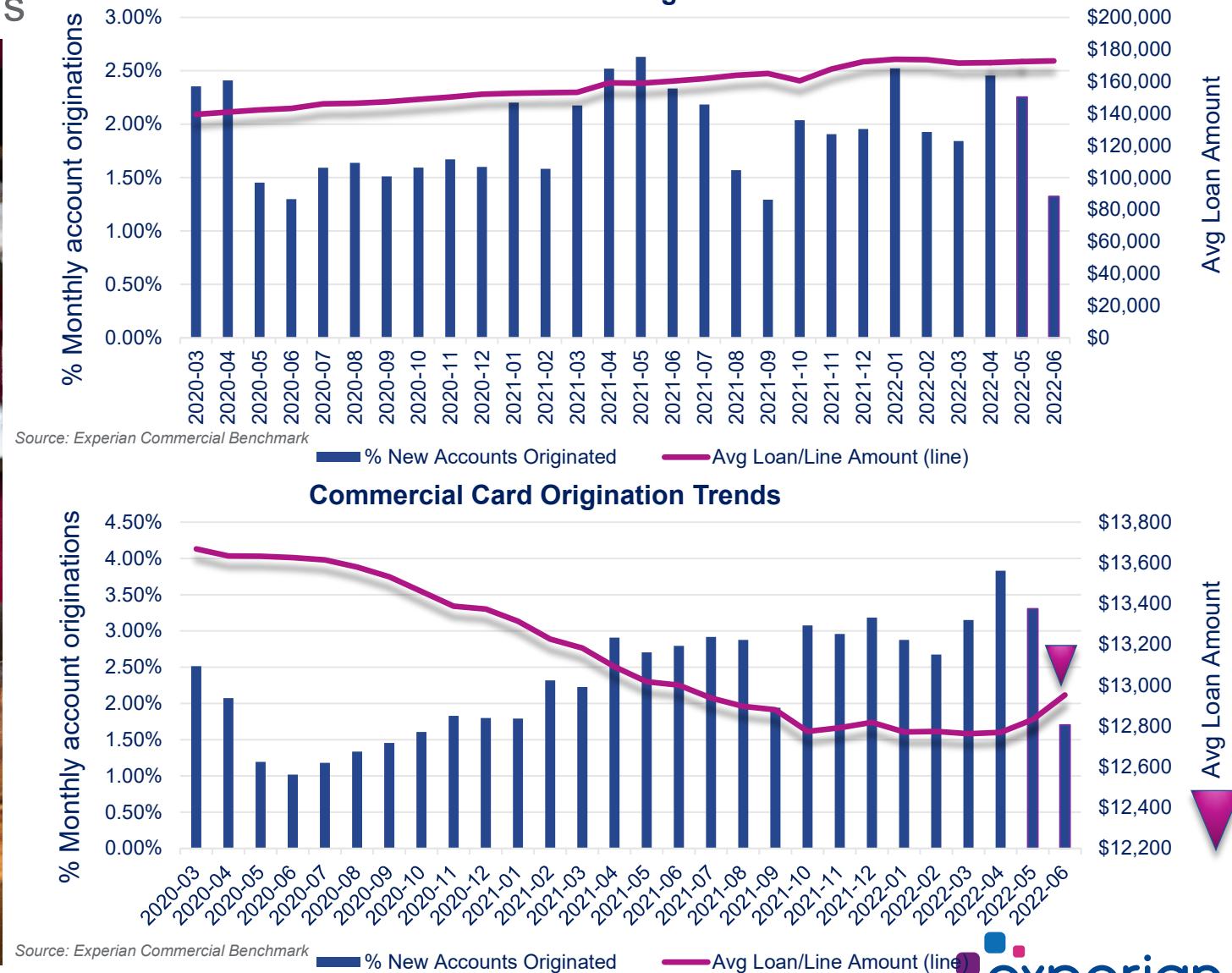


Commercial health

Continued steady growth in originations

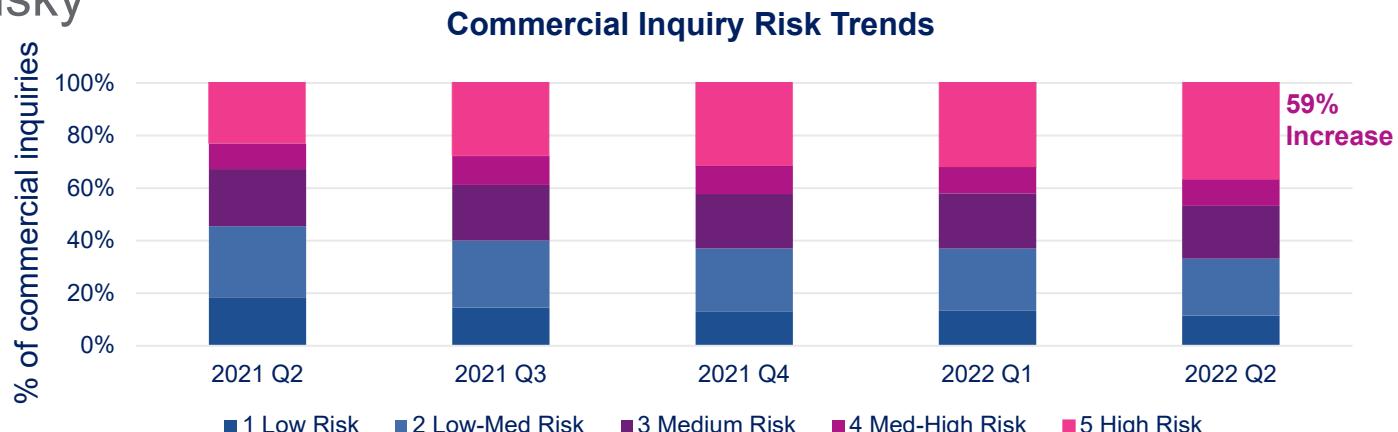


Commercial Installment Origination Trends

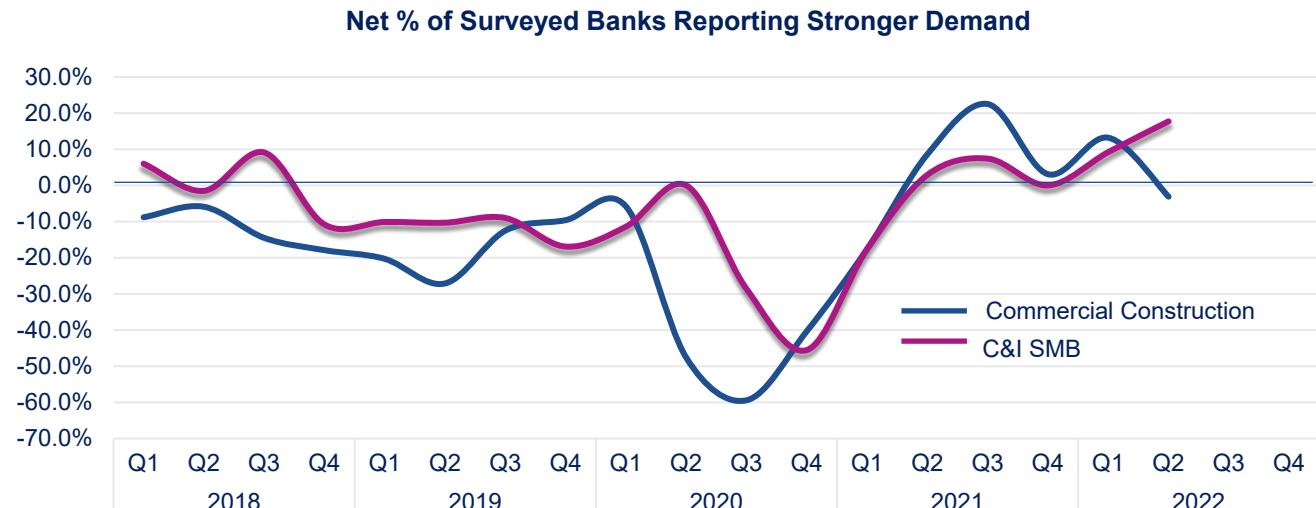


Small businesses search for funding

Those seeking credit are a little more risky



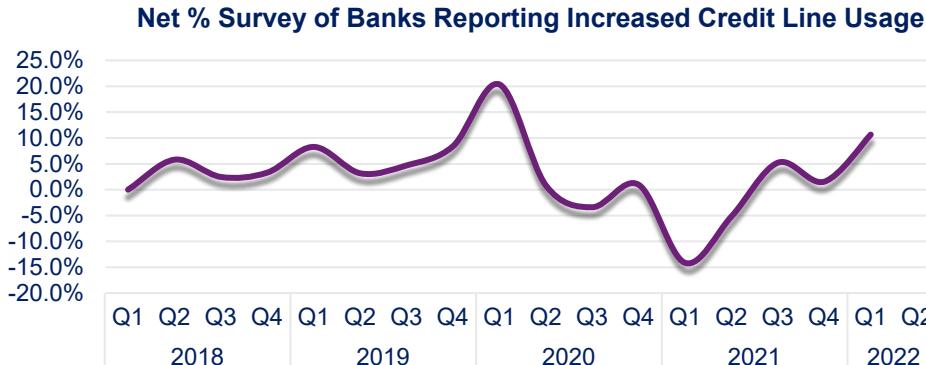
Source: Experian Commercial Benchmark



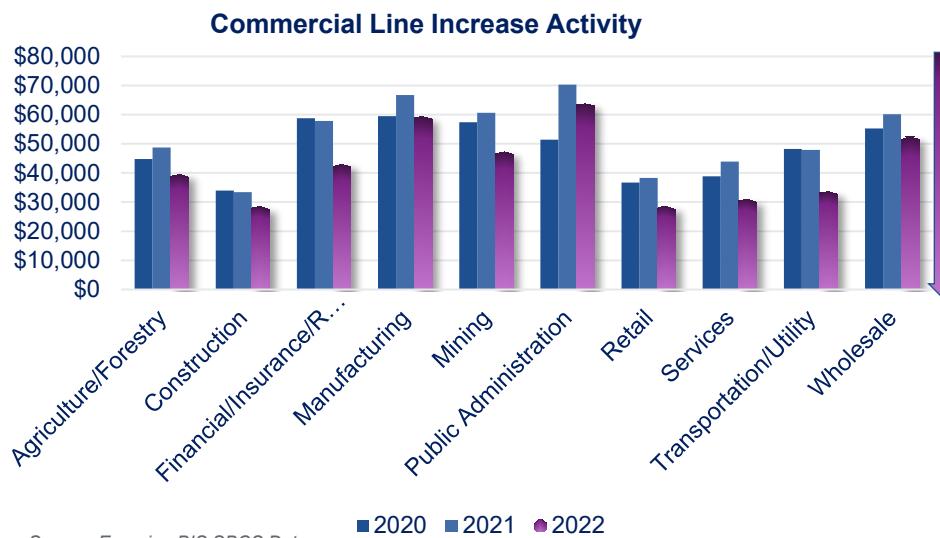
Source: Fed Reserve Sr Loan Officer Survey (SLOOS)

Commercial health

Usage increasing across industries



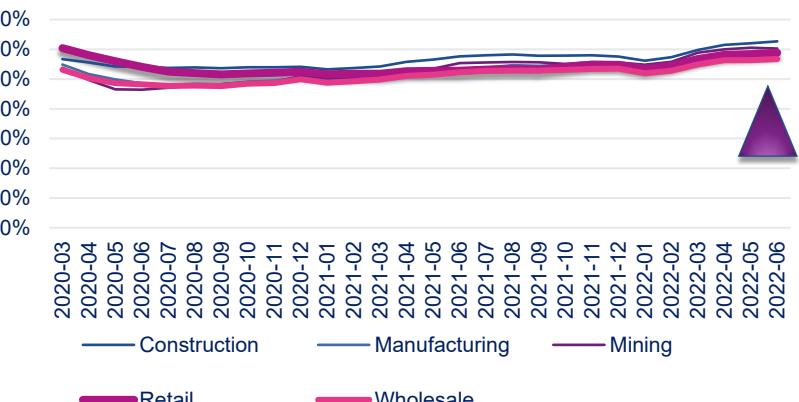
Source: Kansas City Fed National Survey of Banks



Source: Experian BIS SBCS Data

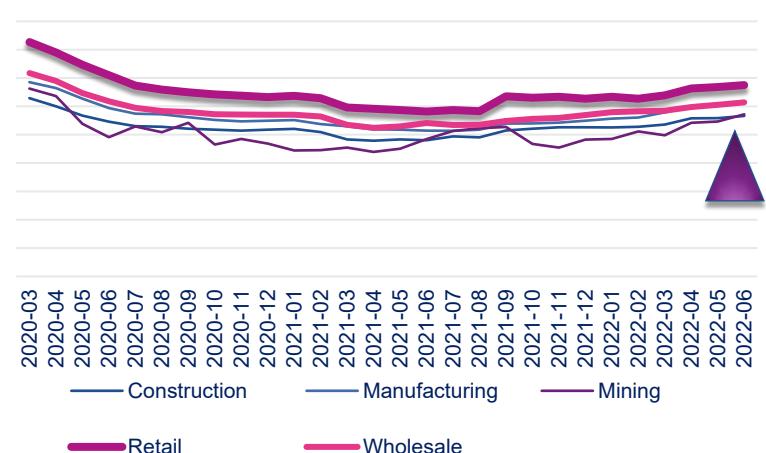


U.S. Commercial Card Utilization



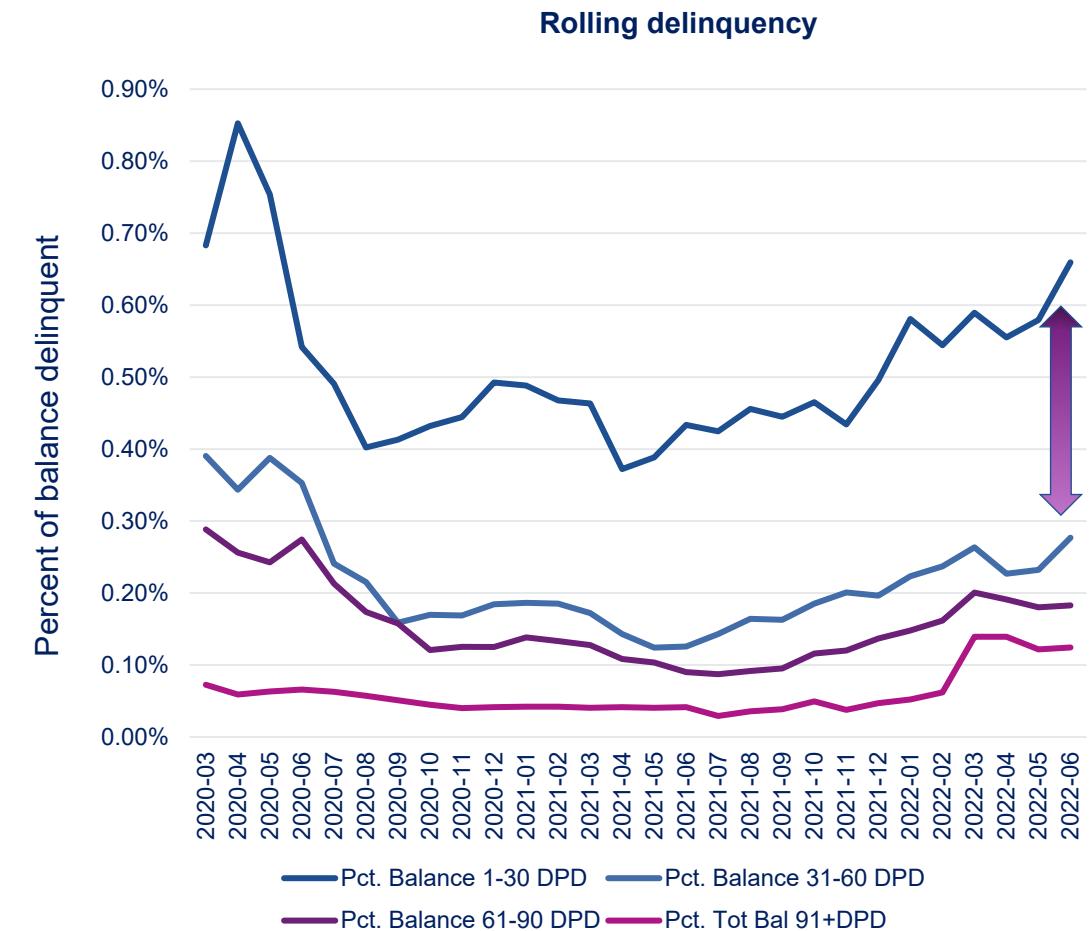
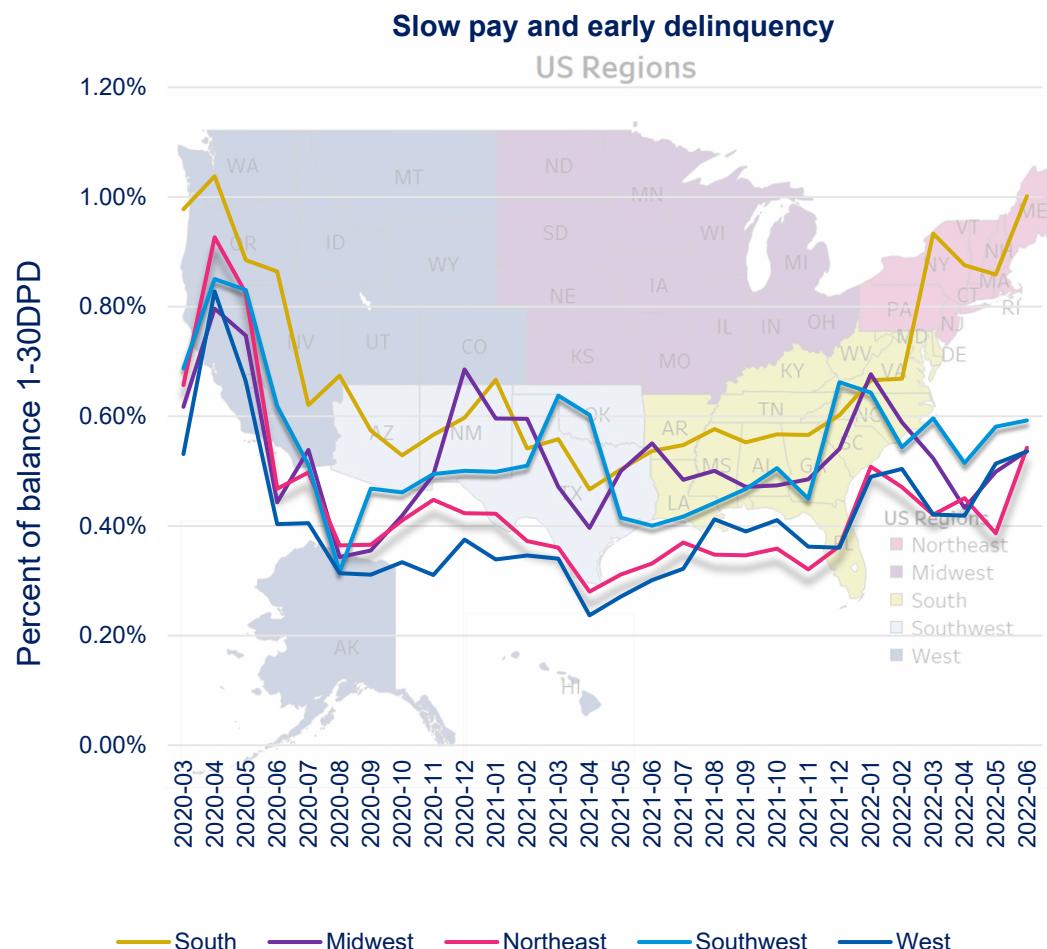
Source: Experian Commercial Benchmark

U.S. Commercial Line of Credit Utilization



Source: Experian Commercial Benchmark

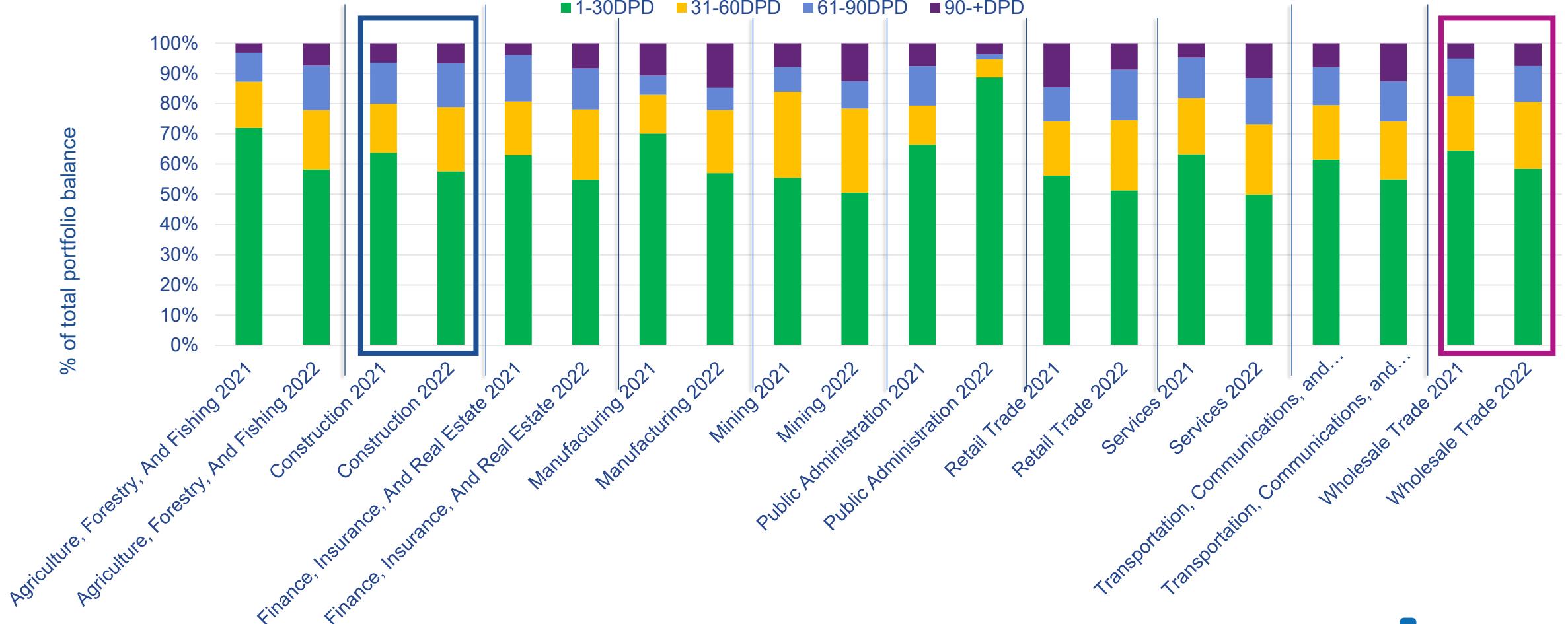
Delinquency trends for Commercial Card Lending



Source: Experian Commercial Benchmark

Industry focused portfolios

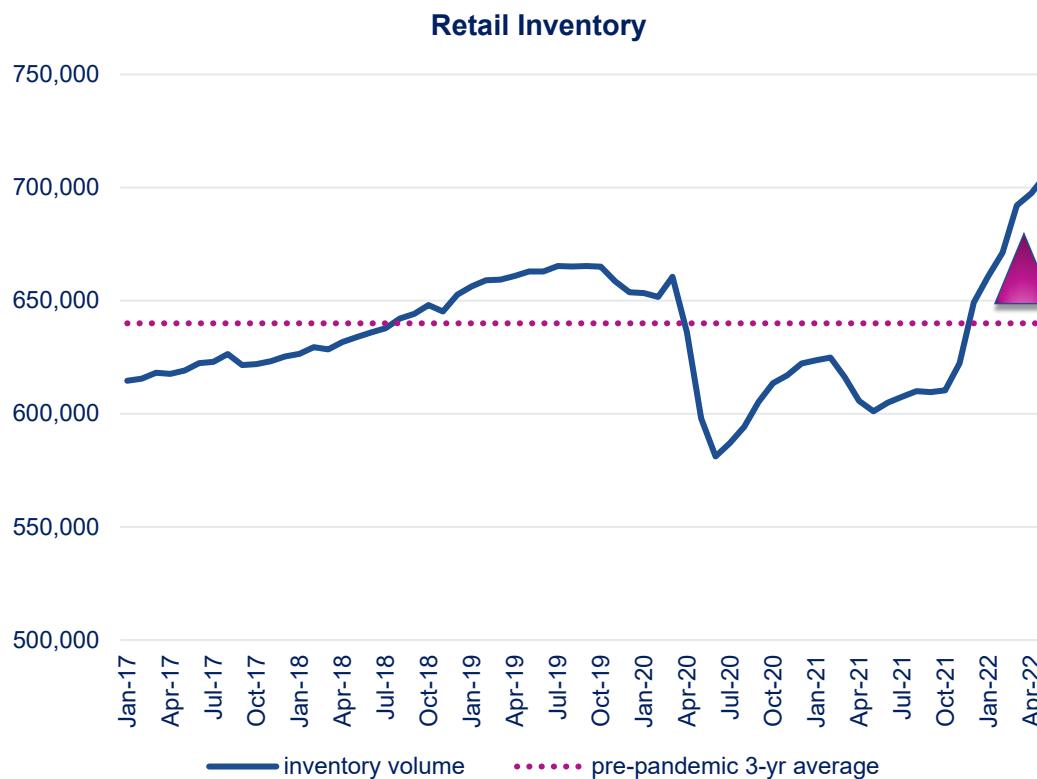
Most industries seeing increased delinquency rates



Source: Experian Commercial Benchmark

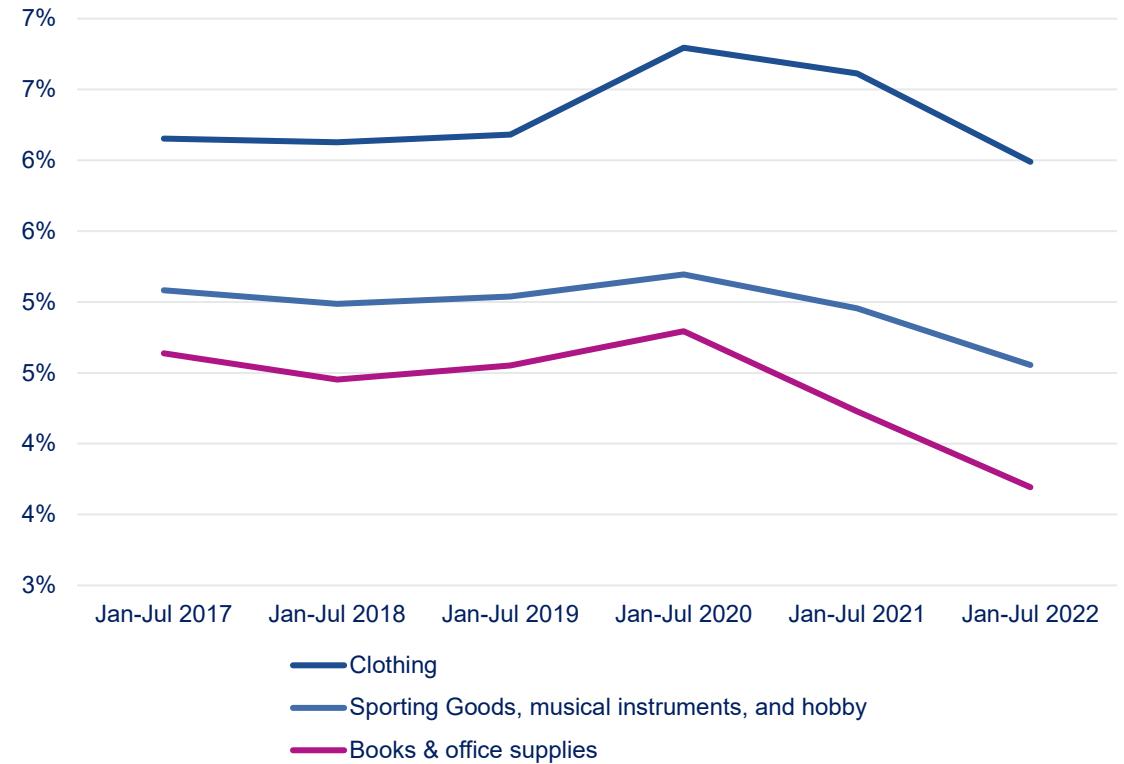
Retail industry holiday challenge

Softening consumer spend behavior



8.2% decline in toy prices in July
(WSJ)

Average 90+ Delinquency Rates for Select Retail Sectors



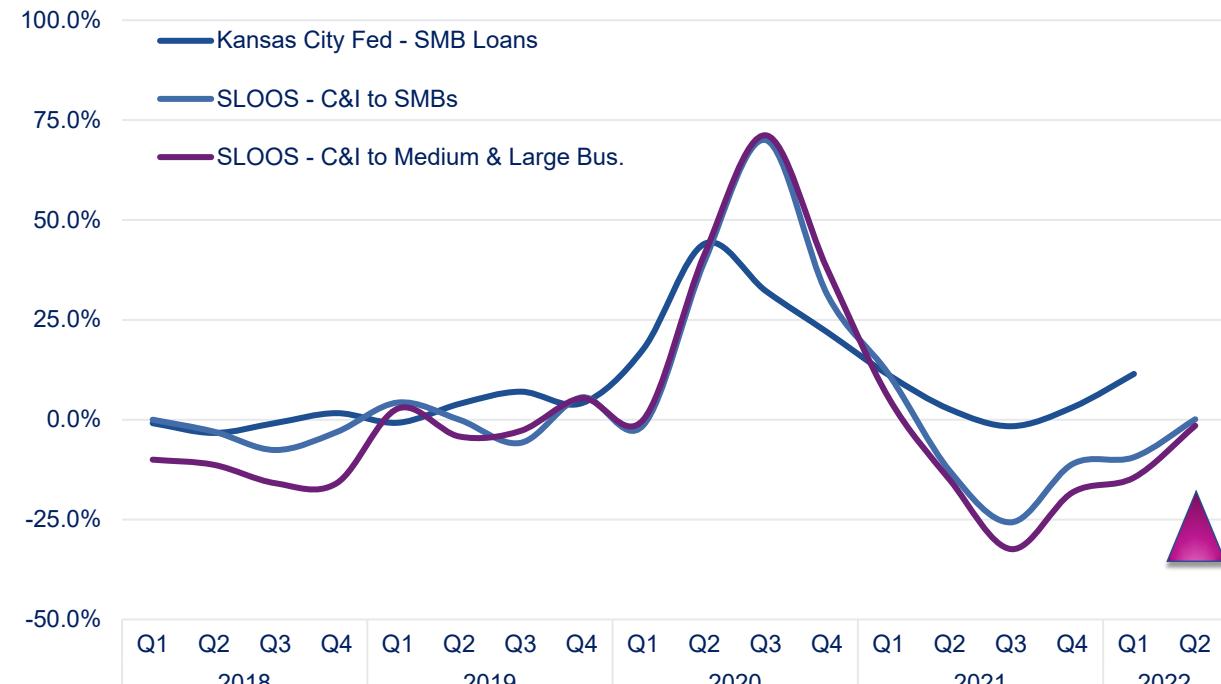
Inventory levels for retailers are currently much higher than in recent years, as retailers overcorrect from shortages during the pandemic. The high volume of retail inventory might help stabilize some prices and inflation as back to school shopping begins.

Commercial credit

Has tightening begun..



Net % of Surveyed Banks Reporting Tightening Lending Standards



Source: Kansas City Fed National Survey of Banks & Fed Reserve Sr Loan Officer Survey (SLOOS)

Commercial Card Underwriting showing signs of tightening since 1QTR



Source: Experian Commercial Benchmark

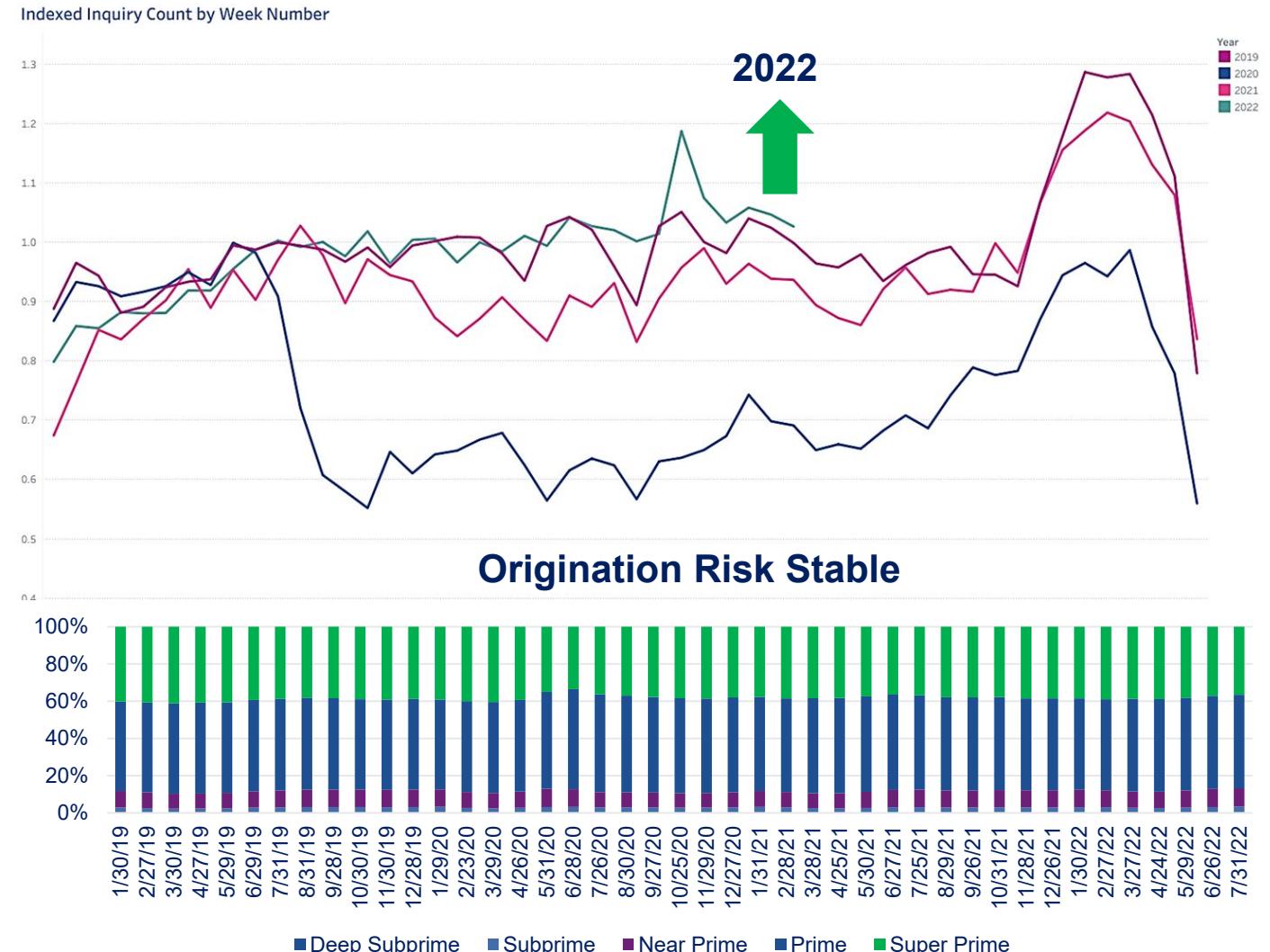


Consumer credit seeker

Those seeking credit are a little more risky



Consumer Bankcard Inquiry Trends



Wrapping it up

Consumer and commercial spend holding steady



- Consumers are **changing behaviors** as cost pressure persists
- Small businesses see lingering elevated **inflation** as the **highest risk** to cost containment and growth
- **Delinquency rates** are rising but still below pre-pandemic levels
- Preliminary signs of **tightening** visible



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