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Webinar



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# Quarterly Business Credit Review

Q2 2022

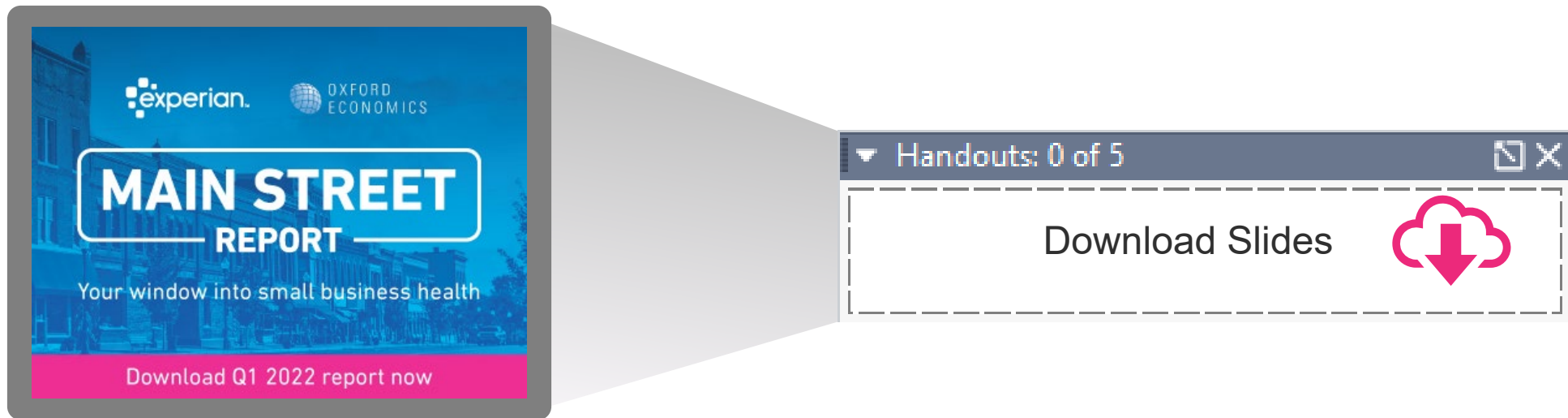
Presented by:

**Brodie Oldham**  
Experian

**Kathy Bostjancic**  
Oxford Economics



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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



**Kathy Bostjancic**  
U.S. Chief Economist  
Oxford Economics

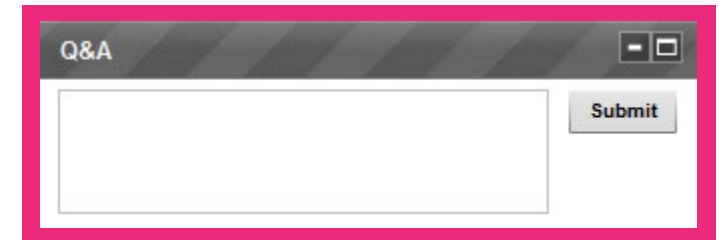
# Send us your questions

## 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 web-based Q&A interface. It features a dark grey header bar with the text "Q&A" on the left and standard window control buttons (minimize, maximize, close) on the right. Below the header is a large, empty white rectangular text input area. To the right of the input area is a grey button with the word "Submit" in black text. The entire interface is enclosed in a thin black border.





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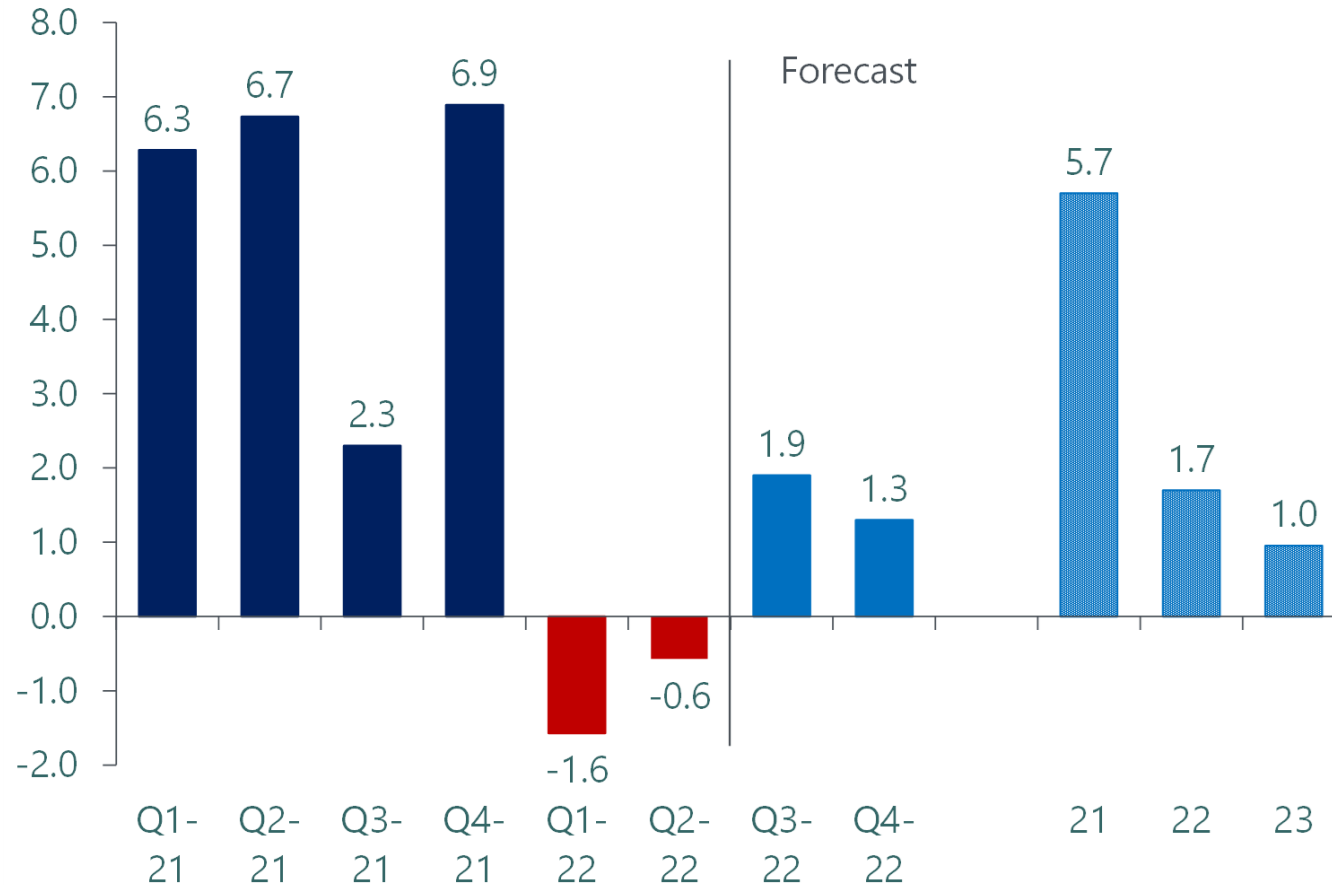


**Kathy Bostjancic**  
US Chief Economist

# Economy is not in recession despite “technical” definition

## US: GDP Forecast

Real GDP growth, % annualized

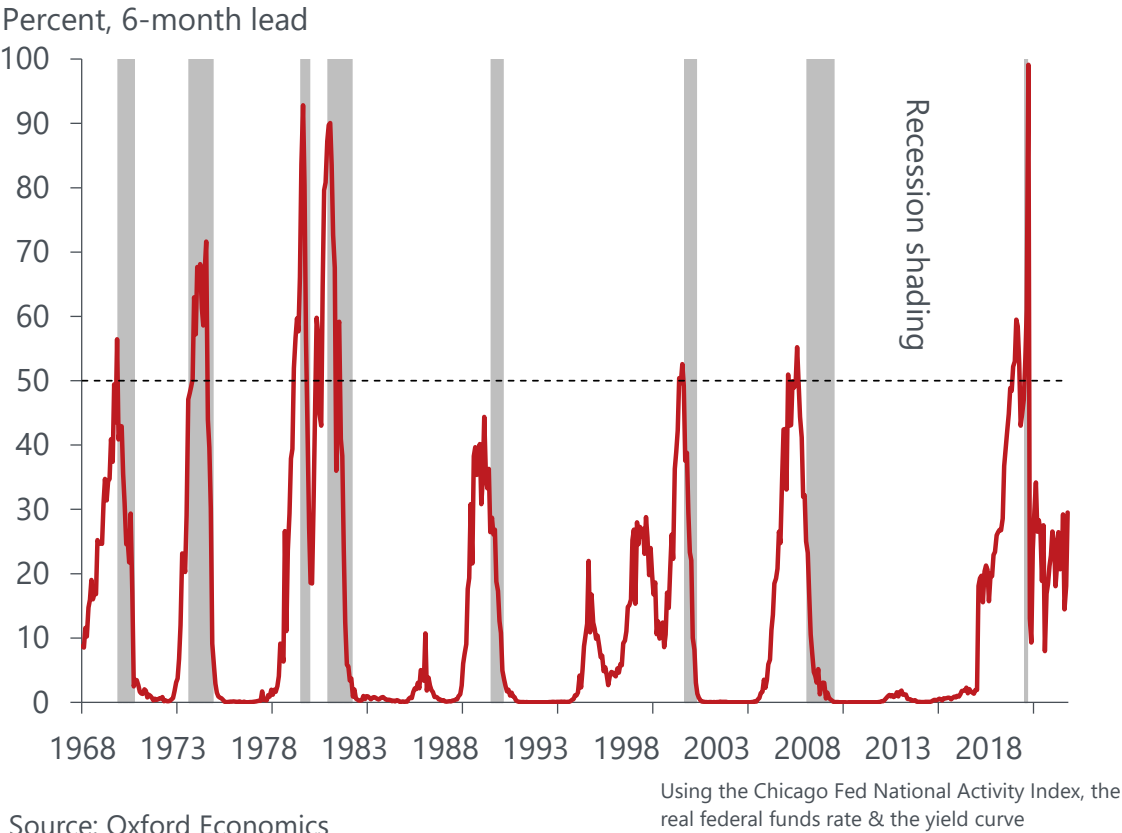


Source: Oxford Economics

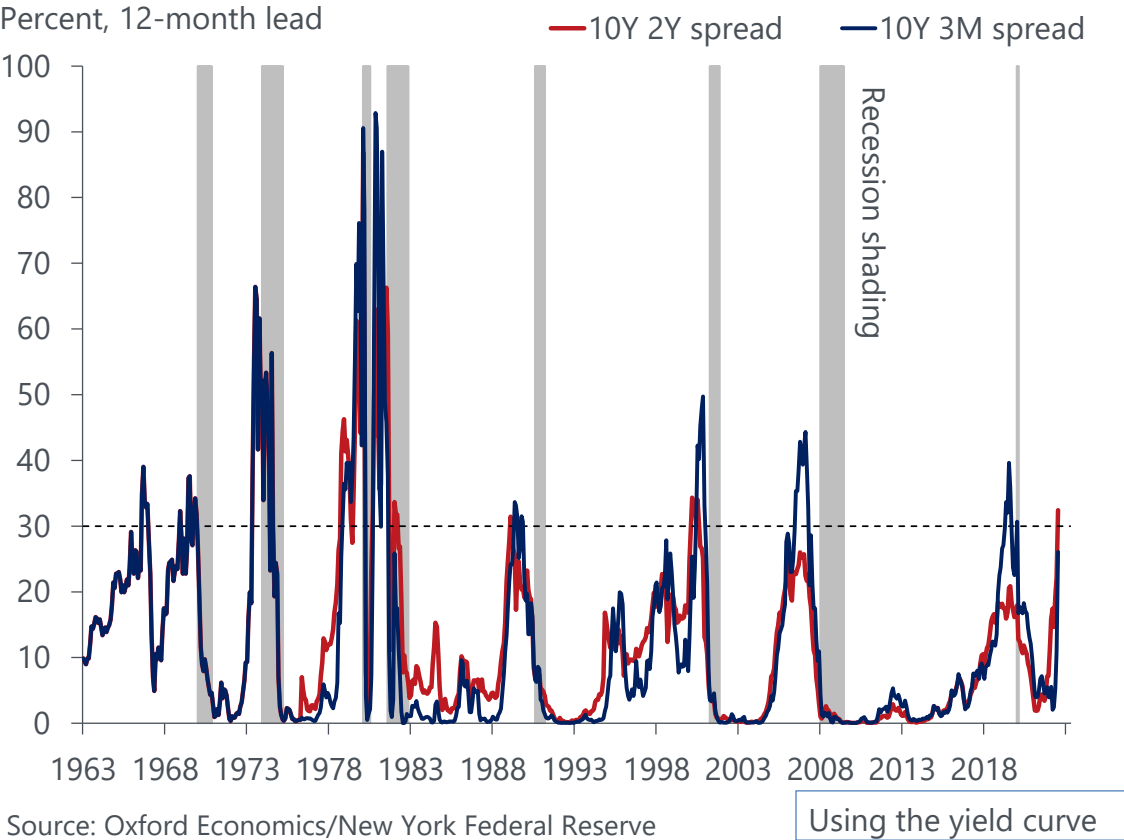


# Risk of a recession is elevated

US: Probability of a recession 6 months ahead



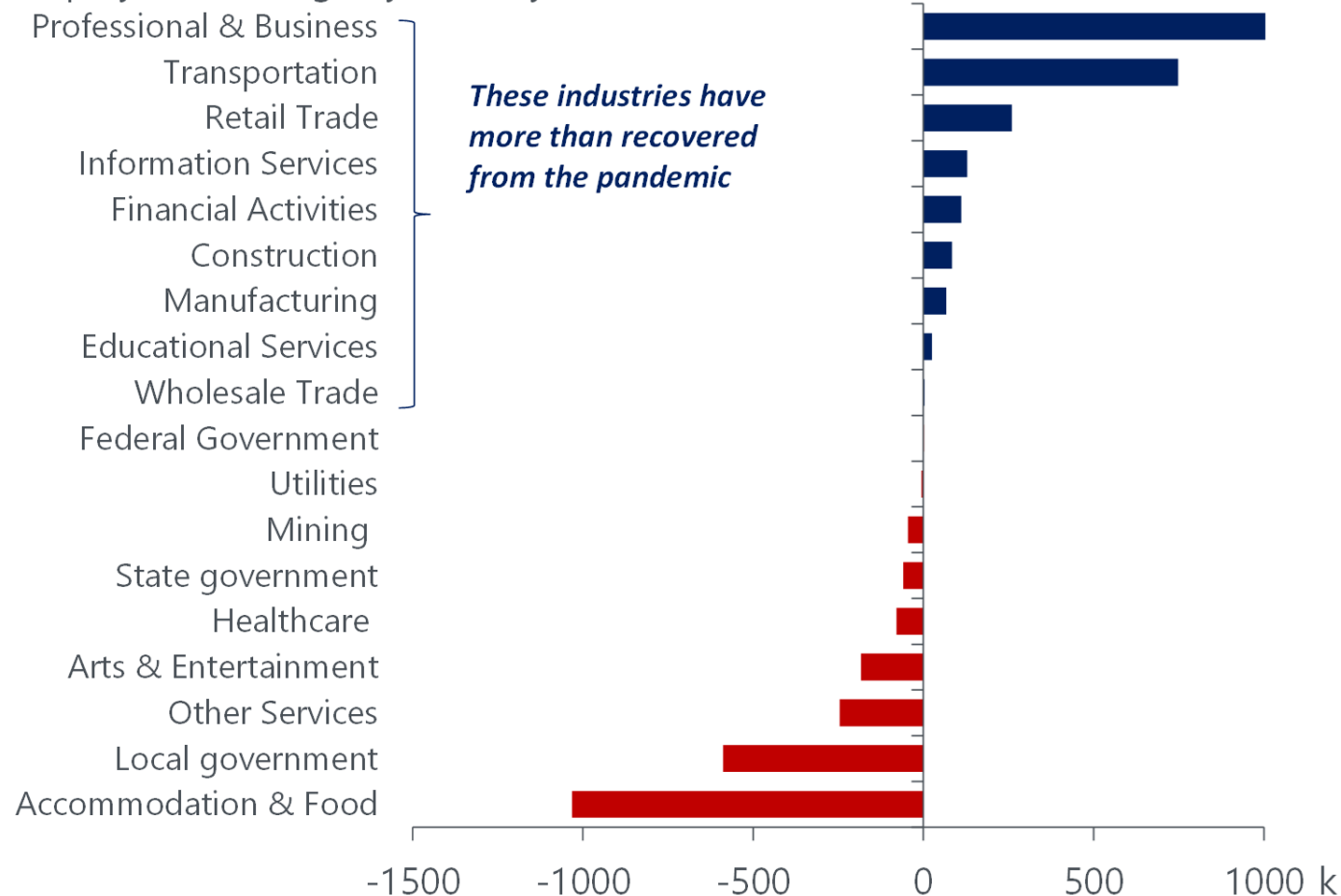
US: Probability of a US recession 12-mo ahead



# Hiring is strong, but jobs recovery is uneven

## US: Employment recovery by industry

Employment change by industry, from Feb 2020 level

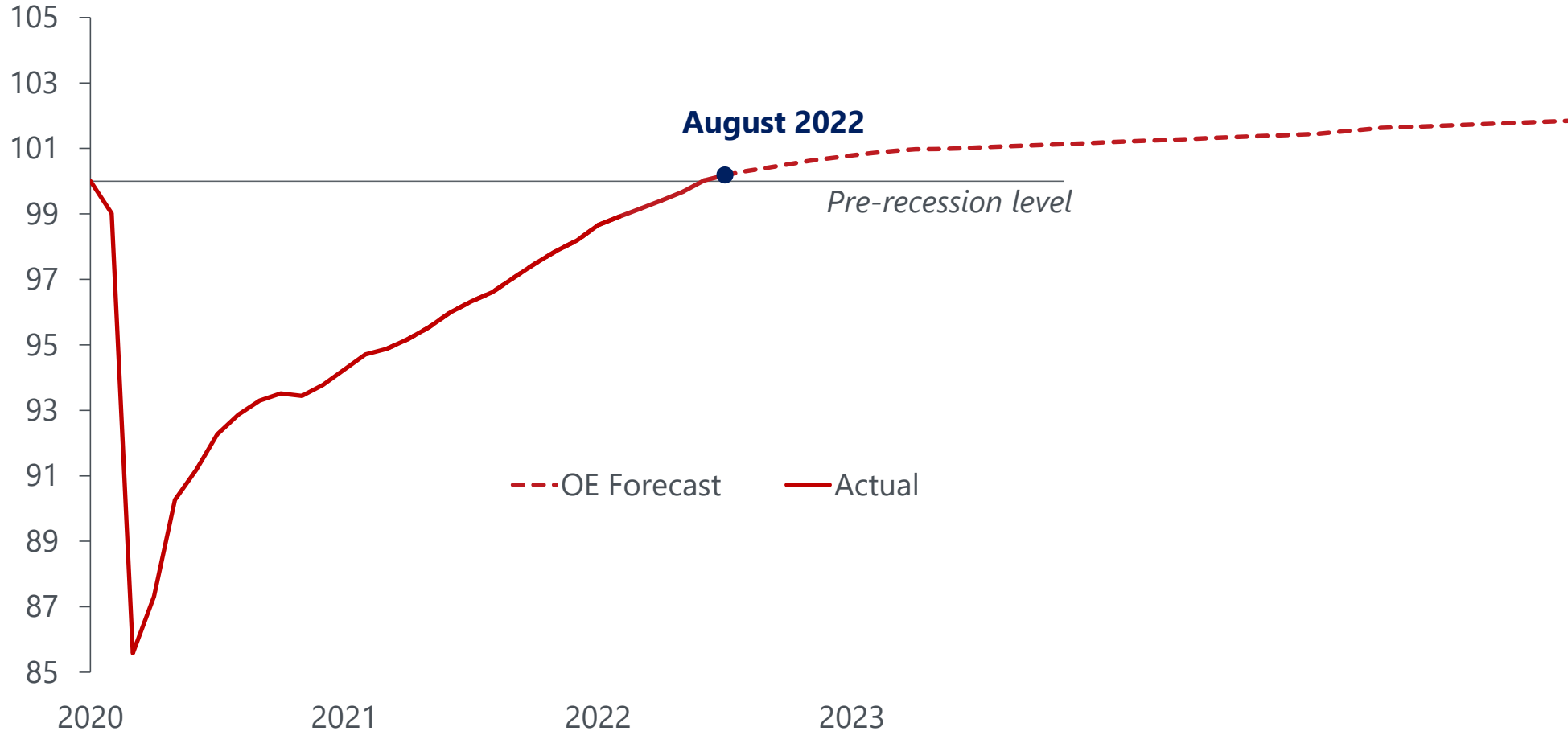


Source: Oxford Economics/Haver Analytics

# Covid job losses have been recouped

## US: Employment recovery

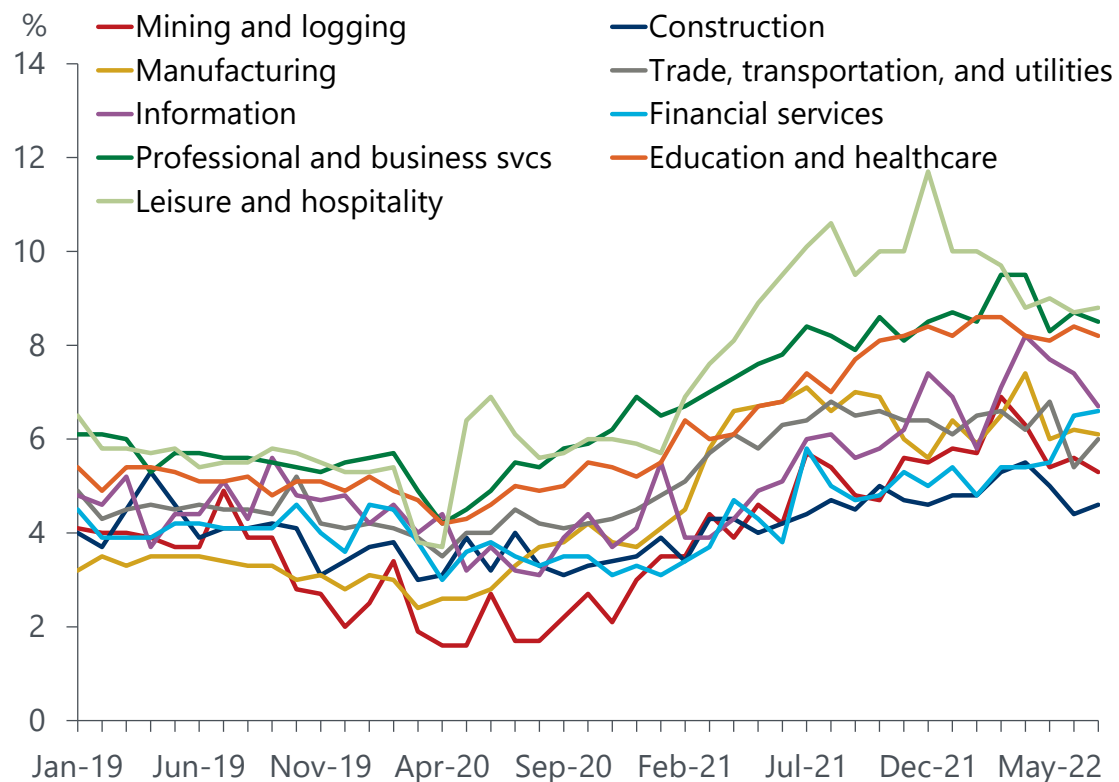
Peak pre-recession employment = 100



Source: Oxford Economics/Haver Analytics

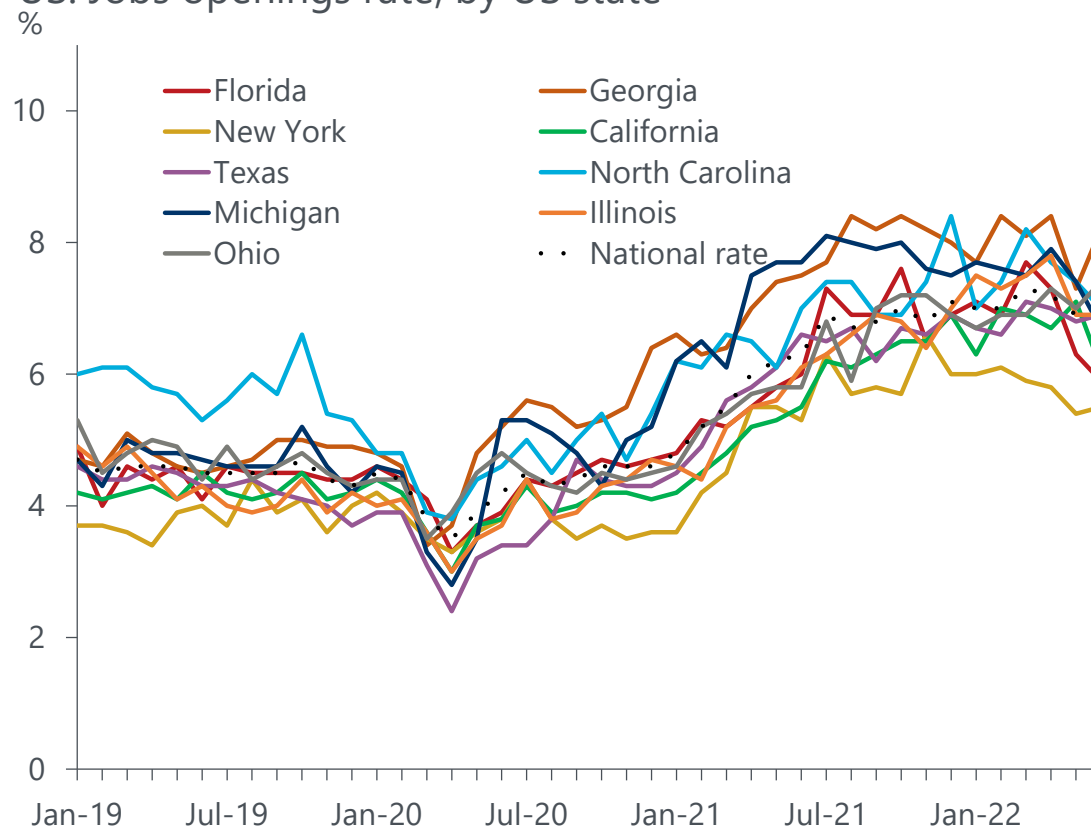
# Labor demand is robust, but starting to cool

US: Job openings rate, by industry



Source: Oxford Economics/Haver Analytics

US: Jobs openings rate, by US state

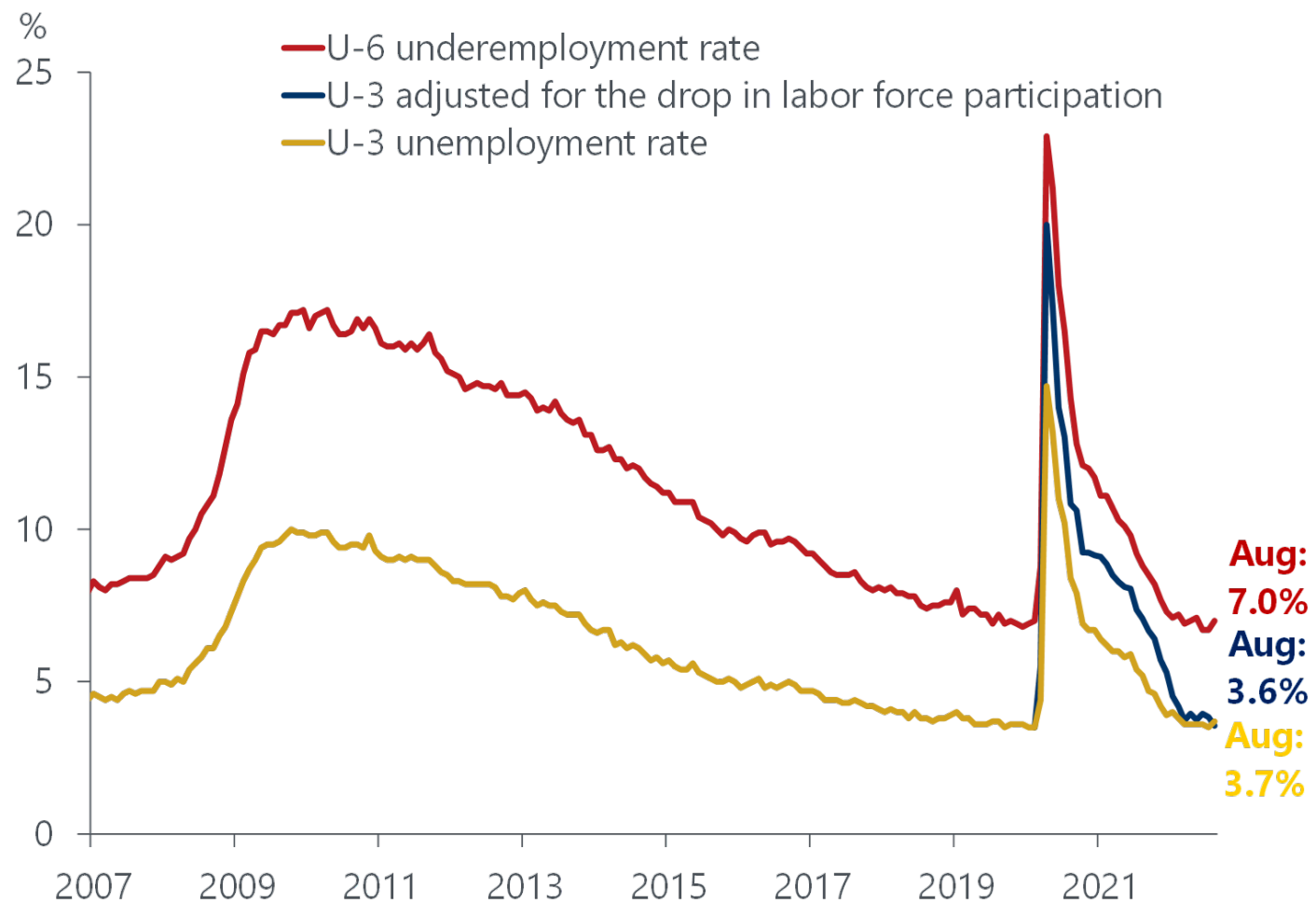


Source: Oxford Economics/Haver Analytics



# Unemployment rate is near historic lows

## US: Unemployment rates

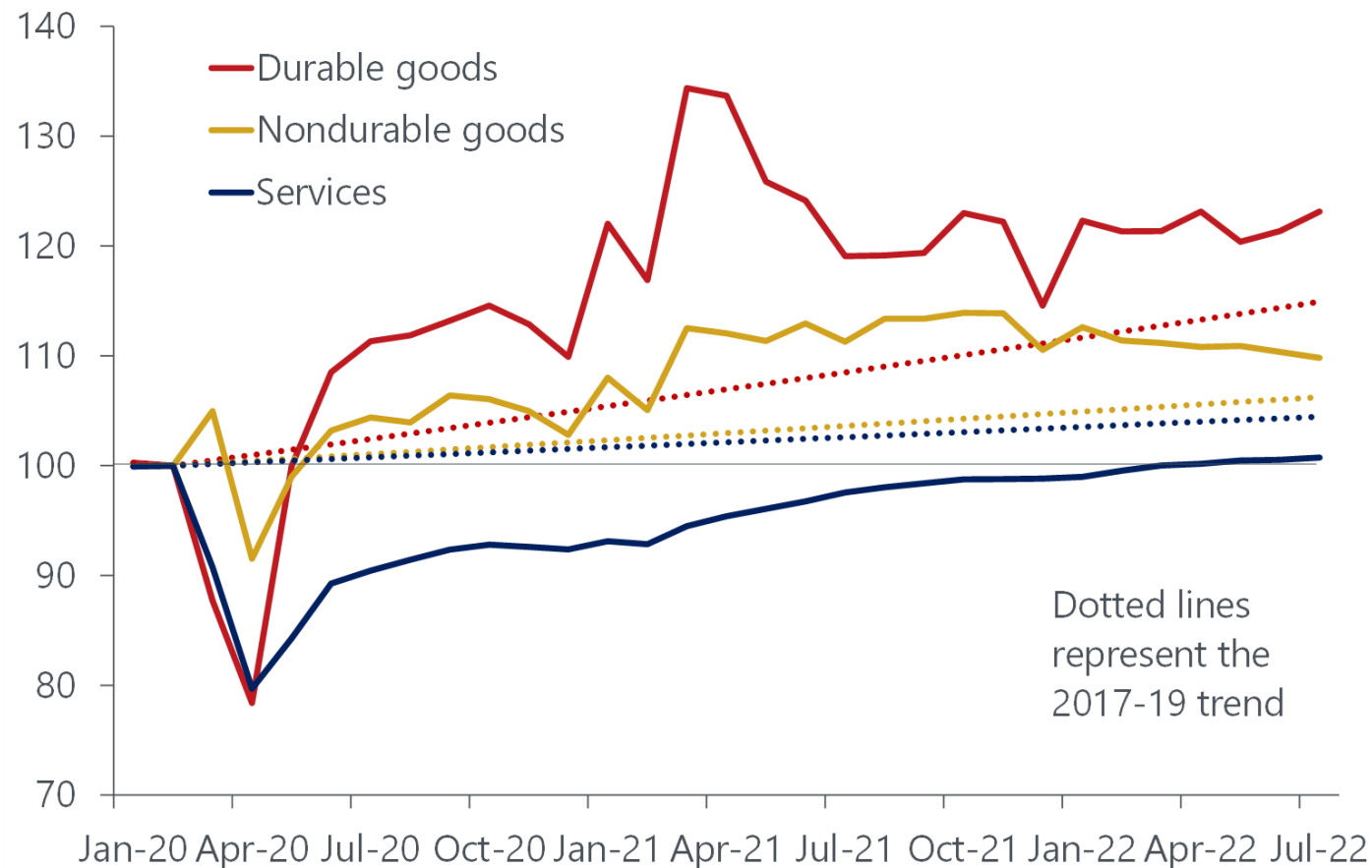


Source: Oxford Economics/Haver Analytics

# Consumers spend cautiously even as inflation cools

## US: Real consumer spending

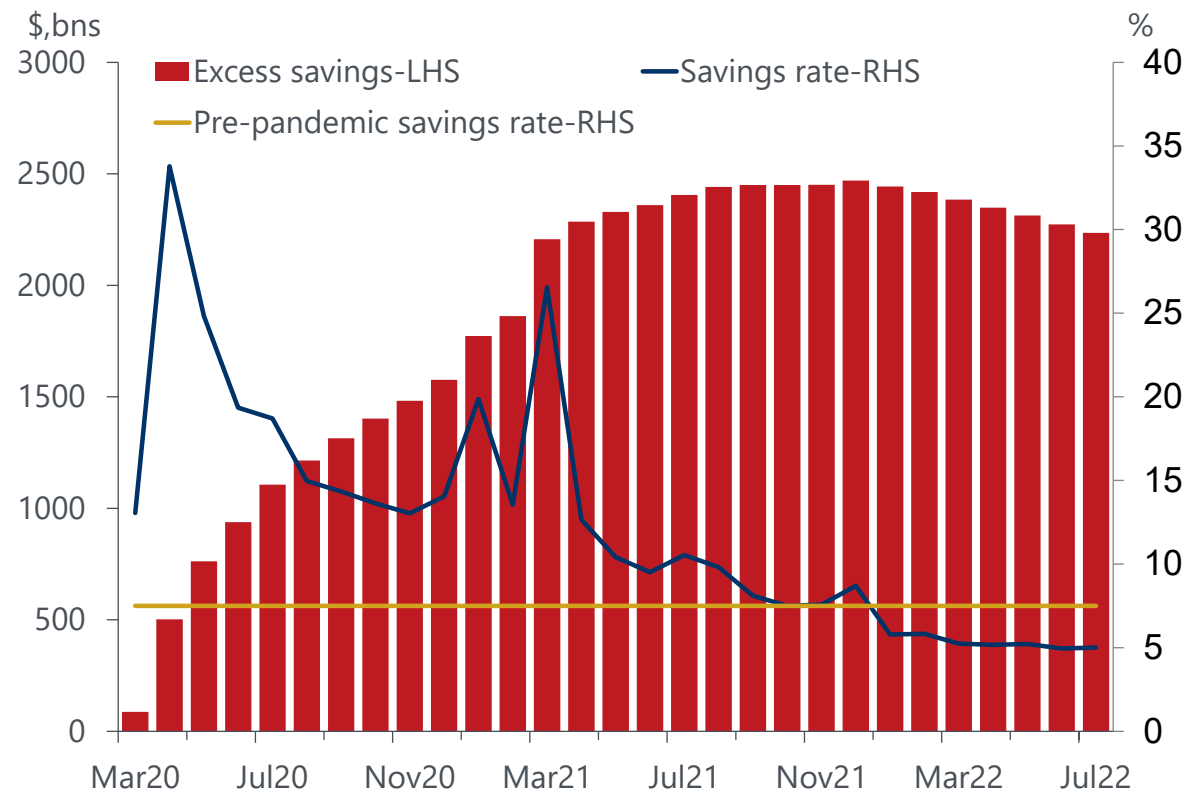
Feb 2020 = 100



Source: Oxford Economics/Haver Analytics

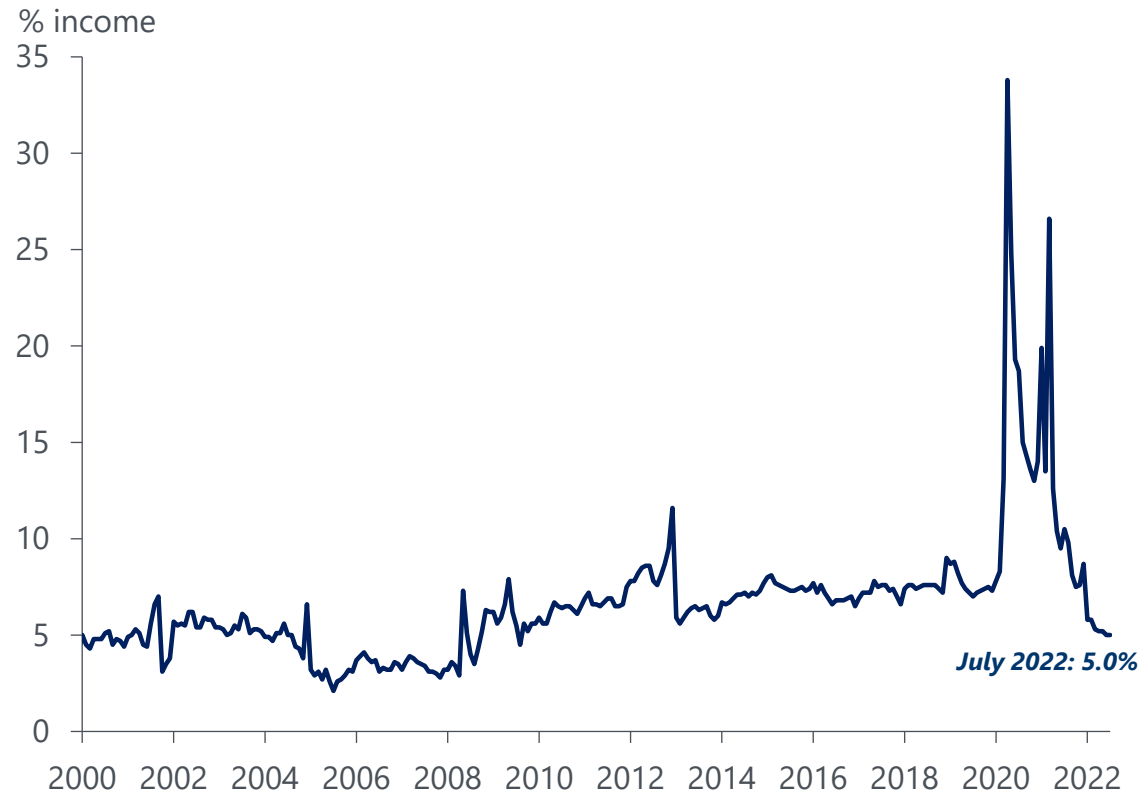
# Consumers are using their savings to fuel spending

US: Excess savings based on reported personal income data



Source: Oxford Economics/Haver Analytics

US: Personal savings rate

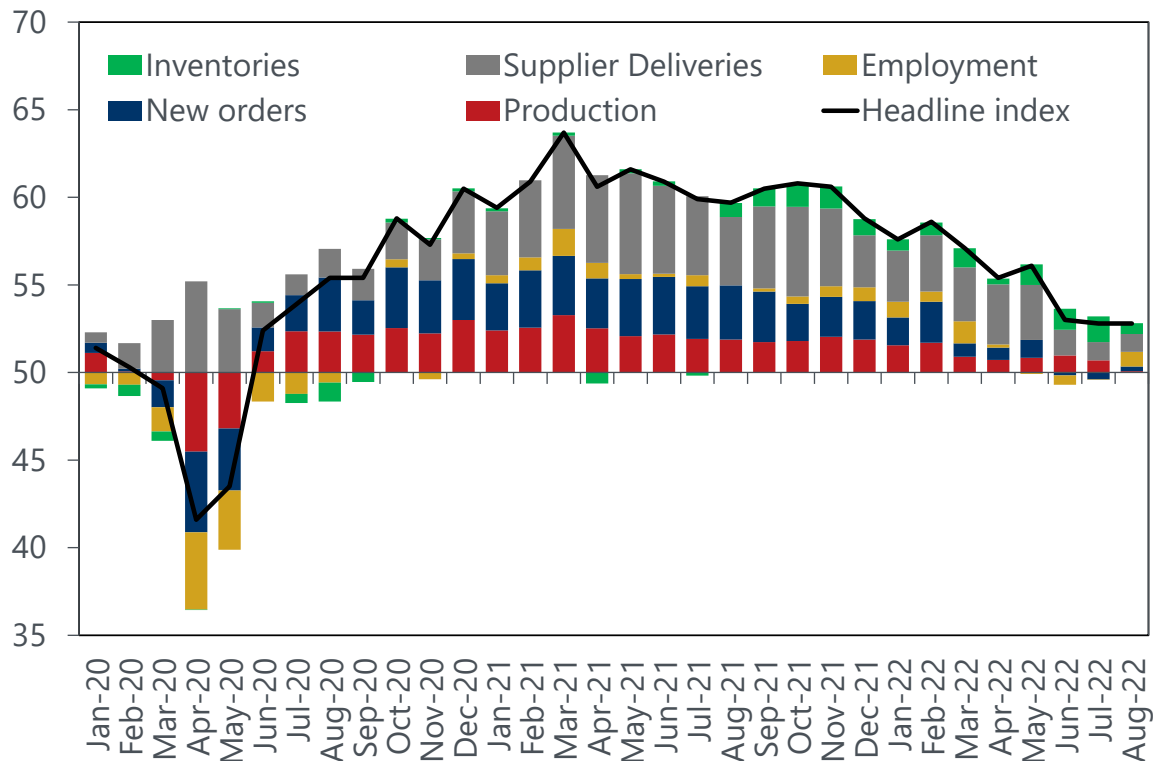


Source: Oxford Economics/Haver Analytics

# Slower growth across manufacturing and services

US: Contribution to headline ISM Manufacturing

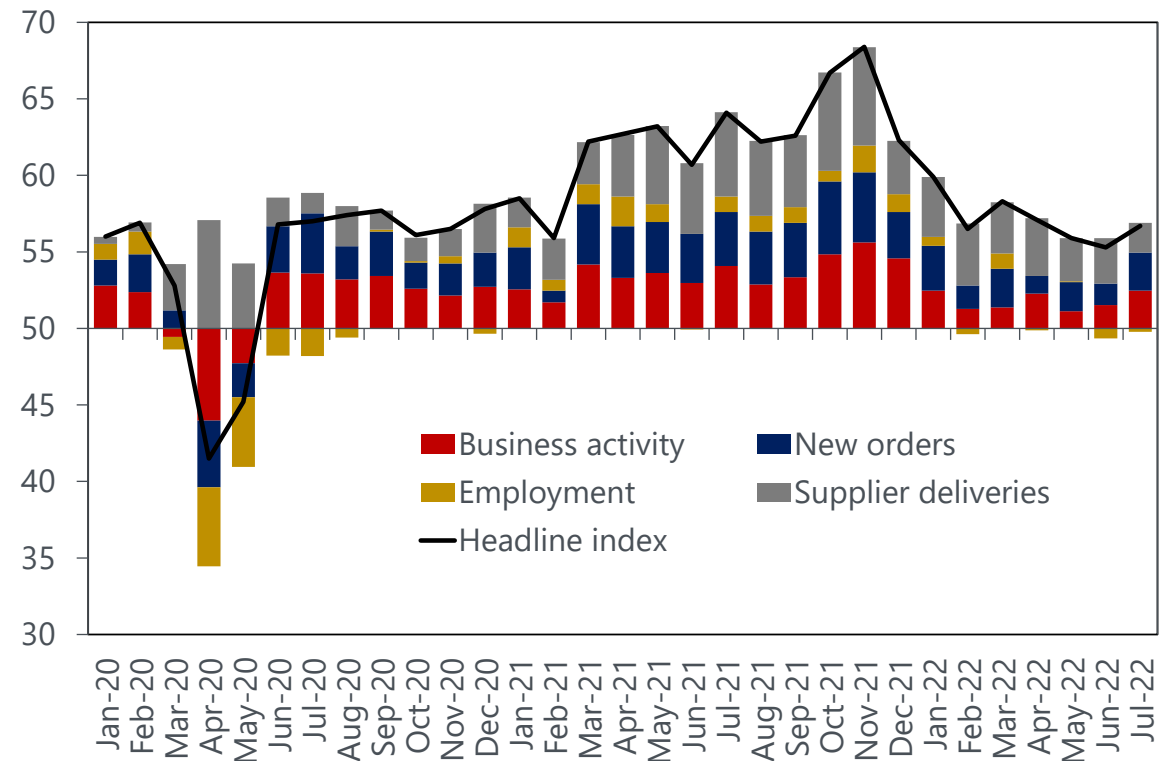
Index; above 50=expansion



Source: ISM/Oxford Economics/Haver Analytics

US: Contribution to headline ISM Services

Index; above 50=increasing



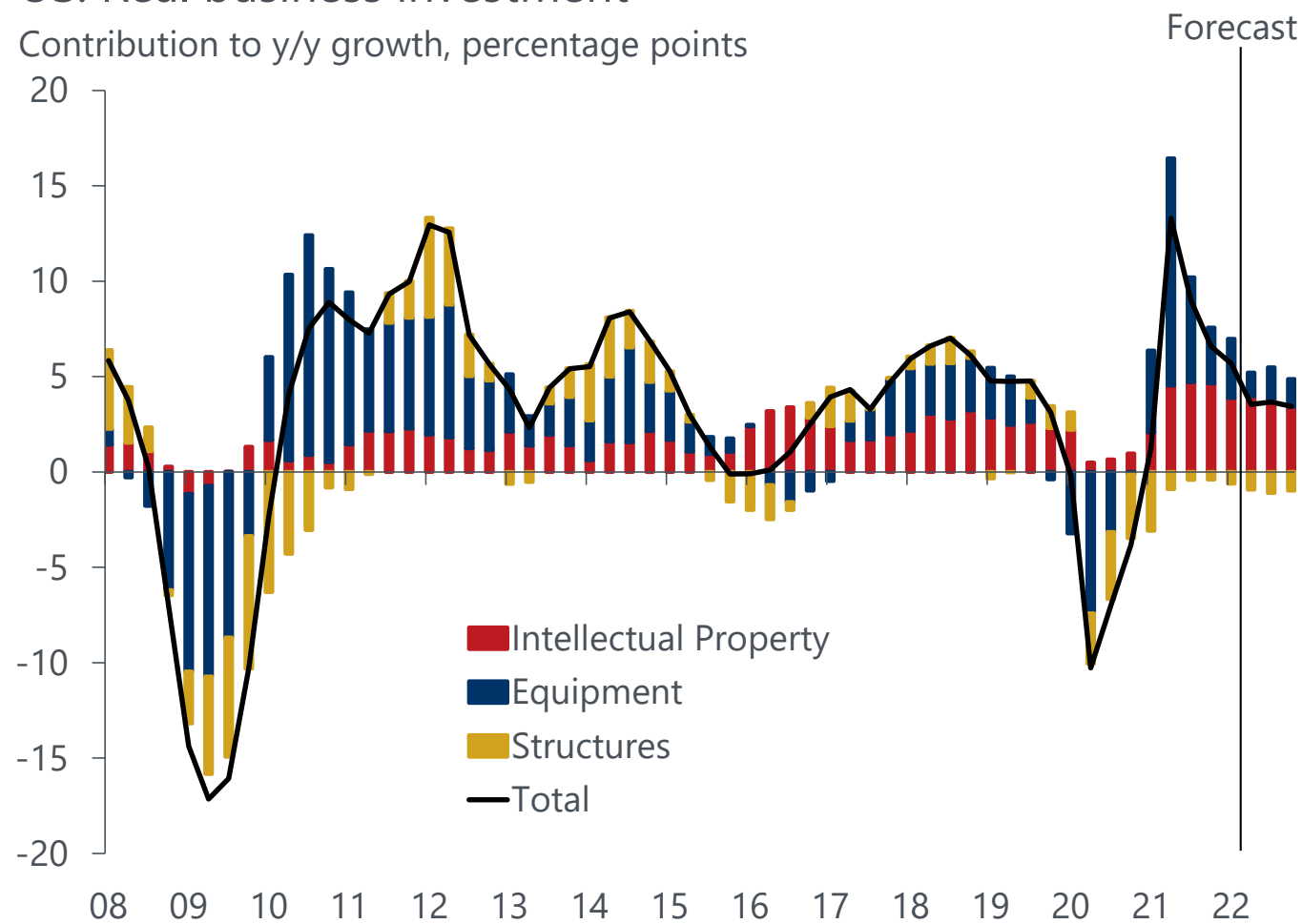
Source: ISM/Oxford Economics/Haver Analytics



# Business investment will expand at a moderate clip

## US: Real business investment

Contribution to y/y growth, percentage points

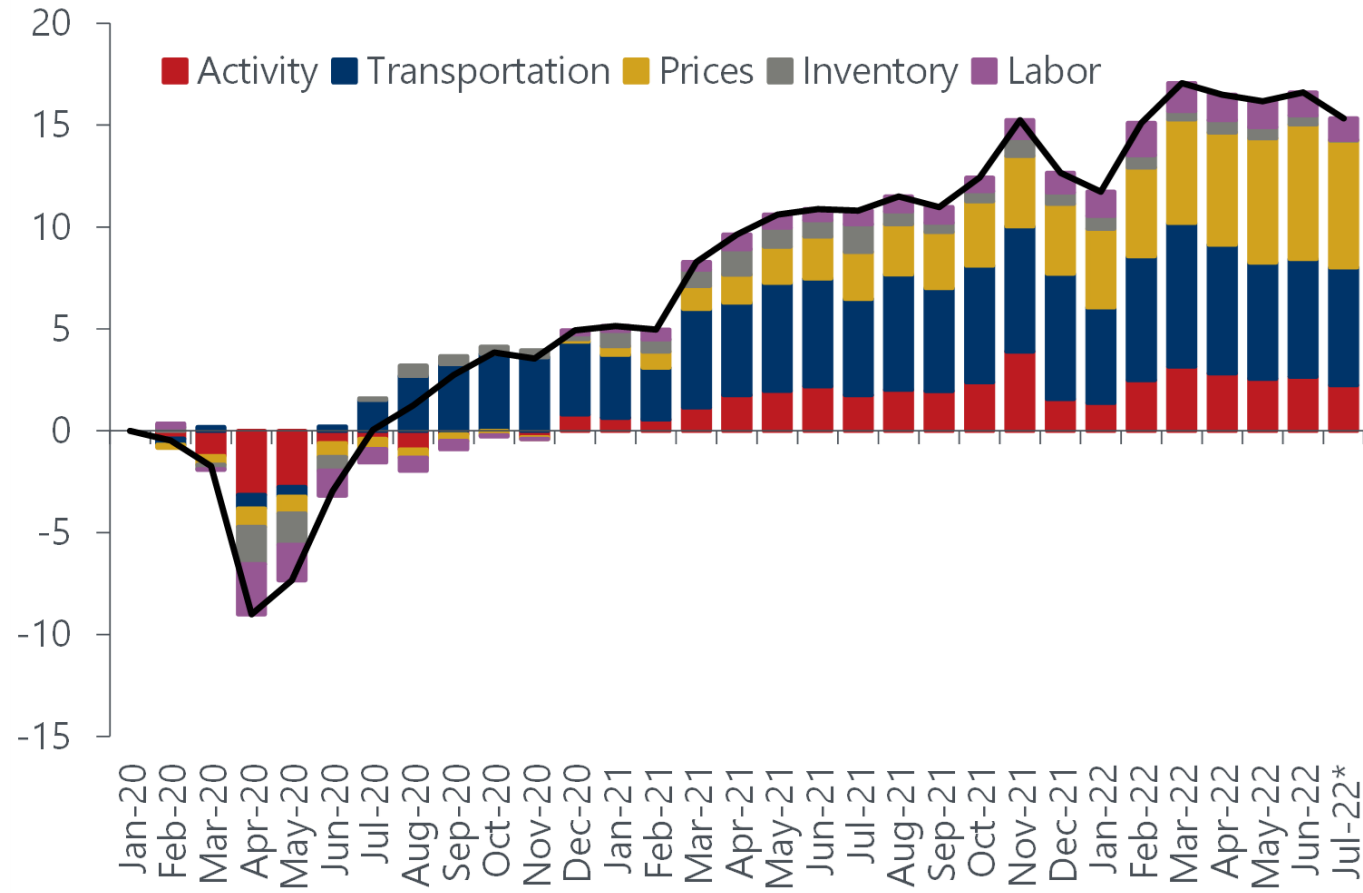


Source: Oxford Economics/Haver Analytics

# Supply chain conditions are improving

## US: Supply chain stress tracker

Index; > 0 = rising stress



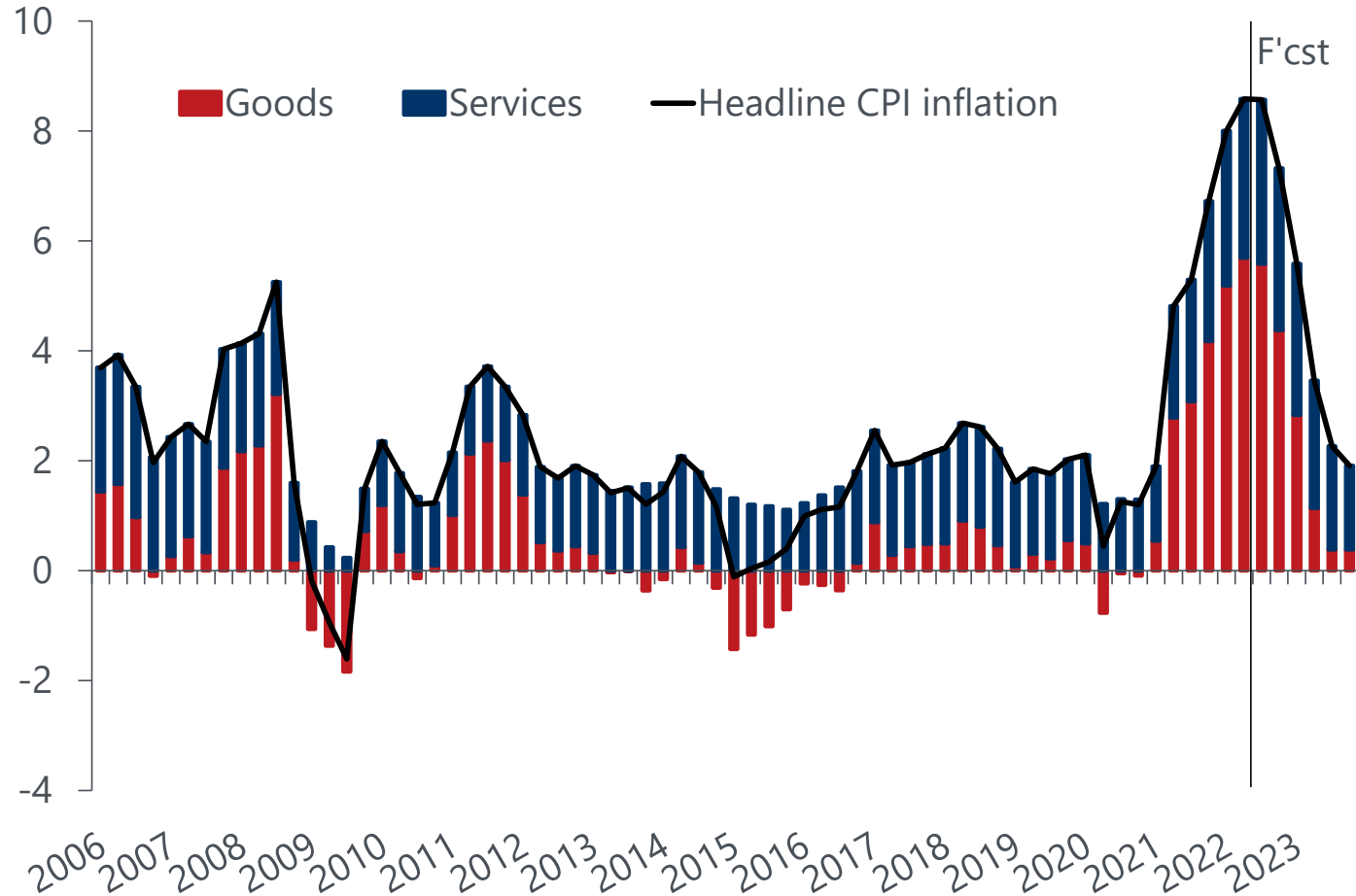
Note: \* estimate based on preliminary data and OE forecasts

Source: Oxford Economics/Haver Analytics

# Inflation will gradually moderate

US: Goods and services inflation

PPTcontribution 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

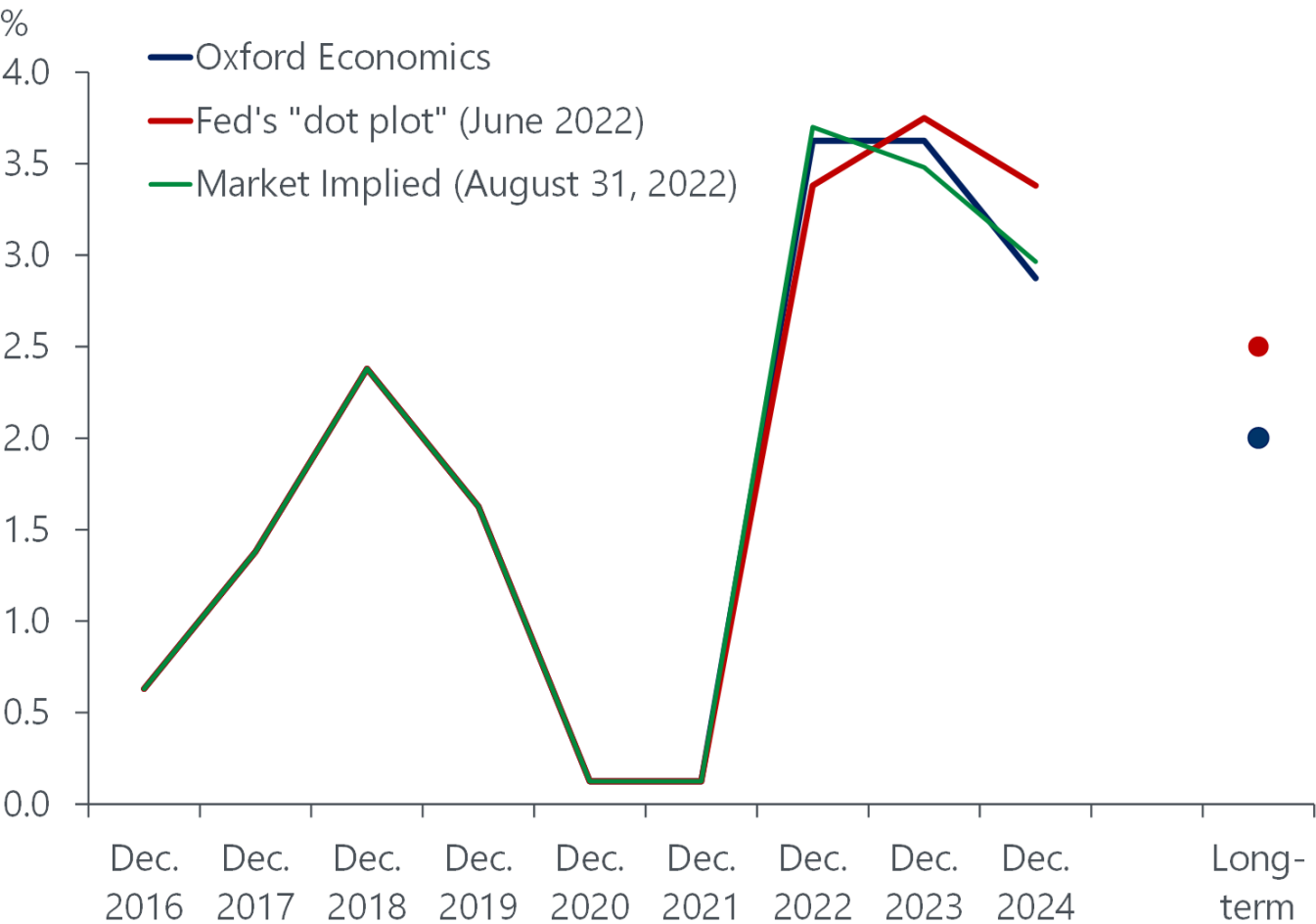


Source: Oxford Economics/Haver Analytics/University of Michigan



# Fed will raise rates and keep them elevated

US: Federal funds rate expectations

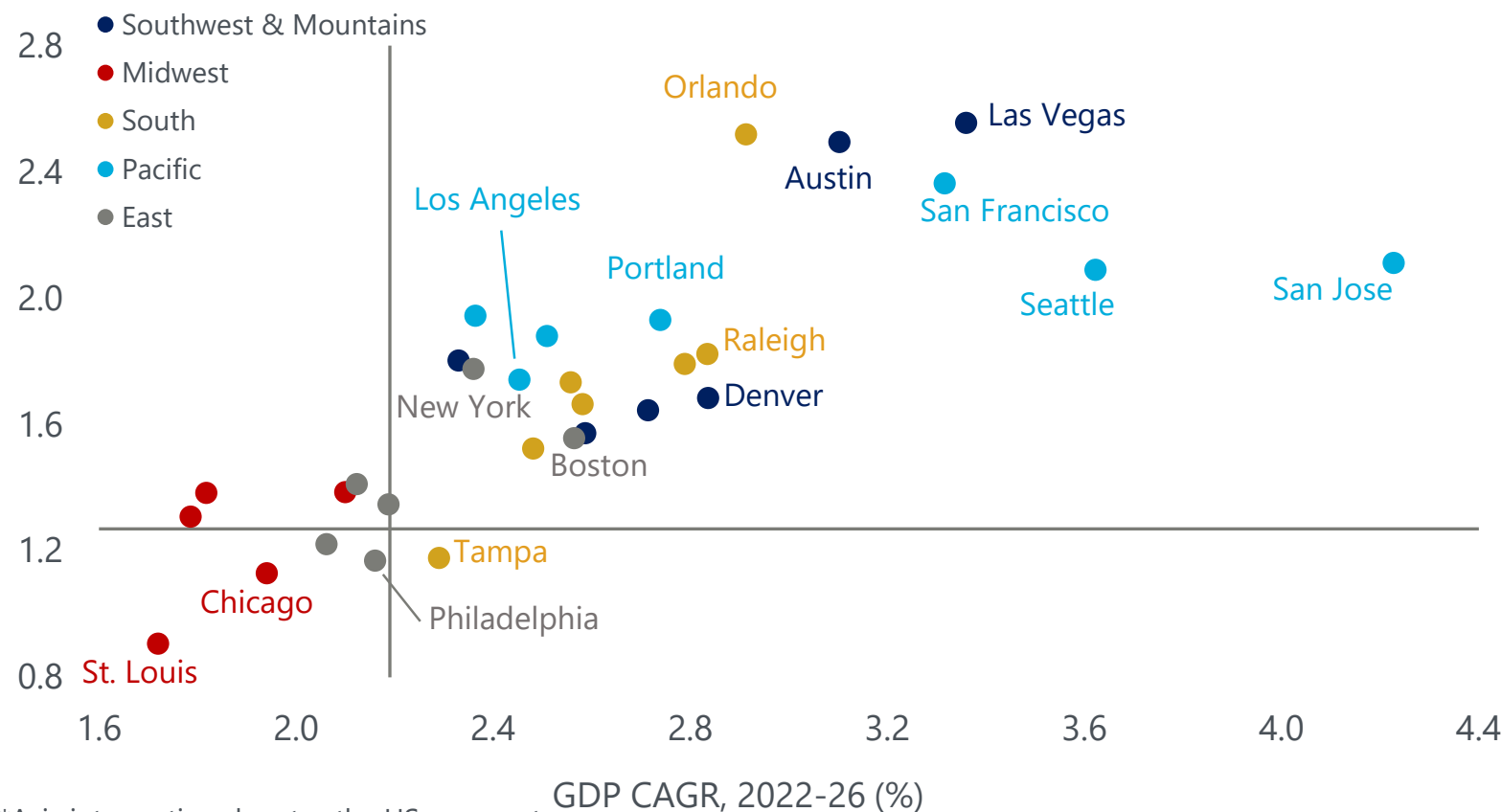


Source: CME/Federal Reserve/Oxford Economics

# Tech and tourism metros to lead medium-term growth

## Major US metros: medium-term forecast

Employment CAGR, 2022-26 (%)



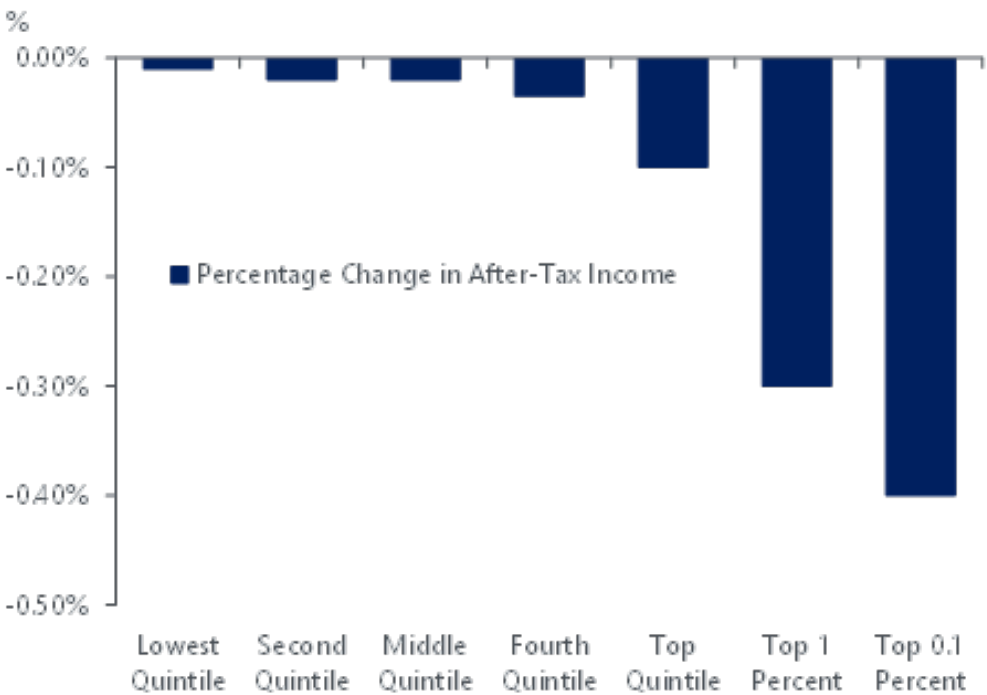
\*Axis intersection denotes the US aggregate  
Forecasts completed June 2022  
Source: Oxford Economics

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

Inflation Reduction Act	10-year cost (bns)
<b>Spending</b>	
Energy and climate	\$370
Extend health insurance subsidies for 3 years	\$64
Funding for drought resiliency	\$5
Total new spending	\$439
<b>Savings</b>	
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

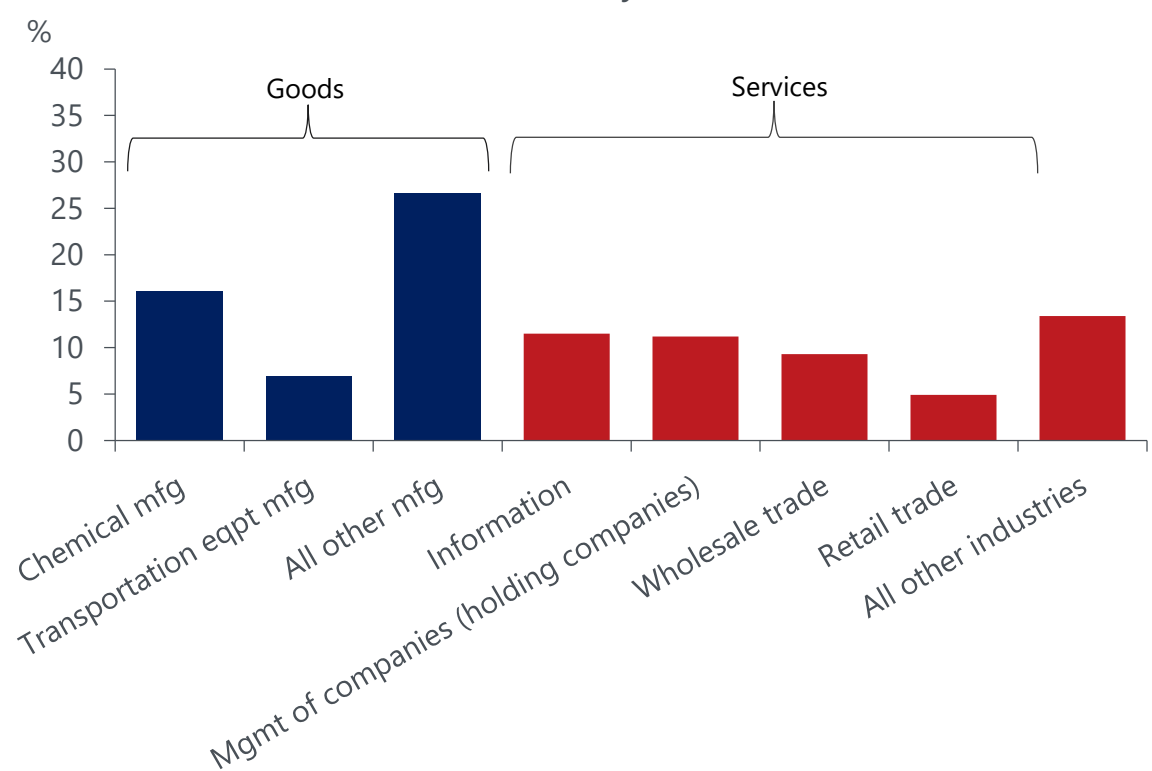
Distributional Effects of IRA as Passed by Senate Aug 7, 2022



Source: Oxford Economics/Urban-Brookings Tax Policy Center

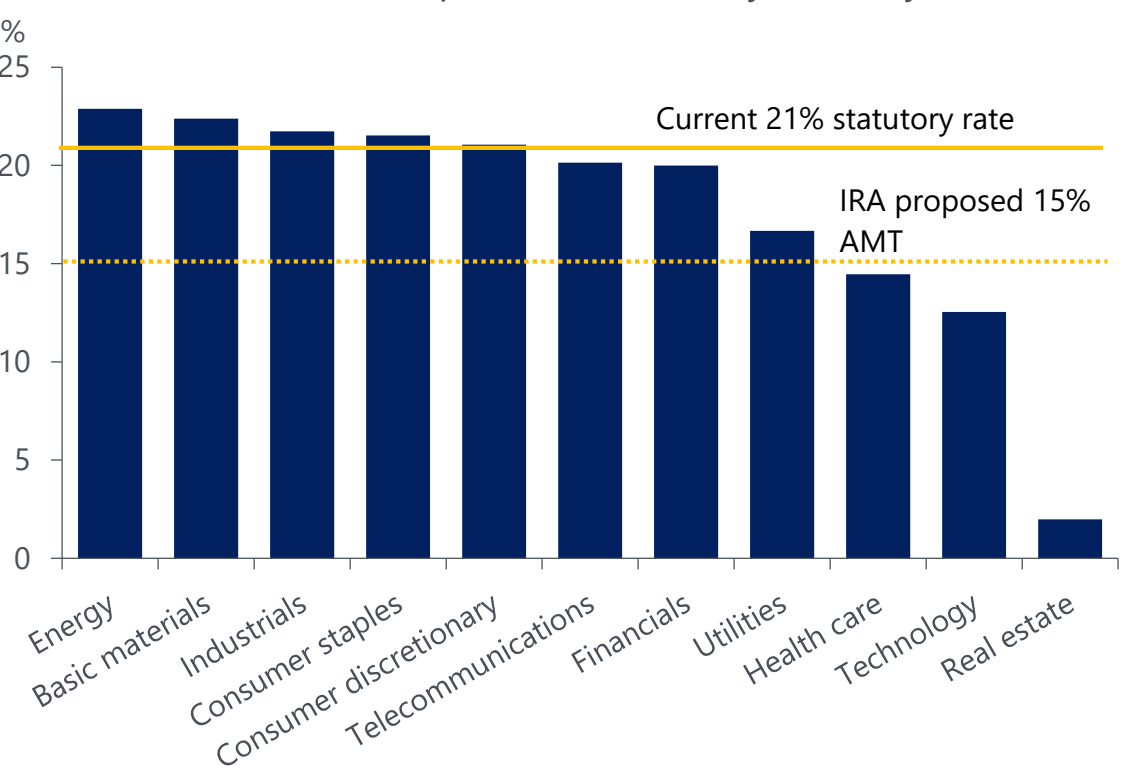
# Impact of the 15% AMT across corporate sectors

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

Supporting our mission

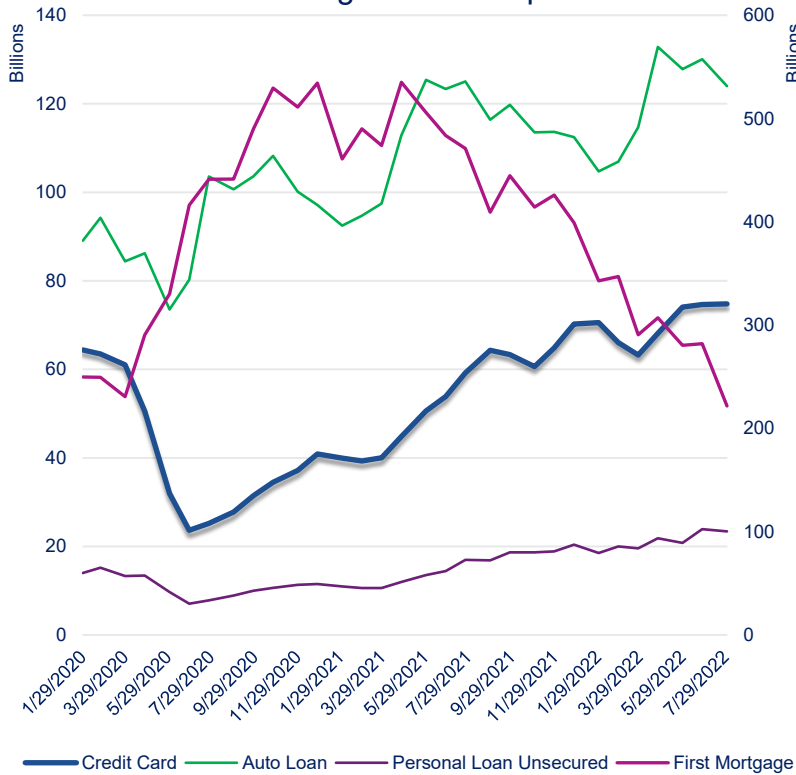
- ✓ A **consortium** of banks, credit card, leasing agencies, utilities, telecommunications and other companies, contributing detailed credit, financial and non-financial data
- ✓ Millions of transactions across a wide range of small businesses
- ✓ A clearer, more comprehensive picture of **small business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



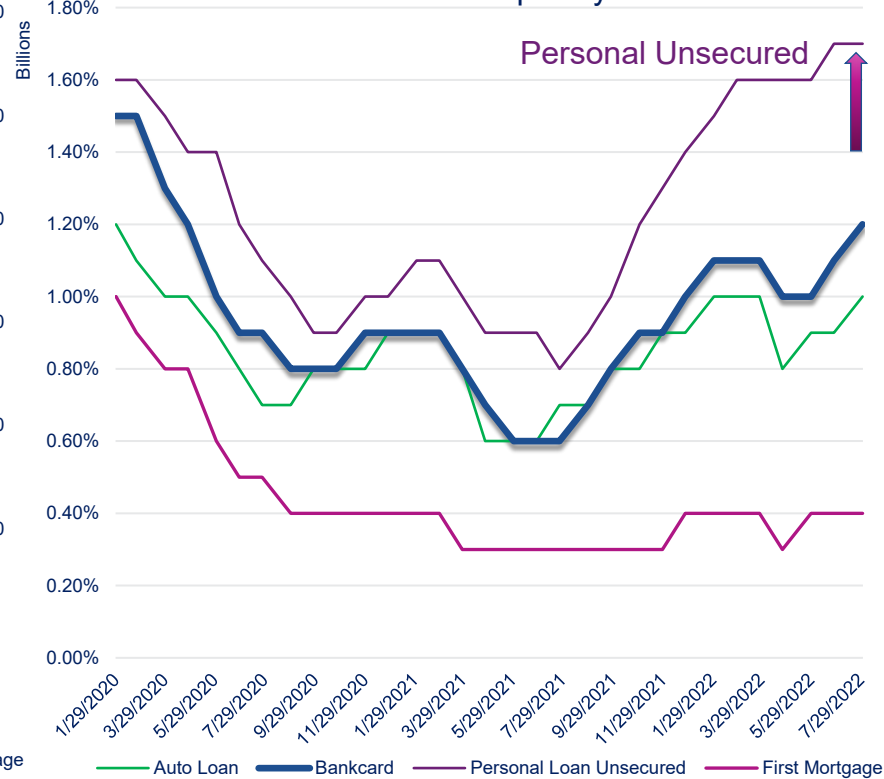
# Consumer performance still strong

Business owner equity in home may not be enough

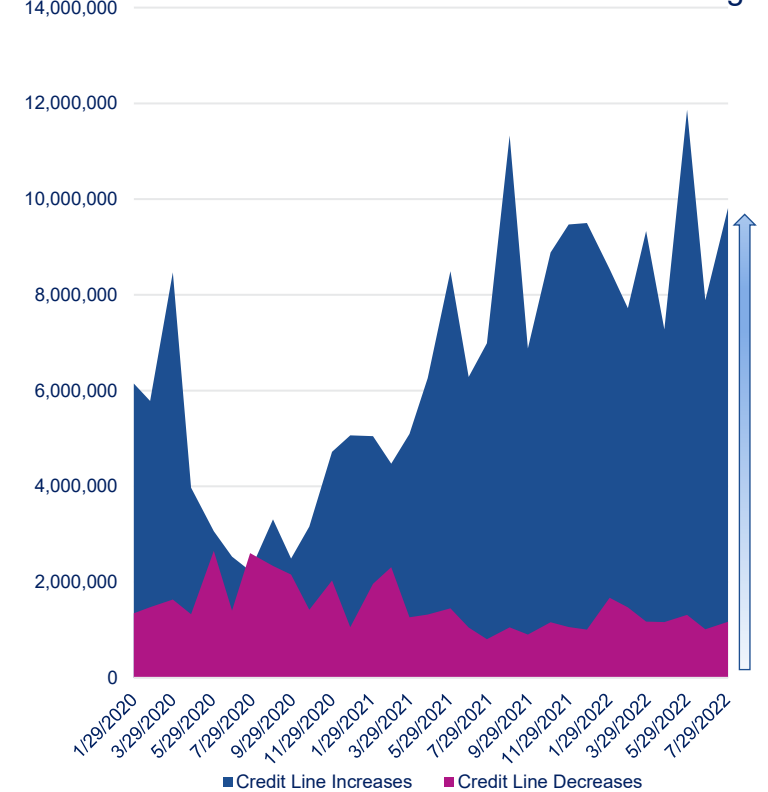
### U.S. Originations tempered



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



### U.S. Consumer bankcard lines increasing



Consumer Originations

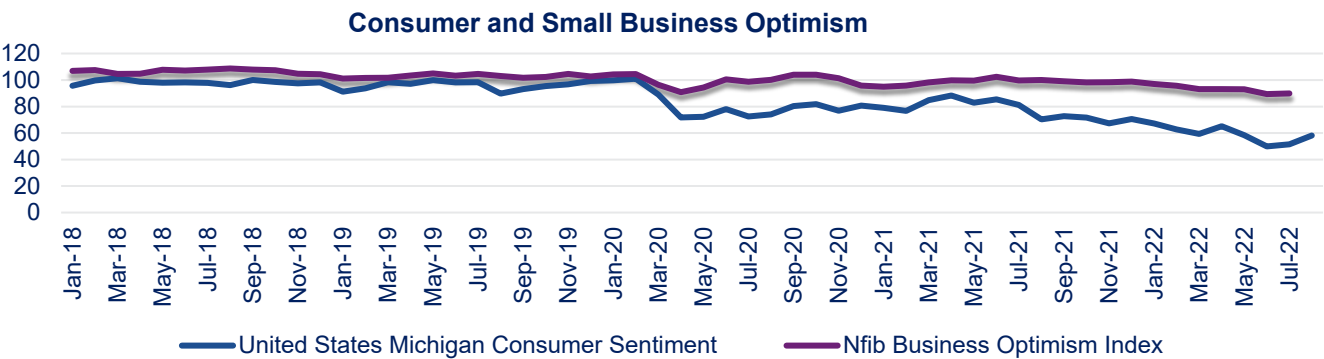
Consumer Delinquency

Consumer Lines

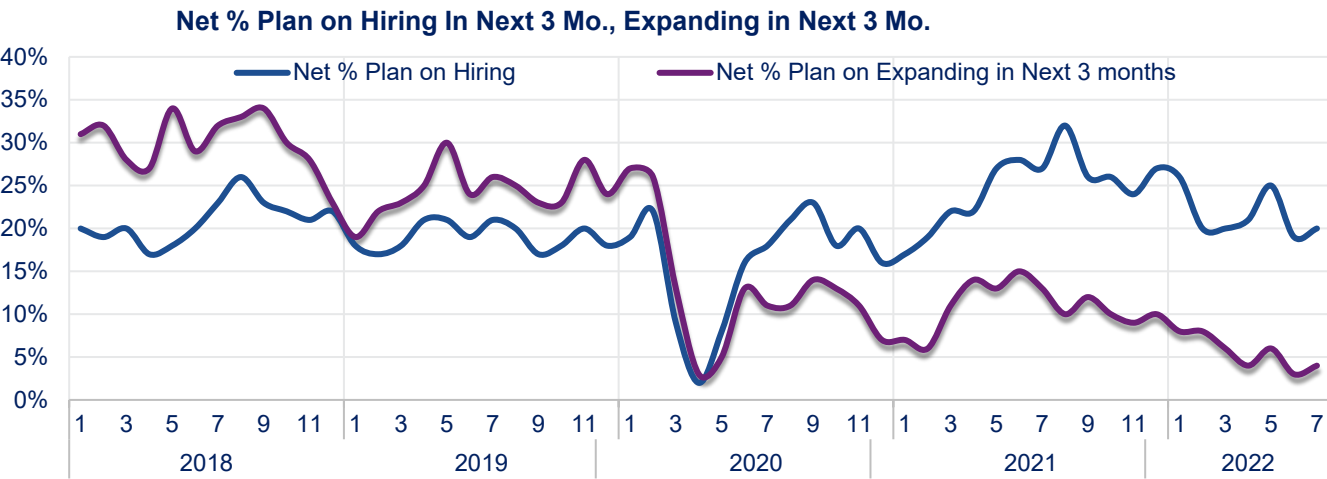
Source: Experian State of the Market

# Commercial health

Commercial optimism beginning to impact business decisions



Source: NFIB, Small Business Monthly Optimism Survey



Source: NFIB, Small Business Monthly Optimism Survey



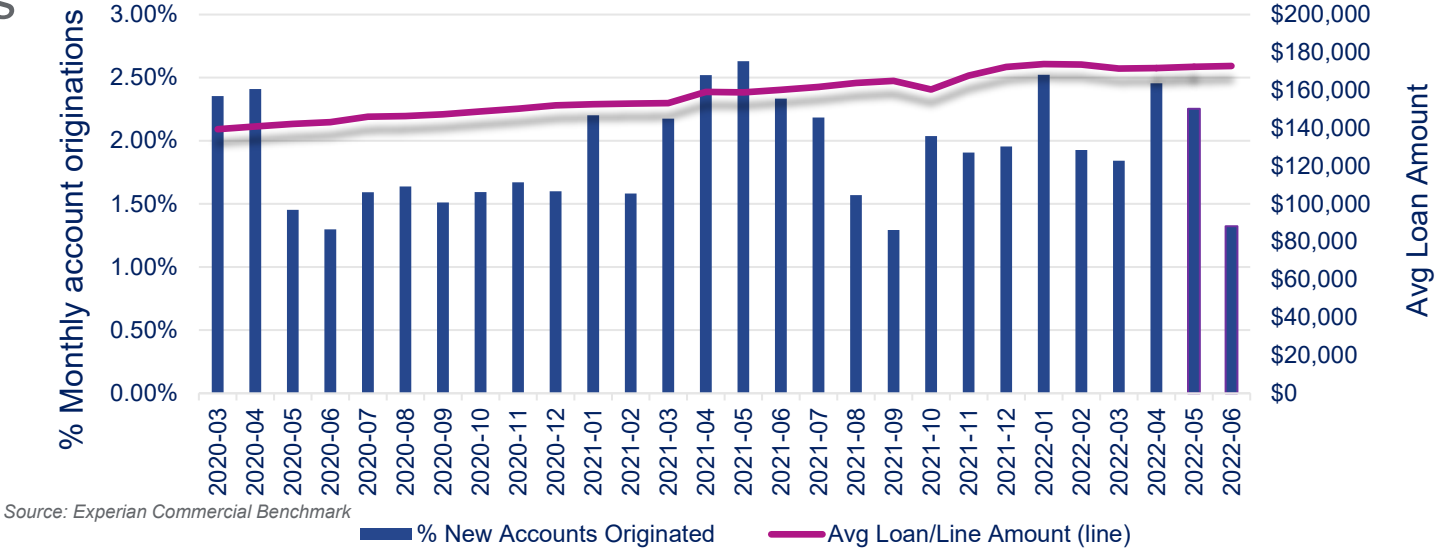


# Commercial health

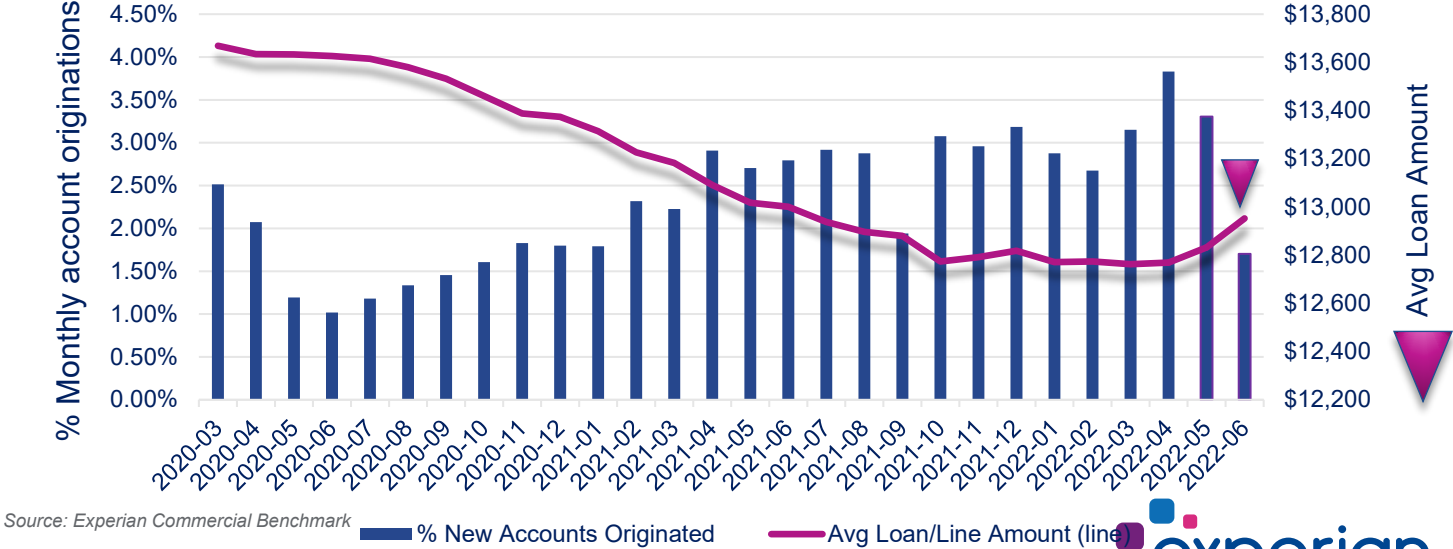
Continued steady growth in originations



Commercial Installment Origination Trends

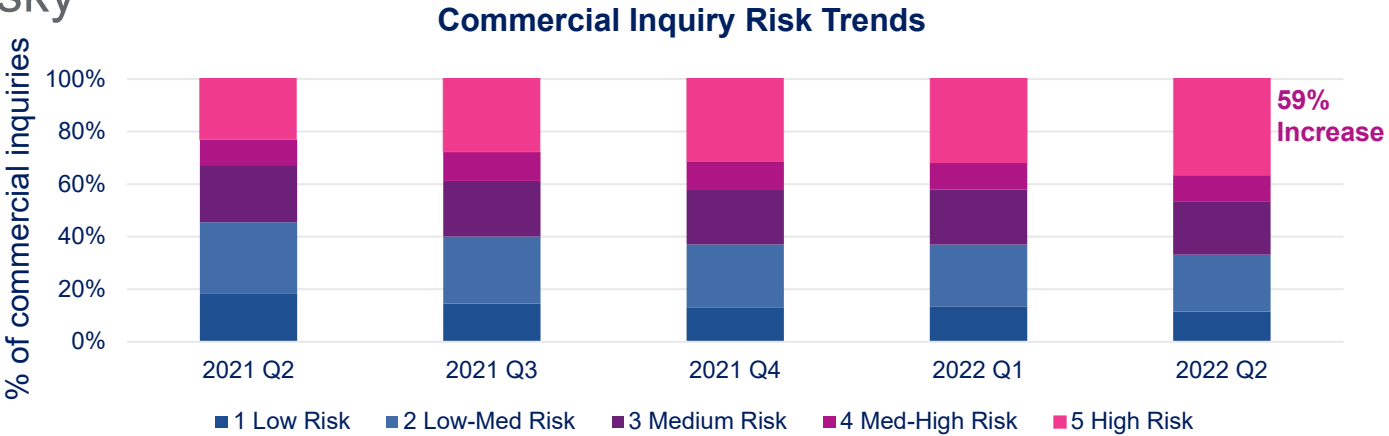


Commercial Card Origination Trends

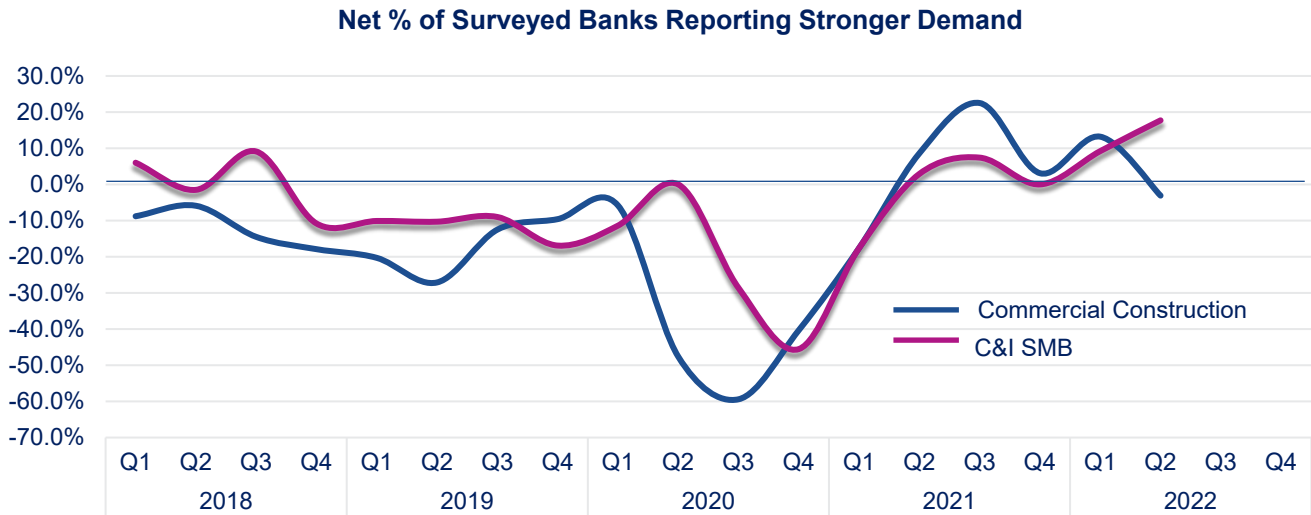


# Small businesses search for funding

Those seeking credit are a little more risky



Source: Experian Commercial Benchmark

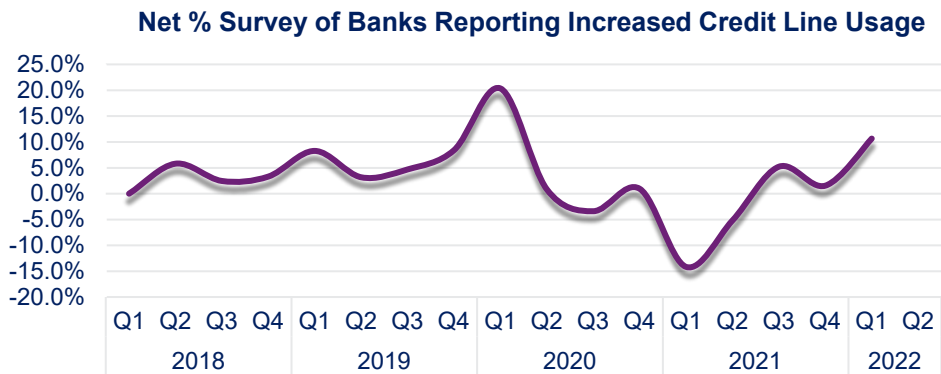


Source: Fed Reserve Sr Loan Officer Survey (SLOOS)

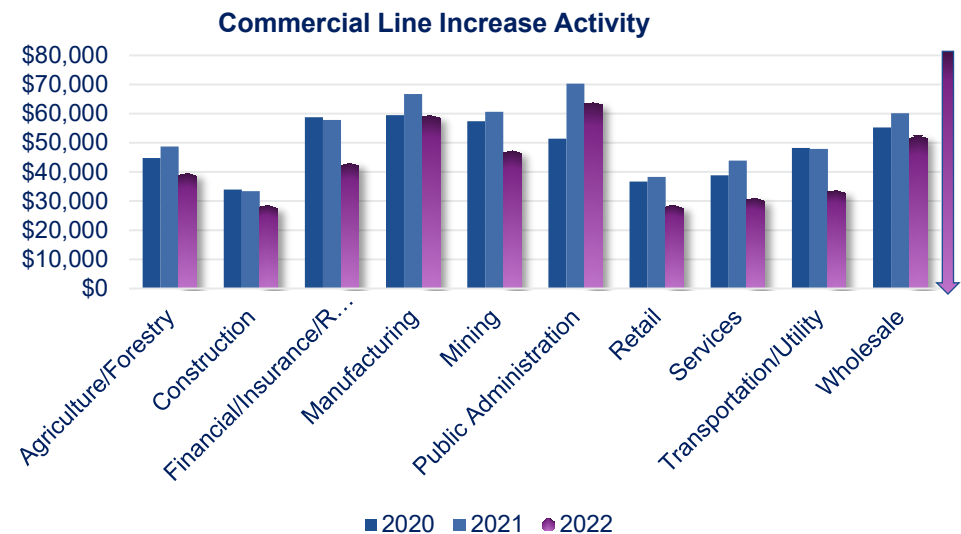


# Commercial health

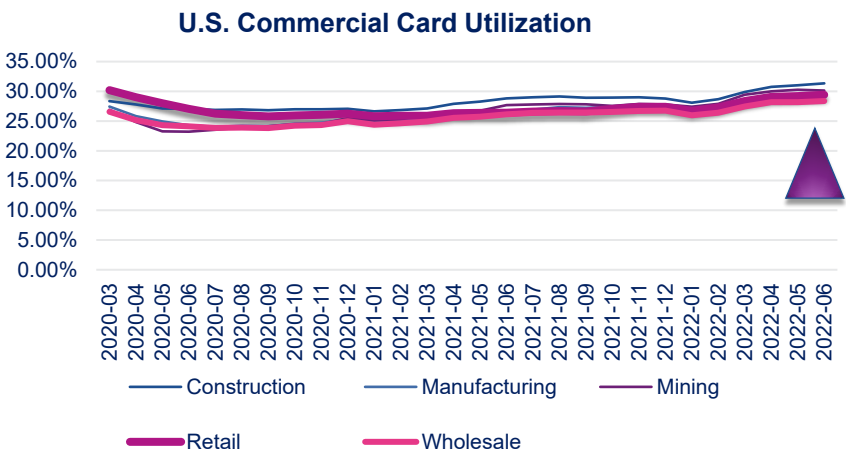
## Usage increasing across industries



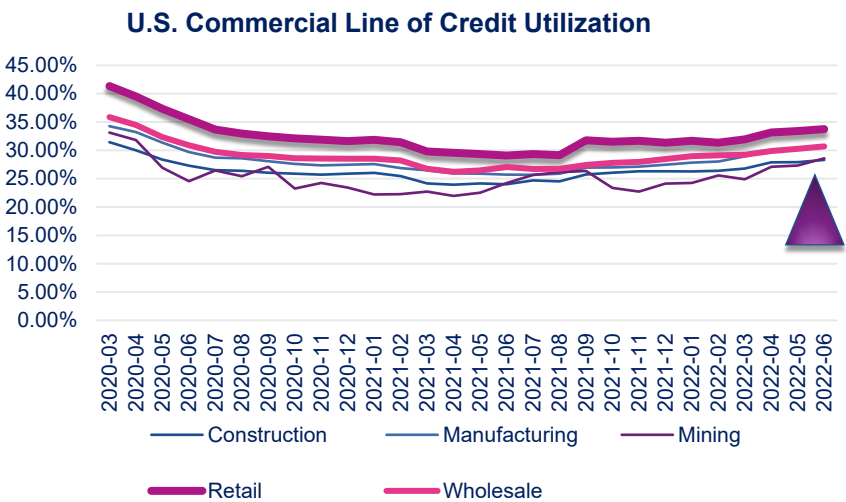
Source: Kansas City Fed National Survey of Banks



Source: Experian BIS SBCS Data



Source: Experian Commercial Benchmark

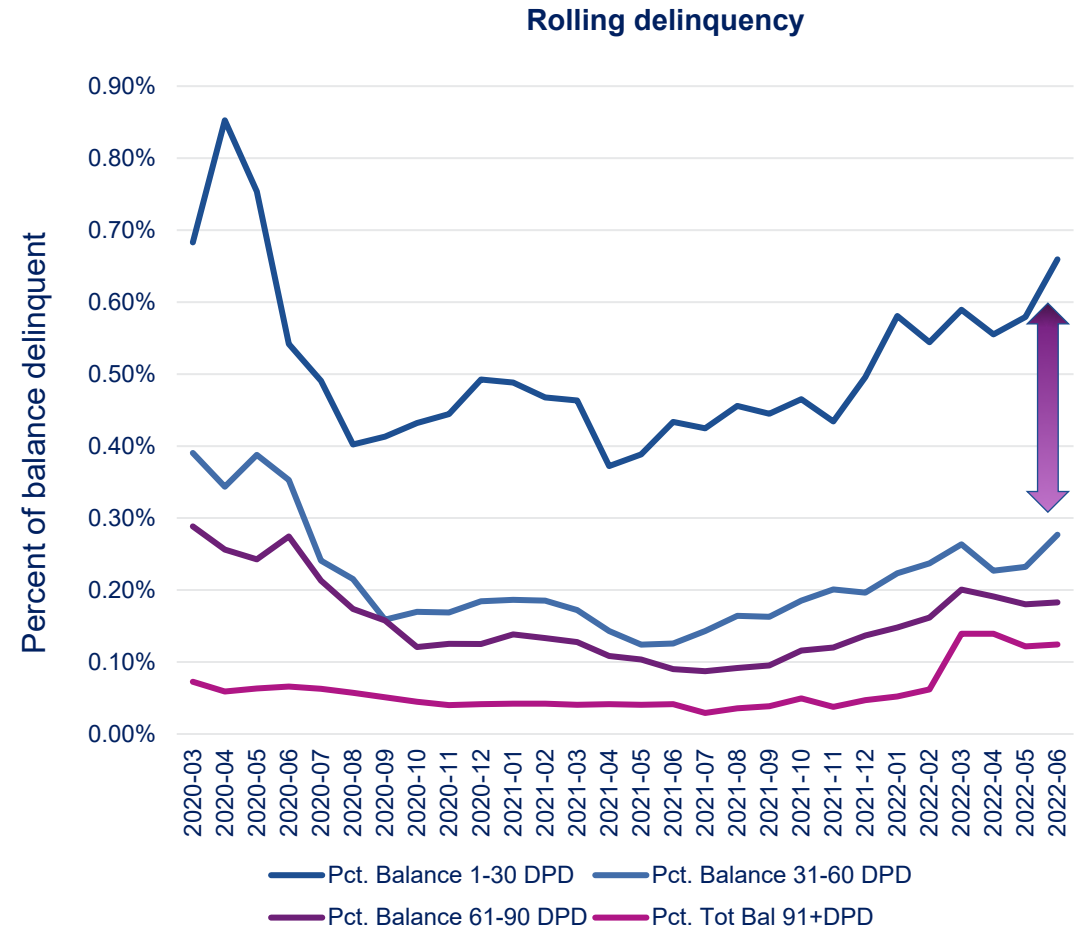
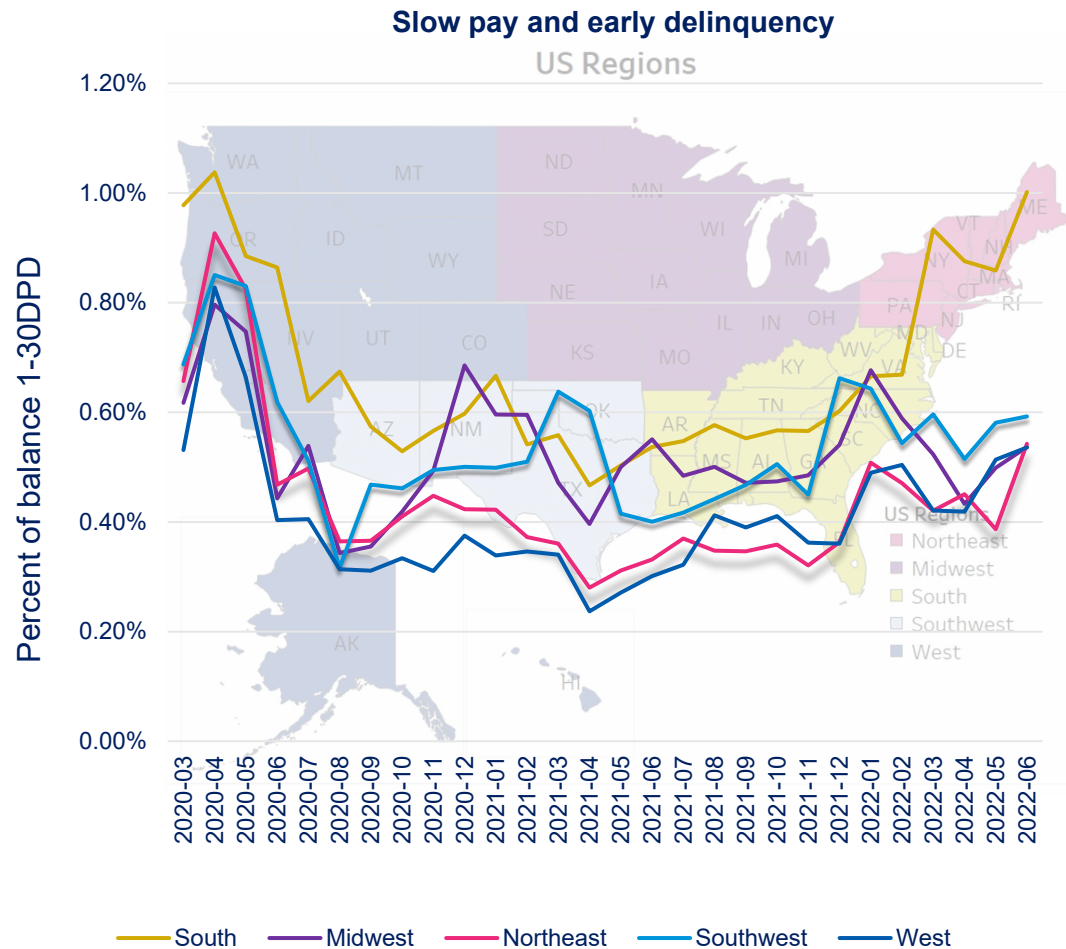


Source: Experian Commercial Benchmark





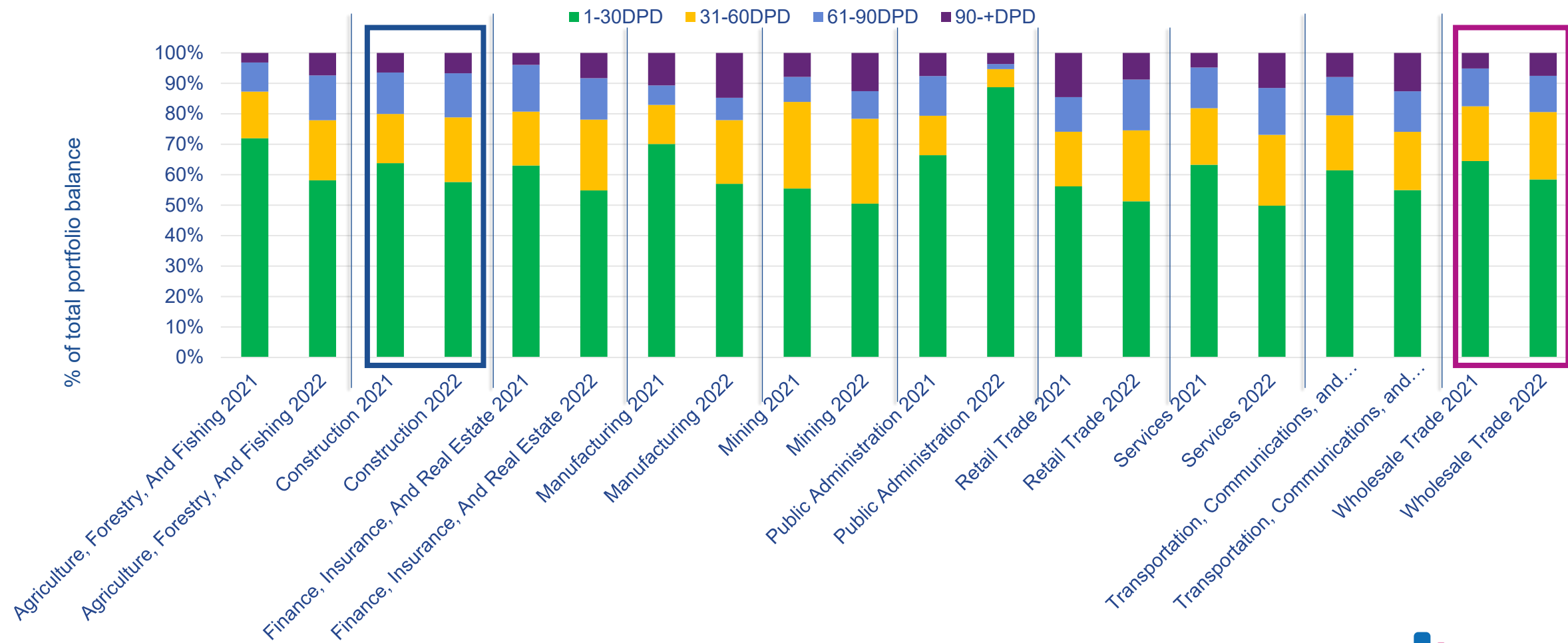
# Delinquency trends for Commercial Card Lending



Source: Experian Commercial Benchmark

# Industry focused portfolios

Most industries seeing increased delinquency rates

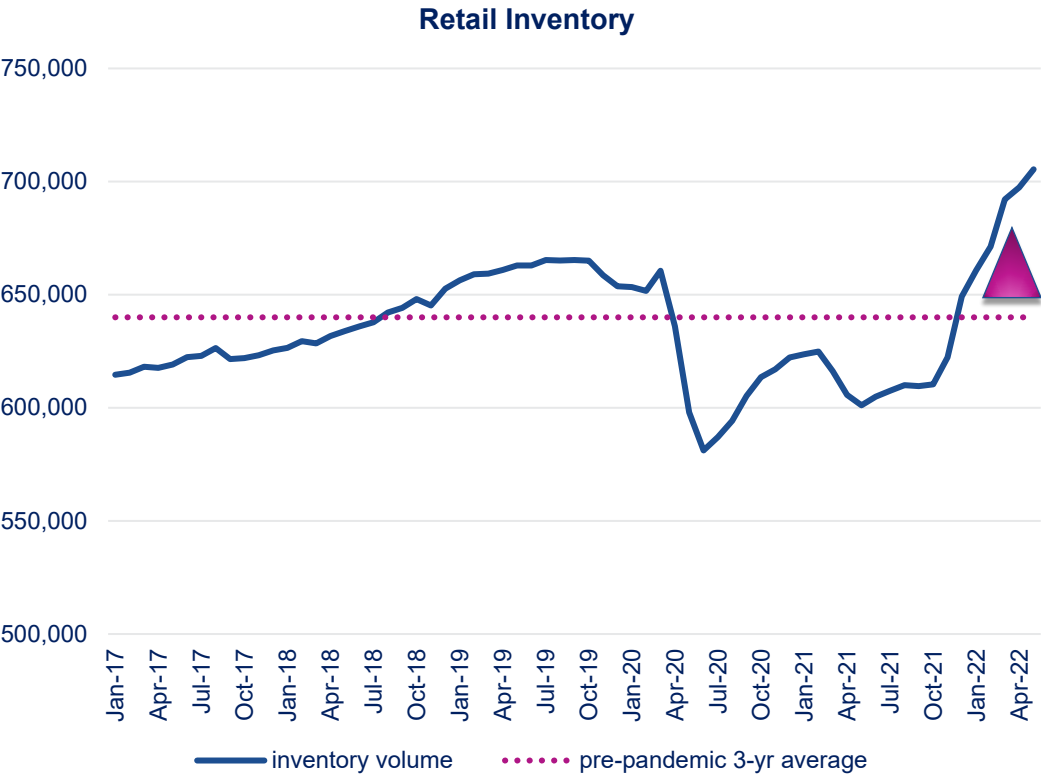


Source: Experian Commercial Benchmark

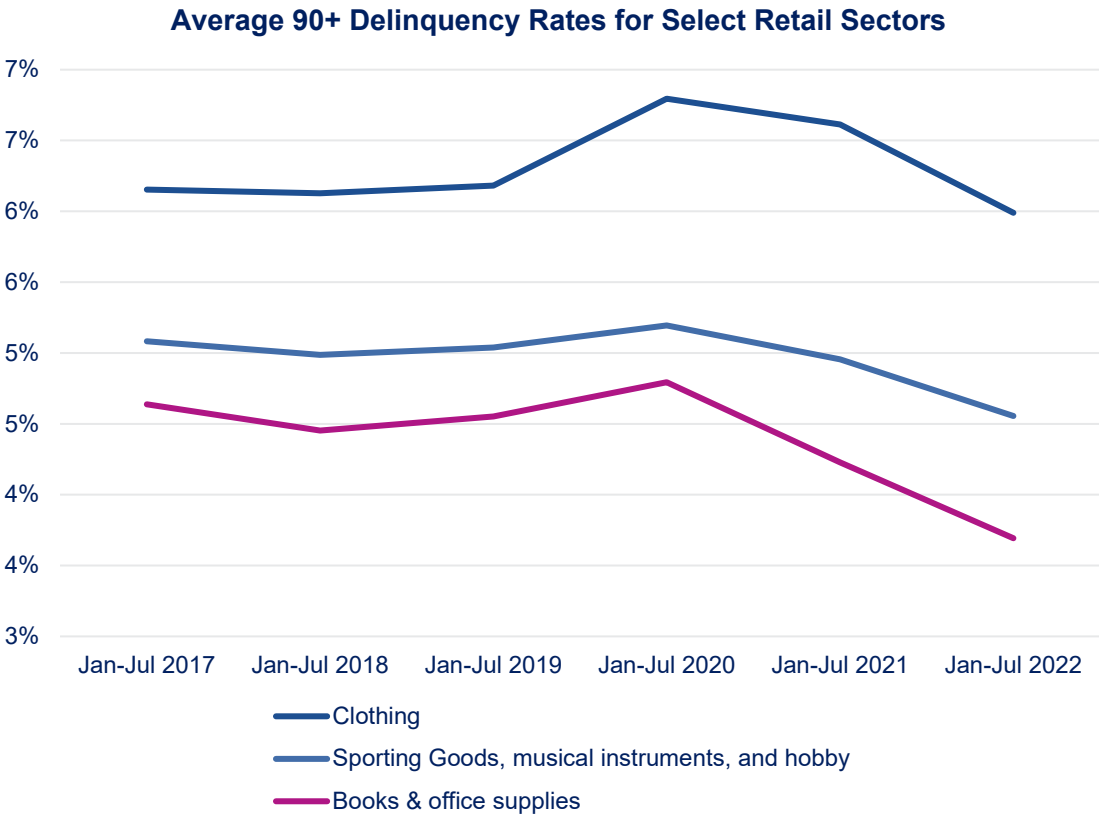
# Retail industry holiday challenge

Softening consumer spend behavior

8.2% decline in toy prices in July (WSJ)



Source: U.S. Census Bureau



Source: Experian Commercial Benchmark

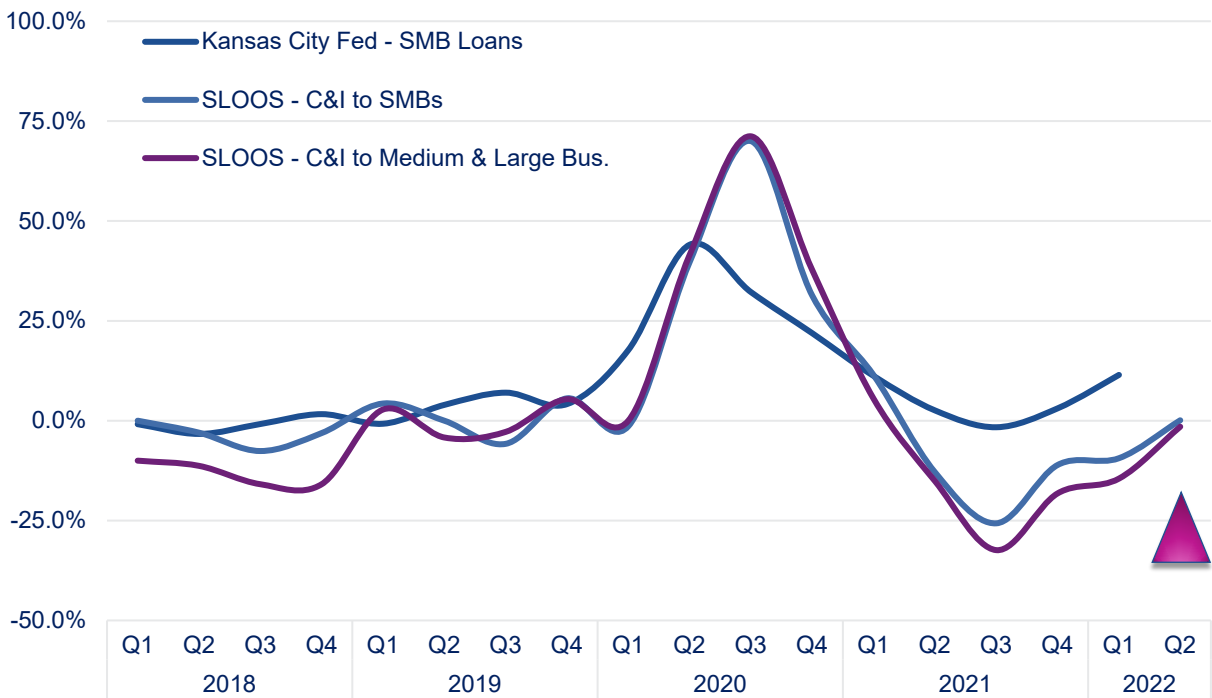
Inventory levels for retailers are currently much higher than in recent years, as retailers overcorrect from shortages during the pandemic. The high volume of retail inventory might help stabilize some prices and inflation as back to school shopping begins.

# Commercial credit

Has tightening begun..

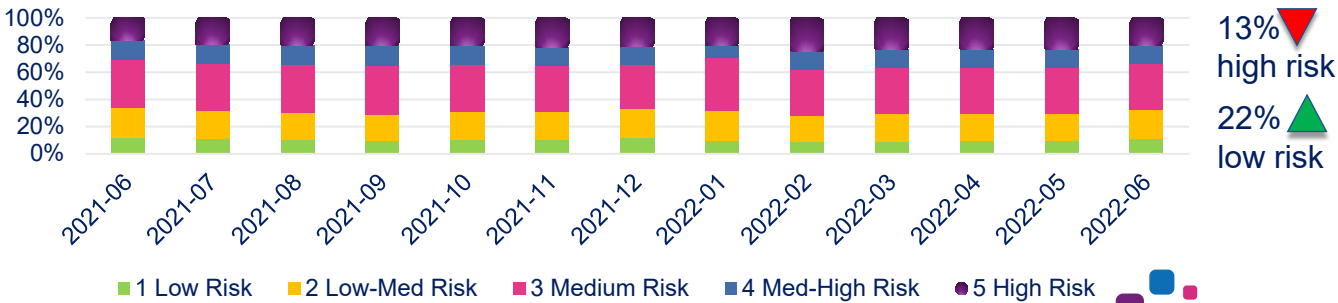


Net % of Surveyed Banks Reporting Tightening Lending Standards



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

Commercial Card Underwriting showing signs of tightening since 1QTR

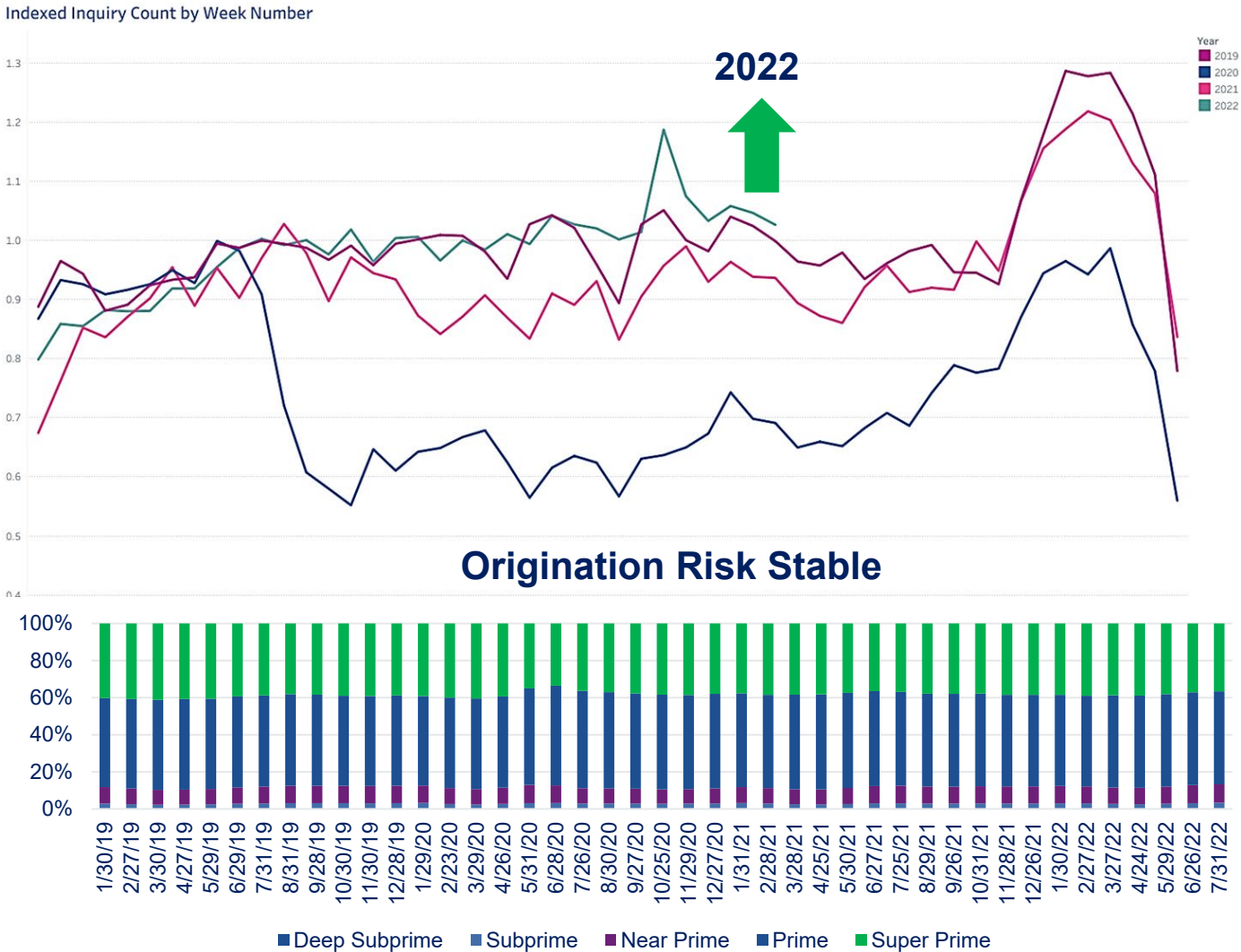


Source: Experian Commercial Benchmark

# 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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