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Webinar



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Quarterly Business Credit Review

Q3 2022

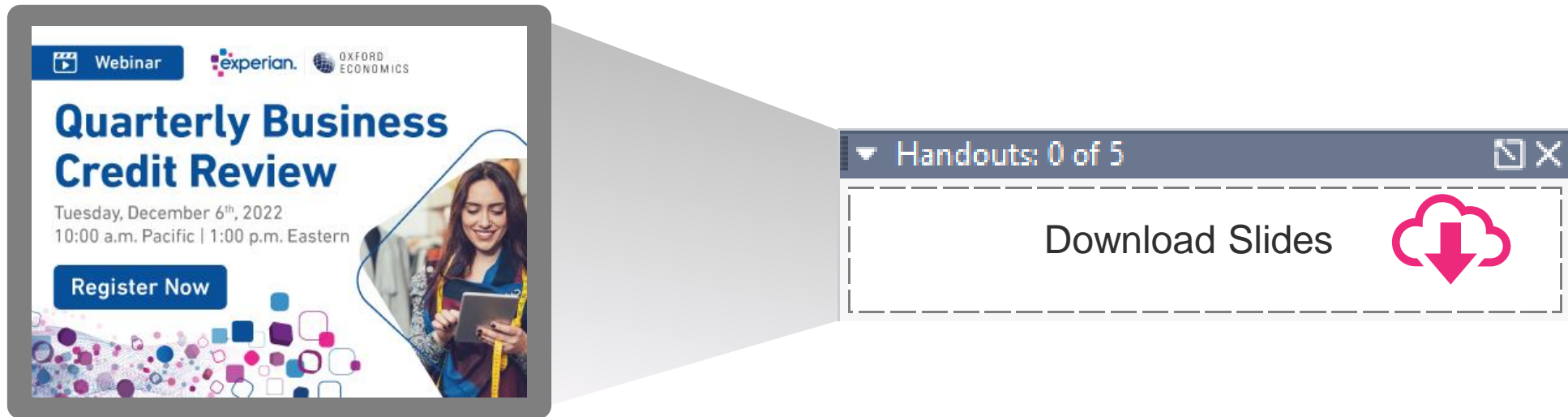
Presented by

Brodie Oldham
Experian

Ryan Sweet
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

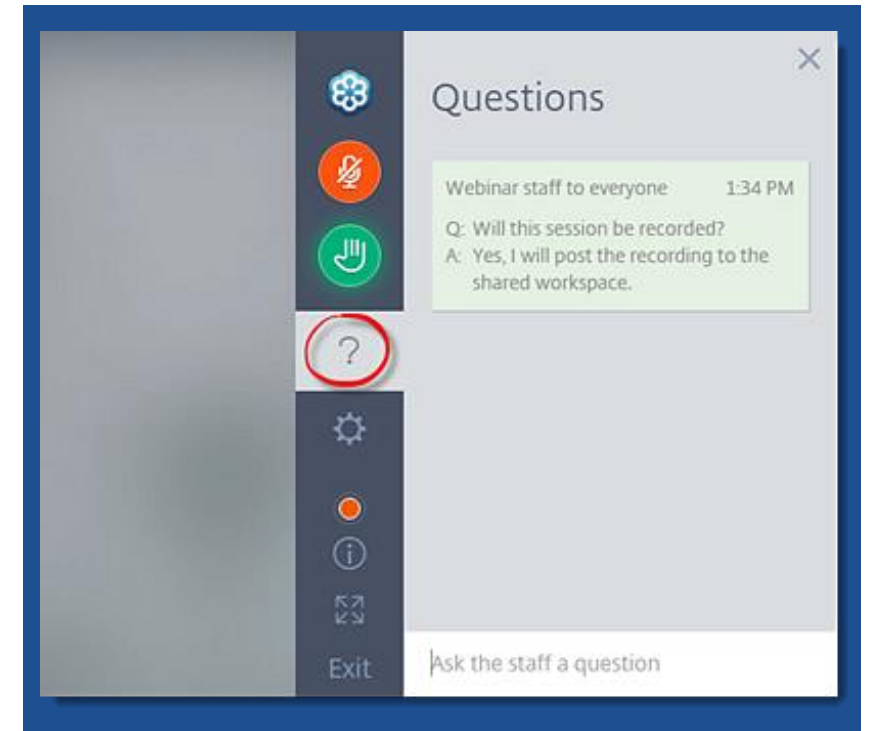


Ryan Sweet
U.S. Chief Economist
Oxford Economics



Send us your questions

We will try to leave time at the end.





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Ryan Sweet
US Chief Economist

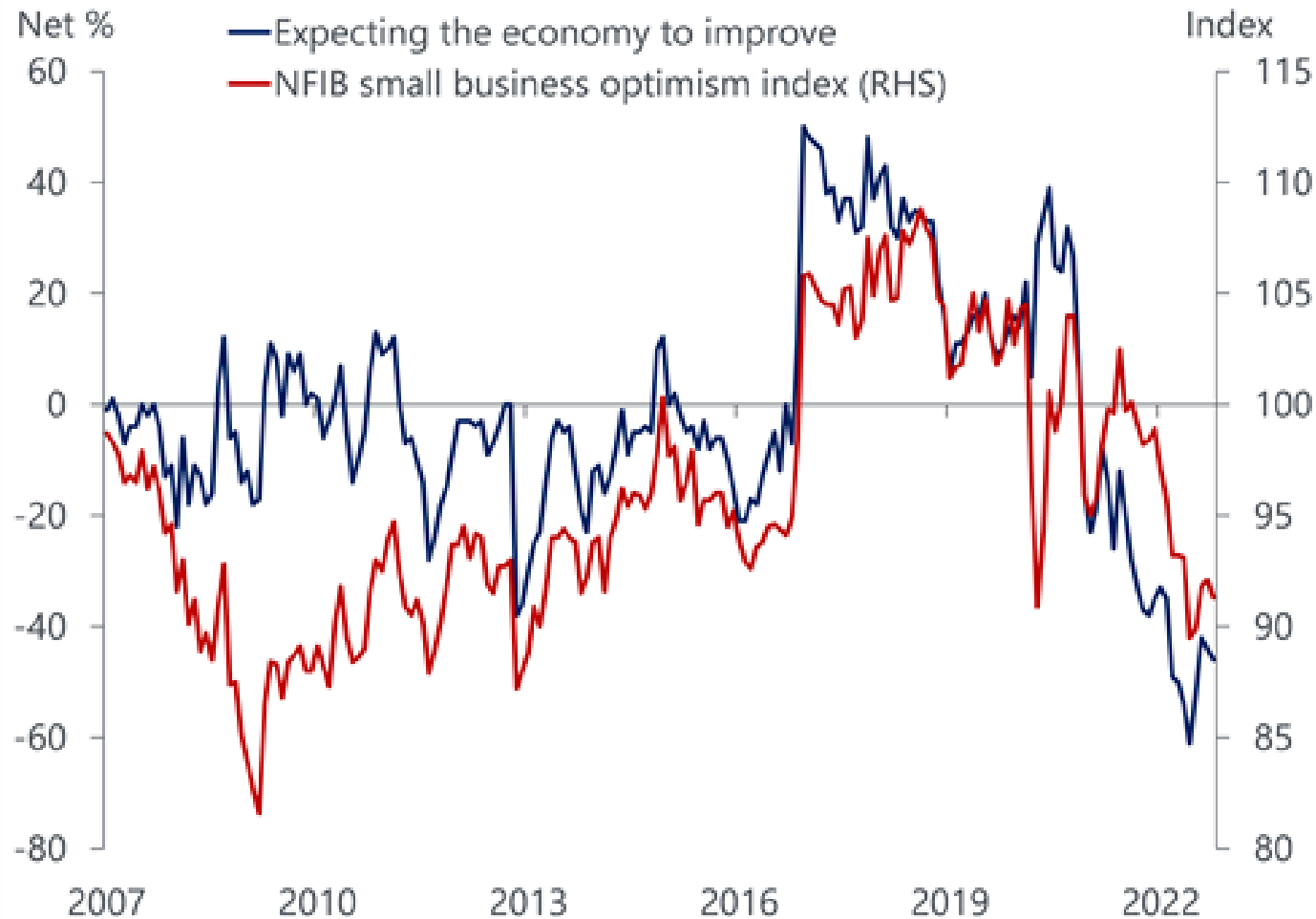
The Most Anticipated Recession

US: Survey of recession odds - professional forecasters



The Most Anticipated Recession

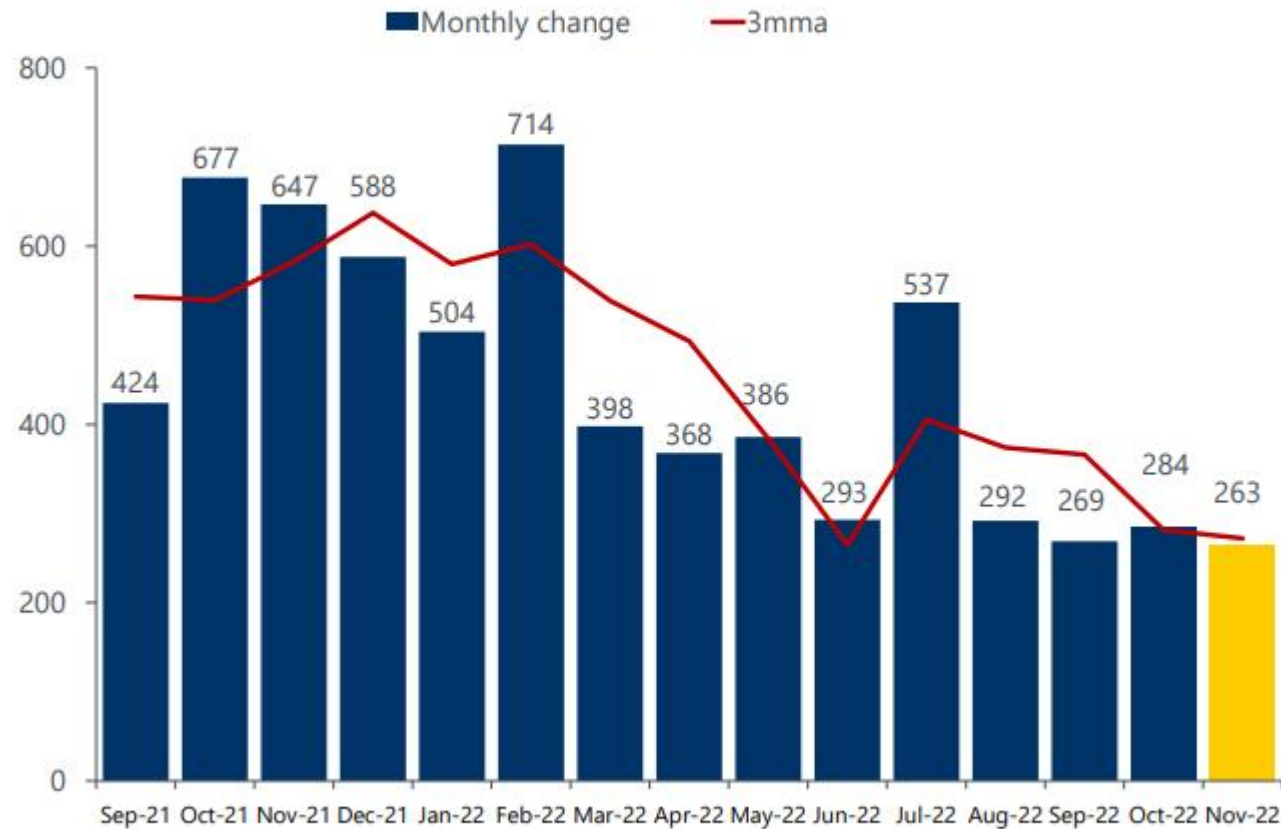
US: Small businesses confidence



The Labor Market is Giving the Fed Headaches

US: Nonfarm payroll employment

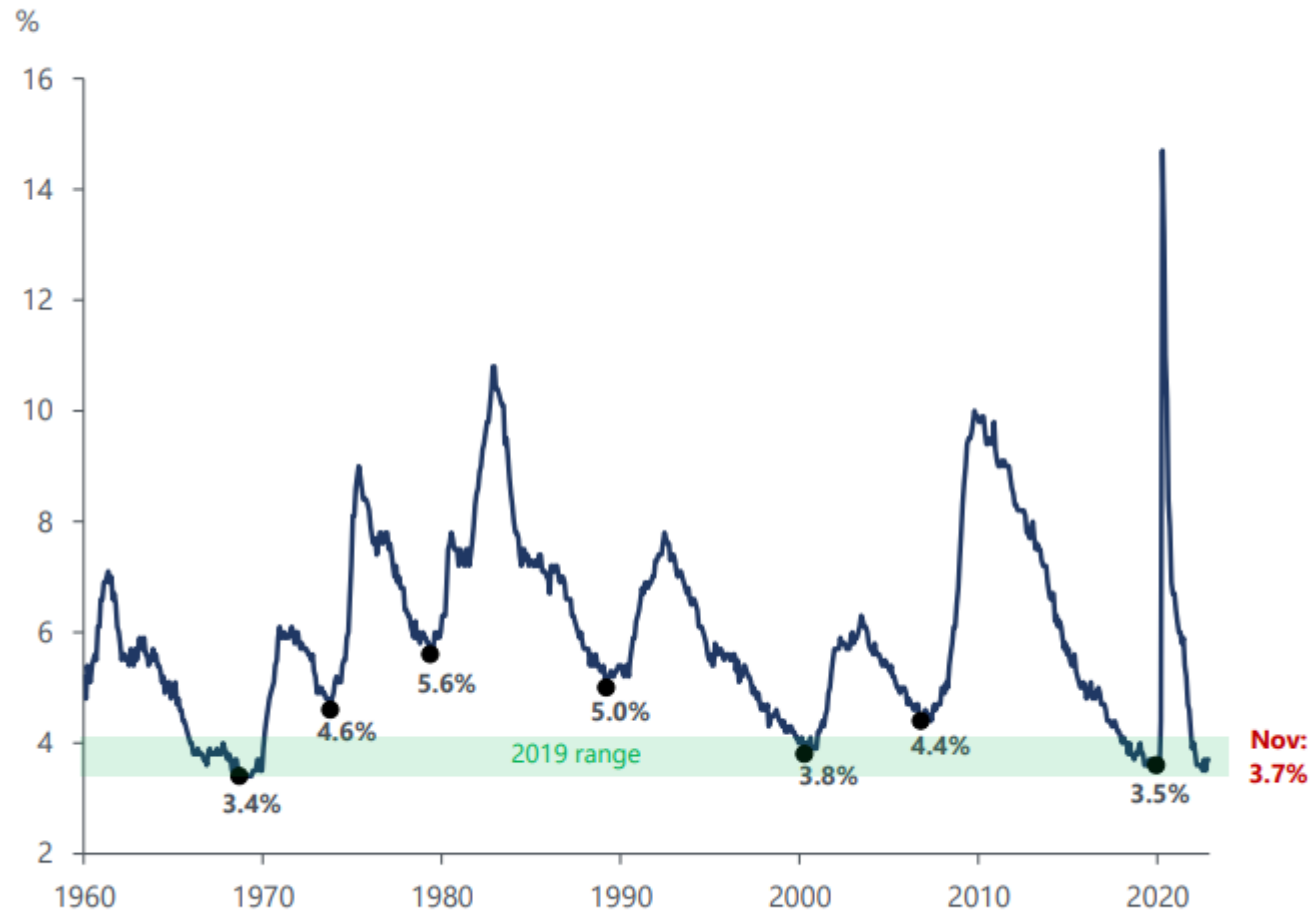
Thousand



Source: Oxford Economics/Haver Analytics

Unemployment Rate Will Rise Soon

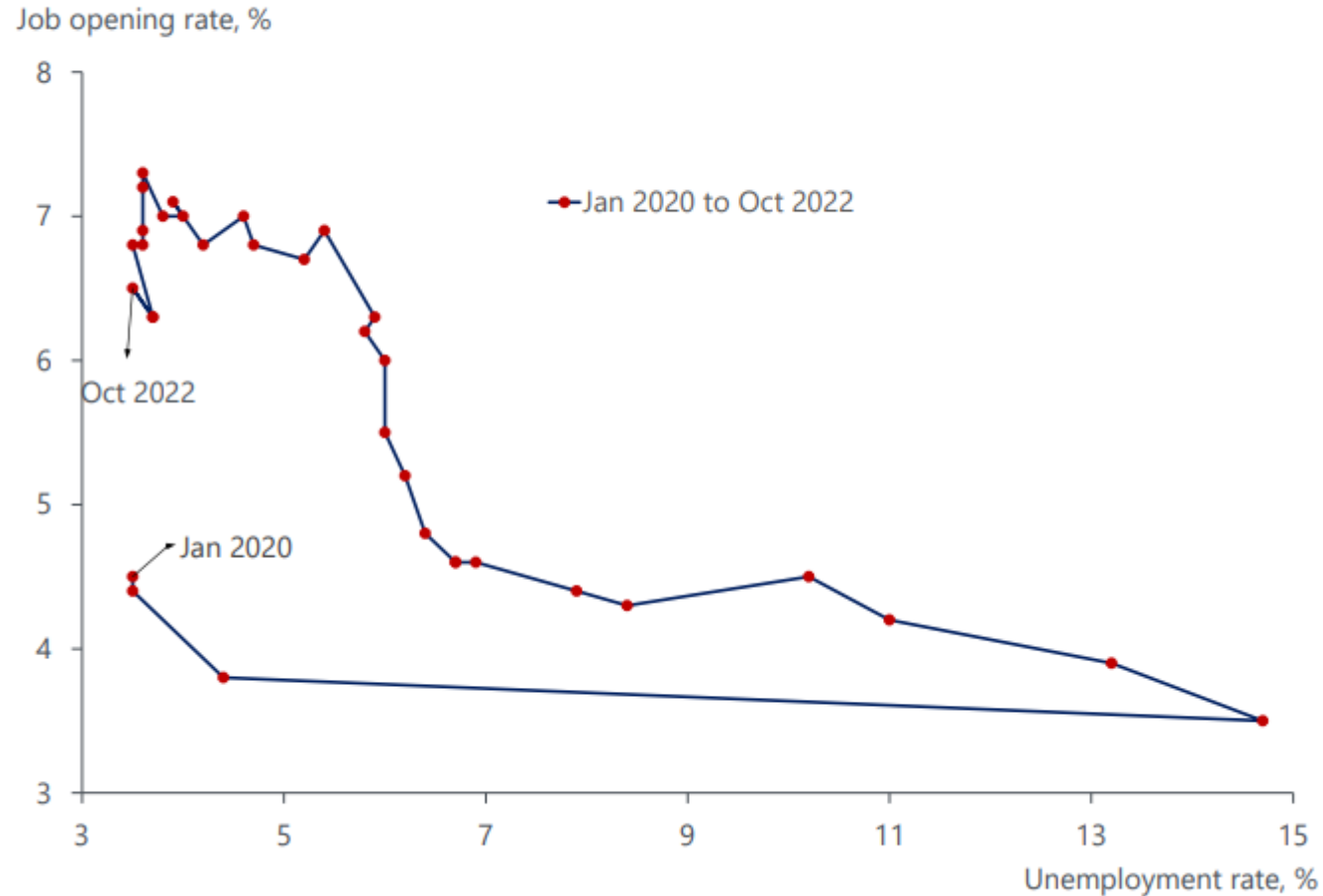
US: U-3 unemployment rate



Source: Oxford Economics/Haver Analytics

A Narrow Path Toward a Soft Landing

US: Beveridge curve suggests there is still a path for a soft landing

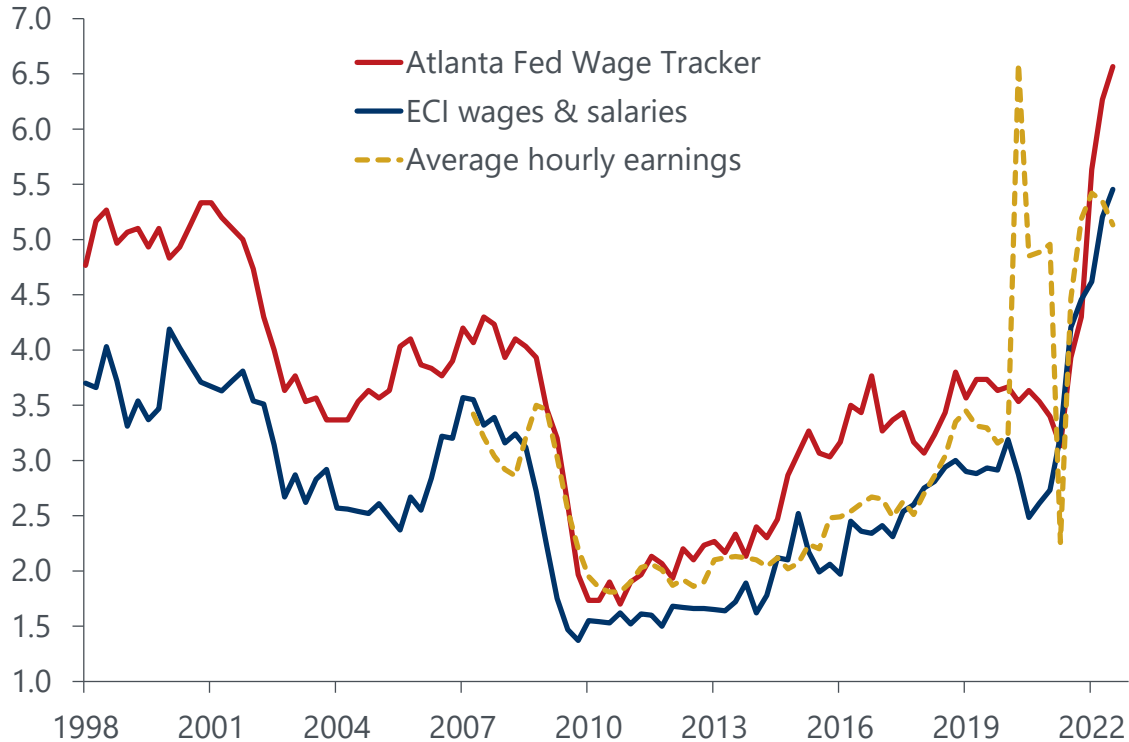


Source: Oxford Economics/Haver Analytics

Tight Labor Market Is Boosting Wages

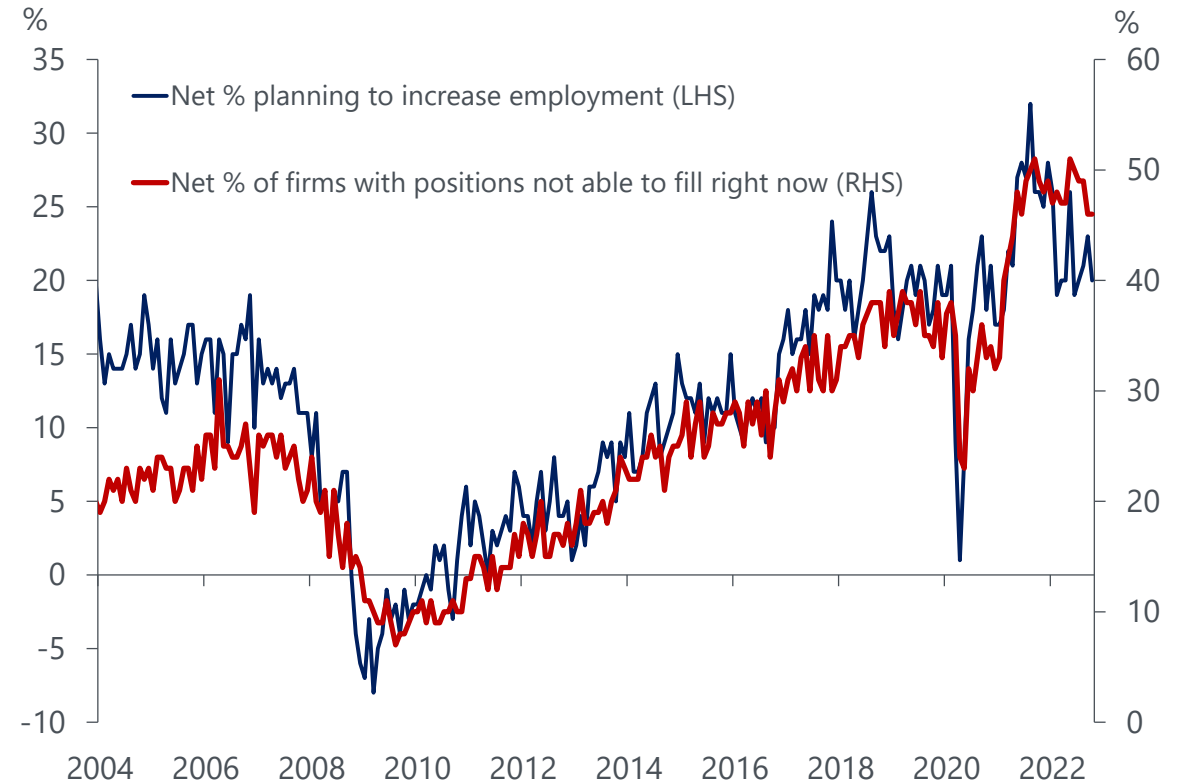
US: Wage growth indicators

year-over-year, %



Source : Oxford Economics/Haver Analytics

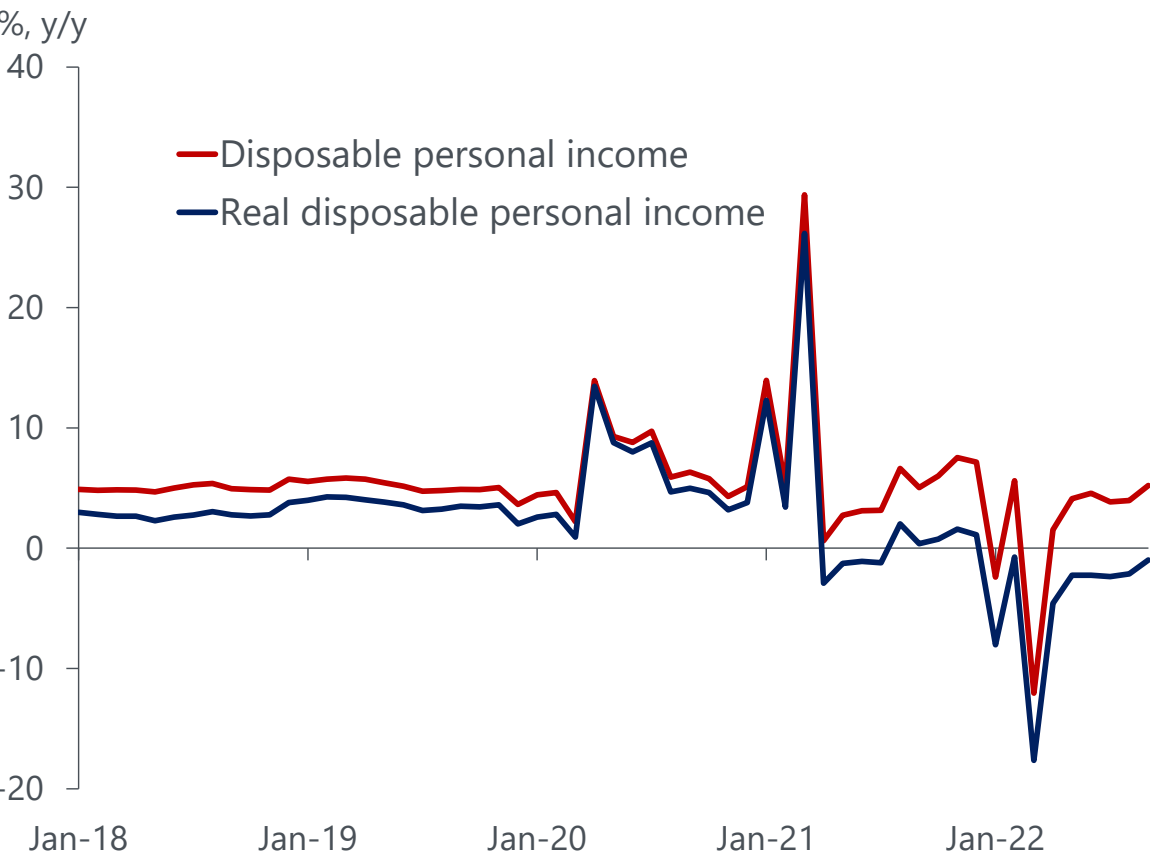
US: NFIB small business labor components



Source: Oxford Economics/Haver Analytics

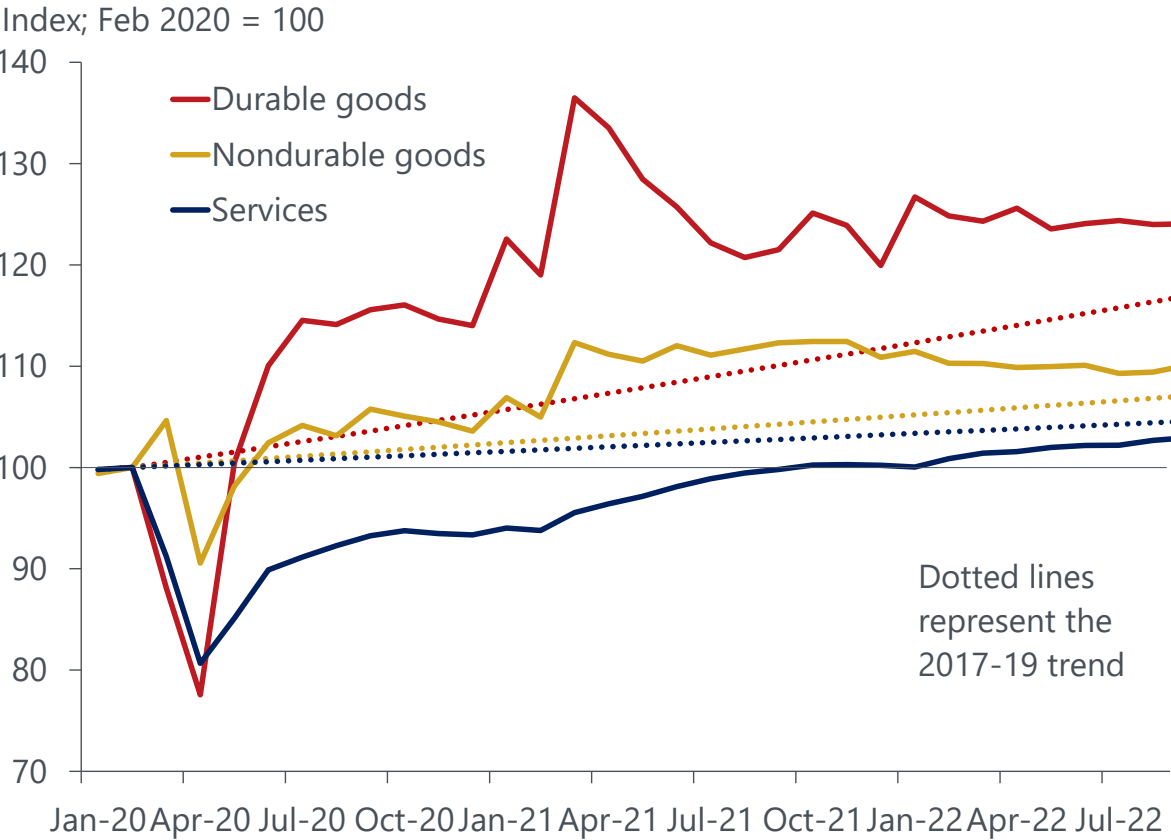
Watch Real Disposable Income!

US: Personal income



Source: Oxford Economics/Haver Analytics

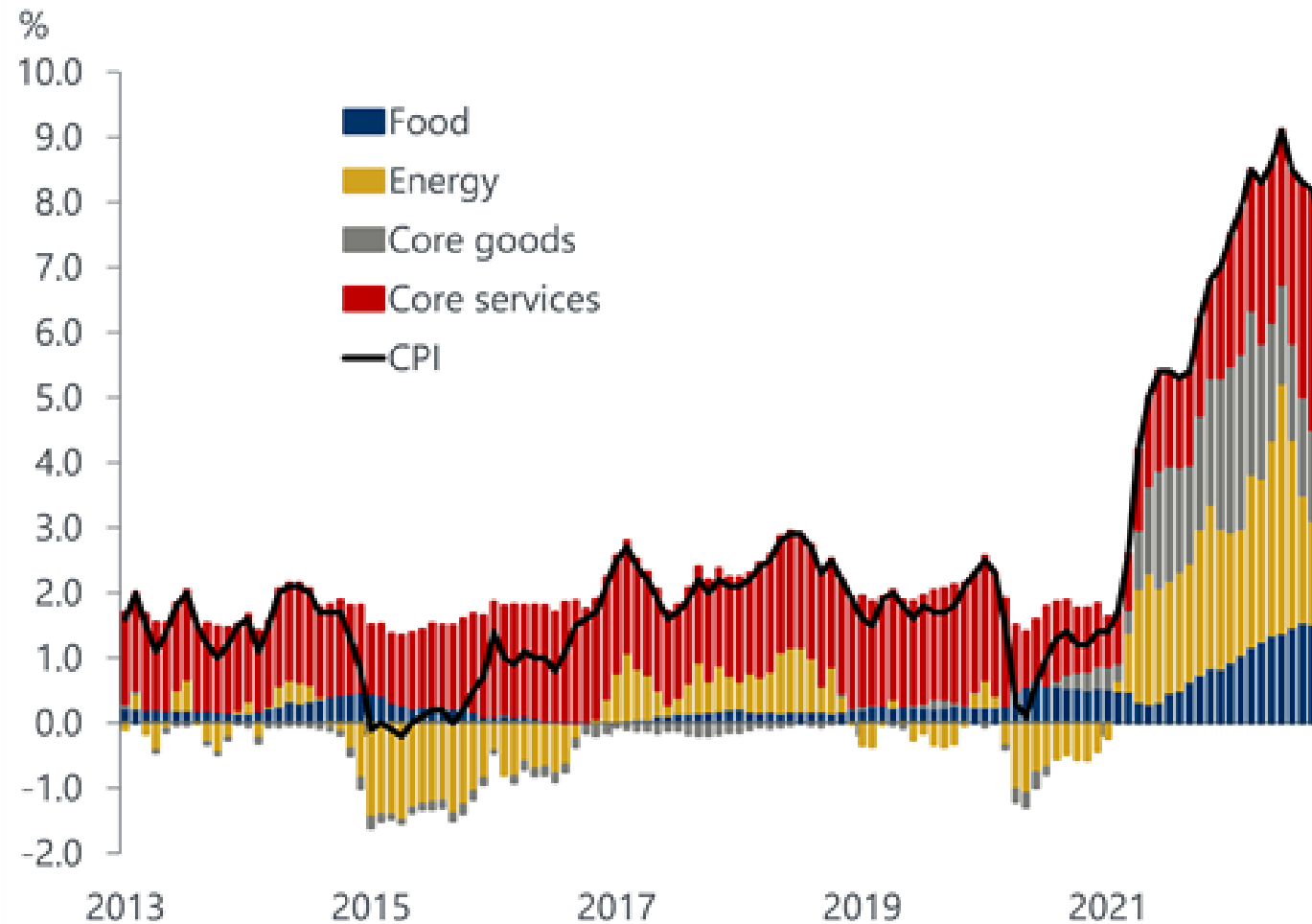
US: Real consumer spending



Source: Oxford Economics/Haver Analytics

Where Is the Relief?

US: Breakdown of CPI by components





Brodie Oldham
VP Commercial Data Science



Small Business Credit

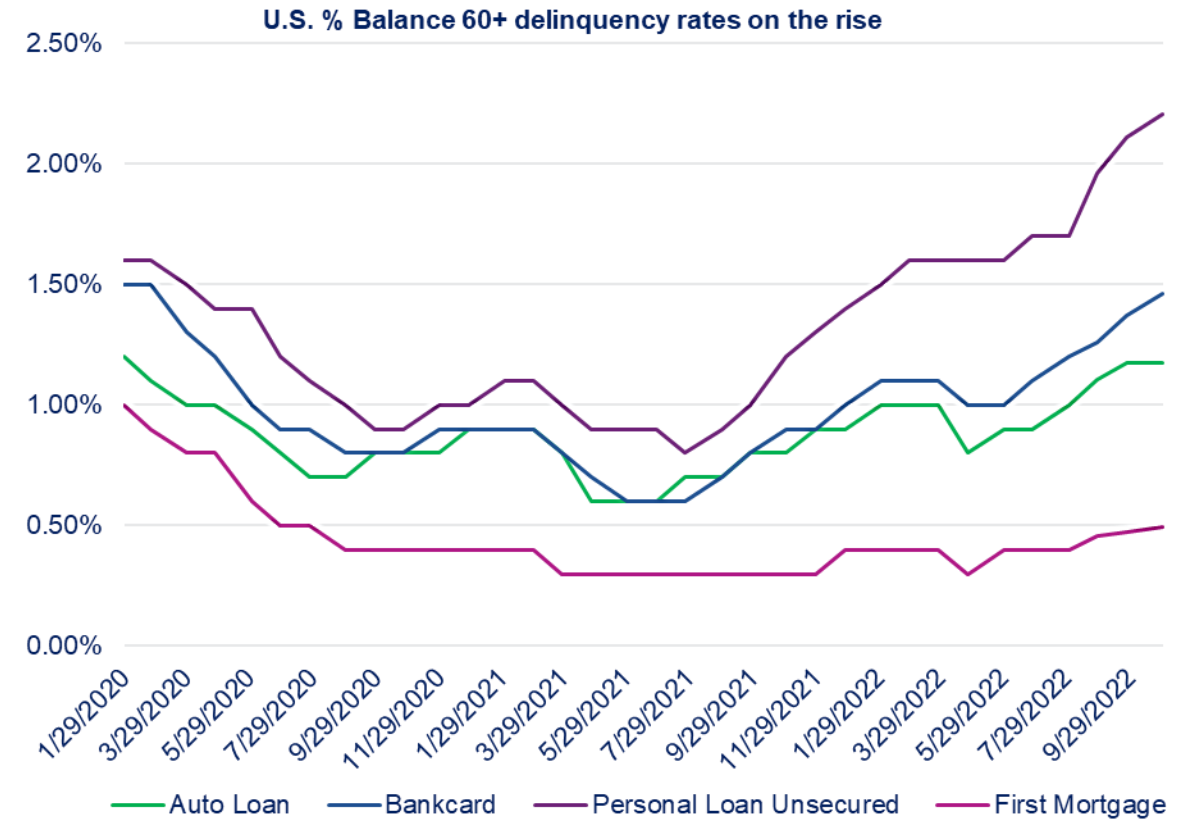
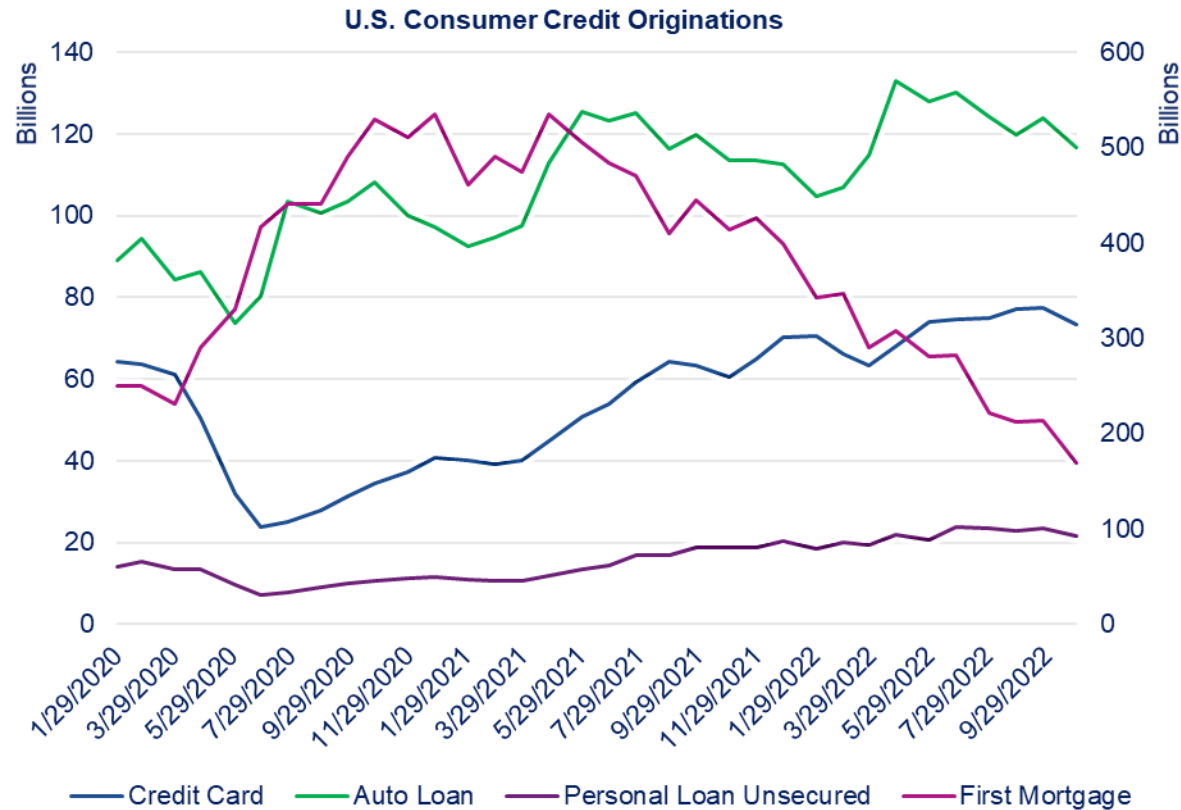
Supporting our mission

- ✓ 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



Consumer Originations

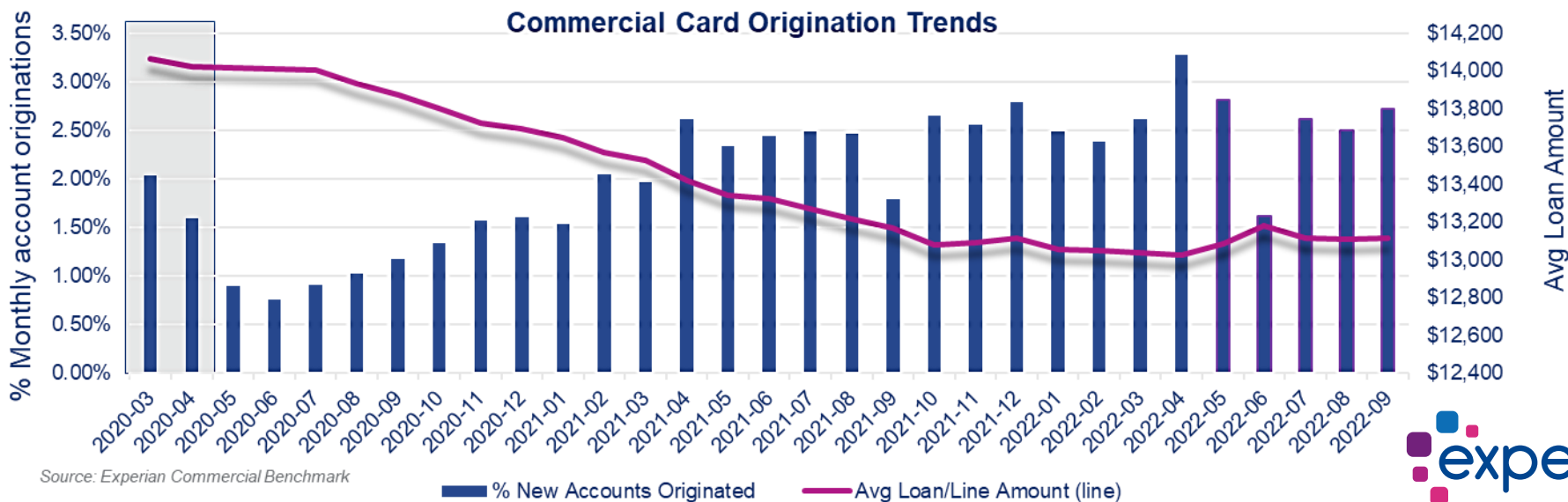
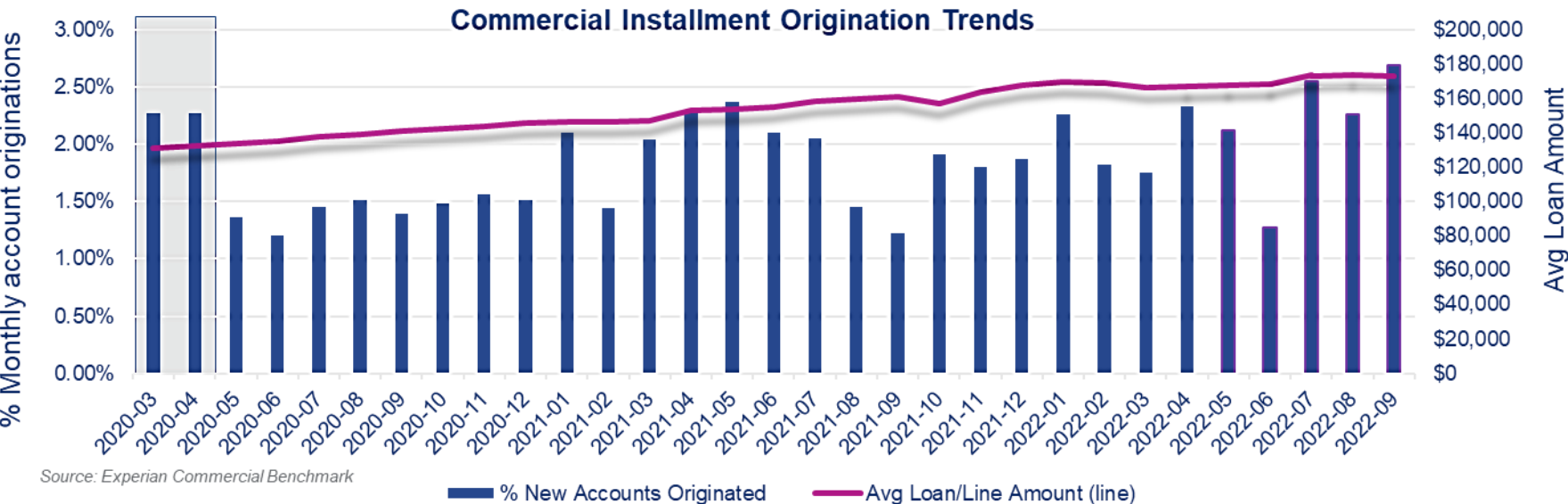
Consumer Delinquency

Source: Experian State of the Market



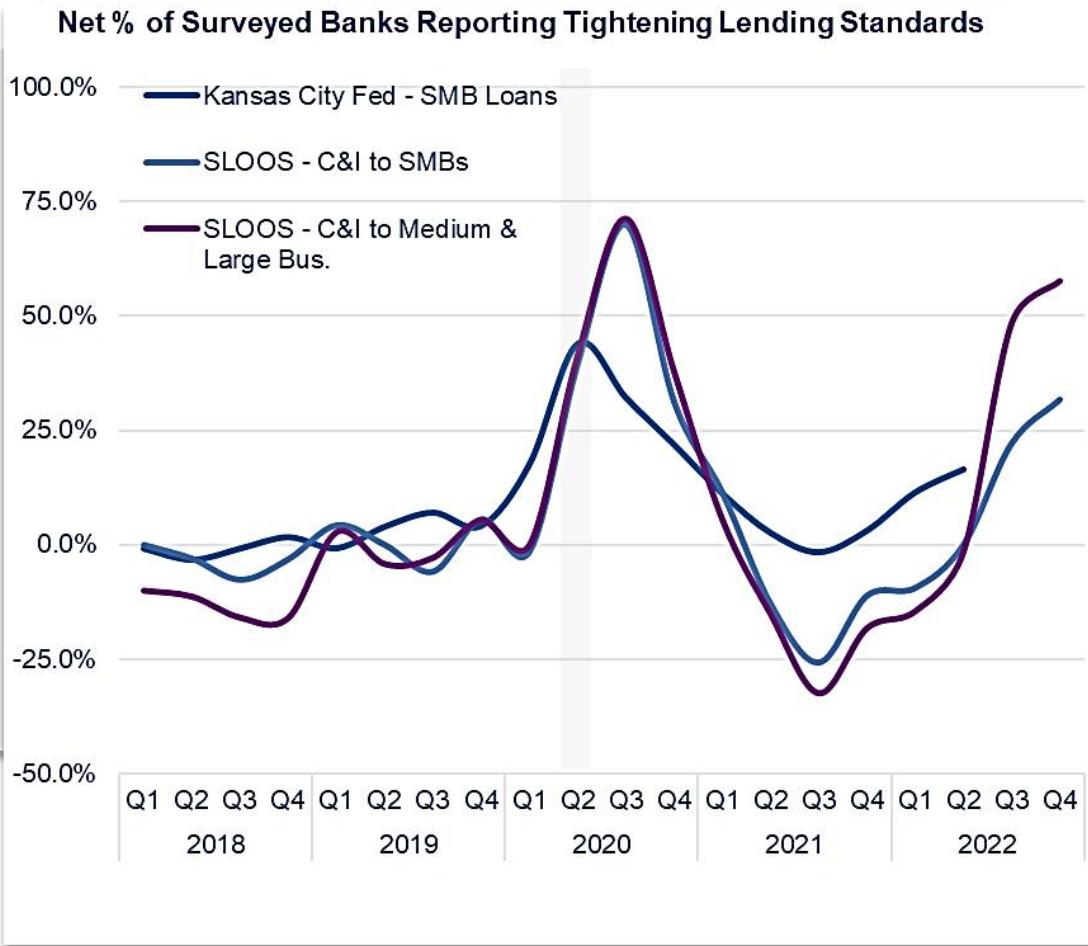
Commercial health

Continued steady growth in originations



Commercial credit

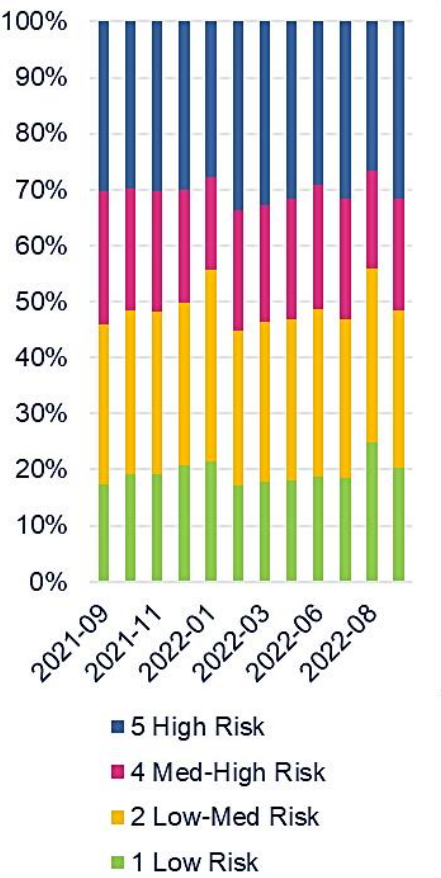
Has tightening begun..



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



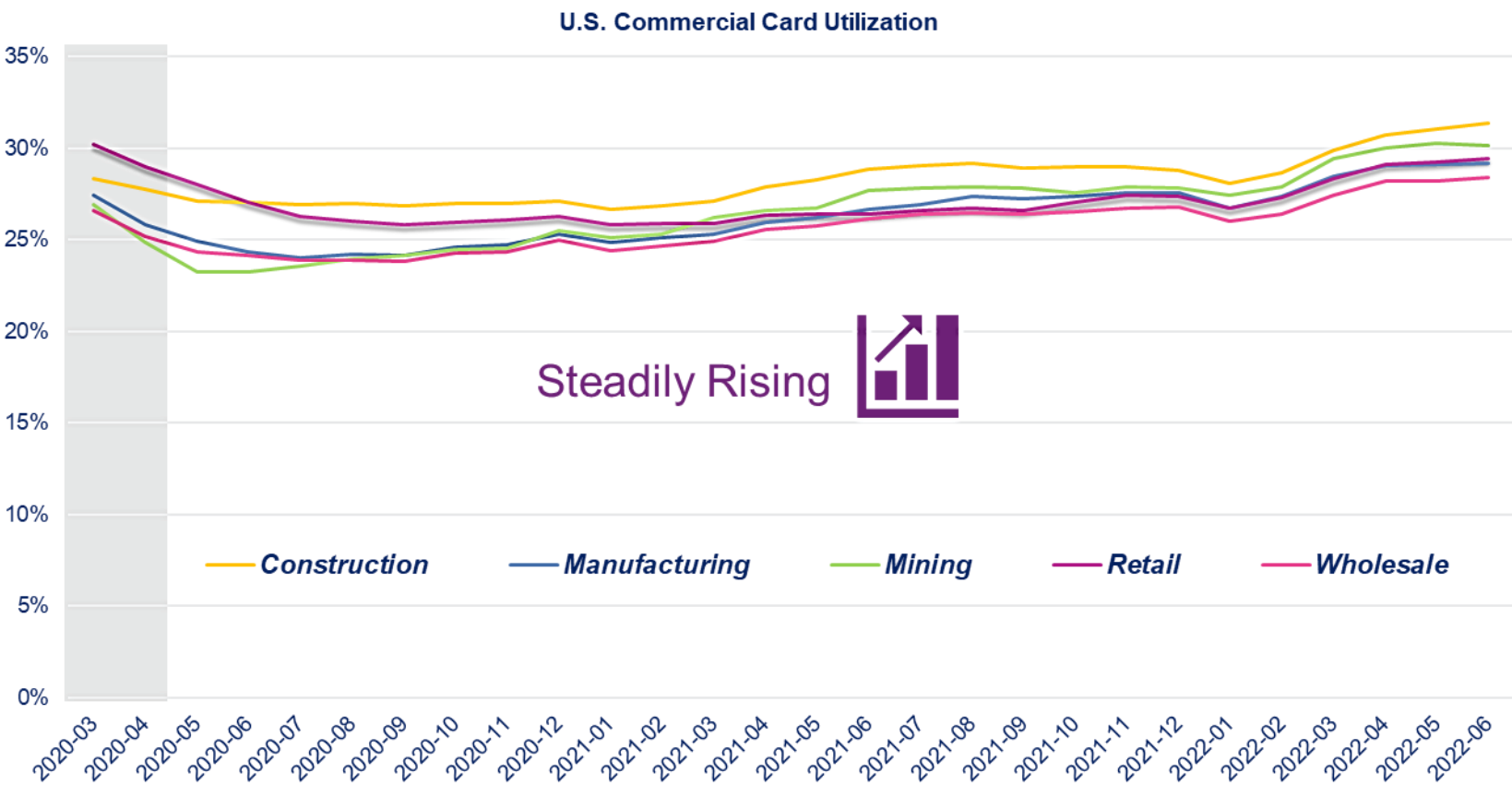
Commercial Card Underwriting



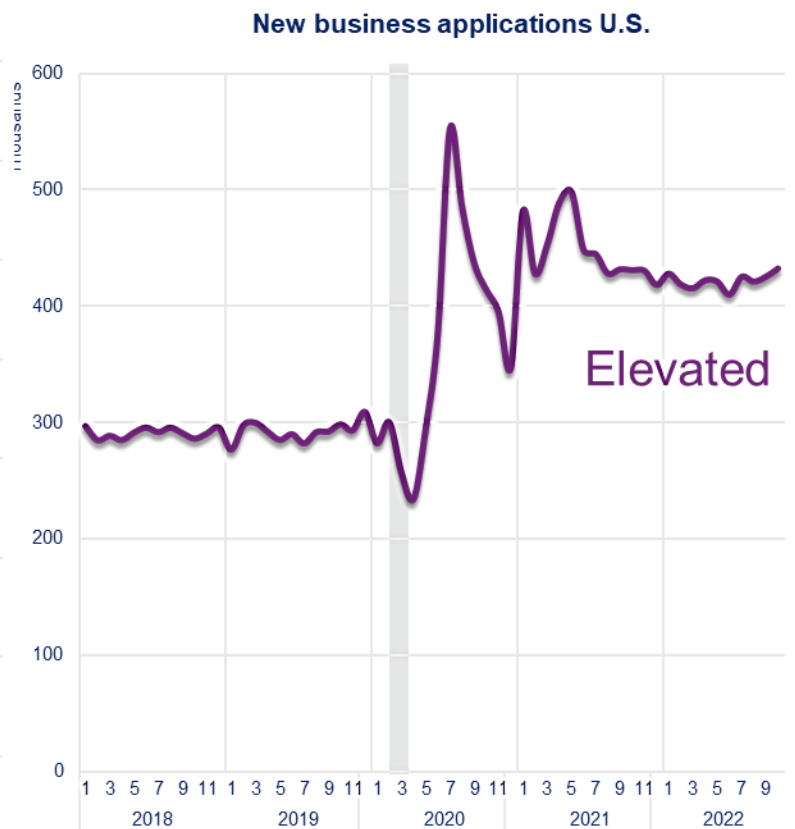
Source: Experian Commercial Benchmark

Commercial health

Usage increasing across industries



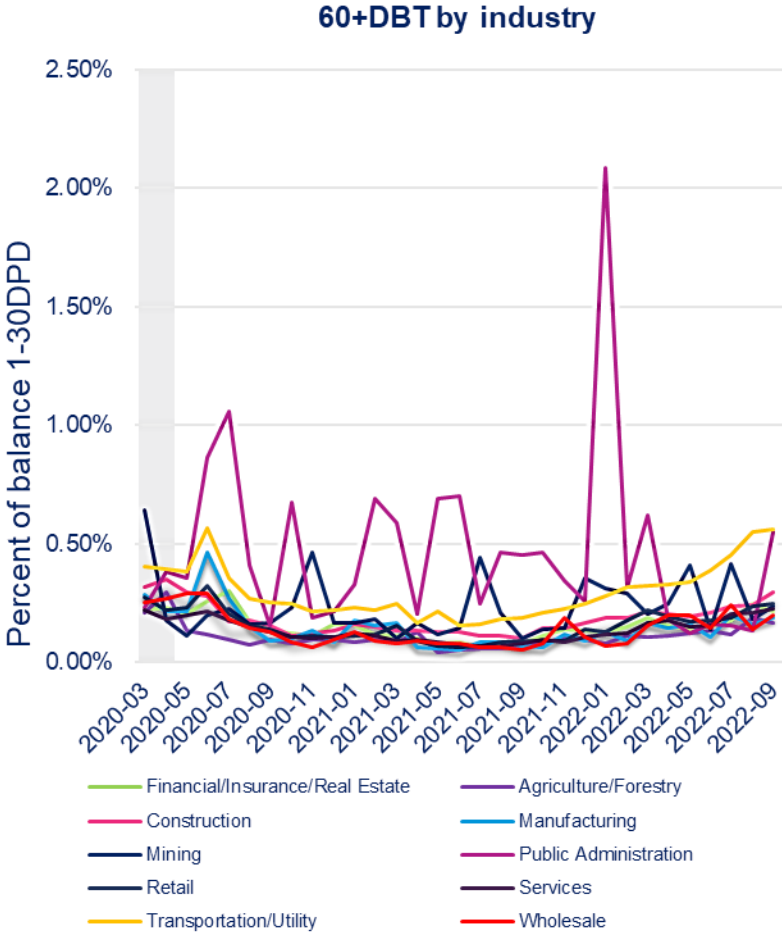
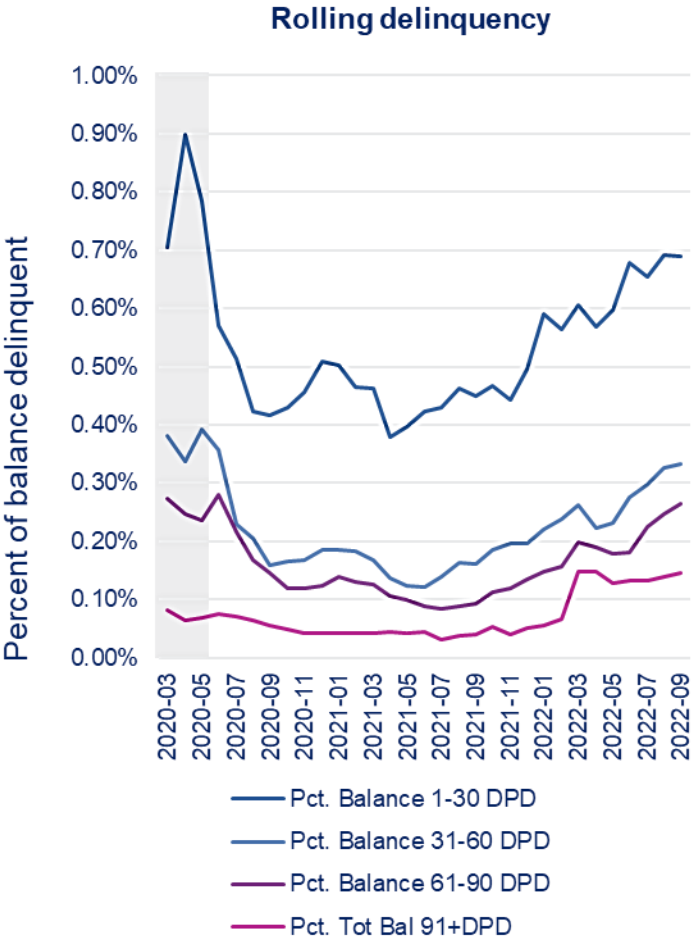
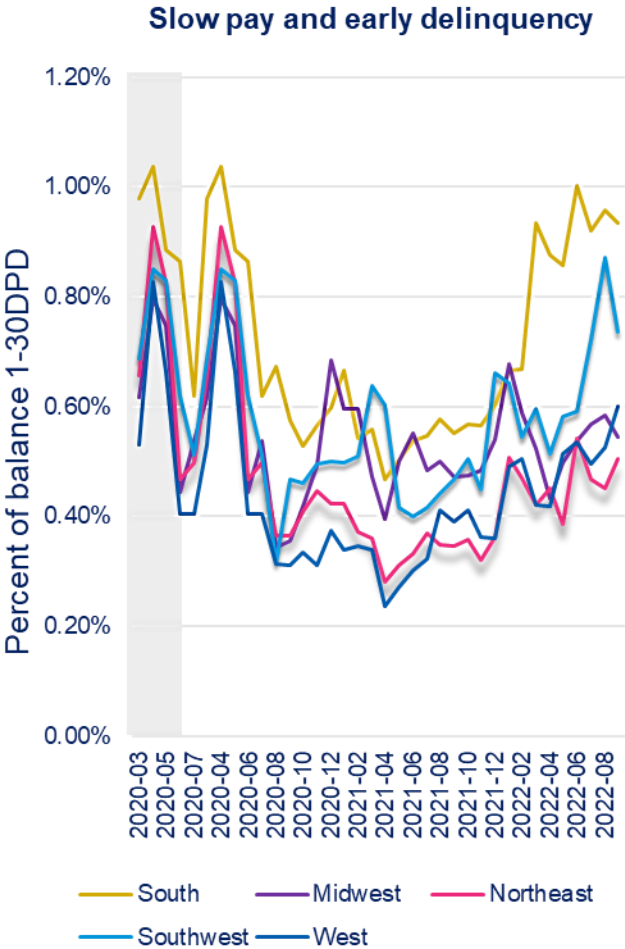
Source: Experian Commercial Benchmark



Source: U.S. Census Business Formation Statistics

Delinquency trends

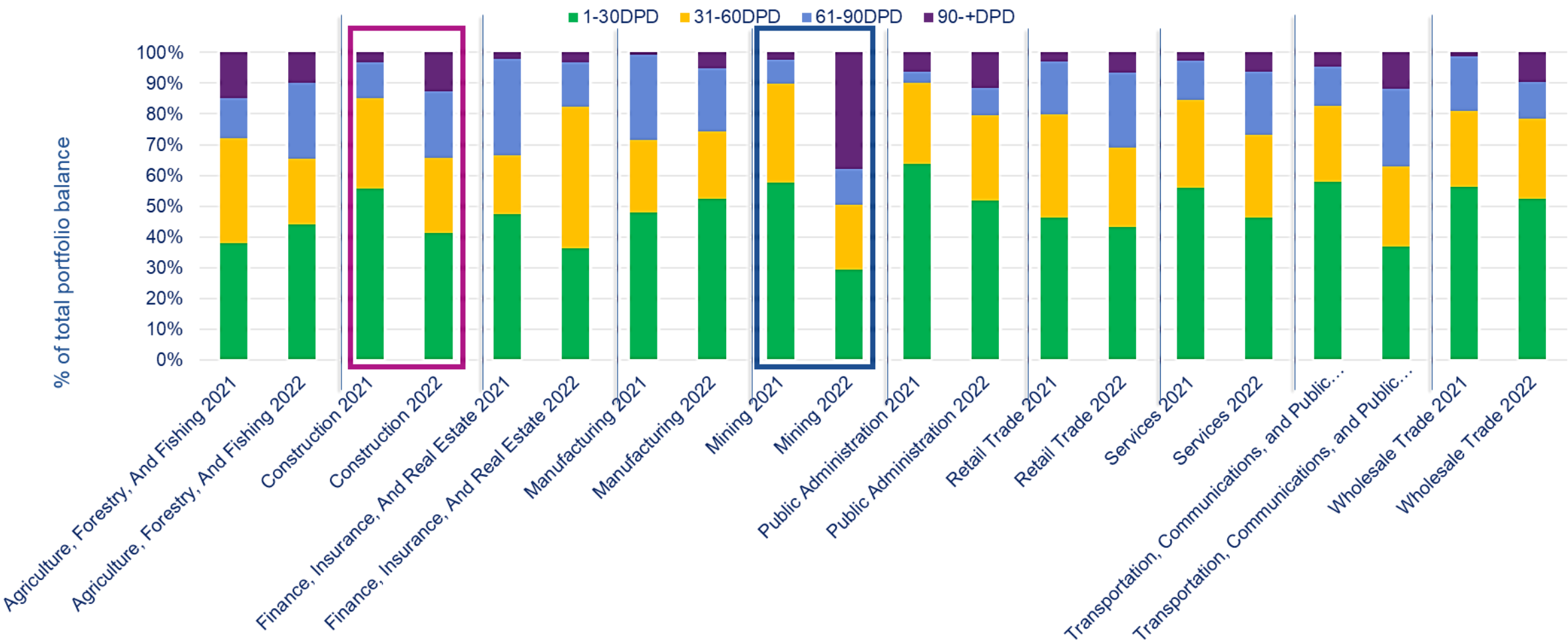
U.S. Commercial Card delinquencies edge above pre-pandemic levels



Source: Experian Commercial Benchmark

Industry focused portfolios

On book delinquency rates differ across industries (All products)

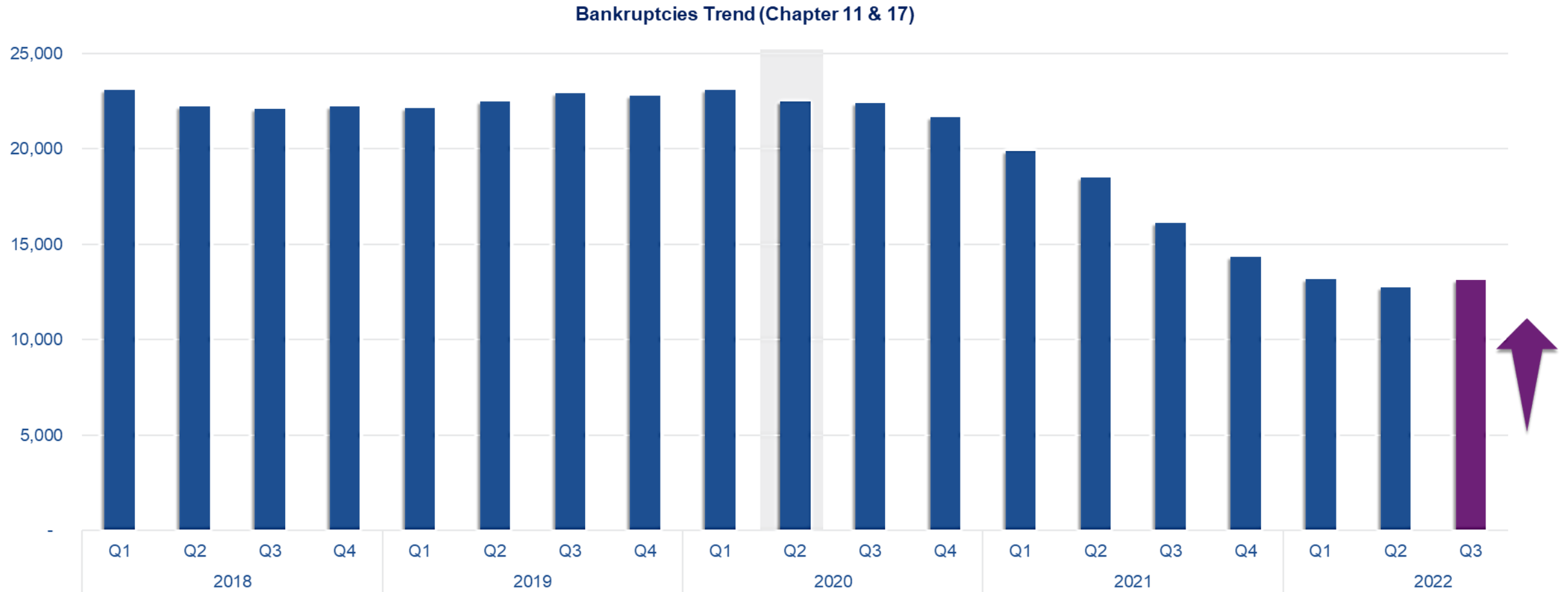


Source: Experian Commercial Benchmark



Commercial Bankruptcy

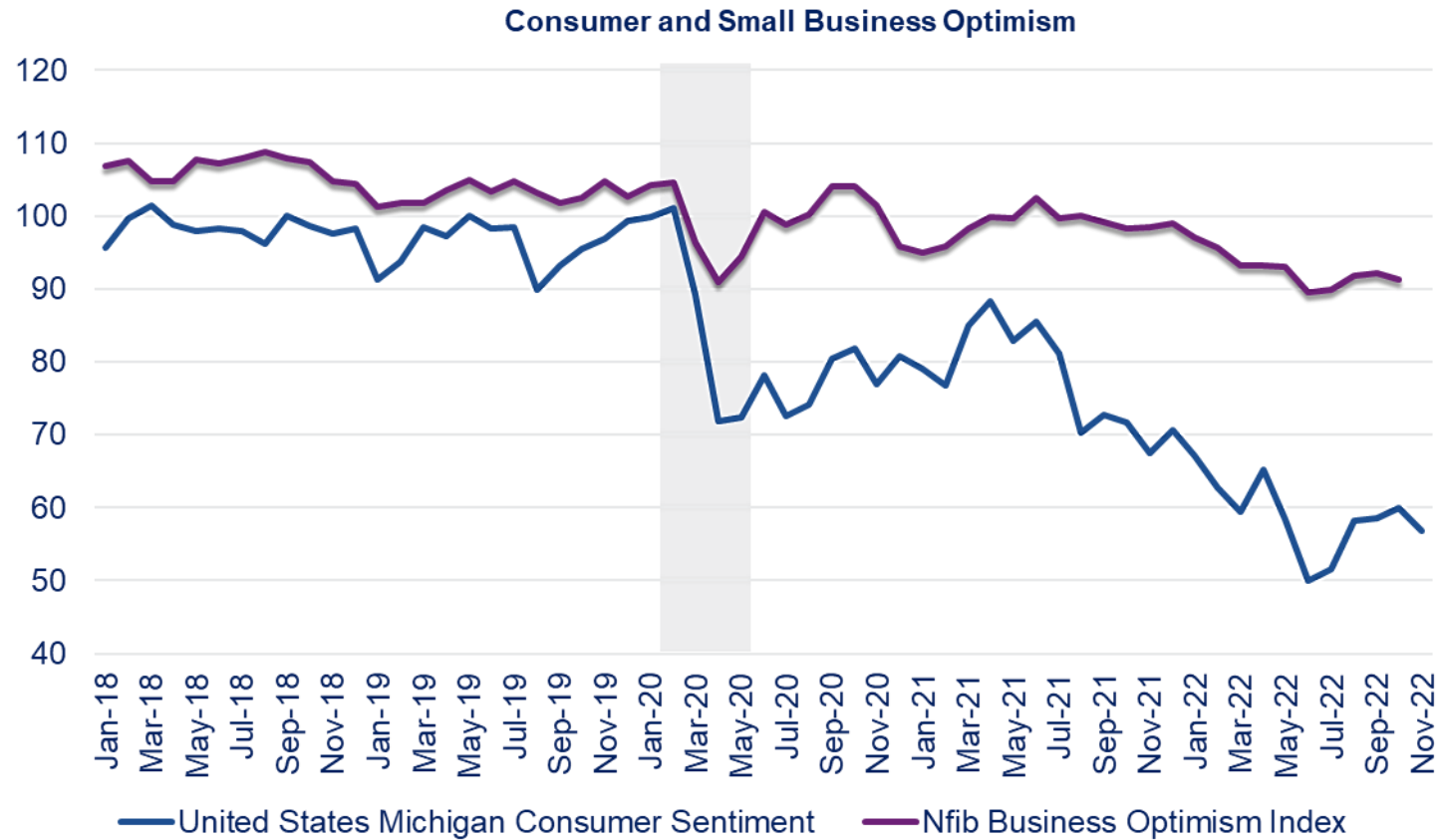
First quarter of increase since pre-pandemic



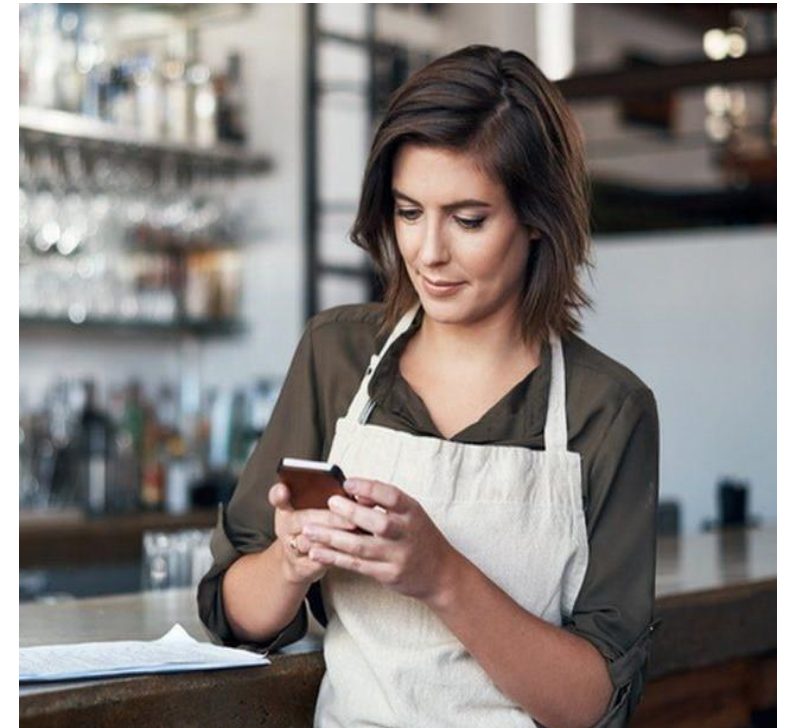
Source: Administrative Office of the U.S. Courts

Commercial health

Commercial optimism seeing positive response to current conditions

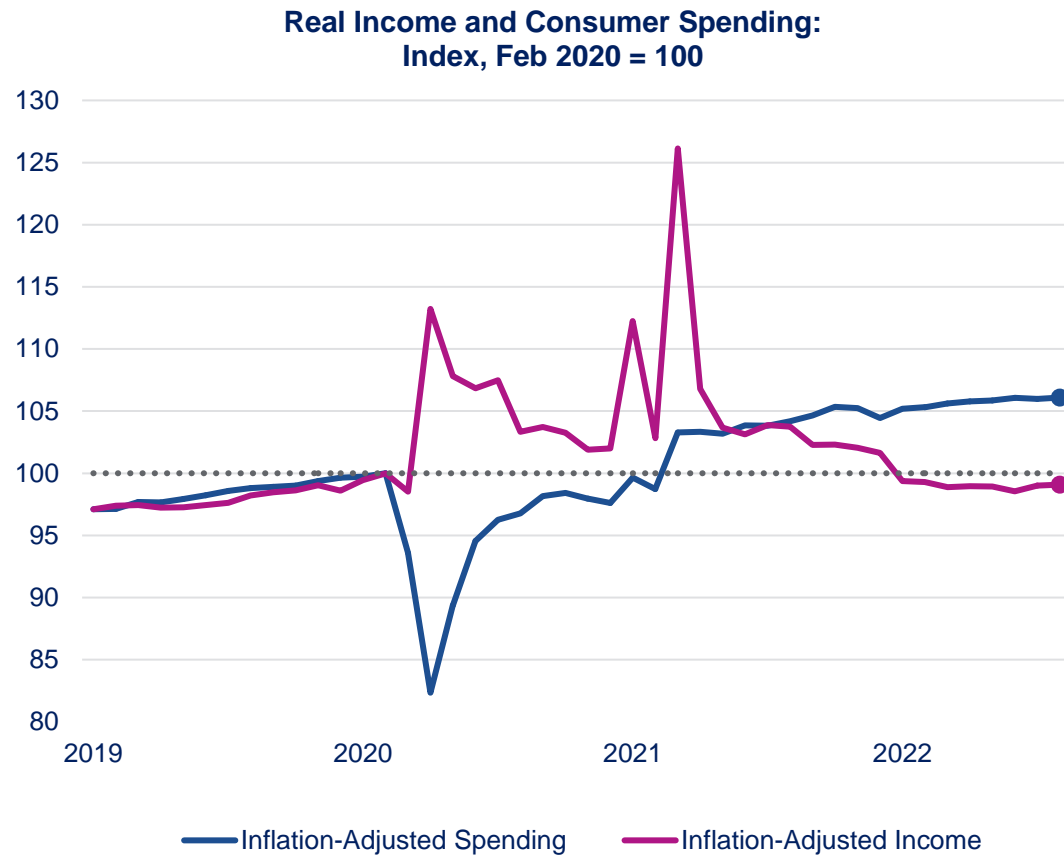


Source: NFIB, Small Business Monthly Optimism Survey



Despite impact of inflation on incomes, spending continues

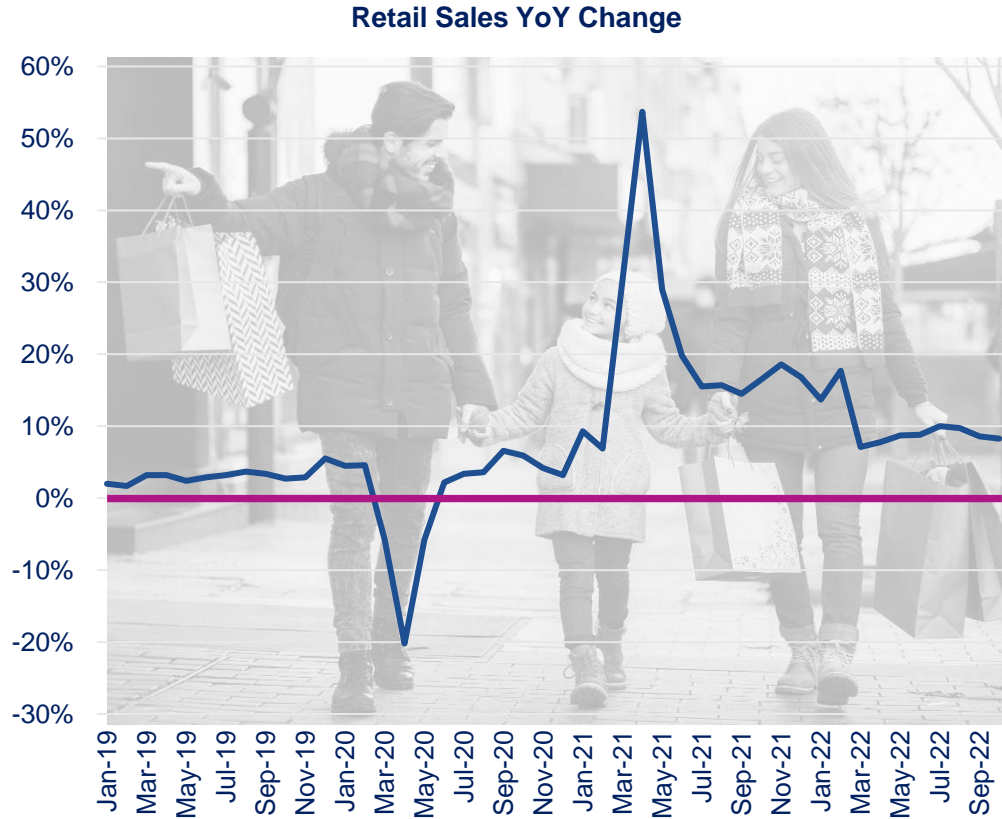
Incomes have fallen back to pre-pandemic levels while spending has continued to rise



Source: Bureau of Labor Statistics, Bureau of Economic Analysis and Author's Calculation

Holiday expectations....

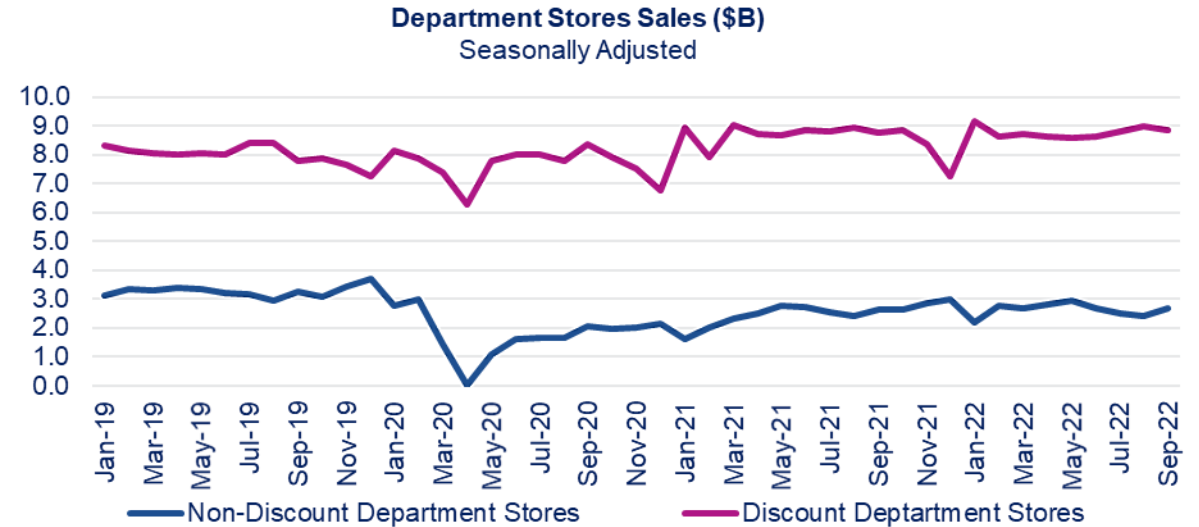
Sales and spend continue through the holiday



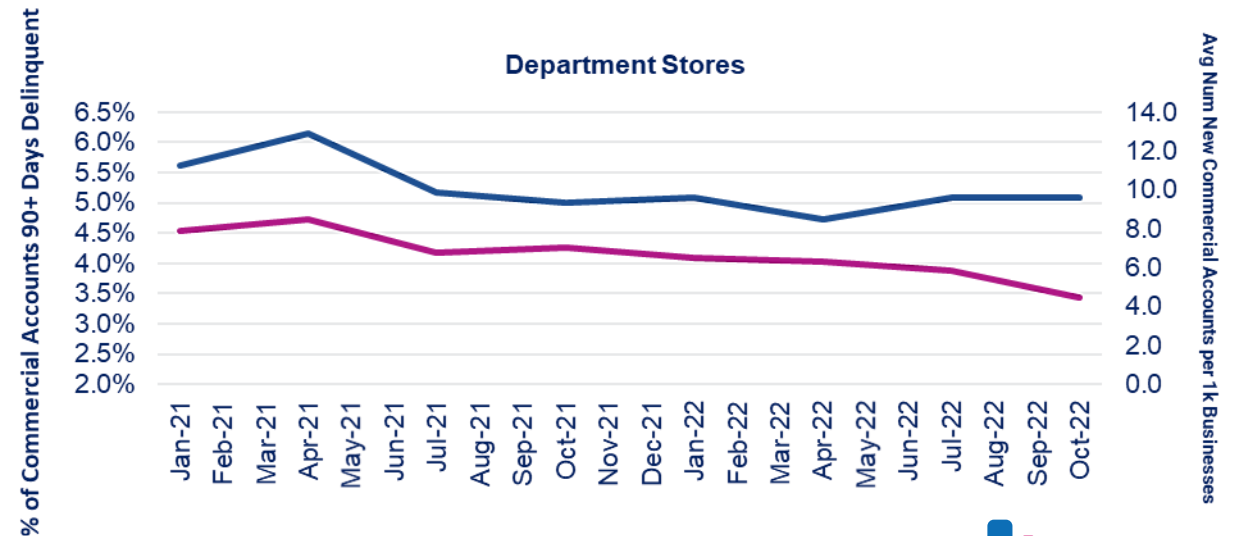
Sources: U.S. Census Bureau



Year-over-year (YoY) growth of Retail Sales in the U.S. has rebounded since the mid-2020 pandemic lows. October retail sales were strong with an 8.3% increase YoY but it was the smallest YoY increase since April.



Source: US Census, Monthly Retail Trade Survey, and author calculations



Source: Experian commercial database and author calculations

What levers will you pull....

US Economy will continue to slow in 2023

How will you engage with your small business and consumer customers



- ✓ Continue to market
- ✓ Enhancing fraud procedures and tools
- ✓ Reassessing policies/ rules
- ✓ Limit portfolio risk
- ✓ Pretreatment/ Attrition management



Wrapping it up

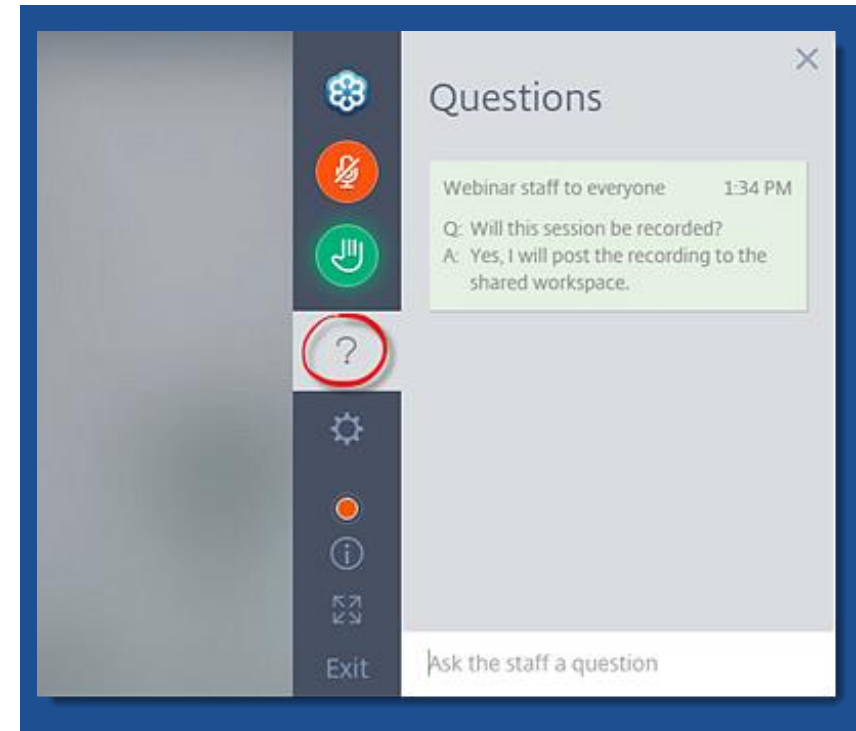
Consumer and commercial spend holding steady



- Federal Reserve will continue to be active
- **U.S. Labor market strength** will keep consumers spending in the short term
- Consumers are **spending beyond savings** as wage growth is eaten away by inflation
- Small businesses see lingering elevated **inflation** as the **highest risk** to cost containment and growth
- Preliminary signs of credit market **tightening** more visible

Questions

And now we would like to take any questions if you have them.





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- Please take a moment to fill out our short exit-survey
- Helps us keep improving our webinars
- Tell us what else we should be covering





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