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Webinar



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# Quarterly Business Credit Review

Q1 2023

Presented by

**Brodie Oldham**  
Experian

**Ryan Sweet**  
Oxford Economics





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# MAIN STREET REPORT

Your window into small business health

Download Q1 2023 report now



# Our Presenters



**Brodie Oldham**  
VP Commercial Data Science  
Experian



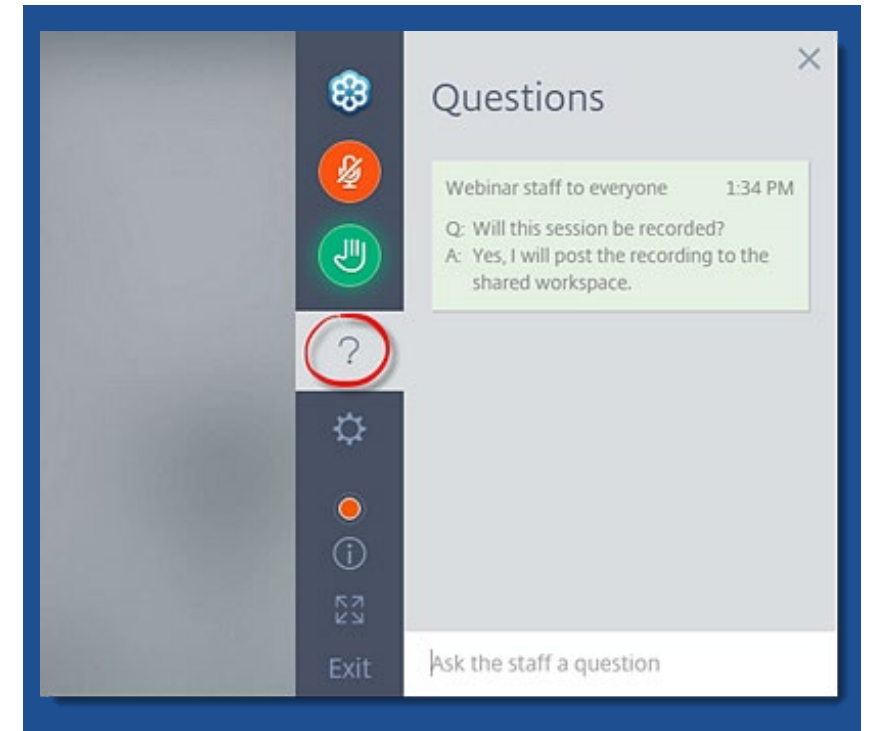
**Ryan Sweet**  
U.S. Chief Economist  
Oxford Economics





# Send us your questions

We will try to leave time at the end.







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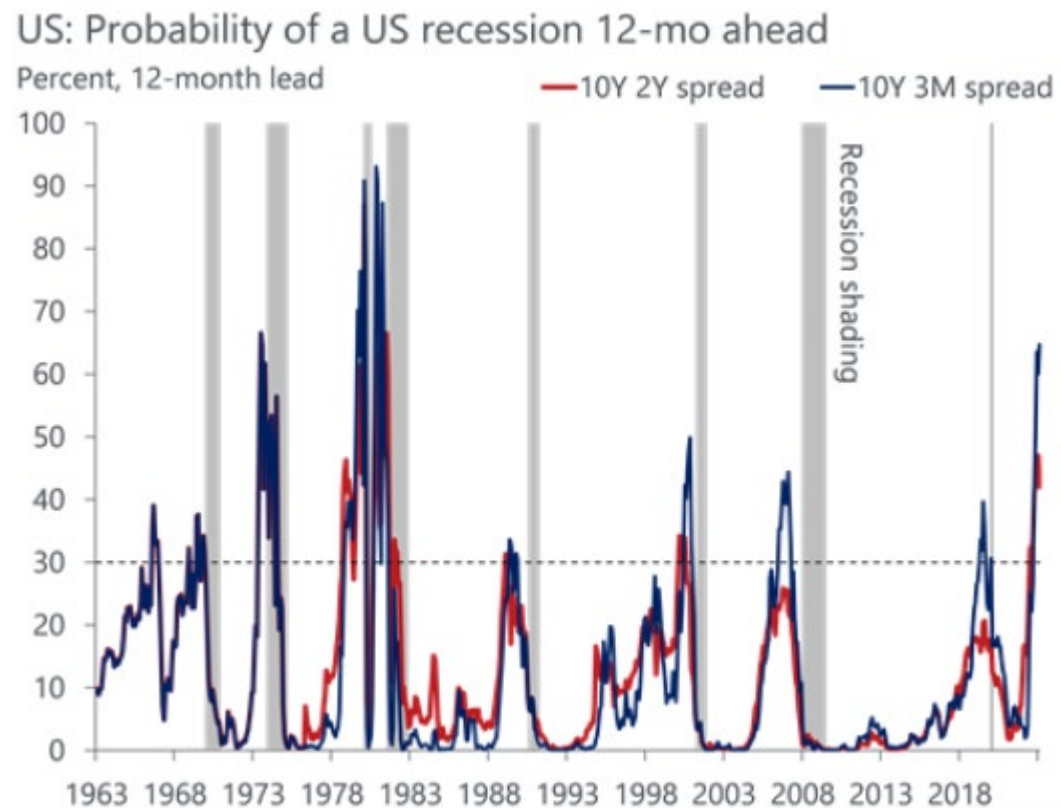


**Ryan Sweet**  
US Chief Economist



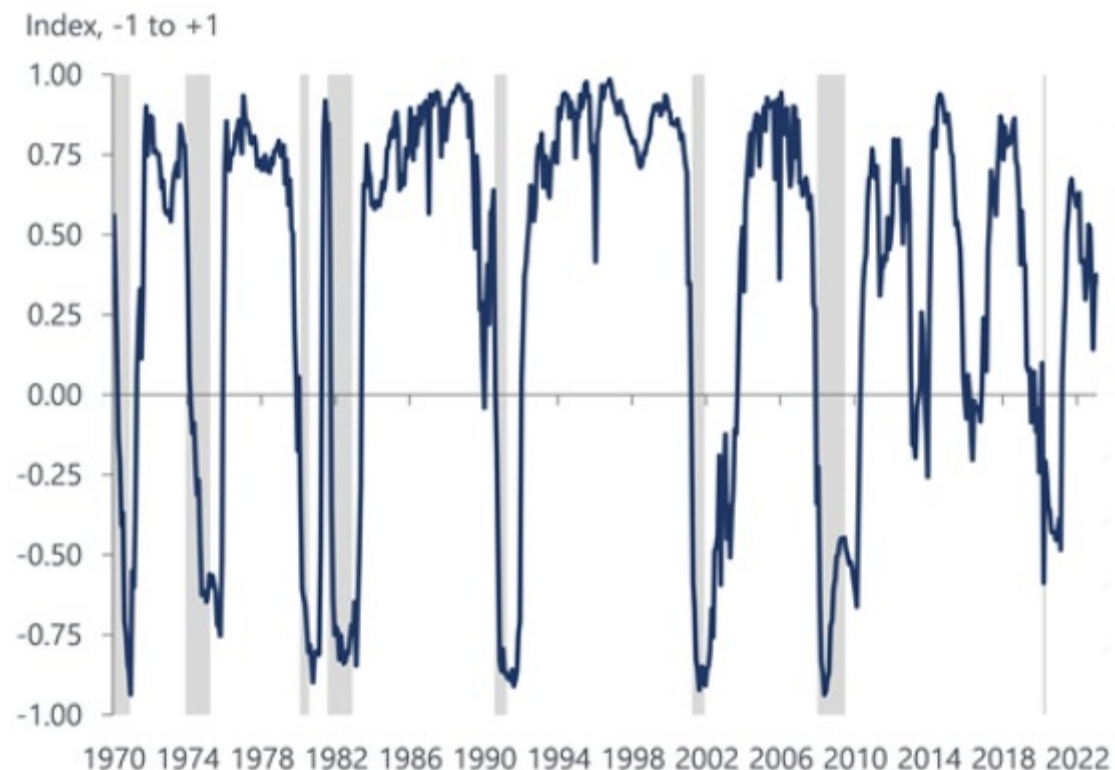


# Recession odds are uncomfortably high



Source: Oxford Economics/Haver Analytics

US: Oxford Economics' US Business Cycle Indicator (BCI)

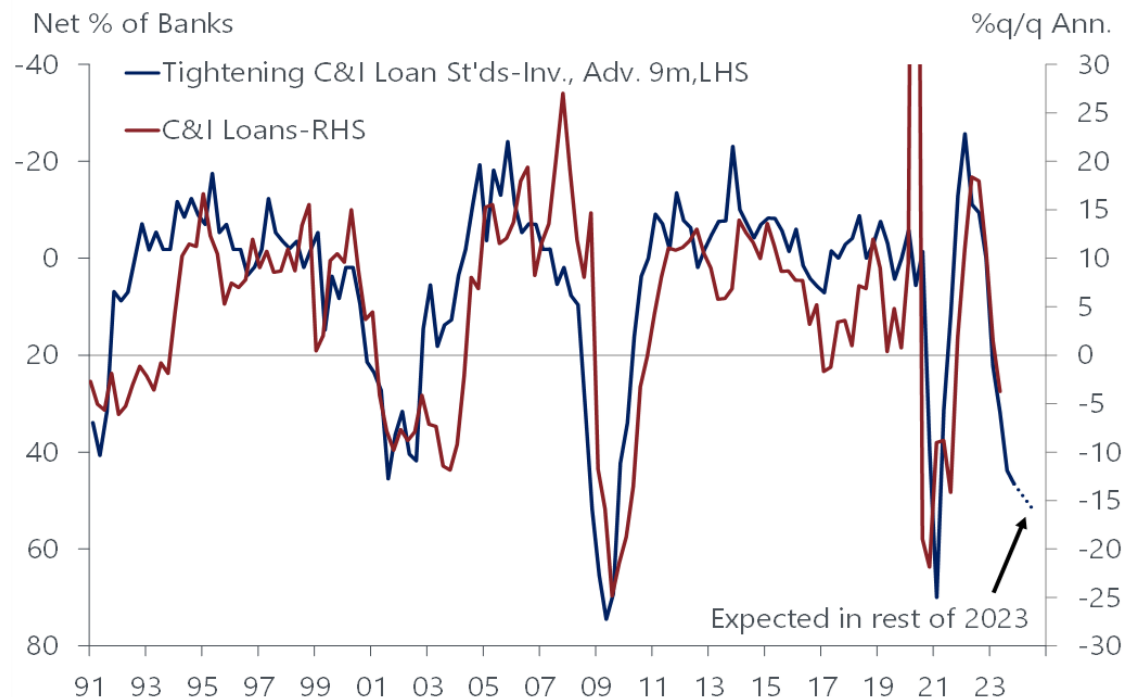


Source: Oxford Economics



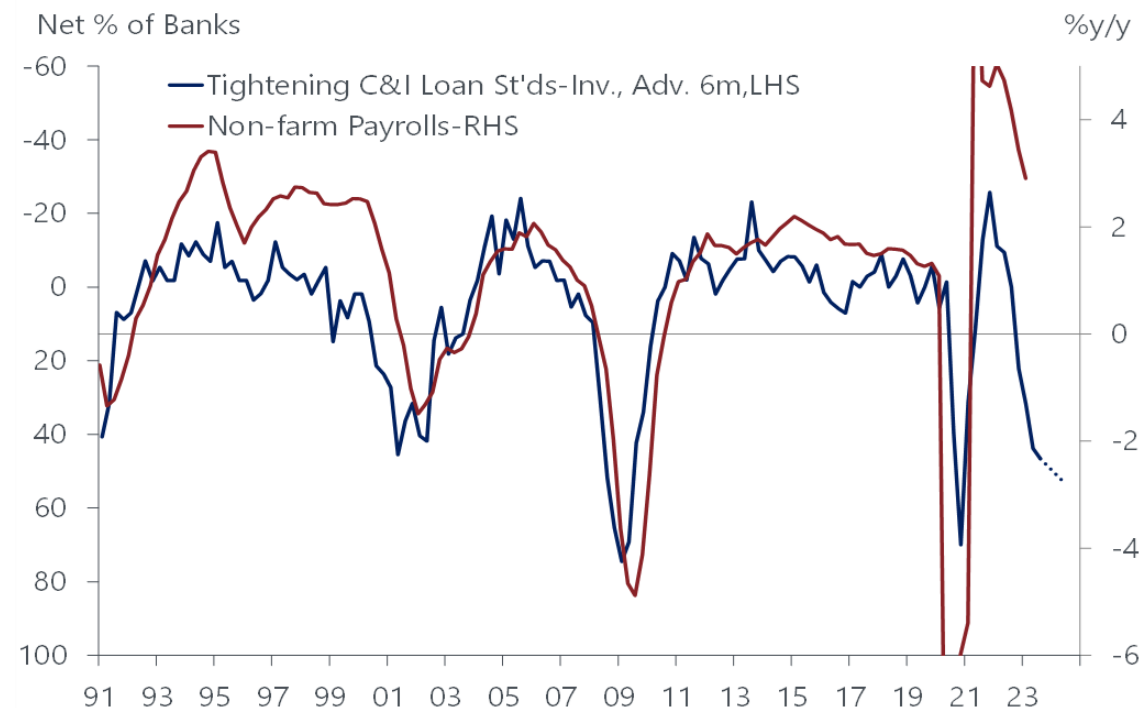
# Tighter credit conditions will take a toll on the economy

US: Lending Standards & C&I Loans



Source: Oxford Economics/Haver Analytics/Federal Reserve

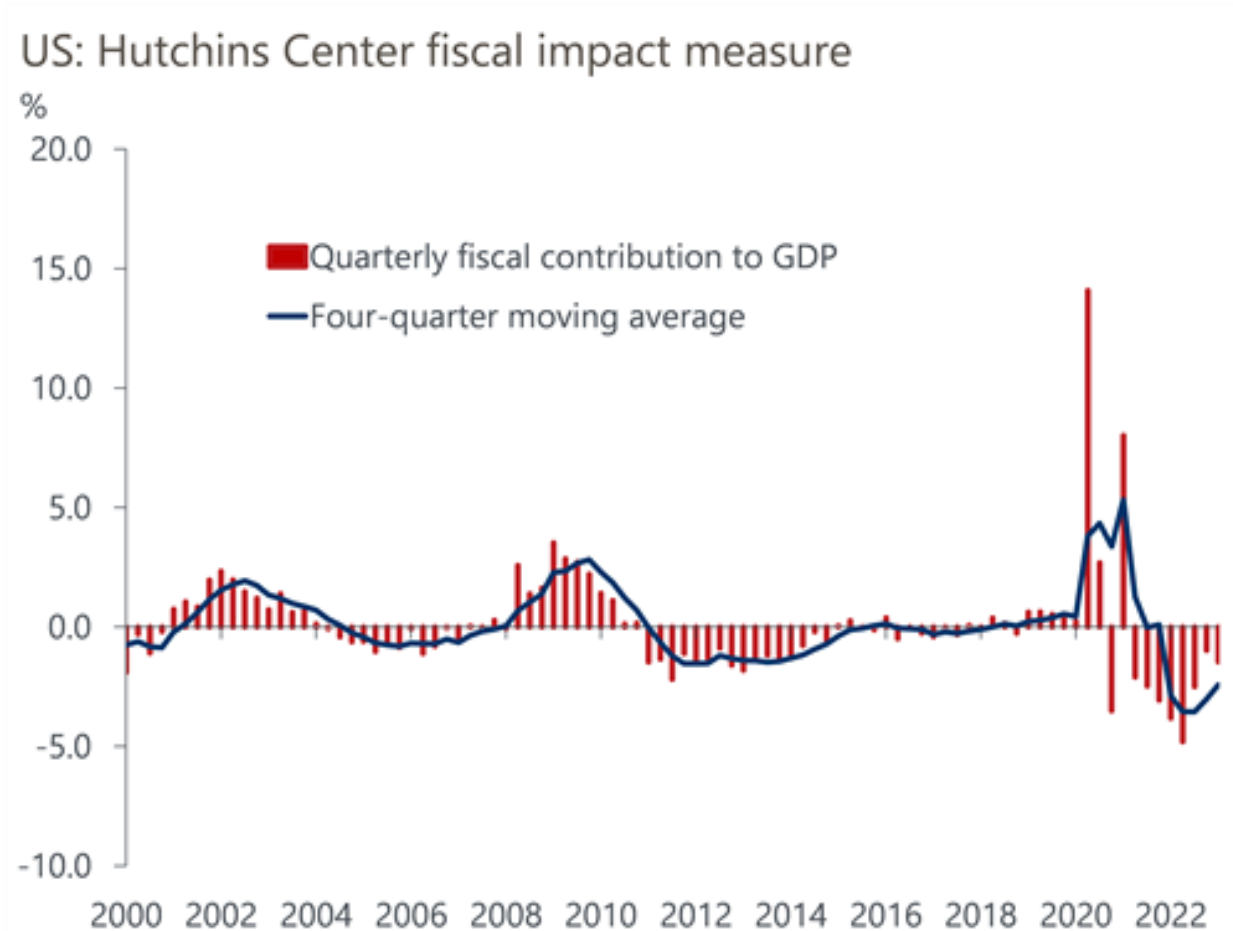
US: Lending Standards & Payrolls



Source: Oxford Economics/Haver Analytics/Federal Reserve



# Resolution could lead to a shift toward fiscal austerity

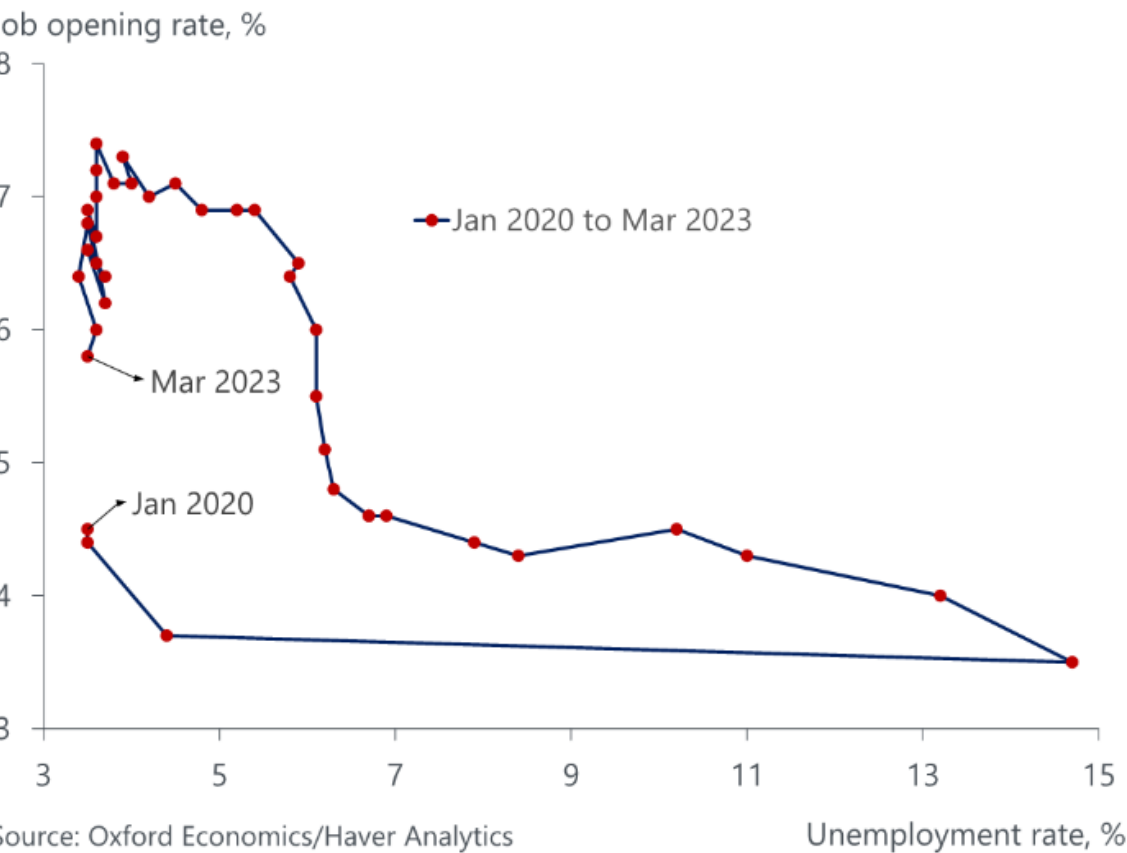


Source: Oxford Economics/Haver Analytics

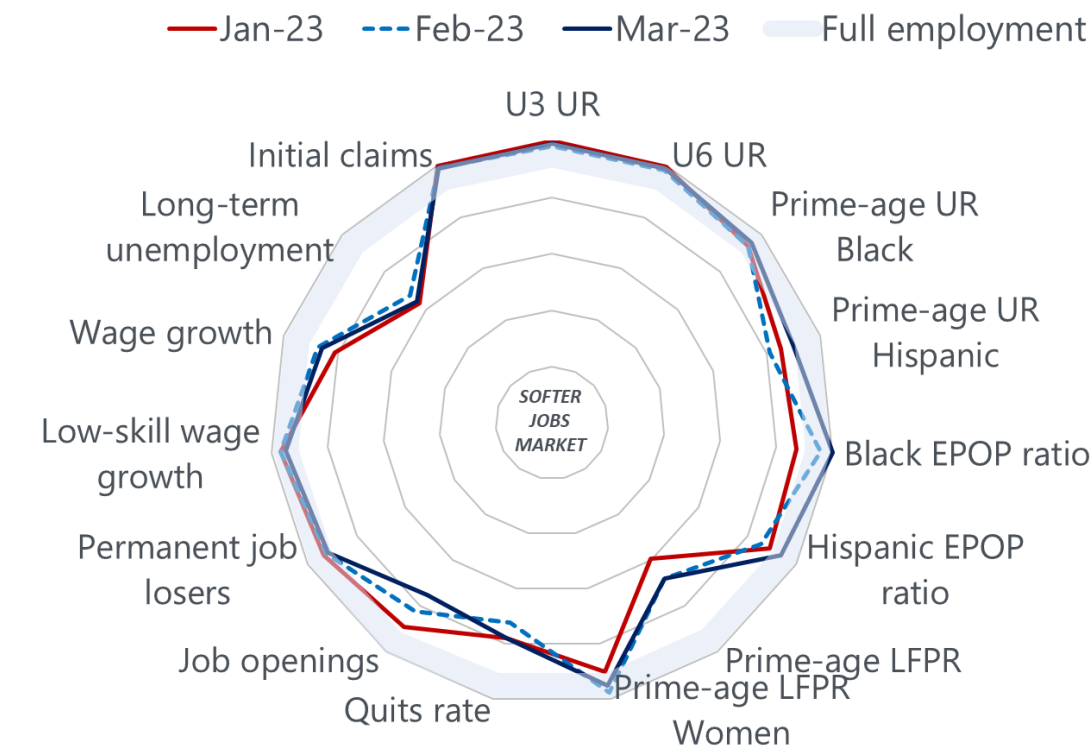


# Labor market keeps hopes for a soft landing alive

US: Beveridge curve



US: Broad labor market recovery



Source: Oxford Economics/Haver Analytics



# Wages are key for the Fed

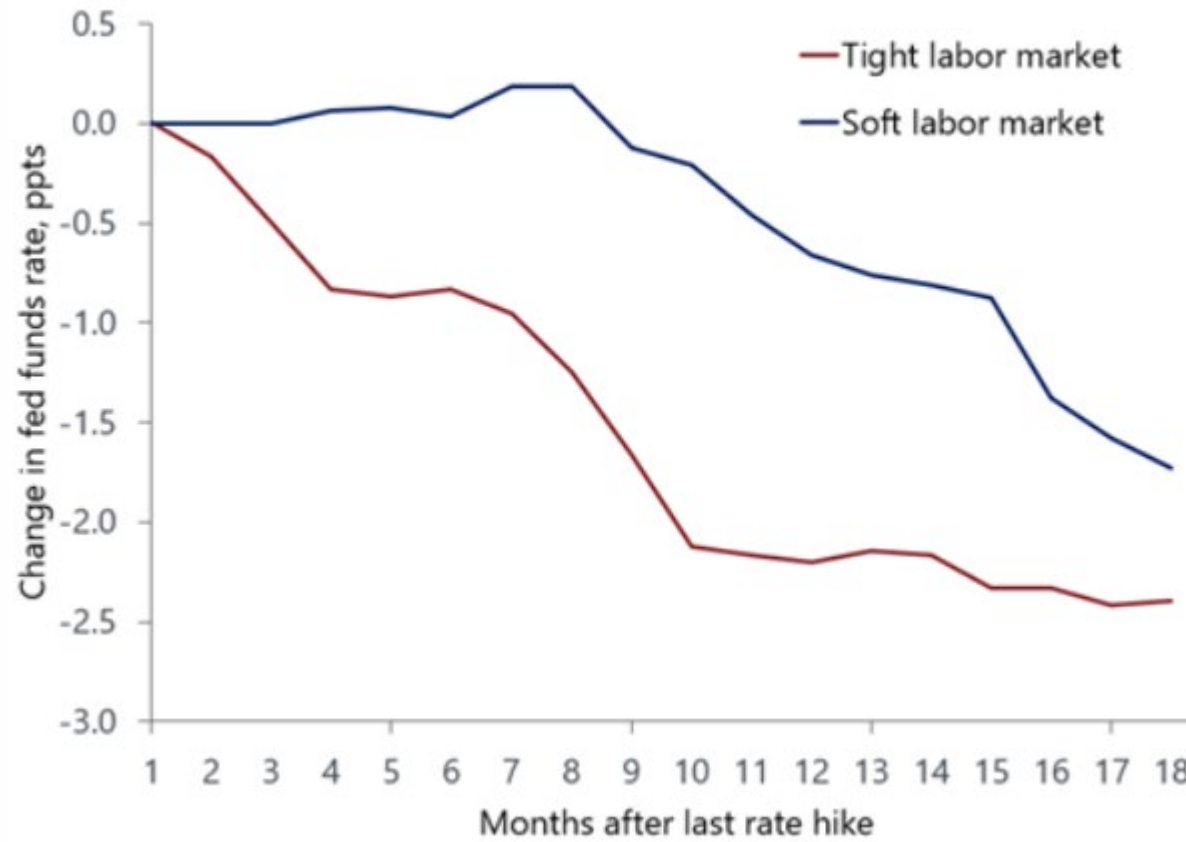


Source: Oxford Economics/Haver Analytics



# Fed is patient when the labor market is tight

US: Evolution of fed funds rate after final rate hike in cycle  
Since 1984



Source: Oxford Economics/Haver Analytics/Macrobond





**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**

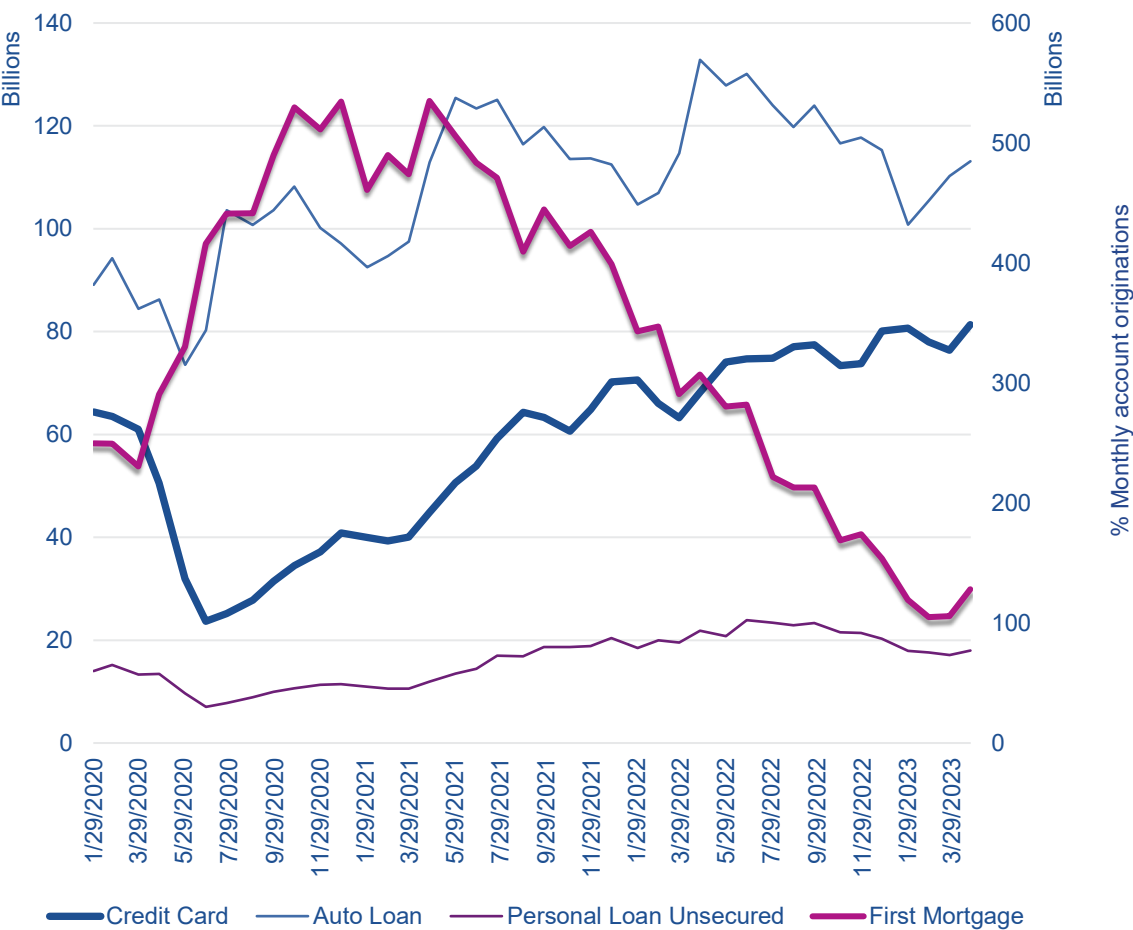




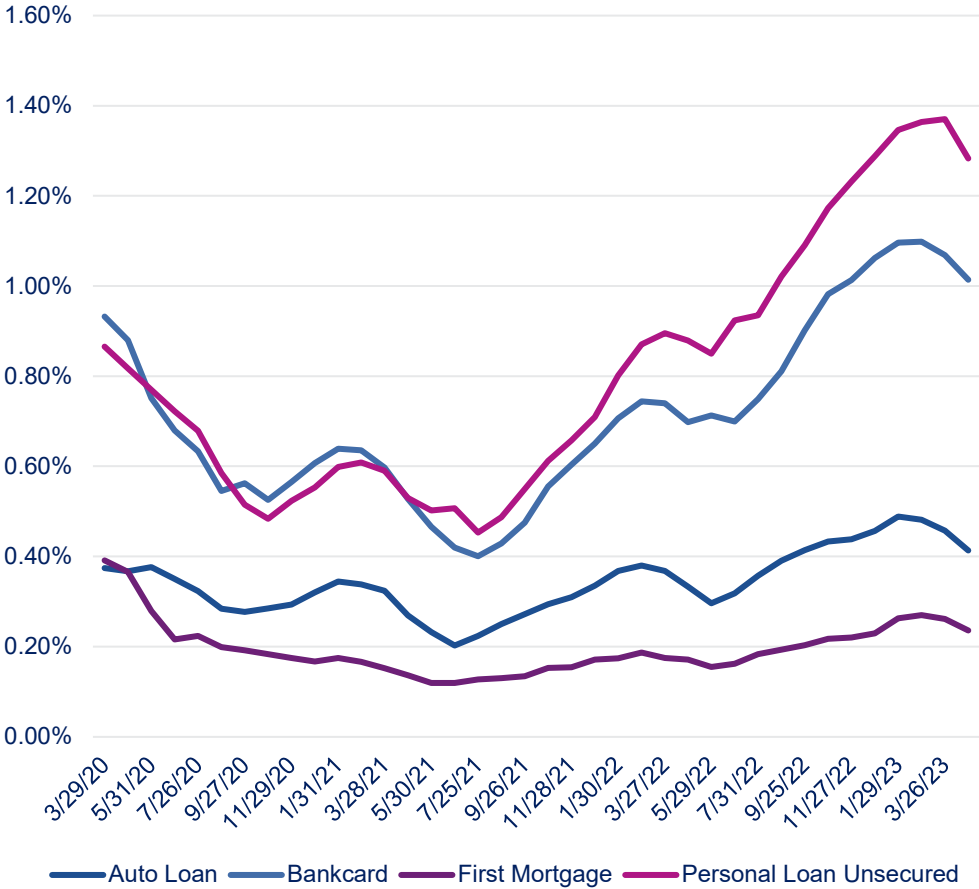
# Positive vibes to start the year

Consumers began to turn around performance

U.S. Mortgage finds some footing



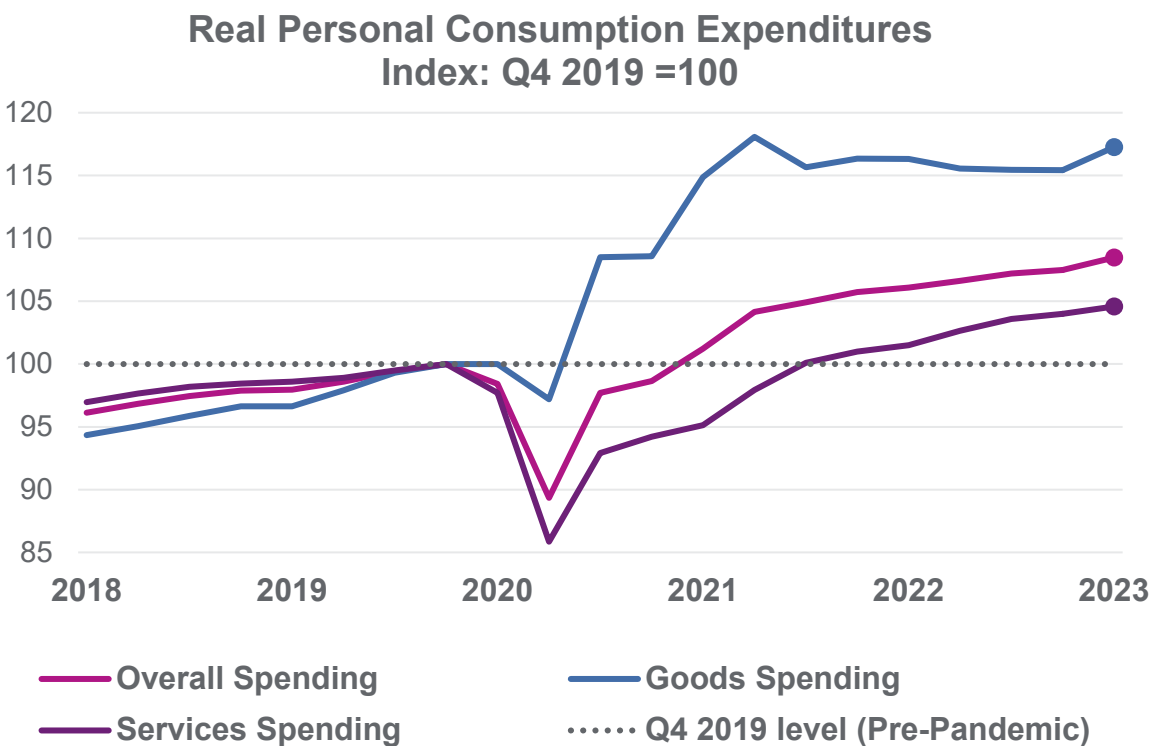
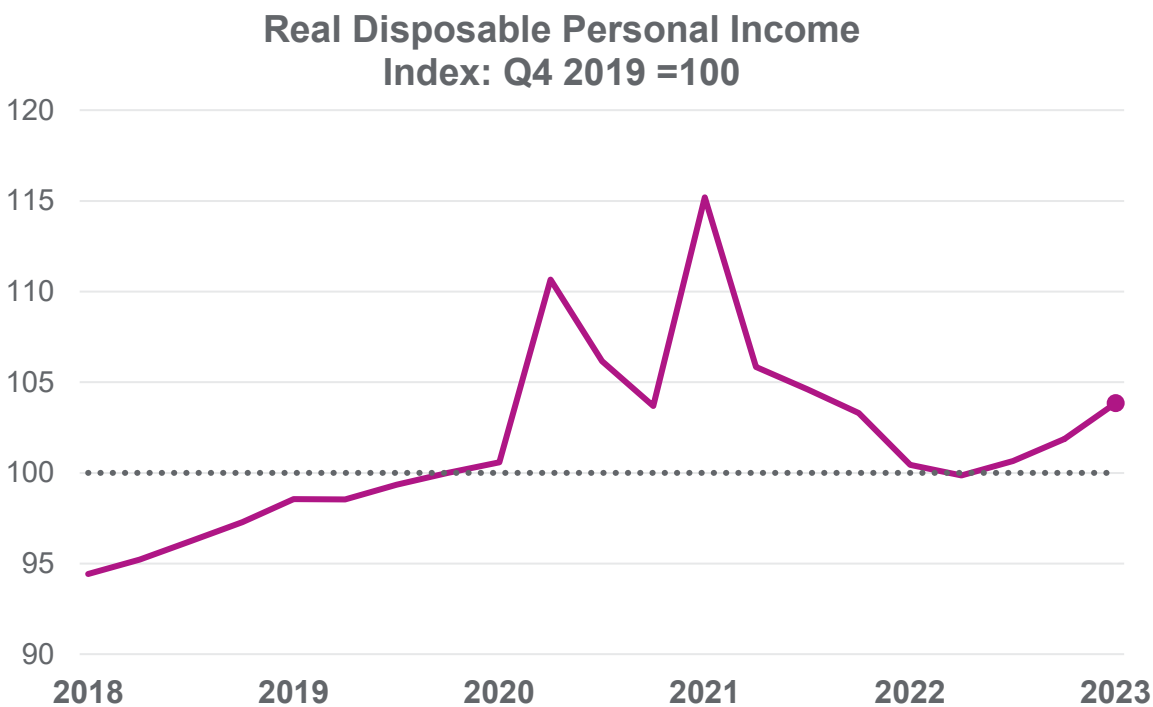
Consumer delinquencies % Balance 90+ begin to level





# Slight tailwind as incomes have risen with easing inflation

Consumer spending picked up in Q1 2023 at the fastest rate two years



Source: Bureau of Economic Analysis and Author's Calculation



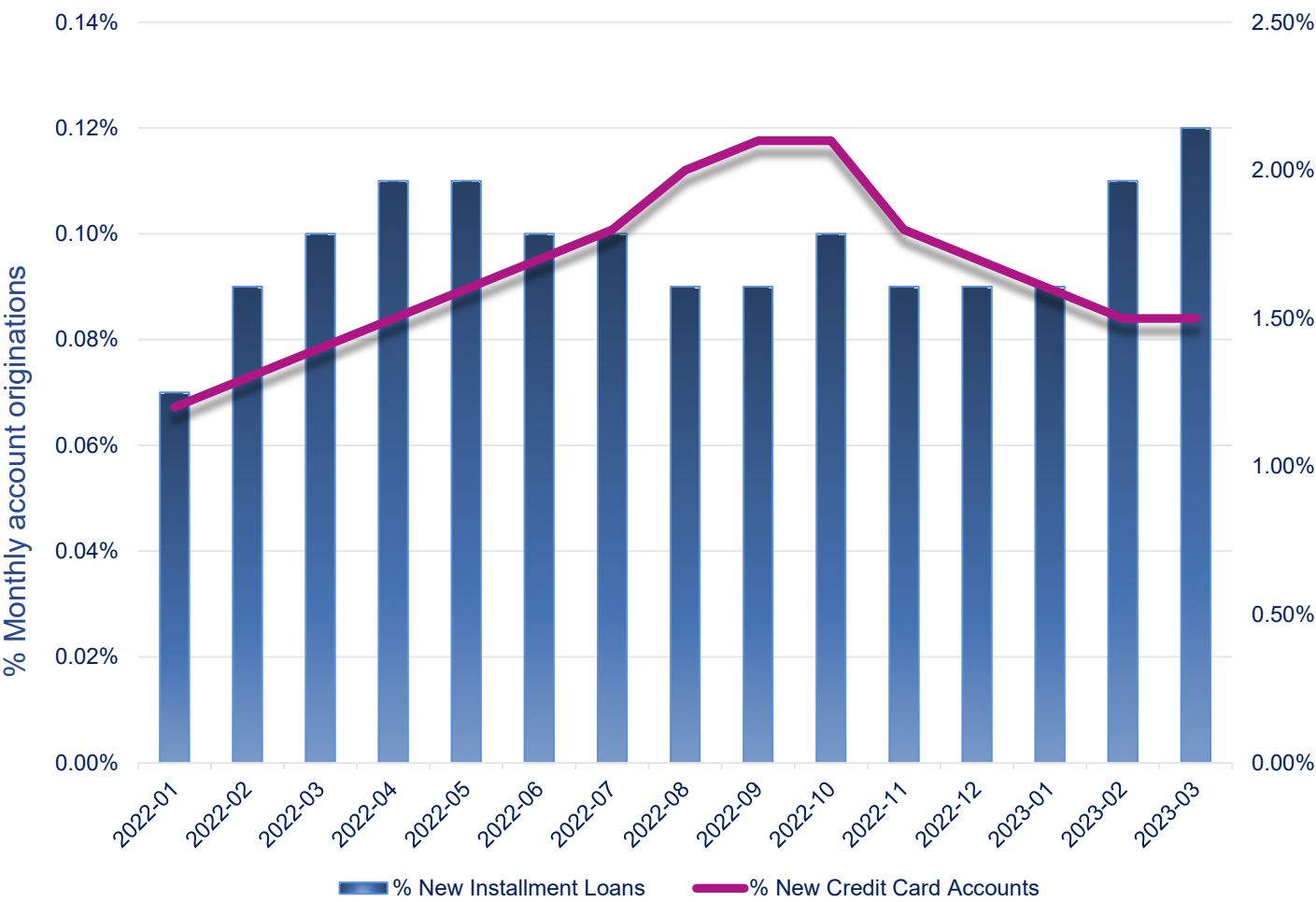


# Small businesses

Originations slow as delinquency and interest rates rise



Source: Experian SBCS Data

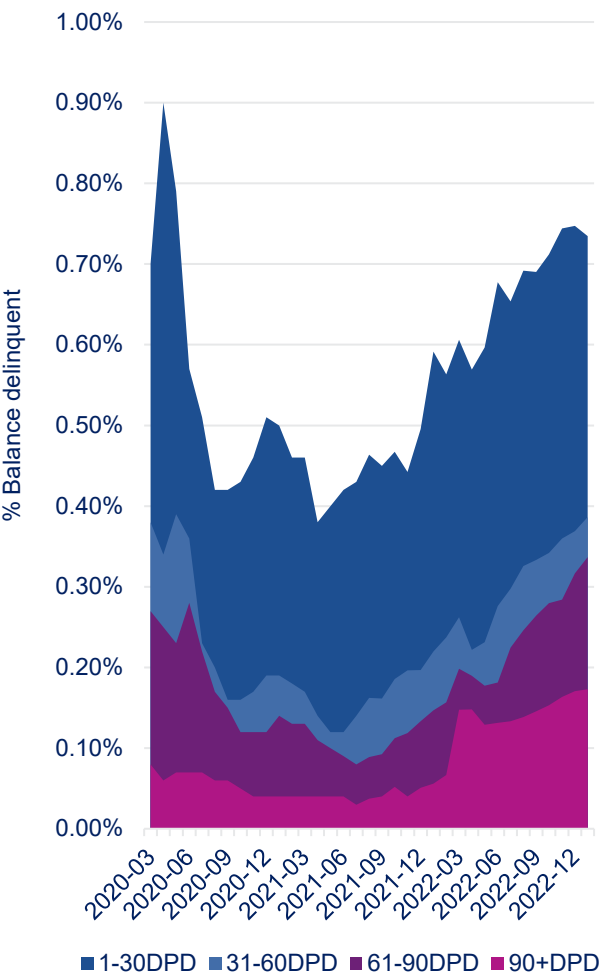




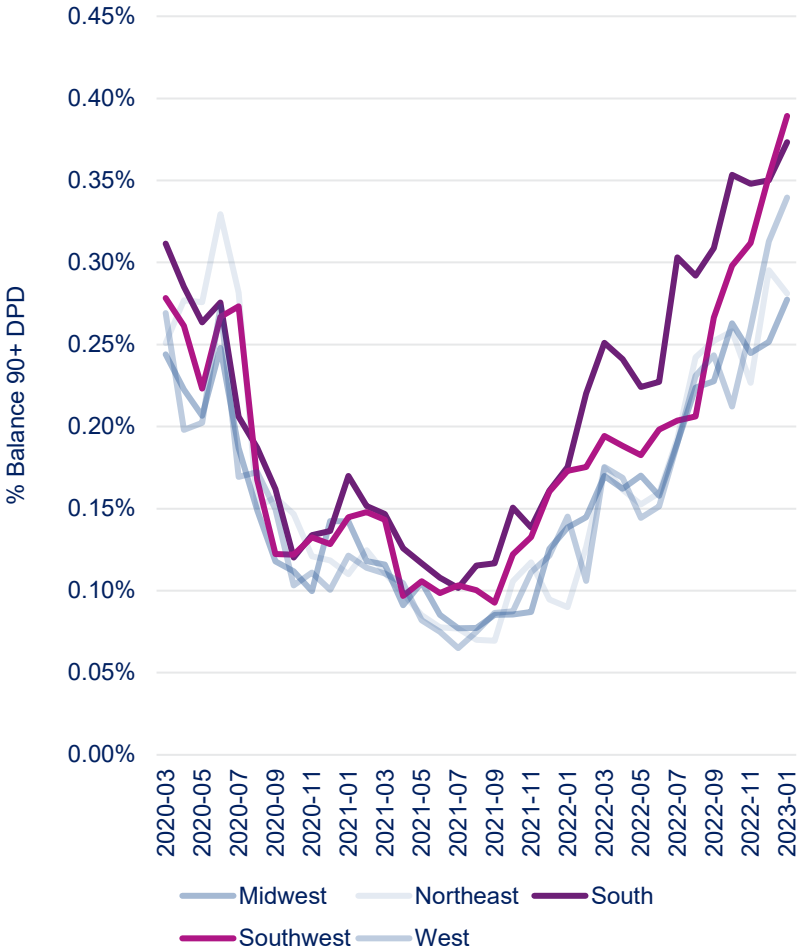
# Are small businesses keeping up with payments

Delinquencies increase reaching levels expected in a growing economy

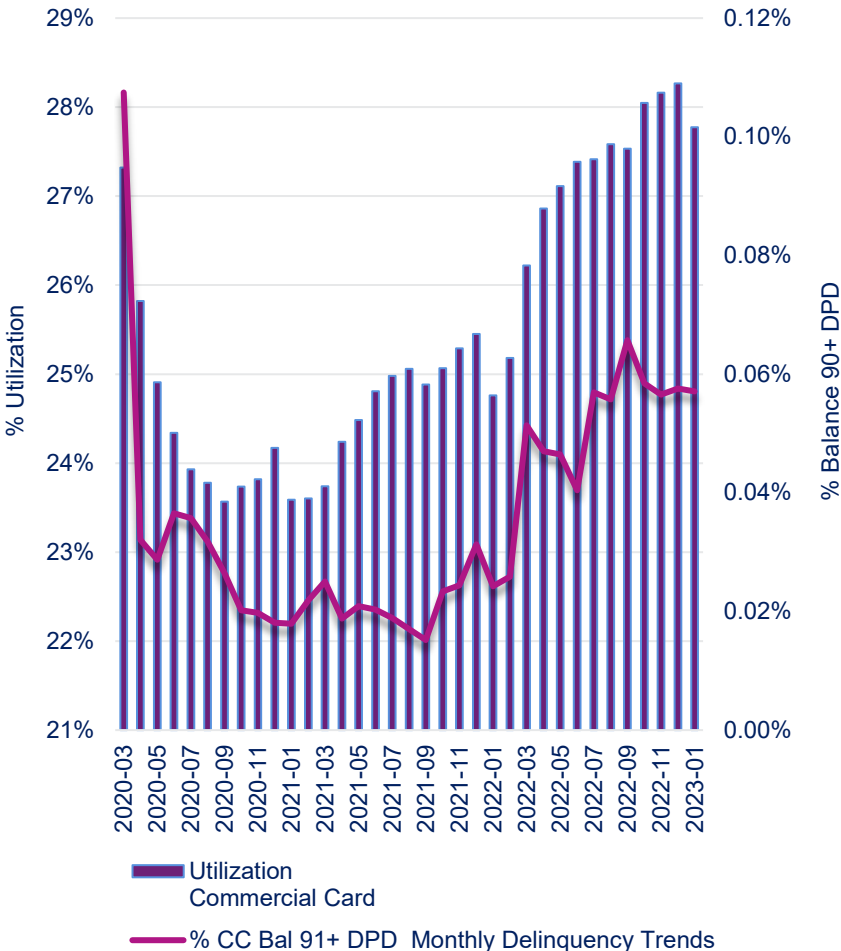
US Commercial Card Delinquency Trends



Regional Commercial Card Delinquency Trends



Commercial Card Utilization Trends

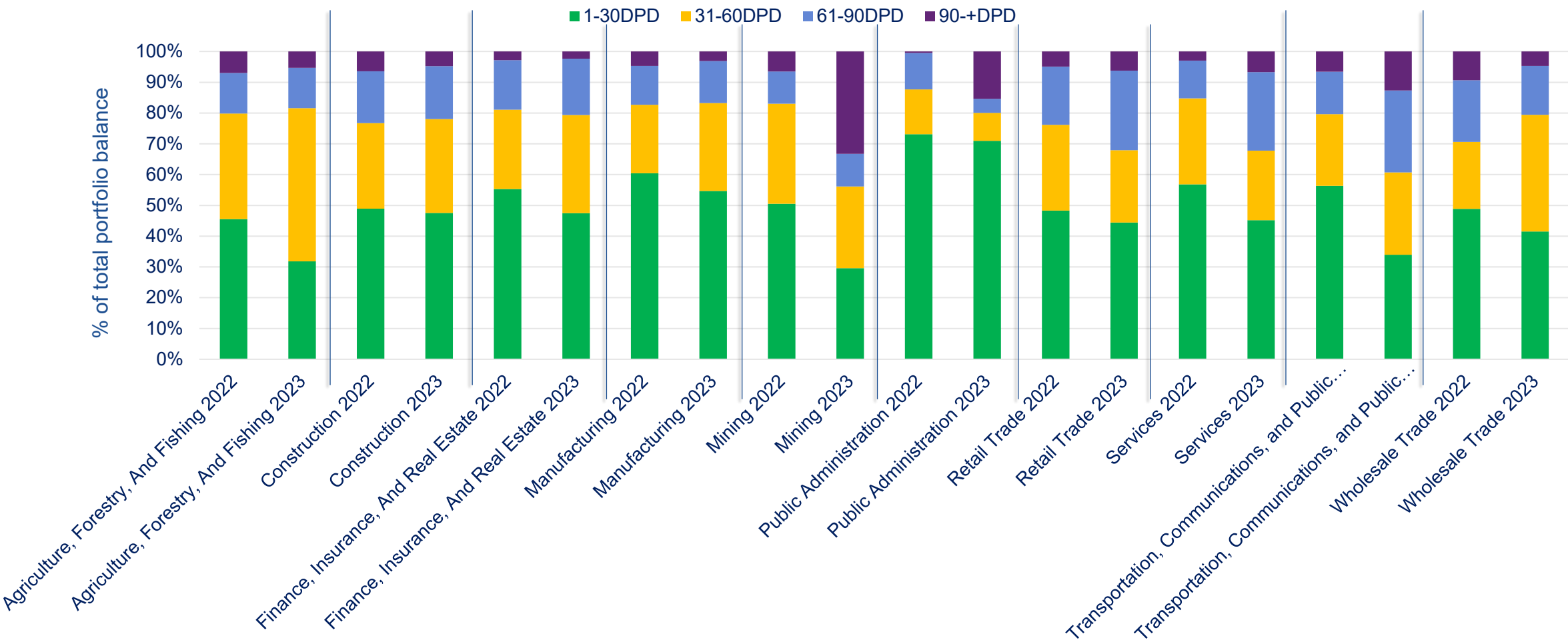


Source: Experian Commercial Benchmarking



# Small business portfolios perform differently

All product YOY portfolio delinquency trends

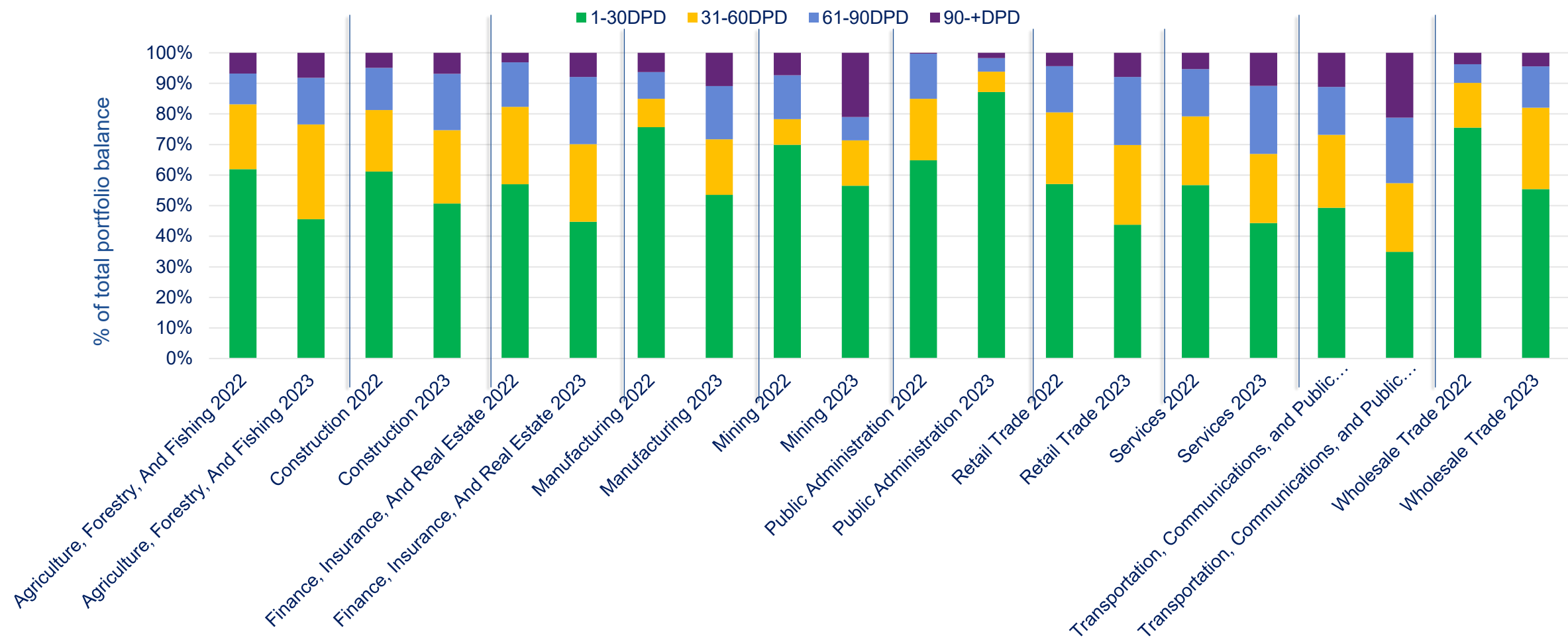


Source: Experian Commercial Benchmark



# Delinquencies rise as companies lean in

## Commercial Card YOY portfolio trends



Source: Experian Commercial Benchmark



# Who is feeling the pressure first 🚚

As the economy slows why is the trucking industry having trouble

## Headwinds

- Fuel prices
- Elevated overhead
- Slowing orders
- Demand driving prices down
- Driver shortage
- Rising oversite

**92% of construction materials delivered by the industry**

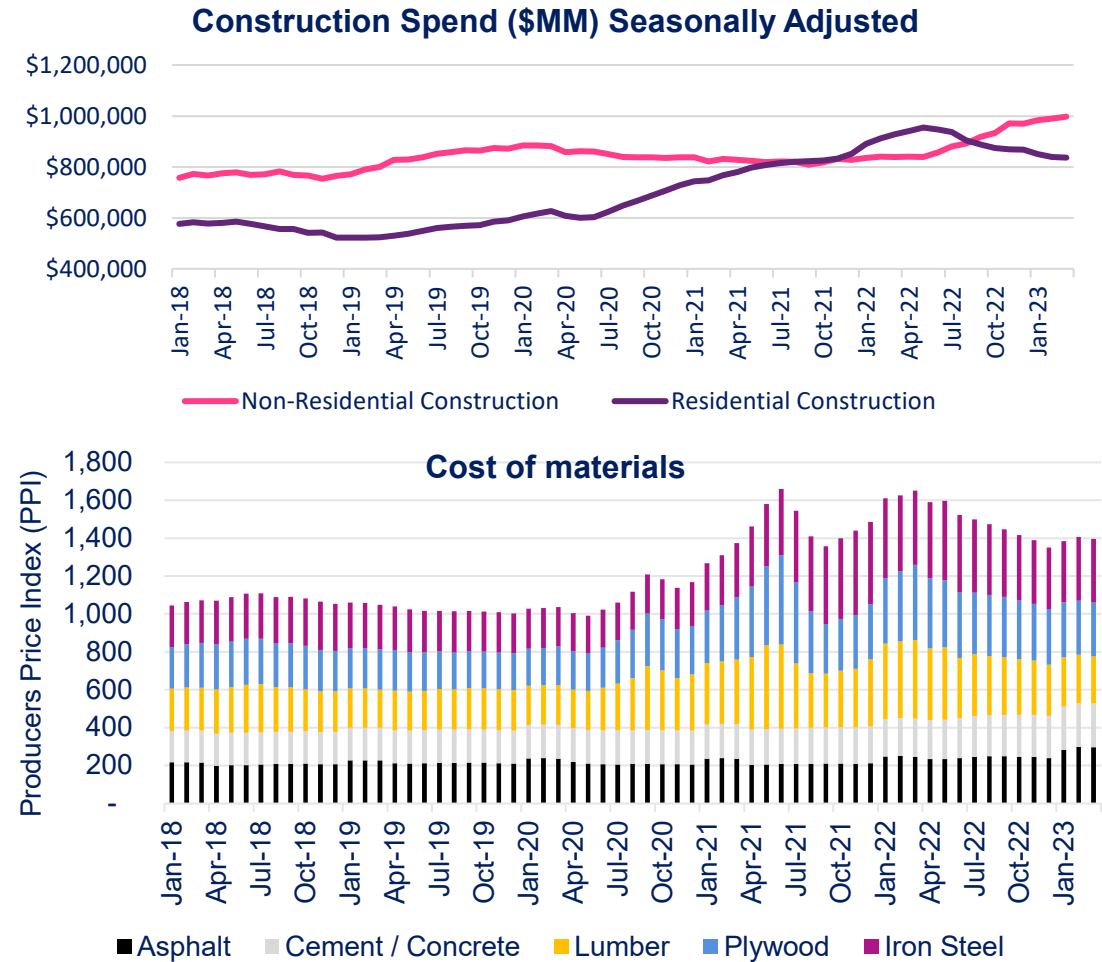
**Spot rates dropped 160% post pandemic**





# Backlog to build

Residential slips while commercial construction improves



Source: St. Louis Fed, U.S. Census Bureau

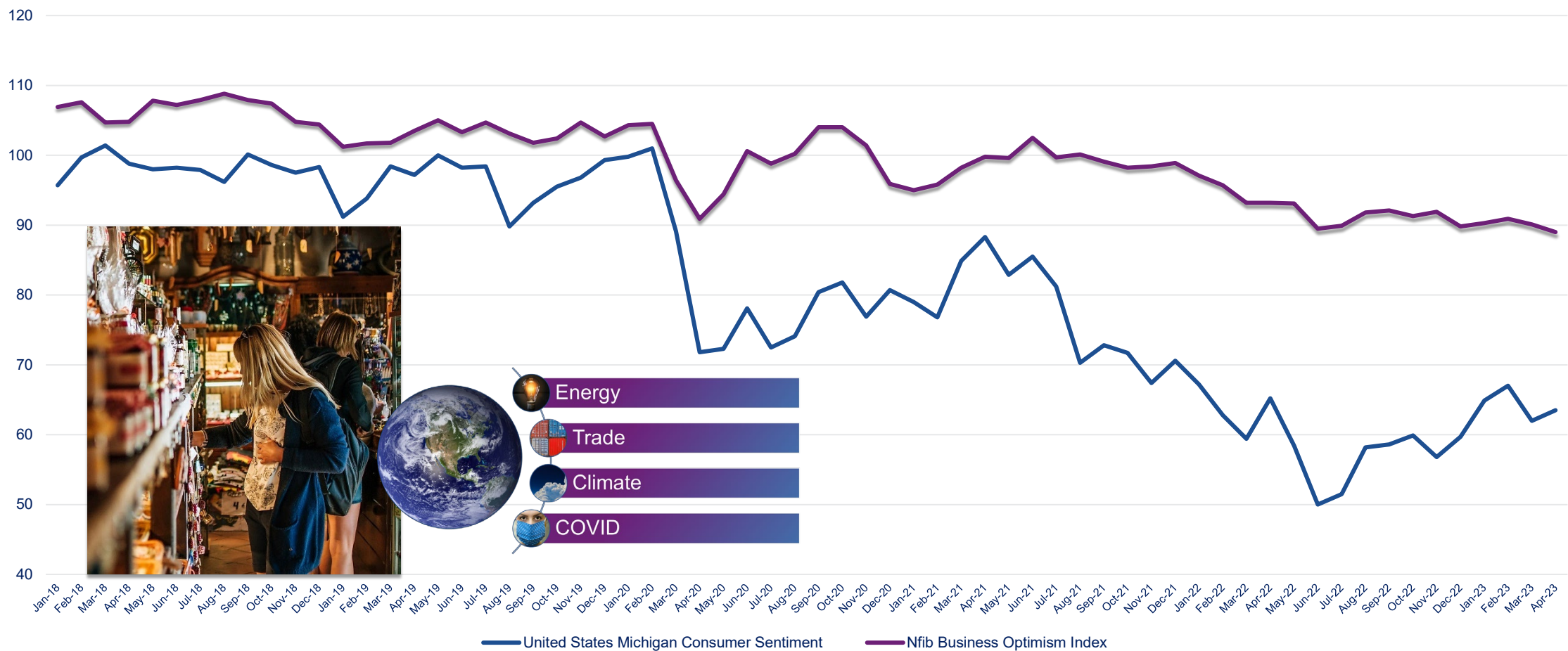
30-year fixed mortgage rate increased to 7%+



# Commercial health

Consumer optimism has been recovering – what does this mean for small business...

Consumer and Small Business Optimism



Source: NFIB, Small Business Monthly Optimism Survey





# Wrapping it up

Challenging second half of 2023 ahead but current conditions are positive

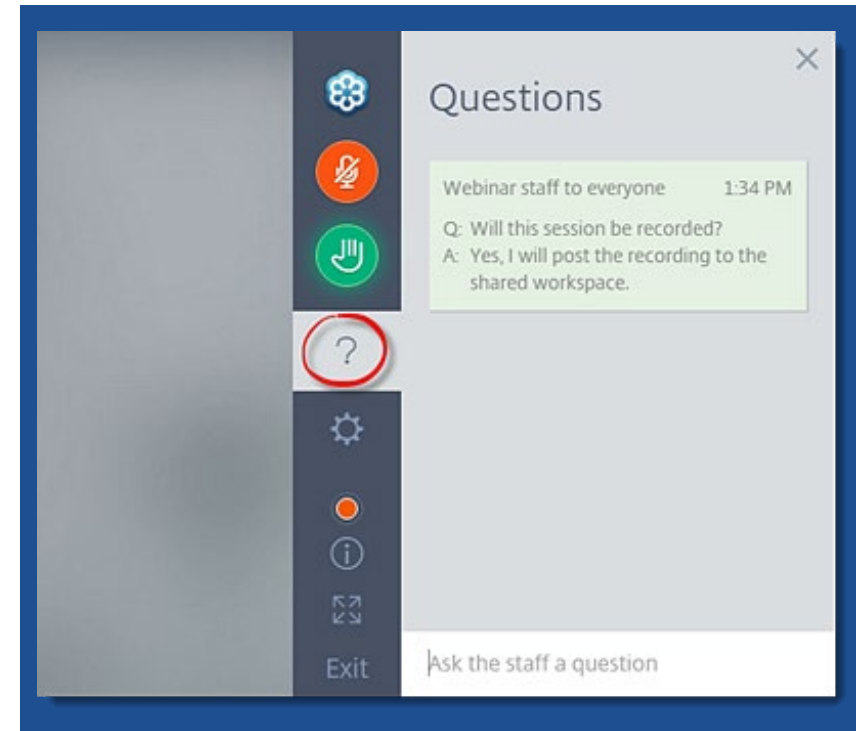


- Economic **slowdown risk rising** for latter part of 2023
- Consumers are **relying more on credit** to spend
- The trucking and construction industries are feeling the economic **cooling effects** in different ways
- Commercial **delinquency rates are rising** but in line with economic conditions
- Lenders are being surgical in their **underwriting adjustments** with a focus on keeping markets open



# Questions

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





# How Did We Do?

- 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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