California Small Business Defaults Up in February, Borrowing Down

Data published by PayNet show that the percentage of small businesses defaulting on existing loans has increased in California and the level of borrowing activity fell in February 2017. The data suggest that economic conditions in the state may substantially weaken.

California Small Business Credit Trends
February 2017

99.0 US SBLI
97.9 CA SBLI
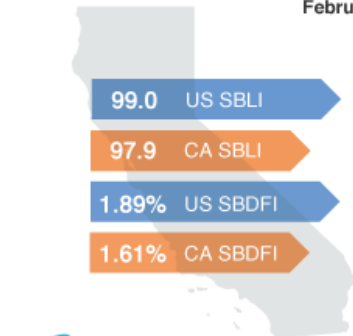1.89% US SBDFI
1.61% CA SBDFI

Source: SBinsights.net

PayNet's Small Business Default Index (SBDFI) for California registered at 1.61% following a 3 basis point increase from January. California's SBDFI was 28 basis points under the national SBDFI level of 1.89%. The uptick in defaults over the past two months may signal deteriorating financial health in the state. The national SBDFI rose 30 basis points year-over-year, while California's SBDFI increased 19.

Mining, Quarrying, and Oil and Gas Extraction (4.67%); Transportation and Warehousing (4.13%); and Information (2.83%) displayed the highest default rates of all industries in California. In addition to having the highest mark this month, Mining, Quarrying, and Oil and Gas Extraction has also seen the greatest rise year-over-year of any of California's industries with a variance of +3.37%.

Registering at 97.9, the PayNet Small Business Lending Index (SBLI) for California dropped 1.1% from the previous month's state level and was 1.1% beneath the national SBLI level this month. Small business borrowers are being cautious and holding off on new investment.

"Declining investment and deteriorating financial health exhibited by California's small businesses set the stage for a slowing economy," states William Phelan, president of PayNet.
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About
PayNet is the leading provider of credit ratings on small businesses enabling lenders to achieve optimal risk management, growth and operational efficiencies. PayNet maintains the largest proprietary database of small business loans, leases and lines of credit encompassing over 23 Million contracts worth over $1.4 Trillion. Using state-of-the-art analytics, PayNet converts raw data into real-time marketing intelligence and predictive information that subscribing lenders use to make informed small business financial decisions and improve their business strategy. For more information, visit www.paynet.com.

PayNet Small Business Lending Index (SBLI)
The PayNet SBLI is based on new commercial loan and lease originations by major U.S. lenders in PayNet's proprietary database. This index measures the volume of loans to small businesses formulated on a rolling 12-month basis. Small businesses generally respond to changes in economic conditions more rapidly than do larger businesses; this statistic is a leading indicator of macroeconomic and industry trends.

PayNet Small Business Default Index (SBDFI)
The PayNet Small Business Default Index (SBDFI) measures the percent of loans and leases to small businesses that have defaulted in the past 12 months.

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