



# How much runway for a soft landing?

## Macro and credit trends that matter



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At Experian

## **Small Business Matters**

We exist to give every small business the best chance to succeed and get access to capital to help them grow and realize their dream.

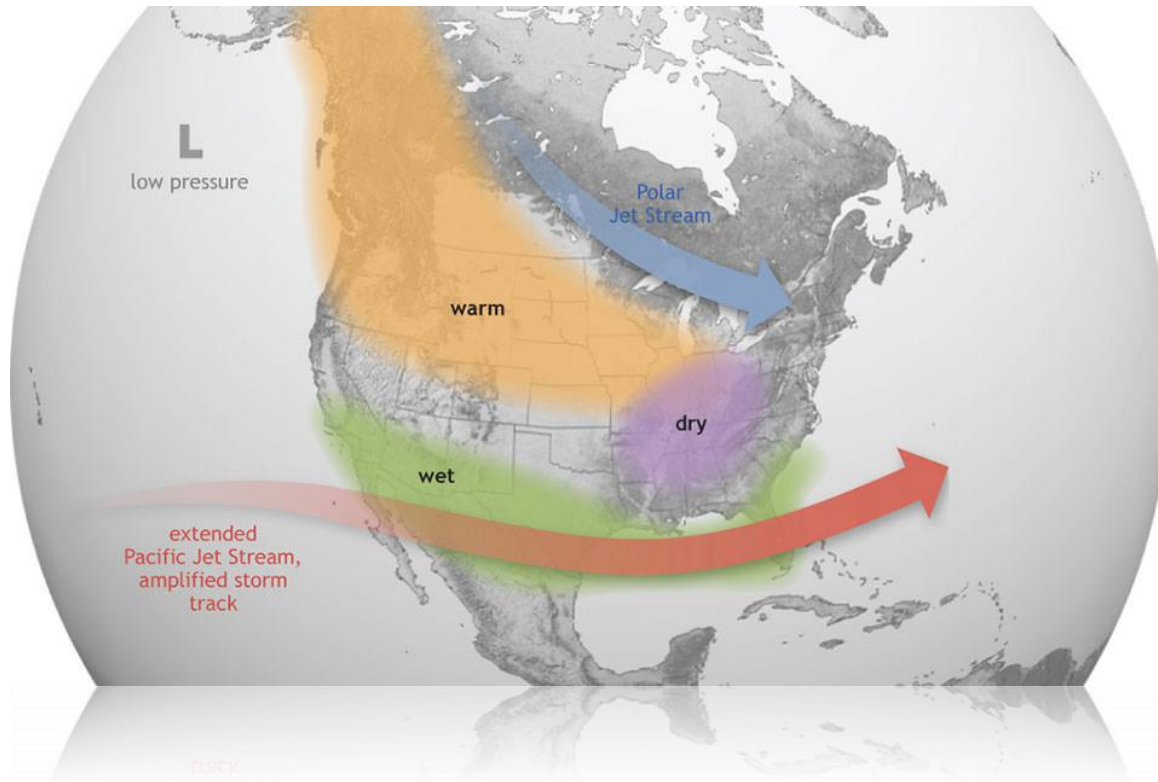
We ultimately serve small businesses directly and through our clients.

**We believe every business should be represented at Experian.**



# El Nino

A change in the wind will impact consumer activity

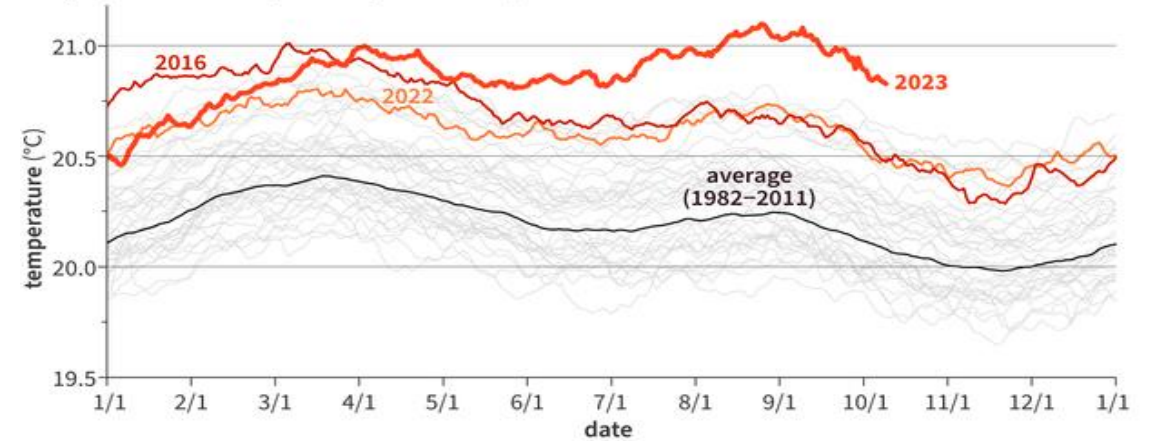


The small business ecosystem will feel the influence

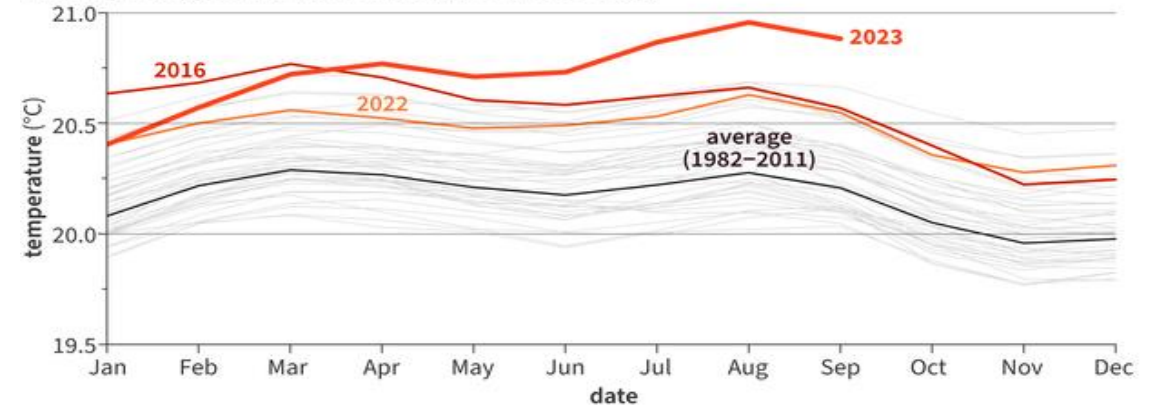
Source: NOAA Client.gov, NCEI

Record heat in global oceans in September 2023 (60°N–60°S)

Daily sea surface temperature (OISST data)

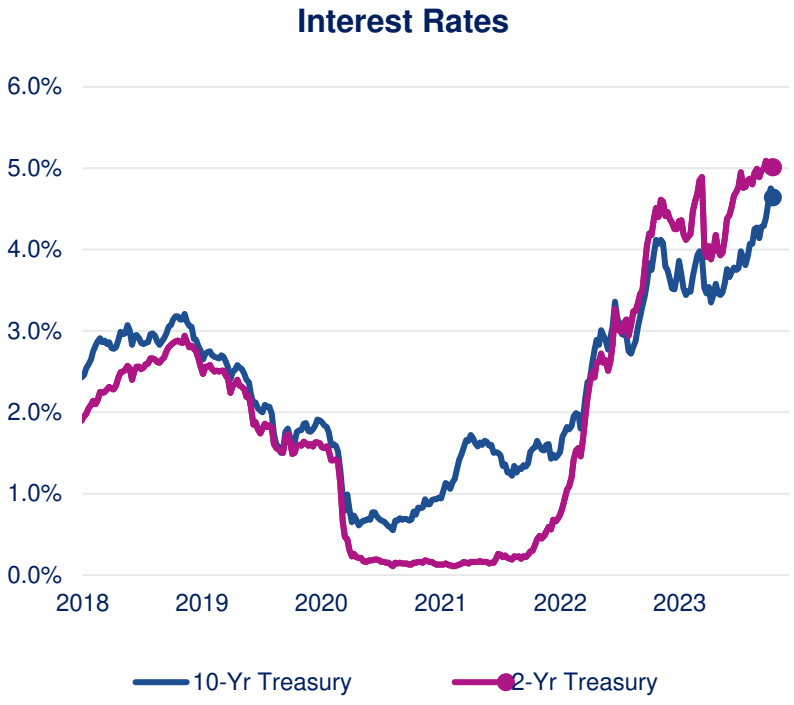
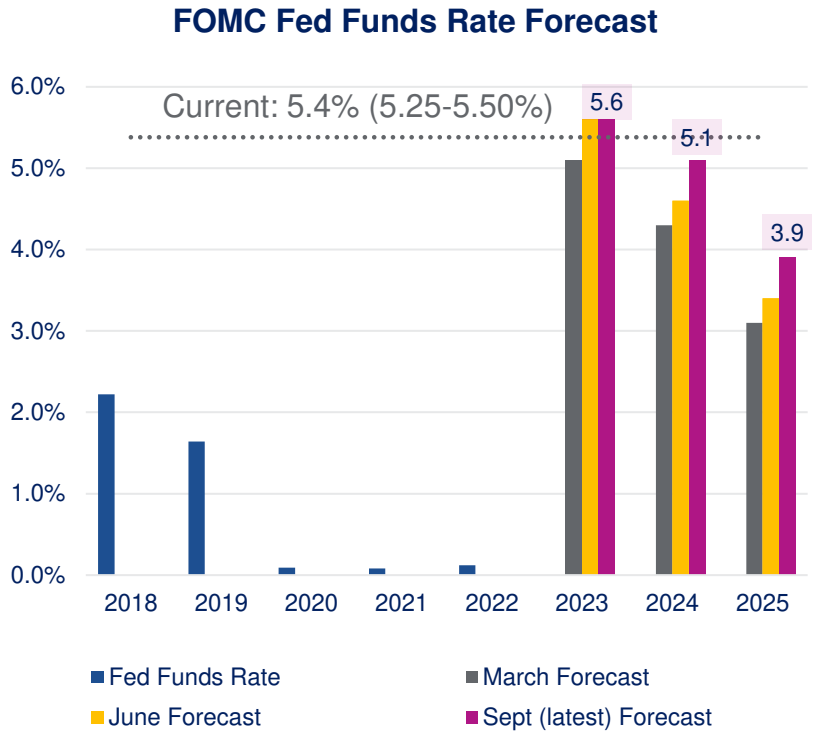
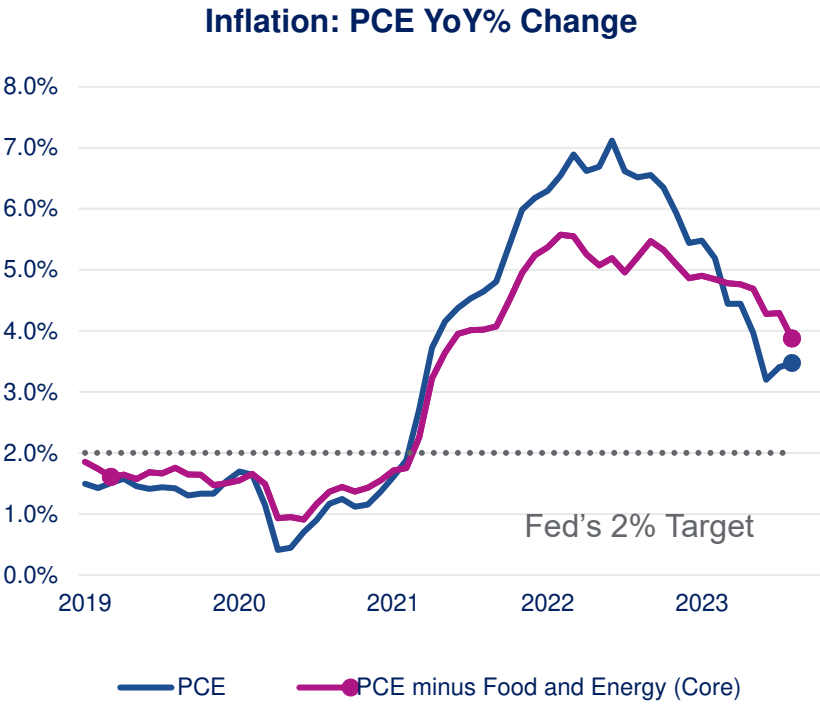


Monthly average sea surface temperature (ERSST data)



# Fed officials rate forecast for 2024 and 2025

Short and longer-term rates have risen to the highest levels in nearly 20 years



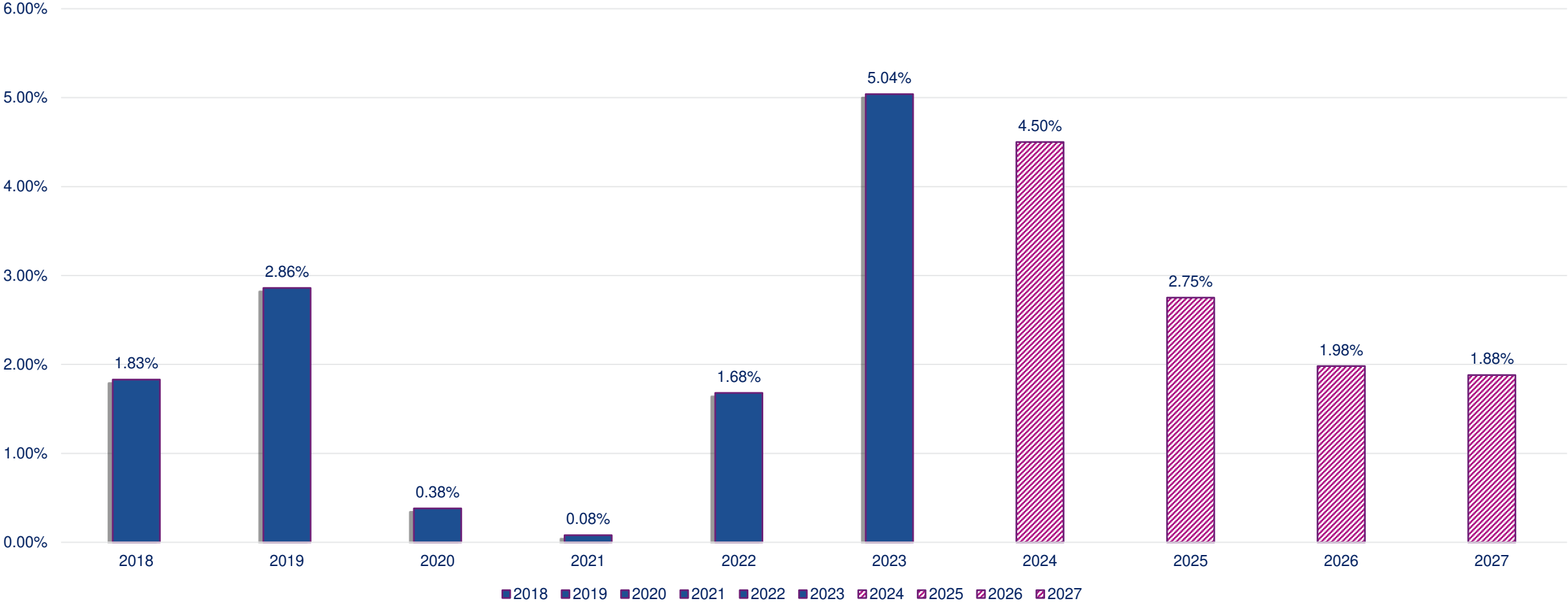
Sources: Bureau of Economic Analysis, Summary of Economic Projections June 2023 and Sept 2023, and Federal Reserve



# Federal Reserve action outlook complicated

Fed officials mixed on next action but consistent on rate strategy for 2024

Federal Funds Rate Forecast

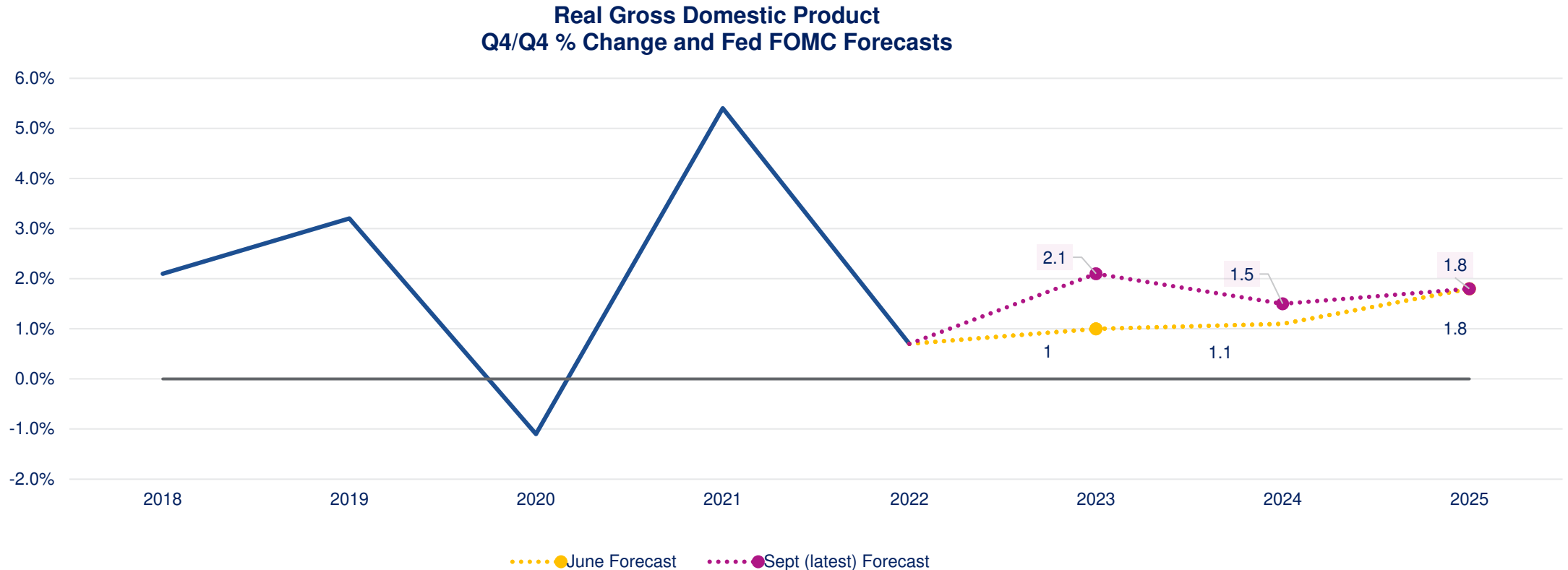


Source: Federal Reserve Board of Governors, Morningstar.com



# Fed officials upgrade growth projection

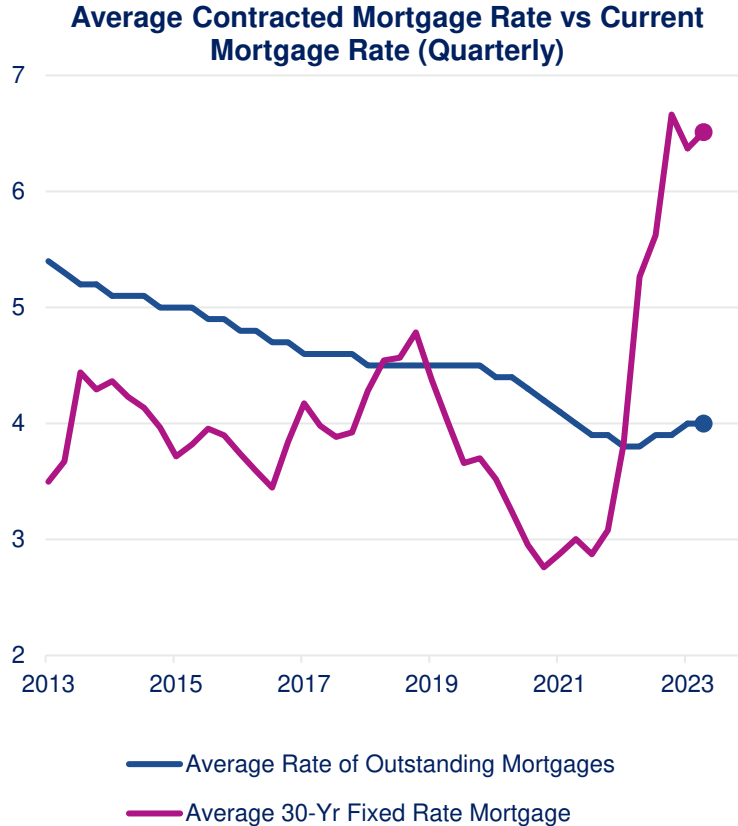
Federal Reserve staff dropped their recession call



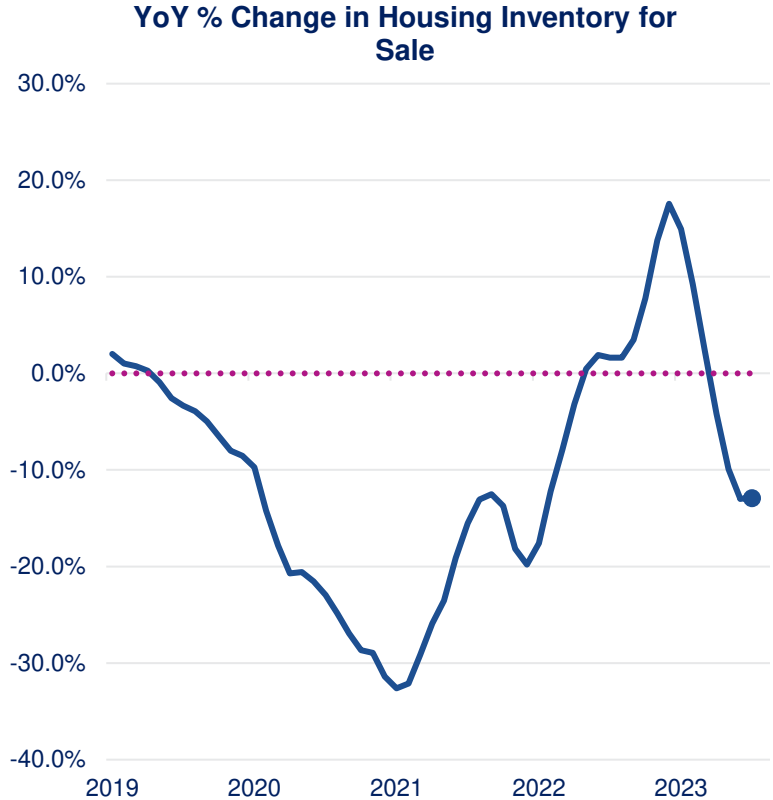
Sources: Bureau of Economic Analysis and Federal Reserve Board of Governors, Summary of Economic Projections June 2023 and Sept 2023

# Recent jump in mortgage rates adds further pressure

The lock-in effect will be more pronounced as long as remain near current levels



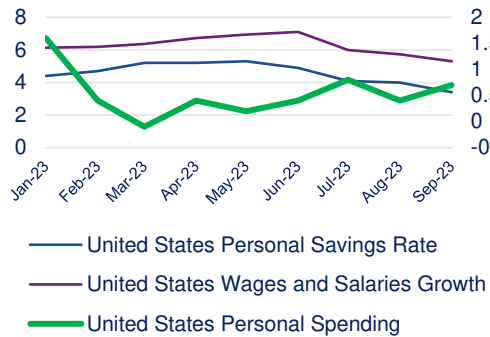
Source: FHFA National Mortgage Database and Zillow



# Consumer financial health

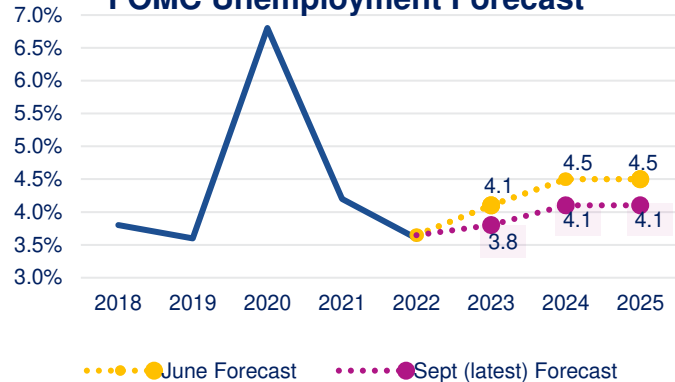
Market cooling will create headwinds in spend behavior

## U.S. Consumer balance sheet



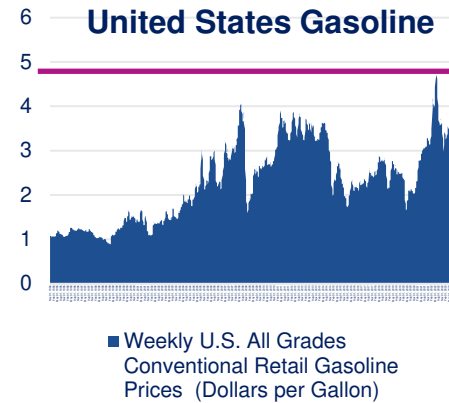
Source: Trending economics, BEA

## FOMC Unemployment Forecast



Source: US Department of Labor

## United States Gasoline



Source: [U.S. Energy Information Administration](#)

## Student Loan Debt Resumption

### Impact to consumers:

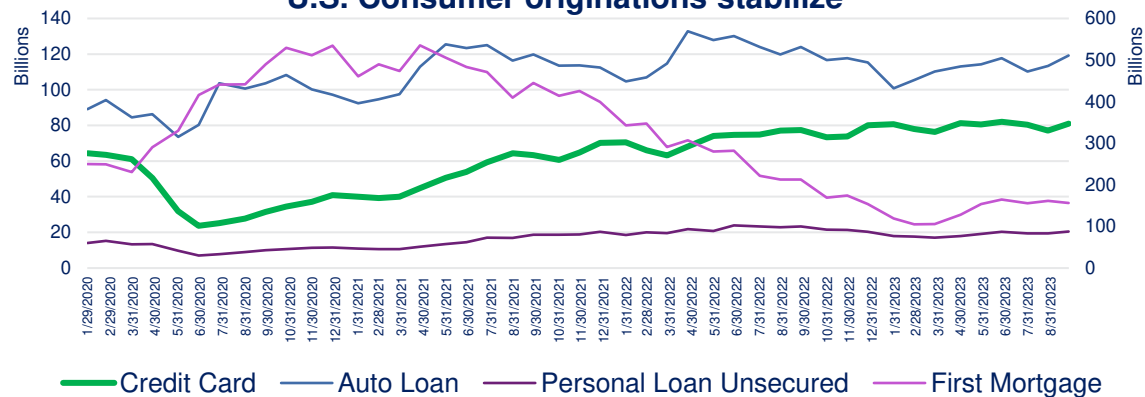
- 37 million
- \$1.3 trillion in outstanding debt
- Avg. \$400 in monthly debt obligation

### Other pressure levers:

- Government shutdown
- Insurance costs rising
- Inflation reduction slows
- Energy rebound
- Shelter prices tapering
- Credit markets are crowded
- Price for credit high

## Consumer Spending

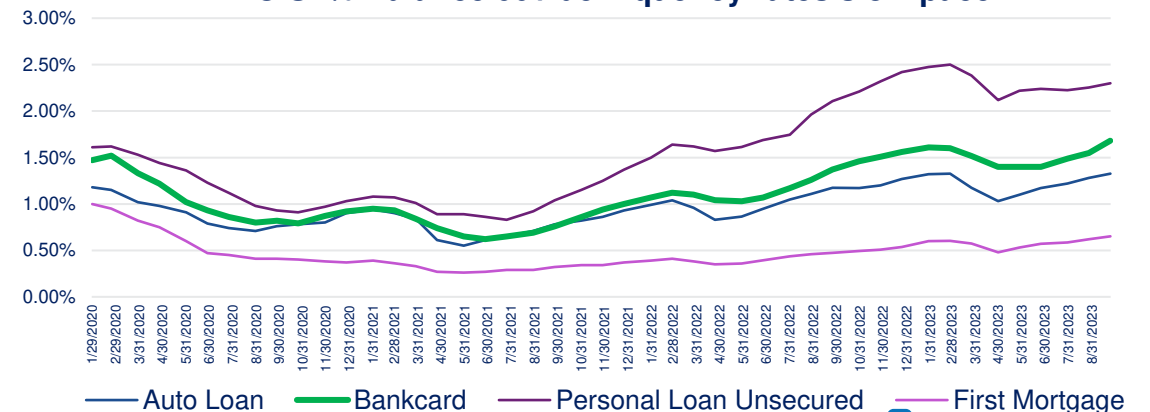
### U.S. Consumer originations stabilize



Source: Experian State of the Market

## Consumer Challenges

### U.S. % Balance 60+ delinquency rates slow pace

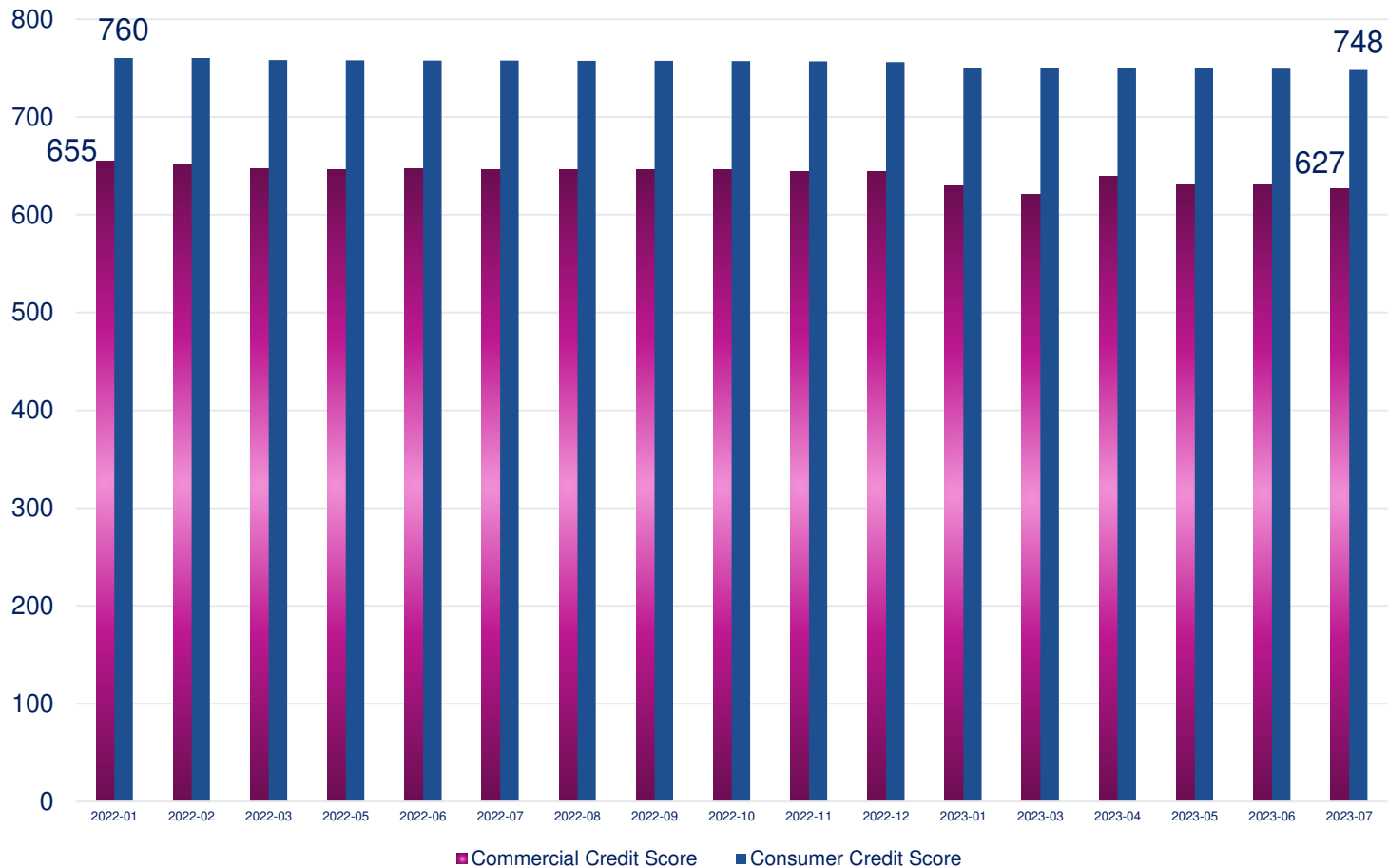




# The environmental impact on scores

Overt support fades and customers begin to tread

### Consumer and Commercial Score Trends for Business Owners



Consumer Credit Score

↓ 1.6%



Commercial Credit Score

↓ 4.3%



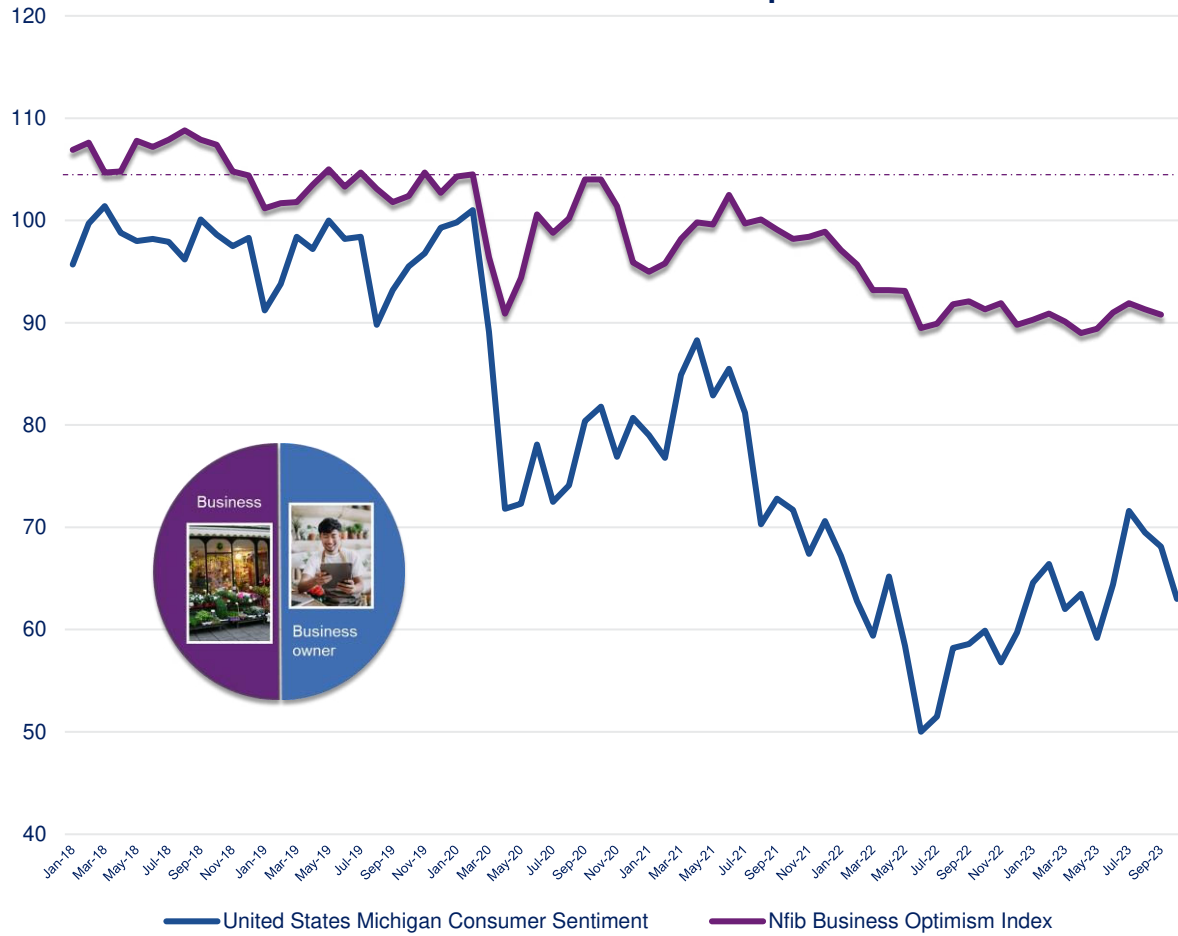
Source: Experian Commercial Database



# How are businesses feeling...

Confidence feeling downward pressure from market

### Consumer and Small Business Optimism



### OUTLOOK FOR EXPANSION Percent Next Three Months “Good Time to Expand” (Seasonally Adjusted)



Source: NFIB, Small Business Monthly Optimism Survey, Experian Commercial Benchmarking

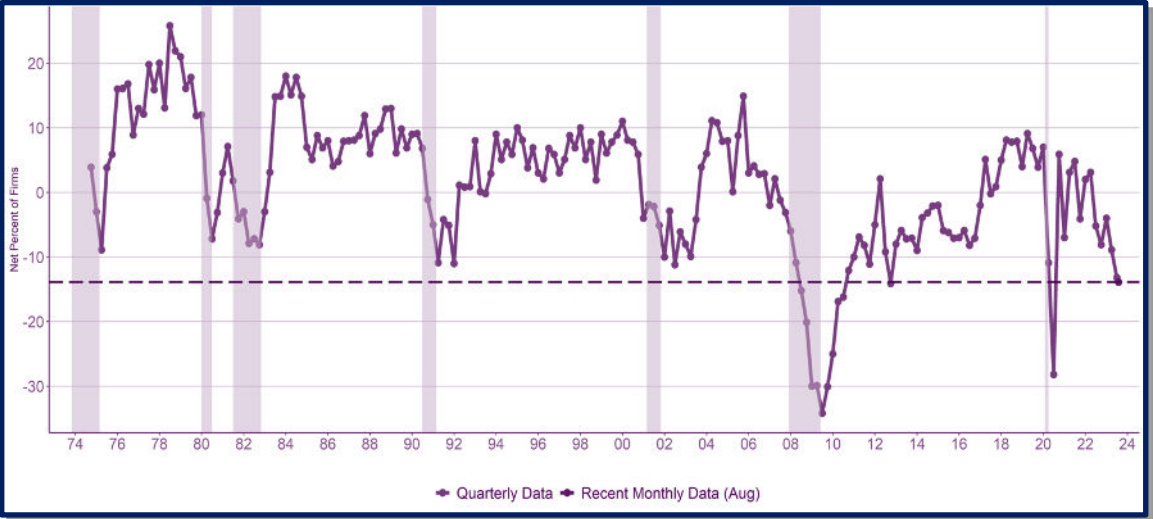


# Inventory and Factory Orders

Changes in customer behavior impact order volumes



**Actual change in Sales**  
**Net Percent ("Higher" Minus "Lower") Last Three Months**



Source: NFIB, Small Business Monthly Optimism Survey

**US Inventory**



**New orders**



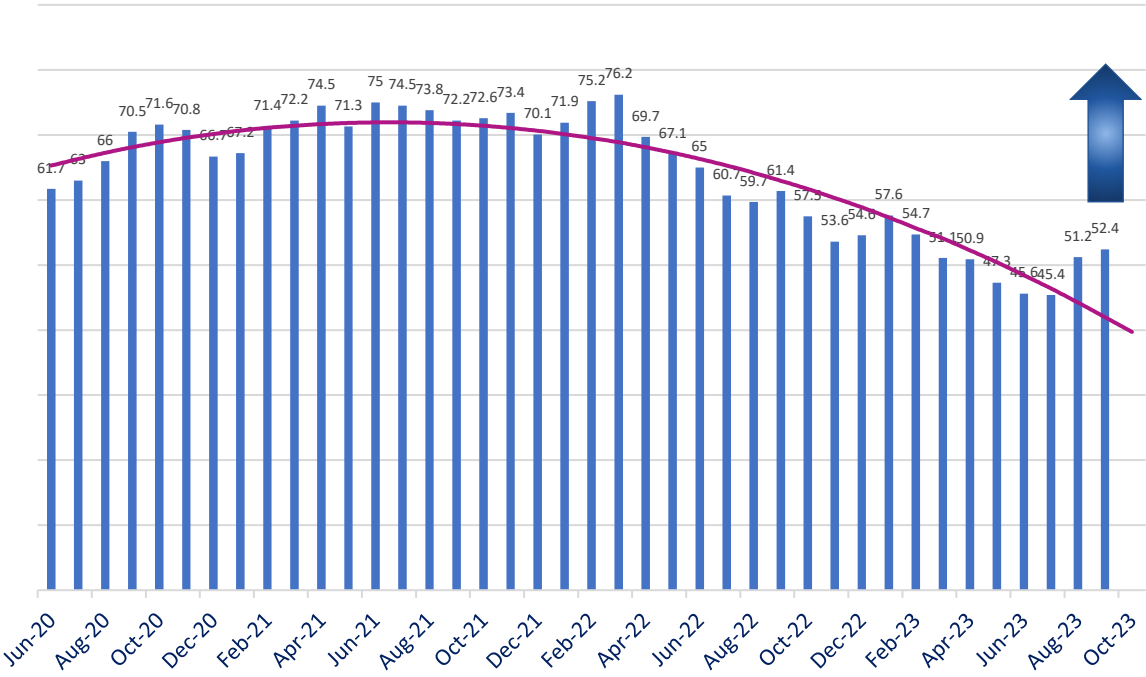
Source: NFIB, Small Business Monthly Optimism Survey



# What will drive the fourth quarter in logistics

Purchasing power now impacting orders

### Logistic Managers Index (LMI)



**The Logistic Managers Index (LMI) has reached an all-time low driven by decreased inventories, excess warehousing capacity and declining transportation prices**

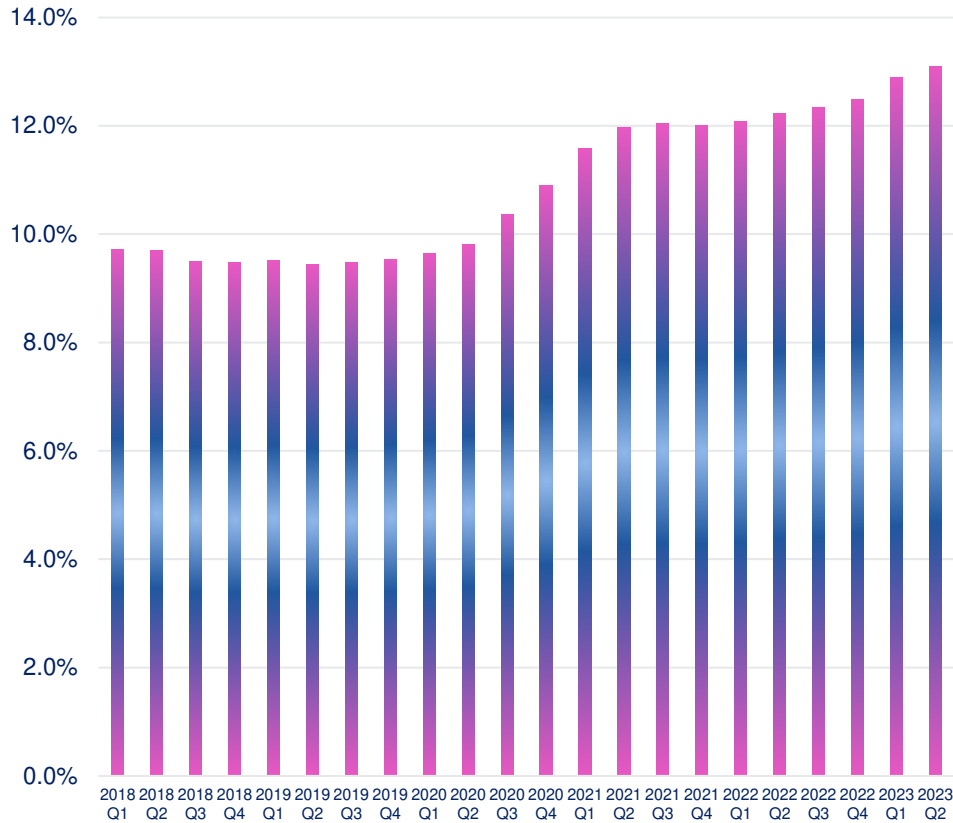
Source: Logistic Managers Index



# Commercial Real-estate (CRE)

High office vacancies drive prices down as supply exceeds demand

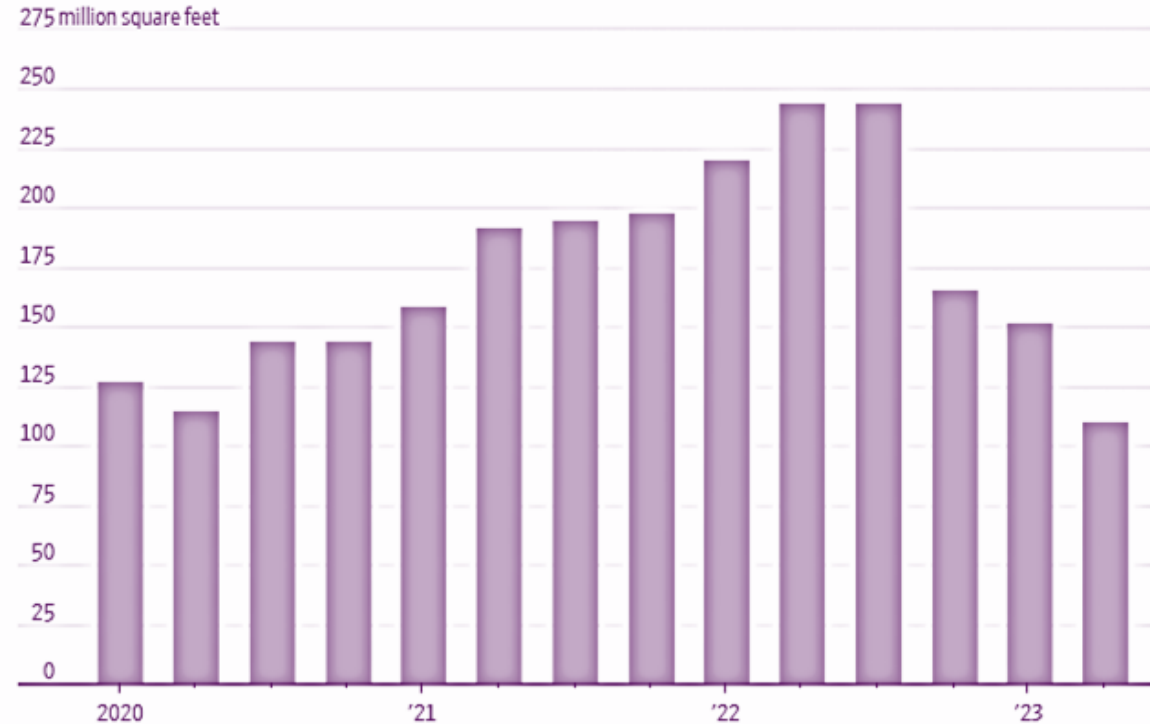
**Overall U.S. Office Vacancy Rate**  
(only top 200 areas by population are included)



Source: National Association of Realtors

**Curbing Construction**

Warehouse construction starts have dropped since the 3<sup>rd</sup> QTR of 2022 after developers raced to add during supply chain disruption

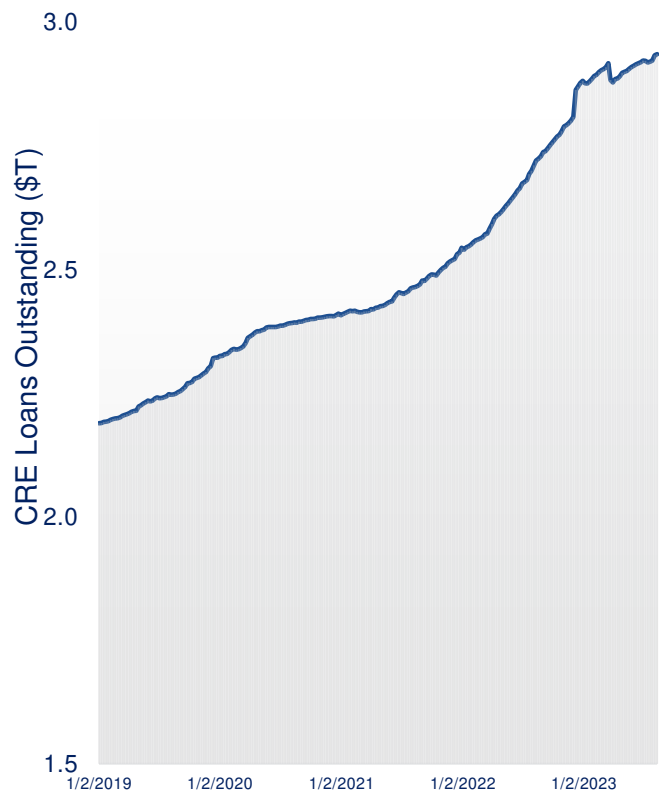


Source: CoStar Group

# Commercial Real-estate (CRE)

Highly leveraged commercial real-estate loans will create volatility

Commercial real estate loans, all commercial banks, not seasonally adjusted



Source: Federal Reserve H8 Release

High-Leverage Property Debt Maturing (\$B)



Source: Newmark Group Inc.

Commercial Property Price Index (CPPI)

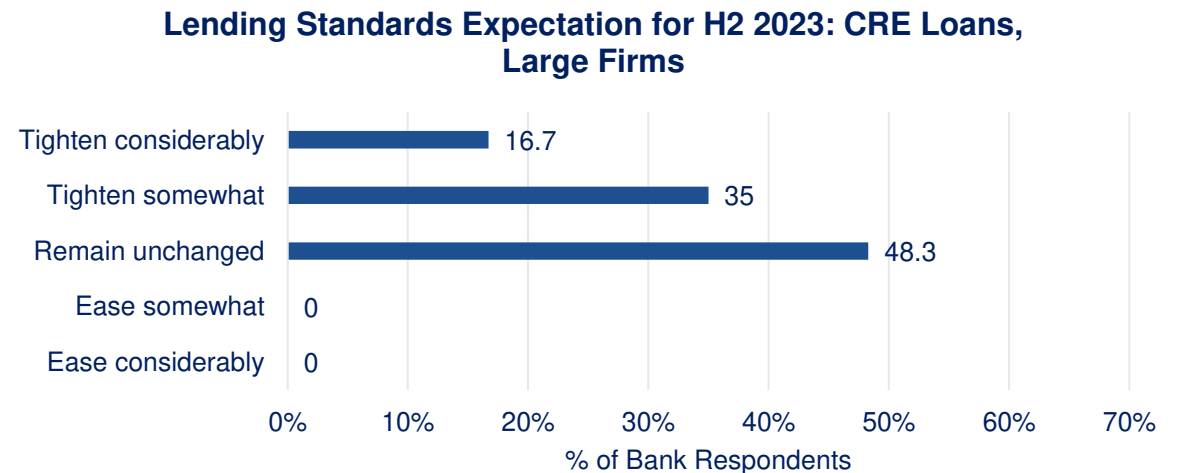
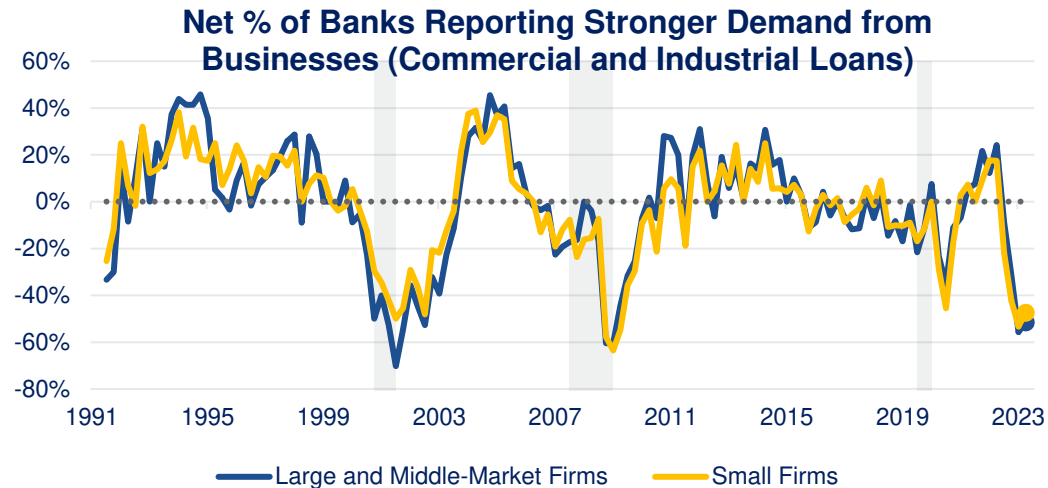
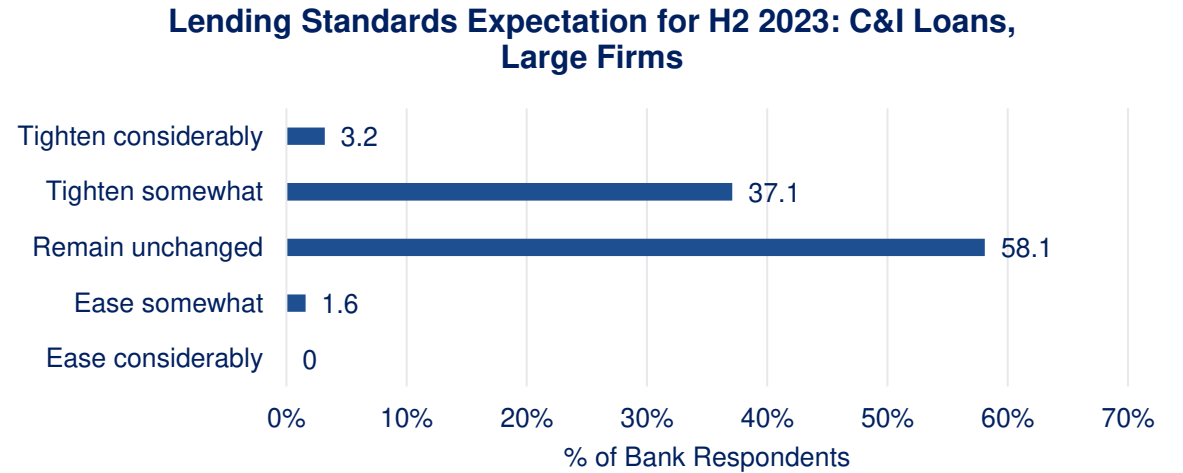
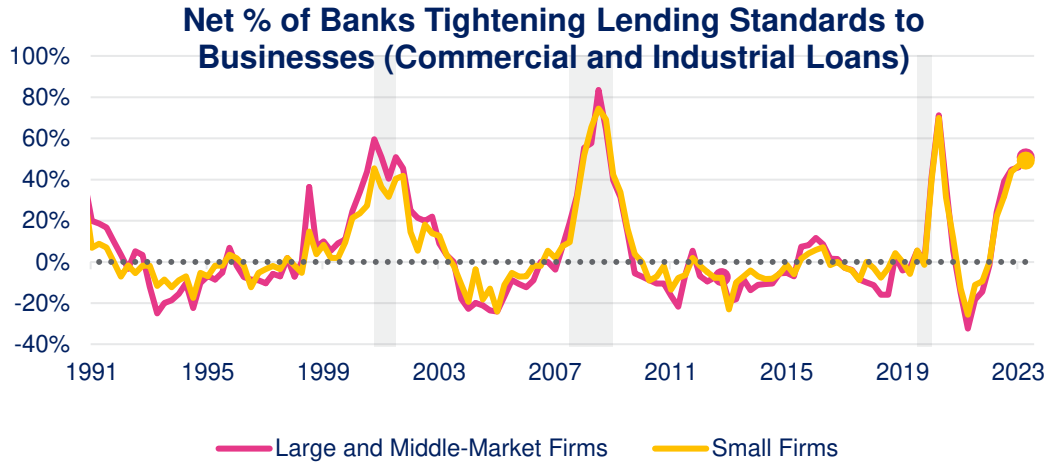


There is almost \$3T outstanding in commercial real estate loans and almost half (\$1.2T) may be at risk for default when they come due within the next 10 years



# Credit conditions continue to tighten across business loans

Historically, periods of tightening of this magnitude have coincided with recessions

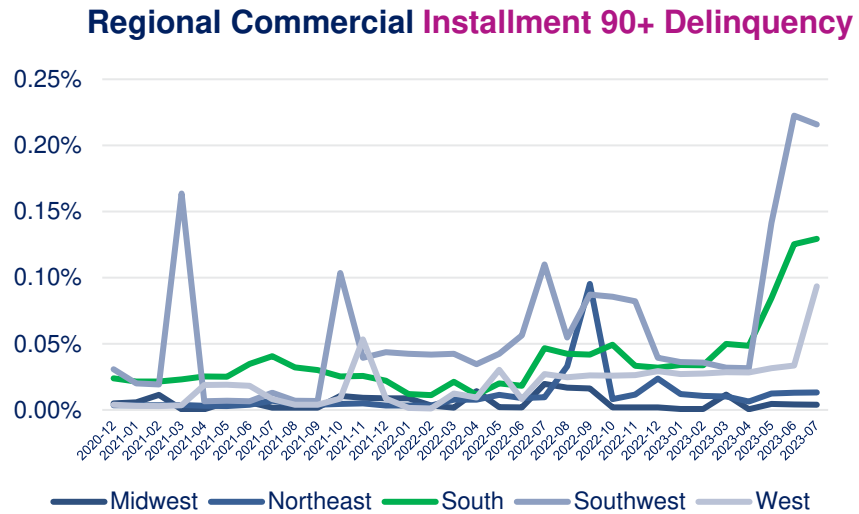
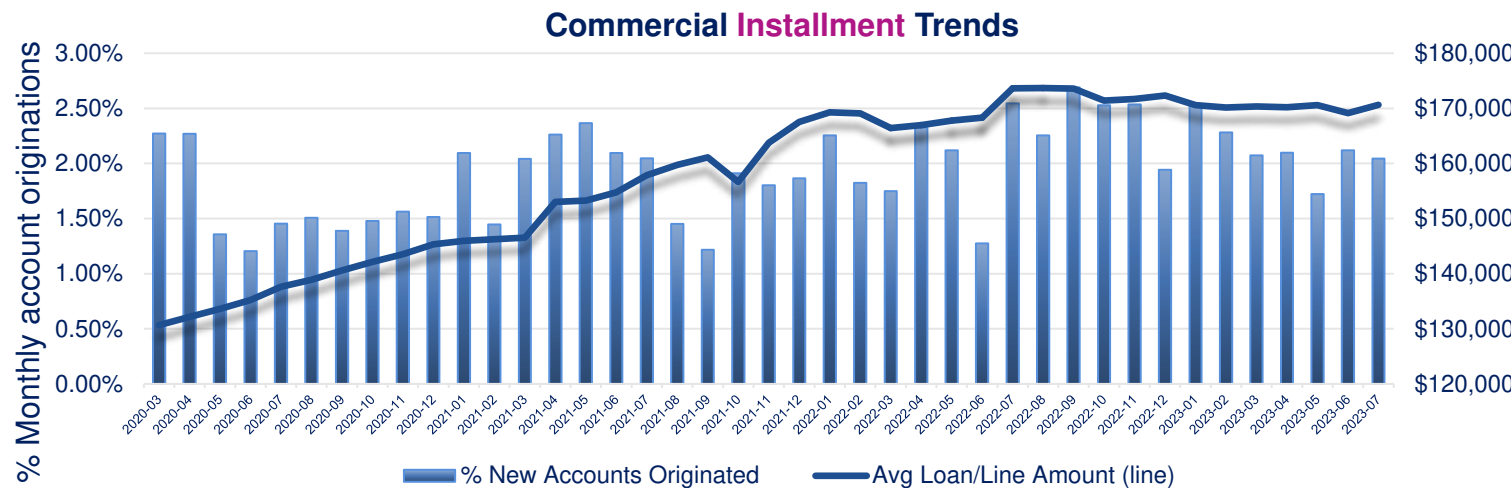
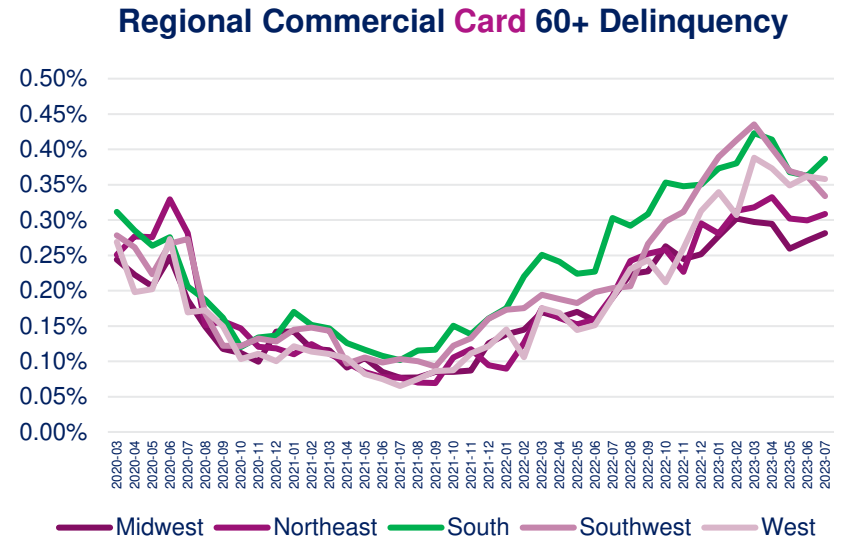
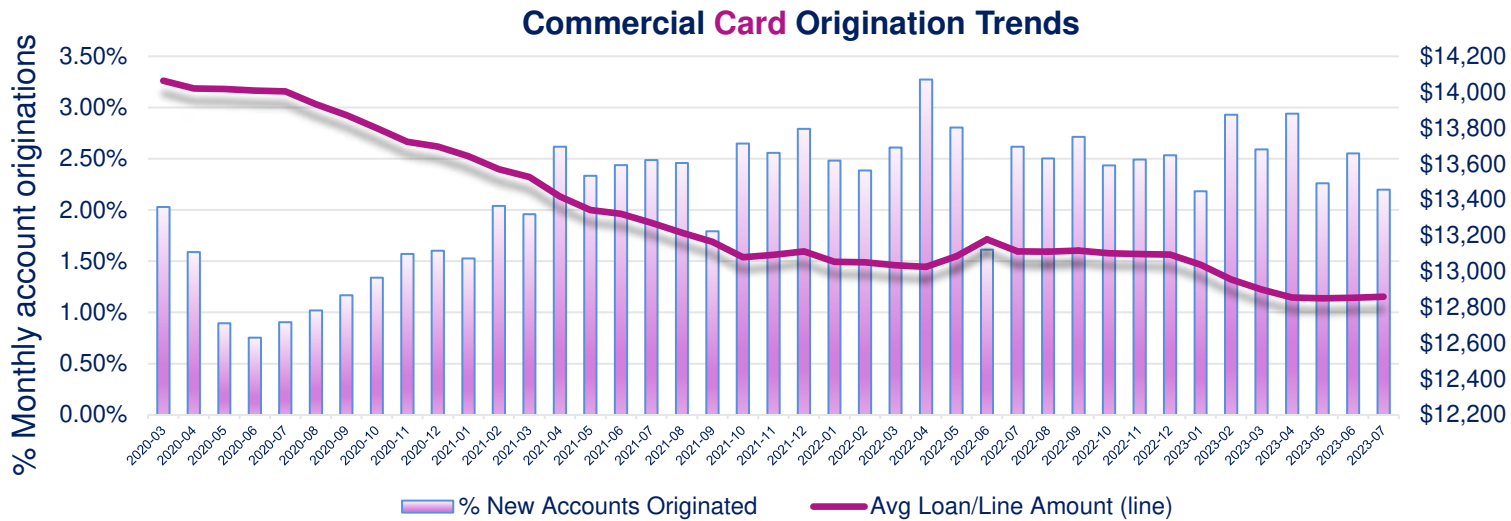


Source: Federal Reserve Senior Loan Officer Opinion Survey on Bank Lending Practices



# Commercial health

Delinquencies cool as activities stabilize



Source: Experian Commercial Database



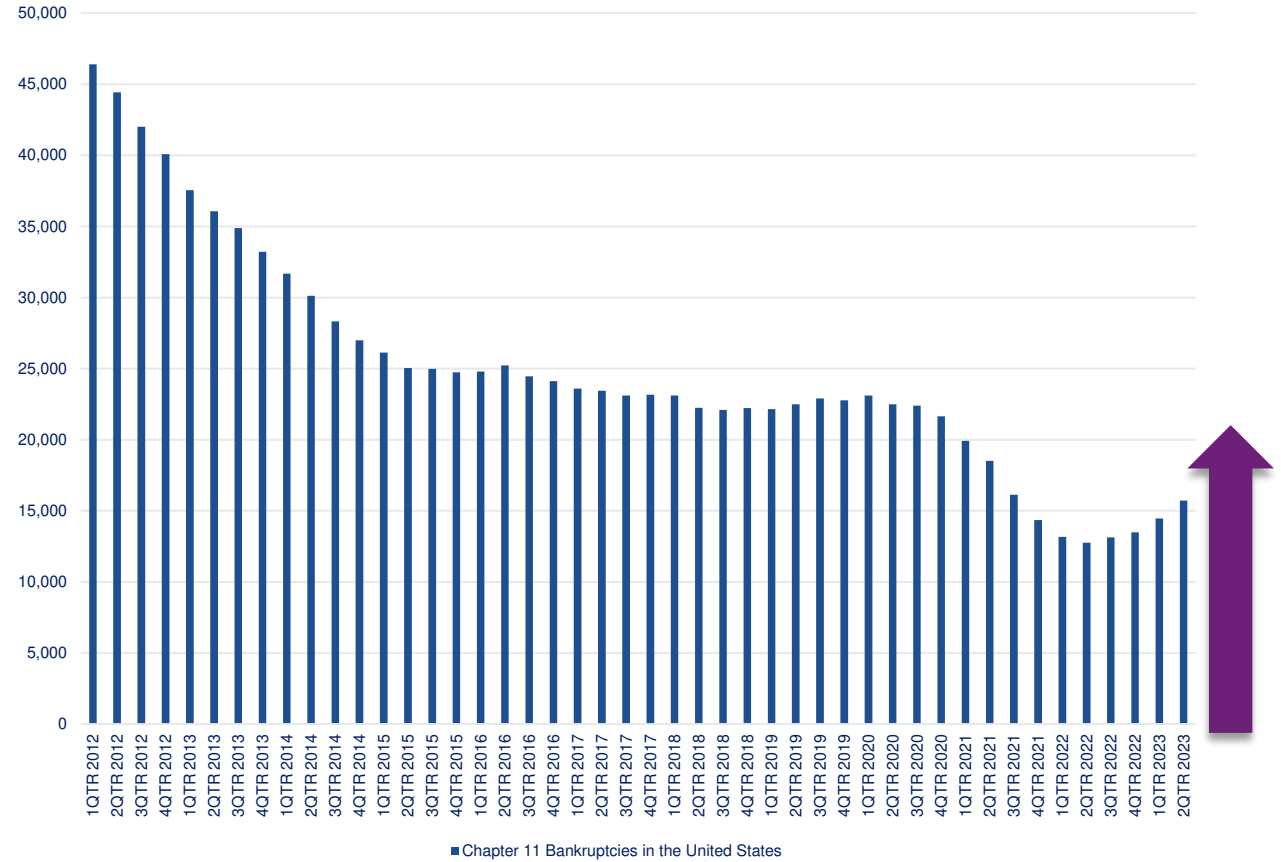
# Commercial bankruptcy

Normalization begins as customers adjust to inflation



Source: <https://www.uscourts.gov>

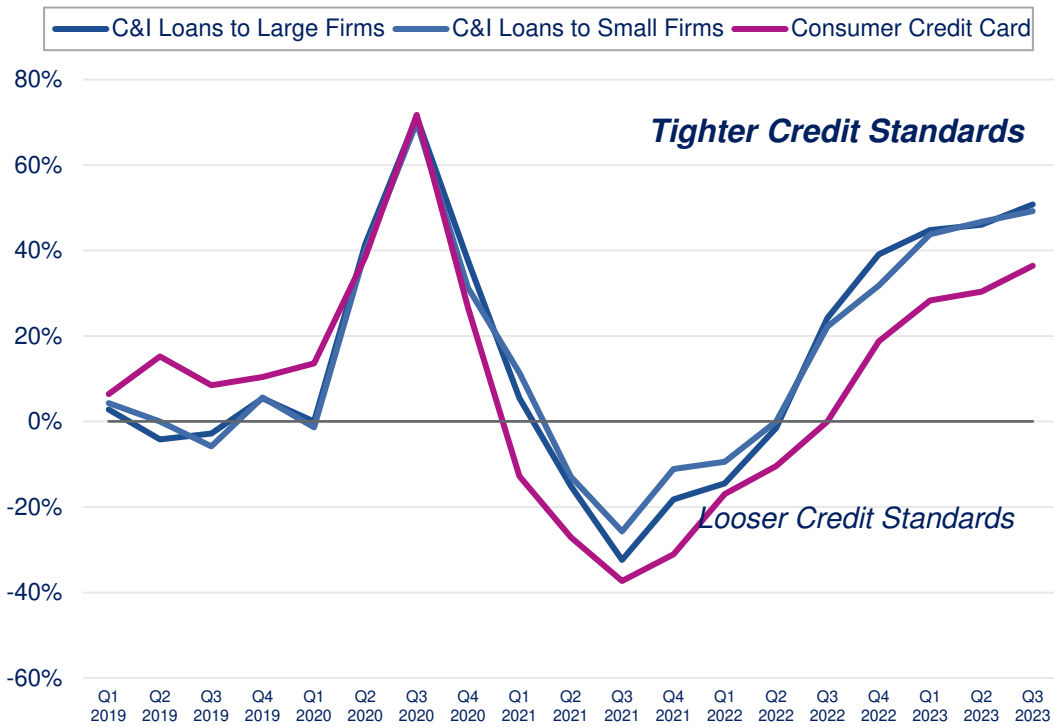
## Chapter 11 Bankruptcies in the United States



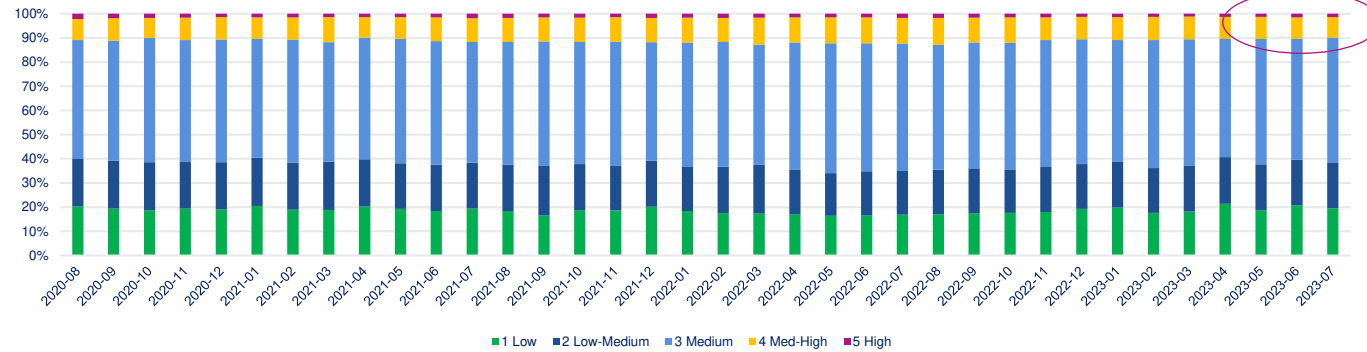
# Commercial credit tightening

Less market impact felt in crowded US lending environment

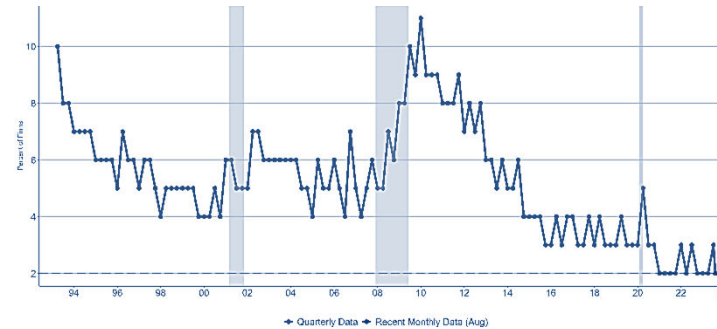
**% of Banks Reporting Tightened Standards on Loans**



**Commercial card origination risk trends**



**Are borrower's needs being met?**



Source: Federal Reserve (Senior Loan Officer Opinion Survey), NFIB, Small Business Monthly Optimism Survey, Experian Commercial Benchmarking

# Packaging it up

Recession fear pushed further out as earnings surprise as market conditions weaken



- US Recession risk signals are still flashing
- Consumers are utilizing more credit as they reassume old debt and deal with higher prices
- Business expectations are cooling as they watch consumers fight to spend
- Industry segments will be impacted and react differently to economic slowdown

# Connect with us



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