

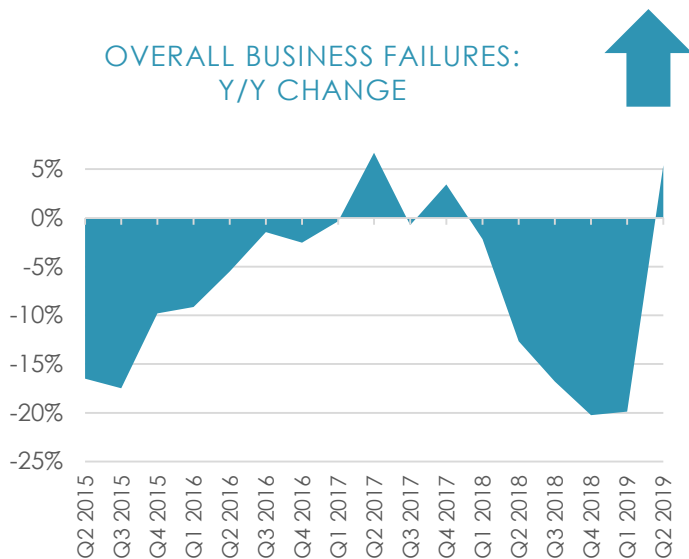
Quarterly US Industry Delinquency & Failures Report

Q2 2019

Dun & Bradstreet's quarterly report tracks payment delinquencies (91+ days past due) and business failures across nine key US industries: Manufacturing, Retail, Transportation, Real Estate, Business Services, Personal Services, Construction, Automotive, and Financial Services. This provides a snapshot of two metrics of overall financial health to facilitate better understanding of benchmark trends, leading to better credit management.

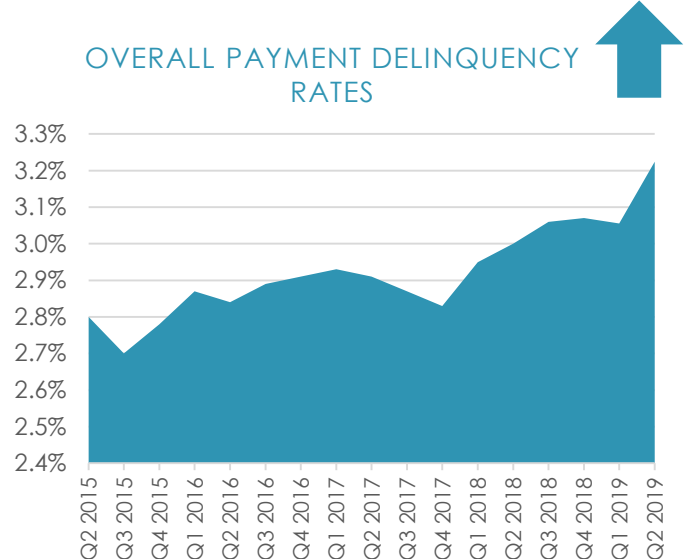
OVERALL FAILURES & DELINQUENCIES

OVERALL BUSINESS FAILURES:
Y/Y CHANGE



The rate of change in business failures took a sharp, upward turn this quarter, ending a declining spree that spanned over the past 5 quarters. There has been a 5.4% rise in the number of business failures compared to Q2 2018. This turning point in business failures raises concerns about the stability of U.S. businesses.

OVERALL PAYMENT DELINQUENCY
RATES



After a one basis point decline last quarter that broke a 4-period climb, delinquency rates are on the upward path once again. Overall trade credit delinquency rates of U.S. businesses stand at 3.2% this quarter. This is the highest level delinquencies have seen since late 2013 / early 2014.

UNDERSTANDING OVERALL RATES

Both business failures and delinquencies seem to have taken a turn for the worse over the current reporting period. This could be driven partially by four steady hikes in the Fed's policy rate in 2018. With rates holding steady in the aftermath of the Great Recession, many businesses had started and thrived in the low interest rate environment. Those businesses may now be struggling to meet their financial obligations or to keep their doors open despite the recent cut in the rates.

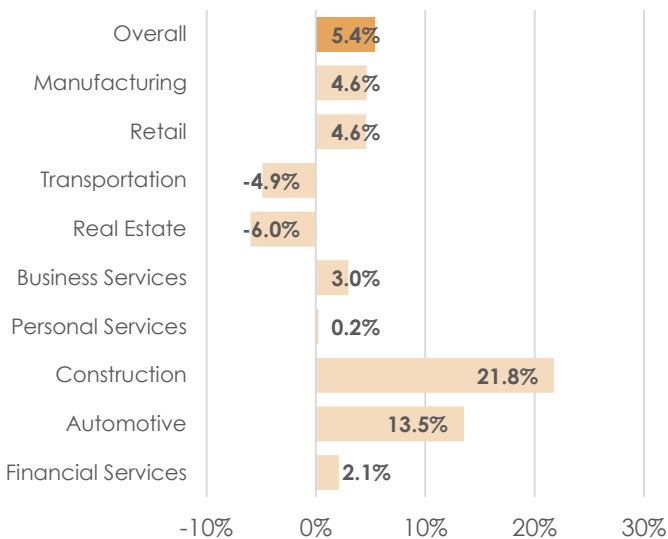
Another growing cause of concern is the ongoing trade war between the U.S. and China. The newly implemented tariffs on Chinese imports have so far resulted in modest (and expected) price increases for some consumer goods. Although some goods have received a temporary reprieve until December, the uncertainty generated by the situation will cause both businesses and consumers to tread with caution in the near term.

Quarterly U.S. Industry Delinquency & Failures Report

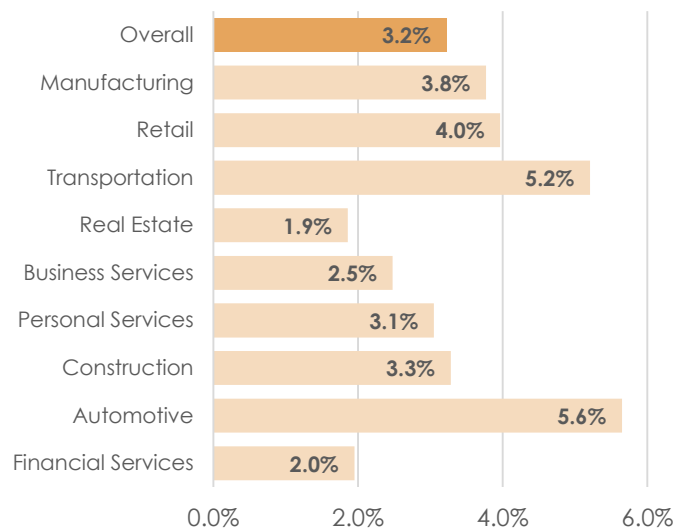
Q2 2019

FAILURES & DELINQUENCIES BY INDUSTRY: 2019 TRENDS

Y/Y CHANGE IN BUSINESS FAILURES
BY INDUSTRY: Q2 2019



DELINQUENCY RATES BY INDUSTRY:
Q2 2019



MFG.



RETAIL



TRANS.



REAL EST.



BUS SVCS.



PER SVCS.



CONST.



AUTO.



FIN SVCS.



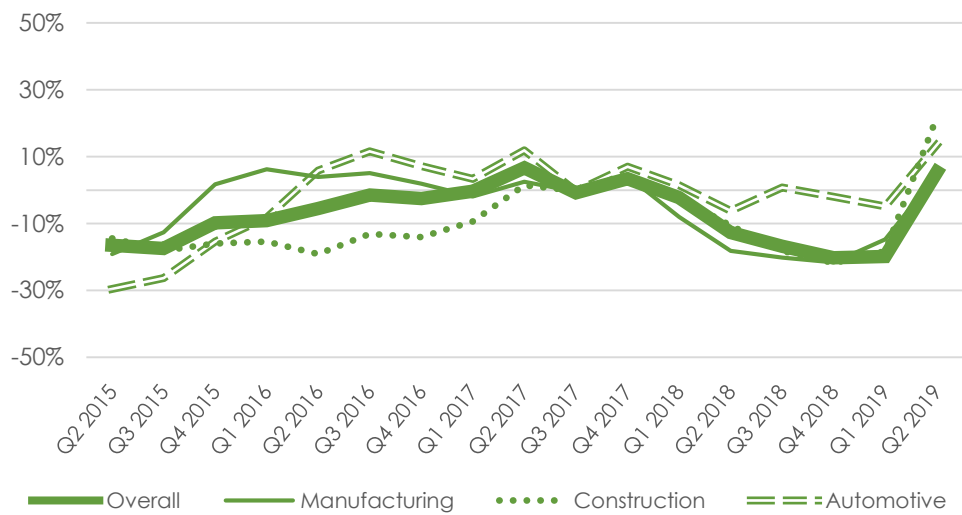
UNDERSTANDING INDUSTRY TRENDS

The profile of changes in business failures and payment delinquencies have altered considerably this quarter as compared to the past few quarters. As is evident from the chart above, several major verticals have registered increases in business failures, with Construction heading the pack with about 21% increase in business failures. Automotive – which is the sector that registered the highest delinquency rate this quarter as well – follows suit with a 13.5% increase in failures compared to Q2 2018.

Although businesses in the Transportation segment seem to be keeping their heads above water for now, they are still straining to meet their financial obligations, with the second-highest delinquency rate of 5.2% while the U.S. average stands at about 3%. The U.S. economy continues to expand on the whole, generating healthy consumer demand to support growth in Transportation. However, uncertainty on the energy price front and softness in key freight-generating sectors like Manufacturing and Construction are possibly the strongest headwinds currently faced by this sector.

INDUSTRY SPOTLIGHT: TOP INDUSTRIES TO MONITOR

TOP 3 INDUSTRIES TO MONITOR FOR BUSINESS FAILURE



MANUFACTURING



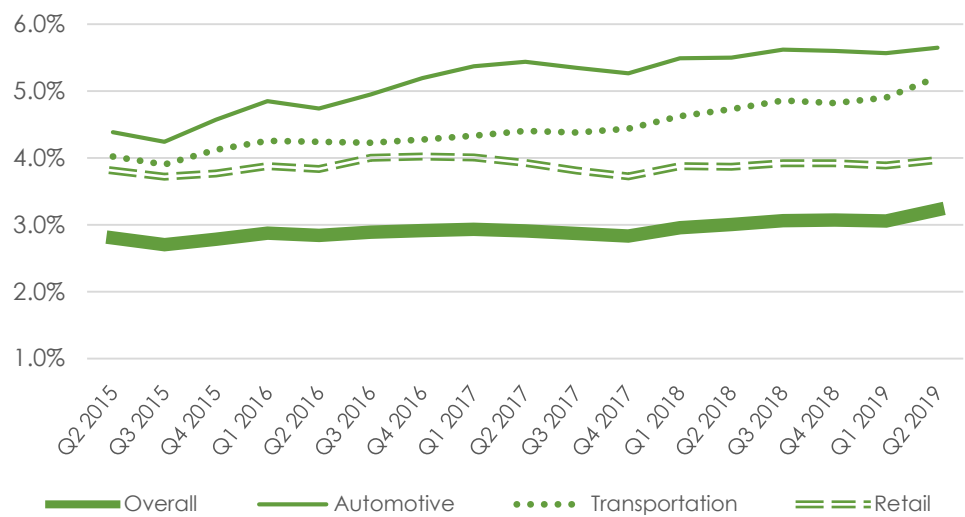
CONSTRUCTION



AUTOMOTIVE

The Construction (21.8%), Automotive (13.5%), and Manufacturing (4.6%) industries saw the highest increases in business failures while the average increase stood at 5.4% in Q2 2019.

TOP 3 INDUSTRIES TO MONITOR FOR DELINQUENCIES



AUTOMOTIVE



TRANSPORTATION



RETAIL

The Automotive (5.7%), Transportation (5.2%) and Retail (4%) underwent some decline in payment performance and the highest delinquency rates against the average rate of 3.2% in Q2 2019.

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