The U.S. Small Business Health Index dropped 0.8 points during the current reporting period, ending the year 2019 with a lackluster average of 88.1. The overall index and all subcomponents took a turn towards the worse as well on a Y/Y basis. The declines this month were primarily driven by a rising small business failures – which wiped out most gains in the vertical indices seen last month. The only verticals to show an improvement this month were Automotive (Y/Y basis) and Financial Services (M/M) basis.

Dun & Bradstreet expects the U.S. labor market to begin the new year with solid gains. We estimate about 212,000 jobs to be added to the U.S. payrolls in January 2020. Job additions this month is expected to be broad-based with most sectors contributing to the gains, while the Manufacturing sector expected to see some losses.
During December, D&B’s U.S. Overall Business Health Index—a broad measure of payment risk, was unchanged on m/m basis. The index maintained its prior level of 49.9%—meaning most active and open businesses in the US are tilted to a higher versus lower risk of recording payment difficulty over the next six months. Downward pressure on the overall index remains the most concentrated within the Commercial Credit Score category.

* February 2018 denoted the third ever comprehensive historical revision to the Overall Business Health Index with subsequent planned revisions occurring during February of each year.

PERSPECTIVES

The Small Business Health index ended the year with a value of the index hitting a multi-year low. While the labor market continues to rage on, the same cannot be said about the payment health of small businesses in the country. The year 2020 broke with the devastating news of the Coronavirus outbreak which threatens U.S. businesses that supply chain or other commercial links to the impacted region. Dun & Bradstreet has a finger on the pulse of the unfolding event and will monitor its impact on the U.S. and global business community.

Meanwhile, the risk of active and open firms in the US making a payment default, paying in a severely delinquent manner (91+ DPD) or becoming no longer viable remains elevated when compared to prior months. Although Dun & Bradstreet’s Overall Business Health Index (OBHI) was unchanged on a month-over-month basis in December, the current trend toward higher levels of risk with worsening conditions among US businesses remains intact. A deeper look at the subcomponent level reveals that D&B’s Commercial Credit Score continues to deteriorate after peaking in early 2018, indicting rising late payment risk. Although bankruptcy filings remain historically low a rise in late payments tends to proceed a rise in bankruptcies.

METHODOLOGY

The Small Business Health Index measures year-over-year small business performance through payment patterns and credit use. U.S. Jobs Health combines Small Business Health Index industry data with BLS figures to forecast monthly nonfarm payroll employment. The U.S. Overall Business Health Index provides a weighted average of Dun & Bradstreet’s Viability Score, Delinquency Predictor and Total Loss Predictor. The index ranges from zero (with all businesses recording high levels of risk) to 100% (with all businesses recording low levels of risk). Report based on data available as of February 3, 2020.

To learn more, visit https://www.dnb.com/perspectives/analytics/us-business-economic-trends.html

ABOUT DUN & BRADSTREET

Dun & Bradstreet, the global leader in commercial data and analytics, enables companies around the world to improve their business performance. Dun & Bradstreet’s Data Cloud fuels solutions and delivers insights that empower customers to accelerate revenue, lower cost, mitigate risk, and transform their businesses. Since 1841, companies of every size have relied on Dun & Bradstreet to help them manage risk and reveal opportunity. Twitter: @DnBUS