The U.S. Small Business Health Index, like many other macroeconomic indicators, has begun a lackluster journey upwards from its pandemic era lows. The index has gained 0.5 points to stand at a value of 84.1 over the last reporting period, a value at par with its pre-pandemic level from March 2020. However, this is by no means a clean bill of health regarding small business payment performance while the index still remains in the low 80’s range. With the delinquency sub-components still on the upturn, small businesses are faced with new challenges as government stimulus packages run dry.

The U.S labor market remains on its path of recovery as restrictions are eased across the United States. Despite seeing solid gains in the past 3 months, the job market remains 8% below its pre-pandemic level of Feb 2020. Further, the pace of recovery is expected to slow as several states have reported a rise in new cases per capita in the latest two-week period and may need to implement new restrictions. The labor market is expected to add about 900,000 jobs in September 2020, with all sectors showing some gains.
The recent flurry of positive economic numbers have begun to flow through to Dun & Bradstreet’s standard risk scores as Dun & Bradstreet’s Overall Business Health Index rose m/m in August for the first time in seven months. A three-month high in the index is an early indication that a turn toward lower risk is underway. But even if downward momentum is beginning to wane keep in mind that the level of risk remains elevated and remains 1.12 percentage points below its pre-Covid 19 peak of 49.78%, recorded in February.

* February 2020 marks the last comprehensive historical revision to the Overall Business Health Index with subsequent planned revisions occurring during February of each year.

PERSPECTIVES
This month’s Tracker shifts gears into recovery mode with all 3 of the indicators registering an increase on a m/m basis. Positive readings on several other macroeconomic releases also corroborate that the U.S. economy is gradually bouncing back from its pandemic trough. However, the reopening of the economy seems to be bringing along an uptick in the number of positive cases of the virus in several parts of the country. As small businesses try to resume operations amid diminishing government stimulus, the path to recovery is expected to be a rocky one. With consumer sentiment and demand remaining at record lows, all sectors of the economy will find it challenging to reach their pre-pandemic levels.

Meanwhile, a stark reversal in the decline of the Overall Business Health Index is providing encouragement that the recent rebound in macroeconomic data is filtering through to our risk scores—marking an underlying improvement in the macro picture. Typically, activity indicators recover first before an improvement in risk occurs which is likely the case here. We remain optimistic that at least the worst of the initial pandemic impact has passed and that will aid in a recovery in Dun & Bradstreet’s trade payment data that measures risk. Geographically, some of the best recoveries in these indices have been recorded in areas that have a lower share of high-contact service industries, such as in the East South-Central Census division but some Pacific Census division states have also proved resilient over the past couple of months.

METODOLOGY
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 Sep 27, 2020.

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

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