experian

COMMERCIAL PULSE

Small Business Insights

Executive Summary

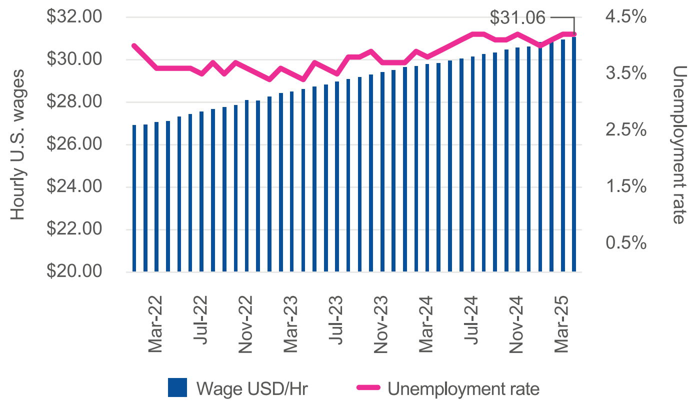
U.S. Economic and Regulatory Highlights

- The advance estimate for Q1 2025 GDP showed the U.S. economy shrunk at an annual rate of 0.3%, a drop from the 2.4% growth recorded in Q4 and marking the first contraction since Q1 2022, as imports surged ahead of anticipated new tariffs being imposed. Q1 GDP grew 2.0% year-over-year, down from 2.5% growth in Q4 2024 and the lowest level since Q4 2022. (Source: Bureau of Economic Analysis)
- April unemployment was 4.2%, remaining unchanged from the March level. (Source: U.S. Bureau of Labor Statistics)
- The U.S. economy added 177K jobs in April, down from 185K in March. (Source: U.S. Bureau of Labor Statistics)
- Average hourly wages continued to increase, up to $31.06 per hour in April. (Source: U.S. Bureau of Labor Statistics)
- The March PCE price index showed prices increased 2.3% year-over-year, down from 2.7% in February. (Source: Bureau of Economic Analysis)
- Inflation was 2.4% in March, down from 2.8% in February. Core inflation for March (excluding food and energy) was recorded at 2.8%, down from 3.1% in February, marking the lowest level since March 2021. The lower-than-expected rates of inflation in March is an indication of a slowing economy. (Source: U.S. Bureau of Labor Statistics)
- Inflation details in significant sectors include:
  - Rent inflation eased to 4.0% in March, down from 4.2% in February and the lowest level since November 2021. (Source: U.S. Bureau of Labor Statistics)
  - Food inflation increased to 3.0% in March, up from 2.6% in February, and was the highest level since October 2023. (Source: U.S. Bureau of Labor Statistics)
  - In March, energy prices fell by 3.3% year-over-year, with gasoline and fuel oil prices dropping by 9.8% and 7.6%, respectively. However, electricity prices increased by 2.8% and natural gas costs rose by 9.4%. (Source: U.S. Bureau of Labor Statistics)
- March producer price inflation was 2.7%, down from 3.2% in February and the lowest level since October 2024. (Source: U.S. Bureau of Labor Statistics)
- Small Business optimism declined to 97.4 in March, down from 100.7 in February and the lowest level since October 2024. The 3.3 point drop in March brought the index below the 51-year average of 98 for the first time since October 2024, (Source: NFIB)
- Consumer sentiment was 52.2 in April, down from 57.0 in March and 32% lower than a year ago. It was the fourth consecutive monthly drop and reached the lowest level since July 2022. (Source: University of Michigan)
- In the week ending 04/26/25, the advance figure for seasonally adjusted initial unemployment claims was 241,000, up 18K from the prior week. The 4-week moving average was 226,000, up 5.5K from the prior week and an increase of 7.5% from a year ago. (Source: U.S. Department of Labor)
- The average cost of regular and diesel fuel trended down in the last month. Compared to a year ago, prices for regular and diesel fuel are 13% and 11% lower, respectively. (Source: AAA)
- The average 30-year mortgage rate was 6.76% for the week ending 05/01/25, down slightly from 6.81% the prior week. (Source: FreddieMac)
- Existing home sales were 4.02MM in March, down from 4.27MM in February and the lowest level since October 2024. (Source: National Association of Realtors)

Macroeconomic
Overview

-0.3% Q1 GDP	4.2% April Unemployment	2.4% Inflation in March	52.2 Consumer Sentiment in April
Bureau of Economic Analysis	U.S. Bureau of Labor Statistics	U.S. Bureau of Labor Statistics	University of Michigan

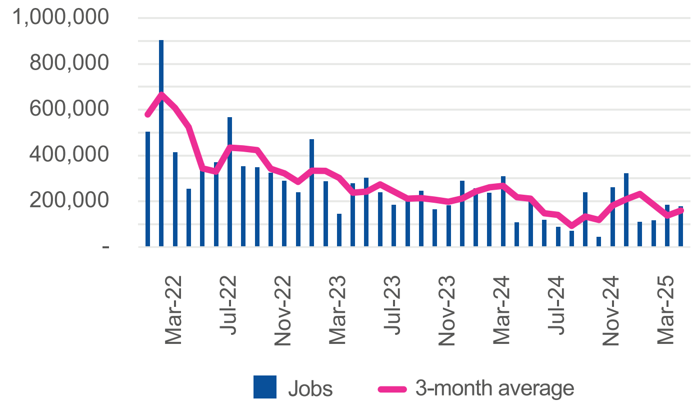
April unemployment was 4.2%, remaining unchanged from the March level. Average hourly wages continued to increase, up to $31.06 per hour in April.



Source: U.S. Bureau of Labor Statistics

The U.S. economy added 177K jobs in April, down from 185K in March.

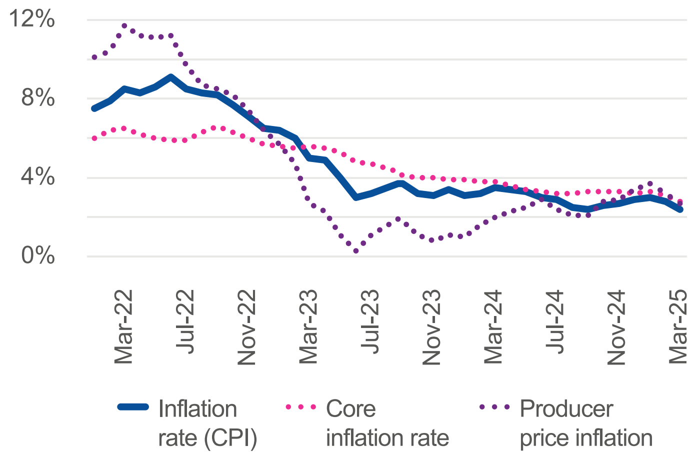
Monthly job creation — U.S. Non-farm payrolls (seasonally adjusted)



Source: U.S. Bureau of Labor Statistics

Inflation was 2.4% in March, down from 2.8% in February. March core inflation was 2.8%, down from 3.1% in February and is the lowest level since March 2021. March producer price inflation was 2.7%, down from 3.2% in February.

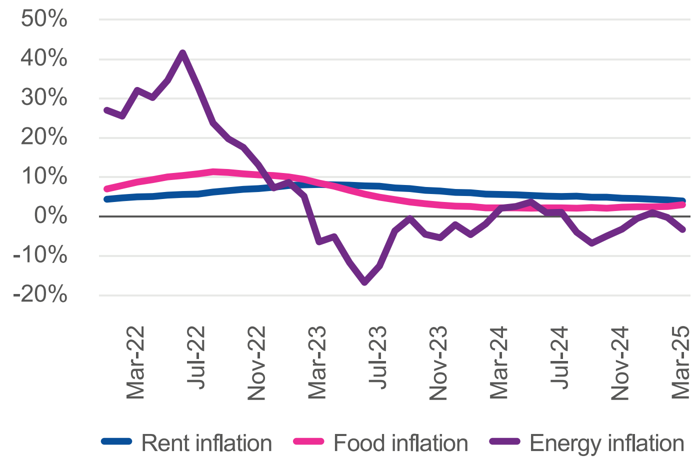
Year-over-year rate of inflation



Source: U.S. Bureau of Labor Statistics

Rent inflation eased to 4.0% in March, down from 4.2% in February and the lowest level since November 2021. Food inflation increased to 3.0% in March, up from 2.6% in February, and was the highest level since October 2023. March energy prices were 3.3% lower than a year ago.

Year-over-year rate of inflation

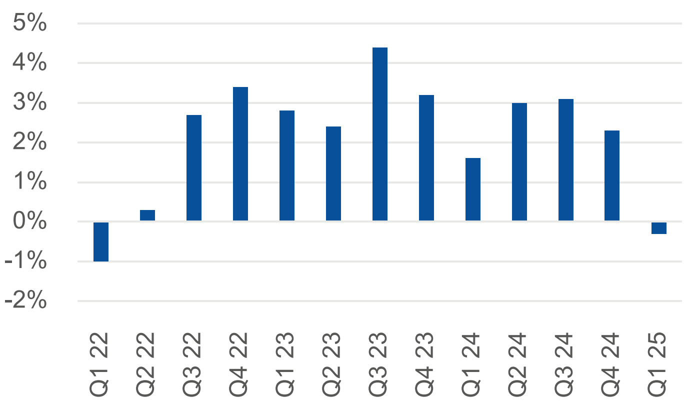


Source: U.S. Bureau of Labor Statistics

Macroeconomic
Overview (continued)

The advance estimate for Q1 2025 GDP showed the U.S. economy shrunk at an annual rate of 0.3%, a drop from the 2.4% growth recorded in Q4 and marking the first contraction since Q1 2022, as imports surged ahead of anticipated new tariffs being imposed.

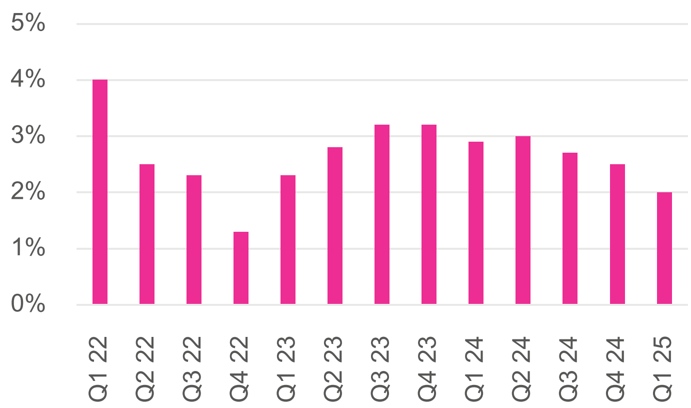
Real GDP: % change from prior quarter (seasonally adjusted, annual rates)



Source: Bureau of Economic Analysis

The U.S. economy grew 2.0% year-over-year in Q1 2025, down from 2.5% growth in Q4 2024 and the lowest level since Q4 2022.

Real GDP: % change year-over-year (seasonally adjusted, annual rates)



Source: Bureau of Economic Analysis

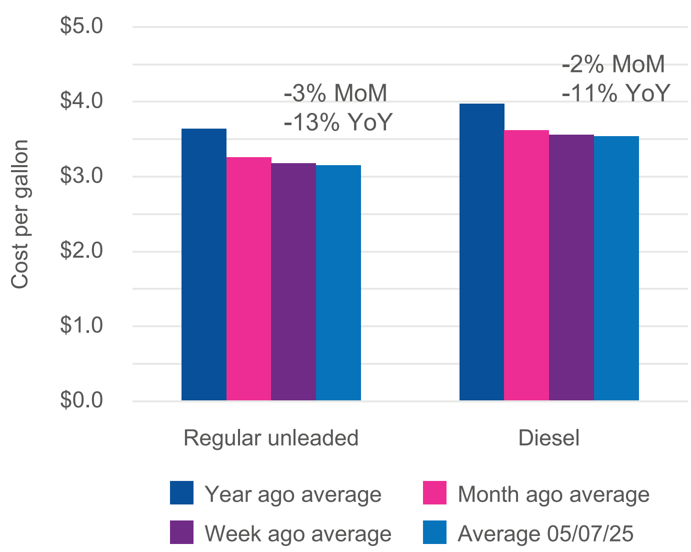
The March PCE price index showed prices increased 2.3% year-over-year, down from 2.7% in February.

PCE Price Index Annual Change

Source: Bureau of Economic Analysis

The average cost of regular and diesel fuel trended down in the last month. Compared to a year ago, prices for regular and diesel fuel are 13% and 11% lower, respectively.

Average Gas Prices



Source: AAA

Macroeconomic
Overview (continued)

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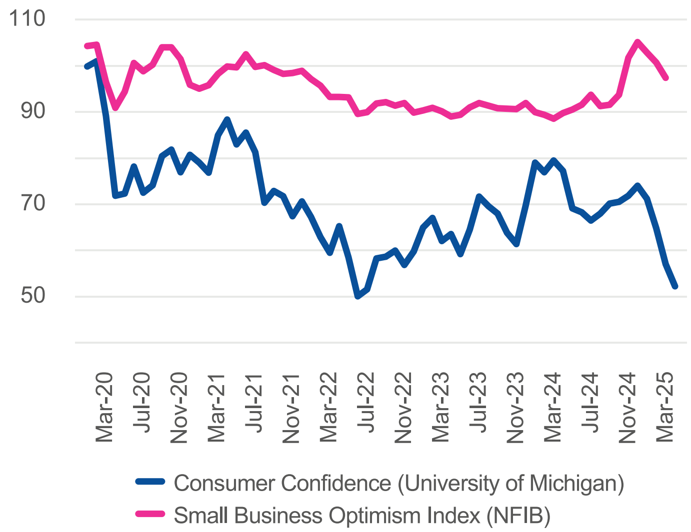

Sources: University of Michigan; NFIB

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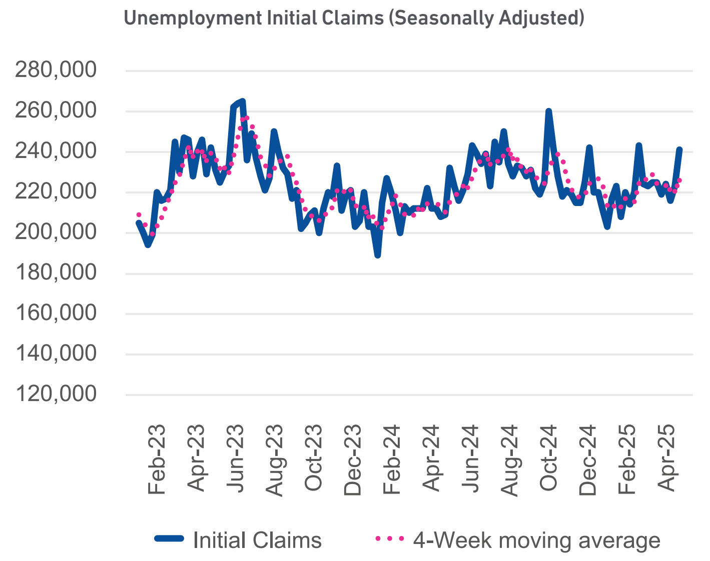
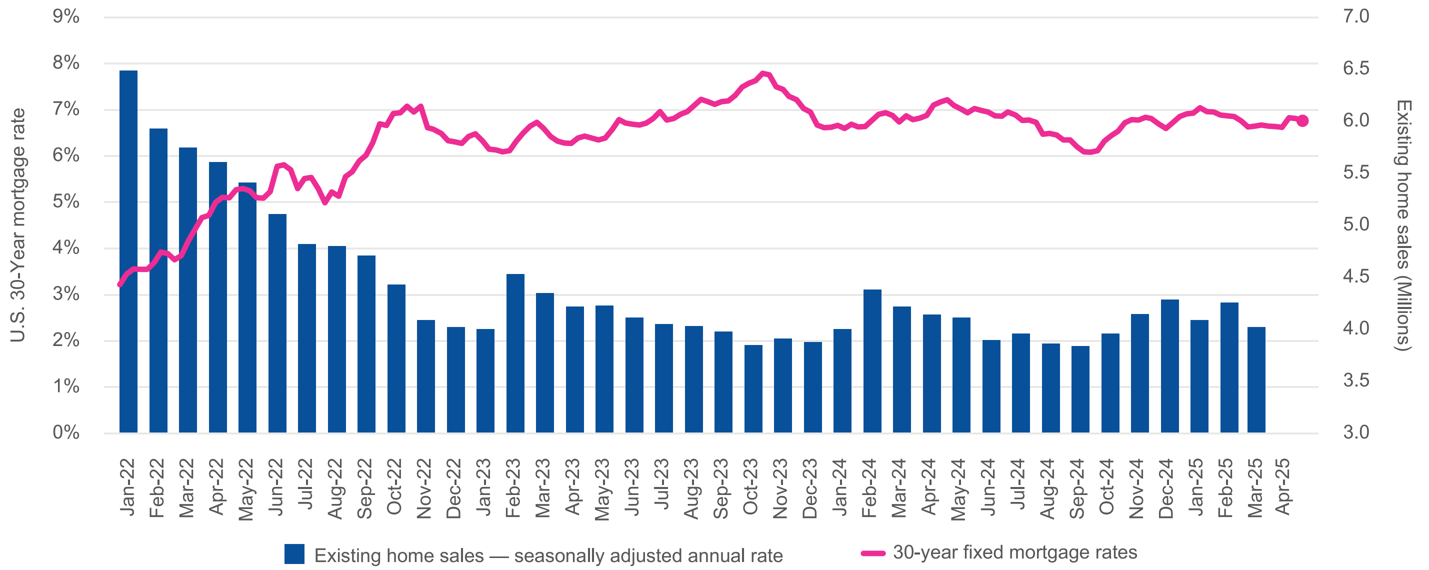


Source: U.S. Department of Labor

The average 30-year mortgage rate was 6.76% for the week ending 05/01/25, down slightly from 6.81% the prior week. Existing home sales were 4.02MM in March, down from 4.27MM in February and the lowest level since October 2024.



Sources: Freddie Mac, National Association of Realtors

Experian Small Business Index™

The Experian Small Business Index™ rose by 1.8 points in March, reaching 47.2, marking the third consecutive month of modest gains but still 9.3 points lower than a year ago.

As of March 2025

47.2

Index Value

45.4

Previous month

+1.8

Month-over-month

-9.3

Year-over-year

The Experian Small Business Index assesses the financial health of business owners and their businesses on a national, state, and industry level by combining their personal and business credit data.

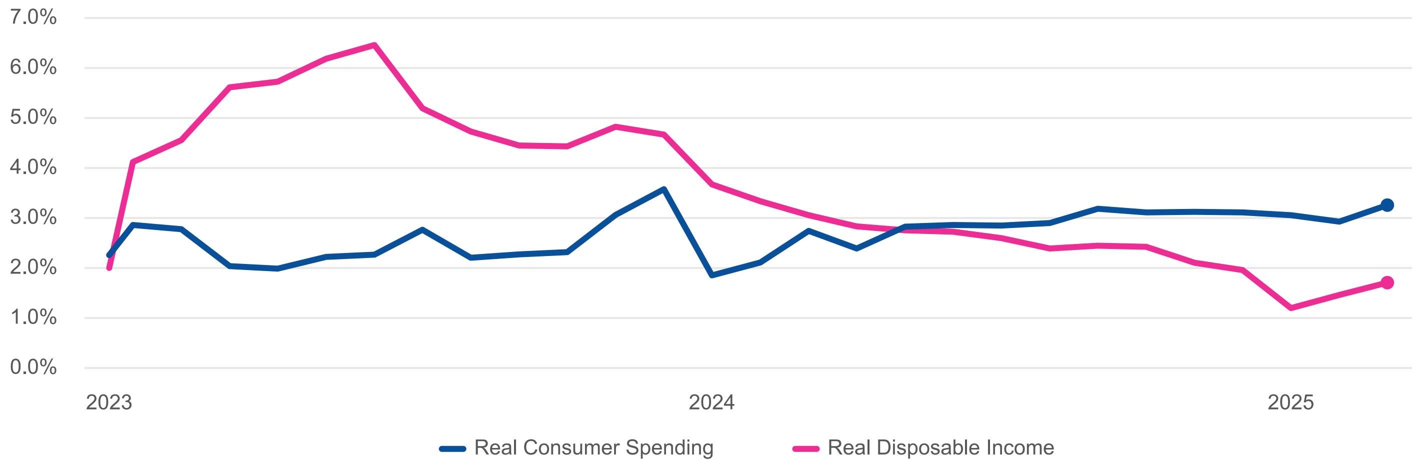
The Experian Small Business Index monitors the small business environment by tracking trends such as the number of emerging businesses, delinquency rates, credit utilization, and new credit approval rates.

Index values range from 0 to 100, with a normal range between 40-60, where values trending below 40 indicate a less favorable business environment than average for owners, and values above 60 indicate a more favorable business environment than average. Favorable environment indicates overall health and **ease of access to and usage of credit in the region by a small business owner.**

Real income growth continues to slow yet spending generally solid

Real disposable income grew 1.7% in March, down from 3.1% a year ago and 5.6% two years ago. Real consumer spending has been relatively steady for the past two years.

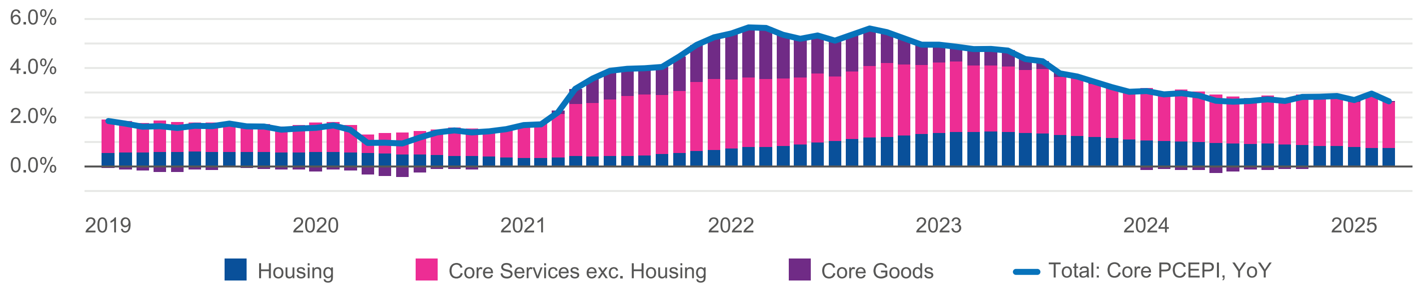
Real Income and Consumer Spending: YoY % Change



Sources: Bureau of Economic Analysis, Federal Reserve, and Experian Economic Strategy Group

PCE increases have been driven by housing and services since late 2023, partially offset by a decline in core goods.

Core Personal Consumption Expenditures (PCE) Index (ex Food and Energy): Contributions to YoY % Change

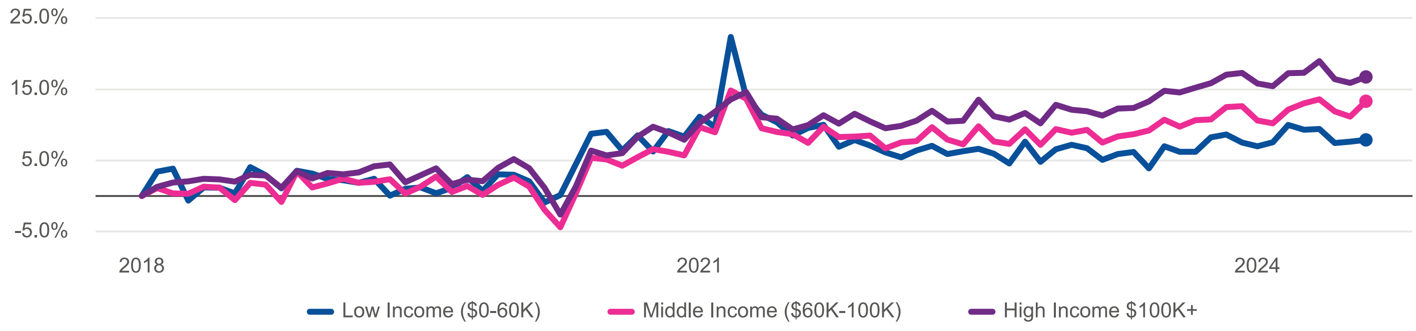


Sources: Bureau of Economic Analysis, Federal Reserve, and Experian Economic Strategy Group

An increasing number of consumers are finding it more difficult to pay their bills compared to a year ago

Income growth is slowing across all ranges. As income increases wane, individuals might reduce their expenditures, particularly among higher income groups, which have been the main contributors to overall spending.

Growth in Real Retail Spending by Income, Jan 2018 = 0

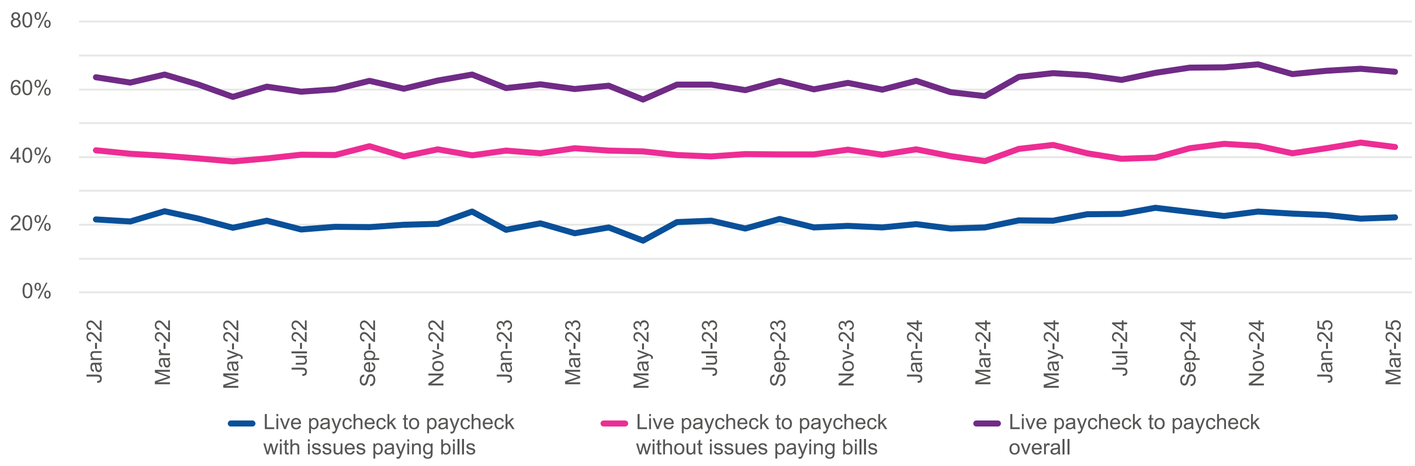


Sources: Bureau of Economic Analysis, Federal Reserve, and Experian Economic Strategy Group

As of March 2025, 65% of U.S. adults report living paycheck to paycheck, remaining flat for the past several months but up from 58% a year ago. The increase is primarily driven by those individuals who live paycheck to paycheck with issues paying bills.

Consumers' paycheck-to-paycheck status

Share of U.S. consumers living paycheck to paycheck

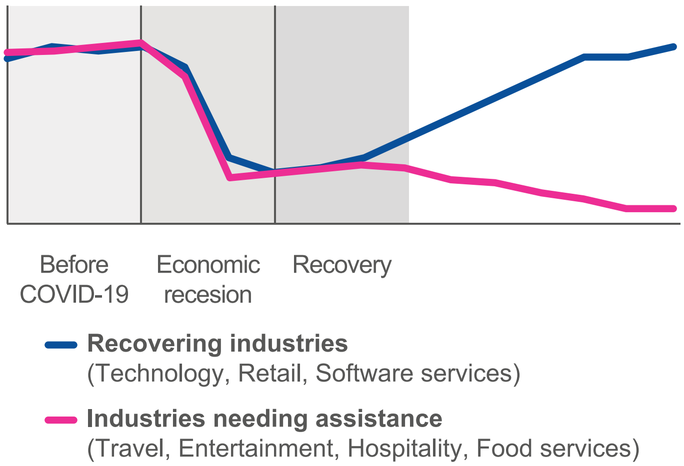


Sources: PYMNTS

The United States economy is experiencing a K-Shaped Recovery, partially driven by wealth inequality

A K-Shaped Recovery occurs when one population or sector of the economy rebounds from a recession, while another population or sector continues to decline.

K-Shaped Recovery



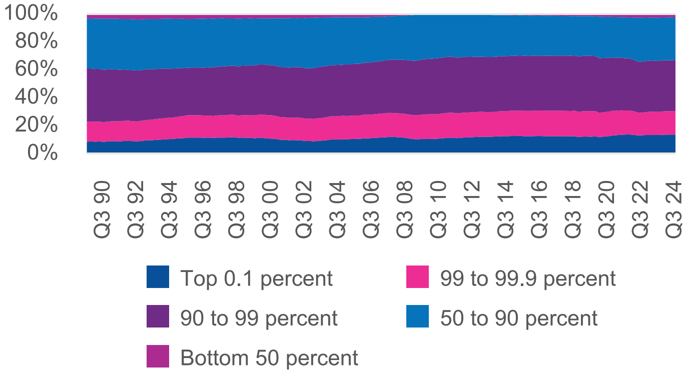
Sources: Investopedia, U.S. Bureau of Labor Statistics

K-Shaped Recovery Characteristics

- The COVID-19 K-shaped recovery is characterized by certain sectors recovering swiftly while others continue to lag.
- The long-term effects of a K-shaped recovery include extended unemployment for individuals in the lowest income quintile, increasing wealth disparity, an ongoing and deepening racial wealth gap, and the rise of corporate monopolies.
- A K-shaped recovery can change the landscape of work, as the pace of innovation and technology adoption increases, leading to more individuals being overseen by automation and algorithms.
- As observed in past recessions, prolonged unemployment can lead to a K-shaped recovery, particularly impacting those in lower income quintiles.
- Lower-wage businesses and their employees faced the most significant challenges during the COVID-19 recession. They experienced greater job losses, and the path to reemployment and recovery has been more prolonged compared to higher-wage establishments.

The wealth gap continues to grow. In 2024, the top 1% of households held 30.6% of total wealth in the U.S., up from 22.8% in 1989. Over that same period, the bottom 50% of households saw their holdings fall from 3.5% to 2.4% of total U.S. wealth.

Wealth Distribution in the United States by Income Percentile



Source: U.S. Federal Reserve

Wealth Gap in the U.S.

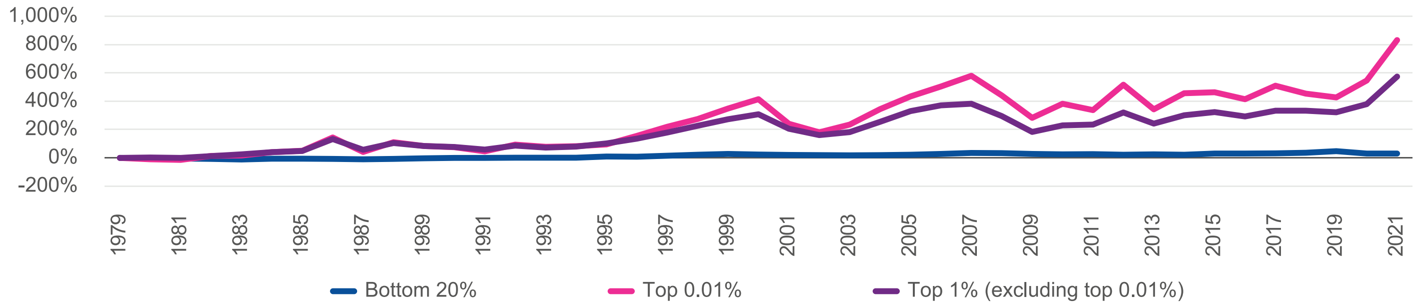
- The top 10% of households by wealth had $7.2MM on average. Overall, they held 67.3% of total household wealth.
- The top 20% of households by income had $3.8MM in wealth on average. Overall, they held 71.1% of total household wealth.
- The bottom 20% of households by income had $160,000 in wealth on average. Overall, they held 3% of total household wealth.
- The bottom 50% of households by wealth had $52,000 on average. Overall, they held 2.4% of total household wealth.

Source: St. Louis Federal Reserve

The disparity in income growth significantly contributes to wealth inequality and also influences the pace of economic recovery across various regions

Since 1979, the wealthiest 1 percent of Americans have seen the highest rate of income growth. From 1979 to 2021, the average income for the richest 0.01 percent of households — currently just over 12,000 households — grew almost 27 times faster than that of the lowest 20 percent of earners.

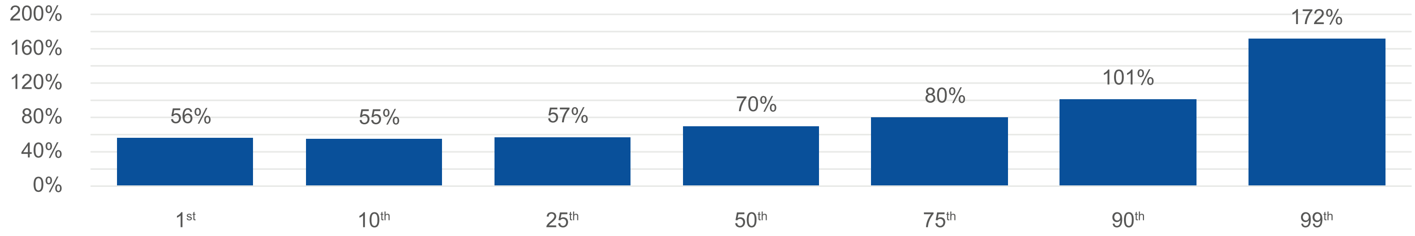
Percent Average Income Growth by Household Income Group



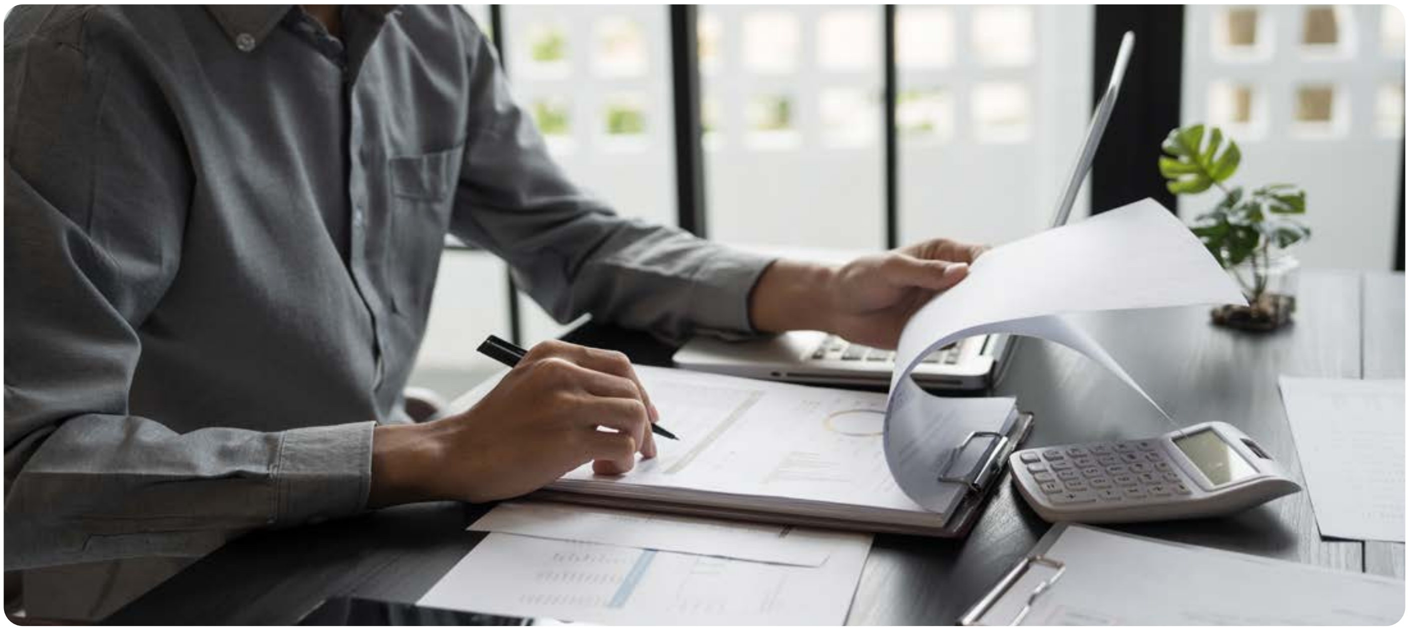
Sources: Inequality.org, Congressional Budget Office

Since 1980, the bottom 25% of counties in the U.S. in terms of household income experienced 56% growth in income. In contrast, the top 1% of counties saw an income increase more than three times higher at 172%.

Per Capita Income Growth by Counties/Income Places, 1980-2021



Source: Bureau of Economic Analysis



A Tale of Two ZIP Codes: How Location-Based Income Segmentation Reveals a K-Shaped Recovery

Experian examined two geographic sectors in the U.S. according to income levels based on the American Consumer Survey 2019-2023 5-Year Release from the U.S. Census Bureau.

Low/Moderate Income Sector:
Located in zip codes with median income < 80% of state median

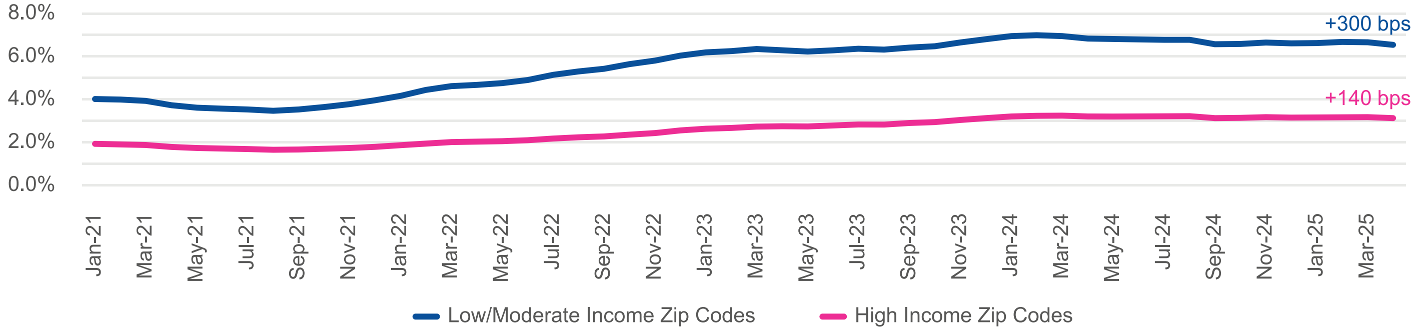
High Income Sector:
Located in zip codes with median income >= 120% of state median

- Post-pandemic recovery shows a split between affluent vs. low/moderate income sectors of the economy.
- Averages of economic metrics conceal the underlining disparity between populations.
- Experian studied this divide in consumer and retailer credit conditions (2021–2025 YTD), segmenting consumers and retailers (NAICS codes starting in 44 and 45) by their zip codes' median income.

Consumer card delinquencies in low/moderate income zip codes has grown to more than twice that of affluent areas

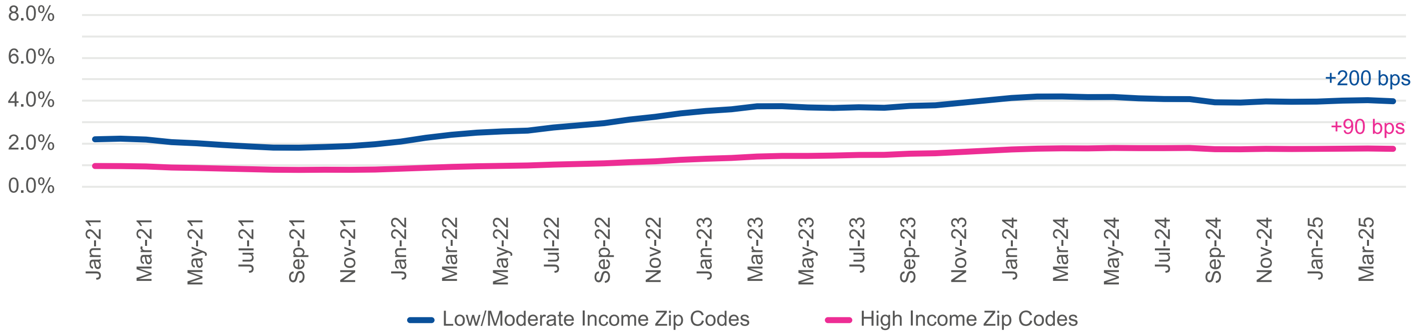
Late-payment and severe-delinquency rates have increased significantly since 2021 with delinquencies in low/moderate income locations increasing much more than high income areas.

Late Payments — Consumer Card, 31+ DPD Rate



Source: Experian Consumer Credit Data

Severe Delinquencies — Consumer Card, 91+ DPD Rate

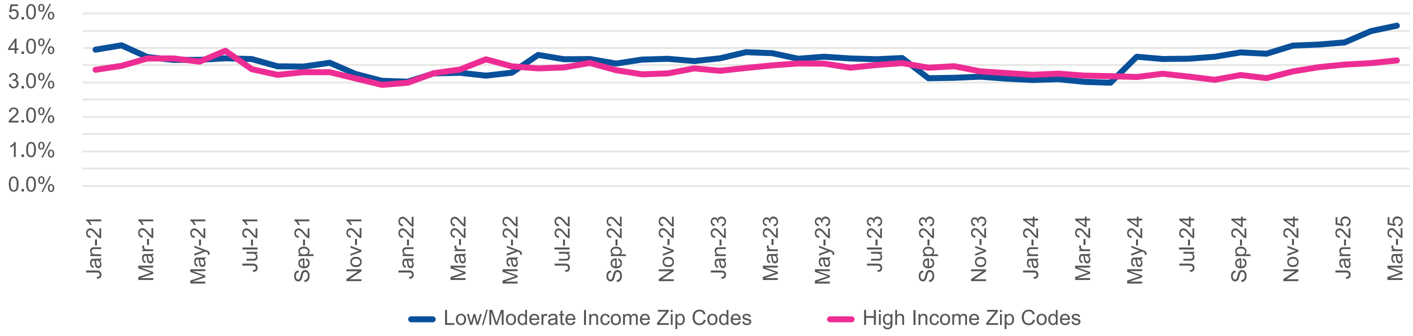


Source: Experian Consumer Credit Data

Financial pressure on consumers affects retail businesses, as indicated by the commercial credit performance

Delinquent balances for retailers in low/moderate zip codes surged +120 bps in 2024-2025 while high-income areas rose by just +20 bps.

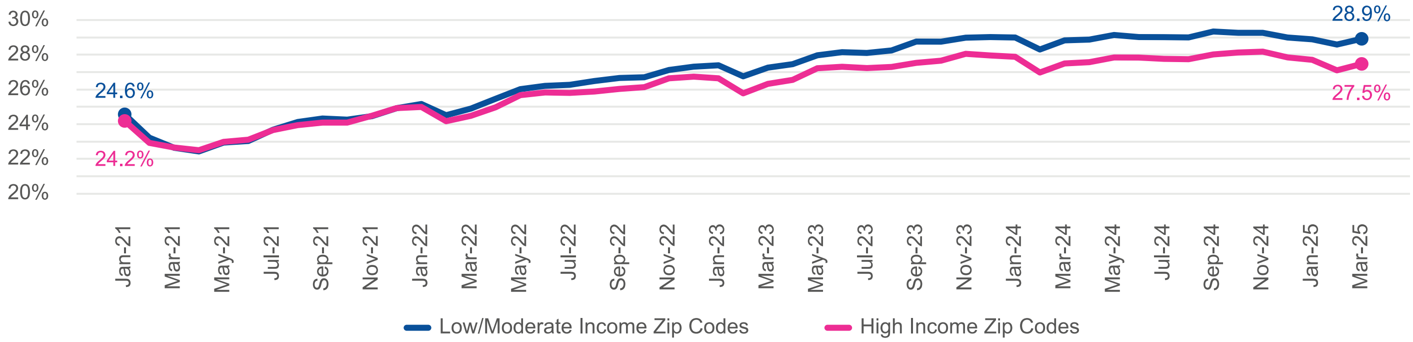
Retailers: Commercial 61+ DPD Rate



Source: Experian Commercial Credit Data

Since 2021, commercial card utilization rates by retail establishments increased 4.3 percentage points in low/moderate income areas compared to 3.3 percentage points for retailers in high income areas.

Retailers: Commercial Card Utilization Rate

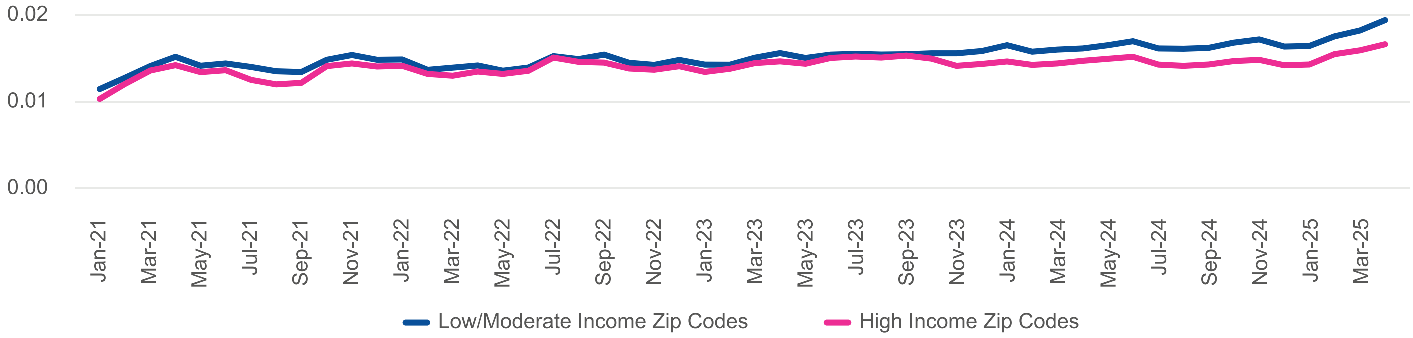


Source: Experian Commercial Credit Data

Financial pressure on consumers affects retail businesses, as indicated by the commercial credit performance

Since 2023, retail establishments in low/moderate income areas experienced a larger increase in public record filings than establishments in high income areas.

Retailers: Avg. Number of Public Record Filings per Business



Source: Experian Commercial Credit Data

Retail establishments in low/moderate areas have lower (riskier) commercial credit risk scores, decreasing since 2021 while retailers in high income areas improved over the same time frame.

Retailers: Avg. Experian Commercial Credit Risk Score

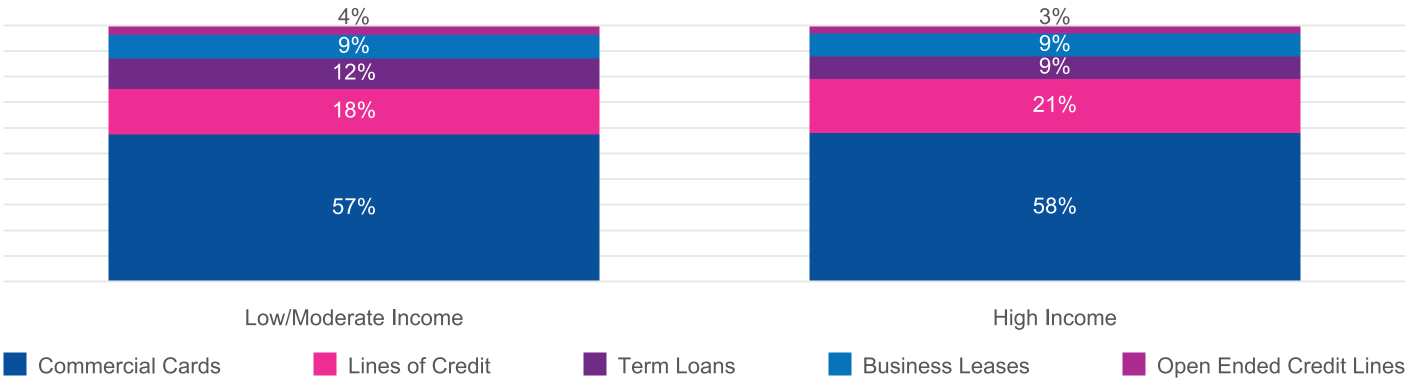
	2021	2024-25 YTD	Difference
Low/Moderate Income Zip Codes	43.0	42.7	-0.3
High Income Zip Codes	45.7	46.2	+0.6

Source: Experian Commercial Credit Data

Commercial loan origination product mix is similar across income areas

Businesses Revolving credit (card and LOCs) accounts for 75% - 79% of commercial originations in the retail sector.

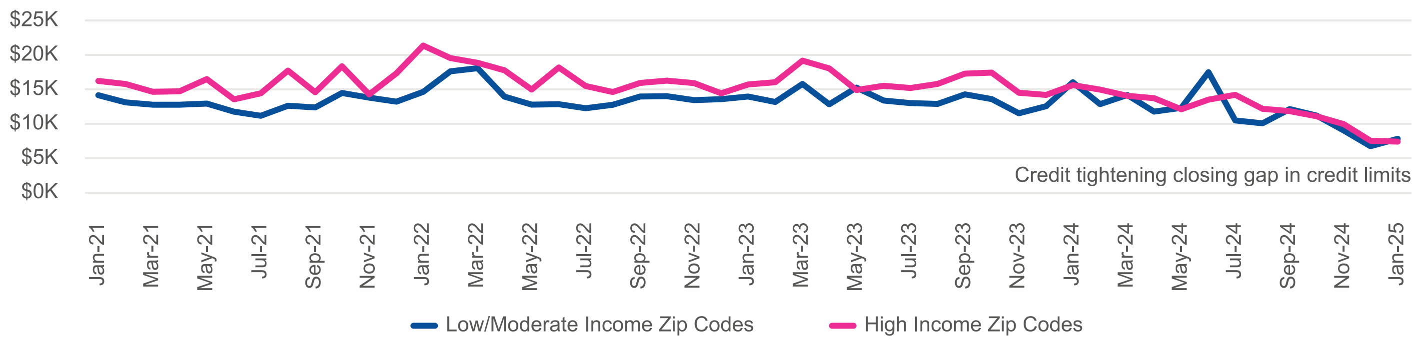
Retailers 2024-2025 YTD Originations by Location and Loan Type



Source: Experian Commercial Benchmarking

By late 2024, the disparity in commercial credit lines offered by lenders to retailers in low to moderate income areas compared to those in high-income locations nearly vanished, as lenders implemented stricter credit policies.

Retailers: Avg. New Commercial Card Credit Limits



Source: Experian Commercial Benchmarking

What I found interesting

About the author

Marsha Silverman
Strategic Analytic Consultant
Commercial Data Science
Experian Business Information Services

Marsha leads strategic analytic solutions within Experian's U.S. Commercial Data Sciences team. In her role, she consults with various clients to drive comprehensive businesses strategies through use of Experian data and analytics across the product lifecycle from prospecting, account acquisition and underwriting through account management. Marsha is an industry expert with 30 years of experience in Financial Services focusing on both risk and marketing analytics for consumer and commercial lending.

Contributor

Andrew Moore
Analytic Consultant
Commercial Data Science
Experian Business Information Services

Andrew supports analytical solution consulting in the Commercial Decision Sciences team at Experian. In his role, he assists clients in multiple aspects of commercial credit management; from acquisition to portfolio management to commercial recoveries. Andrew has 10+ years of experience in analytical consulting for both commercial and consumer role and in the application of alternative data solutions across multiple industries. Andrew has a wide breadth of hands-on experience in risk management, alternative data solutions and sales.

Contributor

Javier Rodriguez-Paiva
Strategic Analytic Consultant
Commercial Data Science
Experian Business Information Services

Javier leads fraud analytics consulting in the Commercial Decision Sciences team at Experian. In his role, he assists clients with comprehensive fraud management strategies, with an eye on both loss mitigation and business growth. Javier has 10+ years of experience in the analytics consulting role and in the financial industry, with a wide breadth of hands-on experience in risk, financial, sales and marketing data-driven strategy development.

The United States economy has been experiencing a K-Shaped recovery since the COVID-19 pandemic and near economic recession that followed. Wealth inequality is one driver of this K-Shaped recovery with the top 10% of U.S. households holding over 67% of the total wealth in the U.S. while the bottom 50% of households hold just 2.4%, and the wealth gap continues to grow. One issue contributing to wealth inequality is slowing income growth with an increasing number of individuals living paycheck to paycheck. Disposable income growth is slowing yet consumer spending continues to be strong, led by high income households. Since 1979 the top 1% of households by income group has increased over 500% while the bottom 20% of households by income group has increased just 31%. Households in lower income areas have experienced less than half the income growth of households in affluent areas over the past 40 years. This disparity has led to a significant wealth gap in the United States and a vastly different economic recovery, hence the K-shaped recovery.

Retail businesses in high-income areas have recovered better economically than those in low to moderate-income areas. Spending by high earners has contributed to positive commercial credit performance for small businesses in affluent zip codes. Businesses operating in zip codes where the median income is greater than or equal to 120% of the state average have experienced lower delinquency rates and less increase since 2021. These businesses also have lower commercial credit utilization rates, lower derogatory public record filings and better commercial credit scores. The increased consumer spending in high income areas helped businesses in affluent zip codes recover more quickly and clearly points to an economic K-shaped recovery.

What I am watching:

Three macro forces will determine whether today's modest credit gap stays contained or widens in 2025-26. (1) Tariff pass-through: The newly imposed import duties lift input costs across retail categories. Tracking how quickly those costs flow into prices and whether margin pressure pushes low-income-zip retailers to draw on working-capital lines more aggressively. (2) Recession risk: Q1 2025 GDP showed a contracting economy and prediction markets now place 50% – 60% odds on a 2025 recession. If that downturn materializes, we expect a further uptick in consumer card delinquencies, with a proportionally larger move in low/mod zip codes. Business 61+ DPD could follow —typically within a few quarters' lag. (3) Lender response: Confidence surveys show both consumers and businesses turning sharply more cautious which will likely lead to credit tightening. Any additional tightening, layered on top of rising costs and softer demand, could amplify liquidity strain in the lower-income cohort first —especially for retailers whose inventories are most exposed to the higher tariff schedule.

About Experian's Business Information Services

Experian's Business Information Services is a leader in providing data and predictive insights to organizations, helping them mitigate risk and improve profitability. The company's business database provides comprehensive, third-party– verified information on 99.9 percent of all U.S. companies, as well as millions of companies worldwide. We provide market-leading tools that assist clients of all sizes in making real-time decisions, processing new applications, managing customer relationships and collecting delinquent accounts. For more information about Experian's advanced business-to-business products and services, visit www.experian.com/commercial.

Experian
475 Anton Blvd.
Costa Mesa, CA 92626
T: 1 800 520 1221
www.experian.com/commercial

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