



SEPTEMBER 2023

# M.INDEX

Our Monthly Index on the State of UK Credit



# The view from Experian

There are signs that the negative sentiment surrounding the commercial lending market have started to abate with indications to suggest that whilst demand continues to be prevalent, the supply taps have also been loosened.

Despite continued concerns from businesses worrying about the high cost of goods and interest rates, business resilience remains high and business investment continues to be strong and growing. Credit utilisation is stabilising as are other performance indicators such as arrears and delinquency rates, which, coupled with default rates beginning to fall, are reflective overall of signs that the market might be on a slow path to recovery.

Official figures show the continued slowing of inflation in August driven by slower rises in the price of food despite increases in the cost of oil, leading to the Bank of England's decision to hold interest rates at **5.25% after 14 consecutive increases**, both of which will be welcome news to businesses and should filter through to lower costs of doing business and borrowing. All of this means we are potentially turning a corner into a period of greater stability that will in turn evolve into greater levels of positivity in the lending markets. The question as to whether this can induce and maintain a positive cycle will be key to driving economic growth in the medium term, and, although certain sectors will remain more challenged than others, is this the tide starting to turn?

## Gareth Rees

Head of Commercial  
Credit & Risk, Experian

[businessuk@experian.com](mailto:businessuk@experian.com)

A portrait of Gareth Rees, a man with short dark hair, wearing a light-colored shirt and a dark jacket. The image is partially obscured by a large, semi-transparent pink circle that serves as a background for the text callouts.

Demand is  
reduced but  
stable

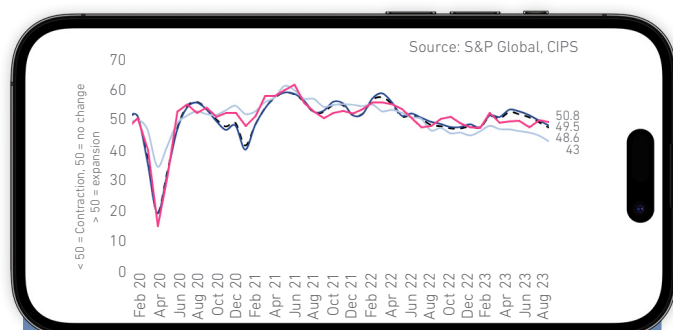
Resilient  
but diverse  
sector  
outlook

Higher  
borrowing  
costs



# Key UK Economic & Commercial Credit Metrics

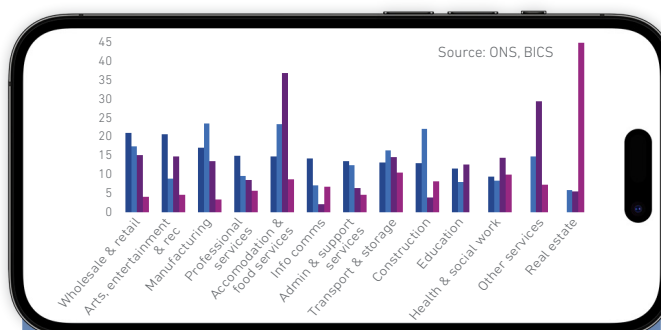
## UK Purchasing Managers Indices (PMIs)



The latest PMIs signal that private business activity slipped to 48.6 (<50 indicates contraction) from 50.8 in July, the first reduction in the UK private sector output since January. Respondents across servicing (49.5), manufacturing (43.0) and construction (50.8) businesses have raised alarms that the impact of rising borrowing costs has led to cautionary clients seeking fewer new business opportunities in both domestic and international markets. Placed alongside rising business expenses has dulled positive market outlooks, especially for the housing and services market.

- PMI composite
- PMI manufacturing
- PMI services
- PMI construction

## % of businesses main concern in June 2023

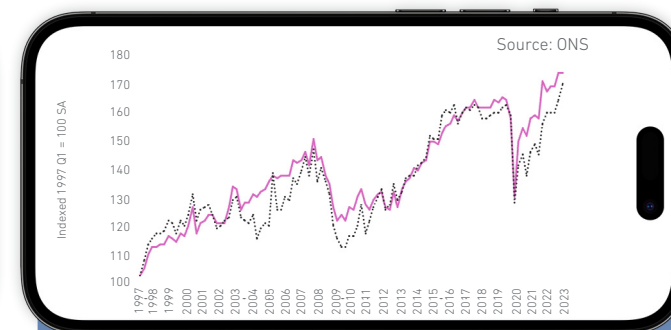


The latest ONS Business Insights Survey (BICS) displays that the top two concerns for businesses in September have transitioned to inflation (14.2%) and falling demand (14.0%) and have not declined.

Energy prices remain primary concerns for accommodation & food services, manufacturing and other services. While worries surrounding interest rates for real estate businesses have skyrocketed from 29.4 in August to 42.5% in September, as the 15-year peak in mortgage rates has seen domestic housing demand collapse and prices decline.

- Energy prices
- Falling demand of goods & services
- Inflation of goods & services prices
- Interest rates (including mortgages)

## UK business investment and gross fixed capital formation



UK business investment (BI) maintains a strong position, having increased by a further 3.4% in Q2 2023, placing it 4.8% above pre-pandemic level (Q4 2019) and 6.7% above Q2 2022, as the end of the super-deduction incentive in Q1 2023 saw investment in certain qualifying assets was brought forward.

However, whole economy investment (gross fixed capital formation (GFCF)) was flat in Q1 2023, as investors hold back in the face of economic uncertainty, but still remains 3.8% above its Q2 2022 reading.

- Business investment
- GFCF



# Key UK Commercial Credit Metrics

(Asset Finance, Credit Cards/Revolving Credit, Loans, and Mortgages)

	2019	2020	2021	2022	2023 preview	2023 variance
	(Year end)	(Year end)	(Year end)	(Year end)	(Aug 23)	(% to 2022)
Average Commercial Delphi Score	44	42	42	42	42	0.0%
Median Commercial Delphi Score	40	36	37	36	36	0.0%
Average credit card/revolving credit utilisation rate	100	82	103	109	108	-0.7%
Average overdraft utilisation rate	100	65	83	90	96	6.5%
Proportion of current accounts overdrawn	100	60	78	80	78	-2.6%
Average asset finance debt	100	102	111	118	138	16.7%
Average credit card/revolving credit debt	100	99	157	172	194	12.8%
Average loan debt	100	113	138	136	133	-1.7%
Average mortgage debt	100	90	98	99	99	0.0%
Average non-mortgage debt	100	105	123	120	122	2.1%
Status 2+ delinquency rate	100	131	109	108	126	17.4%
Default rate	100	102	84	99	123	25.2%

NB: Loans excludes Insurance Premium Loans

## The view from Experian

- SME lending levels on most products improved in May compared to April - but lending remains weak compared to the prior year.
- Arrears and delinquency rates showing signs of stability since March, with some key measures improving.
- Average Net Turnover on business accounts has remained negative for most months of 2023, with a corresponding decline in aggregate business cash balances.
- Default rates remain at very high levels seen during the last 3 months – but have not deteriorated further.



For In-depth Insights, **download our report now -**  
**SME lending in the cost-of-living crisis**



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**Registered office address:**  
**The Sir John Peace Building, Experian Way,**  
**NG2 Business Park, Nottingham, NG80 1ZZ**  
**[www.experian.co.uk](http://www.experian.co.uk)**

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