

Revenued SMB Health  
Index Quarterly Update:

# Is June's Reversal an Outlier or Indicator? Q2 2024

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## The Revenued SMB Health Index Q2 2024 Update

The Revenued SMB Health Index draws on real-time banking data from thousands of SMBs across the United States to better understand the state of small businesses

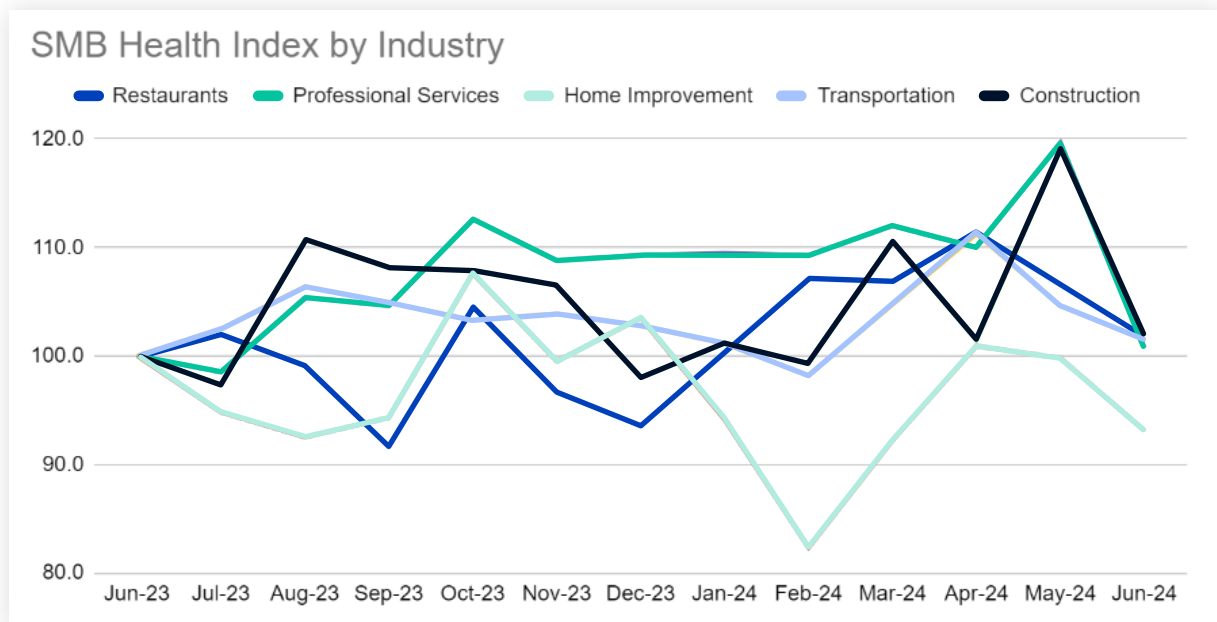
The Index increased throughout the beginning of 2024 before taking a dive in June



The main drivers were decreases in deposits and funding. But the underlying causes could be related to seasonality, the presidential election, and talks of interest rate cuts. Many SMBs are having a wait-and-see moment, and it's unclear whether the pullback in June is the start of a reversal or a temporary setback.

The smooth increase in 2024 also hid some of the turbulence that industries experienced. For example, home improvement SMBs trended down at the start of 2024 rather than up.

Additionally, although the SMB Health Index decreased for every industry in June, construction and professional services experienced the largest drops after reaching all-year highs in May.



## **Background: What Is the Revenued SMB Health Index?**

### **Using real-time banking data to understand the financial pulse of SMBs**

According to the U.S. Small Business Administration (SBA), 99.9% of U.S. businesses are small businesses, and they employ nearly half of all private sector employees.

When SMBs thrive, it often signals economic growth, increased employment, and consumer confidence. Conversely, financial struggles can be an early warning sign of economic downturns. SMBs also often react more quickly to economic shifts than larger companies.

However, businesses with under \$1 million in annual revenue are often underrepresented in economic data and reporting. When they're included, the data is often months—or years—old.

The Revenued SMB Health Index is different. Revenued uses an explainable machine-learning credit model to help more small businesses qualify for financing with favorable terms, and we rely on real-time banking data to help power decisions.

We realized we could use anonymized real-time data to serve as a unique pulse check on SMBs. To do this, we aggregated data from over 20,000 American small businesses and looked for trends in five top sectors: construction, home improvement, professional services, restaurants, and transportation.

We then analyze monthly averages in specific areas and assign each a weight to create the Revenued SMB Health Index.

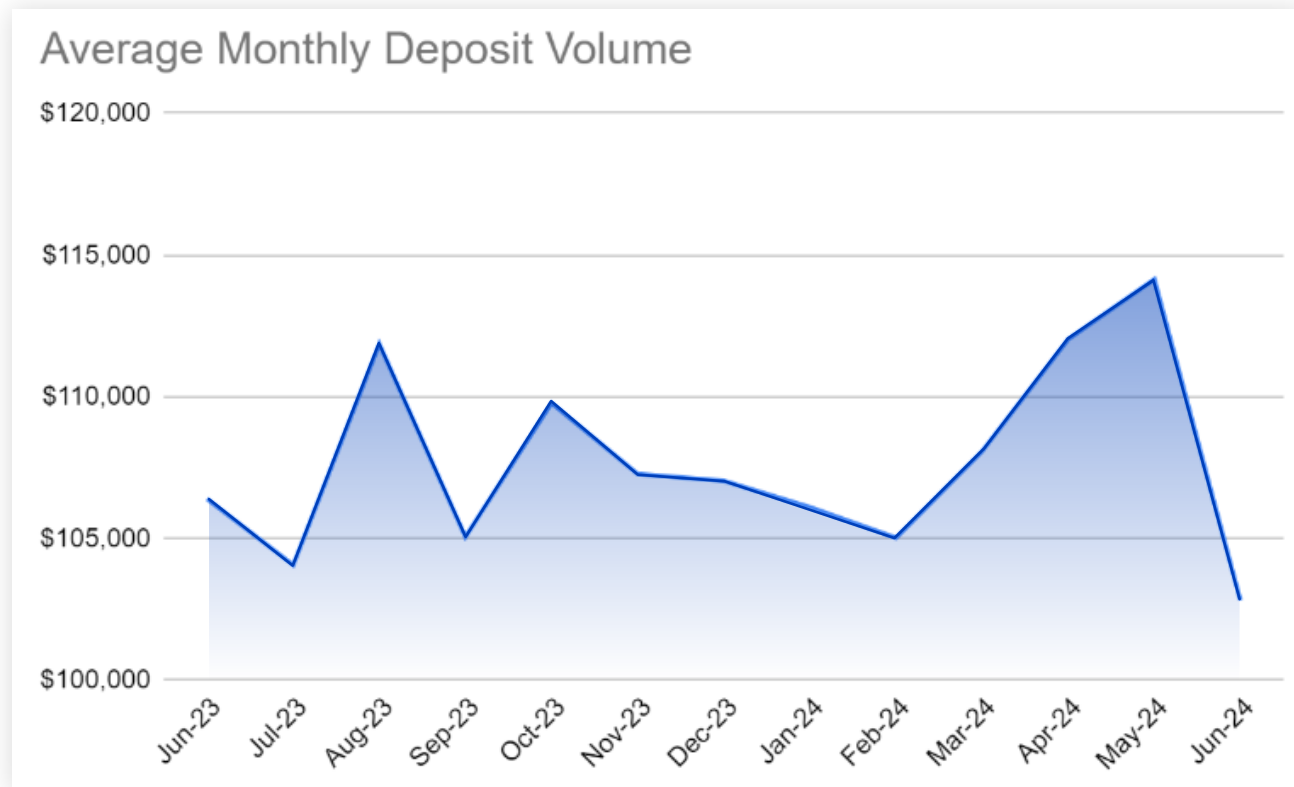
- Average Monthly Deposits (75%)
- Average Daily Bank Balances (20%)
- Average Amount of Outside Funding (15%)
- Average Number of Insufficient Funds (NSF) Transactions (-10%)

Our access to data increases as more businesses partner with Revenued, which can lead to changes in the historical data and trends we spot. But the resulting Revenued SMB Health Index still provides an insightful snapshot of how small businesses are doing relative to a year ago—and how they've fared in the interim.

In this report, we take a closer look at each of the four measures, examine how they've changed over the last year, and hypothesize what might be causing the changes.

## Average Monthly Deposits: A Window into Revenue

We use average monthly deposits and subtract inflows that we can tie to funding sources to create a proxy for revenue. We consider this a primary indicator of a small business's health, which is why it has the highest weighting (75%) on the Revenued SMB Health Index.



Over the last thirteen months, we saw revenue oscillate, slowly decline, quickly increase and then fall off a cliff.

Every industry experienced a decline in June, but construction took the biggest hit with an 11.45% decrease. Construction companies may be experiencing slowdowns as high interest rates impact demand and feasibility for new projects. [Building permits and housing starts](#) are down by about 3.1% and 4.4%, respectively, compared to June 2023.

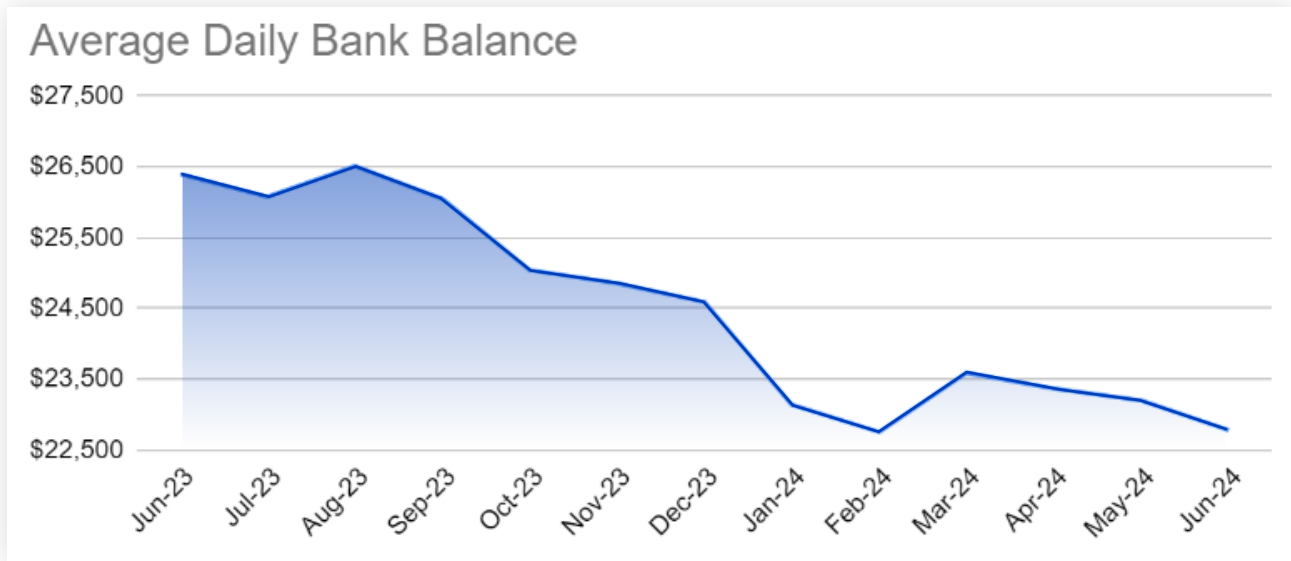
Additionally, underwriters at Revenued said part of the decrease could be attributed to cyberattacks that impacted the healthcare industry. Although we don't break out healthcare as its own industry in this report, those SMBs are included in professional services, which experienced a 10.68% decrease in monthly deposits.

One slight silver lining—Revenued underwriters also report that some customers say their receivables were delayed because of natural disasters. If that's the case, their decreased deposits could be a temporary blip.



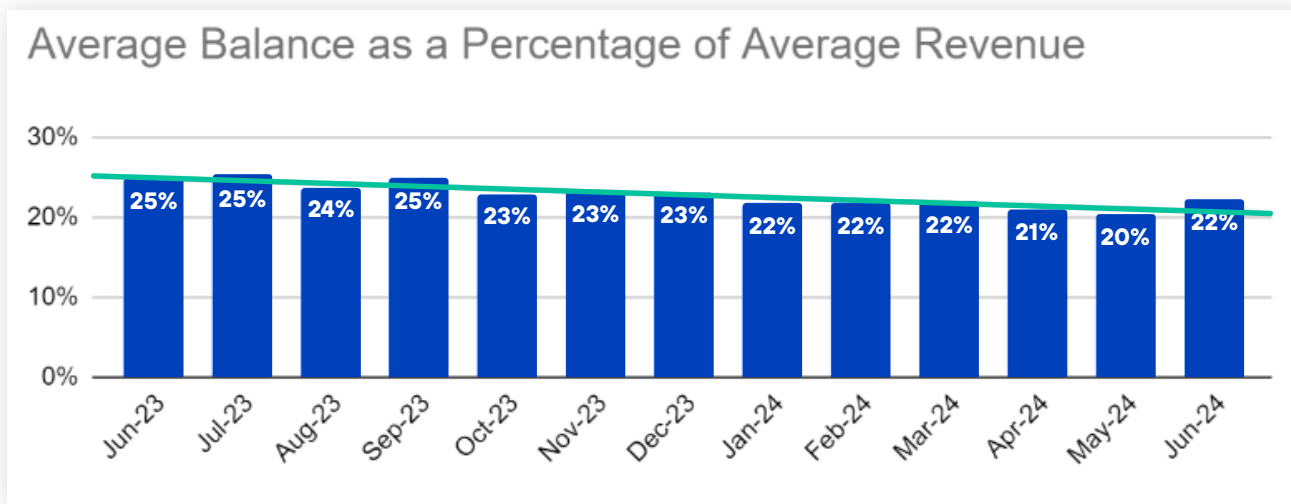
## Average Daily Bank Balances: Gauging Financial Stability

Overall, restaurant revenue fluctuated throughout 2023 and declined in Q1 2024, with a slight uptick in March.



However, average daily balances are lower than a year ago for all five SMB industries we track. Balances as a percentage of revenue have also decreased, a potentially worrying sign. (The increase in June is due to declining revenue rather than an increase in deposits.)

Overall, it appears that many SMBs may be headed towards a cash crunch.



## Average Amount of Outside Funding: Exploring Growth and Investment

The average amount of outside funding measures how much money small businesses borrowed, excluding funds from Revenued.

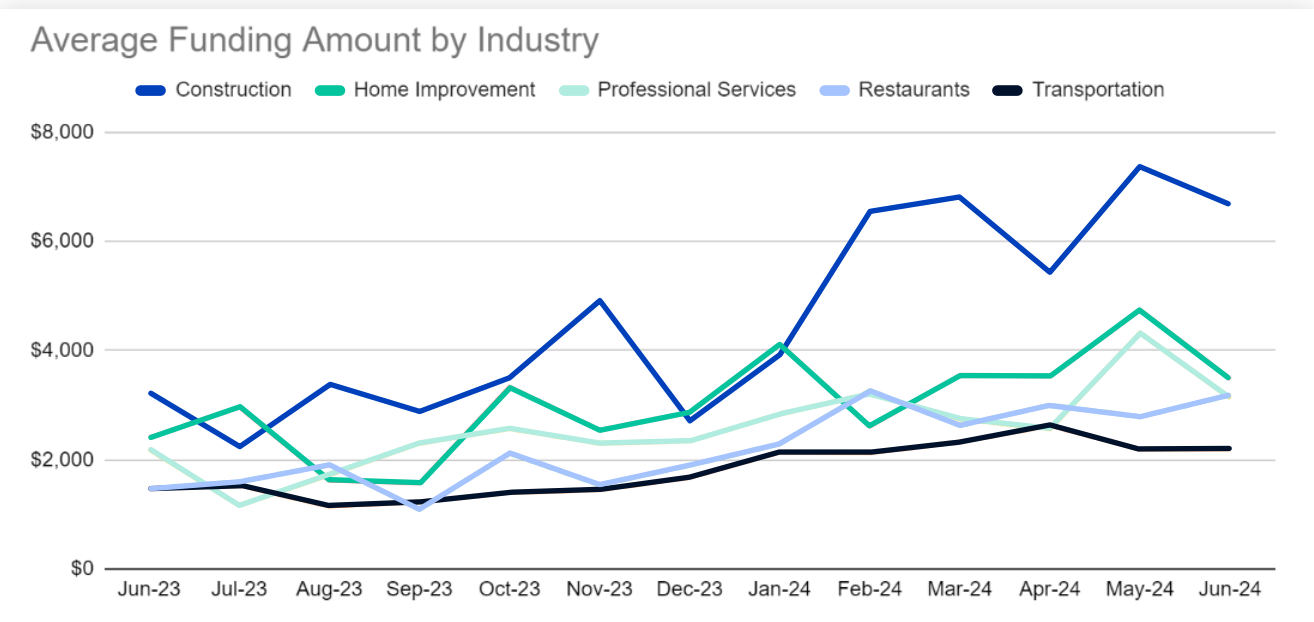
We see access to capital as a positive and give it a 15% weighting in the Revenued SMB Health Index. Many businesses use financing to fuel expansion or overcome cash flow crunches, and access to financing requires good creditworthiness.



Revenued underwriters report that more SMBs sought financing as their bank account balances decreased in Q2. However, some previously funded deals couldn't be renewed because the SMBs now had too much debt.

The anecdotal insight matches what we see from the banking data—overall average funding amounts steadily increased during the last year.

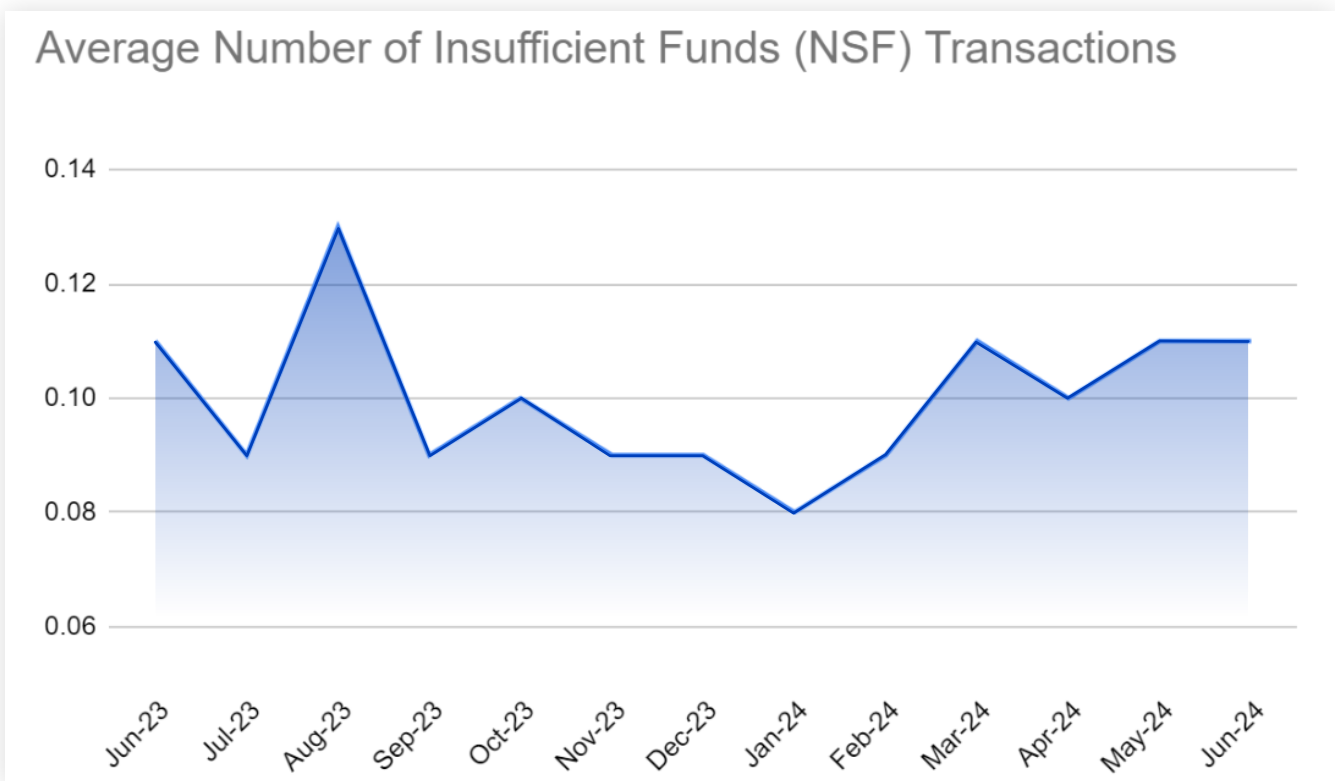
But June is a turning point yet again. Funding amounts decreased for many SMBs, although they remained higher than previous amounts. The restaurant industry was the exception, with average funding amounts increasing from \$2,786 in May to \$3,186 in June.



## Average Number of Insufficient Funds (NSF) Transactions: Managing Financial Health

An insufficient fund (NSF) transaction signals that the company overdrew its account. We use the average number of NSFs per month as a sign of financial distress and assign it a negative weight of -10%.

NSF transactions tend to be low in every industry, and many small businesses never have an NSF transaction. However, overall trends could be an indication of broad economic prosperity or distress.

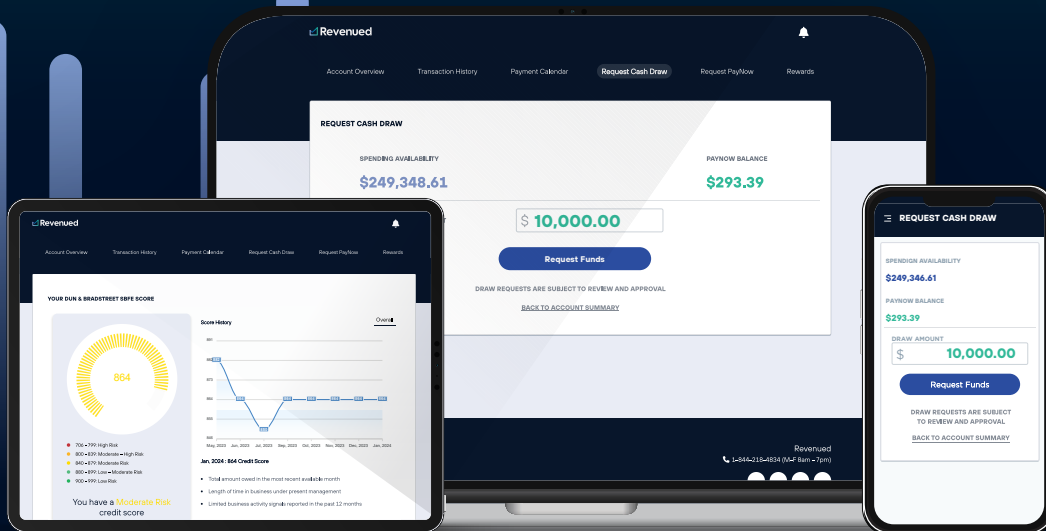


The spike in August 2023 was largely due to rising NSFs by restaurants and, to a lesser extent, home improvement companies.

Restaurants and home improvement SMBs also had the greatest number of NSF transactions during the first half of 2024. And although home improvement stores saw a decrease in April 2024, the amount more than doubled in May.

One potential reason is that restaurants and home improvement stores tend to rely on consumers' discretionary spending more than the other industries we track. Rising costs of food and overhead expenses can be especially challenging for newly established restaurants.





Revenued is a revenue-based financing solution that helps restaurant businesses easily access the capital they need.

Rather than looking at credit history or score, Revenued offers a flex line and business card and based on revenue. This means that more restaurants can access funding when they need it to help cover operating expenses and fuel growth.

Once approved, businesses receive their funds within 24 hours.

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