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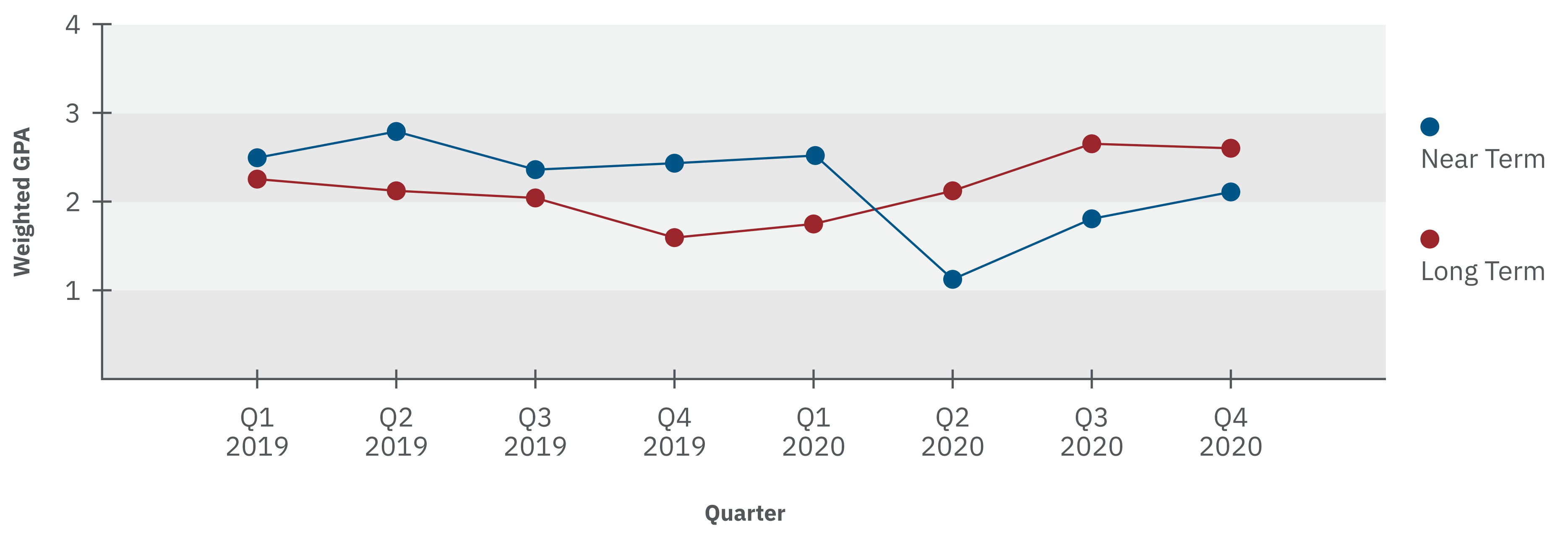
Lending Climate
IN AMERICA

For almost 25 years, Phoenix Management Services has administered a quarterly survey to lenders from commercial banks, finance companies, credit funds, and other lending institutions **to identify the latest economic issues, business drivers, and credit trends impacting lending in America.**

Top 5 Takeaways from the Fourth Quarter 2020

*Survey results tabulated November 24, 2020

1 U.S. Economic Performance Grade



Due to the COVID-19 pandemic and closures, confidence in the near-term economy dropped by over 50% between Q1 2020 and Q2 2020. Since that time, confidence in the near-term economy has steadily improved; **however, expectations for the long-term economy—which continued to increase even after the pandemic began—dipped for the first time in Q4 2020 since Q4 2019.**

2 Economic Recovery After COVID-19

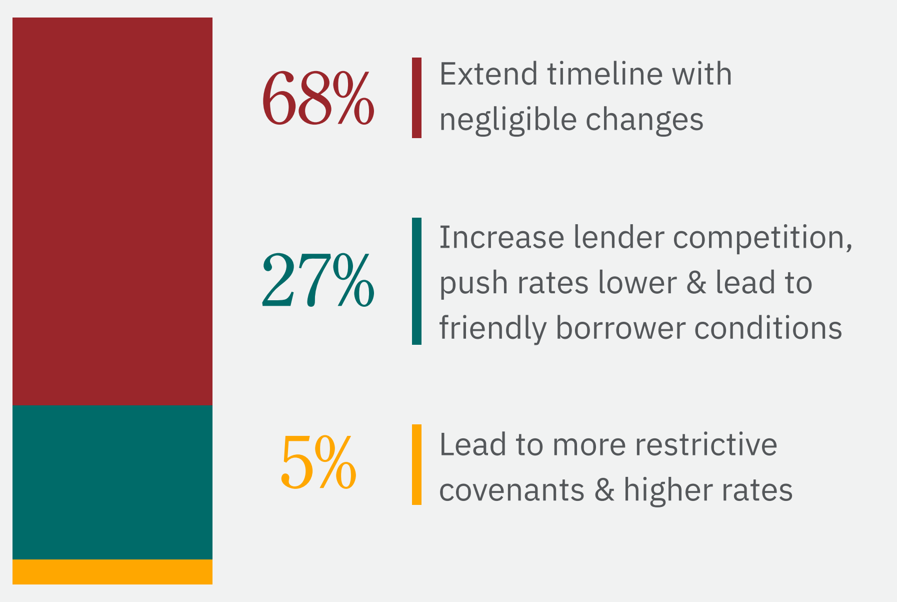
86%

of lenders expect there will be **slow growth and a choppy recovery** as things return to normal due to the shutdown and rising COVID-19 cases.

While **real GDP increased at an annual rate of 33.1% in Q3 2020** and some parts of the economy are advancing or have returned to pre-pandemic activity levels, others are struggling amid continued cases.

3 Effect of a Second Federal Stimulus

The majority of lenders (68%) agree that a potential second stimulus would extend the timeline of the recent lending climate with negligible changes. Meanwhile 27% said it would increase competition among lenders with lower rates and more borrower-friendly conditions.

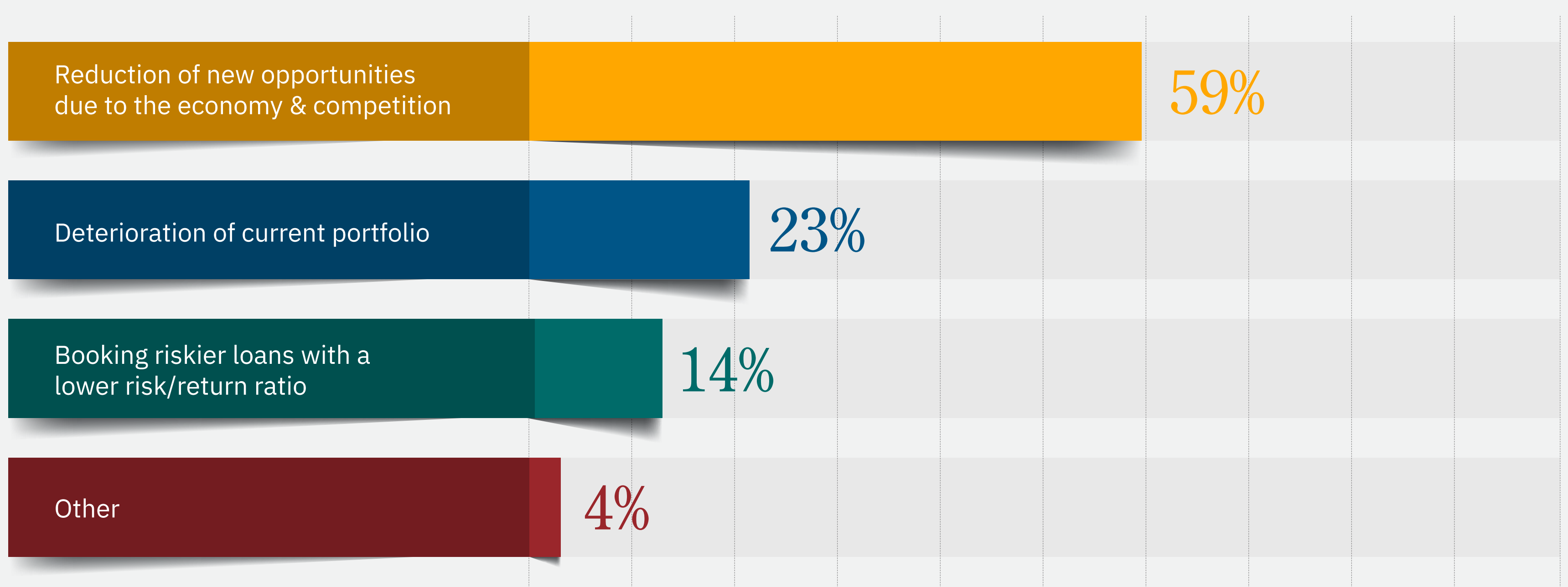


4 Customers' 6-12 Month Plans

	Q3 2020	Q4 2020
Making an Acquisition	19%	53%
Entering New Markets	24%	37%
Hiring New Employees	19%	32%
Raising Additional Capital	62%	53%
Introducing New Products or Services	38%	47%
Capital Improvements	48%	53%

Lender expectations for **new customer acquisitions increased by 34 percentage points between Q3 2020 and Q4 2020.** In addition, expectations for hiring new employees and entering new markets both grew 13 percentage points.

5 Biggest Near-Term Risks to Lenders



The majority of lenders (59%) expect that **reduced new business opportunities due to the economy and competition will pose the greatest risk to their institution** in the next six months. Nearly one quarter of respondents (23%) indicated deterioration of their current portfolio is their biggest risk.

The economic recovery from COVID-19 is predicted to be slow and choppy by the majority of lenders, and a potential federal stimulus is expected to have a negligible effect. While lenders have more near-term optimism in the performance of the economy going into 2021, they remain cautious in regard to the long-term economy—naming the reduction of new business opportunities due the economy as their biggest business risk.

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PARTICIPATE IN SURVEY

ABOUT PHOENIX

For over 35+ years, Phoenix has provided smarter, operationally focused solutions for middle market companies in transition. Phoenix Management Services® provides turnaround, crisis and interim management, specialized advisory and operational implementation services for both distressed and growth oriented companies. Phoenix Transaction Advisory Services® provides quality of earnings, management/organizational review, business integration, sell-side business preparation and other transaction related support. Phoenix Capital Resources® provides seamless investment banking solutions including M&A advisory, complex restructurings and capital placements. Phoenix Capital Resources is a U.S. registered broker-dealer and member of FINRA and SIPC. Proven. Results.®
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