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Lending Climate
IN AMERICA

For 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 First Quarter 2022

*Survey results tabulated March 1, 2022

1 Factors with Strongest Potential to Affect Near-Term Economy

When asked which factors had the strongest potential to affect the economy over the next six months, **the vast majority of respondents (71%) cited unstable energy prices**—the same percentage response as the previous quarter. While in Q4 2021 43% of respondents said the sluggish housing market was a factor, only 7% said the same in Q1 2022. Seven percent of respondents cited the stability of the stock market as a factor in late 2021, and 64% say the same this quarter.

Q4 2021	Factors Affecting Near-Term Economy	Q1 2022
71%	Unstable Energy Prices	71%
7%	Stability of Stock Market	64%
36%	Other	50%
7%	Constrained Liquidity in Capital Markets	7%
43%	Sluggish Housing Market	7%
36%	U.S. Budget Deficit	0%

2 Biggest Economic Headwind

50%

of lenders believe both geopolitical tensions and higher interest rates to be the biggest economic headwind for 2022.

Zero percent of lenders cited higher corporate taxes or the Omicron COVID-19 variant to be an economic headwind.

3 Ongoing Labor Shortage

Certain industries have **been greatly affected by labor shortages** due to the "remote opportunities" at competitive pay. All lenders surveyed (100%) believe that companies need to entice workers with higher pay and benefits to compete with remote opportunities and alleviate supply chain constraints.

100%
Yes - Companies will need to entice workers through higher pay and benefits.

0%
No - The labor shortage will rebound once the country returns to its pre-pandemic climate.

4 Biggest Drivers for Customers' Compressing Margins

The majority of lenders (43%) state **higher raw material prices as the biggest driver** for their customers' compressing margins, followed by freight challenges and labor shortages.

Higher raw material prices	Freight challenges	Labor Shortages	Using higher priced alternative raw materials
43%	29%	28%	0%

5 Customers' Future Growth Expectations

Seventy-nine percent of lenders indicated **their customers have "moderate" growth expectations for the next six months to one year**—the same percentage reported as in Q4 2021. No lenders reported "very strong" growth in both Q4 2021 and Q1 2022.

	No Growth	Moderate	Strong	Very Strong
Q4 2021	0%	79%	21%	0%
Q1 2022	14%	79%	7%	0%

Geopolitical tensions and higher interest rates appear to be the biggest economic concerns for lenders. Additionally, the vast majority of lenders found that unstable energy prices were the factor with the strongest potential to affect the near-term economy. The majority of lenders believe that higher pay increases and benefits could help entice workers back to alleviate supply chain constraints. While there may be some challenges in 2022, lenders reported that 79% of customers are expecting "moderate" growth moving forward.

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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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