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Lending Climate
IN AMERICA

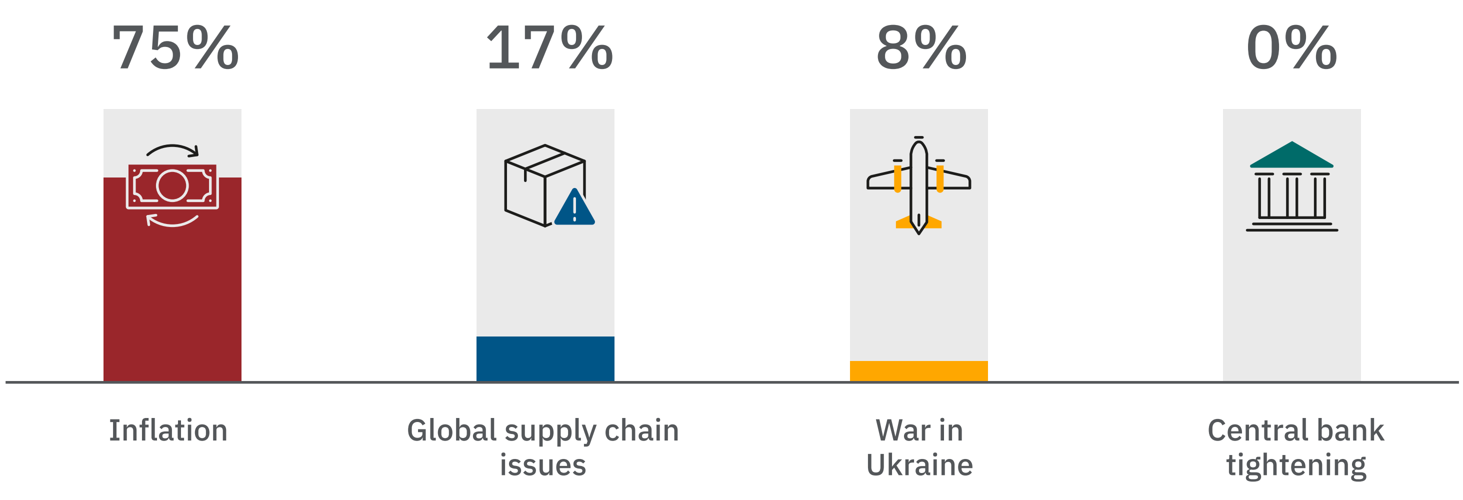
For 25 years, Phoenix Management Services has administered a quarterly survey to lenders from commercial banks, finance companies, credit funds, and other lending institutions **to identify the latest economic issues, business drivers, and credit trends impacting lending in America.**

Top 5 Takeaways from the Third Quarter 2022

*Survey results tabulated September 29th, 2022

1 Global Economic Conditions

When asked what single factor is most driving the softening global economic conditions, the **majority of lenders (75%) believe inflation is the greatest factor.**



2 Consumer Spending on Discretionary Items

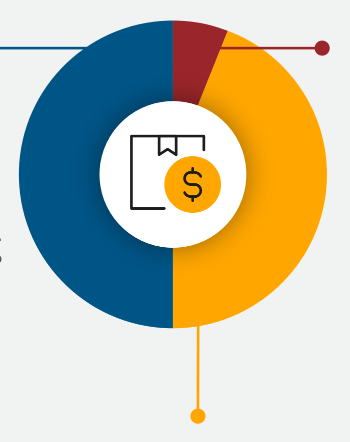
83%

of lenders expect inflation to continue rising, which will cause further economic stress in the U.S. by forcing consumers to decide which goods and services are no longer worth buying.

17% of lenders think consumer spending on discretionary items will be strong.

3 Inventory Challenges for Borrowers

Half of lenders expect too much inventory on hand will result in disposing inventory at reduced margins, creating challenges for borrowers in the next six months. However, the other half of lenders believe there will not be enough inventory due to supply chain issues, or there will be an adequate supply.



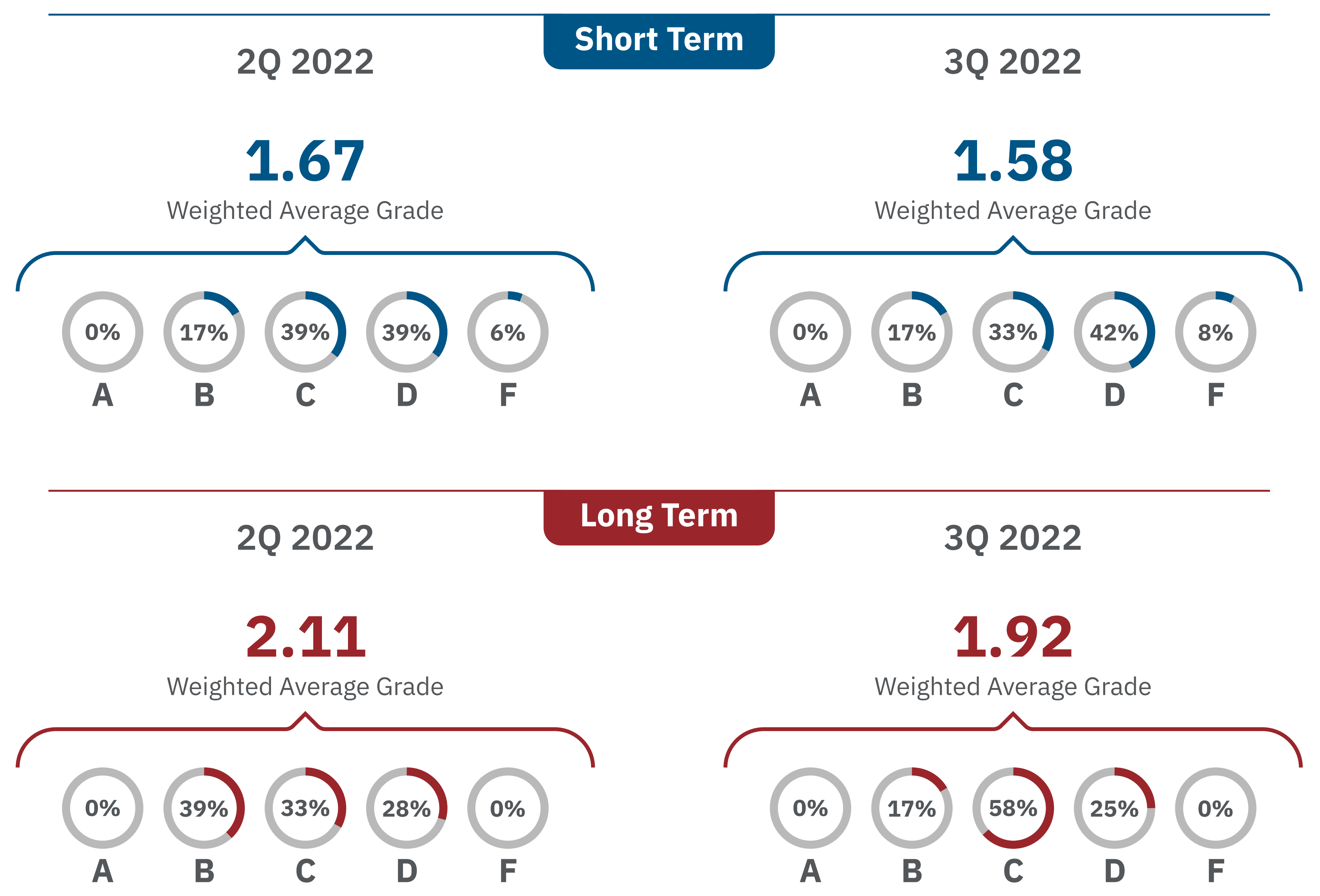
50%
Say too much inventory on hand will result in disposing inventory at reduced margins

8%
Say there will be adequate inventory on hand

42%
Say there will not be enough inventory on hand due to supply chain challenges

4 U.S. Economic Performance Grade

Lenders' optimism in the U.S. economy **decreased 9 points this quarter, from 1.67 in Q2 to 1.58 in Q3.** The majority of lenders (75%) believe the economy will perform at either a "C" or "D" level during the next six months. Additionally, lender expectations for the U.S. economy's performance in the longer term also decreased from the prior quarter—**decreasing 19 points from a 2.11 in Q2 to 1.92 in Q3.** 83% say they believe the economy will perform at a "C" or "D" level beyond the next 12 months.



5 Industries Expected to Experience Greatest Volatility

When asked which industries would experience the most volatility (Chapter 11 filings, M&A, declining profits, etc.) over the next six months, **three quarters of lenders believe retail will experience the most**—compared with only 39% saying the same in Q2. While 61% of lenders in Q2 thought manufacturing would experience the most volatility, only 25% feel the same this quarter.

With inflation continuing to drive economic conditions, consumers are spending less, especially on discretionary items. Due to this, half of lenders expect there to be too much inventory, resulting in the disposing of inventory at reduced margins. Additionally, three quarters of lenders believe the retail industry will experience volatility heading into the holidays. Overall, lenders' optimism in the U.S. economy has decreased for the next six months and beyond.

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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 IB® provides seamless investment banking solutions including M&A advisory, complex restructurings and capital placements. Phoenix IB® is a U.S. registered broker-dealer and member of FINRA and SIPC. Proven. Results.® For additional information visit our website or email marketing@phoenixmanagement.com.

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