

Lending Climate

IN AMERICA

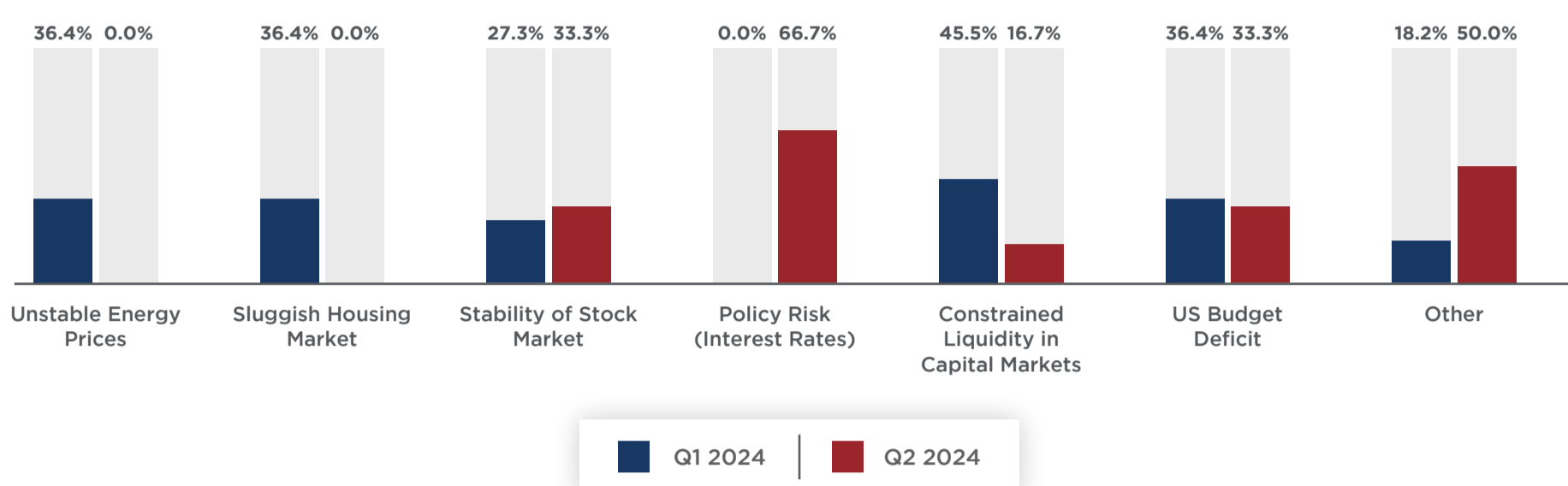
For more than 35 years, Phoenix Management Services has administered a quarterly survey to lenders from commercial banks, finance companies, credit funds, and other lending institutions **to identify the latest economic issues, business drivers, and credit trends impacting lending in America.**

Top 5 Takeaways from the Second Quarter 2024

*Survey results tabulated June 5th, 2024

1 Factors Affecting Near-Term Economy

Lenders were asked which two factors had the strongest potential to affect the economy in the next six months. **66.7% of respondents believe that policy risk (interest rates) has the greatest potential, compared to 0% in Q1 2024.** Additionally, respondents who selected “other” increased from 18.2% to 50%.



2 Loan Structures

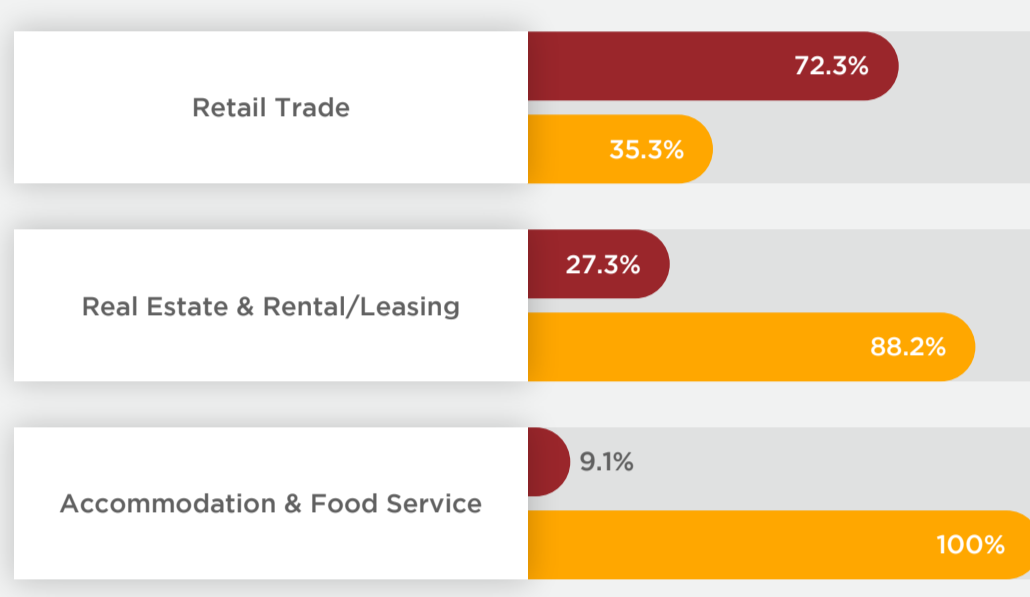
81%



of lenders plan to maintain their current loan structure.

19% of lenders plan to tighten their loan structure and 0% plan to relax their loan structure.

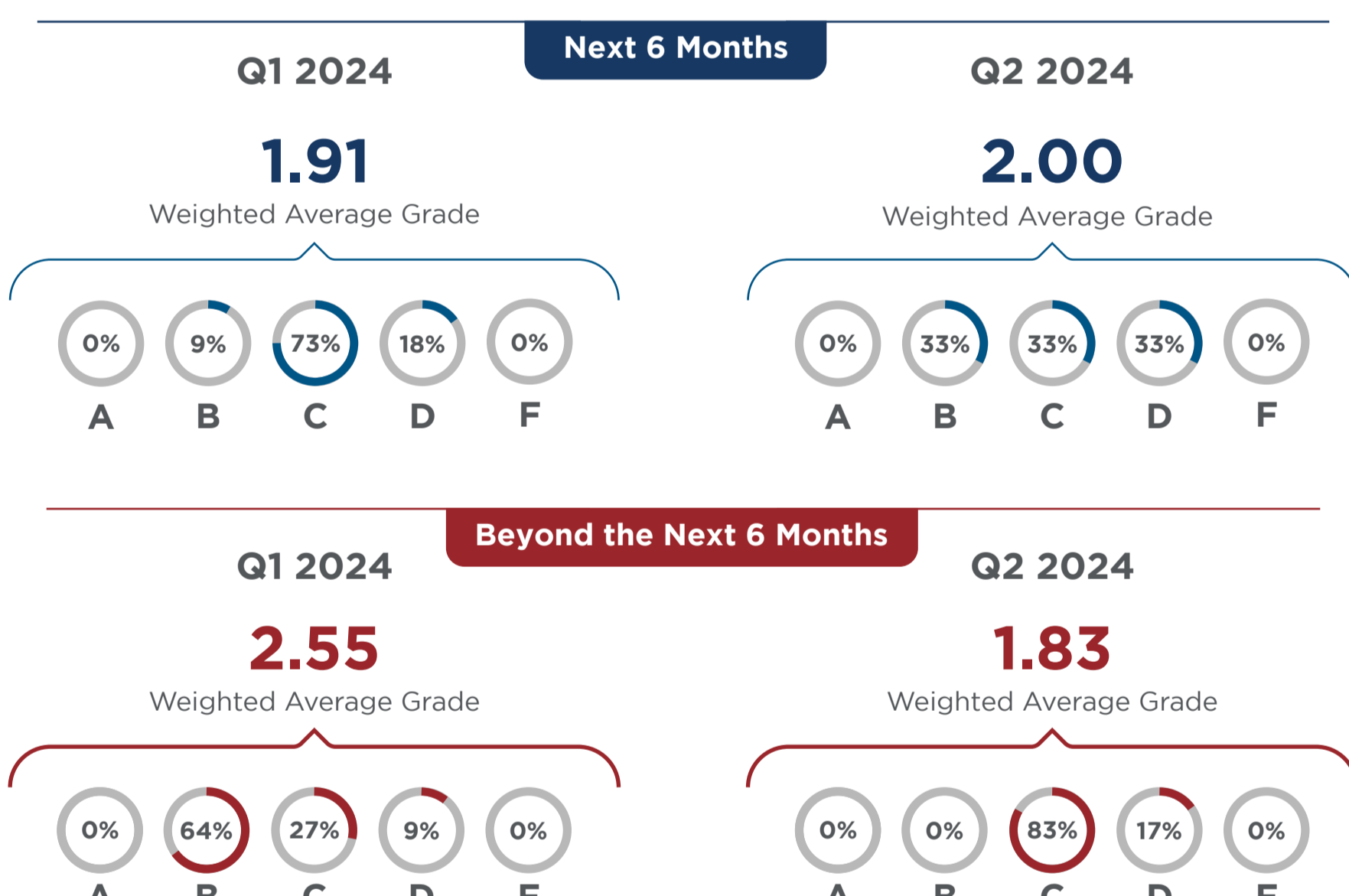
3 Industries Expected to Experience Volatility



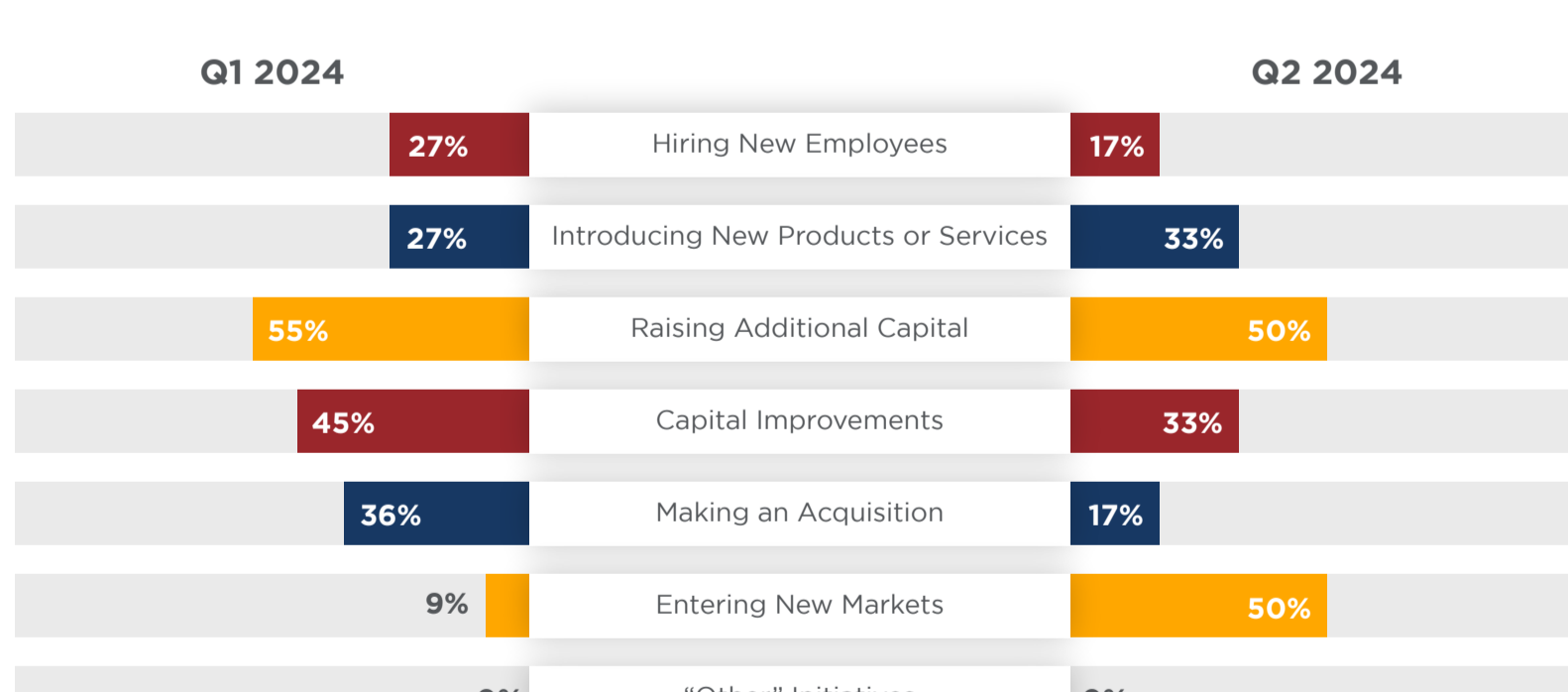
When asked which industries would experience volatility like Chapter 11 filings, M&A, and declining profits over the next six months, **the majority of lenders believe accommodation & food service will experience the most volatility.**

4 US Economic Performance Grade

Lender optimism on the US economy **increased slightly to 2.00 in Q2 2024 from 1.91 in Q1 2024.** The majority of lenders believe the economy will perform at an equal expectation of “B”, “C”, and “D” level performances during the next six months. Lenders’ expectations for the economy’s performance in the long term, however, decreased significantly by 72 points—**83% of lenders think the economy will perform at a “C” level beyond the next six months, while 17% expect it to perform at a “D” level,** over double the expectation of Q1 2024.



5 Customers’ 6-12 Month Plans



Lenders were asked what actions their customers planned in the next six to twelve months. **50% of customers were focused on raising additional capital and entering new markets.** Additionally, **customers’ capital improvements decreased from 45% to 33%,** while making an acquisition decreased from 36% to 17%.

Respondents were asked in what direction they thought the Fed would move interest rates and by how much in the coming six months. **0% of respondents in Q2 2024 believe the Fed will increase interest rates within that time period.** 83% of lenders believe the Fed will decrease interest rates by 1/4 point. The remaining 17% believe there will be no short-term change.

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