

# 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.

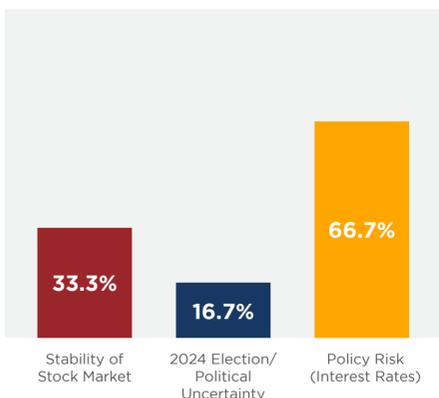
## Top 5 Takeaways from the Third Quarter 2024

\*Survey results tabulated August 2, 2024

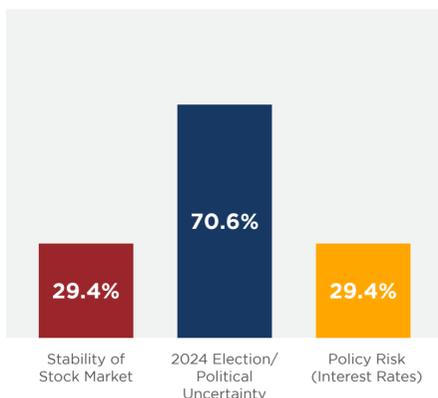
### 1 Factors Affecting Near-Term Economy

Lenders were asked which two factors had the strongest potential to affect the economy in the next six months. **70.6% of respondents believe that the 2024 Election/Political Uncertainty has the greatest potential, compared to 16.7% in Q2 2024.** Additionally, respondents who selected Policy Risk (Interest Rates) decreased from 66.7% to 29.4%.

#### Q2 2024 Overall Averages



#### Q3 2024 Overall Averages



### 2 Loan Structure

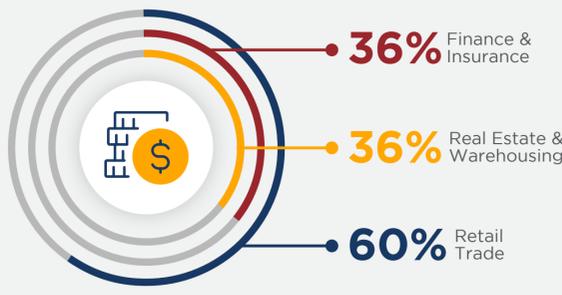
**71%**



of the lenders plan to maintain their current loan structure.

24% of the lenders expect to tighten their loan structure, while 5% plan to relax their loan structure.

### 3 Industries Expected to Experience Volatility



When asked which industries are expected to experience volatility over the next six months (including declining profits, Chapter 11 filings, and M&A), the majority of lenders believe the retail trade will experience the most volatility.

### 4 US Economic Performance Grade

Lender optimism on the US economy decreased to 1.76 in Q3 2024 from 2.00 in Q2 2024.

The majority of lenders believe the economy will perform at an expectation of a "C" level performance during the next six months. Lenders' expectations for the economy's performance in the long term, however, increased significantly by 64 points — 53% of lenders believe the economy will perform at a "B" level beyond the next six months, while 24% expect it to perform at a "D" or "F" level.

#### Q2 2024

**2.00**

Weighted Average Grade

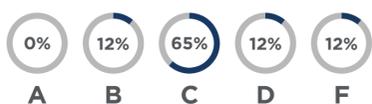


#### Short Term

#### Q3 2024

**1.76**

Weighted Average Grade



#### Q2 2024

**1.83**

Weighted Average Grade

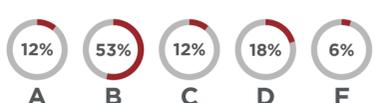


#### Long Term

#### Q3 2024

**2.47**

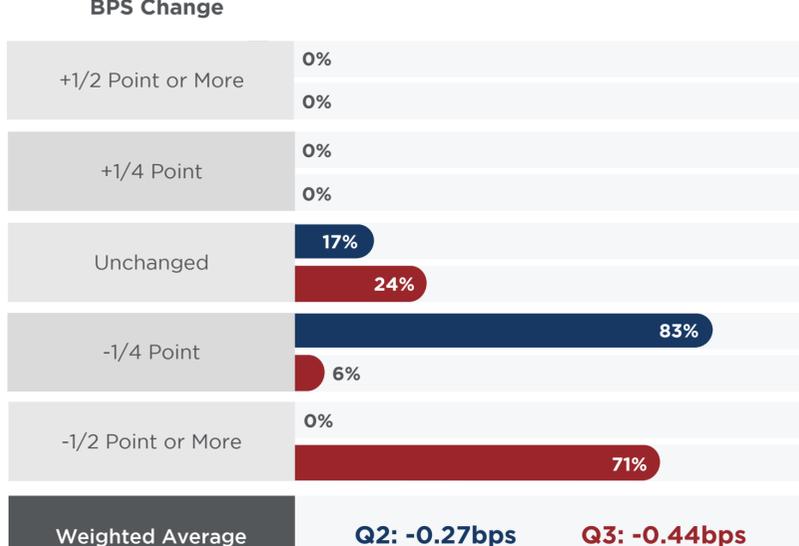
Weighted Average Grade



### 5 Interest Rate Expectations

When asked what direction lenders thought the Fed would move interest rates and by how much in the coming six months, 0% believe the Fed will increase interest rates. **77% of lenders believe the Fed will decrease interest rates by a 1/4 point or more.**

#### BPS Change



■ Q2 2024 | ■ Q3 2024

Lenders were asked what actions their customers planned in the next six to twelve months.

**71% of respondents answered raising additional capital, compared to 50% in Q2 2024.**

Additionally, entering new markets decreased from 50% to 18%, while hiring new employees increased from 17% to 35%.

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