

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.**

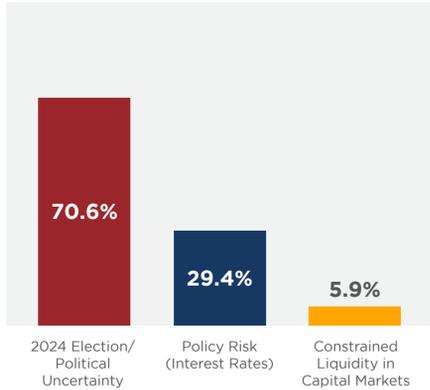
Top Takeaways from the Fourth Quarter 2024

*Survey results tabulated November 6, 2024

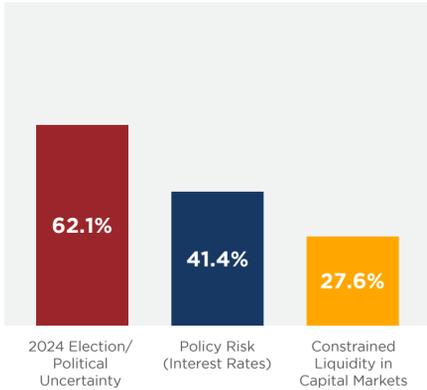
1 Factors Affecting Near-Term Economy

Lenders surveyed were asked which **two factors** have the strongest potential to affect the economy in the next six months. **62.1% of respondents believe that the 2024 Election/Political Uncertainty has the greatest potential**, compared to 70.6% in Q3 2024. Additionally, respondents who selected Policy Risk (Interest Rates) increased from 29.4% to 41.4%.

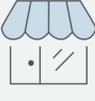
Q3 2024 Overall Averages



Q4 2024 Overall Averages



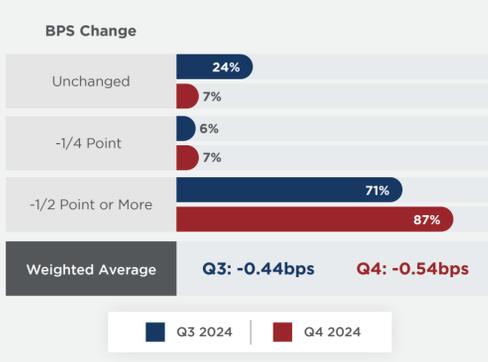
2 Industries Expecting Greatest Volatility

62.8% 

of the lenders surveyed expect the retail trade to experience the most volatility for industries over the next six months.

41.9% of the lenders surveyed believe that consumer products & services will experience the most volatility.

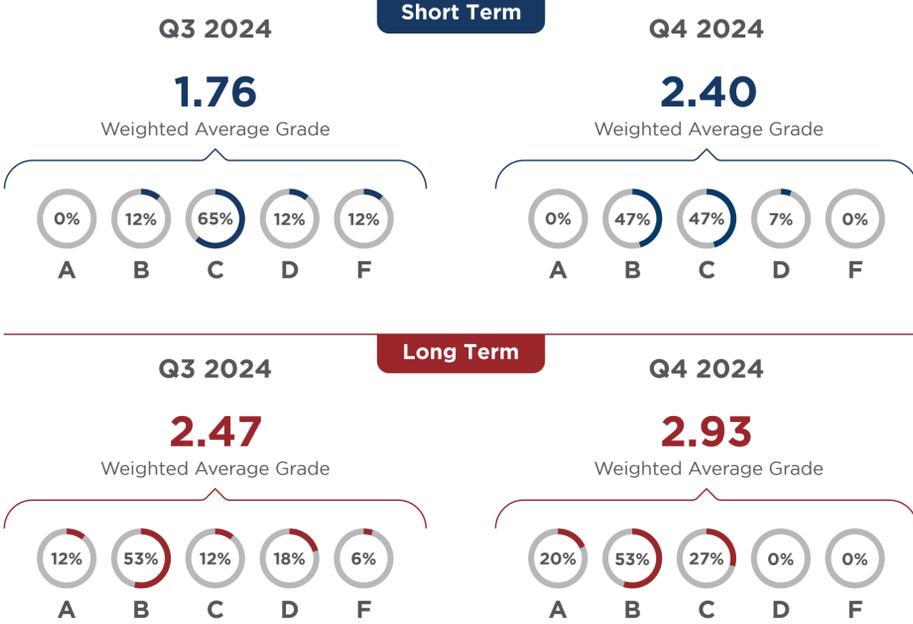
3 Interest Rates Changes



When asked which direction lenders believe the Federal Reserve will move interest rates in the next six months, **the majority of lenders (94%) believe that interest rates will decrease.**

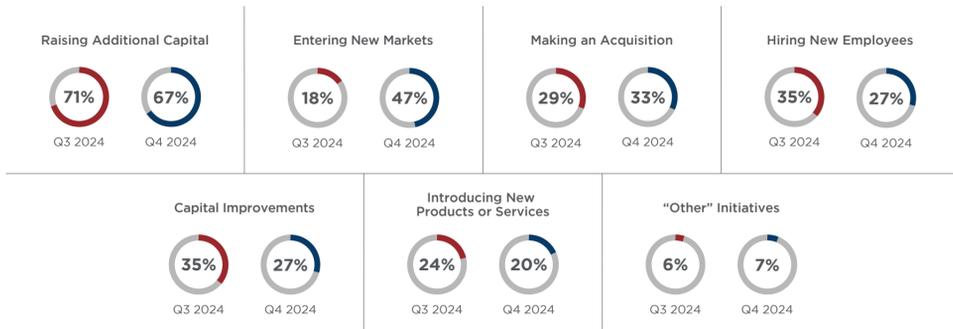
4 US Economic Performance Grade

Lender optimism on the US economy significantly increased to 2.40 in Q4 2024 from 1.76 in Q3 2024, a grade not seen since Q2 2021. The majority of lenders believe the economy will perform at either a "B" or "C" level during the next six months. Lenders' expectations for the economy's performance in the long term also increased by 46 points. 53% of lenders believe the economy will perform at a "B" level beyond the next six months, while 27% expect it to perform at a "C" level.



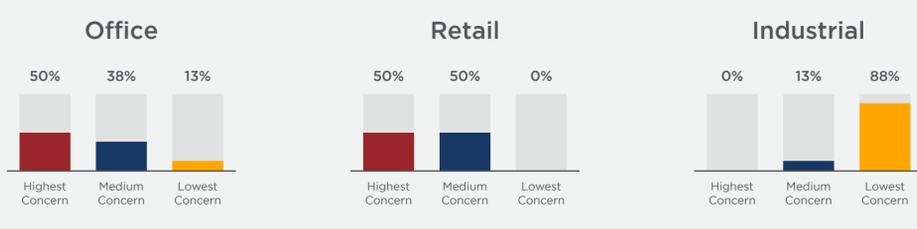
5 Customers' Plans in the Next Six to Twelve Months

Lenders assessed potential customer actions and designated that customer plans slightly shifted moving into Q4. **67% of customers are focused on raising additional capital compared to 71% in Q3.** Additionally, customers entering new markets increased from 18% to 47%, while making an acquisition increased from 29% to 33%.



6 Commercial Real Estate

Lenders were asked to rank their concerns with different commercial real estate sectors, and to identify their preferred approach if they chose to reduce their CRE portfolio considering factors such as interest rates, declining appraisal values, and rent roles/rates. While the majority of lenders surveyed do not have significant CRE portfolios, there is concentrated concern around the office and retail sectors. If lenders were to reduce their CRE portfolios, **75% would aim to restructure and avoid any level of bankruptcy or foreclosure, while 25% of lenders would aim to take ownership and maximize any recovery.**



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