

# Lending Climate

## IN AMERICA

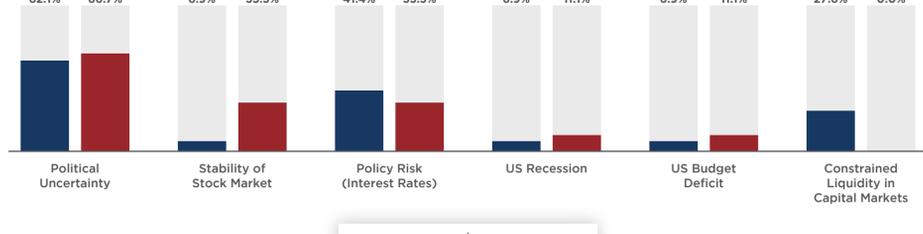
For 36 years, Phoenix Management Services has administered a quarterly survey to lenders from commercial banks, finance companies, credit funds, and other lending institutions **to identify the latest economic issues, business drivers, and credit trends impacting lending in America.**

## Top Takeaways from the First Quarter 2025

\*Survey results tabulated February 11, 2025

### 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 political uncertainty has the greatest potential, compared to 62.1% in Q4 2024.** Additionally, respondents who believed volatility in the stock market would be a major driver of the near-term economy rose from 6.9% to 33.3%.



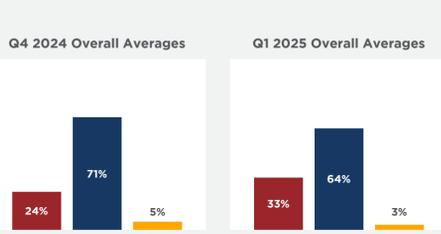
### 2 Customers' Plans in the Next 6 to 12 Months

**67%** 

of lenders surveyed expect capital improvements to be the most likely action for customers over the next six to twelve months.

**56% of lenders surveyed** believe that hiring new employees will be their customers' next action.

### 3 Loan Structures



Respondents were asked whether their financial institutions planned to tighten, relax, or maintain their loan structures (collateral requirements, guarantees, advance rates, loan covenants, etc.).

**A majority of the surveyed lenders (64%) plan to maintain their current loan structure, a slight decrease from 71% of respondents in Q4 2024.**

### 4 Industries Expected to Experience the Greatest Volatility

When asked which industries are expected to experience volatility over the next six months (including Chapter 11 filings, declining profits, and M&A), **many lenders believe Real Estate & Rental/Leasing will experience the most volatility.** While 27.9% of lenders in Q4 2024 believed the Energy & Power sector would experience the most volatility, 0% believe the same in Q1 2025.

Industry	Q4 2024	Q1 2025
Retail Trade	62.8%	31.0%
Real Estate & Rental/Leasing	48.8%	41.4%
Consumer Products & Services	41.9%	20.7%
Energy & Power	27.9%	0.0%
Finance & Insurance	20.9%	20.7%
Manufacturing	20.9%	20.7%
Accommodation & Food Service	20.9%	10.3%
Transportation & Warehousing	20.9%	10.3%
Healthcare & Social Assistance	7.0%	31.0%
Construction	7.0%	10.3%
Tech, Media, & Telecom	7.0%	10.3%
Cannabis	0.0%	31.0%

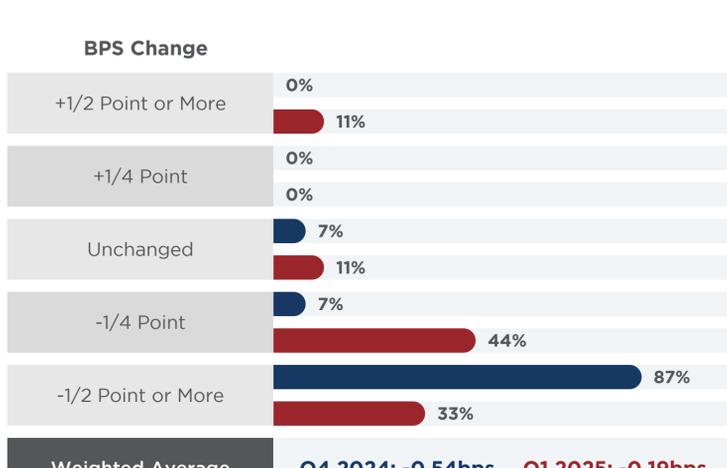
### 5 US Economic Performance Grade

Lenders' short-term expectations on the US economy showed a modest decline, **while lender optimism in the long-term dropped to 2.11 in Q1 2025 from 2.93 in Q4 2024.** No lenders in Q4 2024 expected long-term US economic performance to be at a D-level and 27% expected a C-level performance, yet both grade expectations garnered 33% of the responses by lenders in Q1 2025.



### 6 Interest Rate Expectations

Respondents were asked in what direction they thought the Fed would move interest rates and by how much in the coming six months. **44% of respondents in Q1 2025 believe the Fed will reduce interest rates by 1/4 point, while 33% of respondents believe rates will reduce by 1/2 point or more.** 11% of lenders believe the Fed will increase interest rates by 1/2 point or more. The remaining 11% believe there will be no short-term change.



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