

Lending Climate

IN AMERICA

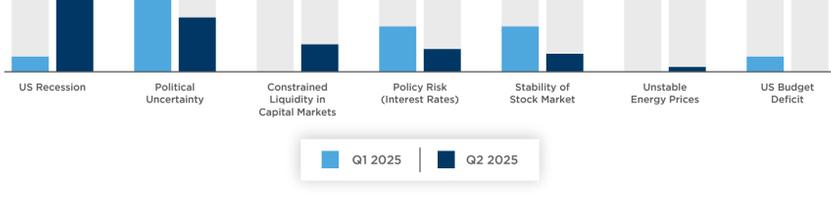
For 36 years, the Phoenix Management Services team has administered a quarterly survey to lenders from commercial banks, finance companies, credit funds, and other lending institutions to identify the latest economic issues, business drivers, and credit trends impacting lending in America.

Top Takeaways from the Second Quarter 2025

*Survey results tabulated May 14, 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. **US Recession surged to the forefront in Q2 with 66.7% of respondents citing it as a primary concern, compared to just 11.1% in Q1.** Somewhat surprisingly, respondents who selected Political Uncertainty declined from 66.7% in Q1 to 40% in Q2.



2 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 Consumer Products & Services, Retail Trade, and Manufacturing will experience the most volatility.** 60% of lenders in Q2 2025 believe the Consumer Products & Services sector will experience the most volatility, compared to 20.7% Q1 2025.

Industry	Q1 2025	Q2 2025
Consumer Products & Services	20.7%	60.0%
Retail Trade	31.0%	43.3%
Manufacturing	20.7%	33.3%
Real Estate & Rental/Leasing	41.4%	23.3%
Cannabis	31.0%	20.0%
Finance & Insurance	20.7%	20.0%
Construction	10.3%	20.0%
Public Administration	51.7%	16.7%
Healthcare & Social Assistance	31.0%	13.3%
Transportation & Warehousing	10.3%	10.0%
Tech, Media, & Telecom	10.3%	10.0%
Energy & Power	0.0%	10.0%
Educational Services	0.0%	6.7%
Accommodation & Food Service	10.3%	3.3%

3 Customers' Plans in the Next 6 to 12 Months

Lenders were asked what actions their customers planned in the next six to twelve months. **53% of customers are focused on Raising Additional Capital, compared to 44% in Q1.** Additionally, customers' Capital Improvements decreased significantly from 66.7% to 23%, while Hiring New Employees also had a huge reduction from 56% to 3%.

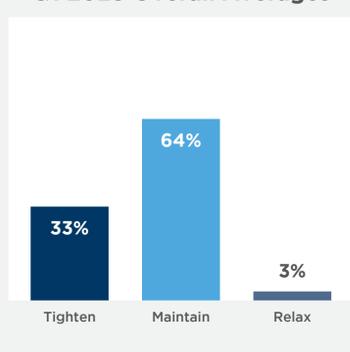


4 Loan Structures

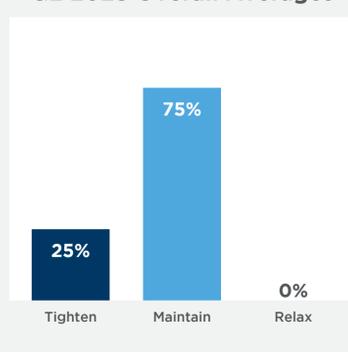
Respondents were asked whether their financial institutions planned to tighten, relax, or maintain their loan structures (collateral requirements, guarantees, advance rates, loan covenants, etc.).

A majority of the surveyed lenders (75%) plan to maintain their current loan structure, a slight increase from 64% of respondents in Q1 2025.

Q1 2025 Overall Averages



Q2 2025 Overall Averages



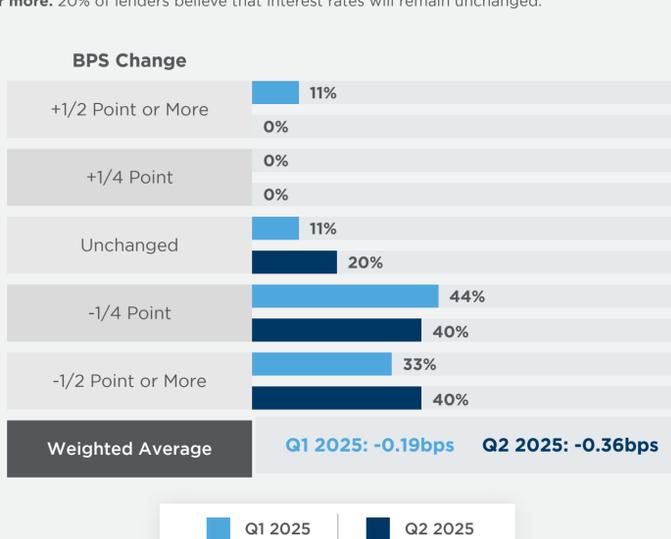
5 US Economic Performance Grade

Lender optimism in the US economy in the near term declined this quarter compared to Q1 2025, **with 63% of lenders believing the economy will perform at a "C" level during the next six months.** However, lenders' expectations for the economy's performance in the next six months. GPA increased .42 points from 2.11 in Q1 2025 to 2.53 in Q2 2025. 57% of lenders think the average GPA at a "B" level beyond the next six months, indicating a belief that the economic pain and uncertainty will be short-lived.



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. **In Q2 2025, 40% of respondents believe the Fed will reduce interest rates by 1/4 point, and another 40% anticipate rates will reduce by 1/2 point or more.** 20% of lenders believe that interest rates will remain unchanged.



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