Phoenix Management Services

"Lending Climate in America"

3rd Quarter 2025

Survey Results

(Survey results were tabulated on August 11th, 2025)

1. Factors with Strongest Potential to Affect Near-Term Economy

Respondents were asked, over the next six months, which two factors had the strongest potential to affect the economy.

With the current tariff policy somewhat stabilized versus Q2, lender focus has shifted back to the interest rate conversation. Recession potential sharply dipped from the prior quarter (67%) to 23%, being mostly offset by concerns about delays in reducing interest rates and a 10-point increase in concerns about the potential impact regarding the U.S. budget deficit. There is still concern regarding overall political uncertainty (39%) and stock market stability (18%).

Factors Affecting Near-Term Economy	2Q 2025	3Q 2025
Unstable Energy Prices	3.3%	2.6%
Political Uncertainty	40.0%	39.0%
Stability of Stock Market	13.3%	18.2%
Policy Risk (Interest Rates)	16.7%	36.4%
Constrained Liquidity in Capital Markets	20.0%	13.0%
U.S. Budget Deficit	0.0%	10.4%
U.S. Recession	66.7%	23.4%

2. Industries Expected to Experience Greatest Volatility

Respondents were asked, over the next six months, which industries will experience the most volatility (i.e. Chapter 11 filings, mergers and acquisitions, declining profits, etc.). Respondents were asked to select the top three industries.

Expected volatility in the Real Estate & Rental/Leasing sector increased the most amongst any sectors with an increase of 16%, and corresponds with the increased in concern in the continued delay in interest rate reductions. There is a stark decrease (36%) in the expected volatility of Consumer Products that coincides with the diminished concerns with tariffs and the possibility of a U.S. recession. Continued concerns regarding political uncertainty is echoed in expected volatility increases in Educational Services, Healthcare, and Public Administration.

Industries Experiencing Most Volatility	2Q 2025	3Q 2025
Retail Trade	43.30%	55.30%
Real Estate & Rental/Leasing	23.30%	39.50%
Construction	20.00%	28.90%
Healthcare & Social Assistance	13.30%	26.30%
Consumer Products & Services	60.00%	23.70%
Public Administration	16.70%	21.10%
Manufacturing	33.30%	15.80%
Tech, Media, & Telecom	10.00%	15.80%
Energy & Power	10.00%	13.20%
Educational Services	6.70%	12.20%
Finance & Insurance	20.00%	10.50%
Cannabis	20.00%	7.90%
Accommodation & Food Service	3.30%	5.30%
Transportation & Warehousing	10.00%	5.30%

3. Customers' Plans in the Next Six to Twelve Months

Respondents were asked which of the following actions their customers planned in the next six to twelve months. Lenders were asked to designate all potential customer actions that applied.
Lenders were more optimistic about their borrower's outlook in Q3 as evidenced by the meaningful increases regarding hiring new employees and making an acquisition. Of note, all actions had higher responses in Q3 than in Q2.

Customers' Plans	2Q 2025	3Q 2025
Hiring New Employees	3%	21%
Introducing New Products or Services	17%	34%
Raising Additional Capital	53%	58%
Capital Improvements	23%	24%
Making an Acquisition	13%	34%
Entering New Markets	17%	18%
"Other" Initiatives	20%	13%

4. U.S. Economy Grade – Next Six Months

Respondents were asked how they expected the U.S. economy to perform during the next six months on a grading scale of A through F.
Lenders have much more confidence about the short-term economy quarter-to-quarter. The rebound from Q3 now exceeds from Q1 2025 (2.33 weighted average with 56% favoring a "B" grade).

Grade	2Q/2025	3Q/2025
A	0%	8%
B	23%	53%
C	63%	29%
D	13%	11%
F	0%	0%
Weighted Average Grade	2.10	2.58

5. U.S. Economy Grade – Beyond the Next Six Months

Respondents were asked how they expected the U.S. economy to perform beyond the next six months on a grading scale of A through F.
The increase in short-term performance expectations is accompanied by another increase in expected long-term economic performance. There was an overall weighted average increase of 0.18.

Grade	2Q/2025	3Q/2025
A	7%	13%
B	57%	53%
C	20%	26%
D	17%	8%
F	0%	0%
Weighted Average Grade	2.53	2.71

6. Loan Structure

Respondents were asked whether their financial institutions planned to tighten, relax, or maintain their loan structures (collateral requirements, guarantees, advance rates, loan covenants, etc.) in each of four different-sized loan categories.

A majority of the surveyed lenders (70%) plan to maintain their current loan structure. In Q3 2025, a minority (26%) of lenders plan to tighten their loan structure and 4% plan to relax their loan structure, which is a slight overall shift away from maintaining load structures.

	2Q/2025			3Q/2025		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans> $25 million	30%	70%	0%	24%	74%	3%
$15 – 25 million	30%	70%	0%	26%	71%	3%
$5-15 million	23%	77%	0%	21%	76%	3%
Under $5 million	17%	83%	0%	32%	58%	11%
Overall Average	25%	75%	0%	26%	70%	4%

7. The Fed and Interest Rates

Respondents were asked in what direction they thought the Fed would move interest rates and by how much in the coming six months.

Despite no change from the most recent FOMC meetings, 84% of lenders believe the Fed will reduce rates by some capacity in the coming 6 months (29% believing in a 25-basis point decrease and 55% believe in a 50+ basis point decrease). Lenders continue to believe interest rate reductions will happen – it's a more a question of "when" as opposed to "if". Interestingly, this perceived delay has been accompanied by a modest increase in the size of the expected rate reduction.

Bps Change	2Q/2025	3Q/2025
+ 1/2 point or more	0%	0%
+ 1/4 point	0%	0%
Unchanged	20%	16%
- 1/4 point	40%	29%
- 1/2 point or more	40%	55%
Weighted Average	-0.36bps	-0.46bps