Phoenix Management Services
"Lending Climate in America"
4th Quarter 2025
Survey Results
(Survey results were tabulated on October 31st, 2025)

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

Respondents were asked to identify, over the next six months, which <u>two</u> factors had the strongest potential to affect the economy.
Lender focus remained at very similar levels in Q4 as in Q3. Political uncertainty on both the domestic and international stages remained elevated. International conflicts (Israel/Gaza and Russia/Ukraine) pair with U.S. tariff policy to create an exceptionally unpredictable environment, which is an additional item to concentrate on while lenders focus on domestic issues, such as a stable stock market and an elevated risk of a U.S. recession.

Factors Affecting Near-Term Economy	3Q 2025	4Q 2025
Unstable Energy Prices	2.6%	0.0%
Political Uncertainty	39.0%	46.2%
Stability of the Stock Market	18.2%	15.4%
Policy Risk (Interest Rates)	36.4%	28.2%
Constrained Liquidity in Capital Markets	13.0%	17.9%
U.S. Budget Deficit	10.4%	10.3%
Geopolitical Risk/War	44.2%	41.0%
U.S. Recession	23.4%	20.5%

2.   Industries Expected to Experience the 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 <u>three</u> industries.
The current U.S. government shutdown has two focus points in the media (Insurance/Healthcare costs/funding and SNAP benefits), and these focus points are echoed in the related industries' future expected volatilities, each showing a double-digit increase from the prior quarter. The offset to these increases is most seen in construction and real estate, coinciding with the current and expected interest rate cuts from the Federal Reserve Bank.

Industries Experiencing Most Volatility	3Q 2025	4Q 2025
Retail Trade	55.3%	43.2%
Finance & Insurance	10.5%	25.4%
Construction	28.9%	10.2%
Educational Services	12.2%	7.6%
Transportation & Warehousing	5.3%	12.7%
Real Estate & Rental/Leasing	39.5%	25.4%
Healthcare & Social Assistance	26.3%	38.1%
Accommodation & Food Service	5.3%	12.7%
Cannabis	7.9%	7.6%
Consumer Products & Services	23.7%	35.6%
Energy & Power	13.2%	10.2%
Manufacturing	15.8%	5.1%
Public Administration	21.1%	12.7%
Tech, Media, & Telecom	15.8%	7.6%

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

Respondents were asked to indicate which of the following actions their customers planned to take within the next six to twelve months. Lenders were asked to designate all potential customer actions that applied.

Customers' Plans	3Q 2025	4Q 2025
Hiring New Employees	21%	10%
Introducing New Products or Services	34%	31%
Raising Additional Capital	58%	64%
Capital Improvements	24%	18%
Making an Acquisition	34%	33%
Entering New Markets	18%	21%
"Other" Initiatives	13%	13%

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

Respondents were asked to rate how they expected the U.S. economy to perform over the next six months, using a grading scale of A through F. Lenders have expressed a dwindling confidence in the short-term economy on a quarter-to-quarter basis.

The expected performance mirrors the expectation from the prior year's Q4 survey (2.40 weighted average with a 47%-47%-7% B-C-D split), signaling hampered lender confidence as the peak expected near-term economic performance during the past five quarters was 2.58 at Q3 2025.

Grade	3Q/2025	4Q/2025
A	8%	0%
B	53%	49%
C	29%	41%
D	11%	10%
F	0%	0%
Weighted Average Grade	2.58	2.38

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.

A decrease in short-term performance expectations is followed by another decrease in expected long-term economic performance. There was an overall weighted average decrease of 0.25. This reflects a shift away from an "A" level performance with increases in "C" and "D" level expectations.

Grade	3Q/2025	4Q/2025
A	13%	3%
B	53%	54%
C	26%	31%
D	8%	13%
F	0%	0%
Weighted Average Grade	2.71	2.46

6.   Loan Structure

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

A majority of the surveyed lenders (74%) plan to maintain their current loan structure. In Q4 2025, a minority (21%) of lenders plan to tighten their loan structures, while 5% plan to relax their loan structures, resulting in a slight overall shift away from maintaining the current loan structures.

	3Q/2025			**4Q/2025**		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans > $25 million	24%	74%	3%	15%	85%	0%
$15 – $25 million	26%	71%	3%	13%	85%	3%
$5 – $15 million	21%	76%	3%	23%	69%	8%
Under $5 million	32%	58%	11%	31%	59%	10%
Overall Average	26%	70%	4%	21%	74%	5%

7.   The Fed and Interest Rates

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

Even with a September decrease and a highly anticipated upcoming (at the time of the survey) October cut, 77% of lenders believe the Fed will reduce rates to some extent in the coming six months beyond the expected October cut. This continues the trend of higher expected rate cuts, from 19 basis points (bps) in Q1 to 36 bps in Q2, 46 bps in Q3, and 58 bps in Q4.

Bps Change	3Q/2025	4Q/2025
+ 1/2 point or more	0%	0%
+ 1/4 point	0%	0%
Unchanged	16%	3%
- 1/4 point	29%	21%
- 1/2 point or more	55%	77%
Weighted Average	-0.46bps	-0.58bps