

Phoenix Management Services
“Lending Climate in America”
3rd Quarter 2024
Survey Results

(Survey results were tabulated on August 6, 2024)

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.

<u>Factors Affecting Near-Term Economy</u>	<u>2Q 2024</u>	<u>3Q 2024</u>
Unstable Energy Prices	0.0%	0.0%
2024 Election/Political Uncertainty	0.0%	70.6%
Stability of Stock Market	33.3%	29.4%
Policy Risk (Interest Rates)	66.7%	29.4%
Constrained Liquidity in Capital Markets	16.7%	5.9%
U.S. Budget Deficit	33.3%	5.9%
U.S. Recession	0.0%	23.5%

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.

<u>Industries Experiencing Most Volatility</u>	<u>2Q 2024</u>	<u>3Q 2024</u>
Retail Trade	35.3%	60.0%
Finance & Insurance	17.6%	36.0%
Construction	0.0%	12.0%
Educational Services	0.0%	12.0%
Transportation & Warehousing	17.6%	6.0%
Real Estate & Rental/Leasing	88.2%	36.0%
Healthcare & Social Assistance	0.0%	18.0%
Accommodation & Food Service	100.0%	6.0%
Cannabis	0.0%	12.0%
Consumer Products & Services	0.0%	30.0%
Energy & Power	0.0%	12.0%
Manufacturing	17.6%	12.0%
Other Services	17.6%	12.0%
Tech, Media, & Telecom	0.0%	30.0%

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.

<u>Customers’ Plans</u>	<u>2Q 2024</u>	<u>3Q 2024</u>
Hiring New Employees	17%	35%

Introducing New Products or Services	33%	24%
Raising Additional Capital	50%	71%
Capital Improvements	33%	35%
Making an Acquisition	17%	29%
Entering New Markets	50%	18%
“Other” Initiatives	0%	6%

4. US Economy Grade – Next Six Months

Respondents were asked how they expected the US economy to perform during the next six months on a grading scale of A through F.

- Lender optimism on the US economy decreased to 1.76 in Q3 2024 from 2.00 in Q2 2024. In this current quarter, there is a peaking expectation of a C level performance (65%), with the remainder skewed toward poorer performance.

<u>Grade</u>	<u>2Q/2024</u>	<u>3Q/2024</u>
A	0%	0%
B	33%	12%
C	33%	65%
D	33%	12%
F	0%	12%
Weighted Average Grade	2.00	1.76

5. US Economy Grade – Beyond the Next Six Months

Respondents were asked how they expected the US economy to perform beyond the next six months on a grading scale of A through F.

- Lenders’ expectations for the US economy’s performance in the longer term increased significantly from the prior quarter. The weighted average GPA increased 64 points from a 1.83 in Q2 2024 to 2.47 in Q3 2024. Of the lenders surveyed, 83% feel as though the US economy will perform at a “B” level beyond the next six months, while 24% expect the economy to perform at a “D” or “F” level. The “A” and “C” expectations bookend the “B” performance equally at 12% each.

<u>Grade</u>	<u>2Q/2024</u>	<u>3Q/2024</u>
A	0%	12%
B	0%	53%
C	83%	12%
D	17%	18%
F	0%	6%
Weighted Average Grade	1.83	2.47

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 (71%) plan to maintain their current loan structure. In Q3 2024, a minority (24%) of lenders plan to tighten their loan structure and 5% plan to relax their loan structure.

	<u>2Q/2024</u>			<u>3Q/2024</u>		
	<u>Tighten</u>	<u>Maintain</u>	<u>Relax</u>	<u>Tighten</u>	<u>Maintain</u>	<u>Relax</u>
Loans > \$25 million	0%	100%	0%	7%	80%	13%
\$15 – 25 million	40%	60%	0%	13%	87%	0%
\$5-15 million	20%	80%	0%	31%	63%	6%
Under \$5 million	17%	83%	0%	44%	56%	0%
Overall Average	19%	81%	0%	24%	71%	5%

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.

0% of respondents in Q3 2024 believe the Fed will increase interest rates in the upcoming six months. 77% of lenders believe the Fed will decrease interest rates by – 1/4 points or more. The remaining respondents believe there will be no short-term change.

<u>Bps Change</u>	<u>2Q/2024</u>	<u>3Q/2024</u>
+ 1/2 point or more	0%	0%
+ 1/4 point	0%	0%
Unchanged	17%	24%
- 1/4 point	83%	6%
- 1/2 point or more	0%	71%
Weighted Average	-0.27bps	-0.44bps