

**Phoenix Management Services**  
**“Lending Climate in America”**  
**2<sup>nd</sup> Quarter 2024**  
**Survey Results**

(Survey results were tabulated on June 5, 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>1Q 2024</u> | <u>2Q 2024</u> |
|--|----------------|----------------|
| Unstable Energy Prices                     | 36.4%          | 0.0%           |
| Other                                      | 18.2%          | 50.0%          |
| Stability of Stock Market                  | 27.3%          | 33.3%          |
| Policy Risk (Interest Rates)               | 0.0%           | 66.7%          |
| Constrained Liquidity in Capital Markets   | 45.5%          | 16.7%          |
| US Budget Deficit                          | 36.4%          | 33.3%          |
| Sluggish Housing Market                    | 36.4%          | 0.0%           |

**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>1Q 2024</u> | <u>2Q 2024</u> |
|--|----------------|----------------|
| Retail Trade                                   | 72.3%          | 35.3%          |
| Finance and Insurance                          | 18.2%          | 17.6%          |
| Construction                                   | 72.3%          | 0.0%           |
| Educational Services                           | 9.1%           | 0.0%           |
| Transportation & Warehousing                   | 27.3%          | 17.6%          |
| Real Estate & Rental/Leasing                   | 27.3%          | 88.2%          |
| Healthcare and Social Assistance               | 9.1%           | 0.0%           |
| Accommodation & Food Service                   | 9.1%           | 100.0%         |
| Arts, Entertainment, and Recreation            | 9.1%           | 0.0%           |
| Information                                    | 0.0%           | 0.0%           |
| Mining   | 9.1%           | 0.0%           |
| Manufacturing                                  | 0.0%           | 17.6%          |
| Other Services                                 | 18.2%          | 17.6%          |
| Wholesale Trade                                | 18.2%          | 0.0%           |

### 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>1Q 2024</u> | <u>2Q 2024</u> |
|--------------------------------------|----------------|----------------|
| Hiring New Employees                 | 27%            | 17%            |
| Introducing New Products or Services | 27%            | 33%            |
| Raising Additional Capital           | 55%            | 50%            |
| Capital Improvements                 | 45%            | 33%            |
| Making an Acquisition                | 36%            | 17%            |
| Entering New Markets                 | 9%             | 50%            |
| "Other" Initiatives                  | 0%             | 0%             |

### 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 increased to 2.00 in Q2 2024 from 1.91 Q1 2024. In this current quarter, there is an equal expectation of B, C, and D level performances, resulting the previously stated C-average.

| <u>Grade</u>           | <u>1Q/2024</u> | <u>2Q/2024</u> |
|------------------------|----------------|----------------|
| A                      | 0%             | 0%             |
| B                      | 9%             | 33%            |
| C                      | 73%            | 33%            |
| D                      | 18%            | 33%            |
| F                      | 0%             | 0%             |
| Weighted Average Grade | 1.91           | 2.00           |

## 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 decreased significantly from the prior quarter. The weighted average GPA decreased 72 points from a 2.55 in Q1 2024 to 1.83 in Q2 2024. Of the lenders surveyed, 83% feel as though the US economy will perform at a "C" level beyond the next six months, while 17% expect the economy to perform at a "D" level, over double the expectation of Q1 2024.

| <u>Grade</u>           | <u>1Q/2024</u> | <u>2Q/2024</u> |
|------------------------|----------------|----------------|
| A                      | 0%             | 0%             |
| B                      | 64%            | 0%             |
| C                      | 27%            | 83%            |
| D                      | 9%             | 17%            |
| F                      | 0%             | 0%             |
| Weighted Average Grade | 2.55           | 1.83           |

## 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 (81%) plan to maintain their current loan structure. In Q2 2024, the minority (19%) of lenders plan to tighten their loan structure and 0% plan to relax their loan structure.

|                      | <u>1Q/2024</u> |                 |              | <u>2Q/2024</u> |                 |              |
|----------------------|----------------|-----------------|--------------|----------------|-----------------|--------------|
|                      | <u>Tighten</u> | <u>Maintain</u> | <u>Relax</u> | <u>Tighten</u> | <u>Maintain</u> | <u>Relax</u> |
| Loans > \$25 million | 56%            | 44%             | 0%           | 0%             | 100%            | 0%           |
| \$15 – 25 million    | 56%            | 44%             | 0%           | 40%            | 60%             | 0%           |
| \$5-15 million       | 56%            | 44%             | 0%           | 20%            | 80%             | 0%           |
| Under \$5 million    | 60%            | 40%             | 0%           | 17%            | 83%             | 0%           |
| Overall Average      | 57%            | 43%             | 0%           | 19%            | 81%             | 0%           |

## 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 Q2 2024 believe the Fed will increase interest rates in the upcoming six months. 83% of lenders believe the Fed will decrease interest rates by  $-1/4$  points. The remaining 17% believe there will be no short-term change.

| <b><u>Bps Change</u></b> | <b><u>1Q/2024</u></b> | <b><u>2Q/2024</u></b> |
|--------------------------|-----------------------|-----------------------|
| + 1/2 point or more      | 0%                    | 0%                    |
| + 1/4 point              | 0%                    | 0%                    |
| Unchanged                | 36%                   | 17%                   |
| - 1/4 point              | 27%                   | 83%                   |
| - 1/2 point or more      | 36%                   | 0%                    |
| <b>Weighted Average</b>  | <b>-0.32bps</b>       | <b>-0.27bps</b>       |