Phoenix Management Services
"Lending Climate in America"
2nd Quarter 2025
Survey Results

(Survey results were tabulated on May 14th, 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. Tariff uncertainty is shifting lender focus regarding the factors that have the most potential to impact the economy. Recession potential surged from the prior quarter (11%) to 67% and was followed by an increase in constrained liquidity in capital markets (0% to 20%), signaling that there will be a monetary slowdown in some capacity. Somewhat surprisingly, respondents who selected political uncertainty declined from 67% in 1Q to 40% in 2Q.

Factors Affecting Near-Term Economy	1Q 2025	2Q 2025
US Recession	11.10%	66.70%
Political Uncertainty	66.70%	40.00%
Constrained Liquidity in Capital Markets	0.00%	20.00%
Policy Risk (Interest Rates)	33.30%	16.70%
Stability of Stock Market	33.30%	13.30%
Unstable Energy Prices	0.00%	3.30%
US Budget Deficit	11.10%	0.00%

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. Expectations regarding volatility in the Retail Trade, Manufacturing, and Consumer Products/Services sectors were the highest of all the sectors and was clearly driven by the recent chaos with tariffs. These increases were offset by healthy decreases in Real Estate (20%) and Public Administration (35%).

Industries Experiencing Most Volatility	1Q 2025	2Q 2025
Consumer Products & Services	20.70%	60.00%
Retail Trade	31.00%	43.30%
Manufacturing	20.70%	33.30%
Real Estate & Rental/Leasing	41.40%	23.30%
Finance & Insurance	20.70%	20.00%
Construction	10.30%	20.00%
Cannabis	31.00%	20.00%
Public Administration	51.70%	16.70%
Healthcare & Social Assistance	31.00%	13.30%
Transportation & Warehousing	10.30%	10.00%
Energy & Power	0.00%	10.00%
Tech, Media, & Telecom	10.30%	10.00%
Educational Services	0.00%	6.70%
Accommodation & Food Service	10.30%	3.30%

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. Huge declines in Hiring New Employees and Capital Improvements are indicative of the cautious posture most borrowers, regardless of their industry sector, have been taking since Liberation Day.

Customers' Plans	1Q 2025	2Q 2025
Raising Additional Capital	44%	53%
Capital Improvements	67%	23%
"Other" Initiatives	11%	20%
Introducing New Products or Services	11%	17%
Entering New Markets	11%	17%
Making an Acquisition	22%	13%
Hiring New Employees	56%	3%

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. Lenders have a lower amount of confidence about the short-term economy quarter-to-quarter. While the economic performance expectation decreased, it is almost at the same expectation level as Q3 2024 (2.10 v. 2.08). There was a much larger peak at the "C" performance level in this quarter (22% in Q1 to 63% in Q2), shifting away from the prior quarter's "B" level peak (56%).

Grade	**1Q/2025**	**2Q/2025**
A	0%	0%
B	56%	23%
C	22%	63%
D	22%	13%
F	0%	0%
Weighted Average Grade	2.33	2.10

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. A decrease in short-term performance expectations was accompanied by an increase in expected long-term economic performance versus both short-term performance and prior quarter. One-third of lenders in Q1 2025 expected long-term US economic performance to be at a D-level (while another third expected a C-level performance). Both grade expectations decreased in Q2 2025, creating the 20% increase in overall expected performance. This may suggest that lenders believe that the tariff upheaval will be short lived.

Grade	1Q/2025	2Q/2025
A	11%	7%
B	22%	57%
C	33%	20%
D	33%	17%
F	0%	0%
Weighted Average Grade	2.11	2.53

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 (75%) plan to maintain their current loan structure. In Q2 2025, a minority (25%) of lenders plan to tighten their loan structure and 0% plan to relax their loan structure, consistent with the "wait and see" approaches that the lending community appears to be taking with its borrowers.

	1Q/2025			2Q/2025		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans> $25 million	22%	78%	0%	30%	70%	0%
$15 – 25 million	22%	78%	0%	30%	70%	0%
$5-15 million	44%	56%	0%	23%	77%	0%
Under $5 million	44%	44%	11%	17%	83%	0%
Overall Average	33%	64%	3%	25%	75%	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. Despite no change from the most recent FOMC meetings, 80% of lenders believe the Fed will reduce rates in the coming six months. This average interest rate reduction of 36 basis points is almost double the expected rate cut in 1Q.

Bps Change	1Q/2025	2Q/2025
+ 1/2 point or more	11%	0%
+ 1/4 point	0%	0%
Unchanged	11%	20%
- 1/4 point	44%	40%
- 1/2 point or more	33%	40%
Weighted Average	-0.19bps	-0.36bps