



Lending Climate

IN AMERICA

For more than 20 years, Phoenix Management Services has administered a quarterly survey to lenders from commercial banks, finance companies, credit funds, and other lending institutions **identifying the latest economic issues, business drivers, and credit trends impacting lending in America.**

Top 5 Takeaways from the Second Quarter 2019

54%

No Significant Effect

37%

Increased Labor Costs & Reduced Profitability

9%

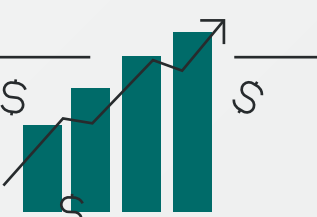
Revenue Growth & Increased Profitability

1 Unemployment's Anticipated Effect on Borrower Profitability

While estimates predict unemployment rates will end the year at 3.6%, a slight decrease from March 2019 at 3.8%, the majority of lenders **do not expect the unemployment rate to have a significant effect** on borrower profitability.

2 Economic Outlook

57%

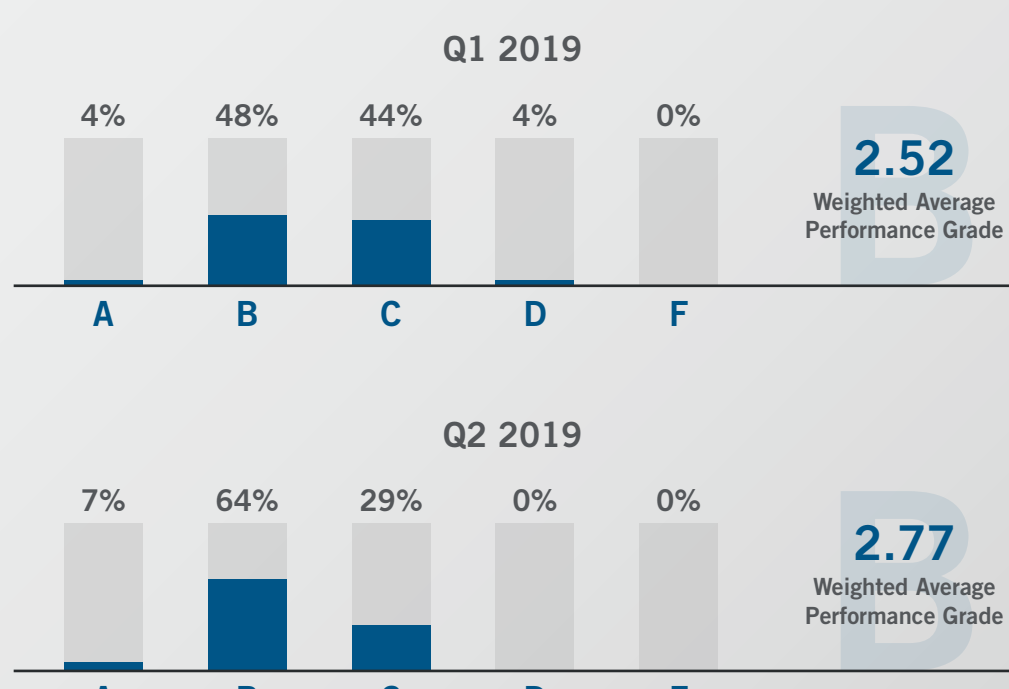


of lenders believe there is **potential for further economic growth** in the next year before any slowdown.

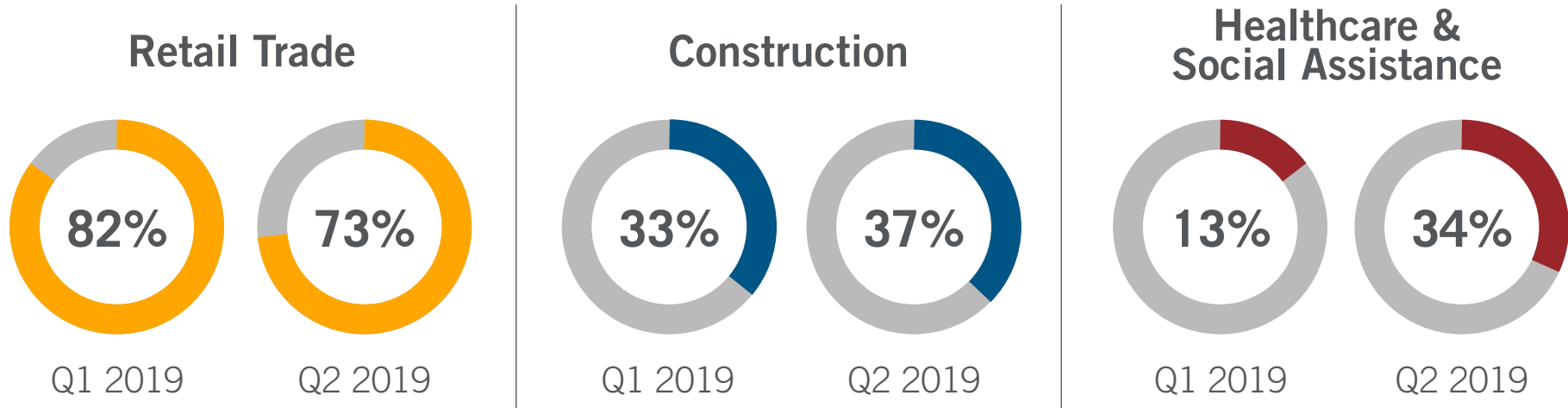
While recent evidence has suggested that the U.S. economy is coming upon a slowdown, the **majority of lenders are optimistic about economic growth in the next 12 months**, while 43% believe an economic slowdown will occur.

3 U.S. Economy Near-Term Performance Grade

Though still at the "B" level, the U.S. economy performance grade saw a slight increase, **rising from a weighted average performance grade of 2.52 in Q1 2019 to 2.77 in Q2 2019.**



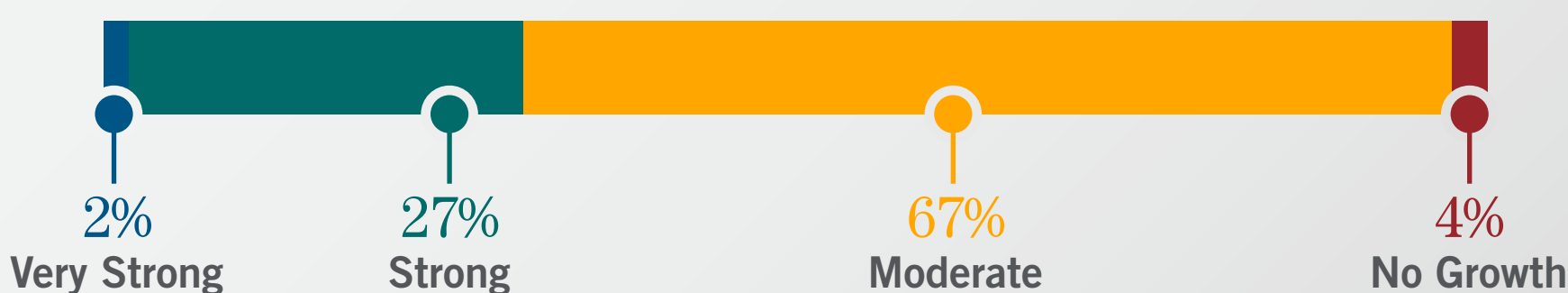
4 Top 3 Industries Projected to Experience Near-Term Volatility



Knocking manufacturing out of the number 3 spot, the healthcare & social assistance industry's predicted volatility increased over 15 percentage points—meanwhile, **the likelihood of volatility in retail trade decreased slightly from Q1 2019.**

5 Predictions for Future Growth

How would lenders assess their customers' growth expectations for the next six months to a year?



Between Q1 2019 and Q2 2019, the percentage of both "strong" and "moderate" responses **increased 5 percentage points and decreased 7 percentage points, respectively.**

After economic confidence dwindled in Q4 2018 and Q1 2019, the Q2 2019 lending survey reveals tentative optimism among lenders. Most notably, lenders are displaying a more positive outlook and assessment of the U.S. economy.

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