

Lending Climate

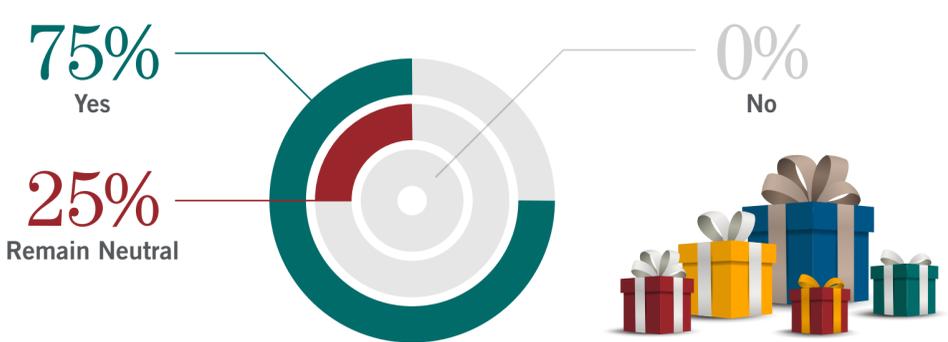
IN AMERICA

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

Top 5 Takeaways from the Fourth Quarter 2018

1 Retail Sales in Q4 2018

Will retail sales continue to grow this holiday season?



Despite potential fractures in the domestic and global market—indicated by the stock market tumbling since the summer of 2018 and the ongoing escalation of a trade war with China—**lenders anticipate retailers will achieve another record year of sales** during the 2018 holiday season.

2 Spending Trends

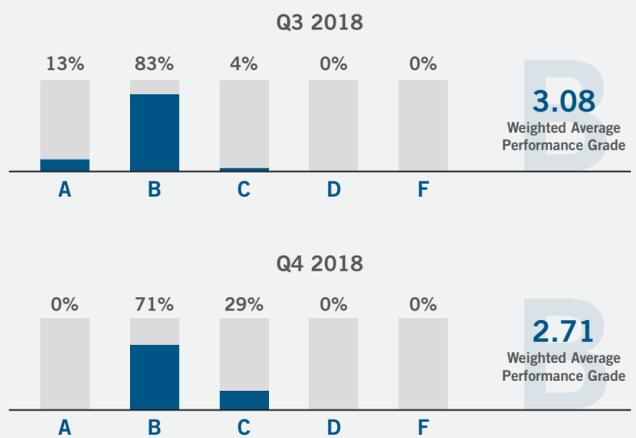


of lenders believe **spending will remain steady** for businesses and individuals in Q4.

When asked if a 4.5% increase in orders for durable goods like aircrafts, cars, and other transportation, which is often a positive indicator for the economy, would translate into increased spending in Q4, only **12% of lenders believe spending will increase** and **25% believe it will taper off.**

3 U.S. Economy Near-Term Performance Grade

After two consecutive record high quarters, the anticipated performance grade in Q4 2018 for the U.S. economy during the next 6 months **dropped nearly 40 percentage points** from our Q3 2018 survey.



4 Factors Affecting Near-Term Economy

Stability of the Stock Market



The majority of lenders believe the stability of the stock market will impact the near-term economy—a **spike from our Q3 survey.**

Sluggish Housing Market



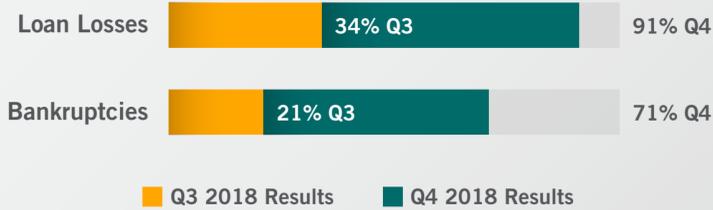
Nearly **twice as many lenders than in Q3 2018** believe the sluggish housing market will impact the near-term economy in the next 6 months.

Constrained Liquidity in Capital Markets



None of the lenders surveyed believe liquidity constraints will negatively impact the near-term economy—a **sign of the continued frothy credit markets.**

5 Economic Indicators Based On Diffusion Index



In the next six months, lenders anticipate that loan losses and bankruptcies will increase heavily.

The **Q4 2018 lending survey** showed a marked decrease in confidence by lenders in the economy in the coming months, as evidenced by a lower GPA for the economy in the near-term, as well as a higher diffusion index for a number of key economic indicators.

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