



Lending Climate

IN AMERICA

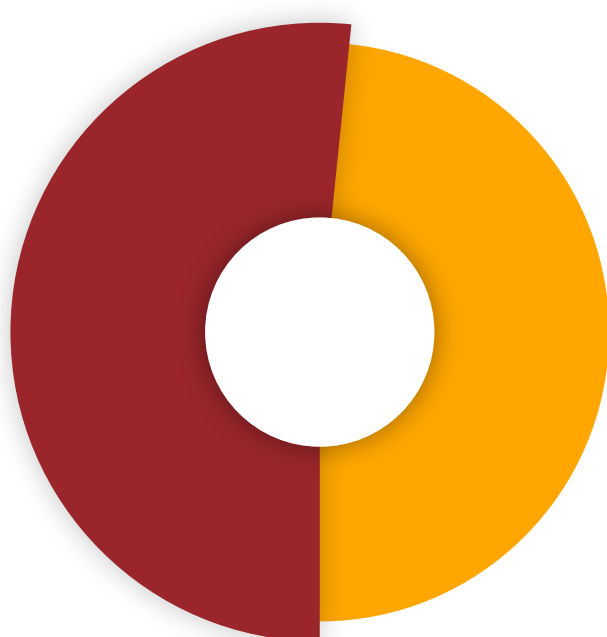
For 25 years, Phoenix Management Services has administered a quarterly survey to lenders from commercial banks, finance companies, credit funds, and other lending institutions **to identify the latest economic issues, business drivers, and credit trends impacting lending in America.**

Top 5 Takeaways from the First Quarter 2021

*Survey results were tabulated on March 3rd, 2021.

1 Continued COVID-19 Restrictions

51%
of lenders believe that despite vaccines, COVID-19-related restrictions will be imposed for years to come

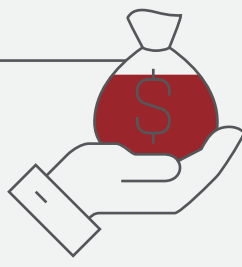


49%
of lenders think that with vaccines, the U.S. will end coronavirus-related restrictions within the coming year

Even with the rollout of multiple COVID-19 vaccines, **a slight majority of lenders believe that there will still be restrictions**, like social distancing and masks, required in the future.

2 Inflation Effect of a Third Stimulus Package

77%



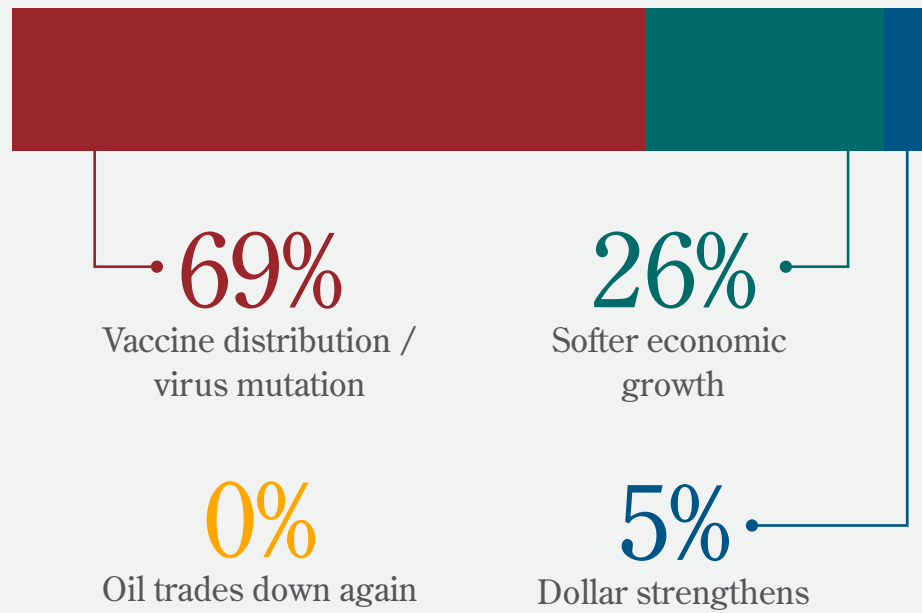
of lenders think that the historic economic stimulus packages will cause inflationary pressure in the U.S. economy.

The stimulus package includes nearly \$2 trillion in coronavirus relief funds. While the majority of lenders felt the package would lead to inflammatory prices, **23% believe the economy will be able to sustain the infusion of money and inflation will be subdued.**

3 Biggest Concern for the First Half of 2021

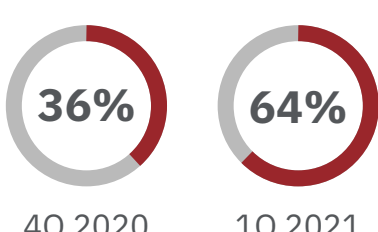
The vast majority of lenders report that their biggest concern for the first half of 2021 is vaccine distribution and mutation of the virus.

Biggest concern for the first half of 2021:

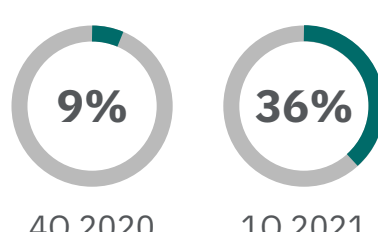


4 Factors with the Strongest Potential to Affect Near-Term Economy

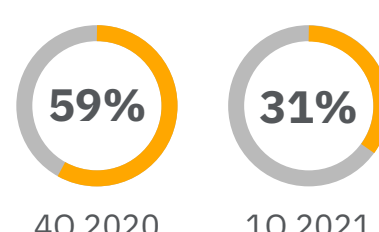
Stability of Stock Market



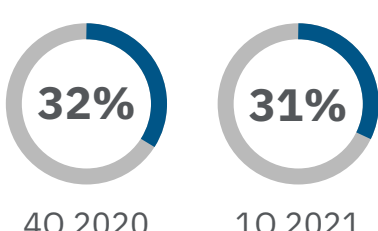
Unstable Energy Prices



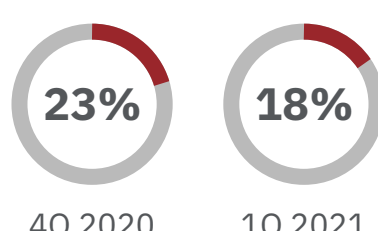
Other



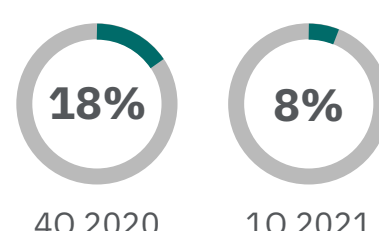
U.S. Budget Deficit



Constrained Liquidity in Capital Markets

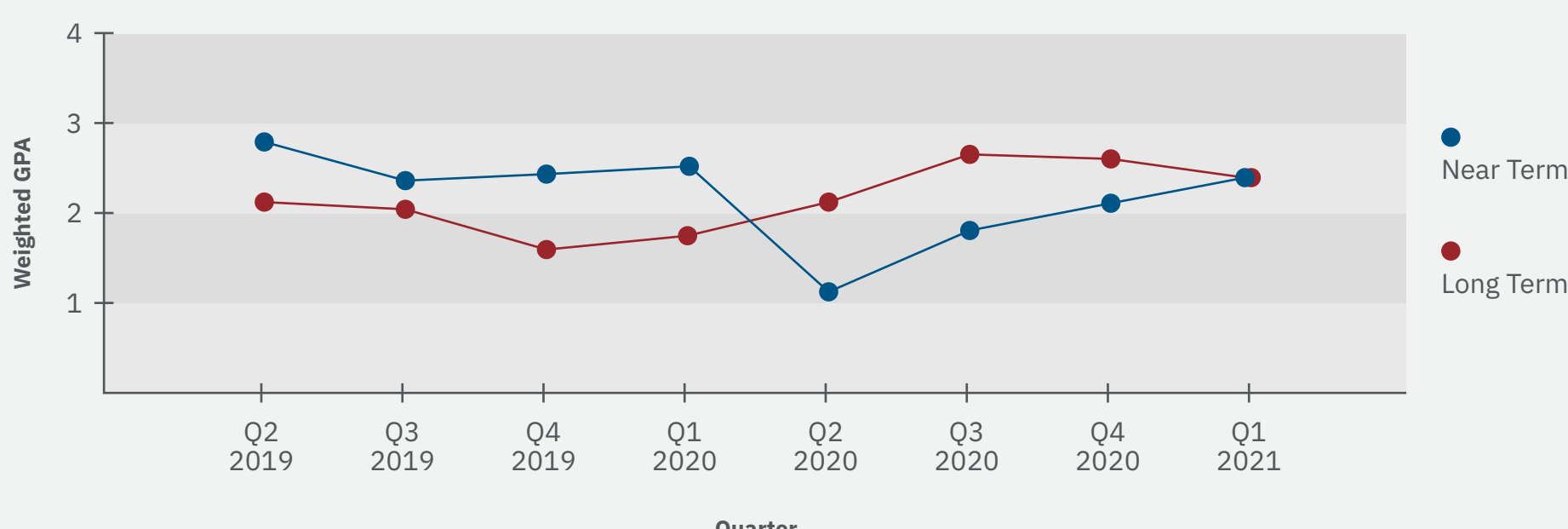


Sluggish Housing Market



Looking at the next six months, **lenders picked the stability of the stock market and unstable energy prices as the two factors that had the strongest potential to affect the economy**, an increase of 28 and 27 percentage points, respectively, when compared to Q4 results.

5 U.S. Economic Performance Grade



Lenders' optimism in the U.S. economy in the near term increased by 24 percentage points from Q4 2020 to Q1 2021. The vast majority of lenders—89%—believe the economy will perform at no less than a “C” level during the next six months. However, while there has been an increase in near-term optimism, there’s been a decrease in long-term optimism. Lenders’ expectations for the economy’s performance in the longer term slightly decreased from the prior quarter—down 14 points from a 2.43 GPA in Q4 2020 to 2.29 GPA in Q1 2021.

The COVID-19 pandemic continues to be top of mind for lenders. As vaccines are rolled out, the majority cite vaccine distribution / virus mutation as their largest concern for the first half of 2021. Although lender confidence in the economy increased in the near-term—likely spurred by positive news related to vaccine rollout—the downward trend in long-term confidence seen in Q4 2020 persisted with a drop to a 2.29 GPA.

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ABOUT PHOENIX

For over 35+ years, Phoenix has provided smarter, operationally focused solutions for middle market companies in transition. Phoenix Management Services® provides turnaround, crisis and interim management, specialized advisory and operational implementation services for both distressed and growth oriented companies. Phoenix Transaction Advisory Services® provides quality of earnings, management/organizational review, business integration, sell-side business preparation and other transaction related support. Phoenix Capital Resources® provides seamless investment banking solutions including M&A advisory, complex restructurings and capital placements. Phoenix Capital Resources is a U.S. registered broker-dealer and member of FINRA and SIPC. Proven. Results.®
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