



Lending Climate

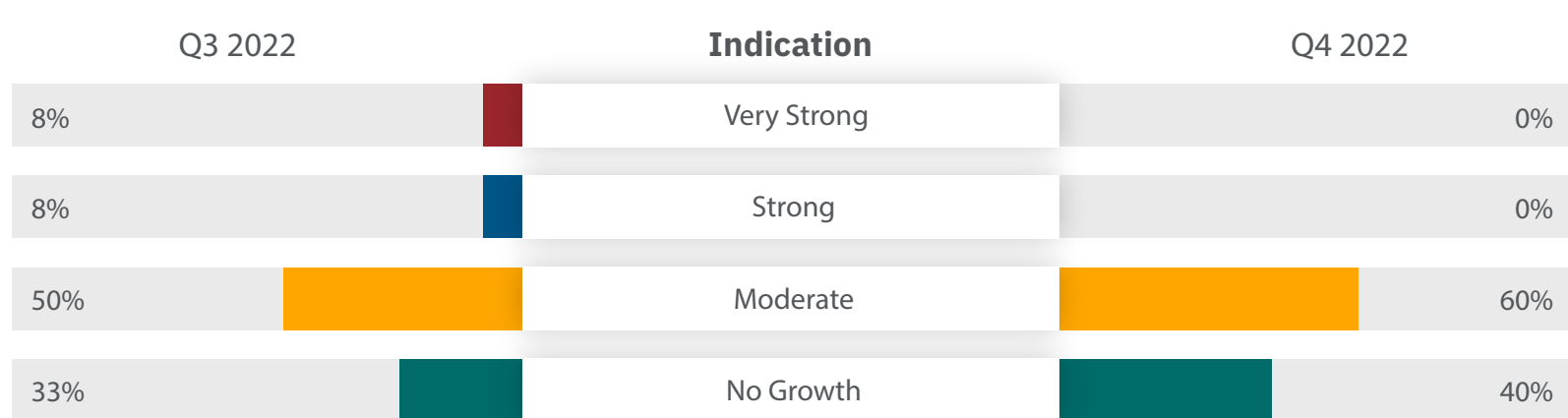
IN AMERICA

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 Fourth Quarter 2022

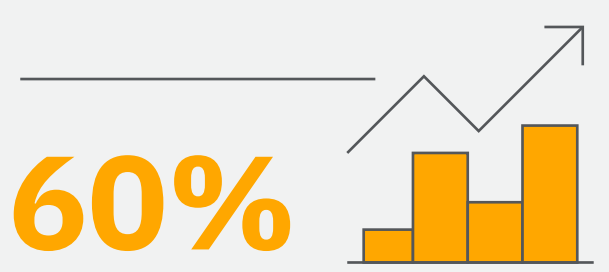
*Survey results tabulated December 13, 2022

1 Customers' Future Growth Expectations



Lenders assessed their customers' growth expectations for the next six months to one year and found **customers' "moderate" growth expectations increased 10 percentage points to 60%**. There was a decrease in the percentage of lenders that ascribed to strong growth (0%) while 40% of lenders predicted no growth in Q4.

2 Borrowers Allocating Excess Cash



of lenders think borrowers will be building their cash reserves.

40% believe borrowers will be catching up on payments to stretched vendors.

3 Inflation Impact on Small Businesses

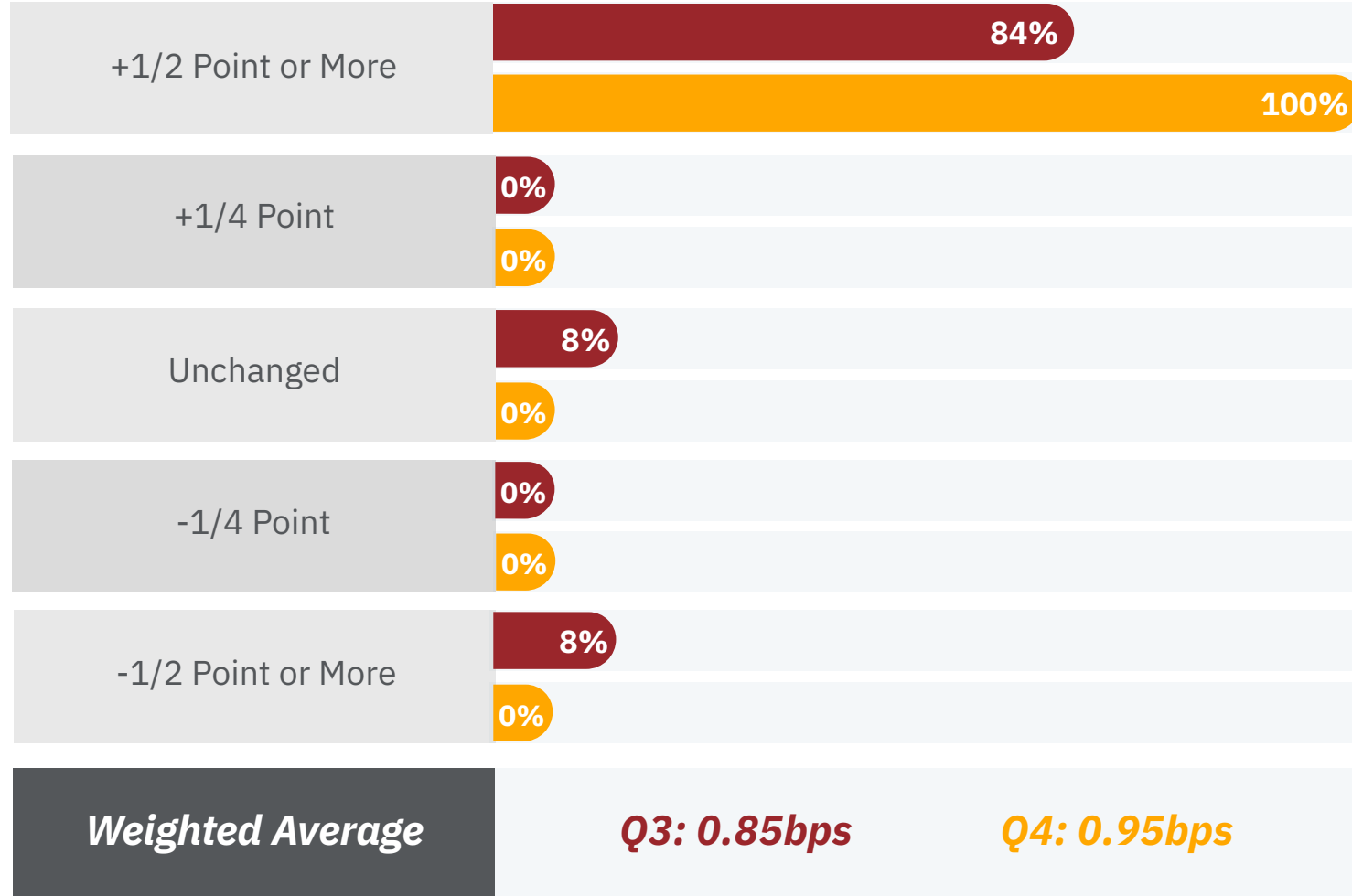
Currently, 88% of small business owners say inflation is impacting their business and have raised prices 9% to offset the impact. **The majority of lenders believe inflation will continue to impact the economy** and 80% believe that businesses will need to raise prices in 2023.



4 2023 Interest Rates

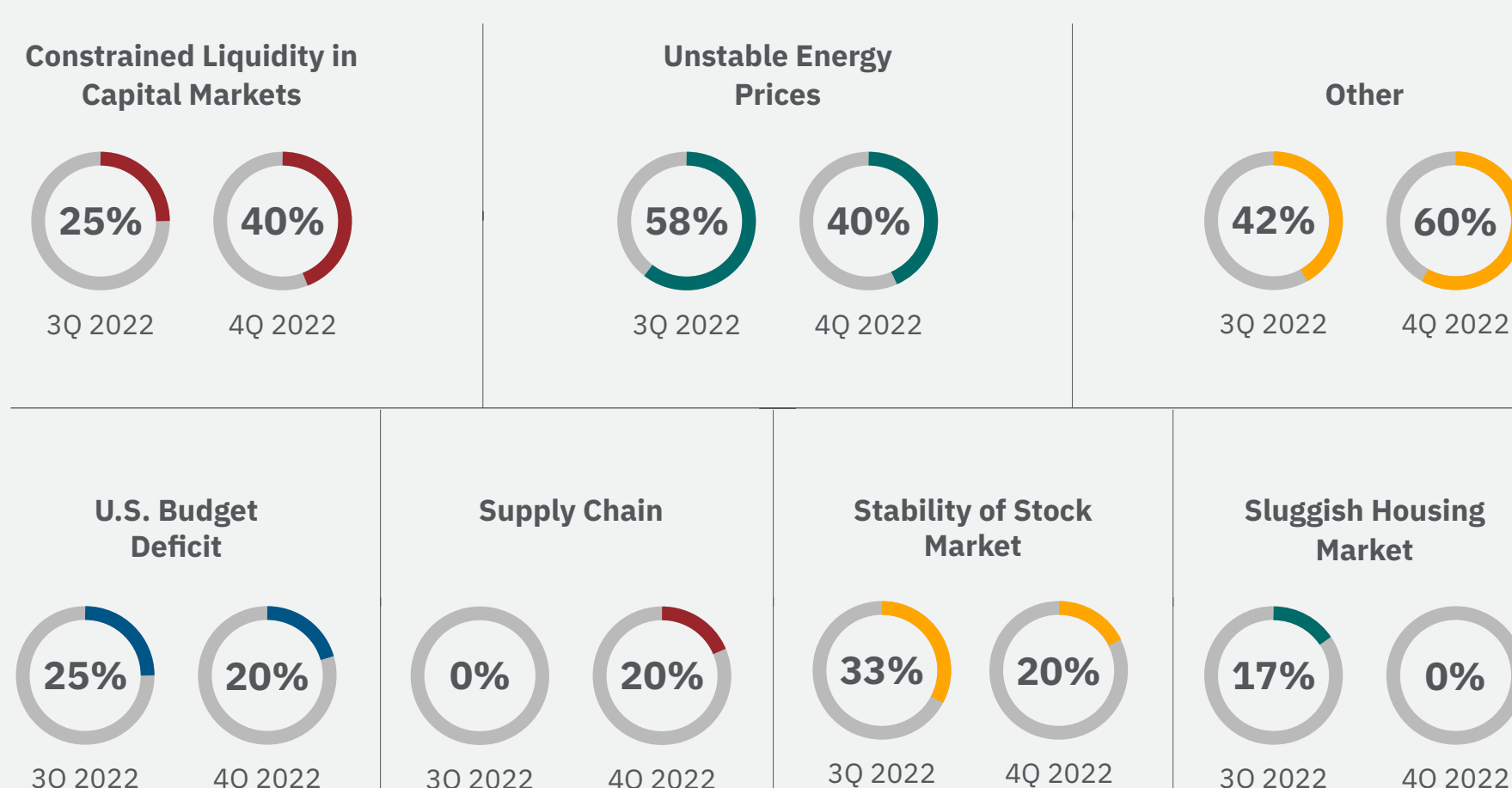
When asked what direction lenders thought the Fed would move interest rates and by how much in the coming six months, **100% believe the Fed will increase interest rates by +1/2 point or more.**

BPS Change



Q3 2022 Q4 2022

5 Factors with Strongest Potential to Affect Near-Term Economy



Lenders believe that over the next six months, **unstable energy prices, constrained liquidity in capital markets and other various factors** had the strongest potential to affect the economy.

While inflation continues to impact businesses, lenders note that small businesses have raised prices by 9% to offset costs and will likely have to increase prices even more moving into FY2023. Additionally, lenders believe borrowers will begin to build cash reserves while catching up on payments to vendors. With the Fed raising interest rates by +1/2 point or more, **customers' future growth expectations are likely to be "moderate" or none at all.**

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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 IB® provides seamless investment banking solutions including M&A advisory, complex restructurings and capital placements. Phoenix IB® is a U.S. registered broker-dealer and member of FINRA and SIPC. Proven. Results.® For additional information visit our website or email marketing@phoenixmanagement.com.



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