



Lending Climate

IN AMERICA

For over 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.**

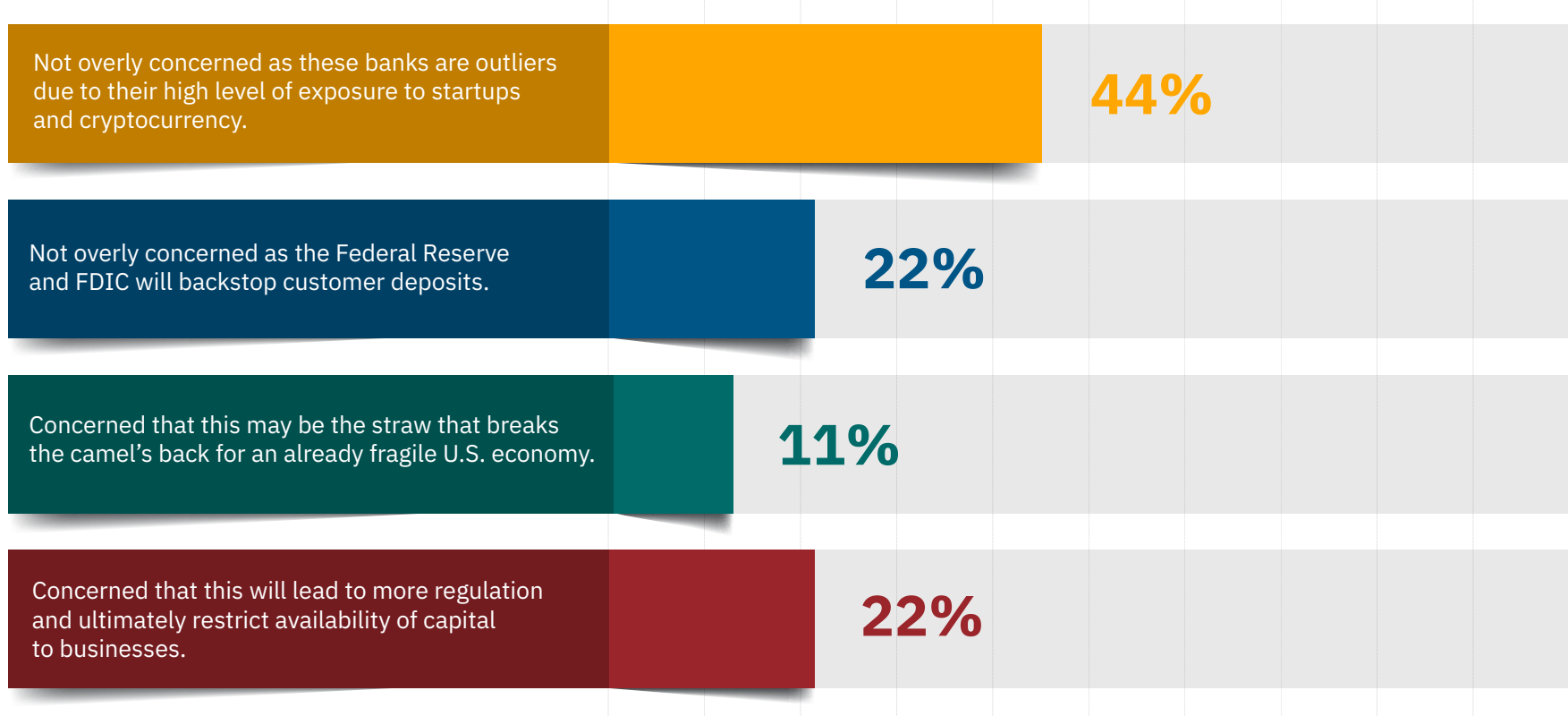
Top 5 Takeaways from the First Quarter 2023

*Survey results tabulated April 3rd, 2023

1

Bank Collapse Effect on Consumer Spending

When asked if the recent collapse of Silicon Valley Bank and Signature Bank will cause a ripple effect through the broader economy and impact average consumer spending, **44% of lenders said they were not concerned**, as they believe these banks are outliers.



2

Consumer Spend Post-Pandemic

78%

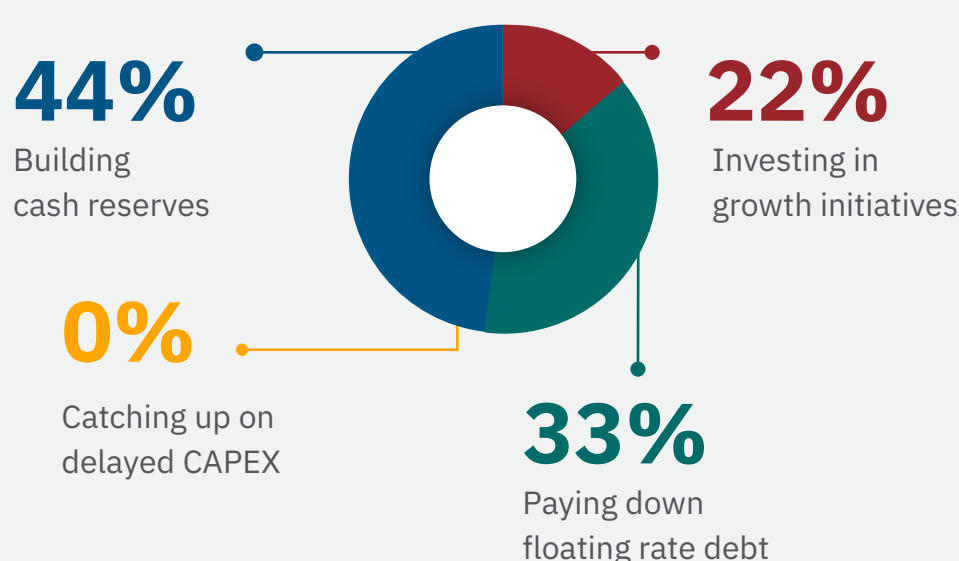
of lenders believe consumer spending will dramatically decrease as the pandemic-related liquidity and tax benefits inflated their normal cash inflow and spending availability.

22% of lenders said consumer spending will remain at current levels.

3

Borrowers Allocating Excess Cash

When asked how their borrowers are allocating any excess cash, **nearly half of the lenders surveyed expect any excess to go towards building a cash reserve to defend against any further downturn.** The other half believe borrowers will use excess cash to catch up on paying down floating rate debt or to invest in growth initiatives.



4

Customers' 6-12 Month Plans

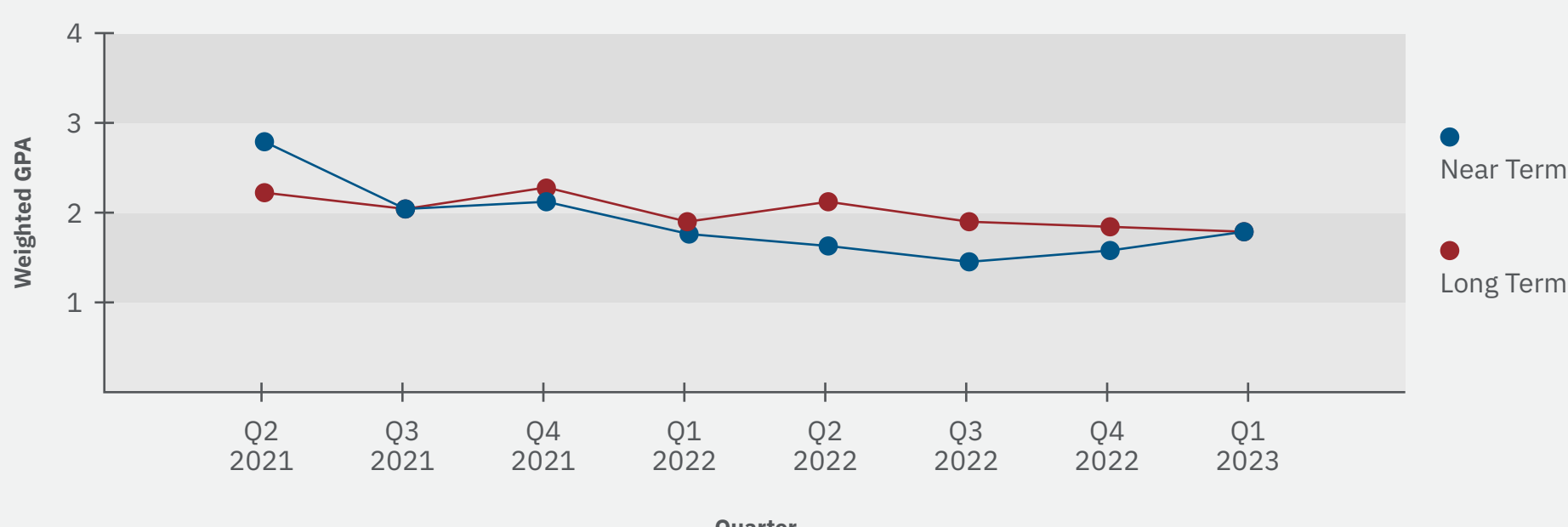
Lenders assessed their customers' upcoming growth expectations and found **plans to hire new employees more than doubled since the previous quarter**—from 20% to 44%. Additionally, there was a large decrease in customers planning to raise additional capital, from 80% at the end of 2022 to 33% in the first quarter of 2023.



5

U.S. Economic Performance Grade

Lenders' optimism in the U.S. economy in the near-term increased 18 points this quarter, from 1.60 in Q4 2022 to 1.78 in Q1 2023. The majority of lenders (44%) believe the economy will perform at a "D" level during the next six months. In the long-term, the economy grade decreased two percentage points, from 1.80 to 1.78. Ultimately, in Q1 2023, the downward trend continues and lenders are continuing to feel less optimistic about the U.S. economy in the long-term.



While some lenders believe bank closures could affect the current economy, the majority believe this will not impact consumer spending. However, **78% of lenders agree that there will be a decrease in spending due to a reduction in pandemic-related assistance.** Due to this, borrowers are allocating their money to cash reserves. Lenders continue to be cautious about economic performance, and believe the economy will perform at a "D" level during the next six months.

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