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Lending Climate

— IN AMERICA —

Top Takeaways from the Fourth Quarter 2024

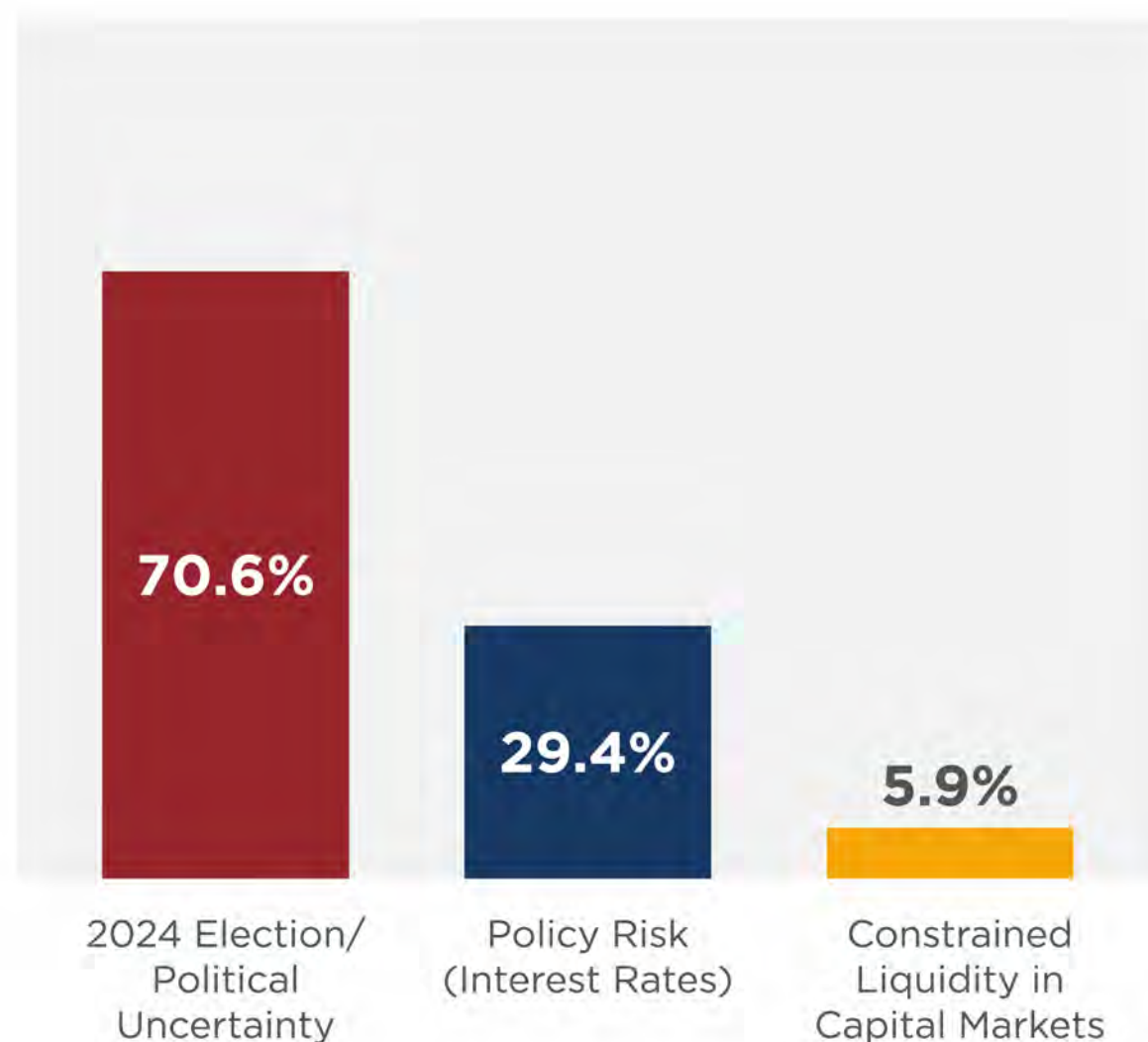
*Survey results tabulated November 6, 2024

Factors Affecting Near-Term Economy

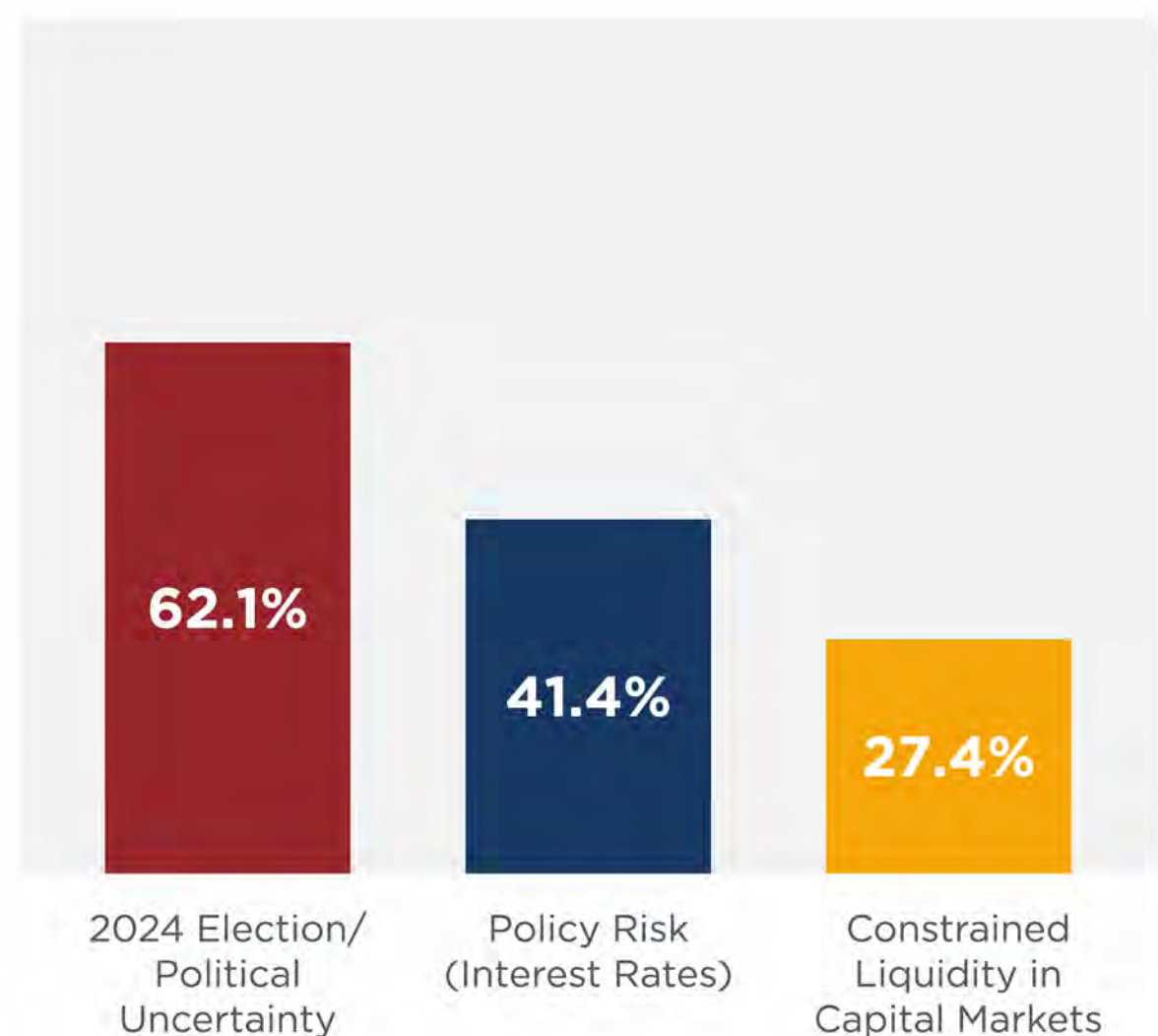
Lenders surveyed were asked which **two factors** have the strongest potential to affect the economy in the next six months. **62.1% of respondents believe that the 2024 Election/Political Uncertainty has the greatest potential, compared to 70.6% in Q3 2024.**

Additionally, respondents who selected Policy Risk (Interest Rates) increased from 29.4% to 41.4%.

Q3 2024 Overall Averages



Q4 2024 Overall Averages



Industries Expecting Greatest Volatility

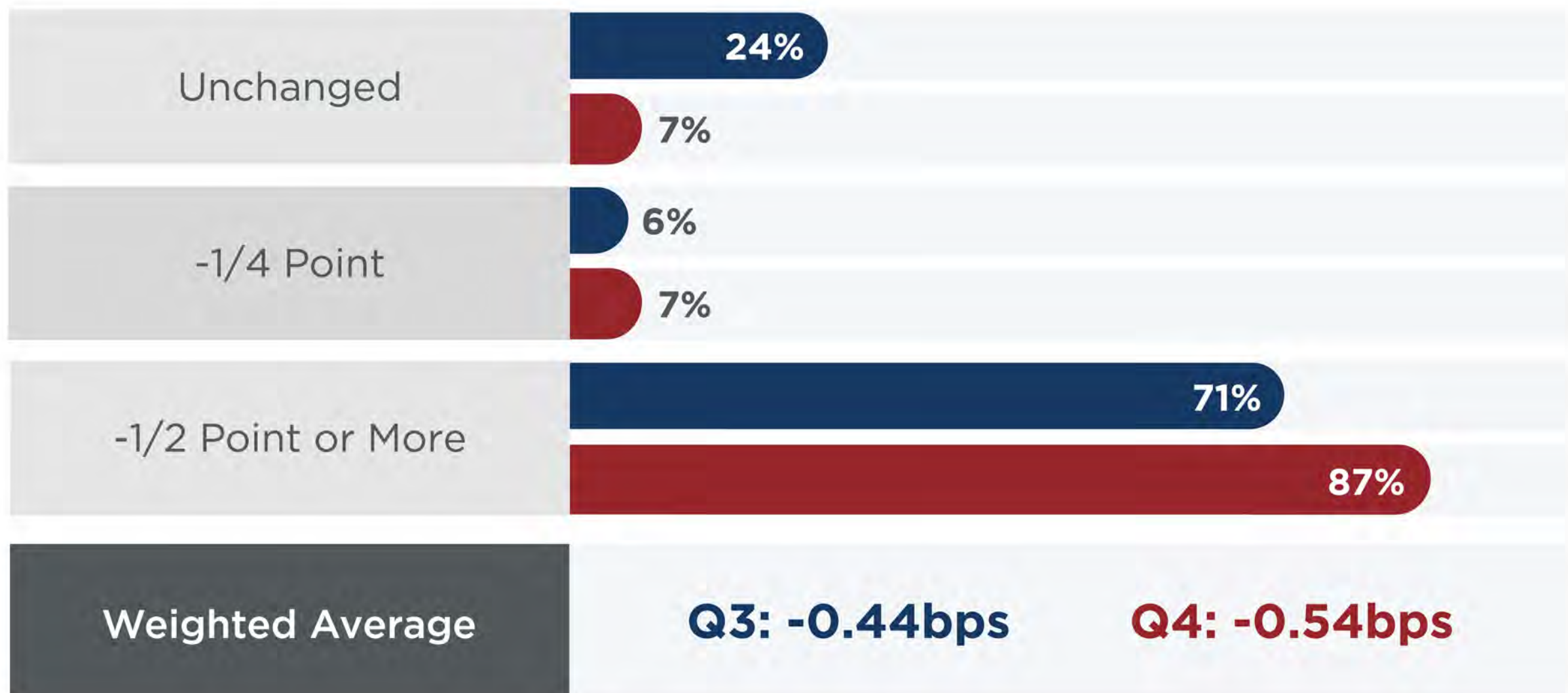
62.8%

of the lenders surveyed expect the retail trade to experience the most volatility for industries over the next six months.

41.9% of the lenders surveyed believe that consumer products & services will experience the most volatility.

Interest Rate Changes

BPS Change



Q3 2024



Q4 2024

When asked which direction lenders believe the Federal Reserve will move interest rates in the next six months, **the majority of lenders (94%) believe that interest rates will decrease.**

US Economic Performance Grade

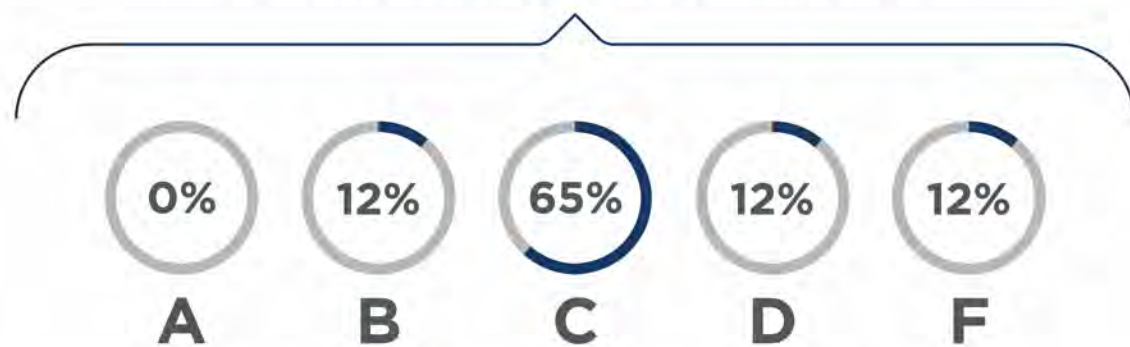
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Lender optimism on the US economy significantly increased to 2.40 in Q4 2024 from 1.76 in Q3 2024, a grade not seen since Q2 2021. The majority of lenders believe the economy will perform at either a “B” or “C” level during the next six months. Lenders’ expectations for the economy’s performance in the long term also increased by 46 points. 53% of lenders believe the economy will perform at a “B” level beyond the next six months, while 27% expect it to perform at a “C” level.

Q3 2024

1.76

Weighted Average Grade

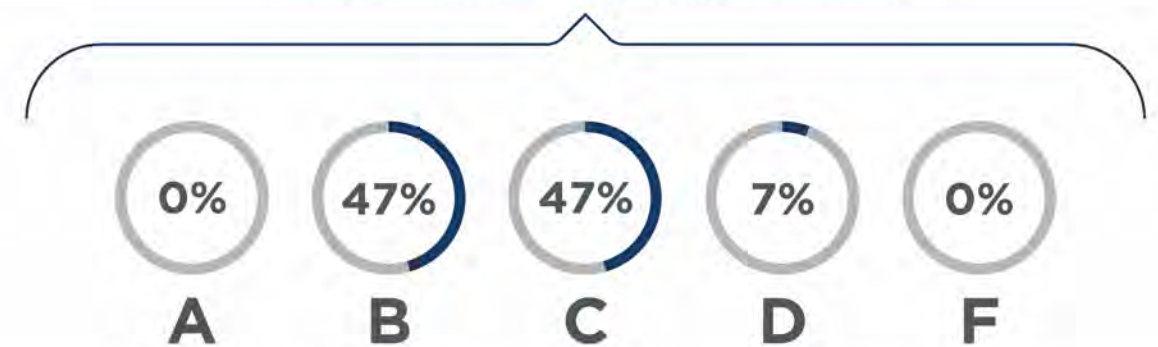


Short Term

Q4 2024

2.40

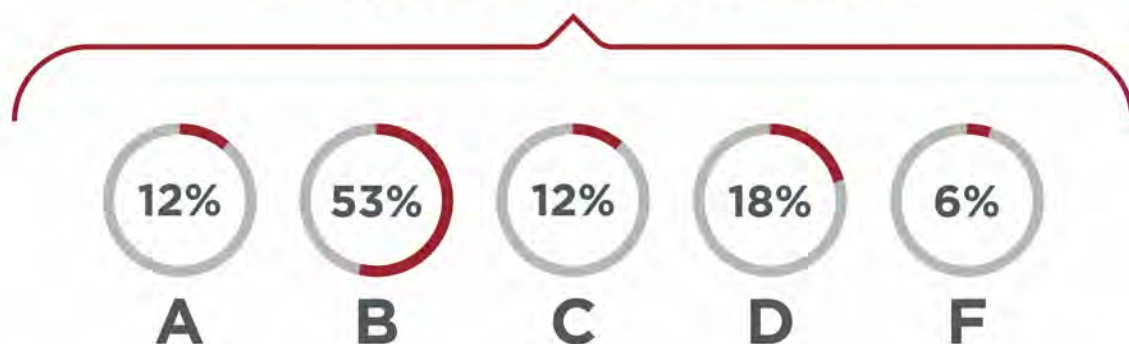
Weighted Average Grade



Q3 2024

2.47

Weighted Average Grade

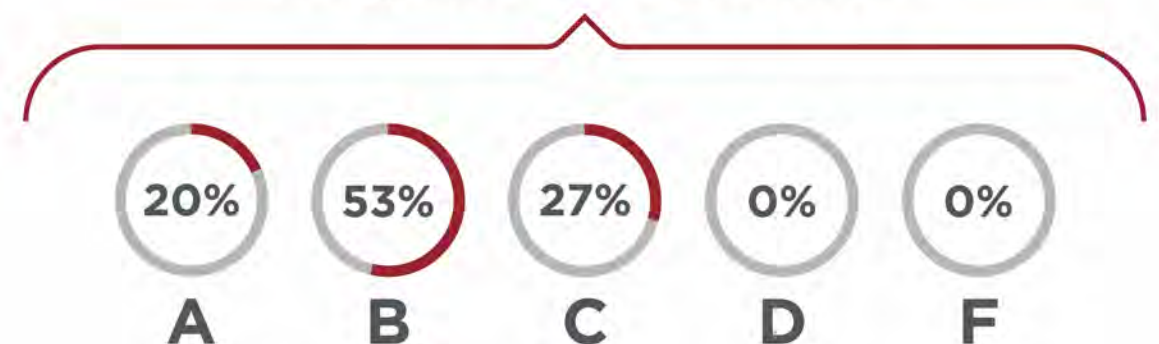


Long Term

Q4 2024

2.93

Weighted Average Grade



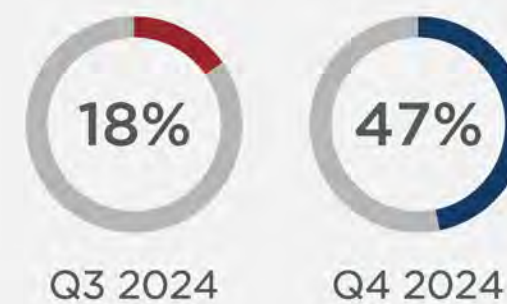
Customers' Plans in the Next Six to Twelve Months

Lenders assessed potential customer actions and designated that customer plans slightly shifted moving into Q4. **67% of customers are focused on raising additional capital compared to 71% in Q3.** Additionally, customers entering new markets increased from 18% to 47%, while making an acquisition increased from 29% to 33%.

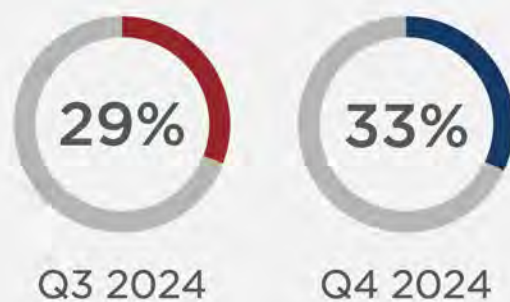
Raising Additional Capital



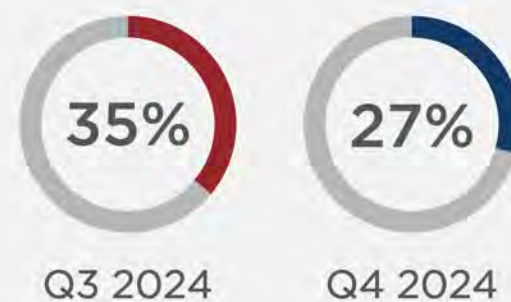
Entering New Markets



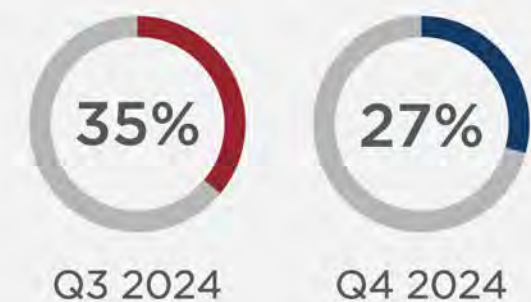
Making an Acquisition



Hiring New Employees



Capital Improvements



Introducing New Products or Services



"Other" Initiatives



Commercial Real Estate

Lenders were asked to rank their concerns with different commercial real estate sectors, and to identify their preferred approach if they chose to reduce their CRE portfolio considering factors such as interest rates, declining appraisal values, and rent roles/rates. While the majority of lenders surveyed do not have significant CRE portfolios, there is concentrated concern around the office and retail sectors. If lenders were to reduce their CRE portfolios, 75% would aim to restructure and avoid any level of bankruptcy or foreclosure, while 25% of lenders would aim to take ownership and maximize any recovery.

