



FTI Consulting U.S. Loan Market Survey Points to Most Cautionary Outlook in Five Years

April 11, 2023

WASHINGTON, April 11, 2023 (GLOBE NEWSWIRE) -- FTI Consulting, Inc. (NYSE: FCN) today released the findings of its [2023 U.S. Loan Market Survey](#), which offers insight into bank and non-bank lenders' perspectives on the U.S. loan industry and highlights expectations for leveraged credit market conditions in 2023.

This year's survey responses reflect the most cautionary outlook seen in the five years that FTI Consulting has conducted the survey. According to the results, 71% of respondents believe that the probability of a U.S. recession in 2023 or 2024 is material (54%) or likely (17%), with only 11% believing that real U.S. GDP growth in 2023 will exceed 2.0%.

"What we have seen over the course of the last couple of years is a gloomier outlook for the U.S. economy," said [Dave Katz](#), a Senior Managing Director in the Senior Lender Advisory practice. "The responses in this year's survey are consistent with recent dialogue we have had with our lender clients and contacts, with recession concerns and credit tightening risks amplified by the recent bank failures."

The report highlighted a common concern among lenders contending with prior lax lending standards and loose credit documentation terms. Respondents expect loan performance, lender remedies, workouts and recoveries to be impacted in the year ahead should the business climate weaken further. More than three-quarters of respondents (82%) said that loan defaults and workout activity will be substantially higher (34%) or slightly higher (48%) this year compared to 2022.

Retail was identified as the sector most likely to experience distress over the next 12 months for the second year in a row. Real estate and REITs moved into the second spot, but healthcare and pharma saw the biggest jump from last year (34%) to be among the top three sectors respondents believe are most vulnerable to defaults or workouts in 2023.

More key findings from the survey include:

- For the first time in the past five years, macro-driven factors accounted for the largest share of actively managed loans.
- Nearly all respondents predict high inflation will continue, with 76% anticipating a range between 3% and 6% for 2023, and nearly a quarter (22%) anticipating inflation to be more than 6%.
- Nearly three-quarters (74%) of respondents expect Fed rate increases to continue, but the majority of those lenders (61%) believe there will be fewer and smaller rate hikes.
- The effects of the "crypto winter" are expected to continue, with nearly half of respondents (49%) anticipating more significant cryptocurrency-related bankruptcies will occur this year.

"Unlike previous years, a large majority of respondents expect leveraged loan underwriting standards will be more restrictive in the year ahead," said [Chuck Carroll](#), a Senior Managing Director and Leader of the Senior Lender Advisory practice at FTI Consulting. "Nonetheless, lenders will have to contend with the consequences of years of loose lending standards that can provide struggling borrowers with financing maneuvers that subvert conventional lender protections and diminish collateral strength as the economy further weakens."

Survey Methodology

For this survey, FTI Consulting received 180 responses from bank and non-bank lenders across the United States between February 20 and March 8, 2023. Respondents include workout group lenders, Managing Directors, Directors, Vice Presidents, Executive Directors and Chief Credit Officers.

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. With more than 7,600 employees located in 31 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges and make the most of opportunities. The Company generated \$3.03 billion in revenues during fiscal year 2022. In certain jurisdictions, FTI Consulting's services are provided through distinct legal entities that are separately capitalized and independently managed. For more information, visit www.fticonsulting.com and connect with us on [Twitter \(@FTIConsulting\)](#), [Facebook](#) and [LinkedIn](#).

FTI Consulting, Inc.

555 12th Street NW
Washington, DC 20004
+1.202.312.9100

Investor Contact:

Mollie Hawkes
+1.617.747.1791
mollie.hawkes@fticonsulting.com

Media Contact:

Matthew Bashalany
+1.617.897.1545

matthew.bashalany@fticonsulting.com



Source: FTI Consulting, Inc.