



Lenders Not Ready to Signal “All-Clear” When It Comes to the Economy, According to New FTI Consulting Survey

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WASHINGTON, Jan. 22, 2024 (GLOBE NEWSWIRE) -- FTI Consulting, Inc. (NYSE: FCN) today announced the findings of its [2024 Leveraged 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 the year ahead.

This year's survey found cautious optimism prevails among lenders after a challenging year, with 45% of respondents believing that the probability of a U.S. recession is minor compared to last year, when only 29% had this view. Despite the surprising strength of the U.S. economy last year in the face of monetary tightening and high inflation, about one-third (34%) of respondents still say there is a material probability of recession in 2024, while 8% believe a recession is likely even as these adverse conditions appear poised to ease.

“Last year began with a lot of pessimism about the impacts of high inflation and monetary tightening, but it ended with many convinced that inflation had been tamed, a recession had been averted and earnings growth was set to resume,” said [Chuck Carroll](#), a Senior Managing Director and Leader of the Senior Lender Advisory practice at FTI Consulting. “The findings in this year's survey point to more tempered enthusiasm, with the continuation of high interest rates and lingering economic uncertainties lowering respondents' expectations for 2024.”

Real estate and REITs is the industry sector most likely to experience distress in 2024, with 67% of respondents citing it first, compared to 48% in 2023. Retail fell to second after holding the top spot for the past two years, while healthcare remained in the top three for the second year in a row.

More key findings from the survey include:

- The expected inflation outlook is improved, but still high. Two-thirds of respondents (67%) said the inflation rate will exceed 3% by year-end, above the Fed's target, compared to 97% who gave this response a year ago.
- Nearly one-half (46%) of respondents believe that persistently high interest rates despite easing inflation is the most underestimated risk by financial markets in 2024, at least double the rate of any other response.
- More than one-half (57%) of respondents expect recovery rates on defaulted senior secured debt will remain below historical norms in the year ahead, with non-bank lenders more likely to believe this (66%) than bank lenders (53%).
- ESG considerations fell in importance to lenders, with 41% of respondents saying that ESG factors minimally impact their lending decisions, if at all, compared to 27% last year.

“It's encouraging to see more optimism in this year's survey, but the expectation of ongoing low recovery rates likely starts to affect behavior both before and after filings,” said [Dave Katz](#), a Senior Managing Director in the Senior Lender Advisory practice within the Corporate Finance & Restructuring segment at FTI Consulting. “It's clear, formidable challenges remain before the economy and markets are truly free to run.”

Survey Methodology

FTI Consulting surveyed large bank and non-bank lenders between December 7, 2023 and December 19, 2023, including commercial banks, investment banks, private credit platforms, CLOs and BDCs. Respondents included chief credit officers, workout group leaders, managing directors, senior vice presidents, executive directors, directors and vice presidents. The survey received approximately 250 responses.

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 8,000 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.

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