

Your quarterly download on the economy and what it means for your clients. Brought to you by Gusto's team of economists.

[Watch this quarter's webinar](#)

Headline

A strong US economy is showing definite signs of slowing. Jobs are down and new hire pay is dropping, easing talent difficulties for many businesses. Economic activity continues to slow, gradually. Financing got noticeably more difficult. Businesses should focus on workforce strategy long-term, build reserves and avoid financing if they can, and expect soft revenues in the coming months.

Trends to Watch

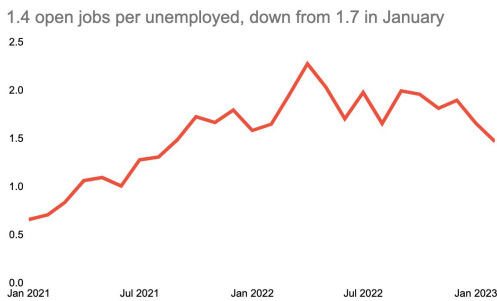
Tight Labor Markets. *It's (mostly) still hard...*

Open jobs per unemployed dropped to 1.4, from 1.7. Still tight, but a big improvement. New hire pay is dropping and likely to continue to slow, meaning better talent prices through summer. Hiring is still slow across the board, and long-term gaps between open roles and available talent still plague in-person industries and business professions.

Metrics to Watch



↑ Jobs-per-unemployed = ↑ difficulty hiring



Source: Gusto data

Declining New Hire Pay means talent at a better price than 2022



Source: Gusto data

Consumer Spending, Inflation and Interest

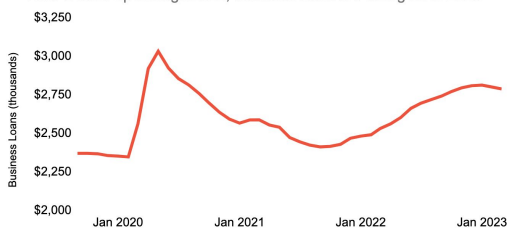
Consumer spending remained mostly stable QOQ, with continued declines in retail categories. We continue to expect spending declines to be gradual in 2023. Core inflation is responding to interest rate increases, but will take until 2024 to reach target level. Coupled with inflation, more risk in the financial system will create stricter lending requirements and reduce financing availability. Supply chain improvements have been significant, and should help predictability of supplies.

Metrics to Watch



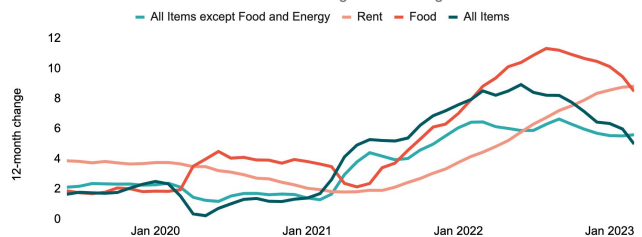
Financing availability to decline except for highly qualified borrowers, even as inflation eases, due to greater risk of instability.

After a build-up through 2022, business loans are falling off in 2023



Source: St. Louis Federal Reserve (FRED)

Inflation in most categories is easing



Source: St. Louis Federal Reserve (FRED)

So what? Strategies for SMBs

- Businesses providing in-person services, healthcare, B2B services have long-term shortages. Adjust workforce strategy to include younger and older workers, remote and international workers.
- Build working capital reserves. Get available [tax credits](#), grants or government [support](#) to ease cash flow.
- Consider delaying large investments for at least 6 months, if possible, to wait for better financing conditions.