

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

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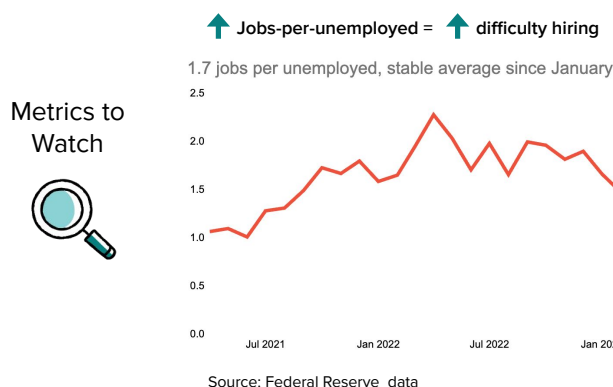
Headline

The economy is drifting sideways after a bit of cooling earlier in the year, reviving chances of a soft landing. The economy is still adding jobs, but workers are less confident about finding new work, even though the job market is still decidedly in their favor. Big unknowns hang over the economy, including the resumption of student loan payments. With inflation cooling, the outlook suggests relative stability for SMBs coming into the fall.

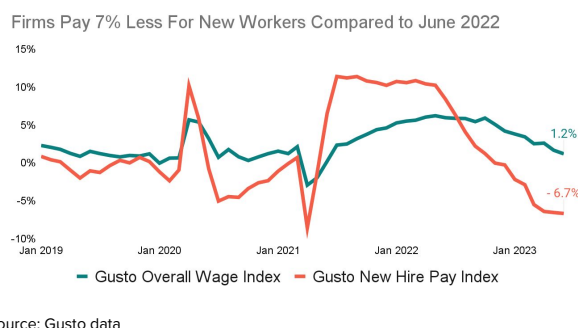
Trends to Watch

The 'forever' talent shortage

The labor market has stabilized around 1.7 jobs per unemployed, with variations between 1.4 and 2.1 over the last six months. Despite these favorable conditions, new hire pay and quits are dropping, indicating that employers are learning to 'make-do' with fewer workers, and workers are less confident. Invest in engagement and development.



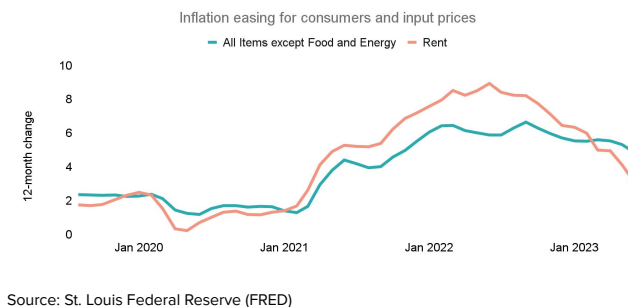
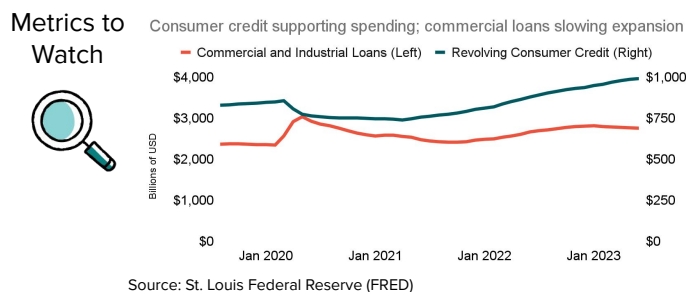
Declining New Hire Pay means talent at a better price than 2022



Consumer resilience and inflation progress point to 'soft landing'

Consumers have pulled back from spending on physical goods, but services continue to be buoyant. We do not expect large drops in consumer spending, but increasing price consciousness through end of year. Bank financing has gotten much tighter, and will likely continue this way through end-2023. Finance projects from retained earnings and whip the balance sheet into shape. We're keeping an eye on student loan repayments and small bank financial stability, as these could change the trajectory for a 'soft landing' for the economy.

Resilient consumers, driven by services, and tougher financing create opportunities to get the balance sheet in good shape



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 in shape to grow sustainably. Get available [tax credits](#), grants or government [support](#) to increase cash balances. Expect price conscious, but still resilient consumers.