

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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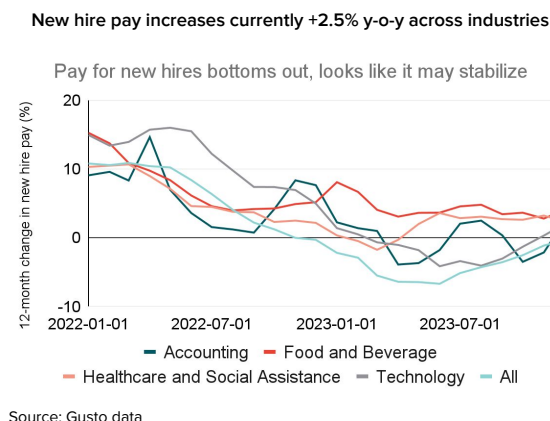
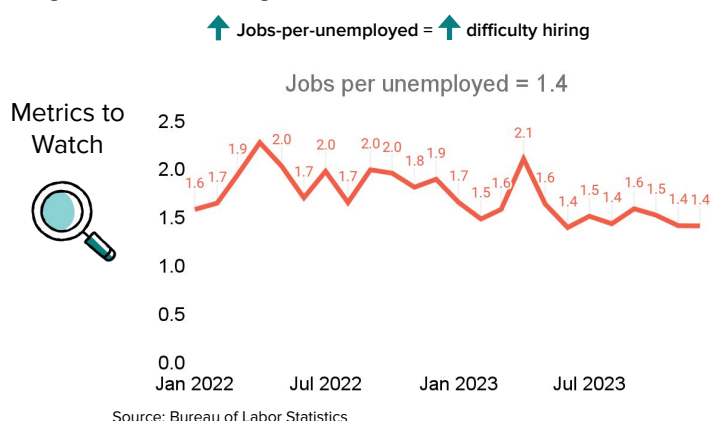
Headline

Job searchers have more realism about job-seeking, though many companies are still constrained by too few workers. Investments are down due to high interest rates, and will remain so until the Fed cuts near mid-year. Despite these headwinds, the economy continues to grow, bolstered by consumer spending and progress against inflation. With a few caveats, we expect a moderately healthy Q1/Q2 overall, with finance-dependent industries continuing to be deflated until the Fed cuts rates around mid-year.

Trends to Watch

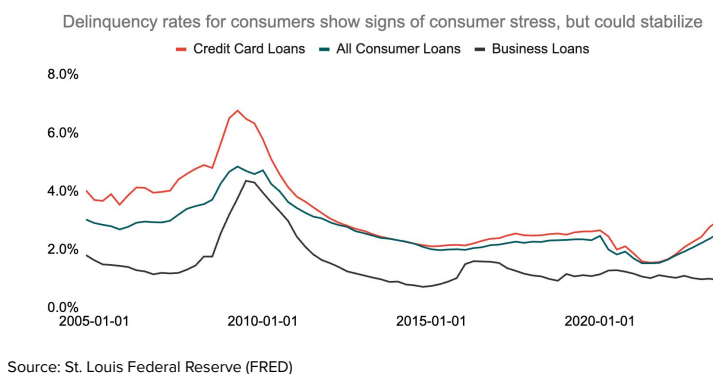
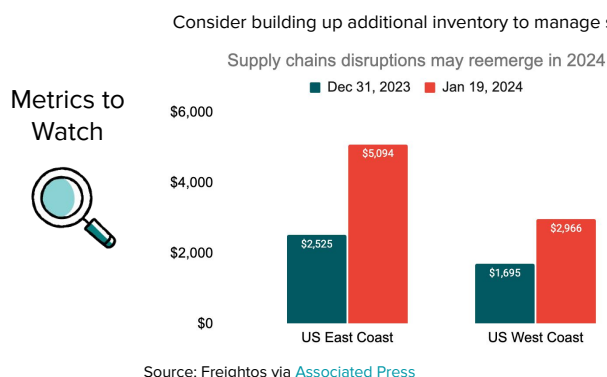
Labor markets drift toward normalization.

Jobs-per-unemployed continues to be above historic levels, this is a long-term trend. Yet, employment growth is drifting towards nearly even, although some industries have more positive growth than others. Job openings for SMBs (1-249 employees) has been stable around 5.5m, despite hiring slowdowns, indicating continued difficulty filling roles for this segment.



Watchouts: Supply chains, private investment

While outlook is good, risks to the economy include supply chain disruptions, low private investment, and consumer stress - loan delinquencies are on the rise, though they may stabilize. Excepting private investment, these are risks, not headwinds.



So what? Strategies for SMBs

- Cultivating long-term talent pipelines can help ease hiring in a consistently tight labor market.
- Expect financing to continue to be difficult to obtain. Build working capital and reserves to grow sustainably.
- Anticipate delays from suppliers who source from Asia. Consider seeking alternative suppliers for business-critical goods.